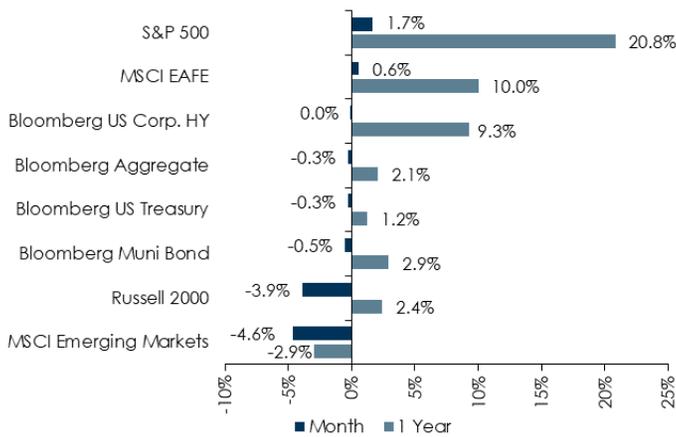


Economic Overview

- US GDP exceeded expectations with a 3.3% annualized growth rate in the 4th quarter, bringing total 2023 calendar year growth to 3.1%
- The US Fed held rates steady for a 4th consecutive meeting but also pushed back against expectations for imminent rate cuts
- Prices rose more than expected with headline CPI rising 3.4% as the increase in shelter costs remain a drag on inflation's path to the 2% target

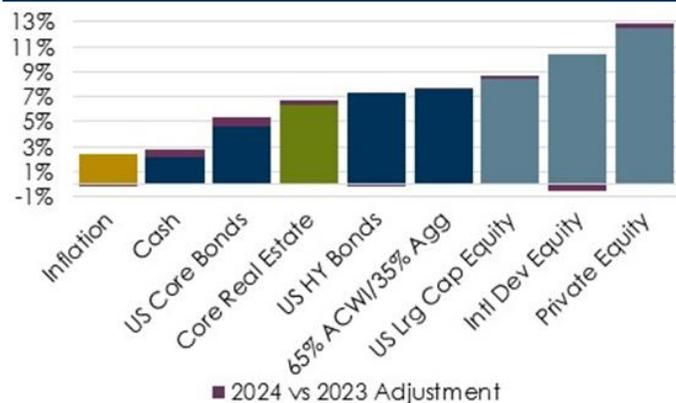
Market Returns

- Mixed returns saw large caps beat small and US beat non-US
- EM lagged as China's equity underperformance continued



Source: Bloomberg, ACG Research (as of 1/31/2024)

ACG's Average Annual Return Assumptions (Next 10 Years)



Asset Class Valuations - Rebalancing Rationale

- Equities discounting a soft landing and brisk pace of policy easing
- Favor core bonds (US Treasuries) over high yield
- Cash remains attractive with yields around 5%

Asset Class	Current Valuation	Rationale
US Large Cap	Overvalued	Expensive valuations
US Small Cap	Fairly Valued	Balanced upside/downside risks
Int'l Developed	Fairly Valued	Favorable valuations but stagnant outlook
Emerging Mkt	Fairly Valued	Balanced upside/downside risks

Cash	Undervalued	High current yield
Core Bonds	Undervalued	Favor high quality
Multi-Sector	Fairly Valued	Duration, spreads balanced
Unconstrained	Fairly Valued	Duration, spreads balanced

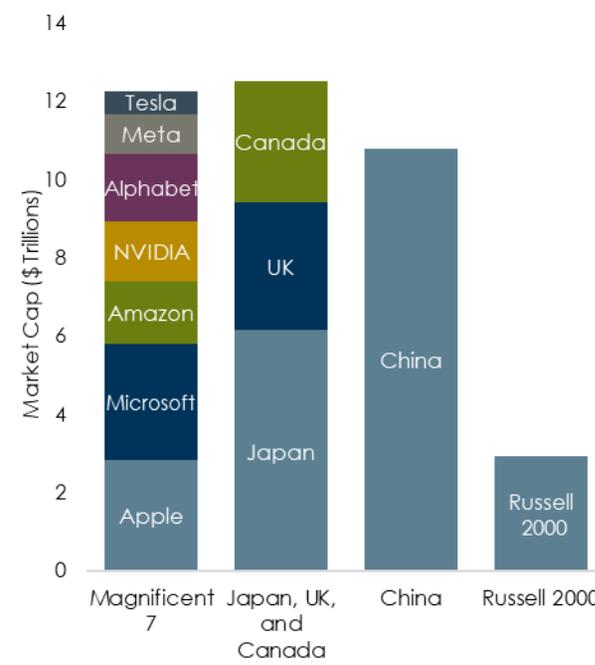
Core Real Estate	Overvalued	Historically low (but rising) cap rates
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Key Risk Factors We Are Watching

- Inflation and labor market data
- Accumulating consumer headwinds (higher rates, student loan repayments, depleted savings...)
- Fed policy mistake
- Downward revisions to corporate earnings
- Ongoing geopolitical tensions
- Weaker than expected China recovery

Mega Cap Values Exceed Entire Global Markets



Source: Morningstar, World Federation of Exchanges (as of 1/31/2024)

Recent Articles (click on links below)

- [Is Cash King? \(February\)](#)
- [Japan – Can the Recent Equity Rally Continue? \(January\)](#)
- [Global Manufacturing \(November\)](#)

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