



THE GLOBAL ECONOMIC & INVESTMENT ENVIRONMENT AND STRATEGY

October 2021

Presented by:

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CEO & Chief Investment Officer

GLOBAL ECONOMIC & INVESTMENT ENVIRONMENT

I. Global economic activity expected to continue to improve after the initial “V” shaped recovery in the third quarter 2020.

- Anticipated global economic recovery and growth underpinned by massive global monetary and fiscal stimulus.
 - Monetary policy expected to remain accommodative in the intermediate term. Anticipate tapering and modest rate increase in 2022.
 - The Response & Relief Act (enacted December 27, 2020), President Biden’s \$1.9 Trillion American Rescue Plan Act (signed March 11, 2021), and future infrastructure plan should provide additional fuel to economic growth over at least the next couple of years.
- Immediate term head winds caused by the Delta variant will hopefully just moderate growth versus cause another global recession.
- Envision a Nike swoosh economic recovery in the future -- the “V” shaped recovery experienced in late 2020 and first half of 2021, followed by more gradual growth.
- Longer term trend growth probably stuck in the 1%-2% range due to the excessive debt taken on around the world. There is no “free lunch”.

II. Market volatility likely to persist.

- There are many issues on the “front burner” that could hurt, or help, the economy and the markets. These issues include: Delta variant, inflation fears, monetary policy changes, labor shortage, depleted finish goods inventory, tax changes, U.S. midterm elections, and geopolitical issues (China, Afghanistan, North Korea, Russia, and the Middle East).
- Timing and strength of the economic improvement and thus corporate earnings is unpredictable, breeding investor uncertainty and unease. We think the key to equity market appreciation is strong corporate earnings growth.
- There are signs of market froth – Equity markets are at record highs, Bitcoin was \$63,000 before falling to \$29,000 and now back to \$60,000, ARK Innovation ETF was up over 150% in 2020 (after 2021 correction still up over 135% from 2019), record number of new Special Purpose Acquisition Companies (SPACs) formed, and retail interest in stocks is skyrocketing.
- There is fear that inflation could be more significant versus transitory. We think current inflation increases are transitory. Regardless, this could lead to anticipation of more aggressive rate increases which could hurt economic growth.

GLOBAL ECONOMIC & INVESTMENT ENVIRONMENT

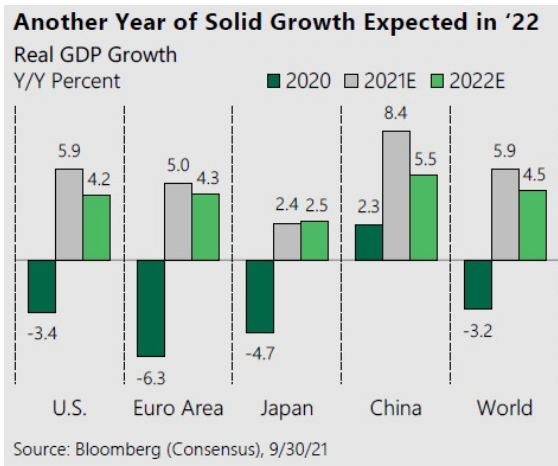
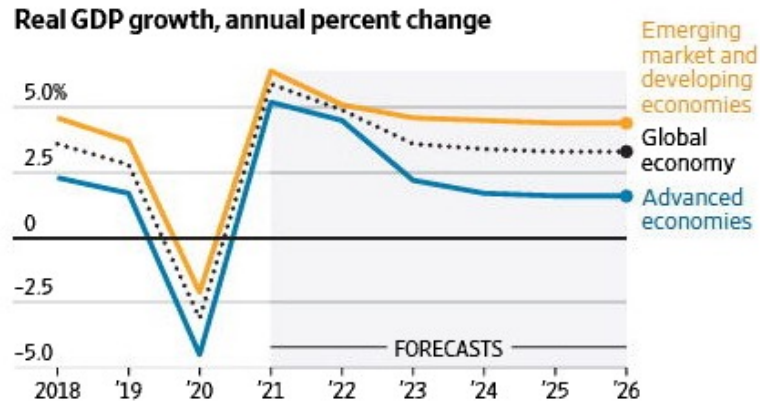
III. Remain positive on the equity markets. The fixed income markets continue to be challenging due to the expected ongoing low interest rate environment.

- Three major drivers for the equity market are 1) expected earnings growth, 2) plenty of liquidity, and 3) there is no alternative (TINA).
- U.S. equity market is back at its high. Market performance picture has been distorted the last several years due to strong appreciation of a small number of large capitalization technology stocks. Since November 2020 the market has broadened.
- Equity market valuations are full, but look more reasonable excluding the FAANG (Facebook, Apple, Amazon, Netflix and Google) stocks and Microsoft stock. Stocks are attractive relative to bonds.
- Equity market likely to consolidate and move sideways in the near term resulting from unknown economic conditions.
- Market leadership shifting due to view on whether economic outlook is improving.
- Expect sector and stock price appreciation to rotate between secular growth stocks and cyclical growth stocks. Quality company fundamentals, earnings growth, and attractive valuations should continue to matter, and are needed to justify stock price appreciation.
- Active management versus passive management should be more attractive. Historically, in a broadening, more differentiated market environment, active management's focus on fundamentals generates alpha. Active management helps protect/limit risk exposure in more volatile/down markets.

INVESTMENT STRATEGY: GLOBAL EQUITIES

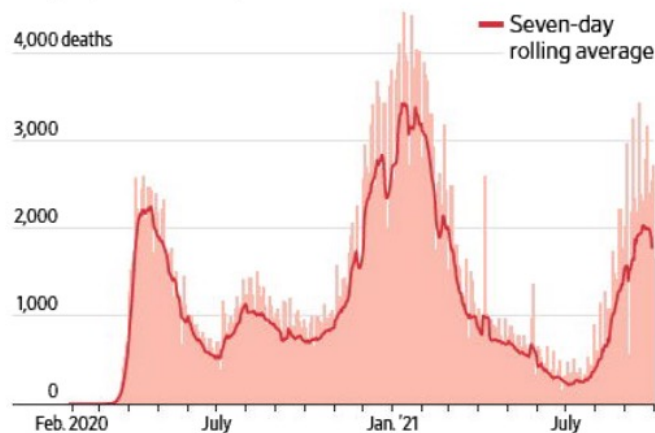
- I. Invest in quality companies that have unit growth in sales and operating margin improvement resulting from volume/efficiency scalability. This should lead to higher quality, more predictable earnings growth.**
- II. Focus on stocks with earnings growth that can justify valuations. Scrutinize holdings that have valuations back at pre-COVID levels. Try to be opportunistic and invest in stocks where price weakness is not reflecting fundamentals.**
- III. Invest in a barbell portfolio due to the difficulty in predicting the timing and strength of the economic recovery.**
 - We want exposure to growth generated from secular growth themes (i.e. 5G telecommunications, cloud computing, online shopping, artificial intelligence, aging population) as well as economic (cyclical) growth.
 - One side of the barbell is traditional growth sectors (technology, health technology, health services, communications) while the other side of the barbell is cyclical growth sectors (capital goods, financials, transportation, retail trade, consumer durables).
 - All stocks possess high-quality characteristics and revenue/earnings growth. Growth stocks that pay a dividend should also be very attractive.
- IV. Prefer geographic areas of U.S., Europe, South Korea and India. More cautious on China due to increased government oversight on a number of business sectors.**

GLOBAL GDP EXPECTED TO GRADUALLY IMPROVE



U.S. deaths from Covid-19 have leveled off following a two-month surge that led to an additional 84,500 Covid deaths.

Daily reported Covid-19 deaths in the U.S.



Note: For all 50 states and D.C., U.S. territories and cruises. Last updated Oct. 1, at 4:21 p.m. ET
Source: Johns Hopkins University

Latest World Economic Outlook Growth Projections

(real GDP, annual percent change)	PROJECTIONS		
	2020	2021	2022
World Output	-3.1	5.9	4.9
Advanced Economies	-4.5	5.2	4.5
United States	-3.4	6.0	5.2
Euro Area	-6.3	5.0	4.3
Germany	-4.6	3.1	4.6
France	-8.0	6.3	3.9
Italy	-8.9	5.8	4.2
Spain	-10.8	5.7	6.4
Japan	-4.6	2.4	3.2
United Kingdom	-9.8	6.8	5.0
Canada	-5.3	5.7	4.9
Other Advanced Economies	-1.9	4.6	3.7
Emerging Market and Developing Economies	-2.1	6.4	5.1
Emerging and Developing Asia	-0.8	7.2	6.3
China	2.3	8.0	5.6
India	-7.3	9.5	8.5
ASEAN-5	-3.4	2.9	5.8
Emerging and Developing Europe	-2.0	6.0	3.6
Russia	-3.0	4.7	2.9
Latin America and the Caribbean	-7.0	6.3	3.0
Brazil	-4.1	5.2	1.5
Mexico	-8.3	6.2	4.0
Middle East and Central Asia	-2.8	4.1	4.1
Saudi Arabia	-4.1	2.8	4.8
Sub-Saharan Africa	-1.7	3.7	3.8
Nigeria	-1.8	2.6	2.7
South Africa	-6.4	5.0	2.2
Memorandum			
Emerging Market and Middle-Income Economies	-2.3	6.7	5.1
Low-Income Developing Countries	0.1	3.0	5.3

Source: IMF, World Economic Outlook, October 2021

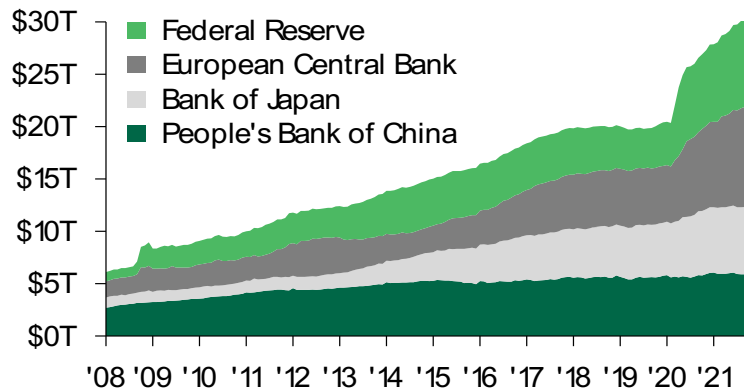
Note: For India, data and forecasts are presented on a fiscal year basis, with FY 2020/2021 starting in April 2020. For the October 2021 WEO, India's growth projections are 8.3 percent in 2021 and 9.6 percent in 2022 based on calendar year.

INTERNATIONAL MONETARY FUND

IMF.org

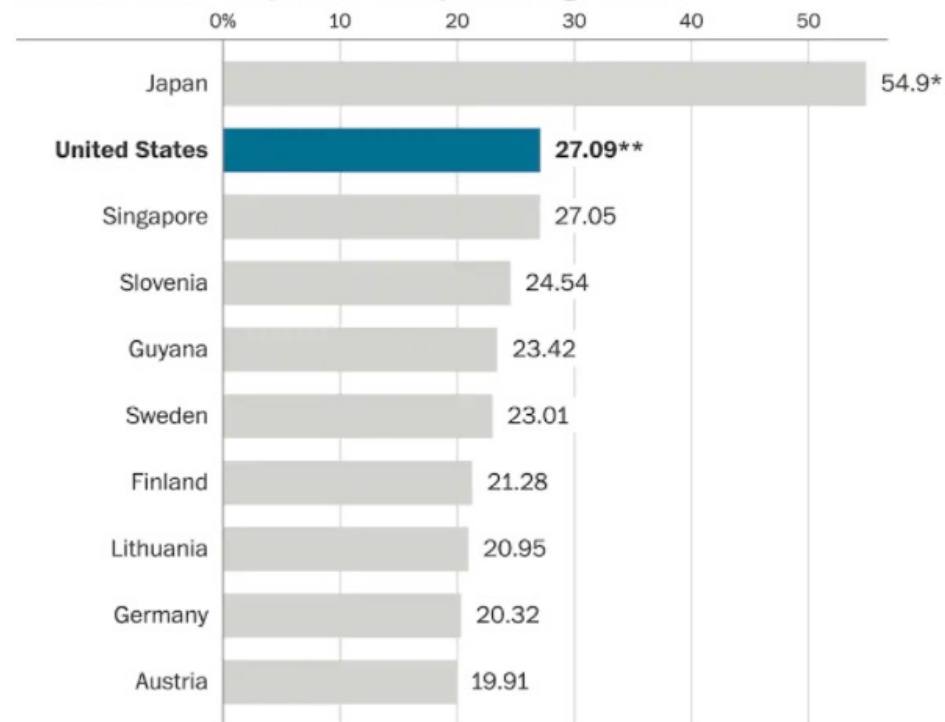
TRILLIONS COMMITTED TO STABILIZE THE WORLD ECONOMIES

Assets of Four Largest Central Banks
Trillions, in U.S. Dollars



Source: PBoC, BoJ, ECB, Federal Reserve

Covid-19 fiscal responses as a percentage of GDP



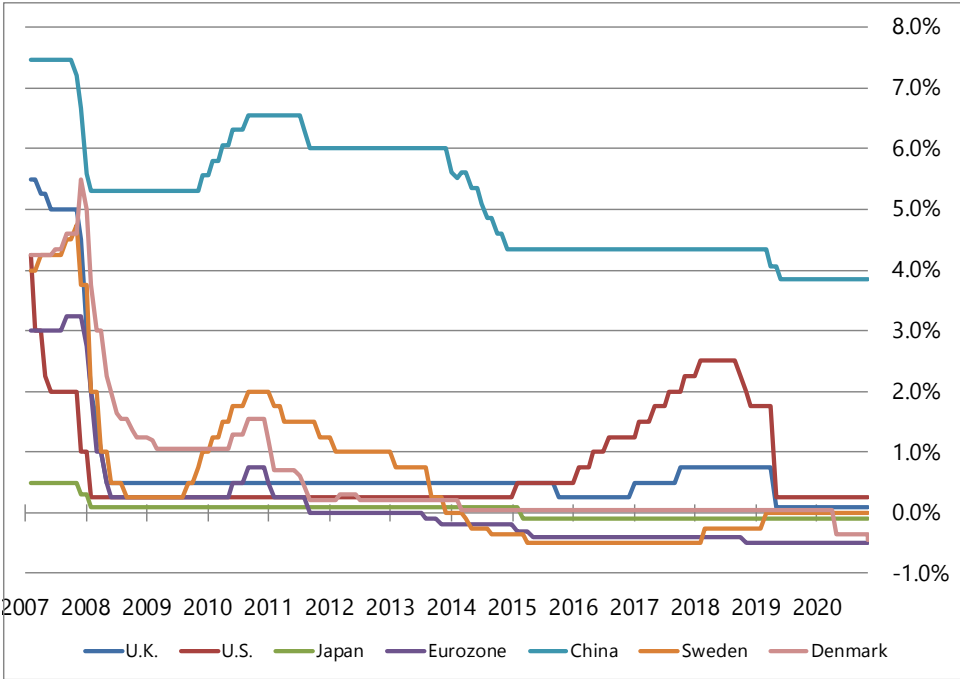
*Some economists dispute Japan's top-line fiscal response figures and estimate they make up less than 20 percent of GDP. **U.S. number includes \$1.9 trillion coronavirus relief package. Other figures are estimates from February.

EU fiscal stimulus announcements as a % of GDP

	Announced Fiscal Stimulus	% 2019 GDP	Weight in global GDP	Contribution to global fiscal stimulus % GDP
EU recovery fund	€750 bn	4.4%	-	-
France	€270-300 bn	11.5%	3.1%	0.36%
Germany	€236 bn	6.9%	4.5%	0.31%
Italy	€25 bn	1.4%	2.3%	0.03%
Sweden	SEK300 bn	6.1%	0.5%	0.03%
Spain	€17 bn	1.4%	1.6%	0.02%
Norway	NOK 100 bn	3.4%	0.4%	0.01%
EU	€1.34 tn	8.0%	15.8%	1.25%

Source: Washington Post 4/5/21, JP Morgan 6/1/21 People's Bank of China, Bank of Japan, European Central Bank & Federal Reserve 10/11/21

LOW INTEREST RATES GLOBALLY

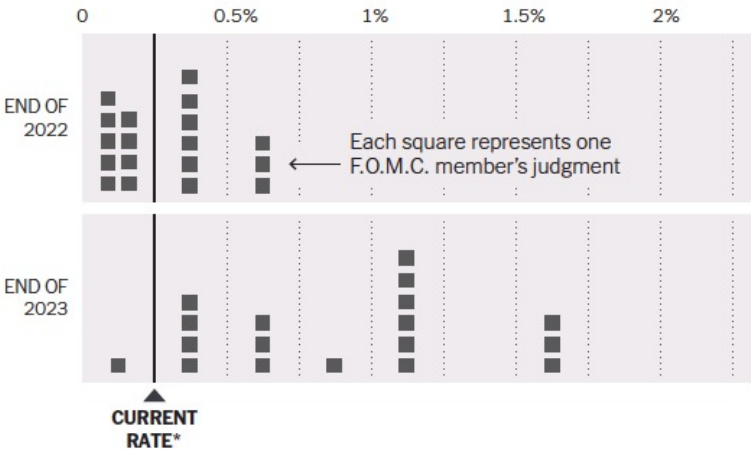


Approximately 22% of global GDP has a negative Central Bank interest rate. (Eurozone, Japan, Denmark and Switzerland)

Where the Fed Stands on Future Interest Rates

Current rate projections

What Federal Reserve officials think rates should be in the next two years.



Previous projections

What Federal Reserve officials thought in June rates should be.



*Upper limit of current target rate range. Squares denote the midpoint of the target range for the federal funds rate.

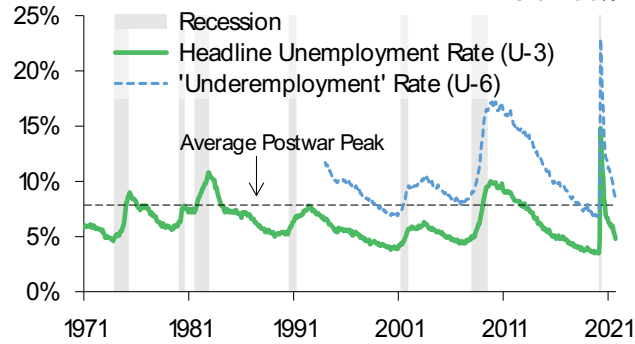
Source: Federal Reserve

THE NEW YORK TIMES

Source: Sit Investment Associates, Inc. 9/13/21, New York Times 9/23/21

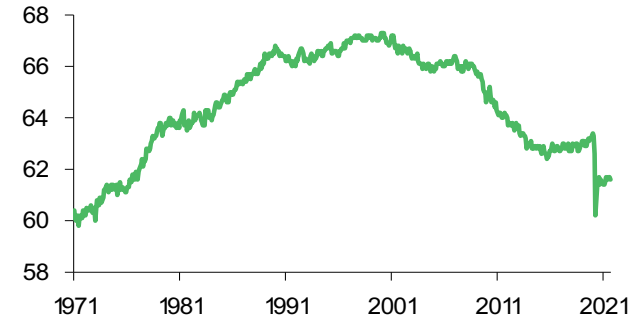
UNEMPLOYMENT SLOWLY IMPROVING

Unemployment Rate
United States, Percent



Source: U.S. Department of Labor

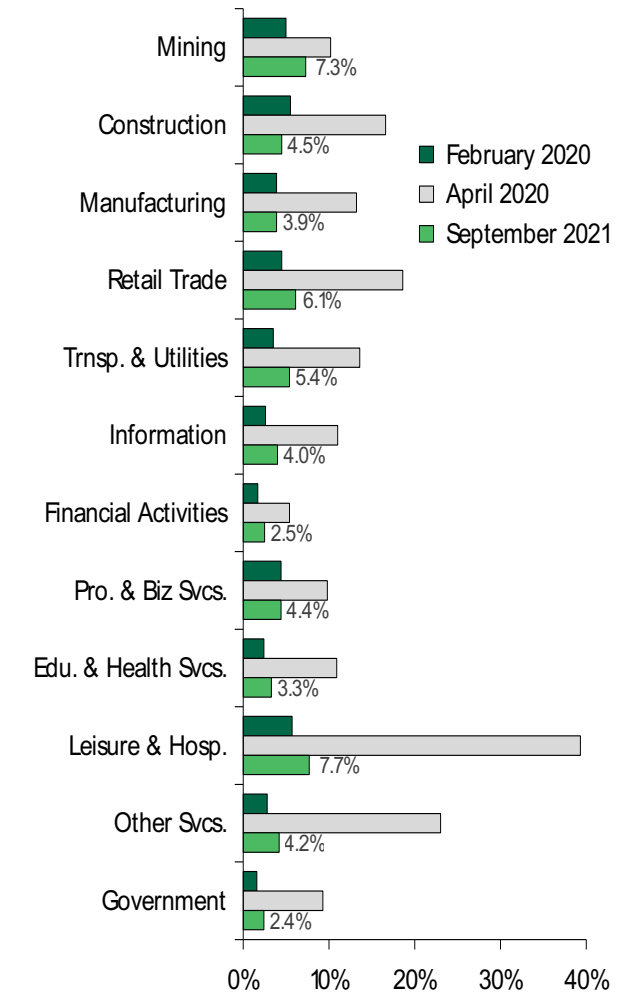
Civilian Labor Force Participation Rate
Percent



Source: U.S. Department of Labor

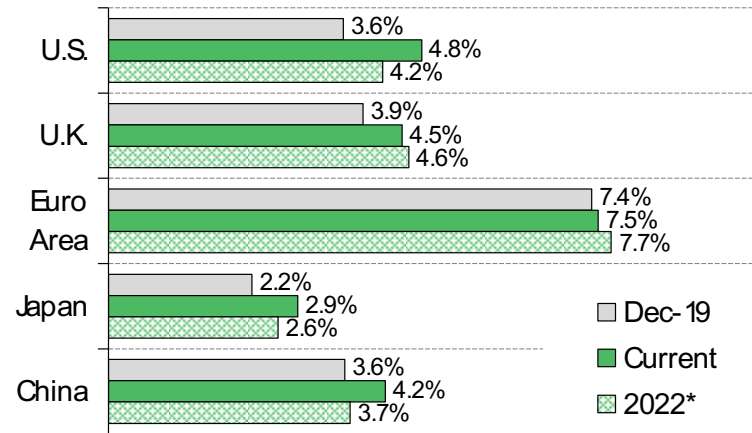
United States

Unemployment Rate by Industry
Percent



Source: Department of Labor

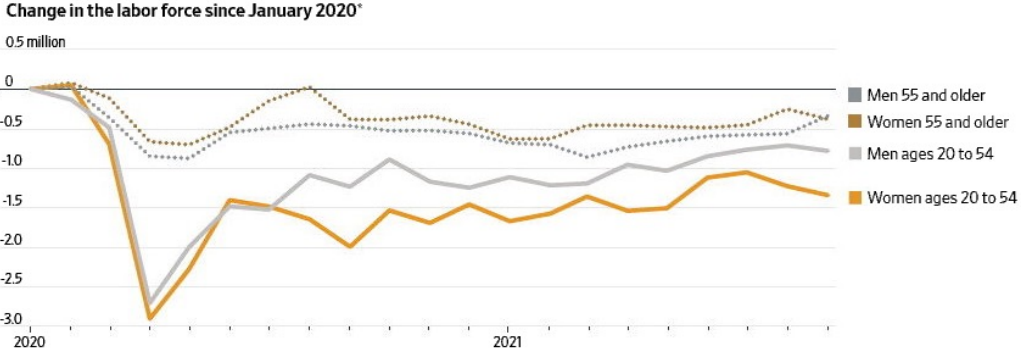
Unemployment Rates (%)



Source: FactSet

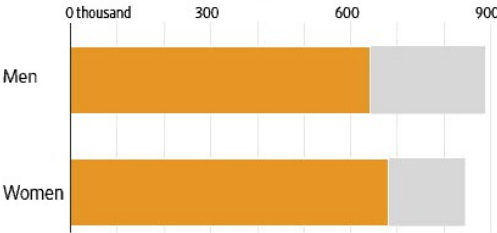
*Consensus

MANY STAY ON LABOR MARKET SIDELINES, PARTICULARLY WOMEN

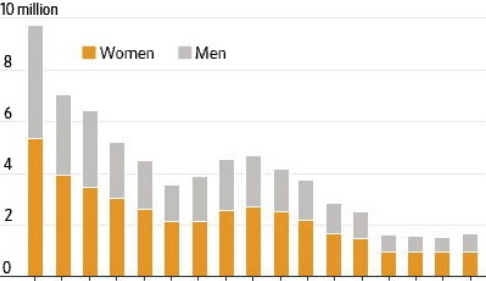


Job seekers who didn't actively look for work in the prior 4 weeks because they...

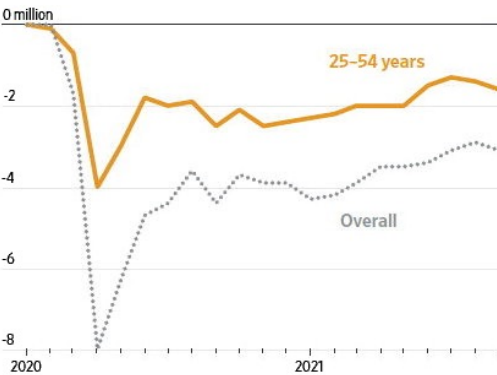
- Had other responsibilities, health issues or lack transportation
- Were discouraged over job prospects



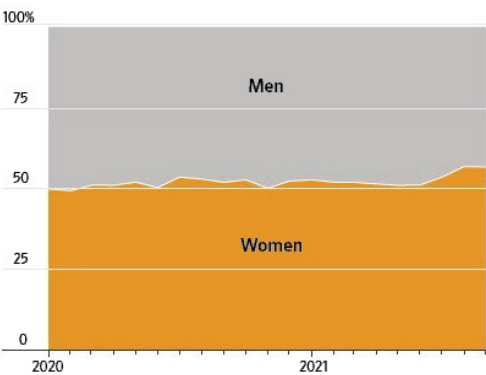
Those who didn't look for work in the past 4 weeks because of the coronavirus pandemic



U.S. labor-force level, change from January 2020*

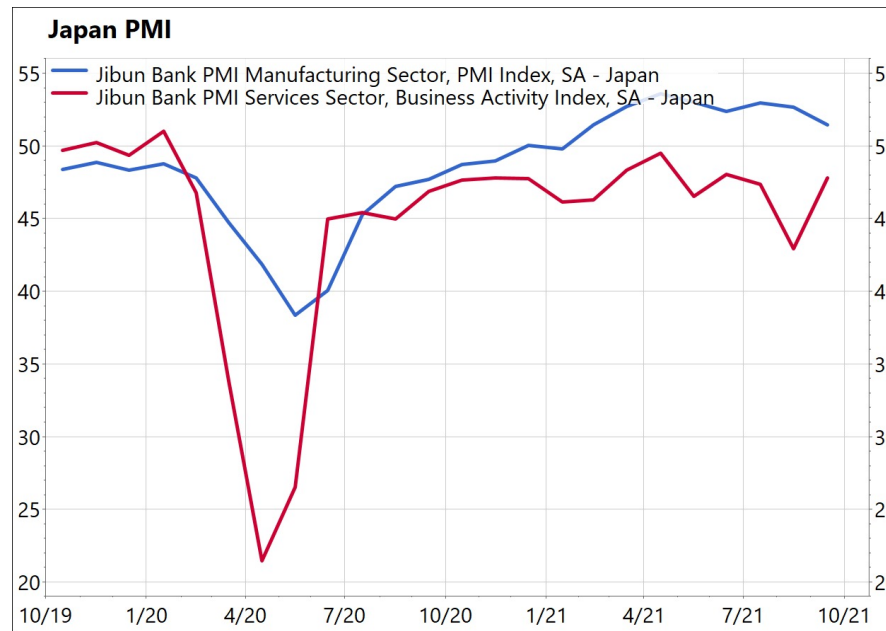
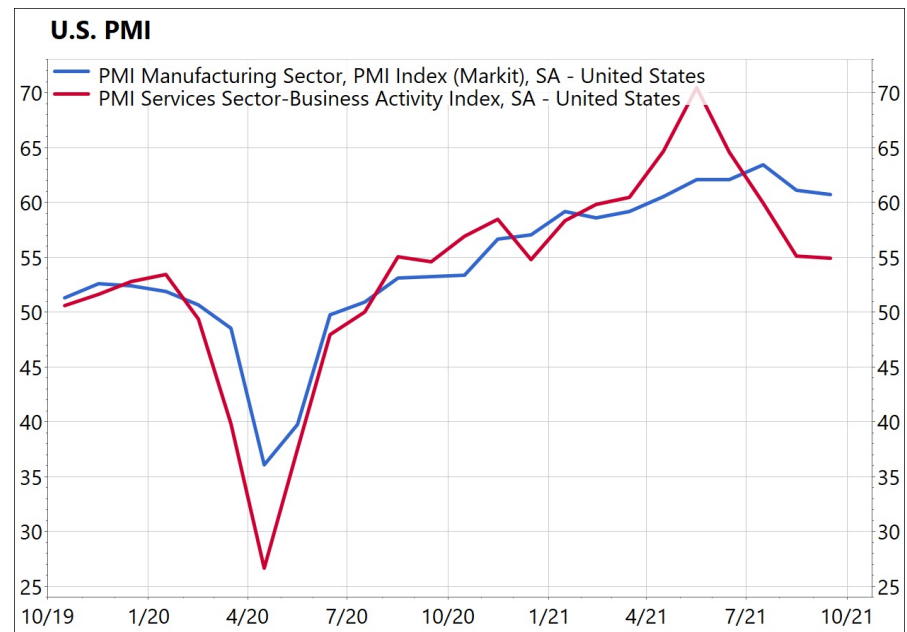
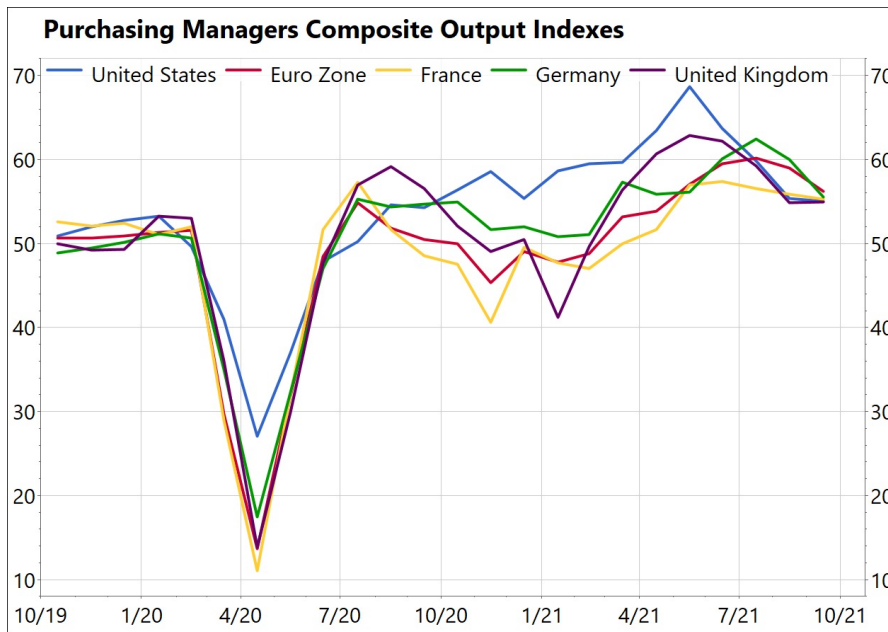


Those outside the labor force who want a job now



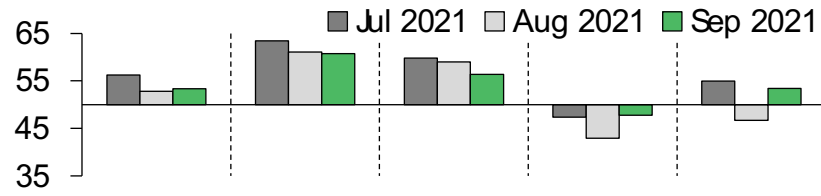
*Seasonally adjusted Source: Labor Department

ECONOMY STILL PICKING UP, DESPITE UNCERTAINTY

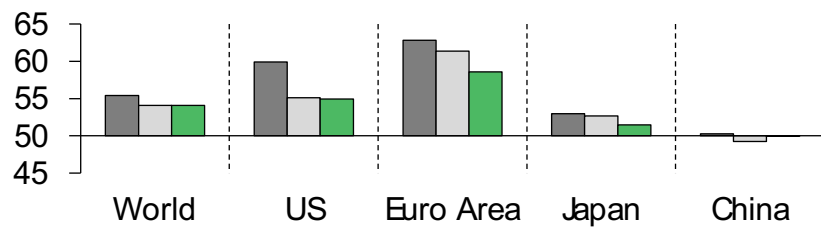


ECONOMY STILL PICKING UP, HELPED BY U.S.

Services Purchasing Managers' Index



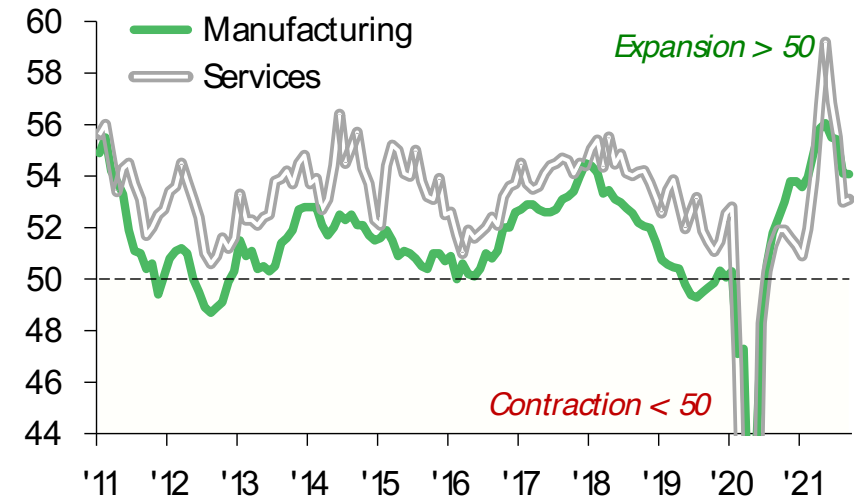
Manufacturing Purchasing Managers' Index



Source: IHS Markit

<50 Contraction >50 Expansion

World Purchasing Managers' Index



Source: IHS Markit/JP Morgan

PRIMARY FEATURES OF THE \$900 BILLION STIMULUS BILL (ENACTED 12/27/20)

Broader tool	Detailed measures
Direct benefits	<p>\$600 payments to adults with adjusted gross income upto \$75,000 based on 2019 earnings. Heads of households who earn up to \$112,500 and a couple (or someone whose spouse died in 2020) who make up to \$150,000 a year would get twice that amount.</p> <p>Eligible families with dependent children would receive an additional \$600 per child.</p> <p>President Trump is advocating for weekly payments to increase to \$2000. However, the proposal is yet to pass through the Senate.</p>
Unemployment benefits	<p>Extension of Federal jobless benefits until March 14.</p> <p>Expected weekly payment of \$300, half the amount announced earlier in spring.</p> <p>Extension of Pandemic Unemployment Assistance - aimed at freelancers and independent contractors - providing an additional \$100 per week.</p>
Education	Total budgeted amount: \$82bn; split between K-12 schools (\$54bn) and colleges/universities (\$23bn).
Broadband infrastructure	<p>\$7bn for expanding access to high speed internet connection.</p> <p>\$300mn for infrastructure investment in underserved rural areas.</p> <p>\$1bn in grants for tribal broadband programs.</p>
Targeted aid for small businesses	<p>\$285bn for additional loans to small businesses under Paycheck Protection Program (PPP).</p> <p>\$12bn specifically for minority owned businesses.</p> <p>Following the criticism in spring, the PPP is modified as follows: 1) Loans capped at \$2mn, for businesses with fewer than 300 employees and 25% y/y drop in sales in at least 1 quarter this year. 2) Publically traded companies are ineligible.</p>
Health care	<p>\$70bn for a range of public health measures: \$20bn for vaccine purchases, \$8bn for distribution, \$20bn for states to continue their test and trace program.</p> <p>Mortgage provisions for nursing homes and elder care centers.</p> <p>Ban on surprise medical bills.</p>
Child care	\$10bn for child care industry.
Climate	<p>New legislations to regulate HFC emissions.</p> <p>\$35bn to fund solar, wind and other clean energy projects.</p>
Rental protections	<p>Extension of moratorium on evictions through Jan 31.</p> <p>\$25bn in rental assistance.</p>
Food security	<p>Extension of monthly food stamp benefits (Supplemental Nutrition Assistance Program) by 15% for 6 months, beginning Jan 1.</p> <p>\$13bn for increased nutrition assistance, \$400mn of which would assist food banks and food pantries.</p> <p>Additional \$175mn earmarked for nutrition programs under Older Americans Act.</p>

\$1.9 TRILLION AMERICAN RESCUE PLAN ACT (SIGNED MARCH 11, 2021)

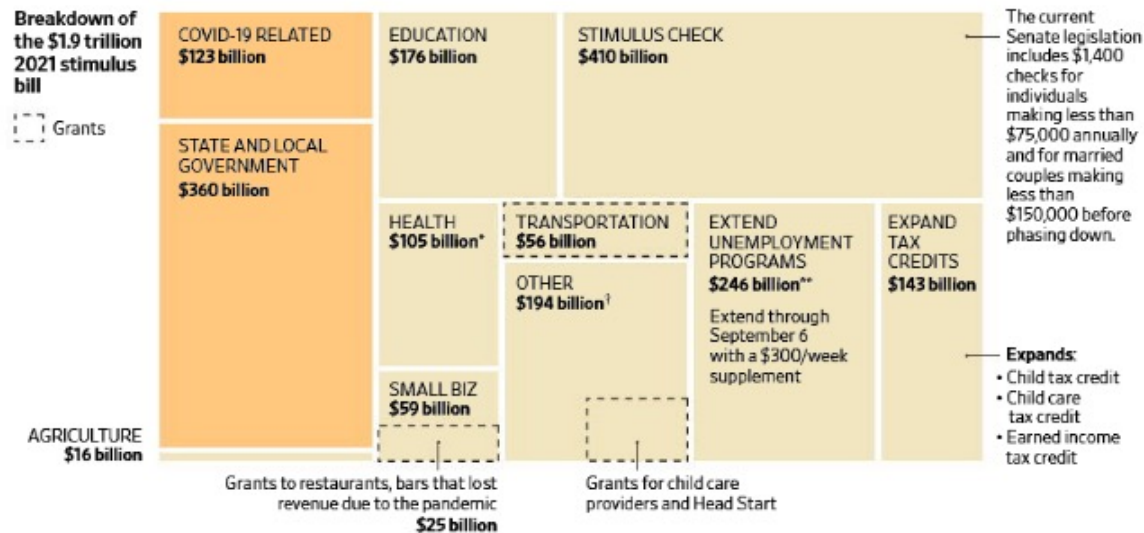
What's in the Covid-19 Relief Package?

The \$1.9 trillion legislation known as the American Rescue Plan Act includes a range of measures, from stimulus checks to child tax credits, jobless benefits, vaccine-distribution funds, healthcare subsidies and restaurant aid. This deal would be the largest aid package to pass since widespread restrictions tied to the coronavirus pandemic began in March 2020.

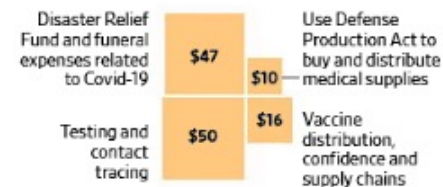
Latest bill compared with previous aid packages



Breakdown of the \$1.9 trillion 2021 stimulus bill



Covid-19-related policy spending, in billions



State and local government policy

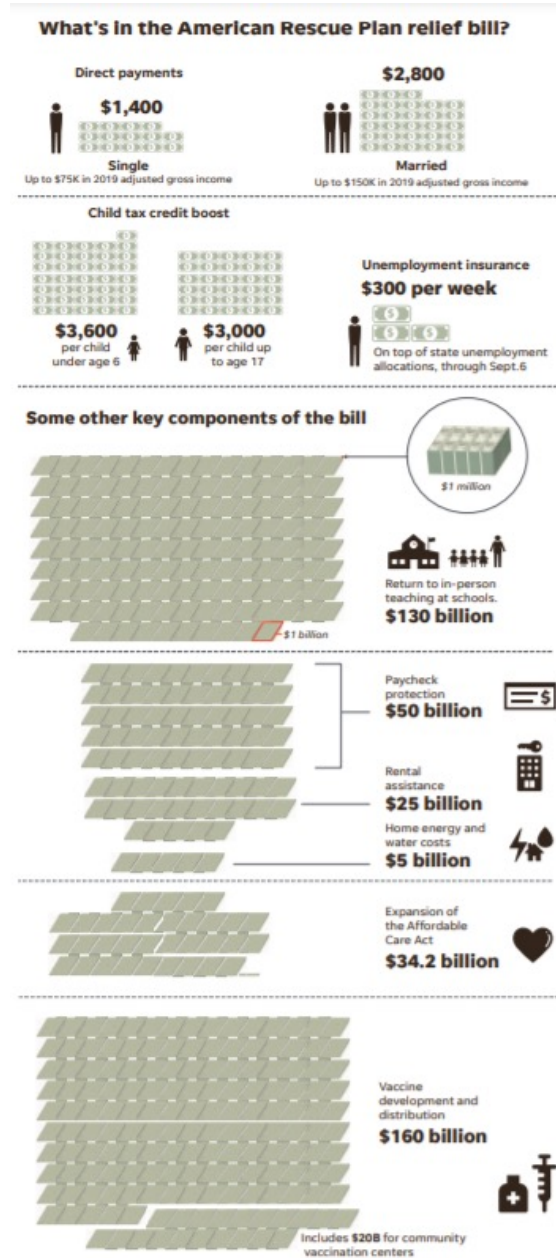


*Cobra subsidies and funding for LIHEAP are shared between two committees and included twice. \$18 billion was subtracted from the total to account for cap limiting how much drug manufacturers must rebate to Medicaid for drugs that have increased quickly in price.

**Based on House bill and doesn't take into account changes made in Senate, which reduced cost
 †\$22 billion was subtracted to account for the repeal rule allowing multinational corporations to calculate their interest expenses including foreign subsidiaries
 Note: Figures are preliminary and based on earlier versions of the bill and latest news reports. Deficit impact of various provisions may differ slightly from the total amount of aid offered.

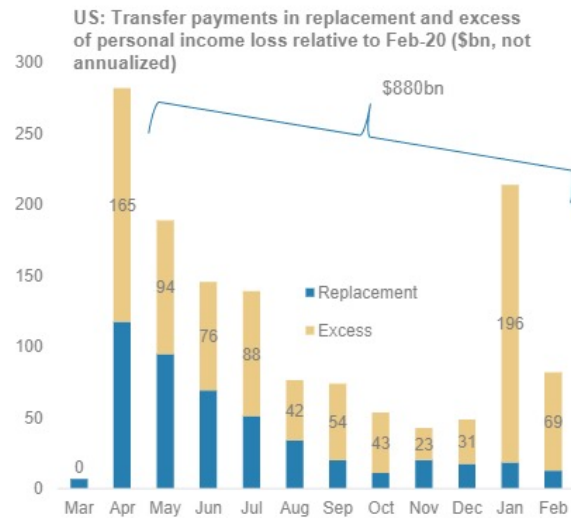
Sources: legislative texts; Congressional Budget Office via Committee for a Responsible Federal Budget

WHAT'S IN THE AMERICAN RESCUE PLAN RELIEF BILL?

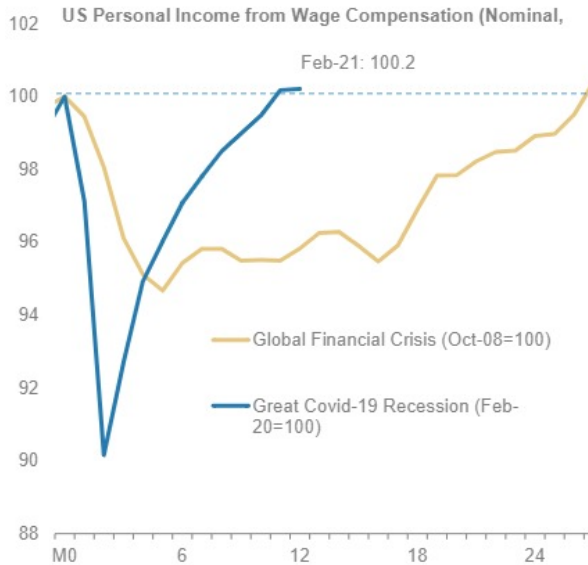


STIMULUS MORE THAN OFFSETTING EMPLOYMENT PRESSURES

US government transfers have exceeded households' lost income by \$880 billion from Apr-20 to Feb-21

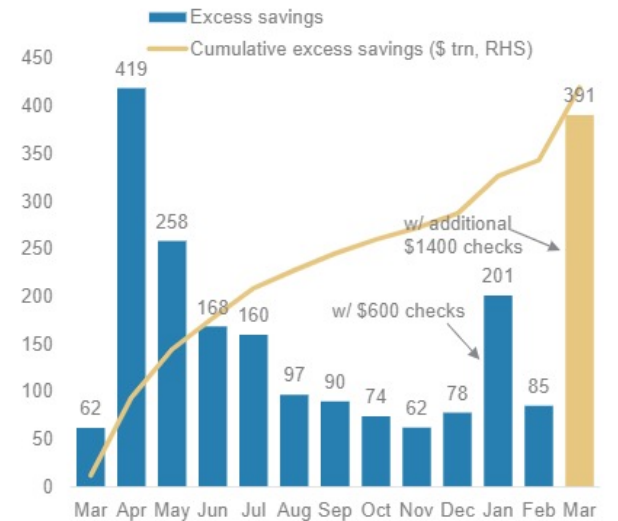


US personal wage income already back to pre-Covid levels



Source: Haver Analytics, BEA, Morgan Stanley Research

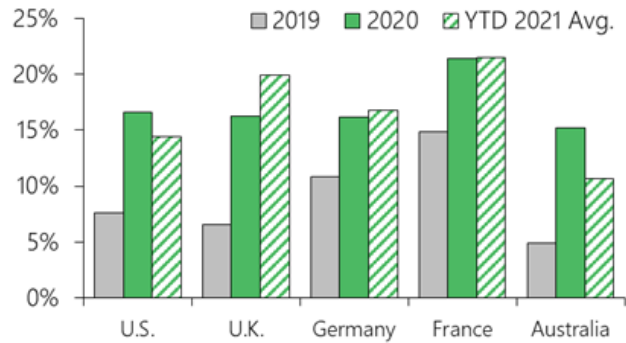
US Personal Excess Savings (\$ bn, not annualized)



Source: Haver Analytics, BEA, Morgan Stanley Research

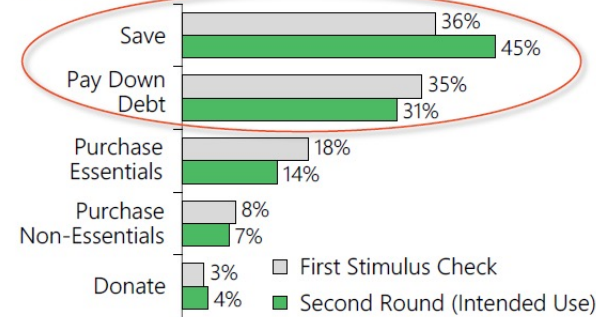
EXCESS SAVINGS CAN SUSTAIN PENT-UP DEMAND

Household Savings Rates
Percent of Disposable Income



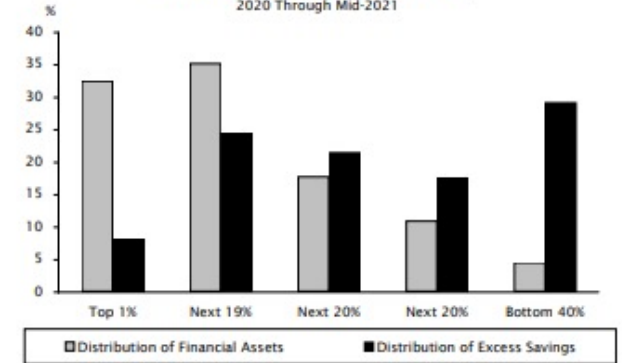
Source: Factset, National Sources

U.S. Households' Use of Stimulus Checks
Average Percentage



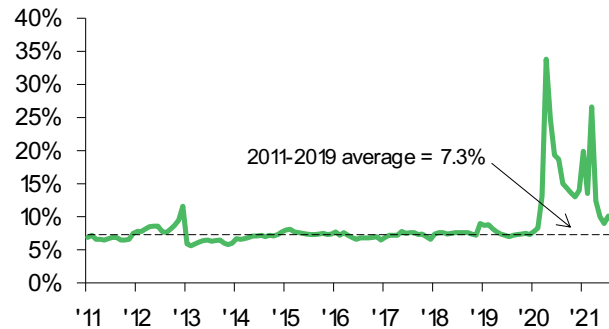
Source: Federal Reserve Bank of New York

The U.S. Consumer
Distribution of Excess Savings by Income Group
2020 Through Mid-2021



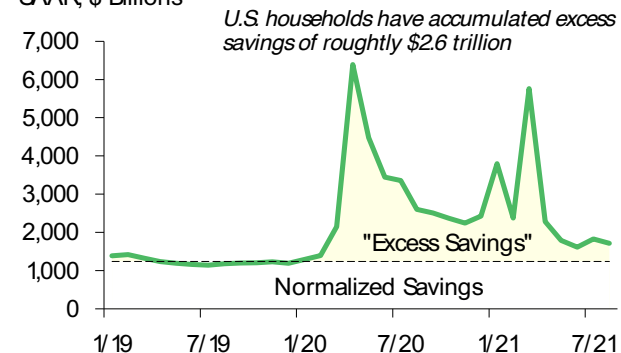
Source: Batty, M., Deeken, E. and Alice Henriques Volz, 2021. "Wealth Inequality and Covid 19: Evidence from the Distribution Financial Accounts," Fed Notes, Washington: Board of Governors of the Federal Reserve System, August 30.

U.S. Personal Savings Rate
Savings as a Percent of Disposable Income



Source: Bureau of Economic Analysis

U.S. Personal Savings
SAAR, \$ Billions



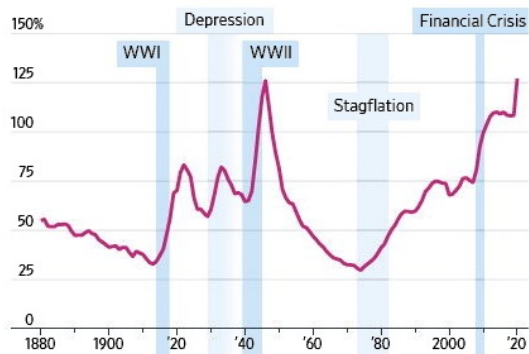
Source: U.S. Bureau of Economic Analysis

ELEVATED DEBT EVERYWHERE

Rising Debt, Falling Interest

As government debt levels in advanced economies have risen close to their highest ever...

Public debt as a percentage of GDP in 20 advanced economies



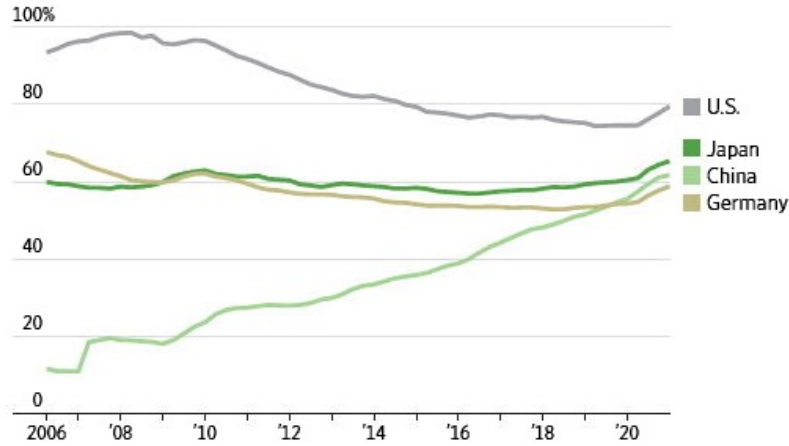
...governments' borrowing costs have fallen to an all-time low.

Average government bond yield in 20 advanced economies



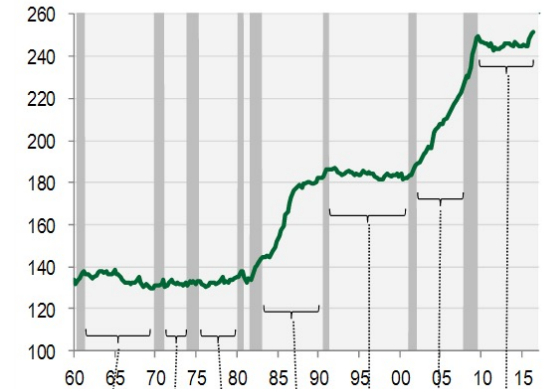
Source: International Monetary Fund

Household debt as a percentage of gross domestic product, quarterly

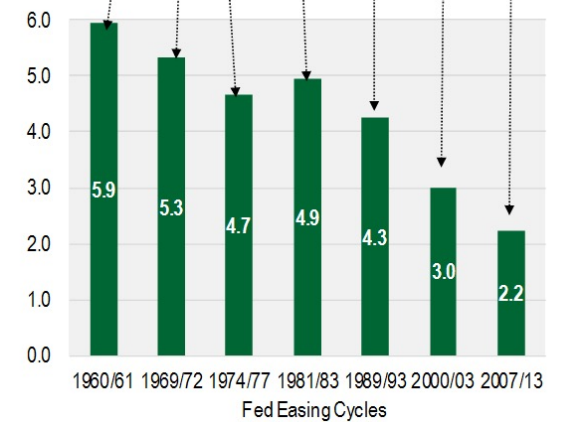


Source: Bank for International Settlements

U.S. Total Nonfin Debt % Nominal GDP 2016:2Q: 251.1%

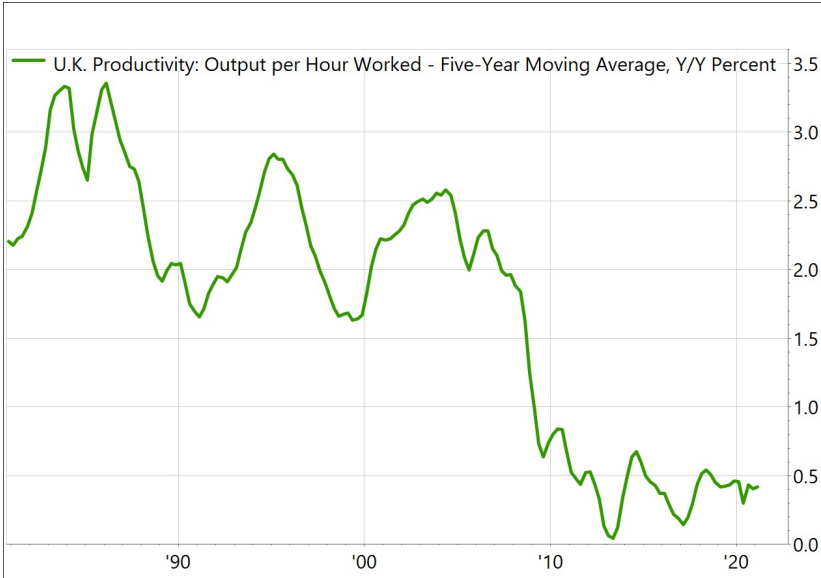
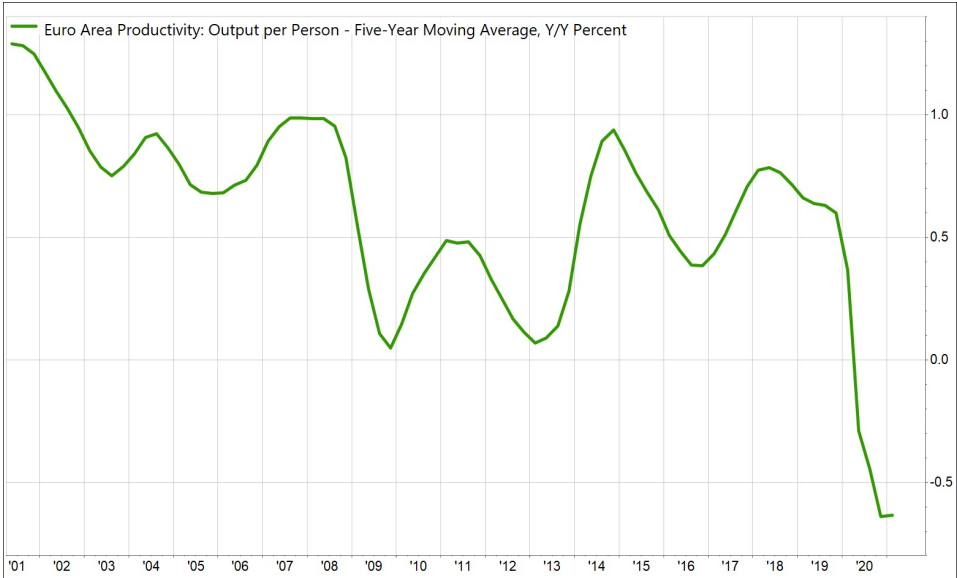
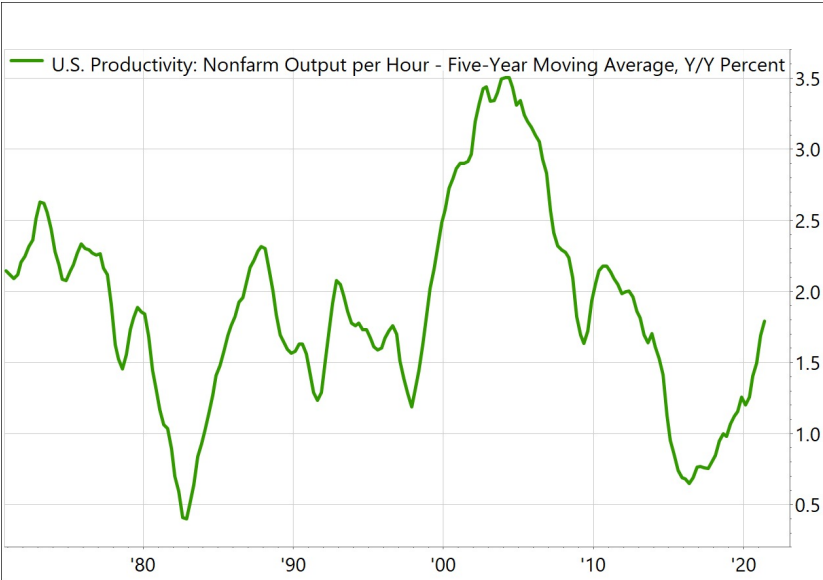


Average GDP Growth During Economic

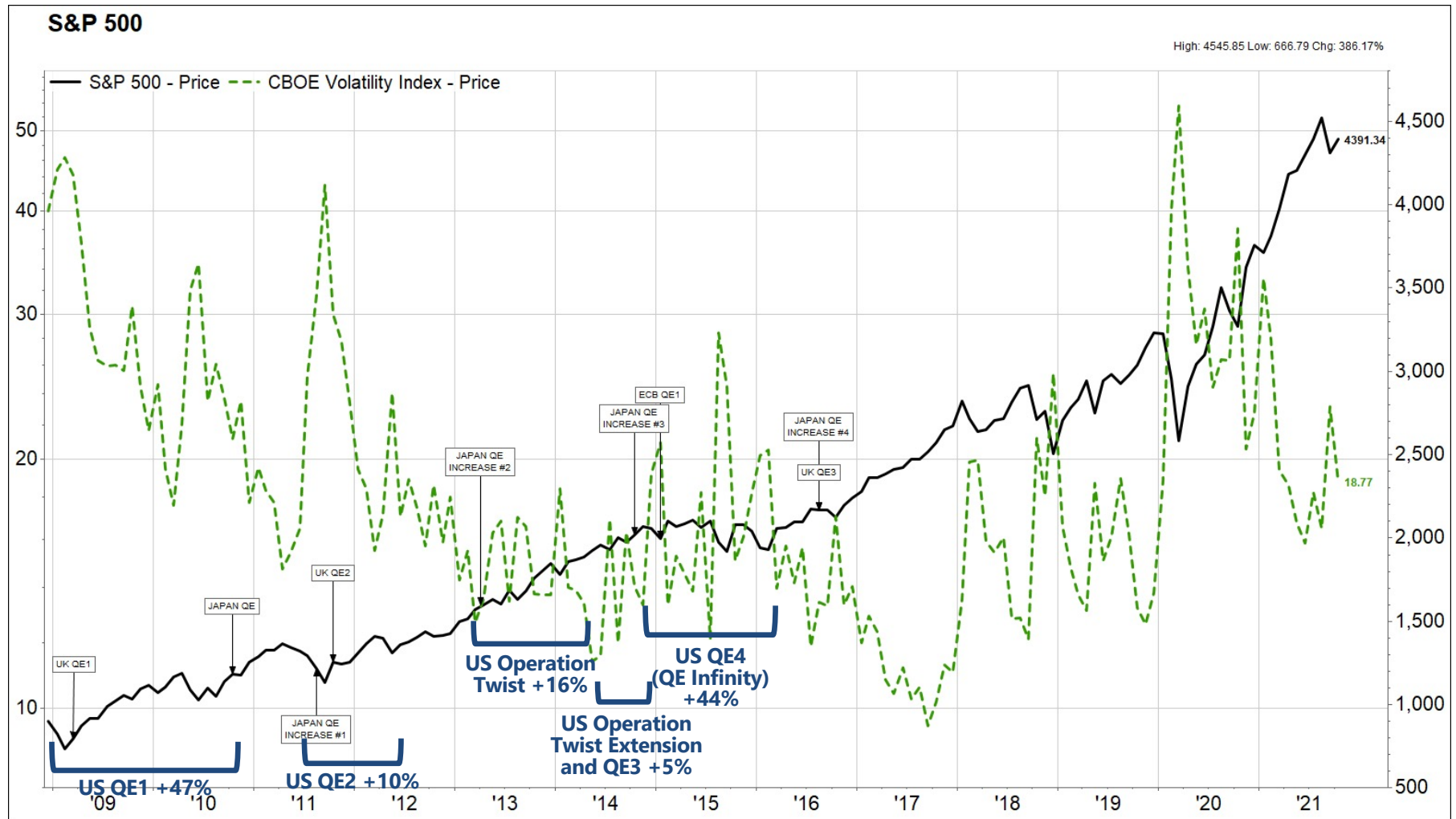


Source: Wall Street Journal 7/13/21, Source: BCA Research 11/30/20, Credit Suisse 1/28/21, Cornerstone Macro 1/9/17

PRODUCTIVITY INCREASE NEEDED FOR ECONOMIC GROWTH

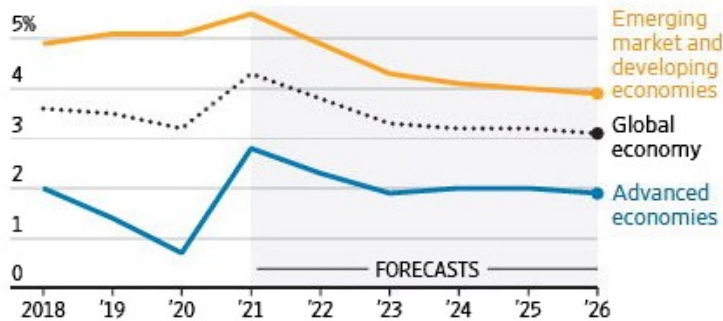


QUANTITATIVE EASING STIMULATED EQUITY MARKETS, BUT VOLATILITY STAYING ELEVATED



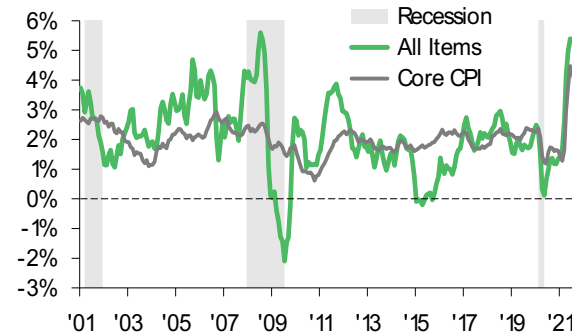
GLOBAL CONSUMER PRICE INDEX RISING, BUT TRANSITORY?

Inflation rate, annual percent change



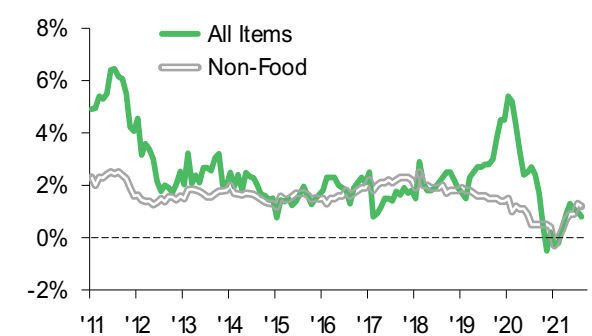
Source: World Economic Outlook

U.S. Consumer Price Index Y/Y Percent



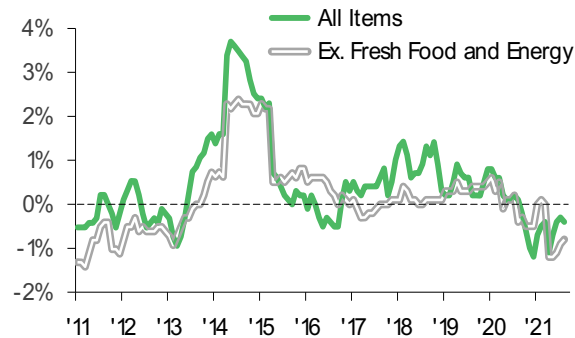
Source: U.S. Department of Labor

China Consumer Price Index Y/Y Percent



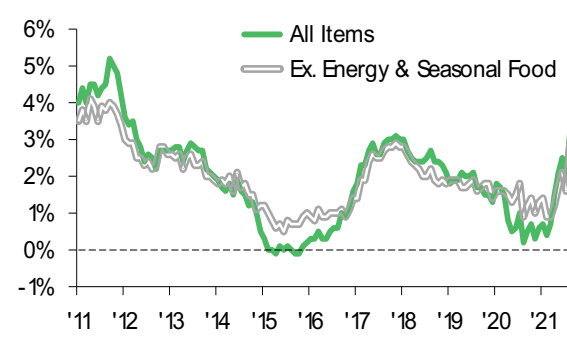
Source: National Bureau of Statistics

Japan Consumer Price Index Y/Y Percent



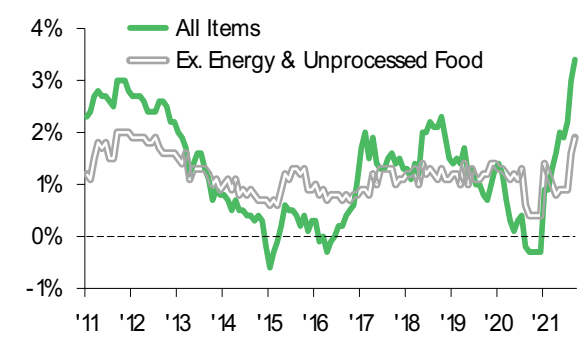
Source: Japan Cabinet Office

United Kingdom Consumer Price Index Y/Y Percent



Source: UK Office for National Statistics

Euro Area Consumer Price Index Y/Y Percent



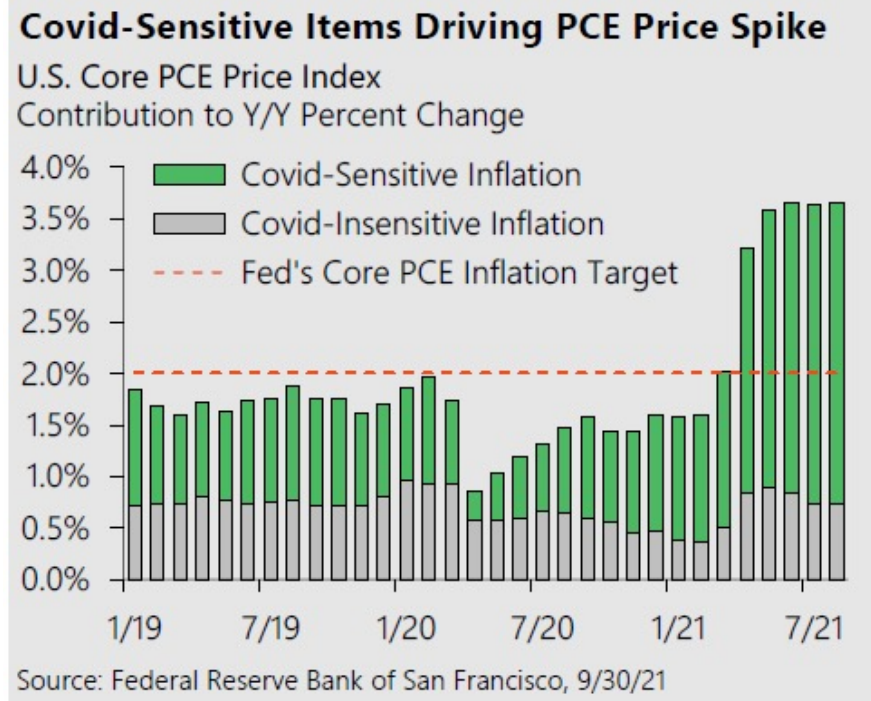
Source: Eurostat

Source: U.S. Bureau of Labor Statistics, National Bureau of Statistics, Japan Cabinet Office, UK Office for National Statistics, Eurostat 9/30/21, Wall Street Journal 10/13/21

SIGNIFICANT SUPPLY CHAIN CONSTRAINTS

Are You Facing Supply Chain Constraints, If So, What Kind?

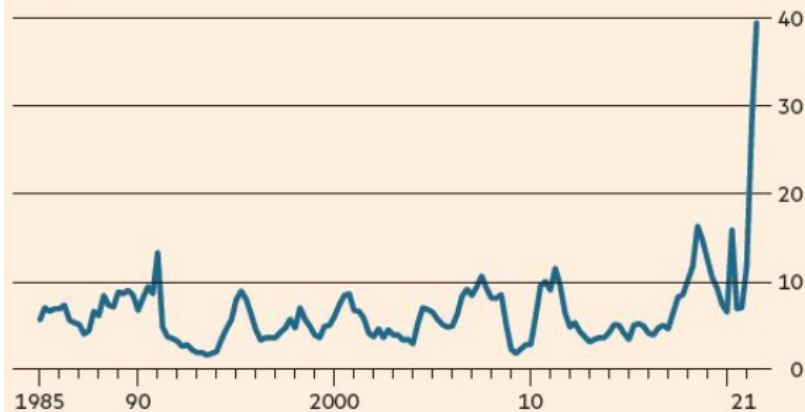
		Consumer	Real Estate	Industrial	Total
YES	Labor Availability	21%	37%	40%	27%
	Raw Material Availability	16%	42%	32%	20%
	Ground Transportation Issues	24%	16%	32%	17%
	Ocean / Port Logistics	11%	5%	32%	12%
	Semiconductor Availability	24%	5%	12%	11%
	Component / Product Availability	18%	11%	16%	11%
No		0%	0%	4%	2%



SUPPLY CHAIN SQUEEZE POSES THREAT TO ECONOMIC RECOVERY

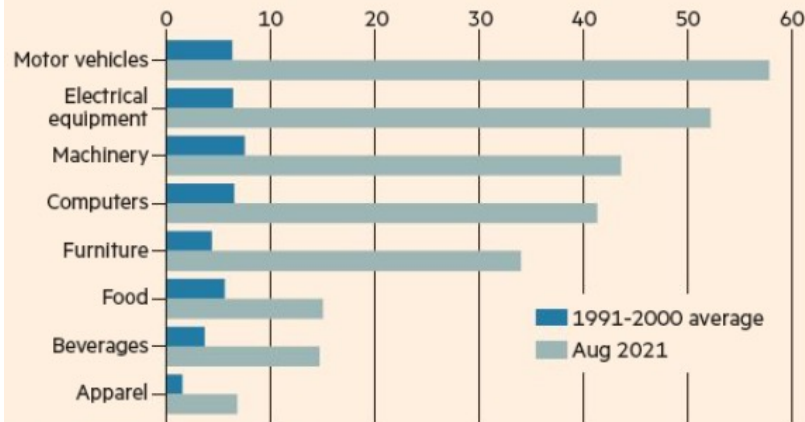
A record share of EU manufacturers report insufficient material and equipment as factors limiting production

Per cent



Shortages of material and equipment are reported in many EU industries

% of businesses reporting it as factor limiting production



Sources: Refinitiv; Eurostat; Freightos; Eurostat

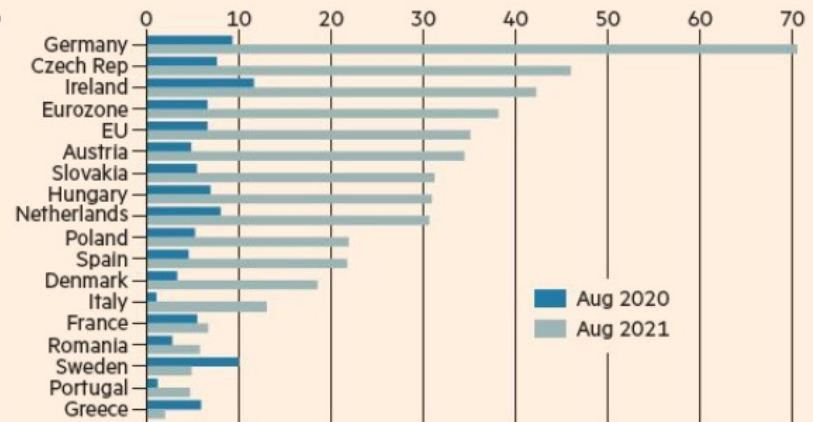
Container shipping costs have surged

\$'000 per 40-foot container



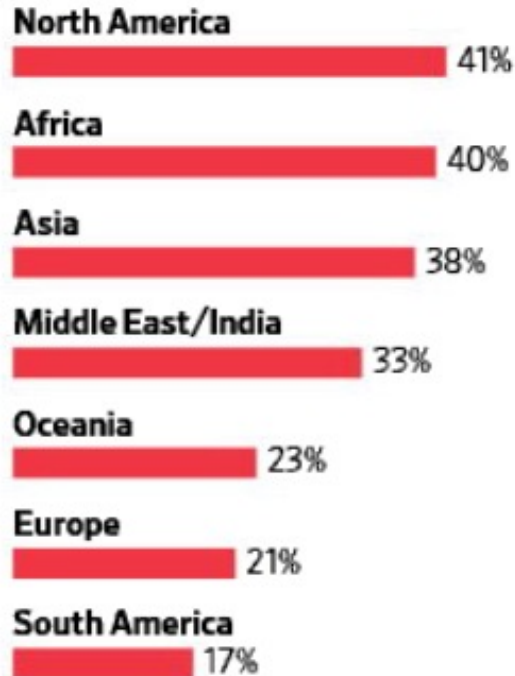
Factories across the eurozone report shortages of material and equipment

% of businesses



SHIPPING DELAYS ARE MAKING TIMELY DELIVERIES A COSTLY HEADACHE

Share of cargo ships waiting to get to port, by region

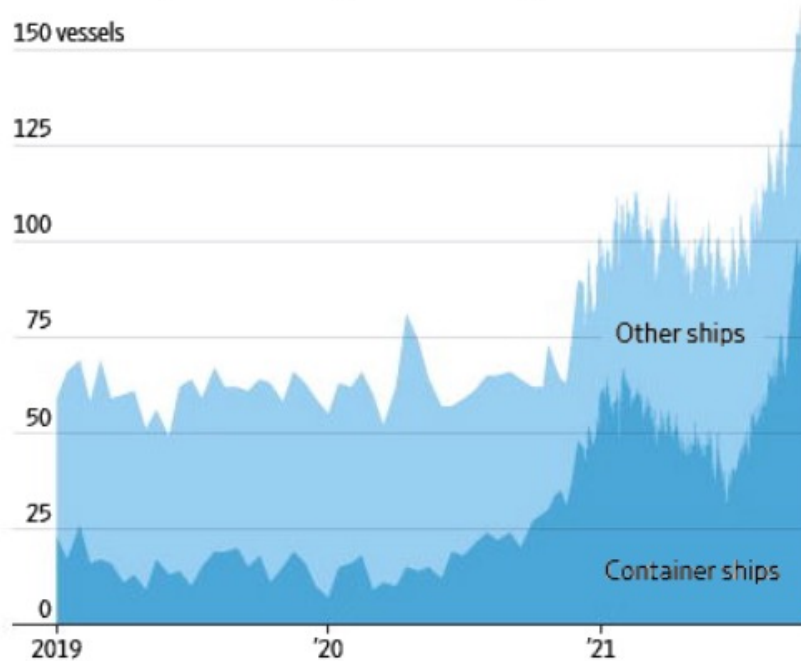


Note: As of Sept. 24
Source: eeSea

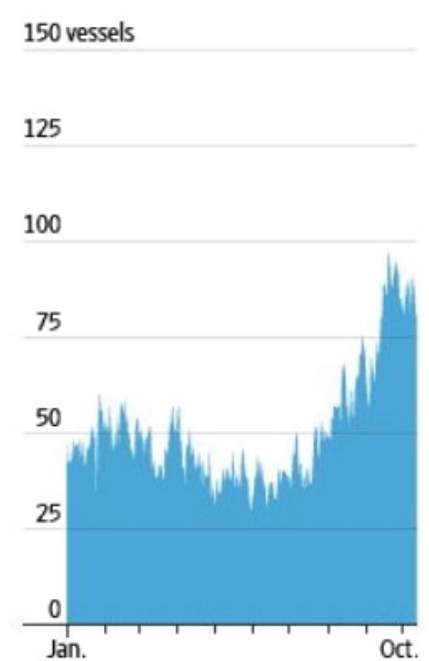
Traffic Jam

Backups have leapt at the ports of Los Angeles and Long Beach, Calif., with almost twice the number of ships waiting to dock in recent weeks as in the first half of the year.

Vessels* in port in Los Angeles and Long Beach

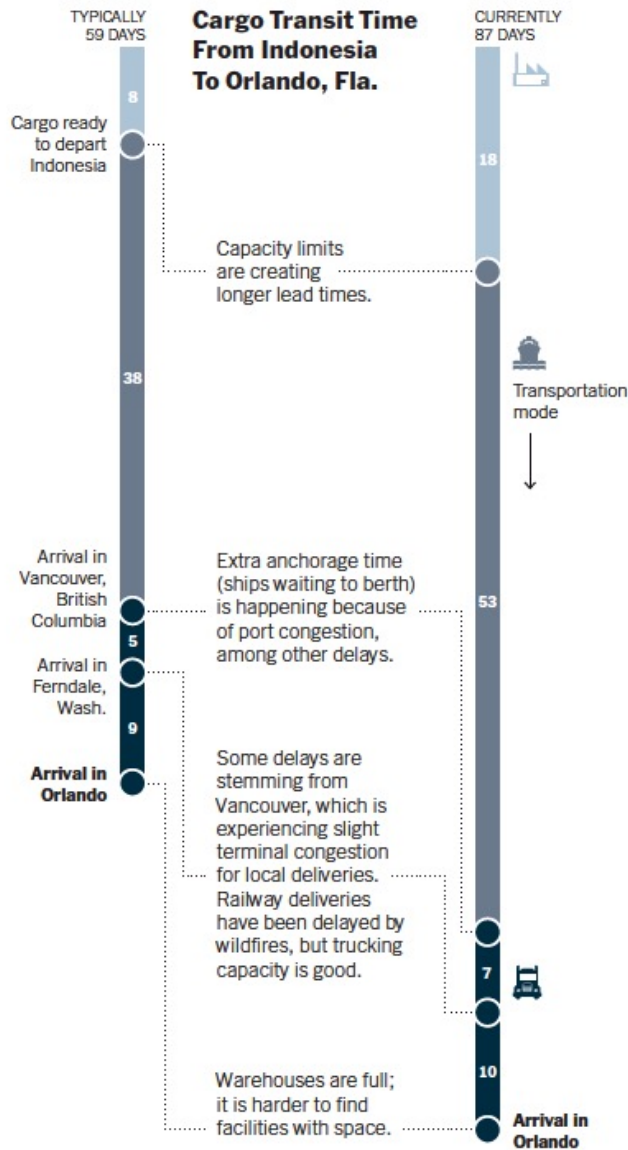


Vessels at anchor†



*includes vessels at berth, at anchor and in drift areas †includes vessels at anchor and in drift areas
Source: Marine Exchange of Southern California & Vessel Traffic Service Los Angeles and Long Beach

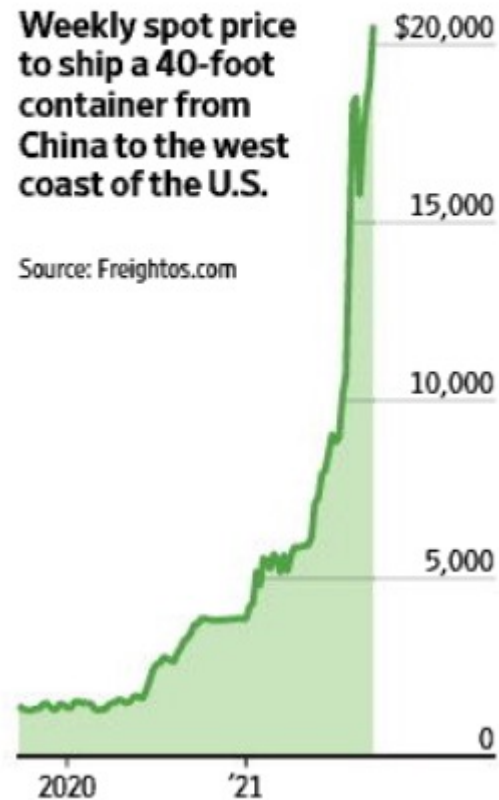
TRANSPORTATION COSTS SPIKING



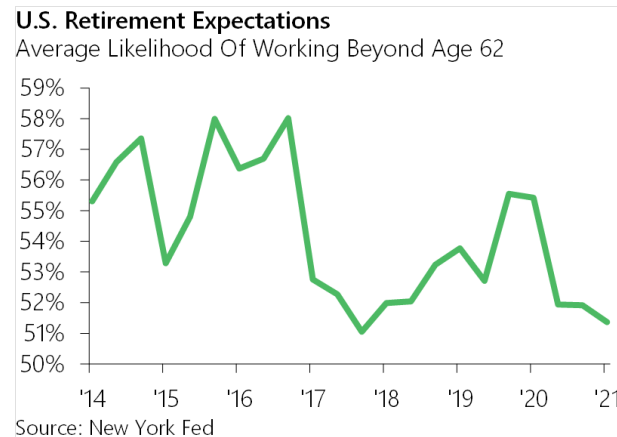
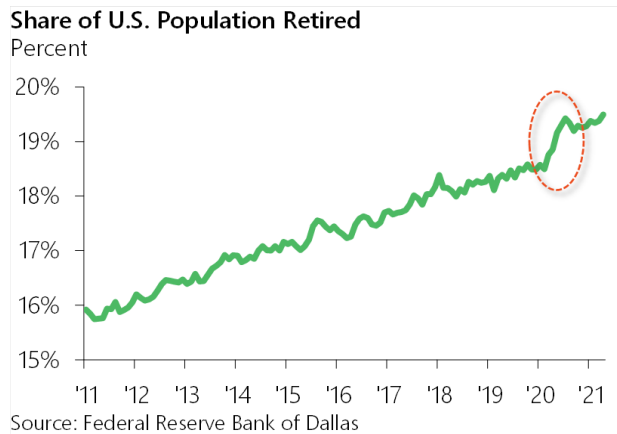
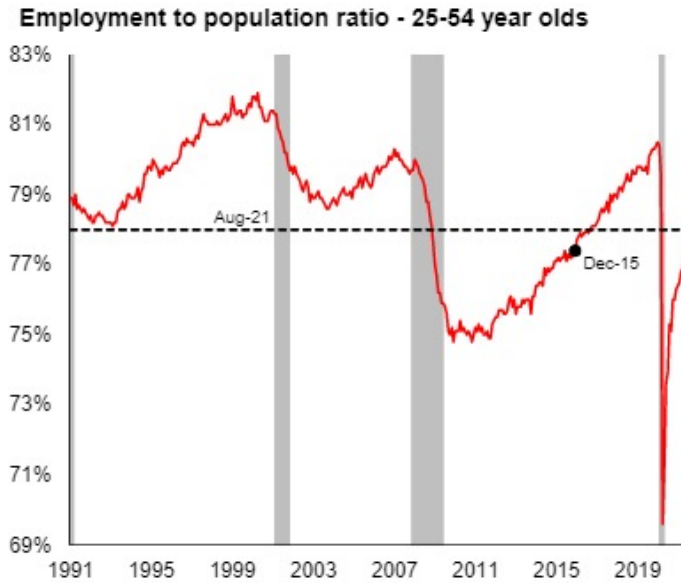
Supply-chain issues are boosting transportation costs for many companies. **B1**

Weekly spot price to ship a 40-foot container from China to the west coast of the U.S.

Source: Freightos.com

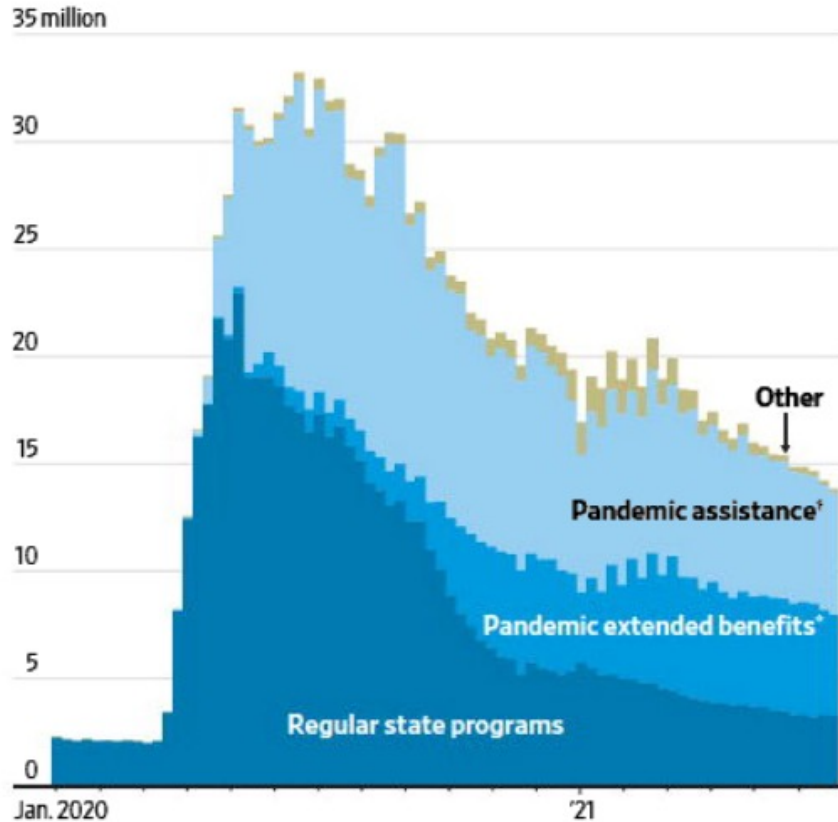


PLENTY OF JOB OPPORTUNITIES



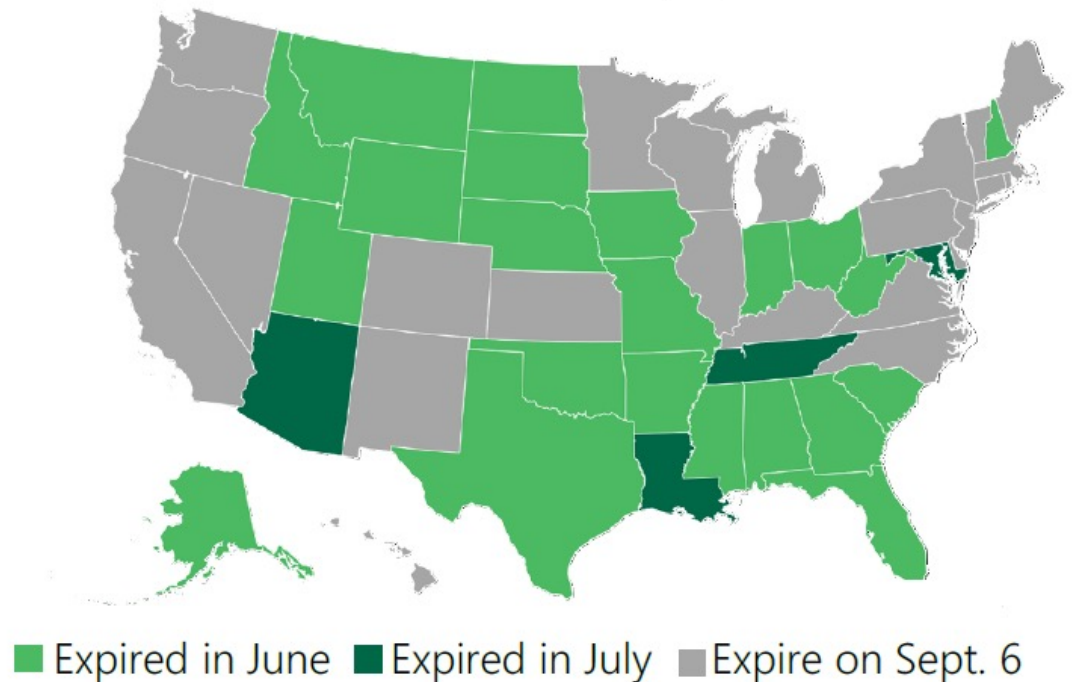
JOBLESS CLAIMS CONTINUE TRENDING LOWER

Number of people claiming unemployment benefits, by program

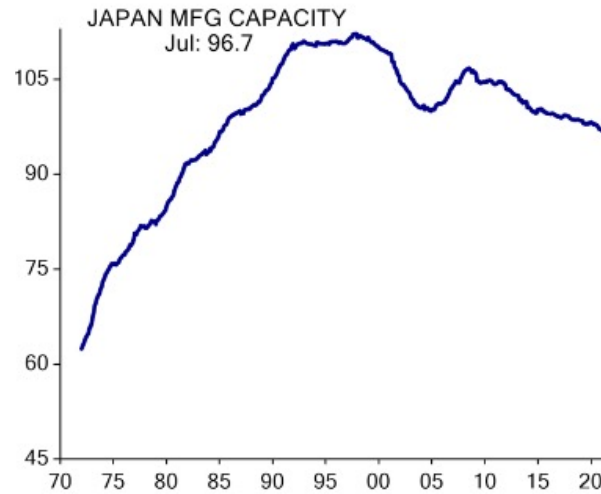


*Reflects Pandemic Emergency Unemployment Compensation for those who exhausted other programs. †Reflects Pandemic Unemployment Assistance for self-employed and others not typically eligible.

Expiration of Enhanced Unemployment Benefits

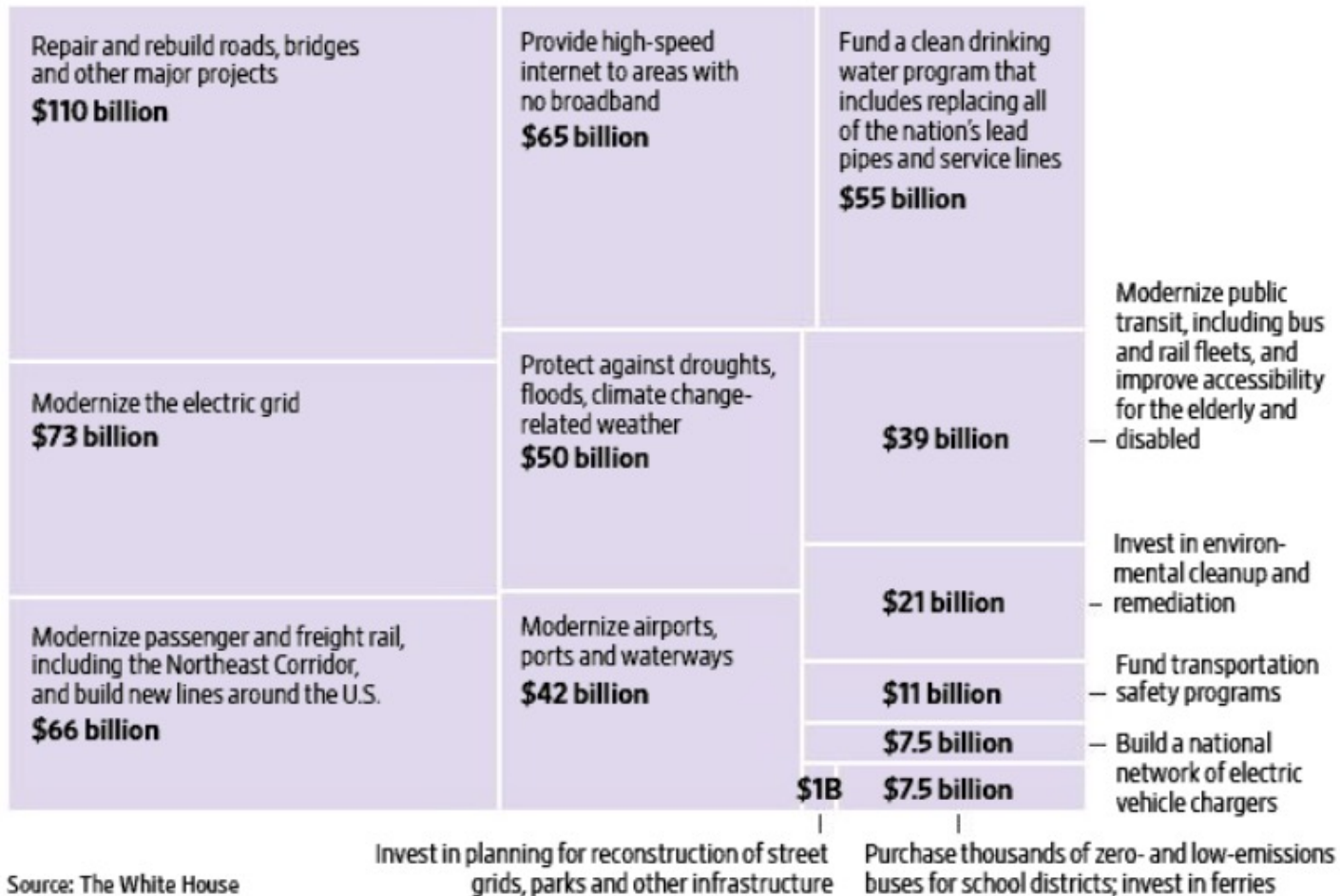


MANUFACTURING CAPACITY IMPROVING



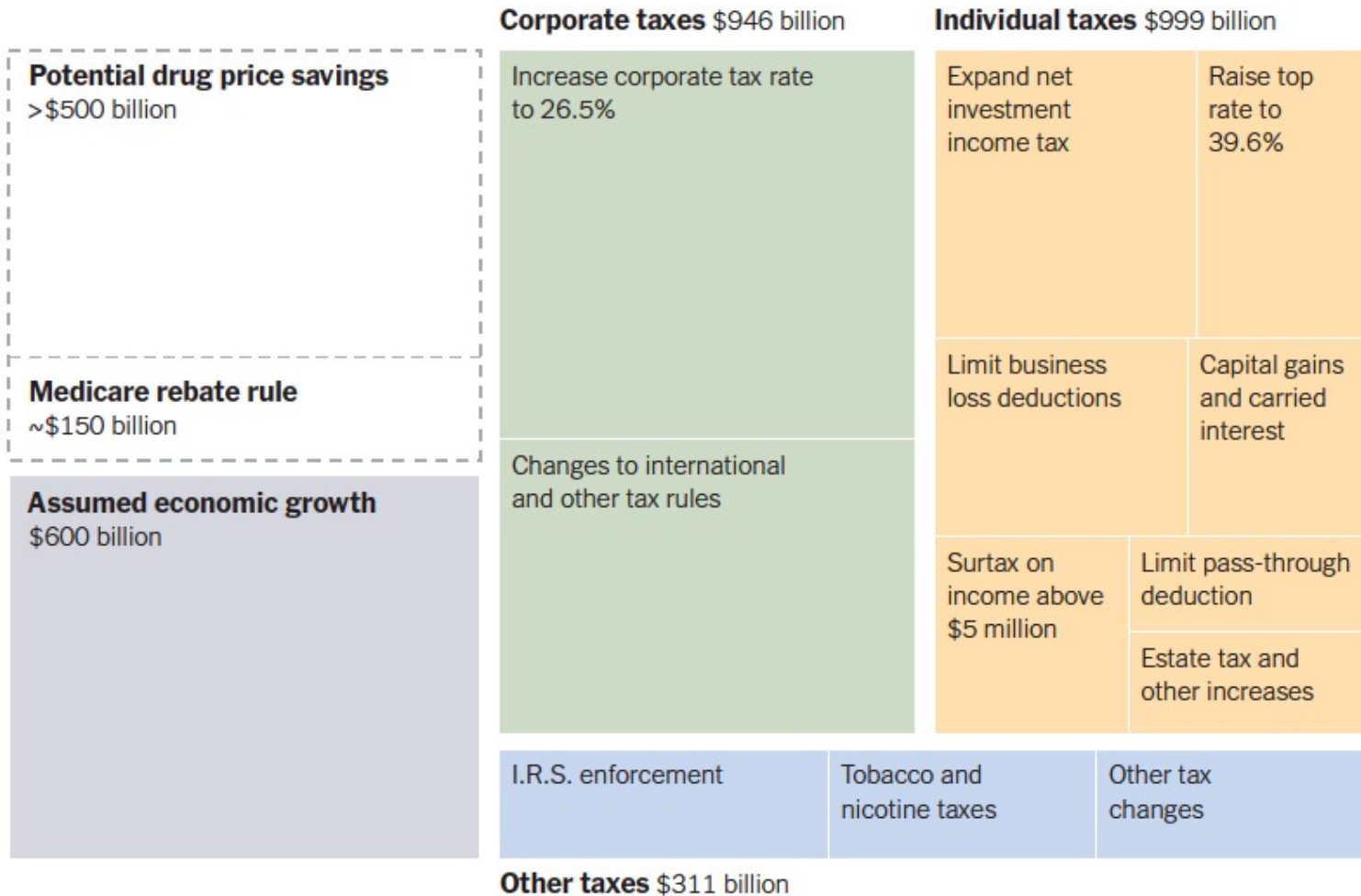
\$1.2 TRILLION INFRASTRUCTURE DEAL

The roughly \$550 billion of new federal investment in America's infrastructure under the latest bipartisan deal would:



Source: The White House

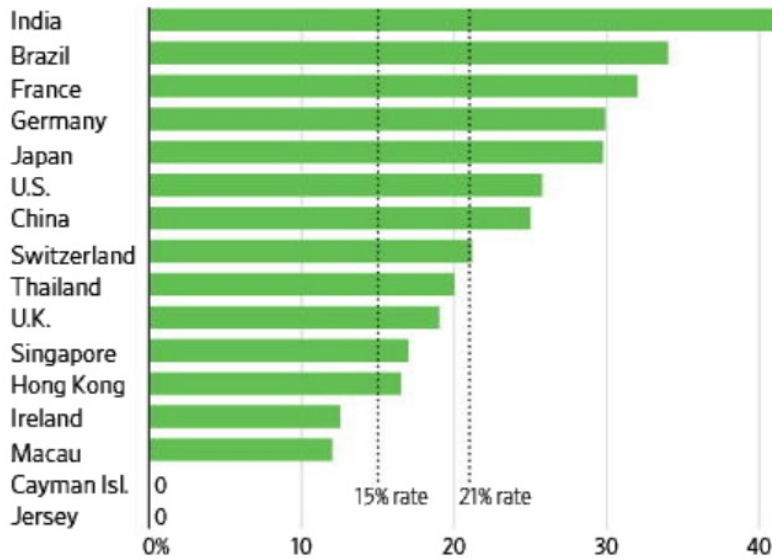
PAYING FOR THE \$3.5 TRILLION SOCIAL WELFARE PROGRAM



Note: Estimates for new tax revenues by the Joint Committee on Taxation are based on proposals by the House Ways and Means Committee and may change as the bill moves through the legislative process. A leaked document from the committee suggests Democrats plan to count \$600 billion in projected economic growth toward the cost of the bill. The document also assumes \$120 billion in net revenue from I.R.S. tax enforcement and \$700 billion in savings from drug price and rebate rule provisions based on estimates by the Congressional Budget Office. ALICIA PARLAPIANO/THE NEW YORK TIMES

GLOBAL MINIMUM TAX COULD AFFECT MARKETS (FEDERAL & STATE)

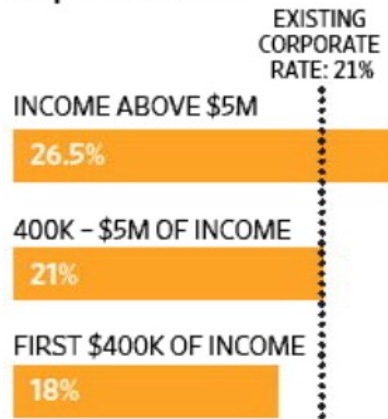
Statutory corporate tax rates by jurisdiction



Source: Organization for Economic Cooperation and Development

On Monday, House Democrats proposed a graduated rate structure for corporate taxes with three tiers depending on income to replace the existing flat rate of 21%.

Proposed changes to the U.S. corporate tax rate



Source: House Committee on Ways and Means

U.S. Corporate Tax Rate Vs. Other Countries

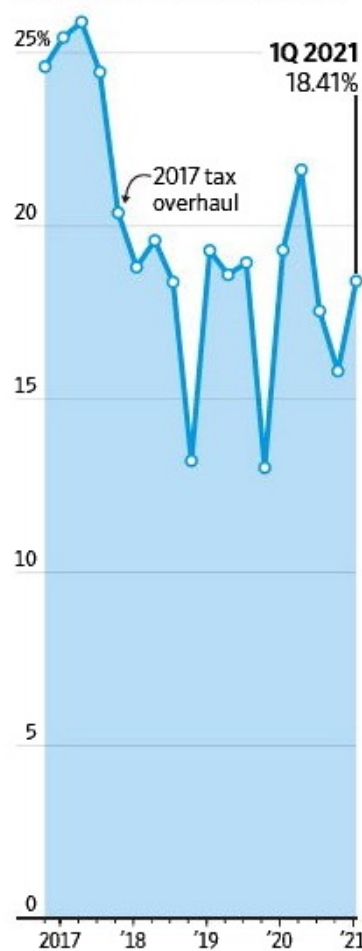
U.S. (federal and state)	25.8%
U.S. under Biden plan	32.3%
France*	32%
Germany	29.9%
Japan	29.7%
Canada	26.5%
China	25%
U.K.	19%
Ireland	12.5%

* France will cut its corporate rate in 2022 to 25.8%

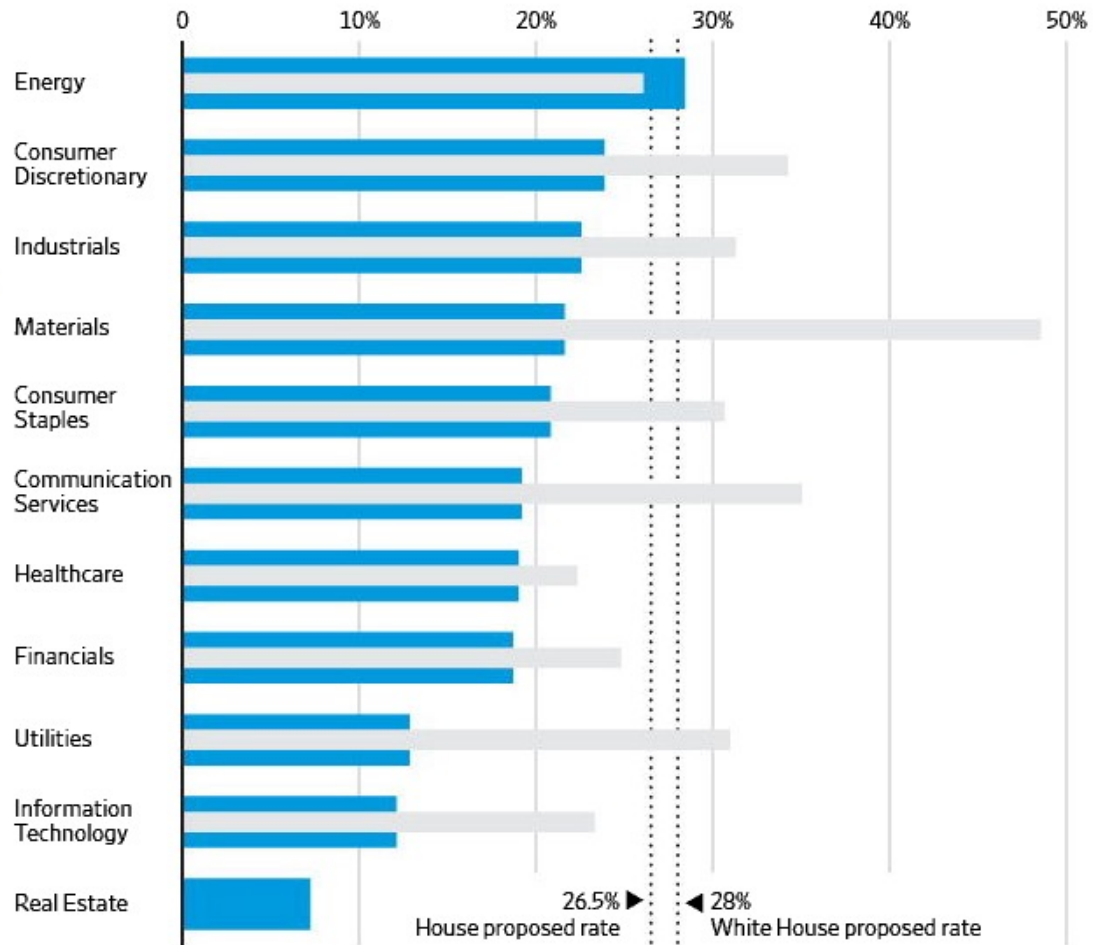
Sources: OECD, Tax Foundation

TAX BILL HANDS FIRMS RATE BOOST, NO BREAKS

U.S. corporate income-tax rate for companies in the S&P 500



Corporate tax rates by sector ■ 1Q 2021 ■ 1Q 2016 (prior to 2017 tax overhaul)

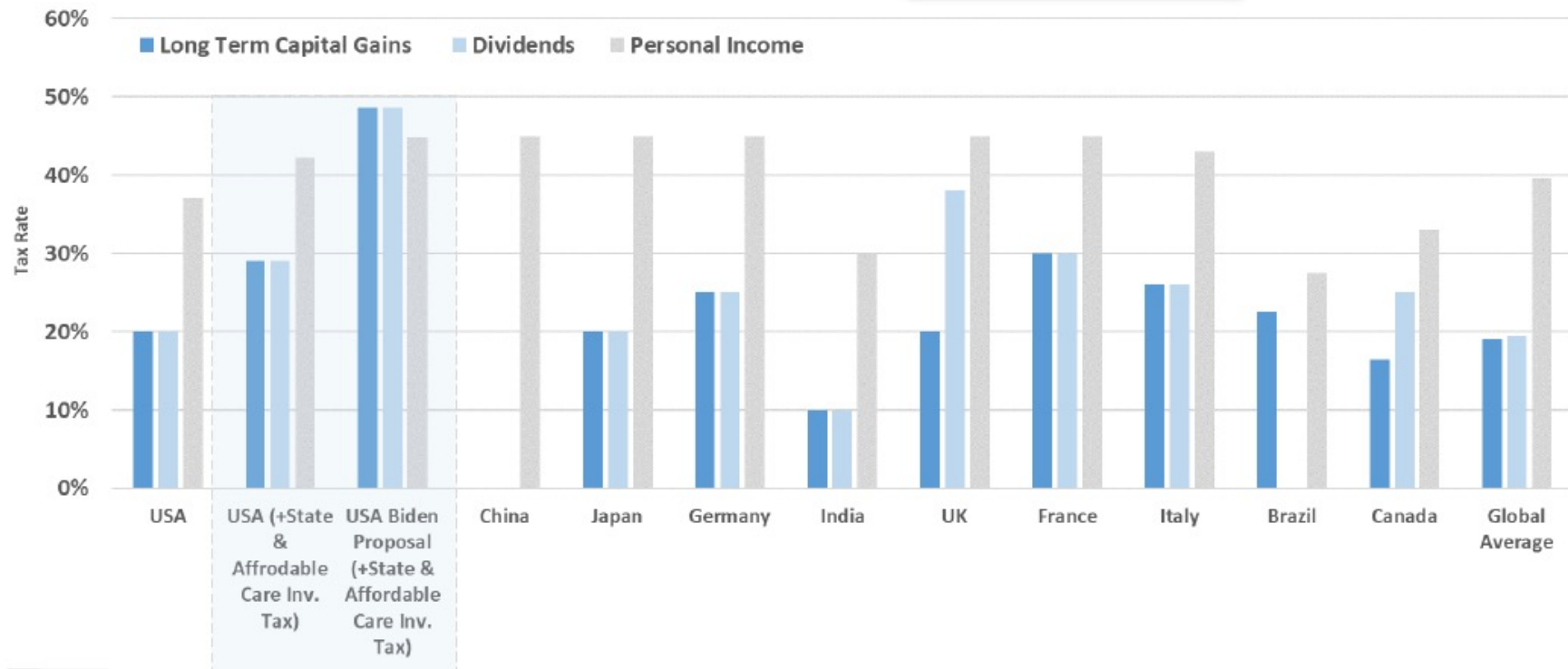


Notes: Effective tax rates from financial reporting except for proposed statutory rates. Communication Services was Telecommunication Services in 1Q 2016; Real Estate was spun-off from Financials in 2016
Source: S&P Dow Jones Indices

U.S. PROPOSED INVESTOR & PERSONAL TAX RATE INCREASES ABOVE GLOBAL AVERAGE

Investor and Personal Tax Rates by Country¹ Top Marginal Rates Shown; Sorted by Country GDP

Note: rates shown on this chart are estimates as final rates often include many adjustments that are difficult to condense into one comparable number across various countries.



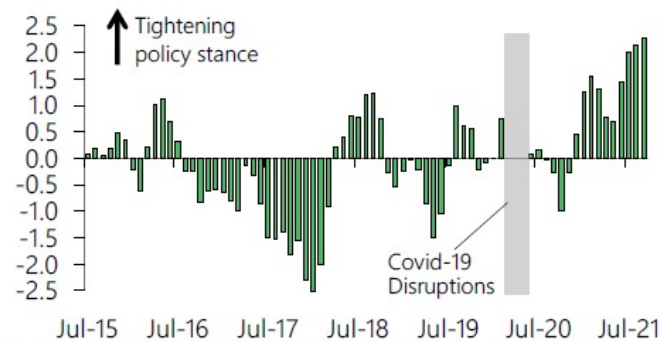
Source: HOLT and taxsummaries.pwc.com, KPMG Tax Insights and E&Y. U.S. State tax is based on average of 5.2%. Affordable Care Act Investment Tax = 3.8%. Personal income tax rates are before other taxes such as FICA.

¹:Capital Gains and Dividends are often subject to additional taxes (state level), credits, other adjustments and are progressive. As such, rates are not always directly comparable across countries given different structures and methodologies. Rates shown in this chart are based on our best estimates of the top marginal rate (based on long term held securities traded on local exchanges for residents of that country) but could exclude other items that impact the final tax rate and can include simplifying assumptions.

CHINA'S GOVERNANCE REGIME CAUSING ECONOMIC & FINANCIAL MARKET DISRUPTIONS

Unprecedented Regulatory Tightening

Privately-Owned Enterprise Regulation Proxy
Z-Score



Note: reflects the text-mining results of news among POE-heavy sectors. Data points during Mar-Jun 2020 have been removed due to COVID disruptions.

And a New Governance Framework

Social & Economic Stability

- Rebalance share of economy in favor of labor
- Enhance social safety net and improve labor welfare

National Security

- Double down on self-sufficiency initiatives, e.g., tech
- Strengthen cybersecurity capacities, reduce data security risks

Financial Risks

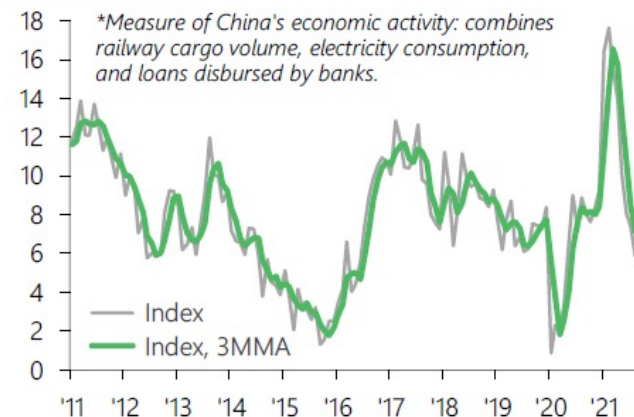
- Promote RMB internationalization via opening-up of onshore markets
- Curb regulatory arbitrage and financial stability risk

Environmental Stability

- Decarbonization: Reach peak emissions by 2030 and carbon neutrality by 2060

Along with Tighter Credit is Hitting Growth

Li Keqiang Index*



Sources: Goldman Sachs, Morgan Stanley, Bloomberg, FactSet, 9/30/21

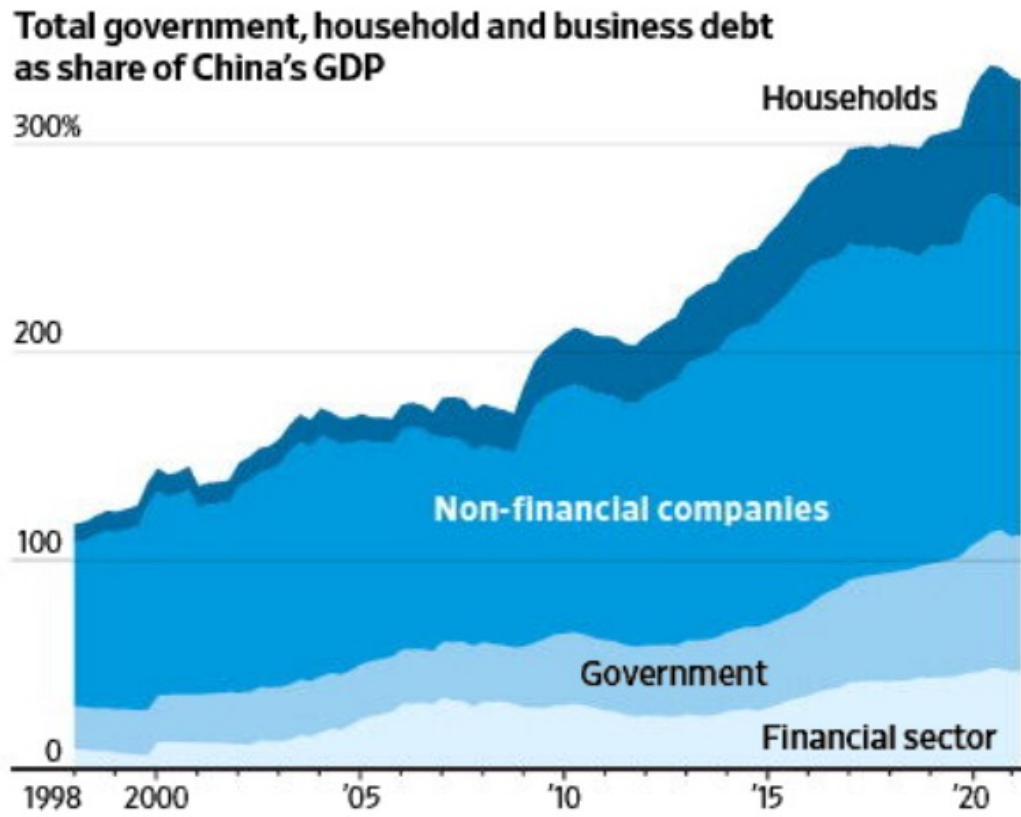
And Roiling Stocks; Notably Internet/Media

Price-to-Earnings Ratio of Chinese Equity Indices
Bottom-Up, Next Fiscal Year Earnings

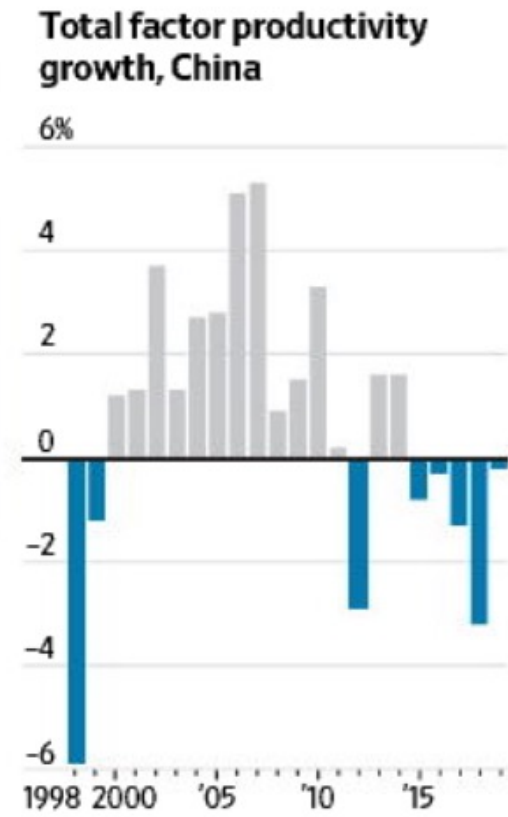


Source: Goldman Sachs, Morgan Stanley, Bloomberg, FactSet 9/30/21

CHINA'S NECESSARY BUT RISKY PIVOT FROM DEBT

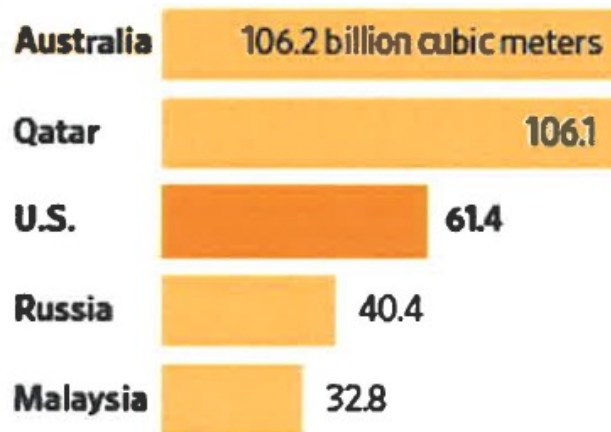


Source: Institute for International Finance (GDP); Penn World Table (productivity)

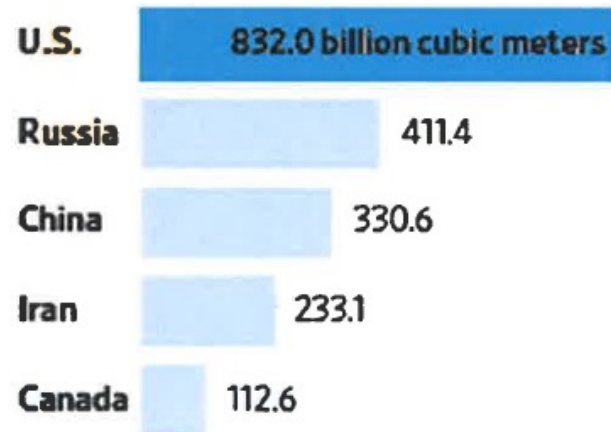


WINTER IS COMING – SHOULD WE WORRY?

Top exporters of liquid natural gas, 2020

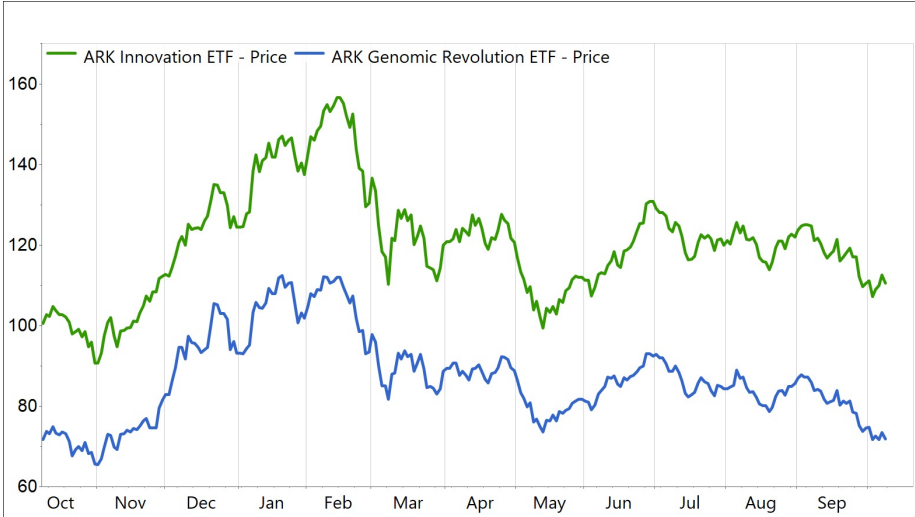


Top consumers of natural gas, 2020



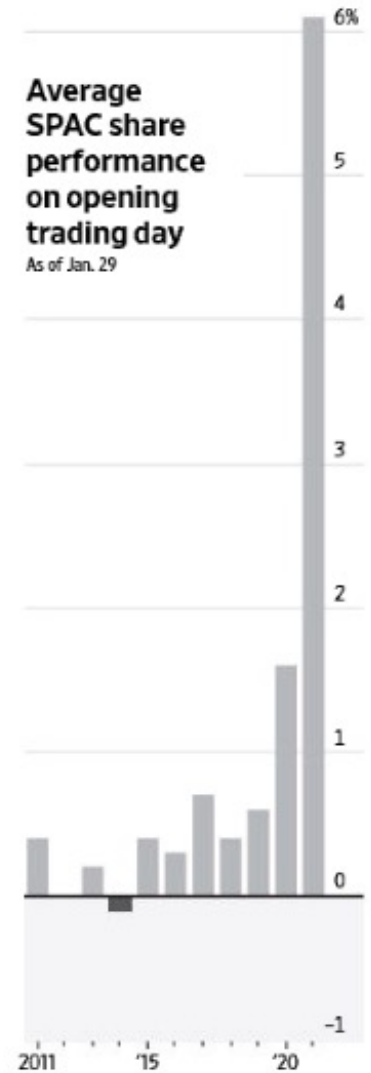
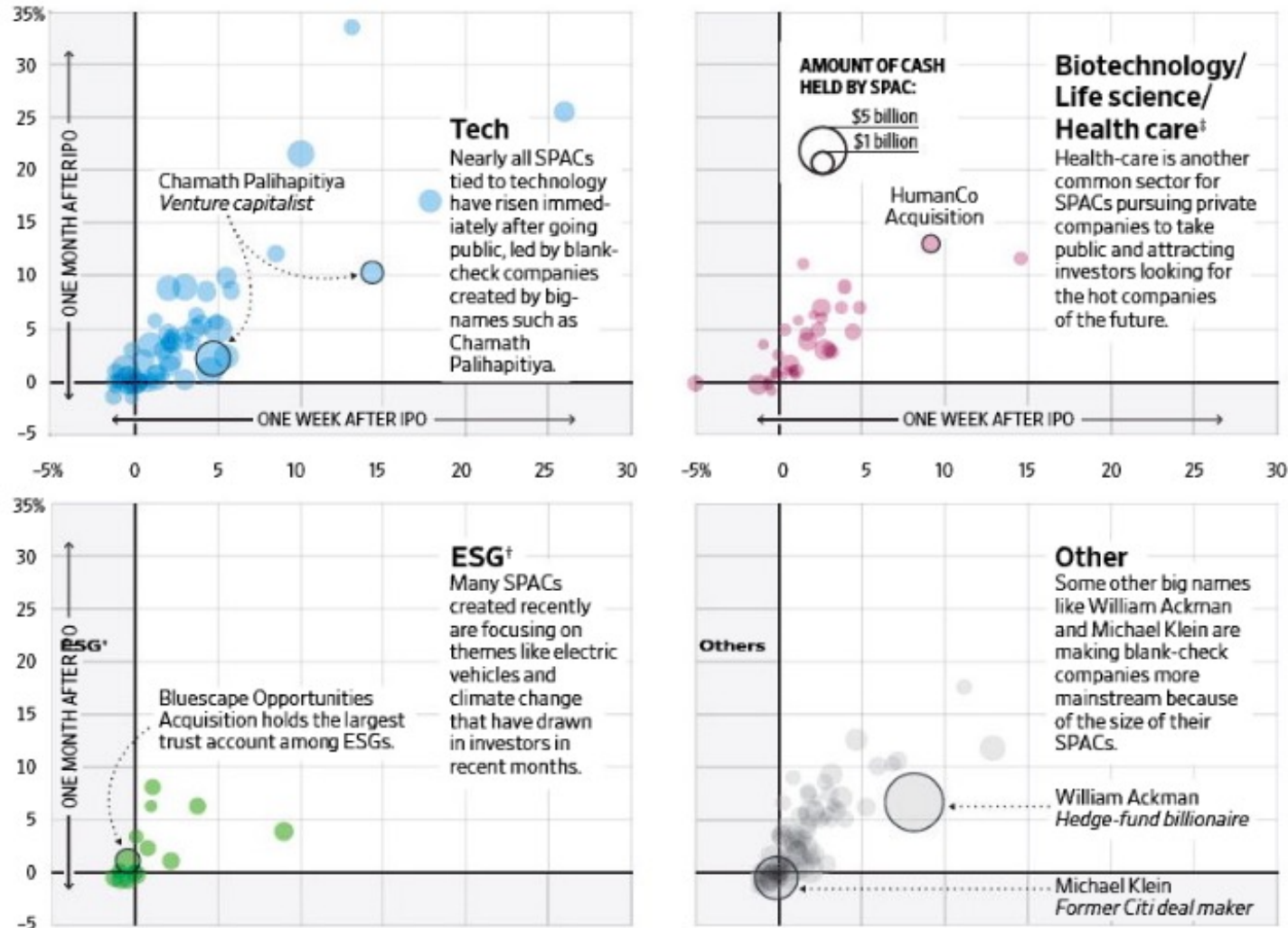
Source: BP Statistical Review of World Energy 2021

SIGNS OF FROTH IN MARKET



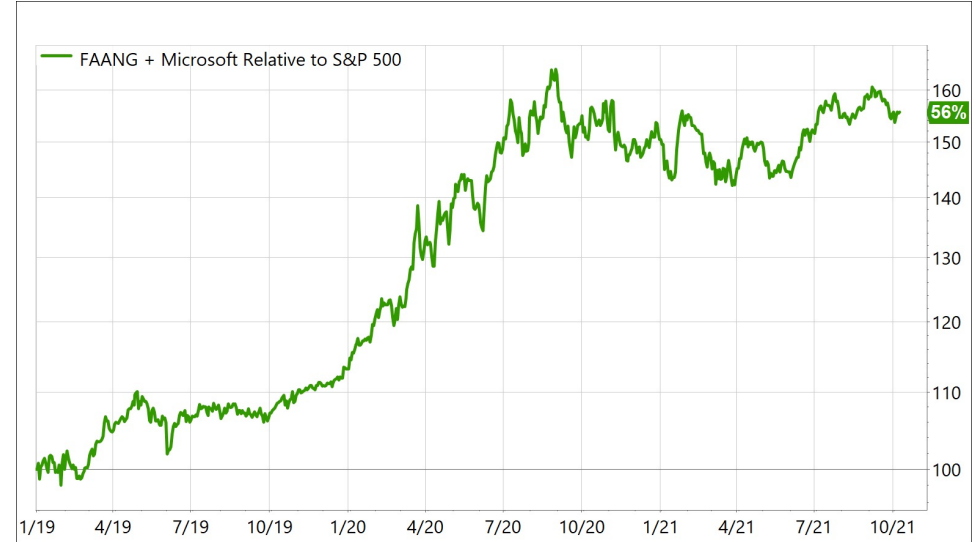
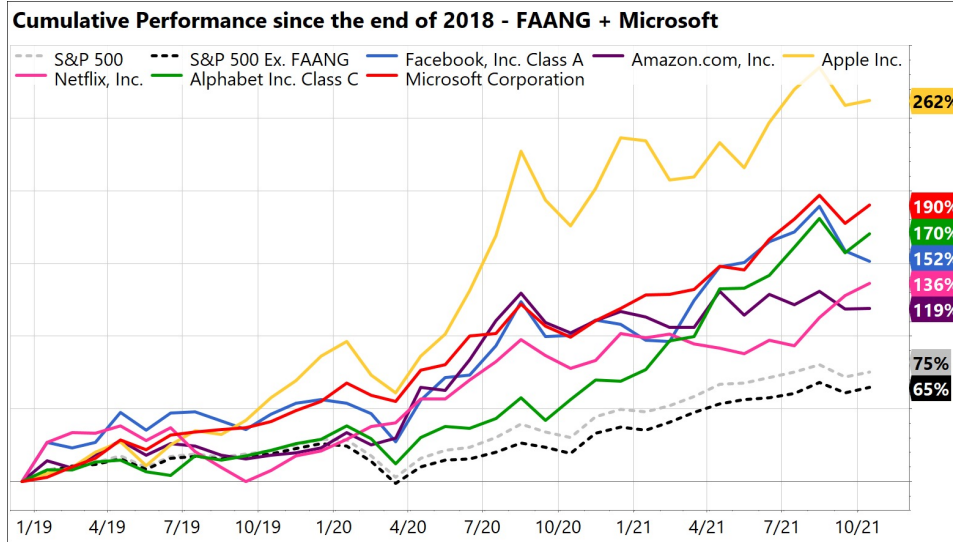
SPACS COULD DRIVE MARKET HIGHER

Share-price performance of existing SPACs without deals announced, by targeted sector*



*As of Jan. 29, 210 companies. [†]Includes electric vehicles, energy transition, transportation. [‡]Not shown: Research Alliance gained 43.5% one week after IPO and 27.5% one month later. Source: Dow Jones Market Data via SPAC Research (SPACs without deals); Jay Ritter, University of Florida (performance on opening trading day)

LARGE CAP TECH HAVE BEEN THE MARKET LEADERS



	Full Year 2017			Full Year 2018			Full Year 2019		
	Total Return	Contribution	% Cont.	Total Return	Contribution	% Cont.	Total Return	Contribution	% Cont.
FAANG	46.92	4.34	19.87	0.43	0.09	N/A	47.72	5.29	16.76
FAANG + Microsoft	45.52	5.34	24.45	4.76	0.61	N/A	50.13	7.34	23.26
Top 10 Contributors	42.00	6.78	31.04	24.98	2.14	N/A	53.22	9.33	29.56
S&P 500	21.84	21.84		-4.38	-4.38		31.56	31.56	

	12/31/19 - 9/30/20			9/30/20 - 12/31/20			Full Year 2020			YTD 2021 - Thru 10/8/21		
	Total Return	Contribution	% Cont.	Total Return	Contribution	% Cont.	Total Return	Contribution	% Cont.	Total Return	Contribution	% Cont.
FAANG	44.1	6.70	124.54	10.86	1.86	15.35	59.74	9.37	51.63	18.03	2.89	15.90
FAANG + Microsoft	41.36	8.7	161.71	9.68	2.19	18.07	55.04	11.95	65.84	21.67	4.61	25.36
Top 10 Contributors	50.84	10.59	196.84	16.47	3.21	26.49	41.69	11.42	62.92	30.41	6.49	35.70
S&P 500	5.38	5.38		12.12	12.12		18.15	18.15		18.18	18.18	

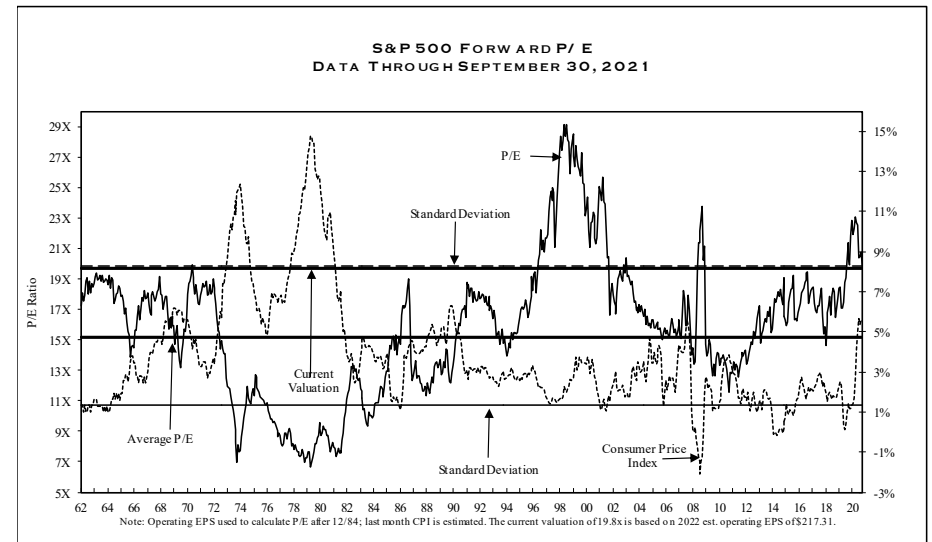
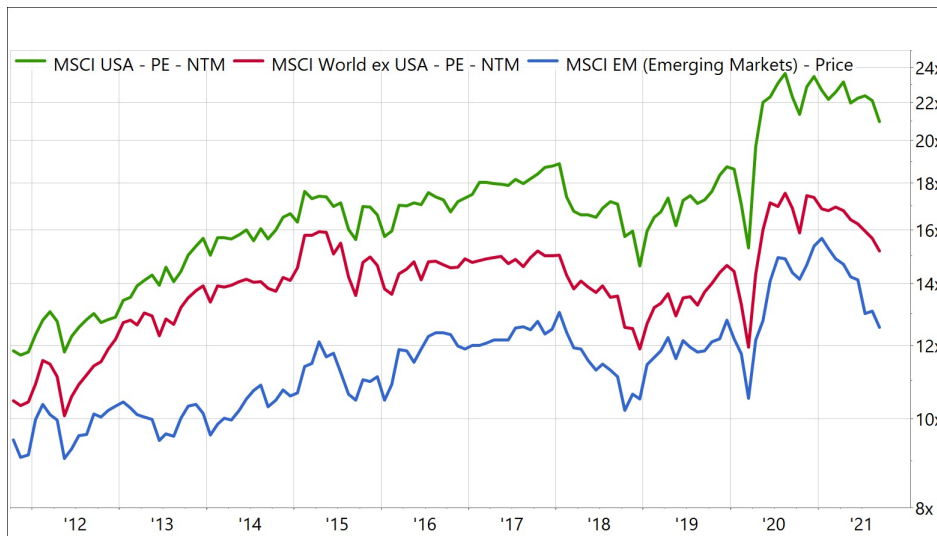
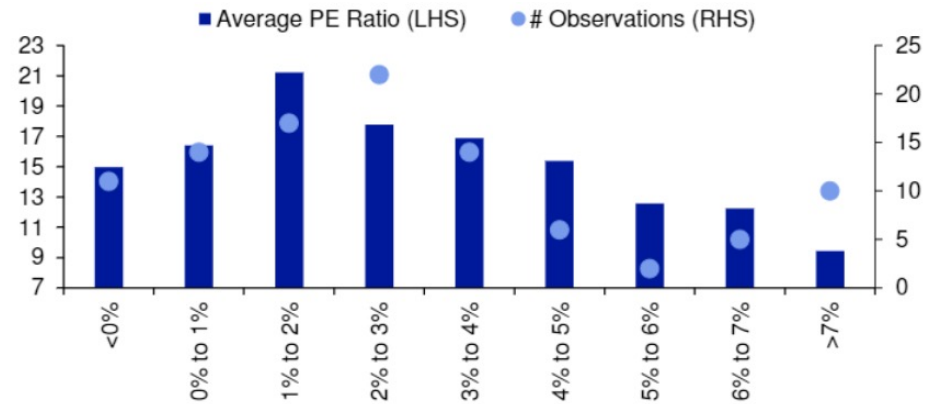
FAANG: Facebook, Apple, Amazon, Netflix, and Google

EQUITY VALUATIONS ARE FULL

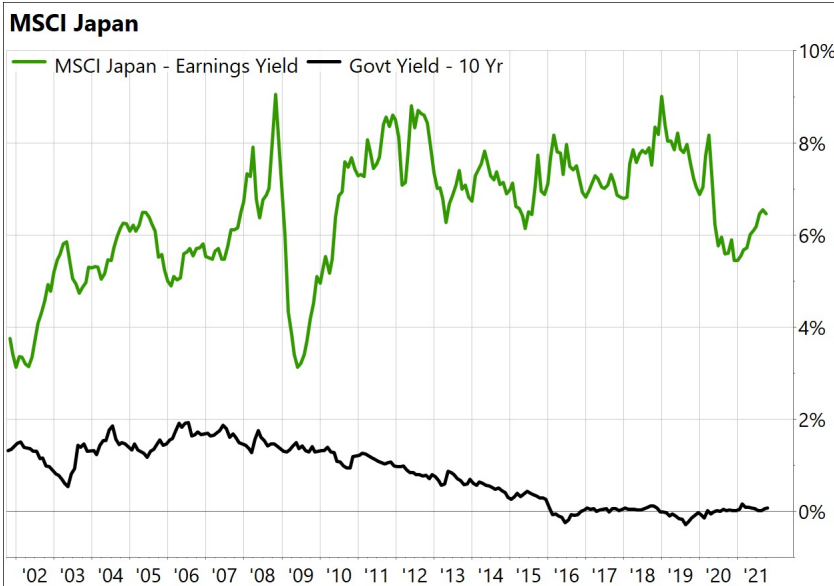
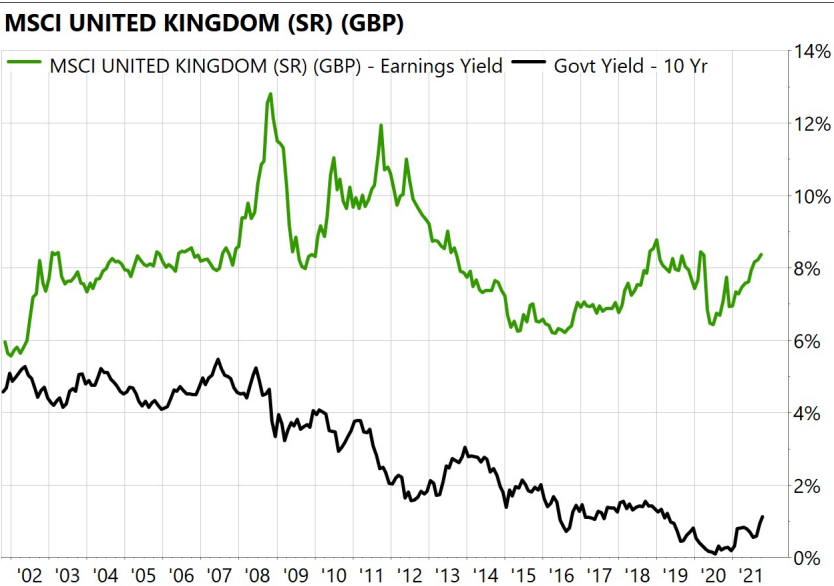
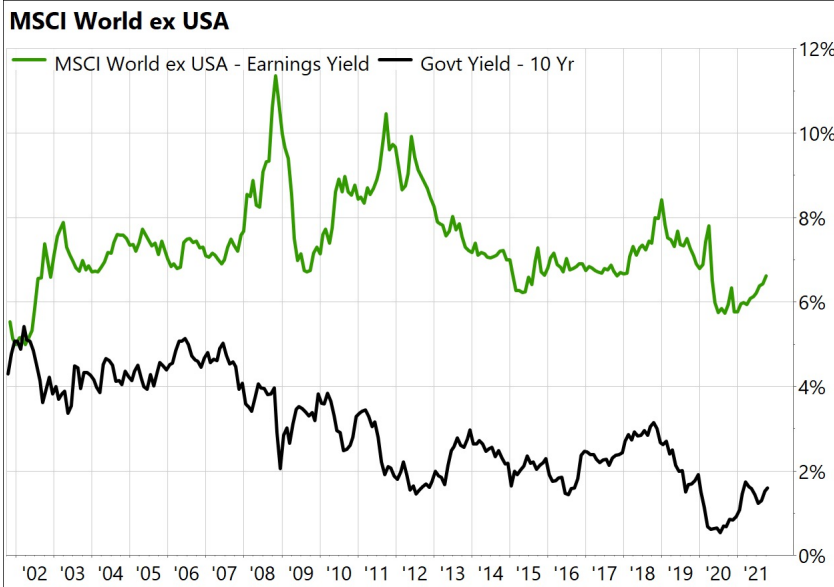
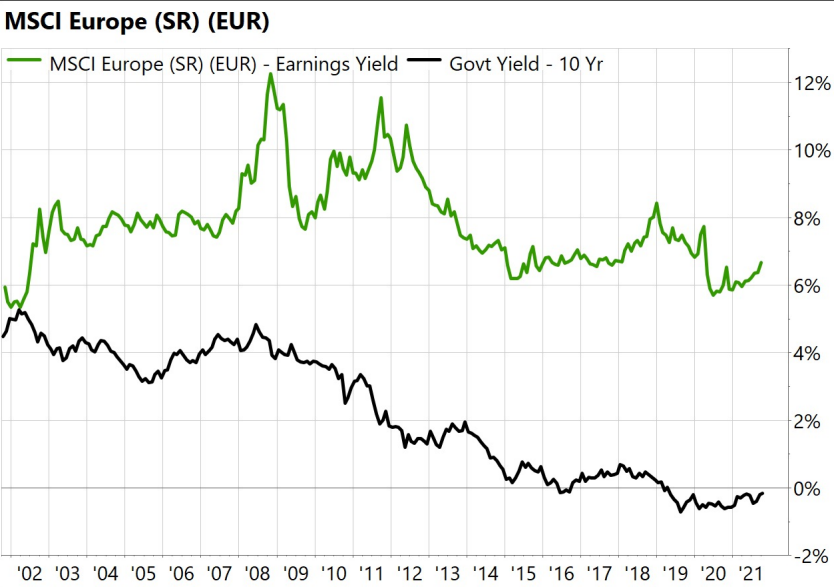
Global Prospective P/E



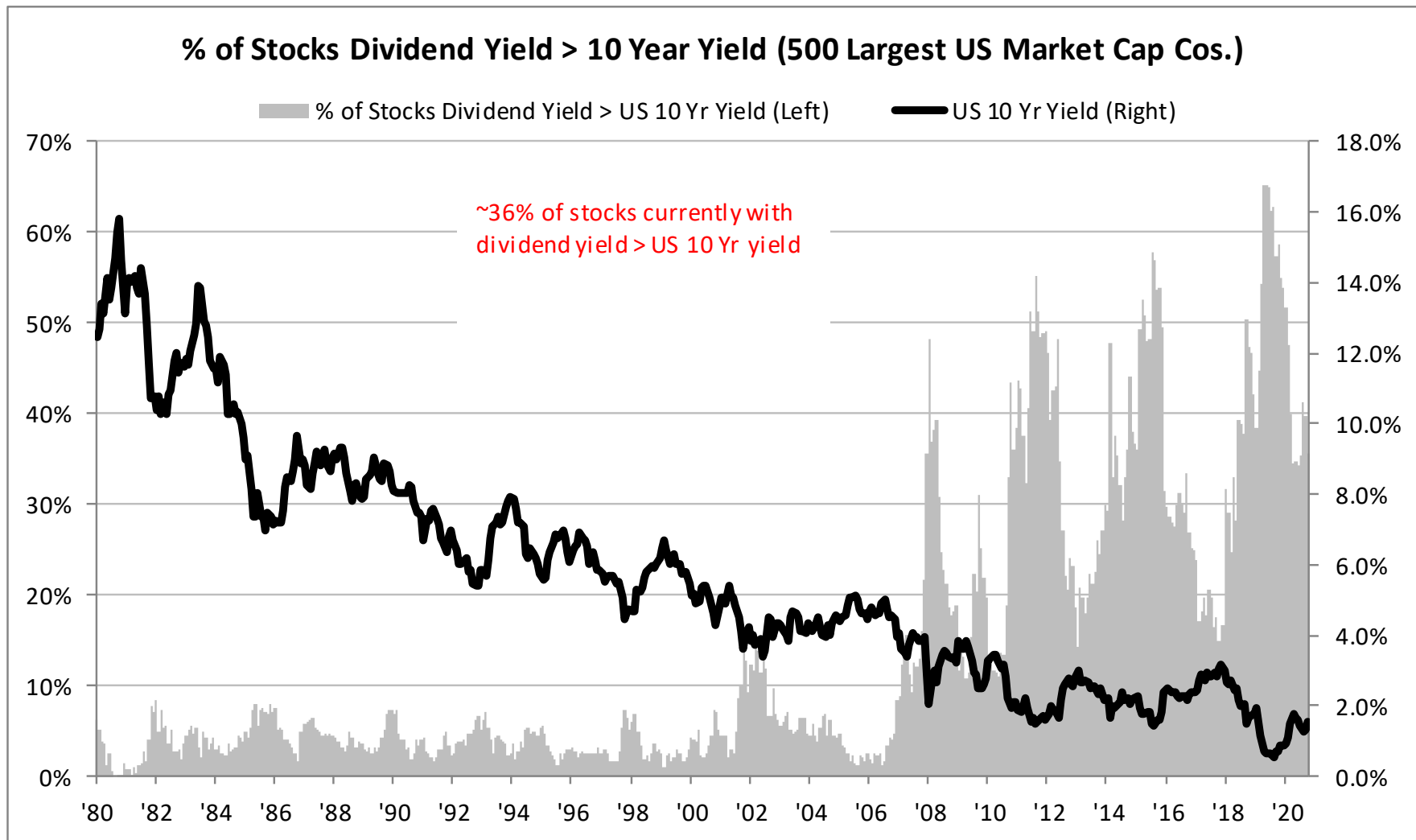
US PE Ratio Since 1920 by Different Inflation Buckets



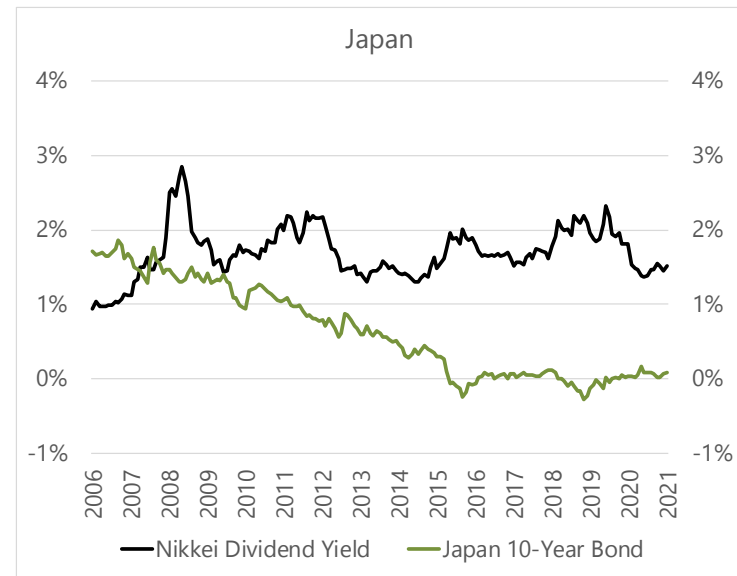
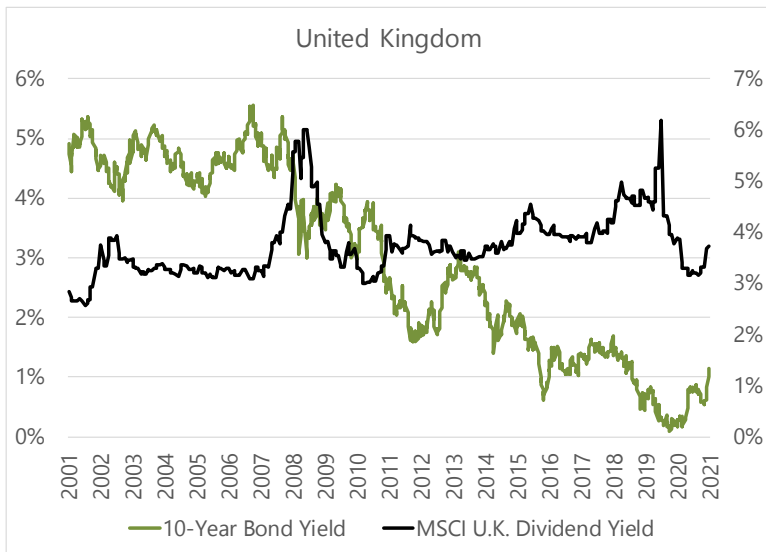
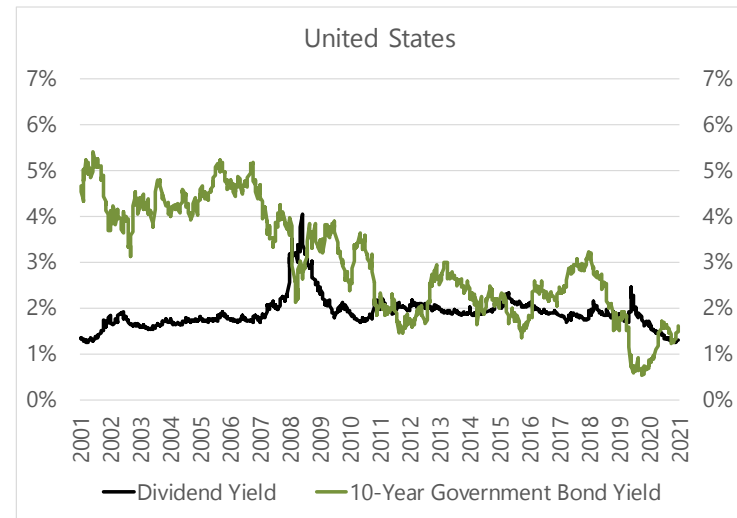
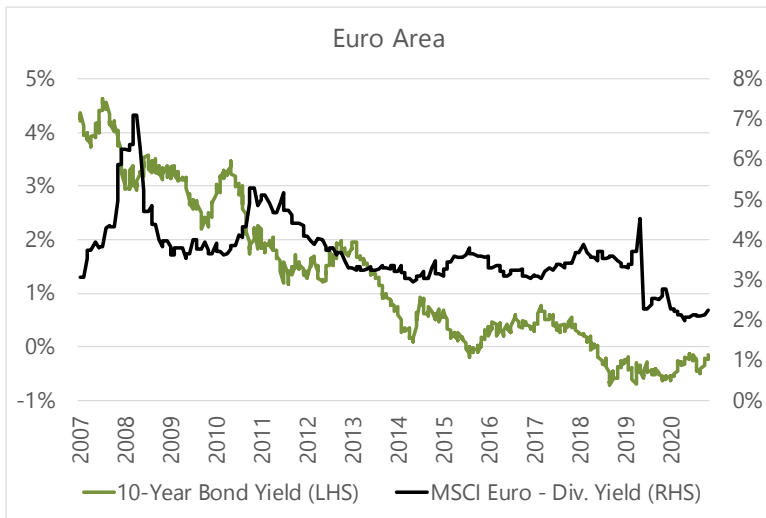
EARNINGS YIELDS HIGHER THAN BOND YIELDS GLOBALLY



DIVIDEND-PAYING STOCKS ARE ATTRACTIVE RELATIVE TO BONDS



DIVIDEND YIELDS HIGHER THAN BOND YIELDS GLOBALLY



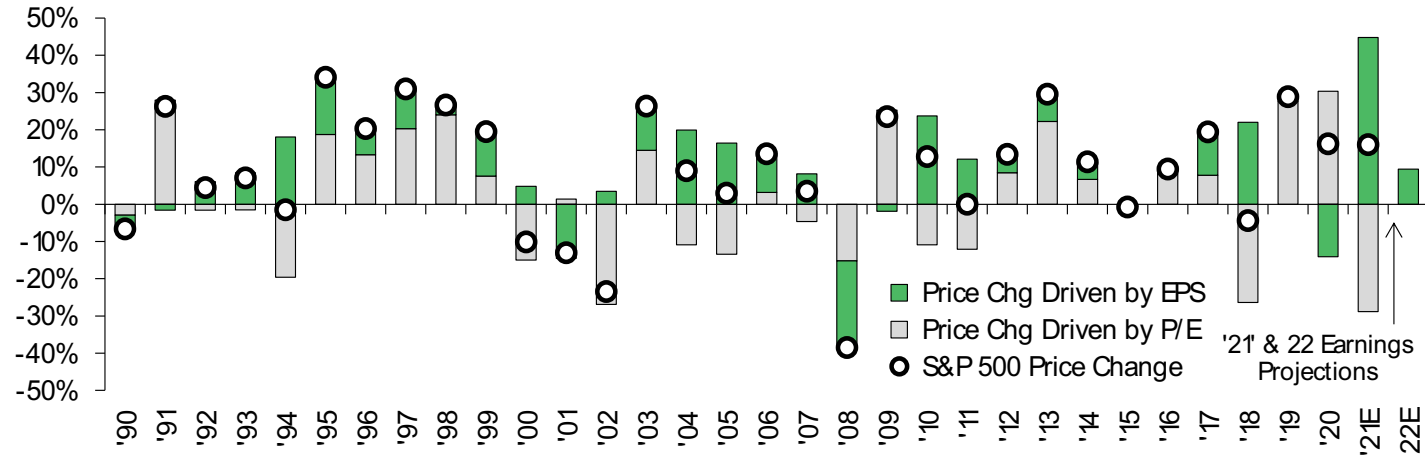
MULTIPLES LIKELY PEAKING WITH LIQUIDITY PEAKING AND RATES BOTTOMING

Price/Earnings Ratio \times Earnings = Price

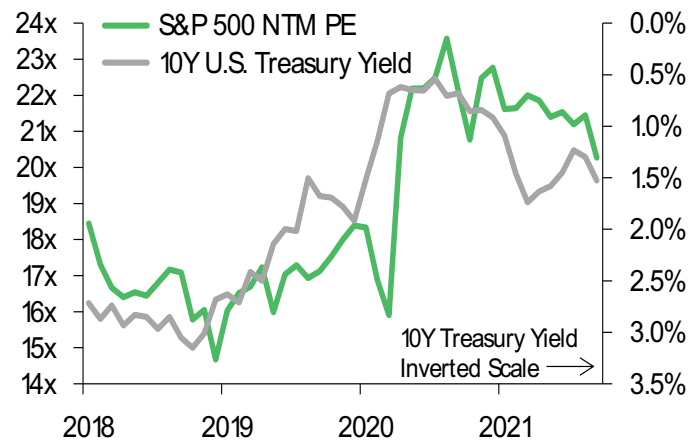
Therefore, for Price to Increase:

- Price/Earnings Ratio Has to Expand and/or
- Earnings Has to Increase

S&P 500 Price Returns, Contribution from EPS and PE

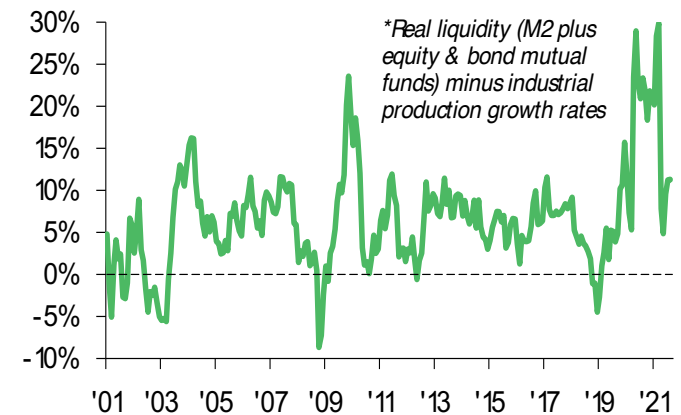


S&P 500 Price-to-Earnings Ratio vs U.S. Treasury Yield



Source: FactSet

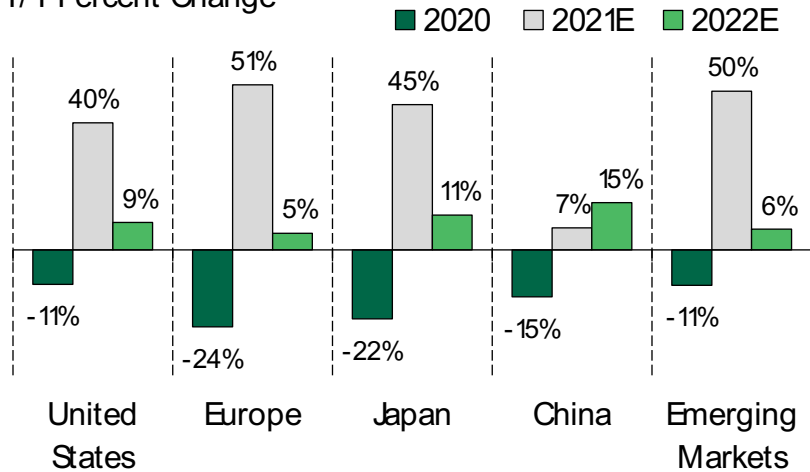
U.S. Excess Liquidity*
Y/Y Percent



Source: U.S. Federal Reserve, Investment Company Institute

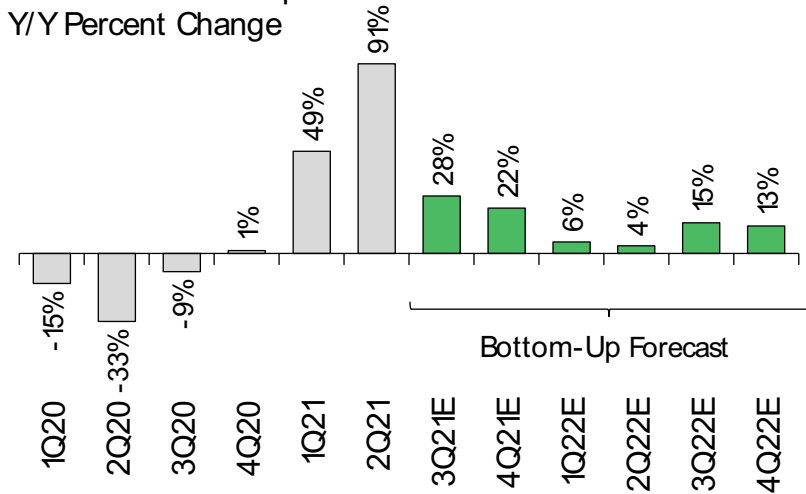
EPS ESTIMATES IMPROVING

Bottom-Up EPS Estimates for MSCI Indices
Y/Y Percent Change



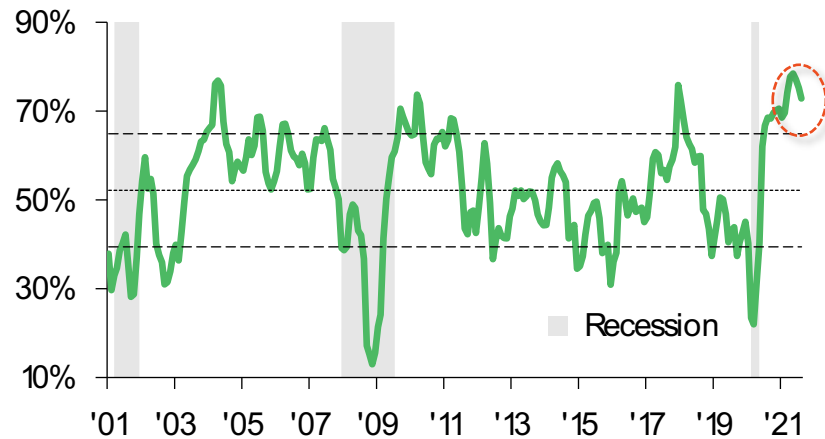
Source: FactSet

S&P 500 Bottom-Up EPS Growth
Y/Y Percent Change



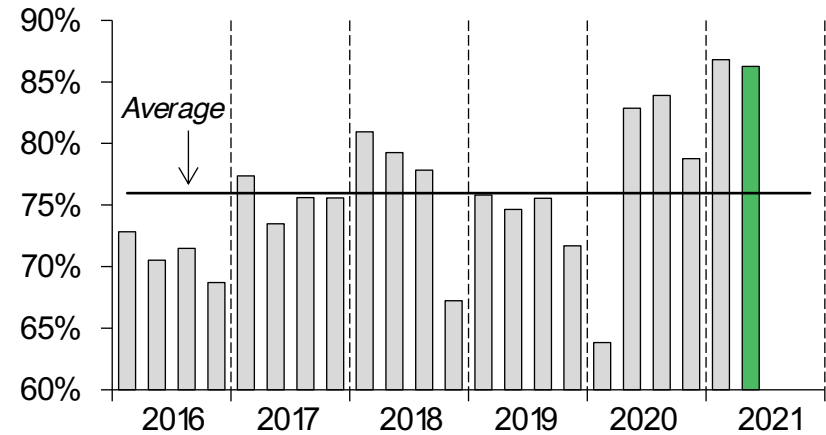
Source: FactSet

S&P 500 Upward Earnings Revisions
As a Percent of Total Estimate Revisions



Source: FactSet

Positive EPS Surprises
S&P 500 Index

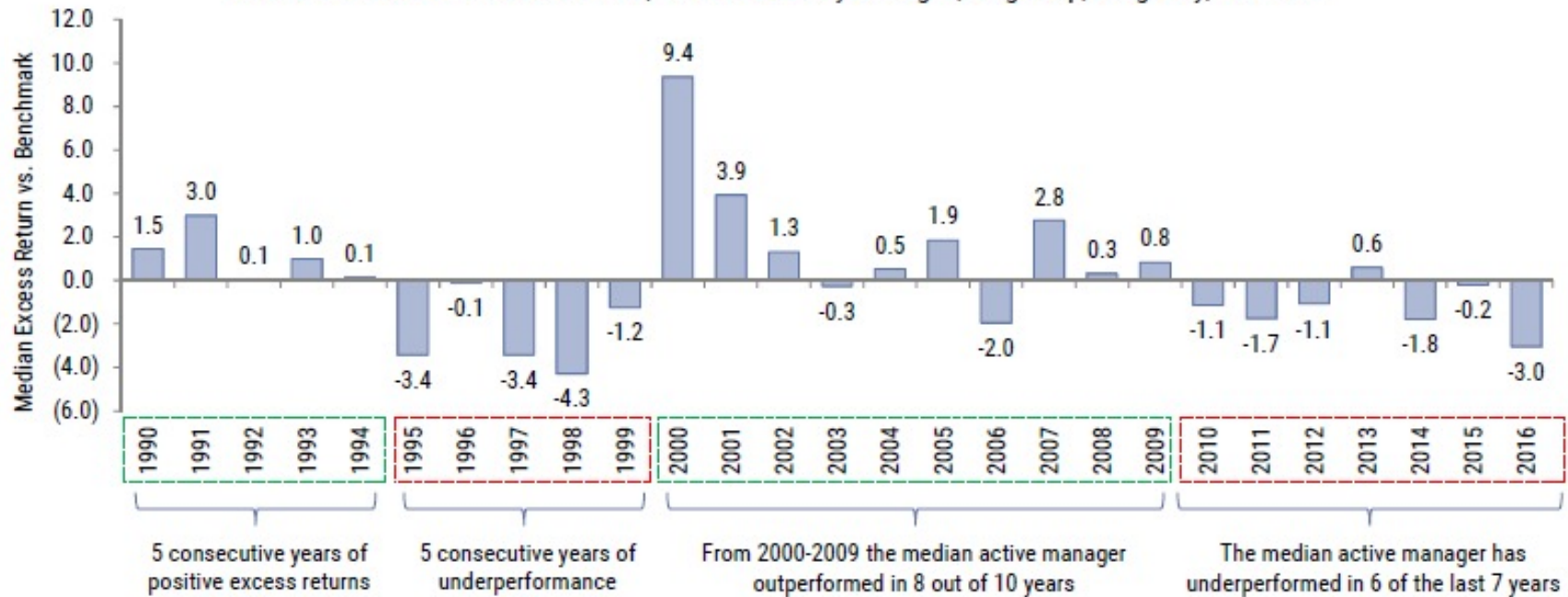


Source: Factset

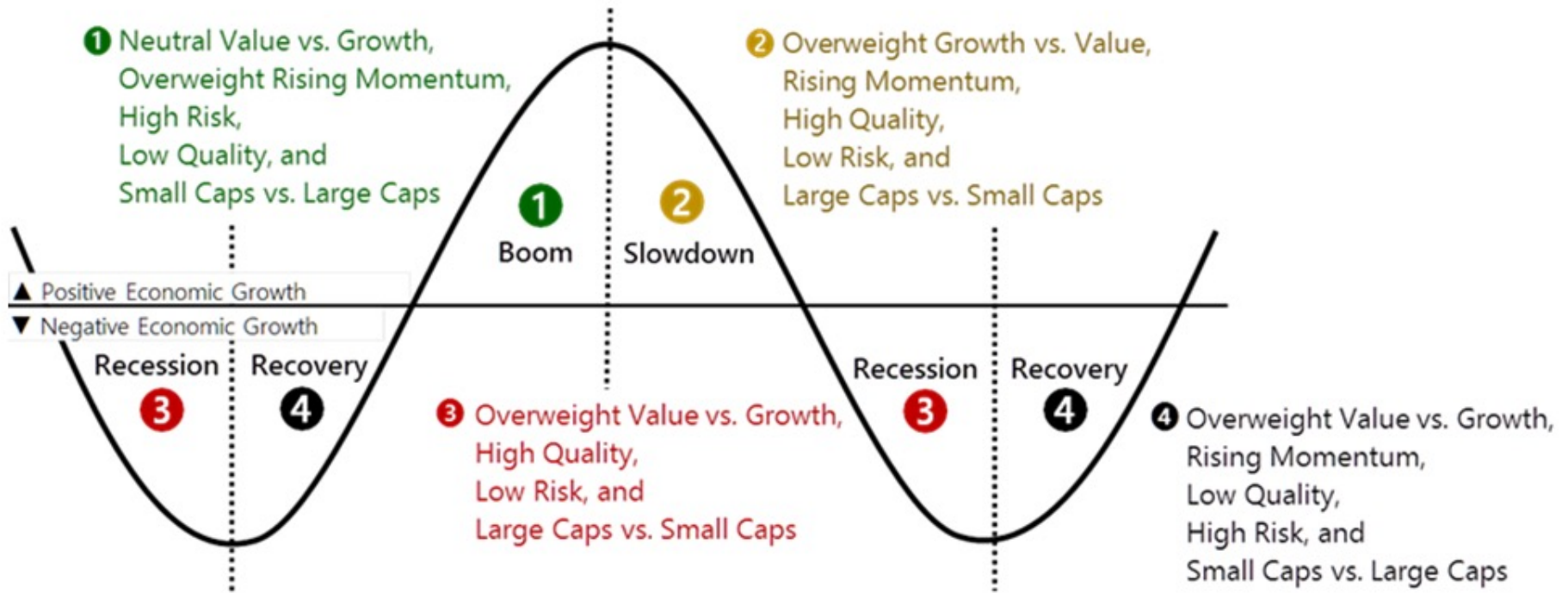
ACTIVE/PASSIVE PERFORMANCE TRENDS ARE CYCLICAL

There have been 4 distinct alpha cycles since 1990

Median Excess Return vs. Benchmark; Includes Actively Managed, Large Cap, Long-Only, US Funds

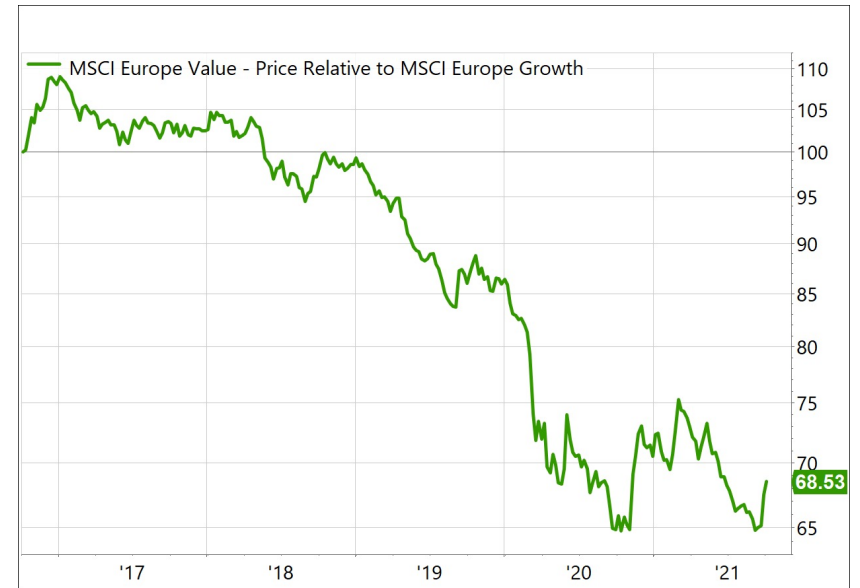
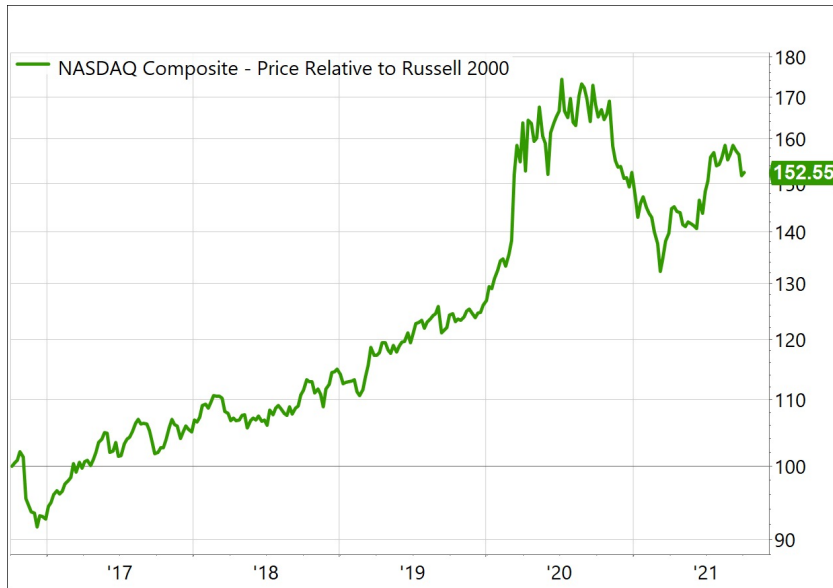
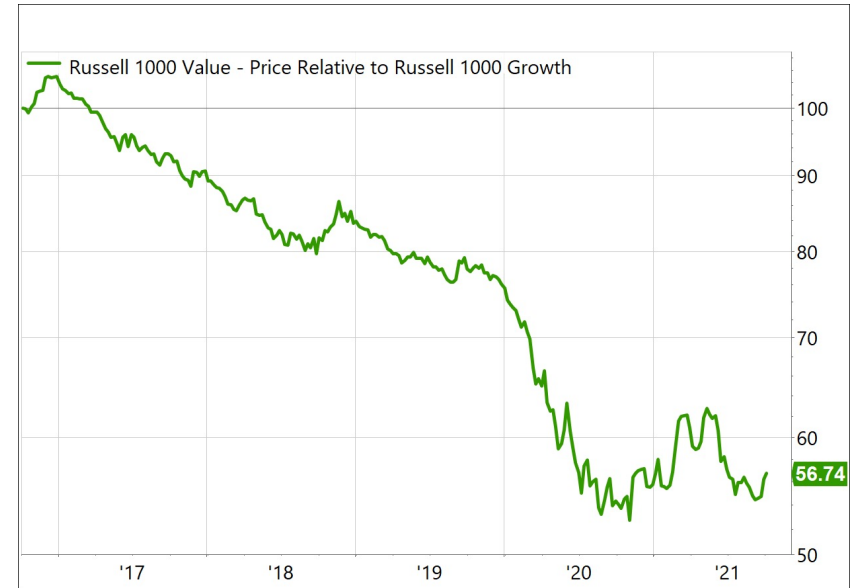
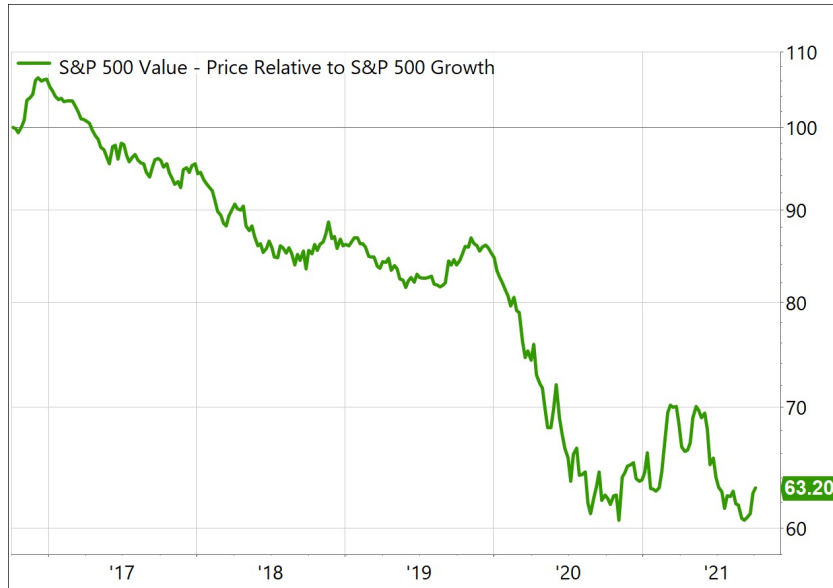


WHAT STYLES WORK THROUGHOUT AN ECONOMIC CYCLE

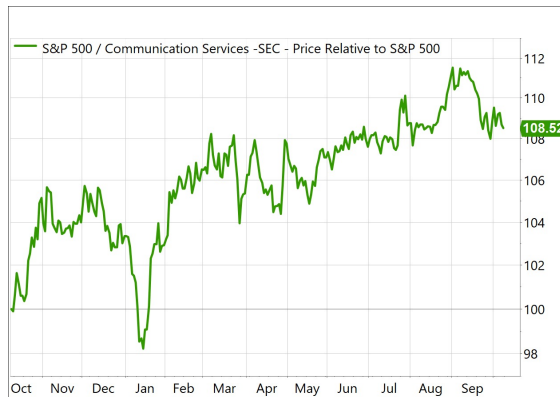
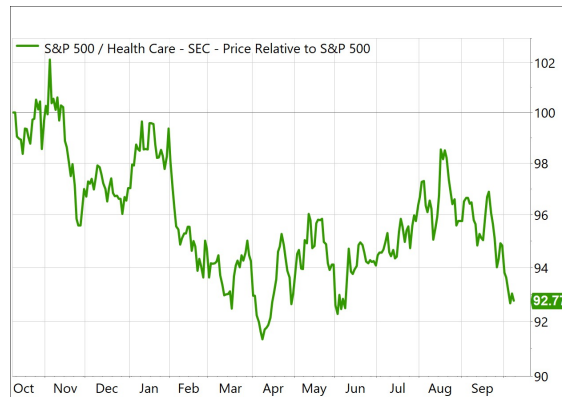
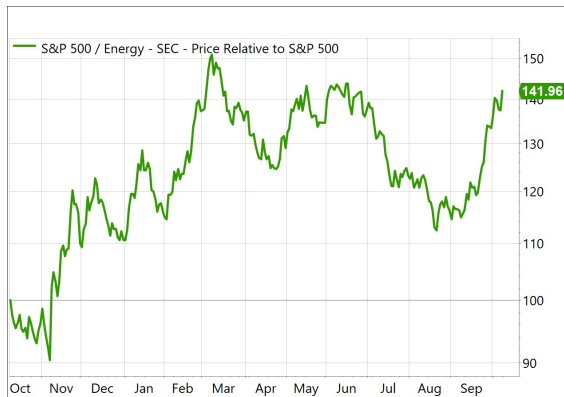
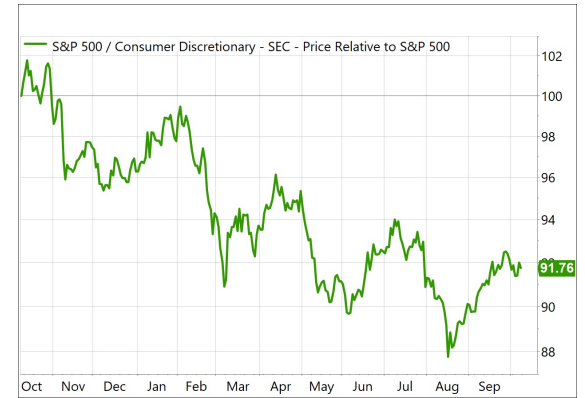
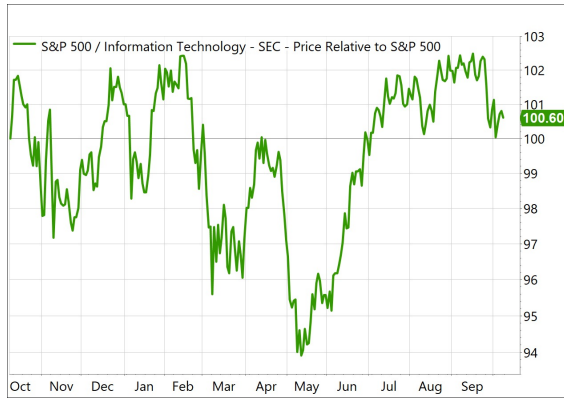


Phase 1: Rising & Accelerating; Phase 2: Rising & Decelerating; Phase 3: Falling & Decelerating; Phase 4: Falling & Accelerating

MARKET ASSET CLASS PERFORMANCE SHIFTING



SECTOR LEADERSHIP SHIFTING



FACTOR LEADERSHIP SHIFTING

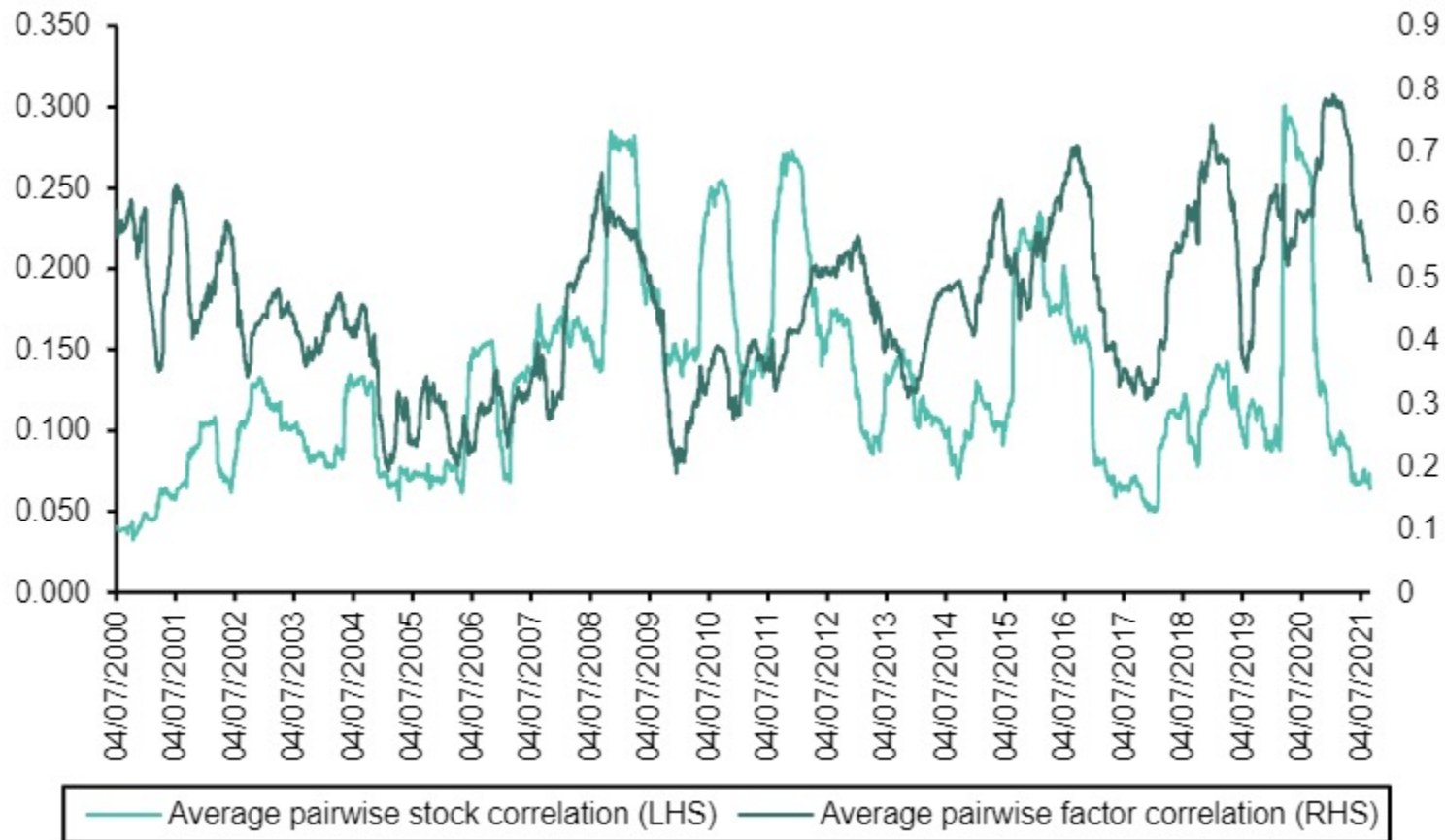
S&P 500

<u>Earnings Growth - Current Year Vs. Actual Year</u>			
	12/31/19 - 9/30/20	9/30/20 - 12/31/20	12/31/20 - 10/8/21
	Total Return	Total Return	Total Return
Earnings Growth Quintile 1 (Fastest)	15.41	5.78	11.60
Earnings Growth Quintile 2	10.87	8.98	20.72
Earnings Growth Quintile 3	4.90	11.05	18.86
Earnings Growth Quintile 4	-0.15	20.23	18.87
Earnings Growth Quintile 5 (Slowest)	-29.72	31.95	26.73
Non-Earners	21.90	30.79	24.57
Total	5.38	12.12	18.18
<u>Price to Earnings - Next Twelve Months</u>			
	12/31/19 - 9/30/20	9/30/20 - 12/31/20	12/31/20 - 10/8/21
	Total Return	Total Return	Total Return
PE Quintile 1 (Cheapest)	-22.34	17.33	22.39
PE Quintile 2	-6.53	16.32	14.82
PE Quintile 3	0.28	11.94	20.76
PE Quintile 4	14.81	10.84	18.79
PE Quintile 5 (Most Expensive)	32.13	9.45	13.15
Non-Earners	35.75	36.94	21.21
Total	5.38	12.12	18.18
<u>Return on Equity</u>			
	12/31/19 - 9/30/20	9/30/20 - 12/31/20	12/31/20 - 10/8/21
	Total Return	Total Return	Total Return
Return on Equity Quintile 1 (Highest)	16.35	9.49	16.88
Return on Equity Quintile 2	-7.02	14.39	11.66
Return on Equity Quintile 3	-16.49	17.15	23.84
Return on Equity Quintile 4	-13.99	23.47	19.56
Return on Equity Quintile 5 (Lowest)	-20.38	39.35	18.60
Total	5.38	12.12	18.18

Russell 2000

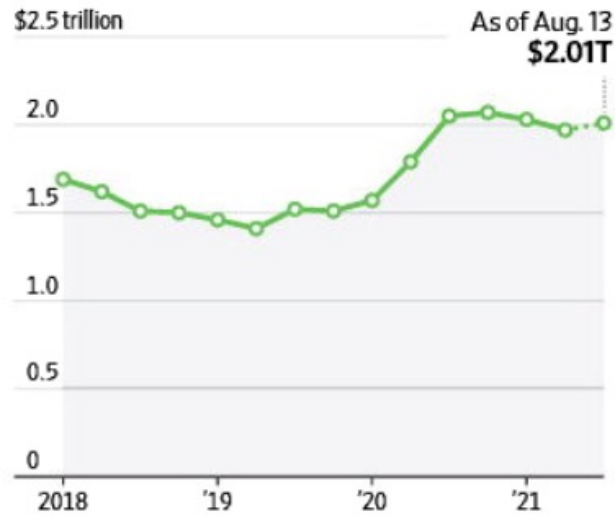
<u>Earnings Growth - Current Year Vs. Actual Year</u>			
	12/31/19 - 9/30/20	9/30/20 - 12/31/20	12/31/20 - 10/8/21
	Total Return	Total Return	Total Return
Earnings Growth Quintile 1 (Fastest)	-3.30	25.16	23.62
Earnings Growth Quintile 2	-6.41	26.38	4.15
Earnings Growth Quintile 3	-7.62	30.18	15.38
Earnings Growth Quintile 4	-18.22	33.83	13.75
Earnings Growth Quintile 5 (Slowest)	-7.08	42.63	15.54
Non-Earners	-19.98	21.12	-3.80
Total	-8.69	31.36	13.90
<u>Price to Earnings - Next Twelve Months</u>			
	12/31/19 - 9/30/20	9/30/20 - 12/31/20	12/31/20 - 10/8/21
	Total Return	Total Return	Total Return
PE Quintile 1 (Cheapest)	-27.33	33.01	41.13
PE Quintile 2	-18.14	29.31	21.70
PE Quintile 3	-16.61	25.27	18.72
PE Quintile 4	-6.99	30.53	13.82
PE Quintile 5 (Most Expensive)	4.40	23.82	10.33
Non-Earners	8.62	40.38	-6.41
Total	-8.69	31.36	13.90
<u>Return on Equity</u>			
	12/31/19 - 9/30/20	9/30/20 - 12/31/20	12/31/20 - 10/8/21
	Total Return	Total Return	Total Return
Return on Equity Quintile 1 (Highest)	-1.58	23.44	23.44
Return on Equity Quintile 2	-19.15	25.04	21.75
Return on Equity Quintile 3	-23.10	29.51	14.78
Return on Equity Quintile 4	-10.33	38.68	9.69
Return on Equity Quintile 5 (Lowest)	11.10	41.16	-1.39
Total	-8.69	31.36	13.90

GLOBAL STOCK CORRELATIONS ARE BACK DOWN TO PRE-PANDEMIC LEVELS

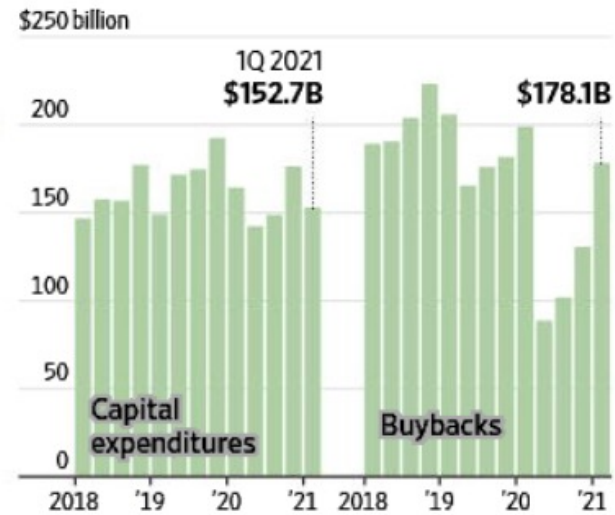


COMPANIES' CASH STOCKPILE GIVES INVESTORS REASSURANCE

Cash and short-term investments held by S&P 500 companies, quarterly



S&P 500 companies' spending on capital expenditures and buybacks, quarterly



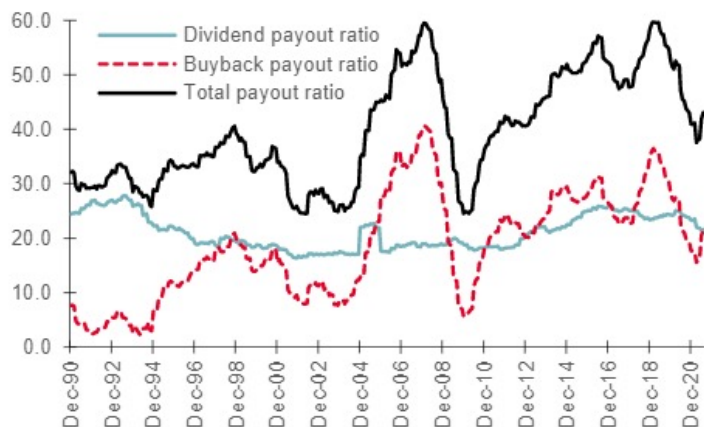
Largest cash and short-term investment holdings by non-bank S&P 500 companies, in billions



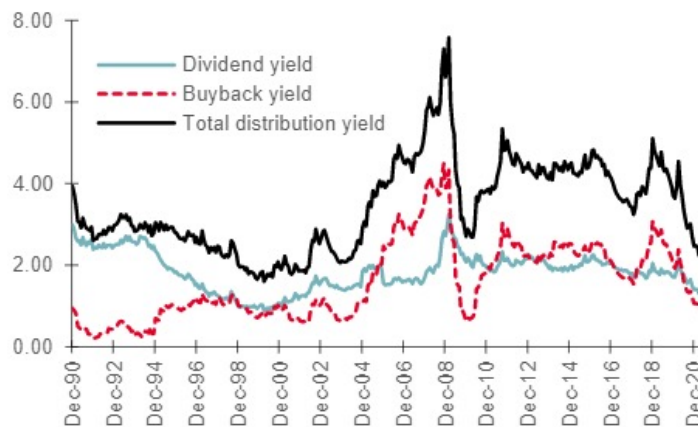
Sources: FactSet (holdings); S&P Dow Jones Indices (spending)

DIVIDEND INCREASES AND STOCK BUYBACKS POSITIVE MARKET CATALYSTS

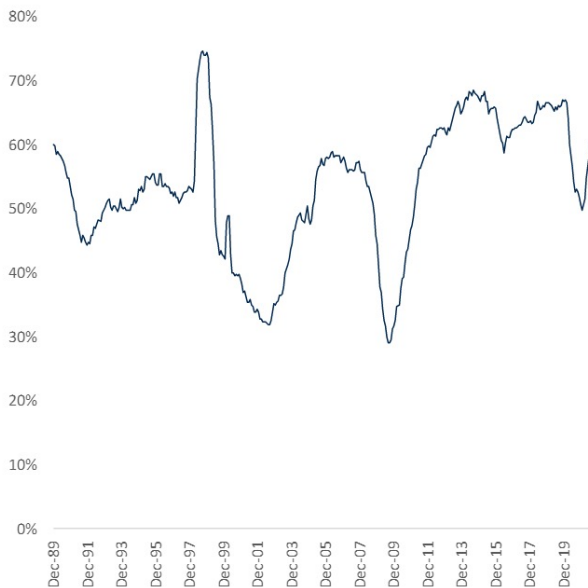
US S&P 1500 non-financial payout ratios (as reported basis)



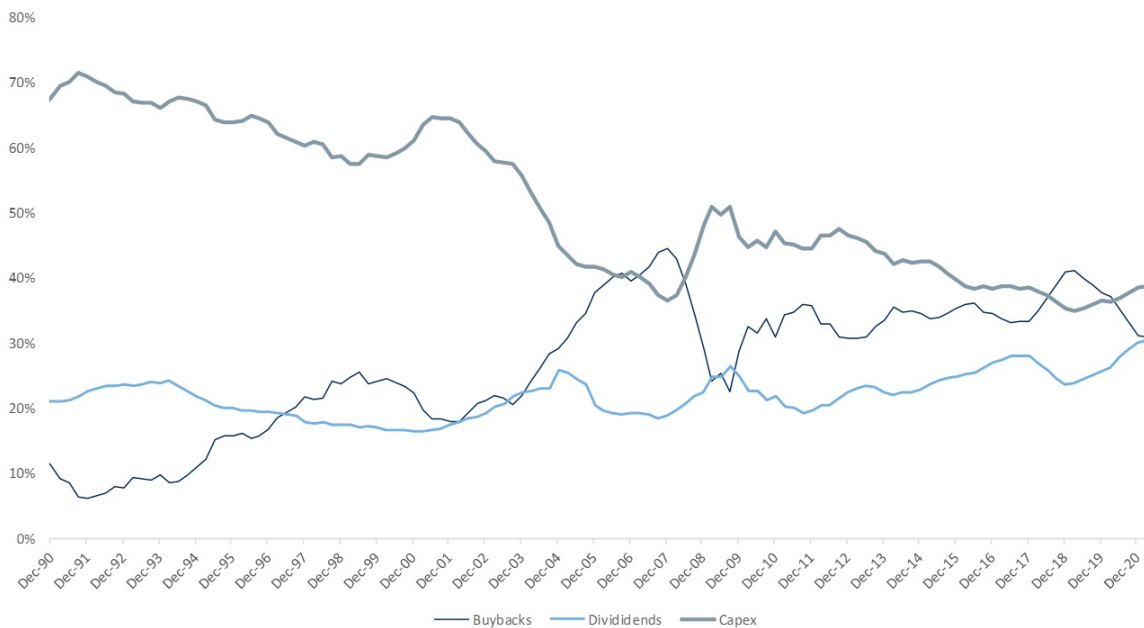
US S&P 1500 non-financial dividend, buybacks and total distribution yields (% as reported)



% Companies Increasing Their Dividend/Share Rate Yr/Yr: S&P 500 Index

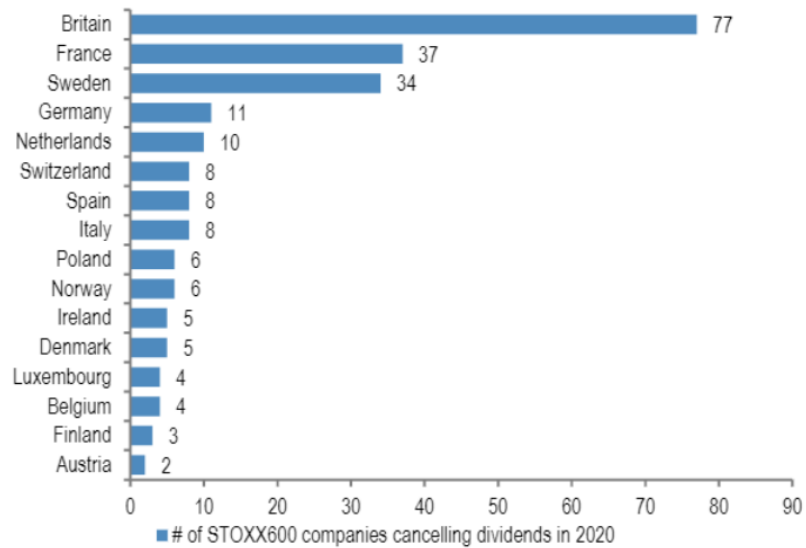


S&P 500 Cash Deployment Trends as a % of Total: Buybacks, Dividends, Capex (T12M)

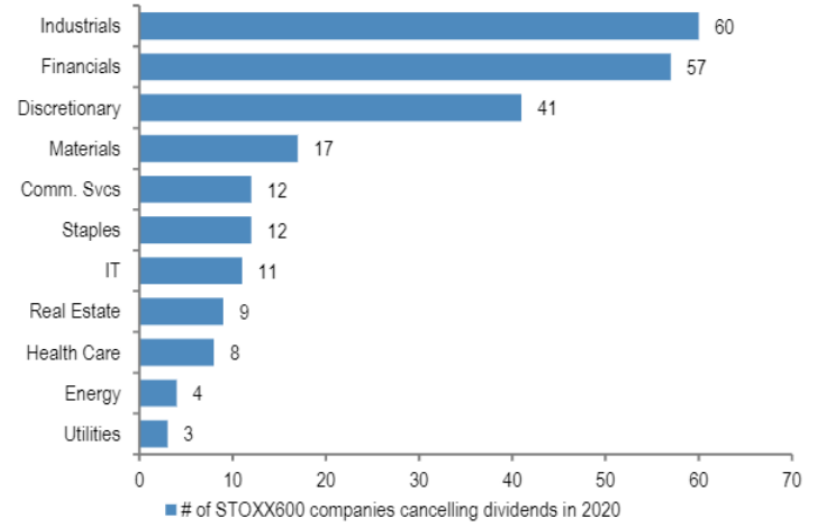


EUROPE DIVIDEND INCREASES ANOTHER OPPORTUNITY

Dividend cancellations by European countries



Dividend cancellations by European sectors



EQUITY SECTOR STRATEGY – OVERWEIGHT

Sector	SIA Portfolio Positioning	Themes Within Sector	Favorite Names
TECHNOLOGY	Overweight	The artificial intelligence and big data convergence requires enhanced compute and networking functionality, thus we favor over-weighting companies levered to this high growth area. Furthermore, 5G networks will require some decentralization of computing power to network edges. Our portfolios are also levered to digital transformations, cloud platforms, the electrification of traditional as well as the proliferation of new consumer devices with enriched connectivity. Technology, however, squarely in the crosshairs of politicians due to monopolistic behavior.	AAPL, NVDA, ANET, AVGO, SWKS, ADBE, CRM, MSFT, NOW, QCOM, MRVL
HEALTH TECHNOLOGY	Overweight	We favor companies with portfolios of innovative products which ideally also provide overall cost savings to the healthcare system. Despite healthy growth rates, many of these names are still trading at discounts to other defensive groups. Prefer companies less exposed to drug pricing pressure/sentiment. Capping drug prices is a top political target and could create a material headwind for the sector.	MDT, DXCM, EXAS, ISRG, TMO
HEALTH SERVICES	Overweight	We favor health insurers who provide health care services at lower overall cost than unmanaged systems. As the population ages, these companies have also evolved their product offerings to include plans focused on senior citizens, which enhances revenue and earnings growth. Health insurers are attractively valued, selling at or below market multiples on forward earnings despite generating above market growth.	UNH, HCA, TDOC
TRANSPORTATION	Overweight	Despite uncertain demand outlook, capacity/pricing and cost-cutting efforts are pushing margins significantly higher for rails, parcel carriers, and trucking companies. Transports tend to perform best early in cyclical recovery as inventories are rebuilt and offer most attractive way to play an improvement in economy.	UNP, FDX, KNX, TFII
FINANCIALS	Overweight	Relative valuations for financial sub-groups remain depressed, particularly relative to other cyclical industries that have rebounded strongly over past several months. Abating rate pressures, improving credit trends, and strong capital positions bolster the investment case for banks/ investment banks. Property casualty industry in the midst of “hard” pricing market, particularly in commercial lines. Accelerating capital returns for all groups in 2021.	JPM, CB, AMP, GS, TROW

EQUITY SECTOR STRATEGY – NEUTRAL/UNDERWEIGHT

Sector	SIA Portfolio Positioning	Themes Within Sector	Favorite Names
CAPITAL GOODS	Neutral	Most major industrial end markets are improving from March/April lows, but significant uncertainty remains for key areas such as construction, aerospace, and commodity cap-ex. Margin performance has been exceptional as firms increasingly use technology to improve productivity. Favoring companies with above average visibility and significant exposure to services/ aftermarket activity (vs. cap-ex) and attractive end markets such as automation, defense, electronics, and consumer-related. Potential upside from infrastructure bill and Biden administration support for U.S. manufacturing.	HON, DOV, HUBB, TT, RXN
COMMUNICATIONS	Neutral	The U.S. is on the verge of deploying revolutionary 5G technology which promises orders of magnitude of performance improvement relative to connectivity speed, lower latency and support for massive capacity. We favor exposure to companies that are early participants and beneficiaries of the 5G, the “wireless Internet”. Politicians, however, targeting sector for monopolistic behavior.	VZ, AMT, SHEN
UTILITIES	Neutral	Absolute valuations elevated relative to history, balanced by significant yield advantage relative to bonds. Visible rate base growth, coupled with long-term growth benefits from changing U.S. energy landscape (wind and solar powered electricity generation, gathering and processing infrastructure for shale oil and gas). Emphasis on firms with visible EPS Growth and high exposure to renewables.	NEE, ETR
RETAIL TRADE	Underweight	Demise of the mall and apparel retail malaise exacerbated by COVID-19 pandemic. Faster transition to e-commerce. Slow growth for most traditional retailers, given their core B&M businesses and due to e-commerce competition and consumers spending on experiences (services) over products. Near-term spending on home improvement, home furnishings, and sporting goods due to COVID. Margin pressure from COVID-related costs (e.g., PPE, safety, special pay), e-commerce investments, and price competition. We favor firms with strong e-commerce sales, scale, and differentiated business models. Favorable monetary and fiscal policies should keep demand strong.	AMZN, CVS, CASEY, HD, TJX, ULTA
CONSUMER NON-DURABLES	Underweight	Slow secular volume growth, due to mature developed markets and competition from private label, Healthy/organic, and local brands. Near-term pickup in at-home food consumption due to COVID-19 benefiting CAG, STZ, and MDLZ, as consumers rediscover their name brands. Margin pressure from COVID-related costs and higher raw material inputs. We favor firms with strong brands, global growth potential, innovative new product development, and robust e-commerce businesses.	CAG, STZ, EL, MDLZ, NKE, PEP
ENERGY/MATERIALS	Underweight	Short-term improvement in supply/demand outlook, but oil stocks fairly valued and face longer term challenges from the energy “transition, ” with further sentiment headwind in ESG era. Pipelines attractive with high dividend yields and modest growth. Prefer non-energy commodities, including copper, oil, and ag products. Biden administration policies and reviving an Iran deal could create a more unfavorable environment for sector.	BHP, RIO, TRP