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2022 Global Market Outlook

Playbook for a Shifting Economic Landscape

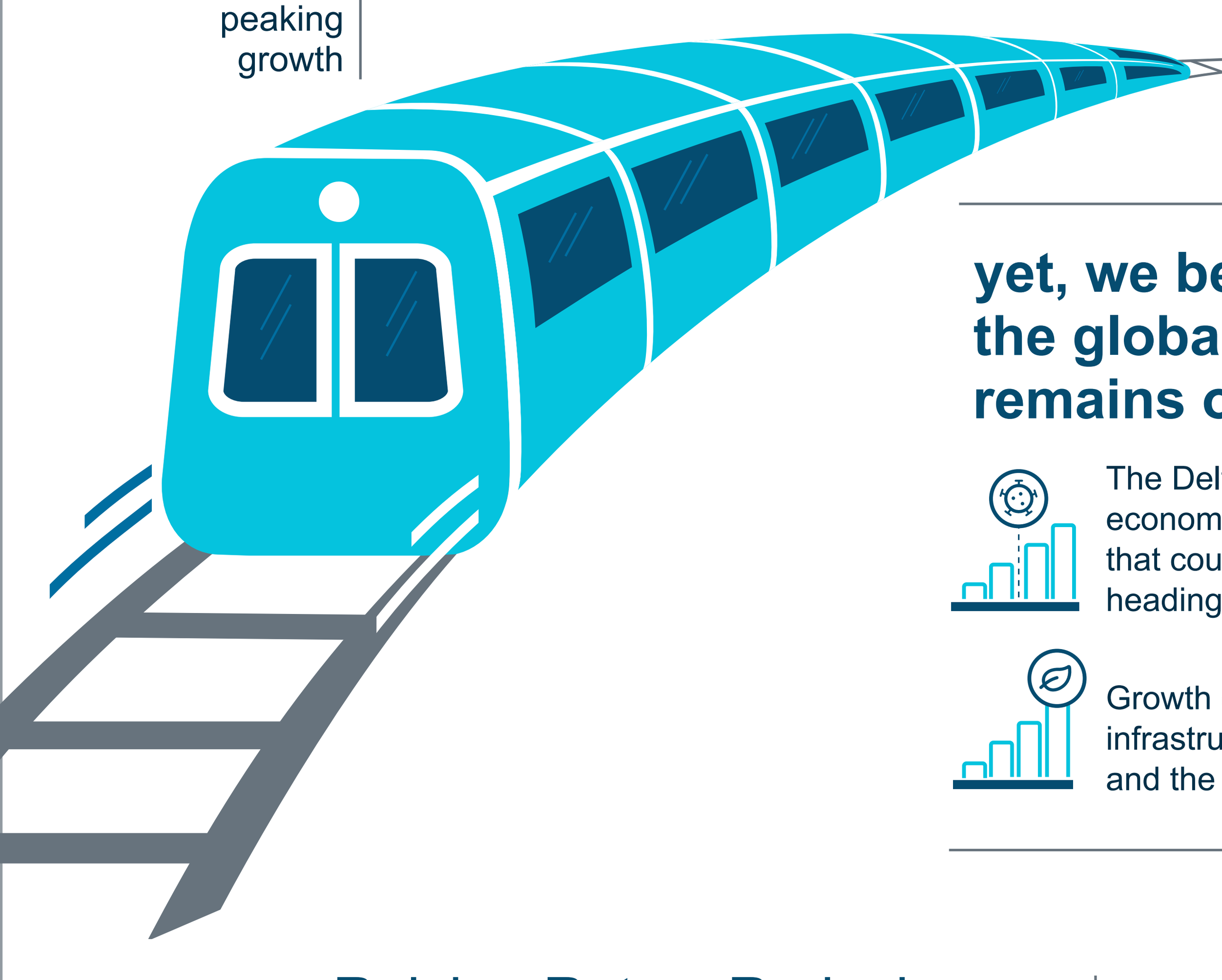
Four themes to follow

1. Growth Delayed Not Derailed
2. Focus on Fundamentals
3. Navigating Policy Shifts
4. Path to Global Sustainability

1 Growth Delayed, Not Derailed

Global markets face headwinds

- Worries about peaking growth
- Fading fiscal and monetary stimulus
- Supply chain bottlenecks
- Lingering COVID-19 effects



yet, we believe the global recovery remains on track

- The Delta variant delayed economic activity, but that could boost growth heading into 2022
- Growth could shift to infrastructure spending, and the green transition

Raising Rates, Reducing Stimulus: **The Fine Balance**

- **Too slow** Inflation continues to accelerate and markets react badly
- **Too quick** Economic growth potentially falters and yield curves flatten

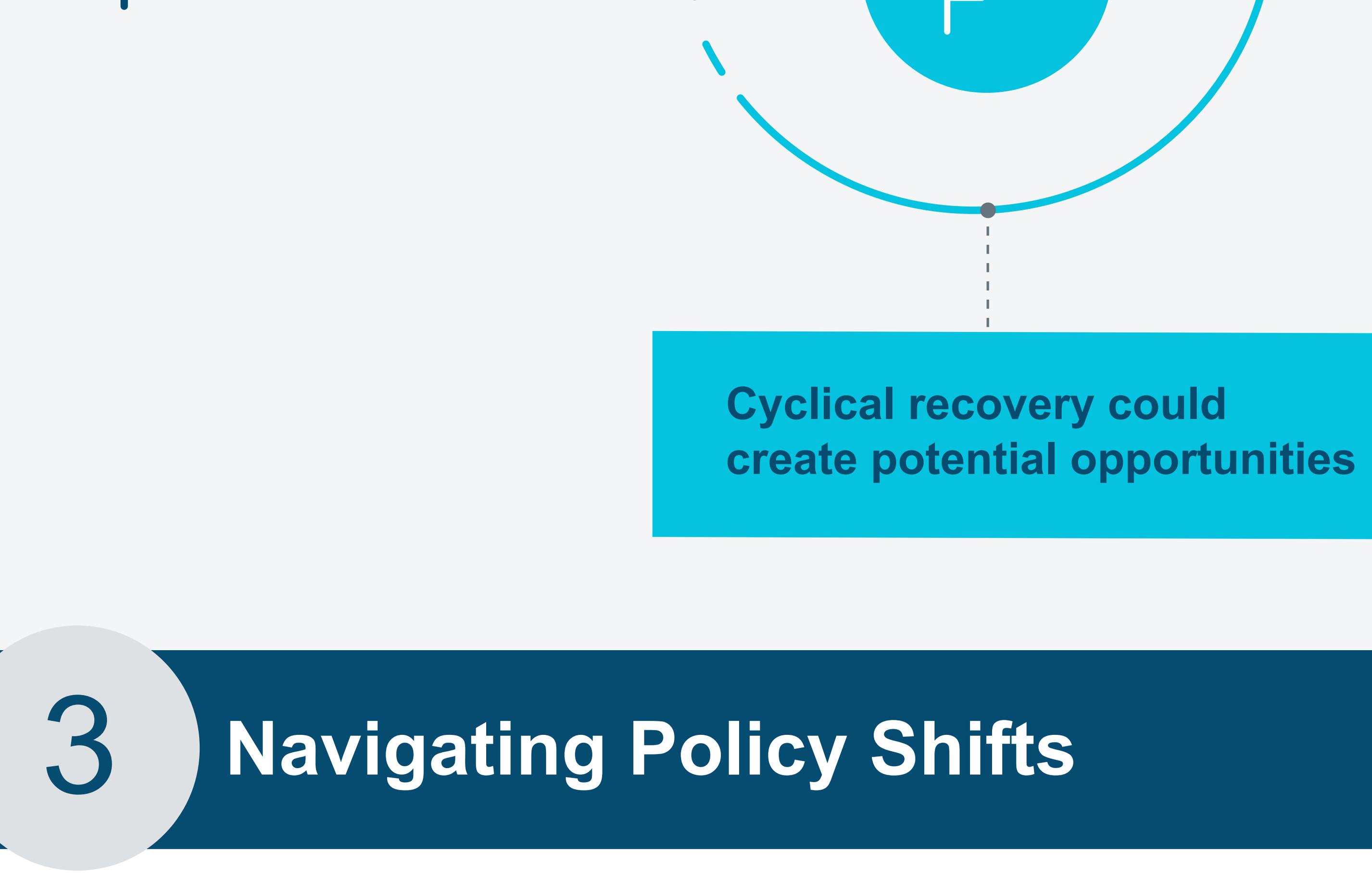
2 Focus on Fundamentals

Will earnings growth be strong enough to support high equity valuations?

The trend toward wider profit margins seen over the past three decades may be reversing

Key factors

- Corporate profit margins
- Interest rate movements
- Corporate tax rates
- Globalization trends



Cyclical recovery could create potential opportunities

3 Navigating Policy Shifts

Central banks are turning more hawkish, but their policies are unsynchronized

- **European Central Bank** remains cautious
- **U.S. Federal Reserve** is tapering quantitative easing
- Some **emerging markets central banks** are raising interest rates

For illustrative purposes only.

The U.S. Federal Reserve has signaled it wants to move slowly, but inflation pressures could speed rate hikes in 2022

Credit spreads have tightened, so global dispersion highlights the need for credit selection—in global high yield and emerging markets debt

4 Path to Global Sustainability

Major investments are needed in order to make meaningful progress toward global sustainability

This could spur a **boom in public and private infrastructure investment** that sustains economic and earnings growth

Look for a potential new **"super cycle"** in demand for

- Key raw materials (lithium, nickel, copper, etc.)
- Industrial goods vital to renewable energy, storage systems, power grids
- Infrastructure that boosts capacity and productivity

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