



Global Asset Allocation Viewpoints

January 2022

1 Market Perspective

As of 31 December 2021



- Despite omicron variant weighing in the near-term, growth should remain above potential with inflation likely to moderate this year amid central banks tightening and improvement in supply chains.
- Developed market central banks further advance tightening policy, with the Federal Reserve paring back quantitative easing and Bank of England raising rates. Emerging market central banks may be nearing peak tightening, with China already taking steps towards easier policies.
- Yield curves likely to flatten as global short-term rates biased higher with central banks tightening, while long-term rates likely capped by easing inflation concerns and moderating liquidity.
- Key risks to global markets include omicron variant, persistent inflation, supply chain disruption, central bank missteps, China growth trajectory, and increasing geopolitical concerns.

2 Portfolio Positioning

As of 31 December 2021



- We increased our underweight to equities relative to bonds and cash given stocks' less compelling risk/reward profile, balancing elevated valuations against a backdrop of moderating growth and tightening central bank policies.
- Within equities, we further increased our underweight to U.S. growth stocks. We continue to tilt toward cyclical, maintaining overweights to value-oriented equities globally, U.S. small-caps, and emerging market stocks, where valuations are more reasonable and which should benefit from a continued path of recovery.
- Within fixed income, we modestly added to U.S. Treasury Long to provide ballast to the overall portfolio given more cautious view on equity valuations and more hawkish Fed that may limit further upside to interest rates.
- Broadly across our fixed income allocation, we continue to favor shorter duration and higher yielding sectors through overweights to floating rate loans and high yield bonds supported by our constructive credit outlook.

3 Market Themes

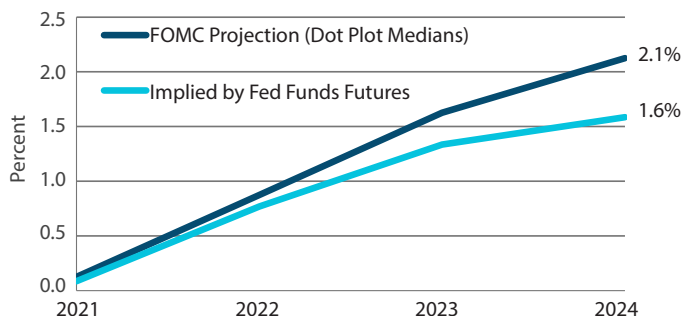
As of 31 December 2021

Holiday Rush

The Federal Reserve turned decisively more hawkish at its December meeting, announcing an acceleration of the pace of tapering, which will now end asset purchases by March, and guided towards a mid-year start of rate normalization. From a timing standpoint, these policies will be taking hold just as growth and inflation are expected to be moderating and amid a spike in the Omicron variant across the globe. Given these factors, the market seems to be calling into question how far the Fed can tighten policy before being forced into retreat, looking for the Fed Funds rate to be 1.6% at the end of 2024, well below the Fed's target of 2.1%. With other developed market central banks on the move, such as the Bank of England's recent surprise rate hike, the Fed seems eager to join the holiday rush, perhaps worried that if they don't move fast enough while they can, they may be vulnerable to respond to the next economic downturn.

Fed Funds Rate Projections

As of 31 December 2021

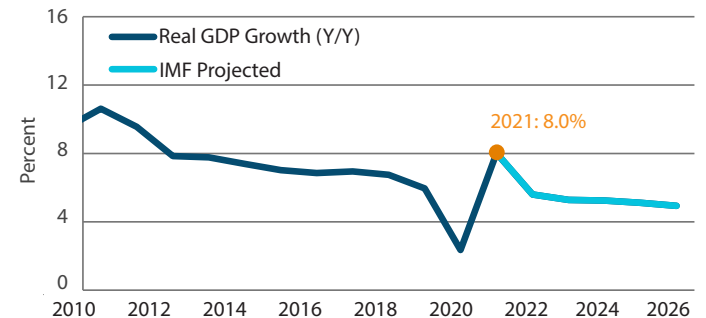


A New Year's Resolution

A confluence of events weighed on Chinese growth last year, including its crackdown on the massive property sector—making up nearly 25% of its economy, increased regulations particularly in the technology and education sectors, and market disruption caused by shuttering coal production to meet its clean energy agenda. In response to the weakness, China is acting, having cut its reserve requirement ratio by 50bps, lowering its prime loan rate, and accelerating loans for infrastructure projects. As China looks to balance their economy more towards consumption and to be less reliant on the speculative property sector, estimates are suggesting that growth targets for 2022 could be as low as 5.5% to 6%, down from 8% in 2021. Albeit lower, a more stable growth trajectory for China could be beneficial for investors and trading partners, who have had to navigate the recent volatility. But for now, China needs to focus on this year's resolution to engineer a soft landing in the property market to shore up the economy for years to come.

China's Growth Slowdown

As of 31 December 2021



Source: Bloomberg Finance L.P.

For illustrative purposes only. Actual future outcomes may differ materially.

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4 Regional Backdrop

As of 31 December 2021

Positives

United States

- Healthy consumer balance sheets and high savings rate
- Strong earnings growth
- U.S. dollar likely to remain strong

Negatives

- Supply chain issues are weighing on economic growth
- Significantly elevated inflation
- Elevated stock and bond valuations
- Fed accommodation has peaked
- Fiscal stimulus has peaked

Europe

- Higher exposure to more cyclically oriented sectors that should benefit from economic recovery
- Monetary policy remains accommodative
- Fiscal stimulus likely to increase further
- Equity valuations remain attractive relative to the US

- Elevated energy prices and supply chain issues are weighing on economic growth
- Limited long-term catalysts for growth
- Demand from China fading
- U.S. dollar strength likely to remain a headwind

Developed Asia/Pacific

- Cyclical orientation should benefit from economic rebound
- Strong fiscal and monetary support
- Improving corporate governance
- Attractive equity valuations

- Weak economic growth going into crisis, driven by long term demographic headwind
- Demand from China fading
- Limited long-term catalysts for growth
- Elevated energy prices and supply chain issues are weighing on economic growth
- U.S. dollar strength likely to remain a headwind

Emerging Markets

- Attractive equity valuations
- Exposure to cyclical areas of economy should benefit from broad global recovery
- Chinese regulatory actions likely to have peaked
- Vaccination rates are improving

- Omicron variant remains a notable threat due to relatively low vaccination levels
- Heightened political and regulatory risk
- Accommodation from central banks is fading
- U.S. dollar strength likely to remain a headwind

5 Asset Allocation Committee Positioning

As of 31 December 2021



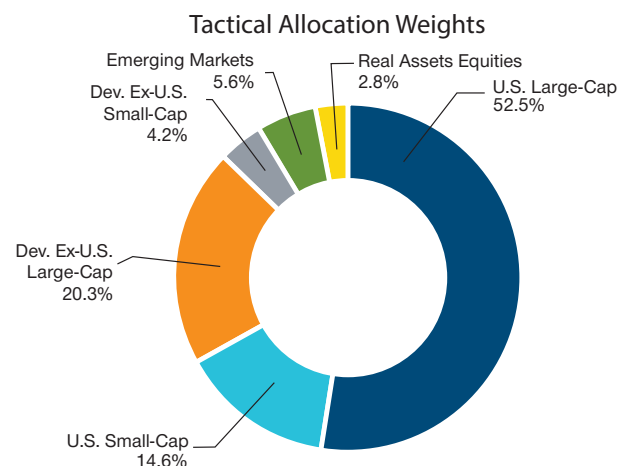
¹For pairwise decisions in style & market capitalization, positioning within boxes represent positioning in the first mentioned asset class relative to the second asset class. The asset classes across the equity and fixed income markets shown are represented in our Multi-Asset portfolios. Certain style & market capitalization asset classes are represented as pairwise decisions as part of our tactical asset allocation framework.

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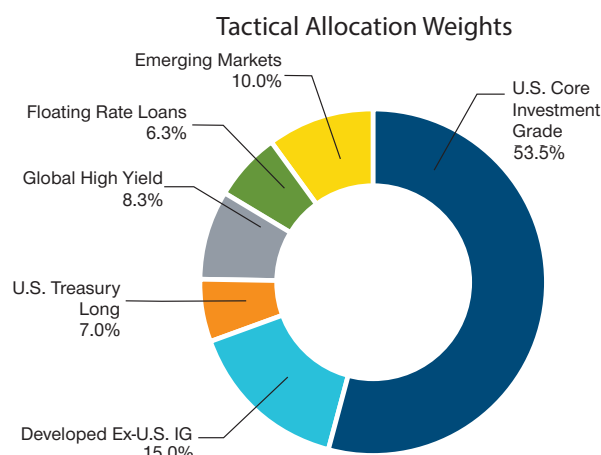
6 Portfolio Implementation

As of 31 December 2021

Equity	Neutral Weight	Tactical Weight	Relative Weight
■ U.S. Large-Cap	52.5%	52.5%	0.0%
■ U.S. Small-Cap ¹	13.5	14.6	+1.1
■ Dev. Ex-U.S. Large-Cap	21.0	20.3	-0.7
■ Dev. Ex-U.S. Small-Cap	4.0	4.2	+0.2
■ Emerging Markets	4.0	5.6	+1.6
■ Real Assets Equities	5.0	2.8	-2.3
Total Equity:	100.0%	100.0%	



Fixed Income	Neutral Weight	Tactical Weight	Relative Weight
■ U.S. Core Investment Grade	55.0%	53.5%	-1.5%
■ Developed Ex-U.S. IG (Hedged)	15.0	15.0	0.0
■ U.S. Treasury Long	10.0	7.0	-3.0
■ Global High Yield	8.0	8.3	+0.3
■ Floating Rate Loans	2.0	6.3	+4.3
■ Emerging Markets - (Local/Hard Currency)	10.0	10.0	0.0
Total Fixed Income:	100.0%	100.0%	



¹ U.S. small-cap includes both small- and mid-cap allocations.

Source: T. Rowe Price. Unless otherwise stated, all market data are sourced from FactSet. Copyright 2022 FactSet. All Rights Reserved.

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Neutral equity portfolio weights representative of a U.S.-biased portfolio with a 70% U.S. and 30% international allocation; includes allocation to real assets equities. Core fixed income allocation representative of U.S.-biased portfolio with 55% allocation to U.S. investment grade.

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