



Global Asset Allocation Viewpoints

March 2022

1 Market Perspective

As of 28 February 2022



- Global economic growth expected to moderate over the course of the year but remain above trend. Expectations for a moderation in inflation over the year may be stalled by inflationary pressures resulting from the conflict in Ukraine.
- Despite rising geopolitical risk impacting growth, developed market central banks advancing toward tighter policies, with the US Federal Reserve expected to raise rates in March, European Central Bank curbing asset purchases, while Bank of Japan remains on hold. Emerging market central banks may need to raise interest rates to defend currencies against a stronger U.S. dollar and to contain inflation.
- Short-term rates biased higher with central banks tightening, while long-term rates balance concerns of slowing growth, trajectory of inflation, and risk-off sentiment.
- Key risks to global markets include conflict in Ukraine, accelerating inflation off already high levels, central bank missteps, emergence of COVID variants, and China growth trajectory.

2 Portfolio Positioning

As of 28 February 2022



- While valuations are off recent peaks, we remain underweight equities given moderating growth and earnings outlook amid an active Fed and inflation concerns. Within fixed income, we remain overweight cash as longer rates remain biased higher.
- Within equities, we trimmed our overweight to U.S. and Global ex-U.S. value stocks and into core equities, and took profits following a period of strong outperformance by value stocks.
- Within our fixed income allocation, we continue to favor shorter duration and higher yielding sectors through overweights to short-term TIPS, floating rate loans, and high yield bonds supported by our still constructive outlook on fundamentals, while keeping a cautious eye on liquidity amid higher volatility.

3 Market Themes

As of 28 February 2022

Chaos & Consequences

Russia's invasion of Ukraine has shocked the world, and while the immediate concerns are the human toll on the Ukrainian people, the implications and aftermath will be felt far beyond the region. With the European continent being thrown into chaos not seen since World War II, it's no surprise to see markets unsettled as they try to comprehend the impacts. In response to the aggression, the West has successfully collaborated by implementing several punishing sanctions targeting Russian banks, the Russian central bank, and Russian sovereign debt, which have sent the ruble on a downward spiral and that could devastate Russia's economy. However, so far, the sanctions have stopped short of penalizing Russian energy companies, given Europe's, and especially Germany's, heavy reliance on Russian energy supply, and the potential negative inflationary impacts of an energy price shock on already high prices related to COVID. As this situation continues to unfold, the consequences could be far reaching, weighing on global growth and further accelerating inflation—especially given the area of conflict's notable contributions in energy and food to the rest of the world.

Russian Ruble Relative to the U.S. Dollar

As of 28 February 2022

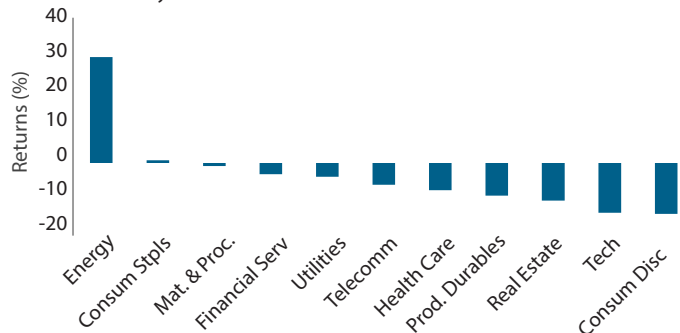


In and Out of Style

Equity markets' rough start to the year facing high inflation and a more aggressive Fed has only gotten worse amid rising geopolitical issues in Ukraine, with the S&P 500 Index down roughly 8% year-to-date. Notable as the sell-off has deepened is that growth stocks have continued to underperform, where they are typically seen as more defensive in risk-off environments. Year-to-date, Russell 1000 Value stocks are down as well, but just 3%, while Russell 1000 Growth has fallen over 14% largely due to fears that already high inflation could worsen leading the Fed on a more aggressive tightening trajectory. Although more cyclically oriented, value stocks have held up relatively well, nearly all the positive contribution came from energy, which makes up 15% of the Russell 1000 Value index and is up over 30% year-to-date. With the conflict continuing to unfold in Ukraine, as investors and central banks evaluate the balance of rising inflation pressures and slowing growth with the possibility of stagflation, growth and value stocks may be out of style.

Year-to-Date Equity Sector Returns¹

As of 28 February 2022



Past performance is not a reliable indicator of future performance.

¹ References the Russell 1000 Index. Source: London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). Please see the last page for information about this FTSE Russell information

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4 Regional Backdrop

As of 28 February 2022



Positives

- United States**
- Strong corporate and consumer balance sheets
 - Pent-up demand for services and capex

Negatives

- Fed tightening expected at a rapid pace
- Elevated stock and bond valuations
- Supply chain issues limiting economic activity
- Significantly elevated inflation
- Fiscal stimulus has peaked

- Europe**
- Fiscal stimulus increasing
 - Monetary policy remains accommodative
 - Equity valuations attractive relative to the US

- Ukraine conflict likely to continue to exacerbate energy shortages
- Industrial production dampened by supply chain challenges
- Limited long-term catalysts for earnings growth
- U.S. dollar strength likely to remain a headwind

- Developed Asia/Pacific**
- Very attractive equity valuations
 - Improving corporate governance
 - Monetary policy remains attractive

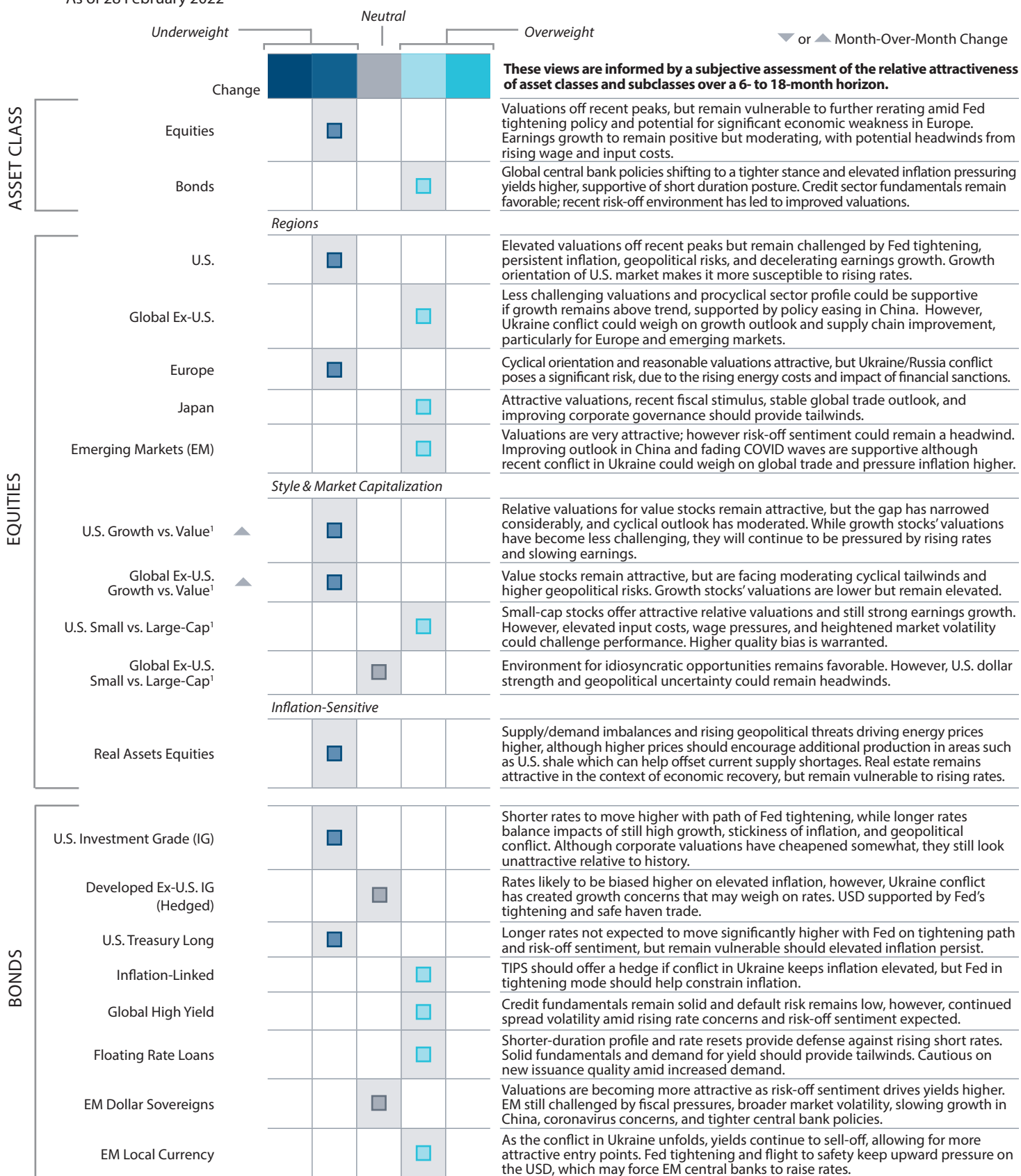
- Limited long-term catalysts for earnings growth
- Global trade remains impacted by supply chain issues, geopolitical uncertainty, and COVID restrictions

- Emerging Markets**
- Chinese authorities are easing regulatory and credit conditions
 - Equity valuations attractive relative to the US
 - COVID vaccination rate is rapidly increasing

- Global trade remains impacted by supply chain issues, geopolitical uncertainty, and COVID restrictions
- U.S. dollar strength likely to remain a headwind
- Central bank accommodation is fading

5 Asset Allocation Committee Positioning

As of 28 February 2022



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 28 February 2022

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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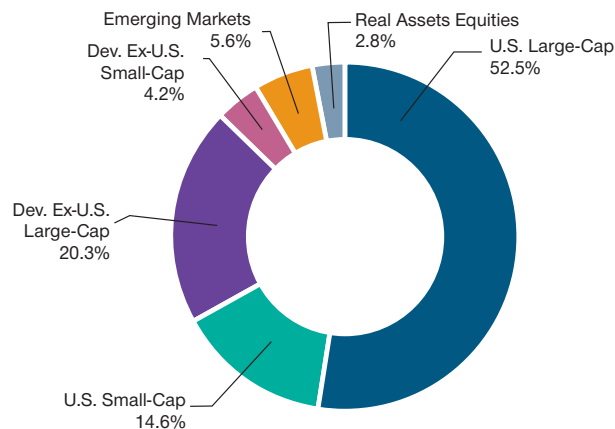
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