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HOUSE VIEW SUMMARY

GLOBAL ECONOMY

- We are approaching the latter innings of coordinated global central bank hiking. As a result, most major central banks are expected to slow or stop rate hikes during the first half of 2023.
- The Fed would like to pause rate hikes and allow the "long and variable lags" of monetary policy to work through the economy. Fed policy is tighter than it has been since 2008 and interest rate-sensitive sectors of the economy, like real estate, have been hit hard.
- However, an unexpected reacceleration of economic growth and inflation has caught the Fed off guard. We believe a terminal rate of 5.5-5.75% is likely at this point.
- While Europe is struggling with stagflation, a warm winter has helped Europe avoid an energy crisis and severe recession. European growth forecasts have been revised for 2023.
- China continues to reopen after capitulating on COVID-zero policies.

MARKET PERSPECTIVE

- We believe long-term interest rates are likely to remain elevated through 2023. Fed policy will remain appropriately restrictive until growth decelerates, and slack develops in the labor market. Investors hiding in cash should consider extending the duration to lock in higher interest rates before the opportunity has passed.
- Rising interest rates were the main catalyst for US equity losses in 2022. Earnings are the main risk factor for 2023.
- Equity markets have not priced significant negative earnings revisions into the market and further near-term downside remains possible if earnings are revised down significantly. Despite (or because of) near-term uncertainty, forward-looking equity returns have risen to multiyear highs.
- Large cap US equities appear increasingly expensive relative to small cap and international equities. Credit is no longer tactically attractive.

PORTFOLIO POSITIONING

- We are neutral duration in our taxable and tax-exempt fixed income portfolios.
- Within equities, we are slightly overweight US equities, value equities, low-volatility equities, and high dividend equities.
- We are overweight private debt and absolute return hedge funds versus fixed income.
- We recommend allocating a portion of equity exposure to private equity.

RISKS WE'RE WATCHING

- Additional geopolitical risk spilling out of China or Russia.
- A significant 2023 corporate earnings recession.
- A default on Treasury securities due to political stalemate around the debt ceiling.

For additional information about our insights, please visit the relevant links shown.

Tax Planning Considerations

Please refer to this table for tax planning thresholds for 2023. We encourage you to consult with your investment officer to discuss how these new thresholds relate specifically to you and your family.

Important Tax Planning Thresholds (2023 vs. 2022)

Retirement	2023	2022
401(k), 403(b), 457 limits	$22,500	$20,500
Catch-up contributions (age 50+)	$7,500	$6,500
IRA contribution	$6,500	$6,000
IRA catch-up contribution	$1,000	$1,000
Limit on annual additions to Defined Contribution plan (for example, SEP IRA)	$66,000	$61,000
Limit on annual additions to Defined Benefit plan	$265,000	$245,000
Estate and gift tax	**2022**	**2021**
Annual gift exclusion	$17,000	$16,000
Estate and GST exemption amount	$12,920,000	$12,060,000

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Our values appreciate yours