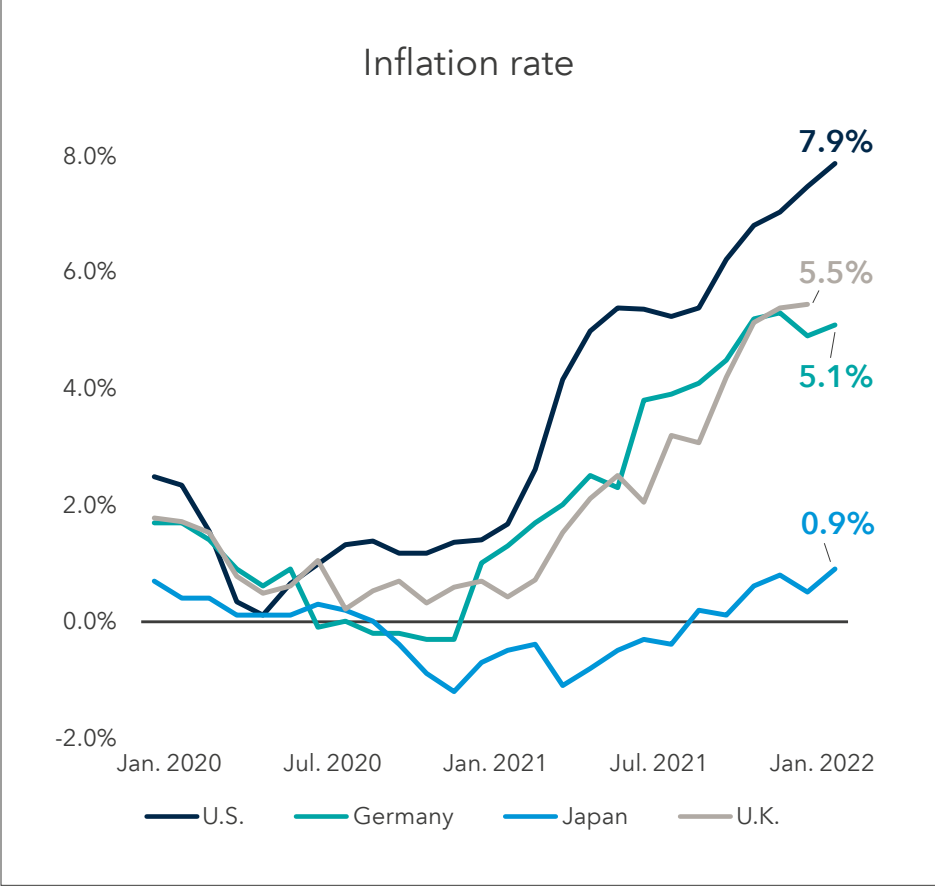


Deglobalization

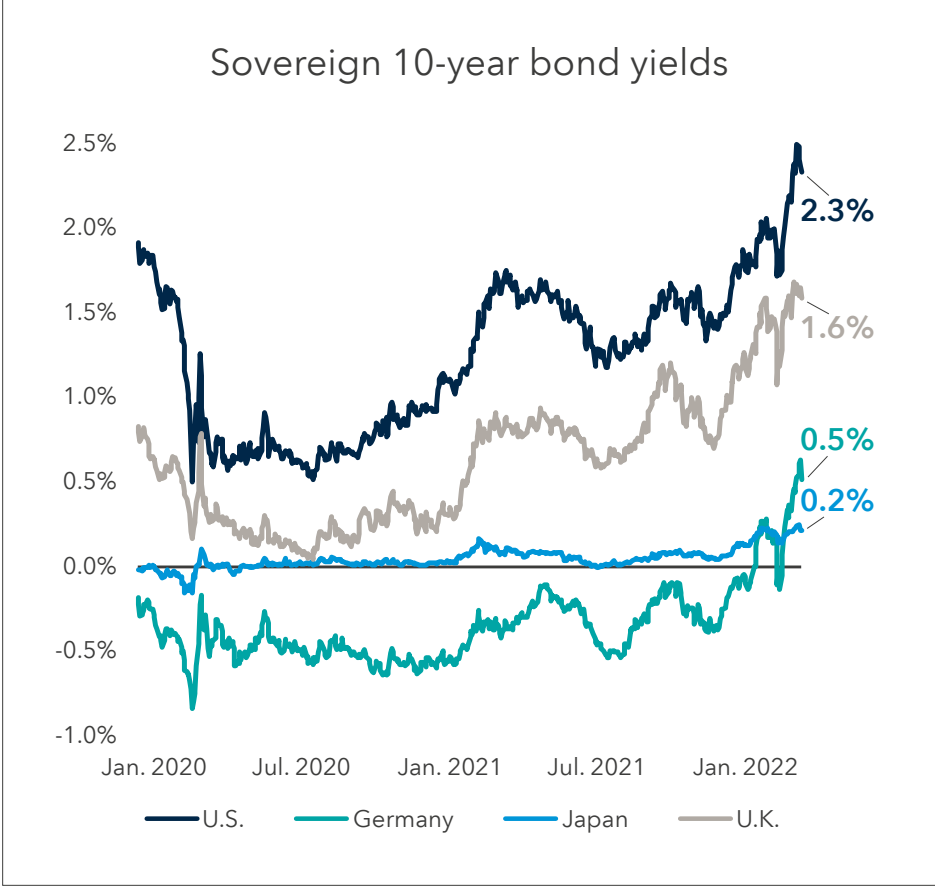
Growth has led to higher inflation and interest rates

Stubbornly rising prices have bedeviled most major economies across the world.



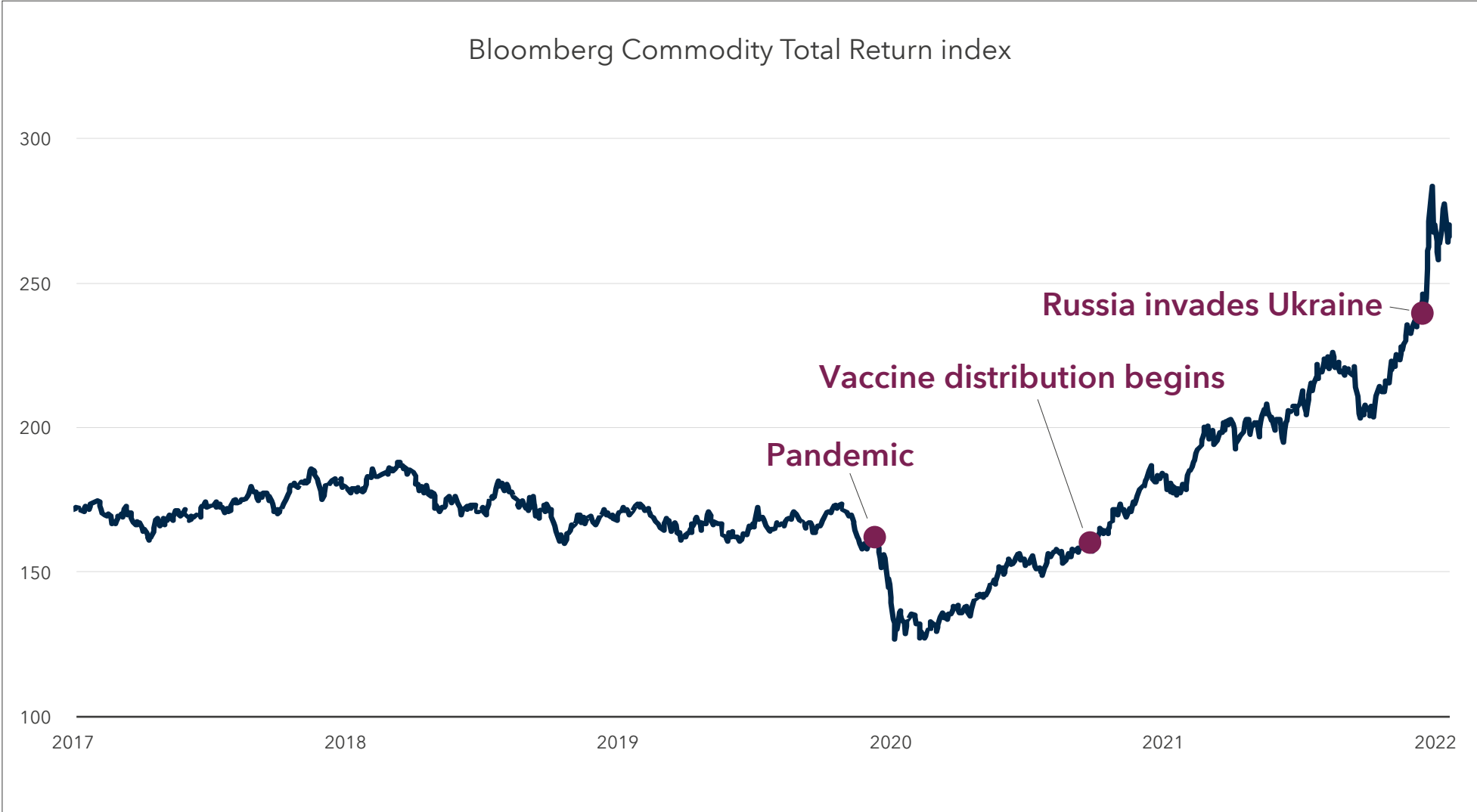
Source: Refinitiv. Measured the consumer price index for each country. As of March 31, 2022.

Bond yields have risen notably from their ultra-low levels during the pandemic.



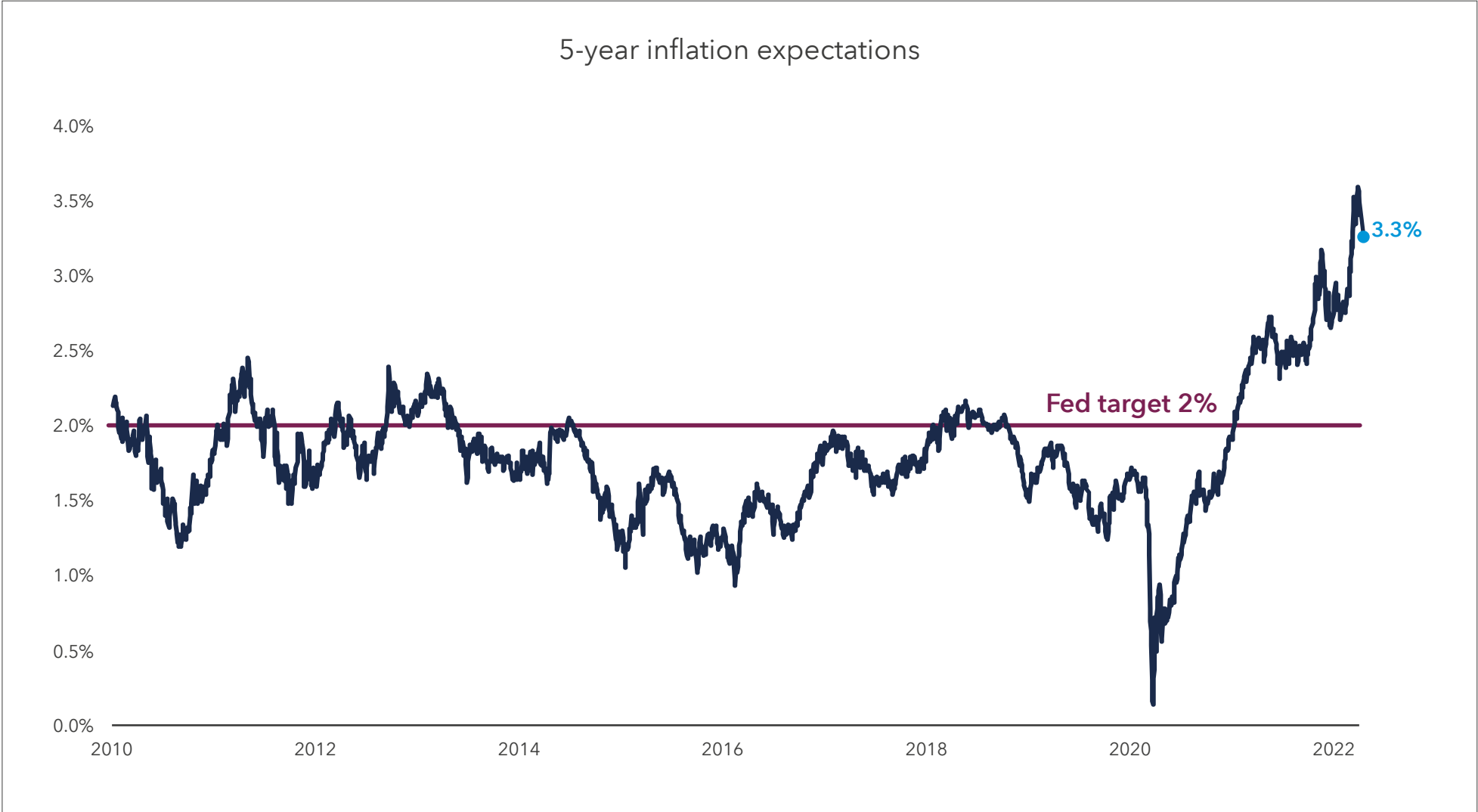
Source: Refinitiv. As of March 31, 2022.

Commodity prices jumped after Russia invaded Ukraine



Source: Refinitiv. The indexes are unmanaged and, therefore, have no expenses. Investors cannot invest directly in an index. As of March 31, 2022.

Fixed income markets expect inflation will stay above the Federal Reserve target

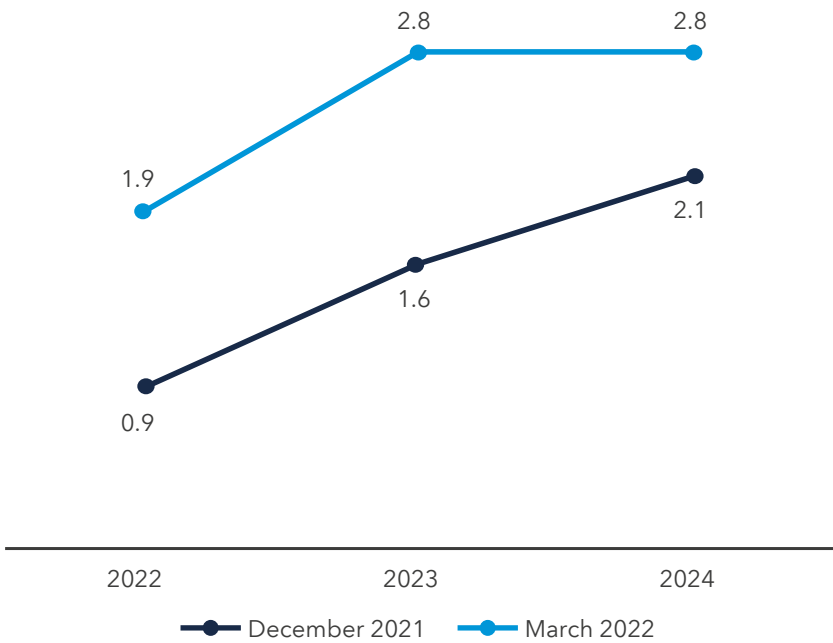


Source: Refinitiv. Inflation expectations measured by the 5-year TIPS breakeven rate, which is the 5-year U.S. Treasury yield minus the 5-year U.S. TIPS yield. As of March 31, 2022.

Monetary policy expected to tighten much more quickly than anticipated at the start of the year

The Federal Reserve is now expected to raise rates more than it had previously signaled.

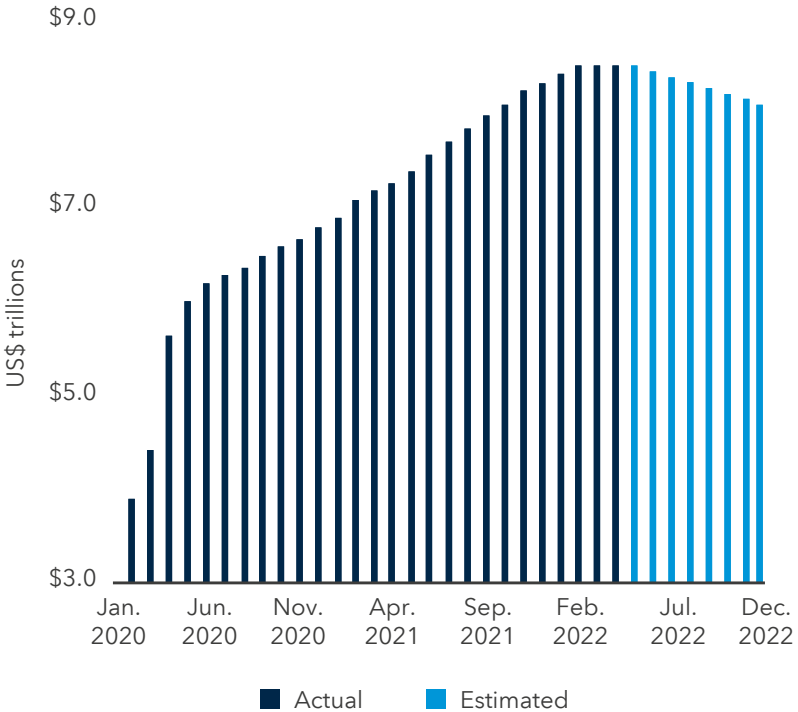
Fed Funds rate projections %



Source: Federal Reserve. As of March 2022.

The central bank is also expected to begin quantitative tightening and shrink its balance sheet.

Estimated Federal Reserve balance sheet

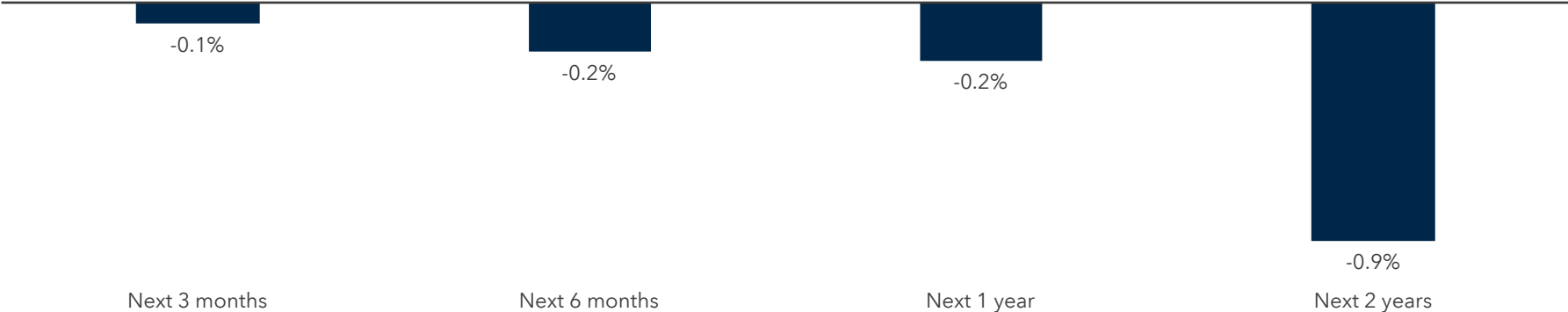


Source: Strategas. Based on estimated \$60 billion passive runoff per month starting in May 2022. As of March 2022.

Following quarters with sharp increases, yields have fallen in subsequent periods

On average, yields have fallen after 10-year bond yield rose 0.75 percentage point within 3 months.

Average 10-year treasury yield change after large rate increases (1972–2021)



How often have yields moved lower?

... after a 0.75 percentage point increase over 3 months

50%	60%	53%	73%
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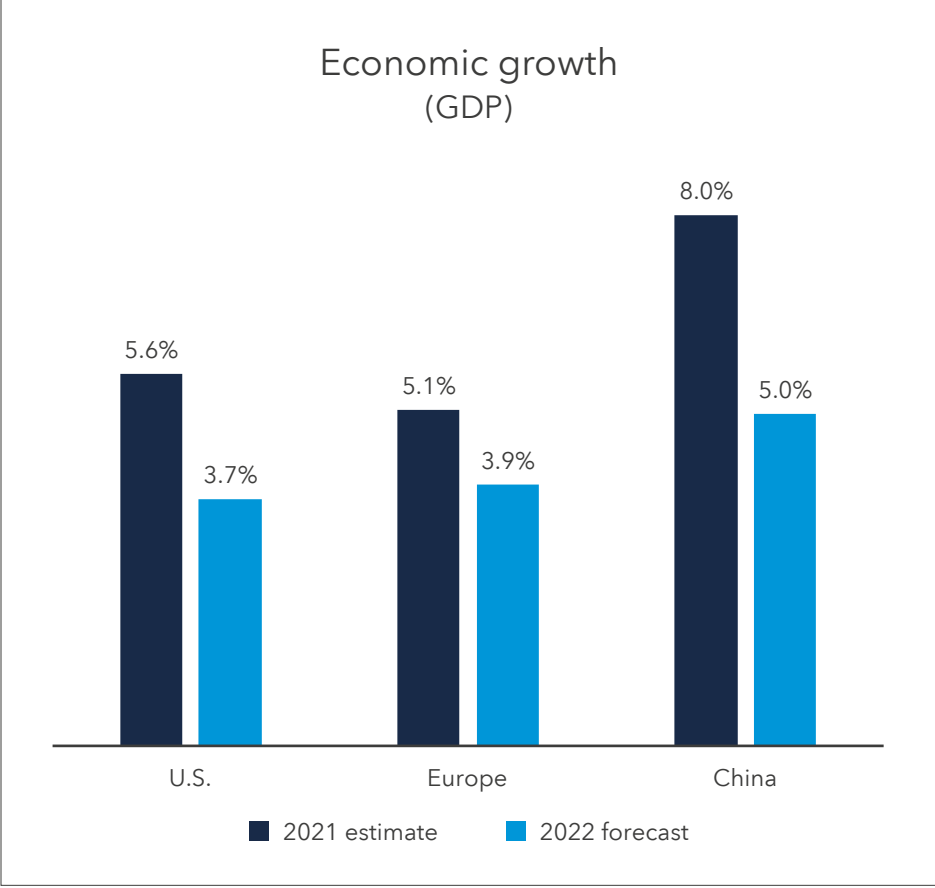
... after any rolling 3-month period

53%	56%	59%	64%
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Source: Capital Group, Refinitiv. Data on 10-year treasury yields begin January 1, 1972 through December 31, 2021. Monthly rolling 3-month periods used to measure yield changes and the frequency of occurrence. Large rate increases defined as interest rate moves of 75bps or more over a 3-month period. As of March 31, 2022.

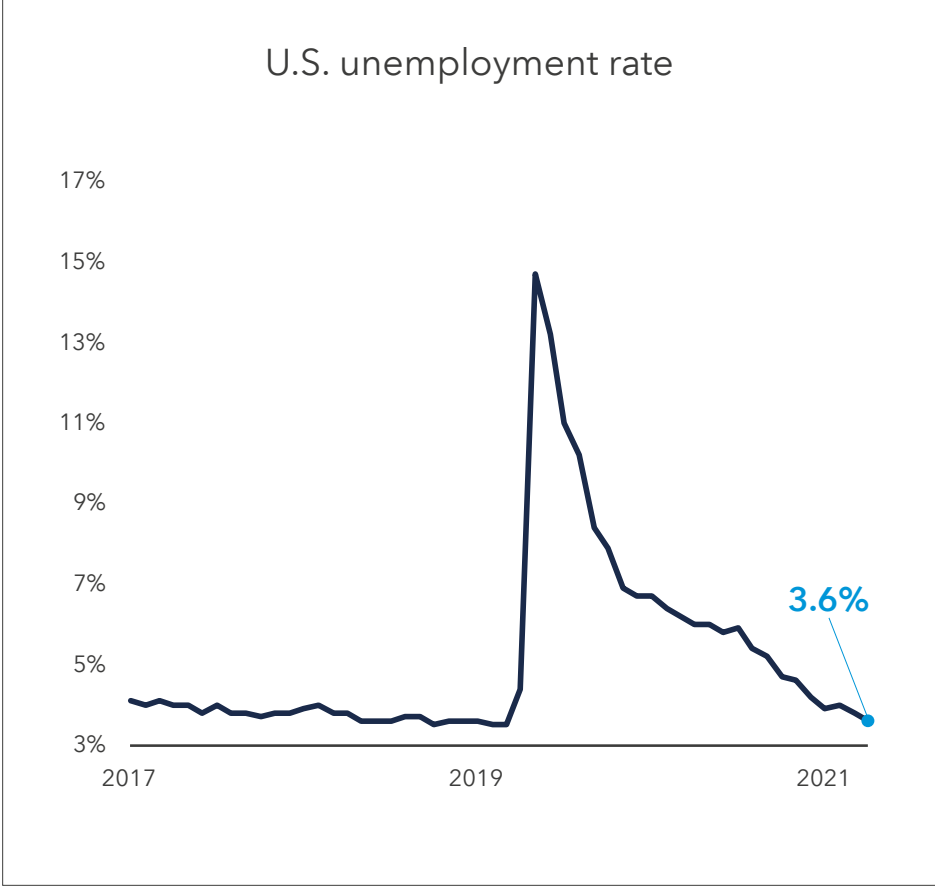
Economic growth has been robust

Strong economic growth is expected to continue this year as consumer spending remains vibrant.



Source: Refinitiv, Consensus Economics, Inc. Europe represents eurozone member GDP growth. As of March 2022.

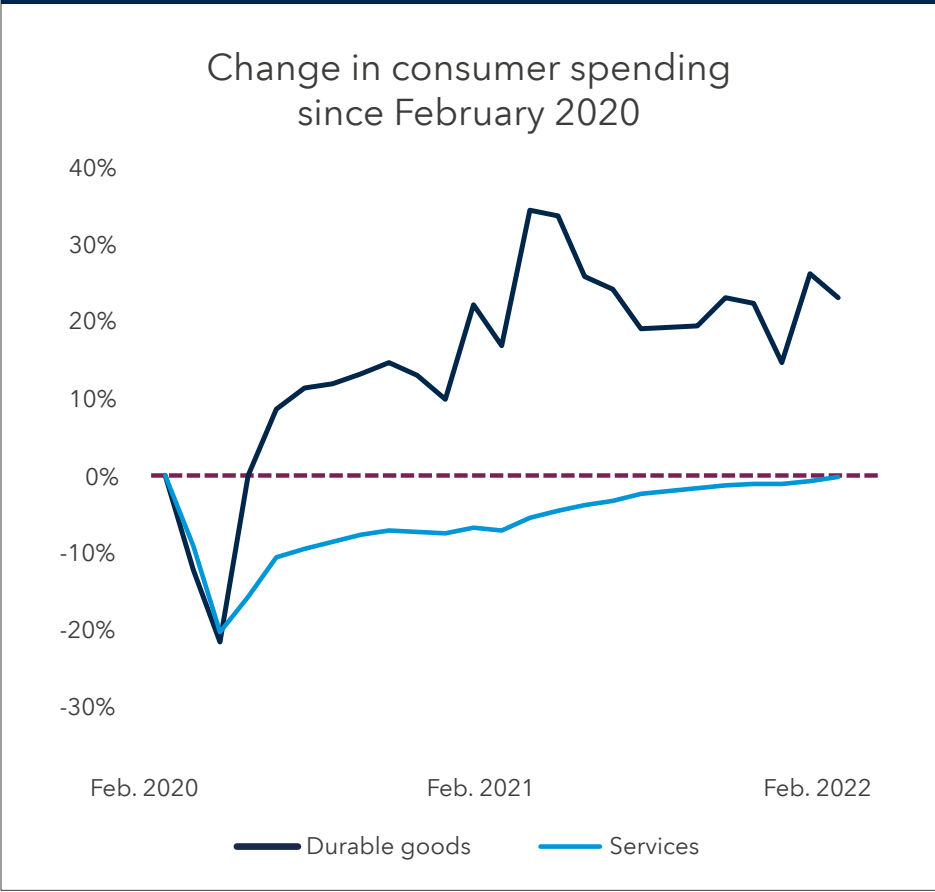
Nationwide hiring has caused unemployment to nearly fall back to its pre-pandemic level.



Source: Refinitiv, Bureau of Labor Statistics. As of April 1, 2022.

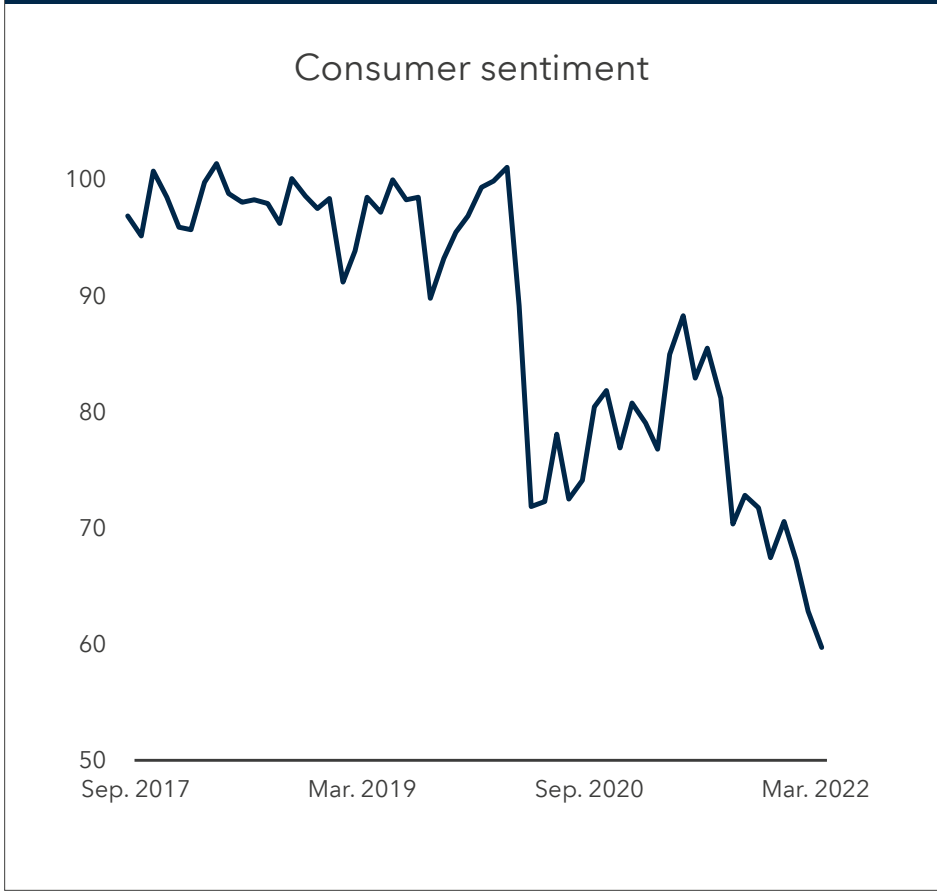
Consumer spending on goods has driven inflation, but may slow

Spending on goods has risen significantly over the last two years, while services spending has just recovered.



Sources: Refinitiv, Bureau of Economic Analysis. Consumer spending as measured by Personal Consumption Expenditure. As of March 31, 2022.

Consumer sentiment has fallen sharply in recent months, and is lower than at any other point during the pandemic.

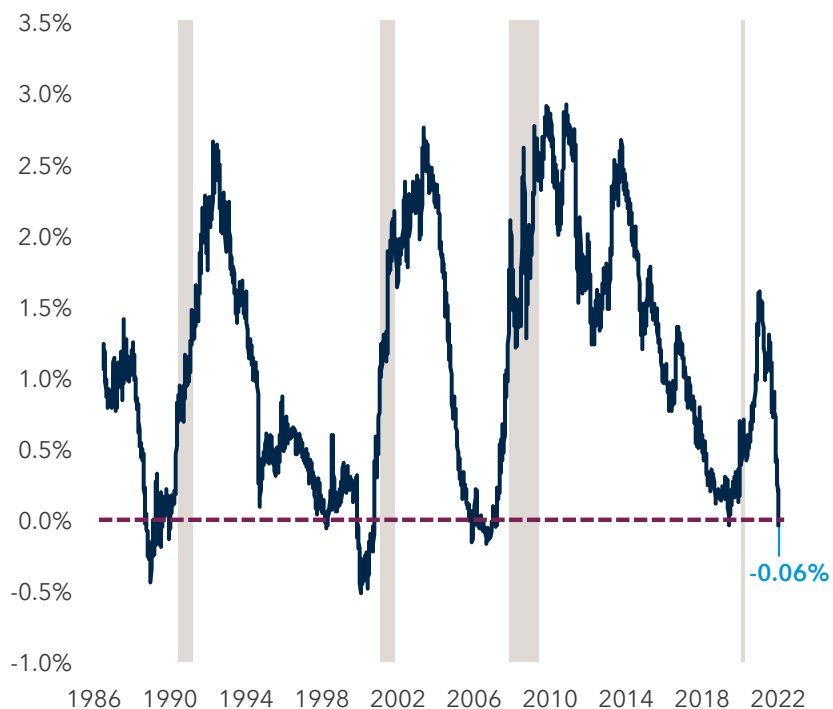


Source: Refinitiv. As of March 31, 2022.

Yield curve inversion doesn't mean recession is imminent

The 2-year/10-year yield curve has inverted for the first time in the current economic cycle.

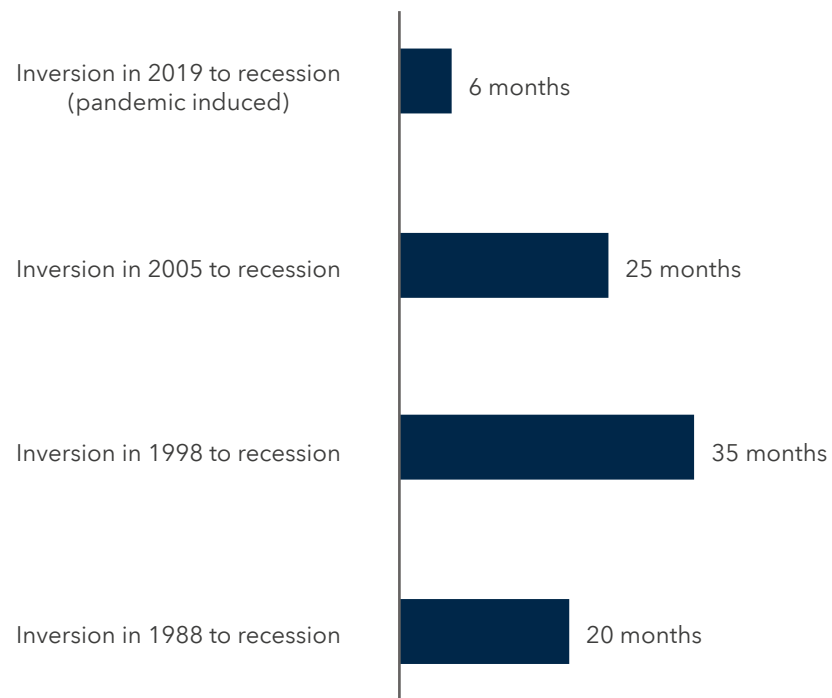
Difference between 10-year and 2-year U.S. Treasury yields



Source: Refinitiv. As of April 1, 2022.

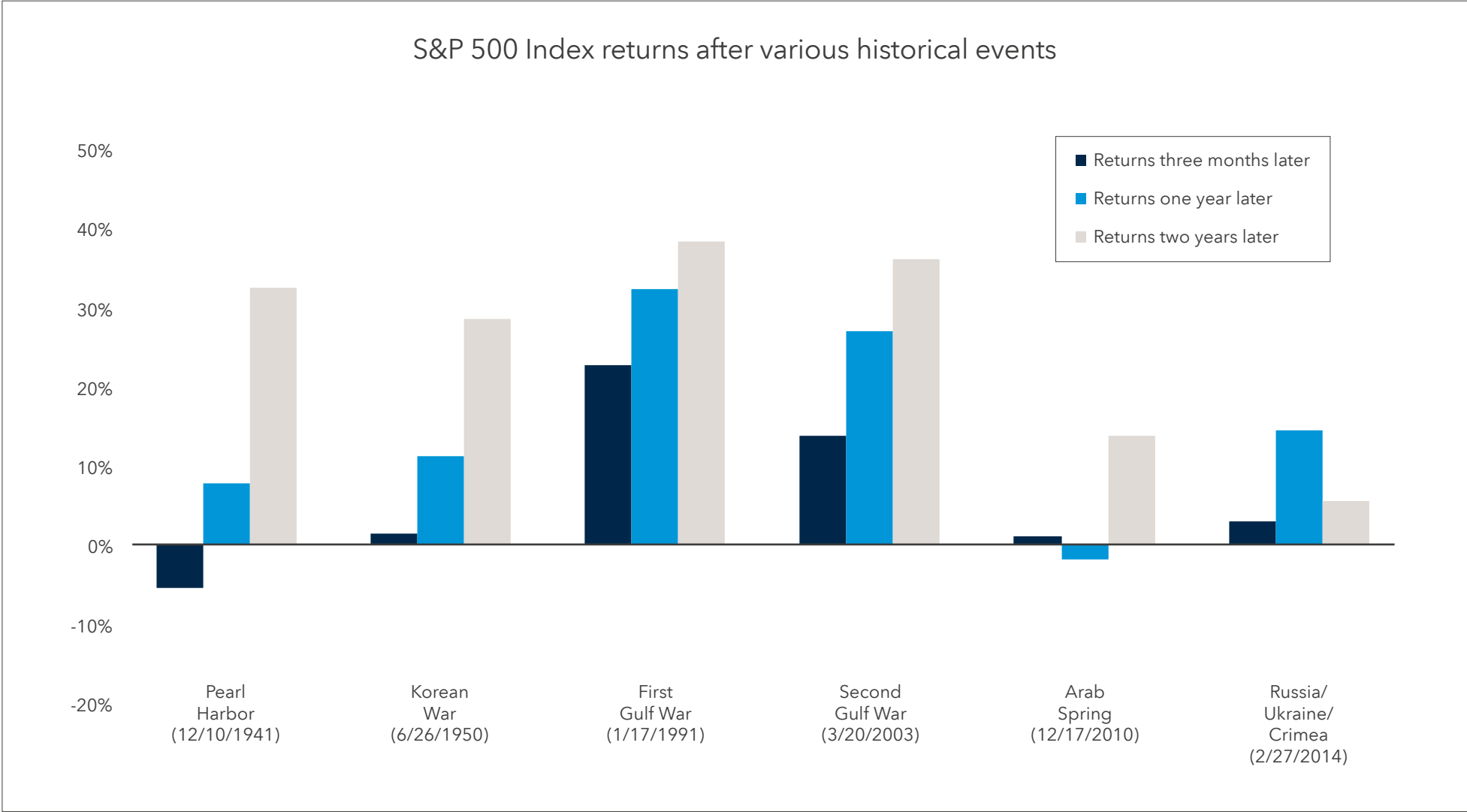
Inversions have typically signaled that a recession is 1.5 to 3 years away, with the last recession accelerated by the pandemic.

Months to recession from first 2-year/10-year yield curve inversion



Source: Capital Group. As of March 31, 2022.

Previous conflicts have not resulted in long-term market losses



Sources: Capital Group, Refinitiv Datastream, Standard & Poor's. Values reflect the three-month, one-year and two-year price returns for the S&P 500 Index, following the closest trading day to the listed event. The indexes are unmanaged and, therefore, have no expenses. Investors cannot invest directly in an index.

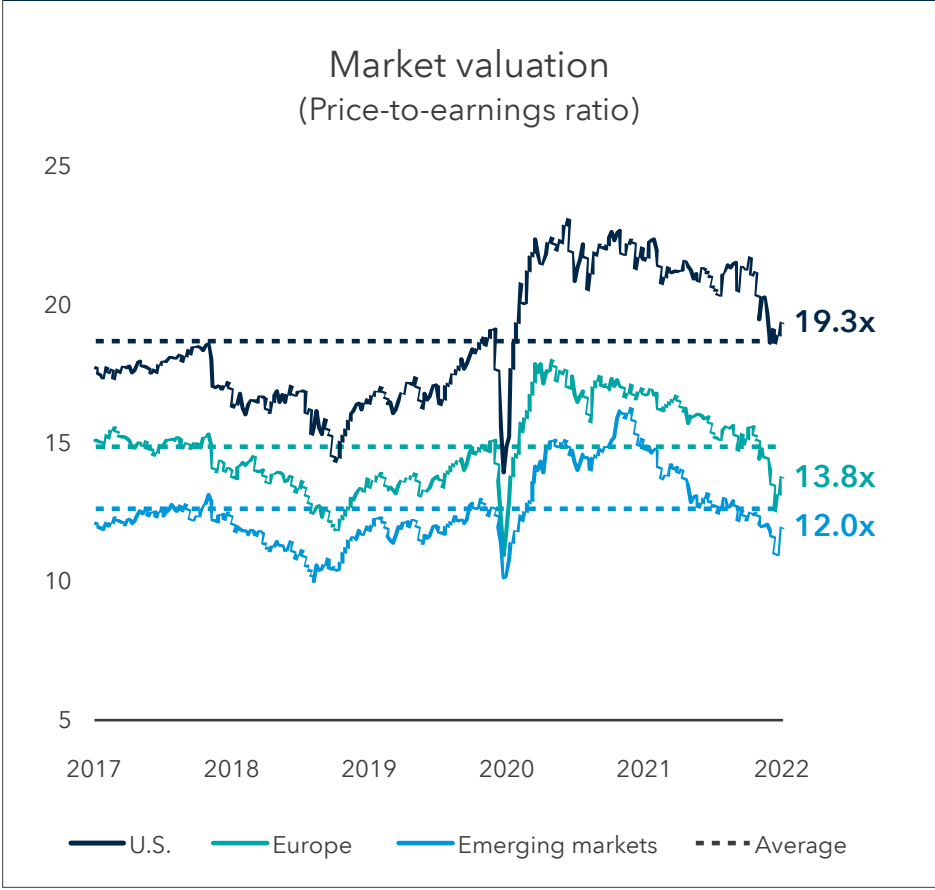
Equity valuations have come down

Global earnings estimates for 2022 have increased since the end of last year.



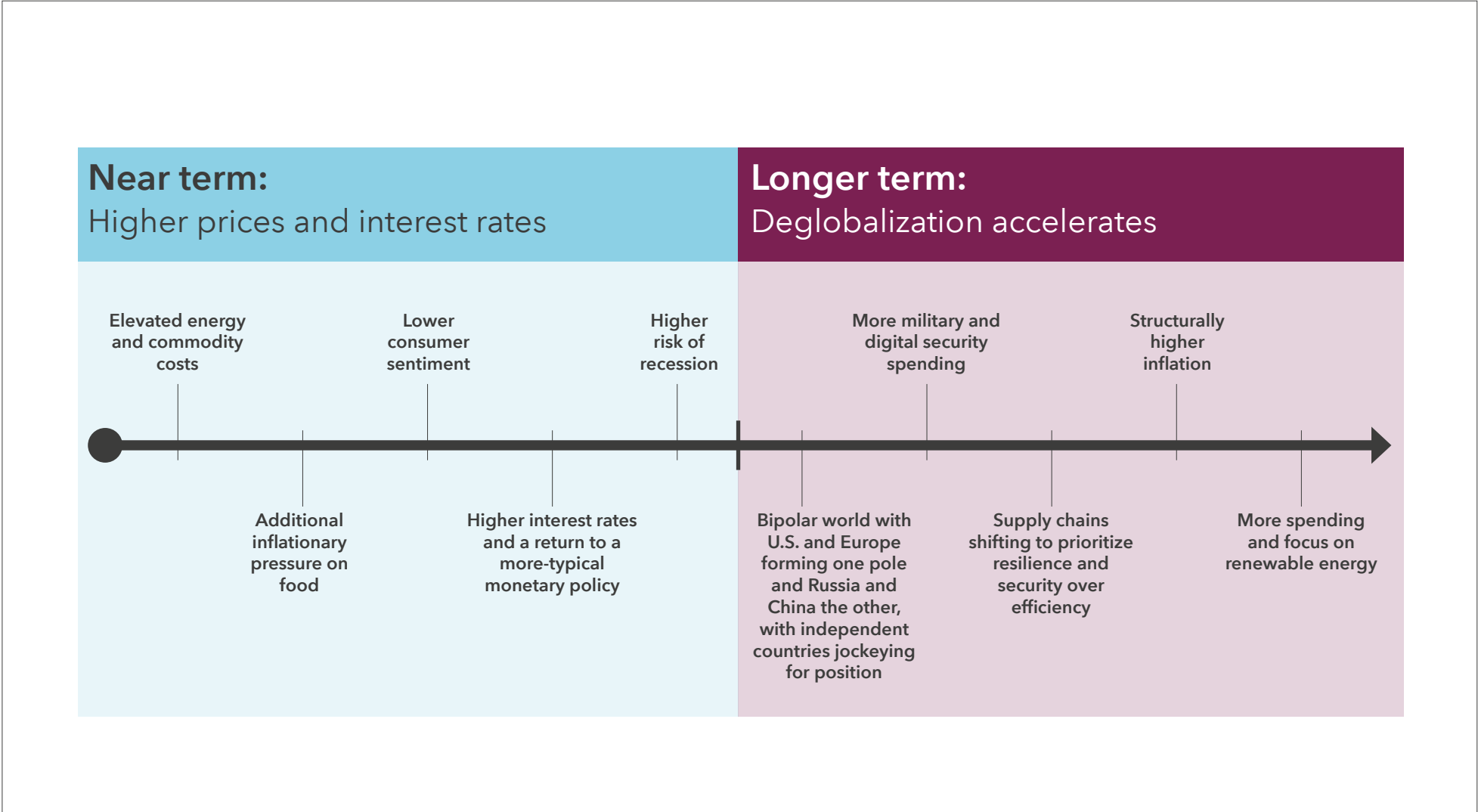
Source: Refinitiv. U.S. is represented by the S&P 500 Index, Europe is represented by MSCI Europe index, and Emerging markets is represented by the MSCI Emerging Markets index. 2022 earnings growth based on IBES projections for respective indexes. As of March 31, 2022.

After a period of elevated price-to-earnings ratios, valuations are near or below averages.



Source: Refinitiv. Price to earnings ratios are based on forward 12-month earnings estimates. U.S. is represented by the S&P 500 Index, Europe is represented by MSCI Europe index, and Emerging markets is represented by the MSCI Emerging Markets index. The indexes are unmanaged and, therefore, have no expenses. Investors cannot invest directly in an index. As of March 31, 2022.

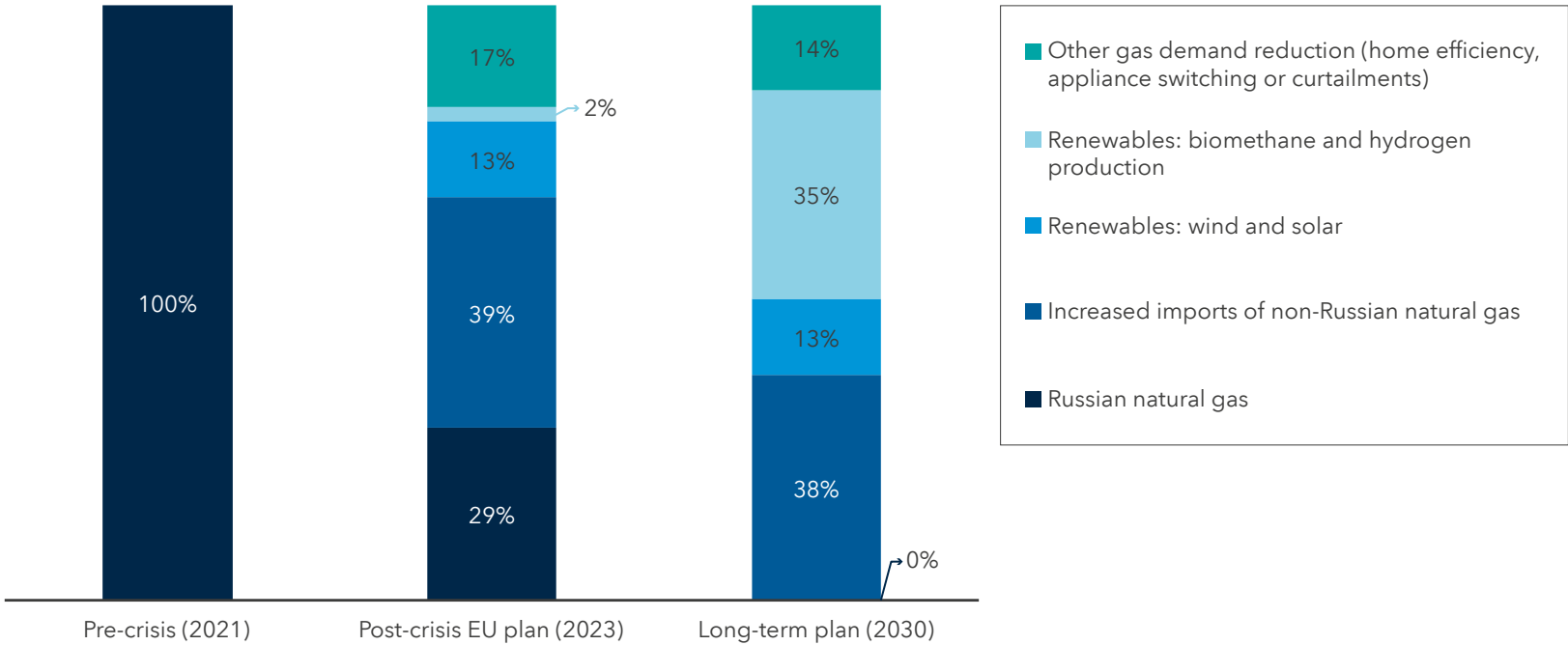
The war in Ukraine will likely accelerate some themes regardless of outcome



EU plans to pivot from Russian natural gas, accelerate renewables

Alternate sources of natural gas and green energy could help reduce European reliance on Russia.

EU proposed migration from Russian gas

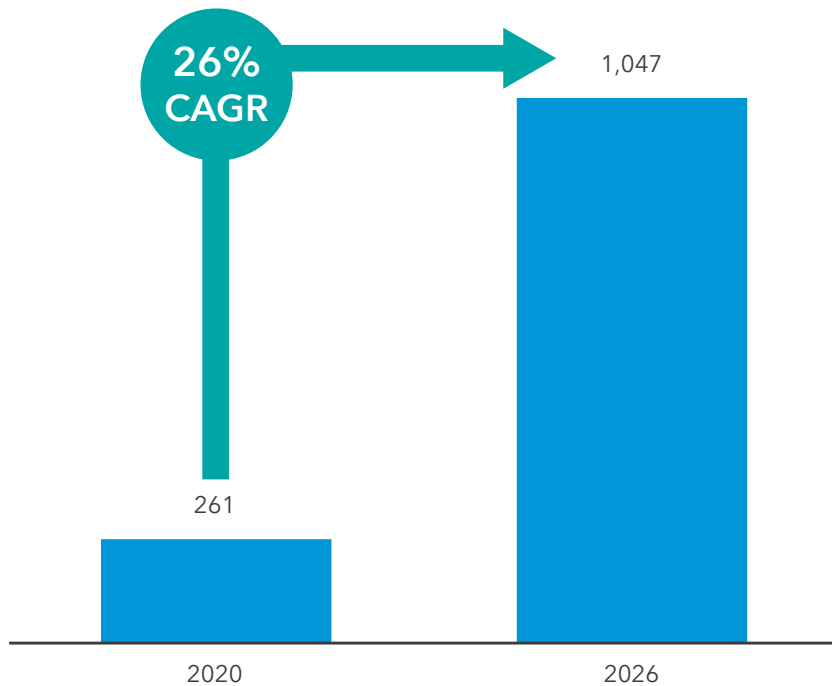


Sources: Capital Group, European Commission. "REPowerEU: Joint European action for more affordable, secure and sustainable energy." As of March 8, 2022.

Growing electric vehicle market drives use of electronics in automobiles

The electric vehicle market is expected to grow at a tremendous rate.

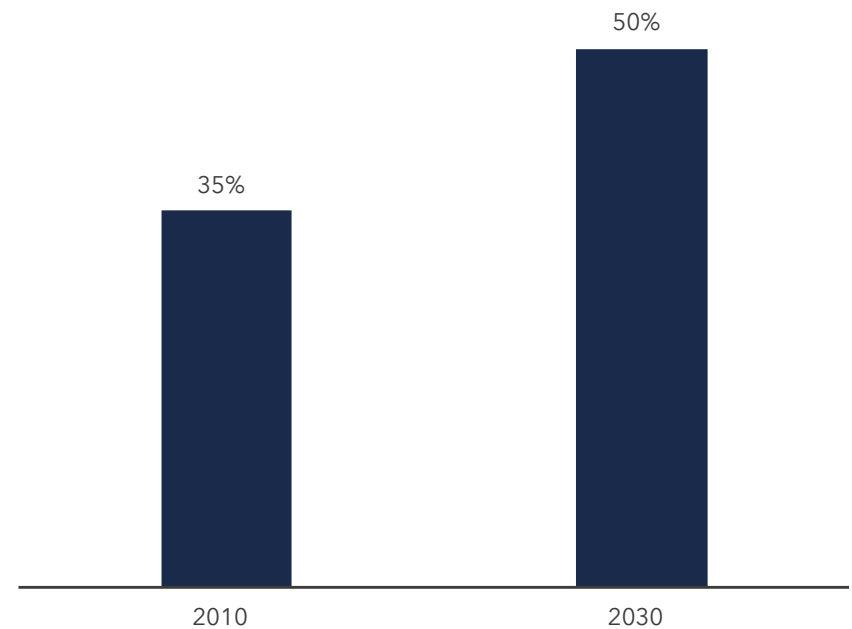
Electric vehicle market size
(Revenue US\$ billions)



Sources: Statista, Mordor Intelligence. CAGR stands for compound annual growth rate and represents the average percentage growth rate in any given year. As of February 2022.

Electronics are becoming a much larger percentage of a car's total cost.

Automotive electronics cost
as % of total car cost



Sources: Statista, Deloitte. As of April 2019.