

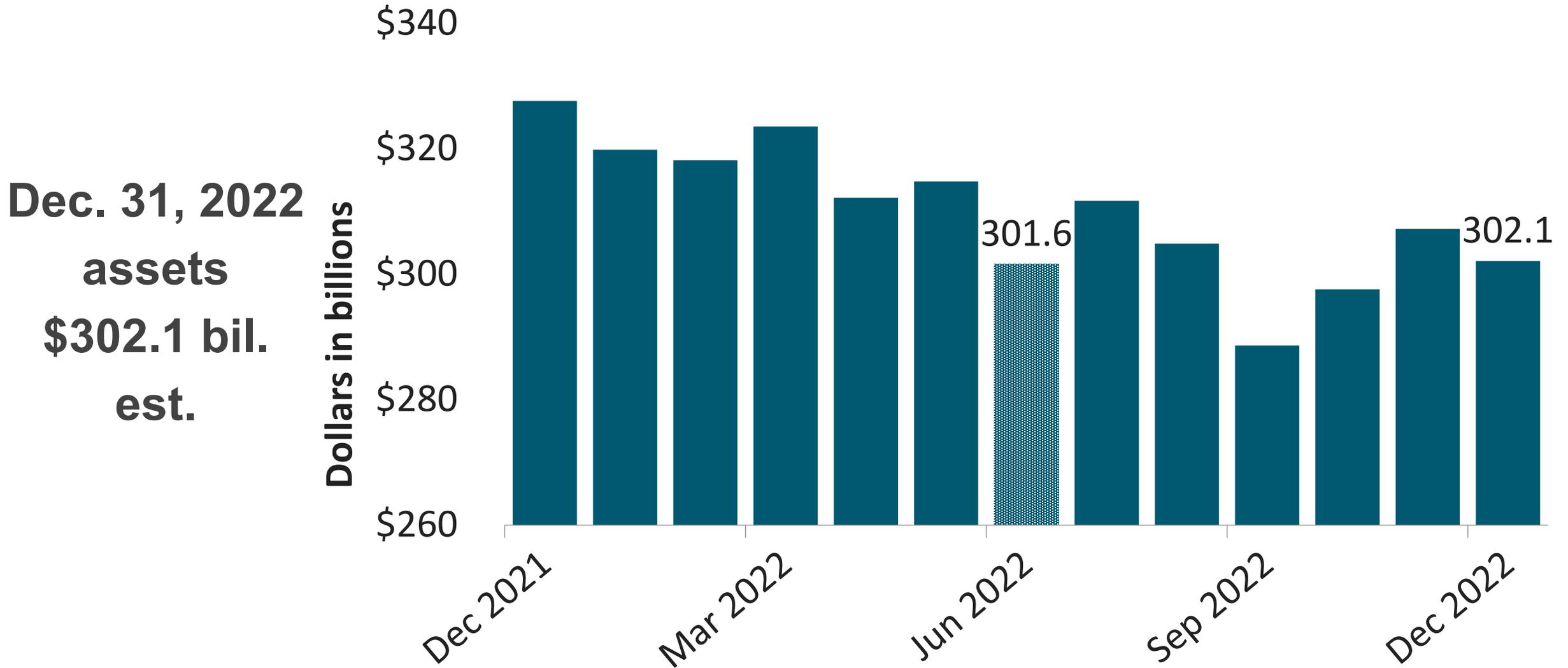


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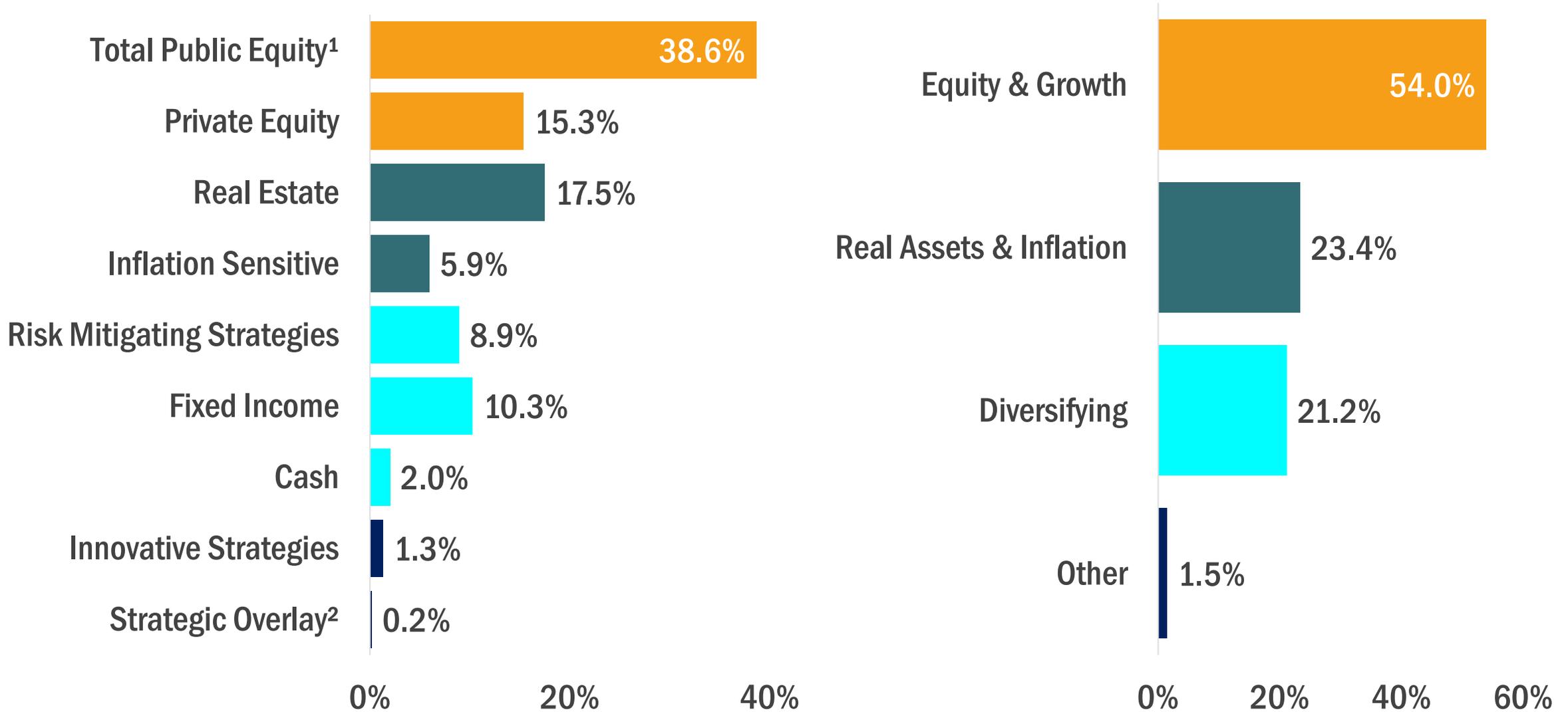
# Chief Investment Officer Report

January 26, 2023

# Trust fund assets *(combined Defined Benefit plans)*



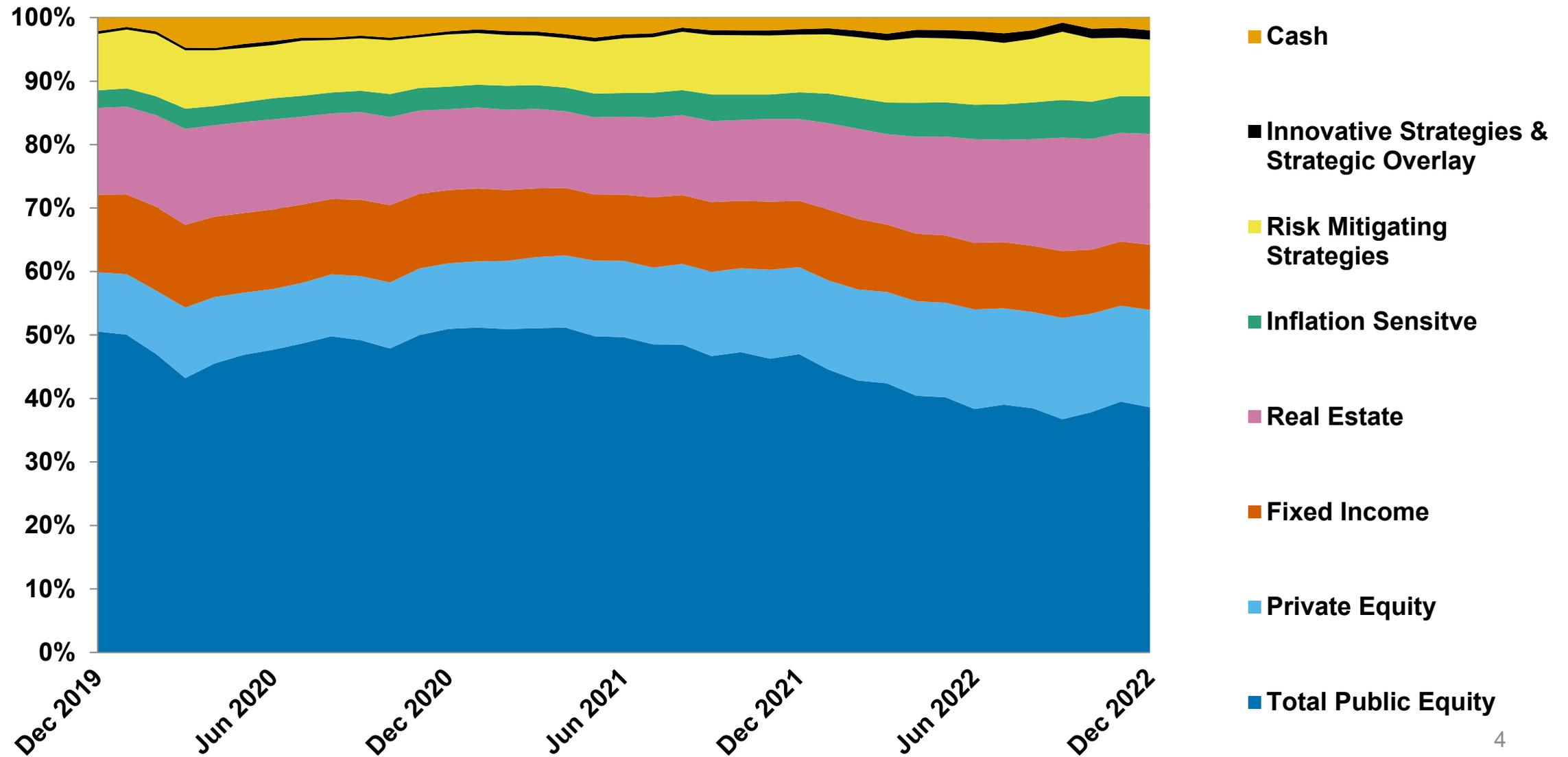
# Asset allocation – as of December 31, 2022



<sup>1</sup> Total Public Equity includes the following sub-units: Global Equity, SISS and Innovation GE

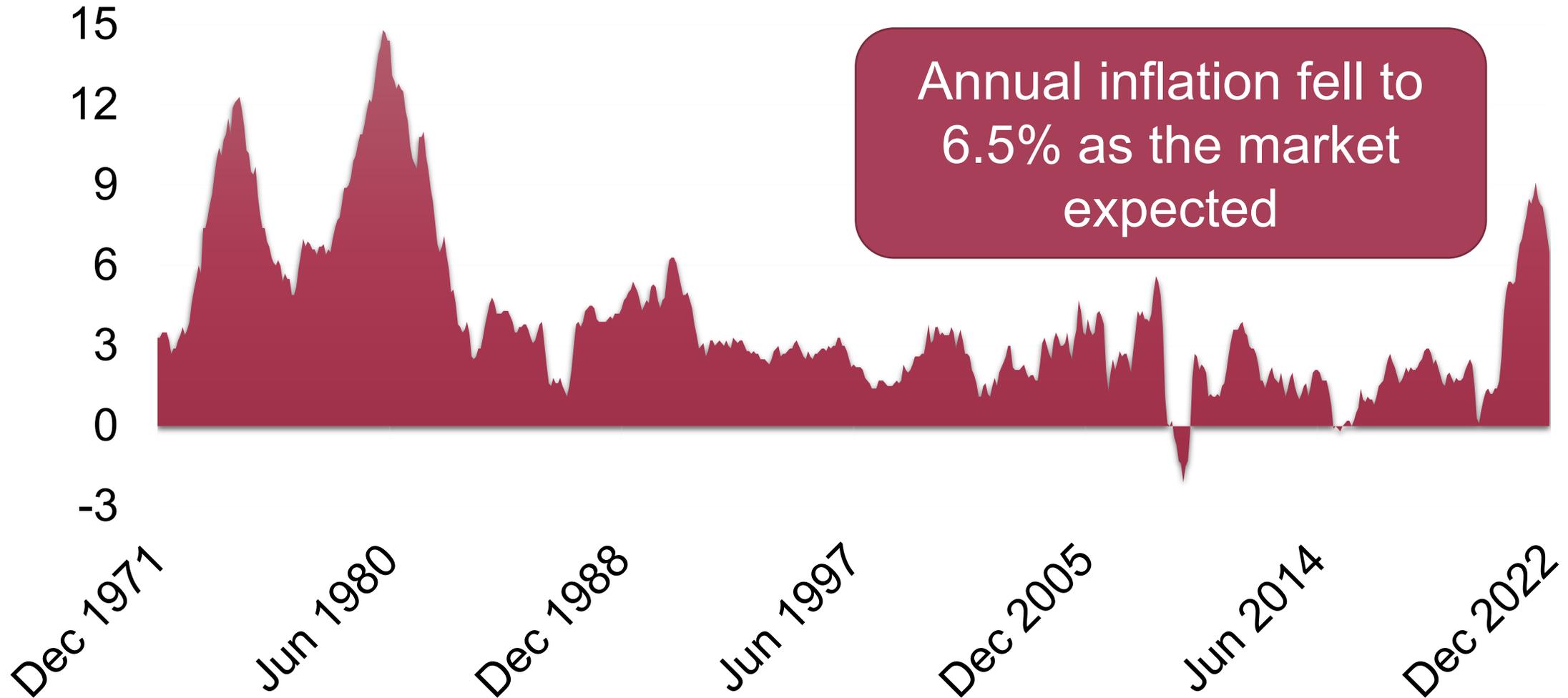
<sup>2</sup> Strategic Overlay includes Currency and Derivatives Overlay

# Asset allocation trend over the last 3 years



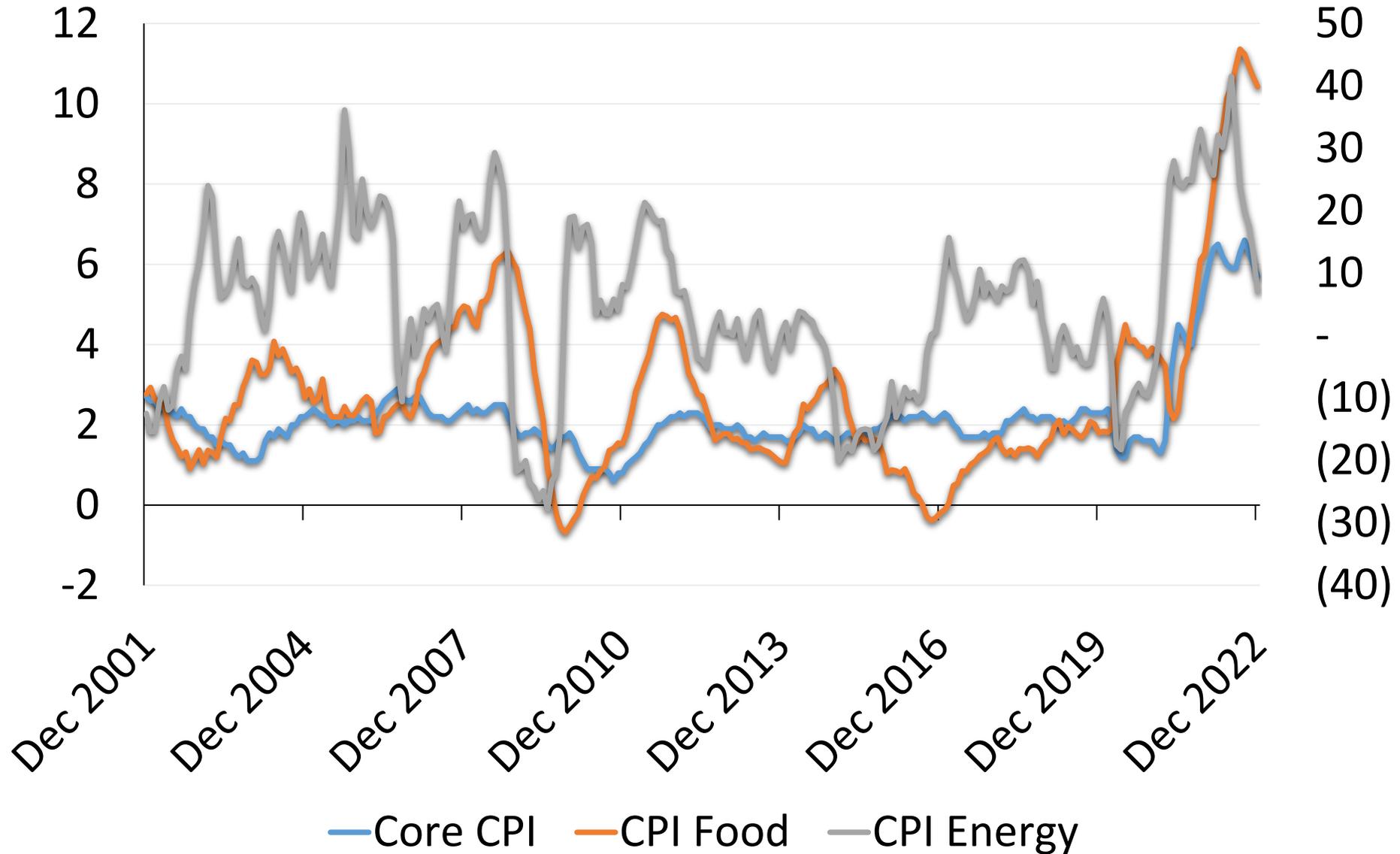
# Inflation remains the focus for investors and the Fed

## U.S. annual inflation in percentage



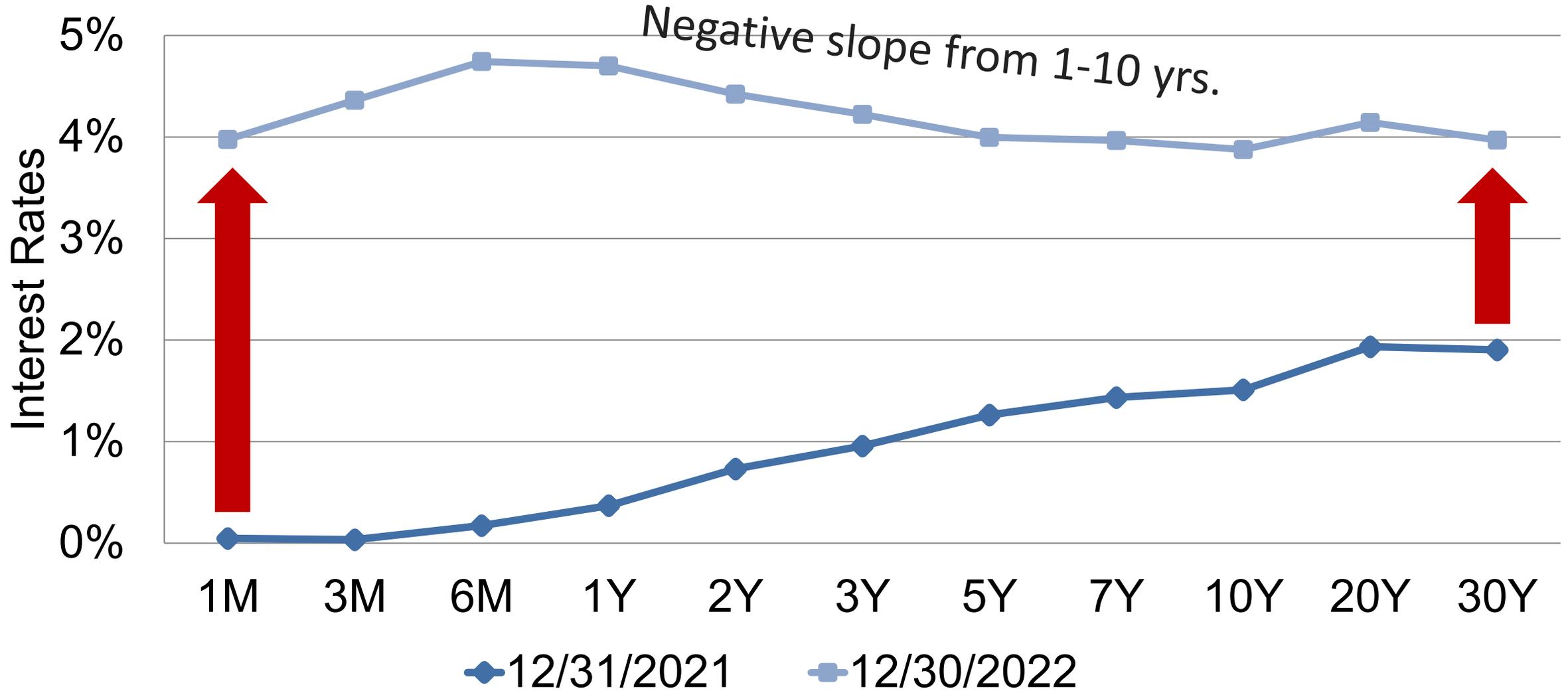
Annual inflation fell to 6.5% as the market expected

# CPI Energy has led the recent fall in inflation

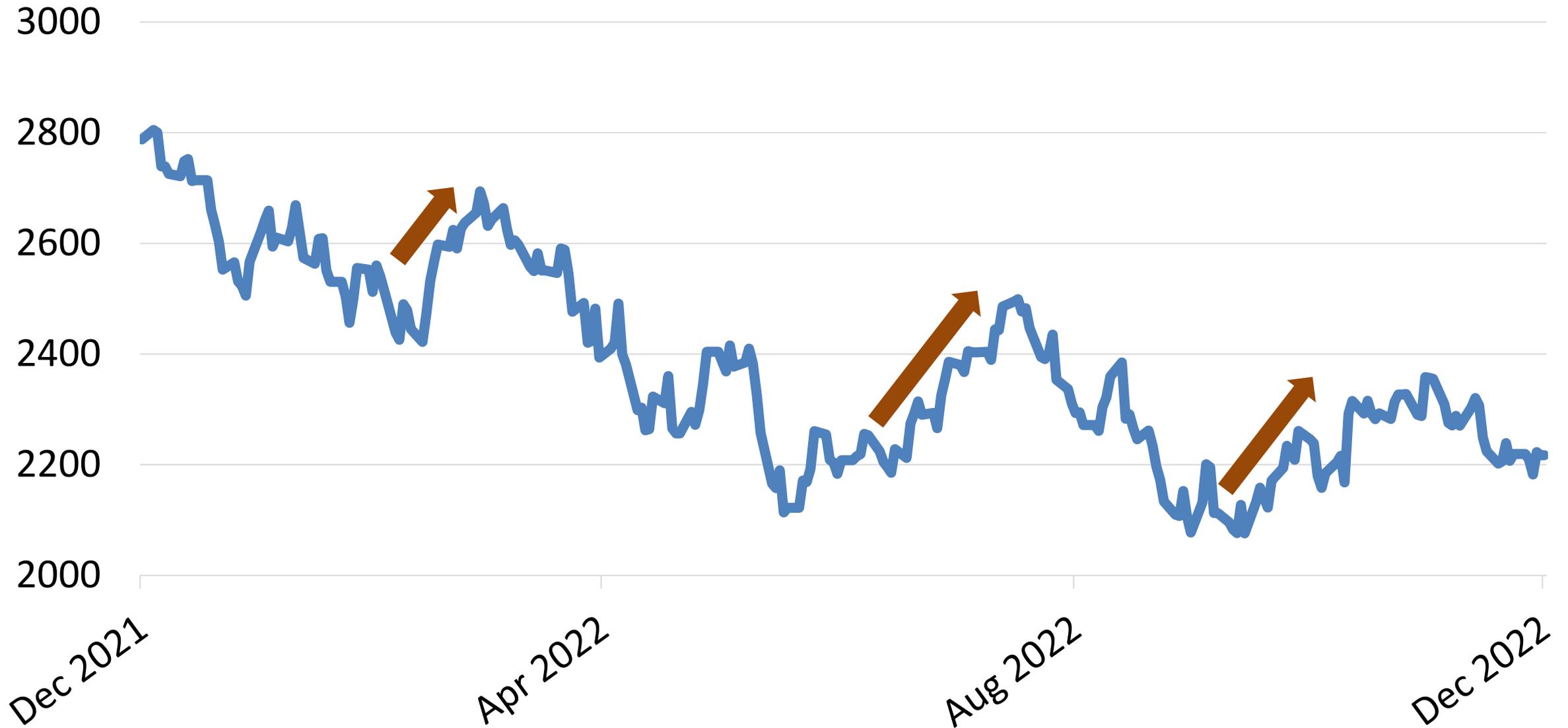


Source: Bloomberg.

# Historical rise in interest rates for 2022



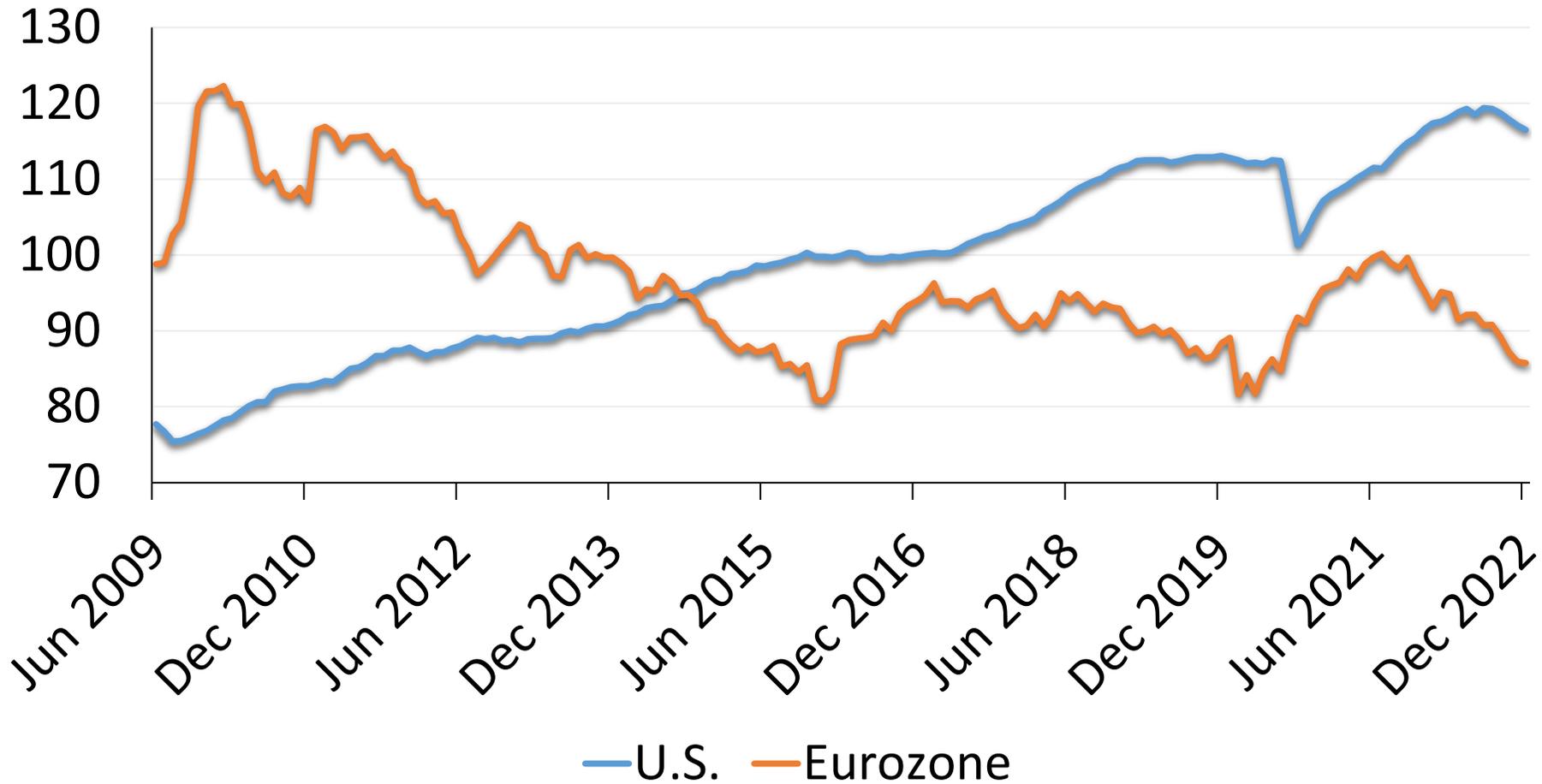
# Bear market rallies in a downward trending market



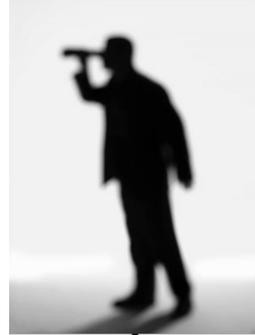
Russell 3000 Price Index as of December 30, 2022.

# Leading indicators

- Pointing to a downturn with Eurozone weaker than the U.S.



# Looking out to the horizon



## Key risks to monitor :

- 🚨 **Inflation** – Below peak, but well above 2%
- 🚨 Central Bank Policy – Fed, ECB, BoJ, BoE tightening mode
- 🚨 Fed to raise rates again, and again? Is it 25 or 50?

## Uncertainties :

- 🕷️ How long will the Fed raise rates? *Will they say the word Pause?*
- 🕷️ Will it take a recession to slow inflation? If so, how bad?

## Positives:

- ⚙️ Labor market ?
- ⚙️ *Corporate Balance sheets?*
- ⚙️ The Fed rate hikes might be priced into the market

# Inevitable surprises *(Range from high to low likelihood, but potential of very high impact)*

- ⚠ Climate extremes *(Atmospheric Rivers?)*
- ⚠ Digital virus / cyber attacks \*
- ⚠ Income inequality
- ⚠ Pandemic biological virus
- ⚠ Domestic terrorism or extremism
- ⚠ Broken political system leads to social unrest / protests \*
- ⚠ Earthquakes
- ⚠ U.S and Global Energy Transition
- ⚠ Russian / Ukraine\*
- ⚠ North Korea / Iran aggression \*
- ⚠ China / Taiwan / U.S. tensions \*
- ⚠ Greater geopolitical tensions \*
- ⚠ Lethal drones – micro drones \*
- ⚠ Space junk / near Earth objects

\* Additional risks added or noted based on the off-site discussion



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