CHIEF INVESTMENT OFFICE

Capital Market Outlook

January 13, 2025

All data, projections and opinions are as of the date of this report and subject to change.

IN THIS ISSUE

Macro Strategy—*A Tale Of Two Worlds:* The global energy market has entered 2025 shaken by a slew of events that stirred oil and gas prices out of their doldrums. This includes Europe's new scramble to meet domestic energy demand amid a combination of colder-than-average winter weather and depressed solar and wind power generation. While tame compared to their 2022 energy crisis levels, European natural gas prices have risen about 50% since September and are four times higher than in the U.S., raising concerns about the continent's already fragile economic situation.

However, global oil and gas investment appears sufficient to meet demand for both fuels this year and through 2030. Thus, absent major supply disruptions, oil and gas prices are unlikely to persist at levels that endanger the current global expansion. Europe's plight is mostly idiosyncratic, underscoring its unreliable energy mix, structurally higher energy prices than in the U.S. and China, and related competitive disadvantages. This, no doubt, is part of why European Equities trade at a historically deep discount relative to their U.S. peers.

Market View—*Channeling the Great Philosopher Mike Tyson—"Get Ready for Some Punches":* As Mike Tyson once said, "Everyone has a plan until they get punched in the face." Yes, we maintain a positive bias toward U.S. Equities heading into 2025, supported by solid U.S. economic growth, continued earnings expansion and more. But we also suggest that investors prepare for some punches—or bouts of market uncertainty and volatility, particularly following 2024's less-than-10% maximum drawdown.

Case in point: The bond vigilantes are on edge, with the yield on the 10-year U.S. Treasury hitting the highest level since April 2024 last week amid higher inflation expectations and policy uncertainty. Also on watch: the effect of incoming policy on inflation, the risk of rising tit-for-tat U.S.-China trade restrictions, the pace of Artificial Intelligence (AI) adoption in the real economy, and an uncomfortably high federal budget deficit. Meanwhile, the year begins with a record $6.8 trillion in money market funds.

Thought of the Week—*The State of Sustainable Investing in an Asset-Light Era:* The U.S. economy is more "asset-light" than ever, having shifted from manufacturing to service-oriented. Increasingly critical to the evaluation of a company are measures such as workforce management, resource efficiency and corporate governance practices. Cue sustainable investing or using more data to gain additional insight into the value of an enterprise. Moreover, there are several sustainable drivers of economic growth that intersect with our themes. AI is energy-intensive, and companies are scrambling to secure clean energy. Power grids are transforming. Water issues globally are at crisis levels, creating a host of potential investment opportunities from infrastructure build to waste management. Transformations in healthcare may establish new frontiers of health and wellness. Consider investing capital to industries positioned for growth in an era of rapid change.

MACRO STRATEGY ▶
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MARKET VIEW ▶
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THOUGHT OF THE WEEK ▶
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MARKETS IN REVIEW ▶
Data as of 1/13/2025, and subject to change

Portfolio Considerations

Investors should consider a more diversified approach to Equities in the coming year as the more highly valued areas share some of the spotlight with the rest of the market in 2025.

This month, we adjusted our U.S. Equity sector views, with a downgrade of Healthcare to neutral from slight overweight, and in turn we reduce the magnitude of our underweight to Consumer Staples with an upgrade to slight underweight.

Within Fixed Income, our highest conviction call remains that the yield curve will normalize by short rates moving lower, and investors should therefore consider moving out investable cash into their strategic duration target as cash yields are likely to decrease from here, and the backup in yields may be an opportunity.

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A Tale Of Two Worlds

Chief Investment Office, Macro Strategy Team

Oil and gas prices have come under upside pressures into 2025, adding to concerns about the direction of inflation and interest rates. The reasons for their increase out of recent doldrums are varied but quite familiar. The ratcheting up of U.S. sanctions on Iranian and Russian oil exports. A third Organization of the Petroleum Exporting Countries (OPEC+) extension of self-imposed limits on oil supply. Another pipeline gas distribution arrangement from Russia to Europe terminated as of January 1. Growing expectations that China may finally jumpstart its economy after several failed government attempts. A spell of cold winter in the U.S. and Europe. Last, but not least, unreliable solar-and-wind power generation.

Not surprisingly, Europe has been at the epicenter of the mini commotion, once again scrambling to meet domestic energy demand. With the coldest weather in four years, unfavorable solar and wind power generation conditions, technical glitches in Norway, and natural gas inventories declining at the fastest pace in seven years, its domestic gas prices surged to about $16/MMBtu[1], the highest level in more than a year and four times the U.S. equivalent.

Though still benign compared to $70 to $100/MMBtu at the peak of the 2022 energy crisis triggered by the start of the Russian-Ukraine war, rising natural gas prices are hardly welcome given already depressed economic conditions in Europe's largest manufacturing and export-oriented economies, particularly Germany. Encouragingly, however, global oil and gas investment appears sufficient to meet softening global demand for both fuels through 2030. Absent supply disruptions caused by geopolitical conflicts or other shocks, oil-and-gas prices are thus unlikely to derail the current global expansion.

For example, while Europe no doubt faces both immediate energy supply challenges and structurally higher energy prices than the U.S. and China due to its choices over the years, global liquefied natural gas (LNG) export capacity is projected to increase 8% in 2025 and almost 50% by 2030, dominated by the U.S. and Qatar. U.S. LNG export capabilities, for instance, are seen growing 15% in 2025 and 80% by 2028, according to the EIA.[2]

According to the International Energy Agency (IEA), this massive new global LNG wave outpaces demand growth estimates, likely keeping LNG prices in check. In fact, with global natural gas demand expected to peak before 2030 and then contract, projected capacity will likely be sufficient to more than meet LNG demand to 2040, resulting in loose market conditions and heightened competition between exporters.

With a more pragmatic approach, less government regulation, exceptional technological prowess, and unparalleled entrepreneurial spirit, the U.S. is thus continuing to expand its role as a key global energy powerhouse, helping keep energy prices tame both here and abroad. Even as it emerged as the world's largest LNG exporter and Europe's biggest supplier—accounting for about 50% of European LNG imports versus 17% from Russia and around 12% from Qatar—its abundant domestic resources and technological capabilities have kept U.S. natural gas prices in check. At around $4.0/MMBtu so far this winter, they are almost four times lower than in Europe and at rock bottom levels when adjusted for inflation (Exhibit 1A).

The U.S. is also playing an important role in stabilizing the oil market, with Brent oil prices fluctuating between $70/barrel and $90/barrel for the past two years. Given its large resource base and price sensitivity, much higher prices would incentivize greater U.S. production, while lower prices would hamper shale-oil project economics, reducing supply and supporting prices.

Portfolio Considerations

Ample energy supply and stable oil prices should support global growth in 2025 and the profits outlook, a positive for risk assets.

[1] one million British thermal units.

[2] Energy Information Administration, *Short-Term Energy Outlook*, December 2024.

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While oil prices have perked up from the bottom of this range, with Brent rising about 14% from $71/barrel to about $81/barrel over the past month for reasons noted above, upside oil price pressures are unlikely to persist for too long. First, though accelerating from tepid growth in 2024, global oil demand is still expected to increase only moderately this year. Demand trends have been particularly weak in advanced economies, with U.S. oil consumption barely inching up in 2024, for example.

Rapid adoption of electric vehicles (EVs), especially in China, where they have already reached 50% of new cars sold, is eroding demand growth faster than expected. According to the IEA, EVs currently have a share of around 20% in new car sales worldwide, which rises towards 50% by 2030 based on current policies, displacing a massive 6 mb/d[3] of oil demand in the process.

Although structural headwinds to global demand are generally seen causing consumption to plateau by 2030, global oil supply is still projected to increase substantially. Non-OPEC supply growth plans remain strong, while OPEC+ has announced intentions to gradually unwind its self-imposed supply restrictions starting in April. With demand projected to lag supply, some inventory buildout is expected in 2025 after declining last year. As a result, oil prices are generally seen averaging below the $80/barrel average of 2024, with about a $72/barrel price in Q4. According to BofA Global Research, Brent and West Texas Intermediate (WTI) may average even lower this year, at $65/barrel and $61/barrel[4], respectively.

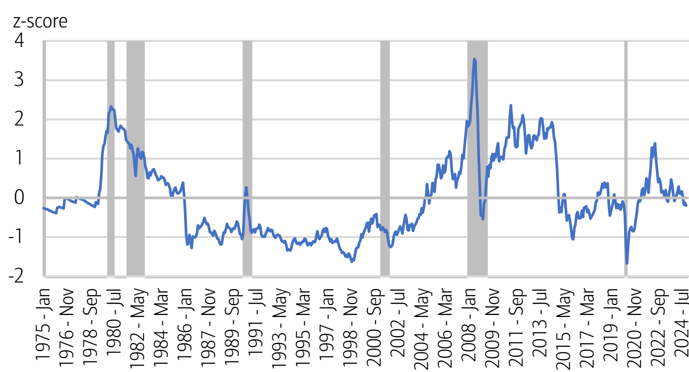
Looking further out, oil prices are likely to only move higher with inflation, as they typically do over the long term (Exhibit 1B), probably trending toward $90/per barrel on average by the end of the decade, although rising U.S. productivity per well suggests downside price risks. Uncertainty remains high, though. Escalating Middle East tensions and a stronger enforcement of sanctions against Iran, Russia and the like, would create upside price risks. Still, the experience of the past three years shows that world leaders are unlikely to impose sanctions to a degree that endangers economic conditions. In any case, a significant projected increase in OPEC+ surplus capacity as non-OPEC gains market share could help mitigate some of these upside risks.

In sum, ample expected supply and stable relative prices should allow the ongoing global expansion to continue for the foreseeable future, supporting profits growth and relative risks-asset performance.

Exhibit 1: U.S. Shale Oil-and-Gas Revolution Has Stabilized Relative Energy Prices.

1A) U.S. Natural Gas Price Adjusted for Inflation (Z-score*).

1B) WTI Crude Oil Price Adjusted for Inflation (Z-score*).



*z-score=number of standard deviations from the mean of a data set. Gray bars represent recessionary periods. Exhibit 1A) Source: Haver Analytics. Data as of January 8, 2025. Exhibit 1B) Source: Haver Analytics. Data as of January 8, 2025.

[3] million barrels per day.

[4] As of January 8, 2025.

MARKET VIEW

Channeling the Great Philosopher Mike Tyson—Get Ready for Some Punches

Joseph P. Quinlan, Managing Director and Head of CIO Market Strategy

Ariana Chiu, Wealth Management Analyst

"Everyone has a plan until they get punched in the face."–Mike Tyson

We maintain a positive bias towards U.S. Equities heading into the new year and believe the equity market will add on to the mega-gains of 2023-24 owing to solid U.S. economic growth, continued earnings expansion, better market breadth and easing monetary and fiscal policies. Accordingly, we remain slightly overweight U.S. Equities and continue to emphasize a balance in Equity portfolio construction, i.e., broad exposure to U.S. Large-caps, in addition Small- and Mid-caps, and exposure to interest rate-sensitive, growth and cyclical sectors. That, in brief, is our investment game plan for 2025.

But that said, we also suggest that investors steel themselves for some punches—or bouts of market uncertainty and volatility due to a number of crosscurrents including inflation expectations-cum-policy uncertainty, geopolitical tensions, inflated AI expectations, and market worries over the U.S. federal budget deficit.

To this point, the bond vigilantes have come out swinging this year, pushing the 10-year Treasury yield over 4.7% last week, the highest level since April 2024. Even before January 10 hotter-than-expected jobs report, yields have been heading higher. Since the Federal Reserve (Fed) began cutting rates in mid-September 2024—slicing the fed funds rate in total by 100 basis point (bps) in 2024—the yield on the 10-year U.S. Treasury has jumped roughly 100bps. According to @ZeroHedge, this is the first time in history that 100 bps in Fed rate cuts have been met with a 100 bps rise in 10-year yields.

The vigilantes are on edge primarily due to the shift upward in 12-month inflation expectations. As Exhibit 2A highlights, the downdraft in inflation expectations was broken in December, with expectations for inflation this year now headed back towards 3% instead of the Fed's 2% target. Reflecting this shift, the latest minutes from the Fed, released last week, suggested that participants are increasingly concerned about the inflationary effects of the incoming administration's trade and deportation policies. How quickly and how widely these policies will be enacted and applied remains a key source of market volatility.

The consensus is for headline and core inflation to remain tame and trend lower over the balance of the year. But against a backdrop of solid macroeconomic fundamentals, potential policies that could generate upward pressure on prices (tariffs, anti-immigration), and current inflation metrics above the Fed's 2% target—all of the above has already reset Fed expectations for monetary policies this year, with BofA global Research not expecting any interest rate cuts in 2025.

Meanwhile, like the Bond Vigilantes, China has also come out swinging this year. A recent headline in the *Wall Street Journal* is suggestive of the turbulent times ahead, "China Comes Out Swinging as Trump Trade War Looms." Translation: The risks of rising tit-for-tat trade restrictions remain real; just in the past two months, China has launched a regulatory probe into Nvidia, disrupted the supply chains of a key drone manufacturer and blocked the export of critical minerals to the U.S. Per the latter, as Exhibit 2B depicts, the U.S. remains heavily dependent on Chinese imports for critical metals/minerals, which is another way of saying that a rapid deterioration in bilateral relations could be significantly impactful for both nations and various U.S. companies.

Against this backdrop, the steady deterioration in U.S.-China relations will remain a key source of volatility this year. And speaking of volatility, as Exhibit 2C highlights, while there is always a fair amount of dispersion between S&P 500 annual returns and annual drawdowns, last year's less-than-10% drawdown (due to volatility in and around monetary policy in Japan) was relatively tame. The odds of greater volatility are much higher this year from a year ago, in our opinion.

Portfolio Considerations

We remain overweight U.S. Equities given strong corporate fundamentals, a solid economic backdrop, and easing monetary and fiscal policies. While the transition to the incoming administration carries uncertainty and potential market volatility, we urge investors to stay invested, adopt a more diversified approach to Equities, and use any pullbacks as an opportunity to invest cash on the sidelines.

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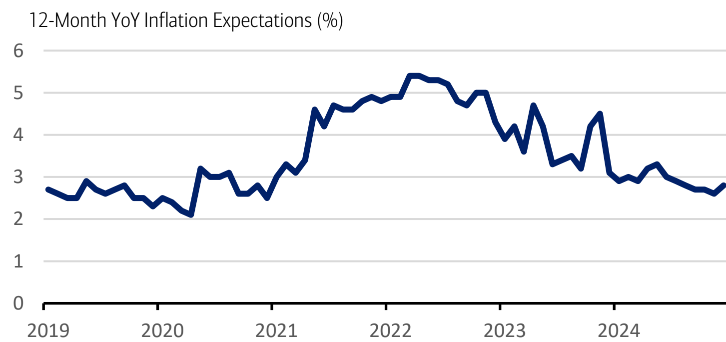
Finally, a slower pace of AI adoption in the real economy that throws into doubt the payoff of the hyper-scalers' capital investment boom and a surging federal budget deficit are two more jabs the markets might have to absorb this year. Per the former, while the capital investment boom among U.S. tech leaders has been nothing short of stunning—with just four firms (Alphabet, Amazon, Meta and Microsoft) sinking over $200 billion in capital investment in AI last year—the massive upfront investment costs have not gone unnoticed by investors wondering when the AI boom will translate into real sales and the much-heralded U.S. productivity boom. The patience of investors will be tested this year.

Ditto for the widening federal budget. Following the FY 2024 federal budget deficit of $1.8 trillion, or 6.4% of gross domestic product, there is a heightened sense of concern among investors about the finances of the U.S. government. Not helping matters: In the first two months of FY 2025, the federal budget deficit totaled $622 billion, a 63% rise from the same period a year ago.

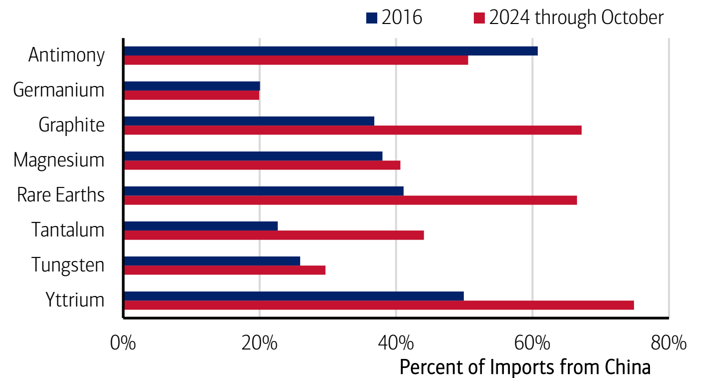
One final note, as Exhibit 2D clearly depicts, investors have not lost any of their reverence for good old cash. According to the latest data, a record $6.8 trillion was stashed in money market funds as the year began, versus a long-term average of $2.4 trillion. We believe this cash hoard will slowly find its way into Equities, Fixed Income and other alternatives over the balance of this year. But for now, in light of the coming punches, the plan of many investors is to dodge the blows by hunkering down in cash.

Exhibit 2: Preparing for Some Potential Punches in 2025.

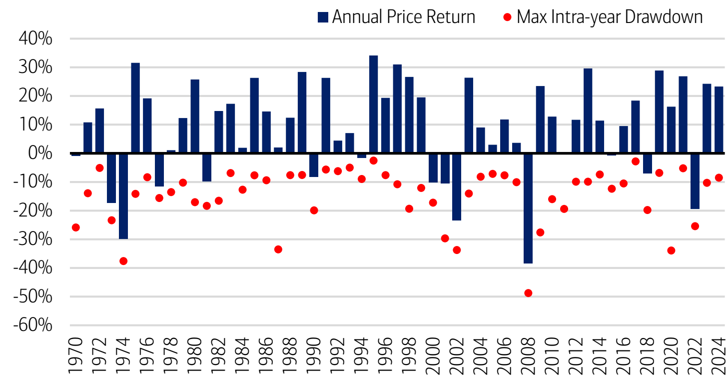
2A) Year-Ahead Inflation Expectations Hover Near 3%.



2B) The U.S. Remains Dependent on China for Critical Minerals.



2C) S&P 500 Historical Annual Returns and Max Intra-Year Drawdowns.



2D) Cash is Still King: Money Market Fund Assets Hit $6.8 Trillion.

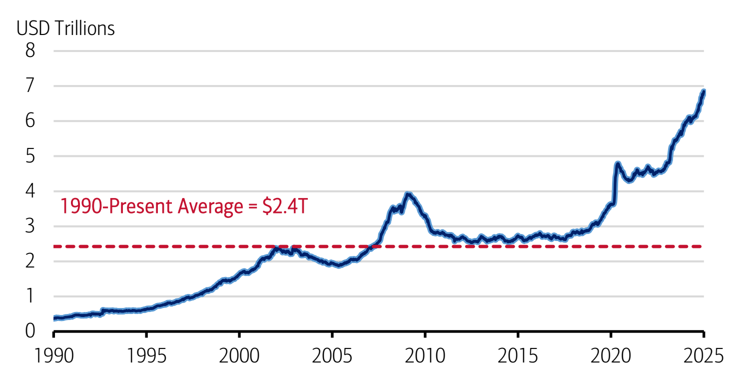


Exhibit 2A) Sources: University of Michigan Consumer Sentiment Survey; Haver Analytics. Data as of January 10, 2024. Exhibit 2B) 2024 data through October. Sources: U.S. International Trade Commission; U.S. Geological Survey Mineral Commodity Summaries. Data as of January 2025. Exhibit 2C) Source: Bloomberg. Data as of January 8, 2024. Exhibit 2D) Source: Bloomberg. Data as of January 8, 2024. It is not possible to invest directly in an index. Please refer to index definitions at the end of this report. **Past performance is no guarantee of future results.**

THOUGHT OF THE WEEK

The State of Sustainable Investing in an Asset-Light Era

Sarah Norman, Managing Director and Head of CIO Sustainable Investment Thought Leadership

Anna Potts, CFA®, CSRIC®, Assistant Vice President and Investment Strategist

Time to find the signal through the noise surrounding Sustainable Investing. We view sustainable investing as a vehicle for navigating the asset-light economy, seeking to mitigate risks, and uncovering untapped opportunities for long-term success. Even more, we believe it's a gateway to transformational investment themes that will define 2025 and beyond.

The U.S. economy is more "asset-light" than ever, having shifted from manufacturing to service-oriented and driven by technological innovation, intellectual property, human capital, brand and the like. Increasingly critical to the financial evaluation of a company are measures such as workforce management, resource efficiency, product quality, data privacy and corporate governance practices. Cue sustainable investing or using more data to gain additional insight into the value of an enterprise, seeking a financial edge in a market driven by innovation, resilience, and responsibility. Strong workforce management has reduced turnover costs. High regulatory risk has endangered profits and reputations: a McKinsey study found that one-third of corporate profits are at risk from state intervention via levers like data privacy for telecom and media, and food safety and labeling for consumer goods.[5] Poor labor practices may lead to damaging headlines. Resource efficiency will likely improve margins. Climate risks are helping to reshape industries from insurance and beyond—businesses failing to adapt have faced growing financial liabilities.

Investing in companies already prioritizing these factors may help reduce risk and enhance returns, but there are also several sustainable drivers of economic growth that intersect with our 2025 themes and beyond (Exhibit 3). AI is energy-intensive, and companies have been scrambling to secure clean energy for their operations. Transport is electrifying. Power grids are transforming to become more resilient, distributed and clean. Water issues globally are at crisis levels,[6] creating a host of potential investment opportunities from infrastructure build to waste management. Transformations in healthcare may establish new frontiers of health and wellness. Lastly, trillions of dollars of wealth have been actively passed along to the "Next Generation (NextGen)," who view consumption and investment in unique ways, with many prioritizing sustainability.[7] Investing capital may help ensure resilience by tapping into industries poised for growth in an era of rapid change.

Portfolio Considerations

We invite investors to consider sustainable investments across asset classes as a potential way to tap into transformational themes, seek to mitigate risks, and uncover investment opportunities in an era of rapid change.

Exhibit 3: Sustainable Meets Thematic Investment.

Level 1 Theme	Level 2 Sustainable Highlights
Transformative Innovation	Generative AI: Power demand/generation Digitization: Electrified transportation
Resilient Infrastructure	Energy addition Grid transformation Water management Power generation
Future Security	Food/agricultural/commodity scarcity Natural resources
Changing Demographics	Healthcare innovation NextGen consumer/investor base

Source: Chief Investment Office. Data as of January 8, 2025.

[5] W. Henisz, T. Koller and R. Nuttall, "Five Ways That ESG Creates Value," McKinsey Quarterly, November 2019. Latest data available.

[6] United Nations, "UN World Water Development Report 2021: Valuing Water," 2021. Latest data available.

[7] Deloitte Global 2024 Gen Z and Millennial Survey, 2024

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	41,938.45	-1.8	-1.4	-1.4
NASDAQ	19,161.63	-2.3	-0.8	-0.8
S&P 500	5,827.04	-1.9	-0.9	-0.9
S&P 400 Mid Cap	3,099.47	-1.7	-0.7	-0.7
Russell 2000	2,189.23	-3.5	-1.8	-1.8
MSCI World	3,678.22	-1.6	-0.8	-0.8
MSCI EAFE	2,244.94	-0.4	-0.7	-0.7
MSCI Emerging Markets	1,057.10	-1.5	-1.6	-1.6

Fixed Income†

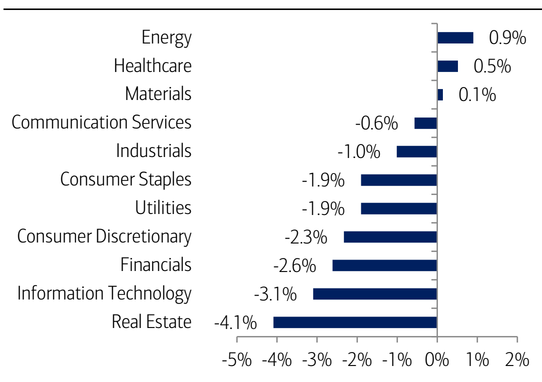
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	4.95	-0.82	-0.94	-0.94
Agencies	4.74	-0.38	-0.41	-0.41
Municipals	3.83	-0.95	-0.66	-0.66
U.S. Investment Grade Credit	5.09	-0.87	-1.00	-1.00
International	5.52	-0.96	-1.10	-1.10
High Yield	7.52	-0.28	0.04	0.04
90 Day Yield	4.32	4.29	4.31	4.31
2 Year Yield	4.38	4.28	4.24	4.24
10 Year Yield	4.76	4.60	4.57	4.57
30 Year Yield	4.95	4.81	4.78	4.78

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	247.92	4.1	3.9	3.9
WTI Crude $/Barrel††	76.57	3.5	6.8	6.8
Gold Spot $/Ounce††	2689.76	1.9	2.5	2.5

	Total Return in USD (%)			
Currencies	Current	Prior Week End	Prior Month End	2022 Year End
EUR/USD	1.02	1.03	1.04	1.04
USD/JPY	157.73	157.26	157.20	157.20
USD/CNH	7.36	7.36	7.34	7.34

S&P Sector Returns



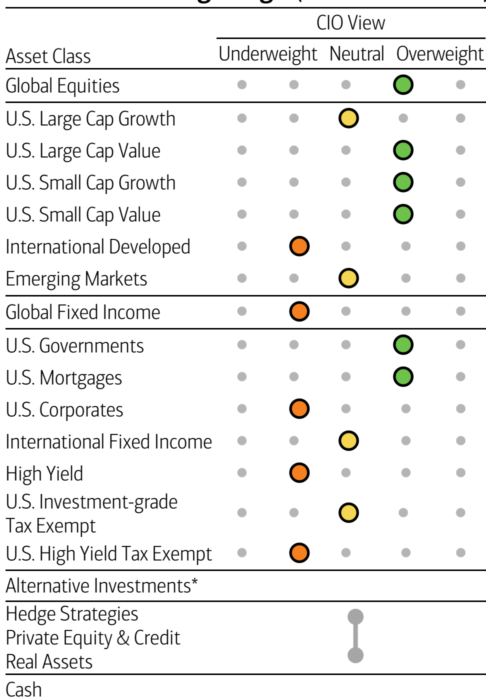
Sources: Bloomberg, Factset. Total Returns from the period of 1/6/2025 to 1/10/2025. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 1/10/2025 close. Data would differ if a different time period was displayed. Short-term performance shown to illustrate more recent trend. **Past performance is no guarantee of future results.**

Economic Forecasts (as of 1/10/2025)

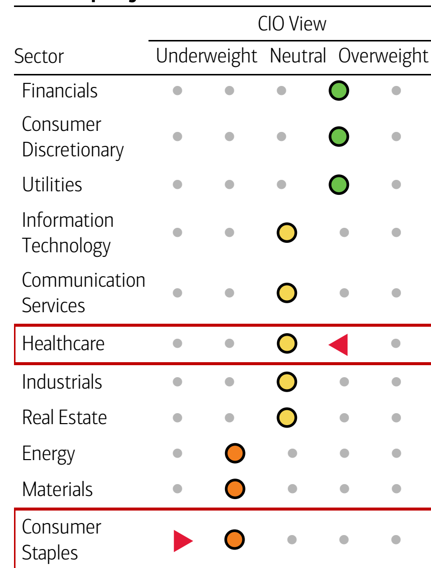
	Q4 2024E	2024E	Q1 2025E	Q2 2025E	Q3 2025E	Q4 2025E	2025E
Real global GDP (% y/y annualized)	-	3.1	-	-	-	-	3.2
Real U.S. GDP (% q/q annualized)	2.0	2.8	2.5	2.3	2.2	2.2	2.4
CPI inflation (% y/y)	2.7	2.9	2.4	2.4	2.7	2.5	2.5
Core CPI inflation (% y/y)	3.3	3.4	3.0	2.9	3.2	3.2	3.1
Unemployment rate (%)	4.2	4.0	4.3	4.4	4.4	4.5	4.4
Fed funds rate, end period (%)	4.33	4.33	4.13	3.88	3.88	3.88	3.88

The forecasts in the table above are the base line view from BofA Global Research. The Global Wealth & Investment Management (GWIM) Investment Strategy Committee (ISC) may make adjustments to this view over the course of the year and can express upside/downside to these forecasts. Historical data is sourced from Bloomberg, FactSet, and Haver Analytics. **There can be no assurance that the forecasts will be achieved. Economic or financial forecasts are inherently limited and should not be relied on as indicators of future investment performance.**
A = Actual. E/* = Estimate.
Sources: BofA Global Research; GWIM ISC as of January 10, 2025.

Asset Class Weightings (as of 1/7/2025)



CIO Equity Sector Views



*Many products that pursue Alternative Investment strategies, specifically Private Equity and Hedge Funds, are available only to qualified investors. CIO asset class views are relative to the CIO Strategic Asset Allocation (SAA) of a multi-asset portfolio. Source: Chief Investment Office as of January 7, 2025. All sector and asset allocation recommendations must be considered in the context of an individual investor's goals, time horizon, liquidity needs and risk tolerance. Not all recommendations will be in the best interest of all investors.

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Index Definitions

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S&P 500 Index is a market-capitalization-weighted index that is widely regarded as the best single gauge of large-cap U.S. equities. The index includes 500 leading companies and covers approximately 80% of available market capitalization.

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All recommendations must be considered in the context of an individual investor's goals, time horizon, liquidity needs and risk tolerance. Not all recommendations will be in the best interest of all investors.

Asset allocation, diversification and rebalancing do not ensure a profit or protect against loss in declining markets.

Investments have varying degrees of risk. Some of the risks involved with equity securities include the possibility that the value of the stocks may fluctuate in response to events specific to the companies or markets, as well as economic, political or social events in the U.S. or abroad. Small cap and mid cap companies pose special risks, including possible illiquidity and greater price volatility than funds consisting of larger, more established companies. Investing in fixed-income securities may involve certain risks, including the credit quality of individual issuers, possible prepayments, market or economic developments and yields and share price fluctuations due to changes in interest rates. When interest rates go up, bond prices typically drop, and vice versa. Investments in high-yield bonds (sometimes referred to as "junk bonds") offer the potential for high current income and attractive total return, but involves certain risks. Changes in economic conditions or other circumstances may adversely affect a junk bond issuer's ability to make principal and interest payments. Treasury bills are less volatile than longer-term fixed income securities and are guaranteed as to timely payment of principal and interest by the U.S. government. Bonds are subject to interest rate, inflation and credit risks. Investments in foreign securities (including ADRs) involve special risks, including foreign currency risk and the possibility of substantial volatility due to adverse political, economic or other developments. These risks are magnified for investments made in emerging markets. Investments in a certain industry or sector may pose additional risk due to lack of diversification and sector concentration. There are special risks associated with an investment in commodities including market price fluctuations, regulatory changes, interest rate changes, credit risk, economic changes and the impact of adverse political or financial factors.

Sustainable and Impact Investing and/or Environmental, Social and Governance (ESG) managers may take into consideration factors beyond traditional financial information to select securities, which could result in relative investment performance deviating from other strategies or broad market benchmarks, depending on whether such sectors or investments are in or out of favor in the market. Further, ESG strategies may rely on certain values-based criteria to eliminate exposures found in similar strategies or broad market benchmarks, which could also result in relative investment performance deviating.

Alternative Investments are speculative and involve a high degree of risk.

Alternative investments are intended for qualified investors only. Alternative Investments such as derivatives, hedge funds, private equity funds, and funds of funds can result in higher return potential but also higher loss potential. Changes in economic conditions or other circumstances may adversely affect your investments. Before you invest in alternative investments, you should consider your overall financial situation, how much money you have to invest, your need for liquidity and your tolerance for risk.

Nonfinancial assets, such as closely-held businesses, real estate, fine art, oil, gas and mineral properties, and timber, farm and ranch land, are complex in nature and involve risks including total loss of value. Special risk considerations include natural events (for example, earthquakes or fires), complex tax considerations, and lack of liquidity. Nonfinancial assets are not in the best interest of all investors. Always consult with your independent attorney, tax advisor, investment manager, and insurance agent for final recommendations and before changing or implementing any financial, tax, or estate planning strategy.

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