CHIEF INVESTMENT OFFICE

Capital Market Outlook

February 3, 2025

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

IN THIS ISSUE

Macro Strategy—*Inflation Stuck Above Target Keeps Fed On Hold:* The evidence suggests the Federal Reserve (Fed) jumped the gun by cutting rates in 2024 when inflation was still well above target. A look at the experience of the 1970s when the Fed thought it was restrictive but kept feeding a rising inflation trend suggests that policy is not restrictive and may be reigniting inflation because economic conditions are stronger than the Fed believes. Stimulative monetary policy favors our Equity overweight and Fixed Income underweight.

Market View—*Inside America's "Iron Dome": The Expected Surge in Foreign Investment to the U.S.:* The U.S.'s share of global crossborder investment projects reached its highest level ever in 2024. From that high-water mark, inbound investment is expected to rise, given the shower of foreign announcements to kick off the year. Both strong domestic demand and concerns of protectionist measures from the White House are driving investment flows into the U.S.

The U.S. remains the investment magnet of the world. No other country in the world has been as successful in attracting other people's money, which, in turn, underpins the global competitiveness of America. From a portfolio positioning standpoint, the U.S. continues to prove its resilience and dynamism, with comparatively greater earnings fundamentals to the rest of the world, therefore rationalizing the U.S. as our preferred Equity region relative to the rest of the world. Afterall, inflows are bullish for the long-term economic growth prospects of the U.S.

Thought of the Week—*What Should Investors Make of the DeepSeek Developments?:* Investor assumptions about the dominance of U.S. technology leaders were challenged last week following the release of a new research paper by China's artificial intelligence (AI) startup DeepSeek. The company's latest chatbot was able to deliver performance comparable to top U.S. firms despite reportedly being developed at a fraction of the cost, consuming much less power and using fewer processing resources. But does the DeepSeek moment spell an end for the AI-driven market advance of recent years? And how might its ripple effects change the broader outlook for global equity markets in 2025 and beyond?

MACRO STRATEGY ▶

Chief Investment Office
Macro Strategy Team

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Lauren J. Sanfilippo
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MARKETS IN REVIEW ▶

Data as of 2/3/2025, 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.

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.

MACRO STRATEGY

Inflation Stuck Above Target Keeps Fed On Hold

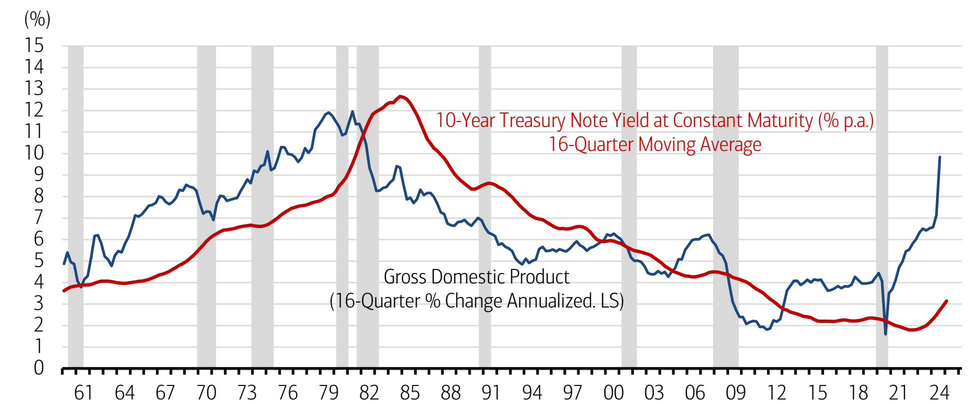
Chief Investment Office, Macro Strategy Team

The Fed kept rates on hold at its January 29 Federal Open Market Committee meeting acknowledging that progress on bringing inflation down has not developed as previously expected. The stalled disinflation trend raises questions about the wisdom of easing policy after four years of well-above target inflation. In many ways, the Fed's prolonged massive miss of its inflation target is reminiscent of the policy errors that the U.S. central bank made in the 1970s when it believed it was restrictive because it kept raising rates to higher levels, yet inflation kept surprising to the upside.

In retrospect, it's clear that the Fed set rates too low throughout the 1960s and 1970s as ballooning fiscal deficits and money supply growth propelled nominal gross domestic product (GDP) growth to unprecedented heights that rendered the Fed's rate policies too loose to rein in inflation. Exhibit 1 illustrates that, throughout this period, nominal GDP growth driven by rising inflation was well in excess of the level of interest rates. Cash flows to repay borrowing are commensurate with nominal GDP growth. If interest rates are kept far below growth in incomes and business revenues, the incentive to borrow increases, and strong money and credit growth keeps inflation in an uptrend.

This cycle of accelerating inflation was finally broken in the early 1980s because Fed Chairman Paul Volcker kept interest rates well above nominal GDP growth, making them much more restrictive and ultimately curbing the growth of money and credit thus bringing inflation back to more normal levels. The 1980s experience shows how rates above nominal GDP growth can bring the inflation trend down (Exhibit 1). From the mid-1990s until the Great Financial Crisis (GFC) of 2007-2008, rates and nominal GDP growth aside from cyclical fluctuations were roughly in line, helping the Fed to finally achieve a 2% inflation pace. Currently rates are well below nominal GDP growth, suggesting monetary policy is still very easy. The stock market seems to agree.

Exhibit 1: When Rates Are Kept Far Below Nominal GDP Growth Inflation Rises.



Gray bars represent recessionary periods. Source: Bureau of Economic Analysis; Bureau of Labor Statistics/Haver Analytics. Data as of January 30, 2025.

After the GFC, quantitative easing (QE) and zero-rate policies depressed yields to unprecedented lows and caused nominal GDP growth to soar above the level of interest rates, creating a new inflationary period that saw prices accelerate much faster than in the 1960s and 1970s period, when several waves eventually took inflation to the double-digit levels of the late 1970s and early 1980s. The postpandemic inflation wave happened much faster because of the unprecedented pandemic surge in money growth and deficit spending.

As can been seen in Exhibit 1, the surge in nominal GDP growth after the pandemic stimulus far exceeds anything seen in the 1960s and 1970s, and, with interest rates

Investment Implications

Monetary policy that repeats the mistakes of the 1970s favors real assets and stocks of companies with real assets and Fixed Income liabilities. The secular bear market in bonds is likely to continue if inflation starts rising again.

coming off all-time lows, the gap between nominal GDP growth and borrowing costs incentivized massive growth in money and credit, especially government debt, after private sector borrowers had feasted on the lowest rates in history.

Once the Fed began to address the inflation problem this created, it believed by raising rates from zero to over 5% that it was restrictive. At his January 29 press conference, Mr. Powell once again reiterated his belief that policy is still restrictive despite all the evidence to the contrary. The four-year average of nominal GDP growth peaked at almost 10% and still remains well above 7%. As the pandemic recovery and inflation surge recedes, the Fed and consensus economists believe that nominal growth is heading back to about the 4% pace that prevailed after the GFC and before the pandemic (Exhibit 1). With interest rates still low compared to the trend in nominal GDP growth, that seems unlikely.

Since Mr. Powell pivoted to an easier policy in late 2023, the economy has reaccelerated, corporate earnings have reaccelerated, and early-stage inflation indicators like producer prices have begun to rise. For example, the producer price index for final demand increased 3.3% in 2024 compared to just 1.1% in 2023. The index for final demand less food, energy and trade services also rose 3.3% after advancing 2.7% in 2023. As these reflation forces picked up last year, the decline in consumer price inflation has stalled out with most measures hovering around 3.0% rather than the Fed's 2% target.

As in the 1970s, this seems to suggest that, rather than monetary policy being restrictive, as the Fed believes, it continues to stimulate nominal growth inconsistent with its 2% target. Indeed, the latest GDP data show nominal growth in the 5% to 6% range, which is well above the Fed's federal funds rate target and the roughly 4.5% 10-year Treasury rate.

The historical relationship between nominal GDP growth and interest rates suggests the Fed is still stimulating growth beyond the neutral levels that would balance the economy around a 2% inflation target. The evidence from the latest inflation data suggests the Fed declared victory too early and was too eager to ease policy in an election year. The backpedaling since the election is a tacit admission that policymakers jumped the gun by cutting rates in a strong economy with inflation well above target. It also raises questions about the Fed's commitment to a 2% target if it does not allow inflation below 2% so that it can average 2% over time instead of always staying above it.

In August of 2020, the Fed restated its longer-run goals and monetary policy strategy to put more focus on low unemployment and to allow inflation to run over 2%. Since then inflation has averaged over 4% and measures of risk for expectations for the 2% target have risen dramatically. Consumer expectations for long-run inflation are rising and remain well above prepandemic levels. At some point, the Fed will need to address its waning credibility on its inflation mandate before inflation expectations become even more unanchored. In the meantime, as in the 1970s experience, the Fed's easy money policy favors risk assets over the losers from the ongoing positive trend in unexpected inflation.

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MARKET VIEW

Inside America's "Iron Dome": The Expected Surge in Foreign Investment to the U.S.

Lauren J. Sanfilippo, Director and Senior Investment Strategist

Given President Trump's plan to build a state-of-the-art missile defense shield, global weapons manufacturers are angling to get a piece of "the Iron Dome for America" action. They are not alone—fearing higher tariffs on trade and other protectionist measures from the White House, countries and companies globally intend to get "inside the dome" as well.

We appear to be on the cusp of a boom in foreign investment. In just the past few weeks, certain firms or nations have announced their plans to come to, or double down on, America. Here are some examples:

- **SoftBank** is in talks to invest between $15 billion and $25 billion in OpenAI, on top of its commitment to the joint venture and AI infrastructure initiative, Stargate. Stargate, which also includes Oracle and the **United Arab Emirates investment fund MGX**, intends to invest up to $500 billion in AI data centers over the next four years.[1]
- **Saudi Arabia's** crown prince Mohammed bin Salman pledged to invest $600 billion in the U.S. over the next four years.
- **Stellantis**, the carmaker that owns the Fiat and Chrysler brands, plans to invest more than $5 billion in U.S. auto manufacturing—including a new mid-sized pick-up truck built in Illinois, a new Dodge car in Detroit, and engine facilities in Indiana.[2]
- **ABB Group**, with 30 manufacturing locations already in the U.S., announced a continued expansion of its factories and facilities for its electrification and automation business.[3]
- Dubai developer **DAMAC Properties** announced plans to invest $20 billion linked to AI and cryptocurrency across the U.S. including in Texas, Arizona, Oklahoma, Ohio.[4]

We suspect other foreign firms will follow suit due to the concerns of U.S. trade protectionism and the mercantilist mindset of the administration. Also pulling in the capital of foreign multinationals is the fact that on a relative basis, the U.S. remains among the most attractive places in the world to do business.

The lure of America is manifold, with its massive consumer market chief among reasons, with U.S. consumers alone accounting for over 30% of global personal consumption outlays. The U.S. is also a hub of innovation and home to the world's most dynamic tech ecosystems and renowned universities. Other enticements include a renewed pro-business push from Washington, a large and skilled labor force, lower energy costs and an economy that continues to defy the doomsayer by continuing to expand. In the end, U.S. protectionist measures are pulling inflows into the U.S., while America's strategic endowments continue to attract capital.

Back to the future. History has shown U.S. protectionism begets U.S. foreign direct investment (FDI) inflows as foreign firms scramble to hop trade barriers. This dynamic was evident in the 1980s when U.S. protectionist measures against Japan imports were imposed on automobiles and steel. Under threat, Japan firms responded by increasing their investment in the U.S. as a means of circumventing the imposed barriers. The "barrier-hopping strategy" gave way to the surge in Japan investment into the U.S. over the next decade. Flash forward to today, similarly hedged bets against the administration's tariff concerns are being made given the flurry of announcements of multinational's plans for investment since inauguration day.

Portfolio Considerations

Call it a home bias, our portfolio considerations corroborate foreigner's preference for U.S. assets. Not dismissing rich valuations, the U.S. premium has been earned, given its growth resilience and company fundamentals that continue to churn out solid earnings growth.

[1] Wall Street Journal, "SoftBank Eyes Deeper OpenAI Relationship," January 30, 2025.
[2] Financial Times, "Saudi Arabia aims to invest $600 billion in U.S., crown prince tells Donald Trump," January 23, 2025.
[3] Reuters, "ABB increasing U.S. investment to raise local production," January 21, 2025.
[4] Associated Press News, "Trump announces $20B U.S. investment by Emirati businessman," January 7, 2025.

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Figures for last year show the rest-of-world preference for the U.S. as the target for FDI. The U.S. share of global crossborder investment projects reached its highest level ever in 2024 by attracting more than 2,100 new FDI greenfield[5] projects in the 12 months through last November.[6] A very distant second was China, which attracted fewer than 400 projects in the same period, close to a record low for the world's second-largest economy. At play: China in the crosshairs of geopolitics, "de-risking" of foreign economies, and general economic malaise. Europe's share, for different reasons, also ran below-trend. With not many alternatives and with calls for reshoring/onshoring to the U.S., the number of overseas projects from the U.S. shrank to the lowest number in two decades, excluding the pandemic distortions. Like the rest of the world, U.S. firms are exhibiting an increasing bias to invest at home rather than abroad.

And so the near-term pile-into-the-U.S. investment flows remains intact and coincident with a longer-term trend: Incredibly, since the beginning of this century, the U.S. has accounted for 17.3% of the global FDI inflows, according to the United Nations (Exhibit 2A). That's well ahead of any other country in attracting investment, such as second-place China, which accounts for 8.3% of the total. In the latest year of full data from the United Nation, U.S. FDI inflows ($311 billion) were almost double the level of China ($163 billion), (Exhibit 2B). In the end, no other country in the world has been as successful in attracting other people's money than the U.S., which, in turn, underpins the global competitiveness of America.

Exhibit 2: The U.S.'s Continued Attraction for Investment.

2A) Nearly 2.5 Decades of Cumulative Investment Inflows, 2000-2023.

Rank	Economy	Inflows (Billions of $)	Percent of World Total
1	United States	5,570	17.3%
2	China	2,666	8.3%
3	Hong Kong	1,885	5.9%
4	United Kingdom	1,605	5.0%
5	Singapore	1,377	4.3%
6	Brazil	1,133	3.5%
7	Germany	1,091	3.4%
8	Canada	1,024	3.2%
9	Australia	833	2.6%
10	Ireland	800	2.5%

2B) The U.S. as a Money Magnet: FDI Inflows Ranked by Country.

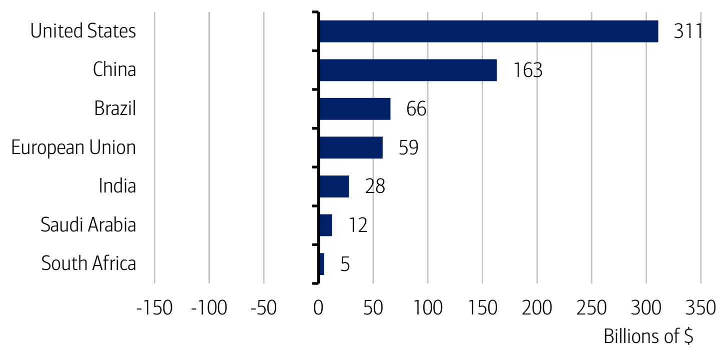

Exhibit 2A) Source: United Nations Conference on Trade and Development (UNCTAD). Data as of January 2025. Exhibit 2B) Source: United Nations Conference on Trade and Development (UNCTAD). Data for 2023.

The Benefits of U.S. FDI. The greater the level of capital investment inflows into the U.S. economy, the greater the level of jobs and higher incomes for U.S. workers; the greater level of capital investment and outlays on research & development; the greater the level of trade since many foreign-owned firms in the U.S. are key U.S. exporters; and the greater the amount of tax revenue and funding for public services line infrastructure and community-related activities. Said another way, there is a strong correlation between a nation's ability and willingness to accept and deploy foreign capital with that nation's overall level of growth and competitiveness. On this score, no one does it better than the U.S.

That's an important factor considering Wall Street's most consensus call is for the continuation of U.S. exceptionalism. Our portfolio positioning is U.S.-centric, with the expected surge in FDI just one more variable that should keep the U.S. economy resilient and corporate earnings ahead of the global pack.

[5] Greenfield refers to project plans to build or expand new facilities and operations in a foreign country.

[6] Source: *Financial Times*, FDI Markets data, as of January 2025.

THOUGHT OF THE WEEK

What Should Investors Make of the DeepSeek Developments?

Ehiwario Efeyini, Director and Senior Investment Strategist

Investor assumptions about the dominance of U.S. technology leaders were challenged last week following the release of a new research paper by China's AI startup DeepSeek. The company's latest R1 large language model chatbot was able to deliver comparable performance with top U.S. firms in coding, reasoning and problem solving, despite reportedly being developed at a fraction of the cost, consuming much less power and using fewer processing resources. The news sparked a major Equity selloff in the U.S. Technology sector, particularly among upstream segments of the AI supply chain, including a record one-day market capitalization loss of close to $600 billion for a leading provider of high-end semiconductors. But does the DeepSeek moment spell an end for the AI-driven market advance of recent years? And how might its ripple effects change the broader outlook for global equity markets in 2025 and beyond?

It is notable that the biggest declines in last week's volatility were concentrated among the providers of AI-enabling hardware, particularly those with the most extended valuations. This in our view reflects the immediate-term concern for investors that more efficient AI approaches could reduce demand for advanced chips and the specialized equipment used for their manufacturing. However, most individual constituents within the S&P 500 (including leaders in software and services) actually moved higher during the initial volatility of January 27. And this to us reflects what should be the larger consequence—an increase in global AI adoption, which is likely to be pulled forward by a reduced cost of implementation and a higher return on investment as developers around the world build on R1's open-source model design. Ultimately this could make for greater expenditure on these enabling resources to keep up with demand. And while DeepSeek may represent a step gain in the efficiency of today's AI models, further innovation will require ongoing infrastructure spending to deliver future breakthroughs in capability. In this regard, it is instructive that a number of the U.S. hyperscalers reiterated their capital spending commitments on Q4 earnings calls last week.

A deeper U.S.-China geopolitical divide could however come as a headwind for AI-driven gains in both markets. For China, tighter controls on access to U.S. and other Western hardware might eventually do more to hamper associated advances in local AI development. Despite the restrictions on cutting edge hardware, DeepSeek's R1 was not developed totally independently of inputs from U.S. suppliers. Until China's domestic chipmakers and semiconductor capital equipment makers can narrow the performance gap with Western suppliers, more effective controls could potentially pose a greater challenge for next-generation AI models. And for the U.S., stronger export curbs could undermine revenues for firms with significant China exposure.

We nonetheless expect the benefits of more widespread AI deployment to be felt across the broader global economy, beyond the leading technology enablers in any individual market. The result is likely to be higher productivity and labor saving in a range of sectors including manufacturing, agriculture, retail, healthcare and transportation, especially in the face of longer-term constraints from demographics and migration. Structural effects in terms of higher growth and lower inflation should come as fundamental supports for equity returns. And we would expect wider participation in the equity market advance as input costs decline and corporate profitability improves. These developments also in our view reinforce the case for investor diversification by industry, sector and region.

Portfolio Considerations

The efficiency gains demonstrated by China's DeepSeek AI model have called into question the large spending plans of U.S. hyperscalers on related infrastructure and pressured the valuations of leading suppliers of enabling technology. We nonetheless expect the larger consequence to be an increase in global AI adoption, which should ultimately make for greater expenditure on these enabling resources and lead to wider participation in the equity market advance as input costs decline and corporate profitability improves.

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Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	44,544.66	0.3	4.8	4.8
NASDAQ	19,627.44	-1.6	1.7	1.7
S&P 500	6,040.53	-1.0	2.8	2.8
S&P 400 Mid Cap	3,239.04	-1.1	3.8	3.8
Russell 2000	2,287.69	-0.9	2.6	2.6
MSCI World	3,836.58	-0.5	3.5	3.5
MSCI EAFE	2,379.76	0.8	5.3	5.3
MSCI Emerging Markets	1,093.37	0.3	1.8	1.8

Fixed Income†

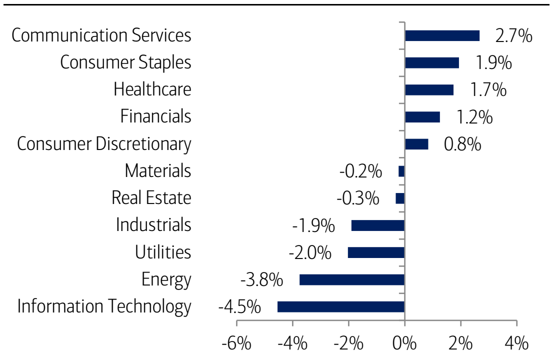
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	4.74	0.42	0.53	0.53
Agencies	4.57	0.32	0.55	0.55
Municipals	3.68	0.55	0.50	0.50
U.S. Investment Grade Credit	4.86	0.44	0.53	0.53
International	5.30	0.34	0.55	0.55
High Yield	7.20	0.20	1.37	1.37
90 Day Yield	4.28	4.30	4.31	4.31
2 Year Yield	4.20	4.27	4.24	4.24
10 Year Yield	4.54	4.62	4.57	4.57
30 Year Yield	4.79	4.85	4.78	4.78

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	248.05	-1.0	4.0	4.0
WTI Crude $/Barrel††	72.53	-2.9	1.1	1.1
Gold Spot $/Ounce††	2798.41	1.0	6.6	6.6

	Total Return in USD (%)			
Currencies	Current	Prior Week End	Prior Month End	2022 Year End
EUR/USD	1.04	1.05	1.04	1.04
USD/JPY	155.19	156.00	157.20	157.20
USD/CNH	7.32	7.24	7.34	7.34

S&P Sector Returns



Sources: Bloomberg, Factset. Total Returns from the period of 1/27/2025 to 1/312025. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 1/31/2025 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 1/31/2025)

	Q4 2024A	2024A	Q1 2025E	Q2 2025E	Q3 2025E	Q4 2025E	2025E
Real global GDP (% y/y annualized)	-	3.1*	-	-	-	-	3.3
Real U.S. GDP (% q/q annualized)	2.3	2.8	2.5	2.3	2.2	2.2	2.5
CPI inflation (% y/y)	2.7	3.0	2.6	2.7	3.0	2.8	2.8
Core CPI inflation (% y/y)	3.3	3.4	3.0	3.0	3.2	3.2	3.1
Unemployment rate (%)	4.2	4.0	4.2	4.2	4.2	4.2	4.2
Fed funds rate, end period (%)	4.33	4.33	4.38	4.38	4.38	4.38	4.38

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 31, 2025.

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

	CIO View				
Asset Class	Underweight		Neutral	Overweight	
Global Equities				●	
U.S. Large Cap Growth			●		
U.S. Large Cap Value				●	
U.S. Small Cap Growth				●	
U.S. Small Cap Value				●	
International Developed		●			
Emerging Markets			●		
Global Fixed Income		●			
U.S. Governments				●	
U.S. Mortgages				●	
U.S. Corporates		●			
International Fixed Income			●		
High Yield		●			
U.S. Investment-grade Tax Exempt			●		
U.S. High Yield Tax Exempt		●			
Alternative Investments*					
Hedge Strategies Private Equity & Credit Real Assets					
Cash					

CIO Equity Sector Views

	CIO View				
Sector	Underweight		Neutral	Overweight	
Financials				●	
Consumer Discretionary				●	
Utilities				●	
Information Technology			●		
Communication Services			●		
Healthcare			●		
Industrials			●		
Real Estate			●		
Energy		●			
Materials		●			
Consumer Staples		●			

*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.

Index Definitions

Securities indexes assume reinvestment of all distributions and interest payments. Indexes are unmanaged and do not take into account fees or expenses. It is not possible to invest directly in an index. Indexes are all based in U.S. dollars.

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.

Institute for Supply Management (ISM) manufacturing index is a monthly economic indicator that measures the health of the US manufacturing sector.

Consumer Price Index measures the average change in prices paid by consumers over time for a basket of goods and services.

Real trade-weighted dollar index compares the value of the dollar against the currencies of countries with which each of the 50 U.S. states trades.

Chicago Board Options Exchange Volatility Index a popular measure of the stock market's expectation of volatility based on S&P 500 index options.

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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.

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.