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CHIEF INVESTMENT OFFICE

Capital Market Outlook

February 5, 2024

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

IN THIS ISSUE

Macro Strategy—*Global Economy Landing Softly:* Growing confidence in a lower interest rate and soft-landing scenario appears self-fulfilling, as financial conditions have eased enough to boost homebuilder sentiment, building permits for single-family homes, consumer confidence, and equity benchmarks, all favorable early signals for the U.S. economic outlook. This, combined with more-resilient-than-expected emerging market economies and government efforts to boost the flailing Chinese economy, has also raised confidence in a soft landing at the global level.

The International Monetary Fund (IMF) now projects a stabilization in world gross domestic product (GDP) growth in 2024, rather than a further slowdown, as in its October forecast. This is consistent with the cyclical Global Wave indicator compiled by BofA Global Research, which has troughed and appears poised to rise in 2024, as well as with our analysis showing a likely rebound in global trade volume after 15 months of contraction. Even the Conference Board's Index of 10 Leading Economic Indicators (LEI) appears on a path to rebound following two years of recessionary-type declines.

Market View—*Fed Pivot May Provide A Soft Floor For Markets, But Slightly Increases Inflationary Risks:* Federal Reserve (Fed) Chair Powell and the Federal Open Market Committee (FOMC) are not afraid to pivot quickly and decisively when the situation calls for it—nor should they be.

With about 167 million people in the U.S. labor force, every 1% increase in the unemployment rate would equate to about 1.7 million people out of work. If the Fed succeeds in achieving a soft landing, that may be positive for risk assets as evidenced by the outperformance of Equities after the mid-1990s soft landing. At the same time, while it is not our base case, in this era, that marginally increases inflation risk.

Thought of the Week—*Five Charts on Small-caps:* Small-caps staged a powerful rally at the end of 2023. Despite some weakness so far this year, the case for Small-caps is building. While the S&P 500 regained its all-time high, the Russell 2000 Index remains 18% below its own, which suggests that the opportunity for Small-caps to play catch up ahead continues.

Presidential election years have also been a historically positive backdrop for Small-cap outperformance. Further, relative valuations have cheapened to levels only last seen during the Dot-com bubble, which was the start of a decade of Small-cap leadership.

MACRO STRATEGY ▶

Chief Investment Office
Macro Strategy Team

MARKET VIEW ▶

Chief Investment Office
Fixed Income Team

THOUGHT OF THE WEEK ▶

Kirsten Cabacungan
Vice President and Investment Strategist

MARKETS IN REVIEW ▶

Data as of 2/5/2024, and subject to change

Portfolio Considerations

While we are optimistic that peak rates and inflation are behind us, we are balanced versus our strategic benchmarks and fully invested across Equities—with still a preference for Large-caps and U.S. relative to the rest of the world—and Fixed Income. In Fixed Income, our preference is to maintain a higher-quality positioning across credit and sovereigns and, where appropriate, to favor slightly extending duration. We've identified five mega themes for 2024 and beyond that carry long-term implications and influence on economic growth, earnings potential, and the cost of capital.

MACRO STRATEGY

Global Economy Landing Softly

Chief Investment Office, Macro Strategy Team

Investment Implications

The prospect of moderate but sustainable U.S. and global growth with lower inflation and neutral interest rates is supportive of risk assets.

The expectation for a U.S. recession, or hard landing, has in large part been predicated on the deep deterioration observed over the past two years in leading indicators of economic activity, such as the yield curve, the Conference Board's LEI, and bank lending standards, in a pattern only seen in advance of past recessions. While the most aggressive Fed rate hikes in 40 years were quick to reflect in these indicators, economic growth has surprised to the upside. In fact, financial conditions have eased, and the U.S. economy actually reaccelerated in the second half of 2023 as renewed fiscal stimulus boosted growth, while monetary contraction reined in inflation, enhancing real consumer spending.

The failure of leading indicators to date shouldn't be too surprising, however, since economic growth tends to respond to monetary policy changes with long and variable lags of up to more than two years. The effect of rate hikes, for example, depends on a multitude of factors that can be different from cycle to cycle, such as initial economic conditions, the structure of the economy, the interest rate sensitivity of the business and consumer sectors, the magnitude of imbalances or excesses in the economy, fiscal policy, financial sector health, and energy market conditions. What's more, the ultimate outcome depends on whether, and how fast, monetary authorities overtighten—or not—relative to the constant reordering of the economic backdrop.

During the current tightening cycle, evidence has accumulated on the side of a lengthening lag that allows for a more gradual, smoother transition of the economy from restrictive to easier monetary-policy conditions than in past cycles. This has much to do with the nature and sources of the inflation spike (direct massive government support to consumers, pandemic-related labor shortages, and related supply-chain problems), and their quick reversal. It also has to do with the unusually loose zero-interest rate pandemic policy, extraordinary pandemic fiscal stimulus, and ongoing high deficit spending in the context of a fully employed economy, a unique set of circumstances that so far has blunted the effect of interest-rate hikes on the economy.

For example, the Fed's zero-interest rate policy combined with the eventual surge in inflation, interest rates and nominal cash flows in the economy sharply reduced the nonfinancial corporate sector's net interest expense and its share of revenues over the past three years. In fact, the drop in net interest expense accelerated when the Fed's aggressive rate hiking campaign began almost two years ago, as companies started to earn interest at increasing rates on massively higher cash balances compared to prepandemic levels, offsetting more and more of their fixed-rate interest expense. By Q3 2023, net interest payment was less than half its prepandemic level, according to the Bureau of Economic Analysis (BEA), and at a 60-year low relative to corporate revenues and profits. This unusual plunge in net interest payments helped keep profit margins elevated, with positive effects on labor demand, business investment, and credit spreads.

At the same time, the household debt-to-asset ratio fell after the 2008-2009 Great Financial Crisis, in Q3 2023 reaching its lowest level since about 1983, according to the Federal Reserve Board. In addition, mortgages account for most household debt, and consumers locked in rock-bottom mortgage rates, while government pandemic stimulus substantially raised their nominal incomes and bank deposits. As a result, the ratio of households' debt-service payments to disposable income is lower than before the pandemic and particularly lower compared to the 1980-2010 period. The situation is similar even when taking into account automobile lease payments, rent payments, homeowners' insurance, and property tax payments. Low financial obligations relative to supercharged nominal personal income gains and skyrocketing net worth has helped to boost consumer spending, business pricing power and profit margins, in turn keeping credit spreads low and the economy in much better shape than had been expected given the inflation shock and determined Fed policy response.

In fact, as noted above, recent data show that economic growth reaccelerated in 2023 to 2.5% from 1.9% in 2022, according to the BEA, with GDP growth particularly strong in the second half of 2023. Despite a large auto-strike-related drag of about 0.8 percentage points (pp), real

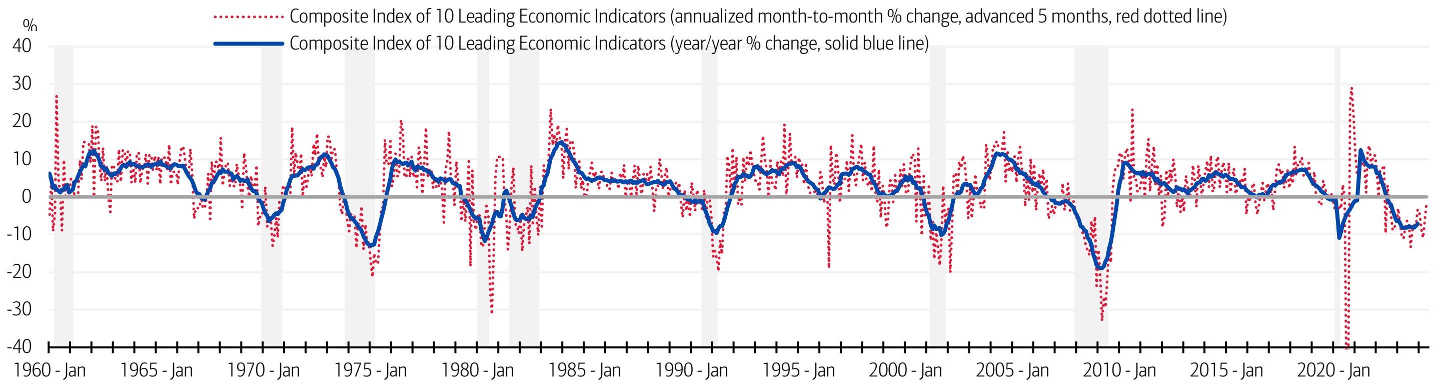
GDP surprised to the upside in Q4 with another above-trend 3.3% annualized gain following a red-hot 4.9% increase in Q3. Growth was led by exceptional consumer spending strength in November and December (about 6% annualized average month-to-month gains), setting up Q1 2024 for a robust start as well. Other meaningful contributions to growth came from exports as well as state and local government investment and spending.

According to the Beige Book[1] compiled for the January 30-31 Fed rate-setting meeting based on information collected before January 8, 2024, the outlook for the economy has improved as a result of easing financial conditions in recent months. Most Fed districts indicated that growth expectations of their firms were positive, had improved, or both. At the same time, nearly all districts cited one or more signs of a cooling labor market and reported expectations for easing wage pressures in 2024.

With hiring and wages likely to slow and a rock-bottom saving rate, we expect consumer spending adjusted for inflation to slow from its unsustainable 6% annualized pace of late 2023 to around 2% in the first half, which would still continue to support GDP growth. Also supportive, housing-related data, which are highly sensitive to changes in interest rates, have already started to benefit from a drop in the 30-year mortgage rate from about 8% in October to 7% in December. Homebuilders became much more optimistic about the demand for new homes, with immediate effects on single-family building permits, which increased in December to their highest level in 20 months, a positive for housing construction and GDP growth.

Even the Conference Board LEI is showing signs of stabilization as a result of sharply broader improvement across its components over the past three months. Its diminishing declines since October, stock market gains, and favorable effects of lower interest rates on housing bode well for a rebound in this indicator after an almost 24-month period of recession-like deterioration.

Exhibit 1: The LEI Is On A Path To Recovery Back Into Expansion Territory.



Source: The Conference Board/Haver Analytics. Data as of January 30, 2024.

Better-than-expected and accelerating growth in Brazil, India and Southeast Asia's economies, together with Chinese government stimulus in support of a flailing economy, have also raised confidence in a soft landing for the global economy. While still below the long-term average of 3.5%, expectations for 2024 global growth were revised higher, from 2.9% to 3.1%, according to the IMF's January 30, 2024 global outlook update. In large part due to improved monetary and fiscal frameworks, emerging markets have proven quite resilient, with stronger-than-expected growth and no funding crises or other financial accidents that tended to be associated with rapidly rising U.S. interest rates and dollar appreciation. Growing trade in local currencies between large emerging market countries and a $60 per barrel price cap on Russian oil as a result of U.S. sanctions have also played a role in their better-than-expected performance during the current tightening cycle. In sum, high government spending, contained energy prices, declining inflation, and improving overseas growth increase the likelihood of a U.S. soft landing. This is consistent with evidence that the Global Wave cyclical indicator compiled by BofA Global Research has troughed and is poised to rise in 2024.

[1] A Federal Reserve System publication about current economic conditions and prospects across the 12 Federal Reserve Districts prepared in advance of interest rate-setting meetings.

MARKET VIEW

Fed Pivot May Provide A Soft Floor For Markets, But Slightly Increases Inflationary Risks

Chief Investment Office, Fixed Income Strategy Team

As Fed Chairman, Jerome Powell demonstrates a willingness and ability to quickly change tack if deemed desirable; these "Powell Pivots" can occur swiftly with important market and economic implications. Some criticize abrupt policy changes; we do not. As neither John Maynard Keynes nor Winston Churchill apparently ever said, "When the facts change, I change my mind, sir. What do you do?" The Fed's flexible approach to maintaining the economic expansion—as long as it does not engender too much inflation risk—is to be welcomed and encouraged.

The Fed's pivot toward easier monetary conditions is clear—and it is meaningful. In prior meetings and speeches leading up to the FOMC's December 2023 meeting, Powell disavowed that now was the time to discuss rate cuts. This included a speech on December 1, 2023, when he commented that it would be "premature to conclude … that we have achieved a sufficiently restrictive stance, or to speculate on when policy might ease."[2] It was not premature for much longer; just 12 days later at the FOMC press conference, Powell opined, "the question of when will it become appropriate to begin dialing back … policy restraint … is clearly a discussion … for us at our meeting today." At that same FOMC meeting, he also said that "we're not talking about altering the pace of QT right now." They might not have been talking about it technically, but they were certainly "talking about talking about it;" according to the December FOMC meeting minutes released in early January "several participants … suggested that it would be appropriate for the Committee to begin to discuss … a decision to slow the pace of runoff well before such a decision was reached."[3] This was echoed a few days later by comments from Dallas Fed President Logan—who was very involved with Fed balance sheets activities when she was at the New York Fed—about when to consider slowing the reduction in the Fed's balance sheet, so-called quantitative tightening (QT); those comments were a clear and intentional signal from the Fed that the topic was quickly moving up on both its agenda and likely timetable. That was officially confirmed at the January press conference when Powell said that "we did have some discussions on the balance sheet, and we're planning to begin in-depth discussions of balance sheet issues at our next meeting."[4]

These abrupt changes—going from not debating either rate cuts or slowing balance sheet reduction to discussing both within a month—did not go unnoticed by markets. From its low in October 2023, the broad bond market is now up 8.5%,[5] and the stock market is up 20.1%[6]—stellar returns for balanced portfolios over only a three-month time period. Investment-grade credit spreads are below 1%, and 10-year AAA municipal bonds are currently just slightly cheaper than some of the most expensive levels ever witnessed. While some market returns may have been borrowed from the future by these strong moves higher, if the U.S. does avoid a recession for several years that can be, historically, a catalyst for higher asset prices over a longer period of time, in our opinion.

The Fed is trying to achieve what is referred to by economists as a "soft landing," defined as economic growth that is below trend (assumed to be about 2% real GDP) yet above 0%—slowing but not negative. The prototypical soft landing occurred in the mid-1990s. After a recession in 1990-1991, the Fed reduced the fed funds rate to 3% by 1992—at that point, the lowest in the history of the data series. After the economic recovery took hold, the Fed

Investing Implications

If the Fed forestalls a recession for a few years, that may be positive for risk assets, in our opinion. Small-cap Equities and Emerging Markets (EM) remain on our watch list, as both sectors finished 2023 with strong momentum and have been largely consolidating so far in 2024. For Fixed Income, our preference is to slightly favor rate risk over credit risk. Investors overweight cash should consider extending duration prudently.

[2] Federal Reserve, "Opening Remarks At a Fireside Chat at Spelman College, Atlanta, Georgia," Jerome Powell. December 1, 2023.

[3] Federal Reserve, "Minutes of the Federal Open Market Committee December 12–13, 2023," Released January 3, 2024.

[4] Federal Reserve, FOMC January 2024 Press Conference, January 31, 2024.

[5] Bloomberg, U.S. Aggregate Index. January 31, 2024.

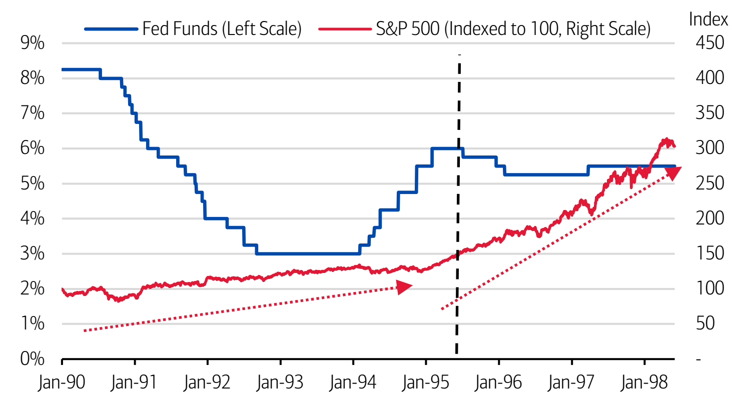
[6] Bloomberg, S&P 500 Total Return Index. January 31, 2024.

eventually doubled rates to 6% to slow inflation. Signs of a potential recession increased: yield curves flattened dramatically; the LEI moved from strongly positive to negative; and equity returns flattened out. The Fed pivoted correctly, however, cutting rates by 75 basis points (bps) in three moves to 5.25% by January 1996.[7]

This pivot forestalled a recession, allowed economic growth to continue, and extended the 1990s economic expansion to the longest on record at the time. Equity returns—which had been muted for several years—performed exceedingly well over the following few years. From 1990 to 1994, the S&P 500 returned 4.6% annually in terms of price returns. Over the next three years, the S&P 500 returned an outstanding 115.7%, or 28.9% annually. After an approximate 20% correction in 1998, Equities continued to move even higher for the rest of the decade.

Exhibit 2: Fed Easing Cycles Can Be Macro and Market Positive But Do Slightly Increase Inflation Risk In This Environment.

2A) Fed Pause and Fine-Tuning Rates Ushered In An Economic Soft Landing and Strong Equity Returns in 1990s.



2B) Historically, Higher Inflationary Era Usually Witness Multiple Inflation Spikes.

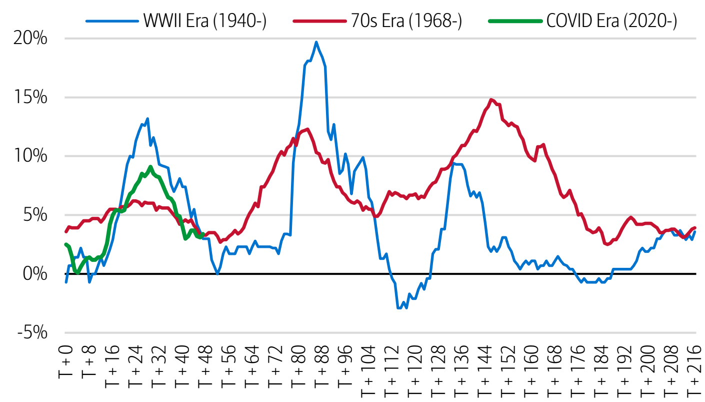


Exhibit 2A) Sources: Bloomberg; Federal Reserve. Federal funds rate and S&P 500 Index, January 1990 to June 1998. Exhibit 2b) Sources: Bloomberg; Bureau of Labor Statistics. T + [X] refers the Xth month after January of each respective year (1940, 1968, 2020.). Data as of 2023. **Past performance is no guarantee of future results. Please refer to index definitions at the end of this report. It is not possible to invest directly in an index.**

While no two cycles are the same, we believe that the past era may be instructive. Risk is always two-sided, and being too defensive with regard to macroeconomic risk during an extended expansion may reduce return potential. The Global Wealth & Investment Management Investment Strategy Committee is therefore closely looking at signs of a durable expansion aided by Fed policy while monitoring cross-asset valuations carefully.

Both the market and BofA Research expect that the high inflation era is behind us and think consumer price inflation will be muted and close to the Fed's target going forward. The Chief Investment Office completely agrees. Easier policy however, by definition, does increase inflationary risk, all things being equal. We continue to caution that high inflationary episodes usually have multiple spikes. In the unexpected event that inflation is resurgent, a too-dovish Fed prioritizing employment gains over price stability would be the most likely culprit—and, historically, that has often been a central bank's policy error: easing monetary policy conditions before inflation is finally snuffed out, allowing it to reignite. This is definitely not a major concern at the moment but one on our potential watchlist.

In terms of asset classes and portfolio positioning, we expect a continued rotation within equity markets; Small-cap Equities and EMs remain on our watch list. Both sectors finished 2023 with strong momentum and have been largely consolidating so far in 2024. For Fixed Income, our preference is to slightly favor rate risk over credit risk and highlight areas of particular expensiveness such as municipals, although they have cheapened somewhat recently on more new issue supply. Our tilts are very measured, and we continue to think that investors—especially those that are overweight cash or excessively short their duration targets—should look to extend duration in a prudent manner, as nominal and real rates are still at attractive levels relative to the last 20 years.

[7] Bloomberg, Federal Reserve, Fed Funds Rate, S&P 500 Index, Conference Board Leading Economic Index. January 1990 to January 1996.

THOUGHT OF THE WEEK

Five Charts On Small-Caps

Kirsten Cabacungan, Vice President and Investment Strategist

Small-caps staged a powerful rally at the end of 2023. Despite some weakness so far this year, the case for Small-caps is building.

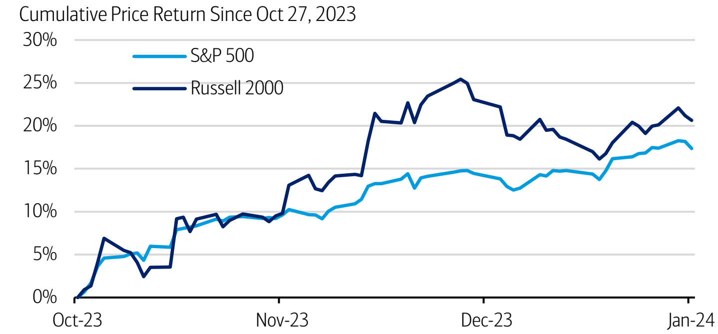
Five charts for more context…

Investment Implications

Given favorable valuations, Small-caps could be the leaders of the next decade. We see tailwinds forming for the cycle to turn more positive for Small-caps ahead.

The Cycle Could Be Turning Up For Small-Caps…

Small-caps rallied at the end of 2023, but there could be more untapped potential…

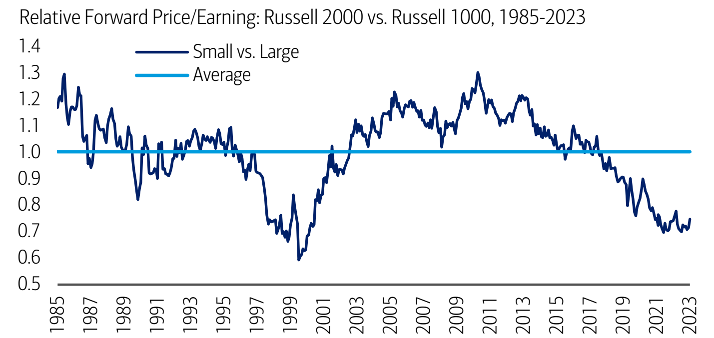


Source: Bloomberg. Data from recent S&P 500 low on October 27, 2023 to January 31, 2024.

… the Russell 2000 Index is still 18% below its all-time high, even as the S&P 500 broke through its own peak.

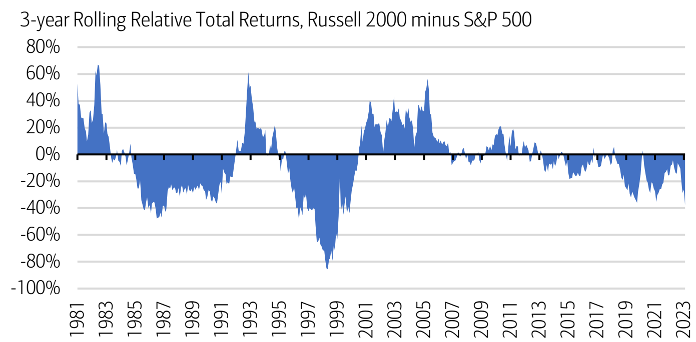
Source: Bloomberg. Data from Russell 2000 all-time high on November 8, 2021 to January 31, 2024.

Relative valuations show Small-caps are historically cheap versus Large-caps.



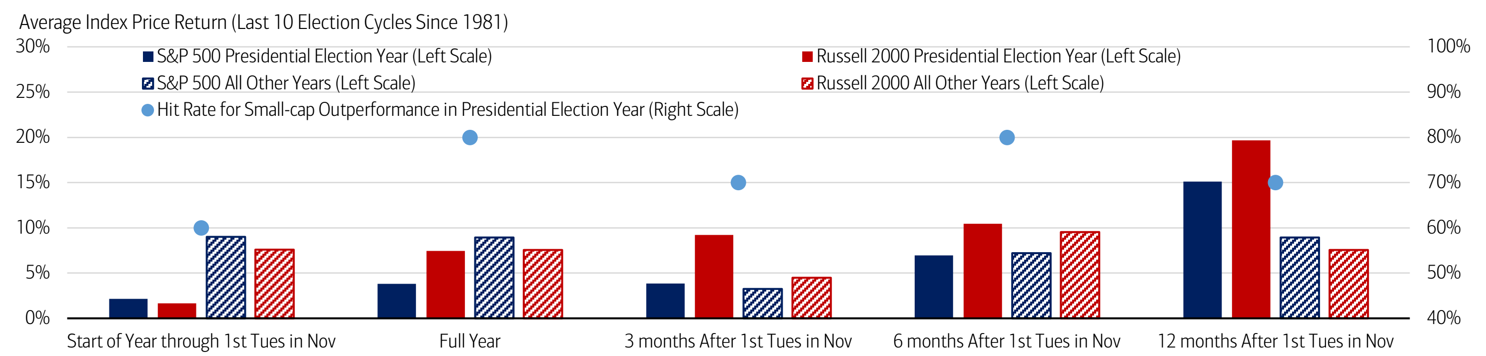
Source: BofA Global Research. Data as of December 31, 2023.

Small-cap outperformance has happened in cycles. A decade of Small-cap leadership followed the last time relative valuations were at these levels.



Source: Bloomberg. Data as of January 31, 2024.

Election years tend be a positive backdrop for Small-cap performance. The Russell 2000 outperformed the S&P 500 in eight of the last 10 presidential election years. Small-caps have seen positive excess returns relative to Large-caps after the November presidential election.



Note: First Tuesday in November represents the first Tuesday following the first Monday, which is the designated date of Presidential Elections. Sources: Chief Investment Office; Bloomberg. Data covers the last 10 elections cycles since 1981 through 2020. **Past performance is no guarantee of future results. Please refer to index definitions at the end of this report. It is not possible to invest directly in an index.**

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	38,654.42	1.4	1.3	2.6
NASDAQ	15,628.95	1.1	3.1	4.1
S&P 500	4,958.61	1.4	2.3	4.1
S&P 400 Mid Cap	2,767.15	0.2	1.3	-0.4
Russell 2000	1,962.73	-0.8	0.8	-3.1
MSCI World	3,247.64	1.0	1.3	2.5
MSCI EAFE	2,223.18	0.0	-1.1	-0.5
MSCI Emerging Markets	988.21	0.3	1.3	-3.4

Fixed Income†

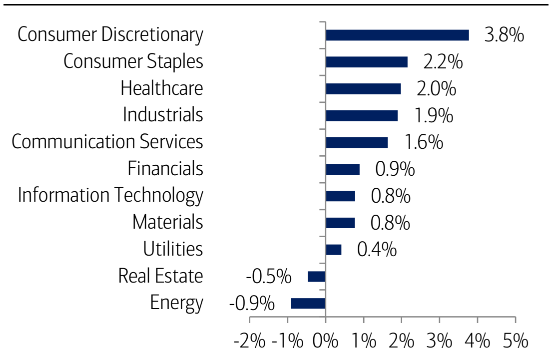
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	4.58	0.66	-0.36	-0.59
Agencies	4.54	0.29	-0.32	-0.03
Municipals	3.32	0.94	0.34	-0.17
U.S. Investment Grade Credit	4.67	0.65	-0.38	-0.66
International	5.18	0.58	-0.33	-0.50
High Yield	7.76	0.10	0.04	0.03
90 Day Yield	5.36	5.35	5.36	5.33
2 Year Yield	4.36	4.35	4.21	4.25
10 Year Yield	4.02	4.14	3.91	3.88
30 Year Yield	4.22	4.37	4.17	4.03

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	223.04	-2.0	-1.9	-1.5
WTI Crude $/Barrel††	72.28	-7.3	-4.7	0.9
Gold Spot $/Ounce††	2039.76	1.1	0.0	-1.1

	Total Return in USD (%)			
Currencies	Current	Prior Week End	Prior Month End	2022 Year End
EUR/USD	1.08	1.09	1.08	1.10
USD/JPY	148.38	148.15	146.92	141.04
USD/CNH	7.21	7.19	7.19	7.13

S&P Sector Returns



Sources: Bloomberg; Factset. Total Returns from the period of 1/29/2024 to 2/2/2024. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 2/2/2024 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.**

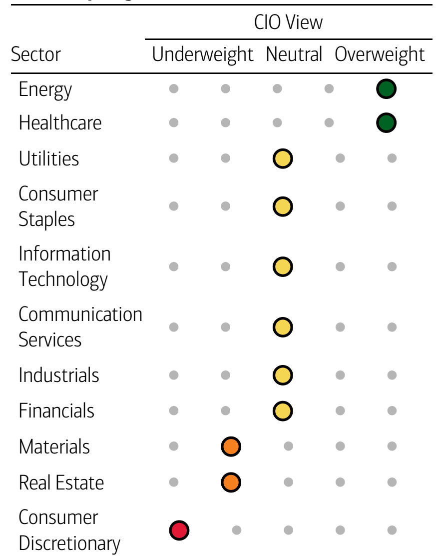
Economic Forecasts (as of 2/2/2024)

	Q4 2023A	2023A	Q1 2024E	Q2 2024E	Q3 2024E	Q4 2024E	2024E
Real global GDP (% y/y annualized)	-	3.1*	-	-	-	-	2.8
Real U.S. GDP (% q/q annualized)	3.3	2.5	1.0	1.0	1.5	1.5	2.1
CPI inflation (% y/y)	3.2	4.1	2.9	2.9	2.6	2.4	2.7
Core CPI inflation (% y/y)	4.0	4.8	3.6	3.1	3.2	3.0	3.2
Unemployment rate (%)	3.8	3.6	3.8	4.0	4.1	4.2	4.0
Fed funds rate, end period (%)	5.33	5.33	5.38	5.13	4.88	4.63	4.63

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 February 2, 2024.

Asset Class Weightings (as of 1/9/2024)

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 9, 2024. 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

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 stock market index tracking the stock performance of 500 of the largest companies listed on stock exchanges in the United States.

S&P 500 Total Return Index is the investment return received each year, including dividends, when holding the S&P 500 index.

Conference Board's Index Leading Economic Indicators (LEI) is a predictive variable that anticipates (or "leads") turning points in the business cycle by around 7 months.

Small-cap/Russell 2000 Index is a small-cap U.S. stock market index that makes up the smallest 2,000 stocks in the Russell 3000 Index.

Russell 1000 Index is a stock market index that tracks the highest-ranking 1,000 stocks in the Russell 3000 Index, which represent about 93% of the total market capitalization of that index.

Bloomberg U.S. Aggregate Index is a broad base, market capitalization-weighted bond market index representing intermediate term investment grade bonds traded in the United States.

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Dividend payments are not guaranteed, and are paid only when declared by an issuer's board of directors. The amount of a dividend payment, if any, can vary over time.

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. Bonds are subject to interest rate, inflation and credit risks. Municipal securities can be significantly affected by political changes as well as uncertainties in the municipal market related to taxation, legislative changes, or the rights of municipal security holders. Income from investing in municipal bonds is generally exempt from federal and state taxes for residents of the issuing state. 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.