CHIEF INVESTMENT OFFICE

Capital Market Outlook

February 21, 2023

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

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Macro Strategy—*Big Slowdown In Developed Markets Behind The Worsening Profits Recession:* As positive economic surprises boosted the outlook to start the year, the dichotomy between weakening leading indicators of economic activity and buoyant growth/stronger equity markets widened.

In our view, these conflicting signals are reconciled by the leads and lags between changes in monetary policy and changes in economic conditions, with the recent improvements in employment and spending likely to be one-offs that will fade in the months ahead. In fact, U.S. and eurozone growth is expected to be significantly weaker this year than last, a negative for the corporate revenue and profits outlook.

Market View—*Is China's Technology Sector Investable Again?:* Technology sector leadership in global equity markets has been one of the biggest surprises of 2023 so far, including in the U.S., Europe, Japan, China and the wider MSCI All-Country World Index.

For the U.S. and other major developed markets, we maintain a cautious stance on technology-linked sectors. But in China, there may be reason to expect a more durable tech sector advance in 2023.

Thought of the Week—*Time to Pay Attention! How Market Concentration Impacts Performance:* With the potential for market volatility ahead, we believe remaining disciplined and diversified is the best way to position portfolios. But how diversified is your Equity portfolio?

It is important for investors to consider not just size, style and manager preferences, but constituents and their respective weightings as well. Having an awareness of the true concentrations within a diversified portfolio can benefit investors by helping to protect against the downward swings that may accompany periods of volatility.

MACRO STRATEGY ▶

Chief Investment Office Macro Strategy Team

MARKET VIEW ▶

Ehiwario Efeyini
Director and Senior Investment Strategy Analyst

THOUGHT OF THE WEEK ▶

Hayley Licata
Wealth Management Analyst

Theadora Lamprecht
Investment Analyst

MARKETS IN REVIEW ▶

Data as of 2/21/2023, and subject to change

Portfolio Considerations

Overall, we are neutral Equities and Fixed Income due to our base case of a grind-it-out environment in 2023 but we see opportunities in total return sectors, dividend payers, high quality overall, and better opportunities in Small-caps and non-U.S. Equities later in the year. We maintain a preference for high quality bonds as nominal and real rates are some of the most attractive in over a decade, while the economy is deteriorating later in the economic cycle and recessionary signals increase. In addition, the inclusion of Alternative Investments,* for qualified investors, to help mitigate risk and/or potentially enhance portfolio returns should also increase in importance in 2023, in our opinion.

* Many products that pursue Alternative Investment strategies are available only to qualified investors.

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MACRO STRATEGY

Big Slowdown In Developed Markets Behind The Worsening Profits Recession

Chief Investment Office Macro Strategy Team

A strong January employment report and surprising rise in the Institute for Supply Management (ISM) non-manufacturing index have further bolstered hopes that the U.S. economy can avoid a recession, causing a bullish equity market start to 2023. Consumer spending also surged after a lackluster holiday shopping season, firming views that a new upcycle has begun.

In our view, this is a countertrend development shaped by temporary factors. The biggest cost-of-living adjustment to Social Security and government pensions in 40 years gave millions of consumers the wherewithal to splurge at the start of the year, providing some respite from the underlying fundamental trend that saw consumer spending growth slow to a crawl in the second half of 2022. In addition, unseasonably warm winter weather reduced January utility output by a whopping 9.9%, freeing additional income for discretionary purchases and offsetting some of the usual seasonal slowdown in employment and housing activity. The shift from spending on goods to services is also supporting the non-manufacturing economy for the time being, while consumers run down their pandemic savings windfall.

The bigger picture shows that, in less than a year, the surge in the fed funds rate and the sharpest deceleration in money supply growth in 80 years have caused housing activity to collapse, banks to tighten lending standards to an extent previously only seen around recessions, manufacturing surveys to move into contraction territory, industrial output to stall, inflation to roll over despite historically low unemployment, and a corporate profits recession to begin. In addition, while employment exceeded expectations in January, most hiring was for service sector jobs with lower-than-average pay, while corporate job cut announcements more than doubled month-to-month, reaching their highest level since August 2020, according to the January Challenger, Gray and Christmas tally.

The fact that the cyclical sectors of the economy have weakened most in response to the Federal Reserve's (Fed) aggressive rate hikes of the past nine months is not surprising since, by definition, they are more sensitive to interest rate increases and more volatile. With various leading indicators of U.S. economic growth decisively pointing south and expectations for sharply weaker developed market growth this year, we believe that continued deterioration in these areas remains highly likely, with negative implications for corporate revenues and profits growth.

Indeed, in light of China's reopening out of its pandemic shutdowns and Europe's smaller-than-feared energy crisis effect on its economic growth to date, the International Monetary Fund (IMF) raised its 2023 global gross domestic product (GDP) growth estimate from 2.7% to 2.9% in its January global outlook update. Although welcome, the upwardly revised estimate remains soft compared to the 3.8% average growth pace of the 2000-2019 period. What's more, real GDP growth in advanced economies is seen declining sharply, from 2.7% in 2022 to 1.2% in 2023 (and 1.4% in 2024), led by an abrupt slowdown in the eurozone from 3.5% to just 0.7%. U.S. GDP growth is projected to slow from 2% in 2022 to 1.4% in 2023 (and just 1% in 2024). Only emerging and developing Asia is expected to accelerate in 2023.

The weakening global growth outlook and its geographical pattern are important since the preponderance of U.S. corporate revenues is sourced domestically and in other developed market economies, especially Europe, where the loss of momentum is most pronounced. Furthermore, risks to this forecast are heavily tilted to the downside, in our view, because of the sharp downturn in U.S. money supply growth, still rising interest rates in Europe and the U.S., a tight global energy market, heightened geopolitical tensions, and negative signals from leading indicators of economic growth, including the deep yield curve inversion of the past few months, for example.

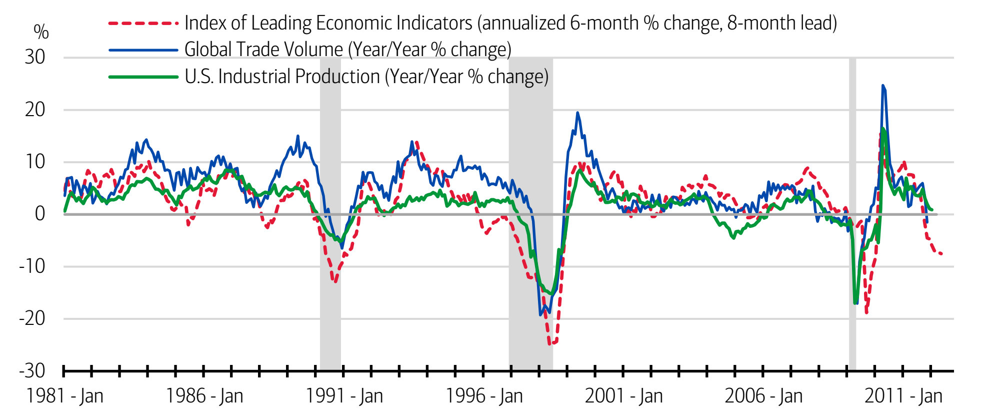
Investment Implications

Declining corporate profits and higher-for-longer interest rates are likely to cap the upside for Equities. Higher interest rates have increased the relative attractiveness of high quality Fixed Income investments.

Led by rapidly shrinking new orders (which are a leading indicator of activity), the ISM manufacturing index has already dipped into contraction territory in recent months, as we anticipated, consistent with shrinking industrial production. A negative signal for industrial production has also come from the big decline in the Conference Board Index of Leading Indicators over the past six months, such as always preceded recessions in the past. The sharp deceleration in industrial production over the past year and its contraction of the past three months have once again confirmed these signals. Depressed U.S. homebuying conditions, normalizing consumer goods demand, high inventories, sharply lower bank willingness to extend credit, and decelerating global growth suggest continued cyclical weakness.

As a result, the ISM manufacturing index is likely to average lower this year than last year, in our view. As shown in Exhibit 1, given broad and deep international supply-chain linkages, and a weakening U.S. and global manufacturing cycle, international-trade growth also validated our expectations for a sharp slowdown and outright contraction by the end of 2022, with more declines likely in store. If correct, this implies a continued downturn in the earnings revisions ratio, as it tends to track the manufacturing and trade cycle.

Exhibit 1: Manufacturing and Trade Downtrend Has Further To Go.



Gray bars represent recession periods. Sources: The Conference Board; Federal Reserve Board; Netherlands Bureau for Economic Policy Analysis/Haver Analytics. Data as of February 15, 2023. **Past performance is no guarantee of future results.**

Sure enough, Q4 revenues, profit margins and earnings missed already reduced consensus expectations. In addition, earnings revisions have continued to move lower, and guidance remains cautious. With real growth and inflation poised to slow further this year, and the profit cycle tracking the manufacturing and trade cycle lower, we believe that revenue growth and corporate earnings surprises are likely to remain negative for the foreseeable future.

Importantly, Fed officials' determination to bring inflation down to the 2% target implies sustained pressure to suppress economic growth and slow corporate revenue growth. According to the February Federal Open Market Committee (FOMC) meeting statement, "The Committee anticipates that ongoing increases in the target range will be appropriate in order to attain a stance of monetary policy that is sufficiently restrictive to return inflation to 2 percent over time." This suggests that it is premature to expect an upturn in U.S. nominal GDP growth and manufacturing momentum anytime soon, which is negative for the revenue and earnings revision outlook.

All in all, fading economic growth, a rising net share of banks reporting tightening lending conditions—to levels only seen in, or just before, past recessions, according to the Fed's Q4 2022 Senior Loan Officer Survey—and weaker loan demand show that monetary policy tightening is filtering through the economy. Weakening inflation, credit growth, and manufacturing and trade conditions suggest that revenue and earnings growth weakness also has further to go, eventually prompting a deterioration in labor markets as businesses start to reshuffle operations and reduce head counts to help protect margins.

MARKET VIEW

Is China's Technology Sector Investable Again?

Ehiwario Efeyini, Director and Senior Market Strategy Analyst

Technology sector leadership in global equity markets has been one of the biggest surprises of 2023 so far. In the U.S., Information Technology and the tech-driven segments within Communication Services and Consumer Discretionary have already posted double-digit gains this year. And Technology has also delivered the highest sector returns within Europe, Japan, China and the wider MSCI All-Country World Index. For the U.S. and other major developed markets, we maintain a cautious stance on Technology-linked sectors despite their strong start to the year given mounting layoffs and recession risk, still elevated valuations and rising discount rates on long-duration earnings. But in China, there may be reason to expect a more durable Tech sector advance in 2023.

For much of the past two years, Chinese Equities—particularly within the consumer internet segment—were deemed uninvestable by global market participants as the central government tightened regulatory controls on a range of companies to enforce content moderation, improve data security, promote domestic competition, and reduce inequality. But over recent months, this program has been wound down, allowing previously restricted applications back into digital stores and therefore enabling more digital consumption in key areas such as online gaming and ride-hailing. At the same time, U.S. regulators have also concluded their two-year-long dispute with China's Securities Regulatory Commission, gaining full access to audits of U.S.-listed firms and removing the overhang of potential delisting from U.S. exchanges.

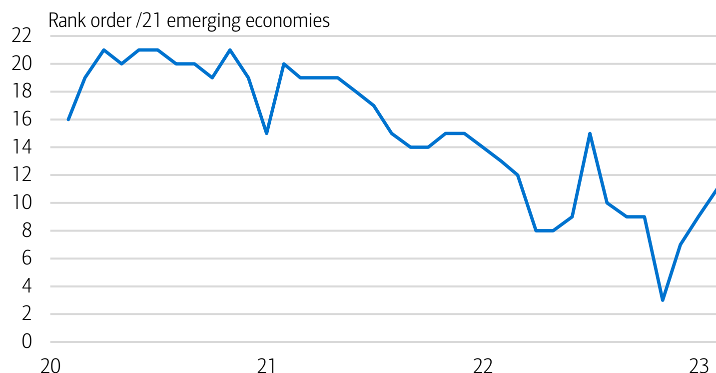
These developments have come as a major source of relief for the Information Technology, Communication Services and Consumer Discretionary sectors (which together account for 55% of China's market capitalization), contributing to their outperformance over the past three months. But even after these strong gains, prices remain well below their early-2021 peaks, and valuations do not appear stretched relative to other emerging markets and other sectors within China (Exhibit 2).

Investment Implications

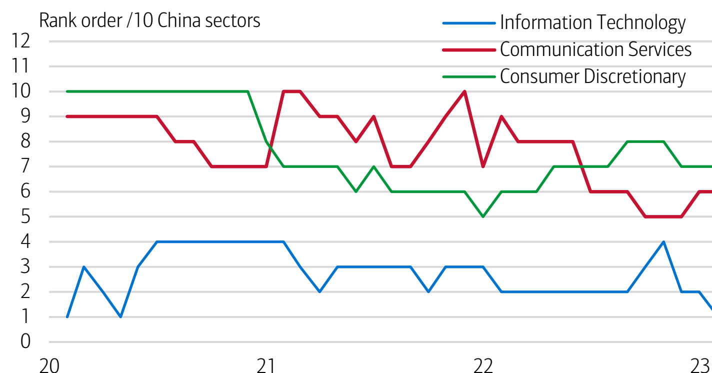
The combination of liquidity and valuation support, stronger domestic demand and a more permissive stance from regulators and government policymakers both at home and abroad arguably puts China's Technology sector on its firmest footing in several years. And though we are still cautious on technology-related sectors in the U.S., the current environment may therefore be more supportive for Chinese tech leaders.

Exhibit 2: Chinese Equity Valuations Higher But Do Not Appear Extended.

2A) China Equity Composite Valuation Rank*



2B) China Technology Composite Valuation Rank*



*Ranked standard deviations from 10-year average across price-to-earnings and price-to-book ratios. 1 = lowest relative valuation. Based on MSCI China Index. Sources: Chief Investment Office; Bloomberg. Data as of January 2023. **Past performance is no guarantee of future results.**

In contrast to the major developed markets, wider economic conditions in China are also more favorable for the domestic Tech sector. Low inflation of 2.1% makes monetary policy less of a hurdle to further valuation improvement, and, in contrast with developed market central banks, the People's Bank of China has eased rather than tightened policy over the past year. Chinese equity markets have historically been more retail investor-driven and should therefore have more to gain from the expanded pool of household deposits, which have risen by 16 percentage points of GDP since the end of 2019. And government policymakers have also reaffirmed their backing of China's internet giants, pledging at the December Central Economic Work Conference to "support platform companies to fully display their capability in leading development, creating employment and international competition." This aligns with their near-term goal of fully reopening the

economy and restoring growth, in which technology leaders will play a major role by providing key services such as travel booking, online dining reservations and internet apparel retail.

Crucially it also aligns with the longer-term strategic priorities of the Chinese government, as outlined in the 14th Five-Year Plan (Exhibit 3). The Plan was adopted by the National People's Congress in the early stages of the pandemic near the market peak to cover the years 2021 to 2025, emphasizing the critical role of China's technological capacity in the government's aim of becoming a high-income economy and delivering on national priorities of indigenous innovation and economic self-sufficiency. Indeed it abandoned explicit projections for economic growth in exchange for a narrower focus on more specific targets for the 2021-2025 period such as increasing the value-added share of GDP in digital industries from 8% to 10%, maintaining annual growth in research and development (R&D) spending at over 7%, doubling the number of high-value patents per 10,000 people from six to 12, and decreasing carbon intensity by 18%. In recent weeks, investors have seen the potential for such targets to boost market returns as a leading company in China's listed Communication Services sector announced plans to launch a next-generation digital assistant driven by artificial intelligence in natural language processing. China is approaching the halfway stage in its current Five-Year Plan, but the next iteration to be drafted in late 2025 is only likely to develop these goals further, particularly given the need to offset a now declining population with higher productivity.

Exhibit 3: China's Industrial Policy Priorities Under 14th Five-Year Plan.

Target Industry	Policy Priorities
Integrated Circuits	R&D in key materials, breakthroughs in advanced and special integrated circuit processes, development of broadband semiconductors
Artificial Intelligence	R&D in special chips, construction of open-source algorithm platforms, innovation in natural language recognition processing
Biotechnology	Genetic cell and genetic breeding, synthetic biology and biopharmaceuticals, creation of major new varieties of crops, livestock, and agricultural microorganisms
Medical Equipment and Innovative Medicines	High-end imaging, radiotherapy and other large-scale medical equipment, and special drugs
Intelligent Manufacturing and Robotics	Industrial control equipment, key technologies in intelligent robots and additive manufacturing
Industrial Internet	R&D in industrial software applications, promote the construction of the industrial ecology of "industrial Internet + intelligent manufacturing"
New Energy Vehicles	High-safety power batteries, high-efficiency drive motors and high-performance power systems for new energy vehicles, hardware and software systems for internet-linked vehicles
Cloud Computing	Iteration and upgrading of cloud operating systems, technological innovation promotion and cloud service industries
Big Data	Big data collection, cleaning, storage, mining, analysis and visualization algorithms, data collection, labeling, storage, transmission, management and application
Virtual Reality and Augmented Reality	3D graphics generation, dynamic environment modelling, real-time motion capture and rapid rendering processing

Source: American Chamber of Commerce in Shanghai. Data as of 2021.

Just as investors have avoided the consumer internet segments of the market targeted by the government regulatory campaign over recent years, this, in our view, emphasizes the need for investors to remain focused on market segments that are aligned with China's longer-term strategic aims. And these span a broad range of industries including semiconductors, cloud computing, robotics, artificial intelligence, cybersecurity, advanced manufacturing, biotechnology and clean energy—groups that are less likely to be subject to any future regulatory restrictions and should receive more official support over the years ahead as target areas for future growth. Given its composition of over 80% in semiconductors, hardware and equipment, the listed Information Technology sector in particular may be the most aligned with China's long-term priorities and remains more attractively valued than the more consumption-driven Communications Services and Consumer Discretionary sectors.

The combination of liquidity and valuation support, stronger domestic demand, and a more permissive stance from regulators and government policymakers both at home and abroad arguably puts China's technology sector on its firmest footing in several years. And though we are still cautious on Technology-related sectors in the U.S., the current environment may therefore be more supportive for Chinese tech leaders. We remain tactically neutral across the wider emerging market universe but continue to prefer Emerging Market Equities (of which China's three Technology-linked sectors account for close to 20% of total market capitalization) to International Developed.

THOUGHT OF THE WEEK

Time to Pay Attention! How Market Concentration Impacts Performance

Hayley Licata, Wealth Management Analyst

Theadora Lamprecht, Investment Analyst

Markets have been off to a strong start in 2023, but a number of risks remain in the path of the market, including the risk of a U.S. economic recession, elevated inflation, a slowdown in corporate earnings, and still rising geopolitical tensions, to name a few. With the potential for market volatility ahead, we believe remaining disciplined and diversified is the best way to position portfolios. But how diversified is your Equity portfolio? Looking at the S&P 500 Index, market concentration of the five largest members of the index account for 18.4% of the S&P 500's value, up from 11.2% a decade ago.[1]

Looking beyond the index, not all styles and sectors have the same concentration risk. For example, the Russell 1000 Growth Index has become increasingly concentrated over the past decade; the same is not true for the Russell 1000 Value index. While the top five stocks in the Growth index make up 33.0%, that number is only 11.4% in the Value index. On a sector basis, there is a similarly wide range of concentrations across the 11 S&P sectors (Exhibit 4 displays concentration and return metrics for the various Global Industry Classification Standard (GICS) sectors). In the short term, sectors with high concentration tend to experience increased bouts of volatility. Since its 2018 reshuffle, Communication Services has been very top heavy and currently stands as one of the most concentrated sectors, with the top five members accounting for nearly 69.0% of the sector's value. This proved beneficial for Communication Services during periods when heavyweight members performed well, exemplified by the sector's gain of 20.5% in 2021.[1] But, as top members began to tumble, they played a notable role in the sector's -40.4% return in 2022.[1] On the other hand, Healthcare is one of the least concentrated sectors, with 33.9% of its weighting coming from its top five companies. Its diversity of members may help to stabilize returns, allowing it to perform well in different market conditions and cycles. For example, Exhibit 4 shows that the Healthcare sector has maintained low volatility and significant positive returns, relative to the market's overall performance, in the last one and five years, increasing 1.8% and 68.0%, respectively.

Overall, a sector's concentration level could have a noteworthy impact on the performance of both the sector and the greater index. It is important for investors to consider not just size, style and manager preferences, but constituents and their respective weightings as well. Having an awareness of the true concentrations within a diversified portfolio can benefit investors by helping to protect against the downward swings that may accompany periods of volatility.

Exhibit 4: S&P 500 Index & Sector Weightings and Performance.

	Top 5 Members (% of Total Market Cap)	1 Year Total Return (%)	5 Year Total Return (%)
S&P 500	18.4	-7.1	63.4
Consumer Discretionary	57.6	-19.5	47.5
Consumer Staples	54.4	-0.7	53.0
Energy	63.4	33.7	64.4
Financials	38.5	-7.7	39.3
Health Care	33.9	1.8	68.0
Industrials	23.2	3.1	45.5
Information Technology	58.4	-10.5	124.1
Materials	41.1	-1.6	51.3
Real Estate	41.7	-9.0	53.8
Communication Services	69.0	-23.1	23.2
Utilities	40.4	5.4	59.6

Source: Bloomberg. Data as of February 16, 2023. **Past performance is no guarantee of future results.**

Investment Implications

While we remain neutral Equities from a portfolio positioning perspective, we believe it is important to continue to remain diversified to prepare for a more constructive approach to Equities later in 2023. Within the Equity allocation specifically, we hold a strong overweight preference for the Healthcare sector and a slight overweight view on the Energy, Financials and Utilities sectors.

[1] Bloomberg. February 16, 2023.

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Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	33,826.69	0.0	-0.6	2.3
NASDAQ	11,787.27	0.6	1.8	12.8
S&P 500	4,079.09	-0.2	0.2	6.5
S&P 400 Mid Cap	2,666.12	1.1	0.6	9.9
Russell 2000	1,946.36	1.5	0.8	10.7
MSCI World	2,779.88	-0.1	-0.1	7.0
MSCI EAFE	2,087.04	0.1	-0.6	7.5
MSCI Emerging Markets	999.42	-1.4	-3.1	4.6

Fixed Income†

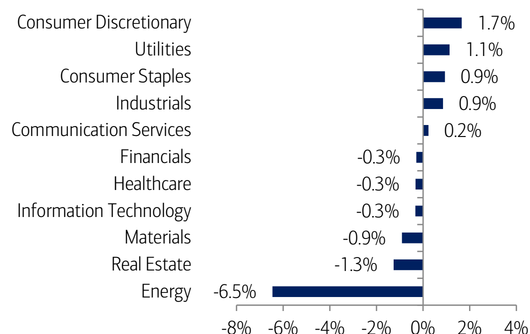
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	4.66	-0.49	-2.02	0.93
Agencies	4.70	-0.20	-1.00	0.50
Municipals	3.52	-1.43	-1.86	0.96
U.S. Investment Grade Credit	4.66	-0.47	-1.95	1.07
International	5.35	-0.68	-2.42	1.49
High Yield	8.60	-0.88	-1.57	2.18
90 Day Yield	4.79	4.73	4.64	4.34
2 Year Yield	4.62	4.52	4.20	4.43
10 Year Yield	3.81	3.73	3.51	3.87
30 Year Yield	3.87	3.82	3.63	3.96

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	233.67	-1.9	-4.5	-5.0
WTI Crude $/Barrel††	76.34	-4.2	-3.2	-4.9
Gold Spot $/Ounce††	1842.36	-1.2	-4.5	1.0

	Total Return in USD (%)			
Currencies	Current	Prior Week End	Prior Month End	2022 Year End
EUR/USD	1.07	1.07	1.09	1.07
USD/JPY	134.15	131.36	130.09	131.12
USD/CNH	6.87	6.82	6.76	6.92

S&P Sector Returns



Sources: Bloomberg; Factset. Total Returns from the period of 2/13/2023 to 2/17/2023. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 2/17/2023 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 2/17/2023)

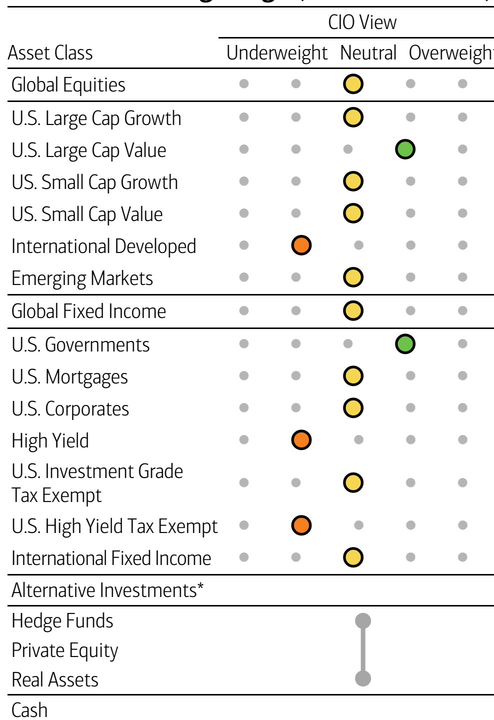
	Q4 2022A	2022A	Q1 2023E	Q2 2023E	Q3 2023E	Q4 2023E	2023E
Real global GDP (% y/y annualized)	-	3.4*	-	-	-	-	2.6
Real U.S. GDP (% q/q annualized)	2.9	2.1	1.0	0.5	-1.0	-2.0	1.0
CPI inflation (% y/y)	7.1	8.0	5.8	4.4	3.7	3.2	4.3
Core CPI inflation (% y/y)	6.0	6.1	5.5	4.9	4.0	3.3	4.4
Unemployment rate (%)	3.6	3.6	3.4	3.3	3.6	4.1	3.6
Fed funds rate, end period (%)	4.33	4.33	4.88	5.38	5.38	5.38	5.38

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.**

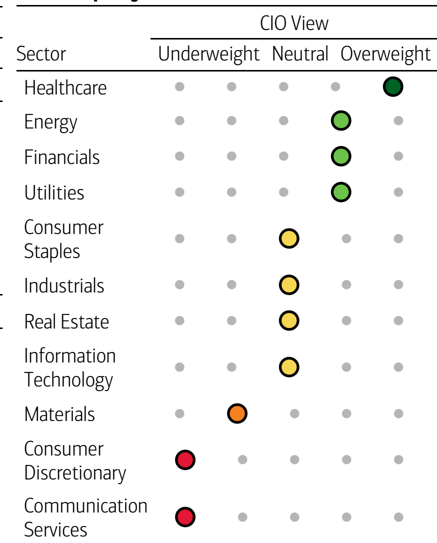
A = Actual. E/* = Estimate.

Sources: BofA Global Research; GWIM ISC as of February 17, 2023.

Asset Class Weightings (as of 2/7/2023)



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 February 7, 2023. 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 includes a representative sample of 500 leading companies in leading industries of the U.S. economy. Although the index focuses on the large-cap segment of the market, with approximately 75% coverage of U.S. equities, it is also an ideal proxy for the total market.

MSCI All-Country World Index is a stock index designed to track broad global equity-market performance

Institute for Supply Management (ISM) manufacturing index is a composite index that gives equal weighting to new orders, production, employment, supplier deliveries, and inventories.

Institute for Supply Management (ISM) Non-Manufacturing Index is an economic index based on surveys of more than 400 non-manufacturing (or services) firms' purchasing and supply executives.

Conference Board Index of Leading Indicators is an American economic leading indicator intended to forecast future economic activity.

MSCI China Index captures large and mid cap representation across China A shares, H shares, B shares, Red chips, P chips and foreign listings (e.g. ADRs).

Russell 1000 Growth Index measures the performance of the large- cap growth segment of the US equity universe.

Russell 1000 Value Index measures the performance of the large- cap value segment of the US equity universe.

Global Industry Classification Standard (GICS) sectors (Consumer Discretionary, Consumer Staples Energy, Financials, Healthcare, Industrials, Information Technology, Materials, Real Estate, Communication Services, Utilities) structure consists of 11 sectors, 24 industry groups, 69 industries and 158 sub-industries into which S&P has categorized all major public companies.

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

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.

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. Investments in foreign securities 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.

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