CHIEF INVESTMENT OFFICE

Capital Market Outlook

April 14, 2025

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

IN THIS ISSUE

Macro Strategy—*Why Rattle the Apple Cart?:* The tariff policy shock has injected downside risks into what was shaping up to be a still favorable cyclical growth momentum supported by multiple pillars in 2025: healthy labor market and income growth conditions; low energy prices; robust private-sector balance sheets; tailwinds from upcoming fiscal stimulus in Europe/China, and promised pro-growth U.S. policies.

So far, financial markets have mostly corrected previous overvaluations, with their future direction highly dependent on the trajectory and speed of bilateral trade negotiations, supply-chain adjustments, and the timing/effectiveness of policy offsets. Our view remains that a "lower temperature," more gradual approach on the trade front would allow the global growth and profits upcycle to reestablish itself in support of risk-asset prices. That said, the U.S. administration seems committed to redressing entrenched dynamics that have resulted in unusually large fiscal deficits, surging debt/gross domestic product (GDP) ratios, the strongest dollar since 1985, and rising inequality. Growing pressures and geopolitical tensions suggest that such efforts are likely to play an increasing role in shaping asset returns ahead.

Market View—*Tariff Policy: Past, Present and Future:* The historic moves in global equity markets were to be expected in the wake of the April 9 tariff reprieve. Extreme risk aversion followed the April 2 reciprocal tariff announcements, with investors pricing an immediate shift to cross-country tariff rate ceilings. But last week's 90-day pause made clear that the proposed new U.S. barriers on imports from the rest of the world were not permanent and could be negotiated downward. While we expect an ongoing U.S. and global economic expansion to sustain fundamental earnings support for equity markets, investors should anticipate further volatility as we transition to a new global trading arrangement.

Thought of the Week—*Weighing the Options—A Case for the S&P 500 Equal-Weight Index:* While the recent downdraft in the equity market may have put investors on heightened alert, it has also shed light on potential bright spots, such as the S&P 500 equal-weighted index. The Equity market rotation that began to take form last summer has extended into Q2 2025 and highlights the importance of diversification during times of volatility. Fundamentals of the equal-weighted index, such as the price-to-earnings (P/E) ratio and dividend yield, suggest the index may currently be undervalued relative to history and could present a sweet-spot for investors. As we move further into 2025, broader corporate earnings growth should become more apparent, creating greater sector participation within a renewed Equity uptrend. This potential evolution emphasizes the importance of broad portfolio exposure to Value, cyclicals and defensives.

MACRO STRATEGY ▶

Chief Investment Office
Macro Strategy Team

MARKET VIEW ▶

Ehiwario Efeyini
Director and Senior Market Strategy Analyst

THOUGHT OF THE WEEK ▶

Matthew Diczok
Managing Director and Head of CIO Fixed Income Strategy

Theadora Lamprecht
Assistant Vice President and Investment Strategist

MARKETS IN REVIEW ▶

Data as of 4/14/2025, and subject to change

Portfolio Considerations

Equity markets and the global economy are transforming. We expect uncertainty around the level of U.S. economic growth and corporate earnings to persist in the coming months.

We continue to emphasize Equity exposure for growth and total return, Fixed Income for cash flow production, Alternative Investments, for qualified investors, for a variety of less correlated return streams, and investable cash for potential investment opportunities that develop over time.

We emphasize playing both defense and offence. We favor a diversified high-quality approach geared towards more insulated sectors exhibiting low volatility, where appropriate. Meanwhile, crafting repositioning and rebalancing plans may better position investors to take advantage of discounted markets.

MACRO STRATEGY

Why Rattle the Apple Cart?

Chief Investment Office, Macro Strategy Team

With a positive cyclical backdrop pre-tariff-shock, uncertainty about the ultimate trade policy contours, and expected offsets from lower energy prices/deregulation/upcoming tax cuts, Equity prices so far have mostly corrected excessive valuations despite great turmoil. Their direction remains highly dependent on the trajectory and speed of bilateral trade negotiations, global supply-chain adjustments, and the timing/scope of policy offsets.

Indeed, notwithstanding the well-received 90-day tariff reprieve, the current U.S. administration is apparently intent on addressing existing global imbalances on its own terms and without delay. Asset returns are thus likely to remain shaped by policy changes. Here are multiple but interrelated reasons why the global economic order may have reached an inflection point:

- The U.S. share of global GDP has declined from 40% in the 1960s to 25% currently, as China and other emerging markets rapidly gained economic strength.
- The emerging market ascent was enabled by China's accession to the World Trade Organization on preferential terms, which not only increased competition but incentivized unrelenting offshoring by U.S. multinationals, hindering domestic production/exports while boosting imports.
- Overconsumption and a relatively low U.S. personal saving rate amplified import demand. Rising government deficits further exacerbated excess demand and imports.
- New asset-light lines of business and the erosion of the manufacturing base have reduced the pay quality of jobs, suppressed the labor-force participation rate and boosted the share of government-spending related jobs. The role of government deficits in propelling the economy increased. The current deficit of 6% of GDP is unprecedented for an expansion. The debt/GDP ratio remains on a sharp uptrend (Exhibit 1). The Social Security program is projected to be able to pay only 80% of scheduled benefits, according to the Congressional Budget Office (CBO). There's not much money left for discretionary government spending. The economy must grow faster for an improvement on these fronts: more domestic investment/production/exports, fewer imports.
- Trade deficits typically trigger currency depreciation to rebalance imports and exports. Faster export-led growth overseas coupled with the dollar's reserve status has precluded this adjustment. Instead, increasing excess dollar savings overseas have been recycled into U.S assets, boosting the real trade-weighted dollar index to a 40-year high. This has reinforced deindustrialization and has enabled rising U.S. government deficits.
- Excess savings from overseas don't pour just into Treasury securities. At the end of 2024, foreign investors owned 20% of the U.S. corporate equities versus just 12% in 2006. However, with exports impaired, investors increasingly pay a premium for asset-light, employment-light companies less sensitive to the dollar's strength and benefiting from global "scalability," elevated margins and large free cash flows. Meanwhile, U.S. business investment in tangible assets has lagged. This preference, combined with offshoring, has caused a growing disconnect between corporate equities performance and the real economy, amplifying wealth inequality and growing pressure for a course correction.
- Growing burden of U.S. defense-related arrangements in a multipolar world of shrinking U.S. economic heft.
- Geopolitical concerns and procurement concerns call for increased industrial competitiveness.
- A persistent trade deficit basically leaves the U.S. over reliant on foreign capital, vulnerable to supply shocks, and exposed to asset bubbles. The apple cart is rolling into a zone where geopolitical, fiscal or monetary shocks might trigger disruptive, hard-to-control adjustments.

The redress is not without risks and volatility. According to a report by Stephen Miran, Chair of the Council of Economic Advisors,[1] *"The scope for monumental, once-every-few-decades level of shifts in policy ought to significantly heighten expectations for*

Investment Implications

With valuations at more normal levels and a thaw in the trade war, a still favorable cyclical backdrop is likely to remain supportive of risk assets. Nevertheless, policies aimed at structural adjustments are going to increasingly shape asset returns ahead.

[1] Stephen Miran, *A User's Guide to Restructuring the Global Trading System*, November 2024.

RETURN TO FIRST PAGE

volatility…There is a path…but it is narrow, and will require careful planning, precise execution, and attention to steps to minimize adverse consequences."

Here are a few more highlights from the report that help explain the recent policy whirlwind:

- Linking national security to international trade and thus using tariffs to incentivize a more equitable "burden sharing" across economic and defense lines. Geopolitical imperatives also call for trade strategies targeting industries deemed critical to national security.
- Reconciling the U.S. government's interest in preserving the dollar's reserve currency status with the burdens it imposes on the economy. Basically, while the dollar's position confers various benefits—including deterrence through financial rather than military action (think sanctions)—it also has long-term economic costs, as noted above. As the U.S. share of global GDP declines and it deindustrializes, it becomes harder to sustain both large trade deficits and the military-industrial base needed for global security.

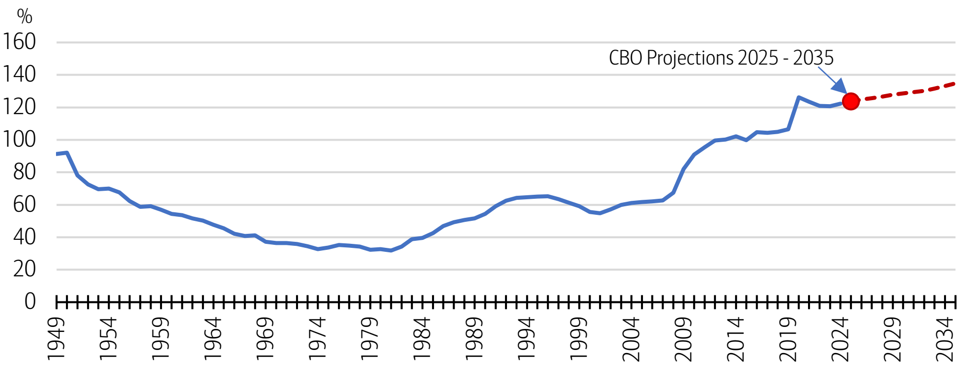
  While this view has fed a growing consensus to rethink the post-World War II economic order, according to the Miran report, *"There will be attempts to improve America's position within the system without destroying the system."* Indeed, the report stops short of rejecting the dollar's special status and emphasizes the need for gradualism and coordination to avoid excessive dollar depreciation. Also, in the Miran report it states, *"President Trump has praised the reserve status of the dollar and threatened to punish countries that stop using the dollar for reserve purposes."*

  The objective is rather to seek compensation from those who benefit from the dollar-based system—through trade concessions, reshoring, greater foreign direct investment, increased revenue to the U.S. Treasury (tariffs, potential fees on foreign Treasury holdings)—or to coordinate gradual currency adjustments. The report does note that dollar policy changes may cause a structural increase in currency-market volatility and could "supercharge efforts of those looking to minimize exposure to the U.S. Efforts to find alternatives to the dollar and dollar assets will intensify."
- Lower inflation is critical to alleviating bond-market concerns and allowing the Federal Reserve (Fed) "to pursue a deeper cutting cycle." Hence a focus on policies that reduce inflation via supply-side liberalization, such as aggressive deregulation, and measures to reduce energy prices.

In sum, the administration seems intent to undertake a significant overhaul of the international trade and financial systems. The report acknowledges the "monumental" scope of change and the need for careful execution to minimize adverse consequences. Gradualism, coordination with allies, and cooperation with the Fed may be necessary to manage transitions smoothly.

In our view, changes related to tariffs, a softer-dollar policy and fiscal realignment—are likely to keep volatility elevated and play a significant role in shaping asset prices in coming years. Sectors benefiting from overconsumption or dollar overvaluation may prove most vulnerable, while those aligned with industrial policy, defense or strategic manufacturing may benefit from the shift in government priorities, so we continue to favor them. Gold is likely to remain supported as countries diversify their dollar reserves.

Exhibit 1: Gross U.S. Federal Debt as % of GDP.



Sources: CBO/Haver Analytics. Data as of April 10, 2025.

MARKET VIEW

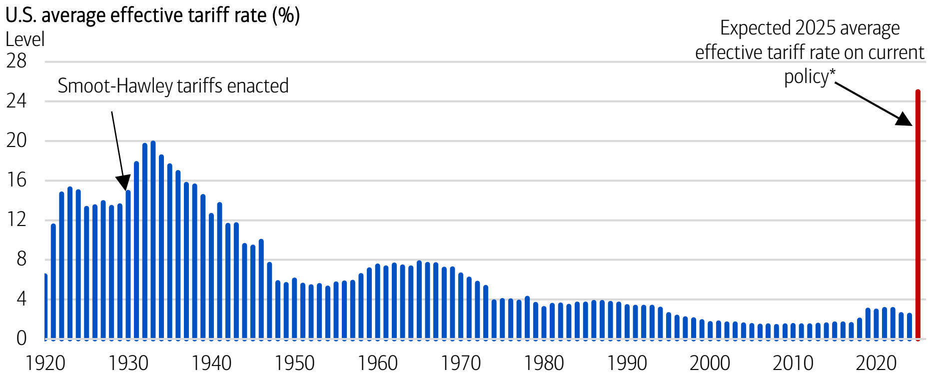
Tariff Policy: Past, Present and Future

Ehiwario Efeyini, Director and Senior Market Strategy Analyst

The historic moves in global equity markets were to be expected in the wake of last Wednesday's tariff reprieve. Extreme risk aversion followed the April 2 reciprocal tariff announcements, with investors pricing an immediate shift to cross-country rate ceilings. But last week's 90-day pause made clear that the proposed new U.S. barriers on imports from the rest of the world were not permanent and could be negotiated downward. The exception is China, where a blanket tariff increase to 145% should significantly reduce its bilateral trade with the U.S. And for other countries, a 10% tariff floor remains in place subject to additional negotiations. But for now investors have priced out the worst case scenarios.

To be sure, last week's reversal delivered only limited aggregate tariff relief given that the higher levy on China essentially offset the lower rate applied to other markets. And the new average effective rate of close to 25% (up from just 2.4% in 2024) (Exhibit 2) will still exceed the peak reached during the Smoot-Hawley era of the early 1930s. Introduced in 1930, the Smoot-Hawley tariffs on U.S. agricultural and industrial goods imports raised average U.S tariff rates to 19.8% by 1933 and have since been widely associated with a deepening of the Great Depression. The current parallels with this past period of U.S. protectionism have only contributed further to investor unease over recent weeks. But we nonetheless see a range of key differences in the current environment.

Exhibit 2: Tariff Rates At Their Highest Levels In Over A Century Despite 90-Day Reprieve.



Sources: Yale Budget Lab, Chief Investment Office. Data as of April 9, 2025. *Assumes tariff rate of 145% on China, 10% on rest of the world, 25% on non- U.S.-Mexico-Canada (USMCA) compliant Canada and Mexico, 25% on autos, steel, aluminum.

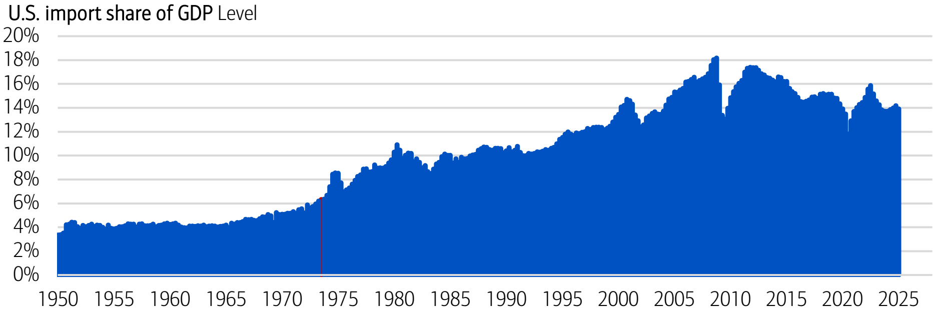
First the new average rate is biased higher by the extreme tariff level applied to China alone, the bulk of which is unlikely to result in any additional decline in trade volumes. Second, though the Smoot-Hawley tariffs may have contributed to the economic contraction of the early 1930s, the downturn was precipitated by the October crash of 1929 and so was well underway by the time the levies were enacted in June of the following year. By contrast, the U.S. and global economy today enter the new tariff regime during a period of expansion, and there remains a high likelihood of a shift toward more pro-growth tax and regulatory policy by the U.S. administration in the second half of 2025. Furthermore the trade war of the 1930s was exacerbated by widespread retaliation from U.S. trading partners using both tariffs and non-tariff barriers. In the current episode, however, non-U.S. markets have already moved to establish closer economic links with third countries (e.g., China-Korea-Japan, India-European Union). And investors expect new rounds of negotiation between the U.S. and its trading partners to result in further liberalization during the 90-day pause.

Despite being relatively closed compared to other major economies (and having retreated from their 2008 peak) U.S. imports as a share of GDP nonetheless remain near their post-war high-water mark (Exhibit 3), reflecting the greater trade interdependence of both economies and businesses compared to past decades.

Portfolio Considerations

The extreme volatility in global equity markets last week reflects a rapidly changing policy environment for investors. The prospect of an outright U.S. and global recession and protracted market weakness appears less likely in the wake of the 90-day tariff reprieve. But future changes in trade policy from the U.S. administration will nonetheless continue to bear close watching for their potential impact on economic growth, inflation and corporate earnings.

Exhibit 3: U.S. Import Share Relatively Low By Global Comparison, But Still Near Historical Peaks.



Source: Bureau of Economic Analysis. Data as of Q4 2024.

And therefore while an outright U.S. and global recession may now be less likely than before last week's reprieve, the outlook remains challenged. For one, the U.S. tariff reversal offered no incremental relief for Canada, Mexico or China (the three largest U.S. trading partners). The 25% rate for non-USMCA compliant goods remains in place, as do the 25% sector-specific tariffs on autos, steel and aluminum. Further escalation with China also remains a possibility. And though both the U.S. and its non-China partners have pointed to progress on new negotiations, a move back toward reciprocal tariff ceilings for individual countries cannot be ruled out, especially for those in southeast Asia that could now attract more goods transshipment from China given their wider tariff differentials with the mainland. Ultimately, the current policy uncertainties are also likely to mean ongoing caution on business investment.

Looking into the second quarter of 2025 and beyond, the outlook for U.S. markets should depend on a range of factors including the extent of passthrough from higher tariff rates to measured inflation (and the response of the Fed), the direction of real wages (and the demand response of lower income consumers), equity volatility (and the wealth effect on higher income consumers), and the eventual impact on corporate profit margins (and the cost cutting response in terms of investment and hiring).

For non-U.S. markets, the direct effects of U.S. tariff policy should primarily stem from weaker export revenues, but these should also vary on a regional basis. Markets that experience currency depreciation are likely to be insulated as exchange rates provide a competitive offset to higher tariffs. Countries that choose to retaliate with higher tariff barriers will not only be subject to a U.S. response that would likely reduce their export volumes, but should also be vulnerable to higher import costs. The reverse would apply for countries that can initiate new trading agreements. Where policymakers can deliver fiscal or monetary stimulus or implement pro-growth reforms (e.g., improving the domestic ease of doing business to attract and retain foreign investment), markets should also be advantaged. Domestically driven, service-oriented economies should also be more insulated due to both less direct tariff exposure and less sensitivity to global trade. While for more open economies, those that can establish closer ties with global export markets other than the U.S. and including with China (notwithstanding potential constraints imposed by their U.S. negotiations) should also be relative beneficiaries. Emerging markets that can secure lower relative tariff levels with the U.S. should also be better placed, becoming less costly production alternatives to China as offshore manufacturing capacity is reallocated, though not necessarily reshored to the U.S. in the near-term.

A principal aim of the current tariff policy appears to be the incentivizing of manufacturing capacity away from China (and other markets) and into the U.S. But it should be emphasized that tariffs alone are just one among a range of associated costs of production (including labor, transportation, logistics, regulatory and others). Given in particular the structural advantage of lower-wage markets, survey data suggest that any such shift is likely to take place only very gradually and primarily into other emerging economies such as southeast Asia, India and Mexico. Potential future changes in trade policy from the U.S. administration will therefore continue to bear close watching. And while we expect an ongoing U.S. and global economic expansion to sustain fundamental earnings support for equity markets over the long term, further volatility in the short term is to be expected as we transition to a new global trading arrangement. Although we expect uncertainty to remain high through the summer months and growth to be adjusted considerably lower, we remain overweight Equities and would use periods of excess volatility as rebalancing opportunities, as valuations in a majority of equity markets are now close to or below their average of the last two decades.

RETURN TO FIRST PAGE

THOUGHT OF THE WEEK

Weighing the Options—A Case for the S&P 500 Equal-Weight Index

Matthew Diczok, Managing Director and Head of CIO Fixed Income Strategy

Theadora Lamprecht, Assistant Vice President and Investment Strategist

While the recent downdraft in the Equity market may have put investors on heightened alert, it has also shed light on potential bright spots. Specifically, the equity market rotation that began to take form last summer has extended into Q2 2025 and highlights the importance of diversification during times of volatility. Year-to-date, the equal-weighted S&P 500 Index has outperformed its market cap-weighted counterpart by around 275 basis points.[2]

In addition to price performance, the fundamentals have also improved for the equal-weighted index. For example, the P/E ratio for the equal-weight currently hovers around 18.4X, while the long-term, 15-year average sits at 19.3X (Exhibit 4A). This suggests the index is undervalued, or cheaper, relative to history and could present a sweet spot for investors. More broad-based earnings growth and an improvement in Value-oriented, cyclical and defensive areas have led this expansion. For instance, last quarter, sectors such as Energy, Healthcare, Utilities and Financials outperformed, while the technology-focused segments ended as the worst performing areas, a notable reversal from the last few years. Additionally, in Q4 2024, six of 11 sectors saw double-digit earnings growth, up from three in Q3 2024. The equal-weighted index is attractive on a relative basis, as it remains more diverse and is not as exposed to the potentially volatile swings that have impacted Growth-related names.

Moreover, the dividend yield, another fundamental measure, for the equal-weighted index is presently 2.14%, slightly above its long-term average of 2.01% (Exhibit 4B). In our view, dividend payers and dividend growers should remain an important consideration for portfolios. Dividends are important, as they can offer potential downside defense during market selloffs. As we move further into 2025, broader corporate earnings growth should become more apparent, creating greater sector participation within a renewed Equity uptrend. This potential evolution emphasizes the importance of broad portfolio exposure to Value, cyclicals and defensives.

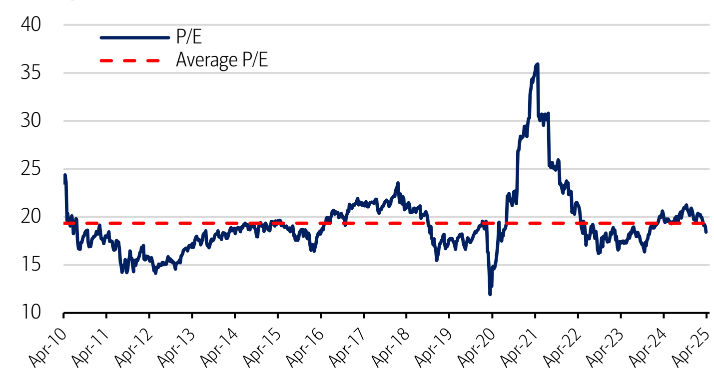
While market volatility and consolidations are necessary ingredients in the investment process, we anticipate this will also be an opportune time for investors to seek exposure across sectors amidst the sustained broadening out of the market.

Investment Implications

It is important to remain invested and diversified across and within asset classes, sectors and regions during periods of equity market volatility. There are potential opportunities emerging in Value-oriented, cyclical and defensive areas as the market continues to broaden out. It is also necessary to still remain mindful of overexposure in portfolios.

Exhibit 4: Equal-Weighted S&P 500 Index Fundamentals are Positive.

4A) Index Is Currently Cheap Compared to its Long-Term Average.



4B) Index Offering More Dividend Yield Compared to its Long-Term Average.

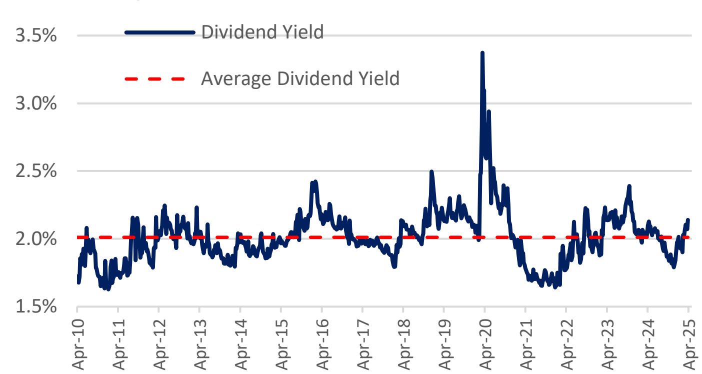


Exhibit 4A) Source: Bloomberg. Data as of April 4, 2025. Exhibit 4B) Source: Bloomberg. Data as of April 4, 2025. It is not possible to invest directly in an index. Please refer to index definitions at the end of this report. **Past performance is no guarantee of future result**.

[2] Bloomberg. Total returns referenced. Data as of April 8, 2025.

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	40,212.71	5.0	-4.2	-5.0
NASDAQ	16,724.46	7.3	-3.3	-13.2
S&P 500	5,363.36	5.7	-4.4	-8.5
S&P 400 Mid Cap	2,722.55	2.8	-6.7	-12.4
Russell 2000	1,860.21	1.8	-7.5	-16.3
MSCI World	3,471.27	4.4	-4.3	-6.0
MSCI EAFE	2,297.70	0.8	-4.2	2.4
MSCI Emerging Markets	1,045.20	-3.8	-5.0	-2.2

Fixed Income†

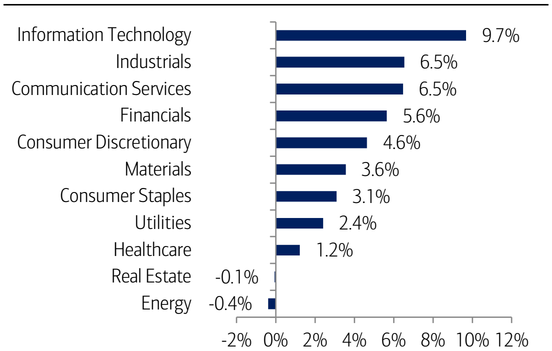
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	4.73	-2.49	-1.67	0.98
Agencies	4.50	-1.25	-0.67	1.42
Municipals	4.29	-3.99	-2.56	-2.78
U.S. Investment Grade Credit	4.86	-2.54	-1.68	1.06
International	5.55	-2.82	-2.49	-0.24
High Yield	8.58	-0.70	-2.40	-1.42
90 Day Yield	4.31	4.24	4.29	4.31
2 Year Yield	3.96	3.65	3.88	4.24
10 Year Yield	4.49	3.99	4.21	4.57
30 Year Yield	4.87	4.41	4.57	4.78

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	248.11	1.9	-4.5	4.0
WTI Crude $/Barrel††	61.50	-0.8	-14.0	-14.2
Gold Spot $/Ounce††	3237.61	6.6	3.7	23.4

		Total Return in USD (%)		
Currencies	Current	Prior Week End	Prior Month End	2022 Year End
EUR/USD	1.14	1.10	1.08	1.04
USD/JPY	143.54	146.93	149.96	157.20
USD/CNH	7.29	7.30	7.27	7.34

S&P Sector Returns



Sources: Bloomberg, Factset. Total Returns from the period of 4/7/2025 to 4/11/2025. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 4/11/2025 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 4/11/2025)

	Q4 2024A	2024A	Q1 2025E	Q2 2025E	Q3 2025E	Q4 2025E	2025E
Real global GDP (% y/y annualized)	-	3.2	-	-	-	-	3.1
Real U.S. GDP (% q/q annualized)	2.4	2.8	1.5	1.5	2.0	2.0	2.1
CPI inflation (% y/y)	2.7	3.0	2.7	2.7	3.1	2.8	2.8
Core CPI inflation (% y/y)	3.3	3.4	3.1	3.0	3.3	3.2	3.2
Unemployment rate (%)	4.2	4.0	4.1	4.2	4.2	4.2	4.2
Fed funds rate, end period (%)	4.38	4.38	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 April 11, 2025.

Asset Class Weightings (as of 4/1/2025)

	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					

*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 April 1, 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.

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	·	●	·	·	·

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.

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.

S&P 500 equal-weighted index is the equal-weight version of the widely-used S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance.

S&P 500 Market cap-weighted Index meaning that the weight of each company in the index is determined by its market capitalization, or the total value of its outstanding shares.

Important Disclosures

Investing involves risk, including the possible loss of principal. Past performance is no guarantee of future results.

This material does not take into account a client's particular investment objectives, financial situations, or needs and is not intended as a recommendation, offer, or solicitation for the purchase or sale of any security or investment strategy. Merrill offers a broad range of brokerage, investment advisory (including financial planning) and other services. There are important differences between brokerage and investment advisory services, including the type of advice and assistance provided, the fees charged, and the rights and obligations of the parties. It is important to understand the differences, particularly when determining which service or services to select. For more information about these services and their differences, speak with your Merrill financial advisor.

Bank of America, Merrill, their affiliates and advisors do not provide legal, tax or accounting advice. Clients should consult their legal and/or tax advisors before making any financial decisions.

This information should not be construed as investment advice and is subject to change. It is provided for informational purposes only and is not intended to be either a specific offer by Bank of America, Merrill or any affiliate to sell or provide, or a specific invitation for a consumer to apply for, any particular retail financial product or service that may be available.

The Chief Investment Office ("CIO") provides thought leadership on wealth management, investment strategy and global markets; portfolio management solutions; due diligence; and solutions oversight and data analytics. CIO viewpoints are developed for Bank of America Private Bank, a division of Bank of America, N.A., ("Bank of America") and Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S" or "Merrill"), a registered broker-dealer, registered investment adviser and a wholly owned subsidiary of Bank of America Corporation ("BofA Corp.").

The Global Wealth & Investment Management Investment Strategy Committee ("GWIM ISC") is responsible for developing and coordinating recommendations for short-term and long-term investment strategy and market views encompassing markets, economic indicators, asset classes and other market-related projections affecting GWIM.

BofA Global Research is research produced by BofA Securities, Inc. ("BofAS") and/or one or more of its affiliates. BofAS is a registered broker-dealer, Member SIPC and wholly owned subsidiary of Bank of America Corporation.

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

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

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. 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. Income from investing in municipal bonds is generally exempt from Federal and state taxes for residents of the issuing state. While the interest income is tax-exempt, any capital gains distributed are taxable to the investor. Income for some investors may be subject to the Federal Alternative Minimum Tax (AMT). 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.