CHIEF INVESTMENT OFFICE

# Capital Market Outlook

June 30, 2025

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

## IN THIS ISSUE

**Macro Strategy—*The United States: Still the World's Greatest Economic Dynasty:*** We think the decline of American Exceptionalism narrative has been overdone. While we have leaned into more non-U.S. Equity exposure, investors should not bail on the U.S. since the economy exhibits all the hallmarks of a great sports dynasty. They include the consistency of a high-end performer; a penchant for superior talent; strong foundations/leadership; and an innate ability to reinvent itself. 2025 might be the year the Rest of the World outperforms the U.S.—to which we say, "So what?" Great teams (economies) don't win every year. For investors, some of the best market returns have been generated by the consistent, high-performing, talent-laden, cutting-edge, adaptable teams—think America, the world's greatest economic dynasty.

**Market View—*Foreign Financing Matters to U.S. Finances:*** As told by the first six months of the year, International Equities performed well on an absolute and relative basis to the U.S. That performance window, however, masks the longer-run sentiment for U.S.-based assets and securities, which continue to be well-owned and largely bid higher in the face of mounting debt levels and policy uncertainties. So much so that foreign capital inflows from various vantage points—quarterly, monthly and weekly flows—continue to reflect a tide that has yet to sustainably turn. It's our conclusion that foreigner investors have broadly continued to hold and, in some cases, bid up U.S.-based assets.

**Thought of the Week— *Q2 Earnings Preview: 5 Variables Investors Should Watch:*** "Whipsaw" was the unofficial word of Q2—particularly for U.S. corporates, who had to digest Liberation Day (April 2), a 90-day pause on most tariffs (April 9), and an additional 90-day pause on U.S.-China tariffs (May 12), to name a few. Translated: Unlike the Q1 earnings season, where stronger-than-expected results were discounted as backward-looking, the stakes for Q2 are higher.

Beyond the headline expectation of 4.8% year-over-year (YoY) growth in Q2, this week we highlight five variables to watch: corporate guidance in the face of ongoing tariff uncertainty, loan loss provisions of America's largest banks amid worries of a weaker consumer, mentions of higher costs despite recent subdued inflation prints, capital expenditures (capex) spending of the hyperscalers, and breadth in earnings between technology behemoths and the rest of the market. Yes, plenty of uncertainty remains with the effective tariff rate still hovering at near-century highs. But we continue to believe that U.S. Large-caps are equipped to weather the storm and help drive positive earnings growth in 2025.


MACRO STRATEGY ▶

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

MARKET VIEW ▶

**Lauren J. Sanfilippo**
Director and Senior Investment Strategist

THOUGHT OF THE WEEK ▶

**Ariana Chiu**
Wealth Management Analyst


MARKETS IN REVIEW ▶

**Data as of 6/30/2025, and subject to change**

### Portfolio Considerations

We maintain an overweight to Equities with a preference for U.S. Equities relative to the rest of the world, and still favor a significant allocation to bonds in a well-diversified portfolio. We would use any weakness in equity markets over the second half of the year as an opportunity to rebalance. We are neutral across Fixed Income in all-Fixed Income low-tax sensitivity portfolios, and, for qualified investors, we continue to emphasize potential long-term growth and income opportunities in Alternative Investments.

We believe there are four key catalysts for the remainder of the year:

1. Tariff and trade deals.
2. Solid corporate earnings to continue.
3. Economic and consumer resilience remains.
4. Weaker dollar and easier financial conditions support risk taking.

MACRO STRATEGY

## The United States: Still the World's Greatest Economic Dynasty

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

The decline of American Exceptionalism has been a major theme of the markets this year. Thanks to the swirl of U.S. policy uncertainty, a consensus has emerged that there is nothing uniquely exceptional or superior about the U.S., and that it is time to reallocate capital overseas.

We don't necessarily disagree. Indeed, over the past year, we have upgraded our portfolio exposure to the developed markets. But that said, we remain adamant that investors do not succumb to the budding narrative that America's best days are in the past, and that all the action (and returns) are overseas. We are not convinced of the changing of the global guard—or that the Rest of the World is set to lead while America lags. Here's why.

**The American Economic Dynasty.** Think of the U.S. economy as one of the world's most powerful, dominant and durable economic systems ever created. Think dynasty, in other words. Dynasties are about endurance and having the sustainable capacity to adapt and lead over extended periods of time. It's less about winning each year and more about always being competitive, always being near the top of the leader board, always being the agent of change, always setting the tone, and raising the bar for others.

In sports, think of the Boston Celtics, who won 11 titles in 13 seasons between 1957 and 1969. Or the New England Patriots, winners of six Super Bowl titles in nine appearances, or the Montreal Canadians winning 10 Stanley Cups in 15 seasons. Reflect on other dynasties like the Pittsburgh Steelers, the San Francisco 49ers, the Chicago Bulls, Manchester United, and the New York Yankees.

What do all of these teams have in common? Answer: a consistency for high-end performance; a penchant for superior talent that defines the era; strong foundations/leadership; and an innate ability to reinvent themselves and adapt to changing circumstances. These characteristics are the essences of dynasties.

These same characteristics define the U.S. economy. For instance, in terms of consistency of performance, the U.S. economy has grown 87% of the time since 1945, a remarkable streak of growth any sports team would die for. This superior performance helped boost U.S. nominal gross domestic product (GDP) from roughly $300 billion in 1950 to $30 trillion today. Presently, with just 4.3% of the world population, the U.S. accounts for over one-quarter of world output[1].

The U.S. economy is strong in almost every position imaginable—we are a hydra-headed superpower, leading the world in such diverse activities as aerospace, agriculture, finance, energy, technology, healthcare, education, entertainment and numerous other activities in both manufacturing and services. America's share of the world GDP (26%) is basically at the same level it was nearly a half century ago. Talk about sustained excellence.

The backstop to this performance has been America's ability to attract and develop talent. Dynasties depend on having the best players, and when it comes to attracting high-caliber, elite talent, no country does it better than the U.S. Even with the current uncertainty around immigration policies, America remains a magnet for global superstars in technology, science, artificial intelligence (AI) and other game-changing areas that have helped boost America's global competitiveness for decades. America's world-class universities, meanwhile, continue to churn out homegrown talent across various disciplines that promote sustainable growth.

Dynasties are only as strong as their underpinnings, and our universities are just part of this structure. Other foundational supports include the largest, deepest and most sophisticated capital markets in the world. It also includes the U.S. dollar as the world's reserve currency, America's leadership in global brands, our bounty of copious natural resources—notably, food and energy—and the U.S.'s unparallelled military supremacy.

**Portfolio Considerations**

We are neutral on Developed and Emerging Markets and continue to believe that U.S. Equities remain the core holding in portfolios.

[1] Sources: Bureau of Economic Analysis, International Monetary Fund.



RETURN TO FIRST PAGE

And that's not all: America's leadership in technology and innovation places our economy in a league of its own. With the exception of Israel and South Korea, America invests more in research & development (R&D) than any other country, at roughly 3.5% of GDP. The market cap of some of America's leading tech leaders—like Microsoft ($3.6 trillion), Nvidia ($3.5 trillion), and Apple ($3.0 trillion)—is larger than the gross output of most nations. America is the largest market in the world for R&D spending, and in terms of AI, the U.S. accounts for more than half of global private-sector investment in this space and is ahead of the competition when it comes to AI adoption and scale.[2] Adding it all up, America's economic dynasty rests on one of the world's strongest foundations.

Finally, dynasties embrace change—or they die. To this point, when it comes to adapting and reinventing themselves, no one does it better than America, thanks to our unique entrepreneurial ecosystem that encourages and enables the incessant churn of creative destruction. America's economic metabolism is different from the rest of the world. No country creates and destroys as manically as America. Just since 2000, more than half (52%) of the companies on the Fortune 500 list have gone bankrupt, been acquired or ceased to exist.

As Exhibit 1A depicts, the top 10 firms in the S&P 500 by market cap in 2025 look radically different from the top 10 in 2000. The only survivors are Microsoft and Walmart. Meanwhile, as old firms die, new firms are spawned. To this point, according to the U.S. Census Bureau, some 5.2 million new businesses were started in the U.S. in 2024—a near-record high and a figure well above the average of the prior decade. This fresh competitive blood drives champions—and has been key in sustaining the U.S. economic dynasty.

Are there other dynasties in the making, over the horizon poised to challenge the U.S.? Of course. As in sports and economics, the competition never rests. And when you are the champion, everyone is out to dethrone you. Think China, a rising dynasty in our opinion, with Beijing's state-directed/controlled economy keenly focused on unseating the U.S. at the top of the global economic hierarchy. The European Union has the economic heft to challenge the U.S. but lacks the political cohesion and leadership to make a run for the brass ring.

The bottom line: Yes, the bubble in American Exceptionalism is losing steam. 2025 might be the year the Rest of the World outperforms the U.S.—to which we say, "So what"? Great teams (economies) don't win every year. History is littered with one-and-done champions. For investors, some of the best market returns have been generated by the consistent, high-performing, talent-laden, cutting-edge, adaptable teams (Exhibit 1B). Ergo, buy and hold the American economic dynasty.

**Exhibit 1: Dynasties Require Fresh Blood for Superior Returns.**

1A) Top 10 U.S. Companies by Market Cap.

| | 2000 | | 2025 | |
|---|---|---|---|---|
| | Company | Market Cap ($B) | Company | Market Cap ($B) |
| 1 | Microsoft | 601 | Microsoft | 3612 |
| 2 | General Electric | 507 | NVIDIA | 3518 |
| 3 | Cisco Systems | 355 | Apple | 3010 |
| 4 | Walmart | 308 | Amazon | 2213 |
| 5 | Intel | 275 | Alphabet | 2009 |
| 6 | Pfizer | 205 | Meta | 1756 |
| 7 | Exxon Mobil | 196 | Broadcom | 1194 |
| 8 | IBM | 192 | Tesla | 1123 |
| 9 | Citigroup | 187 | Berkshire Hathaway | 1053 |
| 10 | AIG | 167 | Walmart | 781 |

1B) The Long View: Asset Class Returns.

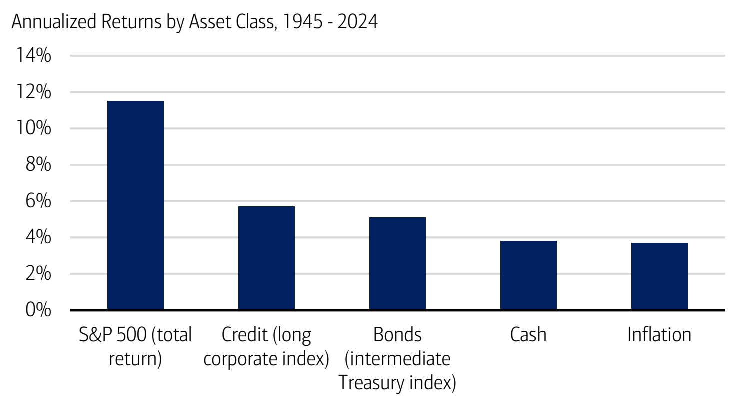



Exhibit 1A) Source: Bloomberg. 2025 data as of June 23, 2025. Exhibit 1B) Source: Bloomberg. Data as of December 2024. Please refer to index definitions at the end of this report. **Past performance is no guarantee of future results.**

[2] Sources: R&D figures per OECD. Market cap figures per Bloomberg.

MARKET VIEW

## Foreign Financing Matters to U.S. Finances

*Lauren J. Sanfilippo,* Director and Senior Investment Strategist

"ABUSA," or "Anywhere But the USA" was a key investment theme of the first half of this year, and for good return reason. The paltry low-single digit year-to-date (YTD) performance of the S&P 500 (4%) stands in contrast to the alluring gains abroad: Most European indexes like Euro Stoxx 50, Germany's DAX or France's CAC are all up over 15% YTD. Asian indexes are faring relatively better as well, with the Korean Kospi (33%), China's Shanghai Composite (10%) and Japan's Nikkei (10%) all seeing renewed investor interest over the first half of this year.[3]

This six-month window of performance doesn't align with longer-run sentiment for U.S.-based assets, however which have been well-owned since the beginning of the century. America has been the default investment destination for over a decade, with sustained international appetite for U.S-based assets.

The question now is whether or not the tide has turned. How much has the deteriorating fiscal picture of the U.S., accompanied with mounting debt levels and policy uncertainties, weighed on foreign investor sentiment to hold U.S. securities? It's a trend we are watching very closely, and from various vantage points—quarterly, monthly and weekly flows.

**Foreigners Bid Addieu or Bid Higher?** The latest quarterly Flow of Funds data from the Federal Reserve (Fed) shows little inclination on foreign investors' parts to bail on U.S. securities over Q1 of this year. It's an enduring trend: Foreigners have continued to "Buy America" over the last several decades, with foreign holdings of securities of all stripes soaring from $3.7 trillion at the start of the century to over $30.9 trillion by the end of Q1 of 2025 (Exhibit 2A). As of the end of Q1, foreigners owned 31.7% of marketable U.S. Treasurys, 35.3% of outstanding corporate bonds, and 20.6% of U.S. Equities, according to Fed data.

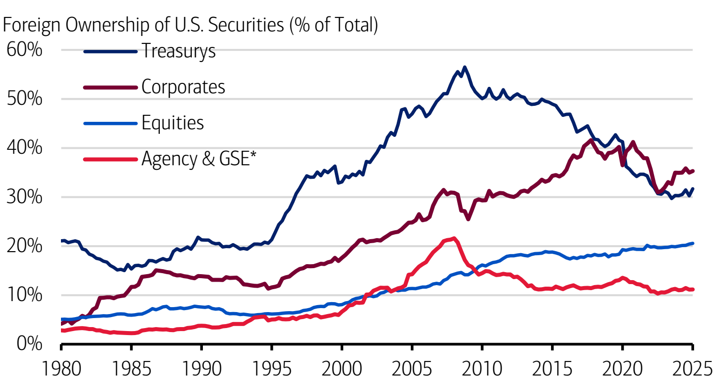
There was, however, modest selling of U.S. Treasurys in April amid the market uncertainty sparked by the U.S.'s launch of trade tariffs. For the month, foreign investors sold a net $40.8 billion in U.S. notes and bonds, with most of the selling attributable to private foreign investors ($46.8 billion sold), which was partially offset by foreign global central banks who bought a net $6.0 billion. See Exhibit 2B for monthly Treasury fluctuations and note that April's sell-off was preceded by two strong months of foreign buying.

### Portfolio Considerations

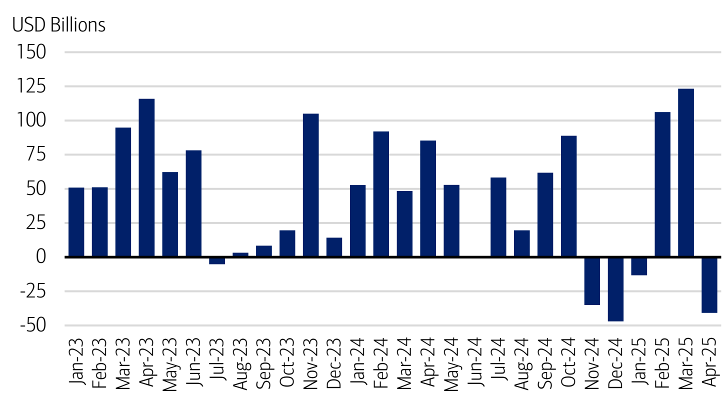
Call it a home bias—our portfolio positioning corroborates foreigners' sustained preference for U.S. assets. The continuous churn of the equity market in reaction to headline and policy risk could afford investors rebalancing opportunities over the balance of the year.

**Exhibit 2: Foreign Ownership Across U.S. Securities.**

2A) Share of U.S. Securities Held by Foreigners.




2B) Net Foreign Purchases of U.S. Treasurys.




*GSE=Government-Sponsored Enterprise. Exhibit 2A) Source: Federal Reserve. Data through Q1 2025, as of June 12, 2025. Latest available. Please refer to index definitions at the end of this report. Exhibit 2B) Sources: U.S. Treasury; Bloomberg. Data as of June 23, 2025.

On a country-by-country basis, China's holdings now sit at a 16-year low, totaling $757 billion as of April. The divesting trend broadly follows their diversified foreign exchange reserve strategy first employed over a decade ago. China, in other words, has been de-

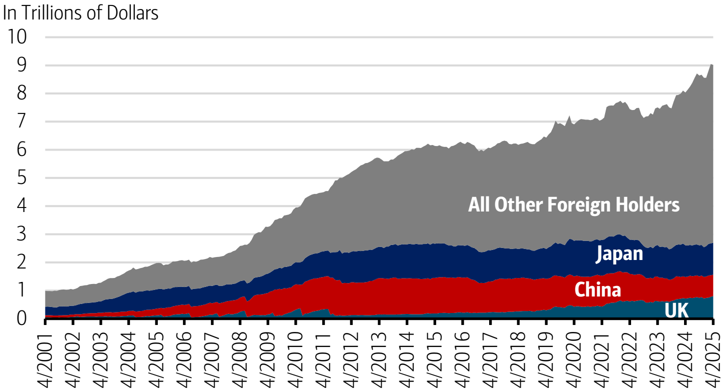
[3] Performance YTD in USD returns through Thursday, June 26, 2025.

dollarizing its economy for some time, and will likely continue to do so. That said, there is plenty of foreign appetite elsewhere for U.S. debt. Indeed, our two largest foreign holders, Japan (holding $1.1 trillion) and the UK ($807.7 billion) increased their Treasury holdings in April; month-to-month, Japan's ownership of U.S. Treasurys rose by $3.7 billion, while UK holdings increased by $28.4 billion. With China now as the third largest holder, there's been a global rebalancing among debt holders; in addition, and perhaps more important, while Japan, the UK and China remain significant holders of U.S. Treasurys, it's worth noting that the three nations combined account for just 30% of total foreign holdings of U.S. Treasurys of $9 trillion (Exhibit 3A). The global source of demand for U.S. Treasurys, in other words, is well diversified.

Lastly, as granular as weekly, the litmus test for the foreign bid are Treasury auctions, which show foreign official holdings remain solid but with a bias and penchant towards shorter duration bills and notes. That could be reflective of a buyer in search of liquidity and lower rate risk, with shorter maturity auctions seeing participation close to record highs. All in, Exhibit 3B shows the spike in foreigners accumulating short-term Treasury bills. As told by the latest 30-year $22 billion bond auction with a choosier buyer at the long end, the indirect bidders which are mainly foreign buyers, accounted for 65% of the issue, according to the U.S. Treasury, slightly below average for longer-dated auctions. What's more, YTD 30-year auctions foreign participation is averaging 63.0%, compared to 67.6% for the first six months of last year.

**Exhibit 3: Foreign Treasury Ownership and Auction Action.**

3A) The Who's Who of Treasury Holdings.




3B) Foreigners Accumulating U.S. Short-Term Treasurys.

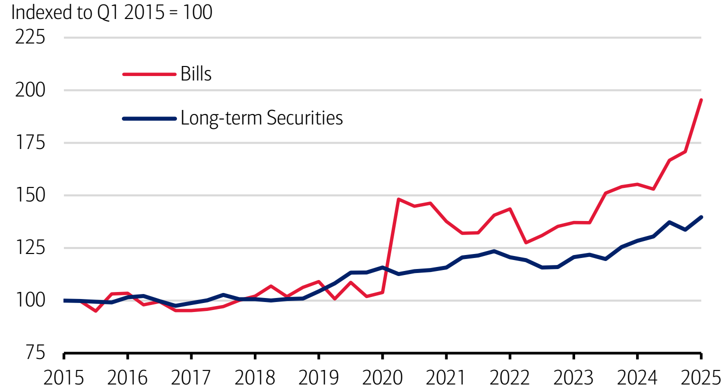



Exhibit 3A) Source: Department of the Treasury. Data as of April 2025. Exhibit3B) Bills have maturities of one year or less. Long-term securities defined as original maturity of one year or more. Source: Federal Reserve. Data through Q1 2025, as of June 12, 2025.

**The bottom line.** Viewed from these vantage points, foreigner investors continue to hold and bid up U.S.-based assets. Also, under review and as an aside, has been the weaker dollar in April and May, a decline which the BIS reports has largely been driven by non-U.S. investors hedging their dollar exposure.[4] Yes, a list of concerns such as a shifting geopolitical landscape, a protectionist lean, hits to the U.S. credit rating, or a worrying pile of debt, could all chip away at the allure for U.S. assets over the long term. But with a U.S. economy that remains cyclically solid and structurally robust, we don't expect foreigners to depart the U.S. credit markets en masse anytime soon.

We share an investment preference for U.S. dollar-denominated assets compared to non-U.S. dollar assets. After all, the U.S. economy remains the largest, wealthiest and most competitive economy in the world, backstopped by the U.S. corporate sector. Globally speaking, that's a rare combination that continues to drive flows into U.S. assets, both foreign and domestic.

[4] BIS Bulletin released June 20, 2025, "U.S. dollar's slide in April 2025: the role of FX hedging".

THOUGHT OF THE WEEK

## Q2 Earnings Preview: 5 Variables Investors Should Watch

*Ariana Chiu,* Wealth Management Analyst

"Whipsaw" was the unofficial word of Q2—particularly for U.S. corporates, who had to digest Liberation Day (April 2), a 90-day pause on most tariffs (April 9), and an additional 90-day pause on U.S.-China tariffs (May 12), to name a few. Translated: Unlike the Q1 earnings season, where stronger-than-expected results were discounted as backward-looking, the stakes for Q2 are higher. Estimates for Q2 earnings growth currently stand at 4.8% year-over-year. Beyond this headline number, here are five variables to watch this earnings season:

**On tariff uncertainty: Watch corporate guidance.** The good news: Despite heightened uncertainty, just eight S&P 500 companies withdrew or didn't update guidance last quarter—a far cry from the 185 companies who did so at the onset of the COVID-19 pandemic. The transparency of U.S. corporates remains unmatched, and we don't expect guidance to fall off a cliff from here.

**On the health of the consumer: Watch loan loss provisions.** At $8.4 billion among the four big banks[5] in Q1, provisions have remained well below pandemic levels and continue to suggest that the U.S. consumer is resilient for now (Exhibit 4A). Still, with elevated credit card delinquency rates and jobless claims ticking up in recent weeks, consumers' ability to meet loan obligations will be key to monitor.

**On the path of inflation: Watch for how companies are navigating higher costs from tariffs.** The effective tariff rate still stands at 15.8% or the highest since 1936.[6] No matter how tariff rates evolve in the coming weeks, many companies must either "pass on" costs to consumers or "eat" costs via a hit to margins. Per the former, lower energy and shelter prices could serve as offsets to the inflationary impact of tariffs. As for the latter, we favor Large-caps over Small-caps as better equipped to maintain margins.

**On the AI buildout: Watch capex plans of the hyperscalers.[7]** Concerns of a slowdown in AI spending were quickly assuaged in Q1 when the hyperscalers doubled down on their capex plans. They're now projected to spend $312 billion this year, some 37% higher than the record $228 billion spent in 2024. Electrification, utilities and commodities all should benefit from greater AI infrastructure spend.

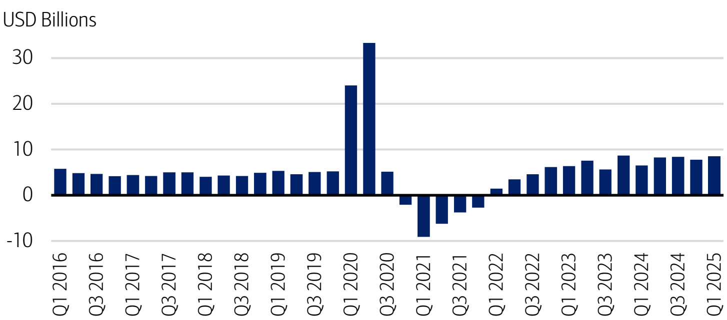
**On market breadth: Watch earnings of the Magnificent 7[5] versus the rest of the S&P 500.** While breadth has improved year-to-date, the Magnificent 7 has driven 45% of the S&P 500's 20%+ total return since its April 8 low. The cohort continues to drive impressive earnings growth—yes, a deceleration from 2024, but still well ahead of the rest of the S&P 500 (Exhibit 4B). Add to that a weaker dollar, which is profit-positive for tech companies and other multinationals that derive significant revenue overseas.

### Investment Implications

The health of U.S. corporates will be crucial to the U.S. economic backdrop as we enter the back half of the year. We continue to believe that corporate profits will remain attractive despite uncertainty. Corporate transparency, a resilient consumer and AI leadership are among reasons we maintain a U.S. bias in portfolios.

**Exhibit 4: Monitoring Loan Loss Provisions and Earnings Breadth in Q2 Earnings Season.**

4A) See Loan Loss Provisions for Signs of U.S. Consumer Stress.




4B) S&P 500 Earnings Still Technology-Heavy.

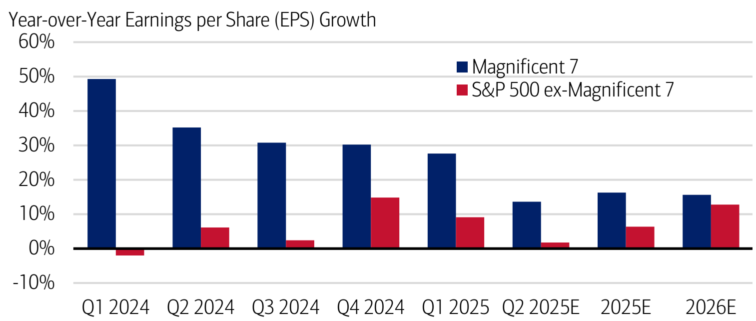



Exhibit 4A) Includes JP Morgan, Wells Fargo, Bank of America, and Citigroup. Source: Bloomberg. Data through Q1 2025, as of June 25, 2025. Exhibit 4B) E = estimate. Source: FactSet. Data as of June 25, 2025. Please refer to index definitions at the end of this report. **Past performance is no guarantee of future results.**

[5] Includes JP Morgan, Wells Fargo, Bank of America, and Citigroup.
[6] The Budget Lab. As of June 17, 2025.
[7] Hyperscalers include Alphabet, Amazon, Meta, and Microsoft. Magnificent 7 includes Alphabet, Amazon, Apple, Meta, Microsoft, NVIDIA, and Tesla.

# MARKETS IN REVIEW

## Equities

| | Total Return in USD (%) | | | |
|---|---|---|---|---|
| | Current | WTD | MTD | YTD |
| DJIA | 43,819.27 | 3.8 | 3.8 | 3.9 |
| NASDAQ | 20,273.46 | 4.3 | 6.1 | 5.3 |
| S&P 500 | 6,173.07 | 3.5 | 4.5 | 5.6 |
| S&P 400 Mid Cap | 3,102.77 | 2.6 | 3.5 | 0.2 |
| Russell 2000 | 2,172.53 | 3.0 | 5.3 | -1.9 |
| MSCI World | 4,009.04 | 3.3 | 3.9 | 9.0 |
| MSCI EAFE | 2,653.71 | 3.1 | 2.2 | 19.4 |
| MSCI Emerging Markets | 1,228.53 | 3.3 | 6.5 | 15.8 |

## Fixed Income†

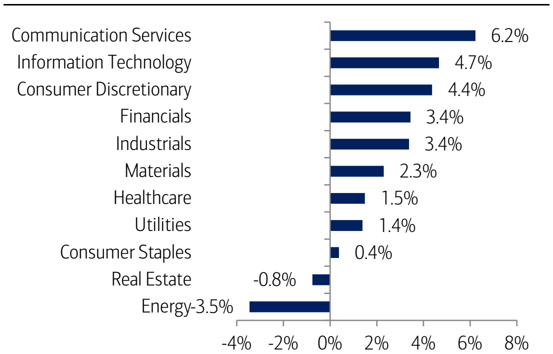
| | Total Return in USD (%) | | | |
|---|---|---|---|---|
| | Current | WTD | MTD | YTD |
| Corporate & Government | 4.42 | 0.64 | 1.09 | 3.56 |
| Agencies | 4.27 | 0.47 | 0.71 | 3.25 |
| Municipals | 3.97 | 0.20 | 0.52 | -0.45 |
| U.S. Investment Grade Credit | 4.56 | 0.68 | 1.18 | 3.65 |
| International | 5.06 | 0.67 | 1.39 | 3.68 |
| High Yield | 7.10 | 0.81 | 1.58 | 4.30 |
| 90 Day Yield | 4.29 | 4.30 | 4.33 | 4.31 |
| 2 Year Yield | 3.75 | 3.91 | 3.90 | 4.24 |
| 10 Year Yield | 4.28 | 4.38 | 4.40 | 4.57 |
| 30 Year Yield | 4.84 | 4.89 | 4.93 | 4.78 |

## Commodities & Currencies

| | Total Return in USD (%) | | | |
|---|---|---|---|---|
| Commodities | Current | WTD | MTD | YTD |
| Bloomberg Commodity | 253.86 | -3.5 | 3.2 | 6.4 |
| WTI Crude $/Barrel†† | 65.52 | -12.6 | 7.8 | -8.6 |
| Gold Spot $/Ounce†† | 3274.33 | -2.8 | -0.5 | 24.8 |

| | Total Return in USD (%) | | | |
|---|---|---|---|---|
| Currencies | Current | Prior Week End | Prior Month End | 2022 Year End |
| EUR/USD | 1.17 | 1.15 | 1.13 | 1.04 |
| USD/JPY | 144.65 | 146.09 | 144.02 | 157.20 |
| USD/CNH | 7.17 | 7.18 | 7.21 | 7.34 |

## S&P Sector Returns




Sources: Bloomberg, Factset. Total Returns from the period of 06/23/2025 to 06/27/2025. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 06/27/2025 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 6/27/2025)

| | Q1 2025A | Q2 2025E | Q3 2025E | Q4 2025E | 2025E | 2026E |
|---|---|---|---|---|---|---|
| Real global GDP (% y/y annualized) | - | - | - | - | 3.0 | 3.0 |
| Real U.S. GDP (% q/q annualized) | -0.5 | 2.3 | 1.0 | 1.6 | 1.6 | 1.6 |
| CPI inflation (% y/y) | 2.7 | 2.5 | 3.0 | 2.9 | 2.8 | 2.4 |
| Core CPI inflation (% y/y) | 3.1 | 2.8 | 3.2 | 3.2 | 3.1 | 2.7 |
| Unemployment rate (%) | 4.1 | 4.2 | 4.3 | 4.5 | 4.3 | 4.5 |
| Fed funds rate, end period (%) | 4.38 | 4.38 | 4.38 | 4.40 | 4.40 | 3.40 |

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 June 27, 2025.

## Asset Class Weightings (as of 6/3/2025)

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

## CIO Equity Sector Views

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

*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 June 3, 2025. All sector and asset allocation recommendations must be considered in the context of an individual investor's goals, time horizon, liquidity needs and risk tolerance. Not all recommendations will be in the best interest of all investors.

## Index Definitions

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

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

**Euro Stoxx 50 Index** is a stock index of Eurozone stocks designed by STOXX, an index provider owned by the Deutsche Börse Group. The index is composed of 50 stocks from 11 countries in the Eurozone.

**DAX Index** is a stock market index consisting of the 40 major German blue chip companies trading on the Frankfurt Stock Exchange.

**CAC 40 Index** is a benchmark French stock market index. The index represents a capitalization-weighted measure of the 40 most significant stocks among the 100 largest market caps on the Euronext Paris.

**Kospi Index** is the index of all common stocks traded on the Stock Market Division of the Korea Exchange. It is the representative stock market index of South Korea, analogous to the S&P 500 in the United States.

**Shanghai Composite Index** is a stock market index of all stocks that are traded at the Shanghai Stock Exchange.

**Nikkei Index** is a stock market index for the Tokyo Stock Exchange. It is a price-weighted index, operating in the Japanese Yen, and its components are reviewed twice a year.

**Bonds/Bloomberg U.S. Treasury Intermediate Index** measures US dollar denominated, fixed-rate, nominal debt issued by the US Treasury with maturities of 1 to 9.9999 years to maturity.

**Credit/Bloomberg U.S. Long Corporate Index** designed to measure the performance of U.S. corporate bonds that have a maturity of greater than or equal to 10 years.

**Cash/Ibbotson US 30-Day Treasury Bills Index** is an unweighted index which measures the performance of one-month maturity US Treasury Bills.

**Inflation/Consumer Price Index** is a price index, the price of a weighted average market basket of consumer goods and services purchased by households.

## 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 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.

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.