CHIEF INVESTMENT OFFICE

Capital Market Outlook

July 20, 2026

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

IN THIS ISSUE

Macro Strategy—*Warsh Quashes the Debasement Trade:* The debasement trade was a popular narrative in 2025 that described an investment strategy where investors flee fiat currencies and bonds to move into "hard" assets like precious metals and bitcoin. During the search for a new Federal Reserve (Fed) chairman, the debasement narrative was pushed by the financial media, and the independence of the Fed was being called into question given certain candidates. Instead, the appointment of Kevin Warsh has had the opposite effect. For example, precious metals prices have fallen from their debasement peaks as has bitcoin, while the U.S. dollar's foreign exchange value remains strong. Concerns of excessive money printing to fund mounting government debt have been assuaged by the new chairman's focus on fixing the Fed's operations, including those that have caused five straight years of inflation overshoot and the affordability crisis. The confidence that has emerged about Mr. Warsh's commitment to restoring price stability has been reinforced by his choices to lead the five task forces advancing monetary policy. The people chosen to lead the task force on "inflation frameworks" are going to "revisit how the Fed understands and responds to the drivers of inflation."

Market View—*The Rotation Test:* Signs of broader market leadership have emerged across U.S. Equities in recent weeks. Since the start of June, the equal-weighted S&P 500 Index has outperformed its market-cap weighted counterpart, with leadership expanding beyond Technology. The key question now is not whether market breadth has improved, but whether it can finally be sustained. Investors have seen similar rotation attempts throughout this cycle, only to watch leadership narrow once again as inflation concerns and rate volatility returned to the forefront. That makes the current rotation an important test for the market. Is the market finally beginning to trade on earnings and economic growth, or will inflation and Fed policy expectations continue to dominate market dynamics? Broadening earnings growth and a resilient economic backdrop suggest the current rotation has a stronger fundamental foundation, though its durability remains closely tied to the inflation outlook.

The Ticker Tape—*Top Questions Answered Directly by Our Chief Investment Officer (CIO).*

- What is our view regarding the prospects for the return on the massive Artificial Intelligence (AI) capital investment? Is all of this worth it?

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Portfolio Considerations

The “Era of Transformation” is being driven by innovation, capital investment, infrastructure needs, and evolving themes that extend from short-term resilience and earnings growth to longer-term Rebalancing, Re-globalization, Reconstruction, and Rearmament.

Persistent shortages across AI-related resources, infrastructure, minerals, and defense equipment are expected to support productivity, profit margins, asset-price growth, and attractive potential opportunities across global equity markets, despite periodic “Bullwhip” market volatility.

We remain overweight U.S. and Emerging Market Equities—favoring Industrials, Financials, and Consumer Discretionary—while maintaining balanced exposure between Growth and Value, and views higher Fixed Income yields as attractive for income, diversification, and risk compensation.

MACRO STRATEGY

Warsh Quashes the Debasement Trade

Chief Investment Office, *Macro Strategy Team*

Investment Implications

Bringing inflation down to target and committing to a framework that explicitly controls inflation, much as Paul Volcker did in the 1980s, would likely end the five-year bear market in long-term Treasury bonds and also make financial sector stocks like banks more attractive for the long run.

Money Matters in the Warsh Framework. The three leaders of the "Inflation Frameworks" task force are Greg Mankiw, professor of economics at Harvard University and former chairman, Council of Economic Advisors; Thomas Sargent, professor of economics at New York University and Nobel laureate; and William White, senior fellow at the C.D. Howe Institute and former economic advisor at the Bank for International Settlements (BIS). A brief look at their work and views over long and distinguished careers provides some insight into how they align with Mr. Warsh and his critique of the Fed over recent years.

Professor Mankiw, for example, lays out his views in a paper titled "Six Beliefs I Have About Inflation," (Harvard University, May 18, 2024). The first four beliefs revolve around the Phillips Curve as a good theoretical idea and why it does not work in practice. This is significant because it basically says by extension that the framework the Fed currently uses does not work. Beliefs number five and six are more interesting and dovetail with Warsh's views about what does work.

This leads to belief #5: "The monetary aggregates deserve more attention." Discussing the Fed's big inflation mistake after the pandemic, he says: "The first economist I know of who predicted an inflation surge of this magnitude was Jeremy Siegel. I saw him interviewed on CNBC on May 14, 2021. At the time I was worried about inflation as well, ...But I never thought inflation would rise as much as it did. Siegel, it seemed to me, was being an alarmist, but he turned out to be right. He made his prediction by looking at M2[1] which in 2021 had expanded at a rate not seen since the standard time series began in 1960." Mankiw goes on to say the arguments against considering the monetary aggregates don't hold water and he debunks them. Not coincidentally, M2 recently reappeared in a Fed description of the economy. For the first time, the semi-annual Monetary Policy Report released in July, the first under the Warsh chairmanship, includes a discussion of the M2 monetary aggregate in its evaluation of financial conditions.

The last time the Fed paid much attention to the money supply was during Paul Volcker's tenure in the early 1980s. To bring inflation down from the double-digit levels of the late 1970s, he set lower targets for money supply growth and adjusted interest rates to achieve them. Thus began the long disinflation trend that ended with the pandemic.

Professor Mankiw's Belief #6 about inflation has also made its way to the new Fed, having been discussed by Mr. Warsh at his June post-Federal Open Market Committee press conference: "A target of 2 for inflation is better than a target of 2.0." There is an old joke about economists: They express their sense of humor by putting decimal points on their forecasts. This gives an absurd sense of precision that their analysis and common sense cannot justify. Mr. Warsh made this exact point during his press conference, and it's another sign that the task force work will be the basis for policy at the new Warsh Fed. The implication is policy will focus on keeping inflation in a range around 2%, perhaps 1% to 3%. This would help it average about 2% over time. Recent Fed policy has stopped inflation from falling below 2%. For example, the Fed began easing after its last tightening campaign before inflation even got down to 2%. To average 2% inflation has to run below that sometimes to offset the times when it's above target. The Fed has not done that during the past five years, causing inflation to run persistently above 2%.

Fiscal Dominance Causes Debasement. The source of currency debasement is the inflation that results when the fiscal authority is able to take control of the money printing. History is replete with examples that prove this fact. This is the reason why the Fed was created with a certain amount of independence from political control. Despite this independence, Fed monetary policy has become less independent from

[1] M2 measure works by conceptually leveraging or deleveraging a fund's portfolio to match the risk level of a reference benchmark, typically a broad market index.

the risk of fiscal dominance since the Great Financial Crisis (GFC) 2007-2008. Policies adopted at that time to reduce the threat of a worse recession have reduced the Fed's separation from fiscal influence. As a Federal Reserve Board member at the time, who was instrumental helping then Chairman Ben Bernanke navigate the financial crisis, Kevin Warsh reportedly disagreed with the policy shifts and resigned. His reforms are aimed at reducing the threat of fiscal dominance.

This is where the Nobel laureate, Thomas Sargent comes into the picture. His selection with Christopher Sims, in 2011 for the Nobel Prize was based on their "empirical research on cause and effect in the macro economy." Some of their early work validated the role of the money supply as the cause of inflation and influenced the Volcker Fed's operations to bring down inflation in the 1980s. Over an illustrious academic career, he has focused on the interplay between fiscal and monetary policy and how that interplay varies depending on true independence versus different degrees of cooperation between the two authorities.

A recent paper[2] with George J. Hall Illustrates his approach to these issues. The paper begins its analysis with a quote from Milton Friedman's 1959 book A Program For Monetary Stability: *The fiction that the Federal Reserve System is only quasi-governmental and its separation from the departmental organization of the Federal Administration no doubt alter the impact of political influences and lead to different actions than would be taken if the Reserve System were administratively consolidated with the Treasury. As an economic matter, however, the accounts of the Federal Reserve and the Treasury must be consolidated to determine what monetary action government is taking or to judge what the effects of such action are likely to be.*

Fed officials have adamantly avoided discussing any role fiscal policy may have in their policies, yet the quote above makes it clear that the effects of any given monetary policy depend on what's happening with fiscal policy and the Treasury's accounts. The Fed's pandemic response is a clear example. By ignoring its impact on the money supply, Fed officials were blindsided by the inflation outbreak. As Professor Mankiw noted in the earlier quote, only monetarists saw that outbreak coming, but the Fed had purged monetarism from its thought process.

Warsh has picked Thomas Sargent to help bring monetarist insights back into the Fed's understanding of how inflation works. His focus on the interplay between monetary and fiscal action will fill in some of the holes in the current framework, which needs fixing according to the new boss. The necessity of looking at the Treasury and Fed accounts together to judge effects of monetary policy means that the Task Force on Balance Sheet Policy will be looking at "the institutional implications of the Fed's current balance sheet regime." The Fed has generally regarded the balance sheet as a technical tool to adjust financial market plumbing rather than something that should be fully integrated into the Fed's regular monetary policy, as was made clear for example in recent statements by the Chicago Fed president. In Sargent and Friedman's view, it needs to be integrated into a fully effective inflation framework. The balance sheet policy since the GFC has been part of the "mission creep" that has raised the risk of fiscal dominance. Shrinking it will likely hurt the debasement trade as the markets seem to be realizing. The leaders of the Balance Sheet Task force are chosen to fix these issues.

The third member of the Inflation Task Force, William White, is recognized for his early prediction, while at the BIS, of the crisis that caused the GFC. He is a long-time critic of the easy-money, low-interest rate policies that have created rising cumulative levels of debt through successive cycles. He also blames much of the rise in economic inequality on these policies. As the person who oversaw the preparation of the BIS Annual Report for over a decade, he brings a vast knowledge of the nitty gritty of global financial balance sheets and crises to helping develop a better less risky operating framework to control inflation in the U.S. In our view the task forces are going to create a fundamental structural shift in monetary policy that will reduce inflation and mitigate the affordability issues plaguing American households.

[2] *"Fiscal Consequences of the U.S. War on COVID,"* August 31, 2025.

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The Rotation Test

Kirsten Cabacungan, ***Vice President and Senior Investment Strategist***

Signs of broader market leadership have emerged across U.S. Equities in recent weeks, raising the possibility that the market may finally be broadening beyond a narrow group of AI leaders. Since the start of June, the equal-weight S&P 500 has outperformed its market-cap weighted counterpart, with leadership expanding beyond Technology and into sectors that lagged earlier this year, including Financials and Healthcare. Beneath the surface, participation has improved as well. More than 60% of S&P 500 constituents have outperformed the index since the start of June, while breadth on down days has strengthened considerably. A majority of S&P 500 stocks have finished higher on 11 of the index's last 16 down days since June, or roughly 69% of the time, compared with just 37% of down days over the prior year.

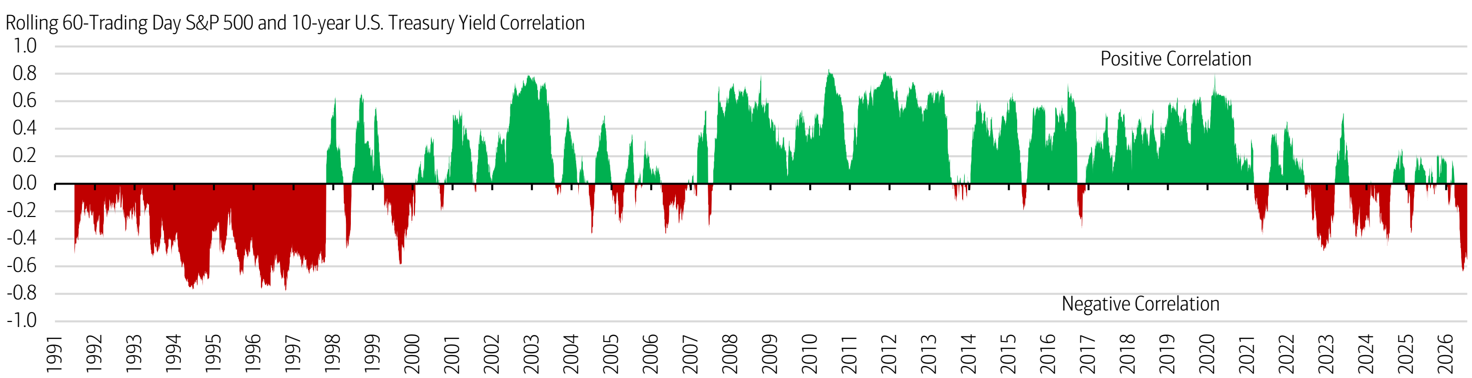
The key question now is not whether market breadth has improved, but whether it can finally be sustained. Investors have seen similar rotation attempts throughout this cycle, only to watch leadership narrow once again as inflation concerns and rate volatility returned to the forefront. That makes the current rotation an important test for the market. Is the market finally beginning to trade on earnings and economic growth, or will inflation and Fed policy expectations continue to dominate market dynamics?

The challenge for the rotation trade is that investors have spent this cycle trading inflation rather than growth. The AI boom has driven much of this bull market's returns and helped concentrate leadership among a relatively small group of mega-cap Technology stocks. However, while AI helps explain why leadership became concentrated, it does not fully explain why that concentration proved so difficult to break. Since 2022, inflation has remained stubbornly above the Fed's 2% target, causing investors to view stronger economic data more through the lens of monetary policy rather than earnings growth. As a result, the relationship between stocks and bond yields has shifted meaningfully. The three-month rolling correlation between the S&P 500 and the 10-year U.S. Treasury yield has turned firmly negative (Exhibit 1), a sharp departure from much of the previous two decades, when higher yields often reflected stronger growth expectations and could coexist with Equity gains. In today's environment, rising yields have more often been interpreted as a signal of persistent inflation and tighter financial conditions, creating a headwind for broader market participation. Put differently, broader market leadership has typically emerged when inflation and rate pressures have eased. That dynamic helps explain why rotation trades have struggled to gain lasting momentum during this cycle.

Investment Implications

One of the most important developments of Q2 was the broadening of market leadership, which suggests potential opportunities are increasingly extending beyond the largest AI beneficiaries. We therefore favor diversified exposure across size, style and sectors, including cyclical areas positioned to benefit from improving manufacturing activity, infrastructure investment and a resilient consumer. We continue to emphasize a high degree of diversification during this stage of the cycle.

Exhibit 1: The Relationship Between Stocks and Bond Yields has Flipped Negative.



Source: Bloomberg. Data as of May 27, 2026. 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 results.**

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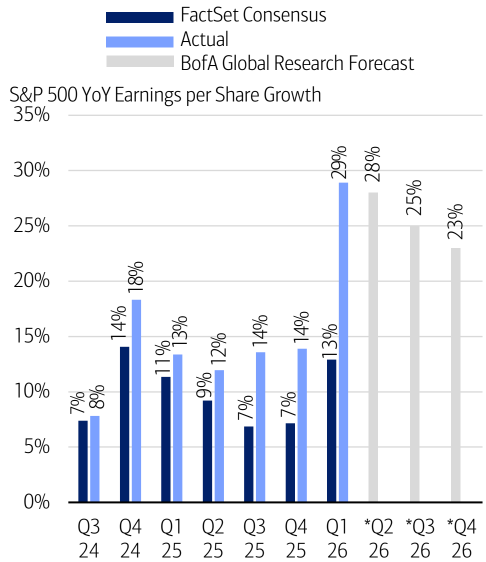
Recent market broadening appears to reflect a subtle but important shift in investor behavior. As geopolitical risks surrounding the U.S./Iran conflict appeared to subside and oil prices retreated in June, investors became increasingly willing to look beyond a narrow and crowded group of AI leaders following their powerful rally since the March lows. Importantly, the rotation reflected a market rebalancing rather than a broad risk-off capitulation, with investors still embracing the AI theme while increasingly broadening exposure to other areas of the market across sectors, styles and sizes. Financials and Healthcare emerged as early beneficiaries, while Small-caps and Value-oriented stocks also attracted renewed investor interest. The recent broadening has been encouraging, but it remains highly dependent on the inflation backdrop. Renewed military tensions in the Middle East serve as a reminder that inflation concerns have not fully disappeared and could once again challenge broader market participation.

The good news is that fundamental conditions are increasingly supportive of broader market leadership. Historically, sustained periods of market broadening have required earnings growth breadth, and there are growing signs that condition is falling into place. Earnings estimates show no signs of earnings momentum rolling over. BofA Global Research forecasts Q2 S&P 500 earnings per share (EPS) growth of 28% year-on-year (YoY) and have raised their full-year 2026 estimate to 26%. If realized, Q2 would mark a seventh consecutive quarter of double-digit YoY earnings growth and the second straight quarter above 20% (Exhibit 2). While the bulk of Q2 earnings growth is expected to be driven by Tech and Energy, the more important signal is that earnings growth looks more broad-based. FactSet estimates show 10 of 11 S&P 500 sectors are expected to post positive YoY growth in Q2 and all sectors are expected to deliver positive growth for the full year.

Broadening earnings growth is being reinforced by a resilient economic backdrop. The Institute for Supply Management Manufacturing Purchasing Managers' Index (PMI) has remained in expansion territory, increasing 9% YoY on average in Q2, while the ISM Services PMI rose 6% YoY on average during the quarter (Exhibit 3). Historically, these trends have been consistent with continued earnings growth, with the Manufacturing PMI trend implying roughly 10% EPS growth in Q2 while Services PMI implies closer to 20% growth, according to BofA Global Research. While those historical relationships imply earnings growth below current consensus expectations, they likely understate the contribution from Technology in the current cycle. More importantly, improving manufacturing and services activity suggests the growth backdrop remains supportive of the areas of the market that have recently benefited from broader participation. Together with improving earnings breadth, that provides a strong fundamental foundation for broader market leadership.

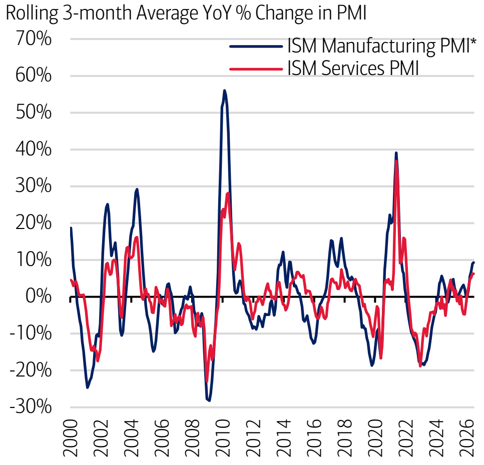
The bottom line for investors is not to abandon the AI trade but to broaden exposure beyond it. As the macroeconomic backdrop remains resilient and earnings growth broadens, diversification across sectors, styles and market capitalizations becomes increasingly important. Still, this remains an inflation-driven cycle. The durability of the current rotation will depend in large part on whether inflation pressures remain contained and how policymakers respond. The evolution of the conflict in the Middle East and its implications for energy prices therefore remain important to monitor. For now, however, broader earnings participation and improving economic activity suggest that market leadership may finally have a stronger foundation than at other points during this cycle.

Exhibit 2: Earnings Growth Remains Resilient.



*Estimates. BofA Global Research; FactSet. Data as of July 16, 2026.

Exhibit 3: Economic Activity Is Expanding.



*Institute for Supply Management Purchasing Managers' Index. Source: Bloomberg. Data as of July 16, 2026. Please refer to index definitions at the end of this report.

What is our view regarding the prospects for the return on the massive AI capital investment? Is all of this worth it?

Christopher Hyzy, *Chief Investment Officer*

Much of the focus on the actual return on investment (ROI) has been squarely on the consumer side of the buildout, not on the full picture. The consumer side of this equation only looks at traditional spending similar to the initial movement in software many years ago. The focus is on the cost per user over a set timeframe—number of subscribers multiplied by the cost per subscription. There will likely be some components of this as a core element of accumulating revenues if you are a large language model owner or a hyperscaler in general. However, in our view, this is likely only a sliver of the overall return.

The "real" return is wider and deeper. It involves examining corporate profit margins across industry groups in public and private companies of all sizes. If margins are expanding, profitability rising and economic growth increasing collectively, the ROI is inherent in the overall growth in the pool of capital globally. In other words, the payback is higher growth, greater profitability, wider margins and increasing productivity. The ROI is not on the nominal spend by consumers and corporations that are individual users of AI—it is whether or not the level of economic growth over time is much higher. Does this create a flywheel or a pendulum?

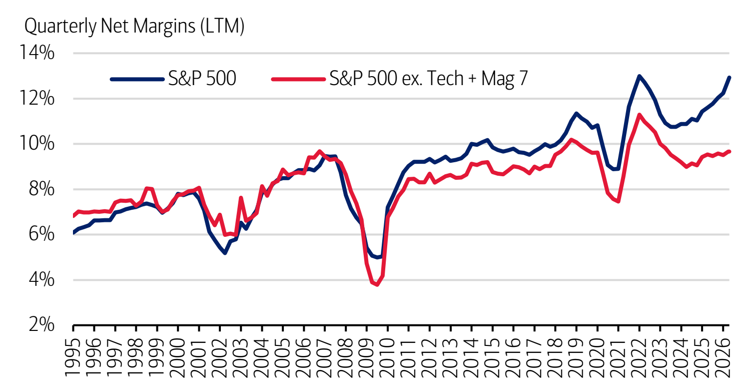
We say flywheel. When the railroads were first built and tracks were laid, the capital investment was extensive and took years. The payback wasn't the cost of a passenger ticket—it was the overall level of commerce of goods and services that was created. Not to mention the growth of new cities, new industries and ultimately new jobs.

Investment Implications

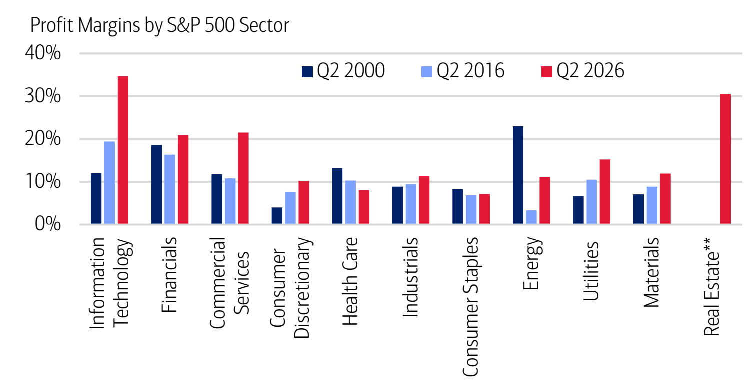
AI-driven shortages across Compute, Light, Architecture, Memory, Power and Stacks (CLAMPS), along with key resources and infrastructure, are expected to support higher productivity, sustained profit margins, broad Equity potential opportunities, asset reflation, and relatively stable interest rates.

Exhibit 4: Margin Resiliency Across Industries.

A) Excluding Technology and Magnificent 7*, S&P 500 Margins Continue to Expand.



B) Seven Sectors Exhibiting Higher Profit Margins Compared to 10 years ago.



*Magnificent 7=Apple, Amazon, Alphabet, Nvidia, Meta, Microsoft, and Tesla. Exhibit 4A) Source: FactSet. Data as of July 16, 2026. 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 results.** Exhibit 4B) Source: Bloomberg. Data as of June 30, 2026. **Real Estate data available from September 2016 to June 2026.

MARKETS IN REVIEW

Equities

	Total Return in USD (%)			
Equities	Current	WTD	MTD	YTD
DJIA	52,146.42	-0.9	-0.3	9.4
NASDAQ	25,520.24	-2.9	-2.6	10.2
S&P 500	7,457.69	-1.5	-0.5	9.6
S&P 400 Mid Cap	3,775.17	-0.1	-2.0	15.0
Russell 2000	2,962.22	-0.5	-2.0	20.1
MSCI World	4,807.71	-1.2	-0.3	9.3
MSCI EAFE	3,100.07	-0.8	-0.5	8.9
MSCI Emerging Markets	1,620.66	-4.1	-5.8	16.7

Fixed Income[†]

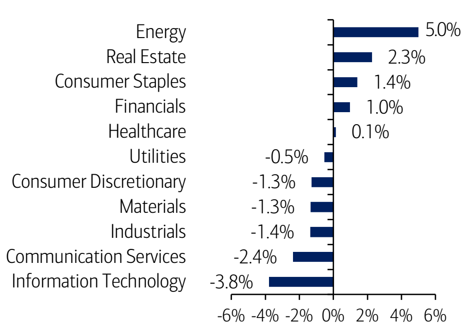
	Total Return in USD (%)			
Fixed Income	Current	WTD	MTD	YTD
Corporate & Government	4.74	0.12	-0.47	0.02
Agencies	4.49	0.16	-0.06	0.55
Municipals	3.73	-0.40	-0.80	1.50
U.S. Investment-Grade Credit	4.83	0.13	-0.45	0.16
International	5.31	0.07	-0.70	0.15
High Yield	7.18	0.03	0.15	2.11
90 Day Yield	3.79	3.78	3.81	3.63
2 Year Yield	4.18	4.21	4.17	3.47
10 Year Yield	4.55	4.56	4.47	4.17
30 Year Yield	5.07	5.06	4.95	4.84

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	337.51	3.6	6.8	22.2
WTI Crude $/Barrel[††]	82.49	15.5	18.7	43.7
Gold Spot $/Ounce[††]	4017.39	-2.5	0.2	-7.0

	Total Return in USD (%)			
Currencies	Current	Prior Week End	Prior Month End	2025 Year End
EUR/USD	1.14	1.14	1.14	1.17
USD/JPY	162.40	161.68	162.55	156.71
USD/CNH	6.78	6.78	6.79	6.98

S&P Sector Returns



Sources: Bloomberg, Factset. Total Returns from the period of 07/13/2026 to 07/17/2026. [†]Bloomberg Barclays Indices. [††]Spot price returns. All data as of the 07/17/2026 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 7/17/2026)

Economic Forecasts	Q1 2026A	Q2 2026A	Q3 2026E	Q4 2026E	2026E	2027E
Real global GDP (% y/y annualized)	-	-	-	-	3.2	3.5
Real U.S. GDP (% q/q annualized)	2.1	2.5*	2.5	2.4	2.3	2.2
CPI inflation (% y/y)	2.7	3.8*	3.3	2.9	3.2	2.1
Core CPI inflation (% y/y)	2.5	2.7*	2.4	2.5	2.5	2.5
Unemployment rate (%)	4.3	4.3	4.3	4.2	4.3	4.2
Fed funds rate, end period (%)	3.63	3.63	3.88	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. Data as of July 17, 2026.
Sources: BofA Global Research; GWIM ISC as of July 17, 2026.

Asset Class Weightings (as of 7/7/2026)

Asset Class	Underweight		CIO View 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			●		
Private Credit			●		
Real Assets			●		
Cash					

CIO Equity Sector Views

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

* Many products that pursue Alternative Investment strategies, specifically Private Equity and Hedge Funds, are available only to qualified investors. CIO asset class views are relative to the CIO Strategic Asset Allocation (SAA) of a multi-asset portfolio. Source: Chief Investment Office as of July 7, 2026. All sector and asset allocation recommendations must be considered in the context of an individual investor's goals, time horizon, liquidity needs and risk tolerance. Not all recommendations will be in the best interest of all investors.

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Index Definitions

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

S&P 500 Index is a stock market index tracking the stock performance of 500 leading companies listed on stock exchanges in the United States.

S&P 500 Equal-Weighted Index is an alternative version of the standard S&P 500. While it includes the exact same 500 companies, it assigns an equal fixed weight to every stock—roughly 0.2%—regardless of a company's physical size or market capitalization.

Institute for Supply Management Manufacturing Purchasing Managers' Index is a monthly economic indicator that measures the health of the U.S. manufacturing sector.

Institute for Supply Management Services Purchasing Managers' Index is a monthly economic indicator measuring the health of the U.S. service sector.

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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, such as gold, 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 credit, 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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