

CHIEF INVESTMENT OFFICE

Capital Market Outlook

July 29, 2024

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

IN THIS ISSUE

Macro Strategy—Q&A on Five Mega-Forces That May Define Markets’ Returns in Second Half of Decade: The first half of this decade is nearly over, and key themes have emerged. Artificial intelligence (AI) enthusiasm continues to accelerate, carrying hope that higher global productivity and growth will continue. Global conflict rages on with wars in Europe and the Middle East, tensions in the South China Sea, and the 24/7 cyber war. Meanwhile, a bull market in protectionism suggests globalization has seen better days, global sovereign debt has risen nearly 30% from the start of the decade, and a hotter planet cost the world \$380 billion in economic losses in 2023 alone.

Looking ahead to the second half of the 2020s, we’ve identified five questions that are expected to shape how the world looks in 2030: When will the effects of the AI revolution affect the real economy? Will the globe choose war or peace? More or less of de-globalization? Will the bond vigilantes return to discipline profligate governments? And finally, how much will it cost to cool a hotter planet? Answers to these questions may help drive future market returns.

Market View—Summertime Market Action Pays Credence to Diversification: Observable rotations took hold of the equity market in July, predicated largely on softer inflation data and leading to a spike in the odds that the Federal Reserve (Fed) would begin their interest rate cutting cycle sooner than later. Interest rate sensitive pockets have performed well like Small-caps, Real Estate and Regional Banks. Unlike its first half performance, the Magnificent 7¹ and mega cap Technology peers, along with semiconductor stocks, were among the biggest laggards. Certain conditions would encourage this rotation to continue, including resilient growth and earnings that can deliver on expectations.

While so much was made of the concentrated performance of the first half, July’s market action pays credence to a well-diversified portfolio. For that reason, we continue to beat the drum on the advantages in allocating across a diversified spectrum of sectors, sizes and styles.

Thought of the Week—Don’t Concentrate Too Hard—Market Breadth Is Improving: While the Magnificent 7 still dominate the overall weight of the S&P 500 Index and have helped fuel returns for the overall index this year, it may be important to consider individual stock performance across all sectors as we’ve begun to see a gradual broadening out amongst sectors and different indexes, leaving room for new investor opportunities.

¹Apple, Amazon, Alphabet, Nvidia, Meta, Microsoft, and Tesla.

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MACRO STRATEGY ►

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

Ariana Chiu
Wealth Management Analyst

MARKET VIEW ►

Lauren J. Sanfilippo
Director and Senior Investment Strategist

THOUGHT OF THE WEEK ►

Theadora Lamprecht
Assistant Vice President and Investment Strategist

MARKETS IN REVIEW ►

Data as of 7/29/2024,
and subject to change

Portfolio Considerations

We maintain an overweight to Equities, with a preference for higher quality U.S. Large- and Small-caps. We continue to incorporate cyclical-value exposure in our sector views by maintaining overweight allocations to areas like Energy, Industrials and Consumer Discretionary and emphasize Healthcare to reflect a balance between Value and Growth.

We still favor a significant allocation to bonds in a diversified portfolio, re-affirm our view to be slightly long duration and reiterate our preference for rate risk over credit risk generally within Fixed Income.

We view weak episodes in the markets as a buying opportunity for long term Equity investors.

Q&A on Five Mega-Forces That May Define Markets' Returns in Second Half of Decade

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

Ariana Chiu, Wealth Management Analyst

With the first half of this decade nearly over, we thought it would be a good time to peer into the future—or the second half of the 2020s—and discern/dissect the mega-forces that are expected to shape how the world looks in 2030. The answers to the following questions may help drive future market returns.

When will the effects of the AI revolution affect the real economy? Every new technology creates its own hype and hope, and the recent leap in the deployment of AI—notably generative AI—is no different. The enthusiasm generated by AI has boosted the market cap of AI enablers and, to a lesser degree, a handful of AI adopters. That said, the macro effects of AI remain marginal at this time, leaving open the question as to when the AI revolution will significantly affect the real economy.

The hope is that AI will be profoundly additive to global growth and prosperity, namely through gains in productivity. Think greater improvements in customer services, health diagnostics, enhanced research & development capabilities, more personalized point of sales, and numerous labor-saving activities. The potential upshot from all of the above: increased earnings, higher wages, lower inflation, better quality of life, and other growth-enhancing metrics.

That all sounds wonderful, but the road ahead will be long. As *The Economist* recently noted, “there is little sign AI is having much of an effect on anything.” Also from the same source: “the incorporation of AI into business processes remains a niche pursuit” and “macroeconomic data also show little evidence of a surge in productivity.”² You get the picture—the start-up, adoption phase of AI has been incremental at this stage. But that’s true for most technological waves; as the decade wears on, we expect the effects of AI to become more tangible, helping America to maintain its absolute and relative position as the world’s most competitive economy.

Global war or peace? This question—war or peace—might seem silly given the ongoing ground war in Europe and the Middle East, tensions in the South China Sea, and the 24/7 war being waged in cyber. Wars, in other words, are commonplace. But that said, it is worth noting that, save the Korean War, no great powers have gone to war against each other in decades, rendering a global “peace dividend” that allowed governments to reallocate public spending away from guns (arms, munitions) and more toward butter (social programs).

Whether the status quo continues remains unclear. Today, China and Russia, along with North Korea and Iran, have coalesced into an “axis of upheaval,” whose shared ambition is nothing short of remaking the U.S.-led global liberal order of the past 80 years. Meanwhile, the “reunification” of Taiwan with China remains a strategic imperative of Beijing’s, with China, according to various U.S. military sources, wanting the capability to reunify with Taiwan by force by 2027. If nothing else, the Great Power Rivalry between the U.S. and China is expected to remain tense and fraught with risk over the balance of this decade.

Against this backdrop, global defense spending as a percentage of world gross domestic product (GDP) remains near historic lows. The world spent just 2.3% of world GDP on defense in 2023—a level well below the 3.5% annual average from 1960 to 2022, according to the Stockholm International Peace Research Institute. Unless the doves of peace suddenly appear on the horizon, global defense spending is headed higher. Stay long defense and cybersecurity leaders.

More or less of de-globalization? The 2020s have been rough on the globalists—or those in favor of a world economy underpinned by unfettered cross-border flow of capital, goods, services, people and data. The rules-based, free market-led interdependent world of the past is

Investment Implications

Now nearly halfway through the decade, we expect the investment landscape to continue to be dominated by questions related to AI, war, globalization, debt, and the climate. How these themes unravel will likely have major ramifications on economic growth, earnings, and market returns. We continue to recommend thematic solutions as a complement to diversified core portfolios.

² See “A sequence of zeros,” *The Economist*, July 6, 2024.

fraying. Indeed, there has been a bull market in protectionism this decade, with the number of trade restrictions counted by the Global Trade Alert more than tripling since 2019. It's different this time—national security trumps economics/profits; trade isn't free, it's managed; global capital flows aren't global; industrial policies are back; global supply chains are being reconfigured at substantial costs to companies; and deregulation is out, regulation in.

No, globalization isn't dead, but it's seen better days. And the risk is for an even more fractured and divided global economy heading into the second half of the 2020s. The consequences of more de-globalization run the gamut, from higher global inflation, declining global living standards and diminished global earnings for U.S. multinationals. The motivations of multinationals—profits—are now on a collision course with the overarching priorities of governments—national security first, economics/profits second.

In a more de-globalized world, most at risk within the S&P 500 are Technology and Materials, with overseas revenue accounting for more than half of the total for both sectors. Overall, just over 40% of S&P 500 revenue is leveraged to overseas markets, according to FactSet—suffice it to say, the question of more or less de-globalization is hugely important to the long-term earnings outlook for the S&P 500.

Will the bond vigilantes return to discipline profligate governments? With sovereign debt levels at or near record highs around the world—including the U.S.—one key question for the future is whether or not another “Liz Truss Moment” lies on the horizon. The latter refers to the U.K. government of Liz Truss, whose administration was toppled after the bond vigilantes—not liking her budget—pushed bond yields up from 2% to nearly 4.5% in a matter of weeks in the summer of 2022. Both the budget and government were subsequently tossed.

Global sovereign debt now stands at a record \$91.4 trillion, a near 30% increase from the start of this decade, according to the Institute of International Finance. Behind this surge lies the costs associated with the global pandemic, the expense of waging wars, rising social benefits, and higher interest rates/payments on debt. It's a toxic mix—and one the U.S. is not immune to.

High U.S. debt levels and large deficits (relative and absolute) remain high on our watch list, and we remain particularly keen on how the next administration will fiscally navigate in a more constrained cost environment. According to the Office of Management and Budget, the fiscal year 2024 deficit is expected to be around \$1.9 trillion, or 6.7% of GDP. These levels are unsustainable; the better news: U.S. gross public sector debt/GDP remains around 100%, which is very manageable for the U.S.

How much will it cost to cool a hotter planet? The past year has been the hottest on record. The planet is now about 1.2°C warmer than it was in the 19th century, triggering rising economic costs in the way of heat-related productivity declines, falling crop yields and soaring insurance premiums, among other things.

Cooling the planet won't be cheap. Indeed, according to the International Energy Agency, the world will have to spend \$4.5 trillion annually by the early 2030s to reach net zero emissions by 2050. Meanwhile, natural disasters cost the world \$380 billion in economic losses in 2023 alone—including \$118 billion in insured losses.³ Since the start of the decade, insurers have paid more than half a trillion dollars in losses worldwide.³

Looking ahead, climate costs are likely to climb from here, particularly for the U.S., which spends 0.4% of GDP on floods, hurricanes, and severe convective storms alone.⁴ In absolute terms, the U.S. pays more in economic losses from weather events than any other country in the world.³ Amid rising temperatures and frequent disasters, managing insurance and corporate costs will be a major challenge for the U.S. and beyond for years to come. Cooling a hotter planet will provide both challenges to policymakers and opportunities for investors over the long term.

³ “2024 Climate and Catastrophe Insight,” Aon, January 23, 2024.

⁴ “Changing Climates: The Heat is (Still) On,” Swiss Re Institute, February 2024.

Summertime Market Action Pays Credence to Diversification

Lauren J. Sanfilippo, Director and Senior Investment Strategist

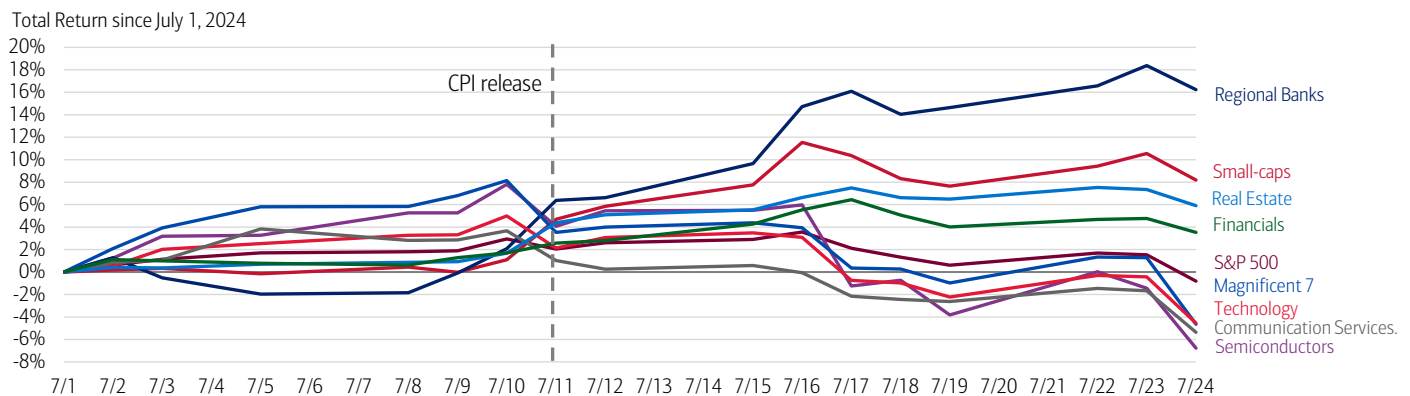
The markets (and volatility) have sauntered through a minefield of momentous events as of late. The word “unprecedented,” while overused in recent years, is appropriate in describing the 30-day stretch of late June into July for U.S. politics. The historic series of events began with an early presidential debate, followed by the assassination attempt on former President Trump in Butler, Pennsylvania, to President Biden’s decision to stand-down from reelection, that is, an incumbent president not seeking reelection—unseen since Lyndon B. Johnson in 1968. And yet, markets plodded along.

Instead, the catalyst—softer inflation data, leading to a spike in the odds that the Fed would begin their interest rate-cutting cycle sooner than later. Reactive, to say the least, was the Russell 2000 Small-cap Index that went on to gain 11.5% over just five trading days, beating the S&P 500 by 9.9 percentage points during that period, the largest five-day gap between the two since 1986.⁵ While traders covered their short positioning in Small-caps, the perceived odds of both rate cuts and a Trump victory contributed to the Small-cap rally. Other observable rotations in interest rate sensitive pockets performed well, like Real Estate and Regional Banks (Exhibit 1). Unlike first-half performance, the Magnificent 7 and mega cap Technology peers, along with semiconductor stocks, were the biggest laggards. The release of two Magnificent 7 earnings reports contributed to last Wednesday’s big one-day unwind, exaggerating the Technology weakness.

Investment Implications

The most recent Consumer Price Index (CPI) report sparked a rotation from this year’s narrow leaders to the laggards. This period of market action serves as a reminder that investors with balanced allocations should be better able to weather these sharp rotations.

Exhibit 1: July's Mix of Leaders and Laggard Performers.



Source: Bloomberg. Data as of July 24, 2024. S&P 500 Sectors and sub-sectors; Russell 2000 Small-cap Index Performance results are extremely short term and do not provide an adequate basis for evaluating performance potential over varying market conditions or economic cycles. **Indexes are unmanaged and do not take into account fees or expenses. It is not possible to invest directly in an index. Past performance is no guarantee of future results.**

The Undertow: Clues from Growth and Earnings. Certain conditions would encourage this rotation to continue, including resilient growth and earnings revisions and results. The good news being, the fundamental growth trajectory has accelerated from 1.4% in Q1 of this year to 2.8% in Q2. Aiding by personal spending that advanced more than expected, the figures still represent a moderation from growth rates seen last year.

Also telling is the commentary from the Fed’s July Beige Book—a collection of economic recounts by district. Most districts reported “slight to modest” growth in July, five of which reported activity remaining stable or declining compared to just two districts in the previous month. Slower growth expectations for the next six months were due to “uncertainty around the upcoming election, domestic policy, geopolitical conflict, and inflation.” That’s pile-on evidence that economic activity is slowing at the same time that

⁵ Five trading days ended July 16. Source: Bloomberg, Barron’s. Data as of July 2024.

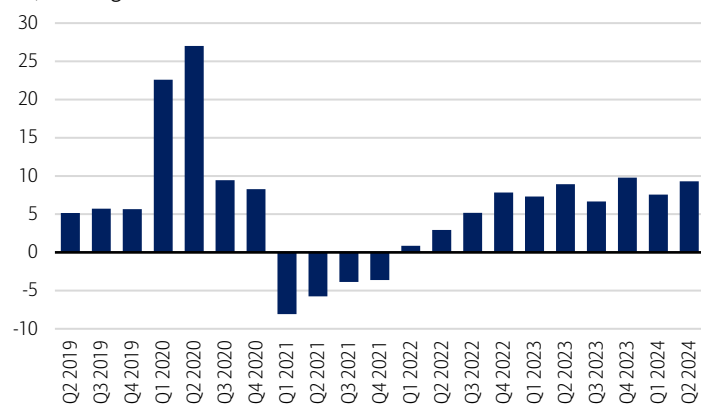
the disinflationary process has resumed—that helps to build confidence for the Fed to begin its rate-cutting cycle.

That uncertainty and moderation in the economy is coincident with bank’s earnings reports of higher provisioning for loan losses in Q2 2024 relative to the same quarter a year ago. Coming off the pandemic shock in early 2020, banks increased their loan loss provisions dramatically, unclear on the health of the consumer or broader economy (Exhibit 2A). In today’s environment, the six largest U.S. banks have provisioned close to \$9.3 billion this quarter compared to \$7.6 billion a quarter ago. This uptick is likely attributable to a slow return to normalized credit activity and trends, rather than a troubling indication of economic or consumer health.

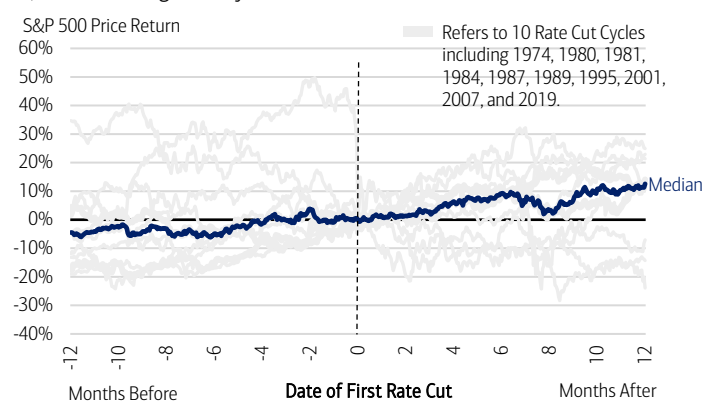
With a September rate cut now nearly fully priced into markets, it’s instructive then to look at Equity performance around rate cuts and the potential path forward. In previous rate cutting cycles, Equities have rallied into the first cut and consolidated in the few months following, only to resume the upward trajectory on a sustained basis on a six-month (9%) and 12-month (12%) basis (Exhibit 2B).⁶

Exhibit 2: Bank Provisions and Rate Cut Reaction.

2A) Six Largest U.S. Banks' Loan Loss Provisions.



2B) Rate-Cutting History as a Guide.



2A) Six largest U.S. banks: JP Morgan, Citi, Bank of America, Wells Fargo, Truist, US Bancorp. Source: Bloomberg. Data as of July 2024. 2B) Returns indexed to the date of first rate cut. Source: Bloomberg. Data as of July 24, 2024. **Indexes are unmanaged and do not take into account fees or expenses. It is not possible to invest directly in an index. Past performance is no guarantee of future results.**

Diversification Matters, as Do Fundamentals. While so much was made of the concentrated performance of the first half, July’s market action pays credence to diversification—and in a big way. Recent rotations have rewarded previously unloved, Value-oriented, cyclical pockets, and even stocks down the size spectrum. While Growth stocks belong as a core holding of Equity portfolios given their strong fundamentals, balance matters. While monitoring overexposures to Growth, we recommend Value as an offset to capture rotations and as earnings broaden out to non-technology areas. Some of the strongest earnings trends this quarter are seen in the Healthcare (estimate of 12% earnings growth year-over-year) and Financial (15%) sectors alongside the continued earnings dominance of Communication Services (20%) and Technology (16%), according to FactSet. For that reason, we see potential advantages in allocating across a diversified mix of sectors, particularly if earnings can deliver and these rotations prove sustainable.

⁶ Bloomberg. Data as of July 2024.

THOUGHT OF THE WEEK

Don't Concentrate Too Hard—Market Breadth Is Improving

Theadora Lamprecht, Assistant Vice President and Investment Strategist

The S&P 500 has increased over 15.3% year-to-date (YTD), although the median⁷ performance of a company within the index has reached only 9.9%, suggesting the range of performance differs significantly across all 503 members. This trend is most noticeable in the Communication Services and Information Technology sectors, as there have been areas outperforming the overall Index YTD, yet their median total return lags far behind, signifying a distortion that a minority of their companies is propping up the sector.

Conversely, Financials and Industrials have similar sector and median returns, which also outpace the S&P 500's median return (Exhibit 3), implying broader participation, which is notable given the two sectors account for 21.5% of the Index weighting. This supports our overweight to Industrials as there are positive thematic drivers the next few years related to defense spending, air travel, and improvements in the global capital expenditures cycle. Additionally, we are constructive (or neutral) Financials given that inflation is trending downwards, and anticipated Fed rate cuts would alleviate tightened credit standards and improve the pace of lending. Surprisingly, according to Strategas Research Partners, after over 630 days, the equal-weight Financials sector is very close to reaching a new, all-time high fueled by improving fundamentals and Q2 earnings.⁸

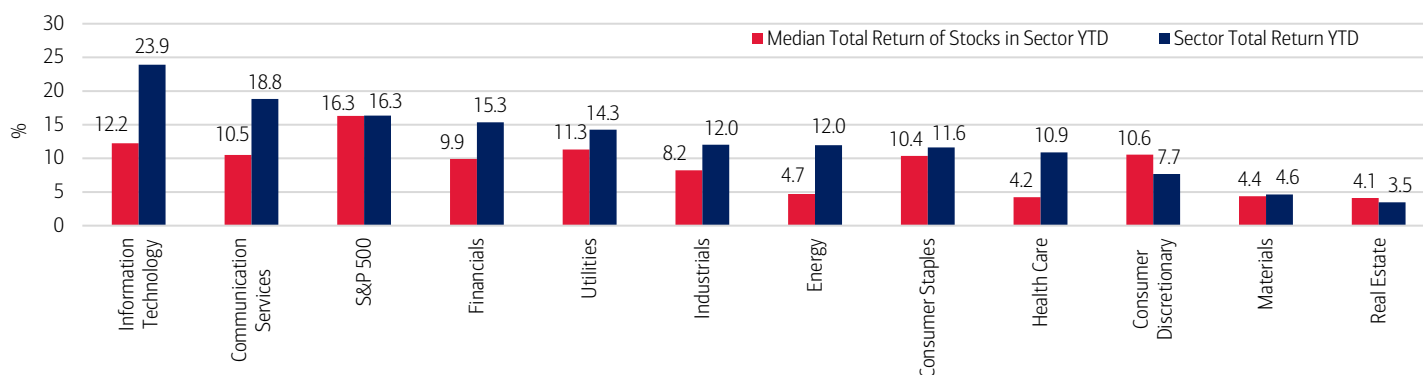
Additionally, two weeks ago, three sectors (Consumer Staples, Healthcare and Real Estate) displayed negative median total returns; however, they've since turned positive, further emphasizing a broadening out amongst sectors and the possibility to find constructive returns outside of technology-related areas. Moreover, there was a recent surge in 20-day highs amongst different indexes: 50% for the S&P 500, 55% for the Russell 1000 and 75% for the Russell 2000.⁹ This shows a shift from the narrowness narrative toward an improvement in Small-caps and, historically, is often a sign that there's room for the bull market to continue.⁹

While bouts of market volatility and consolidations are expected, especially during an election year, we ultimately expect there to be room across sectors and different indexes (mega-, mid-, small-cap, etc.) for investors to seek opportunities amidst the expected broadening out of the market.

Portfolio Considerations

We believe investors should remain fully balanced and diversified, as we expect the market could continue to broaden out in the second half of the year. Growth continues to be a significant driver of this shift given the underlying innovation trends that are driving investment. It's important to still remain mindful of overexposure in portfolios.

Exhibit 3: Median Total Return Differs Considerably Across Sectors Compared to Their YTD Return.



Source: Bloomberg. Data as of July 26, 2024. **Indexes are unmanaged and do not take into account fees or expenses. It is not possible to invest directly in an index. Past performance is no guarantee of future results.**

⁷ The value separating the higher half from the lower half of a data sample, a population or a probability distribution. For a data set, it may be thought of as the 'middle' value.

⁸ Data as of July 24, 2024.

⁹ "Implications of Last Week's Momentum Surge", Strategas Research Partners, July 22, 2024.

Equities

| | Total Return in USD (%) | | | |
|-----------------------|-------------------------|------|------|------|
| | Current | WTD | MTD | YTD |
| DJIA | 40,589.34 | 0.8 | 3.9 | 8.8 |
| NASDAQ | 17,357.88 | -2.1 | -2.1 | 16.1 |
| S&P 500 | 5,459.10 | -0.8 | 0.0 | 15.3 |
| S&P 400 Mid Cap | 3,074.96 | 2.0 | 5.0 | 11.5 |
| Russell 2000 | 2,260.07 | 3.5 | 10.4 | 12.3 |
| MSCI World | 3,524.08 | -0.8 | 0.4 | 12.2 |
| MSCI EAFE | 2,337.59 | -1.0 | 1.0 | 6.4 |
| MSCI Emerging Markets | 1,072.28 | -1.6 | -0.9 | 6.5 |

Fixed Income[†]

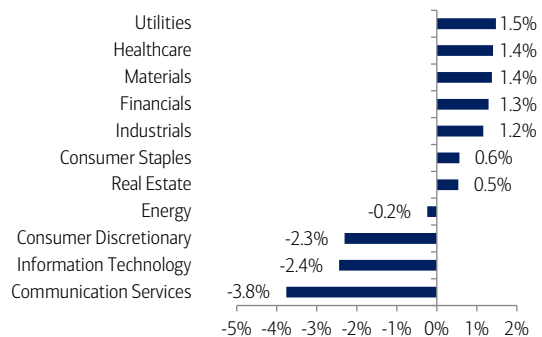
| | Total Return in USD (%) | | | |
|------------------------------|-------------------------|------|------|------|
| | Current | WTD | MTD | YTD |
| Corporate & Government | 4.67 | 0.26 | 1.40 | 0.71 |
| Agencies | 4.70 | 0.27 | 1.03 | 1.87 |
| Municipals | 3.59 | 0.09 | 0.84 | 0.43 |
| U.S. Investment Grade Credit | 4.77 | 0.27 | 1.48 | 0.76 |
| International | 5.26 | 0.17 | 1.52 | 1.02 |
| High Yield | 7.63 | 0.30 | 1.69 | 4.31 |
| 90 Day Yield | 5.29 | 5.33 | 5.35 | 5.33 |
| 2 Year Yield | 4.38 | 4.51 | 4.75 | 4.25 |
| 10 Year Yield | 4.19 | 4.24 | 4.40 | 3.88 |
| 30 Year Yield | 4.45 | 4.45 | 4.56 | 4.03 |

Commodities & Currencies

| | Total Return in USD (%) | | | |
|-----------------------------------|-------------------------|------|------|------|
| | Current | WTD | MTD | YTD |
| Commodities | | | | |
| Bloomberg Commodity | 227.15 | -1.5 | -4.6 | 0.3 |
| WTI Crude \$/Barrel ^{††} | 77.16 | -3.7 | -5.4 | 7.7 |
| Gold Spot \$/Ounce ^{††} | 2387.19 | -0.6 | 2.6 | 15.7 |

| | Total Return in USD (%) | | | |
|------------|-------------------------|----------------|-----------------|---------------|
| | Current | Prior Week End | Prior Month End | 2022 Year End |
| Currencies | | | | |
| EUR/USD | 1.09 | 1.09 | 1.07 | 1.10 |
| USD/JPY | 153.76 | 157.48 | 160.88 | 141.04 |
| USD/CNH | 7.26 | 7.29 | 7.30 | 7.13 |

S&P Sector Returns



Sources: Bloomberg; Factset. Total Returns from the period of 7/22/2024 to 7/26/2024. [†]Bloomberg Barclays Indices. ^{††}Spot price returns. All data as of the 7/26/2024 close. Data would differ if a different time period was displayed. Short-term performance shown to illustrate more recent trend. **Past performance is no guarantee of future results.**

Economic Forecasts (as of 7/26/2024)

| | 2024E | Q1 2024A | Q2 2024A | Q3 2024E | Q4 2024E | 2025E |
|------------------------------------|-------|----------|----------|----------|----------|-------|
| Real global GDP (% y/y annualized) | 3.2 | - | - | - | - | 3.3 |
| Real U.S. GDP (% q/q annualized) | 2.7 | 1.4 | 2.8 | 2.5 | 2.0 | 2.2 |
| CPI inflation (% y/y) | 2.9 | 3.2 | 3.2 | 2.6 | 2.4 | 2.1 |
| Core CPI inflation (% y/y) | 3.4 | 3.8 | 3.4 | 3.2 | 3.1 | 2.6 |
| Unemployment rate (%) | 3.9 | 3.8 | 4.0 | 4.0 | 4.0 | 4.1 |
| Fed funds rate, end period (%) | 5.13 | 5.33 | 5.33 | 5.38 | 5.13 | 4.13 |

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 July 26, 2024.

Asset Class Weightings (as of 7/9/2024)

| Asset Class | CIO View | | |
|----------------------------|-------------|---------|------------|
| | 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 Funds | | | |
| Private Equity | | | |
| 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 July 9, 2024. All sector and asset allocation recommendations must be considered in the context of an individual investor's goals, time horizon, liquidity needs and risk tolerance. Not all recommendations will be in the best interest of all investors.

CIO Equity Sector Views

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

S&P 500 Price Return Index measures the value of the stocks of the 500 largest corporations by market capitalization listed on the New York Stock Exchange or Nasdaq. A price return index only considers price movements (capital gains or losses) of the securities that make up the index, while a total return index includes dividends, interest, rights offerings and other distributions realized over a given period of time.

Russell 2000 Small-cap Index measures the performance of the small-cap segment of the US equity universe. The Russell 2000 Index is a subset of the Russell 3000® Index representing approximately 7% of the total market capitalization of that index, as of the most recent reconstitution.

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

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

S&P 500 sub-sectors and industry groups Global Industry Classification Standard (GICS®)/S&P 500 Total Return Index, including Information Technology Total Return (TR) USD; Consumer Discretionary TR USD; Industrials TR USD; Real Estate TR USD; Communication Services TR USD; Materials TR USD; Financials TR USD; Consumer Staples TR USD; Utilities TR USD; Energy TR USD; Healthcare TR USD.

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