

CHIEF INVESTMENT OFFICE

Viewpoint

Year Ahead 2026: The Bull Powers On

December 2025

All data, projections and opinions are as of December 2, 2025 and subject to change.

IN BRIEF

- We believe the bull market marches on in 2026, powered higher by double-digit earnings growth and a supportive economic growth backdrop driven by capital investment, fiscal tailwinds, baby boomer spending and the ongoing innovation cycle. Its advance though could come at a more moderate pace compared to the full-force charge over the past three years given crosscurrents from labor softness, shakeouts between Artificial Intelligence leaders and laggards, valuation skepticism and midterm elections volatility.
- This investment landscape calls for disciplined diversification. That means maintaining a balance between playing offense, capturing potential market opportunities, and defense, reinforcing stability, in portfolios. Our constructive outlook keeps us overweight Equities, favoring Growth themes but also broader equity exposure, including International Equities. Within Fixed Income, we continue to emphasize moving out of excess cash and short-term Fixed Income into longer-dated Fixed Income to take advantage of higher yields for longer.
- The digital infrastructure buildout, global industrialization and transition investing, power generation advancements, experiential spending, automation and robotics, and the biotechnology renaissance should be major market and economic growth themes in 2026.

The bull market powers on in the next era of growth in 2026, in our view. But, like all developing growth cycles that are transformational, there are still concerns and crosscurrents that come and go. Our positive base case centers around seven core insights that should drive above average economic growth and rising productivity in 2026, which we expect to lead to solid, double-digit earnings growth for the S&P 500.

Another point to consider is when we look back on 2025, it may seem like the full year was relatively smooth given the overall attractive performance of equity markets. Obviously, that was not the case in early April in which the S&P 500 hit a low point and was down about 18% from the previous high on tariff concerns. More importantly, however, is the fact that 2025 has been a year that trying to time the markets has been, yet again, a very difficult task. According to our latest analysis, if you removed the ten best days of the year (through December 2) the S&P 500 would be down more than 12% overall on a price return basis versus up 16%. A market analysis fact few people know. When the fundamentals line up and economic recessions have very low probabilities of occurring, markets have tended to climb the wall of worry, pierce through the noise, and trend higher. We expect this to be the case again in 2026—a midterm election year which tends to be more volatile than others. The proud bull powers on.

CIO ASSET CLASS VIEWS

This month the Global Wealth & Investment Management Investment Strategy Committee (GWIM ISC) did not make any tactical asset allocation adjustments. 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 leverage market weakness and excessive strength to rebalance tactical exposures.

[View the CIO Asset Allocation Guidelines](#) ►

[Listen to the audiocast](#) ►

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 Strategies				
Private Equity & Credit				
Real Assets				
Cash				

*Many products that pursue Alternative Investment strategies, specifically Private Equity and Hedge Funds, are available only to qualified investors. CIO asset class views are relative to the CIO Strategic Asset Allocation (SAA) of a multi-asset portfolio.

Merrill Lynch, Pierce, Fenner & Smith Incorporated (also referred to as "MLPF&S" or "Merrill") makes available certain investment products sponsored, managed, distributed or provided by companies that are affiliates of Bank of America Corporation ("BoFA Corp."). MLPF&S is a registered broker-dealer, registered investment adviser, Member SIPC and a wholly owned subsidiary of BoFA Corp. Investment products:

Are Not FDIC Insured	Are Not Bank Guaranteed	May Lose Value
----------------------	-------------------------	----------------

Please see last page for important disclosure information.

8625397 12/2025

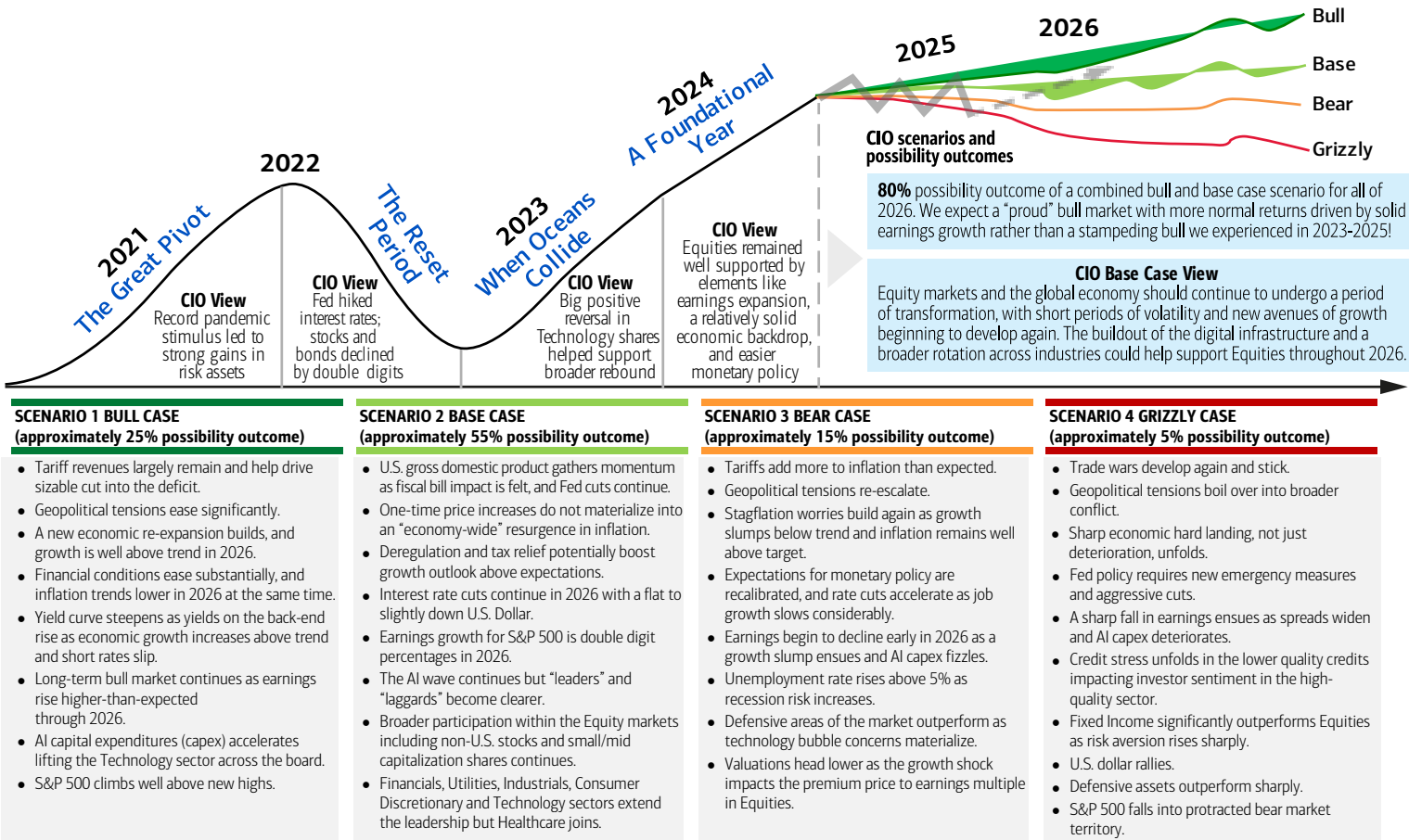
Our Seven Core Insights for 2026 include:

- 1. Above-average economic growth expected (BofA Global Research forecasts real global and U.S. gross domestic product (GDP) growth of 3.3% and 2.4% respectively) driven by capital investment, fiscal tailwinds for the consumer and corporation, and baby boomer spending.
- 2. Non-U.S. economic growth should be solid namely driven by fiscal spending and global trade. Europe to benefit from above-average defense spending, Asia is expected to benefit from increasing capital investment, Japan from accelerating automation growth and Emerging Markets (EM) driven by Real Assets exposure.
- 3. Equities should trend higher in a proud bull manner driven by double-digit earnings growth for the S&P 500. We expect 14% year-over-year (YoY) growth in earnings to \$310 in 2026.
- 4. U.S. equity valuation premiums should remain in 2026 but are vulnerable to any negative growth shocks. Free cash flow (FCF) growth is expected to be solid, as is price-to-earnings (P/E) ratio growth overall, but absolute P/E ratio multiples could undergo some rationalization throughout the year.
- 5. Capital market liquidity and financial conditions are tailwinds in 2026. Quantitative tightening of the Federal Reserve's (Fed) balance sheet ended on December 1, the U.S. dollar should be flat to slightly weak and short-term rates are heading lower, which should all help capital flow more easily during the year. And the 10-year Treasury yield should rise slightly to around 4.25% in our view.
- 6. We expect productivity to head another level higher which should underpin corporate margins. Asset-light companies investing in asset-heavy infrastructure continues but the merits of Artificial Intelligence (AI) efficiencies become more widespread which helps the corporate sector save time, improve quality and manage costs better.
- 7. The digital infrastructure buildout, global industrialization and transition investing, power generation advancements, experiential spending, automation and robotics, and the biotechnology renaissance are all major market and economic growth themes in 2026.

Through the year crosscurrents are likely to appear, such as labor market sluggishness, a rationalization battle between AI leaders and laggards, affordability concerns and valuation skepticism, which could temper over-excitement in Equity and credit markets. Gold should remain a "hedge" on many of these crosscurrents, particularly worries over rising global sovereign debt. We expect more of a proud bull in 2026 that powers on but doesn't stampede too far forward like the past three years. Portfolio diversification should prove its worth in risk management while core growth themes help boost returns. Our CIO portfolios continue to emphasize this combination of diversification and growth themes again in 2026 while we keep a keen eye on the concerns around the world.

Exhibit 1 outlines our four 2026 scenarios with our bull and base cases representing a combined 80% probability in our view.

EXHIBIT 1: WHAT IS THE NEXT MOVE?



— Gray line denotes uncertainty and volatility. — Black line represents the lifecycle of the CIO economic process and is not meant to represent any specific investment, index or performance of any kind. Source: CIO. Data as of December 2, 2025. CIO views are subject to change. **FOR INFORMATIONAL PURPOSES ONLY.** Economic or financial forecasts are inherently limited and should not be relied on as indicators of future investment performance. **Please refer to index definitions and important disclosures at the end of this presentation.**

What type of macro environment do we see likely to unfold in 2026? What are the drivers and what concerns should we be aware of in the next twelve months?

Worries about the impact of the massive shift in U.S. trade and geopolitical policies reached a frenzied highpoint in the aftermath of the April 2 Liberation Day tariff announcements. Since then, it's been off to the races as 2025 shaped up as a transition year to a new world order.

In the U.S., the shift from a government spending-led expansion to a new cycle, driven by private-sector investment has powered an accelerating earnings pickup that keeps surprising to the upside with double-digit YoY increases. In the rest of the world, this geopolitical reset has forced many regions to change their strategies in ways that are powering a much stronger global growth outlook geared toward more self-reliance and less dependence on the U.S. security umbrella as well as the trade favors that generally allowed for bigger barriers to the U.S. than for everyone else. Interestingly, the move toward "U.S. First" policies aimed at prioritizing domestic growth has coincided with strong performance abroad, with many international markets outperforming U.S. Equities by nearly two-to-one. Global stocks are setting records even as survey data reflect a consensus view anticipating potential negative effects from these policy shifts. This skewed consensus has built a "wall of worry" that the reality of strengthening earnings keeps climbing over. This helps explain the unusually big gap between sentiment and hard data.

Earnings tell the story. According to BofA Global Research, in November the Global Earnings Revision Ratio improved again as upgrades outnumbered downgrades for the first month in four years. This new upswing in global earnings, not coincidentally, dates to the April 8 S&P 500 low point. The data also shows the earnings upturn broadening out across countries and sectors helping to dispel fears that AI is behind all the growth while other sectors languish. The key point is a new positive earnings cycle sets the stage for stronger global growth in 2026. Earnings are the engine of economic growth, the fuel that fires the economy.

Aside from the new U.S. policies reshaping the global order, two other major macro forces make a new stronger global growth cycle likely to continue in 2026. AI is shaping the new world economy at a rapid rate. Accelerating data creation, data processing capacity and data analysis techniques translate into an accelerating economic growth rate with more GDP produced with less labor. A recent study by Massachusetts Institute of Technology and Oak Ridge Lab Research estimates almost 12% of existing jobs could be done with current AI capabilities. The quicker-than-expected onset of higher productivity is an important reason why economists and analysts keep being surprised by strong growth and higher earnings.

In addition to AI's force for stronger growth, the trend in macro monetary and fiscal policies shifted up with the pandemic response which was the biggest stimulus since World War II (WWII) in the U.S. This big shift toward greater deficits and easier monetary policy in the U.S. and other developed economies has bolstered both inflation and real growth. The result is that nominal GDP growth, which averaged a bit below 4% in the post-2008/2009 Global Financial Crisis era until 2020, has been running higher, closer to 6%. Corporate cash flow or revenues, for example, once again surprised to the upside in Q3 reflecting that stronger nominal growth. Consensus economists, on the other hand, are still expecting nominal GDP to grow only 4% or so, based on the old paradigm. The positive surprises from economic data and earnings this year reflect this out-of-date legacy view from the prepandemic era rather than the new reality of more aggressive fiscal and monetary policy since 2020.

The new geopolitical order has changed incentives for various regions alongside disparities between countries' application of the new looser fiscal and monetary orders. Countries that have resisted fiscal looseness are getting on board the rising debt train.

Perhaps Europe, and Germany in particular, illustrates these trends best. The fiscal constraint in Germany is being eased. Just the announcement of this has helped the MSCI Europe Index rise over 25% year-to-date (YTD), nearly double the rise in the S&P 500 Index. A big force for this change is the desire for more defense spending, as recent U.S. policy signals mark a departure from the post-WWII era of heavy U.S. security support and encourage greater shared responsibility among allies. Most of the North Atlantic Treaty Organization allies have

CIO TOP CONCERNS IN 2026

- Labor market sluggishness
- Affordability and the widening gap between lower- and higher-income cohorts
- Housing in limbo
- Potential rollback in geopolitical peace movements
- Valuation skepticism
- AI monetization risks
- Inflation un-anchoring itself

finally agreed to bolster their defense spending targets after decades of resistance. The shift toward greater fiscal latitude has increased the outlook for Europe in 2026.

Japan is also expected to keep the fiscal pump going as the new government ignores bond vigilantes pushing Japan government bond yields higher and higher. On the plus side, Japan's corporate governance reform and easy policies have bolstered its earnings revision ratio to the highest in the world. Relatively low valuations outside the U.S., combined with this positive earnings outlook helps explain why the rest of the world saw their equity markets outperform the U.S. in 2025.

Another factor in this outperformance is the overvalued U.S. dollar. While the euro made up for some of its undervaluation this year, the Japan and China currencies remain deeply undervalued on a purchasing power parity basis. Mean reversion to fair value is just a matter of time in our view and would provide an additional advantage for their markets along with the improving earnings outlook and corporate governance reforms in Japan.

Emerging markets are also adjusting to the new world order. Latin American markets have been among the best performing in the world this year.

Elsewhere, China remains an outlier from the global trend toward more inflationary monetary and fiscal policy. It's deflationary policy forces remain strong as consumers are afflicted by weak job growth and falling home prices while policymakers shift the industrial policy of the past five years from manufacturing exports to AI technology export leadership to challenge the U.S. Its stock market has also outperformed the U.S. by a wide margin. With its currency deeply undervalued and scope to rival the big U.S. technology companies' AI delivery, more outperformance in dollar terms would not be surprising in 2026.

All told, relative trends in growth, earnings and market asset prices render a much different picture than the pundits describe. The transition underway seems to have enough momentum to power the global economy higher in 2026 despite the risk of higher volatility that generally plays out in midterm election years, volatility that should make some of the underperforming defensive sectors catch up a bit. The new trend of stronger earnings broadening out to more traditionally cyclical areas of the market would also be likely to continue in this stronger growth environment.

What is our overall portfolio strategy for 2026 and beyond? Heading into 2026, our constructive outlook on the investment landscape underpins our overweight to Equities and slight underweight to Fixed Income within multi-asset portfolios. We continue to favor U.S. Equities, as we expect the bull market advance ahead to be supported by a powerful combination of fiscal stimulus, accommodative monetary policy, a surge in capital investment and a resilient corporate earnings backdrop. The recent equity market volatility underscores the value in maximizing diversification in portfolios. While a concentrated market can deliver outsized gains when its leaders excel, it also carries heightened downside risks when sentiment shifts abruptly.

To navigate this environment, investors should prioritize building resilient, well-diversified portfolios. That means spreading exposure across styles, regions, size and sectors while maintaining a balance between playing offense, capturing market opportunities, and defense, reinforcing stability. We therefore emphasize maintaining a balanced approach to Growth and Value and broadening Equity exposure to include non-U.S. markets, where valuations remain attractive relative to the U.S. While Large-caps continue to dominate, we maintain a slight overweight to Small-caps which historically tend to benefit in Fed interest rate cutting environments. From a sector perspective, we see opportunities emerging in Financials, Industrials, Utilities, Consumer Discretionary but stress the importance of diversifying across cyclical, interest-rate sensitive and Growth sectors at this stage of the cycle. We continue to favor a meaningful allocation to bonds within diversified portfolios and encourage investors to take advantage of attractive nominal and real yields by shifting out of cash toward their strategic duration targets. For qualified investors, our Alternative Investment strategy favors new investment to flow toward Venture Capital (VC) and Growth Equity strategies given their direct ties to the AI and related innovation themes, offering exposure beyond the public

hyperscaler companies. Above all, investors should rely on a disciplined investment process to cut through headline noise and to avoid emotion-driven investment decisions.

Are we worried about U.S. Equity valuations? As of the end of November, the S&P 500 forward P/E ratio stood at 22.5x, at a 35%+ premium to its long-term average of 16.5x. By historical standards, valuations are rich, although we believe not unjustifiably high given the current supports of the solid macro environment and rising earnings estimates. With that said, valuation opportunities remain in areas like Small-cap and Value, which trade at relative discounts to Large-cap and Growth counterparts. Growth continues to benefit from secular forces such as AI adoption as the compositional shift of the S&P 500 has trended toward growth-oriented companies, some of which are the most valuable/highest quality companies in the world that continue to outearn on a relative basis, while helping to justify higher multiples. These valuation gaps highlight the importance of diversification to balance concentration and valuation risk and returns. Portfolios should remain balanced overall—capturing undervalued segments while maintaining exposure to long-term growth drivers.

While the Fixed Income markets normalized in 2025 with the yield curve back to upward sloping and yields relatively range bound, what's in store for 2026 across the asset class? What are our main themes? Our main theme for Fixed Income in 2026 is that—generally speaking, and sometimes with a lag—long-term interest rates follow the expected path of short-term rates. This, not technical selling or sentiment, is the key driver of longer-term Treasury yields. 2025 was a perfect example: The Fed paused its rate cut campaign early this year, holding rates steady from January until September. The 10-year Treasury was similarly range-bound, oscillating between 4% and 4.8% during that time, averaging 4.4%. As it became clearer during the summer that the Fed would be cutting rates in the back end of the year, the 10-year rallied from mid-4% to all the way below 4%. It recently gave back some of those gains as expectations for a December rate cut had been pared back. For 2026, we expect inflation dynamics to become more favorable as the labor market is cooling, and the Fed will therefore likely continue its rate cut campaign. The market is expecting two to three rate cuts for 2026. While there could be surprises on either side of that estimate, the central tendency is to expect slightly lower yields and therefore positive performance in terms of bond price appreciation. Our second key theme is the tendency for the yield curve to “steepen” as the Fed cuts rates; meaning, short rates may move lower than long-term rates as they are even more sensitive to changes in Fed policy.

Putting those two key themes together—long rates will likely drift somewhat lower, and short rates may move even lower in magnitude—and our key portfolio suggestion is for clients to move out of excess cash and short-term Fixed Income into longer-dated Fixed Income to take advantage of higher yields for longer. The average U.S. Fixed Income market duration is approximately six, with an average maturity of 7.5 years. Portfolios that are substantially below that average maturity should have a very good reason for being constructed that way—for example, lower risk tolerance, heightened sensitivity to market value changes, a nearer-term need for cash—otherwise extending to a strategic duration target is very prudent in an upward-sloping yield curve that is above inflation, in our opinion.

Across sectors, we see no compelling anomalies in the taxable space and generally tight valuations, and would prefer to remain “actively neutral,” biding our time with a very balanced allocation to take advantage of any opportunities that the market may afford us in 2026. However, for our high-tax rate clients, we are still favorable on the municipal market, which is one of the most attractive Fixed Income markets currently, in our opinion. Selectively, and prudently, we do see potential opportunities in areas of long duration, which are relatively cheap to economic fundamentals due to widespread concerns about higher debt and deficit levels. We think some long-end rates are over-pricing this risk; we therefore see some select opportunities in longer-dated Treasury Inflation-Indexed Securities (TIPS), preferreds and hybrid securities, and longer-dated municipals.

What are our main trends within private markets? Alternative Investments (Alts) asset classes operate over longer horizons, so it can be helpful to zoom back from the day-to-day dynamics of public markets. This expansion is increasingly intertwined with the theme of

Transformative Innovation—private markets are actively incubating the next generation of mega-cap technology firms, positioning themselves as the birthplace of future disruptors.¹

Retail investors are poised to be a major growth engine for private markets. Bain projects a 12% growth rate in private wealth assets under management in Alts over the next decade, outpacing institutional growth. Innovation in accessibility and fund structure is already preparing the runway for this expansion—evergreen Alts funds have already grown at an 18% annual rate over the last 15 years, account for 5% of private markets overall, and are projected to grow at a 76% annual rate over the next 5 years bringing total assets to \$2.4 trillion.² Generational wealth transfer should only further accelerate this trend in the coming decades: Younger high-net-worth investors (ages 21 to 43) allocate nearly 17% to Alts, compared to just 5% among older cohorts.³

Is AI in a bubble? If not, why might this time be different? You don't have to look too far to find comparisons in financial media of current market conditions to the dot-com bubble of 1999/2000, where euphoria took over and asset prices disconnected from underlying fundamentals. We are skeptical of this narrative and believe current, more cautious, sentiment may not reflect the healthy fundamental backdrop. From a valuation perspective, enthusiasm was fueled by soaring stock prices and an unhindered optimism in the 1990s. This pushed the technology-heavy NASDAQ's P/E ratio to 90x. Today, the index stands at a much tamer 28x, which is elevated compared to the last few years, but isn't detached from fundamentals. Today's valuations are supported by corporate profits that are rising at a double-digit pace YoY. Amid stronger balance sheets, ample FCF, and higher profit margins, companies are better positioned compared to the dot-com bubble where most of the financing was debt-based. Additionally, while higher valuations do tend to occur during most innovation cycles, we're also seeing improved earnings growth. In 2026, we anticipate growth of over 14% YoY, with a broadening beyond just technology within the S&P 500; all 11 sectors are expected to have positive earnings growth, suggesting a healthier foundation heading in 2026.

Furthermore, we're in a potential new phase of growth powered by AI innovation and infrastructure investment. We're currently building the digital infrastructure and power-generating capacity that should span the global economy. Given demand has been strong, companies continue to invest in data centers on the expectation that they would need this supply going forward. While we're still in the early innings of this buildout, it will likely create real productivity gains in the long-term.

What are our main risks that we should keep in mind in 2026? While we believe that markets can power higher in 2026, we are watching several developments that could challenge our bullish narrative. Of the risks to consider, the softening labor market near the top of the list. The unemployment rate rose to 4.4% in September—the highest level since 2021—and layoffs have been increasing amid corporate belt-tightening and AI-driven structural shifts. A cooling “white collar” jobs market could pressure high-income consumer spending, which has been a key driver of growth. Further deterioration could prompt more accommodative policy in 2026, which would likely boost growth but could also pose upside risks to inflation.

Meanwhile, equity market concentration persists in a handful of highly valued AI-oriented stocks, leaving the broader market susceptible to volatility if momentum shifts. We're keeping an eye out for potential scenarios that could temporarily dampen investor enthusiasm as the multiyear AI buildout continues. Potential triggers include a bellwether earnings miss, a power or critical mineral supply crunch, or rising concerns about AI financing arrangements. The recent uptick in debt issuance to fund AI infrastructure could amplify risks if credit conditions deteriorate, adding another layer of vulnerability.

¹ Chief Investment Office “November Viewpoint: As the Flywheel Hums”, as of November 5, 2025. BofA Global Research, “Thematic Investing: Unicorns, Decacorns and Hectocorns: The Private Companies Primer”, as of October 21, 2025.

² Preqin, Deloitte. As of November 2025.

³ Bank of America, “2024 Bank of America Private Bank Study of Wealthy Americans”, as of June 2024.

Finally, tariff uncertainty is still front and center as the Supreme Court reviews the legality of tariffs under the International Emergency Economic Powers Act (IEEPA). A decision to strike them down could sharply cut government revenue, trigger a complex refund process, and put more pressure on the federal deficit, though the administration could find alternative ways to maintain tariffs if the ruling goes against it. Globally, geopolitical tensions could still present wildcards as trade negotiations continue.

10 INTERESTING FACTS

1. Midterm election years often present compelling buying opportunities. The months leading up to midterm elections can be choppy for U.S. Equities. Since 1970, the S&P 500 has seen an average maximum drawdown of 18.7% and overall average price return of just 1.7% in the 12 months before midterm elections. The post-midterm backdrop however is a different story. **Since 1970, the S&P 500 has delivered positive returns in the 12 months following a midterm election 100% of the time, gaining 13.5% on average, according to Bloomberg.**
2. **The One Big Beautiful Bill Act (OBBBA) is expected to increase tax refunds by 18%, or \$65 billion, in 2026.** According to Bloomberg Intelligence, there have only been three other distinct periods since the 1990s when rates were lower than prior peaks and fiscal stimulus was introduced: 1998, 2003, 2021. In each case, stocks rose over the subsequent year, gaining an average of 19.3%.
3. Robust free cash flow generation is a defining feature of the Magnificent 7's⁴ dominance. **Together, these 7 companies comprise 35% of the S&P 500, up from 24% five years ago, according to Bloomberg.** Over the past 12 months, they delivered approximately \$373 billion in aggregate FCF and are projected to generate another \$405 billion over the next year—comparable to the GDP of South Africa, the Philippines, or Singapore.
4. Companies are increasingly staying private longer. **The number of privately held firms surged from 2,600 in 2000 to 32,600 in 2025, while publicly listed companies declined from 6,900 to 4,600.** This shift is reshaping capital markets and fueling growth in Alternative Investments (Alts), as the private markets incubate the next mega-cap technology companies. **The Alts market is expected to grow from roughly \$4 trillion in 2010 to \$32 trillion by 2030, or 11% annually.**⁵
5. The wealth gap between lower- and higher-income households remains substantial. **The top 20% of households by income now control 71% of U.S. household wealth, up from 60% in 1990, while the bottom 20% holds just 3%.** Encouragingly, Equity ownership among the bottom quintile has gained traction—a trend that could support long-term wealth building and serve as a structural tailwind for Equities. **Stocks as a share of their net worth have climbed from 4% in 1990 to 17% today, the highest level since Q4 2021, and are growing at an annual rate of 10.5%, outpacing the top 20% at 9.8%.**⁶
6. The world has never been more awash in sovereign debt than today. According to the Institute of International Finance, global sovereign debt now stands at \$101.3 trillion, a record high, and a figure some 42% higher than at the start of this decade. **Gross public debt as a share of GDP in advanced economies now stands near 110%, close to an all-time high.**⁷
7. Central bank offloading of the U.S. dollar has gathered steam. According to the latest data from the International Monetary Fund (IMF), **the U.S. dollar accounted for 56% of global central bank holdings at the end of Q2, down from 58% a year ago and this century's peak of 73%.**⁸ The dollar's share of central bank holdings is now back to levels not seen since 1995. Central banks have been net sellers of dollars and buyers of gold for the past 15 years, although the pace has accelerated this decade. Based on data from the World Gold Council, the world's central banks bought more than 1,000 tons of gold for the third straight year in 2024 and now hold around a fifth of all the gold that has ever been mined.

CIO TAKEAWAY

Stay overweight Equities; the wealth effect and boomer spending remain strong tailwinds; gold demand continues to rise; investing in power generation is a critical theme; economic and profit growth is headed higher; Alts for qualified investors are increasing in demand.

⁴ Apple, Amazon, Alphabet, Nvidia, Meta, Microsoft, and Tesla.

⁵ PitchBook, Preqin. Data as of November 2025.

⁶ Federal Reserve. Data as of September 30, 2025.

⁷ Institute of International Finance. Data through Q2 2025


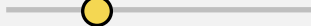

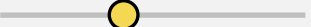
⁸ International Monetary Fund as of October 2025. World Gold Council as of February 2025.

8. The U.S. is poised for a surge in foreign direct investment (FDI), bringing broad economic benefits: more jobs, higher manufacturing output, increased local sourcing, stronger exports, greater research and development investment, higher tax revenues, and over time, support U.S. global competitiveness. **Since the start of this century alone, some \$5.8 trillion in FDI has flowed to the U.S., a figure representing 16.8% of the world total. That easily outdistances second place China (with an 8.1% global share) and third place Hong Kong (5.9%).**⁹
9. A major demographic shift is underway in the U.S., as a wave of retirees reshapes the economic landscape. **By 2030, every baby boomer will be at least age 65, according to the Census Bureau. Notably, older generations—baby boomers and traditionalists—have shown faster credit and debit card spending growth per household than overall households since 2022,** according to Bank of America aggregated card data.
10. Combined, **rising electric vehicles adoption, a higher share of electric heating (45% of homes vs. 32% in 2010), cryptocurrencies and a growing data center footprint have quadrupled U.S. electricity demand growth from about 0.6% per year between 2000 and 2019 to over 2% in 2024 and 2025,** according to the U.S. Energy Information Administration. What's more, datacenter capacity and power use are projected to triple by 2030. With an aging and too-small-to-fit power sector, this step-up in electricity demand has raised the specter of power shortages and costly grid expansion.







CIO INVESTMENT DASHBOARD AS OF DECEMBER 2, 2025

While we continue to see crosscurrents in the macroeconomic landscape, underlying fundamentals remain solid heading into 2026. We see the potential for a new phase of economic and market growth, powered by AI innovation, infrastructure investment, energy transformation, and global shifts in defense and technology. Long-term investors should remain fully invested and consider episodic weakness as a potential buying opportunity.

Current readings on the key drivers of Equities for investors to consider, with arrows representing the recent trend:

Factor	Implication for Equities			CIO View
	Negative	Neutral	Positive	
Earnings				Positive earnings results have buoyed analyst estimates. According to FactSet, at November-end, the analyst consensus forecast was 8.4% for Q3 revenue growth in 2025 along with profits growth of 13.4%. Respectively, annual growth is estimated at 6.9% and 11.8%. Accordingly, 2026 forecasts call for an acceleration to 7.0% and 14.1%. A consistently strong earnings backdrop comprises a key pillar of our U.S. Equity overweight.
Valuations				At November-end, the S&P 500 P/E ratio (next 12 months) fell to around 22.5x, off its late-2020 high of 23.3x. Its oscillating in a range since July leads us to remove our leftward arrow. While absolute valuations across U.S. Equity markets are generally elevated, they may remain so. Meanwhile, relative discounts can be found in areas like Small-cap and Value. In our view, these valuation differentials underscore the importance of incorporating areas like Small-cap and Value for diversified portfolios.
U.S. Macro				After growth of 3.8% in Q2 real GDP, the Atlanta Fed's GDPNow gauge is tracking 3Q real GDP growth at 3.9%, which would mark the quickest pace since Q3 2023. Meanwhile, BofA Global Research expects real GDP growth to decelerate in Q3 to 2.7% and to 1.4% in Q4. For 2025 and 2026, it forecasts an annual expansion of 2.0% and 2.4%, respectively. Consistent strength in economic momentum should bolster corporate earnings growth. We add a rightward arrow, reflecting emerging reacceleration to an above-average rate of quarterly growth.
Global Growth				Underpinning our neutral positioning for international markets, evolving U.S. trade policy and geopolitical tensions remain uncertainties for the outlook. These pressures have limited a breakout of resilient growth for the euro area economy, which has been supported by easier fiscal and monetary policy. In China, stimulus efforts appear challenged in contending with property market and investment weakness. Trade-related uncertainty is also a headwind for broader Asia. Globally, BofA Global Research expects 3.4% growth for 2025 and 3.3% growth for 2026. This compares to average growth of 3.8% from 2000 to 2019, according to the International Monetary Fund.

⁹ United Nations Trade and Development (UNCTAD). Data through 2024

Factor	Implication for Equities			CIO View
	Negative	Neutral	Positive	
U.S. Monetary Policy / Inflation				In late October, the Fed cut its policy interest rate to between 3.75% and 4.00% on the back of an equally sized cut in September. Moreover, it announced an end to its balance sheet runoff on December 1. Recent policymaker speeches have overall indicated a bias towards the labor market mandate of the central bank, raising the market's expectation for a 0.25% cut in December. BofA Global Research expects one more cut in 2025 and two in 2026. While tariffs may temporarily spur inflation, progress afterwards should allow the Fed to continue easing monetary policy in 2026, helping to support Equities.
Fiscal Policy				The reconciliation measure dubbed the "OBBA" was signed into law in July. It extends the 2017 Tax Cuts and Jobs Act and includes new tax breaks, among other elements. The bill should provide a growing growth impact to U.S. GDP next year. Meanwhile, the full government shutdown has ended. A normalization of its labor impacts should help support economic growth early next year, resulting in a minimal overall drag to GDP. On net, a growing fiscal impulse throughout next year should support GDP growth through stronger investment and productivity, helping sustain margins and earnings and ultimately providing a tailwind for Equities.
Corporate Credit				In November, credit spreads for Investment-grade (IG) and High Yield (HY) reflected lessened concern about an economic slowdown. However, on average, both have risen off their YTD lows. As a result, we add a leftward arrow. We continue to believe that neutral positioning across IG and HY in all-Fixed Income portfolios is appropriate.
Yield Curve				The Treasury yield curve two years and out remains normalized or positively sloped. During November, the curve fell slightly overall. An inversion between the three-month and two-year rates remains, reflecting anticipation of more rate cuts this cycle. For Fixed Income, at current levels, rates are fairly priced, providing good diversification benefits for multi-asset class portfolios and reasonable income.
Technical Indicators				In November, the S&P 500 remained above its 200-day moving average, itself rising and indicative of positive momentum. Measures of market breadth, including the cumulative advance/decline indicator, have lagged in the latest rally in U.S. stocks, leading us to add a leftward arrow. Still, longer-term strength in these indicators, plus record highs in Small-caps in October, support our emphasis on diversification in our Equity overweight. Year-end seasonality may also provide a tailwind for Equity markets.
Investor Sentiment				Overall, investor sentiment indicators were mixed in November. According to data from the American Association of Individual Investors, cautious sentiment is above the historical average. However, BofA Global Research's Bull & Bear Indicator still registers a "neutral" signal at 6.2 as of November 20, while the average institutional cash level from its Global Fund Manager Survey signaled "sell" as of November 18. Meanwhile, the Chicago Board Options Exchange Volatility Index remained below its YTD average. Overall, sentiment has partially recovered. However, we believe it trails a robust fundamental backdrop, supporting our Equity overweight.

Source: Chief Investment Office.

EQUITIES

We are overweight Equities: The backdrop remains strong heading into 2026. AI and data infrastructure investment is accelerating, corporate earnings growth is expected to continue, and investors are gradually rotating back into Equities with record levels of cash still on the sidelines. We maintain an Equity overweight relative to our strategic targets.

We are overweight U.S. Equities: The U.S. remains our preferred Equity region relative to the rest of the world. Index level valuations are elevated relative to historical averages, but earnings currently remain supportive—2025 is on track to be the second straight year of double-digit earnings growth for the S&P 500 index and strength appears to be broadening across sectors. Delays, supply chain disruptions, various tariff impacts, and dampened demand could selectively filter through in future quarters, but we ultimately expect full-year earnings growth in the mid double-digits for the S&P 500 Index again in 2026.

Diversification across and within Equities will be imperative in the year ahead, in our view. While concentration risk persists within Large-caps, they generally exhibit strong fundamentals, solid earnings growth, and the ability to generate substantial FCF. Meanwhile, Small-caps have recently gained momentum and may benefit from a lower interest rate environment and deregulation leading to a more constructive earnings outlook. We emphasize the importance of incorporating both Large-caps and Small-caps in strategic portfolios.

While we believe that secular tailwinds will support Growth over the long term, investors should avoid overexposure to any one area of the market. Value continues to trade at a

EQUITY WATCH LIST

- Supreme Court decision on legality of tariffs under the IEEPA
- Fiscal and monetary policy outlook
- Dollar movement and exposure to non-U.S. regions
- Pace of AI investment and competition
- Progression of earnings estimates
- Trajectory of global manufacturing

RISK CONSIDERATIONS

- Softer-than-expected labor market and slower economic growth
- Potential for a pullback in high-income consumer spending
- AI momentum shift due to an earnings miss, supply shock, or tighter credit conditions
- Sticky inflation and its potential impact on the Fed's easing cycle
- Geopolitical uncertainty and heightened global protectionism measures

relative discount to Growth, and dividend-oriented Value stocks remain attractive. We suggest a balanced approach between Value and Growth for long-term investors.

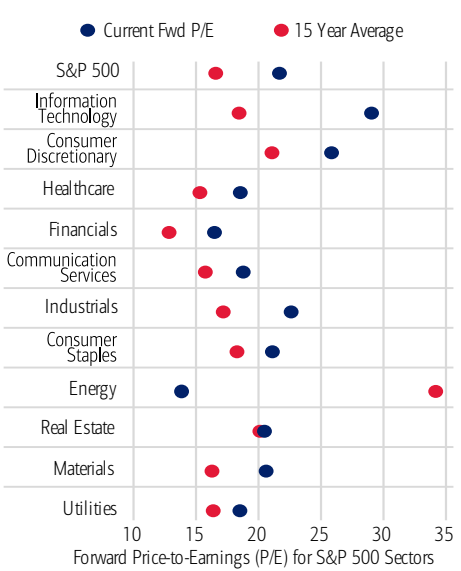
From a sector perspective, it is important to have Equity exposure across cyclical, interest rate-sensitive and Growth sectors. We maintain overweight exposure to Financials on increased activity supported by deregulation and a positive net interest income outlook. Recent interest rate cuts, along with a steeper yield curve, can help improve credit risk and default rates going forward. Moreover, we anticipate U.S. banks can generate strong spread revenue even without meaningful loan growth, given the repricing trend in securities portfolios industrywide. We are overweight Industrials as capital expenditures (capex) budgets continue to grow, 100% bonus depreciation has been enacted again, and infrastructure plans are accelerating compared to recent years. Growth in infrastructure investments related to electric power demand, energy transmission and distribution (T&D), data center builds, and next-generation AI-focused semiconductor technology could drive multiyear demand for select growth and cyclical stocks.

Uncertainties pertaining to Healthcare policies and pricing as well as potential tariff impacts across Healthcare subsectors could drive rebalancing in portfolios; however, new innovations and expedited timelines for new product development provides potential upside in the future. We also remain cautious on the Energy sector. The growing oil supply outlook could weigh on oil prices, energy cash flows and earnings in coming quarters. Our positive outlook for Utilities is based on accelerating electric power demand for the first time since the early 2000s, driven in part by the growth in Generative AI and increasing electrification of the economy. While we are constructive on Information Technology (IT) and Communication Services as longer-term thematic trends, we maintain our neutral view in the near term on elevated valuations and the recent rallies. We remain cautious on Materials, as demand is weak, and pricing power and potential tariff impacts remain questionable. With interest rate volatility in recent months, we are neutral Real Estate (RE) and prefer being selective in the RE subsectors. The consumer has remained resilient overall, and we continue to see positive consumer spending trends from the higher income cohort despite some pressure from high prices of specific goods and services. We remain more constructive on the Consumer Discretionary sector and less positive on the more defensive Consumer Staples sector, as inflation is well off the peak of recent years, and consumer income growth is generally solid.

We are neutral Emerging Market Equities: EM relative valuations still appear attractive, but we continue to expect a wide return dispersion between individual EM countries and regions. Asian markets should be supported by significant exposure to leading growth sectors and appreciation of undervalued exchange rates. The heavyweight China market may nonetheless remain constrained by structural headwinds for the RE sector and weak household balance sheets, while stimulus measures so far appear insufficient to provide a significant boost to domestic demand. Smaller markets in Central and Eastern Europe should benefit from increased European Union (EU) fiscal outlays, while market direction in Latin America, the Middle East and Africa is likely to remain broadly tied to the direction of natural resource prices. The structural rise in EM consumer spending remains a big reason why we believe investors should consider maintaining a strategic allocation to EM Equities as appropriate. The emerging world now constitutes around 40% of global personal consumption expenditures (PCE), according to the United Nations, and ongoing convergence with developed economies should support GDP growth and corporate earnings over the longer term. We favor active management¹⁰ when investing in EM, as fundamentals differ across countries based on fiscal capacity, external funding needs, corporate governance and other factors.

We are neutral International Developed Equities: While we continue to prefer U.S. Equities over International Developed, we remain constructive on non-U.S. markets and maintain a neutral position. We expect European markets to benefit from a major potential fiscal expansion driven by infrastructure and defense spending on top of attractive relative valuations. Manufacturing-led EU economies nonetheless remain at risk from growing competition from China in key industries. We are slightly overweight Japan Equities. The potential for faster interest rate hikes could represent a headwind for Japan but sustained positive inflation and corporate reforms remain fundamental supports. As aggregate net

Sector Valuations



Source: Bloomberg as of November 28, 2025. Please refer to index definitions at the end of this report. It is not possible to invest directly in an index.

¹⁰Active management seeks to outperform benchmarks through active investment decisions such as asset allocation and investment selection.

energy importers, International Developed markets should also be more sensitive to the direction of energy prices. We believe long-term investors should maintain some strategic exposure to International Developed Equities, as appropriate, given that they trade at a discount relative to U.S. Equities, contain more of a balance between Value and Growth sectors, can offer attractive dividend yields, and provide diversification in mega-cap Technology stocks.

FIXED INCOME

We are slightly underweight Fixed Income within multi-asset class portfolios. We are constructive on Fixed Income, but our underweight is necessary to fund our Equity overweight. We are neutral across Fixed Income sectors in all-Fixed Income low-tax-sensitivity portfolios. In all-Fixed Income high-tax-sensitivity portfolios, we prefer IG and HY Tax-Exempt relative to IG Taxable.

The market expects the Federal Open Market Committee (FOMC) to cut rates again in December (around 95% probability as of December 2) and another two to three times in 2026. The Fed is also stopping draining liquidity by December. While there is a very divided consensus within the Committee on the correct near-term path for the fed funds rate, overall, we believe the Fed is still dovish and focused more on the cooling employment market than quickly reducing inflation to 2%. Therefore, their stance should still broadly be risk-positive for 2026 in our opinion. We continue to project range-bound yields given sticky inflation and real GDP remaining near or above 2% for the next few years.

We maintain a neutral duration stance. Long rates are somewhat lower as rate cuts have become more certain. Current nominal and real yields provide reasonable compensation for inflation and market risk. Longer-term Fixed Income provides meaningful returns relative to cash over longer time periods—especially when the yield curve is steep—and therefore diversifies equity risk with more stable income. We believe investors should move investment cash to their strategic duration target.

In multi-asset class portfolios, **we are slightly underweight U.S. Governments.** Real yields—that is to say, yields after expected inflation—are around 1.30% to 2.50% across the curve, the higher end of the range since 2008. Yields substantially higher than inflation is positive for savers.

In multi-asset class portfolios, **we are slightly underweight U.S. Corporates in favor of Equities.** We remain neutral Global High Yield Taxable. This view is predicated on expensive valuations—somewhat offset by still attractive all-in yields which could continue to drive robust demand for high-quality Fixed Income—which has persisted amid the recent rally in Treasury yields this year.

Credit spreads continue to flirt with the rich end of the valuation spectrum, now trading at multidecade tights. With IG spreads hovering around 80 basis points (bps) and HY near 300 bps, the runway for further compression looks increasingly short. That's the core reason behind our slightly cautious stance on credit within multi-asset portfolios—there's just not much juice left to squeeze.

That said, we're not calling for a blow-up. The near-term setup still favors credit: Economic data has remained consistent, with a still solid consumer, and stable GDP and inflation that's sticky but not spiraling. Fundamentals remain solid—IG issuers are showing healthy top- and bottom-line growth, margins are holding up, and gross leverage is trending lower. HY is more of a mixed bag, but with default rates expected to decline over the next year, spreads should stay supported.

Technicals are arguably the strongest case for staying long credit. Even with all-in yields drifting lower, credit remains a yield-driven market—and yields are still attractive enough to pull in buyers. With net supply contracting through the summer, the technical setup heading into year-end still looks constructive despite the pickup in AI/datacenter related supply.

The big question: How long can demand stay this strong with Treasury yields falling? Historically, spreads have only been tighter than today when Treasury yields were 100 to 200 bps higher. That disconnect is worth watching.

FIXED INCOME WATCH LIST

- Impacts of reduced government spending and uncertainty about fiscal policies including tariffs
- U.S. short-term funding markets, with the interplay of quantitative tightening and drawdown of Treasury General Account
- Trend and level of U.S. nominal and real rates and inflation
- Fed and global central bank activity
- Global economic growth, especially with trade and tariff concerns
- Credit spreads and Muni/Treasury ratios

RISK CONSIDERATIONS

- Resilient or accelerating inflation
- Change in Fed policy stance
- Slowing economic growth or confidence based on uncertainty

In multi-asset class portfolios, **we remain slightly underweight U.S. Investment-grade Tax Exempt and U.S. High Yield Tax Exempt.** However, for highly tax-sensitive investors, we maintain a preference for IG and HY tax-exempt securities at current valuations. Munis have been outperforming Treasury securities since late August, thanks to an easing in new issue volume from record high levels earlier in the year. We expect muni issuance to remain relatively contained and for modest muni outperformance to persist through mid-January. We believe fundamentals for most munis are solid, despite prospective cuts in federal funding, thanks to still near-record state rainy-day fund levels which provide time for state and local governments to adjust. It is true that certain muni subsectors, e.g., healthcare and private higher education, face challenges. However, we believe these risks can be mitigated through prudent credit selection. Thus far, we have seen no discernible widening of muni credit spreads in the aftermath of the November 2025 elections—including the credit spreads of large cities—as the potential for sweeping fiscal policy shifts is limited by institutional guardrails and structural constraints

In multi-asset class portfolios, **we remain slightly underweight U.S. Mortgage-backed Securities (MBS), in favor of Equities.** MBS spreads have compressed YTD and are now in line with other high-quality Fixed Income sectors, particularly IG Corporates. While risks from duration extension and interest rate volatility have eased, valuations are less compelling, with spreads in the 25 bps to 30 bps range—below their 10-year average. We remain attentive to potential government-sponsored enterprise privatization and banking deregulation, both of which could have implications for the MBS sector.

ALTERNATIVE INVESTMENTS

- Unlike Traditional asset classes, establishing and exiting allocations to Alternative Investments (Alts) can be a long-dated process given liquidity constraints. Because of their illiquid and long-term nature, Alts should be viewed in terms of strategic allocations. Therefore, our views on Alts strategies within each asset class reflect potential tilts in new dollar deployment based on relative opportunity, in contrast to a tactical repositioning in public markets.
- Some key CIO principles for qualified investors to consider when investing in Alts include:
- **Think strategically and long-term:** Alts are largely illiquid and therefore require a long time horizon when incorporating into portfolios.
 - **Invest methodically, including in downturns:** A properly implemented Alts program requires a consistent commitment, particularly within private markets strategies; withdrawing during periods of volatility can undermine the long-term benefits of the asset class and result in underallocation.
 - **Diversify:** Seek diversification by strategies and managers. Investing methodically within private markets strategies also improves vintage year diversification.
 - **Prioritize high-conviction managers:** Performance dispersion is significantly wider within Alts than in Traditional investment strategies; manager selection is therefore a potential opportunity.

Hedge Strategies: Hedge Strategies (HS) advanced 0.7% in October, pushing year-to-date gains above 10%, while Equity Hedge (EH) strategies matched that monthly return and now stand at 14.4% YTD.¹¹ After a strong run through October, managers have shifted toward preserving profits and actively hedging market beta. November’s volatility tested portfolios, yet HS performance proved resilient. Short-side alpha generation cushioned drawdowns for fundamental equity long/short strategies during the first half of the month, while quantitative long/short approaches delivered robust returns amid market wobble and factor rotations.¹² HS remain critical for portfolio diversification, particularly as the AI theme oscillates between favor and skepticism. In this environment, skilled managers may find

CIO Views on Alts Strategies
HEDGE STRATEGIES

Equity Hedge +	
Bull case	Potential alpha* generation opportunities in high-dispersion or volatile markets; resumption of micro-dominated market would benefit stock selection; low net better positioned for market sell-off
Bear case	Macro-driven market dominated by trade challenging for fundamental stock pickers
Event Driven	
Bull case	Pressure of high rates could create distressed opportunities; if merger activity were to increase and deal spreads widen; higher risk-free rate positive for merger arbitrage
Bear case	Distress may not materialize in size or may be delayed; if merger activity fails to materialize; lower rates negative
Relative Value	
Bull case	Still in world of higher-though-declining yields; tariff capitulation should support growth; decent dispersion in HY and Leveraged Loan.
Bear case	Spreads very tight; potential increase in credit risk and defaults
Macro +	
Bull case	Divergent monetary policies and cross-asset volatility in rates and foreign exchange; inflation stickiness could exacerbate macro volatility; possible transition to new trade regime could create long-term trends
Bear case	Choppy markets driven by erratic policy difficult for trend-following; if cross-asset volatility structurally declined

*Alpha is a measure of how well an investment performs relative to a benchmark or what’s expected based on its risk level. **Bull case** is an environment or set of factors that could represent tailwinds for the strategy. **Bear case** is an environment or set of factors that could represent headwinds for the strategy. + symbol indicates the strategies CIO views as having the most favorable opportunity set for new investment within the Alts asset classes.

¹¹ HFR, Inc.
¹² BofA Securities, Morgan Stanley Prime Brokerage, Goldman Sachs Prime Services.

opportunities to identify leaders and laggards, reinforcing HS as a valuable tool for navigating uncertainty.

Private Equity & Credit: Private Equity (PE) strategies continued to show strength. Buyout and Venture/Growth funds posted Q2 gains exceeding 4%, lifting one-year internal rate of return (IRR) to roughly 10%.¹³ Listed alternatives managers reported Q3 returns in the 2% to 3% range¹⁴, signaling ongoing momentum. A more accommodative policy stance and easing trade concerns have improved sentiment, fueling deal activity. U.S. PE transactions surged in Q3 to \$331 billion (B)—a 28% increase from Q2 and 38% higher YTD—bringing total volumes to \$869B, up 37% from 2024.¹⁵ Liquidity needs are driving growth in secondary markets and net asset value-based financing solutions, while demand for Growth Equity remains robust as VC-backed firms seek capital to extend runways or pursue acquisitions.

Private Credit (PC) continues to perform well, with Q2 gains near 4% and one-year IRRs at 10%.¹⁶ However, Q3 saw yields compress to 9.7%, with spreads tightening to around 500 bps and dipping lower for competitive deals.¹⁷ While headlines have focused on idiosyncratic defaults and rising credit risk, lower rates could actually ease borrower stress and temper default rates. Even so, return expectations for 2026 are likely to moderate as base rates decline and capital losses loom. Structural drivers remain intact, but PC faces competition from public leveraged credit markets and potential regulatory scrutiny. Dispersion among managers is expected to persist, underscoring the importance of rigorous selection.

Private Real Estate: Private Real Estate (PRE) has maintained its recovery trajectory into year-end. Prices largely appeared to have bottomed and begun to rise modestly. Transaction volumes have also increased YoY. Activity is expected to further accelerate into 2026 as sellers adjust to the reality that interest rates are unlikely to revisit prior lows and valuations have reset. This capitulation could drive property sales at lower prices or equity infusions for refinancing. At the same time, borrowing conditions are improving, supported by stabilizing cap rates—office sector cap rates declined 30 bps over the past year—and more accommodative debt markets. Commercial-MBS issuance is up 29% YTD to \$246B across private-label and agency deals¹⁸, while banks are gradually increasing exposure to commercial real estate, signaling a constructive backdrop for the asset class.

Infrastructure: Infrastructure private funds returned approximately 4% in Q2, bringing one-year IRRs to 10.5%.¹⁹ Despite headwinds, the asset class has maintained mid-to-high single-digit returns and continues to serve as a cornerstone for inflation-sensitive portfolios. Beyond traditional themes, the surge in energy demand driven by AI adoption remains a critical investment opportunity, notwithstanding recent equity market questions about hyperscaler capex. Existing infrastructure often falls short of meeting the power requirements for advanced computing, creating a need for upgrades in energy transmission, data centers, and cooling technologies. These areas represent compelling avenues for capital deployment as investors position for structural shifts in global infrastructure demand.

Tangible Assets: Notwithstanding particular commodity demand and supply situations, we expect moderate upside pressures on commodity prices overall in coming quarters. Barring renewed geopolitical flareups, oil prices are likely to remain contained amid expectations for comfortable supply-demand conditions into late 2026. Given the central role of energy in commodity production and transportation costs, this should also help anchor broader commodity prices. On the other hand, further dollar depreciation—given its still elevated level on a real broad trade-weighted basis—is likely to provide tailwinds to commodity demand and pricing. Moreover, the global manufacturing cycle appears poised to rebound as tariff uncertainty fades, U.S. fiscal stimulus takes hold, and increased European government spending supports industrial activity. With inflation normalizing, the Fed is unlikely to restrain the economy for the foreseeable future. Accommodative monetary policy and stronger global growth should support metals prices going forward. Given their historical role as a medium of exchange and a store of value, gold and silver have traditionally been viewed as alternative reserve assets to the U.S. dollar and have tended to move inversely with the exchange rate value of the dollar over recent decades.

¹³ Cambridge Associates, Refinitiv EIKON.
¹⁴ Bloomberg, company filings.
¹⁵ PitchBook.
¹⁶ Cambridge Associates, Refinitiv EIKON.
¹⁷ BofA Global Research.
¹⁸ BofA Global Research.
¹⁹ Cambridge Associates, Refinitiv EIKON.

PRIVATE EQUITY & CREDIT

Buyout	
Bull case	Current vintages likely attractive for long-term given profitability focus; within PE, Secondaries benefiting structural expansion; deal activity to increase if trade uncertainty declines
Bear case	Trade volatility could slow deals/exits, hurt margins; persistence of higher rates a headwind

Venture/Growth +	
Bull case	Significant correction benefits capital providers; AI driving investment supercycle; early Venture Capital (VC) stages more insulated than later stages; falling rates would likely be tailwind
Bear case	AI dominating deal activity with rising valuations; initial public offering window still not fully open; timelines extended plus increased risk of dilution; higher rates drag on unprofitable companies

Special Situations	
Bull case	Default rates rising; higher-for-longer and tariffs would pressure levered balance sheets; companies seeking creative financing before maturities
Bear case	Trade policy capitulation or rate cuts could smooth out credit cycle keeping it more average

Private Credit	
Bull case	High-though-declining yields; healthy spread to public credit over time; economic resiliency supportive of credit; secular tailwinds; fresh capital can underwrite to current risks
Bear case	Credit risk could rise & lower-quality most at risk; regulatory scrutiny; public leveraged credit competition; significant capital allocating to PC; rates falling

REAL ASSETS

Private Real Estate	
Bull case	Supply/demand imbalance in Residential driving secular opportunities; sectors like Data Centers rising; cap rates slowly reflecting lower valuations; lower mortgage rates may unlock markets; lending strategies offering compelling profiles; distressed/opportunistic could emerge given stress
Bear case	Transactions remain muted; risk of mortgage rates not declining as much as market hoped

Infrastructure +	
Bull case	Opportunity bolstered by large need for energy investments and upgrading aging infrastructure; high demand for digitization & data centers, including international opportunities; potential inflation hedge
Bear case	Fiscal spend on Infrastructure now in cross-hairs; higher rates challenging project financing; lower inflation could mitigate relative attractiveness

Tangible Assets	
Bull case	Geopolitical risk and trade wars could spill over and pressure commodities supply; potential for diversification and inflation hedge
Bear case	Trade wars could mute global growth; energy supply has offset Middle East tensions; weak Dollar could be headwind

Bull case is an environment or set of factors that could represent tailwinds for the strategy. **Bear case** is an environment or set of factors that could represent headwinds for the strategy. + symbol indicates the strategies CIO views as having the most favorable opportunity set for new investment within the Alts asset classes.

MACRO STRATEGY

- Consumer spending growth remains firm as unemployment claims remain low, job openings are comfortable relative to unemployment, wage and salary growth has remained solid, and tariff uncertainty faded. GDP growth is tracking over 3% helped by strong consumer and business investment spending.
- Core PCE inflation has been stuck in a 2.5% to 3% range for over a year. Well-contained energy prices and housing price disinflation are helping to offset upward pressure from higher tariffs.
- Corporate profits are coming in strong fueled by the boom in AI spending and a pickup in global economic growth. Despite inching slightly lower, domestic profit margins remain around a 60-year high. The profit cycle is likely to be extended by tailwinds from fiscal stimulus and deregulation, all supportive of economic growth and risk assets. Equity market leadership, tight credit spreads, normalized volatility and a softening dollar from overvalued levels suggest solid growth ahead.

ECONOMIC FORECASTS (AS OF 12/1/2025)

	Q1 2025A	Q2 2025A	Q3 2025A	Q4 2025E	2025E	2026E
Real global GDP (% y/y annualized)	-	-	-	-	3.4	3.3
Real U.S. GDP (% q/q annualized)	-0.6**	3.8**	2.7	1.4	2.0	2.4
CPI inflation (% y/y)	2.7**	2.5**	2.9	3.0	2.8	2.9
Core CPI inflation (% y/y)	3.1**	2.8**	3.1**	3.1**	3.0**	3.**
Unemployment rate (%)	4.1**	4.2**	4.3	4.5	4.2**	4.5**
Fed funds rate, end period (%)	4.38	4.38	4.13	3.88	3.88	3.13

The forecasts in the table are the baseline 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. 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 December 2, 2025. **As of November 14, 2025. Forecasts are subject to change. When assessing your portfolio in light of our current guidance, consider the tactical positioning around asset allocation in reference to your own individual risk tolerance, time horizon, objectives and liquidity needs. Certain investments may not be appropriate, given your specific circumstances and investment plan. Certain security types, like hedged strategies and private equity investments, are subject to eligibility and suitability criteria. Your advisor can help you customize your portfolio in light of your specific circumstances.

S&P 500 SCENARIOS BASED ON FORWARD P/E AND 2026 EARNINGS PER SHARE (EPS)

The table below provides a rough indication of where the S&P 500 Index's central tendency could be, given various scenarios for EPS in 2026 and P/E ratio multiples. These scenarios are not official price targets and are not meant to signal levels where portfolio actions may always be needed. However, during times of market volatility, it's useful to keep this basic framework in mind when considering whether to incrementally add to or trim risk from portfolios while staying invested in one's strategic asset allocation framework.

2026 EPS	EPS Forward P/E (Next 12 months)				
	22.0x	23.0x	24.0x	25.0x	26.0x
\$330	7,260	7,590	7,920	8,250	8,580
\$320	7,040	7,360	7,680	8,000	8,320
\$310	6,820	7,130	7,440	7,750	8,060
\$300	6,600	6,900	7,200	7,500	7,800
\$290	6,380	6,670	6,960	7,250	7,540
\$280	6,160	6,440	6,720	7,000	7,280
\$270	5,940	6,210	6,480	6,750	7,020

For illustrative purposes only. Source: Chief Investment Office as of December 2, 2025.

CIO ASSET CLASS VIEWS AS OF DECEMBER 2, 2025

Asset Class	CIO View					Comments
	Underweight	Neutral	Overweight			
Global Equities	●	●	●	●	●	We are overweight Equities and continue to view weakness as a buying opportunity for long-term investors. We are overweight the U.S. and neutral EM and International Developed.
U.S. Large-cap Growth	●	●	●	●	●	Large-caps continue to look attractive on solid fundamentals, strong FCF and the ability to produce healthy shareholder payouts. We emphasize the importance of incorporating both Growth and Value, as appropriate.
U.S. Large-cap Value	●	●	●	●	●	
U.S. Small-cap Growth	●	●	●	●	●	Interest rate cuts should be supportive for Small-caps and the earnings outlook has recently become more constructive. We continue to suggest a balance of Value and Growth factors.
U.S. Small-cap Value	●	●	●	●	●	
International Developed	●	●	●	●	●	We are neutral International Developed Equities. Valuations appear attractive on a relative basis, with potential upside catalysts from fiscal policy in Europe and domestic reforms in Japan.
Emerging Markets	●	●	●	●	●	We are neutral EM overall, with regional disparities expected across Asia and smaller markets in Europe, Latin America, the Middle East, and Africa. The heavyweight China market continues to face economic constraints, but likely supported by exposure to leading Growth sectors.

Asset Class	CIO View					Comments
	Underweight	Neutral	Overweight			
International						
North America	●	●	●	●	●	The U.S. remains our preferred region given balance sheet strength, better fundamentals for consumer spending, and healthy shareholder payouts.
Eurozone	●	●	●	●	●	Expansionary fiscal policy combined with attractive relative valuations are potential market tailwinds. Risks remain from growing competition with China in key industries.
U.K.	●	●	●	●	●	Higher business taxes from government budget represent a headwind for the corporate sector, while mortgage rates remain elevated. Government moves toward closer EU cooperation may reduce negative impact of withdrawal from single market.
Japan	●	●	●	●	●	Sustained positive inflation and official efforts to increase corporate returns to shareholders remain fundamental supports. Potential for faster interest rate hikes could represent a potential headwind for the local market.
Asia Pac ex-Japan*	●	●	●	●	●	Regional market likely to be driven in near term by slower economic growth in China and its impact on consumption and resource demand. Longer-term outlook dampened by exposure to ongoing structural constraints for China's economy.
Global Fixed Income	●	●	●	●	●	Yields are attractive, providing good diversification for multi-asset class portfolios and reasonable income. Neutral duration recommended.
U.S. Governments	●	●	●	●	●	Nominal and real yields remain attractive across the curve relative to the last 10 to 15 years. A Treasury allocation for liquidity, principal preservation and diversification is advised, as Treasuries provide the best short-term diversification benefits to Equities among Fixed Income sectors. Rate volatility has increased and may remain high.
U.S. Mortgages	●	●	●	●	●	MBS spreads have compressed to approximately 25 bps YTD—below their 10-year average and now largely in line with other high-quality Fixed Income sectors. This compression reduces their relative appeal and limits potential upside compared to Treasuries and IG corporate bonds.
U.S. Corporates	●	●	●	●	●	IG credit remains anchored near multidecade spread tight, supported by improving issuer fundamentals, lighter-than-expected net supply, and resilient demand amid still compelling all-in yields. While spreads are undeniably rich, we believe carry will continue to deliver positive excess returns over the next 6 to 12 months.
International Fixed Income	●	●	●	●	●	International rates markets are at normal valuation levels on a U.S. dollar-hedged basis.
High Yield	●	●	●	●	●	Like IG, HY valuations remain expensive—although not quite as rich as IG from a historical perspective. However, a positive macroeconomic environment may limit spread volatility and credit losses. This leaves us comfortable at a neutral positioning. Within a HY allocation, we continue to suggest a balanced mix between loans and bonds.
U.S. Investment-grade Tax Exempt	●	●	●	●	●	Stronger technicals since September have provided a tailwind for muni returns. We expect continued modest muni outperformance through mid-January. We believe fundamentals for most munis are solid, despite cuts in federal funding, due to still near-record levels of state rainy-day funds. However, certain muni subsectors, e.g., healthcare and private higher education, face challenges. Thus far, we have seen no discernible widening of muni credit spreads in the aftermath of the November 2025 elections—including the credit spreads of large cities—as the potential for sweeping fiscal policy shifts is limited by institutional guardrails and structural constraints.
U.S. High Yield Tax Exempt	●	●	●	●	●	HY munis have underperformed IG YTD, due mainly to greater duration extension in the lower-rated portion of the credit spectrum. This may provide an opportunity for future high-yield outperformance if yields continue to decline.

*Asia Pac ex-Japan refers to the geographic area surrounding the Pacific Ocean. The Asia Pac ex-Japan covers the western shores of North America and South America, and the shores of Australia, eastern Asia and the islands of the Pacific. Tactical qualitative investment strategy weightings are relative in nature versus the strategic weightings for a fully diversified portfolio. Weightings are based on the relative attractiveness of each asset class. Tactical strategy weightings are for a 12- to 18-month time horizon. CIO asset class views are relative to the CIO Strategic Asset Allocation (SAA) of a multi-asset portfolio. Because economic and market conditions change, recommended allocations may vary in the future. Asset allocation cannot eliminate the risk of fluctuating prices and uncertain returns. 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.

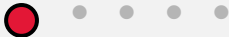
CIO EQUITY SECTOR VIEWS AS OF DECEMBER 2, 2025

The CIO Equity sector view is developed by applying a multi-input process combining the CIO's factor views and fundamental bottom-up industry outlook with top-down macro-economic changes and trends. The factor approach emphasizes valuation and momentum as key inputs, with a fundamental overlay taking into consideration forward-looking views of growth, profits, policy, events and sentiment as well as inclusion of certain investment themes. BofA Global Research's sector strategy views are also captured as an input into the CIO process. Our sector views are developed with a 12- to 18-month outlook but are revisited monthly by the GWIM Investment Strategy Committee.

Sector	CIO View					Comments
	Underweight	Neutral	Overweight			
Financials	●	●	●	●	●	We expect increased activity supported by deregulation and a positive net interest income outlook for Financials. Interest rate cuts, along with a steeper yield curve, can help improve credit risk and default rates going forward. Moreover, we anticipate U.S. banks could generate record spread revenue even without meaningful loan growth, given the repricing trend in securities portfolios industrywide. Policy implementation is ultimately where the rubber will meet the road for investors, but potential changes to (or elimination of) the Consumer Financial Protection Bureau (CFPB), Fed stress testing and "gold-plating" American banks' balance sheets with capital buffers above international standards all have potential to enhance profitability. Capital return will likely remain the cornerstone of the investment case for most of the Financials sector. Lower interest rates should also facilitate workouts instead of charge-offs. Overall, the volatility of the Financials sector should improve with the recent addition of large e-payment card networks that have been stable earnings compounders historically (without taking credit risk). We also favor alternative asset managers with proven track records and billions in dry powder and that consistently draw fund inflows and maintain management fee pricing power. Alts (especially PE) have demonstrated an ability to thrive in all kinds of economic environments, including recession. Overall, valuation is attractive, and earnings-driven momentum should continue to improve when rates move lower. Risk Considerations: 1) a persistently inverted yield curve, 2) interest rate volatility, 3) a deep credit cycle for Commercial RE, 4) lost market share to non-bank lenders.

Sector	CIO View			Comments
	Underweight	Neutral	Overweight	
Utilities	●	●	●	We favor exposure to Utilities on accelerating electricity demand forecasts driven by the AI boom which looks to be a positive long-term tailwind for the sector, catalyzing growing electricity demand for the first time since the early 2000s and supporting even higher investment in power generation and T&D. Utilities historically provide reliable earnings and outperform in the late cycle and during economic growth slowdowns, especially regulated utilities that provide a defensive hedge to portfolios. Given the better demand outlook from AI and data centers, we see reason to view even this historically low-volatility sector in a more constructive light. We view the need for increasing investment in electric infrastructure as structural and not dependent on any specific piece of legislation. We prefer Utilities with strong balance sheets, constructive regulatory mechanisms, and low-volatility business models. Unregulated Independent Power Producers (IPPs) are a small subsector that we currently favor given exposure to growth from rising AI and data center demand. Valuations based on forward price-earnings multiples are attractive compared to the broader S&P 500 index and momentum is neutral. Risk Considerations: 1) slower power demand growth than forecast, 2) greater regulatory scrutiny, 3) power outage events.
Consumer Discretionary	●	●	●	With a resilient consumer, a relatively solid job market, lower interest rates on the horizon, and a positive economic backdrop, we are overweight Consumer Discretionary. Slightly lower energy costs and wage increases are helping to maintain solid consumer spending. Consumers are finding ways to alter their budgets to accommodate both experiences and necessities. Further, with inflation declining from its previous highs and interest rates also gradually moving lower, this should support consumer confidence when policy uncertainty clears. Consumer retail channels are shifting back to online spending as value-oriented consumers utilize alternative payment methods to supplement their spending and seek out bargains. More evidence of economic strength and a resilient consumer could help support relative earnings growth and relative valuation levels. Valuation for the sector is elevated with momentum neutral. Risk Considerations: 1) potential for an economic slowdown, 2) spikes in energy prices or interest rates, 3) geopolitical uncertainty.
Industrials	●	●	●	We are overweight Industrials as capex budgets continue to grow, some uncertainties have been removed, 100% bonus depreciation has been enacted again, and infrastructure plans are accelerating compared to recent years. Longer-term there are multiple thematic drivers for Industrials over the next three to five years including improving outlooks for international defense budgets outside the U.S. Recent safety and manufacturing issues in commercial aerospace weighed on the sector but longer-term aerospace should benefit from a multiyear backlog of commercial plane orders to build and deliver. Potential improvements in the global capex cycle, including the normalization and reshoring of supply chains and manufacturing, investment in new equipment after years of focusing on productivity, and fiscal stimulus plans could support the construction, transportation, machinery, and freight and logistics industries longer-term. However, weaker import/export demand from Europe and China could be a near-term drag on earnings growth for industrial conglomerates and transport stocks. Secular growth drivers like the evolution of Generative AI (GAI) and increased power demand support the longer-term view for electrical equipment and Industrials related to this trend. Valuation is slightly elevated, and momentum is neutral. Risk Considerations: 1) short-cycle recovery timing continues to be pushed back, 2) inflation resurgence drives up input costs, pressuring margins, 3) continued supply chain stress.
Communication Services	●	●	●	We are neutral on the Communication Services sector, as some of the largest companies in this sector provide high-quality fundamental characteristics and could be more attractive in a slow-growth economic environment. Despite our concern for ongoing regulatory oversight and the never-ending battle over content, management teams are now adjusting their business models to reduce costs and become more efficient. Ad spending remains resilient across e-commerce, travel and leisure, and social media channels. Some retailers are suffering from rising costs and slowing sales, which could drive changes in advertising spend with a greater focus on e-commerce. We are constructive on the sector based on three key factors: 1) Valuation multiples were largely derisked in 2023; 2) Earnings estimates were reduced and are moving higher for the sector leaders; and 3) More importantly, broad cost-reduction plans could create potential earnings upside. Valuations are rich for sector leaders and momentum recently improved. Risk Considerations: 1) regulatory and anti-trust risks, 2) capex ramps for AI investments that limit EPS and FCF, 3) lower engagement pressuring growth.
Information Technology	●	●	●	The Information Technology sector is neutral on elevated valuations and questions surrounding supply chains and AI-driven flows for mega-cap Technology stocks. However, margin risks remain for certain companies in the sector, and the potential remains for downward earnings revisions that are more likely to affect higher-beta, higher-valuation companies. Despite strong long-term Cloud and AI trends, software margins could continue to deteriorate. Uncertainty remains on the AI evolution potentially replacing software in specific cases longer term. We suggest a neutral weight in IT, with a bias to larger and higher-quality companies with strong earnings growth, FCF and balance sheets. We continue to encourage investors to be careful about unprofitable, expensive, and long-duration IT companies. The pandemic accelerated the digital transitions for many industries, but, over the longer term, we remain positive on the secular growth trends for Cloud computing, machine learning and AI, data centers, software, cybersecurity, and semiconductors. Valuations in the sector declined in 2022 but are still elevated after rising again in 2023 and 2024, especially after the rally in AI-related companies. Further, any additional moves higher in interest rates could pressure multiples for high-growth and high-valuation technology stocks, especially stocks with low to no profits; therefore, look for GARP (growth at a reasonable price) in software and semiconductors. The IT sector still generates significant FCF, dividend growth and remain long-term fundamental drivers for the sector. Technology is deflationary by nature; therefore, long-term investors should look to add to transformational and industry-leading businesses on market weakness. Valuations remain elevated and momentum improved. Risk Considerations: 1) China exposure and trade wars, 2) supply chain constraints, 3) GAI monetization, 4) narrow breadth and premium valuations.

Sector	CIO View			Comments
	Underweight	Neutral	Overweight	
Real Estate	●	●	●	The decline in interest rates from 2023 peak levels reduces some but not all risks regarding refinancing and the cost of capital for RE projects. The risk of longer-term rates backing up remains. Expectations of additional Fed rate cuts in addition to cautious positioning and sentiment in the RE sector could lead to increased Equity portfolio exposure to the sector, especially if rates decline. However, interest rates are still elevated compared to the zero-rate policy environment; therefore, increased interest expenses could still weigh on RE sector earnings in coming quarters. We would be more selective within the RE sector and prefer neutral sector exposure. There are mixed outlooks among its subsectors because of consumer and corporate changes like remote work, e-commerce, less business travel, etc., that are potential longer-term headwinds for CRE companies (e.g., office), mall operators and retail-related property owners as companies consolidate RE footprints. Furthermore, risks are rising for downward pressure on rental rates as lease contracts expire and new contracts are negotiated. Continue to emphasize longer-term secular trends in data centers, communication infrastructure (towers), storage and industrial RE. Valuation and momentum are neutral. Risk Considerations: 1) spike in interest rates and borrowing costs, 2) declining demand for CRE in over supplied markets, 3) workout problems.
Healthcare	●	●	●	Uncertainties pertaining to Healthcare policies and pricing, combined with potential tariff impacts across Healthcare subsectors keep us cautious on the sector and we stress subsector selection for healthcare exposure. We see a confluence of macro, micro and policy uncertainties that we believe reduce the probability of a sustained rally near term, however, the potential for innovation and speed to market improvements from AI related development is a potential driver in the future. Into 2026, we are focused on policy changes that could impact the Managed Care, Providers and Biopharma subsectors. Questions remain regarding the development of China's stimulus program and the level of biopharma funding. M&A are a recurring talking point amongst investors moving into the new year as rates declined slowly over recent quarters, but we believe M&A activity may be slowed by policy concerns. As a result, we emphasize greater exposure to high-quality companies with material catalysts. The medtech subsector is our strongest conviction, while distributors, diagnostics, vision and dental remain intriguing areas for investment. We find the large biopharma, diabetes, and tools and equipment subsectors to be areas where stock selection will likely be most important. Looking out toward 2030, we continue to view the Healthcare sector as one loaded with innovation and opportunity. Driving down costs, introducing drugs and equipment to battle previously unmet needs and indications, and the ability of AI and technology to improve operations in and out of the hospital are all opportunities that should drive greater efficiency in healthcare over the long term. Unfortunately, until we get through some of these macro and policy-related headwinds, it is difficult to forecast how quickly those innovations could make a difference to the sector. Valuation is fair and momentum turned negative this spring and summer but improved last month. Risk Considerations: 1) adjustments to the Affordable Care Act without another plan in place and uncertainty, 2) impact of new tax bill on drug price negotiations.
Consumer Staples	●	●	●	The directional change in our Consumer Staples sector view in January 2025 was meant to acknowledge the underperformance versus the broader market and versus the Consumer Discretionary sector. The Consumer Staples sector encountered numerous headwinds beginning with the September 2024 Fed Policy shift, the presidential election outcome, and ongoing sluggish fundamentals. On the fundamental side, a more discerning consumer continues to seek ways to optimize their discretionary spending budgets with new behaviors like product substitution and trade down. Increased sale of private label and store brands have pressured branded consumer product profitability. In addition, some product categories are experiencing further pressure from the increased usage of weight loss drugs. Adding to the negative investor sentiment is the perceived risk from the administration's focus on government oversight of health and wellness trends. Global consumer packaged goods companies are responding to the headwinds that they can control by altering their product mix and package sizes to include more better-for-you products while sharpening their price points to remain relevant to a budget-constrained consumer. Underlying fundamentals are beginning to stabilize, and traditional Staples companies are beneficiaries of the advantageous food-at-home versus food-away-from-home budget proposition. Food-at-home is more economical and allows consumers to stretch their meal budgets. In addition, the stronger multinational consumer packaged goods companies have embarked on sizable cost savings programs that are meant to act on those things in their control. An uptick in capital spending on AI initiatives is likely to drive future cost reductions in supply chain, factory floor automation and productivity, and diversify their global sourcing options. While investor sentiment remains subdued, underlying fundamentals are showing early signs of stabilization with lower break-even profitability along with easier revenue and earnings comparisons that could provide for better-than-feared earnings results in 2026. Valuation appears to have overreacted to the increase in both actual and perceived headwinds. Valuation measures such as relative dividend yield and enterprise value/sales are near multi-year lows. Valuations are fair to undervalued, and momentum recently deteriorated. Risk Considerations: 1) soft demand across consumer-packaged goods, 2) consumer trade down and substitution, 3) ongoing growth in private label and store brands.
Materials	●	●	●	Pockets of slower global growth and weaker commodity prices factor into our continued cautious view on the Materials sector. We are seeing deceleration in the pricing cycle from higher pricing levels of recent years and some signs of oversupply in specific areas. Higher interest rates in the developed world and ongoing trials securing labor and materials are pushing some project timelines to the right, and, with the additional challenge of higher energy costs, we are seeing some formerly profitable projects being reconsidered. On the supply side, concerns remain about too much new capacity in the future for petrochemicals and commodity chemicals with questions regarding demand levels for 2025. Multiples could expand or contract dependent on pricing across the commodity complex. Downward pricing pressure would give some intermediaries relief on costs, but if they are also experiencing volumes decline, operating leverage could be at risk. We still see some longer-term tailwinds for demand, such as AI growth and power buildouts; however, mixed data and the slower-than-expected growth and activity in China makes the risk-reward outlook less attractive with both inflation and pricing power moving lower. Earnings revision trends could be mixed going forward. As a result, the underlying sector valuation is neutral, but momentum declined in recent months. Risk Considerations: 1) slower global economic growth, 2) weaker residential and non-residential construction, 3) oversupplied materials markets.

Sector	CIO View			Comments
	Underweight	Neutral	Overweight	
Energy				<p>We remain cautious on the Energy sector on the growing oil supply outlook, weaker energy cash flows and earnings in coming quarters. Despite tensions and conflicts in the Middle East, production has not been interrupted and therefore has capped oil price upside. Further, growing oil production from both OPEC+ producers and non-OPEC producers in Guyana, Gulf of Mexico, offshore Brazil and other regions could add to inventories in an environment that is already moving towards an oversupplied market. Combined with slower global demand, led by China, we see risks to energy company cash flows and earnings estimates in future quarters. OPEC+ recently changed their policy by ending the production cuts and is an important change in current policy for energy markets. This dynamic has investor sentiment very cautious on the sector. Any potential oil price declines to lower ranges could weigh on energy stocks this year. Energy companies are still returning cash to shareholders through a combination of base dividends, increasingly less variable dividends, and stock buybacks. Longer term, secular headwinds still confront the sector, including the transition to clean energy, lower renewable energy costs, declining short-cycle inventories and sustainability-focused investors. Continue to emphasize companies that are low-cost producers with high FCF, balance sheet strength and low break-even oil prices. Energy stocks still provide attractive valuations and strong dividends with negative momentum. Risk Considerations: 1) lower oil and natural gas commodity prices, 2) slower global energy demand.</p>

Source: Chief Investment Office. 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 THEMATIC INVESTING AS OF DECEMBER 2, 2025

The following themes and subthemes encapsulate the Chief Investment Office's thinking on some of the most convincing undercurrents of future areas of growth around: Transformative Innovation, Resilient Infrastructure, Future Security and Changing Demographics. These themes carry long-term implications for economic growth, the cost of capital and global earnings. We'd consider exposure to these themes a key ingredient to investing.

Level 1	Level 2
Transformative Innovation <ul style="list-style-type: none"> Generative AI Robotics/Automation Digitization 	Generative AI: Power demand/generation, productivity wave Robotics/Automation: Industrial/service robotics Digitization: Cloud computing, data analytics, digital payments, internet of things, augmented reality and virtual reality, electrified transportation
Resilient Infrastructure <ul style="list-style-type: none"> Energy Addition Utility Infrastructure Supply Chain Reconfiguration 	Energy Addition: Nuclear renaissance, solar, natural gas generation, hydrogen, battery storage Utility Infrastructure: Data centers, grid (transmission/distribution), thermal management, water management, power generation Supply Chain Reconfiguration: Onshoring/nearshoring buildout
Future Security <ul style="list-style-type: none"> Aerospace & Defense Cybersecurity Resource Protectionism 	Aerospace & Defense: Remilitarization, space, drones Cybersecurity: Network security, cloud evolution/security, endpoint security Resource Protectionism: Food/agriculture/commodity scarcity (water), natural resources, metals/mining
Changing Demographics <ul style="list-style-type: none"> Healthcare Innovation Great Wealth Transfer Global Labor Force Distribution 	Healthcare Innovation: Ageing, longevity, drug discovery, biotechnology (gene therapy, personalized medicine) Great Wealth Transfer: Wealth creation, NextGen consumer/investor base Global Labor Force Distribution: Immigration/migration, global fertility bust, automation "cobots"

Index Definitions

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

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

MSCI Europe Index is an equity index which tracks the return of stocks from European developed markets.

NASDAQ Index is a market capitalization-weighted index encompassing over 2,500 stocks, with a strong focus on the technology sector.

Chicago Board Options Exchange Volatility Index is a real-time market index that represents the market's expectation of 30-day forward-looking volatility.

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.

Dividend payments are not guaranteed, and are paid only when declared by an issuer's board of directors. The amount of a dividend payment, if any, can vary over time.

Investments have varying degrees of risk. Some of the risks involved with equity securities include the possibility that the value of the stocks may fluctuate in response to events specific to the companies or markets, as well as economic, political or social events in the U.S. or abroad. Small cap and mid cap companies pose special risks, including possible illiquidity and greater price volatility than funds consisting of larger, more established companies. Investing in fixed-income securities may involve certain risks, including the credit quality of individual issuers, possible prepayments, market or economic developments and yields and share price fluctuations due to changes in interest rates. When interest rates go up, bond prices typically drop, and vice versa. Bonds are subject to interest rate, inflation and credit risks. Municipal securities can be significantly affected by political changes as well as uncertainties in the municipal market related to taxation, legislative changes, or the rights of municipal security holders. 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. 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. 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. Mortgage-backed securities are subject to credit risk and the risk that the mortgages will be prepaid, so that portfolio management may be faced with replenishing the portfolio in a possibly disadvantageous interest rate environment. 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. Investments in real estate securities can be subject to fluctuations in the value of the underlying properties, the effect of economic conditions on real estate values, changes in interest rates, and risk related to renting properties, such as rental defaults. 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. Investing in Gold involves special risks, including market price fluctuations, regulatory changes, interest rate changes, credit risk, economic changes, and the impact of adverse political or financial factors.

Investments in Infrastructure Assets will be subject to risks incidental to owning and operating infrastructure projects, including risks associated with the general economic climate, geographic or market concentration, government regulations and fluctuations in interest rates. The industries targeted for investment may be highly regulated by governmental agencies. Such regulations may impact an investor's ability to acquire, dispose of and/or manage investments.

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.

© 2025 Bank of America Corporation. All rights reserved.