

CHIEF INVESTMENT OFFICE

# Viewpoint

## The Boom Environment Has Started

February 2026

All data, projections and opinions are as of February 3, 2026 and subject to change.

### IN BRIEF

- Nominal growth is running in "boom" territory which supports higher profits and an investment environment that buys on weakness despite headline risk and geopolitical concerns.
- With new highs expected for Equities ahead, investors should consider portfolio adjustments such as increasing exposure to Small-caps and Emerging Markets as well as diversified sector exposures where underweight, leveraging Fixed Income as a ballast while maintaining an Equity overweight, and adding to growth themes and alternative assets, for qualified investors, where appropriate.
- We are constructive on Fixed Income overall but underweight in order to fund our Equity overweight. We continue to project range-bound yields given sticky inflation and real gross domestic product remaining near or above 2% for the next few years. However, we recognize potentially high volatility in either direction, especially given the expected change in Federal Reserve leadership later this year.

2026 is expected to look like an extension of 2025 but with better growth and broader participation in the markets. Why?

- Over \$300 billion in stimulus is expected in tax breaks for consumers and corporations
- The Federal Reserve (Fed) has been leaning toward cuts post-May
- Productivity has been gathering momentum
- Inflation appears to have peaked
- Peak tariff rates have more than likely occurred
- Non-U.S. regions have been additive to global growth
- Global earnings have been revised upward
- Short-term market positioning has not been extended, at this time

All of this leads to more of a risk-on environment that could benefit the capital markets horizontally. Nominal growth is running in "boom" territory. This supports higher profits, which supports an investment environment that buys on weakness despite headline risk and geopolitical concerns. It's rare to have an environment in which a flywheel is cranking up at the same time with:

- Global and U.S. growth surprising
- Global earnings per share (EPS) revisions up
- Base and precious metals up
- U.S. dollar slightly weaker
- Stable and range-bound U.S. rates
- Rising long rates overseas

We expect new highs in Equities, and investors should consider the following 6 portfolio adjustments for 2026:

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### CIO ASSET CLASS VIEWS

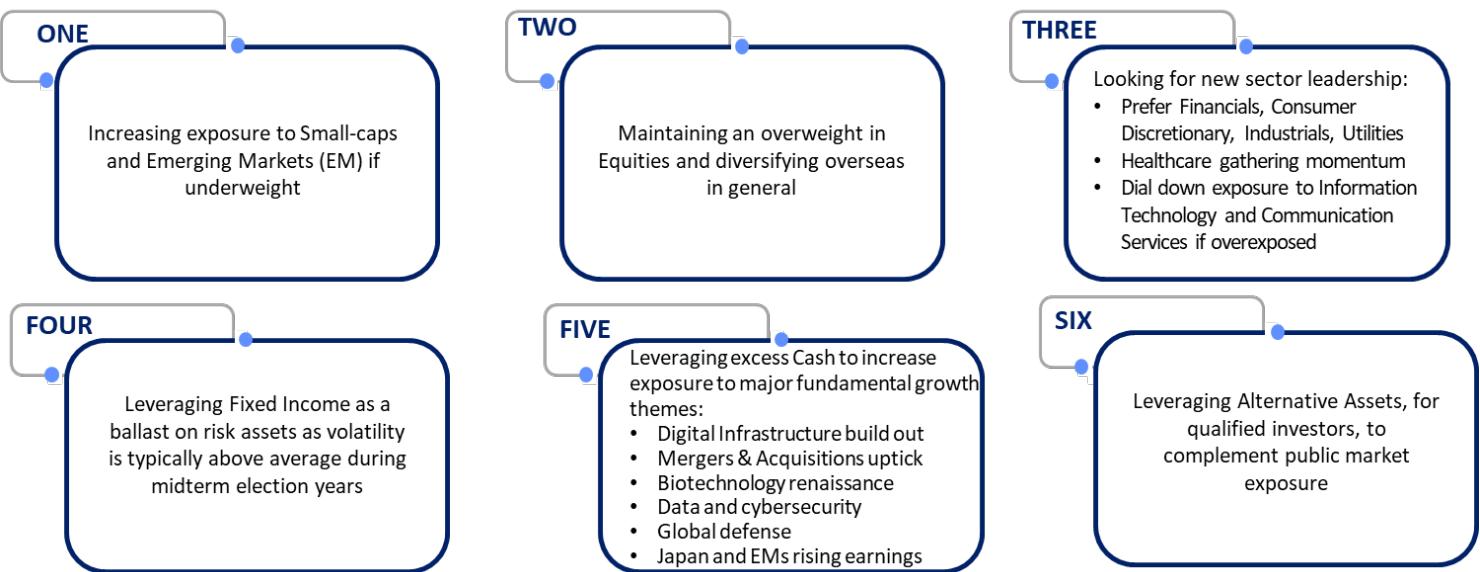
This month the Global Wealth & Investment Management Investment Strategy Committee (GWIM ISC) did not make any tactical asset allocation adjustments. We maintain an overweight to Equities with a preference for U.S. Equities relative to the rest of the world and still favor a significant allocation to bonds in a well-diversified portfolio. We would leverage market weaknesses and excessive strength to rebalance tactical exposures in the coming months.

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

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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			●
Private Credit			●
Real Assets			●
Cash			●

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



Source: Chief Investment Office as of February 3, 2026. For informational purposes only. CIO views are subject to change. Economic or financial forecasts are inherently limited and should not be relied on as indicators of future investment performance.

## CIO INVESTMENT DASHBOARD AS OF FEBRUARY 3, 2026

While headwinds like elevated geopolitical tensions and a fresh bout of tariff uncertainty led markets to experience some churn to start the year, underlying fundamentals remain solid. We still see the potential for a new phase of economic and market growth, powered by Artificial Intelligence (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:

<b>Earnings</b>		For the S&P 500 Index, we forecast double-digit earnings growth for 2026. A consistently strong earnings backdrop comprises a key pillar of our U.S. Equity overweight. Globally, earnings trends remain positive overall. An improvement in EMs was a factor behind our upgrade to this segment in January.
<b>Valuations</b>		On an absolute basis, U.S. equity markets are somewhat overvalued. Yet relative discounts can be found in areas like Small-cap and Value. Moreover, discounts also exist overseas, including for EMs, underscoring the importance of incorporating these areas to diversify portfolios.
<b>U.S. Macro</b>		U.S. economic growth has consistently topped analysts' expectations, bolstering corporate earnings growth. In 2026, we anticipate above-average growth driven by strong consumer spending, fiscal policy, and business investment.
<b>Global Growth</b>		We anticipate that real gross domestic product (GDP) in the euro area will grow by 1.0% on a year-over-year basis in 2026, a rate hampered by geopolitical uncertainty. While stimulus efforts in China appear challenged in contending with weakness in investment and the property market, BofA Global Research forecasts 2026 real GDP growth of 4.7%, reflecting relative strength increasingly underpinned by innovative segments. Improving fundamentals in EMs may raise the appeal of this region as a portfolio diversifier.
<b>U.S. Monetary Policy / Inflation</b>		The Fed's interest rate policy stands at 3.50% to 3.75%. In January, the Federal Open Market Committee (FOMC) held steady, remarking over improved economic trends. While tariffs may keep inflation temporarily sticky, progress afterwards should allow the Fed to continue easing monetary policy in 2026.
<b>Fiscal Policy</b>		Fiscal stimulus dubbed the One Big Beautiful Bill Act includes new tax breaks, among other elements. This added stimulus throughout the year should support U.S. GDP growth through stronger consumption, investment and productivity, helping to sustain margins and earnings and ultimately provide tailwinds for Equities.
<b>Corporate Credit</b>		Overall, credit spreads for Investment-Grade (IG) and High Yield (HY) corporate bonds reflect little concern over an economic slowdown. In January, both established fresh 12-month lows. We believe that neutral positioning across these segments in all-Fixed Income portfolios is appropriate.
<b>Yield Curve</b>		Beyond two years, the Treasury yield curve remains positively sloped. Conversely, a shorter-dated inversion reflects anticipation for more interest rate cuts, a condition supporting our view for easing monetary policy. Rates are fairly priced, providing good diversification benefits for multi-asset class portfolios and reasonable income overall.

Technical Indicators		The S&P 500 has remained above its 200-day moving average since May 2025, indicative of strong upward momentum. Measures of breadth have improved. Moreover, recent record highs in Small-caps and better performance abroad overall suggest an overall broadening participation in the Equity rally.
Investor Sentiment		Overall, investor sentiment indicators have turned more optimistic, a contrarian indicator. Retail investors, tracked by the American Association of Individual Investors (AAII), have become more bullish. Meanwhile, BofA Global Research has noted that the average cash level managed by institutional investors has declined to a historically low level while its proprietary Bull/Bear Ratio also signals "sell," as of January 29.

Source: Chief Investment Office. Gradient slides go from positive green, yellow neutral and negative red factors to ISC views.

## EQUITIES

**We are overweight Equities.** While we continue to see crosscurrents in the global economic landscape, the overall backdrop for Equities remains strong. AI and data infrastructure investment is accelerating, corporate earnings growth is expected to continue, and investors are gradually rotating back into Equities with elevated 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. Despite recent policy uncertainty, the U.S. is still among the strongest and most innovative economies in the world. U.S. index level valuations are elevated relative to historical averages, but earnings currently remain supportive with growth broadening across sectors. We ultimately expect full-year earnings growth to be in the double-digits for the S&P 500 Index in 2026.

Diversification across and within Equities is already proving to be valuable this year. While we have recently observed signs that market leadership may be rotating away from the mega-cap heavyweights of the last several years, Large-caps still generally exhibit strong fundamentals, solid earnings growth, and the ability to generate substantial free cash flow (FCF). Meanwhile, Small-caps have maintained the momentum that picked up in late 2025 and may continue to benefit from a lower interest rate environment and a more constructive earnings outlook. In addition, deregulation may spur increased capital markets activity and more mergers and acquisitions (M&A) in 2026. We emphasize the importance of incorporating both Large-caps and Small-caps into strategic portfolios.

While we believe that secular tailwinds related to innovation will continue to support Growth over the long term, investors should avoid overexposure to any one area of the market. Value continues to trade at a relative discount to Growth, cyclical areas of the market have improved, and dividend-oriented Value stocks remain attractive. We maintain a barbell approach between Large-cap Value and Large-cap Growth in portfolios as market dynamics evolve.

From a sector perspective, it's important to have Equity exposure across cyclical, interest rate-sensitive and Growth sectors. Despite recent regulatory uncertainty, we maintain overweight exposure to Financials supported by a positive net interest income outlook, a steeper yield curve, and the outlook for strong spread revenue. Our positive outlook for Utilities is based on accelerating electric power demand, driven by growth in AI and increasing electrification of the economy. We remain constructive on the Consumer Discretionary sector as inflation is well off the peak of recent years, consumer-related stimulus is underway, and consumer income growth is generally solid. We are overweight Industrials as capital expenditures (capex) budgets continue to grow, 100% bonus depreciation has been enacted again, and AI-oriented infrastructure plans are accelerating.

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 also maintain neutral exposure to Healthcare amid recent policy clarity and proposed expedited timelines for new product development. We have underweight exposure to the Real Estate (RE) sector, which consensus estimates suggest will post among the most subdued earnings growth of any sector in the S&P 500 in 2026. We also remain cautious on Consumer Staples due to lower growth rates and as the consumer has remained resilient overall despite some pressure from high prices. We are underweight Materials, as demand is mixed and potential tariff impacts remain

## EQUITY WATCH LIST

- Fiscal and monetary policy outlook
- Evolving geopolitical dynamics and global currency fluctuations
- Pace of AI investment and competition
- Lingering tariff uncertainty and the Supreme Court decision on legality of tariffs under the IEEPA\*
- Progression of earnings estimates
- Trajectory of global manufacturing

## RISK CONSIDERATIONS

- Cooling labor market and the potential for 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
- Global fiscal concerns, as well as sticky inflation and its potential impact on the Fed's easing cycle
- Geopolitical uncertainty and heightened global protectionism measures

\*International Emergency Economic Powers Act

questionable. Finally, despite near-term geopolitical tensions, we are underweight Energy as an oversupplied oil outlook could weigh on oil prices, cash flows and earnings in coming quarters.

**We are slightly overweight Emerging Market Equities.** EM relative valuations still appear attractive. The Asia-Pacific market now constitutes close to 80% of total EM market capitalization, and we view the region as a major beneficiary of expected growth in IT-related capital spending and the expanding adoption of AI. Currency strength relative to the U.S. dollar was a major contributor to the common currency outperformance of non-U.S. markets in 2025, and emerging Asian markets in particular also appear well-positioned to benefit from appreciation of undervalued exchange rates. China's economy may nonetheless remain constrained by structural headwinds for the RE sector and weak household balance sheets. Smaller markets in Central and Eastern Europe should benefit from increased European Union (EU) fiscal outlays including higher EU defense and infrastructure spending. Market direction in Latin America, the Middle East, and Africa are likely to remain broadly tied to the direction of natural resource prices, with ongoing strength in metals prices representing a tailwind for mining-exposed resource producers. 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 expenditure (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 management<sup>1</sup> when investing in EM, as fundamentals differ across countries based on fiscal capacity, external funding needs, corporate governance and other factors.

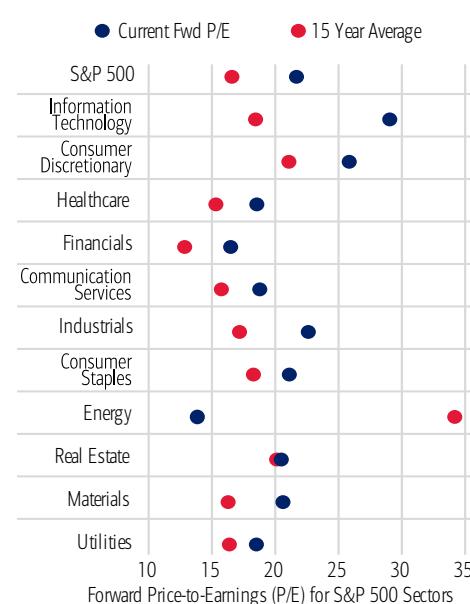
**We are slightly underweight International Developed Equities,** reflecting a weaker outlook for the UK and a positive outlook for Japan. European markets remain among the least exposed globally to IT and related market segments and are therefore likely to experience limited gains on a relative basis from increased AI infrastructure spending and adoption. Manufacturing-led EU economies also remain at risk from growing competition from China in key industries. In the UK, higher business taxes from the government budget also represent a headwind for the corporate sector. Higher bond yields and 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 energy importers, International Developed markets should also be more sensitive to the direction of energy prices. While we are less constructive on International Developed Equities, we believe long-term investors should maintain some strategic exposure, 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 for mega-cap Technology stocks.

## FIXED INCOME

**We are slightly underweight Fixed Income within multi-asset class portfolios.** We are constructive on Fixed Income overall but are underweight in order 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.

While the FOMC is divided on the correct near-term path for the fed funds rate, overall, we believe the Fed is focusing on the cooling, yet stabilizing, labor market rather than quickly reducing inflation to 2%, which should be risk-positive for 2026. We continue to expect range-bound yields given sticky inflation and real GDP remaining near or above 2% for the next few years. However, we recognize potentially high volatility in either direction, especially given the expected change in Fed leadership later this year.

## Sector Valuations



Source: Bloomberg as January 30, 2026. Please refer to index definitions at the end of this report. It is not possible to invest directly in an index.

<sup>1</sup> Active management seeks to outperform benchmarks through active investment decisions such as asset allocation and investment selection.

We maintain a neutral duration stance against expectations for slightly lower rates but with high volatility and a dispersion of potential outcomes. 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—despite somewhat lower long rates—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 1.20% to 2.60% across the curve, the higher end of the range since 2008. Yields substantially higher than inflation are positive for savers.

**In multi-asset class portfolios, we are slightly underweight U.S. Corporates and High Yield, in favor of Equities.** Our view is driven by valuations that remain relatively expensive—partially offset by still compelling all-in yields that continue to support demand for high-quality Fixed Income.

Credit spreads, however, sit at the rich end of the spectrum. With IG spreads around 70 basis points (bps) and HY near 255 bps, the potential for further compression appears limited. This is the primary reason for our slightly cautious posture within multi-asset portfolios—there's simply not much upside left as spreads trade near multi-decade tights.

Importantly, we are not calling for a dislocation. Near-record new issue supply to start the year has been met with very robust demand and near-term conditions still favor credit: Economic data has been strong, fundamentals remain solid with healthy revenue and earnings growth, margins are resilient, and gross leverage is stable despite increasing capex. Technicals remain one of the strongest arguments for staying long credit. All-in yields have been relatively stable and are still attractive enough to draw in buyers. One technical risk we are monitoring is a potential uptick in gross issuance this year, fueled by M&A activity and AI/data center capex. For now, this appears manageable.

**In multi-asset class portfolios, we remain slightly underweight U.S. Investment-grade Tax Exempt and U.S. High Yield Tax Exempt.** For highly tax-sensitive investors, we maintain a preference for IG and HY tax-exempt securities. We do note that munis outperformed taxable bonds in the second half of 2025 and year-to-date, and muni valuations have become quite rich on a relative basis. Therefore, additional outperformance from here is less likely. However, we believe municipal technical factors will remain reasonably supportive in 2026. While tax-exempt issuance set a new record in 2025 and we expect even higher issuance this year, we believe the new issuance will be readily absorbed by the market because principal redemptions and coupon payments are expected to exceed new issuance, and tax-exempt munis remain an important solution for high income investors seeking to optimize after-tax returns.

We believe municipal credit quality will remain generally stable, based on still strong balance sheet reserves and continued economic strength. However, we expect idiosyncratic credit risks will continue to emerge from time to time within the otherwise low-risk state, local government and essential services subsectors, while certain already-challenged municipal subsectors (e.g., private higher education and not-for-profit healthcare) will likely experience increasing pressures due to evolving demographic trends and less federal government support. Therefore, we believe credit selection will remain an important determinant of municipal portfolio performance, in terms of both exploiting opportunities to enhance portfolio yield and avoiding credit-related losses.

**In multi-asset class portfolios, we remain slightly underweight U.S. Mortgage-backed Securities (MBS), in favor of Equities.** MBS spreads compressed in 2025 and again last month, driven by the government-sponsored enterprises' plan to purchase MBS. They are now in line with, and in some cases slightly richer than, 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 option-adjusted

## 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

spreads in the 15 to 20 bps range—significantly below their 10-year average. We remain attentive to potential government-sponsored enterprise MBS purchases, privatization efforts and banking deregulation, all 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 1.3% in December, closing out 2025 with a strong 12.4% gain—one of the most robust full-year outcomes since the Global Financial Crisis. Equity Hedge (EH) strategies rose 1.4% for the month and finished the year up roughly 17%.<sup>2</sup> EH remained the clear leader within HS: fundamental managers posted their strongest alpha<sup>3</sup> generation in roughly 15 years, with both long and short books contributing positively, while quantitative approaches consistently captured alpha through repeated factor rotations. Macro strategies also staged a respectable comeback, ending the year up 7.1%<sup>4</sup> after recovering from earlier reversals tied to shifting trade policy. Overall, HS delivered durable, diversifying performance throughout 2025 and are entering 2026 with considerable momentum.

**Private Equity:** Buyout Private Equity (PE) funds posted preliminary Q3 gains of around 2%, placing one-year internal rate of return (IRR) near 8.3%. Venture and Growth strategies outpaced buyouts, returning approximately 4.3% in Q3 and lifting one-year IRRs to 13%.<sup>5</sup> Dealmaking accelerated meaningfully during 2025 as borrowing costs declined and entry valuations held steady. U.S. investment volumes exceeded \$1 trillion for the year—a 36% increase over 2024 and approaching 2021's record levels—while exit activity surged to \$728 billion, nearly doubling 2024 totals.<sup>6</sup>

Looking ahead, the backdrop for PE activity remains constructive. Improved sentiment, greater market clarity, lower interest rates and more abundant financing—combined with over \$1 trillion of dry powder in the U.S.<sup>7</sup>—create a favorable environment for renewed deal flow. With many buyers and sellers having deferred transactions in recent years, the setup for broader activity in 2026 is strong. Liquidity needs continue to support secondary market growth, while demand for Growth Equity remains firm as Venture Capital (VC)-backed companies seek capital to extend runways or pursue acquisitions.

<sup>2</sup> HFR, Inc.

<sup>3</sup> Alpha is a measure of an investment's performance that indicates its ability to generate returns in excess of its benchmark.

<sup>4</sup> HFR, Inc.

<sup>5</sup> Cambridge Associates, Refinitiv EIKON, data through September 30, 2025; data sourced January 30, 2026.

<sup>6</sup> PitchBook.

<sup>7</sup> PitchBook.

## HEDGE STRATEGIES

### Equity Hedge (EH)

Event Driven

Relative Value

### Macro

- EH will likely benefit from decent equity dispersion, driving alpha generation. Micro-dominated markets should be better for stock selection. Hedged approach appealing given high equity valuations.
- Macro appealing for low correlations to Equities/Fixed Income in uncertain policy environment.

## PRIVATE EQUITY

Buyout (BO)

### Venture Capital (VC)/ Growth Equity (GE)

Special Situations

- VC/GE expected to benefit if AI theme proves durable. Early-stage capital also tied to trend of companies staying private for longer and incubating next gen tech disruptors.
- BO also expected to benefit from lower rates.

 symbol indicates the strategies CIO views as having the most favorable opportunity set for new investment within the Alts asset classes

**Private Credit:** Private Credit (PC) generated preliminary Q3 gains of roughly 1.6%, with one year IRRs around 8%.<sup>8</sup> Yields continued to compress in Q4 to approximately 9.2%, while spreads generally tightened toward the 500 bps area and fell below that for the most competitive transactions.<sup>9</sup> While headlines around credit risk persist, the prospect of lower interest rates may ultimately ease borrower pressure and support more stable default rates.

Still, return expectations for 2026 are likely to moderate. Base rates are moving lower, capital losses may emerge as underwriting normalizes, and PC faces growing allocation competition from both public leveraged credit and PE. After a multiyear period in which PC returns matched or exceeded PE, relative performance in 2026 is likely to favor PE, prompting some institutional allocators to reassess overweight PC positions. Liquidity management—particularly within newly launched evergreen structures—is expected to be an area of heightened focus.

**Real Assets:** Private Real Estate (PRE) showed continued stability through year-end. Commercial real estate prices inched 0.2%<sup>10</sup> higher year over year, while PRE private funds—largely value-add and opportunistic—declined about 40 bps in Q3,<sup>11</sup> reflecting still-tentative momentum. Transaction volumes rose 23% in 2025,<sup>12</sup> signaling gradual improvement in liquidity and sentiment even as activity remains below pre-cycle peaks. Under the surface, conditions have continued to improve. Lending capacity has returned across most lender types, financing is far easier to secure than two years ago, and both pricing and volume appear to be stabilizing. Cap rates, having risen from 2022 lows, now sit near historically normal levels. Meanwhile, policy efforts aimed at lowering interest rates and supporting housing demand may provide an additional tailwind.

Infrastructure funds returned an estimated 2% in Q3, lifting one-year IRRs to around 9%.<sup>13</sup> The asset class remains an important component for investors seeking inflation sensitivity and long-duration exposure. Data center growth continues to be a structural theme in the coming years. The expansion of cloud computing, AI deployment, and global data consumption is driving rapid increases in electricity demand from data centers. According to Bloomberg, data centers are expected to account for 4.5% of global final power consumption by 2035 and nearly double that share by 2050.<sup>14</sup>

For 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.

## PRIVATE CREDIT

### Direct Lending (DL)

### Subordinated Capital

### Asset Based/Specialty Finance

- Neutral across PC, DL to see declining returns with lower rates and climbing credit losses. Positive: more PE deals should increase DL deployment opportunities, potentially with wider spreads.

## REAL ASSETS

### Private Real Estate

#### +

**Infrastructure**

### Tangible Assets

- Infrastructure tied to global trends of energy demand and digitization, with inflation-hedge characteristics.
- PRE should continue to stabilize with outlook improving.

**+** symbol indicates the strategies CIO views as having the most favorable opportunity set for new investment within the Alts asset classes.

<sup>8</sup> Cambridge Associates, Refinitiv EIKON, data through September 30, 2025; data sourced January 30, 2026.

<sup>9</sup> BofA Global Research. Loan Chartbook as of February 2, 2026.

<sup>10</sup> MSCI Real Capital Analytics

<sup>11</sup> Cambridge Associates, Refinitiv EIKON, data through September 30, 2025; data sourced January 30, 2026.

<sup>12</sup> MSCI Real Capital Analytics.

<sup>13</sup> Cambridge Associates, Refinitiv EIKON, data through September 30, 2025; data sourced January 30, 2026.

<sup>14</sup> Bloomberg NEF. "New Energy Outlook", 2025.

## MACRO STRATEGY

- Consumer spending growth remains firm as unemployment claims remain low, job openings are plentiful relative to unemployment, wage and salary growth remain solid, and tariff uncertainty has faded. GDP growth is tracking around 4% for Q4, helped by strong consumer and business investment spending as well as a shrinking trade deficit.
- Core PCE inflation has been stuck in a 2.5% to 3% range for over a year. Well-contained energy and housing prices 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 suggest solid growth ahead.

## ECONOMIC FORECASTS (AS OF 1/30/2026)

	Q4 2025A	2025A	Q1 2026E	Q2 2026E	Q3 2026E	Q4 2026E	2026E
Real global GDP (% y/y annualized)	-	3.6*	-	-	-	-	3.4
Real U.S. GDP (% q/q annualized)	2.2*	2.2*	2.6	3.0	2.0	2.0	2.8
CPI inflation (% y/y)	2.8	2.7*	2.5	2.9	2.7	2.6	2.7
Core CPI inflation (% y/y)	2.7	2.9*	2.6	2.9	2.7	2.8	2.7
Unemployment rate (%)	4.5	4.3*	4.5	4.5	4.4	4.3	4.4
Fed funds rate, end period (%)	3.63	3.63	3.63	3.38	3.13	3.13	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 February 3, 2026. 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 February 3, 2026

## CIO ASSET CLASS VIEWS AS OF FEBRUARY 3, 2026

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., overweight EM, and underweight 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 maintain an equal balance between Large-cap Value and Large-cap Growth in portfolios.
U.S. Large-cap Value	●	●	●	●	
U.S. Small-cap Growth	●	●	●	●	Small-caps are supported by interest rate cuts, improved earnings, potential deregulation and an uptick in M&A activity. We continue to suggest a balance of Value and Growth factors.
U.S. Small-cap Value	●	●	●	●	
International Developed	●	●	●	●	Europe is likely to see limited relative gains from expansion in AI given lack of market exposure. Higher rates may represent a near-term headwind for Japan despite fundamental support from corporate sector reforms.
Emerging Markets	●	●	●	●	We are slightly overweight EM overall, with the heavyweight Asia region particularly well-positioned to benefit from exposure to growth sectors and exchange rate appreciation. Higher commodity prices are a regional positive for Latin America.

Asset Class	CIO View			Comments
	Underweight	Neutral	Overweight	
<b>International</b>				
North America	●	●	●	● 
	●	●	●	The U.S. remains our preferred region relative to the rest of the world amid 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. Exposure to growth in AI spending is limited, while risks remain from growing competition with China in key industries.
U.K.	●	● 	●	●
	●	●	●	Lack of exposure to growth in AI spending and adoption represents a relative market disadvantage. Higher business taxes from government budget are a headwind for the corporate sector.
Japan	●	●	●	● 
	●	●	●	Sustained positive inflation and official efforts to increase corporate returns to shareholders remain fundamental supports. Higher bond yields and potential for faster interest rate hikes could represent a 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. Longer-term outlook dampened by exposure to ongoing structural constraints for China's economy.
<b>Global Fixed Income</b>				
U.S. Governments	●	● 	●	●
	●	●	●	Yields are attractive, providing good diversification for multi-asset class portfolios and reasonable income. Neutral duration recommended.
U.S. Mortgages	●	● 	●	●
	●	●	●	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 Treasurys provide the best short-term diversification benefits to Equities among Fixed Income sectors. Rate volatility has increased and may remain high.
U.S. Corporates	●	● 	●	●
	●	●	●	MBS spreads have compressed to approximately 18 basis points year-to-date—significantly below their 10-year average and now largely in line with, and in some cases richer than other high-quality Fixed Income sectors. This compression reduces their relative appeal and limits potential upside compared to Treasuries and investment-grade corporate bonds.
International Fixed Income	●	● 	●	●
	●	●	●	IG credit spreads have reached multi-decade low driven by improving issuer fundamentals and strong investor demand which easily absorbed a very heavy January new issue calendar. While spreads are undeniably rich, we believe carry will continue to deliver positive excess returns over the next 6 to 12 months as we expect spreads to trade relatively range bound given the ongoing demand for yield and strong growth backdrop.
High Yield	●	● 	●	●
	●	●	●	International rates markets are at normal valuation levels on a U.S. dollar-hedged basis.
U.S. Investment-grade Tax Exempt	●	● 	●	●
	●	●	●	Similar to 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 as default rates have begun to improve modestly. This leaves us comfortable at a neutral positioning. Within a high yield allocation, we continue to suggest a balanced mix between loans and bonds.
U.S. High Yield Tax Exempt	●	● 	●	●
	●	●	●	Valuations have become rich, and seasonal technicals are likely to weaken after mid-February. There is better value for maturities over 10 years. Munis still enjoy generally stable credit conditions with solid tax growth and strong reserves. However, idiosyncratic risks exist and certain sectors such as health care and higher education face challenges. Therefore, we believe credit selection will remain an important determinant of portfolio performance.
	●	● 	●	●
	●	●	●	HY munis underperformed investment grade in 2025. However, this may provide an opportunity for relatively strong future high-yield performance if economic conditions remain favorable, and market yields 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 FEBRUARY 3, 2026

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. Overall, valuation is attractive, and earnings-driven momentum should continue to improve as rates move lower. <b>Risk Considerations:</b> 1) <b>persistently inverted yield curve</b> , 2) <b>interest rate volatility</b> , 3) <b>a deep credit cycle for Commercial RE</b> , 4) <b>lost market share to non-bank lenders</b> .

## CIO View

Sector	Underweight	Neutral	Overweight		Comments
Utilities	●	●	●	●	We favor exposure to Utilities on growing electricity demand forecasts for the first time since the early 2000s and accelerating plans to invest in new generation, transmission and distribution infrastructure. Valuations based on forward price-earnings multiples are attractive compared to the broader S&P 500 index and momentum is neutral. <b>Risk Considerations: 1) affordability concerns driving adverse regulatory or legislative solutions, 2) slower power demand growth than forecast, 3) power outage events.</b>
Consumer Discretionary	●	●	●	●	With a resilient consumer, a relatively solid job market, lower interest rates on the horizon, consumer tax stimulus coming in 2026 and a positive economic backdrop, we are overweight Consumer Discretionary. Consumers are finding ways to alter their budgets to accommodate both experiences and necessities. 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. Valuation for the sector is elevated with momentum neutral. <b>Risk Considerations: 1) potential for an economic slowdown, 2) spikes in energy prices or interest rates, 3) sustained weakness in job market.</b>
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 multi-year backlog for commercial aerospace, evolution of generative AI, increased power demand and improving outlooks for defense budgets outside the U.S. Valuation is elevated, and momentum improved to start 2026. <b>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.</b>
Communication Services	●	●	●	●	We remain neutral on the Communication Services sector, based on three factors 1) Valuation multiples are still reasonable given earnings growth; 2) Earnings estimates have been moving higher for the sector leaders; and 3) More importantly, broad cost-reduction plans could create potential earnings upside. While valuations for top companies are rich, overall sector valuation is aligned with the market, and momentum remains neutral. <b>Risk Considerations: 1) regulatory and anti-trust risks, 2) capex ramps for AI investments that limit EPS and FCF, 3) lower engagement pressuring growth.</b>
Information Technology	●	●	●	●	We remain neutral on the IT sector due to elevated valuations, crowded positioning and margin risks, despite strong earnings growth and AI-driven flows. Long-term outlook remains positive for Cloud, AI, data centers and semiconductors, but investors should focus on high-quality companies and add on market weakness. <b>Risk Considerations: 1) China exposure and trade wars, 2) supply chain constraints, 3) AI monetization and overspend, 4) premium valuations.</b>
Healthcare	●	●	●	●	We remain neutral on Healthcare. Policy uncertainty has been a significant overhang for the Healthcare sector for years, but following drug pricing agreements in recent months, some clarity on Healthcare issues and policy and proposed expedited timelines for new product development provides potential upside. Hence our upgrade to the sector from underweight to neutral in January. Utilization trends remain strong and capital budgets are not under serious pressure. We maintain strong conviction in Diagnostics and Labs while large biopharma, SMID biotech and Life Science tools and equipment look to be more intriguing areas for investment. Medtech, Managed Care/Providers and Diabetes are areas to be selective. We remain optimistic on the long-term outlook for the Healthcare sector amid demographic changes, innovative pipelines and a focus on driving down cost to consumers. Valuation is fair and momentum has recently stalled. <b>Risk Considerations: 1) policy changes that materially impact companies profitability; 2) a slowdown in innovation; 3) margin and profitability pressures resulting from increased tariffs or higher labor/supply costs.</b>
Real Estate	●	●	●	●	We are underweight Real Estate and would be selective in Real Estate exposure. 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 is low and momentum stalled. <b>Risk Considerations: 1) spike in interest rates and borrowing costs, 2) declining demand for CRE in over supplied markets, 3) workout problems.</b>
Consumer Staples	●	●	●	●	The Consumer Staples sector has faced headwinds from tariffs, higher input costs, and weaker earnings growth, while consumers increasingly trade down and favor private labels, pressuring branded product profitability. Although momentum is weak, fair-to-undervalued valuations and early signs of stabilization—along with AI-driven cost efficiencies—could support better-than-expected earnings in 2026. <b>Risk Considerations: 1) soft demand across consumer-packaged goods, 2) consumer trade down and substitution, 3) ongoing growth in private label and store brands.</b>
Materials	●	●	●	●	There are signs of oversupply in specific areas and concerns remain about too much new capacity in the future for petrochemicals and commodity chemicals with questions regarding demand levels for 2026 and beyond. We still see some longer-term tailwinds for demand, such as AI growth and power buildouts for copper demand and strong investment flows into precious metals, both trends have accelerated of late. The underlying sector valuation is neutral and momentum recently improved. <b>Risk Considerations: 1) slower global economic growth, 2) weaker residential and non-residential construction, 3) oversupplied materials markets.</b>
Energy	●	●	●	●	Despite geopolitical tensions rising, we remain cautious on the Energy sector on the growing oil supply outlook and potential for weaker energy cash flows and earnings in coming quarters. OPEC+ recently changed their policy by ending the production cuts—this is an important change in policy for energy markets. 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 improving momentum. <b>Risk Considerations: 1) lower oil and natural gas commodity prices, 2) slower global energy demand.</b>

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 FEBRUARY 3, 2026

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.

### Transformative Innovation

**Generative Artificial Intelligence:** 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

**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

**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

**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.

## Important Disclosures

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

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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.

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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.

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