

CHIEF INVESTMENT OFFICE

Viewpoint

A Few Pit Stops

June 2025

All data, projections and opinions are as of June 3, 2025 and subject to change.

IN BRIEF

- The combination of a relaxation on some tariffs and solid corporate earnings shifted the market workout cycle from the reset to the relief phase in about a month and a half. We expect our race car (the S&P 500) to undergo a few pit stops in the summer and autumn months ahead.
- We remain overweight Equities relative to Fixed Income while still constructive on Fixed Income given yields are attractive, providing good diversification and reasonable income for multi-asset class portfolios.
- Catalysts such as trade deal announcements, solid corporate earnings reports, economic and consumer resilience, and easier financial conditions would support risk taking over the balance of the year.

We believe the rest of 2025 can be characterized as a “pit stop,” similar to the occasional refueling that occurs in a long stock car race. After a couple of “major downshifts” to begin the year the sharp reversal from April 8 through the end of May in the equity markets is one for the history books. The combination of a relaxation on some tariffs—along with solid corporate earnings—shifted the market workout cycle from the reset to the relief phase in about a month and a half. With approximately seven months to go before we close the books on 2025, we expect our race car (the S&P 500) to make a few pit stops in the summer and autumn months.

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

1. Tariff and trade deals.

- Amongst headline risks through the summer, we expect a few key trade/tariff deals to be announced supporting positive momentum overall.
- We are still skeptical on a concrete deal with China, but this is widely expected.

2. Solid corporate earnings to continue.

- We expect economic momentum to gather some footing in the back half of the year, which should further support profits into next year.
- Corporate margins could increase somewhat as cost efficiencies driven by Artificial Intelligence (AI) and deregulation gather speed.

3. Economic and consumer resilience remains.

- Solid job prospects and rising personal net income continue to support spending.

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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 use any weakness in equity markets over the second half of the year as an opportunity to rebalance.

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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 & 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.

- After bulk ordering ahead of tariffs earlier in the year, a re-acceleration later in 2025 is expected.

4. Weaker dollar and easier financial conditions support risk taking.




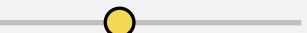


- Weakness in the U.S. dollar helps multinational profits—especially the mega cap Technology sector.
- Financial conditions should ease somewhat as a new fiscal package is passed, and the money supply rises somewhat.
- The Federal Reserve (Fed) continues to slow the pace of quantitative tightening and, if appropriate, they could lower the funds rate as inflation eases.





Given the above reasoning, we maintain our Equity overweight relative to Fixed Income, while we continue to emphasize diversification, neutral non-U.S. exposure, above benchmark positioning in Financials, Utilities and Consumer Discretionary and benchmark exposure to Technology. We are neutral across Fixed Income in all-Fixed Income low-tax sensitivity portfolios, and, for qualified investors, we continue to emphasize potential long term growth and income opportunities in Alternative Investments.

CIO INVESTMENT DASHBOARD AS OF JUNE 3, 2025

We see the potential for more noise surrounding trade policy, the fiscal outlook, and the trajectory of inflation and monetary policy—all of which could lead to more choppiness in the near term. Throughout the summer months, we expect that investors will continue to look for signs of uncertainty fading further before markets ultimately regain a sense of stability. 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				According to FactSet, S&P 500 revenue and earnings grew by 5.2% and 10.6%, respectively, on a year-over-year (YoY) basis in 2024. For Q1 2025, the blended growth rates are tracking 4.9% and 13.3% accordingly. That said, forward-looking earnings estimates have fallen in recent months. For all of 2025, consensus expects a slight deceleration in growth of revenue and profits to 4.8% and 8.9% respectively. The Global Earnings Revision Ratio however improved in May on a strong U.S. ratio amid robust Q1 results and potential signs of de-escalating tariff concerns, according to BofA Global Research.
Valuations				The S&P 500 price-to-earnings (P/E) ratio (next 12 months) stands at around 21.3x, down from its recent high of 22.5x and above its long-term average of 16.5x. While this headline measure suggests that Large-cap U.S. Equities, in general, remain expensive, relative discounts can be found in areas like Small-cap and Value.
U.S. Macro				A second estimate for Q1 real gross domestic product (GDP) indicated the economy shrank by a seasonally adjusted annual growth rate of -0.2%, revised slightly up from the initial estimate of -0.3%. The contraction reflected a wide trade deficit, which exerted its largest drag on growth on record dating back to 1947. Excluding this volatile measure, as well as that of inventories, real final sales to private domestic purchasers grew by 2.5% in Q1. For 2025, BofA Global Research expects real GDP growth of 2.0% for Q2 and 1.5% for this year. For 2026, they also forecast 1.5% growth on an annual basis.
Global Growth				The outlook remains cloudy amid trade policy volatility following a recent U.S. court decision to block certain tariff measures by the U.S. administration. A federal appeals court subsequently placed a temporary hold on the ruling allowing tariffs to remain in effect. With tariff uncertainty unlikely to fade, the outlook for Eurozone growth remains bleak amid weak manufacturing and services sectors though positive prospects could come from looser fiscal and monetary policy, stable energy prices, and clarity on China's growth outlook. Trade-related uncertainty also remains a headwind for broader Asia. After growth of 3.3% in 2023, the global economy grew by 3.2% in 2024. BofA Global Research expects 2.8% growth for 2025 followed by growth of 3.0% in 2026. This compares to average growth of 3.8% from 2000 to 2019, according to the International Monetary Fund.
U.S. Monetary Policy / Inflation				The Federal Reserve (Fed) has kept its policy interest rate at 4.25% to 4.50% since December, taking a patient approach to monetary policy adjustments due to heightened uncertainty around trade and fiscal policy and their possible economic effects. Markets have dialed back their expectations for Fed rate cuts this year, penciling in just two potential cuts. BofA Global Research expects the Fed to hold at this interest rate level until the second half of 2026, when they anticipate 100 basis points (bps) worth of cuts.
Fiscal Policy				On March 14, a "continuing resolution" was approved, funding federal agencies until the end of the fiscal year on September 30. Meanwhile, the House of Representatives passed a reconciliation bill dubbed the "One Big Beautiful Bill," which extends the 2017 Tax Cuts and Jobs Act and includes new tax breaks. The bill now heads to the Senate where it will likely be amended, and then will need to go back to the House for final passage. BofA Global Research expects the bill will likely add to the deficit instead of reducing it.

Factor	Implication for Equities			CIO View
	Negative	Neutral	Positive	
Corporate Credit				Credit spreads for Investment-grade (IG) and High Yield (HY) reflect contained concerns about an economic slowdown. Overall, their levels remain relatively low though off their near-term tightness, which were around levels last seen nearly two decades ago.
Yield Curve				The Treasury yield curve two-years and out has normalized, returning to being positively sloped from its inversion. It steepened this month driven by a shift higher in long-term yields on deficit concerns. The 30-year U.S. Treasury yield spiked above 5% for the first time since a short rout in October 2023 and before then in August 2007. An inversion between the three-month and two-year rates reflects market expectations for more rate cuts this cycle.
Technical Indicators				The S&P 500 moved above its 200-day moving average in May, which suggests positive momentum behind the latest market rally. The percentage of New York Stock Exchange stocks closing above their 200-day moving average trended higher this month, moving above 40%. The cumulative advance/decline indicator, another measure of market breadth, continued to recover from its decline earlier this year.
Investor Sentiment				Investor sentiment indicators have started to show signs of improvement. According to the American Association of Individual Investors, retail investor bearishness receded further this month from its early-April high. Meanwhile, the Chicago Board Options Exchange Volatility Index continued its move lower in May and closed the month below its year-to-date (YTD) average. BofA Global Research's Bull & Bear Indicator still flashes a "neutral" signal at 4.2 as of May 29. According to the May Global Fund Manager Survey, average cash levels in institutional portfolios at 4.5% also suggest a "neutral" signal.

Source: Chief Investment Office.

EQUITIES

We are slightly overweight Equities: Equities currently remain well supported by positive earnings growth and "hard data" which suggests real levels of economic activity remain solid. While we continue to see crosscurrents in the market landscape, relatively sturdy fundamentals should ultimately provide Equities with a solid foundation moving forward. We maintain an Equity overweight relative to our strategic targets.

We are slightly overweight U.S. Equities: While trade policy uncertainty remains a key near-term risk, the U.S. remains our preferred Equity region relative to the rest of the world given solid earnings growth, strong balance sheets in aggregate, and relatively healthy consumer fundamentals. Index-level valuations declined in recent months on uncertainty but still remain slightly elevated relative to long-term averages. Earnings remain supportive, with Q1 2025 on track to be the seventh consecutive quarter of YoY profits acceleration and the second consecutive quarter of double-digit earnings-per-share (EPS) growth for the S&P 500 Index. However, estimates for future quarters have come down and Q2 results are likely to be noisy as delays, supply chain disruptions, and dampened demand start to filter into earnings. While uncertainty has weighed on the earnings outlook for 2025, we expect full-year earnings growth in the low-to-mid single digits for the S&P 500 Index.

Large-caps remain attractive given strong fundamentals and the ability to produce free cash flows (FCF) and healthy shareholder payouts. Small-caps maintain relatively discounted valuations and the potential for a future profits recovery, though tariff concerns and higher-for-longer rate structures could present headwinds. During this time of assessment, it is important to play both defense and offense. We emphasize the importance of incorporating both Growth and Value factors in strategic portfolios. While we believe that secular tailwinds will support Growth over the long term, recent market activity underscores the importance of avoiding overexposure to any one area of the market. Meanwhile, Value continues to trade at a relative discount to Growth, and dividend-oriented Value stocks remain attractive. We suggest a disciplined and balanced approach between Value and Growth for long-term investors.

As the cycle continues to broaden out, it is important to have Equity exposure across cyclical, interest rate-sensitive, and growth sectors. We continue to emphasize exposure to Financials despite our expectation that the Fed will pause interest rate cuts for the duration of the year. The cuts that the Fed has already implemented, along with a steeper yield curve, can help improve credit risk and default rates going forward, especially in Commercial Real Estate (CRE). Moreover, we anticipate U.S. banks could generate record spread revenue this year even without meaningful loan growth, given the repricing trend in securities portfolios industry wide. We maintain neutral exposure to Industrials after mixed results from recent earnings reports and lack of clarity for company guidance. However,

EQUITY WATCH LIST

- Trade policy developments and negotiations
- Fiscal policy outlook
- Dollar weakening and exposure to non-U.S. regions
- Progression of earnings estimates
- Trajectory of global manufacturing
- Potential cyclical catalyst of global reconstruction projects (Ukraine, Gaza and Syria)
- Pace of AI investment/competition

RISK CONSIDERATIONS

- Escalated trade war
- Geopolitical uncertainty and heightened global protectionist measures
- Reacceleration of inflation
- Potential for slower economic growth
- Structural pressures within the Office segment of CRE

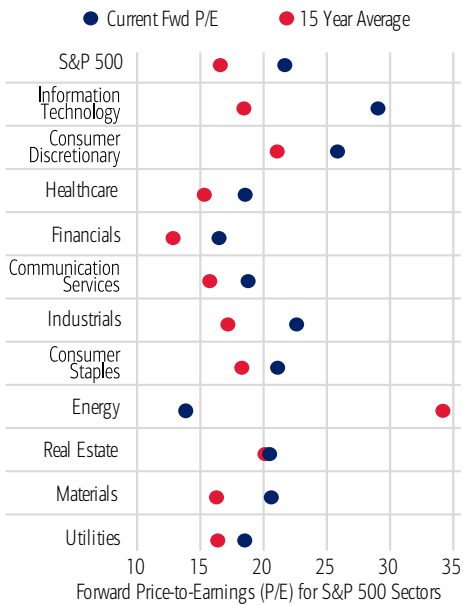
infrastructure-related investments and projects related to secular growth trends in electric power demand, energy transmission and distribution, data center builds, and next-generation AI-focused semiconductor technology that is increasingly power hungry could drive multi-year demand for select growth and cyclical stocks. The relative view on Consumer Staples is more constructive after underperformance against both the broader equity market and the Consumer Discretionary sector last year, valuation measures near multi-year lows, and early signs of fundamentals stabilizing. While a solid job market continues to support the U.S. consumer, recent downward earnings estimate revisions in Consumer Discretionary are worth watching.

Uncertainties pertaining to potential changes to Healthcare policies and potential tariff impacts differ across Healthcare subsectors, which could drive rebalancing in portfolios; therefore, we maintain a neutral exposure and see opportunity beneath the sector level. We also remain cautious on the Energy sector, as the growing oil supply outlook for 2025 is a concern and 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 (GAI) 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 recent developments in the GAI trend that generated a correction. 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 due to positive fundamentals in some areas of RE but remain cautious about weaker trends in other areas like CRE.

We are neutral Emerging Market Equities: Emerging Markets (EM) Equities appear attractively valued, but we continue to expect a wide return dispersion between individual EM countries and regions. Slower exports in China may be partly offset by growth in its heavyweight IT sector. However, stimulus measures so far appear insufficient to provide a significant boost to domestic demand, which is likely to remain constrained on a structural basis by headwinds from the RE sector and weak household balance sheets. The outlook for other markets in Asia and the rest of EM will be shaped by relative benefits of prospective trade agreements, particularly for more goods export-oriented economies. Central and Eastern European markets also stand as potential beneficiaries of any progress on Russia-Ukraine conflict resolution, while market direction in Latin America, the Middle East, and Africa should 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 management¹ 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, alongside additional interest rate cuts from the European Central Bank (ECB). Manufacturing-led European Union (EU) economies nonetheless remain at risk from U.S. import tariffs and 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 for valuation. As aggregate net 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.

Sector Valuations



Source: Bloomberg as of May 30, 2025. All sector and asset allocation recommendations must be considered in the context of an individual investor's goals, time horizon, liquidity needs and risk tolerance.

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

FIXED INCOME

We are slightly underweight Fixed Income within multi-asset class portfolios.

Although we are still constructive on Fixed Income, our underweight to this asset class is necessary to fund our overweight to Equities. We remain neutral to our strategic benchmarks across Fixed Income in all-Fixed Income low-tax-sensitivity portfolios. However, in all-Fixed Income high-tax-sensitivity portfolios, we have a preference for Investment-grade Tax-Exempt and High Yield Tax-Exempt relative to Investment-grade Corporates.

The rollout of the administration's reciprocal tariffs caused a sharp rise in yields, especially on long-term Treasuries, while the dollar sold off. The speed and magnitude of these moves were significant. The Fed and U.S. Treasury have tools to manage excessive near-term selling of U.S. Treasuries; they have not yet felt compelled to do so, which is positive in our opinion. We find higher yields amid slightly higher recessionary risks to be an unambiguous positive for investors. Furthermore, the decline in the dollar must be understood in the context of the dollar entering 2025 being the most overvalued since 1985 and its intentional devaluation via the "Plaza Accord."

In May, the 30-year Treasury hit its highest yield since 2007 before retracing its losses. The recent movements in Treasuries are driven by a few factors, including potentially higher-for-longer short-term interest rates, fewer foreign buyers, deficit concerns, and Moody's recent downgrade of U.S. debt. These factors have to be weighed against significantly better valuations, as well as the fact that persistently higher debt levels relative to GDP may actually reduce long-term growth potential. Despite these concerns, the administration seems to want to avoid a recession, as evidenced by the 90-day reprieve on reciprocal tariffs for most nations, diminished tariffs on China and the U.K., and a recent delay on tariff implementation for the EU. Furthermore, the Fed has plenty of room to cut rates if necessary.

Higher nominal and real yields provide attractive compensation for inflation and market risk. We maintain neutral duration as 10-year Treasury rates are approximately average and in the middle of the range over the last two years. Longer-term Fixed Income provides meaningful returns relative to cash and therefore diversifies equity risk over time with more stable income and returns, in our opinion. We are still slightly more favorable on duration than when the 10-year was below 4% and believe investors should move investment cash to at least their strategic duration target.

In multi-asset class portfolios, **we are slightly underweight U.S. Governments in favor of Equities.** Real yields—that is to say, yields after expected inflation—are around 1.60% to 2.60% across the curve, the higher end of the range since 2008. Yields substantially higher than inflation are positive for savers.

Forward excess returns in credit are positively correlated with higher spreads. With IG spreads around 90 bps and HY spreads around 315 bps, valuations still screen rich, in our view. While a recession is not our base case, good news is currently priced into valuations, and we would note that there are several recent examples where economic data were similar or worse than today, monetary policy was less restrictive, and credit spreads were much wider (i.e., 2022, 2023, and late-2018 ahead of the Federal Open Market Committee pivot). We therefore suggest a slightly cautious stance on credit in multi-asset class portfolios, as we expect volatility could remain more elevated relative to our prior assumptions earlier in the year of more range-bound credit spreads over the next 12 months.

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. We note that tax-exempt bonds significantly underperformed taxable securities from January to April, and remain attractively valued, notwithstanding relative outperformance in May as technical and fundamental conditions strengthened. We see valuations continuing to richen over the summer due to increased reinvestment demand from seasonally heavy principal and interest payments, stronger risk appetite as tariff policies continue to evolve, and increasing certainty on future federal funding to states

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

and other municipal issuers, as well as future tax treatment of municipal bonds. With regards to federal funding, we expect any changes to funding levels will ultimately be manageable for the vast majority of municipal issuers. And regarding the municipal tax exemption, we believe it will remain largely intact. Therefore, we believe muni valuations should continue to rally over the next few months.

In multi-asset class portfolios, **we are slightly underweight Mortgage-backed Securities in favor of Equities.** Mortgage-backed Securities (MBS) spreads continue to look slightly favorable compared to other high-quality Fixed Income, particularly IG corporates. The primary concern for MBS investors—duration extension—has largely occurred, but interest rate volatility remains elevated compared to the last decade. In our view, the risk-reward profile for this rate-sensitive sector is now more balanced. Importantly, MBS spreads are now close to their five-year average, which limits the potential upside in a relatively uncertain interest rate environment. Banking deregulation and potential government-sponsored enterprise privatization are two developments that could have implications for MBS valuations that we are watching closely.

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) ended April on firmer footing compared to Q1, with overall performance of -0.3%, bringing YTD to -0.7%.² Equity Hedge (EH) strategies returned 0.4% in April, bringing YTD to -1.1%—outperforming the S&P 500 which lost 0.7% in April and was down 4.9% YTD.³ Gains for EH in April were supported by long alpha in the back half of the month, while short alpha has been a steady positive contributor YTD. Gross leverage has returned to elevated levels, reflecting reduced policy uncertainty, though managers have remained cautious, keeping net exposure below historical averages. EH strategies continued to gain in May, with early estimates in the around 3%⁴ range, reinforcing the appeal of hedged market exposure amid elevated volatility. Notably, quantitative EH strategies have continued to perform well, generating significant alpha. Macro strategies continued to face a challenging environment in May as investor concerns shifted from trade policy-induced slowing growth to fiscal policy-induced deficit and debt concerns.

Private Equity & Credit: Private Equity (PE) and Private Credit (PC) were both impacted by the April trade-related volatility but have since stabilized as uncertainty has decreased and markets have rallied into May. Triangulating with public markets, listed Alts asset managers and Business Development Companies (BDCs) came under pressure during the

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-volatile yields; tariff capitulation should support growth; decent dispersion in HY and Leveraged Loan.
Bear case	Spreads widened but retraced quickly; potential increase in credit risk and defaults
Macro +	
Bull case	Possible "higher-for-longer" rate regime could create 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 trade policy difficult for trend-following; if rate volatility structurally declined
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 could drive investment supercycle; early Venture Capital (VC) stages more insulated than later stages; falling rates would likely be tailwind
Bear case	Ex-AI VC market still challenged; VC focus on supporting portfolio companies; initial public offering drought could continue; 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

*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.

² HFR, Inc.
³ HFR, Inc. Bloomberg.
⁴ BofA Securities, Morgan Stanley Prime Brokerage, Goldman Sachs Prime Services. As of May 30, 2025.

sharp market sell-off in early April, with investor concerns growing around slowing fundraising, asset performance, and potentially reduced transaction activity. However, both groups largely recovered their drawdowns into May as risk markets stabilized and tariff fears receded. PE deal volume had improved meaningfully in Q1, but activity is expected to slow in Q2 as the after-effects of uncertainty linger. PE Buyout's relative overweight to healthcare and business services, which are less exposed to trade frictions, is a potential advantage, though underweights in other industries like commercial banks complicate the first-order tariff implications. In the absence of a robust exit environment, PE managers are increasingly turning to creative liquidity solutions: dividend recaps are risking, net asset value financing is increasingly being used, and secondary transaction volumes have picked up.⁵ Meanwhile, PC has continued to remain resilient, though a dearth of net new issuance has been a headwind for capital deployment. We remain thematically constructive on both PE and PC, especially if macro and policy uncertainty decline.

Private Real Estate: Private Real Estate (PRE) pricing and deal activity defied the volatile macro narrative in April. Transaction volumes were flat versus last year, but weakness in the industrial and hotel sectors were likely reflected in early reverberations of the market's trade policy concerns. Industrial property sales volumes were down 34%, while hotels were off by 52% on a YoY basis as concerns around supply chain disruptions and reduced foreign tourism spooked potential buyers.⁶ Meanwhile, prices continued to moderate, declining 0.8% YoY. The rally in risk assets into May will likely improve the outlook—publicly traded real estate investment trusts (REITs) have largely recovered their post-April 2 drawdown⁷—though further clarity around tariffs and rates will be needed to generate sustained positive momentum.

Infrastructure: Infrastructure remains a key long-term theme, though the asset class is not immune to trade effects. While the investment need is vast given the aging infrastructure base in the U.S. and globally, the direct and indirect impacts of tariffs on raw materials, supply chains, and economic growth could hamper infrastructure in the near term. As trade concerns receded into May, public market proxies suggest that infrastructure has recovered and exceeded initial drawdown.⁸ Absent trade volatility, the private investment opportunity remains substantial over the long term. The rapid expansion of the digitization/data center themes, for example, is predominantly driven by capital expenditures from the private sector (e.g., the hyperscalers), which is insulated from potential public funding reductions. Given the long-term tailwinds, as well as a consistent return profile and the potential to serve as a hedge against rising inflation, Infrastructure continues to remain an attractive allocation.

Tangible Assets: Market expectations for impactful fiscal and monetary stimulus in China have helped stabilize commodity prices. Geopolitical risks are wild cards for energy commodity prices. OPEC output increases are keeping the oil market fundamentally balanced with ample supply and restrained demand. Geopolitical tensions should continue to support gold prices. We believe gold is most effectively implemented as a strategic diversifier. Importantly, the U.S. dollar remains overvalued versus a number of major currencies, especially those in Asia, which should appreciate over time.

REAL ASSETS

Private Real Estate

	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
Bull case	
Bear case	Transactions remain depressed; risk of mortgage rates not declining as much as market hoped

Infrastructure +

	Opportunity bolstered by large need for energy investments and upgrading aging infrastructure; high demand for digitization & data centers, including international opportunities; potential inflation hedge
Bull case	
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

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.

⁵ PitchBook.
⁶ MSCI Real Capital Analytics.
⁷ Bloomberg. As of May 30, 2025.
⁸ Bloomberg. As of May 30, 2025.

MACRO STRATEGY

- Personal income and spending data continue to surprise to the upside and remain solid so far in 2025, with both measures growing around a 5% YoY pace. Consumption was hit hard by cold winter weather in January and February but got back on track in March. With income growth still solid, spending is back on track, running over a 3% growth rate in the second quarter, according to the latest Atlanta Fed GDPNOW estimate.
- Claims for unemployment compensation are still very low despite rising government layoffs, while job openings remain plentiful relative to unemployment.
- Overall PCE inflation rose 2.1% in the 12 months through April, compared to 2.3% in March. Low energy prices bode well for continued disinflation.
- The profit cycle for large U.S. companies and policy tailwind from additional tax cuts and deregulation remain supportive of economic growth and risk assets with volatility likely as tariffs remain a concern.

ECONOMIC FORECASTS (AS OF 5/30/2025)

	Q1 2025A	Q2 2025E	Q3 2025E	Q4 2025E	2025E	2026E
Real global GDP (% y/y annualized)	-	-	-	-	2.8	3.0
Real U.S. GDP (% q/q annualized)	-0.2	2.0	0.6	1.6	1.5	1.5
CPI inflation (% y/y)	2.7	2.6	3.2	3.2	3.0	2.6
Core CPI inflation (% y/y)	3.1	3.0	3.5	3.6	3.3	3.0
Unemployment rate (%)	4.1	4.2	4.3	4.5	4.3	4.6
Fed funds rate, end period (%)	4.38	4.38	4.38	4.38	4.38	3.38

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 June 3, 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 2025 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 2025 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.

2025 EPS	EPS Forward P/E (Next 12 months)				
	19.0x	20.0x	21.0x	22.0x	23.0x
\$305	5,795	6,100	6,405	6,710	7,015
\$295	5,605	5,900	6,195	6,490	6,785
\$285	5,415	5,700	5,985	6,270	6,555
\$275	5,225	5,500	5,775	6,050	6,325
\$265	5,035	5,300	5,565	5,830	6,095
\$255	4,845	5,100	5,355	5,610	5,865
\$245	4,655	4,900	5,145	5,390	5,635

For illustrative purposes only. Source: Chief Investment Office as of June 3, 2025.

CIO ASSET CLASS VIEWS AS OF JUNE 3, 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	●	●	●	●	●	While headwinds persist, we maintain a slight overweight to Small-caps on attractive valuations and the potential for an earnings inflection. 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 and monetary policy in Europe and domestic reforms in Japan. Imposition of U.S. import tariffs remains a prospective downside risk.
Emerging Markets	●	●	●	●	●	We are neutral EM overall with regional markets likely to be driven by relative exposures to China, potential progress on Russia-Ukraine conflict resolution and natural resource prices. Valuations appear attractive, but tariffs pose risks to more goods trade-oriented economies.
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 additional ECB rate cuts and attractive relative valuations are potential market tailwinds. Risks remain from growing competition with China in key industries and imposition of U.S. trade restrictions.
U.K.	●	●	●	●	●	Domestic demand at risk from elevated mortgage rates alongside higher business taxes from government budget. Withdrawal from EU single market remains a negative for medium-term growth, though government moves toward closer cooperation may reduce impact.
Japan	●	●	●	●	●	Sustained positive inflation and official efforts to increase corporate returns to shareholders remain fundamental supports for valuation. 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 are now close to their five-year average, in the low 40s (bps). This reduces their appeal and potential for additional upside relative to Treasuries, in our view. That said, on a relative basis, MBS remains attractive compared to high-quality corporate bonds.
U.S. Corporates	●	●	●	●	●	Spreads have widened from YTD tight, but valuations remain expensive and potential positive excess returns are likely to be driven more by carry versus spread tightening over the next 12 months, in our view. Near-term spread volatility could remain elevated until we have more clarity about policy impacts on corporate fundamentals.
International Fixed Income	●	●	●	●	●	International rates markets are at normal valuation levels on a U.S. dollar-hedged basis.
High Yield	●	●	●	●	●	High yield valuations remain expensive, but a positive macroeconomic environment may limit spread volatility and credit losses. Within high yield allocation, we continue to suggest a balanced mix between loans and bonds.
U.S. Investment-grade Tax Exempt	●	●	●	●	●	Tax-exempt bond valuations remain attractively valued, notwithstanding relative outperformance in May. We see valuations continuing to richen over the summer due to increased reinvestment demand from seasonally heavy principal and interest payments, stronger risk appetite as tariff policies continue to evolve, and increasing certainty on future federal funding to states and other municipal issuers, as well as future tax treatment of municipal bonds.
U.S. High Yield Tax Exempt	●	●	●	●	●	High yield munis are rich relative to IG munis, based on historical valuations. However, we do not see a catalyst for spread widening in the near future.

*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 JUNE 3, 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	●	●	●	●	●	The positive outlook for the Financials sector is concurrent with the start of a Fed easing cycle that is now paused. More importantly, prospects of a lighter regulatory touch under Trump 2.0 have the potential to increase profitability sector wide (especially for banks). 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 improve credit quality (especially CRE) and 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 CRE, 4) lost market share to non-bank lenders.
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 transmission and distribution (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. Over the next decade, Inflation Reduction Act (IRA) of 2022 legislation supports a strong runway for future renewable energy investments and projects, and we see long-term demand for renewables as sustainable under most policy backdrops. 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 solid job market, lower interest rates on the horizon and a positive economic backdrop, we are overweight Consumer Discretionary. Slightly lower energy costs, wage increases and a strong job market with only selective job cuts confined largely to the technology-related industries is helping to maintain solid consumer spending. Consumers remain resilient and 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) economic slowdown, 2) spikes in energy prices or interest rates, 3) geopolitical uncertainty.
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 is moving from e-commerce to travel and leisure, hence advertisers are having to shift their targeting. Some retailers are suffering from rising costs and slowing sales, which could drive changes in advertising spend. 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) capital expenditures ramps for AI investments that limit EPS and FCF, 3) lower engagement pressuring growth.

Sector	CIO View					Comments
	Underweight	Neutral	Overweight			
Information Technology	●	●	●	●	●	<p>The Information Technology sector is neutral on 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, as Cloud consumption could potentially come under some pressure near term and is not immune to a macro slowdown. 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 is declining. Risk Considerations: 1) China exposure and trade wars, 2) supply chain constraints, 3) GAI monetization, 4) narrow breadth and premium valuations.</p>
Healthcare	●	●	●	●	●	<p>We are neutral on the Healthcare sector in 2025 on a confluence of macro, micro, and policy uncertainties that we believe reduce the probability of a sustained rally. These uncertainties could last throughout 2025, creating a lack of clarity on out-year earnings potential and, as a result, less new money entering the sector near term. Also, some of the “pro-growth” policies from the incoming administration increase the probability of a more “pro-cyclical” trading environment that is not an ideal backdrop for Healthcare outperformance. For 2025, 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 that will materialize in 2025. Mergers & Acquisitions (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, in 2025, 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 be most important in 2025. 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 recently declined. Risk Considerations: 1) repeal of the Affordable Care Act without another plan in place and uncertainty, 2) drug pricing negotiations broaden out from the current IRA structure.</p>
Industrials	●	●	●	●	●	<p>We are neutral on the Industrials sector after mixed earnings results, a lack of significant green shoots in the industrial economy outside of AI and electrification, and little to no visibility for second-half company guidance. 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 multi-year backlog of commercial plane orders to build and deliver. Potential improvements in the global capital expenditures cycle, including the normalization and reshoring of supply chains and manufacturing, and 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 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 improving. 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.</p>
Real Estate	●	●	●	●	●	<p>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. Recent increases in rates added pressure to the sector and remains a key risk in 2025. Expectations of fewer but 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.</p>

Sector	CIO View					Comments
	Underweight	Neutral	Overweight			
Consumer Staples	●	●	●	●	●	<p>The recent directional change in our Consumer Staples sector view in January was meant to acknowledge the recent Q4 2024 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 new administration's focus on government oversight of health and wellness trends. Recently, the recommendation to put health risk labels on alcoholic beverages has added to putting further pressure on the traditional consumer packaged goods companies. 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 2025. 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 is showing modest improvement recently. Risk Considerations: 1) soft demand across consumer-packaged goods, 2) consumer trade down and substitution, 3) ongoing growth in private label and store brands.</p>
Energy	●	●	●	●	●	<p>We remain concerned about the global oil supply and demand outlook for 2025. 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. Expectations of sanctions on Iranian oil supported a recent rally in oil prices and energy stocks after starting the year in down trends. 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>
Materials	●	●	●	●	●	<p>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.</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 JUNE 3, 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.

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

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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.

Sustainable and Impact Investing and/or Environmental, Social and Governance (ESG) managers may take into consideration factors beyond traditional financial information to select securities, which could result in relative investment performance deviating from other strategies or broad market benchmarks, depending on whether such sectors or investments are in or out of favor in the market. Further, ESG strategies may rely on certain values based criteria to eliminate exposures found in similar strategies or broad market benchmarks, which could also result in relative investment performance deviating.

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