

# Diversifying with Nonfinancial Assets

## Enhancing your portfolio potential through direct investments in real property

The Specialty Asset Management team at Bank of America can help provide end-to-end support, simplifying the process of making direct investments in specialized assets such as farm and ranch land, timberland and commercial real estate.

Direct investments in nonfinancial assets such as farm and ranch land, timberland and commercial real estate may be appropriate and effective diversifiers within a portfolio of financial assets. Historically, they have demonstrated a favorable risk/return profile, low correlation to traditional asset classes, and a hedge against inflation. Much like traditional fixed income and equity investments, nonfinancial assets may generate income and offer the potential for capital appreciation.

Of equal importance, each type of nonfinancial asset can offer you the benefit of unique investment attributes and performance characteristics, resulting in distinctive diversification and return opportunities. While selecting and managing specific assets can be complex, Bank of America can offer you the strategic insight and specialized expertise required to help maximize the potential of these investments.

### Pooled funds versus direct investment

One of the most effective ways to help achieve the potential benefits of diversifying with nonfinancial assets within your portfolio is likely to be through direct investments in specific properties, rather than through a pooled fund. Property types include farm and ranch land, timber tracts and commercial real estate.

This highly customized approach allows you to select properties to pursue your specific investment goals, such as balancing income and appreciation within your asset allocation.

Investment products:

<b>Are Not FDIC Insured</b>	<b>Are Not Bank Guaranteed</b>	<b>May Lose Value</b>
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**Please see back for additional important disclosure information.**

## A comprehensive, turnkey solution

Through Bank of America, you gain access to specialized asset management capabilities necessary to structure and manage these direct investments — experienced professionals focused exclusively on the opportunities and challenges of each type of nonfinancial asset.

They can help you identify and acquire properties that are judged most appropriate for your diversification goals, manage and monitor the assets while you own them, oversee programs to help enhance property values, and develop and oversee implementation of a marketing and disposition plan. The result is a practical and simplified approach that can aid in achieving the potential benefits of nonfinancial assets.

## Specialists “on the ground” in key locations across the country

Specialty Asset Management professionals at Bank of America are located in offices nationwide. Local presence helps to ensure a deep understanding — built on day-to-day involvement — of industry dynamics, commodity markets, geographic differences and deal sources within respective regions. This can be a significant advantage when it comes to sourcing and assessing investment opportunities, or identifying and negotiating with potential buyers and sellers.

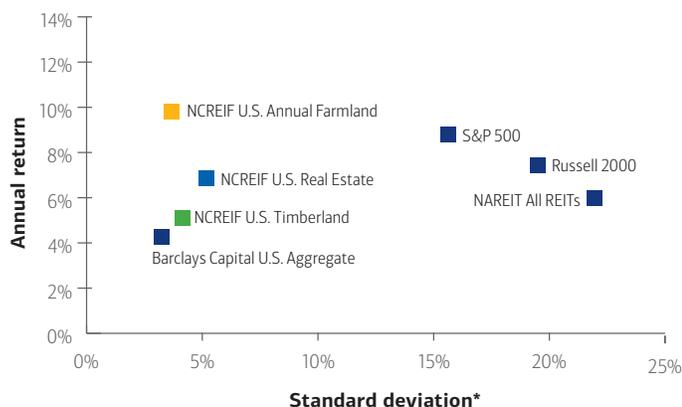
### Specialists in key locations across the country



## A proven diversification approach

Historically, nonfinancial assets have demonstrated an ability to help enhance returns while reducing the overall volatility of investment portfolios.

### Annualized risk and return for the period 2007–2019



Source: www.NCREIF.org. As of December 31, 2019. Note: Annualized return and standard deviation figures were applied.

**Past performance is no guarantee of future results. Please refer to back cover for disclosure and index definitions.**

\* Standard deviation/volatility is a statistical measure of the dispersion of a set of data from its mean. It is applied to the annual rate of return of an investment to measure the investment’s volatility (risk). The more spread apart the data, the higher the deviation and the higher the implied risk.

## Selecting and combining nonfinancial asset classes

Determining which types of nonfinancial assets to include in your portfolio is closely aligned with the asset allocation decision. This process focuses on:

### Personal considerations

- Portfolio diversification requirements.
- Time horizon.
- Risk tolerance.
- Debt tolerance.
- Tax situation.
- Cash flow and appreciation objectives.

### Asset class considerations

- Correlations with other asset types.
- Income and appreciation characteristics.
- Risk attributes.
- Capital requirements.
- Cash flow generation.
- Appropriate diversification opportunities within the asset class.

A potential key benefit of nonfinancial assets is they can help you achieve both cash flow and capital appreciation objectives. While the potential for both is there, one asset class may emphasize one objective over the other. For example, should your primary goal be to generate current income, we might recommend investing in either farmland or commercial real estate. The primary return component of both asset types is lease income. If, on the other hand, your primary objective is capital appreciation, timberland investment might be more appropriate.

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## Delivering the potential benefits of nonfinancial assets

Bank of America professionals can provide end-to-end support, simplifying the process of making direct investments in specialized assets such as farm and ranch land, timberland and commercial real estate.



The focus of the Specialty Asset Management team at Bank of America is to help you position nonfinancial assets to address your wealth transfer and philanthropic goals, support your personal values, and provide the assistance required as these unique assets pass through your estate.

With hands-on professional experience and deep industry knowledge, we can be creative in assessing opportunities and challenges for you, and proactive in suggesting solutions and strategies that align with your goals and needs.

To find out more about our broad range of services, including strategic advice and day-to-day management, reach out to your advisor.

## bankofamerica.com

Index definitions:

**Aggregate bonds** are represented by the Barclays Capital U.S. Aggregate Bond Index. Barclays Aggregate Bond Index represents securities that are U.S. domestic, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.

**Commercial real estate** is represented by the NCREIF U.S. Real Estate Index. The NCREIF U.S. Real Estate Index, otherwise known as the NCREIF National Property Index (NPI), tracks the performance of U.S. commercial real estate as measured by the performance of commercial real estate assets managed by contributing members of the National Council of Real Estate Investment Fiduciaries (NCREIF).

**Farmland** is represented by the NCREIF U.S. Farmland Index. The NCREIF U.S. Farmland Index tracks the performance of U.S. farmland as measured by the performance of farmland assets managed by contributing members of the National Council of Real Estate Investment Fiduciaries (NCREIF).

**Timberland** is represented by the NCREIF U.S. Timberland Index. The NCREIF U.S. Timberland Index tracks the performance of U.S. timberland as measured by the performance of timberland assets managed by contributing members of the National Council of Real Estate Investment Fiduciaries (NCREIF).

**Large cap U.S. equity** is represented by the S&P 500 Index. Widely regarded as the best single gauge of the U.S. equities market, this world-renowned index includes 500 leading companies in leading industries of the U.S. economy. S&P 500 is a core component of the U.S. indexes that could be used as building blocks for portfolio construction. It is also the U.S. component of S&P Global 1200.

**Small cap U.S. equity** is represented by the Russell 2000 Index. The Russell 2000 Index offers investors access to the small cap segment of the U.S. equity universe. The Russell 2000 is constructed to provide a comprehensive and unbiased small cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small cap opportunity set. The Russell 2000 includes the smallest 2000 securities in the Russell 3000.

**Real estate REITs** are represented by the FTSE NAREIT All REITs Index, a free float adjusted market capitalization weighted index that includes all tax-qualified REITs listed in the NYSE, AMEX and NASDAQ National Market. The base date of the index is December 31, 1999, with a base value of 100.

This publication is designed to provide general information about ideas and strategies. It is for discussion purposes only since the availability and effectiveness of any strategy is dependent upon your individual facts and circumstances.

**Nonfinancial assets such as 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 suitable for 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. Client eligibility may apply.**

**Asset allocation, diversification and rebalancing do not ensure a profit or protect against loss in declining markets.**

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