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CHIEF INVESTMENT OFFICE

Capital Market Outlook

May 4, 2026

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IN THIS ISSUE

Macro Strategy—*No Two Oil Shocks Are Created Equal:* The macroeconomic impact of the Hormuz oil crisis has been blunted by "super glut" conditions coming into the war, export rerouting, strategic reserve releases, lower-value consumption cuts and—critically—U.S. energy-sector strength and economic resilience. The effective supply imbalance is closer to 10 million barrels per day (mbd) than the 20 mbd headline. Europe and parts of Asia are particularly affected due to Middle East import dependence and thin product inventories. Markets are pricing a timely normalization—supported by International Energy Agency (IEA) expectations for a two-month recovery for about 80% of supply and preexisting spare capacity—consistent with continued global expansion. The key risk remains conflict duration: A prolonged standoff would shift adjustment from less economically impactful rationing to a broader economic drag. A sensible reopening would reinforce the U.S.-led growth and corporate earnings momentum.

Market View—*The Next Frontier: China's Rise as a Pharma Superpower:* A new global pharmaceutical order is in the making, with China biotech at the heart of this shifting medical landscape. After scaling and seizing control of one sector after another over the past few decades, China is rapidly emerging as a significant power in medicine. Indeed, China is already the world's largest developer of new medicines after the U.S. That's little recognized by investors, as is the fact that China is rapidly moving up the drug value chain using the same playbook it used to become a manufacturing powerhouse: Enter at the low end, provide oodles of government subsidies, scale relentlessly, build out capacity, prioritize the development of human capital, and leverage Western technology and innovation.

China's rise as a life science giant has been underpinned by a number of factors, including regulatory reforms, state subsidies, a massive patient pool, generous spending on research & development (R&D), a centralized healthcare system and a deep bench of biological talent. U.S. biotech and pharmaceutical leaders continue to expand their ties with China biotech.

Thought of the Week—*Deal Activity Remains on Track in 2026:* Global deal activity entered 2026 with strong momentum following a robust 2025. Businesses pursuing exposure to the artificial intelligence (AI) infrastructure buildout capitalized on fiscal tailwinds, easing borrowing costs, and a solid macro backdrop. In Q1 2026, global mergers and acquisitions (M&A) deals surged to $1.2 trillion (T), the strongest start to a year since 2021. Similarly, global initial public offering (IPO) proceeds reached $30.9 billion (B) to a four-year high. Domestically, the U.S. remained a stronghold for dealmaking as it accounted for 52% of global M&A volumes and 27% of global IPO issuance in Q1, underscoring the depth and resilience of U.S. capital markets. Challenges could emerge in the near term if deal concentration begins to squeeze liquidity, geopolitical uncertainty persists, rate expectations shift, and equity market volatility picks up. For now, M&A activity remains robust, and the IPO forward calendar looks healthy, with deals expected across Consumer, Energy, Industrials and Information Technology sectors.

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Portfolio Considerations

The overall growth outlook remains largely unchanged for now, though a prolonged war could pressure discretionary spending through higher energy, commodity, and food prices. Despite recent volatility, U.S. Equities remain preferred given economic resilience and easing valuations. Fixed Income remains constructive but underweighted to support an Equity overweight, with neutral duration and expectations for range-bound yet potentially volatile yields amid sticky inflation, steady gross domestic product (GDP) growth, and upcoming Fed leadership changes.

Our sector positioning reflects reduced Utilities exposure after valuation-driven outperformance, continued confidence in resilient consumers, positive outlooks for Financials, and selective increases to Energy.

MACRO STRATEGY

No Two Oil Shocks Are Created Equal

Chief Investment Office, *Macro Strategy Team*

The Strait of Hormuz crisis has resulted in the largest oil trade disruption in history, affecting about 20 mbd—roughly 20% of global crude and refined product supply. Export flows effectively stopped by mid-April, particularly affecting Asia and Europe for two reasons. First, 82% of Hormuz exports typically go to Asia, covering roughly 60% of the region's imports and 45% of its demand. Second, refinery closures, low spare refining capacity, Russian import restrictions and thin jet fuel inventories left Europe exposed to jet fuel shortages. Jet fuel imports cover 30% of European demand, 75% of which are via Hormuz (about 0.375 mbd).

Several mitigating factors have narrowed the effective supply shortage to about half the headline disruption, however, helping limit its global impact. These include: (1) about 3 mbd oversupplied initial conditions;[1] (2) pipeline and port rerouting of about 5 mbd; (3) global inventories at a five year high,[2] with immediate drawdowns of commercial inventories and floating storage; (4) brief Iran and Russia sanction waivers; (5) rising refinery capacity utilization across Organisation for Economic Co-operation and Development (OECD) Americas to multidecade seasonal highs and rising U.S. refined product exports; and (6) fuel substitution. Together, these factors imply a net global supply loss closer to 10 mbd than the 20 mbd headline disruption, helping stretch inventory cover and limit global macroeconomic effects.

Difficulty in replacing Middle Eastern heavy sour crude combined with the high concentration of refining capacity in Asia and little spare capacity elsewhere has led to acute localized shortages of refining feedstock and refined products. Faced with a roughly 8 mbd shortage, thin inventories in many countries,[3] limited immediate relief and fuel affordability pressures, Asia has borne the brunt of oil demand destruction and economic stress. Consumption cuts—via work from home, less business travel, increased rail transport, higher prices, and suppression of lower-value oil use—quickly absorbed a significant part of the shock. According to IEA estimates, global consumption likely dropped by about 2.3 mbd in April year over year, mainly in Southeast Asia and the Middle East. With about eight months of Hormuz oil imports in inventories and ample refining capacity, China has been less impacted so far, and easing export restrictions starting in May will help alleviate regional supply tightness.

A 400 mb IEA-coordinated Strategic Petroleum Reserve (SPR) release—including 172 mb from the U.S. and representing about 22% of total strategic reserves held by the 32 OECD countries that are also IEA members and about 40 days of the net Hormuz-related global supply shortfall—can only help ease the global supply shortage to a limited extent. As it turns out, not all crude oil is created equal. Asian refineries are largely configured for medium/heavy sour Middle Eastern crude, which produces more jet fuel and diesel than gasoline, and are generally incompatible with light sweet crude such as U.S. oil. Even where partial substitution is possible, jet fuel and diesel yields are materially lower. Logistical constraints also add friction, with up to an estimated two month lag from a U.S. SPR release to Asian refined output, for example. All in all, reflecting the refining bottleneck, global jet fuel and diesel supply constraints have pushed up prices by much more than oil prices have increased, more consistent with $150 to $175 per barrel Brent oil.

While Europe's crude oil exposure to Hormuz trade is more modest—around 5% of total oil consumption—its jet fuel and diesel import dependence is high, as noted above. Around 63% of Europe's SPR release therefore consists of refined products. Still, its jet fuel inventories are relatively thin, not least due to relatively more expensive specialized

Portfolio Considerations

With resilient U.S. growth but risks of bigger oil disruptions should the Iran conflict persist, portfolios should stay pro quality and U.S.-centric. U.S. Equities also remain structurally advantaged by energy self-sufficiency, stronger productivity growth and a stronger AI-driven capital expenditures cycle.

[1] IEA January 2026 Oil Market Report (OMR).

[2] IEA March 2026 OMR.

[3] Per IEA April 2026 OMR, non-OECD Asia refineries (excluding China) typically hold just 22 days of crude oil.

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storage and monitoring requirements, heightening aviation industry stress and forcing precautionary consumption cuts.

Robust U.S. economic underpinnings and energy self-sufficiency have been central to global economic stability in the face of the Hormuz oil shock. The U.S. became a net crude oil exporter in April, and its net exports of refined oil products surged to 6 mbd in April, up 20% year-over-year (YoY). This, combined with declining energy intensity, a smaller gasoline share of consumer spending and One Big Beautiful Bill Act (OBBBA) tax support, has helped limit the Hormuz disruption impact both on the U.S. and global economy.

Incoming data show that domestic growth has remained supported by the AI-driven capex/industrial sector revival, better-than-expected productivity growth, sustained consumer spending and strong profits. Q1 real GDP has increased 2.0% annualized, near potential and as expected, led by surging business equipment investment (up 17% annualized). Strong gains in capital goods orders in March suggest investment growth has momentum into Q2. Most business surveys are in expansionary territory, and commercial and industrial bank lending increased strongly in March by the most in three years.

The mix of resilient growth with solid efficiency and productivity gains has kept corporate earnings and investor risk appetite on the upswing. Forward earnings expectations for 2026 and 2027 have continued to rise, and earnings growth breadth across Large-, Mid- and Small-cap Indexes has increased to levels typical of bull markets. Manufacturing upcycles also tend to benefit Emerging Markets and overseas Equities, in general, with non-U.S. markets contributing meaningfully to the current earnings upcycle.

Indeed, in light of a strong 3.9% global growth pace in Q4 2025 and positive global effects from reduced U.S. tariff rates, AI-related global spillover, OBBBA stimulus and growing defense spending around the world, the International Monetary Fund was preparing to raise its 2026 global growth forecast before the Iran conflict escalated. Instead, its base-case scenario (assuming an imminent resolution of the conflict) was modestly lowered to 3.1% mainly due to slower emerging-market growth linked to energy stress. This compares to 3.4% in 2024 to 2025 and 3.7% average growth between 2000–2019. Under an "adverse" energy scenario (oil near $100/barrel in 2026 and $75/barrel in 2027), global growth is seen slowing to 2.5% in 2026 and rebounding to a below-average 3% in 2027. A "severe" scenario ($110 oil in 2026 and $125 in 2027) would see growth getting close to 2% in 2026 and 2027 (near recessionary levels).

In sum, the Hormuz crisis is a severe but regionally concentrated energy shock. Preexisting global oversupply, inventory buffers, supply rerouting, demand adjustment, and U.S. economic and energy resilience have helped prevent a major global economic impact to date. The IEA estimates that roughly 80% of stranded capacity could be restored within two months after the reopening of Hormuz navigation. Moreover, according to the IEA, about 171 mb were stored in tankers in the Gulf and another 262 mb in onshore storage as of mid April[4] (about 40 days of current global shortfall), an important bridge to eventual export normalization. Roughly 5 mbd of spare capacity going into the Iran war, largely in Saudi Arabia, is also expected to support export recovery once the conflict resolves. Clearly, the longer the disruption persists, the greater the risk of derailment. For now, however, financial markets continue to price in a timely oil-flow normalization and continued economic expansion.

[4] IEA April 14, OMR.

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MARKET VIEW

The Next Frontier: China's Rise as a Pharma Superpower

Joseph Quinlan, *Managing Director and Head of Market Strategy*

Investment Implications

Global life sciences offer attractive potential for investors, including China biotech leaders.

"China's rise as a major center of drug development represents one of the most consequential shifts in the global life sciences landscape in a generation."
Food and Drug Administration Regulator Richard Pazdur[5]

And now medicine.

After scaling and seizing control of one sector after another over the past few decades, China is rapidly emerging as a significant power in medicine. Indeed, China is already the world's largest developer of new medicines after the U.S. That's little recognized by investors, as is the fact that China is rapidly moving up the drug value chain using the same playbook it used to become a manufacturing powerhouse: Enter at the low end, provide oodles of government subsidies, scale relentlessly, build out capacity, prioritize the development of human capital, and leverage Western technology and innovation.

The upshot: China's stunning shift from bicycles to biotech—and the making of a drug superpower. Yes, China still suffers from a decades-long reputation that the quality and safety of their drugs are lower than America's. But times are changing.

Consider the following:

- China accounted for 40% of global early-stage drug testing in Q3 2025, versus 35% in the U.S. according to *The Journal of the American Medical Association*. That's up from just an 8% share a decade ago.
- Roughly one-in-four generic drugs taken by Americans rely on ingredients from China.[6]
- China supplies roughly one-third of the world's active pharmaceutical ingredients.[7]
- Of the roughly 160 new obesity drugs in development around the world, one-third of them are from China, according to Bloomberg Intelligence.
- Overseas partners signed a record 157 Chinese agreements ($136B) in 2025.[8]
- Chinese drug leaders are now responsible for about 70% of the world's antibody-drug conjugates (ADC), according to Goldman Sachs.
- Chinese firms now account for roughly 24% of all first-in-class drug candidates in global development.[9]

Summarizing the above: The world of "Big Pharma" no longer rests on the shoulders of U.S. and European firms. That's the past. The present and future are evident in Exhibit 1A. In just the past decade, China's role (and share) in global early-stage drug development has soared across various drug modalities and therapeutic areas, whether biologics, oncology or metabolic diseases. As the *Journal of American Medical Association* recently noted, "Global early-stage drug development has nearly doubled over the past decade, shifting from a system dominated by the U.S. toward a 2-hub structure centered on the U.S. and China."[10]

China's rise as a life science giant has been underpinned by a number of factors, including regulatory reforms, state subsidies, a massive patient pool, generous spending on R&D, a centralized healthcare system and a deep bench of biological talent. Per the latter, China graduates five times the number of medical and biomedical students as

5 "China's Rise Threatens the Drug World's Status Quo." Axios, March 27, 2026.
6 "China's Grip on American Medicine Cabinets Grows More Entrenched," Bloomberg November 18, 2025.
7 "As China biotech firms shift gears, can AI floor the Accelerator?," South China Morning Post, April 18, 2026.
8 Ibid.
9 Ibid.
10 "Geographic Shifts in Early-stage Biopharmaceutical Innovation, JAMA. March 2026.

the U.S. year; in addition, given tighter U.S. immigration policies, some of China's best and brightest medical talent in the U.S. is heading home—or back to China.

China biotech excels at speed, scale and low cost. To wit, clinical trials are two to three times faster in China than the U.S. and less expensive. As noted by *The Economist*, "China's firms can take a drug from discovery to the start of human trials in about half the global industry's average time. A vast patient pool makes enrollment easier, and a large network of trial centers also speed things along."[11]

Against this backdrop, it is hardly surprising that new China-made medicines are attracting the capital and attention of U.S. pharmaceutical and biotech firms. As Exhibit 1B shows, out-licensing deals have soared over the past decade, totaling a record 157 last year, up from 94 deals in 2024 and just five a decade ago. (As a footnote: Out-licensing agreements typically involve a company in China granting another firm (e.g., a large U.S. pharmaceutical firm) the exclusive rights to further develop, manufacture and commercialize a drug once it has entered human trials).

Reflecting the depth of U.S.-Sino drug ties, according to a recent survey by the Biotechnology Innovation Organization, a U.S. industry trade group, some 79% of 124 bio-pharmaceutical U.S. companies have China-based development and manufacturing partners. Historically, these ties reflected China's role as the world's top supplier of low-cost generics and active pharmaceutical ingredients (APIs) used in everything from antibiotics to cancer drugs. This model was commodity-like—high volume, low margins, imitation rather than innovation, and little differentiation.

But it's different today. Boosted by various indigenous factors and expanding western ties, China is moving up the drug value chain. Investors need to sharpen their lens when it comes to China biotech. They need to recognize the patterns of the past, whereby China enters a sector at the low end but then hyper-accelerates towards the more competitive and profitable high-end value creation. Think steel, shipbuilding, renewable energy, electric vehicles—and now, biotech. We've seen this movie before.

But how it all plays out remains to be seen. Many questions remain: Will low-cost Chinese drugs undercut the margins of U.S. pharmaceutical leaders? Will expanding biotech ties between the U.S. and China fall victim to rising geopolitical tensions? Can China continue to close the biotech innovation gap with the U.S.?

Time will tell. Suffice it to say that a new global pharmaceutical order is in the making. We are positive on the China biotech sector and will continue to explore investment solutions for investors.

Exhibit 1: China's Rise in Global Drug Development and Out-Licensing Transactions.

A) Share of Global Drug Development Programs.

	2015		2024	
	U.S.	China	U.S.	China
Biologics	45.7%	8.7%	35.7%	35.1%
Small Molecules	49.9%	7.5%	39.4%	29.1%
Cancer	48.7%	10.2%	36.5%	37.4%
Infectious diseases	51.2%	9.0%	37.1%	25.8%
Neurology/psychiatric conditions	51.8%	5.1%	42.0%	18.8%
Other*	47.0%	6.4%	38.2%	26.7%

B) Number of China Innovative drug out-licensing transactions.

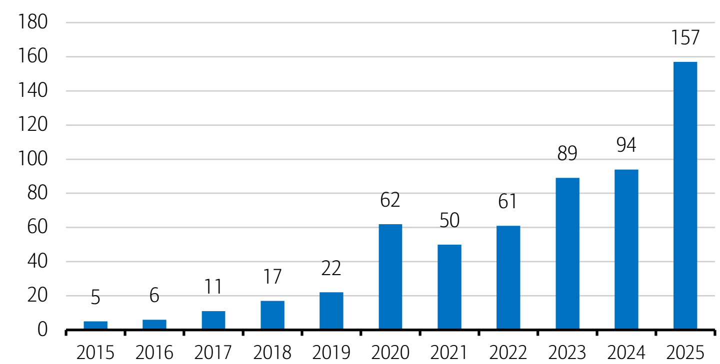

Exhibit 1A) *Other includes immune, endocrine/metabolic, gastrointestinal, cardiovascular, dermatologic, hematologic, ocular, and other miscellaneous disease areas. Source: The Journal of the American Medical Association. Data as of March 26, 2026. Exhibit 1B) Source: Pharmacube, CLSA. Data as of April 28, 2026.

[11] "Chinese Pharma's Glow-Up", The Economist, November 29, 2025.

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Deal Activity Remains on Track in 2026

Jordy Fuentes, Wealth Management Analyst

Global deal activity entered 2026 with strong momentum following a robust 2025. Businesses pursuing exposure to the AI infrastructure buildout capitalized on fiscal tailwinds, easing borrowing costs and a solid macro backdrop. This positive foundation underpins our outlook for continued strength, with M&A and IPO activity well-positioned to advance further in 2026.

In Q1 2026, global M&A deals surged to $1.2T, the strongest start to a year since 2021 and the third consecutive quarter surpassing $1T (Exhibit 2). Similarly, global IPO proceeds reached $30.9B to a four-year high.[12] The resurgence in activity reflects accelerating AI adoption and resilient economic fundamentals, with ongoing capital investment and healthy consumer spending supporting corporate confidence. Domestically, the U.S. remained a stronghold for dealmaking as it accounted for 52% of global M&A volumes and 27% of global IPO issuance in Q1, underscoring the depth and resilience of U.S. capital markets. Notably, M&A deals valued at over $10B increased 47% YoY, marking the strongest quarter in LSEG's data, compared to a 3% rise for deals valued below $500 million.[13] While this divergence suggests deal activity remains top-heavy, it also signals balance sheet strength and flexibility among the largest corporations to execute deals in turbulent environments.

Geopolitical instability to start 2026 has shifted the landscape, with some larger deals executed earlier than planned and others delayed amid concerns over a prolonged conflict in the Middle East. Stagflation worries have resurfaced as a result, which could temper deal activity. In our view, however, market indicators currently offer limited evidence that stagflation poses a sustained, long-term risk ahead.

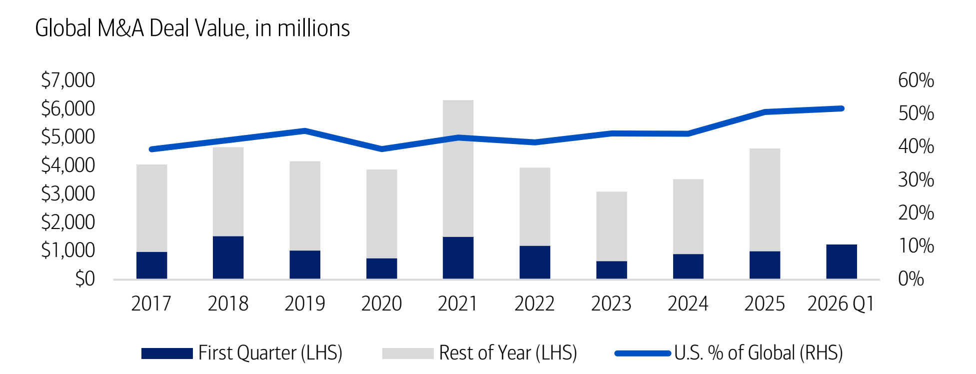
Reminiscent of April 2, 2025 Liberation Day, we expect deal activity to hold steady and pick up in the back half of the year, where conditions should stabilize and potential interest rate cuts could materialize. That said, near-term challenges could emerge if deal concentration begins to squeeze liquidity, geopolitical uncertainty persists, rate expectations shift, and equity market volatility picks up.

For now, M&A activity remains robust, and the IPO forward calendar looks healthy. Deals are expected across Consumer, Energy, Industrials and Information Technology sectors.[14] Corporations may take a more cautious approach in today's climate, but estimates point to continued strength throughout 2026 as they work to scale and enhance business models.

Investment Implications

The recent strength in deal activity is driven by corporations with disciplined balance sheets and a resilient economy. U.S. based businesses with stronger fundamentals and diversified business models should continue to support activity levels, one of the reasons why we favor the U.S. relative to the rest of the world.

Exhibit 2: Strongest Opening for Global M&A Deals since 2021.



Source: LSEG Data & Analytics. Data through March 31, 2026. As of April 27, 2026.

[12] LSEG Data & Analytics, Data as of April 27, 2026.

[13] Source: LSEG Data & Analytics. Data through March 31, 2026. As of April 27, 2026.

[14] PitchBook. Data as of April 14, 2026.

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	49,499.27	0.5	-0.3	3.5
NASDAQ	25,114.44	1.1	0.9	8.2
S&P 500	7,230.12	0.9	0.3	6.0
S&P 400 Mid Cap	3,639.84	0.0	0.0	10.6
Russell 2000	2,812.82	0.9	0.5	13.7
MSCI World	4,674.25	0.9	0.3	6.0
MSCI EAFE	3,048.80	1.0	0.3	6.5
MSCI Emerging Markets	1,601.42	-0.5	0.1	14.6

Fixed Income†

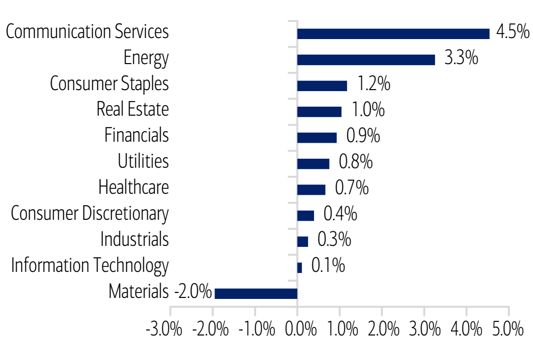
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	4.53	-0.40	0.10	0.02
Agencies	4.25	-0.23	0.02	0.40
Municipals	3.68	-0.33	0.01	0.98
U.S. Investment-Grade Credit	4.61	-0.39	0.11	0.18
International	5.13	-0.45	0.15	0.06
High Yield	6.94	0.05	0.14	1.33
90 Day Yield	3.65	3.67	3.66	3.63
2 Year Yield	3.88	3.78	3.87	3.47
10 Year Yield	4.37	4.30	4.37	4.17
30 Year Yield	4.96	4.91	4.97	4.84

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	357.46	3.1	-0.2	29.4
WTI Crude $/Barrel††	101.94	8.0	-3.0	77.5
Gold Spot $/Ounce††	4614.21	-2.0	-0.1	6.8

	Total Return in USD (%)			
Currencies	Current	Prior Week End	Prior Month End	2025 Year End
EUR/USD	357.46	3.1	-0.2	29.4
USD/JPY	101.94	8.0	-3.0	77.5
USD/CNH	4614.21	-2.0	-0.1	6.8

S&P Sector Returns



Sources: Bloomberg, Factset. Total Returns from the period of 04/24/2026 to 05/01/2026. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 05/01/2026 close. Data would differ if a different time period was displayed. Short-term performance shown to illustrate more recent trend. **Past performance is no guarantee of future results.**

Economic Forecasts (as of 4/24/2026)

	Q1 2026A	Q2 2026E	Q3 2026E	Q4 2026E	2026E	2027E
Real global GDP (% y/y annualized)	-	-	-	-	3.1	3.4
Real U.S. GDP (% q/q annualized)	2.0	2.5	1.9	1.9	2.2	2.2
CPI inflation (% y/y)	2.7	4.4	4.0	3.8	3.7	2.3
Core CPI inflation (% y/y**)	2.5	2.8	2.7	2.9	2.7	2.6
Unemployment rate (%)	4.3	4.5	4.5	4.4	4.4	4.3
Fed funds rate, end period (%)	3.63	3.63	3.38	3.13	3.13	3.13

The forecasts in the table above are the base line view from BofA Global Research. The Global Wealth & Investment Management (GWIM) Investment Strategy Committee (ISC) may make adjustments to this view over the course of the year and can express upside/downside to these forecasts. Historical data is sourced from Bloomberg, FactSet, and Haver Analytics. **There can be no assurance that the forecasts will be achieved. Economic or financial forecasts are inherently limited and should not be relied on as indicators of future investment performance.**
A = Actual. E/* = Estimate. Data as of May 1, 2026.
Sources: BofA Global Research; GWIM ISC as of May 1, 2026.

Asset Class Weightings (as of 4/7/2026)

Asset Class	Underweight		CIO View Neutral	Overweight	
Global Equities				●	
U.S. Large-cap Growth				●	
U.S. Large-cap Value				●	
U.S. Small-cap Growth				●	
U.S. Small-cap Growth				●	
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		●			
Cash					

CIO Equity Sector Views

Sector	Underweight		CIO View Neutral	Overweight	
Financials				●	◄
Consumer Discretionary				●	
Industrials				●	
Utilities			●	◄	
Energy	►		●		
Information Technology			●		
Healthcare			●		
Materials			●		
Real Estate		●			
Consumer Staples		●			
Communication Services		●			

CIO asset class views are relative to the CIO Strategic Asset Allocation (SAA) of a multi-asset portfolio.
Source: Chief Investment Office as of April 7, 2026. 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.

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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/S&P 500 Price Return Index is a stock market index tracking the stock performance of 500 leading companies listed on stock exchanges in the United States.

U.S. Economic Policy Uncertainty Index is an index constructed based on newspaper articles regarding policy uncertainty from leading newspapers.

Caldara-Iacoviello Geopolitical Risk Index measures adverse geopolitical events and associated risks based on a tally of newspaper articles covering geopolitical tensions, and examine its evolution and economic effects since 1900.

NASDAQ Composite Index is a stock market index that tracks over 3,000 companies listed on the Nasdaq stock exchange. It is heavily weighted toward technology, biotechnology, and growth-oriented companies.

Chicago Board Options Exchange's Volatility Index is a leading measure of market expectations of near-term volatility conveyed by S&P 500 Index®(SPX) option prices.

Russell 2000 Index is a premier stock market benchmark that tracks the performance of approximately 2,000 small-cap U.S. companies.

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All recommendations must be considered in the context of an individual investor's goals, time horizon, liquidity needs and risk tolerance. Not all recommendations will be in the best interest of all investors.

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

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. 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. 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 (AMT). 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. Bonds are subject to interest rate, inflation and credit risks. 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. There are special risks associated with an investment in commodities, such as gold, including market price fluctuations, regulatory changes, interest rate changes, credit risk, economic changes and the impact of adverse political or financial factors. Investing directly in Master Limited Partnerships, foreign equities, commodities or other investment strategies discussed in this document, may not be available to, or appropriate for, clients who receive this document. However, these investments may exist as part of an underlying investment strategy within exchange-traded funds and mutual funds.