CHIEF INVESTMENT OFFICE

Capital Market Outlook

February 22, 2022

All data, projections and opinions are as of the date of this report and subject to change.

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Macro Strategy—*Higher Participation Rate Unlikely To Ease The Wage-Inflation Spiral*: Solid hiring over the past two years quickly reversed 94% of the unusually large 25.5 million U.S. pandemic-related job losses. The rebound in the labor-force participation rate (LFPR) has lagged the unusually strong demand for labor, causing the unemployment rate to drop from over 5% just five months ago to 4% currently.

With the labor market poised to tighten more and private sector wages already growing at the fastest pace since 1984, according to Bureau of Labor Statistics, risks of a shorter-than-normal expansion are rising. As long as the Federal Reserve (Fed) remains accommodative and nominal gross domestic product (GDP) and business revenues grow faster than wages and other input costs, both wages and profits can continue to surprise to the upside. However, real wages are declining fast, putting pressure on the Fed to act. While it's unclear how much and how long it will take the Fed to break the wage-price spiral, the yield curve will be a good indicator to watch. A narrowing spread between the yields on the 10-year Treasury note and the 3-month Treasury bill would indicate a move toward a neutral policy stance.

Market View—*The S&P 500—A Unique and Resilient Asset Class:* A global pandemic, a historically deep global recession, rising trade wars between two superpowers, natural disasters, widening political chasms—and yet U.S. Equities represented by the S&P 500 Index have seen significant returns over the last several years.

We explore what makes these roughly 500 leading U.S. companies collectively so resilient and why the S&P 500 may have evolved into a unique asset class in itself worthy of a foundational presence in strategic portfolios.

Thought of the Week—*Russia-Ukraine Frictions Escalate*: The U.S. and its allies have announced new trade, investment and financial sanctions on Russia following President Vladimir Putin's order to move troops into two separatist regions of eastern Ukraine and recognize their independence. These steps mark a major escalation in the Russia-Ukraine tensions that have been brewing over recent weeks and add more uncertainty to an already volatile start to the year for global investors.

As we look deeper into the year, we would expect the more fundamental market drivers from inflation and interest rate expectations, the path of the economic expansion and corporate earnings to be the most important determinants of market direction.

MACRO STRATEGY ▶

Chief Investment Office Macro Strategy Team

MARKET VIEW ▶

Niladri Mukherjee
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THOUGHT OF THE WEEK ▶

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Director and Senior Market Strategy Analyst

MARKETS IN REVIEW ▶

Data as of 2/22/2022, and subject to change

Portfolio Considerations

We would use this correction in Equities as a rebalancing opportunity for long-term investors. We reaffirm our positive view on Equities relative to Fixed Income with a preference for U.S. Equities relative to International. Diversification across asset classes and within Equities increases in importance as yields rise. For qualified investors, we currently see favorable opportunities for select Hedge Fund strategies, and we believe Private Credit strategies should benefit from the concerns of higher interest rates, as many of these investments are more credit- than interest rate-sensitive.

MACRO STRATEGY

Higher Participation Rate Unlikely To Ease The Wage-Inflation Spiral

Chief Investment Office, Macro Strategy Team

With the manufacturing cycle rolling over from extreme highs, the labor market tight, wages likely to keep accelerating, and the Fed nervous about inflation, there's growing uncertainty about the duration of the expansion, profits growth, and financial-market returns. As a result, credit spreads and equity market volatility have increased, and S&P 500 returns are falling more into line with slowing profits growth.

The surge in inflation to a 40-year high has broadly been attributed to supply chain bottlenecks and pandemic-related labor shortages. Still, as discussed in past reports, the underlying cause for the generalized inflation engulfing the economy has been the surge in money supply. In our view, as long as the Fed is slow to remove liquidity, and growth remains above potential, prices, including the price of labor, will continue to surprise to the upside, and the economy will also run into labor constraints earlier than in past cycles.

First, as the U.S. population aged, labor supply emerged as a constraint on growth even before the pandemic. Unemployment fell from 4.2% in late 2017 to 3.5% in January 2020, with unfilled job openings[1] rising about 15% to 7.1 million (versus 11 million today). The quits rate was quite elevated too, with 3.5-million people quitting their jobs in December 2019[1] (versus 4.3 million today). What differs is Fed policy. Tight monetary policy and entrenched price stability precluded wage inflation from flaring up even as the labor market became very tight before the pandemic, while ultra-loose monetary and fiscal policy quickly spurred demand growth beyond potential supply growth even as the labor force contracted sharply during the health crisis, causing the fastest private sector wage growth in 40-years.[2]

Indeed, just one year into the new cycle, businesses report historic cost pressures and difficulties dealing with the 50% increase in job openings from pre-pandemic levels. Wage gains are widespread, with 50% of National Federation of Independent Business (NFIB) survey participants raising compensation in January, by far the highest share since 1984. Although the highest percentage of small businesses since 1974 report the ability to raise prices for their products, small business sentiment as measured by the NFIB is at a one-year low and below its long-term average, with their biggest reported problems related to cost and quality of labor, followed by general inflation concerns. Workers are not happier despite strong labor demand and the fastest wage gains in decades. Dissatisfaction with the big drop in their purchasing power has increased sharply, based on the decade-low level of the University of Michigan consumer sentiment survey and extremely depressed buying conditions sentiment reported for February.

Inflation lags money supply growth by about two to three years. With money supply still running at a 13% pace and inflation pressures building in the pipeline (upside surprises in the latest Producer Price Index, import prices, and price components of manufacturing surveys), inflation is likely to keep exceeding expectations in coming quarters. Further wage acceleration is also likely, as strong business pricing power can accommodate workers' wage demands until the Fed tightens policy enough to hurt aggregate demand and break the wage-inflation spiral. Basically, as long as demand growth exceeds the economy's growth potential, an increase in the labor force is unlikely to moderate labor costs much, in our view, just as easing supply chain bottlenecks is unlikely to reduce inflation as much as many hope so long as money growth remains far above normal.

That said, with money losing value faster than anticipated and pandemic-related government support gone, labor supply will likely continue to strengthen as the health crisis resolves, helping to alleviate some of the current labor shortages. We estimate that even modestly higher participation rates in 2022 and 2023 would allow the creation of about 9 million more jobs by the end of 2023. While this would be quite welcome, labor force projections also suggest that this increase in employment will, in our view, reduce unemployment to a rock-bottom 3% next year, creating early barriers to the expansion.

Investment Implications

Risk aversion has increased with surging inflation and expectations for higher interest rates, and assets vulnerable to higher interest rates have suffered disproportionately. Investors should continue to consider focusing on assets that benefit from a high-inflation/rising interest-rate environment, including those in the Financial, Energy and Materials sectors. Strong U.S. nominal growth over the year ahead should continue to help fuel the three-stage rotation from bonds to Equities, U.S. to rest of the world stocks, and Growth to Value.

[1] Job Openings and Labor Turnover Survey (JOLTS) report, December 2021.

[2] Employment Cost Index, Bureau of Labor Statistics (BLS), January 2022.

Labor constraints are thus real and quite near. Even looking past the negative effects of the pandemic and the government stimulus on labor force participation rates, one way or another, Fed policy is too easy and must better align demand and supply, including for labor, to avoid a recession soon after the pandemic shock. The risk that either inflation or labor constraints cause this expansion to be shorter than in the past has increased.

Here are some details that add color to the labor-supply outlook:

- The unusually large 0.3-percentage-point January increase in the LFPR to 62.2% was due to population-mix updates based on the 2020 Census. A large downside adjustment to the share of population over 65 raised the weighted average of the LFPR. According to the BLS, the LFPR would have been unchanged for a third month absent these population adjustments, which makes sense given the Omicron shock wave. Thus, the January jump in participation rate doesn't reflect more interest in looking for a job than in December, just a slightly "younger" population mix.
- It remains to be seen how much the LFPR will increase cyclically after stagnating for the past three months; though, according to recent surveys, increased work flexibility and waning health risks may bring more of those 65+ into the labor market once the pandemic ends. The aging of the population is making it particularly important to boost participation rates for all age cohorts.
- The number of people working multiple jobs is down about 800,000, and the number of unincorporated self-employed is up by about 500,000. New business formation has also surged. No doubt, increased wealth has also kept many potential workers from joining the labor market over the past two years. Combined with the strongest economic growth since 1984, this has left businesses scrambling for labor.
- Aside from the 6.5 million unemployed looking for a job, there are about 6 million people currently not looking for but interested in a job. The end of the pandemic should bring some of these "fence-sitters" back into the labor market, which is why we believe strong employment growth is possible this year and next. A rising cost of living with government support gone and higher pay should also make many of the unemployed more willing to take a job.
- For example, the leisure and hospitality industry has suffered a disproportionate number of quits, with workers citing a desire for better and more predictable pay and work schedules, as well as opportunity for advancement as reasons for quitting. This industry typically has the highest labor turnover and lowest-paying jobs. With the industry still reeling from the pandemic and low-pay workers benefiting most from the government pandemic support relative to their labor incomes, it is not surprising that its payrolls remain most depressed (1.6 million below pre-pandemic levels). With pay rising most in low-wage jobs over the past year, willingness to take these jobs will likely increase.
- According to a Wall Street Journal, *Why Older Americans Are Fleeing the Workforce*, October 31, 2021 article, "research suggests that some early exits from the workforce in the pandemic were more pronounced among seniors with less education and lower incomes." Statistics also show that participation rates for those with less than a college degree have dropped much more than for those with higher education (who typically have much higher participation rates and greater opportunities for work flexibility). In our view, for reasons noted above, both categories are likely to see increased participation as the pandemic ends.
- Even if participation rates of the various age cohorts return to pre-pandemic highs, the weighted average LFPR would still not increase much from current levels, this year or next, and would fall short of the 2019 average because of the rise in the share of population 65+, which has a much lower participation rate than younger cohorts. Still, combined with population growth projections of about 0.8% per year, even if the LFPR averages around 62.4% in 2022 and 2023, as we expect, it would help boost the labor force by about 2.0% in 2022 and 1.3% 2023, a huge improvement compared to -1.7% in 2020 and just +0.3% in 2021. This would allow the economy to create about 9 million more jobs by the end of 2023 (around 375,000 per month), close to our estimates for employment growth based on economic conditions but not enough to prevent a significant further tightening of the labor market ahead, as the unemployment rate is poised to drop to the lowest level in a half century.

MARKET VIEW

The S&P 500—A Unique and Resilient Asset Class

Niladri Mukherjee, Managing Director and Head of CIO Portfolio Strategy

Kirsten Cabacungan, Assistant Vice President and Investment Strategist

A global pandemic, a historically deep global recession, rising trade wars between two superpowers, natural disasters, widening political chasms—and yet U.S. Equities represented by the S&P 500 Index are higher by 133% over the last five years.[3] These returns are not only astonishing given the enormity of these global events but also impressive from a historical perspective. We explore what makes these roughly 500 leading U.S. companies collectively so resilient and why the S&P 500 may have evolved into a unique asset class in itself worthy of a foundational presence in strategic portfolios.

High Quality—The companies that comprise the S&P 500 are considered most representative of the key industries in the economy and tend to be Large-caps with relatively higher quality and stable businesses. Those qualities come through when comparing the S&P 500 to Small-caps or other international indexes. The index's operating margin at roughly 16% far outpaces the Russell 2000 at 6% and the MSCI EAFE at 12%. Return on Equity presents a similar difference, with the S&P 500 measuring 20% and the Russell 2000 6% and MSCI EAFE 12%.[4]

Source of Yield—"There is no alternative" (TINA) has been a steadfast mantra used to describe the attractiveness of Equities post the financial crisis era characterized by ultra-low bond yields. With a current dividend yield at 1.4%, the S&P 500 offered better income than government securities like the German 10-year or the Japanese 10-year bond. While the yield on the 10-year U.S. Treasury is now hovering close to 2%, roughly 45% of S&P 500 dividend stocks still pay a higher yield.[4]

Access to Secular Growth—The U.S. is a global innovation juggernaut and home to leading technology firms in the world, many of which are included in the S&P 500. But while many of these mega-tech companies in the S&P 500 grant investors exposure to secular themes like the digitalization of the economy, technology adoption and innovation are not isolated to only those select few. In fact, S&P 500 companies overall are now 70% less labor intensive than they were in the 1980s, according to BofA Global Research, a sign that businesses captured in the S&P 500 have harnessed the power of technology and automation. Technological integration is expected to only grow from here. Investment in intellectual property represents roughly 40% of total nonresidential investment, up from 20% in the late 1980s and well above the share of investments in traditional structures representing only 19%.[5]

Source of Real Returns—The effect of inflation on Equities can vary depending on the level of inflation and its volatility, and is specific to individual companies and industries. Over the long term, the S&P 500 has been a source of real returns for investors as companies have tended to become more productive and pass along higher costs to consumers. From 1950 to 2020, the S&P 500 tracked 11.5% in annualized total returns compared to annualized growth in consumer prices of 3.5%.[6] Even during the Great Inflation decade from 1971 to 1980, consumer prices rose by a cumulative 117%, but the S&P 500's total return was higher at 125%.[6]

Foundation of Consistent Earnings—S&P 500 companies have proven their ability to create businesses that capture long-term structural changes in the economy, technology and consumer preferences. This has translated to a rising trend in corporate earnings, which is the foundation for long-term Equity gains—over the last 20 years, S&P 500 average annual earnings growth has

Investment Implications

It is expected that there will always be volatility with investing in Equities given changes in liquidity conditions, interest rate fluctuations, and the path of the business cycle. However, we believe that the S&P 500 group of companies is a resilient and unique asset class and should be considered as a core holding for long-term investors given its improving productivity, proven durability, higher quality and consistency of earnings growth.

[3] Bloomberg. Data reflects total returns from December 31, 2016 to December 31, 2021.

[4] Bloomberg. Data as of February 16, 2022.

[5] Haver Analytics. Data as of February 16, 2022.

[6] Bloomberg. Data as of February 16, 2022.

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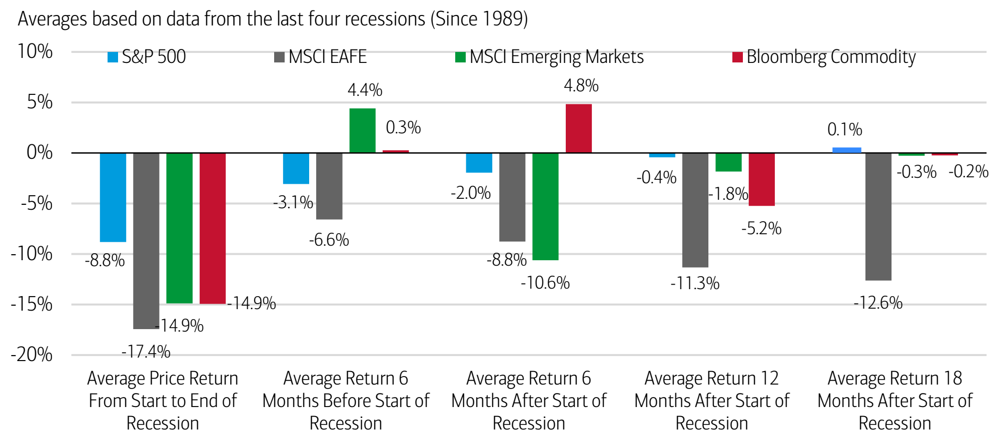
been 7.6%.[7] Moreover, unprofitable companies represent only 4% of S&P 500 companies, whereas non-earners comprise roughly 44% of the Russell 2000.[8]

More Durable—Based on the events of the last few decades, it is clear that the S&P 500 has proven to be a more durable asset class compared to similar riskier investments. Looking at the last four recessions, the S&P 500 tended to perform better on average during the recession and 12 months after the start of the recession compared to its global peers and commodities (Exhibit 1).

Exhibit 1: The S&P 500 Tends To Be More Durable During Recessions On Average.



Recession start and end dates are defined by the National Bureau of Economic Research. **Past performance is no guarantee of future results.** Source: Bloomberg. Data as of February 16, 2022.

Keeps Reinventing Itself—Creative destruction has transformed the S&P 500 over time. In 1969, industrial companies represented a third of the index. Today, only 72 firms are industrials, while the number of technology companies went from 16 to 76 during this time. Also, the average tenure of a company in the S&P 500 in the late 1970s used to be 30 to 35 years, according to Innosight's work on corporate longevity, which they forecast will shrink to 15 to 20 years this decade as innovation accelerates and declining business models are replaced by faster-growing hybrid digital businesses.

Powers the Economy—U.S. household net worth has never been as high as of Q3 2021.[9] At $144 trillion, it has far surpassed the pre-pandemic levels in Q4 2019 by roughly $28 trillion, much in part due to significant gains in the stock market. Equity holdings as a percentage of household financial assets jumped to 40% in Q3, the highest level on record.[10] Given that consumer activity accounts for 70% of GDP, strong U.S. household balance sheets bodes well for further strength in consumption and demand.

Policy Makers Tend to Support It—In recent times, there has been an implicit and explicit desire on the part of monetary authorities and lawmakers to support stock prices. The previous White House regularly pointed to the rising stock market as a gauge of the administration's performance, and the Fed famously backed off its stated plan to hike interest rates and shrink their balance sheet when U.S. Equities collapsed by 14% in Q4 of 2018.[11] Arguably, policy makers' focus today is more on controlling inflation than on supporting the stock market, but given its importance toward wealth effects and consumer confidence, huge declines in Equities are unlikely to be tolerated for an extended period of time.

[7] FactSet. Data as of February 16, 2022.

[8] Bloomberg; Strategas Research Partners. Data as of February 3, 2022.

[9] Latest data available.

[10] Federal Reserve Bank of St. Louis; Board of Governors of the Federal Reserve System. Data as of February 16, 2022.

[11] Bloomberg. Data reflects total returns from September 30, 2018 to December 31, 2018.

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THOUGHT OF THE WEEK

Russia-Ukraine Frictions Escalate

Ehiwario Efeyini, Director and Senior Market Strategy Analyst

The U.S. and its allies have announced new trade, investment and financial sanctions on Russia following President Vladimir Putin's order to move troops into two separatist regions of eastern Ukraine and recognize their independence. These steps mark a major escalation in the Russia-Ukraine tensions that have been brewing over recent weeks and add more uncertainty to an already volatile start to the year for global investors. Past experience from Russia's 2014 annexation of Crimea suggests that markets closest to the epicenter of the conflict are likely to see the most significant effect from this escalation, with little lasting impact on the rest of the world (Exhibit 2). Russian Equity and currency markets were the hardest hit eight years ago, but U.S., European and other emerging markets were higher over the 12 months following the start of Russia's military operations. However, we acknowledge the key differences in the current environment that could potentially broaden the near-term market implications this time around. High energy prices (particularly in the absence of a supply response from other major global producers) and Russia's deeper ties with China may act to reduce some of the West's leverage over President Putin. And against a backdrop of elevated inflation in the U.S. and Europe, the potential for any disruption to Russian energy supply could add greater uncertainty to the monetary policy outlook in the major developed markets.

Exhibit 2: Crimea Annexation Had Little Lasting Effect on Global Markets.

Market reaction following 2/20/2014 start of Russia military operations against Crimea

	1 week	3 months	6 months	12 months
MSCI Russia Index	-1.5%	-0.6%	-4.5%	-30.1%
Russian Ruble (RUB)/U.S. Dollar	-1.0%	3.2%	-1.4%	-42.4%
MSCI EM Index	-0.3%	8.0%	13.1%	2.7%
S&P 500	0.9%	3.1%	8.4%	14.7%
EURO STOXX Index	0.7%	0.5%	-2.4%	11.7%

Initial (one-week) reaction from risk-off beneficiaries: U.S. dollar trade-weighted index vs. major currencies (+0.6%), Yen trade-weighted index (+0.1%), Gold (+1.5%). **Performance would differ if a different time period was displayed. Short-term performance shown to illustrate more recent trend. Performance during periods of exceptional market conditions should not be expected to be repeated in a normal market environment.** Source: Bloomberg. Data as of February 18, 2022. **Past performance is no guarantee of future results.**

Outside Russia itself, European markets are potentially the most vulnerable through their energy exposure, with the European Union depending on Russia for more than one-third of its natural gas consumption. Any prospective shock to Russian energy supply would only compound the underlying rise in local energy prices, undercutting profitability for the corporate sector and discretionary incomes for households, particularly in major importer markets such as the Baltic states, central and Eastern Europe, Germany and Italy. U.S. markets should also experience further near-term volatility until the outcome of the current standoff becomes clearer, but in our view should remain more insulated than their European counterparts. The Defense sector and risk-off beneficiaries such as the U.S. dollar could also see gains in the near-term. But as we look deeper into the year, we would expect the more fundamental market drivers from inflation and interest rate expectations, the path of the economic expansion and corporate earnings to be the most important determinants of market direction. Despite the current geopolitical uncertainties, we therefore maintain our tactical overweight in global Equities relative to Fixed Income, with a continuing preference for U.S. over international markets.

Investment Implications

The latest escalation in Russia-Ukraine frictions adds more uncertainty to an already volatile market. Past experience suggests that geopolitical events of this type have limited lasting effect on global markets, but the potential implications for energy prices and inflation could amplify the effect in the current environment. We maintain our overweight to global Equities, but are nonetheless prepared for more near-term volatility particularly in Russian and European markets that are most exposed to the current tensions.

MARKETS IN REVIEW

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	34,079.18	-1.8	-2.8	-6.0
NASDAQ	13,548.07	-1.7	-4.8	-13.3
S&P 500	4,348.87	-1.5	-3.6	-8.6
S&P 400 Mid Cap	2,632.49	-0.5	0.0	-7.2
Russell 2000	2,009.33	-1.0	-0.9	-10.4
MSCI World	2,983.59	-1.8	-2.4	-7.6
MSCI EAFE	2,235.92	-1.9	0.7	-4.2
MSCI Emerging Markets	1,231.77	-0.7	2.0	0.1

Fixed Income†

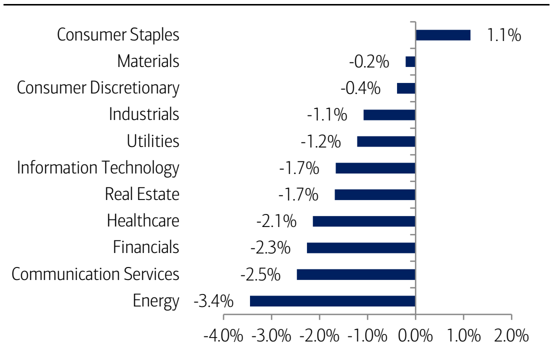
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	2.32	-0.29	-1.62	-4.02
Agencies	1.80	0.03	-0.89	-2.12
Municipals	1.91	-0.18	-0.61	-3.33
U.S. Investment Grade Credit	2.38	-0.24	-1.56	-3.68
International	3.11	-0.88	-2.42	-5.71
High Yield	5.74	-0.25	-1.58	-4.27
90 Day Yield	0.32	0.34	0.18	0.03
2 Year Yield	1.47	1.50	1.18	0.73
10 Year Yield	1.93	1.94	1.78	1.51
30 Year Yield	2.24	2.24	2.11	1.90

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	238.48	1.6	3.5	12.6
WTI Crude $/Barrel††	91.07	-2.2	3.3	21.1
Gold Spot $/Ounce††	1898.43	2.1	5.6	3.8

	Total Return in USD (%)			
Currencies	Current	Prior Week End	Prior Month End	2020 Year End
EUR/USD	1.13	1.14	1.12	1.14
USD/JPY	115.01	115.42	115.11	115.08
USD/CNH	6.32	6.37	6.37	6.36

S&P Sector Returns



Sources: Bloomberg, Factset. Total Returns from the period of 2/14/2022 to 2/18/2022. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 2/18/2022 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 2/18/2022)

	2021A	Q1 2022E	Q2 2022E	Q3 2022E	Q4 2022E	2022E
Real global GDP (% y/y annualized)	6.0*	-	-	-	-	4.3
Real U.S. GDP (% q/q annualized)	5.7	1.0	5.0	3.0	2.0	3.6
CPI inflation (% y/y)	4.7	7.7	6.9	6.0	4.7	6.3
Core CPI inflation (% y/y)	3.6	6.3	5.5	5.0	4.3	5.3
Unemployment rate (%)	5.4	3.8	3.5	3.3	3.2	3.5
Fed funds rate, end period (%)	0.07	0.38	0.88	1.38	1.88	-

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. **Past performance is no guarantee of future results. There can be no assurance that the forecasts will be achieved. Economic or financial forecasts are inherently limited and should not be relied on as indicators of future investment performance.**

A = Actual. E/* = Estimate.

Sources: BofA Global Research; GWIM ISC as of February 18, 2022. BofA Global Research is research produced by BofA Securities, Inc. ("BofAS") and/or one or more of its affiliates. BofAS is a registered broker-dealer, Member SIPC, and wholly owned subsidiary of Bank of America Corporation.

Asset Class Weightings (as of 2/1/2022

	CIO View				
Asset Class	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				●	
High Yield		●			
U.S. Investment Grade Tax Exempt			●		
U.S. High Yield Tax Exempt		●			
International Fixed Income	●				
Alternative Investments*					
Hedge Funds			●		
Private Equity			●		
Real Assets			●		
Cash					

CIO Equity Sector Views

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

*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. Source: Chief Investment Office as of February 1, 2022. 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.

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 is a stock market index that measures the stock performance of 500 large companies listed on stock exchanges in the United States. It is one of the most commonly followed equity indices.

Employment Cost Index is a quarterly economic series detailing the changes in the costs of labor for businesses in the United States economy.

Producer Price Index (PPI) is a group of indexes that calculates and represents the average movement in selling prices from domestic production over time.

Russell 2000 Index is a small-cap stock market index that makes up the smallest 2,000 stocks in the Russell 3000 Index.

MSCI Emerging Markets Index is a selection of stocks that is designed to track the financial performance of key companies in fast-growing nations.

MSCI Europe, Australasia and Far East (EAFE) Index is a stock market index that is designed to measure the equity market performance of developed markets outside of the U.S. & Canada.

Bloomberg Commodity Index is a broadly diversified commodity price index distributed by Bloomberg Index Services Limited. MSCI World ESG Index.

EURO STOXX Index is a stock index of Eurozone stocks designed by STOXX, an index provider owned by Deutsche Börse Group.

MSCI Russia Index is designed to measure the performance of the large and mid cap segments of the Russian market.

U.S. dollar trade-weighted index is an index created by the Fed to measure the value of the USD, based on its competitiveness versus trading partners.

Yen trade-weighted index is calculated using the weighted geometric average of the yen's exchange rates against 15 major currencies.

Important Disclosures

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

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Alternative investments are intended for qualified investors only. Alternative Investments such as derivatives, hedge funds, private equity funds, and funds of funds can result in higher return potential but also higher loss potential. Changes in economic conditions or other circumstances may adversely affect your investments. Before you invest in alternative investments, you should consider your overall financial situation, how much money you have to invest, your need for liquidity and your tolerance for risk.

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