CHIEF INVESTMENT OFFICE

Capital Market Outlook

April 18, 2022

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

IN THIS ISSUE

Macro Strategy—*From Wild Turkey To Cold Turkey:* As we expected, once the Federal Reserve (Fed) laid out a more aggressive monetary-policy outlook, the 2-year/10-year Treasury note yield curve "uninverted," and the curve that tends to matter, that between the fed funds rate and 10-year Treasury note yield, steepened even more. This suggests that the risk of recession within the next nine to 12 months remains low.

That said, the commodity-market upheaval engendered by the Ukraine/Russia conflict along with labor shortages and an increasingly hawkish Fed policy indicate substantially softer profits growth into early next year, increasing the likelihood of a late-2023 or early 2024 recession, in our view. With strong labor demand and robust consumer balance sheets, and in the absence of glaring excesses on the business investment and residential construction fronts, a profits recession would be the most obvious channel for the next recession to end the biggest inflation flare-up since the1970s. In our view, the possibility of aggressive quantitative tightening (QT) is now the biggest downside risk to the outlook.

Market View—*Deglobalization Will Come At A Cost To America:* We believe the death of globalization has been exaggerated. That's a bullish/stabilizing prospect for U.S. Equities since deglobalization would limit Corporate America's ability to tap foreign markets, talent and resources, and rob the U.S. economy of badly needed capital inflows (foreign direct investment and portfolio).

If the world of unfettered cross-border flows of goods, services, people, capital and data is really a thing of the past, then one of Corporate America's biggest bets of the post-war era is about to go bust. Globalization is under strain but will most likely bend not break.

Thought of the Week—*Headwinds Gathering for China:* China is facing its biggest coronavirus wave since the start of the pandemic. In keeping with the government's zero-tolerance coronavirus strategy, the surge in case counts has been met with strict shutdowns.

These broad-based efforts to stop transmission have added another headwind to China's growth outlook already marred by heightened geopolitical tensions and domestic challenges from real estate market weakness to regulatory crackdowns across industries.

MACRO STRATEGY ▶

Irene L. Peters, CFA®
Director and Senior Macro Strategy Analyst

MARKET VIEW ▶

Joseph P. Quinlan
Managing Director and Head of CIO Market Strategy

THOUGHT OF THE WEEK ▶

Kirsten Cabacungan
Assistant Vice President and Investment Strategist

MARKETS IN REVIEW ▶

Data as of 4/18/2022, and subject to change

Portfolio Considerations

Within Equities, we emphasize positioning for higher inflation through cyclical exposures, which include Value and Small-cap exposure, and we prefer cyclical sectors that are most likely to benefit from real asset growth and increasing free cash flow such as Energy, Materials and Mining. Within Fixed Income, we are positioning for rising interest rates and prefer shorter duration versus benchmarks, and corporate and municipal credit versus Treasurys. 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.

Chartered Financial Analyst® and CFA® are registered trademarks owned by CFA Institute.

Trust and fiduciary services are provided by Bank of America, N.A., Member FDIC and a wholly owned subsidiary of Bank of America Corporation ("BofA Corp.").
Investment products:

Are Not FDIC Insured	Are Not Bank Guaranteed	May Lose Value

Please see last page for important disclosure information. 4674616 4/2022

MACRO STRATEGY

From Wild Turkey To Cold Turkey

Irene L. Peters, CFA®, Director and Senior Macro Strategy Analyst

While the U.S. economy continues to boom well into 2022, as discussed in our February 14, Capital Market Outlook (CMO) report, "excess demand combined with labor shortages, energy-supply limitations, and a government-policy-related surge in inflation create risks of a much shorter expansion compared to past business cycles. Profit margins, in our view, are likely to come under downward pressure as the year progresses and especially in 2023, with a sharp deceleration of profits growth this year and a potentially significant contraction in 2023, mainly due to accelerating labor costs and Fed tightening." The Ukraine/Russia conflict has only strengthened the case.

Indeed, even before a full ban on Russian energy imports into Europe, sanctions and boycotts of Russian commodity exports are causing supply disruptions and impairments to financial, production, trade and consumption activity around the world. Most effects have yet to be felt. For example, the outcome of lower Russian fertilizer exports on food availability is not expected to be fully felt for about another year. Also, as depleting inventories of raw materials and intermediate inputs start to constrain manufacturing production and trade, risks to revenue growth and profits will only increase.

According to a recent interview with the CEO of a major chemical company, the German economy would likely fall into an economic crisis similar to that experienced in the aftermath of World War II (WWII) if imports of Russian fossil fuel are completely banned. Given Germany's disproportionate role in global manufacturing production and trade, such prospects raise serious risks for world economic growth and for a large chunk of U.S. corporate profits. Even though it hasn't banned oil and natural-gas imports from Russia yet, business confidence as measured by the ZEW indicator of economic sentiment has already cratered, a typically negative signal for the global manufacturing, trade and profits cycle.

The softening of the Organisation for Economic Co-operation and Development (OECD) leading indicator—observed even prior to the Ukraine/Russia conflict—ongoing dollar appreciation, deterioration in the Conference Board Credit Index (from easing to tightening during the past six months), and broad-based weakening of the Markit purchasing managers' index (PMI) across various countries already suggest rapidly weakening trade activity in coming months. We expect global trade volume growth to slow from +7.4% YoY as recently as in December 2021 to zero growth by the end of 2022. In our view, with international trade weakening, foreign sales in an abrupt downtrend in Europe and China, heightened uncertainty boosting the trade-weighted dollar and depressing business confidence, and Fed policy set to embark on an aggressive tightening campaign because of soaring U.S. inflation, S&P 500 revenue growth is poised to weaken from +10% at the end of 2021 to low-single-digit rates by the end of 2022, with risks to the downside. This, combined with high inflation, which is a lagging indicator (i.e., it will take time to moderate in response to slower economic growth and tightening Fed policy), suggests rapidly narrowing profit margins ahead.

As declining inventory levels and surging commodity prices make clear, the world is scrambling to prepare for lower global supplies of everything from diesel and jet fuel to fertilizer, and from palladium to wheat. To limit the short-term effect of the recently approved European ban on Russian coal imports, for example, users requested that it not begin until August so they can import as much as possible till then. In the U.S., the government has approved the release of an unprecedented volume of crude oil from strategic reserves in order to help reduce the effect of oil shortages on gasoline prices and consumer spending over the next six months. Together with contributions from a number of other countries as well, the recently announced inventory release is seen offsetting for six months about 1.3 million barrels per day (mbd) out of an expected 3 mbd drop in Russian exports of crude oil and refined products. The difference is expected to be offset by a combination of global demand destruction caused by high oil prices and a large negative effect on demand coming from the Chinese government shutdown of large swaths of the population and production capacity to contain the pandemic. This, together with drastic

Investment Implications

We expect the Fed's aggressive QT plans will heighten market volatility over the next year, enhancing the appeal of defensive Equity sectors such as Healthcare, Consumer Staples and Utilities, while Energy and Commodity sectors are likely to continue to benefit from a rising share of the overall earnings pie because of supply constraints and elevated pricing power.

measures recommended by the International Energy Agency (IEA) to sharply reduce fossil fuel consumption in Europe, also suggests strong headwinds to global growth.

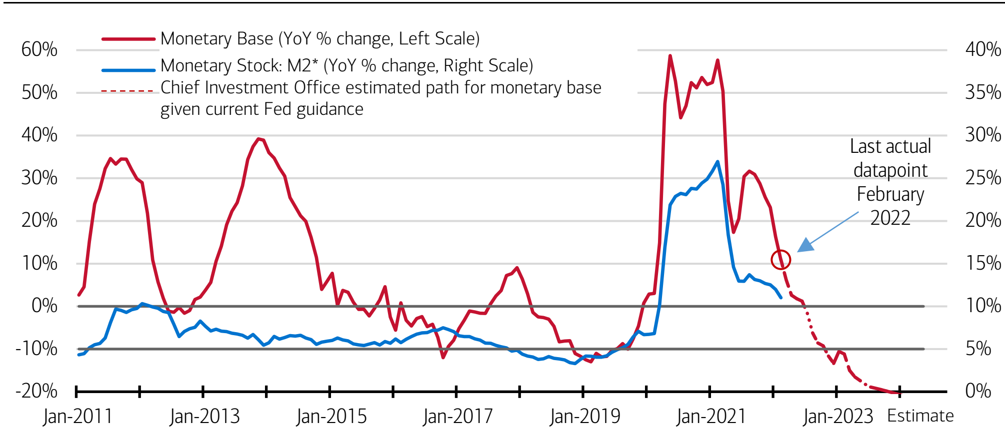
Thus, the outlook remains for strong but rapidly decelerating growth, with high inflation. Not surprisingly, the yield curve between the fed funds rate and the 10-year Treasury note has remained steep, reflecting the current highly accommodative Fed policy. As we emphasized in past reports, interest rates and the yield curve have been distorted by quantitative easing (QE) and the extremely dovish Fed interest-rate guidance until recently. Once the Fed changed its plans to aggressively tighten policy in order to fight inflation, the market started to reflect a more realistic interest-rate trajectory, re-steepening the 2-year/10-year Treasury yield curve in the process.

As discussed in our April 4 CMO, the inversion of the 2-year/10-year Treasury yield curve was inconsistent with the likely inflation and interest-rate outlook, and thus was unlikely to be sustained. Its short-lived inversion was not enough to predict a recession within the typical nine-to-12-month window. The stabilization of credit spreads close to their historical average has also refuted the message from the brief two-day inversion, as they tend to remain contained when Fed policy is as accommodative as it is now.

That said, the Fed has dramatically altered its policy guidance, expressing clear determination to not only raise interest rates substantially this year but also to start an aggressive QT process. In our view, the Fed's plan to reduce its balance sheet by $95 billion per month is likely to dramatically shrink money-supply growth, with negative consequences, as during the previous, much less aggressive QT episode in 2017-2018. As shown in Exhibit 1, the monetary base shrank during that period as the Fed ran off its balance sheet, and money-supply growth fell to very low, below trend levels, keeping the Fed persistently short of achieving its inflation target.

A projection of the Fed's stated goal of running down its balance sheet by $95 billion a month until it drains just over $2 trillion from its balance sheet and, by implication, the monetary base, suggests that money-supply growth is likely to slow substantially, and may even decline, depending on whether excess reserves absorb most of the reduction, or it forces banks to shrink their balance sheets as well. In any case, this QT path would leave the Fed's balance sheet just about 15% above pre-pandemic levels and withdraw most of the monetary-base increase that funded the massive direct government transfer payments ("helicopter money") into checking accounts during the pandemic. We believe the deflationary impulse this would generate raises the risk of a significant economic slowdown. As in late 2018, the Fed may have to back off its QT plans before it finishes to avoid a hard landing. As Exhibit 1 illustrates, the unprecedented gyrations in the Fed's balance-sheet growth in recent years have been directly related to the gyrations observed in the money supply and macroeconomic conditions. Given this sharp shift in Fed policy guidance, preparing for the possibility of a hard landing by increasing exposure to more defensive sectors in the equity market seems prudent.

Exhibit 1: On Current Projected Path, QT Will Sharply Contract Money Supply And Inflation Over The Next Two Years.



*M2=money supply. Sources: Federal Reserve Board/Haver Analytics; Chief Investment Office. Data as of April 12, 2022.

Deglobalization Will Come At A Cost To America

Joseph P. Quinlan, Managing Director and Head of CIO Market Strategy

Portfolio Positioning

Deglobalization is considered a risk to U.S. corporate earnings and therefore high on the CIO's watch list. That said, we are not expecting a permanent rupture in global cross-border flows of trade, investment and capital, and believe U.S. Large-cap companies are best positioned to weather the strains of a more complicated and complex world.

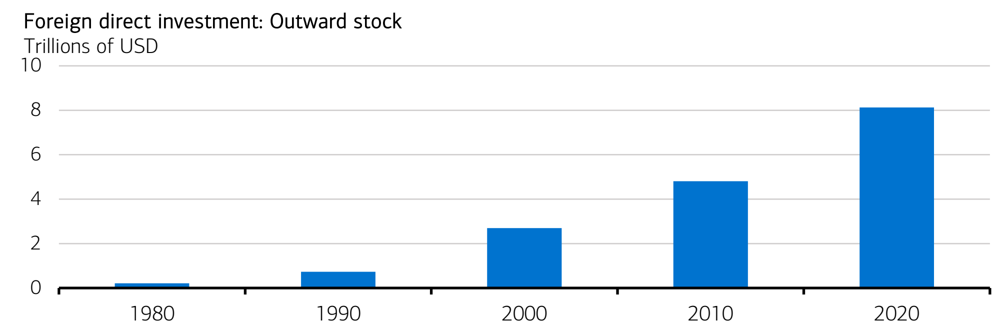
Nothing is more fashionable these days than writing the obituary for globalization. The cause of death according to the consensus includes the push to "onshore" production and reduce global supply chain vulnerabilities; the weaponization of finance in lieu of Russian sanctions; the widening gulf between democratic and authoritarian regimes; rising political populism; and U.S.-Sino decoupling. Call it a death by a thousand cuts—and a tragedy that could leave lasting scares on the U.S.

Missing from the debate about deglobalization is this: If the world of unfettered cross-border flows of goods, services, people, capital and data is really a thing of the past, then one of Corporate America's biggest bets of the post-war era is about to go bust.

No entity in the world has wagered more resources on globalization over the past four decades than U.S. multinationals, with America's stock of outward foreign direct investment (FDI) rising from $215 billion in 1980 to $8.1 trillion in 2020, according to figures from the United Nations.[1] The Netherlands, with some $3.7 trillion in FDI stock in 2020, was a distant second, underscoring the outsized global footprint of U.S. firms.[1]

Going global became the mantra of many U.S. companies as the world of the late 20th century was unlocked by falling trade barriers, investment reforms, industry liberalization, falling communications and transportation costs, and the proliferation of regional trading blocs. These structural dynamics were complimented by seminal one-off events like the opening of China, economic reforms in India, the collapse of communism, and enlargement of the European Union. Since then, there has been no looking back. The outward stock of U.S. FDI jumped nearly 80% between 2000 and 2010, and by another 69% between 2010 and 2020 (Exhibit 2).[1]

Exhibit 2: Unbound: U.S. Outward Stock of Foreign Direct Investment.



Source: United Nations Conference on Trade and Development (UNCTD). Data as of April 11, 2022.

Leading the charge overseas have been U.S. foreign affiliates, the global foot soldiers of Corporate America. U.S. affiliates can now be found in virtually every country in the world, and numbered nearly 39,000 in 2019 according to the latest data from the Bureau of Economic Analysis (BEA).[2]

America's army of affiliates are an economic powerhouse unto themselves, producing nearly $1.5 trillion in output in 2019.[2] That's equivalent to the total output of Brazil or Spain. They employed nearly 15 million workers in 2019, while total affiliate assets exceeded a staggering $28 trillion. Sales of U.S. foreign affiliates tallied $6.8 trillion in 2019, a figure some 2.5 times greater than U.S. exports.[2] The difference underscores how U.S. firms primarily deliver their goods and services to foreign customers—via investment and affiliate sales, not through arms-length trade (exports).

The bulk of these affiliates, roughly 60%, are situated in the developed nations, notably the European Union, reflecting the fact that when it comes to venturing overseas, firms are more interested in gaining access to wealthy consumers and skilled workers as opposed to chasing low-cost labor. Accordingly, roughly 90% of U.S. affiliate sales are to the local market—rather than for export back to the U.S.

[1] The United Nations, "World Investment Report 2021," April 2021.
[2] Bureau of Economic Analysis, "Activities of U.S. Affiliates of U.S. Multinational Enterprises, 2019," November 2021.

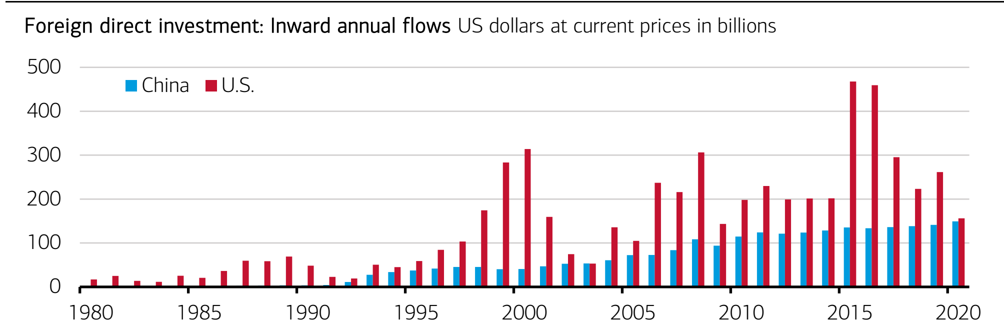
RETURN TO FIRST PAGE

A final point about affiliates: They're not standalone entities but integrated with U.S. parent entities via global supply chains. These linkages promote cross-border trade in goods and services, which in turn supports U.S. exports and attendant investment and employment activities in the United States.

Given all of the above, the demise of globalization could not come at a more unpropitious time for Corporate America. Confronting one of the tightest labor markets in decades, the last thing U.S. firms need right now is less access to foreign talent. Short of critical raw materials, U.S. companies can't afford to be locked out of certain resource-producing markets. And with America's share of global personal consumption in a structural decline—falling from 35% in 2000 to 30% in 2021, according to the United Nations—the future earnings growth of many multinationals hinges on access to consumers in both the developed and developing nations. In the end, globalization has been hugely bullish for Corporate America—and very beneficial to the U.S. economy in general.

The U.S. has not only been the largest provider of foreign direct investment for over the past few decades, but also its largest recipient. While globalization has motivated U.S. firms to venture abroad, it has also encouraged firms to come to America. No country—including China—has attracted more foreign direct investment capital than the U.S. since 1980 (Exhibit 3). Portfolio foreign inflows have been just as robust over the decades, helping to finance America's perennial budget deficits.

Exhibit 3: Advantage U.S.: FDI Inflows U.S. vs China.



Source: UNCTAD. Data as of April 11, 2022.

Foreign-owned U.S. affiliates are now embedded in all fifty states, and, at the local level, these affiliates provide communities with good jobs and incomes, and generate increased sales for local suppliers and businesses. According to the latest BEA figures, foreign affiliates in the U.S. employ nearly 8 million workers, with 2.8 million of these workers in the manufacturing sector. Over one-fifth of U.S. manufacturing workers are employed by foreign affiliates, with compensation typically above the national average. Affiliates are also a key source of U.S. exports and imports, and have sunk over $70 billion on R&D in the U.S. At the end of 2020, inward FDI stock in the United States totaled a staggering $10.8 trillion, or 26.1% of the global total.[3]

And based on recently released figures from the BEA, both U.S. foreign investment inflows and outflows rebounded strongly in 2021. The former hit $368 billion, the strongest level since 2016, while the latter topped a record annual level of $403 billion.[3] That's another way of saying that if globalization is dead, someone forgot to tell the world's top multinationals. If globalization were truly deceased, the S&P 500 would be down a lot more than the modest -6.4% decline from the peak set in January 2022. The good news is that the markets have not bought into all the hype about de-globalization.

That said, however, multinationals confront a much more challenging environment than in the past given rising nationalist calls for "reshoring" and economic self-sufficiency, among other policy pressure points. Firms are not deaf or blind to these tensions. Neither are the markets.

Firms are focused on building in more resiliency into their supply chains, but in many cases that means relying more on foreign labor, overseas markets and non-U.S. resources. To be sure, the past won't be prologue—globalization is being recast and reconfigured. But to paraphrase Mark Twain—an American writer—the death of globalization has been exaggerated. That is bullish for U.S. Equities since a sharp turn towards deglobalization would come at a steep cost to the U.S.

[3] For all data sourced in paragraph, see "Activities of U.S. Affiliates of Foreign Multinational Enterprises," 2019, BEA, August 2021.

THOUGHT OF THE WEEK

Headwinds Gathering for China

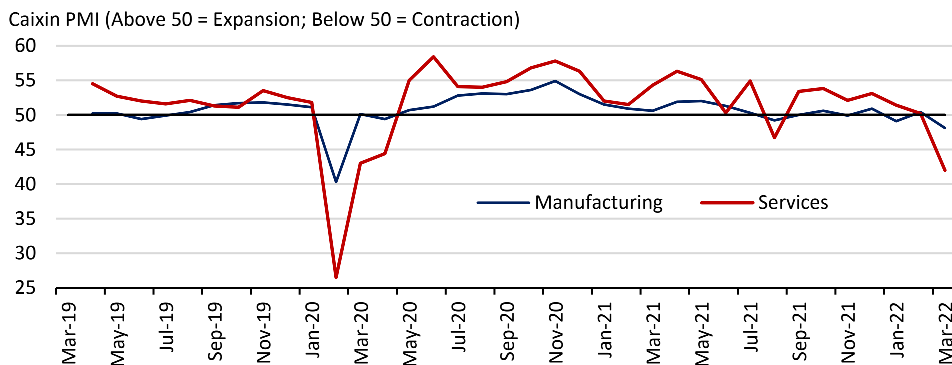
Kirsten Cabacungan, Assistant Vice President and Investment Strategist

China is facing its biggest coronavirus wave since the start of the pandemic. In keeping with the government's zero-tolerance coronavirus strategy, the surge in virus case counts has been met with strict shutdowns. According to Gavekal Research, as of April 6, 74 of the top 100 cities in China, accounting for roughly 54% of gross domestic product (GDP), have already imposed public-health restrictions on movement and activity, including Shanghai, China's largest city.

These broad-based efforts to stop transmission have added another headwind to China's growth outlook already marred by heightened geopolitical tensions and domestic challenges from real estate market weakness to regulatory crackdowns across industries. China's economy posted 4.8% growth from the year prior in Q1, coming in better than expected, but economic data for March showed clear deterioration and the full extent of the shutdowns have yet to be fully reflected. Leading indicators similarly point to downward pressure on the economy. Manufacturing and services activity weakened in March (Exhibit 4). The Caixin services PMI fell to 42 in March from 50.2 the month before, while the manufacturing PMI fell to 48.1 from 50.4. Both readings indicated the sharpest contraction in activity since the start of the pandemic, capturing the significant effect shutdowns have had on demand. Commodities imports were similarly hit last month, with crude oil imports down 14% YoY and natural gas purchases below their lowest level since October 2020.[4] Amid a shortage of workers at the world's largest port in Shanghai, port congestion has worsened. As of April 11, a total of 222 bulk carrier ships carrying raw materials remain queued off of Shanghai, a 15% increase than the month earlier, according to Bloomberg. Disruptions in obtaining raw materials and dented production amid a lack of workers has created uncertainty for global supply chains. Shutowns have also weakened the foundation for strong consumption. Retail sales contracted 3.5% YoY for March, down from the strong January-February 6.7% reading.[5] Overall passenger vehicle sales fell 10.9% in March from a year ago, while food costs have surged, with fresh vegetable prices up 17.2% from a year ago last month.

The weakening economic backdrop may make it more challenging for China to hit its official 5.5% growth target for 2022. BofA Global Research expects China's economy to grow only 4.8% for the year. Chinese Equities have suffered from the slew of headwinds. In March, the MSCI China Index was down 30% since the start of the year.[6] While Equities have since recovered some of the losses, they still remain down roughly 16% year-to-date.[7] The ripple effects from China's slowdown will likely keep volatility elevated in the near term.

Exhibit 4: Manufacturing and Services Sectors Take a Dive.



Source: Bloomberg. Data as of April 13, 2022.

Portfolio Considerations

Challenges to China's growth outlook could keep Chinese Equities volatile in the near term. Key risks stem from the coronavirus, geopolitics, the Real Estate market and regulation. We reaffirm our constructive view on the U.S. relative to the rest of the world. Some exposure to markets in Asia with digital industries may be warranted over the longer term as the digital economy expands.

[4] Bloomberg. General Administration Customs. Data as of April 18, 2022.

[5] Note: The National Bureau of Statistics combines the data for January and February retail sales to avoid distortions from the Lunar New Year holiday. Bloomberg. Data as of April 18, 2022.

[6] Bloomberg. Data represents MSCI China Index returns from December 31, 2021 to March 15, 2022.

[7] Bloomberg. Data as of April 15, 2022.

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	34,451.23	-0.8	-0.6	-4.7
NASDAQ	13,351.08	-2.6	-6.1	-14.5
S&P 500	4,392.59	-2.1	-3.0	-7.5
S&P 400 Mid Cap	2,628.61	0.5	-2.4	-7.1
Russell 2000	2,004.98	0.5	-3.1	-10.4
MSCI World	2,960.64	-1.7	-3.0	-8.0
MSCI EAFE	2,118.51	-0.9	-2.8	-8.5
MSCI Emerging Markets	1,117.36	-0.8	-2.0	-8.8

Fixed Income†

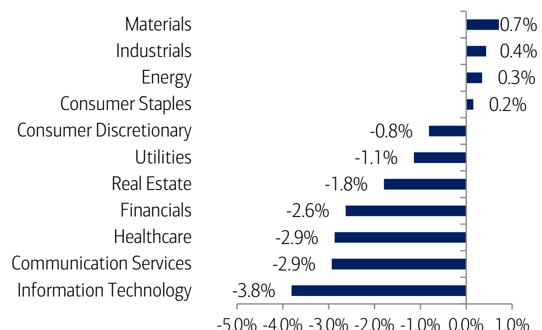
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	3.22	-0.81	-2.90	-9.05
Agencies	2.72	-0.04	-1.05	-5.21
Municipals	2.89	-0.54	-1.36	-7.51
U.S. Investment Grade Credit	3.28	-0.70	-2.77	-8.54
International	4.02	-1.27	-3.70	-11.11
High Yield	6.50	-0.32	-1.80	-6.55
90 Day Yield	0.75	0.68	0.48	0.03
2 Year Yield	2.45	2.51	2.33	0.73
10 Year Yield	2.83	2.70	2.34	1.51
30 Year Yield	2.91	2.72	2.45	1.90

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	283.13	4.8	6.5	33.7
WTI Crude $/Barrel††	106.95	8.8	6.7	42.2
Gold Spot $/Ounce††	1973.71	1.3	1.9	7.9

	Total Return in USD (%)			
Currencies	Current	Prior Week End	Prior Month End	2020 Year End
EUR/USD	1.08	1.09	1.11	1.14
USD/JPY	125.88	124.34	121.70	115.08
USD/CNH	6.39	6.37	6.35	6.36

S&P Sector Returns



Sources: Bloomberg; Factset. Total Returns from the period of 4/11/2022 to 4/14/2022. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 4/14/2022 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 4/14/2022)

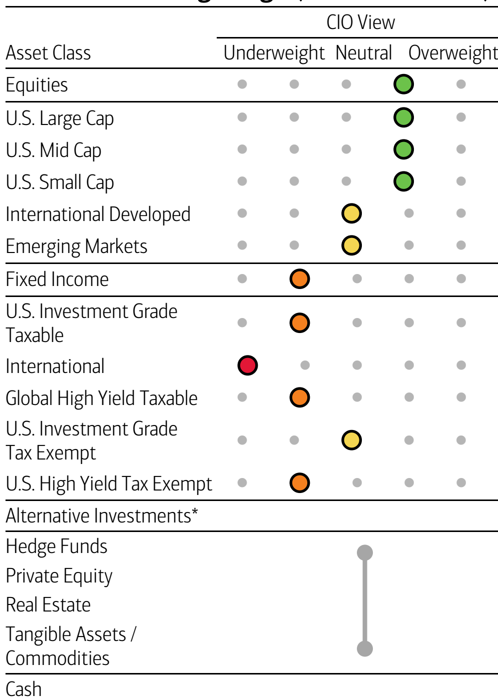
	2021A	Q1 2022E	Q2 2022E	Q3 2022E	Q4 2022E	2022E
Real global GDP (% y/y annualized)	6.1	-	-	-	-	3.6
Real U.S. GDP (% q/q annualized)	5.7	1.0*	3.5	2.5	1.8	3.3
CPI inflation (% y/y)	4.7	7.9*	7.8	7.1	6.0	7.2
Core CPI inflation (% y/y)	3.6	6.3*	5.6	5.3	5.0	5.6
Unemployment rate (%)	5.4	3.8	3.4	3.2	3.1	3.4
Fed funds rate, end period (%)	0.07	0.33	1.38	2.13	2.63	-

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.**

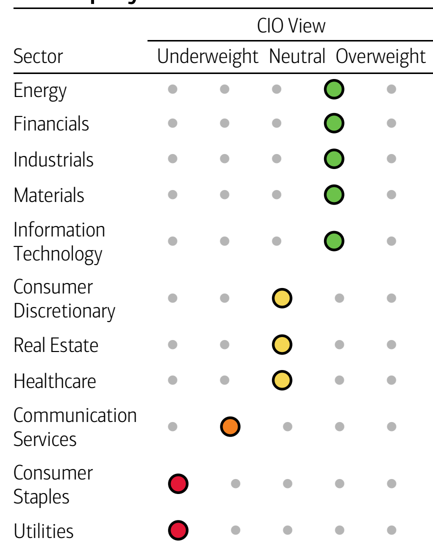
A = Actual. E/* = Estimate.

Sources: BofA Global Research; GWIM ISC as of April 14, 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 4/1/2022)



CIO Equity Sector Views



*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 April 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.

RETURN TO FIRST PAGE

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 Equity 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.

Caixin services PMI is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 400 private service sector companies.

Conference Board Credit Index is a composite of indexes of leading, coincident, and lagging indicators and are summary statistics for the U.S. economy.

Markit purchasing managers' index (PMI) is an index of the prevailing direction of economic trends in the manufacturing and service sectors.

MSCI China Index measures large and mid-cap representation across China securities listed on the Shanghai and Shenzhen exchanges.

Important Disclosures

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

Bank of America, Merrill, their affiliates and advisors do not provide legal, tax or accounting advice. Clients should consult their legal and/or tax advisors before making any financial decisions.

The Chief Investment Office ("CIO") provides thought leadership on wealth management, investment strategy and global markets; portfolio management solutions; due diligence; and solutions oversight and data analytics. CIO viewpoints are developed for Bank of America Private Bank, a division of Bank of America, N.A., ("Bank of America") and Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S" or "Merrill"), a registered broker-dealer, registered investment adviser and a wholly owned subsidiary of Bank of America Corporation ("BofA Corp."). This information should not be construed as investment advice and is subject to change. It is provided for informational purposes only and is not intended to be either a specific offer by Bank of America, Merrill or any affiliate to sell or provide, or a specific invitation for a consumer to apply for, any particular retail financial product or service that may be available.

The Global Wealth & Investment Management Investment Strategy Committee ("GWIM ISC") is responsible for developing and coordinating recommendations for short-term and long-term investment strategy and market views encompassing markets, economic indicators, asset classes and other market-related projections affecting GWIM.

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.

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. Bonds are subject to interest rate, inflation and credit risks. Investments in foreign securities 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, including market price fluctuations, regulatory changes, interest rate changes, credit risk, economic changes and the impact of adverse political or financial factors.

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.

© 2022 Bank of America Corporation. All rights reserved.