CHIEF INVESTMENT OFFICE

Capital Market Outlook

April 27, 2020

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

IN THIS ISSUE

- **Macro Strategy**—The pandemic currently wreaking havoc in the developed world likely marks the culmination of the hyper-globalization trend as it reveals more of its flaws—such as an overreliance on excessively lean manufacturing supply chains and undiversified suppliers, including for critical goods and components—as well as the failure of domestic and international institutions to manage the problems caused by globalization. It's way past time for smarter globalization, with more balanced investment and growth across the world, shorter/more diversified supply chains, and improved governance.
- **Global Market View**—The coronavirus has brought the $90 trillion global economy to a near standstill, including its largest component, the U.S. economy. Against this backdrop, the key question before investors is simple yet hardly clear cut: When will the world economy and global capital markets, with an emphasis on the U.S., be unbound? For insight, we look to the following: flattening of the curve, reopening the economy, earnings clarity and energy price stability.
- **Thought of the Week**—The coronavirus crisis and fears of inflation following the unprecedented global policy response have boosted gold investment demand. While investment in exchange-traded funds has been particularly strong, surging current demand for coins and bars has caused a scramble for physical gold. This turned out to be due to supply disruptions for low bar and coin denominations because of major refinery and air-travel lockdowns, some of which have already been addressed. With weak jewelry demand, gold investment must increase substantially more for prices to move higher.
- **Portfolio Considerations**—We prefer equities over fixed income as valuations in bonds are at extreme levels, and equities are in our rebalancing range in terms of price levels. With Treasury yields still close to historically low levels, oil prices correcting aggressively, and investor sentiment in equities at previous crisis levels, we would continue to have long-term plans ready to re-risk (rebalance) portfolios back to strategic and tactical targets as the bottoming process continues to unfold. There are five signs to watch for to help determine the bottoming process, in our view:
  1. Capital needs to flow freely. This is being addressed by the various facilities put in place by the Federal Reserve (Fed) and Treasury. We are watching credit improvement and liquidity in the daily funding markets.
  2. The relationship between stocks and bonds needs to shift back to a somewhat normal inverse relationship.

MACRO STRATEGY

Chief Investment Office Macro Strategy Team

GLOBAL MARKET VIEW

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THOUGHT OF THE WEEK

Chief Investment Office Macro Strategy Team

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3. Volatility as measured by the Chicago Board Options Exchange (CBOE) Volatility Index (VIX) needs to recede when the markets are experiencing down days.
4. Strength of the U.S. dollar needs to slow down and crest.
5. News flow regarding the virus and the overall economy/corporate profits begins to slow and be ignored by the broader market.

MACRO STRATEGY

Penny Wise and Pound Foolish

Chief Investment Office Macro Strategy Team

It is no secret that dissatisfaction with the negative effects of globalization on European and U.S. standards of living has intensified over the past decade. Indeed, as we discussed in past reports,[1] along with increased globalization came economic dislocations and a growing burden on government safety nets that created more-intense-than-expected economic, social and political tensions, especially in Europe and the United States. At the same time, increasingly ambitious international trade and economic integration policies have spurred an associated push for expanding global governance, which, as discussed below, has also failed its test.

It has likewise been well known over the centuries that, in spite of obvious benefits, increased commerce and travel generally tend to also spread disease afflicting humans, fauna and flora. The active participation of once-remote parts of the globe in the world economy has heightened these risks. In fact, a globalization-induced coronavirus pandemic seems to have been long anticipated in scientific and government circles.

What is surprising and disconcerting is how unprepared the Western developed-world governments, as well as international institutions, have proven to be to avoid economic disaster in the wake of the hyperglobalization trend of the past twenty years. As the pandemic crisis makes clear, the failures are on multiple levels, and so are their socio-economic and political repercussions. Here we touch on a few, with more to be discussed in future reports.

First, suppression of debate about potential negative effects from globalization and necessary mitigation constrained the developed world's ability to design more balanced, sustainable, middle-of-the-road trade arrangements to benefit workers on both sides of the globalization process while still promoting world development and enhancing efficiency/profitability. According to a July 2017 interview with *The Guardian*, in which he lamented the fact that too many economists ignored the negative implications of free trade for developed economies, Dani Rodrik, Harvard professor of international political economy and early skeptic about unfettered globalization, said: "*I never felt that my ideas were out of mainstream. Instead, it was that the mainstream had lost touch with the diversity of opinions and methods that already existed within economics…rather than speak truth to power…many economists became cheerleaders for globalization*."

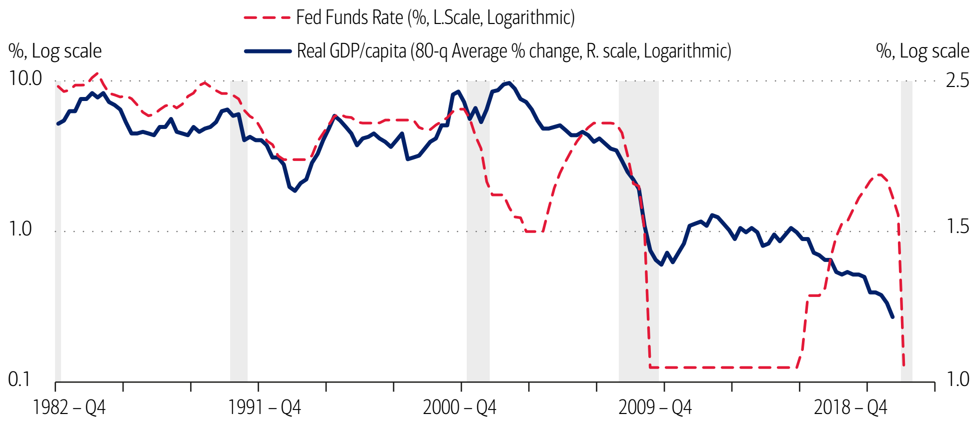
Indeed, evidence shows that it was mainly the emerging middle class in Asian economies who benefited from the hyperglobalization of the past twenty years, while in the developed world the benefits mainly accrued to those at the top 1% of the income distribution, according to research by Branko Milanovic, well-known economist and author of the 2016 book *Global Inequality*. Asymmetric "*rules of engagement*," such as the privilege conferred on China to play by non-market economy rules for the first 15 years of membership in the World Trade Organization (WTO), and which it has a hard time relinquishing, were particularly harmful to the Western-world outcome.

[1] Capital Market Outlook, November 5, 2018.

In Europe, crisis after crisis and ever-inadequate policy support have hurt standards of living, created political turmoil and raised persistent questions about the viability of the euro. In addition, the inability of eurozone institutions to coordinate policies appropriate for the bloc's sustainable growth has long created headwinds to global growth and exposed international institutions as ill-equipped to foster broad-based prosperity. Over the same period, the U.S. experienced a collapse in the growth of gross domestic product (GDP) per capita, the most common measure of the standard of living. The average annual growth in GDP per capita of the past twenty years plunged well before the pandemic lockdown (Exhibit 1). In fact, for most people, the situation has been much worse than the average suggests because of the uneven distribution of income; because some families are more numerous than others; and because of the sharp drop in the labor force participation rate (LFPR).

Stagnant or falling living standards for vast parts of the population combined with a declining quality of life, failing education standards, and crumbling infrastructure more than explain the political turmoil of recent years. Insufficient labor income and demand growth along with accumulating debt over the past twenty years of hyperglobalization have also forced the Fed into increasingly massive interventions to keep the system afloat and spurred calls for universal basic income and debt forgiveness for politically favored groups, amplifying political tumult.

Exhibit 1: Collapsing Growth in Domestic Income Per Capita Has Kept Downward Pressure on the Fed Funds Rate.



Source: Bureau of Economic Analysis/Haver Analytics. Data as of April 22, 2020.

Pro-business policies over the past three years have attempted to remedy this situation. A twenty-year high consumer sentiment and sixteen-year high small business confidence through early 2020, together with a complete recovery in the LFPR for the 24 to 54 prime-age cohort and a productivity growth reacceleration,[2] disproved the notion of a fundamentally weak "new normal" U.S. growth. That is, until aggressive Fed rate hikes in 2017 and 2018 along with trade-war concerns and growth-retarding emission policies in Europe, China and India snuffed growth again in 2019, with the pandemic then dealing it the ultimate blow.

Still, in our view, pro-growth economic policies already in place combined with the unprecedentedly quick and vast fiscal and monetary response to the pandemic should help the U.S. economy rebound vigorously once the health crisis is under control. Despite worries about the size of the government intervention, we believe that with the Fed failing to hit its 2% target for twenty years—a symptom of inadequate demand growth due to a fading middle class—and a massive deflationary blow from the pandemic lockdown, the system has substantial capacity to absorb the unprecedented fiscal and monetary-policy response to the coronavirus crisis. As a result, we expect the U.S. economy to outperform that of the eurozone, although both are likely to benefit from a return of investment and production in the wake of the pandemic disaster.

[2] Please see *Productivity Trend Up*, Capital Market Outlook, March 2, 2020

Indeed, and second, although there was no observed decline in U.S. investment in China in 2019, according to an April 8, 2020, GaveKal article (*Reshuffling Global Supply Chains*), the crisis revealed yet another costly miscalculation related to hyperglobalization: a shocking dependence on foreign producers for essential products and components. "*When China shut itself down in February, companies watched in horror as the world's production hub seized up. Manufacturers had to scramble to figure out whether shutdowns in China would interrupt the supply of components and materials on which the rest of their operations depended: many car plants in Europe and Asia had to temporarily shut down in February as they ran out of Chinese-made parts.*" In fact, a survey conducted by the Institute for Supply Management and quoted in the same article revealed that 75% of U.S. businesses had suffered supply-chain disruptions through late February (that is, before the U.S. lockdown), with a whopping 44% lacking a plan to address disruptions from China.

Third, anger over the failure of the European Commission to prepare for/coordinate a response to the eurozone crisis—along with the controversy surrounding the performance of the World Health Organization (WHO) in containing the coronavirus crisis—highlights the vast cultural, ideological and other impediments to good governance by international institutions (including transparency, accountability and political barriers to tailoring policy according to individual country needs), further eroding support for globalization and global governance.

In sum, it is clear that blind adherence to globalization in the name of perfect optimization of supply chains, efficiency and profitability has caused major dislocations in the developed world and has heightened concern about the sustainability of this arrangement. Political upheaval and rising populism suggested that the hyper-globalization trend was reaching its limits even before the pandemic. Inadequate supplies of pharmaceuticals, basic protective equipment, and nasal testing swabs, combined with the WHO pandemic fiasco has only strengthened perceptions that globalization and governance have run amok.

Correcting the glaring flaws in current supply chains has significant implications for investment and capital flows. Companies small and large are coming under strong pressure to reduce the vulnerability of their production and supply systems to accidental or intentional disruptions. With proven growth-promoting policies already in place and by far the strongest response to the pandemic, the U.S. is likely to benefit disproportionately from a reorganization of supply chains and repatriation of critical production capacity. Greater geographical diversification of operations to increase supply-chain resilience and robustness should also directly benefit more countries by helping to spread out manufacturing and export capabilities.

GLOBAL MARKET VIEW

What Will Set the Markets F.R.E.E.?

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

Kathryn C. McDonald, CFA® Vice President and Market Strategy Analyst

The bulk of the world economy is in solitary confinement, with the "Great Lockdown," as dubbed by the International Monetary Fund (IMF), expected to produce a 3% contraction in global growth this year, one of the steepest economic descents in modern history. The virus has brought the $90 trillion global economy to a near standstill, including its largest component, the U.S. economy.

Against this backdrop, the key question before investors is simple yet hardly clear cut: When will the lockdown end? When will the world economy and global capital markets, with an emphasis on the U.S., be unbound?

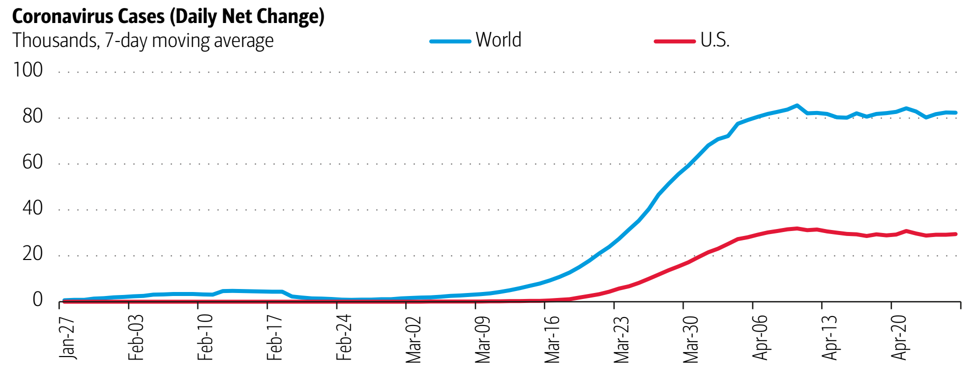
Set me F.R.E.E.

The following conditions will be instrumental in setting the U.S. markets F.R.E.E.

Number One: F=Flattening the Coronavirus curve. The first requirement is the flattening of the "curve" or the number of new reported cases of the coronavirus. That has happened in China, across the European Union, and in critical hotspots in the United States, notably New York State. Social distancing, better social hygiene, quarantines, upgraded medical infrastructure, along with better rates of testing, tracing and tracking—all of these measures have helped bend the coronavirus curve or slow down the transmission of the virus.

No, the pandemic is not over, but it does appear to have reached a peak in most of the European Union, parts of the United States and China—the three largest economies in the world. Bending the curve downward means fewer people infected by the virus and fewer deaths, and the avoidance of some "doomsday" scenarios like the Imperial College London hypothesis that if left unchecked, coronavirus could result in 2.2 million deaths in the U.S. Since the first reported case of the virus in the United States on January 21, over 55,000 Americans have died from the virus. According to the Institute for Health Metrics and Evaluation (IHME), coronavirus deaths peaked in the U.S. on April 15, and hospital resource use peaked on April 17. These are key and encouraging metrics, yet it is premature to declare victory. The critical point here is this: Despite the potential for a second wave and new hotspots, the curve is flattening; we are heading in the right direction.

Exhibit 2: Flattening the Curve: U.S. and World Coronavirus Cases.



Source: Bloomberg. Data as of April 27, 2020.

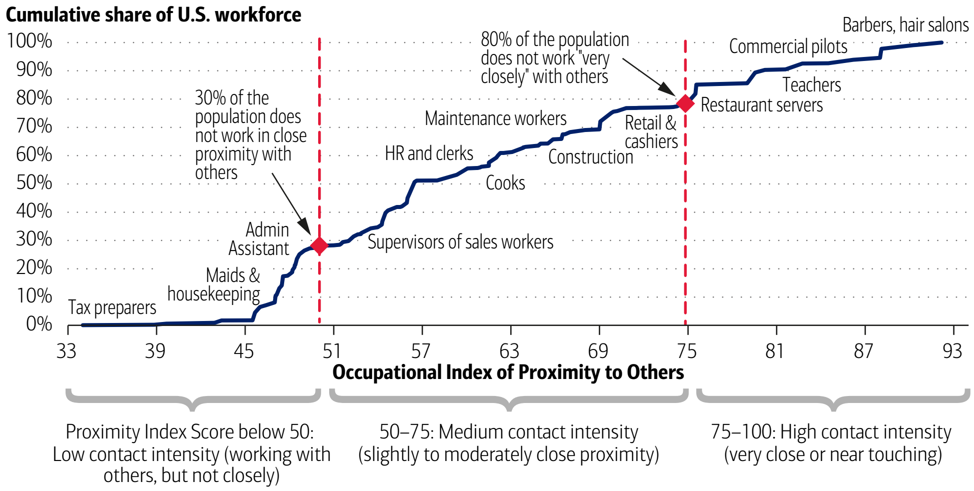
Number Two: R=Reopening the economy. With evidence mounting of a flattening of the coronavirus curve, investor attention has pivoted to (R) or the reopening of the economy. Reopening, like the flattening of the curve, will take time and will be done in the United States on a gradual basis. It will unfold state by state, sector by sector, and unspooled over months, not weeks.

Overseas, some nations are already exiting the lockdown. First in, first out has been China, where economic activity has revived over the month of April following an extended lockdown in February and March. Real GDP declined by 6.8% (year-over-year) in the first quarter, although figures for the rest of the year are expected to gradually improve. In Europe, Germany, Austria and Denmark have hit the restart button owing to declining case counts and low per capita death tolls. Sweden never locked down, while in Italy, Spain and France—all reporting declining daily cases over the past few weeks—the move is toward the exit ramps, or a gradual reopening over the coming weeks.

In the U.S., the reopening will emphasize work before play—or getting people back to work, and getting companies to produce goods and services. Retail, travel, sports and entertainment will lag. Professions that find it harder to maintain social distancing, and with greater levels of contact intensity, may also lag behind (Exhibit 3). The upshot:

Economic activity levels in the U.S. will remain well below pre-crisis levels well into the second half of this year, if not beyond.

Exhibit 3: A Roadmap for Reopening the Labor Market.

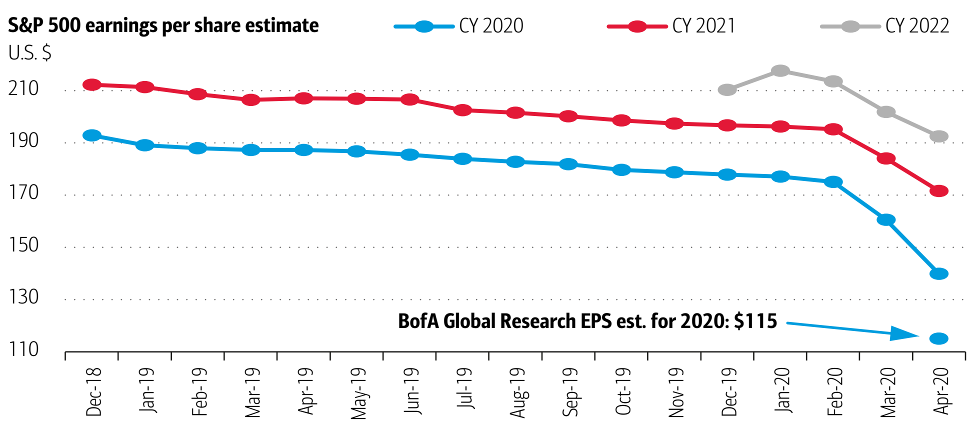


Sources: Federal Reserve Bank of St. Louis; Renaissance Macro Research. Data as of April 2020.

Number Three: E=Earnings clarity. Given all of the above, it's little surprise that there remains a great deal of uncertainty surrounding corporate earnings as companies face major setbacks due to the shut-down of the global economy. As earnings reports trickle in over the next couple of weeks, investors' focus has turned to forward earnings guidance rather than Q1 results, with the coronavirus shock to last quarter's earnings likely already discounted during the March selloff. However, as investors look to the future, companies are offering little transparency. Over 20% of companies have suspended earnings guidance to date, primarily among the consumer discretionary and industrials sectors.

Meanwhile, earnings estimates for this year continue to be revised lower, with the sharpest revisions recorded in recent weeks. Analysts are now projecting earnings declines of -15.2% for the S&P 500 in 2020 according to FactSet, versus estimates of just -3.4% on March 31. There is likely to be significant downside even to these estimates; BofA U.S. Equity and Quant Research expects 2020 EPS of $115, down 29% from the prior year (Exhibit 4).

Exhibit 4: Evolution of Earnings Estimates.



Sources: FactSet; BofA Global Research; Cornerstone Macro. Data as of April 22, 2020.

First quarter results have already come in weaker than average. With about one-quarter of S&P 500 companies having reported as of April 24, in aggregate, companies have reported earnings that are 5.1% below expectations.[3] The percentage of stocks beating earnings per share (EPS) estimates is at a four-year low.

Number Four: E=energy stability. Finally, there is the cratering of the oil markets. Energy markets broke down last week, with West Texas Intermediate (WTI) crude futures trading below $0 for the first time in history. Fears that storage facilities for U.S. crude could fill up in weeks' time sparked a sharp selloff toward the end of May futures contract trading.[4]

To put it simply, the global oil market is massively oversupplied. Coronavirus-related shutdowns have choked off energy demand at the same time that major producers have been pumping crude at near-record levels. The latest OPEC+ agreement to cut production by 9.7 million barrels per day (mb/d) did little to pacify markets. Despite the historic deal, which equates to about 10% of global supply, the market continues to be significantly overstocked amid a severe lack of demand. Indeed, the International Energy Agency projects oil demand to decline by 29 mb/d this month, versus a year ago, with demand sinking on average 9.3 mb/d in 2020 from the prior year.

The near-term future of oil markets depends heavily on assumptions of how long social distancing measures will stay in place, and how quickly people will shift back to air travel and prior levels of auto transport. According to a recent poll, only about 30% of Americans leave their homes more than twice a week now.[5] Currently, crude futures markets are pricing in the assumption that demand begins to return in July/August. Futures also gained in the second half of last week on the prospects for deeper output cuts.

Turmoil in the oil markets can cause risk aversion in other assets. The occurrence of such tail risk events as negative oil prices can also raise concerns of more widespread financial contagion. Until investors see some stability in terms of energy prices, we will likely continue to see heightened volatility in equities.

THOUGHT OF THE WEEK

Investment Demand Supports Gold Prices

Chief Investment Office Macro Strategy Team

Gold prices surged about 45% over the past 18 months, with massive debt monetization by the Fed in the wake of the pandemic crisis spurring expectations for additional big gains due to inflation concerns. However, similar widespread fears of rampant inflation after the 2008–2009 Fed balance sheet expansion never materialized. Instead, the dollar strengthened, keeping import prices subdued, while weak economic growth/low labor force participation rates caused prices of domestic goods and services to remain soft. Not surprisingly, gold dropped from a peak of about $1,900/oz in September 2011 to about $1,067/oz in late 2015, underperforming equities until worries about the economic outlook began to surface in late 2018.

Still, gold has remained on an uptrend for two decades, with periods of over- and undershooting depending on global economic conditions, interest rates, the dollar and risk appetite. Its recent peak of $1,748/oz on April 14, 2020, was precisely on its extended 2001–2018 trend line (Exhibit 5). Extrapolating this trend to 2022—which would make sense given the Fed's commitment to supporting economic growth and to finally achieve its 2% inflation target—indicates prices above $1,800/oz within two years or so.

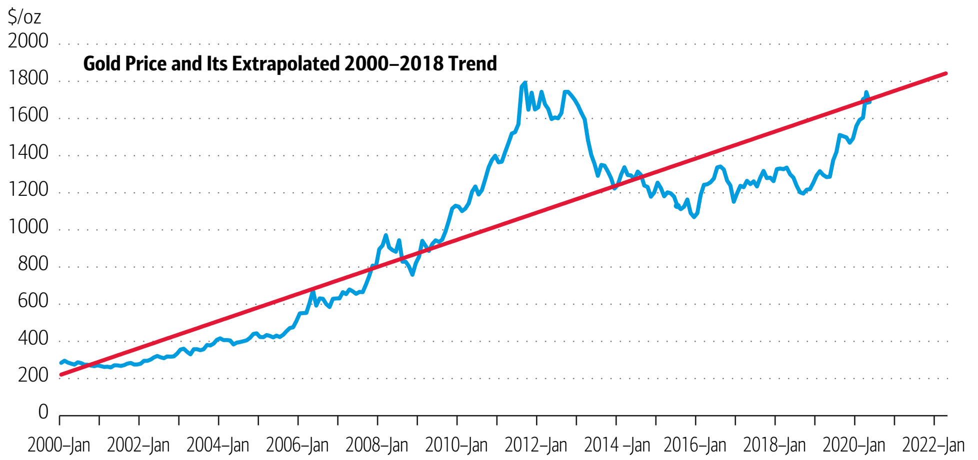
[3] Source: FactSet. Data as of April 24.

[4] For more details please read Chief Investment Office Investment Insights "Oil Price Collapse Q&A: When Economics, Storage, Logistics and Desperation Coalesce." April 2020.

[5] Not including trips for work. Source: CivicScience. April 8 – 14 poll.

The question is how much will prices deviate from trend. Elevated political, economic and geopolitical uncertainty combined with low interest rates should support gold prices in coming months. On the other hand, inflation is likely to remain subdued, in our view, because of the effects of the strong dollar and the deflationary nature of the pandemic as it destroys savings, wealth and demand while leaving production capacity idle (hence the need for unprecedented Fed intervention to achieve its 2% inflation target).

Exhibit 5: Conditions Favor Some Overshoot of the Gold Price Uptrend.



Sources: Chief Investment Office / Haver Analytics. Data as of Apr 22, 2020.

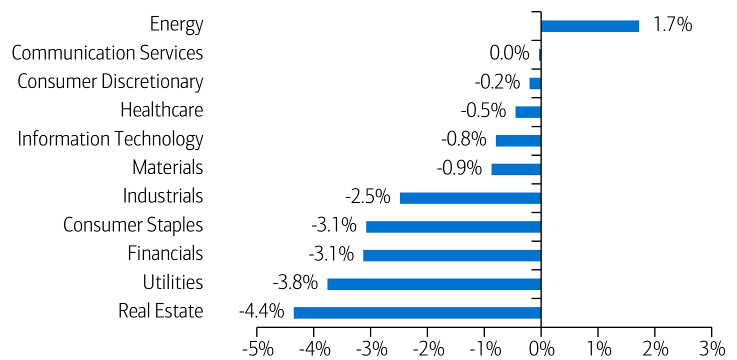
Importantly, weakening emerging-market growth and record gold prices in most local currencies hurt jewelry purchases, which represent more than half of gold demand. Jewelry demand in India (30% of global jewelry demand) is seen down about 50% this year. Chinese demand (another 30%) remains in the doldrums, according to recent Reuters articles, which also note that cash-strapped citizens rushed to sell gold as local currency prices surged to all-time highs, such as in Thailand.

Higher gold prices according to BofA Global Research latest report, will depend more than ever on unusually strong growth in investment demand for gold: "*Investment demand has correlated strongly with gold prices in recent years, and we expect precisely this group of buyers to drive gold prices higher...for gold to average $2000/oz next year, purchases need to rise by 73% YoY. Given the current macro-economic backdrop, we believe this figure is likely to be exceeded.*" In fact, according to the same report, the extraordinary scale of deficit spending and central-bank balance-sheet expansion around the world justifies raising the 18-month gold target to $3,000/oz. It remains to be seen how much gold demand will increase given the crosscurrents discussed above, but with the Fed in a reflationary mode, rising geopolitical tensions and high economic uncertainty, some exposure to gold remains appropriate.

Equities

		Total Return in USD (%)		
	Current	WTD	MTD	YTD
DJIA	23,775.27	-1.9	8.6	-16.1
NASDAQ	8,634.52	-0.2	12.2	-3.5
S&P 500	2,836.74	-1.3	9.9	-11.7
S&P 400 Mid Cap	1,550.37	-0.7	7.5	-24.4
Russell 2000	1,233.05	0.3	7.0	-25.8
MSCI World	1,987.65	-1.5	7.4	-15.2
MSCI EAFE	1,588.69	-2.0	1.9	-21.3
MSCI Emerging Markets	879.41	-2.4	3.8	-20.7

S&P 500 Sector Returns



Fixed Income[1]

		Total Return in USD (%)		
	Current	WTD	MTD	YTD
Corporate & Government	1.42	0.3	2.4	5.8
Agencies	0.75	0.2	0.4	4.6
Municipals	2.10	-1.0	-0.5	-1.1
U.S. Investment Grade Credit	1.39	0.2	1.8	5.0
International	2.72	0.2	5.3	1.5
High Yield	8.38	-2.1	3.6	-9.5

	Current	Prior Week End	Prior Month End	2019 Year End
90 Day Yield	0.10	0.09	0.06	1.54
2 Year Yield	0.22	0.20	0.25	1.57
10 Year Yield	0.60	0.64	0.67	1.92
30 Year Yield	1.17	1.26	1.32	2.39

Commodities & Currencies

		Total Return in USD (%)		
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	128.50	-3.0	-2.6	-25.3
WTI Crude $/Barrel[2]	16.94	-7.3	-17.3	-72.3
Gold Spot $/Ounce[2]	1,729.60	2.8	9.7	14.0

Currencies	Current	Prior Week End	Prior Month End	2019 Year End
EUR/USD	1.08	1.09	1.10	1.12
USD/JPY	107.51	107.54	107.54	108.61
USD/CNH	7.09	7.08	7.09	6.96

Source: Bloomberg, Factset.Total Returns from the period of 04/20/20 to 04/24/20. Bloomberg Barclays Indices.[1] Spot price returns.[2] All data as of the 04/24/20 close.
Past performance is no guarantee of future results.

Asset Class Weightings (as of 04/08/2020)

	Under-weight		Neutral	Over-weight	
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*	see CIO Asset Class Views				
Hedge Funds					
Private Equity					
Real Assets					
Cash					

* Many products that pursue Alternative Investment strategies, specifically Private Equity and Hedge Funds, are available only to pre-qualified clients.

Economic and Market Forecasts (as of 04/24/20)

	Q3 2019A	Q4 2019A	2019A	Q1 2020A	Q2 2020E	2020E
Real global GDP (% y/y annualized)	–	–	2.9	–	–	-2.9
Real U.S. GDP (% q/q annualized)	2.1	2.1	2.3	-7.0*	-30.0	-6.0
CPI inflation (% y/y)	1.8	2.0	1.8	2.1	0.3	0.7
Core CPI inflation (% y/y)	2.3	2.3	2.2	2.2	1.8	1.7
Unemployment rate (%)	3.6	3.5	3.7	3.8	15.6	10.6
Fed funds rate, end period (%)	1.90	1.55	1.55	0.08	0.13	0.13
10-year Treasury, end period (%)	1.66	1.92	1.92	0.67	0.50	1.00
S&P 500 end period	2977	3231	3231	2585	–	2600
S&P earnings ($/share)	42	42	163.0	34*	25.0	115
Euro/U.S. dollar, end period	1.09	1.12	1.12	1.10	1.02	1.05
U.S. dollar/Japanese yen, end period	108	109	109	108	105	103
Oil ($/barrel, avg. of period, WTI**)	56	57	57	46	20	32

The forecasts in the table above are the base line view from BofA Global Research team. 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.

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. S&P 500 represents the year-end target for 2020. **West Texas Intermediate.
Sources: BofA Global Research; GWIM ISC as of April 24, 2020.

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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 dollars.

S&P 500 is a stock market index that tracks the stocks of 500 large-cap U.S. companies. It represents the stock market's performance by reporting the risks and returns of the biggest companies.

Chicago Board Options Exchange's CBOE Volatility Index (VIX) is a popular measure of the stock market's expectation of volatility based on S&P 500 index options.

Occupational Index of Proximity quantifies the accessibility of a given residential neighborhood (Census Block Group) as a function of its distance to all job locations within a CBSA, with larger employment centers weighted more heavily.

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Companies may reduce or eliminate dividend payment to shareholders. Historically, dividends make up a large percentage of stocks' total return.

Economic or financial forecasts are inherently limited and should not be relied on as indicators of future investment performance.

It is not possible to invest directly in an index.

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

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