CHIEF INVESTMENT OFFICE

Capital Market Outlook

April 3, 2023

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

IN THIS ISSUE

Macro Strategy—*Deep Credit Restraint Likely In The Pipeline:* Rapid-fire Federal Reserve (Fed) interest rate hikes over the past year quickly brought housing activity to its knees, as it's typically the first sector to feel the effects of tightening monetary policy. The economy tends to experience a broader effect with a delay, and as the recent banking sector turmoil suggests, the unprecedented pace of Fed liquidity withdrawal has already claimed a few victims.

Quick, targeted government intervention both here and abroad—including central bank coordination across several countries to directly access emergency Fed lending facilities in order to provide sufficient dollars to their domestic banks—has stabilized the liquidity crisis, limiting contagion. Still, bank lending appetite, which had already collapsed before this episode, is likely to remain depressed given the sector's woes, substantially restraining credit creation and economic growth in coming quarters, in our view.

Market View—*Risk Monitor—Navigating a Wedge:* Our "on guard" portfolio posture reflects a negative tilt in our Chief Investment Office (CIO) Risk Monitor, a dynamic running tally of the tailwinds, headwinds and risks facing the investment outlook.

Comparable to a wedge, elements fueling economic resilience have encountered strengthening headwinds. Also covered in this broad report are factors on our radar that may help dislodge the global economy from this wedge.

Thought of the Week—*Q1: What Just Happened?* Q1 packed plenty of action as the S&P 500 gained 5% since the beginning of the year. Beneath the index-level, sharp sector rotations were seen throughout the quarter, with much of the performance driven by the flock to Growth stocks in a reversal of last year's laggards, now this year's leaders.

Through this uncertain, volatile environment we continue to emphasize a more measured approach to asset allocation as the dust settles and Q1 earnings season begins.

MACRO STRATEGY ▶

Chief Investment Office
Macro Strategy Team

MARKET VIEW ▶

Rodrigo C. Serrano
Director and Senior Investment Strategy Analyst

THOUGHT OF THE WEEK ▶

Lauren J. Sanfilippo
Director and Senior Investment Strategist

MARKETS IN REVIEW ▶

Data as of 4/3/2023, and subject to change

Portfolio Considerations

With our view of a "grind it out" atmosphere for markets, weakness in growth around the corner, and yields to peak, we believe staying neutral stocks and bonds makes sense at this point. This month we lowered our allocation to muni bonds to slight underweight. While we still like municipal credit and think that tax-free municipals should play a key role in portfolios for clients in a high tax bracket, valuations have become excessive versus Treasurys. The inclusion of Alternative Investments,* for qualified investors, to help mitigate risk and/or potentially enhance portfolio returns, should also increase in importance in 2023, in our opinion.

* Many products that pursue Alternative Investment strategies are available only to qualified investors.

Deep Credit Restraint Likely In The Pipeline

Chief Investment Office Macro Strategy Team

Risk assets have proven quite resilient in the face of multiple macroeconomic shocks since early 2020. However, with central banks tightening monetary policy at an unprecedented pace over the past year, we have chronicled a sharp loss of momentum in U.S. and global manufacturing and trade indicators, a collapse in business and consumer expectations, and a deterioration in multiple U.S. leading indicators of economic growth, remaining concerned about the outlook for economic growth, profits and risk-asset returns as a result.

Despite a February spike, home sales remain 20% lower compared to year-ago levels and way below trend, with negative implications for consumer durable goods and other housing-related goods and services spending. Fading consumer spending is also likely because households' cumulative excess saving has been rapidly eroded by inflation and much-above-trend goods purchases, narrowing to just about 20% above normal in the first quarter of 2023, according to our calculations, down from around +100% above normal in 2020-2021 and +60% above normal a year ago.

In addition, with inflation, employment and hours worked moderating, the aggregate payroll index, as a proxy for aggregate wages and salaries, is also poised to slow further, from +12% and +8% in early 2022 and the past three months, respectively, to a likely 4% to 5% year-over-year growth rate within a few months. Such rapid deceleration along with still elevated inflation suggests increasing real consumer purchasing power constraints and continuing recessionary consumer and small business sentiment levels.

The industrial sector has stalled out over the past year, with broad-based declines in regional Fed manufacturing surveys into contraction territory through February consistent with ongoing retrenchment in activity. This outlook is corroborated by "hard" data from the Census Bureau, which show that new orders for nondefense capital goods excluding aircraft have been leveling off (albeit at elevated nominal levels enhanced by inflation), with only modest gains over the past six months. This is not favorable for the outlook for shipments of such goods, after already having slowed markedly on a year-over-year growth basis to just 5% in February from +14% a year ago. The deep plunge in the Institute for Supply Management (ISM) new-orders survey into contraction territory over the past year and growing headwinds from the most aggressive rate-hiking campaign since the 1980s and tightening bank credit also suggest more weakness ahead on the business investment front.

Notably, as the Fed aggressively tightened policy the past year to battle 40-year high inflation, sharply increasing the risks of recession, bank lending appetite dropped markedly even before the recent banking crisis flared up, according to the Fed's Senior Loan Officer Opinion Survey (SLOOS) on bank lending practices, as it typically does in such conditions. This is important because, as shown in Exhibit 1, there is a strong, lagged correlation between bank lending appetite and commercial and industrial (C&I) loan growth, which suggests that tight lending is likely to restrain credit growth and the economy over the next five quarters even in the absence of additional headwinds from the recent banking-sector stress. Fed data already show that C&I loan growth slowed down markedly between November and February.

Basically, while the ultimate effect of the recent banking sector scare on bank lending conditions remains to be seen, negative effects on credit creation are clearly already in the pipeline. Also, there are signs that at least some additional caution in terms of bank lending appetite should be expected. For example, according to a March 25, 2023, *Wall Street Journal* article, even though March is typically busy for new corporate debt financings, "the capital markets have been on ice since the collapse of Silicon Valley Bank two weeks ago," as a lack of investor confidence and wild swings in the Treasury market kept companies on the sidelines. Also according to the same article, "no companies have gone public on the NYSE in more than two weeks."

Also according to the Fed's SLOOS, higher interest rates appear to have significantly reduced Q1 consumer demand for credit cards and other loans, with the credit restraint in the pipeline likely to weigh on interest-sensitive consumer spending, especially as excess

Investment Implications

Banking-sector stress, tightening credit, declining business pricing power, and elevated risks of recession in the U.S. and Europe suggest a negative outlook for earnings and risk asset returns, arguing for reducing risk on rallies and rotating toward quality, defensive assets.

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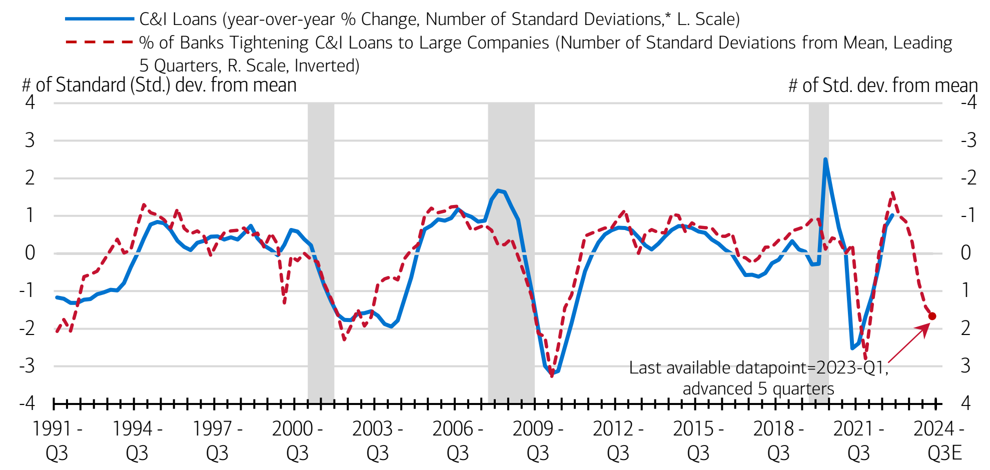
pandemic saving is drawn down and wage and salary gains diminish, as noted above, compounding the negative effects of the slowdown in business borrowing and capex. This suggests that U.S. private consumption growth is at risk of losing more momentum than generally anticipated this year.

Exhibit 1: Recession-like Bank Credit Restraint Already In The Pipeline.



Gray bars represent recession periods. E=Estimate. *Standard deviation is a statistical measurement of how far a variable, such as an investment's return, moves above or below its average (mean) return. Sources: Federal Reserve Board/Haver Analytics. Data as of March 29, 2023.

Combined, fading consumer income growth and purchasing power, tightening bank credit, softening global manufacturing and trade conditions, and declining business revenue growth suggest that downside pressures on margins and earnings are likely to increase. With dimming global growth expectations for 2023 and 2024 and little support from Europe for U.S. growth and profits likely, the outlook for risk asset returns remains shaky, in our view.

Indeed, although the euro area has performed much better than expected over the past year, skirting recession despite a plunge in confidence and an epic energy crisis, the shock from tightening financing conditions has reached a magnitude that almost always triggers a recession. According to research by Applied Global Macro Research (AGMR), the three types of variables that correlate most consistently with economic growth a few months ahead (the European Central Bank (ECB) policy rate, long sovereign bond yields, and money supply growth) have combined into the largest tightening signal since at least the 1960s, consistent with a recession from late 2023 into 2024. According to AGMR, “Historically, the economy has only escaped recession when the tightening of financing conditions was half as large as it is now.”

That the economic and profits growth outlook is likely to get worse before it gets better appears to be corroborated by various reports of declining earnings quality, an occurrence typically observed ahead of recession. For example, according to a March 25, 2023, WSJ article, “manipulation of earnings from Corporate America is on the rise, an ominous omen for the U.S. economy,” based on new research on nearly 2,000 companies’ financial statements by Messod D. Beneish, professor of accounting at Indiana University who developed the “M-score” in the 1990s, a metric used to identify accounting red flags at individual companies. The latest data compiled in March and shared with the WSJ show that “the collective probability of fraud across major companies is the highest in over 40 years…It shows a disturbing pattern in the historical data: The probability of manipulation usually rises rapidly in the quarters before the economy tips into recession.”

Our analysis also finds a large current gap between reported earnings per share (EPS) and gross domestic product-based profits, which mainly occurs around the end of expansions. Resolving such wide discrepancies implies a much larger-than-consensus expected earnings contraction in coming quarters. Given the rapidly accumulating warning signs of a weakening earnings and economic outlook, we believe it is prudent to take advantage of equity market rallies into the top of the past year’s range to reallocate toward high-quality, strong cash flow, and more defensive names.

MARKET VIEW

Risk Monitor: Navigating a Wedge

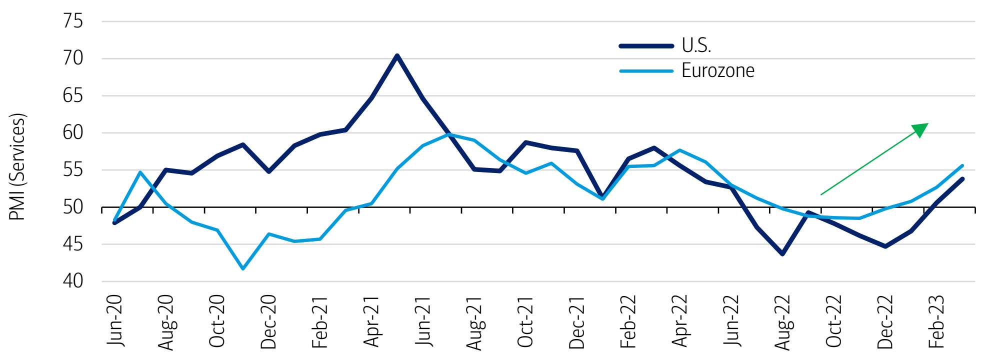
Rodrigo C. Serrano, Director and Senior Investment Strategy Analyst

Time in the market, not market timing—this fundamental view of the CIO stresses a long-term perspective. Moreover, goals-based investing includes a careful consideration of an investor's time horizon and risk tolerance. Combined, this ethos is reflected in the strategic asset allocation, which should prevail when constructing comprehensive investment portfolios. Tactical shifts supplement this bedrock allocation. Currently, they lean toward a more defensive positioning, reflective of elevated global uncertainty and a negative tilt in the CIO Risk Monitor.

Supported by numerous tailwinds, recent equity market resilience has in part reflected optimism for an economic soft landing. The effects of policy U-turns in China, from restrictive to supportive for growth, could help reinforce this view. Yet prominent among financial and economic headwinds has been tightening monetary policy amid persistent inflation. Stress in pockets of the global Banking sector may ultimately pose a fresh strain, destabilizing the global economy. Geopolitics remains another wildcard.

Tailwinds: Resilient Demand with Reinforcement on the Way Published by S&P Global, the latest services purchasing managers' indexes (PMIs) for Europe and the U.S. have risen to 10- and 11-month highs respectively (Exhibit 2). These and other economic results have surprised pessimistic expectations, implied by upward trends in Citi's Economic Surprise Indexes for both regions since mid-2022. In the U.S., the most recent Blue Chip consensus forecast calls for real GDP growth of under 1% for Q1; the actual data implies closer to 2.0%, according to the Atlanta Fed. Optimistically, the recent trend in overall real consumption growth, argues for its overall normalization from an unsustainably quick pace. Like in Europe, a strong job market has provided durable support. U.S. initial jobless claims have generally trended downward since July 2022. Job openings have remained stable over the past six months. We think this continued firm fundamental backdrop has factored in remarkably resilient equity markets.

Exhibit 2: There Remains Robust Momentum For A Sector That in 2021 Comprised Roughly 77% and 66% of U.S. And Euro Area GDP, Respectively.



Sources: S&P Global; The World Bank. Data as of March 25, 2023.

Meantime, fresh data indicates that China's economic reopening, after coronavirus restrictions were lifted, is gaining strength. Services PMIs have recovered strongly overall, indicating renewed expansion. Moreover, the additional removal of housing-related curbs has aided in the first YoY expansion in February in 19 months in the value of new home sales, according to the China Real Estate Information Corporation. A continued overall trend of increasing activity would help reinforce steady global demand.

Growing Fragilities That said, leading economic indicators suggest greater uncertainty in the forward-looking outlook. Influenced by an inversion of the yield curve, among other elements, a U.S. composite index published by the Conference Board has declined for 11 consecutive months, a significant streak. The money supply is contracting. A decline in the S&P 500's aggregated operating margin may also be instrumental in paring more optimistic earnings estimates for the index. The growing use of accounting accruals by companies has raised the difference between actual reported cash flows versus earnings on the income

Investment Implications

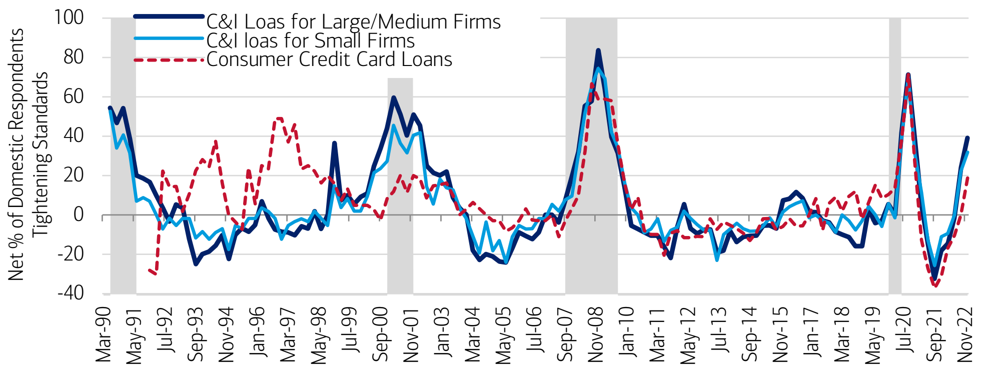
We favor the characteristics of higher-quality assets: Strong balance sheets and the organic ability to produce cash flows and dividends. Themes within our Risk Monitor suggest some exposure to U.S. government bonds and other portfolio diversifiers. Meanwhile, we continue to monitor for opportunities in international market Equities. Longer term, a focus on ensuring resource security, building more geopolitically friendly supply chains, and accelerating a shift to a greener energy mix may benefit Real Assets, in particular Commodities. Overall, when and as appropriate, we suggest that investors consider using a dollar-cost averaging approach.

statement, potentially reflecting a growing fragility in the outlook.[1] Such a scenario seems more apparent in global trade flows. The CPB Netherlands Bureau for Economic Policy Analysis reports that through January volumes have declined for four months.

Meanwhile like in the U.S., inflation has proved stickier than expected in Europe, where core inflation rose to a record high in March. This persistence has compelled the ECB and the Fed to raise their policy interest rates, despite recent instability within the financial system.

On Watch: Resolving the Wedge Risking a breakdown out of the wedge is a further tightening of credit conditions (Exhibit 3). The recent behavior of U.S. corporate credit spreads, a real-time market-based measure, implies a notable prospect for such a development. In Europe, an arrangement for one bank to buy another one, brokered by the Swiss government, has raised both investor scrutiny and borrowing costs for some other lenders. On watch is whether policymakers can take timely steps to reestablish confidence in the Banking sector. Related is the effect of longer-run trends in the U.S. commercial real estate space. Political brinksmanship related to the debt ceiling negotiations may also weigh on business sentiment. Overall, by what magnitude do banks change their behavior on lending practices as a result of the pressures, highlighted above?

Exhibit 3: Within The U.S., Credit Standards Were Becoming More Restrictive Before Recent Bank-related Stress.



Gray areas represent recession periods. Source: Federal Reserve. (Fed Senior Loan Officer Opinion Survey on Banking Lending Practices). Data as of December 30, 2022.

We believe the outlook for inflation also remains top of mind for policymakers. Its quickened decline would relieve central banks of having to further tighten monetary policy, in our view. Yet it remains unclear to us whether this progression can occur outside of a more recessionary climate. Our view is that the U.S. will see an economic contraction later this year. A "grind it out" type of equity market environment could persist if greater optimism for easier monetary policy and a better medium-term outlook increasingly dominate sentiment. Also important is the trajectory of the U.S. dollar. Its decline may signal improvement in both financial conditions and the global backdrop.

An upside breakout out of the wedge may be helped by a strong growth impulse out of China, after policy U-turns away from containing the coronavirus, limiting leverage growth for property developers, and heavy-handed regulation for the technology sector. Declared by officials, a real GDP growth target of roughly 5% for a $17.8 trillion economy may also benefit economically linked areas such as Asia and certain industries in Europe. On watch is to what degree households spend their excess savings and whether the labor market recovery broadens.

Geopolitics remains another wildcard. Encouragingly, preliminary discussions to end the Ukraine/Russia conflict are at least ongoing. Follow-through of planned visits by high-level U.S. diplomats could help further stabilize U.S.-China relations.[2] Nevertheless, we remain concerned about potential flashpoints destabilizing the outlook.

[1] "Worst Earnings Quality Since 1990 Erodes Bull Case for U.S. Stocks," Bloomberg, March 1, 2023.

[2] "White House Says Talks in the Works for Secretaries Yellen, Raimondo to Visit China, Discuss Economic Issues," Fox Business, March 20, 2023.

THOUGHT OF THE WEEK

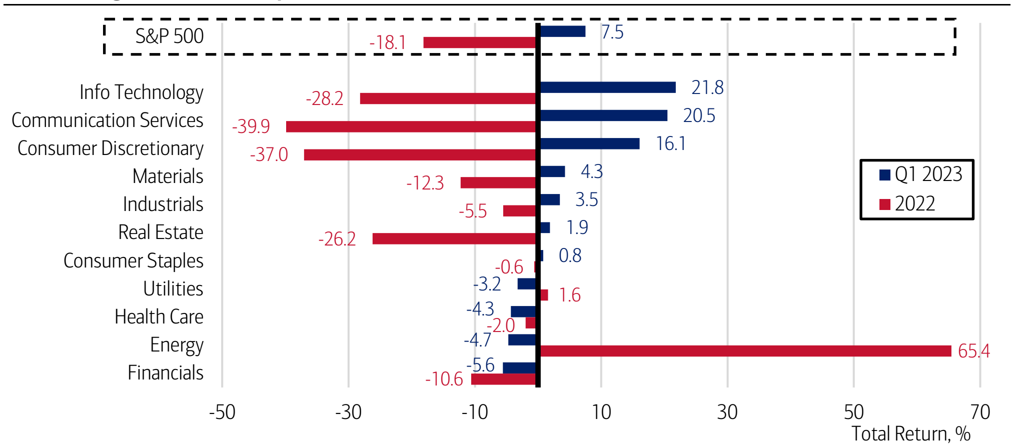
Q1: What Just Happened?

Lauren J. Sanfilippo, Director and Senior Investment Strategist

There were too many crosscurrents to count over Q1 of the year. After hiking 425 basis points (bps) in 2022, the Fed hiked rates again in February and March, 25 bps each, boosting the federal funds rate from 4.75% to 5.00%. The money supply, measured by M2, went negative, quantitative tightening (QT)—while ongoing—went unnoticed, and the yield curve remained inverted. Gold flirted with record highs above $2,000 an ounce, egg prices rocketed to a historic price per dozen, and both concert tickets and credit flashed less attainable. The war in Ukraine entered its second year, and U.S.-China relations continued to sour. Capping it off, March madness included significant bank failures in the U.S. and Europe that triggered a global selloff and revived feelings of 2008/2009. Through it all, and generally speaking, stocks kept gaining as risks kept rising, with the S&P 500 up 7% in Q1, while the red-hot Nasdaq soared 17%.

From zeroes to heroes, last year's sector laggards (Communication Services, Consumer Discretionary, Technology) turned into first quarter's leaders. To a lesser extent, last year's leaders (Energy, Utilities and Staples) are Q1 laggards (Exhibit 4). Sharp rotations have dominated Equities so far this year, as seen by the flow out of cyclical stocks that outperformed last year, and inflows into defensive and high-quality Growth stocks. And speaking of flows, investor preference for money market funds soared in Q1, with total inflows reaching $5.1 trillion, exceeding the pandemic peak of $3.2 trillion according to the Investment Company Institute. In this state of whiplash, questions remain, for example, Is the recent run just a bear market rally or finale?

Exhibit 4: Q1 Saw Large Swings In Performance As The S&P 500 Rose 7% Following An 18% Drop Last Year.



S&P 500 Global Industry Classification Standard (GICS®) Level 1 sectors, total return. Source: Bloomberg. Data as of March 31, 2023. Performance 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.**

Q2: Our Expectations and Watch List Playing it forward, we see a rangebound "grind-it-out" type of environment in equity markets owing to investor concerns about residual banking turmoil and the prospects of a U.S. recession. As it relates to broader economic developments, on our watch list are deterioration among the labor market, consumer and credit/liquidity conditions, dislocations in the Commercial Real Estate markets, and ultimately the extent of the degradation to earnings estimates amid margin pressures. In a few short weeks, Q1 earnings begin with estimates likely still too high. Bloomberg consensus estimates of around $220 a share for this year remains vulnerable to downgrades, in our opinion. We are looking for opportunities to upgrade across the capitalization spectrum and non-U.S. positioning, with the direction of the dollar helping to inform the latter.

Investment Implications

While neutral across asset classes, we remain selective in taking on risk as macro headwinds piled on through Q1 of this year. We suggest a high level of diversification through the deteriorating environment and necessary reset ahead for earnings, which favors total return/ dividend payers. We continue to favor "old economy" sectors and more Value and higher-quality segments of the market.

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Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	33,274.15	3.2	2.1	0.9
NASDAQ	12,221.91	3.4	6.8	17.0
S&P 500	4,109.31	3.5	3.7	7.5
S&P 400 Mid Cap	2,512.16	4.6	-3.2	3.8
Russell 2000	1,802.48	4.0	-4.8	2.7
MSCI World	2,791.44	3.8	3.1	7.7
MSCI EAFE	2,092.60	4.0	2.5	8.5
MSCI Emerging Markets	990.28	1.9	3.0	4.0

Fixed Income†

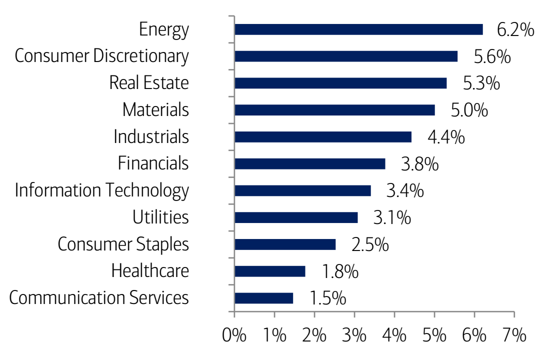
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	4.34	-0.29	2.82	3.17
Agencies	4.33	-0.39	1.92	2.09
Municipals	3.25	0.25	2.22	2.78
U.S. Investment Grade Credit	4.40	-0.46	2.54	2.96
International	5.17	0.15	2.78	3.50
High Yield	8.52	1.74	1.07	3.57
90 Day Yield	4.69	4.61	4.77	4.34
2 Year Yield	4.03	3.77	4.82	4.43
10 Year Yield	3.47	3.38	3.92	3.87
30 Year Yield	3.65	3.64	3.92	3.96

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	232.71	2.5	-0.2	-5.4
WTI Crude $/Barrel††	75.67	9.3	-1.8	-5.7
Gold Spot $/Ounce††	1969.28	-0.5	7.8	8.0

	Total Return in USD (%)			
Currencies	Current	Prior Week End	Prior Month End	2022 Year End
EUR/USD	1.08	1.08	1.06	1.07
USD/JPY	132.86	130.73	136.17	131.12
USD/CNH	6.87	6.87	6.95	6.92

S&P Sector Returns



Sources: Bloomberg; Factset. Total Returns from the period of 3/27/2023 to 3/31/2023. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 3/31/2023 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 3/31/2023)

	2022A	Q1 2023A	Q2 2023E	Q3 2023E	Q4 2023E	2023E
Real global GDP (% y/y annualized)	3.4*	-	-	-	-	2.6
Real U.S. GDP (% q/q annualized)	2.1	1.0*	0.5	-1.0	-2.0	0.9
CPI inflation (% y/y)	8.0	5.8*	4.3	3.6	3.2	4.2
Core CPI inflation (% y/y)	6.1	5.5*	5.0	4.1	3.4	4.5
Unemployment rate (%)	3.6	3.5*	3.5	3.7	4.2	3.7
Fed funds rate, end period (%)	4.33	4.83	5.13	5.13	5.13	5.13

The forecasts in the table above are the base line view from BofA Global Research. The Global Wealth & Investment Management (GWIM) Investment Strategy Committee (ISC) may make adjustments to this view over the course of the year and can express upside/downside to these forecasts. Historical data is sourced from Bloomberg, FactSet, and Haver Analytics. **There can be no assurance that the forecasts will be achieved. Economic or financial forecasts are inherently limited and should not be relied on as indicators of future investment performance.**
A = Actual. E/* = Estimate.
Sources: BofA Global Research; GWIM ISC as of March 31, 2023.

Asset Class Weightings (as of 3/7/2023)

	CIO View				
Asset Class	Underweight		Neutral	Overweight	
Global Equities			●		
U.S. Large Cap Growth			●		
U.S. Large Cap Value				●	
US. 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	
Healthcare					●
Energy				●	
Financials				●	
Utilities				●	
Consumer Staples			●		
Industrials			●		
Real Estate			●		
Information Technology			●		
Materials		●			
Consumer Discretionary	●				
Communication Services	●				

*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 March 7, 2023. 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 includes a representative sample of 500 leading companies in leading industries of the U.S. economy. Although the index focuses on the large-cap segment of the market, with approximately 75% coverage of U.S. equities, it is also an ideal proxy for the total market.

Indexes of aggregate weekly payrolls are calculated by dividing the current month's aggregate by the average of the 12 monthly figures for the base year.

Manufacturing and Services Purchasing Managers' Index (PMI) is an index of the prevailing direction of economic trends in the manufacturing and service sectors.

Citigroup Economic Surprise Index represents the sum of the difference between official economic results and forecasts.

U.S. composite index is a statistical tool that groups together many different equities, securities, or indexes in order to create a representation of overall market or sector performance.

S&P 500 Sector Index constitute a method of sorting publicly traded companies into 11 sectors-Information Technology, Health Care, Financials, Consumer Discretionary, Communication Services, Industrials, Consumer Staples, Energy, Utilities, Real Estate (REITs), and Materials. Also known as the Global Industry Classification Standard (GICS) sorts companies into sectors based on their primary business activity.

Important Disclosures

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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.

Keep in mind that dollar cost averaging cannot guarantee a profit or prevent a loss. Since such an investment plan involves continual investment in securities regardless of fluctuating price levels, you should consider your willingness to continue purchasing during periods of high or low price levels.

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. Investing in fixed-income securities may involve certain risks, including the credit quality of individual issuers, possible prepayments, market or economic developments and yields and share price fluctuations due to changes in interest rates. When interest rates go up, bond prices typically drop, and vice versa. Bonds are subject to interest rate, inflation and credit risks. Income from investing in municipal bonds is generally exempt from Federal and state taxes for residents of the issuing state. While the interest income is tax-exempt, any capital gains distributed are taxable to the investor. Income for some investors may be subject to the Federal Alternative Minimum Tax (AMT). Single-state municipal bonds pose additional risks due to limited geographical diversification. Treasury bills are less volatile than longer-term fixed income securities and are guaranteed as to timely payment of principal and interest by the U.S. government. 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.

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