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CHIEF INVESTMENT OFFICE

Capital Market Outlook

May 23, 2022

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Macro Strategy—*Labor Market Starting Its Initial Descent:* The most desirable outcome for long-term strategic asset allocators is for the Federal Reserve (Fed) to bring the economy back to low and stable inflation in order to minimize business cycle volatility moving forward.

A weaker labor market will likely be the cost the U.S. economy pays to get there, in addition to the deflating of speculative assets that is already underway. While coincident labor market indicators continue to signal very tight dynamics, leading indicators of employment are rolling over. We believe we are "starting our initial descent" toward a landing for the labor market and the overall business cycle. Risk-assets are trying to figure out how soft that landing might be.

Market View—*Pulling the Rip Cord: The U.S. as the Target Zone for Flows:* Despite U.S.-based concerns around elevated (albeit deflating) Equity valuations, U.S. dollar strength or the Fed's aggressive monetary policy shift, the U.S. has been the target zone for inflows as measured by foreigner flows into U.S. securities and foreign direct investment (FDI).

With general weakness/anemic growth in most other parts of the world boosting the appeal of U.S. markets, our portfolio positioning corroborates foreigner's preference for U.S. assets.

Thought of the Week—*The Secular Bull Case for Commodities:* Commodity market volatility is likely to remain elevated as investors work through a number of competing forces, but we see long-term tailwinds that could keep prices elevated.

In our view, protracted supply/demand issues could keep the secular bull market for commodities running. Investors may want to consider incorporating Commodities exposure as part of a balanced portfolio, when appropriate.

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Jonathan Kozy
Managing Director and Senior Macro Strategy Analyst

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Assistant Vice President and Investment Strategist

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Data as of 5/23/2022, and subject to change

Portfolio Considerations

Given our view that competing forces—inflation and slower growth—are likely to cast large shadows through the balance of the year, we reduced our Equity overweight relative to Fixed Income by lowering International Developed Market Equities to a slight underweight and trimming our overweight to Small-cap Value. We will add the balance of allocations from the downgraded areas to Fixed Income and cash evenly. This month, we also adjusted our sector allocations to balance cyclical and defensive positioning. We continue to emphasize a diversified, balanced and measured approach to asset allocation. For investors able to assume a lower level of liquidity, we believe Alternative Investments (AI) for qualified investors, including Real Assets, can also help diversify and balance out risks in a multi-asset portfolio.

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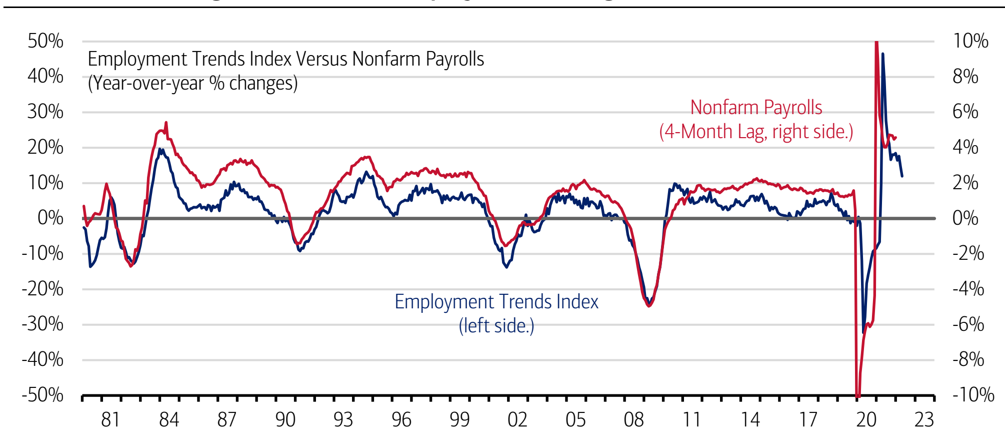
Labor Market Starting Its Initial Descent

Jonathan Kozy, Managing Director and Senior Macro Strategy Analyst

The labor market is tight by most coincident metrics. The unemployment rate is near a multidecade low, and the last employment report showed the economy printed over a half million jobs per month year-to-date (YTD). But leading indicators of employment, where the Fed should be focused given the normal lags in monetary policy, are showing signs of cracking. The labor market appears to be in its initial descent.

The Conference Board (CB) Employment Trends Index (ETI) is an aggregate measure of leading employment indicators and is pointing toward slower payroll growth ahead (Exhibit 1). The index fell in April and decelerated on both a three- and six-month percentage change basis. The six-month percentage increase is the weakest since the economy was emerging from the depths of the coronavirus crisis in 2020, nearly two years ago.

Exhibit 1: Leading Indicators of Employment Losing Steam.



Sources: Conference Board; Bureau of Labor Statistics; Bloomberg. Data as of May 17, 2022.

Weekly initial claims for unemployment insurance, one component of the ETI, are a key indicator to watch to track layoffs. It has a reliable history as a leading employment indicator and also as a leading indicator of recessions. Claims bottomed the week of March 19 at 166,000 and are now up to 218,000, a level that is still historically low, but moving higher. The more reliable four-week moving average has increased from 170,500 to 199,500 in the middle of May. The even slower moving 12-week moving average appears to be bottoming now. Historical data suggest an increase of 50,000 claims in the moving averages would be a red flag for the labor market and the economy.

Temporary help hiring (or firing) is also included in the CB's measure, as firms tend to lay off temporary workers first if demand falters. In advance of the 2001 recession, the six-month moving average of temporary hiring moved negative in September 2000, about six months ahead of the start of the recession. In the next cycle, temp hiring dipped negative in October of 2006, and a recession followed just over a year later. Temporary hiring has slowed to near zero the last two months.

Cyclical jobs data also provide important color on labor market dynamics. The employment components of some manufacturing survey data are easing. For example, the Institute for Supply Management (ISM) Manufacturing Survey's Employment Index dropped to 50.9 in April, just above the "50" growth threshold. In comparison, the index averaged 54.6 in the first quarter. Regional survey data like the six months ahead New York Fed's Empire survey employment outlook and the Philadelphia Fed's six month employment outlook have also shown weaker readings. Construction jobs often turn ahead of the overall business cycle and registered a weak 2,000 job gain in April. Building permits, a leading indicator of construction, declined in April and look toppy YTD as mortgage rates go up.

Investment Implications

A weaker labor market, if accompanied by signs of disinflation, could push the Fed to ease off the brakes, helping risk assets find a floor in the near term. The most desirable outcome for long-term strategic asset allocators is for the Fed to do whatever it takes to bring the economy back to low and stable inflation, minimizing the long-term volatility in business cycle dynamics.

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Other areas of the labor market are difficult to get color on, but jobs could be threatened by the new macro environment. Private companies like newly funded startups have had their wings clipped. The Fed's tide of liquidity is receding and is certain to affect Venture Capital and Private Equity flows.

Slower global growth and weaker profits growth generated from abroad is another key reason why hiring is likely to slow. The probability of a recession in Europe is higher than in the U.S., according to BofA Global Research. Economic growth in China is being stifled by its dynamic zero-COVID policy. Slower growth in both will bleed into U.S. firms' profits and demand forecasts, which are key inputs to hiring/firing decisions.

The unionization movement adds a wrinkle to employment dynamics. Some believe a near-term trend toward unionization would reinforce the wage-price spiral the Fed is trying to break, making it more difficult for the Fed to bring inflation down. Declining real wages in the wake of the pandemic have contributed to the unionization movement. And the political backdrop is now more supportive of unionization. This would mark a trend reversal as a recent paper from the Bank for International Settlement (BIS) shows that trade density has trended lower, on average, across countries over the last few decades. Nonetheless, the recent movement might mean wage growth stays higher for longer, making the Fed's job more difficult.

The good news is, for now, the initial labor market descent appears to be orderly, as some of the components of the ETI remain strong. Job openings remain near a record high, and the percentage of firms in the National Federation of Independent Business's small business survey with positions they are not able to fill remains elevated. The high level of job openings is consistent with robust private sector demand (consumer spending and business investment spending). Industrial production, a demand component of the CB ETI registered a strong growth print for April, suggesting the labor market could be resilient, slowing rather than collapsing. Retail sales also grew at a healthy clip in April. Demand holding up in the early stages of a softer labor market is a good start. This all helps the case for a "soft landing" in the labor market.

But a soft landing in the labor market that is not accompanied by inflation returning back to a low and stable growth rate might not be the best outcome for long-term investors or the long-term health of the economy. The difficult task for the Fed is to calibrate rate hikes and quantitative tightening to optimize the balance between the labor market, financial stability and, most importantly, bringing inflation back to target. The most desirable outcome for long-term strategic investors is for the Fed to do whatever it takes to bring the economy back to low and stable inflation and minimize business cycle volatility moving forward. That will likely require a much weaker labor market.

MARKET VIEW

Pulling the Rip Cord: the U.S. as the Target Zone for Flows

Lauren J. Sanfilippo, Director and Senior Investment Strategy Analyst

Considering the collective maelstrom of Russia's invasion of Ukraine, a "store-of-value"-no-more cryptocurrency crash, damage from the coronavirus shutdowns bringing the second-largest economy to a mere halt or indexes in most corners of the world in free fall, investors are waiting for parachute release to cushion this drop. It's been a terrible start to the year for the S&P 500 Index, now down 18%, as the NASDAQ has corrected 27%, and the Dow Jones Industrial Average, on an eight-week losing streak, has retraced 13% since the beginning of the year. Paltry performance abroad is nothing to brag about: Most European indexes as measured by EURO STOXX 50, Germany's DAX Index or France's CAC Index are all down at least 17%. Asian indexes are barely faring better, with the Korean KOSPI (-17%), China's Shanghai Composite (-18%) or Japan's Nikkei Index (-16%) well into double-digit declines.[1]

Enough hesitancy and risk-off sentiment has grown toward risk assets that the preference for fund managers has been to hoard cash. Cash balances among fund managers surged to a 20-year high of 6.1% of assets in May, as surveyed by BofA Global Research. Meanwhile, cash can't always be king, at least not in an 8.3% inflation-eroding environment.

Despite U.S.-based concerns about elevated (albeit deflating) Equity valuations, U.S. dollar strength, or the Fed's aggressive monetary policy shift, by way of the TINA (there is no alternative) principle or relative attractiveness, the U.S. has been the target zone for inflows as measured by foreigner flows into U.S. securities and FDI. The U.S. Treasury Department's recent data shows the U.S.'s allure has barely dimmed and, by most measures, has brightened post-crisis. 2021 was a comeback year for foreigners buying into U.S. securities of all types: Treasury bonds, government agency bonds, or corporate bonds and stocks alike. The largest inflows YTD have been into the widest safety net of them all: U.S. Treasury bonds and notes. Given the perception as a "safe-haven asset" for investors, foreign inflows of U.S. Treasury notes and bonds for Q1 of 2022 exceeded all quarters back to 2010.

Post-the initial coronavirus shock in March 2020, net foreign purchases were elevated over the second half of 2020, when foreigners piled $678 billion into U.S. securities, turning flows positive for the year. An almost tripling of flows rushed into U.S. securities over 2021. Annualized Q1 flows for U.S. aggregated assets this year are currently on track to top full-year 2021 (Exhibit 2A). Repeat post-crisis periods of elevated foreign investor inflows were seen not long after the Great Financial Crisis, Eurozone Debt Crisis and the Taper Tantrum.[2]

Call it a post-crisis glow up for U.S. assets, but FDI shows a similar U.S.-preference with foreign investment totaling more than $360 billion in 2021, marking the strongest year since 2016 (Exhibit 2B). Europe, almost a third of the U.S. FDI market, increased their investment by over 200% in 2021 compared to 2020. Based on European company commentary, FDI into the U.S. has been rolling in since year end. Vis-à-vis expansion of manufacturing plants and operations, Europe's U.S. footprint is growing—as a function of last resort or otherwise, considering "A more expensive, functioning market is better than one that is relatively cheaper but paralyzed" according to the European Union Chamber of Commerce in China. Its BP's increased drilling operations in the Permian Basin at the expense of exiting Russia's market as Airbus expands aircraft assembly lines at its facility in Alabama, and with ArcelorMittal's steel manufacturing re-entering U.S. markets after removing its presence, all serving as evidence of the trending preference for American placement.[3]

Portfolio Positioning

Through this market volatility, we continue to emphasize a diversified, balanced and measured approach to asset allocation. We consider U.S. Equities best in class so continue to prefer U.S. Equities over non-U.S. in order to maintain our higher-quality tilt across asset classes. This has led to our recent downgrade of International Developed Market Equities in portfolios.

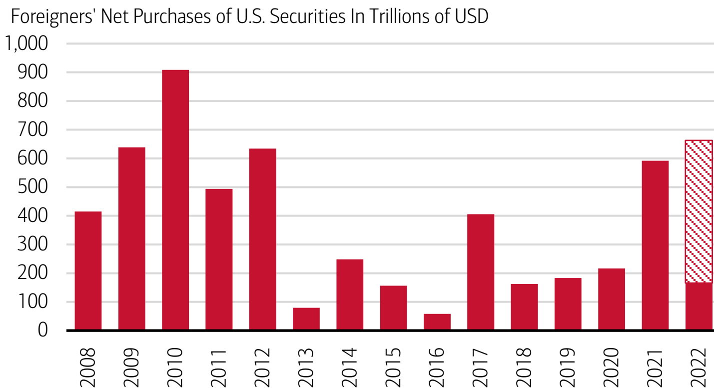
[1] All returns in total return USD terms. Data as of 05/20/2022.

[2] Federal Reserve, Foreign Demand for U.S. Treasury Securities During the Pandemic, January 2022.

[3] *The Wall Street Journal*, "Europeans Step Up Investment in U.S.," May 9, 2022.

Exhibit 2: Post-crisis Investment Glow Up.

2A) Taking Cover in U.S. Securities



2B) There's No Place Like Home (the U.S.)—Even for Foreign Investors

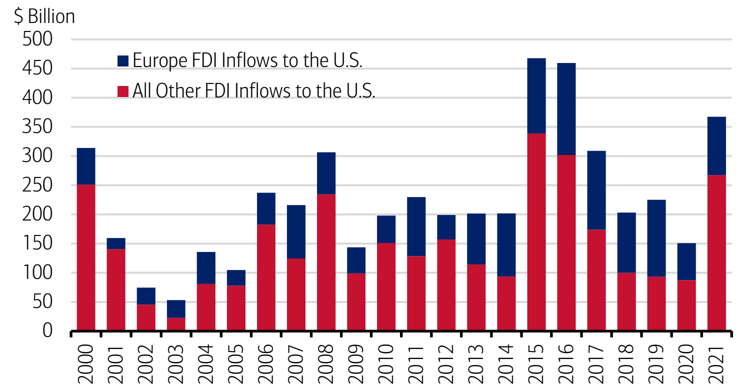


Exhibit 2A Net foreign purchases minus foreign sales. Sources: U.S. Treasury Department; Treasury International Capital (TIC) System. Data as of May 2022. Shaded bar for 2022 indicates estimated data based on annualized Q1 data. Exhibit 2B Source: Bureau of Economic Analysis ending in 2021. Data as of April 2022.

China's waning appeal is apparent—with Europe's exports to China having barely grown the first quarter of this year, while German exports to the U.S. surged almost 20% in the first three months of 2022 compared to the year prior.[4] That's the equivalent of $36 billion in exports from Europe's largest economy and evidence of a world increasingly weighing its tri-polar (North American, Asian and European) setups.

Our parachute of portfolio preference

General weakness/anemic growth in most other parts of the world boosts the appeal of U.S. markets, never mind other redeeming qualities such as its large and wealthy population, top-ranked universities, a transparent rule of law, an ease of doing business that compares favorably to other nations, world-class innovation, a diversified economy across sectors and industries, a relatively young population, and deep capital markets. Notably, the U.S. dollar's share of foreign exchange reserves has remained unrelenting around 60% for decades, suggesting no loss of prestige over multiple crises. Also appealing is the U.S. consumer—a robust market to tap into. Retail sales rose a seasonally adjusted 0.9% last month compared to March, according to the Commerce Department. Despite depressed consumer sentiment levels, persistent signs of consumer fatigue have yet to materialize, although this bears close watching ahead.

While we have lowered our risk budget across most portfolios and asset classes, Equities remain one of the most attractive options for investors on a relative basis, as bond market volatility has increased, and parts of the Treasury and credit curves have flattened. Within Equities, our preference is for U.S. Equities over International, with a recent downgrade of European Equities and International Developed Market Equities indicative of deteriorating fundamentals we see, in addition to declining business and consumer confidence for Europe, the ongoing conflict in Ukraine with little prospects of a cease fire or diplomatic solution, energy dependence on Russian oil and gas, and slowing money supply growth. Call it a home bias—our portfolio positioning corroborates foreigner's preference for U.S. assets.

[4] *The Wall Street Journal*, "Europeans Step Up Investment in U.S.," May 9, 2022.

THOUGHT OF THE WEEK

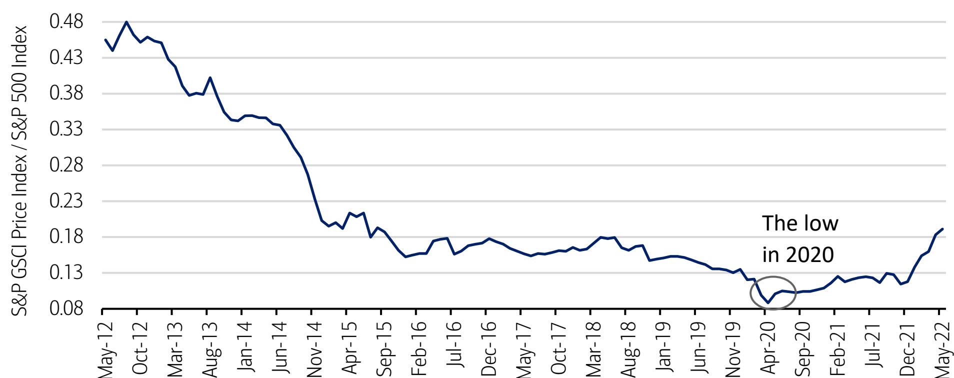
The Secular Bull Case for Commodities

Emily Avioli, Assistant Vice President and Investment Strategist

Commodities markets have experienced wild swings in recent weeks. While volatility is likely to remain elevated as investors work through a number of competing forces, we see long-term tailwinds that could keep prices elevated and help power a secular bull market in commodities.

Sustained upswings in commodities markets have historically followed major global economic disruptions where demand has exceeded supply—World Wars I and II, the Great Depression, the Arab-Israeli Wars, China's industrialization and the Global Financial Crisis all led to dramatic runups in prices.[5] It could be argued that similar conditions exist today as the global economy grapples with pandemic-induced supply shortages and heightened demand fueled by massive government stimulus. When these supply/demand dynamics started to take hold in 2020, relative performance of Commodities versus Equities started to improve (Exhibit 3). If demand continues to exceed supply, commodities could see additional upside.

Exhibit 3: Commodity Performance Relative to Equity Performance.



Source: Bloomberg. Data as of May 18, 2022. **Past performance is no guarantee of future results.**

Years of underinvestment in Commodities like energy will likely keep supplies tight for the foreseeable future. Amid coronavirus-related pressures and reduced appetite for conventional energy, upstream investment in the oil and gas sector fell by 30% in 2020 and remained 23% below the pre-pandemic level of $525 billion in 2021.[6] The International Energy Forum estimates that oil and gas investment will need to return to pre-coronavirus levels and stay there through 2030 to restore market balance.

Meanwhile, strong consumer balance sheets have held demand steady despite elevated prices, and long-term secular themes could bolster it further in coming years. The global shift to clean energy is continuing to gather steam, and the transition will be highly dependent on commodities—a typical electric vehicle requires 6x the mineral inputs of a conventional car, and an onshore wind plant requires 9x more mineral resources than a gas-fired plant.[7]

The Russia/Ukraine conflict will likely add pressure to these dynamics. In our base case scenario, Russian commodity flows will be fundamentally rerouted away from Europe and the U.S. While no major structural deficits will emerge, prices will generally be higher to account for friction as trade routes are rearranged.[8]

Risks to Commodities remain, including rising rates, a strong dollar and an uncertain outlook for China's economy. But we think protracted supply/demand issues could be severe enough to outweigh these headwinds and keep the secular bull market for Commodities running.

Portfolio Considerations

The current macroeconomic backdrop offers a growing number of reasons for investors to maintain strategic exposure to Commodities, including persistent demand, supply chain bottlenecks, and elevated levels of inflation. From a positioning perspective, investors should consider incorporating certain cyclical Commodities and Real Assets as part of a balanced portfolio, when appropriate.

[5] Alpine Macro Research, April 25, 2022.
[6] International Energy Forum, IHS Markit, December 7, 2021.
[7] International Energy Agency, May 10, 2021.
[8] BofA Global Research, March 8, 2022.

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	31,261.90	-2.8	-5.0	-13.3
NASDAQ	11,354.62	-3.8	-7.8	-27.2
S&P 500	3,901.36	-3.0	-5.5	-17.7
S&P 400 Mid Cap	2,384.81	-1.8	-4.5	-15.6
Russell 2000	1,773.27	-1.0	-4.8	-20.7
MSCI World	2,655.91	-1.6	-4.8	-17.2
MSCI EAFE	1,969.24	1.5	-2.8	-14.4
MSCI Emerging Markets	1,035.31	3.1	-3.7	-15.4

Fixed Income†

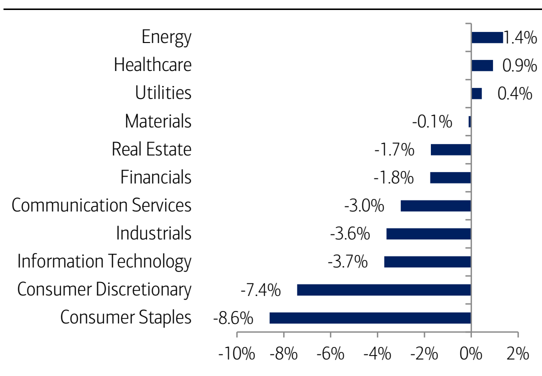
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	3.38	0.61	0.17	-9.89
Agencies	2.85	0.34	0.50	-5.30
Municipals	3.42	-0.02	-1.47	-10.16
U.S. Investment Grade Credit	3.42	0.59	0.36	-9.18
International	4.36	0.44	-0.29	-12.99
High Yield	7.80	-0.69	-3.06	-11.03
90 Day Yield	1.01	0.94	0.82	0.03
2 Year Yield	2.58	2.58	2.71	0.73
10 Year Yield	2.78	2.92	2.93	1.51
30 Year Yield	2.99	3.08	3.00	1.90

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	279.35	1.8	0.9	31.9
WTI Crude $/Barrel††	113.23	2.5	8.2	50.6
Gold Spot $/Ounce††	1846.5	1.9	-2.7	0.9

	Total Return in USD (%)			
Currencies	Current	Prior Week End	Prior Month End	2020 Year End
EUR/USD	1.06	1.04	1.05	1.14
USD/JPY	127.88	129.22	129.70	115.08
USD/CNH	6.70	6.80	6.64	6.36

S&P Sector Returns



Sources: Bloomberg, Factset. Total Returns from the period of 5/16/2022 to 5/20/2022 †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 5/20/2022 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 5/20/2022)

	2021A	Q1 2022A	Q2 2022E	Q3 2022E	Q4 2022E	2022E
Real global GDP (% y/y annualized)	6.1	-	-	-	-	3.3
Real U.S. GDP (% q/q annualized)	5.7	-1.4	3.0	2.5	1.8	2.6
CPI inflation (% y/y)	4.7	8.0	8.1	7.7	6.6	7.6
Core CPI inflation (% y/y)	3.6	6.3	5.7	5.6	5.3	5.7
Unemployment rate (%)	5.4	3.8	3.5	3.3	3.2	3.5
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 May 20, 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 5/3/2022)

Asset Class	CIO View: Underweight		Neutral	Overweight	
Global Equities				●	
U.S. Large Cap Growth			●		
U.S. Large Cap Value				●	
U.S. Small Cap Growth				●	
U.S. Small Cap Value				●	
International Developed		●	◀		
Emerging Markets			●		
Global Fixed Income		●			
U.S. Governments		●			
U.S. Mortgages		●			
U.S. Corporates				●	
High Yield		●			
U.S. Investment Grade Tax Exempt			●		
U.S. High Yield Tax Exempt		●			
International Fixed Income	●				
Alternative Investments*					
Hedge Funds			●		
Private Equity			●		
Real Assets			●		
Cash					

CIO Equity Sector Views

Sector	CIO View: Underweight		Neutral	Overweight	
Energy				●	
Financials				●	
Real Estate			▶	●	
Materials				●	
Healthcare			▶	●	
Utilities	▶		●		
Information Technology			●	◀	
Industrials			●	◀	
Consumer Discretionary		●	◀		
Consumer Staples	●				
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 May 3, 2022. All sector and asset allocation recommendations must be considered in the context of an individual investor's goals, time horizon, liquidity needs and risk tolerance. Not all recommendations will be in the best interest of all investors.

Index Definitions

Securities indexes assume reinvestment of all distributions and interest payments. Indexes are unmanaged and do not take into account fees or expenses. It is not possible to invest directly in an index. Indexes are all based in U.S. dollars.

Conference Board (CB) Employment Trends Index (ETI) is a leading composite index for employment. When the index increases, employment is likely to increase as well, and vice versa.

Dow Jones Industrial Average is a price-weighted measurement stock market index of 30 prominent companies listed on stock exchanges in the United States.

Institute for Supply Management (ISM) Manufacturing Survey's Employment Index represents business sentiment regarding labor market conditions and is considered a strong Non-Farm Payrolls leading indicator. A high reading is seen as positive for the USD, while a low reading is seen as negative.

NASDAQ is an online global marketplace for buying and trading securities.

EURO STOXX 50 Index Is a stock index of Eurozone stocks designed by STOXX, an index provider owned by Deutsche Börse Group.

Germany DAX Index is a stock index that represents 40 of the largest and most liquid German companies that trade on the Frankfurt Exchange.

France CAC Index represents a capitalization-weighted measure of the 40 most significant stocks among the 100 largest market caps on the Euronext Paris.

Korean KOSPI Index refers to a series of indexes that track the overall Korean Stock Exchange and its components.

Shanghai Composite Index is a stock market composite made up of all the A-shares and B-shares that trade on the Shanghai Stock Exchange (SSE).

Japan's Nikkei Index is a price-weighted index, which means the index is an average of the share prices of all the companies listed.

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.

The S&P GSCI index is a composite index of commodities that measures the performance of the commodities market.

The SSE Composite, short for the Shanghai Stock Exchange Composite Index, is a stock market composite made up of all the A-shares and B-shares that trade on the Shanghai Stock Exchange (SSE). The index is calculated by using a base period of 100.

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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. 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. Treasury bills are less volatile than longer-term fixed income securities and are guaranteed as to timely payment of principal and interest by the U.S. government. Bonds are subject to interest rate, inflation and credit risks. Municipal securities can be significantly affected by political changes as well as uncertainties in the municipal market related to taxation, legislative changes, or the rights of municipal security holders. 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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