BANK OF AMERICA

CHIEF INVESTMENT OFFICE

Capital Market Outlook

June 6, 2022

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

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Macro Strategy—*Inflation Dimming Economic Outlook:* On multiple levels, including strong labor demand, decades-low household leverage, lack of excesses on the housing construction/business investment fronts, massive household savings accumulated during the pandemic, and elevated corporate profits, the U.S. economy would appear well positioned for sustained strong growth. However, the economy has rapidly moved into the late stage of the business cycle as it hit supply constraints on various fronts, including tight labor supply, elevated manufacturing capacity utilization rates, scant housing vacancies, and limited energy supply, all glaringly reflected in 40-year-high inflation readings.

With the Federal Reserve (Fed) determined to bring inflation back to 2% as soon as possible, the outlook for economic growth has darkened, and risk assets have sharply repriced so far this year as a result. While most Equities have corrected much of their overvaluation, as equity prices fell sharply alongside still rising consensus earnings expectations, we believe the outlook remains unfavorable for risk-asset returns over the next year or so.

Market View—*Market Update: Still on Thin I.C.E.:* For U.S. Equities to move higher in the second half of this year, U.S. inflation needs to peak, China needs to aggressively reflate, and Europe needs to counterbalance the growth shock from soaring energy costs.

On this basis, we see improving conditions in the U.S. and China, with Europe the outlier. Rarely has the world had to deal with three seismic challenges simultaneously, requiring investor patience and focus on high-quality assets as we head into the second half of the year.

Thought of the Week—*Is There Anything To Like About These Markets?:* Amid elevated uncertainty and losses across financial assets, we believe there are some bright spots for long-term investors—more attractive valuations, income opportunities in the bond market and weaker investor sentiment.

The level of uncertainty regarding the outlook for inflation, monetary policy and geopolitics is unlikely to fade anytime soon, and, therefore, the time may not be right for investors to stretch to take directional plays but to remain balanced across different asset classes.

MACRO STRATEGY ▶

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

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

Lauren J. Sanfilippo
Director and Senior Investment Strategy Analyst

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Niladri Mukherjee
Managing Director and Head of CIO Portfolio Strategy

MARKETS IN REVIEW ▶

Data as of 6/6/2022, 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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MACRO STRATEGY

Inflation Dimming Economic Outlook

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

Following big price declines for most of the year, credit and equity markets turned up sharply about two weeks ago as prominent calls for a more conciliatory U.S. strategy to end the Ukraine conflict have offered hopes for a de-escalation of the conflict between the Western World and Russia as well as a possible end in sight to the global economic turmoil caused by severe sanctions and disrupted commodity markets. Still, the global economy is likely to reel for a long time from the effects of Europe's determination to break away from Russian energy, especially as the Chinese economy reopens following zero-Covid shutdowns, renewing pressure on already limited global supply. In addition, with the U.S. economy reaching capacity limits over the past year and the Fed on track to remain on an aggressive policy tightening path to reduce inflation from 40-year highs, growth will continue to face headwinds both here and abroad, keeping downside risks to asset returns elevated, in our view.

While U.S. real consumer spending expectations have remained relatively steady above 4% as a result of strong April retail sales, the Atlanta Fed GDPNow estimate for Q2 annualized gross domestic product (GDP) growth is now just 1.3% due to big negative revisions to residential and business investment. Although better than the outright 1.5% Q1 GDP contraction, economic growth is slowing much faster than had been expected. Basically, capacity constraints and surging inflation are forcing downward adjustments to real consumer demand for goods, manufacturing production, as well as housing and business investment. For example, although households spent almost 20% more at an annualized rate on residential investment in Q1, that didn't buy any more housing than in the previous quarter, resulting in a zero contribution to real GDP growth. With the population-adjusted home vacancy rate down to about a 30-year low, constraining home selling activity, real consumer spending on durable goods is also likely to moderate from a level still about 20% above its 30-year trend, with dampening effects on the economy.

Rising inflation is squeezing consumption and restraining economic growth not only domestically but also globally. The European natural gas supply crunch is already forcing energy rationing across factory, transportation and other energy-intensive activities. Europe's newly approved ban on seaborne imports of Russian crude oil further heightens risks of a deep regional recession in coming quarters, with global spillover effects. In addition, shortages of intermediate inputs and other goods caused by China's zero-Covid policies have exacerbated supply constraints, including disruptions to auto parts supply—further delaying the global automotive sector recovery—and impaired activity in other Asian manufacturing hubs.

In this context, it's not surprising to see net negative U.S. economic data surprises, including a broad-based weakening in The Conference Board Leading Economic Indicator for April, big downside profit surprises at a number of large retailers, significant declines in consumer and business sentiment, ebbing home sales, and some softening of leading employment indicators. Cuts to global growth projections are thus not surprising, with estimates generally now seen way below the 3.5% average of the past 25 years both in 2022 and 2023 (2.9% and 2.0% respectively, according to The Conference Board, for example).

High uncertainty and diminishing growth expectations have caused increased financial market volatility and abrupt asset repricing so far this year. For example, a sharp drop in U.S. inflation from more than 8% to 2% as planned by the Fed, combined with tighter monetary and financial conditions elsewhere and slowing growth around the world, implies a sharp deceleration in U.S. companies' revenue growth (from 15% in 2021 to less than 5% in 2023, in our view), as revenues cannot outpace nominal GDP growth by much. With margins also likely to remain under downside pressure over the course of this year and next, as discussed in recent Chief Investment Office Capital Market Outlook (CMO) reports, profits are at risk of large declines, especially as we enter 2023. It's not surprising to see the Q1 GDP report of pretax corporate profits showing a drop along narrowing margins.

Investment Implications

High-profile appeals over the past two weeks[1] for a de-escalation of the conflict with Russia and a gradual easing of shutdowns in China fueled a burst of risk-on sentiment, as reflected in narrowing credit spreads, some dollar depreciation, and an equity market bounce. Still, with valuations elevated by historical standards and adversely affected by high inflation, rising interest rates, and weakening revenue growth/profit margin prospects, we expect downside risks to valuation to persist, and Defensives and Energy to outperform.

[1] Davos, May 23, 2022, Henry Kissinger, Former Secretary of Defense and The New York Times. May 19, 2022.

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High inflation, rising interest rates, and weakening economic conditions tend to compress equity valuations, which exacerbates the negative effects from a weakening profits outlook on equity returns. The recalibration of both U.S. interest rates and equity market valuations in recent months has indeed been sobering. Treasury bonds have suffered the biggest losses in decades as rates soared. The 30-year mortgage rate surged, and the S&P 500 drop of almost 20% between the November 2021 peak and late May 2022 was quite large outside of recessions.

As discussed in our CMO last week, Growth stock valuations had reached particularly overstretched levels that were first to quickly correct once the outlook for interest rates changed with Fed Chair Powell's pivot last November. Growth stocks tend to be most sensitive to higher interest rates given that most of their cash flow is further out in the future and thus has a lower present value when discounted by higher rates. Elevated volatility is also a negative for Growth stocks because as volatility and uncertainty increase, the risk that earnings far into the future are not realized rises, causing relatively larger downgrades to their price-to-earnings (PE) ratios.

Also important, as we noted above, U.S. GDP-based corporate profits and margins dropped in Q1 as inflation began to spread its deleterious effects to company financial results. According to a May 27 Empirical Research Partners' report, just under 50% of S&P 500 constituents saw their margins expand in Q1, a mediocre share by historical standards. Margin weakness was not only reported in retail and consumer staples, which tend to suffer most from rapid inflation, but also for some very big companies, including "Big Tech" and "Big Growers," with almost 40% of the latter missing earnings expectations, about twice the rate for the overall market, resulting in big relative underperformance.

Furthermore, "What was striking in the quarterly reports was the rapid growth in capital expenditures, a +20% gain on a year-over-year (YoY) basis, twice the increase in earnings." The rise was broad based across sectors, with the FAANGs (Facebook, Amazon, Apple, Netflix, and Google), some big retailers, and "Big Oil" in the lead. According to the report, the surge in capital spending was across S&P 500 industries and outpaced earnings growth by the most in 20 years, resulting in a sharp drop in free cash-flow margins. The 40-year high nonresidential business investment inflation reported by the Bureau of Economic Analysis no doubt has something to do with the market's free cash flow margin decline from 12% in Q4 2021 to about 7.5% in Q1 2022, which fully reversed the gains of the pandemic period. High inflation and the need to expand capacity in a supply constrained world are eating into corporate profits and free cash flow margins.

Rapid capital expenditures (capex) and declining free cash flow margins tend to be impediments to stock performance. Sure enough, the big spenders have lagged their peers in 11 of 13 sectors, and by a large amount, according to Empirical Research, as investors' typical adverse reaction to big and rapid capital spending intensified with heightened recession fears. As noted above, much of the weakness in earnings and free cash flows has come from the market's longstanding leadership, Tech corporations, as many substantially boosted pay to retain workers and ramped up investment while capex inflation surged. Their surprisingly weak Q1 results dragged down the whole market's free cash flow margins and P/E.

It remains to be seen how "Big Growth" companies respond to their marked under-performance and how soon the effect of inflation on their capital spending outlays will start to dissipate. However, we believe that a rapid moderation in economy-wide real business investment in response to slowing revenue growth, a likely tightening of lending standards, valuation declines, and the drop in business sentiment is in store in coming quarters. The Future Capital Expenditures; Diffusion Index for Federal Reserve Bank of Philadelphia already shows a fall in spending intentions, consistent with the sharp recent drop in CEO confidence about the economic outlook, and the Atlanta Fed GDPNow sees a sharp deceleration in Q2 real business investment from 9% in Q1 to just to 2.8% in Q2 at an annualized rate. The more tempered economic growth outlook should continue to favor high-quality, dividend-paying companies in defensive industries like healthcare and utilities as well as inflation beneficiaries such as energy companies.

MARKET VIEW

Market Update: Still on Thin I.C.E.

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

Lauren J. Sanfilippo, Director and Senior Investment Strategy Analyst

We remain guarded yet constructive on U.S. Equities as we approach the half-way point of 2022. Our cautious stance reflects the fact that the global capital markets are struggling with not just one seismic challenge like elevated rates of inflation not seen in decades in the U.S. and elsewhere. Nor two: a pandemic that has sapped the economic vigor of China, creating negative ripple effects for the rest of the world. But rather three tectonic market-moving hazards when the brutal crisis in the heart of Europe is added to the mix.

Rarely have the stars so misaligned. And the upshot: S&P 500 price returns in the first five months of 2022 (-13.3%) were the worst in fifty years (Exhibit 1A).

The path forward is likely to remain choppy and volatile because the Big Three—the U.S., Europe and China—remain on thin I.C.E. More specifically, the near-term trajectory of asset prices will be dictated by how the U.S. deals with sticky (I)nflation; China meets the challenge the (C)oronavirus; and Europe grapples with one of the worst (E)nergy crises in decades.

Portfolio Positioning

Until policy makers gain the upper hand in dealing with inflation, the coronavirus and soaring energy costs, global equity markets will remain choppy and volatile. In a high-inflation environment, amid elevated geopolitical risks, we continue to prefer hard assets (energy, agriculture, nuclear, renewables, and metals/minerals) and high-quality U.S. Equities and assets.

Exhibit 1: Ranked S&P 500 January Through May Performance and Inflation Readings in the Eurozone and U.S.

1A) First Five Months of a Year Performance

Year	% Price Return
2022	-13.3
1973	-11.1
1977	-10.6
1974	-10.5
1984	-8.7
1982	-8.7
2002	-7.1
2020	-5.8
2001	-4.9
2008	-4.6

1B) Inflation in the Eurozone and U.S.

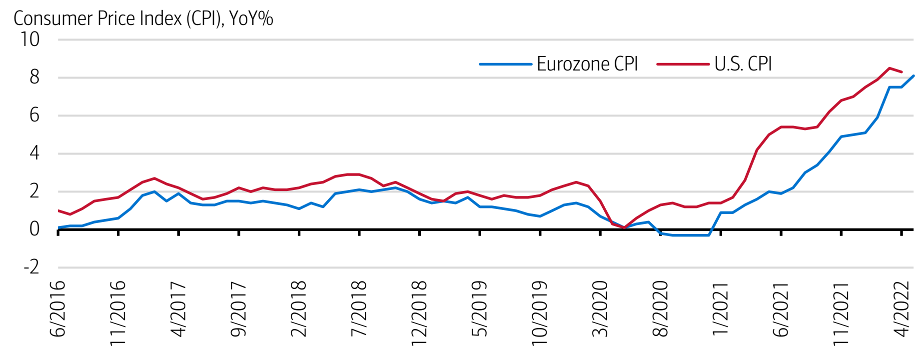


Exhibit 1A: Over the last 50 years. Source: Bloomberg. Data 01/01-05/31 for each year. Data as of May 31, 2022. Exhibit 1B Sources: Bureau of Labor Statistics; Eurostat; Bloomberg. Data as of May 31, 2022. **Past performance is no guarantee of future results. It is not possible to invest directly in an index.**

I=Inflation and the U.S. The good news: There are increasing signs that inflation is peaking in the U.S., a view supported by the slowdown in U.S. wage growth, the backup in inventories, softening global Purchasing Managers' Index (PMIs), and the deceleration in money supply growth, among other variables (Exhibit 1B). The bad news: inflationary pressures and price expectations are poised to plateau at elevated levels unacceptable or well above the Fed's target of 2% inflation, meaning a more hawkish stance from the Fed in terms of raising the fed funds rate and reducing the Fed's balance sheet.

How fast and far the Fed will need to go in reanchoring inflation and inflation expectations remains unclear. Less hazy: The risks of a U.S. recession are rising. But that said, slower-than-expected real GDP growth—not a recession—is our operating base case for U.S. over the next 12 to 18 months. In the face of a hawkish Fed are numerous growth tailwinds: the fading pandemic; a deleveraged consumer; the need for massive inventory rebuilding; well-capitalized Corporate America; and the lagged effects of the massive monetary stimulus of the past two years.

A key wildcard for the second half of this year: Inflation slows by more than expected, allowing the Fed to pause or ease up on future rate hikes.

C= Coronavirus and China. The mainland is slowly returning to work after roughly 70 major cities in China were either in partial shutdown or full shutdown earlier this year. China has not given up on its zero-Covid policies, although the government, following a sharp slowdown in activity in April and most likely May, has changed tack. The government hopes to deliver "stabilization" and "improvement" by June in the hopes of avoiding a quarterly downturn in growth in Q2. Hence pandemic restrictions have been notably lifted in Shanghai, the financial hub of China, and Shenzhen, the nation's tech hub.

In addition, Beijing has taken to pulling both fiscal and monetary levers to reinvigorate growth. Tax breaks and rebates for small businesses, loan extensions for consumers, stimulus measures for car sales, more infrastructure spending—these and other measures should help promote growth over the second half of the year. As a precursor, both the manufacturing and non-manufacturing PMIs hooked up in May (Exhibit 2A).

Another wildcard for the second half of this year: China's reflationary policies add even more upside pricing pressure on commodities, notably oil and gas, and industrial metals.

E=Energy shock and Europe. Of the Big Three, Europe is the most at risk of a recession this year. Proximity to the conflict in Ukraine, and Europe's energy dependence on Russian oil and gas, have hobbled one of the key pillars of the world economy. Inflation in the eurozone rose to 8.1% in May, according to preliminary figures from the European Commission, a significant step up from April's 7.4% rise in prices and the 10th consecutive monthly rise in inflation. Price levels in the eurozone have never been higher since it was created in 1999, with energy costs the main driver of record inflation. In May, energy costs were up nearly 40% from a year ago and are likely to remain elevated now that the European Union has agreed to tough sanctions on Russian oil imports—it's primary energy supplier—and moved to block insurers from insuring tankers transporting Russian oil.

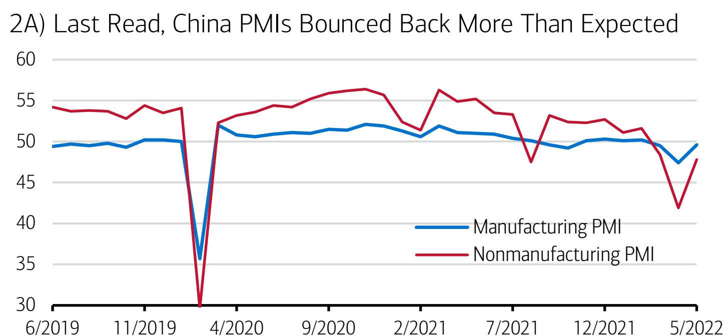
This backdrop suggests that inflation will remain higher for longer across Europe—in contrast to the U.S.—and continue to squeeze real GDP growth and corporate earnings well into the second half of this year. Higher gas and food prices, not surprisingly, are weighing on consumer confidence and retail sales, with the latter in Germany down 5.4% in May from the prior month.

Rising prices and failing growth prospects leave the European Central Bank in a policy bind—namely, raising interest rates in the near term to combat inflation risks exacerbating the unfolding economic slowdown. Some fiscal supplemental spending is expected from Brussels and other individual nations, but easier fiscal policies will come too little, too late to offset Europe's energy-induced economic slowdown/recession.

A third wildcard we are monitoring: Recessionary Europe takes a bite out of U.S. profits, considering that Europe accounts for over half of U.S. foreign affiliate income (Exhibit 2B).

Exhibit 2: China PMIs Bounce and Europe a Source of Profits for the U.S.

2A) Last Read, China PMIs Bounced Back More Than Expected



2B) Passport for Profits

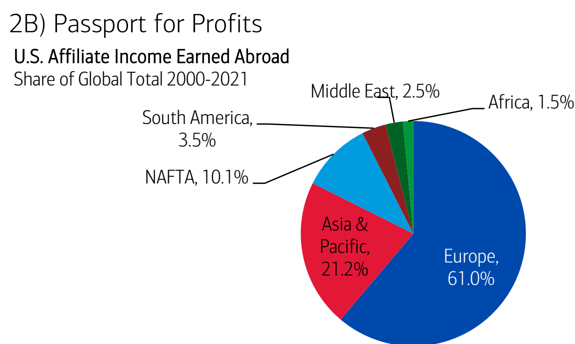


Exhibit 2A: Source: National Bureau of China Statistics. Data as of May 31, 2022. A reading above 50 indicates expansion, while below 50 indicates contraction. Exhibit 2B Source: Bureau of Economic Analysis. Data as of June 2, 2022.

The bottom line: Constructing a market bottom requires that the Fed gain the upper hand on inflation; China aggressively reflates; and Europe counters the spike in energy costs with fiscal and monetary levers. The first two conditions are starting to take shape and could provide some upside momentum for U.S. and Chinese Equities heading into the summer.

That said, we have lowered our risk budget across most portfolios and asset classes. We have lowered our Equity overweight relative to Fixed Income by lowering International Developed Markets and trimming exposure to Small-cap Value. We have added to cash and Fixed Income and adjusted our sector allocations, rising our allocation to Real Estate, Healthcare and Utilities, while lowering to neutral our outlook for Technology and Industrials. We remain overweight Energy, Materials and Financials, and continue to emphasize portfolio construction that is underpinned by high-quality, diversify assets across all spectrums.

THOUGHT OF THE WEEK

Is There Anything To Like About These Markets?

Niladri Mukherjee, Managing Director and Head of CIO Portfolio Strategy

Since the start of the year, market participants have been subjected to a constant drumbeat of negative developments—from decades-high inflation prints, to the prospect of an aggressive monetary tightening cycle to the biggest land crisis in Europe since World War II. After many years of robust returns, risk assets like Equities have pulled back on the prospect of a growth slowdown, while Fixed Income assets have suffered as interest rates have spiked. The level of uncertainty regarding the outlook for inflation, monetary policy and geopolitics is unlikely to fade anytime soon, and, therefore, we believe the time may not be right for investors to stretch to take directional plays but to remain balanced across different asset classes. However, amid the gloom and the sea of red in the financial markets, opportunities are presenting themselves, and we find several things to like.

Valuations are more attractive for long-term investors: Valuations are broadly more reasonable today given the pullback in prices and earnings continuing to trend higher. For the S&P 500 Index, PE ratio (next 12 months) is roughly 17x today, not too far away from the long-term average of 16x. Growth stocks have seen the most significant valuation derating. Last year, the Large-cap Growth Index was trading at 30x PE, which was more than a 50% premium to its own history. Today, that PE has declined to 22x, a more reasonable 15% premium.

Better income opportunities in the bond market: Bond yields are now looking attractive from a cross-asset perspective. The 10-year Treasury yield of 2.9% is quite a bit above the dividend yield of the S&P 500 at 1.5% today, unlike most of 2020 and 2021. Investment-grade and high-yield corporates yielding 4% and 7%, respectively, are finally compensating investors some for their added risk, and the short end of the curve, where the 2-year Treasury is yielding almost 2.7%, is especially attractive for income seekers. Going forward, this changed dynamic will affect the decisions of asset allocators as they consider where the next dollar should go to. In the near term however, Equities with their growth potential and a natural hedge against inflation may still be the favored asset class for investors.

Investor sentiment is weak: Several metrics show that investor sentiment is at rock bottom levels, which is a contrarian positive for both stocks and bonds. According to the latest American Association of Individual Investors Sentiment Survey (week ending May 25), the percentage of individual investors describing their six-month outlook for stocks as "bearish" rose to 53%, which was the 26th time out of the past 27 weeks that pessimism is above the historical average of 30%. We draw similar conclusions from our proprietary indicators and surveys that show elevated cash levels at fund managers; weaker growth expectations that have declined to the lowest levels since the 1990s; and lower allocations to Equities and the Technology sector, in particular.

Market bottoms are impossible to predict, but for long-term investors, the opportunity to put cash to work in a dollar cost averaging fashion and for income-seeking investors to find yield is here.

Portfolio Considerations

The broader macro environment remains one of slowing growth, elevated inflation and tightening financial conditions. Where appropriate, investors should emphasize high-quality, stable earnings, Value and Real assets like commodities in portfolios.

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	32,899.70	-0.8	-0.2	-8.6
NASDAQ	12,012.73	-1.0	-0.6	-23.0
S&P 500	4,108.54	-1.2	-0.5	-13.2
S&P 400 Mid Cap	2,521.13	-0.7	0.3	-10.7
Russell 2000	1,883.05	-0.2	1.0	-15.7
MSCI World	2,779.06	-0.8	-0.4	-13.3
MSCI EAFE	2,029.06	-0.3	-0.4	-11.7
MSCI Emerging Markets	1,060.74	1.8	-1.5	-13.1

Fixed Income†

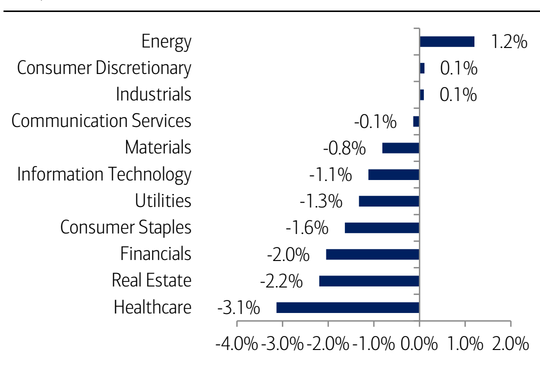
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	3.44	-0.90	-0.41	-9.99
Agencies	2.99	-0.60	-0.34	-5.63
Municipals	2.89	0.32	0.18	-7.30
U.S. Investment Grade Credit	3.47	-0.88	-0.39	-9.28
International	4.31	-0.85	-0.43	-12.30
High Yield	7.21	-0.35	-0.41	-8.37
90 Day Yield	1.13	1.03	1.04	0.03
2 Year Yield	2.65	2.48	2.56	0.73
10 Year Yield	2.93	2.74	2.84	1.51
30 Year Yield	3.09	2.96	3.05	1.90

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	286.47	0.0	1.9	35.3
WTI Crude $/Barrel††	118.87	3.3	3.7	58.1
Gold Spot $/Ounce††	1851.19	-0.1	0.8	1.2

	Total Return in USD (%)			
Currencies	Current	Prior Week End	Prior Month End	2020 Year End
EUR/USD	1.07	1.07	1.07	1.14
USD/JPY	130.88	127.11	128.67	115.08
USD/CNH	6.66	6.72	6.68	6.36

S&P Sector Returns



Sources: Bloomberg, Factset. Total Returns from the period of 5/30/2022 to 6/3/2022 †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 6/3/2022 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 6/3/2022)

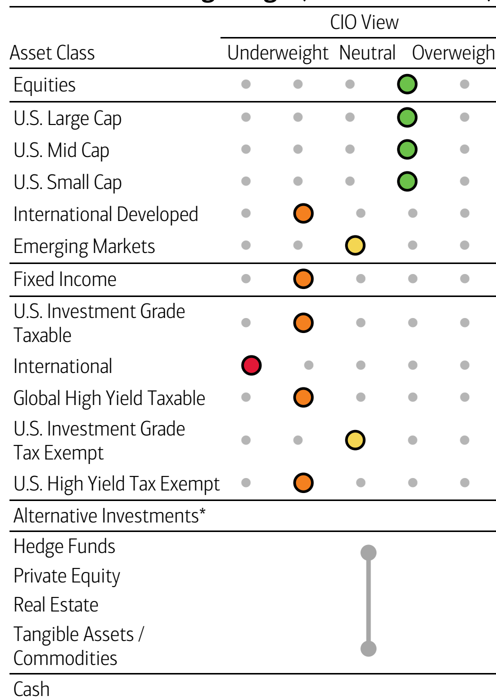
	2021A	Q1 2022A	Q2 2022E	Q3 2022E	Q4 2022E	2022E
Real global GDP (% y/y annualized)	6.1	-	-	-	-	3.3
Real U.S. GDP (% q/q annualized)	5.7	-1.5	3.1	2.5	1.8	2.6
CPI inflation (% y/y)	4.7	8.0	8.2	7.8	6.6	7.6
Core CPI inflation (% y/y)	3.6	6.3	5.8	5.7	5.4	5.8
Unemployment rate (%)	5.4	3.8	3.5	3.3	3.2	3.5
Fed 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.

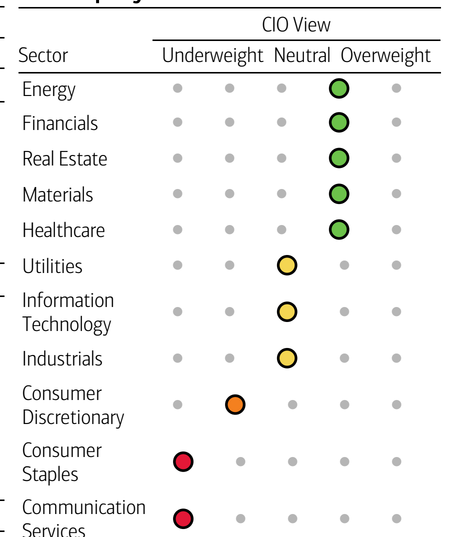
Sources: BofA Global Research; GWIM ISC as of June 3, 2022. BofA Global Research is research produced by BofA Securities, Inc. ("BofAS") and/or one or more of its affiliates. BofAS is a registered broker-dealer, Member SIPC, and wholly owned subsidiary of Bank of America Corporation.

Asset Class Weightings (as of 5/3/2022)



	CIO View				
Asset Class	Underweight		Neutral	Overweight	
Equities				●	
U.S. Large Cap				●	
U.S. Mid Cap				●	
U.S. Small Cap				●	
International Developed		●			
Emerging Markets			●		
Fixed Income		●			
U.S. Investment Grade Taxable		●			
International	●				
Global High Yield Taxable		●			
U.S. Investment Grade Tax Exempt			●		
U.S. High Yield Tax Exempt		●			
Alternative Investments*					
Hedge Funds					
Private Equity					
Real Estate					
Tangible Assets / Commodities					
Cash					

CIO Equity Sector Views



	CIO View				
Sector	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.

S&P 500 (Total Return) 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.

Future Capital Expenditures; Diffusion Index for Federal Reserve forecasts the change in capital expenditures over the next six months for reporting manufacturing firms. The diffusion index is calculated by taking the percent reporting increases and subtracting the percentage reporting decreases.

Consumer Price Index is a price index, the price of a weighted average market basket of consumer goods and services purchased by households.

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

Large-cap Growth Index/ Russell 1000 Growth Total Return measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

Important Disclosures

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

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