CHIEF INVESTMENT OFFICE

Capital Market Outlook

August 8, 2022

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

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Macro Strategy—*Business Revenues Too Strong For A First-Half Official Recession*: The drop in oil prices since their mid-June peak, not least due to signs of a relaxing Western-world stance on global access to Russian oil and agricultural commodity exports, has eased concerns of sustained high inflation and much tighter monetary policy, triggering a drop in interest rates and a strong equity market relief rally.

While lower fuel prices are favorable for the global economic outlook, the burst of risk appetite still appears at odds with the sharp downside adjustments necessary to bring U.S. demand into better balance with supply in order for inflation to return to the Federal Reserve's (Fed) 2% target. The need to reverse growing negative pressures on U.S. corporate profit margins from surging labor costs and declining productivity also cannot be ignored, as they suggest a necessary reset in business hiring and investment that typically triggers recessions.

Market View—*In The Race For Global Manufacturing Supremacy, America Is Slipping Behind:* Albeit belatedly, America has awakened to the challenge of China's rising global manufacturing supremacy.

Recent legislation (CHIPS[1] and the pending Inflation Reduction Act) attempts to bolster the manufacturing shortcomings of the U.S. and jumpstart a manufacturing comeback. China's rising manufacturing presence/capabilities this century has been nothing short of stunning.

Thought of the Week—*After July Rally, Investor Sentiment Remains In Bearish Zone:* Rock-bottom investor sentiment may have helped fuel last month's bear-market rally, with the S&P 500 Index climbing 9% in July.

While sentiment remains bearish, certain indicators have recently shown signs of improvement, sending mixed signals and potentially indicating more Equity market volatility ahead. But in our view, long-term investors should fade the natural tendency to time market developments based on these short-term indicators.

[1]Creating Helpful Incentives to Produce Semiconductors, The CHIPS and Science Act of 2022.

MACRO STRATEGY ▶

Chief Investment Office
Macro Strategy Team

MARKET VIEW ▶

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

THOUGHT OF THE WEEK ▶

Emily Avioli
Assistant Vice President and Investment Strategist

MARKETS IN REVIEW ▶

Data as of 8/8/2022, and subject to change

Portfolio Considerations

We maintain a neutral view on Equities as risks to economic growth and corporate profits remain. As growth moderates, profit estimates are likely to follow as the Fed pursues a more aggressive tightening bias. We still expect high-quality Fixed Income to be a diversifier—in the long run, coupon income is a larger determinant of total returns than price changes due to rate moves—and this diversification effect has historically proven true when rate volatility decreases. An allocation to Hedge Funds, for qualified investors, has the potential to lower the effect of the volatility and possibly take advantage of the dislocation and sector rotation.

Business Revenues Too Strong For A First-Half Official Recession

Chief Investment Office, Macro Strategy Team

Investment Implications

Large downside revisions to global growth estimates and weakening leading indicators of U.S. nominal GDP growth are negative for corporate revenues and profits growth trends. In our view, "fear of missing out" could prove misplaced for those with investment horizons of six months to a year.

Despite two consecutive quarters of contraction in U.S. real gross domestic product (GDP) this year, it's too soon to declare the economy in recession. First, there's a possibility that data revisions could reverse the relatively small -0.9% annualized decline of the advance Q2 GDP report. Second, evidence of a broad-based economic decline doesn't appear sufficient at this time.

Indeed, despite rapid moderation through July, the Institute for Supply Management (ISM) manufacturing and services surveys have remained consistent with expanding activity this year. Also, since its inception in 1959, the Conference Board (CB) Index of Coincident Indicators (ICI) never increased throughout a recession. This index started to increase in April 2020, when the pandemic recession was declared over, and has continued to do so throughout the first half of 2022, invalidating the recession signal from the two negative GDP quarters.

A closer look shows a decline in only one of the ICI's four components (real manufacturing and trade sales), which was not enough to offset growth in its other three components (payroll employment, industrial production, and inflation-adjusted personal income less transfer payments), keeping the composite on an uptrend. The composite doesn't go back to 1947, the year with the only other instance of two consecutive quarters of negative real GDP outside a recession. Only two of its subcomponents (payroll employment and industrial production) go back that far, but neither declined during those two negative quarters, instead remaining on their three-year uptrends until a recession began in late 1948.

In our view, commonalities with the post-war experience are not surprising, since, as discussed in past reports, the post-pandemic monetary policy has been most similar to that during, and after, World War II. Basically, as money-supply growth sharply declined after the war, the economy and inflation slowed as well, with two negative quarters of real GDP in 1947 without an official recession designation—similar to the first half of this year—followed by an official recession from November 1948 to October 1949. As a result, inflation eventually went down from about 10% in 1947 to slightly negative in 1949.

While inflation is also likely to come down significantly over the next two years as a lagged result of the deceleration in money-supply growth from +27% year-over-year (YoY) at the beginning of 2021 to about 6% in June, still-rising inflation through June sustained corporate revenue growth more than rapidly fading real economic growth would have suggested in a low-inflation environment such as that of the pre-pandemic period. In turn, strong revenue growth has helped support profit margins, Equity prices, and corporate credit markets, as well as employment, production and investment, since they are directly related to the health of corporate cash flows, capital-market conditions, and expectations for business conditions.

Still, a slow-motion adjustment process in response to sharply lower money-supply growth, higher interest rates, weakening real growth, and peaking inflation this year is likely to push the economy closer to a recession, in our view, as reflected in the following current dynamics:

- While the robust job market has boosted labor income the most since the early 1980s, inflation has quickly turned these large gains into purchasing-power losses. For example, wages and salaries rose at an annualized rate of almost 8% year to date, but inflation made it feel like a 3% cut. YoY, overall real disposable personal income dropped the most in the first-half in the history of the Bureau of Economic Analysis series going back to 1948, and four times more than its largest previous decline during the 1974 recession. Not surprisingly, real consumer spending has decelerated from an almost 7% annualized gain at the end of 2021 to a meager 1% in Q2.
- Part of the decline in consumer spending has been due to ongoing supply-chain issues that have continued to constrain motor-vehicle supply in Q2. While resolving these problems and rising motor vehicle production will help boost supply and thus improve consumer spending on durable goods, we believe housing is likely to remain a drag on GDP because of the drop in affordability, tightening lending standards, declining housing construction, and negative indirect effects of weaker home sales on consumer spending in general.

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- Consumer expectations have declined substantially this year. While the University of Michigan survey has stabilized with the moderation in gasoline prices, it remained at recessionary levels in late July, a negative for the GDP outlook.
- Aside from the big rise in mortgage rates this year, the Fed's survey of bank loan officers reports a sharp tightening of business lending standards in Q3.
- The CB's CEO confidence dropped substantially in Q2, and small businesses' expectations for improving business conditions were the lowest in June since 1975, according to the National Federation of Independent Business (NFIB) survey.
- The CB's Index of Leading Indicators posted a fourth consecutive drop in June, consistent with continued softening of economic conditions in the second half.
- The ISM manufacturing survey inched down again in July. The sharp decline in its new-orders subcomponent deeper into contraction territory and the surge in its inventory subcomponent do not bode well for industrial production in coming months. Moreover, notwithstanding monthly volatility, our analysis suggests that both manufacturing and services ISM surveys will likely remain on a downtrend, consistent with weakening GDP growth.
- Overall, the balance of forces shaping the economic outlook seems unfavorable for corporate revenues and profit margins. Importantly, inflation is likely to slow in the second half as a result of already declining money-supply growth, suppressing growth in nominal magnitudes such as nominal GDP, personal income and corporate revenues. This is particularly negative for the profits outlook because of the sharp ongoing increases in labor costs. The Bureau of Labor Statistics' employment cost index (ECI) surged from 2.9% YoY to 5.2% over the past two years, its fastest pace since 1984, and much above consensus expectations. Based on our analysis, this comprehensive measure of labor costs is likely to advance further before moderating somewhat, remaining above 5% YoY by late 2023, in our view.
- Disappointing productivity growth is another concern for the profits and the economic outlook. After declining significantly in Q1, productivity is expected to post another drop in Q2 due to the big drop in inflation-adjusted consumer spending on high-value-added durable goods and the surge in hours worked. Productivity tends to strengthen when the economy comes out of recession as operating leverage and pent-up demand for big-ticket durable goods are most elevated. Since that is also the time when companies have the lowest labor (and other) costs, that is also when profits tend to surge. However, as noted above, supply-chain constraints have contributed to a decline in consumer spending on durable goods, a big reason behind this year's negative GDP and productivity prints. A shift in spending from higher-value-added goods to less-value-added services; hiring of increasingly less skilled labor in the context of a tight labor market, and payroll redundancies reportedly created to ensure smooth business operations in light of widespread pandemic-related absenteeism have further eroded productivity and fueled a surge in unit labor costs.
- China's growth tribulations, precarious European energy-supply conditions, and the strong dollar round up our list of reasons to expect U.S. corporate revenue growth to slow (from 15% in 2021 to just about 6% in 2022 and -2% in 2023); profits to deteriorate, and a recession to ensue, as businesses eventually recalibrate their payrolls and capital spending to protect margins and profits.

In sum, while the first half may have escaped an official recession label, the U.S. economy is not out of the woods. Domestic and global economic growth prospects have been rapidly downgraded for 2022 and 2023, with a U.S. recession now anticipated by an increasing number of forecasters, including BofA Global Research, this year or in early 2023, and only a 0.5% U.S. GDP increase in 2023 according to the latest CB estimate, for example.

A growth reacceleration is hard to see before monetary policy becomes stimulative again and leading indicators of revenues and profits growth turn positive, spurring a new cycle of investment, hiring and consumer spending growth. Until then, we continue to believe that the economy is likely to remain on recession watch as the effect of tightening monetary policy is increasingly felt with various typical lags across more parts of the economy and businesses retrench accordingly.

MARKET VIEW

In The Race For Global Manufacturing Supremacy, America Is Slipping Behind

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

First the good news: America remains a manufacturing powerhouse, holding commanding positions in a number of industries ranging from paper products to pharmaceuticals. The bad news: China's manufacturing might continue to expand and exceed America's in a number of key industries like electrical equipment, chemicals and computers.

As outlined below, the contest for global manufacturing supremacy boils down to the U.S. versus China. It's a race of great strategic importance since the country that prevails will gain first-mover advantage in a number of key industries, attain pole position in setting global industrial standards, and secure a competitive leg up in critical third markets like India, the Middle East and Africa.

America: Good not great

While many investors are under the impression that the U.S. is not in the business of making "stuff" and that America's manufacturing capacity has either been allowed to atrophy or be shipped to low-cost locales like China and Mexico, nothing could be further from the truth.

America is a manufacturing superpower as Exhibit 1 makes clear. The table highlights America's global share and rankings based on 22 different manufacturing categories, ranging from food and beverages to basic metals to motor vehicles. The numbers come from the United Nations (UN) and are based on 2019 data, the last year of available data.[2]

Portfolio Implications

We remain constructive on U.S. Equities for the long run, and believe the mix of U.S. service and manufacturing strengths are critical underpinnings of future earnings growth. The U.S.-China manufacturing gap has widened this century but is now the focus of both the U.S. private and public sectors. America is a manufacturing powerhouse and recent (and pending) legislation could trigger a new and dynamic manufacturing cycle.

Exhibit 1: Made in the U.S.: America's Dominating Presence in Global Manufacturing.

	Product Division	2000 (% global share)	Rank	2010 (% global share)	Rank	2019 (% global share)	Rank
1	Food products	15.0	2	19.7	1	18.7	2
2	Beverages	15.0	2	16.2	1	17.3	2
3	Textiles	12.2	2	8.4	2	6.0	2
4	Apparel	15.2	2	3.5	9	1.4	12
5	Leather	9.0	3	2.9	7	1.2	10
6	Wood products (ex. furniture)	31.6	1	16.3	1	20.1	2
7	Paper products	25.1	1	23.9	1	25.4	1
8	Printing and reproduction of recorded media	26.9	1	22.7	1	22.4	1
9	Refined petroleum products	10.8	2	18.9	1	20.3	1
10	Chemical products	22.2	1	22.9	1	19.6	2
11	Pharmaceuticals	N/A	--	26.4	1	21.4	1
12	Rubber and plastic products	22.7	1	17.7	1	17.9	2
13	Other mineral products	12.6	2	10.3	2	10.7	2
14	Basic metals	13.9	2	10.8	2	9.3	2
15	Fabricated metal products (ex. machinery)	22.7	1	20.2	1	21.1	2
16	Computer, electronic and optical products	N/A	--	21.1	1	12.9	2
17	Electrical equipment	20.3	2	11.4	4	11.1	2
18	Machinery and equipment	20.7	2	16.6	1	11.9	2
19	Motor vehicles, trailers and semi-trailers	22.9	2	14.0	2	13.7	3
20	Other transport equipment	30.6	1	39.4	1	34.1	1
21	Furniture	20.6	2	21.2	1	20.2	2
22	Other manufacturing	20.6	2	38.3	1	27.6	1

N/A categories not applicable to year 2000. Data for 2019 (latest data available). Source: United Nations Industrial Development Organization. Data as of 2021 edition.

Note that of 22 categories outlined, the U.S. ranked first in six categories and second in 13 others, underscoring the manufacturing breadth and competitiveness of American manufacturing. In only two sectors—apparel and leather—did the U.S. significantly lag the rest of the world. Note also that between 2000 and 2019, America's global manufacturing share actually edged higher in a number of sectors, including beverages, paper products, refined petroleum products and other transport equipment. In general, then, the overall health of U.S. manufacturing is good.

Yes, but....

More impressive still are the manufacturing strides taken by China over the past two decades. In 2000, for instance, China ranked first in only three categories—tobacco, textiles and leather. But fast forward to 2019, and the picture shifts dramatically, with China ranked first in 16 categories while second in six others. According to data from the UN, China accounts for 28.7% of global manufacturing output versus America's share of 16.8%; Japan, ranked number three, has a 7.5%

[2] United Nations Industrial Development Organization, International Yearbook of Industrial Statistics, 2021.

share, while Germany comes in fourth (5.3%). State-directed industrial policies married with China's cheap labor and foreign direct investment inflows, notably from Hong Kong and Taiwanese firms, have transformed a one-time backward, agrarian economy into one of the preeminent manufacturers in the world. Think of it this way: if global manufacturing was akin to the Olympics, then China would take gold or silver in every contest of the games. Impressive.

Virtually every nation in the world has been touched in some shape or form by the economic rise of China, the U.S. included. But the country bearing the brunt of China's manufacturing rise has been Japan, which, in 2000, ranked either first or second in 18 different categories. In 2019, however, Japan was not ranked first or second in any category, subsumed largely by the rising manufacturing output of the mainland. Speaking of which, Exhibit 2 highlights the massive manufacturing gains of China this century. Note the outsized lead China has in such light industries like apparel and textiles, or general sectors like basic metals and electrical equipment, and higher-end activities like computers and motor vehicles. There's hardly a sector in which China does not have at least a 20% global market share, while commanding a 50%+ share in textiles, apparel and leather, and 40%+ shares in electrical equipment, basic metals and computers.

Exhibit 2: The Rise of China: China Manufacturing as % of Global Total.

Product Division	2000	2019	Percentage Gain
Textiles	16.8	50.3	33.5
Wearing apparel	11.2	49.9	38.7
Leather and footwear	14.3	55.5	41.2
Wood products, excluding furniture	2.8	28.1	25.3
Paper and paper products	4.8	19.9	15.1
Printing and reproduction of recorded media	1.6	21.2	19.6
Coke and refined petroleum products	7.4	16.4	9.0
Chemicals and chemical products	8.2	28.8	20.6
Rubber and plastic products	7.5	25.5	18.0
Other non-metallic mineral products	10.2	40.4	30.2
Basic metals	12.3	45.3	33.0
Fabricated metal products, except machinery	3.6	21.5	17.9
Electrical equipment	8.0	49.6	41.6
Machinery and equipment	4.9	35.1	30.2
Motor vehicles, trailers and semi-trailers	5.0	27.4	22.4
Other transport equipment	4.6	19.2	14.6
Furniture	3.7	25.5	21.8
Food products	N/A	22.2	N/A
Beverages	N/A	17.8	N/A
Computer, electronic and optical products	N/A	41.0	N/A
Pharmaceuticals, medicinal chemicals, etc	N/A	21.1	N/A

N/A categories not applicable to year 2000. Data for 2019 (latest data available). Sources: United Nations Industrial Development Organization; Chief Investment Office. Data as of 2021 edition.

And even in the post-pandemic world, where global supply chains are becoming more dispersed and less (on the surface) China-centric, China's manufacturing dominance, in our opinion, remains largely unchanged. Relative to the rest of the world, no other economy has as large a skilled labor force and as efficient an infrastructure system, and doles out as much in terms of state subsidies and incentives, than China. Hence China's command of global manufacturing activities.

The race isn't over

China's manufacturing lead is not insurmountable—after all, China's labor force has peaked, wages are rising, and more state-control of industry could ultimately choke off future innovation/manufacturing growth. This is a marathon, not a sprint. The good news is that the U.S. has awakened to the challenge of China and is focused on reinvigorating U.S. domestic manufacturing activities. The recently passed CHIPS Act bill and pending Inflation Reduction Act are two public sector programs that speak to and address America's slipping global manufacturing position.

What this all means for U.S. investors is this: The renewed focus on bolstering U.S. manufacturing activities/capabilities couldn't come at a more critical time given the widening manufacturing gap between the U.S. and China. The production of physical goods remains essential to the future health of the economy—notably at a time when the physical supplies of food, medical equipment, armaments and semiconductors, to name a few key products, are in short supply and increasingly subject to nationalist whims. Long term, we remain constructive on U.S. Equities given the dynamic and resilient nature of the U.S. economy. We continue to monitor the U.S.-China manufacturing gap but take solace in the fact that America has awakened to the challenge and starts from a position of strength. Stay tuned.

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THOUGHT OF THE WEEK

After July Rally, Investor Sentiment Remains In Bearish Zone

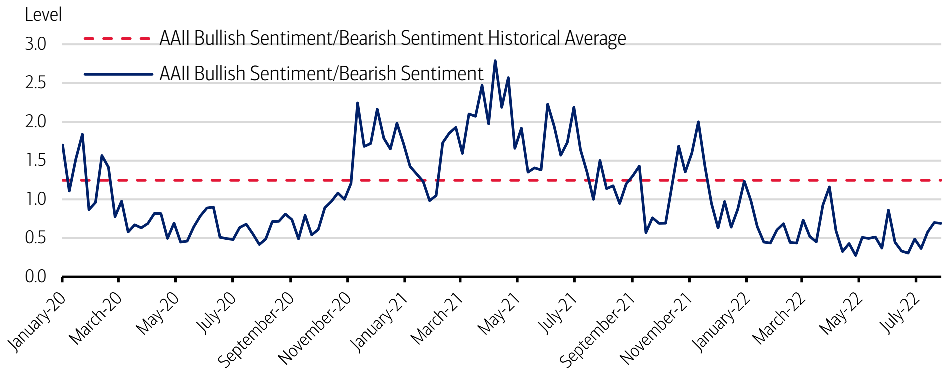
Emily Avioli, Assistant Vice President and Investment Strategist

After recording the worst first half of the year since 1970, the S&P 500 Index climbed 9% in July—the best monthly gain since November 2020. Rock-bottom investor sentiment may have helped fuel the bear-market rally, as above-average Equity snap-back returns tend to follow unusually low levels of optimism. But certain sentiment indicators have recently shown signs of improvement, sending mixed signals and potentially indicating more equity market volatility ahead.

Many measures of investor sentiment fell to record-low levels in July—BofA Global Research Bull & Bear Indicator recorded a “max bearish” reading of 0.0;[3] the Global Fund Manager Survey showed recession expectations at the highest level since May 2020; growth expectations fell to the lowest levels seen since the survey’s inception and fund managers assumed an increasingly defensive posture, with cash levels surpassing 6% in July to reach a near-21-year high.

Other indicators were near-record lows in early July but have since shown signs of improvement. According to the American Association of Individual Investors (AAII) Sentiment Survey, the percent of voters expressing bearish sentiment on the stock market for the next six months hit a monthly high of 53% on July 6, near the one-year high of 59%, while bullish sentiment fell to just 19%. While sentiment is still low compared to historical averages, survey results suggest subsiding pessimism throughout July (Exhibit 3). Bearish sentiment fell to 40% and bullish sentiment jumped to 28% by month-end.

Exhibit 3: Investor Sentiment Has Started To Improve But Remains Bearish By Historical Standards.



Sources: Bloomberg; American Association of Individual Investors. Data as of July 27, 2022. The chart represents that AAII Bullish Sentiment compared to AAII Bearish Sentiment has risen but remains below the historical average.

Market indicators tell a similar story. The Chicago Board Options Exchange (CBOE) Volatility Index (VIX), a measure of Equity volatility, started July hovering near 30, which is widely considered to be “panic” territory. It has since declined to a more reasonable level of 23, just above its long-term average of 20.[4] The Short-Term Trading (TRIN) Index, a technical analysis indicator used to gauge overall market sentiment, fell by 30% throughout July.[5] While still in bearish territory, it’s significantly less-so as compared to extreme readings seen earlier in the month.

We see a number of reasons behind the recent improvement in sentiment, including better-than-anticipated corporate earnings results for Q2 and growing expectations that inflation will soon peak under the Fed’s aggressive tightening campaign. But in our view, this optimism could be short lived, especially if investors begin to price in a slowdown in corporate earnings and economic growth. Shifts in sentiment could portend more equity market volatility ahead, but long-term investors should fade the natural tendency to time market developments based on these short-term indicators.

Portfolio Implications

During times of heightened volatility, investors should maintain a well-diversified portfolio that aligns with their long-term financial goals. From a portfolio positioning perspective, we remain underweight Fixed Income and within Equities suggest focusing on U.S. over International, Value and Commodity-based cyclicals with exposure to Real Assets.

[3] July 19 2022. Indicator level of 0-2 = extreme bearish, 8-10 = extreme bullish.
[4] Bloomberg. Data as of July 29, 2022.
[5] Bloomberg. Data as of July 29, 2022. Current level is 1.11. Level of above 1.00 typically indicates bearishness.

MARKETS IN REVIEW

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	32,803.47	-0.1	-0.1	-8.7
NASDAQ	12,657.55	2.2	2.2	-18.7
S&P 500	4,145.19	0.4	0.4	-12.2
S&P 400 Mid Cap	2,504.28	-0.3	-0.3	-11.1
Russell 2000	1,921.82	2.0	2.0	-13.8
MSCI World	2,752.06	0.2	0.2	-14.0
MSCI EAFE	1,924.07	-0.6	-0.6	-16.1
MSCI Emerging Markets	1,002.87	1.0	1.0	-17.0

Fixed Income†

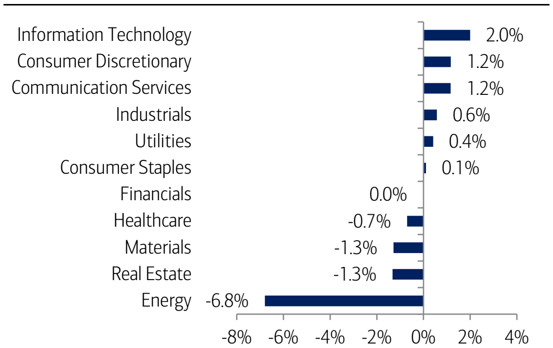
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	3.65	-0.89	-0.89	-9.93
Agencies	3.37	-0.81	-0.81	-5.73
Municipals	2.84	-0.12	-0.12	-6.69
U.S. Investment Grade Credit	3.64	-1.04	-1.04	-9.11
International	4.51	-0.89	-0.89	-12.40
High Yield	7.61	0.66	0.66	-8.53
90 Day Yield	2.47	2.32	2.32	0.03
2 Year Yield	3.23	2.88	2.88	0.73
10 Year Yield	2.83	2.65	2.65	1.51
30 Year Yield	3.07	3.01	3.01	1.90

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	253.14	-3.2	-3.2	19.5
WTI Crude $/Barrel††	89.01	-9.7	-9.7	18.3
Gold Spot $/Ounce††	1775.5	0.5	0.5	-2.9

	Total Return in USD (%)			
Currencies	Current	Prior Week End	Prior Month End	2020 Year End
EUR/USD	1.02	1.02	1.02	1.14
USD/JPY	135.01	133.27	133.27	115.08
USD/CNH	6.77	6.75	6.75	6.36

S&P Sector Returns



Sources: Bloomberg; Factset. Total Returns from the period of 8/1/2022 to 8/5/2022. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 8/5/2022 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 8/5/2022)

	2021A	Q1 2022A	Q2 2022E	Q3 2022E	Q4 2022E	2022E
Real global GDP (% y/y annualized)	6.1	-	-	-	-	3.0
Real U.S. GDP (% q/q annualized)	5.7	-1.6	-0.9	-0.5	-2.0	1.2
CPI inflation (% y/y)	4.7	8.0	8.6*	8.4	7.0	8.0
Core CPI inflation (% y/y)	3.6	6.3	6.0*	6.4	6.1	6.2
Unemployment rate (%)	5.4	3.8	3.6	3.7	4.2	3.8
Fed funds rate, end period (%)	0.07	0.33	1.58	2.88	3.38	-

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 August 5, 2022.

Asset Class Weightings (as of 8/2/2022)

	CIO View				
Asset Class	Underweight		Neutral	Overweight	
Global Equities			●		
U.S. Large Cap Growth			●		
U.S. Large Cap Value				●	
US. Small Cap Growth			●		
US. 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	
Energy				●	
Utilities				●	
Healthcare				●	
Financials				●	
Real Estate				●	
Information Technology			●		
Consumer Staples			●		
Industrials			●		
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 August 2, 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.

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Index Definitions

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

Conference Board (CB) Index of Coincident Indicators (ICI) are constructed by averaging their individual components in order to smooth out a good part of the volatility of the individual series.

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.

Chicago Board Options Exchange (CBOE) Volatility Index (VIX) is a real-time index that represents the market's expectations for the relative strength of near-term price changes of the S&P 500 Index (SPX). Because it is derived from the prices of SPX index options with near-term expiration dates, it generates a 30-day forward projection of volatility.

Bureau of Labor Statistics' employment cost index (ECI) is a quarterly economic series that details the growth of total employee compensation.

Short-Term Trading (TRIN) Index is a technical analysis indicator that compares the number of advancing and declining stocks (AD Ratio) to advancing and declining volume (AD volume).

Conference Board's Index of Leading Indicators is an American economic leading indicator intended to forecast future economic activity.

Important Disclosures

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

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