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CHIEF INVESTMENT OFFICE

Capital Market Outlook

September 19, 2022

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IN THIS ISSUE

Macro Strategy—*Signals at Bear Market Bottoms*: Based on macro analysis of six S&P 500 bear markets that led into recessions, this bear might have room to run. In length, if the June trough holds this bear market would be relatively short. Cyclical momentum, as gauged by the Institute for Supply Management (ISM) manufacturing index, also has tended to bottom at a much lower level than current readings. Earnings have typically been deep into a contractionary phase at market bottoms, but are just now coming under pressure. The unemployment rate also historically increased significantly before Equities find a floor. Perhaps most importantly, a monetary policy pivot might be necessary to fuel a sustained market turnaround, and inflation continues to run hot enough to make that unlikely.

What's the glass-half-full view? Historical analysis of bear markets is based on a small data set and a disinflationary macro regime that no longer exists, a good reason to be skeptical. Given the geopolitical backdrop, U.S. risk assets also look relatively more attractive than much of the rest of the world, supporting relative asset allocation flows. An unexpected easing of geopolitical tensions (and inflation) could also make a verbal Federal Reserve (Fed) pivot more likely, fueling a reversal in risk assets. With the Fed slamming on the monetary brakes, macro signals could also fall into line sooner-rather-than-later, perhaps in the first half of next year. For now, though, we'd remain cautious on risk assets.

Market View—*Speed Bumps Ahead: Taking Stock of the Global EV Battery Supply Chain:* A close examination of the global battery supply chain reveals many fault lines when it comes to securing a stable and reliable supply of minerals. China's presence is overwhelming and a potential flashpoint with the U.S.

In our view, the electric vehicle (EV) market in the U.S. is set to explode, meaning more demand for batteries, more upside pressure on mineral prices, and more hard-asset investment opportunities for investors.

Thought of the Week—*When Bad News Meets Poor Sentiment:* The combination of disappointing inflation-related news and poor investor sentiment rattled markets last Tuesday. The perceived-negative August print whipsawed the market, piling on the year-to-date (YTD) 17% decline for the S&P 500. It's the first year since 2016 that the S&P 500 more frequently closed in negative territory rather than positive.

As a typical source of volatility, inflation moderation may be unpredictable and rough for markets to stomach. We maintain a neutral view on Equities as risks to economic growth and corporate profits remain skewed to the downside.

MACRO STRATEGY ▶

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MARKETS IN REVIEW ▶

Data as of 9/19/2022, and subject to change

Portfolio Considerations

We maintain a neutral view on Equities, with a preference for U.S. Equities relative to International, as risks to economic growth and corporate profits remain skewed to the downside. We still expect high-quality Fixed Income to be a diversifier. We continue to emphasize broad portfolio diversification across asset classes, including Alternatives for qualified investors where appropriate, as we continue to monitor a post pandemic cycle that is unlike any other.

MACRO STRATEGY

Signals at Bear Market Bottoms

Jonathan Kozy, Managing Director and Senior Macro Strategist

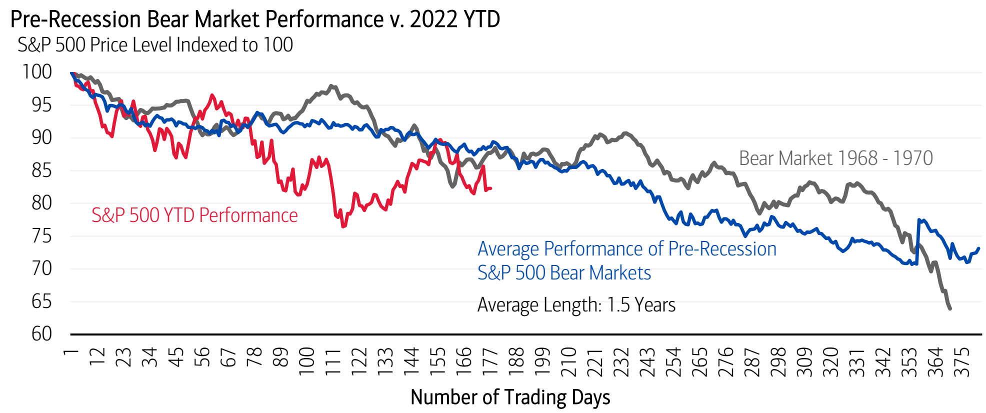
Hayley Licata, Analyst

Excluding the pandemic-induced recession of 2020, the current bear market that began in early January is tracking the average of the last six bear markets that led into recessions—1968-1970, 1974, 1980-1982, 1990, 2001, 2008—(Exhibit 1). On balance, historical analysis of these data suggest this bear market may have room to run. First, it has still been relatively short in comparison. Second, cyclical momentum, as gauged by the ISM manufacturing index, likely has not bottomed and has often been a prerequisite for a bear market bottom. The unemployment rate has also typically risen significantly in advance of market bottoms. And the nonfinancial profits cycle have tended to deteriorate before the market finds a floor, a process that is just now beginning with earnings downgrades. We would remain cautious on risk assets.

Investment Implications

We maintain a neutral view on Equities as risks to economic growth and corporate profits remain skewed to the downside. As growth moderates, profit estimates are likely to follow as the Fed pursues a more aggressive tightening bias.

Exhibit 1: Current S&P 500 Bear Following the Trail.



Average Includes Bear Markets of 1968-1970, 1974, 1980-1982, 1990, 2001 and 2008 .Source: Bloomberg. September 15, 2022.
Past performance is no guarantee of future results.

So far, this bear market has been relatively short in length, at just over nine months long, or shorter if you consider June to be the bottom. Five of the last six bear markets that led into recessions lasted over a year and a half in length. The shortest recession-related bear market was the 20% decline in the S&P 500 that lasted just over three months in 1990. On the other hand, the tech bubble burst of 2000 persisted for over 2.5 years and didn't bottom until well after the recession was officially over. With a sample size of six, it would be irresponsible to assume the average bear market duration of 1.5 years is a firm baseline, but if the S&P bottomed here, it would be well below the average at a period of time when the geoeconomic headwinds are very formidable and the Fed is slamming on the monetary brakes to stifle demand and arrest inflation.

The data (Exhibit 1) also highlight the fact that bear market rallies are common. As noted by Applied Global Macro Research, the 17+% bear market rally from mid-June to mid-August was not abnormal. The rally simply brought the path of this bear market back to the average recession bear market trend, as Exhibit 1 also shows.

Recession-related S&P 500 bear markets typically have bottomed in the middle of recessions, and BofA Global Research believes we will not be in an official recession until next year. For example, the S&P 500 have bottomed in March of 2009, but the recession ended in June. Looking at higher frequency data, the ISM manufacturing index, a reasonable gauge of cyclical momentum, currently sits in expansion territory at 52.8 (readings above 50 signal expansion) but in the month preceding previous market bottoms, the index averaged 43.5. Of the six instances we looked at, only in 2002 was the ISM manufacturing index above 50 when the S&P 500 bottomed, and that was a "soft landing." The ISM has tended to take its guidance from consumer spending and capital expenditures (capex) trends, which the Fed is actively trying to suppress. Partly for this reason, BofA Global Research continues to believe this economic landing is more likely to be "hard" than "soft."

Looking at gross domestic product (GDP) profits data from the Bureau of Economic Analysis (BEA), both nonfinancial profits and profit margins have historically fallen well in advance of recessions and S&P 500 bear market bottoms. We are likely in the early stages of this process. Earnings revisions have typically followed the path of the ISM and are heading lower with profits likely to follow. According to S&P Capital IQ data, consensus 2023 S&P 500 earnings per share estimates have come down from $248.6/share in April to $240.7/share in August. We think $200/share or less is more likely. From a coincident perspective, the profits cycle reinforces the overall cycle both in cyclical upswings and cyclical downswings. Whether you are looking to time the bear market bottom or not, a weakening profits cycle is a headwind for the market. Here the rest of the world/global growth will play an important role in the domestic profits cycle finding a floor.

With profits weakening during bear markets, the unemployment rate (UR) has typically already moved up significantly before the market bottoms. On average the UR has been up well over a percentage point from the start of a bear market to the bottom. In this cycle, the unemployment rate is lower since the start of the bear market. A weaker labor market would help bring inflation lower and ease pressure on corporate margins.

Perhaps most importantly, a monetary policy pivot might be necessary for a rebound to gain traction. The Fed has typically been cutting rates into a bear market bottom. In the financial crisis of 2009, a deflationary threat, the Fed was cutting rates for the entire length of the bear market. The market bottoms in late 1990, 1982 and 2002 were also preceded by Fed rate cutting cycles. In part, this was because we were in a multidecade period of disinflation where recessions brought on concerns of deflation. In the current inflationary environment, the market might be responsive to a verbal Fed pivot, versus an outright rate hike, in recognition of the importance of breaking the inflationary spiral. But with the Fed intent on not repeating mistakes of the past, even this might be wishful thinking over the balance of the year. The Fed will likely have to break something (the labor market, financial conditions and hopefully inflation) before they can verbally pivot.

Looking specifically at individual data sets for guidance, the bear markets in the 1970s had similar geoeconomic features. Inflation was accelerating, energy embargos featured prominently, and the Vietnam War was still rolling. The dollar was very strong when the bear market began in 1968 but weakened significantly over the next decade, as measured by the U.S. Dollar Index (DXY). Exhibit 1 also lays out how this bear market compares.

One glass-half-full view is that with the Fed tightening financial conditions through all channels (messaging, Quantitative Tightening, interest rate hikes), the macro signals—a more acute cyclical slowdown, a rising UR, disinflation, declining profits—that often precede a bottom could be triggered relatively fast. It could line up with the recession call in the first half of next year. An unexpected easing of geopolitical tensions (and inflation) could also make a verbal Fed pivot more likely, fueling a reversal in risk assets. In the meantime, given the geopolitical backdrop, U.S. risk assets look relatively more attractive than much of the rest of the world, likely supporting relative asset allocation flows. For one, the U.S. is relatively energy and food secure.

The historical analysis of bear markets should also be taken with a grain of salt, as it is based on a small data set and a disinflationary macro regime that no longer exists. We would still be cautious on risk assets here, though, based on macro fundamentals.

MARKET VIEW

Speed Bumps Ahead: Taking Stock of the Global EV Battery Supply Chain

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

Hayley Licata, Analyst

The electrification of road transportation is gaining momentum and is poised to go mainstream. The salient facts: Some 6.6 million EVs were sold globally in 2021, double the level of the previous year. A decade ago, in 2012, worldwide EV sales tallied just 120,000. Fast-forward to today, and 2.2 million EVs were sold in the first quarter of this year, up 75% from the same period a year ago. Currently, roughly 10% of global car sales are electric, with the percentage expected to double to 20% by 2030.[1] Some peg the share at 40% by 2030.[2]

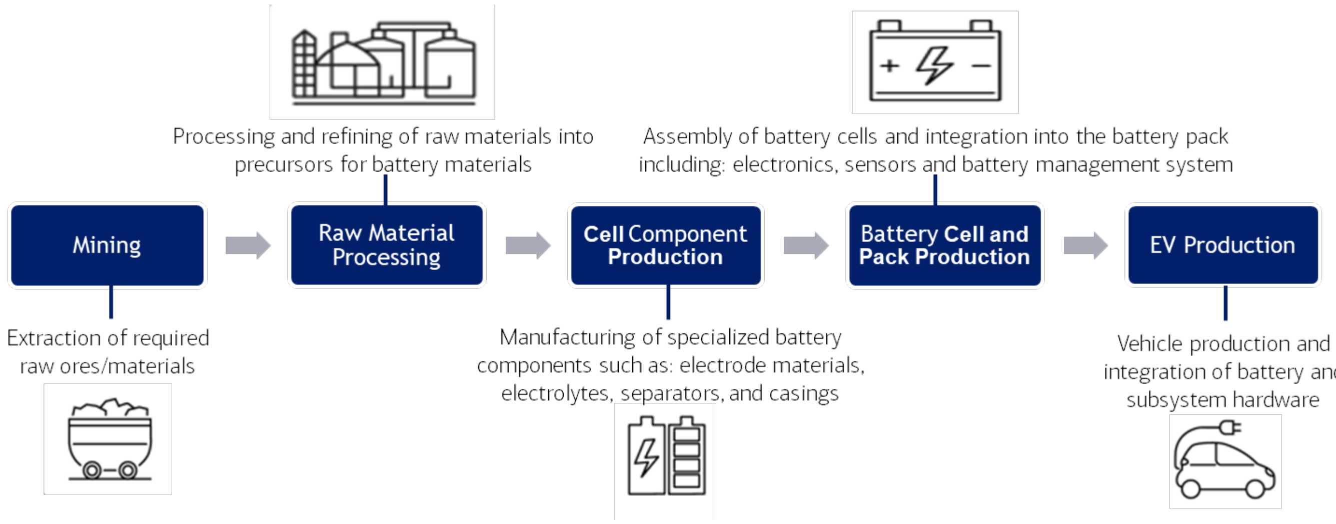
That said, making the turn from internal combustion engines powered by fossil fuels to vehicles juiced by batteries is not going to be easy. Electrical vehicle batteries are mineral-intensive, with cobalt, lithium, nickel, graphite and manganese the five most critical metals. The good news is that all five metals are abundant in the earth's crust. The bad news—and why we remain long-term bulls of industrial metals—is that the global supply of these metals, as well as production and processing of them, are highly concentrated in a few nations that make these supplies vulnerable to political instability, geopolitics and resources nationalism.

As the accompanying exhibit from the International Energy Agency (IEA) illustrates, there are a great number of moving parts/pressure points in the EV battery supply chain.

Investment Implications

One of our key long-term themes is Climate Change, with the electric vehicle revolution front and center. We believe we are on the road to a more decarbonized future, albeit with some speed bumps, namely securing a stable and cost-effective mineral supply. We remain bullish on critical metals/minerals and suggest portfolio positioning via our FAANG 2.0—fuels, aerospace and defense, agriculture, nuclear, and gold/metals/minerals—construct.

Exhibit 2: Electric Vehicle Battery Production Process.



Printed with permission. Source: IEA. Data as of August 30, 2022.

Start with mining and the fact that most battery metals are produced/supplied outside the U.S. In fact, according to the U.S. Geological Survey, the U.S. is 100% reliant on graphite and manganese imports, 70% per cobalt, and 50% net import reliant on lithium and nickel. Some sovereign suppliers are user-friendly to the U.S. (Chile, Australia, for instance), while some are not. Per the latter, think China, which accounts for 80% of natural graphite supplies; Russia, 20% of global high-purity nickel; and the Democratic Republic of Congo, which produces over 70% of the world's cobalt supply.

Once an ore is extracted, it needs to be processed, and here the supply chain becomes even more concentrated. Indeed, when it comes to raw material processing, China is the leader: The nation processes nearly 70% of the world's lithium, 84% of its nickel and 85% of the world's cobalt.[2] For manganese, China currently accounts for roughly 90% of the global production capacity. The upshot: China holds the "commanding heights" when it comes to processing and refining metals that are critical to not only electrical vehicles but also a host of other industries.

China is also dominate in cell component production, which is the specialized manufacturing of components like electrode materials, cathode and anode materials, separators and castings.

[1] All figures cited from "Global EV Outlook 2022," IEA.

[2] See "Cell-side analysis," *The Economist*, August 20, 2022.

This activity is more complex and sophisticated, with China currently home to around 80% of the world's cell-manufacturing capacity. Indeed, the top six companies in this space are Chinese and account for two-thirds of global production capacity.

Why the domination of China across various activities? Because the country has been out in front/ahead of the curve in terms of EV manufacturing for over a decade, with China alone accounting for 53% of global EV production in 2021. America's share: Roughly 11%.

China, in effect, dominates the entire downstream EV battery supply chain because of its first mover advantage in shaping the cars of the future. To this point, China has been subsidizing/incentivizing EV production since 2009, while it's only been in the past few months, with the signature legislation—the 2022 Inflation Reduction Act—that the U.S. government has drummed up incentives to shift the U.S. auto industry toward electrification.

Continuing down the supply curve, after a metal is mined, refined and then manufactured into specialized cell components, it is assembled into a battery cell pack, or the finished product. The activity is capital-intensive and is yet again highly concentrated, with the top three producers in 2021 (one from China, one from Japan, and one from South Korea) accounting for 65% of global production.

After this step, the battery is integrated into the subsystem of the electrical chassis, and rolls of the assembly line as an electrical vehicle. As of the end of 2021, six companies were responsible for 52% of total EV production, but market concentration is expected to decline as new players enter the market.

The U.S. EV Market: From Zero to Sixty

And speaking of markets, all eyes are on the U.S., where it is estimated that a whopping 1% of the 250 million cars, Sport Utility Vehicles (SUVs), and light-duty trucks on America's roads are electric. Yes, just 1%. But EV growth in the U.S. is exploding, with electric vehicle registrations in the U.S. rising 60% in Q1 of this year, according to Automotive News. And according to IHS Market, 25-30 percent of new car sales in the U.S. will be electric by 2030 and then 40% to 45% by 2035.[3]

With sweeteners for both producers and consumers, the Inflation Reduction Act should help catalyze U.S. EV sales. However, the tax credits/incentives come with conditions that just don't align with the current global EV supply chain. First, buyers can only receive tax credits for EVs assembled in North America. Starting in January 2023, 40% of any critical minerals and half the value of the battery components must be sourced from North America or countries with which the U.S. has free trade agreements with. In 2024, eligible EVs must have battery components not made or assembled "by a foreign entity of concern." which, go figure, includes China. In 2025, the same batteries must exclude "critical minerals" extracted, processed or recycled from the same foreign countries.[4]

Given all of the above, U.S. EV incentives come with many asterisks that will likely in the end only stress and strain the existing global battery supply chain.

Investment implications: Think FAANG 2.0

Quoting the IEA: "Accelerating the uptake of EVs will require a massive expansion in the supply of batteries, which will drive up demand for several critical minerals."[5] Indeed it will—but that's not all. Overlay uncertain geopolitics, the premium on energy security, rising resource nationalism, and the great U.S.-China power rivalry—put all these variables in the mix, and the secular outlook for minerals and metals is to the upside.

Near-term, yes, global recession fears have taken some steam out of commodity prices, metals and minerals included. But taking the long view, and within our construct of FAANG 2.0, we remain constructive on hard assets. As an aside, our FAANG 2.0 thesis pivots on fuels, aerospace and defense, agriculture, nuclear, and gold/metals/minerals.

In the end, the clean energy revolution—including the electrification of transport—requires massive amounts of minerals and metals. That's the inconvenient truth of going green— but a truth that nevertheless could present long-term investment opportunities.

[3] "Electric Cars' Turning Point May be Happening as US Sales Numbers Start Climb," *Car and Driver*, August 8, 2022.

[4] See "The problem with Biden's EV subsidy: Hardly any car will qualify," *Financial Times*, August 23, 2022.

[5] "Global EV Outlook 2022," IEA, May 2022.

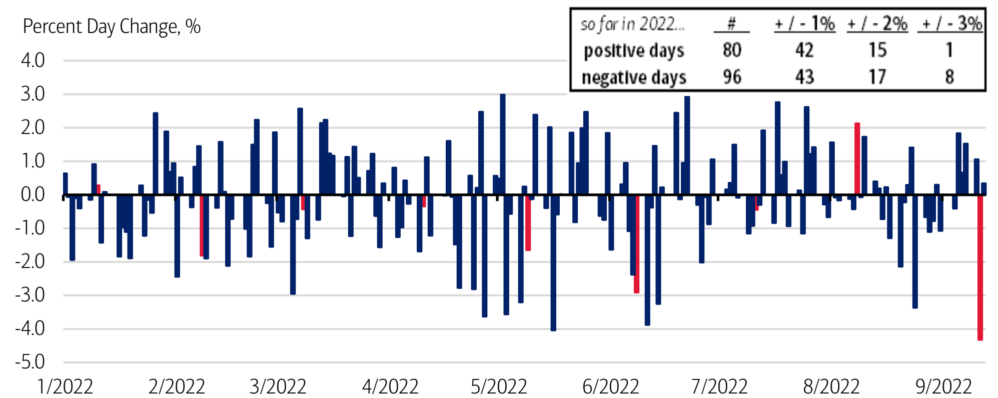
THOUGHT OF THE WEEK

When Bad News Meets Poor Sentiment

Lauren J. Sanfilippo, Director and Senior Investment Strategy Analyst

A real irritant for the market this year so far has been disappointing inflation-related news. It's a lethal combination of perceived bad news with sour sentiment that sent stocks in the S&P 500 tumbling last Tuesday, suffering its biggest one-day selloff in more than 27 months. News of the headline consumer price index (CPI) rising by 0.1% in August on a month-over-month basis, rather than an expected fall in inflation pressures, prompted a -4.3% hit to the S&P (Exhibit 3). As highlighted in red in the exhibit, CPI release days are overwhelmingly negative—of the nine releases this year, seven instances have been market-negative for the S&P 500.

Exhibit 3: A Bad Day In A Rough Year For The S&P 500.



Red bars indicate a CPI release day. Source: Bloomberg. Data through September 14, 2022. Short-term performance shown to illustrate more recent trend. **Past performance is no guarantee of future results.**

From Energy (-2.5%), Utilities (-2.7%), Healthcare (-3.3%), to Technology (-5.4%) and Communication Services (-5.6%)—no sector was spared on the day.[6] With technology beat up especially bad, the Nasdaq Composite sunk nearly 5.2%. The Dow Jones Industrial Average dropped more than 1,275 points, declining 3.9%.

Chalk it up to, it was another bad day in a tough year. The S&P 500 is down 17% this year and on track for its worst annual showing since 2008. It's unusual considering, on average, the S&P 500 closes more frequently in positive territory than in negative. But not this year—with 96 negative trading days so far this year, the S&P has closed in the red 55% of the time.[7] What's more is the velocity, too—on larger day moves of 1 to 3% in either direction, the market more frequently moved to the downside. (As an example, there are eight instances of -3% or more days this year, compared to one 3% or more day.)

As a late disclaimer, inflation moderation may be somewhat unpredictable and rough for markets to stomach. The bottom line is that Tuesday's selloff serves as a reminder that until markets are more convinced of a downward trend in inflation data, they remain prone to volatility and potentially sharp swings along the way. We maintain a neutral view on Equities as risks to economic growth and corporate profits remain skewed to the downside. As global growth prospects moderate, profit estimates are likely to follow as the Fed pursues a more aggressive tightening bias.

Investment Implications

While timing the market is a losing proposition, through this market-bottoming process, we would consider using volatility to become even more balanced at the sector level in Equities and diversified at the asset allocation level according to an investor's risk profile.

[6] S&P 500 Global Industry Classification Standard (GICS) level 1 percent day change on 9/13/2022.

[7] Source: Bloomberg. Data for the 176 trading days through 09/14/2022.

MARKETS IN REVIEW

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	30,822.42	-4.1	-2.1	-13.9
NASDAQ	11,448.40	-5.5	-3.1	-26.4
S&P 500	3,873.33	-4.7	-2.0	-17.8
S&P 400 Mid Cap	2,380.28	-4.7	-2.0	-15.3
Russell 2000	1,798.19	-4.5	-2.4	-19.2
MSCI World	2,569.29	-4.2	-2.1	-19.5
MSCI EAFE	1,788.60	-2.7	-2.7	-21.7
MSCI Emerging Markets	944.12	-2.6	-4.9	-21.5

Fixed Income†

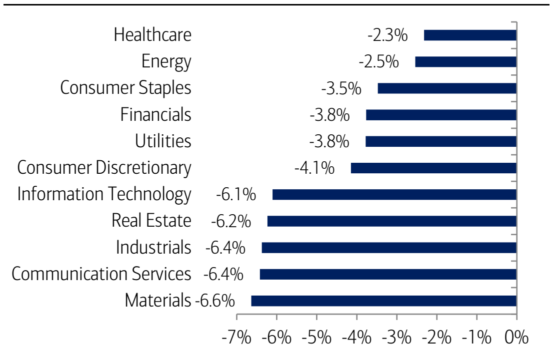
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	4.28	-0.86	-1.69	-12.98
Agencies	4.03	-0.61	-0.95	-7.44
Municipals	3.57	-0.69	-1.58	-10.07
U.S. Investment Grade Credit	4.31	-0.93	-1.82	-12.38
International	5.14	-0.99	-1.86	-15.80
High Yield	8.74	-2.02	-0.91	-12.03
90 Day Yield	3.09	3.01	2.90	0.03
2 Year Yield	3.87	3.56	3.49	0.73
10 Year Yield	3.45	3.31	3.19	1.51
30 Year Yield	3.51	3.45	3.29	1.90

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	251.57	-1.4	-3.9	18.8
WTI Crude $/Barrel††	85.11	-1.9	-5.0	13.2
Gold Spot $/Ounce††	1675.06	-2.4	-2.1	-8.4

	Total Return in USD (%)			
Currencies	Current	Prior Week End	Prior Month End	2020 Year End
EUR/USD	1.00	1.00	1.01	1.14
USD/JPY	142.92	142.47	138.96	115.08
USD/CNH	7.00	6.94	6.91	6.36

S&P Sector Returns



Sources: Bloomberg; Factset. Total Returns from the period of 9/12/2022 to 9/16/2022. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 9/16/2022 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 9/16/2022)

	2021A	Q1 2022A	Q2 2022A	Q3 2022E	Q4 2022E	2022E
Real global GDP (% y/y annualized)	6.1	-	-	-	-	3.3
Real U.S. GDP (% q/q annualized)	5.7	-1.6	-0.6	1.0	0.5	1.6
CPI inflation (% y/y)	4.7	8.0	8.6	8.2	7.0	7.9
Core CPI inflation (% y/y)	3.6	6.3	6.0	6.2	6.1	6.2
Unemployment rate (%)	5.4	3.8	3.6	3.6	3.6	3.6
Fed funds rate, end period (%)	0.07	0.33	1.58	3.13	3.88	-

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 September 16, 2022.

Asset Class Weightings (as of 9/6/2022)

	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 September 6, 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.

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.

Consumer Price Index measures the overall change in consumer prices based on a representative basket of goods and services over time

U.S. Dollar Index (DXY) is an index of the value of the United States dollar relative to a basket of foreign currencies, often referred to as a basket of U.S. trade partners' currencies.

Institute for Supply Management (ISM) manufacturing index is a monthly indicator of U.S. economic activity based on a survey of purchasing managers at more than 300 manufacturing firms

Nasdaq Composite is a stock market index that includes almost all stocks listed on the Nasdaq stock exchange.

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

S&P 500 Global Industry Classification Standard (GICS®) is a method for assigning companies to a specific economic sector and industry groups (Consumer Discretionary, Materials, Financials, Healthcare, Real Estate, Utilities, Industrials, Information Technology, Communication Services, Consumer Staples, Energy) that best defines its business operations.

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All 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.

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

Investments have varying degrees of risk. Some of the risks involved with equity securities include the possibility that the value of the stocks may fluctuate in response to events specific to the companies or markets, as well as economic, political or social events in the U.S. or abroad. Investing in fixed-income securities may involve certain risks, including the credit quality of individual issuers, possible prepayments, market or economic developments and yields and share price fluctuations due to changes in interest rates. When interest rates go up, bond prices typically drop, and vice versa. Bonds are subject to interest rate, inflation and credit risks. 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.

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.