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CHIEF INVESTMENT OFFICE

Capital Market Outlook

September 27, 2021

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

IN THIS ISSUE

Macro Strategy—Unexpected supply shortages, such as of semiconductors and energy, with Europe currently struggling to prepare for the winter season and energy prices surging, reflect to an extent the effects of rapid policy-driven changes in the economy. The speed, scale and scope of the government-led energy sector transformation suggest more supply discontinuities should not be surprising.

Global Market View—Higher valuations may persist for Equities due to higher-quality, robust margins and lower interest rates. Future returns will likely be driven by earnings growth and shareholder payouts. We believe investors should be more targeted in their portfolio exposures, seek areas where positioning is lighter and with better relative valuation, and access non-traditional asset classes, if appropriate.

Thought of the Week—Retail trading volumes remain elevated, as retail traders have become increasingly relevant market participants, adding to the new Equity culture that is building out in the U.S. and contributing to the current secular bull market.

Portfolio Considerations—Given the impressive outperformance of Equities over bonds throughout the better part of 2020 and so far this year, Equity weights have drifted higher than our recommended tactical tilts, and Fixed Income weights have drifted lower. As such, the strategy to rebalance from Equities into bonds would bring them in line with our tactical weights, and we look to implement the same in our CIO Portfolios. Our tactical views are not changing as a result of this rebalance, and we still remain overweight Equities and underweight bonds as per our earlier recommended tactical asset allocation weights.

MACRO STRATEGY

Chief Investment Office
Macro Strategy Team

GLOBAL MARKET VIEW

Niladri Mukherjee
Managing Director and Head of CIO Portfolio Strategy

THOUGHT OF THE WEEK

Emily Avioli
Assistant Vice President and Investment Strategist

Data as of 9/27/2021, and subject to change

MACRO STRATEGY

Supply-Chain Strains Reflect A Rapidly Changing Economy

Chief Investment Office, Macro Strategy Team

As discussed in past reports, the coronavirus pandemic accelerated a number of trends that were already developing in the U.S. and global economy, spurred and facilitated by rapid technological change. One of the trends has been a growing role of the government and its agencies in the economy, both here and abroad, and both at the national and supranational levels. However, as the private sector often struggles to keep up with government-driven changes, the bigger the change, the larger the potential for growth "glitches" and discontinuities.

In 2018, for example, difficulties in the implementation of tight new motor-vehicle emission standards in the eurozone, India and China contributed to a global manufacturing downturn, into which the Federal Reserve (Fed) also raised rates, causing the yield curve to eventually invert and recession risks to increase. Similarly, unprecedented government intervention in response to the pandemic has contributed to unusual supply and demand imbalances for a wide range of goods over the past year, which have restrained growth and boosted inflation to decades-high levels.

Inflation-adjusted U.S. consumer durable goods demand averaging 35% above its 1995-2019 trend this year, after averaging 14% above trend in 2020, according to Bureau of Economic analysis data, could hardly be expected to avoid running into supply constraints even in the absence of disruptions related to the pandemic, or the Texas deep freeze and Japanese semiconductor-plant fire earlier this year, which have substantially limited motor-vehicle production, for example, both here and abroad. Indeed, with reduced supply and excess demand, especially for increasingly "smart" consumer goods, existing semiconductor production capacity was absorbed well before motor-vehicle production could even meet normal replacement and new-vehicle needs. Forced to ration scarce computer chips, automakers have also reportedly chosen to produce higher-end models, pricing out many would-be buyers.

Either way, motor-vehicle shortages, high inflation and a higher-priced model selection have restrained economic growth this year and have greatly contributed to the decline in consumer sentiment through late summer, according to various surveys of consumer sentiment. What's more, despite positive news on Asian vaccinations and plant reopenings, expectations for improving semiconductor market conditions have been extended into 2023, with electric vehicle (EV) production ramping up fast in light of increasingly stringent emission restrictions seen playing a key role in the delay.

No doubt, the fact that, at its June 2021 summit, the G7 committed to reaching net-zero greenhouse-gas emissions by 2050 and recognized the "*Net Zero by 2050: A Roadmap for the Global Energy Sector*" report published in May by the International Energy Agency (IEA) as a "clear roadmap" for achieving this objective, did not go unnoticed by the industry. One of the IEA's Roadmap top priorities is precisely a surge in EVs from around 5% of global passenger car sales currently to more than 60% by 2030 and 100% in 2035. Such ambitious targets, combined with the fact that EVs incorporate about 10 times more chips than current internal combustion models, suggest that global chipmakers may continue to struggle to meet demand in the short to near term.

The climate change policy recommendations and milestones outlined in the Roadmap report also suggest that other discontinuities would not be surprising in coming years either. According to the IEA, closing the big current gap between countries' rhetoric related to limiting global warming and actual emissions suggested by current trends requires "nothing short of a total transformation of the energy systems that underpin our economies." The IEA lays out detailed steps, strict policies and immediate actions needed to achieve climate goals, which, in its own words is "perhaps the greatest challenge humankind has faced" because of the scale, speed and scope of the required effort.

The report thus offers a peek into the future and also helps us to understand the underlying sources of some of the shortages currently experienced in the economy. These include the effects of EV production requirements on the chips market, the current European energy scramble ahead of the winter season (not least caused by unseasonably weak wind-blowing conditions, a repudiation of fossil fuels and, in Germany, also a phase out of nuclear power by late 2022), as well as the big increase in global energy prices over the past year, massive U.S. and world energy reserves notwithstanding.

It's hard to see how these will be the only supply strains, dislocations or unintended consequences related to this "formidable" transformation of the energy sector. In fact, since it will affect all economic activities, directly or indirectly, according to the IEA, the risk of discontinuities, increased vulnerabilities and system fragility may even increase.

Here are few highlights from the vastly detailed report:

- The pathway to achieving net-zero greenhouse emissions by 2050 remains narrow and extremely challenging, as it requires "vast amounts of investment, innovation, skillful policy design and implementation, technology deployment, infrastructure building, international co-operation and efforts across many other areas."
- Global electricity generation must increase 2.5 times between today and 2050. While this would be about 3% per year, in line with past experience, 70% will have to come from wind and solar power by 2050.
- Investment in clean energy and energy infrastructure is projected to more than triple between 2020 and 2030. According to the report, for solar power, this requires installing the world's largest current solar park roughly every day for the next 10 years. Hydropower and nuclear power also provide an essential foundation for the transition, with nuclear energy seen up 15% between 2020 and 2030, mainly in China.
- The Roadmap requires no more sales of new internal combustion passenger cars in 15 years.
- To boost the share of EV, annual EV battery production must jump 40 times this decade and so must EV charging points (from 1 million today to 40 million in 2030).
- The effort requires a drop of 75% in global crude oil consumption over the next 30 years. As a result, according to the IEA, this implies that no new oil fields are necessary. With no oil exploration needed from here on, the Organization of the Petroleum Exporting Countries' (OPEC) market share (though of a much reduced global-supply pie) is projected to increase from around 37% in recent years to 52% in 2050, the most ever, as sustained investment in already-sanctioned oil fields remains necessary during the transition as well as to satisfy demand for petrochemicals. Nevertheless, achieving net-zero emissions by 2050 requires refinery runs to fall by 85% between 2020 and 2050, according to the Roadmap, especially for those not able to primarily concentrate on petrochemical operations or the production of biofuels.
- No new natural-gas fields are required beyond those already approved for development, as demand in 2050 is seen 55% lower than today. No new coal mines or mine extensions are required either.
- On the other hand, the energy transition requires substantial quantities of critical minerals: The total market size of minerals like copper, cobalt, manganese and various rare earth metals is projected to grow almost sevenfold between 2020 and 2030. According to the report, while this creates substantial new opportunities for mining companies, it also creates new energy security concerns if supply cannot keep up with burgeoning demand. Indeed, since a 7-fold market expansion implies a 20% annual growth rate through 2030, such concerns should not be dismissed.
- The IEA projects annual investment in carbon dioxide (CO2) pipelines and hydrogen-enabling infrastructure to increase from $1 billion today to around $40 billion in 2030.
- Achieving net-zero greenhouse emissions by 2050 also involves significant behavioral changes, such as a shift to cycling, walking, ridesharing or taking buses instead of cars, replacing regional air travel with high-speed rail where feasible, working from home, and limiting travel (2050 business and long-haul leisure air travel does not exceed 2019 levels in the Roadmap). However, according to the report, the coronavirus pandemic has "demonstrated that people can make behavioral changes at significant speed and scale if they understand the changes to be justified."

According to the IEA, this unprecedented transformation of how energy is produced, transported and used globally also requires an increased government role in:

- Planning, financing and incentivizing the energy infrastructure of the future.
- Ensuring cybersecurity, since a digitalized electricity network and bigger dependence on electricity make the world more vulnerable to cyberattacks.
- Reprioritizing research and development, since almost 50% of the CO2 emissions reductions in 2050 will depend on technologies that are currently still at prototype stage.
- Setting energy efficiency standards that triple the pace of efficiency gains from that of the past 20 years (to use 7% less energy by 2030 even as the global economy grows 40%, for example).
- Creating clear rules and regulations related to market reforms, the use of liquid biofuels and synthetic fuels in aviation and shipping, and ensuring that low oil prices do not stimulate consumption.
- Helping provide electricity to around 785 million people who currently lack access and clean cooking solutions to 2.6 billion people, as an integral part of the pathway to net zero.
- Helping provide assistance to countries affected by the energy transformation since "annual per capita income from oil and natural gas in producer economies is expected to fall by about 75%…by the 2030s." According to the IEA, this not only could have societal effects but potential social instability could threaten the smooth delivery of resources to importing countries. Extreme financial strains could also cause inadequate maintenance of what is left of required upstream operations, potentially creating volatile energy markets during the transition and making assistance to these countries critical.

In sum, rapid policy-driven changes are also contributing to shortages this year, amplifying pandemic and idiosyncratic disruptions to the flow of goods and energy. The magnitude and complexity of the energy sector transformation in coming years, as described in the IEA's Roadmap report, make it highly unlikely these shortages will disappear anytime soon. Investment, technological advancement and government policy is expected to play a big role in avoiding bigger potential discontinuities ahead.

GLOBAL MARKET VIEW

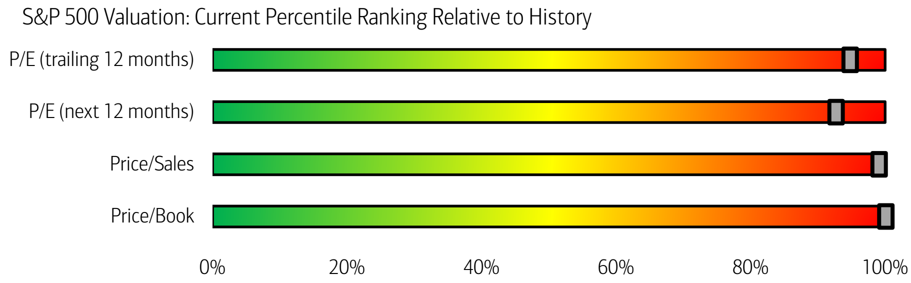
Investing in an "Everything Expensive" Market

Niladri Mukherjee, Managing Director and Head of CIO Portfolio Strategy

A conundrum facing investors today is that asset prices have done exceedingly well since the pandemic-driven bottom last year and valuations are seemingly stretched, while investable cash on the sidelines has remained elevated. Additionally, for long-term asset allocators, higher valuations statistically present the challenge of lower prospective returns.

It's hard to argue that Equities and bonds aren't expensive today versus their own history on almost all traditional valuation metrics (Exhibit 1). The S&P 500 is trading at a price-to-earnings ratio (PE) of 21x, on a 12-month forward earnings per share (EPS) basis, versus its historical average of 16x. Within equities, the dominating Technology sector is trading at a PE of 27x versus its historical average of 19x. Bond yields remain near historical lows, with the 10-year Treasury yielding 1.45%, much lower than current inflation levels of around 5%. Corporate bonds, meanwhile, are offering only moderate additional yield over Treasurys—Investment-grade spreads at 0.84% and high-yield bonds spreads at 2.75%, both near historical lows. No wonder investors with cash get that uncomfortable feeling when going into the markets.

Exhibit 1: Equities Are Expensive On Most Traditional Metrics.



Sources: Strategas Research Partners; Bloomberg. Data as of September 21, 2021. History refers to the 20-year percentile ranking.

It's well understood that investing at lower starting valuations has historically provided better returns, as those valuation levels normalize with the recovery in the business cycle. However, valuation is an indicator of investor sentiment, and, as such, investing at lower valuations brings its own set of risks, given that lower valuations typically coincide with recessions or occur during periods of heightened market uncertainty. During these times there are open-ended questions regarding when the business cycle will bottom, when corporate earnings will stabilize, and when consumer and business sentiment will improve, and whether policy accommodation is adequate. Similarly when valuation seems expensive, investors start to anticipate selloffs and the potential end to the business cycle. In reality, valuation by itself is never a good gauge of which way the market will trend; rather, it is one of the several inputs into the portfolio construction process along with one's assessment of the economy, corporate profits, monetary policy and sentiment.

Multiples May Stay Higher For Longer

Valuation multiples have historically been mean reverting, which is why many investors may be skeptical given today's seemingly lofty PE ratios. However, on a forward-looking basis, it's worth considering that even though multiples could compress some, they may structurally remain in a higher range compared to their own history. There are several reasons this could be true for the S&P 500 Index:

First, the index has more exposure to companies and industries that can be considered to be of secular growth nature. Take the Technology and Communication Services sectors, for example, which are at the forefront of the digital revolution. Today, their combined weight in the index is 39%, compared to only 18% in 2005, according to Bloomberg. Better long-term growth prospects should attract more investors seeking long-term returns to U.S. equities. European markets don't have as much exposure to secular growth industries (Technology is only 9% of the Euro STOXX 600 Index versus 28% of the S&P 500) and Chinese technology companies are under intense regulatory scrutiny from their government, causing investors to question their long-term holdings in the space.

Second, in the last decade or so, the level and pace of innovation has accelerated, which has helped keep profit margins elevated. This often comes at the expense of labor, as evidenced by the slower-than-anticipated growth in wages in recent cycles. A more profitable index of companies should typically attract higher valuation multiples.

Third, Large-cap Equities are considered a higher-quality asset class. The return on equity (ROE) of the S&P 500 index is roughly 18% today (and looks to be heading higher) versus a range of 12% to 15% before the pandemic. The S&P 500 index stands out amidst a global scarcity of assets, providing a combination of growth, quality and yield characteristics—one of the reasons why the U.S. Equity markets have dramatically outperformed other regions in the last 10 years.

Finally, interest rates are likely to rise but remain near historically low levels, and, thus, from a relative valuation standpoint, Equities continue to look favorable compared to Fixed Income, its primary competing asset class for investor dollars. The earnings yield (E/P, using next year's EPS estimate of $220) of the S&P 500 is roughly around 5%, much higher than bond yields. For comparison, the earnings yield of the index was lower than bond yields in early 2000, when the dotcom era came to a crashing end amid a major stock market valuation overshoot.

Bringing It Down To Portfolio Strategy

Staying invested: If one assumes that valuation levels may have structurally rerated higher, especially those for large-cap, high-quality U.S. Equities, then investors with a longer time horizon should feel more comfortable putting cash to work via dollar cost averaging. As mentioned, valuation by itself isn't a reliable asset allocation tool over the medium term, but when combined with the earnings power of corporates and interest rates, becomes a more holistic framework. Earnings growth should remain on an uptrend driven by elevated levels of nominal gross domestic product (GDP) and interest rates should rise only moderately higher, remaining anchored by Fed policy and even lower yields on offer outside the U.S. Two of the three pillars (earnings, rates, valuation) help justify staying invested and maintaining an overweight to Equities. It may be hard for multiples to move even higher; therefore, a reasonable assumption is that future returns may come from earnings and shareholder payouts for the most part.

Higher starting valuation makes dividends and other forms of yield more significant for total returns. Dividend growth strategies provide income and benefit from inflation, as earnings are nominal. Within Fixed Income, Investment-grade corporate bonds, despite the tighter spreads, may help provide decent yield while spreads potentially remain tight or move sideways as the economy further improves. Valuations in the municipal sector are also stretched from a historical perspective, but investor demand is expected to remain robust due to the potential for higher taxes. And bond ladders in a rising rate environment could be effective for yield and duration management purposes.

Positioning for 'micro' over 'macro': While index level returns may shift lower on tightening financial conditions as the business cycle further matures and the Fed pulls back from its historic levels of monetary policy accommodation, we believe investors should become more targeted in their portfolio exposures. In the years when PEs have been relatively flat, areas of the market displaying positive earnings momentum/higher revisions have tended to outperform[1]. Global earnings expectations are broadly still strengthening and are the strongest for cyclical sectors and weakest for defensives. Also, high-quality as a factor tends to outperform as the economy transitions to the mid-cycle growth phase.

Active management[2] has the potential to add to returns in the years ahead. Within Equities, the effect of rising rates and inflation will be specific to sectors, industries and companies, leading to more dispersion in earnings. Within Fixed Income, major indexes expose investors to higher duration risk, so using managers or strategies with a flexible approach to move among sectors and duration exposures may be beneficial.

Seeking relative value and areas with lighter positioning: Another consideration is to invest first in or favor areas where positioning is relatively lighter and the GDP improvement factor may provide more upside and/or the ongoing inflation surprises are a potential tailwind. Investor flows have chased Growth areas, while cyclicals have seen outflows in recent months, creating that pocket of opportunity in the latter. Value and small-caps are trading at a relative valuation discount to Growth and large-caps, respectively, and also benefit from higher rates, commodity inflation and capital expenditure (capex) growth. International Equities are currently cheaper than domestic and may offer the potential for excess returns as coronavirus vaccinations ramp higher and relative earnings growth is potentially better next year, especially if U.S. corporate taxes rise.

[1] Cornerstone Macro Research as of September 20, 2021.

[2] Active management seeks to outperform benchmarks through active investment decisions such as asset allocation and investment selection.

Thinking outside the traditional box for qualified investors: Higher valuations mean higher investor expectations for future economic growth and profits and, therefore, potential for more volatility when these are not met. Catalysts for negative developments remain in the form of Fed tapering, negotiations on further fiscal stimulus and debt ceiling, persisting elevated inflation, and a still-raging coronavirus wave, among other factors. Equity Long/Short strategies can provide exposure to the market while potentially adding alpha on the long and short side. A portfolio of tangible/real assets such as commercial real estate has the potential to provide income and growth, especially during rising inflationary pressures. Private credit can provide an alternative to traditional Fixed Income for yield purposes and Private Equity for enhanced return opportunities. However, potential for additional return in the private markets comes at the expense of lower liquidity and higher fees.

THOUGHT OF THE WEEK

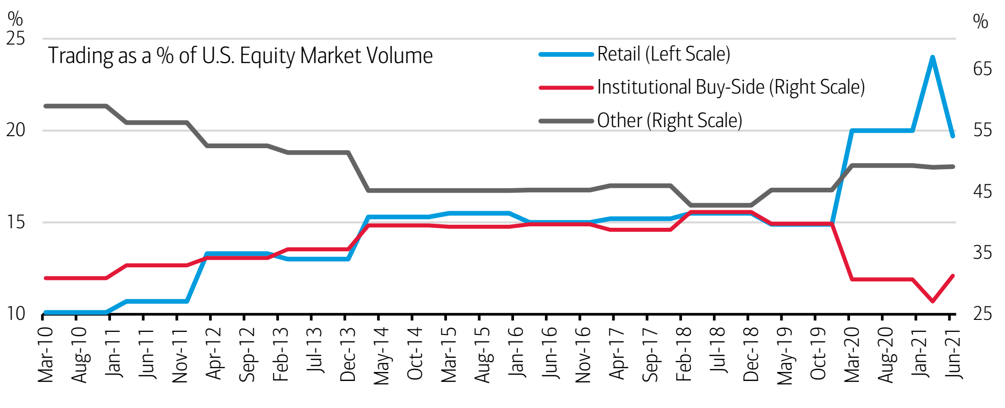
The Rise of Retail Traders

Emily Avioli, Assistant Vice President and Investment Strategist

Amid the confluence of economic shutdowns, government stimulus aimed directly at households, growth of online trading platforms, and widespread reduction in brokerage commission fees, retail investors have become increasingly relevant market participants. U.S. households now own just under 40% of the U.S. Equity market, according to Fed data, and were among the biggest buyers in the recent pandemic recovery[3].

Months removed from the onset of the pandemic, retail trading volumes remain elevated—they accounted for about 20% of U.S. Equity market volume in Q2, down from 24% in Q1, but in line with 2020 levels (Exhibit 2).

Exhibit 2: Retail Trading Volume Remains Elevated.



Source: Bloomberg Intelligence Estimates. Data as of August 10, 2021. Other refers to Banks and Non-Bank Market Makers/High-Frequency Trading.

Increased retail activity could be contributing to record inflows into Equities this year so far—the annualized inflow of $1 trillion to global stocks in 2021 is greater than the cumulative inflow of the prior 20 years, according to BofA Global Research. Meanwhile, the Russell 2000 Value index is up 20% year to date. Some of the biggest contributors to the index this year have been coined as "meme stocks," which gained traction amid the retail trading frenzy.

It is still unclear how a reduction in stimulus or a significant pullback in equity markets could influence retail trading volume. But in our view, the increased participation of retail investors should continue to add to the new Equity culture that is building out in the U.S., contributing to the current secular bull market.

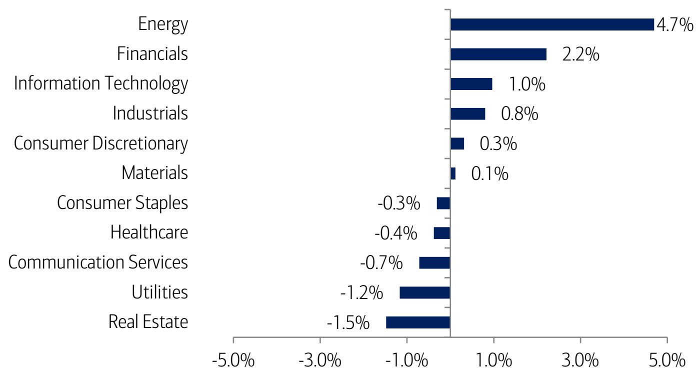
[3] Empirical Research Partners, July 21, 2021.

MARKETS IN REVIEW

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	34,798.00	0.6	-1.5	15.3
NASDAQ	15,047.70	0.0	-1.3	17.3
S&P 500	4,455.48	0.5	-1.4	19.9
S&P 400 Mid Cap	2,699.38	0.8	-1.9	18.1
Russell 2000	2,248.08	0.5	-1.1	14.6
MSCI World	3,103.53	0.2	-1.1	16.6
MSCI EAFE	2,341.69	-0.3	-0.5	11.0
MSCI Emerging Markets	1,265.10	-1.0	-3.1	-0.3

S&P 500 Sector Returns



Fixed Income†

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	1.42	-0.46	-0.52	-1.39
Agencies	0.82	-0.28	-0.43	-0.63
Municipals	1.02	-0.20	-0.23	1.30
U.S. Investment Grade Credit	1.53	-0.40	-0.47	-1.16
International	2.06	-0.35	-0.25	-0.47
High Yield	3.89	-0.13	0.31	4.87
90 Day Yield	0.03	0.03	0.04	0.06
2 Year Yield	0.27	0.22	0.21	0.12
10 Year Yield	1.45	1.36	1.31	0.91
30 Year Yield	1.98	1.90	1.93	1.64

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	211.36	1.5	3.1	26.8
WTI Crude $/Barrel††	73.98	2.8	8.0	52.5
Gold Spot $/Ounce††	1750.42	-0.2	-3.5	-7.8

	Total Return in USD (%)			
Currencies	Current	Prior Week End	Prior Month End	2020 Year End
EUR/USD	1.17	1.17	1.18	1.22
USD/JPY	110.73	109.93	110.02	103.25
USD/CNH	6.46	6.47	6.45	6.50

Sources: Bloomberg, Factset. Total Returns from the period of 9/20/2021 to 9/24/2021. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 9/24/2021 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.**

Asset Class Weightings (as of 9/7/2021)

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

*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.

Economic Forecasts (as of 9/24/2021)

	2020A	Q1 2021A	Q2 2021A	Q3 2021E	Q4 2021E	2021E
Real global GDP (% y/y annualized)	-3.1	-	-	-	-	5.9
Real U.S. GDP (% q/q annualized)	-3.4	6.3	6.6	4.5	6.0	5.9
CPI inflation (% y/y)	1.2	1.9	4.8	5.2	5.2	4.3
Core CPI inflation (% y/y)	1.7	1.4	3.7	4.1	4.1	3.4
Unemployment rate (%)	8.1	6.2	5.9	5.3	4.5	5.5
Fed funds rate, end period (%)	0.09	0.06	0.08	0.13	0.13	0.13

The forecasts in the table above are the base line view from BofA Global Research. The Global Wealth & Investment Management (GWIM) Investment Strategy Committee (ISC) may make adjustments to this view over the course of the year and can express upside/downside to these forecasts. Historical data is sourced from Bloomberg, FactSet, and Haver Analytics.
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 September 24, 2021.
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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 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.

Euro STOXX 600 is a stock index of European stocks designed by STOXX Ltd.

Russell 2000 Index is a small-cap stock market index of the smallest 2,000 stocks in the Russell 3000 Index.

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

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

Dividend payments are not guaranteed, and are paid only when declared by an issuer's board of directors. The amount of a dividend payment, if any, can vary over time.

Investments have varying degrees of risk. Some of the risks involved with equity securities include the possibility that the value of the stocks may fluctuate in response to events specific to the companies or markets, as well as economic, political or social events in the U.S. or abroad. Investing in fixed-income securities may involve certain risks, including the credit quality of individual issuers, possible prepayments, market or economic developments and yields and share price fluctuations due to changes in interest rates. Bonds are subject to interest rate, inflation and credit risks. Treasury bills are less volatile than longer-term fixed income securities and are guaranteed as to timely payment of principal and interest by the U.S. government. Investments in foreign securities involve special risks, including foreign currency risk and the possibility of substantial volatility due to adverse political, economic or other developments. These risks are magnified for investments made in emerging markets. Investments in a certain industry or sector may pose additional risk due to lack of diversification and sector concentration. There are special risks associated with an investment in commodities, including market price fluctuations, regulatory changes, interest rate changes, credit risk, economic changes and the impact of adverse political or financial factors. There are special risks associated with an investment in commodities, including market price fluctuations, regulatory changes, interest rate changes, credit risk, economic changes and the impact of adverse political or financial factors.

Bond portfolio laddering does not reduce market risk, and the principal and yield of investment securities will fluctuate with changes in market conditions.

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.