MERRILL
A BANK OF AMERICA COMPANY

CHIEF INVESTMENT OFFICE

Portfolio Positioning

Considerations Through The Reset To The Next New Cycle

November 2022

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

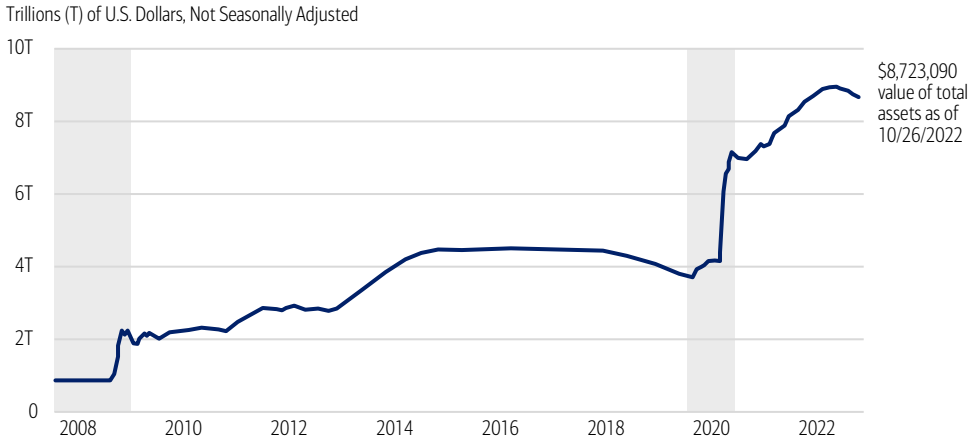
AUTHORED BY:

Chief Investment Office

Data as of 10/26/2022 and subject to change.

Since midyear, we have been discussing what we call *The Reset* period. A period that includes a number of renormalizing events and a sort of "give back" phase from the excesses built up during the pandemic. The excesses developed during *The Great Separation* (pandemic period) came on top of a decade+ time frame following the global financial crisis, also known as the secular stagnation period. This period was characterized by a debt shift from the household to the government, low yields, low inflation, low nominal growth and a Federal Reserve (Fed) that eased policy when asset prices became unstable. Quantitative easing, or expanding the balance sheet (Exhibit 1) of the Fed became a common occurrence. However, the money supply never really expanded enough to kick-start higher inflation.

Exhibit 1: Fed Balance Sheet.

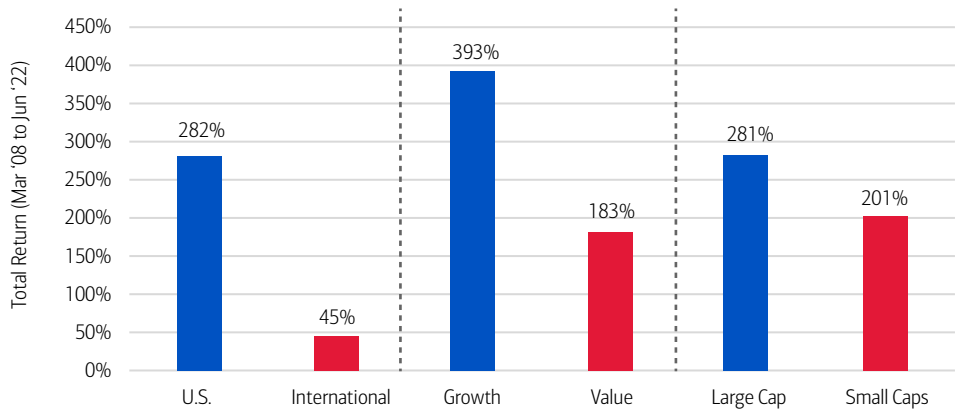


Gray shaded areas indicate U.S. recessions. Source: Board of Governors of the Federal Reserve System as of October 26, 2022.

During the secular stagnation period, each time the Fed raised rates or paired back its balance sheet, inflation was never at its preferred level so growth declined sharply and the economy slumped. Cyclical shares, Small-caps, Emerging Markets, Value-oriented strategies etc., rarely had a sustainable move relative to other assets and investment segments. Large capitalization (Large-cap) Growth, U.S. Equities in general, and the Technology sector led (Exhibit 2) consistently throughout this period. Price-to-earnings (P/E) ratio multiples stayed high as rates stayed low, and bond yields could not produce the income needed for savers as investors benefited. Savers, on the margin, shifted to total return investments with a higher risk and this led to a rise further in multiples as rates remained under pressure.

5051169 11/2022

Exhibit 2: The Era Of Balance Sheet Expansion Led To U.S., Growth And Large-cap Outperformance.



Source: Bloomberg as of June 2022. **Past performance is no guarantee of future results. Please refer to asset class proxies and index definitions at the end of this report.**

Now, we are headed toward a new cycle, in our view, that is undergoing a reset period. This cycle will likely be characterized by higher rates (although still low relative to history), higher nominal growth and inflation than the period after the 2008/2009 Great Financial Crisis, lower P/E ratio multiples on average, increased need for a diversified portfolio of various asset classes, including alternatives, but still a wide set of new opportunities born out of the gaps and growth levers that became obvious through the pandemic. Diversification across traditional and Alternative asset classes plus thematic investments that produce consistent return on capital should take on greater importance in the years ahead, given the changing economic and geopolitical dynamics globally, in our opinion.

In the short term, we expect this initial reset period to last approximately six to nine months and end when the Fed ultimately pauses. As each week passes, what has been developing is in line with our original reset premise. However, we are now witnessing quite a few historical anomalies, unprecedented capital markets events, and some cross-asset relationships that simply are head-scratching. In our view, what is especially difficult is the speed and magnitude at which many of these are occurring together. The chief catalyst to this period of outliers, in our opinion, begins and ends with the velocity and strength at which yields have risen.

In this report, we discuss the major outliers, some potential early bright spots and themes, the signposts we are watching to assess when *The Reset* period may end, and we provide some portfolio considerations for various types of investors that could help with the transition through *The Reset* period to the next new cycle.

[1] Calendar year all other periods, year-to-date for 2022. Based on S&P Total Return and the Bloomberg U.S. Aggregate Index. Source: Bloomberg, September 30, 2022.

[2] Source: Rolling two-year correlation of approximate change in daily 10-year Treasury prices versus daily change in the S&P 500 Index. Source: Bloomberg, CIO as of October 5, 2022.

[3] Consumer Price Index year-over-year Change. Source: Bloomberg as of September 30, 2022.

[4] Six-month change in fed funds or mid-point in targeted fed funds range. Source: Bloomberg as of September 30, 2022.

[5] World Bank Group, "Global Recession Imminent?", as of September 2022.

[6] Twelve-month change in five-year real yields as measured by Treasury Inflation-Protected Securities (TIPS). Source: Bloomberg as of September 20, 2022.

[7] Source: Bloomberg as of October 1, 2022.

[8] AAII US Investor Sentiment Bullish Readings minus AAII US Investor Sentiment Bearish Readings. Source: Bloomberg as of September 30, 2022.

[9] British pound sterling (GBP)/U.S. dollar (USD), Japanese Yen (JPY)/USD, and euro (EUR)/USD. Source: Bloomberg as of September 30, 2022.

[10] World Bank Commodity Prices Natural Gas Europe vs Generic 1st U.S. Natural Gas Future. Source: Bloomberg as of September 30, 2022.

BIGGEST OUTLIERS

Asset market returns

- First time U.S. Equity and bond markets have both had negative total returns[1]
- Worst diversified portfolios returns for a calendar year—lower than even the Global Financial Crisis in 2008[1]
- Rolling two-year bond/Equity correlation hits almost positive 60%, the highest since 1997, after more than two decades of being mostly negative[2]

Inflation and rates

- Highest U.S. inflation in over 40 years, exceeded only in the post-World War I, post-World War II, and 1970s inflationary eras[3]
- The quickest pace of fed funds rate hikes in 40 years[4] and the quickest pace/greatest proportion of rate hikes globally in modern history[5]
- The largest 12-month rise in real yields in history[6]
- U.K. government long bonds lose more than 25% in four trading days, worst all-time and a historic loss for any developed market sovereign issuer[7]

Sentiment

- Third-lowest American Association of Individual Investors (AAII) Bull versus Bear reading of all time (lower only in 2009 and 1990)[8]

Currencies and Commodities

- Sterling lowest intraday level versus U.S. dollar of all time[9]
- Yen lowest level versus U.S. dollar since 1990[9]
- Euro back below parity versus U.S. dollar for first time since 2002[9]
- European natural gas (around $70) became $61 more expensive than U.S. natural gas (around $9), an all-time record[10]

SIGNPOSTS FOR A NEW EQUITY BULL CYCLE

We are currently experiencing various relief rallies as well as sporadic downtrends. We expect choppy waters to continue until inflation visibly and sharply recedes with a Fed pause following close behind. After this event, Equities could begin a new cycle as the Fed pivots to a balanced focus on inflation and growth versus its singular focus today on crushing inflationary pressures. Given that monetary policy works with a lag, Fed officials may assume at some point that cumulative tightening already in the system will eventually get them to a 2% inflation target. They may begin to pivot when core inflation moves reasonably closer to their target and is directionally trending lower from current levels of 5 and 6%.

A peak in labor market weakness could be a catalyst as well. Our expectation is that jobless claims will rise in the months ahead as the economy further loses momentum. But once the adjustment in the supply/demand imbalance in the labor market has run its course, and employers see improving prospects for top-line growth, they should start to hire again, ultimately providing a tailwind for Equities.

Stabilizing earnings estimates would also help Equities begin a new bull cycle, in our view. Earnings downgrades are beginning to come through for the back half of 2022 and for 2023, but estimates remain far above our forecast levels which assume a decline of 9% next year. We believe Equity returns are likely to be dampened by downward earnings revisions over the next several months but will ultimately recover once earnings estimates first stabilize and then begin a new uptrend.

Finally, a weakening U.S. dollar could help Equities to ultimately find their footing, especially in the case of International Equities. Tightening monetary policy, a global slowdown, geopolitical tensions and growing investor risk aversion are keeping the dollar elevated. For the dollar to turn around, we would likely need some combination of a peak Fed tightening cycle, less stress in the global financial system, and some stability in leading indicators for global growth, leading to a return of investor risk appetite.

SOME BRIGHT SPOTS IN THIS NEGATIVE MARKETPLACE

Amid the gloom and the sea of red in the financial markets throughout much of this year, opportunities are presenting themselves, and we find several things to like. First, equity valuations may not be cheap but are more attractive for long-term investors. For the S&P 500 Index, P/E ratio (next 12 months) is roughly 16x, down from a level of 23x last year and in line with its long-term average. Second, better income opportunities were available in Cash and the bond market. The 10-year Treasury yield of around 4.1% is quite a bit above the dividend yield of the S&P 500 at 1.7% today, unlike most of 2020 and 2021. Third, several industry surveys and our proprietary metrics show that investor sentiment is at rock-bottom levels, which is a contrarian positive for both stocks and bonds.

Market bottoms are impossible to predict, but for long-term investors, the opportunity to put cash to work in the coming months in a dollar cost averaging fashion and for income-seeking investors to find yield is there. Below, we outline some key thoughts on asset allocation strategies we expect in the coming weeks and months.

Balanced investor seeking diversification

Within a balanced portfolio, investors should incorporate an appropriate balance of Equities and Fixed Income, Small-caps and Large-caps, Growth and Value, Government and Corporate bonds, and domestic and international exposures. In the current environment, we suggest emphasizing a high-quality tilt, dividends and defensive areas such as Healthcare and Utilities. For qualified investors, broader diversification can be achieved using Alternative Investments and Real Assets. In looking for rebalancing

opportunities during *The Reset* period, key considerations to be assessed could be—if bond yields rise further, should one increase allocations to Fixed Income and/or increase duration? If Equities weaken as earnings are downgraded, should one rotate back into beaten-down cyclicals and low-quality areas?

Investor with excess cash awaiting investment

For investors who have cash on the sidelines, reset periods are a good opportunity to put capital to work in a disciplined manner. The weakness since late August creates potential opportunity for patient investors. As earnings estimates are reset for next year, there may be deployment opportunities in the November/December time frame. And in the first half of 2023, there could be occasions as when inflation moves lower and the Fed begins to balance their growth mandate alongside inflation. This phased-out process also applies to International Equities, where valuations are currently cheap, and negative sentiment is at extreme levels. As we work through *The Reset* period, opportunities may also come up within credit as spreads move into a more attractive zone when investors start to price in higher default risk.

Income-based investor looking for higher cash flow

Investors looking for higher cash flows should welcome the yields currently available in bond markets. This is the first time investors can consistently achieve very positive real yields—meaning income in excess of expected inflation—in U.S. Treasurys in over 10 years. While the market price of bonds changes in response to higher rates, the principal values of high-quality fixed income securities do not - so investors should be disciplined and stay the course through volatile times with a portfolio of investment grade-rated securities. Tax-loss harvesting Fixed Income losses, if an investor needs them yet maintaining similar Fixed Income exposure is suggested. All high-quality sectors—U.S. Treasurys, Agency Mortgage-Backed Securities (MBS), Investment-grade Corporates and Municipals—offer decent absolute returns at this point in the cycle, and being diversified and not too over- or underweight any one particular sector is critical. For high-tax rate investors, a significantly high percentage of diversified municipal exposure in a portfolio makes sense. For less tax-sensitive investors more willing and able to deal with price volatility, Investment-grade Corporates offer better yields, but expect more price volatility and even higher spreads as we potentially enter a recession. This is not yet fully reflected in corporate spreads, in our opinion; be prepared to hold through the duration of the investment. Investors should consider not just asset diversification but also asset location; at these current higher bond yields, total taxes increase as well, and it may make more sense to use tax-sheltered accounts for taxable bond income, which may be taxed at higher rates than capital gains.

Within Equities, certain sectors and industries may provide healthy opportunities for dividends. For example, the Utilities sector may provide defensive yield of around 3%; parts of the Energy sector are yielding 4% with the tailwind of "higher for longer" oil prices. Dividend-growth Equities may offer an attractive combination of higher-quality, sustainable earnings and some insulation against rising prices. In crafting an income-based portfolio, investors should balance the targeted income with the risk assumed. High dividend-yielding Equities may exhibit Equity like volatility, while credit could be subject to higher spreads as recession fears gather steam.

Long-term growth investor seeking capital appreciation

Throughout the late-cycle process, the market presents opportunities that short-term or quantitative rules-based investors divest from. Long-term growth-oriented investors can take advantage of better valuations in pockets that may be out of favor, despite attractive long-term fundamentals. Today those opportunities may be within areas exposed to themes such as digitization, automation, climate change and clean energy, and global healthcare spending among others. Some of these areas are cyclical and

sensitive to higher interest rates and therefore susceptible to further downside. However, one has to keep a long-term perspective, acknowledge that the bottom is impossible to time, and begin to build positions along the way as episodic volatility unfolds.

Defensive investors

Investors looking to conserve capital, such as those with near-term liquidity needs, could consider de-risking portfolios within reasonable limits. However, while focusing on liquidity in the short term, one should not stray too far from a stated risk budget given the difficulty in timing the post-pandemic market environment. Any major changes in portfolio allocations should be done with an eye on tax efficiency and long-term goals. Goals-based planning is particularly helpful in having a clear understanding about the tradeoffs of such a move in the near and long term. A portfolio that caters to near-term goals such as paying for current nondiscretionary expenses should not be expected to provide capital appreciation or keep up with inflation, as it would mostly comprise relatively lower-risk assets. Capital appreciation is usually the goal of a well-diversified portfolio invested in a balance of risk- and income-based assets. This tradeoff is important to think through before implementing a defensive stance. Shorter-term yields at present are attractive relative to the most recent decade and could provide solid cash flows while the Fed is bumping rates. A laddered bond approach may be appropriate here to help mitigate reinvestment risk.

Investor willing to accept higher degree of illiquidity

Alternative Investments (AI) may be of value to a qualified investor with a long-term mindset and a higher tolerance for illiquidity. From a portfolio utility perspective, various AI strategies across Hedge Funds, Private Equity and Real Assets exist that may increase diversification, help mitigate volatility, or enhance returns. In the current environment, certain AI strategies are poised to perform well on a relative basis by virtue of their low correlations to traditional asset classes or because they have historically been beneficiaries of high inflation. For example, some global macro hedge fund strategies have capitalized on changing cross-asset class correlations, shifting central bank monetary policy, and increased volatility. In the Real Assets space, some real estate strategies have benefited in this inflationary environment in large part due to the ability to increase rental income. Ultimately, as with traditional asset classes, a holistic implementation approach to AI is key. Integrating a diversified range of AI strategies into a portfolio can improve investment outcomes.

ABOUT TAXES AND INFLATION

Inflation and Income Taxes

An inflationary environment can be mixed news for taxpayers. It is often viewed as an additional figurative “tax” on individuals since it decreases purchasing power. However, it can have a real impact on actual tax payments on the federal and state level, particularly for individuals that have seen their compensation increase to address the recent surge in inflation.

Federal Income Taxes

The good news is that federal tax brackets and many federal tax benefits are adjusted for inflation. For instance, thresholds for determining the 0%, 15% and 20% capital gains brackets will increase, and the standard deduction, IRA contribution limits, retirement contribution caps will all be adjusted upwards for 2023. But that adjustment, itself, might not keep pace with the inflation you feel. Due to a 2017 change in the manner in which the tax code determines inflation, the increase generally will not be reflective of the actual change in the consumer price index.

There are also many tax items which are not adjusted for inflation, which can result in an increase in actual taxes paid. That is the dark side of inflation. For instance, the threshold for determining if a taxpayer is subject to the 3.8% net investment surtax is set at $250,000 ($200,000 for singles) and not adjusted for inflation. Thus, with incomes pushed up by inflation adjustments, more taxpayers will be subject to the surtax. The $500,000 ($250,000 for singles) exclusion from gains on the sale of a primary residence is also not indexed for inflation. So if inflation has increased the value of a home, a greater portion of its proceeds could be subject to capital gains taxes. Furthermore, the tax thresholds at which social security benefits are subject to federal income taxes are also not adjusted for inflation, so a greater portion of these benefits will be taxed in an inflationary environment.

State Implications

Unlike federal rules, there are many states that do not inflation-adjust their tax brackets, standard deductions or personal exemptions. According to the Tax Foundation, 15 states and D.C. fail to adjust tax brackets for inflation, 10 states leave their standard deduction unadjusted, and 18 states have an unindexed personal exemption. New York, New Jersey, Connecticut and Virginia are among the states that do not index any major items in their tax rules.

	Pre-tax	After-tax	After-tax / credit losses	Muni Yield Difference
Treasurys	4.49%	2.66%		+ 151 basis points (bps)
Agency MBS	5.37%	3.18%		+ 99 bps
Corporates	6.10%	3.61%	3.58%	+ 59 bps
Municipals	4.17%	4.17%		—
Fixed-Rate Preferreds	7.36%	5.61%		- 143 bps
High Yield	9.57%	5.67%	4.19%	- 1 bps
Emerging Markets	8.71%	5.16%	4.56%	- 39 bps

Notes: Assumes 0.05% annual credit losses for Corporates, 2.5% for high yield and 1% for Emerging Markets. For information purposes only, not predictive of any actual future losses. Top Federal Tax Rate 37%; Top Capital Gains Rate 20%; Net Investment Income Tax 3.8%. Source: Bloomberg as of October 24, 2022. **Please refer to asset class proxies and index definitions at the end of this report.**

PORTFOLIO CONSIDERATIONS

Financial markets are currently experiencing a "reset" period, characterized by higher interest rates, lower equity multiples, and significant volatility. In response, the Chief Investment Office has taken a more cautious tactical stance.

Higher inflation, coupled with aggressive Fed tightening, has led to a sharp rise in interest rates. Ten-year Treasury yields increased from approximately 1.5% at the end of 2021 to a recent high of over 4%, and interest rates have similarly moved higher across all Fixed Income sectors. In response, we have increased our allocation to Fixed Income and also increased the duration of our Fixed Income holdings in October.

Within Equities, markets have fallen dramatically due to a global economic slowdown and waning consumer confidence. We expect that these macro trends will persist in the near term and therefore reduced our Equity allocation to a neutral weighting. In addition, we adjusted our manager composition to include more conservative strategies, which has also reduced portfolio risk.

Our current positioning should help manage through a difficult period and set the stage for a more constructive outlook later in 2023.

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.

U.S. Equity/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.

International/MSCI Daily TR Net World Ex USA captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries – excluding the United States. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

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

Value/Russell 1000 Value Total Return measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth values.

Large-cap/Russell 1000 Large-cap Index comprises about 92% of the total market cap of all listed stocks in the U.S. Equity market. It is considered a bellwether index for large-cap investing.

Small-cap/Russell 2000 Small-cap Index refers to a stock market index that measures the performance of the 2,000 smaller companies included in the Russell 3000 Index.

Bloomberg U.S. Aggregate Bond Index is a market capitalization-weighted index, meaning the securities in the index are weighted according to the market size of each bond type. Most U.S. traded investment grade bonds are represented.

Consumer Price Index is a monthly measurement of U.S. prices for household goods and services. It reports inflation (rising prices) and deflation (falling prices).

Corporates/ICE BofA U.S. Corp Master tracks the performance of US dollar denominated investment grade corporate debt publicly issued in the US domestic market. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch), at least 18 months to final maturity at the time of issuance, at least one year remaining term to final maturity as of the rebalancing date, a fixed coupon schedule and a minimum amount outstanding of $250 million.

Emerging Market/MSCI Daily Total Return captures large and mid cap representation across 23 Emerging Markets countries and targets coverage of approximately 85% of the free float adjusted market capitalization in each country.

Bloomberg U.S. Treasury Index measures US dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury.

Agency Mortgage-backed Securities/Bloomberg U.S. Mortgage Backed Securities (MBS) Index tracks fixed-rate agency mortgage backed pass-through securities guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

Corporates/Bloomberg US Corporate Bond Index tracks fixed-rate agency mortgage backed pass-through securities guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

Municipal Bonds/Bloomberg Municipal Bond Statistics Index measures the performance of the Bloomberg U.S. Municipal bond market, which covers the USD- denominated Long-Term tax-exempt bond market with four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds.

Preferred/ICE BofA Fixed Rate Preferred Securities Index tracks the performance of fixed rate, U.S. dollar denominated, investment-grade preferred securities in the U.S. domestic market.

High Yield/Bloomberg US Corporate High Yield Bond Index is a rules-based, market-value-weighted index engineered to measure publicly issued non-investment grade USD fixed-rate, taxable and corporate bonds.

Emerging Markets/Bloomberg Emerging Markets Hard Currency Aggregate Index is a flagship hard currency Emerging Markets debt benchmark that includes USD-denominated debt from sovereign, quasi-sovereign, and corporate EM issuers.

Important Disclosures

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

This material does not take into account a client's particular investment objectives, financial situations, or needs and is not intended as a recommendation, offer, or solicitation for the purchase or sale of any security or investment strategy. Merrill offers a broad range of brokerage, investment advisory (including financial planning) and other services. There are important differences between brokerage and investment advisory services, including the type of advice and assistance provided, the fees charged, and the rights and obligations of the parties. It is important to understand the differences, particularly when determining which service or services to select. For more information about these services and their differences, speak with your Merrill financial advisor.

Bank of America, Merrill, their affiliates, and advisors do not provide legal, tax, or accounting advice. Clients should consult their legal and/or tax advisors before making any financial decisions.

This information should not be construed as investment advice and is subject to change. It is provided for informational purposes only and is not intended to be either a specific offer by Bank of America, Merrill or any affiliate to sell or provide, or a specific invitation for a consumer to apply for, any particular retail financial product or service that may be available.

The Chief Investment Office (CIO) provides thought leadership on wealth management, investment strategy and global markets; portfolio management solutions; due diligence; and solutions oversight and data analytics. CIO viewpoints are developed for Bank of America Private Bank, a division of Bank of America, N.A., ("Bank of America") and Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S" or "Merrill"), a registered broker-dealer, registered investment adviser and a wholly owned subsidiary of Bank of America Corporation ("BofA Corp.").

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 and rebalancing do not ensure a profit or protect against loss in declining markets.

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

A program of regular investment cannot assure a profit or protect against a loss. A continuous or periodic investment plan involves investment in shares over time regardless of fluctuating price levels. You should consider your financial ability to continue purchasing shares during periods of low price levels.

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. Small cap and mid cap companies pose special risks, including possible illiquidity and greater price volatility than funds consisting of larger, more established companies. 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. Municipal securities can be significantly affected by political changes as well as uncertainties in the municipal market related to taxation, legislative changes, or the rights of municipal security holders. Income from investing in municipal bonds is generally exempt from federal and state taxes for residents of the issuing state. While the interest income is tax-exempt, any capital gains distributed are taxable to the investor. Income for some investors may be subject to the Federal Alternative Minimum Tax. Investments in high-yield bonds (sometimes referred to as "junk bonds") offer the potential for high current income and attractive total return, but involves certain risks. Changes in economic conditions or other circumstances may adversely affect a junk bond issuer's ability to make principal and interest payments. 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. Mortgage-backed securities are subject to credit risk and the risk that the mortgages will be prepaid, so that portfolio management may be faced with replenishing the portfolio in a possibly disadvantageous interest rate environment. Investments in foreign securities (including ADRs) 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. Investments in real estate securities can be subject to fluctuations in the value of the underlying properties, the effect of economic conditions on real estate values, changes in interest rates, and risk related to renting properties, such as rental defaults. 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. Investing directly in Master Limited Partnerships, foreign equities, commodities or other investment strategies discussed in this document, may not be available to, or appropriate for, clients who receive this document. However, these investments may exist as part of an underlying investment strategy within exchange-traded funds and mutual funds.

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.

Sustainable and Impact Investing and/or Environmental, Social and Governance (ESG) managers may take into consideration factors beyond traditional financial information to select securities, which could result in relative investment performance deviating from other strategies or broad market benchmarks, depending on whether such sectors or investments are in or out of favor in the market. Further, ESG strategies may rely on certain values based criteria to eliminate exposures found in similar strategies or broad market benchmarks, which could also result in relative investment performance deviating.