CHIEF INVESTMENT OFFICE

Capital Market Outlook

April 8, 2024

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

IN THIS ISSUE

Macro Strategy—*Upside Global Economic Surprises and Crude Oil Supply Risks Unwind Fed Rate Cut Expectations:* Improving global growth prospects, escalating geopolitical tensions, intensifying Ukrainian attacks on Russian energy assets, U.S. refinery disruptions and depleted U.S. Strategic Petroleum Reserves have pushed oil and gasoline prices increasingly higher in recent weeks. Higher energy prices tend to be a late-cycle phenomenon. They increase businesses' production and transportation costs, typically reducing profit margins, with negative effects on hiring and investment. They crowd out consumer spending on other goods and services, reducing economic growth. Depending on their severity and duration, energy supply disruptions can also limit economic growth through interruptions in economic activity.

The evolution of the current energy situation has the potential to determine if we are moving out of a late cycle into an early cycle without going through a recession, and if the recent broadening of the equity market leaders into cyclicals has legs. Higher-for-longer energy prices could short-circuit rising hopes for a smooth transition to a new economic expansion.

Market View—*A Constructive Outlook for India Ahead of Elections:* India's voters will begin going to the polls in national elections next week, with Prime Minister Modi's ruling coalition widely expected to win a third parliamentary term when the results are announced in June.

Investors have seen India's equity market grow in importance over the past 10 years on the back of political stability and structural economic reforms, and much of India's constructive outlook has arguably been reflected in recent equity market performance. But as markets look ahead to another five years under Modi, optimism on India's prospects should remain intact.

Thought of the Week—*Rising U.S. Net Interest Costs—Time to Panic? No:* Interest costs on America's debt are a growing concern for investors and capital markets. In just the past three years, net interest payments on U.S. government debt have nearly doubled, to $659 billion in FY 2023. Interest costs now represent one of the fastest-growing line items of the federal budget.

The rising interest burden reflects two dynamics: more debt + higher interest rates. To the latter, in 2020, 10-year Treasury Notes paid an average of 1.1% vs. 3.8% in FY 2023; three-month Treasury Bills paid an average yield of 0.7% then vs. 5% in FY 2023. The shift in interest rate regime has added to the cost of servicing U.S. debt. However, by another metric—net interest payments/nominal GDP—the cost of servicing America's debt remains manageable for the largest and most dynamic economy in the world. We continue to monitor rising interest rate costs but we are not in the camp of "this-all-ends-badly-cum-buy-gold-and-run-for-the-hills."

Data as of 4/8/2024, and subject to change

Portfolio Considerations

The economy shows early signs of reaccelerating, consumers remain healthy, corporate profits are turning higher, and monetary policy is pivoting from tightening to easing. We expect markets to take a small breather and enter a brief consolidation phase as we enter the "no fundamental news" period between now and mid-April. Weakness is a buying opportunity, in our view. We believe the broadening out of the market is just beginning. We maintain an overweight to Equities, with a preference for higher quality U.S. Large- and Small-caps, and still favor a significant allocation to bonds in a diversified portfolio. For qualified investors, Alternative Investments should be considered for long-term growth and various sources of yield as a complement to public investments.

MACRO STRATEGY

Upside Global Economic Surprises and Crude Oil Supply Risks Unwind Fed Rate Cut Expectations

Chief Investment Office, Macro Strategy Team

Available data through March show better-than-expected economic growth. Real consumer spending has remained robust, residential investment is rising at a strong pace and manufacturing activity is rebounding both here and abroad, all positive for the economic and profits outlook. With government spending also still strongly stimulative, the Atlanta Fed's GDPNow estimate for Q1 gross domestic product (GDP) has been revised up to show growth continuing to track above potential, at around a 2.8% annualized quarterly pace. Concerns linger about the sustainability of real consumer spending growth in excess of 3%, however, particularly with the personal saving rate down to an almost rock-bottom level in February. We believe that strong labor demand and wage growth should help it hover around a still-healthy 2% pace through midyear, with growth thereafter dependent on evolving labor and wage dynamics.

This resilience, coupled with renewed profits growth, improving global manufacturing and trade, progress on the Eurozone economic front has resulted in the strongest Q1 U.S. equity market performance since 2019. Also positive, there are signs that China's government efforts to rekindle growth are starting to show some success. Reflecting improved sentiment about the economic outlook, abundant liquidity and rekindled "animal spirits," fresh equity market records have also broadened across sectors and countries, and mergers and acquisitions (M&A) activity in the U.S. and Europe posted a strong increase in Q1, with a robust deal pipeline still in place.

Concerns about market expectations for Fed rate cuts have also intensified, however. Indeed, inflation has remained above the Fed's 2% target and has reaccelerated over the past six months. The "core" consumer price index (CPI) was up 4.4% at an annualized monthly rate in February, while "core" personal consumption expenditures (PCE) inflation was 3.2%. This reacceleration in inflation is raising concerns that easing financial conditions, exacerbated by the Fed's pivot to an easing bias in late 2023, will maintain upside pressures on inflation. The prospect of massive potential home equity withdrawals once the Fed lowers rates in the current environment, for example, raises risks of persistently elevated inflation.

The Fed's pivot may prove premature, inconsistent with the strength of the economy and its lower-than-anticipated sensitivity to higher interest rates in the liquidity-flush post-pandemic environment. However, unusually elevated uncertainty around factors such as labor force growth, productivity, and labor demand heighten the ambiguity surrounding future inflation dynamics. For example, expectations of softer shelter inflation ahead, in line with declines observed in real-time rent data that are only slowly captured by government statistics, suggest continued moderation in the Fed's preferred inflation measure in coming months.

Also, productivity could continue to surprise to the upside as a result of broadening artificial intelligence (AI) application and sustained labor force growth as a result of working from home flexibility. Plus, growth may moderate further as the economy normalizes following the pandemic stimulus-related sugar high, to levels that are more neutral for inflation in coming quarters. Indeed, while layoffs remain at rock-bottom levels, the hiring rate has dropped to a seven-year low, and the quits rate has also plunged to slightly below prepandemic levels over the past two years, according to the February Job Openings and Labor Turnover Survey. Demand for temporary jobs, typically a leading labor market indicator, has sharply cooled.

In addition, the National Federation of Independent Business survey shows a significant drop in small business' plans to increase employment through February, while the March Institute for Supply Management survey of the service sector shows a second consecutive contractionary reading for employment and a plunge in its prices subcomponent since January, consistent with decelerating price increases. Also, consumer loan delinquency rates have picked up, indicating growing pressure on lower-income households to service debt at current interest rates and debt loads. Inflation expectations remain anchored close to the Fed's 2% target, providing some reassurance that consumer behavior and business

Investment Implications

Escalating geopolitical conflicts and related crude oil supply shortages just as the global economy is rebounding create risks to portfolios constructed solely on the premise of a "soft landing" scenario. We are overweight the Energy sector to hedge against risks associated with potentially higher energy prices.

pricing will likely converge toward this level. Fed Chair Jerome Powell has acknowledged the unusual challenges economists face in predicting inflation trends in the post-pandemic environment, underscoring the need for increased caution in navigating the macroeconomic seas. According to Fed officials, the central bank is in a good position to adjust its monetary policy stance to either ease or tighten, depending on evolving economic conditions, and in no rush to cut rates.

The lack of Fed urgency or panic to adjust monetary policy is welcome. However, its increasingly cautious position vis-a-vis the stalling disinflation process of the past three to six months has caused the 10-year Treasury Note to retrace about half of its sharp October-to-December yield drop, rattling risk assets in the process and triggering losses in long-term government debt assets as yields adjust back to the possibility of a "higher-for-longer" interest-rate environment.

As noted above, with growing confidence in a U.S. soft landing and global leading indicators starting to point up again, equity markets from France to India and from Germany to Mexico have recently tested fresh highs. The U.S. Equity rally has also broadened across sectors, and into cyclicals such as Industrial and Financial sectors, which have been outperforming in recent months. Rebounding global growth, intensifying geopolitical tensions, relentless Ukrainian attacks on Russian energy assets, U.S. refinery disruptions, depleted U.S. Strategic Petroleum Reserves and larger-than-expected commercial inventory draws have caused oil and gasoline prices to rise rapidly in recent quarters, helping the Energy sector to outperform Technology year to date. Rebounding growth and higher oil prices have also boosted metals prices, as their production and distribution tend to be energy-intensive. Increased central-bank demand for alternatives to dollar reserves has driven gold prices higher as well.

As discussed in the March 25, 2024, BofA Global Research report *This Time is Different for Commodities*, this strength in commodities is unusual for an early-cycle economy. It generally occurs later, after the rate-cutting cycle has stimulated stronger economic growth and excess capacity accumulated during the slowdown gets absorbed. This is consistent with the view that the Fed's pivot last fall was essentially equivalent to a rate-cutting stimulus that reignited growth in a late-cycle, fully employed, high-inflation economy. According to this report, "… rightly or wrongly, the market expects this rate-cutting cycle to be different. If investors are right on the interest rate path, we believe commodity markets will tighten and commodity investors will benefit from handsome returns… energy and industrial metals have tended to fall during Fed cutting cycles as they have coincided with periods of macro weakness and soft demand… But equity and fixed income markets are pricing in an improvement in economic conditions, not a deterioration in growth prospects, which would align more with historical experience after the last cut rather than the first cut in previous cycles, a more bullish scenario for commodities."

Overall, commodities, including energy, tend to outperform in the late cycle. The Fed's pivot has extended the late cycle, helping explain the recent reacceleration in inflation and postponement of the long-awaited economic slowdown and recession that normally forms the basis for a new expansion. Markets seem to be pricing in a higher growth, higher inflation global environment of increased geopolitical tensions, with gold, copper and oil up substantially, and Treasury yields rising to reflect a higher-for-longer inflation and interest-rate environment. Despite hopes the U.S. economy may soon enter the early stage of a new upcycle fueled by imminent Fed rate cuts, the economy may linger in a late-cycle expansion phase, characterized by full employment, overheating "animal spirits" and irrational exuberance, increased M&A activity, elevated inflation pressures and rising market volatility. While risk assets may continue to perform well in the short term, the potential for Fed intervention to slow things down calls for caution. Diversification across asset classes and sectors, alongside a focus on companies with strong fundamentals and resilience to inflationary pressures, can help mitigate risks and capitalize on opportunities as this extended cycle could still reach its end with a bang.

MARKET VIEW

A Constructive Outlook for India Ahead of Elections

Ehiwario Efeyini, Director and Senior Market Investment Strategist

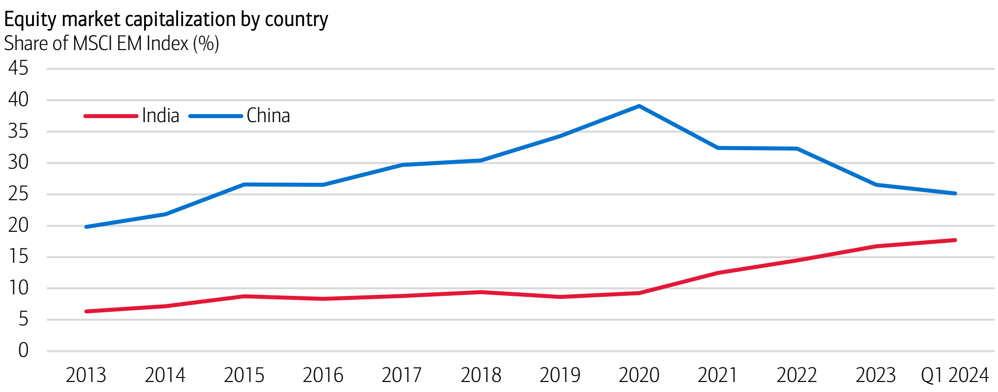
India's voters will begin going to the polls in national elections next week from April 19th, with Prime Minister Modi's ruling coalition widely expected to win a third parliamentary term when the results are announced on June 4. This would potentially secure a total of 15 years at the helm of a country that in 2023 overtook China to become the world's most populous and, according to a number of leading investment firms, is expected to surpass Japan and Germany to become the world's third-largest economy by 2027.

Investors have also seen India's equity market grow in importance over the past 10 years. Modi's first two terms have brought political stability, strong economic growth (at an average annual real rate of 5.7% between 2013 and 2023), lower inflation and investor confidence via a range of market-friendly structural reforms to the Financial sector, foreign investment caps, technology infrastructure and central bank policy. In the decade since Modi first took office in 2014, the MSCI India Equity Index has returned over 130% in U.S. dollar-denominated total return terms, second only to the Information Technology (IT)-driven Taiwanese market across the entire EM universe. And India has also been the top-performing market in Asia from the pandemic lows of 2020. At the start of Modi's first term, India was the sixth-largest equity market in the MSCI EM Index at 7.0% of the benchmark and was 38% the size of the largest market, China. But as of the end of March 2024, India has grown to become the second-largest market in the index, more than doubling its share to 17.7% of the total benchmark and currently standing at 70% the size of China's market (Exhibit 1).

Investment Implications

After several years of outperformance, India appears to be one of the most fully valued markets within the Emerging Market (EM) universe. But barring a major macroeconomic setback such as a recession or inflation resurgence, there is currently little to point to in the way of potential catalysts for a market derating. Another five years of political stability and reform progress under a third Modi term should keep investor optimism intact.

Exhibit 1: India's Equity Market Has Grown In Importance Over the Past Decade.



Source: MSCI. Data as of Q1 2024. **Past performance is no guarantee of future results. It is not possible to invest directly in an index. Please refer to index definitions at the end of this report.**

We would expect the recent outperformance of the Indian market to be sustained past the upcoming general election given the likelihood of policy continuity under another term for Prime Minister Modi. Three key investment themes that we expect to develop for India over the coming years are the digitization of its domestic economy, the rise of its consumer class and the relocation of global manufacturing supply chains into the country away from China.

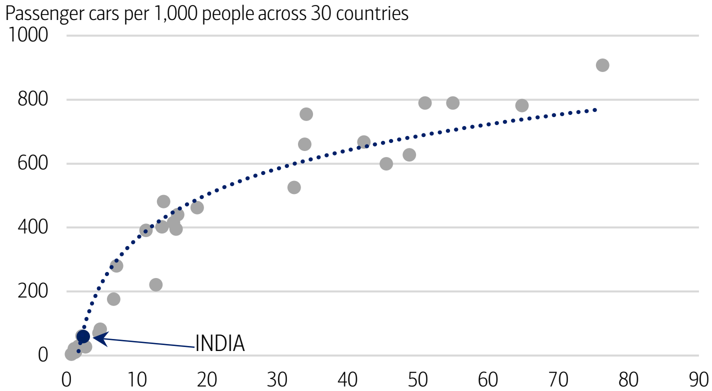
Since Modi was first elected, the government has placed a strong emphasis on improving its digital public infrastructure, primarily through the "Aadhaar" national digital identity system (which has simplified the process of accessing government benefits and financial services) and the digital Unified Payments Interface (UPI) system—a national network for peer-to-peer banking transactions that has turned India into the world's largest real-time payments market. The ongoing expansion of these initiatives over the years ahead should support the IT and Financials sectors within India, which account for a respective 12% and 25% of the local equity market.

The growth of India's digital economy has also been enabled by Modi's financial inclusion initiative to expand the number of personal bank accounts within the country, allowing for the more efficient distribution of government transfers and wider access to credit, remittances, insurance and other financial services. Over the medium term, this should also boost consumption levels in India, which remain low on a per capita basis relative to other emerging markets. In the past decade, India has replaced China as the fastest-growing major emerging economy. And over the coming years, this rapid growth should lift its per capita income from its current level of $2,400 through the lower and toward the upper middle-income bracket (defined respectively by the World Bank as $1,086 – $4,255 and $4,256 – $13,205).

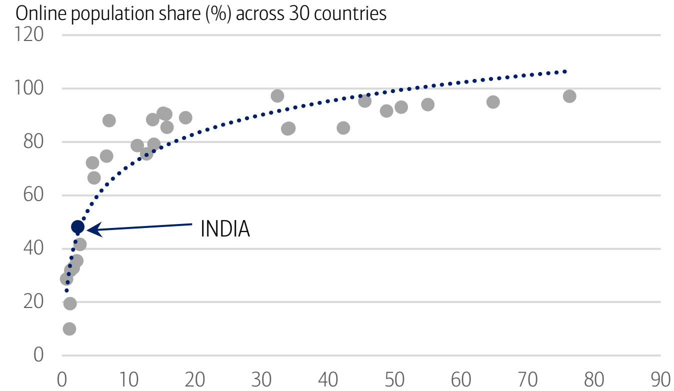
Looking across countries, this is the steepest part of the income elasticity of demand curve—a key interval in which basic needs of shelter, staple foods and clothing are met, and higher levels of discretionary income unlock growth in demand for a range of new goods and services such as autos, electronics, healthcare, leisure and media before demand levels off again at the upper income threshold (Exhibit 2). This should also help to expand the Consumer Discretionary sector within the equity market, which accounts for an additional 13% of India's market capitalization.

Exhibit 2: Consumer Goods and Services Demand Rises Rapidly As Countries Move Through Middle Income.

2A) Auto penetration vs. GDP ($ '000s) per capita



2B) Internet penetration vs. GDP ($ '000s) per capita



Countries included: U.S., Australia, Canada, Finland, Germany, U.K., France, Italy, Japan, Korea, Hungary, Romania, Russia, Chile, Bulgaria, Argentina, China, Mexico, Thailand, South Africa, Indonesia, Egypt, Bangladesh, India, Nigeria, Pakistan, Tanzania, Ethiopia, Uganda, Sudan. Sources: International Monetary Fund, International Telecommunication Union, World Population Review. Data as of 2022.

We would also expect to see India's manufacturing capacity expand over the years ahead in areas like electronics, chemicals and machinery (in addition to its existing capacity in pharmaceuticals, textiles and autos) as more multinationals migrate away from China to alternative destinations. According to the 2021 China Business Report from the American Chamber of Commerce in Shanghai, some 30.2% of U.S. firms that moved operations away from China that year had redirected those investments to India—third only behind southeast Asia and Mexico. India remains particularly attractive not only as a Western-allied democracy with a large, low-cost and young labor force (its national median age stands at just 28.2 years compared to China's 39.0 years), but also due to its large and fast-growing local consumer market into which global companies can sell. This trend should give a further boost to consumer sectors in India by lifting per capita income and spending levels, as well as supporting the Industrials sector within the equity market (a further 9% of country market capitalization).

Much of India's constructive outlook has arguably been reflected in recent equity market performance. And at well over one standard deviation above its 10-year average valuation across price-to-earnings and price-to-book ratios, India appears to be one of the most fully valued markets within the EM universe. But barring a major macroeconomic setback such as a recession or inflation resurgence, there is currently little to point to in the way of potential catalysts for a market derating. Moreover, as investors look ahead to another five years of political stability and reform progress under Prime Minister Modi, optimism on India's prospects should remain intact.

Rising U.S. Net Interest Costs—Time to Panic? No

Joseph Quinlan, Managing Director and Head of CIO Market Strategy

Investors are keeping a close watch on net interest payments on U.S. government debt, and for good reason. Uncle Sam's interest costs nearly doubled over the past three years, rising from $345 billion in 2020 to $659 billion in FY 2023 (Exhibit 3A).

The rising interest burden reflects two dynamics: one, the surge in debt held by the federal government (which has increased roughly $9.5 trillion since the beginning of 2020 to the end of 2023); and two, higher interest rates. Newly issued 10-year Treasury Notes paid an average of 3.8% in FY 2023, compared to 2.4% in 2019 and 1.1% in 2020. Comparably, three-month Treasury Bills paid an average yield of 5% in 2023, versus 2.3% in 2019 and 0.7% in 2020.[1]

Combined, the equation is rather elementary: more debt + higher interest rates = higher net interest costs—and lots of hand-wringing among investors over the future financial health of the U.S. We share these concerns—when it comes to servicing America's federal debt, we're talking about some big numbers ($659 billion in FY 2023).

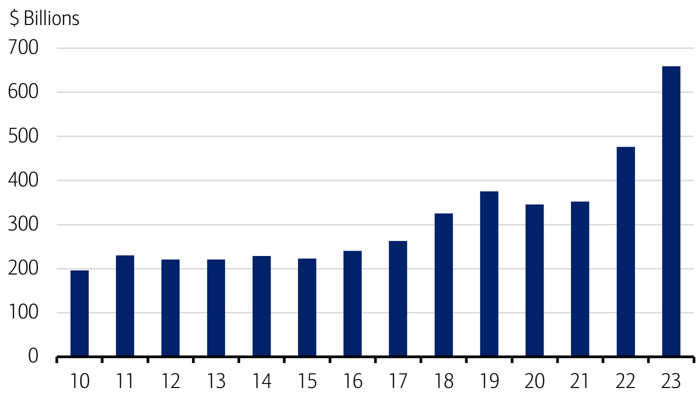
But remember, you're also talking about a big economy—some $28 trillion in nominal GDP. Doing some more math, net interest payments as a percentage of GDP stand at roughly 2.4% (Exhibit 3B). That is up, for sure, from the levels of the prior decade. But the figure remains, in our opinion, very manageable for the most dynamic and innovative economy in the world. In the end, we are watching the figure cautiously—it's top of mind. However, we are not in the camp or supportive of the narrative that "this-all-ends-badly-cum-buy-gold-and-run-for-the-hills".[2] Stay tuned.

Portfolio Considerations

We continue to monitor the fiscal health and finances of the U.S. government, and while mindful of the pressure points from rising deficits and interest costs, we don't expect the deficits/debt to be market drivers in the near term.

Exhibit 3: Net Interest Payments On U.S. Debt: No Need For Panic.

3A) Federal Outlays: Net Interest (Fiscal Year).



3B) Federal Outlays: Interest as Percent of Gross Domestic Product

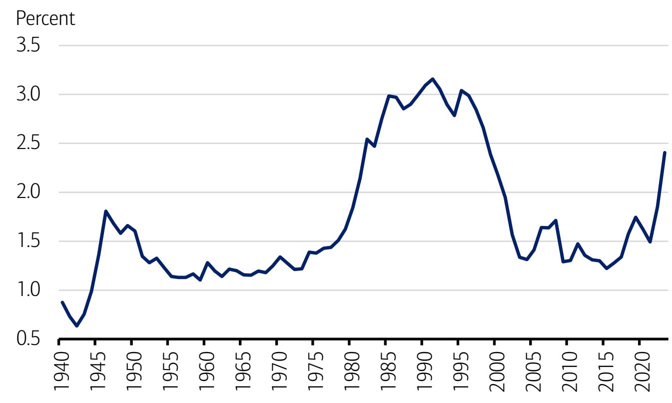


Exhibit 3A: Source: Congressional Budget Office. Data as of April 5, 2024. Exhibit 3B: Sources: U.S. Office of Management and Budget; Federal Reserve Bank of St. Louis. Data as of April 5, 2024.

[1] Numbers are from the Congressional Budget Office and Committee for a Responsible Federal Budget (See "2023 Interest Costs Reach $659 Billion," October 24, 2023).

[2] For more reasons to be constructive on this topic, see the CIO's March 2024 "How Much Does Rising U.S. Treasury Supply Matter".

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Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	38,904.04	-2.2	-2.2	3.8
NASDAQ	16,248.52	-0.8	-0.8	8.5
S&P 500	5,204.34	-0.9	-0.9	9.5
S&P 400 Mid Cap	2,989.16	-1.9	-1.9	7.9
Russell 2000	2,063.47	-2.9	-2.9	2.2
MSCI World	3,402.36	-1.0	-1.0	7.8
MSCI EAFE	2,317.36	-1.3	-1.3	4.4
MSCI Emerging Markets	1,045.71	0.3	0.3	2.7

Fixed Income†

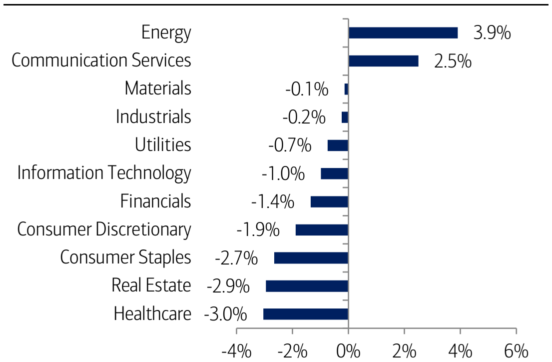
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	4.92	-1.08	-1.08	-1.80
Agencies	4.91	-0.44	-0.44	-0.37
Municipals	3.61	-0.65	-0.65	-1.03
U.S. Investment Grade Credit	5.00	-1.06	-1.06	-1.83
International	5.45	-1.18	-1.18	-1.57
High Yield	7.84	-0.49	-0.49	0.98
90 Day Yield	5.36	5.36	5.36	5.33
2 Year Yield	4.75	4.62	4.62	4.25
10 Year Yield	4.40	4.20	4.20	3.88
30 Year Yield	4.55	4.34	4.34	4.03

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	239.60	3.5	3.5	5.8
WTI Crude $/Barrel††	86.91	4.5	4.5	21.3
Gold Spot $/Ounce††	2329.75	4.5	4.5	12.9

	Total Return in USD (%)			
Currencies	Current	Prior Week End	Prior Month End	2022 Year End
EUR/USD	1.08	1.08	1.08	1.10
USD/JPY	151.62	151.35	151.35	141.04
USD/CNH	7.25	7.26	7.26	7.13

S&P Sector Returns



Sources: Bloomberg; Factset. Total Returns from the period of 4/1/2024 to 4/5/2024. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 4/5/2024 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 4/5/2024)

	2023A	Q1 2024A	Q2 2024E	Q3 2024E	Q4 2024E	2024E
Real global GDP (% y/y annualized)	3.0*	-	-	-	-	2.9
Real U.S. GDP (% q/q annualized)	2.5	2.5*	2.0	2.0	2.0	2.7
CPI inflation (% y/y)	4.1	3.2*	3.5	3.3	3.1	3.3
Core CPI inflation (% y/y)	4.8	3.8*	3.4	3.4	3.3	3.5
Unemployment rate (%)	3.6	3.8*	3.9	3.9	4.0	3.9
Fed funds rate, end period (%)	5.33	5.33*	5.13	4.88	4.63	4.63

The forecasts in the table above are the base line view from BofA Global Research. The Global Wealth & Investment Management (GWIM) Investment Strategy Committee (ISC) may make adjustments to this view over the course of the year and can express upside/downside to these forecasts. Historical data is sourced from Bloomberg, FactSet, and Haver Analytics. **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 April 5, 2024.

Asset Class Weightings (as of 4/2/2024)

	CIO View				
Asset Class	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		●			
International Fixed Income			●		
High Yield		●			
U.S. Investment-grade Tax Exempt		●			
U.S. High Yield Tax Exempt		●			
Alternative Investments*					
Hedge Funds					
Private Equity					
Real Assets					
Cash					

CIO Equity Sector Views

	CIO View				
Sector	Underweight		Neutral	Overweight	
Energy				●	
Healthcare				●	
Consumer Discretionary				●	
Industrials				●	
Information Technology			●		
Communication Services			●		
Financials			●		
Real Estate			●		
Utilities		●			
Materials		●			
Consumer Staples	●				

*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 April 2, 2024. All sector and asset allocation recommendations must be considered in the context of an individual investor's goals, time horizon, liquidity needs and risk tolerance. Not all recommendations will be in the best interest of all investors.

Index Definitions

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

U.S. Equities/S&P 500 Index is a stock market index tracking the stock performance of 500 of the largest companies listed on stock exchanges in the United States.

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

Personal consumption expenditures price index is a measure of the prices that people living in the United States, or those buying on their behalf, pay for goods and services.

MSCI India Index is designed to measure the performance of the large and mid cap segments of the Indian market.

MSCI Emerging Markets Index captures large and mid cap representation across 24 Emerging Markets (EM) countries.

Important Disclosures

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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 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. 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. When interest rates go up, bond prices typically drop, and vice versa. 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 (AMT). 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. Bonds are subject to interest rate, inflation and credit risks. 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.

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.

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