

CHIEF INVESTMENT OFFICE

Capital Market Outlook

April 10, 2023

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

IN THIS ISSUE

Macro Strategy—Profits Cycle Update: First-quarter earnings season is underway. We think economywide profits that include public and private companies and smooth out financial shenanigans are still in the early stages of a multiyear decline. Sticky inflation is providing a boost to nominal growth and is supportive of profits and Equities in the near term, but we continue to believe the path of least resistance for real growth and inflation is lower. The level of profits is also well above the long-term trend and tends to normalize during recessions.

We also believe consensus earnings estimates will move lower, motivated by bouts of financial stress. From a strategy perspective, we remain neutral weight U.S. Equities and continue to believe we will see more attractive valuations later in the year.

Market View—Time for Higher-Quality Positioning: Our anchoring assumption entering 2023 held that market conditions would remain volatile as the economic backdrop weakens and corporate profits growth decelerates.

We, in turn, shifted our portfolio positioning toward a more neutral stance on a tactical basis across Equities and Fixed Income, and emphasized our preference for high-quality positioning across the board as these areas tend to be better positioned to weather tougher economic conditions.

Thought of the Week—The Beginning of the End of the Fed Tightening Cycle and Future Equity Returns: We believe in renting cash, owning stocks: Post-peak rallies in U.S. Equities have typically been powerful and rewarding.

We are at the beginning of the end of the Federal Reserve (Fed) tightening cycle and see more constructive opportunities for Equities over the long term. Speaking of the latter: In the post-war period between 1945 and 2022, the S&P 500 has delivered an annualized total return of 11.2%, well in excess of the average annual gains for corporate credit (5.7%), government bonds (5.1%), cash (3.8%) and inflation (3.7%).

MACRO STRATEGY ►

Jonathan W. Kozy
Managing Director and Senior Macro Strategy Analyst

MARKET VIEW ►

Kirsten Cabacungan
Vice President and Investment Strategist

THOUGHT OF THE WEEK ►

Joseph P. Quinlan
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MARKETS IN REVIEW ►

Data as of 4/10/2023,
and subject to change

Portfolio Considerations

This month, we adjusted our U.S. Equity sector allocations by lowering Financials to neutral from slight overweight, lowering Real Estate to slight underweight from neutral, and raising Communication Services to neutral from underweight. With markets trying to price in two main scenarios at once (recession on its way and a Fed that “blinks” by pivoting to looser policy), we continue to remain neutral Equities and Fixed Income. The macro backdrop warrants near-term caution on risk-assets like Equities and High Yield and points to elevated volatility overall, but we continue to believe it will create opportunities for long-term investors over the rest of the year.

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Profits Cycle Update

Jonathan W. Kozy, Managing Director and Senior Macro Strategy Analyst

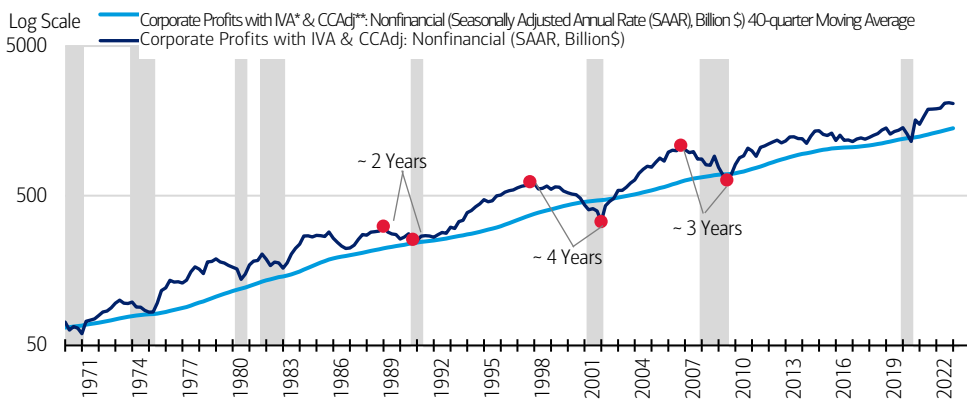
If the Fed remains committed to bringing inflation down to its 2% target, U.S. nonfinancial corporate profits are likely in the early stages of a multiyear decline, in our view. For one, top-line growth tracks nominal gross domestic product (GDP), and a committed Fed means inflation would fall at the same time real growth is already running well below trend. Second, the stimulus-boosted level of profits is well above the long-term trend and tends to decline to trend (or below) during a recession. In the meantime, historical analysis suggests Equities often show resilience in the early stages of a profits decline (as they are now) but eventually give way once a recession is imminent. Economic data released last week support our base case that a mild recession is budding, and we think ultimately still sticky inflation resumes its downtrend, and nominal growth continues to slow.

The profits cycle in the U.S. is well past its peak and will reinforce the downtrend in economic activity. Looking at our preferred metrics: The S&P 500 operating earnings (four-quarter total) peaked in Q1 of 2022. Nonfinancial corporate (NFC) profits peaked in Q3 of 2022 with profits down 4.3% quarter-over-quarter (Q/Q) annualized in Q4. While S&P 500 earnings are the cleanest link to the S&P 500, NFC profits are the cleanest link to the economy, allow for a richer history, and smooth out some of the financial shenanigans that exist in public company earnings reports. Combined, this all adds to a more attractive base to build a macro framework for making investment strategy decisions.

In an environment where private markets are top-of-mind, economic- or production-based profits from the National Income and Product Accounts (NIPA) have the benefit of capturing profitability across public markets, private markets and firms of all sizes.

Fiscal and monetary stimulus pushed profits well above trend, and profits tend to revert to trend during recessions. Over the long term, NFC profits have a mean year-over-year (YoY) growth rate of 7.6%¹ compared with 7.9%² for S&P 500 operating earnings. The decadelong profits boom from 2010-2019 combined with the fiscal- and monetary-induced post-pandemic boom has left the level of profits well above the 10-year trend. As Exhibit 1 shows, there is a strong tendency for NFC profits to converge with the 10-year average during recessionary periods (Exhibit 1).

Exhibit 1: Profits Tend To Normalize to Trend (or Below) During Recessionary Periods.



* Inventory valuation adjustment. ** Capital consumption adjustment. Source: Bureau of Economic Analysis/Haver Analytics. Data as of March 30, 2023.

Economywide profits tend to decline more than 20% from peak-to-recession-trough. During the 2008/2009 Great Financial Crisis (GFC) and the tech bubble of 2001, the downtrend lasted multiple years and exceeded -40%. The decline tends to last for at least two years,

¹ Bureau of Economic Analysis, data since 1947.

² Standard & Poor's, data since 1988.

Investment Implications

If the Fed remains committed to bringing inflation down to its 2% target, U.S. nonfinancial corporate profits are likely in the early stages of a multiyear decline. We remain cautious on U.S. Equities and expect more attractive tactical entry points later in the year. Declining profit margins also tend to coincide with wider high-yield spreads and higher equity market volatility.

suggesting profits move lower well into 2024. At current levels, a return to trend would imply around 40% downside risk over the next few years.

S&P 500 operating earnings tend to decline 30% to 40%³ in a recession, but consensus S&P 500 operating earnings still have YoY growth in the double digits in 2023-2024, according to data from S&P. This is not unusual, as earnings misses have a cyclical tendency. Applied Global Macro Research have noted that the level of the Institute for Supply Management (ISM) (46.2%) combined with year-ago earnings estimates of \$250 per share implies that earnings have downside risk relative to consensus.

It has not been uncommon for the S&P 500 to continue to rally after the initial downturn in profits, helping to explain the resilience in equity markets more recently. This happened before the last three non-pandemic recessions (1990, 2001 and 2008). Equities did not turn lower until it was more apparent that recession was in the cards. Labor market data released last week put us closer to that realization.

In the current environment, Equity resilience is also associated with sticky inflation. Given the relationship between profits and nominal growth, history suggests that if inflation stays high, profits growth will also firm. So, there is some logic to assuming a soft landing in profits if you assume that inflation stays high. But if the Fed is committed to 2% inflation, profits will remain under pressure. We think the Fed remains committed to bringing inflation lower at the same time real growth is already weak. There is also a risk that already tight monetary policy pushes inflation below 2%.

Top-line growth is part of the story, but profit margins are also under pressure. NFC margins peaked before profits, in Q2 of 2021, and narrowed in the most recent data as top-line growth slowed, but labor cost growth remains firm. Importantly, margins are historically high, adding to the resiliency of the profits cycle and equities. In Q4, NFC margins of 15.4% were well above the historical mean of 13.4%, according to Bureau of Economic Analysis (BEA). A higher starting point is a clear positive for equities and high-yield corporate bond spreads.

On a Q/Q basis, in recessions the most acute pressure on profits tends to be in the quarter before or simultaneous with rapid increases in the unemployment rate. Given the labor market data released last week, this is very relevant. Firms react slowly to top-line growth and cut workers a little late as margins come in rapidly. Therefore, if BofA Global Research expects a recession in the second half of the year, we would expect the most acute pressure on profits to be in Q2 or Q3 this year.

Global growth outside the U.S. can boost profits, but that outlook is mixed. China has rebounded but not as strongly as many expected. And like the U.S., Europe may also eventually end up in a recession. Geopolitical risk looms large over both regions.

Equity valuations do not warrant an overweight position in Equities as valuations move higher as earnings fall. The ratio of the NFC sector market value of equities (from BEA flow of funds data) to NFC profits is a GDP-profits equivalent of a price-to-earnings (PE) ratio. Through Q4, we believe Equities do not look expensive, nor do they look cheap, in line with our neutral weighting for U.S. Equities. The multiple is well above Q1 of 2009 and Q3 of 2002 S&P 500 market bottoms. Further, the multiple probably expanded in Q1 2023 because Equities' values increased, but profits likely declined. Similarly, the S&P 500 forward PE has been moving higher. While valuations are not very useful as tactical indicators, they are informative for strategic capital market assumptions.

In terms of strategy, declining margins tend to put upward pressure on high-yield corporate bond spreads and volatility. Both spreads and volatility have increased, but the higher level for the starting point of margins could be one fact acting as a buffer. It could be one reason high-yield spreads are narrower than some would expect in advance of a recession. The key metric to watch will be how fast nominal GDP slows (both real growth and inflation).

Perhaps a source of optimism for public market Equities is that private markets are under significant strain from the liquidity stress making it possible public market Equities are more resilient. Also, if the Fed allows inflation to run hot, nominal growth could remain high, and the profits cycle could have some resilience. This is likely what has been playing out recently, but this scenario is not our base case.

³ Standard & Poor's, data since 1965

Time for Higher-Quality Positioning

Kirsten Cabacungan, Vice President and Investment Strategist

Our anchoring assumption entering 2023 held that market conditions would remain volatile as the economic backdrop weakens and corporate profits growth decelerates. We, in turn, shifted our portfolio positioning toward a more neutral stance on a tactical basis across Equities and Fixed Income, and emphasized our preference for a high-quality tilt, favoring the U.S. versus the rest of the world, Large-caps over Small, and Treasuries to credit and companies with strong balance sheets and sustainable earnings growth. Our defensive approach further hinged on the view that the legacy of pandemic stimulus will likely continue to distort economic trends, only heightening uncertainty and contributing to market fragility.

Cue Q1 volatility. Single-digit gains for both stocks and bonds may on the surface signal a resilient start to the year but mask the turbulence financial markets faced as expectations about monetary policy seesawed. Investors started the year optimistic that the Fed could be closer to ending its tightening campaign, as inflation appeared to be quickly declining. Those bets swiftly recalibrated come February as stronger-than-expected economic data prints suggested the Fed may need to hike rates more and keep them higher for longer than forecasted. By March, the regional banking crisis swung the pendulum back again, with markets pricing in higher odds for a Fed pause and possible rate cuts later this year amid concerns about financial stability. Volatility measures accelerated with the Volatility Index spiking to 27 after spending most of the year at levels in the teens, and the MOVE Index, a measure of bond market volatility, surging to its second-highest reading on record, only behind 2008. The upshot ahead is that markets are likely to remain in a “grind it out,” choppy environment as effects of the banking crisis possibly pull forward the looming recession, and tighter financial conditions pressure earnings. What does that mean for positioning? Emphasize higher quality.

Defining quality can vary. From a factor perspective, “quality” generally describes investment segments and companies that maintain durable business models and competitive advantages, high profitability, stable earnings growth, strong balance sheets, low financial leverage and free cash flow generation. With companies left to contend with weakening demand prospects and liquidity drying up, those companies that exhibit strong financial health and earnings stability as well as stable cash flows may be better positioned during tougher economic conditions and market downturns.

Stocks that capture these fundamental quality features have historically been shown to be long-term outperformers. Over the last three decades, the MSCI USA Quality Index outperformed the broader market, as measured by the MSCI USA Index, by roughly 259%.⁴ Various stages of the business cycle, however, are typically marked by different factor performance behaviors. Assessing the business cycles that ended with the dot-com bubble burst and the GFC, quality stocks exhibited larger excess annualized returns in the early and late stages of an economic contraction when earnings growth tends to be scarce, demonstrating defensive characteristics (Exhibit 2a). And during periods where monetary policy transitioned from tightening to easing, quality stocks have also been shown to produce positive excess returns relative to the broader market on average and delivered stronger outperformance compared to other style factors (Exhibit 2b). The expansion phase of the business cycle is where observed quality performance appeared to be more mixed. During economic recoveries, where easier monetary policy and ample liquidity support all parts of the market, as a rising tide lifts all boats, areas that suffered the greatest during recessions, including lower-quality/higher-risk stocks, may see more momentum into the expansion. In fact, Small-caps, which tend to have lower-quality balance sheets, less financial flexibility, and experience far deeper earnings declines on average compared to Large-cap stocks during recessions, historically outperformed their larger counterparts 83% of the time in recoveries and saw average annualized returns of 26% during the recovery phase.⁵

Investment Implications

We expect the “grind it out” environment for markets to continue in the near term. We are encouraged by the most recent rally in Equities, which has been dominated by the mega-cap Growth stocks, but we remain cautious—neutral Equities and Fixed Income—and we continue to emphasize higher-quality positioning as headwinds to the economy blow harder.

⁴ Data reflects total returns from March 31, 1993, to March 31, 2023.

⁵ Small-caps represented by the Russell 2000 Index. Large-caps represented by S&P 500. Data based on the BofA Global Research U.S. Regime Indicator. Based on data from 1970 to November 2022.

Exhibit 2: Quality Stocks Have Historically Outperformed the Broader Market During Slowdowns.

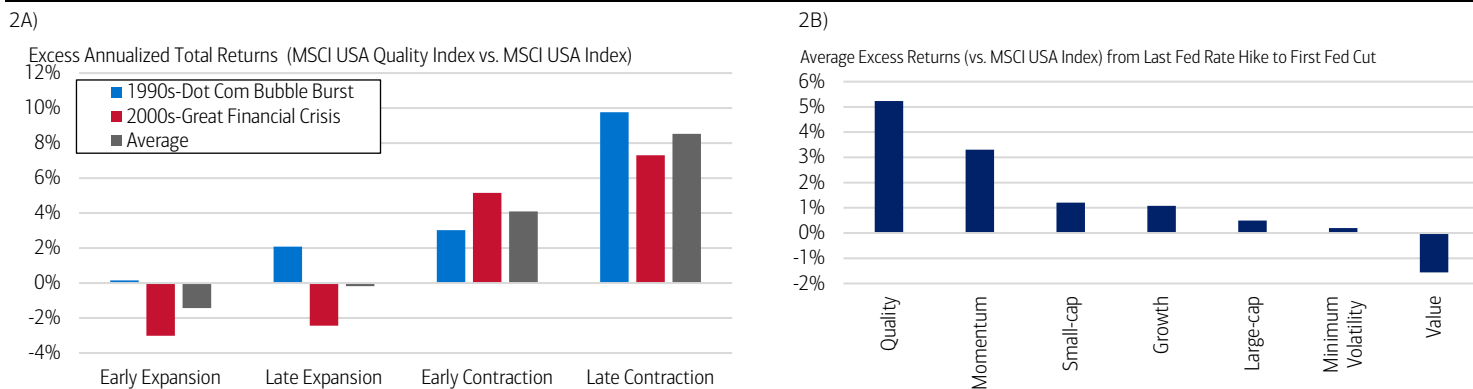


Exhibit 2A: Note: U.S. Business cycle expansions and contractions are defined by the National Bureau of Economic Research. Each expansion and contraction periods were divided into two equal parts to identify an early and late stage. Sources: Bloomberg; Chief Investment Office. Data as of March 31, 2023. Exhibit 2B: Note: Last Fed rate hike to first Fed cut periods include 1995, 1997-1998, 2000-2001, 2006-2007, 2018-2019. Quality, Momentum, Small-cap, Growth, Large-cap, Minimum Volatility, Value represented by MSCI USA Indexes. Sources: Bloomberg; Chief Investment Office. Data as of March 31, 2023. **Past performance is no guarantee of future results. Please see index definitions at the end of this report.**

Amid the current market environment, higher-quality areas may be favored from here. Quality stocks are up roughly 10% year to date,⁶ benefiting from a rebound in mega-cap, tech-oriented Growth stocks as Technology maintains a sector weight of 42% in the MSCI USA Quality Index.⁷ Momentum off sharp underperformance in 2022 as well as a move lower in interest rates helped boost the longer-duration, growth-oriented sector over the quarter. With recession talks heating up, however, the added defensive nature of some of these mega-cap Tech stocks from high-quality features like strong free cash flow, which could provide a cushion as credit conditions tighten, may have also played a role. Improved performance of defensive sectors in recent weeks further underscores the possibility that a flight-to-quality trend may be unfolding as investors position portfolios for a slowdown. We expect volatility to remain elevated as markets could be ripe for more turbulence once earnings estimates reset lower, especially now that hopes for a soft or no landing economic scenario look to be fading.

Given these considerations, investors should focus on up-in-quality positioning across asset classes as growth slows and as markets remain sensitive in our view. Our bias, therefore, favors U.S. Equities relative to the rest of the world, with a particular preference for U.S. Large-caps that should be beneficiaries of higher-quality characteristics including stronger balance sheets and better earnings fundamentals relative to international (Exhibit 3). While we maintain a slight preference for Value, we believe portfolios should incorporate both Value and Growth, especially as Growth may potentially outperform in the near term from more defensive repositioning. Within Fixed Income, we similarly believe investors do not need to take undue risk to achieve reasonable returns. We emphasize government exposure versus spread products (corporates, municipals, agency mortgage-backed securities) as nominal and real rates remain attractive in the context of the last 15 years. Opportunities to add to areas that may perform well at the start of a new cycle remain on our watchlist, but until the Fed pivots toward easier monetary policy, and the magnitude of the deterioration in economic growth and earnings becomes clearer, higher-quality positioning may be prudent.

Exhibit 3: U.S. Large-caps Exhibit Higher-Quality Traits Relative to International.

3-year Average (2019-2022)	Return on Equity	Profit Margin	Earnings Growth (Annualized)	Net Debt / EBITDA*	Current Top 3 Sector Weights
U.S. Large-caps	15.8%	10.2%	10.7%	1.4	Information Technology (26.1%) Healthcare (14.2%) Financials (12.9%)
Europe, Austrasia, Far East (EAFE)	8.4%	6.9%	6.9%	2.1	Financials (17.7%) Industrials (15.6%) Healthcare (13.2%)
Emerging Markets	11.1%	9.3%	3.0%	1.9	Financials (21.2%) Information Technology (20.5%) Consumer Discretionary (13.8%)

*Earnings Before Interest, Taxes, Depreciation and Amortization. Note: U.S. Large-caps represented by the S&P 500. EAFE represented by the MSCI EAFE Index. Emerging Markets represented by MSCI Emerging Markets Index. Sources: Bloomberg; FactSet. Data as of December 30, 2022. Sector Weights as of March 31, 2023. **Past performance is no guarantee of future results. Please see index definitions at the end of this report.**

⁶ Bloomberg, data as of April 5, 2023.

⁷ FactSet, data as of March 31, 2023.

THOUGHT OF THE WEEK

The Beginning of the End of the Fed Tightening Cycle and Future Equity Returns

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

Lauren J. Sanfilippo, Director and Senior Investment Strategy Analyst

Forecasting the federal funds rate is fraught with risk and uncertainty—even in times of relative calm and tranquility. That said, after lifting rates over the past year at a pace not seen in decades, and with both inflation and final demand trending lower, the end of the Fed tightening cycle is approaching. We are at the beginning of the end.

Indeed, Fed funds futures show that the market is pricing in at least 50 basis points (bps) of cuts in the fed funds rate by the end of 2023. That may be premature and aggressive, in our opinion. The general consensus is that after another rate hike in May (25 bps), the Fed hits the pause button for the remainder of the year and begins to cut rates starting in 2024. That's our base case.

Should this scenario play out, Exhibit 4 gives some direction/guidance as to what to expect for S&P market returns once the fed funds rate reaches its cyclical peak. In a nutshell, and on average, post-peak rallies in Equities are solid as concerns of rising interest rates fade, economic activity bottoms out, earnings momentum resets, valuations and the risk premium become more attractive, and investors reposition capital toward riskier assets.

Is this path set in stone? Hardly. Nothing is linear when it comes to investing—and the post-peak road for Equities will come with many twists and turns. Geopolitics, banking stress, the U.S. 2024 election, the rise in global protectionism—all of these seismic forces will weigh on market sentiment well into next year. Near term, the major indexes will continue to chop and churn. The Chief Investment Office remains cautious—i.e., neutral Equities and Fixed Income.

Long term, however, we believe the coming Fed pivot will present an opportunity to gain/extend exposure to high-quality assets, including U.S. Equities. In addition, while we get the current attraction of cash, we believe in renting money market funds and owning stocks. To wit, keep history top of mind: In the post-war period overall between 1945 and 2022, the S&P 500 has delivered an annualized total return of 11.2%, well in excess of the average annual gains for corporate credit (5.7%), government bonds (5.1%), cash (3.8%), and inflation (3.7%).

Exhibit 4: The S&P 500 Historically Has Rallied In The Months After The Fed Policy Rate Peaks.

Post-Pause Rallies						
Final Hike	3 months	6 months	12 months	18 months	24 months	30 months
Dec-18	13.6%	17.9%	30.5%	27.4%	53.8%	74%
Jun-06	5.4	12.5	20.3	19.5	4.4	-28
May-00	1.2	-5.9	-11.3	-20.9	-23.2	-36
Feb-95	10.0	20.5	39.2	43.4	75.2	113
Feb-89	12.2	24.5	16.8	14.2	36.6	50
Aug-84	-0.9	9.8	17.8	42.7	61.4	88
<i>Average Return</i>	6.9	13.2	18.9	21.1	34.7	43
<i>Median Return</i>	7.7	15.2	19.1	23.4	45.2	62

Source: Bloomberg. Data as of March 31, 2023. **Past performance is no guarantee of future results.**

Investment Implications

The current investment climate remains choppy and sloppy. We remain cautious (neutral) on both Equities and Fixed Income. However, with uncertainty as the staple of our times, investors should keep in mind that Fed pivots help create opportunities. Staying in the market is key to long-term returns, as is maintaining a disciplined and diversified portfolio.

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	33,485.29	0.7	0.7	1.6
NASDAQ	12,087.96	-1.1	-1.1	15.8
S&P 500	4,105.02	-0.1	-0.1	7.4
S&P 400 Mid Cap	2,447.09	-2.6	-2.6	1.1
Russell 2000	1,754.46	-2.6	-2.6	0.0
MSCI World	2,790.10	0.0	0.0	7.7
MSCI EAFE	2,100.33	0.4	0.4	8.9
MSCI Emerging Markets	984.43	-0.5	-0.5	3.4

Fixed Income†

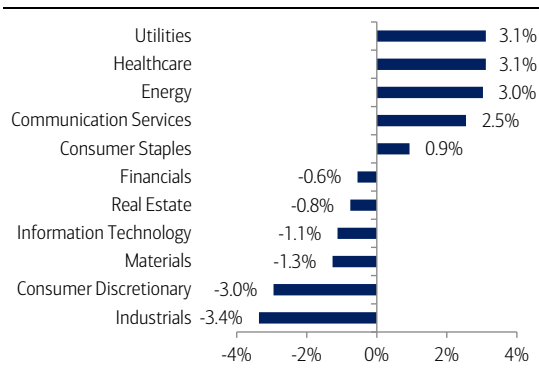
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	4.15	1.12	1.12	4.32
Agencies	4.14	0.69	0.69	2.80
Municipals	3.11	0.90	0.90	3.71
U.S. Investment Grade Credit	4.22	1.12	1.12	4.11
International	5.00	1.08	1.08	4.62
High Yield	8.54	0.08	0.08	3.65
90 Day Yield	4.79	4.69	4.69	4.34
2 Year Yield	3.83	4.03	4.03	4.43
10 Year Yield	3.31	3.47	3.47	3.87
30 Year Yield	3.55	3.65	3.65	3.96

Commodities & Currencies

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Commodities				
Bloomberg Commodity	234.51	0.8	0.8	-4.6
WTI Crude \$/Barrel††	80.70	6.6	6.6	0.5
Gold Spot \$/Ounce††	2007.91	2.0	2.0	10.1

	Total Return in USD (%)			
	Current	Prior Week End	Prior Month End	2022 Year End
Currencies				
EUR/USD	1.09	1.08	1.08	1.07
USD/JPY	131.78	132.86	132.86	131.12
USD/CNH	6.88	6.87	6.87	6.92

S&P Sector Returns



Sources: Bloomberg, Factset. Total Returns from the period of 4/3/2023 to 4/6/2023. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 4/6/2023 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 4/6/2023)

	2022A	Q1 2023A	Q2 2023E	Q3 2023E	Q4 2023E	2023E
Real global GDP (% y/y annualized)	3.4*	-	-	-	-	2.6
Real U.S. GDP (% q/q annualized)	2.1	1.0*	0.5	-1.0	-2.0	0.9
CPI inflation (% y/y)	8.0	5.8*	4.3	3.6	3.2	4.2
Core CPI inflation (% y/y)	6.1	5.5*	5.0	4.1	3.4	4.5
Unemployment rate (%)	3.6	3.5*	3.5	3.7	4.2	3.7
Fed funds rate, end period (%)	4.33	4.83	5.13	5.13	5.13	5.13

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. **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 6, 2023.

Asset Class Weightings (as of 4/4/2023)

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			

CIO Equity Sector Views

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

*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 4, 2023. 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.

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.

Volatility Index is the ticker symbol and the popular name for the Chicago Board Options Exchange's CBOE Volatility Index, a popular measure of the stock market's expectation of volatility based on S&P 500 index options

MOVE Index measures Treasury rate volatility through options pricing.

MSCI USA Quality Index aims to capture the performance of quality growth stocks by identifying stocks with high quality scores based on three main fundamental variables: high return on equity (ROE), stable year-over-year earnings growth and low financial leverage.

Quality, Momentum, Small-cap, Growth, Large-cap, Minimum Volatility, Value/MSCI USA Index is designed to measure the performance of the large and mid cap segments of the US market.

EAFE/MSCI EAFE Index is a stock market index that is designed to measure the equity market performance of developed markets outside of the U.S. & Canada.

Emerging Markets/MSCI Emerging Markets Index is a selection of stocks that is designed to track the financial performance of key companies in fast-growing nations.

Small-caps/Russell 2000 Index is a small-cap U.S. stock market index that makes up the smallest 2,000 stocks in the Russell 3000 Index.

S&P 500 Sector Index constitute a method of sorting publicly traded companies into 11 sectors-Information Technology, Health Care, Financials, Consumer Discretionary, Communication Services, Industrials, Consumer Staples, Energy, Utilities, Real Estate (REITs), and Materials. Also known as the Global Industry Classification Standard (GICS) sorts companies into sectors based on their primary business activity.

Important Disclosures

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

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