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CHIEF INVESTMENT OFFICE

Capital Market Outlook

March 13, 2023

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

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Macro Strategy—*U.S. Economy At Stall Speed. Productivity Slowdown Entrenched:* In a textbook business cycle, wage growth and inflation remain firm at the end of a business cycle expansion while economic activity melts away, resulting in acute pressure on productivity metrics like we are seeing in the current macro environment. It is our assessment that real economic activity in the U.S. is at stall speed and vulnerable to shocks. One expression of weaker growth and a slowdown in productivity is a deteriorating profits cycle, which we believe has legs. We are long-term bulls on the U.S. economy as an organic innovation machine, but trend productivity growth in the U.S. has been slowing over the last two decades.

Market View—*The Next China: Women?:* Women—notably their power of the purse—represent one of the most important drivers of the global economy. Good things happen when women are educated, paid equitably, and are in better health. Countries grow, and the earning potential of firms increases. The collective global purchasing power of females is already larger than China's and could expand in the future if the right policies are put in place to create more global gender parity.

Thought of the Week—*Consumer Credit Reaches Platinum Status:* Following an extended period of above-trend spending levels, the U.S. consumer started 2023 with more momentum than expected. Maintaining or accelerating spending was made possible by depleting stimulus savings and increasing borrowing on credit cards, although piling on the consumer debt burden. The consumer could be constrained by the deteriorating environment of persistent inflation, tighter lending standards and employment security affecting confidence. A good indication of the deceleration in real demand growth is real final sales to private domestic purchasers showing a barely positive pace of around 1.0% in Q4.

Market Volatility: *This Time Is Different.* Much has been written about the demise of Silicon Valley Bank (SVB) and other regional banks this past weekend in the context of the 2008 Great Financial Crisis. The two events, in our opinion, are different. The differences between SVB's very targeted business model (similar for Silvergate à la crypto) and the resulting linkages between depositors, investors, and their loan book versus relatively well-diversified, highly-capitalized, and tightly-risk managed large high-quality banks is significant. The large banking institutions today have very high-quality assets, a diversified deposit base, low exposure to high-growth start-up entities and significantly higher levels of capital by a wide margin. Recent events could influence the Federal Reserve's (Fed) next move via interest rates and quantitative tightening—notably if credit stress rises and economic growth slumps much more than expected. Expectations are for a 25 basis points hike later this month, although the odds of a Fed pause are rising. We continue to emphasize higher-quality assets within Equities and Fixed Income as we expect higher-quality asset prices to settle down at attractive prices. Long-term investors should consider using a dollar cost averaging approach during outsized financial market weakness to rebalance exposure to the higher-quality areas with solid fundamentals. For the time being, in the very short-term, we would wait for the volatility to subside as new "resolution" plans are announced and pulled through.

MACRO STRATEGY ▶

Jonathan W. Kozy
Managing Director and Senior Macro Strategy Analyst

MARKET VIEW ▶

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

Lauren J. Sanfilippo
Director and Senior Investment Strategy Analyst

THOUGHT OF THE WEEK ▶

Lauren J. Sanfilippo
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MARKETS IN REVIEW ▶

Data as of 3/13/2023, and subject to change

Portfolio Considerations

With our view of a "grind it out" atmosphere for markets, weakness in growth around the corner, and yields to peak, we believe staying neutral stocks and bonds makes sense at this point. This month we lowered our allocation to muni bonds to slight underweight. While we still like municipal credit and think that tax-free municipals should play a key role in portfolios for clients in a high tax bracket, valuations have become excessive versus Treasurys. The inclusion of Alternative Investments,* for qualified investors, to help mitigate risk and/or potentially enhance portfolio returns, should also increase in importance in 2023, in our opinion.

* Many products that pursue Alternative Investment strategies are available only to qualified investors.

MACRO STRATEGY

U.S. Economy At Stall Speed. Productivity Slowdown Entrenched

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

The rebound in positive economic surprises to start the year appears to be fading as evidence accumulates that the U.S. economy is in its late cycle phase and heading into a recession. Lagging indicators are behaving as they tend to do at the end of an expansion: Consumer credit growth is strong (see Thought of the Week), services inflation remains high, monetary policy is entering the most acute tightening phase (for example, Fed Chair Powell's Congressional Testimony), and productivity is under pressure as economic activity slows. It is our assessment that real economic activity is at stall speed, while labor cost growth remains firm. As a result, productivity growth is contracting at or near the fastest pace of the post-war period, challenging hopes that the pandemic unleashed a lasting upward shift to productivity and potential growth with important implications for capital market assumptions.

Evidence of stall speed: In a textbook business cycle, wage growth and inflation remain firm at the end of a business cycle expansion, while economic activity melts away, resulting in acute pressure on productivity metrics like we are seeing in the current macro environment. But how confident can we be that growth is not picking up?

The New York Federal Reserve's Weekly Economic Index is designed to track year-over-year(YoY) real economic growth. It has correlated well with our preferred measure of demand, real final sales to private domestic purchasers (consumer and business spending). This index suggests real demand is stuck around 1.0% YoY. One component, initial claims for unemployment insurance, is trending higher in February following a declining trend in December and January. The Chicago Fed's national activity index, a composite of 85 indicators of hard activity, also suggests growth is below trend on a three-month moving average basis. Lastly, tracking estimates of real gross domestic product (GDP) in Q1 vary widely but are on a weakening trend. The St. Louis Fed uses a news-based methodology and has real growth tracking at around -1% in Q1. BofA Global Research tracks incoming data and has real GDP growth tracking at 0.7% This is positive, but real economic growth at stall speed leaves it vulnerable to shocks and acute financial stresses that often tip the economy into recession. The recent winddown of a crypto bank is one example of financial stresses that emerge when growth slows and monetary policy is tight. Even if growth picks up, weak productivity growth would suggest it will just create inflation that the Fed may stomp on.

Is the slowdown in productivity just cyclical? In a traditional cycle, productivity surges coming out of a recession as growth rebounds while at the same time firms are labor-lean. Productivity growth then slows toward a trend-like pace as firms rapidly hire workers to try to boost production to catch up with demand. This clearly played out coming out of the pandemic, and some of the recent weakness in productivity might be this normal cyclical behavior amplified by the extreme nature of the pandemic.

The problem with extrapolating this into an "early cycle" view of productivity is that manufacturing survey data like the Institute for Supply Management (ISM) survey suggest that production is running faster than orders. And as mentioned, real economic growth does not seem to be entering a trend-like growth phase but appears to be running below trend and weakening. We assess that the productivity cycle is a late-cycle slowdown: Wage growth and inflation remain firm at the end of a business cycle expansion, while economic activity slows.

The productivity paradox: In a 1987 article in *The New York Times Book Review*, economist Robert Solow famously observed, "You can see the computer age everywhere but in the productivity statistics." The "Solow paradox," or productivity paradox, may be applicable today. In the post-pandemic period, the hope for more rapid adoption of digital

Investment Implications

We are long-term bulls on the U.S. economy as an organic innovation machine, but, given the near-term headwinds, economic growth might struggle to accelerate without generating inflation. If weaker productivity growth sticks around, it will challenge potential growth assumptions, a key input to long-term interest rates, and raise the risk of more volatile cycles in the next few years. Lastly, weaker productivity translates to weaker profits, a headwind for risk assets. The good news for long-term investors is that we continue to believe we will see more attractive entry points for Equities later in the year when a recession helps bring inflation back towards the Fed's target.

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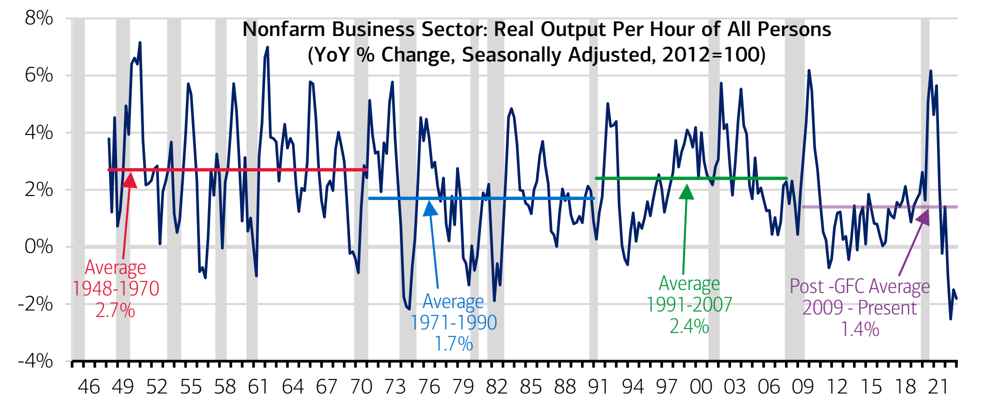
technology, automation, cloud computing, artificial intelligence, blockchain technology, a reallocation of resources or managerial innovation haven't yielded much in terms of measurable productivity growth. And many of these technologies were being adopted pre-pandemic. Nonfarm business sector productivity contracted 1.8% YoY in Q4 of 2022, near the worst reading of the post war period, but a longer-term assessment also shows a slowing trend.

As Exhibit 1 shows, productivity growth has been weaker in the post-Global Financial Crisis (GFC) environment. The slowdown appears to have even started before the GFC. The post-war period average for productivity growth is 2.1%, but the post-GFC average 1.4% and the most recent 10-year average is 1.3%. Productivity growth averaged well over 2% in the 1990s and 2000s.

Exhibit 1: Pandemic-Related Technology Adoption Yet to Boost Productivity. Is Labor Quality The Issue?



Gray areas represent recession periods. Sources: Bureau of Labor Statistics/Haver Analytics. Data as of March 2, 2023.

It may not be the case that technology isn't boosting productivity as expected. There is a labor market element to the cyclical and secular outlook as well. More workers can produce more output per worker through non-technology-based means (work hard and efficiently). Gavekal Research notes several important labor dynamics that can help explain declining labor market participation and perhaps productivity. Specifically, early retirement related to the pandemic, drug legalization, opioid addiction and obesity. The combined outlook for labor market participation and productivity is a double whammy for potential growth.

Despite the headwinds, we are long-term bulls on the U.S. economy as an organic innovation machine because of our assessment of the drivers of innovation including diversity of thought and technological innovation. But given the near-term headwinds, economic growth might struggle to accelerate without generating inflation. It could be the case that addressing negative externalities like climate change or national security supply chain issues will stifle productivity in the near term but emerge later as catalysts for higher potential growth. If weaker productivity growth sticks around, it would challenge potential growth assumptions, a key input to long-term interest rates and capital market assumptions, and raise the risk of more volatile cycles in the next few years.

MARKET VIEW

The Next China: Women?

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

Lauren J. Sanfilippo, Director and Senior Investment Strategy Analyst

It's official: Double-digit economic growth rates from China are a thing of the past with the government's recent announcement that real growth in 2023 would be "around 5%," the lowest growth target in over three decades. The world's perennial driver of economic growth is downshifting, leaving investors wondering where the next big global macro driver of demand will come from.

One out-of-consensus possibility: women.

If that sounds fanciful, take a look at Exhibit 2A which provides a snapshot of the "power of the purse," or the global income of females. By our estimates, global female income—roughly $25 trillion in 2022—is not only nearly as large as the U.S. economy but also in excess of China's total annual output ($17.8 trillion in 2021). Simply put, the female power of the purse is staggering. Women have collectively become one of the largest economic forces in the world—despite many hurdles to gender equality.

The road to wealth has been anything but linear. For women, the path to prosperity has not been easy and is still paved with major ruts. The good news is that around the world, women are generally better educated, better paid, and in better health. More young girls are in school today than ever before. More university degrees are being conferred on women than men, boosting incomes. And more women can be found among the senior ranks of business and politics.

In the U.S., not only is the percentage of prime-age women (25-54) in the labor force back to pre-pandemic levels owing to more part-time work, remote options and fewer pandemic-related disruptions, but also the female labor force participation rate of 77% in January 2023 was at a near-record high. What's more, young women (under the age of 30) in a number of U.S. cities now earn the same amount as or more than their male counterparts, according to the Pew Research Center. The number of female CEOs running Fortune 500 companies has never been higher: 53 at the start of this year.

Now the discouraging news: Despite many positive trends, glaring gender gaps remain—and if women are going to emerge as the next China, closing these gaps is paramount.

One gap lies with pay—pay is still unequitable. In general, women in the U.S. earn an estimated 82 cents for every dollar in earnings for men. Regardless of occupation, full-time or part-time work, level of education, years of experience—whatever the metric, women's earnings continue to lag those of men. And they have for quite some time—the gender wage gap has barely budged or improved in over a decade.

This disparity not only robs women of income today, but also steals from them in the future. Inequitable pay means women have less money to stash in their retirement accounts, less means to put a down payment on a home, fewer Social Security benefits, and less cash for a rainy-day fund. As noted by the Congressional Research Service, the earnings gap is one reason why women experience higher rates of poverty in old age than men.

Meanwhile, the "second shift," or family care-giving duties that are unpaid, fall disproportionately to women. While the amounts vary by country, females spend up to two to 10 times more on unpaid work than men at a considerable cost (Exhibit 2B). If women were paid for their unpaid work, it would total nearly $11 trillion, according to Oxfam America. That's a staggering level of uncounted output. But what's more, time spent on unpaid work is time lost to other job-related activities or activities that boosts a woman's self-worth (education) and well-being (physical activity). The "second shift" is a significant inhibitor to gender equality.

So too is the lack of paid family leave in the U.S.—the only high-income nation classified by the World Bank as not having a national paid family leave program. While several states have implemented such policies, and some employers voluntarily offer paid family leave, U.S. paid leave policies remain far from universal and equitable. Paid leave is rare among low-wage

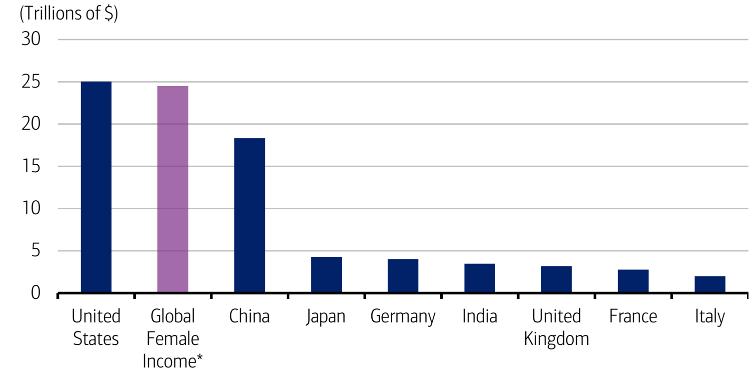
Investment Implications

The more diverse, inclusive and equitable a country/company, the greater the opportunities for investors. Around the world, the role of women continues to expand. In our opinion, companies attuned to the promise of women are well positioned to drive future earnings growth.

workers and concentrated among high-wage workers. Part-time workers have fewer options for paid leave then full-time workers.

Exhibit 2: Measuring Women's Power of the Purse and Unpaid Work.

2A) Female Power of the Purse vs. the Largest Economies, 2022.



2B) Women's Unpaid Work Sized Up to Economies, 2020.

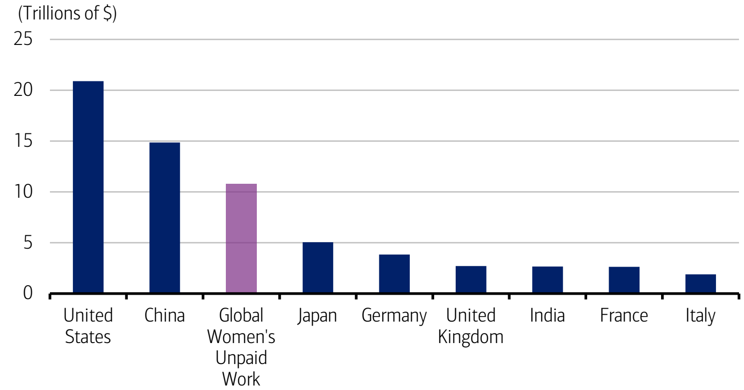


Exhibit 2A: *Chief Investment Office estimate. Global female income vs. the 2022 annual output of various economies. Sources: Estimate of women's unpaid work vs. the 2020 annual output of various economies. World Bank; International Monetary Fund. Data as of 2022. Exhibit 2B: Sources: International Monetary Fund; Oxfam. Data as of December 2020.

At best, family leave policies in the U.S. are a patchwork system riddled with holes that miserably fails to address the fact that motherhood is a critical point in a woman's career. For females, it's one of life's most crucial and defining intersections, leaving many women—unbeknownst to their employer—physically and mentally exhausted, and full of self-doubt. The upshot: Having a child is one of the biggest reasons why women permanently drop out of the work force.

The stakes are high for companies and countries. Not wanting to lose a valuable resource, however, forward-looking firms are adjusting by encouraging more flexible hours for moms (and dads), embracing more hybrid work models, and leveraging more remote work technologies that proved successful during the pandemic. U.S. firms, in other words, are sharpening their gender lens. That's smart because various studies (Mckinsey, Oxfam, BofA Global Research) suggest that the more diverse and inclusive a company, the greater the odds for more innovation, better decisions, better risk management, and higher financial returns.

They have no choice—not with the U.S. labor market basically at full employment, not with immigration flows staunched by more restrictive policies, and not with the global labor market in a secular decline, upping the global war for talent.

The U.S. government is also in a bind. The success of Washington's "Buy America" industrial policies (think Inflation Reduction Act, the CHIPS Act, and Infrastructure and Jobs Act) could very well rest on the willingness and ability of women to participate, since the surge in fiscal spending has already created severe labor shortages of electricians, engineers, solar installers, truck drivers and related jobs that require the 21st century equivalent of Rosie the Riveter.

Investment implications

We have long made the case that the steady advancement of women directly correlates with economic growth and future earnings prospects of many companies. Nations that prioritize a level gender playing field, in our opinion, will experience stronger long-term growth rates, while firms that leverage women as both workers and consumers are positioned for upside earnings potential.

Women, in the end, have the potential to be an even larger engine of future global growth—or in other words, the next China.

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THOUGHT OF THE WEEK

Consumer Credit Reaches Platinum Status

Lauren J. Sanfilippo, Director and Senior Investment Strategy Analyst

Missing from the reputed consumer strength narrative is the $14.8 billion increase in debt over the month of January, encompassing both revolving (as in credit cards) and non-revolving (think mortgage, auto and student) debt.[1] January's robust retail sales figures mask the fact that consumers paid with plastic—piling on $11.2 billion in 'revolving' debt.

U.S. consumers have never owed more—topping $1.2 trillion, consumer credit is at a record high (Exhibit 3A). Perhaps more concerning than the absolute level is the rate of change. Record savings to record debt happened in a flash. Generous government transfers during the pandemic depressed credit card balances by 10%, as consumers responsibly paid off their balances. It's no coincidence then that as liquidity and savings dwindled, credit card debt snapped back by 25% between the end of 2021 and January 2023.

Alarmingly so, the average annual percentage rate (APR) on a credit card currently stands at 19.94%, another record—eclipsing the previous record high of 17.87% last year, according to Bankrate. As credit card usage accelerates through a deteriorating cash reserves backdrop, the challenge for consumers lies with servicing their variable consumer debt, or the nonmortgage component. Exhibit 3B compares the financial obligations ratio of credit card debt as compared to disposable income, which remains elevated around 5.8% in Q3 of 2022. That is the highest debt service ratio back to Q1 of 2009. By the end of 2022, 18.3 million borrowers were behind on a credit card, according to the New York Fed. That compares to 15.8 million at the end of 2019.

Stubbornly high prices and still climbing interest rates puts an extra burden on households hoping to pay back debt. Americans are spending 25% of after-tax dollars servicing their consumer debt according to the Fed. Job security has helped keep a lid on delinquencies (although rising, still below historical norms). A material deterioration of the employment backdrop will further pressure households, with banks anticipating tighter lending standards ahead, as well as weakening loan demand and loan quality through the balance of 2023.[2]

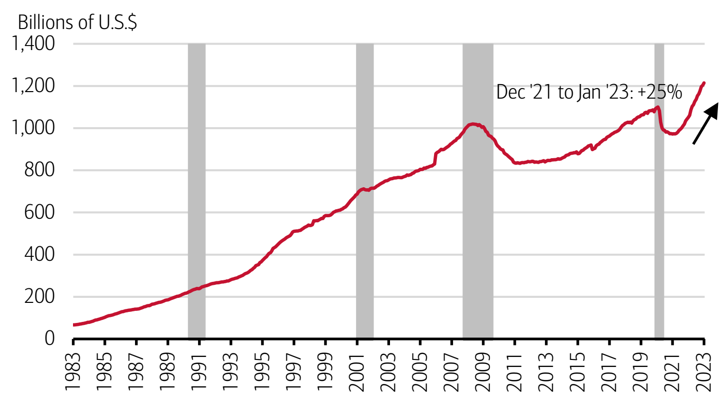
As the saying goes "a light purse is a heavy curse"—especially when it's filled with flimsy plastic.

Investment Implications

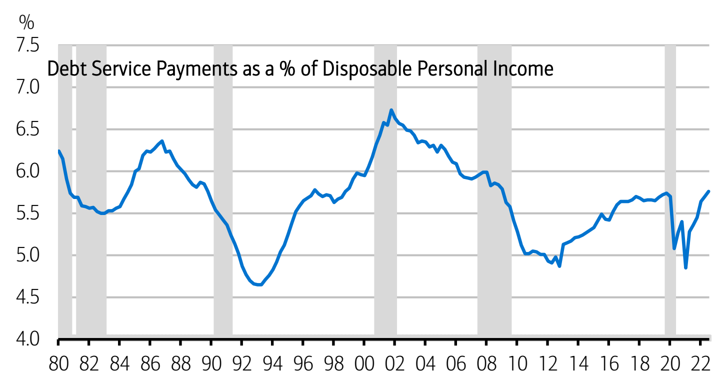
We are generally cautious on risk assets, including Equities, and continue to promote a high level of diversification through the global growth slowdown and reset in corporate earnings. Within our Equity allocation, we remain neutral Consumer Staples and underweight Consumer Discretionary with both sector's valuations screening expensive in our opinion.

Exhibit 3: A Look at Swelling Consumer Credit.

3A) Paying With Plastic: Consumer Credit Outstanding



3B) Bills, Bills, Bills: Consumer Debt A Growing Worry



Grey shading indicates recessions as defined by National Bureau of Economic Research. Exhibit 3A) Source: Federal Reserve. Data as of March 7, 2023. Exhibit 3B) Source: Federal Reserve. Data as of February 2023.

[1] According to March 2023 Federal Reserve data.

[2] January 2023 Senior Loan Officer Opinion Survey (SLOOS) on Bank Lending Practices.

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	31,909.64	-4.3	-2.1	-3.2
NASDAQ	11,138.89	-4.7	-2.7	6.6
S&P 500	3,861.59	-4.5	-2.7	0.9
S&P 400 Mid Cap	2,452.59	-7.4	-5.6	1.2
Russell 2000	1,772.70	-8.0	-6.5	0.9
MSCI World	2,657.41	-3.6	-2.0	2.4
MSCI EAFE	2,052.22	-0.8	0.1	6.0
MSCI Emerging Markets	955.28	-3.3	-0.9	0.0

Fixed Income†

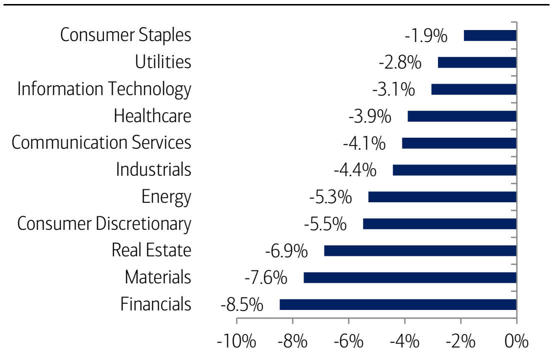
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	4.64	1.29	1.26	1.61
Agencies	4.67	0.94	0.79	0.96
Municipals	3.51	0.94	0.76	1.31
U.S. Investment Grade Credit	4.67	1.17	1.04	1.45
International	5.41	0.77	0.98	1.69
High Yield	8.83	-0.90	-0.59	1.87
90 Day Yield	4.87	4.84	4.77	4.34
2 Year Yield	4.59	4.86	4.82	4.43
10 Year Yield	3.70	3.95	3.92	3.87
30 Year Yield	3.71	3.88	3.92	3.96

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	229.97	-3.4	-1.4	-6.5
WTI Crude $/Barrel††	76.68	-3.8	-0.5	-4.5
Gold Spot $/Ounce††	1868.26	0.6	2.3	2.4

		Total Return in USD (%)		
Currencies	Current	Prior Week End	Prior Month End	2022 Year End
EUR/USD	1.06	1.06	1.06	1.07
USD/JPY	135.03	135.87	136.17	131.12
USD/CNH	6.94	6.90	6.95	6.92

S&P Sector Returns



Sources: Bloomberg; Factset. Total Returns from the period of 3/62023 to 3/10/2023. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 3/10/2023 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 3/10/2023)

	Q4 2022A	2022A	Q1 2023E	Q2 2023E	Q3 2023E	Q4 2023E	2023E
Real global GDP (% y/y annualized)	-	3.4*	-	-	-	-	2.6
Real U.S. GDP (% q/q annualized)	2.7	2.1	1.0	0.5	-1.0	-2.0	1.0
CPI inflation (% y/y)	7.1	8.0	5.8	4.4	3.7	3.3	4.3
Core CPI inflation (% y/y)	6.0	6.1	5.5	5.0	4.1	3.3	4.5
Unemployment rate (%)	3.6	3.6	3.4	3.3	3.6	4.1	3.6
Fed funds rate, end period (%)	4.33	4.33	4.88	5.38	5.38	5.38	5.38

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 March 10, 2023.

Asset Class Weightings (as of 3/7/2023)

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

CIO Equity Sector Views

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

*Many products that pursue Alternative Investment strategies, specifically Private Equity and Hedge Funds, are available only to qualified investors. CIO asset class views are relative to the CIO Strategic Asset Allocation (SAA) of a multi-asset portfolio. Source: Chief Investment Office as of March 7, 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.

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Index Definitions

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

S&P 500 Index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. Although the index focuses on the large-cap segment of the market, with approximately 75% coverage of U.S. equities, it is also an ideal proxy for the total market.

New York Federal Reserve's Weekly Economic Index is an index of ten indicators of real economic activity, scaled to align with the four-quarter GDP growth rate.

Chicago Fed national activity index is a monthly index designed to gauge overall economic activity and related inflationary pressure.

Important Disclosures

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

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.

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

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

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.