CHIEF INVESTMENT OFFICE

Capital Market Outlook

November 28, 2022

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

IN THIS ISSUE

Macro Strategy—*Insourcing: One Race Where the U.S. Leads China:* Over the past few decades, China has emerged as a key competitor to the U.S. across multiple economic activities. By one measurement, China's economy is already larger than America's. However, when it comes to attracting the capital of foreign multinationals—a key ingredient to growth—the U.S. maintains its pole position relative to China.

Contrary to the popular narrative, the U.S. remains the top destination for foreign direct investment (FDI). "Made in America" trumps "Made in China."

Market View—*Applying A Total-Return Mindset To Portfolios:* While difficult to foresee given current conditions, the next couple of years could be characterized by moderating inflationary headwinds, less hawkish (to dovish) central bank actions and an eventual recovery in the business cycle.

In our view, conditions are coming together as we transition to 2023 for forward returns to improve, while, concurrently, the opportunity to derive income from financial assets is better than at any time in the last decade. Total return investments like income producing Equities and Fixed Income could present attractive opportunities for long-term investors.

Thought of the Week—*"Stealth QT"—Quantitative Tightening Effectively Started Before It Officially Started:* Even though quantitative tightening (QT) only began in June and started running at full speed in September, bank reserves have been draining since December of 2021.

The amount of reserve drain has been significant and coincident with an increase in both financial market volatility specifically and lower asset prices generally. This suggests that financial conditions are even tighter than implied by a 3.875% fed funds rate, and we will have to watch not only rates but specific balance sheet activity for effects on the economy and markets.

MACRO STRATEGY ▶

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

MARKET VIEW ▶

Niladri Mukherjee
Managing Director and Head of CIO Portfolio Strategy

Emily Avioli
Assistant Vice President and Investment Strategist

THOUGHT OF THE WEEK ▶

Matthew Diczok
Managing Director and Head of Fixed Income Strategy

MARKETS IN REVIEW ▶

Data as of 11/28/2022,
and subject to change

Portfolio Considerations

We remain neutral Equities, with a preference for U.S. Equities relative to International, and a slight overweight to high-quality Fixed Income. We continue to emphasize broad portfolio diversification, including Alternatives*, as we continue to monitor trends in inflation, the Federal Reserve (Fed), corporate earnings, rates, and the dollar.

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

Merrill Lynch, Pierce, Fenner & Smith Incorporated (also referred to as "MLPF&S" or "Merrill") makes available certain investment products sponsored, managed, distributed or provided by companies that are affiliates of Bank of America Corporation ("BofA Corp."). MLPF&S is a registered broker-dealer, registered investment adviser, Member SIPC and a wholly owned subsidiary of BofA Corp.
Investment products:

Are Not FDIC Insured	Are Not Bank Guaranteed	May Lose Value

Please see last page for important disclosure information. 5242975 11/2022

MACRO STRATEGY

Insourcing: One Race Where the U.S. Leads China

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

Over the past 40 years, no two economies in the world have competed as fiercely across various economic activities as the U.S. and China. China was the early underdog when it opened to the West but has subsequently moved ahead of the U.S. as the world's largest manufacturer, top spender on infrastructure and leading exporter of goods. In 2017, China's total economic output even surpassed America's on a purchasing power parity basis.[1] Meanwhile, in activities like quantum computing, artificial intelligence, 5-G technology—the competition is too close to call.

That said, there is a key contest where the U.S. not only leads China but is poised to pull ahead. It's "insourcing"—or the race to attract the FDI from the world's leading multinationals.

This is a competition—contrary to popular wisdom—the U.S. has been beating China in for years. Indeed, notwithstanding the common refrain that multinationals prefer to locate production in low-wage nations like Mexico and China, reality is quite different.

What multinationals desire, America has in spades: the world's largest consumer market, a skilled and productive labor pool, a highly innovative and tech-driven ecosystem, a deep and sophisticated capital market, first-class universities, a transparent and stable rule of law, a predictable regulatory backdrop, and inexpensive energy, among other items. In other words, it's not just one factor that attracts FDI to the U.S. but a bundle of attributes that no other country possesses.

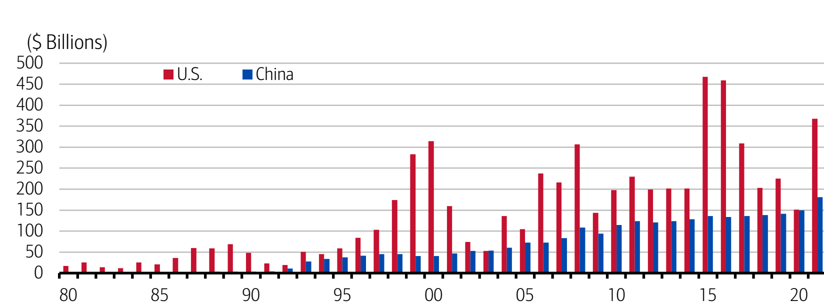
Accordingly, only once, in 2003, have annual inward FDI flows to China eclipsed those to the U.S.—and just barely (Exhibit 1A). And as Exhibit 1B spotlights, on a cumulative basis, no country in the world has insourced or accumulated as much foreign capital over the past four decades as the U.S. From 1980 to 2021, U.S. cumulative FDI inflows totaled over $6.2 trillion—18% of the global total and light years ahead of second-place China, with a take of $2.6 trillion or 7.6% share.

Investment Implications

A critical ingredient of economic growth is FDI, which helps drive real growth, capital investment, income gains and trade, among other factors. No one attracts more foreign investment than the U.S., including China. We expect the investment gap between the U.S. and China to widen in the years ahead, helping to create more long-term, stable investment opportunities in America relative to China.

Exhibit 1: Foreign Direct Investment Inflows.

1A) Foreign Direct Investment Inflows: The U.S. Vs. China



1B) America as Number One: Foreign Direct Investment Inflows ($ Billions)

		Aggregate 1980-2021	
	World	34,423.2	
1	United States of America	6,184.8	18.0%
2	China	2,619.7	7.6%
3	United Kingdom	2,177.2	6.3%
4	Hong Kong	1,774.4	5.2%
5	Singapore	1,165.0	3.4%
6	Germany	1,126.6	3.3%
7	Brazil	1,110.3	3.2%
8	Belgium	1,091.9	3.2%
9	Canada	1,067.5	3.1%
10	Ireland	872.6	2.5%

Source: United Nations Conference on Trade and Development. Data as of November 21, 2022.

Why it matters

Insourcing matters because it ultimately bolsters the long-term growth and competitiveness of the U.S. economy. And the more competitive an economy, the greater the opportunity for investors—and hence the Chief Investment Office portfolio bias to own U.S. assets. The benefits from insourcing run the gamut and include the following:[2]

Output: In 2020, the last year of available data, the value-added (output) of U.S. foreign affiliates in the U.S. accounted for 6.8% ($1.1 trillion) of total U.S. private output.

Jobs: These firms employed 7.9 million U.S. workers in 2020, or 6.4% of private sector employment. Just over 35% of these jobs at U.S. affiliates were in manufacturing activities.

Capital investment: The share of U.S. private sector capital investment accounted for by U.S. foreign affiliates was 17.6% in 2020, or some $282 billion.

[1] Note: In nominal U.S. dollars, the U.S. economy is still some 5.78 and 3.61 larger than China's.

[2] The figures are sourced from the "Activities of U.S. Affiliates of Foreign Multinational Enterprises, 2020," Bureau of Economic Analysis, August 2020.

Research & Development (R&D): The share of R&D was 14.1% of the U.S. total, or roughly $72 billion.

Trade: In 2020, U.S. foreign affiliates accounted for nearly 25% of total U.S. goods exports and 28% of U.S. goods imports, underscoring their importance in driving U.S. trade flows. Thanks to foreign affiliate exports, some states like Alabama, South Carolina and Georgia have been transformed into exporter powerhouses over the past few decades.

Add it all up, and the benefits of insourcing are consequential and go beyond basic economic metrics like growth and trade. For instance, the average annual compensation levels at U.S. foreign affiliates are typically higher than U.S. domestic firms, with the Organization for International Investment noting that U.S. workers at foreign firms make over $83,000 annually, 18% higher than the economywide average. Meanwhile, by sourcing locally, foreign affiliates help boost the profits and sales of domestic suppliers, adding further strength to the overall economy. Insourcing, in short, is beneficial and bullish for U.S. growth and earnings.

What about China?

China, too, has been quite successful in snaring FDI over the past few decades and, like the U.S., has reaped significant benefits. Indeed, an economic backwater when it "opened" to the world in the late 1970s, China's transformation into a global manufacturing and exporting powerhouse has been largely underpinned by FDI. Multinationals were first attracted to the mainland by special economic incentives and a large inexpensive labor pool, giving firms the wherewithal to leverage low-cost China to their competitive advantage. Beginning around the start of the century, however, China not only emerged as a source of supply for firms, but also a source of demand as China's middle class mushroomed, spurring rising levels of Chinese consumption on Western consumer goods and services.

Fast forward to today, and China, no doubt, remains an important market for multinationals. Yet its future as a key destination of foreign capital isn't ironclad. Undermining the nation's attractiveness has been China's draconian zero-Covid policies and continued shutdowns, which prompted many foreign firms to review their overall commitment to China. To this point, surveys from both the American Chamber of Commerce in China and the European Union Chamber of Commerce this year point to delayed or decreasing levels of Chinese investment as firms reassess their global supply chains.

Compounding matters has been China's turn inward and its stated goal of greater self-sufficiency, with state-led policies driving growth. This, along with weaker real growth, U.S. trade restrictions and rising geopolitical tensions with both the U.S. and Europe have undercut the allure of China as a top investment location for multinationals. Alternatives in Southeast Asia—think Vietnam and Indonesia—have added to the rethink of investing in China.

Capturing the mood of the moment, Michael Hart—president of the American Chamber of Commerce in China—was recently quoted as saying, "Two, three, four years from now, I predict a massive decline in investment in China because no new projects are being teed up, because people can't come in and look at space."[3]

Coming to America, again

In contrast to China, the mood and backdrop in the U.S. is different. In particular, U.S. policies to promote the domestic production of semiconductors, electrical vehicles, solar panels and battery gigfactories have not gone unnoticed by the rest of the world, triggering a wave of announcements among foreign firms of entering or expanding into the U.S. To wit, ASML is building out its state-of-the-art R&D facility in Silicon Valley; Samsung Electronics is building a new fab site in Texas; TSMC of Taiwan is building a new plant in Arizona; Hyundai broke ground this year on an electric vehicle and battery plant in Georgia; and Honda is adding to its Ohio-based assembly and engine plants. The list goes on.

In a world increasingly balkanized or cleaved into spheres on account of rising trade barriers and investment restrictions, the U.S. stands out. In relation to a more insular and closed China and a war-affected Europe, America is in the pole position to remain a magnet for FDI. The latter, in turn, is a key component of economic growth, a catalyst for competitiveness, and a sturdy foundation for future earnings growth across multiple U.S. industries. Conversely, China's shifting investment landscape for foreign investment could emerge as a key headwind to growth by mid-decade.

The bottom line: Foreign multinationals are long the U.S., and U.S. investors should be the same.

[3] See "China seeks to address FDI concerns as foreign investors look for alternatives", Japan Times, October 5, 2022.

MARKET VIEW

Applying A Total-Return Mindset To Portfolios

Niladri Mukherjee, Managing Director and Head of CIO Portfolio Strategy

Emily Avioli, Assistant Vice President and Investment Strategist

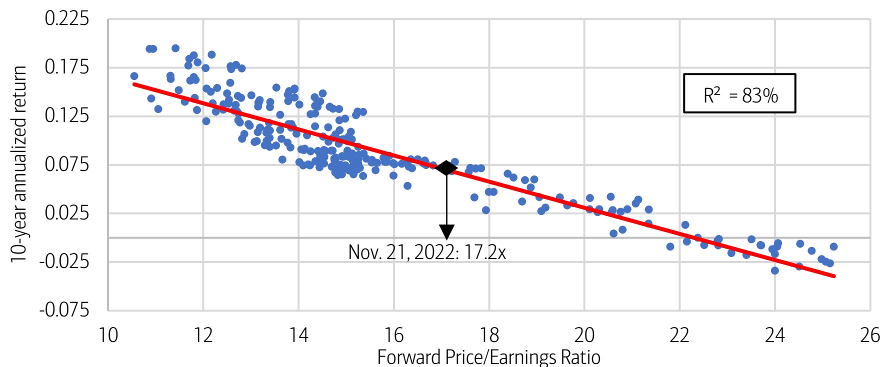
2022 is proving to be one of the toughest years on record for stock and bond returns. Historically high and sticky inflation, leading to an aggressive tightening campaign by central banks, a slowing global economy and the ongoing war in Europe have hurt investor sentiment for risk assets while spiking interest rates have not allowed Fixed Income to play the traditional role of a diversifying asset. The era of 2019-2021 was all about capital appreciation driven by abundant liquidity and lower rates. 2022 is proving to be the reset year for liquidity conditions and asset valuations. While difficult to foresee given current conditions, the next couple of years could be characterized by moderating inflationary headwinds, less hawkish (to dovish) central bank actions and an eventual recovery in the business cycle. There could be more volatility in the near term, in our view; however, conditions are coming together as we transition to 2023 for forward returns to improve, while, concurrently, the opportunity to derive income from financial assets is better than at any time in the last decade.

Equities have seen significant valuation compression during this year's bear market, with the S&P 500 forward price-to-earnings multiple (P/E) ratio falling from 21.5x at the end of 2021 to about 17.2x today. Valuations matter for forward returns, with P/Es explaining roughly 83% of subsequent 10-year annualized total returns for the S&P 500 since 1990. Current P/E levels, which are still slightly above historic averages, suggest that the S&P 500 could see average annual returns in the mid- to high-single-digit range over the next 10 years, lower than historical returns but still attractive (Exhibit 2). The recent 25% drawdown in equity markets also raises the probability of a recovery ahead if history is a guide—historically, the S&P 500 has seen positive returns after pullbacks of that magnitude, with an average one-year forward return of 27% (Exhibit 3).

Investment Implications

While the near-term remains uncertain, we think that current conditions set the stage for a more constructive outlook later in 2023. In the next era of investing, it is our view that total return investments like income producing Equities, Fixed Income and certain alternatives could present attractive opportunities for long-term investors. We prefer that investors tilt their portfolios toward bonds currently given the deteriorating macro outlook, but take advantage of market volatility to leg into Equities over the coming quarters.

Exhibit 2: Forward P/E And Subsequent S&P 500 10-year Annualized Total Returns.



Source: Bloomberg. November 21, 2022. 120-month annualized total returns beginning January 1990. R-squared represents the percent of total variation in total returns that can be explained by forward price-to-earnings ratios. **Past performance is no guarantee of future results.**

Total return contributions from dividends and Fixed Income exposures should be an important consideration for investors going forward. Dividends have contributed close to 40% of the total return of the S&P 500 since 1936 but only 10% in the last decade[4] and the dividend payout ratio for the S&P 500 is below its long term average of 52% at 39%,[5] suggesting that dividends have room to grow. A recent Evercore ISI Company survey suggests that 15% of companies expect dividend payments to be a top use of incremental cash flow in 2023, the highest amount since 2016.[6] Demographics may also be a supporting factor, as companies could increase shareholder payouts to appeal to the roughly 73 million baby boomers who will have turned 65 by 2030 and will be searching for income-producing investments in retirement.[7] As demand for income increases, dividend paying stocks may start to increase

[4] BofA Global Research. May 11, 2022.

[5] Bloomberg. November 17, 2022.

[6] Evercore ISI Company Surveys. November 14, 2022.

[7] U.S. Census Bureau. December 19, 2019.

their market share within the broader index—the percent of S&P 500 market value comprised dividend-paying stocks is about 77% today, down from 98% in 1980.[8]

Exhibit 3: S&P 500 Index Forward Total Returns After 25% Drawdowns.

		S&P 500 Total Returns from 25% Drawdown					
Period to Reach 25% Drawdown	Peak-to-Trough Market Drawdown	1-Month	3-Month	1-Year	3-Year	5-Year	10-Year
Dec 1961- Jun 1962	-28%	7%	9%	34%	73%	101%	174%
Nov 1968- Apr 1970	-36%	-7%	-2%	35%	47%	29%	99%
Jan 1973- Apr 1974	-48%	-1%	-6%	1%	23%	43%	184%
Nov 1980- Aug 1982	-27%	17%	38%	61%	109%	270%	487%
Aug 1987- Oct 1987	-34%	10%	13%	29%	51%	117%	471%
Mar 2000- Mar 2001	-49%	10%	6%	2%	2%	24%	35%
Oct 2007- Sep 2008	-57%	-19%	-20%	-5%	12%	64%	211%
Feb 2020- Mar 2020	-34%	13%	29%	62%	-	-	-
Jan 2022- Sep 2022	-25%	9%		-	-	-	-
Average	*-38%*	*4%*	*8%*	*27%*	*45%*	*93%*	*237%*

Source: Bloomberg. Data as of November 21, 2022. Note: The "Period to Reach 25% Drawdown" column depicts a 25% drawdown from the recent peak. The "Peak-to-Trough Market Drawdown" column represents the entire bear market drawdown and may extend further than the 25% drawdown dates. The forward return data is based off the end date for the "Period to Reach 25% Drawdown" column. Green-shaded regions represent positive returns, and rose-shaded regions represent negative returns.

Notably, income-oriented Equities have seen relatively strong performance this year. The S&P 500 Dividend Aristocrats Index has outperformed the S&P 500 by over 10% year-to-date, according to Bloomberg. The S&P 500's top performing sectors this year all have dividend yields that are above that of the S&P 500's 1.7%, with Energy, Consumer Staples and Utilities yielding 3.6%, 2.5%, and 3.0%, respectively.[9] Moving forward, income oriented industry groups like telecommunication services, banks, and food beverage could present opportunity with respective dividend yields of 5.4%, 3.0%, and 3.1%.[10] Though we continue to favor U.S. Equities over the rest of the world, rock-bottom valuations and higher dividend yields could make certain International and Emerging Market Equities attractive for investors with a long time horizon. For instance, while European Equities face a number of headwinds in the near term, they are trading with a P/E of 11.7x with a dividend yield of 3.2%.

Fixed Income is perhaps the most interesting asset class in the near to medium terms, from a total return perspective. Nominal and real (inflation-adjusted) yields are now above long-term averages, and, for the first time in several years, investors have an ability to earn a positive, substantial yield on bonds (Exhibit 4). Higher Fixed Income starting yields are also indicative of better forward returns for long-term investors in this asset class. One can make the case that bond yields, both on the front and back ends, are closer to topping out given the advanced stage of the Fed's hiking cycle, the economy quickly slowing down and inflation finally beginning to moderate. If this dynamic continues to unfold over the next 6-12 months, Fixed Income could potentially provide not just higher levels of income but capital appreciation as well.

Exhibit 4: Yields Have Increased For Various Fixed Income Investments.

Bonds	Current Yield	2020 Yield	2017 Yield
3-month Money Market	4.26	0.10	1.45
2-year Treasury	4.56	0.12	1.89
10-year Treasury	3.83	0.92	2.41
U.S. Corporates	5.50	1.74	3.25
U.S. Aggregate	4.73	1.12	2.71
U.S. High Yield	8.82	4.18	5.72
Investment Grade Munis	3.72	1.07	2.36
Bloomberg Barclays Muni High Yield	5.88	3.82	5.14

Source: Bloomberg. November 21, 2022. 2020 and 2017 refers to year-end yield. Proxys referenced: U.S. Treasury 3-Month Bill Money Market, Generic U.S. 2-year Government Note, Generic U.S. 10-year Government Note, Bloomberg U.S. Aggregate Corporate, Bloomberg U.S. Aggregate, Bloomberg Municipal Bond, and Bloomberg Muni High Yield. **Please refer to index definitions at the end of the report.**

[8] Strategas Research Partners. October 12, 2022.

[9] Bloomberg. November 21, 2022. Refers to gross aggregate dividend yield for S&P 500 Global Industry Classification Standard (GICS®) Level 1 sectors.

[10] Bloomberg. November 21, 2022. Refers to gross aggregate dividend yield for S&P 500 GICS® Level 2 sectors.

"Stealth QT"—Quantitative Tightening Effectively Started Before It Officially Started

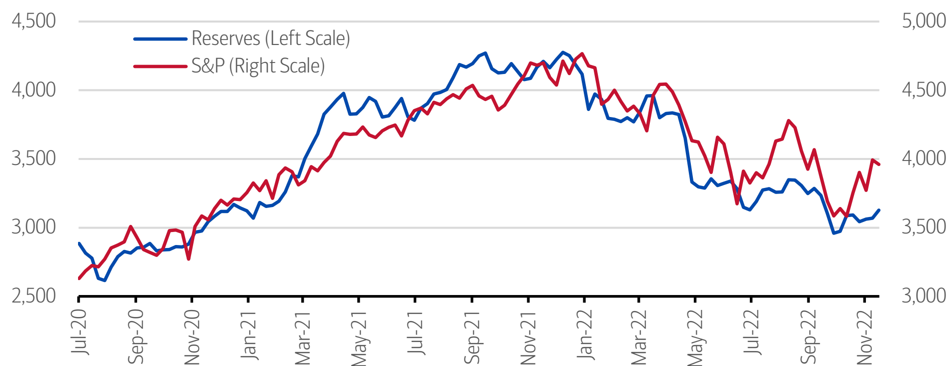
Matthew Diczok, Managing Director and Head of Fixed Income Strategy

The Fed's balance sheet policies work in part by changing the amount of commercial bank reserves in the financial system. When the Fed buys bonds, it purchases them from banks, which increases reserves. The opposite happens when securities roll off the Fed's balance sheet—reserves decline. Eventually, reserves should become scarce, and banks should increase deposit rates to try and secure more, maintaining upward pressure on interest rates.

This reserve drain is an important part of monetary policy and can occur in other ways besides the Fed balance sheet decreasing. The Fed's liabilities include currency, commercial bank reserves, the "Treasury General Account" (essentially, the U.S. Treasury's checking account) and the "Overnight Reverse Repurchase Program (ON RRP)." The ON RRP allows money market funds to invest directly with the Fed by essentially withdrawing money from the commercial banking system. This drains reserves in much the same way that QT does and therefore has similar effects.

Usage of the ON RRP program went from zero in early 2021 to $2.1 trillion currently.[11] This helped decrease reserves by more than $1.1 trillion,[12] beginning in December of 2021. That decrease occurred well before the official start of QT (June 2022) or when QT hit full speed (September 2022) and has been highly correlated with lower asset prices and higher volatility.

Exhibit 4: The Decline In Reserves Happened Well Before QT Began And Has Been Highly Correlated With Changes In The S&P 500.



Sources: Bloomberg; Federal Reserve. Data as of November 18, 2022.

This reserve drain suggests that monetary policy is significantly tighter than what is implied by the fed funds rate alone. In fact, recent research from the Federal Reserve Bank of San Francisco confirms this intuition: "Monetary policy has recently been substantially tighter than the federal funds rate alone would indicate," suggesting that a proxy fed funds rate was over 5.125% in September, close to 300bps higher than the actual fed funds rate![13] We will continue to monitor all Fed balance sheet activities—as opposed to just the headline QT number—to get a better read-through on the economy and markets.

Investment Implications

Monetary policy is getting significantly tighter, and changes to the composition of the Fed's balance sheet add a new wrinkle to the analysis. Given macro uncertainty and valuations that are not near recessionary levels, Fixed Income positioning should be overweight, diversified, up-in-quality and without major sector tilts.

[11] New York Fed Repo Data by Counterparties Amount of Accepted Bids—Total ON. Source: Fed; Bloomberg, November 18, 2022.

[12] U.S. Reserve Balances with Federal Reserve Banks. Source: Federal Reserve; Bloomberg, November 18, 2022.

[13] "Monetary Policy Stance Is Tighter than Federal Funds Rate." Federal Reserve Bank of San Francisco, November 7, 2022.

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	34,347.03	1.8	5.2	-3.7
NASDAQ	11,226.36	0.7	2.3	-27.7
S&P 500	4,026.12	1.6	4.2	-14.3
S&P 400 Mid Cap	2,559.56	2.0	5.3	-8.7
Russell 2000	1,869.19	1.1	1.3	-15.7
MSCI World	2,703.67	1.7	6.3	-15.1
MSCI EAFE	1,962.94	2.2	12.3	-13.7
MSCI Emerging Markets	941.01	-0.1	11.1	-21.6

Fixed Income†

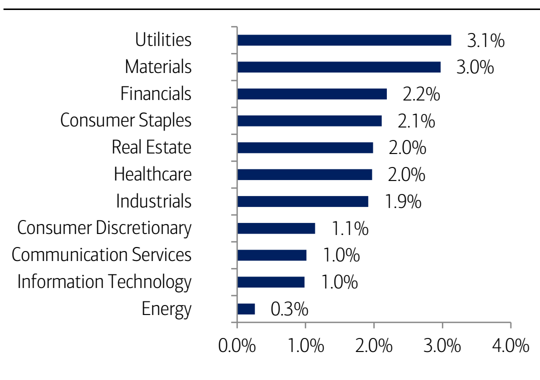
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	4.60	1.08	3.32	-13.37
Agencies	4.58	0.39	1.14	-8.17
Municipals	3.65	0.38	4.06	-9.32
U.S. Investment Grade Credit	4.61	1.05	3.48	-12.78
International	5.34	1.50	5.12	-15.43
High Yield	8.61	1.05	2.15	-10.65
90 Day Yield	4.26	4.23	4.06	0.03
2 Year Yield	4.45	4.53	4.48	0.73
10 Year Yield	3.68	3.83	4.05	1.51
30 Year Yield	3.73	3.93	4.16	1.90

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	249.45	0.2	1.7	17.8
WTI Crude $/Barrel††	76.28	-4.7	-11.8	1.4
Gold Spot $/Ounce††	1754.93	0.2	7.4	-4.1

	Total Return in USD (%)			
Currencies	Current	Prior Week End	Prior Month End	2020 Year End
EUR/USD	1.04	1.03	0.99	1.14
USD/JPY	139.19	140.37	148.71	115.08
USD/CNH	7.19	7.13	7.34	6.36

S&P Sector Returns



Sources: Bloomberg; Factset. Total Returns from the period of 11/21/2022 to 11/25/2022. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 11/25/2022 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 11/25/2022)

	2021A	Q1 2022A	Q2 2022A	Q3 2022A	Q4 2022E	2022E	2023E
Real global GDP (% y/y annualized)	6.2	-	-	-	-	3.3	2.3
Real U.S. GDP (% q/q annualized)	5.9	-1.6	-0.6	2.6	0.5	1.8	-0.4
CPI inflation (% y/y)	4.7	8.0	8.6	8.3	7.5	8.1	4.4
Core CPI inflation (% y/y)	3.6	6.3	6.0	6.3	6.1	6.2	4.4
Unemployment rate (%)	5.4	3.8	3.6	3.5	3.6	3.6	4.5
Fed funds rate, end period (%)	0.07	0.33	1.58	3.08	4.38	4.38	4.88

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 November 25, 2022. 8

Asset Class Weightings (as of 11/7/2022)

	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					

*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 November 7, 2022. 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.

CIO Equity Sector Views

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

RETURN TO FIRST PAGE

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.

S&P 500 Dividend Aristocrats Index is a list of companies from the Standard & Poor's 500 Index (the S&P 500) that have a track record of raising their dividends for at least 25 consecutive years. Each company is equally weighted within the index.

U.S. Treasury 3-Month Bill Money Market is the yield received for investing in a government issued treasury security that has a maturity of 3 months.

Generic U.S. 2-year and 10-year Government Note/ ICE BofA AAA U.S. Treasury/Agency Master Index tracks the performance of US dollar denominated US Treasury and non-subordinated US agency debt issued in the US domestic market. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch). In addition, qualifying securities must have at least one year remaining term to final maturity, at least 18 months to maturity at time of issuance, a fixed coupon schedule and a minimum amount outstanding of $1 billion for sovereigns and $250 million for agencies

U.S. Aggregate Corporate/Bloomberg Aggregate Bond Index broadly tracks the performance of the U.S. investment-grade bond market

Bloomberg U.S. Aggregate Index is a broad base, market capitalization-weighted bond market index representing intermediate term investment grade bonds traded in the United States

Bloomberg Municipal Bond Index covers the USD denominated long-term tax-exempt bond market

Bloomberg Muni High Yield Index is a flagship measure of the non-investment grade and nonrated USD-denominated tax exempt bond market.

Energy, Materials, Industrials, Consumer Discretionary, Consumer Staples, Health Care, Financials, Information Technology, Real Estate, Communication Services and Utilities/S&P 500 Global Industry Classification Standard (GICS®) is a standardized system of categorizing companies into sectors and industries. GICS is used globally by market participants to classify domestic stock and international investment instruments.

Important Disclosures

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

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

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

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

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

The Global Wealth & Investment Management Investment Strategy Committee ("GWIM ISC") is responsible for developing and coordinating recommendations for short-term and long-term investment strategy and market views encompassing markets, economic indicators, asset classes and other market-related projections affecting GWIM.

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

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

Dividend payments are not guaranteed, and are paid only when declared by an issuer's board of directors. The amount of a dividend payment, if any, can vary over time. Companies may reduce or eliminate dividend payment to shareholders. Historically, dividends make up a large percentage of stocks' total return.

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. 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.

Sustainable and Impact Investing and/or Environmental, Social and Governance (ESG) managers may take into consideration factors beyond traditional financial information to select securities, which could result in relative investment performance deviating from other strategies or broad market benchmarks, depending on whether such sectors or investments are in or out of favor in the market. Further, ESG strategies may rely on certain values based criteria to eliminate exposures found in similar strategies or broad market benchmarks, which could also result in relative investment performance deviating. Impact investing and/or ESG investing has certain risks based on the fact that ESG criteria excludes securities of certain issuers for nonfinancial reasons and therefore, investors may forgo some market opportunities and the universe of investments available will be smaller.

© 2022 Bank of America Corporation. All rights reserved.