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CHIEF INVESTMENT OFFICE

Capital Market Outlook

February 6, 2023

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

IN THIS ISSUE

Macro Strategy—*Running on Fumes:* Signs that the economy is falling into recession continue to proliferate, with inflation also falling much faster than expected.

As a result, markets have been celebrating the end of the Federal Reserve's (Fed) aggressive rate hiking cycle and the prospects for an economic soft landing. However, the main fallout from policy tightening is yet to occur, in our view, with the rapidly deteriorating corporate earnings outlook set to trigger rising unemployment in 2023.

Market View—*Yes, It's Different This Time: Three Tectonic Shifts to Monitor:* After a brutal 2022, global Equities have started the year off on the right front—major global indexes have been supported by favorable macro trends that include China's reopening, better-than-expected growth in Europe, and the staying power of the U.S. economy in the face of multiple Fed rate hikes.

However, over the medium term, investors should be mindful of three tectonic shifts: The era of cheap money is over, big government is back, and the global peace dividend is history.

Thought of the Week—*Munis Credit Expected to Endure:* State tax revenues are starting to weaken, while operating expenses and pension contributions are rising. This is likely to increase budget pressures, but that does not mean there will be a significant increase in municipal defaults.

Municipal issuers have prudently added to reserves over the last few years, and state balance sheets are close to the strongest they've been in decades.

MACRO STRATEGY ▶

Chief Investment Office
Macro Strategy Team

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 ▶

David T. Litvack, CFA®
Managing Director and Tax-Exempt Strategist

MARKETS IN REVIEW ▶

Data as of 2/6/2023, and subject to change

Portfolio Considerations

As we begin 2023, our thinking is that bonds are more relatively attractive than Equities but could swap places quickly and potentially earlier than expected. We have shifted to be tactically neutral across stocks and bonds, to maintain a defensive posture and preference for Quality. Within U.S. Equities, we are adjusting our sector views by upgrading Healthcare and downgrading Real Estate. 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. As we move through the first half of the year, we will be looking for opportunities to add to Equities.

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

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MACRO STRATEGY

Running on Fumes

Chief Investment Office Macro Strategy Team

The unprecedented policy stimulus to counter the pandemic shutdown caused a major overshoot in consumer demand, with the biggest money supply surge since World War II (WWII) causing the fastest rise to double-digit inflation since then. Now, the reversal of that policy stimulus, including the collapse in money supply growth, has caused an equally abrupt collapse in inflation also not seen since its comparably big drop after WWII, when double-digit inflation steadily transitioned to mild deflation by the end of the 1940s.

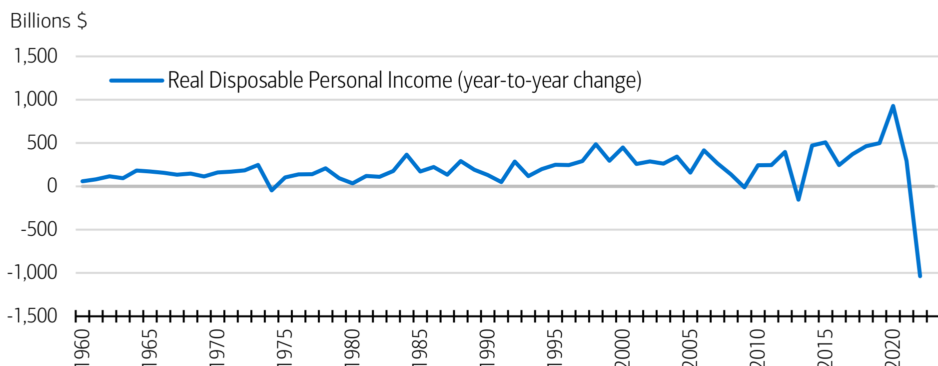
Nominal gross domestic product (GDP) growth has followed this shooting-star approach to policy, jumping from the roughly 4% pre-pandemic pace to almost 20% at its peak in mid-2021, and then collapsing over the course of 2022 to what appears to be about 4% by year-end on the way to zero in 2023. Corporate revenues have followed the nominal GDP trajectory, as they always do. According to BofA Global Research, Q4 S&P 500 revenues announced in recent earnings reports are running at about a 4.2% pace. Earnings peaked for the cycle in mid-2022 and have been declining at an increasing pace with dissipating corporate pricing power, slowing revenue growth, and accelerating margin declines, tracking -6% on a year-over-year (YoY) basis for Q4.

As the outlook for earnings deteriorates with the economy, companies have slowed hiring and increased layoffs. In Q4 of 2022, the growth rate of aggregate weekly hours, which combines the number of workers with the hours they work, turned negative, one of several coincident indicators that are now following leading indicators down. Retail sales and industrial production, two other coincident metrics, declined in November and December, with the January Institute for Supply Management (ISM) manufacturing index pointing to continued production declines ahead. Over the last six months of 2022, the Conference Board's Index of Leading Indicators fell at a rate that has always been followed by a recession. With the labor market typically the last shoe to drop, a recession may have already started.

The soft-landing crowd took solace in an ostensibly healthy 2.9% real GDP growth reported for Q4. However, the part of the GDP that matters for recession-calling is real final sales to private domestic purchasers. This measure was red-hot at a 4.3% real growth pace in Q1 but subsequently declined to a barely positive 0.2% pace in Q4, indicative of real demand growth on the cusp of recession.

With big and small business confidence in the tank, the consumer will bear an increasing burden to support the U.S. economy. However, the consumer spending outlook is also weakening. While residual stimulus savings are still propping up household spending, real disposable income has been declining at the fastest rate since 1932 (Exhibit 1). As a result, to maintain spending, consumers have been depleting their pandemic savings and borrowing more on credit cards. By mid-year, with unemployment likely rising, pressure to curtail spending will build.

Exhibit 1: Troubling Drop Of $1 Trillion In Real Disposable Income In 2022.



Source: Bureau of Economic Analysis/Haver Analytics. Data as of January 27, 2023.

Investment Implications

Slowing growth and falling inflation favor Fixed Income and high-quality assets, as a worsening earnings contraction plays out over the next six months.

The Q4 gap between solid GDP growth and anemic domestic demand was filled by an inventory build and an improvement in trade, neither of which is reflecting a healthy economy. The buildup in inventories is typical when new orders and capital spending are weakening in a recession. Indeed, as the January ISM report shows, new orders have been shrinking at a faster pace, while the orders backlog declined. Similarly, the international-trade improvement was based on a bigger fall in imports than in exports, which reflects a relative weakening of demand in the U.S. compared to the rest of the world, where China is reopening and Europe dodged an energy crisis thanks to unseasonably warm winter weather. Still, both sides of the trade balance shrank in a weakening global demand environment.

Weakening inflation is half of the earnings-recession story, as revenue growth declines with inflation. The other half is declining margins, as wage increases are now outstripping the ability of businesses to pass on cost increases, and debt must be financed at higher interest rates. Margin and revenue shrinkage create pressure to cut costs, as already seen in declining leading indicators for capital spending and employment. Reductions in labor input, as reflected in declining aggregate weekly hours in Q4 and a decline in temporary hires, according to the Bureau of Labor Statistics, doesn't bode well for employment. Rising unemployment would create a self-reinforcing loop of declining demand followed by company attempts to further cut costs.

Basically, the big overshoot in pandemic-related money-supply growth and demand was unsustainable, and its correction is well underway, as reflected in both falling inflation and slowing growth clearly gaining momentum. So how do we square these deteriorating economic fundamentals with the equity-market resilience since October? The answer lies in the massive easing of financial conditions since the peak in Fed rate expectations. The turn in inflation has scaled back the terminal-rate outlook with Fed Chair Powell now focused on the emerging disinflation trend. Bond yields have dropped over a half-percentage point since their October peak. Real yields, as indicated across the Treasury inflation-protected securities (TIPS) curve, have dropped by a similar amount. In addition, the dollar has retraced over half of its 2022 appreciation, and credit spreads have narrowed across the corporate bond market despite rising default rates.

This easing of financial conditions has come despite ongoing hawkish rhetoric from the Fed and has been abetted by a sharp improvement in global liquidity, which shrank in the first three quarters of 2022 by about 10%, after quadrupling between 2009 and 2021, according to BofA Global Research. Recall the liquidity issues with gilts in October, which forced the Bank of England (BoE) to shift back to quantitative easing (QE) after just starting its quantitative tightening (QT) program. In recent months, the Bank of Japan (BoJ) added over a trillion dollars to its balance sheet to defend its yield-curve control policy. Finally, as we discussed recently, the Treasury has been offsetting a substantial amount of the Fed's QT by running down its account with the Fed due to debt-ceiling limits on its ability to expand borrowing. The key point, however, is that these are temporary factors that will likely be reversed as the underlying withdrawal of central bank liquidity reasserts itself in coming months.

Bear markets caused by Fed tightening often take a breather when a Fed pause is in sight. Housing stocks, for example, rally on the drop in bond yields with their favorable implications for mortgage rates, as markets price in a less aggressive interest-rate outlook. Yet, these "pause" rallies tend to be false dawns. The basis for a housing upturn, for example, is hard to see given poor affordability and still tightening lending conditions. Rising unemployment and declining real disposable incomes (Exhibit 1) add to the headwinds housing is likely to face in 2023.

Because the main fallout from tightening cycles tends to happen well after the Fed tightening pause, new cyclical bull markets don't start until leading indicators stop falling. Generally, that requires the Fed to shift its worries from inflation to rising unemployment and slowing growth. Usually, the Fed has to ease to offset its prior overtightening before leading indicators turn up. With fiscal policy off the table in the new political environment and the huge reversal in stimulus still working its way through the economy, interest rate cuts will have to do the heavy lifting to turn the economy in 2024.

MARKET VIEW

Yes, It's Different This Time: Three Tectonic Shifts to Monitor

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

Lauren J. Sanfilippo, Director and Senior Investment Strategy Analyst

January was a relatively kind month to U.S. Equities, with the major U.S. indexes—the S&P 500, Dow Jones Industrial Average and NASDAQ—advancing 6.3%, 2.9%, and 10.7%, respectively. The gains (total returns) reflect the improving prospects for global growth, with China's reopening, milder-than-expected-weather in Europe, and a consumer-powered U.S. economy providing a lift to U.S. and global Equities early in 2023.

Coupled with the belief that the Fed is nearing the end game in raising the fed funds rate, the improving shift in market sentiment has been unambiguous, although the path ahead remains far from certain. Stepping back from the daily ebb and flow of the markets, we see three major tectonic shifts that will likely determine and help drive asset prices over the medium term.

Investment Implications

Asset prices are being reset as the cost of capital rises, the "Commanding Heights" of the economy shifts to the public sector, and geopolitics enters the investment calculation. We continue to favor Value over Growth, dividend-payers, Alternative Investments for qualified investors, Commodities, and such sectors as Energy and Defense.

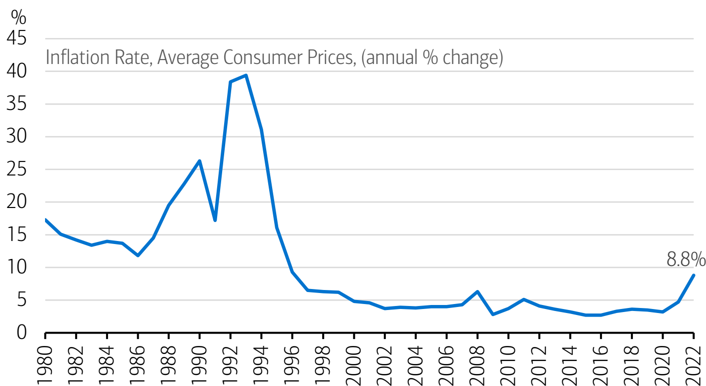
The Era of Cheap Money is Over

Even if global inflation subsides this year, and the Fed and other central banks ease up on rates, the era of ultra-low interest rates and QE is over. It's a new world because in the face of structurally higher wage costs, declining global labor market participation rates, rising costs associated with "reshoring" and reconstructing supply chains, and tight global energy/minerals supplies, the new normal for global inflation is most likely above 2%. The benign era of declining or flat-lining global inflation is history (Exhibit 2A).

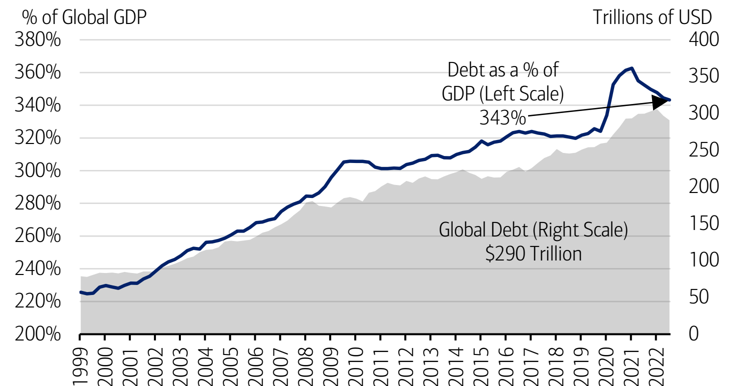
The cheap credit of the past was rocket fuel for global financial markets, stoking gains not only in Equities but also high-yield bonds, real estate and more risky, speculative investments like special purpose acquisition company (SPAC) and crypto currencies. It also paved the way for massive increases in debt—at the company and country level. According to the Institute for International Finance, the debt of governments, companies and households rose more than three-fold between 2000 and 2022, increasing from $83 trillion to $290 trillion, bringing the level of debt as a percentage of global GDP to a staggering 343% last year (Exhibit 2B).

Exhibit 2: Up Ahead: Higher Global Inflation and Government Debt.

2A) Global Inflation Rate Estimated at 8.8% for 2022.



2B) More Government Equates to More Public Sector Debt



Source: (Left Chart) International Monetary Fund. Data through 2021; Estimate for 2022. (Right Chart) Institute of International Finance; Global Debt Monitor. Data as of November 2022.

Against this backdrop, it's important for investors to 1) understand the effects of easy money on asset prices and prepare for a regime change in asset pricing (think Value over Growth, dividend-payers, Alternative Investments, for qualified investors, for instance) and 2) comprehend the legacy of cheap money: higher levels of debt at precisely the moment when global interest rates have shifted higher. Accordingly, higher government debt burdens in debt-laden nations like Italy, Spain, Greece and a host of emerging markets could prove problematic in the years ahead.

The Era of Big Government Is Back

As one era ends (cheap money), a new one begins (big government). We have entered a bull market in state intervention and activism. The Thatcher/Reagan mantra that "less state is better" has vanished, vaporized by the pandemic of 2020, rising U.S.-Sino tensions and the war

in the heart of Europe. Each one of these dynamics demands more government, not less, leaving business and the private sector flat-footed.

Industrial policies are back in vogue in Washington, with the Inflation Reduction Act and the CHIPS and Science Act just two examples of Washington's more proactive role in driving growth across various sectors. The key risks: that U.S. industrial incentives and subsidies create market distortions that ultimately boost costs on the economy, reduce corporate earnings, and trigger trade tensions/retaliation from our trading partners. Another risk: higher levels of government debt in lieu of rising public sector outlays.

Meanwhile, U.S. government activism in the past year has included the freezing of Russian financial assets; capping prices on Russian energy exports; placing an embargo on semiconductors to China, while cajoling others (notably Japan and the Netherlands) to do the same; and tougher regulatory scrutiny of the U.S. tech and energy sectors. Against this backdrop, the primacy of profits is taking a back seat to the primacy of national security.

Economic nationalism is not just on the rise in the U.S. but around the world. Germany and France have gone so far as to nationalize big energy companies; Mexico has nationalized its lithium reserves; and Indonesia has curbed exports of palm oil. On it goes. Broadly speaking, led by the U.S., global foreign security goals and national interests are being fought not just with tanks and missiles but also with markets, currencies and strategic national resources.

Against this backdrop, the best defense for investors may be to invest in hard assets—minerals/metals/ag commodities—or assets whose scarcity is set to rise due to government intervention/protectionism.

The Peace Dividend Is Spent

A world at peace is a world where government outlays can be funneled to domestic priorities that help promote future growth; money is saved, deficits decline, as do taxes, and inflationary pressures ease. The dividends of peace are significant, in other words—not only for the U.S. but also for many other regions of the world like Europe and Japan, who have long comfortably lived on the cheap under the U.S. security umbrella.

Times have changed, however. The favorable economic and budgetary effects of lower global military spending are behind us. Russia's invasion of Ukraine and China's growing military might have upended the global calculation, a seismic shift that should not be lost on investors. The Cold War of the 2020s means a ramping up of global military outlays, with annual global defense spending topping $2 trillion for the first time in 2021. Leading the charge is the U.S., whose defense budget totaled a record high of $858 billion so far in fiscal year 2023. Meanwhile, various nations in Europe (Poland, Germany and France, for instance) and Asia (Japan) are also on track for record military outlays in the immediate years ahead. Ditto for China, whose military expenditures in 2021 ($293 billion) was more than 25 times the level of 1990 (roughly $12 billion), according to figures from the World Bank.

Speaking of China, the possibility of a coming conflict over Taiwan was yet again recently underscored by comments from U.S. General Michael Minihan, head of the Air Force's Air Mobility Command. Per the general: "I hope I am wrong. My gut tells me we will fight in 2025."[1] The blunt assessment—only with the recent Chinese balloon incident—serves to highlight the fact that the peace dividend long enjoyed by the global financial markets is a thing of the past. In an era more fraught with geopolitical risks, we have and remain constructive on large-cap U.S. defense contractors and continue to favor cybersecurity leaders.

The bottom line: While global Equities have gained support early in the year from an improving macro environment, investors should be mindful of larger, more structural forces that are at play. Namely, the era of cheap money is over, big government is back, and the global peace dividend is gone.

[1] See "U.S. general warns troops that war with China is possible in two years," *Washington Post*, January 27, 2023.

THOUGHT OF THE WEEK

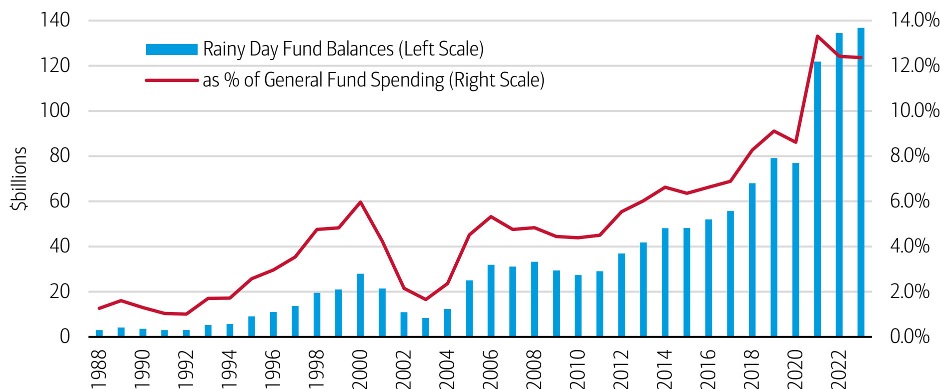
Munis Credit Expected to Endure

David T. Litvack, CFA®, Managing Director and Tax-Exempt Strategist

Municipal investors were initially concerned that the pandemic would trigger a fiscal crisis for U.S. states. However, the opposite occurred. State tax revenues, composed mostly of sales, personal income and corporate taxes, did decline -1.0% to $1.10 trillion in 2020, but then they soared 21.5% in 2021 and were up 15.7% in 1H 2022, according to the U.S. Census Bureau. Additionally, states and other municipal issuers received over $1 trillion in aid from federal relief packages, e.g., the Coronavirus Aid, Relief, and Economic Security Act (2020), the American Rescue Plan Act (2021), and the Infrastructure Investment and Jobs Act (2021). So municipal credit quality actually improved, with Moody's upgrading three times as many municipal ratings as it downgraded from 1Q 2021 to 3Q 2022.

We believe that prior boom in municipal credit will be important this year, because, recently, state taxes have moderated, with Q3 2022 revenues up only 6.7%, YoY. We believe tax revenues will slow further, and, along with rising, inflation-driven operating costs and higher required pension contributions, this will increase pressure on state budgets. Nevertheless, we are not expecting a significant rise in municipal defaults, which have historically remained relatively low in mild-to-medium-severity recessions. Even more importantly, many municipal issuers prudently boosted reserves over the last couple of years when revenues were strong. In fact, states' balance sheets are close to their strongest in decades, with total Rainy Day Funds hitting a record 13.3% of General Fund Spending in fiscal 2021 and declining only slightly thereafter (Exhibit 3).

Exhibit 3: State Rainy Day Funds.



Source: National Association of State Budget Officers, Fall 2022 Fiscal Survey of States

While we believe municipal defaults will remain low, credit selection could still be an important contributor to investment performance. In a recession, we would expect high-quality bonds in low-risk sectors (e.g., general obligation and essential-service revenue bonds) to experience less credit spread widening. Extra caution may be warranted in riskier sectors such as Healthcare—which is experiencing higher labor and supply costs, Transit—which is effected by the post-pandemic shift to remote work, and Private Higher Education—which is seeing declines in enrollment and weak revenue growth.

While muni credit is stable, we note that muni valuations versus Treasurys have become extremely rich, particularly at the front-end and belly of the yield curve. In fact, AAA general obligation (GO) munis maturing within five years are yielding less than Treasurys on an after-tax basis, even for investors in the highest tax bracket. We believe such rich valuations are unsustainable.

Investment Implications

As a defensive asset class, Munis provide good value for tax-sensitive investors, we believe, even if the economy goes into recession. Fiscal conditions may become pressured due to slowing tax revenues and rising costs, but we do not expect a significant increase in municipal defaults. An up-in-quality focus can mitigate the risk of credit spread widening. However, we note muni valuations relative to Treasurys have recently become extremely rich.

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	33,926.01	-0.2	-0.5	2.4
NASDAQ	12,006.96	3.3	3.7	14.8
S&P 500	4,136.48	1.6	1.5	7.9
S&P 400 Mid Cap	2,707.47	3.4	2.1	11.5
Russell 2000	1,985.53	3.9	2.8	12.8
MSCI World	2,820.74	1.3	1.3	8.5
MSCI EAFE	2,119.00	0.5	0.9	9.1
MSCI Emerging Markets	1,038.71	-1.2	0.7	8.7

Fixed Income†

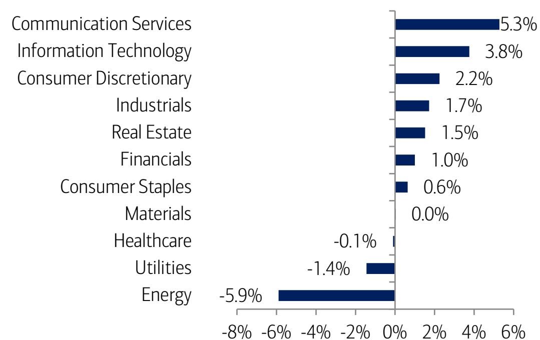
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	4.32	0.08	-0.10	2.91
Agencies	4.40	-0.09	-0.19	1.32
Municipals	3.09	0.15	0.12	2.99
U.S. Investment Grade Credit	4.32	0.03	-0.05	3.02
International	4.97	0.30	0.07	4.08
High Yield	7.88	1.00	1.11	4.95
90 Day Yield	4.64	4.66	4.64	4.34
2 Year Yield	4.29	4.20	4.20	4.43
10 Year Yield	3.52	3.50	3.51	3.87
30 Year Yield	3.61	3.62	3.63	3.96

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	234.43	-4.0	-4.2	-4.7
WTI Crude $/Barrel††	73.39	-7.9	-6.9	-8.6
Gold Spot $/Ounce††	1864.97	-3.3	-3.3	2.2

		Total Return in USD (%)		
Currencies	Current	Prior Week End	Prior Month End	2022 Year End
EUR/USD	1.08	1.09	1.09	1.07
USD/JPY	131.19	129.88	130.09	131.12
USD/CNH	6.81	6.76	6.76	6.92

S&P Sector Returns



Sources: Bloomberg; Factset. Total Returns from the period of 1/30/2023 to 2/3/2023. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 2/3/2023 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.**

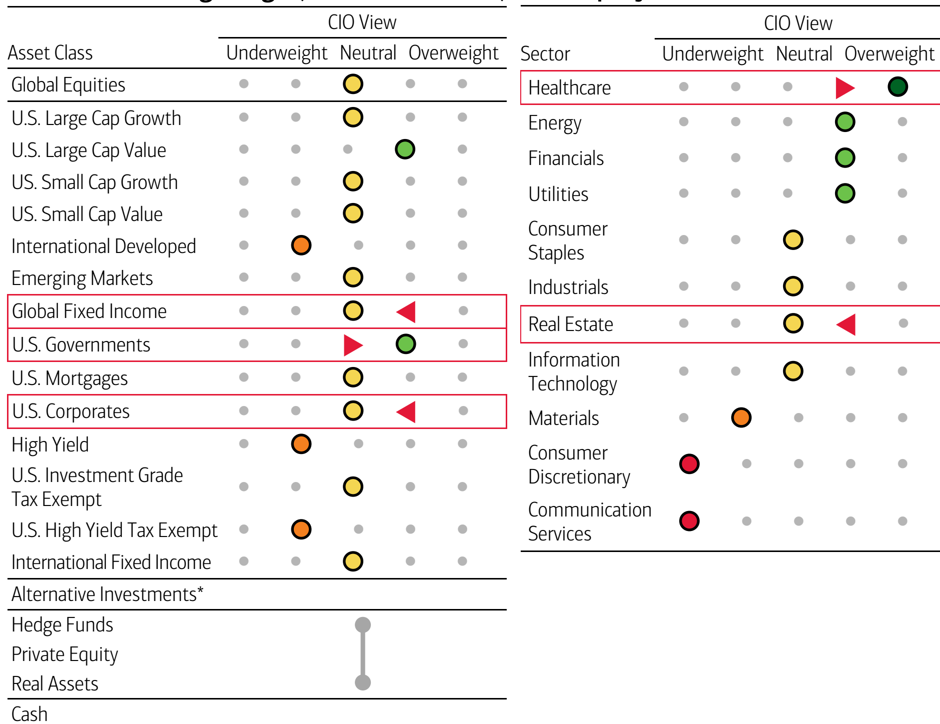
Economic Forecasts (as of 2/3/2023)

	Q4 2022A	2022A	Q1 2023E	Q2 2023E	Q3 2023E	Q4 2023E	2023E
Real global GDP (% y/y annualized)	-	3.4*	-	-	-	-	2.5
Real U.S. GDP (% q/q annualized)	2.9	2.1	1.0	-0.5	-2.0	-1.5	0.7
CPI inflation (% y/y)	7.1	8.0	5.3	3.7	3.0	2.7	3.5
Core CPI inflation (% y/y)	6.0	6.1	5.2	4.3	3.3	2.8	3.9
Unemployment rate (%)	3.6	3.6	3.4	3.8	4.3	4.8	4.1
Fed funds rate, end period (%)	4.33	4.33	4.88	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 February 3, 2023.



Asset Class Weightings (as of 1/10/2023)

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

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 Officse as of January 10, 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.

Supply Management (ISM) manufacturing index is a composite index that gives equal weighting to new orders, production, employment, supplier deliveries, and inventories.

Conference Board's Index of Leading Indicators is an American economic leading indicator intended to forecast future economic activity.

Dow Jones Industrial Average is a stock market index of 30 prominent companies listed on stock exchanges in the United States.

NASDAQ is an online global marketplace for buying and trading securities.

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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.

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. Investments in high-yield bonds (sometimes referred to as "junk bonds") offer the potential for high current income and attractive total return, but involves certain risks. Changes in economic conditions or other circumstances may adversely affect a junk bond issuer's ability to make principal and interest payments. 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. An investment in Special Purpose Acquisition Companies ("SPACs") involves significant risks. SPAC securities are generally not intended to be short-term investments. Investing in SPACS is not in the best interest of all retail customers. Crypto currencies are highly volatile, can become illiquid at any time, and are for investors with a high risk tolerance. Investors in crypto currencies may lose the entire value of their investment.

Alternative Investments are speculative and involve a high degree of risk.

Alternative investments are intended for qualified investors only. Alternative Investments such as derivatives, hedge funds, private equity funds, and funds of funds can result in higher return potential but also higher loss potential. Changes in economic conditions or other circumstances may adversely affect your investments. Before you invest in alternative investments, you should consider your overall financial situation, how much money you have to invest, your need for liquidity and your tolerance for risk.

Nonfinancial assets, such as closely-held businesses, real estate, fine art, oil, gas and mineral properties, and timber, farm and ranch land, are complex in nature and involve risks including total loss of value. Special risk considerations include natural events (for example, earthquakes or fires), complex tax considerations, and lack of liquidity. Nonfinancial assets are not in the best interest of all investors. Always consult with your independent attorney, tax advisor, investment manager, and insurance agent for final recommendations and before changing or implementing any financial, tax, or estate planning strategy.

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