CHIEF INVESTMENT OFFICE

Capital Market Outlook

May 22, 2023

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

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After a difficult 2022, a rebound in the investment strategy this year has ushered in questions around a possible comeback story. The regime change, however, from a low inflation, easy financial conditions environment toward one characterized by elevated inflation and tighter monetary policy may present potential challenges ahead for the classic allocation. Against this backdrop, investors may want to consider the three points highlighted below.

Market View—*The Debt Ceiling Debate: The World is Watching:* As the debt ceiling debate swirls in Washington, the world is watching and listening intently to the discussion.

Foreign creditors hold significant stakes in U.S securities, and how America's foreign creditors react to the talks in Washington could influence near-term U.S. asset prices.

Thought of the Week—*U.S. Credit Conditions: Where We Stand:* With an uncertain outlook for the U.S. economy ahead, one of the biggest unknowns is the expectation for bank lending, which has been slowing in the wake of the Federal Reserve (Fed) interest rate hiking cycle.

Recent data from the Senior Loan Officer Opinion Survey and the National Association of Credit Management may provide more clarity on the current credit landscape and where we could be heading.

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Data as of 5/22/2023, and subject to change

Portfolio Considerations

We maintain a neutral view on Equities, as risks to economic growth and corporate profits remain skewed to the downside. We continue to look for upgrade opportunities in small-caps and international later this year. But for now, we remain neutral across the asset classes. In Fixed Income, we continue to stick to a higher-quality bias and are looking for opportunities to extend duration overall. The bottom line is that we foresee a "grind-it-out" range-bound market continuing in the U.S. with a wait-and-see attitude from investors throughout this year.

MACRO STRATEGY

Reframing the Traditional Investment Strategy

Kirsten Cabacungan, Vice President and Investment Strategist

What might be next for a conventional 60/40 asset allocation? The traditional portfolio construct, made up of a 60% allocation to Equities and a 40% allocation to Fixed Income, declined roughly 16% in 2022, its worst calendar year return since 2008.[1] The investment strategy came under pressure as the diversification benefits of the allocation mix broke down amid a simultaneous drawdown in stocks and bonds and an increase in correlation between the asset classes (Exhibit 1A). So far in 2023, a comeback story has gained traction, with the strategy up around 7% year-to-date.[2] The regime shift that unfolded in the last few years, however, from a low inflation, easy financial conditions environment toward one characterized by elevated inflation and tighter monetary policy underscores potential challenges ahead for the classic method. Against this backdrop, investors may want to consider these points below.

A 60/40 allocation is still a good starting point. For decades, investors have relied on stocks in their portfolios for opportunities to gain from capital appreciation and counted on bonds to help capture income and cushion portfolio returns against losses in stocks. The difference in outcome for 2022, however, came down to the acceleration in inflation. The rapid rise in prices teed off an aggressive policy tightening campaign by the Fed at the fastest pace since the 1980s. Given the structure of a bond, as interest rates rose, bond prices fell. At the same time, stocks sold off as the economic growth outlook weakened amid elevated inflation and prospects for tighter monetary policy.

The rebound for the traditional positioning this year comes on the back of a strong start for both stocks and bonds. It also comes amid a deceleration in inflation and a hint from the Fed to a possible pause in rate increases as central bank officials contend with regional bank stress and the impact on credit conditions. But this rebound narrative carries two caveats: 1) inflation has cooled but remains elevated, and 2) the Fed over the last year has shown an impulse toward prioritizing fighting inflation despite signs of economic weakness. The Consumer Price Index annual rate slowed to 4.9% in April, down from its peak of 9.1% last year, but sits well above the Fed's 2% target, raising questions on what that might mean for monetary policy ahead. And in its effort to help curb inflation, the Fed has hiked rates aggressively, bringing the fed funds rate target range from near zero to 5.00% to 5.25% in a little over a year, even as leading indicators pointed to rising recession risk. As of April, the New York Fed's recession probability model suggests there is a 68.22% chance the U.S. may dip into a recession in the next 12 months, the highest probability reading in four decades.[3]

Despite these headwinds, it may not be time to abandon the traditional asset allocation mix entirely. Its long-term historical performance since 1926 shows the strategy has worked well, averaging 8.9% in annual total returns.[4] It only saw negative 12-month returns 20% of the time, with an average negative return of 8.6%, while positive annual returns occurred 80% of the time averaging 13.8%. If the risk of elevated inflation diminishes and the Fed eventually delivers a dovish pivot, the strategy could be more supported moving forward, especially as high-quality bonds now with higher yields provide better stability and income again.

Investment Implications

We expect the "grind-it-out" environment to persist for markets in the near term and remain Neutral both Equities and Fixed Income with a high-quality tilt. Volatility could be elevated, and we therefore emphasize that investors maintain a disciplined investment process.

[1] FOR INFORMATIONAL PURPOSES ONLY. Equities represented by the S&P 500 Total Return Index. Fixed Income represented by the Bloomberg U.S. Aggregate Bond Total Return Index. Bloomberg. Data as of December 30, 2022. **Past performance is no guarantee of future results.** It is not possible to invest directly in an index.

[2] Bloomberg. Data reflects year-to-date returns as of May 17, 2023.

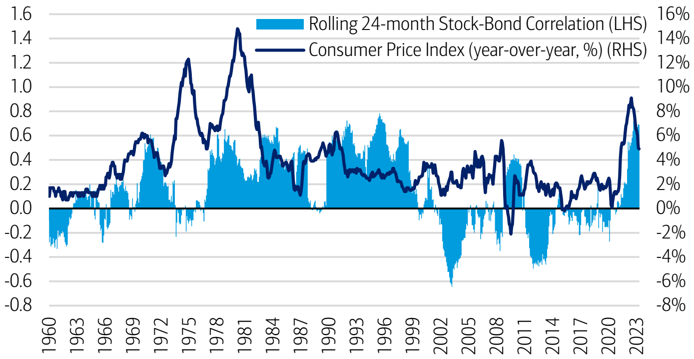
[3] Federal Reserve Bank of New York; Bloomberg. Data as of April 2023.

[4] Based on monthly returns from 1926 to April 2023 for a 60/40 allocation with the following proxy indexes used: Stocks—S&P 500 Total Return Index and Bonds—IA SBBI U.S. Intermediate Government Total Return from January 1926 to December 1975 and Bloomberg Barclays U.S. Aggregate Bond Total Return Index from January 1976 to April 2023. Sources: Morningstar; Bloomberg; Chief Investment Office. Data as of April 28, 2023. The asset allocations between stocks and bonds used in this analysis are for illustrative purposes only.

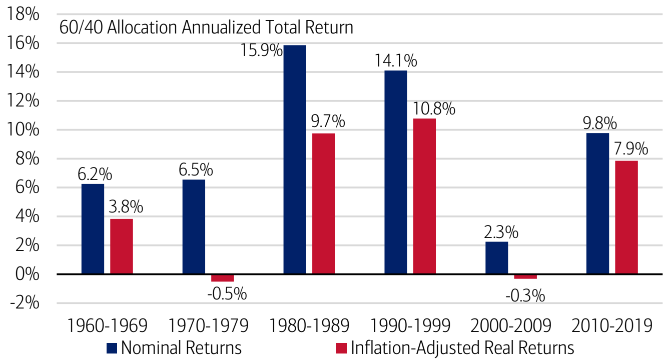
Consider building upon the traditional diversification method. The recent change in market conditions essentially calls for a more dynamic investment approach. Performance outcomes for a traditional 60/40 strategy tend to depend on the investment environment of the era (Exhibit 1B). Near-zero interest rates and the low inflation environment in the decade following the 2008/2009 Great Financial Crisis yielded impressive annualized total and inflation adjusted returns. The negative correlation relationship between stocks and bonds during that period helped to underpin its positive performance and mitigate losses during market volatility. But this strong return performance has not always been the case. For example, take the 2000s and the 1970s decades where, on an inflation-adjusted basis, returns were negative for the 60/40 allocation. Amid the structural changes to the investment environment and given negative overhangs from recession risks, inflation and tighter conditions, it is possible that the returns of traditional assets may be more muted compared to previous years. Investors may need to build upon and enhance traditional portfolios with other risk-mitigating strategies to adjust for this change in return expectations. Greater diversification within stocks and bonds may be prudent along with an emphasis on higher quality positioning in the near term and increasing sources of return such as from dividends. Dividends have contributed about 40% of the annualized total return for the S&P 500 since 1936 but just under 20% over the past decade.[5] Qualified investors might also complement appropriate allocations in Equities and Fixed Income with exposure to non-traditional investments like Alternative Investments.

Exhibit 1: 60/40 Allocation Strategy.

1A) Stock-bond Correlations Have Flipped Positive.



1B) Allocation Returns May Vary In Different Environments.



Correlation is a statistic that measures the degree to which two securities move in relation to each other. Based on monthly returns from 1960 to April 2023 for a 60/40 allocation construct with the following proxy indices used: Stocks—S&P 500 Total Return Index and Bonds—IA SBBI U.S. Intermediate Government Total Return from January 1960 to December 1975 and Bloomberg U.S. Aggregate Bond Total Return Index from January 1976 to April 2023. Sources: Morningstar; Bloomberg; Chief Investment Office. Data as of April 28, 2023. The asset allocations between stocks and bonds used in this analysis are **FOR INFORMATIONAL PURPOSES ONLY. Past performance is no guarantee of future results. Please refer to index definitions at the end of this report.**

Stay nimble and stay disciplined. At this stage of the cycle, tactical positioning decisions may become more frequent as market volatility remains elevated and economic growth slows. A growing list of risk factors from debt ceiling negotiations to regional bank instability and heightened geopolitical risk may continue to pressure financial markets. For now, staying close to strategic asset allocations and staying invested to maximize long term inflation-adjusted returns remains prudent, in our opinion.

Ultimately, debates around the viability of a traditional 60/40 asset allocation tend to overshadow the reason the strategy exists in the first place. It offers investors a foundational guide in constructing a diversified portfolio that seeks to achieve moderate returns with a long-time horizon. While at certain periods it may require a refreshed approached, at its core it is structured to provide a balanced strategy for those investors who may not have the risk tolerance to own a portfolio of only risky assets. Moreover, long-term investing requires a recognition that there may be potential up and down periods along the way. Over time, this unevenness should in theory balance itself out. During these periods of heightened volatility and uncertainty, we believe investors should re-anchor themselves to their long-term asset allocations, appropriately diversify, consider risk-appropriate tactical tilts, and rebalance opportunistically to ensure optimal exposures.

[5] BofA Global Research. Data as of December 31, 2022.

MARKET VIEW

The Debt Ceiling Debate: The World is Watching

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

Hayley Licata, Wealth Management Analyst

A deficit- and debt-laden nation like the U.S. needs access to foreign capital, and for decades, foreigners have obliged by exporting their excess savings to the U.S. in full expectation that Uncle Sam would honor its debt obligations. So far, so good. But that said, and as the debt ceiling debate swirls in Washington, it's little wonder the world is watching and listening intently to the discussion. How America's foreign creditors react to the talks in Washington could influence near-term U.S. asset prices.

Foreign investment stakes in the United States are substantial. Indeed, at year-end 2022, foreign ownership of U.S. securities (specifically: Treasurys, government agency bonds, corporate bonds and U.S. Equities) totaled a staggering $23 trillion, according to the latest Flow of Funds data from the Fed. That's equivalent to roughly 90% of U.S. gross domestic product and nearly five times the level at the start of the century (Exhibit 2A).

Why the U.S.? It's not just one variable that attracts foreign investors to the U.S., but many. Foreign ownership of U.S. securities has surged over the past two decades, underpinned by a number of variables, including the depth and sophistication of the U.S. capital markets; the ever-expanding global demand for U.S. dollars, the world's reserve currency; and the fact that the U.S. economy remains among the strongest and most competitive in the world, backstopped by an innovative economy housing corporate champions in a number of key sectors, ranging from agriculture and aerospace to entertainment and energy. In addition to owning liquid securities, foreign investors also have a significant stake in the real U.S. economy. Foreign direct investment in the U.S. (investment in hard assets like plants, facilities, real estate, companies, etc.) tallied a staggering $5 trillion at the end of 2021, the last year of available data from the Department of Commerce (on a historic cost basis).

Foreign ownership of U.S. securities is broadly diversified. According to the latest figures from the Fed, foreign investors owned some $7.4 trillion in U.S. Treasurys at the end of last year, or roughly 28% of outstanding U.S. Treasurys. Foreign ownership of corporate bonds clocked in at $4 trillion at year end 2022, or nearly one-third of the marketable total. In terms of Agency bonds, foreign holdings topped $1.3 trillion, or 11.1% of the market (Exhibit 2B). Finally, unbeknownst to many investors, foreigner investors own one-fifth of U.S. Equities, with total holdings topping $10 trillion at the end of last year (Exhibit 3A). All of the above is another way of saying that as the debt ceiling debate drags on, the sentiment of foreign investors and their actions/reactions to the talks could hold sway over the U.S. capital markets.

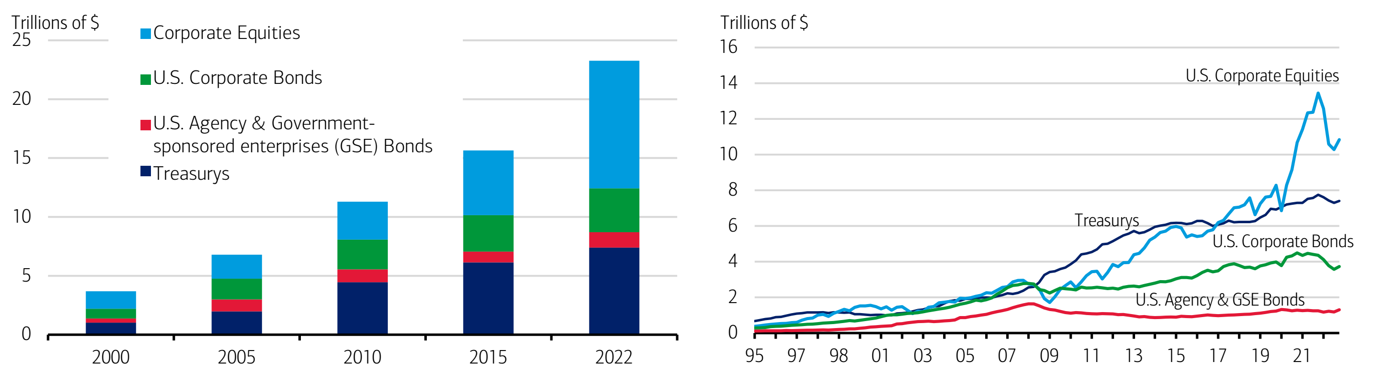
Investment Implications

The debt ceiling outcome could trigger near-term market volatility, but we don't expect any change in the status of the U.S. dollar as the world's reserve currency or expect foreign investors to lose their appetite for U.S. securities. In the end, the U.S. remains one of the most attractive locations in the world for capital (domestic and foreign).

Exhibit 2: Foreign Appetite For U.S. Securities Remains Strong.

2A) Foreign Ownership of All U.S. Securities.

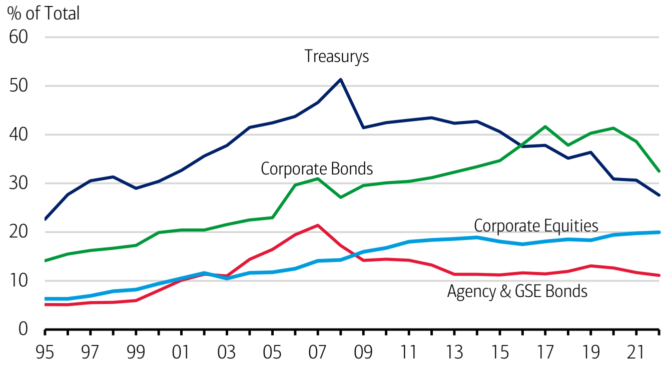
2B) Foreign Ownership of U.S. Securities.



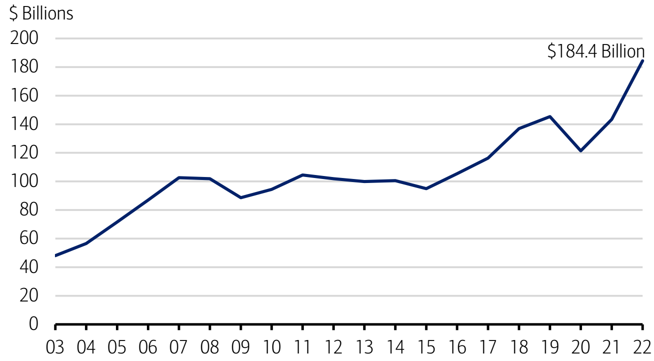
Left Exhibit: Source: Federal Reserve Board. Data as of May 2023. Right Exhibit: Source: Federal Reserve Board. Data as of May 2023.

Exhibit 3: Foreign Creditors Have A Large Stake In The U.S. Capital Markets.

3A) Foreign Ownership of U.S. Securities.



3B) Interest on Debt Securities Paid to Foreigners.



Left Exhibit: Source: Federal Reserve Board. Data as of May 2023. Right Exhibit: Source: Bureau of Economic Analysis/Haver Analytics. Data as of May 2023.

China is watching and listening intently. Despite the spike in U.S.-Sino trade tensions, Chinese holdings of U.S. Treasurys are still relatively large, with China holding some $870 billion in Treasurys at the end of March 2023, according to data from the Treasury Department. Japan's Treasury ownership, as the largest foreign owner, was $1.1 trillion in the same month. These two nations, in addition to other states in Asia, have long recycled their excess savings/surplus into U.S. assets, inexpensively adding to America's credit pool and relatively low-cost of capital. Any unexpected turn in debt ceiling talks could alter this arrangement. That is not our base case, but something we are tracking very carefully.

U.S. interest payments to foreigners is significant—and hence why all eyes in the world are on Washington. As depicted in Exhibit 3B, interest payments on U.S. government debt to foreign creditors has soared over the past two years, totaling roughly $185 billion at the end of 2022, according to figures from the Department of Commerce. Higher debt levels and higher interest rates have combined to boost net interest payments to domestic and foreign creditors.

We are keeping a close eye on the U.S. dollar, the canary in the coal mine and still the world's reserve currency. On the assumption that "this too shall pass"—i.e., that the debt ceiling will be raised—there has been little evidence of foreign investor panic/selling of U.S. dollar-denominated assets. Think of the dollar as the canary in the coal mine—if foreign investors perceive that the debt ceiling talks are floundering, the effects will manifest themselves first in the foreign exchange market. We do not expect the talks to affect the dollar's world reserve currency status—still an "exorbitant privilege" to the U.S.

There are multiple benefits to the U.S. from the dollar's status as the world's dominant currency, so it's important the world maintain its faith in the almighty buck. As the world's top currency, there is constant demand from central banks and foreign financial institutions for U.S. dollars and dollar-backed securities like U.S. Treasurys. This demand, in turn, means the U.S. can borrow more cheaply (at lower interest rates) than it would otherwise. That's a big deal for one of the world's largest debtor nations. For decades, the U.S. has relied on foreign savings to help plug its saving gap, and for decades, foreign investors have been all too happy to oblige.

The bottom line: Market volatility from the debt ceiling debate extends far and wide. The debt limit issue will ultimately be resolved, but the risks of brinkmanship will keep investors—at home and abroad—on edge.

THOUGHT OF THE WEEK

U.S. Credit Conditions: Where We Stand

Theadora Lamprecht, Investment Analyst

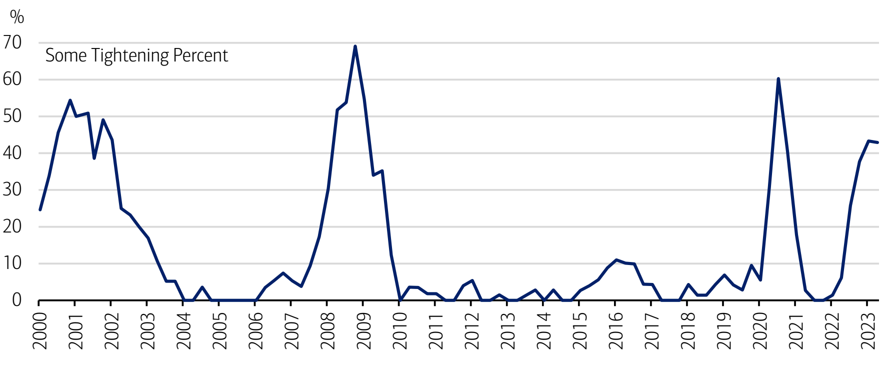
With an uncertain outlook for the U.S. economy ahead, one of the biggest unknowns is the outlook for bank lending, which has been slowing in the wake of the Fed interest rate hiking cycle. According to the Federal Reserve's Senior Loan Officer Opinion Survey (SLOOS) lending standards in Q1 have tightened and loan demand has weakened overall. The timing of this survey is also important to note, as responses were gathered at the end of March and early April, in the weeks following the emergence of stress among certain regional banks. The key takeaway of this timely survey was, while lending slowed, the report was better than feared.

An important gauge of credit conditions, the April SLOOS, which looks into changes in the standards and terms on bank loans to businesses and households over the past three months, points to an environment where credit conditions are tightening, but less than feared. The survey revealed that terms on commercial and industrial (C&I), commercial real estate and all forms of consumer lending (although at a smaller extent) tightened. BofA Global Research highlights that the SLOOS report is in line with previous recessionary periods, but that credit standards began tightening in prior quarters, and the survey did not indicate a notable shift in bank lending in the wake of the recent regional bank stress.

Another recent look at credit conditions, National Association of Credit Management's (NACM) monthly survey, takes a broader look at the current credit landscape by evaluating whether credit managers are facing an improvement, deterioration or no change in various favorable and unfavorable credit characteristics. The headline composite NACM April Credit Managers' Index (CMI) in April was 53.8, an increase of 0.3 points from March and the highest level in seven months. The CMI is positioned on a value of 50, with readings greater than 50 suggesting an economy in expansion and values below implying an economy in contraction. While the overall index is in expansionary territory, the underlying data shows a somewhat unclear credit outlook ahead, with the majority of the indexes for unfavorable components having worsened this month.

Up to this point, we have not seen a significant slowing in credit growth beyond the effect of the Fed's interest rate increases but given the uncertainty around the magnitude and timing of further tightening, this will be an important space to watch.

Exhibit 4: Senior Loan Officer Opinion Survey on Bank Lending Practices.



Sources: The Federal Reserve; Bloomberg. Data from 2000-2023.

Investment Implications

Given our outlook for U.S. economic activity to continue to slow, the outlook for credit conditions will be important to watch. The path ahead is dependent on the future of the Feds interest rate policy, stability among regional banks, and other macro-economic conditions.

MARKETS IN REVIEW

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	33,426.63	0.5	-1.8	1.7
NASDAQ	12,657.90	3.1	3.6	21.4
S&P 500	4,191.98	1.7	0.7	9.9
S&P 400 Mid Cap	2,455.89	1.0	-1.3	1.7
Russell 2000	1,773.72	1.9	0.4	1.3
MSCI World	2,842.76	1.2	0.4	10.1
MSCI EAFE	2,131.59	0.4	-0.2	11.3
MSCI Emerging Markets	977.24	0.5	0.2	2.9

Fixed Income†

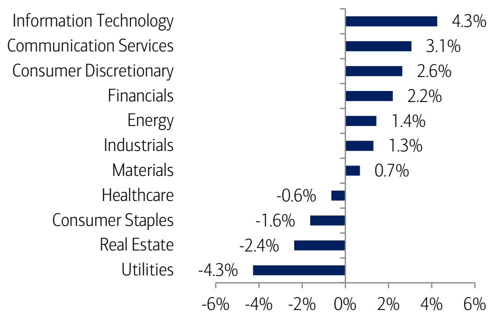
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	4.56	-1.41	-1.73	2.03
Agencies	4.55	-0.73	-0.45	2.05
Municipals	3.59	-1.18	-0.78	1.75
U.S. Investment Grade Credit	4.62	-1.37	-1.65	1.88
International	5.43	-1.47	-2.23	1.97
High Yield	8.85	-0.42	-0.85	3.71
90 Day Yield	5.22	5.15	5.03	4.34
2 Year Yield	4.27	3.99	4.01	4.43
10 Year Yield	3.67	3.46	3.42	3.87
30 Year Yield	3.93	3.79	3.67	3.96

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	224.46	0.0	-2.8	-8.7
WTI Crude $/Barrel††	71.55	2.2	-6.8	-10.9
Gold Spot $/Ounce††	1977.81	-1.6	-0.6	8.4

		Total Return in USD (%)		
Currencies	Current	Prior Week End	Prior Month End	2022 Year End
EUR/USD	1.08	1.08	1.10	1.07
USD/JPY	137.98	135.70	136.30	131.12
USD/CNH	7.02	6.97	6.93	6.92

S&P Sector Returns



Sources: Bloomberg; Factset. Total Returns from the period of 5/15/2023 to 5/19/2023. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 5/19/2023 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 5/19/2023)

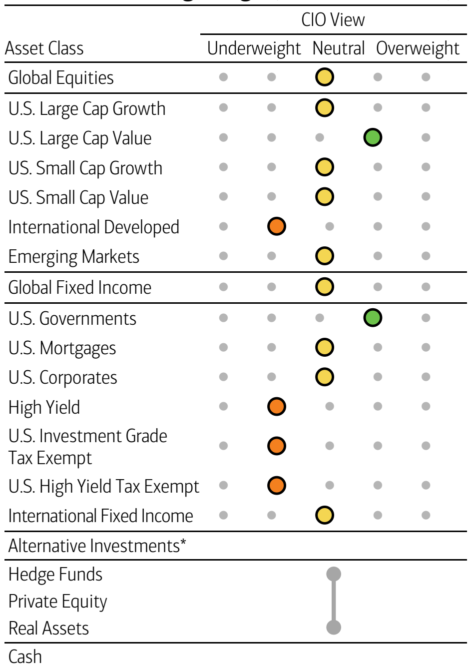
	2022A	Q1 2023E	Q2 2023E	Q3 2023E	Q4 2023E	2023E
Real global GDP (% y/y annualized)	3.6*	-	-	-	-	2.9
Real U.S. GDP (% q/q annualized)	2.1	1.1	1.0	-1.0	-2.0	1.0
CPI inflation (% y/y)	8.0	5.8	4.2	3.4	3.0	4.0
Core CPI inflation (% y/y)	6.1	5.6	5.1	4.2	3.5	4.6
Unemployment rate (%)	3.6	3.5	3.5	3.8	4.3	3.8
Fed funds rate, end period (%)	4.33	4.83	5.13	5.13	5.13	5.13

The forecasts in the table above are the base line view from BofA Global Research. The Global Wealth & Investment Management (GWIM) Investment Strategy Committee (ISC) may make adjustments to this view over the course of the year and can express upside/downside to these forecasts. Historical data is sourced from Bloomberg, FactSet, and Haver Analytics. **There can be no assurance that the forecasts will be achieved. Economic or financial forecasts are inherently limited and should not be relied on as indicators of future investment performance.**

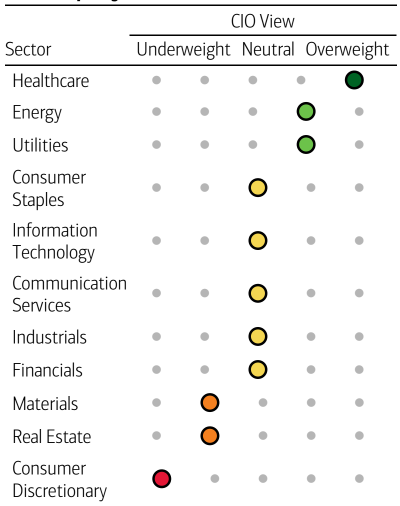
A = Actual. E/* = Estimate.

Sources: BofA Global Research; GWIM ISC as of May 19, 2023.

Asset Class Weightings (as of 5/2/2023)



CIO Equity Sector Views



*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 May 2, 2023. All sector and asset allocation recommendations must be considered in the context of an individual investor's goals, time horizon, liquidity needs and risk tolerance. Not all recommendations will be in the best interest of all investors.

Index Definitions

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

Corporate Equities/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.

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

Stocks/S&P 500 Total Return Index is a type of equity index that tracks both the capital gains as well as any cash distributions, such as dividends or interest, attributed to the components of the index.

Bonds/IA SBBI U.S. Intermediate Government Total Return Index measures the performance of a single issue of outstanding US Treasury notes with a maturity term of around 5.5 years.

Bloomberg U.S. Aggregate Bond Total Return Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market.

National Association of Credit Management's (NACM) Credit Managers' Index (CMI) is created from a monthly survey of U.S. credit and collections professionals. The survey asks participants to rate whether factors in their monthly business cycle—such as sales, new credit applications, accounts placed for collections, dollar amount beyond terms—are higher than, lower than, or same as the previous month.

U.S. Treasury/Bloomberg U.S. Treasury Index measures U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury. Treasury bills are excluded by the maturity constraint, but are part of a separate Short Treasury Index. STRIPS are excluded from the index because their inclusion would result in double-counting.

Corporate Bonds/Bloomberg U.S. Corporate Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes U.S. dollar-denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers. The U.S. Corporate Index is a component of the U.S. Credit and U.S. Aggregate Indices.

U.S. Agency & Government-sponsored Enterprise Bonds/ICE BofA Global Govt Bond Index tracks the performance of publicly issued investment grade sovereign debt denominated in the issuer's own domestic currency

S&P 500 sub-sectors and industry groups Global Industry Classification Standard (GICS®) Index including Information Technology; Consumer Discretionary; Industrials; Real Estate; Communication Services; Materials; Financials; Consumer Staples; Utilities; Energy; Healthcare; Pharmaceuticals; Banks; Telecommunications; REITS

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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. 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. 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. Mortgage-backed securities are subject to credit risk and the risk that the mortgages will be prepaid, so that portfolio management may be faced with replenishing the portfolio in a possibly disadvantageous interest rate environment. Investments in foreign securities (including ADRs) involve special risks, including foreign currency risk and the possibility of substantial volatility due to adverse political, economic or other developments. These risks are magnified for investments made in emerging markets. Investments in a certain industry or sector may pose additional risk due to lack of diversification and sector concentration. Investments in real estate securities can be subject to fluctuations in the value of the underlying properties, the effect of economic conditions on real estate values, changes in interest rates, and risk related to renting properties, such as rental defaults. There are special risks associated with an investment in commodities, including market price fluctuations, regulatory changes, interest rate changes, credit risk, economic changes and the impact of adverse political or financial factors.

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

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

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