CHIEF INVESTMENT OFFICE

Viewpoint

Mid-Year 2025 Outlook: The Asset-Light Era Meets Innovative Infrastructure

July 2025

All data, projections and opinions are as of July 8, 2025 and subject to change.

IN BRIEF

- We believe the second half of 2025 could include a few "pit stops" along the way and short periods of increased volatility but we expect the uptrend in Equities to remain intact as macro resilience continues and as the next profit cycle gathers momentum amid rapid innovation.
- The foundation of our bullish view and our core theme for the years ahead involves the meeting of the asset-light era, which is the consistent evolution of less labor-intensive businesses, and innovative infrastructure (the growing demand for "smart" data centers and efficient power generation). As this marriage matures, a variety of new growth streams are likely to develop, many of which are occurring more rapidly than ever before.
- We remain overweight Equities relative to Fixed Income and bullish over the longer term given our favorable view on the corporate profit cycle and the ability of companies to harness new growth spigots and productivity pathways. We expect short periods of volatility in the second half as geopolitical risk remains high, and equity prices get ahead of themselves from time to time. Exhale periods would be buying and rebalancing opportunities for long-term investors, in our view.
- Within Fixed Income, we find both nominal and real yields to be compelling and believe clients should consider extending from cash to a strategic duration target. Rates have been consolidating since 2023, and we are less concerned about a further rate spike from here.

With the first half of 2025 in the books, we highlight our top views for the second half in the context of a macro backdrop that continues to remain resilient and with new forces powering the next profit cycle gathering momentum. The asset-light era, which is the consistent evolution of less labor-intensive businesses, meets innovative infrastructure (the growing demand for "smart" data centers and efficient power generation) is our core theme for not only the remainder of 2025 but also for the years ahead. As this marriage matures, a variety of new growth streams are likely to develop, many of which are occurring more rapidly than ever before. Rapid innovation that powers new growth streams in the private sector is the foundation for our bullish view in the coming years.

With this view in mind, we believe it is important to ask the questions, "What are we watching now?" and "What is the likely path forward across asset classes for the remainder of the year?"

CIO ASSET CLASS VIEWS

This month the Global Wealth & Investment Management Investment Strategy Committee (GWIM ISC) did not make any tactical asset allocation adjustments. We maintain an overweight to Equities with a preference for U.S. Equities relative to the rest of the world, and still favor a significant allocation to bonds in a well-diversified portfolio. We would use any weakness in equity markets over the second half of the year as an opportunity to rebalance.

View the CIO Asset Allocation Guidelines ▶

Listen to the audiocast ▶

Asset Class	CIO View: Underweight		Neutral	Overweight	
Global Equities				●	
U.S. Large-cap Growth				●	
U.S. Large-cap Value				●	
U.S. Small-cap Growth				●	
U.S. Small-cap Value				●	
International Developed			●		
Emerging Markets			●		
Global Fixed Income		●			
U.S. Governments		●			
U.S. Mortgages		●			
U.S. Corporates		●			
International Fixed Income			●		
High Yield			●		
U.S. Investment-grade Tax Exempt		●			
U.S. High Yield Tax Exempt		●			
Alternative Investments*					
Hedge Strategies			●		
Private Equity & Credit			●		
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.

WHAT ARE WE WATCHING NOW?

- employment data in the private sector including job growth, average hourly earnings and jobless claims
- consumer spending data to assess the degree of the expected "soft patch" in the economy
- consumer prices and inflation statistics to assess the tariff pass-through effect
- capital investment plans from technology and technology-like companies (increasing, decreasing or staying the same as announced)
- treasury auction demand and what part of the curve and any impact on yields
- real estate loan maturities coming due by end of 2025 and how they clear
- the internals of the equity markets to assess whether new leaders are emerging and the degree of market and sector rotation
- investor positioning, sentiment and flows (bearish, bullish, neutral?)
- the policy landscape domestically and globally, including overall geopolitical risk

As we continue to watch these areas to assess the potential impact on asset prices, we believe the second half of 2025 includes a few "pit stops" along the way and short periods of increased volatility, but the uptrend to remain intact in Equities.

WHERE DO WE GO FROM HERE?

- the uptrend in Equities should remain but with a few pit stops and short periods of equity volatility around the world to occur as prices get ahead of themselves from time to time
- international equity markets are expected to maintain their outperformance
- technology leaders in the U.S. are expected to remain the power source for the overall market, but Financials, Utilities and segments of Industrials to also provide tailwinds
- the U.S. dollar should maintain the weaker path that has been transpiring year-to- date
- investment flows should continue to support Gold
- oil prices should stay flattish or slightly lower interest rates and yields should also remain flattish or lower on the short end
- credit spreads are expected remain tame

In summary, we remain overweight Equities relative to Fixed Income and bullish over the longer term given our favorable view on the corporate profit cycle and the ability of companies to harness new growth spigots and productivity pathways. We expect short periods of volatility in the second half as geopolitical risk remains high, and equity prices get ahead of themselves from time to time. Exhale periods would be buying and rebalancing opportunities for long-term investors, in our view. In the pages that follow, we provide a more detailed view on a variety of other questions on the minds of investors.

WHAT'S IN STORE FOR THE SECOND HALF OF THE YEAR? WHAT'S CHANGING AND WHAT ARE THE TRENDS AND RISKS THAT WE ARE SEEING DRIVE THE RECOVERY?

Macro environment: The first half was dominated by dramatic changes in U.S. policies, both domestic and international, including immigration, trade, taxes, spending and regulation. The result was heightened uncertainty and a bout of pessimism about the likelihood these policies would work. By the end of June, the fog of uncertainty had lifted sufficiently that both U.S. and global equity markets reached all-time highs reflecting confidence that the emerging new world order and the U.S.' role in it will be good for global growth and corporate profits.

During the period of peak pessimism, economists began to predict a U.S. recession with about a 65% probability, and analysts sharply downgraded the outlook for corporate profits. Stocks fell by almost 20%. As policy details have emerged since then, the odds of recession have dropped dramatically, and earnings revisions have turned positive helping to push stocks all around the world to new highs.

By forcing the rest of the world to adopt fairer trade policies and to help the U.S. pay for the security of the global economy, U.S. policies have improved the outlook for global growth and the relative performance of international stocks. For example, most of the North Atlantic Treaty Organization allies have committed to paying a larger share of defense expenditures. To make this possible, Germany has abandoned its traditional budget, and Europe's outlook has brightened to the point where Equities on the continent have outperformed those in the U.S. year-to-date (YTD). Likewise, China is scrambling to increase its domestic demand growth and become less reliant on the exports driving its trillion-dollar trade surplus. All told, the rest of the world has been forced to reduce its reliance on the trillion-dollar U.S. trade deficit by stimulating their own domestic demand with easier monetary and fiscal policies that are improving the global growth outlook.

For the U.S. this involves some initial growing pains as the economy adjusts to higher tariffs and reduced fiscal stimulus while it transitions from government-led growth to private-sector growth fueled by lower taxes, deregulation, and a massive Artificial Intelligence (AI)-fueled capital spending boom. The budget bill looks to be slightly restrictive for the rest of 2025 but has focused significant stimulus in 2026 ahead of the mid-term elections before becoming restrictive again later during its 10-year horizon. The equity markets appear to like this improved growth outlook for next year.

U.S. Equity Market environment: After a wild six months that saw U.S. Equities whipsaw from the brink of a bear market to a record-fast recovery, the S&P 500 has returned to all-time highs amid its biggest quarterly advance since Q4 2023. Progress on trade deals, especially a de-escalation between the U.S. and China, along with robust corporate earnings results, U.S. economic and consumer resilience and a resurgence of AI enthusiasm offset challenges from lingering policy uncertainty and elevated geopolitical tensions. While stocks could face some volatility in the near term as the dust settles from the latest trade policy decisions and tax bill developments, the recent positive momentum, easing volatility and improving investor sentiment suggest U.S. Equities could be in a better position for further upside in the months ahead relative to where they stood at the prior February high.

We anticipate a series of catalysts to underpin the bull market advance in the second half. The recent stretch in valuations makes the continuation of solid corporate earnings growth a key factor among them. Despite some downward revisions earlier in the year, aggregate estimates for S&P 500 earnings still suggest an uninterrupted rise in profits in the quarters ahead as companies navigate the current environment better than expected. Pro-growth policies including deregulation and fiscal stimulus could provide another tailwind to the earnings backdrop. And over the medium-term, we also expect greater cost efficiencies from AI innovation to support corporate profit margins even further. Easier financial conditions could be another catalyst as more visibility on trade and fiscal policy and the path of inflation could allow the Federal Reserve (Fed) to shift toward a more dovish policy stance. While these catalysts keep us constructive on U.S. Equities ahead, we continue to monitor risks to the outlook, including geopolitical tensions and the long-term implications for the U.S. fiscal position amid a growing budget deficit and national debt level.

International Equity Market environment: International markets outpaced U.S. markets for much of the first half of 2025. Europe, Japan and Emerging Markets (EM) remain well ahead of the U.S. for the year so far, although their lead has narrowed somewhat over recent months as trade tensions have moderated and U.S. recession risk has subsided. We nonetheless remain cautiously optimistic on the outlook for international markets in the second half.

Our caution stems in part from the persistence of structural constraints that have weighed on non-U.S. markets for the past several years, particularly in Europe where a lack of exposure to growth sectors such as Information Technology (IT) and Communication Services has restrained equity returns as the digital economy has continued to expand. The ongoing Russia-Ukraine conflict has also made for energy-related constraints, with risk being compounded by any escalation of tensions in the Middle East. Geopolitical events have not typically had a lasting impact on market returns, but any disruption to energy supply and subsequent rise in prices would represent a bigger challenge for the dominant constituents of the non-U.S. Developed Markets (primarily Europe and Japan) and EM (primarily EM Asia), which are major net energy importers. Within EM, we also see ongoing domestic challenges for the dominant constituent, China, where the real estate and consumer sectors remain weak.

On the positive side, we continue to see relative value in international markets despite this year's outperformance. Non-U.S. Developed and EMs may now have re-rated back to valuation levels above their long-term averages, but they still appear attractive compared to their more extended U.S. counterparts. And with the economic impact of higher tariffs still largely yet to materialize in the global economic data, the smaller expected impact on the rest of the world compared to the U.S. should also come as a source of relative support.

We also see idiosyncratic supports for the major international markets. In Europe, implementation of the German and European Union (EU) fiscal expansion measures in defense and infrastructure is expected to begin next year and should provide a tailwind for growth in the region. Sustained positive inflation and shareholder-friendly reforms to support buybacks, payouts and consolidation activity are fundamental positives for Japan. And after decades of exchange rate undervaluation in emerging Asia, the prospect of smaller imbalances in global trade on the back of U.S. tariff policy should allow currencies across the region to revert toward their fair value. Exchange rates have driven a significant portion of the returns in international markets so far in 2025, and further dollar depreciation should also help to lift non-U.S. markets in the second half of the year.

Fixed Income environment: For Fixed Income markets, monetary policy is the biggest driver and currently in a good place. While the BofA Global Research call is officially for no Fed interest rate cuts this year, both the market and the Fed think two rate cuts are likely. All three believe that the fed funds rate is currently in restrictive territory and should move lower over the next 12 to 18 months. While economic data is cooling slightly, the Fed has plenty of room to provide accommodation to keep the expansion going, if required. Therefore, while credit spreads are tight, our expectation is that they will continue to remain that way for the foreseeable future. We do find both nominal and real yields to be compelling and our highest conviction guidance is for investors to extend from cash to a strategic duration target. Rates have been consolidating since 2023, and we are less concerned about a further rate spike from here. The Fed's defined inflation target contained market inflation expectations, and the market's ability to withstand April's tariff and selling-induced volatility continue to give us confidence in this view.

Municipal bonds significantly underperformed Treasury securities in the first half. However, while muni issuance is rising due to increased infrastructure needs and expectations of less federal funding, we believe munis will outperform in July and August due to attractive relative valuations and higher reinvestment demand from seasonally heavy principal and interest payments.

Alternative Investments (Alts) environment: Private markets appear poised for a more constructive second half. Deal activity, which stalled in Q2 amid heightened trade tensions and softening growth expectations, is now expected to rebound as visibility improves and sentiment stabilizes. This shift could provide much-needed momentum for Private Equity (PE), where a prolonged drought in exits has strained Limited Partner (LP) patience and spurred creative liquidity strategies, from continuation vehicles and dividend recapitalizations to a growing reliance on the secondary market. We expect this trend to continue, with PE secondaries gaining further traction as institutional investors seek portfolio rebalancing and early liquidity. In Private Credit (PC), while fundamentals have likely steadied alongside the macro backdrop, risks remain. A sizable share of borrowers, particularly smaller businesses, continue to grapple with cost of capital pressures and limited interest coverage, raising the likelihood of modest but increasing credit losses. Still, barring a reversal in macro conditions, default rates will likely remain manageable, even as competition from public leveraged credit markets pressure PC spreads.

Infrastructure remains a durable and compelling long-term theme within private markets, underpinned by the growing need for private capital to finance essential assets across sectors. In particular, the digital infrastructure buildout—especially data centers—has emerged as a key focus area for both General Partners (GP) and institutional allocators. These projects offer a differentiated way to participate in the AI-driven transformation of the economy, with a preference for contractual, inflation-linked cash flows from high-quality tenants rather than speculative bets on individual companies (which are typically accessed via the public hyperscalers or venture capital-backed startups). In 2024, investment activity in this space reached new heights, with digital infrastructure GPs deploying $100+ billion across data centers and adjacent markets—more than triple the capital allocated in the prior year.[1] This momentum is expected to continue into the second half as investors seek resilient, long- duration assets aligned with secular digitalization trends.

[1] PitchBook. As of July 1, 2025.

WHAT DO WE CONSIDER WILDCARDS FOR THE SECOND HALF OF 2025?

Fed Outlook: An unexpected wildcard would be that the economic resiliency continues, the labor market actually strengthens, and tariff-induced inflation picks up. This would keep the Fed on hold or even potentially lead to rate hikes, which would be a significant surprise to markets. If this were to occur–not our base case–this could send the 10-year Treasury back to a 5% yield. Our neutral position is therefore a very safe place to be, in our opinion, no matter what wildcards we see this year.

Fed funds future markets are currently pricing in two Fed rate cuts in 2025. But with the labor market still showing strength and core inflation above its 2% target, the risk remains for fewer cuts than the consensus expects.

Dollar Direction: The dollar's foreign exchange value dropped about 10% against major developed currencies during the first six months of 2025. It fell from the most extreme levels of overvaluation since 1984 and remains overvalued based on its purchasing power parity value. It is most overvalued against currencies in Asia, especially the yen and renminbi, which consequently have the most scope to appreciate against the greenback in the year ahead.

Related concerns over rising U.S. recession risk and investor rebalancing away from highly valued U.S. assets drove a significant depreciation of the U.S. dollar in the first half of the year. Should trade tensions moderate further, a recovery in relative U.S. growth expectations and pricing out of Fed rate cuts could potentially see the dollar return to favor among global investors.

Geopolitics: Recent tensions in the Middle East remain a key variable to watch, but most important is how geopolitical events impact corporate fundamentals, interest rates and energy prices. The spike in oil prices immediately following Israel's strikes on Iran proved to be short-lived, and its trajectory in the second half of 2025 will depend on whether oil infrastructure is directly impacted. We wouldn't be surprised to see bouts of market volatility as tensions not only in the Middle East, but also in Europe and Asia persist. We continue to be bullish on global Large-cap defense contractors and cybersecurity leaders as defense spending globally heads higher.

Markets have not historically suffered a lasting impact from geopolitical events, with Equities typically higher one-, six- and 12-months after major episodes of the past several decades. Investors should nonetheless watch for developments that could affect the fundamentals of growth, inflation and earnings, most notably any disruption to global energy supply. A major oil price shock such as that which followed the 1973 Arab oil embargo could potentially pose a major challenge for the global economic expansion.

Themes: Many aspects of our big picture themes (innovation, infrastructure, security and demographics) have continued to unfold over the first six months of this year. The AI buildout has evolved with hyperscalers' large capital expenditures steadying or increasing, and in some cases securing nuclear power deals to support the huge energy demands of AI-driven data centers. Grid-hardening projects and the electrification of the economy also augurs for higher investment in both power generation and transmission and distribution. Geopolitical conflicts and war have run hot, contributing to headline risk alongside general political uncertainty. As these themes evolve, the risk of underexposure to these thematic ideas can potentially hamper returns.

Fiscal Policy/Deficit: Uncertainty remains over the full impact of the congressional budget bill and its overall effect on the deficit and interest rates. But expansionary fiscal policy in the U.S., alongside higher fiscal outlays in Europe and potential stimulus in China, could prove highly supportive for global growth going into next year.

Tariff (deals or no deals): Tariff uncertainty was the main driver behind the first-half market volatility, and we would expect the final shape of trade agreements to play a key role in relative performance across individual markets globally. Markets that can secure lower relative tariff levels with the U.S. should be better-placed production alternatives as offshore manufacturing capacity is reallocated.

Tariff policy remains in flux, but in the near-term we expect a few key trade deals to be announced this summer that should be momentum-positive. Concrete trade deals take time, however, and complex negotiations with larger trading partners (e.g., China and the European Union) are likely to extend into next year. Ultimately, more balanced trade between the U.S.

and the rest of the world, including lower tariffs abroad and more consumption-led growth in countries like China, should benefit U.S. companies and fuel more sustainable economic growth globally.

Inflation Trends: Inflation peaked in 2022 after the Fed inflated the money supply at the fastest rate since the 1970s in response to the pandemic with its zero-interest rate and quantitative easing policies. Higher interest rates and quantitative tightening policies over the past three years have created a strong disinflation trend as money supply growth has fallen dramatically. Inflation is likely to stabilize around the 2% target during the year ahead despite a possible blip from big tariff hikes in the next few months.

Global inflation has fallen significantly from its peak levels of earlier in the decade. But with price pressures still not fully contained in the U.S., Europe and even Japan, and with upside risk to energy prices, monetary policy across the major central banks will need to be monitored closely over the coming quarters.

Profits: Although, expected S&P 500 earnings growth for 2025 has come down from double-digit rates at the start of the year, it remains solid. Possible hurdles from trade policy or geopolitical shocks will need to be monitored for any potential impact on underlying growth rates. But an extended economic cycle should mean that earnings prospects remain a tailwind for the equity market in the second half.

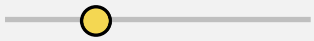
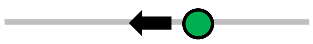
WHAT SHOULD INVESTORS CONSIDER DOING NOW AS THE ROAD TO RECOVERY UNFOLDS AND THE MARRIAGE BETWEEN THE ASSET-LIGHT ERA AND THE INNOVATIVE INFRASTRUCTURE RENAISSANCE GATHERS MOMENTUM?

- Being fully invested. Market timing is difficult, and markets tend to mean revert quickly following bouts of episodic volatility.
- Increasing diversification. Asset allocation can buffer volatility. As we have witnessed, the volatility in U.S. Equities during the first half of 2025 was buffered by good performance in International Developed Markets and EM Equities and Fixed Income.
- Focusing on tax efficiency. It’s not what you earn; instead, it’s what you keep. Taxable equivalent municipal bond yields are attractive, and volatility could create a favorable environment to harvest tax losses to offset unrealized taxable gains.
- Increasing Fixed Income duration. Developing a plan to increase Fixed Income duration to capitalize on attractive real (inflation-adjusted) yields. Fixed Income performs well if interest rates decline, or the economy enters a recession.
- Rebalancing portfolios. Rebalancing broader asset allocation plans helps to stay on track toward meeting financial goals and to ensure portfolios are not overly concentrated while the markets continue to broaden.
- Maintaining a longer-term outlook to capitalize on the longer-term structural investment themes that will shape the future of innovation and workforce productivity.

CIO INVESTMENT DASHBOARD AS OF JULY 8, 2025

The combination of a relaxation on some tariffs, solid corporate earnings results, and easing geopolitical tensions helped to fuel the sharp reversal from April 8 through the end of June. Throughout the remainder of the summer months, we still see the potential for more noise surrounding geopolitics, trade policy, the fiscal outlook, and the trajectory of inflation and monetary policy. Long-term investors should remain fully invested and consider episodic weakness as a potential buying opportunity.

Current readings on the key drivers of Equities for investors to consider, with arrows representing the recent trend:

Factor	Implication for Equities Negative Neutral Positive	CIO View
Earnings		According to FactSet, S&P 500 revenue and earnings grew by 5.2% and 10.6%, respectively, on a year-over-year (YoY) basis in 2024. Subsequently they grew by 4.9% and 13.3% in Q1 2025. In Q2, growth is expected at 4.2% and 4.9% respectively, signaling an expected trough. Overall, for 2025, consensus expects a slight deceleration in growth of revenue and profits to 5.0% and 8.9% respectively. For a second consecutive month, the Global Earnings Revision Ratio improved in June led by the U.S. While downgrades surpass upgrades, the global earnings cycle remains strong on still robust expected growth in earnings per share, according to BofA Global Research.
Valuations		The S&P 500 price-to-earnings (P/E) ratio (next 12 months), at around 22x, nears its late-2020 high of 23.4x and stands above its long-term average of 16.5x. While this headline measure suggests that Large-cap U.S. Equities, in general, remain expensive, relative discounts can be found in areas like Small-cap and Value.
U.S. Macro		A final estimate for Q1 real gross domestic product (GDP) indicated the economy shrank by a seasonally adjusted annual growth rate of -0.5%, revised lower from the initial estimate of -0.3%. The contraction reflected a wide trade deficit, which exerted its largest drag on growth on record dating back to 1947, as well as softening consumption. Real final sales to private domestic purchasers, which excludes the volatile trade and inventory measures, grew by 1.9% in Q1. For 2025, BofA Global Research expects real GDP growth of 2.3% for Q2 followed by a trough in growth of 1.0% in Q3 and rebound to 1.6% in Q4 for an annual expansion of 1.6% for this year. For 2026, it also forecasts 1.6% growth.
Global Growth		Undetermined U.S. trade policy and geopolitical tensions remain as clouds in the outlook. For the euro area, uncertainty from these dynamics has offset positive elements in looser fiscal and monetary policy, resulting in little growth in the services and industrial sectors. In China, stimulus efforts contend with property market weakness and trade-related uncertainty, also a headwind for broader Asia. After growth of 3.3% in 2023, the global economy grew by 3.2% in 2024. BofA Global Research expects 3.0% growth for 2025 and 2026. This compares to average growth of 3.8% from 2000 to 2019, according to the International Monetary Fund.
U.S. Monetary Policy / Inflation		The Fed has kept its policy interest rate at 4.25% to 4.50% since December. Despite cooling inflation, the central bank continues to take a patient approach to monetary policy due to heightened economic uncertainty regarding the impacts of trade and fiscal policy. Market expectations favor two interest Fed rate cuts this year. BofA Global Research expects the Fed to hold at this interest rate level until the second half of 2026, when they anticipate 100 basis points (bps) worth of cuts.
Fiscal Policy		The reconciliation measure dubbed the "One Big Beautiful Bill" has been signed into law. It extends the 2017 Tax Cuts and Jobs Act and includes new tax breaks, among other elements. BofA Global Research expects the bill will provide a moderate growth impact to U.S. GDP later this year and likely add to the deficit, though tariff revenue, if sticky, should cover most of the cost of the bill.
Corporate Credit		Credit spreads for Investment-grade (IG) and High Yield (HY) reflect contained concerns about an economic slowdown. Overall, their levels remain relatively low though off their near-term tights, which were around levels last seen nearly two decades ago.
Yield Curve		The Treasury yield curve two years and out has normalized, returning to being positively sloped from its inversion. It steepened slightly in June, driven by a larger fall in near-dated yields compared to the decline of those longer dated. An increase in the size of the inversion between the three-month and two-year rates reflects higher market expectations for more rate cuts this cycle.
Technical Indicators		Since May the S&P 500 has remained above its 200-day moving average, itself beginning to move upwards again. This suggests positive momentum fueled by the latest market rally. The cumulative advance/decline indicator, another measure of market breadth, has nearly fully recovered from its decline earlier this year. The percentage of New York Stock Exchange stocks closing above their 200-day moving average also trended higher last month, moving above 45%. This level remains below its average in 2024 of just over 60%, which coincided with a notable bull run for the S&P 500.
Investor Sentiment		Investor sentiment has improved. According to the American Association of Individual Investors, the large imbalance of dominant retail investor bearishness compared to reduced bullishness has receded from its early-April extreme. Meanwhile, the Chicago Board Options Exchange Volatility Index stands below its year-to-date average and at the lower end of a range established over the past two months. BofA Global Research's Bull & Bear Indicator still flashes a "neutral" signal at 6.0 as of July 3. According to the June Global Fund Manager Survey, the average cash level in institutional portfolios at 4.2% also suggests a "neutral" signal.

Source: Chief Investment Office.

EQUITIES

We are slightly overweight Equities. We continue to see crosscurrents in the market landscape, but relatively sturdy macroeconomic fundamentals should ultimately provide Equities with a solid foundation. The earnings outlook remains positive, and private sector investment in areas like innovative infrastructure could act as an additional tailwind for corporate profits moving forward. We maintain an Equity overweight relative to our strategic targets.

We are slightly overweight U.S. Equities. The U.S. remains our preferred Equity region relative to the rest of the world given solid earnings growth, strong balance sheets in aggregate, and relatively healthy consumer fundamentals. Index-level valuations have risen amid a swift equity market recovery from the April lows, with the S&P 500 Index achieving fresh record closing highs by the end of June. Meanwhile, the BofA Global Research U.S. Earnings Revisions Ratio improved to a 10-month high in June and Q1 2025 marked the seventh consecutive quarter of YoY profits acceleration and the second consecutive quarter of double-digit earnings-per-share (EPS) growth for the S&P 500 Index. Q2 earnings results are likely to be noisy as delays, supply chain disruptions, and dampened demand start to filter through, but we ultimately expect full-year earnings growth in the mid-single digits for the S&P 500 Index.

Large-caps remain attractive given strong fundamentals and the ability to produce free cash flows (FCF) and healthy shareholder payouts. Small-caps maintain relatively discounted valuations and the potential for a future profits recovery, though tariff concerns and potentially higher-for-longer rate structures could present headwinds. During this time of assessment, it is important to play both defense and offense. We emphasize the importance of incorporating both Growth and Value factors in strategic portfolios. While we believe that secular tailwinds will support Growth over the long term, we emphasize the importance of avoiding overexposure to any one area of the market. Value continues to trade at a relative discount to Growth, and dividend-oriented Value stocks remain attractive. We suggest a disciplined and balanced approach between Value and Growth for long-term investors.

As the road to recovery continues, it is important to have Equity exposure across cyclical, interest rate-sensitive, and growth sectors. We continue to emphasize exposure to Financials despite our expectation that the Fed will pause interest rate cuts for the duration of the year. The cuts that the Fed implemented last year, along with a steeper yield curve, can help improve credit risk and default rates going forward, especially in CRE. Moreover, we anticipate U.S. banks could generate record spread revenue this year even without meaningful loan growth, given the repricing trend in securities portfolios industrywide. We maintain neutral exposure to Industrials after mixed results from recent earnings reports and lack of clarity for company guidance. However, infrastructure-related investments and projects related to secular growth trends in electric power demand, energy transmission and distribution, data center builds, and next-generation AI-focused semiconductor technology that is increasingly power hungry could drive multiyear demand for select growth and cyclical stocks. The relative view on Consumer Staples is more constructive after underperformance against both the broader equity market and the Consumer Discretionary sector last year, valuation measures near multi-year lows, and early signs of fundamentals stabilizing.

Uncertainties pertaining to potential changes to Healthcare policies and potential tariff impacts differ across Healthcare subsectors, which could drive rebalancing in portfolios; therefore, we maintain a neutral exposure and see potential opportunity beneath the sector level. We also remain cautious on the Energy sector, as the growing oil supply outlook for 2025 is a concern and could weigh on oil prices, energy cash flows, and earnings in coming quarters. Our positive outlook for Utilities is based on accelerating electric power demand for the first time since the early 2000s, driven in part by the growth in Generative AI (GAI) and increasing electrification of the economy. While we are constructive on IT and Communication Services as longer-term thematic trends, we maintain our neutral view in the near term on elevated valuations and recent developments in the GAI trend that generated a correction. We remain cautious on Materials, as demand is weak, and pricing power and potential tariff impacts remain questionable. With interest rate volatility in recent months, we are neutral Real Estate (RE) and prefer being selective in the RE subsectors due to positive fundamentals in some areas of RE but remain cautious about weaker trends in other areas like CRE.

We are neutral Emerging Market Equities. EM Equities appear attractively valued, but we continue to expect a wide return dispersion between individual EM countries and regions. Slower exports in China may be partly offset by growth in its heavyweight IT sector. However, stimulus measures so far appear insufficient to provide a significant boost to domestic demand, which is likely to remain constrained on a structural basis by headwinds from the RE sector and weak household balance sheets. The outlook for other markets in Asia and the rest of EM will be shaped by relative benefits of prospective trade agreements, particularly for more goods export-oriented economies, and any prospective impact on energy prices from heightened geopolitical tensions in the Middle East. Central and Eastern European markets also stand as potential beneficiaries of any progress on

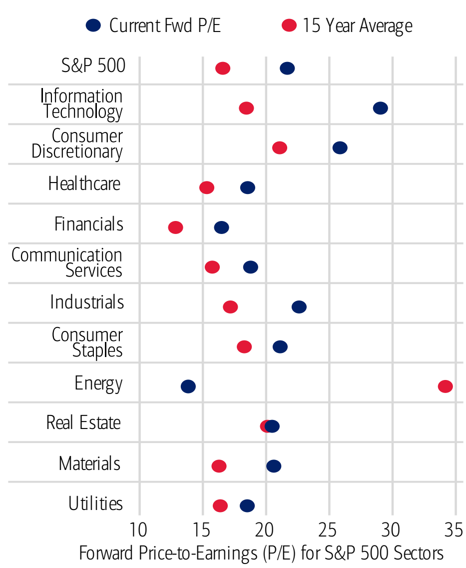
EQUITY WATCH LIST

- Trade policy developments and negotiations
- Geopolitics in the Middle East
- Fiscal policy outlook
- Dollar weakening and exposure to non-U.S. regions
- Progression of earnings estimates
- Trajectory of global manufacturing
- Pace of AI investment/competition

RISK CONSIDERATIONS

- Geopolitical uncertainty and heightened global protectionist measures
- Escalated trade war/sustained retaliatory tariffs
- Reacceleration of inflation
- Potential for slower economic growth
- Structural pressures within the Office segment of Commercial Real Estate (CRE)

Sector Valuations



Source: Bloomberg as of July 2, 2025. 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.

Russia-Ukraine conflict resolution, while market direction in Latin America, the Middle East and Africa should remain broadly tied to the direction of natural resource prices. The structural rise in EM consumer spending remains a big reason why we believe investors should consider maintaining a strategic allocation to EM Equities as appropriate. The emerging world now constitutes around 40% of global personal consumption expenditures (PCE), according to the United Nations, and ongoing convergence with developed economies should support GDP growth and corporate earnings over the longer term. We favor active management[2] when investing in EM, as fundamentals differ across countries based on fiscal capacity, external funding needs, corporate governance and other factors.

We are neutral International Developed Equities. While we continue to prefer U.S. Equities over International Developed, we remain constructive on non-U.S. markets and maintain a neutral position. We expect European markets to benefit from a major potential fiscal expansion driven by infrastructure and defense spending, on top of still attractive relative valuations. Manufacturing-led EU economies nonetheless remain at risk from U.S. import tariffs and growing competition from China in key industries. We are slightly overweight Japan Equities. The potential for faster interest rate hikes could represent a headwind for Japan, but sustained positive inflation and corporate reforms remain fundamental supports. As aggregate net energy importers, International Developed markets should also be more sensitive to the direction of energy prices. We believe long-term investors should maintain some strategic exposure to International Developed Equities, as appropriate, given that they trade at a discount relative to U.S. Equities, contain more of a balance between Value and Growth sectors, can offer attractive dividend yields, and provide diversification.

FIXED INCOME

We are slightly underweight Fixed Income within multi-asset class portfolios. Although we are still constructive on Fixed Income, our underweight is necessary to fund our Equity overweight. We remain neutral to our strategic benchmarks across Fixed Income in all-Fixed Income low-tax-sensitivity portfolios. However, in all-Fixed Income high-tax-sensitivity portfolios, we have a preference for Investment-grade Tax-Exempt and High Yield Tax-Exempt relative to Investment-grade Taxable Corporates.

The Federal Open Market Committee (FOMC) recently kept rates on hold at its June meeting but believes that the fed funds rate is modestly restrictive and therefore is likely to begin cutting rates soon. The FOMC currently expects two rate cuts this year. They have plenty of policy accommodation going forward to help the economy avoid a recession, if needed.

Higher nominal and real yields provide attractive compensation for inflation and market risk. We maintain neutral duration as 10-year Treasury rates are approximately average and in the middle of the range over the last two years. Longer-term Fixed Income provides meaningful returns relative to cash and therefore diversifies equity risk over time with more stable income and returns, in our opinion. We are still slightly more favorable on duration than when the 10-year was below 4% and believe investors should move investment cash to at least their strategic duration target.

In multi-asset class portfolios, we are slightly underweight U.S. Governments in favor of Equities. Real yields—that is to say, yields after expected inflation—are around 1.60% to 2.60% across the curve, the higher end of the range since 2008. Yields substantially higher than inflation are positive for savers.

In multi-asset class portfolios, we remain slightly underweight U.S. Corporates and neutral High Yield in favor of Equities. This view is predicated on expensive valuations —somewhat offset by still attractive all-in yields which could continue to drive robust demand for high-quality Fixed Income.

Credit spreads have retraced widening that we saw during April and are currently trending just slightly wide versus YTD tights. With IG spreads around 85 bps and HY spreads around 295 bps, valuations still screen relatively rich, in our view, with more limited room for further spread compression–which is the primary driver of our slightly cautious stance on credit in multi-asset class portfolios.

FIXED INCOME WATCH LIST

- Impacts of reduced government spending and uncertainty about fiscal policies including tariffs
- U.S. short-term funding markets, with the interplay of quantitative tightening and drawdown of Treasury General Account
- Trend and level of U.S. nominal and real rates and inflation
- Fed and global central bank activity
- Global economic growth, especially with trade and tariff concerns
- Credit spreads and Muni/ Treasury ratios

RISK CONSIDERATIONS

- Resilient or accelerating inflation
- Change in Fed policy stance
- Slowing economic growth or confidence based on uncertainty

[2]Active management seeks to outperform benchmarks through active investment decisions such as asset allocation and investment selection.

That being said, we generally expect a positive environment to persist for credit over the short term with several caveats. Economic data has defied the odds–continuing to point to a healthy consumer, positive (albeit slowing) GDP growth, and inflation that is gradually moving towards the Fed's long-term target despite lingering concerns about delayed tariff impacts. Credit fundamentals remain on sound footing with positive top and bottom-line growth, resilient margins, and gross leverage continuing its improving trend. HY fundamental trends are more mixed relative to IG; however, default rates are expected to move lower over the next 12 months, which should support HY spreads.

The technical backdrop remains the strongest argument for IG and HY to outperform, in our view. Credit continues to be a yield-driven market, and the bottom line is that yields remain at levels that will attract incremental buyers (and few sellers). Further, we expect that net supply will contract, providing a further tailwind to our positive view on technical dynamics. Fed policy, namely a more dovish pivot by the FOMC, and potentially lower Treasury yields are key risks to watch.

In multi-asset class portfolios, we remain slightly underweight U.S. Investment-grade Tax Exempt and U.S. High Yield Tax Exempt. However, for highly tax-sensitive investors, we maintain a preference for IG and HY tax-exempt securities at current valuations. We note that tax-exempt municipal bonds significantly underperformed Treasury securities in the first half and have become attractively valued. We see muni valuations richening in July and August due to increased reinvestment demand from seasonally-heavy principal and interest payments, as well as greater certainty on future federal funding to states and other municipal issuers and future tax treatment of municipal bonds. With regards to federal funding, we expect any changes to funding levels will ultimately be manageable for the vast majority of municipal issuers. And regarding the municipal tax exemption, we believe it will remain largely intact.

In multi-asset class portfolios, we are slightly underweight Mortgage-backed Securities in favor of Equities. Mortgage-backed Securities (MBS) spreads continue to look slightly favorable compared to other high-quality Fixed Income, particularly IG corporates. The primary concern for MBS investors—duration extension—has largely occurred, but interest rate volatility remains somewhat elevated compared to the last decade. In our view, the risk-reward profile for this rate-sensitive sector is now more balanced. Importantly, MBS spreads are now close to their ten-year average, which limits the potential upside in a relatively uncertain interest rate environment. Banking deregulation and potential government-sponsored enterprise privatization are two developments that could have implications for MBS valuations that we are watching closely.

ALTERNATIVE INVESTMENTS

Unlike Traditional asset classes, establishing and exiting allocations to Alternative Investments (Alts) can be a long-dated process given liquidity constraints. Because of their illiquid and long-term nature, Alts should be viewed in terms of strategic allocations. Therefore, our views on Alts strategies within each asset class reflect potential tilts in new dollar deployment based on relative opportunity, in contrast to a tactical repositioning in public markets.

Some key CIO principles for qualified investors to consider when investing in Alts include:

- **Think strategically and long-term:** Alts are largely illiquid and therefore require a long time horizon when incorporating into portfolios.
- **Invest methodically, including in downturns:** A properly implemented Alts program requires a consistent commitment, particularly within private markets strategies; withdrawing during periods of volatility can undermine the long-term benefits of the asset class and result in underallocation.
- **Diversify:** Seek diversification by strategies and managers. Investing methodically within private markets strategies also improves vintage year diversification.
- **Prioritize high-conviction managers:** Performance dispersion is significantly wider within Alts than in Traditional investment strategies; manager selection is therefore a potential opportunity.

Hedge Strategies. Hedge Strategies (HS) continued to deliver positive results in June based on early estimates, building on May's momentum and supported by an improving

CIO Views on Alts Strategies

HEDGE STRATEGIES

Equity Hedge +	
Bull case	Potential alpha*generation opportunities in high-dispersion or volatile markets; resumption of micro-dominated market would benefit stock selection; low net better positioned for market sell-off
Bear case	Macro-driven market dominated by trade challenging for fundamental stock pickers
Event Driven	
Bull case	Pressure of high rates could create distressed opportunities; if merger activity were to increase and deal spreads widen; higher risk-free rate positive for merger arbitrage
Bear case	Distress may not materialize in size or may be delayed; if merger activity fails to materialize; lower rates negative
Relative Value	
Bull case	Still in world of higher-though-volatile yields; tariff capitulation should support growth; decent dispersion in HY and Leveraged Loan.
Bear case	Spreads widened but retraced quickly; potential increase in credit risk and defaults
Macro +	
Bull case	Possible "higher-for-longer" rate regime could create cross-asset volatility in rates and foreign exchange; inflation stickiness could exacerbate macro volatility; possible transition to new trade regime could create long-term trends
Bear case	Choppy markets driven by erratic trade policy difficult for trend-following; if rate volatility structurally declined

*Alpha is a measure of how well an investment performs relative to a benchmark or what's expected based on its risk level. Bull case is an environment or set of factors that could represent tailwinds for the strategy. Bear case is an environment or set of factors that could represent headwinds for the strategy. + symbol indicates the strategies CIO views as having the most favorable opportunity set for new investment within the Alts asset classes.

backdrop. Overall, HS returned 2.2% in May, lifting YTD returns to 1.5%.[3] Equity Hedge (EH) strategies led the way, returning 3.7% in May and 2.6% YTD, lagging U.S. Equities and global benchmarks such as the MSCI All-Country World Index.[4] These gains have been underpinned by a resurgence in alpha generation—particularly long alpha—alongside continued opportunities on the short side. June performance has also been encouraging, with EH strategies on pace for around 3.0% gains through June 26, versus the S&P 500's 4.0%.[5] Gross and net leverage has climbed amid declining trade-related uncertainty, while AI-related thematic exposures have continued to drive positive returns in U.S.-focused portfolios.

Private Equity & Credit. The outlook for both PE and PC appears to be stabilizing after a volatile start to the year. Preliminary Q1 returns for PE funds show gains of around 2%, sustaining a streak of low-to-mid single digit gains.[6] While trade-related volatility likely weighed on activity in Q2, the prospects for the back half of the year have improved as trade tensions have eased. In PE, the initial public offering window closed after a brief period of early-year optimism, leading many companies to pursue structured growth equity or secondary transactions to generate liquidity, while others have focused on cost-cutting until investor sentiment improves. Meanwhile, the liquidity crunch continues to build—more than half of PE funds are at the midpoint of their expected lives and need to begin exiting assets to return capital to LPs, reinforcing the rise of secondary transactions and recapitalizations as alternatives to traditional exits.

Amid a still positive backdrop for PC, headwinds continue to mount. Small businesses are facing pressure from slowing growth, high rates, and now tariff uncertainty. Given already low interest coverage capacity, default rates and credit losses are expected to increase modestly (though in line with syndicated loans). Even so, the rapidly shifting macro landscape means that PC will likely escape the stress investors feared in early April. Fundraising momentum has begun to pick up, and the asset class continues to benefit from demand for senior-secured yield.

Private Real Estate. Private Real Estate (PRE) markets caught up to the volatility that gripped public markets in April, as commercial property sales fell 11% and pricing declined 1% YoY in May.[7] Office was the only major sector to post gains in May, driven by a high level of distressed sales, while areas such as industrial, hospitality, retail, and apartments all saw steep declines in volumes. The logistics-heavy industrial sector in particular remains vulnerable to trade and supply chain disruptions, which has caused investors to pause activity in the space. Still, the backdrop for PRE could improve as swiftly as it deteriorated: The recovery in listed markets since April, waning policy uncertainty, and a potentially more accommodative outlook on interest rates offer potential support for the asset class in the second half of the year.

Infrastructure. Infrastructure remains a key long-term theme, though the asset class is not immune to trade effects. While the investment need is vast given the aging infrastructure base in the U.S. and globally, the direct and indirect impacts of tariffs on raw materials, supply chains, and economic growth could hamper infrastructure in the near term. However, as trade concerns have receded, public market proxies suggest that infrastructure has recovered and exceeded initial drawdown.[8] Absent trade volatility, the private investment opportunity remains substantial over the long term. The rapid expansion of the digitization/data center themes, for example, is predominantly driven by capital expenditures from the private sector (e.g., the hyperscalers), which is insulated from potential public funding reductions. Given the long-term tailwinds, as well as a consistent return profile and the potential to serve as a hedge against rising inflation, Infrastructure continues to remain an attractive allocation.

Tangible Assets. Notwithstanding particular commodity demand-and-supply situations, we expect moderate upside pressures on commodity prices overall in coming quarters. Barring renewed geopolitical flareups, oil prices are likely to remain contained amid expectations for comfortable supply-demand conditions into late 2026. Given the central role of energy in commodity production and transportation costs, this should also help anchor broader commodity prices. On the other hand, further dollar depreciation—given its still-elevated level on a real broad trade-weighted basis—is likely to provide tailwinds to commodity

[3] HFR, Inc. As of May 2025.
[4] HFR, Inc., Bloomberg. As of May 2025.
[5] BofA Securities, Morgan Stanley Prime Brokerage, Goldman Sachs Prime Services. As of June 30, 2025.
[6] Cambridge Associate, as of Q1 2025.
[7] MSCI Real Capital Analytics.
[8] Bloomberg. As of June 30, 2025.

PRIVATE EQUITY & CREDIT

Buyout

Bull case	Current vintages likely attractive for long-term given profitability focus; within PE, Secondaries benefiting structural expansion; deal activity to increase if trade uncertainty declines
Bear case	Trade volatility could slow deals/exits, hurt margins; persistence of higher rates a headwind

Venture/Growth

Bull case	Significant correction benefits capital providers; AI could drive investment supercycle; early Venture Capital (VC) stages more insulated than later stages; falling rates would likely be tailwind
Bear case	Ex-AI VC market still challenged; VC focus on supporting portfolio companies; initial public offering drought could continue; timelines extended plus increased risk of dilution; higher rates drag on unprofitable companies

Special Situations

Bull case	Default rates rising; higher-for-longer and tariffs would pressure levered balance sheets; companies seeking creative financing before maturities
Bear case	Trade policy capitulation or rate cuts could smooth out credit cycle keeping it more average

Private Credit +

Bull case	High-though-declining yields; healthy spread to public credit over time; economic resiliency supportive of credit; secular tailwinds; fresh capital can underwrite to current risks
Bear case	Credit risk could rise & lower-quality most at risk; regulatory scrutiny; public leveraged credit competition; significant capital allocating to PC; rates falling

REAL ASSETS

Private Real Estate

Bull case	Supply/demand imbalance in Residential driving secular opportunities; sectors like Data Centers rising; cap rates slowly reflecting lower valuations; lower mortgage rates may unlock markets; lending strategies offering compelling profiles; distressed/opportunistic could emerge given stress
Bear case	Transactions remain depressed; risk of mortgage rates not declining as much as market hoped

Infrastructure +

Bull case	Opportunity bolstered by large need for energy investments and upgrading aging infrastructure; high demand for digitization & data centers, including international opportunities; potential inflation hedge
Bear case	Fiscal spend on Infrastructure now in cross-hairs; higher rates challenging project financing; lower inflation could mitigate relative attractiveness

Tangible Assets

Bull case	Geopolitical risk and trade wars could spill over and pressure commodities supply; potential for diversification and inflation hedge
Bear case	Trade wars could mute global growth; energy supply has offset Middle East tensions; weak Dollar could be headwind

Bull case is an environment or set of factors that could represent tailwinds for the strategy. **Bear case** is an environment or set of factors that could represent headwinds for the strategy. + symbol indicates the strategies CIO views as having the most favorable opportunity set for new investment within the Alts asset classes.

demand and pricing. Moreover, the global manufacturing cycle appears poised to rebound as tariff uncertainty fades, U.S. fiscal stimulus takes hold, and increased European government spending supports industrial activity. With inflation normalizing, the Fed is unlikely to restrain the economy for the foreseeable future. All this, along with normalizing policy uncertainty and lower risk aversion, suggests Gold is likely to underperform copper and other industrial metals in coming quarters.

MACRO STRATEGY

- Downside data revisions show real consumer spending up just 0.5% at an annualized rate in Q1 versus 1.8% initially estimated and 4% in Q4. Spending has disappointed further through May.
- Spending growth can firm again as unemployment claims remain low, job openings are comfortable relative to unemployment, wage-and-salary growth has remained solid, and tariff uncertainty/distortions have faded. Q2 real GDP is tracking at about 2.5% annualized growth.
- Headline PCE inflation was slightly higher than expected in May, up 2.3% YoY compared to 2.2% in April. Excluding food and energy, core inflation also was sticky at 2.7% YoY. Relatively calmer energy markets bode well for continued disinflation.
- Q1 pre-tax corporate profits as measured by the Bureau of Economic Analysis rose 6.3% YoY, in line with the long-term average. Despite inching slightly lower, domestic profit margins remained around a 60-year high. The profit cycle is likely to be extended by tailwinds from fiscal stimulus and deregulation, all supportive of economic growth and risk assets. Equity market leadership, tight credit spreads, normalized volatility, and a softening dollar from overvalued levels suggest the midcycle is likely to continue despite a temporary soft patch.

ECONOMIC FORECASTS (AS OF 7/3/2025)

	Q1 2025A	Q2 2025A	Q3 2025E	Q4 2025E	2025E	2026E
Real global GDP (% y/y annualized)	-	-	-	-	3.0	3.0
Real U.S. GDP (% q/q annualized)	-0.5	2.3*	1.0	1.6	1.6	1.6
CPI inflation (% y/y)	2.7	2.5*	3.0	2.9	2.8	2.4
Core CPI inflation (% y/y)	3.1	2.8*	3.2	3.2	3.1	2.7
Unemployment rate (%)	4.1	4.2*	4.3	4.5	4.3	4.5
Fed funds rate, end period (%)	4.38	4.38	4.38	4.38	4.38	3.38

The forecasts in the table are the baseline 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. 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 July 8, 2025. Forecasts are subject to change. When assessing your portfolio in light of our current guidance, consider the tactical positioning around asset allocation in reference to your own individual risk tolerance, time horizon, objectives and liquidity needs. Certain investments may not be appropriate, given your specific circumstances and investment plan. Certain security types, like hedged strategies and private equity investments, are subject to eligibility and suitability criteria. Your advisor can help you customize your portfolio in light of your specific circumstances.

S&P 500 SCENARIOS BASED ON FORWARD P/E AND 2025 EARNINGS PER SHARE (EPS)

The table below provides a rough indication of where the S&P 500 Index's central tendency could be, given various scenarios for EPS in 2025 and P/E ratio multiples. These scenarios are not official price targets and are not meant to signal levels where portfolio actions may always be needed. However, during times of market volatility, it's useful to keep this basic framework in mind when considering whether to incrementally add to or trim risk from portfolios while staying invested in one's strategic asset allocation framework.

2025 EPS	**EPS Forward P/E (Next 12 months)**				
	19.0x	20.0x	21.0x	22.0x	23.0x
$305	5,795	6,100	6,405	6,710	7,015
$295	5,605	5,900	6,195	6,490	6,785
$285	5,415	5,700	5,985	6,270	6,555
$275	5,225	5,500	5,775	6,050	6,325
$265	5,035	5,300	5,565	5,830	6,095
$255	4,845	5,100	5,355	5,610	5,865
$245	4,655	4,900	5,145	5,390	5,635

For illustrative purposes only. Source: Chief Investment Office as of July 8, 2025.

CIO ASSET CLASS VIEWS AS OF JULY 8, 2025

Asset Class	CIO View: Underweight		CIO View: Neutral	CIO View: Overweight		Comments
Global Equities				●		We are overweight Equities and continue to view weakness as a buying opportunity for long-term investors. We are overweight the U.S. and neutral EM and International Developed.
U.S. Large-cap Growth				●		Large-caps continue to look attractive on solid fundamentals, strong FCF and the ability to produce healthy shareholder payouts. We emphasize the importance of incorporating both Growth and Value, as appropriate.
U.S. Large-cap Value				●		
U.S. Small-cap Growth				●		While headwinds persist, we maintain a slight overweight to Small-caps on attractive valuations and the potential for an earnings inflection. We continue to suggest a balance of Value and Growth factors.
U.S. Small-cap Value				●		
International Developed			●			We are neutral International Developed Equities. Valuations appear attractive on a relative basis, with potential upside catalysts from fiscal policy in Europe and domestic reforms in Japan. Imposition of U.S. import tariffs remain a prospective downside risk.
Emerging Markets			●			We are neutral EM overall with regional markets likely to be driven by relative exposures to China, potential progress on Russia-Ukraine conflict resolution and natural resource prices. Valuations appear attractive, but tariffs pose risks to more goods trade-oriented economies.
International						
North America				●		The U.S. remains our preferred region given balance sheet strength, better fundamentals for consumer spending and healthy shareholder payouts.
Eurozone			●			Expansionary fiscal policy combined with attractive relative valuations are potential market tailwinds. Risks remain from growing competition with China in key industries and imposition of U.S. trade restrictions.
U.K.			●			Domestic demand at risk from elevated mortgage rates alongside higher business taxes from government budget. Withdrawal from EU single market remains a negative for medium-term growth, though government moves toward closer cooperation may reduce impact.
Japan				●		Sustained positive inflation and official efforts to increase corporate returns to shareholders remain fundamental supports. Potential for faster interest rate hikes could represent a potential headwind for the local market.
Asia Pac ex-Japan*		●				Regional market likely to be driven in near term by slower economic growth in China and its impact on consumption and resource demand. Longer-term outlook dampened by exposure to ongoing structural constraints for China's economy.
Global Fixed Income		●				Yields are attractive, providing good diversification for multi-asset class portfolios and reasonable income. Neutral duration recommended.
U.S. Governments		●				Nominal and real yields remain attractive across the curve relative to the last 10 to 15 years. A Treasury allocation for liquidity, principal preservation, and diversification is advised, as Treasurys provide the best short-term diversification benefits to Equities among Fixed Income sectors. Rate volatility has increased and may remain high.
U.S. Mortgages		●				MBS spreads are now close to their ten-year average, in the mid-30s(bps). This reduces their appeal and potential for additional upside relative to Treasurys, in our view. That said, on a relative basis, MBS remains attractive compared to high-quality corporate bonds.
U.S. Corporates		●				Spreads have widened from YTD tights, but valuations remain expensive and potential positive excess returns are likely to be driven more by carry versus spread tightening over the next 12 months, in our view. Our base case is that spreads remain range-bound near current levels.
International Fixed Income			●			International rates markets are at normal valuation levels on a U.S. dollar-hedged basis.
High Yield			●			High yield valuations remain expensive, but a positive macroeconomic environment may limit spread volatility and credit losses. Within high yield allocation, we continue to suggest a balanced mix between loans and bonds.
U.S. Investment-grade Tax Exempt		●				Tax-exempt bonds remain attractively valued. We see valuations continuing to richen in July and August due to strong technical conditions, particularly reinvestment demand from seasonally-heavy principal and interest payments. We expect credit to remain stable, despite anticipated cuts in federal funding to municipal issuers, thanks to abundant state rainy-day funds, which are still at near-record levels.
U.S. High Yield Tax Exempt		●				High yield munis are rich relative to IG munis, based on historical valuations. However, we do not see a catalyst for spread widening in the near future.

*Asia Pac ex-Japan refers to the geographic area surrounding the Pacific Ocean. The Asia Pac ex-Japan covers the western shores of North America and South America, and the shores of Australia, eastern Asia and the islands of the Pacific. Tactical qualitative investment strategy weightings are relative in nature versus the strategic weightings for a fully diversified portfolio. Weightings are based on the relative attractiveness of each asset class. Tactical strategy weightings are for a 12- to 18-month time horizon. CIO asset class views are relative to the CIO Strategic Asset Allocation (SAA) of a multi-asset portfolio. Because economic and market conditions change, recommended allocations may vary in the future. Asset allocation cannot eliminate the risk of fluctuating prices and uncertain returns. 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 AS OF JULY 8, 2025

The CIO Equity sector view is developed by applying a multi-input process combining the CIO's factor views and fundamental bottom-up industry outlook with top-down macro-economic changes and trends. The factor approach emphasizes valuation and momentum as key inputs, with a fundamental overlay taking into consideration forward-looking views of growth, profits, policy, events and sentiment as well as inclusion of certain investment themes. BofA Global Research's sector strategy views are also captured as an input into the CIO process. Our sector views are developed with a 12- to 18-month outlook but are revisited monthly by the GWIM Investment Strategy Committee.

Sector	CIO View					Comments
	Underweight		Neutral		Overweight	
Financials				●		The positive outlook for the Financials sector is concurrent with the start of a Fed easing cycle that is now paused. More importantly, prospects of a lighter regulatory touch under Trump 2.0 have the potential to increase profitability sectorwide (especially for banks). Policy implementation is ultimately where the rubber will meet the road for investors, but potential changes to (or elimination of) the Consumer Financial Protection Bureau (CFPB), Fed stress testing, and "gold-plating" American banks' balance sheets with capital buffers above international standards, all have potential to enhance profitability. Capital return will likely remain the cornerstone of the investment case for most of the Financials sector. Lower interest rates should also improve credit quality (especially CRE) and facilitate workouts instead of charge-offs. Overall, the volatility of the Financials sector should improve with the recent addition of large e-payment card networks that have been stable earnings compounders historically (without taking credit risk). We also favor alternative asset managers with proven track records and billions in dry powder and that consistently draw fund inflows and maintain management fee pricing power. Alts (especially PE) have demonstrated an ability to thrive in all kinds of economic environments, including recession. Overall, valuation is attractive, and earnings-driven momentum should continue to improve when rates move lower. **Risk Considerations: 1) a persistently inverted yield curve, 2) interest rate volatility, 3) a deep credit cycle for CRE, 4) lost market share to non-bank lenders.**
Utilities				●		We favor exposure to Utilities on accelerating electricity demand forecasts driven by the AI boom which looks to be a positive long-term tailwind for the sector, catalyzing growing electricity demand for the first time since the early 2000s, and supporting even higher investment in power generation and transmission and distribution (T&D). Utilities historically provide reliable earnings and outperform in the late cycle and during economic growth slowdowns, especially regulated utilities that provide a defensive hedge to portfolios. Given the better demand outlook from AI and data centers, we see reason to view even this historically low-volatility sector in a more constructive light. We view the need for increasing investment in electric infrastructure as structural and not dependent on any specific piece of legislation. We prefer Utilities with strong balance sheets, constructive regulatory mechanisms, and low-volatility business models. Unregulated Independent Power Producers (IPPs) are a small subsector that we currently favor given exposure to growth from rising AI and data center demand. Valuations based on forward price-earnings multiples are attractive compared to the broader S&P 500 index and momentum is neutral. **Risk Considerations: 1) slower power demand growth than forecast, 2) greater regulatory scrutiny, 3) power outage events.**
Consumer Discretionary				●		With a resilient consumer, a solid job market, lower interest rates on the horizon and a positive economic backdrop, we are overweight Consumer Discretionary. Slightly lower energy costs, wage increases and a strong job market with only selective job cuts confined largely to the technology-related industries is helping to maintain solid consumer spending. Consumers remain resilient and are finding ways to alter their budgets to accommodate both experiences and necessities. Further, with inflation declining from its previous highs and interest rates also gradually moving lower, this should support consumer confidence when policy uncertainty clears. Consumer retail channels are shifting back to online spending as value-oriented consumers utilize alternative payment methods to supplement their spending and seek out bargains. More evidence of economic strength and a resilient consumer could help support relative earnings growth and relative valuation levels. Valuation for the sector is elevated with momentum neutral. **Risk Considerations: 1) economic slowdown, 2) spikes in energy prices or interest rates, 3) geopolitical uncertainty.**
Communication Services			●			We are neutral on the Communication Services sector, as some of the largest companies in this sector provide high-quality fundamental characteristics and could be more attractive in a slow-growth economic environment. Despite our concern for ongoing regulatory oversight and the never-ending battle over content, management teams are now adjusting their business models to reduce costs and become more efficient. Ad spending is moving from e-commerce to travel and leisure, hence advertisers are having to shift their targeting. Some retailers are suffering from rising costs and slowing sales, which could drive changes in advertising spend. We are constructive on the sector based on three key factors: 1) Valuation multiples were largely derisked in 2023; 2) Earnings estimates were reduced and are moving higher for the sector leaders; and 3) More importantly, broad cost-reduction plans could create potential earnings upside. Valuations are rich for sector leaders and momentum recently improved. **Risk Considerations: 1) regulatory and anti-trust risks, 2) capital expenditures ramps for AI investments that limit EPS and FCF, 3) lower engagement pressuring growth.**

Sector	CIO View: Underweight	CIO View: Neutral	CIO View: Overweight	Comments
Information Technology		●		The Information Technology sector is neutral on questions surrounding supply chains and AI-driven flows for mega-cap Technology stocks. However, margin risks remain for certain companies in the sector, and the potential remains for downward earnings revisions that are more likely to affect higher-beta, higher-valuation companies. Despite strong long-term Cloud and AI trends, software margins could continue to deteriorate, as Cloud consumption could potentially come under some pressure near term and is not immune to a macro slowdown. We suggest a neutral weight in IT, with a bias to larger and higher-quality companies with strong earnings growth, FCF and balance sheets. We continue to encourage investors to be careful about unprofitable, expensive, and long-duration IT companies. The pandemic accelerated the digital transitions for many industries, but, over the longer term, we remain positive on the secular growth trends for Cloud computing, machine learning and AI, data centers, software, cybersecurity, and semiconductors. Valuations in the sector declined in 2022 but are still elevated after rising again in 2023 and 2024, especially after the rally in AI-related companies. Further, any additional moves higher in interest rates could pressure multiples for high-growth and high-valuation technology stocks, especially stocks with low to no profits; therefore, look for GARP (growth at a reasonable price) in software and semiconductors. The IT sector still generates significant FCF, dividend growth and remain long-term fundamental drivers for the sector. Technology is deflationary by nature; therefore, long-term investors should look to add to transformational and industry-leading businesses on market weakness. Valuations remain elevated and momentum is declining. **Risk Considerations: 1) China exposure and trade wars, 2) supply chain constraints, 3) GAI monetization, 4) narrow breadth and premium valuations.**
Healthcare		●		We are neutral on the Healthcare sector in 2025 on a confluence of macro, micro and policy uncertainties that we believe reduce the probability of a sustained rally. These uncertainties could last throughout 2025, creating a lack of clarity on out-year earnings potential and, as a result, less new money entering the sector near term. Also, some of the "pro-growth" policies from the current administration increase the probability of a more "pro-cyclical" trading environment that is not an ideal backdrop for Healthcare outperformance. For 2025, we are focused on policy changes that could impact the Managed Care, Providers and Biopharma subsectors. Questions remain regarding the development of China's stimulus program and the level of biopharma funding that will materialize in 2025. Mergers & Acquisitions (M&A) are a recurring talking point amongst investors moving into the new year as rates declined slowly over recent quarters, but we believe M&A activity may be slowed by policy concerns. As a result, in 2025, we emphasize greater exposure to high-quality companies with material catalysts. The medtech subsector is our strongest conviction, while distributors, diagnostics, vision and dental remain intriguing areas for investment. We find the large biopharma, diabetes and tools and equipment subsectors to be areas where stock selection will be most important in 2025. Looking out toward 2030, we continue to view the healthcare sector as one loaded with innovation and opportunity. Driving down costs, introducing drugs and equipment to battle previously unmet needs and indications, and the ability of AI and technology to improve operations in and out of the hospital are all opportunities that should drive greater efficiency in healthcare over the long term. Unfortunately, until we get through some of these macro and policy-related headwinds, it is difficult to forecast how quickly those innovations could make a difference to the sector. Valuation is fair and momentum recently declined. **Risk Considerations: 1) Adjustments to the Affordable Care Act without another plan in place and uncertainty, 2) drug pricing negotiations impact of new tax bill on drug price negotiations.**
Industrials		●		We are neutral on the Industrials sector after mixed earnings results, a lack of significant green shoots in the industrial economy outside of AI and electrification, and little to no visibility for second-half company guidance. Longer term there are multiple thematic drivers for Industrials over the next three to five years including improving outlooks for international defense budgets outside the U.S. Recent safety and manufacturing issues in commercial aerospace weighed on the sector but longer-term aerospace should benefit from a multi-year backlog of commercial plane orders to build and deliver. Potential improvements in the global capital expenditures cycle, including the normalization and reshoring of supply chains and manufacturing, and investment in new equipment after years of focusing on productivity, and fiscal stimulus plans could support the construction, transportation, machinery, and freight and logistics industries longer term. However, weaker import/export demand from Europe and China could be a near-term drag on earnings growth for industrial conglomerates and transport stocks. Secular growth drivers like the evolution of GAI and increased power demand support the longer-term view for electrical equipment and Industrials related to this trend. Valuation is slightly elevated, and momentum is improving. **Risk Considerations: 1) short-cycle recovery timing continues to be pushed back, 2) inflation resurgence drives up input costs, pressuring margins, 3) continued supply chain stress.**
Real Estate		●		The decline in interest rates from 2023 peak levels reduces some but not all risks regarding refinancing and the cost of capital for RE projects. Recent increases in rates added pressure to the sector and remains a key risk in 2025. Expectations of additional Fed rate cuts in addition to cautious positioning and sentiment in the RE sector could lead to increased Equity portfolio exposure to the sector, especially if rates decline. However, interest rates are still elevated compared to the zero-rate policy environment; therefore, increased interest expenses could still weigh on RE sector earnings in coming quarters. We would be more selective within the RE sector and prefer neutral sector exposure. There are mixed outlooks among its subsectors because of consumer and corporate changes like remote work, e-commerce, less business travel, etc., that are potential longer-term headwinds for CRE companies (e.g., office), mall operators and retail- related property owners as companies consolidate RE footprints. Furthermore, risks are rising for downward pressure on rental rates as lease contracts expire and new contracts are negotiated. Continue to emphasize longer-term secular trends in data centers, communication infrastructure (towers), storage and industrial RE. Valuation and momentum are neutral. **Risk Considerations: 1) spike in interest rates and borrowing costs, 2) declining demand for CRE in over supplied markets, 3) workout problems.**

Sector	CIO View (Underweight / Neutral / Overweight)	Comments
Consumer Staples	○ ● ○ ○ ○	The directional change in our Consumer Staples sector view in January was meant to acknowledge the recent Q4 2024 underperformance versus the broader market and versus the Consumer Discretionary sector. The Consumer Staples sector encountered numerous headwinds beginning with the September 2024 Fed Policy shift, the presidential election outcome, and ongoing sluggish fundamentals. On the fundamental side, a more discerning consumer continues to seek ways to optimize their discretionary spending budgets with new behaviors like product substitution and trade down. Increased sale of private label and store brands have pressured branded consumer product profitability. In addition, some product categories are experiencing further pressure from the increased usage of weight loss drugs. Adding to the negative investor sentiment is the perceived risk from the new administration's focus on government oversight of health and wellness trends. Recently, the recommendation to put health risk labels on alcoholic beverages has added to putting further pressure on the traditional consumer packaged goods companies. Global consumer packaged goods companies are responding to the headwinds that they can control, by altering their product mix and package sizes to include more better-for-you products while sharpening their price points to remain relevant to a budget-constrained consumer. Underlying fundamentals are beginning to stabilize, and traditional Staples companies are beneficiaries of the advantageous food-at-home versus food-away-from-home budget proposition. Food-at-home is more economical and allows consumers to stretch their meal budgets. In addition, the stronger multinational consumer packaged goods companies have embarked on sizable cost savings programs that are meant to act on those things in their control. An uptick in capital spending on AI initiatives is likely to drive future cost reductions in supply chain, factory floor automation and productivity, and diversify their global sourcing options. While investor sentiment remains subdued, underlying fundamentals are showing early signs of stabilization with lower break-even profitability along with easier revenue and earnings comparisons that could provide for better-than-feared earnings results in 2025. Valuation appears to have overreacted to the increase in both actual and perceived headwinds. Valuation measures such as relative dividend yield and enterprise value/sales are near multi-year lows. Valuations are fair to undervalued, and momentum is showing modest improvement recently. **Risk Considerations: 1) soft demand across consumer-packaged goods, 2) consumer trade down and substitution, 3) ongoing growth in private label and store brands.**
Energy	○ ● ○ ○ ○	We remain concerned about the global oil supply and demand outlook for 2025. Despite tensions and conflicts in the Middle East, production has not been interrupted and therefore has capped oil price upside. Further, growing oil production from both OPEC+ producers and non-OPEC producers in Guyana, Gulf of Mexico, offshore Brazil and other regions could add to inventories in an environment that is already moving towards an oversupplied market. Combined with slower global demand, led by China, we see risks to energy company cash flows and earnings estimates in future quarters. OPEC+ recently changed their policy by ending the production cuts and is an important change in current policy for energy markets. This dynamic has investor sentiment very cautious on the sector. Any potential oil price declines to lower ranges could weigh on energy stocks this year. Energy companies are still returning cash to shareholders through a combination of base dividends, increasingly less variable dividends, and stock buybacks. Longer term, secular headwinds still confront the sector, including the transition to clean energy, lower renewable energy costs, declining short-cycle inventories and sustainability-focused investors. Continue to emphasize companies that are low-cost producers with high FCF, balance sheet strength and low break-even oil prices. Energy stocks still provide attractive valuations and strong dividends with negative momentum. **Risk Considerations: 1) lower oil and natural gas commodity prices, 2) slower global energy demand.**
Materials	○ ● ○ ○ ○	Pockets of slower global growth and weaker commodity prices factor into our continued cautious view on the Materials sector. We are seeing deceleration in the pricing cycle from higher pricing levels of recent years and some signs of oversupply in specific areas. Higher interest rates in the developed world and ongoing trials securing labor and materials are pushing some project timelines to the right, and, with the additional challenge of higher energy costs, we are seeing some formerly profitable projects being reconsidered. On the supply side, concerns remain about too much new capacity in the future for petrochemicals and commodity chemicals with questions regarding demand levels for 2025. Multiples could expand or contract dependent on pricing across the commodity complex. Downward pricing pressure would give some intermediaries relief on costs, but if they are also experiencing volumes decline, operating leverage could be at risk. We still see some longer-term tailwinds for demand, such as AI growth and power buildouts; however, mixed data and the slower-than-expected growth and activity in China makes the risk-reward outlook less attractive with both inflation and pricing power moving lower. Earnings revision trends could be mixed going forward. As a result, the underlying sector valuation is neutral, but momentum declined in recent months. **Risk Considerations: 1) slower global economic growth, 2) weaker residential and non-residential construction, 3) oversupplied materials markets.**

Source: Chief Investment Office. 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 THEMATIC INVESTING AS OF JULY 8, 2025

The following themes and subthemes encapsulate the Chief Investment Office's thinking on some of the most convincing undercurrents of future areas of growth around: Transformative Innovation, Resilient Infrastructure, Future Security and Changing Demographics. These themes carry long-term implications for economic growth, the cost of capital and global earnings. We'd consider exposure to these themes a key ingredient to investing.

Level 1	Level 2
Transformative Innovation • Generative AI • Robotics/Automation • Digitization	**Generative AI:** Power demand/generation, productivity wave **Robotics/Automation:** Industrial/service robotics **Digitization:** Cloud computing, data analytics, digital payments, internet of things, augmented reality and virtual reality, electrified transportation
Resilient Infrastructure • Energy Addition • Utility Infrastructure • Supply Chain Reconfiguration	**Energy Addition:** Nuclear renaissance, solar, natural gas generation, hydrogen, battery storage **Utility Infrastructure:** Data centers, grid (transmission/distribution), thermal management, water management, power generation **Supply Chain Reconfiguration:** Onshoring/nearshoring buildout
Future Security • Aerospace & Defense • Cybersecurity • Resource Protectionism	**Aerospace & Defense:** Remilitarization, space, drones **Cybersecurity:** Network security, cloud evolution/security, endpoint security **Resource Protectionism:** Food/agriculture/commodity scarcity (water), natural resources, metals/mining
Changing Demographics • Healthcare Innovation • Great Wealth Transfer • Global Labor Force Distribution	**Healthcare Innovation:** Ageing, longevity, drug discovery, biotechnology (gene therapy, personalized medicine) **Great Wealth Transfer:** Wealth creation, NextGen consumer/investor base **Global Labor Force Distribution:** Immigration/migration, global fertility bust, automation "cobots"

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.

Chicago Board Options Exchange Volatility Index is a real-time market index that represents the market's expectation of 30-day forward-looking volatility.

MSCI All-Country World Index measures the equity performance of more than 3,000 stocks from both developed and emerging markets.

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 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.

BofA Global Research is research produced by BofA Securities, Inc. ("BofAS") and/or one or more of its affiliates. BofAS is a registered broker-dealer, Member SIPC and wholly owned subsidiary of Bank of America Corporation.

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.

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. Small cap and mid cap companies pose special risks, including possible illiquidity and greater price volatility than funds consisting of larger, more established companies. 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. Municipal securities can be significantly affected by political changes as well as uncertainties in the municipal market related to taxation, legislative changes, or the rights of municipal security holders. Income from investing in municipal bonds is generally exempt from federal and state taxes for residents of the issuing state. While the interest income is tax-exempt, any capital gains distributed are taxable to the investor. Income for some investors may be subject to the Federal Alternative Minimum Tax. 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. Investing in Gold involves special risks, including market price fluctuations, regulatory changes, interest rate changes, credit risk, economic changes, and the impact of adverse political or financial factors.

Investments in Infrastructure Assets will be subject to risks incidental to owning and operating infrastructure projects, including risks associated with the general economic climate, geographic or market concentration, government regulations and fluctuations in interest rates. The industries targeted for investment may be highly regulated by governmental agencies. Such regulations may impact an investor's ability to acquire, dispose of and/or manage investments.

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.