

Chart Book Outlook Summary

Chief Investment Office

January 2019



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Chief Investment Office – Portfolio Strategy

TACTICAL SHIFTS

January 2019:

- Lowering our International Developed Markets exposure to slightly negative as economic growth and profit momentum in Europe has continued to disappoint relative to other regions. Adding the balance to U.S. large cap equities to maintain our overall equity exposure.

EQUITIES

- We continue to favor a barbell strategy within global equities with an overweight to U.S. equities for higher-quality large cap exposure and a slight overweight to EMs – better fundamentals despite slightly extended relative valuations.
- Our cautious view on Europe continues given high political risks and weak economic data. While we are optimistic on Japan relative to Europe, we are monitoring risks surrounding global trade and a stronger yen.
- At the sector level, we recommend being selective, with a preference for Technology (quality growth), Financials (domestic value), Healthcare (defensive but attractively priced) and Industrials (depressed global cyclicals with bounce-back potential).

MARKET VIEWS

- ✓ U.S. economic growth should stay at or above trend in 2019
- ✓ Equities remain attractive vs. Fixed Income on relative basis
- ✓ Continue with high quality in Fixed Income to hedge equity exposure. Short term yields remain attractive
- ✓ Emerging markets should have three tailwinds in 2019: weaker dollar; low rates; low oil prices

FIXED INCOME

- We are neutral to very slightly short duration, balancing potential for higher rates overtime with periods of flight-to-quality. At current levels, rates are slightly expensive and below our fair value estimates.
- The relative value of credit is moderate, with investment grade spreads on the wider end year-to-date. Corporate spreads present their best value on the shorter-end. Although some allocation to Treasuries for liquidity and relative safety is advised.
- Muni technicals are strong, with low issuance and solid demand, particularly on the short end of the curve and provide value to tax-sensitive investors.
- Compressed yields and risk premiums around the globe compared to the U.S. present unfavorable risk/reward conditions for non-U.S. fixed income.
- High-yield allocations should be with an active manager favoring higher-quality securities at this point in the cycle, in our opinion.

ALTERNATIVE INVESTMENTS*

- We currently recommend incremental allocations to equity long/short and equity-market neutral strategies within hedge funds.
- We view private equity strategies as long-term potential portfolio return enhancers and recommend qualified investors plan a disciplined multi-year commitment strategy that builds portfolio diversity.
- General economic conditions are good for commercial real estate and there are continuing signs that the markets for rentable space are generally in balance across the country, with exceptions.
- We expect tangible assets over the long term to benefit portfolios through increasing portfolio diversification, protecting against the corrosive effects of inflation, producing growing streams of investment cash flow and providing favorable social impact opportunities.

*Many products that pursue Alternative Investment strategies, specifically Private Equity and Hedge Funds, are available only to pre-qualified clients.

Asset Allocation and diversification do not ensure a profit or protect against loss in a declining market.

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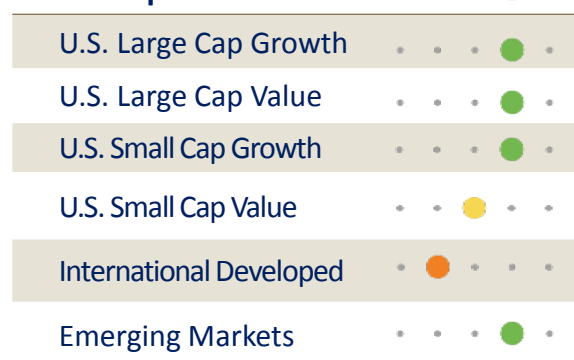
Source: Global Wealth & Investment Management Investment Strategy Committee (GWIM ISC) as of January 2019.

CIO Asset Class Strategy Views

Negative Slightly Negative Neutral Slightly Positive Positive

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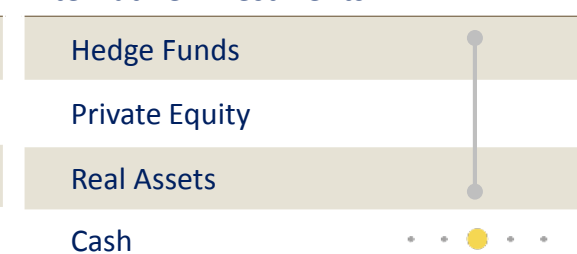
Global Equities



Global Fixed Income



Alternative Investments*



ALTERNATIVE INVESTMENTS NOTE: Given the differences in liquidity characteristics between AI and traditional investments, the AI portfolio positioning and CIO asset class views have been neutral rated versus our strategic allocations. These types of investments, in our opinion, should not be viewed at the asset class level on a tactical basis, rather the tactical positioning should be expressed at the sub asset level. We will continue to provide strategy level guidance for qualified AI investors and believe allocations to AI can introduce differentiated returns which can complement existing traditional holdings by enhancing returns, reducing risk, and capitalizing on opportunities not available in traditional investments.

CORE PORTFOLIO FUNDAMENTALS

- Generate attractive cash flows across asset classes
- Active rebalancing during periods of outsized weakness and strength
- Focus on risk-adjusted returns and goal alignment

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 financial advisor can help you customize your portfolio in light of your specific circumstances.

*Many products that pursue Alternative Investment strategies, specifically Private Equity and Hedge Funds, are available to pre-qualified clients. Source: Global Wealth & Investment Management Investment Strategy Committee (ISC) as of January 2019.

Economic Outlook

Macro economic outlook from the Chief Investment Office.

UNITED STATES

- We expect U.S. growth to slow into the 2.5% to 3% range this year.
- U.S. consumers have tailwinds from solid wage growth, rising home prices, lower inflation and gas prices, and very positive labor-market dynamics.
- We expect solid profits and business investment spending to also help extend the cycle.
- Pro-business policies are helping: Tax cuts, tax reform, repatriation and regulatory relief are supporting confidence and nominal growth.

GLOBAL

- Global growth continues to moderate, driven by slower growth outside the U.S.
- Purchasing Managers' Indexes show that momentum has deteriorated, but global growth should remain solid in 2019
- Corporate profits are rising around the world.
- We expect real global GDP growth to remain firm this year.

WATCH LIST

- ✓ U.S. Inflation
- ✓ U.S. Fiscal Policy
- ✓ Earnings
- ✓ China and Trade Policies
- ✓ Central Bank Meetings
- ✓ Brexit Negotiations
- ✓ U.S. Trade Policy

EMPLOYMENT, INFLATION & INTEREST RATES

- Job growth remains steady and the current trend is sufficient to keep the unemployment rate declining during 2019.
- Wage growth is moderate and suggests inflation should remain well-anchored.
- We expect the Fed to remain on hold as the economy absorbs the impact of last year's rate hikes.

DOLLAR & COMMODITIES

- Relatively higher U.S. rates and concerns over slower growth should continue to support the dollar in the near term. On balance, we expect a steady dollar this year.
- The strong dollar is helping to contain commodity prices and dampen general inflation pressures.

PROFITS

- We expect U.S. corporate profits to grow by mid-single digits this year, driven by revenue increases from healthy consumer and business spending.

Source: GWIM Investment Strategy Committee (ISC) as of January 7, 2019.
Please refer to appendix for asset class proxies and index definitions.

Economic and Market Forecasts

	Q1 2018A	Q2 2018A	Q3 2018A	2019E
Real global GDP (% y/y annualized)	-	-	-	3.5
Real U.S. GDP (% q/q annualized)	2.2	4.2	3.5	2.5
CPI inflation (% y/y)	2.2	2.7	2.6	1.5
Core CPI inflation (% y/y)	1.9	2.2	2.2	2.2
Unemployment rate, period average (%)	4.1	3.9	3.8	3.6
Fed funds rate, end period (%)	1.63	1.88	2.13	2.88
10-year Treasury, end period (%)	2.74	2.86	3.06	3.00
S&P 500, end period	2641	2718	2914	2900
S&P operating earnings (\$/share)	37	41	41*	170
\$/€, end period	1.23	1.17	1.16	1.25
¥/\$, end period	106	111	114	105
Oil (\$/barrel), end period	65	74	73	59 ¹

As of January 7, 2019. The forecasts in the table above are the base line view from BofAML Global Research team. 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. Past performance is no guarantee of future results. 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. S&P 500 represents a fair value estimate for 2019.

*Estimate for Q3 2018.

¹Forecast represents a period average West Texas Intermediate (WTI).

Sources: BofA Merrill Lynch Global Research, GWIM ISC as of January 7, 2019.

Glossary

3 Month London Interbank Offered Rate (LIBOR) : A 3-month average of the LIBOR, which is a variable rate based on the interest rates that the leading banks charge each other for short-term loans.

3 Month Treasury Bill (T-Bill): Treasury Bond maturing within 90 days.

Alpha: A measure of risk-adjusted performance relative to a comparative benchmark, aka residual return.

After Tax Yield Ratio: Compares the after-tax corporate bond yield to the after-tax yield from municipal bonds.

Beta: A measure of the sensitivity of the returns of the Asset to the comparative benchmark.

Consumer Price Index (CPI) Level: Base Year 1982-84: 100. The CPI represents changes in prices of all good and services purchased for consumption by urban households. User fees and sales and excise taxes paid by the consumer are also included. Income taxes and investment items are not included.

CPI Core Index Level: Base year 1982-84; it excludes food and energy items from the Consumer Price Index Level.

Current Account Deficit: Occurs when a country's total import of goods, services and transfers is greater than the total export; this situation makes a country a net debtor to the rest of the world.

Developed Market: A country that is most developed in terms of its economy and capital markets. The country must be high-income, but this also includes openness to foreign ownership, ease of capital movement, and efficiency of market institutions.

Emerging Market: A country that is progressing toward becoming advanced, as shown by some liquidity in local debt and equity markets and the existence of some form of market exchange and regulatory body.

GDP - Nominal: Gross Domestic Product (GDP) equals the total income of everyone in the economy or the total expenditure on the economy's good and services. GDP includes only the value of final goods and services. Nominal GDP measures the value of goods and services at current dollar prices.

GDP - Real: The chain-weighted GDP measure of goods and services at constant dollar prices. The base year changes continuously over time (e.g., 1995, process measures real growth from 1995 to 1996). The figures are then linked to a chain that can compare goods and services in any two years. Chain-weighted figures never let prices get too far out of date.

High Yield OAS: Option-adjusted spread (OAS) is the yield spread which has to be added to a benchmark yield curve to discount a security's payments to match its market price, using a dynamic pricing model that accounts for embedded options

HY Leverage Ratio: Net Debt divided by last 12 months earnings before interest taxes and amortization (EBITDA)

Investment Grade OAS: Option-adjusted spread (OAS) is the yield spread which has to be added to a benchmark yield curve to discount a security's payments to match its market price, using a dynamic pricing model that accounts for embedded options

Jobless Claims: Average weekly initial claims for unemployment insurance: measures the average number of new claims for unemployment compensation per week.

Standard Deviation: Annualized Standard Deviation is a statistical measure of the degree to which an individual value in a probability distribution tends to vary from the mean of the distribution.

Spread: The difference between the bid and ask price or between the high and low price. For securities, it refers to the difference in yield on different securities.

U.S. Employees Non-Farm Private Payrolls: A statistic that represents the total number of paid U.S. workers except for farm workers, general government employees, employees of nonprofit organizations that provide assistance to individuals and private household employees. The Non-Farm Private Payroll represents about 80% of the workers who produce the U.S. Gross Domestic Product.

Asset Class Proxies

Asset Class	Index	Description
Inflation	IA SBBI US Inflation	The Consumer Price Index for All Urban Consumers, or CPI-U, is used by IA SBBI to measure inflation, which is the rate of change of consumer goods prices. All inflation measures are constructed by the U.S. Department of Labor, Bureau of Labor Statistics, Washington.
Cash	IA SBBI US 30 Day TBILL TR USD & BAML U.S. Treasury Bills 3 months	For the IA SBBI U.S. Treasury Bill Index, the CRSP U.S. Government Bond File is the source from 1926 to 1976. Each month a one-bill portfolio containing the shortest-term bill having not less than one month to maturity is constructed. (The bill's original term to maturity is not relevant). The ICE BofAML US 3-Month Treasury Bill Index is comprised of a single issue purchased at the beginning of the month and held for a full month. At the end of the month that issue is sold and rolled into a newly selected issue. The issue selected at each month-end rebalancing is the outstanding Treasury Bill that matures closest to, but not beyond, three months from the rebalancing date. To qualify for selection, an issue must have settled on or before the month-end rebalancing date.
US Large Cap Growth	Russell 1000 Growth Total Return	Russell 1000 Growth Total Return measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.
US Large Cap Value	Russell 1000 Value Total Return	Russell 1000 Value Total Return measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth values.
US Small Cap Growth	Russell 2000 Growth Total Return	Russell 2000 Growth Total Return measures the performance of the broad growth segment of the U.S. equity universe. It includes those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.
US Small Cap Value	Russell 2000 Value Total Return	Russell 2000 Value Total Return measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 2000 companies with lower price-to-book ratios and lower expected growth values.
International Equity	MSCI Daily TR Net World Ex USA USD	The MSCI World ex USA Index captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries – excluding the United States. The index covers approximately 85% of the free float-adjusted market capitalization in each country.
Emerging Markets	MSCI Daily TR Net EM USD	The MSCI Emerging Markets (EM) Index captures large and mid cap representation across 23 Emerging Markets countries and targets coverage of approximately 85% of the free float adjusted market capitalization in each country.
North America	MSCI Daily TR Net North America	The MSCI North America Index is designed to measure the performance of the large and mid cap segments of the US and Canada markets. The index covers approximately 85% of the free float-adjusted market capitalization in the US and Canada.
Developed Europe ex-UK	MSCI Daily TR Net Europe Ex U.K. USD	The MSCI Europe ex UK Index captures large and mid cap representation across 14 Developed Markets (DM) countries in Europe. The index covers approximately 85% of the free float-adjusted market capitalization across European Developed Markets excluding the UK.
UK	MSCI Daily TR Net UK USD	The MSCI United Kingdom Index is designed to measure the performance of the large and mid cap segments of the UK market. The index covers approximately 85% of the free float-adjusted market capitalization in the UK.
Japan	MSCI Daily TR Net Japan USD	The MSCI Japan Index is designed to measure the performance of the large and mid cap segments of the Japanese market. The index covers approximately 85% of the free float-adjusted market capitalization in Japan.

Asset Class Proxies (continued)

Developed Asia Pacific ex-Japan	MSCI Daily TR Net Pacific Ex Japan USD	The MSCI AC Asia ex Japan Index captures large and mid cap representation across 2 Developed Markets countries (Hong Kong and Singapore) and 8 Emerging Markets countries (China, India, Indonesia, Korea, Malaysia, the Philippines, Taiwan and Thailand) in Asia. The index covers approximately 85% of the free float-adjusted market capitalization in each country.
U.S. Government & Quasi Government	ICE BofAML AAA U.S. Treasury/Agency Master	The ICE BofAML US Treasury & Agency Index tracks the performance of US dollar denominated US Treasury and non-subordinated US agency debt issued in the US domestic market. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch). In addition, qualifying securities must have at least one year remaining term to final maturity, at least 18 months to maturity at time of issuance, a fixed coupon schedule and a minimum amount outstanding of \$1 billion for sovereigns and \$250 million for agencies.
U.S. Mortgage Backed	ICE BofAML Mortgage Master	The ICE BofAML US Mortgage Backed Securities Index tracks the performance of US dollar denominated fixed rate and hybrid residential mortgage pass-through securities publicly issued by US agencies in the US domestic market. 30-year, 20-year, 15-year and interest-only fixed rate mortgage pools are included in the Index provided they have at least one year remaining term to final maturity and a minimum amount outstanding of at least \$5 billion per generic coupon and \$250 million per production year within each generic coupon.
U.S. Corp Master	ICE BofAML U.S. Corp Master	The ICE BofAML US Corporate Index tracks the performance of US dollar denominated investment grade corporate debt publicly issued in the US domestic market. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch), at least 18 months to final maturity at the time of issuance, at least one year remaining term to final maturity as of the rebalancing date, a fixed coupon schedule and a minimum amount outstanding of \$250 million.
USD High Yield	ICE BofAML High Yield Cash Pay	The ICE BofAML US Cash Pay High Yield Index tracks the performance of US dollar denominated below investment grade corporate debt, currently in a coupon paying period, that is publicly issued in the US domestic market.
International Fixed Income	ICE BofAML Global Broad Market TR ex USD (Hedged)	The ICE BofAML Global Broad Market Excluding US Dollar Index tracks the performance of investment grade debt publicly issued in the major domestic and eurobond markets, including sovereign, quasi-government, corporate, securitized and collateralized securities, excluding all securities denominated in US dollars.
Global Governments	ICE BofAML Global Govt Bond Index + ICE BofAML Global Large Cap Quasi-Govt Index (Hedged)	(i) The ICE BofAML Global Government Index tracks the performance of publicly issued investment grade sovereign debt denominated in the issuer's own domestic currency. (ii) The ICE BofAML Global Large Cap Quasi-Government Index tracks the performance of large capitalization investment grade quasi-government debt publicly issued in the major domestic and euro-bond markets, including agency, foreign government, local government, supranational and government guaranteed securities. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch).

Asset Class Proxies (continued)

Global Corporates	ICE BofAML Global Broad Market Corp (Hedged)	The ICE BofAML Global Corporate Index tracks the performance of investment grade corporate debt publicly issued in the major domestic and euro-bond markets. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch), at least 18 months to final maturity at the time of issuance, at least one year remaining term to final maturity as of the rebalancing date and a fixed coupon schedule.
Global Mortgages	ICE BofAML Global Broad Market Collateralized (Hedged)	The ICE BofAML Global Collateralized Index tracks the performance of investment grade securitized and collateralized debt, including mortgage backed, asset backed, commercial mortgage backed, covered bond, and US mortgage pass-through securities publicly issued in the major domestic and euro-bond markets. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch).
Global HY / EM	ICE BofAML Global HY Country External Corp & Govt + ICE BofAML Global High Yield (Unhedged)	(i) The ICE BofAML Global High Yield Country External Corporate & Government Index tracks the performance of USD and EUR denominated emerging market debt, including sovereign, quasi-government and corporate securities. (ii) The ICE BofAML Global High Yield Index tracks the performance of USD, CAD, GBP and EUR denominated below investment grade corporate debt publicly issued in the major domestic or euro-bond markets.

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Investors should bear in mind that the global financial markets are subject to periods of extraordinary disruption and distress. During the financial crisis of 2008-2009, many private investment funds incurred significant or even total losses, suspended redemptions or otherwise severely restricted investor liquidity, including increasing the notice period required for redemptions, instituting gates on the percentage of fund interests that could be redeemed in any given period and creating side-pockets and special purpose vehicles to hold illiquid securities as they are liquidated. Other funds may take similar steps in the future to prevent forced liquidation of their portfolios into a distressed market. In addition, investment funds implementing alternative investment strategies are subject to the risk of ruin and may become illiquid under a variety of circumstances, irrespective of general market conditions.

There may be conflicts of interest relating to the alternative investment and its service providers, including Bank of America Corporation, and its affiliates, who are engaged in businesses and have clear interests other than that of managing, distributing and otherwise providing services to the alternative investment. These activities and interests include potential multiple advisory, transactional and financial and other interests in securities and instruments that may purchase or sell such securities and instruments. These are considerations of which investors in the alternative investments should be aware. Additional information relating to these conflicts is set forth in the offering materials for the alternative investment.

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