BANK OF AMERICA

CHIEF INVESTMENT OFFICE

Viewpoint

Reopening Has Begun

March 2021

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

IN BRIEF

- As we continue to focus on increasing cyclical exposure, this month the adjusted sector views reflect this, and continue to emphasize portfolio diversification both across and within asset classes.
- Economic reopening has picked up as coronavirus cases continue to decline, and vaccines have added to confidence with overall global growth continuing to gain momentum.
- We expect returns to be choppier this year but supported by the growth surprises unfolding. As yields drift higher, Equities provide a more attractive backdrop than Fixed Income in the short and long terms, in our view.
- We would consider adding to cyclical positioning on equity market weakness, including Small-caps, emerging markets (EM), more economically sensitive sectors, credit in fixed income, and specific thematic growth segments that are emerging as innovation and infrastructure beneficiaries of the future.
- Interest rates have moved up substantially, with the 10-year recently hitting its highest level since before the pandemic. Within Fixed Income, we recommend short duration relative to a stated benchmark that is aligned to investment goals.

We continue to move further into the early recovery stages of the consumer pent-up demand cycle that is now center stage in the U.S. The capital markets have been discounting this stage for quite some time as risk assets have rallied, longer-dated yields have been backing up, commodity prices have been rising, and lower-quality investments, in general, have outperformed for months. In addition with the continued coronavirus vaccine rollout, case data continues to improve, and additional fiscal stimulus is about to be approved and distributed in the coming weeks.

We expect the following developments to continue to unfold as we approach the summer months:

- The leading economic indicators to continue to increase and approach pre-pandemic levels.
- Consumer spending to surprise to the upside as consumer pent-up demand is unleashed and the excess savings are released into the broader economy.
- Overseas economies set to trail the U.S. growth rate but benefit from U.S. consumer spending, a global manufacturing renaissance and improved domestic backdrops.
- Global government bond yields to drift higher (pulled up by the U.S.) as inflation expectations increase and economic activity surprises to the upside

CIO ASSET CLASS VIEWS

This month the Global Wealth & Investment Management Investment Strategy Committee made a tactical asset allocation adjustment to the sector views. We raised Energy two notches to a slight overweight from slight underweight. This upgrade was balanced by a one notch move lower in Technology to a slight overweight and a downgrade by one notch to Consumer Staples, which is a full underweight. We reaffirm our positive view on Equities relative to Fixed Income and expect participation to broaden across sectors, regions and styles.

Listen to the audio cast

Asset Class	CIO View				
	Under-Weight		Neutral		Over-Weight
Equities				●	
U.S. Large-Cap				●	
U.S. Mid-Cap			●		
U.S. Small-Cap				●	
International Developed			●		
Emerging Markets		◆	●		
Fixed Income		●			
U.S. Investment Grade Taxable		●			
International	●				
Global High Yield Taxable		●			
Alternative Investment*					
Hedge Funds					
Private Equity					
Real Estate					
Tangible Assets / Commodities					
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.

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- Reflationary assets to rise on the back of favorable supply and demand dynamics, unprecedented growth in the money supply, and portfolio repositioning.
- Portfolio rotation in equities to swing back and forth as asset managers increase cyclical exposure while lowering mega-growth positioning. This is likely to weigh on the broader indexes from time to time given the high exposure of mega-growth in the major indexes relative to the Value segment.
- Pent-up demand for travel, leisure, entertainment and lodging is the wildcard in our view. High demand and activity in this space mixed with an increase in cyclical positioning (and an eventual anchor in long-term growth exposure) should help push indexes higher in general as earnings surprise to the upside across most sectors.
- Investor sentiment remains optimistic on the economy but slightly cautious on the broad markets given inflation concerns, debt/deficit worries, and fears of investing at a perceived top in the markets/high valuations. We expect some choppiness in between earnings announcements.
- Coronavirus and vaccine data to continue to improve especially in the number of vaccinated individuals relative to the number of active infections.
- Fiscal stimulus, fiscal relief, money growth and monetary accommodation remain our four tailwinds to higher asset prices.
- Concerns remain regarding commercial real estate (CRE) despite improved reopening prospects. In the larger cities, CRE is likely to remain in a workout process but should regain its footing quicker than expected, in our view.
- Oil prices could surprise to the upside as years of capital investment discipline beget a supply deficiency just as the global economy is reopening. We are watching this space closely.
- China/U.S. relations take a back seat to domestic issues but still lurk in the background as the Technology "war" plods on.
- Thematic investing (including Sustainable and Impact Investing) helps provide a catalyst to portfolio returns as portfolios are repositioned.

In summary, we remain overweight Equities relative to Fixed Income. We expect returns to be choppier this year but supported by the growth surprises unfolding. As yields drift higher, Equities provide a more attractive backdrop than Fixed Income in the short and long term, in our view. We would consider adding to cyclical positioning on equity market weakness including Small-caps, Emerging Markets (EM), more economically sensitive sectors, credit in fixed income, and specific thematic growth segments that are emerging as innovation and infrastructure beneficiaries of the future. We would maintain a high level of diversification given the potential for some negative surprises in the coming year (including potentially higher taxes) and still maintain a long-term growth anchor in technology for the long haul given our view that eventually economic growth normalizes and bond yields peak later in the cycle.

CIO INVESTMENT DASHBOARD

The BofA Global Research Global Wave Indicator continues to point to improving economic activity and rising earnings estimates revisions, suggesting a sustained global upturn in corporate profits. Monetary and fiscal policy continues to provide an accommodative backdrop for Equities, with combined stimulus measures so far totaling 55% of gross domestic product (GDP) in the U.S. and approaching 35% globally, according to Cornerstone Macro Research. Additional front-loaded fiscal stimulus could add further support to consumers at a time when savings is already elevated, priming the economy for a stronger recovery. Corporate credit conditions are generally benign, with credit spreads remaining in a tighter range across Investment-grade (IG) and High Yield (HY). Relative

valuations continue to favor Equities over Fixed Income, although we continue to monitor a recent move higher in yields.

Investor sentiment has risen to more bullish levels as indicated by strong market breadth, bullish investor positioning and fund flows into more cyclical assets. Institutional cash levels have fallen but remain above pre-coronavirus levels. We are mindful of the potential for some profit-taking by investors in the near term amidst rising interest rates and concerns about inflation. However, any pullback is likely to be an opportunity to add to cyclical areas of the market given the prospects for a synchronized global growth environment in 2021.

CIO INVESTMENT DASHBOARD

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		For Q4, companies in the S&P 500 reported much better-than-expected results, supporting the view that the earnings troughed in Q2 2020. The positive trend in global earnings expectations continues. On average over the past three months, earnings upgrades outnumbered downgrades in every region, in more than 80% of all global sectors, and in all global styles.
Valuations		U.S. equity valuations remain attractive compared to fixed income. The equity risk premium, which is especially relevant given particularly low yields, is at 3.14%. This places it at the 58th percentile, compared to the 71st percentile in late November. Low but positive interest rates have been underpinning higher valuations for equities by maintaining easier financial conditions while keeping deflationary fears at bay.
U.S. Macro		U.S. economic activity is choppy but improving. The Institute for Supply Management (ISM) Purchasing Managers' Index (PMI) remains in expansionary territory, while a low national 30-year fixed mortgage rate has underpinned robust housing activity. The U.S. Citi Economic Surprise Index indicates stronger-than- expected data, though the magnitude of these surprises has ebbed somewhat. On an annualized quarterly basis, real GDP growth for Q4 was 4.1%, after a record 33.4% in Q3. BofA Global Research expects Q1 growth to reaccelerate to 5.5%, with full year 2021 at 6.5%.
Global Growth		The pandemic represents an unprecedented shock to global economic activity. The global GDP contracted -3.3% in 2020 but is forecasted to rebound by 5.6% in 2021. For 2022, real GDP is expected to grow by 4.4%. The duration and shape of recovery depends on the trends in health data and advancements of testing and treatments.
Federal Reserve/Inflation		The Federal Reserve (Fed) has maintained its ultra-accommodative stance in combating the economic effect of the coronavirus outbreak. Most members of the Federal Open Market Committee have reiterated a long-term, dovish stance, emphasizing the commitment to using its full range of tools to support economic growth given the tremendous hardship from the coronavirus pandemic. The central bank will seek to achieve an average inflation rate of 2% over time.
Trade/Fiscal Policy		Including relief passed in late December, which provided checks for individuals and support for small business, among other measures, U.S. authorities have now authorized fiscal stimulus approaching 27% of GDP since the start of the pandemic. The Biden administration is currently working with the Senate to finalize further aid. Tensions between the U.S. and China remain elevated but have the potential to moderate.
Corporate Credit		Corporate credit conditions have broadly improved as a result of measures taken by the Fed. Despite recent volatility, credit spreads remain tight across Investment-grade and high yield.
Yield Curve		Accommodative policy by the Fed is reflected in the shape of the yield curve, with the spread between the Fed funds rate and 10-year Treasury yield currently about +138 basis points (bps) versus about -59 bps in early March. Recently, bond market volatility has resulted in equity market volatility.
Technical Indicators		The Chicago Board Options Exchange (CBOE) Volatility Index (VIX), measuring equity volatility, recently spiked above 30 after hanging around the lowest levels since December. Measured by the MOVE Index, fixed income volatility has also recently moved higher. The percentage of New York Stock Exchange (NYSE) stocks above their 200-day moving average remains above 80%, near the peak for the year. At the trough in March, this measure fell to just 3%.
Investor Sentiment		Aggregate positioning has increased. Institutional cash levels have fallen to levels triggering a contrary sell signal, according to BofA's Fund Manager Survey. The BofA Bull & Bear Indicator is at 7.2, still a neutral signal though closer to a bearish contrarian signal. In late March 2020, it was at 0.0. Investor sentiment is also bullish, according to the American Association of Individual Investors. Inflows have continued in EM, the U.S. and Japan, while Europe is still seeing outflows.

Source: Chief Investment Office. Data as of March 1, 2021.

EQUITIES

- **We expect equities to outperform fixed income:** Global equities are near their historic highs as the broader economic recovery continues; historic levels of global monetary and fiscal stimulus, and medical advances offer the potential for economic normalization. The Fed's commitment to maintaining accommodation for an extended period lends confidence for higher nominal growth and corporate earnings, while equities remain reasonably valued relative to other asset classes from a cash-flow and total yield perspective. Higher levels of inflation would also be expected to favor Equities over Fixed Income. Looking forward, there remains uncertainty given the vaccine deployment timeline and inflation. We continue to favor U.S. Equities and are neutral International Developed equities and EM.

- **We are overweight U.S. equities:** The U.S. remains our preferred equity region relative to the rest of the world, with stronger balance sheets on aggregate, robust economic growth prospects, and improving earnings revisions. U.S. Large-caps may offer a balance of Quality, Yield and Growth factors, while Small-caps offer higher cyclicality and relatively more attractive valuations.

  We expect earnings per share (EPS) for the S&P 500 to improve to $165 in 2021, with potential upside. Earnings estimates revisions have risen considerably in the U.S., with upgrades outnumbering downgrades 1.82-to-1 since December according to BofA Global Research. Improving manufacturing, housing and capital expenditure also bolster the case for an earlier-than-expected earnings recovery, which would help support equities. This month we raised Energy two notches to a slight overweight from underweight while moving Consumer Staples to an increased underweight and lowering Technology by one notch to slight overweight. The Financial, Industrials, and Energy sectors should benefit from the continued economic recovery and a steeper yield curve. Further, these sectors should also benefit from any additional cyclical rotations in the equity market and could be a hedge for inflation pressures. Technology and Healthcare sectors are favored in the long term due to secular rise in spending on innovation, productivity, and health infrastructure. The continued digitalization of the economy across many sectors and industries should underpin the fundamentals for the Technology sector.

  The current equity risk premium, or the difference between the earnings yield of the S&P 500 and the 10-Year U.S. Treasury, is 3.1% and in the 58th percentile of its historical range, which still supports the attractiveness of equities over fixed income. The rising exposure of the S&P 500 to secular growth industries, lower levels of global interest rates and improving profit margins supports higher multiples longer term, but in the near term, performance will likely be influenced by the coronavirus, sentiment and policy developments. We believe portfolios should have a balance of both Growth and Value factors that would simultaneously gain from cyclical and secular forces gaining traction. Growth should continue to benefit from accelerated secular investments in 5G, artificial intelligence, cloud computing, robotics and health infrastructure globally. Value has higher exposure to cyclical sectors that benefit from an improved pace of earnings growth and economic normalization.

- **We are neutral Emerging Market equities:** Fundamentals appear to be improving as global synchronized growth picks up, manufacturing and trade further improve and the U.S. dollar weakens—all of which should benefit Emerging Markets (EM). Recent fund flows also point to greater investor interest in the region. Risks include rising interest rates, a slower vaccine rollout in lower-income markets and ongoing U.S.-China tensions. The continued rise in EM consumer spending remains a big reason why investors should maintain a strategic allocation to EM equities. The developing world now constitutes about 41% of global personal consumption expenditures (PCE) according to the United Nations. This should support GDP growth and corporate earnings in emerging economies, as broad equity indexes such as the MSCI Emerging Markets Index shift toward more consumer-oriented sectors, especially in the Asia-Pacific region. We favor active management* when investing in EM, as fundamentals

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

DUE DILIGENCE VIEW

Domestic Value returns extended their edge over Growth across the market cap spectrum from 4Q20 due to higher cyclical exposures. The appeal of Value stocks has been observed in the growth style as well. Investors have favored riskier assets, bolstering returns of small-cap and lower-quality stocks. This trend has favored the more aggressive managers while dampening returns of conservative, defensive managers. Growth managers that hold companies owning disruptive technologies and offering innovative solutions with accelerating earnings have fared better than peers.

While domestic managers typically have less exposure to the mega-cap stocks that have dominated index returns in recent years, EM managers commonly own the top EM index companies, each supported by technology-related global or domestic growth themes.

International developed managers often own those large EM names as well, which provide a source of Growth exposure that is harder to find in developed markets-only universe.

differ across countries based on key vulnerabilities to commodity prices, borrowing costs, external financing conditions and other factors.

- **We are neutral International Developed market equities:** International equities, particularly those in Europe and Japan, have strong sensitivities to global manufacturing and trade activity, and should benefit as global output continues to normalize in the medium term. As we move through 2021, monetary and fiscal stimulus should continue to be a tailwind, with Japan having committed approximately 74% of GDP of combined stimulus, and the Eurozone adding nearly 50%, according to Cornerstone Macro Research. The shared fiscal relief plan of the European Union (EU) could provide grants to hard-hit countries like Italy and Spain and likely boost investor confidence in the sustainability of the Euro while we also monitor the political cycle heating up across the bloc. Risks remain from a weak banking system, but an increased level of fiscal policy coordination may help promote a cyclical economic expansion and support sectors that are heavily represented in International Developed equity markets. Prospects for a weaker dollar also aid international developed equity performance, which can also add cyclicality and Value-orientation in portfolios.

EQUITY WATCH LIST

- Regional economic reopenings, coronavirus case trends, vaccination distribution timeline
- Economic data for production, labor, consumer expectations, and credit and liquidity conditions
- Acceleration of earnings estimate upgrades
- Further Central Bank support and outlook for additional fiscal stimulus packages
- Reorganization of global supply chains and U.S.-China relationship
- Rising inflation expectations and fixed income yields

FIXED INCOME

- **We are slightly underweight fixed income:** We recommend short duration relative to a stated benchmark that is aligned to investment goals. Interest rates have moved up substantially, with the 10-year recently hitting its highest level since before the coronavirus crisis. Inflation expectations have also increased and are above the 2% level across the curve for the first time in over five years. This is due to the combination of the Fed's new framework and the massive and continuing fiscal response from the federal government. The Fed believes that employment and inflation risks are to the downside in a zero-rate environment and has reiterated its dovish stance multiple times. On balance, this continues to be positive for credit risk, economic growth and inflation over the medium to longer term and negative for interest rate risk.

  The 10-Year Treasury rates have now approximately tripled from their all-time lows, so the absolute and relative value of Treasurys has increased. Treasurys should be considered for most investors' portfolios, especially to complement portfolios with equity risk. However, investors less focused on managing short-term equity volatility, with all Fixed Income portfolios, or with better ability to withstand price volatility, should still underweight Treasury allocations while favoring high-quality, Investment-grade spread products—corporates and Mortgage-backed Securities (MBS). We still expect fixed income to be a diversifier in the long term, as coupon income becomes more of a determining factor to total returns, although we are watching Treasury/Equity correlations for any sign of a breakdown. Spread products —corporates, MBS—as they could provide significantly more yield—may be a better diversifier over longer periods of time.

DUE DILIGENCE VIEW

In the taxable markets, bank loan demand has currently increased with managers highlighting favorable relative Value opportunities and the floating rate structure given recent rate volatility. Bank loan yields have recently fallen along with other credit markets although prices remain modestly below par. Similar to high yield bonds, there remains considerable downside risk in below-Investment-grade bank loans.

Core plus and multisector bond mutual funds currently favor non-agency MBS and other securitized credit sectors including Commercial mortgage-backed securities (CMBS), collateralized loan obligations (CLO) and asset-backed securities (ABS). These managers primarily target the top of the capital structure across the securitized credit sector.

- **We remain slightly overweight Investment-grade and slightly underweight High Yield:** Investment-grade corporates should continue to outperform Treasurys as the global economic recovery continues to play out. That said, with spreads trading near +90 bps, all-in yields hovering at record lows, and effective duration at all-time highs, we believe the margin for error is slim. The technical backdrop should remain supportive, underpinned by strong demand and waning supply into 2021. Although the Fed's asset purchase programs expired at the end of 2020, we do not expect a material market effect—though we could see episodic periods of volatility, which we would likely view as an opportunity to rebalance. Credit losses in IG are manageable and not a large component of spreads, but the same cannot be said in HY. Despite an improving fundamental backdrop, credit losses may rise and meaningfully reduce total returns. The yields now available in HY (~4.25%) provide very meager compensation. Within HY allocations, we prefer secured floating-rate leveraged loans to unsecured high yield bonds, although both should be included in any allocations, and caution investors to be aware that strong near-term performance may not be sustainable.
- **We are neutral Mortgage-Backed Securities**: Last week brought back volatility to both rates and mortgage markets not seen since March of 2020. With a rapid move in Treasury yields, in particular in the 5-year and 10-year part of the curve, mortgages have experienced a large duration extension from low 2s to 3.79 years as measured by the Bloomberg Barclays U.S. Mortgage Backed Securities Index. This sudden move triggered hedging activities to pick up, exacerbating the effects of the rising rates and causing spreads on MBS to widen by 10 to 13 bps in a short period of time. The move would have been worse should the composition of mortgage investors today be as it once was with much larger shares of the market in the Government Sponsored Enterprise (GSE) portfolios, mortgage Real Estate Investment Trusts (REIT) and other investors sensitive to interest rates. However, today about 65% of the MBS market is in the hands of non-hedgers with the Fed alone accounting for around 30% or $2.1 trillion. The Fed's commitment to continuing to buy MBS at $40 billion per month with over $1.5 trillion in purchases since last March, remains an overwhelming positive technical for the market, which helps remove demand uncertainties for mortgage investors. However, increased volatility and higher mortgage rates mean less prepayment risk and longer durations for mortgage bonds. That, in turn, means that MBS spreads have to widen to compensate for the added risks and that is exactly what we have seen. Still, MBS spreads are tight by historical measures and further widening is possible and likely to bring the market back into equilibrium. In this environment we feel it is prudent to continue to take a conservative view on the sector that is facing some headwinds from rates markets and volatility. In the longer run, MBS still looks attractive versus Treasurys with additional yield spread. We feel that uncertainties about prepayments and extensions may remain a headwind for sector performance for some time and continue to suggest conservative positioning in securities with less extension and price risk. Therefore, we continue to counsel that investors maintain a significant weight to the sector, as it is a large component of the high-quality bond market and a direct beneficiary of Fed intervention, but the opportunity set is currently still greater in the IG corporate sector.

FIXED INCOME WATCH LIST

- Pace of the rise in long-term rates and the Fed's response (if any)
- Treasurys' recent lack of negative correlation to equity market
- Signs of any risk aversion in terms of spreads, yields or new issue activity
- Outlook for additional fiscal stimulus packages and potential changes in the tax code
- Dislocations in commercial real estate markets

ALTERNATIVE INVESTMENTS

Given the differences in liquidity characteristics between alternative investments (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, but rather the tactical positioning should be expressed at the sub-asset class level.

We will continue to provide strategy-level guidance for qualified AI investors. We believe allocations to AI can introduce differentiated returns that can help complement existing traditional holdings by potentially enhancing returns, helping to reduce risk and capitalizing on opportunities not available through traditional investments.

- We favor a strategic approach when allocating to Hedge Funds: As stated previously, we are advocates of diversification when investing in this heterogeneous asset class. That said, we currently see a favorable opportunity set for select hedge fund strategies given the effect of the pandemic on a wide range of assets. Recent positive vaccine news, coming on the heels of an unprecedented policy response, has significantly improved the macro backdrop. However, it is becoming clear to us that not all sectors stand to benefit in the same way, and with a widening gulf between winners and losers beginning to emerge, we think correlations between stocks could continue to decrease, while dispersion increases. In this type of environment, skilled stock pickers stand to benefit and, accordingly, consider looking to equity long/short strategies as a means of generating differentiated equity returns that place an emphasis on alpha through active management. For investors seeking diversified return streams, global macro strategies, which are currently benefiting from an opportunity set that is wider than it has been in years, also have the potential to provide competitive returns given the current backdrop where macroeconomic forces are increasingly dictating price action across all parts of the investment spectrum: stocks, bonds, currencies and commodities.
- We favor a strategic approach when allocating to Private Equity and view these strategies as long-term potential portfolio return enhancers with unique access to specialized deals unavailable to traditional investors. We continue to see consolidation in a number of different sectors, brought on by the pandemic and its effect on everything from commerce to energy. In light of the dislocations caused by the coronavirus, we expect that savvy managers will likely deploy dry powder opportunistically to buyout and distressed areas of the market, via direct and through secondary investments. Within the broad private equity universe, we continue to favor special-situation strategies that could benefit from pockets of stress resulting from the pandemic and from secular shifts across sectors due to disruptive technologies. Private credit strategies may also see a wider opportunity set should Mergers & Acquisitions (M&A) activity remain buoyant, since creative financing solutions will likely be sought after to support increased deal activity. These strategies may be of interest to investors seeking enhanced yield that may complement traditional fixed income holdings. As per usual, and even more important in markets like these, consider a disciplined, multiyear commitment strategy that can help build portfolio diversity among different managers, styles, geographies and vintages.

  We favor a strategic approach when allocating to Private Real Estate: Conditions across the CRE market continue to be closely tied to the trajectory of the pandemic. Vacancy rates in office and hospitality sectors remain elevated and asking rents continued to slide into year-end while landlords and tenants engaged in lease renegotiations. With the nationwide vaccine rollout having begun, there is reason to be optimistic about a return to normalcy, albeit cautiously so, as challenges will likely remain for many sectors (office, hospitality) and regions (central business districts) for the foreseeable future. For prospective prequalified investors, we continue to place emphasis on direct investments in well-located properties in strong regions of the country that exhibit attractive rent-roll and cash-flow characteristics and have the potential to bridge into the next cycle, helping to provide a long-term hedge against potential inflation. Additionally, given the increasing importance of eCommerce, we continue to believe the Industrial sector (warehouses, data centers, etc.) will be an

DUE DILIGENCE VIEW

After a difficult January, the top 50 crowded hedge fund (HF) equities were recovering well through late February, with longs outperforming U.S. equities and shorts making money despite positively performing markets. The spread between crowded longs and shorts was on pace to have its best month since 2010.

After a virus-driven pause in private equity (PE) investment activity, larger deals helped drive overall deal volumes in line with prior-year levels. PE fundraising followed a similar pattern as larger, well-established funds contributed to a strong fundraising year. As a result, dry powder increased for the sixth straight year and with healthy credit markets and recovering economies, we believe PE looks poised for a robust year of deal activity in 2021.

area of growth as companies compete for position in an on-demand economy. Looking out further, there is a case to be made for adaptive reuse in certain parts of the CRE market. This strategy, which is primarily the domain of opportunistic/value-add managers, involves converting non-producing assets into performing properties. In today's environment, that could mean converting retail, office or mall properties into residential, medical or fulfillment centers.

- **Commodities and the dollar:** As global economic growth accelerates, and commodity demand rises with the economic recovery, we expect the upward trend of price pressure to continue across commodities. For those who incorporate real assets and commodities into their allocations, we raise our outlook. This view for commodities is in concert with our upgrade this month to the Energy sector to slight overweight and our recent upgrade of Materials to neutral. Commodity prices (for example, copper) have rebounded sharply as reflation gains traction. Precious metals are benefiting from current low real interest rates. With the Fed in a reflationary mode, and with rising geopolitical tensions and high economic uncertainty, we believe some exposure to gold (outside of your typical core allocation) remains appropriate. The dollar has firmed recently as Europe's recovery lags on shutdowns and vaccine administration problems. Eventual dollar softness would help the global economy and the reflation effort.
- **Tangible assets:** Over the long term, especially given the unprecedented fiscal stimulus and monetary reflation now in place, tangible assets—such as real estate, timber, and farm and ranch land—may benefit portfolios through increasing diversification, helping to provide a hedge against potential future inflation, generating cash flows, and providing possible favorable social-impact opportunities.

MACRO STRATEGY

- Economic reopening has picked up as coronavirus cases decline, and vaccines are adding to confidence with overall global growth continuing to gain momentum. Lower inflation allows more accommodative monetary policy around the world. However, U.S. monetary and fiscal policy regime change is conducive to much higher inflation than recently experienced in the years ahead, in our view.
- Massive fiscal stimulus continues to help support a positive, self-reinforcing growth dynamic, boosting profits and jumpstarting growth.
- Given our expectation for faster nominal growth, the macro backdrop continues to support cyclical, reflationary positioning. We believe this is a positive backdrop for equities.

ECONOMIC AND MARKET FORECASTS (AS OF 2/26/2021)

	Q1 2020A	Q2 2020A	Q3 2020A	Q4 2020A	2020A	Q1 2021E	2021E
Real global GDP (% y/y annualized)	-	-	-	-	-3.3	-	5.6
Real U.S. GDP (% q/q annualized)	-5.0	-31.4	33.4	4.1	-3.5	5.5	6.5
CPI inflation (% y/y)	1.5	0.4	1.3	1.2	1.2	1.8	2.7
Core CPI inflation (% y/y)	2.1	1.3	1.7	1.6	1.7	1.4	1.7
Unemployment rate (%)	3.8	13.0	8.8	6.7	8.1	6.3	5.6
Fed funds rate, end period (%)	0.08	0.08	0.09	0.09	0.09	0.13	0.13
10-year Treasury, end period (%)	0.67	0.66	0.68	0.91	0.91	1.10	1.75
S&P 500 end period	2585	3100	3363	3756	3756	-	3800
S&P earnings ($/share)	33	28	39	38*	138*	36	165
Euro/U.S. dollar, end period	1.10	1.12	1.17	1.22	1.22	1.20	1.15
U.S. dollar/Japanese yen, end period	108	108	105	103	103	105	106
Oil ($/barrel, avg. of period, WTI)**	46	29	40	44	40	57	57

The forecasts in the table above 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.

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.

E/*=Estimates. A = Actual. S&P 500 represents the year-end target for 2021. **West Texas Intermediate.

Sources: BofA Global Research; GWIM ISC as of March 2, 2021.

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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.

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 2022 and price-to-earnings (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.

S&P 500 Scenarios Based on Forward P/E and 2022 EPS

Forward P/E (Next 12 months)

2022 EPS	17.0x	18.0x	19.0x	20.0x	21.0x
$230	3,910	4,140	4,370	4,600	4,830
$220	3,740	3,960	4,180	4,400	4,620
$210	3,570	3,780	3,990	4,200	4,410
$200	3,400	3,600	3,800	4,000	4,200
$190	3,230	3,420	3,610	3,800	3,990
$180	3,060	3,240	3,420	3,600	3,780
$170	2,890	3,060	3,230	3,400	3,570

For illustrative purposes only. Forecasts are subject to change.
Source: Chief Investment Office as of March 1, 2021.

CIO ASSET CLASS VIEWS

Asset Class	Implication for Equities: Underweight		Neutral		Overweight	Comments
Equities				●		We retain our positive view on equities based upon favorable relative valuations and improving global growth. Corporate profits are in an uptrend as forward estimates have increased, policy remains supportive, and global growth appears set to accelerate. We remain overweight the U.S., neutral International Developed, and neutral EM.
U.S. Large Cap				●		Given our expectation for episodic volatility, we recommend higher-quality exposure. Growth should continue to benefit from accelerated secular trends but Value, which has higher exposure to cyclical sectors, should benefit from an improved pace of earnings growth and economic normalization. We believe a balance of both is appropriate. At the sector level, we continue to favor Technology and Healthcare for secular exposure but are also constructive on cyclical sectors like Industrials, Financials and Energy.
U.S. Mid Cap			●			Mid-cap fundamentals are improving with earnings expectations rising along with large and Small-caps.
U.S. Small Cap				●		Small-caps have relatively attractive valuations and could benefit in a more cyclical rotation.
International Developed			●			Global economic recovery is expected to continue, alongside the roll-out of the coronavirus vaccines, which should benefit more cyclically oriented International Developed markets. A substantial monetary and fiscal policy thrust in Europe and Japan, paired with relatively attractive valuations is a support for international equities, while ongoing cross-border frictions between the major economies pose potential risks given greater trade exposure.
Emerging Markets			●			We are neutral EM equities as fundamentals appear to be improving as global synchronized growth picks up, manufacturing and trade further improve and the U.S. dollar has weakened. Potential risks from rising interest rates and slower vaccine rollout in lower-income markets.
International						
North America				●		The U.S. remains our preferred region on corporate earnings and balance sheet strength, with a domestic demand-driven recovery likely to remain resilient as the economy gradually reopens. U.S also has greater fiscal and monetary stimulus in place which supports reflationary assets including equities.
Eurozone			●			Increased level of fiscal policy coordination across the EU should provide additional support for domestic demand and may limit relative economic weakness, while exposure to cyclical sectors should benefit from a prospective shift toward widespread coronavirus vaccination. Sensitivity to global trade implies ongoing risk to activity from potential cross-border coronavirus mitigation measures.
U.K.			●			Post-Brexit withdrawal from the EU single market remains a negative for medium-term growth. Ongoing caution over uncertainty around final EU deal on financial services given significant economic and market exposure. Large weighting in cyclical sectors should benefit from a prospective shift toward widespread coronavirus vaccination.
Japan			●			Large fiscal and monetary stimulus are key sources of support for growth in the domestic economy, though market-based inflation expectations remain among the lowest for the major developed economies. We expect long-term tailwinds from exposure to automation machinery and equipment including from robotics, while valuations remain attractive.
Pac Rim*			●			Exposure to economic recovery in China supports regional growth. Low occupancy rates remain a headwind for market exposure to Real Estate, but cyclical sectors should nonetheless benefit from a prospective shift toward widespread coronavirus vaccination. Ongoing uncertainty from international shifts on foreign policy toward Hong Kong also weighs on the region.

*Pacific Rim refers to the geographic area surrounding the Pacific Ocean. The Pacific Rim covers the western shores of North America and South America, and the shores of Australia, eastern Asia and the islands of the Pacific.

CIO ASSET CLASS VIEWS (CONTINUED)

Asset Class	CIO View: Underweight	Neutral	Overweight	Comments
Fixed Income				Bonds provide portfolio diversification, income and stability. Below-benchmark duration is recommended, as rates are rising off extremely low levels, and fiscal and monetary policy is supportive of higher inflation over the medium term.
U.S. Investment Grade Taxable				Preference for credit and spread products to Treasurys, as risk-free assets are very expensive both in absolute terms and relative to inflation. Consider short duration overall. Some allocation to Treasurys for liquidity should be considered as a buffer to risk-off sentiment.
International				Compressed yields and risk premiums around the globe compared to the U.S., combined with potentially higher volatility in non-U.S. markets, present unfavorable risk/reward conditions for non-U.S. fixed income, in our view, justifying an underweight position.
Global High Yield Taxable				Valuations present mediocre absolute long-term returns after estimating credit losses. Fundamentals will likely be challenged near term due to economic uncertainty. Any additions to HY risk need to have a very long time frame. Within HY, we prefer floating-rate loans and HY unsecured, but recommend an allocation to both.
Alternative Investments*				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 help complement existing traditional holdings by potentially enhancing returns, helping to reduce risk, and capitalizing on opportunities not available in traditional investments.
Hedge Funds				We favor equity long/short strategies for differentiated equity returns. Global macro strategies, currently seeing a wide opportunity set, may help investors seeking to diversify equity exposure.
Private Equity				In light of the dislocations caused by the pandemic, we expect that savvy managers will deploy dry powder opportunistically to buy out and distressed areas of the market, via direct and secondary investments. Private credit strategies may also see potential opportunities should M&A activity remain robust. Consider a disciplined multiyear commitment strategy that builds portfolio diversity among different managers, styles, geographies and vintages.
Tangible Assets/ Commodities				Reflationary policy and currently lower real interest rates, and ultimately stabilizing global growth, should provide support for commodity prices. Gold is currently benefiting from currently low real interest rates. The oil market remains well supplied, however. For 2021, Brent crude oil prices are expected to average $60 per barrel and West Texas Intermediate (WTI) prices to average $57 per barrel.
Real Estate				CRE markets in the U.S. and worldwide have been adversely affected by the historically rapid and severe recession caused by the coronavirus. Prior to the pandemic, U.S. CRE markets were mature and considered deep into the cycle with asset-level pricing at or through peaks of the prior cycle. Moreover, several key trends largely centered on demographics and eCommerce were firmly in place pre-coronavirus that will likely accelerate post-coronavirus, but there's also stress building in CRE markets that could surface—with some sectors and regions more affected than others—before the CRE markets can fully stabilize and reflect the benefits of continuing and currently historically low interest rates and reflationary global pressures.

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 36-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 and risk tolerance. Not all recommendations will be in the best interest of all investors. 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.

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

Source: Global Wealth & Investment Management Investment Strategy Committee as of March 2, 2021.

CIO EQUITY SECTOR VIEWS

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	•	•	•	●	•	Bank stock repurchase programs have been reinstated by the Fed and are now tied to earnings power, along with dividends, which should be a tailwind for the sector in the near term. In addition, bank credit costs peaked in the first half of 2020 and loan loss reserves are adequate. Reserve releases are likely over the next 12 months, with the potential to add to earnings and capital return. Given structural headwinds in Insurance, we prefer market exchanges that evolved into fee-based data and analytics providers. We also favor alternative asset managers, like private equity, which consistently draw fund inflows, typically benefit from low interest rates, and maintain pricing power in management fees. U.S. banks remain well capitalized and trade at attractive valuations with higher momentum.
Information Technology	•	•	•	●	◀	The pandemic accelerated the digital transitions for many industries and supports the secular growth trends for cloud computing, machine learning and artificial intelligence (AI), data centers, software, cybersecurity and semiconductors. We are in the early innings for machine learnings and AI, and the pandemic forced the adoption of digital payments by older generations who are now frequent users. This accelerated the digital payments industry by several years without cannibalizing future sales. Traditional hardware exposure is still increasingly commoditized. Valuation is extended and recent move higher in interest rates could pressure multiples and drive some profit taking near term, therefore look for GARP (growth at a reasonable price) in software and cyclical exposure in semiconductors. Free cash flow, balance sheet strength, dividend growth and earnings growth remain strong fundamental drivers for the sector. Momentum is declining.
Industrials	•	•	•	●	•	Relative performance improving with help from a weaker dollar, higher commodity prices, increasing inflation expectations and a recovery in global purchasing managers' indexes. Sequential earnings are recovering and set up for growth year-over-year. Cyclical end markets, including transportation, machinery and general manufacturing, are seeing improvement; however, mixed fundamental outlooks persist as commercial aerospace and oil & gas-related industries are slower to recover. We expect the weakening trend in the dollar to support the multinational industrial companies.
Consumer Discretionary	•	•	•	●	•	The ongoing shift to omnichannel retailing should continue to alter consumer behaviors due to the pandemic. Additional fiscal stimulus and asset value inflation could provide further support to strong consumer sentiment. Favor strong global consumer brands with solid balance sheets and a history of dividend growth over weaker brick-and-mortar retailers that could face declining store traffic trends. Cyclical tailwinds from both housing and autos could provide additional potential upside opportunities to the growth outlook. The pent-up demand for reopening activities and services could be an additional catalyst for the consumer in 2021. Valuation is a bit extended.
Energy	•	▶	•	●	•	The reopening of the economy, inflation, potential pent-up demand and a weaker U.S. Dollar is a supportive macro backdrop for energy. Higher energy prices combined with substantial cost cutting initiatives over recent years built significant operating leverage into energy companies. Earnings and free cash flow outlooks are improving considerably for upstream energy companies with oil trading around $60. Additional cyclical and value rotations could improve flows, positioning, sentiment, and potentially pull some investors back into the sector in 2021. Investor demands for greater capital discipline has reduced capital expenditures (CapEx) budgets and investments in the energy sector over recent years and could support higher oil prices near term. Positive view on energy for cyclical reflation trade, but longer term the secular headwinds still confront the sector. Headwinds include the transition to clean energy, lower renewable energy costs and increasing environmental, social and governance focus by investors. Continue to emphasize companies that are low-cost producers with balance sheet strength and low break-evens. Relatively attractive valuation and improving momentum.
Healthcare	•	•	•	●	•	Expect rising spending on healthcare globally—focused primarily on diagnostics, healthcare consumables, and drug development equipment/tools and differentiated medical devices. Hospital spending on capital equipment could be more pressured over the next few quarters due to coronavirus-related challenges, but expect surgical equipment-exposed companies that have lagged in this recovery to rebound as more individuals get vaccinated globally. Fewer headwinds near term regarding drug pricing amid greater focus on pandemic relief and recovery, with healthcare access taking precedence. Emphasize exposure to positive trends in animal health, medical technology and telemedicine, tools, diagnostics and select biotech. Valuation is a bit extended in certain subsectors with lower momentum.
Materials	•	•	●	•	•	Specialty chemicals and agriculture may benefit from a consumer-led recovery in the U.S. and China, while reshoring and additional fiscal stimulus are potential tailwinds for construction aggregates and industrial gases. Depressed demand continues to weigh on cyclical commodities although the rally in industrial metals and their performance relative to precious metals in recent months is a positive sign. Nascent improvement in automotive and industrial end markets may lead to an inventory restocking cycle. Materials stocks have extended valuation with soft momentum.
Communication Services	•	•	●	•	•	Traditional media continues to see pressure from cord-cutting, a negative trend for traditional cable and media companies, but the positive trends for internet usage, video streaming and gaming can provide growth. However, some of this growth was pulled forward last year due to the pandemic and work-from -home trends. Advertising could see a rebound to some degree, but regulatory uncertainties and concerns could be a near-term overhang for the sector.

Sector	CIO View Underweight	Neutral	Overweight			Comments
Consumer Staples	●	◀	•	•	•	Consumer Staples face tougher first-half revenue and earnings comps in 2021 as we lap the pandemic-driven stay-at-home benefits from last year. Ongoing risks of a rotation out of defensive positioning and into risk-on positioning is becoming more apparent with greater visibility and availability of vaccines and the anticipation of a return to reopening activities. The potential for increases in labor, input, freight, and packaging costs could further pressure year-over-year profitability as the companies potentially increase promotional activity in an attempt to retain pandemic impacted consumers. Historically, Staples performance is a function of relative earnings growth and the sector could face decelerating earnings growth in 2021, especially compared to cyclical areas expected to see improving earnings growth. Relatively attractive valuation and lower momentum.
Utilities	●	•	•	•	•	Expect consistent earnings results; however, post the crisis, rotations out of defensive stocks is a potential headwind. Emphasize utilities with growing renewable power generation from wind and solar and de-emphasize ones that rely strictly on coal-power generation. Earnings and dividend growth opportunities remain for utilities that can capitalize on the transition to greater renewable power generation and positive demographic trends. Relatively unattractive valuation and lower momentum.
Real Estate	●	•	•	•	•	Consumer and corporate changes like remote work, eCommerce, less travel, etc. are potential headwinds for CRE companies (e.g., office), leisure (e.g., hotels), mall operators and owners. Emphasize data centers, communication infrastructure and industrial real estate with a focus on eCommerce distribution facilities. Relatively attractive valuation and improving momentum.

Source: Chief Investment Office as of March 2, 2021.

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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

Taking the long view, the following themes and subthemes are considered among the most powerful structural forces in the world. They are macro in nature but carry significant risks and reward for companies, both large and small. Although constructed with a global lens, in today's tightly woven world, what transpires or disrupts in Asia has a tendency to emerge in Europe or North America, and vice versa. These themes are transformational and carry long-term implications for economic growth, the cost of capital and global earnings. Gaining exposure to these themes is a key ingredient to investing.

Theme	Comments
Big Data	The massive growth in unstructured data being created by connected machines, devices and systems is fueling data processing and **Data Analytics.** Complementing **Artificial Intelligence** technologies are replete with applications for big data. The size of the digital world and **Internet of Things (IoT)** is accelerating the migration of data and applications to a **Cloud Computing** environment. **Data Centers** and cloud-based **Storage** will likely capture incremental data created.
Demographics	Several demographic transitions serve as important arbiters of future growth. With elongated life expectancies globally, **longevity** for older populations will likely mean a renewed focus on healthcare, aged-care, financials, and consumer products and services for longer, serving as a multitrillion-dollar potential opportunity. Both the **Millennials** (born 1981-1996) and **Gen Z** (born 1997-2012) could have greater influence over the next decade on consumer spending and preferences. While we are neutral the EM asset class on a tactical basis, we believe the **EM Consumer** represents a powerful middle class consuming cohort over the longer term. Uplifting the **Bottom Billions**, or poorest socioeconomic group with growing access to electricity, internet and sanitation can also offer a demographic dividend for multinational companies.
Climate Change	With emphasis from the new administration, a much greater focus is on health, renewable energy, clean water and sanitation, and other industries that tend to support a more sustainable future. Companies that embrace more climate-friendly business models and operations, as well as consumer products and services, are likely to enjoy sustained growth opportunities over the long term. Key investment opportunities: Renewable Energy (**Solar, Wind** and **Hydrogen**), **Energy-Efficiency** such as building systems, **Water/Waste Management,** and **Energy Storage** & **Distribution**.
Future Mobility	The future of mobility hinges on **Next-Gen Infrastructure**. This includes the telecom industry's deployment of the **5G** network, which is expected to prove to be the greatest accelerant and enabler to **Smart Cities** (smart buildings, safety and security), **Autonomous Vehicles** and unmanned **Drones.** The growing **Electric Vehicle** market will likely demand installation of charging equipment and fuel peripheral industries such as battery material demand.
Security	Expanding the **IoT** means security for a growing ecosystem of devices and end points. With the increase in time spent on online platforms, (as well as adoption of online **Payments/FinTech**), **Data Privacy/Surveillance** and governance is expected to play a larger role in a post-pandemic world, as will bolstering **Cybersecurity** defenses and budgets. With the commercialization of space, cybersecurity will likely extend to **Space**-based assets (think satellites, data links, weather monitoring and GPS).
Post-coronavirus World	In the post-pandemic economic recovery, the factory of the future tends to be based closer to home and driven by **Robotics** (**Industrial/Service Automation**) not humans, hastening reshoring by creating **Dual/Local Supply Chains**, notably in high-end activities and manufacturing. The fusion of Health and Technology through **HealthTech** capabilities, should result in greater investments in telemedicine, disease surveillance and patient monitoring. Just as healthcare has gone digital, technology could increasingly dictate **e-Everything,** as we've seen **eCommerce**, eSports and eLearning gain traction. An increased focus on **environmental, social and governance (ESG)** factors and metrics promotes the shift toward stakeholder capitalism.

Source: Chief Investment Office as of March 2, 2021.

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 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.

MSCI Emerging Market (EM) Index is an index used to measure equity market performance in global emerging markets. It is just one index created by MSCI, which has been constructing and maintaining them since the late 1960s.

The MOVE Index calculates the future volatility in U.S. Treasury yields implied by current prices of options on Treasuries of various maturities.

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

Institute for Supply Management (ISM) Manufacturing Index is a measure of the prevailing direction of economic trends in manufacturing.

Citi Economic Surprise Indices are objective and quantitative measures of economic news. They are defined as weighted historical standard deviations of data surprises.

Consumer Price Index measures changes in the price level of a weighted average market basket of consumer goods and services purchased by households.

Bloomberg Barclays US Mortgage Backed Securities (MBS) Index tracks fixed-rate agency mortgage backed pass-through securities guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

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

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

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

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. 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.

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.

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

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.