CHIEF INVESTMENT OFFICE

Capital Market Outlook

November 17, 2025

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

IN THIS ISSUE

Macro Strategy—*On Clouds, Grids And No Free Lunch:* Surging online business, movie streaming, oil-and-gas reservoir management, instant access to knowledge—you name it—requires ever more datacenters, computer processing capacity, and electricity. Accelerating digitization and recent Artificial Intelligence (AI) breakthroughs have supercharged the expansion of this capacity through 2030, raising concerns about electricity supply and prices. In our view, AI's power appetite will likely reshape, not overwhelm, the U.S. energy system and economy. While regional pressures are real, macro-scale effects are manageable. Electric-power investment projections remain low as a share of gross domestic product (GDP) and so does aggregate consumer spending on electricity. Also, AI-related investment has already buoyed the economy this year and creates potential for future productivity gains. Greater investment has long been needed to expand and modernize the power sector. New technologies, datacenter geographic diversification, "behind-the-meter" electricity generation, and delayed fossil fuel plant retirement are likely to help create a bridge to longer-term supply solutions.

Market View—*The K-Shaped Economy:* We've long emphasized that consumers are not created equal, and there's growing evidence that a fracture is deepening below the surface. Enter the "K-shaped" economy—where the wealthiest consumers climb the upward leg of the K, while those lower on the income ladder slip down the other. Higher-income consumers are primed to keep spending, backstopped by robust equity market gains, elevated home values and solid wage growth. Meanwhile, spending is stalling on the lower end of the income spectrum as consumers contest with a more muted wealth effect and a slower pace of wage growth. While high-income spending may be enough to sustain aggregate consumption, any significant pullback by wealthier consumers could have an outsized impact. The K-shaped economy may hold for now, but the growing divide is worth monitoring.

Thought of the Week—*On Display: China's Balancing Act*: Amid the agreed-upon U.S.-China trade truce, domestically, China still faces a delicate balancing act between consumption and external trade. As seen by the promotional holiday "Singles Day," sales were modest as compared to last year despite Beijing's various fiscal measures to promote consumption. Externally, China's exports fell in October, the first decline in eight months, with U.S.-bound shipments dropping 25%, only partly offset by the Association of Southeast Asian Nations (ASEAN) and Belt and Road partners. While easing trade tensions and tariff rollbacks may normalize trade flows into 2026, China's diversion of exports poses risks to other Emerging Market (EM) economies. As for equity markets, the weaker dollar has boosted local currency returns for the Shanghai Composite Index, up 25% year-to-date (YTD) and handily outpacing the S&P 500. All in all, we take a neutral stance on EM while remaining constructive on select sectors tied to China's higher-end industrial ambitions.

AUTHORS

Chief Investment Office
Macro Strategy Team

Emily Avioli
Vice President and Investment Strategist

Lauren Sanfilippo
Director and Senior Investment Strategist

Portfolio Considerations

Beyond broad and diversified Equity exposure, we favor adding Growth themes and attractive dividend strategies on weakness given our "Great 8" trends we expect to continue to unfold over the course of a full business cycle (six to seven years).

As for Fixed Income, current nominal and real yields provide reasonable compensation for inflation and market risk. Longer-term Fixed Income offers meaningful returns relative to cash and therefore diversifies equity risk over time with more stable income.

We are watching for any signs that our positive investment narrative is getting tired or showing some small strains by examining credit spreads, employment trends, AI financing arrangements, Federal Reserve action, and detailed consumer spending patterns as we work our way through 2026.

MACRO STRATEGY

On Clouds, Grids, And No Free Lunch

Chief Investment Office, Macro Strategy Team

AI helps convert data and electricity into knowledge, new business applications, new products and efficiency gains. The surge in AI-related investment has brought "the cloud"—a network of advanced and power-hungry computers hosting data and layers of AI applications—under intense scrutiny, however.

Indeed, hyperscalers—the five largest cloud and AI service providers—report significant U.S. datacenter capacity constraints and strong demand, boosting revenue growth and capital expenditures (capex). Their investment plans have been ramped up to about $400 billion in 2025 (about 10% of U.S. nonresidential business investment),[1] with a cumulative $1.2 trillion generally estimated through 2030. The investment spree has already spilt into construction, equipment and power-sector outlays, providing major offset to tariffs and other growth headwinds this year.

Combined, rising electric vehicles adoption, a higher share of electric heating (45% of homes vs. 32% in 2010), cryptocurrencies and a growing datacenter footprint have quadrupled U.S. electricity demand growth from about 0.6% per year between 2000 and 2019 to over 2% in 2024 and 2025, according to the Energy Information Administration. What's more, datacenter capacity and power use are projected to triple by 2030[2]. With an aging and too-small-to-fit power sector, this step-up in electricity demand has raised the specter of power shortages and costly grid expansion. Regional stopgap measures where datacenters are highly concentrated have included delayed retirement of old fossil fuel plants, pushing electricity prices higher and raising concerns over pollution and further household financial strain.

While the scale of U.S. investment needed to meet electricity demand through 2030 appears daunting, evidence suggests a measured story of flexibility, adaptation and progress rather than crisis. Here are some details for context:

- Power-sector investment between 2025 and 2030 is projected at around $1.4 trillion. This is $280 billion per year, or about 1% of GDP. According to the IEA,[3] even overall energy investment is just 2% of GDP. The share is 3% globally, as part of today's power-sector spending reallocates capital from fossil fuels investment. According to the IEA, global electricity investment is about 50% higher than investment in fossil fuels in 2025.
- AI-driven investment is a catalyst for overdue power-sector expansion and upgrades. According to IEA reports in 2017, "there is no doubt that the future will be increasingly electric." In 2023, the agency noted that expanded grids are critical to enabling a global pathway to net-zero emissions by 2050 through more electric vehicles and electric home heating. In fact, "reaching national goals also means adding or refurbishing a total of over 80 million kilometers of grids by 2040, the equivalent of the entire existing global grid."[4] Indeed, as noted above, increased U.S. electrification and digitalization have increased pressure to act.
- Datacenters are highly concentrated geographically, so, according to the IEA, about 50% of U.S. datacenters under construction are also in existing hubs, increasing pressures on regional grids. Benefiting from unusually dense fiber-cable networks, proximity to federal contracts and end users, skilled labor, available land and welcoming local government, Northern Virginia is already home to about 25% of U.S. datacenters. Given this large base and network effects, the region—dubbed "the datacenter capital of the world"—is projected to expand further. Although datacenters have supported job creation, boosted local government revenues, and helped reduce property taxes, additional expansion is running against electricity constraints, putting the area at the epicenter of AI expansion concerns.
- The main factor delaying new generation capacity projects is the required grid upgrades that often come with small renewables projects. With the shift away from large fossil fuel plants, the number of renewable projects has surged into the thousands, creating long interconnection queues and delaying much needed capacity generation. According to the RAND Corporation, the PJM Interconnection zone covering about 60 million people in 13

Investment Implications

AI, manufacturing reshoring and power-sector investment are driving a capex and growth cycle that is likely to become more apparent next year when tariffs, government shutdown and other headwinds fade, and lower interest rates plus One Big Beautiful Bill Act investment incentives start to kick in. Utilities, Industrials and Financials are likely beneficiaries.

[1] *The Wall Street Journal*, October 30, 2025.

[2] Congress.gov, product R48646, August 26, 2025.

[3] International Energy Agency (IEA), United States—World Energy Investment 2025.

[4] Electricity Grids and Secure Energy Transitions, IEA 2023.

states—including Virginia, Pennsylvania, and New Jersey—is likely to see no power capacity growth through 2030 without delayed retirements and "behind-the-meter" or "bring-your-own-power" solutions (such as on-site solar power plus battery capacity). Not surprisingly, PJM capacity-auction prices have already soared ten-fold in two years.[5] These auctions are a mechanism through which older, inefficient plants are paid to remain online as insurance against electricity shortfalls and will add 1.5% to 5% year-over-year (YoY) to some consumers' utility bills starting June 2026, according to PJM.

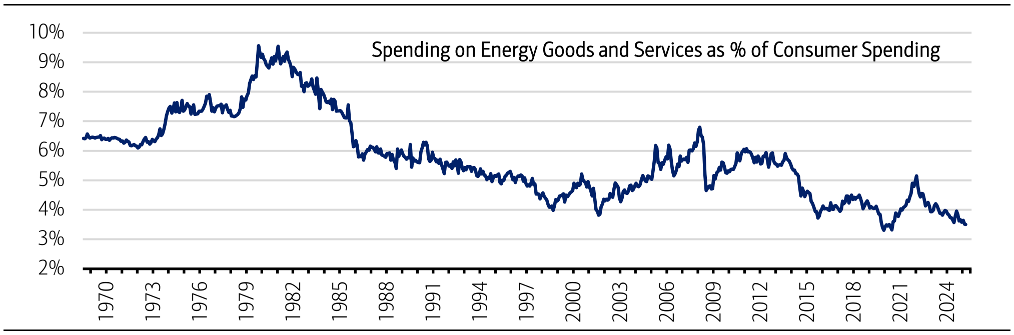
- In addition, despite rising investment, much of the new generation capacity is in renewable power, not a perfect substitute for retiring fossil fuel generation capacity. RAND estimates that delayed retirement and "behind-the-meter" solutions are needed to meet rising electricity demand nationwide through 2030. With AI development seen as a national security priority, the federal government has postponed fossil fuel plant retirements and has expedited nuclear permitting to improve the longer-term power supply outlook.
- Numerous states are attracting large datacenter investment, helping spread economic growth, electricity loads, and risk. Aside from geographic diversification, hyperscalers are easing grid strain via onsite generation, batteries, proximity to power plants and datacenter workload shifting (i.e., noncritical task reduced during peak grid congestion, geographic task reallocation). Efforts to reduce electricity consumption for cooling are also under way, and more on-device AI capabilities—which would further reduce and distribute electricity consumption—are expected.
- According to the PEW organization, using advanced conductors could quadruple U.S. transmission capacity by 2035. AI applications to grid management and other "grid-enhancement technologies" can also increase transmission capacity (smart sensors, drones, AI-enhanced recovery times).

In sum, the AI revolution is a catalyst for overdue power-sector expansion and modernization. There appears to be a path to providing enough energy through 2030 to meet increased electrification, digitalization and AI adoption, but higher electricity prices are likely to be one of the ways in which society pays for the increased convenience, progress, efficiencies and national security benefits they provide.

Higher costs will be spread over a growing base of users and over a long time, mitigating their impact. Importantly, electricity accounts for only 1.3% of aggregate personal spending (Exhibit 1). Even a 40% to 60% electricity price increase by 2030, in line with high-end estimates, would raise household energy spending by about $160 billion out of a $5,200 billion increase in personal spending (assuming a conservative 4.5% annual growth pace through 2030). This would hardly be a destabilizing macroeconomic shock.

Surging power demand benefits independent power producers. By design, the more regulated utilities invest and boost the value of fixed assets net of depreciation, the more their earnings can increase. Electricity demand growth is much faster than in the past 20 years, increasing capex needs, and regulator support for higher investment is strong. Utilities are creating custom tariffs to allocate costs of large infrastructure upgrades to specific large customers, such as AI hyperscalers. To the extent that utilities successfully manage the capex cycle and can leverage their balance sheets to avoid equity dilution, the Utility sector has potential for higher earnings per share. We expect it to be a beneficiary of the AI-driven investment cycle, along with other sectors linked to reindustrialization and capex, such as Financials and Industrials.

Exhibit 1: Spending On Energy Goods and Services Still Low.



Source: Bureau of Economic Analysis. Data as of November 7, 2025.

[5] Reuters, August 7, 2025.

MARKET VIEW

The K-Shaped Economy

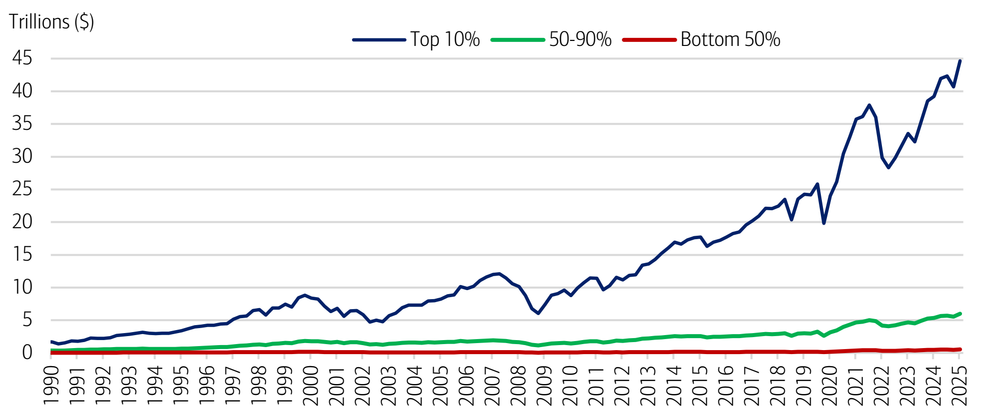
Emily Avioli, Vice President and Investment Strategist

The consumer spending engine has continued to fuel the U.S. economy this year, powering gains in corporate earnings and GDP alike. But we've long emphasized that consumers are not created equal, and there's growing evidence that a fracture is deepening below the surface. Enter the "K-shaped" economy—where the wealthiest consumers climb the upward leg of the K, while those lower on the income ladder slip down the other. This dynamic warrants a closer look.

The top of the "K": Higher-income consumers. Of the many factors supporting higher-income households today, an increased wealth effect is at the top of the list. Higher-income consumers have been buoyed by rising values of homes and financial assets in recent years. The wealthiest 10% now own over 87% of corporate Equities and mutual fund shares held by households, with the total value of their holdings increasing to over $44 trillion in Q2 2025 (Exhibit 2). Strong wage growth is another supporting factor. Bank of America Institute data shows that after-tax wage growth for higher-income households rose by 3.7% YoY in October, comfortably outpacing YoY inflation in September. The unemployment rate among workers with a bachelor's degree or higher (i.e., typically higher-income households) stood at just 2.7% in August,[6] well below the national average, though the recent uptick in white collar layoffs bears watching.

The lucrative combination of elevated asset prices plus strong wage gains has encouraged a spending boom, with Moody's estimating that the top 10% of households now make up nearly half of total U.S. spending. Bank of America Institute data shows that higher-income households saw 2.7% YoY spending growth in October, outpacing that of middle and lower incomes. The spending disparity could be set to deepen during the all-important holiday shopping season. Results from a McKinsey & Company survey showed that 65% of higher-income consumers plan to spend the same or more compared to last year, while that figure falls to 48% for those in lower-income brackets.[7] With this setup, it's no wonder that wealthy consumers have been largely exempt from the recent dip in sentiment. The University of Michigan reports that consumers with the largest tercile of stock holdings posted a notable 11% increase in sentiment in November amid widespread weakness in other groups.

Exhibit 2: Corporate Equities and Mutual Fund Holdings By Wealth Percentage Group.



Source: Federal Reserve. Data as of Q2 2025. Latest data available.

The bottom of the "K": Lower-income consumers. It's a different story for lower-income consumers, who are increasingly pinched by elevated price levels. The rising wealth effect has mostly evaded this cohort, as the bottom 50% own just 1.1% of corporate Equities and mutual fund shares held by households. The cost of home ownership continues to rise, portraying a housing market in which younger, less-affluent consumers are squeezed

Portfolio Considerations

High-income consumers remain well-equipped to keep spending, supporting economic growth and corporate profits. This strength should help keep overall consumption resilient, even as softness among lower-income consumers weighs on businesses serving that segment. From a positioning perspective, we remain more constructive on the Consumer Discretionary sector and less positive on Consumer Staples.

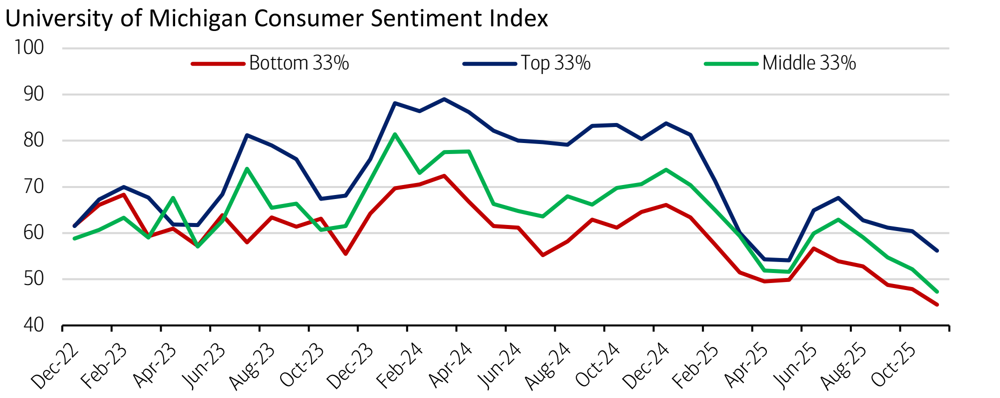
[6] Bureau of Labor Statistics. Data as of August 30, 2025. Latest data available.

[7] McKinsey & Company. Data as of August 29, 2025.

out—the median age of first-time homebuyers in the U.S. has climbed to a record of 40 years old,[8] while median monthly costs for U.S. homeowners with a mortgage have climbed to $2,035.[9] Less favorable employment trends could present another roadblock to wealth building, with the unemployment rate among high school graduates without a college degree standing at 4.3% in August.[10]

More moderate wage growth is adding to the pressure. Bank of America Institute data shows after-tax wage and salary growth for lower-income groups rose by 1.0% YoY in October, trailing the September consumer price index reading of 3.0% YoY. An estimated 29% of low-income consumers now live paycheck to paycheck, up from 27.1% in 2023.[11] Weaker consumption patterns have emerged against this backdrop, with spending for lower-income households rising by just 0.7% YoY in October according to the Bank of America Institute. Anecdotes from company earnings transcripts corroborate the trend, with a variety of fast-casual chains citing weaker demand from lower-income consumers as a factor behind disappointing sales in Q3. There's also signs of stress in credit card debt data—while 30-day delinquencies have risen across all geographies since early 2021, the lowest-income 10% of ZIP codes have seen a 63% increase versus a 44% increase in the highest-income 10% of ZIP codes.[12] Understandably, sentiment among lower-income consumers has taken a hit (Exhibit 3).

Exhibit 3: Sentiment By Consumer Income Level.



Source: University of Michigan, Bloomberg. Data as of November 12, 2025.

What does the "K-shaped" economy mean for investors? Higher-income households appear well positioned to sustain spending, backstopped by robust equity market gains, elevated home values and solid wage growth. This strength should help keep overall consumption resilient, even as softness among lower-income consumers weighs on businesses serving that segment. Looking ahead, relief for consumers across the income spectrum is expected in 2026 in the form of lower interest rates and tax benefits tied to the One Big Beautiful Bill Act.

That said, investors should be mindful of the risks inherent in this top-heavy dynamic. When aggregate consumption depends heavily on a relatively small, affluent cohort, the economy arguably becomes more vulnerable—any significant pullback by wealthier consumers could have an outsized impact. While the K-shaped economy may hold for now, the growing divide is worth monitoring.

[8] National Association of Realtors. November 4, 2025.

[9] U.S. Census Bureau American Community Survey. 2024 data as of September 11, 2025.

[10] Bureau of Labor Statistics. Data as of August 30, 2025. Latest data available.

[11] Bank of America Institute. November 10, 2023.

[12] Federal Reserve Bank of Saint Louis. Data as of Q1 2025. Latest data available.

RETURN TO FIRST PAGE

On Display: China's Balancing Act

Lauren Sanfilippo, Director and Senior Investment Strategist

The juxtaposition of the Singles Day online promotional period and October's export picture speaks volumes about China's economic crosscurrents in 2025. Singles Day generated an estimated ¥1.7 trillion ($238 billion) in sales this year—a 14% lift in spending from the prior year and a temporary boost to tepid consumption otherwise. This is following Beijing's onslaught of fiscal measures to incite its consumer base—through wage adjustments, childcare subsidies and trade-in programs—all in an effort to better balance its growth model to be leaning more toward consumption. Meanwhile, exports fell 1.1% in October, the first contraction in eight months, reflecting soft external demand and depressed shipments bound to the consumer of choice—the U.S. This duality—cautious household spending and tepid external trade—reinforces the structural challenge of transitioning from an export-led model to a more balanced growth path while also reinforcing our neutral positioning on the EMs.

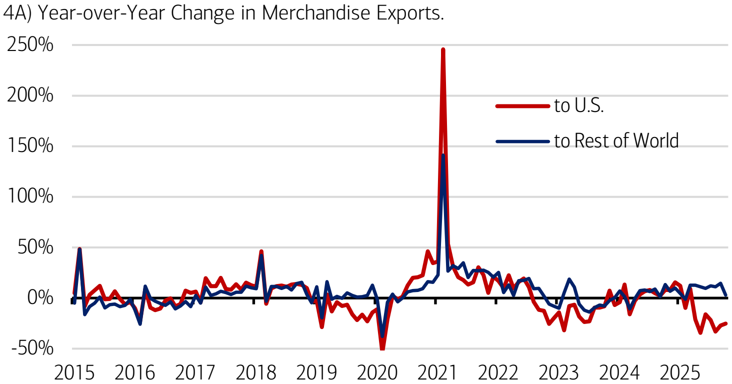
Trade tensions as told by October exports. Amid the Xi-Trump one-year trade truce hashed out at the end of last month, trade between the world's two largest economies remains fragile. As Exhibit 4A shows, China's exports to the U.S. were in double-digit decline—by -25% YoY in October (vs. -27% in September). Helping to partially cushion that decline in shipments to the U.S. was an increase of exports to other regions (all other trading partners grew exports by 3% in October), Exhibit 4B. Exports to the European Union (EU) moderated last month to 1% YoY (from 14% the prior month), and those to ASEAN[13] grew 10% YoY (from 16%). ASEAN remains one of China's largest trading partners, particularly as China redirects shipments to non-U.S. markets to mitigate U.S. tariffs. Related, countries involved in the Belt and Road Initiative are backfilling by contributing roughly 90% of China's export growth in the first nine months of the year.[14] Taken together, October's export picture reflects a giveback from previous front-running of tariffs and also seasonal adjustments like fading holiday orders. On the go forward, and barring any flareups, the easing of trade tensions likely paves the way for more normalized trade flows into 2026.

Investing Implications

China's long-term growth is anchored in its dominance of global manufacturing and exports in both low-end and high-end industries, with explicit ambitions to move up the industrial stack. This includes scaling capabilities in areas like AI chips and computing infrastructure. We remain constructive on sectors specifically aligned with this industrial upgrade.

Exhibit 4: China's Exports to the U.S. Have Been Weak in 2025 and Weakened Further in October.

4A) Year-over-Year Change in Merchandise Exports.



4B) China's October Export Snapshot, Year-over-year, %.

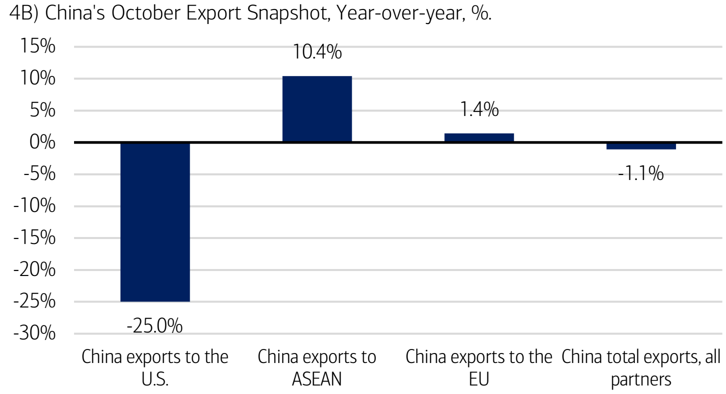


Exhibit 4A) Source: China's General Administration of Customs, Haver Analytics. Data as of November 12, 2025. Exhibit 4B) Source: Customs General Administration of China. Data as of November 2025.

Still, China's trade diversion is a risk to the rest of EM, with the possibility that an influx of low-priced Chinese exports will swamp importer's local production. Overall, fundamentals in China remain divorced from equity returns—the Shanghai Composite has ascended 25% this year (notably, more than ten percentage points higher than the S&P 500), while the China economy is mired by fixed-asset investment that is contracting and retail sales that are slowing overall, despite efforts to stimulate growth. For that reason, this reflects one good reason we are neutral on the EM asset class while constructive on certain sectors.

[13] ASEAN countries include Vietnam, Indonesia, Malaysia, Thailand, Singapore, Philippines, Myanmar, Laos, Brunei and Cambodia.

[14] BofA Global Research, November 2025.

RETURN TO FIRST PAGE

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	47,147.48	0.4	-0.8	12.4
NASDAQ	22,900.59	-0.4	-3.4	19.2
S&P 500	6,734.11	0.1	-1.5	15.8
S&P 400 Mid Cap	3,205.01	-1.1	-1.2	4.0
Russell 2000	2,388.23	-1.8	-3.6	8.3
MSCI World	4,343.64	0.5	-1.0	18.6
MSCI EAFE	2,819.42	1.7	0.9	27.7
MSCI Emerging Markets	1,385.61	0.3	-1.1	31.4

Fixed Income†

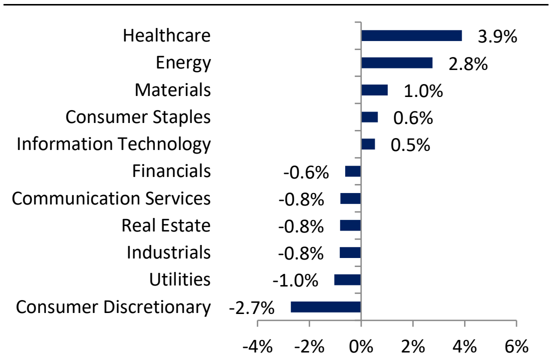
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	4.27	-0.22	-0.25	6.24
Agencies	4.03	-0.09	0.08	5.49
Municipals	3.57	0.09	0.18	4.10
U.S. Investment-Grade Credit	4.39	-0.24	-0.21	6.57
International	4.89	-0.24	-0.43	6.83
High Yield	6.90	0.05	-0.24	7.13
90 Day Yield	3.88	3.84	3.80	4.31
2 Year Yield	3.61	3.56	3.57	4.24
10 Year Yield	4.15	4.10	4.08	4.57
30 Year Yield	4.75	4.70	4.65	4.78

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	273.44	1.7	1.8	14.6
WTI Crude $/Barrel††	60.09	0.6	-1.5	-16.2
Gold Spot $/Ounce††	4084.06	2.1	2.0	55.6

	Total Return in USD (%)			
Currencies	Current	Prior Week End	Prior Month End	2024 Year End
EUR/USD	1.16	1.16	1.15	1.04
USD/JPY	154.55	153.42	153.99	157.20
USD/CNH	7.10	7.13	7.12	7.34

S&P Sector Returns



Sources: Bloomberg, Factset. Total Returns from the period of 11/10/2025 to 11/14/2025. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 11/14/2025 close. Data would differ if a different time period was displayed. Short-term performance shown to illustrate more recent trend. **Past performance is no guarantee of future results.**

Economic Forecasts (as of 11/14/2025)

	Q1 2025A	Q2 2025A	Q3 2025A	Q4 2025E	2025E	2026E
Real global GDP (% y/y annualized)	-	-	-	-	3.2	3.0
Real U.S. GDP (% q/q annualized)	-0.6	3.8	2.7*	1.6	2.0	1.9
CPI inflation (% y/y)	2.7	2.5	2.9*	3.0	2.8	2.9
Core CPI inflation (% y/y)	3.1	2.8	3.1*	3.1	3.0	3.0
Unemployment rate (%)	4.1	4.2	4.3*	4.4	4.2	4.5
Fed funds rate, end period (%)	4.38	4.38	4.13	3.88	3.88	3.13

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

A = Actual. E = Estimate. *Data as of November 14, 2025.

Sources: BofA Global Research; GWIM ISC as of November 14, 2025.

Asset Class Weightings (as of 10/7/2025)

	CIO View				
Asset Class	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					

CIO Equity Sector Views

	CIO View				
Sector	Underweight		Neutral		Overweight
Financials					●
Utilities				●	
Consumer Discretionary				●	
Industrials				●	
Communication Services			●		
Information Technology			●		
Real Estate			●		
Healthcare		●			
Consumer Staples		●			
Materials		●			
Energy	●				

*Many products that pursue Alternative Investment strategies, specifically Private Equity and Hedge Funds, are available only to qualified investors. CIO asset class views are relative to the CIO Strategic Asset Allocation (SAA) of a multi-asset portfolio. Source: Chief Investment Office as of October 7, 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. Not all recommendations will be in the best interest of all investors.

RETURN TO FIRST PAGE

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 is a stock market index tracking the stock performance of 500 leading companies listed on stock exchanges in the United States.

Shanghai Composite Index is a stock market index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange.

Consumer Price Index is a measure of the average change over time in the prices that urban consumers pay for a market basket of goods and services, indicating inflation or deflation.

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.

Bank of America Institute is a think tank dedicated to uncovering powerful insights that move business and society forward. Drawing on data and resources from across the bank and the world, the Institute delivers important, original perspectives on the economy, sustainability and global transformation. Bank of America Institute views are not the product of the BofA Global Research department or any other department of Bank of America Corporation or its affiliates and/or subsidiaries.

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. 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. 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. 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 (AMT). 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. Bonds are subject to interest rate, inflation and credit risks. 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. There are special risks associated with an investment in commodities, such as gold, including market price fluctuations, regulatory changes, interest rate changes, credit risk, economic changes and the impact of adverse political or financial factors.

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

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

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

RETURN TO FIRST PAGE