CHIEF INVESTMENT OFFICE

Capital Market Outlook

November 24, 2025

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

IN THIS ISSUE

Macro Strategy—*Wealth Effects Increasingly Driving the U.S. Economy:* As the U.S. economy transitions from growth in the physical world to more growth in the virtual world, wealth accumulation has begun to accelerate and is increasing the role of the equity market for sustaining consumer spending. This is contributing to the K-shaped nature of the current economic expansion because equity ownership is disproportionately concentrated in the top tercile of the income distribution. The transition of more and more gross domestic product (GDP) growth into the virtual world is amplifying this three-decade old trend that began with the creation of the internet in the mid-1990s.

Market View—*5 More Considerations for Building Resilient Portfolios:* This latest episode of volatility underscores just how valuable diversification can be for portfolios. While a concentrated market can deliver outsized gains when its leaders excel, it also carries heightened downside risks when sentiment shifts abruptly. With the innovation cycle still only in an early- to mid-inning, the runway ahead for transformative growth could be long. That may suggest more volatility ahead as markets recalibrate expectations along the way, as uncertainty around the ultimate timeline and scalability of the impact of this technological revolution persists. Building resilient portfolios for the future will therefore require embracing innovation while also enhancing stability. Consider the five additional portfolio considerations below heading into 2026.

Thought of the Week—*A Thriller on Steroids: Taking Stock of the S&P 500 and the "Roaring and Roiling 2020s"*: If we had to describe the performance of the S&P 500 this decade, our byline would read like this: an action-packed thriller with the protagonist scaling any wall of worry. Despite incessant challenges—from a global pandemic to a ground war in Europe to the unwinding of the post-war global trading system—U.S. Equities have pushed higher as assets reprice and households and corporates regroup and recalibrate. Of course, market resets can be jagged and painful but have largely represented potential buying opportunities given corporate America's ability to pivot and adjust, driving corporate earnings still higher. We believe the roaring 2020s are set to continue as U.S. companies embrace innovation and its attendant impact on productivity and corporate profit margins. There will be volatility along the way, but our hunch is that our protagonist (the S&P 500) will likely continue to defy the doom mongers.

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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.

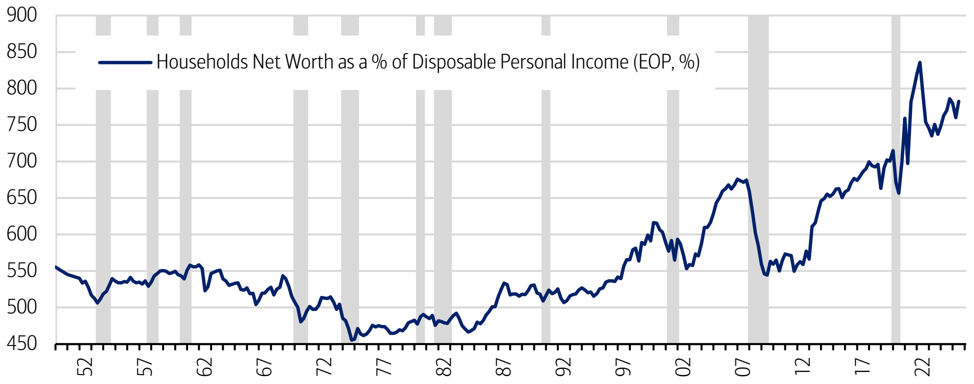
Wealth Effects Increasingly Driving the U.S. Economy

Chief Investment Office, Macro Strategy Team

For the first half century after World War II, wealth and income grew at similar rates, as can be seen in Exhibit 1, which tracks the ratio of household net worth to disposable personal income since the late 1940s. This ratio fluctuated mainly around five up until the mid-1990s. Economists could rely on this roughly five dollars of wealth for every dollar of spendable income to estimate a stable wealth effect of about four percent: that is, every dollar of wealth increase was associated with about four cents of additional consumption spending.

With the advent of the internet and the accelerating transition of U.S. GDP growth into the virtual world, that stable or stationary relationship between wealth and income has ended. Instead, the ratio of wealth to income has been steadily rising, with more extreme cyclical variation associated with the increased role of wealth bubbles in the macro cycle: (1) the late 1990s internet bubble; (2) the mid-aughts real estate bubble; and (3) the big AI build-out (Exhibit 1). Former Fed Chairman Alan Greenspan sensed the profound nature of this structural shift for the economy, noting that the marginal unit of GDP growth was becoming "lighter" in weight as economic growth shifted from physical output toward services generally and the production of information services increasingly in the virtual world that the internet makes possible.

Exhibit 1: Wealth Growing Faster than Income Since 1995.



Sources: Federal Reserve Board/Haver Analytics. Data as of September 11, 2025.

Even if the old stable four percent wealth effect prevailed in the new world of increasing wealth relative to income, the rise over the past three decades in the ratio of wealth to income would imply a substantial rise in consumption relative to income. There are good reasons, however, to believe that consumption will be even greater than that old stationary relationship would suggest.

For example, the propensity to consume out of wealth naturally rises as savers move into their retirement years. Some estimates find the propensity to consume out of retiree wealth is more like 10% than the average 4% for the overall population. It follows that the overall average will rise as more retirees make up the population, as is now the case compared to earlier years. Since "baby boomers" are now in the 60- to almost 80-year range, wealth effects are more significant than they were before. Combined with the much higher ratio and growth of wealth relative to income, the "surprise" resiliency of consumption despite weaker job growth is not surprising after all. The mix of consumption confirms this as travel and leisure stocks, for example, have remained in the top tier of performance among the Dow Jones Industrial groups over the past two years.

The increasing role of wealthier older consumers that has emerged over the past year or two was masked by the pandemic distribution of cash to lower income groups that supported their spending beyond the limits of their earned income. As those payments have dried up, the K-shaped nature of consumption spending has become more apparent, especially after three years of equity outperformance that ranks in the top 10% of all three-year periods.

The rising trend in wealth relative to income reflects more than just the demographic spike in retirees with high life-time swings. It also reflects the changing mix of labor and capital

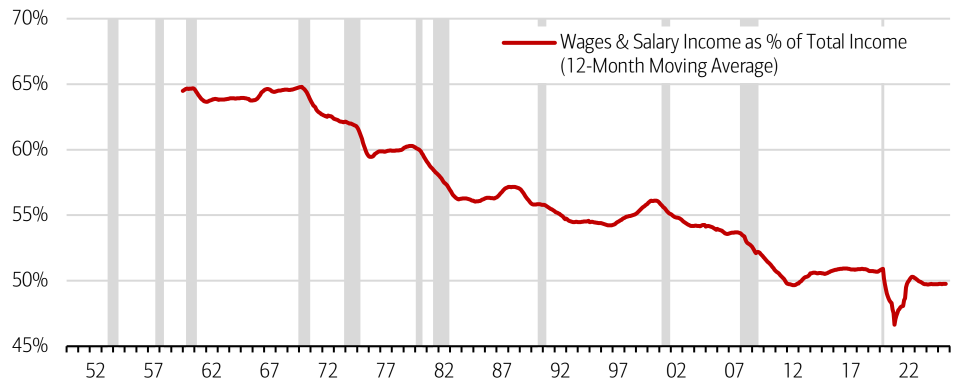
Investment Implications

Ownership of stakes in the companies propelling the U.S. economy into an increasingly virtual world and enhancing the efficiency of traditional physical world output productivity will help people hedge against the loss of traditional jobs that AI could replace.

income, which is a feature of the technological revolution under way as information processing technology approaches the inflection point futurologists have been predicting for decades, the so-called "singularity" when machine intelligence leapfrogs biological human intelligence.

Exhibit 2 shows the share of wage and salary income compared to overall income, basically the mix of labor or job income and capital or wealth-generated income. Labor income has declined from 65% of the pie after World War II to about 50% today. Scale effects evident, for example, in the increasing share of earnings (capital income) garnered by the largest companies imply more and more capital income concentrated in the owners of companies with much higher ratios of capital to labor income.

Exhibit 2: Labor Income Share Shrinking As Wealth-Generated Capital Income Takes Share.



Sources: Federal Reserve Board/Haver Analytics. Data as of September 26, 2025.

AI is extending a trend that the internet has propelled for the past three decades. Human capital is the factor of production that produces labor income while capital or wealth is the factor of production that produces capital income. As capital (wealth) increases relative to labor, it's natural for capital income to rise relative to labor income. The eternal search to make more with less is shifting the growth of income from labor to capital.

The U.S. is fortunate to have a history of relative peace and political stability, unlike most of the other major economies in the world that have seen their accumulation of wealth disrupted or destroyed by wars and political instability over the past century. The U.S. also benefits from having much more Equity-oriented capital markets compared, for example, to Europe, where debt plays a much bigger role in portfolios. In addition, the U.S. business environment seems to foster more innovation than that of other regions which tend to lag in applying technical progress to markets. It helps explain why a country with only about 5% of the world's population accounts for over half of global equity market capitalization. An ownership economy is a key way to perpetuate the U.S. success in raising living standards.

The widespread public awareness of the equity market in the U.S. has been strengthened by the shift from defined benefit pensions to individual retirement accounts over the past 50 years, or so. This puts the U.S. public well positioned for a future with more and more of GDP generated from capital rather than labor income. Countries with less of an equity culture are likely to find it more difficult to adjust to a world where labor has a harder time sharing in the increasing bounty of capital income the new technologies make possible.

Widespread equity ownership makes it possible to address the problems AI creates for jobs in the future. Other countries without this equity ownership culture are more likely to resort to government redistribution programs, with all the problems they create for the capital accumulation and economic growth that raises living standards over time. The widening gap between U.S. and European incomes illustrates this difference, which technological progress is only likely to exacerbate unless the European Union makes much needed structural reforms to boost economic dynamism.

Initiatives to broaden equity ownership across the population are a basic way to maintain the advantages the U.S. has enjoyed while building the most productive economy in the world. Properly managed AI has the potential to create a future of abundance widely shared.

MARKET VIEW

5 More Considerations For Building Resilient Portfolios

Kirsten Cabacungan, Vice President and Investment Strategist

Stocks paused their steady climb with a modest pullback in recent weeks. Concerns over stretched AI valuations and scaled back expectations for a December Fed rate cut weighted on investor sentiment, sending the S&P 500 down as much as 5% from its late-October all-time high and the Nasdaq down as much as 7% as Technology stocks led the retreat. Both indexes also took some technical damage, falling below their 50-day moving averages for the first time since April. Still, the pullback remains relatively shallow compared to the S&P 500's more than 30% rebound in the aftermath of April 8 low. In fact, a breather may have even been overdue since the S&P 500 has managed to avoid any setback greater than 5% over the last six months of consecutive monthly gains.

For now, signs of a deeper slowdown in the market appear contained as some uncertainty has been taken off the table. NVIDIA reported record revenue during Q3 and increased forward guidance, outstripping analyst expectations. Despite some market choppiness, the upbeat results help to restore a tentative sense of confidence behind the durability of AI spending. Still, the recent rough patch was not the first time the AI-driven market has been tested over the last few years and will likely not be the last, particularly as long as AI leaders maintain lofty valuations and as market breadth remains narrow.

This latest episode of volatility underscores just how valuable diversification can be for portfolios. While a concentrated market can deliver outsized gains when its leaders excel, it also carries heightened downside risks when sentiment shifts abruptly. With the innovation cycle still only in an early- to mid-inning, the runway ahead for transformative growth could be long. That may suggest more volatility ahead as markets recalibrate expectations along the way as uncertainty around the ultimate timeline and scalability of the impact of this technological revolution persists.

Building resilient portfolios for the future will therefore require embracing innovation while also enhancing stability. The September 15 Capital Market Outlook outlined five portfolio considerations for the year aimed at helping find the right balance between the two within portfolios, including: **One:** Take advantage of equity market volatility; **Two:** Lean into megatrends shaping the future; **Three:** Tap into higher bond yields for income; **Four:** Focus on diversification; and **Five:** Remember, patience can help. Consider these additional five below as we head into 2026:

Six: Broaden equity exposure. Today, the top 10 companies in the S&P 500 make up nearly 40% of the index, a sharp increase from their 25% share at the market peak before the pandemic. This concentration though has not been all bad. In fact, the top 10 companies have accounted for roughly 60% of the index's more than 13% total return this year and the more than 93% total return since the start of the bull market.[1] Concentration, however, paired with stretched valuations, can heighten the market's sensitivity to sentiment shifts. Broadening exposure globally beyond the U.S., for example, has paid off this year. The MSCI All-Country World excluding the U.S. Index is outperforming the U.S. index by more than 11 percentage points year-to-date on a net total return basis (Exhibit 3A), for its widest outperformance in 16 years. While we maintain a U.S. bias, given more pro-growth policy tailwinds heading into 2026 and as the U.S. remains the leader in technological innovation, diversifying equity exposure across regions as well as across size, styles, sectors and themes remains a critical tool to strengthening portfolio resilience over the longer term.

Portfolio Considerations

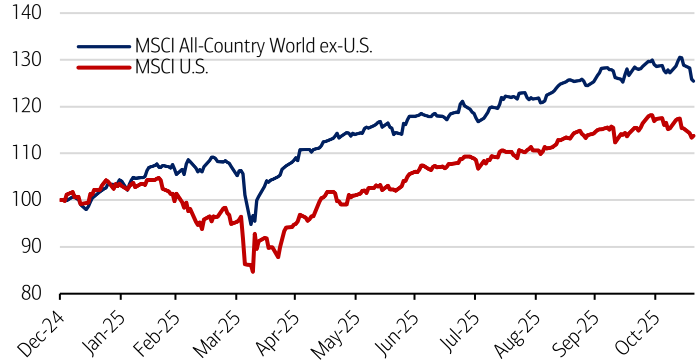
We remain overweight Equities relative to Fixed Income and continue to emphasize a well-diversified portfolio that incorporates exposures across regions, styles, size and sectors. We maintain a preference for new investment toward Venture Capital and Growth Equity strategies given their direct ties to the AI and related innovation themes, offering exposure beyond the public hyperscaler companies.

[1] Bloomberg. Data as of November 21, 2025.

Exhibit 3: Consider Diversifying Portfolios.

A) International markets have outpaced the U.S.

Indexed to 100 (Dec 31, 2024)



B) Dividends may play a larger role in returns ahead.

S&P 500 Annualized Total Return By Decade

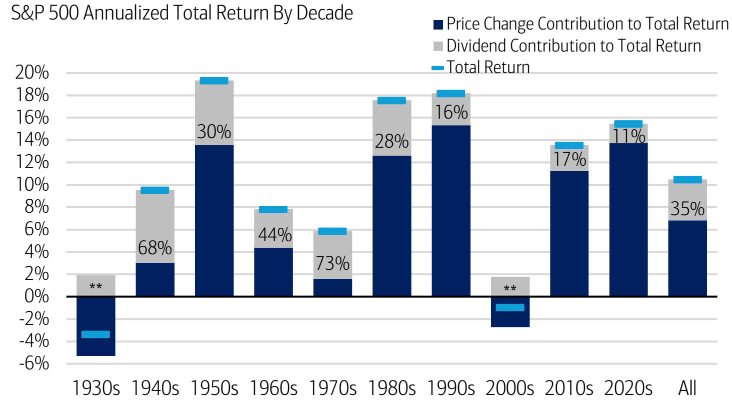


Exhibit 3A) Source: Bloomberg. Data as of November 19, 2025. Exhibit 3B) Source: Bloomberg. Data as of October 31, 2025. **Past performance is no guarantee of future results.** Please refer to index definitions at the end of this report. It is not possible to invest directly in an index.

Seven: Prioritize quality. Focus on investment segments and companies that maintain durable business models, competitive advantages, strong profitability, healthy balance sheets, low financial leverage and free cash-flow generation. These types of companies may be better positioned during periods of heightened uncertainty. While the Quality factor has underperformed Momentum and the broader U.S. market this year, it still maintains a significant lead since the start of this bull market, outpacing Momentum and the broader U.S. market by 37and 15 percentage points respectively.[2] As this cycle progresses, companies with solid fundamentals will likely come into more focus, especially if bubble concerns persist.

Eight: Embrace dividend growers. Dividend strategies represent a cornerstone of portfolios, offering both a steady stream of income and upside potential. Thanks to the power of compounding, dividends have been a significant contributor to total returns, accounting for roughly 37% of annualized S&P 500 total return since 1930 (Exhibit 3B). But in the 2010s, dividend contribution has amounted to just 17%, while low interest rates propped up equity valuations. Moving into the next half of this decade, dividends may start to play a larger role in total returns as further expansion of valuation multiples from today's premium levels could prove increasingly more of a challenge going forward.

Nine: Access themes in the private markets. The next set of market leaders across the value chain for AI and other megatrends could be incubating in the private markets, particularly as companies stay private longer. AI and machine learning now account for more than 60% of U.S. Venture Capital (VC) deal activity, up from less than 30% in 2022.[3] That underscores that the opportunity set to invest in these structural themes is much wider than just the public market. Looking ahead, capital flows toward private market investments could also accelerate as access to Alternative Investments (Alts), for qualified investors, expands, supported by ongoing efforts by the Administration to "democratize" access within 401(k) offerings.[4]

Ten: Consider gold as a portfolio overlay. Gold has rallied sharply this year due to a confluence of factors including geopolitical risks, stagflation concerns, strong central bank buying amid a multi-year trend to diversify reserves, and a large U.S. fiscal deficit. Given persistent concerns over global government deficits and debt sustainability, gold may continue to see fundamental support forward.

Bottom line: The AI theme is unlikely to abate easily in the years ahead, especially with strong earnings at its back. To navigate this cycle, we emphasize a disciplined investment process, diversification and avoiding overexposure to any one area.

[2] Quality measured by MSCI USA Quality Net Total Return (NTR). Broader market measured by MSCI USA NTR. Momentum measured by MSCI USA Momentum NTR. Current bull market began October 2022. Bloomberg. Data as of November 21, 2025.

[3] Pitchbook; Chief Investment Office, Q3 2025 Alternative Investments Spotlight. Data as of July 31, 2025.

[4] The White House, "Democratizing Access to Alternative Assets for 401(K) Investors." Executive Orders. August 7, 2025.

THOUGHT OF THE WEEK

A Thriller on Steroids: Taking Stock of the S&P 500 and the "Roaring and Roiling 2020s"

Joseph Quinlan, Managing Director and Head of CIO Market Strategy

"There are decades when nothing happens, and there are weeks where decades happen."
Vladimir Lenin

If we had to describe the performance of the S&P 500 this decade, our byline would read like this: an action-packed thriller on steroids, with the protagonist always able to scale any wall of worry, carrying on in the face of incessant uncertainties and challenges. Apocalypse avoided.

A pandemic. A ground war in Europe. A spike in global inflation. The unwinding of globalization. A major U.S. bank failure. The release of ChatGPT. The return of big governments, big deficits and big debt. War in the Middle East. Trump 2.0. And the stunning embrace of U.S. trade protectionism (tariffs) upending the global trading system of the post-war era. What hasn't been thrown at this market this decade?

But chuck anything you like at it, as Exhibit 4 depicts, each major shock of this decade has been followed by a robust push higher in U.S. Equities as assets reprice and households, companies and countries regroup and recalibrate. These market resets, to be sure, are jagged and painful but in general they are extraordinary potential buying opportunities given the resiliency and capacity of Corporate America to pivot and adjust, delivering better-than-expected earnings growth. To wit, forward earnings of the S&P 500 are up 72% this decade, nearly two and a half times that of the rest of the world.[5]

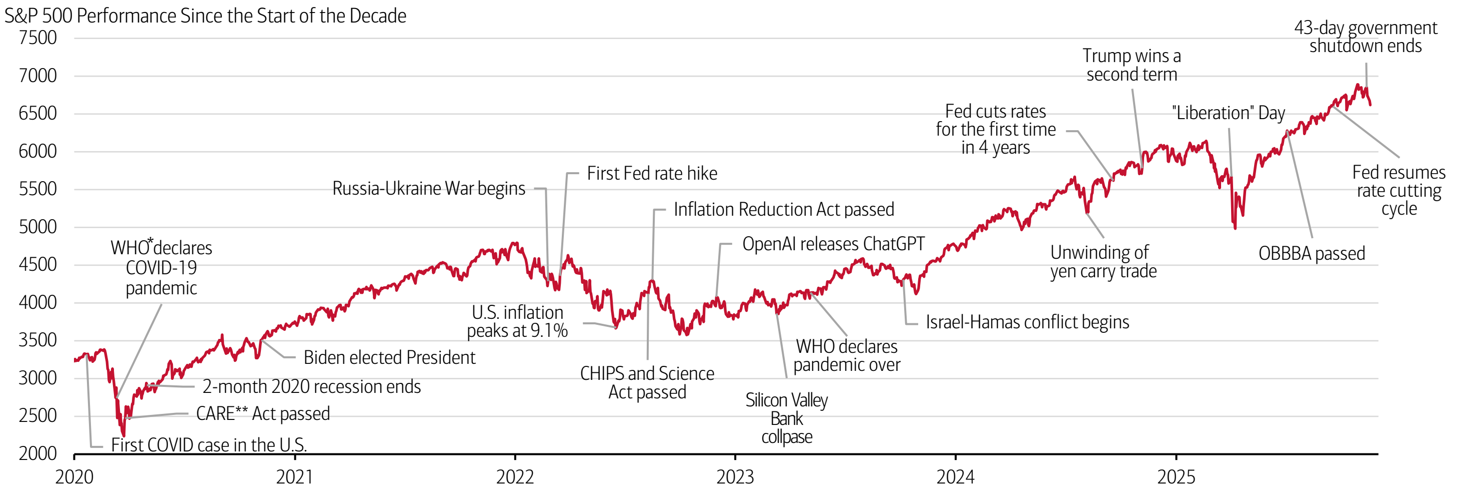
The 2020s has seen U.S. companies aggressively embrace leaner cost bases, higher levels of automation and innovation, and more flexible supply chains. They continue to lead the world in the adoption of AI and the buildout of the digital economy. Meanwhile, given the ruthless efficiency of the U.S. economy, zombies are shot (failed firms are allowed to die), while America's one-of-a kind venture capital ecosystem incubates tomorrow's corporate leaders. The upshot: higher productivity-cum-rising corporate profit margins, and a stock market that continues to defy the doom mongers.

In the end, this thriller isn't over. The Roaring 2020s are set to continue into 2026. There will be turbulence and volatility, but our hunch is that our protagonist (the S&P 500) will likely continue to surmount myriad dangers/challenges and carry on.

Investing Implications

We continue to center portfolios around U.S. Equities because of our conviction in corporate America's ability to adjust and drive profits in the face of uncertainty and volatility. This fundamental backdrop will be a key theme of 2026 and beyond in our view.

Exhibit 4: Charting the Roaring and Roiling 2020s.



*World Health Organization. **Coronavirus Aid, Relief, and Economic Security. Source: Bloomberg. Data as of November 19, 2025. **Past performance is no guarantee of future results.** Please refer to index definitions at the end of this report. It is not possible to invest directly in an index.

[5] Rest of the world refers to the MSCI All-Country World Index excluding the U.S. Source: Bloomberg. Data as of November 19, 2025.

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	46,245.41	-1.8	-2.6	10.3
NASDAQ	22,273.08	-2.7	-6.1	16.0
S&P 500	6,602.99	-1.9	-3.4	13.6
S&P 400 Mid Cap	3,183.40	-0.6	-1.8	3.3
Russell 2000	2,369.59	-0.8	-4.3	7.5
MSCI World	4,242.67	-2.3	-3.3	15.8
MSCI EAFE	2,723.25	-3.4	-2.5	23.4
MSCI Emerging Markets	1,333.96	-3.7	-4.8	26.5

Fixed Income†

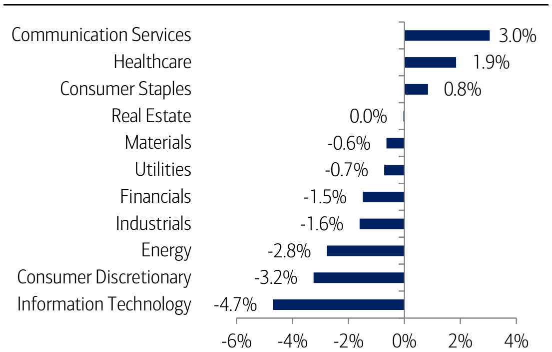
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	4.19	0.46	0.21	6.74
Agencies	3.95	0.36	0.44	5.87
Municipals	3.60	-0.09	0.08	4.00
U.S. Investment-Grade Credit	4.30	0.45	0.24	7.05
International	4.83	0.40	-0.03	7.26
High Yield	6.90	0.03	-0.22	7.16
90 Day Yield	3.82	3.88	3.80	4.31
2 Year Yield	3.51	3.61	3.57	4.24
10 Year Yield	4.06	4.15	4.08	4.57
30 Year Yield	4.71	4.75	4.65	4.78

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	269.69	-1.4	0.4	13.0
WTI Crude $/Barrel††	58.06	-3.4	-4.8	-19.0
Gold Spot $/Ounce††	4065.14	-0.5	1.6	54.9

	Total Return in USD (%)			
Currencies	Current	Prior Week End	Prior Month End	2024 Year End
EUR/USD	1.15	1.16	1.15	1.04
USD/JPY	156.41	154.55	153.99	157.20
USD/CNH	7.11	7.10	7.12	7.34

S&P Sector Returns



Sources: Bloomberg, Factset. Total Returns from the period of 11/17/2025 to 11/21/2025. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 11/21/2025 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 11/23/2025)

	Q1 2025A	Q2 2025A	Q3 2025A	Q4 2025E	2025E	2026E
Real global GDP (% y/y annualized)	-	-	-	-	3.4	3.3
Real U.S. GDP (% q/q annualized)	-0.6*	3.8*	2.7	1.4	2.0	2.4
CPI inflation (% y/y)	2.7*	2.5*	2.9	3.0	2.8	2.9
Core CPI inflation (% y/y)	3.*	2.8*	3.1*	3.1*	3.0*	3.*
Unemployment rate (%)	4.1*	4.2*	4.3	4.5	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 23, 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.

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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.

S&P 500 Annualized Total Return Index is a total return index that reflects both changes in the prices of stocks in the S&P 500 Index as well as the reinvestment of the dividend income from its underlying stocks.

MSCI All-Country World excluding the U.S. Index captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 24 Emerging Markets (EM) countries.

MSCI U.S. Index is designed to measure the performance of the large and mid cap segments of the US market.

Quality/MSCI USA Quality Net Total Return Index aims to capture the performance of quality growth large- and mid-cap stocks by identifying stocks with high quality scores based on three main fundamental variables: high return on equity, stable year-over-year earnings growth and low financial leverage and the reinvestment of the dividend income from its underlying stocks.

Broader market/MSCI USA Net Total Return Index is designed to measure the performance of the large and mid cap segments of the US market and the reinvestment of the dividend income from its underlying stocks.

Momentum/MSCI USA Momentum Net Total Return Index is designed to reflect the performance of an equity momentum strategy by emphasizing stocks with high price momentum, while maintaining reasonably high trading liquidity, investment capacity and moderate index turnover and the reinvestment of the dividend income from its underlying stocks.

NASDAQ Index is a market-capitalization-weighted stock market index that tracks the performance of all common stocks listed on the Nasdaq stock market.

Dow Jones Industrial Average Index is a stock market index that tracks the performance of 30 large, publicly traded U.S. companies.

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

Dividend payments are not guaranteed, and are paid only when declared by an issuer's board of directors. The amount of a dividend payment, if any, can vary over time.

Investments have varying degrees of risk. Some of the risks involved with equity securities include the possibility that the value of the stocks may fluctuate in response to events specific to the companies or markets, as well as economic, political or social events in the U.S. or abroad. 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.

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