CHIEF INVESTMENT OFFICE

Capital Market Outlook

January 20, 2026

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

IN THIS ISSUE

Macro Strategy—*Structural Changes Raise the Floor Under U.S. Growth:* Despite elevated policy uncertainty, the risk-asset outlook remains compelling. Nominal growth has reaccelerated after the tariffs shock, productivity has surprised to the upside, and forward earnings for the S&P 500 Index have kept moving to new highs. With strong productivity-driven growth, firm capital spending in the economy of the future, and new stimulus in the pipeline, the balance of risks is tilted to the upside, consistent with sustained expansion and healthy profits growth. The Citi Economic Surprise Index shows incoming data beating expectations both here and, especially, abroad.

Market View—*Double Speak: Despite Talking About De-Dollarization, the World Keeps Buying U.S. Assets:* The dollar debasement trade was a defining theme in 2025. The more the dollar tanked last year, the more talk of de-dollarization and the end of American exceptionalism. Yet despite the onslaught of headlines screaming of the dollar's demise and lack of demand for America's debt, reality proved different: As the world was chattering about ditching the dollar, foreign investors were digging deeper into U.S. securities. That's the lesson from the latest flow of funds data from the Federal Reserve (Fed), which shows that foreign ownership of U.S. securities hit a record $35 trillion at the end of Q3 2025.

The bottom line is, despite an uncertain policy backdrop in the U.S., foreign demand for U.S. securities remains healthy because the U.S. economy is still among the strongest, most resilient and most innovative economies in the world. The growth gap between the U.S. and the rest of the world has only widened this decade, and we'd expect this divergence to continue. Inflows should remain robust this year—which is also a reminder that debt-laden America has a lot riding on investors overseas. In the end, foreign investors, while talking about de-dollarizing their holdings, have been slow to act.

Thought of the Week—*The Party Isn't Over: Putting this Bull in Perspective*. Over the last 75 years, the S&P 500 has generated an annualized total return of 11.7%. The 2020s have been even better, with the major U.S. benchmark flexing an annualized 15.3% total return this decade. But after three straight years of strong returns and with valuations still elevated, many investors may be left thinking: the party must be over soon.

We think not. Yes, aided by ample liquidity and solid earnings growth, U.S. Equities have run far and fast over the last few years. That said, bull markets often last for longer than investors expect. The average bull market in the post-war era has lasted around 5.5 years—with potential to run far longer in periods of technological innovation and productivity gains. Now 3.3 years into this bull, we think there's room to run owing to higher nominal growth and strong productivity gains driven in part by Artificial Intelligence (AI). With S&P 500 profit margins at record highs, the setup is ripe for another year of solid returns led by double-digit earnings growth. While not without risks, the party isn't over in our view. Stay long U.S. Equities.

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Portfolio Considerations

We expect the equity market uptrend to extend further in 2026, supported by four key catalysts: above-average capital spending, double-digit S&P 500 Index earnings growth, significant productivity gains, and resilient consumer spending. Additional momentum from improved business activity and deal flow, fiscal stimulus, lower rates, and potential deregulation should further reinforce the bull market.

We start 2026 with an overall Equity overweight, upgrading Emerging Markets to overweight, trimming U.S. Large-cap Value, downgrading International Developed (while keeping Japan slightly overweight and reducing UK), and shifting Healthcare to neutral while cutting Real Estate to underweight.

From a Fixed-Income perspective, we are slightly underweight all Fixed Income subsectors in multi-asset portfolios.

MACRO STRATEGY

Structural Changes Raise The Floor Under U.S. Growth

Chief Investment Office, Macro Strategy Team

As discussed in past reports, a combination of large deficit spending and major U.S.-led reordering of global trade and investment flows has supported economic growth and profits at home and abroad. Together with strong productivity, a healthy private sector balance sheet and powerful wealth effects, these forces appear to have kept U.S. real gross domestic product (GDP) growth closer to its 2.5% potential in 2025 than generally anticipated. As a result, despite sharply higher tariffs and policy uncertainty, the economy has remained at full employment with contained inflation.

Resilient nominal GDP and corporate revenue growth in the context of restrained labor input and strong productivity have driven better-than-anticipated corporate profits. According to the Bureau of Economic Analysis (BEA), Q3 pretax domestic nonfinancial profits managed to increase 3% year-over-year (YoY) despite tariff drags. Stronger financial sector profits performance and a sharp 17% YoY increase in profits earned abroad helped lift total pretax corporate profits by 9% in Q3—exceeding their 30-year average growth pace of 7%.

This composition has greatly benefited S&P 500 earnings given their roughly 40% overseas earnings exposure. A favorable growth outlook and rising forward earnings per share estimates have thus pushed the index to new highs with limited further multiple expansion. Here are some details explaining where we are and why we maintain a positive view on growth and risk assets:

- **Solid profits** have been strengthening balance sheets and reducing credit risks, as rock-bottom credit spreads continue to indicate. They also provide fuel for hiring and capital spending, reinforcing the positive GDP profits feedback loop already in place.
- **Labor constraints.** An aging population and sharply lower immigration are restraining labor-force growth, with unemployment dipping to 4.4% in December despite modest employment gains. Businesses have responded to labor force and tariff headwinds by relying more on productivity and efficiency.
- **Wage moderation.** With soft hiring and fading confidence in finding better-paying jobs, the quits rate has fallen significantly. Add in AI competition, and average hourly earnings growth has already eased to a pace consistent with the Fed's 2% inflation target, reducing pressure for rate hikes.
- **Fiscal support.** To sustain spending amid slower hiring and wage growth, households reduced the personal saving rate from 5.5% in April to 4% in September. Relief is coming, though. Minimum wage increases take effect in 20 states this year, and households are also set to start receiving meaningful support from the One Big Beautiful Bill Act (OBBBA). Retroactive tax refunds for 2025 are expected to both boost consumption and rebuild savings buffers.
- **Hiring stabilization.** Layoffs remain low, layoff announcements have declined, and the December Institute for Supply Management nonmanufacturing new orders and employment indexes rebounded strongly back into expansion, suggesting hiring conditions may have bottomed.
- **Cost relief.** Household energy spending remains at historic lows relative to income despite rising electricity prices. Shelter inflation has normalized—partly as the departure of millions of undocumented immigrants helped ease pressure on historically low housing vacancy rates. Also, lower mortgage rates have lifted refinancing and home equity extraction even ahead of recent initiatives aimed at additional mortgage relief.
- **Wealth effects.** Part of wealth effects more broadly, baby boomers' financial support to their heirs—along with their own greater spending—especially on leisure, travel, healthcare, housing and other services—has played a key role in keeping 2025 real consumer demand near its 2.5% long-term average despite headwinds from tariffs and softening labor income growth. Holding an unprecedented share of household wealth—about $85 trillion, or half the household net worth[1]—boomers (now age 60 to 80) are

Investment Implications

The environment still favors risk assets related to industrials, automation, financials, utilities and domestically oriented cyclicals that stand to benefit from an activist industrial policy, structural changes in the economy, and favorable financial conditions.

[1] Yardeni Research, January 5, 2026.

expected to provide a durable structural economic tailwind. Indeed, their share of spending is projected to expand further over the next three years. More will then turn older than 75, when people tend to spend less (Exhibit 1A) and more of their wealth will start to be transferred to younger generations. Boomers' spending should on average remain disciplined by higher longevity, elevated healthcare cost, and concerns over the viability of government retirement programs. Indeed, when spread over about 75 million boomers, an average $1.3 million net worth per capita doesn't appear extreme. It's also highly unevenly distributed, and much of it is illiquid.

- **Business investment rising.** Strong productivity has supported growth, eased inflation pressures, and allowed the Fed to resume rate cuts in 2025. We expect productivity to average about 2% for the foreseeable future as firms are responding to a still strong dollar, labor constraints, and global competition by investing in efficiency, automation, and higher value-added output to remain viable.

  Real U.S. business investment rose at a slightly below average pace in the first three quarters of 2025, for which we have data, restrained by moderate domestic corporate profits growth, global oil oversupply, and fewer green-energy incentives. Still, real equipment investment rose a solid 8% year over year, according to BEA, led by information processing equipment, which surged nearly 20% in Q3. Investment remains focused on the economy of the future: data centers, semiconductor fabs, power-grid equipment, defense, and other strategic capacity prodded by U.S. industrial policy. Investment in intellectual property—now about half of total investment—reaccelerated to a solid 6% year over year growth in Q3.

In sum, the damage from tariffs has been less than feared as the effective tariff rate has settled near 12%, about half of earlier estimates. Financial conditions remain supportive, consumer spending is poised to receive additional fuel, and real business equipment investment remains firm.

U.S. industrial policy, a rising share of government transfers in household income (19% vs. 12% in 1985, Exhibit 1B), strong wealth effects, and a solid services-heavy consumption base seem to have created an economy with a higher and sturdier growth floor. How high the inflation and interest-rate floor ultimately prove to be will depend on whether government stimulus and intervention expand much beyond OBBBA and whether the Fed remains committed to its 2% inflation target. For now, "core" consumer price inflation remains contained, keeping the Fed from restraining growth and allowing the expansion to continue.

Exhibit 1: Growing Role of Government in the Economy and Wealth Effects Help Growth Surprise to Upside.

A) Baby Boomers—the wealthiest cohort, but not the largest anymore, and aging. Still, their spending power and intergenerational wealth transfers create growth tailwinds.

B) Growing share of social benefits is also a stabilizing force.

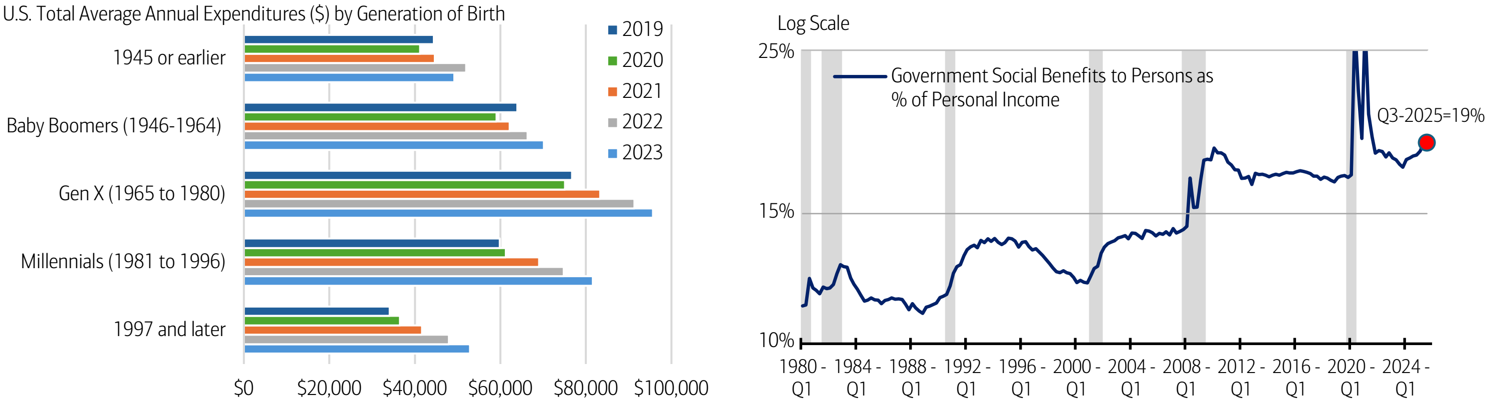


Exhibit 1A) Bureau of Labor Statistics (The Economics Daily, April 18, 2025). Exhibit 1B) Gray bars represent recessionary periods. Sources: Bureau of Economic Analysis/Haver Analytics. Data as of January 15, 2026.

MARKET VIEW

Double Speak: Despite Talking About De-Dollarization, the World Keeps Buying U.S. Assets

Joseph Quinlan, Managing Director and Head of CIO Market Strategy

The dollar debasement trade gained traction last year owing to the unpredictable and protectionist tone of the Trump administration, in addition to America's elevated federal budget deficit. To wit, gold prices and metal prices surged in 2025, while the dollar index sank 9.4%, the worst year since 2017 and the fourth worst this century.

The more the dollar tanked last year, the more talk of de-dollarization and the end of American exceptionalism. Headlines screamed of "the dollar's long goodbye," the "end of sound money in the U.S.," and "who will buy America's debt now?" Not for the first time, however, the headlines were wide of the mark. Reality proved different: As the world was chattering about ditching the dollar, foreign investors were digging deeper into U.S. securities. That's evident from the latest flow of funds data from the Fed.

At the end of Q3 2025, foreign ownership of U.S. securities (i.e., U.S. Treasurys, government agency bonds, corporate bonds and U.S. Equities) hit a record high of $35 trillion, up 72% from the start of this decade. Since 2010, foreign ownership of U.S. securities has more than tripled, while since the start of this century, they have soared more than tenfold, with no other nation in the world attracting as much foreign capital as the U.S. (Exhibit 2A).

Foreigners prefer equities over bonds. According to the latest figures, foreign holdings of U.S. Equities, Treasurys, and corporate bonds are now at all-time highs. Net foreign purchases data from the U.S. Treasury suggests foreign investors bought more U.S. assets in 2025 than in 2024, not less (Exhibit 2B). Foreign investors owned some $19.6 trillion in U.S. Equities at the end of the third quarter of last year, up 20.4% from the prior year. That is a record high, and solid evidence that foreign investors are just as optimistic about U.S. Equities as U.S. investors.

Meanwhile, yield-hungry investors from Japan, the Middle East and Europe owned some $9.3 trillion in U.S. Treasurys at the end of Q3, up 6.4% from the prior year. Ownership of U.S. corporate bonds totaled $4.8 trillion in Q3, up 7.8% from a year ago, while foreign ownership of government agencies remained flat at $1.4 trillion.

All tallied, foreign demand for U.S. securities remains healthy—notwithstanding a fluid and uncertain policy backdrop in the U.S. What keeps foreign investors coming back for more U.S. securities is simply this: The U.S. economy remains among the strongest, most resilient and most innovative economies in the world and is presently expanding at one of the fastest clips in the world.

In the first half of this decade, the growth gap between the U.S. and rest of world, notably Europe, only widened, fueling foreign demand for U.S. securities. Further stoking demand is the fact that U.S. companies remain global champions in a number of key sectors, ranging from agriculture to aerospace, entertainment to energy, technology to transportation, and virtually everything in between. Against this backdrop, and even accounting for last year's outperformance of non-U.S. Equities, U.S. Equities have handily outperformed the rest of world this decade. While the MSCI All-Country World Index is up 108% in total return terms since the start of 2020, the same index, excluding the U.S., is up a mere 73%. For this decade, total returns from the S&P 500 are 136%.

That is the good news. The more worrisome news is the flip side of this dynamic: that foreign investors play a critical role in U.S. capital markets and could exit the U.S. capital markets due to the protectionist and imperial tilt of the Trump administration. Note from Exhibit 2C that foreign investors own roughly 31.3% of marketable U.S. Treasurys and are significant holders of U.S. Equities (20%). Meanwhile, foreigners account for nearly 37% ownership of U.S. corporate bonds, a significant stake that can be market-moving on the upside or downside.

All of the above is another way of saying that foreigners have a lot riding on the various policies of the Trump administration. So too, by extension, does debt-laden America.

Investment Implications

Despite policy uncertainty, foreigners still prefer U.S. assets. We expect this dynamic to continue in 2026, providing a supportive backdrop for U.S. equities and savings-deficit America and reinforcing our home bias in portfolios.

How foreigners allocate their excess savings on a global basis greatly matters to the U.S. given the decades-long dependence of the U.S. on foreign capital to help fund the government's borrowing needs and grease the financial wheels of the U.S. economy. For decades, America's savings deficit has been offset by importing the world's excess capital surplus. And that said, against a backdrop of large U.S. budget deficits, elevated debt levels and an administration more interested in severing ties with the world than strengthening them, the last thing the U.S. needs right now is for foreigners to bolt or boycott U.S. securities.

China fades U.S. Treasurys, Japan holds steady. As we have noted in the past, Chinese investors have lightened up on U.S. Treasurys for well over the past decade, with China's holdings of U.S. Treasurys totaling $689 billion in October 2025, down roughly 48% from a peak of $1.3 trillion in 2013. Japan's holdings, however, have remained $1 trillion plus over the past decade, totaling $1.2 trillion late last year.

Interest payments to our foreign creditors continue to rise. Finally, as Exhibit 2D depicts, the cost to the U.S. in terms of interest payments to foreign investors is hardly insignificant. Indeed, U.S. interest payments to foreign investors totaled $269 billion in 2024, a jump of 21.7% from the prior year; meanwhile, in the first half of last year, interest payments totaled $140 billion, up 6.5% from the same period a year ago.

The bottom line. Record capital inflows reflect the confidence of foreign investors in the U.S. economy—and their desire to be part of the action and own America. Looking ahead and given the continued growth divergence between the U.S. and the rest of the world, we expect inflows to remain robust this year as well. This represents a propitious backdrop for both U.S. Equities and savings-deficit America. In the end, foreign investors, while talking about de-dollarizing their holdings, have been slow to act.

Exhibit 2: Foreigners Still Prefer U.S. Assets.

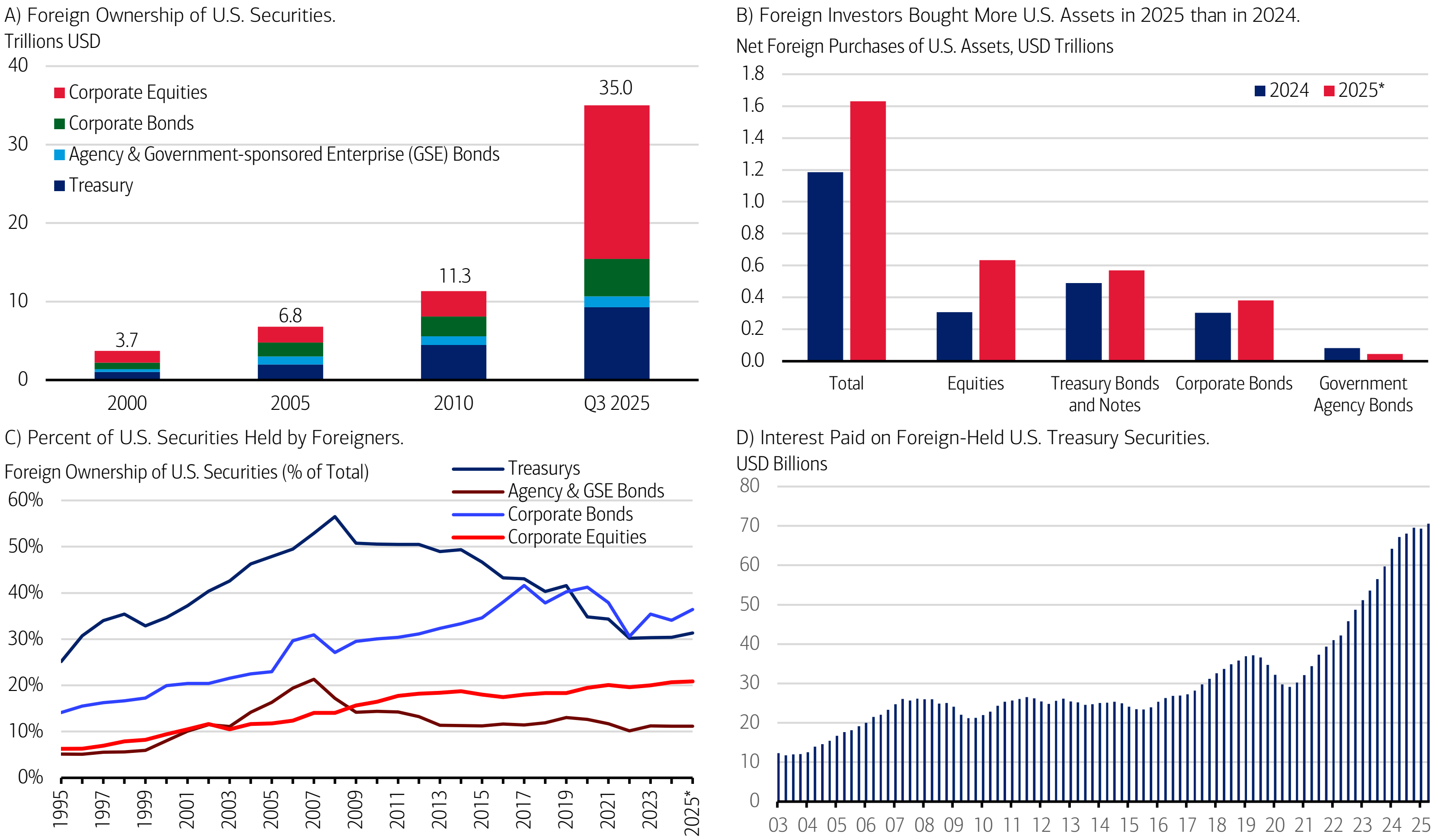


Exhibit 2A) Source: Federal Reserve Board. Data as of January 12, 2026. Exhibit 2B) *Annualized. Source: U.S. Treasury. Data as of January 2026. 2C) *2025 data refers to Q3 2025. Source: Federal Reserve Board. Data as of January 12, 2026. Exhibit 2D) Source: Bureau of Economic Analysis. Data through Q2 2025, as of January 2026.

THOUGHT OF THE WEEK

The Party Isn't Over: Putting this Bull in Perspective

Ariana Chiu, Assistant Vice President and Wealth Management Analyst

Over the last 75 years, the S&P 500 has generated an annualized total return of 11.7%. Not too shabby. And as Exhibit 3A lays out, the 2020s have been even better, with the major U.S. benchmark flexing an annualized 15.3% total return this decade. But after three straight years of stellar returns and with valuations still elevated, many investors may be left thinking: The party must be over soon.

We think not. Yes, U.S. Equities have run far and fast over the last few years. Aided by ample liquidity and solid earnings growth, the S&P 500 has now doubled from its October 12, 2022, bear market low in total return terms. But Exhibit 3B is a reminder that bull markets often last for longer than investors expect, especially in periods of technological innovation and productivity gains. The average bull market in the post-war era has lasted 5.5 years, with the potential to run far longer such as in the case of the 1990s (>12 years). So far, we're technically 3.3 years into this bull market, and nothing—not an ongoing war in Europe, strife in the Middle East, the tariff tumult of 2025, political pressure on the Fed and more—has spelled disaster for the U.S. economy or U.S. Equities.

We think this could continue into 2026 and beyond. For all the volatility and uncertainty that mired 2025, elements of last year could be a helpful blueprint for what's ahead: Think higher nominal growth, more muted job gains, and, by extension, strong productivity gains assisted by AI and robotics adoption. With 12-month forward profit margins for the S&P 500 at a record 14.8%, the setup is ripe for another year of solid returns with double-digit earnings growth in the driver's seat rather than multiple expansion. (It's worth noting that the S&P 500 is technically starting off 2026 cheaper than it was in June of 2020 and has risen by 134% since then.)

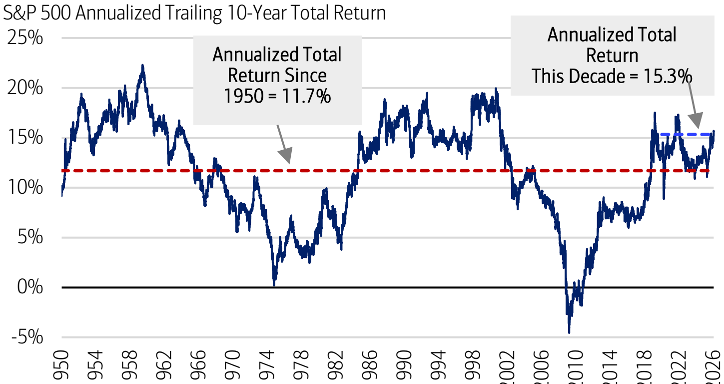
Of course, this bull market isn't without its risks. The top 10 stocks now account for some 40% of the S&P 500, and an ugly turn toward AI pessimism could weigh on the broader index. Also worth watching: higher-income consumers (still spending), inflation (sticky), rates (curve steepening), the composition of AI financing (some debt), AI adoption (gradual), and U.S.-China tensions (ongoing), among other factors. The party isn't over, in our view—hence our overweight to U.S. Equities.

Investing Implications

Our outlook for U.S. Equities and the continuation of this bull market pivots on the idea that productivity and innovation can continue to drive record profits. We believe nominal growth may surprise to the upside in 2026, reinforcing our tilt in portfolios toward the U.S.

Exhibit 3: This Party Could Go On for Longer Than You Think.

A) Halfway through the Roaring 2020s.



B) The Average Bull Market Has Lasted 5.5 Years.

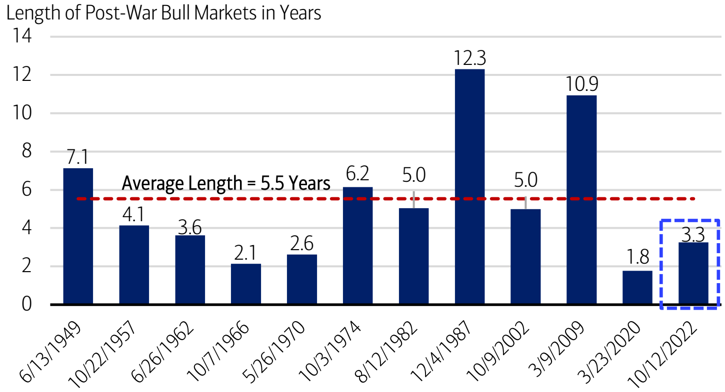


Exhibit 3A) Source: Bloomberg. Data as of January 13, 2026. Exhibit 3B) Dates refer to start of bull market. Source: Yardeni Research. Data as of January 15, 2026. **Past performance is no guarantee of future results.** Please refer to index definitions at the end of this report. It is not possible to invest directly in an index.

Equities

		Total Return in USD (%)		
	Current	WTD	MTD	YTD
DJIA	49,359.33	-0.3	2.7	2.7
NASDAQ	23,515.39	-0.7	1.2	1.2
S&P 500	6,940.01	-0.4	1.4	1.4
S&P 400 Mid Cap	3,505.84	1.3	6.1	6.1
Russell 2000	2,677.74	2.1	7.9	7.9
MSCI World	4,515.28	0.1	1.9	1.9
MSCI EAFE	2,992.06	1.4	3.5	3.5
MSCI Emerging Markets	1,484.97	2.3	5.8	5.8

Fixed Income†

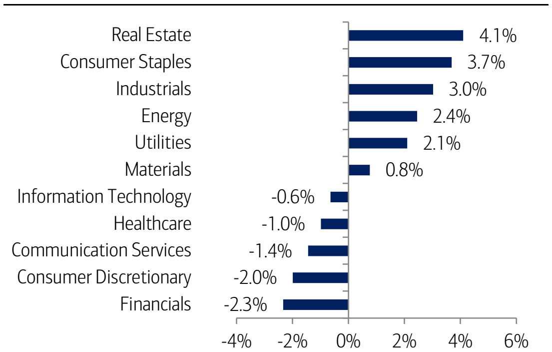
		Total Return in USD (%)		
	Current	WTD	MTD	YTD
Corporate & Government	4.29	-0.12	-0.07	-0.07
Agencies	4.03	-0.11	-0.07	-0.07
Municipals	3.44	0.19	0.93	0.93
U.S. Investment-Grade Credit	4.38	-0.14	0.01	0.01
International	4.86	-0.01	0.09	0.09
High Yield	6.57	0.17	0.56	0.56
90 Day Yield	3.63	3.59	3.63	3.63
2 Year Yield	3.59	3.53	3.63	3.47
10 Year Yield	4.22	4.17	4.17	4.17
30 Year Yield	4.84	4.81	4.84	4.84

Commodities & Currencies

		Total Return in USD (%)		
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	286.53	1.4	3.7	3.7
WTI Crude $/Barrel††	59.44	0.5	3.5	3.5
Gold Spot $/Ounce††	4596.09	1.9	6.4	6.4

		Total Return in USD (%)		
Currencies	Current	Prior Week End	Prior Month End	2024 Year End
EUR/USD	1.16	1.16	1.17	1.17
USD/JPY	158.12	157.89	156.71	156.71
USD/CNH	6.97	6.98	6.98	6.98

S&P Sector Returns



Sources: Bloomberg, Factset. Total Returns from the period of 1/12/2026 to 1/16/2026. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 1/16/2026 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 1/16/2026)

	Q4 2025E	2025E	Q1 2026E	Q2 2026E	Q3 2026E	Q4 2026E	2026E
Real global GDP (% y/y annualized)	-	3.5*	-	-	-	-	3.4
Real U.S. GDP (% q/q annualized)	2.2*	2.2*	2.6	3.0	2.0	2.0	2.8
CPI inflation (% y/y)	2.8	2.7*	2.5	2.8	2.8	2.7	2.7
Core CPI inflation (% y/y)	2.7	2.9*	2.6	2.8	2.6	2.8	2.7
Unemployment rate (%)	4.5	4.3*	4.5	4.5	4.4	4.3	4.4
Fed funds rate, end period (%)	3.63	3.63*	3.63	3.38	3.13	3.13	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.
Sources: BofA Global Research; GWIM ISC as of January 16, 2026.

Asset Class Weightings (as of 1/6/2026)

	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		●			
Cash					

CIO Equity Sector Views

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

CIO asset class views are relative to the CIO Strategic Asset Allocation (SAA) of a multi-asset portfolio.
Source: Chief Investment Office as of January 6, 2026. 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 Index Annualized Total Return is a stock market index tracking the stock performance of 500 leading companies listed on stock exchanges in the United States which includes the average return an investment has generated annually over a period of several years.

Citi Economic Surprise Index represents the sum of the difference between official economic results and forecasts.

Institute for Supply Management Nonmanufacturing Employment Index is a component of the Manufacturing Purchasing Managers Index and reflects employment changes from industrial companies.

Institute for Supply Management Nonmanufacturing New Orders Index shows the number of new orders from customers of manufacturing firms reported by survey respondents compared to the previous month.

Dollar Index measures the U.S. dollar's value against a basket of six major foreign currencies (Euro, Japanese Yen, British Pound, Canadian Dollar, Swedish Krona, Swiss Franc).

MSCI All-Country World Index captures large and mid cap representation across 23 Developed Markets (DM) and 24 Emerging Markets (EM) countries.

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

Important Disclosures

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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. Investing directly in Master Limited Partnerships, foreign equities, commodities or other investment strategies discussed in this document, may not be available to, or appropriate for, clients who receive this document. However, these investments may exist as part of an underlying investment strategy within exchange-traded funds and mutual funds.

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