

January 2023

Economic Outlook and Investment Strategy

Investment Strategy Committee Considerations

2023 Economic Outlook

- Higher interest rates, inflation and volatility for longer
- Expect lower Gross Domestic Product (GDP), earnings, S&P fair value relative to consensus
- Expect The Fed to remain tight throughout 2023
- Increased confidence in downward glidepath for inflation
- Reducing wage pressures will be challenging
- Increased recession risk to 75%, mild recession base case
- Job gains, wages, savings and net worth support consumers
- Labor shortages should prevent significant rise in unemployment
- Healthy banking system and strong corporate balance sheets moderate downside risks
- US economy more resilient than Europe and Asia.
- Geopolitical risk remains elevated

2023 Investment Strategy

- Portfolios defensively positioned for mild recession
- Staying cautious, Fed tightening, recession risk
- We expect that balanced portfolios should offer modestly positive returns
- Underweight equities, focus on high-quality US stocks and avoid Europe and Asia
- Bear market expected to continue until inflation subsides and earnings outlook improves
- Forecasting moderate equity returns in 2023, above average volatility
- Equity income attractive in an uncertain environment
- Fixed income returns expected to be mostly positive
- In our view, investment grade corporate and municipals offer attractive yields with lower volatility
- High yield corporates and municipals, while volatile, appear to offer attractive yields
- Excellent opportunities for liquidity management
- Alternatives may provide diversifying benefits and attractive opportunities

Sources: Bloomberg, CNR Research, as of January 2023.
Information is subject to change and is not a guarantee of future results.



2023: Economic Momentum Slowing, Recession Risk Rising

- Household and business fundamentals are still solid but slowing.
- Inflation pressures to remain elevated, but moderating.
- The Fed remains tight to the slow economy and wages.
- We have below-consensus expectations for GDP and earnings growth.
- We have consensus estimates for interest rates.

City National Rochdale Forecasts		2022e	2023e
Real Annual GDP Growth		1.0% to 2.0%	-1.25% to 0.75%
Corporate Profit Growth		5.0% to 6.0%	-6.5% to 1.5%
Headline CPI Year End		6.6%	2.6%
Core CPI Year End		5.6%	3.1%
Interest Rates	Fed Funds Rate	4.25% to 4.50%	5.00% to 5.25%
	Treasury Note, 10-Yr.	3.50% to 3.75%	3.5% to 4.25%

Gross Domestic Product (GDP): Gross domestic product is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period.

Consumer Price Index (CPI): The Consumer Price Index measures the monthly change in prices paid by US consumers.

Sources: Bloomberg, Proprietary opinions based on CNR research, as of January 2023.

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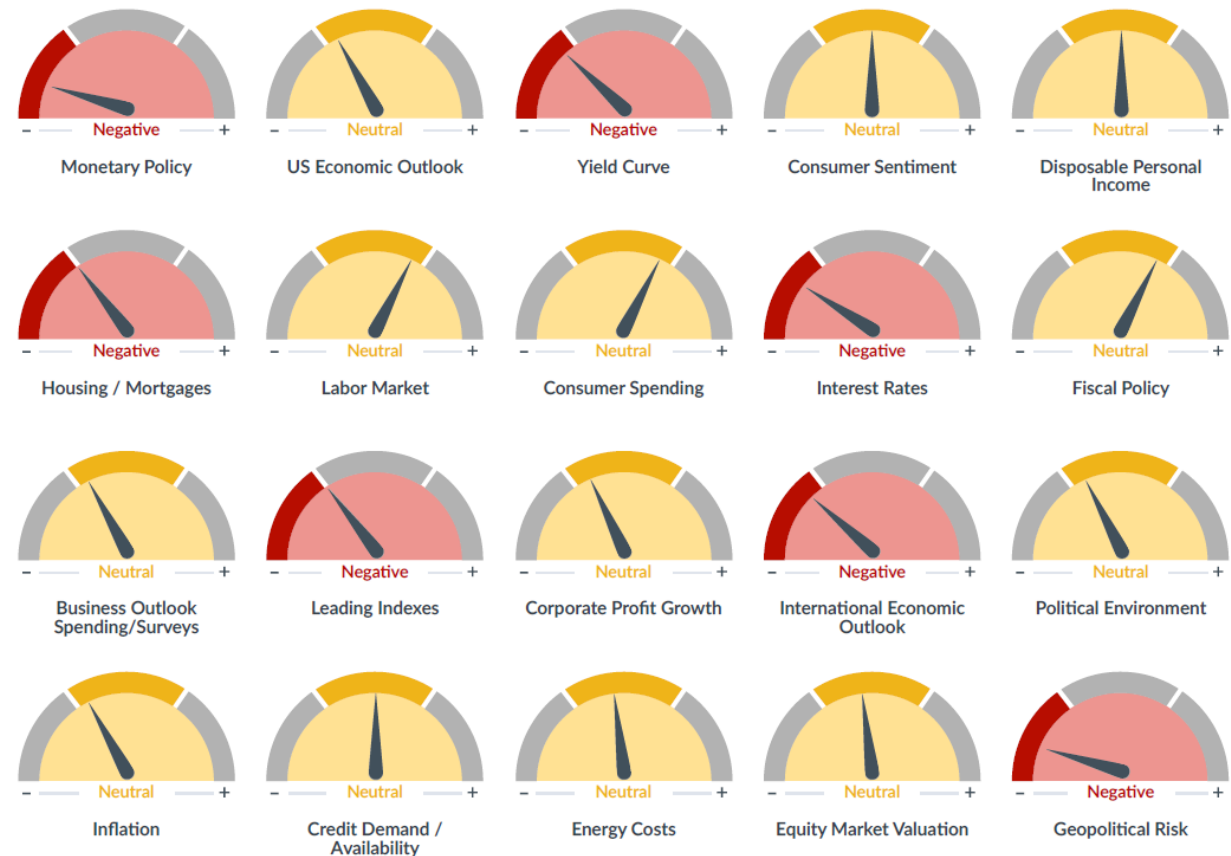


CNR Speedometers® – January 2023

Economic & Financial Indicators That Are Forward-Looking Six To Nine Months

- Indicators have slowed as risk to the outlook increases.
- Recent slowing driven by impact of higher inflation and more hawkish Fed policy.
- Watching geopolitical events with a heightened degree of concern.

Impact on Economy and Financial Markets



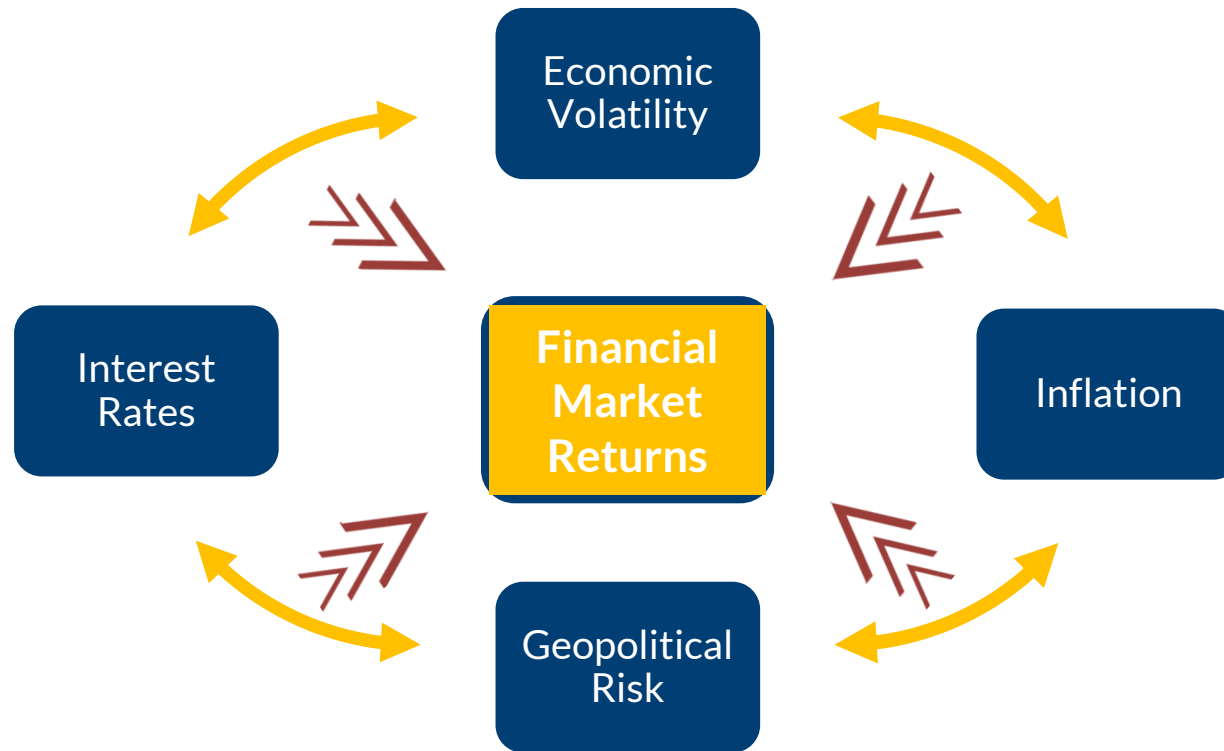
Impact on investment: ■ Positive ■ Neutral ■ Negative

Timeframe: ■ Current ■ Change from Last month

Source: Proprietary opinions based on CNR Research, as of January 2023. Information is subject to change and is not a guarantee of future results.



Higher for Longer: Behind Our Non-Consensus Outlook



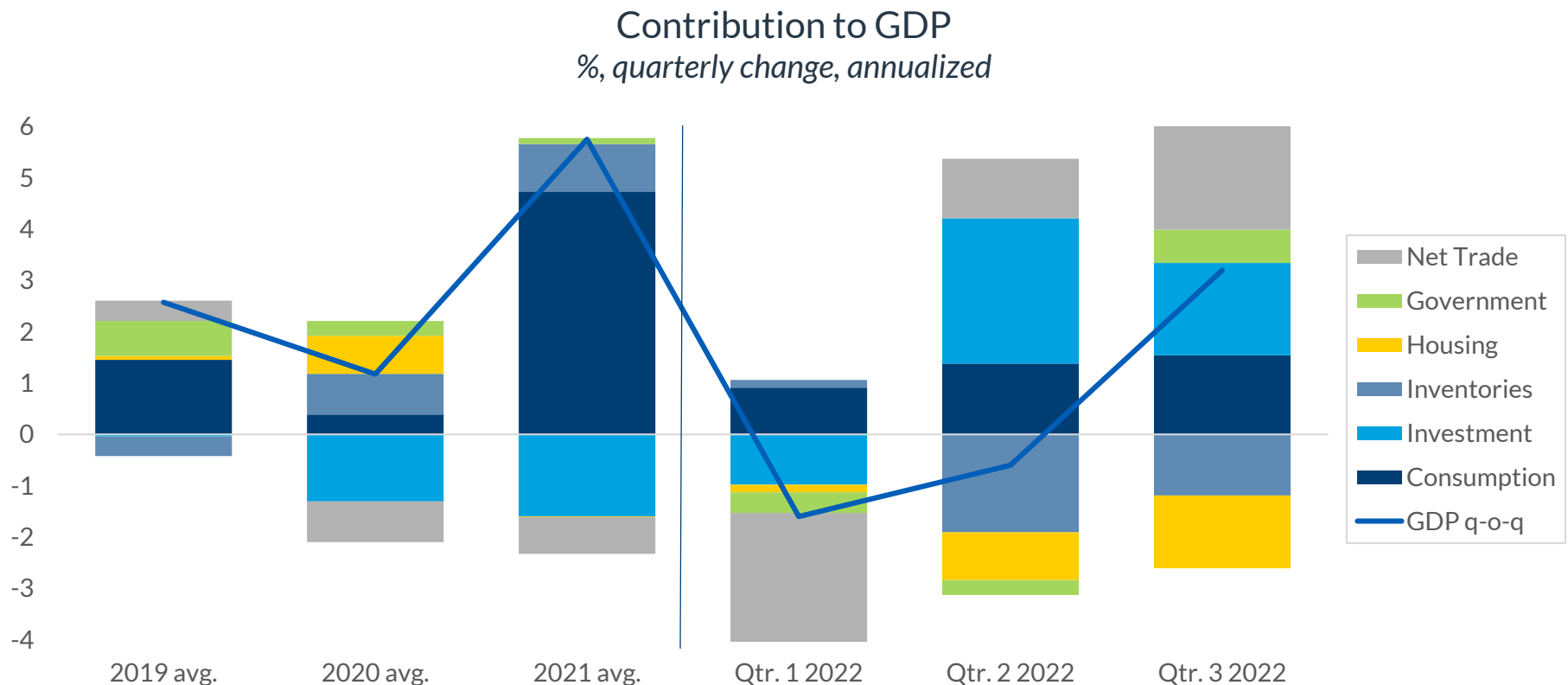
- Recession risk, earnings uncertainty
- Persistent inflation pressures
- Aggressive Fed, credibility at stake
- Elevated risk of additional geopolitical shock
- Higher for longer economic volatility means higher for longer financial market volatility

Source: CNR Research, as of January 2023.
Information is subject to change and is not a guarantee of future results.



Are We Already in a Recession?

- GDP has been volatile, driven by swings in inventory, trade and government spending changes.
- Growth is positive for now, but underlying momentum continues to slow, with housing being the biggest drag.
- Demand remains solid, particularly in the labor market, but is weakening against higher inflation and interest rates.



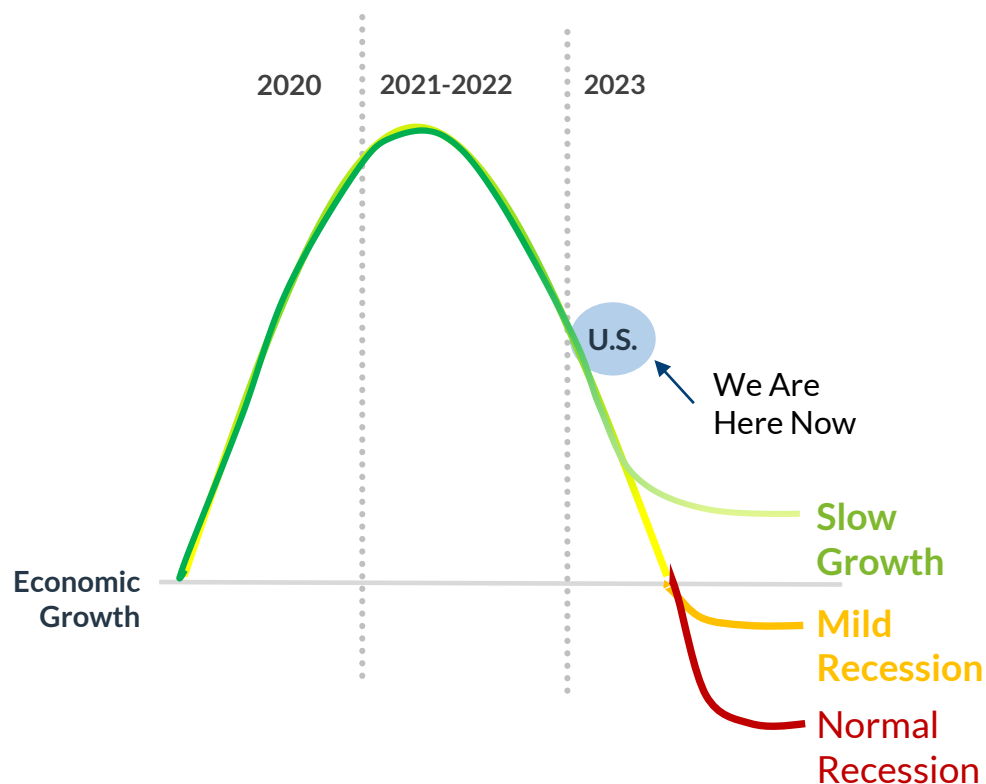
Source: US Bureau of Economic Analysis (BEA), as of December 2022. Information is subject to change and is not a guarantee of future results.



2023 Outlook

Probability of Mild Recession Increasing

- US recession risk increased to 75% for the first half of 2023, but will likely be mild.
- Labor shortages should limit increases in unemployment, as companies hoarded workers.
- Consumer retrenchment is expected to be mild, supported by strong household balance sheets and real income.
- CNR 2023 GDP and EPS estimates are below market consensus.



Outlook	Probability	GDP Growth	Earnings Growth
Slow Growth	25%	1% to 1.5%	0% to 12%
Mild Recession	60%	0% to -1%	-10% to 0%
Normal Recession	15%	-1% to -2%	-10% to -20%

Sources: Bloomberg, CNR Research, as of December 2022.
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2023 Outlook Potential Scenarios

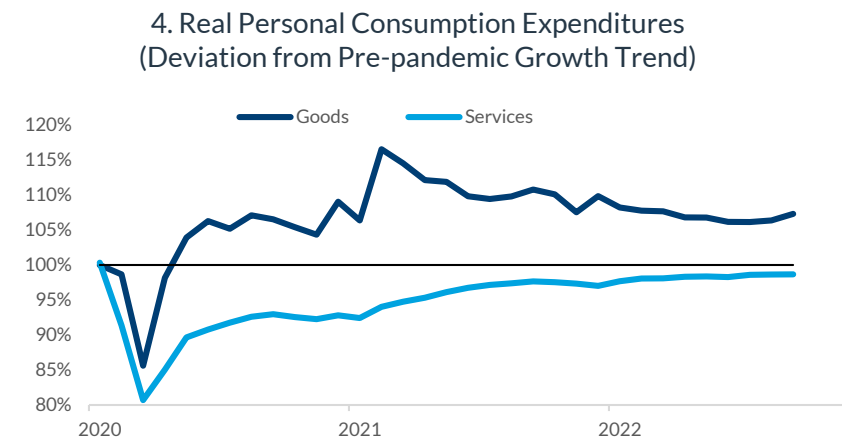
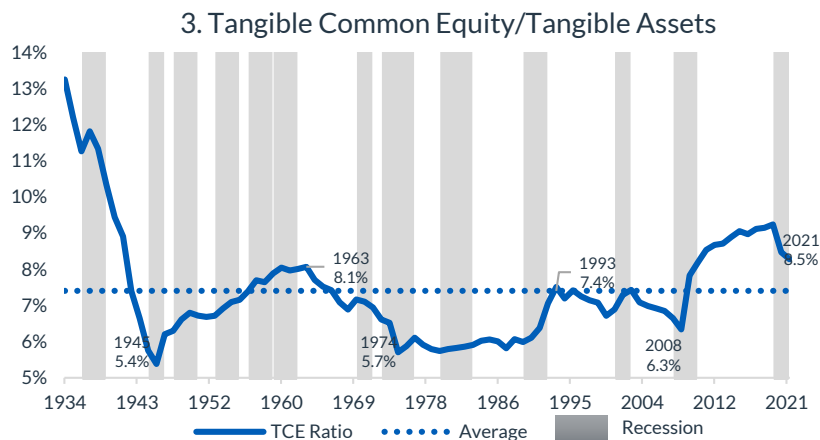
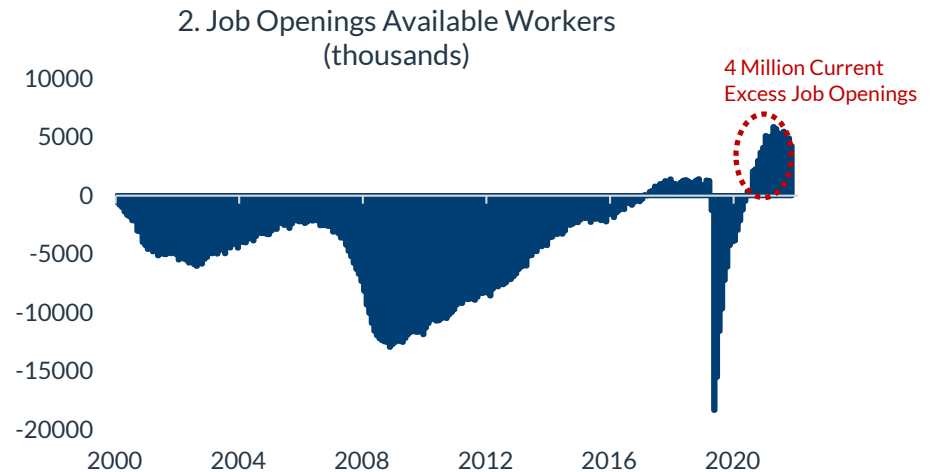
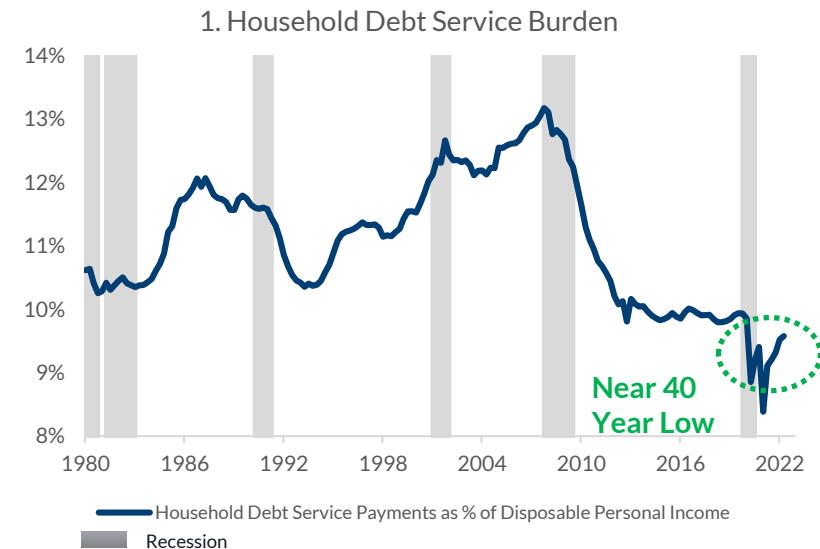
	Slow Growth	Mild Recession	Normal Recession
Probability	25%	60%	15%
Economy	Below trend	Contract-to-flat	Contract
Consumption	Moderate	Weak-to-moderate	Weak
Labor	Pace of hiring slows and “job gap” narrows	Moderate job losses	Significant increase in unemployment
Inflation	Remains elevated	Gradually eases	Falls faster
Interest Rates	Elevated but range bound	Lower	Curve inversion persists, Long-end meaningfully lower
Fed Policy	Tightening continues well into 2023	Pause	Potential rate cut 2H of 2023
Geopolitical Risk	China reopens successfully, Ukraine resolution	Slow progress in China, Ukraine stalemate continues	China COVID-19 setbacks, Ukraine war escalates

Source: CNR Research. Information is subject to change and is not a guarantee of future results.



The Case for Mild Recession

1. Healthy Households
2. Resilient Labor Market
3. Banks Well Capitalized
4. Room for Growth in Service Spending



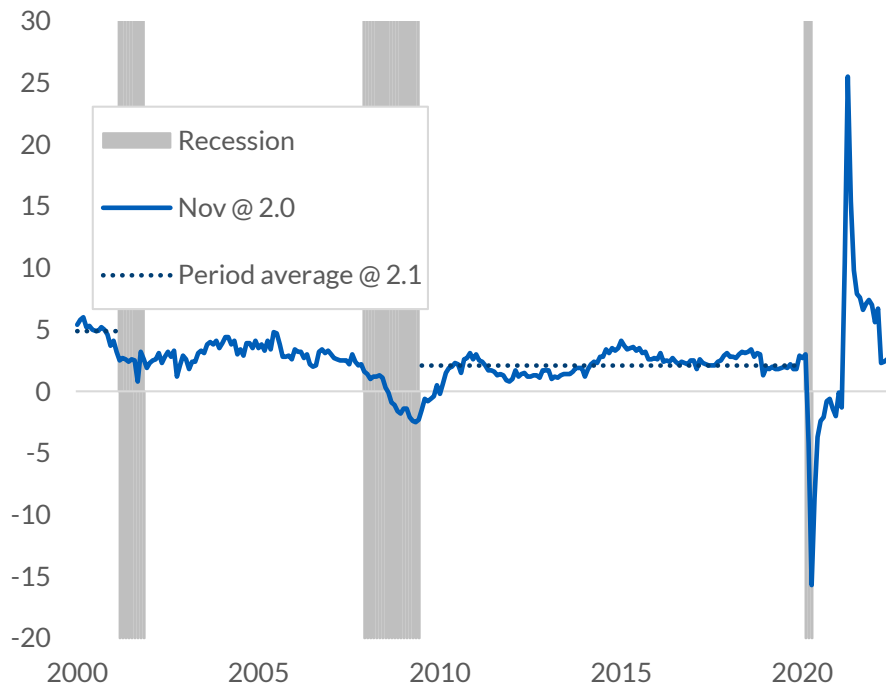
Sources: Chart 1: St. Louis Fed, as of Q2 2022. Chart 2: St. Louis Fed, as of October 2022. Chart 3: FDIC, as of year end 2021. Chart 4: St. Louis Fed, as of Q3 2022. Information is subject to change and is not a guarantee of future results.



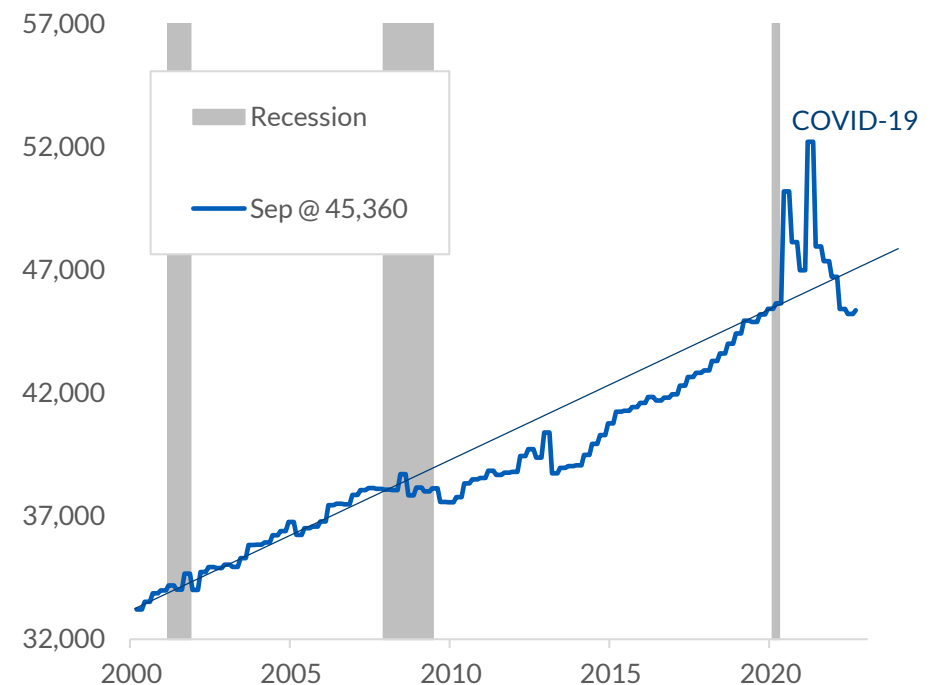
Consumer Spending Returning to Pre-Pandemic Levels

- Although household balance sheets remain strong, spending habits are returning to pre-pandemic levels.
- There are no longer the surges in income from the various stimulus programs of the past few years.
- Stable income flows, along with higher inflation, have limited households' abilities to increase spending.

Real Consumer Spending
% chg., y-o-y, seasonally adjusted



Real Disposable Personal Income per Capita
\$, Chain Linked 2012 Prices, SAAR



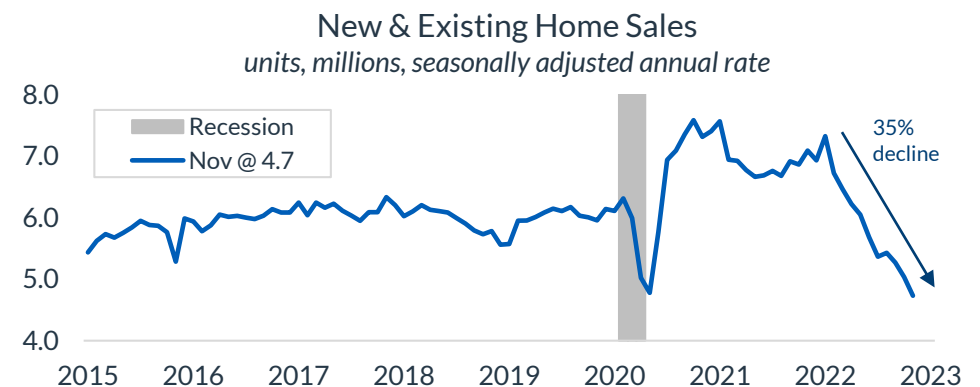
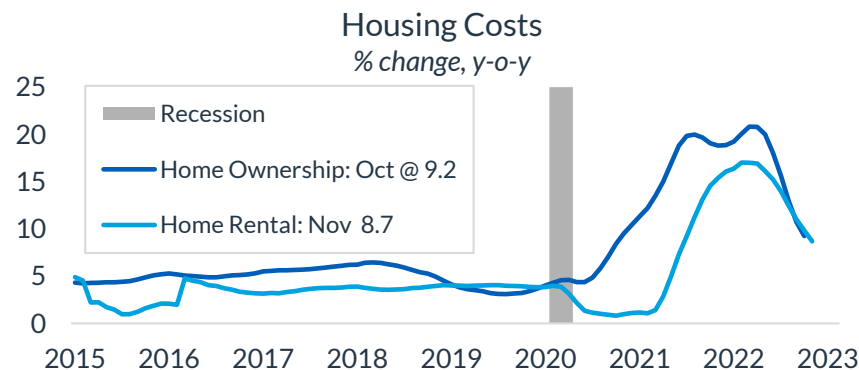
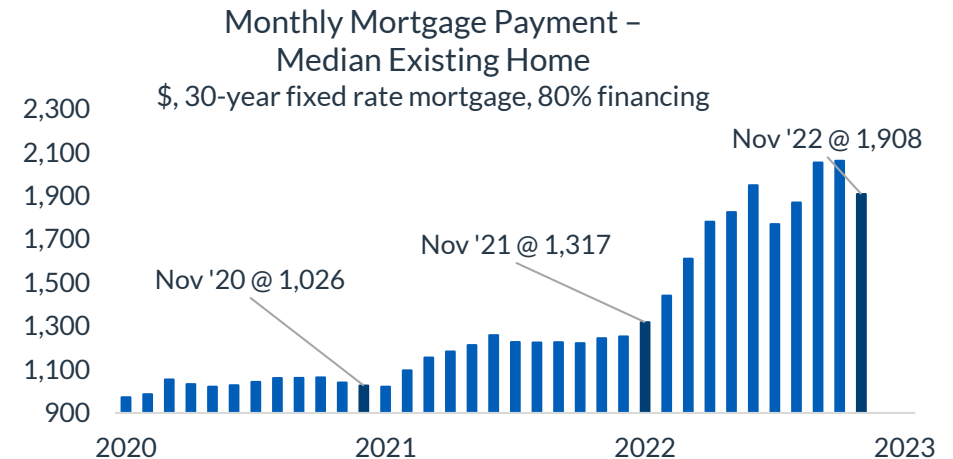
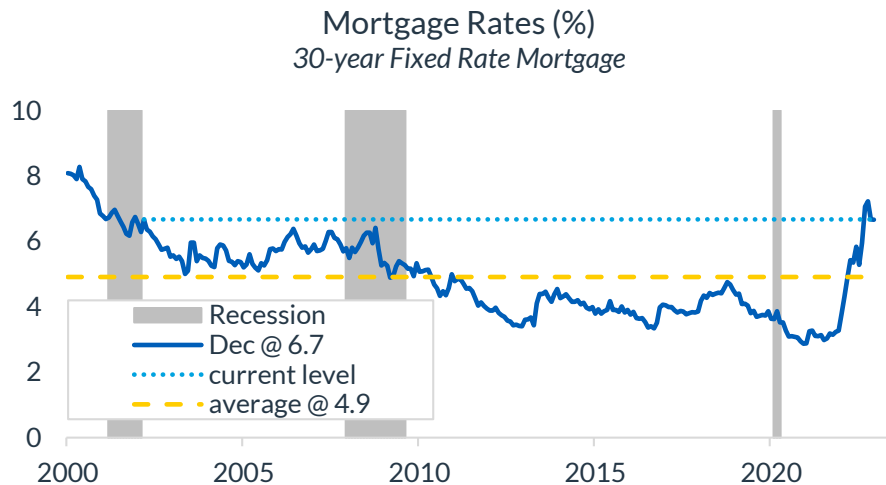
Sources: US Bureau of Economic Analysis (BEA), as of December 2022.

A seasonally adjusted annual rate (SAAR) is a rate adjustment used for economic or business data, such as sales numbers or employment figures, that attempts to remove seasonal variations in the data. Information is subject to change and is not a guarantee of future results.



Housing Is Already Feeling the Pressure

- Housing is facing increasing headwinds of higher interest rates and falling post-pandemic demand.
- Homebuilder sentiment and activity is now at its lowest level since June 2020.
- Low inventories have helped support elevated home prices, but increases appear to be plateauing.



Sources: National Association of Realtors, Bankrate.com, St. Louis Fed, S&P CoreLogic Case-Shiller, Zillow Inc., National Association of Realtors, US Census Bureau, as of January 2023.

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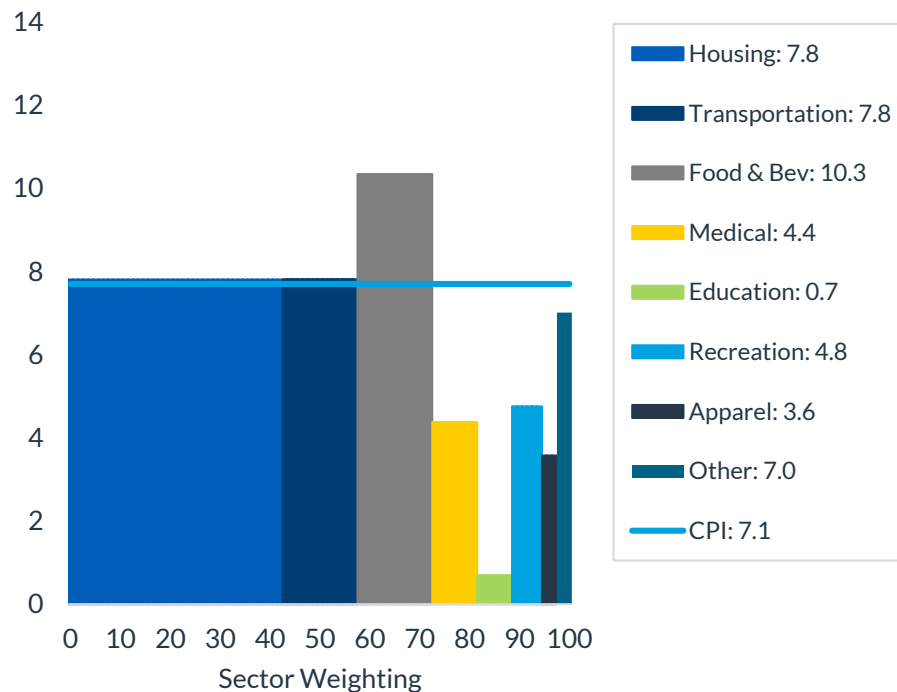


Inflation Not Expected to Moderate Until Next Year

- Despite some signs of cooling, underlying pressures remain broad-based.
- Expect inflation to stay elevated longer through the first half of 2023 due to shock from Ukraine conflict.
- Supply chain disruptions are easing, but normalization is not likely until well into 2023.

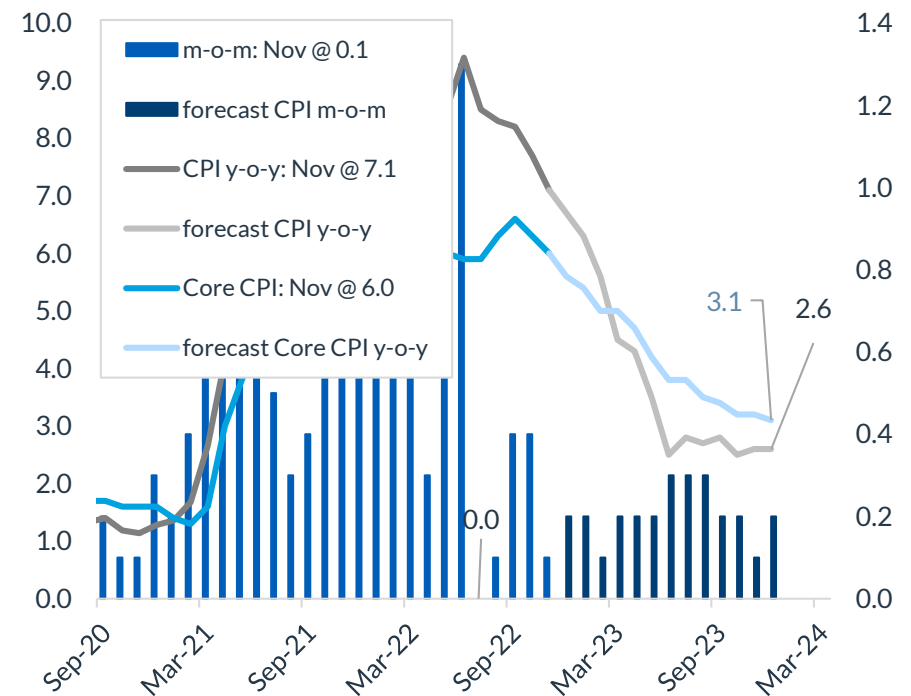
CPI - Components

% change y-o-y and sector weighting, seasonally adjusted - November 2022



Consumer Price Index - with Forecast

%, annual rate, seasonally adjusted



Sources: US Bureau of Labor Statistics, as of November 2022; CNR Research, as of November 2022.

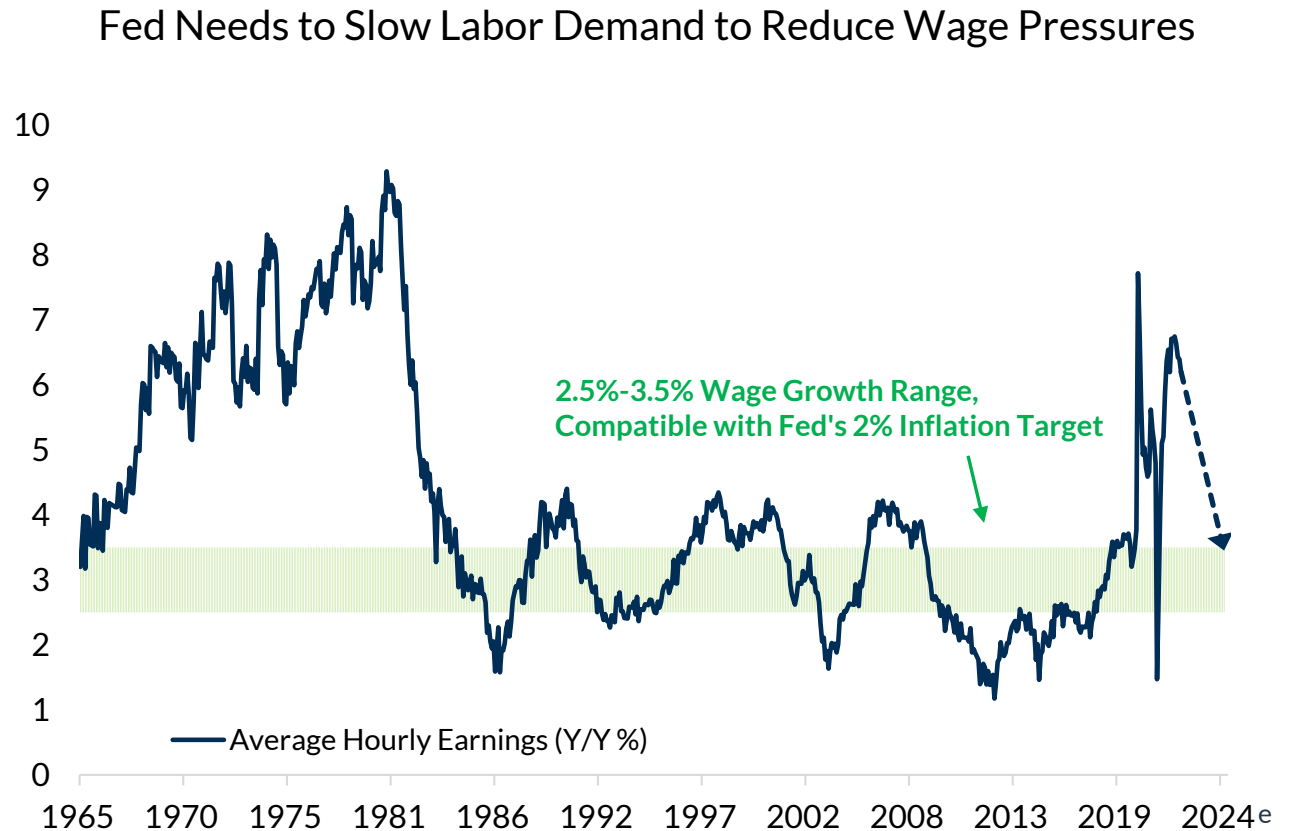
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Top Reasons for Higher for Longer Fed Outlook

1. Wage inflation pressures
2. Sticky services
3. Fed credibility at stake



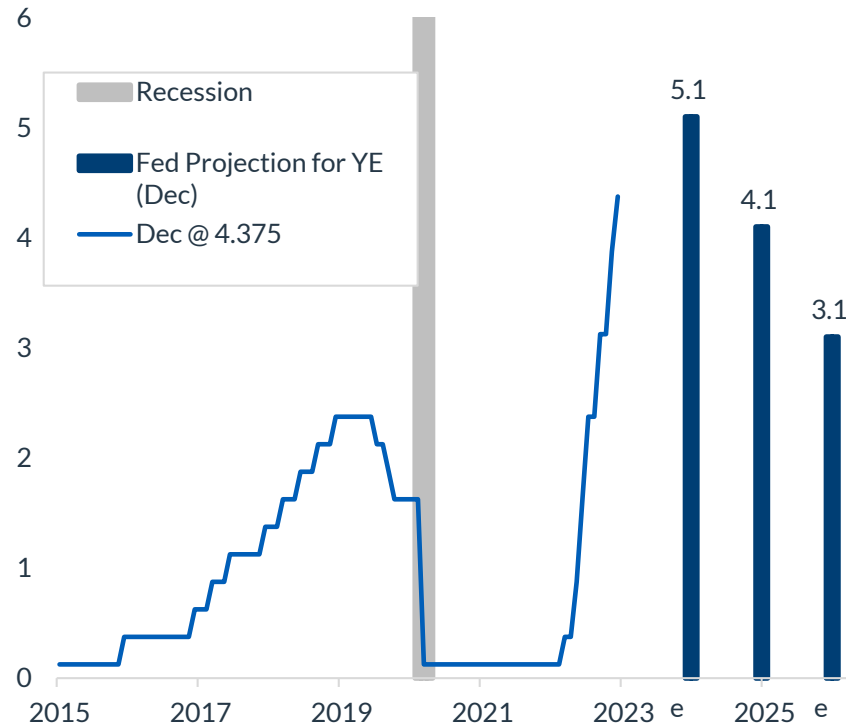
Sources: Bloomberg, CNR Research, as of December 2022. Information is subject to change and is not a guarantee of future results. e: Estimates



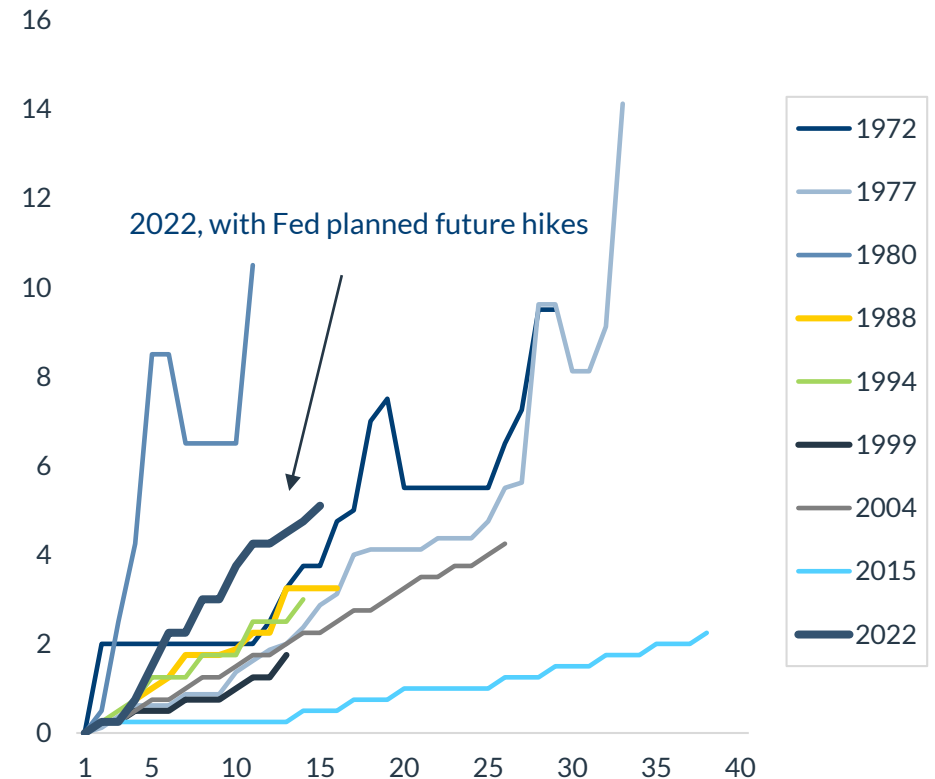
More Hawkish Fed Raises Risk of Policy Misstep

- The Fed has been raising interest rates at a near-record pace.
- It is raising rates higher than previously thought.
- The purpose is to prevent inflation being entrenched in the economy.

FOMC Projections - Federal Funds
%, mid-point



Federal Funds Rate Across Tightening Cycles
change in percentage points, months

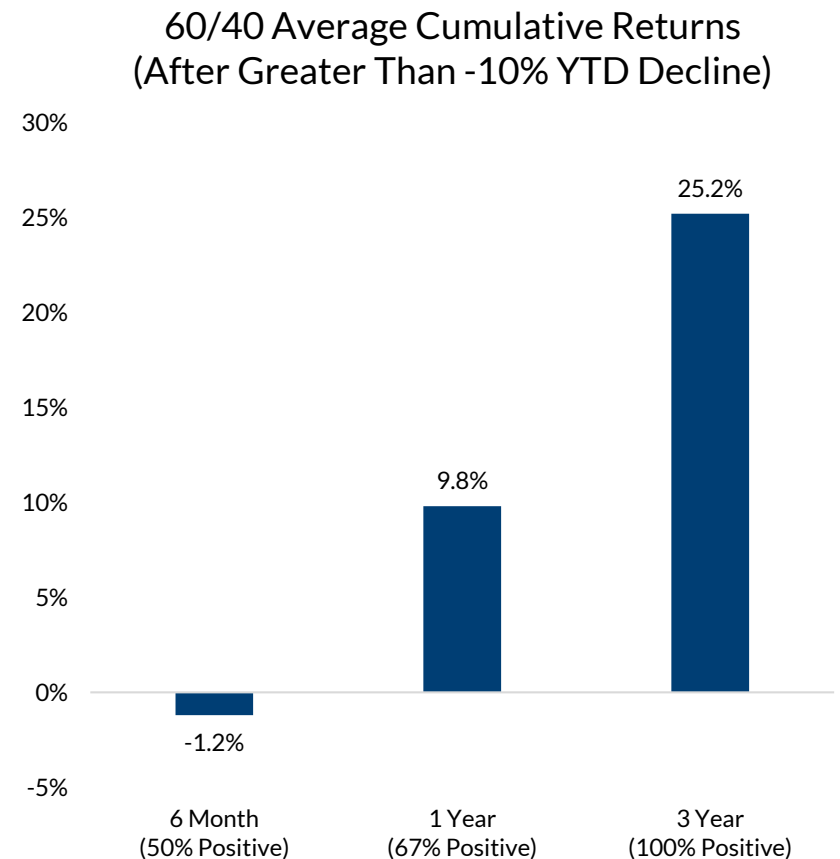
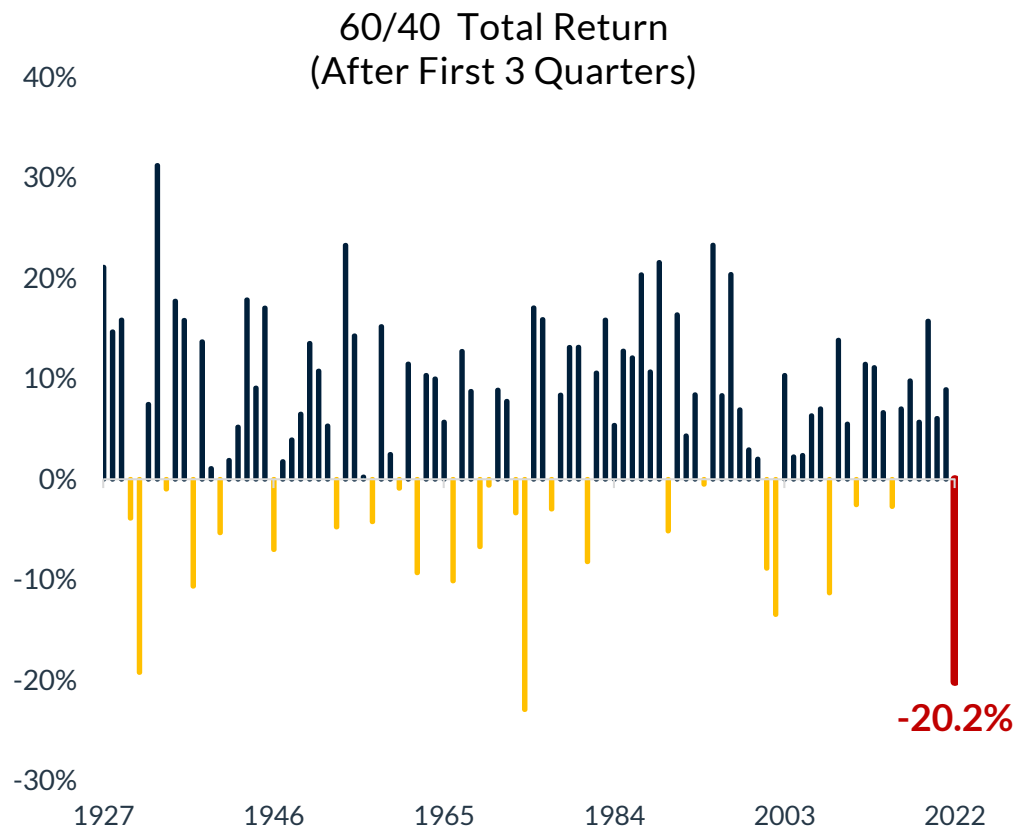


Sources: Bureau of Economic Analysis, January 2023; Federal Reserve, January 2023.
Information is subject to change and is not a guarantee of future results. e: Estimates



Nowhere to Hide in 2022

- The Traditional 60/40* portfolio has seen its worst year to date return in 50 years.
- It is highly unusual to see both stocks and bonds decline in tandem so dramatically.
- History suggests longer term returns will be positive, but further downside is possible in the near term.



Sources: Ibbotson Associates Index Data via Morningstar Direct. FactSet.

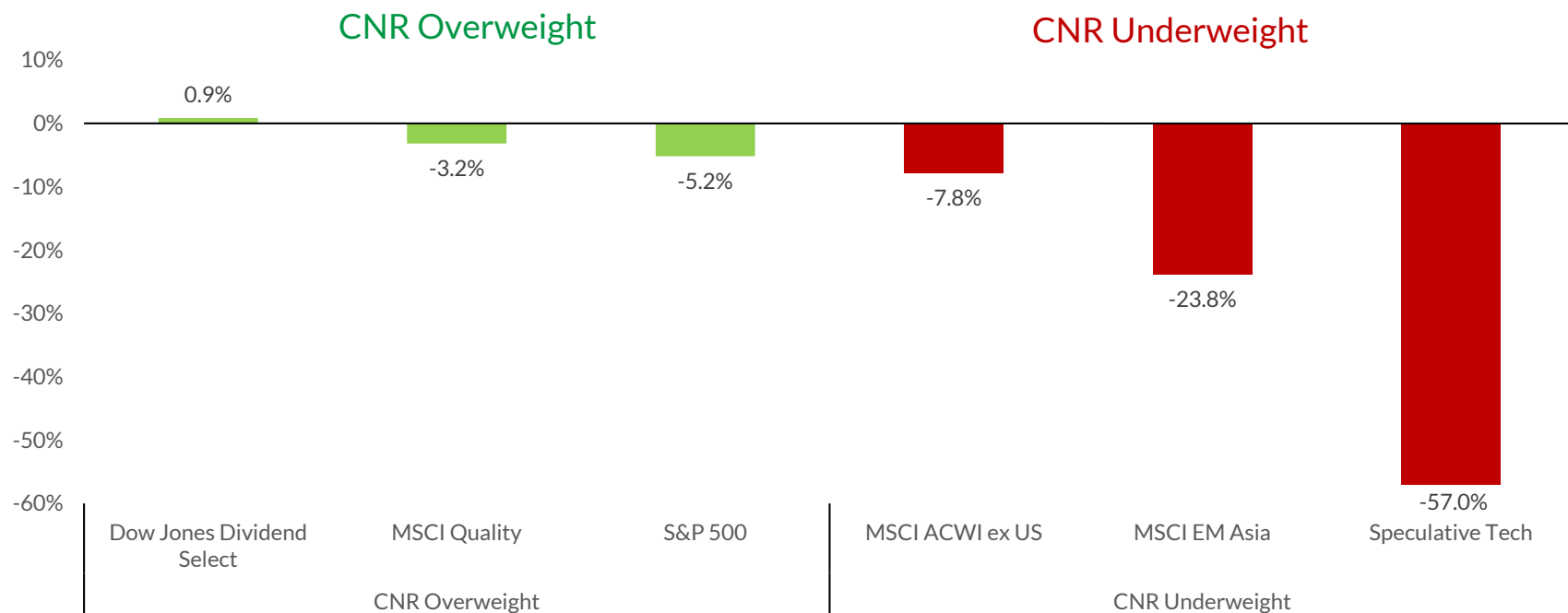
*60/40 split between Equities and Fixed Income. Equities index: S&P 500. Fixed Income index: Bloomberg US Aggregate Bond Index. Hypothetical value of assets held in untaxed portfolios invested in US stocks, and bonds. Stocks, and bond investments are represented by total returns of the S&P 500 and 50% IA SBBI US LT Government/50% IA SBBI US LT Corporate 1/1926-1/1976, Bloomberg US Aggregate 1/1976-present. Past performance is no guarantee of future results.



2023 Equity Positioning

- Sought to de-risk equity exposure for a mild recession.
- Focused on high quality US stocks.
- Revision trends are supportive of this view.

2023 Earnings Growth Revisions Since 12/31/21



Sources: FactSet, CNR Research, as of December 2022.

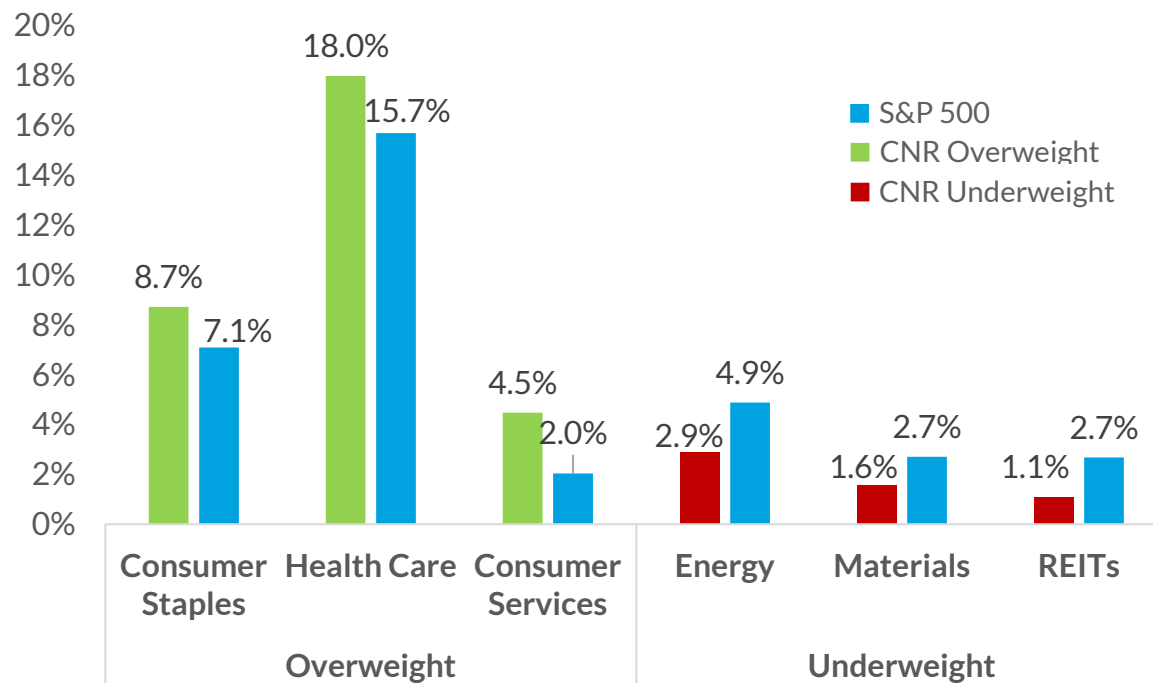
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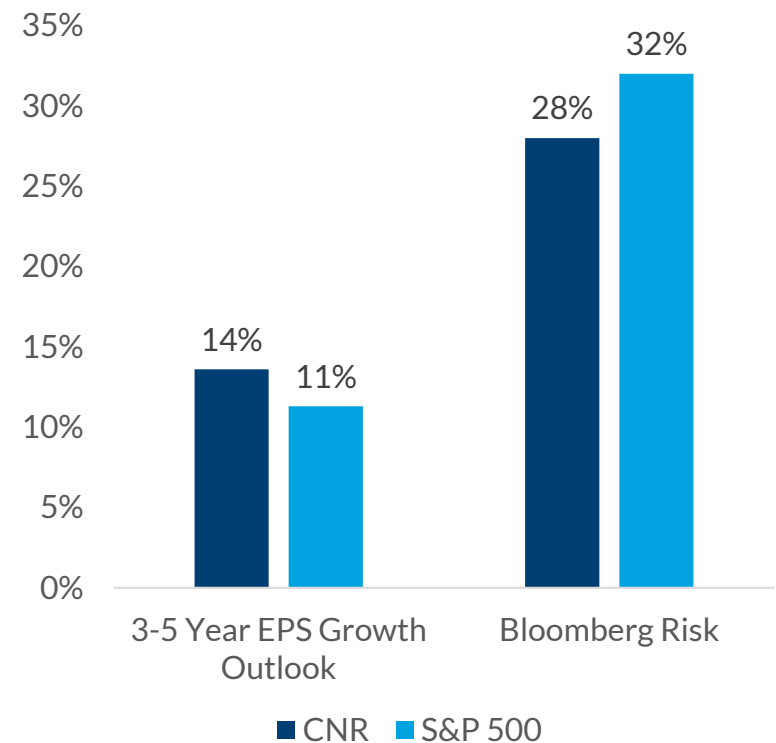
Core Equity Positioned for Mild Recession

- Proactively lowered exposure to cyclical industries.
- Increased exposure to stable growers.
- Above average earnings growth, below average risk.

CNR Sector Overweights/Underweights vs. S&P 500



Above Average Earnings Growth, Below Average Risk



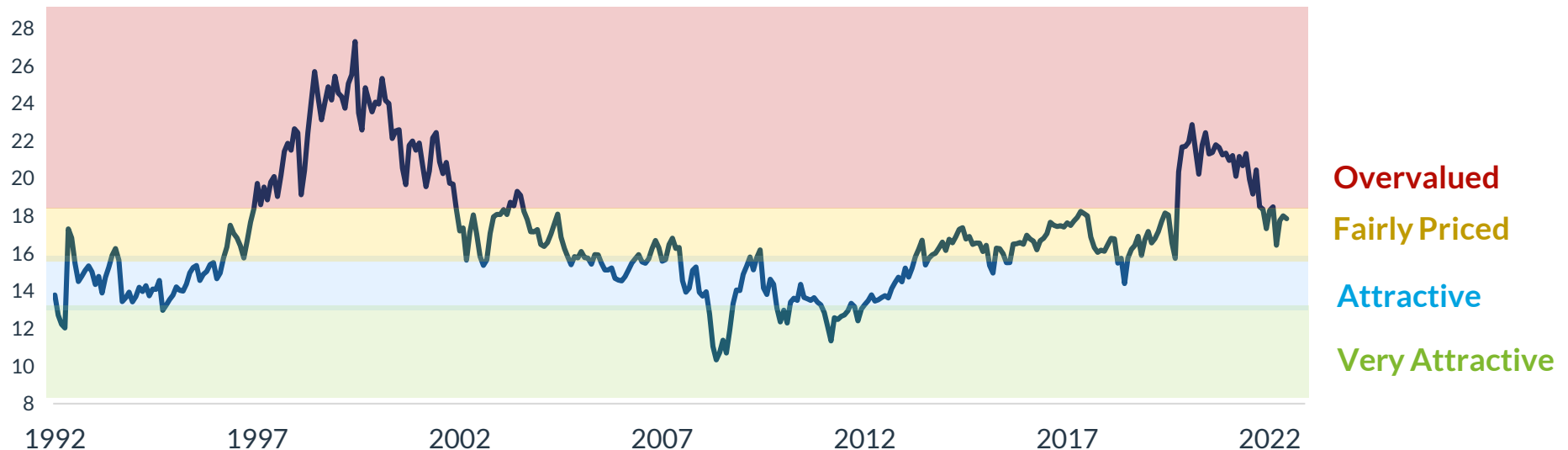
Sources: FactSet, Bloomberg, CNR Research, as of December 2022. Information is subject to change and is not a guarantee of future results.



2023 Critical Issues to Watch

	Earnings	P/E Multiple
Positive	• Inflation moderation	• Valuation correction
	• Dollar headwind abating	• Earnings yield favorable vs. Fixed Income
	• Mild recession	
Negative	• Margins still elevated	• Absolute PEs still not attractive
	• Consensus earnings estimates too high	• Downside risk if real rates go higher
	• Risk of exogenous shocks remains	• Risk of exogenous shocks remains

S&P 500 Forward Price/Earnings Ratio

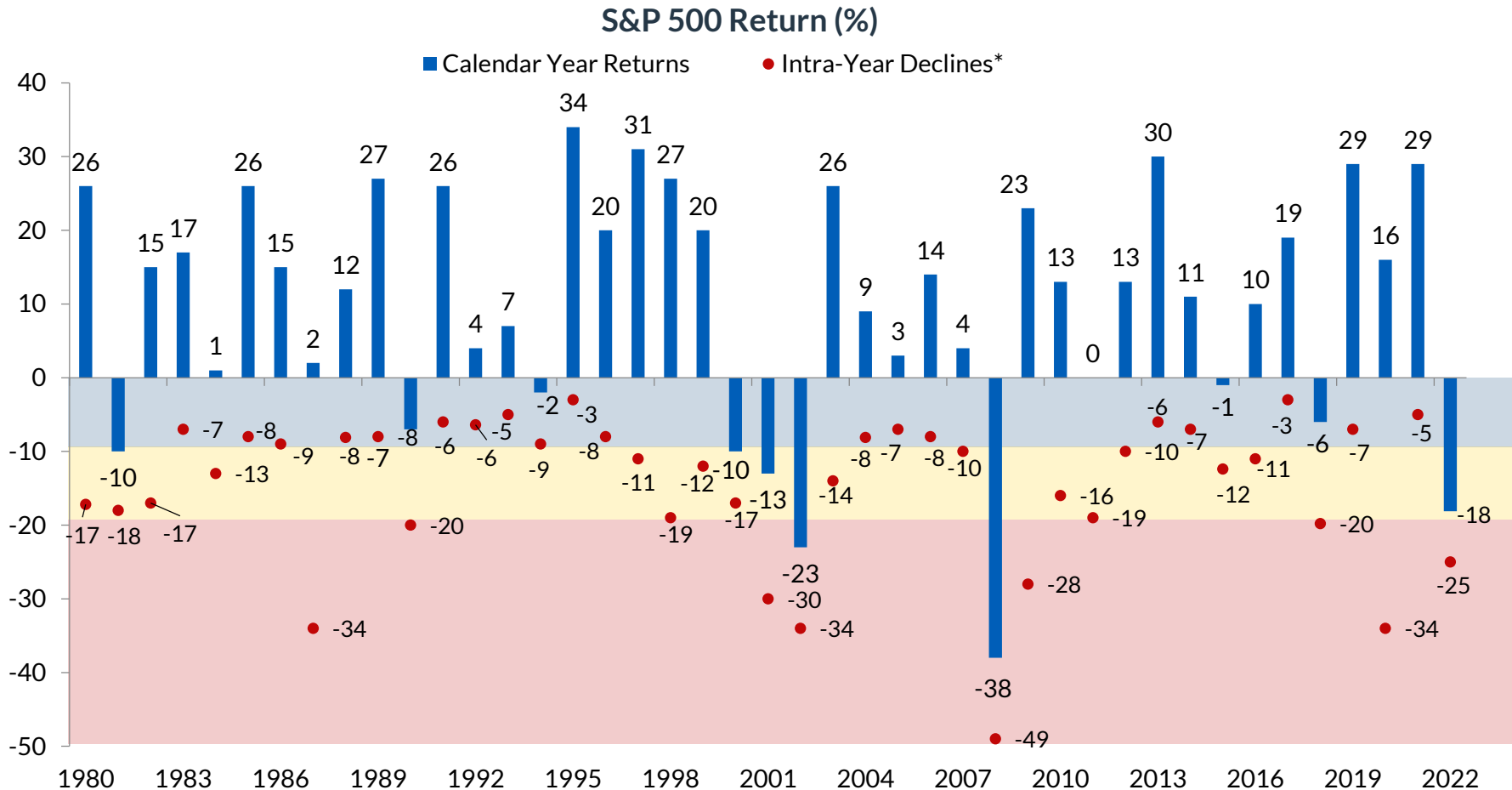


Sources: FactSet, CNR Research, as of December 31, 2022. Information is subject to change and is not a guarantee of future results.



Short-Term Volatility Is Normal

- Corrections are a normal part of market movements.
- The breadth and depth of this pullback is likely to add more time to an ultimate recovery.



Sources: Bloomberg, CNR Research, as of December 30, 2022.

*Intra-year declines are the largest declines within the calendar year.

Indices are unmanaged, and one cannot invest directly in an index. Index returns do not reflect a deduction for fees or expenses.

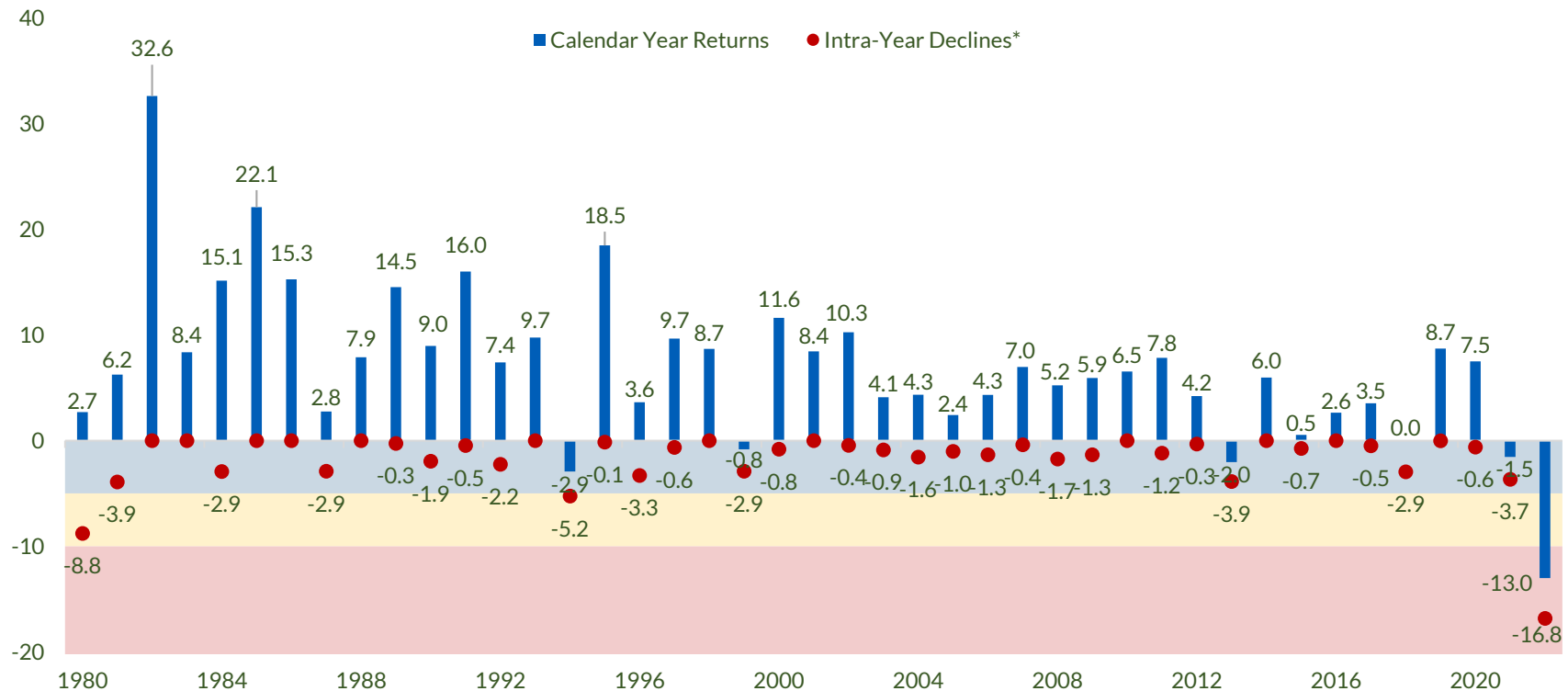
Past performance is no guarantee of future results.



Short-Term Bond Market Volatility Is Not Normal

- 2022 is the largest pullback on record since 1980 in fixed income.
- Fixed income volatility is high, and the magnitude of this year's move is unprecedented.
- High interest rate sensitivity, high inflation, historically low interest rates and a surprise shock from the Fed have fueled negative returns.

Bloomberg US Aggregate Bond Index Return (%)



Source: Bloomberg, as of December 31, 2022.

*Intra-year declines are the largest declines within the calendar year.

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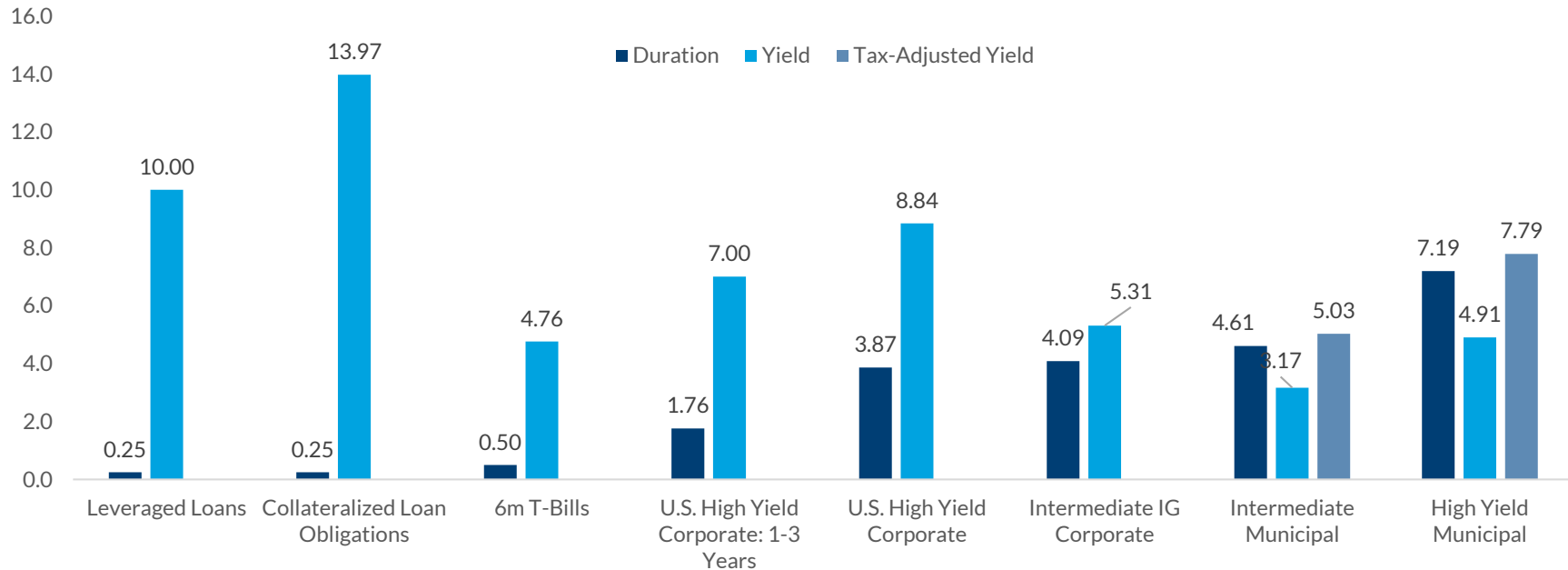
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Where Should Investors Allocate Capital in Fixed Income?

- Rates have increased, creating one of the best environments for yield over the past 15 years.
- Investment grade corporate and municipal bonds are offering the highest yields since 2009.
- Tax-adjusted income generated from high yield municipal bonds is the highest since 2020.

Yield and Duration for Selected Asset Classes¹



Source: Bloomberg¹. All yields reported as Yield-to-Worst, as of November 2022.

See disclosures for index breakdowns. Short Duration: 5% ICE BofA 3-Month Treasury Index, 40% Bloomberg US Commercial Paper Placed Top 180 Day Discount Index, 25% Bloomberg Euro CD 6-Month Index, 30% Ice BofA 0-1 Year Corporate Bond Index.

Investment Grade Corporate Bonds: Bloomberg Intermediate Corporate Bond Index.

Investment Grade Municipal Bonds: Bloomberg Municipal Bond Inter-Short 1-10 Year Total Return Index.

High Yield Municipal Bonds: Bloomberg 60% Tax-Exempt HY / 40% LB Municipal Investment Grade Total Return Index.

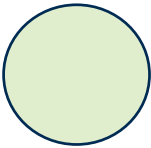
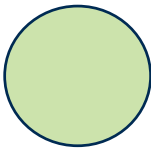



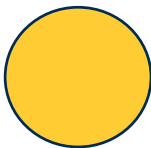

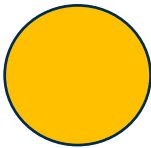
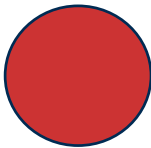
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Investment Grade Is Now a More Compelling Allocation

- High yield debt remains attractive in the long term, but we recommend reducing our overweight.

	2-Year Treasury Note	Short Term Bonds	High Yield Bonds
Slow Growth (25%) <ul style="list-style-type: none"> Stable Rates Resilient Growth Healthy Corporate Environment 			
Mild Recession (60%) <ul style="list-style-type: none"> Lower/Stable Rates Negative Growth Moderate Corporate Defaults 			
Normal Recession (15%) <ul style="list-style-type: none"> Flight to Safety Significant GDP Decline High Default Rates 			

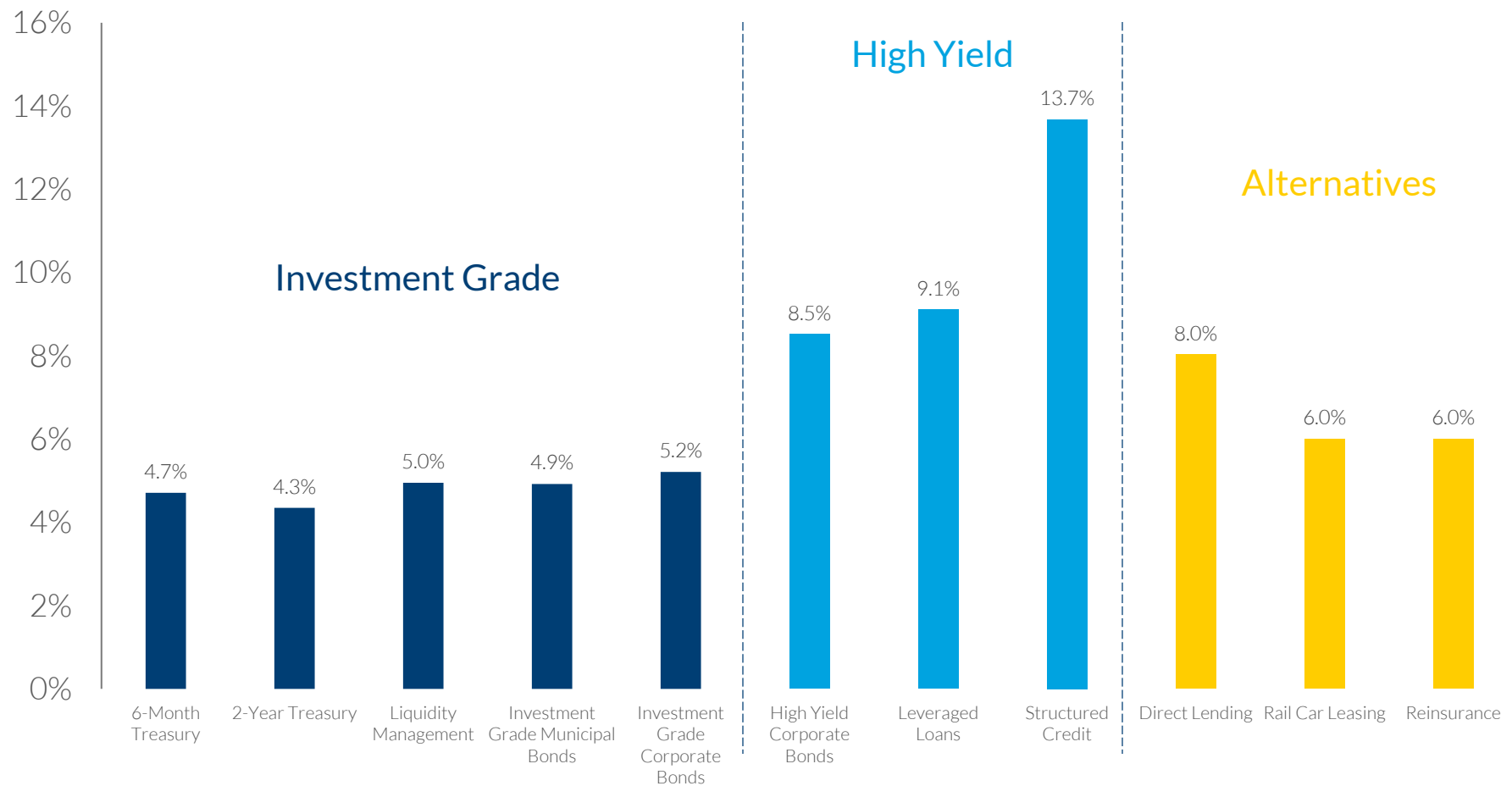
Sources: Bloomberg, CNR Research, as of December 2022. Information is subject to change and is not a guarantee of future results.



Yields Are Substantially Higher

- Higher yields have opened the door to a more diversified fixed income allocation.

Yield Levels Across Fixed Income Asset Classes



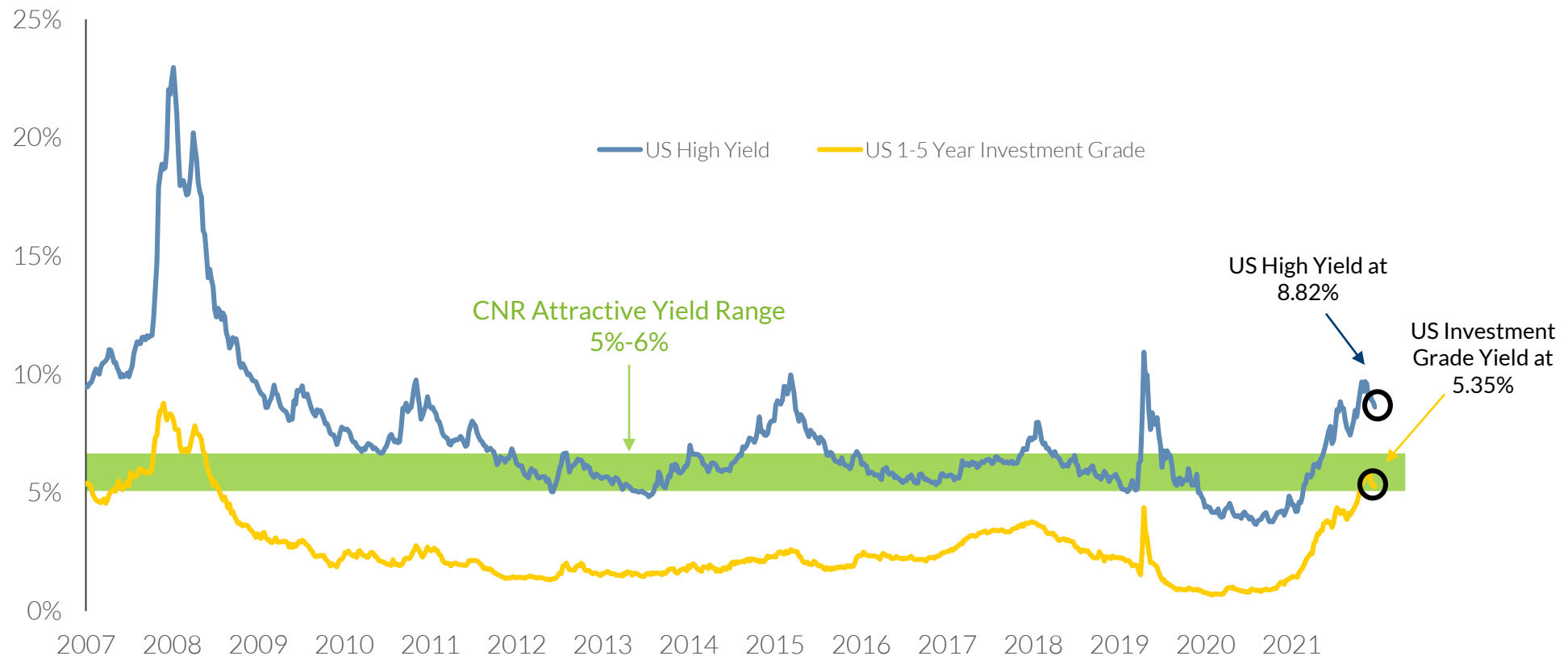
Sources: Bloomberg, CNR Research, as of November 2022. Information is subject to change and is not a guarantee of future results. See index definitions for more information.



Attractive Investment Grade Yield

The First Time in 15 Years

U.S. High Yield & U.S. Investment Grade Yield-to-Worst
15-Year History



Sources: Bloomberg, CNR Research, as of December 2022.
Past performance is no guarantee of future results.
Refer to the index definitions for more information.



CNR Late-Cycle Playbook in Action

- We are proactively raising the defensive profiles of client portfolios.
- We are ready to make additional adjustments if the risk of a more severe recession or exogenous shock rises.

Actions Taken	
Equities	• Underweight allocation
	• Sold EM Asia, Europe exposure
	• Reduced exposure to economically sensitive industries
	• Focusing on quality, defensive blue chips
Fixed Income	• Increased investment grade exposure
	• Increased high yield muni exposure
	• Changes in duration, sector exposures and security selection

New Actions	
Equities	• Reducing Mid/Small Cap
	• Further lowering exposure to economically sensitive industries
Fixed Income	• Increasing investment grade
	• Reducing high yield

Source: CNR Research, as of December 2022.

There are inherent risks with equity investing. These risks include, but are not limited to, stock market, manager or investment style. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. There are inherent risks with fixed income investing. These risks may include interest rate, call, credit, market, inflation, government policy, liquidity or junk bond. When interest rates rise, bond prices fall. This risk is heightened with investments in longer duration fixed income securities and during periods when prevailing interest rates are low or negative. Information is subject to change and is not a guarantee of future results.



Index Definitions

The Standard & Poor's 500 Index (S&P 500) is a market capitalization-weighted index of 500 common stocks chosen for market size, liquidity and industry group representation to represent U.S. equity performance.

The MSCI World is a market cap weighted stock market index of 1,655 companies throughout the world. It is maintained by MSCI, formerly Morgan Stanley Capital International, and is used as a common benchmark for 'world' or 'global' stock funds intended to represent a broad cross-section of global markets.

The Michigan Consumer Sentiment Index (MCSI) is a monthly survey of U.S. consumer confidence levels conducted by the University of Michigan. It is based on telephone surveys that gather information on consumer expectations regarding the overall economy.

The University of Michigan Consumer Sentiment Index is a consumer confidence index published monthly by the University of Michigan. The index is normalized to have a value of 100 in the first quarter of 1966.

The Barclays Aggregate Bond Index is composed of U.S. government, mortgage-backed, asset-backed, and corporate fixed income securities with maturities of one year or more.

The Barclays High Yield Municipal Index covers the high yield portion of the U.S.-dollar-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds.

The Bloomberg Barclays U.S. Corporate Bond Index is an unmanaged market-value-weighted index of investment-grade corporate fixed-rate debt issues with maturities of one year or more.

The Bloomberg Barclays U.S. Corporate High Yield Index is an unmanaged, U.S.-dollar-denominated, nonconvertible, non-investment-grade debt index. The index consists of domestic and corporate bonds rated Ba and below with a minimum outstanding amount of \$150 million.

The Bloomberg Barclays US Aggregate Bond Index is the most widely followed U.S. bond market index. It measures the investment grade, US dollar-denominated, fixed-rate taxable bond market.

The U.S. Treasury 10-year Note is a debt obligation issued by the United States government that matures in 10 years. A 10-year Treasury Note pays interest at a fixed rate once every six months and pays the face value to the holder at maturity.

Employment Index: U.S. jobs with the exception of farmwork; unincorporated self-employment; and employment by private households, the military, and intelligence agencies.

A consumer price index (CPI) measures changes in the price level of a market basket of consumer goods and services purchased by households. The CPI is a statistical estimate constructed using the prices of a sample of representative items whose prices are collected periodically.

A collateralized loan obligation (CLO) is a single security backed by a pool of debt.

A leveraged loan is a type of loan that is extended to companies or individuals that already have considerable amounts of debt or poor credit history.

6M T-Bills: The 6 Month Treasury Bill Rate is the yield received for investing in a US government issued treasury bill that has a maturity of 6 months.

"U.S. High Yield Corporate" is represented using the U.S. High Yield Index.

"Intermediate Long Municipal" is represented by: 10% Bloomberg 5 Year Municipal Bond Index, 15% Bloomberg 7 Year Municipal Bond Index, 35% Bloomberg 10 Year Municipal Bond Index, 30% Bloomberg 15 Year Municipal Bond Index, 10% Bloomberg 20 Year Municipal Bond Index.

Leveraged Loans – S&P LSTA Leveraged Loan Index, 6m T-Bills – ICE BofA 6-Month Treasury Bill Index, U.S. High Yield Corporate: 1-3 Years – ICE BofA U.S. High Yield 1-3 Year Index, Intermediate Municipal – Bloomberg 1-15 Yr Municipal Index, U.S. High Yield Corporate – Bloomberg U.S. High Yield Corporate Index, Intermediate IG Corporate – Bloomberg Intermediate Corporate Index, High Yield Municipal – Bloomberg 60% Tax-Exempt HY/40% LB Municipal Index



Index Definitions

The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. & Canada. As of June 2007, the MSCI EAFE Index consisted of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom.

The Michigan Consumer Sentiment Index (MCSI) is a monthly survey of U.S. consumer confidence levels conducted by the University of Michigan. It is based on telephone surveys that gather information on consumer expectations regarding the overall economy.

Muni Bond: A municipal bond is a debt security issued by a state, municipality or county to finance its capital expenditures, including the construction of highways, bridges or schools. These bonds can be thought of as loans that investors make to local governments.

The Bloomberg Barclays Emerging Markets USD Aggregate Index tracks total returns for external-currency-denominated debt instruments of the emerging markets. Countries covered are Argentina, Brazil, Bulgaria, Ecuador, Mexico, Morocco, Nigeria, Panama, Peru, the Philippines, Poland, Russia and Venezuela.

The Bloomberg Barclays U.S. Agency Bond Index is a rules-based, market-value-weighted index engineered to measure investment-grade agency securities publicly issued by U.S. government agencies. Mortgage-backed securities are excluded.

S&P Leveraged Loan Indexes (S&P LL indexes) are capitalization-weighted syndicated loan indexes based upon market weightings, spreads and interest payments. The S&P/LSTA Leveraged Loan 100 Index (LL100) dates back to 2002 and is a daily tradable index for the U.S. market that seeks to mirror the market-weighted performance of the largest institutional leveraged loans, as determined by criteria. Its ticker on Bloomberg is SPBDLLB.

The 4P analysis is a proprietary framework for global equity allocation. Country rankings are derived from a subjective metrics system that combines the economic data for such countries with other factors including fiscal policies, demographics, innovative growth and corporate growth. These rankings are subjective and may be derived from data that contain inherent limitations. MSCI Emerging Markets Asia Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the Asian emerging markets.



Index Definitions

The Dow Jones Select Dividend Index seeks to represent the top 100 U.S. stocks by dividend yield. The index is derived from the Dow Jones U.S. Index and generally consists of 100 dividend-paying stocks that have five-year non-negative Dividend Growth, five-year Dividend Payout Ratio of 60% or less, and three-month average daily trading volume of at least 200,000 shares.

The Bloomberg Commodity Total Return Index, formerly known as Dow Jones-UBS Commodity Index Total Return (DJUBSTR), is composed of futures contracts and reflects the returns on a fully collateralized investment in the BCOM. This combines the returns of the BCOM with the returns on cash collateral invested in 13-week (three-month) U.S. Treasury Bills.

The Corporate Emerging Market Bond Index (CEMBI) is J.P. Morgan's index of U.S.-dollar-denominated debt issued by emerging market corporations.

The Standard & Poor's Small Cap 600 Index (S&P 600) measures the small-cap segment of the U.S. equity market. The index is designed to track companies that meet specific inclusion criteria to ensure that they are liquid and financially viable.

Nasdaq 100 Index is an index composed of the 100 largest, most actively traded U.S. companies listed on the Nasdaq stock exchange.

The Shanghai Stock Exchange (SSE) composite is a market composite made up of all the A shares and B shares that trade on the Shanghai Stock Exchange.

Brent Crude is a major trading classification of sweet light crude oil that serves as a major benchmark price for purchases of oil worldwide. This grade is described as light because of its relatively low density, and sweet because of its sulfur content.

The "core" Personal Consumption Expenditures (PCE) price index is defined as prices excluding food and energy prices. The core PCE price index measures the prices paid by consumers for goods and services without the volatility caused by movements in food and energy prices to reveal underlying inflation.

The S&P/Case-Shiller Home Price Indexes are a group of indexes that track changes in home prices throughout the United States. The indexes are based on a constant level of data on properties that have undergone at least two arm's length transactions.

The ISM Manufacturing Index is based on surveys of more than 300 manufacturing firms by the Institute for Supply Management (ISM). The ISM Manufacturing Index monitors employment, production, inventories, new orders and supplier deliveries. A composite diffusion index monitors conditions in national manufacturing and is based on the data from these surveys.

The ISM Non-Manufacturing Index is an index based on surveys of more than 400 non-manufacturing firms' purchasing and supply executives, within 60 sectors across the nation, by the Institute of Supply Management (ISM). The ISM Non-Manufacturing Index tracks economic data, like the ISM Non-Manufacturing Business Activity Index. A composite diffusion index is created based on the data from these surveys, that monitors economic conditions of the nation.

The Palmer Square CLO Senior Debt Index (ticker: CLOSE) and Palmer Square CLO Debt Index (ticker: CLODI) seek to reflect the investable universe for U.S. dollar denominated collateralized loan obligations ("CLOs").

The Intercontinental Exchange (ICE) is an American company that owns and operates financial and commodity marketplaces and exchanges.

Municipal bonds (or "munis") are a fixture among income-investing portfolios. Investors who want higher returns can invest in high yield municipal bonds.



Index Definitions

Yield to Worst – The lower of the yield to maturity or the yield to call. It is essentially the lowest potential rate of return for a bond, excluding delinquency or default.

Investments in emerging markets bonds may be substantially more volatile, and substantially less liquid, than the bonds of governments, government agencies, and government-owned corporations located in more developed foreign markets. Emerging markets bonds can have greater custodial and operational risks, and less developed legal and accounting systems than developed markets.

Equity investing strategies & products: There are inherent risks with equity investing. These risks include, but are not limited to stock market, manager or investment style. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.

Fixed-Income investing strategies & products: There are inherent risks with fixed income investing. These risks may include interest rate, call, credit, market, inflation, government policy, liquidity or junk bond. When interest rates rise, bond prices fall. This risk is heightened with investments in longer duration fixed-income securities and during periods when prevailing interest rates are low or negative.

Gross Domestic Product (GDP): Gross domestic product is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period.

Consumer Price Index (CPI): The Consumer Price Index measures the monthly change in prices paid by U.S. consumers.



Important Disclosures

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Investing in international markets carries risks such as currency fluctuation, regulatory risks, and economic and political instability. Emerging markets involve heightened risks related to the same factors, as well as increased volatility, lower trading volume and less liquidity. Emerging markets can have greater custodial and operational risks and less developed legal and accounting systems than developed markets.

Concentrating assets in the real estate sector or REITs may disproportionately subject a portfolio to the risks of that industry, including the loss of value because of adverse developments affecting the real estate industry and real property values. Investments in REITs may be subject to increased price volatility and liquidity risk; concentration risk is high.

Investments in below-investment-grade debt securities, which are usually called “high yield” or “junk bonds,” are typically in weaker financial health. Such securities can be harder to value and sell, and their prices can be more volatile than more highly rated securities. While these securities generally have higher rates of interest, they also involve greater risk of default than do securities of a higher-quality rating.

The yields and market values of municipal securities may be more affected by changes in tax rates and policies than similar income-bearing taxable securities. Certain investors' incomes may be subject to the Federal Alternative Minimum Tax (AMT), and taxable gains are also possible.

Investments in the municipal securities of a particular state or territory may be subject to the risk that changes in the economic conditions of that state or territory will negatively impact performance. These events may include severe financial difficulties and continued budget deficits, economic or political policy changes, tax base erosion, state constitutional limits on tax increases and changes in the credit ratings.

Indices are unmanaged, and one cannot invest directly in an index. Index returns do not reflect a deduction for fees or expenses.



Important Disclosures

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Returns include the reinvestment of interest and dividends.

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