

Viewpoint

As the Plates Shift

April 2022

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

IN BRIEF

- *The Great Shift* has already started and the Federal Reserve (Fed) is getting more aggressive. Portfolio adjustments in the weeks and months ahead are becoming more important as the early stages of the late cycle unfolds.
- Within Equities, we emphasize positioning for higher inflation through cyclical exposures which include Value and Small-cap exposure and we prefer cyclical sectors that are most likely to benefit from real asset growth and increasing free cash flow such as Energy, Materials and Mining.
- Within Fixed Income, we are positioning for rising interest rates and prefer shorter duration versus benchmarks and corporate credit versus Treasuries.
- Overall, we stress portfolio diversification and note the need to include Real Assets in a core portfolio, as appropriate. We consider this not just a tactical move, but a secular pivot.

At the beginning of 2022, our year-ahead investment view was titled *The Great New Dawn*. It was the morning (early years) of the *New Frontier*, which was our fifth phase within *The Journey Along the Great Separation* of the workout process through the pandemic. This new dawn is now materially affected by the ongoing crisis with Ukraine/Russia which accelerates our view that elevated inflation is here to stay, commodity supplies are further disrupted, and the concern of monetary policy playing catch-up (even with the latest pivot by the Fed is on high alert). In fact, the Fed has intimated they are behind the curve on inflation and is prepared to be more aggressive. According to BofA Global Research, the expectation is for three 50 basis points (bps) hikes in May, June and July and 25 bps for all other meetings to reach a terminal rate of 3.25% to 3.50%. After four decades of declining inflation and interest rates, financial assets—namely stocks and bonds—have enjoyed a fertile environment which allowed for generally consistent higher prices and valuation. Now, we are pivoting into the early stages of a late-cycle move across asset classes. The bond market is already signaling this as short-term yields have quickly moved higher with the yield curve flattening, although inverted in some parts of the curve too. Growth will remain solid but will moderate in the coming months.

Secular stagnation, however, is over, in our opinion. Nominal growth is likely to remain well above average even if real growth thins out next year. Therefore, profit growth should remain attractive for the foreseeable future. Commodity prices, supported by supply shocks and consumer pent-up demand, have risen significantly alongside labor costs. The globalization theme of the last few decades is pivoting to a reset phase that will likely

CIO ASSET CLASS VIEWS

This month, the Global Wealth & Investment Management Investment Strategy Committee did not make any tactical asset allocation adjustments. We reaffirm our positive view on Equities relative to Fixed Income with a preference for U.S. Equities relative to International. We emphasize portfolio diversification as we enter the early stages of the late cycle.

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Asset Class	CIO View		
	Underweight	Neutral	Overweight
Equities	•	•	•
U.S. Large-cap	•	•	•
U.S. Mid-cap	•	•	•
U.S. Small-cap	•	•	•
International Developed	•	•	•
Emerging Markets	•	•	•
Fixed Income	•	•	•
U.S. Investment-grade Taxable	•	•	•
International	•	•	•
Global High Yield Taxable	•	•	•
Alternative Investments*			
Hedge Funds			
Private Equity			
Real Estate			
Tangible Assets / Commodities			
Cash			

*Many products that pursue Alternative Investment strategies, specifically Private Equity and Hedge Funds, are available only to qualified investors. CIO asset class views are relative to the CIO Strategic Asset Allocation (SAA) of multi-asset portfolio.

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Investment products:

Are Not FDIC Insured	Are Not Bank Guaranteed	May Lose Value
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include regionalization themes in terms of economic integration, alliances, and trade. Access to natural resources, energy, metals, and other inputs that feed into infrastructure redevelopment, manufacturing, technology hardware, and agricultural products is becoming more critical for supply chain management, demand matching, and also national security.

All of this was included, to a degree, in our great shift playbook from last year, where we highlighted that inflation was unanchored and reopening would ignite additional demand for both goods and services. Overall, we stress portfolio diversification and note the need to include Real Assets in a core portfolio, as appropriate. We consider this not just a tactical move, but a secular pivot.

Our overall portfolio strategy continues to be on guard. Within an Equity overweight relative to bonds positioning, on guard warrants more defensive exposure to balance out the cyclical sectors. Having at least a neutral position in Healthcare makes sense in our view. We think the importance of Real Assets continues to grow in order to increase portfolio diversification. We continue to monitor spreads, the yield curve, earnings revisions and other indicators to assess the broad economic climate. Recession risk beyond 2022 has risen as indicated by the bond market and weak consumer confidence. But we are also witnessing positive trends within the equity market rotation. This is a push-pull environment with many unknowns that requires a more active portfolio management approach versus the most recent cycle.

- Within Equities, we emphasize positioning for higher inflation through cyclical exposures which include Value and Small-cap exposure for size- and style-oriented investors. But we also balance out that exposure with Growth in segments of Technology. For sector-based investors, we primarily prefer sectors that are most likely to benefit from real asset growth and increasing free cash flow, such as Energy, Materials and Mining. Given the geopolitical realities of our times, we also favor exposure to defense and cyber security on a thematic basis. Sub-sectors such as infrastructure and warehousing also look attractive. We continue to evaluate public nonfinancial Real Estate Investment Trust (REIT) exposure.
- On the International and Emerging Markets fronts, the strong U.S. dollar trend with higher yields supports our view of high level diversification and overweight to the U.S. relative to non-U.S. We are concerned that small capitalization shares are struggling to come up for air but continue to maintain our small overweight position.
- Within Fixed Income, we are positioning for rising interest rates and prefer shorter duration versus benchmarks and corporate credit versus Treasuries. Additionally, consider floating rate instruments if applicable to help mitigate rising interest rates. We do not believe break-evens for Treasury Inflation-Protected Securities (TIPS) warrant an allocation yet but we will continue to keep our eyes on breakevens for more attractive entry points.
- For qualified Alternative Investments (AI) investors, we believe for Hedge Fund strategies, the environment is conducive to fundamental Equity, Global Macro and Managed Futures.

The Great Shift has already started, and the Fed is getting more aggressive. Portfolio adjustments in the weeks and months ahead are becoming more important as the early stages of the late cycle unfolds.

CIO INVESTMENT DASHBOARD

Economic growth should continue to expand in the near-term. But recently the risk for a slowdown has risen as inflation runs hot, the Fed has pivoted to a more aggressive tightening bias, and geopolitical uncertainty has increased. Corporate profits currently remain supportive, with consensus estimating annual earnings growth of 9.3%, but recently upward earnings revisions have cooled. Corporate credit conditions remain

generally supportive due to solid corporate earnings and cash flows. Absolute valuations for U.S. Equities have become less extended, but still remain higher than the historical average. Investor sentiment has recently started to recover from extremely bearish levels seen earlier this year. We continue to believe that volatility will remain in a higher range as compared to pre-pandemic levels and expect the “grind-it-out” environment to persist for markets.

Current readings on the key drivers of Equities for investors to consider, with arrows representing the recent trend:

Factor	Implication for Equities			CIO View
	Negative	Neutral	Positive	
Earnings				In Q4, the S&P 500 reported year-over-year (YoY) profit growth of 31.2%, marking the first time since 2009-2010 that four consecutive quarters saw YoY growth north of 30%. For 2021, earnings grew by 48.4%, according to FactSet. However, analysts have been mildly revising Q1 profit estimates for this year lower, expecting quarterly growth of 5.5%. Meanwhile, amid accelerating downgrades across major regions and many sectors, there are scarce upgrades, largely reflecting the effects of higher commodities prices and bond yields, as well as chip shortages.
Valuations				Absolute valuations for U.S. Equities have become less extended, though they remain higher than the historical average. The S&P 500 price-to-earnings (P/E) ratio (next 12 months) has fallen to 19.5x from over 23x in late 2020, due to both price volatility and rising earnings estimates. Relative to Fixed Income, valuations are still attractive, but are becoming less so due in part to an increase in both rates and the price of the S&P 500. Its earnings yield is 280 bps above the 10-year Treasury yield, indicating some upside for Equities relative to Fixed Income.
U.S. Macro				Growth of U.S. real gross domestic product (GDP) in 2021 was 5.7%, the most since 1984. Growth in 2022 is estimated to be subdued in comparison. According to the Atlanta Fed’s GDPNow tracker, contributions led by consumption, followed by investment, were partially offset by weakness in trade and inventory drawdown. After significant weakness for both services and manufacturing in January, the ISM Manufacturing Purchasing Managers’ Index (PMI) has shown some improvement as the latest wave of coronavirus has ebbed. On the demand side, consumer spending remains supported by an improving labor market, economic reopening, record-high household net worth and excess savings. Supply-chain challenges and labor shortages to a lesser extent remain impediments to growth. BofA Global Research expects growth of 3.3% for 2022.
Global Growth				Geopolitical developments are sustaining global uncertainty. They risk exacerbating commodity-related inflation and destabilizing the economic outlook, particularly in Europe. Meanwhile, despite recent economic normalization across the global economy, as populations and many governments increasingly learn to live with the coronavirus, China remains an exception. Recent lockdowns may drag on consumption and the services sector, among other effects. The global economy is expected to expand by 3.6% in 2022, according to BofA Global Research.
Monetary Policy / Inflation				The Federal Open Market Committee (FOMC) began its policy interest rate upcycle, hiking by 0.25% at its March meeting. Fed Chairman Jerome Powell suggested a notable likelihood for larger increases should conditions warrant, sustaining anticipation for a quicker pace of tightening monetary policy, including the runoff of the Fed’s balance sheet in 2022. Overall, inflation data, such as the Consumer Price Index (CPI), the Producer Price Index (PPI) and consumer expectation for nearer-term price inflation, has surprised to the upside. Trailing strong demand, the Ukraine/Russia geopolitical conflict risks renewed strains for already constrained supply in the global economy.
Fiscal Policy				Including the Bipartisan Infrastructure Framework approved in October, fiscal relief in the U.S. equates to nearly 31% of GDP since the start of the pandemic. Undermined by persistent inflation, momentum towards approving President Biden’s Build Back Better economic agenda through the reconciliation process by the Democratic-controlled Congress has stalled. The 2023 budget proposal calls for greater military and social spending along with taxes on the wealthiest Americans, aimed at cutting federal deficits over the longer-term.
Corporate Credit				While past measures taken by the Fed and rising corporate profitability have underpinned benign corporate financing conditions, High yield (HY) and Investment-grade (IG) credit spreads have widened slightly this year, though these levels still imply accommodative financial conditions, amid strong economic fundamentals.
Yield Curve				The all-important fed funds/10s curve has remained in a steepening trend, signaling a positive economic outlook. Rates farther out on the front end have moved higher to reflect expectations for aggressive Fed hikes. Rates on the back end have recently risen on expectations for more persistent inflation, Fed policy and strong GDP growth. However, inversions in other yield curve segments may reflect some growing concern of the sustainability of the business cycle.
Technical Indicators				Throughout March, the Chicago Board Options Exchange (CBOE) Volatility Index (VIX) had moved to the lower part of a general range between 20 and 30. Market breadth has improved somewhat. The cumulative advance/decline line for New York Stock Exchange (NYSE) Equities has recovered to hit its highest level since mid-January. Meanwhile, the percentage of New York Stock Exchange (NYSE) stocks above their 200-day moving average has reversed to move higher to around 47% from under 40%.
Investor Sentiment				Bearish sentiment, generated during the first quarter, has started to abate, according to the American Association of Individual Investors. However, institutional portfolio cash levels continue to signal a contrarian “buy” signal, according to BofA Global Research’s Fund Manager Survey, while its Bull & Bear Indicator is near a “buy” reading, at 2.1.

Source: Chief Investment Office. Data as of April 5, 2022.

EQUITIES

We expect Equities to outperform Fixed Income: While risks remain, global Equities should benefit from higher nominal growth levels, healthy corporate profits, rising consumer spending, and an improvement in the service sectors in the near-term. However, rising bond yields could be a headwind for multiples as the Fed pursues a more aggressive tightening bias, with BofA Global Research expecting three 50 bps hikes in May, June and July and 25 bps for all other meetings this year. We continue to favor U.S. Equities on a risk-adjusted basis and are neutral International Developed Equities and Emerging Markets (EM).

We are overweight U.S. Equities overall: The U.S. remains our preferred Equity region relative to the rest of the world, with stronger balance sheets on aggregate, prospects for higher levels of nominal growth and a favorable earnings backdrop. U.S. Large-caps generally offer a balance of Quality, Yield and Growth factors, while Small-caps offer higher cyclicality and more attractive relative valuations.

We expect earnings per share (EPS) for the S&P 500 to improve to \$220 in 2022. U.S. Equity valuations are still higher than historical averages, but the recent selloff has brought the forward P/E to a more reasonable 19.5x level from 21.5x in December. Near-term risks for Equities come from uncertainty surrounding the conflict in Eastern Europe, ongoing coronavirus concerns, China's slowdown and elevated levels of inflation. We would expect volatility to continue as financial conditions tighten as the Fed continues their hiking cycle.

We continue to prefer Energy, Materials and Financials as well as big, established areas in Technology and Industrials with high free cash flow; the more defensive sectors such as Healthcare are likely to provide some growth and stability. We continue to maintain a positive outlook for the consumer; however, the Consumer Discretionary sector is discounting the reopening, and rising input costs pose a risk to margins.

We believe portfolios should incorporate both Growth and Value factors that would simultaneously gain from cyclical and secular forces gaining traction. Growth should continue to benefit from accelerated secular investments in 5G, artificial intelligence, cloud computing, robotics and health infrastructure globally. However, current economic conditions suggest that investors may want to consider emphasizing Value, which has higher exposure to cyclical sectors that may benefit from economic reopening and higher inflation. We also favor Small-cap Equities, given their cyclical nature, correlation to interest rates and inflation and the rising capital expenditures (CapEx) cycle. Both Value and Small-caps are trading at discounted relative valuations.

We are neutral Emerging Market Equities: Emerging Market Equities appear attractively valued but remain vulnerable to further escalation of the conflict in Eastern Europe and the lingering effects of the pandemic. Looking forward, we see further challenges stemming from slower economic growth in China and rising U.S. interest rates. We nonetheless continue to expect a wide return dispersion between individual EM countries and regions. Central and Eastern European markets are most exposed to further fallout from the Ukraine/Russia crisis through the effect of international sanctions and high dependency on natural gas imports from Russia. Cyclically-oriented markets in Latin America and elsewhere in EMEA (Europe, Middle East and Africa) should be relatively well positioned as global economic activity continues to recover and commodity prices remain high. While markets in Asia may be more at risk from high energy and food import prices in the near term, they remain longer-term beneficiaries of the expanding digital economy given their large exposure to digital industries. For the heavyweight Chinese market, we also see ongoing policy risks related to industry-specific regulation. The continued rise in EM consumer spending remains a big reason that we believe investors should maintain a strategic allocation to EM Equities. The emerging world now constitutes around 40% of global personal consumption expenditures (PCE) according to the United Nations, and ongoing convergence with developed economies should support GDP

growth and corporate earnings over the longer term. We favor active management¹ when investing in EM, as fundamentals differ across countries based on Commodity exposure, external funding needs, corporate governance and other factors.

We are neutral International Developed Market Equities: We continue to prefer U.S. versus International Developed given our higher-quality view. European economies are highly exposed to rising oil and gas prices. Additionally, the elevated geopolitical risk in Eastern Europe could potentially cause lower growth and higher inflation. European Equities are now experiencing more earnings downgrades than upgrades for the first time since November 2020, as macroeconomic conditions have begun to deteriorate. However, these markets have attractive relative valuations, strong sensitivities to improving global economic activity, and can add cyclicity and Value orientation in portfolios.

EQUITY WATCH LIST

- Regional economic reopenings, coronavirus case trends, vaccination distribution timeline
- Continued Fed tightening as inflationary pressures persist
- Economic data for production, labor, consumer expectations, and credit and liquidity conditions
- Progression of earnings estimates amid margin pressures
- Fiscal policy adjustments and taxes
- Reorganization of global supply chains and U.S.-China relationship
- Further escalation of conflict in Eastern Europe

FIXED INCOME

We are underweight Fixed Income: We prefer portfolios to be positioned short duration relative to a Fixed Income benchmark aligned to specific investment goals. The Fed has pivoted hawkishly, and has even higher conviction that it must withdraw monetary policy accommodation at a somewhat-faster pace to deal with high inflation. The market currently expects the Fed to raise rates nine times in the next 12 months, including three 50 bps hikes. The Fed has signaled that the market should expect every FOMC meeting to be “live” in terms of potential interest rate hikes, and indicated quantitative tightening may begin at any time after the first rate hike. Treasury market volatility has increased significantly, and all major Fixed Income sectors are now negative year-to-date. This has been a historically bad start to the year, given the abrupt change of the Fed’s policy stance.

Yield curves have flattened significantly, with numerous inversions. The 10-year yield is now lower than the 3-, 5- and 7-year yield, as is the 30-year Treasury yield. However, inflation expectations are still very high. The 5-year inflation breakeven hit an all-time record high of 3.73% on March 25. This seems to be leaving the Fed two unattractive options, in our view: keep the current path of policy, and allow for a continued overshoot of inflation; or try to get inflation back down to 2%, with a markedly higher chance of a recession.

While there may be more upside to Treasury rates over the medium term, Treasuries should still be considered for most investors’ portfolios, especially to complement portfolios with Equity risk. However, investors less focused on managing short-term Equity volatility, with all Fixed Income portfolios, or with better ability to withstand price volatility, should still underweight Treasury allocations while favoring high-quality, IG spread products—corporates. We still expect Fixed Income to be a diversifier—in the long run, coupon income is a larger determinant to total returns than price changes due to rate moves—and this diversification effect has proven true when rate volatility decreases.

¹Active management seeks to outperform benchmarks through active investment decisions such as asset allocation and investment selection.

We remain slightly overweight Investment-grade corporates and slightly

underweight High Yield: Investment-grade credit has moved off the wide of the year, trading at around 120 bps. While this level is not indicative of credit stress, uncertainties remain regarding tightening inflation, monetary policy, and higher Treasury yields, which have hit long duration Fixed Income particularly hard this year, long (10+ year) IG corporates have registered one of the worst drawdowns in history. Technicals have also weakened amid a deterioration in sentiment, significant exchange-traded funds and mutual fund outflows, and issuance being pulled forward. That being said, while volatility could remain elevated over the near term, spreads have been relatively resilient, and we believe that credit should modestly outperform Treasuries this year as given strong underlying corporate credit fundamentals. However, excess returns versus duration-matched Treasuries are likely to come mostly from carry and likely not from significant spread tightening. Further widening in credit spreads in response to an unexpected or large move in Treasury yields, inflation or both remains a key risk; however, a more material move wider in spreads should be viewed as a repositioning opportunity.

Credit losses in IG are generally manageable and not a large component of spreads, but the same cannot be said in HY. Despite an improving fundamental backdrop, credit losses may rise and meaningfully reduce total returns. The yields now available in HY (roughly 4%) provide very meager compensation. Within HY allocations, we prefer larger allocations to secured floating-rate leveraged loans versus unsecured high yield bonds, although both should be included, and we caution investors to be aware that strong near-term performance may not be sustainable.

We are slightly underweight Mortgage-Backed Securities: Due to concerns about Fed quantitative tightening, along with reduced demand from commercial banks as loan demand recovers, we expect MBS spreads to come under pressure. The rapid move in Treasury yields has also caused mortgage duration to extend from the low 2s seen in mid-last year to the mid 5s, according to the Bloomberg U.S. MBS Index. Further duration extension may be more limited from here, as duration remains near multi-year highs. Going forward, increased volatility and fluctuating mortgage rates may mean a higher prepayment risk. Furthermore, any miscommunication or negative surprise as a result of rising inflation, particularly as it relates to balance sheet reduction, is a material risk. Hence, it is prudent to position conservatively within the sector, in our opinion. In the long run, MBS appears attractive versus Treasuries, and the sector is a large component of the high-quality bond market. Therefore, investors should maintain exposure in the sector as appropriate for their particular investment objectives and risk tolerance.

FIXED INCOME WATCH LIST

- Deeper or new inversions in the yield curve, particularly in 2s/10s and 10s/30s, which would be interpreted as increased recessionary risk. Signs of significantly negative Fixed Income fund flows
- Inflation breakevens for signs of stabilization, or an “un-anchoring” of inflation expectations
- Signs of any risk aversion or recessionary risk in terms of spreads, yields or new issue activity
- Potential tax changes if consensus is eventually reached on the Build Back Better bill
- Dislocations in Commercial Real Estate (CRE) markets.

ALTERNATIVE INVESTMENTS

Given the differences in liquidity characteristics between AI and traditional investments, the CIO asset class views on AI portfolio positioning continue to be neutral-rated versus our strategic allocations. These types of investments, in our opinion, should not be viewed at the asset class level on a tactical basis, but, rather, the tactical positioning should be expressed at the sub-asset class level.

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

We favor a strategic approach when allocating to Hedge Funds: In line with our overall overweight view on Equities, we currently see favorable opportunities for select Hedge Fund strategies for qualified investors, such as Equity Long/Short. Uncertainty has increased for the market and resulted in higher volatility across both Equities and bonds. The list of factors contributing to it seems to grow by the week: the pace and magnitude of the rate hikes, its effect on U.S. and global growth, the strength and persistence of inflation, the Ukraine/Russia conflict and China. Now more than ever, we believe a hedged approach could serve investors well.

We are maintaining our moderately positive view for Equity Hedge strategies, unchanged from previous quarters. We continue to believe the market environment is attractive for skilled stock pickers. As interest rates rise, managers are generally optimistic that company fundamentals should be a more significant driver of stock performance going forward. We believe such an environment to be conducive to alpha—the measure of the active return on an investment generation on both longs and shorts. However, if the market vacillates between risk-on and risk-off, it will be harder for these managers to extract alpha if stocks are rising and falling all at once. For nimble managers, there are opportunities in sector rotation as we move into a late-cycle economy. The sharp rise in short term rates and the flattening of the yield curve in Q1 can also provide opportunities for managers on the short side in sectors such as mortgage Real Estate Investment Trusts (REITs).

Equity valuation levels remain elevated relative to their five- and 10-year averages, which is not favorable for a long portfolio but could be a tailwind for short sellers. Despite the challenging shorting environment in 2021, managers generally maintained their discipline although some decided to reduce the practice of shorting individual stocks. Managers focused on alpha shorts are generally constructive on the prospect of this practice, as they expect there will be less competition going forward.

We remain cautious on Event Driven and Relative Value strategies. While credit spreads have widened somewhat recently and are off their lows, they are still tight relative to historic levels. Rising interest rates are likely to be a headwind for some strategies as the trend for interest rates is clearly upward. In addition, there is a lack of opportunities for distressed strategies, although this could be changing as interest rates rise and the era of limitless monetary liquidity appears to be ending.

We are positive on trading strategies, many of which can take advantage of global dislocations, changes to interest rates and the macro environment. For qualified investors seeking diversified return streams, these managers who can position their portfolio both long and short, could provide competitive and less-correlated returns. There is also a level of asset class diversification to consider, as these managers invest across all parts of the investment spectrum: stocks, bonds, currencies and commodities. In the current geopolitical environment, the diversification offered by trading strategies could provide an investment portfolio some buffer to global political events.

We favor a strategic approach when allocating to Private Equity: We view these strategies as long-term potential portfolio return enhancers with unique access to specialized investments and strategies unavailable in traditional portfolio construction. We see opportunities in Buyout and Growth Equity as the global economy continues to rebound. Up until very recently, exit activity remained strong; however, with a market correction underway, initial public offerings (IPOs) and special purpose acquisition company (SPAC) mergers have slowed significantly. While the correction in public Equities will likely have a spillover effect into the private markets (often with a quarter or two lag), we believe it is important for diversification to remain committed to private markets. As

companies stay private for longer, investors need to continue their allocation to private companies to capture that early and mid-stage growth.

Private Credit strategies are benefiting from the concerns of higher interest rates, as many of these investments are more credit- than interest rate-sensitive. Also, many of these types of investments are floating rate, offering some buffer to higher rates compared to a traditional Fixed Income portfolio. These strategies may be of interest to qualified investors seeking enhanced yield and may complement traditional Fixed Income holdings.

We favor a strategic approach when allocating to Private Real Estate: The Commercial Real Estate (CRE) market continues to rebound, and returns in Q4 were stronger than Q3 in all sub-sectors except for office, according to the National Council of Real Estate Investment Fiduciaries (NCREIF). Industrial had a blowout year, gaining 43%, benefiting from the surge in logistical needs. Multifamily housing also did well, gaining just under 20% for the year. Hotels, office and retail posted positive returns for the year, but muted compared to other sectors as these areas will likely be the last to recover from the fallout of the coronavirus, according to NCREIF. While we still favor the Industrial sector, valuations have become rich.

The macro backdrop is supportive of the investment case for Core/Core-Plus Real Estate, which emphasizes quality investments in well-located and well-positioned assets in growing and liquid primary and secondary markets. While we do not necessarily expect returns over the next year to match the outperformance seen in 2021, we do believe that 2022 has the potential to be another strong year for Core/Core-plus Real Estate, and we maintain a positive view on the asset class longer term, given attractive supply/demand characteristics. A large increase in new supply would likely lead us to reevaluate, but various barriers to new construction (as well as the visibility afforded by permitting and construction timelines) significantly reduce the supply-side risks over the near term.

Commodities and the dollar: For investors, there is a growing list of reasons to shore up and maintain strategic exposure to commodity prices. Persistent supply chain disruptions, elevated geopolitical risk and rising commodity prices from oil to corn and wheat all appear to have staying power. Contrary to popular consensus, the dollar has remained strong however a weaker dollar, potentially driven by valuations, could eventually emerge as an additional catalyst for Commodities. At the same time, investor flows are revisiting the diversification benefits of Commodities. From a business cycle timing perspective, Commodity allocations often exhibit relative outperformance versus stocks and bonds when the labor market is tight and inflation is high. Over the long term, global growth anchors demand, in our view, and is the most important factor to consider when allocating to Commodities and that outlook is positive for 2022 despite recent downward revisions to global growth forecasts.

Positioning within Commodities could be important to help mitigate the risk of rising real interest rates. Rising real interest rates would have the biggest effect on Commodities like gold because the price of gold is largely determined by speculation relative to other more fundamental commodities. For this reason and others, we favor cyclical Commodities (industrial commodities and energy, for example) over gold.

The U.S. dollar continues to benefit from relatively stronger economic growth and a Fed that is raising rates to address elevated inflation and a tight labor market. This has helped the dollar to remain strong, exploiting the relative interest rate advantage versus the developed world. However, longer term valuation metrics like purchasing power parity continue to point toward a weaker dollar as we look further out.

Tangible assets: As inflation rises and seems to be more persistent than first predicted, tangible assets—such as real estate, timber, and farm and ranch land— have historically done well in a high inflationary environment and add a real diversification benefit to a traditional portfolio. It also adds a diversification benefit to hedge funds and private equity investments.

MACRO STRATEGY

- For now, strong nominal growth is powering robust corporate earnings that will help serve to reinforce the business cycle expansion. Leading economic indicators point toward above-trend real economic growth over the balance of the year. Economic reopening in parts of the world should also help support near-term growth. Overall, the macro backdrop still favors Equities on a relative basis.
- With the economy overheating and inflation far above target, the Fed is likely to have a difficult time reining in inflation without causing a recession. Elevated geopolitical risk adds to this risk. This is likely to keep markets volatile.

ECONOMIC FORECASTS (AS OF 4/1/2022)

	2021A	Q1 2022E	Q2 2022E	Q3 2022E	Q4 2022E	2022E
Real global GDP (% y/y annualized)	6.1	-	-	-	-	3.6
Real U.S. GDP (% q/q annualized)	5.7	1.0	3.5	2.5	1.8	3.3
CPI inflation (% y/y)	4.7	7.9	8.4	7.5	6.4	7.5
Core CPI inflation (% y/y)	3.6	6.3	5.6	5.3	5.0	5.6
Unemployment rate (%)	5.4	3.8	3.4	3.2	3.1	3.4
Fed funds rate, end period (%)	0.07	0.38	1.13	1.88	2.38	-

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

A = Actual. E/* = Estimate. Note: BofA Global Research 2022 end period S&P 500 estimate is 4600; end period 10-year Treasury estimate is 2.50%; 2022 average West Texas Intermediate Oil estimate is \$105/barrel. Sources: BofA Global Research; GWIM ISC as of April 5, 2022.

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The table below provides a rough indication of where the S&P 500 Index's central tendency could be, given various scenarios for EPS in 2023 and price-to-earnings (P/E) ratio multiples. These scenarios are not official price targets and are not meant to signal levels where portfolio actions may always be needed. However, during times of market volatility, it's useful to keep this basic framework in mind when considering whether to incrementally add to or trim risk from portfolios while staying invested in one's strategic asset allocation framework.

S&P 500 SCENARIOS BASED ON FORWARD P/E AND 2023 EPS

Forward P/E (Next 12 months)

2023 EPS	Forward P/E (Next 12 months)				
	18.0x	19.0x	20.0x	21.0x	22.0x
\$275	4,950	5,225	5,500	5,775	6,050
\$265	4,770	5,035	5,300	5,565	5,830
\$255	4,590	4,845	5,100	5,355	5,610
\$245	4,410	4,655	4,900	5,145	5,390
\$235	4,230	4,465	4,700	4,935	5,170
\$225	4,050	4,275	4,500	4,725	4,950
\$215	3,870	4,085	4,300	4,515	4,730

For illustrative purposes only. Forecasts are subject to change. Source: Chief Investment Office as of April 5, 2022.

CIO ASSET CLASS VIEWS

Asset Class	CIO View					Comments
	Underweight	Neutral	Overweight			
Equities	●	●	●	●	●	We retain our positive view on Equities based upon favorable relative valuations and solid global growth. We remain overweight the U.S., neutral International Developed and neutral EM.
U.S. Large-cap	●	●	●	●	●	Growth should continue to benefit from accelerated secular trends, but Value, which has higher exposure to cyclical sectors, should benefit from higher inflation and economic reopening. We believe portfolios should incorporate both Growth and Value factors. At the sector level, we continue to favor Technology for long-term secular growth exposure but are also constructive near term on cyclical sectors like Industrials, Financials, Energy and Materials.
U.S. Mid-cap	●	●	●	●	●	Midcaps can break out from their consolidation phase given healthy earnings revisions and elevated nominal economic activity.
U.S. Small-cap	●	●	●	●	●	Small-caps have relatively attractive valuations and could benefit from further cyclical rotation.
International Developed	●	●	●	●	●	Global economic recovery should continue to benefit more cyclically oriented International Developed markets. Valuations remain relatively attractive, though underlying nominal growth is expected to trail behind U.S. levels. International Developed Equities remain more vulnerable to rising oil and gas prices and elevated geopolitical risk.
Emerging Markets	●	●	●	●	●	We are neutral EM Equities overall, with cyclical regions relatively well positioned for normalization in global activity and Asian markets geared to long-term growth in the digital economy. Key risks stem from escalation of conflict in central and Eastern Europe, ongoing fallout from the pandemic, rising U.S. interest rates and industry-specific regulation in China.
International						
North America	●	●	●	●	●	The U.S. remains our preferred region on corporate earnings and balance sheet strength, with a domestic demand-driven recovery likely to remain resilient as the economy continues to reopen.
Eurozone	●	●	●	●	●	Exposure to cyclical sectors should benefit from normalization of economic activity. Downside risk stems from higher oil and gas prices and elevated geopolitical uncertainty in Eastern Europe.
U.K.	●	●	●	●	●	Post-Brexit withdrawal from the European Union single market remains a negative for medium-term growth. Large weighting in cyclical sectors should benefit from normalization of economic activity. Ongoing coronavirus concerns could present a potential headwind.
Japan	●	●	●	●	●	Large fiscal and monetary stimulus are key sources of support for growth in the domestic economy, though market-based inflation expectations remain among the lowest for the major developed economies. We expect long-term tailwinds from exposure to automation machinery and equipment, including from robotics, while valuations remain attractive.
Pac Rim*	●	●	●	●	●	Large weighting in financials and other cyclical sectors should benefit from normalization of economic activity. China exposure and international shifts on foreign policy toward Hong Kong remain an ongoing source of uncertainty for the region.

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

CIO ASSET CLASS VIEWS (CONTINUED)

Asset Class	CIO View					Comments
	Underweight	Neutral	Overweight			
Fixed Income	●	●	●	●	●	Bonds diversify multi-asset class portfolios by providing income and relative stability. Below-benchmark duration is preferred, as fiscal and monetary policy supports higher inflation, stronger nominal growth and higher long-term rates over the medium term.
U.S. Investment-grade Taxable	●	●	●	●	●	Preference for credit and spread products to Treasuries, as risk-free assets are very expensive both in absolute terms and relative to inflation. Consider short duration overall. Some allocation to Treasuries for liquidity should be considered as a buffer to risk-off sentiment.
International	●	●	●	●	●	Compressed yields and risk premiums around the globe compared to the U.S., combined with potentially higher volatility in non-U.S. markets, present unfavorable risk/reward conditions for non-U.S. Fixed Income, in our view, justifying an underweight position.
Global High Yield Taxable	●	●	●	●	●	Valuations present mediocre absolute long-term returns after estimating credit losses. Near-term performance may be reasonable—given where the economy is in the business cycle – however we don't view the risk/reward favorably. Any additions to HY risk need to have a long time frame. Within HY, we prefer more floating-rate loan exposure versus HY unsecured.
Alternative Investments*						Given the differences in liquidity characteristics between AI and traditional investments, the CIO asset class views on AI portfolio positioning continue to be neutral-rated versus our strategic allocations. These types of investments, in our opinion, should not be viewed at the asset class level on a tactical basis, but rather the tactical positioning should be expressed at the sub-asset class level. We will continue to provide strategy-level guidance for qualified AI investors. We believe allocations to AI can introduce differentiated returns that can help complement existing traditional holdings by potentially enhancing returns, helping to reduce risk and capitalizing on opportunities not available through traditional investments.
Hedge Funds						The shift in Fed policy has led to greater volatility in the Equity and rate markets. An allocation to Hedge Funds has the potential to lower the impact of the volatility and possibly take advantage of the dislocation and sector rotation. For a Hedge Fund allocation at the strategy level, we continue to recommend incremental overweight to Equity long/short strategies as part of a diversified portfolio of Hedge Fund strategies. Additionally, we continue to see opportunities in the macro space given the rise in geopolitical risk, the potential for uneven economic growth, interest rate differentials and inflation expectations between countries and regions and its impact on rates, commodities and foreign currencies.
Private Equity						We see opportunities across a number of different PE strategies. With the strong GDP numbers, we believe that buyout and Venture/Growth Equity managers will benefit from the robust economic activity. Private Credit strategies will likely outperform a traditional Fixed Income portfolio as interest rates rise as many of these investments are more credit- than interest rate-sensitive, generally have a shorter duration and tend to be floating-rate securities.
Tangible Assets / Commodities						Demand for many Commodities remains strong and we are seeing significant price appreciation across a wide swath of sectors. Problems and dislocations in global logistics are causing bottlenecks and aggravating the supply/demand imbalance, adding upward pressure on prices. The Ukraine/Russia conflict has only added to supply problems and price appreciation for certain commodities. Our outlook remains positive over the short and medium terms. An allocation to Tangible Assets/Commodities could be a good buffer to rising inflation.
Real Estate						The commercial real estate market continues to rebound, and returns in Q4 were stronger than Q3 for all sectors except for office. Industrial continues to lead, benefiting from the surge in logistical needs. Demand for multifamily housing continues to grow, and hotels and office properties are recovering. The macro backdrop is supportive of the investment case for Core/Core-Plus Real Estate, which emphasizes quality investments in well-located and well-positioned assets in growing and liquid primary and secondary markets.

Tactical qualitative investment strategy weightings are relative in nature versus the strategic weightings for a fully diversified portfolio. Weightings are based on the relative attractiveness of each asset class. Tactical strategy weightings are for a 12- to 36-month time horizon. CIO asset class views are relative to the CIO Strategic Asset Allocation (SAA) of a multi-asset portfolio. Because economic and market conditions change, recommended allocations may vary in the future. Asset allocation cannot eliminate the risk of fluctuating prices and uncertain returns. All sector and asset allocation recommendations must be considered in the context of an individual investor's goals, time horizon, liquidity needs and risk tolerance. Not all recommendations will be in the best interest of all investors. **Alternative investments such as derivatives, hedge funds, private equity funds and funds of funds can result in higher return potential, but also higher loss potential.**

Changes in economic conditions or other circumstances may adversely affect your investments. Before you invest in alternative investments, you should consider your overall financial situation, how much money you have to invest, your need for liquidity and your tolerance for risk. * Many products that pursue Alternative Investment strategies, specifically Private Equity and Hedge Funds, are available only to qualified investors. Source: Global Wealth & Investment Management Investment Strategy Committee as of April 5, 2022.

CIO EQUITY SECTOR VIEWS

The CIO Equity sector view is developed by applying a multi-input process combining the CIO's factor views and fundamental bottom-up industry outlook with top-down macro-economic changes and trends. The factor approach emphasizes valuation and momentum as key inputs, with a fundamental overlay taking into consideration forward-looking views of growth, profits, policy, events and sentiment as well as inclusion of certain investment themes. BofA Global Research's sector strategy views are also captured as an input into the CIO process. Our sector views are developed with a 12- to 18-month outlook but are revisited monthly by the GWIM Investment Strategy Committee.

Sector	CIO View			Comments
	Underweight	Neutral	Overweight	
Energy	●	●	● ● ●	The potential for global disruptions, strong global energy demand, tight inventories, limited spare capacity and the inflationary environment are supportive for energy stocks. Higher energy prices combined with substantial cost-cutting initiatives over recent years built significant operating leverage into energy companies. Further, earnings and free cash flow outlooks remain solid for upstream energy companies on higher realized oil and natural gas prices and continued capital discipline. Additional cyclical and value rotations could improve flows, positioning and sentiment, and potentially pull some investors back into the sector. Lower CapEx budgets and fewer long cycle investments in the Energy sector over recent years could support higher oil prices in the near- and intermediate-term. Positive view on Energy for its cyclical reflation trade, but, longer-term the secular headwinds still confront the sector. Headwinds include the transition to clean energy, lower renewable energy costs and increasing Environmental, Social and Governance (ESG) focus by investors. Continue to emphasize companies that are low-cost producers with high free cash flows, balance sheet strength and low break-evens. Even given year-to-date gains, Energy still provides attractive valuations with positive momentum.
Financials	●	●	● ● ●	Banks resumed stock buybacks and dividend increases based on excess capital instead of earnings power. In addition, loan loss reserve release should moderate after significant reserve releases last year given a better macro backdrop and loan portfolio performance, which could be a modest tailwind to earnings and help enhance capital return. Given structural headwinds in Insurance, we prefer market exchanges that evolved into fee-based data and analytics providers. We also favor alternative asset managers, like Private Equity, which consistently draw fund inflows, typically benefit from low interest rates and maintain pricing power in management fees. U.S. banks remain well capitalized and, in our view, are likely to return more capital to shareholders in coming quarters in buybacks and dividends, and provide some attractive Price/Book valuations.
Materials	●	●	● ● ●	Remain constructive on the Materials sector given the inflationary backdrop, low inventories, strong demand trends and tight commodity markets. Supply constraints are helping to keep prices elevated. Low inventory levels relative to consumption are helping companies to pass through cost inflation and help protect margins, and could extend the cycle, as inventories need to be rebuilt. There is high potential operating leverage embedded in the sector, driven by lower-cost profiles when compared to prior cycles, which could help enhance profitability if volume growth trends persist. Packaging and specialty chemicals are benefiting from healthy U.S. consumer demand, while the greatest improvement in marginal demand is occurring in cyclical Commodities exposed to automotive, construction and aerospace end markets, which have yet to fully recover. Rising input and labor costs are building in specific areas of the sector and could compress margins in the future but supply cannot keep up with strong demand currently and supports higher prices in many cases. Valuation and momentum are both neutral after recent consolidations.
Industrials	●	●	● ● ●	The economic reopening and recovery are driving better fundamentals despite supply chain issues in cyclical end markets, including automotive, power, machinery and manufacturing, although aerospace is still relatively weaker given that international flights are still below pre-coronavirus levels. Higher volumes amidst somewhat constrained supply are driving sequential earnings and prices higher. Broad-based improvements in orders and increasing backlogs signal healthy activity levels and volume trends could continue over the near-to-medium term. Further, potential improvements in the global CapEx cycle and re-shoring of supply chains and manufacturing could support the construction, transportation, machinery, and freight and logistics industries longer-term. Cyclical rotations and fund flows could also continue to support the Industrial stocks. Valuation is elevated and momentum is neutral.
Information Technology	●	●	● ● ●	The pandemic accelerated the digital transitions for many industries and supports the secular growth trends for cloud computing, machine learning and artificial intelligence, data centers, software, cybersecurity and semiconductors. We are in the early innings for machine learning and Artificial Intelligence, and the pandemic increased the adoption of digital payments by older generations, who are now frequent users. This accelerated the digital payments industry by several years without cannibalizing future sales. Traditional hardware exposure is still increasingly commoditized. Valuation is extended, and a move higher in interest rates could pressure multiples for high-growth and high-valuation tech stocks with little to no profits; therefore, look for GARP (growth at a reasonable price) in software and cyclical exposure in semiconductors. Free cash flow, balance sheet strength, dividend growth and earnings growth remain strong fundamental drivers for the sector. Technology is deflationary by nature, therefore long term investors should look to add to transformational and industry leading businesses on weakness from the Fed's pivot and the re-rating of Technology stocks. Avoid companies that trade at very high valuations and without profits. Elevated valuations and declining momentum.

Sector	CIO View					Comments
	Underweight	Neutral	Overweight			
Real Estate	●	●	●	●	●	The outlook for Real Estate improved over recent quarters, driven by the gradual re-opening of the economy, but the sector maintains a mixed outlook among its sub-sectors. Consumer and corporate changes like remote work, eCommerce, less business travel, etc., are potential longer-term headwinds for CRE companies (e.g., office), leisure (e.g., hotels), mall operators and owners. However, Real Estate's positive correlation with inflation and opportunity to provide both a potential inflation hedge and reopening exposure makes the sector more attractive. Continue to emphasize longer-term secular trends in data centers, communication infrastructure and industrial real estate with a focus on eCommerce distribution facilities. Consider being selective in the sector with mixed outlooks for different sub-sectors of the Real Estate industry. Neutral valuation and stalling momentum.
Healthcare	●	●	●	●	●	Underperformance of the high-growth and high-valuation biotech and healthcare tech companies is overshadowing some of the opportunities presenting themselves in large pharmaceuticals (pharma) and life science equipment, and is creating some headwinds for the healthcare sector during the current economic recovery. Over the long term, we still expect rising spending on global healthcare—focused primarily on diagnostics, healthcare consumables, and drug development equipment/tools and differentiated medical devices. Emergency department visits and inpatient hospital admissions remain areas to watch and could have a notable effect on capital equipment spending and labor pressures. Drug pricing pressures appear to be fading in the near term with the assumption that pricing reforms are likely to be passed and viewed by investors as a clearing event. Large pharmaceutical companies are becoming more attractive as they trade at a large discount to healthcare sector peers and the broader market. Further, significant cash on strong balance sheets, combined with more aggressive business development efforts and a greater focus on explaining long-term growth drivers make large pharma more attractive over the intermediate term. Over a longer duration, drug pricing headwinds may return as demographic shifts put more pressure on government payors and as value-based care initiatives pick up momentum. Emphasize exposure to long-term, positive trends in animal health, cost-savings medical technology and telemedicine, tools, diagnostics and select biotech, as well as more intermediate opportunities in large-cap pharma. Valuation is a bit extended in certain subsectors with lower momentum.
Consumer Discretionary	●	●	●	●	●	Consumer Discretionary's relative performance peaked and made a turn lower, and higher costs could potentially pressure margins and earnings going forward. The consumer reopening cadence is entering the "mobility phase," as consumers are out of the house and engaging in pre-pandemic activities and events. The ongoing shift to omnichannel retailing should continue to alter consumer behaviors due to the pandemic. Favor strong global consumer brands with solid balance sheets and a history of dividend growth over weaker brick-and-mortar retailers that could face declining store traffic trends. Cyclical tailwinds from both housing and autos could provide additional potential upside opportunities to the growth outlook. The pent-up demand for reopening activities and services could be an additional catalyst for the consumer. Despite a solid outlook for the consumer, rising input costs, higher freight costs, increased labor costs and supply chain disruptions could provide potential headwinds. Valuation is elevated, and momentum is declining.
Communication Services	●	●	●	●	●	Traditional media continues to see pressure from cord-cutting, a negative trend for traditional cable and media companies, but the positive trends for internet usage, video streaming and gaming can provide growth in the sector. However, some of this growth was pulled forward last year due to the pandemic and work-from-home trends. Advertising could see a rebound to some degree, but regulatory uncertainties and concerns could be a near-term overhang for the sector. News headlines could increase scrutiny on some internet- and social media-focused companies. Long duration stocks without profits could see additional valuation re-ratings in 2022. Valuation is neutral and momentum has deteriorated.
Consumer Staples	●	●	●	●	●	Consumer Staples face tougher revenue and earnings comps as we lap the pandemic-driven stay-at-home benefits. Ongoing risks of a rotation out of defensive positioning and into risk-on positioning with greater visibility and availability of vaccines and the anticipation of a return to reopening activities. The potential for increases in labor, input, freight and packaging costs could further pressure year-over-year profitability as companies potentially increase promotional activity in an attempt to retain pandemic-affected consumers. Historically, Consumer Staples performance is a function of relative earnings growth and the sector could face decelerating earnings growth early in 2022, especially compared to cyclical areas that are expected to see improving earnings growth. Neutral valuation and better momentum recently.
Utilities	●	●	●	●	●	Expect consistent earnings results, however, higher interest rates could potentially weigh on this interest-rate-sensitive sector and be a potential headwind as a bond proxy sector. Emphasize Utilities with growing renewable power generation from wind and solar and de-emphasize ones that rely strictly on coal-power generation. Earnings and dividend growth opportunities remain for Utilities that can capitalize on the transition to greater renewable power generation and positive demographic trends. Neutral valuation and improving momentum recently.

Source: Chief Investment Office as of April 5, 2022. BofA Global Research is research produced by BofA Securities, Inc. ("BofAS") and/or one or more of its affiliates. BofAS is a registered broker-dealer, Member SIPC, and wholly owned subsidiary of Bank of America Corporation. All sector and asset allocation recommendations must be considered in the context of an individual investor's goals, time horizon, liquidity needs and risk tolerance. Not all recommendations will be in the best interest of all investors.

CIO THEMATIC INVESTING

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

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

Source: Chief Investment Office as of April 5, 2022.

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 includes a representative sample of 500 leading companies in leading industries of the U.S. economy. Although the index focuses on the large-cap segment of the market, with approximately 75% coverage of U.S. equities, it is also an ideal proxy for the total market.

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

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

Consumer Price Index (CPI) is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food, and medical care.

Producer Price Index (PPI) program measures the average change over time in the selling prices received by domestic producers for their output.

Purchasing Managers' Index (PMI) is a measure of the prevailing direction of economic trends in manufacturing.

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Investing involves risk, including the possible loss of principal. Past performance is no guarantee of future results.

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

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

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

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. Bonds are subject to interest rate, inflation and credit risks. Municipal securities can be significantly affected by political changes as well as uncertainties in the municipal market related to taxation, legislative changes, or the rights of municipal security holders. Income from investing in municipal bonds is generally exempt from federal and state taxes for residents of the issuing state. While the interest income is tax-exempt, any capital gains distributed are taxable to the investor. Income for some investors may be subject to the Federal Alternative Minimum Tax. Investments in high-yield bonds (sometimes referred to as "junk bonds") offer the potential for high current income and attractive total return, but involves certain risks. Changes in economic conditions or other circumstances may adversely affect a junk bond issuer's ability to make principal and interest payments. Treasury bills are less volatile than longer-term fixed income securities and are guaranteed as to timely payment of principal and interest by the U.S. government. Mortgage-backed securities are subject to credit risk and the risk that the mortgages will be prepaid, so that portfolio management may be faced with replenishing the portfolio in a possibly disadvantageous interest rate environment. Investments in foreign securities (including ADRs) involve special risks, including foreign currency risk and the possibility of substantial volatility due to adverse political, economic or other developments. These risks are magnified for investments made in emerging markets. Investments in a certain industry or sector may pose additional risk due to lack of diversification and sector concentration. Investments in real estate securities can be subject to fluctuations in the value of the underlying properties, the effect of economic conditions on real estate values, changes in interest rates, and risk related to renting properties, such as rental defaults. There are special risks associated with an investment in commodities, including market price fluctuations, regulatory changes, interest rate changes, credit risk, economic changes and the impact of adverse political or financial factors.

Alternative investments are 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.

Special Purpose Acquisition Companies (SPACs) IPOs differ significantly from traditional equity IPOs, with unique conflicts of interest and incentives for SPAC managers, underwriters and financial advisors. Firms and their customers who invest in SPACs should be aware of these differences and all other risks related to the offering before participating in a SPAC IPO. There is no guarantee that investments applying Environmental, Social and Governance (ESG) strategies will be successful, there are many factors to take into consideration when choosing an investment portfolio and ESG data is only one component to potentially consider.

Sustainable and Impact Investing and/or Environmental, Social and Governance (ESG) managers may take into consideration factors beyond traditional financial information to select securities, which could result in relative investment performance deviating from other strategies or broad market benchmarks, depending on whether such sectors or investments are in or out of favor in the market. Further, ESG strategies may rely on certain values based criteria to eliminate exposures found in similar strategies or broad market benchmarks, which could also result in relative investment performance deviating.

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