Economic Outlook: Non-Profit Portfolio Positioning in Higher Rate, Higher Volatility Markets

Greater Washington Society of CPAs Nonprofit Symposium

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Speaker Backgrounds

Peter F. Dunne

Managing Director, Global Institutional Consultant

Peter has significant expertise in working with institutional and ultra-high net worth investors in the active oversight of their assets. Peter's primary responsibilities at Bank of America Merrill Lynch include providing customized investment solutions and comprehensive wealth plans to institutional investors.

Peter's nearly 40 years of investment experience and his ability to communicate complex global economic and market issues through written analysis and lectures helps lead the firm's efforts to expand its client base. Peter is a frequent speaker at industry conferences on issues that impact non-profit investing, and national and local accounting and insurance firms often utilize Peter to communicate and educate their clients on the economic and market environment.

Peter was recognized by *Barron's* as one of the nation's **Top Institutional Advisors** in their inaugural ranking in 2015 and again in subsequent years including 2023*. Peter has also been ranked on *Barron's* 2012-2023 list of the Top 1,200 Financial Advisors.[i]

Peter earned a Bachelor of Arts degree from the University of Dayton and Peter holds the Financial Industry Regulatory Authority (FINRA) Series 7, 63, and 65 licenses and is a member of the Association of Professional Investment Consultants.

Peter is an active community volunteer and has held board and advisory positions on several foundations and endowments, with an emphasis on education and children's health. He currently serves on the President's Council of Catholic Charities of the Archdiocese of Washington. Peter and his wife Amy reside in Potomac, Maryland where Peter is very active with his four children's' extracurricular sports activities.

*As of March 31, 2023. The *Barron's* Top 100 Institutional Consulting Teams ranking evaluates advisors on a range of criteria, including institutional investment assets overseen by the advisor and his/her team, the revenue generated by those assets, the number of clients serves, and the number of team members and regulatory records. Also considered were the advances professional designations and accomplishment represented on the team. Rankings are based on the opinions of *Barron's* and not representative nor indicative of any one client's experience, future performance, or investment outcome and should not be construed a endorsement of the advisor. *Barron's* does not receive compensation from advisors, participating firms and tier affiliates, or the media in exchange for rankings. Rankings and recognition from *Barron's* are no guarantee of future investment success and do not ensure that a current or prospective client will experience a h level of performance results, and such rankings should not be construed as an endorsement of the advisor. *Barron's* is a trademark of Dow Jones & Company, Inc. All rights reserved.

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Speaker Backgrounds

Bruce Wall, CIMA®

Managing Director, Global Institutional Consultant

For more than 30 years, Bruce has worked with his partners to deliver proactive advice and customized investment solutions for the increasingly complex needs of institutional investors. Across both traditional and alternative asset classes, Bruce assists with asset allocation analysis, Investment Policy analysis, portfolio construction, and performance measurement.

Bruce has been involved in a number of strategic efforts in the industry focused on performance measurement technologies, custody reporting, and asset allocation modeling. Bruce has been named by Barrons as one of the Nation's Top Institutional Consultants in their annual ranking since the inception of the ranking, most recently being ranked #17 in the 2022 list.

Bruce holds the Certified Investment Management Analyst℠ designation, administered by Investment Management Consultants Association℠ and taught in conjunction with The Wharton School, University of Pennsylvania. He holds the Financial Industry Regulatory Authority (FINRA) Series 7, 63, and 65 licenses, and is a member of the Investment Management Consultants Association℠.

Bruce received his Bachelor of Arts degree in Economics from the University of Virginia. He enjoys competitive cycling and sailing and spending time with wife and four children.

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Our Firm is the Industry Leader for Outsourced CIO for Non-Profits

The largest managers by client type

U.S. institutional outsourced assets under management, in millions, as of March 31.

Endowment assets

Rank	Manager	Assets
1	Bank of America	$26,693
2	Vanguard Group	$10,812
3	Agility	$8,237
4	Commonfund	$7,905
5	Hirtle, Callaghan	$7,800
6	Mercer	$7,395
7	Strategic Investment Group	$7,001
8	TIFF Advisory Services	$5,993
9	Morgan Stanley	$5,952
10	J.P. Morgan Asset & Wealth	$5,615

Foundation assets

Rank	Manager	Assets
1	Bank of America	$26,625
2	Vanguard Group	$23,660
3	J.P. Morgan Asset & Wealth	$17,417
4	Northern Trust	$13,340
5	Morgan Stanley	$9,793
6	Global Endowment Mgmt.	$5,807
7	Fidelity Institutional	$5,146
8	Agility	$4,701
9	BlackRock	$4,045
10	Hirtle, Callaghan	$3,600

*As of Dec. 31.

Source: **Pensions and Investments,** Outsourcing Survey, July 17, 2023

WealthForGood AWARDS2022

2022 Best Private Banks
BEST PRIVATE BANK FOR
PHILANTHROPIC OFFERING - USA

PWM The Banker GLOBAL PRIVATE BANKING AWARDS 2022

2022 Professional Wealth Management
Global Private Banking Awards
BEST BANK FOR PHILANTHROPIC SERVICES

GLOBAL FINANCE

2023 World's Best Private Banks
BEST PRIVATE BANK FOR
PHILANTHROPIC SERVICES

ThinkAdvisor

2022 Luminaries
THOUGHT LEADERSHIP & EDUCATION

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Market Outlook

Observations on the Operating Backdrop for Non-Profits

- Non-Profits and Associations are reporting that business/revenues are returning to normal – transitioning from the Pandemic-related challenges.
  - Association trade shows and conferences, while not at 2019 levels, are seeing solid attendance and exhibit space commitments. Most organization are hitting their budget goals, though expenses remain elevated.
  - Membership renewals appear solid with a strong jobs market but passing along dues increases is more challenging for both individual and corporate membership.
  - Employment trends are suggesting fewer job jumpers for vertical positions, reducing some of the pressure on wages – the single largest expense for most NPOs.
  - Many clients have expressed concerns about renewals of government grants (Federal and Local) given debt/deficit levels.
  - Some charitable organizations are seeing a slight drop off in giving from the Pandemic-level highs bur an improved stock market could bolster year-end giving. Organizations are seeking larger, more impactful gits and planned giving.
  - The Commercial Real Estate market in DC remains very challenged with varying degrees of impact for NPOs (owner/fully occupied, owner with tenants, prospective purchasers/sellers, lease negotiations). DC market heavily influenced by the Federal Government which represents 20% of DC office space.
  - Higher interest rates are having an impact on taxable and tax-exempt debt and lines of credit. May organizations are considering securities-based lending as a lower-cost, more flexible option.

The "Overcast" Economic Backdrop

- Global equities saw negative performance in August-October, but markets rallied in November and are near 2023 highs.
- We believe bond yields and inflation dynamics have peaked, that consumer spending should slow down as economic growth shifts from above trend to below trend, and that the key, once again, will be level of earnings growth for corporate America.
- Near-term risks remain as the lagged effects of tighter monetary policy filter through the economy.
- While recession concerns have recently abated, economic reports continue to show signs of moderation with clashes of tailwinds and headwinds causing continued volatility and uncertainty with an "overcast" backdrop – not raining, but not sunny.

TAILWINDS

- Resiliency in the economy
- A consistent move lower in inflation
- Still-healthy jobs market
- Solid consumer spending
- Better-than-expected corporate earnings
- Generative Artificial Intelligence (AI) catalysts

HEADWINDS

- Slower growth path for China and Europe
- Medium-term effect of the inverted yield curve
- The negative signals from leading economic indicators
- Early signs of "normalization" in the jobs market
- Potential for credit spreads widening
- Heightened geopolitical risk
- US Sovereign Debt servicing concerns
- Leverage and debt refinancing the commercial property market.

Source: Merrill Chief Investment Office as of 12/5/2023

Summary of Our Macro Outlook

Economic Forecasts (as of 12/1/2023)

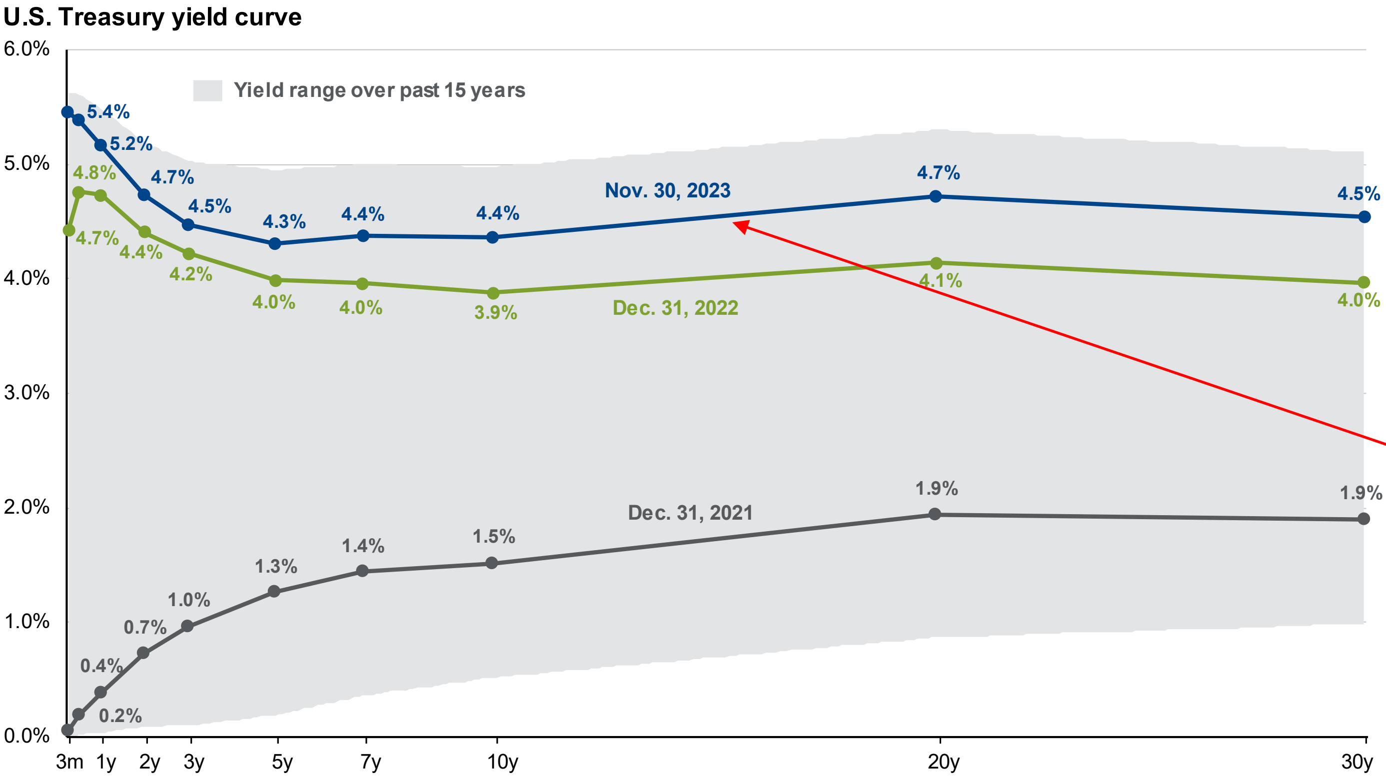
	Q4 2023E	2023E	Q1 2024E	Q2 2024E	Q3 2024E	Q4 2024E	2024E
Real global GDP (% y/y annualized)	-	3.1	-	-	-	-	2.8
Real U.S. GDP (% q/q annualized)	1.5	2.5	0.5	0.5	0.5	1.0	1.4
CPI inflation (% y/y)	3.2	4.1	3.1	3.1	2.8	2.6	2.9
Core CPI inflation (% y/y)	4.0	4.8	3.6	3.2	3.2	3.0	3.2
Unemployment rate (%)	3.9	3.7	4.0	4.1	4.2	4.4	4.2
Fed funds rate, end period (%)	5.38	5.38	5.38	5.13	4.88	4.63	4.63

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

A = Actual. E = Estimate.

Sources: BofA Global Research; GWIM ISC as of December 1, 2023.

US Treasury Bond Yield Curve as of 11/30/23



Interest Rates are nearly the highest they have been in 15 Years.

This has a major impact for non-profit investors.

Source: FactSet, Federal Reserve, J.P. Morgan Asset Management.
U.S. Data are as of November 30, 2023.

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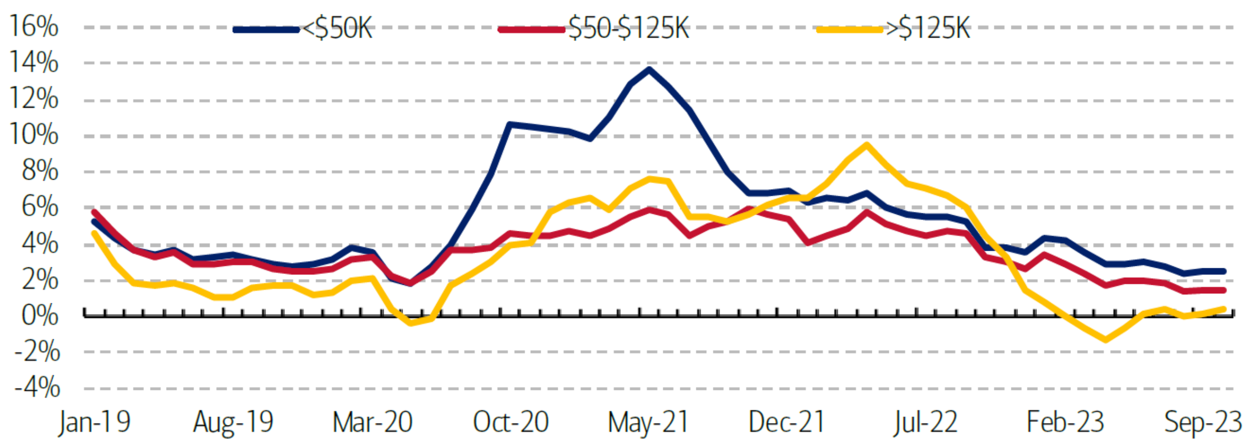
Employment: No Clear Signs of Stress Yet

- Leading employment indicators like job openings and job quits are weakening and job growth is slowing. Historically, a rise in the unemployment rate often creates the negative feedback loop with demand and profits that leads to a recession. Still, layoffs and unemployment remain historically low, with the unemployment rate hovering between 3.4% and 4% since the start of 2022.
- Private sector payroll growth increased modestly in October with the economy adding 113,000 jobs, led by education and health services. This was below expectations but higher than September job growth of 89,000.
- Wage growth has also moderated, as have wage increases for “job-jumpers”.

Exhibit 3: After-tax wage and salary growth by income group, based on Bank of America aggregated consumer deposit data (%YoY, 3-month moving average, SA)

Tepid higher-income spending likely in part reflects weak wages and salaries growth



Source: Bank of America internal data

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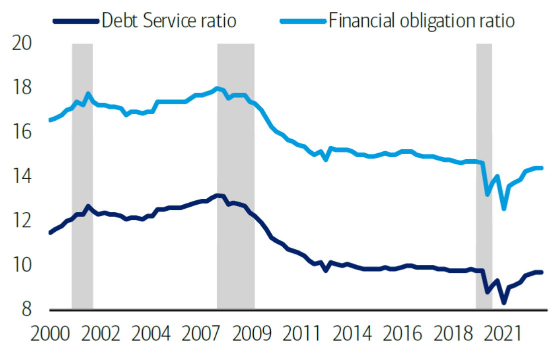
Data as of September, 2023.

Consumer Slowing, not Falling

- The US Consumer has remained resilient despite higher rates. We see two reasons: 1) a higher proportion of fixed rate debt vs. floating and 2) a strong balance sheet.
- 85% of all outstanding mortgages in the US are fixed, at ultra-low rates. Both debt service and financial obligation ratios have risen but remain below pre-COVID levels.

Exhibit 74: The hiking cycle has yet to materially affect households
Household debt service & financial obligations ratio (%)



Source: Haver Analytics, BofA Global Research

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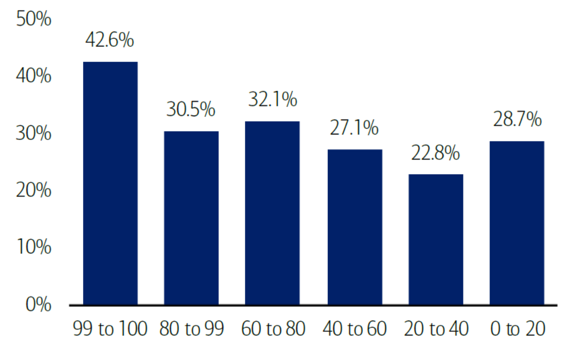
Exhibit 75: All income groups saw big gains in net worth since 2019
Change in net worth since 2019 (as of 2Q23)



Source: Haver Analytics, BofA Global Research

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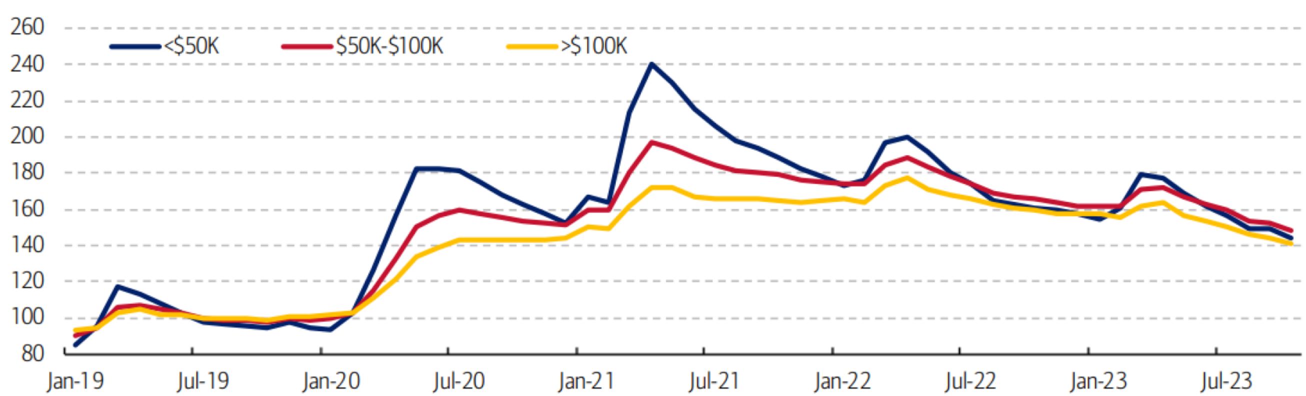
Exhibit 76: Consumer still has higher cash balances than in 2019 (+40-50% since 2019 vs. CPI +20%)
Monthly median household savings and checking balances by income (2019=100) for a fixed group of households through October 2023



Source: Bank of America internal data.
Monthly data includes those households that had a consumer deposit account (checking and/or savings account) for all months from January 2019 through October 2023.

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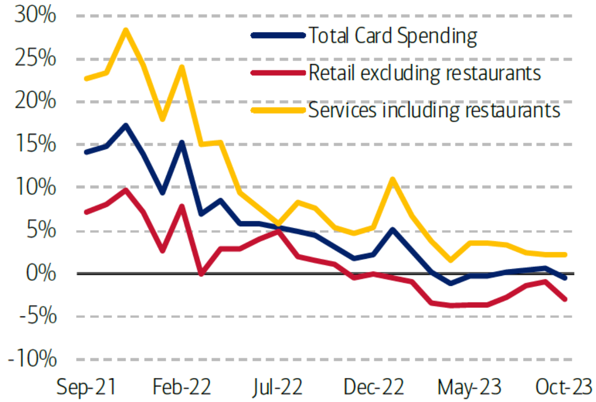
Spending is Moderating and Delinquencies are Up, For Some

Exhibit 1: Total card spending per household (monthly, %YoY)
Total card spending fell 0.5% YoY in October



Source: Bank of America internal data

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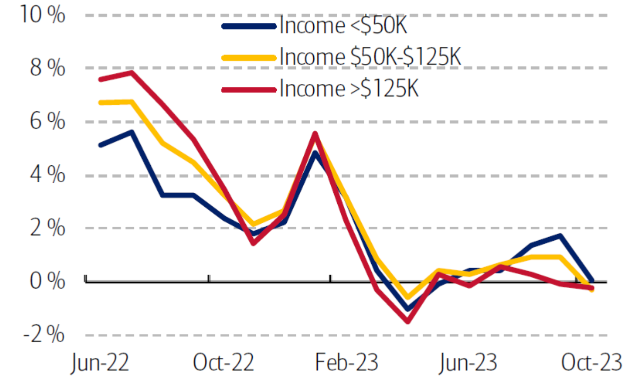
Exhibit 2: Total card spending YoY growth by income (monthly, %)
Lower-income households showed the biggest drop back in YoY spending



Source: Bank of America internal data

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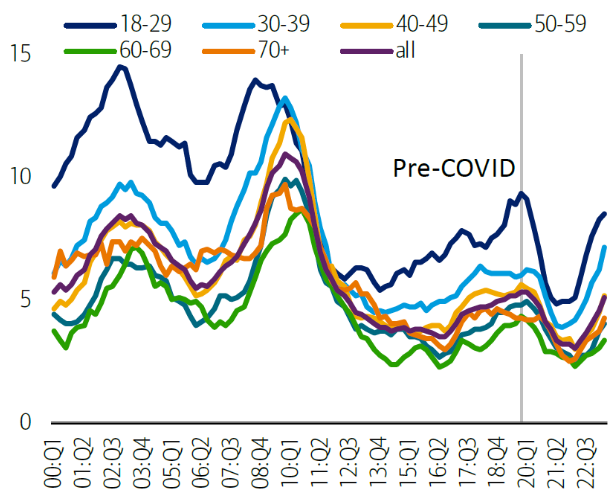
Exhibit 82: Younger Millennials (30-39) are the only group with higher credit card delinquency today vs. pre-COVID levels
Transition into serious delinquency (90+) for credit cards by age



Source: New York Federal Reserve

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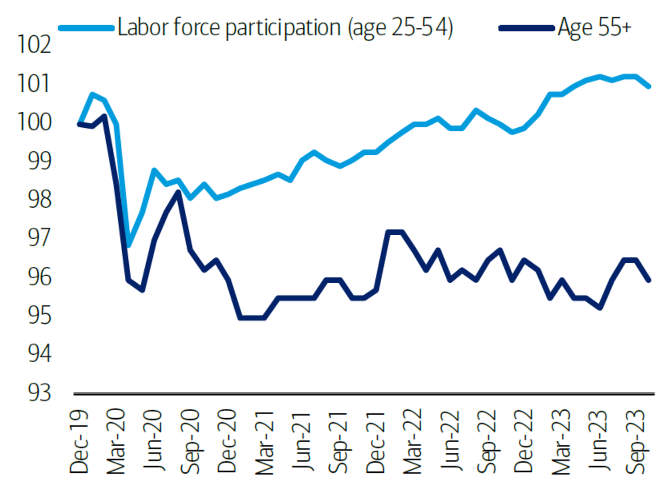
Exhibit 83: Younger workers are back. Early retirees are not.
Labor force participation rate by age group (2019 average = 100)



Source: Bloomberg, BofA US Equity & Quant Strategy

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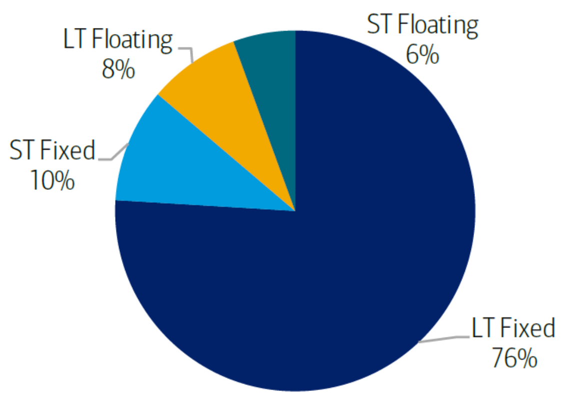
Corporate Balance Sheets: Some Headwinds, but Manageable

- Despite the fastest hiking cycle in 40+ years, we calculate that the impact to S&P 500 earnings will be manageable, with over 75% of debt being long-term fixed. The debt maturity schedule for the S&P 500 is also more spread out than it is for smaller companies.

Exhibit 64: 75%+ of S&P 500 debt is L/T fixed today vs. just 44% back in 2007
S&P 500 debt composition (as of March 2023)



Source: FactSet, BofA US Equity & US Quant Strategy

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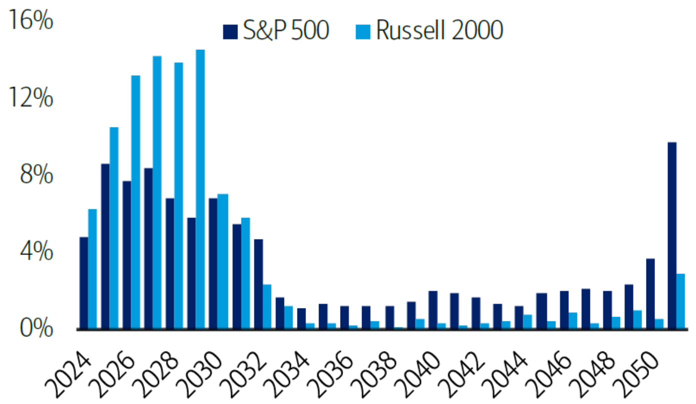
Exhibit 65: S&P 500 debt maturing in manageable chunks, but not the Russell 2000
% of LT fixed debt maturing each year for S&P 500 ex. Fins



Source: FactSet, BofA US Equity & Quant Strategy

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Portfolio Positioning

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2024 Will be a "Foundational Year", We Believe

Our title for 2024 is "A Foundational Year". Why? We have six main themes that are catalysts for a move from a "tighter" state to a more normal foundation:

- Asset Allocation decisioning and diversification will help portfolio returns in 2024.
- Economic growth, inflation and interest rates normalize.
- The U.S. dollar enters a weak cycle.
- Corporate profit margins and earnings growth remain positive.
- Narrow leadership in the equity markets shifts to broader leadership.
- Negative investor sentiment shifts to a more balanced or constructive viewpoint.

With these foundational elements in mind for 2024, we expect an overall constructive viewpoint for both stocks and bonds.

We expect earnings for the S&P 500 to grow approximately 6% in 2024 to around $235 per share with an S&P 500 price target of 5000, which is about 10% higher than early December 2023 levels.

Our portfolio strategy remains "balanced" while fully invested to start the year, as we believe that adjustments below the surface in terms of Value and Growth, Small- and Mid-capitalization shares versus Large-capitalization, and U.S. versus non-U.S. (including Emerging Markets) are paramount in 2024.

Source: Merrill Chief Investment Office as of 12/5/2023

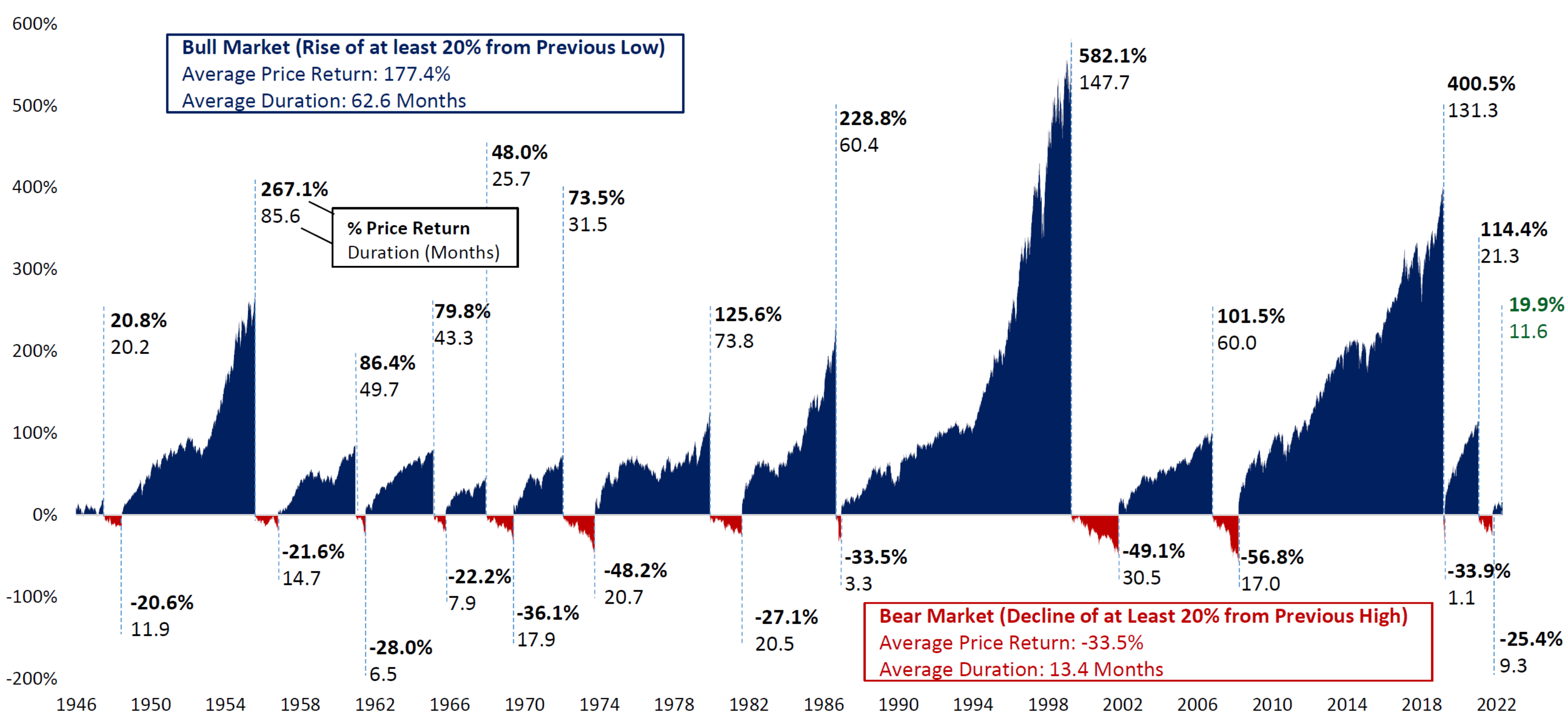
Non-Profit Portfolio Considerations in an Era of Tight Financial Conditions

- Prepare your Committee for portfolio decisions to become more frequent heading toward a new market cycle.
- Seek total return opportunities. Dividends and other forms of yield become more important as equity market price returns appear more muted compared to the strong gains the last five years.
  - Value stocks are still more attractive than Growth, in our opinion.
- Take advantage of higher yields in Fixed Income and consider extending duration if short of your benchmark.
- Consider increasing your allocation to active management relative to indexation.
  - High quality, free cash flow, pricing power, operating leverage, sustainable yields, and relative earnings strength are features that are likely to be rewarded.
- Having some allocation to Alternative Investments, for qualified institutions, aimed at the purposes of capital appreciation, yield, inflation protection, and non-correlated exposure to traditional assets.
- Maintain a longer-term outlook and stay invested in the market. Avoid ad hoc “Market Timing” or “suspending” your Investment Policy.

Recoveries Follow Downturns: We continue to Emphasize Diversification

While every cyclical bear market is different in terms of duration, declines and recoveries, every major market downturn in the past has been followed by a recovery. We continue to emphasize diversification across and within asset classes as an evergreen principle of long-term investing.

A History of U.S. Equity Cyclical Bull and Bear Markets

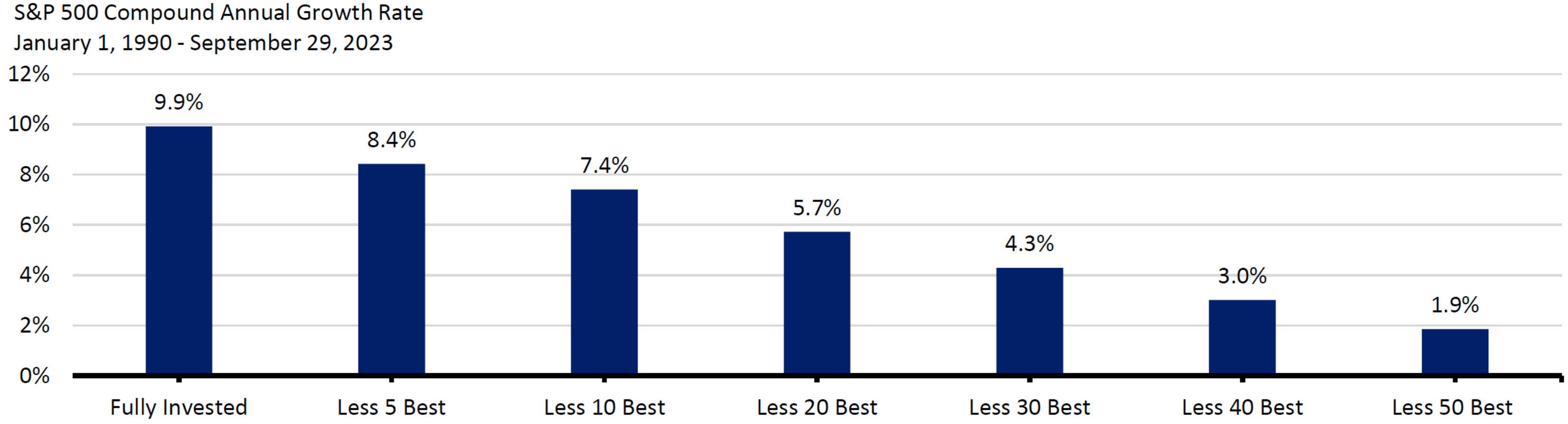


Asset allocation and diversification do not ensure a profit or protect against loss in declining markets. Sources: Bloomberg; Yardeni Research. Data as of September 29, 2023. **FOR INFORMATIONAL PURPOSES ONLY. Indexes are unmanaged and do not take into account fees or expenses. It is not possible to invest directly in an index. Past performance is no guarantee of future results. Please refer to appendix for glossary, asset class proxies, index definitions and important disclosures.**

Time in the Market Matters

Time in the market is a necessary ingredient for a successful investment strategy, opposed to *timing the market*. In an attempt to invest at the "perfect time," investors are likely to impair their returns. By our estimates, a longer investment horizon can be associated with an increased probability of generating positive returns.

Stay the course. Excluding the best days of performance for the S&P 500 drastically cuts down returns.



Sources: (Upper) Bloomberg, Chief Investment Office. Data as of September 29, 2023. Data reflects S&P 500 Total Return Index performance going back to 1990 incrementally omitting top performing days.

Summary of Our Tactical Asset Class Weightings as of 12/5/2023

	CIO View					
Asset Class	Underweight		Neutral	Overweight		Comments
Equities			●			We are neutral Equities, as risks to economic growth and corporate profits remain. We remain overweight the U.S. and neutral EM, with a slight underweight to International Developed.
U.S. Large-cap				●		We have a slight preference for Value over Growth, given better absolute and relative valuations. Higher interest rates should pressure Growth more, especially higher multiple, nonearning areas. We believe portfolios should incorporate both Growth and Value factors as appropriate.
U.S. Mid-cap				●		Our preference to stay higher up in the size scale keeps us favoring Large- and Mid-caps compared to Small-caps.
U.S. Small-cap			●			We are neutral Small-caps, as they have lower-quality balance sheets, a higher proportion of nonearning companies within the index, and less financial flexibility to generate shareholder payouts. However, they maintain reasonably attractive absolute and relative valuation versus Large-caps.
International Developed		●				International Developed Equities remain attractively valued, but additional central bank policy tightening is likely to exceed the U.S. and markets remain more vulnerable to any potential broadening of the Middle East conflict. Underlying rates of nominal growth are also expected to trail U.S. levels.
Emerging Markets			●			We are neutral EM Equities overall with regional markets likely to be driven by relative exposures to weaker Chinese growth, the ongoing Russia-Ukraine conflict and natural resource prices. Valuations appear attractive, but high global rates remain a headwind.
Fixed Income			●			Bonds are attractive and provide good diversification for multi-asset class portfolios with both reasonable income and the ability to decline substantially in yield in an economic downturn. Slightly long-duration positioning recommended, balancing the risk of further tightening/high yields against significantly better valuations.
U.S. Investment-grade Taxable				●		Preference for Treasurys relative to credit and spread products, as nominal and real rates are some of the most attractive in over a decade, while the economy slows and recessionary signals remain.
International			●			International rates markets have become significantly more attractive as global Central Banks raise rates to fight inflation, no longer trading at a significant discount to the U.S. except in Japan where the Bank of Japan is still keeping longer term rates artificially low.
Global High Yield Taxable		●				Valuations present more attractive medium to long term returns even after estimating credit losses. However, increased recession concerns could cause near term price losses, and spreads are not at recessionary levels. Any additions to HY, therefore, should have a long-time horizon. Within HY, we prefer balanced exposure between floating rate loans and HY unsecured.

Source: Merrill Chief Investment Office as of 12/5/2023

Long Term Asset Class Returns through 11/30/2023: Next 5 Years Will be Different, We Believe

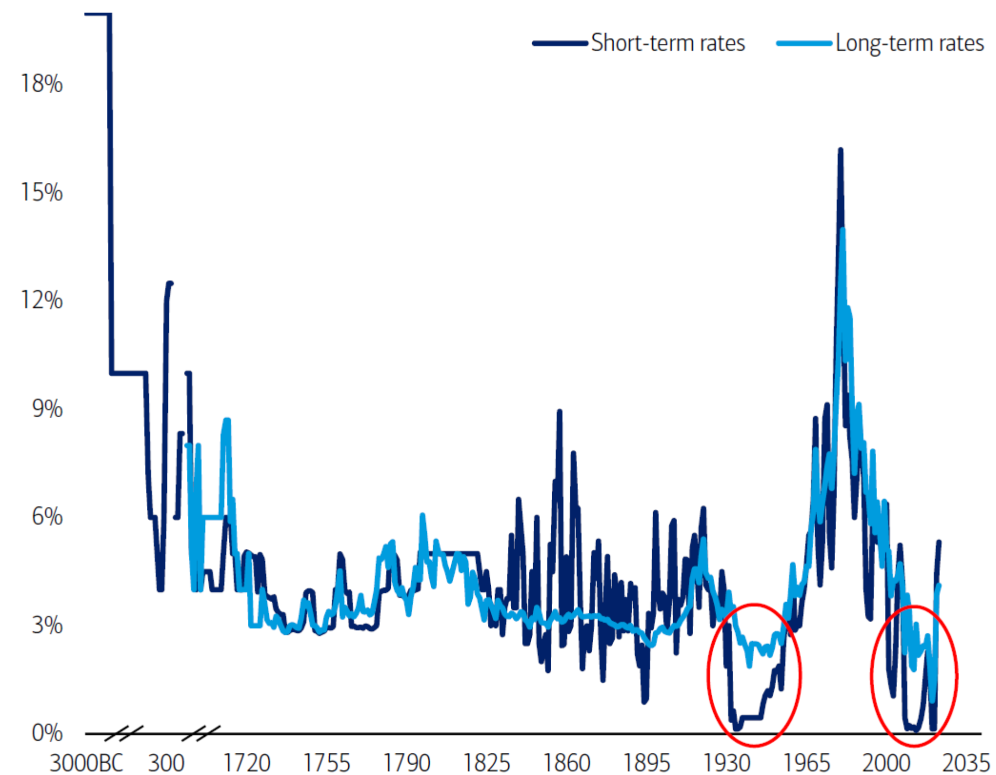
Asset Class	1 Year	3 Years	5 Years	10 Years	20 Years	20 Year Risk
Russell 1000 Large Cap Growth	26.17	8.93	16.36	14.69	11.24	15.99
S&P 500 Core	13.84	9.76	12.52	11.82	9.73	14.90
Russell 1000 Large Cap Value	1.36	8.27	7.52	8.09	8.02	15.42
Russell 2000 Small Cap Growth	-0.83	-4.26	4.16	6.17	7.69	20.29
Russell 2000 Small Cap Value	-4.73	6.48	4.72	5.71	7.24	20.00
MSCI All Cap World Index ex US	9.26	1.67	5.06	3.41	5.81	17.09
MSCI Emerging Markets	4.21	-4.04	2.34	2.12	7.00	20.84
Bloomberg Aggregate Bond Index	1.18	-4.48	0.71	1.37	3.03	4.06
ICE BofA 1-3 YR Corp&Gov	3.65	-0.28	1.43	1.15	2.06	1.37

Source: Morningstar Direct

5000 Years of Interest Rates

- On March 9th, 2020, the 10-year US Treasury hit 0.3%, its lowest level ever. 3 ¾ years later 10-year yields are above 4.2%, and briefly eclipsed 5% in October, as the pandemic, war, fiscal excess, and inflation have caused a dramatic rise in interest rates.

Chart 6: 5000 Years of Interest Rates
Interest rates since 3000BC



Source: The Public Domain Review, Staatsbibliothek Berlin

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Fixed Income: Higher Yields and Total Returns Ahead

- The Fed has now raised short term rates 11 times to over 5%. Historically, after the last hike in the previous 7 tightening period, fixed income delivered positive returns in all following 6-month, 1-year, 3-year, and 5-year periods and fixed income averaged +10% total returns annually in the following five years.

BOND PERFORMANCE AFTER FED PAUSES

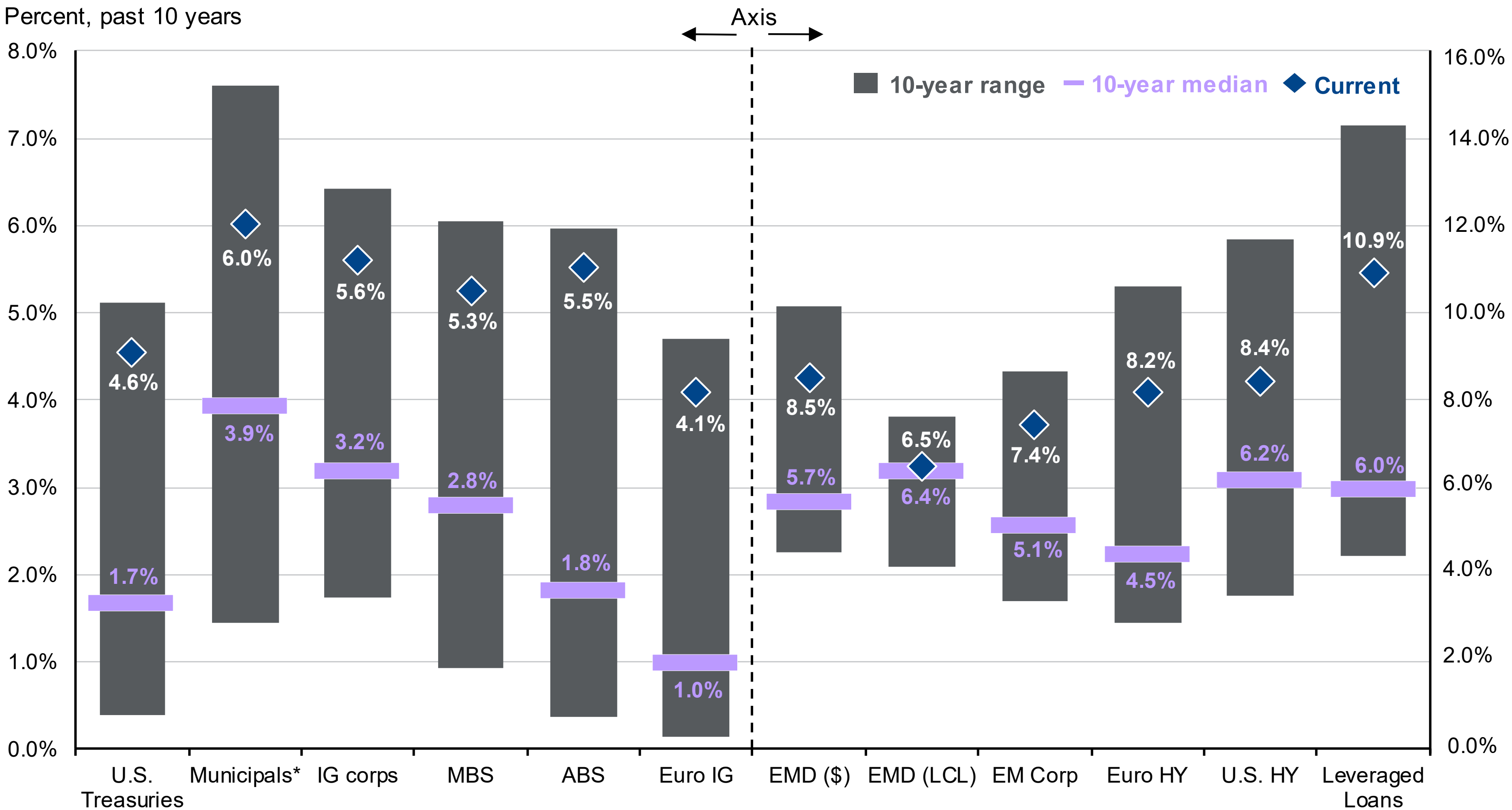
% of positive periods	100%	100%	100%	100%
Total Return %	**+ 6 mos.**	**+ 1 Yr.**	**+3 Yrs.**	**+5 Yrs.**
1– Aug 1984	10%	24%	15%	14%
2– Aug 1987	8%	8%	10%	11%
3– Feb 1989	9%	13%	12%	11%
4– Feb 1995	9%	17%	10%	7%
5– May 2000	7%	14%	11%	8%
6– Jun 2006	5%	6%	7%	7%
7– Dec 2018	6%	9%	5%	—
Average	8%	13%	10%	10%

*Source: PGIM

Fixed Income Valuations as of 11/30/2023

Yield-to-worst across fixed income sectors

Percent, past 10 years

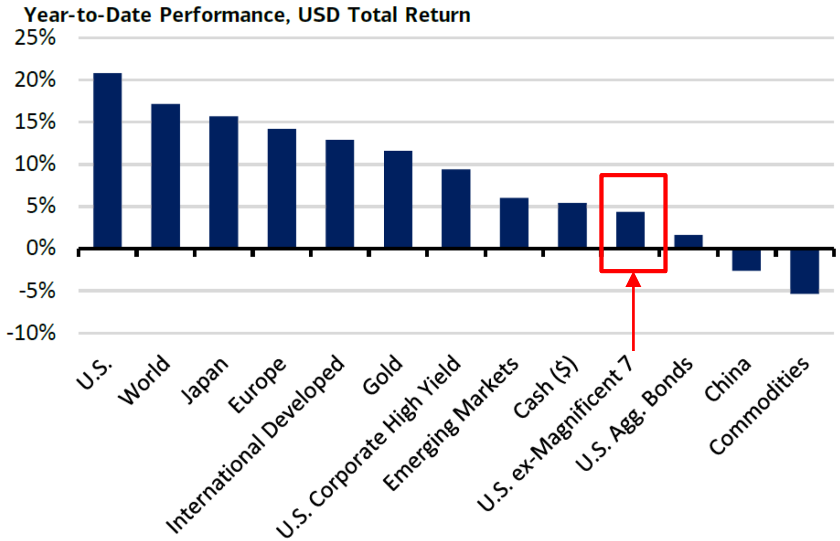


Source: Bloomberg, FactSet, J.P. Morgan Credit Research, J.P. Morgan Asset Management.
Indices used are Bloomberg except for emerging market debt and leveraged loans: EMD (USD): J.P. Morgan EMIGLOBAL Diversified Index; EMD (LCL): J.P. Morgan GBI-EM Global Diversified Index; EM Corp.: J.P. Morgan CEMBI Broad Diversified; Leveraged Loans: JPM Leveraged Loan Index; Euro IG: Bloomberg Euro Aggregate Corporate Index; Euro HY: Bloomberg Pan-European High Yield Index. Yield-to-worst is the lowest possible yield that can be received on a bond apart from the company defaulting. *All sectors shown are yield-to-worst except for Municipals, which is based on the tax-equivalent yield-to-worst assuming a top-income tax bracket rate of 37% plus a Medicare tax rate of 3.8%.
U.S. Data are as of November 30, 2023.

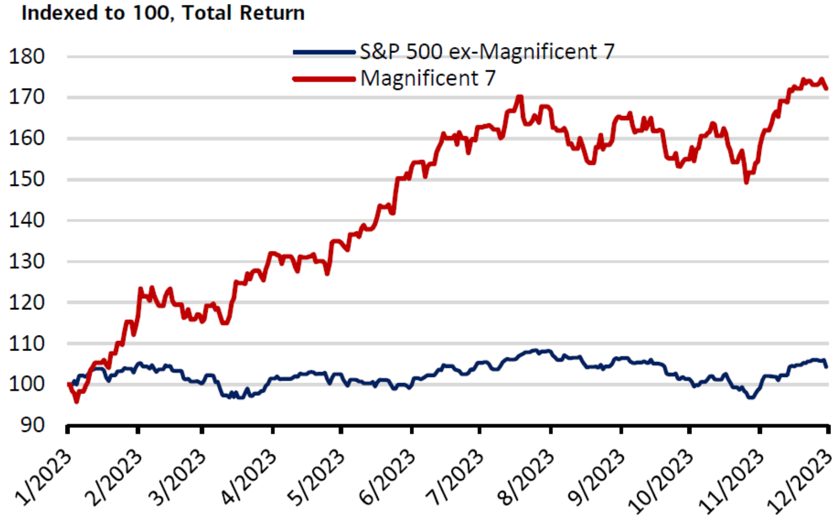
“Magnificent 7” Have Dominated Equity Markets This Year

Exhibit 3: Eleven Months of 2023 Performance and A Look at the S&P 500 Return Story.

3A) All Together Now?



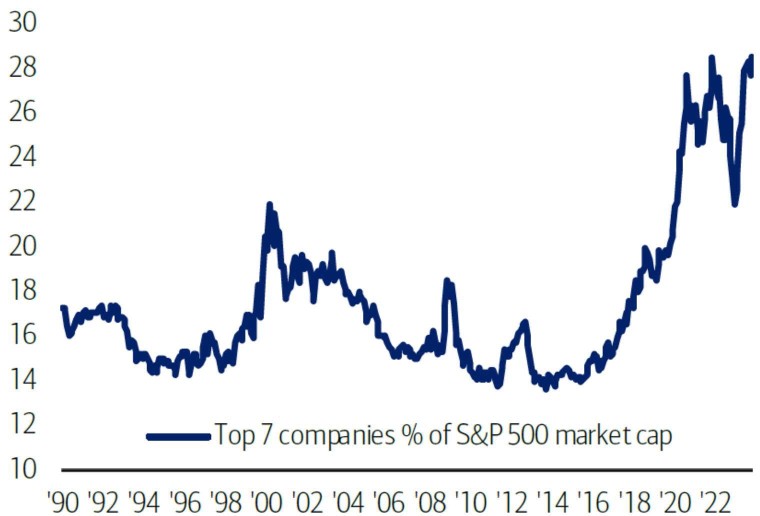
3B) The S&P 500 Return Story.



U.S. as S&P 500; World as MSCI All Country World Index; Japan as Nikkei 225; Europe as Stoxx 600; International Developed as MSCI EAFE; Gold as Spot Gold; U.S. Corporate High Yield as Bloomberg U.S. Corporate High Yield Bond Index; Emerging Markets as MSCI EM; Cash as 30-day Treasury Bill; U.S. ex-Magnificent 7 is S&P 500 excluding: NVIDIA, Tesla, Apple, Amazon, Meta, Microsoft, Alphabet; U.S. Aggregate Bonds as Bloomberg U.S. Agg Index; China as Shanghai Index; Commodities as Bloomberg Commodity Index. Both Exhibits Source: Bloomberg. Data as of November 30, 2023. It is not possible to invest directly in an index. Past performance is no guarantee of future results. Performance would differ if a different time period was displayed. Short-term performance shown to illustrate more recent trend. Please refer to asset class proxies and index definitions at the end of this report.

"Magnificent 7" – S&P 500 Index Concentration and Valuation as of 11/21/23

Exhibit 13: Top 7 S&P 500 companies account for nearly 30% of the benchmark
Weight of largest 7 companies in the S&P 500



Source: FactSet, BofA US Equity & Quant Strategy

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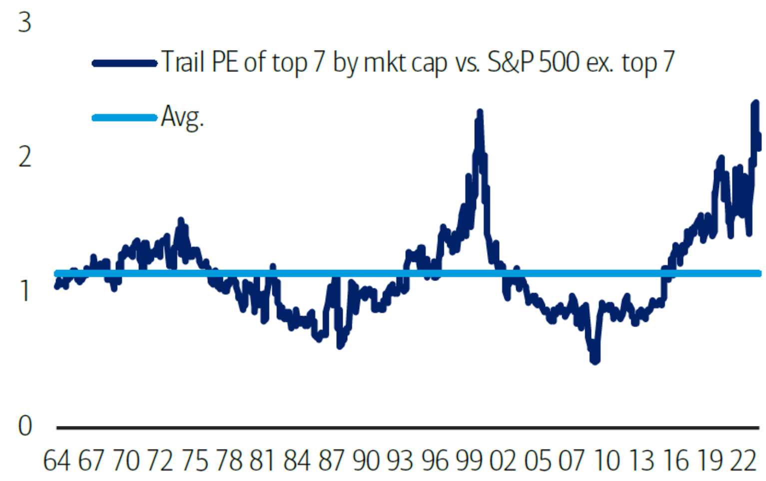
Exhibit 14: Biggest 7 trade near a record premia to rest of index
Trailing PE of largest 7 companies in the S&P 500 vs. trailing PE of S&P 500 ex. largest 7 companies



Source: BofA US Equity & Quant Strategy, FactSet

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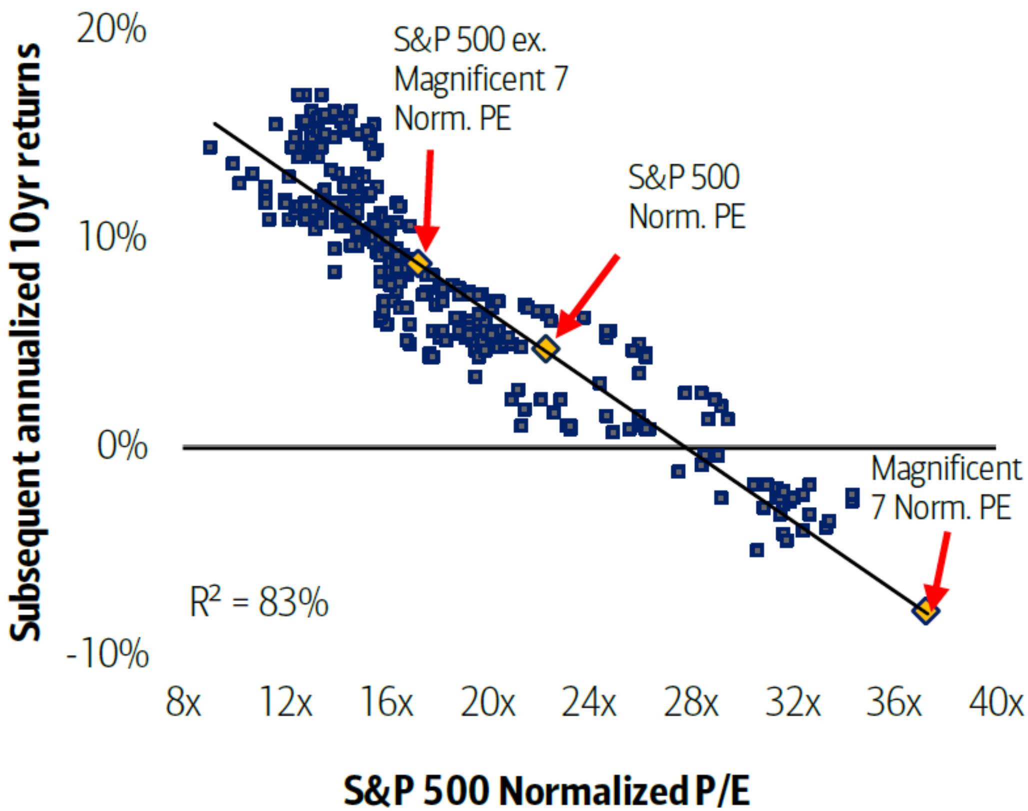
We Like the “Other 493” Stocks’ Valuations

Exhibit 31: Valuation explains 80% of returns over the next decade
S&P 500 normalized P/E vs. subsequent annualized returns (since 1987, forecasts as of 11/17/23)



Source: BofA US Equity & Quant Strategy, FactSet, Haver Analytics

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Value is “Cheap” Relative to Growth

Value vs. Growth relative valuations

Rel. fwd. P/E ratio of Value vs. Growth, 1997 - present

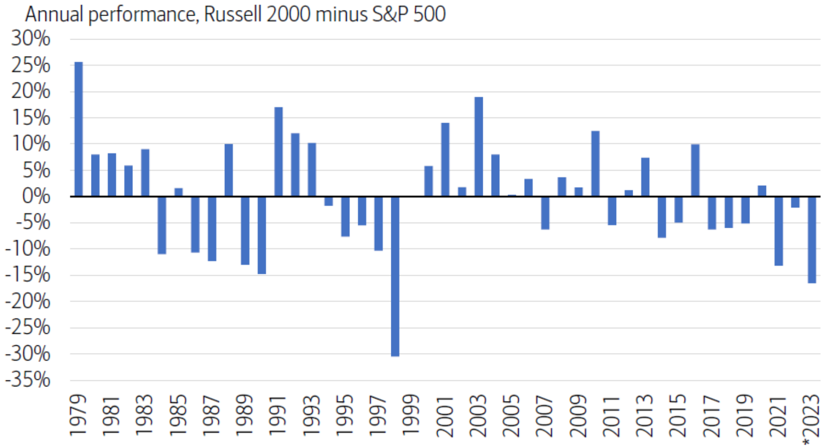
	Forward P/E		Div. yield**	
Style	Current	Long-term avg.*	Current	Long-term avg.*
Value	14.15x	14.09x	2.47%	2.58%
Growth	25.70x	20.86x	0.80%	1.33%

Source: FactSet, FTSE Russell, NBER, J.P. Morgan Asset Management.
(Left) Growth is represented by the Russell 1000 Growth Index and Value is represented by the Russell 1000 Value Index. *Long-term averages are calculated monthly since December 1997. **Dividend yield is calculated as the next 12-month consensus dividend divided by most recent price.

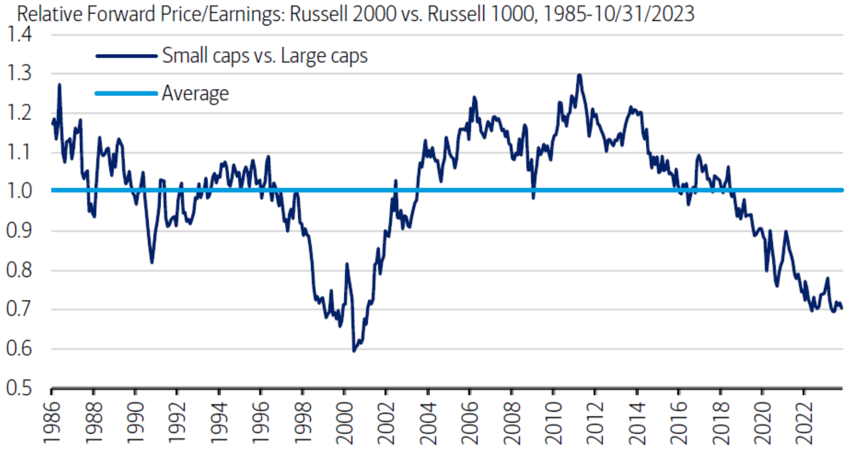
Small Caps Historically Cheap After Prolonged Underperformance

Exhibit 3: Small-Caps Look Historically Cheap After A Period Of Underperformance.

2A) Small-caps have rebounded but still trail Large-caps by a wide gap.



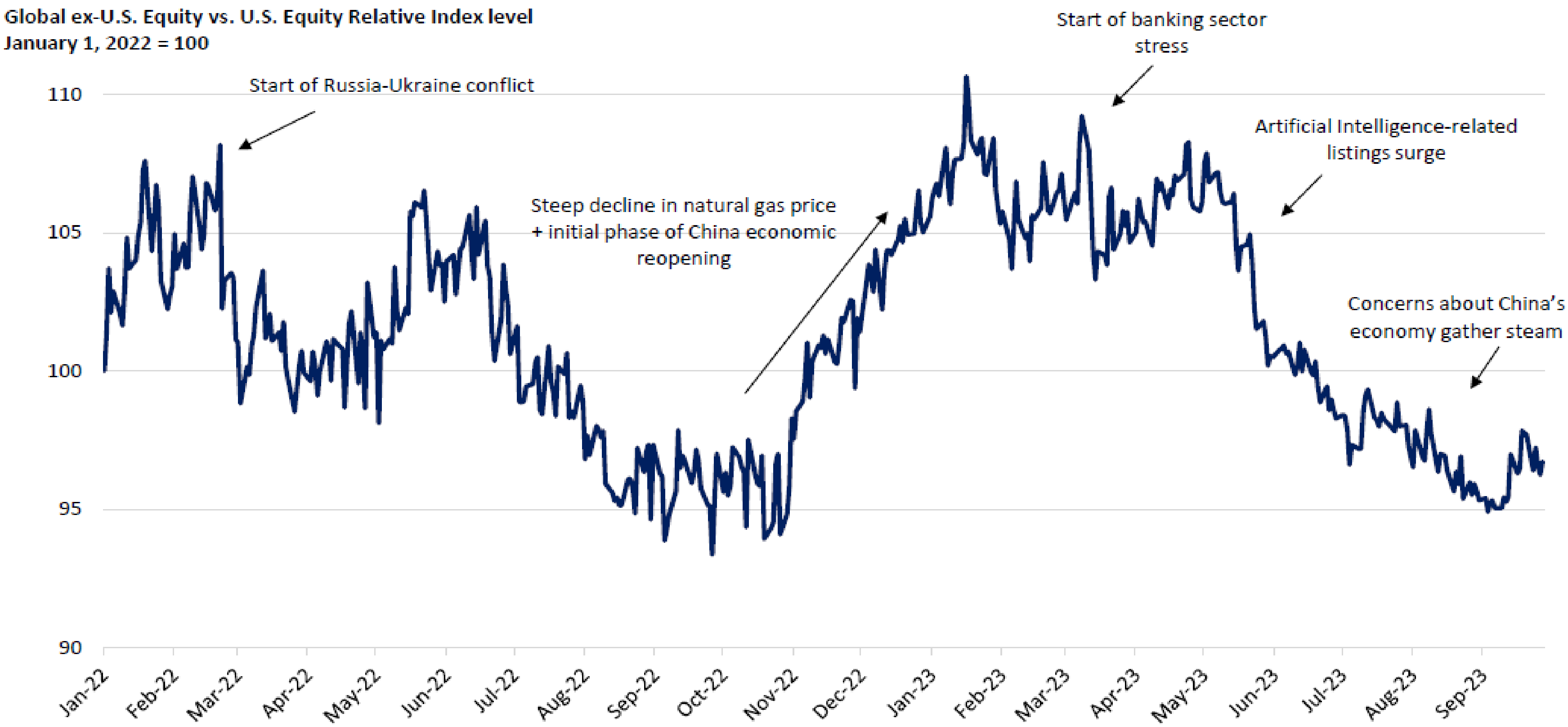
2B) Relative Valuations Look Favorable for Small-Caps.



*2023 reflects performance through November 21, 2023. (Left Exhibit) Source: Bloomberg. Data as of November 21, 2023. (Right Exhibit) Sources: BofA Global Research; Russell Investment Group; I/B/E/S; Compustat. Data as of November 21, 2023.

International Markets: Outlook Still Cloudy

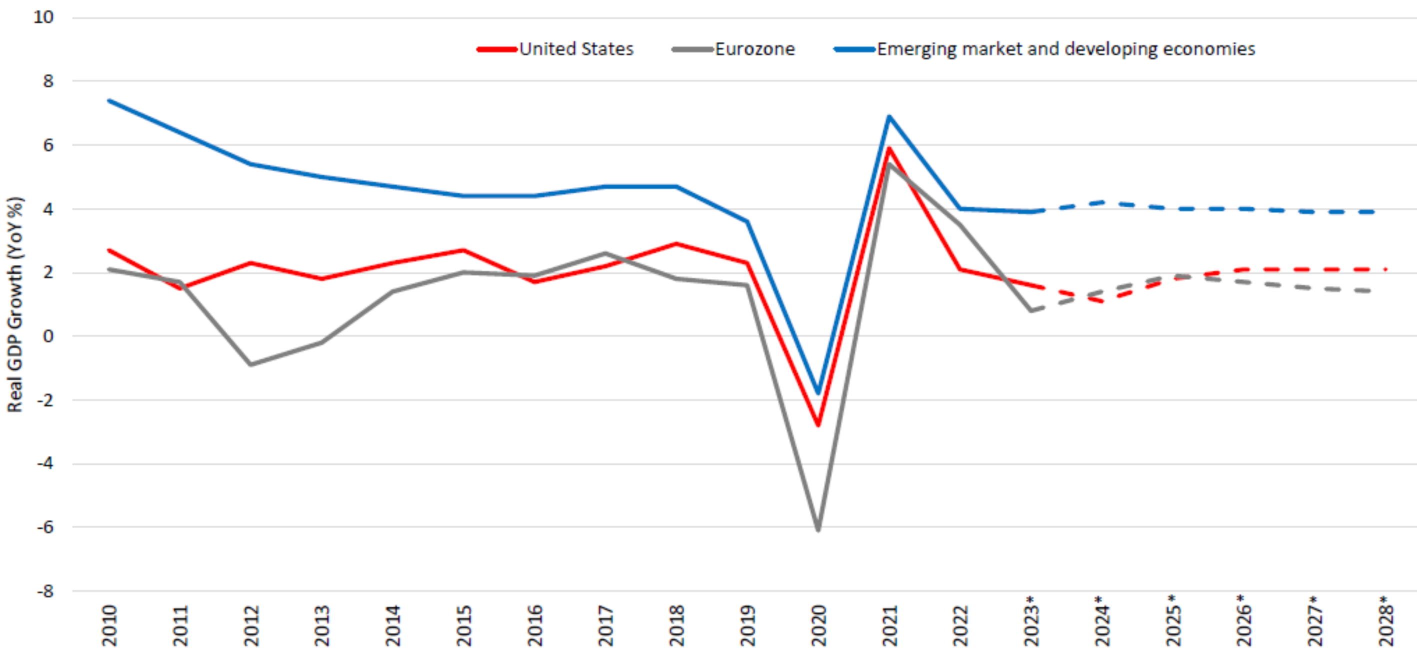
- Non-U.S. equity markets have given back most of their late 2022/early 2023 outperformance.
- Headwinds include banking sector stress, a positive shift in sentiment on the technology outlook, and more recently concerns about China's growth outlook.



Source: Chief Investment Office, Bloomberg. Data as of September 29, 2023. Equity indices are MSCI All-Country World ex-U.S. and MSCI U.S. Indices shown in price terms (USD). FOR INFORMATIONAL PURPOSES ONLY. Past performance is no guarantee of future results. Please refer to appendix for asset class proxies, index definitions and important disclosures.

Emerging Markets: Strong GDP Growth Projected

- The emerging world now constitutes 40% of global Personal Consumption Expenditure (PCE) according to the United Nations. Ongoing convergence with developed economies should support GDP growth and corporate earnings over the longer term.
- Estimates by the IMFcout to 2028 suggest that real GDP growth in Emerging Markets (EM) will settle above US and Eurozone real growth. We continue to expect a wide return dispersion between individual EM countries and regions.

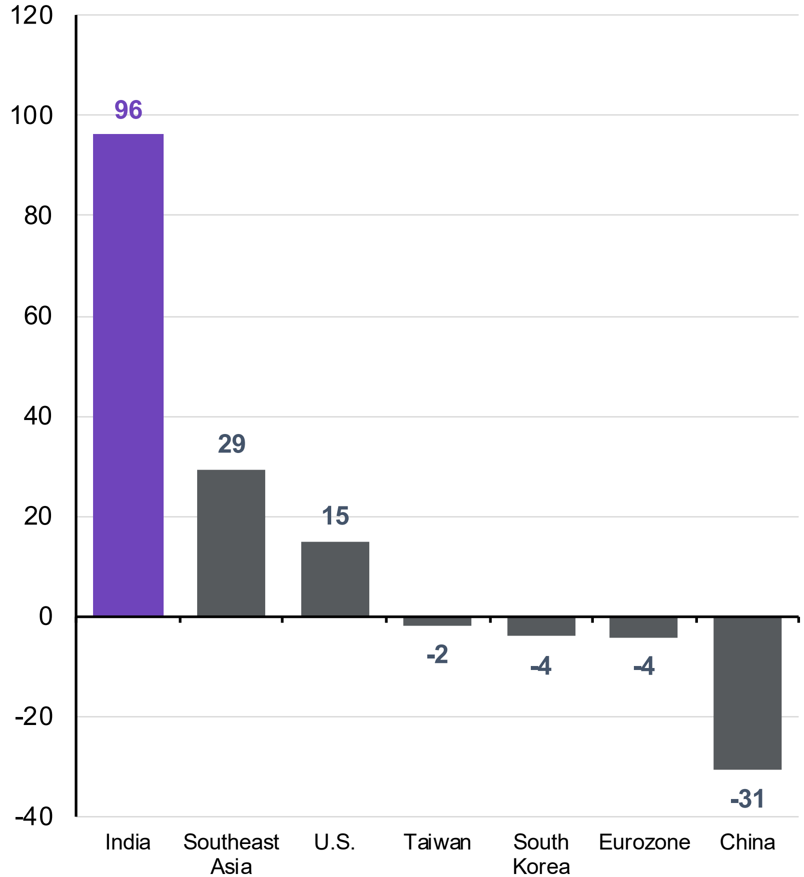


*Dashed portion of line indicates estimate. Source: International Monetary Fund. Data as of September 29, 2023. FOR INFORMATIONAL PURPOSES ONLY. Please refer to appendix for asset class proxies, index definitions and important disclosures.

India: New Driver of Growth?

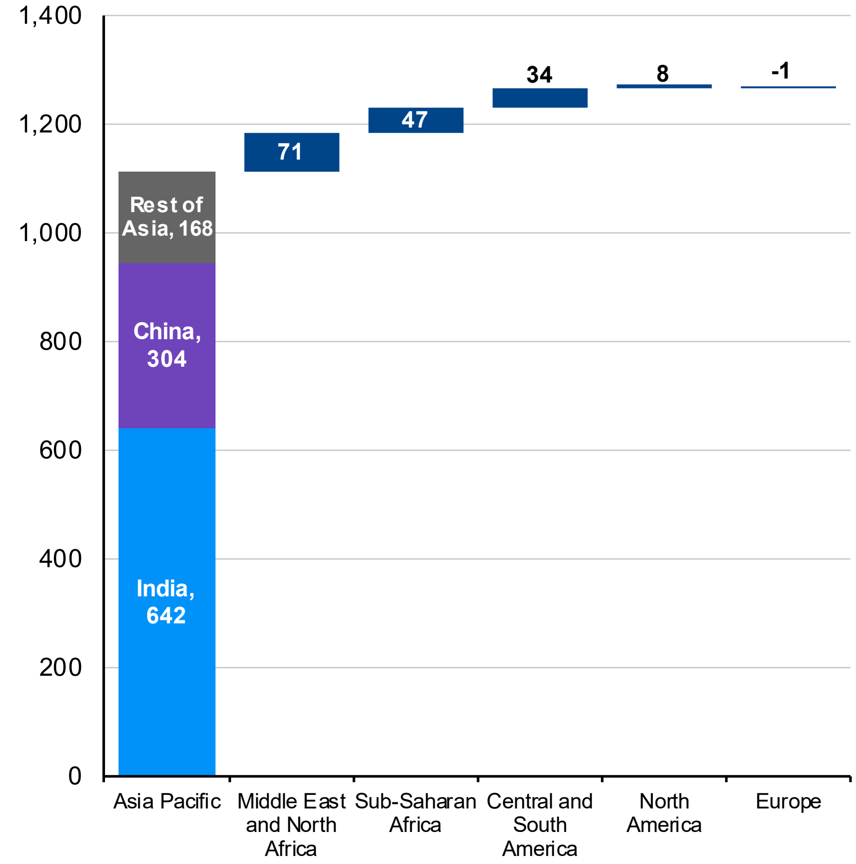
Working age population growth

Estimated change between 2022 and 2032*, millions of people



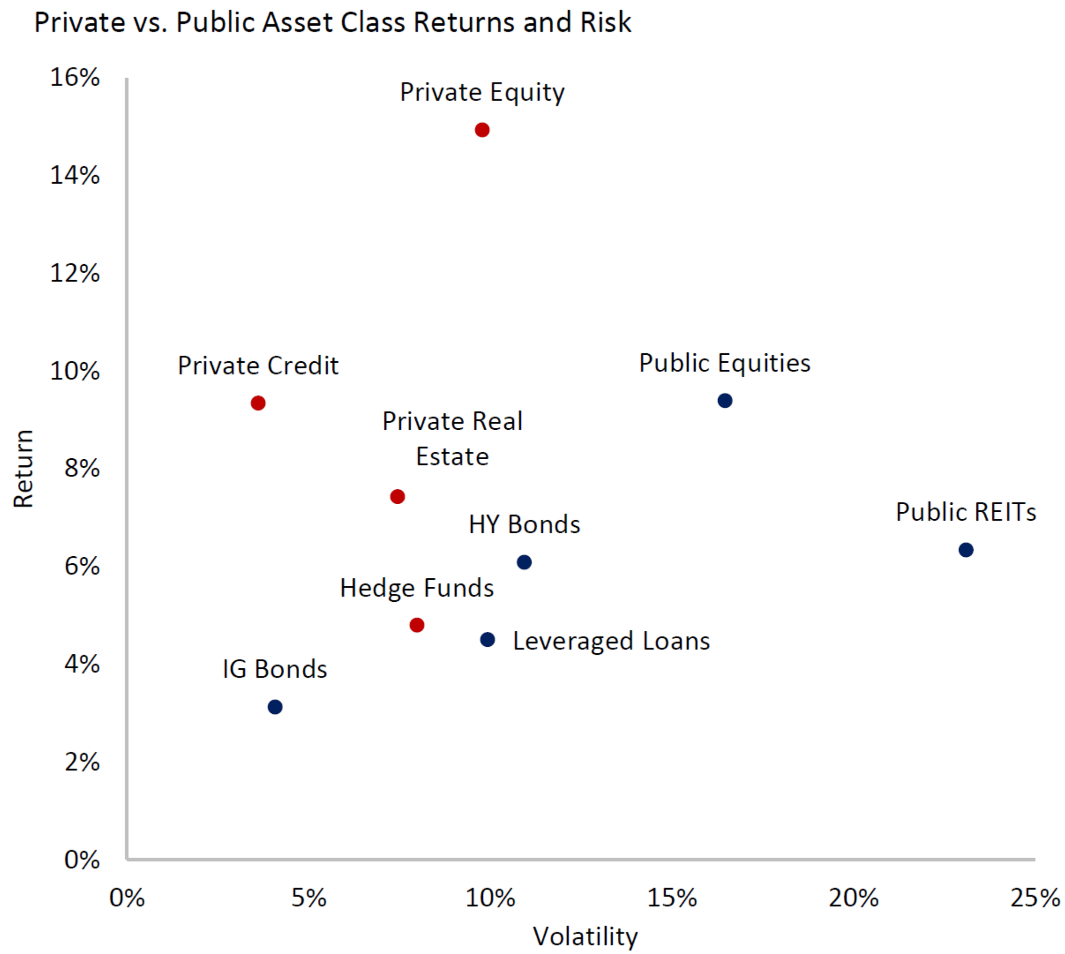
Regional contribution to middle class growth: 2023 to 2030

Millions of people



Source: J.P. Morgan Asset Management. (Left) FactSet, Oxford Economics. *Estimates are provided by Oxford Economics. Working age population is defined as those aged 15-64. Southeast Asian countries include Cambodia, Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam. . (Right) Brookings Institution. Estimates for regional contribution are from Kharas, Homi. The Unprecedented Expansion of the Global Middle Class, An Update. Brookings Institution, 2017. Middle class is defined as households with per capita incomes between USD 11 and USD 110 per person per day in 2011 PPP terms. Data are as of November 30, 2023.

Alternative Investments Have Delivered Compelling Historical Return and Risk Profiles*



*Many products that pursue Alternative Investment strategies, specifically Private Equity and Hedge Funds, are available only to qualified investors. Sources: Bloomberg, Refinitiv EIKON, eVestment, Cliffwater, National Council of Real Estate Investment Fiduciaries (NCREIF). Data as of March 31, 2023 spanning 07/01/2005 –03/31/2023. Latest data available. Indexes are unmanaged and do not take into account fees or expenses. Past performance does not guarantee future results. Please refer to appendix for asset class and sector proxies, index definitions and important information.

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