

CHIEF INVESTMENT OFFICE

Capital Market Outlook

August 25, 2025

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

IN THIS ISSUE

Macro Strategy—*The Doomsayers Are Wrong: America Is Not Going the Way of a High-Risk Emerging Market*: Investors should not subscribe to the increasingly popular narrative that the U.S. is evolving into a high-risk emerging market owing to pressure on the Federal Reserve (Fed), the widening federal budget deficit, government activism in the private sector and the weaker U.S. dollar. Yes, the Trump administration has broken the mold of the past 80 years when it comes to geopolitics and global trade, and it's testing institutional boundaries at home. But to draw parallels between the U.S. and the likes of Turkey and Argentina is extraordinarily far-fetched.

The parallels between the U.S. and your average emerging market are thin and slim—at best. The emerging markets remain highly dependent on the vagaries of the global economy, are typically devoid of capital, and remain challenged by both geography and demographics. The U.S., on the other hand, is a highly diversified, innovative-driven economy, awash in capital, driven by entrepreneurialism, geographically blessed, and better demographically positioned than most nations in the world. We remain overweight the U.S. and neutral on the Emerging Markets.

Market View—*Is this Rally Running on Froth or Fundamentals?*: A seemingly relentless enthusiasm has helped to propel the S&P 500 Index to historic highs this year. There is growing chatter that strength has been driven by irrational exuberance rather than solid fundamentals and is thus unsustainable. Most traditional measures of investor sentiment remain far from extended, but certain speculative signals have arisen: Riskier corners of the market have gathered momentum, retail enthusiasm for “meme stocks” is back, and special-purpose acquisition company activity is heating up. While this uptick in risk appetite has been enough to raise some eyebrows, the foundation currently does not show any major signs of cracks. Consumers continue to support growth, accommodative policy is expected, the profits cycle is broadening, and secular growth tailwinds remain. Frothy signals may bear watching, but a disconnect between investor enthusiasm and fundamentals is not a risk that we're overly concerned about for now.

Thought of the Week—*All Aboard the Muni Train?*: Municipal bonds have underperformed Treasury securities, year-to-date (YTD), although munis have recently begun to close the gap. The muni yield curve has steepened materially, and we believe this provides a potentially attractive opportunity for tax-sensitive investors to pick up higher yields by venturing farther out on the curve.

AUTHORS

Joseph P. Quinlan
Managing Director and Head of CIO Market Strategy

Emily Avioli
Vice President and Investment Strategist

David Litvack
Managing Director and Tax Exempt Strategist

MACRO STRATEGY ►

MARKET VIEW ►

THOUGHT OF THE WEEK ►

MARKETS IN REVIEW ►

Portfolio Considerations

We maintain our overweight in Equities and preference for the U.S. relative to the rest of the world and believe a neutral stance is warranted in International Equities overall given our weaker dollar view. We would use weakness on the back of “soft patch” concerns as a buying opportunity in Equities.

This month we adjusted the U.S. Equity sector views by moving Industrials to a slight overweight, Financials to a full overweight, Energy to a full underweight and Healthcare to a slight underweight.

We maintain neutral duration within Fixed Income. Longer-term Fixed Income provides meaningful returns relative to cash and therefore diversifies equity risk over time with more stable income.

Trust and fiduciary services are provided by Bank of America, N.A., Member FDIC and a wholly owned subsidiary of Bank of America Corporation (“BoFA Corp.”).

Investment products:

Are Not FDIC Insured	Are Not Bank Guaranteed	May Lose Value
----------------------	-------------------------	----------------

Please see last page for important disclosure information.

8313030 8/2025

The Domsayers Are Wrong: America Is Not Going the Way of a High-Risk Emerging Market

Joseph P. Quinlan, Managing Director and Head of CIO Market Strategy

There is a misguided and dangerous market narrative percolating that the U.S. is taking on all the characteristics of a volatile and high-risk emerging market. This story is supported by mounting U.S. political pressure on the central bank to cut interest rates, rising government activism in the private sector, a widening federal budget deficit, a weakening currency, and increasing trade and investment protectionism.

All of the above are classic norms of the emerging markets, and so the more the Trump administration unconventionally chops and churns through its second term, the more the parallels (allegedly) between the U.S. and the emerging markets. And by association, the greater the risks of owning U.S. assets.

Our take? It's all nonsense. Yes, the administration has broken the mold of the past 80 years when it comes to geopolitics and global trade, and it's testing institutional boundaries at home. But that said, to draw parallels between the U.S. and the likes of Turkey and Argentina (yes, Argentina, as one mainstream media outlet recently did) is extraordinarily far-fetched, in our opinion.

The overarching parallels between the U.S. and your average emerging market are thin and slim—at best. For instance, the economies of many emerging markets are narrowly based on a few sectors (think energy, agriculture or tourism) and/or dependent on external trade. Hence, they are much more exposed to the vagaries of the global economy—think an economic slowdown in China, the imposition of U.S. tariffs, or geopolitical waves created by Russia. The U.S., in contrast, is a relatively insulated, hydra-headed economic superpower, whose highly diversified-cum-innovative economy not only acts as a global shock absorber but also a motor for continuous economic growth (the U.S. economy has been in expansion mode 87% of the time since 1945).

Are U.S. public sector debt levels relatively high? Yes, but America's debt is local—or in U.S. dollars, while most debt in the emerging markets is priced in foreign currency (U.S. dollars). Heavy borrowing in foreign currency leaves many emerging markets vulnerable to exchange rate instability, which in the past has meant higher inflation, weaker growth, capital flight and imploding stock markets.

In contrast, not only can the U.S. easily roll over its debt because it's dollarized—but the U.S. also remains a magnet for foreign capital. Capital scarcity is a common pain point for emerging markets—but that is hardly the case in the U.S.

No country attracts capital like the U.S., with foreign holdings of U.S. securities (Treasuries, agencies, corporate bonds and U.S. Equities) totaling some \$31 trillion in Q1 2025, up 52% from the start of the decade and versus just \$3.4 trillion at the start of this century. Foreign investors hold a sizable share of U.S. marketable treasuries—roughly 30%—but as noted in Exhibit 1A, the percent of Treasuries held by foreigners has dropped over the past 15 years. U.S. retail investors have stepped up to emerge as one of the largest holders of U.S. debt, reducing the risk of a run on U.S. Treasuries should foreigners meaningfully step back from the U.S. debt markets. There is no evidence of the latter: Indeed, according to the last data from the Treasury International Capital System (TICS), U.S. foreign net capital inflows rose to a record high of \$1.74 trillion in the 12 months through June.

Finally, when it comes to attracting foreign direct investment (FDI) inflows—or real capital invested in the real economy—no country comes even remotely close to the U.S. Of cumulative global FDI inflows since 2000, the U.S. accounts for 17% of the total, well ahead of China's second-place share (8%).

All of the above reflects the simple fact that capital flows where it is treated best—and the most well-trodden path in this regard is to the U.S., not the emerging markets. Think of the U.S. as the world's most dynamic start-up nation, underpinned by America's deep and sophisticated capital markets and its entrepreneurial

Portfolio Considerations

We remain overweight U.S. Equities in the belief that U.S. economic fundamentals are among the strongest in the world—and handily better than emerging markets.

DNA. This unique combination means more innovation, more productivity-led growth, more human talent coming to the U.S. (mainly from the emerging markets), and more corporate startups. To the latter point, the number of new businesses created in the U.S. (based on business applications) is presently running at a near all-time high (Exhibit 1B).

The last two points when comparing and contrasting the U.S. with the emerging markets pivot on demographics and geography. Taking the latter first: **Virtually no nation in the world is as blessed by geography as the U.S.**, and, in an age of geopolitical strife, resource constraints, climate risks and contested borders, there's a premium on geography. Our bounty includes copious supplies of natural resources, fertile soils, freshwater and forests. The Great Plains are the largest continuous mass of arable land in the world; the Mississippi river system is an inland transportation network unrivaled on the planet. And the Great Lakes are the largest group of freshwater lakes on earth. In the end, America's relatively self-contained, continent-sized economy is a geostrategic gift.

In contrast, geography is a curse to many emerging markets given the lack of arable land, contested borders, overcrowded cities, deforestation and the multiple risks that come with climate change—think more damaging floods, droughts and rising sea levels in many nations.

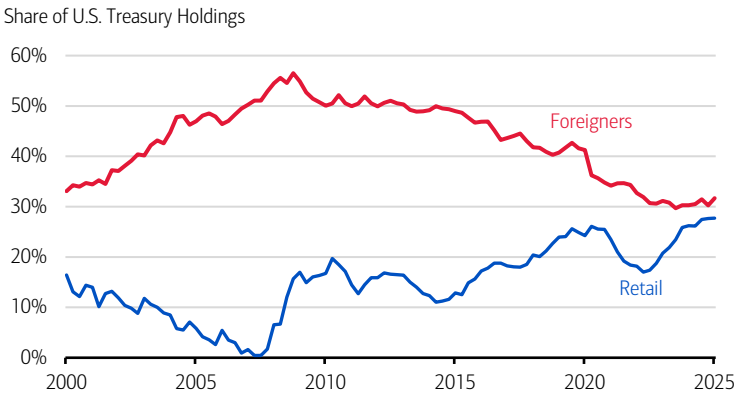
The demographic profile and future of the emerging markets also remains challenging. While the median age of most developing nations is below the level of the U.S., youth bulges in India and many parts of Africa represent serious economic and political challenges for nations bereft of stable job growth and adequate educational opportunities. Case in point: China, which is struggling with a youth unemployment rate that is thought to be north of 20%. If the world's top manufacturer and exporter of goods is struggling to employ its sea of young labor, what are the prospects for job growth in other parts of the developing nations?

Meanwhile, America's demographic profile is hardly perfect, but, based on current projections of fertility and longevity, and immigration policies, the population of the U.S. is expected to increase from 340 million today to roughly 420 million by 2100. In contrast, the populations of Europe, Japan, South Korea and even China are all expected to decline over this century.

What this all means for investors is simply this: Don't buy the lazy narrative that the U.S. is taking on all the hallmarks of a doomed high-risk emerging market. The fundamental evidence is contrary to the headline. We remain neutral on Emerging Markets and overweight U.S. Equities.

Exhibit 1: Capital Inflows and Entrepreneurship Keep America Competitive.

1A) Retail Nears Foreigners' Share of U.S. Treasury Holdings.



1B) U.S. Business Applications Surge Post-Election.

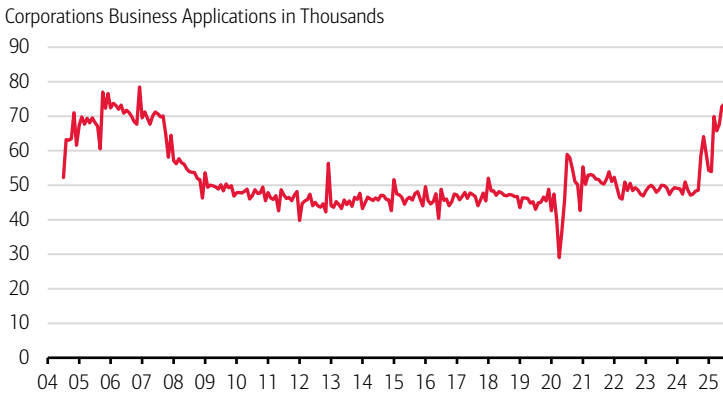


Exhibit 1A) Source: Federal Reserve. Retail includes households and mutual funds. Data through Q1 2025, as of June 12, 2025. Latest data available. Exhibit 1B) Source: Census Bureau. Data as of August 13, 2025.

Is this Rally Running on Froth or Fundamentals?

Emily Avioli, Vice President and Investment Strategist

The dog days of summer are coming to an end, but investors are still hot for Equities. A seemingly relentless enthusiasm has helped to propel the S&P 500 Index to historic highs this year, with the index up 28.4% from the April 8 low.¹ There is growing chatter that strength has been driven by irrational exuberance rather than solid fundamentals and is thus unsustainable.

Recent sentiment data confirms that investor attitudes have rebounded from the spring doldrums. The latest BofA Global Fund Manager Survey showed that sentiment recently improved to the highest level since February while cash levels dropped to a historically low level of 3.9%.² The American Association of Individual Investors (AAII) bullish sentiment reading, as measured by the percentage of survey respondents who believe that stock prices will rise over the next six months, stands at 30.8%—above the April low of 20.9%, but below the historical average of 37.5%.³ While improved, these measures are a long way from dangerously bullish territory.

Other signals have started to lean more speculative. Traditionally riskier corners of the market have gathered momentum, with the Russell Microcap Index outperforming the S&P 500 Index by about 10.9% since April 8.⁴ Initial public offerings (IPOs) are heating up and special purpose acquisition companies (SPACs) are back to levels last seen in 2021.⁵ The pandemic era enthusiasm for so called “meme-stocks” is once again making headlines. Chicago Board Options Exchange (CBOE) data suggests that retail traders are increasingly participating in short-dated options activity,⁶ and zero-day-to-expiration contracts now make up well over half of the S&P 500’s total options volume.⁷ Amid this apparent uptick in risk appetite, it may be warranted to take a closer look at the foundation to see if there are any signs of cracks:

- **Consumers continue to support growth:** While the economy has recently exhibited some signs of softening, the macro foundation remains relatively sturdy. Recent data points to a “low hire, low fire” labor market that is still strong enough to support consumers. While spending has become more bifurcated, with a growing gap observed between low-income and high-income cohorts, consumers as a whole continue to exhibit momentum. BofA Institute data shows that credit and debit card spending increased by 1.8% year-over-year (YoY) in July, the fastest pace since January, while last month’s broad-based advance in retail sales underscored resilience. A healthy pace of economic expansion is expected against this backdrop, with the Atlanta Fed’s GDPNow model estimating growth of 2.3% in Q3.
- **Accommodative policy is expected:** While economic data appears to be strong enough to support consumer spending, it has recently cooled enough to bolster expectations for lower rates. There is some ambiguity as to the timing of the next policy decision amid risks to the price stability side of the Fed’s dual mandate, but it’s widely expected that the next move will be a cut and there is growing conviction that it will come sooner rather than later. On the fiscal policy front, the recently passed “Big Beautiful Bill” has significant front-loaded stimulus which is likely to boost growth in 2026.⁸ Both monetary and fiscal policy appear poised to support equities in the mid-to-near term.
- **The profits cycle is broadening:** The S&P 500 on track for earnings growth of 11.8% YoY in Q2, which marks the index’s eighth consecutive quarter of earnings-per-

Portfolio Considerations

Potential headwinds remain, but the fundamental backdrop appears to be relatively solid. In this environment, we remain overweight Equities in balanced and diversified portfolios.

¹ Bloomberg. August 20, 2025.

² BofA Global Research. August 10, 2025.

³ AAIL. August 20, 2025.

⁴ Bloomberg. August 20, 2025.

⁵ Bloomberg. August 19, 2025. IPOX SPAC Index referenced.

⁶ Chicago Board Options Exchange. June 2, 2025.

⁷ Bloomberg. August 19, 2025.

⁸ The Tax Foundation, Congressional Budget Office Estimates. June 26, 2025.

share (EPS) growth and third consecutive quarter of double-digit EPS growth, according to FactSet. Importantly, earnings strength appears to be broadening across sectors (Exhibit 2A). Financials, for instance, is on track for 12.9% YoY EPS growth in Q2 and forward guidance is increasingly positive on loan growth, rising net interest income, and expectations for deregulation. Small-cap profits also appear to have reached a long-awaited inflection point, with the S&P 600 Index on track for 10.6% YoY EPS growth for Q2, marking the first quarter of profits growth since Q3 2022.⁹ The solid earnings backdrop is still one of the strongest pillars for Equities.

- **Secular growth tailwinds remain:** Optimism surrounding artificial intelligence (AI) has been a powerful theme this year. Information Technology and Communication Services, home to many of the AI darlings, have led the recovery and are up by a respective 48.9% and 34.8% from the April 8 low.¹⁰ The gains have been backed by strong earnings, with the two sectors reporting respective Q2 YoY EPS growth rates of 21.5% and 45.6%. Strength has been relatively concentrated under the hood with the five largest mega-cap technology companies accounting for over a quarter of the S&P 500 Index and over 35% of its YTD total return.¹¹ Moving forward, the AI buildout may begin to lift areas outside of big technology as it will ultimately require a huge amount of spending on essentials like power, grid, and infrastructure. Companies have recently doubled down on their plans for investment in the space, with hyperscaler capital expenditures (capex) growth expected to total around \$395 billion in 2026 (Exhibit 2B). While there may be bumps along the way, the long-term AI theme has momentum, and a larger share of companies may stand to benefit as the buildout continues.

Adding it all up, the fundamental backdrop appears to be solid enough to support Equities. To be sure, there are still risks to this rally—stagflation alarm bells could start ringing if data begins to point to a weaker-than-expected labor market or hotter-than-expected inflation, a fair amount of tariff uncertainty persists, and elevated geopolitical tensions could present wildcards for interest rates and energy prices. Frothy signals may bear watching, but of all of the potential headwinds to consider, a disconnect between enthusiasm and fundamentals seems to be relatively low on the list for now.

Exhibit 2: The Backdrop for Equities Remains Solid.

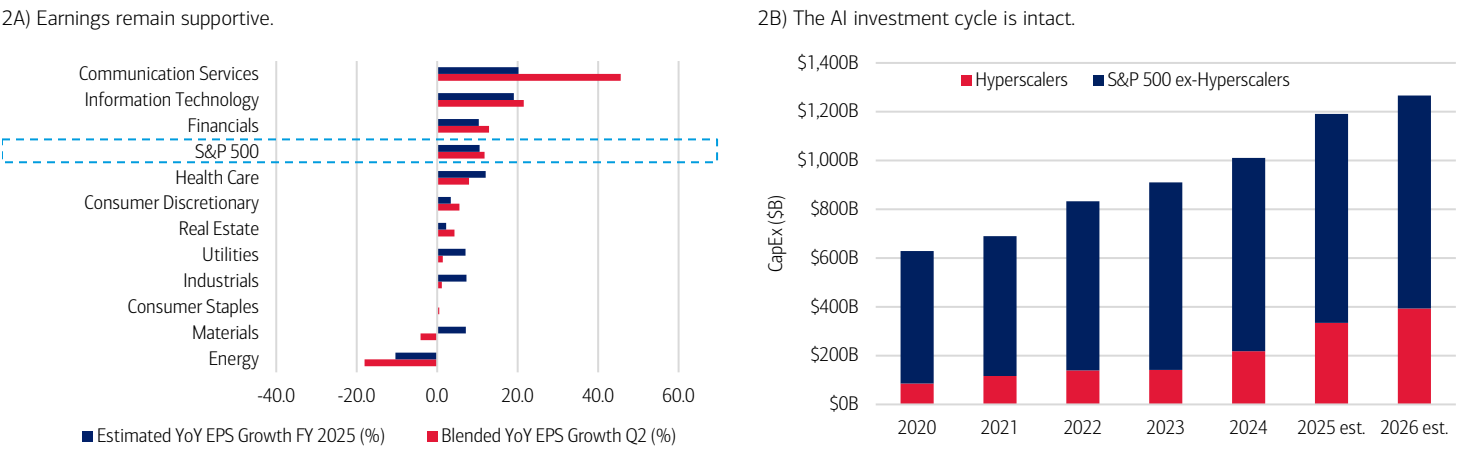


Exhibit 2A) Source: FactSet. Data as of August 20, 2025. Exhibit 2B) Source: FactSet. Data as of August 20, 2025. Hyperscalers = Microsoft, Amazon, Google, and Meta.

⁹ FactSet. August 20, 2025.
¹⁰ Bloomberg. August 20, 2025.
¹¹ Bloomberg. August 20, 2025.

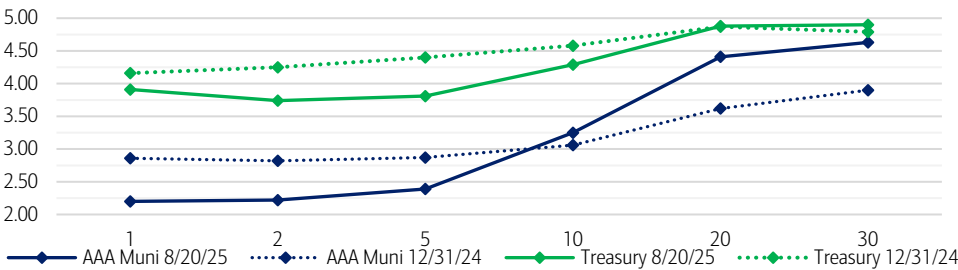
All Aboard the Muni Train?

David Litvack, Managing Director and Tax-Exempt Strategist

In the first half of 2025, municipal bonds underperformed Treasury securities, with the Bloomberg Muni Index losing -0.35% versus a 3.79% gain in the Treasury Index. However, munis have since begun to close that gap, albeit marginally; from June 30 to August 20, the Muni Index was up 0.34% versus a 0.28% gain in the Treasury index, according to Bloomberg. As discussed within, the muni yield curve has steepened materially, and we believe this provides a potential opportunity for investors to pick up higher yields by venturing farther out on the curve.

Muni performance has been particularly poor this year in longer maturities. This can be seen in the YTD steepening of the muni yield curve, which has been more severe than that of the Treasury yield curve (Exhibit 3). In fact, the current 243 basis points spread between 1-year and 30-year AAA muni maturities is the steepest the muni yield curve has seen since 2017.

Exhibit 3: Muni Yields have Steepened More Than Treasury Yields.



Source: Refinitiv TM3. Data as of August 20, 2025.

We attribute this year’s underperformance in long-term munis to a combination of factors:

- Muni bond issuance has soared due to large infrastructure needs, less future federal support, and depleted pandemic stimulus funds. For the first seven months of 2025, tax-exempt issuance was 135% of the average corresponding period from 2020 to 2024, according to Bloomberg.
- Muni buyers, who are predominantly retail investors, have been reluctant to invest in longer-maturity bonds for fear of inflation and rising rates.
- Rising market yields have caused municipal bond calls to move out of the money, increasing option-adjusted durations.

As of August 20, tax-exempt AAA munis had a yield-to-worst (YTW) for 10-year maturities of 3.25% (75.8% of Treasury yields), 20-year maturities of 4.41% (90.4% of Treasury yields) and 30-year maturities of 4.63% (94.5% of Treasury yields), according to RefinitivTM3. With muni-to-Treasury yield ratios so high, long-term munis have become more attractive to not just highly tax-sensitive individual taxpayers, but also so-called “crossover investors,” e.g., individuals in lower tax brackets and corporations such as banks and insurance companies. And for taxpayers in the highest income tax bracket (37% tax rate plus 3.8% net investment income tax), these 10-year, 20-year and 30-year AAA munis provide federal taxable-equivalent yields of 5.49%, 7.45% and 7.82%, respectively. For investors reluctant to buy longer than 10-year maturities, we note that 10-year munis still provide a significant pickup over 5-year munis, which are much richer at a YTW of 2.39% (62.7% of Treasury yields) and a taxable-equivalent yield of 4.04%. The overall Bloomberg Muni Index has an option-adjusted duration of 7.13, an average maturity of 13.43 years and a YTW of 3.92%, equivalent to a taxable yield of 6.62%.

Importantly, we don’t believe long-term muni yields have risen because of an erosion in fundamentals. Despite prospective cuts in federal funding, we believe muni credit remains generally solid, thanks to still near-record state Rainy-Day fund levels. It is true that certain muni subsectors, e.g. healthcare and private higher education, face challenges. However, we believe these risks can be mitigated through prudent credit selection.

Given still-solid fundamentals and current cheap valuations that can appeal to a larger base of investors, we believe the risk-adjusted reward for long-term munis is favorable, providing an attractive opportunity for tax-sensitive investors.

Portfolio Considerations

A steeper municipal yield curve provides favorable taxable-equivalent yields on long-maturity tax-exempt bonds. Tax-sensitive investors can take advantage of this by venturing farther out on the yield curve.

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	45,631.74	1.6	3.5	8.4
NASDAQ	21,496.54	-0.6	1.8	11.8
S&P 500	6,466.91	0.3	2.1	10.9
S&P 400 Mid Cap	3,255.98	2.7	3.4	5.3
Russell 2000	2,361.95	3.3	6.9	6.8
MSCI World	4,192.80	0.5	3.0	14.2
MSCI EAFE	2,762.85	0.8	5.8	24.6
MSCI Emerging Markets	1,266.55	-0.4	2.1	19.9

Fixed Income†

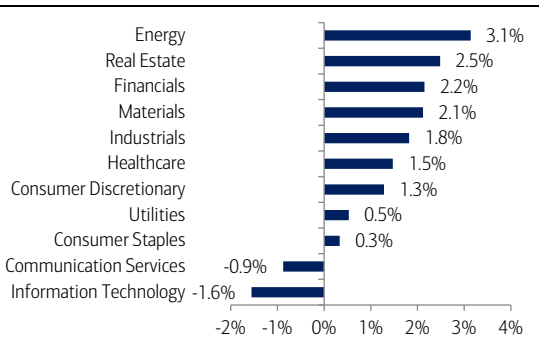
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	4.33	0.39	0.95	4.71
Agencies	4.18	0.28	0.80	4.16
Municipals	3.91	0.01	0.61	0.06
U.S. Investment-Grade Credit	4.47	0.43	1.04	4.82
International	4.91	0.36	1.10	5.39
High Yield	6.87	0.27	0.80	5.88
90 Day Yield	4.18	4.21	4.34	4.31
2 Year Yield	3.70	3.75	3.96	4.24
10 Year Yield	4.25	4.32	4.37	4.57
30 Year Yield	4.88	4.92	4.90	4.78

Commodities & Currencies

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Commodities				
Bloomberg Commodity	252.42	1.3	0.7	5.8
WTI Crude \$/Barrel††	63.66	1.4	-8.1	-11.2
Gold Spot \$/Ounce††	3371.86	1.1	2.5	28.5

	Total Return in USD (%)			
	Current	Prior Week End	Prior Month End	2022 Year End
Currencies				
EUR/USD	1.17	1.17	1.14	1.04
USD/JPY	146.94	147.19	150.75	157.20
USD/CNH	7.17	7.19	7.21	7.34

S&P Sector Returns



Sources: Bloomberg, Factset. Total Returns from the period of 08/18/2025 to 08/22/2025. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 08/22/2025 close. Data would differ if a different time period was displayed. Short-term performance shown to illustrate more recent trend. **Past performance is no guarantee of future results.**

Economic Forecasts (as of 8/22/2025)

	Q1 2025A	Q2 2025A	Q3 2025E	Q4 2025E	2025E	2026E
Real global GDP (% y/y annualized)	-	-	-	-	3.0	3.1
Real U.S. GDP (% q/q annualized)	-0.5	3.0*	1.0	1.6	1.7	1.7
CPI inflation (% y/y)	2.7	2.5*	2.8	2.6	2.6	2.3
Core CPI inflation (% y/y)	3.1	2.8*	3.0	3.0	3.0	2.7
Unemployment rate (%)	4.1	4.2*	4.3	4.4	4.2	4.5
Fed funds rate, end period (%)	4.38	4.38	4.38	4.38	4.38	3.38

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

A = Actual. E = Estimate. *Data as of August 22, 2025.
Sources: BofA Global Research; GWIM ISC as of August 22, 2025.

Asset Class Weightings (as of 8/5/2025)

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 Strategies			
Private Equity & Credit			
Private Real Estate			
Tangible Assets			
Cash			

CIO Equity Sector Views

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

* Many products that pursue Alternative Investment strategies, specifically Private Equity and Hedge Funds, are available only to qualified investors. CIO asset class views are relative to the CIO Strategic Asset Allocation (SAA) of a multi-asset portfolio. Source: Chief Investment Office as of August 5, 2025. All sector and asset allocation recommendations must be considered in the context of an individual investor's goals, time horizon, liquidity needs and risk tolerance. Not all recommendations will be in the best interest of all investors.

Index Definitions

Securities indexes assume reinvestment of all distributions and interest payments. Indexes are unmanaged and do not take into account fees or expenses. It is not possible to invest directly in an index. Indexes are all based in U.S. dollars.

S&P 500 Index is a stock market index tracking the stock performance of 500 leading companies listed on stock exchanges in the United States.

Russell Microcap Index measures the performance of the microcap segment of the U.S. equity market. It makes up less than 3% of the U.S. equity market.

IPOX SPAC Index is designed to track the aftermarket performance of Special Purpose Acquisition Companies (SPACs) which pursued initial public offerings (IPO) in the U.S.

S&P 600 Index is a stock market index established by S&P Global Ratings. It covers roughly the small-cap range of American stocks, using a capitalization-weighted index.

Bloomberg Muni Index covers the USD-denominated long-term tax exempt bond market. The index has four main sectors.

Bloomberg U.S. Treasury Index measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury.

Important Disclosures

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

Bank of America, Merrill, their affiliates and advisors do not provide legal, tax or accounting advice. Clients should consult their legal and/or tax advisors before making any financial decisions.

This information should not be construed as investment advice and is subject to change. It is provided for informational purposes only and is not intended to be either a specific offer by Bank of America, Merrill or any affiliate to sell or provide, or a specific invitation for a consumer to apply for, any particular retail financial product or service that may be available.

The Chief Investment Office ("CIO") provides thought leadership on wealth management, investment strategy and global markets; portfolio management solutions; due diligence; and solutions oversight and data analytics. CIO viewpoints are developed for Bank of America Private Bank, a division of Bank of America, N.A., ("Bank of America") and Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S" or "Merrill"), a registered broker-dealer, registered investment adviser and a wholly owned subsidiary of Bank of America Corporation ("BoFA Corp.").

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.

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

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

Investments have varying degrees of risk. Some of the risks involved with equity securities include the possibility that the value of the stocks may fluctuate in response to events specific to the companies or markets, as well as economic, political or social events in the U.S. or abroad. Small cap and mid cap companies pose special risks, including possible illiquidity and greater price volatility than funds consisting of larger, more established companies. Investing in fixed-income securities may involve certain risks, including the credit quality of individual issuers, possible prepayments, market or economic developments and yields and share price fluctuations due to changes in interest rates. When interest rates go up, bond prices typically drop, and vice versa. Investments in high-yield bonds (sometimes referred to as "junk bonds") offer the potential for high current income and attractive total return, but involves certain risks. Changes in economic conditions or other circumstances may adversely affect a junk bond issuer's ability to make principal and interest payments. Income from investing in municipal bonds is generally exempt from Federal and state taxes for residents of the issuing state. While the interest income is tax-exempt, any capital gains distributed are taxable to the investor. Income for some investors may be subject to the Federal Alternative Minimum Tax (AMT). Treasury bills are less volatile than longer-term fixed income securities and are guaranteed as to timely payment of principal and interest by the U.S. government. Bonds are subject to interest rate, inflation and credit risks. Investments in foreign securities (including ADRs) involve special risks, including foreign currency risk and the possibility of substantial volatility due to adverse political, economic or other developments. These risks are magnified for investments made in emerging markets. Investments in a certain industry or sector may pose additional risk due to lack of diversification and sector concentration. There are special risks associated with an investment in commodities, 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.

© 2025 Bank of America Corporation. All rights reserved.