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Viewpoints from the Global Investment Committee
4Q | 2020 OUTLOOK

20/20 vision: a clearer path for growth

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We created our 2020 market and investment theme, "20/20 vision: a clearer path for growth," well before the coronavirus pandemic and ensuing global recession and equity bear market. But this theme still resonates as we continue to emerge from that recession. Growth is recovering, but income generation is more challenging than ever and areas of the global financial markets appear fully valued. Nevertheless, Nuveen's Global Investment Committee still sees opportunities across asset classes and remains committed to offering our clients ideas for navigating today's markets – for today and tomorrow.

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Views from the TIAA General Account

Nick Liolis
CIO, TIAA General Account

As part of his participation in Nuveen's Global Investment Committee, Nick Liolis offers his perspective as an institutional investor and asset allocator. Neither Nick nor any other member of the TIAA General Account team are involved in portfolio management decisions for any third-party Nuveen strategies.

Managing the threat of low rates: build a resilient portfolio

The question seems to come up consistently in investment meetings and in every conversation with fellow investors – from retirement plans managing their asset/liability mix, insurance companies providing guaranteed income and individual investors looking to generate cash: How risky is the lower-for-longer interest rate environment? My answer: It's an enormous risk. In fact, it can be considered an existential threat for some investors.

My team and I have to find new ways to create a sustainable retirement experience for our plan participants. Investments like traditional bond funds that used to provide solid single-digit annual returns now struggle to provide a long-term return above zero. And that's an issue that all investors grapple with.

Critically, the answer is not just about finding more yield. First, we all need to change our mindset and approach. As conditions get tighter, we must increase our discipline and carefully catalogue our risk profiles. It's more important than ever to focus on the risks we're comfortable taking as we look to generate more income. Furthermore, we need to work as hard as we can to diversify those sources of income, knowing that the risks we are concerned with today may be different than those that impact us tomorrow. This is an important consideration for long-term investing.

Which leads us to a phrase I've been using a lot lately: Now is the time to build a resilient investment portfolio. Proper long-term investing is not about taking outsized risks, hoping to time the markets correctly. Rather, it's about taking a long-term view and finding investments that can succeed in a variety of economic scenarios.

So what are we doing? We carefully analyzed our risk profile in the General Account and are deliberately taking on more illiquidity risk, through allocations to assets such as middle market loans and a host of real assets. You'll read about two in particular in the following sections of our outlook: industrial real estate and farmland, which offer yield premiums in exchange for less liquidity while also providing some protection against inflation. We're also taking on different kinds of credit risk by shifting into areas like private commercial mortgages.

These sorts of shifts may be specific to the needs and advantages of the General Account, but the themes can be applied to almost all institutional and individual investors: Think long-term, diversify your sources of income, identify your specific investment advantages, be deliberate about what risks you are willing to take and focus on portfolio resiliency.

One final point: Today is also the time for investors to think about who they trust to help manage their assets. I firmly believe in the advantages of partnering with investment managers and plan providers who have the financial strength and ability to socialize risks across broad asset pools, who have proven track records of finding income opportunities and significant experience in creating sustainable and resilient portfolios.

Fasten your seatbelts. It's going to be a bumpier ride.

Brian Nick
Chief Investment Strategist

- The global economy's recovery from the spring recession has gone better than expected so far. Manufacturing, housing and consumer sectors are leading the rebound as the world adjusts to the ongoing presence of the coronavirus.
- We believe financial market pricing broadly reflects fundamentals; economic policy remains extremely stimulative and a COVID-19 vaccine appears to be on track to be widely available within a year.
- As growth inevitably begins to slow, we see the investing environment becoming more challenging, particularly for portfolios designed to generate income.
- Uncertainty about a variety of issues – the U.S. election, the future of inflation and long-standing and accelerating trends like e-commerce, to name a few – present opportunities for engaged investors.

Quick, what comes after V?

Over the past six months, the global economy has experienced both its most startling descent and its most rapid comeback in modern history. Data since the April bottom have shown that global growth emerging from the worst of the coronavirus crisis has been stronger than our expectations. Indeed, the U.S. economy, among others, has thus far experienced a V-shaped recovery in a number of crucial sectors, from housing and manufacturing to consumer spending (on goods, at least). The path of recovery from here, however, looks to be bumpier and the trajectory flatter (Figure 1).

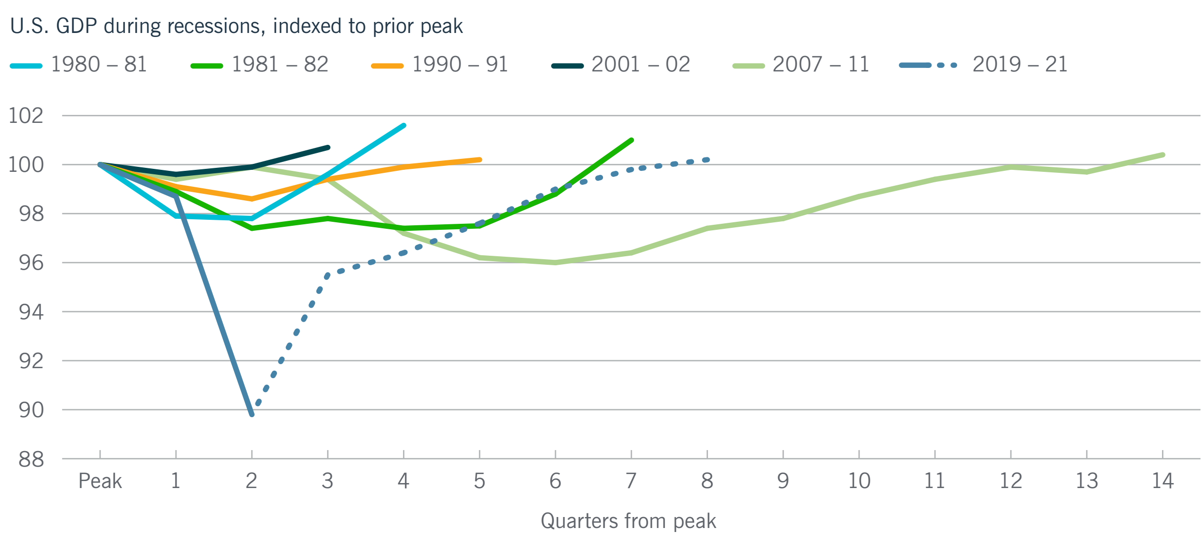
The pandemic continues to hold back a number of economic sectors, mainly those that rely on large groups of people congregating in close quarters. A vaccine or effective treatments to minimize both the spread and fear of the coronavirus is the only way to bring the economy fully back to normal. A vaccine being approved, available and widely adopted in the second half of 2021 seems like a reasonable timeframe.

The more immediate source of downside risk is not the virus itself, but a failure on the part of policymakers to provide sufficient economic support to individuals, businesses and states whose budgets are currently under stress. Unemployment benefits comprised close to 7% of U.S. household income in July, but most of those benefits expired on 31 July. Loans and grants made through the Paycheck Protection Program are no longer available, and funds allocated directly to states and local governments through the CARES Act have largely dried up. Congress and the president have been unable to strike a deal for renewing any of these provisions, forcing the U.S. economy – in contrast to its better-supported peers – to clear a rather large gap without government assistance between now and … well … it's not exactly clear.

We may be starting to see the effects of this policy failure. Core retail sales for August declined slightly after strong gains in the prior three months, and consumer confidence has been uneven. Small business failures are creating permanent job losses, even as many workers who were temporarily laid off in the spring have been able to return to work. The better-than-expected labor market recovery to this point should support incomes and spending and allow the U.S. to avoid a double-dip recession. But the lack of federal support will slow the pace of recovery dramatically as the year draws to a close.

The good news is that no other major economy has allowed its fiscal stimulus measures to lapse in quite the same way as the U.S. The global manufacturing rebound, led by China and now Europe, is a sign that demand is recovering. Even so, the U.S. consumer remains one of the primary engines of global growth. Should the world's largest economy slow materially into the end of the year, the consequences will be global in nature.

Figure 1 – After the Q3 bounce, a wobblier and flatter trajectory for U.S. growth



Data source: Bureau of Economic Analysis, Nuveen. 2019 to 2021 line represents forecast as of 18 Sep 2020.

Financial markets reflect current (and future) fundamentals

Given these risks to the economy, how can we be comfortable investing in equity and credit markets after seeing their valuations climb in a historic rally? Markets are supported by both the cumulative upside surprises to the economy since the end of the recession (Figure 2) and the apparently faster-than-expected progress toward a COVID-19 vaccine. The latter factor has driven expectations for next year's earnings growth higher in recent months, even as both 2020 and 2021 profits are set to come in well below what we had forecast coming into the year.

The other factor supporting financial markets is the global commitment to ultra-easy monetary policy, which has pushed both current interest rates and expectations for future rates to all-time lows. Just last month, the Federal Reserve all but committed to keeping its policy target at zero until well into the middle of this decade. Dovish central banks have helped foster a quick return to normal in financial markets (Figure 3).

The S&P 500 Index's impressive return to all-time highs in August, as well as its pullback in September, are likely signs of the bumpier ride to come. Even so, we are not assuming a purely defensive crouch in our equity or credit portfolios. September taught us that high valuations can make markets vulnerable to sudden selloffs, even without a clear driver. However, we still view the fundamental underpinnings of the equity market – and the recently embattled technology sector, in particular – as strong over all time horizons. Even a fiscal hole in the U.S. that lasts for several months is unlikely to seriously derail this new bull market in risk assets, which is still in its infancy.

One thing that sudden drops and sharp increases in financial markets have in common is their ability to elicit feelings of fear, confusion and regret in investors. Being "on the sidelines" in cash ended up hurting investors more in the second quarter than it helped them in the first. Today's markets – with high equity

Figure 2 – Global equity markets have risen as economic data has soundly beaten expectations

Data source: Citigroup, Bloomberg, L.P., Jan 2016 to Sep 2020. The Citi Global Economic Surprise Index measures whether economic data have been beating consensus estimates.

Figure 3 – Crisis averted as financial conditions loosen dramatically

Bloomberg Financial Conditions Index

Data source: Bloomberg, L.P., Jan 2007 to Sep 2020. The Bloomberg Financial Conditions Index tracks the overall level of financial stress in the money, bond, and equity markets to help assess the availability and cost of credit. A positive value indicates accommodative financial conditions, while a negative value indicates tighter financial conditions.

market valuations and low interest rates – present a challenging investing environment for the years ahead. But a mix of long-term trends and short-term opportunities should help investors of all types increase their expected risk-adjusted returns, at least beyond those currently offered by cash.

In a challenging investing environment, uncertainty can be your friend

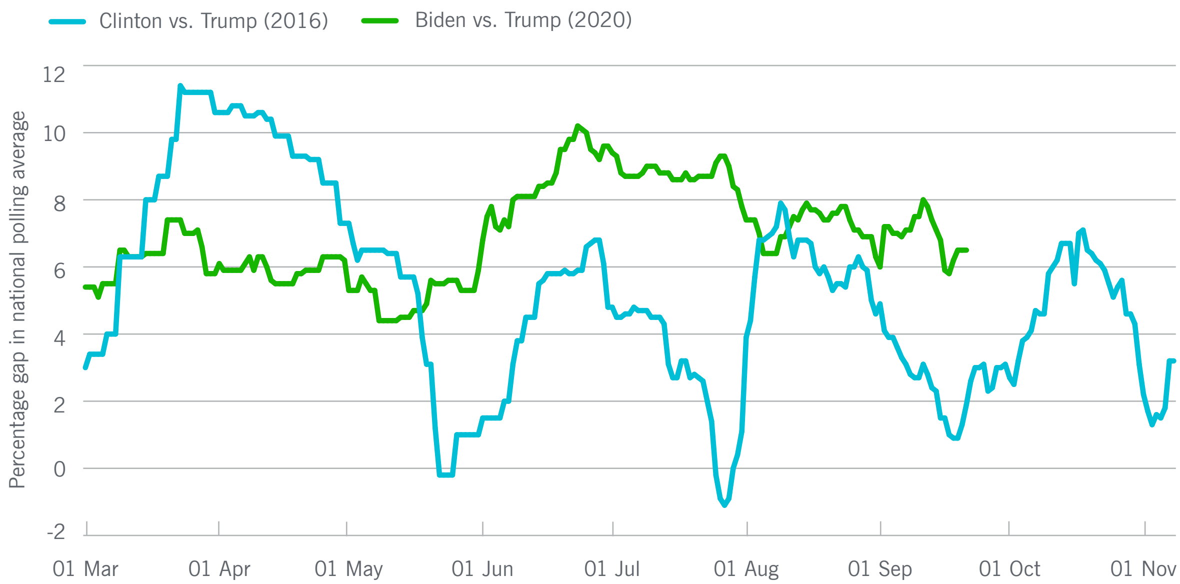
Short-term investment outcomes are nearly always harder to predict than long-term returns. That's because virtually anything can drive markets over the next day, week or month. A smaller collection of variables – valuation and demographics, as examples – account for the bulk of the variation among financial assets over periods of several years or more. Because both of those long-term factors are currently headwinds to high returns and income generation, it's more important than ever to take advantage of short-term uncertainty in security selection and asset allocation decisions.

The U.S. election certainly counts as a source of short-term uncertainty. While this year's presidential race has seen steadier polling than the last one (Figure 4), investors seem reluctant to price in a specific outcome. In fact, more seem to be pulling money out of the market, perhaps an attempt to time a reentry point after the results are known – a strategy we would advise against.

Markets may have over-learned the lessons of 2016, when an unexpected outcome provoked a sudden (though temporary) reversal in market leadership. As a result, with no specific result priced in, it's likely that any outcome will affect markets at least modestly over the final two months of the year.

We listed some potential "winners" for some of the likeliest outcomes when we wrote about the election in September. A "Blue Wave" scenario in which Democrats capture the White House and Congress could result in higher taxes on corporations and high-income individuals, but it would also likely release a new flood of deficit-financed stimulus that could help the economy in 2021. **Municipal bonds**, in particular, could be helped by the dual tailwinds of higher demand for tax-advantaged investments and greater aid to cash-strapped states and localities.

Figure 4 – 2020 is a steadier race than 2016, but not a closer one



Data source: RealClearPolitics, Bloomberg, L.P.

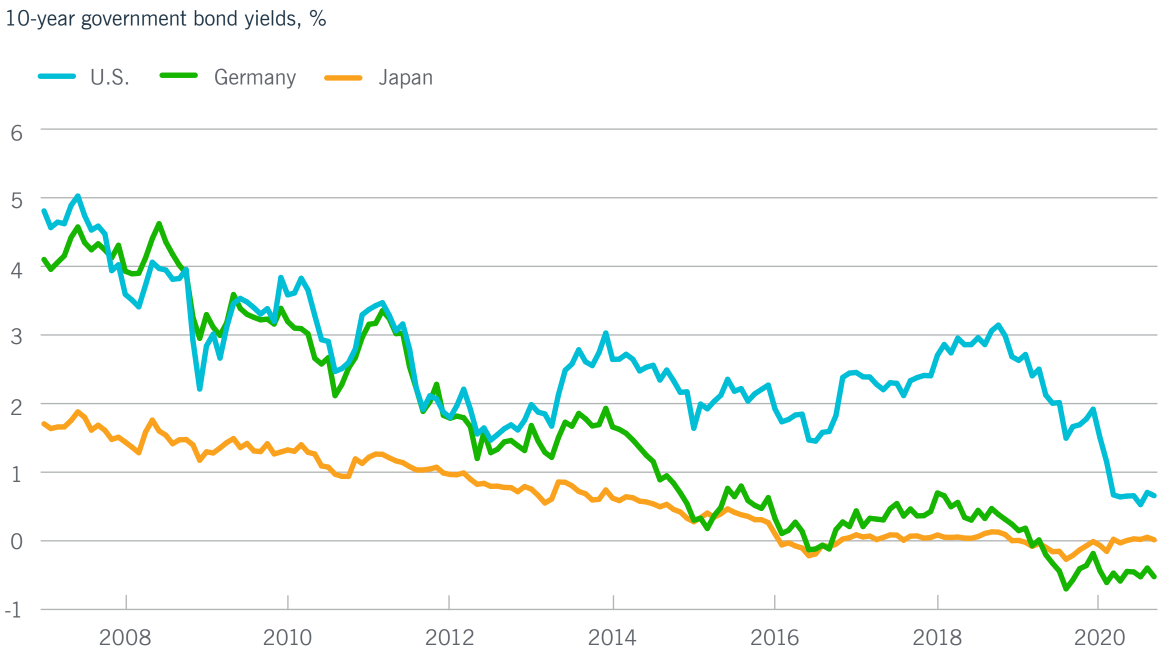
ESG investing could also be a relative beneficiary of a change in energy regulation and infrastructure spending focused on mitigating climate change and promoting clean energy sources. In the event the election delivers a continuation of the status quo, the same investments that performed well in the final months of 2016 – **financials, industrials and other cyclicals** – would likely do well. **Commercial real estate** would also be a net winner from a low-tax, low-rate environment that would endure for at least another four years.

Regardless of the outcome, we expect U.S. monetary policy to remain extremely accommodative for the coming years, a standout even in a world of seemingly permanent central bank dovishness. In particular, the Fed's new approach to inflation – encouraging the economy to borderline overheat before beginning to raise rates – could favor real assets or those that perform better as the U.S. dollar weakens. We currently favor allocations to **TIPS and real assets (both public and private)** as hedges against rising inflation expectations, as well as **emerging-market debt**, which benefits from looser financial conditions associated with a weaker U.S. dollar. EM economies also generally carry less debt than the U.S. and other developed countries, which could help their credit ratings improve relative to developed economies running far larger deficits.

The pandemic has also affected several ongoing economic trends, including the growth of e-commerce, the persistence of low global interest rates and the reshuffling of global supply chains. All of these trends appear to be accelerating and should continue to do so beyond 2020. E-commerce sales as a percentage of total U.S. spending have hit our 2025 projections five years ahead of schedule due to the pandemic. This rapid growth benefits retailers with large online presences, but we believe it will also help sustain high returns on investments in both **public and private industrial real estate**, much of which is used for storing and shipping goods bought and sold online.

The trend toward ever-lower interest rates is perhaps the most consequential trend of the last 40 years, especially as it impacts the optimal mix of assets in an investment portfolio. Government bonds retain a modicum of diversification benefit to a portfolio. However, they produce only a small fraction of the income that they did just a few years ago, thanks to central banks promising to keep rates low in perpetuity to help the global economy recover (Figure 5). With lower rates, as we know, comes a more aggressive search for yield among income-seeking investors. We see all income-producing assets as potential beneficiaries of the repricing that could accompany this increase in demand, and we are

Figure 5 – Central banks have convinced bond markets that rates are staying low for a long time



Data source: Bloomberg, L.P., Jan 2007 to Sep 2020. **Past performance is no guarantee of future results.**

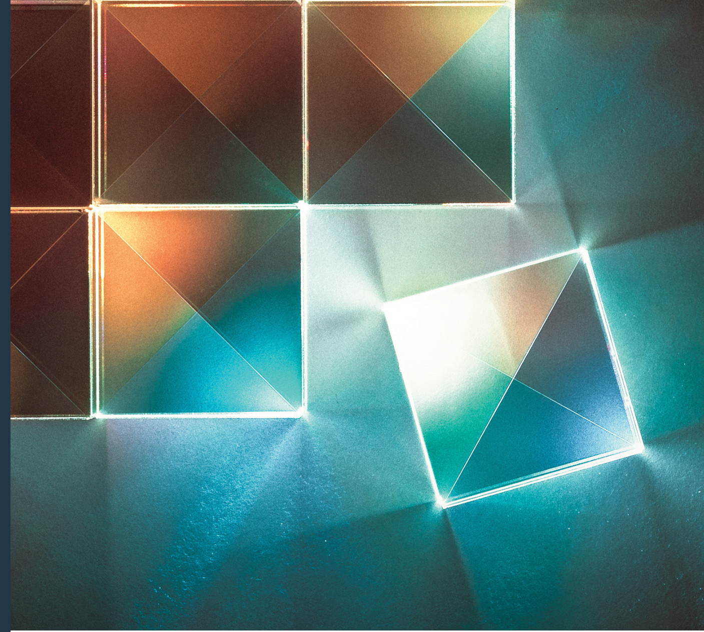
particularly keen on **leveraged finance** and **private credit** to perform well in this early recovery stage.

Lastly, the pandemic shined a bright light on the inadequacy of just-in-time global supply chains, particularly for medical equipment and pharmaceuticals. Areas of the real estate market that stand to benefit from on-shoring should see price appreciation if these moves take place. We are also likely to see a greater emphasis on food security and increased productivity for farms. **Farmland** has continued to be a good income-producing diversifier in portfolios, with defensive properties that have served it well during the coronavirus crisis. Investors looking for income-producing assets with less correlation to the bond market may find it a valuable addition to their portfolios.

More uncertainty from here

If the second quarter was the fall and the third quarter was the bounce, then the fourth quarter marks the start of a highly uncertain period for the global economy and investors. Successful investing will require capitalizing on the murkiness of the policy environment and the power of accelerating trends. In other words, we don't think uncertainty should be used as an excuse to remain disengaged from the financial markets.

For many investors right now, income generation is the most difficult portfolio mandate to fulfill. But high-growth assets should also retain a prominent place in portfolios, particularly given the likelihood that the pace of the recovery is destined to slow down (if it hasn't already) and the prolonged period of ultra-low interest rates has just begun.



Five portfolio construction themes

The previous section focused on the advantages of capitalizing on uncertainty. And that uncertainty is quite high with concerns about full valuations and income generation an ongoing challenge. But, as always, investors' long-term plans, goals and needs remain unchanged. So how to build portfolios? Nuveen's Global Investment Committee offers portfolio construction themes for our clients to consider.

1 Overcome paralysis and take action

Capital markets volatility, worries about the coronavirus pandemic and uncertainty surrounding the U.S. elections are causing some to freeze, postpone rebalancing or make new allocations. Or, many investors are over-allocated to cash, reflecting fears that many areas of the market may be overvalued.

We think this is a mistake. Investors need some cash for current spending needs (and opportunistic buying), but we think most should remain fully invested and stick with their long-term investment and rebalancing plans. We offered some specific ideas earlier in our outlook, and the below themes carry those through.

2 It's still all about income

For all investors, income generation remains a struggle. And, as Figure 5 showed, ultra-easy monetary policy means that's not going to change any time soon. We suggest investors continue to consider different areas of the fixed income landscape, dividend-paying equities and alternatives such as real estate, real assets and private credit.

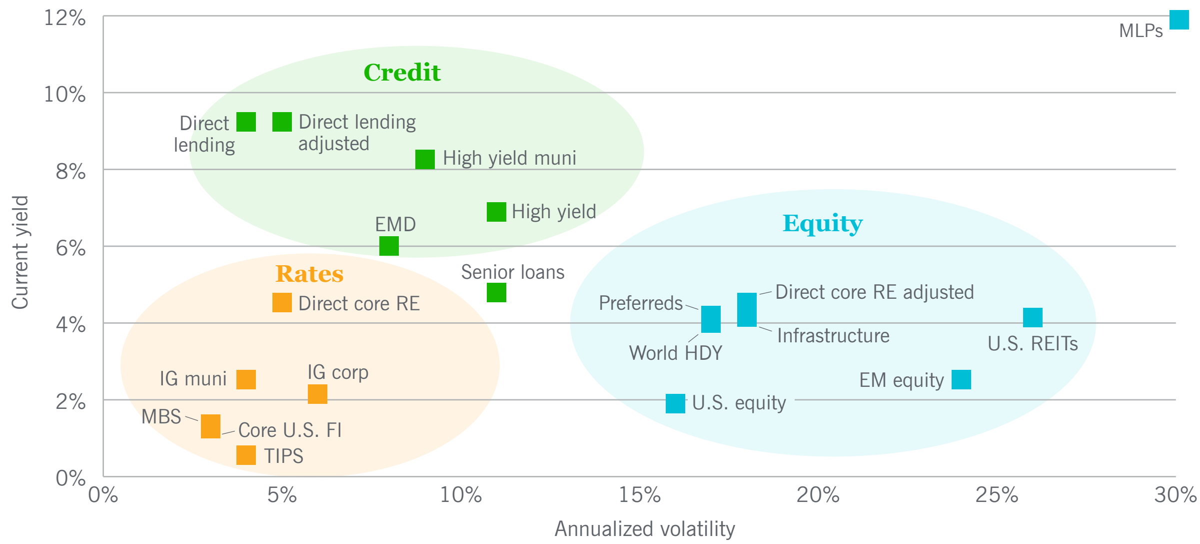
In casting this wider net, however, investors should understand which risks are entailed to generate more income and how these risks work together. We broadly categorize possible asset classes into buckets of interest rate risk, credit risk and equity risk. Each offers different yield and volatility profiles, and we suggest investors diversify across different income opportunities and risks, as shown in Figure 6.

3 Pay attention to currency risks

Currency allocations are a growing risk, especially for multinational institutional investors for whom f/x moves may impact the growth of both assets and liabilities. Returns on private assets with long lock-up periods can be greatly influenced by currency fluctuations. Currency hedges, however, are often too expensive to be worthwhile. So we think nearly all investors will have some unavoidable currency risk in their portfolios, and that's not necessarily a bad thing.

In particular, we think the U.S. dollar is likely to weaken further, especially against emerging market currencies. This year, the dollar has weakened mainly against other developed market currencies like the euro and yen. However, it has yet to fall substantially against emerging markets f/x, which creates opportunities for local emerging markets debt investments. The dollar depreciation should also benefit emerging market equities.

Figure 6 — A broader reach can help achieve income goals



Data source Bloomberg, L.P., 30 Jun 2020. **Past performance is no guarantee of future results.** Adjusted refers to desmoothed volatility. **Representative indexes: core U.S. fixed income:** Bloomberg Barclays U.S. Aggregate Bond Index; **U.S. TIPS:** Bloomberg Barclays U.S. TIP 1-10 year Index; **mortgage-backed securities:** Bloomberg Barclays U.S. Mortgage-Backed Securities Index; **investment grade corporates:** Bloomberg Barclays U.S. corporate Bond Index; **investment grade municipals:** Bloomberg Barclays U.S. Municipal Bond Index; **U.S. equity:** S&P 500 Index; **world high dividend (HDY):** MSCI World High Dividend Yield Index; **U.S. REITs:** MSCI US REIT Index; **emerging markets equity:** MSCI Emerging Market Index; **direct core real estate:** NCREIF Property Index; **emerging markets debt:** JPMorgan Monthly EMBI Index; **high yield municipals:** Bloomberg Barclays High Yield Municipal Index; **preferred securities:** ICE BofA Preferred Stock Fixed Rate Index; **senior loans:** Credit Suisse Leveraged Loan Index; **high yield corporates:** Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Capped Index; **infrastructure:** S&P Global Infrastructure Index; **direct lending:** CDLI Total Return Index. **MLPs:** Alerian MLP Total Return Index. Municipal bond yields are taxable equivalent at 37% + 3.8% ACA tax rates. **It is not possible to invest directly in an index.**

4 Focus on fundamentals and relative value

At our most recent Global Investment Committee session, we carefully considered whether markets were becoming divorced from fundamentals. Our answer was no. While some areas appear fully valued, we think investors should focus on relative opportunities across and within asset classes.

Within equities, we favor higher quality growth, but also see select opportunities in value areas (especially outside of the U.S.). We also think the consumer sector looks attractive and dividend stocks look relatively cheap, especially in a low-yield world. Our fixed income views focus on higher quality, especially where spreads are narrow. Emerging markets debt looks particularly attractive, and we also favor the preferreds sector and structured assets. Additionally, we see opportunities across high grade and high yield municipal bonds, where we favor longer duration and more credit exposure. We specifically like "recovery stories" and see opportunities in airport and transportation bonds, and select names in the travel and leisure sector.

We're focused on alternative and niche real estate areas, such as single-family rental and medical office and lab space, as well as public and private industrial real estate benefiting from the increasing shift to e-commerce. On the public infrastructure side, we prefer electric utilities and technology over passenger transportation and midstream energy. And we see many opportunities across private real assets, including farmland, renewables and digital infrastructure.

And as a critical final point: Across all asset classes, we think investors should continue to focus on environmental, social and governance factors. ESG considerations can potentially help portfolios generate additional returns, help manage risk and increase portfolio efficiency.

5 Stay flexible and nimble amid volatility

We expect volatility to remain elevated and long-term returns across asset classes to remain challenged. This speaks to the importance of selectivity and the ability to shift allocations as opportunities arise – in other words, focusing on active management. Across asset classes, all members of our Global Investment Committee and portfolio management teams are finding investment ideas that are highly idiosyncratic and fast moving. Selectivity, research, nimbleness and confidence all continue to matter.

About Nuveen's Global Investment Committee

Nuveen's Global Investment Committee (GIC) brings together the most senior investors from across our platform of core and specialist capabilities, including all public and private markets. Quarterly meetings of the GIC lead to published outlooks that offer 1) macro and asset class views that gain consensus among our investors 2) insights from thematic "deep dive" discussions by the GIC and guest experts (markets, risk, geopolitics, demographics, etc.) 3) guidance on how to turn our insights into action via regular commentary and communications.

For more information, please visit nuveen.com.

Endnotes

Sources

All market and economic data from Bloomberg, FactSet and Morningstar.

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Glossary

Alerian MLP Index is the leading gauge of energy Master Limited Partnerships (MLPs). The float-adjusted, capitalization-weighted index, whose constituents represent approximately 85% of total float-adjusted market capitalization, is disseminated in real-time on a price-return basis (AMZ) and on a total-return basis (AMZX). **Bloomberg Barclays High Yield Municipal Bond Index** is an unmanaged index consisting of noninvestment-grade, unrated or below Ba1 bonds. **Bloomberg Barclays Corporate High Yield 2% Issuer Capped Index** measures the USD-denominated, high-yield, fixed-rate corporate bond market and limits each issuer to 2% of the index. **Bloomberg Barclays Municipal Bond Index** covers the USD denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds. **Bloomberg Barclays U.S. Aggregate Bond Index** is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) **Bloomberg Barclays U.S. Corporate Bond Index** measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers. **Bloomberg Barclays U.S. Corporate High Yield Bond Index** measures the USD-denominated, high yield, fixed-rate corporate bond market. **Bloomberg Barclays U.S. Mortgage Backed Securities (MBS) Index** tracks agency mortgage-backed pass-through securities. **Bloomberg Barclays U.S. TIPS Index** is an unmanaged index that includes all publicly issued, U.S. Treasury inflation-protected securities that have at least one year remaining to maturity, are rated investment grade, and have $250 million or more of outstanding face value. **Cliffwater Direct Lending Index (CDLI)** seeks to measure the unlevered, gross of fee performance of U.S. middle market corporate loans, as represented by the asset-weighted performance of the underlying assets of Business Development Companies. **Credit Suisse Leveraged Loan Index** is designed to mirror the investable universe of the $US-denominated leveraged loan market. **ICE BofA Preferred Stock Fixed Rate Index** is designed to replicate the total return of a diversified group of investment-grade preferred securities. **S&P Global Infrastructure Index** is designed to track 75 companies from around the world chosen to represent the listed infrastructure industry while maintaining liquidity and tradability. To create diversified exposure, the index includes three distinct infrastructure clusters: energy, transportation, and utilities. **JPMorgan Emerging Market Bond Index** tracks the performance of bonds issued by developing countries. **MSCI ACWI Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. **MSCI Emerging Markets Index** is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. **MSCI US REIT Index** is a free float-adjusted market capitalization weighted index that is comprised of Equity REIT securities. The **MSCI US REIT Index** includes securities with exposure to core real estate (e.g. residential and retail properties) as well as securities with exposure to other types of real estate (e.g. casinos, theaters). **MSCI World High Dividend Yield Index** targets companies with high dividend income and quality characteristics and includes companies that have higher than average dividend yields that are both sustainable and persistent. **NCREIF Property Index** is a quarterly time series composite total rate of return measure of investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes only. **S&P 500 Index** is widely regarded as the best single gauge of large-cap U.S. equities. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization. **S&P U.S. Treasury Bond 1-3 Year Index** is designed to measure the performance of U.S. Treasury bonds maturing in 1 to 3 years. **S&P U.S. Treasury Bond 7-10 Year Index** is designed to measure the performance of U.S. Treasury bonds maturing in 7 to 10 years.

A word on risk

All investments carry a certain degree of risk and there is no assurance that an investment will provide positive performance over any period of time. Equity investing involves risk. Investments are also subject to political, currency and regulatory risks. These risks may be magnified in emerging markets. Diversification is a technique to help reduce risk. There is no guarantee that diversification will protect against a loss of income. Investing in municipal bonds involves risks such as interest rate risk, credit risk and market risk, including the possible loss of principal. The value of the portfolio will fluctuate based on the value of the underlying securities. There are special risks associated with investments in high yield bonds, hedging activities and the potential use of leverage. Portfolios that include lower rated municipal bonds, commonly referred to as "high yield" or "junk" bonds, which are considered to be speculative, the credit and investment risk is heightened for the portfolio. Credit ratings are subject to change. AAA, AA, A, and BBB are investment grade ratings; BB, B, CCC/CC/C and D are below-investment grade ratings. As an asset class, real assets are less developed, more illiquid, and less transparent compared to traditional asset classes. Investments will be subject to risks generally associated with the ownership of real estate-related assets and foreign investing, including changes in economic conditions, currency values, environmental risks, the cost of and ability to obtain insurance, and risks related to leasing of properties. Socially Responsible Investments are subject to Social Criteria Risk, namely the risk that because social criteria exclude securities of certain issuers for non-financial reasons, investors may forgo some market opportunities available to those that don't use these criteria. Investors should be aware that alternative investments including private equity and private debt are speculative, subject to substantial risks including the risks associated with limited liquidity, the use of leverage, short sales and concentrated investments and may involve complex tax structures and investment strategies. Alternative investments may be illiquid, there may be no liquid secondary market or ready purchasers for such securities, they may not be required to provide periodic pricing or valuation information to investors, there may be delays in distributing tax information to investors, they are not subject to the same regulatory requirements as other types of pooled investment vehicles, and they may be subject to high fees and expenses, which will reduce profits. Alternative investments are not appropriate for all investors and should not constitute an entire investment program. Investors may lose all or substantially all of the capital invested. The historical returns achieved by alternative asset vehicles is not a prediction of future performance or a guarantee of future results, and there can be no assurance that comparable returns will be achieved by any strategy.

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