

Global Markets Snapshot

NOVEMBER 2022



Buyouts rising amid the carnage

Global markets performed strongly in November. The Nasdaq, Dow Jones Industrial Average, and S&P 500 indexes ended the month in the green, as did global indexes across Europe and Asia. A primary cause of the recovery of US equities markets over the last two months is a possibly imminent pause or pivot in federal funds rate hiking. However, key macroeconomic indicators are starting to conflict with each other on the state of the US inflationary environment, sowing division among bank governors. With the target federal funds rate projected to end the year somewhere in the range of 4.25 to 4.75 basis points, some investors are anticipating a pivot in the first half of next year, citing cooling Consumer Price Index trends, slowing wage growth, and plummeting house construction and sales survey numbers. Other investors suspect the Federal Reserve (the Fed) will take longer to pause rate hikes, noting the tight labor market and resilient jobless claims numbers, as well as healthy retail sales and mortgage delinquency rates.

The most recent summary of economic projections released by the Federal Open Markets Committee (FOMC) at their September meeting showed that a majority of participants forecast the midpoint of the target range for the federal funds rate to stabilize above 4.5% through 2023, with half of participants projecting the midpoint of the range to remain above 3.75% through 2024. According to the November FOMC meeting minutes released last week, most participants are re-evaluating the pacing of incremental rate hikes; however, the terminal rate is now broadly suspected to end even higher than the targets participants identified at the September meeting. Statements made by Fed Chair Jerome Powell, Vice Chair Lael Brainard, and St. Louis Fed President James Bullard this month all suggested a revised target terminal rate near or above 5%.

These projected increases in both the duration and peak of the federal funds rate will impact both public and private markets over the medium term, especially high-yield bond and leveraged buyout (LBO) markets.

According to data collected by PitchBook and LCD, both LBO activity and the leveraged loans and new high-yield bonds issued to finance them have remained stable in the face of skyrocketing reference rates. As of November 29, US buyout/LBO transaction volume for the year totaled more than \$365 billion, its third-best year on record after 2007 and 2021. US high-yield bond issuance volume for LBOs over the same period crested \$15.7 billion, its fourth-strongest year since 2009. Expect LBO activity to continue to increase as refinancing rates remain elevated through 2023 and into 2024; public market equivalents and private company valuations continue to return to healthier, pre-2021 margins; and PE managers continue to raise record-breaking funds. At the same time, as the refinancing window remains closed for overleveraged companies, distressed ratios will begin to rise, re-establishing a market space for the “vulture capital” firms to thrive.

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Analysis

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Annual through November 30 issuance volume (\$B) of assorted debt instruments compared with the 10-year median



Note: All data in this report is as of November 30, 2022, unless noted otherwise.

Source: LCD

Overview

Select major indexes total return

S&P 500

YTD: -13.1% | 1-yr: -9.2% | 3-yr: +12.2%

Nasdaq Composite

YTD: -26.1% | 1-yr: -25.6% | 3-yr: +12.8%

Morningstar Global

YTD: -14.8% | 1-yr: -11.3% | 3-yr: +8.5%

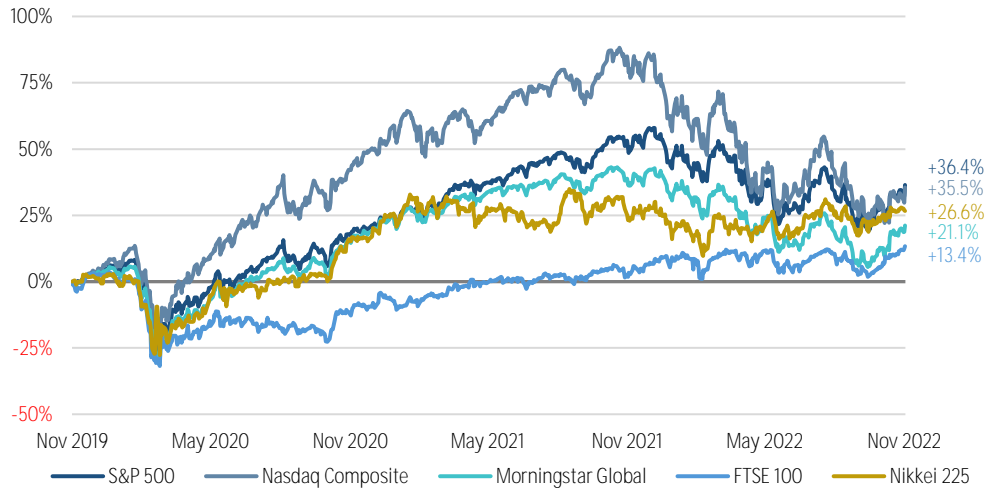
FTSE 100

YTD: +6.3% | 1-yr: +11.3% | 3-yr: +6.0%

Nikkei 225

YTD: -0.8% | 1-yr: +2.7% | 3-yr: +7.9%

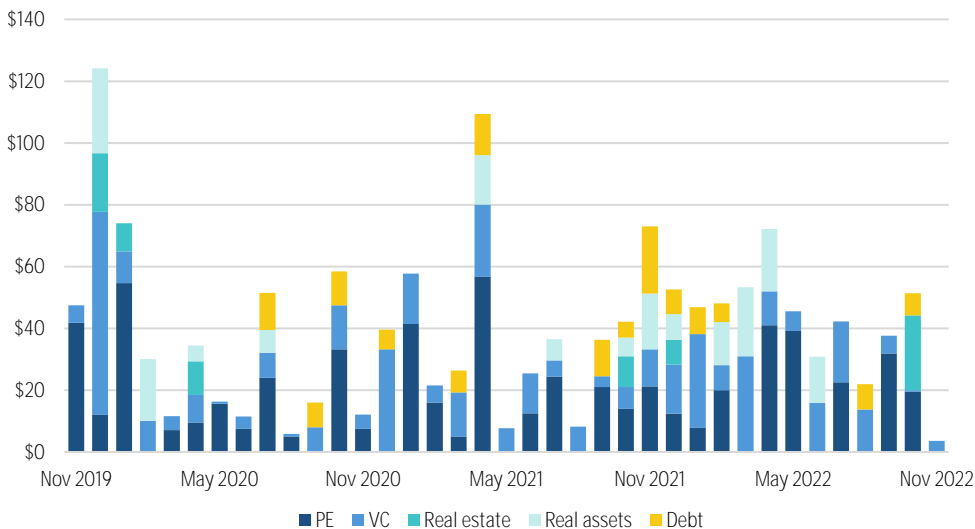
Select major indexes three-year total return



Note: Three-year returns are annualized.

Source: Morningstar

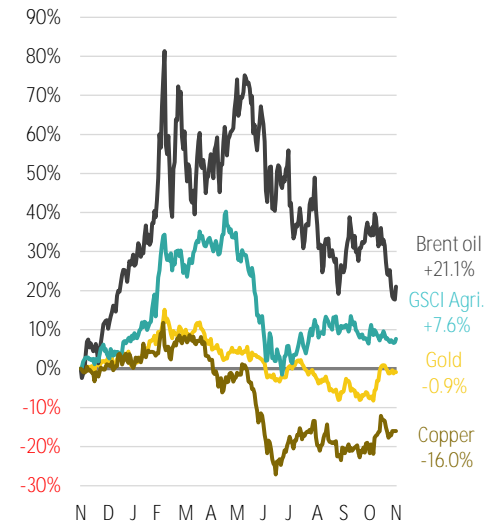
Monthly global mega-fund capital raised (\$B) by type



Note: Mega-funds include VC funds of \$500M+ or debt, PE, real assets, or real estate funds of \$5B+.

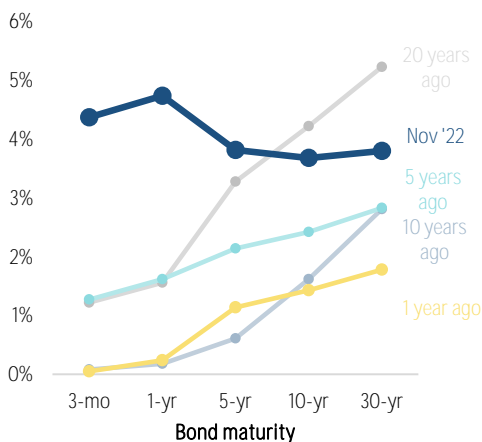
Source: PitchBook

One-year change select commodities



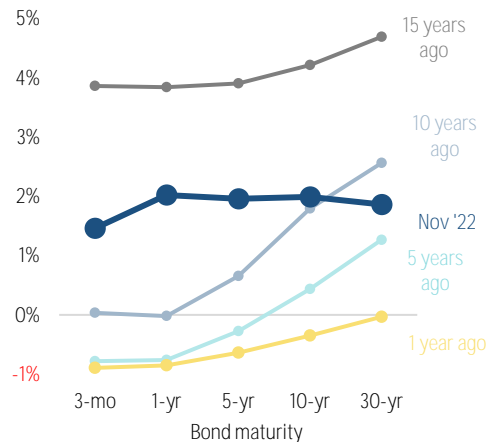
Source: Morningstar

US Treasury yield curve



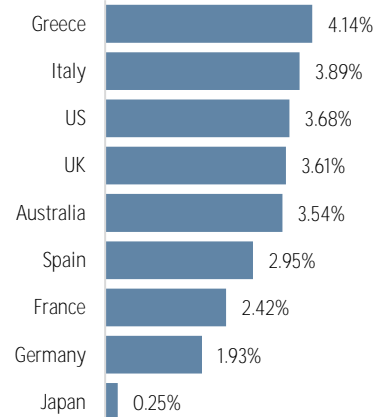
Source: FRED

Euro area AAA yield curve



Source: European Central Bank

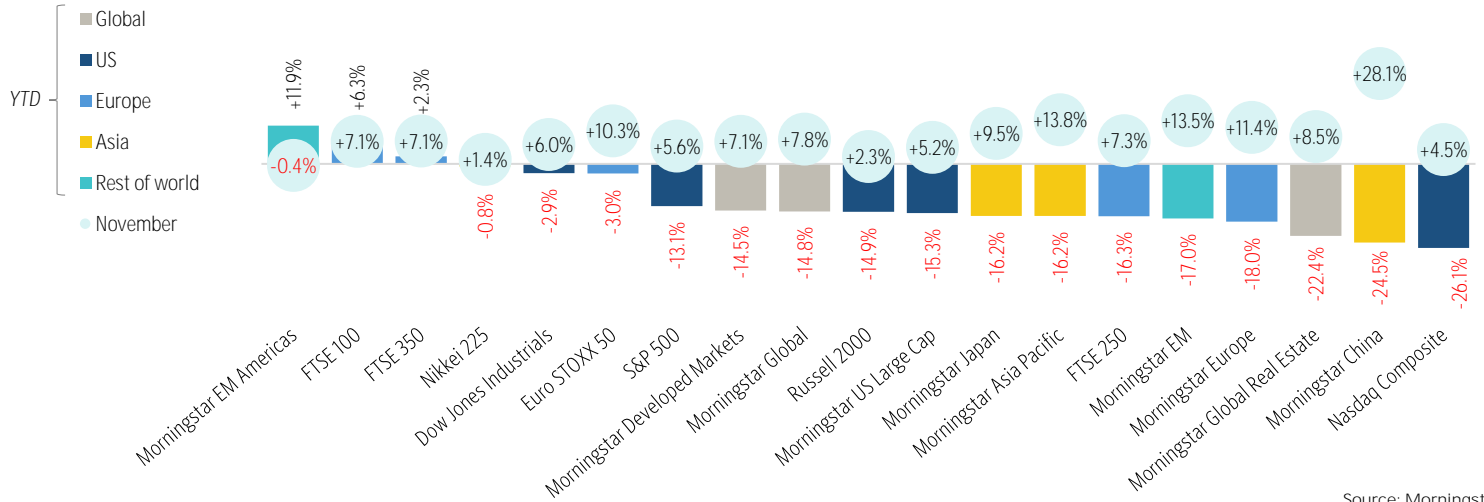
10-year government bond yields



Sources: FRED, Tullett Prebon

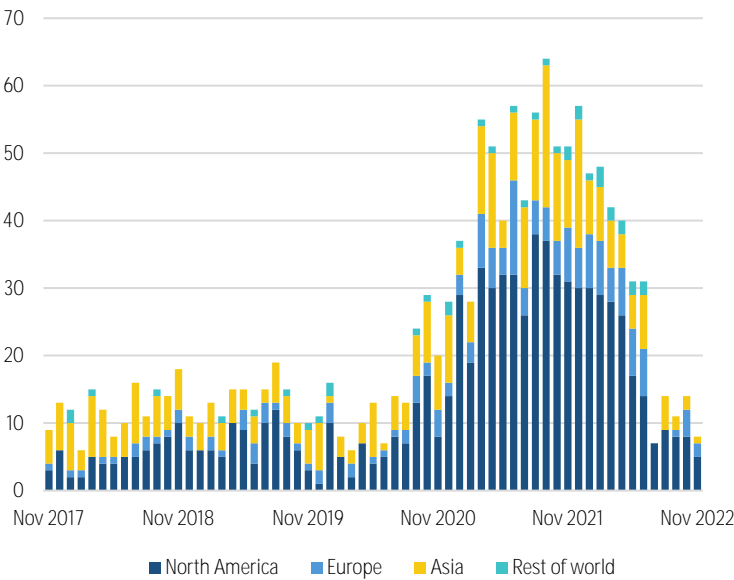
Equity markets

2022 select public indexes total return



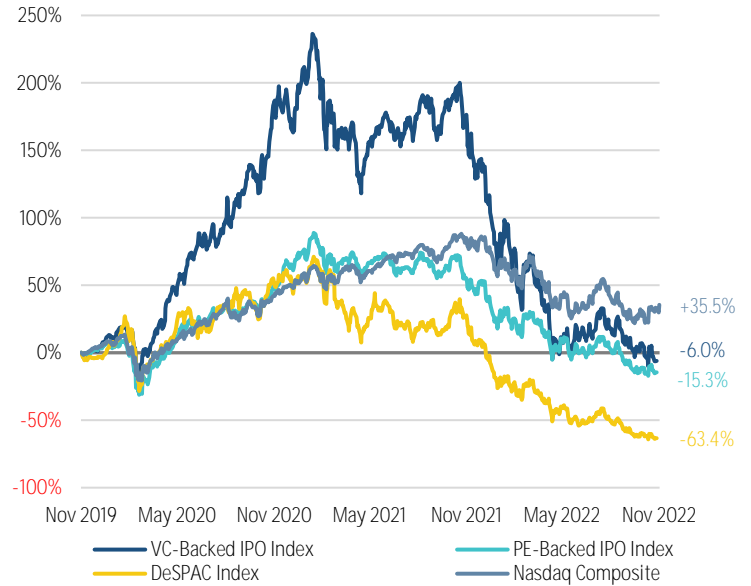
Source: Morningstar

VC-backed unicorns created monthly by HQ region



Source: PitchBook

US IPO and DeSPAC indexes versus Nasdaq three-year return



Sources: Morningstar, PitchBook

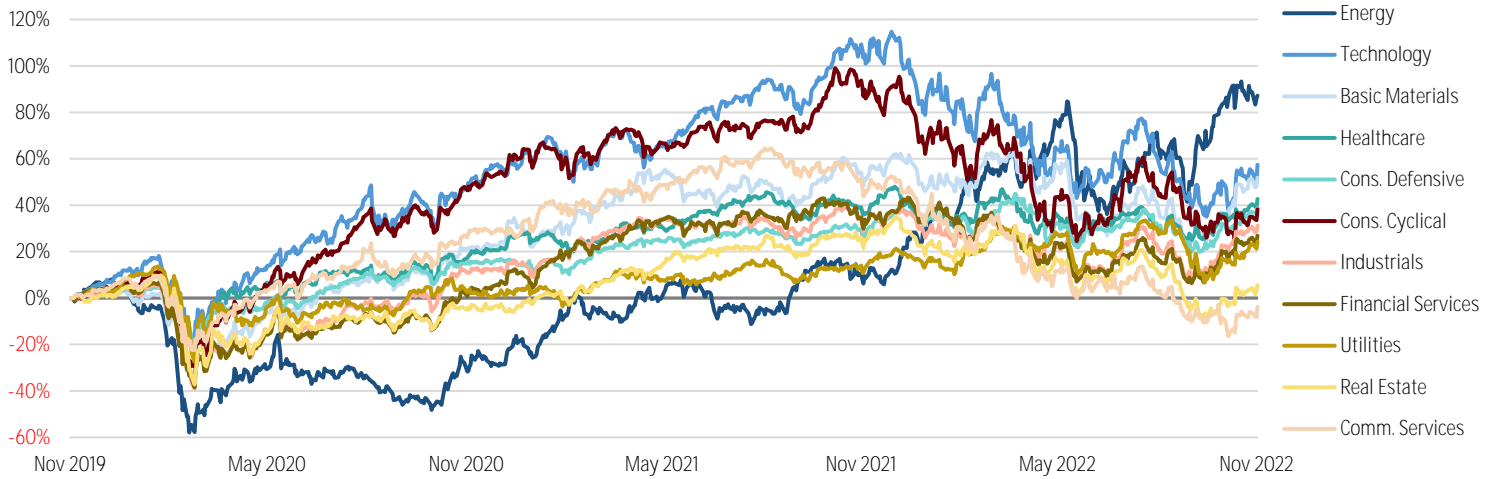
Largest PE- and VC-backed public listings in November

Company	Date	Backing	Valuation (\$B)	Exchange: ticker	Industry	HQ country
AtourHotel	November 11	VC	\$4.3	NAS: ATAT	Consumer prod. & serv.	China
Zibuyu Group	November 11	VC	\$3.9	HKG: 02420	Consumer prod. & serv.	China
Giant Biogene	November 3	VC	\$3.1	HKG: 02367	Pharma & biotech	China
Grindr	November 18	PE	\$2.1	NYS: GRND	Software	US
GRINM Semiconductor Materials	November 10	PE	\$1.7	SHG: 688432	IT hardware	China
Five Star Business Finance	November 17	PE	\$1.7	BOM: 543663	Financial services	India
Dtech Technology	November 22	PE	\$1.3	SHE: 301377	Business prod. & serv.	China
Medanta	November 16	PE	\$1.1	BOM: 543654	HC services & systems	India
Forehope ELECTRONIC (Ningbo)	November 16	VC	\$1.0	SHG: 688362	Business prod. & serv.	China
Tempo (Electrical Equipment)	November 23	VC	\$0.9	NAS: TMPO	Business prod. & serv.	US

Source: PitchBook

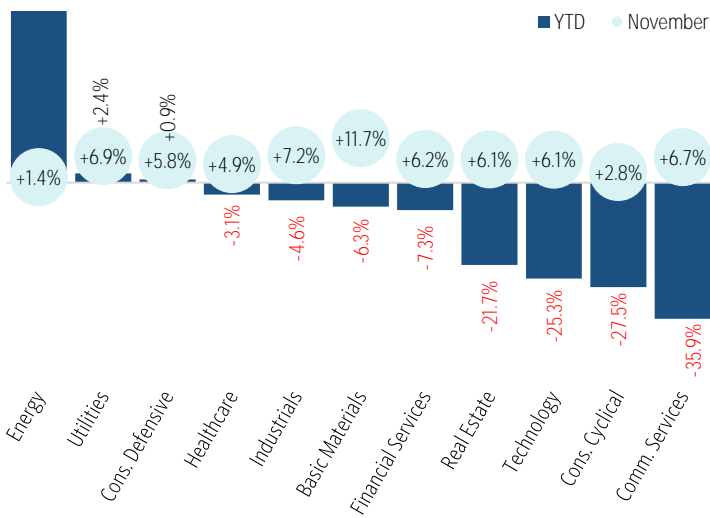
Equity markets

Morningstar US sector indexes three-year total return



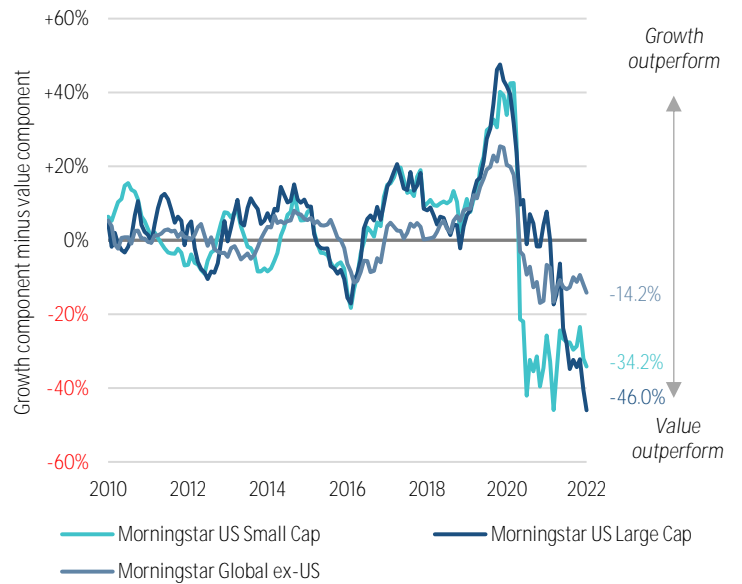
Source: Morningstar

2022 Morningstar US sector indexes total return



Source: Morningstar

"Growth" versus "value" relative YoY total return



Source: Morningstar

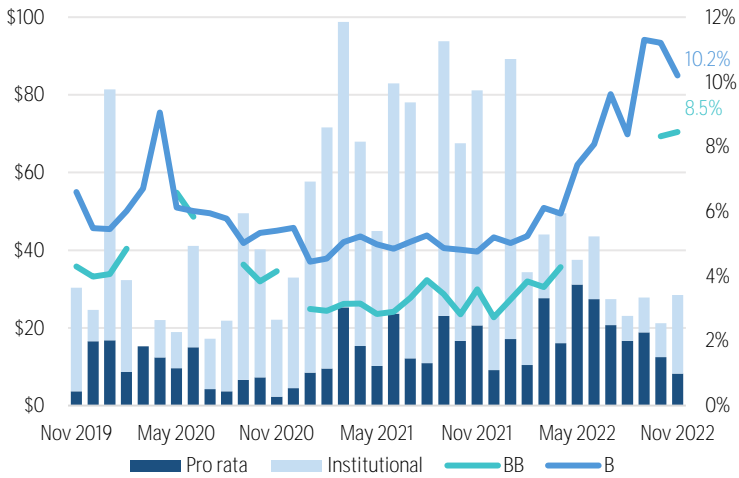
Notable PE and VC deals in November

Company	Date	Deal value (\$B)	Valuation (\$B)	Deal type	Industry	HQ country
CHINT Anneng	November 15	\$0.2	\$4.1	N/A	Energy	China
Astera Labs	November 17	\$0.2	\$3.2	Series D	IT hardware	US
Project44	November 3	\$0.1	\$2.7	Venture growth	Business prod. & serv.	US
Howard Energy Partners	November 8	\$0.8	\$2.0	Buyout/LBO	Energy	US
Alation	November 2	\$0.1	\$1.7	Series E	Software	US
Tryllian	November 8	\$0.4	\$1.5	Late-stage VC	Software	US
A2Mac1	November 8	\$1.4	\$1.5	Buyout/LBO	Business prod. & serv.	France
Amagi	November 1	\$0.1	\$1.5	Series F	Business prod. & serv.	India
Athora	November 2	\$1.4	N/A	PE growth/expansion	Financial services	Bermuda
Maven (Clinics/Outpatient Services)	November 14	\$0.1	\$1.4	Series E	HC services & systems	US

Source: PitchBook

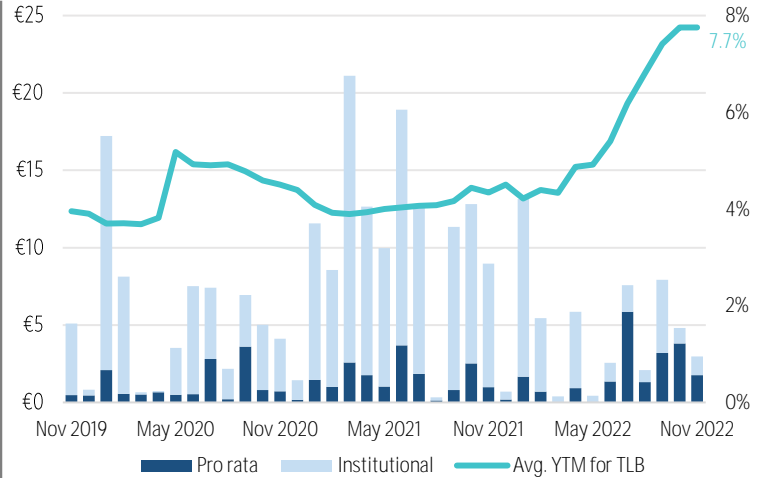
Debt markets

US leveraged loan value (\$B) and selected yields



Source: LCD

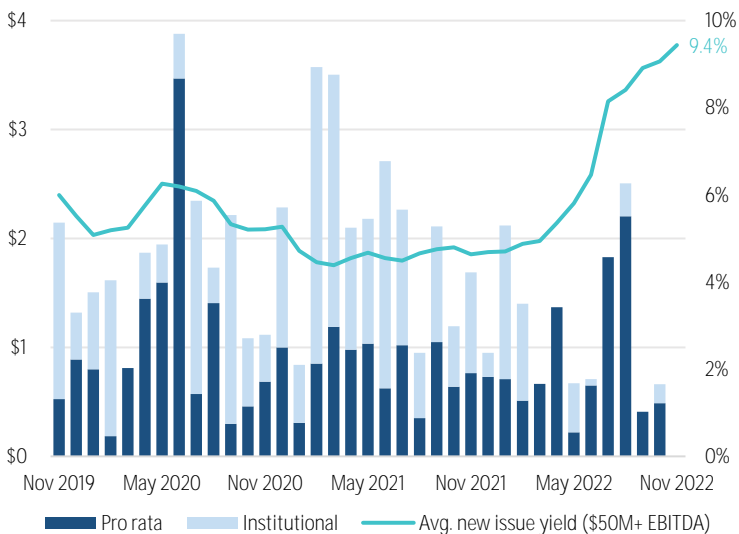
European leveraged loan value (€B) and TLB yield



Note: TLB stands for Term Loan B.

Source: LCD

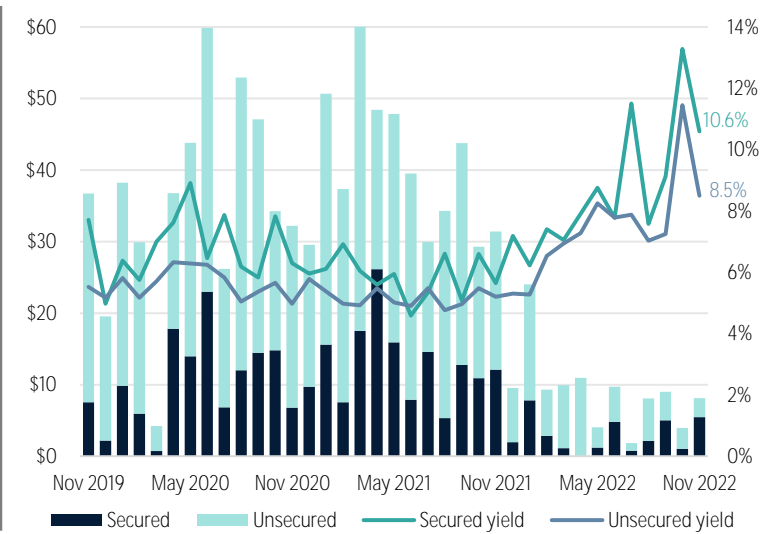
US middle-market loan value (\$B) and average new issue yield



Note: Middle market are companies with ≤\$350M in EBITDA.

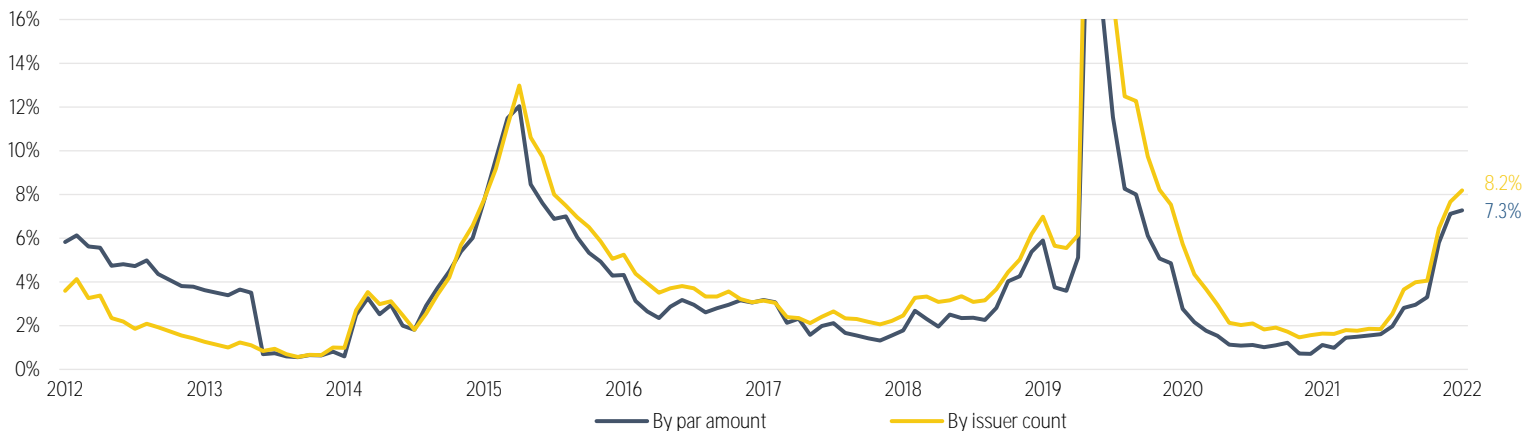
Source: LCD

US high-yield bond value (\$B) and selected yields



Source: LCD

Morningstar/LSTA Leveraged Loan Index distressed ratio

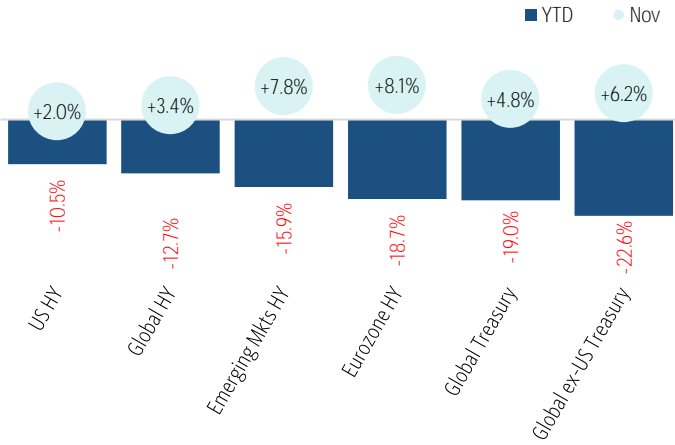


Note: "Distressed" loans are priced below 80 to par.

Source: LCD

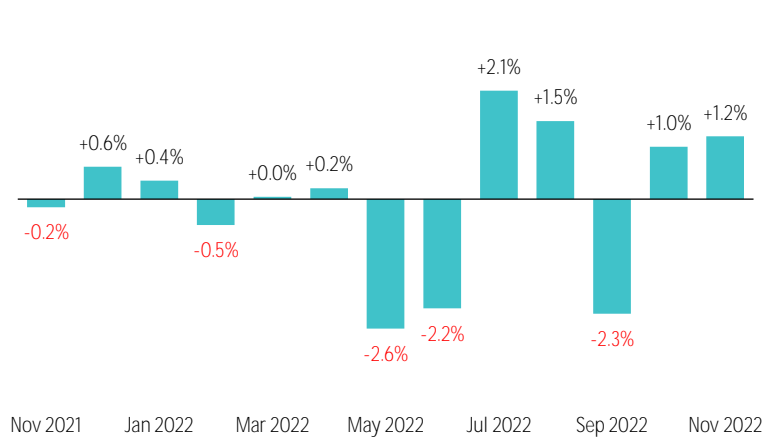
Debt markets

Select Morningstar bond indexes total return



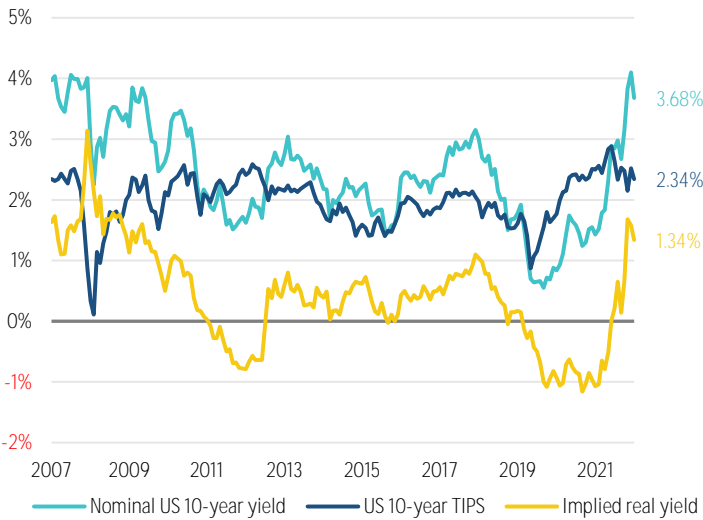
Source: Morningstar

Morningstar/LSTA Leveraged Loan Index monthly return



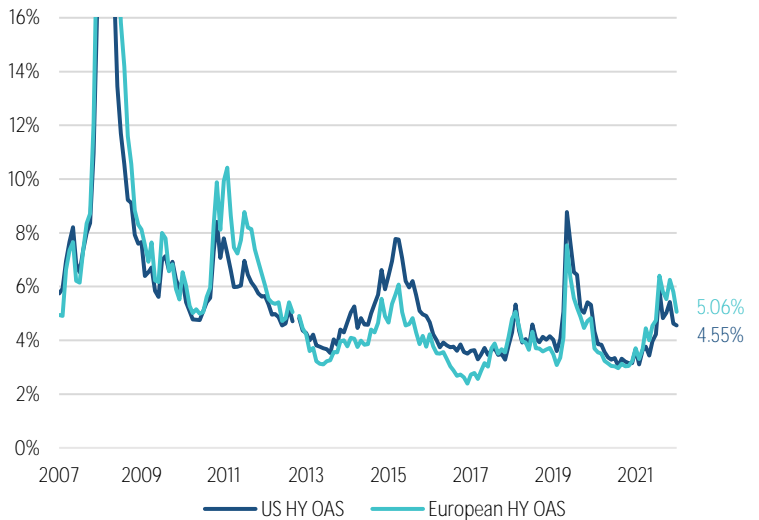
Source: LCD

US 10-year TIPS-implied inflation and real yield



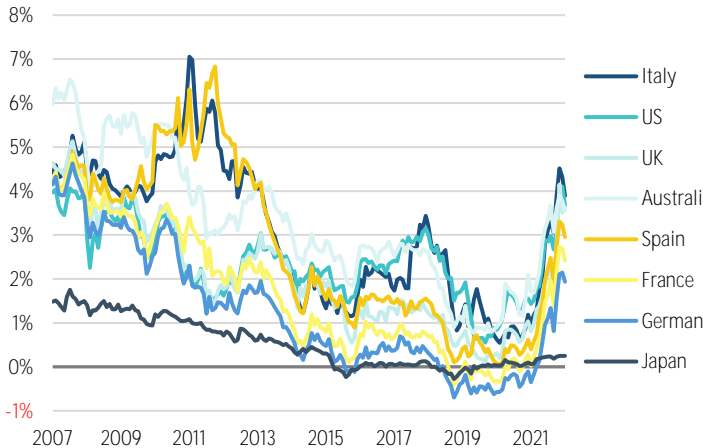
Source: FRED

US and European high-yield option-adjusted spread



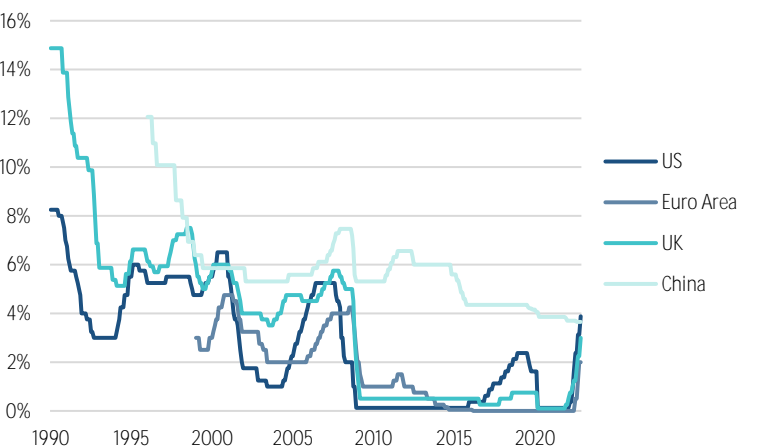
Source: FRED

10-year government bond yields by country



Sources: FRED, Tullett Prebon

Select central bank policy rates



Source: Bank of International Settlements

Select indexes total return

Index	Nov	3 months	YTD	1 year	2 years	3 years	4 years	5 years	10 years	20 years	30 years
Dow Jones Industrials	6.04%	10.36%	-2.89%	2.48%	10.21%	9.50%	10.23%	9.71%	12.86%	9.67%	10.67%
Nasdaq Composite	4.51%	-2.72%	-26.13%	-25.59%	-2.33%	10.66%	12.81%	11.78%	15.53%		
S&P 500	5.59%	3.63%	-13.10%	-9.21%	7.77%	10.91%	12.18%	10.98%	13.34%	9.79%	9.91%
S&P 500 Growth	5.10%	-1.15%	-23.58%	-21.69%	2.47%	11.49%	12.70%	12.17%	14.48%	10.36%	
S&P 500 Value	6.02%	8.20%	-1.36%	5.59%	12.92%	8.79%	10.51%	8.81%	11.54%	8.86%	
Nasdaq 100	5.62%	-1.74%	-25.69%	-24.81%	-0.21%	13.62%	15.72%	14.62%	17.49%	13.58%	
Russell 2000	2.34%	2.71%	-14.91%	-13.01%	3.03%	6.44%	6.70%	5.45%	10.13%	9.42%	8.99%
Euro STOXX 50	10.31%	14.36%	-3.02%	2.81%	10.90%	6.55%	10.58%	7.06%	8.70%	6.05%	
STOXX Europe 600	6.76%	6.00%	-9.79%	-4.95%	6.31%	2.60%	5.33%	2.62%	4.78%	3.47%	5.12%
FTSE 100	7.12%	4.63%	6.28%	11.34%	14.03%	4.60%	5.96%	4.60%	6.55%	6.93%	7.17%
FTSE 250	7.31%	1.24%	-16.25%	-12.54%	1.91%	-0.52%	3.39%	1.68%	7.50%	10.39%	10.00%
FTSE 350	7.15%	4.12%	2.31%	7.11%	12.01%	3.81%	5.59%	4.16%	6.69%	7.38%	0.08
Nikkei 225	1.41%	0.43%	-0.84%	2.75%	4.85%	8.36%	7.88%	6.32%	13.58%		
FTSE China A50	14.51%	-10.29%	-26.67%	-25.07%	-14.63%	-0.62%	5.35%	0.23%	7.67%		
Hong Kong HSI	26.62%	-6.80%	-20.52%	-20.78%	-15.98%	-10.96%	-8.48%	-8.61%	-1.68%	3.11%	3.95%
Morningstar US	5.43%	3.38%	-14.39%	-11.02%	5.99%	10.21%	11.59%	10.39%	12.98%	10.03%	9.84%
Morningstar US Growth	3.54%	-3.06%	-31.43%	-31.91%	-5.66%	8.34%	11.11%	11.14%	13.56%	9.96%	
Morningstar US Value	6.08%	9.19%	3.31%	10.34%	15.27%	9.02%	9.38%	8.28%	11.32%	9.06%	
Morningstar US Large Cap	5.21%	2.96%	-15.31%	-11.99%	5.82%	10.57%	12.03%	11.02%	13.32%	9.65%	9.59%
Morningstar US Large Cap Growth	4.34%	0.30%	-34.58%	-34.94%	-9.69%	4.51%	7.87%	8.94%	12.63%	8.88%	
Morningstar US Large Cap Value	5.96%	10.08%	3.88%	11.09%	14.30%	8.67%	9.45%	8.60%	11.11%	8.37%	
Morningstar US Mid Cap	6.57%	4.69%	-11.41%	-7.72%	6.90%	9.81%	11.26%	9.52%	12.64%	11.15%	10.46%
Morningstar US Mid Cap Growth	6.34%	0.90%	-28.14%	-27.66%	-6.92%	6.99%	10.60%	9.80%	12.25%	10.82%	
Morningstar US Mid Cap Value	6.79%	6.44%	2.31%	9.30%	16.74%	9.33%	9.16%	7.61%	12.30%	10.78%	
Morningstar US Small Cap	4.39%	4.08%	-13.05%	-10.09%	4.38%	6.29%	6.91%	5.52%	10.05%	10.03%	9.60%
Morningstar US Small Cap Growth	2.22%	-1.25%	-28.95%	-28.92%	-12.16%	0.48%	3.40%	3.93%	9.44%	9.15%	
Morningstar US Small Cap Value	5.37%	7.20%	0.27%	5.24%	18.91%	11.33%	8.79%	6.12%	10.04%	10.60%	
Morningstar US Large-Mid Cap	5.51%	3.33%	-14.49%	-11.09%	6.07%	10.44%	11.89%	10.71%	13.15%	9.99%	9.88%
Morningstar US Large-Mid Cap Growth	4.86%	-2.27%	-30.93%	-31.45%	-4.83%	9.14%	11.93%	11.92%	13.92%	9.97%	
Morningstar US Large-Mid Cap Value	6.13%	9.30%	3.48%	10.66%	14.88%	8.73%	9.34%	8.35%	11.21%	8.81%	
Morningstar US Small-Mid Cap	6.03%	4.54%	-11.82%	-8.30%	6.31%	8.96%	10.20%	8.49%	11.88%	10.79%	10.22%
Morningstar US Small-Mid Cap Growth	5.29%	0.36%	-28.35%	-27.98%	-8.19%	5.41%	8.85%	8.36%	11.48%	10.38%	
Morningstar US Small-Mid Cap Value	6.45%	6.62%	1.85%	8.35%	17.39%	9.92%	9.14%	7.26%	11.60%	10.67%	
Morningstar Global Mkts Sustainability	8.78%	4.70%	-15.44%	-11.47%	3.09%	7.17%	9.14%	7.25%	9.42%		
Morningstar Global Corp Bond Sustain.	5.76%	-0.78%	-17.47%	-17.29%	-10.26%	-3.77%	-0.16%	-0.87%			
Morningstar-PitchBook Listed PE	9.66%	2.44%	-29.65%	-28.98%	4.84%	10.88%	14.46%	10.82%			
Morningstar US Communication Services	6.69%	-5.87%	-35.86%	-34.60%	-12.65%	-1.58%	3.24%	3.85%	8.20%	8.15%	
Morningstar US Consumer Defensive	5.84%	6.55%	0.85%	9.82%	9.95%	11.58%	12.03%	10.22%	11.46%	10.33%	10.20%
Morningstar US Consumer Cyclical	2.77%	-4.05%	-27.55%	-27.56%	-2.84%	11.12%	11.61%	11.61%	14.04%	11.11%	9.73%
Morningstar US Energy	1.42%	14.02%	69.00%	73.82%	65.55%	23.26%	13.75%	10.34%	5.84%	9.70%	
Morningstar US Financial Services	6.25%	9.55%	-7.25%	-3.55%	12.19%	7.97%	10.03%	8.43%	13.74%	6.28%	9.00%
Morningstar US Healthcare	4.86%	10.70%	-3.14%	4.47%	10.38%	12.40%	11.12%	12.02%	14.98%	10.80%	11.49%
Morningstar US Industrials	7.22%	8.91%	-4.65%	0.29%	8.78%	8.94%	10.94%	8.80%	12.95%	10.45%	10.39%
Morningstar US Basic Materials	11.68%	10.78%	-6.30%	1.06%	12.39%	14.61%	14.18%	9.02%	10.18%	9.53%	8.21%
Morningstar US Real Estate	6.13%	-4.13%	-21.70%	-14.41%	5.48%	1.35%	4.95%	4.79%	7.16%	8.96%	9.74%
Morningstar US Technology	6.08%	-0.26%	-25.29%	-23.85%	3.14%	15.79%	18.95%	16.51%	18.36%	12.80%	12.59%
Morningstar US Utilities	6.94%	-2.55%	2.44%	12.21%	10.10%	7.23%	9.42%	8.03%	11.08%	10.80%	8.85%

Note: Returns more than one year are annualized.

Source: Morningstar

Select indexes total return

Index	Nov	3 months	YTD	1 year	2 years	3 years	4 years	5 years	10 years	20 years	30 years
Morningstar US REIT	6.16%	-4.43%	-21.33%	-13.74%	6.62%	2.12%	5.84%	5.51%	7.99%	9.55%	
Morningstar Global Real Estate	8.54%	-4.19%	-22.40%	-17.39%	-1.27%	-2.81%	1.62%	1.20%	4.59%	8.11%	
Morningstar US Real Estate	6.13%	-4.13%	-21.70%	-14.41%	5.48%	1.35%	4.95%	4.79%	7.16%	8.96%	9.74%
Morningstar Dev Europe Real Estate	7.19%	-8.87%	-41.75%	-40.05%	-17.22%	-12.51%	-5.82%	-5.60%	1.81%	5.72%	
Morningstar Emerging Mkts Real Estate	26.71%	-0.62%	-15.79%	-16.18%	-15.34%	-12.24%	-7.15%	-7.71%	-1.89%	4.52%	
Morningstar Global Treasury	4.81%	-1.38%	-19.00%	-19.57%	-12.81%	-6.24%	-2.90%	-2.89%	-1.54%	2.56%	
Morningstar Global ex-US Treasury	6.16%	-0.76%	-22.59%	-23.18%	-15.50%	-8.19%	-4.62%	-4.44%	-2.55%	2.25%	
Morningstar US HY	1.96%	0.63%	-10.45%	-8.74%	-2.01%	0.96%	3.07%	2.48%	4.23%	7.17%	
Morningstar Global HY	3.37%	1.30%	-12.68%	-10.99%	-4.10%	-0.20%	2.07%	1.33%	3.50%	7.01%	
Morningstar Eurozone HY	8.10%	3.82%	-18.66%	-17.10%	-10.29%	-3.55%	-1.04%	-2.58%	1.08%	7.10%	
Morningstar EM HY	7.84%	2.29%	-15.89%	-14.95%	-9.06%	-4.20%	-0.66%	-1.41%	1.82%	7.18%	
S&P GSCI	-1.71%	-3.30%	27.75%	37.45%	37.84%	13.53%	10.37%	7.68%	-3.23%	0.16%	1.33%
Morningstar Real Assets	5.08%	-1.29%	-6.04%	-1.78%	8.31%	5.50%	5.30%	4.57%	2.90%	6.33%	
Alerian MLP ETF	-2.56%	2.98%	31.79%	36.56%	37.14%	10.54%	4.73%	3.66%	0.93%		
BBG Commodity	2.74%	-3.71%	19.01%	23.20%	26.01%	15.46%	10.10%	7.60%	-1.30%	1.74%	3.21%
BBG Commodity ex Precious Metals	1.62%	-5.60%	24.79%	29.34%	32.46%	17.23%	10.18%	7.87%	-1.46%	0.81%	
S&P GSCI Gold Spot	7.27%	1.95%	-3.76%	-0.93%	-0.59%	6.12%	9.46%	6.63%	0.27%	8.93%	5.68%
Oil Price Brent Crude	-9.91%	-11.46%	9.84%	21.06%	33.98%	11.02%	9.83%	6.09%	-2.61%	6.26%	5.13%
S&P GSCI Agriculture	-1.71%	-2.87%	4.37%	7.60%	18.16%	17.20%	12.45%	10.35%	-0.30%	4.33%	2.92%
Morningstar Developed Mkts Min Vol	7.15%	4.59%	-9.56%	-4.94%	2.63%	2.57%	5.39%	4.94%	8.82%		
Morningstar US Min Vol	5.90%	5.52%	-9.29%	-4.81%	5.53%	5.77%	8.19%	7.88%	11.41%		
Morningstar Global	7.77%	3.33%	-14.78%	-11.33%	2.83%	6.76%	8.52%	6.59%	9.14%	8.87%	
Morningstar Global ex-US	11.37%	3.24%	-15.34%	-11.77%	-1.34%	2.40%	4.70%	2.12%	5.26%	7.77%	
Morningstar Global ex-US Growth	11.64%	2.49%	-20.42%	-17.77%	-6.37%	1.72%	5.20%	2.65%	5.14%		
Morningstar Global ex-US Value	11.49%	4.89%	-8.50%	-3.53%	4.52%	2.90%	4.12%	1.73%	4.44%		
Morningstar Global All Cap	7.70%	3.30%	-14.78%	-11.33%	2.90%	6.80%	8.53%	6.58%	9.09%		
Morningstar Global Large Cap	7.83%	3.40%	-14.89%	-11.41%	2.84%	7.03%	8.85%	7.02%	9.21%	8.45%	
Morningstar Global Small Cap	6.80%	2.05%	-17.54%	-15.22%	0.29%	4.64%	6.17%	3.72%	8.11%		
Morningstar Developed Markets	7.07%	4.00%	-14.48%	-10.81%	4.05%	7.46%	9.24%	7.36%	10.00%	8.99%	
Morningstar Developed Markets ex-US	10.57%	5.27%	-14.65%	-10.40%	0.43%	2.71%	5.21%	2.56%	5.59%	7.39%	
Morningstar Europe	11.44%	8.59%	-18.00%	-12.85%	0.44%	2.09%	5.16%	2.16%	5.30%	7.29%	
Morningstar Asia Pacific	13.77%	-0.67%	-16.24%	-14.34%	-5.68%	1.49%	3.43%	1.27%	5.28%	7.47%	
Morningstar Asia Pacific ex-Japan	16.07%	-1.66%	-16.24%	-14.21%	-5.46%	2.90%	4.61%	1.96%	4.52%	9.65%	
Morningstar EM	13.46%	-1.58%	-16.99%	-15.09%	-5.56%	1.86%	3.51%	1.07%	3.18%	9.62%	
Morningstar EM Asia	16.84%	-2.82%	-19.22%	-17.69%	-7.96%	2.85%	4.28%	1.39%	4.71%	9.53%	
Morningstar EM Europe	17.97%	29.55%	-67.64%	-67.31%	-35.08%	-28.47%	-18.28%	-15.78%	-8.17%	2.02%	
Morningstar EM Americas	-0.37%	4.81%	11.93%	18.25%	6.49%	-1.24%	1.07%	0.58%	-1.05%	10.79%	
Morningstar US	5.43%	3.38%	-14.39%	-11.02%	5.99%	10.21%	11.59%	10.39%	12.98%	10.03%	9.84%
Morningstar UK	10.90%	6.58%	-9.74%	-3.17%	6.04%	0.73%	3.47%	1.34%	3.43%	6.19%	
Morningstar China	28.15%	-7.39%	-24.47%	-26.71%	-21.73%	-5.40%	-1.95%	-3.46%	2.99%	10.20%	
Morningstar Germany	13.88%	12.89%	-22.14%	-17.98%	-6.29%	-1.40%	1.96%	-2.18%	4.09%	7.83%	
Morningstar France	11.60%	11.59%	-13.43%	-7.51%	3.38%	3.91%	7.18%	3.86%	7.60%	8.17%	
Morningstar Canada	6.30%	3.44%	-7.65%	-3.42%	9.78%	8.86%	10.41%	7.02%	5.10%	9.86%	
Morningstar Japan	9.53%	1.28%	-16.21%	-14.58%	-6.09%	-0.74%	1.63%	0.15%	6.42%	5.49%	
Morningstar Australia	11.78%	3.53%	-5.50%	-0.40%	5.80%	6.33%	8.79%	5.97%	4.84%	10.46%	
Morningstar Brazil	-3.89%	0.36%	14.18%	19.13%	3.13%	-4.82%	-0.70%	0.55%	-0.83%	12.46%	
Morningstar India	5.02%	1.11%	-3.02%	0.64%	17.91%	14.59%	12.45%	8.39%	9.70%	14.90%	

Note: Returns more than one year are annualized.

Source: Morningstar

Additional research

Private markets



Q3 2022 Global Private Market Fundraising Report

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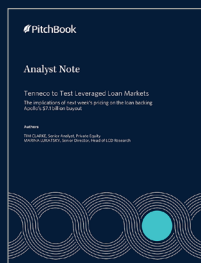
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