

June 15 2016

NAVIGATING THE MARKETS

The *Portfolio Compass* provides a snapshot of LPL Financial Research’s views on equity, equity sectors, fixed income, and alternative asset classes. This monthly publication illustrates our current views and will change as needed over a 3- to 12-month time horizon.

The top down is an important part of our asset allocation process. As a result, we have a new macro section including our views of the global economy and key drivers of those views, and a section on what we are watching that might change those views.

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COMPASS CHANGES

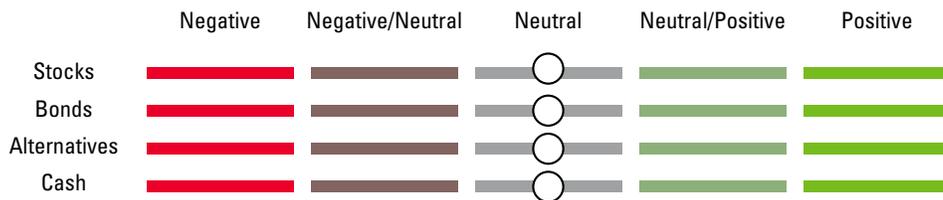
- Upgraded MLPs to neutral/positive from neutral.
- Upgraded event driven to neutral from negative/neutral.

INVESTMENT TAKEAWAYS

- We continue to expect modest stock market gains in 2016 but with higher volatility;* favor U.S. large caps and growth equities.
- We continue to favor cyclical growth equities, in particularly technology, and healthcare.
- Attractive yields and valuations, favorable technicals, and ebbing producer default fears drive our upgraded MLP view.
- Event driven upgrade based on improving backdrop for distressed and strategic transactions due to commodity price stability.
- Expected gradual Federal Reserve (Fed) rate hikes and slow economic growth are supportive of bonds in the near term.
- High-yield bond strength has continued into June and the yield spread remains slightly below our estimate of fair value.
- From a technical perspective, if the S&P 500 sustains a price above its 200-day simple moving average at 2014, the intermediate-term downtrend may be reversed.

BROAD ASSET CLASS VIEWS

LPL Financial Research’s views on stocks, bonds, cash, and alternatives are illustrated below.



All performance referenced herein is as of June 14, 2016, unless otherwise noted.

*Historically since WWII, the average annual gain on stocks has been 7–9%. Thus, our forecast is roughly in-line with average stock market growth. We forecast a mid-single-digit gain, including dividends, for U.S. stocks in 2016 as measured by the S&P 500. This gain is derived from earnings per share (EPS) for S&P 500 companies assuming mid- to high-single-digit earnings gains, and a largely stable price-to-earnings ratio (PE). Earnings gains are supported by our expectation of improved global economic growth and stable profit margins in 2016.

MACROECONOMIC VIEWS

| | Economic Factor | Outlook | Investing Impact |
|----------------------|---------------------------------|---|--|
| ECONOMY | U.S. GDP Growth | We expect near trend 2.5–3% GDP growth* in 2016. | Declining recession fears may support equity markets. |
| | Consumer Spending | Still low oil prices, home price gains, labor market should help. | Supports consumer cyclicals. |
| | Business Spending | Priorities slowly shifting toward investment. | Industrials (outside oil-sensitive areas), technology most likely to benefit. |
| | Housing | Tight supply, years of underbuilding may help but consumers are still cautious. | A stronger turnaround could support housing/financials stocks. |
| | Import/Export | Dollar impact subsiding; service sectors and oil independence help trade imbalance. | Potentially supports technology, business services. |
| | Labor Market | Steadily improving overall. Early signs of wage pressure in a few fields. | Profit margins may begin to narrow. |
| | Inflation | Wage growth, economic growth point to normalization once commodities stabilize. | Interest rates likely to rise but process will be gradual. |
| | Business Cycle | Still mid-cycle but have likely moved into latter half. | Equity markets may have room to run, but expect more volatility. |
| | Dollar | Dollar still strong but stabilization may mute further impact. | Drag on U.S. profits is starting to fade. |
| | Global GDP Growth | Potential modest improvement in 2016 overseas ex-China. | May support multinational technology and industrials, global diversification. |
| POLICY | Fiscal | Federal deficit has declined for three consecutive years. | High debt-to-GDP remains a longer-term headwind. |
| | Monetary | Policy remains data dependent. | Modest negative for bonds. |
| | Government | Increased uncertainty around unusual election cycle. | May contribute to volatility; creates some global trade concerns. |
| RISKS | Financial | Early year rise in financial stress fading. | Higher volatility would still be normal for this point in business cycle. |
| | Geopolitical & Other | Monitoring Chinese economy, Russia, Islamic State. | May contribute to higher stock volatility. |
| OVERSEAS | Developed Overseas | Supportive monetary policy may contribute to stronger growth. | Favor U.S. equities, but geographic diversification may be attractive later in year. |
| | Emerging Markets | Oil rebound, better policy mix in China providing some relief. | Faster growth ex-China may help lift low valuations. |
| FINANCIAL CONDITIONS | Corporate Profits | Expect earnings growth to accelerate in second half of 2016. | May be supportive of single-digit stock market gains for 2016. |
| | Main Street | Fed Beige Book depicts optimistic economic outlook despite below-trend growth. | Supportive of consumer cyclicals. |

Source: LPL Research, U.S. Department of Energy, Haver Analytics 06/14/16

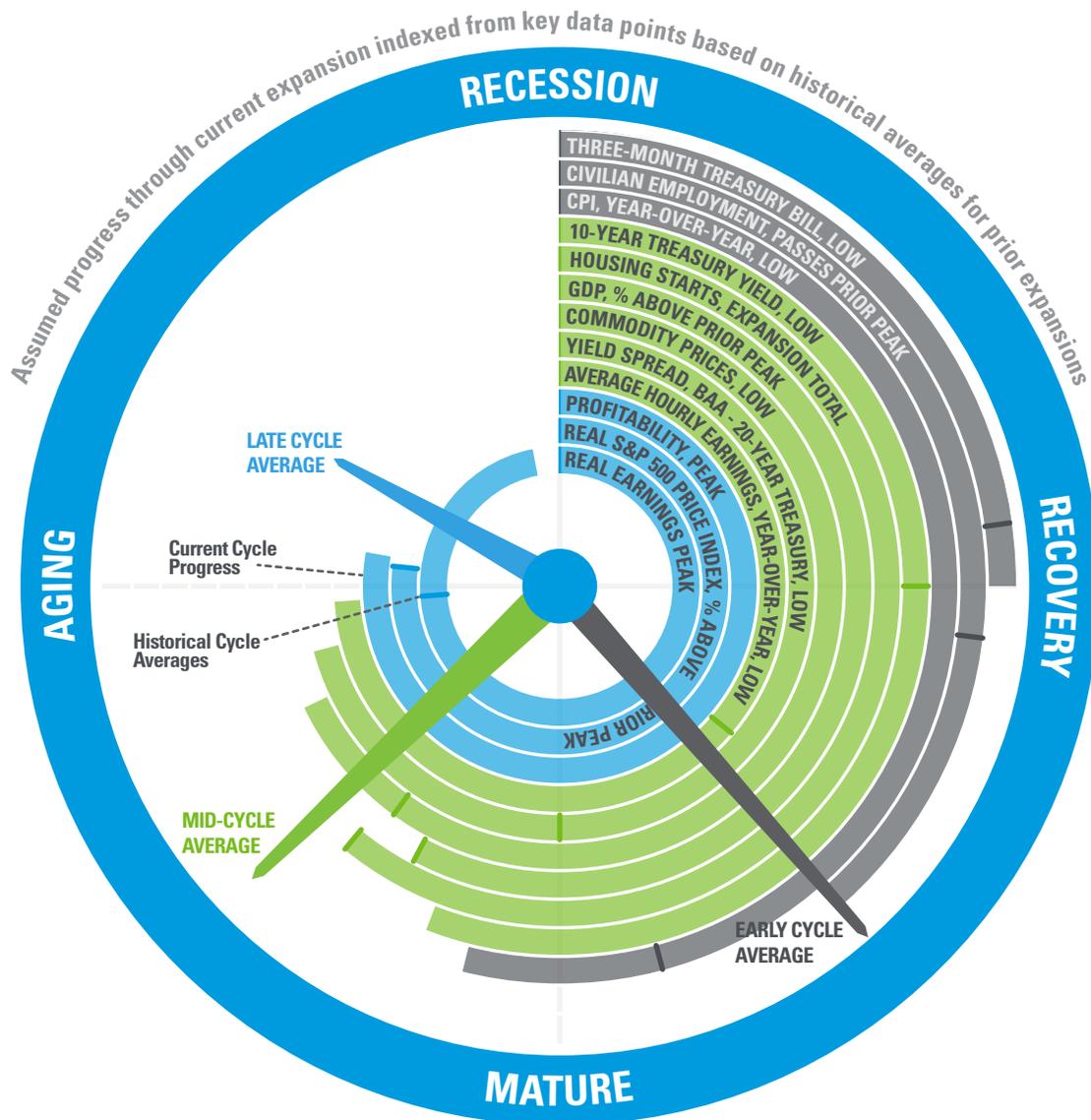
*Our forecast for GDP growth of between 2.5–3% is based on the historical mid-cycle growth rate of the last 50 years. Economic growth is affected by changes to inputs such as: business and consumer spending, housing, net exports, capital investments, and government spending.

The opinions voiced in this material are for general information only and are not intended to provide or be construed as providing specific investment advice or recommendations for your clients. Any economic forecasts set forth in the presentation may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

WHAT WE'RE WATCHING

The Cycle Clock suggests we are in the mid-to-late stage of the current expansion, but we are still seeing some early cycle and late cycle behavior. Extended loose monetary policy, inflation, and employment growth are still exhibiting early cycle behavior, while some items relating to corporate profits are showing late cycle behavior, although they may be reset if profits improve.

"What We're Watching" features indicators that are keys to the current LPL Research macroeconomic outlook. Economic and market dynamics will dictate featured topics and their durability.



Sources: LPL Research, Federal Reserve, U.S. Bureau of Economic Analysis (BEA), U.S. Bureau of Labor Statistics, U.S. Bureau of the Census, Standard and Poor's, Robert Shiller, National Bureau of Economic Research, Haver Analytics 06/14/16

Data for all series are as of June 14, 2016. Starting point for all series is June 1954 except housing starts (March 1961), hourly earnings (December 1970), and commodity prices (December 1970). Real prices and real earnings determined using the Consumer Price Index for all urban consumers (CPI-U). Commodity prices are based on the GSCI Total Return Index. Profitability is based on real profit per unit value added for non-financial corporate business based on current production as calculated by the BEA.

ASSET CLASS & SECTOR TOP PICKS

Below we provide our top overall ideas across the various asset classes and sectors covered in this publication, as well as our best ideas within the three disciplines of our investment process: fundamentals, technicals, and valuations. More details on these and other investment ideas can be found in subsequent pages.

| Characteristics | EQUITY ASSET CLASSES | EQUITY SECTORS | FIXED INCOME | Characteristics | ALTERNATIVE ASSET CLASSES |
|---------------------------|--|---|--|----------------------------|------------------------------|
| BEST OVERALL IDEAS | U.S. Stocks Large Growth | Healthcare Technology | High-Yield Bonds Mortgage-Backed Securities | BEST OVERALL IDEAS | Global Macro |
| Fundamentals | U.S. Large Cap | Healthcare | Municipal Bonds Mortgage-Backed Securities | Catalysts | Event Driven Global Macro |
| Technicals | U.S. Mid Cap REITs MLPs | Healthcare Industrials Materials | TIPS Investment-Grade Corporates Municipal Bonds | Trading Environment | Managed Futures |
| Valuations | Large Foreign Emerging Markets (EM) | Industrials Healthcare Technology | Investment-Grade Corporates High-Yield Bonds | Volatility | Global Macro |

READING THE PORTFOLIO COMPASS

| RATING | ICON | |
|-------------------|------|---|
| Negative | ■ | ● |
| Negative/Neutral | | ● |
| Neutral | ■ | ● |
| Positive/Neutral | | ● |
| Positive | ■ | ● |
| Previous Position | ⊙ | |

Fundamental, technical, and valuation characteristics for each category are shown by their blue icons below, and displayed as colored squares.

Negative, neutral, or positive views are illustrated as a colored circle positioned over the scale, while an outlined black circle with an arrow indicates change and shows the previous view.

Rationales for our views are provided on the right side.

| Sector | F | T | V | Scale | S&P* | Rationale |
|-----------|---|---|---|-------|------|---|
| Materials | ■ | ■ | ■ | ○ | 3.2 | China stimulus could help more, but technicals are negative and China's growth is stalling |
| Energy | ■ | ■ | ■ | ○ | 8.2 | Intriguing potential contrarian opportunity, but supply and technicals suggest caution, favor MLPs. |

Global macro strategy is a hedge fund strategy that selects its holdings primarily on the macroeconomic and political views of various countries, and is subject to numerous risks such as: geopolitical, derivative, commodity, volatility, currency, and regulatory.

EQUITY ASSET CLASSES

We continue to expect mid-single-digit stock market returns in 2016, though with a likely volatile path to achieve those gains. We expect large cap leadership as the age of the business cycle leaves us cautious on small cap stocks. Growth and value may be more of a pitched battle near term but we believe growth is better positioned in the intermediate term. We recommend investors focus allocations in the U.S., although we have warmed up to emerging markets (EM), where valuations are attractive, China's growth outlook has improved, and further stimulus efforts may boost performance.

| | Sector | F | T | V | ⊖ | ○ | ⊕ | Rationale |
|----------------------|------------------|---|---|---|---|---|---|--|
| Style/Capitalization | Large Growth | ■ | ■ | ■ | | | | We favor large caps as the market cycle ages. We maintain a slight preference for growth over value due to our cyclical sector preferences—including our positive technology view and cautious stance on defensive sectors and financials, although style may be a pitched battle near term. |
| | Large Value | ■ | ■ | ■ | | | | |
| | Mid Growth | ■ | ■ | ■ | | | | Mid caps have performed well during the rally off the mid-February 2016 lows, leaving them potentially vulnerable in a broad market pullback. However, relative valuations remain slightly below average and technical momentum is strong, suggesting a neutral view is appropriate. |
| | Mid Value | ■ | ■ | ■ | | | | |
| | Small Growth | ■ | ■ | ■ | | | | The mid-to-late stages of the business cycle and less favorable technicals relative to mid caps suggest maintaining limited small cap exposure, although small cap valuations versus their history (based on the Russell 2000) are still slightly below average. |
| | Small Value | ■ | ■ | ■ | | | | |
| Region | U.S. Stocks | ■ | ■ | ■ | | | | We continue to focus equity portfolios in the U.S. but are watching for opportunities overseas. |
| | Large Foreign | ■ | ■ | ■ | | | | We continue to wait for opportunities to add developed international equities exposure amid mixed earnings results, soft recent economic data, and a lack of relative performance momentum. Monetary stimulus may spark opportunities later this year and overseas valuations are relatively attractive. |
| | Small Foreign | ■ | ■ | ■ | | | | |
| | Emerging Markets | ■ | ■ | ■ | | | | Attractive valuations, an improved China growth outlook, additional stimulus potential, and oil price stability have led us to warm up to EM. Long-term technical weakness suggests caution, but medium-term technical picture has improved. Our bias is positive. |
| REITs | REITs | ■ | ■ | ■ | | | | Improved technicals, a decent U.S. economic backdrop, rich yields, and pending addition as a S&P GICS sector are supportive; manageable interest rate risk for now given Fed's likely go-slow approach to rate hikes. |
| MLPs | MLPs | ■ | ■ | ■ | | | | Yields and valuations are still attractive despite recent gains on rising oil prices and ebbing producer default fears; U.S. crude oil production cuts still may lead to volatility. |

* As measured by Russell Midcap Index.

Investing in real estate/REITs involves special risks such as potential illiquidity and may not be suitable for all investors. There is no assurance that the investment objectives of this program will be attained.

Investing in MLPs involves additional risks as compared with the risks of investing in common stock, including risks related to cash flow, dilution, and voting rights. MLPs may trade less frequently than larger companies due to their smaller capitalizations, which may result in erratic price movement or difficulty in buying or selling. MLPs are subject to significant regulation and may be adversely affected by changes in the regulatory environment, including the risk that an MLP could lose its tax status as a partnership. Additional management fees and other expenses are associated with investing in MLP funds.

EQUITY SECTORS

We maintain our slight preference for cyclical growth sectors including technology as the economic expansion continues. Below-average valuations make healthcare increasingly attractive despite election-related drug price scrutiny. With oil likely near fair value, crude prices may already reflect progress toward balancing supply and demand. Positive earnings revisions, technicals, and improvement in China drove the May materials upgrade. Our global growth outlook suggests industrials may provide a buy-the-dip opportunity.

| | Sector | F | T | V | ⊖ | ○ | ⊕ | S&P* | Rationale |
|-----------|------------------------|---|---|---|---|---|---|------|--|
| Cyclical | Materials | ■ | ■ | ■ | ● | ○ | ● | 2.9 | Positive earnings revisions, improving technicals, and better near-term China growth outlook drove May upgrade to neutral. |
| | Energy | ■ | ■ | ■ | ● | ○ | ● | 7.2 | With oil likely near fair value in the high \$40s range, a neutral view seems prudent. Still, progress toward balancing supply and demand is notable. |
| | Industrials | ■ | ■ | ■ | ● | ○ | ● | 10.2 | Valuations are attractive, higher oil prices help, and global growth may improve in the second half of 2016, suggesting a potential buy-the-dip opportunity. |
| | Consumer Discretionary | ■ | ■ | ■ | ● | ○ | ● | 12.4 | Consumers are still in good shape, but the sector's mixed performance record later in business cycles, retail industry challenges, and rising gas prices suggest tempering enthusiasm. |
| | Technology | ■ | ■ | ■ | ● | ○ | ● | 20.1 | Potential uptick in business spending, tech's role as productivity enabler, and valuations are supportive, which help offset disappointing Q1 2016 earnings season. |
| | Financials | ■ | ■ | ■ | ● | ○ | ● | 15.9 | Regulatory, capital markets, and interest rate environments all remain difficult; however, valuations are attractive and Q1 earnings season provided some encouraging signs. |
| Defensive | Utilities | ■ | ■ | ■ | ● | ○ | ● | 3.5 | Rich valuations may cap further potential outperformance; direction of interest rates is now a wild card, though our near-term bias for rates is slightly higher. |
| | Healthcare | ■ | ■ | ■ | ● | ○ | ● | 14.6 | Favorable demand outlook, drug development trends, solid earnings gains, and valuations are all supportive, although election-related drug price headline risk may persist. |
| | Consumer Staples | ■ | ■ | ■ | ● | ○ | ● | 10.4 | We still favor cyclical sectors; valuations look rich and technicals have weakened. |
| | Telecommunications | ■ | ■ | ■ | ● | ○ | ● | 2.8 | Technicals have deteriorated, although yields and valuations remain attractive. Our bias is negative. |

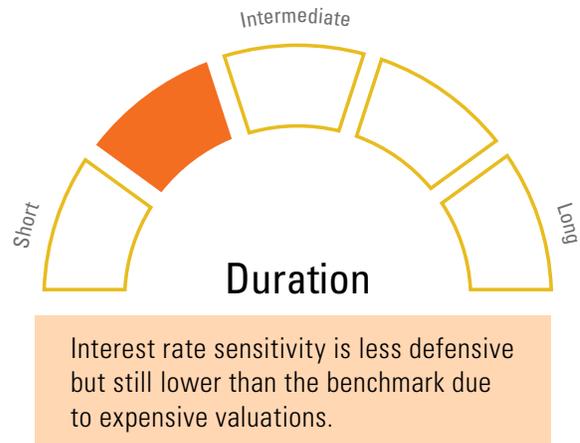
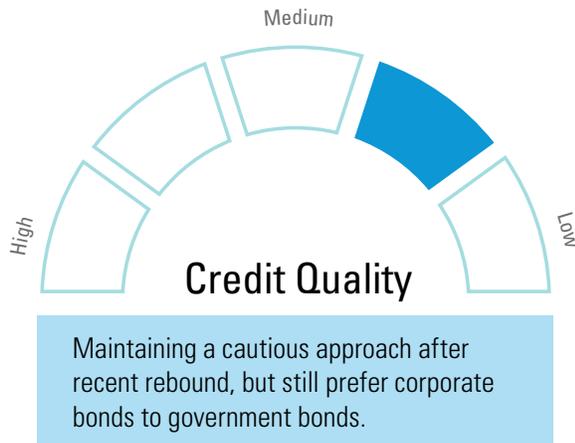
* S&P 500 Weight (%)

Because of its narrow focus, specialty sector investing, such as healthcare, financials, or energy, will be subject to greater volatility than investing more broadly across many sectors and companies.

There is no guarantee that a diversified portfolio will enhance overall returns or outperform a nondiversified portfolio. Diversification does not ensure against market risk.

FIXED INCOME

Supply has increased, but strong investor demand has allowed municipal strength to continue. We are cautious over the near term, as yields are at or near historic lows and municipal performance has historically experienced seasonal weakness in June, though July and August offer more positive seasonals. Over the longer term, a favorable supply-demand balance and prospects for higher (local) taxes may provide support in 2016. Municipal bonds' credit quality remains generally good; problem issuers remain isolated and have not impacted the broader market.



Yield spread is the difference between yields on differing debt instruments, calculated by deducting the yield of one instrument from another. The higher the yield spread, the greater the difference between the yields offered by each instrument. The spread can be measured between debt instruments of differing maturities, credit ratings, and risk.

| Sector | F | T | V | ⊖ | ○ | ⊕ | Rationale |
|-------------------------|---|---|---|---|---|---|--|
| Munis–Short-Term | ■ | ■ | ■ | ● | | | Higher relative valuations and lower yields limit appeal. |
| Munis–Intermediate-Term | ■ | ■ | ■ | | ● | | Valuations have cheapened slightly relative to Treasuries, but yields have continued to move lower. |
| Munis–Long-Term | ■ | ■ | ■ | | ● | | Yields are at all-time lows, but valuations relative to Treasuries are roughly fair. Favorable supply-demand balance continues to provide support. |
| Munis–High-Yield | ■ | ■ | ■ | | ● | | Rich valuations and longer maturity may be headwinds, though additional yield is an offsetting factor. |

Continued on next page.

* As measured by Barclays U.S. Municipal Index.

For the purposes of this publication, intermediate-term bonds have maturities between 3 and 10 years, and short-term bonds are those with maturities of less than 3 years.

All bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and are subject to availability and change in price.

High-yield/junk bonds are not investment-grade securities, involve substantial risks, and generally should be part of the diversified portfolio of sophisticated investors.

Municipal interest income may be subject to the alternative minimum tax. Federally tax-free but other state and local taxes may apply.

Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate, and credit risk, as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.

FIXED INCOME (CONTINUED)

High-yield bond strength continued into June and pushed the average yield spread below 6%, a level that is slightly lower than our estimate of fair value, given low but increasing defaults. We take a more cautious approach, but a “coupon-clipping” environment may still aid suitable investors. For fixed income allocations, we emphasize a blend of high-quality intermediate bonds coupled with less interest rate-sensitive sectors such as high-yield bonds for suitable investors.

| Sector | | F | T | V | ⊖ | ○ | ⊕ | Rationale |
|-------------------------|----------------------------------|---|---|---|---|---|---|--|
| Taxable Bonds – U.S. | Treasuries | ■ | ■ | ■ | ● | | | Yield curve has continued to flatten in recent weeks, though investor demand has remained strong despite lower yields. Yield spread to foreign alternatives remains near all-time highs. |
| | TIPS | ■ | ■ | ■ | ● | | | Falling implied inflation expectations have been a headwind over the last month, though oil at current levels may put upward pressure on inflation going forward. |
| | Mortgage-Backed Securities (MBS) | ■ | ■ | ■ | | ● | | Cheaper valuations improve the risk-reward profile on a forward basis. |
| | Investment-Grade Corporates | ■ | ■ | ■ | | ● | | Valuations have richened but we still find incremental value in corporate bonds. |
| | Preferred Stocks | ■ | ■ | ■ | | ● | | Fundamentals are firm for U.S. banks, but low yields and above-average valuations warrant caution. |
| | High-Yield Corporates | ■ | ■ | ■ | | ● | | Average yield spread of just below 6% is slightly richer than our estimate of fair value, and performance has continued to track closely with the price of oil. |
| | Bank Loans | ■ | ■ | ■ | | ● | | Much less energy exposure compared with high-yield. |
| Taxable Bonds – Foreign | Foreign Bonds – Hedged | ■ | ■ | ■ | | ● | | Given easing bias of foreign central banks, the sector may be more resilient if U.S. rates move higher. |
| | Foreign Bonds – Unhedged | ■ | ■ | ■ | ● | | | Potential currency volatility, low yields, and unattractive valuations are negatives. |
| | Emerging Markets Debt | ■ | ■ | ■ | | ● | | Yield spread under 4%, coupled with sensitivity to Fed rate hikes, limits attractiveness. Ongoing growth concerns limit upside. |

* As measured by Barclays U.S. Corporate High Yield Index.

Investing in foreign and emerging markets debt securities involves special additional risks. These risks include, but are not limited to, currency risk, geopolitical and regulatory risk, and risk associated with varying settlement standards.

Mortgage-backed securities are subject to credit, default, prepayment risk that acts much like call risk when you get your principal back sooner than the stated maturity, extension risk, the opposite of prepayment risk, market and interest rate risk.

Bank loans are loans issued by below investment-grade companies for short-term funding purposes with higher yield than short-term debt and involve risk.

Treasury Inflation-Protected Securities (TIPS) help eliminate inflation risk to your portfolio, as the principal is adjusted semiannually for inflation based on the Consumer Price Index (CPI)—while providing a real rate of return guaranteed by the U.S. government. Investing in foreign and emerging markets debt securities involves special additional risks. These risks include, but are not limited to, currency risk, geopolitical, and regulatory risk, and risk associated with varying settlement standards.

COMMODITIES & ALTERNATIVE ASSET CLASSES

The rise in commodity prices has stalled somewhat, as markets have been fixated on the Fed and the upcoming Brexit vote. Movement of the dollar is a major driver of commodity prices. OPEC did not change oil production quotas in early in June and has largely become irrelevant. Domestic energy production has declined sharply in response to declining prices, boosting oil prices. Credit-based strategies have continued to recover with higher energy prices. Managed futures strategies are always volatile, but have generally have benefited from the decline in interest rates.

| Sector | | F | T | V | ⊖ | ○ | ⊕ | Rationale |
|--------------|-------------------|--------|--------|--------|---|---|---|---|
| Commodities | Industrial Metals | ■ | ■ | | ● | | | Lowered view reflects continued weak Chinese demand, despite bold policy reforms and monetary stimulus efforts. |
| | Precious Metals | ■ | ■ | | | ● | | The dollar has weakened, interest rates have fallen as Fed rate hike expectations get pushed out, and China's currency crisis risk looms, which are all supportive of precious metals in the near term. Longer term, we are cautious as these factors may be priced in or reversed. |
| | Energy | ■ | ■ | | | ● | | Some progress has been made to balance oil markets; prices have rebounded sharply earlier than expected, which contributes to a cautious near-term view. |
| | Agricultural | ■ | ■ | | ● | | | Agricultural commodities bounced back recently as weather concerns abound and hedge funds subsequently became aggressive buyers on the uptrend. Global growth fears remain a risk to the complex. |
| Sector | | T E | C T | V O | ⊖ | ○ | ⊕ | Rationale |
| Alternatives | Long/Short Equity | ■ | ■ | ■ | | | ● | We continue to be cautious on highly directional managers and favor those with lower net exposures. The value-conscious investment orientation, which many long/short managers employ, has been working well in this current environment. |
| | Event Driven | ■ | ■ | ■ | ● | | | Spreads on mergers have increased, making deals more profitable, while the environment for distressed and special situation strategies has improved on the rally in oil prices. |
| | Managed Futures | ■ | ■ | ■ | | ● | | Managed futures have had volatile performance, but upward-trending commodity markets may potentially provide a stronger environment for these strategies going forward. |
| | Global Macro | ■ | ■ | ■ | | | ● | These strategies have disappointed recently, despite a favorable macroeconomic backdrop. This continues to be our preferred strategy. |

LEGEND

| CHARACTERISTICS | ICON | DEFINITION |
|---------------------|--------|--|
| Catalysts | C T | Potential for favorable macroeconomic and/or idiosyncratic market developments that may benefit the investment strategy. |
| Trading Environment | T E | Market characteristics present sufficient investment opportunities for this investment style. |
| Volatility | V O | The current volatility regime provides a constructive environment that an investment of this style can capitalize on. |

Alternative strategies may not be suitable for all investors and should be considered as an investment for the risk capital portion of the investor's portfolio. The strategies employed in the management of alternative investments may accelerate the velocity of potential losses.

Commodity-linked investments may be more volatile and less liquid than the underlying instruments or measures, and their value may be affected by the performance of the overall commodities baskets as well as weather, geopolitical events, and regulatory developments.

IMPORTANT DISCLOSURES

All performance referenced is historical and is no guarantee of future results.

There is no assurance that the techniques and strategies discussed are suitable for all investors or will yield positive outcomes. The purchase of certain securities may be required to affect some of the strategies.

Stock and Pooled Investment Risks

Investing in stock includes numerous specific risks including: the fluctuation of dividend, loss of principal and potential illiquidity of the investment in a falling market.

Investing in foreign and emerging markets securities involves special additional risks. These risks include, but are not limited to, currency risk, geopolitical risk, and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks.

Bond and Debt Equity Risks

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond and bond mutual fund values and yields will decline as interest rates rise and bonds are subject to availability and change in price.

Government bonds and Treasury bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.

Alternative Risks

Currency risk is a form of risk that arises from the change in price of one currency against another. Whenever investors or companies have assets or business operations across national borders, they face currency risk if their positions are not hedged.

Long/short equity strategies are subject to normal alternative investment risks, including potentially higher fees; while there is additional management risk, as the manager is attempting to accurately anticipate the likely movement of both their long and short holdings. There is also the risk of "beta-mismatch," in which long positions could lose more than short positions during falling markets.

Event driven strategies, such as merger arbitrage, consist of buying shares of the target company in a proposed merger and fully or partially hedging the exposure to the acquirer by shorting the stock of the acquiring company or other means. This strategy involves significant risk as events may not occur as planned and disruptions to a planned merger may result in significant loss to a hedged position.

Managed futures strategies use systematic quantitative programs to find and invest in positive and negative trends in the futures markets for financials and commodities. Futures and forward trading is speculative, includes a high degree of risk that the anticipated market outcome may not occur, and may not be suitable for all investors.

DEFINITIONS

The simple moving average is an arithmetic moving average that is calculated by adding the closing price of the security for a number of time periods and then dividing this total by the number of time periods. Short-term averages respond quickly to changes in the price of the underlying, while long-term averages are slow to react.

The Beige Book is a commonly used name for the Federal Reserve's (Fed) report called the Summary of Commentary on Current Economic Conditions by Federal Reserve District. It is published just before the Federal Open Market Committee (FOMC) meeting on interest rates and is used to inform the members on changes in the economy since the last meeting.

Technical Analysis is a methodology for evaluating securities based on statistics generated by market activity, such as past prices, volume and momentum, and is not intended to be used as the sole mechanism for trading decisions. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns and trends. Technical analysis carries inherent risk, chief amongst which is that past performance is not indicative of future results. Technical Analysis should be used in conjunction with Fundamental Analysis within the decision making process and shall include but not be limited to the following considerations: investment thesis, suitability, expected time horizon, and operational factors, such as trading costs are examples.

INDEX DEFINITIONS

All indexes are unmanaged and cannot be invested into directly.

The **Russell 2000 Index** measures the performance of the small cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index.

The **S&P 500 Index** is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The **Russell Midcap Index** offers investors access to the mid cap segment of the U.S. equity universe. The Russell Midcap Index is constructed to provide a comprehensive and unbiased barometer for the mid cap segment and is completely reconstituted annually to ensure that larger stocks do not distort the performance and characteristics of the true mid cap opportunity set. The Russell Midcap Index includes the smallest 800 securities in the Russell 1000.

The **Barclays U.S. Municipal 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 pre-refunded bonds.

The **Barclays U.S. Corporate High Yield Index** measures the market of USD-denominated, noninvestment-grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt.

This research material has been prepared by LPL Financial LLC.

To the extent you are receiving investment advice from a separately registered independent investment advisor, please note that LPL Financial LLC is not an affiliate of and makes no representation with respect to such entity.

Not FDIC or NCUA/NCUSIF Insured | No Bank or Credit Union Guarantee | May Lose Value | Not Guaranteed by Any Government Agency | Not a Bank/Credit Union Deposit

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