

July 20 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

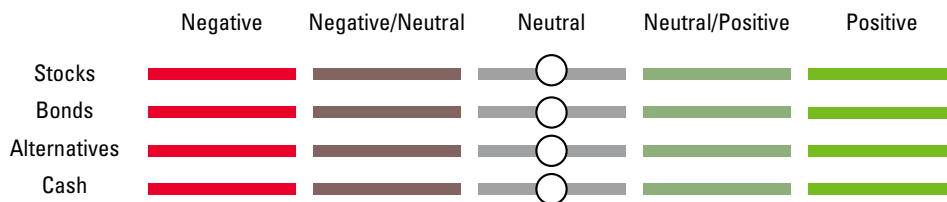
- Upgraded healthcare to positive from neutral/positive.
- Downgraded foreign (large and small) to negative/neutral from neutral.
- Upgraded industrials to neutral/positive from neutral.
- Upgraded emerging markets to neutral/positive from neutral.

INVESTMENT TAKEAWAYS

- We continue to expect mid-single-digit stock market gains in 2016, consistent with mid-to-late cycle performance and driven by a second half earnings rebound.*
- Macroeconomic and political risks cloud foreign developed markets outlook.
- We believe the healthcare sector has become increasingly attractive as the market appears overly pessimistic about political risk.
- A potential pickup in global growth and capital investment drove our upgraded industrials view.
- Expected gradual Federal Reserve (Fed) rate hikes and slow economic growth are supportive of bonds in the near term.
- In fixed income, we emphasize a blend of high-quality intermediate bonds and less interest rate-sensitive sectors such as high-yield bonds for suitable investors.
- From a technical perspective, the S&P 500 has moved to new all-time highs, which increases the likelihood that the intermediate-term bullish trend is sustained.

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 19, 2016, unless otherwise noted.

*As noted in our *Midyear Outlook 2016* publication, we believe the conditions are in place for a solid earnings rebound during the second half of 2016, due to the easing drags from the U.S. dollar and oil, coupled with minimal wage pressures. A slight increase in price-to-earnings ratios (PE) above 16.6 is possible as market participants gain greater clarity on the U.S. election and the U.K.'s relationship with Europe, and begin to price in earnings growth in 2017. Following several quarters of earnings declines, a turnaround in growth should support our forecast for mid-single-digit gains for stocks in 2016.

MACROECONOMIC VIEWS

| | Economic Factor | Outlook | Investing Impact |
|----------------------|---------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|
| ECONOMY | U.S. GDP Growth | We expect near-trend 2–2.5% GDP growth in 2016.* | Absence of a recession would likely 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. | May put modest pressure on margins. |
| | Inflation | Wages, economic growth point to normalization once commodities stabilize. | Interest rates likely to rise but process will be gradual. |
| | Business Cycle | Still mid-cycle but may have 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 four consecutive years. | High debt-to-GDP remains a longer-term headwind. |
| | Monetary | Brexit has likely slowed pace of hikes, but policy remains data dependent. | Interest rates may only be a modest headwind for quality bonds. |
| | Government | Increased uncertainty around unusual election cycle. | May contribute to volatility; creates some global trade concerns. |
| RISKS | Financial | Brexit has had minimal impact on financial stress thus far. | 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 | Monetary policy supportive, but Brexit increases uncertainty in Europe. | May increase currency volatility; likely favors U.S. equities. |
| | 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 modest stock market gains in the second half. |
| | Main Street | Fed Beige Book depicts optimistic economic outlook despite below-trend growth. | Supportive of rebound in cyclical sectors. |

Source: LPL Research, U.S. Department of Energy, Haver Analytics 07/19/16

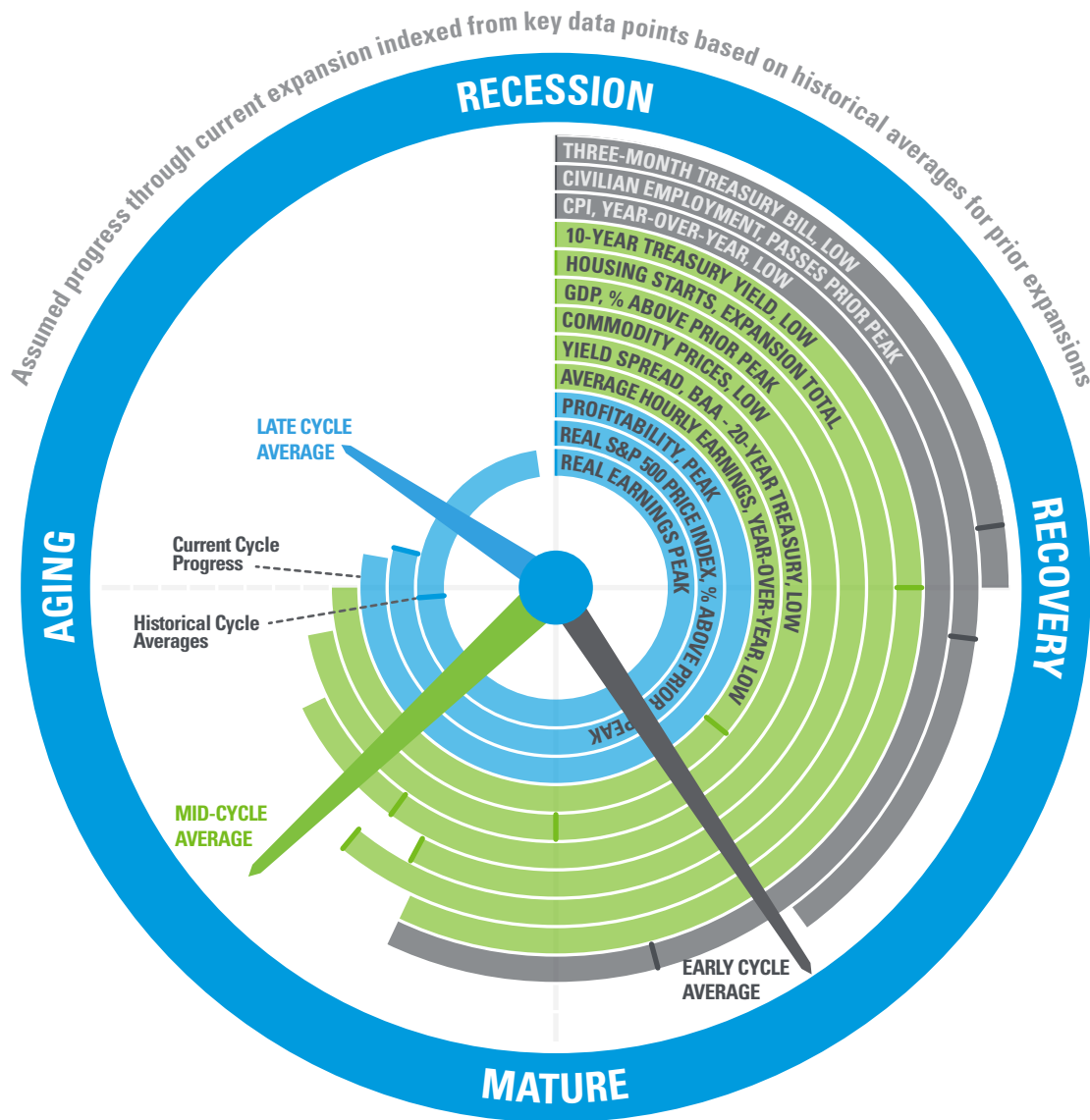
*Our forecast for GDP growth of between 2.5–3% is based on the historical mid-cycle growth rate of the last 50 years. Economic growth is affected by changes to inputs such as: business and consumer spending, housing, net exports, capital investments, and government spending.

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 07/15/16

Data for all series are as of July 15, 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 Emerging Markets (EM) | Healthcare Technology Industrials | High-Yield Bonds Mortgage-Backed Securities (MBS) | BEST OVERALL IDEAS | Long/Short Equity |
| Fundamentals | U.S. Stocks | Healthcare | Municipal Bonds Treasuries | Catalysts | Managed Futures Global Macro Long/Short Equity |
| Technicals | U.S. Small and Mid Cap REITs MLPs EM | Healthcare Industrials Materials | Preferred Stocks MBS Municipal Bonds | Trading Environment | Long/Short Equity |
| Valuations | Large Foreign EM | Industrials Healthcare Technology | Investment-Grade Corporates MBS | Volatility | Global Macro Long/Short Equity Managed Futures |

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 | ⊖ | ○ | ⊕ | 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 expect mid-single-digit returns for the S&P 500 with elevated volatility in 2016, consistent with historical mid-to-late economic cycle performance and derived from mid-to-high single digit earnings growth over the second half. As the economic expansion transitions to its latter stages, we favor the generally less volatile and higher-quality large cap stocks. We expect modest economic growth to favor growth over value as markets reward those companies that can produce above-market earnings growth. We maintain our U.S. focus, but emerging markets (EM) equities appear relatively attractive on a valuation basis and may benefit from more stimulus and currency and commodity stability.

| Sector | | F | T | V | ⊖ | ○ | ⊕ | Rationale |
|----------------------|------------------|---|---|---|---|---|---|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Style/Capitalization | Large Growth | ■ | ■ | ■ | | | | We favor large caps for the mid-to-late stages of the economic cycle. We maintain a slight preference for growth over value for a slow growth environment when faster growing companies may demand above-average valuation premiums. Our cyclical sector preferences, including our positive technology view and cautious stance on financials, also support our growth preference. |
| | Large Value | ■ | ■ | ■ | | | | |
| | Mid Growth | ■ | ■ | ■ | | | | Mid caps are exhibiting strong technical momentum and valuations remain reasonable relative to large caps. Expected volatility and potential vulnerability lead us to a neutral view. |
| | Mid Value | ■ | ■ | ■ | | | | |
| | Small Growth | ■ | ■ | ■ | | | | Small caps are exhibiting strong technical momentum but expected volatility, rich valuations, and the mid-to-late stages of the business cycle suggest maintaining limited small cap exposure. |
| | Small Value | ■ | ■ | ■ | | | | |
| Region | U.S. Stocks | ■ | ■ | ■ | | | | We continue to focus equity portfolios in the U.S. while watching for opportunities overseas, particularly in EM. |
| | Large Foreign | ■ | ■ | ■ | | | | Macroeconomic and political risks, including Brexit, and earnings weakness keep us cautious on international developed equities, although valuations make these markets worth watching. |
| | Small Foreign | ■ | ■ | ■ | | | | |
| | Emerging Markets | ■ | ■ | ■ | | | | Attractive valuations and technical momentum are a good combination. Fundamentally, the potential for more stimulus and currency and commodity stability are supportive, although China's bad debt problem remains a concern. |
| 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 the 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. |

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 and economic growth potentially picks up in the U.S. and emerging markets. The latter stages of the business cycle offer a historically attractive opportunity for healthcare, which is attractively valued, in our view, due to the market’s overly pessimistic view of political risks. Our global growth outlook suggests industrials may provide a buy-the-dip opportunity. Potential second half oil price gains support our positive energy bias.

| | Sector | F | T | V | ⊖ | ○ | ⊕ | S&P* | Rationale |
|-----------|------------------------|---|---|---|---|---|---|------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Cyclical | Materials | ■ | ■ | ■ | ● | ○ | ● | 2.9 | Positive earnings revisions, improving technicals, and better near-term China growth outlook drove our May upgrade to neutral. |
| | Energy | ■ | ■ | ■ | ● | ○ | ● | 7.2 | We see modest upside to oil prices into the low \$50s on significant progress toward balancing supply and demand; positive bias. |
| | Industrials | ■ | ■ | ■ | ● | ○ | ● | 10.0 | Attractive valuations, technical strength, and oil stability are positives; economic growth in the U.S. and EM is poised to improve and supports a capital investment pickup. |
| | Consumer Discretionary | ■ | ■ | ■ | ● | ○ | ● | 12.4 | Valuations are increasingly attractive and wealth effects are strong; mixed performance record later in business cycles, retailers’ challenges, and technicals keep us neutral. |
| | Technology | ■ | ■ | ■ | ● | ○ | ● | 20.1 | Potential uptick in business spending, tech’s role as productivity enabler, and valuations are supportive, which help offset what we view as a temporary earnings soft patch. |
| | Financials | ■ | ■ | ■ | ● | ○ | ● | 15.8 | Interest rate and regulatory environments remain difficult but attractive valuations, solid loan growth, and the Brexit-driven volatility boost to capital markets lead us to a positive bias. |
| Defensive | Utilities | ■ | ■ | ■ | ● | ○ | ● | 3.5 | Rich valuations may cap further potential outperformance, while our interest rate bias is slightly higher, which may impede dividend-oriented sector performance. |
| | Healthcare | ■ | ■ | ■ | ● | ○ | ● | 15.0 | Favorable demand outlook, drug development trends, solid earnings gains, and valuations are all supportive; eventual political clarity may be a catalyst. |
| | Consumer Staples | ■ | ■ | ■ | ● | ○ | ● | 10.3 | We still favor cyclical sectors, while valuations look rich and technicals have weakened; could perform relatively well in a potential stock market pullback. |
| | Telecommunications | ■ | ■ | ■ | ● | ○ | ● | 2.8 | Yields and valuations remain attractive. Our bias is negative on the risk of rising interest rates and lackluster growth outlook. |

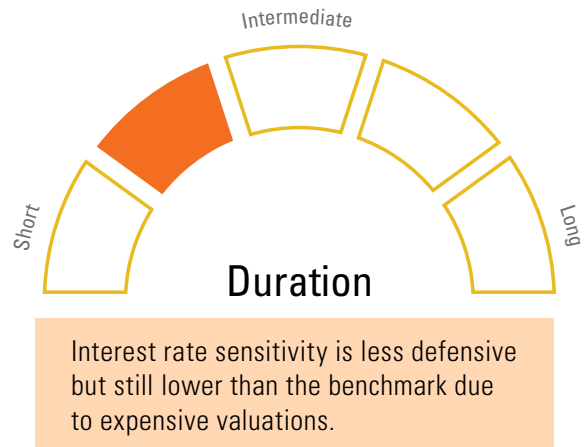
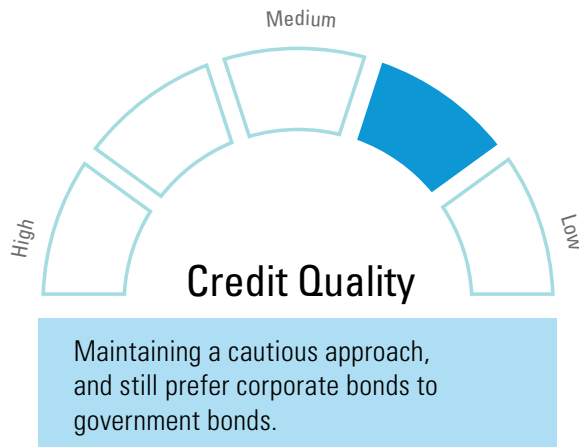
* S&P 500 Weight (%)

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

The path of Treasury yields has caused municipal bonds to diverge from their normal seasonal patterns, allowing strength in a traditionally weak June, but weakness (so far) in a traditionally strong July. Yields remain near historic lows, and valuations relative to Treasuries are toward the middle of the recent range, though investor demand has remained strong. 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 | ■ | ■ | ■ | | ● | | Yields are off recent lows, but valuations have increased relative to Treasuries. |
| Munis-Long-Term | ■ | ■ | ■ | | ● | | Yields are at all-time lows, but valuations relative to Treasuries are near middle of recent range. 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.

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 has pushed the average yield spread below 5.5%, a level that is lower than our estimate of fair value of 6.5% to 7%, 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 | ■ | ■ | ■ | ● | | | Investor demand has remained strong despite lower yields. Yield spread to overseas alternatives remains attractive and may keep demand elevated. |
| | 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) | ■ | ■ | ■ | | ● | | Valuations have richened, and mortgage refinancing may be a headwind if rates stay low. Yield per unit of duration remains attractive. |
| | 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 5.5% is richer than our estimate of fair value, but yields remain attractive in a low-yield environment. |
| | 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 | ■ | ■ | ■ | | ● | | Decrease in rate hike expectations has helped the sector, but valuations have become more expensive. |

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

Commodities, led by oil and grains, have given back gains recently against a headwind of a higher dollar. Precious metals continue to perform well amid low interest rates and elevated volatility among risk assets. Domestic energy production continues to decline even as rig counts have started to rise in response to higher prices. Credit-based strategies have continued to recover with higher energy prices. Managed futures strategies, though typically volatile, have generally 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 | ■ | ■ | | | ● | | Fed-driven lower for longer rate environment and rising geopolitical risk post-Brexit are supportive in the near term. |
| | Energy | ■ | ■ | | | ● | | Notable progress has been made to balance oil markets; despite strong oil price rebound in recent months, we see modest potential further upside in the second half. |
| | Agricultural | ■ | ■ | | ● | | | Managed money (hedge funds) reduced net long positioning recently, causing declines in prices. Weather and its impact on the status of crops remains in focus while 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, is well positioned for a potential increase in market volatility. |
| | Event Driven | ■ | ■ | ■ | | ● | | Deal opportunities remain widely available, 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. |

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

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.

Global Industry Classification Standard (GICS): A standardized classification system for equities developed jointly by Morgan Stanley Capital International (MSCI) and Standard & Poor's. The GICS methodology is used by the MSCI indexes, which include domestic and international stocks, as well as by a large portion of the professional investment management community. The GICS hierarchy begins with 10 sectors and is followed by 24 industry groups, 67 industries and 147 sub-industries. Each stock that is classified will have a coding at all four of these levels. The 10 GIC Sectors are as follows: Energy, Materials, Industrials, Consumer Discretionary, Consumer Staples, Health Care, Financials, Information Technology, Telecommunication Services, and Utilities.

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.

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