LPL RESEARCH

PORTFOLIO COMPASS

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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All performance referenced herein is as of April 19, 2016, unless otherwise noted.

April 20 2016

# NAVIGATING THE MARKETS

## COMPASS CHANGES

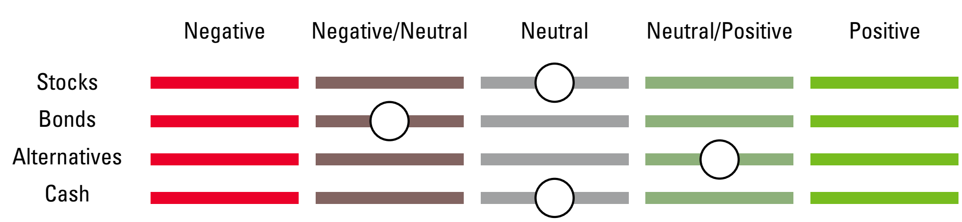
- Upgraded emerging markets to neutral from negative/neutral.

## INVESTMENT TAKEAWAYS

- We continue to expect modest stock market gains in 2016,* led by U.S. large caps.
- We are taking a more balanced sector approach as the business cycle ages, but continue to favor growth over value.
- Recent technical strength on top of attractive valuations, favorable demographics, and progress in addressing oil's supply-demand imbalances suggest improving prospects for emerging markets.
- Municipal bonds remain an attractive high-quality bond option as valuations have cheapened recently, supply-demand balance improves, and local taxes possibly increase.
- High-yield bonds are likely near fair value after oil gains helped to compress spreads, but yields may still be attractive in a low-return environment.
- A gradual pace of Federal Reserve (Fed) rate hikes, dollar stability, and global macroeconomic and policy risk are good for precious metals in the near term.
- From a technical perspective, if the S&P 500 sustains a price above its 200-day simple moving average at 2014, the likelihood increases that the intermediate-term downtrend will be reversed.

## BROAD ASSET CLASS VIEWS

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




*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. | Supports technology, business services. |
| | Labor Market | Steadily improving. Early signs of wage pressure in a few fields. | Profit margins may begin to narrow. |
| | Inflation | Continued global growth pointing 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 will start to fade. |
| | Global GDP Growth | Potential modest improvement in 2016 overseas ex-China. | Supports 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 starting to fade. | Volatility still 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 concerns about energy, dollar. | Supportive of consumer cyclicals. |

Source: LPL Research, U.S. Department of Energy, Haver Analytics 04/19/16

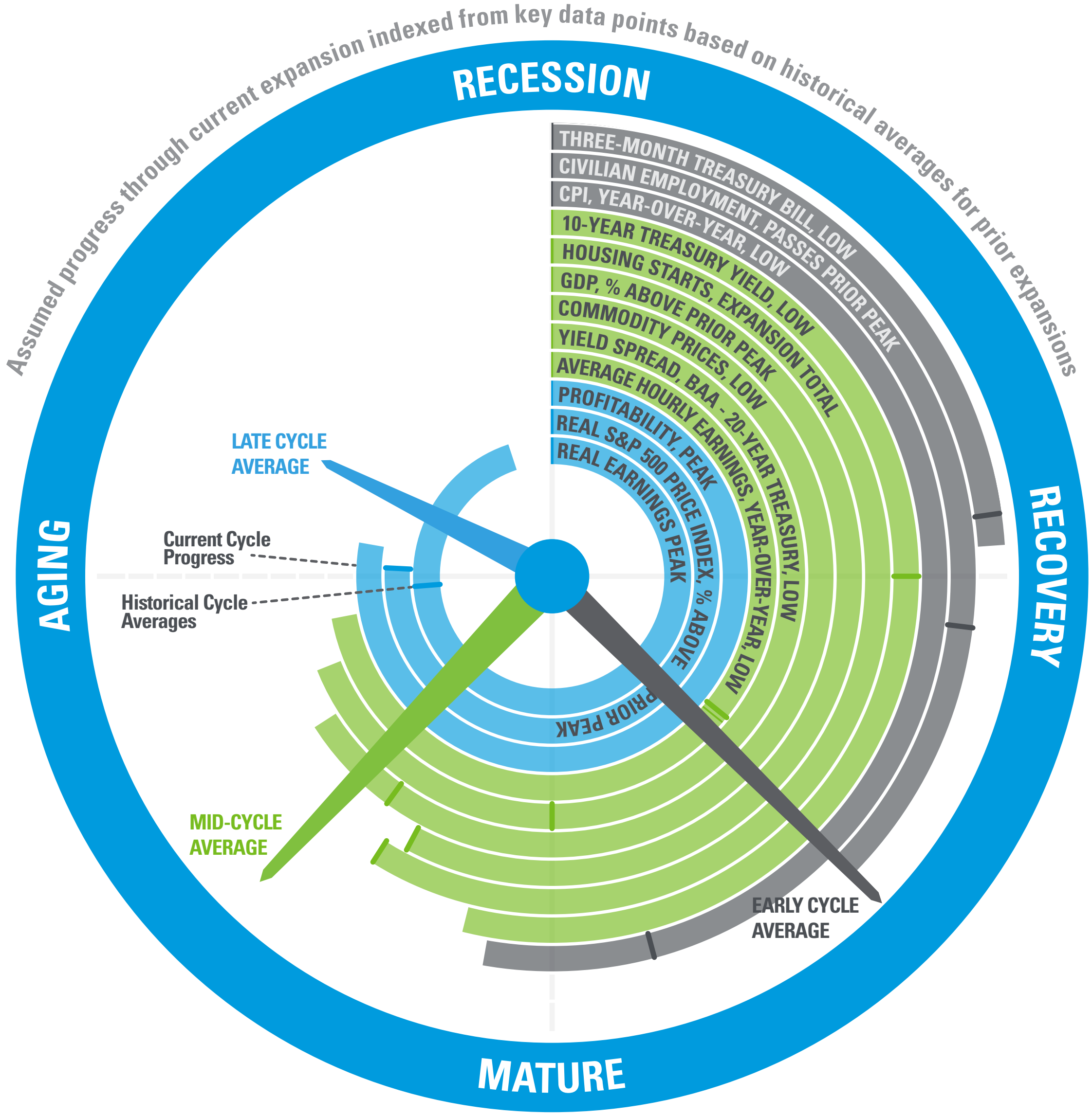
*Our forecast for GDP growth of between 2.5–3% is based on the historical mid-cycle growth rate of the last 50 years. Economic growth is affected by changes to inputs such as: business and consumer spending, housing, net exports, capital investments, and government spending.

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 04/19/16

Data for all series are as of April 19, 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 |
|---|---|---|---|
| BEST OVERALL IDEAS | U.S. Large Cap | Healthcare<br>Technology | High-Yield Bonds<br>Investment-Grade Corporates |
| Fundamentals | U.S. Large Cap | Healthcare<br>Technology | Munis<br>Mortgage-Backed Securities |
| Technicals | U.S. Mid Cap<br>U.S. Small Cap | Energy<br>Consumer Discretionary<br>Materials | High-Yield Bonds<br>Investment-Grade Corporates<br>EM Debt |
| Valuations | U.S. Large Cap<br>Emerging Markets (EM) | Industrials<br>Healthcare<br>Technology | Investment-Grade Corporates<br>High-Yield Bonds |

| Characteristics | ALTERNATIVE ASSET CLASSES |
|---|---|
| BEST OVERALL IDEAS | Global Macro |
| Catalysts | Event Driven<br>Global Macro |
| Trading Environment | Managed Futures |
| Volatility | Global Macro |

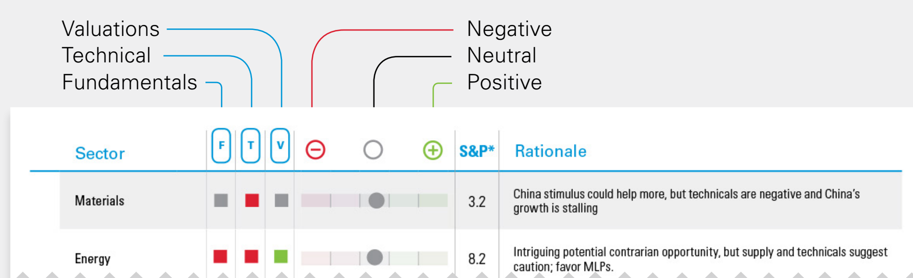
## READING THE PORTFOLIO COMPASS

| 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.




Global macro strategy is a hedge fund strategy that selects it 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

In 2016, we expect mid-single-digit stock market returns with large cap and growth leadership, as discussed in our *Outlook 2016: Embrace the Routine* publication. Due to the age of the business cycle and weakening technical analysis indicators, we have turned more cautious on small cap stocks. We recommend investors focus allocations in the U.S., but are watching for potential opportunities overseas, particularly emerging markets, where valuations are relatively more attractive and further stimulus efforts may boost performance.

| | Sector | F | T | V | | Rationale |
|---|---|---|---|---|---|---|
| Style/Capitalization | Large Growth | | | | | We expect large cap leadership in 2016, consistent with our views for a maturing market cycle. We continue to prefer growth over value due to our cyclical sector preferences—including our positive technology view and cautious stance on interest rate–sensitive sectors. |
| | Large Value | | | | | |
| | Mid Growth | | | | | Mid caps may not stand out in a mid-to-late cycle environment in 2016, but relative valuations have fallen far enough to suggest that they may be a beneficiary of a potential near-term stock market rebound. |
| | Mid Value | | | | | |
| | Small Growth | | | | | The mid-to-late stages of the business cycle suggest maintaining limited small cap exposure. Despite relatively attractive small cap valuations versus their history (based on the Russell 2000), we continue to favor large and mid. |
| | Small Value | | | | | |
| Region | U.S. Stocks | | | | | We continue to focus equity portfolios in the U.S. but are watching for opportunities overseas. |
| | Large Foreign | | | | | Short term, mixed earnings and lack of relative performance momentum suggest waiting for a more attractive entry point to add developed international market exposure. However, monetary stimulus may spark opportunities later this year, as earnings growth may outpace the U.S. and valuations are relatively attractive. |
| | Small Foreign | | | | | |
| | Emerging Markets | | | | | Attractive valuations, favorable demographics, likely additional China stimulus, and potential oil price stability suggest watching for opportunities to add EM exposure in 2016. Long-term technical weakness suggests caution, but medium-term technical picture is showing strength. |
| REITs | REITs | | | | | Improved technicals, generally favorable U.S. economic backdrop, and solid yields are supportive; may be a good short-term trade as the market continues to roll back Fed rate hike expectations. Positive bias. |
| MLPs | MLPs | | | | | Although yields are very attractive and distributions are still growing for many midstream units, U.S. crude oil production declines and producer default fears may lead to additional near-term 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 continue to favor cyclical growth sectors, notably technology, as the economic expansion continues, but generally favor more benchmark-like positioning in the near term. We have tempered enthusiasm for healthcare as election-related drug pricing headline risk may persist. Technical improvement in energy is noteworthy, and we continue to watch for more progress in balancing supply and demand to get more positive. The consumer discretionary sector's boost from low gas prices may be mostly captured.

| | Sector | S&P* | Rationale |
|---|---|---|---|
| Cyclical | Materials | 2.9 | China's slowdown and transition to a consumer-oriented economy suggest caution; better opportunities may arise later in 2016. |
| | Energy | 6.9 | Technical improvement is noteworthy; watching more for progress in balancing supply and demand to get more constructive; our bias is positive. |
| | Industrials | 10.1 | Valuations are attractive and we expect improving global growth to help later in 2016; in the near term, sensitivity to oil prices remains a concern. |
| | Consumer Discretionary | 13.0 | Consumers are still in good shape and lower gas prices help, but the sector's mixed performance record later in business cycles and higher gas prices suggest tempering enthusiasm. |
| | Technology | 20.4 | Potential uptick in business spending, the sector's role as enabling productivity, and valuations are supportive, helping to offset current earnings slump. |
| | Financials | 15.8 | Difficult regulatory, capital markets, and interest rate environments, although valuations are attractive and Q1 earnings season has provided some encouraging signs. |
| Defensive | Utilities | 3.4 | We acknowledged technical strength and lower interest rates with a modest upgrade in February 2016, but rich valuations and interest rate risk may cap further potential outperformance. |
| | Healthcare | 14.6 | Favorable demand outlook, drug development trends, solid earnings gains, and attractive valuations are all supportive, although election-related drug price headline risk may persist. |
| | Consumer Staples | 10.2 | We still favor cyclical sectors, valuations look rich and technicals have weakened, although consumers are in good shape and commodity input costs remain low. |
| | Telecommunications | 2.7 | Technicals have deteriorated, although yields remain attractive, valuations are still reasonable, and earnings are growing. |

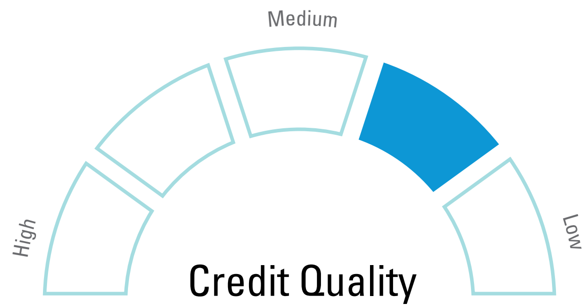
* S&P 500 Weight (%)

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.

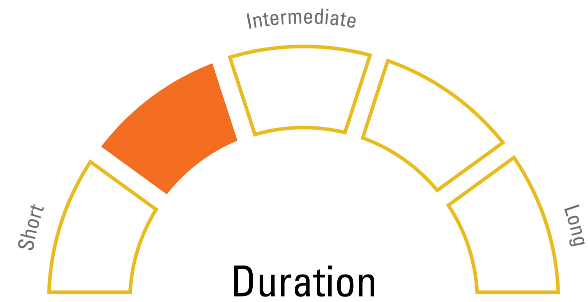
There is no guarantee that a diversified portfolio will enhance overall returns or outperform a nondiversified portfolio. Diversification does not ensure against market risk.

# FIXED INCOME

In recent weeks, spillover from Treasury weakness, an increase in new issuance, and a difficult seasonal period in March weighed on municipal bond prices, but the sector remains one of the more attractive high-quality bond options. Valuations have cheapened recently and 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.




Maintaining a cautious approach after recent rebound, but still prefer corporate bonds to government bonds.




Interest rate sensitivity less defensive but still lower than benchmark due to expensive valuations.

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 |
|---|---|---|---|---|---|---|
| Tax-Free Bonds | Munis–Short-Term | | | | | Higher relative valuations and lower yields limit appeal. |
| | Munis–Intermediate-Term | | | | | Valuations more attractive relative to Treasuries, but yields are lower after early 2016 strength. Unlikely to repeat 2015 strength. |
| | Munis–Long-Term | | | | | Yields in-line with comparable Treasuries. Favorable supply-demand balance continues to provide support. |
| | Munis–High-Yield | | | | | High-yield municipals have lagged high-quality municipals slightly, but most volatility is due to Puerto Rico issues. |

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 availably 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 bonds have continued the rally begun in mid-February, while high-quality bonds have been stable. We believe high-yield bonds now represent roughly fair value with an average yield spread of 6.5%. After falling further over the last month, we find default expectations among energy companies—and the overall high-yield market—more reasonable, although possibly too high still, and 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 | | | | | The 10-year Treasury yield near 1.7% has acted as a floor in recent years to repel further price gains. |
| | TIPS | | | | | Implied inflation expectations have increased but remain low on a historical basis. The sector remains attractive relative to conventional Treasuries. |
| | Mortgage-Backed Securities (MBS) | | | | | Fair valuations and lagging performance in Q1 improve the risk-reward profile on a forward basis. |
| | Investment-Grade Corporates | | | | | Valuations richened but are still attractive among high-quality options. |
| | 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 6.5% offers roughly fair value given low, but increasing, defaults. Performance may likely moderate after bounce. |
| | Bank Loans | | | | | Much less energy exposure compared with high-yield, but high-yield valuations are more compelling. |
| Taxable Bonds – Foreign | Foreign Bonds – Hedged | | | | | Given easing bias of foreign central banks, the sector may be more resilient if U.S. rates continue to rise. |
| | Foreign Bonds – Unhedged | | | | | Potential currency volatility, low yields, and unattractive valuations are negatives. |
| | Emerging Markets Debt | | | | | Yield spread under 4% coupled with recent strength is a sign of reduced value. Ongoing growth concerns limit upside. |

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

U.S. dollar weakness at the end of March and a more dovish Fed have led to a rebound in commodity prices. So has increased economic stability in China, though it has yet to do the major restructuring necessary. Oil prices have rebounded, but to the extent this rebound was driven by the possibility of an OPEC "freeze," it is likely to be temporary. Global central banks continue with very loose monetary policy, which should benefit macro-oriented strategies and those that depend on market volatility. Credit-based strategies, which suffered earlier this year, have generally performed well recently, as higher commodity prices reduced the number of expected bankruptcies.

| | Sector | F | T | V | ⊖ ○ ⊕ | Rationale |
|---|---|---|---|---|---|---|
| Commodities | Industrial Metals | | | | | Lowered view reflects continued weak Chinese demand, despite bold policy reforms and monetary stimulus efforts. Recent price appreciation gives us pause in the near term. |
| | Precious Metals | | | | | The dollar has weakened, interest rates have fallen as Fed rate hike expectations get pushed out, and odds of a China-driven currency crisis have risen, all supportive of precious metals in the near term. Longer term, we remain cautious as these factors are 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 have bounced back recently as supply adjusts to lower prices, but global growth fears continue to weigh on the complex. |

| | Sector | TE | CT | VO | ⊖ ○ ⊕ | Rationale |
|---|---|---|---|---|---|---|
| Alternatives | Long/Short Equity | | | | | We continue to be cautious on highly directional managers and favor those with lower net exposures, including market neutral equity strategies. The value conscious investment orientation, which most long/short managers employ, has been working well in this current environment. |
| | Event Driven | | | | | Spreads on mergers have increased, making deals more profitable. Activist investors have continued to suffer and many strategies are experiencing investor withdrawals, making the strategy more difficult to execute. |
| | Managed Futures | | | | | Managed futures have had volatile performance, but upward trending commodity markets and the more recent back-up in interest rates 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 | CT | Potential for favorable macroeconomic and/or idiosyncratic market developments that may benefit the investment strategy. |
| Trading Environment | TE | Market characteristics present sufficient investment opportunities for this investment style. |
| Volatility | VO | 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.



RES 5457 0416 | Tracking #1-489811 (Exp. 04/17)