LPL RESEARCH

MARKET INSIGHT MONTHLY

APRIL 2016 IN REVIEW

May Update | As of April 30, 2016

ECONOMY:

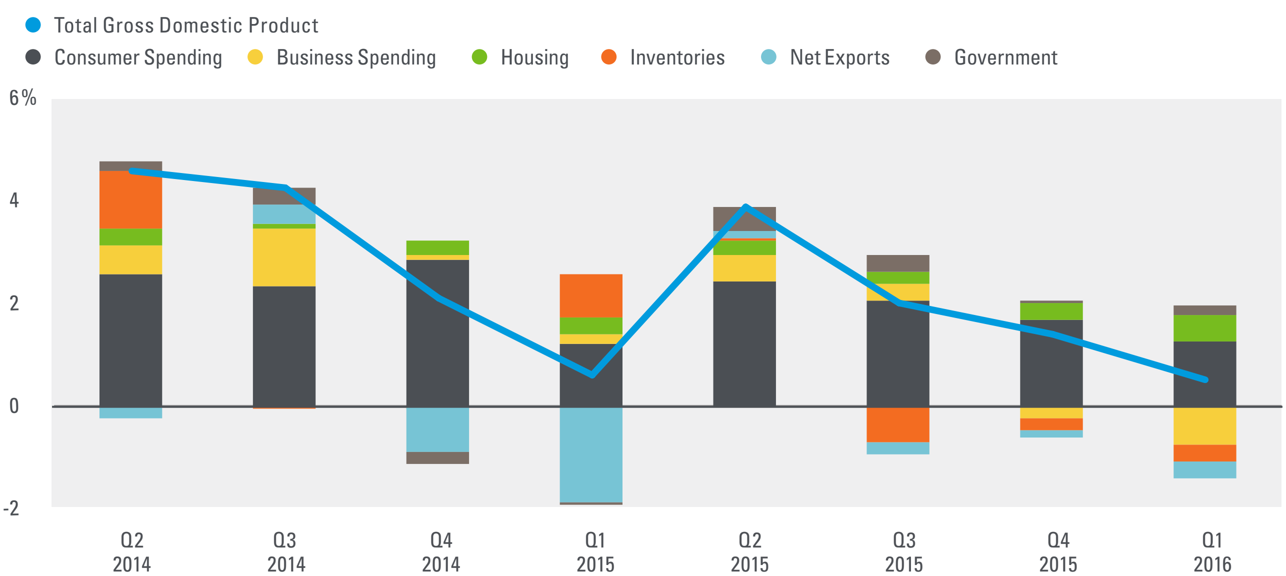
U.S. ECONOMY MUDDLING THROUGH, BUT HEADWINDS MAY BE FADING

Economic Data

Economic data received in April, which largely represent economic activity in March, continued to point to an economy in little danger of falling into a recession, but also still experiencing below-trend growth. The initial estimate for first quarter 2016 real gross domestic product (GDP) growth came in at an annualized 0.5%, bringing the year-over-year growth rate to 1.9%. First quarter GDP was restrained by the negative impact of business spending, trade, and inventories, and flat consumer spending on goods. On the other hand, consumer spending on services, housing, and state and local government spending posted numbers among the strongest of the recovery. Growth over the period continued to be restrained by the impact of a strong U.S. dollar, low oil prices, and slow global growth on exports and business spending; however, April saw the dollar and oil continue to stabilize as well as improved growth prospects for Europe and China, signaling these headwinds may start to fade as we progress through the year.

Signs that the worst of the recent slump in manufacturing may be behind us continue to appear. The Institute for Supply Management's (ISM) manufacturing Purchasing Managers' Index (PMI) accelerated for the third consecutive month in March and moved from contraction to expansion, coming in at 51.8, ahead of consensus expectations of 51.0 (above 50 indicates expansion). Nevertheless, some important manufacturing-related data points continue

BUSINESS SPENDING, INVENTORIES RESTRAINED Q1 2016 GDP GROWTH

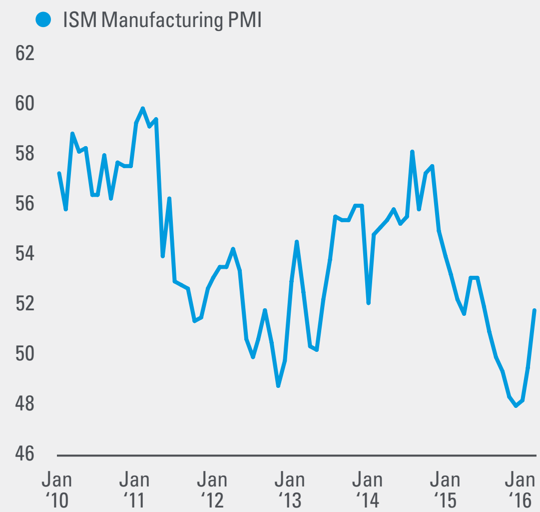


Source: LPL Research, Bureau of Economic Analysis 04/30/16 to disappoint. Durable goods orders ex-transportation and manufacturing production for March both contracted, missing consensus expectations; and it's clear that if a rebound in manufacturing is underway, it's only in its early stages.

Consumer spending in March mirrored broader data on economic activity. Consumers have been a primary driver of growth during the expansion, but spending in March was sluggish. Broad consumer spending slowed to a still solid 3.5% year-over-year growth rate in March, but only grew 0.1% month over month, and retail sales contracted. However, broad consumer conditions remain supportive of the expansion. The economy created 215,000 jobs in March, topping expectations, and has averaged 234,000 jobs per month over the past year. The unemployment rate, at 4.9%, remained near what the U.S. Congressional Budget Office (CBO) considers the natural long-term rate of unemployment (4.8%).

Forward-looking indicators are also signaling a low probability of the U.S. economy entering recession. The Conference Board's Leading Economic Index (LEI) grew at a 2.2% rate year over year in March. Historically, a negative year-over-year rate has been a warning sign of an increased likelihood of a recession in the next 6–18 months, and we remain well above that point. Improved financial conditions, reflected in stock prices and interest rate spreads, were the largest positive contributor to the LEI in March, while new housing permits were the largest detractor.

MARCH MANUFACTURING PMI RETURNS TO EXPANSION FOR THE FIRST TIME SINCE SEPTEMBER



Source: LPL Research, Insitute for Supply Management 04/30/16

Central Banks

With no press conference or economic projections accompanying the Federal Reserve's (Fed) April 26–27 policy statement, market attention was focused on parsing the brief statement released at the meeting's conclusion. As expected, the Fed kept rates unchanged. In the statement itself, the Fed modestly upgraded its assessment of labor markets and slightly downgraded its assessment of domestic economic activity. A sentence highlighting risks from global economic and financial conditions added at the Fed's March meeting was also removed. Although the Fed continued to emphasize that any future change in rates would be data dependent, the moderate assessment of current conditions gave the statement a slightly dovish tilt.

While the Fed's April meeting had little market impact, the Bank of Japan's (BOJ) April 27 decision to keep policy rates and the size of its quantitative easing (QE) program unchanged sent ripples across markets. The decision surprised many market participants, resulting in the Japanese yen pushing higher, which weighed on the U.S. dollar and, in turn, supported commodities. While a strengthening yen has been a concern since the BOJ pushed its policy rate into negative territory in January, the larger worry may be the potentially declining impact of QE on Japan's struggling economy.

GLOBAL EQUITIES:

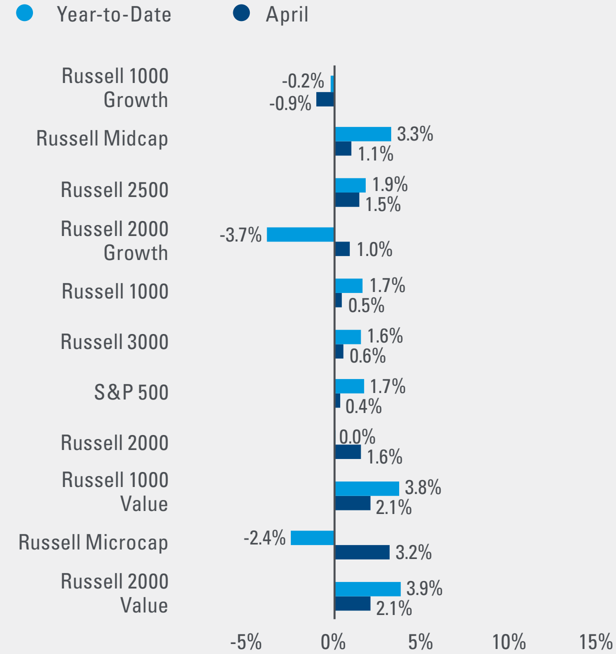
U.S. EQUITIES INCHED HIGHER IN APRIL, REMAIN IN POSITIVE TERRITORY YEAR TO DATE

U.S.

Domestic equity markets produced their second straight positive month in April, posting a total return of 0.4% and bringing the year-to-date total return for the S&P 500 to 1.7%. The rally was driven by a continuation of the sentiment-driven rally that propelled the U.S. stock market powerfully off of the mid-February lows. Led by commodity-sensitive areas, stocks garnered support from higher oil prices on building optimism surrounding a potential supply freeze agreement among Saudi Arabia, Russia, and the rest of OPEC. Continued steady job market gains, improving indicators of manufacturing activity, and a weakening U.S. dollar also buoyed sentiment, even though economic growth (as measured by GDP) continued its pattern in recent years by starting the year off on a sour note.

Although stocks managed only a slight gain for the month, the sectors tied to the global commodities theme produced solid gains in an environment in which economic sensitivity was rewarded. Energy and materials finished atop the leaderboard with solid gains of 8.7% and 4.9%, respectively, while financials also delivered gains (3.4%) as fears surrounding energy loan defaults continued to abate and earnings reports late in the month were well received by markets. Three of the four traditional safe-haven sectors—consumer staples, telecom, and utilities—suffered losses during the quarter, while the fourth, healthcare, benefited from bargain hunting after lagging during the first three months of the year. Technology also suffered a loss amid earnings growth concerns and the market's preference for value investments.

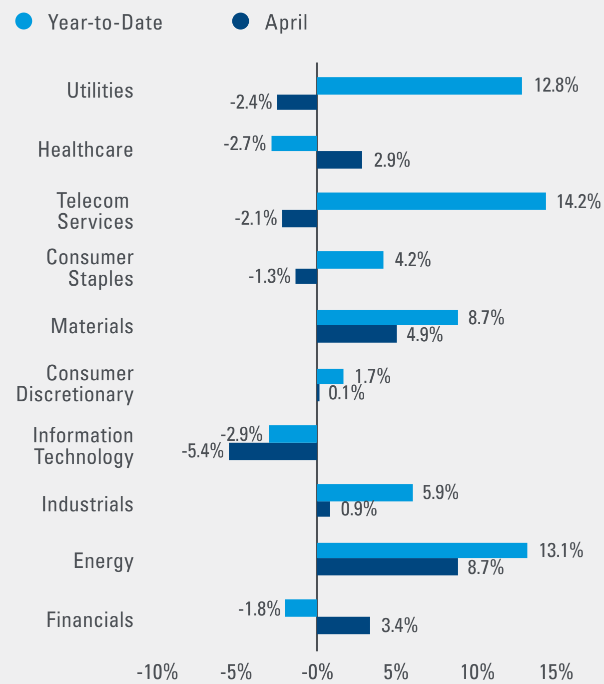
DOMESTIC INDEX PERFORMANCE



Source: LPL Research, FactSet 04/30/16

Indexes are unmanaged and cannot be invested into directly. Past performance is no guarantee of future results.

S%P 500 SECTOR PERFORMANCE



Source: LPL Research, FactSet 04/30/16

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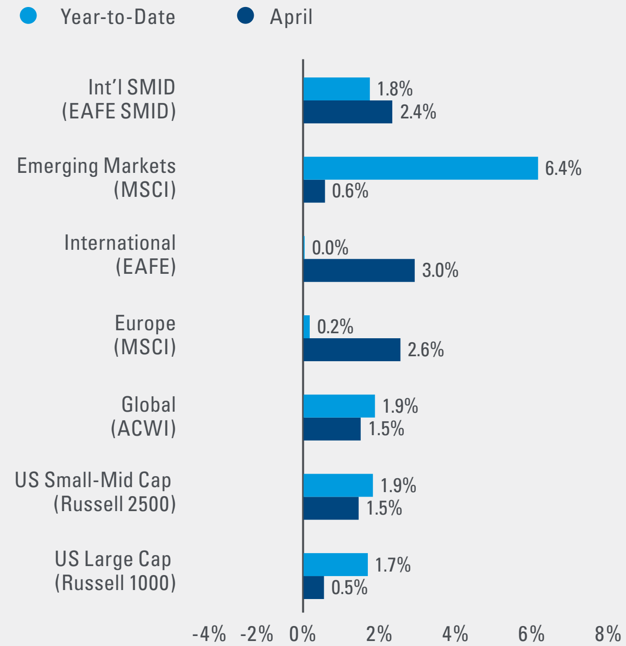
Stock investing involves risk, including loss of principal.

Because of its narrow focus, sector investing will be subject to greater volatility than investing more broadly across many sectors and companies.

International

International stocks, as represented by the MSCI EAFE Index (foreign developed) and MSCI Emerging Markets Index, both outpaced the U.S. market, measured by the S&P 500, in posting returns of 3.0% and 0.6%, respectively. Gains in foreign developed stocks were enough to lift that benchmark back to even year to date but not enough to catch the primary U.S. stock market indexes. The emerging markets benchmark, up 6.4% year to date, kept its positive 2016 momentum going, benefiting from the commodities rebound, a slightly more dovish Fed (which helped weaken the dollar and bolster local currencies), and slightly better economic data globally. More sensible economic and financial market policies from China also helped provide support. Accommodative monetary policy supported European markets even though European Central Bank (ECB) Chief Mario Draghi left policy unchanged in April, as he left the door open for further action in his remarks at his April 21 press conference. Despite the market's disappointment that the BOJ stood pat at its April policy meeting and disruption from multiple earthquakes, the MSCI Japan Index (+4.7%) outperformed the MSCI EAFE Index.

GLOBAL INDEX PERFORMANCE



Source: LPL Research, FactSet 04/30/16

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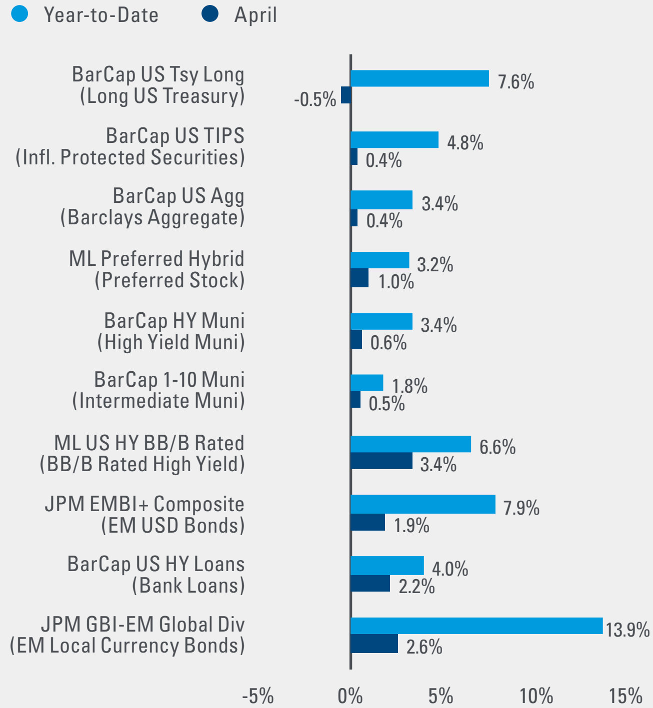
International and emerging markets investing involves special risks, such as currency fluctuation and political instability, and may not be suitable for all investors.

FIXED INCOME:
ECONOMICALLY SENSITIVE FIXED INCOME SECTORS CONTINUE TO RALLY

Treasury yields moved slightly higher in April, driven primarily by higher oil prices and improving economic data from China. Longer-maturity Treasury yields rose slightly, while short-term yields were roughly unchanged. The rise in longer-maturity yields was driven by increasing inflation expectations. Continued Fed dovishness indicated the Fed may be willing to accept higher inflation, rather than risk stifling the domestic recovery amid global risks. Against the backdrop of higher inflation expectations, TIPS notably outperformed Treasuries, returning 0.4% versus -0.1% (as measured by the Barclays U.S. Treasury Index). Treasuries were the only fixed income sector with a negative total return during the month.

Higher oil prices and better economic data from China enabled the rally in credit markets to continue during April, as lower-quality bonds tended to outperform higher-quality. Credit outperformance helped push the Barclays Aggregate up 0.4% for the month. High-yield was the standout performer, returning 3.4% during April. Strength in the high-yield energy sector was a major driver of high-yield outperformance: the Barclays U.S. High-Yield Energy Index returned 12.7% during the month. The correlation between the price of oil and high-yield bonds remains elevated. Bank loans, emerging market debt (EMD), and investment-grade corporate bonds (as measured by the Barclays Investment Grade Credit Index) were also beneficiaries, returning 2.2%, 1.9%, and 1.4%, respectively. Another decline in the U.S. dollar, down 1.6% during April, was a tailwind for unhedged foreign bonds, which returned 2.1% during the month.

FIXED INCOME PERFORMANCE



US TREASURY YIELDS

Security	3/31/16	4/30/16	Change in Yield
3 Month	0.21	0.22	0.01
2 Year	0.73	0.77	0.04
5 Year	1.21	1.28	0.07
10 Year	1.78	1.83	0.05
30 Year	2.61	2.66	0.05

AAA MUNICIPAL YIELDS

Security	3/31/16	4/30/16	Change in Yield
2 Year	0.71	0.69	-0.02
5 Year	1.25	1.21	-0.04
10 Year	2.10	2.02	-0.08
20 Year	3.55	3.45	-0.10
30 Year	4.31	4.20	-0.11

Source: LPL Research, Bloomberg, FactSet 04/30/16

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

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.

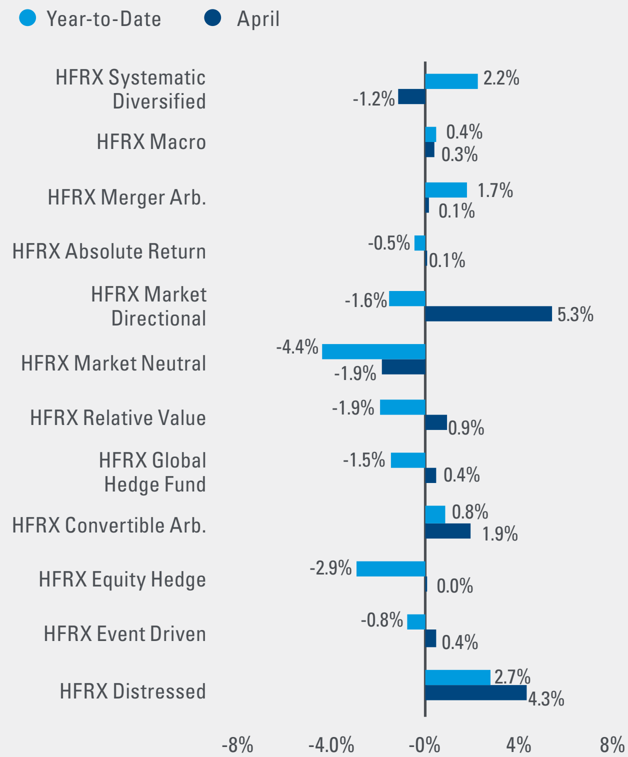
ALTERNATIVES:
DISTRESSED DEBT RALLY CONTINUES

On balance, it was a relatively strong month for alternative investment strategies, most notably within the distressed debt space (HFRX Distressed up 4.3%), as the rally in oil prices supported price appreciation in energy and basic materials related positioning. This brings the distressed rally of the past two months up to 8.7%, the best stretch of performance in over 10 years.

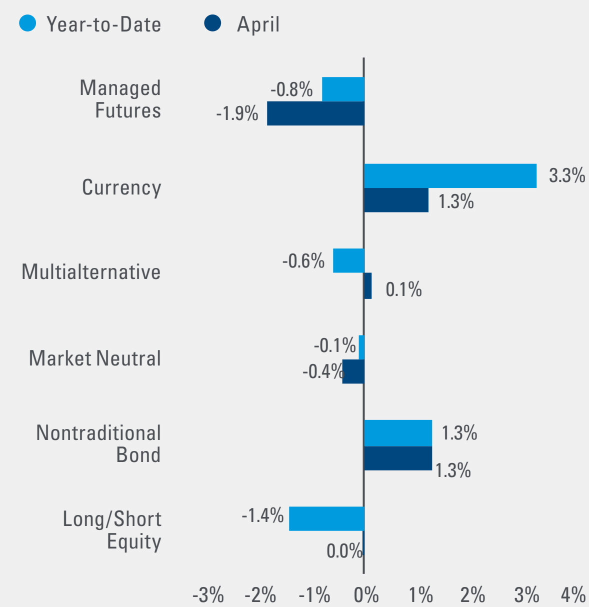
As measured by the HFRX Systematic Diversified Index, systematic strategies suffered from a late-month decline and delivered a -1.2% return, the second straight monthly loss. Gains were provided by several sharp trends in soft commodity markets, as long exposure to cocoa and soybean contracts were profitable; however, losses in rates weighed on total returns. In the discretionary macro space, managers were able to positively weather a crowded month of high-profile central bank meetings (HFRX Macro Index up 0.3%). However, the BOJ meeting later in the month negatively impacted several strategies, as many funds were positioned for a weaker yen and additional accommodative monetary policy, both of which failed to develop as expected.

Managers in the equity market neutral space led individual strategy losses, with the HFRX Equity Market Neutral Index declining 1.9%. Long positioning in several defensive sectors weighed on overall returns. More directionally sensitive long/short equity managers fared slightly better, as the HFRX Equity Hedge Index was flat for the month. A rebound in the healthcare sector was beneficial, as the sector continues to be heavily owned by the hedge fund industry. Unfortunately, these gains were partially offset by losses in the technology sector, another overweight in the industry, as weaker than expected first quarter earnings reports acted as headwind.

HFRX INDEX PERFORMANCE



MORNINGSTAR INDEX PERFORMANCE



Source: LPL Research, FactSet 04/30/16

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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.

REAL ASSETS FOLLOW UP ON STRONG MARCH PERFORMANCE

Continuing on strength beginning in mid-February, real assets exhibited broad gains in April. The U.S. dollar (trade-weighted index) was marginally weaker. The Bloomberg Commodity Index returned 8.5% in a month that saw outsized positive performance from crude oil, silver (up 15.2% versus gold, which was up 4.4%), and grains. The S&P 500 Index finished slightly up with a return of 1.7% while the 10-year U.S. Treasury yield rose modestly from 1.78% to 1.83%.

MLPs & Global Listed Infrastructure

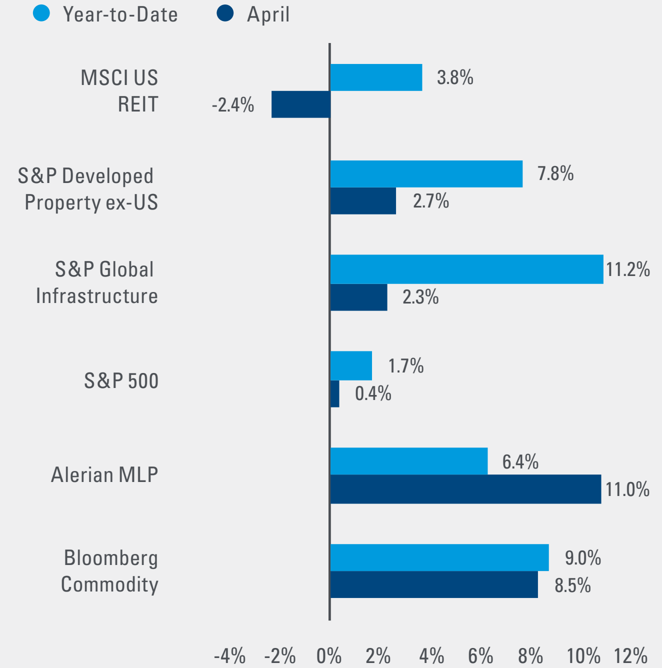
Master limited partnerships (MLP) again benefited from increased oil prices, which have led recently to much improved investor sentiment. The Alerian MLP Index returned 11.0%, while the Alerian Energy Infrastructure Index (which includes not only MLPs but also energy infrastructure C-corporations) returned 10.3%. Earnings season is underway, which also entails distribution announcements for the quarter. Of the 60 midstream energy infrastructure companies that have announced quarterly distributions, 24 are increases (quarter over quarter), 33 are unchanged, and 3 are decreases. Two of the decreases come from the gathering and processing segment of the market (which tends to have more direct commodity price exposure than pipeline operators) and one comes from the marine shipping segment. Crude oil prices will continue to play a major part in energy infrastructure share prices, albeit perhaps unjustifiably. We foresee this leading to continued volatility in the space.

Global listed infrastructure, as measured by the S&P Global Infrastructure Index, returned 2.3% in April. Returns in the energy space buoyed the index's overall level as oil prices jumped.

REITs

The rally in REITs stalled out in April, as the MSCI US REIT Index returned -2.4%. Outperforming the index were industrial and office REITs (industrial REITs outperforming now two months in a row), while residential and hotel and resort REITs lagged significantly.

LIQUID REAL ASSET PERFORMANCE



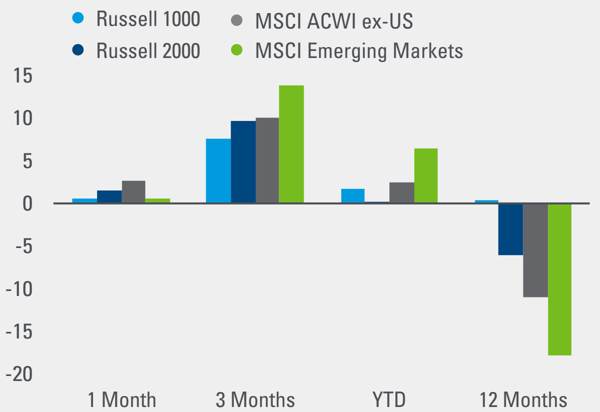
Source: LPL Research, FactSet 04/30/16

Commodities

WTI crude oil finished the month up 19.8% while Brent crude returned 17.5%. The oil market shrugged off an unproductive production summit in Doha and instead focused on continued declines in U.S. production. The U.S. is now producing fewer than 9 million barrels per day, which is the lowest level since November 2014. Copper proved resilient and returned 4.2%. Gold and silver were both positive, but silver significantly outperformed gold. Agricultural commodities were strong, particularly grains. Hedge funds are increasing long exposure to grain futures, leaving managed money (speculators) net long grains for the first time since October 2015.

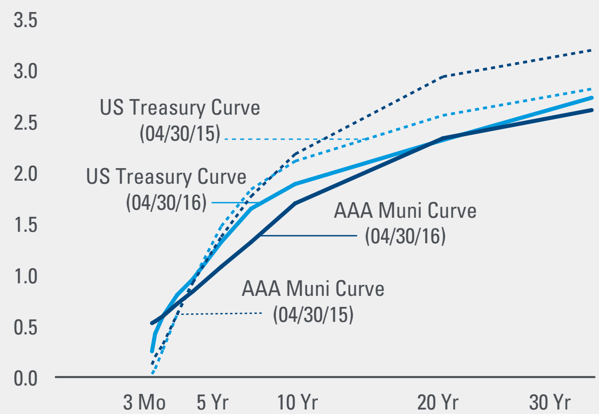
MONTHLY PERFORMANCE REPORT

EQUITY PERFORMANCE



Source: LPL Research, Bloomberg, FactSet 04/30/16

DOMESTIC YIELD CURVE



Source: LPL Research, Bloomberg, FactSet 04/30/16

		1 Mo	3 Mos	YTD	12 Mos
Large Cap	S&P 500	0.39	7.05	1.74	1.21
	DJIA	0.62	8.68	2.83	2.25
	Russell 1000	0.54	7.51	1.72	0.34
	Russell 1000 Value	2.10	9.43	3.77	-0.40
	Russell 1000 Growth	-0.91	5.72	-0.18	1.07
Small/Mid Cap	Russell 2000	1.57	9.67	0.03	-5.94
	Russell 2000 Value	2.12	11.34	3.86	-3.71
	Russell 2000 Growth	1.00	7.97	-3.73	-8.27
	Russell Microcap	3.24	8.90	-2.37	-8.08
	Russell Midcap	1.06	10.57	3.33	-2.14
	Russell Midcap Value	2.15	12.36	6.15	-0.18
	Russell Midcap Growth	-0.06	8.75	0.52	-4.13
All Cap	Russell 3000	0.62	7.67	1.59	-0.18
	Russell 3000 Value	2.10	9.57	3.78	-0.68
	Russell 3000 Growth	-0.78	5.88	-0.44	0.32
International Markets	MSCI EAFE	3.00	7.82	0.04	-8.89
	MSCI ACWI ex US	2.72	9.91	2.45	-10.87
	MSCI Europe	2.61	7.23	0.17	-9.59
	MSCI Japan	4.65	6.76	-2.02	-5.76
	MSCI AC Asia Pacific ex Japan	-0.06	10.52	1.86	-16.28
	MSCI EAFE SMID	2.40	9.95	1.78	1.18

		1 Mo	3 Mos	YTD	12 Mos
Int'l - Continued	MSCI ACWI ex US SMID	2.81	11.93	3.95	-4.61
	MSCI Emerging Mkts	0.56	13.72	6.35	-17.56
	MSCI EMEA	3.84	22.45	17.32	-14.85
	MSCI Latin America	5.99	32.44	26.37	-12.45
	MSCI Frontier Markets	3.10	9.84	2.32	-12.73
Sectors - S&P500 GICS	Consumer Discretionary	0.13	7.22	1.74	6.94
	Consumer Staples	-1.28	3.55	4.22	10.86
	Energy	8.70	16.59	13.07	-13.91
	Financials	3.40	7.71	-1.83	-1.48
	Healthcare	2.93	5.26	-2.73	-1.08
	Industrials	0.89	12.37	5.93	4.15
	Information Technology	-5.39	2.00	-2.93	-0.10
	Materials	4.95	21.59	8.74	-4.30
	Telecom Services	-2.11	6.91	14.15	9.79
	Utilities	-2.41	7.47	12.77	13.67

Source: LPL Research, Bloomberg, FactSet 04/30/16

(Data continued on following page.)

		1 Mo	3 Mos	YTD	12 Mos
Fixed Income	BarCap US Agg	0.38	2.02	3.43	2.72
	BarCap 1-10 Muni	0.46	0.58	1.58	3.22
	BarCap HY Muni	0.61	2.79	3.37	4.51
	BarCap Inv. Grade Credit	1.37	5.02	5.39	3.03
	BarCap Muni Long Bond -22+	1.05	2.12	3.31	7.30
	BarCap US Agg Securitized MBS	0.16	0.83	2.14	2.56
	BarCap US TIPs	0.35	3.29	4.82	1.12
	BarCap US Treasury Interm	-0.03	0.67	2.31	2.32
	BarCap US Treasury Long	-0.50	2.46	7.61	5.54
	BarCap US High Yield Loans	2.16	4.80	3.99	-0.15
	ML Preferred Stock Hybrid	1.01	2.97	3.17	8.23
	ML US High Yield BB/B Rated	3.35	7.94	6.60	-0.19
	ML US Convert ex Mandatory	1.54	6.19	-1.06	-7.30
	JPM GBI Global ex US Hedged	-0.22	1.96	4.04	4.39
	JPM GBI Global ex US Unhedged	2.10	10.27	11.38	8.60
	JPM GBI-EM Global Div	2.57	13.48	13.87	-1.98
	JPM ELMI+	0.89	7.64	6.39	-2.34
	JPM EMBI+ Composite	1.86	7.21	7.90	6.24

		1 Mo	3 Mos	YTD	12 Mos
Alternatives	HFRX Absolute Return	0.07	-0.56	-0.51	0.53
	HFRX Market Directional	5.31	7.51	-1.58	-14.27
	HFRX Convertible Arb.	1.92	2.68	0.82	-2.37
	HFRX Distressed	4.27	6.25	2.71	-10.41
	HFRX Equity Hedge	0.03	1.66	-2.91	-8.31
	HFRX Market Neutral	-1.86	-4.19	-4.39	0.61
	HFRX Event Driven	0.43	3.13	-0.80	-9.46
	HFRX Merger Arb.	0.10	0.53	1.72	6.85
	HFRX Relative Value Arb.	0.88	0.62	-1.90	-7.34
	HFRX Global Hedge Fund	0.41	1.33	-1.47	-7.18
	HFRX Macro Index	0.33	-0.49	0.41	-2.19
	HFRX Systematic Diversified	-1.15	-0.25	2.18	0.27
	Bloomberg Commodity	8.51	10.83	8.96	-17.45
	DJ Wilshire REIT	-2.93	6.23	2.04	8.07
	Alerian MLP	11.04	19.71	6.42	-28.71

		Latest Mo End (04/30/16)	3 Mos Ago (01/31/16)	Latest Yr End (12/31/15)	12 Mos Ago (04/30/15)
Currency	US Dollar Index Value	93.08	99.53	98.69	94.81
	USD vs. Yen	106.36	121.13	120.66	119.45
	Euro vs. USD	1.14	1.08	1.09	1.12
Cmdtys	Gold ($ per Troy Ounce)	1292.40	1117.80	1061.00	1184.00
	Crude Oil ($ per Barrell)	45.92	33.62	37.04	59.63

IMPORTANT DISCLOSURES

The economic forecasts set forth in the presentation may not develop as predicted. 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 any individual security. 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

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

Investments in specialized industry sectors have additional risks, which are outlined in the prospectus. Please read the fund's prospectus for more information onrisks, fees, and other important information.

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.

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

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.

Municipal bonds are subject to availability, price, and to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rate rise. Interest income may be subject to the alternative minimum tax. Federally tax-free but other state and local taxes may apply.

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. However, a few things you need to be aware of is that the CPI might not accurately match the general inflation rate; so the principal balance on TIPS may not keep pace with the actual rate of inflation. The real interest yields on TIPS may rise, especially if there is a sharp spike in interest rates. If so, the rate of return on TIPS could lag behind other types of inflation-protected securities, like floating rate notes and T-bills. TIPS do not pay the inflation-adjusted balance until maturity, and the accrued principal on TIPS could decline, if there is deflation.

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.

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.

Long/short equity funds 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.

Global macro strategies attempt to profit from anticipated price movements in stock markets, interest rates, foreign exchange and physical commodities. Global macro risks include but are not limited to imperfect knowledge of macro events, divergent movement from macro events, loss of principal, and related geopolitical risks.

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.

Definitions

Different agencies employ different rating scales for credit quality. Standard & Poor's (S&P) and Fitch both use scales from AAA (highest) through AA, A, BBB, BB, B, CCC, CC, C to D(lowest). Moody's uses a scale from Aaa (highest) through Aa, A, Baa, Ba, B, Caa, Ca to C (lowest).

The U.S. Institute for Supply Managers (ISM) manufacturing index is an economic indicator derived from monthly surveys of private sector companies, and is intended to show the economic health of the U.S. manufacturing sector. A PMI of more than 50 indicates expansion in the manufacturing sector, a reading below 50 indicates contraction, and a reading of 50 indicates no change.

Purchasing Managers' Indexes (PMI) are economic indicators derived from monthly surveys of private sector companies, and are intended to show the economic health of the manufacturing sector. A PMI of more than 50 indicates expansion in the manufacturing sector, a reading below 50 indicates contraction, and a reading of 50 indicates no change. The two principal producers of PMIs are Markit Group, which conducts PMIs for over 30 countries worldwide, and the Institute for Supply Management (ISM), which conducts PMIs for the US.

Monetary policy is the process through which the monetary authority (central bank, currency board, or other regulatory committee) of a country controls the size and rate of growth of the money supply, which in turn affects interest rates.

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.

The Federal Open Market Committee (FOMC) is the branch of the Federal Reserve Board that determines the direction of monetary policy. The eleven-person FOMC is composed of the seven-member board of governors, and the five Federal Reserve Bank presidents. The president of the Federal Reserve Bank of New York serves continuously, while the presidents of the other regional Federal Reserve Banks rotate their service in one-year terms.

Quantitative easing (QE) refers to the Federal Reserve's (Fed) current and/or past programs whereby the Fed purchases a set amount of Treasury and/or mortgage-backed securities each month from banks. This inserts more money in the economy (known as easing), which is intended to encourage economic growth.

INDEX DEFINITIONS

The Alerian MLP Index is a composite of the 50 most prominent energy master limited partnerships that provides investors with an unbiased, comprehensive benchmark for this emerging asset class. The index, which is calculated using a float-adjusted, capitalization-weighted methodology, is disseminated in real time on a price-return basis (NYSE: AMZ) and on a total-return basis (NYSE: AMZX).

The Barclays U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS, and CMBS (agency and non-agency).

The Barclays U.S. Aggregate Securitized MBS Index tracks agency mortgage backed pass-through securities (both fixed-rate and hybrid (ARM) guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

The Barclays Capital High Yield Index covers the universe of publicly issued debt obligations rated below investment grade. Bonds must be rated below investment grade or high yield (Ba1/BB+ or lower), by at least two of the following ratings agencies: Moody's, S&P, and Fitch. Bonds must also have at least one year to maturity, have at least $150 million in par value outstanding, and must be U.S. dollar denominated and nonconvertible. Bonds issued by countries designated as emerging markets are excluded.

The Barclays 7-year Municipal Bond Index is the 7 Year (6 -8 year) component of the Barclays Municipal Bond, which is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market.

The Barclays Corporate Investment Grade Credit Index is a broad-based benchmark that measures the investment-grade, U.S. dollar-denominated, fixedrate, taxable corporate bond market. It includes USD-denominated securities publicly issued by U.S. and non-U.S. industrial, utility, and financial issuers that meet specified maturity, liquidity, and quality requirements.

The Barclays U.S. High-Yield Loan Index tracks the market for dollar-denominated floating-rate leveraged loans. Instead of individual securities, the U.S. High- Yield Loan Index is composed of loan tranches that may contain multiple contracts at the borrower level.

The Barclays Municipal High Yield Bond Index is comprised of bonds with maturities greater than one year, having a par value of at least $3 million issued as part of a transaction size greater than $20 million, and rated no higher than 'BB+' or equivalent by any of the three principal rating agencies. (The long and the short are subindexes of the Municipal Bond Index, based on duration length.)

The Barclays U.S. Corporate High Yield Energy Index covers the universe of fixed rate, non-investment grade debt. Eurobonds and debt issues from countries designated as emerging markets (sovereign rating of Baa1/BBB+/BBB+ and below using the middle of Moody's, S&P, and Fitch) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included. Original issue zeroes, step-up coupon structures, 144-As and pay-in-kind bonds (PIKs, as of October 1, 2009) are also included.

The Barclays U.S. TIPS Index is a rules-based, market value-weighted index that tracks Inflation-Protected Securities issued by the U.S. Treasury. The U.S. TIPS Index is a subset of the Global Inflation-Linked Index, with a 36% market value weight in the index (as of December 2007), but is not eligible for other nominal treasury or aggregate indexes In order to prevent the erosion of purchasing power, TIPS are indexed to the nonseasonally adjusted Consumer Price Index for All Urban Consumers, or the CPI-U (CPI).

The Barclays U.S. Treasury Index is an unmanaged index of public debt obligations of the U.S. Treasury with a remaining maturity of one year or more. The index does not include T-bills (due to the maturity constraint), zero coupon bonds (strips), or Treasury Inflation-Protected Securities (TIPS). (The long and the intermediate are subindexes of the U.S. Treasury Index, based on duration length.)

The Bloomberg Commodity Index is calculated on an excess return basis and composed of futures contracts on 22 physical commodities. It reflects the return of underlying commodity futures price movements.

The BofA Merrill Lynch BB-B U.S. High Yield Constrained Index contains all securities in the BofA Merrill Lynch US High Yield Index rated BB+ through B- by S&P (or equivalent as rated by Moody's or Fitch), but caps issuer exposure at 2%. Index constituents are capitalization-weighted, based on their current amount outstanding, provided the total allocation to an individual issuer does not exceed 2%.

The BofA Merrill Lynch U.S. Convertibles Ex-Mandatory Index is a rule-driven Index designed to capture the organic evolution of the U.S. convertible market and adjust automatically based on any changes in the market such as size of the market, industry skew, structure popularity, issuer size or equity sensitivity. The index rules include issues: U.S. dollar denominated greater than $50M in aggregate market value that are publicly traded (including 144A) in the U.S. market but are not currently in bankruptcy. Exclusions are synthetic convertibles and mandatory convertibles.

The Dow Jones Industrial Average Index is comprised of U.S.-listed stocks of companies that produce other (non-transportation and non-utility) goods and services. The Dow Jones industrial averages are maintained by editors of The Wall Street Journal. While the stock selection process is somewhat subjective, a stock typically is added only if the company has an excellent reputation, demonstrates sustained growth, is of interest to a large number of investors, and accurately represents the market sectors covered by the average. The Dow Jones averages are unique in that they are price weighted; therefore, their component weightings are affected only by changes in the stocks' prices.

The Dow Jones U.S. Select REIT Index (formerly the DJ Wilshire REIT) intends to measure the performance of publicly traded REITs and REIT-like securities. The index is a subset of the Dow Jones U.S. Select Real Estate Securities Index (RESI), which represents equity REITs and real estate operating companies (REOCs) traded in the U.S. The indices are designed to serve as proxies for direct real estate investment, in part by excluding companies whose performance may be driven by factors other than the value of real estate.

The HFRX Absolute Return Index is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies; including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage.

The HFRX Distressed Restructuring Index strategies employ an investment process focused on corporate fixed income instruments, primarily on corporate credit instruments of companies trading at significant discounts to their value at issuance or obliged (par value) at maturity as a result of either formal bankruptcy proceeding or financial market perception of near term proceedings. Managers are typically actively involved with the management of these companies, frequently involved on creditors' committees in negotiating the exchange of securities for alternative obligations, either swaps of debt, equity, or hybrid securities. Managers employ fundamental credit processes focused on valuation and asset coverage of securities of distressed firms; in most cases portfolio exposures are concentrated in instruments that are publicly traded, in some cases actively and in others under reduced liquidity, but in general for which a reasonable public market exists. In contrast to special situations, distressed strategies employ primarily debt (greater than 60%) but also may maintain related equity exposure.

The HFRX Equity Hedge Index, also known as long/short equity, combines core long holdings of equities with short sales of stock or stock index options. Equity hedge portfolios may be anywhere from net long to net short, depending on market conditions. Equity hedge managers generally increase net long exposure in bull markets and decrease net long exposure (or even are net short) in a bear market. Generally, the short exposure is intended to generate an ongoing positive return in addition to acting as a hedge against a general stock market decline. Stock index put options are also often used as a hedge against market risk. Profits are made when long positions appreciate and stocks sold short depreciate. Conversely, losses are incurred when long positions depreciate or the value of stocks sold short appreciates. Equity hedge managers' source of return is similar to that of traditional stock pickers on the upside, but they use short selling and hedging to attempt to outperform the market on the downside.

The HFRX Equity Market Neutral Index strategies employ sophisticated quantitative techniques of analyzing price data to ascertain information about future price movement and relationships between securities, select securities for purchase and sale. These can include both factor-based and statistical arbitrage/trading strategies. Factor-based investment strategies include strategies in which the investment thesis is predicated on the systematic analysis of common relationships between securities. In many but not all cases, portfolios are constructed to be neutral to one or multiple variables, such as broader equity markets in dollar or beta terms, and leverage is frequently employed to enhance the return profile of the positions identified. Statistical arbitrage/trading strategies consist of strategies in which the investment thesis is predicated on exploiting pricing anomalies that may occur as a function of expected mean reversion inherent in security prices; high frequency techniques may be employed and trading strategies may also be employed on the basis on technical analysis or opportunistically to exploit new information the investment manager believes has not been fully, completely, or accurately discounted into current security prices. Equity market neutral strategies typically maintain characteristic net equity market exposure no greater than 10% long or short.

The HFRX Event Driven Index managers maintain positions in companies currently or prospectively involved in corporate transactions of a wide variety, including but not limited to mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance, or other capital structure adjustments. Security types can range from most senior in the capital structure to most junior or subordinated, and frequently involve additional derivative securities. Event driven exposure includes a combination of sensitivities to equity markets, credit markets and idiosyncratic, company-specific developments. Investment theses are typically predicated on fundamental characteristics (as opposed to quantitative), with the realization of the thesis predicated on a specific development exogenous to the existing capital structure.

The HFRX Global Hedge Fund Index is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies, including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage. The strategies are asset weighted based on the distribution of assets in the hedge fund industry.

The HFRX Macro Index strategy managers trade a broad range of strategies in which the investment process is predicated on movements in underlying economic variables and the impact these have on equity, fixed income, hard currency, and commodity markets. Managers employ a variety of techniques, both discretionary and systematic analysis, combinations of top-down and bottom-up theses, quantitative and fundamental approaches, and long- and short-term holding periods. Although some strategies employ RV techniques, macro strategies are distinct from RV strategies in that the primary investment thesis is predicated on predicted or future movements in the underlying instruments, rather than realization of a valuation discrepancy between securities. In a similar way, while both macro and equity hedge managers may hold equity securities, the overriding investment thesis is predicated on the impact movements in underlying macroeconomic variables may have on security prices, as opposed to EH, in which the fundamental characteristics on the company are the most significant and integral to investment thesis.

The HFRX Macro: Systematic Diversified CTA Index strategies have investment processes typically as function of mathematical, algorithmic, and technical models, with little or no influence of individuals over the portfolio positioning. Strategies employ an investment process designed to identify opportunities in markets exhibiting trending or momentum characteristics across individual instruments or asset classes. Strategies typically employ a quantitative process that focuses on statistically robust or technical patterns in the return series of the asset, and they typically focus on highly liquid instruments and maintain shorter holding periods than either discretionary or mean reverting strategies. Although some strategies seek to employ counter trend models, strategies benefit most from an environment characterized by persistent, discernible trending behavior. Systematic diversified strategies typically would expect to have no greater than 35% of the portfolio in either dedicated currency or commodity exposures over a given market cycle.

The HFRX Market Directional Index is comprised of all eligible hedge fund strategies, including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage. As a component of the optimization process, the index selects constituents which characteristically exhibit higher volatilities and higher correlations to standard directional benchmarks of equity, bond market, and hedge fund industry.

The HFRX Merger Arbitrage Index strategies employ an investment process primarily focused on opportunities in equity and equity-related instruments of companies that are currently engaged in a corporate transaction. Merger arbitrage involves primarily announced transactions, typically with limited or no exposure to situations that pre- or post-date, or situations in which no formal announcement is expected to occur. Opportunities are frequently presented in cross border, collared, and international transactions that incorporate multiple geographic regulatory institutions, with typically involve minimal exposure to corporate credits. Merger arbitrage strategies typically have over 75% of positions in announced transactions over a given market cycle.

The HFRX Relative Value Arbitrage Index includes managers who maintain positions in which the investment thesis is predicated on the realization of a valuation discrepancy in the relationship between multiple securities. Managers employ a variety of fundamental and quantitative techniques to establish investment theses, and security types range broadly across equity, fixed income, derivative, or other security types. Fixed income strategies are typically quantitatively driven to measure the existing relationship between instruments and, in some cases, identify attractive positions in which the risk adjusted spread between these instruments represents an attractive opportunity for the investment manager. RV position may be involved in corporate transactions also, but as opposed to ED exposures, the investment thesis is predicated on the realization of a pricing discrepancy between related securities, as opposed to the outcome of the corporate transaction.

The HFRX RV: FI-Convertible Arbitrage Index includes strategies in which the investment thesis is predicated on realization of a spread between related instruments in which one or multiple components of the spread is a convertible fixed income instrument. Strategies employ an investment process designed to isolate attractive opportunities between the price of a convertible security and the price of a non-convertible security, typically of the same issuer. Convertible arbitrage positions maintain characteristic sensitivities to credit quality the issuer, implied and realized volatility of the underlying instruments, levels of interest rates and the valuation of the issuer's equity, among other more general market and idiosyncratic sensitivities.

The J.P. Morgan GBI Global ex-U.S. Hedged Index tracks fixed rate issuances from high-income countries spanning the globe, launched in 1989.

The JPM GBI Global ex-U.S. Unhedged Index generally tracks fixed rate issuances form high-income countries spanning North America, Europe, and Asia, not including the United States.

The JPM GBI-EM Global Diversified Index limits the weights of those index countries with larger debt stocks by only including a specified portion of these countries as eligible, current face amounts of debt outstanding.

The JPM ELMI+ and JPM ELMI+ Composite Indexes measure the performance of debt issued by emerging markets in the local currency.

The Merrill Lynch Preferred Stock Hybrid Securities Index is an unmanaged index consisting of a set of investment-grade, exchange-traded preferred stocks with outstanding market values of at least $50 million that are covered by Merrill Lynch Fixed Income Research.

The MSCI AC Asia Pacific ex-Japan Index captures large and mid cap representation across four of five developed markets countries (excluding Japan) and eight emerging markets countries in the Asia Pacific region. With 682 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The MSCI ACWI ex-U.S. Index captures large and mid cap representation across 22 of 23 developed markets (DM) countries (excluding the U.S.) and 23 emerging markets (EM) countries. With 1,839 constituents, the index covers approximately 85% of the global equity opportunity set outside the U.S.

The MSCI ACWI ex-U.S. SMID Cap Index captures mid and small cap representation across 22 of 23 developed market (DM) countries (excluding the U.S.) and 23 emerging markets countries. With 5,164 constituents, the index covers approximately 28% of the free float-adjusted market capitalization in each country.

The MSCI EAFE Index is recognized as the pre-eminent benchmark in the United States to measure international equity performance. It comprises the MSCI country indexes that represent developed markets outside of North America: Europe, Australasia, and the Far East.

The MSCI EAFE SMID Cap Index captures mid and small cap representation across developed market countries around the world, excluding the U.S. and Canada. With 2,695 constituents, the index covers approximately 28% of the free float-adjusted market capitalization in each country.

The MSCI Emerging Markets Index captures large and mid cap representation across 23 emerging markets (EM) countries. With 822 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The MSCI Emerging Markets EMEA Index captures large and mid cap representation across eight emerging markets (EM) countries in Europe, the Middle East and Africa (EMEA). With 162 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The MSCI Emerging Markets (EM) Latin America Index captures large and mid cap representation across five emerging markets (EM) countries in Latin America. With 137 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The MSCI Europe Index is a free float-adjusted, market capitalization-weighted index that is designed to measure the equity market performance of the developed markets in Europe.

The MSCI Frontier Markets Index captures large and mid cap representation across 24 frontier markets (FM) countries. The index includes 127 constituents, covering about 85% of the free float-adjusted market capitalization in each country.

The MSCI Japan Index is a free float-adjusted, market capitalization-weighted index that is designed to track the equity market performance of Japanese securities listed on Tokyo Stock Exchange, Osaka Stock Exchange, JASDAQ, and Nagoya Stock Exchange.

The MSCI U.S. REIT Index is a free float-adjusted market capitalization index that is comprised of equity REITs. The index is based on MSCI USA Investable Market Index (IMI), its parent index that captures large, mid, and small caps securities. With 139 constituents, it represents about 99% of the U.S. REIT universe and securities are classified in the REIT sector according to the Global Industry Classification Standard (GICS). It, however, excludes mortgage REITs and selected specialized REITs.

The Russell 1000 Index measures the performance of the large cap segment of the U.S. equity universe. It is a subset of the Russell 3000 Index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000 represents approximately 92% of the U.S. market.

The Russell 1000 Value Index measures the performance of the large cap value segment of the U.S. equity universe.

The Russell 1000 Growth Index measures the performance of the large cap growth segment of the U.S. equity universe.

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 Russell 2000 Growth Index measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.

The Russell 2000 Value Index measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

The Russell 2500 Index is a broad index featuring 2,500 stocks that cover the small and mid cap market capitalizations. The Russell 2500 is a market capitalization-weighted index that includes the smallest 2,500 companies covered in the Russell 3000 universe of U.S.-based listed equities.

The Russell 3000 Index measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The Russell 3000 Growth Index measures the performance of the broad growth segment of the U.S. equity universe. It includes those Russell 3000 companies with higher price-to-book ratios and higher forecasted growth values.

The Russell 3000 Value Index measures the performance of the broad value segment of U.S. equity value universe. It includes those Russell 3000 companies with lower price-to-book ratios and lower forecasted growth values.

The Russell Microcap Index measures the performance of the microcap segment of the U.S. equity market. Microcap stocks make up less than 3% of the U.S. equity market (by market cap) and consist of the smallest 1,000 securities in the small-cap Russell 2000 Index, plus the next 1,000 smallest eligible securities by market cap.

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 Russell Midcap Growth Index offers investors access to the mid cap growth segment of the U.S. equity universe. The Russell Midcap Growth Index is constructed to provide a comprehensive and unbiased barometer of the mid cap growth market. Based on ongoing empirical research of investment manager behavior, the methodology used to determine growth probability approximates the aggregate mid cap growth manager's opportunity set.

The Russell Midcap Value Index offers investors access to the mid cap value segment of the U.S. equity universe. The Russell Midcap Value Index is constructed to provide a comprehensive and unbiased barometer of the mid cap value market. Based on ongoing empirical research of investment manager behavior, the methodology used to determine value probability approximates the aggregate mid cap value manager's opportunity set.

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 S&P Global Infrastructure Index is comprised of 75 of the largest publicly listed infrastructure companies that meet specific investability requirements. The index is designed to provide liquid exposure to the leading publicly listed companies in the global infrastructure industry, from both developed markets and emerging markets.

The S&P Utilities Index is comprised primarily of companies involved in water and electrical power and natural gas distribution industries.

The S&P Developed Ex-U.S. Property defines and measures the investable universe of publicly traded property companies domiciled in developed countries outside of the U.S. The companies included are engaged in real estate related activities, such as property ownership, management, development, rental and investment.

The USD Index measures the performance of the U.S. dollar against a basket of foreign currencies: EUR, JPY, GBP, CAD, CHF and SEK. The U.S. Dollar Index goes up when the dollar gains "strength" compared to other currencies.

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