LPL RESEARCH

MARKET INSIGHT MONTHLY

MAY 2016 IN REVIEW

June Update | As of May 31, 2016

ECONOMY:

EARLY SIGNS IN MAY OF POTENTIAL REBOUND FROM WINTER DOLDRUMS (AGAIN)

Economic Data

Economic data received in May, which largely reflect economic activity in April, set a decidedly more positive tone than recent months, although signs of better growth prospects remain preliminary. A post-winter rebound in economic growth, should it occur, would be the sixth in the seven full years of the post-recession expansion. About two-thirds of the domestic macroeconomic data points tracked by Bloomberg came in ahead of expectations in May, with upside surprises cutting across economic sectors. While the data are signaling continued stabilization in the manufacturing sector, we're seeing few signs of a real rebound. Business spending and trade also remain muted, though better than somewhat lowered expectations. Despite weaker than expected employment data, however, the tone for consumers, who drive about 70% of gross domestic product (GDP), showed considerable improvement over April.

Job creation, one of the headline economic readings for the month, was one of the few major reports that disappointed in May. Growth in non-farm payrolls, expected to decline modestly to 200,000, fell sharply to 160,000. Outside of a mediocre jobs report, a string of consumer-related data came in at unusually strong levels. Retail sales grew 1.3% month over month, the first reading over 1% in more than a year. April's new home sales, at an annualized 619,000, were the highest since 2008 and topped the next best post-recession reading by over 50,000.

CONSUMER SENTIMENT REBOUNDED IN MAY

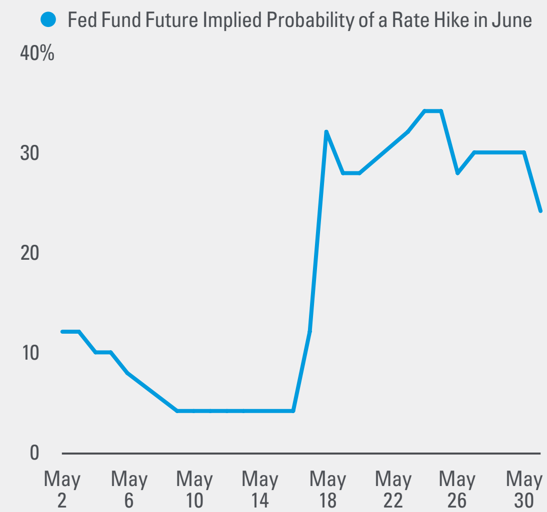
Source: LPL Research, University of Michigan, Haver Analytics 05/31/16

The pickup in consumer-driven economic activity was reflected in improving consumer sentiment following early year recession concerns. The University of Michigan Consumer Sentiment Survey advanced solidly to approach the upper end of its post-recession range.

On the industry side, recent stabilization continued but with little to indicate additional acceleration. The Institute for Supply Management's (ISM) manufacturing Purchasing Managers' Index (PMI) retreated from 51.8 to 50.8, missing consensus expectations (above 50 indicates expansion). New export orders held steady at 52.5, offering some evidence that headwinds from a strong dollar may be abating. Factory orders (March) and industrial production (April) both posted small upside surprises and exhibited growth after contracting in the April releases. The services sector remains more robust with the ISM's non-manufacturing composite, at 55.7, both topping expectations and accelerating from the prior month.

Real time and leading indicators continue to point to a declining chance of recession in the next year. Financial stress, as measured by the St. Louis Fed's Financial Stress Index, fell for the third consecutive month and has retreated to its lowest level since August of last year. The Conference Board's Leading Economic Index (LEI), an aggregate of leading indicators, topped expectations and has risen 1.9% year over year. Historically, a negative year-over-year rate indicates increased likelihood of recession in the next 6–18 months, and at current levels a signal remains unlikely over the next several months. Meanwhile, the Atlanta Fed's real-time GDP forecasting model saw its second quarter GDP forecast rise from 1.8% at the end of April to 2.9% at the end of May, driven primarily by forecast improvements from consumer goods expenditures and home building.

FED FUND FUTURES RESPONDED SHARPLY TO FED MEETING MINUTES



Source: LPL Research, Bloomberg 05/31/16

Central Banks

The May 18 release of the minutes from the Federal Reserve's (Fed) April 26–27, 2016 policy meeting caused a meaningful shift in market expectations of future Fed rate hikes. The release of the minutes is usually a non-event, as market participants already have the policy statement (released post-meeting), and Fed members have already made a series of post-meeting speeches. However, markets had remained skeptical of Fed projections of two rate hikes by the end of the year. The minutes, however, reinforced what Fed members have been emphasizing in speeches by explicitly stating that a hike in June was still on the table for "most participants," assuming continued economic data support. The market's immediate response was a substantial shift in rate hike expectations, as measured by fed fund futures, accompanied by a stronger dollar and a sharp one-day spike in Treasury yields. The Fed will meet again on June 14–15.

GLOBAL EQUITIES:

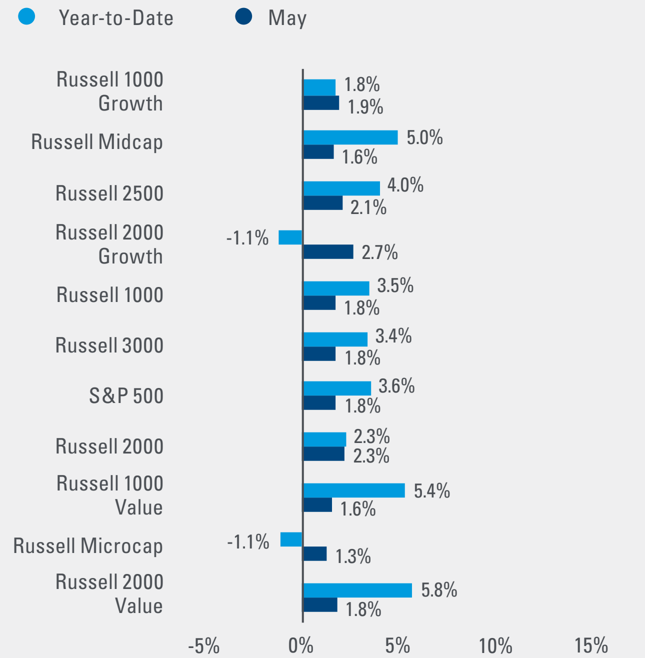
U.S. EQUITIES ROSE FOR THE THIRD STRAIGHT MONTH IN MAY

U.S.

Those who followed the "sell in May" adage by getting out of the market at the end of April missed out on a good month for the U.S. stock market. The S&P 500 Index produced a third straight positive month in May, the first such streak in two years (and the fourth straight positive May), and posted a total return of 1.8%. The month's gains, which brought the year-to-date total return to 3.6%, were not quite enough to get the index back to its all-time high—something it has been lacking for over a year now (note that the total return index, which includes dividends, has been setting new highs). Higher oil prices, which came on the back of production cuts in the U.S. in the absence of any coordinated supply freeze from foreign producers, helped boost sentiment.

Market leadership was very different in May than in prior months. Growth outpaced value in May, based on the Russell 3000 style indexes, after trailing in March and April. Technology and healthcare topped the sector rankings; energy suffered a loss, after leading in both March and April (materials and industrials were the other two sectors that fell in May). But perhaps the biggest change in markets from April to May was the likelihood of a summertime rate hike from the Fed increased significantly, due to a combination of stronger economic data, an uptick in inflation, and hawkish communications from Fed officials.

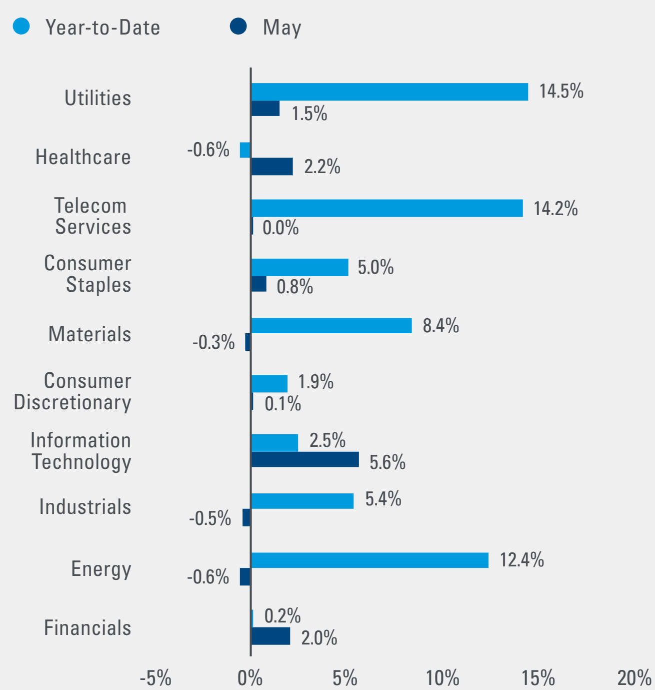
DOMESTIC INDEX PERFORMANCE



Source: LPL Research, FactSet 05/31/16

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 05/31/16

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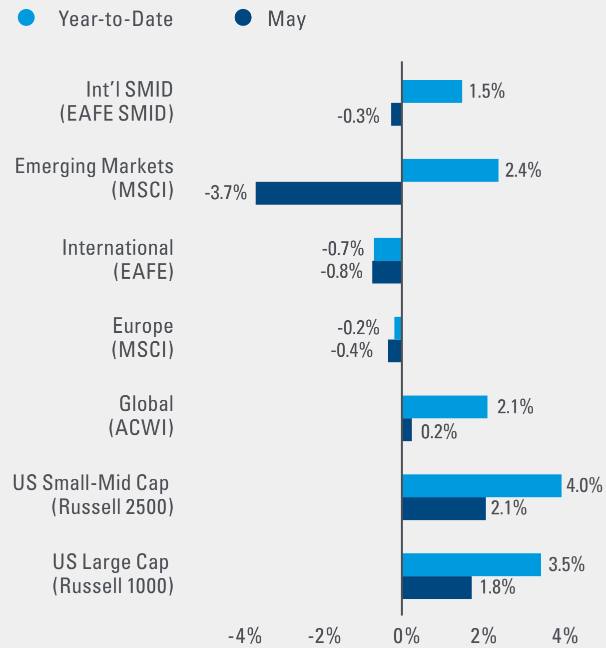
Stock investing involves risk, including loss of principal.

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 trailed the U.S. market, measured by the S&P 500. The MSCI EAFE Index lost 0.8% for the month and is down by 0.7% in 2016, as economic growth in Europe and Japan stalled. The emerging markets (EM) benchmark had an even tougher time, losing 3.7%, but is still up 2.4% year to date after a strong start to 2016. After benefiting from the weaker U.S. dollar in recent weeks, the greenback's rally in May on increasing expectations of a summer rate hike from the Fed provided a challenging environment for EM. Any help that rising oil prices or further evidence of stabilization in China may have provided was erased by dollar strength and related Fed fears, along with weakness in metals prices. Political turmoil in Brazil sent that country's market down more than 13%, exacerbating the EM weakness.

GLOBAL INDEX PERFORMANCE



Source: LPL Research, FactSet 05/31/16

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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:

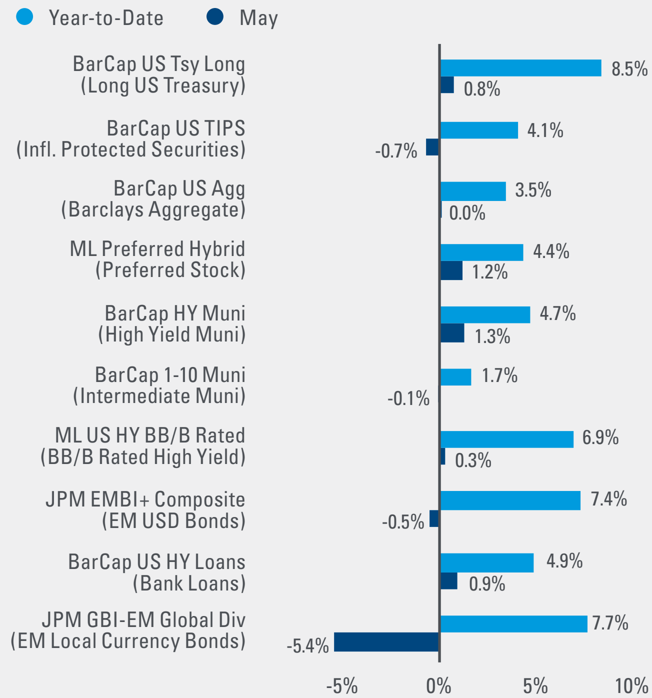
INTEREST RATE HIKE EXPECTATIONS INCREASE IN CHOPPY MONTH FOR FIXED INCOME

Treasury yields moved higher along most of the yield curve in May. The largest moves were seen in the one- to three-year segment of the curve, driven by increasing expectations that the Fed would continue to increase interest rates over the summer. Fed hawkishness drove flattening in the yield curve and reduced inflation expectations, signals that the bond market is unsure that the economy is resilient enough to withstand rate hikes as early as June or July. Increased conviction in rate hikes was a tailwind for bank loans, which returned 0.9% during May.

The increase in interest rates was a slight headwind for fixed income overall, as the Barclays Aggregate was flat, the Barclays U.S. Treasury Index returned -0.2%, and the Barclays Investment-Grade Credit Index returned -0.1% on the month. The decline in inflation expectations was a strong headwind for Treasury Inflation-Protected Securities (TIPS), which returned -0.7% during the month. Strength in the dollar was a headwind for unhedged foreign bonds, which returned -2.0% during May.

High-yield, still very tied to the price of oil, continued its run of strong performance, returning 0.3% in May, as a result of oil prices moving 6.9% higher during the month. Emerging markets debt returned -0.5% despite the rise in the price of oil, largely on fears that a Fed rate hike would have negative impacts on the asset class. Preferreds were the standout performer of the month, returning 1.2%, helped by strong financial sector earnings and improving credit quality.

FIXED INCOME PERFORMANCE



US TREASURY YIELDS

Security	04/30/16	05/31/16	Change in Yield
3 Month	0.22	0.34	0.12
2 Year	0.77	0.87	0.10
5 Year	1.28	1.37	0.09
10 Year	1.83	1.84	0.01
30 Year	2.66	2.64	-0.02

AAA MUNICIPAL YIELDS

Security	04/30/16	05/31/16	Change in Yield
2 Year	0.69	0.71	0.02
5 Year	1.21	1.22	0.01
10 Year	2.02	2.01	-0.01
20 Year	3.45	3.41	-0.04
30 Year	4.20	4.15	-0.05

Source: LPL Research, Bloomberg, FactSet 05/31/16

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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.

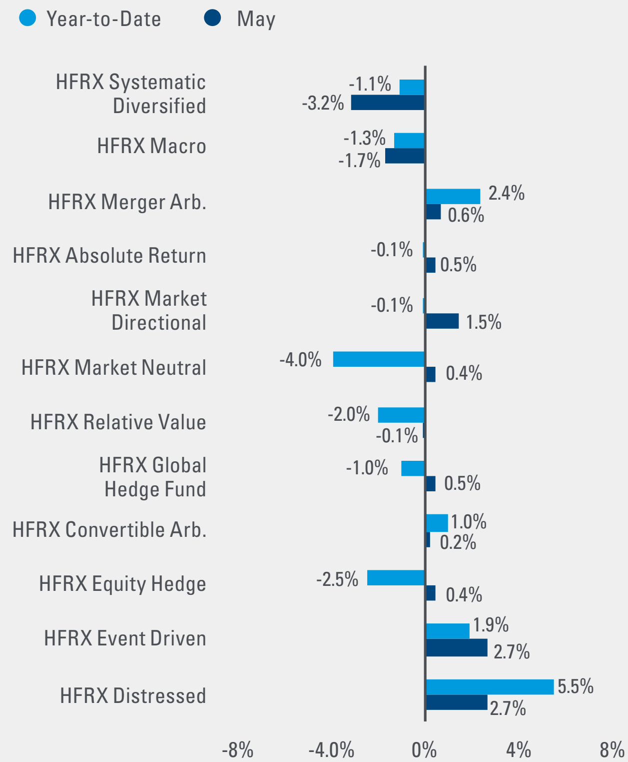
ALTERNATIVES:
DISTRESSED STRATEGIES CONTINUE IMPRESSIVE REBOUND

Event driven strategies continued their rebound, as the HFRX Event Driven Index returned 2.7% during the month. By sub-category, distressed managers (HFRX Event Driven: Distressed up 2.7%) continued to be bolstered by rising oil prices and have now returned over 11% in the past three months and 5.5% year to date. Merger arbitrage strategies benefited from the announcement of several large transactions, which supported broad-based spread tightening on previously announced deals. Per Bloomberg, after a slow start to the year, 2016 merger activity has recently picked up, with May volume up over 25%, as compared to May 2015.

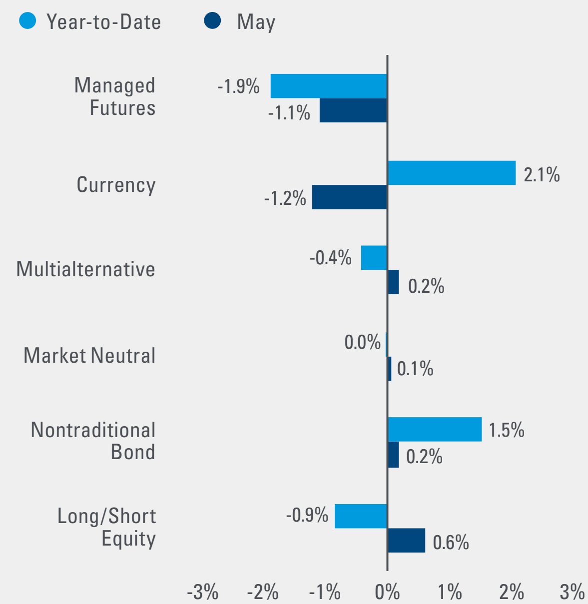
In the equity space, the HFRX Equity Hedge Index returned 0.4%, as managers continue to maintain a rather defensive posture, with a net market exposure of 47%. This has come at the expense of exposure to momentum holdings, which have steadily declined throughout the year. May gains were supported by the industry's overweight to the technology sector (a consistent trend during the past five years), as the S&P 500 Information Technology Index gained over 5%. Additionally, while the overweight to the healthcare sector has been reduced since the beginning of the year, it remains widely held and proved beneficial with the S&P 500 healthcare sector returning 2.2%. Short positioning did little to support gains, as out of favor sectors such as financials and consumer staples saw positive returns.

Managed futures strategies were the main laggard, as the HFRX: Systematic Diversified Index declined 3.2%. The majority of the losses were seen in the fixed income and currency space, as the potential for a sooner than expected rate hike during the month caused a spike in short-term Treasury yields, as well as gains in the U.S. dollar against several major currencies (euro, yen, Swiss franc).

HFRX INDEX PERFORMANCE



MORNINGSTAR INDEX PERFORMANCE



Source: LPL Research, FactSet 05/31/16

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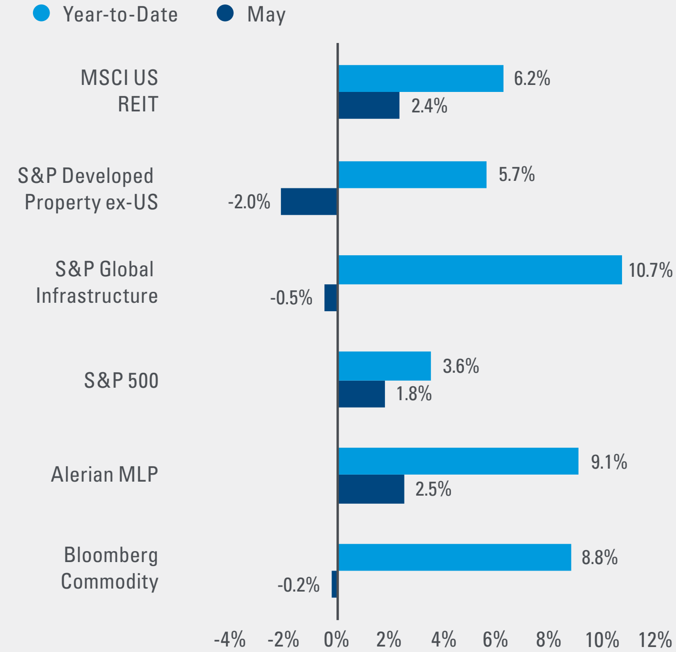
Alternative strategies may not be suitable for all investors and should be considered as an investment for the risk capital portion of the investor's portfolio. The strategies employed in the management of alternative investments may accelerate the velocity of potential losses.

REAL ASSET RETURNS UP AND DOWN IN MAY

May saw certain commodities and real assets follow through on strong performance from April, while others took a pause and gave back some gains. The U.S. dollar (trade-weighted index) was up 2.9% for the month. The Bloomberg Commodity Index was modestly down (-0.2%) with varied performance among its constituents. The S&P 500 Index returned 1.8% and the 10-year Treasury yield was relatively unchanged, ending April at 1.83% and finishing May at 1.84%.

LIQUID REAL ASSET PERFORMANCE



Source: LPL Research, FactSet 05/31/16

MLPs & Global Listed Infrastructure

Still benefiting from a rapid change in sentiment in the oil markets, master limited partnerships (MLP) returned 2.5% in May as exhibited by the Alerian MLP Total Return Index. MLPs outperformed the broader energy infrastructure market (Alerian Energy Infrastructure Index), which includes non-MLP infrastructure companies, recouping some of their underperformance year to date versus their "C-corporation" peers. Distribution announcement season went relatively smoothly, with only a couple of distribution cuts in the true "midstream" part of the market. Decoupling from crude oil prices will be a major hurdle for the asset class, and this may only happen when the market truly believes that the oil supply and demand situation has stabilized. Fundamentals and valuations remain sound for MLPs.

Global listed infrastructure, as measured by the S&P Global Infrastructure Index, lost ground and returned -0.5% in May. The space is still firmly in positive territory year to date.

REITs

The REIT rally resumed in May as the MSCI U.S. REIT Index returned 2.4%. This comes after the index gave back gains in April. Outperforming sectors were industrial, specialized, and diversified REITs.

Commodities

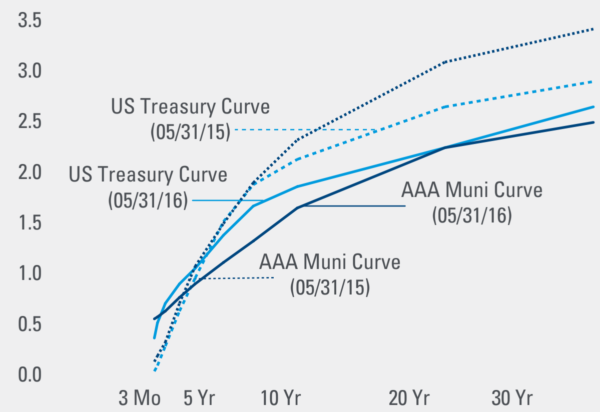
WTI crude finished the month up 6.9% while Brent crude returned 5.1%. U.S. crude production continues to fall (now firmly under 9 million barrels per day) and global supply outages, namely in Nigeria and Canada, contributed to strong performance. Sentiment may be changing in the oil markets, as a prominent sell-side research shop recently noted that the supply and demand imbalance has been corrected. Agricultural commodities, specifically grains, benefited from growing positions by hedge funds. The agriculture subindex of the Bloomberg Commodity Index returned 3.4% in May. Precious metals took a break from strong performance as gold and silver returned -5.7% and -10.1%, respectively. Industrial metals saw a sharp downturn with copper prices declining by 8.2%.

MONTHLY PERFORMANCE REPORT

EQUITY PERFORMANCE

Source: LPL Research, Bloomberg, FactSet 05/31/16

DOMESTIC YIELD CURVE



Source: LPL Research, Bloomberg, FactSet 05/31/16

		1 Mo	3 Mos	YTD	12 Mos
Large Cap	S&P 500	1.80	9.12	3.57	1.72
	DJIA	0.49	8.41	3.34	1.39
	Russell 1000	1.75	9.43	3.51	0.78
	Russell 1000 Value	1.55	11.16	5.39	-0.06
	Russell 1000 Growth	1.94	7.82	1.76	1.61
Small/Mid Cap	Russell 2000	2.25	12.15	2.28	-5.97
	Russell 2000 Value	1.83	12.61	5.76	-2.75
	Russell 2000 Growth	2.69	11.66	-1.14	-9.13
	Russell Microcap	1.30	12.00	-1.10	-9.61
	Russell Midcap	1.64	11.13	5.02	-1.97
	Russell Midcap Value	1.64	13.40	7.89	-0.31
	Russell Midcap Growth	1.64	8.83	2.17	-3.70
All Cap	Russell 3000	1.79	9.63	3.41	0.22
	Russell 3000 Value	1.58	11.27	5.41	-0.28
	Russell 3000 Growth	2.00	8.09	1.54	0.74
International Markets	MSCI EAFE	-0.78	8.94	-0.75	-9.24
	MSCI ACWI ex US	-1.59	9.38	0.82	-10.97
	MSCI Europe	-0.39	8.70	-0.22	-9.40
	MSCI Japan	-1.04	8.62	-3.04	-7.95
	MSCI AC Asia Pacific ex Japan	-1.55	9.77	0.28	-15.34
	MSCI EAFE SMID	-0.29	10.12	1.48	-2.14

		1 Mo	3 Mos	YTD	12 Mos
Int'l - Continued	MSCI ACWI ex US SMID	-1.22	10.45	2.68	-5.61
	MSCI Emerging Mkts	-3.71	9.67	2.40	-17.33
	MSCI EMEA	-7.92	10.55	8.02	-16.27
	MSCI Latin America	-10.77	13.86	12.76	-15.98
	MSCI Frontier Markets	1.09	7.28	3.43	-8.59
Sectors - S&P500 GICS	Consumer Discretionary	0.14	6.96	1.88	5.69
	Consumer Staples	0.77	4.21	5.02	10.78
	Energy	-0.58	18.13	12.41	-10.13
	Financials	2.03	13.22	0.16	-1.29
	Healthcare	2.20	8.11	-0.60	-3.29
	Industrials	-0.48	7.55	5.42	3.32
	Information Technology	5.60	9.06	2.51	3.12
	Materials	-0.29	12.68	8.43	-5.02
	Telecom Services	0.02	4.14	14.18	11.80
	Utilities	1.51	7.02	14.48	14.62

Source: LPL Research, Bloomberg, FactSet 05/31/16

(Data continued on following page.)

All data represent total returns, where applicable. Information contained in this report is from sources deemed to be reliable. We cannot guarantee the accuracy or completeness of such information and we assume no liability for damages resulting from or arising out of the use of such information. Further, please note that past performance is not indicative of future results.

LPL Financial

		1 Mo	3 Mos	YTD	12 Mos
Fixed Income	BarCap US Agg	0.03	1.33	3.45	2.99
	BarCap 1-10 Muni	-0.09	0.21	1.48	3.43
	BarCap HY Muni	1.32	3.01	4.73	4.70
	BarCap Inv. Grade Credit	-0.08	4.10	5.31	3.62
	BarCap Muni Long Bond -22+	0.87	2.82	4.21	8.60
	BarCap US Agg Securitized MBS	0.13	0.59	2.27	2.71
	BarCap US TIPs	-0.71	1.43	4.08	1.23
	BarCap US Treasury Interm	-0.15	0.00	2.16	2.12
	BarCap US Treasury Long	0.79	0.29	8.47	8.09
	BarCap US High Yield Loans	0.93	6.35	4.95	0.65
	ML Preferred Stock Hybrid	1.18	3.91	4.39	9.47
	ML US High Yield BB/B Rated	0.33	7.42	6.95	-0.21
	ML US Convert ex Mandatory	2.04	8.41	1.04	-7.39
	JPM GBI Global ex US Hedged	0.95	1.41	5.02	6.25
	JPM GBI Global ex US Unhedged	-2.03	3.71	9.12	10.12
	JPM GBI-EM Global Div	-5.44	5.78	7.68	-4.86
	JPM ELMI+	-3.00	3.81	3.21	-3.93
	JPM EMBI+ Composite	-0.48	4.64	7.39	6.27

		1 Mo	3 Mos	YTD	12 Mos
Alternatives	HFRX Absolute Return	0.46	0.23	-0.06	0.39
	HFRX Market Directional	1.46	10.74	-0.14	-12.65
	HFRX Convertible Arb.	0.18	2.35	1.00	-2.30
	HFRX Distressed	2.69	11.73	5.47	-8.54
	HFRX Equity Hedge	0.44	3.27	-2.48	-7.75
	HFRX Market Neutral	0.44	-2.25	-3.97	1.51
	HFRX Event Driven	2.67	5.83	1.85	-7.48
	HFRX Merger Arb.	0.64	1.18	2.37	6.65
	HFRX Relative Value Arb.	-0.11	0.81	-2.01	-7.63
	HFRX Global Hedge Fund	0.46	2.12	-1.02	-6.99
	HFRX Macro Index	-1.72	-2.49	-1.31	-4.53
	HFRX Systematic Diversified	-3.19	-6.01	-1.08	-2.83
	Bloomberg Commodity	-0.19	12.45	8.76	-15.32
	DJ Wilshire REIT	2.01	9.34	4.09	10.29
	Alerian MLP	2.53	23.33	9.11	-24.20

		Latest Mo End (05/31/16)	3 Mos Ago (02/29/16)	Latest Yr End (12/31/15)	12 Mos Ago (05/31/15)
Currency	US Dollar Index Value	95.80	98.15	98.69	96.89
	USD vs. Yen	110.73	112.43	120.66	124.14
	Euro vs. USD	1.11	1.09	1.09	1.10
Cmdtys	Gold ($ per Troy Ounce)	1215.00	1238.30	1061.00	1190.00
	Crude Oil ($ per Barrel)	49.10	33.75	37.04	60.30

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.

The Leading Economic Index is a monthly publication from the Conference Board that attempts to predict future movements in the economy based on a composite of 10 economic indicators whose changes tend to precede changes in the overall economy.

The Michigan Consumer Sentiment Index (MCSI) is a survey of consumer confidence conducted by the University of Michigan. The MCSI uses telephone surveys to gather information on consumer expectations regarding the overall economy.

The presidents of regional Federal Reserve Banks are commonly classified as hawks or doves. Hawks generally favor tighter monetary policy, with less monetary support from the Federal Reserve. Doves are the opposite, generally favoring easing of monetary policy.

The St. Louis Fed's Financial Stress Index was developed in the wake of the 2008 financial crisis as a means of measuring "stress" within the financial markets. The index is composed of 18 different weekly data series, such as interest rates and yield spreads, and is intended to present a "real-time" measure of changes in the market. The base value of the index begins in 1993 and is equivalent to zero. Values lower than zero should be interpreted as periods of below average stress, while values greater than zero suggest above average stress.

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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