LPL RESEARCH

MARKET INSIGHT MONTHLY

APRIL 2017 IN REVIEW

May Update | As of April 30, 2017

ECONOMY:

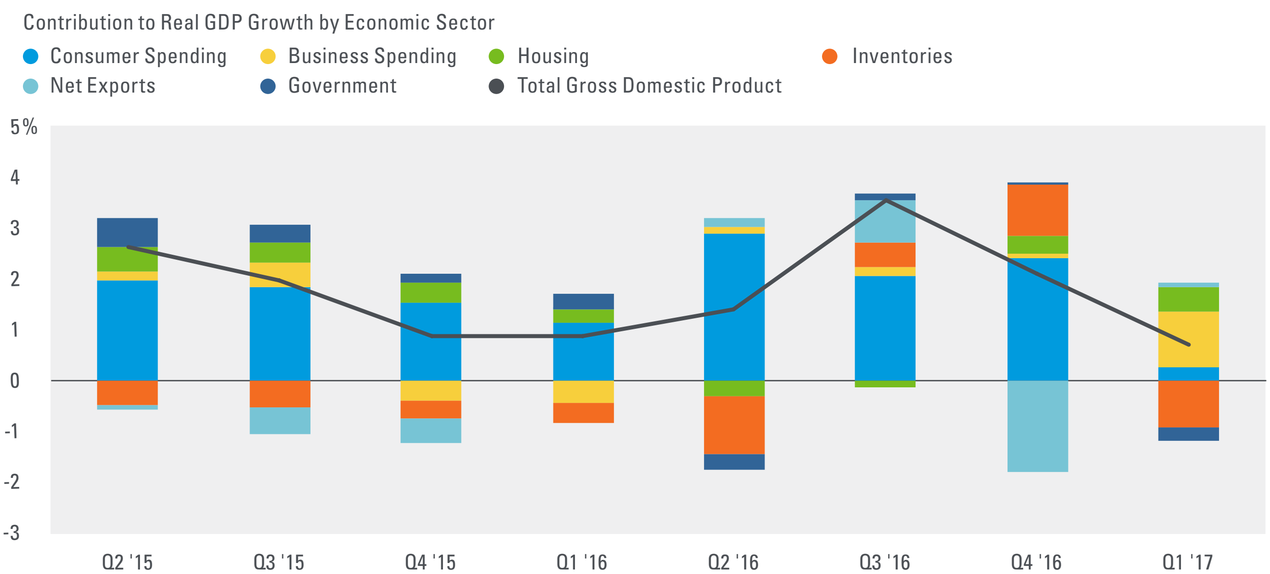
ECONOMY SLOWS IN FIRST QUARTER

Economic Data

Economic reports released in April 2017, which mostly reflect economic activity in March, signaled that growth had softened somewhat during the month, and the advance estimate of first quarter 2017 gross domestic product (GDP) growth confirmed a broad economic slowdown over the entire period, although distortions from seasonality adjustments likely weighed on the final number. While both consumer and business confidence remain strong on prospects of growth-friendly policy changes, uncertainty about potential policy may be limiting the economic impact of the release of "animal spirits" and we may have to await more clarity before confidence begins to feed through to increased economic activity.

GDP growth for the first quarter of 2017 came in at 0.7%, weaker than consensus expectations of 1.0% and a marked deceleration from 2.1% in the fourth quarter of 2016. Weakness in consumer spending was noteworthy, but the biggest drag was from inventories after unusual strength the prior quarter. Fixed investment, which includes business investment and housing, was a bright spot, making its largest contribution to GDP growth since the first quarter of 2012. Distortions in seasonality calculations may have also played a role in the weak data: since the end of the Great Recession, first quarter GDP growth has averaged about 1% while growth over the rest of the year has averaged near 2.5%. We expect continued strength from business spending in 2017 as businesses anticipate better economic growth and policy support, whereas consumer spending may rebound with continued support from a largely healthy job market.

BUSINESS SPENDING IMPROVED DESPITE GDP SLOWDOWN



Source: LPL Research, U.S. Bureau of Economic Analysis 05/04/17

LPL Financial

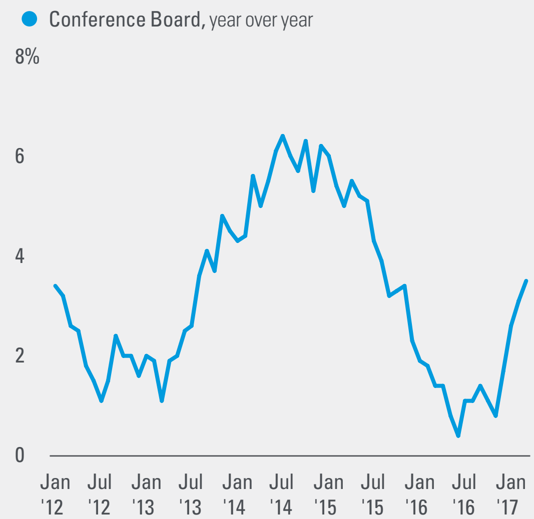
While labor markets generally remain strong and unemployment is at its lowest level since 2007, job growth disappointed in March. The economy added 98,000 jobs during the month versus expectations of nearly twice that, while February's data was revised down. At the same time, a decline in the unemployment rate, which is based on a different survey, was a positive surprise, falling from 4.7% to 4.5%. Wage growth disappointed slightly at 0.2% month-over-month but still stands at a healthy 2.7% year over year. While weather may have played a role in weaker-than-expected job creation, slowing job growth is normal at this point in the business cycle.

A broad pattern of generally strong consumer spending, which has been a steady economic driver throughout the expansion, slowed in March despite generally upbeat readings on consumer confidence. Overall retail sales fell 0.2% in March, the second straight month of declines. Vehicle sales weighed on the headline number as well. Weather and late tax refunds may have weighed on the data and year-over-year consumer spending patterns still remain strong.

Housing was a bright spot for the economy in March. Both existing home sales and new home sales saw strong month-over-month advances, up 4.4% and 5.8% respectively, versus expectations of declines. Housing starts fell but continue to trend broadly higher, while permits, which tend to lead building activity, posted a solid gain. Housing starts continue to be low compared to prior expansions but have been steadily trending higher. Underbuilding has contributed to generally tight inventory and higher prices, with the S&P/Case-Shiller Home Price Index up 5.8% year over year as of February.

Despite the slowdown in GDP, economic indicators that tend to lead changes in overall economic activity continue to look generally upbeat. The Conference Board's Leading Economic Index (LEI), an aggregate of leading economic indicators, rose 0.4% in March, ahead of consensus expectation. Eight of ten indicators increased in March, led by contributions from the yield curve and strong new manufacturing orders survey data. The LEI accelerated to a 3.5% gain year over year, a level that has historically been associated with a low chance of recession in the next 12–18 months.

LEADING INDICATORS CONTINUE TO ACCELERATE



Source: LPL Research, Conference Board, Bloomberg 05/04/17

Central Banks

The Federal Reserve did not hold a policy meeting in April. The European Central Bank (ECB) did meet on April 27 and made no changes to its extraordinarily supportive monetary policy, keeping its benchmark rate at 0% and bond purchases at 60 billion euros per month. The European economy has been looking stronger, but still low inflation and economic uncertainty due to such issues as Brexit, upcoming French elections, and U.S. policy outcomes were sufficient for the ECB to maintain policy support at current levels. The ECB next meets on June 8.

GLOBAL EQUITIES:
STRONG START TO 2017 CONTINUES FOR STOCKS

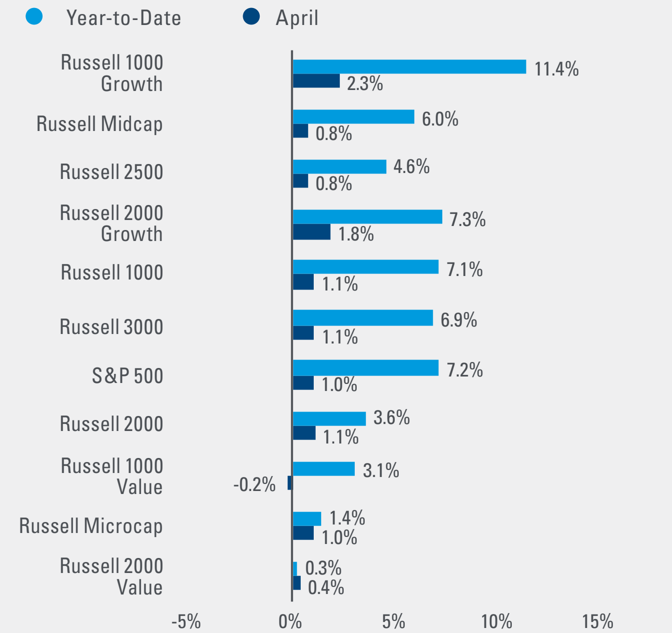
U.S.

Stocks added to year-to-date gains in April as the S&P 500 returned 1.0% for the month, bringing the 2017 return for the index to 7.2%. On a total return basis, April's gain marked the sixth straight positive month. Gains during the month, which were back-end loaded, were driven largely by the favorable outcome of the first round of the French election and a strong start to earnings season. Markets were able to shrug off some soft economic data reported during the month, as well as increasing skepticism in the Trump administration's ability to achieve its agenda and escalating conflicts with North Korea and Syria.

Policy remained in focus during the month as the Trump administration put out its high-level tax proposal and continued to work on healthcare reform. Meanwhile, Congress came to an agreement to avert a shutdown and fund the government through September. But corporate fundamentals were also a big story as earnings season got underway. With about 60% of S&P 500 companies having reported first quarter results through April 30, a solid 77% exceeded consensus earnings estimates while earnings are tracking to a more than 13% year-over-year increase (Thomson Reuters data), about 3% above estimates as of quarter end. Forward guidance has generally been upbeat based on the large number of companies that have reiterated their 2017 outlooks; in fact, estimates for the second half of 2017 actually rose slightly during April, which is encouraging.

Technology topped the April sector rankings for the second straight month, buoyed by a strong start to earnings season and several powerful industry trends including mobile, cloud computing, e-commerce, and digital advertising. The internet industry group led the sector higher while software stocks also produced strong gains. Consumer discretionary also outperformed thanks in large part to retailers' gains, particularly internet retailers. On the flip side, energy lagged due to falling oil prices, financials were

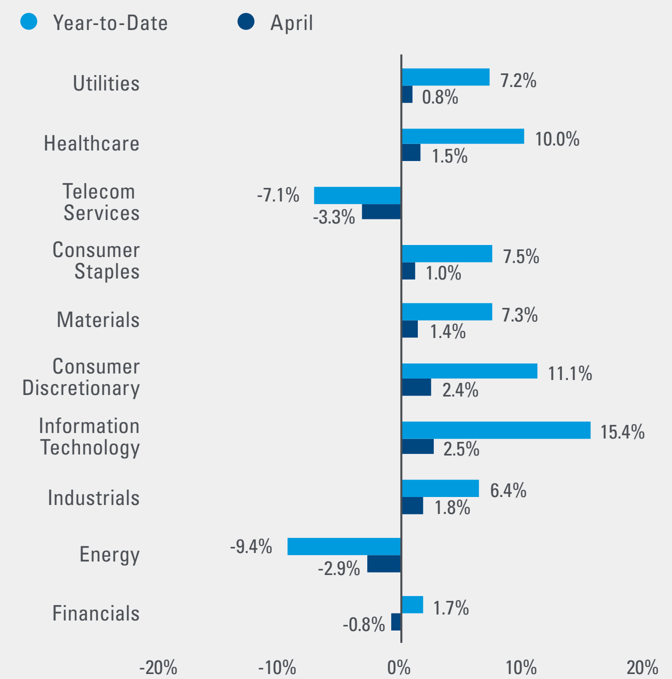
DOMESTIC INDEX PERFORMANCE



Source: LPL Research, FactSet 04/30/17

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 04/30/17

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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.

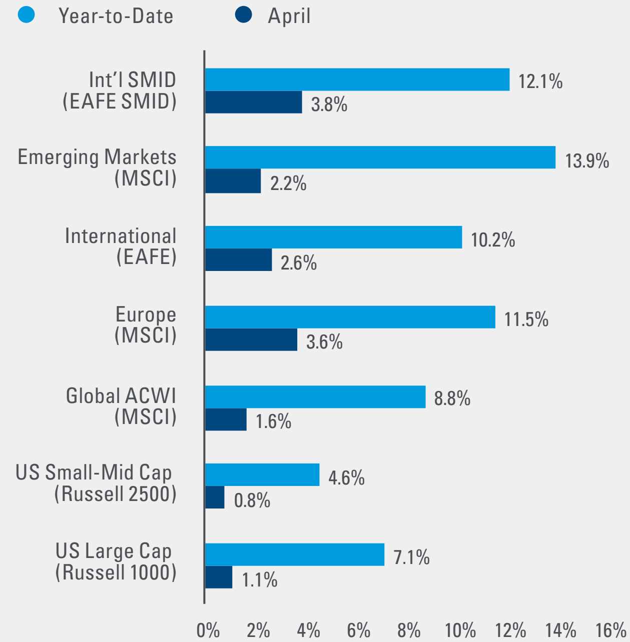
hurt by the drop in interest rates, and telecom was hurt by industry pricing pressures and the market's recent rotation away from dividend stocks. Growth continued to outperform value for the third straight month, based on the Russell 3000 style indexes. The two biggest growth sectors, technology and consumer discretionary, outperformed, while the two biggest value sectors, energy and financials, lagged. Growth's leadership, particularly from technology, drove the Nasdaq over 6,000 for the first time in its history on April 25, 2017.

Looking at market cap (again based on Russell indexes), small caps slightly outpaced their mid and large cap counterparts during the month as markets perhaps gained incrementally more confidence in the Trump agenda, which would tend to be more beneficial to smaller, more U.S.-focused companies, while favoring the more economically sensitive positioning within the small cap indexes relative to large.

International

International equity markets produced solid gains in April, as both the MSCI EAFE Index (developed foreign markets) and the MSCI Emerging Markets (EM) Index outperformed the S&P 500 with U.S. dollar-based returns of 2.6% and 2.2%, respectively. Both indexes also remain ahead of the S&P 500 year to date.

GLOBAL INDEX PERFORMANCE



Source: LPL Research, FactSet 04/30/17

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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.

During April, international developed markets got a boost from a number of factors, including a weaker U.S. dollar, generally improving economic data and earnings, and the outcome of the French election, which saw the mainstream candidate Emmanuel Macron advance to a runoff against anti-euro candidate Marine Le Pen. Concerns about a possible Le Pen victory have largely been erased with the latest polls suggesting a Macron victory on May 7, although the limited reliability of polling will certainly keep market participants on watch. Top markets in April besides France, which gained 5.4% during the month, included Denmark, Sweden, and Spain, while Japan lagged with a modest 1.0% gain.

EM performance also benefited from the weaker U.S. dollar and French elections, but a stronger-than-expected Chinese GDP report for the first quarter also lifted sentiment and drove the performance of the MSCI China Index ahead of the broad EM benchmark. Meanwhile fears of a trade war continued to abate—Mexican equities produced modest gains—while markets did not appear concerned with the North Korean nuclear threat, as the South Korean equity market advanced 1.0% for the month. South Africa and China were the biggest contributors to the monthly gain in the EM index, while Brazil, which was flat for the month, detracted from index performance.

FIXED INCOME:
RATES FALL AS TRUMP POLICY EXUBERANCE CONTINUES TO WANE

Treasury yields fell across most of the maturity spectrum in April, leading to a very positive month for fixed income overall. Longer-maturity Treasury yields continued the decline that started mid-March as investors began to question President Trump's ability to implement stimulative policy in a timely manner.

The decline in longer-term yields led to a positive month for high-quality fixed income, as longer-duration assets benefited more so than shorter-dated. The broad Bloomberg Barclays Aggregate Bond Index returned 0.8% during the month, slightly ahead of Treasuries (Bloomberg Barclays U.S. Treasury Index), which returned 0.7%. Investment-grade corporates, which returned 1.1%, were boosted by the sector's longer duration profile. Unhedged foreign bonds performed well, returning 1.7%, due to declining developed foreign yields and a 1.3% decline in the U.S. dollar.

Equity market strength during April was a tailwind for economically sensitive portions of fixed income, leading lower-quality fixed income to outperform higher quality. High-yield corporates, up 1.2% on the month,[1] were able to shrug off oil-related weakness, as the price of oil declined by 2.5% during April. Emerging market debt (EMD)[2] displayed similar resilience to the decline in oil and continued its rebound from election-related weakness to return 2.2%. Preferreds followed suit with a 1.5% return during April.[3]

[1] Based on Bloomberg Barclays High Yield Bond Index

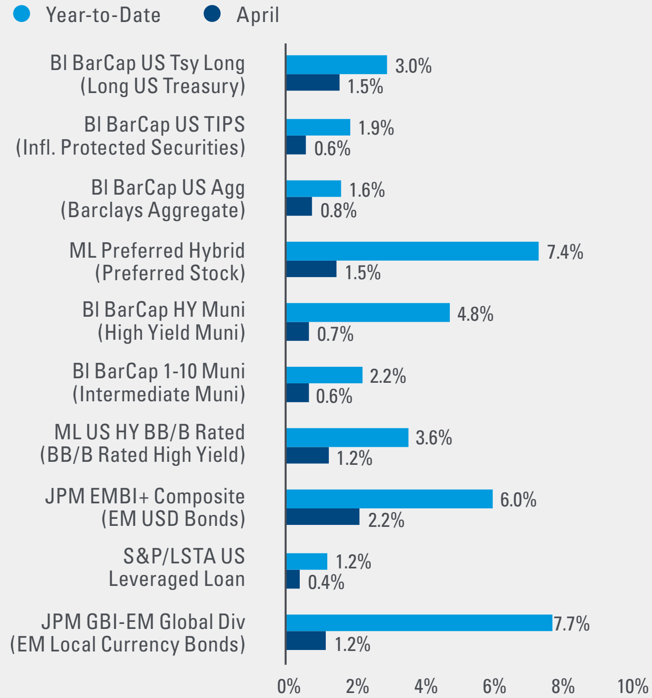
[2] Based on BofA Merrill Lynch Hybrid Preferred Securities Index

[3] Based on JPM EMBI+ Composite Index

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

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.

FIXED INCOME PERFORMANCE



U.S. TREASURY YIELDS

Security	03/31/17	04/30/17	Change in Yield
3 Month	0.76	0.80	0.04
2 Year	1.27	1.28	0.01
5 Year	1.93	1.81	-0.12
10 Year	2.40	2.29	-0.11
30 Year	3.02	2.96	-0.06

AAA MUNICIPAL YIELDS

Security	03/31/17	04/30/17	Change in Yield
2 Year	1.09	1.06	-0.03
5 Year	1.64	1.56	-0.08
10 Year	2.37	2.30	-0.07
20 Year	3.02	2.95	-0.07
30 Year	3.20	3.13	-0.07

Source: LPL Research, Bloomberg, FactSet 04/30/17

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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.

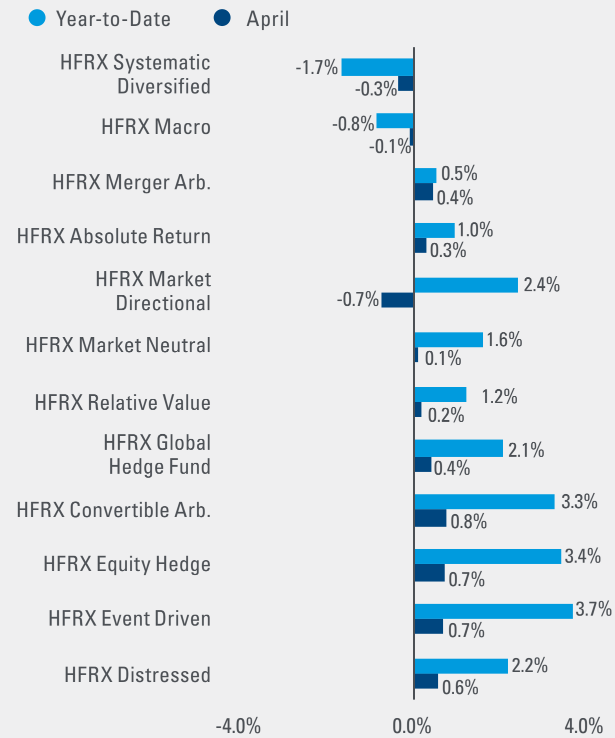
Bank loans are loans issued by below investment-grade companies for short-term funding purposes with higher yield than short-term debt and involve risk.

ALTERNATIVES:
SECTOR TILTS SUPPORT LONG/SHORT EQUITY

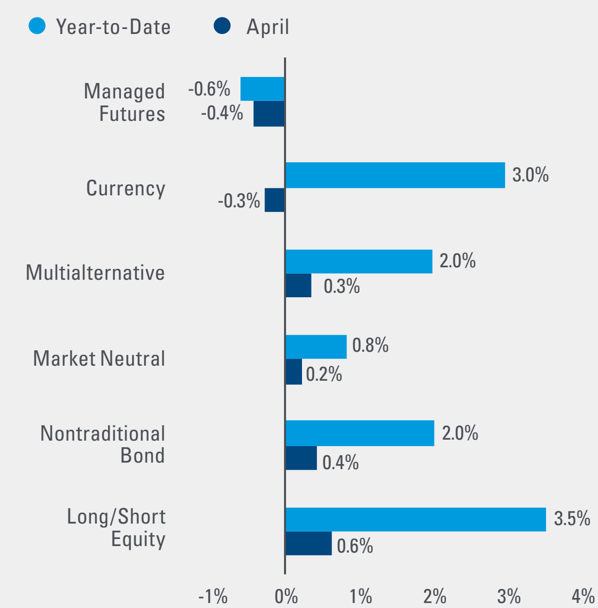
On a risk-adjusted basis, long/short equity strategies continue to perform well, as the HFRX Equity Hedge Index gained 0.72% during the month. On a year-to-date basis, the index has now gained 3.44% with a beta typically between 0.35-0.45. The industries overweight to the information technology (+2.52%) and consumer discretionary (+2.44%) sectors continue to support long exposure gains, while an underweight to the energy and rate sensitive sectors has also been beneficial. Overall, and as compared to a difficult 2016, long/short equity strategies have been able to generate alpha through a more attractive stock-picking environment, as well as having kept pace with rising markets by properly adjusting their net market exposures.

In the macro space, managed futures strategies continue to struggle this year, as the HFRX Systematic Diversified Index fell 0.35%. With Treasury rates declining during the month, short fixed income exposure was once again the largest detractor from performance, while gains from long equity exposure partially offset these losses. Discretionary macro strategies fared moderately better than their systematic counterparts, however, the HFRX Macro Index still declined -0.1% during the month. Within their equity positioning, long European versus U.S. relative value trades were profitable, while currency trading weighed on portfolios. Specifically, short euro exposure was a significant detractor, as the currency saw a mid-month rally on the outcome of the first round of the French election. Strategies within the HFRX Event Driven Index (+0.70%) continue to perform well, as merger arbitrage deal spreads remain in the 6-8% range, while only 2% of announced deals in the past 12-months have been broken-up. Potential tax and regulation reform remains both an uncertainty and opportunity for the remainder of the year; regardless, we remain constructive on event-driven managers with a proven ability to navigate complex capital structure situations, while properly managing overall market exposure.

HFRX INDEX PERFORMANCE



MORNINGSTAR INDEX PERFORMANCE



Source: LPL Research, FactSet 04/30/17

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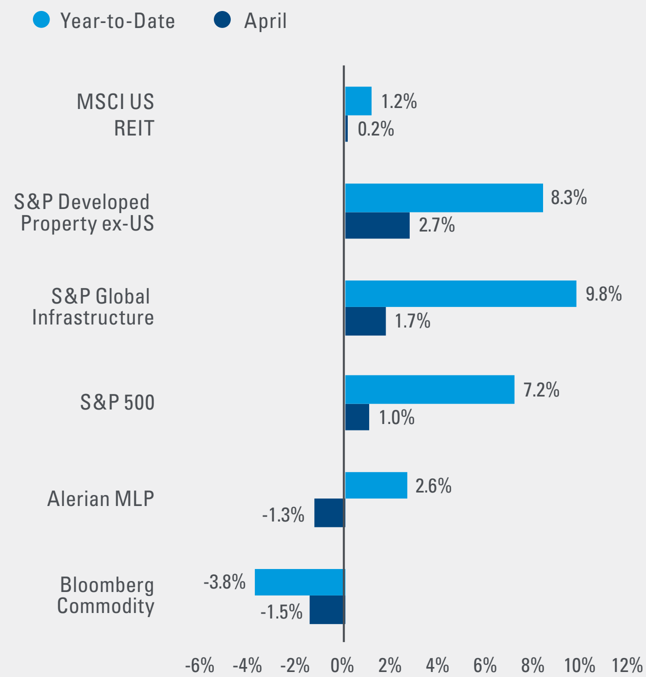
Alternative strategies may not be suitable for all investors and should be considered as an investment for the risk capital portion of the investor's portfolio. The strategies employed in the management of alternative investments may accelerate the velocity of potential losses.

GLOBAL REAL ASSETS A BRIGHT SPOT

Most major real asset categories fell during April, with weakness in commodities, master limited partnerships (MLP), and domestic real estate. Some of the weakness in real assets, which often act as a hedge against inflation, likely reflects market participants' tempered enthusiasm over the Trump administration's policy roadmap and its ability to enact pro-growth policies that could lead to more inflation. International assets were a bright spot, buoyed by a weaker U.S. dollar that also benefited traditional international equities; international real estate and global infrastructure each outpaced the S&P 500 during the month.

LIQUID REAL ASSET PERFORMANCE



Source: LPL Research, FactSet 04/30/17

MLPs

The Alerian MLP Index fell -1.3% in April, weighed down by lower oil prices. Though MLPs have historically not been as sensitive to oil prices as traditional energy stocks, lower oil prices do impact U.S. energy production which translates into price sensitivity for MLPs. Stable natural gas prices and slightly lower interest rates helped mitigate losses.

REITs & Global Listed Infrastructure

April was a strong month for international markets; the weak U.S. dollar sustained global real estate and global listed infrastructure performance. Domestic real estate, near unchanged for the month, did not fare as well, partly due to the market's preference for more economically sensitive investments. Retailer weakness continued to weigh on the domestic REIT indexes due to ecommerce challenges, which is helping support industrial REITs.

Commodities

The Bloomberg Commodity Index slipped 1.5% in April following its 2.7% decline in March. A weaker dollar buoyed precious metals but provided little help for other global commodities such as oil, base metals, or agriculture. The headliner was crude oil, which fell 2.5% in April as increasing rig counts and an ongoing inventory overhang offset optimism for a late-May extension of the global production agreement struck by OPEC and Russia. Industrial metals, specifically copper and aluminum, have given back post-election gains as the Trump administration's infrastructure spending initiatives may be pushed back and scaled down. Weak auto sales and China's economic transition also had impact. Gold, which gained 1.4% in April, benefited from a weaker dollar and heightened geopolitical tensions. Agriculture was broadly lower, losing 1.5% for the month.

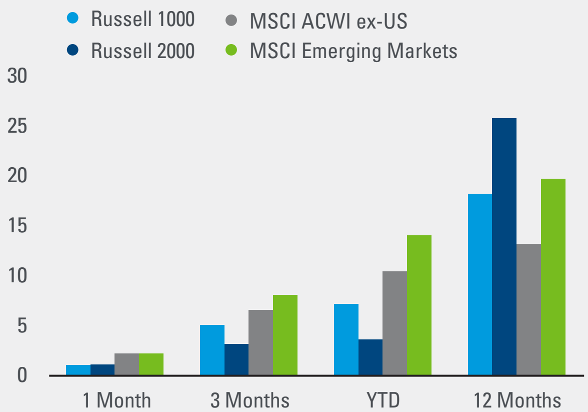
Investing in real estate/REITs involves special risks such as potential illiquidity and may not be suitable for all investors. There is no assurance that the investment objectives of this program will be attained.

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.

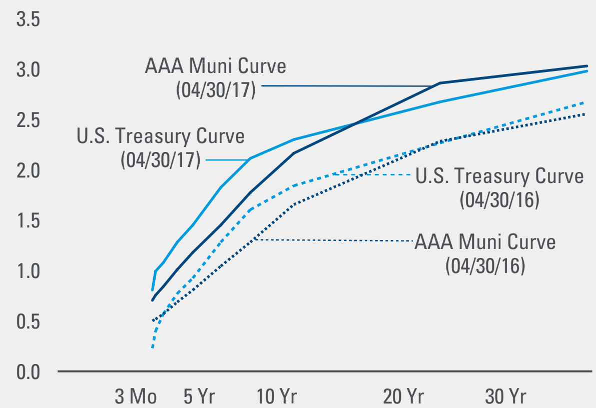
MONTHLY PERFORMANCE REPORT

EQUITY PERFORMANCE



Source: LPL Research, Bloomberg, FactSet 04/30/17

DOMESTIC YIELD CURVE



Source: LPL Research, Bloomberg, FactSet 04/30/17

		1 Mo	3 Mos	YTD	12 Mos
Large Cap	S&P 500	1.03	5.16	7.16	17.92
	DJIA	1.45	6.06	6.71	20.90
	Russell 1000	1.06	5.04	7.15	18.03
	Russell 1000 Value	-0.19	2.35	3.07	16.55
	Russell 1000 Growth	2.29	7.77	11.40	19.50
Small/Mid Cap	Russell 2000	1.10	3.18	3.59	25.63
	Russell 2000 Value	0.39	0.98	0.26	27.18
	Russell 2000 Growth	1.84	5.57	7.29	24.06
	Russell Microcap	1.03	2.97	1.41	25.03
	Russell Midcap	0.77	3.46	5.96	16.70
	Russell Midcap Value	0.19	2.24	3.96	17.52
	Russell Midcap Growth	1.48	4.98	8.48	15.83
All Cap	Russell 3000	1.06	4.89	6.86	18.58
	Russell 3000 Value	-0.14	2.24	2.84	17.33
	Russell 3000 Growth	2.25	7.60	11.08	19.83
International Markets	MSCI EAFE	2.62	7.09	10.20	11.83
	MSCI ACWI ex US	2.20	6.57	10.36	13.12
	MSCI Europe	3.65	9.25	11.53	11.59
	MSCI Japan	1.05	1.95	5.74	10.87
	MSCI AC Asia Pacific ex Japan	1.58	8.33	14.62	20.47
	MSCI EAFE SMID	3.84	8.11	12.10	12.01

		1 Mo	3 Mos	YTD	12 Mos
Int'l -Continued	MSCI ACWI ex US SMID	2.98	7.49	11.84	11.86
	MSCI Emerging Mkts	2.21	8.03	13.95	19.58
	MSCI EMEA	4.39	5.12	7.34	10.25
	MSCI Latin America	0.05	4.24	12.19	16.71
	MSCI Frontier Markets	1.21	3.48	10.37	11.27
Sectors -S&P500 GICS	Consumer Discretionary	2.44	6.58	11.09	15.78
	Consumer Staples	1.03	5.71	7.45	8.64
	Energy	-2.89	-6.00	-9.38	2.08
	Financials	-0.84	1.43	1.66	27.16
	Healthcare	1.54	7.63	10.04	10.09
	Industrials	1.76	4.92	6.40	19.40
	Information Technology	2.52	10.54	15.41	35.36
	Materials	1.39	2.58	7.33	15.18
	Telecom Services	-3.31	-4.79	-7.15	0.45
	Utilities	0.78	5.90	7.23	10.57

Source: LPL Research, Bloomberg, FactSet 04/30/17

(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.

		1 Mo	3 Mos	YTD	12 Mos
Fixed Income	BI BarCap US Agg	0.77	1.40	1.59	0.83
	BI BarCap 1-10 Muni	0.59	1.34	2.13	0.40
	BI BarCap HY Muni	0.68	3.31	4.76	4.38
	BI BarCap Inv. Grade Credit	1.07	1.99	2.30	3.00
	BI BarCap Muni Long Bond -22+	0.74	1.87	2.49	0.08
	BI BarCap US Agg Securitized MBS	0.65	1.16	1.13	0.66
	BI BarCap US TIPs	0.59	1.01	1.86	1.73
	BI BarCap US Treasury Interm	0.53	0.88	1.08	-0.16
	BI BarCap US Treasury Long	1.54	2.56	2.96	-3.05
	BI BarCap US High Yield Loans	0.41	0.86	1.19	6.98
	ML Preferred Stock Hybrid	1.47	4.55	7.38	5.93
	ML US High Yield BB/B Rated	1.22	2.37	3.53	11.42
	ML US Convert ex Mandatory	1.11	3.87	6.79	20.47
	JPM GBI Global ex US Hedged	0.66	1.66	0.29	1.66
	JPM GBI Global ex US Unhedged	1.69	2.27	3.69	-5.17
	JPM GBI-EM Global Div	1.17	5.37	7.75	4.03
	JPM ELMI+	0.33	3.62	5.53	2.70
	JPM EMBI+ Composite	2.16	4.50	6.02	7.70

		1 Mo	3 Mos	YTD	12 Mos
Alternatives	HFRX Absolute Return	0.31	0.66	0.96	1.79
	HFRX Market Directional	-0.72	1.33	2.43	14.34
	HFRX Convertible Arb.	0.77	2.51	3.28	8.34
	HFRX Distressed	0.59	1.83	2.18	19.11
	HFRX Equity Hedge	0.72	2.57	3.44	6.64
	HFRX Market Neutral	0.12	0.87	1.63	0.90
	HFRX Event Driven	0.70	2.60	3.67	16.09
	HFRX Merger Arb.	0.45	0.83	0.55	3.10
	HFRX Relative Value Arb.	0.20	0.59	1.23	4.26
	HFRX Global Hedge Fund	0.42	1.58	2.09	6.21
	HFRX Macro Index	-0.07	0.13	-0.82	-4.12
	HFRX Systematic Diversified	-0.35	0.13	-1.66	-5.14
	Bloomberg Commodity	-1.51	-3.93	-3.80	-1.32
	DJ Wilshire REIT	-0.24	0.35	-0.51	4.01
	Alerian MLP	-1.28	-2.17	2.62	14.08

		Latest Mo End (04/30/17)	3 Mos Ago (01/31/17)	Latest Yr End (12/31/16)	12 Mos Ago (04/30/16)
Currency	US Dollar Index Value	99.04	99.55	102.21	93.08
	USD vs. Yen	111.53	112.78	116.90	106.36
	Euro vs. USD	1.09	1.08	1.05	1.14
Cmdtys	Gold ($ per Troy Ounce)	1267.70	1210.30	1150.90	1292.40
	Crude Oil ($ per Barrel)	49.33	52.81	53.72	45.92

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 on risks, 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.

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) are subject to interest rate risk and opportunity risk. If interest rates rise, the value of your bond on the secondary market will likely fall. In periods of no or low inflation, other investments, including other Treasury bonds, may perform better.

Preferred stock investing involves risk, which may include loss of principal, and are subject to many of the same risks which affect fixed income securities.

Alternative Risks

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

Long/short equity 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.

Selling short can result in losses should the borrowed security increase in price, rather than decline. The theoretical potential loss is unlimited. Additionally, short sales will incur interest on the borrowed shares while also being subject to margin calls, or early sales in the event that the original owner wishes to sell their position.

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

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 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.

Gross Domestic Product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period, though GDP is usually calculated on an annual basis. It includes all of private and public consumption, government outlays, investments and exports less imports that occur within a defined territory.

Alpha: Measures the difference between a portfolio's actual returns and its expected performance, given its level of risk as measured by Beta. A positive (negative) Alpha indicates the portfolio has performed better (worse) than its Beta would predict.

Beta measures a portfolio's volatility relative to its benchmark. A Beta greater than 1 suggests the portfolio has historically been more volatile than its benchmark. A Beta less than 1 suggests the portfolio has historically been less volatile than its benchmark.

The Case-Shiller U.S. National Home Price Index measures the change in value of the U.S. residential housing market. This index tracks the growth in value of real estate by following the purchase price and resale value of homes that have undergone a minimum of two arm's-length transactions. The index is named for its creators, Karl Case and Robert Shiller.

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

The Bloomberg 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 Bloomberg 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 Bloomberg 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 Bloomberg 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 Bloomberg 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 Bloomberg 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 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 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 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/LSTA U.S. Leveraged Loan 100 index is a market value-weighted index designed to measure the performance of the U.S. leveraged loan market. The index consists of 100 loan facilities drawn from a larger benchmark - the S&P/LSTA (Loan Syndications and Trading Association) Leveraged Loan Index (LLI).

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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