February Update | As of January 31, 2015

JANUARY 2015 IN REVIEW

ECONOMY: EXPANSION CONTINUES BUT OIL, U.S. DOLLAR HAVING AN IMPACT

Economic Data

January 2015's economic data (which largely reflects economic activity in December 2014) remained largely in-line with somewhat weaker economic expectations. The major themes for the month were the broad economic impact of falling oil prices and a strong U.S. dollar, global central bank activity, and lower expectations for global growth.

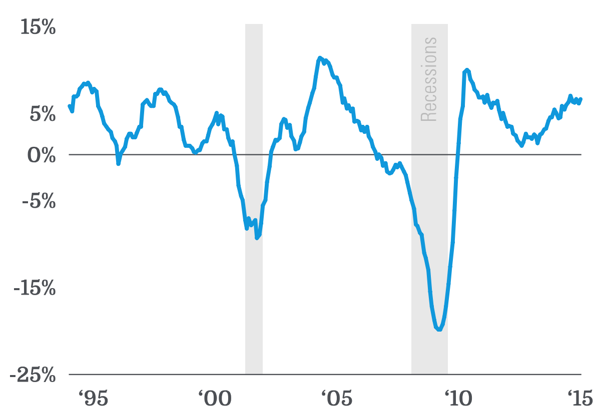
Key leading indicators, as aggregated in the Conference Board's Leading Economic Index (LEI), continued to show healthy year-over-year improvement at a rate that has historically signaled low chances of a recession over the next year. The Citi Economic Surprise Index for the U.S. finished December at 34.7 and then generally declined over January, ending the month at -4.0 (positive numbers indicate an average upside surprise), a reading that indicates that economists' expectations are now generally well calibrated with economic data.

The impact of falling oil prices continued to be felt. West Texas intermediate crude, a benchmark for domestic oil prices, fell 10.9% in January to $47.85 after declining 18.6% in December. Falling oil prices are expected to be a net positive for the U.S. economy and add perhaps 0.3 – 0.5% to 2015 U.S. gross domestic product (GDP) growth, despite the drag from reduced capital spending by oil and gas companies.

Lower oil, together with the negative effect a strong dollar has on exports, has begun to have an impact on the manufacturing sector. The Institute for Supply Management (ISM) Manufacturing Purchasing Managers' Index (PMI) for December came in at 55.5, missing economists' consensus expectations and falling for the second consecutive month, but remained well above the 50 level that indicates expansion. The ISM Non-Manufacturing PMI, at 56.2, likewise declined and missed expectations but remained in expansion territory.

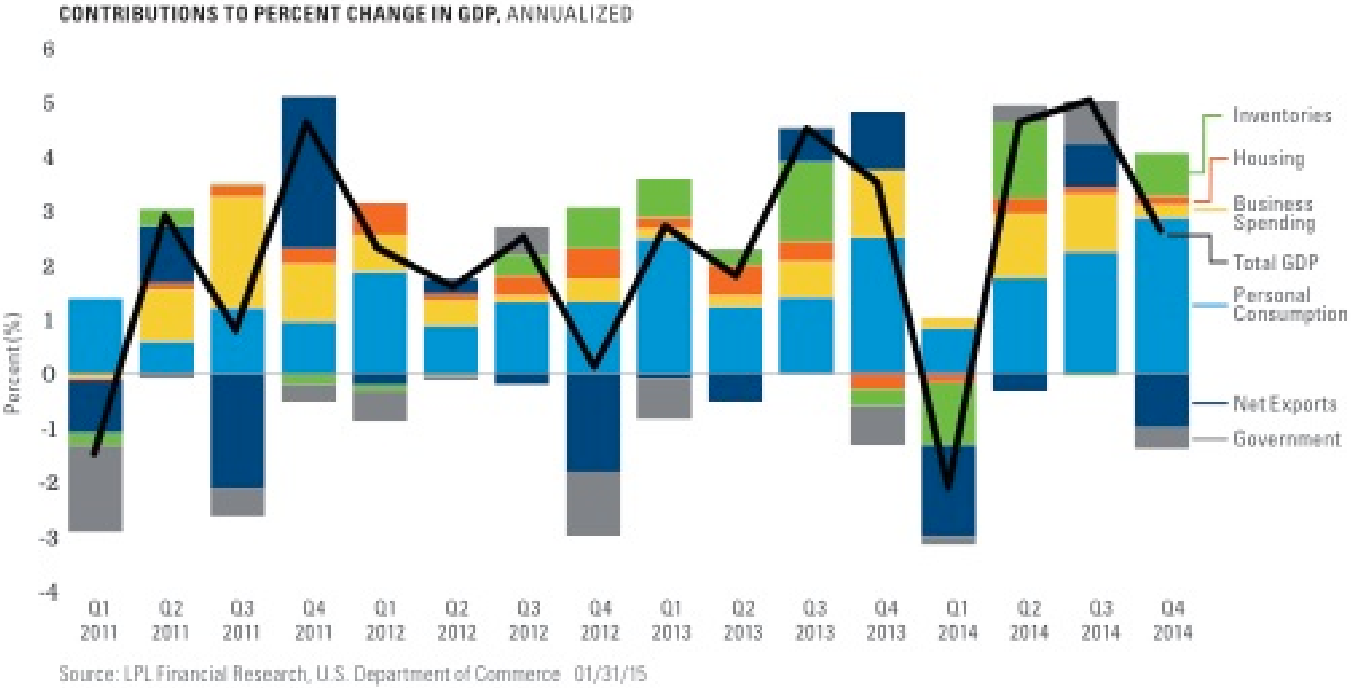
Recent data have shown that U.S. labor markets are continuing to heal. The growth in non-farm payrolls surprised to the upside in the January release of the Employment Situation report with 252,000 jobs added and the unemployment rate falling to 5.6%. Wage growth, a metric that the Federal Reserve (Fed) is watching closely as it deliberates on when to raise rates, disappointed in December 2014, rising just 1.7% from

CONFERENCE BOARD LEI (% CHANGE, YEAR OVER YEAR)



Source: LPL Financial Research, Conference Board, Bloomberg 01/31/15

The Leading Economic Index is an economic variable, such as private sector wages, that tends to show the direction of future economic activity.



December 2013. Despite improving labor markets, December retail sales were disappointing, with stronger numbers for October and November indicating that holiday shopping had likely been pulled forward earlier in the year.

The first estimate of Q4 2014 GDP growth, released on January 30, came in below expectations at 2.6%, compared with 5.0% and 4.6% in the second quarter and third quarter, respectively. The miss was largely driven by weaker exports on a strengthening U.S. dollar and a sharp decline in federal government spending and investment, after a large defense-driven increase in the prior quarter. Personal consumption expenditures, which reflects consumer spending, grew at a 4.3% rate, its fastest rate of growth since before the financial crisis. This estimate puts GDP growth for 2014 at 2.4%, with much of the weakness due to an unusually cold and snowy winter across the country in the first quarter.

Central Banks

Central banks grabbed headlines in January on several fronts. Speculation on the size and scope of the European Central Bank's (ECB) initial foray into quantitative easing (QE) received heavy financial press attention. The ECB's announced program on January 22 was just large and open-ended enough to garner a positive response from markets. The Swiss Central Bank shocked currency markets on January 15 when it lifted its cap on the appreciation of the Swiss franc versus the euro. Although markets seemed to have absorbed the shift by the end of the month, the short-term effect on currency markets, where trading is often highly leveraged, was dramatic. In the United States, the Fed was able to adjust its language around the timing of a first rate hike, while reassuring markets it would not make any precipitous moves.

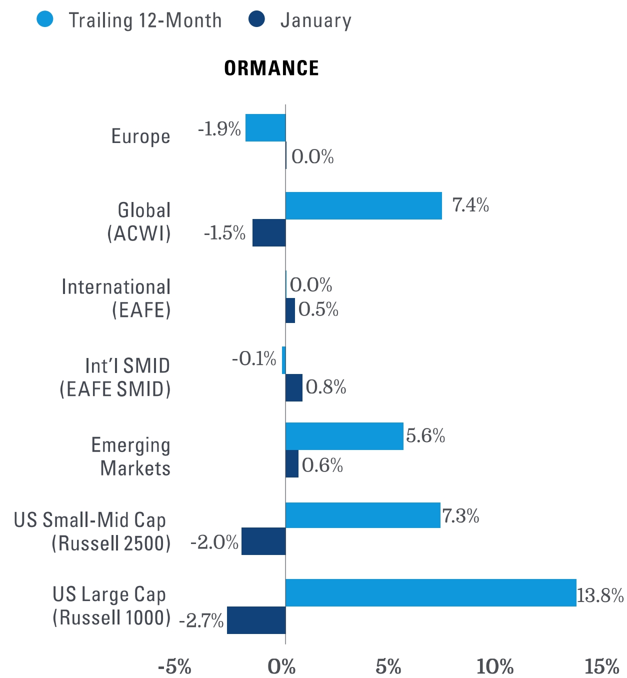
The most recent statement removed language that said the Fed would wait for a "considerable time" before raising rates after ending QE and replaced it with language saying it would be "patient," with the implication that the decision would be data dependent. In total, there were 20 central bank actions in January with 15 of them accommodative.

GLOBAL EQUITIES:
STOCKS GET OFF TO A VOLATILE START

U.S.

As was the case in January 2014, domestic equity markets have gotten off to a slow start in 2015. The S&P 500 had a total return of -3.0% in January 2015. Falling oil prices continued to push the energy sector lower with concerns about global growth also weighing on markets — both the International Monetary Fund (IMF) and World Bank revised growth expectations downward in January reports. Energy and growth concerns both drove an increase in market volatility. The CBOE Volatility Index (VIX), a measure of implied stock market volatility based on options prices, averaged 19.1% in January, its highest monthly average since June 2012.

While markets did fall, earnings expectations began to stabilize in January, with strong results from the healthcare, industrials, and technology sectors reported in the final week of the month helping to drive Q4 2014 earnings growth for the S&P 500 to a 5.3% pace, more than 1% above the estimate as of the end of the fourth quarter. Revenue growth has also picked up but is still only on pace for a 1.6% year-over-year gain, due to the significant drag from the energy sector and the strong U.S. dollar. Outside of energy, forward guidance has been good overall and estimates have experienced only modest declines consistent with the historical pattern. The combination of earnings growth and a falling market has helped to drive market valuations lower, as measured by the S&P 500's price-to-earnings ratio (PE) on trailing 12-month operating earnings. Performance from financial companies lagged all other sectors for the month, as measured by the S&P 500 GICS Sector



DOMESTIC INDEX PERFORMANCE

Source: LPL Financial Research, Bloomberg 01/31/15

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

Stock investing involves risk, including loss of principal.

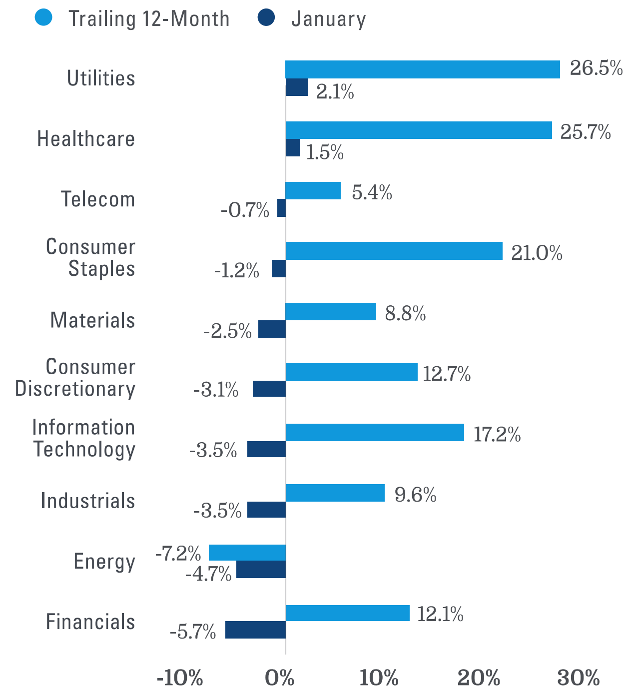
International and emerging markets investing involves special risks, such as currency fluctuation and political instability, and may not be suitable for all investors.

Indexes. Falling interest rates and a flattening yield curve, which lowers a financial institution's ability to profit from borrowing at short-term rates and lending at long-term rates, were both headwinds. Disappointing earnings results reinforced these challenges and contributed to selling pressure. The energy sector also weighed on the broad market due to declining oil prices. Mid caps outperformed small and large, especially among value stocks, while growth outperformed value across cap size, in part due to the smaller presence of underperforming energy and financials. Utilities and healthcare were the only sectors to finish in positive territory, while telecom and consumer staples were also in the top half of the leaderboard, giving the sector mix a defensive and interest rate sensitive orientation.

International/Emerging Markets

International markets, which still lag behind the S&P 500 on a one-year trailing basis as of the end of the January, outperformed for the month, as measured by the MSCI EAFE and Emerging Market Indexes. The ECB action helped lift European markets, both in anticipation of the action and in its aftermath. A weak euro has also helped countries with strong exports. Performance was strong across developed Europe, with Switzerland a notable exception due to strong currency appreciation versus the euro after its surprise central bank move. Prospective renegotiations of Greek rescue terms following the election of anti-austerity party Syriza on January 25, 2015, sent Greek markets tumbling and created some unlikely but plausible risk for the Eurozone as a whole. Developed Asia posted positive but less robust returns in January. Emerging markets saw broad inflows in January, but performance continued to be differentiated between net commodity producers (Russia and Brazil, among others) and net commodity consumers. India's performance continued to stand out, supported by the economic reforms of Prime Minister Narendra Modi.

RUSSELL 1000 SECTOR PERFORMANCE



Source: LPL Financial Research, Bloomberg 01/31/15

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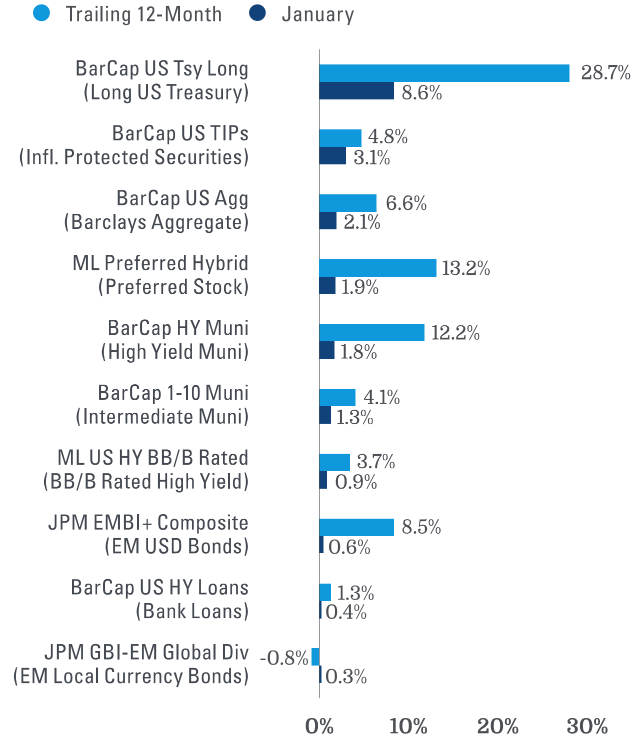
Because of its narrow focus, sector investing will be subject to greater volatility than investing more broadly across many sectors and companies.

FIXED INCOME: INTEREST RATE DECLINES EXTEND INTO NEW YEAR

Falling interest rates continued to support positive returns for the bond market in January, as the Barclays Capital U.S. Aggregate Bond Index posted a total return of 2.1%. Returns were positive across major fixed income sectors except for unhedged developed foreign bonds. A flattening yield curve continued to reward interest rate risk exposure (duration) in January, and taking on some credit risk was also rewarded, as investment-grade corporate debt, measured by the Barclays Capital Credit Index, outperformed the Barclays Aggregate Index by 49 basis points (0.49%). High-yield corporate bonds, based on the Barclays High Yield Bond Index, lagged behind the Barclays Aggregate Index but did post a positive return after struggling in the final half of 2014.

Interest rates abroad continued to have a sizable impact on domestic interest rates, many investors preferring the 2.17% yield on the 10-year Treasury (as of the end of 2014) to the 0.54% yield on German 10-year bonds or 0.32% yield on the Japanese 10-year. Interest rates in Germany and Japan were pushed down further in January by falling inflation, weaker growth, and accommodative central banks. The yield on 10-year sovereign debt for the U.S., Germany, and Japan ended January at 1.68%, 0.30%, and 0.27%, respectively. The yield curve continues to flatten in the U.S., the spread between the 2-year Treasury and 10-year Treasury nearing post-recession lows, with the 30-year Treasury bond yield ending January at a multi-decade low of 2.25%. ECB action will likely continue to support low interest rates in Europe, with knock-on effects for U.S. rates. Hedged developed

FIXED INCOME PERFORMANCE



US TREASURY YIELDS

Security	12/31/14	01/31/15	Change in Yield
90 Day	0.02	0.00	-0.02
2 Year	0.66	0.45	-0.22
5 Year	1.65	1.15	-0.50
10 Year	2.17	1.64	-0.53
30 Year	2.75	2.22	-0.53

AAA MUNICIPAL YIELDS

Security	12/31/14	01/31/15	Change in Yield
2 Year	0.48	0.45	-0.03
5 Year	1.24	1.12	-0.12
10 Year	2.31	2.10	-0.21
20 Year	3.61	3.45	-0.16
30 Year	4.25	4.04	-0.21

Source: LPL Financial Research, Bloomberg 01/31/15

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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.

international debt nearly kept pace with the Barclays Aggregate Index, returning 1.80%, but a strengthening dollar turned the return for unhedged international developed debt negative. Relative to the size of the Eurozone economy, ECB QE is a little less than the Fed's first QE program (QE1), relative to the U.S. economy. However, given the smaller size of the Eurozone bond market, the ECB is having a greater impact on the supply-demand balance. The ECB's €1.1 trillion QE program amounts to about 55% of gross issuance of expected government and corporate debt in 2015. A similar metric for the Fed's QE1 relative to Treasury and mortgage-backed security issuance amounted to 20%.

Moody's global speculative default rate continued to decline over the second half of 2014 and finished the year at 2.1%. Based on a dollar volume, defaults finished at 1.9%. Despite concern over lower oil prices, no energy-related defaults occurred in 2014, but are likely to arise over the course of 2015. Energy-related defaults will take time to develop should they occur, but we believe high-yield bond spreads, at an average of 5.3%, and 10% for high-yield bonds in the energy sector, have largely priced in the possibility. High-yield spreads continued to climb over the first half of January but began to level off in the second half of the month.

The number of municipal defaults declined for the fifth straight year in 2014, from 68 in 2013 to 57. The dollar volume of defaults increased notably, but this was due to a few large single issuer defaults, including Detroit. On balance, the decline in municipal defaults reflects the economic improvement since the end of the financial crisis and greater fiscal discipline among state and local governments. Municipal defaults are about as low as can be reasonably achieved, and mere stability in the number of defaulted issuers in 2015 should be viewed positively.

ALTERNATIVES: BENEFIT IN OTHERWISE VOLATILE MONTH

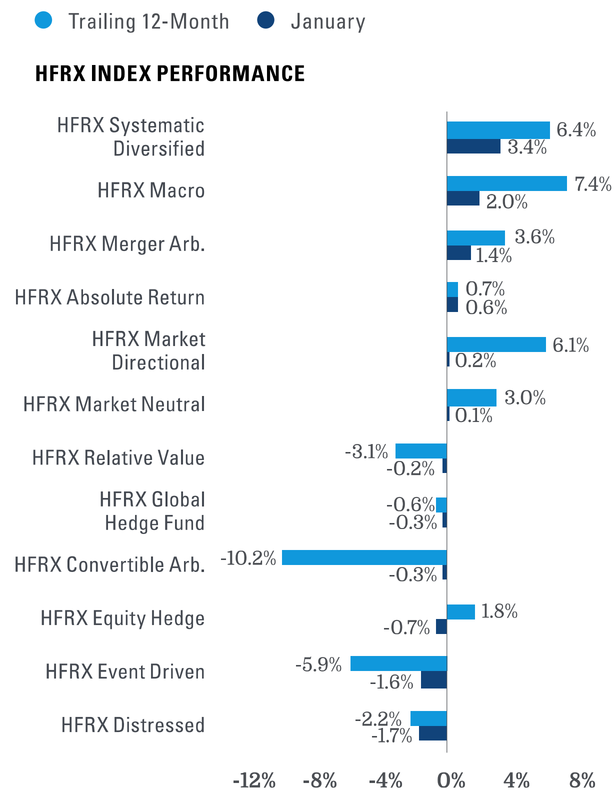
Hedge funds and liquid alternatives started the year well, protecting downside for more directional strategies and generating positive performance in less directionally sensitive strategies. Managers benefited from volatility across a wide range of asset classes, such as currencies and commodities, but struggled with sector positioning in equities.

Macro and managed futures strategies continued to benefit from many of the same themes that developed in the second half of 2014. Managed futures strategies rely on a model-driven approach to investing long and short in futures markets where there are trends of a specifically identified length. In particular, long exposure to the U.S. dollar was profitable, along with long exposure to interest rates and government bonds. At the same time, managers continued to be short the euro, which fell significantly against other currencies as a result of recent monetary policy announcements.

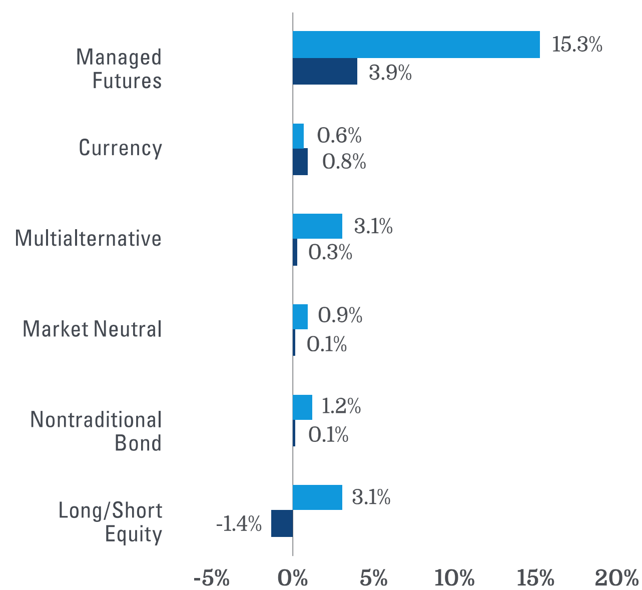
Directional strategies like long/short equity and event driven generally participated in the equity market drawdown last month due to increased market exposure, but ultimately protected capital in excess of their overall market exposure. Long/short equity, for instance, captured roughly 20% of the overall equity market decline, according to data from Hedge Fund Research. Event driven experienced a somewhat larger drawdown due to distressed energy exposure and volatility within post-reorganization equity securities.

Liquid alternatives managers largely outperformed hedge fund peers, with long/short equity the only category to finish in negative territory. Similar themes, such as a stronger U.S. dollar and falling interest

HFRX INDEX PERFORMANCE



MORNINGSTAR INDEX PERFORMANCE



Source: LPL Financial Research, FactSet 01/31/15

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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.

rates, acted as a tailwind for managed futures funds, along with multialternative and nontraditional bond managers. Long/equity strategies were the notable laggard, as higher market exposure resulted in greater participation in the sell-off.

RATES, DOLLAR, OIL

Liquid real assets started and ended the month atop the interest rate, dollar, and oil volatility wave that started in the middle of 2014. A decline in the 10-year yield again helped interest rate sensitive areas of the market, while continued weakness in oil and the strong dollar bruised the commodity exposed.

MLPs & Global Listed Infrastructure

There was practically no place to hide within the master limited partnership (MLP) space, as up-, mid- and downstream MLPs faced pressure in January. This marked the fifth consecutive month for MLP declines, the longest since 1995. Only the propane sector was able to eke out a gain, thanks to cold weather in the Northeast. The year started weakly for the space with two upstream MLPs cutting distributions, sending a chill through the market. Since then, however, only three MLPs cut distributions (all upstream or variable distribution), while more than 50 increased them. The market now turns to the Q4 earnings season, which began the last week of January with Enterprise Product Partners (the largest MLP in the United States) reporting record numbers and strong distribution growth. Elsewhere in infrastructure, global utilities took a breather after a strong 2014, while airports (+3.3%) and railways (+6.3%) rallied.

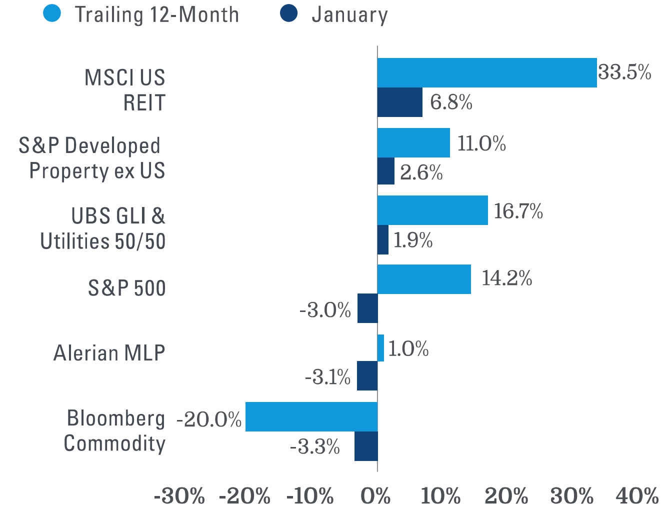
REITs

U.S. real estate investment trusts (REIT) continued to benefit from what has been a persistent decline in interest rates, helping duration-sensitive sectors outperform (i.e., healthcare REITs, +9.3% in January). Hotel REITs (-0.2%) were the only subsector to finish in the red, although this was after a 32.4% rise in 2014. The Q4 earnings season is still in its early stages, but thus far it has been mixed, with 10 of the 15 beating top-line estimates, but only 7 exceeding bottom-line expectations. Abroad, monetary stimulus in Europe and easing residential measures in and around China helped returns. Gains in French and German property indexes topped 5% last month thanks to yield-seekers disenchanted by negligible yields on local 10-year bonds. Offsetting weakness came from Japan (-2.2%), Australia (-2.8%), and Latin America (-2.6%). Japan continued to suffer from conflicting fundamentals. A yen rebound in January went in the face of additional QE measures instituted in Q4. Local property indexes bifurcated, with hotels (+3.9%) and office (+1.4%) offset by diversified (-4.4%) operators. Australian and Latin American property indexes closed lower on broader economic concerns surrounding natural resource exports in the face of falling commodity prices.

Commodities

It was another leg down for an asset class that recently suffered its worst year since the Great Recession. Energy prices, particularly crude oil (-10.5%), saw no reprieve as strong inventory data from the United States and robust OPEC output expectations weighed on the front end of the crude oil futures curve. Other detractors included copper (-12.4%), which fell on contracting Chinese manufacturing data, and wheat (-14.8%), where exports fell (15.1 million tonnes in January, compared to 22.1 million tonnes at this point last year, based on USDA data). Precious metals proved the only positive outlier for the month (+8.2%). The Swiss Central Bank surprised many market participants by removing the cap on the Swiss franc, which sent the currency up more than 10% in one day and the euro reeling. Many investors elected to move into the U.S. dollar and gold as safe havens, helping both finish stronger for the month.

LIQUID REAL ASSET PERFORMANCE



Source: LPL Financial Research, FactSet 01/31/15