July Update | As of June 30, 2016

JUNE 2016 IN REVIEW

ECONOMY:

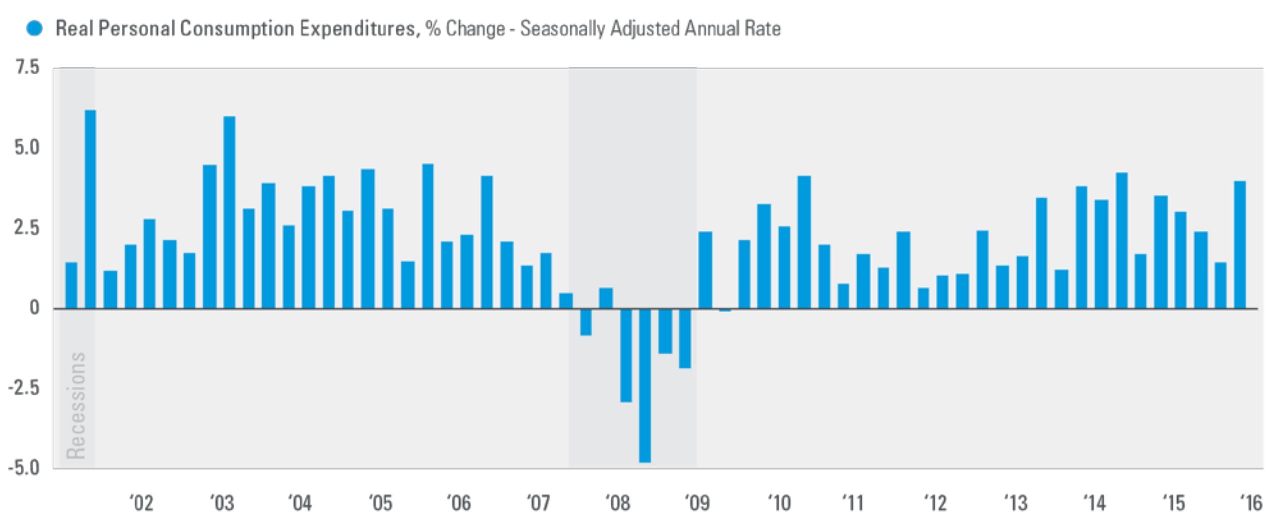
DATA SUPPORTIVE OF CONTINUED GROWTH, BUT REFLECT PRE-BREXIT ENVIRONMENT

Economic Data

Economic data received in June and early July, which largely reflect economic activity in May and June 2016, generally beat lowered expectations, as the oil glut eased, the dollar weakened, and manufacturing stabilized. Consumer spending (70% of gross domestic product [GDP]) looked to be the big winner, with spending in the second quarter on pace to be among the fastest in 10–15 years, led by solid auto sales and an ongoing acceleration of online shopping at the expense of traditional mall-based retailers. Housing remained solid, boosted by low mortgage rates, improving demographics, and short supplies of new and existing homes in high-demand areas. Business spending got a lift from the stabilization in oil prices; but while prices have moved up, oil production is still trending downward, keeping a lid on energy-related business spending.

Job creation declined noticeably in April and May after the U.S. economy consistently created 200,000+ jobs per month from early 2010 through early 2016. Some of the slowdown was likely due to "payback" after a much warmer and drier than usual winter, which artificially boosted the job count in the winter and early spring of 2016. However, most other measures of the health of the labor market remained on solid footing, with initial claims for unemployment insurance remaining near 40+ year

CONSUMER SPENDING IN Q2 ON TRACK FOR ONE OF BEST QUARTERS IN 15 YEARS



Source: LPL Research, Bureau of Economic Analysis, Haver Analytics 07/06/16 lows. Consumer sentiment remained near the upper end of its post-recession range in June.

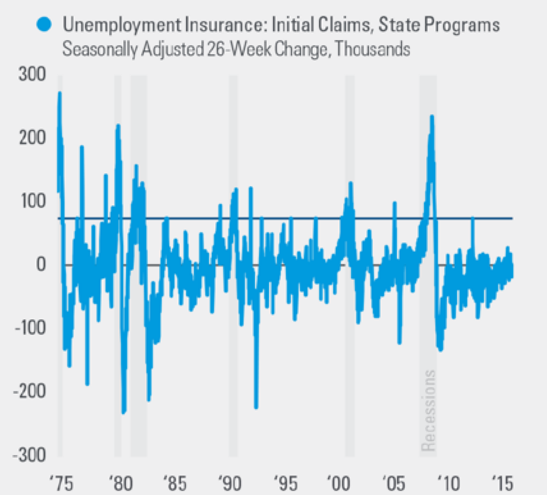
The one caveat to the better tone of U.S. economic data released in June is that they reflect economic activity and consumer behavior prior to the June 23, 2016, “Brexit” referendum in the United Kingdom (U.K) to leave the European Union (EU). Economic reports won’t fully reflect the impact of the U.K.’s unexpected decision to leave the EU until the data for July and August are released in August and September. This delay will raise the significance, for financial markets, of the weekly reports on initial jobless claims, consumer sentiment, retail sales, and others. We don’t expect the Brexit vote to have a large impact on U.S. growth in the second half of 2016, but a stronger dollar, slower exports to the EU and U.K., and tighter financial conditions in the U.S. are all possible outcomes of the Brexit vote’s impact on the U.S. economy.

Prior to the June 23 Brexit vote, real-time and leading indicators continued to point to a declining chance of a recession in the next year, but the odds of a recession in the U.S. nudged higher in the final week of June, mainly as a result of a potential spillover from the financial turmoil in Europe to the U.S. financial markets and economy. The data released that referenced the pre-Brexit time frame, including The Conference Board’s Leading Economic Index (LEI), an aggregate of leading indicators, and the level of initial claims suggest low odds of a recession based solely on the economic data. Meanwhile, the Atlanta Federal Reserve’s (Fed) 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 June, driven primarily by forecast improvements from consumer goods expenditures and homebuilding.

Central Banks

As was the case with the economic data in June, the actions of central banks in June should be viewed both pre- and post-Brexit. Even before the Brexit vote, the Fed’s June Federal Open Market Committee (FOMC) meeting, along with Fed Chair Janet Yellen’s testimony to Congress on monetary policy and the economic outlook, suggested that the Fed was prepared to be cautious in raising rates this year. Post-Brexit, central banks generally followed the crisis playbook that has become all too common since 2007, promising to provide liquidity to the system to absorb the shock to the financial system. The Fed’s next meeting is in late July; and while the Bank of England is likely to cut rates at its next meeting in mid-July, the Bank of Japan, the European Central Bank, and the Fed are likely in “wait and see” mode.

JOBLESS CLAIMS DOWN 17,000 OVER THE PAST 6 MONTHS, NOT SIGNALING A RECESSION



Source: LPL Research, Department of Labor, Haver Analytics 07/06/16

Global Equities:

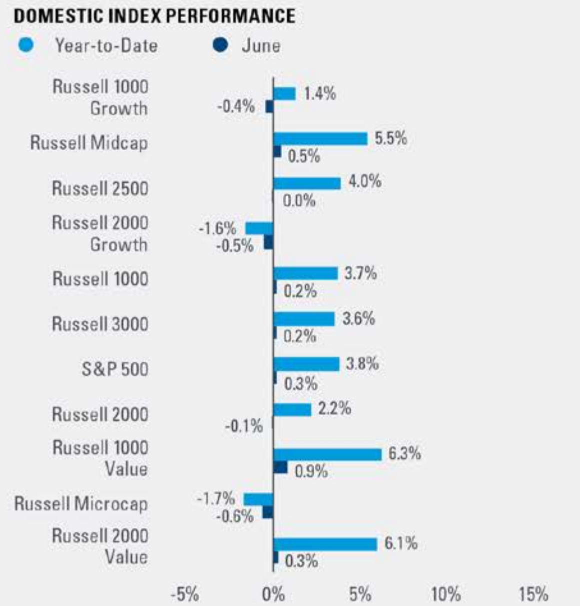
U.S. EQUITIES EKED OUT A FOURTH STRAIGHT POSITIVE MONTH IN JUNE

U.S.

The S&P 500's 0.3% gain in June was just enough to push the stock market's winning streak to four consecutive months, the first such streak in two years. Considering the index was down 4.6% with just three days to go, mostly due to the unexpected outcome of the Brexit vote in the U.K., getting to green territory for the month was quite remarkable. In fact, the only other month to be down more than 4% with three days to go and close positive was September 1938. The modest gain brought the S&P 500's year-to-date advance to 2.7% (or 3.8% including dividends) and left the index less than 2% away from all-time highs set in May 2015.

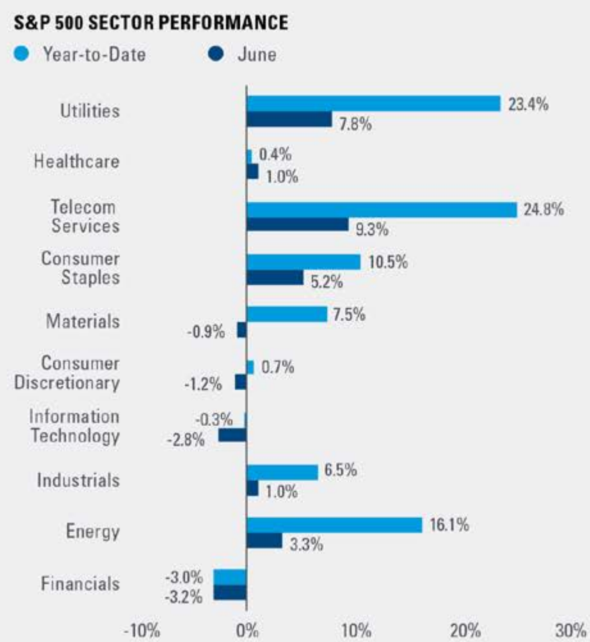
For much of the month, stocks were supported by higher oil prices and the pushout of Fed rate hike expectations, until late June Brexit-related volatility almost precluded a positive month. Prospects for rate hikes to be pushed out well into 2017, coupled with the weak May jobs report (reported on June 3) and falling yields overseas, drove Treasury yields down to near record lows and fueled strong gains in high-dividend-paying stocks.

Strength in the energy sector and dividend-paying stocks propelled value leadership over growth. The defensive, high-dividend-paying telecom and utilities sectors topped the S&P 500 equity sector rankings, benefiting from the sharp drop in interest rates as markets favored yield. Real estate investment trusts (REIT) saw similar strong gains. On the flip side, the market's two biggest market cap sectors, financials and technology, were June's biggest laggards. Financials were hurt by falling interest rates and the tightening of financial conditions after the U.K. voted to leave the EU. Technology was hurt by weakness in internet, technology hardware, and payment processing stocks.



Source: LPL Research, FactSet 06/30/16

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



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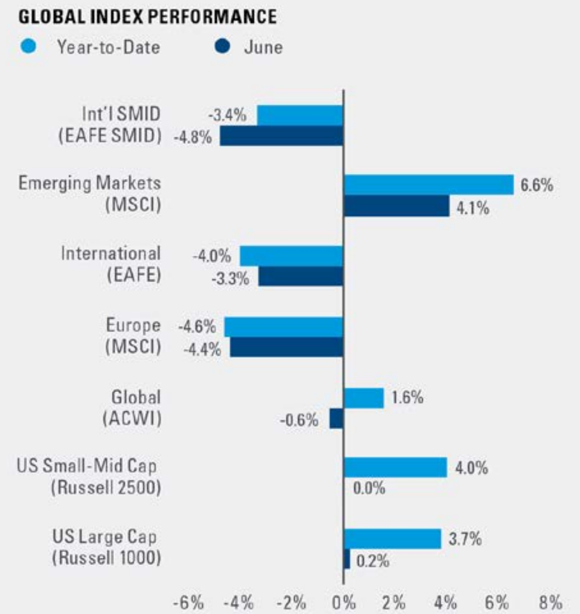
Stock investing involves risk, including loss of principal.

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) trailed the S&P 500 in June. The MSCI EAFE Index lost 3.3% for the month as stalled economic growth, Brexit fears, and U.S. dollar strength weighed on European markets, and yen strength hampered Japan's feeble economic recovery. The MSCI Emerging Markets Index (EM) was a standout performer with a 4.1% gain in June, benefiting from the pushout of Fed rate hike expectations and rebounding commodity prices. At the country level, Brazil was the top performer as the country rebounded from the political turmoil that plagued its market earlier in the year, while China's market was weighed down by lackluster economic data and weakness in internet stocks.



Source: LPL Research, FactSet 06/30/16

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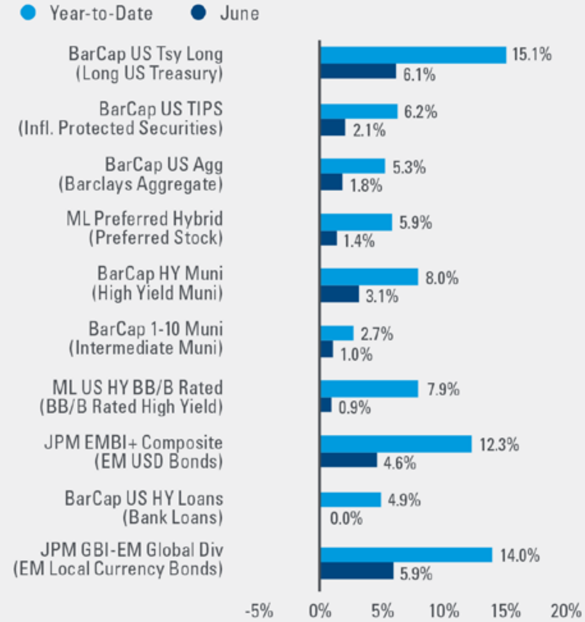
International and emerging markets investing involves special risks, such as currency fluctuation and political instability, and may not be suitable for all investors.

FIXED INCOME: RALLIES AMID SHARP GLOBAL DECLINE IN YIELDS

Interest rates fell sharply across the yield curve during June, as the surprise Brexit vote and anticipated dovish global central bank action drove yields down globally. The yield on the 2-year Treasury fell 30 basis points (0.30%), with the 10- and 30-year yields falling 37 and 36 basis points (0.37% and 0.36%), respectively. Shorter-term yields declined domestically as Fed rate hike risks diminished, mostly as a result of the destabilizing events in the EU, global economic uncertainty, and lower inflation expectations as the 10-year breakeven inflation rate declined by 25 basis points (0.25%). The overall sharp decline in rates was a tailwind for the broad fixed income market, represented by the Barclays Aggregate, returning a strong 1.8% during the month, bringing its year-to-date return to 5.3%. The Barclays U.S. Treasury Index outperformed the Barclays Aggregate, returning 2.2% during June and 5.4% year to date.

A 26% rise in oil prices during the month was a tailwind for more economically sensitive sectors. High-yield bonds returned 0.9% on this strength and emerging markets debt 4.6%, bringing those sectors' year-to-date total returns to 7.9% and 12.3%, respectively. Bank loans were flat on the month, as the "lower for longer" theme limited their appeal. Investment-grade corporate bonds benefited from high-quality bond demand, returning 2.3% during June. Foreign bond prices also increased, with hedged foreign returning 2.6% and unhedged 4.5%.

FIXED INCOME PERFORMANCE



US TREASURY YIELDS

Security	05/31/16	06/30/16	Change in Yield
3 Month	0.34	0.26	-0.08
2 Year	0.87	0.58	-0.29
5 Year	1.37	1.01	-0.36
10 Year	1.84	1.49	-0.35
30 Year	2.64	2.30	-0.34

AAA MUNICIPAL YIELDS

Security	05/31/16	06/30/16	Change in Yield
2 Year	0.71	0.62	-0.09
5 Year	1.22	1.04	-0.18
10 Year	2.01	1.75	-0.26
20 Year	3.41	3.04	-0.37
30 Year	4.15	3.80	-0.35

Source: LPL Research, Bloomberg, FactSet 06/30/16

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

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

ALTERNATIVES:

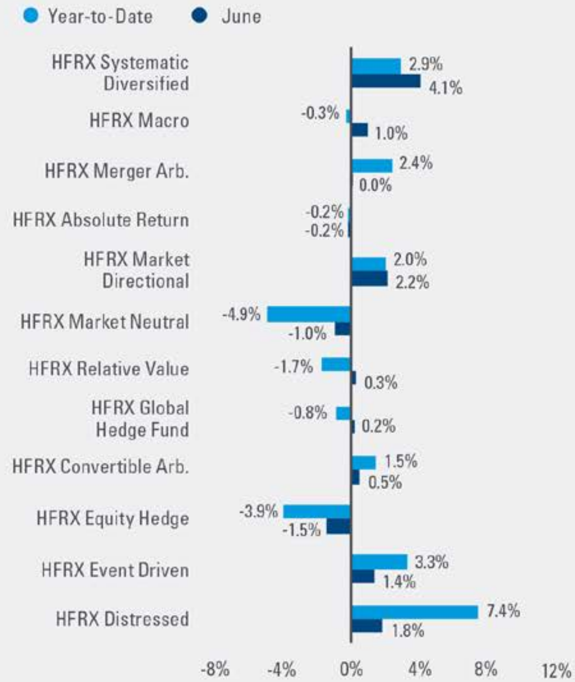
MANAGED FUTURES WEATHER VOLATILITY

A volatile month across markets was a positive for managed futures strategies, as the HFRX Systematic Diversified Index gained 4.1%, bringing year-to-date returns to 2.9%. By asset class, long fixed income exposure, specifically to U.S. Treasury and sovereign European debt contracts, proved beneficial. Additionally, long exposure to the Japanese yen contributed to the positive returns, as the currency continues to be seen as a safe-haven during bouts of market volatility. Discretionary macro managers also provided a month of gains, as the HFRX Macro Index returned 1.0%. Gains in the currency space supported returns, as short British pound and long yen exposure were top contributors during the month.

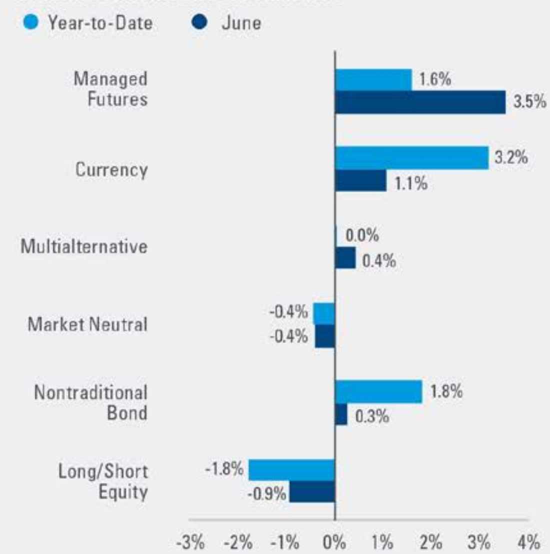
Distressed debt managers continued their impressive streak of positive gains, as the HFRX Distressed Securities Index returned 1.8% and has now gained 13.9% since the beginning of March, the best four-month stretch of performance in the index's history. Gains continue to be seen in the energy and materials sectors, as oil's swift bounce from the February lows has resulted in a rally in debt prices.

Managers in the equity space continue to see lackluster performance, as the HFRX Equity Hedge Index returned -1.5%, as compared to the 0.3% gain in the S&P 500. During the month, many strategies continued to reduce both long and short exposure due to the market volatility; however, there remains a slight growth and cyclical overweight across the industry. This portfolio tilt continues to act as a headwind, as the more defensive sectors (consumer staples, telecom, and utilities) are among the best year-to-date performers in the S&P 500.

HFRX INDEX PERFORMANCE



MORNINGSTAR INDEX PERFORMANCE



Source: LPL Research, FactSet 06/30/16

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

MIXED RESULTS FOR REAL ASSETS IN JUNE

In what was a rough month for agricultural commodities, most other real assets saw positive returns in June. The U.S. dollar (trade weighted index) was up marginally (0.57%) while the 10-year Treasury yield plummeted from 1.85% on June 1 to 1.49% on June 30. The Bloomberg Commodity Index was up 4.1% with 10 constituents in negative territory and 12 in positive. The S&P 500 Index returned 0.3%.

MLPs & Global Listed Infrastructure

Master limited partnerships (MLP) shrugged off a negative monthly return for crude oil and returned 5.1% in June (as measured by the Alerian MLP Index). It seems that the asset class is finally decoupling from oil prices as market participants become more comfortable with the supply and demand balance of crude. The termination of a large and contentious acquisition that has weighed on the market may also provide more certainty going forward.

Global listed infrastructure, as measured by the S&P Global Infrastructure Index, continued its strong year-to-date performance and returned 3.1% in June. The asset class is firmly outperforming the broader global equity markets with a return of greater than 14.1% year to date.

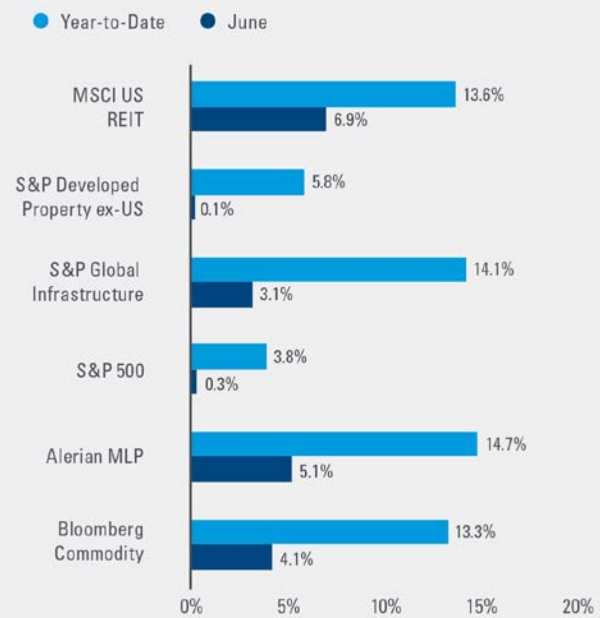
REITs

The rally in REITs continued in June as Treasury yields fell. The MSCI US REIT Index returned 6.9% for the month. The recent volatility, which may lead to lower for even longer interest rates, could benefit the asset class going forward.

Commodities

Extreme returns were exhibited by many constituents of the Bloomberg Commodity Index in June as 8 of the 22 index components saw absolute returns of greater than 10%. In general, grains sold off, softs (e.g., coffee, sugar, cotton) posted strong returns, and energy was mixed. WTI crude oil saw a -1.4% return while natural gas posted a return of 22.8%. Grains saw net long positioning by money managers decrease, following what has been a strong increase in long positioning year to date. Precious metals benefited from an uptick in volatility and a decrease in interest rates, as gold returned 8.72% and silver returned 16.93%. As of June 21, managed money amassed the longest net position in gold and silver on record. Industrial metals were unaffected by weak data from China as copper, zinc, and nickel exhibited strong performance.

LIQUID REAL ASSET PERFORMANCE



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