December Update | As of November 30, 2016

NOVEMBER 2016 IN REVIEW

ECONOMY:

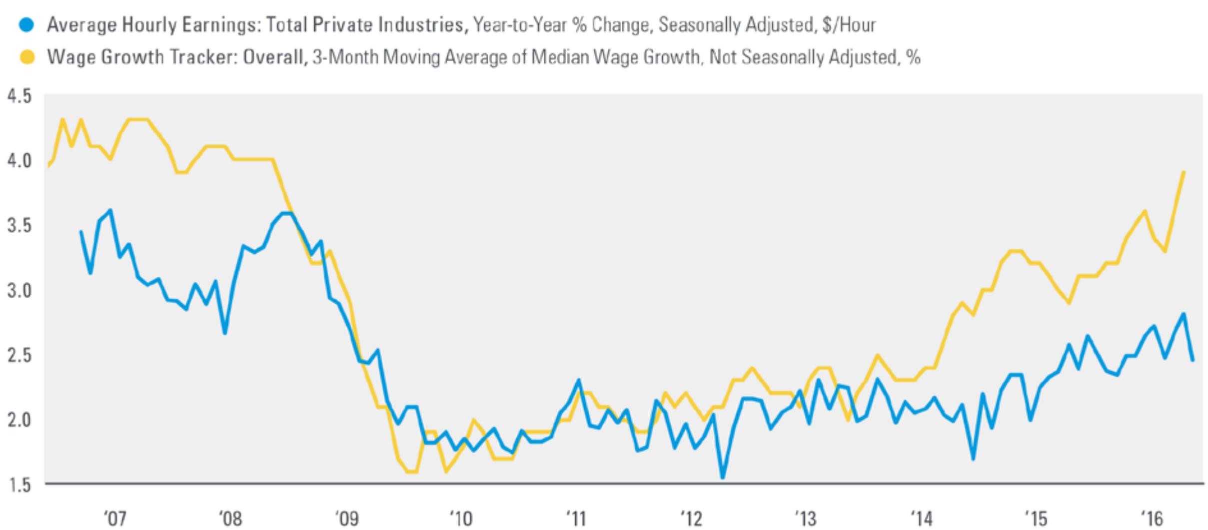
GROWTH ACCELERATES IN THIRD QUARTER

Economic Data

Economic reports received in November, which mostly reflect economic activity in October and early November, generally exceeded expectations, as reports on manufacturing, consumer activity, and the housing market were all notably better than expected. While not as timely as the data for October and November, the revised estimate of 2016 third quarter gross domestic product growth (GDP), released on November 25, surprised to the upside, accelerating to 3.2% annualized growth from 1.4% in the second quarter, above economists' consensus expectations of 3.0% and solidly above the initial reading of 2.9%. Despite the pickup in GDP, growth remains at a tepid 1.6% year over year.

Aside from the better than expected (and upwardly revised) reading on third quarter GDP, the month's economic releases were highlighted by improving readings in the manufacturing sector (Institute for Supply Management's [ISM] Purchasing Managers' Index [PMI] for manufacturing), which is now accelerating after a nearly two year slump related to falling oil prices. Many of the regional Federal Reserve (Fed) surveys on manufacturing also exceeded expectations in November, including the Dallas Fed's index, which is heavily dependent on oil and energy. Readings released on consumer spending in October also came in better than expected, notably the 17.9 million sales pace for light vehicles and the 0.8% increase in core retail sales.

WAGE GROWTH HAS BEEN ACCELERATING



Source: LPL Research, Bureau of Labor Statistics, Federal Reserve Bank of Atlanta 12/02/16

However, despite the better than expected tone of the data released in November, not all the data exceeded expectations. Noteworthy disappointments included payroll employment, inventories, home sales, and construction spending. Remarkably — despite the rancor surrounding the presidential election — consumer sentiment exceeded expectations in November and improved from October.

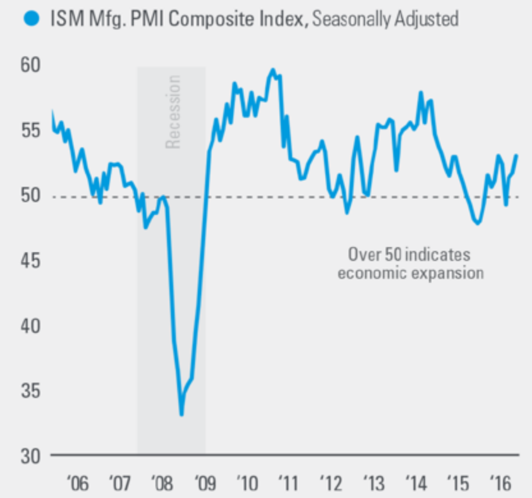
With the modest bounce in economic reports continuing in November, leading economic indicators continued to signal low odds of a recession. The Conference Board's Leading Economic Index (LEI), an aggregate of economic indicators that tends to lead the overall economy, rose 0.1% month over month, but decelerated slightly year over year from 1.5% in September to +1.1% in October. Historically, when the change in the LEI has been at this level or higher, the economy has been in a recession a year later less than 10% of the time.

Although the reports released in October largely matched expectations, inflation as measured by the Consumer Price Index (CPI) continued to accelerate, from a 1.5% year-over-year gain in September to 1.6% in October. Wages also continued to accelerate, as the year-over-year increase in average hourly earnings (a timely gauge of wage pressures) accelerated from +2.7% year over year to +2.8% in October, the highest reading in seven years.

Central Banks

After a very busy September, October was relatively quiet as meetings by the Bank of Japan (BOJ) and the European Central Bank (ECB) came and went without any changes in policy. The Fed didn't meet in October, but did release its Beige Book ahead of the November 1–2, 2016 Federal Open Market Committee (FOMC) meeting and the minutes of its September 20–21 meeting. Fed Chair Janet Yellen and Vice Chair Stanley Fischer also each delivered a speech in October. At the start of October 2016, the odds of a Fed rate hike at the December 2016 FOMC meeting stood at just 60%, but by the end of the month, markets were placing the odds of a December hike at over 70%.

MANUFACTURING SHOWING GREATER STABILIZATION



Source: LPL Research, Institute for Supply Management 12/02/16

GLOBAL EQUITIES:

TRUMP VICTORY AND STOCK MARKET RALLY BROUGHT TWO SURPRISES IN NOVEMBER

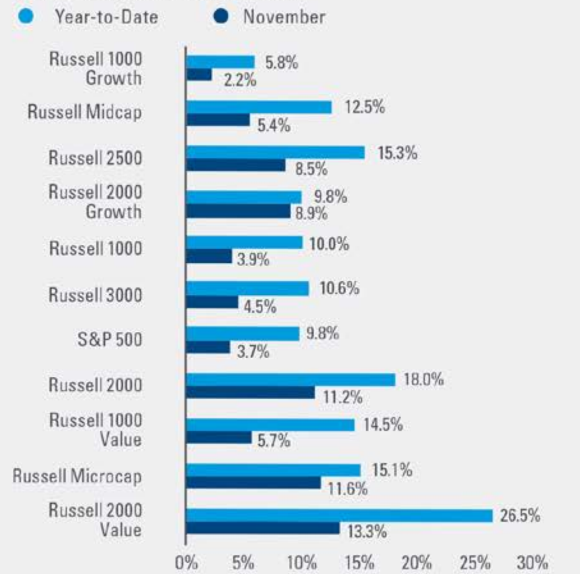
U.S.

Stocks rebounded from a down October to the S&P 500 posting a 3.7% return in November, the best monthly performance since March of 2016. Improving economic conditions played a role in the strength, but the biggest driver was potential pro-growth policies under a Trump presidency with Republican control of Congress, including tax reform, infrastructure spending, and less regulation. Stocks proved resilient to several risks, including U.S. and European political uncertainty, rising interest rates, and a strong U.S. dollar. November's gains brought the S&P 500 year-to-date return to 9.8%. Election impacts were evident in the moves of politically sensitive groups. On the plus side, financials (+13.9%) surged on rising interest rates and a steeper yield curve, good for lenders, and prospects for less regulation; and industrials (+8.8%) rallied on prospects for more infrastructure spending. Conversely, emerging markets (EM) fell on risk of protectionist U.S. trade policy, exacerbated by currency weakness; rising interest rates hurt dividend-focused investments; and healthcare, after a brief post-election rally, underperformed due in part to uncertainty around the future of the Affordable Care Act.

The month was not all about the election, as stock and bond investors continued to watch the Fed closely ahead of the central bank's next policy meeting in December where a hike is widely expected. The earnings recession officially came to an end as third quarter 2016 earnings gains were cemented. And oil got a lot of headlines, taking markets on a dizzying ride as mixed signals out of OPEC throughout the month culminated in an agreement to cut production on November 30, fueling a 9% rally in crude oil prices.

Beyond the election theme, more economically sensitive sectors continued their run of outperformance in November, consistent with improving economic

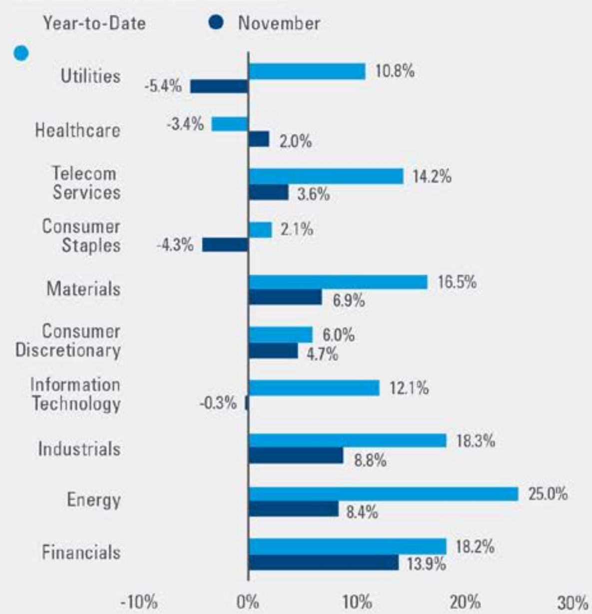
DOMESTIC INDEX PERFORMANCE



Source: LPL Research, FactSet 11/30/16

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

S&P 500 SECTOR PERFORMANCE



Source: LPL Research, FactSet 11/30/16

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Stock investing involves risk, including loss of principal.

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

conditions, as cyclicals outperformed defensives for the fifth straight month. The impact of rising interest rates was clear, with financials, a beneficiary of higher rates, topping the sector rankings while the most interest rate sensitive sectors such as real estate, utilities, and consumer staples all suffered losses. Energy was another big winner, gaining 8.4% for the month thanks in large part to the rally on the OPEC agreement at the end of the month.

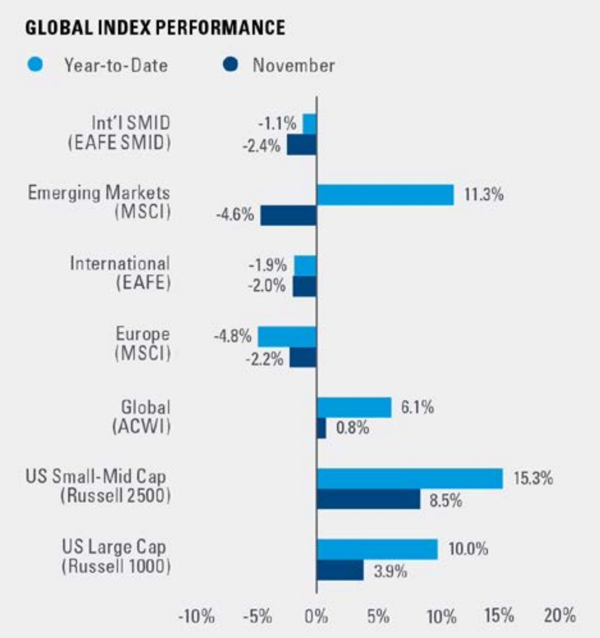
Value outperformed growth in November due primarily to the strong performance from financials and energy, the two biggest value sectors, and technology sector underperformance. Value has also historically fared well when economic growth and earnings growth are accelerating, as occurred the past two months based on data received in October and November. In terms of market cap, small caps were a standout performer to the upside due to prospects for tax reform, as tax cuts benefit more domestically focused companies with higher tax rates than their larger, more global counterparts. Smaller companies are also generally less impacted by trade policy.

International

International equity markets lagged that of U.S. markets during November, as the MSCI EAFE Index for developed international markets lost 2.0% for the month and the MSCI Emerging Markets (EM) Index slid 4.6%. It has still been a good 2016 for EM equity investors, with the MSCI EM Index having returned 11.3% year to date, slightly ahead of the S&P 500, and well ahead of the 1.9% year-to-date loss for developed international equities.

The biggest story in international equity markets, as in the U.S., was the U.S. election. Fears of a possible trade war weighed on EM as President-elect Trump has stated his desire to redo trade agreements to promote better deals for the U.S. Accordingly, it was no surprise that Mexico, with its 12.7% loss, was one of the worst EM country performers in November. EM also faces increased headwinds from a potentially faster pace of Fed rate hikes and rising interest rates, which are pushing the dollar higher. These headwinds more than offset the benefits of better economic data in China, an improving EM earnings outlook, and commodity price stability. Buoyed by oil, Russia was among the top performing EM countries for the month, while Turkey and Egypt fell most.

Foreign developed market returns were also hurt by the strong U.S. dollar, as well as uncertainty ahead of the December 4, 2016, constitutional referendum in Italy that may lead to a regime change and increased pressure on the Eurozone structure. Selling pressure was more pronounced in Europe — Germany, Italy, and Spain in particular — while Asia-Pacific markets generally held up better, including Singapore and Australia. The United Kingdom also produced a modest gain for the month as its economy has largely shrugged off its pending separation from the European Union.



Source: LPL Research, FactSet 11/30/16

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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:

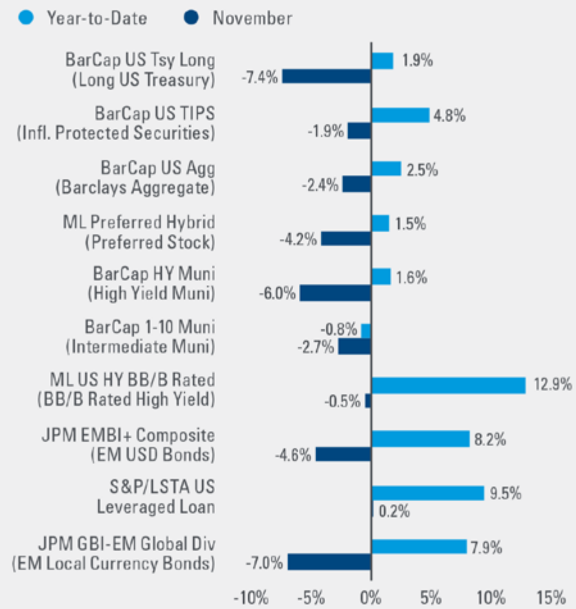
RATES RISE ACROSS THE CURVE

The yield curve steepened in November, with interest rates rising dramatically across the yield curve. The 2-year Treasury rose by 0.25% and the yield on the 10-year Treasury rising by 0.53%. The increase in rates came as markets digested the surprise presidential victory of Donald Trump. His calls for fiscal stimulus, in addition to concerns of rising Treasury supply to fund that stimulus, drove a strong pickup in inflation and growth expectations. Short-term interest rates were pushed higher by market confidence that the Fed will raise the federal funds rate during its December meeting. Trump's pro-growth policies, if they come to fruition, would likely lead the Fed to be more aggressive than they otherwise would have with the pace of rate hikes. This put additional upward pressure on shorter-term Treasury yields.

The rise in yields across the maturity spectrum was a headwind for high-quality fixed income. The broad Barclays Aggregate Bond Index returned -2.4% during the month, its worst monthly total return ever (data going back to 1976). The aforementioned rise in inflation expectations was a slight tailwind for TIPS, which returned -1.9% on the month, outperforming Treasuries, which returned -2.7%. Municipals were weighed down on supply concerns and weakening demand, leading to a -2.7% return during November.

The rise in short-term interest rates continued to help drive up Libor (London interbank offered rate), a short-term global benchmark interest rate, which was a benefit for bank loans, returning 0.2% during November. Emerging market debt fell 4.6% during the month amid concerns of the impact of trump's protectionist trade policies on emerging markets (EM). The dollar drove 3.2% higher during the month, hurting unhedged foreign bonds, which returned -5.7% amid globally rising rates. The long duration of preferreds was a headwind, leading it to a -4.2% return on the month.

FIXED INCOME PERFORMANCE



US TREASURY YIELDS

Security	10/31/16	11/30/16	Change in Yield
3 Month	0.34	0.48	0.14
2 Year	0.86	1.11	0.25
5 Year	1.31	1.83	0.52
10 Year	1.84	2.37	0.53
30 Year	2.58	3.02	0.44

AAA MUNICIPAL YIELDS

Security	10/31/16	11/30/16	Change in Yield
2 Year	0.88	1.24	0.36
5 Year	1.26	1.87	0.61
10 Year	2.01	2.64	0.63
20 Year	3.39	3.99	0.60
30 Year	4.04	4.72	0.68

Source: LPL Research, Bloomberg, FactSet 11/30/16

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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.

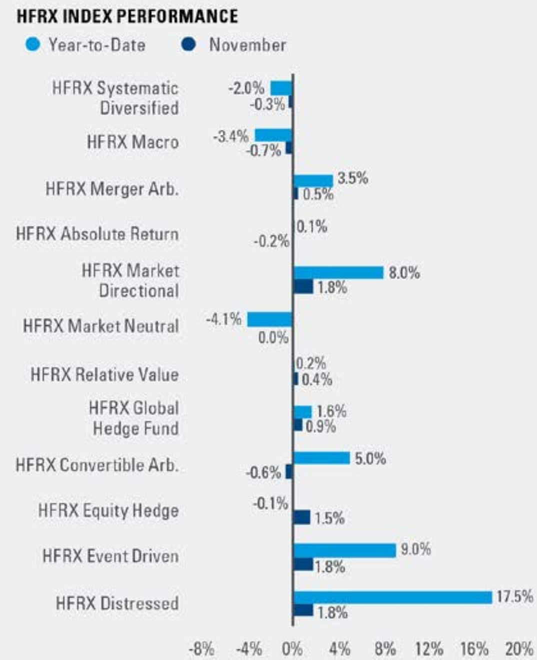
ALTERNATIVES:

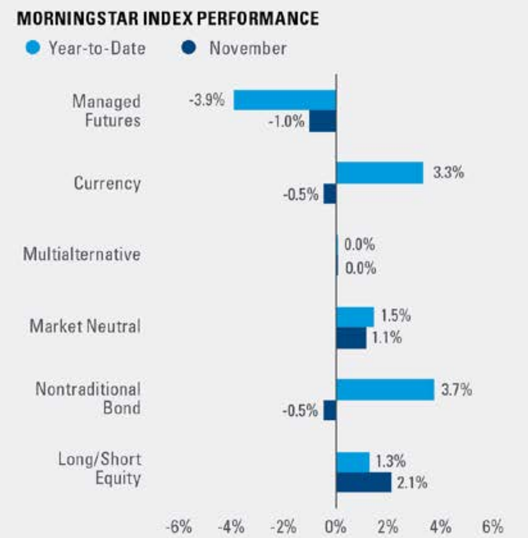
MACRO STRATEGIES STRUGGLE POST-ELECTION

Following the November 8, election results, equity markets underwent a sharp sector rotation, with capital flows favoring economically sensitive names, at the expense of more defensive sectors such as utilities and consumer staples. This market development impacted hedged equity performance in several manners. While domestic risk assets delivered a broad based rebound, strategies favoring small cap value, as well as financial and industrial exposure delivered the strongest returns. However, given the rally's breadth, these gains were partially offset with losses from short positions that also appreciated in price during the month. Overall, the HFRX Equity Hedge Index gained 1.5% with a beta of 0.4, as compared to the 3.7% gain of the S&P 500. Distressed debt strategies also benefited from the post-election optimism, as the HFRX Distressed Debt Index gained 1.8%, bringing year-to-date returns to 17.5%. Barring any steep declines in December, the index has the potential to deliver the best annual performance since 2003.

Discretionary macro strategies ended up on the negative side of November's market rotation, as the HFRX Macro Index declined 0.7%. Long foreign equity positioning, specifically in Latin America, as well as any non-long U.S. dollar exposure detracted from portfolio performance. Within currency allocations, losses stemming from long yen versus the U.S. dollar were particularly sharp as the yen declined over 8% against the dollar, paring the yen's year-to-date strength.

Managed Futures also experienced weak returns following the election, as the HFRX Systematic Diversified Index declined 0.3%. The backup in Treasury rates weighed meaningfully on portfolio returns, as the rate on the U.S. 10-Year note increased to 2.37% from 1.84%, resulting in losses from long futures positioning..





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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.

RISK-ON RALLY LEAVES MIXED RESULTS FOR REAL ASSETS

Real asset prices were mixed in November as the U.S. election and OPEC dominated headlines. The U.S. dollar rallied with the trade–weighted index up 3.2% as 10-year Treasury rates rose from 1.84% at the end of October to 2.37% at the end of November.

MLPs & Global Listed Infrastructure

News flow in November was all about OPEC as the cartel held a meeting on the last day of the month to agree upon upcoming production cuts. Master limited partnerships (MLPs) rallied with the bullish outcome to end the month up 2.3%, as measured by the Alerian MLP Index. The U.S. election results also undoubtedly had a positive impact on MLPs as the incoming administration promises to be much more energy-friendly and lax on regulations compared to the government's current stance. This bodes well for growth prospects for pipelines. The potential for tax reform could impact the asset class, but chances are relatively slim. The asset class remains attractively valued as the index is yielding greater than 7.5%.

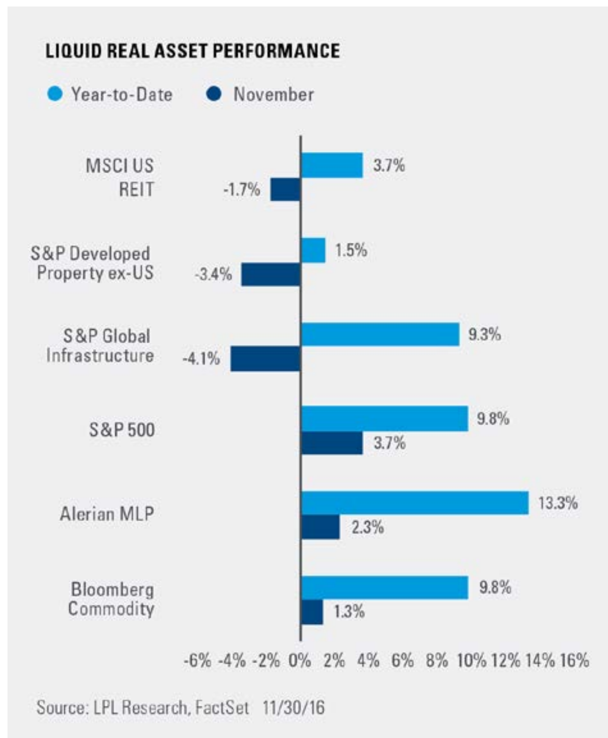
Global listed infrastructure, as measured by the S&P Global Infrastructure Index, returned -4.1% leaving year-to-date returns just above 9%.

REITs

Real estate investment trusts (REITs) were impacted by rising rates leading to a -1.7% return for the MSCI US REIT Index. Hotel REITs outperformed the index as investors expect this segment of the market to benefit from a higher growth environment. As long as rates continue to rise, the asset class will be facing a significant headwind.

Commodities

WTI crude oil prices rose 5.5% for the month, turning positive on the final day of November. The main story in oil was the agreement by OPEC to cut oil production by 1.2 million barrels per day. Non-OPEC nations, including Russia, agreed to a preliminary cut of 600,000 barrels per day. Prices were volatile throughout the month as the market assessed the likelihood of an agreement. Grains in particular gave up ground leading to a return of -2.9% for the Bloomberg Agriculture Subindex. Gold and silver were heavily impacted by the stronger dollar and higher interest rates, with gold down 8.0% and silver down 7.8% on the month respectively. Industrial metals responded to the perceived potential for fiscal stimulus as copper prices rose 18.9% reaching their highest level since mid-2015.



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