March Update | As of February 28, 2017

FEBRUARY 2017 IN REVIEW

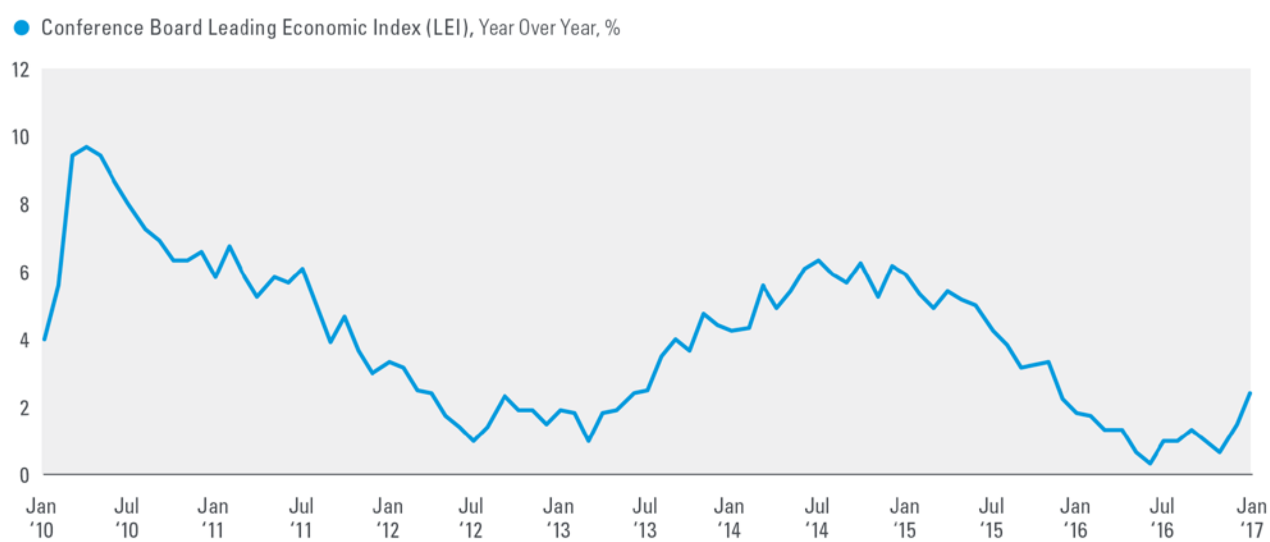
ECONOMY:
STRONG RUN OF ECONOMIC DATA ACCELERATES GROWTH

Economic Data

As they did in January 2017, February 2017 economic reports, which mostly reflect economic activity that occurred in January 2017, continued to support real gross domestic product (GDP) growth of about 2.5 – 3.0% for the first quarter of 2017, according to "NowCast" model estimates by the New York and Atlanta Federal Reserve Banks (Fed). A pace in this range would be ahead of the average growth rate of just over 2% seen since the end of the Great Recession. About 60% of the U.S. economic data reported in February exceeded economic estimates, a slowdown from the prior month but still an indication that expectations have not yet caught up with improvements in the data. The pickup in data has likely been driven primarily by two sources: 1) the continued release of "animal spirits" post-election due to greater policy clarity and the potential enactment of pro-growth policies such as tax reform, deregulation, and infrastructure spending; and 2) the continued rebound from a period of slow growth in the second half of 2015 and first half of 2016 due to oil-related capital spending declines and tightening credit standards, as well as slower global growth and a strong U.S. dollar.

Helped by improving data, leading economic indicators continued to signal low odds of a recession. The level of the Conference Board's Leading Economic Index (LEI), an aggregate of economic indicators that tend to lead the overall economy, rose a robust 0.6% between December 2016 and January 2017, and the index's year-over-year change accelerated from +1.6% to +2.5%. The LEI has now posted a year-over-year increase in a record 86 consecutive months. Historically, when the change in the

LEADING INDICATORS HAVE BEEN ACCELERATING

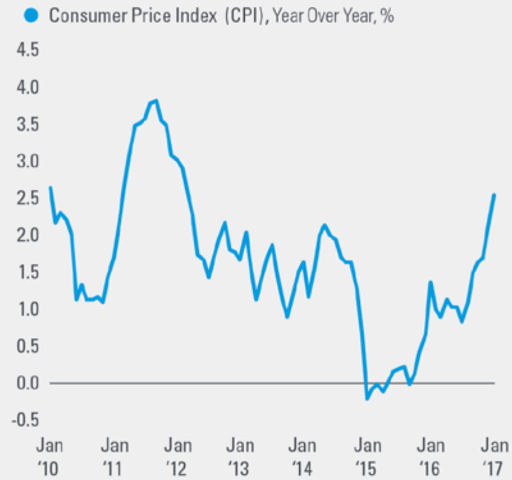


Source: LPL Research, Conference Board, Bloomberg 02/28/17

LEI has been at this level or higher, the economy has been in a recession a year later less than 10% of the time.

The inflation reports released in February 2017 generally showed inflation accelerating and exceeding expectations. Recall that a year ago, in January 2016, oil prices bottomed out at around $26 per barrel. Oil prices are hovering in the low $50 per barrel range today (as of 03/06/17). This large year-over-year increase in energy prices is making its way into the inflation readings here in early 2017. For example, the Consumer Price Index (CPI) continued to accelerate, from a 2.1% year-over-year gain in December 2016 to 2.5% in January 2017, the highest reading in almost five years. Wage gains — as measured by average hourly earnings — decelerated between December 2016 and January 2017, from +2.8% year over year to +2.5%, but most other measures of wages continued to indicate accelerating wages.

INFLATION HAS ACCELERATED TO ITS HIGHEST LEVEL SINCE 2012



Source: LPL Research, U.S. Bureau of Labor Statistics 02/28/17

Central Banks

The Fed's first policy meeting of 2017 ended on February 1, 2017, and as expected, the Fed made no change to rates and talked up the economy, but continued to say that any future rate hikes would be gradual and data dependent. Fed Chair Janet Yellen's semiannual monetary policy testimony to Congress in mid-February, along with public appearances from Fed officials over the second half of the month, led market participants to increase the odds of a Fed rate hike as soon as the March 2017 policy meeting.

Outside of the U.S., February was a quiet month for developed market central banks, as among the major central banks (Bank of Japan, European Central Bank, and Bank of England) only the Bank of England met and made no change to rates. Emerging market central banks were active however, as the Reserve Bank of India, which was widely expected to cut rates, held policy steady instead, whereas the central bank of Brazil cut rates as expected. At its first meeting after the Fed's rate hike in December 2016, Mexico's central bank raised rates as expected.

GLOBAL EQUITIES:
STOCK GAINS CONTINUE WITH IMPRESSIVE CONSISTENCY

U.S.

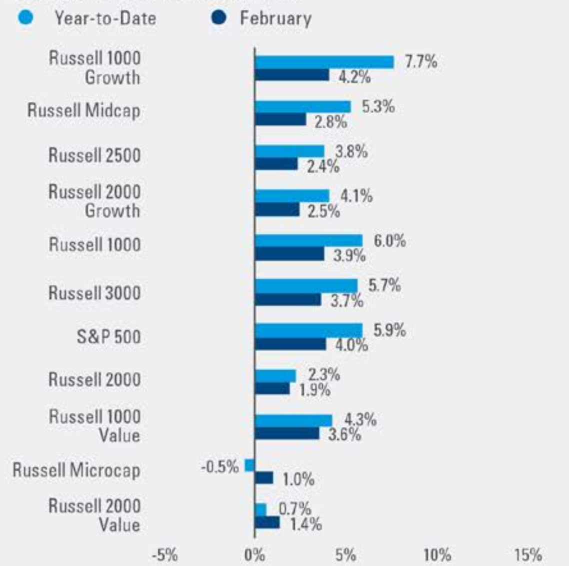
Stocks followed up a strong January with an even stronger February, with the S&P 500 Index returning 4.0% for the month after January's 1.9% gain. February, which marked four consecutive positive months, delivered the best monthly gain since 6.8% in March 2016. The index continues to display impressive consistency, having lost ground only one month out of the past 12, while having avoided a 1% one-day decline since October 11, 2016 (based on S&P 500 closing prices).

Optimism surrounding President Trump's policy roadmap remained a key market driver, though economic data and corporate earnings were also supportive. Market participants have seemingly ignored the challenges that lie ahead with such an aggressive agenda, including budgetary constraints, navigating the complexity of healthcare reform, and risks of souring trade relations. The market's steady march to another series of record highs in the face of these uncertainties is notable.

Corporate America generally delivered amid lofty expectations during fourth quarter 2016 earnings season — much of it in February — and put the late 2014 – early 2015 earnings recession further in the rear view mirror. S&P 500 earnings rose about 8% year over year in the quarter (according to Thomson Reuters), up from the 4% pace in the prior quarter and about 2% above quarter-end estimates. While fiscal policy implications dominated discussions on earnings conference calls, the energy sector's rebound and strong increases for technology and financials were notable.

The Fed remained in focus for market participants in February, as strengthening economic data and comments from Fed officials led the market to move its rate hike timetable forward. Stock investors also shrugged off this risk, apparently emphasizing the Fed's acknowledgment of the improved growth outlook and pro-growth policies over the potential for higher interest rates. The U.S.

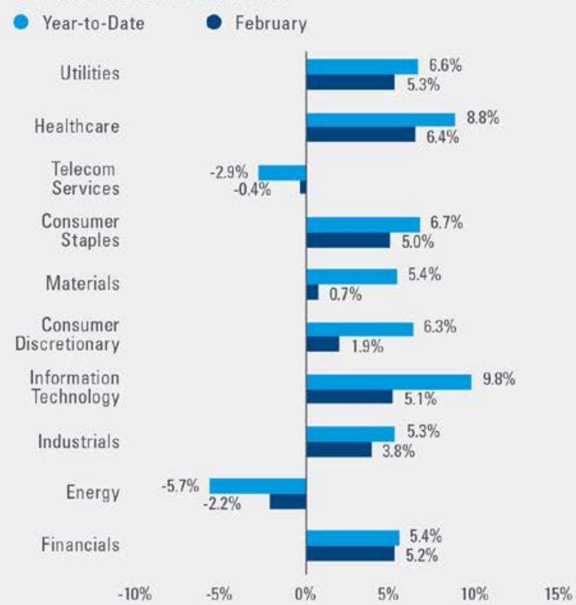
DOMESTIC INDEX PERFORMANCE



Source: LPL Research, FactSet 02/28/17

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 02/28/17

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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.

dollar did rise as the probability of a March hike — and three total hikes in 2017 — increased, but remained below December 2016 levels. The border adjustment tax debate remains a primary driver of the U.S. dollar (the tax would drive the dollar higher, potentially substantially) and is therefore something global investors are watching closely.

Healthcare topped the sector leaderboard for the month, as policy uncertainty surrounding the Affordable Care Act overhaul began to clear and market participants appeared interested in taking advantage of lower valuations. Markets also demonstrated a preference for more defensive (less economically sensitive) sectors, which likely helped both healthcare and the next best performer: utilities (falling interest rates also helped utilities). Energy was the worst sector performer amid a sharp decline in natural gas prices, even as oil prices rose modestly for the month. Year to date, technology and healthcare are the best-performing sectors, while telecom and energy are the only decliners.

Turning to style and market cap, after three straight months of underperformance to end 2016, growth outperformed value in both January and February of 2017. Losses for energy, the second-biggest value sector, and outperformance by growth sectors technology and industrials propelled growth ahead of value for the month. Small caps lagged again in February for the second straight month, despite their relatively greater economic sensitivity and likely boost from tax reform, as the small cap Russell 2000 Index (+1.9%) trailed both the large cap Russell 1000 (+3.9%) and Russell Midcap (+2.8%).

International

Developed international equity markets produced gains in February, as they did in January, based on the MSCI EAFE Index, but their 1.5% return fell well short of the S&P 500's 4.0%. U.S. dollar strength, which clips international returns when translated into U.S. dollars, was part of the story, while political risk ahead of French elections beginning in April 2017 weighed on European investor sentiment and was reflected in financials sector weakness. At the country level, among the more influential markets, the biggest gains came from Australia (+3.8%) and Hong Kong (+2.0%), both reflecting a healthy China.* Italy lagged amid ongoing concerns about the health of its banks while French stocks were hurt by the possibility of an exit from the European Union ("Frexit").

Emerging markets (EM) fared better with a 3.1% February return despite headwinds from the strong U.S. dollar and commodity stock weakness. Trade policies with China and Mexico continued to get media attention, but those markets both outperformed the EM benchmark for the month, suggesting market participants gained some comfort with the risks. India (+5.9%) and Taiwan (+4.7%) were the top EM performers, while political risk was evident in Russia's 6% loss for the month.*

*Country stock performance data is based on MSCI country indexes.

GLOBAL INDEX PERFORMANCE

Source: LPL Research, FactSet 02/28/17

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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.

FIXED INCOME:

YIELD CURVE FLATTENS AS MARCH RATE HIKE GAINS MOMENTUM

Treasury yields moved in varying directions throughout February. Shorter-term yields moved higher as the chances of a Fed rate hike in March rose dramatically, especially late in the month. Longer-term rates oscillated during the month but fell overall, as the 10-year Treasury yield swung between 2.50% and 2.30% during February. The 2-year Treasury yield ended up 3 basis points (.03%), while the 10-year and 30-year Treasury ended the month down by 9 and 8 basis points (.09% and .08%), respectively, resulting in a flattening of the yield curve.

The decline in longer-term yields was largely a tailwind for fixed income, as all sectors ended the month in positive territory. The Bloomberg Barclays Aggregate returned 0.7% during the month, outperforming the Bloomberg Barclays Treasury Index, up 0.5%*, equal to that of Treasury Inflation-Protected Securities (TIPS). Further improvement in valuations and elevated interest rate sensitivity (relative to the Barclays Aggregate) was a tailwind for investment-grade corporate bonds, which returned 1.2% during February.**

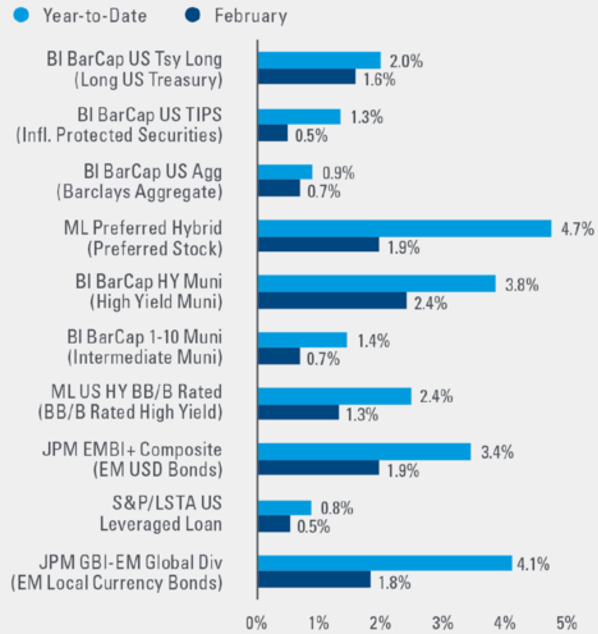
A very strong month for equities led to a similarly strong month for lower-quality, more economically-sensitive sectors of fixed income. High yield returned 1.3% and emerging markets debt (EMD) returned 1.9%. High-yield municipal bonds continued their recovery following late-2016 and early-2017 volatility to post a 2.4% return during the month.

*Based on the Bloomberg Barclays Treasury Index.

**Based on the Bloomberg Barclays Cap Inv. Grade Credit 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.

FIXED INCOME PERFORMANCE



U.S. TREASURY YIELDS

Security	01/31/17	02/28/17	Change in Yield
3 Month	0.52	0.53	0.01
2 Year	1.19	1.22	0.03
5 Year	1.90	1.89	-0.01
10 Year	2.45	2.36	-0.09
30 Year	3.05	2.97	-0.08

AAA MUNICIPAL YIELDS

Security	01/31/17	02/28/17	Change in Yield
2 Year	1.12	1.08	-0.04
5 Year	1.70	1.62	-0.08
10 Year	2.37	2.34	-0.03
20 Year	3.00	2.97	-0.03
30 Year	3.19	3.17	-0.02

Source: LPL Research, Bloomberg, FactSet 02/28/17

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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.

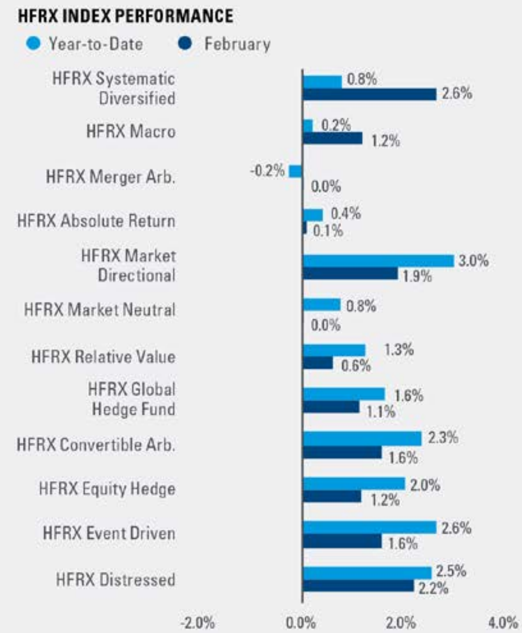
ALTERNATIVES:

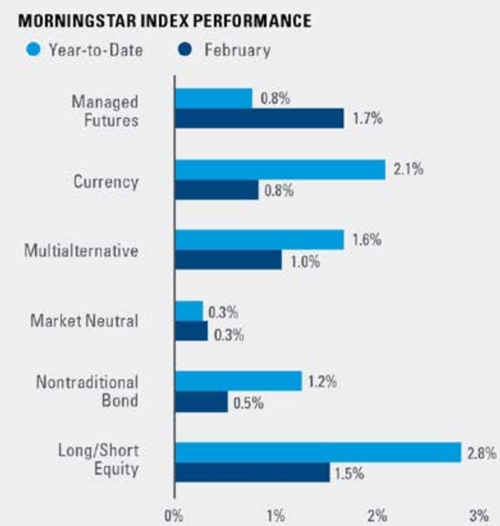
FEBURARY ALTERNATIVE INVESTMENTS – BROAD GAINS ACROSS ALL AI STRATEGIES

Alternative investment strategies were broadly higher during February, as strong equity market gains were supportive of overall returns. Managed futures strategies led overall category gains, as the HFRX Systematic Diversified Index returned 2.6%. Underlying long exposure to global equity markets was the predominant positive contributor, while long U.S. dollar exposure against a variety of European and emerging market currencies also delivered gains. Returns within commodity contracts were mixed, with strong profits experienced in short natural gas positioning being offset by losses from short gold exposure. Short fixed income exposure was the main detractor across many programs, as the increase in interest rate has recently slowed.

As measured by the HFRX Equity Hedge Index, long/short equity strategies gained 1.2%, with long exposure to the healthcare (+6.4%) and technology (+4.5%) sectors proving beneficial. In general, the industries tilt toward growth-related names and the modest increase in net market exposure over the past several months have been positive attributes this year. Additionally, the decline in average sector and individual stock correlations within the S&P 500 continues to provide a more attractive opportunity set for generating stock-picking alpha. Ideally, a larger spread between positive and negative returning stocks should support returns in the long/short category.

Within the distressed industry, managers once again saw positive returns, as the HFRX Distressed Index returned 2.2% during February. This marks the twelfth-straight month of positive gains for the subcategory, which has provided over a 30% return since March 2016. Over that time frame, the investment landscape has shifted away from being predominantly driven by the energy sector, to emerging opportunities within the consumer retail space.





Source: LPL Research, FactSet 02/28/17

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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.

DISPARATE RETURNS FOR LIQUID REAL ASSETS IN FEBRUARY

February saw a high dispersion of returns among constituents of the real assets universe as precious metals performed strongly while energy and agriculture were weak. The U.S. dollar followed through on weakness from January as the trade weighted index returned -1.4% and the 10-year Treasury yield declined from 2.45% at the end of January to 2.36% at month's end.

MLPs & Global Listed Infrastructure

The master limited partnership (MLP) market saw a high level of equity issuance during the month that proved hard to digest. The Alerian MLP Index returned 0.40%, adding to its gains from the prior month, but lagged well behind the broad U.S. equity markets. Distribution announcements for the midstream energy space for the quarter, were relatively positive, as 32 companies announced increases from the prior quarter, whereas 39 companies remained unchanged. No distribution cuts were announced. Those that increased distributions averaged a quarter-over-quarter change of 3.4%, highlighting that there are still high-growth opportunities in the asset class. Valuations remain attractive with the index yielding 6.7%.

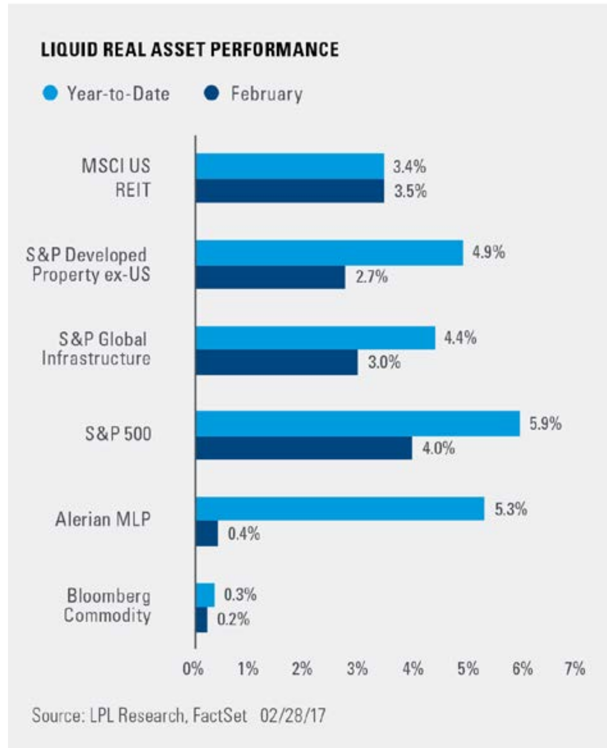
Global listed infrastructure, as measured by the S&P Global Infrastucture Index, returned 3.0% for the month.

REITs

REITs followed up on an uneventful month by returning 3.5% in February, buoyed by lower interest rates. Healthcare and residential REITs were the outliers to the upside as retail and hotel and resort REITs struggled.

Commodities

The Bloomberg Commodity Index returned 0.2% in February in another month with a high dispersion of returns among individual commodities. WTI crude oil gained 1.2% for the month as OPEC production caps held up and demand firmed amid growing U.S. production and higher rig counts. The most recent weekly reading for U.S. crude production was over 9 million barrels per day for the first time since April 2016. Natural gas fell sharply again, down 11.9%, with warm winter affecting prices still. Agricultural commodities were also down as the Bloomberg Agriculture Index dipped -0.3% despite gains for wheat and corn. Metals were mostly higher, led by precious (gold +3.5% and silver +4.9%), while industrial metals (+2.2%) were weighed down by copper's 1.0% loss.



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