December Update | As of November 30, 2015

NOVEMBER 2015 IN REVIEW

ECONOMY:
SHARP RISE IN JOB CREATION SURPRISES MARKET

Economic Data

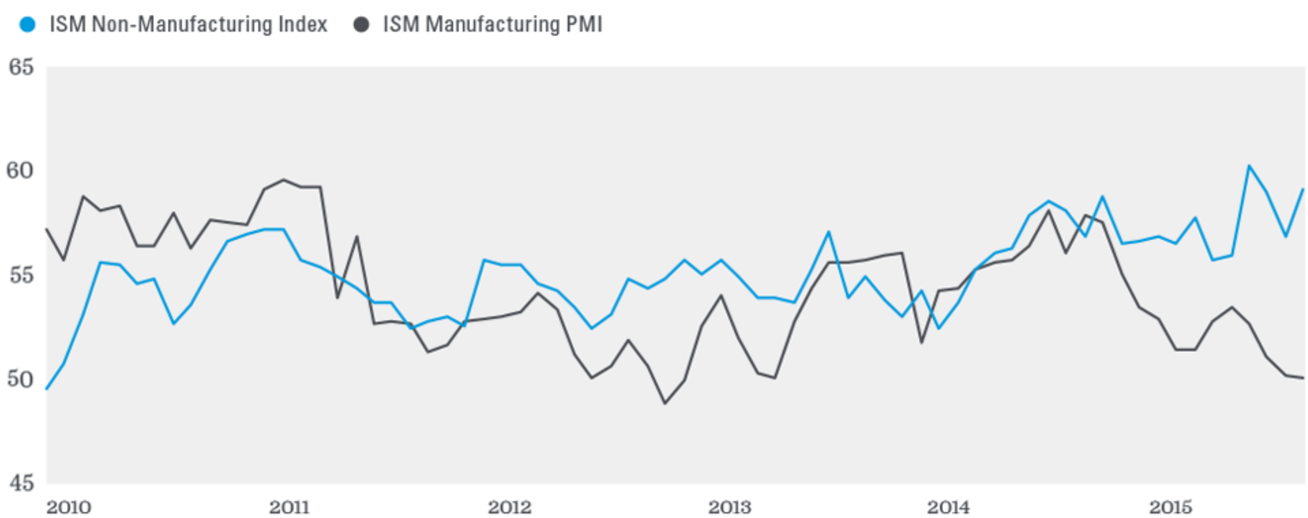
November economic data, which mostly capture economic activity from October, continue to signal slow but steady growth by the U.S. economy. With labor markets continuing to improve, wage growth strengthening, and household wealth growing, the U.S. consumer remains strong. On the business side, a robust services sector continues to offset a slowdown in manufacturing, which has been hampered by a strong dollar, low oil prices, and slowing growth in China.

The sharp rise in job creation in October was the single data point that received the most market attention this month, both for the signal it sent about overall economic health and the expected impact it might have on the Federal Reserve's (Fed) decision about when to start raising rates. Non-farm payrolls grew by 271,000 versus consensus expectations of 185,000, almost doubling September's disappointing 137,000 increase. In addition, the unemployment rate fell to 5.0%, below the long-term natural rate of unemployment (as determined by the Congressional Budget Office [CBO]) for the first time since February 2008. Job creation was accompanied by improved wage growth, as average hourly earnings rose 0.4% versus expectations of a 0.2% increase.

Despite improving employment data, consumers remained cautious. The Conference Board Consumer Confidence Index for November rose modestly but missed expectations, while the University of Michigan Sentiment Index for November fell sharply. The impact on spending habits was small: retail sales and personal spending for October both rose but missed consensus estimates, complemented by an increase in the savings rate to 5.6%, the highest level since December 2012.

November reports provided mixed signals on stabilization in the manufacturing sector. The closely followed Institute for Supply Management's (ISM) manufacturing Purchasing Managers' Index (PMI) for October barely remained in expansionary territory at

SERVICE SECTOR GROWTH REMAINS STRONG DESPITE MANUFACTURING SLOWDOWN



Source: LPL Research, Institute for Supply Management, Haver Analytics 11/30/15

Over 50 indicates expansion.

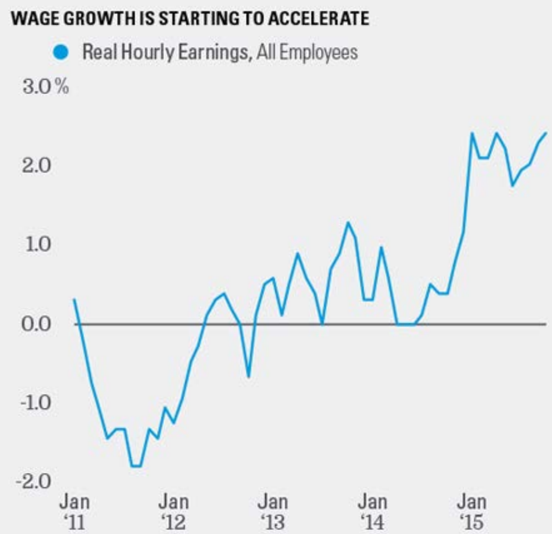
50.1 (over 50 indicates expansion), but other indicators were more positive. Durable goods orders rose 3%, nearly doubling consensus expectations, with strength in core capital goods. Industrial production fell, but the decline was entirely in the utilities and mining sectors, while manufacturing rose after two months of declines. On balance, there are some signs of stabilization in manufacturing but uncertainty remains. The services sectors, however, which now make up approximately 80% of the private economy, showed continued strength as the ISM non-manufacturing PMI handily topped expectations.

The Conference Board's Leading Economic Index (LEI), an aggregate of economic data that tend to lead changes in economic activity, rose 0.6% in October, edging out consensus estimates, after modestly contracting in September. The year-over-year change accelerated to 3.5%, which has historically been associated with a 10 – 15% chance of recession in the next 12 – 18 months. Breadth was strong among the indicators that make up the LEI, with 9 out of 10 making a positive contribution, led by interest rate spreads and stock prices. The only negative contributor was the new orders component of ISM's PMI, highlighting that manufacturing weakness, while providing some insight on economic conditions, needs to be looked at in its larger economic context.

Central Banks

Global central banks maintained broadly supportive monetary policy in November to try to counter low inflation and stimulate growth. Of the G20 major economies, only three — Argentina, Brazil, and South Africa — have been raising rates. While the People's Bank of China did not lower its primary policy rate in November, it continues to tinker with targeted actions, lowering the rate on short-term loans to commercial lenders.

The U.S. Fed continues to signal that it will likely raise rates at its December 15 – 16 policy meeting. Entering November, fed fund futures markets implied an approximately 50% probability of a rate hike in December, but that number quickly jumped to over 70% following Fed Chair Janet Yellen's November 4 testimony before the House Financial Services Committee, including her description of a December rate hike as a "live possibility," which was further reinforced by the strong employment report two days later. The release of the minutes from the October 27–28 Fed policy meeting on November 18 provided further confirmation that the Fed remained on track for a potential December liftoff, noting that "most participants" believed the conditions for raising rates would be met by the December meeting.



Source: LPL Research, Bureau of Labor Statistics, Haver Analytics 11/30/15

GLOBAL EQUITIES:

DOMESTIC EQUITIES HOLD THEIR GROUND HEADING INTO DECEMBER

U.S.

U.S. equities, as measured by the S&P 500 Index, edged 0.3% higher in November and stood at +3.0% year to date as we head into the final month of 2015. Investors took a "wait and see" attitude in a month that saw growing expectations of an initial Fed rate hike in December, a strengthening dollar, and the shock of the tragic events in Paris. With economic data coming in near expectations and a largely neutral homestretch drive from third quarter 2015 earnings, there was little by way of immediate catalysts to drive stocks higher.

Small cap stocks, which have lagged behind large cap for most of the year, as measured by the Russell 1000 and 2000 Indexes respectively, made up some ground in November, likely helped by their higher domestic exposure given dollar strength and a possible shift among investors from tax loss harvesting to positioning portfolios for 2016. Investors were largely indifferent between value and growth for large and mid caps, as measured by Russell style indexes, but growth held an edge for small caps, helped by greater exposure to the technology sector.

Performance dispersion among sectors, as measured by S&P GICS Sector Indexes, was relatively narrow this month. The prospect of a Fed rate hike had a clear impact on sector performance, with the more rate-sensitive utilities, telecom, and consumer staples sectors sitting at the bottom of the sector rankings, while financials, which may benefit from upward pressure on rates, posted the strongest sector performance. Cyclicals broadly outperformed defensives, but in a low-return month, their lower rate sensitivity likely played a larger role than their greater exposure to economic activity. Energy, however, failed to keep up with the other cyclicals, as falling oil prices continued to weigh on sector prospects.

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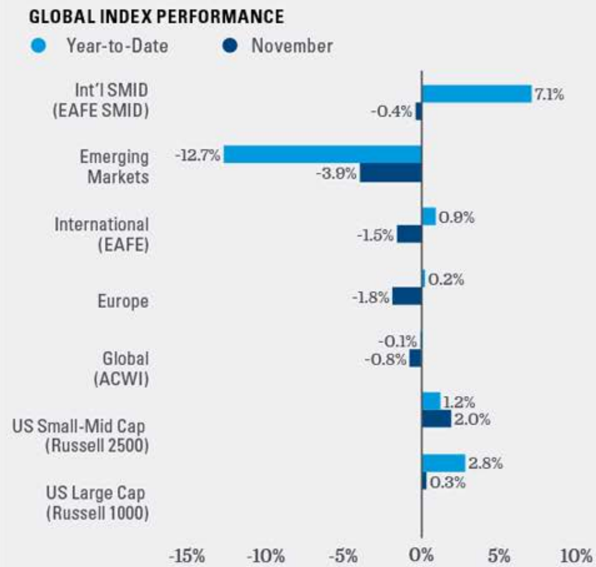
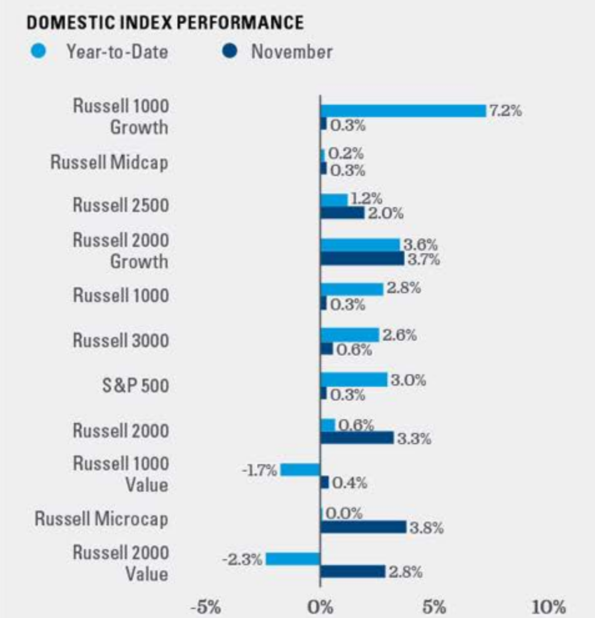




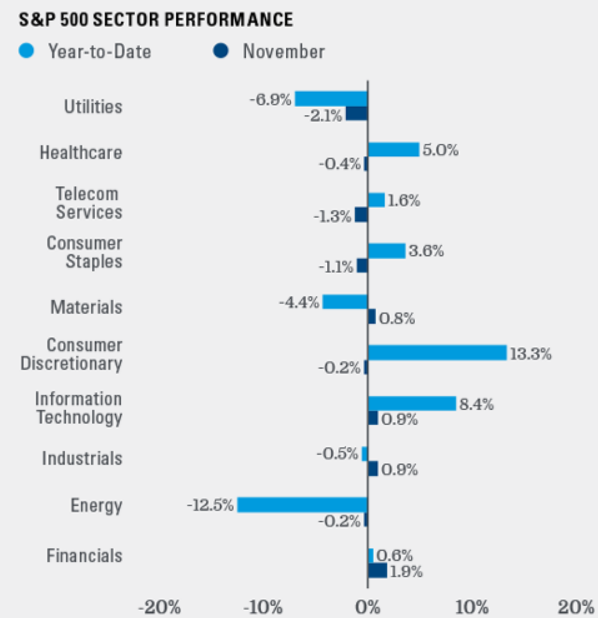
Source: LPL Research, FactSet 11/30/15

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.

Over the course of November, approximately a quarter of S&P 500 companies reported third quarter earnings as earnings season wound down. As of the end of the month, with 97% of S&P 500 companies having reported, blended operating earnings growth for the third quarter stood at -0.8%, according to Thomson Reuters estimates, just slightly ahead of the blended estimate for the quarter at the end of October. The earnings beat rate of 70% was in-line with the last four quarters, but a strong dollar and lower oil prices have weighed an estimated over 8% combined on revenue growth, leaving only 43% of companies outperforming on a blended revenue growth rate of -4.4%. Aside from the very small telecom sector, healthcare and consumer discretionary were the clear leaders during earnings season on both revenue and profit growth.



Source: LPL Research, Bloomberg, FactSet 11/30/15

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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.

International

International stocks, as represented by the MSCI EAFE (foreign developed) and MSCI Emerging Markets Indexes both posted losses in November and continued to underperform the S&P 500 on a year-to-date basis. European stocks did bounce back from the impact of the terror attacks in Paris as investors priced in the resiliency of the European economy, but a weak earnings season weighed on returns. Japanese stocks also made a negative contribution to performance on a string of poor economic results and no further move by the Bank of Japan expanding its quantitative easing program. Emerging market declines were broad based, with weak commodity prices weighing on major commodity exporters, while Chinese stocks saw some heavy selling late in the month after the government revealed it was putting several brokerage firms under investigation.

FIXED INCOME:

YIELD CURVE FLATTENS AS DECEMBER RATE HIKE EXPECTATIONS INCREASE

Interest rates rose across the maturity spectrum over November, as the market gradually priced in a likely rate increase by the Fed in December. Yields on 10- and 30-year Treasuries increased a modest 0.05%. Short-term Treasury yields were up more sharply, with the 2-year yield rising by 0.19% to 0.94% from 0.75%. The yield curve flattened as a result. The overall rise in interest rates was a headwind for fixed income — the Barclays U.S. Aggregate returned -0.3% for the month with interest income more than offset by price declines due to the rise in interest rates.

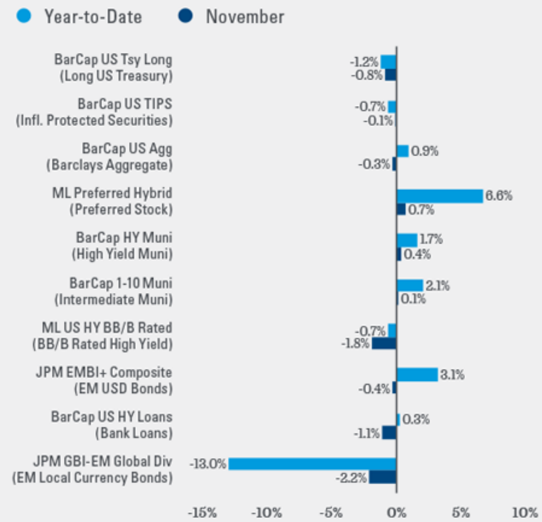
Despite a relatively flat month for equity markets (S&P 500 up 0.3% during the month), economically sensitive portions of the fixed income market experienced a challenging November. High-yield returned -1.8% on the month and bank loans returned -1.1%. Continued fears over defaults in high-yield energy were refreshed when WTI crude oil tested its cycle lows, closing near $40 per barrel mid-month. Dollar-denominated emerging markets debt, despite continued weakness in commodities, held up relatively well during November, returning -0.4%.

Foreign bonds performed well, but continued dollar strength was a headwind for unhedged foreign exposure. Unhedged foreign bonds returned -2.8%, with hedged foreign returning 0.4%, due to a 3.3% rise in the U.S. Dollar Index over the month.

Municipals enjoyed a strong month of performance, as prices held up better than Treasuries in the rising interest rate environment. The Barclays Municipal 7 Year (6 – 8) Index returned 0.2% during November, while the Barclays Treasury Index returned -0.4%.

Preferreds fared very well during November, returning 0.7%, as investors seeking yield rotated from high-yield bonds to other high-yielding securities. Additionally, the relative outperformance of long-term bonds was a tailwind, as preferreds are either perpetual (have no maturity) or are very long term, with maturities of 30 to 50 years. These drivers were enough to push prices higher despite rising interest rates and preferred securities' interest rate sensitivity.

FIXED INCOME PERFORMANCE



US TREASURY YIELDS

Security	10/31/15	11/30/15	Change in Yield
3 Month	0.08	0.22	0.14
2 Year	0.75	0.94	0.19
5 Year	1.52	1.65	0.13
10 Year	2.16	2.21	0.05
30 Year	2.93	2.98	0.05

AAA MUNICIPAL YIELDS

Security	10/31/15	11/30/15	Change in Yield
2 Year	0.65	0.70	0.05
5 Year	1.33	1.39	0.06
10 Year	2.28	2.32	0.04
20 Year	3.76	3.79	0.03
30 Year	4.43	4.46	0.03

Source: LPL Research, Bloomberg, FactSet 11/30/15

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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.

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:

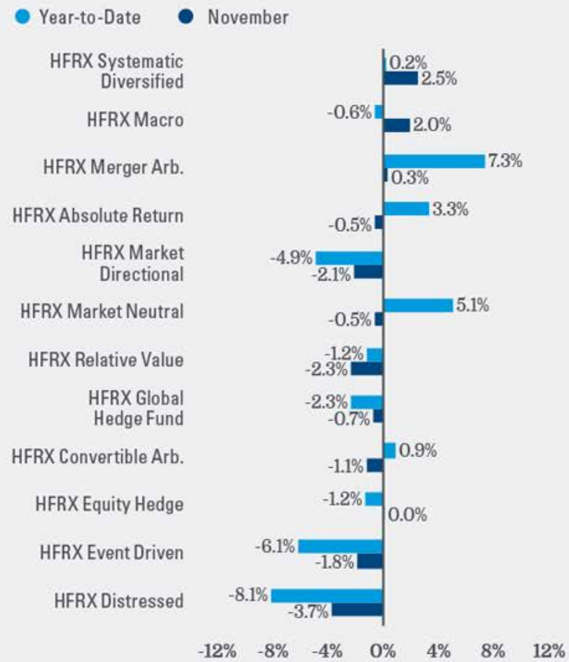
MIXED PERFORMANCE FOR AI IN NOVEMBER

November performance was mixed by strategy type, with systematic and discretionary macro managers delivering strong returns, while credit-related indexes led monthly losses. Gains from systematic macro managers (HFRX Systematic Diversified Index up 2.5%) were driven by short commodity exposure, as the long-term downtrends in WTI crude oil, gold, and wheat contracts all continued during the month. Discretionary macro strategies (HFRX Macro Index up 2.0%) continue to benefit from long U.S. dollar positioning, which has been supported by an increasing number of market participants expecting a federal funds rate hike in December.

Returns in the long/short space, as measured by the HFRI Equity Hedge Index, were rather dispersed and driven by certain factor exposures. Strategies with overweight exposure to small caps performed well, as the 3.3% return from the Russel 2000 easily outpaced the 0.3% Russell 1000 return. While this long small cap exposure was an overall positive, the rally did limit alpha on the short side. This was evident in the HFRI Equity Market Neutral Index, which fell 0.5%, the first monthly loss since July, as losses from shorting small cap firms outweighed gains seen in their long exposure. Further, hedging strategies continue to have significant long exposure to the technology sector, whose 8.4% year-to-date return has been a large contributor to overall performance.

Distressed strategies continue to struggle, as the HFRI Distressed Index fell 3.7% and is now down 8.1% year to date. While we are aware that a portion of these losses may be temporary, as managers value positions monthly while anticipating a catalyst to unfold over the long term, the environment remains difficult.

HFRX INDEX PERFORMANCE



MORNINGSTAR INDEX PERFORMANCE

Source: LPL Research, FactSet 11/30/15

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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.

LIQUID REAL ASSETS RESUME DOWNWARD TREND

After a brief respite in October, liquid real assets (LRA) suffered greatly in November. The backdrop of a stronger dollar and higher interest rates set the stage for a decline in nearly every individual component of the category. Of the 22 commodities in the Bloomberg Commodity Index, only 2 ended the month with positive returns. The S&P 500 eked out a negligible positive return (0.3%) and the 10-year Treasury yield went from 2.16% at October's month-end to 2.21% at the end of November. There was some volatility in rates as the 10-year Treasury yield had a high closing of 2.36% intra-month.

MLPs & Global Listed Infrastructure

As was the trend with other real assets, master limited partnerships (MLP) resumed their longer-term downtrend after seeing positive returns in October. The Alerian MLP Index returned -8.1% in November, which erased its 8.6% gain in October. This performance can be ascribed to the continuing negative sentiment around the asset class as well as a correlation to oil prices, which were also down in November. On a positive note, the market saw a handful of equity issuances, which were digested relatively well. This gives us hope that the much discussed difficulty in accessing the equity capital markets may be abating. In the near term we expect more volatility for MLPs and, for better or worse, expect that the high correlation with oil prices will continue.

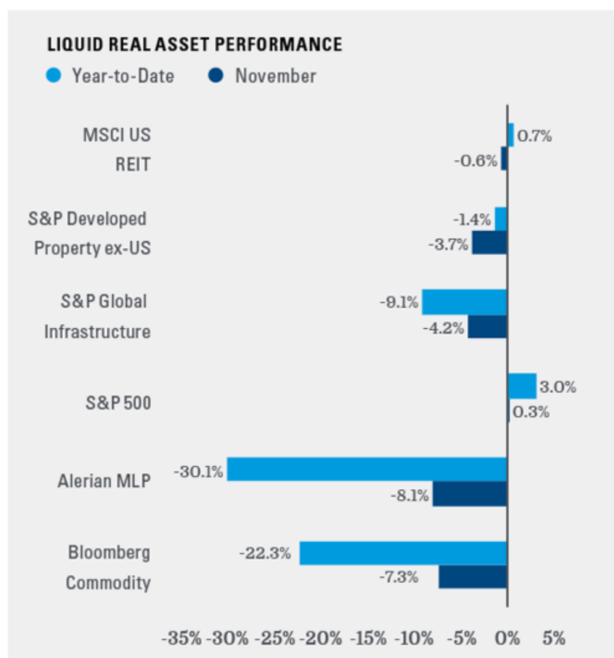
Global listed infrastructure, as measured by the S&P Global Infrastructure Index, returned -4.2% in November. This continues the "up-and-down" theme for the year, as we have now seen negative monthly returns for the index in six months of the year and positive monthly returns in five months. The index was positively affected last month by energy infrastructure, an impact that was reversed this month as energy assets were dragged down by lower oil prices.

REITs

Against the backdrop of actual rising interest rates as well as increased expectations for the Fed's rate hiking campaign to begin, real estate investment trusts (REIT) (as measured by the MSCI U.S. REIT Index) returned -0.6% for the month. Retail REITs reversed a large gain in October and significantly underperformed the index, while residential REITs significantly outperformed. Going forward, the prospect of rising rates may put pressure on the asset class.

Commodities

Commodities broadly were lower for the month, with the Bloomberg Commodity Index returning -7.3%. This was largely influenced by oil, as WTI crude prices decreased 10.6% and Brent crude decreased 6.9%. Copper continued its decline, posting a -11.6% return in November. Agricultural commodities didn't fare any better, but sugar and soybean oil did manage positive returns. As noted above, these two commodities were the only constituents of the Bloomberg Commodity Index that had positive returns. It should be noted that the U.S. dollar (as measured by the U.S. Dollar Index) appreciated 3.4% against the index's trade-weighted currency basket.



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.

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