March Update | As of April 30, 2017

APRIL 2017 IN REVIEW

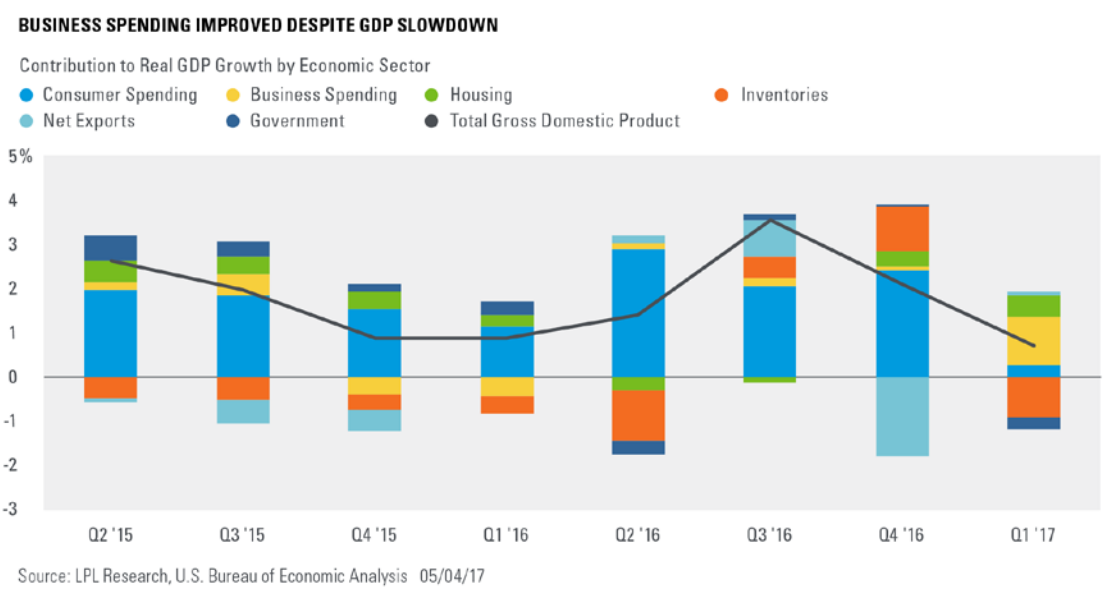
ECONOMY:

ECONOMY SLOWS IN FIRST QUARTER

Economic Data

Economic reports released in April 2017, which mostly reflect economic activity in March, signaled that growth had softened somewhat during the month, and the advance estimate of first quarter 2017 gross domestic product (GDP) growth confirmed a broad economic slowdown over the entire period, although distortions from seasonality adjustments likely weighed on the final number. While both consumer and business confidence remain strong on prospects of growth-friendly policy changes, uncertainty about potential policy may be limiting the economic impact of the release of “animal spirits” and we may have to await more clarity before confidence begins to feed through to increased economic activity.

GDP growth for the first quarter of 2017 came in at 0.7%, weaker than consensus expectations of 1.0% and a marked deceleration from 2.1% in the fourth quarter of 2016. Weakness in consumer spending was noteworthy, but the biggest drag was from inventories after unusual strength the prior quarter. Fixed investment, which includes business investment and housing, was a bright spot, making its largest contribution to GDP growth since the first quarter of 2012. Distortions in seasonality calculations may have also played a role in the weak data: since the end of the Great Recession, first quarter GDP growth has averaged about 1% while growth over the rest of the year has averaged near 2.5%. We expect continued strength from business spending in 2017 as businesses anticipate better economic growth and policy support, whereas consumer spending may rebound with continued support from a largely healthy job market.



While labor markets generally remain strong and unemployment is at its lowest level since 2007, job growth disappointed in March. The economy added 98,000 jobs during the month versus expectations of nearly twice that, while February's data was revised down. At the same time, a decline in the unemployment rate, which is based on a different survey, was a positive surprise, falling from 4.7% to 4.5%. Wage growth disappointed slightly at 0.2% month-over-month but still stands at a healthy 2.7% year over year. While weather may have played a role in weaker-than-expected job creation, slowing job growth is normal at this point in the business cycle.

A broad pattern of generally strong consumer spending, which has been a steady economic driver throughout the expansion, slowed in March despite generally upbeat readings on consumer confidence. Overall retail sales fell 0.2% in March, the second straight month of declines. Vehicle sales weighed on the headline number as well. Weather and late tax refunds may have weighed on the data and year-over-year consumer spending patterns still remain strong.

Housing was a bright spot for the economy in March. Both existing home sales and new home sales saw strong month-over-month advances, up 4.4% and 5.8% respectively, versus expectations of declines. Housing starts fell but continue to trend broadly higher, while permits, which tend to lead building activity, posted a solid gain. Housing starts continue to be low compared to prior expansions but have been steadily trending higher. Underbuilding has contributed to generally tight inventory and higher prices, with the S&P/Case-Shiller Home Price Index up 5.8% year over year as of February.

Despite the slowdown in GDP, economic indicators that tend to lead changes in overall economic activity continue to look generally upbeat. The Conference Board's Leading Economic Index (LEI), an aggregate of leading economic indicators, rose 0.4% in March, ahead of consensus expectation. Eight of ten indicators increased in March, led by contributions from the yield curve and strong new manufacturing orders survey data. The LEI accelerated to a 3.5% gain year over year, a level that has historically been associated with a low chance of recession in the next 12–18 months.

Central Banks

The Federal Reserve did not hold a policy meeting in April. The European Central Bank (ECB) did meet on April 27 and made no changes to its extraordinarily supportive monetary policy, keeping its benchmark rate at 0% and bond purchases at 60 billion euros per month. The European economy has been looking stronger, but still low inflation and economic uncertainty due to such issues as Brexit, upcoming French elections, and U.S. policy outcomes were sufficient for the ECB to maintain policy support at current levels. The ECB next meets on June 8.

GLOBAL EQUITIES:
STRONG START TO 2017 CONTINUES FOR STOCKS

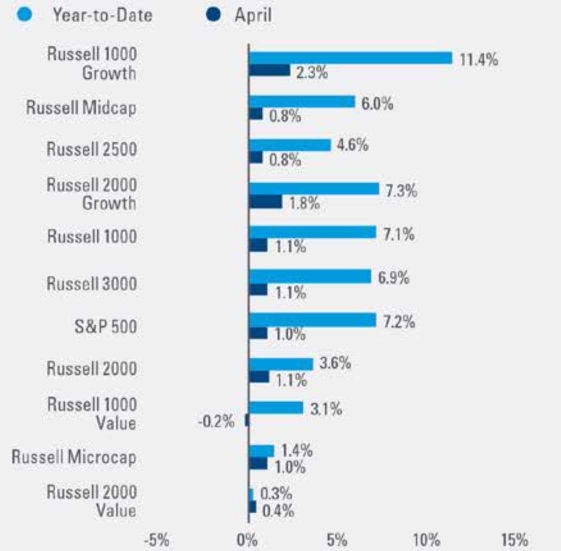
U.S.

Stocks added to year-to-date gains in April as the S&P 500 returned 1.0% for the month, bringing the 2017 return for the index to 7.2%. On a total return basis, April's gain marked the sixth straight positive month. Gains during the month, which were back-end loaded, were driven largely by the favorable outcome of the first round of the French election and a strong start to earnings season. Markets were able to shrug off some soft economic data reported during the month, as well as increasing skepticism in the Trump administration's ability to achieve its agenda and escalating conflicts with North Korea and Syria.

Policy remained in focus during the month as the Trump administration put out its high-level tax proposal and continued to work on healthcare reform. Meanwhile, Congress came to an agreement to avert a shutdown and fund the government through September. But corporate fundamentals were also a big story as earnings season got underway. With about 60% of S&P 500 companies having reported first quarter results through April 30, a solid 77% exceeded consensus earnings estimates while earnings are tracking to a more than 13% year-over-year increase (Thomson Reuters data), about 3% above estimates as of quarter end. Forward guidance has generally been upbeat based on the large number of companies that have reiterated their 2017 outlooks; in fact, estimates for the second half of 2017 actually rose slightly during April, which is encouraging.

Technology topped the April sector rankings for the second straight month, buoyed by a strong start to earnings season and several powerful industry trends including mobile, cloud computing, e-commerce, and digital advertising. The internet industry group led the sector higher while software stocks also produced strong gains. Consumer discretionary also outperformed thanks in large part to retailers' gains, particularly internet retailers. On the flip side, energy lagged due to falling oil prices, financials were hurt by the drop in interest rates, and telecom was hurt by industry pricing pressures and

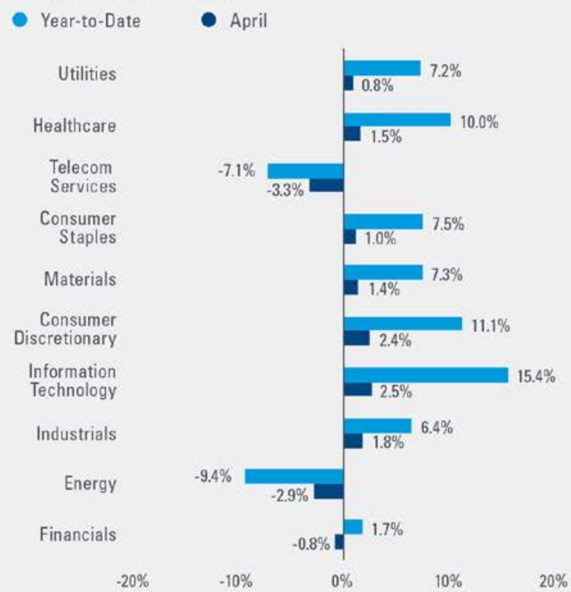
DOMESTIC INDEX PERFORMANCE



Source: LPL Research, FactSet 04/30/17

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

S&P 500 SECTOR PERFORMANCE



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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.

the market's recent rotation away from dividend stocks. Growth continued to outperform value for the third straight month, based on the Russell 3000 style indexes. The two biggest growth sectors, technology and consumer discretionary, outperformed, while the two biggest value sectors, energy and financials, lagged. Growth's leadership, particularly from technology, drove the Nasdaq over 6,000 for the first time in its history on April 25, 2017.

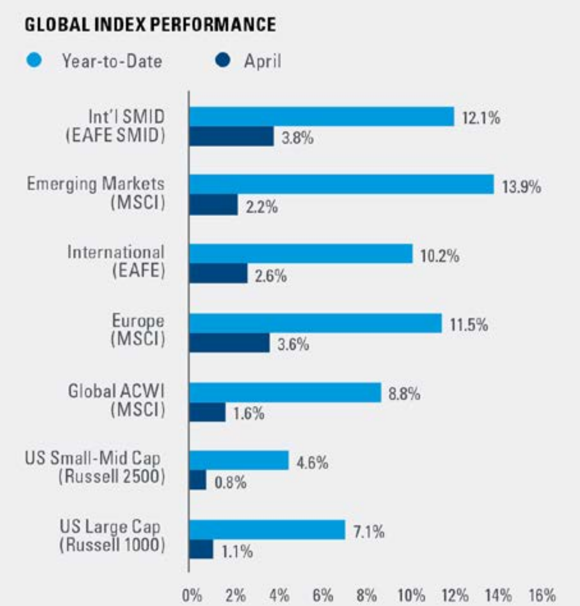
Looking at market cap (again based on Russell indexes), small caps slightly outpaced their mid and large cap counterparts during the month as markets perhaps gained incrementally more confidence in the Trump agenda, which would tend to be more beneficial to smaller, more U.S.-focused companies, while favoring the more economically sensitive positioning within the small cap indexes relative to large.

International

International equity markets produced solid gains in April, as both the MSCI EAFE Index (developed foreign markets) and the MSCI Emerging Markets (EM) Index outperformed the S&P 500 with U.S. dollar-based returns of 2.6% and 2.2%, respectively. Both indexes also remain ahead of the S&P 500 year to date.

During April, international developed markets got a boost from a number of factors, including a weaker U.S. dollar, generally improving economic data and earnings, and the outcome of the French election, which saw the mainstream candidate Emmanuel Macron advance to a runoff against anti-euro candidate Marine Le Pen. Concerns about a possible Le Pen victory have largely been erased with the latest polls suggesting a Macron victory on May 7, although the limited reliability of polling will certainly keep market participants on watch. Top markets in April besides France, which gained 5.4% during the month, included Denmark, Sweden, and Spain, while Japan lagged with a modest 1.0% gain.

EM performance also benefited from the weaker U.S. dollar and French elections, but a stronger-than-expected Chinese GDP report for the first quarter also lifted sentiment and drove the performance of the MSCI China Index ahead of the broad EM benchmark. Meanwhile fears of a trade war continued to abate — Mexican equities produced modest gains — while markets did not appear concerned with the North Korean nuclear threat, as the South Korean equity market advanced 1.0% for the month. South Africa and China were the biggest contributors to the monthly gain in the EM index, while Brazil, which was flat for the month, detracted from index performance.



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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 FALL AS TRUMP POLICY EXUBERANCE CONTINUES TO WANE

Treasury yields fell across most of the maturity spectrum in April, leading to a very positive month for fixed income overall. Longer-maturity Treasury yields continued the decline that started mid-March as investors began to question President Trump's ability to implement stimulative policy in a timely manner.

The decline in longer-term yields led to a positive month for high-quality fixed income, as longer-duration assets benefited more so than shorter-dated. The broad Bloomberg Barclays Aggregate Bond Index returned 0.8% during the month, slightly ahead of Treasuries (Bloomberg Barclays U.S. Treasury Index), which returned 0.7%. Investment-grade corporates, which returned 1.1%, were boosted by the sector's longer duration profile. Unhedged foreign bonds performed well, returning 1.7%, due to declining developed foreign yields and a 1.3% decline in the U.S. dollar.

Equity market strength during April was a tailwind for economically sensitive portions of fixed income, leading lower-quality fixed income to outperform higher quality. High-yield corporates, up 1.2% on the month,[1] were able to shrug off oil-related weakness, as the price of oil declined by 2.5% during April. Emerging market debt (EMD)[2] displayed similar resilience to the decline in oil and continued its rebound from election-related weakness to return 2.2%. Preferreds followed suit with a 1.5% return during April.[3]

[1] Based on Bloomberg Barclays High Yield Bond Index

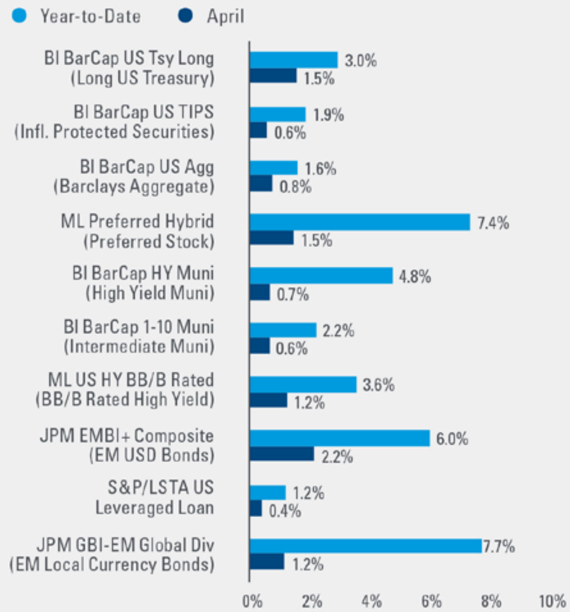
[2] Based on BofA Merrill Lynch Hybrid Preferred Securities Index

[3] Based on JPM EMBI+ Composite 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.

Municipal bonds are subject to availability, price, and to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rate rise. Interest income may be subject to the alternative minimum tax. Federally tax-free but other state and local taxes may apply.

FIXED INCOME PERFORMANCE



U.S. TREASURY YIELDS

Security	03/31/17	04/30/17	Change in Yield
3 Month	0.76	0.80	0.04
2 Year	1.27	1.28	0.01
5 Year	1.93	1.81	-0.12
10 Year	2.40	2.29	-0.11
30 Year	3.02	2.96	-0.06

AAA MUNICIPAL YIELDS

Security	03/31/17	04/30/17	Change in Yield
2 Year	1.09	1.06	-0.03
5 Year	1.64	1.56	-0.08
10 Year	2.37	2.30	-0.07
20 Year	3.02	2.95	-0.07
30 Year	3.20	3.13	-0.07

Source: LPL Research, Bloomberg, FactSet 04/30/17

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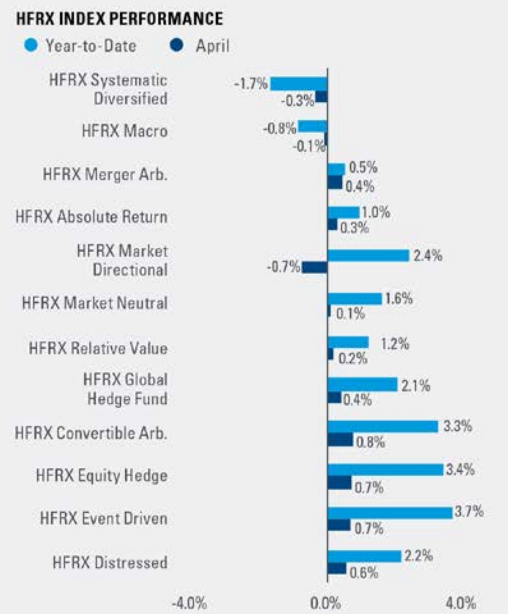
Bank loans are loans issued by below investment-grade companies for short-term funding purposes with higher yield than short-term debt and involve risk.

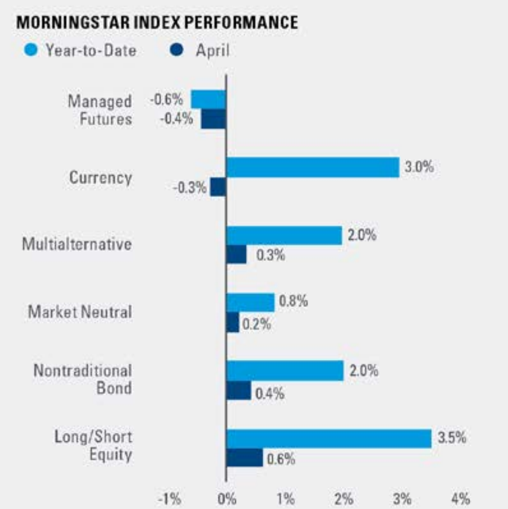
ALTERNATIVES:

SECTOR TILTS SUPPORT LONG/SHORT EQUITY

On a risk-adjusted basis, long/short equity strategies continue to perform well, as the HFRX Equity Hedge Index gained 0.72% during the month. On a year-to-date basis, the index has now gained 3.44% with a beta typically between 0.35-0.45. The industries overweight to the information technology (+2.52%) and consumer discretionary (+2.44%) sectors continue to support long exposure gains, while an underweight to the energy and rate sensitive sectors has also been beneficial. Overall, and as compared to a difficult 2016, long/short equity strategies have been able to generate alpha through a more attractive stock-picking environment, as well as having kept pace with rising markets by properly adjusting their net market exposures.

In the macro space, managed futures strategies continue to struggle this year, as the HFRX Systematic Diversified Index fell 0.35%. With Treasury rates declining during the month, short fixed income exposure was once again the largest detractor from performance, while gains from long equity exposure partially offset these losses. Discretionary macro strategies fared moderately better than their systematic counterparts, however, the HFRX Macro Index still declined -0.1% during the month. Within their equity positioning, long European versus U.S. relative value trades were profitable, while currency trading weighed on portfolios. Specifically, short euro exposure was a significant detractor, as the currency saw a mid-month rally on the outcome of the first round of the French election. Strategies within the HFRX Event Driven Index (+0.70%) continue to perform well, as merger arbitrage deal spreads remain in the 6-8% range, while only 2% of announced deals in the past 12-months have been broken-up. Potential tax and regulation reform remains both an uncertainty and opportunity for the remainder of the year; regardless, we remain constructive on event-driven managers with a proven ability to navigate complex capital structure situations, while properly managing overall market exposure.





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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.

GLOBAL REAL ASSETS A BRIGHT SPOT

Most major real asset categories fell during April, with weakness in commodities, master limited partnerships (MLP), and domestic real estate. Some of the weakness in real assets, which often act as a hedge against inflation, likely reflects market participants' tempered enthusiasm over the Trump administration's policy roadmap and its ability to enact pro-growth policies that could lead to more inflation. International assets were a bright spot, buoyed by a weaker U.S. dollar that also benefited traditional international equities; international real estate and global infrastructure each outpaced the S&P 500 during the month.

MLPs

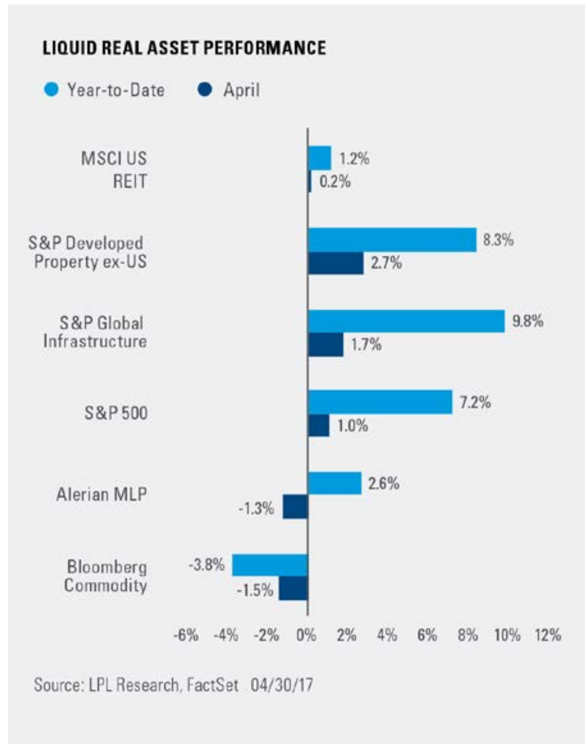
The Alerian MLP Index fell -1.3% in April, weighed down by lower oil prices. Though MLPs have historically not been as sensitive to oil prices as traditional energy stocks, lower oil prices do impact U.S. energy production which translates into price sensitivity for MLPs. Stable natural gas prices and slightly lower interest rates helped mitigate losses.

REITs & Global Listed Infrastructure

April was a strong month for international markets; the weak U.S. dollar sustained global real estate and global listed infrastructure performance. Domestic real estate, near unchanged for the month, did not fare as well, partly due to the market's preference for more economically sensitive investments. Retailer weakness continued to weigh on the domestic REIT indexes due to ecommerce challenges, which is helping support industrial REITs.

Commodities

The Bloomberg Commodity Index slipped 1.5% in April following its 2.7% decline in March. A weaker dollar buoyed precious metals but provided little help for other global commodities such as oil, base metals, or agriculture. The headliner was crude oil, which fell 2.5% in April as increasing rig counts and an ongoing inventory overhang offset optimism for a late-May extension of the global production agreement struck by OPEC and Russia. Industrial metals, specifically copper and aluminum, have given back post-election gains as the Trump administration's infrastructure spending initiatives may be pushed back and scaled down. Weak auto sales and China's economic transition also had impact. Gold, which gained 1.4% in April, benefited from a weaker dollar and heightened geopolitical tensions. Agriculture was broadly lower, losing 1.5% for the month.



Investing in real estate/REITs involves special risks such as potential illiquidity and may not be suitable for all investors. There is no assurance that the investment objectives of this program will be attained.

Investing in MLPs involves additional risks as compared with the risks of investing in common stock, including risks related to cash flow, dilution, and voting rights.

MLPs may trade less frequently than larger companies due to their smaller capitalizations, which may result in erratic price movement or difficulty in buying or selling. MLPs are subject to significant regulation and may be adversely affected by changes in the regulatory environment, including the risk that an MLP could lose its tax status as a partnership. Additional management fees and other expenses are associated with investing in MLP funds.

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