April 2018 IN REVIEW

May Update | As of April 30, 2018

ECONOMY:

CONTINUED STEADY BUT SLIGHTLY SLOWER GROWTH

Economic Data

Economic reports released in April 2018, largely reflecting economic activity in March, showed continued solid economic growth in the U.S. Growth did slow some in the first quarter, consistent with the historical seasonal trend, but showed signs of an April rebound.

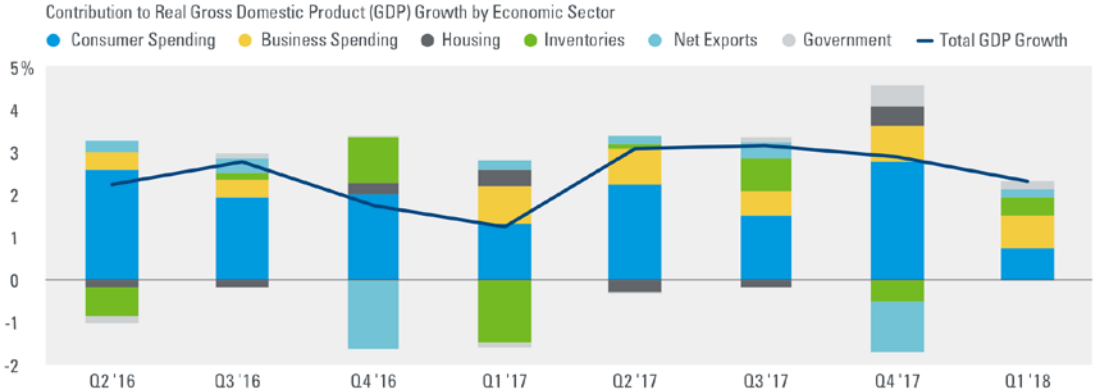
The U.S. economy grew at 2.3% in the first quarter, based on the advance estimate of gross domestic product (GDP); better than the consensus estimate of 2.0%, but below the near 3% growth of the prior three quarters. Persistent problems with seasonal adjustments of first quarter data and a lull in consumer activity after some spending was pulled forward into the fourth quarter, likely due to post-hurricane recovery and anticipated tax gains, weighed on first quarter growth.

Data reported through the month of April, including the components of the GDP report, were consistent with accelerating economic growth at the start of the second quarter. As of April 30, Bloomberg consensus for second quarter GDP growth stood at 3.1% (quarter over quarter annualized), supported by the roll-off of the aforementioned temporary factors in addition to fiscal stimulus that has been put in place, mostly from the new tax law. A healthy job market and strong global demand also help provide support for a pickup in growth in the coming months.

Inflation continued to rise in April, but generally met expectations. The core Consumer Price Index (CPI), excluding food and energy, increased 2.1% year over year; the Federal Reserve's (Fed) preferred inflation gauge, the core Personal Consumption Expenditures (PCE) deflator, increased 1.9%; and the prices paid component of the Institute for Supply Management (ISM) manufacturing survey rose. Wage pressures accelerated on the margin, as the year-over-year increase in average hourly earnings in the March jobs report held steady at 2.6%, below January 2018 levels and within the recent range. Though inflation ticked

SLOWER GROWTH IN CONSUMER SPENDING LIKELY TEMPORARY

Contribution to Real Gross Domestic Product (GDP) Growth by Economic Sector



Source: LPL Research, Bureau of Economic Analysis 05/04/18 higher, it remains within the Fed's target range, while temporary factors may limit further near-term increases. We believe the Fed is unlikely to alter its path of gradual rate hikes based on these data.

Higher wages were accompanied by weaker than expected job growth. The economy added 103,000 jobs in March, well below consensus expectations of 185,000, as some temporary factors that boosted job growth in February unwound. Some slowing was expected after February's unusually strong number of 326,000. The two-month average of over 200,000 remained strong for this point in the economic cycle, and leaves the solid overall job growth trend intact. Meanwhile, jobless claims approached 50-year lows.

Steady job gains and rising wages help provide a solid foundation for consumer spending, evident in the strong retail sales report for March. Consumer confidence readings remain high, individual tax cuts have started kicking in, tax refunds arrived, and interest rates remain low by historical standards despite their recent rise. All in all, the macroeconomic environment is supportive of consumer outlays, even though consumer spending slowed to start the year.

Manufacturing activity remained robust based on data released in April, though data revealed a slight slowdown from recent peaks. The ISM Manufacturing Index, at 59.3, fell slightly shy of consensus expectations and decelerated from the prior month's reading. Based on history, the prior reading of over 60 was not sustainable. This data signaled continued expanding factory activity and suggested solid growth in corporate profits. Based on high business confidence readings, strong earnings, and incentives for capital spending in the new tax laws, the outlook for capital investment remains favorable.

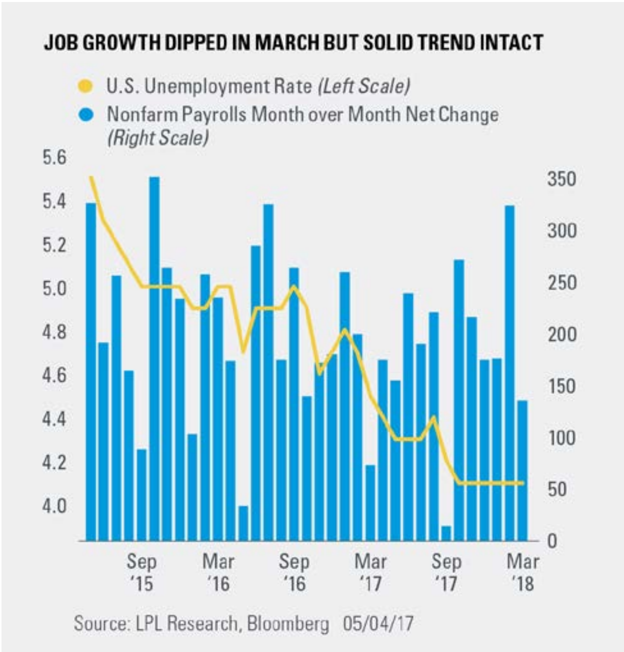
The Conference Board's Leading Economic Index (LEI), an aggregate of 10 leading indicators, rose 0.3% in March, and 6.2% year over year, in line with consensus expectations and consistent with continued strength in the U.S. economy in 2018. The biggest contributors were interest rate spreads and ISM new orders. Strength in leading indicators in recent months suggests the odds of a recession in the next year remain low.

Central Banks

The Fed did not meet in April, but market expectations did move slightly toward four rate hikes rather than three in 2018 due to higher inflation readings. At month-end, three total rate hikes in 2018 remained the consensus view, though the bond market has started to reflect nearly the same probability of four hikes this year.

The European Central Bank (ECB) made no change to its monetary policy, as expected, when it met in late April. ECB Chief Mario Draghi characterized the European economy as solid but moderating, and reiterated the central bank's confidence that inflation would converge toward its target. Draghi left the door slightly open for a more dovish stance down the road if economic conditions deteriorate, possibly due to trade tensions or a strong euro, while also reminding markets that the plan to exit quantitative easing this fall remains in place.

The Bank of Japan left its median forecast for inflation unchanged in April, while also removing their timetable for achieving that target for the first time. No change to the Bank of Japan's policy is expected until well into 2019 at the earliest.



GLOBAL EQUITIES:
U.S. STOCKS EKED OUT A SMALL APRIL GAIN

U.S.

Stocks eked out a small gain in April after two straight monthly declines, with the S&P 500 Index returning 0.4% for the month. The small gain, which was not quite enough to lift the index back into positive territory for the year, left the index with a 0.4% loss year to date. The Dow Jones Industrials and Nasdaq Composite produced similar monthly gains, though the Nasdaq has returned 2.4% year to date through April, while the Dow lost 1.6%.

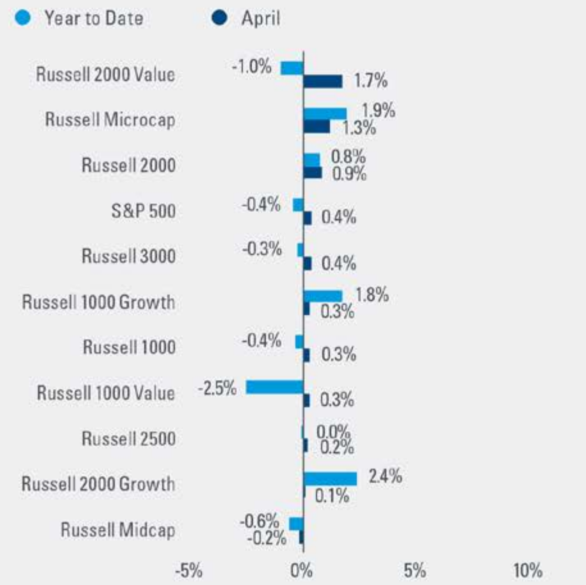
Trade tensions, rising interest rates, and the start of first quarter earnings season dominated investor discussions in April. On the trade front, NAFTA negotiations progressed while market participants closely followed trade developments with China including the Trump Administration's decision to seek an additional $100 billion in tariffs on Chinese imports (on top of the previously announced $50 billion). Geopolitics remained in focus amid U.S. missile strikes on chemical weapons facilities in Syria, peace talks on the Korean Peninsula, and the possibility that the U.S. withdraws from the Iran nuclear deal.

Rising interest rates provided a challenge for both stock and bond investors during April. Higher inflation, which contributed to increasing concerns that the Fed may hike rates four times in 2018, drove the yield on the 10-year Treasury above 3% for the first time in over four years and led to some stock market volatility. Over the intermediate to long term, stocks tend to rise as interest rates rise. However, sharp and swift moves in rates can cause market jitters.

First quarter earnings season got off to a strong start, though some cautious commentary about a potential peak in earnings growth and cost pressures dampened the market's enthusiasm. Still, as April ended, boosted by the new tax laws, S&P 500 companies were on pace for a 24% year-over-year increase in earnings for the first quarter, well above the 18% consensus estimate as of quarter-end.

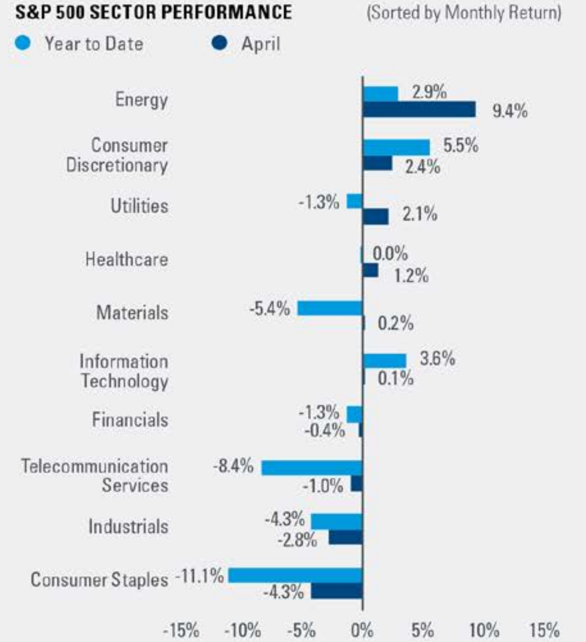
Higher oil prices propelled energy to the top of the monthly sector rankings with a more than 9% return, while consumer discretionary (+2.4%) ranked a distant

DOMESTIC INDEX PERFORMANCE (Sorted by Monthly Return)



Source: LPL Research, FactSet 04/30/18

S&P 500 SECTOR PERFORMANCE (Sorted by Monthly Return)



Source: LPL Research, FactSet 04/30/18

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.

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

second. Despite a solid showing for the defensive utilities sector (+2.1%), the more economically sensitive sectors in aggregate outperformed the defensive sectors; notably, consumer staples was the month's biggest laggard with its 4.3% loss. Year to date, the consumer discretionary and technology sectors have been the best performers with returns of 5.5% and 3.6%, respectively, while telecom (-8.4%) and consumer staples (-11.1%) have suffered the biggest declines.

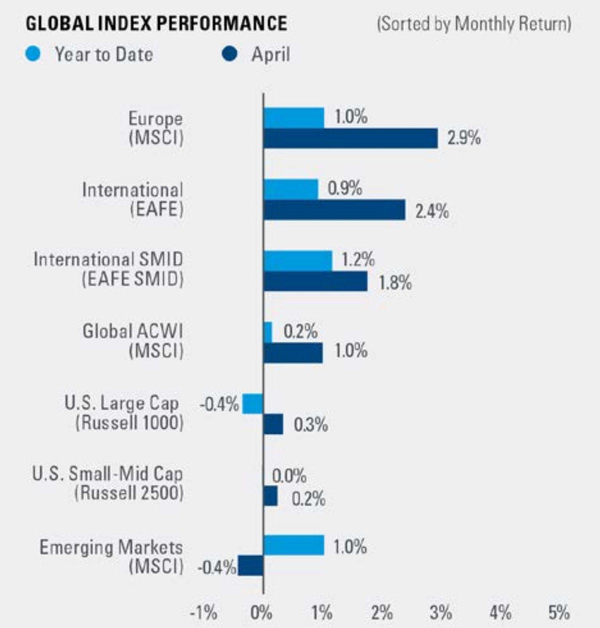
Small caps outpaced large and mid cap stocks for the second straight month, as the Russell 2000 returned 0.9% compared to the 0.3% return for the large cap Russell 1000 and relatively flat month for the Russell Midcap Index. A combination of relatively greater benefits from the tax law, more domestic revenue exposure, and a strong U.S. dollar resulted in a relatively more favorable environment for small cap stocks. Year to date, the Russell 2000 has produced a positive return of 0.8%, outpacing the returns for the Russell 1000 (-0.4%) and Russell Midcap Index (-0.6%).

The growth and value styles finished with similar returns during April, with consumer discretionary supporting growth and energy and utilities supporting value. Growth still maintains a solid lead this year, with the Russell 3000 Growth Index having returned 1.8% year to date compared with the 2.4% loss for the Russell 3000 Value Index.

International

Developed foreign equities delivered a strong 2.9% return during April, based on the MSCI EAFE Index, outpacing U.S. and emerging market (EM) equities. Gains, which were driven by relative strength in the consumer staples, financials, and industrials sectors, came despite ongoing global trade tensions and recent data indicating that European economies are slowing. A strong U.S. dollar led to a negative translation effect, paring some of the gains for international equities, though weaker currencies did benefit exporters on the margin. Year to date, the MSCI EM Index has returned 1.0%, slightly ahead of the EAFE Index (+0.9%) and the S&P 500 (-0.4%). Among developed international equity markets, France and the United Kingdom produced the best returns while Japan lagged.

EM equities lost 0.4% in April, lagging behind U.S. and developed international equities. Broadly, EM sentiment was dampened by China trade tensions, concerns about an accelerated pace of tightening of global monetary policy, and rising interest rates. India and South Korea were the strongest EM equity markets, while Taiwan suffered the biggest losses. South Korea benefited from North Korean peace talks, while technology sector weakness weighed on Taiwan.



Source: LPL Research, FactSet 04/30/18

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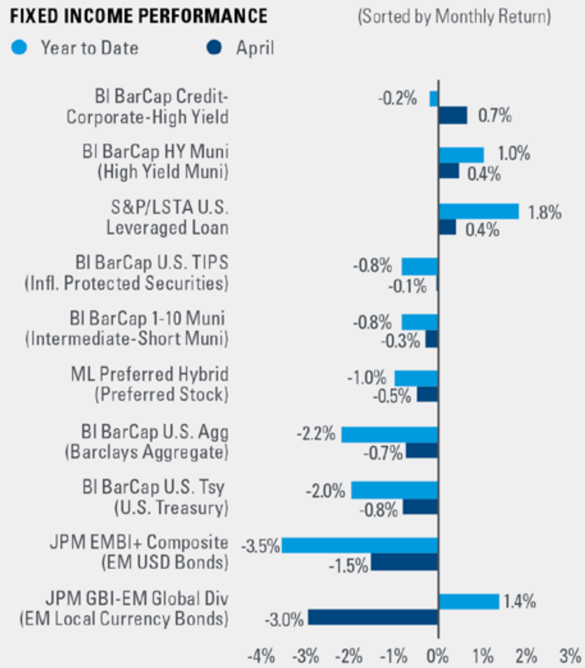
International and emerging markets investing involves special risks, such as currency fluctuation and political instability, and may not be suitable for all investors.

FIXED INCOME:
UNDER PRESSURE AS 10-YEAR TREASURY YIELD BREACHES 3%

Treasury yields rose across the yield curve during April. The 10-year Treasury yield breached 3% before receding intra-month, but still ended the month higher by 21 basis points (0.21%). The 2-year Treasury yield rose by 22 basis points (0.22%). Inflation expectations rose to a multi-year high during the month amid higher inflation readings and a 5.6% rise in the price of oil. Rising inflation expectations led to higher investor conviction in future fed rate hikes, pressuring short-term rates higher.

The rise in rates led to a negative month for high-quality fixed income, with less interest rate sensitive segments (shorter maturities and lower quality) generally outperforming. The broad Bloomberg Barclays U.S. Aggregate Bond Index returned -0.7% during April, with Treasuries and investment-grade corporates (Bloomberg Barclays U.S. Corporate Index) underperforming, returning -0.8% and -0.9%, respectively. Mortgage-backed securities (Bloomberg Barclays U.S. MBS Index) outperformed the broad market, returning -0.5%.

Positive equity markets boosted economically sensitive sectors of fixed income, with high yield and bank loans returning 0.7% and 0.4%, respectively. The global rise in longer-term rates hurt developed foreign bonds (FTSE Non-USD World Government Bond Index) as well, with unhedged foreign bonds returning -2.4%, due to the added headwind of a 2.1% rise in the dollar over the course of April. EM debt was hindered by the rise in rates, but also by concern around protectionist trade policy, leading to a -1.5% return during the month.



U.S. TREASURY YIELDS

Security	3/31/18	4/30/18	Change in Yield
3 Month	1.73	1.87	0.14
2 Year	2.27	2.49	0.22
5 Year	2.56	2.79	0.23
10 Year	2.74	2.95	0.21
30 Year	2.97	3.11	0.14

AAA MUNICIPAL YIELDS

Security	3/31/18	4/30/18	Change in Yield
2 Year	1.63	1.77	0.14
5 Year	1.93	2.05	0.12
10 Year	2.43	2.52	0.09
20 Year	2.93	3.00	0.07
30 Year	3.05	3.12	0.07

Source: LPL Research, Bloomberg, FactSet 04/30/18

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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.

ALTERNATIVES:
MACRO STRATEGIES LEAD GAINS

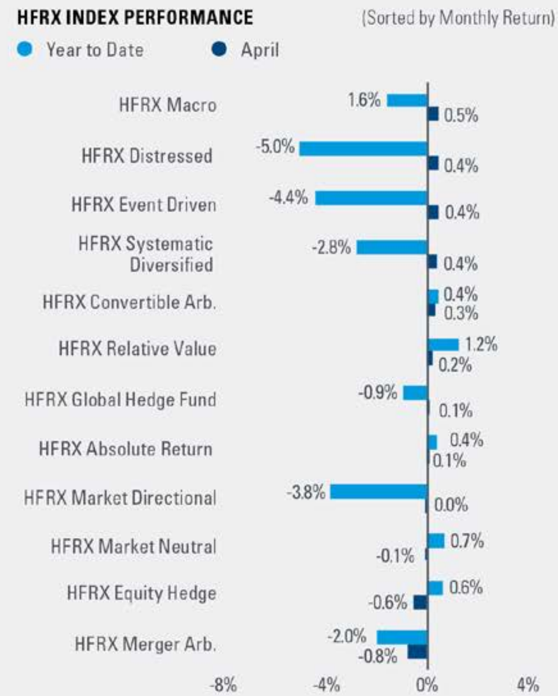
Macro-related strategies led April alternative investment gains, as the HFRX Macro Index and HFRX Systematic Diversified Index returned 0.5% and 0.4%, respectively. Within those strategies, gains were seen in long oil exposure and short U.S. Treasury positioning. Smaller commodity markets such as wheat and cocoa also supported returns in the trend-following space, as futures contracts for both markets moved higher during the month.

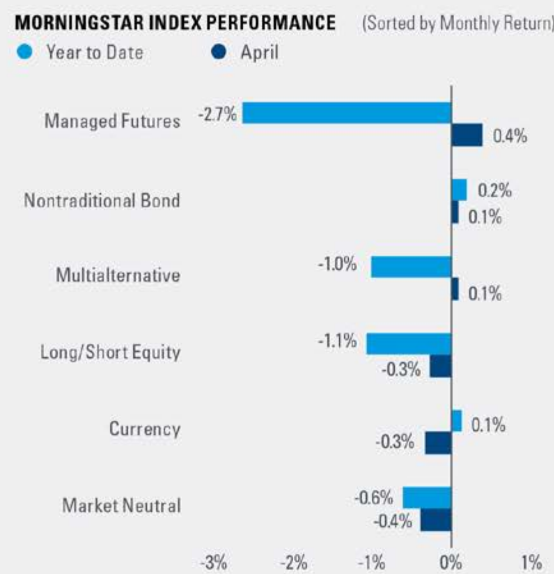
The HFRX Distressed Debt Index gained 0.4%, as higher oil prices supported existing positions in the energy sector. Also, managers investing in Puerto Rico credits continue to see bond prices move higher due to a relatively more optimistic fiscal outlook that includes an improved growth forecast and additional tax revenue for debt service payments.

Long/short equity and merger arbitrage strategies both disappointed during the month, as the HFRX Equity Hedge Index declined 0.6%, while the HFRX Merger Arbitrage Index fell 0.8%.

Within the long/short space, weak stock selection and short exposure that rallied during the month were the main detractors. Additionally, the information technology sector, which represents the largest long overweight across the industry, was roughly flat during April, thus limiting participation in the broader markets modest rally during the month.

A high-profile and widely held semiconductor position weighed on merger arbitrage strategies during the second half of the month. This firm is waiting on an opinion from Chinese regulators to move forward, however; due to the ongoing U.S.–China trade disputes, formal approval has been held up longer than expected. Recent trade rhetoric has only put further pressure on this stock’s price and probability of the deal closing. Overall, the average deal spread has moved 4% higher over the course of the year to roughly 9% at the end of April.





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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.

REAL ASSETS:
STRONG MONTH FOR MLPS

Liquid real assets performance was broadly positive during April, led by strong gains for MLPs.

MLPs

The Alerian MLP Index bounced back strongly in April, returning 8.1% for the month, benefiting from higher oil prices and strong U.S. oil and gas production. The rebound is particularly impressive given the rise in interest rates during the month. Market participants perhaps saw value in the group after the unfavorable tax ruling in March, and got more comfortable with the distribution growth outlook as the industry continues to transition away from reliance on external capital markets.

REITs & Global Listed Infrastructure

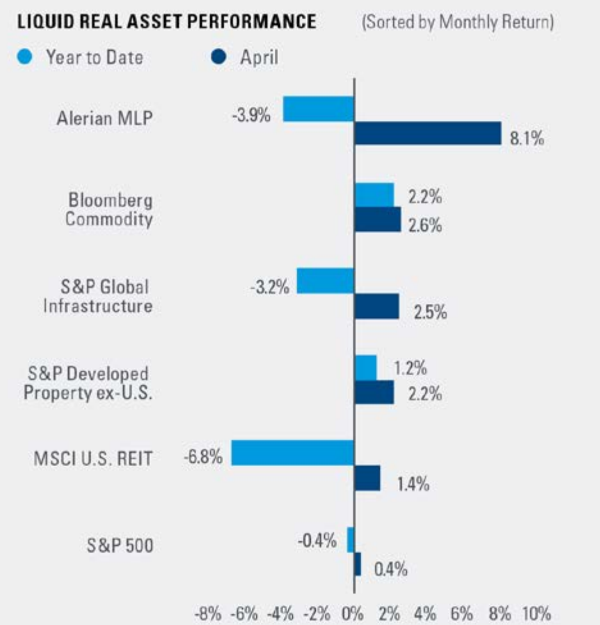
The S&P Global Infrastructure Index returned a solid 2.5% return for April, aided by strong gains in international utilities and broadly rising commodity-related investments. During the month, the global infrastructure category outpaced broader equity benchmarks, including those for U.S., international, and global equities, while also outperforming domestic and international real estate indexes. Gains were impressive given the rise in interest rates and strong U.S. dollar, which both presented headwinds for these investments. Year to date, the S&P Global Infrastructure Index has trailed real estate and broad U.S. equity benchmarks with its 3.2% loss.

U.S. real estate investment trusts (REIT) and international real estate outperformed broad U.S. and global equities during April, but not international developed equities, based on the MSCI EAFE Index. U.S. REITs, which got a boost in April from strength in the industrial subsector, have outperformed broad equities two straight months but have still underperformed year to date, largely due to sensitivity to rising interest rates. Year to date, international real estate has returned 1.2% compared with the 6.8% loss for U.S. REITs.

Commodities

The Bloomberg Commodity Index outperformed global equities in April, gaining 2.6% thanks to strong performance in energy, industrial metals, and grains. Energy strength was driven by a nearly 6% jump in crude prices amid tightening global supplies and rising geopolitical risk. Among industrial metals, Russian sanctions drove aluminum prices sharply higher. Within agriculture, poor weather and weak crops globally helped drive strong gains for corn and wheat. Conversely, a strong U.S. dollar and rising interest rates weighed on precious metals which, along with livestock and agriculture softs, detracted from monthly performance. Year to date, the Bloomberg Commodity Index has gained 2.2%.

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.



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