July Update | As of June 30, 2017

JUNE 2017 IN REVIEW

ECONOMY:

DATA CONFIRMS Q2 GROWTH REBOUND STILL ON TRACK

Economic Data

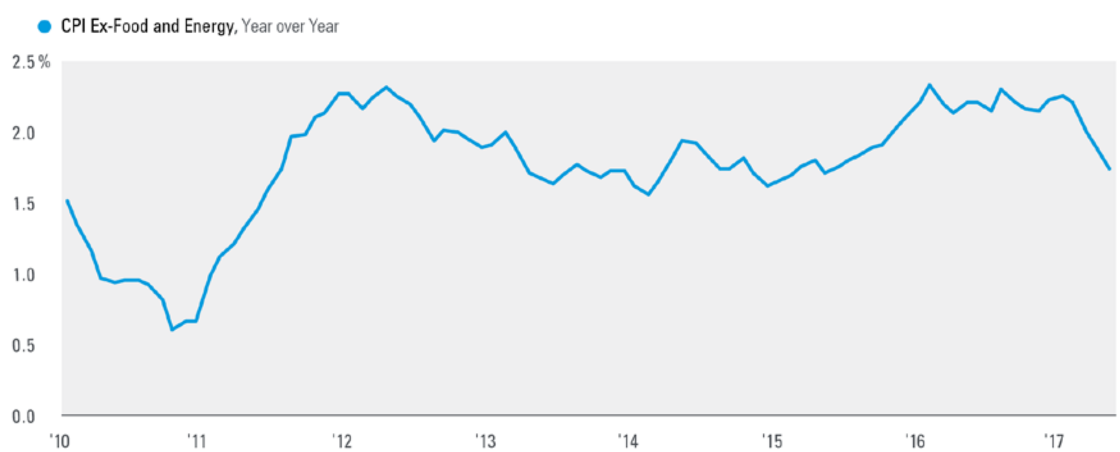
Economic reports released in June 2017, which mostly reflect economic activity in May, continued to indicate that economic growth picked up during the second quarter of the year. The consensus estimate from economists surveyed by Bloomberg is calling for a gross domestic product (GDP) rate of 3% during the second quarter, on an annualized basis, slightly above the average of the New York Federal Reserve (Fed) and Atlanta Fed NowCast models, which forecast quarterly GDP based on currently available data.

However, data mostly fell short of expectations during the month, a trend that began in March. The Citigroup Economic Surprise Index (CESI), an aggregate measure of economic surprises, fell to its lowest level since 2011. Some of the disappointments relative to expectations included: employment (monthly payrolls), durable goods orders (a proxy for capital investment), and retail sales (autos in particular). But, at the same time, first quarter GDP was revised higher (to 1.4% annualized, up from 1.2%), consumer confidence is positive, and the consensus forecast for second quarter GDP is still a solid 3%.

Given that roughly two-thirds of economic data points released in June missed consensus forecasts, expectations clearly got a bit too high; however, the growth trajectory is still increasing. The Conference Board Leading Economic Index (LEI) is up year over year, suggesting low odds of a recession over the next year. And despite the political wrangling in Washington, D.C., corporate tax cuts, and potentially other pro-growth initiatives such as infrastructure spending, are still possible. Bottom line, interpreting frequent data shortfalls relative to expectations is a sign that impending economic deterioration may be premature.

On the job front, although the May payroll employment report (released in early June) fell short of consensus forecasts, job growth has been steady. The unemployment rate fell 0.1% in June and remains

CORE CPI IS BACK BELOW 2%



Source: LPL Research, Bureau of Labor Statistics 06/30/17 historically low at 4.3%. Monthly job growth averaged 162,000 during the first five months of 2017 despite May's 138,000 reading. The employment component of the Institute for Supply Management's (ISM) Manufacturing Index survey rose 1.5 points and remains well in expansion territory (above 50 at 53.5).

Wage growth, measured by the annual change in average hourly earnings, inched fractionally lower from April to May, but the indicator remains near post-financial crisis highs at 2.5%. It is also important to note that the latest downtick in inflation, based on the consumer price index (CPI), increases the real (inflation adjusted) buying power of those wages. At 1.9%, the annual change in the CPI for May fell and is well off the February 2017 peak of 2.7%. Core CPI, which excludes food and energy, rose 1.7% year over year, down from the recent peak of 2.3% in January 2017. Both readings were below economists' expectations and the Fed's target, as was the case with the Fed's preferred inflation measure (the Personal Consumption Expenditures Index [PCE]), which rose 1.4% year over year in May.

The stable and steady job market has helped buoy consumer confidence, which rose one point in June on strong performance for the current conditions component, based on the Conference Board's measure. This measure remains near its highest level since the dotcom boom in 2000 and is consistent with a healthy U.S. consumer. Confidence did not translate into strong retail sales in May, though falling prices played a role, including gasoline, and consumer spending is still on track for a rebound in the second quarter based on the Fed's forecasts.

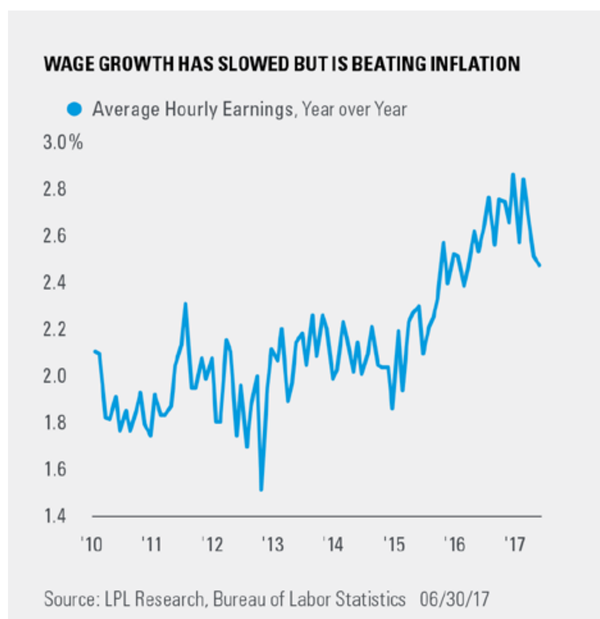
Housing data for May was mixed as pending home sales, housing starts, and the forward-looking permits measure all fell short of expectations. The National Association of Home Builders Housing Market Index (HMI) also missed expectations but remains near post-financial crisis highs. On a positive note, tallies of existing and new home sales came in slightly ahead of forecasts. All in all, these data are still consistent with a healthy U.S. housing market, with constrained inventory and rising prices of some concern, not demand.

Capital investment activity slowed some in May based on the bigger-than-expected 1.1% month-over-month drop in durable goods orders. The decline was driven mostly by weaker aircraft orders, which can be very volatile month to month.

Central Banks

As expected, the Fed raised interest rates at the conclusion of its June 13–14 policy meeting, the fourth rate hike of the current cycle that began in December 2015. Though, more surprising was the added hawkish tone of the Federal Open Market Committee's statement following the latest weak inflation readings. The median interest rate projections among committee members (1.4% at the end of 2017 and 2.1% at the end of 2018) suggests one more hike this year with possibly three more next year; this is faster than the market's expectations based on federal funds futures prices. The Fed also provided strong hints that it would begin the process of reducing its balance sheet by year-end, but would do so in a very gradual and transparent manner.

The European Central Bank (ECB) and Bank of Japan (BOJ) both held policy meetings in June, where the central banks held rates unchanged and maintained their securities purchase programs. The ECB did change its language, however, dropping its reference to a potential interest rate cut, a subtle hint at a tighter (or less easy) policy bias later in the year.



GLOBAL EQUITIES:
STRONG FIRST HALF

U.S.

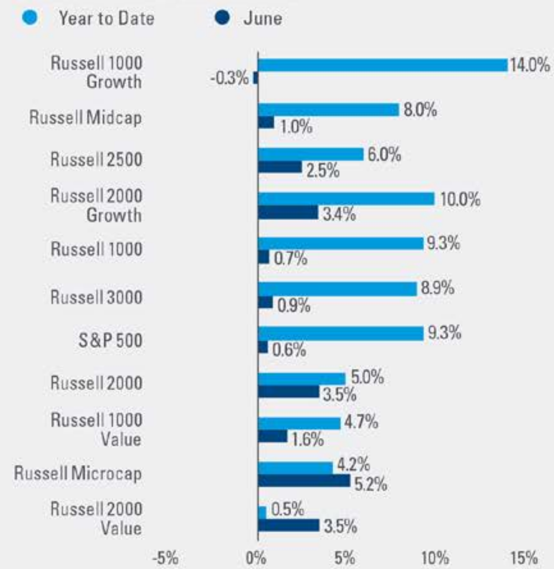
U.S. stocks capped off a strong first half with a 0.62% gain in June, bringing the S&P 500's first half return to an impressive 9.34%, its best since 2013. On a total return basis, June's gain marked the eighth straight positive month and the 15th positive month out of the last 16. The Nasdaq's more than 14% advance through the end of June is its best first half since 2009.

The market impressively shrugged off soft economic data during June. Although incoming data offered more evidence of steady, though unspectacular growth, the data mostly missed consensus expectations. Signs of economic softness were interpreted more as "Goldilocks" conditions (not too hot, not too cold) than as a warning of a meaningful slowdown, helping stocks produce another positive month even as the Fed hiked interest rates mid-month. Stocks also shrugged off a flattening yield curve, a bear market in oil, little progress by the Trump administration in advancing its economic agenda, and ongoing geopolitical threats. But, on a more positive note, while few companies reported results in June, the resilience of Wall Street's earnings estimates offered cause for optimism with regard to the upcoming second quarter earnings season.

Turning to policy, Republicans continued to work on healthcare reform and deregulation, while tax reform work continued in the background. As healthcare overhaul efforts continue, optimism surrounding comprehensive tax reform has faded some; but, even the possibility of smaller, narrower corporate tax cuts has helped keep major stock market averages near record highs. A reduction in the corporate tax rate remains a realistic possibility, although timing and scope of tax changes remain uncertain. Regulatory actions have contributed to optimism among business leaders and helped buoy investor sentiment.

Sector dynamics were noteworthy as June saw a significant rotation out of surging technology stocks and into lagging financials. The technology sector lost 2.7% for the month, ahead of only telecommunications, while financials (+6.4%) topped the sector rankings. Ongoing

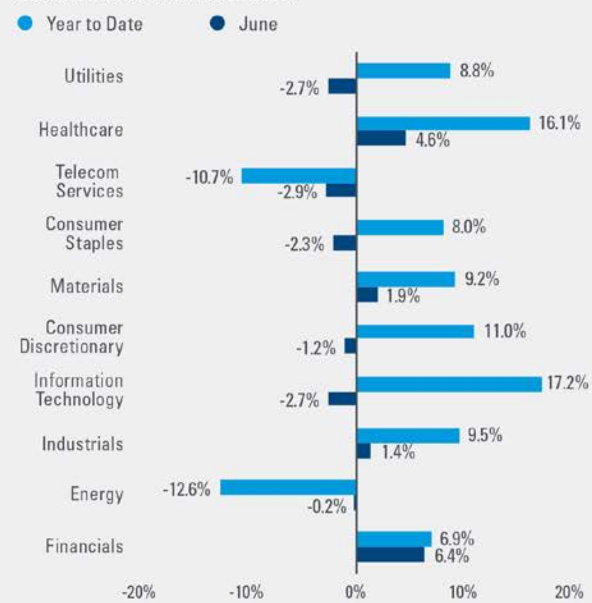
DOMESTIC INDEX PERFORMANCE



Source: LPL Research, FactSet 06/30/17

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 06/30/17

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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.

financial deregulation efforts, favorable results for the Fed's bank stress tests, and higher interest rates all helped support financials; meanwhile, concerns that the technology sector had rallied too far too fast, after a 22% year-to-date gain through June 8, led to selling pressure over the rest of June.

On a style basis, value broke growth's five-month winning streak, based on the Russell 3000 style indexes, but value still trailed growth by over nine percentage points in the first half of 2017. The story for the month and year has been the divergence between the biggest growth sector, technology, and the biggest value sectors, energy and financials. Energy and financials caught up some in June but remain significantly behind technology for the year.

Small caps also staged a bit of a comeback, outpacing mid and large caps in June after lagging much of the year. Small caps benefited from outperformance by cyclical sectors and generally favorable financial conditions, while some may have seen prior weakness as an opportunity on the potential for a policy boost from Washington, D.C. Large caps bested small and mid caps during the first half.

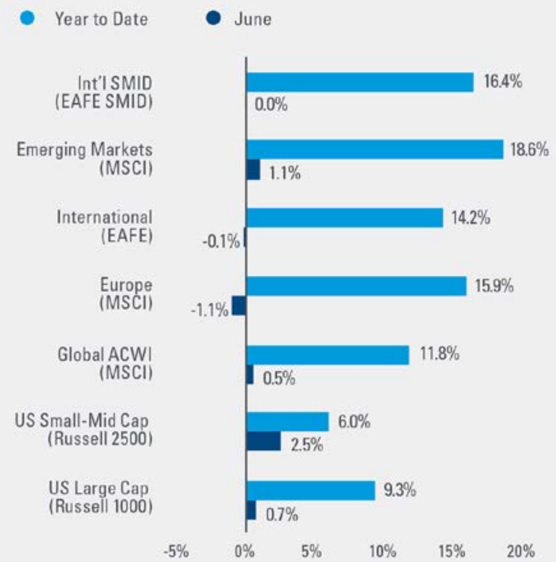
International

International equity market performance was mixed during June despite generally favorable economic performance overseas. The developed foreign benchmark (MSCI EAFE Index) returned -0.15% despite some translation benefit from a weaker U.S. dollar, while the MSCI Emerging Markets (EM) Index gained 1.07%. Both indexes finished solidly ahead of the U.S. in the first half, with the EAFE returning 14.23% and the EM returning 18.60%, both aided by U.S. dollar weakness.

During the month, developed foreign markets were hurt by the election outcome in the U.K., which left Prime Minister Theresa May's party without a majority and contributed to the U.K.'s 1.9% decline. A more market-friendly election outcome in France, with French President Macron winning a strong parliamentary majority, did not provide much help for French stocks, which along with Germany, lost ground during the month as the euro strengthened. Japanese stocks moved higher as the BOJ maintained its security purchase program and left rates unchanged.

Broadly, EM economies continued to benefit from a healthy global economy and perform well. EM equity gains were driven mostly by Asia; in particular, markets in China, Taiwan, and Hong Kong, representing about 40% of the EM Index, gained at least 1%. Index provider MSCI's decision to add local Chinese listed "A-shares" to its indexes likely helped buoy sentiment. Mexico also outpaced the MSCI EM as trade war concerns faded. Laggards included Brazil, which was hurt by a corruption scandal, and commodities-oriented markets in South Africa and Russia.

GLOBAL INDEX PERFORMANCE



Source: LPL Research, FactSet 06/30/17

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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:

RATES RISE AS FED HIKES RATES FOR SECOND TIME IN 2017

Treasury yields rose across the maturity spectrum during June, with the exception of the longest maturity of 30 years. The Fed's decision to raise rates on June 14 pressed shorter-term yields higher, while longer-term yields were pushed higher in part by a pickup in longer-term developed foreign yields.

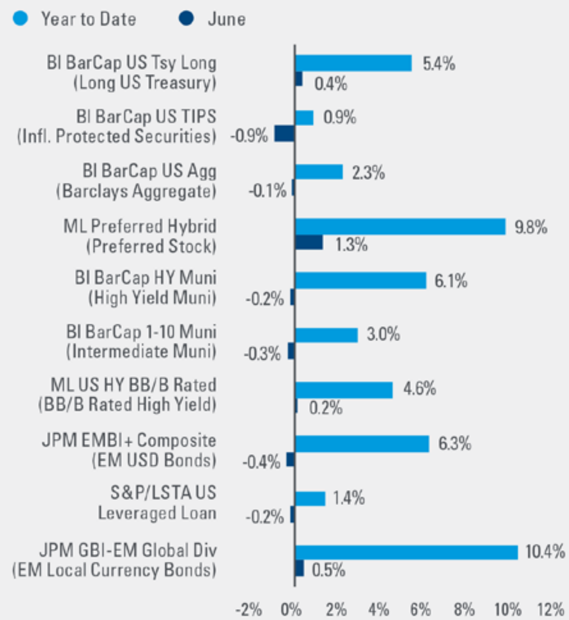
The upward pressure on yields led to a mixed month for fixed income. The broad Bloomberg Barclays Aggregate Bond Index returned -0.1% during the month, with Treasuries underperforming, returning -0.2% (Bloomberg Barclays U.S. Treasury Index). Investment-grade corporates outperformed the broad high-quality market, returning 0.3%, as valuations continued to richen over the month.

Economically sensitive, fixed income sectors were pressured by choppy equity markets and a further slide in the price of oil, which dropped 4.7% during June. High yield returned 0.1%, emerging market debt -0.3%, and bank loans -0.2%. Preferreds were the standout, leading all major fixed income sectors with a 1.3% return during June, due to a strong month for financial equities.

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	05/31/17	06/30/17	Change in Yield
3 Month	0.98	1.03	0.05
2 Year	1.28	1.38	0.10
5 Year	1.75	1.89	0.14
10 Year	2.21	2.31	0.10
30 Year	2.87	2.84	-0.03

AAA MUNICIPAL YIELDS

Security	05/31/17	06/30/17	Change in Yield
2 Year	0.98	1.05	0.07
5 Year	1.38	1.45	0.07
10 Year	2.09	2.15	0.06
20 Year	2.79	2.81	0.02
30 Year	2.94	2.97	0.03

Source: LPL Research, Bloomberg, FactSet 06/30/17

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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.

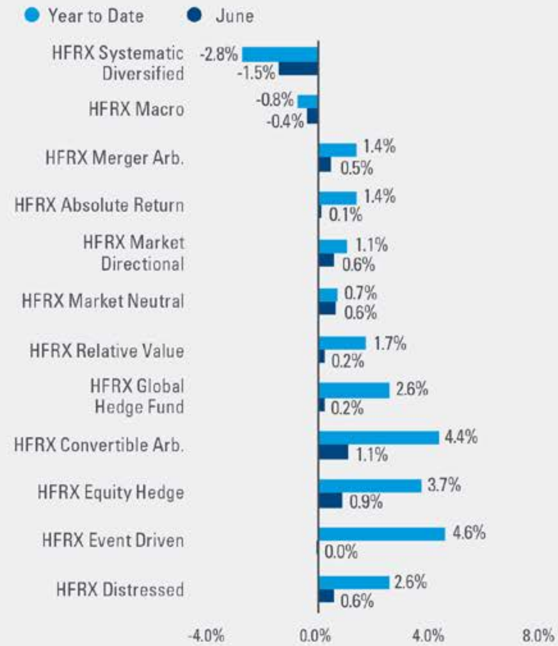
ALTERNATIVES:

LONG/SHORT DELIVERS BEST MONTH OF 2017

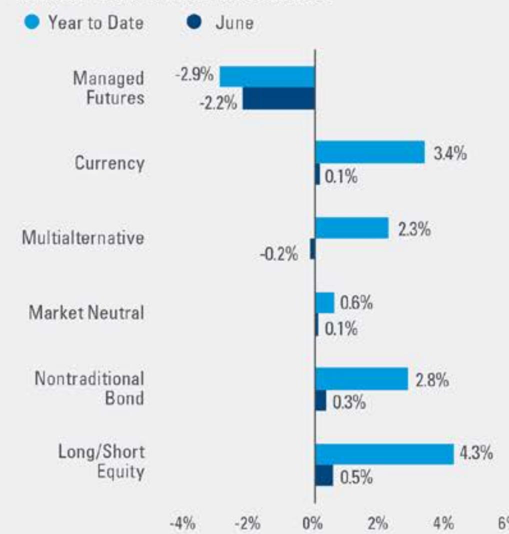
Long/short equity strategies delivered an impressive month, with the HFRX Equity Hedge Index gaining 0.86%, outperforming the S&P 500 by 24 basis points (0.24%). This represents the first month of absolute outperformance in an upmarket against the S&P since September 2016. The dispersion between top and bottom performing S&P 500 sectors (financials at +6.43% and telecommunications at -2.92%) supported active managers and their ability to add value from short-side stock selection skills. Additionally, for those managers with a global mandate, increasing levels of exposure to EM has been a tailwind, as the MSCI EM gained 1.07% during the month and has now returned 18.6% year to date. In the relative value space, the HFRX Convertible Arbitrage Index continues to perform well, as yields compressed moderately, while there has also been subdued volatility. For June, the index gained 1.06% and has now returned 4.35% since the beginning of the year.

Systematic macro strategies lagged all alternative investment categories, as the HRFX Systematic Diversified CTA Index declined 1.48%. The weak performance was concentrated in the last week of the month, where the index fell 1.53%. This was predominantly caused by the sell-off in equity and fixed income markets, which resulted in steep losses for those strategies positioned long in both asset classes. Commodity exposure was the main source of gains during the month, specifically due to short oil positioning. The HFRX Event Driven Index strategies posted a decline of 0.03%, which represents the categories first monthly loss since October 2016. Losses were manager specific and not due to any major deal breaks or spread widening in previously announced mergers.

HFRX INDEX PERFORMANCE



MORNINGSTAR INDEX PERFORMANCE



Source: LPL Research, FactSet 06/30/17

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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.

STRONG MONTH FOR INTERNATIONAL ASSETS

Liquid real assets were mostly lower in June, with the exception of U.S. real estate investment trusts (REIT) which produced a solid 2.1% return. Commodities, master limited partnerships (MLP), global infrastructure, and international real estate all finished June in the red, although the international real asset categories saw solid gains in the first half that surpassed those produced by the S&P 500.

MLPs

The Alerian MLP Index slipped 0.6% during June as crude oil and natural gas prices fell. The moderate loss masked significant intra-month volatility that saw the index down over 7% month to date as of June 21, before a sharp rebound in oil prices helped the group recover. MLPs exhibited little interest rate sensitivity, declining even as yields lowered. The Alerian MLP Index lost a disappointing 2.7% in the first half but held up better than the S&P 500 energy sector which fell 12.6%.

REITs & Global Listed Infrastructure

U.S. REITs were a standout performer in June, despite the headwind of higher interest rates based on the 10-year Treasury yield and the market's preference for cyclical sectors. Strength was broad based with solid gains in the retail, industrial, and office categories. International real estate did not fare as well, despite a weaker U.S. dollar. For the month of June, global infrastructure performance trailed domestic equities (S&P 500) while international real estate returns lagged the domestic U.S. REIT index (MSCI U.S. REIT).

Commodities

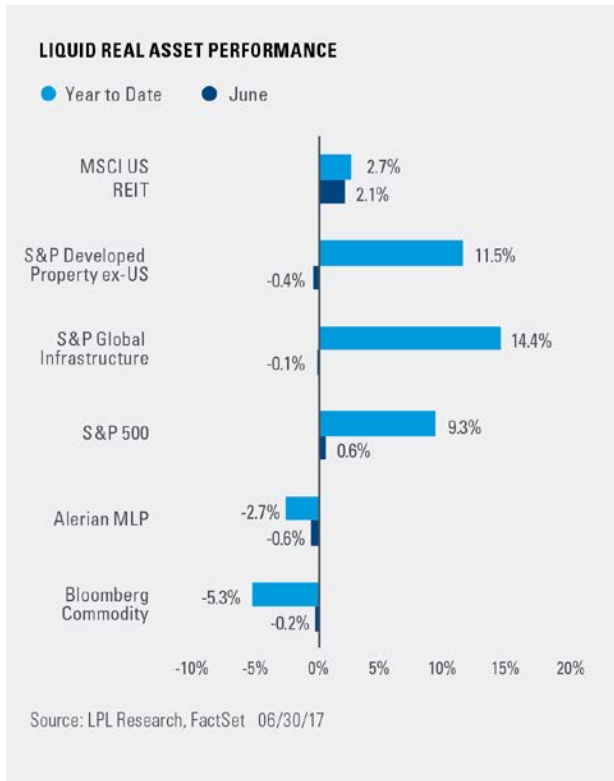
The Bloomberg Commodity Index (BCOM) fell for the fourth straight month, losing 0.2% in June, but rebounded nicely late in the month as oil bounced. The BCOM fell 5.3% during the first half, despite a weaker U.S. dollar that tends to boost global commodity prices.

While oil's late June rally, aided by the first drop in weekly rig counts since January, got a lot of headlines, the agriculture rebound including wheat's near 20% surge on a drought-ridden U.S. crop was notable. In addition, copper prices rose 4.6% as China's growth outlook has firmed amid several global supply disruptions. Gold fell 2.6% as interest rates rose, despite the normally supportive U.S. dollar weakness.

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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