February Update | As of January 31, 2017

JANUARY 2017 IN REVIEW

ECONOMY:

ECONOMIC DATA POINT TO IMPROVING GROWTH

Economic Data

Two-thirds of economic reports received in January 2017, which mostly reflect economic activity from December 2016 and early January 2017, met or exceeded consensus expectations. Expectation levels continued to edge higher in January, extending a trend in place since the November 8, 2016 U.S. presidential election. On the upside, reports on service sector sentiment, manufacturing sentiment, new orders for durable goods, vehicle sales, and employment were all notably better than expected. There were also some disappointments. While not as timely as most of the reports released in January, the initial estimate of 2016 fourth quarter gross domestic product growth (GDP), released on January, 27, 2017, fell short of consensus expectations. The economy grew 1.9% in the fourth quarter of 2016, slower than the solid 3.5% growth rate from the third quarter. The slowdown between the third and fourth quarter left GDP growth for the full year at a tepid 1.9%.

As has been the case for several months in a row now, January's economic releases were highlighted by ongoing improvement in the manufacturing sector. The Institute for Supply Management's (ISM) Purchasing Managers' Index (PMI) for manufacturing continued to accelerate in late 2016 after a nearly two year slump related to falling oil prices. Many of the regional Federal Reserve (Fed) surveys on manufacturing also exceeded expectations in January, including the Dallas Fed's manufacturing survey, a district that is heavily dependent on the oil and energy industries. Readings released on consumer sentiment in December and January were also strong, with the University of Michigan's consumer sentiment survey hitting a fresh 12-year high in January. Consumer

GDP GROWTH SLOWED IN Q4 2016

Source: LPL Research, Bureau of Economic Analysis, Haver Analytics 02/06/17 spending remained firm as 2016 ended, with vehicle sales hitting a fresh 16-year high in December 2016.

Despite the better-than-expected tone of most of the economic data released in January, not all the data exceeded expectations. Noteworthy disappointments included new and existing home sales, retail sales, and personal income.

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 solid 0.5% between November and December 2016 and the index's year-over-year change accelerated from +0.5% to 1.5%. Historically, when the change in the LEI has been at this level or higher, the economy has been in a recession a year later less than 10% of the time.

Although the inflation reports released in January were mixed relative to expectations, inflation, as measured by the Consumer Price Index (CPI), continued to accelerate, from a 1.7% year-over-year gain in November 2016 to 2.1% in December, the highest reading in more than two years. Wage gains decelerated between November and December, from +2.7% year over year to 2.9%. Most other measures of wages and compensation continued to point to higher wage inflation as 2016 ended and 2017 began.

INFLATION ABOVE 2% FOR THE FIRST TIME SINCE 2014

Source: LPL Research, Bureau of Labor Statistics, Haver Analytics 02/06/17

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 data dependent and gradual.

Outside of the U.S., January was a busy month for central banks, but neither the European Central Bank nor the Bank of Japan made any policy changes at their January meetings. The Central Bank of Brazil did garner some attention, cutting rates by more than expected at its January meeting.

GLOBAL EQUITIES:
STRONG START TO 2017 FOR STOCKS

U.S.

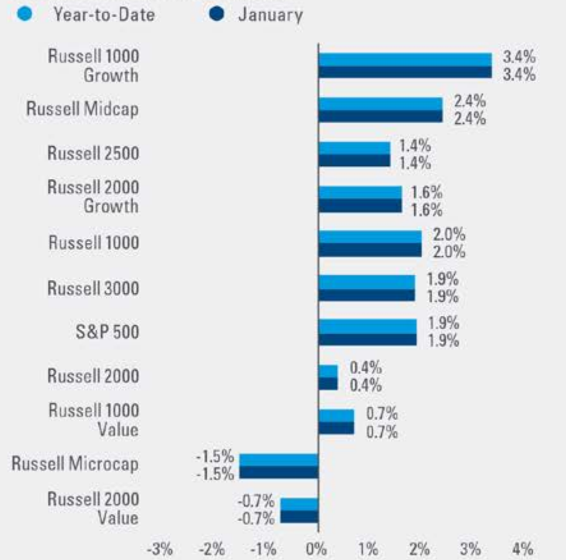
Stocks started off 2017 on a positive note as the S&P 500 returned 1.9% for the month, following December's 2% gain and the solid 12% return in 2016. Investors celebrated Dow 20,000 during the month while pushing the S&P 500 to another fresh set of record highs. January's gains continued the market's impressive consistency, with gains in 10 of the past 11 months. Investors continued to focus on the policy roadmap for the Trump administration, both before and after the inauguration on January 20, 2017. Volatility remained quite low, with the S&P trading in its narrowest monthly range in any January in its history.

While market volatility remained low, some uncertainty persists as market participants assess the potential impact of various policy proposals from the Trump administration. The list of areas to watch is long, including corporate tax rates, a lower repatriation rate for overseas cash, a possible "border adjustability tax," the Affordable Care Act and Dodd-Frank overhauls, trade policy, immigration reform, and infrastructure spending. Washington policy was also the primary focus for CFOs and analysts during fourth quarter earnings season during the second half of January. Although we have more questions than answers, markets will remain focused on policy in the months ahead.

Interest rates moved little during January ahead of the Fed's rate decision on February 1, but the U.S. dollar was a big mover with a 2.7% decline based on the DXY U.S. dollar index. Protectionist trade policy would be expected to be bullish for the dollar, so the move can at least partly be attributed to unwinding of fears of a trade war. Expectations of a dovish Fed likely also played a role. The weaker dollar helped drive gains in overseas equities (in U.S. dollars) and commodities.

Higher commodity prices helped propel materials (+4.6%) to the top of the month's sector leaderboard. Economically sensitive sectors joined materials as outperformers amid economic optimism. A strong start

DOMESTIC INDEX PERFORMANCE



Source: LPL Research, FactSet 01/31/17

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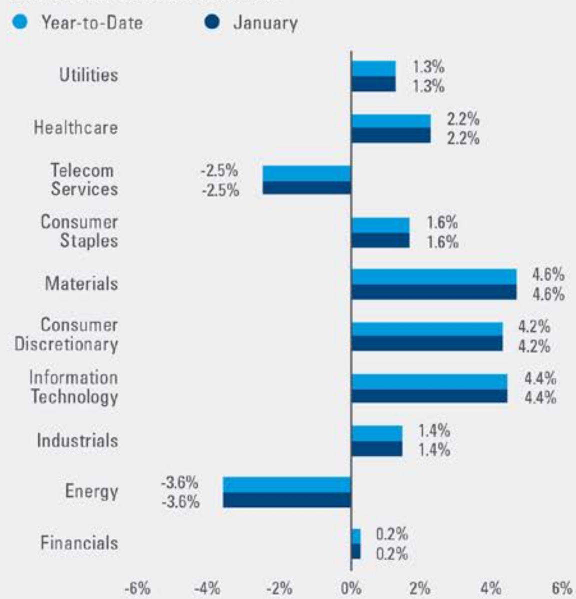
S&P 500 SECTOR PERFORMANCE



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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.

to earnings season even amid concerns about access to highly skilled foreign labor helped technology (+4.4%) outperform for the month, while media gains and rising consumer confidence helped boost consumer discretionary (+4.2%).

Despite strong gains for materials stocks and the weaker dollar, energy lagged as crude oil and natural gas prices slumped and earnings season got off to a mixed start for the majors. Although interest rates barely rose, the interest rate sensitive sectors (consumer staples, real estate, telecom, and utilities) all underperformed, likely due to relatively low economic sensitivity. The big post-election winner, financials, took a breather with a modest 0.2% gain for the month.

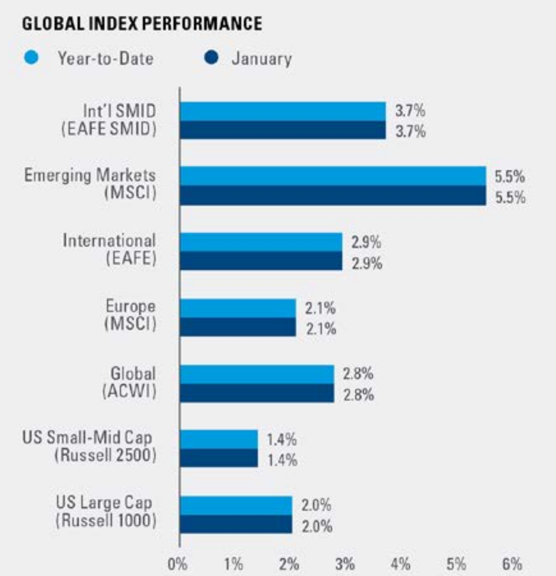
Turning to style and cap performance, after three straight months of underperformance, growth outperformed value in January. Growth got a boost from gains in the growth-oriented technology and consumer discretionary sectors, while value was dragged down by weakness in financials and energy. Small caps were another post-election winner that took a breather in January, as the small cap Russell 2000 Index (+0.4%) underperformed both large caps (+1.9%) and mid caps (+2.4%) despite being a big beneficiary of potential corporate tax cuts and a potential shift in production to the U.S.

International

Developed international equity markets performed well again in January after a strong December, as the MSCI EAFE Index gained 2.9% in January after December's 3.4% advance. U.S. dollar weakness was a big part of the story, but foreign markets also benefited from a generally favorable economic environment overseas and a lack of big political sparks (think Brexit or the Italian referendum) that could have driven a flare-up in geopolitical risk (that may change in the spring with the French election). The European Central Bank maintained its strong monetary support.

At the country level, among the more influential markets, the biggest gains came from Australia, Switzerland, Japan, and Germany. Italy, which suffered losses during the month, continues to face concerns around the health of its banks.

As good as January was for developed foreign markets, it was even better for emerging markets (EM) as the MSCI EM Index gained 5.5% for the month. The risk of souring trade relations with China or Mexico continues to get a lot of media attention — and for good reason given how much President Trump has focused on it. However, China gained nearly 7% in January, while even Mexico was up more than 2%. The weak dollar and commodity price gains were key drivers, but based on strong gains in China, as well as Taiwan and Korea, easing fears of trade wars likely played a role too.



Source: LPL Research, FactSet 01/31/17

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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:

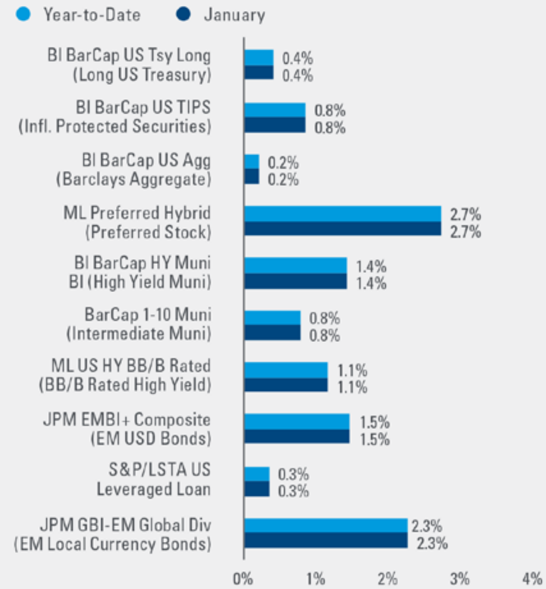
RATES SUBDUED AS TRUMP DRIVEN SELL-OFF STALLS

Treasury yields were largely unchanged during January. The 2-year Treasury yield fell by 0.01% and the yield on the 10-year Treasury ended the month where it began. Markets continue to digest the implications of Trump's policies, but appeared comfortable where yield levels arrived at the end of 2016. Inflation expectations ended January higher by 0.1%, while growth expectations fell by 0.08% to leave nominal yields little changed.

Little change in yields across the maturity spectrum led to a decent month for high-quality fixed income. The broad Bloomberg Barclays Aggregate Bond Index returned 0.2% during the month, equal to Treasuries (Bloomberg Barclays US Treasury Intermediate Index). Municipals continued to rebound after significant election-related weakness, leading to a 0.7% return during January. Treasury Inflation Protected Securities (TIPS) benefited from rising inflation expectations, returning 0.8% during the month.

Broad equity strength led to outperformance by lower-quality, more economically sensitive portions of fixed income. Emerging market debt (EMD), which was hurt during November amid concerns of the impact of Trump's protectionist trade policies on emerging markets (EM), continued to rebound in January to return 1.5%. High-yield corporate bonds rallied with equities, leading to a strong 1.1% return during the month. Preferred securities, which had been heavily hit during November 2016 due to their heightened interest rate sensitivity, recovered for a strong 2.7% return in January.

FIXED INCOME PERFORMANCE



US TREASURY YIELDS

Security	12/31/16	01/31/17	Change in Yield
3 Month	0.51	0.52	0.01
2 Year	1.20	1.19	-0.01
5 Year	1.93	1.90	-0.03
10 Year	2.45	2.45	0.00
30 Year	3.06	3.05	-0.01

AAA MUNICIPAL YIELDS

Security	12/31/16	01/31/17	Change in Yield
2 Year	1.18	1.12	-0.06
5 Year	1.77	1.70	-0.07
10 Year	2.38	2.37	-0.01
20 Year	2.97	3.00	0.03
30 Year	3.17	3.19	0.02

Source: LPL Research, Bloomberg, FactSet 01/31/17

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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:

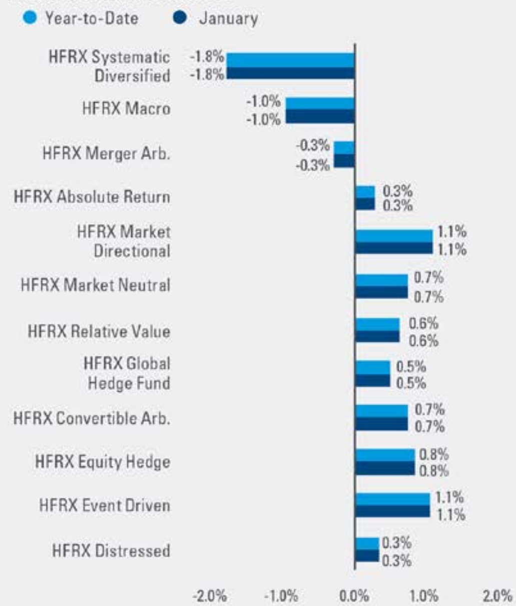
LONG/SHORT EQUITY REBOUNDS FOLLOWING DIFFICULT 2016

Following a disappointing 2016, long/short equity managers delivered an encouraging start to 2017, as the HFRX Equity Hedge Index gained 0.8% in January. The industries overweight to the information technology/consumer discretionary sectors and growth firms in general provided a strong tailwind. Average sector and individual stock correlations within the S&P 500 also continue to decline, providing 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.

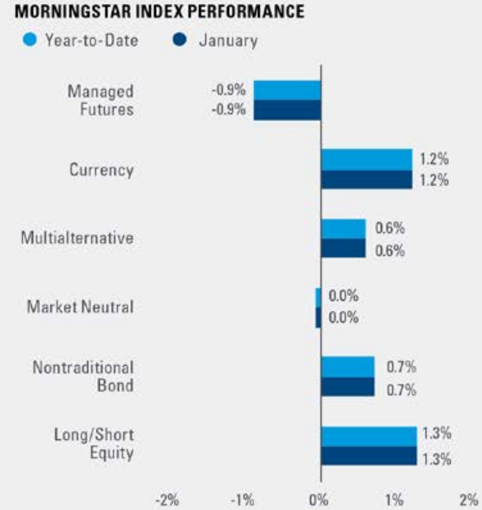
Event driven strategies also started the year on a positive note, with the HFRX Event Driven Index gaining 1.1%. Potential shifts in regulations and political uncertainty resulted in returns that were more specific to individual situations, as opposed to industry-wide merger arbitrage spread tightening. Distressed debt strategies were also able to build upon an extremely strong 2016, with the HFRX Distressed Index delivering a 0.3% gain. As a majority of the previous year's strength was related to an impressive rebound in energy credits, we will be closely considering what new pockets of opportunity distressed managers view as compelling.

Macro managers lagged all other strategies, specifically managed futures as the HFRX: Systematic Diversified CTA Index declined 1.8%. Currency and commodity exposure weighed on portfolios, as strategies holding long U.S. dollar positioning against a variety of currencies declined, while short gold and silver exposure detracted from performance, as both metals rallied during the month. By asset class, long equity allocations provided the majority of gains. Discretionary macro (HFRX Macro/CTA Index declined 1.0%) fared slightly better as many portfolios were less exposed to the U.S. dollar's decline.

HFRX INDEX PERFORMANCE



MORNINGSTAR INDEX PERFORMANCE



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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.

MIXED RESULTS FOR LIQUID REAL ASSETS TO START THE YEAR

It was a tough month for the energy complex while other real assets, namely metals and agricultural commodities, performed strongly. The U.S. dollar reversed its trend resulting in a return of -2.7% for the trade-weighted index. The 10-year U.S. Treasury yield started and ended the month at 1.45%.

MLPs & Global Listed Infrastructure

Master limited partnerships (MLPs) experienced another strong month, returning 4.9% as judged by the Alerian MLP Index. U.S. crude oil production has risen roughly 1.5 million barrels per day since the end of December, which is a positive indicator for crude pipeline operators. The Trump administration also created some positive sentiment around the space as the administration took steps to advance the construction of two major pipeline projects that had been mired in regulatory problems heretofore. Valuations remain attractive for the midstream infrastructure complex.

Global listed infrastructure, as measured by the S&P Global Infrastructure Index, returned 1.4% for the month.

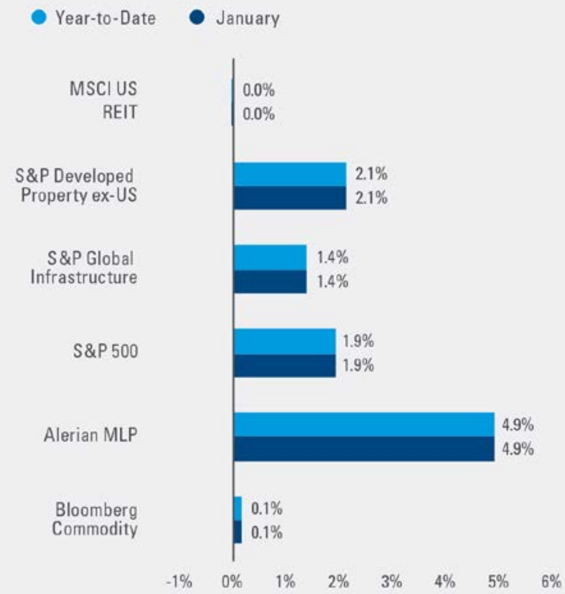
REITs

REITs were virtually flat for the month after posting negative returns for four of the prior five months. Rising rates remain a concern in the space. Industrials and hotel and resort REITs underperformed the index while office REITs outperformed.

Commodities

The Bloomberg Commodity Index returned 0.1% for the month, belying a high dispersion of results among its constituents. Oil prices followed up a strong showing in December by falling modestly with WTI crude returning -1.7% in January. Natural gas was markedly negative, falling 15.4%. Agricultural commodities were strong as the Bloomberg Agriculture Subindex returned 3.3% with particularly strong months from the likes of cotton, sugar, coffee, and oats. Metals also were decidedly positive as gold and silver rose 4.9% and 9.7%, respectively. Copper joined in by increasing in price by 8.9%.

LIQUID REAL ASSET PERFORMANCE



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