LPL RESEARCH
MARKETS AT-A-GLANCE

ASSET CLASS PERFORMANCE UPDATE

As of June 30, 2017

HOW TO USE MARKETS AT A GLANCE

Markets At-A-Glance shows annual and YTD performance for a broad array of financial market asset classes. As the overall market moves through different cycles and environments, individual asset class performance can also fluctuate. This report is helpful in illustrating the extent to which asset class performance can vary and the importance a well-diversified portfolio can have in potentially minimizing these variations.

EQUITY

- The S&P 500 Index gained 3.1% during the second quarter, bringing the year-to-date return to 9.3%. Continued steady growth in the U.S. economy, improving economic conditions overseas, and ongoing central bank support helped offset concerns about increased policy uncertainty.
- Growth outpaced value during the quarter, driven by solid gains in healthcare and technology. Energy weakness hurt the value style, even though financials performed well on optimism surrounding deregulation. Large caps bested their mid and small cap counterparts as expectations of pro-growth policies that tend to benefit smaller companies waned.
- Globally, developed foreign and emerging markets (EM) more than doubled the S&P 500's returns during the second quarter, building on a strong first quarter. International equities have enjoyed a strong year, buoyed by rebounding earnings; the MSCI EAFE Index (14.2%) and MSCI EM Index (18.6%) both far outpaced the S&P 500 during the first half of 2017.

FIXED INCOME

- The Treasury yield curve flattened for the second consecutive quarter as short-term yields rose due to the Federal Reserve's rate hike in June. Long-term rates gradually declined over the quarter on declining inflation expectations.
- The decline in longer-term yields was a tailwind for fixed income generally. The Bloomberg Barclays Aggregate Bond Index returned 1.5%, outperforming Treasuries which returned 1.2% (Bloomberg Barclays U.S. Treasury Index). The longer duration profile of the corporate sector boosted the sector to a 2.4% return (Bloomberg Barclays U.S. Investment Grade Corporate Index).
- Economically sensitive, lower credit quality sectors continued to rally, with high yield returning 2.2% (Bloomberg Barclays U.S. Corporate High Yield Index). Similar to the first quarter, many sectors hardest hit in late 2016 continued to rally during the second quarter. Emerging markets debt returned 2.2% (JP Morgan Emerging Markets Bond Index) and preferreds rallied 3.8% (BofA Merrill Lynch Hybrid Preferred Securities Index).

ALTERNATIVES

- Alternative investment returns were led by the HFRX Event Driven Index, which gained 1.61% during the second quarter. Positive returns within the category's sub-strategies were widespread, with Merger Arbitrage, Distressed, and Special Situation specialists all profiting during the period.
- The HFRX Equity Hedge Index gained 1.01%, which trailed the S&P 500 on an absolute basis. However, given most strategies exhibiting a beta profile between 0.35–0.45, relative returns were in-line with the market.
- The HFRX Systematic Diversified CTA Index led category declines, falling 1.47%. Losses were concentrated in the last week of the quarter, as the sell-off in equity and fixed income markets resulted in steep losses for those strategies positioned long in both asset classes.

There is no guarantee that a diversified portfolio will enhance overall returns or outperform a nondiversified portfolio. Diversification does not ensure against market risk.

EQUITY

- Large Growth (LG)
- Mid Growth (MG)
- Small Growth (SG)
- Large Value (LV)
- Mid Value (MV)
- Small Value (SV)
- Large Foreign (LF)
- Emerging Markets (EM)
- Small Foreign (SF)
- REITs (R)
- Domestic Equity (DE)

FIXED INCOME

- Broad Bond Market (Agg)
- Municipal Bonds (MB)
- Municipal High-Yield Bonds (MHY)
- U.S. Treasury (UST)
- TIPS (T)
- Mortgage-Backed Securities (MBS)
- Corporate Bonds (CB)
- High-Yield Bonds (HYB)
- Unhedged Foreign Bonds (UFB)
- Emerging Markets Debt (EMD)
- Preferred Stocks (PS)
- Bank Loans (BL)

ALTERNATIVES

- Absolute Return (AR)
- Equity Long/Short (L/S)
- Event Driven (ED)
- Managed Futures (MF)
- Global Macro (GM)
- Market Neutral (MN)
- Physical Commodities (PC)

- 60/40 Portfolio (P)

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	YTD
39.82 (EM)	18.33 (MF)	79.02 (EM)	29.09 (SG)	13.56 (T)	20.42 (SF)	43.30 (SG)	28.03 (R)	9.94 (SF)	31.74 (SV)	18.60 (EM)
32.67 (PC)	13.74 (UST)	58.21 (HYB)	27.95 (R)	10.70 (MB)	19.70 (R)	35.74 (MG)	18.37 (MF)	7.72 (PS)	20.00 (MV)	17.04 (SF)
11.81 (LG)	10.89 (UFB)	53.84 (BL)	26.38 (MG)	9.81 (UST)	18.63 (EM)	34.52 (SV)	14.75 (MV)	5.67 (LG)	17.34 (LV)	14.23 (LF)
11.64 (T)	8.30 (MBS)	47.32 (SF)	24.75 (MV)	9.25 (MHY)	18.54 (EMD)	33.55 (DE)	13.84 (MHY)	5.46 (MN)	17.13 (HYB)	13.99 (LG)
11.63 (LF)	5.61 (GM)	46.29 (MG)	24.50 (SV)	8.46 (EMD)	18.51 (MV)	33.48 (LG)	13.68 (PS)	3.30 (MB)	12.74 (DE)	11.40 (MG)
11.43 (MG)	5.24 (Agg)	37.21 (LG)	22.40 (SF)	8.28 (R)	18.14 (MHY)	33.46 (MV)	13.45 (LV)	2.86 (AR)	11.60 (EM)	9.97 (SG)
10.95 (UFB)	-1.16 (MN)	34.47 (SG)	19.20 (EM)	8.15 (CB)	18.05 (SV)	32.53 (LV)	13.05 (LG)	2.83 (R)	11.37 (PC)	9.84 (PS)
9.01 (UST)	-2.35 (T)	34.21 (MV)	16.93 (DE)	7.84 (Agg)	17.90 (LF)	29.69 (SF)	12.56 (DE)	1.81 (MHY)	11.32 (SG)	8.93 (DE)
7.05 (SG)	-2.47 (MB)	32.73 (MHY)	16.71 (LG)	6.35 (UFB)	17.51 (LV)	23.29 (LF)	11.90 (MG)	1.46 (MBS)	11.08 (ED)	6.23 (P)
6.97 (Agg)	-4.94 (CB)	32.46 (LF)	15.51 (LV)	6.14 (MBS)	16.42 (DE)	18.19 (P)	9.96 (P)	1.23 (EMD)	10.88 (BL)	6.20 (EMD)
6.96 (MBS)	-8.99 (PS)	28.34 (DE)	15.12 (HYB)	4.98 (HYB)	15.81 (HYB)	13.87 (ED)	9.05 (MB)	0.84 (UST)	10.19 (EMD)	6.13 (MHY)
6.68 (AR)	-10.91 (EMD)	28.18 (EMD)	13.97 (PS)	4.07 (P)	15.81 (MG)	11.14 (L/S)	7.46 (CB)	0.73 (P)	8.79 (P)	5.18 (MV)
6.28 (EMD)	-13.09 (AR)	27.99 (R)	13.25 (P)	2.64 (LG)	15.26 (LG)	7.44 (HYB)	6.07 (MBS)	0.55 (Agg)	8.63 (R)	4.93 (HYB)
6.02 (P)	-22.11 (ED)	20.58 (SV)	12.22 (MF)	1.86 (PS)	14.59 (SG)	5.39 (BL)	5.97 (Agg)	0.48 (DE)	7.33 (MG)	4.88 (R)
6.01 (MF)	-22.24 (P)	19.69 (LV)	12.04 (EMD)	1.06 (BL)	11.64 (PS)	3.57 (AR)	5.60 (SG)	-0.20 (MG)	7.08 (LG)	4.66 (LV)
5.14 (DE)	-25.45 (L/S)	19.48 (P)	9.71 (BL)	1.03 (DE)	11.55 (P)	2.86 (R)	5.53 (EMD)	-0.39 (LF)	6.11 (CB)	4.61 (ED)
4.88 (ED)	-26.16 (HYB)	18.68 (CB)	9.03 (PC)	0.39 (LV)	10.23 (BL)	1.72 (MN)	5.24 (GM)	-0.68 (CB)	4.68 (T)	4.49 (UFB)
4.56 (CB)	-27.01 (MHY)	16.59 (ED)	9.00 (CB)	-1.18 (PC)	9.82 (CB)	-0.94 (PS)	5.05 (UST)	-0.82 (BL)	2.99 (MHY)	3.80 (CB)
3.36 (MB)	-28.92 (SV)	14.14 (PS)	8.92 (L/S)	-1.38 (MV)	6.98 (T)	-1.22 (PC)	4.22 (SV)	-0.93 (MF)	2.65 (Agg)	3.73 (L/S)
3.21 (L/S)	-29.48 (BL)	13.48 (PC)	8.21 (LF)	-1.65 (MG)	6.78 (MB)	-1.39 (MBS)	3.64 (T)	-1.38 (SG)	2.55 (SF)	3.57 (MB)
3.19 (GM)	-36.85 (LV)	13.14 (L/S)	7.80 (MHY)	-2.91 (SG)	5.96 (ED)	-1.53 (CB)	3.63 (MN)	-1.44 (T)	1.77 (PS)	2.27 (Agg)
3.11 (MN)	-37.31 (DE)	12.91 (MB)	6.54 (Agg)	-2.92 (MN)	4.81 (L/S)	-1.79 (GM)	2.45 (HYB)	-1.96 (GM)	1.67 (MBS)	1.87 (UST)
2.12 (BL)	-37.73 (R)	11.41 (T)	6.31 (T)	-3.71 (AR)	4.21 (Agg)	-2.02 (Agg)	1.54 (BL)	-2.33 (L/S)	1.60 (UFB)	1.42 (BL)
1.87 (HYB)	-38.44 (LG)	5.93 (Agg)	5.87 (UST)	-4.19 (MF)	2.59 (MBS)	-2.27 (EM)	1.42 (L/S)	-3.57 (UFB)	1.51 (LF)	1.38 (AR)
1.79 (SF)	-38.44 (MV)	5.76 (MBS)	5.67 (MBS)	-4.88 (GM)	1.99 (UST)	-2.55 (MB)	0.79 (AR)	-3.83 (LV)	1.04 (UST)	1.37 (MBS)
-0.17 (LV)	-38.54 (SG)	2.55 (UFB)	5.17 (UFB)	-4.90 (ED)	1.65 (UFB)	-2.56 (MF)	-0.48 (UFB)	-4.47 (HYB)	0.31 (AR)	0.85 (T)
-1.42 (MV)	-43.06 (LF)	-3.57 (UST)	2.64 (MN)	-5.50 (SV)	0.88 (AR)	-2.75 (UST)	-1.82 (EM)	-4.78 (MV)	0.25 (MB)	0.70 (MN)
-2.28 (MHY)	-44.32 (MG)	-3.58 (AR)	2.38 (MB)	-11.73 (LF)	0.08 (PC)	-4.00 (UFB)	-4.06 (ED)	-6.94 (ED)	0.10 (L/S)	0.54 (SV)
-9.78 (SV)	-46.49 (PC)	-5.56 (MN)	1.98 (ED)	-15.66 (SF)	-1.00 (GM)	-5.51 (MHY)	-4.48 (LF)	-7.47 (SV)	-2.93 (GM)	-0.75 (GM)
-12.74 (PS)	-46.78 (SF)	-6.57 (MF)	-0.12 (AR)	-18.17 (EM)	-2.93 (MF)	-6.58 (EMD)	-4.63 (SF)	-14.60 (EM)	-5.08 (MN)	-4.38 (MF)
-15.69 (R)	-53.18 (EM)	-8.78 (GM)	-1.73 (GM)	-19.08 (L/S)	-4.66 (MN)	-8.61 (T)	-33.06 (PC)	-32.86 (PC)	-6.84 (MF)	-10.24 (PC)

Source: LPL Research, FactSet 06/30/17

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Indexes:

60/40 Portfolio–60% Russell 3000/40% Bloomberg Barclays Aggregate; **Large Growth**–Russell 1000 Growth; **Mid Growth**–Russell Mid Growth; **Small Growth**–Russell 2000 Growth; **Large Value**–Russell 1000 Value; **Mid Value**–Russell Mid Value; **Small Value**–Russelll 2000 Value; **Large Foreign**–MSCI EAFE; **Emerging Markets**–MSCI Emerging Markets Free; **Small Foreign**–MSCI EAFE Small Cap; **REITs**–NAREIT Equity REIT; **Domestic Equity**–Russell 3000; **Broad Bond Market**–Bloomberg Barclays U.S. Aggregate Bond Index; **Municipal Bonds**–Bloomberg Barclays Municipal Bonds; **Municipal High-Yield Bonds**–Bloomberg Barclays Municipal High Yield Bonds; **U.S. Treasuries**–Bloomberg Barclays U.S. Treasuries Index; **TIPS**–Bloomberg Barclays U.S. Aggregate Government - Treasury Inflation-Protected Securities (TIPS); **Mortgage-Backed Securities**–BofA Merril Lynch Mortgage Master Index; **Corporate Bonds**–Bloomberg Barclays U.S. Aggregate Credit; **High-Yield Bonds**–Bloomberg Barclays U.S. Aggregate Credit - Corporate - High Yield; **Foreign Bonds (Unhedged)**–Citigroup WGBI ex U.S.; **Emerging Markets Debt**–JP Morgan EMBI Global Index; **Preferred Stocks**–Merrill Lynch Preferred Stock Hybrid; **Bank Loans**–Bloomberg Barclays U.S. High Yield Loan; **Absolute Return**–HFRX Abosolute Return; **Equity Long/Short**–HFRX Equity Hedge; **Event Driven**–HFRX Event Driven; **Managed Futures**–Credit Suisse Managed Futures; **Global Macro**–HFRX Macro; **Market Neutral**–HFRX Equity Hedge: Equity Market Neutral; **Physical Commodities**–S&P GSCI

LPL Financial

EQUITY ASSET CLASSES

- 60/40 Portfolio (P)
- Large Growth (LG)
- Mid Growth (MG)
- Small Growth (SG)
- Large Value (LV)
- Mid Value (MV)
- Small Value (SV)
- Large Foreign (LF)
- Emerging Markets (EM)
- Small Foreign (SF)
- REITs (R)
- Domestic Equity (DE)

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	YTD 2017
EM 39.82	P -22.24	EM 79.02	SG 29.09	R 8.28	SF 20.42	SG 43.30	R 28.03	SF 9.94	SV 31.74	EM 18.60
LG 11.81	SV -28.92	SF 47.32	R 27.95	P 4.07	R 19.70	MG 35.74	MV 14.75	LG 5.67	MV 20.00	SF 17.04
LF 11.63	LV -36.85	MG 46.29	MG 26.38	LG 2.64	EM 18.63	SV 34.52	LV 13.45	R 2.83	LV 17.34	LF 14.23
MG 11.43	DE -37.31	LG 37.21	MV 24.75	DE 1.03	MV 18.51	DE 33.55	LG 13.05	P 0.73	DE 12.74	LG 13.99
SG 7.05	R -37.73	SG 34.47	SV 24.50	LV 0.39	SV 18.05	LG 33.48	DE 12.56	DE 0.48	EM 11.60	MG 11.40
P 6.02	LG -38.44	MV 34.21	SF 22.40	MV -1.38	LF 17.90	MV 33.46	MG 11.90	MG -0.20	SG 11.32	SG 9.97
DE 5.14	MV -38.44	LF 32.46	EM 19.20	MG -1.65	LV 17.51	LV 32.53	P 9.96	LF -0.39	P 8.79	DE 8.93
SF 1.79	SG -38.54	DE 28.34	DE 16.93	SG -2.91	DE 16.42	SF 29.69	SG 5.60	SG -1.38	R 8.63	P 6.23
LV -0.17	LF -43.06	R 27.99	LG 16.71	SV -5.50	MG 15.81	LF 23.29	SV 4.22	LV -3.83	MG 7.33	MV 5.18
MV -1.42	MG -44.32	SV 20.58	LV 15.51	LF -11.73	LG 15.26	P 18.19	EM -1.82	MV -4.78	LG 7.08	R 4.88
SV -9.78	SF -46.78	LV 19.69	P 13.25	SF -15.66	SG 14.59	R 2.86	LF -4.48	SV -7.47	SF 2.55	LV 4.66
R -15.69	EM -53.18	P 19.48	LF 8.21	EM -18.17	P 11.55	EM -2.27	SF -4.63	EM -14.60	LF 1.51	SV 0.54

Source: LPL Research, FactSet 06/30/17

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FIXED INCOME ASSET CLASSES

- 60/40 Portfolio (P)
- Broad Bond Market (Agg)
- Municipal Bonds (MB)
- Municipal High-Yield Bonds (MHY)
- U.S. Treasury (UST)
- TIPS (T)
- Mortgage-Backed Securities (MBS)
- Corporate Bonds (CB)
- High-Yield Bonds (HYB)
- Unhedged Foreign Bonds (UFB)
- Emerging Markets Debt (EMD)
- Preferred Stocks (PS)
- Bank Loans (BL)

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	YTD 2017
T 11.64	UST 13.74	HYB 58.21	HYB 15.12	T 13.56	EMD 18.54	P 18.19	MHY 13.84	PS 7.72	HYB 17.13	PS 9.84
UFB 10.95	UFB 10.89	BL 53.84	PS 13.97	MB 10.70	MHY 18.14	HYB 7.44	PS 13.68	MB 3.30	BL 10.88	P 6.23
UST 9.01	MBS 8.30	MHY 32.73	P 13.25	UST 9.81	HYB 15.81	BL 5.39	P 9.96	MHY 1.81	EMD 10.19	EMD 6.20
Agg 6.97	Agg 5.24	EMD 28.18	EMD 12.04	MHY 9.25	PS 11.64	PS -0.94	MB 9.05	MBS 1.46	P 8.79	MHY 6.13
MBS 6.96	T -2.35	P 19.48	BL 9.71	EMD 8.46	P 11.55	MBS -1.39	CB 7.46	EMD 1.23	CB 6.11	HYB 4.93
EMD 6.28	MB -2.47	CB 18.68	CB 9.00	CB 8.15	BL 10.23	CB -1.53	MBS 6.07	UST 0.84	T 4.68	UFB 4.49
P 6.02	CB -4.94	PS 14.14	MHY 7.80	Agg 7.84	CB 9.82	Agg -2.02	Agg 5.97	P 0.73	MHY 2.99	CB 3.80
CB 4.56	PS -8.99	MB 12.91	Agg 6.54	UFB 6.35	T 6.98	MB -2.55	EMD 5.53	Agg 0.55	Agg 1.77	MB 3.57
MB 3.36	EMD -10.91	T 11.41	T 6.31	MBS 6.14	MB 6.78	UST -2.75	UST 5.05	CB -0.68	PS 1.67	Agg 2.27
BL 2.12	P -22.24	Agg 5.93	UST 5.87	HYB 4.98	Agg 4.21	UFB -4.00	T 3.64	BL -0.82	MBS 1.60	UST 1.87
HYB 1.87	HYB -26.16	MBS 5.76	MBS 5.67	P 4.07	MBS 2.59	MHY -5.51	HYB 2.45	T -1.44	UFB 1.04	BL 1.42
MHY -2.28	MHY -27.01	UFB 2.55	UFB 5.17	PS 1.86	UST 1.99	EMD -6.58	BL 1.54	UFB -3.57	UST 0.25	MBS 1.37
PS -12.74	BL -29.48	UST -3.57	MB 2.38	BL 1.06	UFB 1.65	T -8.61	UFB -0.48	HYB -4.47	MB 0.25	T 0.85

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ALTERNATIVE & COMMODITY ASSET CLASSES

- 60/40 Portfolio (P)
- Absolute Return (AR)
- Equity Long/Short (L/S)
- Event Driven (ED)
- Managed Futures (MF)
- Global Macro (GM)
- Market Neutral (MN)
- Physical Commodities (PC)

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	YTD 2017
PC 32.67	MF 18.33	P 19.48	P 13.25	P 4.07	P 11.55	P 18.19	MF 18.37	MN 5.46	PC 11.37	P 6.23
AR 6.68	GM 5.61	ED 16.59	MF 12.22	PC -1.18	ED 5.96	ED 13.87	P 9.96	AR 2.86	ED 11.08	ED 4.61
P 6.02	MN -1.16	PC 13.48	PC 9.03	MN -2.92	L/S 4.81	L/S 11.14	GM 5.24	P 0.73	PC x8.79	L/S 3.73
MF 6.01	AR -13.09	L/S 13.14	L/S 8.92	AR -3.71	AR 0.88	AR 3.57	MN 3.63	MF -0.93	AR 0.31	AR 1.38
ED 4.88	ED -22.11	AR -3.58	MN 2.64	MF -4.19	PC 0.08	MN 1.72	L/S 1.42	GM -1.96	L/S 0.10	MN 0.70
L/S 3.21	P -22.24	MN -5.56	ED 1.98	GM -4.88	GM -1.00	PC -1.22	AR 0.79	L/S -2.33	GM -2.93	GM -0.75
GM 3.19	L/S -25.45	MF -6.57	AR -0.12	ED -4.90	MF -2.93	GM -1.79	ED -4.06	ED -6.94	MN -5.08	MF -4.38
MN 3.11	PC -46.49	GM -8.78	GM -1.73	L/S -19.08	MN -4.66	MF -2.56	PC -33.06	PC -32.86	MF -6.84	PC -10.24

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IMPORTANT DISCLOSURES

The economic forecasts set forth in the presentation may not develop as predicted. The opinions voiced in this material are for general information only and are not intended to provide or be construed as providing specific investment advice or recommendations for any individual security. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and cannot be invested into directly.

There is no assurance that the techniques and strategies discussed are suitable for all investors or will yield positive outcomes. The purchase of certain securities may be required to affect some of the strategies.

STOCK AND POOLED INVESTMENT RISKS

A traditional balanced portfolio is defined as an allocation of 60% to Russell 3000 Index and 40% to Bloomberg Barclays U.S. Aggregate Bond Index.

Investing in stock includes numerous specific risks including: the fluctuation of dividend, loss of principal and potential illiquidity of the investment in a falling market.

Because of its narrow focus, specialty sector investing, such as healthcare, financials, or energy, will be subject to greater volatility than investing more broadly across many sectors and companies.

There is no guarantee that a diversified portfolio will enhance overall returns or outperform a nondiversified portfolio. Diversification does not ensure against market risk.

Investing in foreign and emerging markets securities involves special additional risks. These risks include, but are not limited to, currency risk, geopolitical risk, and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks.

BOND AND DEBT EQUITY RISKS

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond and bond mutual fund values and yields will decline as interest rates rise, and bonds are subject to availability and change in price.

Government bonds and Treasury bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.

Treasury Inflation-Protected Securities (TIPS) are subject to interest rate risk and opportunity risk. If interest rates rise, the value of your bond on the secondary market will likely fall. In periods of no or low inflation, other investments, including other Treasury bonds, may perform better.

High-yield/junk bonds are not investment-grade securities, involve substantial risks, and generally should be part of the diversified portfolio of sophisticated investors.

Mortgage-backed securities are subject to credit, default risk, prepayment risk (that acts much like call risk when you get your principal back sooner than the stated maturity), extension risk, the opposite of prepayment risk, market and interest rate risk.

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.

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.

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.

ALTERNATIVE PRODUCT RISKS

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.

Currency risk is a form of risk that arises from the change in price of one currency against another. Whenever investors or companies have assets or business operations across national borders, they face currency risk if their positions are not hedged.

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.

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.

Long/short equity funds are subject to normal alternative investment risks, including potentially higher fees, and there is additional management risk, as the manager is attempting to accurately anticipate the likely movement of both their long and short holdings. There is also the risk of "beta-mismatch," in which long positions could lose more than short positions during falling markets.

Global macro strategies attempt to profit from anticipated price movements in stock markets, interest rates, foreign exchange, and physical commodities. Global macro risks include, but are not limited to, imperfect knowledge of macro events, divergent movement from macro events, loss of principal, and related geopolitical risks.

Event-driven strategies, such as merger arbitrage, consist of buying shares of the target company in a proposed merger and fully or partially hedging the exposure to the acquirer by shorting the stock of the acquiring company or other means. This strategy involves significant risk, as events may not occur as planned and disruptions to a planned merger may result in significant loss to a hedged position.

INDEX DEFINITIONS

The S&P 500 Index is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The Bloomberg Barclays U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS, and CMBS (agency and non-agency).

The Bloomberg Barclays U.S. Corporate Index is a broad-based benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate, taxable corporate bond market.

The Bloomberg Barclays U.S. Corporate High-Yield Index measures the market of USD-denominated, noninvestment-grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt.

The Bloomberg Barclays U.S. Treasury Index is an unmanaged index of public debt obligations of the U.S. Treasury with a remaining maturity of one year or more. The index does not include T-bills (due to the maturity constraint), zero coupon bonds (strips), or Treasury Inflation-Protected Securities (TIPS).

The BofA Merrill Lynch Preferred Stock Hybrid Securities Index is an unmanaged index consisting of a set of investment-grade, exchange-traded preferred stocks with outstanding market values of at least $50 million that are covered by Merrill Lynch Fixed Income Research.

The JP Morgan Emerging Markets Bond Index is a benchmark index for measuring the total return performance of international government bonds issued by emerging markets countries that are considered sovereign (issued in something other than local currency) and that meet specific liquidity and structural requirements.

The HFRX Event Driven Index managers maintain positions in companies currently or prospectively involved in corporate transactions of a wide variety including but not limited to mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance or other capital structure adjustments. Security types can range from most senior in the capital structure to most junior or subordinated, and frequently involve additional derivative securities. Event Driven exposure includes a combination of sensitivities to equity markets, credit markets and idiosyncratic, company specific developments. Investment theses are typically predicated on fundamental characteristics (as opposed to quantitative), with the realization of the thesis predicated on a specific development exogenous to the existing capital structure.

The HFRX Equity Hedge Index, also known as long/short equity, combines core long holdings of equities with short sales of stock or stock index options. Equity hedge portfolios may be anywhere from net long to net short, depending on market conditions. Equity hedge managers generally increase net long exposure in bull markets and decrease net long exposure (or even are net short) in a bear market. Generally, the short exposure is intended to generate an ongoing positive return in addition to acting as a hedge against a general stock market decline. Stock index put options are also often used as a hedge against market risk. Profits are made when long positions appreciate and stocks sold short depreciate. Conversely, losses are incurred when long positions depreciate or the value of stocks sold short appreciates. Equity hedge managers' source of return is similar to that of traditional stock pickers on the upside, but they use short selling and hedging to attempt to outperform the market on the downside.

The HFRX Macro: Systematic Diversified CTA Index strategies have investment processes typically as function of mathematical, algorithmic and technical models, with little or no influence of individuals over the portfolio positioning. Strategies which employ an investment process designed to identify opportunities in markets exhibiting trending or momentum characteristics across individual instruments or asset classes. Strategies typically employ quantitative process which focus on statistically robust or technical patterns in the return series of the asset, and typically focus on highly liquid instruments and maintain shorter holding periods than either discretionary or mean reverting strategies. Although some strategies seek to employ counter trend models, strategies benefit most from an environment characterized by persistent, discernible trending behavior. Systematic Diversified strategies typically would expect to have no greater than 35% of portfolio in either dedicated currency or commodity exposures over a given market cycle.

The MSCI EAFE Index is recognized as the pre-eminent benchmark in the United States to measure international equity performance. It comprises the MSCI country indices that represent developed markets outside of North America: Europe, Australasia, and the Far East.

The MSCI Emerging Markets Index captures large and mid-cap representation across 23 emerging markets (EM) countries. With 822 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

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