Market Insight

October 2012

Highlights

The U.S. economy slowed further during the second quarter. For the third quarter, data suggest growth has picked up somewhat, but the economy is unlikely to grow by much more than a 2% pace.

Stocks bounced back from a disappointing second quarter to produce strong third quarter returns, as the S&P 500 returned 6.4%. Gains were driven by aggressive action from both the Fed and the ECB.

The Barclays Aggregate Bond Index returned 1.6%. The environment was favorable for high-yield and emerging market bonds as investors sought yield.

Commodities asset classes reversed second quarter losses, propelled by the more favorable macroeconomic outlook.

Third Quarter in Review

Stocks and Commodities Delivered Strong Third Quarter Returns on Bold Moves From the Fed and ECB

The U.S. economy slowed further during the second quarter. After lackluster Gross Domestic Product (GDP) growth just shy of 2.0%, annualized, in the first quarter, GDP growth slowed to an anemic 1.3% during the second quarter amid slowing consumer and business spending and weak export growth. For the third quarter, data suggest growth has picked up somewhat, but is unlikely to grow by much more than a 2% pace, insufficient to fuel a significant pickup in job growth. Our estimate for GDP for the second half of the year remains 2%, consistent with our forecast for the year as noted in our *2012 Outlook* publication and reiterated in the *Mid-Year Outlook.**

Stocks bounced back from a disappointing second quarter to produce strong third quarter returns. The S&P 500 returned 6.4% including dividends, with gains driven by aggressive action from both the U.S. Federal Reserve (Fed) and the European Central Bank (ECB) that boosted investor confidence. The uncertain future of the Eurozone that dragged stocks down during the second quarter when the S&P 500 lost 3% was replaced by the ECB's firm commitment to "do whatever it takes" to preserve the euro and was backed by a bold bond purchase plan. U.S. growth concerns were replaced by prospects for more stimulus from the Fed.

Not surprisingly, bond investors did not quite fare as well as stock investors during the third quarter, as the Barclays Aggregate Bond Index returned 1.6%. Slowing economic growth and additional support from the Fed prevented historically low yields from rising, as the 10-year Treasury yield ended the quarter where it started at 1.6%. Bond investors, like their stock investor counterparts, took more risk and sought higher yields, providing a favorable environment for high-yield and emerging market bonds. Year-to-date, the broad bond market index has returned a solid 4.0%.

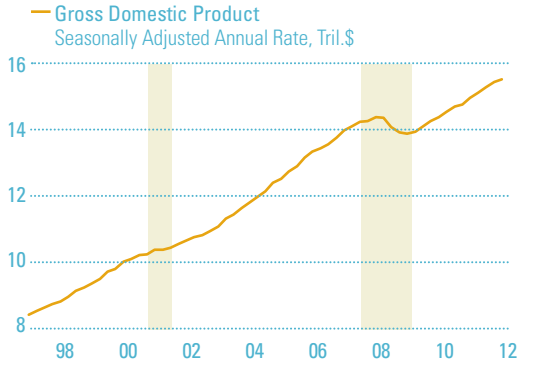
Commodities bounced back from a weak second quarter, propelled by the more favorable outlook in Europe and the United States. After a near double-digit decline for the DJ-UBS Commodity Index in the prior quarter, the third quarter saw this index essentially reverse all of those losses with a nearly 10% advance, led by energy and agriculture gains. The strong third quarter left the DJ-UBS Commodity Index with a 6% return year-to-date.

* For insight into our forecasts please see our *2012 Outlook* and *2012 Mid-Year Outlook* publications.

The Dow Jones - UBS Commodity Index is composed of futures contracts on 19 physical commodities. Unlike equities, which entitle the holder to a continuing stake in a corporation, commodity futures contracts specify a delivery date for the underlying physical commodity.

Please note all return figures are as of September 28, 2012.

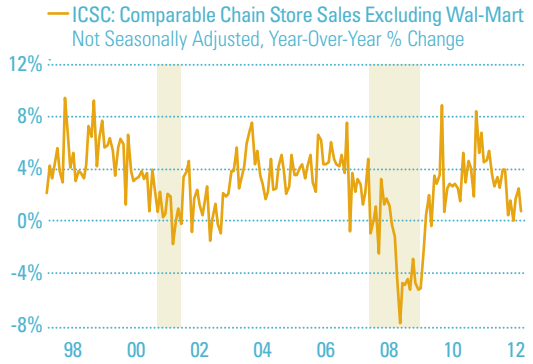
1 Gross Domestic Product: U.S. Economy Continuing To Grow at a Modest Pace



Source: Bureau of Economic Analysis, Haver Analytics 10/04/12

Shaded areas indicate recession.

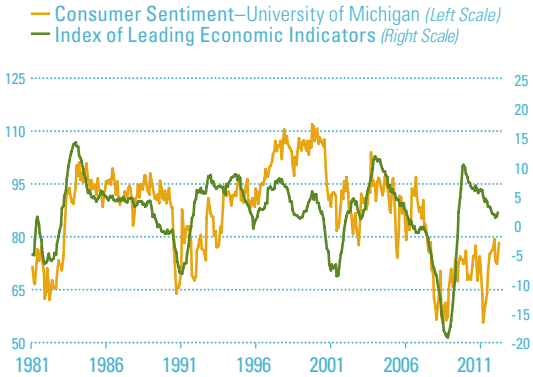
2 Modest Same-Store Sales Growth for Retailers



Source: ICSC, Haver Analytics 10/04/12

Shaded areas indicate recession.

3 Consumer Confidence Still Low but Moving in the Right Direction; Leading Indicators Still Point to Modest Growth



Source: FactSet, LPL Financial 09/28/12

The index of leading economic indicators (LEI) is an economic variable, such as private-sector wages, that tends to show the direction of future economic activity.

Economy—Financial Markets Shrugged Off Global Growth Slowdown

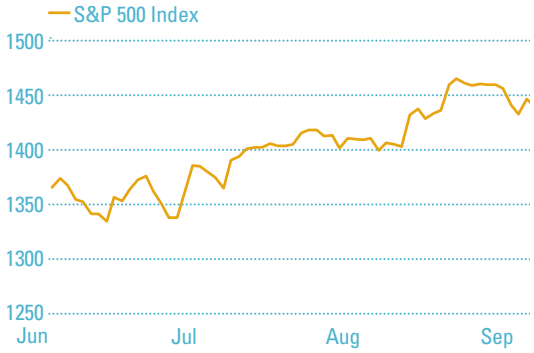
The U.S. economy slowed further during the second quarter. After lackluster GDP growth just shy of 2.0%, annualized, in the first quarter, GDP growth slowed to an anemic 1.3% during the second quarter [Figure 1]. Consumer spending and business spending both slowed, with particular weakness in construction spending and consumer durable goods. Exports were weak again amid recession in Europe and continued slowdown in China, but they were less of a drag on growth than in the first quarter. Similarly, government spending was a slight drag on growth, but a lesser drag than in the first quarter. Weather also played a role in the soft second quarter, as the severe droughts hampered farm production, while some spending that normally would have occurred in the second quarter was pulled forward into the first due to the unseasonably warm winter.

For the third quarter, data suggest growth has picked up somewhat, but the economy is unlikely to grow by much more than a 2% pace, insufficient to fuel a significant pickup in job growth. Our estimate for GDP for the second half of the year remains 2%.* Recent stock market gains have been driven more by central bank actions than economic data, although the slight improvement in the pace of growth is likely contributing some to improved investor sentiment. Also noteworthy is that data in recent months came in better than expected, given that much of the second quarter data fell short of estimates and contributed to stock market declines.

Payback for the unseasonably warm winter of 2011–12 led to the lackluster job growth experienced during the second quarter of 2012, but weather was not to blame for the weakness in the third quarter. After adding an average of 226,000 nonfarm payrolls during the first quarter, the economy added just 67,000 per month in the second quarter and only about 120,000 in July and August. The unemployment rate has remained stubbornly high at slightly over 8% for the entire year. And the weekly tally of first-time filings for unemployment benefits, while holding steady, is no better than it was in the spring. The data suggest the job market remains stalled, as companies remain cautious due to policy and political uncertainty in the United States related to the elections and the combination of tax increases and spending cuts that may kick in on January 1, 2013, the so-called "fiscal cliff."

Despite the sluggish pace of job growth and high unemployment, consumers are continuing to spend. Retail sales are growing at an annual pace of 4% overall [Figure 2]. Back-to-school sales from retailers were even a bit better than that, suggesting the 2012 holiday shopping season may be a solid one. While consumer confidence remains depressed, it has inched higher in recent months [Figure 3]. Stock prices have risen and the housing recovery is underway, providing a wealth effect boost to confidence for consumers. Leading economic indicators continue to point to modest growth. Inflation and inflation expectations remain well contained, despite higher prices at the pump. These data points suggest the economy will continue to grow through the end of the year with some help from consumers.

4 S&P 500 Index: Steady Climb Higher



Source: FactSet, LPL Financial 09/28/12

The S&P 500 Index is an unmanaged index, which cannot be invested into directly. Past performance is no guarantee of future results.

The VIX is a measure of the volatility implied in the prices of options contracts for the S&P 500. It is a market-based estimate of future volatility. When sentiment reaches one extreme or the other, the market typically reverses course. While this is not necessarily predictive it does measure the current degree of fear present in the stock market.

5 Q3 2012 Performance of S&P 500 Sectors: Energy Tops Sector Rankings as Cyclicals Lead
Ranked by Q3 Performance

Sector	Q3	YTD
Energy	10.1%	7.6%
Telecom	8.1%	25.9%
Consumer Discretionary	7.5%	21.4%
Technology	7.4%	21.8%
Financials	6.9%	21.6%
Health Care	6.2%	17.8%
Materials	5.1%	12.0%
Consumer Staples	3.8%	12.7%
Industrials	3.6%	11.2%
Utilities	-0.5%	4.3%
S&P 500	**6.4%**	**16.4%**

Source: FactSet, LPL Financial 09/28/12

The S&P 500 is an unmanaged index and cannot be invested into directly. Past performance is no guarantee of future results.

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

Stock Markets — Central Bank Actions Propelled Stocks to Solid Third Quarter Gains

Stock investors globally have central bankers to thank for the strong third quarter returns. The firm commitment from the ECB to "do whatever it takes" to defend the euro was followed up by an unlimited sovereign bond purchase program that had two outcomes. It not only drove down borrowing rates for troubled peripheral European nations, but also significantly increased the market's confidence in the sustainability of the Eurozone. With the worst-case scenario (a disorderly break-up of the currency union) less likely, investors were encouraged to embrace the stock market. Additionally, the Fed added even more aggressive stimulus measures to its already highly accommodative stance, with the announcement of its third round of bond buying, Quantitative Easing 3 (QE3), and extension of its commitment to keep interest rates low into 2015.

The more favorable policy backdrop pushed the S&P 500 to a new closing high for the year at 1466 on September 14, 2012, before ending the quarter at 1441 and leaving the index just 8% below all-time highs set five years earlier in October 2007. The index gained 6.4% during the quarter including dividends, bringing the year-to-date total return to 16.4% [Figure 4].

The path to these returns was a fairly smooth one, as stocks rose steadily throughout the quarter. In fact, there were only two days in the quarter where the S&P 500 fell more than 1%. Despite a very strong June to end the second quarter, the S&P 500 returned more than 1% in each of the three months of the third quarter, including a nearly 3% return in the historically weak month of September. The year has been steady as well, except for the 6% decline the S&P 500 suffered in May. The only other down month, April, saw only a modest loss of 0.6%. The VIX, a measure of expected stock market volatility, fell about one point during the quarter and remains historically low in the mid-to-high teens.

After lagging in the second quarter when investors favored the safety of defensive sectors, the more economically sensitive, cyclical sectors regained leadership in the third quarter [Figure 5]. Energy led the sectors with a 10% return during the quarter as energy prices rose, getting a lift from Fed policy, the improving backdrop in Europe, and heightened geopolitical tensions. Meanwhile, only one defensive sector, Telecom, finished among the top-five performers, as investors were encouraged by policymakers to seek more economically sensitive investments. The worst performer and the only sector with a negative return in the quarter was Utilities with its defensive, bond-like characteristics and disappointing earnings. Investors shunned the sector after interest rates began to rise following the ECB's commitment to defend the euro in late July. Year-to-date, Telecom remains the best performing sector with a 26% return amid improving earnings prospects and attractive yields, while Technology, Financials, and Consumer Discretionary are not far behind with returns between 21% and 22% during the first nine months of 2012.

While sector performance revealed increased risk taking among market participants, company size did not as the stocks of large companies performed better in the quarter than their more economically sensitive

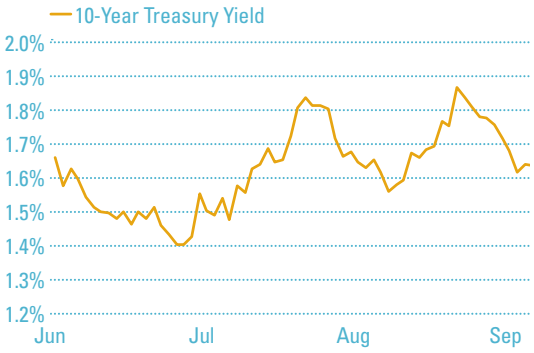
The Russell 1000 Index consists of the 1,000 largest securities in the Russell 3000 Index, which represents 90% of the total market capitalization of the Russell 3000 Index. It is a large-cap, market oriented index and is highly correlated with the S&P 500 Index.

The Russell 2000 Index is an unmanaged index generally representative of the 2,000 smallest companies in the Russell Index, which represents approximately 10% of the total market capitalization of the Russell 3000 Index.

mid and small counterparts. Leading the way, the Large Cap Russell 1000 returned 6.3%, followed by 5.6% for the Russell Mid Cap and 5.3% for the Small Cap Russell 2000. Large Caps led Mid and Small year-to-date as well, having returned over 16% compared to 14.0% and 14.2%. Style performance saw Value fare marginally better than Growth, although the Russell Growth benchmarks are still clinging to a slight lead year-to-date on the back of strong first quarter performance.

After a strong run for U.S. stocks relative to foreign markets, the tide turned in the third quarter. The United States had been the best performing major region in four of the past five quarters, until the past quarter when both the developed foreign and emerging markets outpaced the United States. It was a good quarter for all major regions, but the ECB-fueled rally in Europe, lower valuations, and a weaker US dollar helped propel the Large Foreign benchmark, the MSCI EAFE, 7% higher, compared to the S&P 500's 6.4% return. The MSCI Emerging Markets Index fared even better, returning 7.9% amid increased risk taking around the world in response to central bank actions, including stimulus in China, as well as improved performance for commodity-related investments. For the year, the U.S. market has still been the best place, as the 16.4% return for the S&P 500 is well ahead of the MSCI EAFE and Emerging Markets benchmark returns of 10.6% and 12.3%.

6 10-Year U.S. Treasury Yield: Yields End Q3 Where They Started, Remain at Historical Lows



Source: FactSet 09/28/12

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.

Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity and redemption features.

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.

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

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–Taxable: High-Quality Bonds Lagged as Investors Favored Higher Yielding Fixed Income

Most bond sectors produced price gains in the third quarter that helped push the broad Barclays Aggregate Bond Index up by 1.6%, the 15th gain in the past 16 quarters, to bring the year-to-date return to 4.0%. This year's return is at the upper end of our low-to-mid single-digit total return forecast.* More economically sensitive bond sectors, such as high-yield corporate bonds, investment-grade corporate bonds, and emerging market debt, outperformed due to attractive valuations, the additional income provided relative to high-quality bonds, and an improving economic outlook driven by improving economic data relative to expectations and the anticipation of more economic stimulus from the Fed and ECB. Negligible gains in Treasuries during the quarter were driven almost entirely by yield, as prices barely budged. The 10-year Treasury yield started and ended the quarter right around 1.6% [Figure 6], off record lows experienced during the summer but still very low by historical standards.

Emerging market debt topped major fixed income sectors during the quarter with a stellar 6.8% return, bringing year-to-date returns for the sector to 14.7%, based on the JP Morgan Emerging Markets Global Index. Emerging market debt benefited from attractive valuations, global monetary stimulus, and progress in Europe. It was also a very strong quarter for high-yield corporate bonds, with the Barclays U.S. High-Yield Corporate Index returning 4.5%, bringing its year-to-date performance to 12.1%. High-yield corporate bonds are benefiting from strong corporate credit quality metrics, the significant income premium relative to high-quality bonds, and equity market sensitivity, all of which contributed to further spread tightening during the quarter. Among corporate bonds, those with longer maturities

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, and interest rate risk.

Treasury inflation-protected securities (TIPS) help eliminate inflation risk to your portfolio as the principal is adjusted semiannually for inflation based on the Consumer Price Index - while providing a real rate of return guaranteed by the U.S. Government.

The United States had been the best performing major region in four of the past five quarters, until the past quarter when both the developed foreign and emerging markets outpaced the United States.

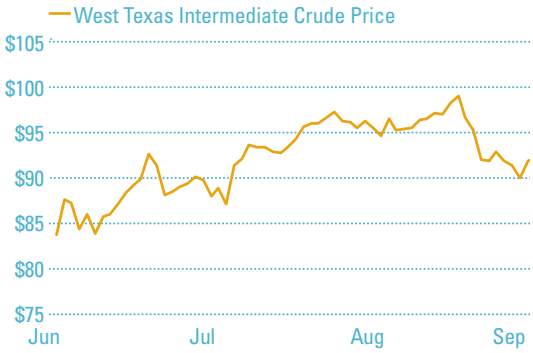
(duration) fared better as the Barclays Credit Long Index returned 5.2% in the quarter, compared to the 3.5% return for the broad Investment-Grade Corporate benchmark, the Barclays U.S. Corporate Bond Index. Unhedged foreign bonds also benefited from the weakening US dollar and the progress in Europe in returning 4.0% in the quarter.

Among high-quality taxable bond sectors, Treasury Inflation Protected Securities (TIPS) posted a respectable 2.1% return, outpacing U.S. Treasuries given the benefit from inflation protection. Mortgage-backed securities (MBS) also outperformed U.S. Treasuries during the quarter with a 1.1% return, based on the Barclays U.S. MBS Index, but failed to match the broad bond market benchmark's return of 1.6% due to their shorter duration. MBS benefited from their modest income premium relative to Treasuries and the Fed's announcement that it would buy MBS as part of QE3. Year-to-date, the 6.3% return for TIPS is best among high-quality fixed income sectors, while the 2.8% return for MBS this year is not much better than U.S. Treasuries (2.1%) and behind the Barclays Aggregate Bond Index (4.0%).

Fixed Income–Tax-free: Attractive Valuations Led to Continued Municipal Bond Outperformance

Municipal bonds continued their run of impressive performance during the quarter, as the Barclays Municipal Bond Index returned 2.1%. Municipals continue to benefit from attractive valuations, a yield advantage versus U.S. Treasuries, and a favorable supply/demand backdrop, which was even more favorable late in the summer when issuance was down. Although budgets remain tight, defaults are on pace to decline for the fourth consecutive year and remain concentrated among the most speculative of issuers. The lower end of the quality spectrum fared best again this quarter, with the Barclays Capital High-Yield Municipal Bond Index returning 3.9%, bringing the year-to-date return to an impressive 13.9%. The high-quality Municipal Bond Index has returned 6.1% year-to-date.

7 West Texas Intermediate Crude: Strong Rebound From Q2 Decline



Source: FactSet, LPL Financial 09/28/12

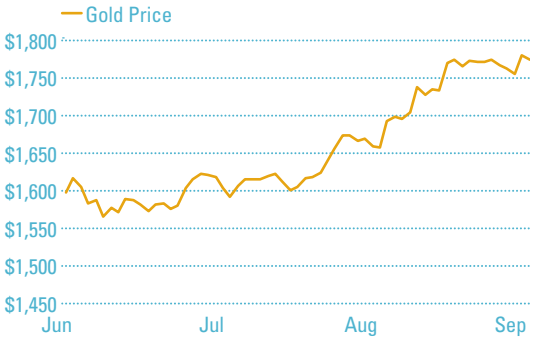
The fast price swings in commodities and currencies will result in significant volatility in an investor's holdings.

Commodities Asset Classes: QE3 and Droughts Drove Commodities Gains

In the third quarter, commodities rebounded from second quarter declines to return 9.7%, based on the Dow Jones-UBS Commodity Index. The same factors that drove stocks higher played a key role in driving commodity price gains. Primarily, policy actions from the ECB and the Fed, with perhaps a small assist from Chinese stimulus measures, boosted investor confidence.

In addition to encouraging investors to buy riskier investments than Treasuries, the anticipation and execution of the Fed's QE3 also weighed on the US dollar and increased inflation expectations, a boon for commodities and precious metals in particular. The other key driver of gains in the Dow Jones-UBS Commodity Index in the quarter was crop damage from the severe summer drought in the Midwestern United States, which drove grain prices sharply higher. The quarter's gains bring the year-to-date return for commodities to 5.6%, a bit better than high-quality bonds, but well behind the stock market.

8 QE3 Fueled Gold Rally During Second Half of the Quarter

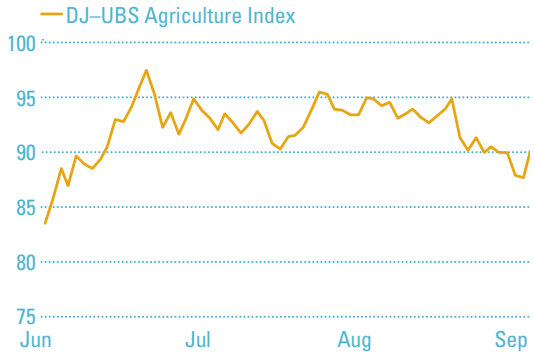


Source: FactSet, LPL Financial 09/28/12

The fast price swings in commodities and currencies will result in significant volatility in an investor's holdings.

Precious metal investing is subject to substantial fluctuation and potential for loss.

9 Agriculture: Drought-Related Gains Concentrated Early in the Quarter



Source: FactSet, LPL Financial 09/28/12

The fast price swings in commodities and currencies will result in significant volatility in an investor's holdings.

Agriculture Commodities investing is subject to substantial fluctuation and potential for loss.

The Dow Jones - UBS Agriculture Index is an unmanaged index which cannot be invested into directly. Past performance is no guarantee of future results.

Energy was a significant contributor to commodities gains in the quarter, including both crude oil and natural gas. Crude oil, which began the quarter trading near $85/barrel, gained about 9% in the quarter to around $92, benefiting from favorable seasonality (hurricane season, colder weather approaching) and ongoing heightened geopolitical risk in the Middle East, despite high inventory levels and slack demand [Figure 7]. Natural gas got a lift from the same seasonal forces, as well as lower inventories following the hot summer and as depressed prices stimulated more demand.

The Fed's QE3 announcement fueled a strong rally for precious metals amid prospects for a weakening US dollar. Gold prices, based on futures contracts, which had remained range-bound for the first half of the quarter, rallied over 10% from mid-August to the mid-September QE3 announcement [Figure 8]. Silver enjoyed a similar pattern, posting even more potent gains, further benefitting from the slightly more positive global economic backdrop. The Fed and ECB were the primary drivers of metal price gains in the quarter, but improvement in the U.S. housing market, strong auto production, stable, albeit slower growth in China, and additional stimulus measures announced by the Chinese government also played a role.

Agriculture followed the rest of the major commodities higher in the third quarter with gains near 10%, based on the Dow Jones-UBS Agriculture Index [Figure 9]. Gains were led by the grains, including double-digit increases in corn, wheat, and soybeans, related to the significant crop damage done by a confluence of the summer droughts in the Midwest, wet conditions in key growing regions in South America, and hot weather in the Russian grain belt. Gains were concentrated during the early part of the quarter, as harvest prospects improved and prices began to fall in August. Agriculture gains would have been even greater if it were not for losses in livestock prices as farmers culled herds and increased supply in response to sky-high feed costs. Despite recent weakness, agriculture prices have kept up with the strong performance of the stock market in gaining 15% year-to-date.

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.

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

Materials Sector: Companies that are engaged in a wide range of commodity-related manufacturing. Included in this sector are companies that manufacture chemicals, construction materials, glass, paper, forest products and related packaging products, metals, minerals and mining companies, including producers of steel.

Energy Sector: Companies whose businesses are dominated by either of the following activities: The construction or provision of oil rigs, drilling equipment and other energy-related service and equipment, including seismic data collection. The exploration, production, marketing, refining and/or transportation of oil and gas products, coal and consumable fuels.

HealthCare Sector: Companies are in two main industry groups—Health Care equipment and supplies or companies that provide health care-related services, including distributors of health care products, providers of basic health care services, and owners and operators of health care facilities and organizations. Companies primarily involved in the research, development, production, and marketing of pharmaceuticals and biotechnology products.

Utilities Sector: Companies considered electric, gas or water utilities, or companies that operate as independent producers and/or distributors of power.

Consumer Staples Sector: Companies whose businesses are less sensitive to economic cycles. It includes manufacturers and distributors of food, beverages and tobacco, and producers of non-durable household goods and personal products. It also includes food and drug retailing companies.

Consumer Discretionary Sector: Companies that tend to be the most sensitive to economic cycles. Its manufacturing segment includes automotive, household durable goods, textiles and apparel, and leisure equipment. The service segment includes hotels, restaurants and other leisure facilities, media production and services, consumer retailing and services and education services.

Telecommunications Services Sector: Companies that provide communications services primarily through a fixed line, cellular, wireless, high bandwidth and/or fiber-optic cable network.

Financials Sector: Companies involved in activities such as banking, consumer finance, investment banking and brokerage, asset management, insurance and investment, and real estate, including REITs.

Industrials Sector: Companies whose businesses manufacture and distribute capital goods, including aerospace and defense, construction, engineering and building products, electrical equipment and industrial machinery. Provide commercial services and supplies, including printing, employment, environmental and office services. Provide transportation services, including airlines, couriers, marine, road and rail, and transportation infrastructure.

Technology Software & Services Sector: Companies include those that primarily develop software in various fields such as the internet, applications, systems and/or database management and companies that provide information technology consulting and services; technology hardware & equipment, including manufacturers and distributors of communications equipment, computers and peripherals, electronic equipment and related instruments, and semiconductor equipment and products.

MSCI EAFE is made up of approximately 1,045 equity securities issued by companies located in 19 countries and listed on the stock exchanges of Europe, Australia, and the Far East. All values are expressed in US dollars. All values are expressed in US dollars. Past performance is no guarantee of future results.

The MSCI Japan Index is a free-float adjusted market capitalization weighted index that is designed to track the equity market performance of Japanese securities listed on Tokyo Stock Exchange, Osaka Stock Exchange, JASDAQ and Nagoya Stock Exchange. The MSCI Japan Total Return Index takes into account both price performance and income from dividend payments. The MSCI Japan Index is constructed based on the MSCI Global Investable Market Indices Methodology, targeting free-float market capitalization coverage of 85%. The index has a base date of December 31, 1987.

The MSCI Europe Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in Europe. As of June 2007, the MSCI Europe Index consisted of the following 16 developed market country indices: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom.

The Barclays Capital Long Government/Credit Index measures the investment return of all medium and larger public issues of U.S. Treasury, agency, investment-grade corporate, and investment-grade international dollar-denominated bonds with maturities longer than 10 years. The average maturity is approximately 20 years.

The University of Michigan Consumer Sentiment Index (MCSI) is a survey of consumer confidence conducted by the University of Michigan. The Michigan Consumer Sentiment Index (MCSI) uses telephone surveys to gather information on consumer expectations regarding the overall economy.

The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. As of May 2005 the MSCI Emerging Markets Index consisted of the following 26 emerging market country indices: Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Jordan, Korea, Malaysia, Mexico, Morocco, Pakistan, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, Turkey and Venezuela.

The Standard & Poor's 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 CRB Commodities Index is a measure of price movements of 22 sensitive basic commodities whose markets are presumed to be among the first to be influenced by changes in economic conditions. As such, it serves as one early indication of impending changes in business activity.

The Russell Mid Cap Index offers investors access to the mid cap segment of the U.S. equity universe. The Russell Mid Cap Index is constructed to provide a comprehensive and unbiased barometer for the mid-cap segment and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true mid cap opportunity set. The Russell Mid Cap Index includes the smallest 800 securities in the Russell 1000.

J.P. Morgan Emerging Markets Bond Index Global (EMBI Global) tracks total returns for U.S. dollar denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds. Currently, the EMBI Global covers 188 instruments across 33 countries.

Barclays Capital U.S. MBS Index measures the performance of investment grade fixed-rate mortgage-backed pass-through securities of GNMA, FNMA, and FHLMC.

The Barclays Municipal Bond Index is a market capitalization-weighted index of investment-grade municipal bonds with maturities of at least one year. All indices are unmanaged and include reinvested dividends. One cannot invest directly in an index. Past performance is no guarantee of future results.

This Barclays Aggregate Bond Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment-grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities.

The Barclays Capital High Yield Index covers the universe of publicly issued debt obligations rated below investment grade. Bonds must be rated below investment-grade or high-yield (Ba1/BB+ or lower), by at least two of the following ratings agencies: Moody's, S&P, Fitch. Bonds must also have at least one year to maturity, have at least $150 million in par value outstanding, and must be US dollar denominated and non-convertible. Bonds issued by countries designated as emerging markets are excluded.

The Barclays Capital High Yield Municipal Bond Index is an unmanaged index made up of bonds that are non-investment grade, unrated, or rated below Ba1 by Moody's Investors Service with a remaining maturity of at least one year.