LPL RESEARCH

MARKET INSIGHT MONTHLY

JANUARY 2017 IN REVIEW

February Update | As of January 31, 2017

ECONOMY:

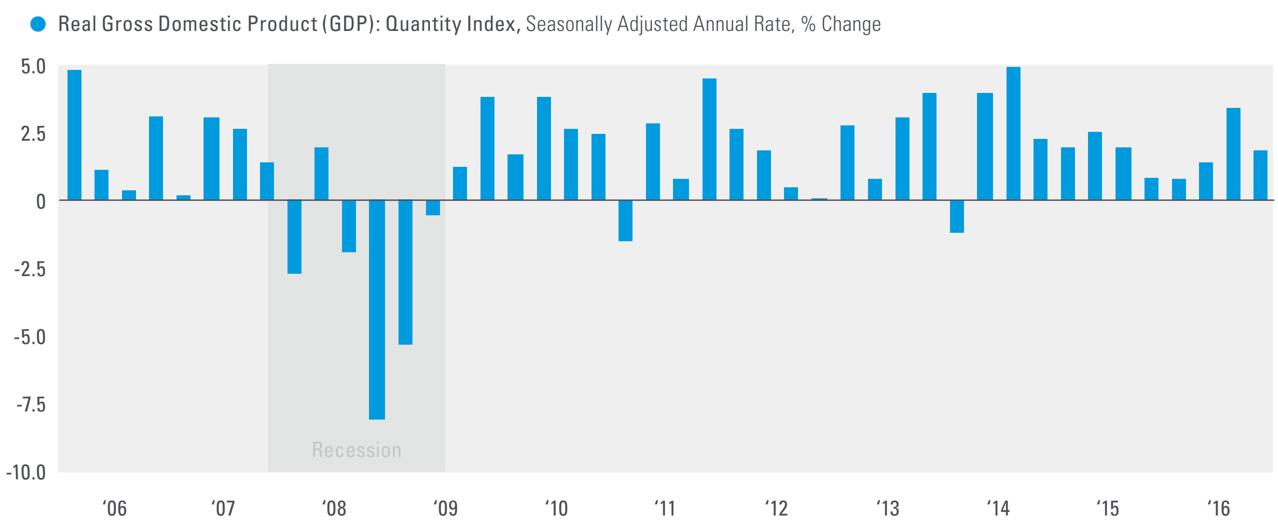
ECONOMIC DATA POINT TO IMPROVING GROWTH

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

GDP GROWTH SLOWED IN Q4 2016



Source: LPL Research, Bureau of Economic Analysis, Haver Analytics 02/06/17 hitting a fresh 12-year high in January. Consumer 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.

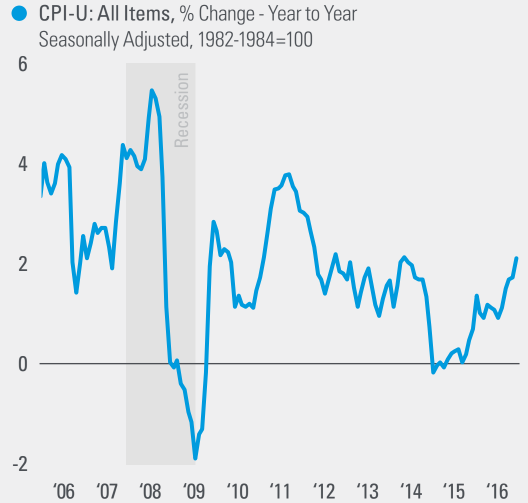
Although the inflation reports released in January were mixed relative to expectations, inflation, as measured by the Consumer Price Index (CPI), continued to accelerate, from a 1.7% year-over-year gain in November 2016 to 2.1% in December, the highest reading in more than two years. Wage gains decelerated 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.

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.

INFLATION ABOVE 2% FOR THE FIRST TIME SINCE 2014



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

GLOBAL EQUITIES:
STRONG START TO 2017 FOR STOCKS

U.S.

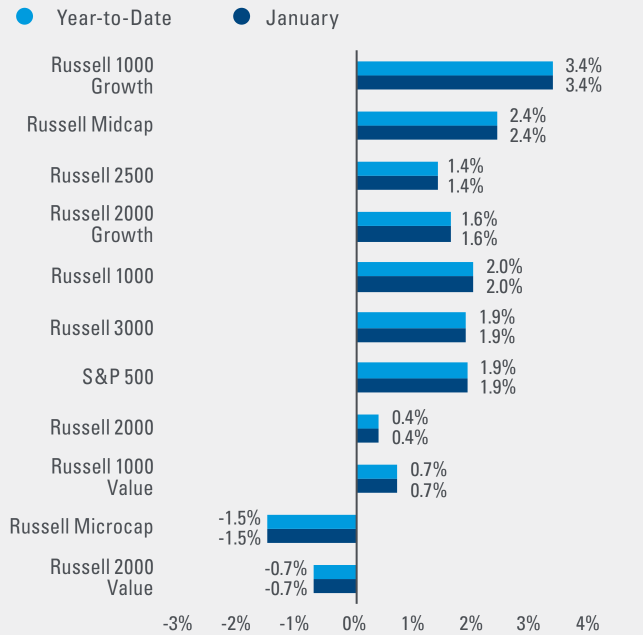
Stocks started off 2017 on a positive note as the S&P 500 returned 1.9% for the month, following December's 2% gain and the solid 12% return in 2016. Investors celebrated Dow 20,000 during the month while pushing the S&P 500 to another fresh set of record highs. January's gains continued the market's 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 to earnings season

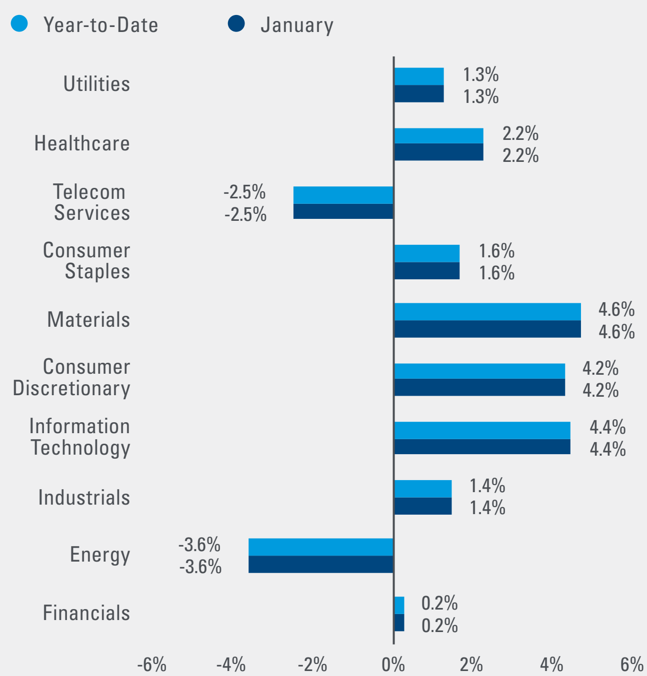
DOMESTIC INDEX PERFORMANCE



Source: LPL Research, FactSet 01/31/17

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 01/31/17

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Stock investing involves risk, including loss of principal.

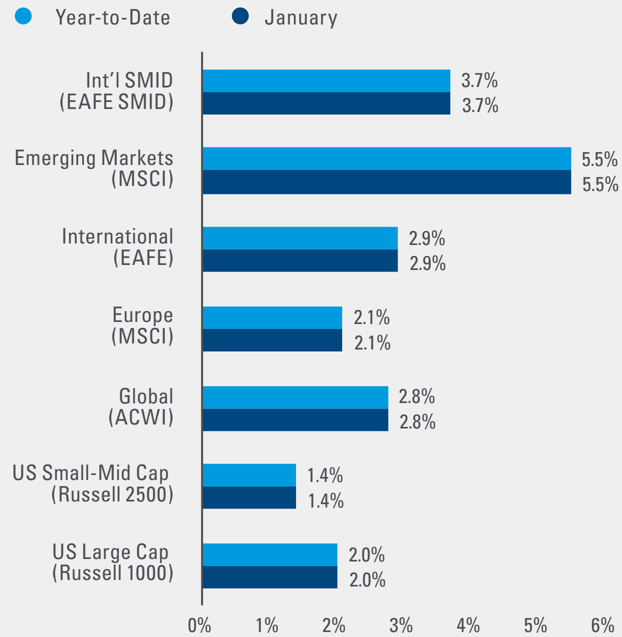
Because of its narrow focus, sector investing will be subject to greater volatility than investing more broadly across many sectors and companies.

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.

GLOBAL INDEX PERFORMANCE



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.

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.

FIXED INCOME:

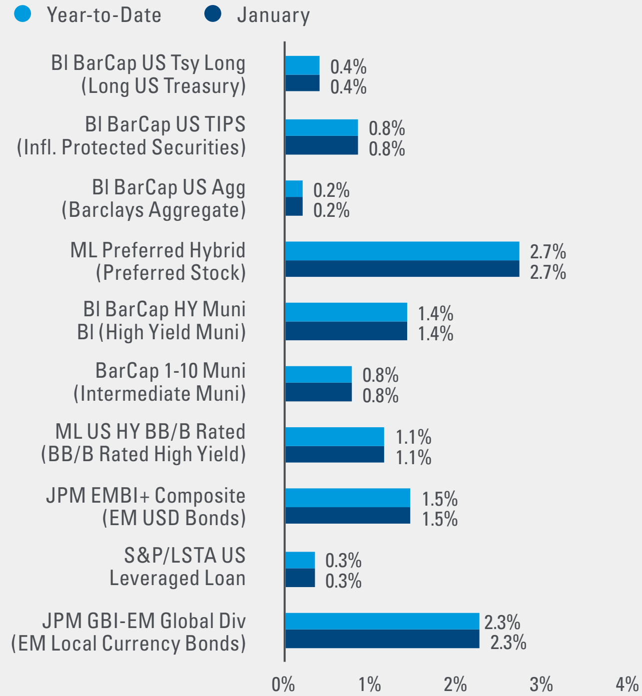
RATES SUBDUED AS TRUMP DRIVEN SELL-OFF STALLS

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

Indexes are unmanaged and cannot be invested into directly. Past performance is no guarantee of future results.

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:

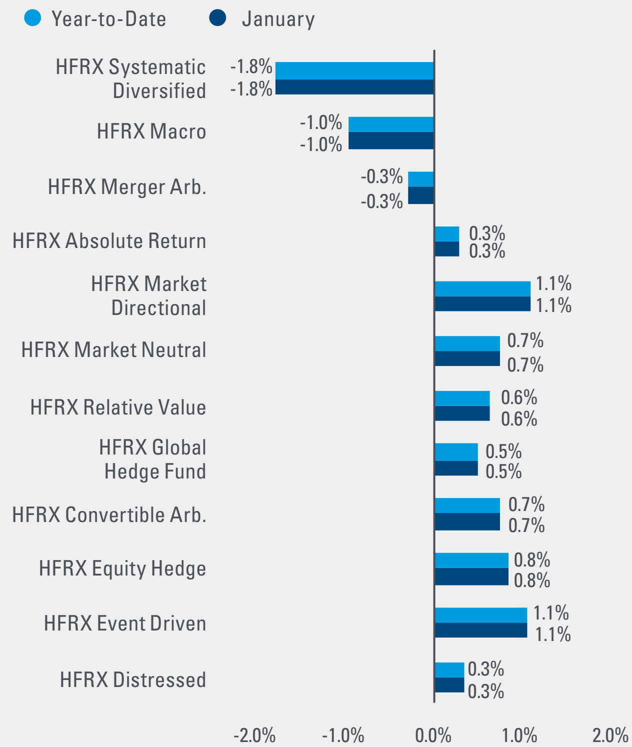
LONG/SHORT EQUITY REBOUNDS FOLLOWING DIFFICULT 2016

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.

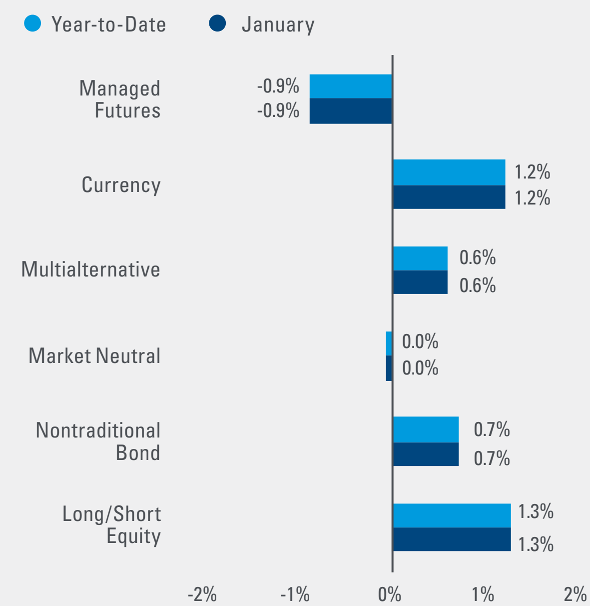
Event driven strategies also started the year on a positive note, with the HFRX Event Driven Index gaining 1.1%. Potential shifts in regulations and political uncertainty resulted in returns that were more specific to individual situations, as opposed to industry-wide merger arbitrage spread tightening. 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



Source: LPL Research, FactSet 01/31/17

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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.

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

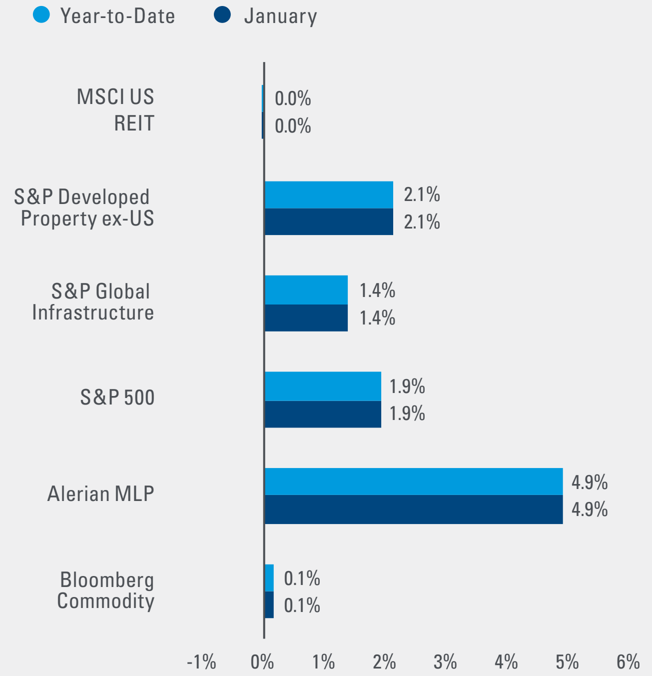
Master limited partnerships (MLPs) experienced another strong month, returning 4.9% as judged by the Alerian MLP Index. U.S. crude oil production has risen roughly 1.5 million barrels per day since the end of December, which is a positive indicator for crude pipeline operators. The Trump administration 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.

LIQUID REAL ASSET PERFORMANCE



Source: LPL Research, FactSet 01/31/17

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%.

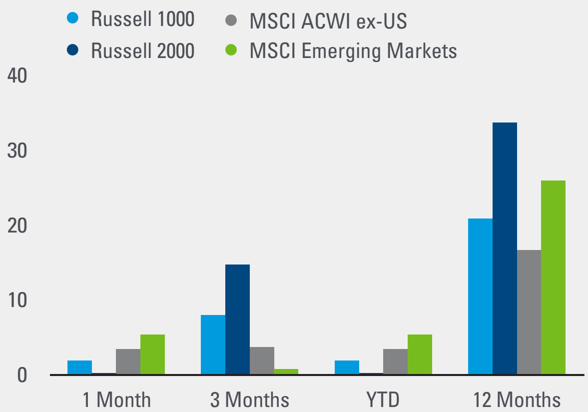
Investing in real estate/REITs involves special risks such as potential illiquidity and may not be suitable for all investors. There is no assurance that the investment objectives of this program will be attained.

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.

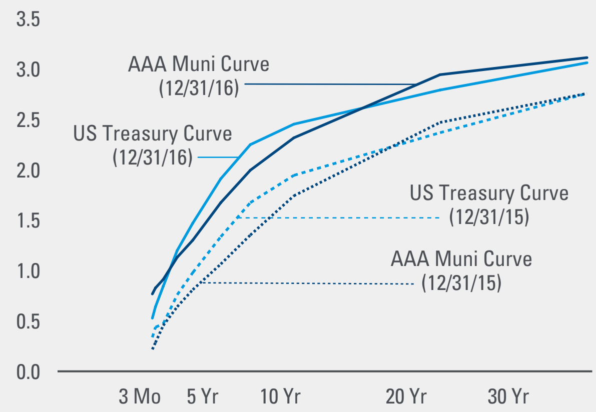
MONTHLY PERFORMANCE REPORT

EQUITY PERFORMANCE



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

DOMESTIC YIELD CURVE



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

		1 Mo	3 Mos	YTD	12 Mos
Large Cap	S&P 500	1.90	7.76	1.90	20.04
	DJIA	0.62	10.21	0.62	23.89
	Russell 1000	2.01	8.02	2.01	20.81
	Russell 1000 Value	0.71	9.13	0.71	24.62
	Russell 1000 Growth	3.37	6.93	3.37	17.23
Small/Mid Cap	Russell 2000	0.39	14.72	0.39	33.53
	Russell 2000 Value	-0.71	17.11	-0.71	40.22
	Russell 2000 Growth	1.62	12.23	1.62	26.87
	Russell Microcap	-1.51	14.94	-1.51	32.23
	Russell Midcap	2.41	9.16	2.41	24.72
	Russell Midcap Value	1.68	9.96	1.68	29.15
	Russell Midcap Growth	3.33	8.20	3.33	19.99
All Cap	Russell 3000	1.88	8.52	1.88	21.73
	Russell 3000 Value	0.60	9.73	0.60	25.76
	Russell 3000 Growth	3.23	7.31	3.23	17.91
International Markets	MSCI EAFE	2.91	4.34	2.91	12.59
	MSCI ACWI ex US	3.55	3.79	3.55	16.67
	MSCI Europe	2.09	5.13	2.09	9.52
	MSCI Japan	3.72	2.22	3.72	16.10
	MSCI AC Asia Pacific ex Japan	5.80	2.36	5.80	22.90
	MSCI EAFE SMID	3.69	4.06	3.69	13.93

		1 Mo	3 Mos	YTD	12 Mos
Int'l - Continued	MSCI ACWI ex US SMID	4.05	3.19	4.05	16.48
	MSCI Emerging Mkts	5.48	0.92	5.48	25.88
	MSCI EMEA	2.11	4.20	2.11	28.43
	MSCI Latin America	7.63	-2.87	7.63	48.29
	MSCI Frontier Markets	6.66	7.65	6.66	18.11
Sectors - S&P500 GICS	Consumer Discretionary	4.24	9.20	4.24	16.47
	Consumer Staples	1.65	0.37	1.65	6.42
	Energy	-3.60	6.52	-3.60	26.60
	Financials	0.23	18.66	0.23	35.04
	Healthcare	2.25	5.00	2.25	7.67
	Industrials	1.41	10.95	1.41	27.88
	Information Technology	4.41	5.72	4.41	24.91
	Materials	4.64	11.95	4.64	36.53
	Telecom Services	-2.48	9.25	-2.48	12.79
	Utilities	1.25	0.52	1.25	12.21

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

(Data continued on following page.)

All data represent total returns, where applicable. Information contained in this report is from sources deemed to be reliable. We cannot guarantee the accuracy or completeness of such information and we assume no liability for damages resulting from or arising out of the use of such information. Further, please note that past performance is not indicative of future results.

		1 Mo	3 Mos	YTD	12 Mos
Fixed Income	BI BarCap US Agg	0.20	-2.04	0.20	1.45
	BI BarCap 1-10 Muni	0.78	-1.10	0.78	-0.36
	BI BarCap HY Muni	1.40	-3.31	1.40	3.85
	BI BarCap Inv. Grade Credit	0.31	-1.73	0.31	6.06
	BI BarCap Muni Long Bond -22+	0.61	-2.86	0.61	0.33
	BI BarCap US Agg Securitized MBS	-0.03	-1.75	-0.03	0.34
	BI BarCap US TIPs	0.84	-1.19	0.84	4.02
	BI BarCap US Treasury Interm	0.20	-1.57	0.20	-0.37
	BI BarCap US Treasury Long	0.39	-7.55	0.39	-3.14
	BI BarCap US High Yield Loans	0.34	1.82	0.34	11.73
	ML Preferred Stock Hybrid	2.71	-1.35	2.71	4.33
	ML US High Yield BB/B Rated	1.14	2.28	1.14	17.48
	ML US Convert ex Mandatory	2.81	7.14	2.81	23.26
	JPM GBI Global ex US Hedged	-1.34	-2.02	-1.34	1.96
	JPM GBI Global ex US Unhedged	1.39	-5.17	1.39	2.25
	JPM GBI-EM Global Div	2.25	-3.16	2.25	12.03
	JPM ELMI+	1.84	-1.04	1.84	6.68
	JPM EMBI+ Composite	1.45	-1.97	1.45	10.50

		1 Mo	3 Mos	YTD	12 Mos
Alternatives	HFRX Absolute Return	0.30	0.34	0.30	0.55
	HFRX Market Directional	1.09	4.72	1.09	21.31
	HFRX Convertible Arb.	0.75	0.88	0.75	8.51
	HFRX Distressed	0.34	4.03	0.34	24.27
	HFRX Equity Hedge	0.85	2.51	0.85	5.70
	HFRX Market Neutral	0.75	-0.37	0.75	-4.16
	HFRX Event Driven	1.05	4.87	1.05	16.70
	HFRX Merger Arb.	-0.28	0.96	-0.28	2.79
	HFRX Relative Value Arb.	0.63	1.92	0.63	4.29
	HFRX Global Hedge Fund	0.50	2.25	0.50	5.95
	HFRX Macro Index	-0.95	-1.17	-0.95	-4.72
	HFRX Systematic Diversified	-1.79	-1.52	-1.79	-5.50
	Bloomberg Commodity	0.14	3.30	0.14	13.83
	DJ Wilshire REIT	-0.86	2.39	-0.86	10.11
	Alerian MLP	4.89	12.02	4.89	39.60

		Latest Mo End (01/31/17)	3 Mos Ago (10/31/16)	Latest Yr End (12/31/16)	12 Mos Ago (01/31/16)
Currency	US Dollar Index Value	99.55	98.36	102.21	99.53
	USD vs. Yen	112.78	104.81	116.90	121.13
	Euro vs. USD	1.08	1.10	1.05	1.08
Cmdtys	Gold ($ per Troy Ounce)	1210.30	1277.00	1150.90	1117.80
	Crude Oil ($ per Barrel)	52.81	46.86	53.72	33.62

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. 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

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

Investments in specialized industry sectors have additional risks, which are outlined in the prospectus. Please read the fund's prospectus for more information on risks, fees, and other important information.

Bond and Debt Equity Risks

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.

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.

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.

Preferred stock investing involves risk, which may include loss of principal, and are subject to many of the same risks which affect fixed income securities.

Alternative Risks

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.

Long/short equity funds are subject to normal alternative investment risks, including potentially higher fees; while 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.

Selling short can result in losses should the borrowed security increase in price, rather than decline. The theoretical potential loss is unlimited. Additionally, short sales will incur interest on the borrowed shares while also being subject to margin calls, or early sales in the event that the original owner wishes to sell their position.

Definitions

Different agencies employ different rating scales for credit quality. Standard & Poor's (S&P) and Fitch both use scales from AAA (highest) through AA, A, BBB, BB, B, CCC, CC, C to D(lowest). Moody's uses a scale from Aaa (highest) through Aa, A, Baa, Ba, B, Caa, Ca to C (lowest).

The Leading Economic Index is a monthly publication from the Conference Board that attempts to predict future movements in the economy based on a composite of 10 economic indicators whose changes tend to precede changes in the overall economy.

Purchasing Managers Indexes are economic indicators derived from monthly surveys of private sector companies, and are intended to show the economic health of the manufacturing sector. A PMI of more than 50 indicates expansion in the manufacturing sector, a reading below 50 indicates contraction, and a reading of 50 indicates no change. The two principal producers of PMIs are Markit Group, which conducts PMIs for over 30 countries worldwide, and the Institute for Supply Management (ISM), which conducts PMIs for the U.S.

The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

The U.S. Institute for Supply Managers (ISM) manufacturing index is an economic indicator derived from monthly surveys of private sector companies, and is intended to show the economic health of the U.S. manufacturing sector. A PMI of more than 50 indicates expansion in the manufacturing sector, a reading below 50 indicates contraction, and a reading of 50 indicates no change.

Gross Domestic Product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period, though GDP is usually calculated on an annual basis. It includes all of private and public consumption, government outlays, investments and exports less imports that occur within a defined territory.

The Consumer Sentiment report refers to a report published by the University of Michigan, in which the University's Consumer Survey Center questions 500 households each month on their financial conditions and attitudes about the economy. Consumer sentiment is important because it is directly related to the strength of consumer spending. Preliminary estimates for a month are released at mid-month. Final estimates for a month are released near the end of the month.

INDEX DEFINITIONS

The Alerian MLP Index is a composite of the 50 most prominent energy master limited partnerships that provides investors with an unbiased, comprehensive benchmark for this emerging asset class. The index, which is calculated using a float-adjusted, capitalization-weighted methodology, is disseminated in real time on a price-return basis (NYSE: AMZ) and on a total-return basis (NYSE: AMZX).

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. Aggregate Securitized MBS Index tracks agency mortgage backed pass-through securities (both fixed-rate and hybrid (ARM) guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

The Bloomberg 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, and Fitch. Bonds must also have at least one year to maturity, have at least $150 million in par value outstanding, and must be U.S. dollar denominated and nonconvertible. Bonds issued by countries designated as emerging markets are excluded.

The Bloomberg Barclays 7-year Municipal Bond Index is the 7 Year (6 -8 year) component of the Bloomberg Barclays Municipal Bond, which is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market.

The Bloomberg Barclays Corporate Investment Grade Credit Index is a broad-based benchmark that measures the investment-grade, U.S. dollar-denominated, fixedrate, taxable corporate bond market. It includes USD-denominated securities publicly issued by U.S. and non-U.S. industrial, utility, and financial issuers that meet specified maturity, liquidity, and quality requirements.

The Bloomberg Barclays U.S. High-Yield Loan Index tracks the market for dollar-denominated floating-rate leveraged loans. Instead of individual securities, the U.S. High-Yield Loan Index is composed of loan tranches that may contain multiple contracts at the borrower level.

The Bloomberg Barclays Municipal High Yield Bond Index is comprised of bonds with maturities greater than one year, having a par value of at least $3 million issued as part of a transaction size greater than $20 million, and rated no higher than 'BB+' or equivalent by any of the three principal rating agencies. (The long and the short are subindexes of the Municipal Bond Index, based on duration length.)

The Bloomberg Barclays U.S. Corporate High Yield Energy Index covers the universe of fixed rate, non-investment grade debt. Eurobonds and debt issues from countries designated as emerging markets (sovereign rating of Baa1/BBB+/BBB+ and below using the middle of Moody's, S&P, and Fitch) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included. Original issue zeroes, step-up coupon structures, 144-As and pay-in-kind bonds (PIKs, as of October 1, 2009) are also included.

The Bloomberg Barclays U.S. TIPS Index is a rules-based, market value-weighted index that tracks Inflation-Protected Securities issued by the U.S. Treasury. The U.S. TIPS Index is a subset of the Global Inflation-Linked Index, with a 36% market value weight in the index (as of December 2007), but is not eligible for other nominal treasury or aggregate indexes In order to prevent the erosion of purchasing power, TIPS are indexed to the nonseasonally adjusted Consumer Price Index for All Urban Consumers, or the CPI-U (CPI).

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 long and the intermediate are subindexes of the U.S. Treasury Index, based on duration length.)

The Bloomberg Commodity Index is calculated on an excess return basis and composed of futures contracts on 22 physical commodities. It reflects the return of underlying commodity futures price movements.

The BofA Merrill Lynch BB-B U.S. High Yield Constrained Index contains all securities in the BofA Merrill Lynch US High Yield Index rated BB+ through B- by S&P (or equivalent as rated by Moody's or Fitch), but caps issuer exposure at 2%. Index constituents are capitalization-weighted, based on their current amount outstanding, provided the total allocation to an individual issuer does not exceed 2%.

The BofA Merrill Lynch U.S. Convertibles Ex-Mandatory Index is a rule-driven Index designed to capture the organic evolution of the U.S. convertible market and adjust automatically based on any changes in the market such as size of the market, industry skew, structure popularity, issuer size or equity sensitivity. The index rules include issues: U.S. dollar denominated greater than $50M in aggregate market value that are publicly traded (including 144A) in the U.S. market but are not currently in bankruptcy. Exclusions are synthetic convertibles and mandatory convertibles.

The Dow Jones Industrial Average Index is comprised of U.S.-listed stocks of companies that produce other (non-transportation and non-utility) goods and services. The Dow Jones industrial averages are maintained by editors of The Wall Street Journal. While the stock selection process is somewhat subjective, a stock typically is added only if the company has an excellent reputation, demonstrates sustained growth, is of interest to a large number of investors, and accurately represents the market sectors covered by the average. The Dow Jones averages are unique in that they are price weighted; therefore, their component weightings are affected only by changes in the stocks' prices.

The Dow Jones U.S. Select REIT Index (formerly the DJ Wilshire REIT) intends to measure the performance of publicly traded REITs and REIT-like securities. The index is a subset of the Dow Jones U.S. Select Real Estate Securities Index (RESI), which represents equity REITs and real estate operating companies (REOCs) traded in the U.S. The indices are designed to serve as proxies for direct real estate investment, in part by excluding companies whose performance may be driven by factors other than the value of real estate.

The HFRX Absolute Return Index is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies; including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage.

The HFRX Distressed Restructuring Index strategies employ an investment process focused on corporate fixed income instruments, primarily on corporate credit instruments of companies trading at significant discounts to their value at issuance or obliged (par value) at maturity as a result of either formal bankruptcy proceeding or financial market perception of near term proceedings. Managers are typically actively involved with the management of these companies, frequently involved on creditors' committees in negotiating the exchange of securities for alternative obligations, either swaps of debt, equity, or hybrid securities. Managers employ fundamental credit processes focused on valuation and asset coverage of securities of distressed firms; in most cases portfolio exposures are concentrated in instruments that are publicly traded, in some cases actively and in others under reduced liquidity, but in general for which a reasonable public market exists. In contrast to special situations, distressed strategies employ primarily debt (greater than 60%) but also may maintain related equity exposure.

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 Equity Market Neutral Index strategies employ sophisticated quantitative techniques of analyzing price data to ascertain information about future price movement and relationships between securities, select securities for purchase and sale. These can include both factor-based and statistical arbitrage/trading strategies. Factor-based investment strategies include strategies in which the investment thesis is predicated on the systematic analysis of common relationships between securities. In many but not all cases, portfolios are constructed to be neutral to one or multiple variables, such as broader equity markets in dollar or beta terms, and leverage is frequently employed to enhance the return profile of the positions identified. Statistical arbitrage/trading strategies consist of strategies in which the investment thesis is predicated on exploiting pricing anomalies that may occur as a function of expected mean reversion inherent in security prices; high frequency techniques may be employed and trading strategies may also be employed on the basis on technical analysis or opportunistically to exploit new information the investment manager believes has not been fully, completely, or accurately discounted into current security prices. Equity market neutral strategies typically maintain characteristic net equity market exposure no greater than 10% long or short.

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 Global Hedge Fund Index is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies, including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage. The strategies are asset weighted based on the distribution of assets in the hedge fund industry.

The HFRX Macro Index strategy managers trade a broad range of strategies in which the investment process is predicated on movements in underlying economic variables and the impact these have on equity, fixed income, hard currency, and commodity markets. Managers employ a variety of techniques, both discretionary and systematic analysis, combinations of top-down and bottom-up theses, quantitative and fundamental approaches, and long- and short-term holding periods. Although some strategies employ RV techniques, macro strategies are distinct from RV strategies in that the primary investment thesis is predicated on predicted or future movements in the underlying instruments, rather than realization of a valuation discrepancy between securities. In a similar way, while both macro and equity hedge managers may hold equity securities, the overriding investment thesis is predicated on the impact movements in underlying macroeconomic variables may have on security prices, as opposed to EH, in which the fundamental characteristics on the company are the most significant and integral to investment thesis.

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 employ an investment process designed to identify opportunities in markets exhibiting trending or momentum characteristics across individual instruments or asset classes. Strategies typically employ a quantitative process that focuses on statistically robust or technical patterns in the return series of the asset, and they 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 the portfolio in either dedicated currency or commodity exposures over a given market cycle.

The HFRX Market Directional Index is comprised of all eligible hedge fund strategies, including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage. As a component of the optimization process, the index selects constituents which characteristically exhibit higher volatilities and higher correlations to standard directional benchmarks of equity, bond market, and hedge fund industry.

The HFRX Merger Arbitrage Index strategies employ an investment process primarily focused on opportunities in equity and equity-related instruments of companies that are currently engaged in a corporate transaction. Merger arbitrage involves primarily announced transactions, typically with limited or no exposure to situations that pre- or post-date, or situations in which no formal announcement is expected to occur. Opportunities are frequently presented in cross border, collared, and international transactions that incorporate multiple geographic regulatory institutions, with typically involve minimal exposure to corporate credits.Merger arbitrage strategies typically have over 75% of positions in announced transactions over a given market cycle.

The HFRX Relative Value Arbitrage Index includes managers who maintain positions in which the investment thesis is predicated on the realization of a valuation discrepancy in the relationship between multiple securities. Managers employ a variety of fundamental and quantitative techniques to establish investment theses, and security types range broadly across equity, fixed income, derivative, or other security types. Fixed income strategies are typically quantitatively driven to measure the existing relationship between instruments and, in some cases, identify attractive positions in which the risk adjusted spread between these instruments represents an attractive opportunity for the investment manager. RV position may be involved in corporate transactions also, but as opposed to ED exposures, the investment thesis is predicated on the realization of a pricing discrepancy between related securities, as opposed to the outcome of the corporate transaction.

The HFRX RV: FI-Convertible Arbitrage Index includes strategies in which the investment thesis is predicated on realization of a spread between related instruments in which one or multiple components of the spread is a convertible fixed income instrument. Strategies employ an investment process designed to isolate attractive opportunities between the price of a convertible security and the price of a non-convertible security, typically of the same issuer. Convertible arbitrage positions maintain characteristic sensitivities to credit quality the issuer, implied and realized volatility of the underlying instruments, levels of interest rates and the valuation of the issuer's equity, among other more general market and idiosyncratic sensitivities.

The J.P. Morgan GBI Global ex-U.S. Hedged Index tracks fixed rate issuances from high-income countries spanning the globe, launched in 1989.

The JPM GBI Global ex-U.S. Unhedged Index generally tracks fixed rate issuances form high-income countries spanning North America, Europe, and Asia, not including the United States.

The JPM GBI-EM Global Diversified Index limits the weights of those index countries with larger debt stocks by only including a specified portion of these countries as eligible, current face amounts of debt outstanding.

The JPM ELMI+ and JPM ELMI+ Composite Indexes measure the performance of debt issued by emerging markets in the local currency.

The 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 MSCI AC Asia Pacific ex-Japan Index captures large and mid cap representation across four of five developed markets countries (excluding Japan) and eight emerging markets countries in the Asia Pacific region. With 682 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The MSCI ACWI ex-U.S. Index captures large and mid cap representation across 22 of 23 developed markets (DM) countries (excluding the U.S.) and 23 emerging markets (EM) countries. With 1,839 constituents, the index covers approximately 85% of the global equity opportunity set outside the U.S.

The MSCI ACWI ex-U.S. SMID Cap Index captures mid and small cap representation across 22 of 23 developed market (DM) countries (excluding the U.S.) and 23 emerging markets countries. With 5,164 constituents, the index covers approximately 28% of the free float-adjusted market capitalization in each country.

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 indexes that represent developed markets outside of North America: Europe, Australasia, and the Far East.

The MSCI EAFE SMID Cap Index captures mid and small cap representation across developed market countries around the world, excluding the U.S. and Canada. With 2,695 constituents, the index covers approximately 28% of the free float-adjusted market capitalization in each country.

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.

The MSCI Emerging Markets EMEA Index captures large and mid cap representation across eight emerging markets (EM) countries in Europe, the Middle East and Africa (EMEA). With 162 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The MSCI Emerging Markets (EM) Latin America Index captures large and mid cap representation across five emerging markets (EM) countries in Latin America. With 137 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

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.

The MSCI Frontier Markets Index captures large and mid cap representation across 24 frontier markets (FM) countries. The index includes 127 constituents, covering about 85% of the free float-adjusted market capitalization in each country.

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 U.S. REIT Index is a free float-adjusted market capitalization index that is comprised of equity REITs. The index is based on MSCI USA Investable Market Index (IMI), its parent index that captures large, mid, and small caps securities. With 139 constituents, it represents about 99% of the U.S. REIT universe and securities are classified in the REIT sector according to the Global Industry Classification Standard (GICS). It, however, excludes mortgage REITs and selected specialized REITs.

The Russell 1000 Index measures the performance of the large cap segment of the U.S. equity universe. It is a subset of the Russell 3000 Index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000 represents approximately 92% of the U.S. market.

The Russell 1000 Value Index measures the performance of the large cap value segment of the U.S. equity universe.

The Russell 1000 Growth Index measures the performance of the large cap growth segment of the U.S. equity universe.

The Russell 2000 Index measures the performance of the small cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index.

The Russell 2000 Growth Index measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.

The Russell 2000 Value Index measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

The Russell 2500 Index is a broad index featuring 2,500 stocks that cover the small and mid cap market capitalizations. The Russell 2500 is a market capitalization-weighted index that includes the smallest 2,500 companies covered in the Russell 3000 universe of U.S.-based listed equities.

The Russell 3000 Index measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The Russell 3000 Growth Index measures the performance of the broad growth segment of the U.S. equity universe. It includes those Russell 3000 companies with higher price-to-book ratios and higher forecasted growth values.

The Russell 3000 Value Index measures the performance of the broad value segment of U.S. equity value universe. It includes those Russell 3000 companies with lower price-to-book ratios and lower forecasted growth values.

The Russell Microcap Index measures the performance of the microcap segment of the U.S. equity market. Microcap stocks make up less than 3% of the U.S. equity market (by market cap) and consist of the smallest 1,000 securities in the small-cap Russell 2000 Index, plus the next 1,000 smallest eligible securities by market cap.

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

The Russell Midcap Growth Index offers investors access to the mid cap growth segment of the U.S. equity universe. The Russell Midcap Growth Index is constructed to provide a comprehensive and unbiased barometer of the mid cap growth market. Based on ongoing empirical research of investment manager behavior, the methodology used to determine growth probability approximates the aggregate mid cap growth manager's opportunity set.

The Russell Midcap Value Index offers investors access to the mid cap value segment of the U.S. equity universe. The Russell Midcap Value Index is constructed to provide a comprehensive and unbiased barometer of the mid cap value market. Based on ongoing empirical research of investment manager behavior, the methodology used to determine value probability approximates the aggregate mid cap value manager's opportunity set.

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 S&P Global Infrastructure Index is comprised of 75 of the largest publicly listed infrastructure companies that meet specific investability requirements. The index is designed to provide liquid exposure to the leading publicly listed companies in the global infrastructure industry, from both developed markets and emerging markets.

The S&P Utilities Index is comprised primarily of companies involved in water and electrical power and natural gas distribution industries.

The S&P/LSTA U.S. Leveraged Loan 100 index is a market value-weighted index designed to measure the performance of the U.S. leveraged loan market. The index consists of 100 loan facilities drawn from a larger benchmark - the S&P/LSTA (Loan Syndications and Trading Association) Leveraged Loan Index (LLI).

The S&P Developed Ex-U.S. Property defines and measures the investable universe of publicly traded property companies domiciled in developed countries outside of the U.S. The companies included are engaged in real estate related activities, such as property ownership, management, development, rental and investment.

The USD Index measures the performance of the U.S. dollar against a basket of foreign currencies: EUR, JPY, GBP, CAD, CHF and SEK. The U.S. Dollar Index goes up when the dollar gains "strength" compared to other currencies.

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