

July 8 2015

NAVIGATING THE MARKETS

COMPASS CHANGES

- Upgraded healthcare to neutral/positive from neutral.
- Downgraded energy and master limited partnerships (MLP) to neutral from neutral/positive.
- Downgraded materials to negative/neutral from neutral.

INVESTMENT TAKEAWAYS

- We forecast high-single-digit S&P 500 returns in 2015* driven by mid-single-digit earnings growth. We believe Greece-related contagion risk is manageable.
- We upgraded healthcare following the Supreme Court Affordable Care Act (ACA) ruling.
- We downgraded energy, MLPs, and materials due to technical deterioration.
- We favor U.S. equities and emerging markets, but are watching for buying opportunities in Europe on Greece-related weakness.
- Bond valuations remain expensive by historical comparison and augur for low future returns for high-quality bonds.
- For fixed income allocations, we emphasize high-quality intermediate bonds coupled with less interest rate-sensitive sectors such as high-yield bonds and bank loans.
- From a technical perspective, the S&P 500 price remains above a positively sloping 200-day simple moving average, which supports a long-term bullish trend.

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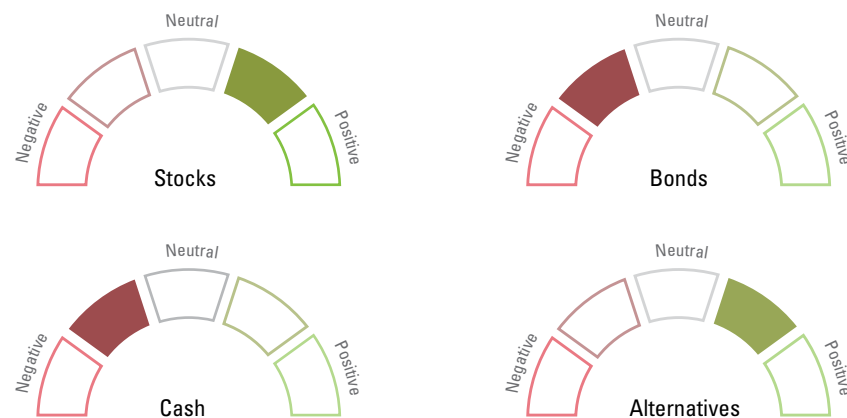
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All performance referenced herein is as of July 7, 2015, unless otherwise noted.

* Historically since WWII, the average annual gain on stocks has been 7 – 9%. Thus, our forecast is in-line with average stock market growth. We forecast a 5 – 9% gain, including dividends, for U.S. stocks in 2015 as measured by the S&P 500. This gain is derived from earnings per share (EPS) for S&P 500 companies growing 5 – 10%. Earnings gains are supported by our expectation of improved global economic growth and stable profit margins in 2015.

BROAD ASSET CLASS VIEWS

LPL Financial Research's views on stocks, bonds, cash, and alternatives are illustrated below.



MACROECONOMIC VIEWS

	Economic Factor	Outlook	Investing Impact
ECONOMY	U.S. GDP Growth	2015 GDP 3.0–3.5%. * Q1 2012–Q2 2015 data to be revised on 7/30/15.	No recession or overheating in 2015 may support equity markets.
	Consumer Spending	Low oil prices, stock market and home price gains, labor market should help.	Supports consumer cyclicals.
	Business Spending	Priorities slowly shifting toward investment.	Industrials, technology most likely to benefit.
	Housing	Tight supply, years of underbuilding may help but consumers are still cautious.	A stronger turnaround could support housing/financials stocks.
	Import/Export	Strong dollar weighing, but “know-how” service sectors and growing oil independence helping trade imbalances.	Supports technology, business services.
	Labor Market	Steadily improving, early signs of wage acceleration.	Profit margins may begin to narrow; Fed rate hikes forthcoming.
	Inflation	Stabilizing commodities, improved global growth pointing to normalization.	Interest rates likely to rise but process will be gradual.
	Business Cycle	Still mid-cycle but have likely moved into latter half.	Equity markets may have room to run, but expect more volatility.
	Dollar	Foreign central bank stimulus boosting U.S. dollar but pace has slowed.	Drag on foreign market returns, hurts U.S. profits.
	Global GDP Growth	Modest improvement in 2015. Risk from Greece uncertainty lingers.	Supports multinational technology and industrials.
POLICY	Fiscal	Small (but rising) threat of government shutdown/debt ceiling fight this fall.	Drag from 2013 rolled off, helping calm markets.
	Monetary	Expect Fed tightening in late 2015.	Modest negative for bonds; manageable risk for stocks.
	Government	Trans-Pacific trade agreement facing final hurdles.	Passage should help U.S. exports and support global growth.
RISKS	Financial	Most measures of financial stress are stable.	We expect potential stock market gains in 2015.
	Geopolitical & Other	Watching Greece, Ukraine, Islamic State.	May contribute to higher stock volatility.
OVERSEAS	Developed Overseas Economies	Japan and Europe looking a little stronger. Greece remains a concern.	Favor U.S. equities; monitor developed foreign.
	Emerging Markets Economies	China’s central bank adding stimulus but stock market volatility adding uncertainty.	Faster growth in other countries may help lift low valuations.
FINANCIAL CONDITIONS	Corporate Profits	We expect 5–10% gains in 2015.	Supportive of mid-cycle stock market gains.
	Main Street	Fed Beige Book depicts stable economy and labor market, despite harsh winter, dollar, port strikes.	Supportive of consumer cyclicals.

Source: LPL Research, U.S. Department of Energy, Haver Analytics 07/07/15

*This forecast matches the average growth rate over the past 50 years, and is based on contributions from consumer spending, business capital spending, and housing, which are poised to advance at historically average or better growth rates in 2015. Net exports and the government sector should trail behind

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 your clients. Any economic forecasts set forth in the presentation may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

WHAT WE'RE WATCHING

As we highlighted in our *Outlook 2015: In Transit*, the Fed is watching a number of labor market indicators to help determine an appropriate timetable for interest rate hikes. We expect the Fed to begin its rate hike campaign in late 2015, but the pace of hikes will likely be gradual and reflect the progress in the various labor indicators listed here. Fed Chair Yellen's labor market indicators are making progress, but have not yet reached full health, providing support for continued monetary policy support from the Fed.

"What We're Watching" features indicators that are keys to the current LPL Research macroeconomic outlook. Economic and market dynamics will dictate featured topics and their durability.

	Description	Prerecession High	Recession Low	Current Reading	Percentage from Prerecession Levels
Unemployment & Underemployment	Unemployment rate: % of labor force	4.40%	10.00%	5.3%	84%
	Labor force participation rate: year-over-year change, % of unemployed	0.4%	-1.1%	-0.2%	60%
	Part time for economic reasons: % of labor force	2.7%	6.7%	4.4%	58%
	Long-term unemployed: 27 weeks or more, % of unemployed	15.9%	45.3%	25.8%	66%
	Duration of unemployment: weeks	7.3	25	11.3	77%
Employment & Work	Private payroll employment: millions	116.0	107.2	119.9	145%
	Government payroll employment: millions	22.6	21.8	21.9	14%
	Temporary help employment: millions	2.7	1.7	2.9	121%
	Average weekly hours (production): hours	33.9	33.0	33.6	67%
	Average weekly hours of persons at work: hours	39.7	36.2	38.7	71%
	Wage rates: average hourly earnings, year-over-year % change	4.2%	1.3%	1.9%	22%
Job Market Environment	Composite help-wanted: index	4250	2750	5301	170%
	Hiring rate: % of payroll employment	4.5%	3.2%	3.5%	23%
	Transition rate from unemployment to employment: % of unemployment	29.6%	15.9%	23.9%	58%
	Jobs plentiful vs. hard to get: diffusion index	11.4	-46.1	-4.3	73%
	Hiring plans: diffusion index	19%	-10%	9%	66%
	Jobs hard to fill: %	31%	8%	24%	70%
Layoffs & Quits	Insured unemployment rate: % of covered employment	1.9%	5.0%	1.7%	106%
	Job losers unemployed less than 5 weeks: % of employment	45.4%	14.7%	34.5%	64%
	Quit rate: % of payroll employment	60%	39%	57%	85%
	Job leavers unemployed less than 5 weeks: % of employment	48.8%	17.5%	37.3%	63%

Have reached or exceeded their prerecession levels

Source: LPL Research, Bureau of Labor Statistics, Haver Analytics 07/07/15
The time frame for all data is the last 10 years: 2004–2014.

ASSET CLASS & SECTOR TOP PICKS

Below we provide our top overall ideas across the various asset classes and sectors covered in this publication, as well as our best ideas within the three disciplines of our investment process: fundamentals, technicals, and valuations. More details on these and other investment ideas can be found in subsequent pages.

Characteristics	EQUITY ASSET CLASSES	EQUITY SECTORS	FIXED INCOME	Characteristics	ALTERNATIVE ASSET CLASSES
BEST OVERALL IDEAS	Large Growth	Industrials Technology	High-Yield Bonds	BEST OVERALL IDEAS	Global Macro
Fundamentals	Large Growth	Industrials Technology	Munis Bank Loans	Catalysts	Event Driven Global Macro
Technicals	Mid Growth Small Growth	Healthcare Consumer Discretionary Financials	High-Yield Bonds Preferred Stocks Munis	Trading Environment	Managed Futures
Valuations	Emerging Markets	Industrials Technology Telecommunications	Munis High-Yield Bonds	Volatility	Global Macro

READING THE PORTFOLIO COMPASS

RATING	ICON		
Negative	■	●	<p>Fundamental, technical, and valuation characteristics for each category are shown by their blue icons below, and displayed as colored squares.</p> <p>Negative, neutral, or positive views are illustrated as a colored circle positioned over the scale, while an outlined black circle with an arrow indicates change and shows the previous view.</p> <p>Rationales for our views are provided on the right side.</p>
Negative/Neutral		●	
Neutral	■	●	
Positive/Neutral		●	
Positive	■	●	
Previous Position	⊙		

Sector	F	T	V	⊖	○	⊕	S&P*	Rationale
Materials	■	■	■	■	●	■	3.2	China stimulus could help more, but technicals are negative and China's growth is stalling
Energy	■	■	■	■	●	■	8.2	Intriguing potential contrarian opportunity, but supply and technicals suggest caution, favor MLPs.

Growth-oriented funds may underperform when value investing is in favor and growth stocks may be more volatile than other stocks because they are more sensitive to investor perceptions of the issuing company's growth of earnings potential.

Global macro strategy is a hedge fund strategy that selects its holdings primarily on the macroeconomic and political views of various countries, and is subject to numerous risks such as: geopolitical, derivative, commodity, volatility, currency, and regulatory.

EQUITY ASSET CLASSES

We forecast high-single-digit S&P 500 returns for 2015, driven by mid-single-digit earnings growth and little, if any, PE ratio expansion, as discussed in our *Midyear Outlook 2015* publication. We favor U.S. equities and emerging markets over developed foreign, but we are watching for buying opportunities on Greece-related weakness in Europe. Small caps versus large may be a pitched battle in the near term, but we expect a transition to large cap leadership to occur at some point in the second half of 2015. Our sector preferences continue to support growth over value. We still find MLPs attractive for income-oriented investors but technical breakdown has led to lowered view.

Sector		F	T	V	⊖	○	⊕	Rationale
Style/Capitalization	Large Growth	■	■	■	—	—	●	We see a shift in leadership to large caps at some point in 2015 as the business cycle matures, but expect somewhat of a pitched battle in the near term. Our cyclical sector preferences—including our positive technology and consumer discretionary views and cautious stance on interest rate-sensitive sectors—drive our preference for growth over value.
	Large Value	■	■	■	—	●	—	
	Mid Growth	■	■	■	—	—	●	Positive mid growth view reflects our preference for cyclical sectors, above-market earnings growth, and potential up-capture as we expect the stock market to rise in 2015. Mid caps may also benefit from continued healthy acquisition activity. Mid cap valuations are just slightly above their 10-year averages relative to the S&P 500.
	Mid Value	■	■	■	—	●	—	
	Small Growth	■	■	■	—	●	—	Potential further U.S. dollar strength, a U.S. economic snapback, and further broad market gains support the near-term view for small caps. The age of the business cycle (past the midpoint in our view) suggests a transition in leadership from small toward large may take place in the second half of 2015. Small cap (Russell 2000) relative valuations are now in-line with the 10-year average.
	Small Value	■	■	■	—	●	—	
Region	U.S. Stocks	■	■	■	—	—	●	We favor U.S. equities over large foreign, although better recent economic data—partly due to quantitative easing (QE)—have led to our warming up to developed international markets. While challenges in the Eurozone will remain regardless of Greece’s path, we are watching for buying opportunities in Europe on Greece-related weakness.
	Large Foreign	■	■	■	—	●	—	
	Small Foreign	■	■	■	—	●	—	Our positive EM view reflects improving fundamentals and attractive valuations, although we are awaiting technical signals to potentially become even more positive. We continue to favor Asia for growth, financial strength, and prospects for more stimulus and policy reforms.
	Emerging Markets	■	■	■	—	—	●	
REITs	REITs	■	■	■	—	●	—	Cautious view is technicals driven; while we remain concerned about rising rates, we believe REITs may be a prudent choice for income investors on the favorable U.S. economic backdrop.
MLPs	MLPs	■	■	■	—	●	●	Technical weakness and oil price breakdown are concerning, but attractive yields, continued distribution growth prospects, and a likely gradual path of Fed rate hikes are supportive.

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.

EQUITY SECTORS

We continue to favor cyclical growth sectors, which tend to do well during the middle to late stages of the business cycle, with a focus on industrials and technology. Our modestly positive energy sector view reflects recent progress toward balancing supply and demand in the U.S., which we expect to support higher oil prices. The Supreme Court’s Affordable Care Act (ACA) ruling introduces short-term risk for healthcare, where we maintain a positive intermediate- to longer-term view.

Sector	F	T	V	⊖	○	⊕	S&P*	Rationale
Cyclical	Materials	■	■	■	●	○	3.1	Technical weakness and market’s related lack of confidence in China’s growth outlook drive our lowered near-term view.
	Energy	■	■	■	●	○	7.7	Meaningful progress toward balancing the oil market has been made, but technical weakness drives near-term caution.
	Industrials	■	■	■	●	○	10.1	Earnings have been hurt by lower oil and the strong dollar; but we still see potential for uptick in business spending given corporate cash hoards; and valuations have become very attractive.
	Consumer Discretionary	■	■	■	●	○	12.8	Consumer still in good shape, but higher oil prices and mixed performance record late in business cycles put us on watch for potentially lower view.
	Technology	■	■	■	●	○	19.6	Solid earnings growth, our optimistic business spending outlook, valuations, and technicals are all supportive.
	Financials	■	■	■	●	○	16.7	Improving technicals and movement in interest rates keep us neutral; tough regulatory environment and lag for higher rates to translate into profits suggest still tempering enthusiasm.
Defensive	Utilities	■	■	■	●	○	2.8	Our negative view reflects interest rate risk, rich valuations, and our preference for cyclicals.
	Healthcare	■	■	■	○	●	15.5	Fundamentals look very good on strong earnings and development trends and merger activity, particularly in biotech; Supreme Court ACA ruling is a clear positive.
	Consumer Staples	■	■	■	●	○	9.4	Still favor cyclical sectors, while technicals continue to deteriorate; but consumers are in good shape and overseas growth picture is improving.
	Telecommunications	■	■	■	●	○	2.3	Interest rate and business risks remain (saturation, capital outlays) and technicals have deteriorated, but valuations are attractive.

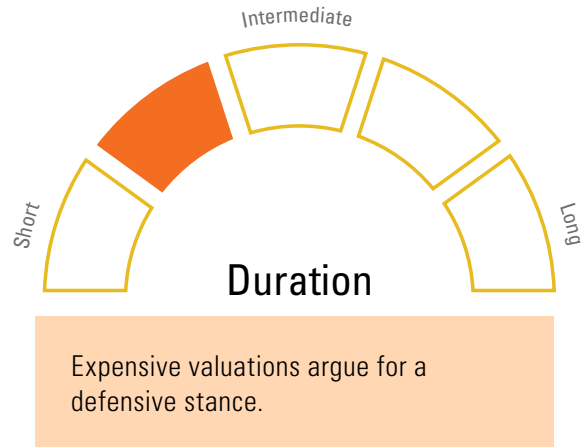
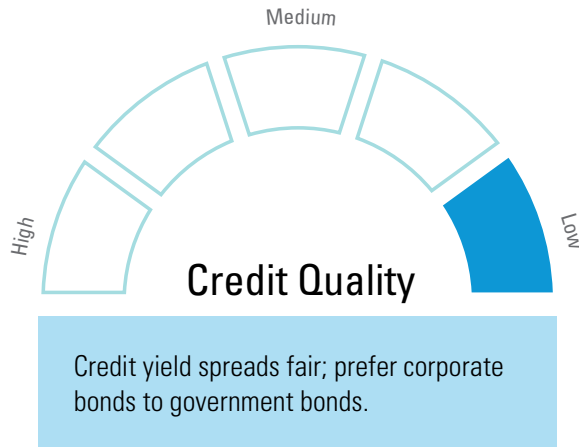
* S&P 500 Weight (%)

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.

FIXED INCOME

We prefer corporate bonds over higher-quality government bonds due to their relatively higher yields and the financial health of corporate America. Although the rise in yields moderated in June, yields remain low and valuations expensive, which argues for a defensive stance on fixed income by maintaining a lower than average portfolio interest rate sensitivity.



Yield spread is the difference between yields on differing debt instruments, calculated by deducting the yield of one instrument from another. The higher the yield spread, the greater the difference between the yields offered by each instrument. The spread can be measured between debt instruments of differing maturities, credit ratings, and risk.

Sector	F	T	V	⊖	○	⊕	Rationale
Munis–Short-Term	■	■	■	●			Higher relative valuations and lower yields limit appeal.
Munis–Intermediate-Term	■	■	■			●	Valuations have richened but remain attractive, for suitable investors, on a longer-term basis. A favorable summer seasonal period may provide support in July and August.
Munis–Long-Term	■	■	■			●	Valuations have richened more than intermediates but remain attractive, for suitable investors, on a longer-term basis. A favorable summer seasonal period may support municipals overall.
Munis–High-Yield	■	■	■			●	Default risk is low, but greater interest rate sensitivity partially offsets above-average yield.

Continued on next page.

For the purposes of this publication, intermediate-term bonds have maturities between 3 and 10 years, and short-term bonds are those with maturities of less than 3 years.

All bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and are subject to availability and change in price.

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

Municipal interest income may be subject to the alternative minimum tax. Federally tax-free but other state and local taxes may apply.

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.

FIXED INCOME (CONTINUED)

Higher yields, a mild jobs report, and Greek fears have lured in high-quality bond buyers. Despite the rise in yields, valuations remain expensive by historical comparison and augur for low future returns for high-quality bonds. We believe Greece may have a short-term impact but in the longer term is unlikely to materially slow the economic growth that will gradually pressure yields higher. For fixed income allocations, we emphasize a blend of high-quality intermediate bonds coupled with less interest rate-sensitive sectors such as high-yield bonds and bank loans for suitable investors.

		F	T	V	⊖	○	⊕	Rationale
Taxable Bonds – U.S.	Treasuries	■	■	■	●			Recent rise in yields has eased extreme valuations but the sector is still expensive.
	TIPS	■	■	■	●			Implied inflation expectations increased in recent weeks but remain low and the sector remains more attractive relative to conventional Treasuries.
	Mortgage-Backed Securities (MBS)	■	■	■	●			Average yield spread is hovering around 0.7% above comparable Treasuries, roughly in-line with one-year average.
	Investment-Grade Corporates	■	■	■		●		Greek fears have led to wider yield spreads. Sector remains a defensive option among high-quality bonds.
	Preferred Stocks	■	■	■		●		Higher valuations and low yields warrant caution, but fundamentals are firm.
	High-Yield Corporates	■	■	■			●	Valuations are at a level that has provided resistance in the past. Low defaults are a positive and the sector still holds notable yield advantage to Treasuries.
	Bank Loans	■	■	■			●	Lack of interest rate sensitivity and positive fundamentals are a plus. Still a potentially good defensive option.
Taxable Bonds – Foreign	Foreign Bonds – Hedged	■	■	■	●			Improving European growth expectations continue to pressure prices. Still high valuations and low yields still warrant caution.
	Foreign Bonds – Unhedged	■	■	■	●			Lingering U.S. dollar strength, low yields, and unattractive valuations are negatives and warrant caution.
	Emerging Markets Debt	■	■	■		●		Yield spreads approaching 4% on Greek news, but level has been a sign of value in the past. Interest rate sensitivity remains a 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.

Mortgage-backed securities are subject to credit, default, 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.

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.

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 (CPI)—while providing a real rate of return guaranteed by the U.S. government. 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.

COMMODITIES & ALTERNATIVE ASSET CLASSES

Technical weakness and U.S. dollar strength keep us cautious on commodities broadly, although we see more potential upside to oil prices as supply and demand get better aligned in the months ahead. The risk now is that higher prices may attract more production. Divergent central bank policy may lead to higher market volatility and more asset dispersion, creating a more fertile environment for macro strategies. Since narrowly led equity markets have proven difficult for equity-oriented alternative strategies, we favor higher beta options there until individual stock selection is better rewarded.

Sector		F	T	V	⊖	○	⊕	Rationale
Commodities	Industrial Metals	■	■					Recent copper weakness related to Chinese inventory stocking, which comes despite Chinese reforms and monetary stimulus efforts.
	Precious Metals	■	■					Although odds of a fall 2015 Fed rate hike may have fallen due to the Greece situation, the risk of rising interest rates, the strong U.S. dollar, and our preference for riskier assets lead to steering clear of precious metals.
	Energy	■	■					Progress has been made to balance oil markets, but technical deterioration drives our downgraded view.
	Agricultural	■	■					The agriculture complex's downtrend was briefly interrupted in June due to worries about persistent rain in the Midwest. Uncertainty still remains about the weather's ultimate effect on harvests.
Sector		T E	C T	V O	⊖	○	⊕	Rationale
Alternatives	Long/Short Equity	■	■	■				May benefit from higher volatility and rising dispersion across equity sectors and securities. Favor more directional as opposed to lower net and market neutral-oriented funds.
	Event Driven	■	■	■				As M&A spreads tighten, favoring solutions that may also capitalize on broader sphere of event driven strategies such as debt exchanges, restructurings, tender offers, share buybacks, and distressed opportunities.
	Managed Futures	■	■	■				Expectation of rising volatility across currency and commodity markets may be beneficial, along with more persistent trends across asset classes.
	Global Macro	■	■	■				Expectation of rising volatility may be beneficial, while the ability to position in advance of market inflection points will also be a useful tool.

LEGEND

CHARACTERISTICS	ICON	DEFINITION
Catalysts	C T	Potential for favorable macroeconomic and/or idiosyncratic market developments that may benefit the investment strategy.
Trading Environment	T E	Market characteristics present sufficient investment opportunities for this investment style.
Volatility	V O	The current volatility regime provides a constructive environment that an investment of this style can capitalize on.

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.

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.

IMPORTANT DISCLOSURES

All performance referenced is historical and is no guarantee of future results.

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

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.

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.

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 strategies 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.

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.

Managed futures strategies use systematic quantitative programs to find and invest in positive and negative trends in the futures markets for financials and commodities. Futures and forward trading is speculative, includes a high degree of risk that the anticipated market outcome may not occur, and may not be suitable for all investors.

DEFINITIONS

The Simple Moving Average is an arithmetic moving average that is calculated by adding the closing price of the security for a number of time periods and then dividing this total by the number of time periods. Short-term averages respond quickly to changes in the price of the underlying, while long-term averages are slow to react.

Up-capture is a statistical measure of an investment manager's overall performance in up-markets. The up-market capture ratio is used to evaluate how well an investment manager performed relative to an index during periods when that index has risen.

The PE ratio (price-to-earnings ratio) is a measure of the price paid for a share relative to the annual net income or profit earned by the firm per share. It is a financial ratio used for valuation: a higher PE ratio means that investors are paying more for each unit of net income, so the stock is more expensive compared to one with lower PE ratio.

Beta measures a portfolio's volatility relative to its benchmark. A beta greater than one suggests the portfolio has historically been more volatile than its benchmark. A beta of less than one suggests the portfolio has historically been less volatile than its benchmark.

The Beige Book is a commonly used name for the Federal Reserve's (Fed) report called the Summary of Commentary on Current Economic Conditions by Federal Reserve District. It is published just before the Federal Open Market Committee (FOMC) meeting on interest rates and is used to inform the members on changes in the economy since the last meeting.

Credit Quality is one of the principal criteria for judging the investment quality of a bond or bond mutual fund. As the term implies, credit quality informs investors of a bond or bond portfolio's credit worthiness, or risk of default.

Duration: A measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years. Rising interest rates mean falling bond prices, while declining interest rates mean rising bond prices. The bigger the duration number, the greater the interest rate risk or reward for bond prices.

INDEX DEFINITIONS

All indexes are unmanaged and cannot be invested into directly.

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 **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.

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