LPL RESEARCH

MARKET INSIGHT MONTHLY

JUNE 2016 IN REVIEW

July Update | As of June 30, 2016

ECONOMY:

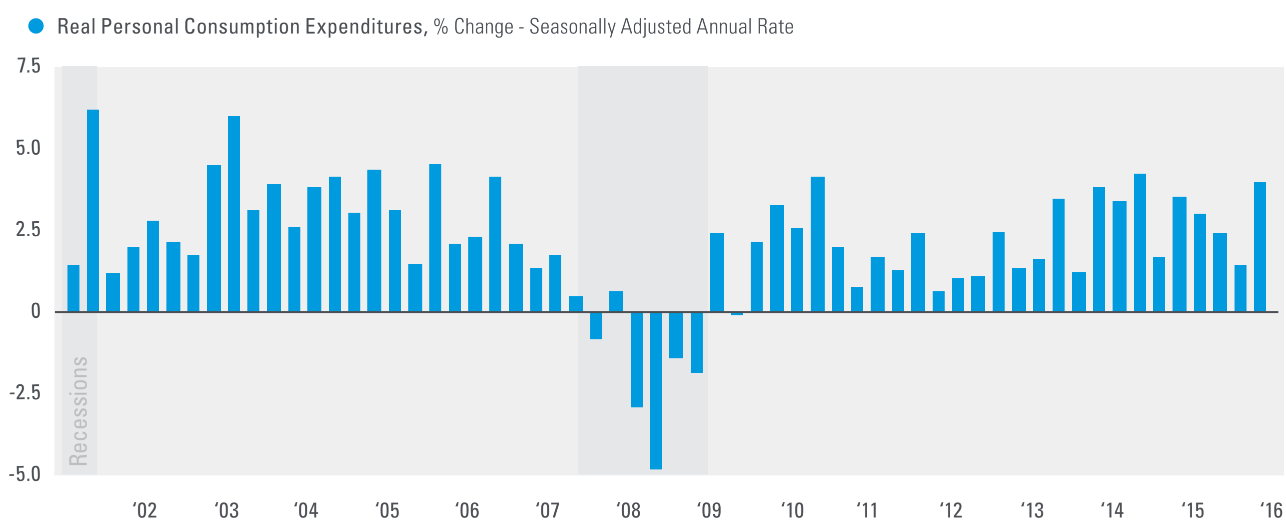
DATA SUPPORTIVE OF CONTINUED GROWTH, BUT REFLECT PRE-BREXIT ENVIRONMENT

Economic Data

Economic data received in June and early July, which largely reflect economic activity in May and June 2016, generally beat lowered expectations, as the oil glut eased, the dollar weakened, and manufacturing stabilized. Consumer spending (70% of gross domestic product [GDP]) looked to be the big winner, with spending in the second quarter on pace to be among the fastest in 10–15 years, led by solid auto sales and an ongoing acceleration of online shopping at the expense of traditional mall-based retailers. Housing remained solid, boosted by low mortgage rates, improving demographics, and short supplies of new and existing homes in high-demand areas. Business spending got a lift from the stabilization in oil prices; but while prices have moved up, oil production is still trending downward, keeping a lid on energy-related business spending.

Job creation declined noticeably in April and May after the U.S. economy consistently created 200,000+ jobs per month from early 2010 through early 2016. Some of the slowdown was likely due to "payback" after a much warmer and drier than usual winter, which artificially boosted the job count in the winter and early spring of 2016. However, most other measures of the health of the labor market remained on solid footing, with initial claims for unemployment insurance remaining near 40+ year lows. Consumer sentiment remained near the upper end of its post-recession range in June.

CONSUMER SPENDING IN Q2 ON TRACK FOR ONE OF BEST QUARTERS IN 15 YEARS

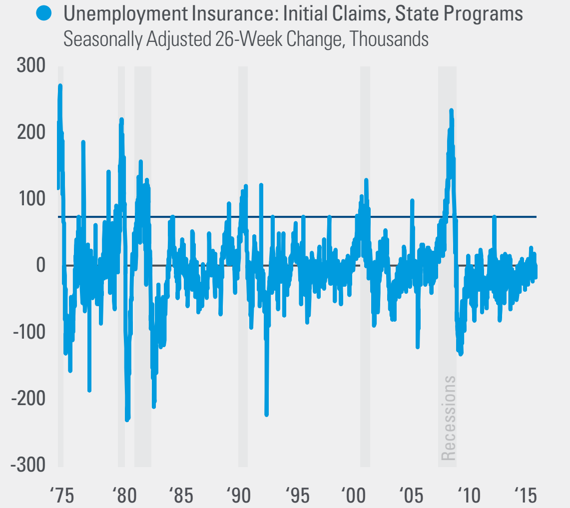


Source: LPL Research, Bureau of Economic Analysis, Haver Analytics 07/06/16

The one caveat to the better tone of U.S. economic data released in June is that they reflect economic activity and consumer behavior prior to the June 23, 2016, “Brexit” referendum in the United Kingdom (U.K) to leave the European Union (EU). Economic reports won’t fully reflect the impact of the U.K.’s unexpected decision to leave the EU until the data for July and August are released in August and September. This delay will raise the significance, for financial markets, of the weekly reports on initial jobless claims, consumer sentiment, retail sales, and others. We don’t expect the Brexit vote to have a large impact on U.S. growth in the second half of 2016, but a stronger dollar, slower exports to the EU and U.K., and tighter financial conditions in the U.S. are all possible outcomes of the Brexit vote’s impact on the U.S. economy.

Prior to the June 23 Brexit vote, real-time and leading indicators continued to point to a declining chance of a recession in the next year, but the odds of a recession in the U.S. nudged higher in the final week of June, mainly as a result of a potential spillover from the financial turmoil in Europe to the U.S. financial markets and economy. The data released that referenced the pre-Brexit time frame, including The Conference Board’s Leading Economic Index (LEI), an aggregate of leading indicators, and the level of initial claims suggest low odds of a recession based solely on the economic data. Meanwhile, the Atlanta Federal Reserve’s (Fed) real-time GDP forecasting model saw its second quarter GDP forecast rise from 1.8% at the end of April to 2.9% at the end of June, driven primarily by forecast improvements from consumer goods expenditures and homebuilding.

JOBLESS CLAIMS DOWN 17,000 OVER THE PAST 6 MONTHS, NOT SIGNALING A RECESSION



Source: LPL Research, Department of Labor, Haver Analytics 07/06/16

Central Banks

As was the case with the economic data in June, the actions of central banks in June should be viewed both pre- and post-Brexit. Even before the Brexit vote, the Fed’s June Federal Open Market Committee (FOMC) meeting, along with Fed Chair Janet Yellen’s testimony to Congress on monetary policy and the economic outlook, suggested that the Fed was prepared to be cautious in raising rates this year. Post-Brexit, central banks generally followed the crisis playbook that has become all too common since 2007, promising to provide liquidity to the system to absorb the shock to the financial system. The Fed’s next meeting is in late July; and while the Bank of England is likely to cut rates at its next meeting in mid-July, the Bank of Japan, the European Central Bank, and the Fed are likely in “wait and see” mode.

GLOBAL EQUITIES:

U.S. EQUITIES EKED OUT A FOURTH STRAIGHT POSITIVE MONTH IN JUNE

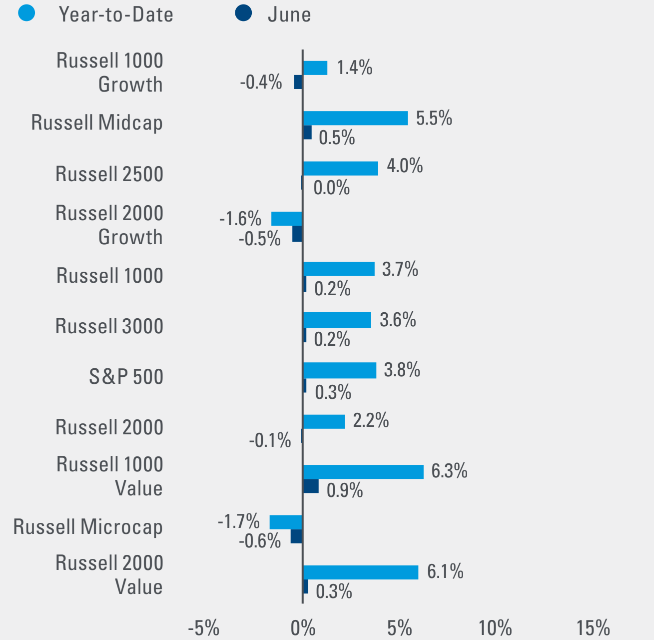
U.S.

The S&P 500's 0.3% gain in June was just enough to push the stock market's winning streak to four consecutive months, the first such streak in two years. Considering the index was down 4.6% with just three days to go, mostly due to the unexpected outcome of the Brexit vote in the U.K., getting to green territory for the month was quite remarkable. In fact, the only other month to be down more than 4% with three days to go and close positive was September 1938. The modest gain brought the S&P 500's year-to-date advance to 2.7% (or 3.8% including dividends) and left the index less than 2% away from all-time highs set in May 2015.

For much of the month, stocks were supported by higher oil prices and the pushout of Fed rate hike expectations, until late June Brexit-related volatility almost precluded a positive month. Prospects for rate hikes to be pushed out well into 2017, coupled with the weak May jobs report (reported on June 3) and falling yields overseas, drove Treasury yields down to near record lows and fueled strong gains in high-dividend-paying stocks.

Strength in the energy sector and dividend-paying stocks propelled value leadership over growth. The defensive, high-dividend-paying telecom and utilities sectors topped the S&P 500 equity sector rankings, benefiting from the sharp drop in interest rates as markets favored yield. Real estate investment trusts (REIT) saw similar strong gains. On the flip side, the market's two biggest market cap sectors, financials and technology, were June's biggest laggards. Financials were hurt by falling interest rates and the tightening of financial conditions after the U.K. voted to leave the EU. Technology was hurt by weakness in internet, technology hardware, and payment processing stocks.

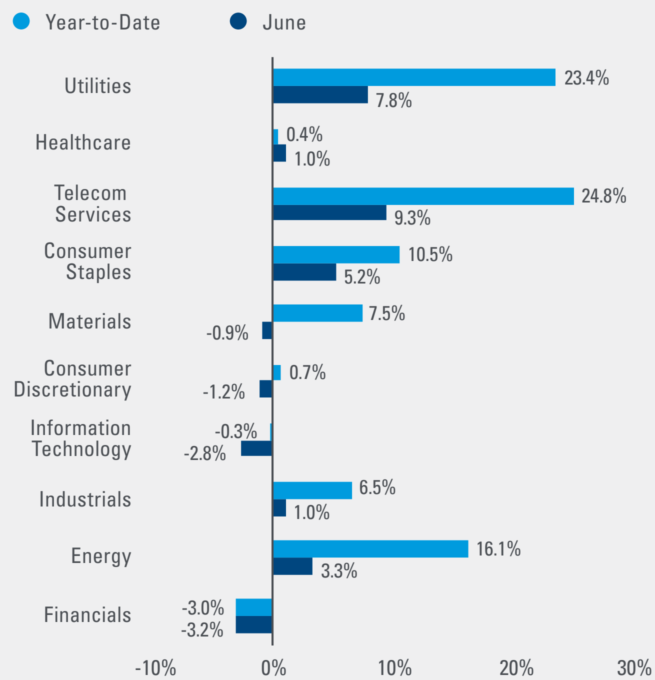
DOMESTIC INDEX PERFORMANCE



Source: LPL Research, FactSet 06/30/16

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 06/30/16

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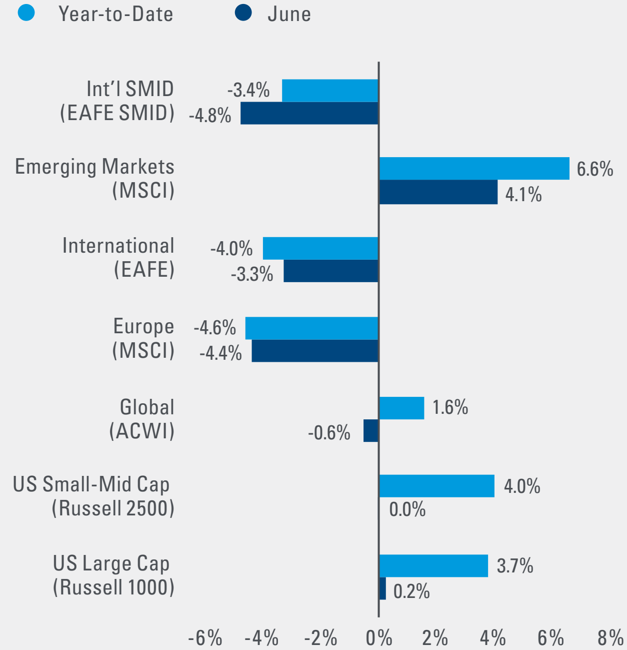
Stock investing involves risk, including loss of principal.

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

International

International stocks, as represented by the MSCI EAFE Index (foreign developed) trailed the S&P 500 in June. The MSCI EAFE Index lost 3.3% for the month as stalled economic growth, Brexit fears, and U.S. dollar strength weighed on European markets, and yen strength hampered Japan's feeble economic recovery. The MSCI Emerging Markets Index (EM) was a standout performer with a 4.1% gain in June, benefiting from the pushout of Fed rate hike expectations and rebounding commodity prices. At the country level, Brazil was the top performer as the country rebounded from the political turmoil that plagued its market earlier in the year, while China's market was weighed down by lackluster economic data and weakness in internet stocks.

GLOBAL INDEX PERFORMANCE



Source: LPL Research, FactSet 06/30/16

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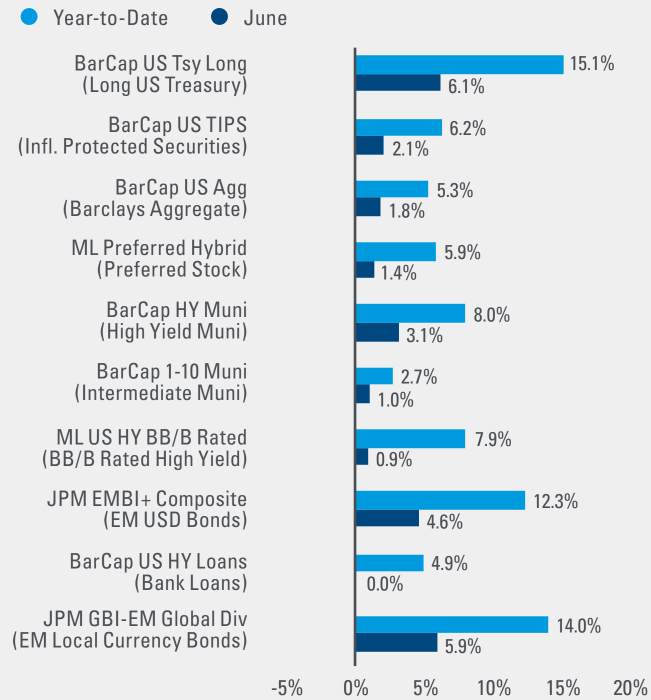
International and emerging markets investing involves special risks, such as currency fluctuation and political instability, and may not be suitable for all investors.

FIXED INCOME:
RALLIES AMID SHARP GLOBAL DECLINE IN YIELDS

Interest rates fell sharply across the yield curve during June, as the surprise Brexit vote and anticipated dovish global central bank action drove yields down globally. The yield on the 2-year Treasury fell 30 basis points (0.30%), with the 10- and 30-year yields falling 37 and 36 basis points (0.37% and 0.36%), respectively. Shorter-term yields declined domestically as Fed rate hike risks diminished, mostly as a result of the destabilizing events in the EU, global economic uncertainty, and lower inflation expectations as the 10-year breakeven inflation rate declined by 25 basis points (0.25%). The overall sharp decline in rates was a tailwind for the broad fixed income market, represented by the Barclays Aggregate, returning a strong 1.8% during the month, bringing its year-to-date return to 5.3%. The Barclays U.S. Treasury Index outperformed the Barclays Aggregate, returning 2.2% during June and 5.4% year to date.

A 26% rise in oil prices during the month was a tailwind for more economically sensitive sectors. High-yield bonds returned 0.9% on this strength and emerging markets debt 4.6%, bringing those sectors' year-to-date total returns to 7.9% and 12.3%, respectively. Bank loans were flat on the month, as the "lower for longer" theme limited their appeal. Investment-grade corporate bonds benefited from high-quality bond demand, returning 2.3% during June. Foreign bond prices also increased, with hedged foreign returning 2.6% and unhedged 4.5%.

FIXED INCOME PERFORMANCE



US TREASURY YIELDS

Security	05/31/16	06/30/16	Change in Yield
3 Month	0.34	0.26	-0.08
2 Year	0.87	0.58	-0.29
5 Year	1.37	1.01	-0.36
10 Year	1.84	1.49	-0.35
30 Year	2.64	2.30	-0.34

AAA MUNICIPAL YIELDS

Security	05/31/16	06/30/16	Change in Yield
2 Year	0.71	0.62	-0.09
5 Year	1.22	1.04	-0.18
10 Year	2.01	1.75	-0.26
20 Year	3.41	3.04	-0.37
30 Year	4.15	3.80	-0.35

Source: LPL Research, Bloomberg, FactSet 06/30/16

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

Bank loans are loans issued by below investment-grade companies for short-term funding purposes with higher yield than short-term debt and involve risk.

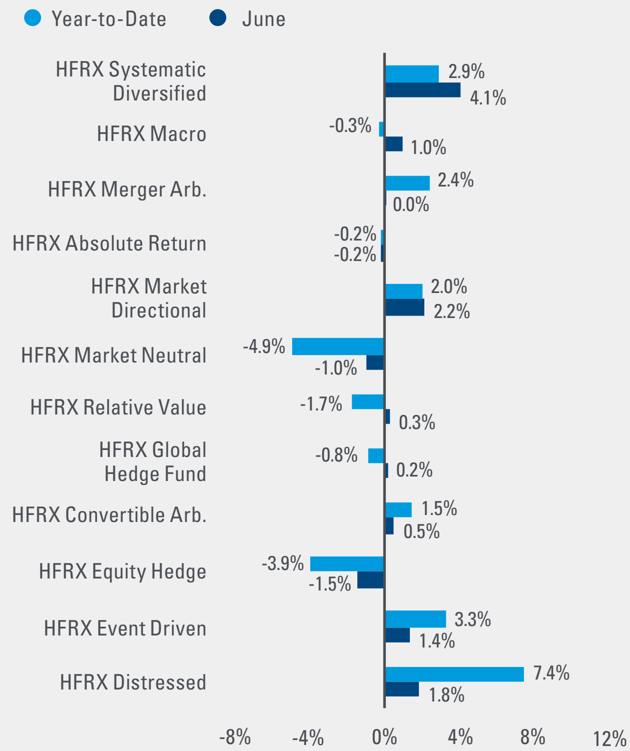
ALTERNATIVES:
MANAGED FUTURES WEATHER VOLATILITY

A volatile month across markets was a positive for managed futures strategies, as the HFRX Systematic Diversified Index gained 4.1%, bringing year-to-date returns to 2.9%. By asset class, long fixed income exposure, specifically to U.S. Treasury and sovereign European debt contracts, proved beneficial. Additionally, long exposure to the Japanese yen contributed to the positive returns, as the currency continues to be seen as a safe-haven during bouts of market volatility. Discretionary macro managers also provided a month of gains, as the HFRX Macro Index returned 1.0%. Gains in the currency space supported returns, as short British pound and long yen exposure were top contributors during the month.

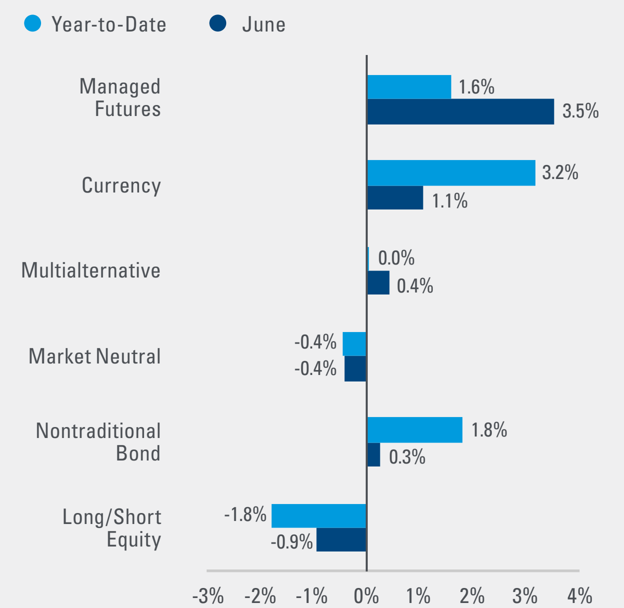
Distressed debt managers continued their impressive streak of positive gains, as the HFRX Distressed Securities Index returned 1.8% and has now gained 13.9% since the beginning of March, the best four-month stretch of performance in the index's history. Gains continue to be seen in the energy and materials sectors, as oil's swift bounce from the February lows has resulted in a rally in debt prices.

Managers in the equity space continue to see lackluster performance, as the HFRX Equity Hedge Index returned -1.5%, as compared to the 0.3% gain in the S&P 500. During the month, many strategies continued to reduce both long and short exposure due to the market volatility; however, there remains a slight growth and cyclical overweight across the industry. This portfolio tilt continues to act as a headwind, as the more defensive sectors (consumer staples, telecom, and utilities) are among the best year-to-date performers in the S&P 500.

HFRX INDEX PERFORMANCE



MORNINGSTAR INDEX PERFORMANCE



Source: LPL Research, FactSet 06/30/16

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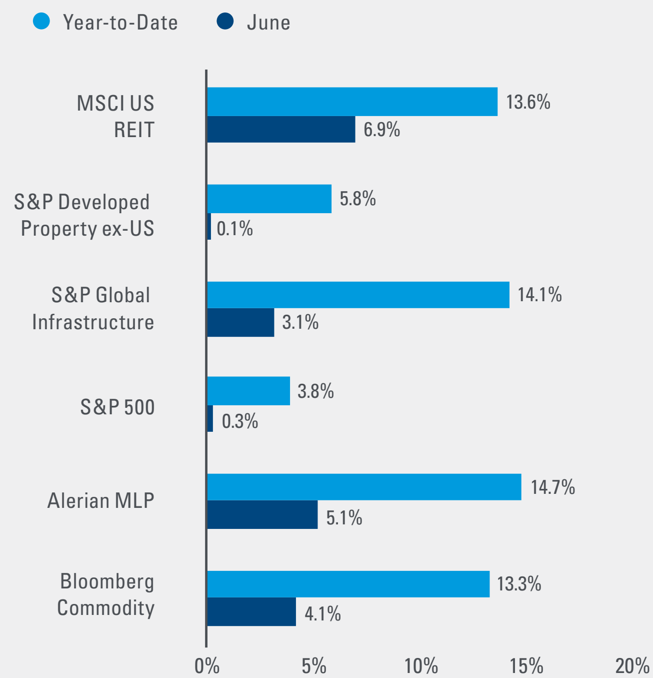
Alternative strategies may not be suitable for all investors and should be considered as an investment for the risk capital portion of the investor's portfolio. The strategies employed in the management of alternative investments may accelerate the velocity of potential losses.

MIXED RESULTS FOR REAL ASSETS IN JUNE

In what was a rough month for agricultural commodities, most other real assets saw positive returns in June. The U.S. dollar (trade weighted index) was up marginally (0.57%) while the 10-year Treasury yield plummeted from 1.85% on June 1 to 1.49% on June 30. The Bloomberg Commodity Index was up 4.1% with 10 constituents in negative territory and 12 in positive. The S&P 500 Index returned 0.3%.

LIQUID REAL ASSET PERFORMANCE



Source: LPL Research, FactSet 06/30/16

MLPs & Global Listed Infrastructure

Master limited partnerships (MLP) shrugged off a negative monthly return for crude oil and returned 5.1% in June (as measured by the Alerian MLP Index). It seems that the asset class is finally decoupling from oil prices as market participants become more comfortable with the supply and demand balance of crude. The termination of a large and contentious acquisition that has weighed on the market may also provide more certainty going forward.

Global listed infrastructure, as measured by the S&P Global Infrastructure Index, continued its strong year-to-date performance and returned 3.1% in June. The asset class is firmly outperforming the broader global equity markets with a return of greater than 14.1% year to date.

REITs

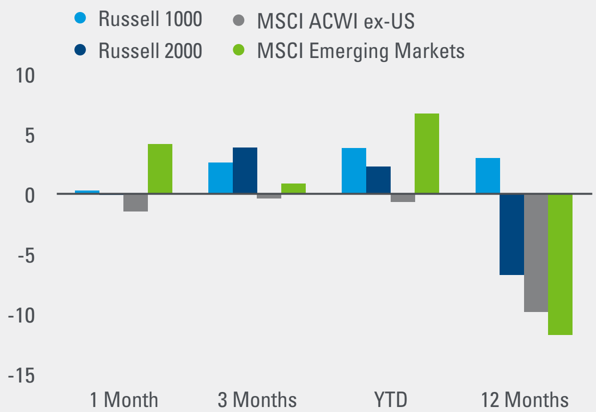
The rally in REITs continued in June as Treasury yields fell. The MSCI US REIT Index returned 6.9% for the month. The recent volatility, which may lead to lower for even longer interest rates, could benefit the asset class going forward.

Commodities

Extreme returns were exhibited by many constituents of the Bloomberg Commodity Index in June as 8 of the 22 index components saw absolute returns of greater than 10%. In general, grains sold off, softs (e.g., coffee, sugar, cotton) posted strong returns, and energy was mixed. WTI crude oil saw a -1.4% return while natural gas posted a return of 22.8%. Grains saw net long positioning by money managers decrease, following what has been a strong increase in long positioning year to date. Precious metals benefited from an uptick in volatility and a decrease in interest rates, as gold returned 8.72% and silver returned 16.93%. As of June 21, managed money amassed the longest net position in gold and silver on record. Industrial metals were unaffected by weak data from China as copper, zinc, and nickel exhibited strong performance.

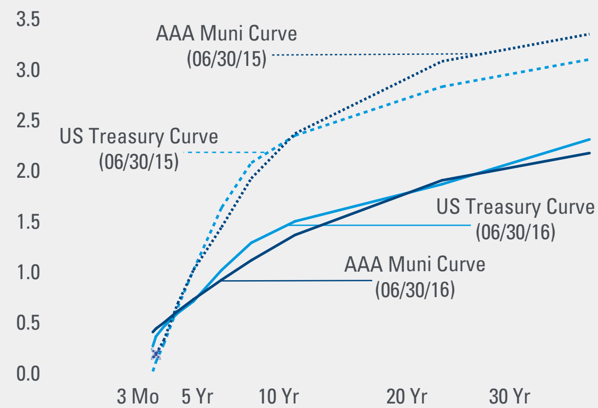
MONTHLY PERFORMANCE REPORT

EQUITY PERFORMANCE



Source: LPL Research, Bloomberg, FactSet 06/30/16

DOMESTIC YIELD CURVE



Source: LPL Research, Bloomberg, FactSet 06/30/16

		1 Mo	3 Mos	YTD	12 Mos
Large Cap	S&P 500	0.26	2.46	3.84	3.99
	DJIA	0.95	2.07	4.31	4.50
	Russell 1000	0.23	2.54	3.74	2.93
	Russell 1000 Value	0.86	4.58	6.30	2.86
	Russell 1000 Growth	-0.39	0.61	1.36	3.02
Small/Mid Cap	Russell 2000	-0.06	3.79	2.22	-6.73
	Russell 2000 Value	0.30	4.31	6.08	-2.58
	Russell 2000 Growth	-0.46	3.24	-1.59	-10.75
	Russell Microcap	-0.59	3.97	-1.68	-12.06
	Russell Midcap	0.46	3.18	5.50	0.56
	Russell Midcap Value	0.91	4.77	8.87	3.25
	Russell Midcap Growth	-0.02	1.56	2.15	-2.14
All Cap	Russell 3000	0.21	2.63	3.62	2.14
	Russell 3000 Value	0.83	4.57	6.29	2.42
	Russell 3000 Growth	-0.40	0.80	1.14	1.88
International Markets	MSCI EAFE	-3.32	-1.19	-4.04	-9.72
	MSCI ACWI ex US	-1.47	-0.40	-0.67	-9.80
	MSCI Europe	-4.40	-2.29	-4.61	-10.67
	MSCI Japan	-2.44	1.03	-5.41	-8.64
	MSCI AC Asia Pacific ex Japan	2.21	0.56	2.50	-10.00
	MSCI EAFE SMID	-4.77	-2.76	-3.35	-5.00

		1 Mo	3 Mos	YTD	12 Mos
Int'l - Continued	MSCI ACWI ex US SMID	-2.67	-1.15	-0.06	-5.78
	MSCI Emerging Mkts	4.10	0.80	6.60	-11.71
	MSCI EMEA	3.42	-1.12	11.71	-13.78
	MSCI Latin America	11.46	5.42	25.68	-7.28
	MSCI Frontier Markets	-3.44	0.63	-0.13	-11.69
Sectors - S&P500 GICS	Consumer Discretionary	-1.18	-0.91	0.68	3.78
	Consumer Staples	5.18	4.63	10.46	18.66
	Energy	3.28	11.62	16.10	-3.92
	Financials	-3.21	2.12	-3.05	-4.17
	Healthcare	1.02	6.27	0.42	-2.02
	Industrials	0.99	1.40	6.46	7.04
	Information Technology	-2.76	-2.84	-0.32	4.79
	Materials	-0.89	3.71	7.46	-2.04
	Telecom Services	9.34	7.06	24.85	25.14
	Utilities	7.81	6.79	23.41	31.47

Source: LPL Research, Bloomberg, FactSet 06/30/16

(Data continued on following page.)

		1 Mo	3 Mos	YTD	12 Mos
Fixed Income	BarCap US Agg	1.80	2.21	5.31	6.00
	BarCap 1-10 Muni	0.84	1.22	2.34	4.21
	BarCap HY Muni	3.11	5.10	7.98	12.09
	BarCap Inv. Grade Credit	2.25	3.57	7.68	7.94
	BarCap Muni Long Bond -22+	2.53	4.51	6.84	11.71
	BarCap US Agg Securitized MBS	0.81	1.11	3.10	4.34
	BarCap US TIPs	2.08	1.71	6.24	4.35
	BarCap US Treasury Interm	1.47	1.28	3.66	4.04
	BarCap US Treasury Long	6.14	6.44	15.12	19.30
	BarCap US High Yield Loans	-0.04	3.06	4.91	1.05
	ML Preferred Stock Hybrid	1.40	3.64	5.85	12.05
	ML US High Yield BB/B Rated	0.88	4.61	7.90	2.13
	ML US Convert ex Mandatory	0.32	4.03	1.36	-4.96
	JPM GBI Global ex US Hedged	2.57	3.31	7.72	10.66
	JPM GBI Global ex US Unhedged	4.45	4.48	13.97	14.84
	JPM GBI-EM Global Div	5.89	2.71	14.02	1.99
	JPM ELMI+	2.53	0.34	5.81	-1.04
	JPM EMBI+ Composite	4.56	6.00	12.29	13.22

		1 Mo	3 Mos	YTD	12 Mos
Alternatives	HFRX Absolute Return	-0.17	0.35	-0.23	0.60
	HFRX Market Directional	2.16	9.15	2.01	-9.10
	HFRX Convertible Arb.	0.47	2.58	1.47	-1.11
	HFRX Distressed	1.82	9.02	7.39	-5.39
	HFRX Equity Hedge	-1.47	-1.01	-3.92	-8.33
	HFRX Market Neutral	-1.00	-2.41	-4.94	-0.59
	HFRX Event Driven	1.37	4.53	3.25	-5.27
	HFRX Merger Arb.	0.04	0.78	2.42	7.21
	HFRX Relative Value Arb.	0.27	1.04	-1.75	-6.51
	HFRX Global Hedge Fund	0.20	1.07	-0.83	-5.64
	HFRX Macro Index	1.00	-0.41	-0.33	-0.95
	HFRX Systematic Diversified	4.06	-0.42	2.94	5.14
	Bloomberg Commodity	4.13	12.78	13.25	-13.32
	DJ Wilshire REIT	6.47	5.42	10.82	22.85
	Alerian MLP	5.13	19.70	14.71	-13.11

		Latest Mo End (06/30/16)	3 Mos Ago (03/31/16)	Latest Yr End (12/31/15)	12 Mos Ago (06/30/15)
Currency	US Dollar Index Value	95.96	94.63	98.69	95.53
	USD vs. Yen	103.21	112.53	120.66	122.40
	Euro vs. USD	1.11	1.14	1.09	1.11
Cmdtys	Gold ($ per Troy Ounce)	1321.70	1232.20	1061.00	1172.60
	Crude Oil ($ per Barrel)	48.33	38.34	37.04	59.47

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 onrisks, 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) 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. However, a few things you need to be aware of is that the CPI might not accurately match the general inflation rate; so the principal balance on TIPS may not keep pace with the actual rate of inflation. The real interest yields on TIPS may rise, especially if there is a sharp spike in interest rates. If so, the rate of return on TIPS could lag behind other types of inflation-protected securities, like floating rate notes and T-bills. TIPS do not pay the inflation-adjusted balance until maturity, and the accrued principal on TIPS could decline, if there is deflation.

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.

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.

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.

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 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.

Purchasing Managers' Indexes (PMI) 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 US.

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.

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

The 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 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 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 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 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 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 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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