GLOBAL PORTFOLIO STRATEGY

LPL Research

JANUARY 2024

STOCKS AND BONDS BOTH END 2023 ON A HIGH NOTE

LPL RESEARCH'S MONTHLY MARKET OUTLOOK

Key changes from December report:

- Lowered 10-year Treasury yield year-end target to 3.75%-4.25% from 4.25%-4.75%
- Initiated 2024 S&P 500 year-end target range of 4,850-4,950.

Stocks capped off a strong 2023 with solid gains in December amid increasing investor confidence in a soft landing, supported by falling inflation and a clear pivot by the Federal Reserve (Fed). The S&P 500 Index gained 4.4% for the month after a nearly 9% gain in November, to bring the index's 2023 return to 26.3% including dividends. The U.S. 10-year Treasury yield plummeted 45 basis points (0.45%) to end the year about where it started near 3.9%, helping to support risk asset prices in December.

Moreover, the expectation of rate cuts in 2024 supported fixed income assets with returns for the Bloomberg Aggregate Bond Index generating the best two-months of returns since 1982. The impressive November and December returns helped the index generate positive calendar year returns (+5.53%) for the first time since 2020. All the core sectors generated positive returns for the year.

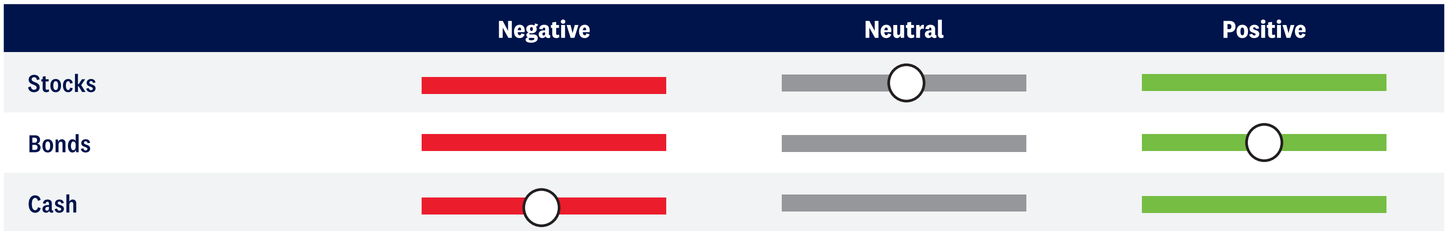
As 2024 begins, LPL Research's Strategic and Tactical Asset Allocation Committee (STAAC) continues to see the risk-reward trade-off between equities and fixed income as roughly balanced, with the stronger equity market gains being supported by lower Treasury yields and prospects for a less restrictive Fed.

INVESTMENT TAKEAWAYS:

- The STAAC maintains its recommended neutral equities allocation based on the Committee's assessment that the risk-reward trade-off between equities and fixed income is roughly balanced. Lower yields are supportive of elevated equity valuations.
- The Committee favors large cap stocks over their smaller brethren ahead of a likely economic slowdown over the next several months.
- If the downward trajectory in inflation remains intact and interest rates stabilize or fall further, growth style stocks may outperform.
- The STAAC favors U.S. equities over developed international due to a relatively stronger domestic economic growth outlook and superior earnings power, though the Committee still finds Japanese equities attractive.
- The bond market likely front-ran Fed rate cuts for 2024 with markets expecting at least six 0.25% cuts during the year. As such, the recent fall in yields is probably overdone. Additionally, Treasury supply is expected to increase in the coming quarters, which will likely keep upward pressure on yields. As such, our year-end 2024 target for the 10-year Treasury yield is 3.75% to 4.25%.
- The selloff in the banking sector provided an attractive opportunity in preferred securities; however, the risk-reward for core bond sectors (U.S. Treasury, Agency mortgage-backed securities (MBS), investment-grade corporates) is more attractive than plus sectors, in our view.

BROAD ASSET CLASS VIEWS

LPL Research's Views on Stocks, Bonds, and Cash



OUR ASSET CLASS & SECTOR CHOICES

Equity Asset Classes	Equity Sectors	Fixed Income	Alternative Asset Classes
▪ U.S. Equities	▪ Communication Services ▪ Energy	▪ Mortgage-Backed Securities ▪ Short Maturity High Quality Corporates ▪ Preferred Securities	▪ Alt asset class choices — Global Macro, Short Term Managed Futures, and Multi-Strategy

2024 MARKET FORECASTS

Our New S&P 500 Year-End 2024 Target Implies Mid-to-High Single Digit Returns in 2024

	Previous	Current
10-Year U.S. Treasury Yield	4.25% to 4.75%	3.75% to 4.25%*
S&P 500 Index Earnings per Share	$230	$235
S&P 500 Index Fair Value	4,850 – 4,950	4,850 – 4,950**

Source: LPL Research, FactSet, Bloomberg

All indexes are unmanaged and cannot be invested into directly. The economic forecasts may not develop as predicted.

*Our year-end 2024 forecast for the U.S. 10-year Treasury yield has been updated and is now 3.75% to 4.25%. The Fed's higher for longer narrative and the poor supply/demand technicals for Treasury securities will likely keep interest rates at these elevated levels until the economic data weakens and/or inflation falls back in line with the Fed's longer term 2% target

**Our year-end 2024 fair-value target range for the S&P 500 of 4,850–4,950 is based on a price-to-earnings ratio (PE) of roughly 19.5 and our S&P 500 earnings per share (EPS) forecast of $250 in 2025.

Any forward-looking statements including economic forecasts may not develop as predicted and are subject to change.

2024 ECONOMIC FORECASTS

U.S. Economy Expected to Slow in 2024

GDP Growth (Y/Y%)	2024
United States	1.0%
Eurozone	0.6%
Advanced Economies	1.1%
Emerging Markets	3.9%
Global	2.6%

Source: LPL Research, Bloomberg

The economic forecasts may not develop as predicted.

All data, views, and forecasts herein are as of 01/03/24.

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LPL RESEARCH STRATEGIC AND TACTICAL ASSET ALLOCATION COMMITTEE

LPL Research Tactical Asset Allocation as of 12/31/2023

INVESTMENT OBJECTIVE

	Aggressive Growth			Growth			Growth with Income			Income with Moderate Growth			Income with Capital Preservation		
	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference
STOCKS	95.0%	95.0%	0.0%	80.0%	80.0%	0.0%	60.0%	60.0%	0.0%	40.0%	40.0%	0.0%	20.0%	20.0%	0.0%
U.S. EQUITY	80.0%	76.0%	4.0%	67.0%	64.0%	3.0%	50.0%	48.0%	2.0%	33.5%	32.0%	1.5%	16.0%	16.0%	0.0%
Large Value	16.0%	16.0%	0.0%	13.5%	13.5%	0.0%	10.0%	10.0%	0.0%	6.5%	6.5%	0.0%	3.5%	3.5%	0.0%
Large Blend	18.0%	16.0%	2.0%	15.0%	13.5%	1.5%	11.0%	10.0%	1.0%	7.5%	7.0%	0.5%	3.5%	3.0%	0.5%
Large Growth	20.5%	16.0%	4.5%	17.0%	13.5%	3.5%	13.0%	10.0%	3.0%	8.5%	6.5%	2.0%	4.0%	3.5%	0.5%
Small/Mid Value	8.0%	9.5%	-1.5%	7.0%	8.0%	-1.0%	5.0%	6.0%	-1.0%	3.5%	4.0%	-0.5%	1.5%	2.0%	-0.5%
Small/Mid Blend	8.5%	9.0%	-0.5%	7.0%	7.5%	-0.5%	5.5%	6.0%	-0.5%	3.5%	4.0%	-0.5%	1.5%	2.0%	-0.5%
Small/Mid Growth	9.0%	9.5%	-0.5%	7.5%	8.0%	-0.5%	5.5%	6.0%	-0.5%	4.0%	4.0%	0.0%	2.0%	2.0%	0.0%
INTERNATIONAL EQUITY	15.0%	19.0%	-4.0%	13.0%	16.0%	-3.0%	10.0%	12.0%	-2.0%	6.5%	8.0%	-1.5%	4.0%	4.0%	0.0%
Developed (EAFE)	12.0%	12.0%	0.0%	10.0%	10.0%	0.0%	8.0%	8.0%	0.0%	5.0%	5.0%	0.0%	4.0%	4.0%	0.0%
Emerging Markets	3.0%	7.0%	-4.0%	3.0%	6.0%	-3.0%	2.0%	4.0%	-2.0%	1.5%	3.0%	-1.5%	0.0%	0.0%	0.0%
BONDS	3.0%	0.0%	3.0%	18.0%	15.0%	3.0%	38.0%	35.0%	3.0%	58.0%	53.0%	5.0%	78.0%	70.0%	8.0%
U.S. CORE	3.0%	0.0%	3.0%	17.0%	15.0%	2.0%	36.0%	35.0%	1.0%	55.0%	53.0%	2.0%	74.0%	70.0%	4.0%
Treasuries	1.5%	0.0%	1.5%	8.0%	7.0%	1.0%	17.5%	16.0%	1.5%	26.5%	24.0%	2.5%	35.5%	32.0%	3.5%
MBS	1.0%	0.0%	1.0%	5.5%	4.5%	1.0%	11.5%	10.0%	1.5%	18.0%	15.5%	2.5%	24.0%	20.5%	3.5%
IG Corporates	0.5%	0.0%	0.5%	3.5%	3.5%	0.0%	7.0%	9.0%	-2.0%	10.5%	13.5%	-3.0%	14.5%	17.5%	-3.0%
NON-CORE	0.0%	0.0%	0.0%	1.0%	0.0%	1.0%	2.0%	0.0%	2.0%	3.0%	0.0%	3.0%	4.0%	0.0%	4.0%
TIPS	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
International	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Preferred	0.0%	0.0%	0.0%	1.0%	0.0%	1.0%	2.0%	0.0%	2.0%	3.0%	0.0%	3.0%	4.0%	0.0%	4.0%
High-Yield Corporates	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Bank Loans	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Emerging Markets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CASH	2.0%	5.0%	-3.0%	2.0%	5.0%	-3.0%	2.0%	5.0%	-3.0%	2.0%	7.0%	-5.0%	2.0%	10.0%	-8.0%

For investors who have their own benchmarks, we would recommend emphasizing underweights or overweights relative to the individual benchmark at the most similar overall risk level.

Equity benchmark style weights are equally distributed across growth, core, and value. Cap weights are based on the underlying holdings of the domestic benchmark indexes.

Bond benchmark sector allocations are based on a look-through analysis of the major sector components of the Bloomberg US Aggregate Bond Index.

Treasuries include other government related debt. MBS includes other securitized debt.

Abbreviations: TAA - tactical asset allocation; MBS - mortgage-backed securities; IG corporates - investment-grade corporates; TIPS - Treasury inflation-protected securities.

EQUITY ASSET CLASSES

Favor U.S. over International, Large Caps over Small, Growth over Value in 2024

The STAAC maintains its recommended neutral equities allocation based on the Committee's assessment that the risk-reward trade-off between equities and fixed income is roughly balanced. Lower interest rates are supportive of equity valuations despite strong gains in 2023. If the downward trajectory in inflation remains intact and interest rates stabilize or fall, growth style stocks may outperform. STAAC favors U.S. equities over developed international due to the relatively stronger domestic economic growth outlook and superior earnings power, though the Committee still finds Japanese equities attractive. Key risks to equities include renewed upward pressure on inflation and interest rates, a broader conflict in the Middle East or Europe, and escalation in U.S-China tensions.

	Sector	Overall View	Relative Trend	Rationale
Market Capitalization	Large Caps			Large caps generally perform better during economic slowdowns with their generally stronger balance sheets, but prospects for a soft landing have improved, giving small caps a recent jolt. Mega-cap technology stocks still can benefit from lower interest rates. Large caps look better on a technical analysis basis but valuations are elevated.
	Mid Caps			A resilient economy and attractive valuations are supportive, but our technical analysis work continues to point toward large caps as a better place to be. Meanwhile, credit conditions may tighten further as the economy slows, while merger and acquisition activity is tepid, limiting opportunities for capital appreciation down the market cap spectrum.
	Small Caps			Small caps surged in late 2023 amid increasing soft landing optimism and plummeting interest rates following the Fed pivot. Attractive small cap valuations, particularly for high-quality small cap companies, may continue to provide support. The technical picture has improved, but the economic environment may get tougher in early 2024, a headwind for economically sensitive small caps.
Style	Growth			Our STAAC Committee favors the growth style amid better technicals and expected stabilization in interest rates as inflation likely continues its downtrend. The growth style, particularly technology-oriented companies, should benefit from an improved macroeconomic environment and superior earnings power, though valuations are elevated.
	Value			Value stocks are relatively attractive vs. their historical averages and would benefit from a soft landing, particularly energy. However, the Committee maintains a slight preference for growth due to better technical analysis trends, falling inflation, and superior earnings growth.
Region	United States			The U.S. economy is expected to outgrow Europe in 2024, though that slowdown in Europe may facilitate rate cuts by the European Central Bank (ECB) before the Fed. The U.S. will likely generate faster earnings growth than Europe this year. Elevated valuations present a headwind, but our technical analysis work points to the U.S. over international.
	Developed International			The Committee downgraded its view of developed international stocks in November as economic conditions deteriorated in Europe. European companies have experienced waning earnings momentum, and our technical analysis work points to the U.S., though the STAAC still likes Japan amid increasingly more shareholder-friendly management teams and low valuations.
	Emerging Markets			The Committee remains cautious toward emerging market equities due largely to disappointing earnings and elevated geopolitical risk in Asia, though valuations remain attractive. The Committee favors Latin America to take advantage of near-shoring trends and potential commodity price rebounds, while India is an interesting opportunity. Stimulus is key to China's near-term direction.

Relative trend is an assessment of the intermediate term price trend and performance between various asset classes and sectors. For regions and styles the relative trends are compared to each other.

EQUITY SECTORS

Favor Communication Services and Energy as 2024 Begins

The STAAC recommends a slight cyclical tilt over defensive sectors broadly as 2024 gets underway. Among economically sensitive, or cyclical, sectors, the Committee recommends two overweights (communication services and energy) and no underweights. Last month's communication services upgrade reflected a solid Q3 earnings season, reasonable valuations overall, and a favorable technical analysis picture. The STAAC favors the energy sector due to potential upside to oil and natural gas prices on an improved supply/demand balance and war overseas, as well as attractive valuations and improved returns on capital. Real estate, which topped all sectors in December, faces heightened risk in the commercial real estate market and the catalyst of falling rates may have fully played out.

	Sector	Overall View	Relative Trend	S&P Wgt	Rationale
Cyclical	Materials			2.4	In-line performer in December. Respectable 10% gain in 2023. Commodities overall were down in December and in 2023 amid sluggish growth in China and Europe. Resilient U.S. economy and infrastructure spending helped. Reasonable valuations. Mixed technicals.
	Energy			3.9	Lagged for the third straight month on lower oil prices despite wars in Israel and Ukraine. Fragmented OPEC+ has reduced confidence in coordinated global supply cuts, but valuations are attractive and returns on capital have improved. Technicals are deteriorating.
	Industrials			8.8	Second best December performer. Capital investment has slowed but infrastructure and defense offer upside. Keys to outlook are near-shoring and corporate executives' confidence in the economy. Valuations are reasonable and technical analysis trends have recently improved.
	Communication Services			8.6	Reasonable valuations, strong earnings growth, and favorable technicals drove last month's upgrade. Streaming business seems to have stabilized. Regulatory risks remain but more headlines than revenue risk at this point.
	Consumer Discretionary			10.9	Two straight months of outperformance as consumers continue to spend, buoyed by a healthy job market. Earnings growth has been solid, but credit card delinquencies are up, student loan payments restarted last fall, and valuations are high. Technicals remain favorable.
	Technology			28.9	Modest underperformance in December may be a sign that the sector has come too far too fast, though third quarter earnings results were solid and lower interest rates increase the value of future earnings. Artificial intelligence enthusiasm helps, but valuations are elevated.
	Financials			13.0	Rising credit card delinquencies, an inverted yield curve, higher bank capital requirements, and soft capital markets are among the headwinds. Lower rates helping regional banks put the March 2023 crisis in the rear-view mirror. Reasonable valuations. Improved technicals.
Defensive	Utilities			2.3	Underperformed in both November and December despite lower interest rates due to defensive characteristics, competitiveness of fixed income, and weakness in energy markets. We would consider a more positive view if the economy weakens materially.
	Healthcare			12.6	Slight underperformance in December on weakness in drug makers and managed care. Slowing COVID-19-related sales, patent expirations, and drug pricing risk remain challenges. Relatively low policy risk ahead of election. Attractive valuations. Weak technicals.
	Consumer Staples			6.2	Defensive sectors were out of favor in December as stocks rallied, causing consumer staples to lag. Lower inflation helps ease margin pressure, but pricing power is waning. Fair valuations. Weak technicals. LPL Research favors cyclicals.
	Real Estate			2.5	Top sector in December 2023 as rates plummeted. Still, commercial real estate risk remains an issue, rates may not fall further, and opportunities in fixed income remain competitive. Yields are still attractive, valuations are fair, and technicals have improved. Positive bias.

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. Relative trend is an assessment of the intermediate term price trend and performance between various asset classes and sectors. For sectors each sector's relative trend is versus the S&P 500.

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FIXED INCOME

The Best Two Months Since 1982 Helped Fixed Income Investors Avoid a Three-Year Losing Streak

Treasury yields were lower in December as the narrative shifted to eventual rate cuts instead of further rate hikes by the Fed. Yields on high quality fixed income sectors moved lower as well, helping core bonds generate positive returns in December, which coupled with November's returns, allowed the index to avoid its first ever three-year losing streak. Importantly, despite the rally in fixed income to end the year, starting yields for many fixed income markets are still at levels last seen over a decade ago, so the return prospects for fixed income remain favorable, in our view. That said, aside from preferred securities, valuations for riskier fixed income sectors remain rich relative to core sectors.

We favor municipal bonds as a high-quality option for taxable accounts with tax-equivalent yields as attractive as they've been in over a decade. Additionally, for appropriate investors, we believe high-yield municipal bonds offer an attractive tax-equivalent yield; however, we would expect additional volatility as economic growth concerns increase. Fundamentals in both markets may have peaked but remain solid.

		Low	Medium	High	Rationale
Positioning	Credit Quality			●	We recommend an up-in-quality approach in allocating to fixed income sectors. While all-in yields for lower quality remain above longer-term averages, we think the risk/reward favors owning core bond sectors over the riskier sectors.
		Short	Int.	Long	
	Duration		●		The compensation for adding duration to portfolios isn't sufficient given the still elevated (but falling) inflationary pressures. We remain neutral relative to our benchmark.
		Neg.	**Neutral**	**Pos.**	**Rationale**
Core Sectors	U.S. Treasuries		●		Treasury yields moved lower in December but are still high relative to the last decade. Last year's back-up in yields has likely increased the diversification benefits of owning U.S. Treasuries. All-in yields for Treasury Inflation- Protected Securities (TIPS) are attractive and could provide a good hedge against unexpected inflation surprises.
	MBS			●	We remain constructive on Agency MBS. With yields and spreads at multi-year highs, we think MBS remain an attractive investment opportunity particularly relative to lower-rated corporates. Favorable supply/demand dynamics in 2024 may help support the market.
	Investment-Grade Corporates	●			We recommend a slight underweight to benchmarks, but we think there is currently an opportunity to invest in shorter maturity corporate securities without taking on elevated levels of interest rate or credit risk. Fundamentals remain solid.
Plus Sectors	Preferred Securities			●	The selloff in the banking sector provided an opportunity to invest in these senior securities. Higher credit quality among the riskier fixed income options. Bank fundamentals generally sound overall. Yields and spreads are the most attractive since the Global Financial Crisis.
	High-Yield Corporates		●		Yields for high yield bonds are above historical averages, but tighter lending standards have correlated with higher downgrades and defaults. The uncertain economic environment could increase near term volatility. The asset class may be better suited for long-term investors.
	Bank Loans		●		Given the variable rate debt, higher interest rates may make repayment more challenging for some issuers. Fewer investor protections and illiquidity of individual loans remain concerns. Downgrades and defaults have increased and could increase still if the economy slows/contracts.
	Foreign Bonds		●		Valuations have improved, but potential currency volatility remains a challenge.
	EM Debt		●		Central banks have largely ended rate hikes as inflationary pressures are starting to abate. A strong dollar could provide a headwind to prices. Valuations are relatively attractive but idiosyncratic risks remain. Liquidity can be an added risk during periods of stress.

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. 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. For the purposes of this publication, intermediate-term bonds have maturities between three and 10 years, and short-term bonds are those with maturities of less than three 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. 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. Investing in foreign and emerging market debt (EMD) 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. 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 bonds are subject to availability, price, and market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise. Interest income may be subject to the alternative minimum tax. Federally tax-free but other state and local taxes may apply. Mortgage-backed securities (MBS) 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.

Municipal bonds are subject to availability and change in price. They are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise. Interest income may be subject to the alternative minimum tax. Municipal bonds are federally tax-free but other state and local taxes may apply. If sold prior to maturity, capital gains tax could 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 – while providing a real rate of return guaranteed by the U.S. Government.

COMMODITIES

The Losing Streak Continues

The broad commodity sector declined for a fifth straight month as continued weakness in the energy complex offset tailwinds from a drop in interest rates and the dollar. The Bloomberg Commodity Index (BCOM) closed out the month with a loss of 2.2% and just above support from the May lows near 97. Despite a modest mid-month relief rally amid oversold conditions, there has been no technical progress as BCOM remains in a downtrend with limited signs of a capitulation.

Relentless selling pressure across energy commodities remained an overhang for the broader commodity sector. Crude oil sank 5.7% in December and remained stuck in a bear market. The risk premium in oil due to escalating geopolitical tensions in the Middle East and shipping disruptions in the Red Sea has been negated by underwhelming economic activity in China and surging U.S. production. OPEC+'s continued production cuts have helped limit downside in oil but have failed to spark a meaningful recovery. Natural gas underperformed after falling over 10% due to rising inventories and a lack of early winter heating demand.

Metals remained a bright spot across the commodities space. Industrial metals outperformed, with aluminum jumping 8.6% and leading the way. Copper added 1.6% and reversed a downtrend off the January 2022 lows. Tight supply—including the closure of a major Panamanian mine—and renewed import demand from China helped drive the rebound in copper. Precious metals slid 0.1% after being dragged down by weakness in silver. Falling real yields, continued central bank buying, and a weaker dollar pushed gold up 1.3% and closer to key resistance at $2,075.

	Neg. Neutral Pos.	Relative Trend	Rationale
Energy			WTI crude oil remains in a bear market and has struggled to gain much traction from escalating geopolitical tensions and continued OPEC+ production cuts. A mid-month relief rally off oversold levels ended below the declining 50- and 200-day moving averages. While we see limited risk of a break below key support at the $64–$68 range, more time will likely be required before meaningful upside progress is made. Natural gas is also struggling to find support and is oversold. A cold winter will likely be needed for price stability. While technical damage is a concern, we are sticking with our positive view on the energy commodity sector and suspect a relief rally off oversold levels could be on the near-term horizon.
Precious Metals			Precious metals slipped last month due to weakness in silver. Gold dodged the selling pressure and rose 1.3%, closing just below $2,075. A breakout above this key resistance level would be technically significant as it has capped upside in the yellow metal since 2020. At this juncture, we acknowledge the recent technical progress but maintain our neutral view on the precious metals group.
Industrial Metals			Industrial metals have stabilized and the potential end to global monetary policy tightening could help the group recover. Copper has reversed an important downtrend, while aluminum has recently made significant technical progress. While evidence is building for a bottom, we maintain our neutral view on the industrial metals group.
Agriculture (Ag) & Livestock			Momentum in the ag & livestock space remains bearish. Soft commodities have been notably weak, including sugar, which plunged 21% last month due to an improving supply backdrop and heavy fund liquidations. Potential bottoms have formed in oversold grains such as wheat and corn. Live cattle have snapped an uptrend within the livestock space, while lean hogs remain volatile and searching for support.

Any futures referenced are being presented as a proxy, not as a recommendation. The fast price swings in commodities will result in significant volatility in an investor's holdings. Commodities include increased risks, such as political, economic, and currency instability, and may not be suitable for all investors.

ALTERNATIVE INVESTMENTS

Liquid Alts Ending the Year with Gains

The alternative investment strategies posted positive results in December based on the preliminary data from Hedge Fund Research (HFR). Markets continued their optimism on the end of the Fed's rate hikes cycle and the possible beginning of rate cuts in 2024. This brought another month of equity market gains as well as a drop in yields and USD. Among liquid alts, directional strategies with higher exposure to the markets' directional moves benefitted the most, with strategies with defensive characteristics also contributing positively, albeit to a smaller extent.

Rich Bottom-Up Stock Picking Environment Remains

Equity long/short (L/S) strategies gained the most, led by those that carried higher stock market beta and a growth tilt. Equity market neutral strategies also performed well, with the long/short spread in the U.S. and Europe expanding while the spread in Asia detracted. The stock dispersion remains high, lending improved trading environments for low-net/market neutral Equity L/S strategies focused on bottom-up stock picking. Event Driven strategies posted gains, with Merger Arbitrage and Special Situations strategies getting support from the global equity market rally, including the catalyst driven fundamental value stocks. Lastly, Relative Value strategies posted positive results as well, with Convertible Arbitrage strategies continuing their strong recovery.

Remain Constructive on Global Macro, Managed Futures and Multi-Strategy

Tactical Trading strategies posted mixed results. Within the managed futures strategies, those focused on a trend following strategy were hurt the most due to their short rates positions. Net long USD biased currency positions as well as energy positions contributed to the losses in varying degrees as well. Net long equity exposure, however, helped offset some of these losses. Some of the short-term managers also managed to post positive results for the month, as they captured the strong positive momentum in equity markets. Global Macro posted mixed results. Managers came into the month carrying net long biases on the short-term rates, which more than offset the losses on the short / middle part of the yield curve. They also gained from tactical equities and currency trades, while giving back some on thematic Emerging Market related trades. Given the continued uncertainties around the economy and fiscal and monetary policy, we expect the volatility to transition higher and remain constructive on both Global Macro strategies that tend to perform in such regimes and provide uncorrelated returns and portfolio diversification for investors.

Multi-strategy funds posted positive results for the month, reflecting the positive performance across the underlying strategies. Multi-strategy remains as a core focus of ours as we believe they can supply additional sources of uncorrelated returns and help dampen portfolio volatility in an environment where interest rates are expected to remain persistently elevated.

FAVORED ALTERNATIVE STRATEGIES

Alternative Investment Strategy
Global Macro, Short Term Managed Futures, Fundamental Equity Market Neutral, and Multi-Strategy

Please see https://www.hfr.com/indices for further information on the indices

Definition: The HFRI 400 (US) Hedge Fund Indices are global, equal-weighted indices comprised of the largest hedge funds that report to the HFR Hedge Fund Research

Alternative investments 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.

IMPORTANT DISCLOSURES

This material has been prepared for informational purposes only, and is not intended as specific advice or recommendations for any individual. There is no assurance that the views or strategies discussed are suitable for all investors and they do not take into account the particular needs, investment objectives, tax and financial condition of any specific person. To determine which investment(s) may be appropriate for you, please consult your financial professional prior to investing. Any economic forecasts set forth may not develop as predicted and are subject to change.

Stock investing involves risk including loss of principal. Because of their narrow focus, sector investing will be subject to greater volatility than investing more broadly across many sectors and companies. Value investments can perform differently from the market as a whole and can remain undervalued by the market for long periods of time. The prices of small and mid-cap stocks are generally more volatile than large cap stocks. Bonds are subject to market and interest rate risk if sold prior to maturity.

Bond values will decline as interest rates rise and bonds are subject to availability and change in price. Corporate bonds are considered higher risk than government bonds. Municipal bonds are subject to availability and change in price. Interest income may be subject to the alternative minimum tax. Municipal bonds are federally tax-free but other state and local taxes may apply. If sold prior to maturity, capital gains tax could apply. U.S. Treasuries may be considered "safe haven" investments but do carry some degree of risk including interest rate, credit, and market risk. Bond yields are subject to change. Certain call or special redemption features may exist which could impact yield. Mortgage-backed securities are subject to credit, default, prepayment, extension, market and interest rate risk.

Municipal bonds are subject to availability and change in price. They are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise. Interest income may be subject to the alternative minimum tax. Municipal bonds are federally tax-free but other state and local taxes may apply. If sold prior to maturity, capital gains tax could apply.

High yield/junk bonds (grade BB or below) are not investment grade securities, and are subject to higher interest rate, credit, and liquidity risks than those graded BBB and above. They generally should be part of a diversified portfolio for sophisticated investors.

Floating rate bank loans are loans issues by below investment grade companies for short term funding purposes with higher yield than short term debt and involve risk.

Credit Quality is one of the principal criteria for judging the investment quality of a bond or bond mutual fund. Credit ratings are published rankings based on detailed financial analyses by a credit bureau specifically as it relates to the bond issue's ability to meet debt obligations. The highest rating is AAA, and the lowest is D. Securities with credit ratings of BBB and above are considered investment grade. Duration is a measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. It is expressed as a number of years.

Preferred stock dividends are paid at the discretion of the issuing company. Preferred stocks are subject to interest rate and credit risk. As interest rates rise, the price of the preferred falls (and vice versa). They may be subject to a call feature with changing interest rates or credit ratings.

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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.

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

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. All information is believed to be from reliable sources; however, LPL Financial makes no representation as to its completeness or accuracy.

Earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share of common stock. EPS serves as an indicator of a company's profitability. Earnings per share is generally considered to be the single most important variable in determining a share's price. It is also a major component used to calculate the price-to-earnings valuation ratio.

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.

All index data from FactSet.

For a list of descriptions of the indexes referenced in this publication, please visit our website at lplresearch.com/definitions.

Managed futures are speculative, use significant leverage, may carry substantial charges, and should only be considered suitable for the risk capital portion of an investor's portfolio.

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