GLOBAL PORTFOLIO STRATEGY

LPL Research

MAY 2023

UPGRADING INTERNATIONAL, GROWTH, AND LARGE CAPS

LPL RESEARCH'S MONTHLY MARKET OUTLOOK

Key changes from April report:

- Upgraded large caps to positive from neutral, downgraded small and mid caps to negative from neutral
- Upgraded growth equities to neutral from negative, downgraded value equities to neutral from positive.
- Upgraded developed international equities to positive from neutral, downgraded U.S. equities to neutral from positive

Stocks rallied for the second straight month in the historically seasonally strong month of April. Market participants saw additional progress on inflation, gained increased confidence that the last rate hike from the Federal Reserve (Fed) may come in May, and applauded a solid start to earnings season. The S&P 500 gained 1.5% for the month, slightly behind the Dow Jones Industrial (+2.5%), but slightly ahead of the Nasdaq Composite, which was flat.

Core bonds, as measured by the Bloomberg Aggregate Bond Index, were flat for April as both yields and spreads were relatively unchanged during the month. The decline in volatility was to be expected this month following a very volatile March.

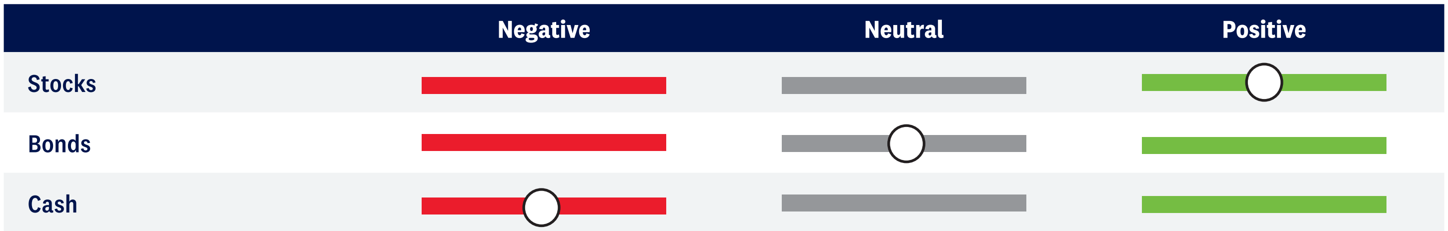
The Strategic and Tactical Asset Allocation Committee (STAAC) maintained its year-end S&P 500 fair value target of 4,300-4,400, based on a price-to-earnings ratio of 18 and 2024 S&P 500 earnings per share forecast of $240. Asset allocation changes are detailed on this page.

INVESTMENT TAKEAWAYS:

- The STAAC maintains a modest overweight equities allocation. Equity valuations may benefit from falling inflation and a prompt end to Fed rate hikes, as long as long-term interest rates remain range bound.
- The Committee now favors large cap stocks over their smaller brethren due to tightening credit conditions related to bank stress and the deterioration in technical indicators for small caps. Our technical analysis work drove the decision to neutralize style views.
- The Committee has shifted its regional preference to developed international stocks over U.S. due primarily to attractive valuations and favorable technical analysis trends.
- The Fed's determination to keep rates higher for longer caused U.S. Treasury yields to move significantly higher in 2022. Our year-end 2023 target for the 10-year Treasury yield is 3.25% to 3.75%, which is consistent with our neutral fixed income view.
- The selloff in the banking sector has 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
▪ Developed International Equities	▪ Industrials	▪ Mortgage-Backed Securities ▪ Short Maturity High Quality Corporates ▪ Preferred Securities	▪ Low-Beta Alts (Event Driven, Market Neutral, Multi-Strategy)

2023 MARKET FORECASTS

Still a Path to Double-Digit Gains for Stocks in 2023

	Previous	Current
10-Year U.S. Treasury Yield	3.25% to 3.75%	3.25% to 3.75%*
S&P 500 Index Earnings per Share	$220	$220
S&P 500 Index Fair Value	4,300 - 4,400	4,300 - 4,400**

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 2023 forecast for the U.S. 10-year Treasury yield is 3.25% to 3.75%. The forecast moderating inflation, reduced Fed policy support, an aging demographic in need of income, higher global debt levels, and the expected end to the Fed rate hiking campaign in 2023.

**Our year-end 2023 fair-value target range for the S&P 500 of 4,300-4,400 is based on a price- to-earnings ratio (PE) of 18 and our S&P 500 earnings per share (EPS) forecast of $240 in 2024.

2023 ECONOMIC FORECASTS

Downshift in Global Growth

GDP Growth (Y/Y%)	2022	2023
United States	1.3% to 1.9%	0.2% to 0.8%
Eurozone	1.1% to 1.7%	-0.4% to 0.2%
Advanced Economies	1.4% to 2%	0.1% to 0.7%
Emerging Markets	2.6% to 3.2%	2.9% to 3.5%
Global	1.7% to 2.3%	1.3% to 1.9%

Source: LPL Research, Bloomberg

The economic forecasts may not develop as predicted.

All data, views, and forecasts herein are as of 04/28/23.

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LPL RESEARCH STRATEGIC AND TACTICAL ASSET ALLOCATION COMMITTEE

LPL Research Tactical Asset Allocation as of 5/1/2023

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	98.0%	95.0%	3.0%	83.0%	80.0%	3.0%	63.0%	60.0%	3.0%	43.0%	40.0%	3.0%	23.0%	20.0%	3.0%
U.S. EQUITY	78.0%	76.0%	2.0%	66.5%	64.0%	2.5%	50.5%	48.0%	2.5%	34.5%	32.0%	2.5%	18.5%	16.0%	2.5%
Large Value	17.5%	16.0%	1.5%	15.0%	13.5%	1.5%	11.5%	10.0%	1.5%	8.0%	6.5%	1.5%	4.0%	3.5%	0.5%
Large Blend	18.0%	16.0%	2.0%	15.5%	13.5%	2.0%	11.5%	10.0%	1.5%	8.0%	7.0%	1.0%	4.5%	3.0%	1.5%
Large Growth	17.5%	16.0%	1.5%	15.0%	13.5%	1.5%	11.5%	10.0%	1.5%	8.0%	6.5%	1.5%	4.0%	3.5%	0.5%
Small/Mid Value	8.5%	9.5%	-1.0%	7.0%	8.0%	-1.0%	5.5%	6.0%	-0.5%	3.5%	4.0%	-0.5%	2.0%	2.0%	0.0%
Small/Mid Blend	8.0%	9.0%	-1.0%	7.0%	7.5%	-0.5%	5.0%	6.0%	-1.0%	3.5%	4.0%	-0.5%	2.0%	2.0%	0.0%
Small/Mid Growth	8.5%	9.5%	-1.0%	7.0%	8.0%	-1.0%	5.5%	6.0%	-0.5%	3.5%	4.0%	-0.5%	2.0%	2.0%	0.0%
INTERNATIONAL EQUITY	20.0%	19.0%	1.0%	16.5%	16.0%	0.5%	12.5%	12.0%	0.5%	8.5%	8.0%	0.5%	4.5%	4.0%	0.5%
Developed (EAFE)	16.5%	12.0%	4.5%	13.5%	10.0%	3.5%	11.0%	8.0%	3.0%	7.0%	5.0%	2.0%	4.5%	4.0%	0.5%
Emerging Markets	3.5%	7.0%	-3.5%	3.0%	6.0%	-3.0%	1.5%	4.0%	-2.5%	1.5%	3.0%	-1.5%	0.0%	0.0%	0.0%
BONDS	0.0%	0.0%	0.0%	15.0%	15.0%	0.0%	35.0%	35.0%	0.0%	55.0%	53.0%	2.0%	75.0%	70.0%	5.0%
U.S. CORE	0.0%	0.0%	0.0%	14.0%	15.0%	-1.0%	33.0%	35.0%	-2.0%	52.0%	53.0%	-1.0%	71.0%	70.0%	1.0%
Treasuries	0.0%	0.0%	0.0%	7.0%	7.0%	0.0%	16.0%	16.0%	0.0%	25.5%	24.5%	1.0%	34.5%	32.5%	2.0%
MBS	0.0%	0.0%	0.0%	4.5%	4.5%	0.0%	11.0%	10.5%	0.5%	17.0%	15.5%	1.5%	23.5%	20.5%	3.0%
IG Corporates	0.0%	0.0%	0.0%	2.5%	3.5%	-1.0%	6.0%	8.5%	-2.5%	9.5%	13.0%	-3.5%	13.0%	17.0%	-4.0%
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%
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%
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

Upgrading Developed International, Downgrading Small Caps, Getting Neutral on Style

The STAAC maintains a modest overweight equities allocation. Equity valuations may benefit from falling inflation and a prompt end to Fed rate hikes, as long as long-term interest rates remain range bound. The Committee now favors large cap stocks over their smaller brethren due to tightening credit conditions related to bank stress and the deterioration in technical indicators for small caps. Our technical analysis work drove the decision to neutralize style views, upgrading growth despite its outsized valuation premium. The Committee has shifted its regional preference to favor developed international stocks over U.S. due primarily to attractive valuations and favorable technical analysis trends, while maintaining a cautious view of emerging market equities. Key risks include a Fed-driven hard landing, broader military conflict in Europe, and escalation in U.S-China tensions.

	Sector	Overall View	Relative Trend	Rationale
Market Capitalization	Large Caps			Large caps generally perform better during periods of economic uncertainty with stronger balance sheets, are relatively insulated from ongoing bank stress, and look better from a technical perspective. However, they are more expensive than their small cap brethren and may lag in early stages of the next bull market.
	Mid Caps			Eventual beneficiary of an improving economic outlook, but tight credit conditions, tepid merger and acquisition activity, and current technical analysis trends suggest caution is prudent despite attractive valuations.
	Small Caps			Tightening credit conditions related to ongoing bank stress and deteriorating technical indicators drove our downgrade this month, though valuations are still supportive over the intermediate to long-term. We continue to favor the higher quality S&P 600 Index over the Russell 2000.
Style	Growth			The growth style has benefitted from falling inflation, lower interest rates, and superior earnings power, particularly among mega-cap technology companies, in early 2023. Technical analysis trends are pointing toward growth despite its outsized valuation premium relative to value.
	Value			The Committee has neutralized style views to reflect weakening technical trends for value stocks, while the macroeconomic environment has shifted more in favor of growth. Top value sector, financials, faces big headwinds. Valuations offer insufficient support for the bull case.
Region	United States			The U.S. economy is likely headed for a late-2023 recession and may have trouble outgrowing Europe and Japan. STAAC expects falling inflation, the impending end of the Fed's rate hiking campaign, and resilient corporate profits may support attractive domestic equity returns in 2023, but technical trends and valuations favor developed international equities.
	Developed International			Upgrade reflects a combination of attractive valuations, the resilience of European economies, and positive technical analysis trends. The U.S. dollar is a wildcard but the Committee's intermediate to long term view is negative, creating a potential catalyst for international equities over the next 12-24 months.
	Emerging Markets			The Committee maintains its cautious outlook for emerging market equities due to soft earnings and geopolitical uncertainty. Technical conditions remain weak even as China's reopening unfolds. The U.S. dollar is a wildcard.

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 Balanced Posture for Cyclicals and Defensives

The STAAC recommends a balanced mix of cyclical and defensive sectors. Among economically sensitive, or cyclical, sectors, the Committee recommends just one overweight (industrials), and just one underweight (consumer discretionary). Resilient capital investment activity and positive technical analysis trends continue to support the Committee's positive industrials sector view. Real estate, which is a recommended underweight, offers a mix of cyclical and defensive characteristics and faces heighted risk in the commercial real estate market.

	Sector	Overall View	Relative Trend	S&P Wgt	Rationale
Cyclical	Materials			2.6	Infrastructure spending and China's reopening have not translated into outperformance, though U.S. dollar weakness helps a bit. Falling natural gas prices should help chemical company profits. Reasonable valuations. Mixed technicals.
	Energy			4.7	Deterioration in technical analysis conditions drove last month's downgrade. Still, constrained production could keep supply fairly tight as China's reopening progresses. Valuations are still reasonable. Weakness in the U.S. dollar could be supportive.
	Industrials			8.5	Capital expenditures and defense spending trends are supportive despite elevated recession risk. Infrastructure a potential catalyst. Fair valuations. Positive technicals suggest improving outlook amid still-challenging global economic environment.
	Communication Services			8.3	Regulatory risk remains but possible Tiktok ban could help this digital media-heavy sector. Improving technical analysis picture and margin support from cost cutting also supportive. Valuations remain relatively attractive. Strong start to first quarter earnings season.
	Consumer Discretionary			9.9	The sector is historically not a good mid-to-late cycle performer, labor markets are weakening, and valuations are elevated, but falling inflation and a strong start to first quarter earnings season are encouraging. Technicals have improved.
	Technology			25.7	Better technical analysis trends drove our upgrade last month. More favorable macro environment (easing inflation, lower and more stable interest rates) is supportive, but neither earnings growth nor earnings estimate revisions justify optimism and valuations are elevated.
	Financials			13.1	Bank stress and related tightening financial conditions, an inverted yield curve, weaker earnings, and poor technicals urge caution despite attractive valuations. Regional bank valuations are intriguing near tangible book value. Negative bias.
Defensive	Utilities			2.9	Utilities have been hurt by cyclical sector leadership and regulatory pressure. Technical analysis trends suggest more caution may be warranted. Interest rate sensitivity hasn't helped.
	Healthcare			14.4	Defensive sectors have been out of favor despite still-high recession risk in late 2023. Tough COVID-19 comparisons and key patent expirations are also notable. Valuations remain attractive while technical analysis picture is challenged.
	Consumer Staples			7.4	Sector likely to lag when the next bull market begins. Lower inflation could help ease margin pressures in coming quarters and earnings estimates have been resilient recently. Slightly improved technicals. Valuations have come down but remain a bit high.
	Real Estate			2.5	Negative view reflects weak technical analysis trends and commercial real estate risk. For now, interest rate risk appears well contained, but that won't necessarily remain the case as the economic outlook potentially improves in the second half. Solid yields and fair valuations.

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

A Quiet Month

Investment grade spreads and yields were unchanged in April and are wider by just 0.025% year to date. Spreads have remained in a narrow range as broad measures of volatility including VIX and MOVE trended lower, a welcome change from a volatile March. We continue to recommend investors take advantage of any back-up in yields by adding to high-quality fixed income. Valuations for riskier fixed income sectors remain rich, in our view. However, because of the selloff in the banking sector an allocation to preferred securities may be warranted.

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 remain solid though.

		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 inflationary pressures. We remain neutral relative to our benchmark
		Neg.	Neutral	Pos.	Rationale
Core Sectors	U.S. Treasuries		●		Treasury yields have remained range bound recently but given the still elevated inflationary pressures, we could still see higher yields in the near term. Last year's back-up in yields has likely increased the diversification benefits of owning U.S. Treasuries. Valuations for Treasury Inflation-Protected Securities (TIPS) are fair but shorter-maturity TIPS could provide a good hedge to 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. The Fed has stopped new MBS purchases and balance sheet runoff is a potential risk though.
	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 senior securities. Higher credit quality among the riskier fixed income options. Bank fundamentals generally sound overall. European banks likely to stay under pressure as the European Central Bank (ECB) hikes rates.
	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 may increase if the economy slows/contracts.
	Foreign Bonds	●			Valuations have improved but potential currency volatility still remains a challenge.
	EM Debt		●		Central banks are tightening aggressively as inflationary pressures remain stubbornly higher and 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.

COMMODITIES

April Showers

Seasonal strength failed to stop the April showers for most of the commodities sector. The Bloomberg Commodity Index (BCOM) declined 1.1% and posted its fifth consecutive down month, marking its longest losing streak since 2015. Grains were behind the decline as corn and soybeans dropped around 4%, while wheat fell 10%. Rising expectations for bumper crops in the U.S. and increased production in Europe, Russia, and South America have weighed on the supply outlook for grains. Russia's threat to withdraw from the Black Sea grain deal this month could help balance the market.

Despite selling pressure in the dollar, metals were split between strength in precious metals and weakness in industrial metals. Central bank buying and rising recession risk helped lift gold closer to record-high territory. Silver also rallied to fresh year-to-date highs and started to outperform gold, likely driven by industrial demand. Industrial metals lagged after facing headwinds from underwhelming Chinese demand and further signs of a slowing U.S. economy. Technical damage in copper was limited as the commodity held above its rising 200-day moving average. Based on this backdrop, we maintain our positive view on **precious** and **industrial** metals.

We are maintaining our neutral view on **energy** with a negative bias. Once again, natural gas markets weighed on the broader energy space as prices faced a combination of elevated stockpiles and underwhelming heating demand. Futures are down over 50% this year, and momentum is finally showing some signs of a potential capitulation, raising the odds for a short-term recovery but not enough for a confirmed bottom. Crude oil snapped a five month losing streak after OPEC+ cut production, driving a short squeeze off oversold levels. However, upside momentum has yet to prove sustainable and technical progress has been limited thus far.

	Neg. Neutral Pos.	Relative Trend	Rationale
Energy			A surprise production cut from OPEC+ coupled with oversold conditions sparked a relief rally in WTI last month. However, upside momentum proved short lived after prices ran into resistance at the declining 200-day moving average. Technically, WTI will need to clear $83.25 to validate a breakout from its bottom formation. Natural gas has rebounded modestly from historically oversold levels. Momentum divergences have emerged along with evidence of short covering/increased net long positions. Odds for a short-term recovery are rising. We maintain our neutral view on energy commodities with a negative bias.
Precious Metals			Gold, silver, and platinum all capitalized on safe haven flows and dollar weakness. While $2,000 is an important milestone for gold, resistance at $2,070 will be key for a breakout to new highs. Silver futures have cleared resistance off the January highs. We maintain our positive view on the space
Industrial Metals			Industrial metals traded lower last month after facing a challenging macro backdrop. Technical damage in copper was limited as the commodity held above its rising 200-day moving average. Overall, we believe the bullish demand catalysts for industrial metals, including China's reopening and increased global infrastructure spending, are still in play. We maintain our positive view on the space
Agriculture (Ag) & Livestock			Ag was mixed this month as softs outperformed grains. Sugar led with a 22% rally, marking a six straight month of gains for the commodity. Wheat remained weak and is now retesting support from the 2021 lows near $600. Corn and soybeans traded down but managed to hold above support from their March lows. Livestock advanced as live cattle continued to print record highs. Overall the technical setup remains mixed for the space, and we remain neutral on ag and livestock.

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.

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ALTERNATIVE INVESTMENTS

Lackluster Relative Performance

Alternative investment performance was mixed during April and sub-strategy performance, broadly speaking, was in line with underlying asset allocation exposure. We continue to advocate for diversifying alternative investment exposure across several low-beta allocations. Specifically, in the event driven, market neutral, and low-beta single and multi-manager strategies. While all of these strategies have their own characteristics, at their core, they exhibit limited equity market and interest rate sensitivity. We believe these allocations may help preserve portfolios in the current environment and act as a source of ballast during potential periods of high volatility. These characteristics were on display in 2022 and reinforced the benefit of these strategies within the context of a broader portfolio. In regards to the event-driven industry, we're closely watching how the increase in interest rates will further impact the merger and acquisition backdrop. To date, we've seen a significant decrease in announced deals. Due to this environment, we believe further diversification across market neutral and multi-strategy strategies may provide additional sources of uncorrelated returns and the potential to mitigate traditional equity and bond market risks.

Global Macro strategies are also becoming increasingly attractive in this environment. This category often benefits from macroeconomic uncertainty and diverging central bank policies. A continuation and persistent market backdrop with these features will lead to further conviction in the space.

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.

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.

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.

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.

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