GLOBAL PORTFOLIO STRATEGY

LPL Research

JULY 2023

TEMPERED ENTHUSIASM AFTER SUCH A STRONG FIRST HALF

LPL RESEARCH'S MONTHLY MARKET OUTLOOK

Key changes from June report:

- No changes

Stocks rose solidly in June, as the S&P 500 Index returned 6.6% for the month, bringing its first half gain to a stellar 16.9%. June gains came despite an increasingly hawkish Federal Reserve (Fed) and resulting rise in interest rates as market participants seemed to factor in a greater probability of a soft landing for the U.S. economy amid resilient economic data and easing inflation pressure. The Dow Jones Industrial Average lagged some, gaining just 4.7% for the month, while the Nasdaq Composite roughly matched the S&P 500 with a 6.7% monthly return and enjoyed its best first half (+32.3%) since 1983.

Core bonds, as measured by the Bloomberg Aggregate Bond Index, were lower for June as the Fed continues to signal additional rate hikes may be necessary to arrest inflationary pressures. Higher yields may mean another opportunity for investors to add to high quality fixed income.

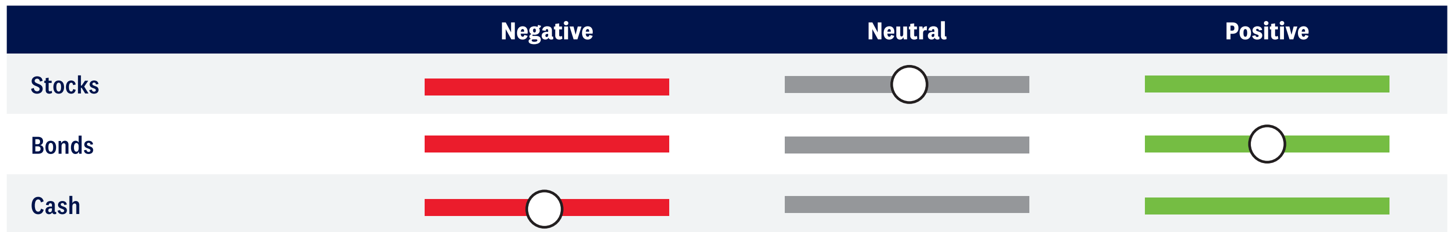
As the second half of 2023 begins, the LPL Research Strategic and Tactical Asset Allocation Committee (STAAC) sees the risk-reward trade-off between equities and fixed income as roughly balanced after such a strong first half for equities broadly. See LPL's Midyear Outlook 2023 for more details about LPL Research's expectations in the second half.

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 now that stock valuations are approaching a price-to-earnings ratio of 20, based on the S&P 500 Index, and fixed income offers the most attractive yields in decades.
- The Committee favors large cap stocks over their smaller brethren. Style views remain neutral overall, though our technical analysis work leans toward growth. The STAAC's regional preference remains developed international stocks over the U.S. and emerging markets (EM).
- If the Fed is finished raising rates in July, then we could soon start to see lower yields on intermediate-term fixed income securities. Our year-end 2023 target for the 10-year Treasury yield is 3.25% to 3.75%.
- 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	▪ Alt asset class choices - global macro, short term Managed Futures, and multi-strategy

2023 MARKET FORECASTS

Further Gains In 2023 May Be Modest

	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	$213	$213
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) near 19 and our S&P 500 earnings per share (EPS) forecast of $230 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 1.2%
Eurozone	1.1% to 1.7%	-0.4% to 0.6%
Advanced Economies	1.4% to 2%	0.1% to 0.9%
Emerging Markets	2.6% to 3.2%	2.9% to 3.8%
Global	1.7% to 2.3%	1.3% to 2.3%

Source: LPL Research, Bloomberg

The economic forecasts may not develop as predicted.

All data, views, and forecasts herein are as of 07/03/23.

LPL RESEARCH STRATEGIC AND TACTICAL ASSET ALLOCATION COMMITTEE

LPL Research Tactical Asset Allocation as of 7/1/2023

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	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	76.0%	76.0%	0.0%	64.0%	64.0%	0.0%	48.0%	48.0%	0.0%	32.0%	32.0%	0.0%	16.0%	16.0%	0.0%
Large Value	17.5%	16.0%	1.5%	14.5%	13.5%	1.0%	11.0%	10.0%	1.0%	7.0%	6.5%	0.5%	3.5%	3.5%	0.0%
Large Blend	17.0%	16.0%	1.0%	14.5%	13.5%	1.0%	11.0%	10.0%	1.0%	7.5%	7.0%	0.5%	4.0%	3.0%	1.0%
Large Growth	17.5%	16.0%	1.5%	14.5%	13.5%	1.0%	11.0%	10.0%	1.0%	7.0%	6.5%	0.5%	3.5%	3.5%	0.0%
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	8.0%	9.0%	-1.0%	6.5%	7.5%	-1.0%	5.0%	6.0%	-1.0%	3.5%	4.0%	-0.5%	2.0%	2.0%	0.0%
Small/Mid Growth	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%
INTERNATIONAL EQUITY	19.0%	19.0%	0.0%	16.0%	16.0%	0.0%	12.0%	12.0%	0.0%	8.0%	8.0%	0.0%	4.0%	4.0%	0.0%
Developed (EAFE)	16.0%	12.0%	4.0%	13.0%	10.0%	3.0%	10.5%	8.0%	2.5%	6.5%	5.0%	1.5%	4.0%	4.0%	0.0%
Emerging Markets	3.0%	7.0%	-4.0%	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	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%	8.5%	7.0%	1.5%	17.5%	16.0%	1.5%	27.0%	24.5%	2.5%	36.0%	32.5%	3.5%
MBS	1.0%	0.0%	1.0%	5.5%	4.5%	1.0%	12.0%	10.5%	1.5%	18.0%	15.5%	2.5%	24.5%	20.5%	4.0%
IG Corporates	0.5%	0.0%	0.5%	3.0%	3.5%	-0.5%	6.5%	8.5%	-2.0%	10.0%	13.0%	-3.0%	13.5%	17.0%	-3.5%
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

Favor Large Caps and Developed International, Staying Neutral on Style

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 now that stock valuations are approaching a price-to-earnings ratio of 20, based on the S&P 500 Index, and fixed income offers the most attractive yields in decades. The Committee now favors large cap stocks over their smaller brethren due to tightening credit conditions related to bank stress, though a strong June for small caps, bolstered by attractive valuations, was encouraging. Technical analysis points to growth, but the magnitude of this year's technology rally that has left the sector overbought suggests a neutral stance is prudent at this time. The Committee continues to favor developed international stocks over U.S. due primarily to attractive valuations, while maintaining a cautious view of emerging market equities. U.S. leadership will continue as long as mega-cap technology stocks continue to drive outsized gains for domestic indexes. Key risks to equities 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	Positive (green)	Green	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 and mega-cap technology leadership is unlikely to be sustained through the second half of the year.
	Mid Caps	Negative (red)	Red	Beneficiary of a potential soft landing, but tightening credit conditions, tepid merger and acquisition activity, and current technical analysis trends suggest caution is prudent despite attractive valuations. Needs mega-cap tech to slow down to have a chance to make up ground.
	Small Caps	Negative (red)	Red	Increasing confidence in regional banks and attractive valuations helped drive solid gains in June, though the LPL Research forecast for a mild recession within the next six months or so suggests caution. Favor the higher quality S&P 600 Index over the Russell 2000.
Style	Growth	Neutral (gray)	Green	The growth style has benefited from falling inflation and superior earnings power, particularly among mega-cap technology companies, and has not been slowed by the recent increase in interest rates. Technical analysis trends point toward growth despite elevated valuations.
	Value	Neutral (gray)	Gray	The Committee maintains a positive bias toward growth due to strong technical analysis trends, falling inflation and potential for lower interest rates. Value stocks remain attractively valued, however, and offer leverage to a potential soft landing, even if the odds of that are perhaps only one in three.
Region	United States	Neutral (gray)	Gray	The U.S. economy may be headed for a late-2023 recession and may have trouble outgrowing Europe and Japan. So while falling inflation, the impending end of the Fed's rate hiking campaign, and resilient corporate profits have supported attractive domestic equity returns in the first half of 2023, valuations suggest developed international equities may offer greater 2H upside.
	Developed International	Positive (green)	Green	Positive view primarily reflects low valuations, though technical analysis trends have generally been supportive in recent months. The U.S. dollar is a wildcard but the Committee's intermediate to long term view of the greenback is negative, offering a potential catalyst for international equities over the next 12-24 months. Favor Japan. Germany is in technical recession.
	Emerging Markets	Negative (red)	Red	The Committee maintains its cautious outlook for emerging market equities due largely to a weakening earnings outlook as China's reopening continues to disappoint amid continued geopolitical uncertainty. Further weakness in industrial metals is sending a cautious China growth signal. Technical conditions are weak, except in Latin America where Mexico looks interesting.

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 continues 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 heightened risk in the commercial real estate market.

	Sector	Overall View	Relative Trend	S&P Wgt	Rationale
Cyclical	Materials			2.5	China's reopening has been uneven. The sector needs better growth in China and/or U.S. dollar weakness to reverse recent downtrend. Falling natural gas prices should help chemical producers. Reasonable valuations. Industrial metals remain in a downtrend.
Cyclical	Energy			4.1	Deterioration in technical analysis conditions and uneven China recovery offset attractive valuations and additional, recently announced OPEC+ supply cuts. Constrained production at lower prices could keep supply fairly tight. A potentially weaker U.S. dollar could help.
Cyclical	Industrials			8.5	Capital expenditures and defense spending trends are supportive. Infrastructure a potential catalyst, but German recession and possible late-2023 contraction in the U.S. present headwinds. Fair valuations and supportive technical analysis picture.
Cyclical	Communication Services			8.4	Regulatory risk in social media is high, but could help in the (unlikely) event of a Tiktok ban in the U.S. Margin support from cost cutting is supportive. Valuations remain relatively attractive. Resilient earnings. Favorable technical analysis trends.
Cyclical	Consumer Discretionary			10.8	The sector is historically not a good mid-to-late cycle performer, labor markets are weakening, and valuations are elevated, but falling inflation, resilient earnings, and improving technicals are encouraging. Positive bias.
Cyclical	Technology			28.1	Stellar first half performance with gains over 40%. Easing inflation and artificial intelligence enthusiasm are supportive, while rising interest rates haven't hurt. Strong second quarter earnings season helped justify valuations. Overbought but trend is your friend.
Cyclical	Financials			12.5	Bank stress and related tightening financial conditions, an inverted yield curve, soft earnings, and poor technicals suggest caution despite attractive valuations. But big banks have gotten stronger and regional bank valuations are tempting near tangible book value.
Defensive	Utilities			2.6	Utilities have been hurt by cyclical sector leadership and regulatory pressure. Technical analysis suggests more caution may be warranted. Interest rate sensitivity hasn't helped but could if rates move lower along with inflation in the second half.
Defensive	Healthcare			13.3	Defensive sectors have been out of favor despite recession risk in late 2023. COVID-19 comparisons and key patent expirations are notable challenges. Valuations are attractive but until mega-cap technology slows down, lackluster performance may continue
Defensive	Consumer Staples			6.7	Sector has lagged during young bull market, as is to be expected. Lower inflation could help ease margin pressures, but technicals remain weak, valuations aren't compelling, and markets currently convincingly favor technology and cyclicals over defensives
Defensive	Real Estate			2.5	Weak technical analysis trends while commercial real estate is a concern. Interest rate risk appears contained, at least in the near term. Solid yields and fair valuations but not an area we would look to for yield relative to core fixed income.

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.

LPL Financial

FIXED INCOME

Still Waiting on the Fed (to be Done)

U.S. Treasury yields were higher across the yield curve in June as the Fed surprised markets by indicating two more rate hikes may be necessary this year. As such, the monetary policy sensitive 2-year yield spiked higher by 0.6% during the month, largely erasing the gains after the regional bank stresses pushed yields lower. Yields on high quality fixed income sectors moved higher as well, offering investors another opportunity to take advantage of attractive valuations. Aside from preferred securities, valuations for riskier fixed income sectors remain rich relative to core sectors, in our view.

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	High	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	Int.	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	Neutral	Treasury yields moved higher in June offering an attractive entry point. 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	Neutral	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. Due to higher mortgage rates, the lack of new mortgage supply should help buoy prices.
	Investment-Grade Corporates	Neg.	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	Pos.	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. European banks likely to stay under pressure as the European Central Bank (ECB) hikes rates.
	High-Yield Corporates	Neutral	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	Neutral	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	Neg.	Valuations have improved but potential currency volatility still remains a challenge.
	EM Debt	Neutral	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.

COMMODITIES

Lucky Number Seven

The broad commodity sector advanced in June, marking its first gain in seven months. A modest decline in the dollar coupled with higher energy prices helped drive the Bloomberg Commodity Index (BCOM) up 3.6%. Despite the rebound, most commodities remain in disinflationary trends as global central banks continue to tighten and China's reopening sputters. And while lower commodity prices are a welcome sign for tackling stubbornly high inflation, the message of underwhelming commodity demand points to more of a hard-landing than soft-landing economic narrative.

Energy, a 30% weight within BCOM, rallied 8% in June and snapped a seven-month losing streak. A surge in cooling demand stemming from a record-setting heat wave across the U.S. underpinned an 18% rally in natural gas. We suspect short-term rallies due to cooling demand will be capped by ample supply. According to the Energy Information Administration (EIA), record-high natural gas production in the first half of 2023 has pushed inventories well above their five-year average. Crude oil advanced last month after shrugging off another round of global central bank tightening and concerns over an economic slowdown. However, West Texas Intermediate (WTI) made little technical progress as recent supply cuts failed to offset disappointing demand. Based on this backdrop, and that most components are holding above support from previous lows, we **maintain our neutral view on energy with a negative bias**.

Metals underperformed in June despite a weaker dollar. Gold and silver declined by around 2%-3% after losing their luster to higher rates and a risk-on rotation. Technically, both metals have pulled back meaningfully from their May highs but managed to hold above support from their rising 200-day moving averages. **We maintain our positive view on precious metals**.

Industrial metals advanced modestly last month after copper rebounded from oversold levels. Other metals such as aluminum and nickel traded lower as global manufacturing slumped. **We maintain our neutral view on industrial metals.**

	Neg. Neutral Pos.	Relative Trend	Rationale
Energy	Neutral	Red	Natural gas jumped double-digits last month as a heat wave underpinned cooling demand. Prices remain volatile but have carved out consecutive higher lows after finding support near $2.00. We suspect upside could be capped on a near-term basis at the $3.00 resistance level. WTI crude oil continues to consolidate around the December lows near $70. Additional downside support sets up at $67 (June lows). China's uneven reopening continues to weigh on oil demand and sentiment. Technically, a close above $83.25 would validate a breakout from the current bottom formation. We maintain our neutral view on energy with a negative bias.
Precious Metals	Positive	Green	Precious metals underperformed last month. Gold slid 2.0% before finding support at $1,900. Silver declined 3.0% but managed to hold above support at the 200-dma. We view the recent weakness as a pullback within the context of a longer-term uptrend and maintain our positive view on precious metals.
Industrial Metals	Neutral	Gray	Industrial metals advanced last month after a relief rally in copper developed. Despite the advance, demand catalysts and the technical backdrop have faded. We maintain our neutral view on industrial metals.
Agriculture (Ag) & Livestock	Neutral	Gray	Ag and livestock markets advanced last month. Livestock outperformed as beef production continued to decline against a backdrop of steady demand. Lean hogs have climbed out from a bottom and appear to be playing catch-up to recent record-high live cattle prices. Within grains, relief rallies off oversold levels drove wheat and soybeans higher. More technical evidence is required to confirm a bottom has been set. Corn has dropped to its lowest level since early 2021 as increased planting and improved crop conditions point to ample supply. 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.

ALTERNATIVE INVESTMENTS

Broadly positive performance in June

Alternative investment strategies posted positive results in June, based on the Hedge Fund Research (HFR) indexes. The performance was particularly strong for long biased equity long short strategies as the overall risk-on sentiment brought by the combination of the Fed's rate hike pause, successful debt ceiling deal, and still solid economic data provided support for the strategy. Event driven strategies, which have been a laggard this year, also posted positive performance, albeit small. Global Macro and Managed Futures strategies also posted positive results. These strategies came into the month with lighter positioning compared to the earlier part of the year but they were still able to capture the resumption of directional moves in multiple asset classes. We continue to believe global macro managers could have robust rates and currency trading opportunities arising from active global central banks at different phases of the policy cycle. Short term managed futures that are designed to monetize from the spike in volatility, or short term reversion from extended trends, could also add value as the major asset classes are expected to have less directionality and more twist and turns. Lastly, multi-strategy were up for the month as well, reflecting the strong performance of the overall liquid alternative universe. We expect multi-strategy funds to continue to provide additional sources of uncorrelated returns and the potential to mitigate traditional equity and bond market risks.

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.

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.

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.

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.

The Strategic and Tactical Asset Allocation Committee (STAAC) is a division of LPL Research.

Securities and advisory services offered through LPL Financial (LPL), a registered investment advisor and broker/dealer (member FINRA/SIPC). Insurance products are offered through LPL or its licensed affiliates. To the extent you are receiving investment advice from a separately registered independent investment advisor that is not an LPL Financial affiliate, please note LPL Financial makes no representation with respect to such entity.

Not Insured by FDIC/NCUA or Any Other Government Agency	Not Bank/Credit Union Guaranteed	Not Bank/Credit Union Deposits or Obligations	May Lose Value

Member FINRA/SIPC. .
RES-1579713-0623 Tracking #1-05375215 (Exp. 07/24)

LPL Financial