LPL RESEARCH

GLOBAL PORTFOLIO STRATEGY

September 2020

STRONG AUGUST, VOLATILE SEPTEMBER

LPL Research's Monthly Global Review and Look Forward

Stocks continued their positive momentum with strong gains in August, sending the S&P 500 Index to new record highs before volatility returned in early September. The economic recovery remained on track even as the threat of COVID-19 lingers, while massive stimulus and optimism surrounding vaccine prospects helped support the August rally. US Treasuries and investment-grade corporates experienced losses in August as the 10-year Treasury yield saw its largest advance since September 2019. Below-investment-grade bonds continued their advance.

KEY CHANGES FROM AUGUST'S REPORT:

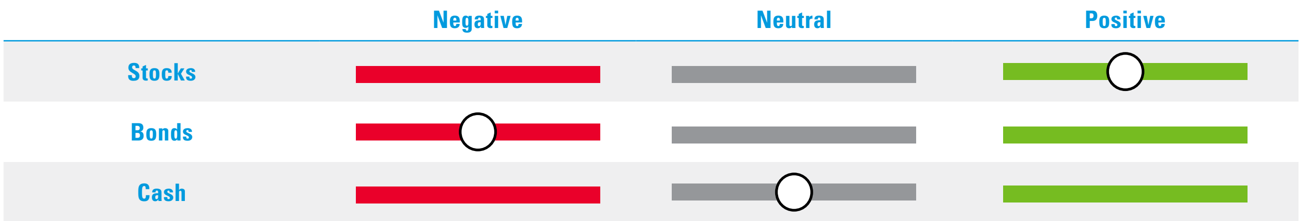
- Upgraded small cap stocks from negative to neutral
- Downgraded large cap stocks from positive to neutral

INVESTMENT TAKEAWAYS

- **Our equities recommendation remains overweight.** Although we continue to believe markets may be pricing in an overly optimistic economic recovery scenario and recent weakness may be the start of a bigger pullback, we continue to favor stocks over bonds in a low-rate environment and on prospects for an end to the pandemic within our investment time horizon of 6 to 12 months.
- **S&P 500 Index** has exceeded our bull case year-end target of 3,450+ provided in our *Midyear Outlook 2020*, and stocks are expensive based on traditional valuation metrics, both reasons we see limited upside for stocks between now and year-end. However, over the next 12 to 24 months, we continue to expect stocks to beat bonds. Our base case year-end 2020 S&P 500 fair-value target of 3,250–3,300 is under review.
- We have upgraded our view of **small cap stocks** to neutral to reflect the early-stage bull market and improving relative performance compared with **large cap stocks**.
- Despite significant outperformance during the pandemic and elevated valuations, we continue to believe **growth stocks** are better positioned for the economic recovery.
- The relative strength of China's economy, a weakening US dollar, and low valuations enhance the attractiveness of **emerging market** equities, which we continue to favor over equities in **developed international markets**.
- **Our fixed income view remains underweight**. While Federal Reserve (Fed) policy and current economic uncertainty may limit the risk of yields moving substantially higher, a likely second-half economic recovery may continue to support riskier assets going out a full year.
- We favor a blend of **high-quality intermediate bonds** with a modest underweight to **US Treasuries** and an emphasis on short-to-intermediate maturities with sector weightings tilted toward **mortgage-backed securities** (MBS).

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
▪ Emerging Markets Equities ▪ Growth Equities	▪ Communication Services ▪ Healthcare ▪ Materials ▪ Technology	▪ Mortgage-Backed Securities	▪ Event Driven

2020 MARKET FORECASTS

COVID-19 Creates Significant Earnings and Interest Rate Uncertainty

	August *Global Portfolio Strategy* (GPS) Forecast	September 2020 Base Case	September 2020 Bear Case
10-Year US Treasury Yield	1.0–1.5%	1.0–1.5%	0–0.5%
S&P 500 Earnings per Share	$125–130	$125–130	$110–115
S&P 500 Fair Value	3,250–3,300*	3,250–3,300	2,850**

Source: LPL Research, Bloomberg

All indexes are unmanaged and cannot be invested into directly. Past performance is no guarantee of future results.

*As noted in our *Midyear Outlook 2020* dated 07/14/20, our year-end fair-value target range for the S&P 500 of 3,250–3,300 is based on a price-to-earnings ratio (PE) near 20 and potential normalized S&P 500 earnings per share (EPS) of $165 in 2021–22.

**Increased from 2,650 in August 2020.

2020 ECONOMIC FORECASTS

COVID-19 May Have Sparked a Global Recession

	August GPS Base Case Forecast	September 2020 Base Case	September 2020 Bear Case
United States	-3% to -5%	-3% to -5%	-5% to -8%
Developed ex-US	-5% to -7%	-5% to -7%	-7% to -10%
Emerging Markets	flat to 2%	flat to 2%	flat to -3%
Global	-1% to -3%	-1% to -3%	-3% to -6%

Source: LPL Research, Bloomberg

The economic forecasts may not develop as predicted.

All data, views, and forecasts herein are as of 09/04/20.

EQUITY ASSET CLASSES

Improving Outlook for Small Caps

Although markets may be pricing in an overly optimistic economic recovery scenario and recent weakness may be the start of a bigger pullback, we continue to favor stocks over bonds in a low-rate environment and on prospects for an end to the pandemic within our tactical investment time horizon of 6 to 12 months. We have upgraded our view of small cap stocks to neutral to reflect the early-stage bull market and improving relative performance. From a style perspective, we believe growth stocks appear better positioned than value in the near term, but as a more durable economic recovery potentially emerges later this year, value could stage a turnaround. China is leading the way out of the global economic crisis, which we expect to support emerging market equities.

	Sector	Overall View	Relative Trend	Rationale
Market Capitalization	Large Caps			The relatively greater financial strength typically enjoyed by **large cap** companies helps in an uncertain economic environment, but if the economic expansion becomes more durable, we would expect bull market participation to broaden.
	Mid Caps			**Mid caps** enjoy some of the early cycle characteristics of small caps and should perform well in a durable recovery. Mid caps are also more attractively valued than small caps, in our view, though technical trends remain negative and they may struggle if volatility picks up.
	Small Caps			We have upgraded our view of **small caps** to neutral to reflect the early-stage bull market and improving relative performance. If evidence of a more durable economic expansion potentially emerges over the next 6 to 12 months, small caps' chances of keeping up with large caps would improve.
Style	Growth			We maintain our preference for **growth stocks** over their value counterparts from a style perspective, but we remain watchful for a reversal given the magnitude and duration of outperformance. We believe the ability to grow earnings without much help from the economy, more resilient businesses, and generally better balance sheets favor growth.
	Value			As a more durable economic recovery potentially emerges later this year, **value stocks** could stage a turnaround. Valuations of value stocks relative to their growth counterparts are very depressed compared with their history.
Region	United States			Among developed markets, we remain US-focused, but COVID-19, a weak US dollar, and valuations have closed the gap between the United States and the rest of the developed world. The US market has a good sector mix for the current environment in our view, led by mega-cap growth stocks.
	Developed International			We expect economies in **Europe** to contract more than the United States or Japan in 2020 and continue to have structural concerns about the Eurozone. However, movement toward a coordinated fiscal response to COVID-19, potential further US dollar weakness, and attractive relative valuations make a more intriguing case. Bloomberg's consensus forecasts for **Japan** 2020 GDP growth are calling for a smaller contraction than in Europe, supported by a very aggressive stimulus response. However, political uncertainty following Japan Prime Minister Shinzo Abe's resignation and earnings weakness temper our near-term enthusiasm.
	Emerging Markets			**China** has led the way out of the global crisis in terms of containing the virus and reopening its economy. Our positive **emerging markets** view is based on prospects for relatively better economic growth in 2020, attractive valuations, and a weaker US dollar. Our primary concerns are increasing US-China tensions, emerging market's inability to convert economic growth into profits and shareholder value in recent years, political instability, and Brazil's and India's difficulty containing COVID-19.

Trend is measured by relative performance of the index for the past 12 months, minus the most recent month, compared to the other indexes in a particular sector or asset class grouping.

EQUITY SECTORS

Continue to Favor Cyclical Sectors

We continue to favor cyclical sectors in general, but with an emphasis on sectors we think are best positioned for the economic challenges presented by the pandemic, namely communication services, healthcare, and technology. Our August materials upgrade is attributable to a weak US dollar and strong technical momentum. Our neutral view of industrials reflects a relatively weaker earnings outlook and potential underperformance in a pullback, though this sector would be expected to perform relatively well once a more durable economic recovery is in place.

	Sector	Overal View	Relative Trend	S&P	Rationale
Cyclical	Materials			2.6	As China's economy outpaces the rest of the world, metal and agriculture prices have firmed. Beneficiary of weak US dollar and strong housing market. Improved technical analysis trends drove August 2020 upgrade.
	Energy			2.3	Defaults are poised to rise with oil prices still below producers' marginal cost. Reaching a more economical $50 per barrel price may be difficult.
	Industrials			8.1	Significant hits to capital spending have impaired the earnings outlook, richening valuations. Potential outperformer in an eventual durable economic recovery.
	Communication Services			11.2	Several industries benefit from stay-at-home environment. Above-average earnings outlook, fair valuations, and positive technical trend. Regulatory risk for internet companies appears manageable.
	Consumer Discretionary			11.4	E-commerce is thriving, stimulus income replacement helps, and historically this has been a strong early cycle performer, but valuations and exposure to brick-and-mortar retail and travel are concerns.
	Technology			28.2	Strong earnings outlook, benefiting from work-from-home environment, and still reasonable valuations in our view, though the rally may be a bit stretched in the short term.
	Financials			9.8	Difficult environment with the economy contracting, depressed interest rates, and dividends capped. Weakness early in economic cycle is discouraging. Weak technical trends offset attractive valuations.
Defensive	Utilities			2.9	Valuations have become a bit more reasonable, but we expect interest rates to rise and we prefer healthcare or consumer staples for defensive sector exposure.
	Healthcare			13.9	Still-strong healthcare spending outlook, favorable demographics, resilient earnings, and attractive valuations. COVID-19 brings winners and losers but offers upside via biotech. We believe election-related policy concerns are overdone.
	Consumer Staples			7.0	Among the best positioned sectors to ride out the pandemic with attractive yields, relatively resilient revenue streams, and reasonable relative valuations.
	Real Estate			2.7	Fundamentals have deteriorated, particularly for the retail and office areas. Healthcare, technology, and industrial segments appear better positioned for current environment.

Investing in real estate/REITs involves special risks such as potential illiquidity and may not be suitable for all investors. There is no assurance that the investment objectives of this program will be attained.

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.

FIXED INCOME

Limit Rate Sensitivity With Intermediate Focus

We suggest a blend of high-quality intermediate bonds in tactical portfolios. We expect modestly higher long-term rates over the rest of 2020 as economic activity recovers in the second half of the year. Compensation for longer-maturity bonds remains unattractive, in our view, supporting our positive view of MBS. We still see incremental value in corporate bonds over Treasuries, but risks temper our view. We favor municipal bonds as a high-quality option for taxable accounts, although valuations relative to Treasuries have normalized. Economic uncertainty remains elevated for municipalities, and we are biased toward higher-quality issuers.

		Low	Medium	High	Rationale
Positioning	**Credit Quality**		●		Valuations are neutral and economic improvement helps, but uncertainty remains elevated.
		Short	**Int.**	**Long**	
	Duration	●			Extraordinarily low interest rates and prospects of economic acceleration increase interest rate risk, although upward pressure on rates has been limited.

		Neg.	Neutral	Pos.	Rationale
Sectors	**US Treasuries**	●			Yield spreads to international sovereigns remain elevated but have narrowed. Valuations have become very expensive after COVID-19-related demand. TIPS may still offer incremental value over Treasuries.
	MBS			●	Fed buying is supportive, spreads are wider than other quantitative easing (QE) periods, and MBS may provide some resilience if rates rise. Forbearance and refinance metrics have stabilized. Diversifying source of yield among high-quality options.
	Investment-Grade Corporates		●		Risks tempered as economy improves and Fed support a plus, but valuations have moved closer to neutral, Duration continues to extend increasing interest rate risk. High issuance a longer-term concern. Favor high-quality noncyclical issuers.
	Preferred Stocks		●		Higher credit quality among the riskier fixed income options. Bank fundamentals firm prior to pandemic. Can be rate sensitive.
	High-Yield Corporates	●			Valuations approaching neutral, we believe equities have more upside, and high-quality options may be better diversifiers. Defaults expected to continue in more COVID-sensitive sectors. More attractive for income-oriented investors.
	Bank Loans	●			Weaker investor protections and Fed unlikely to raise rates for some time, which may limit investor demand. Defaults expected to continue in more COVID-sensitive sectors.
	Foreign Bonds	●			Rich valuations, interest-rate risk, and potential currency volatility are among the negatives.
	EM Debt		●		Dovish central banks improve the valuation picture and stronger global growth could be supportive, but may be vulnerable to COVID-19-related risk. Liquidity can be an added risk during periods of stress. Positive bias among higher-yielding options.

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 3 and 10 years, and short-term bonds are those with maturities of less than 3 years.

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

Favor Precious Metals

We continue to favor **precious metals**, which are benefiting from safe-haven buying, lower interest rates, and massive stimulus from the Fed. We anticipate further **US dollar** weakness, providing additional potential support for precious metals, particularly **gold**.

Our neutral **industrial metals** view reflects a still-challenging near-term global demand outlook; however, China has been the first major global economy to emerge from the health crisis and is supportive of industrial metals, notably **copper**.

Our **crude oil** outlook remains negative. We expect the next leg of the economic recovery in the United States to be gradual and choppy and for travel to be slow to come back. The US supply overhang may eventually cap gains if oil prices approach production costs in the $50 per barrel range. Domestic crude is disadvantaged by being less levered to China's relatively stronger economy.

ALTERNATIVE INVESTMENTS

Favor Event-Driven Strategies

Event-driven strategies, which remain our preferred alternative investment solution, continued to move higher and benefited from the impressive equity market rally during August. We remain constructive on the outlook for the category, as progress related to a COVID-19 vaccine has helped firms think beyond the current business environment and how to best position over the long term. This forward-looking perspective is further supported by the Fed indicating interest rates will remain near zero potentially for several more years and a generous amount of private equity cash available for deployment, and it should support a healthy merger environment over the next year.

Long/short equity managers have also provided attractive risk-adjusted returns. However, going forward, we would like to see a further reduction in the industry's growth concentration. While this has been the main support for recent performance, we would have a more constructive industry outlook if managers capitalized on the sector-level dispersion to deliver alpha on both the long and short side.

A LOOK BACK AT THE PRIOR MONTH

Economy: Recovery Continues

Economic data released in August reflected continued economic recovery in the United States as COVID-19 cases declined nationally, including in various hotspots in the South and West.

- Conference Board's Leading Economic Index (LEI) increased 1.4% in July, the third straight month of improvement, although the rate of recovery moderated. Gains were driven by growth in average weekly manufacturing hours, weekly jobless claims, and applications for building permits. We remain encouraged by the improvement despite the slower pace of increase and potential for the growth trajectory to level off in the near term.
- Payrolls and Labor. Nonfarm payrolls rose 1.4 million in August, according to the US Bureau of Labor Statistics, roughly in line with expectations but less than the 1.7 million jobs created in July. Over the past four months the economy has added back more than 10 million of the 22 million jobs lost in March and April. The unemployment rate fell 1.8 percentage points to 8.4% and is now more than 6 percentage points below the April peak. The progress is encouraging, but there is still a ways to go.
- Inflation. The core Consumer Price Index accelerated in July, rising 0.6% and registering the largest month-over-month increase since 1991. Producer prices, measured by the core Producer Price Index, rose 0.3% month over month, indicating a modest improvement in pricing power. While inflation expectations appear to be accelerating, reaching the Fed's 2% target may be a long process.
- US Consumer. The Conference Board's Consumer Confidence Index slipped for the second straight month in August, falling to the lowest level since 2014. Both the Present Situations and Expectations indexes declined, reflecting the rise in COVID-19 cases seen in July as well as the expiration of enhanced unemployment benefits on July 31. Retail sales growth moderated in July but remained positive, rising 1.2% with particularly strong growth in auto sales. Looking ahead, spending may moderate in the months ahead as stimulus has faded.
- US Manufacturing remains a bright spot in the recovery, where the Institute for Supply Management (ISM) Index for New Orders climbed to its highest level since 2014. Meanwhile, durable goods orders were notably higher in July, rising 11.2% and more than doubling Bloomberg's estimate of 4.8% on the back of increasing automobile demand. Manufacturing remains firmly in expansionary territory (>50) according to the ISM Purchasing Managers Index (PMI), which rose from 54.2 to 56 in August.
- US Business. Regional Fed surveys declined month over month, but they echoed the expansion in manufacturing conditions. Small business optimism also waned, as respondents to the survey have tempered their expectations of future economic conditions due to the ongoing battle against COVID-19. Capacity utilization continued its climb, however, rising from 68.6% to 70.6%.
- Policy. Negotiations for another pandemic relief bill stalled, with Republicans and Democrats reportedly nearly $1 trillion apart as September began. It is still widely expected that a deal, potentially in the $1–1.5 trillion range, will be reached over the next several weeks. Fed Chair Jerome Powell announced a major policy change of "average inflation targeting," meaning the Fed will be more willing to let inflation run above its 2% target before considering hiking rates. The Fed also has essentially ditched the Phillips curve, which states a robust job market causes inflation.

EQUITIES

Best August Since 1984

Stocks continued their impressive rally in August with a strong 7.2% return for the S&P 500 Index, its fifth straight positive month, and setting several all-time highs along the way. The economic recovery remained on track even as the threat of COVID-19 lingers, while massive stimulus, optimism surrounding vaccine prospects, and a much better than feared earnings season helped support the rally. Over the very volatile first eight months of 2020, the S&P 500 has returned 9.7%.

Style/Capitalization

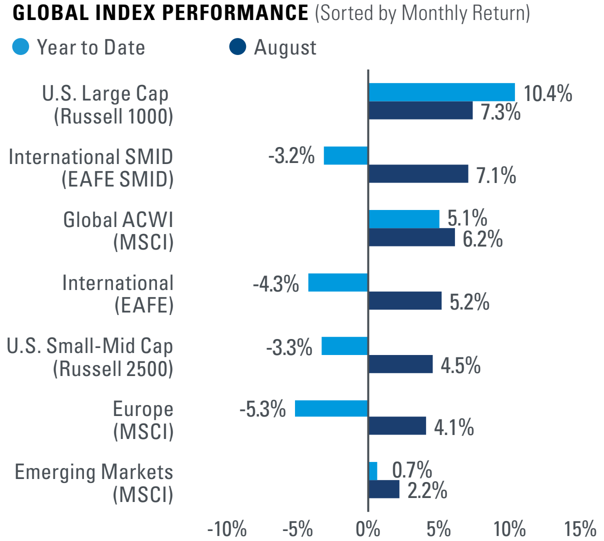
Large cap stocks outperformed **small caps** for the second straight month in August, primarily due to strength in the technology sector. **Mid cap stocks** lagged both large and small caps during the month. Boosted by technology, internet, and Tesla, the **growth style** outpaced **value** for the eleventh straight month. Year to date, growth has outperformed value by more than 40 percentage points.

Global Equities

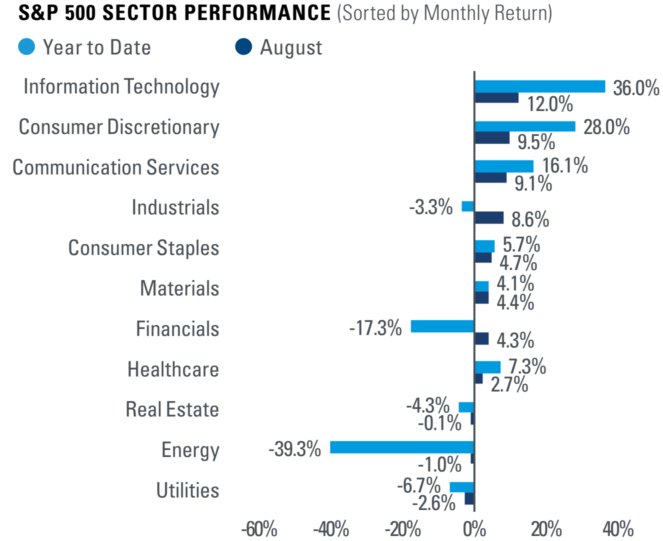
Neither **emerging markets** nor **international developed equities** could keep up with strong August gains in the **United States** despite a weaker US dollar. Developed international came closer, as the MSCI EAFE Index returned 5.2% for the month. Based on the MSCI country indexes, Japan was a strong performer, while the United Kingdom and Switzerland lagged. Year to date, the MSCI EAFE has lost 4.3%.

The MSCI Emerging Markets Index returned 2.2% during the month. **China** was a relatively strong performer as its economy has recovered from the pandemic as quickly as any major economy in the world. **Brazil** and **Taiwan** were among the worst performing emerging market countries. August's gains pushed the MSCI EM Index back into positive territory for the year with a 0.7% year-to-date return.

GLOBAL INDEX PERFORMANCE (Sorted by Monthly Return)



S&P 500 SECTOR PERFORMANCE (Sorted by Monthly Return)



Source: LPL Research, FactSet 08/31/20

Indexes are unmanaged and cannot be invested into directly. Past performance is no guarantee of future results.

Stock investing involves risk, including loss of principal. Because of its narrow focus, sector investing will be subject to greater volatility than investing more broadly across many sectors and companies.

FIXED INCOME

Mixed Performance

Treasury yields finally started to move higher in August as stocks rallied to new record highs. The **10-year Treasury yield** rose 16 basis points (0.16%) for the month to end at 0.70%. The Treasury yield curve steepened, driven by larger increases in rates on the long end of the yield curve.

Rising rates pressured returns in the investment-grade bond market, as shown in the Fixed Income Performance Table. The **Bloomberg Barclays US Aggregate Bond Index** (Agg) declined 0.81% on weakness from corporate bonds and Treasuries, bringing its year-to-date return to a still solid 6.85%. Fiscal and monetary stimulus may be incentivizing investors to consider **TIPS**, as they rallied more than 1% in August. Lower-quality bond sectors also delivered outperformance in fixed income, with **high yield** and **bank loans** topping the Bloomberg Barclays US Aggregate Bond Index during August. Higher-quality **municipal bonds** delivered a negative return for investors during the month, but they held up better than higher-quality taxable bonds; high-yield municipals eked out a modest, positive monthly return and outperformed high-quality municipals.

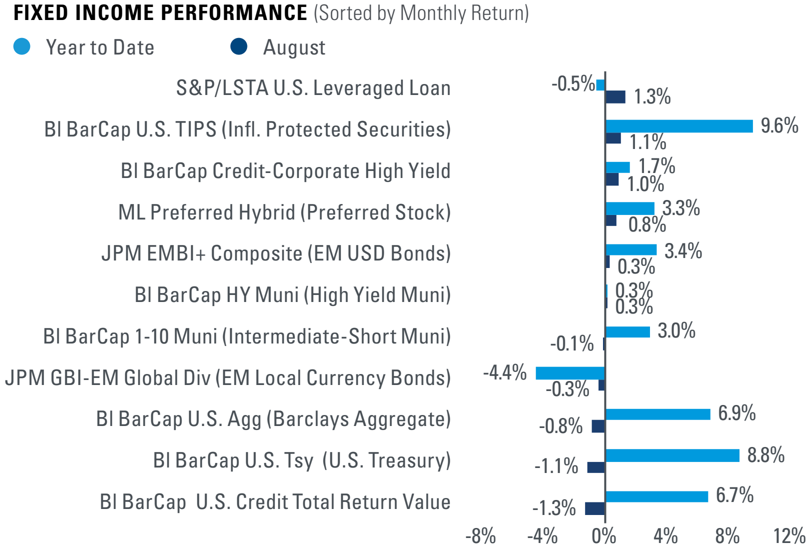
COMMODITIES

Solid Gains Overall

Commodities gained 6.8% in August as measured by the Bloomberg Commodities Index, supported by a weaker US dollar and risk-on market environment. The index remains down 9% year to date.

Commodities tied to improving economic conditions largely performed well, as industrial metals gained across the board with **nickel** leading the pack at 11.4%. **Gold** was little changed after its recent run-up, while **silver** sustained its positive momentum and climbed 17%. **Crude oil** rose slightly, held back by oversupply concerns even amid an incrementally improved demand outlook, while **natural gas** continued its bounce off its June lows, aided by seasonal effects, weather, and strong technical price momentum. Major soft commodities were slightly higher for the month as harvesting season approached.

FIXED INCOME PERFORMANCE (Sorted by Monthly Return)



US Treasury Yields

Security	7/31/20	8/31/20	Change in Yield
3 Month	0.09	0.11	0.02
2 Year	0.11	0.14	0.03
5 Year	0.21	0.28	0.07
10 Year	0.55	0.72	0.17
30 Year	1.20	1.49	0.29

AAA Municipal Yields

Security	7/31/20	8/31/20	Change in Yield
2 Year	0.23	0.25	0.02
5 Year	0.48	0.51	0.03
10 Year	1.04	1.10	0.06
20 Year	1.51	1.61	0.10
30 Year	1.64	1.72	0.08

Source: LPL Research, Bloomberg, FactSet 08/31/20

Indexes are unmanaged and cannot be invested into directly. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. Past performance is no guarantee of future results.

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

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 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.

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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