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August Update | As of July 31, 2015

JULY 2015 IN REVIEW

ECONOMY:

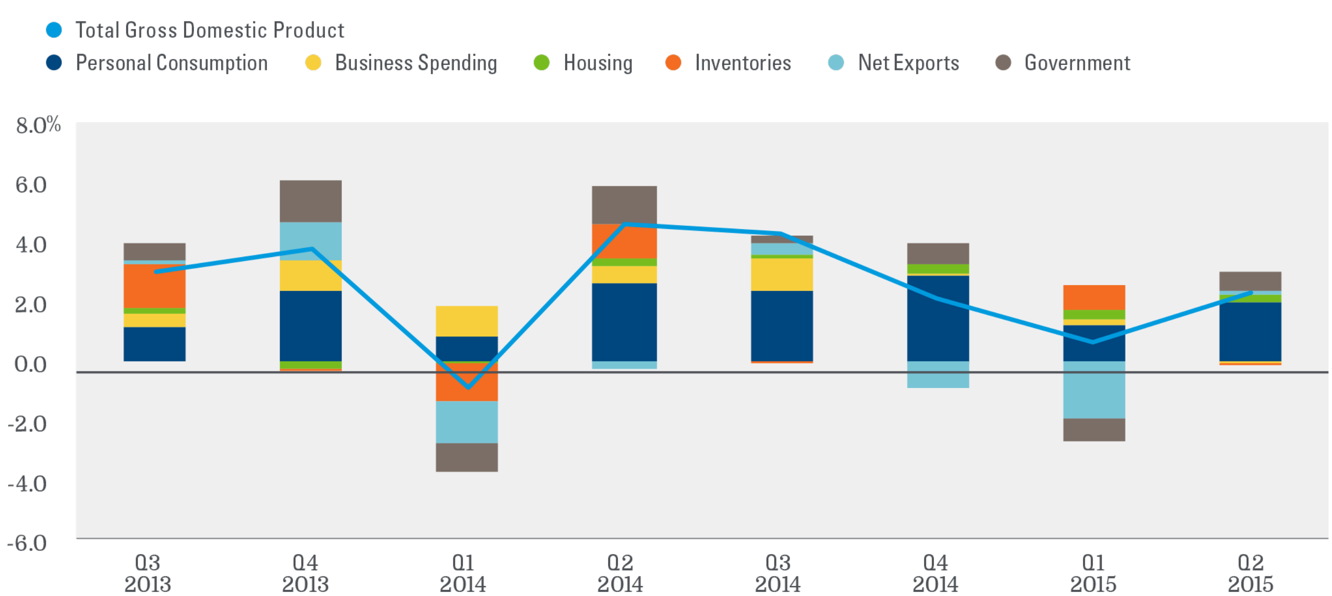
STILL WAITING FOR SPRING SNAPBACK

Economic Data

Economic headlines in July were dominated by global risk hotspots (Greece, China) and falling commodity prices, but behind the headlines, U.S. economic data told a story of slow but steady economic improvement. The headline economic report for July was the first estimate of Q2 2015 gross domestic product (GDP), which came in at 2.3% annualized growth. While below the consensus expectation of +2.5%, Q1 was also revised substantially higher (from -0.2% to +0.6%), offsetting the miss. Consumer spending, especially on goods, and export activity made large positive contributions to GDP growth compared with Q1, while spending on inventories detracted. As is the case every July, the Bureau of Economic Analysis (BEA) released revised GDP data going back to the start of 2012. Average GDP growth was revised lower from +2.2% to +2.0% for the period, indicating more slack in the economy than previously thought.

Other broad measures of economic activity released in July were generally upbeat. The Chicago Federal Reserve's (Fed) National Activity Index, a coincident indicator that aggregates 85 monthly economic data points, signaled economic activity climbed above the long-term trend for the first time this year in June. Looking forward, the Conference Board's Leading Economic Index (LEI) continued to advance at a healthy clip of 5.5% year over year, a rate that has historically been associated with only about a 5% chance of a recession starting in the next year versus 15% for a random date. The largest positive contributors to the LEI were the yield curve, building permits, and consumer expectations of business conditions. Citi's Economic Surprise Index, a real-time measure of how economic data compared with economists' expectations, also continued to improve, rising for the third consecutive month, an indication that economic data are coming in-line with expectations.

CONTRIBUTION TO PERCENT CHANGE IN GDP (ANNUALIZED)

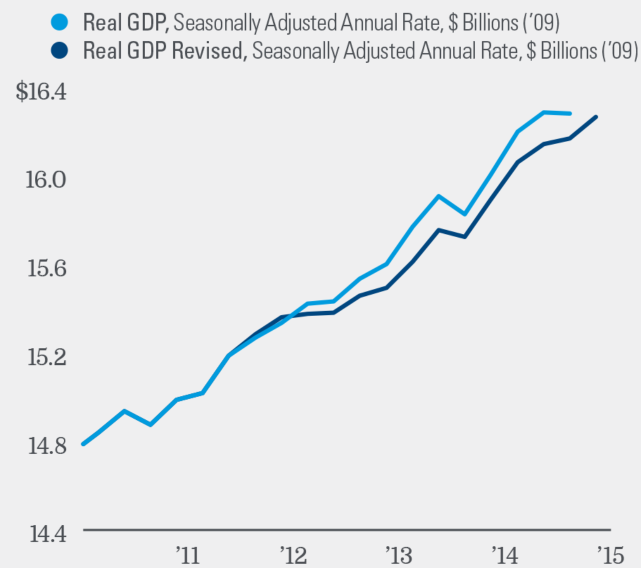


Source: LPL Research, Bureau of Economic Analysis 7/31/15

Labor market data in July were mixed but the overall trend points to continued improvement. On the positive side, the economy added a solid 223,000 jobs in June (slightly missing expectations), the unemployment rate ticked down to 5.3%, and new claims for unemployment fell to a 42-year low for the week ending July 18 (seasonal factors likely contributing). However, job creation in the prior two months was reduced by a total of 60,000 and the Bureau of Labor Statistics' Employment Cost Index (ECI), a measure of total employee compensation, rose only 0.2% in the second quarter, the lowest rate of quarterly growth in the 33-year history of the report. Year-over-year growth for the ECI was still near 2.0%, in-line with where it has been for most of the current expansion.

Business activity indicators were likewise mixed but with a positive tilt. The Institute for Supply Management's (ISM) Purchasing Managers' Index (PMI) for manufacturing came in at 53.5 in June, which was better than expected (53.2) and an acceleration from May's 52.8 reading. The report suggests that the effects of a strong dollar and weak energy capital expenditures lingered into Q2, but that the outlook for manufacturing in the second half of the year is brighter. The ISM PMI has now accelerated for three consecutive months. ISM's non-manufacturing composite missed expectations (56.0 versus expectations of 56.4), but still accelerated from the prior month at a solid level of growth. Industrial production data for June provided an upside surprise, rising for the first time this year, with capacity utilization also picking up, but the manufacturing component had weakened.

GDP BEFORE AND AFTER JULY 30, 2015 REVISIONS



Source: LPL Research, Bureau of Economic Analysis, Haver Analytics 07/31/15

Central Banks

Central bank activity in July also reflected the negative impact of falling commodity prices on some countries. The central bank of Canada, the largest trading partner of the U.S., lowered rates on a weakened outlook due to lower energy prices and their knock-on effects. The central bank of New Zealand, another commodity-sensitive economy, also lowered rates, but Brazil's central bank raised rates to combat inflation and loose fiscal policy.

The Fed largely maintained the status quo in its policy statement following the July 28–29 meeting of its policy arm, the Federal Open Market Committee (FOMC). There was no added indication that the Fed was eyeing September for its first rate hike, but the language of the statement tilted slightly more positive about the state of the economy. Committee approval of the statement was unanimous for the fifth consecutive meeting.

GLOBAL EQUITIES:

COMMODITY DECLINES HIT ENERGY & MATERIALS SECTORS, WEIGH ON EMERGING MARKETS

U.S.

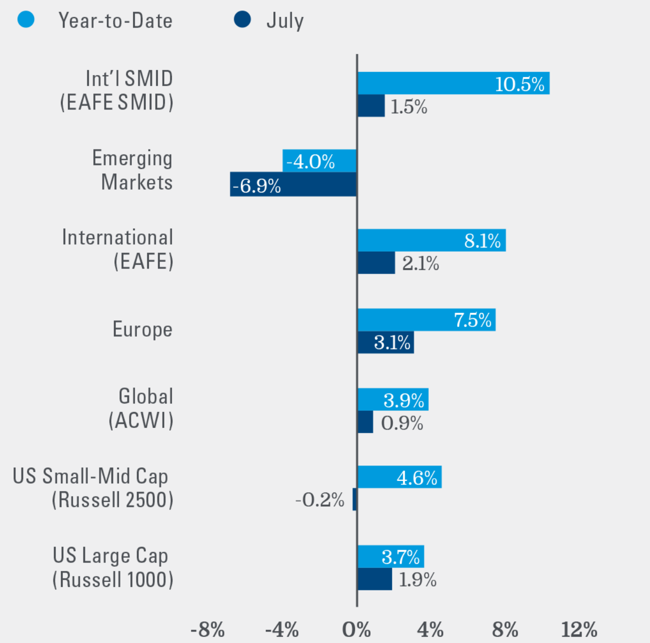
U.S. equity markets had a solid July, with the S&P 500 returning 2.1%. Markets spent the month vacillating between concerns about headline risk from China, Greece, and commodities, on the one hand, and improved confidence in fundamentals as the bulk of Q2 2015 earnings rolled in.

The month was a bit of a roller coaster ride, although it was mostly a kiddie coaster with the S&P 500 only posting two days with losses of more than 1%. The S&P 500 hit its low for the month on July 8, which was still less than a 4% pullback from the May 21, 2015, all-time closing high. Well-received early earnings results and a relief rally following forward progress on Greece, as well as Chinese intervention in its sharply falling markets, helped the S&P 500 rally to near all-time highs on July 20, but commodity weakness and some disappointing headline earnings results then drove a five-session losing streak. Markets rallied again heading into month end as earnings continued to surprise to the upside and concerns about the impact of China's losses on U.S. markets subsided.

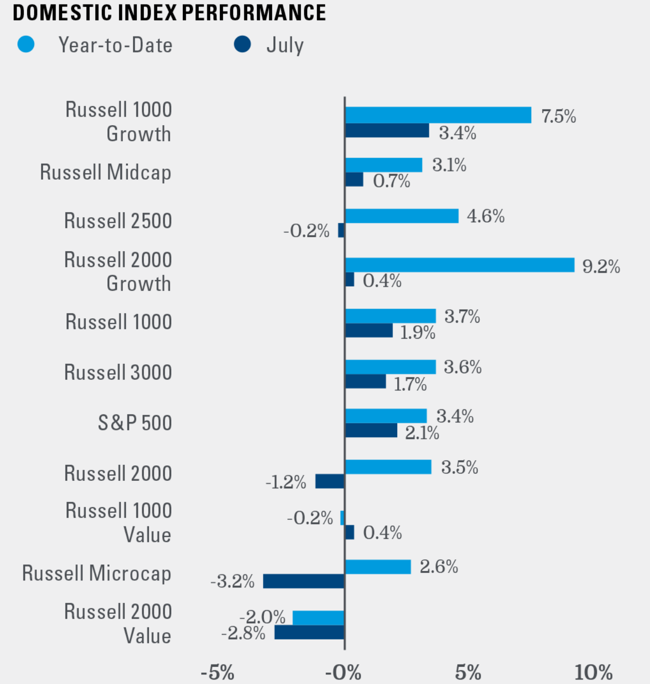
Rallies were supported by a strong earnings season compared with initial expectations. As of the end of July, over 70% of the S&P 500 constituents reported Q2 2015 earnings, and expected earnings growth for the quarter stood at +0.9% year over year, a substantial improvement from the -3.0% expected as of the end of the second quarter. The strongest earnings surprises came in the consumer discretionary, utilities, and healthcare sectors. Not surprisingly, the performance of all three sectors outpaced the S&P 500 in July. Upside earnings surprises, however, were broad based, with every sector except energy tracking ahead of prior quarter end estimates as of month end.

Falling interest rates gave the more defensive, interest rate–sensitive sectors the upper hand in July, with utilities and consumer staples topping the sector performance rankings. Nevertheless, growth still soundly outperformed value across all major market

GLOBAL INDEX PERFORMANCE



DOMESTIC INDEX PERFORMANCE



Source: LPL Research, FactSet 07/31/15

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.

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

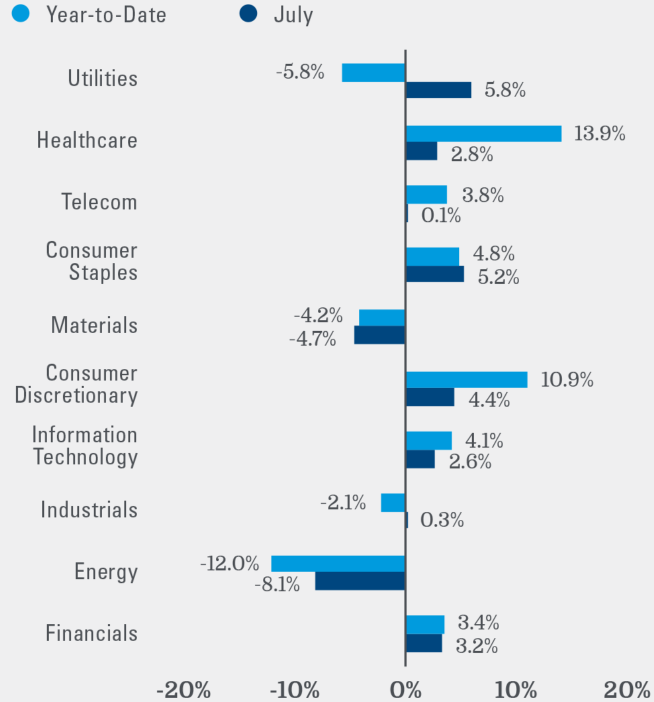
cap categories, as measured by the Russell 1000 (large cap), Russell 2000 (small cap), Russell Midcap Indexes, and their growth and value subindexes, as investors continued to seek growth opportunities in a low-growth world. Large cap also outperformed small across styles as measured by the same indexes, helped by relative valuations, the ability to maintain or improve margins, and some credit concerns among small caps as commodity prices fell.

International Developed/Emerging Markets

As was the case in June, Greece and China dominated the headline risk for international markets in July. China's large cap "A-shares," fell over 30% in under a month between June 12 and July 8, 2015, as measured by the Shanghai Composite. (A-shares are locally listed stocks that international investors have very limited access to.) Despite rallying mid-month as the government deployed a wide range of, at times, radical measures to try to stabilize markets, the Shanghai finished the month near its closing lows. While China's stock market volatility provided little new information about its overall economy, it did reignite some concerns about China's future growth path, creating some market contagion for commodity-producing emerging markets on demand worries. Overall, the MSCI Emerging Markets Index had a dismal month with a nearly 7% loss.

Performance in international developed markets mirrored the U.S. with a nearly identical 2.1% return, as measured by the MSCI EAFE Index. Europe's gains were stronger than Japan's, with a more robust bounce back on progress in Greece and less close (but still significant) trading ties to China.

RUSSELL 1000 SECTOR PERFORMANCE



Source: LPL Research, FactSet 07/31/15

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

FIXED INCOME:

INTEREST RATES FALL AMID GROWTH CONCERNS

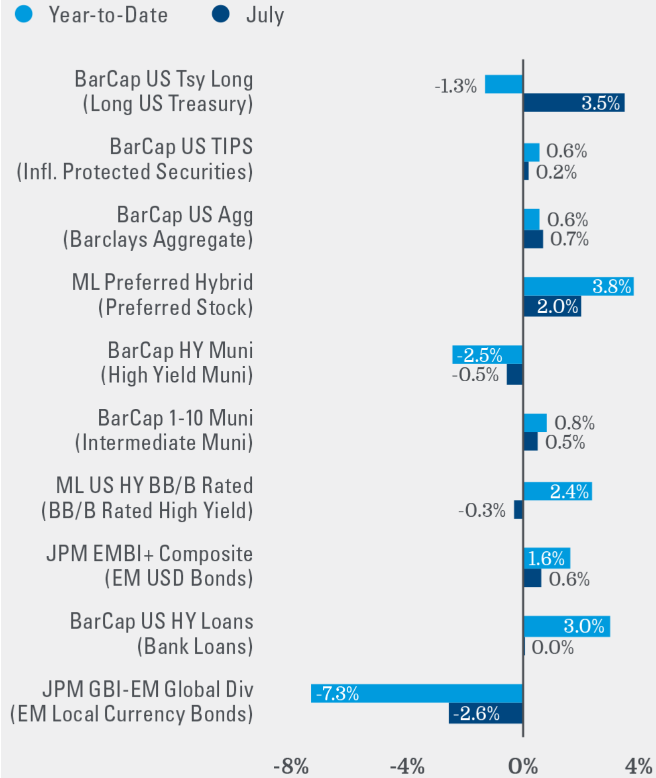
Interest rates fell modestly during July, with the 10-year Treasury yield falling from 2.4% at the end of June to 2.2% at the end of July. The backdrop of falling interest rates was a tailwind for fixed income, and July was a broadly positive month as a result. The overall bond market, represented by the Barclays Aggregate, gained 0.7% during the month, while Treasuries returned 0.8%. Falling interest rates favored long-term debt over short-term debt.

Higher credit quality also outperformed lower quality — high-yield was the only major bond sector that was negative for the month, returning -0.6%. After months of relative stability, renewed weakness in the price of oil led to pressures in high-yield energy, which weighed on high-yield overall.

Investment-grade corporates slightly underperformed the broader bond market, returning 0.6% during July. Investors demanded a yield premium on heavy new issuance, which weighed on the sector. Preferred securities were a standout on the positive side, returning 2.0% during July. The sector was aided by its interest rate sensitivity.

The yield curve flattened over the month, with long-term rates falling and shorter-term rates rising. Domestic economic data were moderate over the month, which slightly tempered the market's optimism about economic growth. The July Fed meeting reiterated the Fed's intention to raise interest rates in late 2015, which helped raise short-term interest rates. Mild concerns over the impact of the rate hike on the pace of domestic economic growth added to growth worries and helped pressure long-term rates downward.

FIXED INCOME PERFORMANCE



US TREASURY YIELDS

Security	6/30/15	7/31/15	Change in Yield
3 Month	0.01	0.08	0.07
2 Year	0.64	0.67	0.03
5 Year	1.63	1.54	-0.09
10 Year	2.35	2.20	-0.15
30 Year	3.11	2.92	-0.19

AAA MUNICIPAL YIELDS

Security	6/30/15	7/31/15	Change in Yield
2 Year	0.66	0.66	0.00
5 Year	1.45	1.40	-0.05
10 Year	2.47	2.40	-0.07
20 Year	3.91	3.82	-0.09
30 Year	4.60	4.53	-0.07

Source: LPL Research, Bloomberg, FactSet 07/31/15

Indexes are unmanaged and cannot be invested into directly. 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.

ALTERNATIVES:

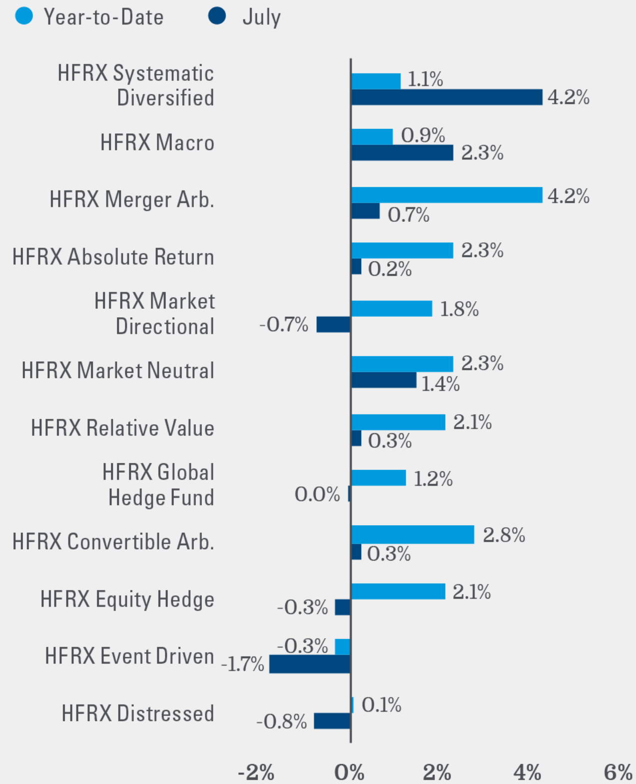
MACRO STRATEGIES RECOUP LOSSES

After encountering a difficult June market environment, macro-related strategies were able to stage a compelling comeback during July, as the HFRX Macro Index and HFRX Systematic Diversified CTA Index returned 2.3% and 4.2%, respectively, bringing year-to-date performance back into positive territory. While short commodity and long fixed income contract positioning acted as a significant headwind during the second quarter, managers who maintained positions in the longer-term trend were rewarded during the month. As crude oil, copper, wheat, coffee, and corn contracts all saw losses, the Barclay's Aggregate provided moderate gains.

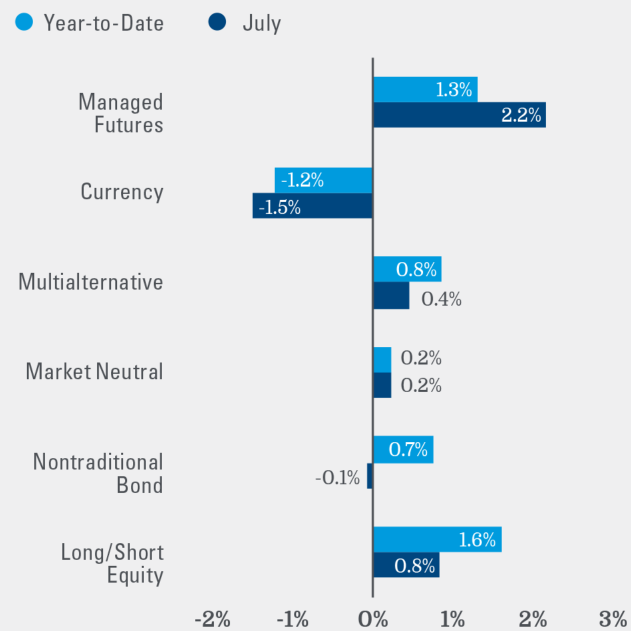
Event driven strategies faced their second straight monthly decline, as energy and broad commodity-related exposure drove the HFRX Event Driven Index down 1.7%. A positive in this category were the merger arbitrage–focused strategies, as merger activity, specifically in healthcare, continues to flourish. The HFRX Event Driven: Merger Arbitrage Index continues to lead all alternative indexes with a year-to-date gain of 4.2%. With regard to equity related strategies, equity market neutral managers saw a second straight impressive month, as the HFRX Equity Market Neutral Index delivered a gain of 1.4% with a beta of only 0.22. Capture ratios in these strategies were also notable, as managers in the space participated in roughly 30% of the broader market gains, while only experiencing 15% of the losses. More directional long/short managers, specifically those with small cap and value tilts, produced losses, as the HFRX Equity Hedge fell 0.3%.

In aggregate, the year-to-date performance in the alternative investment space is indicative of an improved market environment for these strategies. The broad-based HFRX Global Hedge Fund Index, which is designed to be representative of the overall hedge fund universe, returned 1.2% through the end of July, with a beta of only 0.22, as compared with the 3.4% total return of the S&P.

HFRX INDEX PERFORMANCE



MORNINGSTAR INDEX PERFORMANCE



Source: LPL Research, FactSet 07/31/15

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

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

LIQUID REAL ASSETS DECLINE AGAIN

Liquid real assets (LRA) lost ground again in July, with the sole bright spot being real estate investment trusts (REIT). Oil was dramatically lower and the dollar was stronger, both factors that contributed to the overall weakness. Certain yield assets benefited due to lower rates.

MLPs & Global Listed Infrastructure

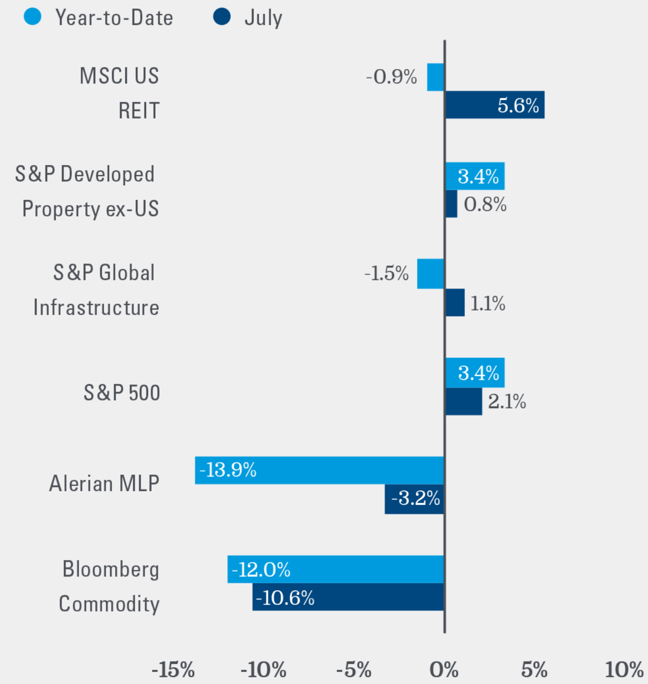
Master limited partnerships (MLP) suffered through another month of poor performance, while investors braced for "lower for longer" oil prices as well as an interest rate hike by the Fed. The Alerian MLP Index fell 3.2%, underperforming the S&P 500's return by 530 basis points (5.3%). July marks the fifth month of negative returns for the index in 2015 and the sixth month of underperformance relative to the S&P 500. On the fundamental side, there were no announced midstream MLPs distribution cuts for the second quarter. The number of increases in distributions has outnumbered unchanged distributions, which bodes well for the group.

Global infrastructure's performance steadied after a rough June and was up slightly for the month, returning 1.1% (S&P Global Infrastructure Index). Energy infrastructure detracted from performance while utilities contributed positively with a backdrop of lower interest rates. Asia and emerging markets infrastructure stocks collectively were lower for the month.

REITs

U.S. REITs enjoyed a strong month while benefiting from lower interest rates. The MSCI U.S. REIT Index gained 5.6% during July. The index bucked a three-month downward trend, but is still negative for the year. Hotel and resort REITs were the only soft spot to be found, both posting negative returns. Industrial and retail REITs proved particularly strong, significantly outpacing the index overall.

LIQUID REAL ASSET PERFORMANCE



Source: LPL Research, FactSet 07/31/15

Commodities

Commodities were hit hard in July, seeing a negative impact both from a stronger dollar as well as idiosyncratic downside catalysts. The Bloomberg Commodity Index declined 10.6% for the month. Laggards included oil and Chicago wheat. Oil was impacted by the Iran nuclear deal, which provoked concerns about a potential increase of supply in a market already floundering due to supply and demand imbalance. Cooperative weather brought wheat prices back down to earth after having increased significantly since mid-June.

Precious metals, although not having as bad a month as the Bloomberg Commodity Index overall, fell significantly as well. Gold was negatively impacted by the potential of an impending interest rate hike and a relatively low level of global macroeconomic volatility compared with recent months.

IMPORTANT DISCLOSURES

The opinions voiced in this material are for general information only and are not intended to provide or be construed as providing specific investment advice or recommendations for your clients. Any economic forecasts set forth in the presentation may not develop as predicted and there can be no guarantee that strategies promoted will be successful. There is no assurance that the techniques and strategies discussed are suitable for all investors or will yield positive outcomes. The purchase of certain securities may be required to affect some of the strategies.

Stock and Pooled Investment Risks

There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not ensure against market risk.

Investments in specialized industry sectors have additional risks, which are outlined in the prospectus. Please read the fund's prospectus for more information on risks, fees, and other important information.

Bond and Debt Equity Risks

Government bonds and Treasury bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.

High-yield/junk bonds are not investment-grade securities, involve substantial risks, and generally should be part of the diversified portfolio of sophisticated investors.

Investing in foreign and emerging markets debt securities involves special additional risks. These risks include, but are not limited to, currency risk, geopolitical and regulatory risk, and risk associated with varying settlement standards.

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

Treasury Inflation-Protected Securities (TIPS) help eliminate inflation risk to your portfolio, as the principal is adjusted semiannually for inflation based on the Consumer Price Index (CPI)— while providing a real rate of return guaranteed by the U.S. government. However, a few things you need to be aware of is that the CPI might not accurately match the general inflation rate; so the principal balance on TIPS may not keep pace with the actual rate of inflation. The real interest yields on TIPS may rise, especially if there is a sharp spike in interest rates. If so, the rate of return on TIPS could lag behind other types of inflation-protected securities, like floating rate notes and T-bills. TIPS do not pay the inflation-adjusted balance until maturity, and the accrued principal on TIPS could decline, if there is deflation.

Alternative Risks

Currency risk is a form of risk that arises from the change in price of one currency against another. Whenever investors or companies have assets or business operations across national borders, they face currency risk if their positions are not hedged.

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

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.

Investing in MLPs involves additional risks as compared with the risks of investing in common stock, including risks related to cash flow, dilution, and voting rights.

MLPs may trade less frequently than larger companies due to their smaller capitalizations, which may result in erratic price movement or difficulty in buying or selling. MLPs are subject to significant regulation and may be adversely affected by changes in the regulatory environment, including the risk that an MLP could lose its tax status as a partnership. Additional management fees and other expenses are associated with investing in MLP funds.

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Long/short equity funds are subject to normal alternative investment risks, including potentially higher fees; while there is additional management risk, as the manager is attempting to accurately anticipate the likely movement of both their long and short holdings. There is also the risk of "beta-mismatch," in which long positions could lose more than short positions during falling markets.

Global macro strategies attempt to profit from anticipated price movements in stock markets, interest rates, foreign exchange and physical commodities. Global macro risks include but are not limited to imperfect knowledge of macro events, divergent movement from macro events, loss of principal, and related geopolitical risks.

Event driven strategies, such as merger arbitrage, consist of buying shares of the target company in a proposed merger and fully or partially hedging the exposure to the acquirer by shorting the stock of the acquiring company or other means. This strategy involves significant risk as events may not occur as planned and disruptions to a planned merger may result in significant loss to a hedged position.

DEFINITIONS

Different agencies employ different rating scales for credit quality. Standard & Poor's (S&P) and Fitch both use scales from AAA (highest) through AA, A, BBB, BB, B, CCC, CC, C to D(lowest). Moody's uses a scale from Aaa (highest) through Aa, A, Baa, Ba, B, Caa, Ca to C (lowest).

The Citigroup Economic Surprise Index is an objective and quantitative measure of economic news. It is defined as weighted historical standard deviations of data surprises (actual releases versus Bloomberg survey median). A positive reading of the Economic Surprise Index suggests that economic releases have on balance beaten consensus. The index is calculated daily in a rolling three-month window.

The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

The Employment Cost Index (ECI) measures the change in the cost of labor, free from the influence of employment shifts among occupations and industries and is published by the Bureau of Labor Statistics.

The monthly jobs report (known as the employment situation report) is a set of labor market indicators based on two separate surveys distributed in one monthly report by the U.S. Bureau of Labor Statistics (BLS). The report includes the unemployment rate, non-farm payroll employment, the average number of hours per week worked in the non-farm sector, and the average basic hourly rate for major industries.

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.

The Leading Economic Indicators (LEI) Index is a measure of economic variables, such as private-sector wages, that tends to show the direction of future economic activity.

The S&P/Case-Shiller home price index tracks monthly changes in the value of residential real estate in 20 metropolitan regions across the U.S. The composite indexes and the regional indexes are seen by the markets as measuring changes in existing home prices and are based on single-family home re-sales.

Purchasing Managers' Indexes (PMI) are economic indicators derived from monthly surveys of private sector companies, and are intended to show the economic health of the manufacturing sector. A PMI of more than 50 indicates expansion in the manufacturing sector, a reading below 50 indicates contraction, and a reading of 50 indicates no change. The two principal producers of PMIs are Markit Group, which conducts PMIs for over 30 countries worldwide, and the Institute for Supply Management (ISM), which conducts PMIs for the US.

Beta measures a portfolio's volatility relative to its benchmark. A Beta greater than 1 suggests the portfolio has historically been more volatile than its benchmark. A Beta less than 1 suggests the portfolio has historically been less volatile than its benchmark.

INDEX DEFINITIONS

The **Alerian MLP Index** is a composite of the 50 most prominent energy master limited partnerships that provides investors with an unbiased, comprehensive benchmark for this emerging asset class. The index, which is calculated using a float-adjusted, capitalization-weighted methodology, is disseminated in real time on a price-return basis (NYSE: AMZ) and on a total-return basis (NYSE: AMZX).

The **Barclays U.S. Aggregate Bond Index** is a broad-based flagship benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS, and CMBS (agency and non-agency).

The **Barclays U.S. Aggregate Securitized MBS Index** tracks agency mortgage backed pass-through securities (both fixed-rate and hybrid (ARM) guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

The **Barclays Capital High Yield Index** covers the universe of publicly issued debt obligations rated below investment grade. Bonds must be rated below investment grade or high yield (Ba1/BB+ or lower), by at least two of the following ratings agencies: Moody's, S&P, and Fitch. Bonds must also have at least one year to maturity, have at least $150 million in par value outstanding, and must be U.S. dollar denominated and nonconvertible. Bonds issued by countries designated as emerging markets are excluded.

The **Barclays Corporate Investment Grade Credit Index** is a broad-based benchmark that measures the investment-grade, U.S. dollar-denominated, fixed rate, taxable corporate bond market. It includes USD-denominated securities publicly issued by U.S. and non-U.S. industrial, utility, and financial issuers that meet specified maturity, liquidity, and quality requirements.

The **Barclays U.S. High-Yield Loan Index** tracks the market for dollar-denominated floating-rate leveraged loans. Instead of individual securities, the U.S. High- Yield Loan Index is composed of loan tranches that may contain multiple contracts at the borrower level.

The **Barclays Municipal High Yield Bond Index** is comprised of bonds with maturities greater than one year, having a par value of at least $3 million issued as part of a transaction size greater than $20 million, and rated no higher than 'BB+' or equivalent by any of the three principal rating agencies. (The long and the short wzare subindexes of the Municipal Bond Index, based on duration length.)

The **Barclays U.S. TIPS Index** is a rules-based, market value-weighted index that tracks Inflation-Protected Securities issued by the U.S. Treasury. The U.S. TIPS Index is a subset of the Global Inflation-Linked Index, with a 36% market value weight in the index (as of December 2007), but is not eligible for other nominal treasury or aggregate indexes In order to prevent the erosion of purchasing power, TIPS are indexed to the nonseasonally adjusted Consumer Price Index for All Urban Consumers, or the CPI-U (CPI).

The **Barclays U.S. Treasury Index** is an unmanaged index of public debt obligations of the U.S. Treasury with a remaining maturity of one year or more. The index does not include T-bills (due to the maturity constraint), zero coupon bonds (strips), or Treasury Inflation-Protected Securities (TIPS). (The long and the intermediate are subindexes of the U.S. Treasury Index, based on duration length.)

The **Bloomberg Commodity Index** is calculated on an excess return basis and composed of futures contracts on 22 physical commodities. It reflects the return of underlying commodity futures price movements.

The **BofA Merrill Lynch BB-B U.S. High Yield Constrained Index** contains all securities in the BofA Merrill Lynch US High Yield Index rated BB+ through B- by S&P (or equivalent as rated by Moody's or Fitch), but caps issuer exposure at 2%. Index constituents are capitalization-weighted, based on their current amount outstanding, provided the total allocation to an individual issuer does not exceed 2%.

The **BofA Merrill Lynch U.S. Convertibles Ex-Mandatory Index** is a rule-driven Index designed to capture the organic evolution of the U.S. convertible market and adjust automatically based on any changes in the market such as size of the market, industry skew, structure popularity, issuer size or equity sensitivity. The index rules include issues: U.S. dollar denominated greater than $50M in aggregate market value that are publicly traded (including 144A) in the U.S. market but are not currently in bankruptcy. Exclusions are synthetic convertibles and mandatory convertibles.

The **Dow Jones Industrial Average Index** is comprised of U.S.-listed stocks of companies that produce other (non-transportation and non-utility) goods and services. The Dow Jones industrial averages are maintained by editors of The Wall Street Journal. While the stock selection process is somewhat subjective, a stock typically is added only if the company has an excellent reputation, demonstrates sustained growth, is of interest to a large number of investors, and accurately represents the market sectors covered by the average. The Dow Jones averages are unique in that they are price weighted; therefore, their component weightings are affected only by changes in the stocks' prices.

The **Dow Jones U.S. Select REIT Index** (formerly the DJ Wilshire REIT) intends to measure the performance of publicly traded REITs and REIT-like securities. The index is a subset of the Dow Jones U.S. Select Real Estate Securities Index (RESI), which represents equity REITs and real estate operating companies (REOCs) traded in the U.S. The indices are designed to serve as proxies for direct real estate investment, in part by excluding companies whose performance may be driven by factors other than the value of real estate.

The **HFRX Absolute Return Index** is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies; including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage.

The **HFRX Distressed Restructuring Index** strategies employ an investment process focused on corporate fixed income instruments, primarily on corporate credit instruments of companies trading at significant discounts to their value at issuance or obliged (par value) at maturity as a result of either formal bankruptcy proceeding or financial market perception of near term proceedings. Managers are typically actively involved with the management of these companies, frequently involved on creditors' committees in negotiating the exchange of securities for alternative obligations, either swaps of debt, equity, or hybrid securities. Managers employ fundamental credit processes focused on valuation and asset coverage of securities of distressed firms; in most cases portfolio exposures are concentrated in instruments that are publicly traded, in some cases actively and in others under reduced liquidity, but in general for which a reasonable public market exists. In contrast to special situations, distressed strategies employ primarily debt (greater than 60%) but also may maintain related equity exposure.

The **HFRX Equity Hedge Index**, also known as long/short equity, combines core long holdings of equities with short sales of stock or stock index options. Equity hedge portfolios may be anywhere from net long to net short, depending on market conditions. Equity hedge managers generally increase net long exposure in bull markets and decrease net long exposure (or even are net short) in a bear market. Generally, the short exposure is intended to generate an ongoing positive return in addition to acting as a hedge against a general stock market decline. Stock index put options are also often used as a hedge against market risk. Profits are made when long positions appreciate and stocks sold short depreciate. Conversely, losses are incurred when long positions depreciate or the value of stocks sold short appreciates. Equity hedge managers' source of return is similar to that of traditional stock pickers on the upside, but they use short selling and hedging to attempt to outperform the market on the downside.

The **HFRX Equity Market Neutral Index** strategies employ sophisticated quantitative techniques of analyzing price data to ascertain information about future price movement and relationships between securities, select securities for purchase and sale. These can include both factor-based and statistical arbitrage/trading strategies. Factor-based investment strategies include strategies in which the investment thesis is predicated on the systematic analysis of common relationships between securities. In many but not all cases, portfolios are constructed to be neutral to one or multiple variables, such as broader equity markets in dollar or beta terms, and leverage is frequently employed to enhance the return profile of the positions identified. Statistical arbitrage/trading strategies consist of strategies in which the investment thesis is predicated on exploiting pricing anomalies that may occur as a function of expected mean reversion inherent in security prices; high frequency techniques may be employed and trading strategies may also be employed on the basis on technical analysis or opportunistically to exploit new information the investment manager believes has not been fully, completely, or accurately discounted into current security prices. Equity market neutral strategies typically maintain characteristic net equity market exposure no greater than 10% long or short.

The **HFRX Event Driven Index** managers maintain positions in companies currently or prospectively involved in corporate transactions of a wide variety, including but not limited to mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance, or other capital structure adjustments. Security types can range from most senior in the capital structure to most junior or subordinated, and frequently involve additional derivative securities. Event driven exposure includes a combination of sensitivities to equity markets, credit markets and idiosyncratic, company-specific developments. Investment theses are typically predicated on fundamental characteristics (as opposed to quantitative), with the realization of the thesis predicated on a specific development exogenous to the existing capital structure.

The **HFRX Global Hedge Fund Index** is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies, including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage. The strategies are asset weighted based on the distribution of assets in the hedge fund industry.

The **HFRX Macro Index** strategy managers trade a broad range of strategies in which the investment process is predicated on movements in underlying economic variables and the impact these have on equity, fixed income, hard currency, and commodity markets. Managers employ a variety of techniques, both discretionary and systematic analysis, combinations of top-down and bottom-up theses, quantitative and fundamental approaches, and long- and short-term holding periods. Although some strategies employ RV techniques, macro strategies are distinct from RV strategies in that the primary investment thesis is predicated on predicted or future movements in the underlying instruments, rather than realization of a valuation discrepancy between securities. In a similar way, while both macro and equity hedge managers may hold equity securities, the overriding investment thesis is predicated on the impact movements in underlying macroeconomic variables may have on security prices, as opposed to EH, in which the fundamental characteristics on the company are the most significant and integral to investment thesis.

The **HFRX Macro: Systematic Diversified CTA Index** strategies have investment processes typically as function of mathematical, algorithmic, and technical models, with little or no influence of individuals over the portfolio positioning. Strategies employ an investment process designed to identify opportunities in markets exhibiting trending or momentum characteristics across individual instruments or asset classes. Strategies typically employ a quantitative process that focuses on statistically robust or technical patterns in the return series of the asset, and they typically focus on highly liquid instruments and maintain shorter holding periods than either discretionary or mean reverting strategies. Although some strategies seek to employ counter trend models, strategies benefit most from an environment characterized by persistent, discernible trending behavior. Systematic diversified strategies typically would expect to have no greater than 35% of the portfolio in either dedicated currency or commodity exposures over a given market cycle.

The **HFRX Market Directional Index** is comprised of all eligible hedge fund strategies, including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage. As a component of the optimization process, the index selects constituents which characteristically exhibit higher volatilities and higher correlations to standard directional benchmarks of equity, bond market, and hedge fund industry.

The **HFRX Merger Arbitrage Index** strategies employ an investment process primarily focused on opportunities in equity and equity-related instruments of companies that are currently engaged in a corporate transaction. Merger arbitrage involves primarily announced transactions, typically with limited or no exposure to situations that pre- or post-date, or situations in which no formal announcement is expected to occur. Opportunities are frequently presented in cross border, collared, and international transactions that incorporate multiple geographic regulatory institutions, with typically involve minimal exposure to corporate credits.Merger arbitrage strategies typically have over 75% of positions in announced transactions over a given market cycle.

The **HFRX Relative Value Arbitrage Index** includes managers who maintain positions in which the investment thesis is predicated on the realization of a valuation discrepancy in the relationship between multiple securities. Managers employ a variety of fundamental and quantitative techniques to establish investment theses, and security types range broadly across equity, fixed income, derivative, or other security types. Fixed income strategies are typically quantitatively driven to measure the existing relationship between instruments and, in some cases, identify attractive positions in which the risk adjusted spread between these instruments represents an attractive opportunity for the investment manager. RV position may be involved in corporate transactions also, but as opposed to ED exposures, the investment thesis is predicated on the realization of a pricing discrepancy between related securities, as opposed to the outcome of the corporate transaction.

The **HFRX RV: FI-Convertible Arbitrage Index** includes strategies in which the investment thesis is predicated on realization of a spread between related instruments in which one or multiple components of the spread is a convertible fixed income instrument. Strategies employ an investment process designed to isolate attractive opportunities between the price of a convertible security and the price of a non-convertible security, typically of the same issuer. Convertible arbitrage positions maintain characteristic sensitivities to credit quality the issuer, implied and realized volatility of the underlying instruments, levels of interest rates and the valuation of the issuer's equity, among other more general market and idiosyncratic sensitivities.

The **J.P. Morgan GBI Global ex-U.S. Hedged Index** tracks fixed rate issuances from high-income countries spanning the globe, launched in 1989.

The **JPM GBI Global ex-U.S. Unhedged Index** generally tracks fixed rate issuances form high-income countries spanning North America, Europe, and Asia, not including the United States.

The **JPM GBI-EM Global Diversified Index** limits the weights of those index countries with larger debt stocks by only including a specified portion of these countries as eligible, current face amounts of debt outstanding.

The **JPM ELMI+ and JPM ELMI+ Composite Indexes** measure the performance of debt issued by emerging markets in the local currency.

The **Merrill Lynch Preferred Stock Hybrid Securities Index** is an unmanaged index consisting of a set of investment-grade, exchange-traded preferred stocks with outstanding market values of at least $50 million that are covered by Merrill Lynch Fixed Income Research.

The **MSCI AC Asia Pacific ex-Japan Index** captures large and mid cap representation across four of five developed markets countries (excluding Japan) and eight emerging markets countries in the Asia Pacific region. With 682 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The **MSCI ACWI ex-U.S. Index** captures large and mid cap representation across 22 of 23 developed markets (DM) countries (excluding the U.S.) and 23 emerging markets (EM) countries. With 1,839 constituents, the index covers approximately 85% of the global equity opportunity set outside the U.S.

The **MSCI ACWI ex-U.S. SMID Cap Index** captures mid and small cap representation across 22 of 23 developed market (DM) countries (excluding the U.S.) and 23 emerging markets countries. With 5,164 constituents, the index covers approximately 28% of the free float-adjusted market capitalization in each country.

The **MSCI EAFE Index** is recognized as the pre-eminent benchmark in the United States to measure international equity performance. It comprises the MSCI country indexes that represent developed markets outside of North America: Europe, Australasia, and the Far East.

The **MSCI EAFE SMID Cap Index** captures mid and small cap representation across developed market countries around the world, excluding the U.S. and Canada. With 2,695 constituents, the index covers approximately 28% of the free float-adjusted market capitalization in each country.

The **MSCI Emerging Markets Index** captures large and mid cap representation across 23 emerging markets (EM) countries. With 822 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The **MSCI Emerging Markets EMEA Index** captures large and mid cap representation across eight emerging markets (EM) countries in Europe, the Middle East and Africa (EMEA). With 162 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The **MSCI Emerging Markets (EM) Latin America Index** captures large and mid cap representation across five emerging markets (EM) countries in Latin America. With 137 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The **MSCI Europe Index** is a free float-adjusted, market capitalization-weighted index that is designed to measure the equity market performance of the developed markets in Europe.

The **MSCI Frontier Markets Index** captures large and mid cap representation across 24 frontier markets (FM) countries. The index includes 127 constituents, covering about 85% of the free float-adjusted market capitalization in each country.

The **MSCI Japan Index** is a free float-adjusted, market capitalization-weighted index that is designed to track the equity market performance of Japanese securities listed on Tokyo Stock Exchange, Osaka Stock Exchange, JASDAQ, and Nagoya Stock Exchange.

The **MSCI U.S. REIT Index** is a free float-adjusted market capitalization index that is comprised of equity REITs. The index is based on MSCI USA Investable Market Index (IMI), its parent index that captures large, mid, and small caps securities. With 139 constituents, it represents about 99% of the U.S. REIT universe and securities are classified in the REIT sector according to the Global Industry Classification Standard (GICS). It, however, excludes mortgage REITs and selected specialized REITs.

The **Russell 1000 Index** measures the performance of the large cap segment of the U.S. equity universe. It is a subset of the Russell 3000 Index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000 represents approximately 92% of the U.S. market.

The **Russell 1000 Value Index** measures the performance of the large cap value segment of the U.S. equity universe.

The **Russell 1000 Growth Index** measures the performance of the large cap growth segment of the U.S. equity universe.

The **Russell 2000 Index** measures the performance of the small cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index.

The **Russell 2000 Growth Index** measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 2000 Value Index** measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

The **Russell 2500 Index** is a broad index featuring 2,500 stocks that cover the small and mid cap market capitalizations. The Russell 2500 is a market capitalization-weighted index that includes the smallest 2,500 companies covered in the Russell 3000 universe of U.S.-based listed equities.

The **Russell 3000 Index** measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The **Russell 3000 Growth Index** measures the performance of the broad growth segment of the U.S. equity universe. It includes those Russell 3000 companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 3000 Value Index** measures the performance of the broad value segment of U.S. equity value universe. It includes those Russell 3000 companies with lower price-to-book ratios and lower forecasted growth values.

The **Russell Microcap Index** measures the performance of the microcap segment of the U.S. equity market. Microcap stocks make up less than 3% of the U.S. equity market (by market cap) and consist of the smallest 1,000 securities in the small-cap Russell 2000 Index, plus the next 1,000 smallest eligible securities by market cap.

The **Russell Midcap Index** offers investors access to the mid cap segment of the U.S. equity universe. The Russell Midcap Index is constructed to provide a comprehensive and unbiased barometer for the mid cap segment and is completely reconstituted annually to ensure that larger stocks do not distort the performance and characteristics of the true mid cap opportunity set. The Russell Midcap Index includes the smallest 800 securities in the Russell 1000.

The **Russell Midcap Growth Index** offers investors access to the mid cap growth segment of the U.S. equity universe. The Russell Midcap Growth Index is constructed to provide a comprehensive and unbiased barometer of the mid cap growth market. Based on ongoing empirical research of investment manager behavior, the methodology used to determine growth probability approximates the aggregate mid cap growth manager’s opportunity set.

The **Russell Midcap Value Index** offers investors access to the mid cap value segment of the U.S. equity universe. The Russell Midcap Value Index is constructed to provide a comprehensive and unbiased barometer of the mid cap value market. Based on ongoing empirical research of investment manager behavior, the methodology used to determine value probability approximates the aggregate mid cap value manager's opportunity set.

The **S&P 500 Index** is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The **S&P Global Infrastructure Index** is comprised of 75 of the largest publicly listed infrastructure companies that meet specific investability requirements.
The index is designed to provide liquid exposure to the leading publicly listed companies in the global infrastructure industry, from both developed markets and emerging markets.

The **S&P Utilities Index** is comprised primarily of companies involved in water and electrical power and natural gas distribution industries.

The **S&P Developed Ex-U.S. Property** defines and measures the investable universe of publicly traded property companies domiciled in developed countries outside of the U.S. The companies included are engaged in real estate related activities, such as property ownership, management, development, rental and investment.

The **USD Index** measures the performance of the U.S. dollar against a basket of foreign currencies: EUR, JPY, GBP, CAD, CHF and SEK. The U.S. Dollar Index goes up when the dollar gains "strength" compared to other currencies.

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