

2011 Outlook Abridged



In 2011, business leaders, policymakers, and investors will play important roles in shaping the investing environment. We anticipate that:

- **The job market will stage a comeback.** Slowing productivity gains have driven the need to bring on new workers, we believe business leaders will step-up hiring, ultimately resulting in the unemployment rate drifting lower. However, slow sales growth from tepid consumer spending will keep the pace of hiring modest. We expect nearly twice the pace of job creation experienced in 2010.
- **Policymakers will deliver economic stimulus.** As 2011 gets underway, the Federal Reserve (Fed) will be in the midst of providing substantial economic stimulus. Later in the year, drags on growth will begin to emerge as the impact of the Fed's stimulative monetary policy begins to fade and there is a gridlock-induced shrinking of the federal budget deficit.
- **Investors will play it safe.** Inflows to riskier markets will be anemic, contributing to modest performance for both stocks and more aggressively postured bonds.
- **Currencies will influence returns.** The currency impact on investing will be pronounced in 2011, as the currency war that began in 2010 presents both opportunity and risk. We expect a downward, volatile path for the US dollar.

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.

A Mix of Clouds and Sun

Neither bulls nor bears in 2011, LPL Financial Research expects the economy and the markets will be range-bound in 2011. Bound by economic and fiscal forces that will restrain growth, but not reverse it, we believe the markets will provide modest single-digit rates of return to slowly rise.

Overall, 2011 will continue the economic and market volatility of 2010. The global economy remains out of balance, teetering back and forth between the soft spots that invoke a need for increasingly extended policy support and the growth spurts that provoke a desire to begin to pull back some of the record-breaking stimulus.

Investors with a more opportunistic profile may benefit from a tactical approach to investing in order to find attractive opportunities when offered and successfully take profits when appropriate. Longer-term strategic investors should consider remaining broadly diversified.

Economy: Neither Boom nor Bust

Economic growth in 2011 will be near the long-term average at 2.5–3%; however, this is below the average of 3.5–4%, typical at this stage of a business cycle. On the positive side, pent-up demand by businesses along with plenty of cash and low interest rates provide fuel for growth. In addition, the combination of the second round of quantitative easing (QE2) from the Fed and the extension of the Bush tax cuts could lift GDP significantly. However, curbing our enthusiasm are tepid consumers, slowing Chinese growth, weak bank lending, and looming government spending cuts.

Tepid Consumer Spending

Consumer spending accounts for more than 70% of U.S. GDP. Consumer finances have been vigorously debated by market participants since the onset of the financial crisis and the "Great Recession." Starting in the early 1990s, consumers had been on a spending spree—accelerating spending, reducing savings, and piling up debt. However, there has been a noticeable reversal of that trend the last few years as strapped consumers have been forced to address soaring debts by reducing discretionary spending. We would expect this pattern to continue well into 2011, and perhaps into 2012, which means slower-than-normal consumer spending dampening economic growth, but not causing outright declines that would portend a double-dip recession.

Better Job Growth

Jobs are always top of mind for politicians, consumers, the markets, and the Fed; but the focus on employment will hit a crescendo in 2011. Although the private sector has added back 1.1 million jobs (in the 12 months ending October 2010), nearly 8.5 million jobs were lost during the Great Recession and its immediate aftermath. We believe that clarity on federal tax policy and continued economic growth will motivate business leaders to step up hiring in 2011 that will result in the unemployment rate drifting lower throughout the year. However, a drag on job growth will be continued difficult hiring conditions for state and local governments, which account for 17% of employment.

It is likely the sweeping legislative changes at the Federal level we have experienced over the course of 2009 and 2010 will likely slow to a crawl over the next two years. The return of gridlock in Congress is likely to mean a much slower rate and a more moderate path of legislative change. As stability returns to the near-term legislative environment, business leaders are more likely to make the commitments to growth, including additional hiring, that drive the economy.

Setting Sail on QE2

Arguably one of the most successful measures taken in 2008 and 2009 to turn the economy around was the Fed's program of QE, so-called because it increases the quantity of money in the financial system. As 2010 draws to a close, the Fed is undertaking another round of QE, but the conditions are different this time and success in stoking growth is not assured.

One of the major themes in the economy that will drive the markets over the course of 2011 will be gauging the effectiveness of QE2 from the Fed. The Fed began QE2 in November 2010. These actions are intended to drive economic growth by prompting interest rates to remain low, businesses to borrow, and consumers to refinance debt and improve their finances. The goal of QE2 is clear: to produce economic growth that will be above trend, pull down the unemployment rate, and modestly increase the pace of inflation. It takes a while (sometimes up to a year or more) for this type of stimulus to work.

Tracking QE2

Even before the impact of QE2 begins to show in high profile economic data, such as quarterly GDP and monthly reports on jobs and retail sales, it will manifest itself in the "high frequency" daily and weekly data. Initially, in addition to the value of the dollar, the market is likely to focus on interest rates—such as Treasury yields, mortgage rates, refinance rates, car loan rates, and credit card rates—to measure whether QE2 is creating conditions for growth. Next, markets will want to see in the weekly bank lending data from the Fed that lower rates have spurred demand for loans from individuals and businesses, and that the banking system is willing and able to provide the loans. Finally, the markets will want to see that these actions have indeed prompted a reacceleration in economic activity measured in the widely watched monthly and quarterly economic statistics.

Quantitative easing is a government monetary policy occasionally used to increase the money supply by buying government securities or other securities from the market. Quantitative easing increases the money supply by flooding financial institutions with capital in an effort to promote increased lending and liquidity.



Reflation

In simple terms, the Fed balances employment and prices by seeking growth that generates the highest level of employment without causing too much price inflation. The Fed has spent much of the past 30 years determining when to attempt to slow down an economy that is growing too rapidly in order to avoid the destructive effects of high inflation. However, when inflation gets too low (often called deflation), it is a sign that growth needs a boost. The problem with deflation is that when prices fall as output exceeds demand, it can become self-perpetuating, as consumers and businesses postpone spending because they believe prices will fall further.

QE2 can counter deflationary fears by directly inflating the money supply. All else being equal, this means that with more dollars in the system, the value of each dollar goes down and prices in dollar terms go up, resulting in a faster pace of inflation. The monthly data on inflation as well as housing prices and import prices should begin to reflect the impact of QE2 by the first part of 2011, lifting annual inflation from the current 0.6% pace (as of 10/31/10). If key measures of the economy begin to show improving growth momentum by the fall of 2011, the Fed may begin to pull back extraordinary stimulus by year-end to avoid fueling asset bubbles and inflation in 2012.

The Risks of QE2

While the near-term impacts of QE2 are reasonably clear, the longer-term effects are not. Unlike during the financial crisis when liquidity was scarce, the benefits of adding more cash into the financial system that is already on a growth trajectory and flush with high cash balances at banks and corporations may be very limited. In addition, U.S. stimulus cash may wind up fueling emerging market growth as U.S. companies deploy the cheap cash to fuel growth in markets with lower labor costs and stronger demand. The Fed also risks undermining the lower interest rates that are essential to growth by devaluing the dollar, making U.S. Treasury bonds less attractive to the foreign investors that we are increasingly dependent upon to fund our national debt.

Stocks: Neither Bull nor Bear

What do you call a year that is not a bull market or a bear market? 2011. We expect modest single-digit gains in 2011 for the stock market, accompanied by heightened volatility.

We believe our restrained outlook for stocks is supported by a number of factors:

- Earnings growth will be limited by sluggish revenue growth, but supported by strong profit margins.
- Valuations are likely to be supported by the fact that they are already well below historic averages, but constrained due to lack of demand from foreign and U.S. investors.
- Dividends may help to support demand for stocks in a low-yield environment.

Earnings Bound

Earnings, the most important driver of the stock market, have increased substantially from their recession low point and are now only about 15% below the all-time peak of mid-2007 for S&P 500 companies. The consensus of Wall Street analysts believes earnings will return to the prior peak by the end of 2011. We are not as optimistic, but believe earnings will post a solid gain in 2011. Earnings are likely to rise about 10% in 2011, well below their 30% growth rate in 2010.

Our outlook for 2011 corporate profits is bound by continued sluggish revenue growth resulting from modest economic expansion in the developed markets, including the United States. While companies have been producing strong double-digit earnings gains on the back of single-digit revenue growth and significant cost reductions over recent quarters, further gains are limited.

Constrained Valuations

Stock market valuations are well below average, already reflecting the concerns about the durability of economic growth. Investors appear unwilling to pay sizeable premiums for somewhat uncertain future growth, which are reflected in valuations that are poised to stay below average. Instead, dividends may be a key theme in the stock market as investors increasingly seek yield.

Buyers Strike

Individual investors remained net sellers of U.S. stocks during every week of the second half of 2010 (as of mid-November) despite solid gains in the U.S. stock market. However, individual investors have not been avoiding investing entirely. Interestingly, they have been putting money to work in foreign stocks and U.S. bonds—including more aggressive emerging market stocks and high-yield bonds—as they reallocate money from cash and U.S. stocks.

While individuals may have overcome, to some degree, their distrust of the sustainability of the economic recovery and policymakers in Washington, they remain skeptical of the integrity of the U.S. stock market. More than \$80 billion has come out of domestic equity mutual funds since the “flash crash” on the afternoon of May 6, 2010, according to the Investment Company Institute. If a weaker US dollar makes investing in U.S. company stocks less attractive to foreign investors and they join the American individual investor in a boycott of domestic stocks, gains in 2011 may be hard to come by.

Volatility

Inflows to riskier markets will likely be anemic, resulting in modest performance for stocks. We expect single-digit gains for stocks as earnings growth slows and valuations remain constrained. The path of QE2, currently scheduled to end mid-year 2011, along with the pattern of economic and earnings growth in 2011 is likely to lead to heightened volatility.



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

Beyond Borders

Returns from investing overseas benefit from a declining dollar, but foreign developed markets could suffer from even slower economic growth than the U.S., which would constrain profit growth. However, emerging markets may continue to provide a profitable mix of solid growth, strong balance sheets, and currency gains.

Bonds: Neither Bubble nor Burst

We forecast low- to mid-single-digit gains for bonds in 2011. Yields are unlikely to plunge or soar in 2011. Despite the substantial rise in bond prices and corresponding decline in yields in 2010, our primary gauge of bond market valuation, inflation-adjusted yields, suggests that while bonds are expensive, they are not in a bubble.

No Bond Bubble

The inflation-adjusted yield of the 10-year Treasury note remains above the level following the collapse of Bear Stearns in March 2008 and well above the level witnessed during the height of the financial crisis. Furthermore, expensive valuations are supported by sluggish economic growth.

The presence of the Federal Reserve buying in the bond market with its QE2 mandate will likely limit bond market weakness. In November 2010, the Fed announced it would conduct an additional \$600 billion in Treasury purchases through the middle of 2011. Coupled with the existing reinvestment of the proceeds of the Fed's Mortgage-Backed Security (MBS) holdings, the Fed is on pace to absorb most of the net new supply of Treasuries in 2011. The magnitude of Fed purchases is therefore likely to provide support for bond prices and keep yields relatively low even as it attempts to reignite inflation.

Interest rates are unlikely to move dramatically higher in the absence of multiple Fed interest rate hikes or a rapid acceleration in inflation, neither of which we expect in 2011. However, yields may move modestly higher over the course of 2011 as economic growth firms, inflation expectations increase, and the Fed potentially begins to unwind monetary accommodation.

Mortgage-Backed Securities are subject to credit risk, default risk, 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, and interest rate risk.

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.

Riding the Credit Cycle

We continue to favor corporate bonds as stable credit quality provides a favorable backdrop for the sector. We believe we are at the beginning of a stable stage of the credit cycle. By taking painful but necessary actions in recent years, corporations have done an excellent job of improving their balance sheets through reducing debt, refinancing loans, and cutting costs. This has sharply driven down yield spreads and pulled bond prices higher. However, eventually, further balance sheet improvement is difficult to achieve and credit quality stabilizes along with yield spreads giving way to the stable stage of the credit cycle.

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.

Municipal Merits

Budget woes will continue to present a risk to the municipal market. As of September 2010, most states demonstrated higher year-over-year tax revenues. In many cases these higher revenues were anticipated and



factored into 2011 fiscal budgets. This means additional spending cuts may be in the cards to balance budgets in June 2011, when 2012 budgets are solidified. Throughout much of 2011, negative headlines surrounding municipal credit quality may therefore persist and create periods of weakness. Ultimately, we believe that high-quality municipal bond defaults will continue to be rare due to the high seniority of municipal bond payments. As a result, we view this as an opportunity for creating attractive valuations for investors to consider.

Failure of Congress to extend the taxable Build America Bond (BAB) program would be a negative for the traditional tax-exempt municipal bond market in 2011. The BAB program was a key factor in limiting the supply of tax-exempt municipal bonds and creating a favorable environment for municipal bond investors over the past 18 months. If the BAB program is not extended, tax-exempt issuance would increase and may lead to weakness as the tax-exempt market braces for increased supply. However, several factors could counteract an increase in municipal supply:

- The ability of many states and municipalities to issue new debt is constrained due to budget pressures.
- Strong investor demand for municipal debt that prevailed throughout 2010 will continue in 2011.
- Attractive valuations and the concern over rising tax rates in the near future should spur investor interest.

The extension of the Bush tax cuts is likely, but unresolved as of this writing. In general, municipal bond valuations are now more attractive, as measured by municipal-to-Treasury yield ratios, compared to when the Bush tax cuts were enacted in 2003. While municipal bonds typically offer lower yields than comparable maturity Treasuries due to their tax-advantaged status, the yield of the tax-exempt 30-year municipal bond is now higher than that of the taxable 30-year Treasury bond. This unusual occurrence reflects the expectation that the Bush income tax cuts will be extended rather than expire and enlarge the tax benefit of owning municipals over Treasuries. However, in the event the Bush tax cuts expire or are modified at higher rates, tax-exempt municipal bonds may benefit.

How to Potentially Profit and Protect in the Year of Range-Bound Returns

With 2011 looking like neither a screaming bull market nor a raging bear market, investment opportunities will be largely driven by key market themes that will likely emerge to drive various sector and asset class returns. One unmistakable theme that should define the early part of the year is the Fed's program of reflation. Beyond reflation, having a portfolio strategy to successfully navigate volatile financial markets will be crucial in 2011.

Investing for Reflation

The Fed has begun a program of QE, which means they will expand the supply of money in the financial system (by buying Treasury bonds in the open market) in an effort to encourage lending and economic growth. The byproduct of quantitative easing is reflation, which is the intentional pursuit

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.

The issuance of Build America Bonds (BAB) began in April of 2009. They were authorized by the ARRA economic stimulus of 2009 and can be issued for qualifying infrastructure projects. They are taxable municipal bonds and are considered a category of bonds.

of modestly higher prices (inflation). This easing monetary policy action can counter deflationary fears by directly inflating the money supply and reigniting economic growth. All else being equal, this means that with more dollars in the system, the value of the dollar goes down and prices in dollar terms go up, resulting in a faster pace of inflation. Incorporating the theme of reflation into your portfolio may be advantageous.

Likely Benefits

Commodities and Precious Metals: Gold may be the most obvious beneficiary of the Fed's intentions. Inflation and a falling dollar tend to increase demand for gold as a way to preserve value. From a broader perspective, because most commodity asset classes are priced in US dollars, gold is not the only likely benefactor from dollar depreciation. Besides benefiting from dollar depreciation, investing in commodity asset classes provides indirect exposure to the surging growth of emerging markets and, in particular, China.

Commodity-Sensitive Equity Sectors: Similarly, commodity-sensitive equity sectors, such as Materials, Industrials, and Energy, stand to benefit from the Fed's reflation intentions. Energy companies' profits benefit from the increase in the price of oil, while Material and Industrial companies' business models are rewarded for their pursuit of the mining and extraction of commodities.

Emerging Market Equities and Debt: If the dollar weakens, gains in investments denominated in foreign currencies translate into more dollars, boosting possible returns. Within foreign investments, emerging market countries offer a more robust growth story relative to developed nations.

High-Yield Bonds: High-yield bonds may benefit as yield hungry investors are forced to take more credit risk as high-quality bond yields remain low.

Real Estate Investment Trusts (REITs): Reflation should benefit real estate since property prices may rise in an inflationary environment.

Mixed Benefits

Treasuries: In their reflation efforts, the Fed is purchasing intermediate-term Treasuries, benefiting these segments of the maturity curve. With higher inflation a most likely consequence, other beneficiaries are Treasury Inflation-Protected Securities (TIPS), as their principal increases with inflation. Longer-dated Treasuries, however, may struggle as longer-term inflation risks and their lack of inclusion in the Fed's purchase plan pressure these securities.

Likely Hurt

Cash: As the Fed increases the quantity of dollars in the financial system, the value of the dollar is likely to fall.

Financials Sector: Bank stocks may be negatively affected by the Fed's intentions. As 5- to 10-year rates move lower on Fed buying, the profit margin banks earn by borrowing short term and lending longer term narrows, crimping profits.

Commodities advertising and sales literature are limited to stating that these items are available through LPL Financial.

Precious metal investing is subject to substantial fluctuation and potential for loss.

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

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 Real Estate Investment Trusts (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.

Treasury inflation-protected securities (TIPS) help eliminate inflation risk to your portfolio as the principal is adjusted semiannually for inflation based on the Consumer Price Index - while providing a real rate of return guaranteed by the U.S. Government.



Beyond Reflation

As 2011 gets underway, the reflation theme is likely to dominate market opportunities. However, as the year progresses and the Fed's actions begin to fade, new themes may emerge depending on how successful the Fed's actions are at reinvigorating economic growth. Beyond reflation, we expect volatile financial markets to persist and to intensify as 2011 muddles along.

While a long-term, strategically diversified approach works well regardless of the market environment, we believe that opportunistically focused portfolios that take a tactical approach to investing in 2011 may enhance performance. In a period of increased volatility, we would focus on investments that offer a higher yield, traditionally thrive on elevated levels of volatility, and help to minimize portfolio fluctuations through increased diversification.

Offer a Higher Yield: We believe a higher yield may benefit portfolios by providing a consistent income component that is received regardless of price movements, helping to cushion market volatility. These strategies include High-Yield Bonds, Real Estate Investment Trusts, Emerging Market Debt, and dividend-paying stocks.

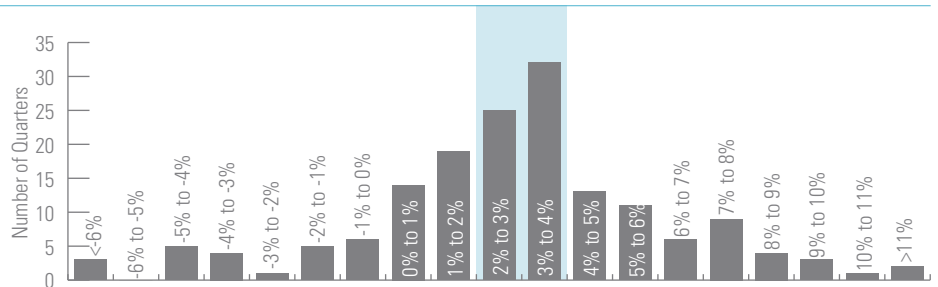
Thrive on Elevated Levels of Volatility: Strategies with less constrained investment mandates may thrive in the volatile period that is likely to dominate 2011. In periods of high volatility, there are more opportunities for price divergence and therefore more possible investment opportunities for the nimble managers that usually characterize Opportunistic Equity or Balanced and Unconstrained Eclectic strategies.

Increased Diversification: With elevated volatility levels, an investment that may benefit from heightened uncertainty helps not only to potentially improve returns, but also to help reduce portfolio risk. Alternative strategies may be potential sources of diversification and some risk reduction.

2011 At A Glance

U.S. Real GDP Growth Rate

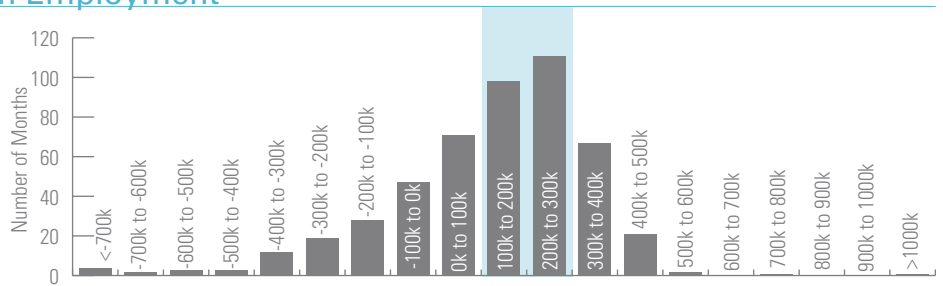
Historically, quarterly GDP growth has averaged between 2% and 4%. The recent recession led to a plunge of nearly -7% during the fourth quarter of 2008 and the subsequent recovery produced 5% growth in the fourth quarter of 2009. We expect GDP to average between 2% and 4% in 2011.



Source: LPL Financial, Bloomberg, Data from First Quarter 1970 through Third Quarter 2010

U.S. Monthly Change in Non-Farm Employment

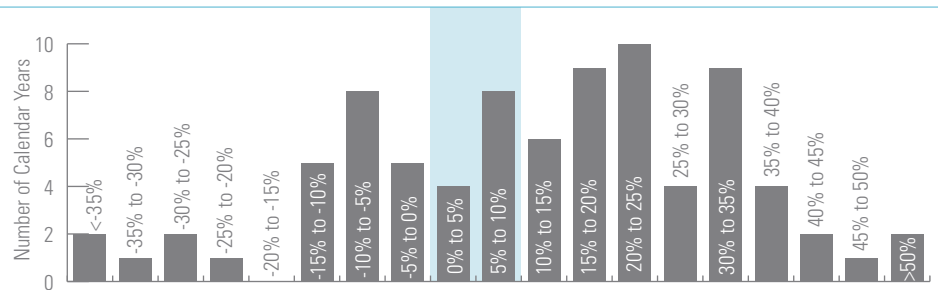
Historically, monthly non-farm job growth has averaged between 100,000 and 300,000 per month. We have recently seen extremes. For example, in January 2009, the loss was more than 700,000 and in May 2010, 432,000 jobs were created. We expect job growth to average the middle of the road 100,000 to 300,000 in 2011.



Source: LPL Financial, Bloomberg, Data from January 1970 through October 2010

S&P 500 Annual Total Return

Annual stock market performance, measured by the S&P 500, has varied widely since the late 1920s with the long-term total return averaging around 10%. We anticipate single-digit performance for stocks in 2011.



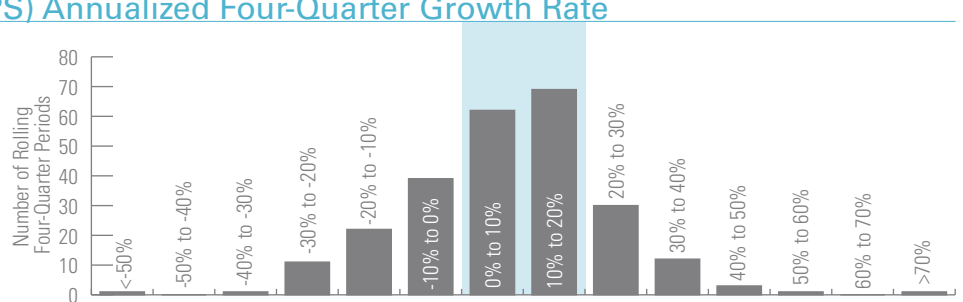
Source: LPL Financial, Factset Research Systems, Data from 1927 through 2009

The S&P 500 is an unmanaged index, which cannot be invested into directly. Past performance is no guarantee of future results.

S&P 500 Earnings per Share (EPS) Annualized Four-Quarter Growth Rate

Four-quarter EPS growth for S&P 500 companies has recently ended up in the tails of the distribution (below -50% and above +70%). In 2011, we expect EPS to grow around 10%.

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.



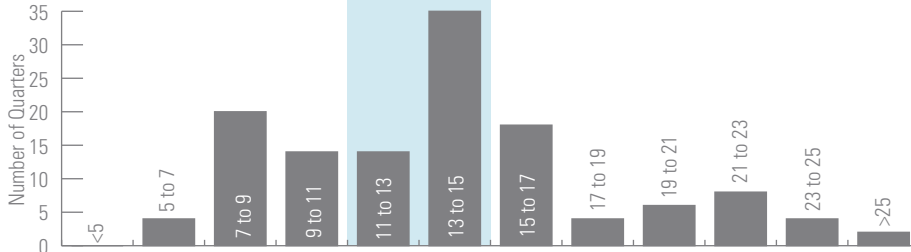
Source: LPL Financial, Factset Research Systems, Data from 3/31/49 through 9/30/10

The S&P 500 is an unmanaged index, which cannot be invested into directly. Past performance is no guarantee of future results.



After years of extremes (2008–2010) in the economy and markets, 2011 is likely to be a “middle-of-the-road” year. This is best illustrated by **highlighting** our forecasted ranges for key components of the 2011 outlook relative to their historical ranges.

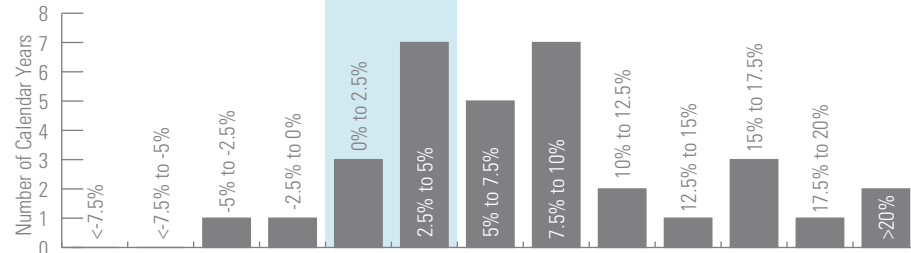
S&P 500 Forward Price-to-Earnings Ratio



Historically, the S&P 500 forward price-to-earnings ratio, which divides the current price by the Thomson Financial-tracked analyst consensus earnings estimate for the next four quarters, has averaged 15. We expect the current below average valuations to persist in 2011.

Source: LPL Financial, Factset Research Systems, Data from Fourth Quarter 1978 through Third Quarter 2010
The S&P 500 is an unmanaged index, which cannot be invested into directly. Past performance is no guarantee of future results.

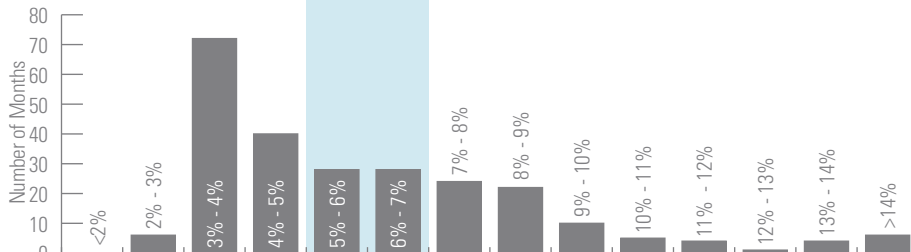
Barclays Aggregate Bond Index Annual Total Return



The historical average total return for the bond market, measured by the Barclays Aggregate Bond Index, is about 8%. We expect below average, but positive total returns for the bond market in 2011.

Source: LPL Financial, Factset Research Systems, Data from 1976 through 2009
The Barclays Aggregate Bond Index is an unmanaged index, which cannot be invested into directly. Past performance is no guarantee of future results.

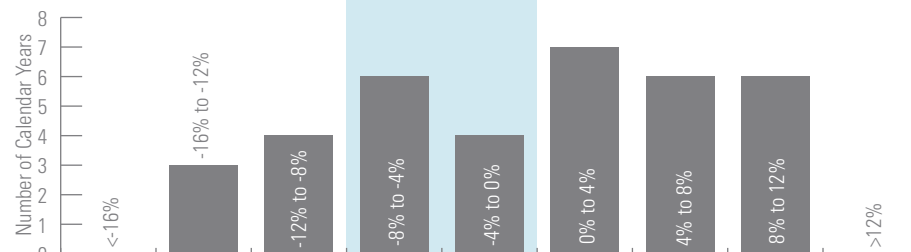
High-Yield Bond Credit Spread



The historical average high-yield bond credit spread has been between 5% and 7%. Recent years led to record-setting extremes with spreads soaring to over 20% in November 2008, following the failure of Lehman Brothers, from below 3% in May 2007 as the credit markets peaked. In 2011, we expect credit spreads will remain near the 5% to 7% average they reached in 2010.

Source: LPL Financial, Factset Research Systems, Data from January 1990 through October 2010

Change in Value of US Dollar versus Trade-Weighted Currencies of Major Trading Partners



Since leaving the gold standard in 1971, the dollar has depreciated by 1% a year on average. Notably, the dollar was flat in 2010, but took a wild ride as it rose sharply in the first half and fell sharply in the second half of the year. We expect the dollar to depreciate versus the currencies of major trading partners in 2011.

Source: LPL Financial, Factset Research Systems, Data from 1972 through 2009
Major trading partners include: Australia, Canada, Japan, Sweden, Switzerland, the United Kingdom, and the Euro 11 countries.



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 any individual. To determine which investments may be appropriate for you, consult your financial advisor prior to investing. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and cannot be invested into directly.

Stock investing may involve risk including loss of principal.

This information is not intended to be a substitute for specific individualized tax advice. We suggest that you discuss your specific tax issues with a qualified tax advisor.

Energy Sector: Companies whose businesses are dominated by either of the following activities: The construction or provision of oil rigs, drilling equipment and other energy-related service and equipment, including seismic data collection or the exploration, production, marketing, refining and/or transportation of oil and gas products, coal and consumable fuels.

Financials Sector: Companies involved in activities such as banking, consumer finance, investment banking and brokerage, asset management, insurance and investment, and real estate, including REITs.

Materials Sector: Companies that are engaged in a wide range of commodity-related manufacturing. Included in this sector are companies that manufacture chemicals, construction materials, glass, paper, forest products and related packaging products, metals, minerals and mining companies, including producers of steel.

Industrials Sector: Companies whose businesses manufacture and distribute capital goods, including aerospace and defense, construction, engineering and building products, electrical equipment and industrial machinery; provide commercial services and supplies, including printing, employment, environmental and office services; or provide transportation services, including airlines, couriers, marine, road and rail, and transportation infrastructure.

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

The Standard & Poor's 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.

This Barclays Aggregate Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment-grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities.

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