

STAYING OVERWEIGHT EQUITIES AFTER STRONG JULY

LPL RESEARCH'S MONTHLY MARKET OUTLOOK

Key changes from July report:

- No changes.

Stocks rose in July as the S&P 500 Index gained 9%, though the index still remained down 13% for the year as of July 29.

Investor sentiment garnered support from better-than-feared earnings results, evidence of peak inflation, and increased confidence the Federal Reserve (Fed) would be a credible inflation fighter. Angst about a potential recession remained while pressure on Europe due to rising natural gas prices intensified as fighting in Ukraine continued.

10-year Treasury yields have fallen by close to 80 basis points since the recent decade high of 3.5% due to expectations of slowing economic growth. We think the move lower in yields may be a bit premature as we expect the economy to stay out of a recession this year. We could see a retest of 3.5% over the next few months.

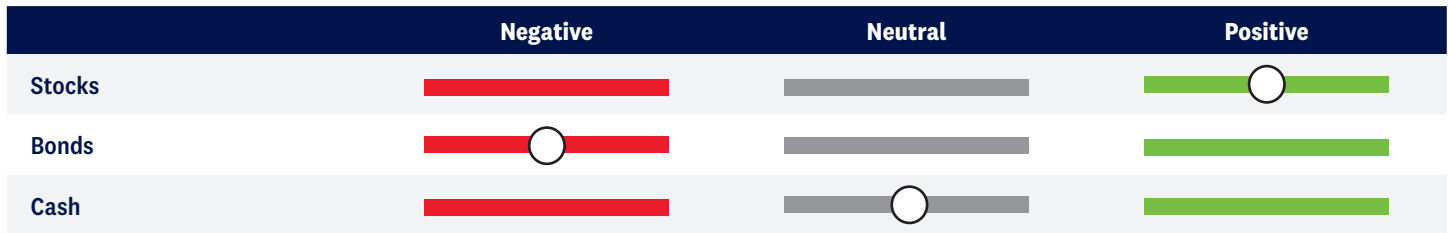
The Strategic and Tactical Asset Allocation Committee (STAAC) made no changes to its recommended asset allocation for August. The LPL Research S&P 500 year-end fair value target range remains 4,300–4,400, based on a price-to-earnings ratio (PE) of 18-19 and an earnings per share (EPS) forecast of \$235 for 2023.

INVESTMENT TAKEAWAYS:

- The STAAC Committee maintains its overweight equities recommendation relative to bonds for August based on the belief that near-term recession fears may be overdone. Rebounds from shallow bear markets and midterm election lows have been quite strong historically.
- We suggest a slight tilt toward the value style in the short term, though we would expect an improved macroeconomic environment to create a more favorable environment for the growth style later this year, including falling inflation and stable interest rates.
- Attractive valuations and a U.S. focus may provide support for small caps once economic uncertainty begins to clear.
- We continue to recommend a slight underweight allocation to fixed income as higher rates may put additional pressure on bond returns.
- Although we've seen a meaningful move higher in yields this year, yields have fallen recently in anticipation of a slowing economy. However, broadening inflationary pressures and the reduction of Fed policy support may push yields higher in the months ahead. Our year-end target for the 10-year Treasury yield is 2.75% to 3.25% but we could see yields retest 3.50% in the near term.
- Shorter maturity corporate credit, mortgage-backed securities, and high yield bonds (for income-oriented investors) are starting to look more attractive.

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
<ul style="list-style-type: none"> U.S. Equities 	<ul style="list-style-type: none"> Healthcare Real Estate Energy 	<ul style="list-style-type: none"> Mortgage-Backed Securities 	<ul style="list-style-type: none"> Low-Beta Alts (Event Driven, Market Neutral, Multi-Strategy)

2022 MARKET FORECASTS

LPL Research STAAC Committee Still Sees Stock Gains in 2022 on Back of Solid Earnings Growth

	Previous	Current
10-Year U.S. Treasury Yield	2.75%-3.25%*	2.75%-3.25%*
S&P 500 Index Earnings per Share	\$225	\$225
S&P 500 Index Fair Value	4,300-4,400**	4,300-4,400**

Source: LPL Research, FactSet, Bloomberg

All indexes are unmanaged and cannot be invested into directly. The economic forecasts may not develop as predicted.

*Our year-end 2022 forecast for the U.S. 10-year Treasury yield is 2.75%-3.25%. The forecast reflects above-trend inflation, reduced Fed policy support, an aging demographic in need of income, higher global debt levels, and anticipated rebalancing into fixed income from equities.

**Our year-end 2022 fair-value target range for the S&P 500 of 4,300-4,400 is based on a price-to-earnings ratio (PE) of 18-19 and our S&P 500 earnings per share (EPS) forecast of \$235 in 2023.

2022 ECONOMIC FORECASTS

Downshift in Global Growth

	Previous	Current
United States	1.9% to 2.5%	1.6% to 2.2%
Eurozone	2.1% to 2.7%	1.9% to 2.5%
Advanced Economies	2.2% to 2.8%	1.7% to 2.3%
Emerging Markets	3.1% to 3.7%	3.1% to 3.7%
Global	2.5% to 3.1%	2.4% to 3.0%

Source: LPL Research, Bloomberg

The economic forecasts may not develop as predicted.

All data, views, and forecasts herein are as of 7/29/22.

LPL RESEARCH STRATEGIC AND TACTICAL ASSET ALLOCATION COMMITTEE

LPL Research Tactical Asset Allocation as of 8/1/2022

INVESTMENT OBJECTIVE

	Aggressive Growth			Growth			Growth with Income			Income with Moderate Growth			Income with Capital Preservation		
	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference
STOCKS	98.0%	95.0%	3.0%	85.0%	80.0%	5.0%	65.0%	60.0%	5.0%	45.0%	40.0%	5.0%	25.0%	20.0%	5.0%
U.S. EQUITY	80.4%	76.0%	4.4%	69.7%	64.0%	5.7%	53.3%	48.0%	5.3%	36.9%	32.0%	4.9%	20.5%	16.0%	4.5%
Large Value	11.8%	9.9%	1.8%	10.2%	8.4%	1.8%	7.4%	6.3%	1.2%	5.0%	4.2%	0.8%	2.6%	2.1%	0.5%
Large Blend	17.6%	16.7%	1.0%	15.0%	14.0%	0.9%	10.7%	10.5%	0.2%	7.1%	7.0%	0.1%	3.5%	3.5%	0.0%
Large Growth	21.7%	21.8%	0.0%	18.4%	18.3%	0.1%	13.3%	13.7%	-0.5%	8.8%	9.2%	-0.3%	4.4%	4.6%	-0.2%
Small/Mid Value	10.4%	9.1%	1.3%	9.3%	7.7%	1.6%	7.6%	5.8%	1.9%	5.5%	3.8%	1.7%	3.4%	1.9%	1.5%
Small/Mid Blend	13.4%	12.7%	0.7%	12.0%	10.7%	1.3%	9.9%	8.0%	1.8%	7.1%	5.4%	1.8%	4.4%	2.7%	1.7%
Small/Mid Growth	5.4%	5.8%	-0.4%	4.9%	4.9%	0.0%	4.4%	3.7%	0.7%	3.2%	2.4%	0.8%	2.1%	1.2%	0.9%
INTERNATIONAL EQUITY	17.6%	19.0%	-1.4%	15.3%	16.0%	-0.7%	11.7%	12.0%	-0.3%	8.1%	8.0%	0.1%	4.5%	4.0%	0.5%
Developed (EAFE)	10.4%	12.0%	-1.6%	8.9%	10.0%	-1.1%	7.4%	8.0%	-0.6%	4.7%	5.0%	-0.3%	4.5%	4.0%	0.5%
Emerging Markets	7.2%	7.0%	0.2%	6.4%	6.0%	0.4%	4.3%	4.0%	0.3%	3.4%	3.0%	0.4%	0.0%	0.0%	0.0%
BONDS	0.0%	0.0%	0.0%	13.0%	15.0%	-2.0%	33.0%	35.0%	-2.0%	53.0%	53.0%	0.0%	73.0%	70.0%	3.0%
U.S. CORE	0.0%	0.0%	0.0%	12.5%	15.0%	-2.5%	31.7%	35.0%	-3.3%	50.9%	53.0%	-2.1%	70.1%	70.0%	0.1%
Treasuries	0.0%	0.0%	0.0%	5.7%	6.8%	-1.1%	14.4%	16.0%	-1.5%	23.2%	24.2%	-1.0%	31.9%	31.9%	0.0%
MBS	0.0%	0.0%	0.0%	4.0%	4.5%	-0.5%	10.2%	10.6%	-0.3%	16.4%	16.0%	0.4%	22.6%	21.1%	1.5%
IG Corporates	0.0%	0.0%	0.0%	2.8%	3.6%	-0.9%	7.0%	8.5%	-1.5%	11.3%	12.8%	-1.6%	15.5%	17.0%	-1.4%
NON-CORE	0.0%	0.0%	0.0%	0.5%	0.0%	0.5%	1.3%	0.0%	1.3%	2.1%	0.0%	2.1%	2.9%	0.0%	2.9%
High-Yield Corporates	0.0%	0.0%	0.0%	0.5%	0.0%	0.5%	1.3%	0.0%	1.3%	2.1%	0.0%	2.1%	2.9%	0.0%	2.9%
CASH	2.0%	5.0%	-3.0%	2.0%	5.0%	-3.0%	2.0%	5.0%	-3.0%	2.0%	7.0%	-5.0%	2.0%	10.0%	-8.0%

For investors who have their own benchmarks, we would recommend emphasizing underweights or overweights relative to the individual benchmark at the most similar overall risk level.

Equity benchmark style box allocations are based on lookthrough analysis of the domestic equity indexes used in our benchmark. While the indexes stay constant, style box allocations may drift over time.

Bond benchmark sector allocations are based on a look-through analysis of the major sector components of the Bloomberg Barclays US Aggregate Bond Index.

Treasuries include other government related debt. MBS includes other securitized debt.

Abbreviations: TAA - tactical asset allocation; MBS - mortgage-backed securities; IG corporates - investment-grade corporates; TIPS - Treasury inflation-protected securities.

Style box allocations only include domestic allocations.

EQUITY ASSET CLASSES

Maintaining Overweight to Stocks on Belief that Market is Overly Pricing in Recession Risk

After increasing the allocation to stocks at the expense of bonds in July, the LPL Research STAAC continues to believe stocks are overly discounting the risk of recession in the near term. The Committee believes economic and earnings growth in the second half of 2022 will be sufficient to push stocks higher, consistent with historical strong rebounds from shallow bear markets and midterm election year lows. Stubbornly high inflation, a potentially overly aggressive Federal Reserve, possible broader military conflict in Europe, and U.S-China tensions present significant risks.

For now, the Committee believes a slight tilt toward the value style is prudent, although renewed confidence in economic and earnings growth and stable interest rates may set the stage for a near-term growth turnaround. Small caps may benefit from valuation support and their U.S. focus as recession fears abate. The greater likely economic impact of the Russia-Ukraine conflict on Europe via natural gas shortages supports the Committee’s preference for U.S. equities.

	Sector	Overall View	Relative Trend	Rationale
Market Capitalization	Large Caps			Large caps, which generally perform better during periods of economic uncertainty, are better positioned to manage global supply chain disruptions than small caps but are more exposed to weakness in Europe.
	Mid Caps			If markets regain confidence in the economic outlook, mid caps may benefit from their economic sensitivity. Mid cap stock valuations are near 20-year lows compared to large caps. Merger and acquisition environment has slowed as monetary conditions have tightened, removing a potential positive catalyst.
	Small Caps			Small cap valuations have become attractive and smaller companies are relatively more insulated from economic risks in Europe. Once recession fears calm, small caps may be poised for a run of outperformance. We would favor higher quality small caps such as those that make up the S&P 600 Index over the Russell 2000, which has a higher allocation to unprofitable companies.
Style	Growth			Later this year, we would anticipate the growth style benefiting from stable economic growth, stable interest rates, and superior earnings power. However, growth stocks are still relatively expensive and high inflation favors value.
	Value			Tailwinds from the reopening, commodities gains, and rising interest rates have waned. If recession fears ebb, defensive value sectors such as consumer staples and utilities may garner less support. Still, growth stocks face more interest rate risk and value stocks remain attractively valued relative to growth, so for now we remain slightly biased toward the value side.
Region	United States			The energy crisis in Europe has strengthened our conviction in favoring U.S. equities over their developed international counterparts and delays the synchronized global expansion. The U.S. economy is better positioned than Europe to withstand higher energy costs, particularly Germany which is very reliant on Russian energy.
	Developed International			Our March 2022 downgrade of international equities reflected Europe’s heavy reliance on Russian energy. Germany appears to be on the cusp of a recession. Prior to the Russian invasion of Ukraine, the outlook for Europe and Japan had begun to improve. An eventual post-pandemic, synchronized global expansion could be supportive but has been delayed.
	Emerging Markets			China’s reopening, stimulus, easing regulatory pressures, and attractive valuations support our neutral view despite the ongoing war in Ukraine and heightened U.S.-China tensions.

Relative trend is an assessment of the intermediate term price trend and performance between various asset classes and sectors. For regions and styles the relative trends are compared to each other.

EQUITY SECTORS

Continue to Favor Energy, Healthcare, and Real Estate but Technology Starting To Look More Interesting

The STAAC continues to recommend a tilt toward defensive sectors as economic uncertainty remains elevated, though the outlook for more economically sensitive sectors such as technology has improved. Despite recent weakness, the energy uptrend remains intact and supply-demand fundamentals remain supportive. We maintain our positive healthcare and real estate views, while our negative views include two economically sensitive sectors negatively impacted by high inflation and a slowing economy: consumer discretionary and industrials. The macro environment has become more favorable for growth sectors in recent weeks, suggesting technology may be ripe for a potential upgrade.

	Sector	Overall View	Relative Trend	S&P Wgt	Rationale
Cyclical	Materials			2.5	China reopening, infrastructure spending, and inflation are supportive. Valuations are still reasonable but technicals have weakened. Surging natural gas prices curb chemical company profits, and the U.S. dollar remains a headwind.
	Energy			4.4	Remains in a long-term uptrend despite consolidating oil prices. Russian supply story likely to linger. China reopening supports global demand outlook. Increase in production to replace Russian oil in global marketplace will take time.
	Industrials			7.8	Economic weakness in the U.S. and globally, and ongoing supply chain disruptions dampen the near-term outlook for business investment. More infrastructure spending will eventually help and valuations are reasonable.
	Communication Services			8.4	A toughening regulatory environment for this digital media-heavy sector, below-average estimated 2022 earnings growth, softening earnings, and negative technical analysis trends drove the June downgrade despite reasonable valuations.
	Consumer Discretionary			11.5	Inflation is eroding purchasing power, the sector is historically not a strong mid-to-late cycle performer, retailers' profit margins are challenged, and valuations are elevated. Still, sector performance has improved as energy prices have come down.
	Technology			27.9	Lower interest rates and stalled U.S. economy set the stage for better performance. Earnings results have been in line with expectations despite challenges. Valuations for the sector overall remain reasonable. A sector to watch for potential upgrade.
	Financials			10.6	Lackluster economic growth, yield curve flattening, and weakening European economies introduce risk. Technical analysis signals and rate environment contributed to April 2022 downgrade. Valuations remain attractive.
Defensive	Utilities			3.0	Technical analysis drove the April upgrade. Green-energy spending may help. Interest rates may have peaked, boosting yield sectors. Recession may be needed to sustain outperformance. Likely laggard if recent market rally continues. Elevated valuations.
	Healthcare			14.3	Maturing economic cycle, demographics, and valuations remain supportive, but drug price reform now looks likely to pass before midterms, introducing near-term headline risk and modest long-term earnings risk.
	Consumer Staples			6.6	Outperformance during bear market was to be expected, but slow-growth staple companies are getting squeezed by higher costs and valuations are elevated. However, interest rate risk has been reduced.
	Real Estate			2.9	Benefits of reopening, attractive yields, ability to manage inflation relatively well, exposure to secular technology tailwinds, and recent drop in interest rates are all positives. Valuations are still fair. Risk is defensive sectors may lag if market rally continues.

Because of its narrow focus, specialty sector investing, such as healthcare, financials, or energy, will be subject to greater volatility than investing more broadly across many sectors and companies. Relative trend is an assessment of the intermediate term price trend and performance between various asset classes and sectors.

Relative trend is an assessment of the intermediate term price trend and performance between various asset classes and sectors. For sectors each sector's relative trend is versus the S&P 500.

FIXED INCOME

Bonds are Pricing in an Economic Slowdown. It Could be a bit Premature.

Treasury bond yields have fallen nearly 80 basis points (0.8%) since their recent high in June. While the economy is showing signs of a slowdown, we do not think an economic contraction is imminent. Moreover, with inflationary pressures still running significantly above the Fed’s 2% target, we don’t think the Fed will stop raising and/or cut short-term interest rates soon. As such, the recent fall in yields, we believe, may be overdone. That said, we still see increasing investment opportunities in shorter maturity investment grade corporates and mortgage-backed securities. Also, higher yields (and still low default expectations) for lower rated corporate credit markets make this area interesting as well.

We favor **municipal bonds** as a high-quality option for taxable accounts and given the recent rate-driven selloff, valuations relative to Treasuries have improved. Additionally, for appropriate investors, we believe **high yield municipal bonds** offer an attractive tax-equivalent yield. Fundamentals in both markets remain solid.

		Low	Medium	High	Rationale
Positioning	Credit Quality				Yields in many credit markets exceed their longer-term averages so prospects for future returns may have improved. We think the economic outlook remains supportive as well.
	Duration				We think maintaining a slight underweight to interest-rate sensitive assets makes sense at this point in the cycle although duration is becoming more attractive.
		Neg.	Neutral	Pos.	Rationale
Sectors	U.S. Treasuries				Yields have traded meaningfully higher recently as the market has repriced the number of expected Fed rate hikes. Volatility is likely to remain elevated though as the Fed starts to reduce Treasury reinvestments. Yield spreads to international sovereigns remain attractive but have narrowed recently. Inflation breakeven rates leave TIPS fully valued, particularly for longer-maturity securities.
	MBS				The Fed has stopped new MBS purchases, and balance sheet runoff is a potential risk this year, which may put upward pressure on yields. Valuations remain attractive, so we could see additional buyers.
	Investment-Grade Corporates				The recent sell-off in corporate credit has impacted shorter maturity corporates disproportionately, so we think there is currently an opportunity to add to this area of the market without taking on elevated levels of interest rate or credit risk. Fundamentals remain solid.
	Preferred Stocks				Higher credit quality among the riskier fixed income options. Bank fundamentals sound overall. Can be rate sensitive but may be able to tolerate gradual increases. Valuations have improved recently.
	High-Yield Corporates				With total yields in high yield bonds above historical averages, though with arguably a higher-quality index disposition, the value proposition for high yield bonds has improved. Additionally, credit fundamentals remain sound. Volatility is likely to remain elevated though.
	Bank Loans				Economic environment is supportive and better sector mix than high yield. Higher interest rates may support demand. Fewer investor protections and illiquidity of individual loans remain concerns. While we’re still constructive on bank loans, the relative value proposition favors high yield bonds, in our view.
	Foreign Bonds				Valuations have improved but potential currency volatility still remains a challenge.
	EM Debt				Central banks are tightening aggressively as inflationary pressures remain stubbornly high and a strong dollar provides a headwind to prices. Valuations are relatively attractive but idiosyncratic risks remain. Liquidity can be an added risk during periods of stress.

Yield spread is the difference between yields on differing debt instruments, calculated by deducting the yield of one instrument from another. The higher the yield spread, the greater the difference between the yields offered by each instrument. The spread can be measured between debt instruments of differing maturities, credit ratings, and risk. **Bank loans** are loans issued by below investment-grade companies for short-term funding purposes with higher yield than short-term debt and involve risk. For the purposes of this publication, **intermediate-term bonds** have maturities between 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

Natural Gas And Copper Bounce, but Most Commodities Still In No-Man's Land

Most key commodities pulled back in July after being in strong uptrends since the beginning of the bull market run in March 2020. After significant declines during May and June, which improved the inflation outlook, several commodities such as natural gas and copper staged rebounds at various points in July. Commodities remain broadly in their long-term uptrends, but some technical deterioration has been evident and tepid global growth and the strong dollar remain headwinds.

Our energy commodities view remains the most positive within the commodities space. While WTI crude oil is well off its March highs following the Russian invasion of Ukraine, it remains in a long-term uptrend, as does natural gas which has surged on restricted supplies from Russia into Europe. At the same time, the ongoing reopening in China provides fundamental support via firming demand.

While China's reopening provides a tailwind and copper has bounced some recently, it is not enough to counteract the strong technical breakdown in copper in June and early July. Copper and other industrial metals look broadly to have topped as the global economy braces for potential recessions in Europe and the U.S. We have a negative bias towards industrial metals and now favor precious.

While we favor precious metals relative to industrial, our precious metals view remains neutral. Gold has traded sideways to lower over the past couple of years and, from a technical perspective, we would not have conviction in a call in either direction. Volatility in both stocks and bonds provides a healthy backdrop for demand from a fundamental standpoint. High inflation and lower interest rates should be supportive, but they have been offset by dollar strength and the market's preference for riskier assets over the past several weeks.

ALTERNATIVE INVESTMENTS

Relative Underperformance, Mixed Absolute Returns

The majority of alternative investment strategies were unable to keep pace with the impressive July gains in equity and bond markets, as both traditional benchmarks staged their best months of 2022. Our preferred alternatives implementations, which now include event driven, market neutral, and low-beta single and multi-manager strategies, had mixed monthly returns but continue to hold up well on a year-to-date basis. Expectations are for alternatives to lag during such strong moves upward due to their limited market exposure and July was no exception.

Looking forward, we continue to advocate for diversifying alternative investment exposure across several low-beta allocations as an appropriate implementation method. While all of these strategies have their own characteristics, at their core they exhibit limited equity market and interest rate sensitivity. We believe these allocations may help preserve portfolios in the current environment and act as a source of ballast during potential periods of high volatility.

These characteristics have been on display this year and reinforced the benefit of these strategies within the context of a broader portfolio. In regards to the event-driven industry, our three main tailwinds remain in place. These include high corporate cash balances, low borrowing rates, and the private equity industry's dry powder.

Further diversification across market neutral and multi-strategy strategies may provide additional sources of uncorrelated returns and the potential to mitigate traditional equity and bond market risks. While currently not one of our preferred implementations, managed futures investors should be wary of further strength in equity and bond markets, as most strategies in the space have been consistently short since the beginning of the year.

IMPORTANT DISCLOSURES

This material has been prepared for informational purposes only, and is not intended as specific advice or recommendations for any individual. There is no assurance that the views or strategies discussed are suitable for all investors and they do not take into account the particular needs, investment objectives, tax and financial condition of any specific person. To determine which investment(s) may be appropriate for you, please consult your financial professional prior to investing. Any economic forecasts set forth may not develop as predicted and are subject to change.

Stock investing involves risk including loss of principal. Because of their narrow focus, sector investing will be subject to greater volatility than investing more broadly across many sectors and companies. Value investments can perform differently from the market as a whole and can remain undervalued by the market for long periods of time. The prices of small and mid-cap stocks are generally more volatile than large cap stocks. Bonds are subject to market and interest rate risk if sold prior to maturity.

Bond values will decline as interest rates rise and bonds are subject to availability and change in price. Corporate bonds are considered higher risk than government bonds. Municipal bonds are subject to availability and change in price. Interest income may be subject to the alternative minimum tax. Municipal bonds are federally tax-free but other state and local taxes may apply. If sold prior to maturity, capital gains tax could apply. U.S. Treasuries may be considered “safe haven” investments but do carry some degree of risk including interest rate, credit, and market risk. Bond yields are subject to change. Certain call or special redemption features may exist which could impact yield. Mortgage-backed securities are subject to credit, default, prepayment, extension, market and interest rate risk.

Credit Quality is one of the principal criteria for judging the investment quality of a bond or bond mutual fund. Credit ratings are published rankings based on detailed financial analyses by a credit bureau specifically as it relates to the bond issue’s ability to meet debt obligations. The highest rating is AAA, and the lowest is D. Securities with credit ratings of BBB and above are considered investment grade. Duration is a measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. It is expressed as a number of years.

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

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

Commodity-linked investments may be more volatile and less liquid than the underlying instruments or measures, and their value may be affected by the performance of the overall commodities baskets as well as weather, geopolitical events, and regulatory developments. The fast price swings in commodities and currencies will result in significant volatility in an investor’s holdings.

Investing in foreign and emerging markets securities involves special additional risks. These risks include, but are not limited to, currency risk, geopolitical risk, and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks. All information is believed to be from reliable sources; however, LPL Financial makes no representation as to its completeness or accuracy.

Earnings per share (EPS) is the portion of a company’s profit allocated to each outstanding share of common stock. EPS serves as an indicator of a company’s profitability. Earnings per share is generally considered to be the single most important variable in determining a share’s price. It is also a major component used to calculate the price-to-earnings valuation ratio.

Gross Domestic Product (GDP) is the monetary value of all the finished goods and services produced within a country’s borders in a specific time period, though GDP is usually calculated on an annual basis. It includes all of private and public consumption, government outlays, investments and exports less imports that occur within a defined territory.

All index data from FactSet.

For a list of descriptions of the indexes referenced in this publication, please visit our website at lplresearch.com/definitions.

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