GLOBAL PORTFOLIO STRATEGY

LPL Research

DECEMBER 2022

AFTER POSITIVE NOVEMBER, INVESTORS LOOK FOR MORE HOLIDAY CHEER

LPL RESEARCH'S MONTHLY MARKET OUTLOOK

Key changes from November report:

- Upgrading financials view from negative to neutral.
- Upgrading precious metals view from negative to positive.

Stocks added to strong October gains in November as the S&P 500 returned 5.6% for the month, leaving the index down 13.1% year to date. The Dow Jones Industrials fared slightly better, gaining 6%, while the Nasdaq added 4.5%. The Dow, up more than 20% from its September 30 low, to mark a new bull market, has lost just 2.9% year to date.

Better-than-expected inflation data for October helped give stocks a mid-month jolt and temper some fears of an overly aggressive Federal Reserve (Fed), but gains were pared amid persistent COVID-19 disruptions in China, and a lackluster third quarter earnings season overall. Market participants will be looking for more evidence of waning inflation and seasonal tailwinds to help stocks finish 2023 on a positive note.

Core bonds, as measured by the Bloomberg Aggregate Bond index, were up 3.7% during the month, which was the best month for core bonds since December 2008. Treasury yields fell during the month as the Fed is likely going to take a slower approach to rate hikes.

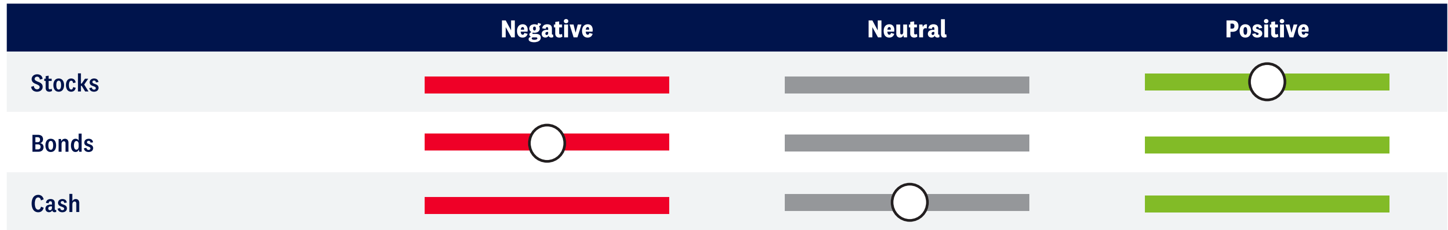
The Strategic and Tactical Asset Allocation Committee's (STAAC) S&P 500 year-end fair value target of 4,000-4,100 is based on a price-to-earnings ratio of 17.5 times the STAAC's 2023 S&P 500 earnings per share forecast of $230. Our earnings forecasts will be updated in the *2023 Outlook* publication, due out December 6.

INVESTMENT TAKEAWAYS:

- The STAAC maintains its overweight equities recommendation relative to bonds, supported by expectations of flattish growth or a mild recession in 2023 amid falling inflation and stable interest rates. Seasonal tailwinds, relative valuations, and the likelihood that the Fed halts its rate hiking campaign in early spring 2023 are also supportive.
- The macroeconomic environment (primarily interest rates and inflation) and technical analysis continue to point toward the value style. Favor U.S. and maintain healthy exposure to small/midcaps, as appropriate and focused on quality balance sheets.
- We continue to recommend a slight underweight allocation to fixed income as higher rates may put additional pressure on bond returns.
- The Fed's determination to keep rates higher for longer has caused U.S. Treasury yields to move significantly higher this year. Our year-end target for the 10-year Treasury yield is 3.25% to 3.75%.
- Shorter maturity corporate credit, mortgage-backed securities, and high yield bonds (for income-oriented investors) look 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
▪ U.S. Equities	▪ Healthcare ▪ Energy	▪ Mortgage-Backed Securities ▪ Short Maturity High Quality Corporates	▪ Low-Beta Alts (Event Driven, Market Neutral, Multi-Strategy)

2022 MARKET FORECASTS

Look For Seasonal Tailwinds to Help Push the S&P 500 Over 4,000 by Year-End

	Previous	Current
10-Year U.S. Treasury Yield	2.75%-3.25%*	3.25% to 3.75%*
S&P 500 Index Earnings per Share	$220	$220
S&P 500 Index Fair Value	4,000-4,100	4,000-4,100**

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 3.25% to 3.75%. 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 4,000-4,100 is based on a price- to-earnings ratio (PE) of 17.5 and our S&P 500 earnings per share (EPS) forecast of $230 in 2023.

2022 AND 2023 ECONOMIC FORECASTS

Downshift in Global Growth

GDP Growth (Y/Y%)	2022	2023
United States	0.9% to 1.5%	0.6% to 1.2%
Eurozone	1.3% to 1.9%	0.5% to 1.1%
Advanced Economies	1.7% to 2.3%	0.7% to 1.3%
Emerging Markets	2.8% to 3.4%	3.2% to 3.8%
Global	2.5% to 3.1%	2.3% to 2.9%

Source: LPL Research, Bloomberg

The economic forecasts may not develop as predicted.

All data, views, and forecasts herein are as of 10/31/22.

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LPL RESEARCH STRATEGIC AND TACTICAL ASSET ALLOCATION COMMITTEE

LPL Research Tactical Asset Allocation as of 12/01/22

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	84.3%	76.0%	8.3%	73.1%	64.0%	9.1%	55.9%	48.0%	7.9%	38.7%	32.0%	6.7%	21.0%	16.0%	5.0%
Large Value	12.7%	10.3%	2.4%	11.0%	8.7%	2.3%	8.0%	6.5%	1.5%	5.5%	4.3%	1.1%	2.8%	2.2%	0.6%
Large Blend	19.8%	17.8%	1.9%	16.8%	15.0%	1.8%	12.1%	11.3%	0.8%	8.1%	7.5%	0.6%	3.9%	3.8%	0.2%
Large Growth	20.8%	19.9%	0.9%	17.6%	16.7%	0.8%	12.7%	12.6%	0.1%	8.4%	8.4%	0.1%	4.0%	4.2%	-0.1%
Small/Mid Value	9.9%	8.3%	1.6%	8.9%	7.0%	1.9%	7.3%	5.2%	2.1%	5.3%	3.5%	1.8%	3.2%	1.7%	1.5%
Small/Mid Blend	14.4%	13.0%	1.4%	12.8%	10.9%	1.9%	10.6%	8.2%	2.4%	7.6%	5.5%	2.2%	4.6%	2.7%	1.9%
Small/Mid Growth	6.7%	6.7%	0.0%	6.0%	5.7%	0.4%	5.2%	4.2%	1.0%	3.8%	2.8%	1.0%	2.4%	1.4%	1.0%
INTERNATIONAL EQUITY	13.7%	19.0%	-5.3%	11.9%	16.0%	-4.1%	9.1%	12.0%	-2.9%	6.3%	8.0%	-1.7%	4.0%	4.0%	0.0%
Developed (EAFE)	8.5%	12.0%	-3.5%	7.2%	10.0%	-2.8%	6.1%	8.0%	-1.9%	3.8%	5.0%	-1.2%	4.0%	4.0%	0.0%
Emerging Markets	5.3%	7.0%	-1.7%	4.7%	6.0%	-1.3%	3.0%	4.0%	-1.0%	2.5%	3.0%	-0.5%	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%
TIPS	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
International	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Preferred	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
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%
Bank Loans	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Emerging Markets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CASH	2.0%	5.0%	-3.0%	2.0%	5.0%	-3.0%	2.0%	5.0%	-3.0%	2.0%	7.0%	-5.0%	2.0%	10.0%	-8.0%

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

Equity benchmark style 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 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.

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EQUITY ASSET CLASSES

Favor U.S. Over International, Value Over Growth, and Maintain Healthy SMID Exposure

The STAAC maintains its overweight equities recommendation relative to bonds, supported by expectations of flattish growth or a mild recession in 2023 amid falling inflation and stable interest rates. Seasonal tailwinds, relative valuations, and the likelihood that the Fed halts its rate hiking campaign in early spring 2023 are also supportive, in our view. The macroeconomic environment (primarily interest rates and inflation) and technical analysis continue to point toward the value style. Favor U.S. and maintain healthy exposure to small/midcaps, as appropriate and focused on quality balance sheets. The energy crisis in Europe supports the Committee's preference for U.S. equities over developed international, while the STAAC maintains a cautious outlook for emerging market equities due to soft earnings, and geopolitical uncertainty—though U.S. dollar weakness has helped non-U.S. equities in recent weeks and the group may have more left in it as a short-term trade.

Key risks include a potentially overly aggressive Fed that drives the U.S. economy into something worse than a mild recession in 2023, a possible broader military conflict in Europe, U.S-China tensions, and extended COVID-19 lockdowns in China.

	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 they are more exposed to weakness in Europe, are more expensive, and may lag in early stages of next bull market.
	Mid Caps			Likely beneficiary of eventual improving economic outlook though halted merger and acquisition activity, largely amid tighter financial conditions, removes a potential positive catalyst. Midcap valuations are near 20-year lows versus large caps and technical analysis trends have improved.
	Small Caps			Attractive valuations, improving technical analysis trends, and relative insulation from economic risks in Europe are supportive of small caps. If recession fears calm, small caps may sustain outperformance. We would favor higher quality S&P 600 Index over the Russell 2000.
Style	Growth			The growth style should soon benefit from better economic conditions and superior earnings power. However, patience is prudent as we wait for a more favorable economic environment for growth, including lower inflation, stable interest rates and better price momentum.
	Value			Tailwinds from the COVID-19 reopening and rising commodities prices have waned and defensive value sectors, such as staples and utilities, may garner less support if stocks rally. But value stocks are more attractively valued with less interest rate risk, so we maintain our recommended value tilt.
Region	United States			The energy crisis in Europe has strengthened our conviction in favoring U.S. equities over their developed international counterparts, despite the two-month downdraft in the U.S. dollar. The U.S. economy is better positioned than Europe to withstand higher energy costs, particularly Germany, which is still 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. Sustained international equities outperformance may require a synchronized global expansion and lasting period of U.S. dollar weakness. Better recent performance has been driven solely by the weaker dollar.
	Emerging Markets			Earnings weakness, geopolitical tensions, and ongoing COVID-19 lockdowns in China outweigh stimulus, less regulatory pressure, and low valuations. But the group may have more upside as a short-term trade on U.S. dollar weakness if COVID-19 restrictions are eased.

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

Stick with Energy and Healthcare, Not Time For Technology...Yet

The STAAC continues to recommend a slight tilt toward defensive sectors amid elevated economic uncertainty and market volatility. The long- term energy uptrend remains intact and stocks may be pricing in an overly pessimistic supply-demand picture. We maintain our positive healthcare view despite the effects of drug price reform in the Inflation Reduction Act, which we believe are more than fully priced in. The macroeconomic outlook will likely become more favorable for growth sectors in early 2023, but we urge patience toward technology and consumer discretionary until the macroeconomic environment and the technical analysis picture improve. The charts are telling us to pay close attention to industrials as a sector to watch for a potential upgrade.

	Sector	Overall View	Relative Trend	S&P Wgt	Rationale
Cyclical	Materials			2.7	Support from infrastructure spending and recent weakening U.S. dollar. But China's economy is stalling, high natural gas prices curb chemical company profits, inflation is well past peak, and technicals, though improved, are mixed. Reasonable valuations.
	Energy			5.2	Remains in a long-term uptrend despite consolidating oil prices. Global supply likely to remain tight for some time. Increase in production to replace Russian oil in global marketplace will take time, though China's reopening has stalled.
	Industrials			8.5	Solid capital expenditures growth, more infrastructure spending on the way, and technical analysis trends have turned positive. However, lackluster global economic growth and ongoing supply chain disruptions temper the outlook some.
	Communication Services			7.4	A toughening regulatory environment for this digital media-heavy sector, an expected earnings decline in 2022, weak earnings revisions, and negative technical analysis trends drive our negative view despite reasonable valuations.
	Consumer Discretionary			10.3	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.
	Technology			26.1	Sustained interest rate stability may be required for better growth style performance. Earnings are hanging in okay and sector valuations are broadly reasonable. A sector to watch for a potential upgrade in the first half of 2023 depending on the macro environment.
	Financials			11.7	Upgraded view primarily driven by technical analysis. Near-term outlook for loan growth remains tepid while yield curve inversions and slower global growth remain issues. Valuations do remain attractive and earnings growth likely to return in early 2023.
Defensive	Utilities			3.0	Technical analysis drove the April upgrade. Green-energy spending may help. Recession may be needed to sustain outperformance and valuations are elevated but technical momentum is relatively positive. Sector holding up okay amid higher interest rates.
	Healthcare			15.3	Maturing economic cycle, demographics, and valuations remain supportive, but drug price reform introduces some near-term headline risk and represents a modest long-term earnings hit. Earnings surprises were among the best during third quarter.
	Consumer Staples			7.1	Slow-growth staple companies are getting squeezed by higher costs and valuations are elevated. Even though interest rate risk may be reduced as inflation starts to fall, this defensive sector may lag if a year-end rally materializes.
	Real Estate			2.7	Our real estate downgrade last month to neutral reflected weakening technical analysis trends, though the sector, with its income focus, may get a boost if interest rates fall with its attractive yields.

Because of its narrow focus, specialty sector investing, such as healthcare, financials, or energy, will be subject to greater volatility than investing more broadly across many sectors and companies. Relative trend is an assessment of the intermediate term price trend and performance between various asset classes and sectors. For sectors each sector's relative trend is versus the S&P 500.

FIXED INCOME

Waiting on the Fed to Slow the Pace of Rate Hikes

The LPL Research STAAC recently increased its recommended interest rate exposure in its tactical allocation from underweight to neutral. Now that interest rates have moved substantially higher, we believe opportunities in fixed income have improved. And with the Fed signaling a slower pace of rate hikes is warranted, Treasury yields fell during the month and core bonds (as measured by the Bloomberg Aggregate Bond index) had their best month since December 2008. Shorter maturity investment grade corporates and Agency mortgage-backed securities (MBS) look attractive. 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, however we would expect additional volatility as economic growth concerns increase. Fundamentals in both markets remain solid though.

		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.
		Short / Int. / Long	
	Duration		With higher yields and, we think, the improved diversification benefits of bonds, we've upgraded our view of duration to "neutral" relative to our index.

		Neg. / Neutral / Pos.	Rationale
Sectors	U.S. Treasuries		Yields have traded meaningfully higher this year as the market has repriced the number of expected Fed rate hikes. Volatility is likely to remain elevated though as the Fed continues to reduce Treasury reinvestments. Yield spreads to international sovereigns remain attractive but have recently narrowed. Inflation breakeven rates leave Treasury Inflation- Protected Security (TIPS) fully valued, particularly for longer-maturity securities.
	MBS		Despite what looks like a downgrade, we remain constructive on Agency MBS. With yields and spreads at multi-year highs, we think MBS remain an attractive investment opportunity. The Fed has stopped new MBS purchases and balance sheet runoff is a potential risk though.
	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. European banks likely to stay under pressure as the European Central Bank (ECB) hikes rates.
	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, while volatility is likely to remain elevated.
	Bank Loans		Economic environment is supportive and better sector mix than high yield. Given the variable rate debt though, higher interest rates may make repayment more challenging for some issuers. 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

Technical Progress for Metals Amid Weaker Dollar, Lower Rates

A 5% drop in the U.S. Dollar Index last month lifted most commodities in November. The Bloomberg Commodity Index climbed 2.4% as strength in the metals complex offset weakness in energy markets. Silver stood out with a 14% rally that lifted the precious metal above its 200-day moving average. West Texas Intermediate (WTI) crude oil slid nearly 7% for the month due to setbacks in the reopening of China's economy. Despite some of the volatility within the commodities complex, there were no major technical changes to the broad index as prices remained confined to a consolidation pattern.

Our **energy** commodities view is neutral with a negative bias. Supply and demand dynamics remain highly uncertain. On the supply side, the European Union is set to sanction Russian imports this month and potentially cap Russian oil prices. Oil demand faces a global slowdown and continued uncertainty over China's path to reopening. From a technical perspective, energy components such as heating oil, gasoline, and WTI have all stumbled back to critical support levels near their September lows. While there is the potential for a relief rally off these support levels, there is insufficient technical evidence to confirm a capitulation has occurred. Natural gas prices also remain extremely volatile as economic uncertainty competes with restricted supplies from Russia into Europe.

Metals led commodity markets higher last month. Tight supply and a declining dollar lifted the **industrials metals** group up over 10%. Technically, copper, aluminum, and nickel appear to be climbing out from bottom formations that have developed over the last six months, shifting our view from negative to neutral on the group. Precious metals also had a strong showing in November. Platinum and silver surpassed their 200-day moving averages, while gold recaptured a key support level. Given the technical progress of the group and the potential for a further decline in rates and the dollar, our view on **precious metals** is now positive.

ALTERNATIVE INVESTMENTS

Mixed Results for Alternatives

Alternative investment strategies underperformed, as equity and bond markets rallied in November. Our preferred alternatives implementations, which include event driven, market neutral, and low-beta single and multi-manager strategies, delivered mixed returns, however, continue to outperform traditional markets on year-to-date basis. 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, we're closely watching how the increase in interest rates will further impact the merger and acquisition backdrop. To date, we've seen a significant decrease in announced deals. Due to this environment, we believe 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.

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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RES-1345395-1122 Tracking # 1-05350238 (Exp. 12/23)

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