

FABULOUS FEBRUARY

LPL RESEARCH'S MONTHLY MARKET OUTLOOK

Key changes from February report:

- None

Stocks enjoyed another month of gains in February, a positive signal for potential gains over the rest of the year. Investors' confidence in a soft landing remained unfettered despite the uptick in January inflation readings, while earnings season handily met expectations. The S&P 500 Index gained 5.4% for the month including dividends.

While it was another negative month for fixed income investors, (as proxied by the Bloomberg Aggregate Bond Index) the bond market is better aligned with the Federal Reserve's (Fed) stated expectations for rate cuts. As such, unless economic growth and inflationary pressures re-accelerate, we think we may be near the extent of the rates sell-off.

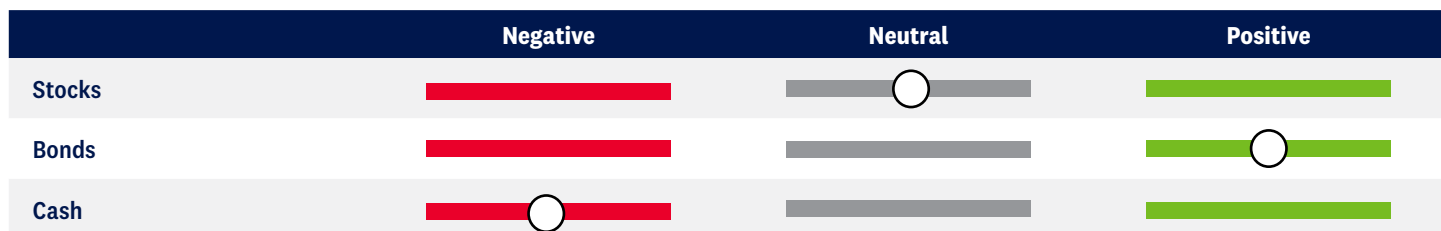
LPL Research's Strategic and Tactical Asset Allocation Committee (STAAC) continues to see the risk-reward trade-off between equities and fixed income as roughly balanced, with a potential soft landing, growing earnings, and expected stability in bond yields offsetting higher valuations. LPL Research's year-end S&P 500 target is under review.

INVESTMENT TAKEAWAYS:

- The STAAC maintains its recommended neutral equities allocation based on the Committee's assessment that the risk-reward trade-off between equities and fixed income is roughly balanced despite strong year-to-date gains given the improved economic backdrop.
- The Committee favors large cap stocks over their smaller brethren due to a potential economic slowdown in coming quarters. Meanwhile, superior earnings growth and an expected continued decline in inflation may help growth style stocks continue to outperform.
- If the downward trajectory in inflation remains intact and interest rates stabilize or fall further, growth style stocks may continue to outperform.
- The STAAC favors U.S. equities over developed international due to a relatively stronger domestic economic growth outlook and superior earnings power, though the Committee still finds Japanese equities attractive.
- The bond market likely front-ran Fed rate cuts for 2024, so with the strong economic data this year, a repricing higher in Treasury yields was likely warranted, in our view. Additionally, Treasury supply is expected to increase in the coming quarters, which could keep upward pressure on yields. As such, our year-end 2024 target for the 10-year Treasury yield is 3.75% to 4.25%.
- The selloff in the banking sector provided an attractive opportunity in preferred securities; however, the risk-reward for core bond sectors (U.S. Treasury, Agency mortgage-backed securities (MBS), investment-grade corporates) is more attractive than plus sectors, in our view.

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	- Communication Services - Energy	- Mortgage-Backed Securities - Short Maturity High Quality Corporates - Preferred Securities	Alt asset class choices — Global Macro, Short Term Managed Futures, and Multi-Strategy

2024 MARKET FORECASTS

Our S&P 500 Year-End 2024 Target Implies Stocks Are Fully Valued

	Previous	Current
10-Year U.S. Treasury Yield	3.75% - 4.25%	3.75% to 4.25%*
S&P 500 Index Earnings per Share	\$235	\$235
S&P 500 Index Fair Value	4,850 - 4,950	4,850 - 4,950**

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 2024 forecast for the U.S. 10-year Treasury yield was updated to 3.75% to 4.25%. The Fed's higher for longer narrative and the poor supply/demand technicals for Treasury securities will likely keep interest rates at these elevated levels until the economic data weakens and/or inflation falls back in line with the Fed's longer term 2% target

**Our year-end 2024 fair-value target range for the S&P 500 of 4,850-4,950 is based on a price-to-earnings ratio (PE) of roughly 19.5 and our S&P 500 earnings per share (EPS) forecast of \$250 in 2025.

Any forward-looking statements including economic forecasts may not develop as predicted and are subject to change.

2024 ECONOMIC FORECASTS

U.S. Economy Expected to Slow in 2024

2024 Annual Forecasts*	GDP Growth	CPI
United States	1.40%	1.90%
Eurozone	0.60%	2.10%
Advanced Economies	1.20%	3.80%
Emerging Markets	3.90%	6.80%
Global	2.70%	4.20%

*Annual Average, Y/Y %

Source: LPL Research, Bloomberg 03/04/24

The economic forecasts may not develop as predicted.

All data, views, and forecasts herein are as of 03/04/24.

LPL RESEARCH STRATEGIC AND TACTICAL ASSET ALLOCATION COMMITTEE
LPL Research Tactical Asset Allocation as of 02/29/2024
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	95.0%	95.0%	0.0%	80.0%	80.0%	0.0%	60.0%	60.0%	0.0%	40.0%	40.0%	0.0%	20.0%	20.0%	0.0%
U.S. EQUITY	80.0%	76.0%	4.0%	67.0%	64.0%	3.0%	50.0%	48.0%	2.0%	33.5%	32.0%	1.5%	16.0%	16.0%	0.0%
Large Value	16.0%	16.0%	0.0%	13.5%	13.5%	0.0%	10.0%	10.0%	0.0%	6.5%	6.5%	0.0%	3.5%	3.5%	0.0%
Large Blend	18.0%	16.0%	2.0%	15.0%	13.5%	1.5%	11.0%	10.0%	1.0%	7.5%	7.0%	0.5%	3.5%	3.0%	0.5%
Large Growth	20.5%	16.0%	4.5%	17.0%	13.5%	3.5%	13.0%	10.0%	3.0%	8.5%	6.5%	2.0%	4.0%	3.5%	0.5%
Small/Mid Value	8.0%	9.5%	-1.5%	7.0%	8.0%	-1.0%	5.0%	6.0%	-1.0%	3.5%	4.0%	-0.5%	1.5%	2.0%	-0.5%
Small/Mid Blend	8.5%	9.0%	-0.5%	7.0%	7.5%	-0.5%	5.5%	6.0%	-0.5%	3.5%	4.0%	-0.5%	1.5%	2.0%	-0.5%
Small/Mid Growth	9.0%	9.5%	-0.5%	7.5%	8.0%	-0.5%	5.5%	6.0%	-0.5%	4.0%	4.0%	0.0%	2.0%	2.0%	0.0%
INTERNATIONAL EQUITY	15.0%	19.0%	-4.0%	13.0%	16.0%	-3.0%	10.0%	12.0%	-2.0%	6.5%	8.0%	-1.5%	4.0%	4.0%	0.0%
Developed (EAFE)	12.0%	12.0%	0.0%	10.0%	10.0%	0.0%	8.0%	8.0%	0.0%	5.0%	5.0%	0.0%	4.0%	4.0%	0.0%
Emerging Markets	3.0%	7.0%	-4.0%	3.0%	6.0%	-3.0%	2.0%	4.0%	-2.0%	1.5%	3.0%	-1.5%	0.0%	0.0%	0.0%
BONDS	3.0%	0.0%	3.0%	18.0%	15.0%	3.0%	38.0%	35.0%	3.0%	58.0%	53.0%	5.0%	78.0%	70.0%	8.0%
U.S. CORE	3.0%	0.0%	3.0%	17.0%	15.0%	2.0%	36.0%	35.0%	1.0%	55.0%	53.0%	2.0%	74.0%	70.0%	4.0%
Treasuries	1.5%	0.0%	1.5%	8.0%	7.0%	1.0%	17.5%	16.0%	1.5%	26.5%	24.0%	2.5%	35.5%	32.0%	3.5%
MBS	1.0%	0.0%	1.0%	5.5%	4.5%	1.0%	11.5%	10.0%	1.5%	18.0%	15.5%	2.5%	24.0%	20.5%	3.5%
IG Corporates	0.5%	0.0%	0.5%	3.5%	3.5%	0.0%	7.0%	9.0%	-2.0%	10.5%	13.5%	-3.0%	14.5%	17.5%	-3.0%
NON-CORE	0.0%	0.0%	0.0%	1.0%	0.0%	1.0%	2.0%	0.0%	2.0%	3.0%	0.0%	3.0%	4.0%	0.0%	4.0%
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%	1.0%	0.0%	1.0%	2.0%	0.0%	2.0%	3.0%	0.0%	3.0%	4.0%	0.0%	4.0%
High-Yield Corporates	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%
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 weights are equally distributed across growth, core, and value. Cap weights are based on the underlying holdings of the domestic benchmark indexes.

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.

EQUITY ASSET CLASSES

Favor U.S. over International, Large Caps over Small, Growth over Value

The STAAC maintains its recommended neutral equities allocation based on the Committee's assessment that the risk-reward trade-off between equities and fixed income is roughly balanced, with a potential soft landing, growing earnings, and expected stability in bond yields offsetting higher valuations. (Note that LPL Research's year-end S&P 500 fair value target is under review.) The outlook for growth style stocks is supported by falling inflation and impressive profit potential of the big technology platform companies, though interest rates may need to come down to drive further near-term upside. The STAAC favors U.S. equities over developed international due primarily to the relatively stronger domestic economic growth outlook and superior earnings power, though the Committee still finds Japanese equities attractive. Key risks to equities include renewed upward pressure on inflation and interest rates, a broader conflict in the Middle East or Europe, escalation in U.S.-China tensions, and military aggression toward Taiwan by China.

	Sector	Overall View	Relative Trend	Rationale
Market Capitalization	Large Caps			Large caps typically perform better during economic slowdowns with their generally stronger balance sheets, but strong earnings have given large companies a lift so far in 2024 as prospects for a soft landing have improved. Mega-cap technology stocks can still benefit from lower interest rates. Large caps look better on a technical analysis basis, but valuations are elevated.
	Mid Caps			A resilient economy and attractive valuations are supportive, but our technical analysis work continues to point toward large caps as a better place to be. Meanwhile, credit conditions may tighten as the economy slows, limiting opportunities down the market capitalization spectrum.
	Small Caps			Small caps eked out a small amount of outperformance compared with large caps during February on strength in biotech and technology. Low valuations and an improved U.S. economic growth outlook are attracting some interest to the asset class. Expect small caps to keep pace if the economy holds up and market performance broadens out beyond the Magnificent Seven.
Style	Growth			Our STAAC Committee favors the growth style amid better technicals and expected stabilization in interest rates as inflation likely resumes its downtrend. The growth style enjoyed a strong start to 2024, with the Russell 1000 Index up over 9% year to date. Growth stocks enjoy superior earnings power and a powerful artificial intelligence tailwind, though valuations are elevated.
	Value			Value stock valuations are relatively attractive vs. their historical averages. Cyclical value stocks are starting to benefit from an improved economic outlook (industrials and materials outperformed in February). However, defensive value stocks likely require a selloff to generate outperformance and value indexes have had a very difficult time keeping up with a rising, technology-led market.
Region	United States			The U.S. economy is expected to outgrow Europe in 2024, though that slowdown in Europe may facilitate rate cuts by the European Central Bank (ECB) before the Fed. The U.S. will likely generate faster earnings growth than Europe this year. Elevated valuations present a headwind, but our technical analysis work and technology strength point to the U.S. over international.
	Developed International			Economic conditions have deteriorated in Europe, while European companies have experienced waning earnings momentum, though the STAAC still likes Japan amid increasingly more shareholder-friendly management teams and low valuations. Negative bias based on our quantitative work.
	Emerging Markets			The STAAC remains cautious toward emerging market (EM) equities on earnings weakness, elevated geopolitical risk, and prolonged relative weakness. Valuations are attractive, however, and China looks like an appealing short-term trade based on extreme bearish sentiment and oversold technical conditions (we suggest a short leash). Latin America and India are interesting opportunities within EM.

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

Favor Communication Services and Looking for a Rebound in Energy

The STAAC continues to recommend a slight cyclical tilt over defensive sectors broadly. Among economically sensitive, or cyclical, sectors, the Committee recommends two overweights (communication services and energy) and no underweights. The positive communication services view reflects strong earnings trends, reasonable valuations overall, and a favorable technical analysis picture. The STAAC favors the energy sector due to attractive valuations, improved returns on capital, and potential upside to energy prices on an improving supply/demand balance, war overseas, and favorable seasonality. Real estate faces heightened risk in the commercial real estate market.

	Sector	Overall View	Relative Trend	S&P Wgt	Rationale
Cyclical	Materials			2.3	Outperformed in February despite softness in commodities prices and a firm U.S. dollar. Expectations of more stimulus from China helped buoy sentiment, along with U.S. infrastructure spending and low valuations. Technicals are still mixed-to-negative.
	Energy			3.7	Lagged in February on lower natural gas prices, even as oil rose, but gained nearly 3% for the month. Record U.S. production has curbed oil price gains despite wars overseas. Valuations are attractive and capital allocation is more shareholder friendly. Stable technicals.
	Industrials			8.7	Solid outperformer in February. Capital investment has slowed but infrastructure spending and defense offer upside. Keys to outlook are near-shoring and corporate executives' confidence in the economy. Reasonable valuations. Improving technicals.
	Communication Services			8.9	Outperformed in January and February on strong earnings, reasonable valuations, and tailwinds in digital media and artificial intelligence (though regulatory risks linger). Streaming business has generally stabilized. Strong Q4 earnings season overall.
	Consumer Discretionary			10.6	Top performing sector in February, boosted by strength in Amazon (AMZN). Consumers are fully employed and still spending. Earnings growth has been solid. Gas prices are down. Watching rising credit card delinquencies. Valuations are high. Technicals have firmed up.
	Technology			30.1	Outperformed in February on strength in semiconductors, particularly NVIDIA (NVDA), driven by artificial intelligence demand. Favorable economic backdrop also helps. Valuations are elevated but earnings are on the rise. Technicals look quite good. Positive bias.
	Financials			12.9	Slight underperformer in February. Challenges include inverted yield curve, rising credit card delinquencies, stiff bank capital requirements, and office property sector challenges. Capital market environment is improving. Reasonable valuations. Technicals are improving.
Defensive	Utilities			2.1	Underperformed in February for the fourth straight month due to defensive characteristics and rising interest rates. Falling natural gas prices may have also weighed on the sector last month. Need weaker economy to outperform given attractive bond yields.
	Healthcare			12.5	Underperformed in February but top performing defensive sector as Eli Lilly (LLY) gained nearly 17% for the month. The sector has struggled with slowing COVID-19-related sales, patent expirations, and policy pressure on drug prices. Attractive valuations. Improving technicals.
	Consumer Staples			5.9	Lagged in February despite solid gains from staples retailers, including Walmart (WMT), Target (TGT), and Costco (COST). Defensive sectors out of favor. Rising interest rates weighed on yield sectors. Reasonable valuations. Weak technicals. LPL Research favors cyclical.
	Real Estate			2.3	Underperformer in February 2024 due to ongoing commercial real estate challenges and rising interest rates. Yields remain attractive and technology-oriented real estate investment trusts have generally performed well, but bonds are competitive as an income choice.

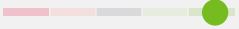
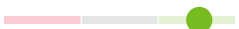
Because of its narrow focus, specialty sector investing, such as healthcare, financials, or energy, will be subject to greater volatility than investing more broadly across many sectors and companies. Relative trend is an assessment of the intermediate term price trend and performance between various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

FIXED INCOME

Bond Market and Fed Are Better Aligned

Treasury yields were higher in February as interest rate cuts got priced out of the market to be more in line with the Fed's recent communication on rate cuts. The market got ahead of itself late last year in pricing in aggressive rate cuts, so the back-up in yields is warranted, in our view. Starting yields for many fixed income markets are still at levels last seen over a decade ago, so the return prospects for fixed income remain favorable, in our view. That said, aside from preferred securities, valuations for riskier fixed income sectors remain rich relative to core sectors.

We favor municipal bonds as a high-quality option for taxable accounts with tax-equivalent yields as attractive as they've been in over a decade. 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 may have peaked but remain solid.

		Low	Medium	High	Rationale
Positioning	Credit Quality				We recommend an up-in-quality approach in allocating to fixed income sectors. While all-in yields for lower quality sectors remain above longer-term averages, we think the risk-reward favors owning core bond sectors over the riskier sectors.
	Duration				Despite the recent move higher in yields, we think the compensation for adding duration to portfolios isn't sufficient given the still elevated (but falling) inflationary pressures. We remain neutral relative to our benchmark.
		Neg.	Neutral	Pos.	Rationale
Core Sectors	U.S. Treasuries				Treasury yields moved higher in February and are still high relative to the last decade. Last year's back-up in yields has likely increased the diversification benefits of owning U.S. Treasuries. All-in yields for Treasury Inflation-Protected Securities (TIPS) are attractive and could provide a good hedge against unexpected inflation surprises.
	MBS				We remain constructive on Agency MBS. With yields and spreads at multi-year highs, we think MBS remain an attractive investment opportunity particularly relative to lower-rated corporates. Favorable supply/demand dynamics in 2024 may help support the market.
	Investment-Grade Corporates				We recommend a slight underweight to benchmarks, but we think there is currently an opportunity to invest in shorter maturity corporate securities without taking on elevated levels of interest rate or credit risk. Fundamentals remain solid.
Plus Sectors	Preferred Securities				The selloff in the banking sector provided an opportunity to invest in these senior securities. Higher credit quality among the riskier fixed income options. Large-cap bank fundamentals generally sound overall. Yields and spreads still attractive. But environment favors active management.
	High-Yield Corporates				Yields for high yield bonds are above historical averages and with economic conditions improving, yields and spreads could remain well contained. The environment broadly remains supportive for credit risk. Economic growth should slow but not collapse, which is typically good for credit. But credit is not cheap.
	Bank Loans				While high yields are attractive currently, as the Fed cuts rates, yields will come down as well. We would favor high yield bonds over loans for those investors interested in leveraged credit.
	Foreign Bonds				Valuations have improved, but potential currency volatility remains a challenge.
	EM Debt				Central banks have largely ended rate hikes as inflationary pressures are starting to abate. A strong dollar could provide 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 three and 10 years, and short-term bonds are those with maturities of less than three years.

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.

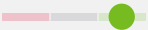
COMMODITIES

Unlucky Number Seven

The broad commodity sector declined for a seventh straight month in February, marking its longest losing streak since 2015. An uptick in inflation data and a relatively resilient U.S. economy reduced rate cut expectations and pushed forecasts for the first Fed rate cut further out on the calendar. Yields and the dollar traded higher as a result, creating headwinds for the commodities complex. The Bloomberg Commodity Index (BCOM) declined 1.9% before finding support off the December 2021 lows (95). Given the degree of oversold conditions and developing momentum divergences near support, we suspect at least a relief rally could be on the near-term horizon. The dollar advanced 0.9% but failed to surpass resistance near 105. A continued pullback through the 200-day moving average (dma) would suggest the relief rally off the December lows is over.

Energy remained volatile and traded modestly lower due to selling pressure in natural gas. Oversupply and underwhelming heating demand dragged natural gas down 11%, bringing its year-to-date decline to around 27%. Crude oil was a bright spot after rallying 2.5%. West Texas Intermediate is now up over 10% on the year and continuing to make technical progress, including a recent move back above its 200-dma. The macro backdrop for oil appears supportive as geopolitical tensions remain elevated in the Middle East, global economic surprises have turned positive, and China continues to roll out stimulative measures to help support its economy.

Metals were mostly lower last month. Gold dodged the selling pressure and eked out a modest gain after staging a mid-month rally off support from the December lows. Safe haven flows amid the current geopolitical backdrop, seasonal buying pressure into China's Lunar New Year, and demand from central banks have provided a counterbalance to the higher rates and dollar strength. Copper fell 1.8% after failing at key resistance near \$402; however, technical damage has been minimal. The copper-to-gold ratio chart remains in a downtrend, deviating from the risk-on narrative supporting equity markets.

	Neg. Neutral Pos.	Relative Trend	Rationale
Energy			Technically, West Texas Intermediate (WTI) has reversed a downtrend and recently recaptured its 200-dma, leaving \$83 as the next resistance hurdle to clear. The futures curve has also turned bullish. Natural gas is holding above support from the pandemic lows (\$1.45), but the oversupply narrative continues to act as an overhang. We maintain our positive view on the energy commodity sector.
Precious Metals			Precious metals declined last month due to weakness in platinum and silver. Silver finally found support off the January lows, and a close above \$23.50 would validate a breakout from its shorter-term bottom. Gold ticked higher after bouncing off support near \$1,975. A breakout above \$2,075 would be technically significant and likely open the door to a new leg higher for the yellow metal. We maintain our neutral view on the precious metals group.
Industrial Metals			Industrial metals have stabilized and the increased likelihood of an end to global monetary policy tightening could help the group recover. Increased monetary and fiscal stimulus in China could also be a catalyst for the space. Copper has reversed an important downtrend, while technical evidence for a bottom in aluminum is building. We maintain our neutral view on the industrial metals group.
Agriculture (Ag) & Livestock			Momentum in the ag space remains bearish. Grains underperformed as corn and soybeans dropped to new 12-month lows. Bumper production in South America and underwhelming demand from China have weighed on the space. Soft commodities fared better but were still lower on the month. Livestock traded higher as live cattle broke out to new highs, and lean hogs found buyers after reaching historically oversold levels.

Any futures referenced are being presented as a proxy, not as a recommendation. The fast price swings in commodities will result in significant volatility in an investor's holdings. Commodities include increased risks, such as political, economic, and currency instability, and may not be suitable for all investors.

ALTERNATIVE INVESTMENTS

Solid Gains in February for Liquid Alts

Alternative investment strategies posted strong results in February based on the preliminary data from Hedge Fund Research (HFR).

Growth, Long Biased Equity L/S Led Gains within Fundamental Strategies

Fundamental strategies mostly posted positive results, with merger arbitrage being an exception. Equity long/short (L/S) strategies had another positive month, with gains seen across the sub-strategies. In general, managers continued to carry relatively high gross and net exposure throughout the month, which benefitted the managers across the strategies. Within Equity L/S, those with growth bias outperformed those with value focus. Event Driven strategies posted small positive results with Special Situation focused strategies eking out small gains, offsetting the losses seen in Merger Arbitrage. Relative Value strategies posted small gains across the board, with no notable performance outliers.

Remain Constructive on Global Macro, Managed Futures, and Multi-Strategy

Tactical Trading strategies had a strong month in February. Within the Managed Futures strategies, those focused on trend following strategies continued their positive streak, benefiting from the continued trends in equities, currencies, and selective commodities. Global Macro posted solid gains as well through their developed market rate curve steepeners, one of the key themes they have carried over since last year. Gains also came from their constructive positions on Japanese equities and USD trades. We remain constructive on Global Macro which would be a direct player of the central bank's policy turnaround as well as the Managed Futures strategies, especially the short-term focused ones, that can serve as a portfolio diversifier as the market navigates through the mixed economic and policy signals.

Multi-strategy funds posted positive results for the month, reflecting the positive performance from their major Equity L/S and Macro driven strategies. Multi-strategy remains a core focus of ours as we believe they can supply additional sources of uncorrelated returns and help dampen portfolio volatility in an environment where interest rates are expected to remain persistently elevated.

FAVORED ALTERNATIVE STRATEGIES

Alternative Investment Strategy

Global Macro, Short Term Managed Futures, Fundamental Equity Market Neutral, and Multi-Strategy

Please see <https://www.hfr.com/indices> for further information on the indices

Definition: The HFRI 400 (US) Hedge Fund Indices are global, equal-weighted indices comprised of the largest hedge funds that report to the HFR Hedge Fund Research

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.

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.

Municipal bonds are subject to availability and change in price. They are subject to 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. Municipal bonds are federally tax-free but other state and local taxes may apply. If sold prior to maturity, capital gains tax could apply.

High yield/junk bonds (grade BB or below) are not investment grade securities, and are subject to higher interest rate, credit, and liquidity risks than those graded BBB and above. They generally should be part of a diversified portfolio for sophisticated investors.

Floating rate bank loans are loans issues by below investment grade companies for short term funding purposes with higher yield than short term debt and involve 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.

Preferred stock dividends are paid at the discretion of the issuing company. Preferred stocks are subject to interest rate and credit risk. As interest rates rise, the price of the preferred falls (and vice versa). They may be subject to a call feature with changing interest rates or credit ratings.

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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.

Precious metal investing involves greater fluctuation and potential for losses.

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.

Managed futures are speculative, use significant leverage, may carry substantial charges, and should only be considered suitable for the risk capital portion of an investor’s portfolio.

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