Market Observations – 3q17 Recap

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Equity markets continued their advance globally during the third quarter. In our opinion, improved corporate earnings, fairly good economic data, and low interest rates have continued to support high, and growing equity multiples around the world. Despite hurricanes and the war of words between the US and North Korea, market volatility remained within a low, fairly tight range during the quarter.

Growth-oriented stocks, which had become the momentum trade from early in the year, led the market higher during the third quarter. However, value stocks overtook growth stocks in the month of September which could mark the beginning of a rotation. The value indices were driven by the energy sector, which was the best performing segment globally in September as the price of crude rose from a low in the second quarter and hit bull market territory in the third quarter.

Similarly, international and emerging market stocks led the equity advance for the quarter as the MSCI EAFE index returned 5.4% and the MSCI EM index returned 7.9%, outpacing the S&P 500 index return of 4.5%. However, the month of September favored US stocks, a reversal of what had occurred year-to-date through August. Additionally, within the US we saw small and mid cap stocks outperform large cap stocks.

The 10-year Treasury finished the month yielding 2.33% after beginning the quarter yielding 2.30%. The yield got as low as 2.06% on September 8th before bouncing back on anticipation that inflation could pick. Additionally, the US Dollar's slide, which is down 8.9% as per the US Dollar index for the year-to-date, stalled in the month of September. Instead, the US Dollar index rose 0.4% in the month of September, indicating Dollar strengthening. The weakening Dollar throughout the year was due to concerns about continued slow growth and the lack of fiscal policy coming out of Washington.

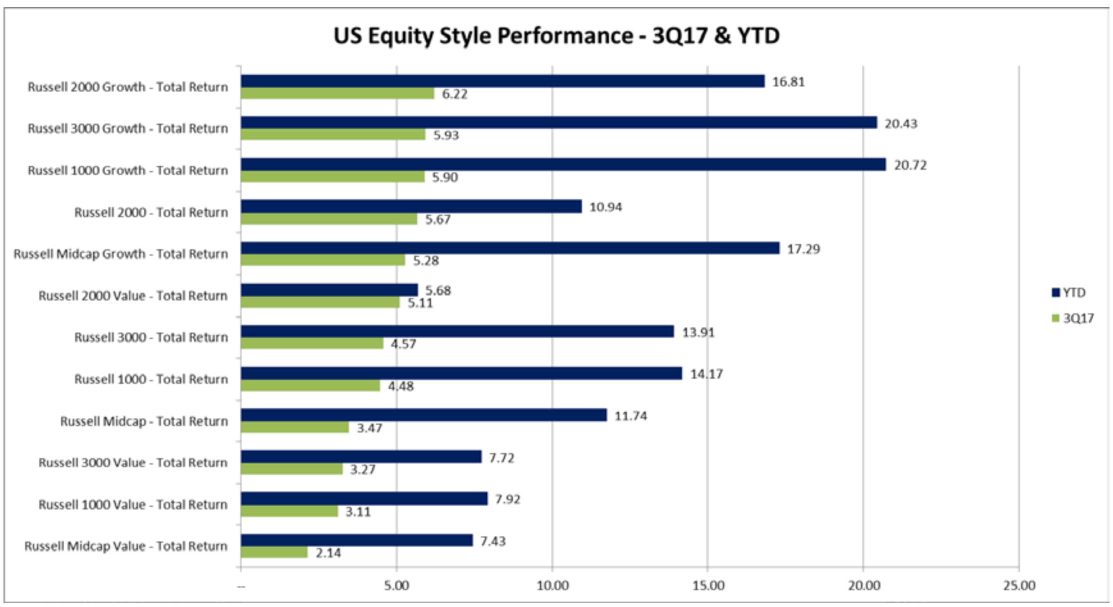
The rotations taking place within the equity markets in September seem to have been driven by a reemergence of what is called the reflation trade. An increase in the probability of another Fed rate hike in December, the unwinding of the Fed's balance sheet and Congress beginning work on a potential tax overhaul could signal the beginning of a rotation to new market leadership. The prospects for an upcoming rate hike helped to increase Treasury yields and strengthen the US Dollar. Currently the market is pricing in a 78% probability of a Fed rate hike as per the Wall Street Journal at the time of this writing. Potential corporate tax reform and increasing rates have boosted the financial sector, which stands to benefit from a steeper yield curve, and small cap stocks, which could benefit most from a corporate tax cut. These events are similar to the reflation trade that began to take shape following the November presidential election. That reflation trade, however, ended up being short lived as the administration and Congress encountered gridlock when trying to enact legislation.

Sentiment seemed to have shifted during the month of September back to favoring the reflation trade. If the administration and Congress do have success implementing tax reform, and if there is enough economic growth to spur inflation and further Fed rate hikes, the reflation trade could have legs this time around.

Commentary on the various market segments for the third quarter of 2017 is on the pages that follow.

US Equity Style: US equities continued their advance for the quarter. The broad indices ended 3Q17 near historic highs. However, stock leadership shifted from Growth stocks to Value stocks in the month of September.

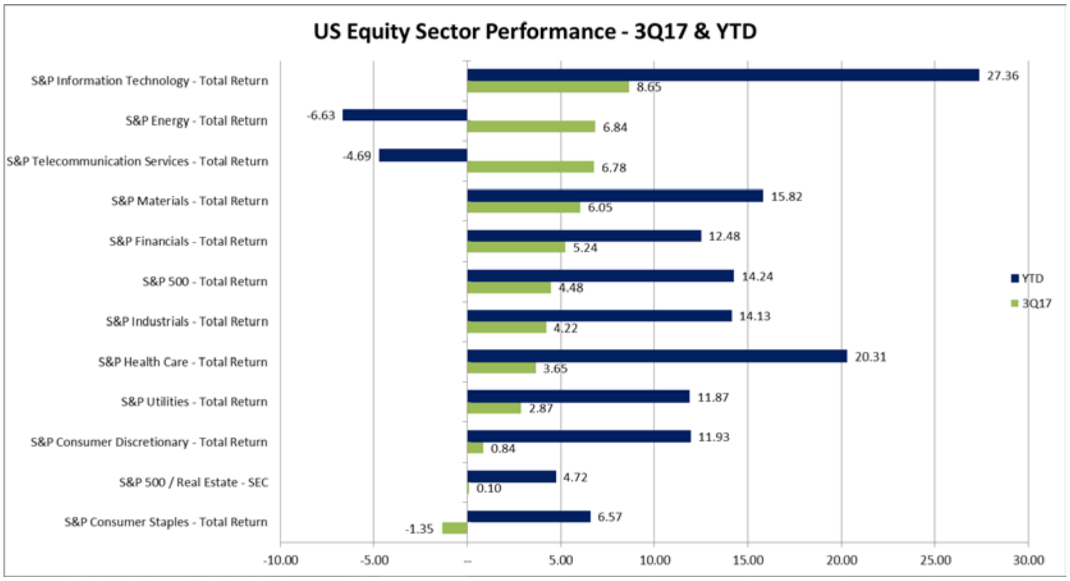
- All of the Russell style indices posted positive performance for the quarter.
- The Growth style outperformed the Value style across all market caps for the quarter. Strong performance by the Information Technology sector in the Large Cap and Mid Cap segments, and the Health Care sector within the Small Cap segment drove their respective growth indices. In the month of September, however, a rotation occurred where the Value style outperformed the Growth style.
- The Value indices were held back by weak performance from Real Estate, Utility and Industrial stocks, whose sectors underperformed the S&P 500 during the quarter. However, in the month of September the Financials sector drove the Value indices to outperform Growth.
- From a market cap standpoint, Small Cap stocks outperformed Mid and Large Cap Stocks for the full quarter despite small caps underperforming in the months of July and August. This was primarily due to the Russell 2000 index posted a 6.2% return in the month of September, significantly outperforming the 2.1% return of the Russell 1000 index and the 2.8% return of the Russell Mid Cap index. The possibility of corporate tax cuts benefited small cap stocks as they are assumed to be the biggest beneficiaries of a corporate tax cut.
- The dispersion between the best performing style (Large Cap Growth) and the worst performing style (Mid Cap Value) during the quarter was only 4.1%, indicating that manager style had a moderate impact on active management performance.



Source: FactSet

US Sectors: The Information Technology sector again provided robust returns during the third quarter. However, the sector gave up leadership in the month of September to the Energy sector, which was aided by crude prices hitting bull market territory.

- Information Technology, Energy and Telecom were the top performing sectors for the quarter. Apple, Facebook and Microsoft were the top performers within the Information Technology sector. Chevron was the top performing Energy stock and Verizon was the top performing Telecom stock.
- Consumer Staples was the only negative performing sector for the quarter hurt by retail food and beverage companies. The Real Estate sector posted a modest gain for the quarter followed by the Consumer Discretionary sector's 0.8% return for the quarter. Retailers, and specifically brick and mortar retail, have been hurt by the gains made within e-commerce with the most recent event being Amazon's entry into retail food and beverage through their acquisition of Whole Foods.
- There was a fairly wide level of dispersion between the best and worst performing sectors for the quarter. The level of dispersion was 10.0% with the Information Technology sector being the best performer and the Consumer Staples sector being the worst performer indicating that sector positioning had a meaningful impact on active management.



Source: FactSet

Non-US Markets: Both developed and emerging market equities outperformed US equities for the quarter, benefiting from improving economies globally, continued central bank stimulus, improving corporate fundamentals and significant fund flows.

- The MSCI EAFE index returned 5.4% for the quarter, outperforming the S&P 500's 4.5% gain. The Value style modestly outperformed the Growth style during the quarter. Four of the top five performing sectors in the MSCI EAFE index were value-oriented sectors with the exception being Information Technology. Additionally, Small Cap stocks outperformed Large Cap Stocks within developed markets. Political uncertainty seemed to have stabilized during the quarter. The MSCI Europe returned 6.4% for the quarter and was the best performing region. The Far East region, which includes Japan, returned 4.1%. Japan, which has been seeing signs of economic improvement, returned 4.0% for the quarter.
- The MSCI EM index returned 7.9% for the quarter. Despite the Fed being in tightening mode as well as reform to US trade policy, emerging markets performed strongly. Within emerging markets Large Cap outperformed Small Cap and the Growth style outperformed the Value style. The Latin America region performed best as MSCI EM Latin America returned 15.1%. The MSCI EMEA region posted the weakest return at 6.2%% for the quarter. Qatar and Greece were among the worst performing in the region with negative returns for the quarter.
- Currencies were mixed for the quarter. While the US Dollar index, a trade weighted basked of currencies, declined 2.7% there were some currencies that depreciated relative to the USD with the most notable being the Swiss Franc, the Indian Rupee and the Mexican Peso. Most of the other major currencies (Brazilian Real, Canadian Dollar, Euro, and British Pound) appreciated relative to the USD.
- From a sector perspective within developed markets, Energy was the top performing sector within developed markets helped by rising crude oil prices, followed by Materials and Information Technology. Health Care and Consumer Staples were the weakest performing sectors. However, all sectors posted positive returns.
- In emerging markets, Real Estate was a top performing sector followed by Energy and Information Technology and Materials. The weakest performing sectors were Industrials, Consumer Staples and Telecom.
- Frontier markets outperformed emerging markets during the quarter. The MSCI Frontier Markets index returned 8.0% while the MSCI Frontier Emerging Market index returned 6.2%. Kuwait and Argentina were the main drivers of the MSC Frontier Market index for the quarter.

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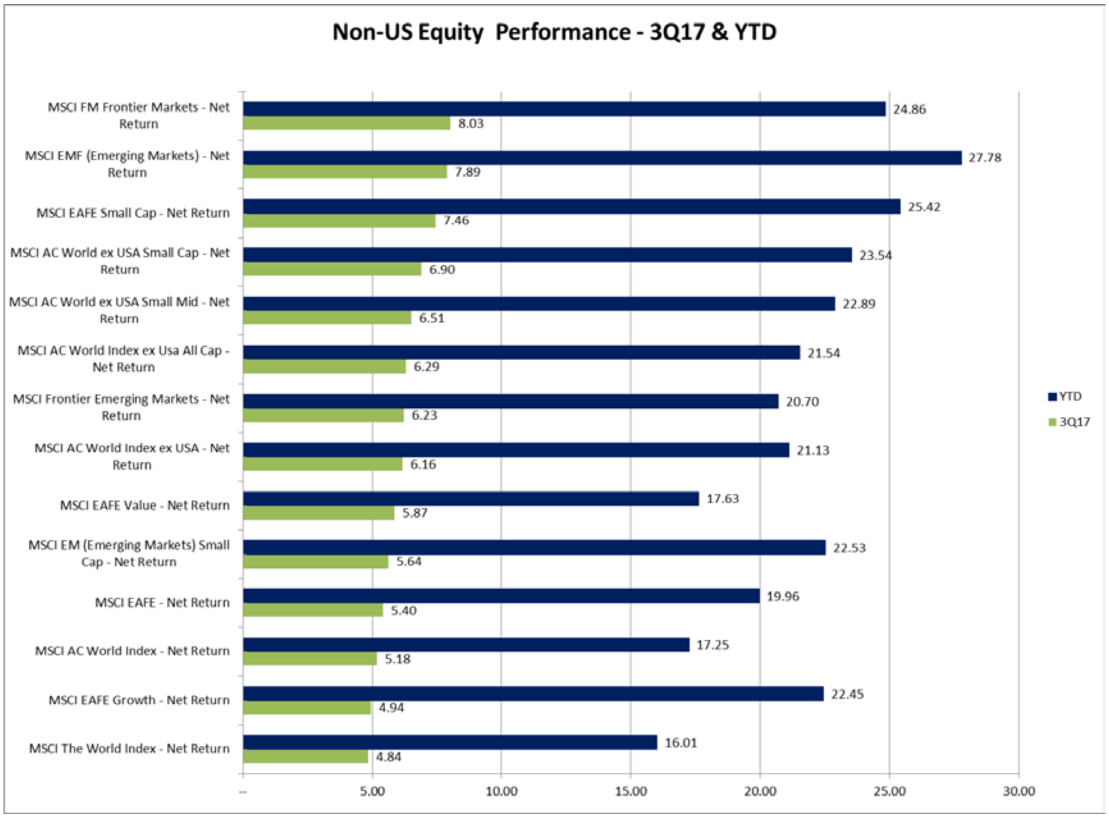
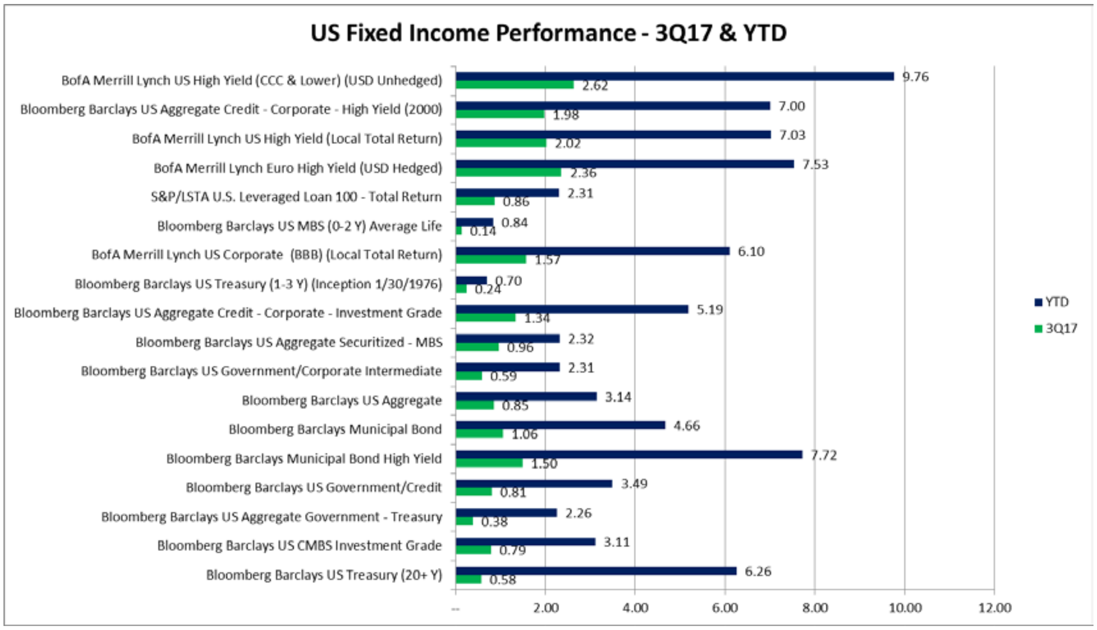


Source: FactSet

Fixed Income: High yield and low quality were the clear winners within the fixed income markets during the quarter. However, all bond segments globally posted positive returns for the quarter.

- The lower the credit quality the better the performance as below investment grade corporate credit was the best performing bond segment with the BofA ML US High Yield index returning 2.0%. Even better was the BofA ML US High Yield CCC & Lower index which returned 2.6%. Credit spreads continue to tighten and are now 420 basis points above Treasuries, below the long term average of 5.8% and approaching pre-financial crisis levels.
- High yield municipal bonds also performed well with the Barclays Municipal Bond High Yield index returning 1.5% for the quarter. Municipal bonds performed well overall as the broad investment grade Barclays Municipal Bond index returned 1.1%. The Muni/Treasury yield ratio declined to 0.92, which is slightly below its long term average. The ratio was 0.95 at the end of the second quarter. This is an indication that municipal bonds are now fairly valued.
- The yield curve flattened during the quarter as the short-end of the curve rose more than the long-end. The Treasury market seems to be pricing in Fed rate increases as well as the beginning of its balance sheet reduction. The 10-year Treasury finished the month yielding 2.33% after beginning the quarter yielding 2.3%. The yield got as low as 2.06% on September 8th before bouncing back on anticipation that inflation could pick up as a result of the potential fiscal stimulus.
- International bonds, specifically European and Emerging Markets, outperformed all major U.S. segments as global central banks remain accommodative. European sovereign bonds, per the JPMorgan New EMU Index, returned 4.3% for the quarter amid strong currency appreciation (euro +3.7%, pound +3.3%) and a decline in yields. Similarly, the JPMorgan GBI-EM Global Diversified Index posted a return of 3.6% for locally-denominated emerging market sovereign bonds.



Source: FactSet

Manager Review:

We saw fairly good performance of active managers relative to their style benchmarks during the quarter. The bullets below highlight the various segments of the markets and how our active managers have fared for the quarter.

- **US Large Cap Equities:** Within equities a majority of our managers showed strong relative performance within the US large cap segment of the market. Higher beta managers, managers overweight information technology, and managers focusing on both price and earnings momentum have done well. US large cap managers that focus on quality or are overweight defensive segments of the market had a difficult relative quarter.
- **US Small to Mid Cap Equities:** Many of our managers within this segment of the market had a difficult quarter after experiencing strong relative returns in the first two quarters of the year. Mid cap and small-to-mid cap managers that underperformed most during the quarter were those that are have a more conservative bend or higher quality. Additionally, many managers were underexposed to energy and materials, which were among the stronger performing sectors for the quarter. The few managers that had a healthy energy and/or materials exposure seemed to provide good relative performance.
- **International Equity:** Managers that have a meaningful exposure to emerging markets benefited as emerging markets outperformed developed markets for the quarter. Higher beta managers and managers with a healthy financials exposure benefited. Higher quality managers, higher yielding managers and managers with an overweight to Japan faced headwinds during the quarter.
- **Emerging Markets:** Earnings growth and earnings momentum were factors that drove performance within emerging markets. Managers with positive exposure to these factors benefited during the quarter. Managers with more of a value bias did not have similar tailwinds.
- **Fixed Income:** We've seen fairly good performance from our fixed income managers as we have many that are somewhat flexible in their mandates. Additionally, exposure outside the US into European local currency debt was also additive as that exposure received an extra boost from currency appreciation. Those flexible bond managers that have been opportunistically exposure to lower quality credit benefited. However, those that have strict, high quality mandates had a more difficult time during the quarter.
- **Diversifying Strategies:** Hedged equity strategies that have positive beta exposure benefited from rising equity markets globally. Fundamental macro strategies, event driven strategies and relative value strategies have provided positive returns based on the HFRX indices. However, since many of these strategies are idiosyncratic in nature the performance of a specific investment within these areas depends on its specific positioning. Among real asset strategies, we have seen mediocre performance coming from MLP and REIT strategies and good performance coming from infrastructure.

Disclosures

Indices are unmanaged and presented for comparison purposes only. Please note that the returns displayed for indices do not take into account any of the costs associated with buying and selling individual securities. Individuals cannot invest directly in an index.

Bloomberg Barclays Capital U.S. Aggregate Bond Index: *The U.S. Aggregate Index covers the USD-denominated, investment-grade, fixed-rate, taxable bond market of SEC-registered securities. The Index includes bonds from the Treasury, Government-Related, Corporate, MBS (agency fixed-rate and hybrid ARM pass throughs), ABS, and CMBS sectors. The U.S. Aggregate Index is a component of the U.S. Universal Index in its entirety. The index was created in 1986 with index history backfilled to January 1, 1976. All issues in the Aggregate Index are rated Baaa3/BBB-/BBB- or higher (using the middle rating of Moody's, S&P, and Fitch, respectively) and have at least one year to maturity and have an outstanding par value of at least $250 million.*

Bloomberg Barclays CMBS IG TR USD: *The index measures the performance of investment-grade commercial mortgage-backed securities, which are classes of securities that represent interests in pools of commercial mortgages. The index includes only CMBS that are Employee Retirement Income Security Act of 1974, which will deem ERISA eligible the certificates with the first priority of principal repayment, as long as certain conditions are met, including the requirement that the certificates be rated in one of the three highest rating categories by Fitch, Inc., Moody's Investors Services or Standard & Poor's.*

Bloomberg Barclays Municipal TR USD: *The Bloomberg Barclays Municipal Bond Index is considered representative of the broad market for investment grade, tax-exempt bonds with a maturity of at least one year.*

Bloomberg Barclays US Corp IG TR USD: *The index measures the performance of investment grade corporate bonds.*

Bloomberg Barclays US Corporate High Yield TR USD: *Bloomberg Barclays US Corporate High Yield TR USD*

Bloomberg Barclays US Govt/Credit Interm TR USD: *A subgroup of the Bloomberg Barclays Government/Credit Bond Index that is based on maturity with greater than 1 to 10 years.*

Bloomberg Barclays US Govt/Credit TR USD: *The U.S. Government/Credit Bond Index is the non-securitized component of the U.S. Aggregate Index. Specifically, the Government/Credit Index includes treasuries (i.e., public obligations of the US Treasury that have remaining maturities of more than 1 year), Government-Related issues (i.e. agency, sovereign, supranational, and local authority debt) and Corporates (publicly issued US corporate and Yankee debentures and secured notes that meet specified maturity, liquidity, and quality requirements). All issues in the Government/Credit Index are rated Baaa3/BBB-/BBB- or higher (using the middle rating of Moody's, S&P, and Fitch, respectively) and have at least one year to maturity and have an outstanding par value of at least $250 million.*

Bloomberg Barclays US MBS TR USD: *The Bloomberg Barclays Mortgage-backed Securities Index is a market value-weighted index which covers the mortgage-backed securities component of the Bloomberg Barclays U.S. Aggregate Bond Index. The index is composed of agency mortgage-backed pass through securities of the Government National Mortgage Association (Ginnie Mae), the Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (Freddie Mac) with a minimum $150 million par amount outstanding and a weighted-average maturity of at least 1 year. The index includes reinvestment of income*

Bloomberg Barclays US Treasury 1-3 Yr TR USD: *The Bloomberg Barclays Capital US Treasury Bond 1-3yr term index measures the performance of short-term government bonds issued by the US Treasury.*

Bloomberg Barclays US Treasury 20+ Yr TR USD: *The Index is market capitalization weighted and includes all of the securities that meet the Index criteria. The index includes all publicly issued, U.S. Treasury securities that have a remaining maturity greater than 20 years, are non-convertible, are denominated in U.S. dollars, are rated investment grade (Baa3 or better) by Moody's Investors Service, are fixed rate, and have more than $150 million par outstanding. Excluded from the*

Index are certain special issues, such as flower bonds, targeted investor notes (TINs) and state and local government series bonds (SLGs), and coupon issues that have been stripped from assets already included.

Bloomberg Barclays US Treasury TR USD: *The U.S. Treasury Index includes public obligations of the U.S. Treasury. Treasury bills are excluded by the maturity constraint but are part of a separate Short Treasury Index. In addition, certain special issues, such as state and local government series bonds (SLGs), as well as U.S. Treasury TIPS, are excluded. STRIPS are excluded from the index because their inclusion would result in double-counting. Securities in the index roll up to the U.S. Aggregate, U.S. Universal, and Global Aggregate Indices. The U.S. Treasury Index was launched on January 1, 1973.*

Bloomberg Barclays US Treasury US TIPS TR USD: *The Index includes all publicly issued, U.SS Treasury inflation-protected securities that have at least 1 year remaining to maturity, are rated investment grade and have $250 million or more of outstanding face value. In addition, the securities must be denominated in U.S. dollars and must be fixed rate and non-convertible. The Index is market capitalization weighted and the securities in the Index are updated on the last calendar day of each month.*

BofAML US Corps BBB TR USD: *This data represents the BofA Merrill Lynch US Corporate BBB Index, a subset of the BofA Merrill Lynch US Corporate Master Index tracking the performance of US dollar denominated investment grade rated corporate debt publically issued in the US domestic market. This subset includes all securities with a given investment grade rating BBB.*

BofAML US HY CCC- Constrained TR USD: *The BofA Merrill Lynch CCC and Lower US High Yield Constrained Index contains all securities in The BofA Merrill Lynch US High Yield Index that are rated CCC1 and lower, based on an average of Moody's, S&P and Fitch, but caps issuer exposure at 2%. Index constituents are capitalization-weighted, based on their current amount outstanding, provided the total allocation to an individual issuer does not exceed 2%. Issuers that exceed the limit are reduced to 2% and the face value of each of their bonds is adjusted on a pro-rata basis. Similarly, the face values of bonds of all other issuers that fall below the 2% cap are increased on a pro-rata basis. In the event there are fewer than 50 issuers in the Index, each is equally weighted and the face values of their respective bonds are increased or decreased on a pro-rata basis.*

BofAML US HY Master II Constnd TR USD: *The BofA Merrill Lynch US High Yield Constrained Index contains all securities in The BofA Merrill Lynch US High*

BofAML US HY Master II TR USD: *Tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic markets.*

Europe Stoxx 600: *The STOXX Europe 600 Index is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 18 countries of the European region: Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.*

Russell 1000 Growth Index (R1000 Growth*): Measures the performance of the Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.*

Russell 1000 Index (Russell 1000): *Measures the performance of the 1,000 largest companies in the Russell 3000 Index. Frank Russell Co. ranks the US common stocks from largest to smallest market capitalization at each annual reconstitution period. The*
Russell 1000 Index represents the vast majority of the total market capitalization of the Russell 3000 Index. It is considered to be generally representative of US Equity Large Cap performance.

Russell 1000 Value Index (R1000 Value): *Measures the performance of the Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.*

Russell 2000 Growth Index (R2000 Growth*): Measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.*

Russell 2000 Index (Russell 2000): *Measures the performance of the 2,000 smallest companies in the Russell 3000 Index. Frank Russell Co. ranks the US common stocks from largest to smallest market capitalization at each annual reconstitution period. The*
Russell 2000 Index represents a very small percentage of the total market capitalization of the Russell 3000 Index. It is considered to be generally representative of US Equity Small and Mid Cap performance.

Russell 2000 Value Index (R2000 Value): *Measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values*

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

Russell 3000 Index (Russell 3000): *Measures the performance of the 3,000 largest US companies based on total market capitalization, which represents nearly the entire market capitalization of the investable US equity market. Frank Russell Co. ranks the US common stocks from largest to smallest market capitalization at each annual reconstitution period.*

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

Russell Midcap Growth Index (Russell Midcap Growth): *Contains those Russell Midcap (800) securities with a greater than-average growth orientation. Companies in this index tend to exhibit higher price-to-book and price-earnings ratios, lower dividend yields and higher forecasted growth values than the Value universe.*

Russell Midcap Index (Russell Midcap): *Measures the performance of the mid-cap segment of the US equity universe. The Russell Midcap Index includes the smallest 800 securities in the Russell 1000.*

Russell Midcap Value Index (Russell Midcap Value): *Contains those Russell Midcap (800) securities with a less-than average growth orientation. Securities in this index generally have lower price-to-book and price-earnings ratios, higher dividend yields and lower forecasted growth values than the Growth universe.*

S&P 500 Index: *The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighted Index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value. The Index is one of the most widely used benchmarks of US Equity Large Cap performance.*

S&P 500 Sector/Consumer Discretionary Index: *The S&P 500 Sector/Consumer Discretionary Index consists of stocks chosen for their representation in the Consumer Discretionary industry. The companies in the index tend to be the most sensitive to economic cycles. Manufacturing companies include automotive, household durable goods, textiles and apparel, and leisure equipment. Service companies include hotels, restaurants/leisure facilities, media production and services, consumer retailing and services and education services. It is a market value weighted Index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value.*

S&P 500 Sector/Consumer Staples Index: *The S&P 500 Sector/Consumer Staples Index consists of stocks chosen for their representation in the Consumer Staples industry. The companies in the index tend to be the less sensitive to economic cycles. They include manufacturers and distributors of food, beverages and tobacco, and producers of non-durable household goods and personal products; also food and drug retailing companies. It is a market value weighted Index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value.*

S&P 500 Sector/Energy Index: *The S&P 500 Sector/Energy Index consists of stocks chosen for their representation in the Energy industry. The companies in the index are dominated by either the construction for provision of oil rigs, drilling equipment and other energy-related service and equipment or the exploration, production, marketing, refining and/or* *transportation of oil and gas products, coal and consumable fuels. It is a market value weighted Index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value.*

S&P 500 Sector/Financials TR Index: *The S&P 500 Sector/Financials Index consists of stocks chosen for their representation in the Financials industry. The companies in the index are involved in activities such as banking, consumer finance, investment banking and brokerage, asset management, insurance and investments, and real estate, including REITs. It is a market value weighted Index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value.*

*S**&P 500 Sector/Healthcare TR Index:*** *The S&P 500 Sector/Healthcare Index consists of stocks chosen for their representation in the Healthcare industry. The companies in the index are involved in health care equipment and supplies, health care-related services, or in the research, development, production and marketing of pharmaceuticals and biotechnology products. It is a market value weighted Index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value.*

S&P 500 Sector/Industrials TR Index: *The S&P 500 Sector/Industrials Index consists of stocks chosen for their representation in the Industrials industry. Companies include those that manufacture and distribute capital goods (i.e. aerospace/defense, construction, engineering and building products, electrical equipment and industrial machinery); provide commercial services and supplies (i.e. printing, employment, environmental/office services); or provide transportation services (i.e. airlines, couriers, marine, road/rail and transportation infrastructure). It is a market value weighted Index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value.*

S&P 500 Sector/Information Technology TR Index: *The S&P 500 Sector/Information Technology Index consists of stocks chosen for their representation in the Info Tech industry. Companies considered are involved in technology software and services and technology hardware and equipment. It is a market value weighted Index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value.*

S&P 500 Sector/Materials TR Index: *The S&P 500 Sector/Materials Index consists of stocks chosen for their representation in the Materials industry. These include companies that manufacture chemicals, construction materials, glass, paper, forest products and related packaging products, metals, minerals and mining companies, including steel producers. It is a market value weighted Index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value.*

S&P 500 Sector/Telecommunication Services TR Index: *The S&P 500 Sector/Telecom Services Index consists of stocks chosen for their representation in the Telecom industry. The companies in the index are involved in health care equipment and supplies, health care-related services, or in the research, development, production and marketing of pharmaceuticals and biotechnology products. It is a market value weighted Index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value.*

S&P 500 Sector/Utilities TR Index: *The S&P 500 Sector/Utilities Index consists of stocks chosen for their representation in the Utilities industry. Companies considered include electric, gas or water utilities, or companies that operate as independent producers and/or distributors of power. It is a market value weighted Index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value.*

S&P/LSTA Leveraged Loan TR: *The S&P/LSTA U.S. Leveraged Loan 100 Index is designed to reflect the performance of the largest facilities in the leveraged loan market. Yield Index but caps issuer exposure at 2%. Index constituents are capitalization-weighted, based on their current amount outstanding, provided the total allocation to an individual issuer does not exceed 2%. Issuers that exceed the limit are reduced to 2% and the face value of each of their bonds is adjusted on a pro-rata basis. Similarly, the face values of bonds of all other issuers that fall below the 2% cap are increased on a pro-rata basis. In the event there are fewer than 50 issuers in the Index, each is equally weighted and the face values of their respective bonds are increased or decreased on a pro rata basis.*

The success of an investment program may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws and national and international political circumstances. These factors may *affect the level and volatility of securities prices and the liquidity of a portfolio's investments. Unexpected volatility or illiquidity could result in losses.*

Investing in securities is speculative and entails risk. There can be no assurance that one's investment objectives will be achieved or that an investment strategy will be successful. Significant losses could result if a strategy involves the use leverage, short sales and derivative transactions, investment in foreign or illiquid securities, and potentially limited diversification.

Special Risks of Fixed Income Securities
For fixed income securities, there is a risk that the price of these securities will go down as interest rates rise. Another risk of fixed income securities is credit risk, which is the risk that an issuer of a bond will not be able to make principal and interest payments on time.

Special Risks of Foreign Securities
Investments in foreign securities are affected by risk factors generally not thought to be present in the US. The factors include, but are not limited to, the following: less public information about issuers of foreign securities and less governmental regulation and supervision over the issuance and trading of securities.

Special Risks of Small Market Capitalization Securities
Investments in companies with smaller market capitalization are generally riskier than investments in larger, well-established companies. Smaller companies often are more recently formed than larger companies and may have limited product lines, distribution channels and financial and managerial resources. These companies may not be well known to the investing public, may not have significant institutional ownership and may have cyclical, static or moderate growth prospects. There is often less publicly available information about these companies than there is for larger, more established issuers, making it more difficult for the Investment Manager to analyze that value of the company. The equity securities of small and mid-capitalization companies are often traded over-the-counter or on regional exchanges and may not be traded in the volume typical for securities that are traded on a national securities exchange. Consequently, the Investment Manager may be required to sell these securities over a longer period of time (and potentially at less favorable prices) than would be the case for securities of larger companies. In addition, the prices of the securities of small and mid-capitalization companies may be more volatile that those of larger companies.

Special Risks of Master Limited Partnerships
Master limited partnerships (MLPs) are publicly listed securities that trade much like a stock, but they are taxed as partnerships. MLPS are typically concentrated investments in assets such as oil, timber, gold and real estate. The risks of MLPS include concentration risk, illiquidity, exposure to potential volatility, tax reporting complexity, fiscal policy and market risk. MLPS are not suitable for all investors.