LPL RESEARCH

GLOBAL PORTFOLIO STRATEGY

November 2020

ELECTION JITTERS

LPL Research's Monthly Global Review and Look Forward

Stocks fell for the second straight month in October as Election Day approached and brought policy uncertainty that historically has driven volatility. While the election dominated the headlines, rising COVID-19 cases in Europe and the United States and the stimulus stalemate in Washington, DC, also dampened investor sentiment. The Bloomberg Barclays US Aggregate Bond Index fell in October as interest rates continued to rise despite equity market volatility. High-yield bonds saw modest gains for the month despite stock market losses.

KEY CHANGES FROM SEPTEMBER'S REPORT:

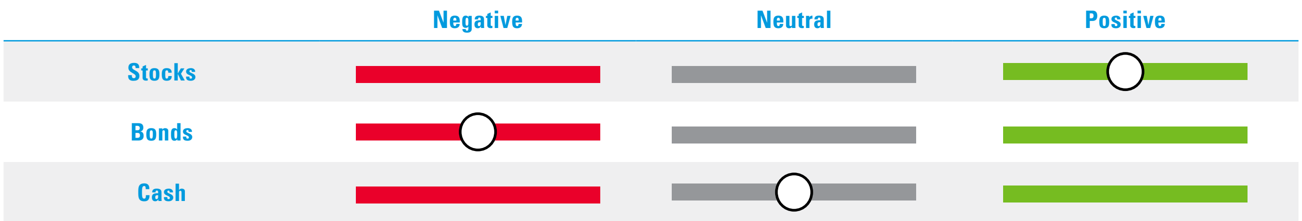
- No changes

INVESTMENT TAKEAWAYS

- Our **equities** recommendation remains overweight. We continue to favor stocks over bonds in a low-rate environment with a safe and effective vaccine likely to be identified soon. Although the latest wave of COVID-19 and political uncertainty present risks to markets, we believe stocks are in the early stages of a new bull market and a lasting economic expansion.
- Our year-end fair value target for the **S&P 500 Index** is 3,450–3,500, which we increased in our September 14 *Weekly Market Commentary*. Our target is based on a price-to-earnings (PE) multiple of 21 and our normalized earnings forecast of $165—our estimate of the earnings power of the S&P 500 once the pandemic is behind us.
- Despite significant outperformance during the pandemic and elevated valuations, we still favor **growth stocks**, which we believe benefit from a split Congress.
- A strong Chinese economy, a weakening US dollar, attractive valuations, and potential easing of trade tensions post-election enhance the attractiveness of **emerging market** equities, which we continue to favor over equities in **developed international markets**.
- **Our fixed income view remains underweight.** While Federal Reserve (Fed) policy and current economic uncertainty may limit the risk of yields moving substantially higher, further economic improvement may continue to support riskier assets going out a full year.
- We favor a blend of **high-quality intermediate bonds** with a modest underweight to **US Treasuries** and an emphasis on short-to-intermediate maturities tilted toward **mortgage-backed securities (MBS)**.

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
▪ Emerging Markets Equities ▪ Growth Equities	▪ Communication Services ▪ Healthcare ▪ Materials ▪ Technology	▪ Mortgage-Backed Securities	▪ Event Driven

2020 MARKET FORECASTS

COVID-19 Earnings and Interest Rate Uncertainty Are Lingering

	October *Global Portfolio Strategy* (GPS) Forecast	November 2020 Base Case	November 2020 Bear Case
10-Year US Treasury Yield	1.0–1.5%	1.0–1.5%	0–0.5%
S&P 500 Earnings per Share	$125–130	$125–130	$110–115
S&P 500 Fair Value	3,250–3,300	3,450–3,500*	2,850

Source: LPL Research, FactSet, Bloomberg

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

*As noted in our *Weekly Market Commentary* dated 09/14/2020, our year-end fair-value target range for the S&P 500 of 3,450–3,500 is based on a price-to-earnings ratio (PE) of 21 and potential normalized S&P 500 earnings per share (EPS) of $165 in 2021–22.

2020 ECONOMIC FORECASTS

COVID-19 May Have Sparked a Global Recession

	October GPS Base Case Forecast	November 2020 Base Case	November 2020 Bear Case
United States	-3% to -5%	-3% to -5%	-5% to -8%
Developed ex-US	-5% to -7%	-5% to -7%	-7% to -10%
Emerging Markets	flat to 2%	flat to 2%	flat to -3%
Global	-1% to -3%	-1% to -3%	-3% to -6%

Source: LPL Research, Bloomberg

The economic forecasts may not develop as predicted.

All data, views, and forecasts herein are as of 11/04/20.

EQUITY ASSET CLASSES

Improving Outlook for Small Caps

We continue to favor stocks over bonds in a low-rate environment with a safe and effective vaccine likely to be identified soon, although ongoing political uncertainty and the possible need for additional virus containment measures present risks to markets. From a style perspective, we believe growth stocks appear better positioned than value in the near term, particularly with a split Congress. But as a more durable economic recovery emerges, value could stage a turnaround. China is leading the way out of the global economic crisis, supporting emerging market equities.

	Sector	Overall View	Relative Trend	Rationale
Market Capitalization	Large Caps			The relatively greater financial strength typically enjoyed by large cap companies helps in an uncertain economic environment with the ongoing threat of COVID-19. However, smaller market cap companies tend to perform better early in economic expansions and during the early stages of bull markets, which has caused market participation to broaden out.
	Mid Caps			**Mid caps** enjoy some of the early cycle characteristics of small caps and should perform well in a durable recovery. Mid caps are also more attractively valued than small caps, in our view, and benefit from robust merger and acquisition activity.
	Small Caps			The early-stage bull market and beginning of the new economic expansion provide tailwinds for small cap stocks relative to performance, though performance may be choppy until more evidence of a durable economic expansion emerges, especially if additional fiscal stimulus is delayed and limited in scale.
Style	Growth			We maintain our preference for **growth stocks** over their value counterparts from a style perspective. We believe the ability to grow earnings without much help from the economy, more resilient businesses during the pandemic, and generally stronger balance sheets favor growth, while a split Congress facilitates continuation of recent trends favorable to growth stocks. Still, we remain watchful for a reversal given the magnitude and duration of growth outperformance.
	Value			As a more durable economic recovery potentially emerges later this year, **value stocks** could stage a turnaround. Valuations of value stocks relative to their growth counterparts are very depressed compared with their history. Post-election fiscal stimulus could potentially provide support but may be smaller than previously expected under a likely split Congress.
Region	United States			Among developed markets, we remain US-focused, but international developed equities have become more interesting as the US dollar weakens and US valuations have richened. The more growth-oriented US market is well positioned for the current environment in our view.
	Developed International			A weak US dollar and attractive relative valuations make developed international markets worth keeping an eye on. But Europe is getting hit very hard by COVID-19, with renewed lockdowns impairing the near-term growth outlook. Meanwhile, the outlook for Japan has improved some, bolstered by massive stimulus and relatively well contained COVID-19 spread.
	Emerging Markets			Our positive **emerging markets** view is based on prospects for relatively better economic growth in the near term, attractive valuations, and a weaker US dollar. **China,** which makes up 43% of the MSCI Emerging Markets Index, has led the way out of the global crisis in terms of containing the virus and reopening its economy. The primary risks we see are emerging market's inability to convert economic growth into profits and shareholder value in recent years, and possible political instability in certain developing countries. If Biden fends off Trump's challenge and secures the presidency, US-China tensions may calm.

Trend is measured by relative performance of the index for the past 12 months, minus the most recent month, compared to the other indexes in a particular sector or asset class grouping.

EQUITY SECTORS

Continue to Favor Cyclical Sectors

We continue to favor cyclical sectors in general, emphasizing those that we think are best positioned for the pandemic, namely communication services, healthcare, and technology. The relative health of China's economy, and our expectation for further US dollar weakness underpin our positive materials view, though dimming prospects for a big infrastructure package may limit near-term outperformance potential. Our neutral view of industrials reflects near-term earnings weakness, balanced against prospects for outperformance in a potentially strong 2021 economic recovery.

	Sector	Overall View	Relative Trend	S&P	Rationale
Cyclical	Materials			2.7	As China's economy outpaces the rest of the world, metal and agriculture prices have firmed. Beneficiary of weak US dollar and strong housing market, though reduced chances of a big infrastructure package post-election is a negative.
	Energy			2.0	Defaults are poised to rise with oil prices still below producers' marginal cost. Reaching a more economical $50 per barrel price may be difficult.
	Industrials			8.6	Capital spending hit hard by the pandemic, but the sector will benefit when an eventual durable economic recovery comes into view; beneficiary of a weak dollar, strong Chinese economy.
	Communication Services			11.0	Beneficiary of the stay-at-home environment with above-average earnings outlook, fair valuations. Regulatory risk under a likely split Congress scenario appears manageable, in our view.
	Consumer Discretionary			11.5	Historically a strong early-cycle performer. E-commerce and housing are booming, and stimulus to date has helped, supporting a neutral view despite rich valuations and exposure to hard-hit hospitality, travel, and leisure industries.
	Technology			27.2	Strong earnings outlook, benefiting from work-from-home environment, and still reasonable valuations in our view.
	Financials			10.0	Difficult environment with the economy contracting, depressed interest rates, and dividends capped. Under divided government, less deficit spending for stimulus is negative for interest rates, all else equal.
Defensive	Utilities			3.2	Valuations are reasonable, but we still expect interest rates to rise post-election. Green energy investment to be limited by what will likely be a Republican Senate, removing potential catalyst. Favor healthcare among defensives.
	Healthcare			14.1	Still-strong healthcare spending outlook, favorable demographics, resilient earnings, attractive valuations, and split Congress scenario are all supportive. Status quo in Washington, DC, may potentially lead to valuation expansion for the sector.
	Consumer Staples			7.0	Well positioned for the pandemic with relatively resilient revenue streams, but historically a poor relative performer early in economic cycles.
	Real Estate			2.7	Fundamentals are mixed overall, with particular challenges in the retail and office areas. Healthcare, technology, and industrial segments appear better positioned for the current environment.

Investing in real estate/REITs involves special risks such as potential illiquidity and may not be suitable for all investors. There is no assurance that the investment objectives of this program will be attained.

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.

FIXED INCOME

Limit Rate Sensitivity With Intermediate Focus

We suggest a blend of high-quality intermediate bonds in tactical portfolios. We expect modestly higher long-term rates over the rest of 2020 and into 2021 as economic activity continues to recover. Compensation for longer-maturity, rate-sensitive bonds remains unattractive, in our view, supporting our positive view of MBS. We still see incremental value in corporate bonds over Treasuries, but risks temper our view. We favor municipal bonds as a high-quality option for taxable accounts, although valuations relative to Treasuries have normalized.

		Low	Medium	High	Rationale
Positioning	Credit Quality		●		Valuations are neutral and economic improvement helps, but uncertainty remains somewhat elevated.
		Short	Int.	Long	
	Duration	●			Extraordinarily low interest rates and prospects of economic acceleration increase Interest-rate risk, although upward pressure on rates has been limited.
		Neg.	Neutral	Pos.	Rationale
Sectors	US Treasuries	●			Yield spreads to international sovereigns remain elevated but have narrowed. Valuations have become very expensive after COVID-19-related demand. Expected low inflation in the short term diminishes the value of TIPS.
	MBS			●	Fed buying is supportive, spreads are wider than other quantitative easing periods, and MBS may provide resilience if rates rise. Forbearance metrics are slowly declining but still elevated year over year. Diversifying source of yield among high-quality options.
	Investment-Grade Corporates		●		Risks tempered as economy improves, but valuations near neutral. Leverage metrics have increased. Margins have improved as businesses have cut costs. Interest rate sensitivity has increased. High issuance a longer-term concern. Favor high-quality noncyclical issuers.
	Preferred Stocks		●		Higher credit quality among the riskier fixed income options. Bank fundamentals sound overall. Can be rate sensitive.
	High-Yield Corporates	●			Valuations approaching neutral, and economic environment remains challenging. We believe equities have more upside, and high-quality options may be better diversifiers. Defaults expected to continue in more COVID-19-sensitive sectors. More attractive for income-oriented investors.
	Bank Loans	●			Weaker investor protections and Fed unlikely to raise rates for some time, which may limit investor demand. Defaults expected to continue in more COVID-19-sensitive sectors.
	Foreign Bonds	●			Rich valuations, interest-rate risk, and potential currency volatility are among the negatives.
	EM Debt		●		Dovish central banks improve the valuation picture and stronger global growth could be supportive, but may be vulnerable to COVID-19-related risk. Liquidity can be an added risk during periods of stress. Positive bias among higher-yielding options.

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

Favor Precious Metals

We continue to favor **precious metals** as a hedge against economic uncertainty and a play on low interest rates and US dollar weakness. However, we do recognize that as evidence of a more durable economic recovery emerges and a safe and effective vaccine is identified, precious metals—notably gold—may lose some of their appeal. Our bias is negative.

Our neutral **industrial metals** view reflects a still-challenging near-term global demand outlook; however, China has been the first major global economy to emerge from the health crisis and is supportive of industrial metals, notably **copper**. The US economic recovery continues to exceed our expectations, supporting at least a positive bias toward industrial metals.

Our **crude oil** outlook remains negative. While the US economic recovery has exceeded our expectations to date, risks that rising COVID-19 cases and renewed lockdowns constrain travel-related demand, particularly in Europe, have risen. The US supply overhang may eventually cap gains if oil prices approach production costs in the $50 per barrel range. Domestic crude is disadvantaged by being less levered to China's relatively stronger economy.

ALTERNATIVE INVESTMENTS

Favor Event-Driven Strategies

October performance for alternative investment strategies was broadly flat to slightly negative as weak equity market performance during the second half of the month weighed on returns. Our preferred form of alternative investment implementation was among the few positive outliers, as the HFRX Event Driven: Merger Arbitrage Index gained 0.4% during the month. While merger arbitrage funds typically maintain limited equity exposure and are expected to provide downside protection, the level of outperformance was encouraging. There were several large previously announced transactions that closed during the month, and the pipeline of new transactions continues to grow. We have a constructive view on the merger environment for several reasons. Deal financing remains very attractive, there is significant private equity cash available for deployment, and we see ongoing opportunities as a result of the COVID-19 dislocations.

A LOOK BACK AT THE PRIOR MONTH

Economy: Recovery Continues Despite COVID-19 Spread

Economic data released in October suggested the US economic recovery remained on track.

- **Conference Board's Leading Economic Index (LEI).** Conference Board's Leading Economic Index (LEI) rose 0.7% in September following a 1.4% increase in August and a 2% increase in July. Growth in the LEI was driven primarily by the continued modest decline in weekly jobless claims and strength in applications for new building permits. The deceleration reflects fading effects of fiscal stimulus and suggests that economic growth momentum was slowing a bit as the fourth quarter began.
- **Payrolls and Labor.** Nonfarm payrolls increased 638,000 in October, above consensus expectations and similar to September's level despite a 268,000 decline in government employment. Meanwhile, the unemployment rate fell from 7.9% to 6.9% despite a rise in the labor force participation rate. While continued growth in the labor market is encouraging, permanent job losses have increased and momentum may slow in November amid rising COVID-19 cases (source: US Department of Labor).
- **Inflation.** Inflationary pressure subsided in September, with the core Consumer Price Index rising 1.7% year over year, but decelerating on a month-over-month basis. Producer Prices, measured by the core Producer Price Index, increased 1.2% year over year, indicating producers have had mixed success raising prices as the economy recovers from the COVID-19 lockdowns. While inflation has picked up off low levels, recent data reaffirms it may take some time to reach the Fed's inflation target.
- **US Consumer.** The Conference Board's Consumer Confidence Index fell slightly in October after the sharp rebound in September. The Present Situations Index managed to rise, but the Expectations Index declined, likely reflecting pre-election jitters. Meanwhile, retail sales rose in September by the fastest pace in three months, supported by the sharp jump in consumer confidence noted during September.
- **US Manufacturing.** After taking a bit of a breather in September, manufacturing activity reaccelerated in October. The Institute for Supply Management (ISM) Manufacturing Purchasing Managers' Index climbed to 59.3, the highest level since September 2018, and the New Orders Index jumped to its highest level since 2004. Manufacturing, which has been relatively well insulated from the outsized effects of COVID-19 compared with the services sector, remains one of the strongest segments of the US economy.
- **US Business.** The contraction seen in some regional Fed surveys continued in October, providing anecdotal evidence of the deceleration of economic momentum as the fourth quarter began. The bifurcation between goods and services persists amid the pandemic and will be interesting to monitor moving forward. However, despite ongoing uncertainty, the National Federation of Independent Business (NFIB) Small Business Optimism index rose in September as the economic reopening continued.
- **Policy.** While divided government has thus far prevented another COVID-19 fiscal stimulus package from being passed, we believe the dynamic may change post-election. A package—though smaller than what Democrats had wanted—may still be possible post-election, but it may have to wait until early 2021. The Fed made no policy changes last month, but it has considered extending the maturity of its Treasury purchases to provide additional stimulus if needed.

EQUITIES

Second Straight Down Month

Stocks fell for the second straight month in October as the S&P 500 lost 2.7%. Investor sentiment was pressured by the same factors that led to September's weakness: a combination of election uncertainty, more COVID-19 spread, and the lack of a stimulus package in Washington, DC. The S&P 500 still remained positive year to date with a 2.8% total return over the first 10 months of 2020.

Style/Capitalization

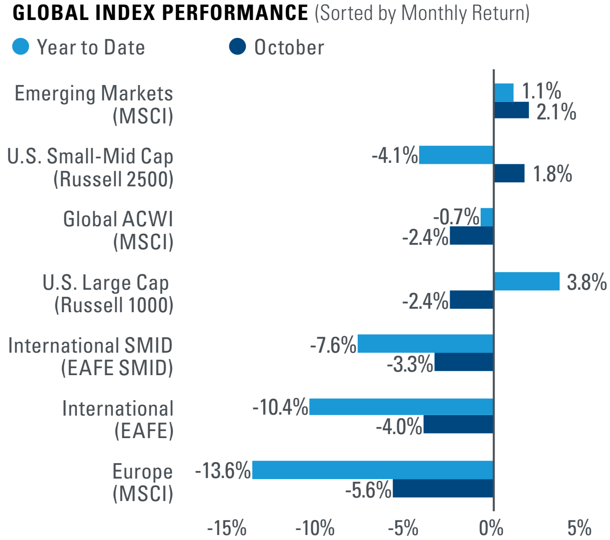
Small cap stocks outperformed **large caps** handily in October, as the Russell 2000 Index returned 2.1% while the large cap S&P 500 lost nearly 3%. Small caps benefited from superior performance in the financials, healthcare, and technology sectors. **Mid cap stocks** also outpaced large caps for the month, benefiting from relative strength across these same three sectors, but they trailed small caps with a 0.6% gain. The **value style** held up better than **growth** in October for the second straight month, as growth was dragged down by weakness in the two biggest growth sectors: Consumer discretionary and technology. Year to date, the Russell 1000 Growth Index has still outperformed Value by more than 30 percentage points.

Global Equities

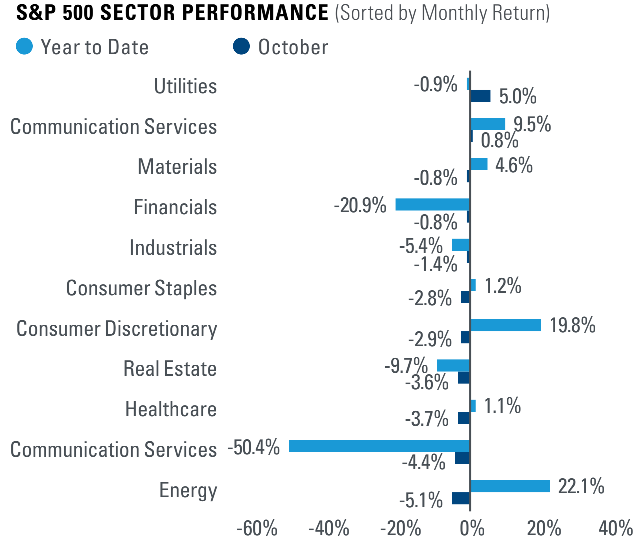
Emerging markets held up better than their **US** and **developed international** counterparts in October, topping both the S&P 500 and MSCI EAFE Index for the second straight month. The MSCI Emerging Markets Index gained 2.1% during the month, supported by gains in **China**, **South Korea**, and **Taiwan**, based on the MSCI country indexes. October's gain pushed the MSCI EM Index back into positive territory with a year-to-date gain of 1.1%.

Developed international equities lagged behind both emerging markets and US equities with a 4% loss for the month, based on the MSCI EAFE Index. Weakness was concentrated in Europe, where the threat of COVID-19 is most acute, with outsized losses in France, Germany, Switzerland, and the United Kingdom. Japan held up relatively well. Year to date, the MSCI EAFE has lost 10.4%.

GLOBAL INDEX PERFORMANCE (Sorted by Monthly Return)



S&P 500 SECTOR PERFORMANCE (Sorted by Monthly Return)



Source: LPL Research, FactSet 10/31/20

Indexes are unmanaged and cannot be invested into directly. Past performance is no guarantee of future results.

Stock investing involves risk, including loss of principal. Because of its narrow focus, sector investing will be subject to greater volatility than investing more broadly across many sectors and companies.

FIXED INCOME

Mixed Performance

Solid economic data in the US, along with the potential for additional fiscal stimulus following the US elections, likely provided catalysts for higher bond yields in October. The 10-year Treasury yield jumped just over 15 basis points (0.15%) during the month, finishing at 0.85%. The Treasury yield curve steepened, with short-term rates relatively stable and long-term rates rising.

The investment-grade bond market delivered a negative return for the month, and **Treasuries** struggled the most, as shown in the Fixed Income Performance Table. The **Bloomberg Barclays US Aggregate Bond Index (Agg)** declined 0.45%, with Treasuries falling nearly 1%. **Investment-grade corporate bonds** and **MBS** also produced negative monthly returns, but both were able to outperform the benchmark. **High-yield corporates** rallied, delivering a positive monthly return of 0.5%. Higher-quality municipal bonds posted modest losses, but they did hold up better than the Agg. High-yield municipals eked out a modest, positive monthly return and topped the returns of high-quality municipals.

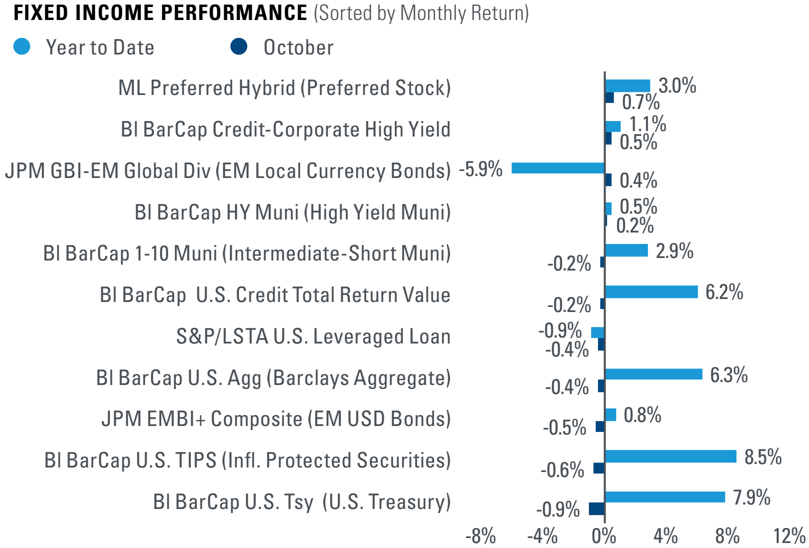
COMMODITIES

Solid Gains Overall

Commodities gained 1.4% in October as measured by the Bloomberg Commodities Index, but remain down 10.8% year to date.

Growing COVID-19 case counts in the United States and Europe, and Europe's renewed lockdown measures in response, sent crude oil prices down 11.6% as the market increasingly questioned future demand. Libyan oil production coming back online hurt prices from a supply perspective as well. Natural gas prices benefited from strong seasonal tailwinds and increased domestic demand, rising more than 12%. Precious metals took a pause in October, finishing little changed following extreme price action in prior months. Copper finished a volatile month little changed, balancing increasing risk of COVID-19 spread and strong Chinese demand. Prices for major agriculture commodities continued their recent strong price momentum on strong Chinese demand.

FIXED INCOME PERFORMANCE (Sorted by Monthly Return)



Source: LPL Research, Bloomberg, FactSet 10/31/20

US Treasury Yields

Security	9/30/20	10/31/20	Change in Yield
3 Month	0.10	0.09	-0.01
2 Year	0.13	0.14	0.01
5 Year	0.28	0.38	0.10
10 Year	0.69	0.88	0.19
30 Year	1.46	1.65	0.19

AAA Municipal Yields

Security	9/31/20	10/31/20	Change in Yield
2 Year	0.26	0.33	0.07
5 Year	0.52	0.63	0.11
10 Year	1.12	1.25	0.13
20 Year	1.62	1.75	0.13
30 Year	1.74	1.87	0.13

Indexes are unmanaged and cannot be invested into directly. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. Past performance is no guarantee of future results.

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values and yields will decline as interest rates rise, and bonds are subject to availability and change in price.

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 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.

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.

RES-15169-1020 | For Public Use | Tracking #1-05077852 (Exp. 11/21)