Market Observations – 2017 Recap

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Over the New Years holiday weekend I was watching the Rose Bowl parade with my kids, which was followed by an unbelievable football game between Oklahoma and Georgia. I believe the Rose Bowl events were analogous to the markets over the course of 2017 with the parade of global markets posting strong returns, which was something fun for many of us to watch. That was accompanied by the meteoric rise of large global tech stocks such as Alphabet, Amazon, Facebook and Microsoft in the US and Baidu, Alibaba, Tencent and Samsung overseas which kept the momentum of 2017 going through the end of the year. The S&P 500 Information Technology sector led all sectors over the course of 2017 with a return of 38.9%.

The S&P 500 was up 21.8% over the year-to-date period as investor optimism over equities persisted throughout the year. This optimism was supported by continued strong earnings growth and improvement in economic indicators. Corporate earnings growth exceeded expectations and could be further strengthened by the tax overhaul just passed by Congress. While valuations have become increasingly elevated, the market may continue its rally as long as lofty expectations are met by economic data and corporate earnings. However, if there are disappointments, or inflation awakens from its slumber, some turbulence among equities could appear.

Optimism regarding equities wasn't only isolated to the US markets. International and emerging market stocks posted even stronger numbers for the year with the MSCI EAFE index returning 25.0% and the MSCI EM index returning 37.3%. Overseas markets benefited from a combination of ultra loose central bank policy as well as improving economic growth and good corporate earnings. Additionally, local currency returns were aided by a declining US Dollar, which was down 10.2% relative to a trade-weighted basket of currencies (US Dollar Index). The Eurozone economy in 2017 saw its strongest growth in a decade. Additionally, Japanese corporate earnings have been improving as well as corporate governance. A combination of good economic data and corporate earnings, along with more attractive valuations than in the US, has made non-US stocks more attractive to investors, resulting in strong fund flows.

The bond market also continued its successful run in 2017. Returns within the bond market stemmed more from coupon clipping than from spread tightening, especially for shorter maturity bonds. However, we did see some modest spread tightening in the credit markets among longer maturity bonds over the course of the year. Spreads were hovering near record levels in the credit markets at year end and covenants have become looser among new issues. 2018 could see a continuation of positive returns primarily through coupon clipping as long as fundamentals remain strong and defaults remain low, in our opinion. We expect there to be minimum spread tightening from this point forward given that spreads are near historically tight levels.

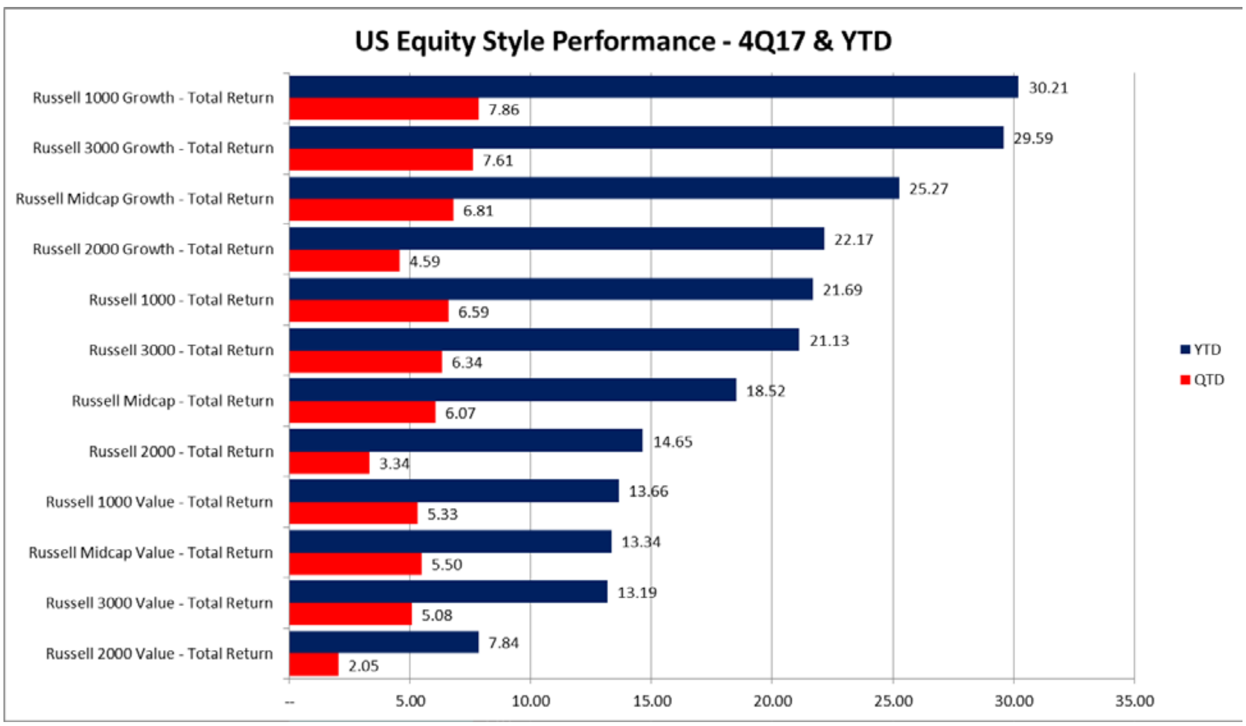
Within the Treasury market there has been a continued flattening of the yield curve as the spread between ten- and two-year yields to their lowest levels since October 2007. The short end has been rising in tandem with Fed rate increases. The long end has remained range bound amid low inflation expectations and heightened demand from overseas investors taking advantage of the relatively higher US rates. While a flattening or inversion of the yield curve typically signals slower economic growth and/or recessionary fears, the market seems to not to be concerned with these possibilities at the present.

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

OPPENHEIMER
ASSET MANAGEMENT

US Equity Style: US equities continued their advance and ended the year on a strong note. The broad indices ended the year near historic highs. Large Cap Growth stocks regained leadership in the fourth quarter.

- All of the Russell style indices posted positive performance for the quarter and calendar year.
- The Growth style outperformed the Value style across all market caps over both time periods. The variance between the Russell 1000 Growth index and the Russell 1000 Value index for the year was 16.5%.
- 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.
- The Value indices were held back by weak performance from Energy, Real Estate, and Utility stocks, whose sectors underperformed the S&P 500 during the quarter.
- From a market cap standpoint, Large Cap stocks outperformed Mid and Small Cap Stocks for the quarter and calendar year periods.
- The Momentum, Growth and Size factors dominated for the calendar year which is consistent with the Russell 1000 Growth index being the top performing style index. Value factors were the weakest performers.
- The dispersion between the best performing style (Large Cap Growth) and the worst performing style (Small Cap Value) during 2017 was 22.4%, indicating that manager style had a large impact on active manager performance. Dispersion in the fourth quarter was only 5.8%, indicating that manager style had a moderate impact on active manager performance.



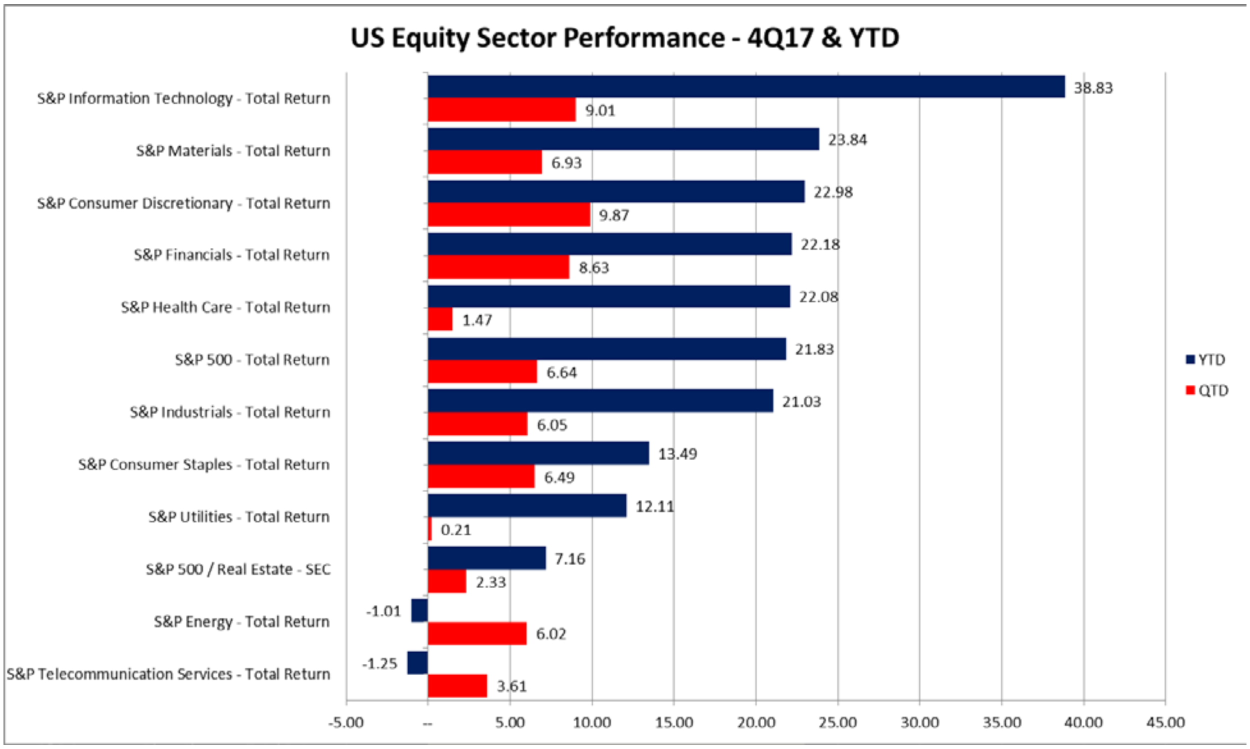
Source: FactSet

US Sectors: With Growth and momentum investing driving the US equity market in 2017 it is not surprising that the Information Technology sector was the biggest beneficiary. However, other cyclical sectors also benefited from improved global growth.

- Information Technology, Materials and Consumer Discretionary were the top performing sectors for the calendar year. Apple, Microsoft, Amazon and Facebook were market leaders over the course of the year, propelling the Information Technology sector. Materials stocks were the beneficiaries of improvement in global growth. Strong performance in the Consumer Discretionary sector was driven by Amazon, Home Depot, and McDonalds - a mix of stocks representing various consumer segments.
- The Energy and Telecom sectors were slightly down for the year. Utilities and Real Estate were also weaker performing sectors. Telecom, Utilities and Real Estate are among the highest yielding sectors in the S&P index and were adversely impacted by rising rates, which makes their yield look less attractive. Energy stocks rebounded somewhat in the fourth

quarter aided by oil hitting the highest levels since 2014. Consumer Staples was also a weaker performing sector, hurt by retail food and beverage companies.

- There was a fairly wide level of dispersion between the best and worst performing sectors for the calendar year. The level of dispersion was 40.1% with the Information Technology sector being the best performer and the Telecom sector being the worst performer indicating that sector positioning had a meaningful impact on active management. Dispersion in the fourth quarter was much more muted at 8.4% but still meaningful for the positioning of active managers.

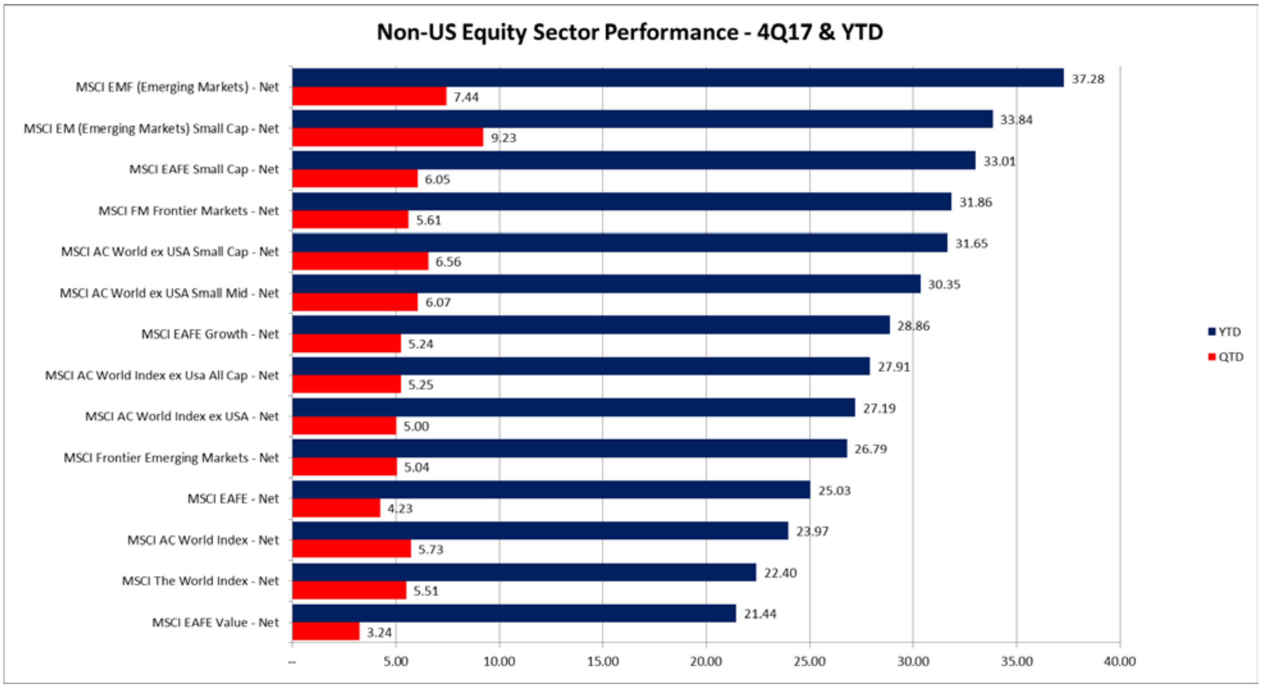


Source: FactSet

Non-US Markets: Both developed and emerging market equities outperformed US equities in 2017, benefiting from improving economies globally, continued central bank stimulus, improving corporate fundamentals and significant fund flows.

- The MSCI EAFE index returned 25.0% in 2017, topped off by a 4.2% return in the fourth quarter. The MSCI EAFE index outperformed the S&P 500's 21.8% total return for the year. As in the US, the Growth style convincingly outperformed the Value style by 7.4%. Also similar to the US, Information Technology and Materials were the top two performing sectors for the year. Unlike in the US, Small Cap stocks outperformed Large Cap Stocks within developed markets.
- The Far East region, which includes Japan, returned 25.9% for the year. Japan, which has been seeing signs of economic improvement, returned 24.0%. The MSCI Europe, which includes the Eurozone, returned 25.5% for the year, overcoming political uncertainty which could have stemmed volatility in the region.
- The MSCI EM index returned 37.3% for the year. Despite the Fed being in tightening mode as well as reform to US trade policy, emerging markets performed strongly amid strong global growth, rising commodity prices and a weakening US Dollar. Within emerging markets Large Cap outperformed Small Cap. The Asian region was the best performing region driven by a greater than 50% return from MSCI China. Latin America region was up over 20% for the year and the Eastern European region was up approximately 17%.
- The US Dollar depreciated relative to most major currencies in 2017. The US Dollar index, a trade weighted basket of currencies declined 10.2% over the course of the year. Only the Brazilian Real depreciated against the US Dollar. The Euro, Korean Won and British Pound made the greatest advances relative to the US Dollar.
- From a sector perspective within developed markets, cyclical sectors outperformed defensive sectors. Information Technology was the top performer followed by Materials and Industrials. Telecom and Health Care were the weakest performing sectors although all sectors posted positive returns for the year.

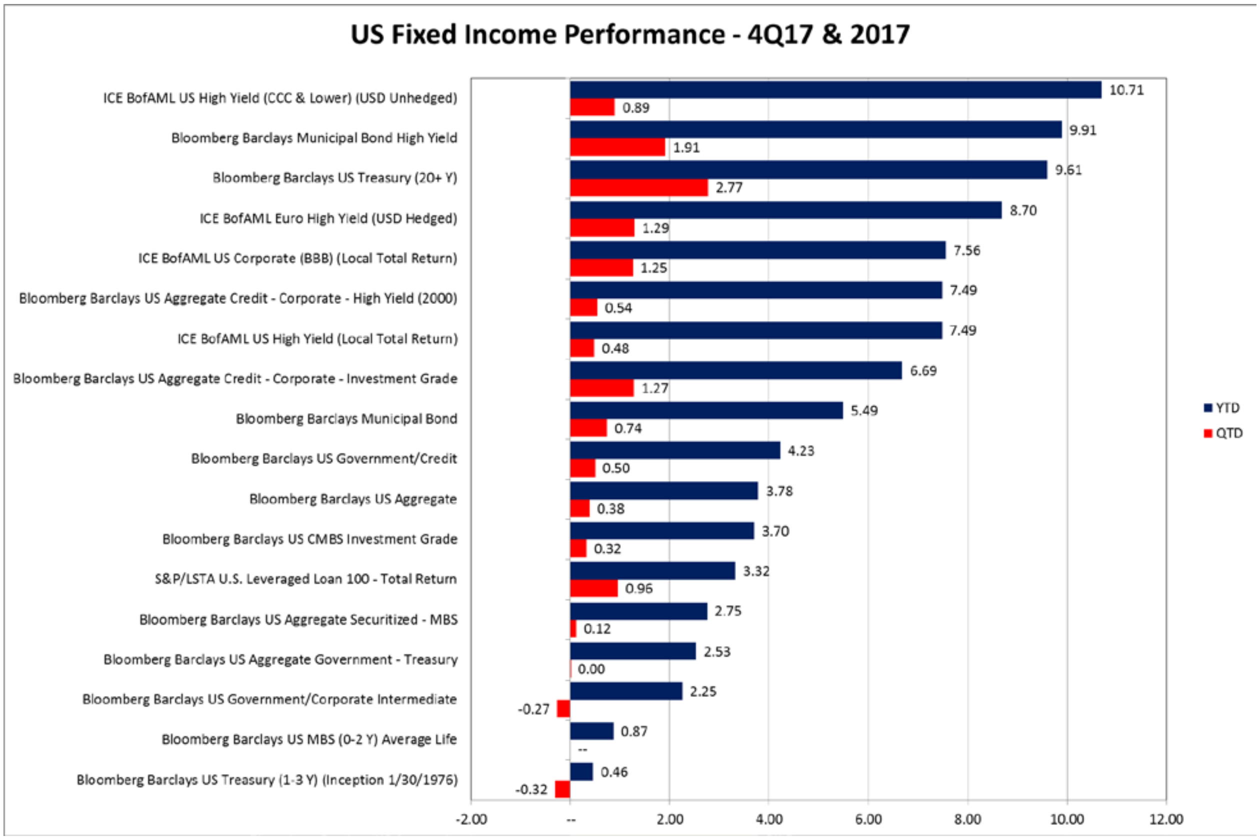
- In emerging markets, Information Technology was also the leading sector, which a return of 59.7% for the year. This was followed by Real Estate and Consumer Discretionary. The weakest performing sectors were Telecom, Utilities and Energy.
- Frontier markets underperformed emerging markets in 2017. The MSCI Frontier Markets index returned 31.9% while the MSCI Frontier Emerging Market index returned 26.8%. Argentina and Vietnam were the main drivers of the MSC Frontier Market index for the year.



Source: FactSet

Fixed Income: High yield, low quality and long duration were the clear winners within the fixed income markets in 2017. However, all major bond segments globally posted positive returns for the year.

- The lower the credit quality the better the performance as below CCC rated corporate credit was the best performing bond segment as the BofA ML US High Yield (CCC & Lower) index returned 10.7% for the year. Broad high yield via the BofA ML US High Yield index returned 7.5%. Credit spreads continue to tighten and are now 400 basis points above Treasuries, below the long term average of 580 basis points and approaching pre-financial crisis levels.
- High yield municipal bonds also performed well with the Barclays Municipal Bond High Yield index returning 9.9% for the year. Municipal bonds performed well overall as the broad investment grade Barclays Municipal Bond index returned 5.5%. The 10 year Muni/Treasury yield ratio ended the year at 0.94, which is barely above its long term average of 0.93. This is an indication that municipal bonds are now fairly valued relative to their taxable counterpart.
- The yield curve flattened over the course of the year as the short-end of the curve rose while the long-end declined. The rise in the short-end of the curve was induced by the three Fed rate hikes that occurred over the course of the year. The decline in the long-end was due to a combination of the lack of inflation concern and overseas demand for US Treasuries, which in many cases offer a high yields than foreign sovereign debt. The 10-year Treasury finished the year yielding 2.40% after beginning the year at 2.42%. 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.
- Non-US bonds provided muted returns in the fourth quarter ranging from 0% to 2%. Despite a modest finish to the year, global bonds managed to post significant returns for 2017 on the heels of strong foreign currency and credit spread tightening. Emerging market debt in local currency was the standout, as the JPMorgan GBI-EM Global Diversified Index rose 15.3% for the year. Furthermore, with healthy risk appetites from investors and continued accommodation from global central banks (ex-Fed), the S&P International Corporate Bond Index posted 15.5% for the year. Interestingly, despite a 14% return in the euro, the developed market Citigroup non-USD WGBI returned only 7.9% for the period as a broad rise in European rates in the second half of the year capped upside gains.



Source: FactSet

Manager Review:

We saw fairly good performance of active managers relative to their style benchmarks during the calendar year. The bullets below highlight the various segments of the markets and how our active managers fared during 2017.

- **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 did well. US large cap managers that focus on quality, actively hold cash, or are overweight defensive segments of the market had a difficult year.
- **US Small to Mid Cap Equities:** Mid cap and small-to-mid cap managers that underperformed most seem to be those that have a more cyclically-oriented or higher quality emphasis. Those managers with a bigger emphasis on the information technology sector likely represented a winning strategy for the year as information technology far outpaced other sectors. Within the dedicated small cap segment, managers with an emphasis on the consumer discretionary sector were hurt by weak performance of that sector.
- **International Equity:** Similar to that of US large cap managers, higher beta managers and those with a growth/momentum bias benefited. Managers that have a meaningful exposure to emerging markets benefited as emerging markets outperformed developed markets. Higher quality managers, higher yielding managers and managers with an overweight to Japan faced headwinds.
- **Emerging Markets:** Earnings growth and earnings momentum were factors that drove performance within emerging markets. Managers with positive exposure to these factors benefited. 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 many are somewhat flexible in their mandates. Managers with exposure to US investment grade and high yield credit enhanced performance. Additionally, exposure outside the US into European local currency debt was also additive as that exposure received an extra boost from currency appreciation. However, those managers with strict, high quality mandates had a more difficult time in 2017.

- **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 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 weak performance coming from MLPs but strong performance from Infrastructure strategies and good performance from REIT strategies.

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.

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