

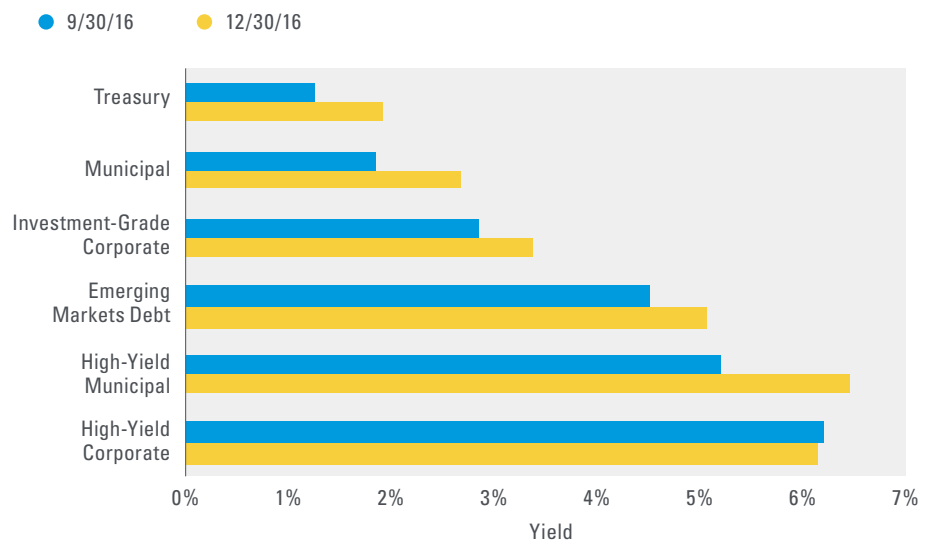
# RATES SOAR IN ANTICIPATION OF TRUMP POLICIES

## OVERVIEW

The *Search for Income* is a quarterly guide to our top ideas for income-producing securities and strategies. This publication offers active and passive income suggestions from our current mutual fund recommended list, along with suggested exchange-traded funds (ETF). Many of the asset classes/sectors can be used individually or in a diversified portfolio, and several are currently employed in our model portfolios.

Treasury yields rose precipitously across the maturity spectrum during the fourth quarter of 2016, as investors digested the implications of the incoming Trump administration [Figure 1]. The front end of the Treasury yield curve was also pressured higher by the Federal Reserve's (Fed) decision to raise the fed funds rate during its December meeting. Although the rate hike was largely expected by the market, Trump's victory caused investors to price in a more aggressive pace to future fed rate hikes, given the incoming administration's stated goals of fiscal stimulus and tax cuts. These factors coupled with international selling of Treasury bonds conspired to drive yields higher across the Treasury yield curve. Economically sensitive domestic sectors of the bond market were aided by investors' ongoing search for income in a low-yield, low-return environment and by hopes for more pro-business policies under the new administration, which pushed equity markets higher as well.

### 1 YIELDS ROSE IN MOST SECTORS OF FIXED INCOME DURING Q4 2016



Source: LPL Research, Bloomberg Barclays Index data 12/30/16

Indexes: Bloomberg Barclays U.S. Treasury Index, Bloomberg Barclays Municipal Bond Index, Bloomberg Barclays Capital U.S. Corporate Index, Bloomberg Barclays EM USD Aggregate, Bloomberg Barclays Capital High Yield Municipal Bond Index, Bloomberg Barclays U.S. Corporate High Yield

All Barclays indexes mentioned herein are unmanaged and cannot be invested into directly. Past performance is no guarantee of future results.

Please note: All return figures are as of December 30, 2016, unless otherwise stated.

The economic forecasts set forth in the publication may not develop as predicted.

The higher interest rate sensitivity of longer-dated fixed income was a headwind amid the overall rise in Treasury yields. More economically sensitive, lower-rated sectors tended to outperform higher-quality sectors.

In general, we prefer to look domestically for income-generating investments given the more favorable economic backdrop, which should continue to support credit quality. Currently, our best ideas for potential income generation are:

- **High-yield bonds (taxable and tax-free)**
- **Bank loans (floating rate funds)**
- **Preferred stocks**
- **Investment-grade corporate bonds (intermediate and long term)**
- **Emerging markets debt (EMD)**

The income-focused theme within the Model Wealth Portfolios (MWP), which combines multiple asset classes and sectors, provides exposure to several of these ideas. These portfolios' goals are to seek excess total return and, secondarily, to pursue higher overall yields than the LPL Research blended benchmarks.

## ASSET CLASS IDEAS

### **High-Yield Bonds (Taxable and Tax-Free):**

High-yield rallied during the fourth quarter with a 1.8% total return. The anticipation of pro-business policies, improving default expectations and the continuation of global investors' reach for yield drove high-yield strength during the quarter. With the price of oil rallying 11.4% during the fourth quarter, high-yield energy continued to fuel strength in the overall high-yield market. Although

default forecasts are improving for 2017, much of that optimism is already priced into the high-yield market. Given the standout 17.1% return of high-yield during 2016, the sector has little room for error. Also, given the significant improvement in valuations over the course of 2016, we see future returns driven more by the yield component of return, rather than continued price appreciation from spread tightening.

The price of oil remains a key driver of the high-yield market, and future weakness may translate to pullbacks. Equity market drawdowns or volatility may also translate to headwinds within high-yield.

The average yield of the high-yield bond market, based on the Bloomberg Barclays High Yield Index, continued to decline to end 2016 at 6.1%, down from 6.2% to end the third quarter. This level represents the index's lowest yield since November 2014 and is now well below the 20-year average of 9.2% [\[Figure 2\]](#).

The average yield advantage of high-yield bonds to Treasuries fell to 4.1% as of December 30, 2016, down from 4.8% at the end of the third quarter [\[Figure 3\]](#). This yield advantage has continued to decline in the first quarter of 2017 to 3.9% as of January 13, 2017.

Energy sector defaults remain elevated, but outside of the energy, metals, and mining sectors, defaults remain limited. High-yield bond valuations are pricing in a decrease in defaults over the coming year [\[Figure 4\]](#). The global high-yield default rate fell to 4.4% over the fourth quarter of 2016, according to Moody's.

For diversification purposes, we recommend investors use a mutual fund or exchange-traded product (ETP) for exposure to this asset class.

No strategy assures success or protects against loss.

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.

High-yield/junk bonds are not investment-grade securities, involve substantial risks, and generally should be part of the diversified portfolio of sophisticated investors.

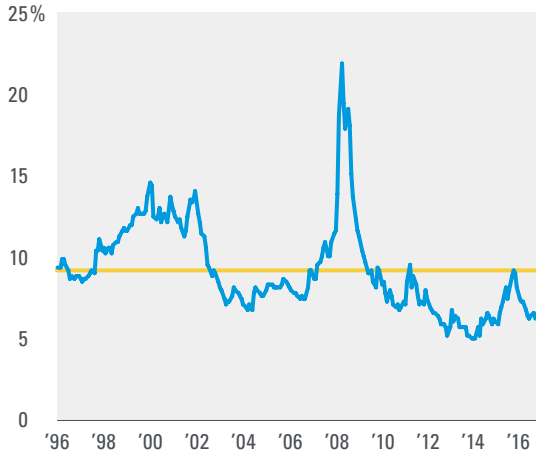
There is no guarantee that a diversified portfolio will enhance overall returns or outperform a nondiversified portfolio. Diversification does not ensure against market risk.

An investment in an exchange traded product (ETP), structured as a mutual fund or unit investment trust, involves the risk of losing money and should be considered as part of an overall program, not a complete investment program. An investment in ETPs involves additional risks such as not diversified, price volatility, competitive industry pressure, international political and economic developments, possible trading halts, and index tracking errors.

An increase in interest rates may cause the price of bonds and bond mutual funds to decline.

**2 AVERAGE YIELD OF HIGH-YIELD BONDS DECLINED OVER Q4**

- Bloomberg Barclays High Yield Bond Index Average Yield
- 20-Year Average

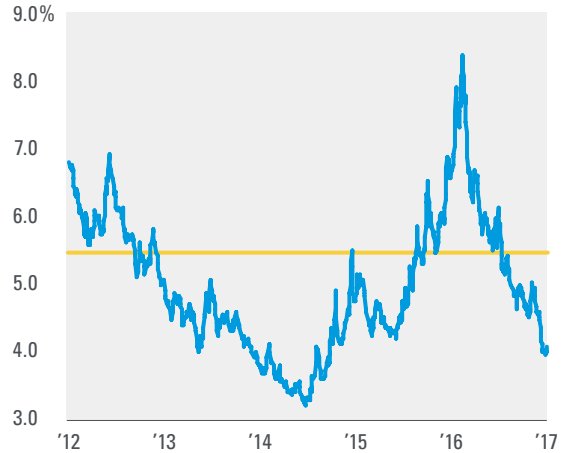


Source: LPL Research, Barclays, Bloomberg 12/30/16

The Bloomberg Barclays High Yield Bond Index is an unmanaged index and cannot be invested into directly. Past performance is no guarantee of future results.

**3 SPREADS ON HIGH-YIELD BONDS DECREASED DURING Q4 2016**

- Bloomberg Barclays High Yield Bond Spread to Treasuries
- 20-Year Average

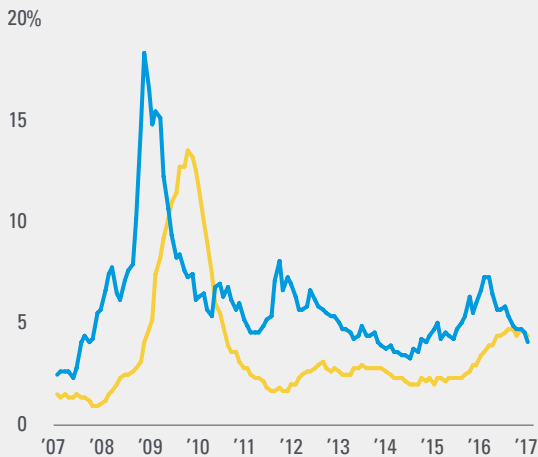


Source: LPL Research, Barclays, Moody's 12/30/16

High-yield spread is the yield differential between the average yield of high-yield bonds and the average yield of comparable maturity Treasury bonds.

**4 AVERAGE YIELD ADVANTAGE OF HIGH-YIELD BONDS DECREASED FURTHER AS DEFAULTS DECLINED**

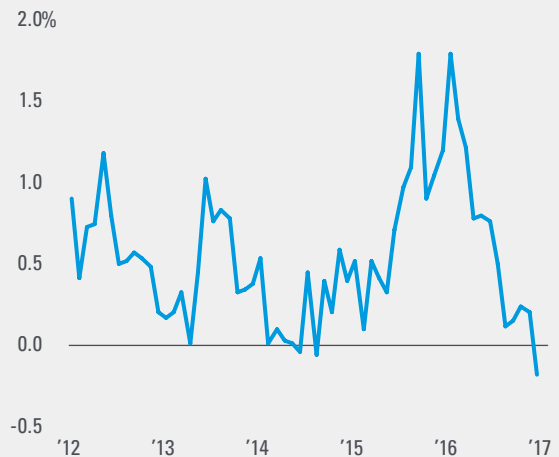
- High-Yield Spread
- Default Rate



Source: LPL Research, Federal Reserve, Moody's 12/30/16

**5 THE YIELD OF BANK LOANS MOVED HIGHER THAN HIGH-YIELD DURING THE FOURTH QUARTER**

- Yield Advantage of High-Yield Bonds to Bank Loans



Source: LPL Research, Barclays, Bloomberg 12/30/16

## Municipal High-Yield

Investors, regardless of tax bracket, may wish to consider municipal (tax-free) high-yield bonds. The average yield of tax-free high-yield bonds is 6.4%, according to the Bloomberg Barclays High Yield Municipal Index (as of December 30, 2016), which is higher than that of the taxable high-yield market. This translates to a taxable equivalent yield of 10.6% (assuming a 39.6% tax rate), which is compelling. Due to the diversity of the municipal high-yield market, many securities may not yield this much.

The average yield advantage of BBB-rated municipal bonds to AAA-rated, a proxy for the spread on municipal high-yield bonds, ended 2016 at 1.6%, up significantly from the 1.3% level at end of the third quarter. Heavy supply and investor selling led to pressure in the municipal market, which created headwinds for high-yield municipals. The average yield spread remains below the five-year average and is heavily influenced by volatile Puerto Rican issues. The greater yield is not without risks. Municipal high-yield bonds have longer maturities, and therefore, tend to be more interest rate sensitive than their taxable counterparts, a risk worth noting, given the gradual increase in interest rates we expect in 2017. Interest rate sensitivity was one of the primary drivers of high-yield municipal bond weakness in 2013 and late 2016, but it was a strong positive driver in 2014.

Credit quality trends, like those of the taxable market, are largely supportive of the sector in our view. According to the Municipal Securities Rulemaking Board (MSRB) and Municipal Market Advisors data, the number of defaulted municipal issuers in 2016 surpassed the totals of 2014 and 2015, which were extremely low, but remained

low by historical comparison. The dollar value of defaults in 2016 surpassed all years since 2009, impacting \$28 billion of outstanding municipal debt. Importantly, only a small portion of the default total is non-Puerto Rico debt. In general, municipal defaults remain isolated and have been concentrated in more speculative sectors, like Puerto Rico.

Please be aware that the vast majority of tax-free, high-yield funds generate income that is subject to alternative minimum tax (AMT). Again, we recommend investors use a fund to gain exposure. Please contact the fund or ETP companies directly to obtain a copy of the prospectus for the percentage of income subject to AMT.

## Floating Rate Bank Loans: More Conservative Approach to High-Yield

Companies rated below investment grade issue loans (debt) via banks for their short-term funding needs (hence the name “bank loans”). Most bank loans are senior secured debt, as the companies generally pledge specific tangible assets for the loan, ranking them above traditional bonds and equities in a corporation’s capital structure.

These securities typically pay a higher yield than short-term securities, generally 1.0% – 4.0% above Libor (the London interbank offered rate) and seek to provide protection against rising interest rates by adjusting interest payments at regular intervals to reflect changes in a short-term rate (usually three-month Libor). Unlike traditional fixed-rate bonds (where rising interest rates hurt their prices), when rates rise, bank loans pay a higher rate and therefore their prices do not necessarily fall. Conversely, they generally do not benefit from rising bond prices when interest rates fall. With

Municipal bonds are subject to availability, price, and to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rate rise. Interest income may be subject to the alternative minimum tax. Federally tax-free but other state and local taxes may apply.

Important Notes: Please note while many municipal bonds may remain suitable investments, when longer-term interest rates increase, some municipalities may be forced to roll over retiring debt at higher rates, which could lead to financial distress in municipalities.

If long-term rates rise, selling pressure may subject funds and ETPs to greater volatility and unanticipated losses.

Floating rate bank loans are loans issued by below investment-grade companies for short-term funding purposes with higher yield than short-term debt and involve interest rate risk, credit and default risk, market and liquidity risk.

an above-average yield, bank loans are an income alternative that helps balance the need for income generation with interest rate risk.

Bank loans benefitted from a rise in Libor over the fourth quarter of 2016. The yield of three-month Libor rose from 0.85% at the end of the third quarter to 1.0% to end the year. The majority of the bank loan market has a 1% Libor floor. With Libor above that level now, the rates on some bank loans will begin to float. Given that, bank loans have increased in attractiveness as that floor has been breached and may continue to do so should Fed rate hikes continue to move short-term interest rates higher. However, the bank loan market is a par market and issues may be called at par at any time. With the majority of issues in the market already trading above par, call risk may become bigger as short-term rates move higher.

The yield disparity between high-yield bonds and bank loans decreased further during the fourth quarter, with bank loans ending the quarter yielding more than high-yield bonds for the first time since doing so briefly in mid-2014. Bank loans now have a 0.2% yield advantage to high-yield, while over the last 10 years, high-yield has historically yielded more than bank loans by an average of 1.3% [Figure 5]. At the margin, this makes bank loans more attractive relative to high-yield compared with the end of the third quarter. Bank loans have historically exhibited much less volatility than high-yield bonds, and therefore, may be a good option for more conservative investors. The relatively lower volatility of bank loans was evident during the equity market weakness of the first six weeks of 2016, when bank loan prices held up better than high-yield. During the second half of the first quarter, however, as the equity markets recovered bank loans underperformed high-yield.

Like high-yield bonds, credit quality metrics for bank loans are stable. Exposure to the energy sector in the bank loan market is much less than in the high-yield market and comprises less than 4% of

Par value is the nominal value of a bond, share of stock, or a coupon as indicated in writing on the document specified by charter.

the market according to Bloomberg Barclays data. As a result, defaults, although rising, are lower and recovery rates are historically better when compared with high-yield bonds, but credit risk remains.

### **Preferred Stocks: Potentially Attractive Yields**

Preferred stocks are fixed income securities that income-seeking investors may want to consider. The financial sector, which comprises roughly 80% of all preferred issuers, has benefited from stable to improving bank credit quality metrics. The incoming administration has indicated they may lean towards financial industry deregulation, which could create growth opportunities.

We still believe the sector can be used as a potential income generator in today's fixed income environment, but caution is warranted. Average yields of preferred stocks rose to 6.0% over the fourth quarter of 2016, up from 4.9% at the end of the third quarter, due to the sector's high interest rate sensitivity in a rising rate environment. The varied nature of the preferred market means that the yield advantage to comparable Treasuries may vary depending on the specific investment product.

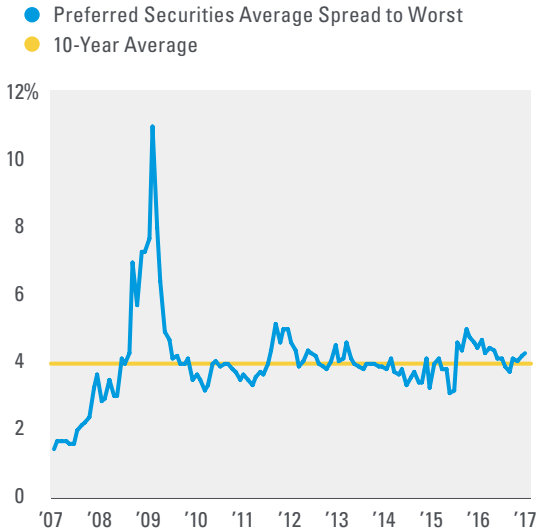
The average yield advantage to Treasuries rose during the quarter to end 2016 at 4.3% as of December 30, 2016, above the 10-year average of 3.9% [Figure 6].

Given the favorable economic backdrop and improved credit quality of financials, we believe the sector can be used as an income option.

Since preferred stocks have extremely long 30- to 50-year maturities, they possess interest rate sensitivity. The sector exhibited good resiliency during bouts of rising interest rates over the past three years, but post-election price weakness served as a reminder to investors that sharply rising rate environments can weigh on returns. The yield advantage to Treasuries will help offset higher interest rate risk as does the probability of early redemptions, but investors need to be aware of this risk.

Preferred stock investing involves risk, which may include loss of principal.

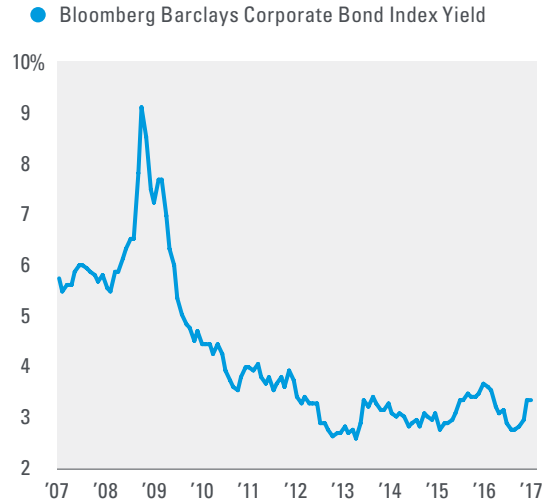
**6 PREFERRED VALUATIONS CHEAPENED DURING Q4 2016**



Source: LPL Research, BofA Merrill Hybrid Preferred Securities Index 12/30/16

All indexes mentioned above are unmanaged and cannot be invested into directly. Past performance is no guarantee of future results.

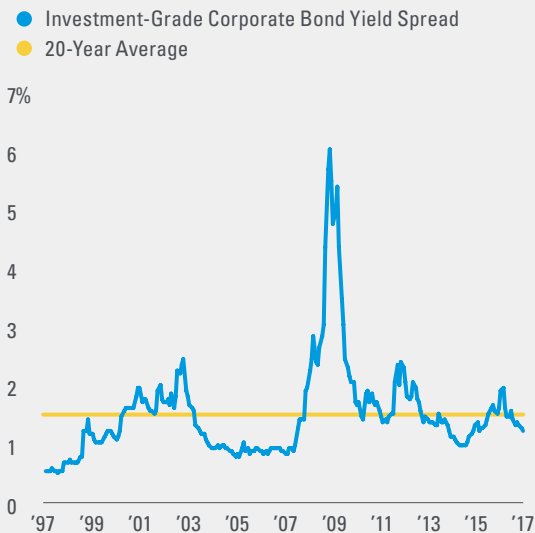
**7 AVERAGE CORPORATE BOND YIELD INCREASED IN Q4 2016**



Source: LPL Research, Barclays, Bloomberg 12/30/16

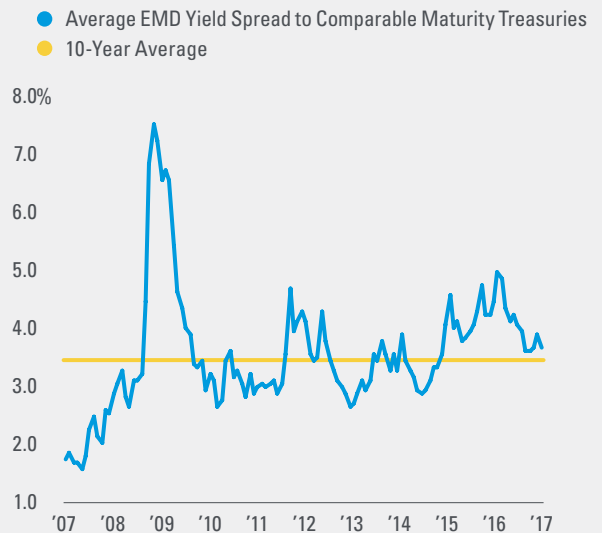
The Bloomberg Barclays Corporate Bond Index is an unmanaged index and cannot be invested into directly. Past performance is no guarantee of future results.

**8 CORPORATE BOND YIELD SPREAD DECREASED DURING Q4 2016**



Source: LPL Research, Barclays, Bloomberg 12/30/16

**9 EMD YIELD SPREADS INCREASED DURING Q4 2016**



Source: LPL Research, JP Morgan, Bloomberg 12/30/16

The JP Morgan Global Emerging Market Bond Index is an unmanaged index, which cannot be invested into directly. Past performance is no guarantee of future results.

## Investment-Grade Corporate Bonds: Historically Stable in Slow-Growth Environments

Investment-grade corporate bond yields remain low by historical comparison, but the asset class continues to be an income-producing option for investors seeking higher-quality bonds [Figure 7]. As of December 30, 2016, the average yield of investment-grade corporate bonds was 3.4%, above the 2.8% yield at the end of the third quarter.

For some investors, such yield levels may not be exciting, but yields vary depending on the specific investment used. We believe investment-grade corporate bonds can still be used as an income-producing option in fixed income markets, considering historically low Treasury and mortgage-backed securities (MBS) yields.

As of December 30, 2016, the average investment-grade corporate bond yield spread to Treasuries was 1.2%, below the 20-year average of 1.5% and below the 1.4% from the end of the third quarter [Figure 8].

The ability of corporations to repay debt obligations in a timely manner (credit quality) has plateaued but remains strong. Nonfinancial debt to earnings ratios are increasing, though still at manageable levels. Corporate credit quality metrics should support stable yield spreads.

## Emerging Market Debt: May Benefit from Emerging Market Growth

Concerns about potential protectionist trade policies from the incoming administration were a headwind for EMD during the fourth quarter of

2016. Despite the fact that strength in the price of oil boosted the sector, trade-related concerns led to weakness over the quarter. The net result was a slight cheapening in valuations.

Over the fourth quarter of 2016, the average yield advantage of EMD above comparable Treasuries increased from 3.6% to 3.7% as of December 30, 2016, while reaching 3.9% intra-quarter [Figure 9]. A 4.0% yield spread has represented good value over the last five years, as yield spreads have rarely stayed above that level. The sector may remain vulnerable to future episodes of growth concerns, or from protectionist trade policies coming to fruition.

The average EMD yield of 5.8%, now above its 5-year average of 5.3%, stands out in a low-yield world. The challenging environment for bonds overall may provide headwinds, as might lingering concerns over the pace of global economic growth and continued concerns over commodity-related weakness or removal of central bank accommodation. Protectionist trade policies are a new risk to the asset class that must be monitored.

Despite a slowdown, we still expect most EM countries to exhibit higher growth rates than their developed country counterparts, which should help support credit quality over a longer horizon. Additionally, an average yield spread of 3.7% (as of December 30, 2016) may provide a buffer to potential risks. Local currency EMD, however, may be more volatile than dollar-denominated EMD, as has historically been the case, due to currency volatility. We believe EMD can still be used for suitable income-seeking and total return-oriented investors. ■

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.

Please note regardless of credit quality, longer-duration fixed income corporate bonds could potentially suffer market losses associated with a rapid, uncontrolled increase in interest rates.

Government bonds and Treasury bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of a fund shares is not guaranteed and will fluctuate.

The risks associated with investment-grade corporate bonds are considered significantly higher than those associated with first-class government bonds. The difference between rates for first-class government bonds and investment-grade bonds is called investment-grade spread. The range of this spread is an indicator of the market's belief in the stability of the economy.

Investing in foreign and emerging markets debt 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.

Significant upward pressure on domestic interest rates and a corresponding widening of credit spread could negatively impact the market price of emerging markets debt.



## IMPLEMENTATION

### **Model Wealth Portfolios – Income Focused**

In this publication, we highlight our favorite individual sector and asset class ideas for income. However, in MWP Income Focused models, we combine multiple asset classes and sectors to create a complete portfolio that seeks excess return and, secondarily, seeks to generate higher overall yields than our blended benchmarks.

Within these Income Focused models, we modify our asset allocation models and seek to increase their income-generating ability. Fund selection is focused on identifying those mutual funds that have historically performed very well with a good portion of their performance coming from income. The following table highlights relevant statistics of MWP Income Focused models.

**Implementation section:** pages 9–18.

Model Wealth Portfolios (MWP) are centrally managed fee-based portfolios constructed by LPL Financial Research. Investment choices include mutual funds and exchange-traded products (ETPs). The portfolios benefit from ongoing monitoring, rebalancing, and tax management services implemented by the LPL Financial Overlay Portfolio Management Group.



**INCOME FOCUSED MODEL WEALTH PORTFOLIO PERFORMANCE, ANNUALIZED (GROSS)**

Model Portfolios	3-Month	2016	1-Year	3-Year	5-Year	Since Inception 3/1/08
<b>Aggressive Growth</b>						
MWP Income Focused	1.12%	6.19%	6.19%	3.90%	9.33%	4.25%
AG Benchmark	4.01%	12.11%	12.11%	8.04%	13.92%	8.23%
+ / - Benchmark	-2.88%	-5.92%	-5.92%	-4.14%	-4.59%	-3.97%
<b>Growth</b>						
MWP Income Focused	0.66%	6.30%	6.30%	3.71%	8.63%	4.17%
G Benchmark	2.93%	10.65%	10.65%	7.29%	12.07%	7.68%
+ / - Benchmark	-2.27%	-4.34%	-4.34%	-3.58%	-3.44%	-3.51%
<b>Growth with Income</b>						
MWP Income Focused	0.00%	5.13%	5.13%	2.79%	7.28%	4.20%
Gwl Benchmark	1.49%	8.66%	8.66%	6.26%	9.58%	6.86%
+ / - Benchmark	-1.49%	-3.53%	-3.53%	-3.47%	-2.30%	-2.66%
<b>Income with Moderate Growth</b>						
MWP Income Focused	-0.13%	4.73%	4.73%	2.18%	5.60%	3.88%
IMG Benchmark	0.11%	6.59%	6.59%	5.12%	7.05%	5.85%
+ / - Benchmark	-0.25%	-1.87%	-1.87%	-2.94%	-1.45%	-1.97%
<b>Income with Capital Preservation</b>						
MWP Income Focused	-0.55%	2.84%	2.84%	1.57%	4.35%	3.96%
ICP Benchmark	-1.23%	4.48%	4.48%	3.91%	4.50%	4.70%
+ / - Benchmark	0.68%	-1.64%	-1.64%	-2.33%	-0.16%	-0.74%

Source: LPL Research 12/30/16

**BENCHMARK INDEXES WEIGHTS (AS OF 12/30/16)**

Benchmark Indexes	Aggressive Growth	Growth	Growth with Income	Income with Moderate Growth	Income with Capital Preservation
Russell 3000 Index	95%	80%	60%	40%	20%
Bloomberg Barclays U.S. Aggregate Bond Index	0%	15%	35%	53%	70%
Citigroup 3-Month T-Bill	5%	5%	5%	7%	10%

Source: LPL Research, FactSet 12/30/16

For further information about the model portfolios, please contact your LPL Financial advisor.

All indexes are unmanaged and cannot be invested into directly. The returns do not reflect fees, sales charges, or expenses. Index performance is not indicative of any particular investment. Past performance is no guarantee of future results.

Performance data quoted represent past performance. Past performance does not guarantee future results. The models' investment return and principal value will fluctuate. Upon redemption, shares may be worth more or less than their original cost. The models' performance may be lower or higher than the performance data quoted. Your results may vary. To obtain current month-end performance information, please contact your advisor. The volatility of the index is materially different from the model portfolio.

The gross-of-fees performance quoted reflects the reinvestment of dividends and capital gains but does not reflect the maximum account fee of 2.5%. Such a fee, if taken into consideration, will reduce the performance quoted above.

Please refer to pages 19–20 for index descriptions and investment objectives.

**INCOME FOCUSED MODEL WEALTH PORTFOLIO PERFORMANCE, ANNUALIZED (NET)**

Model Portfolios	3-Month	2016	1-Year	3-Year	5-Year	Since Inception 3/1/08
<b>Aggressive Growth</b>						
MWP Income Focused	0.49%	3.55%	3.55%	1.33%	6.63%	1.84%
AG Benchmark	4.01%	12.11%	12.11%	8.04%	13.92%	8.23%
+ / - Benchmark	-3.52%	-8.56%	-8.56%	-6.71%	-7.30%	-6.38%
<b>Growth</b>						
MWP Income Focused	0.02%	3.67%	3.67%	1.15%	5.95%	1.77%
G Benchmark	2.93%	10.65%	10.65%	7.29%	12.07%	7.68%
+ / - Benchmark	-2.90%	-6.98%	-6.98%	-6.14%	-6.12%	-5.92%
<b>Growth with Income</b>						
MWP Income Focused	-0.62%	2.52%	2.52%	0.24%	4.63%	1.80%
Gwl Benchmark	1.49%	8.66%	8.66%	6.26%	9.58%	6.86%
+ / - Benchmark	-2.11%	-6.14%	-6.14%	-6.02%	-4.95%	-5.07%
<b>Income with Moderate Growth</b>						
MWP Income Focused	-0.76%	2.13%	2.13%	-0.35%	2.99%	1.48%
IMG Benchmark	0.11%	6.59%	6.59%	5.12%	7.05%	5.85%
+ / - Benchmark	-0.87%	-4.46%	-4.46%	-5.47%	-4.06%	-4.37%
<b>Income with Capital Preservation</b>						
MWP Income Focused	-1.18%	0.30%	0.30%	-0.94%	1.77%	1.56%
ICP Benchmark	-1.23%	4.48%	4.48%	3.91%	4.50%	4.70%
+ / - Benchmark	0.06%	-4.19%	-4.19%	-4.85%	-2.74%	-3.15%

Source: LPL Research 12/30/16

**BENCHMARK INDEXES WEIGHTS (AS OF 12/30/16)**

Benchmark Indexes	Aggressive Growth	Growth	Growth with Income	Income with Moderate Growth	Income with Capital Preservation
Russell 3000 Index	95%	80%	60%	40%	20%
Bloomberg Barclays U.S. Aggregate Bond Index	0%	15%	35%	53%	70%
Citigroup 3-Month T-Bill	5%	5%	5%	7%	10%

Source: LPL Research, FactSet 12/30/16

For further information about the model portfolios, please contact your LPL Financial advisor.

All indexes are unmanaged and cannot be invested into directly. The returns do not reflect fees, sales charges, or expenses. Index performance is not indicative of any particular investment. Past performance is no guarantee of future results.

Performance data quoted represent past performance. Past performance does not guarantee future results. The models' investment return and principal value will fluctuate. Upon redemption, shares may be worth more or less than their original cost. The models' performance may be lower or higher than the performance data quoted. Your results may vary. To obtain current month-end performance information, please contact your advisor. The volatility of the index is materially different from the model portfolio.

The net-of-fees performance quoted reflects the reinvestment of dividends and capital gains, is net of expenses and the maximum account fee of 2.5%.

Please refer to pages 19–20 for index descriptions and investment objectives.

## Mutual Fund and ETP Income-Producing Ideas

The following list comprises our suggestions for mutual funds and ETPs that provide exposure to the income-producing sectors we have outlined in this report.

Income-producing ideas: pages 11 – 18.

### INCOME FOCUSED MODEL WEALTH PORTFOLIO MUTUAL FUNDS

Name	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Expense Ratio	30-Day SEC Yield	Web Address
AllianzGI Short Duration High Inc P	ASHPX	12.01	4.77	N/A	5.46	10/3/11	0.66	4.56	us.allianzgi.com
Angel Oak Multi-Strategy Income Fd Inst Shs	ANGIX	6.96	N/A	N/A	5.15	8/16/12	1.19	5.34	www.angeloakcapital.com
Baron Asset	BARIX	19.90	13.29	N/A	14.68	5/29/09	1.04	0.00	www.BaronFunds.com/performance
Eaton Vance National Municipals	EIHMIX	1.26	4.30	3.19	4.99	7/1/99	0.54	2.61	www.eatonvance.com
Federated Strategic Value Dividend Instl	SVAIX	8.10	11.43	5.13	7.42	3/30/05	0.94	3.13	www.Federatedinvestors.com
Harbor Capital Appreciation	HACAX	12.92	13.33	8.27	11.12	12/29/87	0.70	0.00	www.harborfunds.com
JPMorgan Mortgage-Backed Securities Fund	OMBIX	1.12	2.51	5.18	5.67	8/18/00	0.73	2.70	www.jpmorganfunds.com
Loomis Sayles Growth Y	LSGRX	15.39	15.53	6.99	7.87	5/16/91	0.66	0.00	NGAM.natixis.com
MainGate MLP I	IMLPX	47.60	6.29	N/A	6.49	2/17/11	1.41	0.00	www.maingatefunds.com
MainStay Epoch Global Equity Yield I	EPSYX	10.54	8.53	4.85	6.57	12/27/05	0.84	2.75	www.mainstayinvestments.com
MFS Value I	MEIIX	20.38	14.09	6.85	9.75	1/2/97	0.61	1.61	www.mfs.com
PIMCO Investment Grade Corp Bd P	PBDPX	7.05	5.10	N/A	7.34	4/30/08	0.63	3.24	www.pimco.com
Royce Dividend Value	RDVIX	25.87	9.58	N/A	7.48	9/14/07	1.14	0.00	www.roycefunds.com
Thornburg Investment Income Builder I	TIBIX	13.83	6.87	5.70	8.60	11/3/03	1.07	3.90	www.thornburg.com
Vanguard Interm-Term Treasury Adm	VFIUX	-0.75	1.29	4.59	4.84	2/12/01	0.10	1.82	www.vanguard.com
Wells Fargo Advantage Diversified Income Builder	EKSDX	17.52	8.05	N/A	8.54	7/30/10	1.00	3.46	www.wellsfargofunds.com

Source: LPL Research, Morningstar Direct 12/30/16

**30-day yield:** The fund's 30-day yield is based on yield to maturity of a fund's investments over a 30-day period and not on the dividends paid by the fund, which may differ.

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The performance data quoted reflects the reinvestment of dividends and capital gains, is net of expenses and does not reflect the maximum account fee of 2.5%.

The volatility of the benchmark used to compare performance is materially different from that of the portfolio.

**INCOME FOCUSED MODEL WEALTH PORTFOLIO WEIGHTS (AS OF 12/30/16)**

Name	Ticker	LPL Financial Statement Asset Class	Aggressive Growth	Growth	Growth w/ Income	Income w/ Moderate Growth	Income w/ Capital Preservation
AllianzGI Short Duration High Inc P	ASHPX	High-Yield Bond	0.0%	6.5%	8.0%	13.0%	15.5%
Angel Oak Multi-Strategy Income Fd Inst Shs	ANGIX	Multisector Bond	0.0%	3.0%	5.0%	7.0%	9.0%
Baron Asset	BARIX	Mid Growth	6.0%	5.0%	5.0%	0.0%	0.0%
Eaton Vance National Municipals	EIHMX	Long-Term Municipal Bond	0.0%	0.0%	4.0%	8.0%	10.5%
Federated Strategic Value Dividend Instl	SVAIX	Large Value	18.0%	18.0%	16.0%	6.0%	5.0%
Harbor Capital Appreciation	HACAX	Large Growth	11.5%	6.0%	4.5%	6.0%	4.0%
JPMorgan Mortgage-Backed Securities Fund	OMBIX	Mortgage-Backed Securities	0.0%	0.0%	9.0%	12.0%	17.0%
Loomis Sayles Growth Y	LSGRX	Large Growth	7.5%	9.0%	4.0%	0.0%	0.0%
MainGate MLP I	IMLPX	Sector (Energy)	7.0%	6.0%	5.0%	3.0%	0.0%
MainStay Epoch Global Equity Yield I	EPSYX	Global Stock	10.0%	9.0%	8.0%	5.0%	0.0%
MFS Value I	MEIIX	Large Value	18.0%	9.0%	6.0%	5.0%	5.0%
PIMCO Investment Grade Corp Bd P	PBDPX	Intermediate-/Long-Term Bond	0.0%	4.0%	6.0%	10.0%	12.0%
Royce Dividend Value	RDVIX	Small Value	11.0%	10.5%	5.0%	4.0%	3.0%
Thornburg Investment Income Builder I	TIBIX	Balanced	6.0%	0.0%	0.0%	0.0%	0.0%
Vanguard Interm-Term Treasury Adm	VFIUX	Intermediate-/Long-Term Bond	0.0%	4.0%	6.0%	8.0%	10.0%
Wells Fargo Advantage Diversified Income Builder	EKSDX	Alternative (Other)	0.0%	5.0%	4.0%	4.0%	0.0%
Cash*	CASH	CASH	5.0%	5.0%	4.5%	9.0%	9.0%
<b>TOTAL</b>			<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: LPL Research 12/30/16

\* The cash portion of this portfolio is represented by money market instruments.

Please refer to pages 20–21 for index descriptions and investment objectives.

## TAXABLE HIGH-YIELD BOND EXPOSURE

	Ticker	1- Year	5- Year	10- Year	Since Inception	Inception Date	Gross Exp Ratio	30-Day SEC Yield
<b>Mutual Funds</b>								
AllianzGI Short Duration High Income	ASHPX	12.01	4.77	N/A	5.46	10/3/11	0.66	4.56
American Beacon SiM High Yield Opportunities	SHOIX	19.51	7.81	N/A	7.20	2/14/11	0.92	5.73
BlackRock High Yield Bond Instl	BHYIX	16.98	7.14	7.18	7.52	11/19/98	0.62	5.69
Hotchkis and Wiley High Yield A	HWHIX	21.10	7.23	N/A	11.69	3/31/09	0.74	6.57
MainStay High Yield Corporate Bond I	MHYIX	19.42	6.70	6.40	7.10	1/2/04	0.71	6.31
Nuveen Symphony Credit Opportunities	NCOIX	23.56	6.67	N/A	7.40	4/28/10	0.78	6.32
Pax World High Yield Bond Individual Inv	PAXHX	18.88	4.95	5.37	5.50	10/8/99	0.97	5.26
PIMCO High Yield P	PLPX	14.86	6.18	N/A	6.78	4/30/08	0.66	4.94
Pioneer Global High Yield Y	GHYYX	17.31	4.61	4.98	5.64	12/27/05	0.87	7.51
<b>Bloomberg Barclays Capital U.S. High-Yield Bond</b>		<b>17.13</b>	<b>7.36</b>	<b>7.45</b>	N/A	N/A	N/A	N/A

Source: LPL Research, Morningstar Direct, FactSet 12/30/16

	Ticker	1- Year	5- Year	10- Year	Since Inception	Inception Date	Gross Exp Ratio	30-Day SEC Yield	Mkt Ret Annld 1-Year	Mkt Ret Annld 5-Year	Mkt Ret Annld 10-Year	Mkt Ret Annld Since Incep
<b>ETPs</b>												
iShares iBoxx \$ High Yield Corporate Bd	HYG	16.70	5.39	N/A	5.62	4/4/07	0.50	5.20	18.99	5.13	N/A	5.39
SPDR Barclays High Yield Bond	JNK	18.55	5.02	N/A	5.68	11/28/07	0.40	5.44	21.21	4.83	N/A	5.44
<b>Bloomberg Barclays Capital U.S. High-Yield Bond</b>		<b>17.13</b>	<b>7.36</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: LPL Research, Morningstar Direct, FactSet 12/30/16

All indexes are unmanaged and cannot be invested into directly.

For the most recent month end performance please visit the respective fund's website: MHYIX: [www.mainstayinvestments.com](http://www.mainstayinvestments.com); GHYYX: [www.pioneerinvestments.com](http://www.pioneerinvestments.com); HWHIX: [www.hwcm.com](http://www.hwcm.com); PHLPX: [www.pimco-funds.com](http://www.pimco-funds.com); PAXHX: [www.paxworld.com](http://www.paxworld.com); BHYIX: [www.blackrock.com](http://www.blackrock.com); NCOIX: [www.nuveen.com](http://www.nuveen.com); ASHPX: [www.allianzinvestors.com](http://www.allianzinvestors.com); HYG: [www.ishares.com](http://www.ishares.com); JNK: [www.spdrs.com](http://www.spdrs.com); SHOIX: [www.americanbeaconfunds.com](http://www.americanbeaconfunds.com).

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**TAX-FREE HIGH-YIELD BOND EXPOSURE**

	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp Ratio	30-Day SEC Yield
<b>Mutual Funds</b>								
Franklin High Yield Tax-Free Inc Adv	FHYVX	1.43	7.22	3.35	5.31	6/7/99	0.63	5.30
Nuveen High Yield Municipal Bond I	NHMRX	0.69	3.73	4.34	4.57	1/3/06	0.57	3.22
Oppenheimer Rochester National Muni A	ORNAX	5.88	6.47	1.20	4.48	10/1/93	0.99	7.95
<b>Bloomberg Barclays High-Yield Municipal</b>		<b>2.99</b>	<b>5.91</b>	<b>4.04</b>	N/A	N/A	N/A	N/A

Source: LPL Research, Morningstar Direct, FactSet 12/30/16

	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp Ratio	30-Day SEC Yield	Mkt Ret Annlzd 1-Year	Mkt Ret Annlzd 5-Year	Mkt Ret Annlzd 10-Year	Mkt Ret Annlzd Since Incep
<b>ETPs</b>												
Market Vectors High-Yield Muni ETF	HYD	0.81	4.60	N/A	7.86	2/4/09	0.35	4.50	0.85	4.70	N/A	7.47
<b>Bloomberg Barclays High-Yield Municipal</b>		<b>2.99</b>	<b>5.91</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: LPL Research, Morningstar Direct, FactSet 12/30/16

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For the most recent month end performance please visit the respective fund's website: NHMRX: [www.nuveen.com](http://www.nuveen.com); FHYVX: [www.franklintempleton.com](http://www.franklintempleton.com); ORNAX: [www.oppenheimerfunds.com](http://www.oppenheimerfunds.com); HYD: [www.vanek.com](http://www.vanek.com).

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## EMERGING MARKETS DEBT EXPOSURE

	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp Ratio	30-Day SEC Yield
<b>Mutual Funds</b>								
DoubleLine Emerging Markets Fixed Income	DBLEX	18.13	4.98	N/A	6.02	4/6/10	0.90	4.37
MFS Emerging Markets Debt A	MEDAX	11.36	4.47	6.35	9.87	3/17/98	1.10	3.65
PIMCO Emerging Local Bond P	PELPX	13.48	-3.11	N/A	1.73	5/30/08	1.00	6.06
T. Rowe Price Emerging Markets Bond	PREMX	17.61	5.41	6.34	10.56	12/30/94	0.93	5.84
<b>JPM EMBI Global</b>		<b>10.19</b>	<b>5.44</b>	<b>6.75</b>	N/A	N/A	N/A	N/A

Source: LPL Research, Morningstar Direct, FactSet 12/30/16

	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp Ratio	30-Day SEC Yield	Mkt Ret Annlzd 1-Year	Mkt Ret Annlzd 5-Year	Mkt Ret Annlzd 10-Year	Mkt Ret Annlzd Since Incep
<b>ETPs</b>												
iShares JPMorgan USD Emerg Markets Bond	EMB	10.88	5.99	N/A	6.92	10/11/07	0.50	5.36	11.89	5.93	N/A	6.68
PowerShares Emerging Mkts Sovereign Debt	PCY	11.07	4.98	N/A	6.31	12/17/07	0.60	4.97	12.26	4.89	N/A	6.08
<b>JPM EMBI Global</b>		<b>10.19</b>	<b>5.44</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: LPL Research, Morningstar Direct, FactSet 12/30/16

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For the most recent month end performance please visit the respective fund's website: PREMEX: [www.troweprice.com](http://www.troweprice.com); MEDAX: [www.mfs.com](http://www.mfs.com); PELPX: [www.pimco-funds.com](http://www.pimco-funds.com); PCY: [www.invescopowershares.com](http://www.invescopowershares.com); EMB: [www.ishares.com](http://www.ishares.com); DBLEX: [www.doubleline.com](http://www.doubleline.com).

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## INVESTMENT-GRADE CORPORATE BOND EXPOSURE

	Ticker	1- Year	5- Year	10- Year	Since Inception	Inception Date	Gross Exp Ratio	30-Day SEC Yield
<b>Mutual Funds</b>								
<b>Intermediate/Long High-Quality Bond</b>								
Dodge & Cox Income	DODIX	6.08	3.41	5.07	6.88	1/3/89	0.43	2.79
Federated Total Return Bond Instl	FTRBX	5.03	2.91	4.90	5.73	10/1/96	0.47	2.95
Loomis Sayles Investment Grade Bond Y	LSIIX	8.89	3.44	5.96	7.34	12/31/96	0.60	2.70
Prudential Total Return Bond	PDBZX	4.18	3.76	5.94	5.88	9/16/96	0.55	2.87
Western Asset Core Plus Bond I	WACPX	4.49	3.92	5.58	6.15	7/8/98	0.52	3.02
<b>Bloomberg Barclays Capital U.S. Aggregate</b>		<b>2.65</b>	<b>2.23</b>	<b>4.34</b>	N/A	N/A	N/A	N/A
<b>Long High-Quality Bond</b>								
Vanguard Long-Term Investment-Grade Inv	VWESX	6.71	5.10	7.07	8.39	7/9/73	0.21	3.89
<b>Bloomberg Barclays Capital U.S. Govt Credit Long</b>		<b>6.67</b>	<b>4.07</b>	<b>6.85</b>	N/A	N/A	N/A	N/A
<b>Short/Intermediate High-Quality Bond</b>								
Lord Abbett Short Duration Income	LDLFX	4.56	2.77	N/A	4.53	9/28/07	0.50	2.42
Vanguard Short-Term Investment-Grade	VFSUX	2.62	2.15	3.35	3.72	2/12/01	0.10	1.97
<b>Bloomberg Barclays Capital U.S. 1-3 Year Gov/Credit</b>		<b>1.28</b>	<b>0.92</b>	<b>2.44</b>	N/A	N/A	N/A	N/A
<b>Multi Sector Bond</b>								
Delaware Diversified Income A	DPDFX	3.25	2.39	5.34	6.67	12/29/97	0.90	3.01
Loomis Sayles Bond Instl	LSBDX	13.81	4.84	6.11	9.19	5/16/91	0.66	3.38
Osterweis Strategic Income Fund	OSTIX	14.19	5.02	6.04	7.02	8/30/02	0.83	5.18
<b>Bloomberg Barclays Capital U.S. Aggregate</b>		<b>2.65</b>	<b>2.23</b>	<b>4.34</b>	N/A	N/A	N/A	N/A

Source: LPL Research, Morningstar Direct, FactSet 12/30/16

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For the most recent month end performance please visit the respective fund's website: LSIIX: [www.funds.natixis.com](http://www.funds.natixis.com); DODIX: [www.dodgeandcox.com](http://www.dodgeandcox.com); FTRBX: [www.federatedinvestors.com](http://www.federatedinvestors.com); WACPX: [www.leggmason.com](http://www.leggmason.com); VWESX: [www.vanguard.com](http://www.vanguard.com); LDLFX: [www.lordabbett.com](http://www.lordabbett.com); VFSUX: [www.vanguard.com](http://www.vanguard.com); DPDFX: [www.delawarefunds.com](http://www.delawarefunds.com); OSTIX: [www.osterweis.com](http://www.osterweis.com); LSBDX: [www.loomisayles.com](http://www.loomisayles.com); PDBZX: [www.prudential.com](http://www.prudential.com).

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## INVESTMENT-GRADE CORPORATE BOND EXPOSURE, CONTINUED

	Ticker	1- Year	5- Year	10- Year	Since Inception	Inception Date	Gross Exp Ratio	30-Day SEC Yield	Mkt Ret Annld 1-Year	Mkt Ret Annld 5-Year	Mkt Ret Annld 10-Year	Mkt Ret Annld Since Incep	
<b>ETPs</b>													
<b>Intermediate/Long High-Quality Bond</b>													
	iShares Barclays Intermediate Credit Bd	CIU	3.05	2.70	4.53	4.46	1/5/07	0.20	2.53	3.30	2.75	4.48	4.45
	iShares iBoxx \$ Invest Grade Corp Bond	LQD	6.23	3.89	5.53	5.55	7/22/02	0.15	3.46	7.14	3.81	5.44	5.56
	SPDR Barclays Cap Interm Term Corp Bnd	ITR	3.89	3.08	N/A	5.02	2/10/09	0.12	2.71	4.52	2.99	N/A	4.72
	Vanguard Intermediate-Term Bond ETF	BIV	1.33	2.60	N/A	5.34	4/3/07	0.09	2.75	1.43	2.77	N/A	5.34
	Bloomberg Barclays Capital U.S. Aggregate		2.65	2.23	4.34	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Long High-Quality Bond</b>													
	SPDR Barclays Capital Long CorpTerm Bd	LWC	11.16	4.80	N/A	9.23	3/10/09	0.12	4.45	11.39	5.14	N/A	8.94
	Vanguard Long-Term Bond Index ETF	BLV	4.70	3.89	N/A	6.93	4/3/07	0.09	3.89	4.63	4.44	N/A	6.94
	Bloomberg Barclays Capital U.S. Govt Credit Long		6.67	4.07	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: LPL Research, Morningstar Direct, FactSet 12/30/16

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For the most recent month end performance please visit the respective fund's website: BIV & BLV: [www.vanguard.com](http://www.vanguard.com);  
CIU & LQD: [www.ishares.com](http://www.ishares.com); ITR & LWC: [www.spdrs.com](http://www.spdrs.com).

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## PREFERRED STOCK EXPOSURE

	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp Ratio	30-Day SEC Yield
<b>Mutual Funds</b>								
Cohen & Steers Preferred Securities and Income	CPXIX	7.04	8.83	N/A	9.17	5/3/10	0.94	4.17
Principal Preferred Securities P	PPSPX	6.07	7.54	N/A	6.97	9/27/10	0.83	4.99
Nuveen Preferred Securities I	NPSRX	7.53	8.70	6.36	6.30	12/19/06	0.82	5.15
BofAML Preferred Stock Hybrid		1.77	6.63	3.79	N/A	N/A	N/A	N/A

Source: LPL Research, Morningstar Direct, FactSet 12/30/16

	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp Ratio	30-Day SEC Yield	Mkt Ret Annlzd 1-Year	Mkt Ret Annlzd 5-Year	Mkt Ret Annlzd 10-Year	Mkt Ret Annlzd Since Incep
<b>ETPs</b>												
iShares S&P U.S. Preferred Stock Index	PFF	4.70	6.18	N/A	4.15	3/26/07	0.47	5.77	6.86	6.07	N/A	3.92
PowerShares Financial Preferred	PGF	4.26	7.44	4.08	4.06	12/1/06	0.63	5.80	5.96	7.35	4.12	3.74
PowerShares Preferred	PGX	4.31	6.88	N/A	3.31	1/31/08	0.50	5.76	6.02	6.88	N/A	2.93
BofAML Preferred Stock Hybrid		1.77	6.63	3.79	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: LPL Research, Morningstar Direct, FactSet 12/30/16

## BANK LOAN EXPOSURE

	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp Ratio	30-Day SEC Yield
<b>Mutual Funds</b>								
Credit Suisse Floating Rate High Income	CSHIX	11.22	5.00	5.66	6.44	8/1/00	0.77	4.25
Oppenheimer Senior Floating Rate Y	OOSYX	15.32	5.04	4.52	4.86	11/28/05	0.87	4.60
RidgeWorth Seix Floating RT High Inc I	SAMBX	12.83	4.62	4.22	4.42	3/1/06	0.62	3.96
S&P/LSTA US Leveraged Loan		17.13	7.36	7.45	N/A	N/A	N/A	N/A

Source: LPL Research, Morningstar Direct, FactSet 12/30/16

	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp Ratio	30-Day SEC Yield	Mkt Ret Annlzd 1-Year	Mkt Ret Annlzd 5-Year	Mkt Ret Annlzd 10-Year	Mkt Ret Annlzd Since Incep
<b>ETPs</b>												
PowerShares Senior Loan Port	BKLN	9.71	3.58	N/A	3.20	3/3/11	0.65	2.78	10.35	3.38	N/A	3.11
SPDR Blackstone/GSO Senior Loan	SRLN	7.34	N/A	N/A	2.26	4/3/13	0.70	3.75	7.92	0.00	N/A	2.27
S&P/LSTA US Leveraged Loan		17.13	7.36	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: LPL Research, Morningstar Direct, FactSet 12/30/16

All indexes are unmanaged and cannot be invested into directly. For the most recent month end performance please visit the respective fund's website: CPXIX: [www.cohenandsteers.com](http://www.cohenandsteers.com); PPSPX: [www.principal.com](http://www.principal.com); NPSRX: [www.nuveen.com](http://www.nuveen.com); PFF: [www.ishares.com](http://www.ishares.com); PGF: [www.powershares.com](http://www.powershares.com); PGX & BKLN: [www.invescopowershares.com](http://www.invescopowershares.com); SAMBX: [www.ridgeworth.com](http://www.ridgeworth.com); CSHIX: [us-fund.credit-suisse.com](http://us-fund.credit-suisse.com); OOSYX: [www.oppenheimerfunds.com](http://www.oppenheimerfunds.com); SRLN: [www.spdrrs.com](http://www.spdrrs.com).

The performance data quoted represent past performance. Past performance is not an indicator of future results. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance information quoted. To obtain current month-end performance information, please refer to the manager's website.

The performance data quoted reflect the reinvestment of dividends and capital gains, is net of expenses and does not reflect the maximum account fee of 2.5%. Such fee, if taken into consideration, will reduce the performance quoted above. The volatility of the benchmark used to compare performance is materially different from that of the portfolio.

30-day yield: The fund's 30-day yield is based on yield to maturity of a fund's investments over a 30-day period and not on the dividends paid by the fund, which may differ.

Gross expense ratio: The gross expense ratio is the fund's total annual operating expense ratio. It is gross of any fee waivers or expense reimbursements.

ETP shares are bought and sold at market price (closing price) not NAV and are not individually redeemed from the Fund. Market price returns are based on the midpoint of the bid/ask spread at 4:00 pm Eastern Time (when NAV is normally determined), and do not represent the return you would receive if you traded at other times.

## IMPORTANT DISCLOSURES

The MWP portfolios are exposed to mutual funds and ETPs.

**Investors should consider the investment objectives, risks, charges, and expenses of the investment company carefully before investing. The prospectus, and if available, the summary prospectus, contains this and other information about the investment company. You can obtain a prospectus from your financial representative. Read carefully before investing.**

Investing in mutual funds, or exchange-traded funds (ETF) involve risk, including possible loss of principal. Investments in specialized industry sectors have additional risks, which are outlined in the prospectus.

All performance referenced is historical and is no guarantee of future results.

Indexes are unmanaged index 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.

The economic forecasts set forth in the presentation may not develop as predicted. The opinions voiced in this material are for general information only and are not intended to provide or be construed as providing specific investment advice or recommendations for any individual security.

There is no assurance that the techniques and strategies discussed are suitable for all investors or will yield positive outcomes. The purchase of certain securities may be required to affect some of the strategies.

This information is not intended to be a substitute for specific individualized tax, legal or investment planning advice. We suggest that you discuss your specific tax issues with a qualified tax advisor.

Mortgage-backed securities 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.

Currency risk is a form of risk that arises from the change in price of one currency against another. Whenever investors or companies have assets or business operations across national borders, they face currency risk if their positions are not hedged.

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.

## DEFINITIONS

Credit quality is one of the principal criteria for judging the investment quality of a bond. As the term implies, credit quality informs investors of a bond or bond portfolio's credit worthiness, or risk of default. Different agencies employ different rating scales for credit quality. Standard & Poor's (S&P) and Fitch both use scales from AAA (highest) through AA, A, BBB, BB, B, CCC, CC, C to D (lowest). Moody's uses a scale from Aaa (highest) through Aa, A, Baa, Ba, B, Caa, Ca to C (lowest). An independent, unaffiliated research company that rates fixed income securities. Moody's assigns ratings on the basis of risk and the borrower's ability to make interest payments.

Default rate is the rate in which debt-holders default on the amount of money that they owe. It is often used by credit card companies when setting interest rates, but also refers to the rate at which corporations default on their loans. Default rates tend to rise during economic downturns, since investors and businesses see a decline in income and sales while still required to pay off the same amount of debt.

London interbank offered rate (Libor): An interest rate at which banks can borrow funds, in marketable size, from other banks in the London interbank market. The Libor is fixed on a daily basis by the British Bankers' Association. The Libor is derived from a filtered average of the world's most creditworthy banks' interbank deposit rates for larger loans with maturities between overnight and one full year.

Municipal Market Advisors is an independent strategy, research and advisory firm.

Spread is the difference between the bid and the ask price of a security or asset.

## INDEX DESCRIPTIONS

Bloomberg Barclays Corporate Bond Index is an unmanaged index of investment grade rated bonds issued by corporations and quasi-government agencies. Corporate bonds issued by foreign entities but denominated in U.S. dollars are also included in the index.

The Bloomberg Barclays Emerging Markets USD Aggregate Index is a flagship hard currency Emerging Markets debt benchmark that includes fixed and floating-rate US dollar-denominated debt issued from sovereign, quasi-sovereign, and corporate EM issuers. Country eligibility and classification as Emerging Markets is rules-based and reviewed annually using World Bank income group and International Monetary Fund (IMF) country classifications. This index was previously called Barclays US EM Index, and history is available back to 1993.

Bloomberg Barclays High Yield Bond Index is an unmanaged index of corporate bonds rated below investment grade by Moody's, S&P or Fitch Investor Service. The index also includes bonds not rated by the ratings agencies.

Bloomberg Barclays U.S. Aggregate Bond Index is comprised of the Barclays Government/Corporate Bond Index, Mortgage-Backed Securities Index, and Asset-Backed Securities Index, including securities that are of investment grade quality or better, have at least one year to maturity, and have an outstanding par value of at least \$100 million.

The Bloomberg Barclays U.S. Corporate High-Yield Index measures the market of USD-denominated, noninvestment-grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging markets debt.

The Bloomberg Barclays U.S. High Yield Municipal Bond Index is an unmanaged index made up of bonds that are noninvestment grade, unrated, or rated below Ba1 by Moody's Investors Service with a remaining maturity of at least one year.

The Bloomberg Barclays U.S. Municipal Index covers the USD-denominated, long-term, tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds.

The Bloomberg Barclays U.S. Treasury Index is an unmanaged index of public debt obligations of the U.S. Treasury with a remaining maturity of one year or more. The index does not include T-bills (due to the maturity constraint), zero coupon bonds (Strips), or Treasury Inflation-Protected Securities (TIPS).

The BofA Merrill Lynch Preferred Stock Hybrid Securities Index is an unmanaged index consisting of a set of investment-grade, exchange-traded preferred stocks with outstanding market values of at least \$50 million that are covered by Merrill Lynch Fixed Income Research.

Citigroup 3-Month T-Bill Index represents monthly return equivalents of yield averages of the last 3-month Treasury bill issues.

The JPMorgan Emerging Markets Bond Index Global ("EMBI Global") tracks total returns for traded external debt instruments in the emerging markets, and is an expanded version of the JPMorgan EMBI+. As with the EMBI+, the EMBI Global includes U.S. dollar-denominated Brady bonds, loans, and Eurobonds with an outstanding face value of at least \$500 million. It covers more of the eligible instruments than the EMBI+ by relaxing somewhat the strict EMBI+ limits on secondary market trading liquidity.

The Russell 3000 Index measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The S&P/LSTA U.S. Leveraged Loan 100 Index is designed to reflect the largest facilities in the leveraged loan market. It mirrors the market-weighted performance of the largest institutional leveraged loans based upon market weightings, spreads, and interest payments. The index consists of 100 loan facilities drawn from a larger benchmark, the S&P/LSTA (Loan Syndications and Trading Association), Leveraged Loan Index (LLI).

## INVESTMENT OBJECTIVES

Aggressive Growth will essentially be fully invested in equity assets at all times (with the exception of a 5% cash position). Investors in this portfolio should have a long time horizon of 10 years or more, an understanding of the volatile history of equity investments, and a propensity to add money to the account on a systematic basis. This portfolio is very aggressive by nature and should not be considered by anyone unwilling to take on significant risk.

Growth will be targeted to an allocation of 80% in equity assets and 20% in fixed income assets (including a 5% cash position). Investors in this portfolio should have a long time horizon, an understanding of the volatile history of equity investments, and a propensity to add money to the account on a systematic basis. This portfolio is aggressive by nature and should not be considered by anyone unwilling to take on significant risk.

Growth with Income Investors in this portfolio should have a long time horizon, and an understanding of the volatile history of equity investments. The primary investment objective of this portfolio is growth of principal. Fixed income assets are included to generate income and reduce overall volatility.

Income with Moderate Growth will be targeted to a normal allocation of 40% in equity assets and 60% in fixed income assets (including a 7% cash position). Investors in this portfolio should have a time horizon of more than five years, and be comfortable with the volatile history of equity investments. The primary investment objective of this portfolio is income, with growth of principal an important consideration. Fixed income assets form the core of the portfolio, generating income and lowering the portfolio's overall volatility. Equity assets provide the opportunity for long-term growth of principal.

Income with Capital Preservation will be targeted to a normal allocation of 21% in equity assets and 79% in fixed income assets (including a 10% cash position). Investors in this portfolio should have a time horizon of more than five years, and be comfortable with the volatility that will occur within the modest equity portion of their investment portfolio. The primary investment objective of this portfolio is income, with growth of principal as a secondary concern. Fixed income assets form the core of the portfolio, generating a steady income stream. A small investment in equity assets provides the opportunity for modest long-term growth of principal.

This research material has been prepared by LPL Financial LLC.

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