LPL RESEARCH'S STEP-BY-STEP GUIDE TO

MIDYEAR OUTLOOK 2015

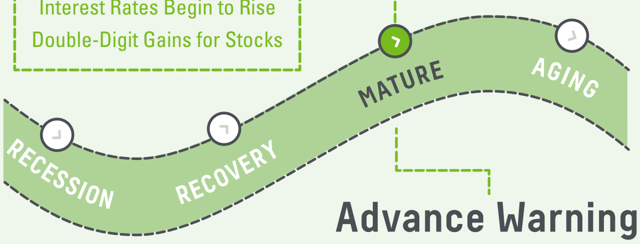
1 > 2 > 3 > 4 > 5

Below is a step-by-step overview of the investment insights to guide you through the rest of 2015. For a more detailed instruction manual, please see our *LPL Research Midyear Outlook 2015: Some Assembly Required* publication.

STEP 1 Assessing Where We Are in the Economic Cycle

Moderate GDP Growth
Heightened Volatility
Slow Return of Inflation
Interest Rates Begin to Rise
Double-Digit Gains for Stocks

3%+ Growth



Advance Warning Five Forecasters

The five data series below have a significant historical record of signaling a transition into the late stage of the economic cycle and the rise of recessionary pressures. The Five Forecasters are suggesting a low probability of a near-term recession, despite the aging economic cycle.

FORECASTER	LATE-CYCLE WARNING? NO	ON WATCH	YES
Treasury Yield Curve	X		
Leading Economic Indicators	X		
Market Breadth	X		
Purchasing Managers' Sentiment		X	
Market Valuation		X	

We continue to expect the U.S. economy to expand at a rate of 3% or higher, following recovery from early 2015 detractors. This matches the average growth rate of the past 50 years, and is based on contributions from consumer spending, business capital spending, and housing, which are poised to advance at historically average, or better, growth rates in 2015. Net exports and the government sector should trail behind.

Overseas, we expect monetary policies to be the big potential drivers of global growth. While the U.S. is close to tightening monetary policy following recovery from the Great Recession, the majority of global central banks are not.

Economic forecasts set forth may not develop as predicted, and there can be no guarantee that strategies promoted will be successful.

STEP 2 Hitting Our Target 5–9% Return for Stocks

5–9% Returns

Our forecast is in-line with the long-term average range of a 7–9% annual gain for stocks, based on the S&P 500 Index, since WWII. It is based on expected mid-single-digit earnings per share growth for S&P 500 companies, which includes several steps:

a. Improve economic growth.
b. Stabilize (or increase) oil prices.
c. Pause the U.S. dollar rally.
d. Maintain or expand profit margins.
e. Continue heavy share buyback activity.

Indexes are unmanaged and cannot be invested into directly.

STEP 3 Finding the Right Fit for Bonds

Flat Returns

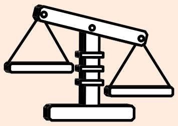
Battling the dual threats of the Federal Reserve's impending rise in rates and expanding economic growth, bonds offer very limited return potential in 2015. We believe a combination of higher-yielding bonds along with intermediate-term high-quality bonds is potentially the right pairing for the job.

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

The Standard & Poor's 500 Index is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

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. To determine which investments may be appropriate for you, consult your financial advisor prior to investing. All performance referenced is historical and is no guarantee of future results.

STEP
4 Choosing the Right Parts



Stocks Over Bonds

Selection of the right tools will remain a key determinant of success when assembling a strategy for the remainder of the year. Overall we recommend:

U.S. Domestic
- Cyclical growth sectors
- Large cap over small cap

Int'l International
- Developed international
- Emerging markets

Bonds Fixed Income
- Intermediate-term high-quality bonds
- Credit and high-yield bonds
- Munis

Alts Alternative Strategies
- Global macro
- Managed futures
- Master limited partnerships

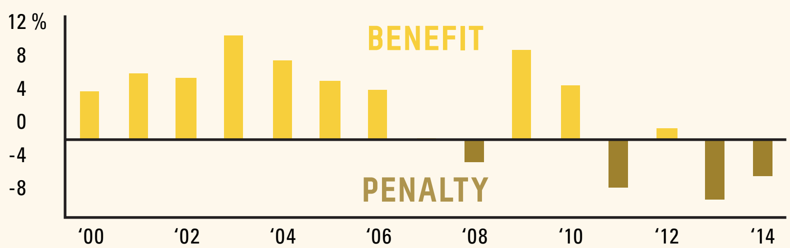
The prices of **small cap stocks** are generally more volatile than those of **large cap stocks**. **International and emerging markets** investing involves special risks, such as currency fluctuation and political instability, and may not be suitable for all investors. Among **intermediate-term high-quality bonds**, the risks associated with investment-grade corporate bonds are considered significantly higher than those associated with first-class government bonds. **High-yield/junk bonds** are not investment-grade securities, involve substantial risks, and generally should be part of the diversified portfolio of sophisticated investors. **Municipal bonds** are subject to availability, price, and to market and interest rate risk if sold prior to maturity. **Alternative strategies**, including **global macro**, **managed futures**, and **master limited partnerships** may not be suitable for all investors and should be considered as an investment for the risk capital portion of the investor's portfolio. The strategies employed in the management of alternative investments may accelerate the velocity of potential losses.

STEP
5 Putting It All Together: Don't Forget to Diversify

The assembly of disparate investment ideas to a well-constructed portfolio is what separates mere investing from portfolio management, and the glue that binds investment ideas into a portfolio context is diversification.

The potential benefits of diversification are often cyclical, just like the nature of investments. During the past 15 years, diversification has been a benefit more often than it has been a penalty; but since 2013, there has been a diversification penalty. Over time, we expect this condition to reverse, just as it has historically, and diversification may benefit investors once again.

Diversification Benefit/Penalty



Source: LPL Research, Standard & Poor's, MSCI, FTSE, Russell 05/29/15

The benefit vs. penalty shows the hypothetical behavior of a diversified portfolio consisting of 30% large cap stocks, 20% mid cap, 20% small cap, 10% developed foreign, 10% emerging markets, and 10% real estate.

Looking ahead, we believe portfolios will contain a much broader set of investment choices:

Alternative Strategies

- Managed Futures
- Global Macro
- MLPs

Thematic Investing

- U.S. Energy Renaissance
- Rise of the Millennials
- Scarcity & Sustainability

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

Assembly is hard. It can be eased considerably with the help of a great partner—your financial advisor—who serves as another set of hands to help hold, tighten, and align along the way. And we trust our *Midyear Outlook 2015: Some Assembly Required* is the investment instruction manual to help guide you through the many steps.

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