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Your Guide to Life Planning

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In This Issue

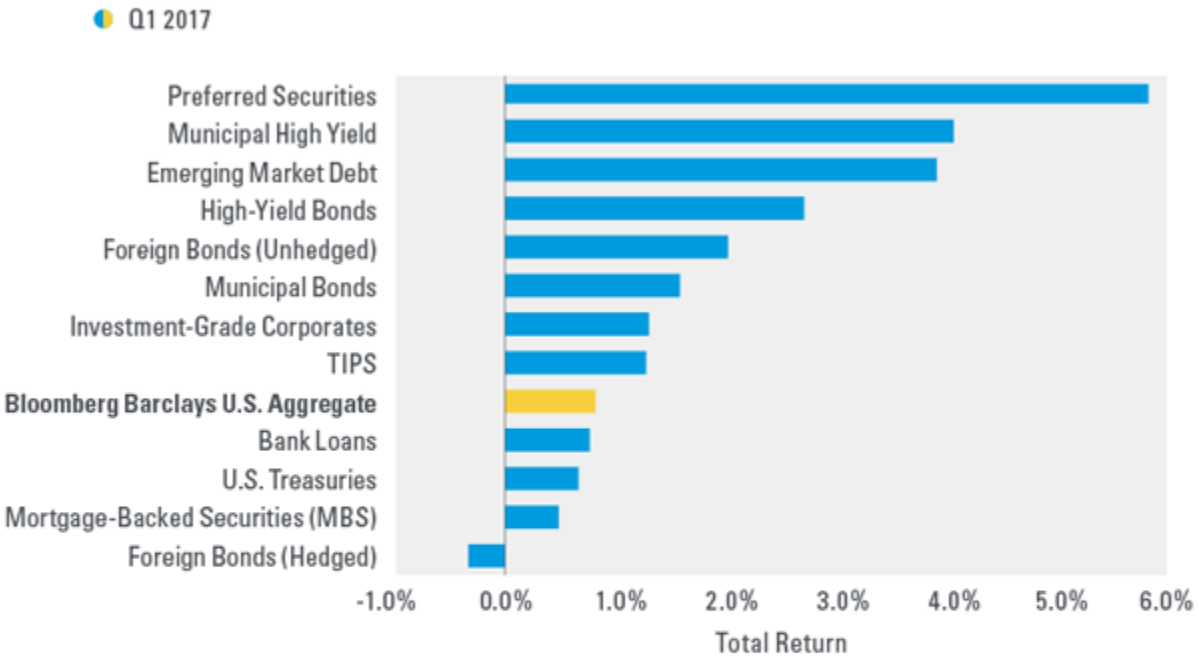
Highlights

- Almost all fixed income sectors posted positive returns in the first quarter of 2017--a strong start to the year.
- A flattening yield curve was a tailwind for longer-maturity fixed income, as a Fed rate hike pressured shorter-term yields higher.
- Economically sensitive, lower-quality fixed income had another strong quarter, but may have set an unsustainable pace for the year.

Q1 Recap: Strong Start

Fixed income is off to a good start in 2017, with almost all sectors in positive territory for the year at the end of the first quarter. It was in many ways a reversal of the fourth quarter of 2016, with some election-driven trades unwinding, as longer-duration fixed income benefitted from markets that may have overshot their landing in the fourth quarter of 2016 [Figure 1].

1 LOWER-QUALITY AND LONGER-DURATION FIXED INCOME FARED BEST IN THE FIRST QUARTER



Source: LPL Research, FactSet 03/31/17

Indexes referenced are: BofA Merrill Lynch Hybrid Preferred Securities Index, Bloomberg Barclays High Yield Municipal Bond Index, JPMorgan EMBI Global Index, Bloomberg Barclays US High Yield Index, Citigroup World Government Bond Index Unhedged, Bloomberg Barclays Municipal Bond Index, Bloomberg Barclays US Aggregate Credit Index, Bloomberg Barclays US Treasury Inflation Protected Notes Index, Bloomberg Barclays US Aggregate Bond Index, S&P/LSTA Leveraged Loan Index, Bloomberg Barclays US Aggregate Government Treasury Index, Bloomberg Barclays US Aggregate Securitized MBS, Citigroup World Government Bond Index Hedged.

All indices are an unmanaged index and cannot be invested into directly. Past performance is no guarantee of future results.

THE UNDERDOG WINS AGAIN: LONGER DURATION

Talk of rising rates has understandably led investors to remain underweight interest rate sensitivity (duration) relative to the Bloomberg Barclays Aggregate Bond Index, a broad fixed income benchmark, a prudent strategy given the improving economic backdrop and upward trending inflation. Despite that, longer-duration fixed income was actually a relative winner in the first quarter. For example, the Bloomberg Barclays U.S. Treasury Index (duration of 6.1 years) returned 0.7% during the quarter, while the Bloomberg Barclays U.S. Long Treasury Index (duration of 17.2 years) returned 1.4% during the same period.

Longer-term interest rates were slightly lower during the quarter, despite the Federal Reserve (Fed) rate hike on March 15, 2017, which was mainly expressed via higher short-term interest rates. This led to a modest flattening of the Treasury yield curve over the quarter [Figure 2].

Click here for Figure 2: Fed Rate Hike and Moderating Growth Expectations Led to a Flatter Yield Curve

While longer duration benefitted fixed income investors in the first quarter of 2017, we maintain that moving far out in the yield curve is generally not worth the interest rate risk that investors must assume. In our March 14, 2017 *Bond Market Perspectives*, "Finally, Higher Yields in Shorter Maturities," we discussed the potential for investors to stay in the intermediate section of the yield curve without sacrificing much yield relative to longer maturities and without taking on substantially more interest rate risk in the process.

TRUMP TRADES RECOVER

It is no coincidence that two of the hardest hit fixed income sectors post-election, preferreds and municipal high yield, were the two best performing sectors in the first quarter of 2017. Preferred shares were hurt late last year as longer-term rates skyrocketed post-election, leading to a continuation of downward pressure on preferreds that had begun in mid-2016. In the first quarter of 2017, preferreds benefitted from stabilization in longer-term interest rates and from a positive outlook on the financial sector due to anticipated deregulatory policies from the Trump administration. Despite financials' underperformance relative to the broad equity market post-Fed rate hike (March 15-March 31, 2017), preferreds continued their recovery and are currently trading approximately where they peaked in mid-2016.

MUNICIPAL MOMENTUM

With a return of 4.1% over the first quarter, high-yield municipals have recovered partially from their election-driven sell-off in the fourth quarter of 2016 (-5.8%), benefiting from a compelling yield of 6.25% (a 10.34% taxable-equivalent yield assuming a 35% tax rate). Much of the yield advantage is derived from a longer duration profile, which worked well during the first quarter due to flattening of the yield curve. In addition to compelling yields, default risk, a key variable in determining price volatility, remains subdued and appears unlikely to pose a notable risk in 2017. A well-diversified portfolio with exposure to shorter-term high yield may help manage volatility risk moving forward. Outside of high yield, reduced supply and compelling taxable-equivalent yields drove high-quality municipal outperformance relative to Treasuries during the quarter.

FOREIGN BONDS: A DOLLAR AND DIFFERENTIAL STORY

Foreign yields pressed higher during the first quarter of 2017, leading to a -0.4% return for currency-hedged foreign bonds. Unhedged foreign bonds, however, benefitted from the dollar's 1.8% decline during the quarter and returned 2.0%. The yield differential between the 10-year U.S. Treasury and the 10-Year German bund hit its all-time high of 2.36% on December 27, 2016. That elevated differential could only stand for so long as investors migrated out of foreign bonds and into Treasuries to capitalize on the higher domestic yields. That differential fell to end the first quarter at 2.06% [Figure 3].

Click here for Figure 3: Treasuries' Yield Advantage to Bunds Fell During Q1 After Hitting All-Time High

LOWER-QUALITY FIXED INCOME CONTINUES TO CLIMB

Gradually higher-trending equity markets in the first quarter continued to be a tailwind for lower-quality, more economically sensitive segments of fixed income. High yield and emerging markets debt (EMD) benefitted from ongoing spread tightening throughout the quarter. Equity market hesitation in the first two weeks of March 2017 proved to be a greater headwind for high yield than EMD. High yield valuations hit their richest level since mid-2014 in early March, falling to a spread of 3.4%, before widening out above 4%, then moderating to end the

quarter at 3.8%. Based on the low default forecasts for this year, we still believe high yield investors could potentially enjoy a mid-single-digit return for the year, but valuations remain elevated and the price of oil and equity market volatility remain important drivers of the asset class.*

Bank loans underperformed high yield during the quarter, with the Bloomberg Barclays High Yield Loan Index returning 0.8%, in line with the Bloomberg Barclays Aggregate. It should be noted that there are differences within bank loans indexes, and the Credit Suisse Leveraged Loan Total Return Index returned 1.2%, outperforming the Aggregate on the quarter. Libor (the London Interbank Offered Rate) continued to grind higher throughout the quarter, benefitting bank loans whose floating rates are tied to the global reference rate. The par nature of the market, where loans can be called at par at any time, created a headwind for the sector as continued demand caused a fair amount of repricing during the quarter.

CONCLUSION

Fixed income has started off 2017 on solid footing, with almost every sector of the market posting a positive total return during the first quarter. A flattening yield curve led to longer duration outperforming short. Lower-quality, economically sensitive segments of the market posted another strong quarter of returns. These are not necessarily the trends that we think will continue through the remainder of the year, however. With long-term rates near the bottom of their respective ranges, long-duration fixed income could come under pressure throughout the year as growth and inflation build. We expect economically sensitive fixed income like high yield to remain stable as the economic expansion continues, but believe they will be hard pressed to continue the spread tightening that has powered returns since February 2016, as valuations are already on the expensive side of fair value.

**As noted in our Outlook 2017: Gauging Market Milestones, we believe interest payments will drive the majority of high-yield's return, similar to high-quality fixed income. Given that, we anticipate mid-single-digit returns driven by interest income for high-yield bonds.*

IMPORTANT DISCLOSURES

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. All performance reference is historical and is no guarantee of future results. All indexes are unmanaged and cannot be invested into directly.

The economic forecasts set forth in the presentation may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

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.

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 fund shares is not guaranteed and will fluctuate.

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

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 rates rise. Interest income may be subject to the alternative minimum tax. Federally tax free but other state and local taxes may apply.

International 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. These risks are often heightened for investments in emerging markets.

Bank loans are loans issued by below-investment-grade companies for short-term funding purposes, with higher yield than short-term debt, and involve risk. These Lower-quality debt securities involve greater risk of default or price changes due to potential changes in the credit quality of the issuer.

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

INDEX DESCRIPTIONS

The Barclays High Yield Bond Index covers the universe of publicly issued debt obligations rated below investment grade. Bonds must be rated below investment grade or high yield (Ba1/BB+ or lower), by at least two of the following ratings agencies: Moody's, S&P, and Fitch. Bonds must also have at least one year to maturity, have at least $150 million in par value outstanding, and must be U.S. dollar denominated and nonconvertible. Bonds issued by countries designated as emerging markets are excluded.

The Barclays U.S. High Yield Loan Index tracks the market for dollar-denominated floating-rate leveraged loans. Instead of individual securities, the U.S. High-Yield Loan Index is composed of loan tranches that may contain multiple contracts at the borrower level.

The Barclays U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS, and CMBS (agency and non-agency).

The Barclays U.S. Corporate Index is a broad-based benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate, taxable corporate bond market.

The 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 Barclays U.S. Mortgage Backed Securities (MBS) Index tracks agency mortgage backed pass-through securities (both fixed rate and hybrid ARM) guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

The Barclays U.S. Treasury TIPS Index is a rules-based, market value-weighted index that tracks inflation-protected securities issued by the U.S. Treasury.

The JP Morgan Emerging Markets Bond Index is a benchmark index for measuring the total return performance of international government bonds issued by emerging markets countries that are considered sovereign (issued in something other than local currency) and that meet specific liquidity and structural requirements.

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.

The Bloomberg Barclays Municipal Bond Index is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market.

The Bloomberg Barclays High Yield Municipal Bond Index measures the performance of the high yield municipal bond market. To be included in the index, bonds must be rated non-investment-grade (Ba1/BB- or lower) by at least two of the following ratings agencies: Moody's, S&P, Fitch. If only two of the three agencies rate the security, the lower rating is used to determine index eligibility. If only one of the three agencies rates a security, the rating must be non-investment-grade. They must have an outstanding par value of at least $7 million and be issued as part of a transaction of at least $75 million. The bonds must be fixed rate, have a dated-date after December 31, 1990, and must be at least one year from their maturity date. Remarketed issues, taxable municipal bonds, bonds with floating rates, and derivatives, are excluded from the benchmark. On August 24, 2016, Bloomberg acquired the Barclays fixed income benchmark indices from Barclays. Barclays and Bloomberg have agreed to co-brand the indices as the Bloomberg Barclays Indices for an initial term of five years.

The Credit Suisse Leveraged Loan index tracks the investable market of the U.S. dollar denominated leveraged loan market. It consists of issues rated "5B" or lower, meaning that the highest rated issues included in this index are Moody's/S&P ratings of Baa1/BB+ or Ba1/BBB+. All loans are funded term loans with a tenor of at least one year and are made by issuers domiciled in developed countries.

The World Government Bond Index (WGBI) measures the performance of fixed-rate, local currency, investment grade sovereign bonds. The WGBI is a widely used benchmark that currently comprises sovereign debt from over 20 countries, denominated in a variety of currencies, and has more than 25 years of history available. The WGBI provides a broad benchmark for the global sovereign fixed income market. Sub-indices are available in any combination of currency, maturity, or rating.

RES 5835 0417 | Tracking #1-596627 (Exp. 04/18)

Estate Planning and Retirement Assets: What You Need to Know

Whether you're wealthy or earn a modest income, there is one estate planning concern that is shared by people from all walks of life -- the decision of who gets what when you're gone. While some individuals may logically assume that a last will and testament is the one official forum to express such decisions, that's not always the case. Often, an equally important issue is whom to name as beneficiary on life insurance policies, pension plan accounts and IRAs, since these assets are passed on independent of what may be spelled out in a will.

Life Insurance

No matter who is designated, the beneficiaries will generally receive the death benefit proceeds income tax free. Unlike property disposed of in a will, if the beneficiary designation form is properly completed, insurance proceeds typically do not go through probate.

For many married individuals, a spouse will be the most logical beneficiary. A trust may be a better beneficiary choice, however, if a surviving spouse would not have the knowledge, time or comfort level to manage the insurance proceeds. A properly designed and executed life insurance trust can provide considerable advantages to you, your loved ones and your estate. But trusts can be complex instruments, so be sure to consult with an estate planning professional with experience in setting up life insurance trusts to help ensure your peace of mind.

Also, remember to name contingent or secondary beneficiaries. This means that if the primary beneficiary has died, the insurance proceeds will go to the individual or trust named as secondary beneficiary. If there are no surviving beneficiaries, then the beneficiary is generally the insured's estate, which means the death benefits will be probated and ultimately distributed according to the instructions of the decedent's last will and testament. If an individual dies without a valid will (intestate), then the order of legal beneficiaries to whom assets are distributed is specified by that state's intestacy laws.

Pension Plans and Individual Retirement Accounts (IRAs)

Generally, the law requires that the spouse be the primary beneficiary of a 401(k) or a profit-sharing account unless he/she waives that right in writing. A waiver may make sense in a second marriage -- if a new spouse is already financially secure or if children from a first marriage are more likely to need the money.

Single people can name whomever they choose. And nonspouse designated beneficiaries of qualified retirement plans may be eligible for a "trustee-to-trustee" transfer to an inherited IRA, thus preserving the ability to stretch distributions over their life expectancies.
Consult your tax advisor on how these rule changes may affect your situation.

Naming Children May Not Be Best

Naming children as beneficiaries may cause unforeseen problems. For example, insurance companies, pension plans and retirement accounts may not pay death benefits to minors. The benefits would likely be held until they could be made to a court-approved guardian and/or trustee of a children's trust. A guardian, trust or trustee should be named beneficiary to ensure competent management of the proceeds for the children.

IRS rules provide that plans may allow nonspousal beneficiaries to stretch retirement plan distributions over the life of the beneficiary. Check with your employer to find out if this is an option under your plan prior to naming a child as a beneficiary. A competent financial professional and/or tax advisor can also offer guidance as to whether this action may be appropriate for you.

Keep Your Plan Up to Date

As you formalize or update your estate plan and will, it is important to review all beneficiary designations so that your plan accurately reflects your current intentions. Remember that beneficiary designations could misdirect the intended flow of an estate unless they are kept up to date.

As is always the case with estate planning, consult with qualified professionals concerning your particular situation in order to ensure that your beneficiary designations are in tune with your goals.

Tracking # 1-594662

Weekly Market Commentary | Week of April 3, 2017

HIGHLIGHTS

- This week we check in on some so-called Trump trades, including small caps, financials, and industrials.
- Recent underperformance of these areas likely reflects some loss of confidence in the Trump agenda.
- Small caps and financials may have enough going for them that recent weakness may be an opportunity, even with a scaled-back policy path.
- Industrials may need more help from the macroeconomic environment should policy disappoint.

CHECKING IN ON SOME TRUMP TRADES

Checking in on some "Trump trades." The election outcome and resulting expectations for fiscal policy have caused several shifts in market leadership toward areas most sensitive to these policies. Policy is not the only factor to consider when evaluating these investments, but it is a very important one. Here we discuss some of these so-called "Trump trades," including small cap stocks and the financials and industrials sectors.

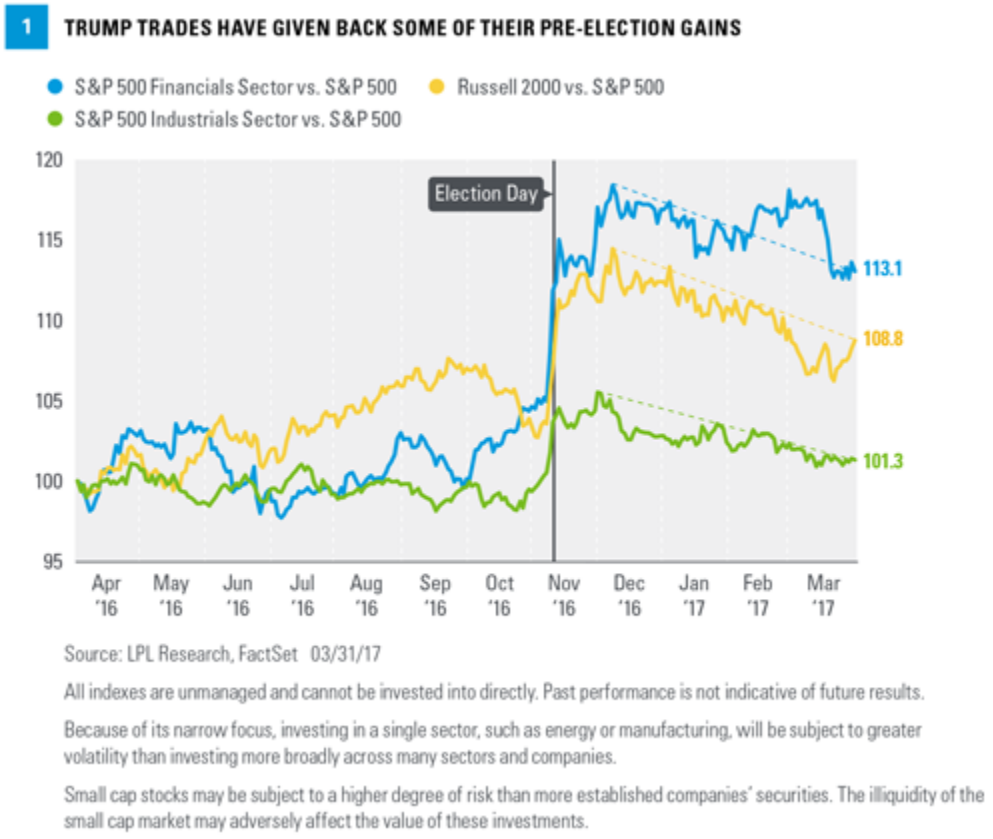
SMALL CAPS

Small cap stocks may be the most sensitive to the Trump policy agenda. Smaller companies would generally benefit more from a lower corporate tax rate than their larger cap counterparts because of their greater proportion of domestic revenue and resulting higher tax rates (global multinationals earn more profits overseas in low tax countries). The median corporate tax rate for the companies in the small cap Russell 2000 is 4-5% higher than that of the large cap S&P 500.

Small caps' more domestic focus means they are not as impacted by potential protectionist trade policies. Many smaller, U.S.-focused companies stand to benefit from the Trump administration's efforts to bring overseas production back to the U.S. Small caps are also more credit sensitive than their larger counterparts, relying more on bank loans than larger companies that tend to have stronger balance sheets, and therefore generally benefit more from financial deregulation.

One Trump policy that is likely to benefit larger cap companies more is repatriation. Should companies be allowed to repatriate overseas cash at a low tax rate, larger multi-nationals with huge cash hoards overseas will benefit the most. However, some of that extra cash may be used for acquisitions, potentially benefiting smaller cap companies.

Small caps have underperformed in recent months [Figure 1], begging the question of whether the relative weakness reflects dampened enthusiasm for the Trump agenda (our sense is it does), and whether the weakness presents a buying opportunity. We continue to believe corporate tax reform will pass, though it will likely be scaled down from earlier proposals from Trump and congressional Republicans and it may not get done until early 2018. Still, that potential boost along with the improving underlying health of the economy and credit markets are enough for us to suggest this latest dip in small caps relative to large is more likely to present a potential opportunity than the start of a period of prolonged weakness.



FINANCIALS

The financials sector has fallen into the Trump trade category for two reasons. First, the Trump agenda has been viewed as likely to put upward pressure on interest rates and steepen the yield curve. The yield curve--the difference between short-term and longer-term interest rates--is a key determinant of bank profitability. In addition, higher interest rates lift returns on assets on bank and brokerage company balance sheets (the same way they help savers).

Second, Trump is a big proponent of financial deregulation and has already taken steps to ease the regulatory burden on financial institutions through executive orders. Deregulation offers the potential benefit of freeing up more capital for financial institutions to lend, supporting loan growth, and can also reduce legal and compliance costs. Deregulation may also provide additional revenue opportunities that may not have been available under an Obama or Clinton administration. For example, the Volcker rule, which prohibits banks from engaging in proprietary trading and restricts hedge fund and private equity investments, may be only loosely enforced or watered down to allow banks to do more with their capital.

Like small caps, financials have more going for them than just a potential policy boost. The sector, one of the more domestically focused, is benefiting from underlying recent improvement in the U.S. economy. Inflation has picked up and is starting to--intermittently--put some upward pressure on interest rates. The Federal Reserve (Fed) raised its target interest rate (the federal funds rate) twice in the past four months with little consideration for prospective pro-growth policies (although the strong stock market may be playing a role in Fed psychology). Healthy credit markets reflect oil's rebound, while financials enjoyed a very strong fourth quarter earnings season with little help from Washington, D.C.

Even if only a scaled-down version of the Trump agenda is implemented, we believe the underlying improvement in the U.S. economy and potential for higher interest rates are enough for at least a moderately positive view of financials. Add to that the potential upside of corporate tax reform (the sector's domestic focus may result in an above-average benefit from a reduced corporate tax rate), deregulation, and still reasonable valuations, and we would view financials' recent underperformance, also shown in **Figure 1**, as a potential opportunity.

INDUSTRIALS

Trump's plans to increase spending on infrastructure and defense have made the industrials sector a popular Trump trade. Trump has proposed a massive $1 trillion spending plan over 10 years ($100 billion per year) through public-private partnerships; numbers we believe are very unlikely to even be approached. We have expected the deficit hawks in Congress to significantly reduce, or eliminate, the potential for a federally funded infrastructure spending program, while the availability of large and profitable projects the private sector would

take up is limited. On top of that, given the Republicans' inability to get an Affordable Care Act (ACA) replacement to the House floor for a vote on March 24, 2017, getting a significant spending bill through Congress is likely to be very difficult.

Recent headlines have suggested a possible pairing of corporate tax reform and infrastructure spending. Though possible, we view this path as unlikely. Such a deal would likely require adding to the deficit (a problem for the Freedom Caucus in the House) or support from moderate Democrats, which is tough to see even though Democrats are generally pro-infrastructure. In this scenario, corporate tax reform would be particularly difficult to achieve and we see infrastructure getting pushed out to 2018.

Turning to defense, Trump has proposed a $54 billion increase in the defense budget, which would put defense spending at about 10% above fiscal 2015 levels. Although we do not know what budget increase will ultimately be passed (it's probably smaller), it is clear that defense spending is a priority of this administration and is likely to rise. Global defense spending growth may also pick up from its marginal pace of recent years as a result of Trump's call for other nations to shoulder more of the financial load for their own protection and global interests.

Of these three so-called Trump trades, the foundation for this one may be weakest. Although we expect a pickup in capital spending, partly due to expected policy support, it has been lackluster in the U.S. in recent years. The sector's valuations are above average and the risks to the sector from trade protectionism, lower oil prices, and a strong U.S. dollar are concerning.

Industrials' relatively small post-election rally **[Figure 1]** leaves less to give back should investors become more skeptical in the Trump agenda. However, we believe the sector may need help from stronger global growth, the long-awaited pickup in capital spending, and higher oil prices to produce strong performance in 2017. It may come, but several things have to fall into place.

CONCLUSION

Small caps, financials, and industrials are each very sensitive to Washington's policies, so how much the Trump administration can get done will go a long way toward determining if these investments perform well over the balance of the year. Recent underperformance of each of these areas likely reflects some loss of confidence in the Trump agenda, but small caps and financials have enough going for them, in our view, that we see recent weakness as potential opportunities, even with a scaled back policy path. Industrials, on the other hand, may need more help from the macroeconomic environment should the policy path disappoint.

IMPORTANT DISCLOSURES

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The economic forecasts set forth in the presentation may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

Investing in stock includes numerous specific risks including: the fluctuation of dividend, loss of principal, and potential liquidity of the investment in a falling market.

Small cap stocks may be subject to a higher degree of risk than more established companies' securities. The illiquidity of the small cap market may adversely affect the value of these investments.

All investing involves risk including loss of principal.

Because of its narrow focus, investing in a single sector, such as energy or manufacturing, will be subject to greater volatility than investing more broadly across many sectors and companies.

INDEX DEFINITIONS

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 Russell 2000 Index measures the performance of the small cap segment of the U.S. equity universe. The

Russell 2000 Index is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index.

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Tracking #1-596187 (Exp. 04/18)

APRIL PREVIEW

KEY TAKEAWAYS

- April brings several significant events with the potential to move markets.
- Earnings season, the French elections, and the spending bill deadline are some of the key events we'll be watching.
- April is a historically strong month for the S&P 500. In fact, over the past 20 years no month has produced a higher average return.

April 2017 is a busy month, with several potentially market-moving global events to monitor closely. 2017 has seen global equity prices soar to new highs, with the S&P 500 Index up 5.5% in the first quarter, the best performance to start a year since 2013. Additionally, it has been one of the least volatile quarters ever across most asset classes as measured by daily standard deviation of returns; but as we've seen over the past few years, this can change quickly. As we turn the page to April, it is important to stay on top of the significant happenings coming up. To help, we've created this guide to the April 2017 market calendar, providing an overview of key events.

APRIL 10: Earnings Season Begins

First quarter 2017 earnings season begins next week and starts in earnest on Thursday, April 13, with several big banks slated to report. Following a strong showing in the fourth quarter when S&P 500 earnings rose 8% year over year, consensus for first quarter earnings growth is a very solid 10.2%, according to Thomson Reuters data. We would not be surprised to see earnings growth potentially in the 12-14% range when all results are in. This is based on the strength of U.S. and foreign economic data in recent months and the historical pattern that companies tend to beat consensus estimates by around 3% each quarter. Financials, technology, and energy are expected to be the biggest contributors to overall earnings growth. The U.S. dollar, which has weighed on earnings over the last year, should only present a modest headwind.

Market participants will again be focused on Washington, D.C. policy this earnings season. We do not believe current estimates reflect much direct policy impact; therefore, the fact that little progress has been made on corporate tax reform, the healthcare overhaul, infrastructure, or deregulation, may not lead to earnings shortfalls. That being said, it is possible that a challenging path to policy implementation may be more evident in management guidance. Consensus S&P 500 estimates for full-year 2017 are calling for a 10% increase over 2016, a forecast that we believe has some policy optimism built in and may see modest downward revisions in the months ahead. Our 2017 S&P 500 earnings growth forecast remains high-single digits*. Look for our earnings preview in next week's *Weekly Market Commentary*.

**As noted in our Outlook 2017: Gauging Market Milestones, we expect mid-single-digit returns for the S&P 500 in 2017 and the continuation of the nearly eight-year-old bull market, consistent with historical mid-to-late economic cycle performance. We expect S&P 500 gains to be driven by: 1) a pickup in U.S. economic growth partly due to fiscal stimulus; 2) mid- to high-single-digit earnings gains; 3) an expansion in bank lending; and 4) a stable price-to-earnings ratio (PE) of 18 - 19. Gains will likely come with increased volatility as the economic cycle ages.*

APRIL 23: French Elections

The next major global political hurdle is the French elections, where the focus has been on the National Front (FN) Party of Marine Le Pen. The FN will almost certainly be one of the two biggest recipients of votes during the first round of the elections held on April 23. The top two vote getters will move on to a second round of elections on May 7. The FN will likely be excluded from any government coalition by whichever party is the eventual winner in the second round of elections, lacking sufficient allies in other parties.

We think too much of the focus in the French elections has been on the wrong place. The important matter is the relative performance of the more traditional parties, the more moderate En Marche (EN) party of Emmanual Marcon or the more conservative Republican Party of Francois Fillon. Of the two, Fillon has been pulled more to the right by Le Pen, echoing her policies on immigration and border security. However, unlike Le Pen, Fillon continues to support France's membership in the European Union and its adoption of the euro.

Both Fillon and Marcon have a similar ideological bent and would agree on the basics of policy changes, though each leader emphasizes different things. Fillon has focused on cutting state spending and reducing the size of the government. He has also called for much tighter immigration controls and increasing anti-terrorism efforts. Marcon has concentrated his rhetoric on improving France's highly restrictive labor market by abandoning the 35-hour work week and other employment rules.

We believe the populism shown by the FN, and its pull on traditional French political parties and French

voters, may have been a hindrance to the euro and to French stocks. Provided that there is a clear victory for either party, one that minimizes the impact of the FN with respect to the French government and French politics going forward, both the euro and French stocks could potentially rally in the short term. Should the FN poll well enough to force its way into government, or become a more permanent part of the political scene, that would likely spell weakness for the euro.

APRIL 28: Spending Bill Expires

On April 28, the current temporary spending bill to fund the government expires, creating the prospect of a government shutdown. In order to avert a shutdown, Congress will have to pass a new continuing resolution to extend funding. The simplest continuing resolutions extend government funding at current levels, but continuing resolutions can also include modifications or added provisions that can lead to potential conflict.

Government shutdowns aren't uncommon but are usually very brief as partisan brinksmanship quickly yields to a reluctant pragmatism. Odds of a shutdown are low this time around, with Republicans likely to avoid a legislative path that can easily be framed as an inability to govern given their setback in replacing the Affordable Care Act (ACA). Nevertheless, there may be maneuvering in the House as the deadline approaches to create and control spin around such hot-button issues as funding President Trump's border wall, increasing defense spending without an accompanying increase (or even a decrease) in non-defense spending, or an attempt to defund Planned Parenthood. Even with a shutdown unlikely (and probably short lived if it occurs), escalating political theater could rattle markets given the already uncertain policy environment; but without further catalysts, any market retreat is likely to quickly reverse as tensions settle.

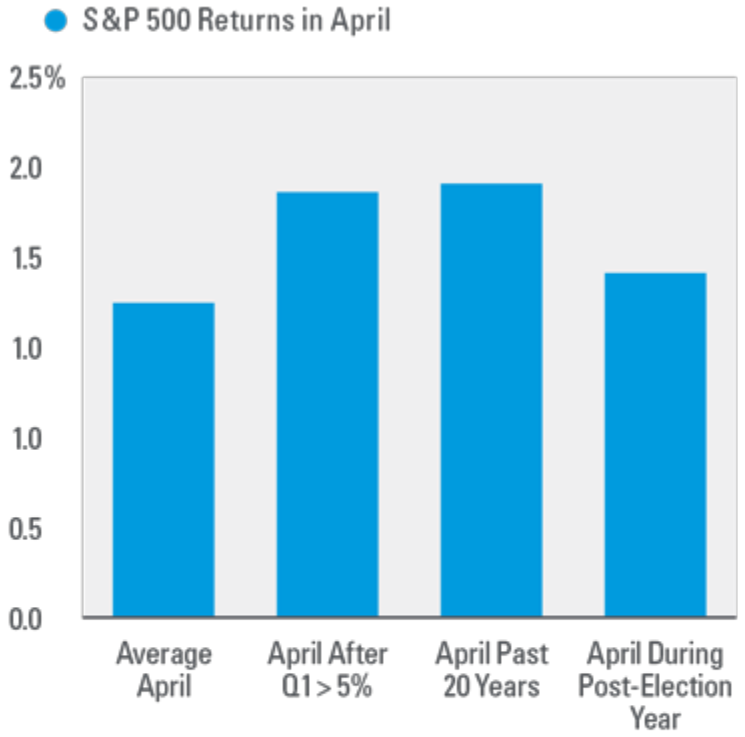
Notably, April 29, will mark the president's 100th day in office, which could add to the drama as all sides try to shape the message around this milestone.

APRIL 30: April Seasonality

The S&P 500 might have fractionally missed a five-month winning streak with a 0.04% loss in March (though adding dividends may push total return on the index into positive), but history tends to side with the stock market bulls during April. In fact, going back 20 years, the S&P 500 has averaged a 2.0% gain during the month, best out of all 12 months. Going back to 1950, the S&P 500 has been up 1.5% on average during April, behind only November and December. Performance during a post-election year has been slightly better than average, up 1.6% on average.

Where things get interesting is after a big first quarter, performance has become even better. In fact, since 1950, the S&P 500 has gained more than 5% in the first quarter 24 previous times (excluding first quarter of 2017), with April higher by an average of 2.0% during those years **[Figure 1]**.

1 APRIL IS HISTORICALLY STRONG FOR EQUITIES



Source: LPL Research, FactSet 04/02/17

Data are from 1950 to 2016.

The S&P 500 is an unmanaged index which cannot be invested into directly. Past performance is no guarantee of future results.

The modern design of the S&P 500 stock index was first launched in 1957. Performance back to 1950 incorporates the performance of predecessor index, the S&P 90.

CONCLUSION

There is a lot going on in April besides the usual beginning of the annual earnings cycle and overall positive seasonality to the month, especially after a strong Q1. Looking at the calendar [see April 2017 Preview], we see more that could support our current positioning and our generally constructive view of the equity markets. We are always mindful of those events which may cause us to modify our market views. However, even potentially destabilizing events, like elections, may support market rallies if the results are market friendly.

IMPORTANT DISCLOSURES

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. All performance reference is historical and is no guarantee of future results. All indexes are unmanaged and cannot be invested into directly.

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

Investing in stock includes numerous specific risks including: the fluctuation of dividend, loss of principal and potential illiquidity of the investment in a falling market.

International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors.

DEFINITIONS

The S&P 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 U.S. Institute for Supply Managers (ISM) manufacturing index is an economic indicator derived from monthly surveys of private sector companies, and is intended to show the economic health of the U.S. manufacturing sector. A PMI of more than 50 indicates expansion in the manufacturing sector, a reading below 50 indicates contraction, and a reading of 50 indicates no change.

The Beige Book is a commonly used name for the Fed report called the Summary of Commentary on Current Economic Conditions by Federal Reserve District. It is published just before the FOMC meeting on interest rates and is used to inform the members on changes in the economy since the last meeting.

The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

Gross Domestic Product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period, though GDP is usually calculated on an annual basis.

The Federal Open Market Committee (FOMC) is the branch of the Federal Reserve Board that determines the direction of monetary policy. The eleven-person FOMC is composed of the seven-member board of governors, and the five Federal Reserve Bank presidents.

Women, Wealth, and Legacy Planning

Active participation in wealth management can strengthen women's commitment to protect and grow their assets with the goal of leaving a legacy for their children, their communities, and beyond.

Women play a central role in establishing and preserving family wealth -- whether nurturing the values of children, fulfilling charitable goals, or making investment decisions that affect the financial security of themselves or their families. Consider these statistics:[1]

- Women now control more than half of personal wealth in the United States.
- In more than 40% of households, women are the primary breadwinners, up four-fold since 1960.
- 52% of management and professional positions are held by women.

These and other trends magnify the need for women to be involved in, informed about, and comfortable with their role as guardians of family wealth. Active participation in wealth management can strengthen women's commitment to protect and grow their assets with the goal of leaving a legacy for their children, their communities, and beyond.

Best Practices in Legacy Planning

The following strategies may help assure the smooth transfer of your measurable wealth -- and your values surrounding wealth -- to the next generation.

Education leads to confidence. Attaining financial security for you and your heirs typically requires you to accept responsibility for the management of significant investment assets. Whether you are single, married, or a surviving widow, it is in your best interest to obtain as much education as possible about wealth planning, investments, and related matters. Even if you are not directly responsible for making important financial decisions, it is vital to have knowledge in these areas in order to communicate effectively with professional advisors charged with these duties.

Professionals offer objective, qualified services. Relying on professional advice as opposed to family and friends is extremely important when making decisions affecting the accumulation, preservation, and distribution of wealth. What should you expect from a qualified professional? A good wealth advisor -- or a team with other professionals, such as attorneys and accountants -- should offer guidance and services in most areas of wealth management, including estate planning, retirement planning, insurance needs assessment, and college planning. On a more personal note, a wealth advisor should work closely with you to:

- Identify areas requiring special assistance, such as creating trusts.
- Minimize taxes and planning costs.
- Develop and implement a personalized wealth management plan.
- Review your plan periodically and suggest changes when needed.

Philanthropy is integral to family legacy planning. Wealth holders have a greater opportunity -- if not responsibility -- to make charitable giving an integral part of the legacy planning process. Families that are charitably inclined may have clear goals in mind, but they may not know where to begin. In order to choose the best strategy, you should work with a trusted advisor to evaluate a number of factors, such as tax management objectives, types of assets to be gifted, and your specific strategic intent. Then choose from among a range of charitable-giving vehicles, such as donor-advised funds, family foundations, gift annuities, and charitable remainder trusts/charitable lead trusts.

Children should learn about the responsibilities of wealth. Wealth is a gift that opens doors of opportunity not only for you but also for your children, their children, and generations to come. Yet wealth can be a weighty responsibility that takes time to manage, maintain, and preserve. If you are a parent, you are no doubt concerned about the effects of wealth on your children's values and how the money lessons you pass on to them will resonate as they mature to adulthood.

Family values should be held in the same high regard as family wealth. Family values -- those traits, beliefs, goals, and morals that are shared by members of a family group -- define a family's character as much as dollar signs measure a family's wealth. By holding shared values in high regard and setting an example of commitment to financial responsibility, philanthropy, and volunteerism for the younger generation, you will enrich your family's legacy for generations to come.

A Woman's Worth

As stewards of the family legacy, women are in a unique and influential position. They are holders of great wealth as well as keepers of the family's moral and philanthropic vision. There are many financial, accounting, legal, and business tools to assist women in implementing a plan of action. Contact a financial advisor for

guidance in mapping out a legacy planning strategy unique to your situation.

This information is not intended as legal or tax advice and should not be treated as such. You should contact your estate planning and/or tax professional to discuss your personal situation.

[1]*BMO Wealth Institute, Financial Concerns of Women, April 2, 2015.*

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