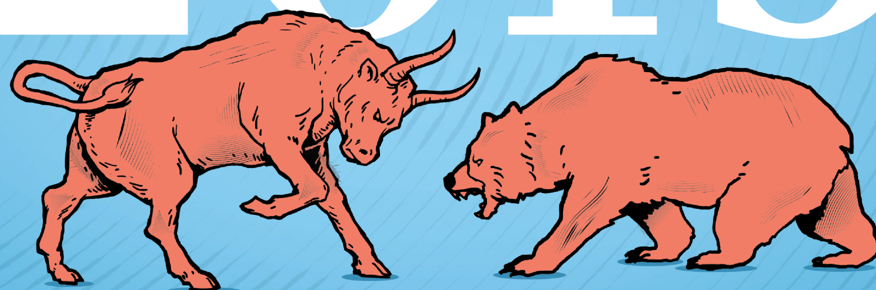
LPL RESEARCH PRESENTS

OUTLOOK 2019



FUNDAMENTAL

HOW TO FOCUS ON WHAT REALLY MATTERS IN THE MARKETS

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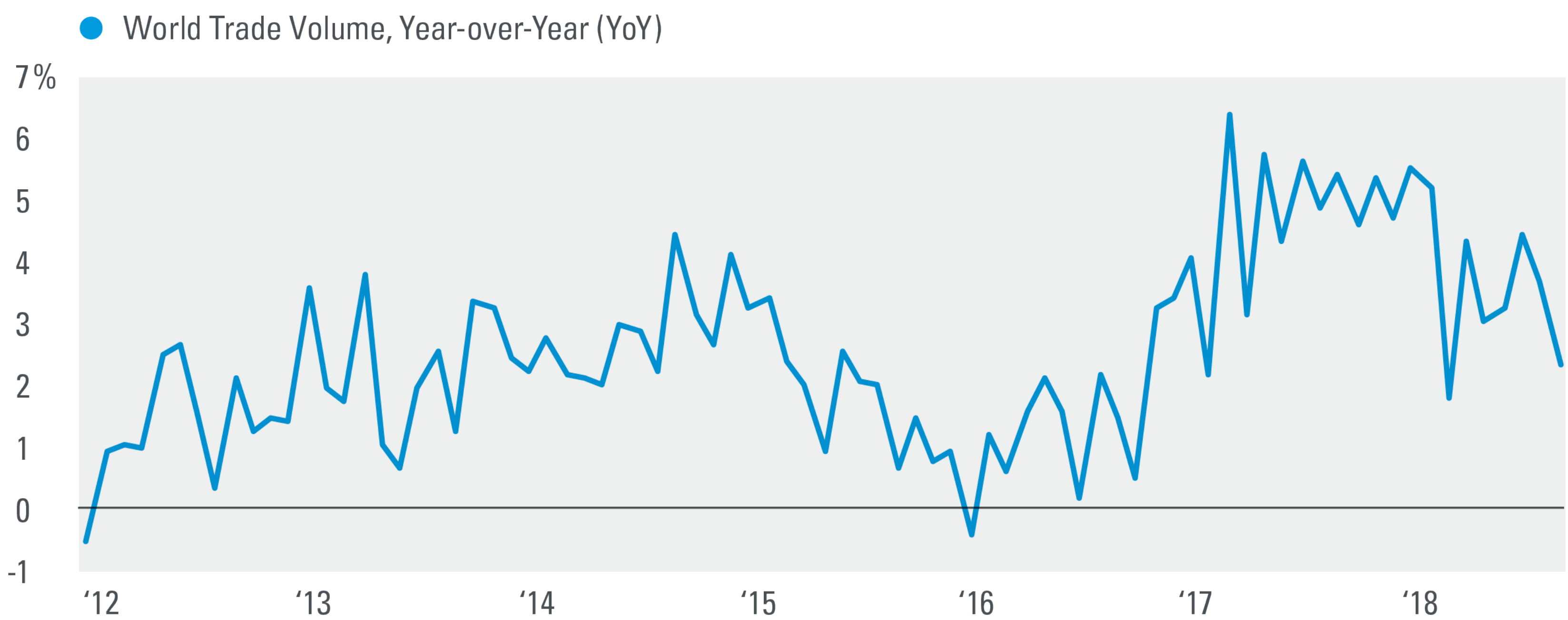
- **U.S. Economy:** U.S. GDP growth of 2.5-2.75%; Global GDP growth of 3.7%.
- **Stocks:** Total return possibility in the range of 8-10% when including dividends, as measured by the S&P 500 Index, driven by potential earnings per share gains in the range of 6-7%.
- **Bonds:** Flat returns.

Additional disclosures and descriptions are provided on slide 13.

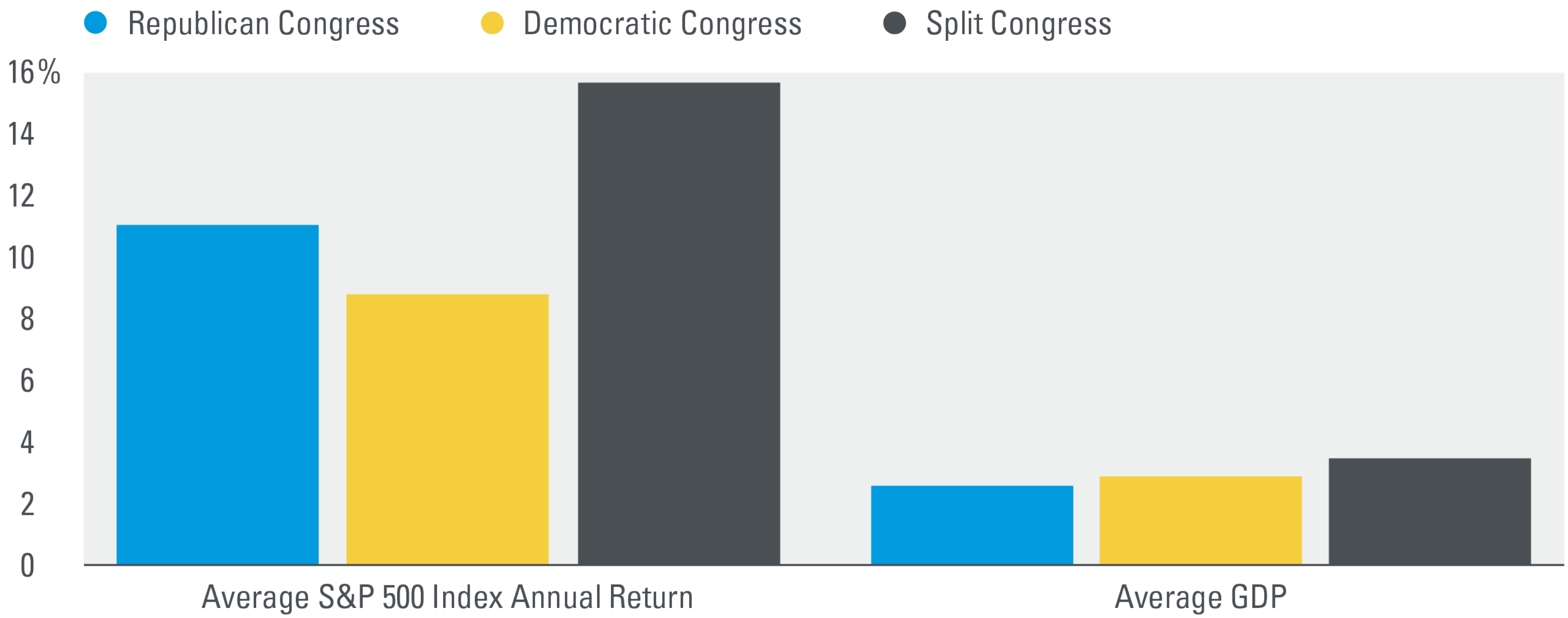
TRADE ACTIVITY HOLDING UP DESPITE TENSIONS



Source: LPL Research, CPB Netherlands Bureau for Economic Policy Analysis 11/30/18

HISTORICALLY, A REPUBLICAN PRESIDENT WITH A SPLIT CONGRESS IS POSITIVE FOR ECONOMY AND STOCKS

Performance Under a Republican President Based on Congress Makeup



Source: LPL Research, Bloomberg 11/30/18

Data are from 1950–2017.

All indexes are unmanaged and 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.

ECONOMIC FORECASTS

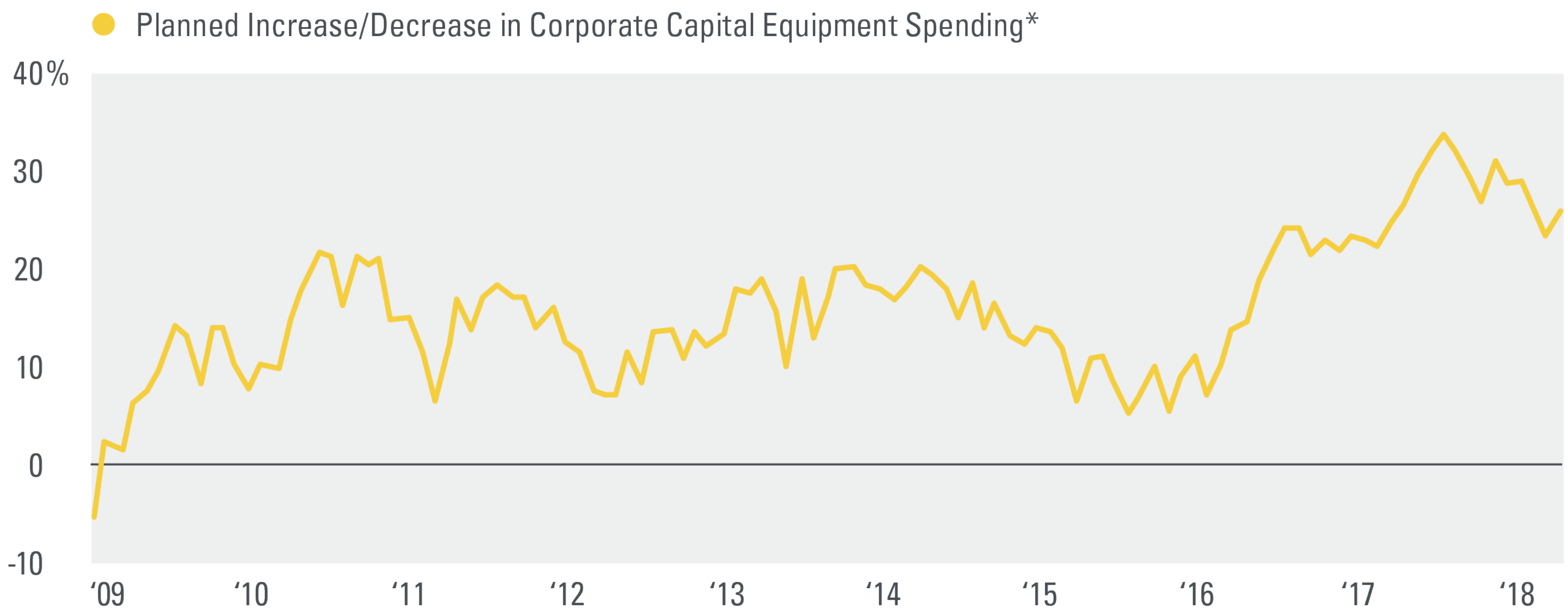
REAL GDP (YoY %)	2017	2018 (EST.)	2019 (LPL EST.)
U.S.	2.2%	2.9%	2.5–2.75%
Developed ex-U.S.	2.4%	2.1%	1.9%
Emerging Markets	4.7%	4.7%	4.7%
Global	3.7%	3.7%	3.7%
U.S. ECONOMIC DATA			
Inflation (YoY%)	2.1%	2.4%	2.25–2.5%
Unemployment	4.4%	3.7%	3.6%

Source: LPL Research, Bloomberg, International Monetary Fund (IMF) 11/30/18

2018 GDP based on IMF estimates; 2018 inflation and unemployment based on Bloomberg-surveyed economist consensus given year-to-date data; 2019 economic data and U.S. and global GDP estimates are LPL Research forecasts. Other GDP estimates are IMF projections. Inflation is measured by the Consumer Price Index.

Estimates may not develop as predicted.

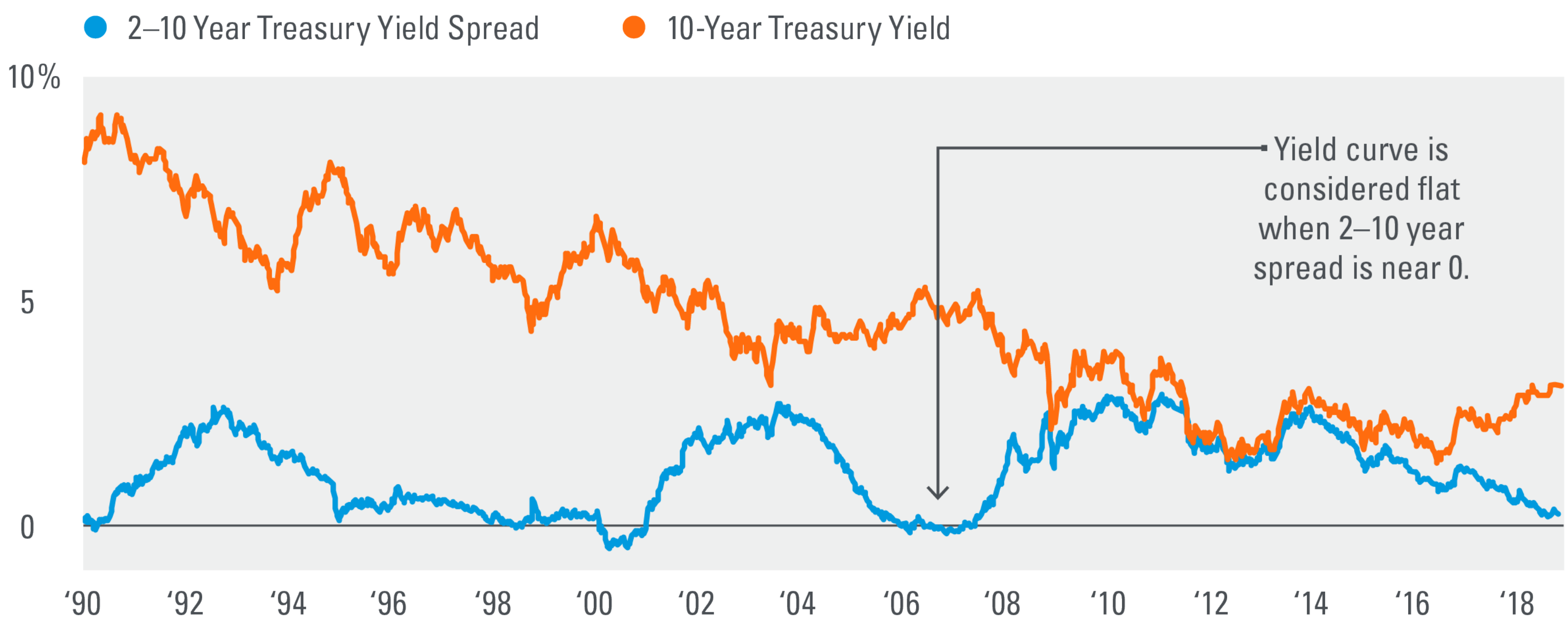
BUSINESSES STILL SHOWING PLANS FOR ROBUST SPENDING



Source: LPL Research, Strategas Research Partners 11/30/18

*Based on regional surveys. Above 0 indicates more respondents are expecting increases than decreases in the next 6–12 months.

YIELD CURVE MAY STAY FLAT DUE TO HIGHER TRENDING RATES

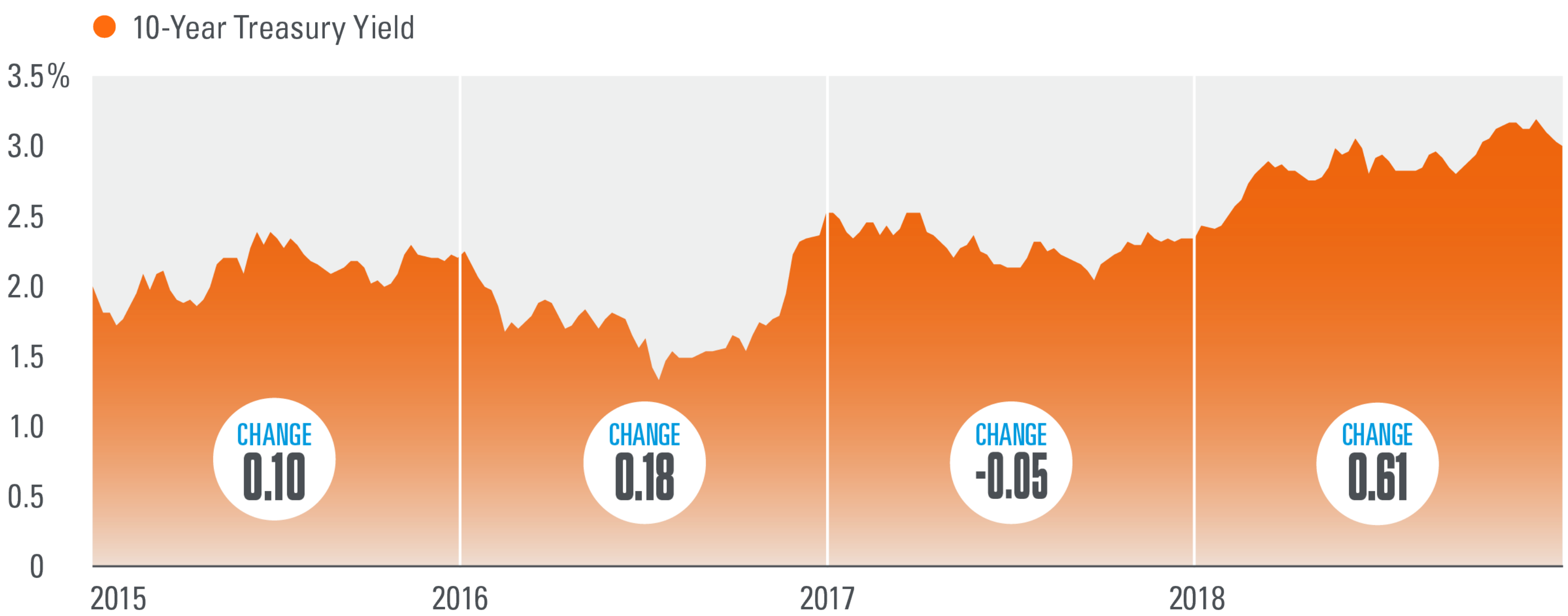


Source: LPL Research, Federal Reserve 11/30/18

The yield curve is a line that plots the interest rates, at a set point in time, of bonds having equal credit quality, but differing maturity dates. The yield spread is the difference between yields on differing debt instruments, calculated by deducting the yield of one instrument from another.

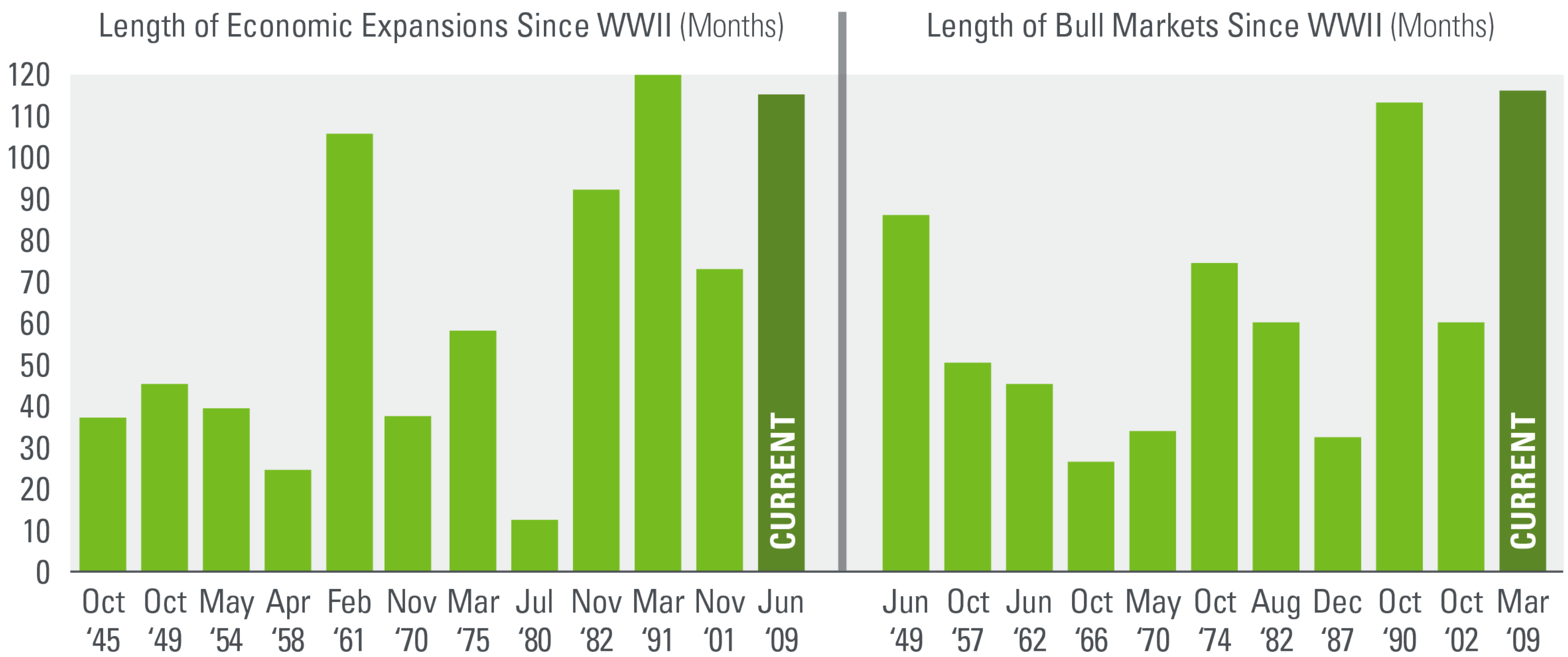
Past performance is no guarantee of future results.

ALTHOUGH RATES ARE CLIMBING, INCREASES HAVE BEEN GRADUAL



Source: LPL Research, Federal Reserve 11/30/18

ECONOMIC EXPANSIONS AND BULL MARKETS

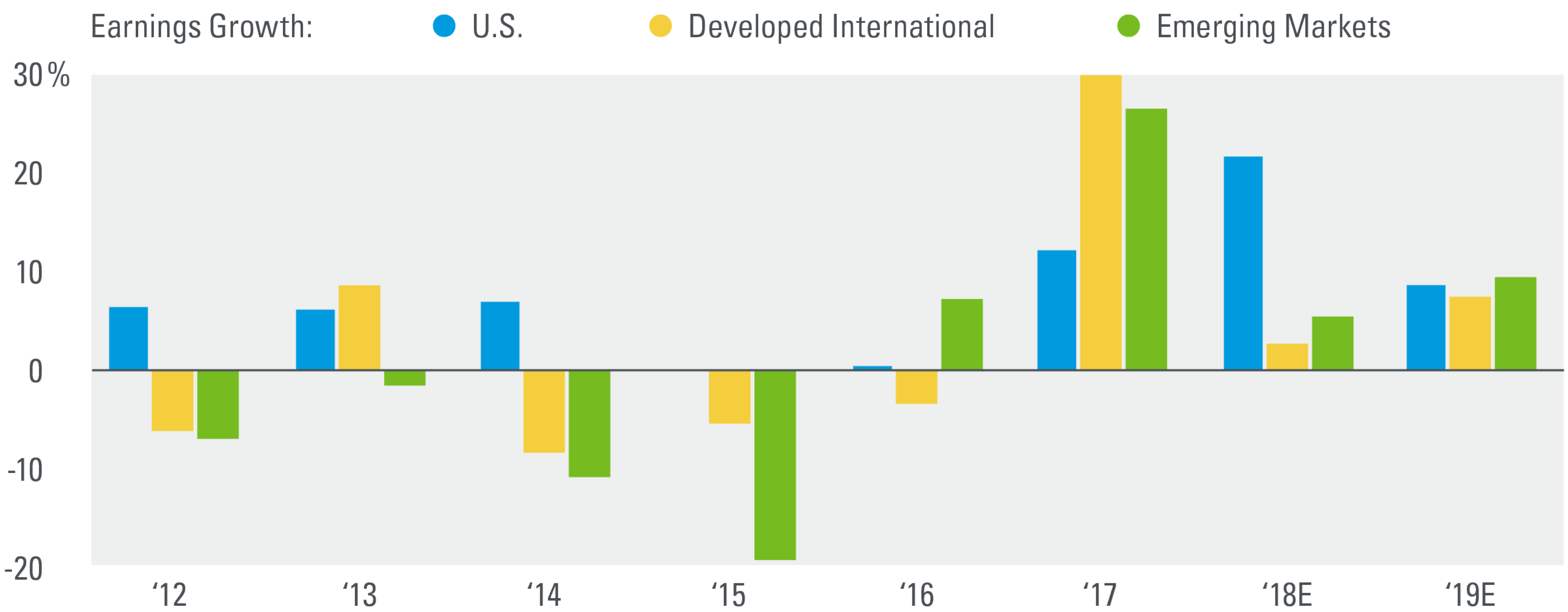


Source: LPL Research, NBER, FactSet 11/30/18

Economic expansions are based on GDP growth, bull markets on S&P 500 Index returns.

The modern design of the S&P 500 stock index was first launched in 1957. Performance back to 1945 incorporates the performance of predecessor index, the S&P 90.

U.S. AND EMERGING MARKETS LEAD EARNINGS GROWTH



Source: LPL Research, FactSet 11/30/18

Indexes: S&P 500 (U.S.), MSCI EAFE (developed international), MSCI EM (emerging markets).

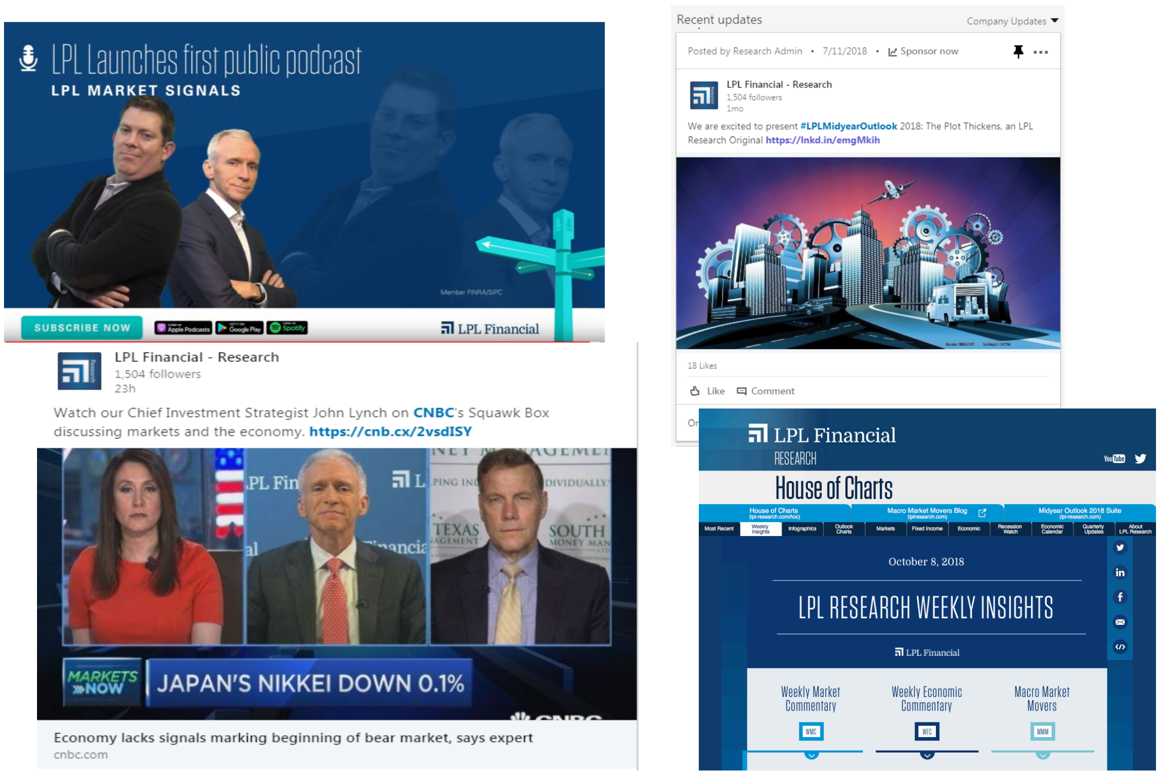
Estimates may not develop as predicted.

All indexes are unmanaged and cannot be invested into directly.

At A Glance

NEW AND NOTEWORTHY Your book club may thank you for these recommendations in 2019.	CLASSICS Don't count out these timeless tales; these investments should provide a solid background to portfolios.	OUT OF PRINT Might have to wait for the next edition; these investments aren't gaining traction yet.
U.S. Stocks: Superior economic and profit growth and fiscal stimulus provide an edge over developed international equities.	**Small Caps:** Tax reform benefits starting to fade and cycle is aging, but domestic focus may help early in 2019.	**U.S. Defensive Stocks:** Less economically sensitive sectors may offer lower return potential amid solid economic and profit growth.
Value: Economic growth tailwind and attractive relative valuations compared with growth may help buoy value stocks.	**Intermediate-Term High-Quality Bonds:** Offer some potential diversification while avoiding the rate risk of long-term bonds.	**Growth Stocks:** After a sustained period of strong performance compared with value, the growth stock rally may be due for a pause.
Cyclical Stocks: Solid economic growth may support economically sensitive sectors.	**Bank Loans:** Still potentially attractive for strategic investors, but high issuance, weaker investor protections raise some concerns.	**Developed International Stocks:** Growth in Europe has slowed while political challenges are rising.
Emerging Markets: Strong growth, attractive valuations, and potential U.S.-China trade agreement may help emerging market equities outperform.	**High-Yield Bonds:** May be supported by further economic growth, but we prefer a combination of equities and high-quality bonds.	**Developed International Bonds:** Valuations remain very rich and declining central bank accommodation may create a challenging environment.
Investment-Grade Corporates: Economic growth may help credit-sensitive bonds; added credit risk provides incremental yield.		**Long-Term High-Quality Bonds:** With rates expected to rise, the diversification benefit does not adequately compensate for added rate sensitivity.
Mortgage-Backed Securities: Yield benefit relative to rate risk remains attractive among high-quality options.		

STAY CONNECTED WITH LPL RESEARCH



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IMPORTANT DISCLOSURES

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. Economic forecasts set forth may not develop as predicted.

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

Investing involves risks including possible loss of principal. No investment strategy or risk management technique can guarantee return or eliminate risk in all market environments.

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

Rebalancing a portfolio may cause investors to incur tax liabilities and/or transaction costs and does not assure a profit or protect against a loss.

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. The prices of small cap stocks are generally more volatile than large cap stocks. Value investments can perform differently from the market as a whole. They can remain undervalued by the market for long periods of time. Because of their narrow focus, sector investing will be subject to greater volatility than investing more broadly across many sectors and companies.

Investing in foreign and emerging markets securities involves special additional risks. These risks include, but are not limited to, currency risk, geopolitical risk, and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks.

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond and bond mutual fund 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.

High-yield/junk bonds (grade BB or below) are not investment-grade securities, and are subject to higher interest rate, credit, and liquidity risks than those graded BBB and above. They generally should be part of a diversified portfolio for sophisticated investors.

Municipal bonds are subject to availability and change in price. They are subject 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. Municipal bonds are federally tax-free but other state and local taxes may apply. If sold prior to maturity, capital gains tax could apply.

International debt securities involve 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.

Mortgage-backed securities are subject to credit, default, prepayment, extension, market and interest rate risk.

Bank loans are loans issued by below investment-grade companies for short-term funding purposes with higher yield than short-term debt and involve risk.

To the extent you are receiving investment advice from a separately registered independent investment advisor, please note that LPL Financial is not an affiliate of and makes no representation with respect to such entity.

All information is believed to be from reliable sources; however, we make no representation as to its completeness or accuracy.

DEFINITIONS

Credit risk is the risk of loss of principal or loss of a financial reward stemming from a borrower's failure to repay a loan or otherwise meet a contractual obligation. Credit risk arises whenever a borrower is expecting to use future cash flows to pay a current debt. Investors are compensated for assuming credit risk by way of interest payments from the borrower or issuer of a debt obligation. Credit risk is closely tied to the potential return of an investment, the most notable being that the yields on bonds correlate strongly to their perceived credit risk.

Interest rate risk is the risk that an investment's value will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship. Such changes usually affect securities inversely and can be reduced by diversifying (investing in fixed-income securities with different durations) or hedging (e.g. through an interest rate swap).

Yield curve is a line that plots the interest rates, at a set point in time, of bonds having equal credit quality, but differing maturity dates. The most frequently reported yield curve compares the 3-month, 2-year, 5-year, and 30-year U.S. Treasury debt. This yield curve is used as a benchmark for other debt in the market, such as mortgage rates or bank lending rates. The curve is also used to predict changes in economic output and growth.

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. It includes all of private and public consumption, government outlays, investments and exports less imports that occur within a defined territory.

INDEX 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 modern design of the S&P 500 stock index was first launched in 1957. All performance back to 1928 incorporates the performance of predecessor index, the S&P 90.

The Bloomberg 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), asset-backed securities (ABS), and commercial mortgage-backed securities (CMBS) (agency and non-agency).