

Shifting from Bonds to Alternatives for Additional Diversification Benefits

The LPL Strategic & Tactical Asset Allocation Committee (STAAC) determines the firm’s investment outlook and asset allocation that helps define LPL Research’s investment models and overall strategic and tactical investment thinking and guidance. The committee is chaired by the chief investment officer and includes investment specialists from multiple investment disciplines and areas of focus. The STAAC meets weekly to closely monitor all global economic and capital markets conditions to ensure that all the latest information is being digested and incorporated into its investment thought.

Color Key:

- Strong Underweight
- Underweight
- Neutral
- Overweight
- Strong Overweight

Key changes from September report:

- Upgraded consumer discretionary from underweight to neutral.
- Downgraded energy from neutral to underweight.
- Upgraded alternatives from neutral to overweight.
- Downgraded fixed income from overweight to neutral.
- Downgraded preferreds from strong overweight to overweight.
- Raised year-end S&P 500 target range to 5,400-5,500

STAAC Asset Class Tactical Views as of 10/01/2024 (GWI)

Asset Class	1	2	3	4	5
Equity	.	.	●	.	.
U.S.	.	.	.	●	.
International Developed (EAFE)	.	.	●	.	.
Emerging Markets	.	●	.	.	.
Large Growth	.	.	.	●	.
Large Value	.	.	●	.	.
Small/Mid Growth	.	.	●	.	.
Small/Mid Value	.	.	●	.	.
Fixed Income	.	.	●	←	.
Treasuries	.	.	●	.	.
MBS	.	.	.	●	.
IG Corporates	●
TIPS	.	.	●	.	.
International Developed	.	.	●	.	.
Preferred	.	.	.	●	←
High-Yield	.	.	●	.	.
Bank Loans	.	.	●	.	.
Emerging Markets	.	.	●	.	.
Cash	.	●	.	.	.
Alternatives	.	.	→	●	.

STAAC Sector Tactical Views as of 10/01/2024 (GWI)

Sector	1	2	3	4	5
Healthcare	.	.	●	.	.
Energy	.	●	←	.	.
Utilities	.	.	●	.	.
Consumer Staples	.	.	●	.	.
Information Technology	.	.	●	.	.
Communications Services	.	.	.	●	.
Industrials	.	.	.	●	.
Financials	.	.	●	.	.
Materials	.	.	●	.	.
Real Estate	.	●	.	.	.
Consumer Discretionary	.	→	●	.	.

Source: STAAC as of October 1, 2024. All sector and asset allocation recommendations must be considered in the context of an individual investor’s goals, time horizon, liquidity needs and risk tolerance. Not all recommendations will be in the best interest of all investors. The STAAC views expressed are based on a Tactical Asset Allocation (TAA) for a portfolio that has a Growth With Income (GWI) investment objective.

Investment Takeaways

Stocks rose in September for the fifth straight month, defying September's weak track record historically. Investor sentiment was supported by firming expectations for a soft landing, the half point rate cut by the Federal Reserve (Fed), resilient earnings growth expectations, and further broadening out of market performance beyond technology. As October began, focus among market participants shifted from the Fed to the port worker strike, escalating violence in the Middle East, and polling data with the election just one month away.

Within fixed income markets, Treasury yields were lower in September as the Fed kicked off its rate cutting campaign. Markets continue to expect deep rate cuts from the Fed. Current market pricing has the Fed cutting interest rates nearly 2% over the next 12 months. Given current expectations, absent further softening in economic data, Treasury yields may remain rangebound around current levels. Nonetheless, rate cutting expectations helped generate positive returns for most fixed income asset classes with the Bloomberg Aggregate Bond Index higher by 1.3% in September. Credit sensitive sectors, high yield and emerging market debt, outperformed during the month.

LPL's STAAC maintains its tactical neutral stance on equities while watching for signs of a potential stock market correction given elevated valuations, heightened U.S. political uncertainty, and geopolitical threats. Increased exposure to alternative investments offers diversification benefits, while a slightly reduced fixed income position reflects the Committee's expectation for range-bound interest rates.

- The Committee has updated its 2024 year-end fair value forecast for the S&P 500 to 5,400 – 5,500 to reflect the combination of a possible soft landing, earnings resilience, expected range-bound interest rates, and potential election-related volatility.
- The Committee remains comfortable with a balanced approach to market cap. High-quality small cap stocks are attractively valued, but large cap companies enjoy superior earnings power and tend to outperform late cycle as the economy slows.
- The AI-fueled earnings on the growth side help justify rich valuations, but our technical analysis work has started to turn a bit toward value, which remains more attractively valued than normal. Staying close to neutral seems prudent.
- Quantitative and technical analysis underpins this month's downgrade of energy and upgrade of consumer discretionary.
- The STAAC's regional preference remains U.S. over developed international and emerging markets (EM) due largely to superior earnings and economic growth in the U.S. and significant volatility in the Japanese yen. For traders, stimulus-fueled strength in EM is notable.
- Despite the recent downgrade, the STAAC continues to hold an overweight tilt in preferred securities as valuations remain attractive. However, the risk/reward for core bond sectors (U.S. Treasury, agency mortgage-backed securities (MBS), investment-grade corporates) is more attractive than plus sectors. In our view, adding duration isn't attractive at current levels, and the STAAC remains neutral relative to our benchmarks.

2024 MARKET FORECASTS

Elevated Volatility May Continue in the Near-Term

	Previous	Current
10-Year U.S. Treasury Yield	3.75% to 4.25%	3.75% to 4.25%*
S&P 500 Index Earnings per Share	\$240	\$240
S&P 500 Index Fair Value	4,850 – 4,950	5,400 – 5,500**

Source: LPL Research, FactSet, Bloomberg

All indexes are unmanaged and cannot be invested into directly. The economic forecasts may not develop as predicted.

*Our year-end 2024 forecast for the U.S. 10-year Treasury yield is 3.75% to 4.25%. The Fed's higher for longer narrative and the poor supply/demand technicals for Treasury securities will likely keep interest rates at these elevated levels until the economic data weakens and/or inflation falls back in line with the Fed's longer term 2% target.

**Our year-end 2024 fair-value target range for the S&P 500 of 5,400-5,500 is based on a price-to-earnings ratio (PE) of 21 and our S&P 500 earnings per share (EPS) forecast of \$260 in 2025.

Any forward-looking statements including economic forecasts may not develop as predicted and are subject to change.

All data, views, and forecasts herein are as of 10/01/24.

2024 ECONOMIC FORECASTS

U.S. Economy Expected to Slow This Year

	2024 (Y/Y, real GDP)
United States	1.9%
Eurozone	0.9%
Advanced Economics	1.6%
Emerging Markets	4.2%
Global	3.1%

Source: LPL Research, Bloomberg.

The economic forecasts may not develop as predicted.

Tactical Asset Allocation as of 10/01/2024

	Investment Objective														
	Aggressive Growth			Growth			Growth with Income			Income with Moderate Growth			Income with Capital Preservation		
	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference
Stocks	95.0%	95.0%	0.0%	80.0%	80.0%	0.0%	60.0%	60.0%	0.0%	40.0%	40.0%	0.0%	20.0%	20.0%	0.0%
U.S. Equity	80.0%	76.0%	4.0%	67.0%	64.0%	3.0%	50.0%	48.0%	2.0%	33.5%	32.0%	1.5%	16.0%	16.0%	0.0%
Large Growth	27.0%	24.0%	3.0%	22.5%	20.5%	2.0%	16.5%	15.0%	1.5%	11.5%	10.0%	1.5%	5.0%	5.0%	0.0%
Large Value	25.0%	24.0%	1.0%	21.0%	20.0%	1.0%	15.5%	15.0%	0.5%	10.0%	10.0%	0.0%	5.0%	5.0%	0.0%
Small/Mid Growth	14.0%	14.0%	0.0%	11.5%	11.5%	0.0%	9.0%	9.0%	0.0%	6.0%	6.0%	0.0%	3.0%	3.0%	0.0%
Small/Mid Value	14.0%	14.0%	0.0%	12.0%	12.0%	0.0%	9.0%	9.0%	0.0%	6.0%	6.0%	0.0%	3.0%	3.0%	0.0%
International Equity	15.0%	19.0%	-4.0%	13.0%	16.0%	-3.0%	10.0%	12.0%	-2.0%	6.5%	8.0%	-1.5%	4.0%	4.0%	0.0%
Developed (EAFE)	12.0%	12.0%	0.0%	10.0%	10.0%	0.0%	8.0%	8.0%	0.0%	5.0%	5.0%	0.0%	4.0%	4.0%	0.0%
Emerging Markets	3.0%	7.0%	-4.0%	3.0%	6.0%	-3.0%	2.0%	4.0%	-2.0%	1.5%	3.0%	-1.5%	0.0%	0.0%	0.0%
Bonds	0.0%	0.0%	0.0%	15.0%	15.0%	0.0%	35.0%	35.0%	0.0%	55.0%	53.0%	2.0%	75.0%	70.0%	5.0%
U.S. Core	0.0%	0.0%	0.0%	14.5%	15.0%	-0.5%	33.5%	35.0%	-1.5%	53.0%	53.0%	0.0%	72.0%	70.0%	2.0%
Treasuries	0.0%	0.0%	0.0%	7.0%	7.0%	0.0%	16.0%	16.0%	0.0%	26.5%	24.5%	2.0%	36.0%	32.0%	4.0%
MBS	0.0%	0.0%	0.0%	5.0%	4.5%	0.5%	11.0%	10.0%	1.0%	16.0%	15.0%	1.0%	22.0%	20.5%	1.5%
IG Corporates	0.0%	0.0%	0.0%	2.5%	3.5%	-1.0%	6.5%	9.0%	-2.5%	10.5%	13.5%	-3.0%	14.0%	17.5%	-3.5%
Non-Core	0.0%	0.0%	0.0%	0.5%	0.0%	0.5%	1.5%	0.0%	1.5%	2.0%	0.0%	2.0%	3.0%	0.0%	3.0%
Preferred	0.0%	0.0%	0.0%	0.5%	0.0%	0.5%	1.5%	0.0%	1.5%	2.0%	0.0%	2.0%	3.0%	0.0%	3.0%
Alternatives	3.0%	0.0%	3.0%	3.0%	0.0%	3.0%	3.0%	0.0%	3.0%	3.0%	0.0%	3.0%	3.0%	0.0%	3.0%
Tactical: Global Macro	3.0%	0.0%	3.0%	2.0%	0.0%	2.0%	1.5%	0.0%	1.5%	1.0%	0.0%	1.0%	0.0%	0.0%	0.0%
Multi-Strategy	0.0%	0.0%	0.0%	1.0%	0.0%	1.0%	1.5%	0.0%	1.5%	2.0%	0.0%	2.0%	3.0%	0.0%	3.0%
Cash	2.0%	5.0%	-3.0%	2.0%	5.0%	-3.0%	2.0%	5.0%	-3.0%	2.0%	7.0%	-5.0%	2.0%	10.0%	-8.0%

For investors who have their own benchmarks, we would recommend emphasizing underweights or overweights relative to the individual benchmark at the most similar overall risk level.

Equity benchmark style weights are equally distributed across growth, core, and value. Cap weights are based on the underlying holdings of the domestic benchmark indexes.

Bond benchmark sector allocations are based on a look-through analysis of the major sector components of the Bloomberg US Aggregate Bond Index.

Treasuries include other government related debt. MBS includes other securitized debt.

Abbreviations: TAA - tactical asset allocation; MBS - mortgage-backed securities; IG corporates - investment-grade corporates; TIPS - Treasury inflation-protected securities.

Equity Asset Classes

Correction Risk Remains Elevated With Election Just One Month Away

LPL’s STAAC maintains its tactical neutral stance on equities while watching for signs of a potential stock market correction during a historically seasonally weak period for stocks ahead of the presidential election. The Committee remains comfortable with a balanced approach to market cap as attractive valuations for small caps don't outweigh economic risks favoring the strong balance sheets and competitive positioning of large caps.

The AI-fueled earnings on the growth side helps justify rich valuations, but our technical analysis work has started to turn a bit toward value which remains more attractively valued than normal. Staying close to neutral seems prudent. The STAAC’s regional preference remains U.S. over developed international due largely to superior domestic earnings and economic growth. Elevated volatility in the Japanese yen increases the relative attractiveness of U.S. equities relative to developed international. Bold Chinese stimulus announcements have given EM a performance jolt that has EM equities on watch for a potential upgrade.

Color Key:

- Strong Underweight
- Underweight
- Neutral
- Overweight
- Strong Overweight

	Sector	Overall View	Relative Trend	Rationale
Market Capitalization and Style	Large Growth	* * * ● *	Positive	Large caps are more expensive than small caps, but the earnings power and quality is superior. As the economy potentially slows, small cap risk would increase. Slight preference for growth over value due to earnings strength but watching technicals for signs of a potential sustained reversal.
	Large Value	* * ● * *	No Trend	Performance has improved as the U.S. economy has remained resilient, helping to support cyclical value. After benefiting from demand for income in August, defensive sector performance waned in September. Attractive valuations support near-benchmark allocations. Technicals are good enough for a neutral view.
	Small/Mid Growth	* * ● * *	No Trend	Low valuations and relatively healthy credit markets are supportive, but a slowing economy and potential heightened market volatility present headwinds. Enthusiasm surrounding benefits of rate cuts for small caps may be overdone. Weak biotech performance in September weighed on the Russell 2000 Index.
	Small/Mid Value	* * ● * *	No Trend	As with large value, small/midcap value stocks may benefit from a possible soft landing, and valuations are attractive versus history. However, an economic slowdown may limit performance upside. Mixed technicals.
Region	United States	* * * ● *	Positive	The U.S. economy is expected to handily outgrow and outearn Europe in 2024. AI innovation still suggests favoring the U.S. despite elevated valuations. Our technical analysis work is supportive of a U.S. preference.
	Developed International	* * ● * *	No Trend	European economies have seemingly stabilized, rate cuts help currency effects, defensive investments have started doing better, and valuations are attractive. Corporate reforms in Japan support the intermediate-term outlook, but yen volatility suggests a cautious stance near term.
	Emerging Markets	* ● * * *	No Trend	The STAAC remains cautious on EM equities on earnings weakness and elevated geopolitical risk in Asia and the Middle East, although stimulus announcements by China and Fed rate cuts have EM on watch for a potential upgrade.

Relative trend is an assessment of the intermediate term price trend and performance between various asset classes and sectors. For regions and styles, the relative trends are compared to each other.

Equity Sectors

Upgrading Healthcare, Downgrading Energy

The STAAC continues to recommend balanced exposure across cyclical, defensive, and secular growth sectors. Industrials are favored as a beneficiary of infrastructure, defense, near-shoring, and the AI buildout. Strong growth, attractive valuations, and election ad spending opportunities drive our communication services recommendation despite growing AI scrutiny. Deteriorating momentum and less favorable seasonal trends drive our increasingly cautious view of the energy sector, while quantitative and technical analysis work support a neutral stance on the diverse consumer discretionary sector despite increasing headwinds facing consumers. Limited perceived downside to yields are a deterrent to a more positive real estate view.

Color Key:

● Strong Underweight ● Underweight ● Neutral ● Overweight ● Strong Overweight

	Sector	Overall View	Relative Trend	S&P Wgt.	Rationale
Cyclical	Basic Materials	• • ● • •	No Trend	2.3	September outperformer (+2.6%) on China stimulus news, which drove commodity prices broadly higher for the month. Fed easing pressured the U.S. dollar, supporting commodity prices. Reasonable valuations. No clear technical trend.
	Consumer Cyclical	• → ● • •	No Trend	10.0	Top sector performer in September with a 7.1% return, bolstered by strong gains in Tesla (TSLA). While pressure on consumers is building, the resilient job market and our quantitative and technical analysis work led to the October upgrade.
	Financial Services	• • ● • •	No Trend	12.9	September laggard (-0.6%) despite steepening yield curve. Declines in shares of JPMorgan Chase (JPM), Wells Fargo (WFC), and Berkshire Hathaway (BRK.B) were sizable drags. Fair credit conditions. Reasonable valuations. Supportive technicals.
	Real Estate	• ● • • •	Positive	2.3	Strong September performer (+3.3%) as rates were down most of the month and economic conditions remain supportive. Commercial real estate remains a wildcard, but office risk appears manageable. Reasonable valuations. Improved technicals.
Sensitive	Communication Services	• • • ● •	No Trend	9.0	Outperformer in September with a 4.6% return, buoyed by strong gains in Meta (META), AT&T, Verizon (VZ), and Disney (DIS). One of the strongest earnings outlooks. Attractive valuations. Positive technical trends.
	Energy	• ● ← • •	Negative	3.5	Worst performer for second straight month with 2.7% decline in September on oil price weakness. Downgrade reflects technical weakness and seasonal headwinds, which offset low valuations, better capital allocation, and Mideast violence.
	Industrials	• • • ● •	Positive	8.5	Outperformer in September (+3.4%) amid continued steady economic growth. Play on infrastructure, defense, near-shoring, and AI data center build. Beneficiary of rotation out of technology. Reasonable valuations. Positive technical analysis picture.
	Technology	• • ● • •	Negative	31.6	Modest outperformer in September (+2.5%) on solid software gains, led by Oracle (ORCL) which rallied more than 20% during the month. Strong, AI-driven earnings outlook offsets deteriorating technicals. Elevated valuations.
Defensive	Consumer Defensive	• • ● • •	No Trend	5.8	Underperformer in September (+0.9%) as defensive sectors fell out of favor. Walmart (WMT) contributed to performance, offsetting food products and dollar store weakness. Fair valuations and still positive technicals.
	Healthcare	• • ● • •	No Trend	11.6	Underperformer (-1.7%) in September as defensive sectors fell out of favor. Accelerating earnings growth, seemingly manageable election risk, reasonable valuations and positive technicals supported the September upgrade to neutral.
	Utilities	• • ● • •	Positive	2.6	September outperformer (+6.6%) on AI power demand. Vistra (VST) and Constellation (CEG) rallied more than 30% on the month on AI enthusiasm. Boost from falling rates may be largely behind the group. Reasonable valuations. Positive technicals.

Fixed Income

Rate Cuts Happened, Now What?

Fixed income markets, as proxied by the Bloomberg Aggregate Bond Index, were higher in September with a 1.3% gain for the month. The Fed began its rate cutting campaign last month with more rate cuts expected. Bond markets expect the fed funds rate to reach 3% by next July and stay at those levels for the foreseeable future. So, for Treasury yields to fall meaningfully from current levels, economic data would need to come in weaker than the soft landing that is priced in. So, what's next? History shows that without signs of recession, intermediate and longer-term yields tend to drift higher. Our base case remains no recession this year and our yearend target for the 10-year Treasury yield is 3.75% to 4.25%.

Aside from preferred securities, valuations for riskier fixed income sectors remain rich relative to core sectors, in our view. And while price appreciation may be limited, until inflationary pressures abate, income levels remain attractive.

Color Key:

● Strong Underweight ● Underweight ● Neutral ● Overweight ● Strong Overweight

	Low	Med	High	Rationale	
Current Stance	Credit Quality Preference		✓	Recommend an up-in-quality approach in allocating to fixed income sectors. While all-in yields for lower quality remain above longer-term averages, we think the risk/reward favors owning core bond sectors over the riskier sectors.	
	Duration Preference	Short	Inter.	Long	Rationale
	Municipal Bond View	Neg.	Neut.	Pos.	Rationale
			✓		Despite yields falling meaningful from peak levels, the compensation for underweighting duration in portfolios isn't sufficient given the slowing economy and geopolitical risks. We remain neutral relative to our benchmark.
	Overall View		Overall Trend	Rationale	
Core Sectors	U.S. Treasuries	• • ● • •	Positive	Treasury yields were lower in September as the Fed kicked off its rate cutting campaign with a bigger-than-expected 0.50% cut. Fed rate cut expectations continue to directionally drive Treasury yields despite the expected increase in Treasury supply. From a fundamental perspective, we think Treasury yields are likely range bound at these higher levels. Technically, 10-year yields have bounced off oversold levels. Watch for resistance near 4.00% and at the 200-dma.	
	MBS	• • • ● •	Positive	We remain constructive on agency MBS. Yields and spreads remain near multi-year highs, so we think MBS remain an attractive investment opportunity particularly relative to lower rated corporates. As interest rate volatility continues to fall, MBS should outperform most other high quality bond sectors.	
	Investment-Grade Corporates	● • • • •	Positive	We recommend a strong underweight to benchmarks, but we think there is an opportunity to invest in shorter to intermediate maturity corporate securities without taking on elevated levels of interest rate or credit risk. Fundamentals remain solid.	
	TIPS	• • ● • •	Positive	All-in yields for Treasury Inflation-Protected Securities (TIPS) are attractive, particularly shorter maturity TIPS, and could provide a good hedge against unexpected inflation surprises.	
Plus Sectors	Preferred Securities	• • • ● ←	Positive	Preferred securities have outperformed most other bond sectors over the past 12 months, but valuations remain relatively attractive. Higher credit quality among the riskier fixed income options. Recent Fed stress tests continue to show large, money-center bank fundamentals are generally sound, but environment favors active management. The technical backdrop remains constructive, with most preferred indexes/funds trending higher and/or holding above their rising 200-day moving averages.	
	High-Yield Corporates	• • ● • •	Positive	Yields for high-yield bonds are above historical averages, but spreads remain near all-time lows. The environment broadly remains supportive for credit risk. Economic growth is slowing but not collapsing, which is typically good for credit. But credit is not cheap.	
	Bank Loans	• • ● • •	Positive	Given the variable rate debt, Fed rate cuts will eventually push yields lower, although likely still higher than longer-term averages. Downgrades and defaults have increased and could increase still if the economy slows/contracts. We would favor high-yield bonds over loans for those investors interested in leveraged credit.	
	Foreign Bonds	• • ● • •	Positive	Valuations have improved, but potential currency volatility remains a challenge.	
	EM Debt	• • ● • •	Positive	Central banks have largely ended rate hikes as inflationary pressures are starting to abate. A strong dollar could provide a headwind to prices. Valuations are relatively attractive, but idiosyncratic risks remain. Liquidity can be an added risk during periods of stress.	

Commodities and Currencies

Call It a Comeback

The broader commodities complex rallied in September and snapped a three-month losing streak. The Bloomberg Commodity Index (BCOM) rose 4.4%, marking its best monthly performance in over a year. Oversold conditions, a weaker dollar, and renewed hope for an economic soft landing supported the rally. China — the largest importer of several commodities — also announced an array of stimulus measures to revive their sputtering economy.

Commodity market gains were relatively broad, with natural gas rallying 37% and leading the way. The rest of the energy complex traded lower as oil demand forecasts faced downward revisions and supply expectations ramped up. Metals were higher across the board, with gold continuing to shine in record-high territory.

Technically, BCOM has broken out from a shorter-term double-bottom formation and recaptured its now rising 200-day moving average (dma), paving the way for a potential retest of the prior highs near 108. A close above this level would imply a new longer-term uptrend is likely underway.

The dollar had a wild ride in September amid a backdrop of gyrating global monetary policy expectations. For the month, the U.S. Dollar Index dipped 0.9% before finding support off the lower end of its longer-term range near 100. More recently, oversold conditions, a strong September jobs report, and recent dovish commentary from several other global central banks sparked a relief rally in the greenback.

Color Key: ● Negative ● Neutral ● Positive

Sector	Overall View	Overall Trend	Rationale
Energy	● Neutral	Negative	Escalating geopolitical tensions in the Middle East — including the threat of Iranian oil production being attacked by Israel — has helped lift WTI back above support from the December lows. Significant stimulus measures in China and the rising prospect for an economic soft landing in the U.S. have provided additional tailwinds to oil. Despite the recent rally, oil is still battling against a downtrend off the April highs and remains below its 200-dma. Natural gas has broken out from a short-term bottom as heating demand expectations ramp up, rig counts decline, and growing interest from power producers addressing data center demand. We maintain our neutral view on the energy commodity sector.
Precious Metals	● Positive	Positive	Gold has broken out from a consolidation range and cleared the July highs. Central bank buying, lower interest rates, surging over-the-counter demand, and a return of inflows into gold ETFs should continue to support the rally. Silver is playing catch-up to its precious metal cousin and recently surpassed key resistance at \$30. We maintain our positive view on the precious metals group.
Industrial Metals	● Positive	Positive	Renewed hope for global growth — especially in China — helped spark a recovery in industrial metals last month. Copper climbed out from a double bottom, while aluminum, nickel, and zinc all rallied. Given the improving technical backdrop, we are upgrading our view on the industrial metals group from neutral to positive.
Agriculture (Ag) & Livestock	● Negative	Negative	Ag and livestock traded higher last month on the back of widespread buying pressure. Corn led grains with a 12% rally that stopped near resistance at the 200-dma. Cocoa fell 6.2% and underperformed across softs. Improving weather conditions have boosted yields and weighed on prices, which recently broke to the downside of a multi-month consolidation range. Livestock lagged last month with notable weakness in live cattle (-1.1%). Based on the lack of broad technical progress, we maintain our negative view on the group.
U.S. Dollar	● Neutral	Neutral	A relief rally off oversold levels has recently developed off support from the lower end of the dollar's longer-term range. Watch for a continuation in upside toward the 200-dma. In terms of support, a break 99.6 would be technically significant and imply the dollar is likely transitioning from a longer-term consolidation phase into a downtrend.

Any futures referenced are being presented as a proxy, not as a recommendation. The fast price swings in commodities will result in significant volatility in an investor's holdings. Commodities include increased risks, such as political, economic, and currency instability, and may not be suitable for all investors.

Alternative Investments

Macro Reset

Performance Rebound. During September, alternative investment strategies rebounded following a summer of lackluster performance. Overall, the continued move higher in long-only equity and bond markets has been a headwind for many alternative strategies. During such market environments relative underperformance is expected from strategies that look to provide portfolio diversification and capital preservation.

Macro-Strategies Lead Sub-Strategy Returns. The HFRX Macro: Discretionary and HFRX Macro: Systematic Diversified led monthly returns with gains of 2.1% and 2.6%, respectively. Following the position unwind and drawdown during July and August in the space, Macro strategies have seen a significant shift in underlying positioning. Bond positioning has shifted to being long, while in FX, strategies are now largely short the U.S. dollar. Long equity, precious metals, and agricultural exposures were little changed. In general, strategies now have a more balanced risk profile across equity, bond, currency, and commodity markets, with no asset class overly influencing returns for now.

Fundamental Equity Gains. The HFRX Equity Hedge Index gained 0.9%, as once again the growth factor led markets higher. This marked a return to the long growth, short value trade that was in place earlier in the year, as the Russell 1000 Growth Index outperformed the Russell 1000 Value Index by 1.4% during the month. Managers with a more global mandate were better able to offset difficulties faced in such a factor-driven environment with exposure to Chinese equities. The Chinese government announced a broad-based stimulus plan that prompted a historic rally in Chinese shares. The HFRX Event Driven: Merger Arbitrage Index gained 0.62%, in line with its beta profile. These strategies were able to participate in the equity market move higher, as announced deal spreads moved closer towards target prices.

Looking ahead, we expect dispersion to continue expanding and volatility to pick up. On a macro level, major central banks have become more vocal about how each region will take independent action from one another and have already begun to take steps down this path with policy. As they continue down this road, this should bring about greater and greater macro divergences. This is not just a developed market story either, as emerging market economies are also starting to have much more noticeable divergent trends.

Color Key: ● Negative ● Neutral ● Positive

	Sector	Overall View	Rationale
Fundamental	Long/Short Equity	• ● •	The current equity market environment lends greater stock picking environment for low net equity long/short managers. With rich valuations and dwindling momentum, these managers should be able to build solid short books that can increase their total alpha generation.
	Event Driven	• ● •	Merger Arbitrage strategies remain attractive fixed income diversifiers; however, regulatory and political risk will continue to overshadow the industry as we move closer to the November elections.
Tactical	Global Macro	• • ●	Favor multi-strategy global macro strategies with truly diversified asset class and regional exposure as the market moves on from directional structural themes to more balanced tactical themes across both developed and emerging markets. We continue to believe the strategy serves as a solid portfolio diversifier that deserves a steady allocation.
	Managed Futures	• • ●	Managed Futures strategies have seen a significant shift in underlying positioning. Bond positioning has moved to long exposure, while against most pairs, strategies are short the U.S. dollar, while long equity, precious metals, and agricultural exposure remained largely unchanged.
Multi-Strategy	Multi-PM Single Funds	• • ●	Multi-Strategy funds continue to benefit from the ability to dynamically invest across the alternative investment strategy landscape, while providing a diversifying risk/return profile. These funds should be able to tactically take advantage of any short-term market disruptions.
	Specialty Strategies	• ● •	Among private market strategies, private credit and infrastructure strategies, which we were constructive on, continued to perform well and are expected to show their resilience as we navigate through the fog.

Please see <https://www.hfr.com/indices> for further information on the indices.

Definition: The HFRI 400 (US) Hedge Fund Indices are global, equal-weighted indices comprised of the largest hedge funds that report to the HFR Hedge Fund Research

Important Disclosures

This material has been prepared for informational purposes only, and is not intended as specific advice or recommendations for any individual. There is no assurance that the views or strategies discussed are suitable for all investors and they do not take into account the particular needs, investment objectives, tax and financial condition of any specific person. To determine which investment(s) may be appropriate for you, please consult your financial professional prior to investing. Any economic forecasts set forth may not develop as predicted and are subject to change.

Stock investing involves risk including loss of principal. Because of their narrow focus, sector investing will be subject to greater volatility than investing more broadly across many sectors and companies. Value investments can perform differently from the market as a whole and can remain undervalued by the market for long periods of time. The prices of small and mid-cap stocks are generally more volatile than large cap stocks. Bonds are subject to market and interest rate risk if sold prior to maturity.

Asset Class Disclosures

Because of its narrow focus, specialty sector investing, such as healthcare, financials, or energy, will be subject to greater volatility than investing more broadly across many sectors and companies. Relative trend is an assessment of the intermediate term price trend and performance between various asset classes and sectors. For sectors each sector's relative trend is versus the S&P 500.

Yield spread is the difference between yields on differing debt instruments, calculated by deducting the yield of one instrument from another. The higher the yield spread, the greater the difference between the yields offered by each instrument. The spread can be measured between debt instruments of differing maturities, credit ratings, and 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. For the purposes of this publication, intermediate-term bonds have maturities between three and 10 years, and short-term bonds are those with maturities of less than three years.

Bond values will decline as interest rates rise and bonds are subject to availability and change in price. Corporate bonds are considered higher risk than government bonds. Municipal bonds are subject to availability and change in price. 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. U.S. Treasuries may be considered "safe haven" investments but do carry some degree of risk including interest rate, credit, and market risk. Bond yields are subject to change. Certain call or special redemption features may exist which could impact yield. Mortgage-backed securities are subject to credit, default, prepayment, extension, market and interest rate risk.

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.

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.

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 risk.

Credit Quality is one of the principal criteria for judging the investment quality of a bond or bond mutual fund. Credit ratings are published rankings based on detailed

financial analyses by a credit bureau specifically as it relates to the bond issue's ability to meet debt obligations. The highest rating is AAA, and the lowest is D. Securities with credit ratings of BBB and above are considered investment grade. Duration is a measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. It is expressed as a number of years.

Preferred stock dividends are paid at the discretion of the issuing company. Preferred stocks are subject to interest rate and credit risk. As interest rates rise, the price of the preferred falls (and vice versa). They may be subject to a call feature with changing interest rates or credit ratings.

Alternative investments 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. Alternative investments include non-traditional asset classes. This may include hedge funds, private equity/debt/credit, etc. This may also include Business Development Companies (BCDs) and Opportunity Zone investments. These are not registered securities and there may be significant restrictions on purchase and suitability requirements. Please contact your advisor for any further information.

The HFRX Absolute Return Index is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies; including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage.

The HFRX Equity Hedge Index measures the performance of the hedge fund market. Equity hedge strategies maintain positions both long and short in primarily equity and equity derivative securities.

The HFRI® Indices are broadly constructed indices designed to capture the breadth of hedge fund performance trends across all strategies and regions.

The HFRI Institutional Macro Index is a global, equal-weighted index of hedge funds with minimum assets under management of USD \$500MM which report to the HFR Database and are open to new investments.

Event driven strategies, such as merger arbitrage, consist of buying shares of the target company in a proposed merger and fully or partially hedging the exposure to the acquirer by shorting the stock of the acquiring company or other means. This strategy involves significant risk as events may not occur as planned and disruptions to a planned merger may result in significant loss to a hedged position. Managed futures are speculative, use significant leverage, may carry substantial charges, and should only be considered suitable for the risk capital portion of an investor's portfolio.

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. The fast price swings in commodities and currencies will result in significant volatility in an investor's holdings. Any futures referenced are being presented as a proxy, not as a recommendation. Commodities include increased risks, such as political, economic, and currency instability, and may not be suitable for all investors. Precious metal investing involves greater fluctuation and potential for losses.

Precious metal investing involves greater fluctuation and potential for losses.

Important Disclosures

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. All information is believed to be from reliable sources; however, LPL Financial makes no representation as to its completeness or accuracy. Precious metal investing involves greater fluctuation and potential for losses.

Earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share of common stock. EPS serves as an indicator of a company's profitability. Earnings per share is generally considered to be the single most important variable in determining a share's price. It is also a major component used to calculate the price-to-earnings valuation ratio.

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.

All index data from FactSet.

The Strategic and Tactical Asset Allocation Committee (STAAC) is a division of LPL Research.

Securities and advisory services offered through LPL Financial (LPL), a registered investment advisor and broker/dealer (member FINRA/SIPC). Insurance products are offered through LPL or its licensed affiliates. To the extent you are receiving investment advice from a separately registered independent investment advisor that is not an LPL Financial affiliate, please note LPL Financial makes no representation with respect to such entity.

Not Insured by FDIC/NCUA or Any Other Government Agency	Not Bank/Credit Union Guaranteed	Not Bank/Credit Union Deposits or Obligations	May Lose Value
--	---	--	-----------------------

For Public Use.

LPL Financial Member FINRA/SIPC

RES-0001989-0924 | Tracking # 642572 (Exp. 10/2025)