

**Goldman
Sachs**

**Asset
Management**

Market Know-How

Insights and Implementation

Strategic Advisory Solutions

Q2 2016

Q2

GSAM's 'Market Know-How' explains what investors should **KNOW** about current market conditions, and **HOW** they can implement an investable strategy. The ideas presented in the Market Know-How are based on our expectations of global macro conditions, asset class performance, and sound portfolio construction.

2016

The Ebb and Flow of Volatility

Though the exact moment of market volatility's arrival can rarely be predicted, there is no disputing its eventuality. Following an extended period of low volatility, we may have entered a new phase characterized by more frequent, yet more historically normal, market turbulence. The slump in oil prices, the spillover from China's financial transition, and signs of late-cycle caution in credit are much like the ebb and flow of tides, whose intensity varies but whose existence does not.

These variable yet inevitable bouts of market volatility remind us of the old term "Bristol Fashion," a reference to the significant tidal flow at the Port of Bristol. Prior to the installation of lock gates in the 19th century, ships mooring at Bristol were vulnerable to the world's second highest tidal range (43 feet), which caused ships to "keel over" at low tide. Just as a ship in "Bristol Fashion" properly ties down its contents for inevitable tidal shifts, we see investors' task today as structurally preparing their portfolios for the market's ebbs and flows, by considering:

- **The dangers of market timing:** Fund-flow data underscore the poor record of most would-be market timers
- **The buffer of income:** Cash generation becomes more tangible in volatile markets
- **The imperative of managing risk:** Differentiated and risk-aware strategies may be key in this environment
- **The benefits of broad horizons:** Globalized portfolios can target a larger opportunity set.

Macro



GLOBAL GROWTH

Global Gross Domestic Product (GDP) growth likely bottomed last year and should be sustainable, with improvements in consumption offsetting weakness in manufacturing.



INFLATION

The depletion of slack in labor is most advanced in the US, but varies globally. Much of the world is still hampered by what can be termed “lowflation” and “high capacity.”



MONETARY POLICY

Central bank policy diverges with a focus on the pace of normalization in the US, while the Euro area and Japan commit to additional heavy lifting through policy easing.



ENERGY

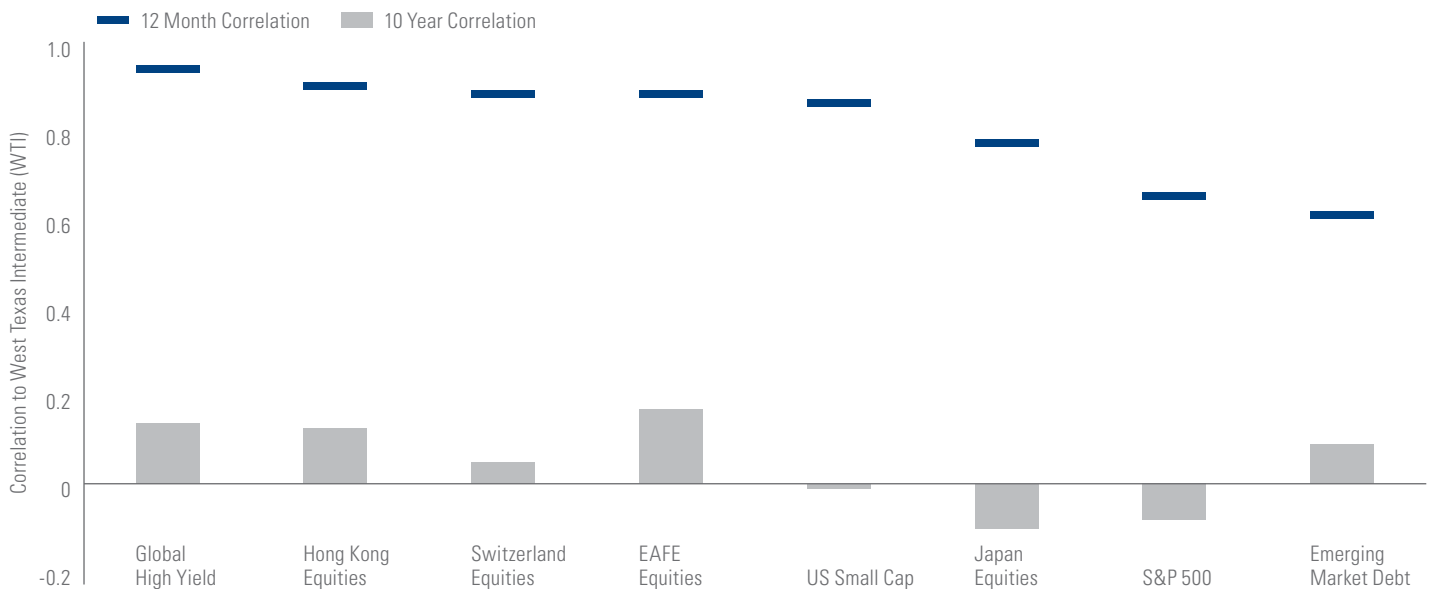
Oil is dominating risk appetites as the supply-driven selloff has pushed asset correlations to extremes. A period of price stability may be needed for correlations to normalize.



RISK

While we expect macro resiliency, the potential for a Chinese hard landing, plunge in oil demand, surge in the Dollar, and political risk should be monitored.

CRUDE AWAKENING: OIL HAS DOMINATED RISK ASSETS



Source: Bloomberg and GSAM as of February 29, 2016. Global High Yield refers to the Barclays Global High Yield Index. Hong Kong Equities refers to the MSCI Hong Kong Index. Switzerland Equities refers to the MSCI Switzerland Index. EAFE Equities refers to the MSCI EAFE Index. US Small Cap refers to the Russell 2000 Index. Japan Equities refers to the MSCI Japan Index. Emerging Market Debt refers to the J.P. Morgan EMBI Global Diversified Index. All indices are total return and in USD. Correlation is defined as the extent to which two or more variables fluctuate together. Correlations are between named indices and West Texas Intermediate (WTI) crude oil prices. Past correlations are not indicative of future correlations, which may vary. **Past performance does not guarantee future results, which may vary.**

Market



EQUITIES

At full valuations, returns are likely to be dominated by earnings growth and cash flow generation more than multiple expansion. This bodes well for Europe and Japan, in particular.



FIXED INCOME

We believe low inflation, excess savings and accommodative central bank policy continue to support high government bond valuations. We see some upward pressure on US yields.



CREDIT

In the US, spreads are consistent with recession, but fundamentals are not. In this later stage of the credit cycle, we see selective value across investment grade and high yield.



CURRENCY

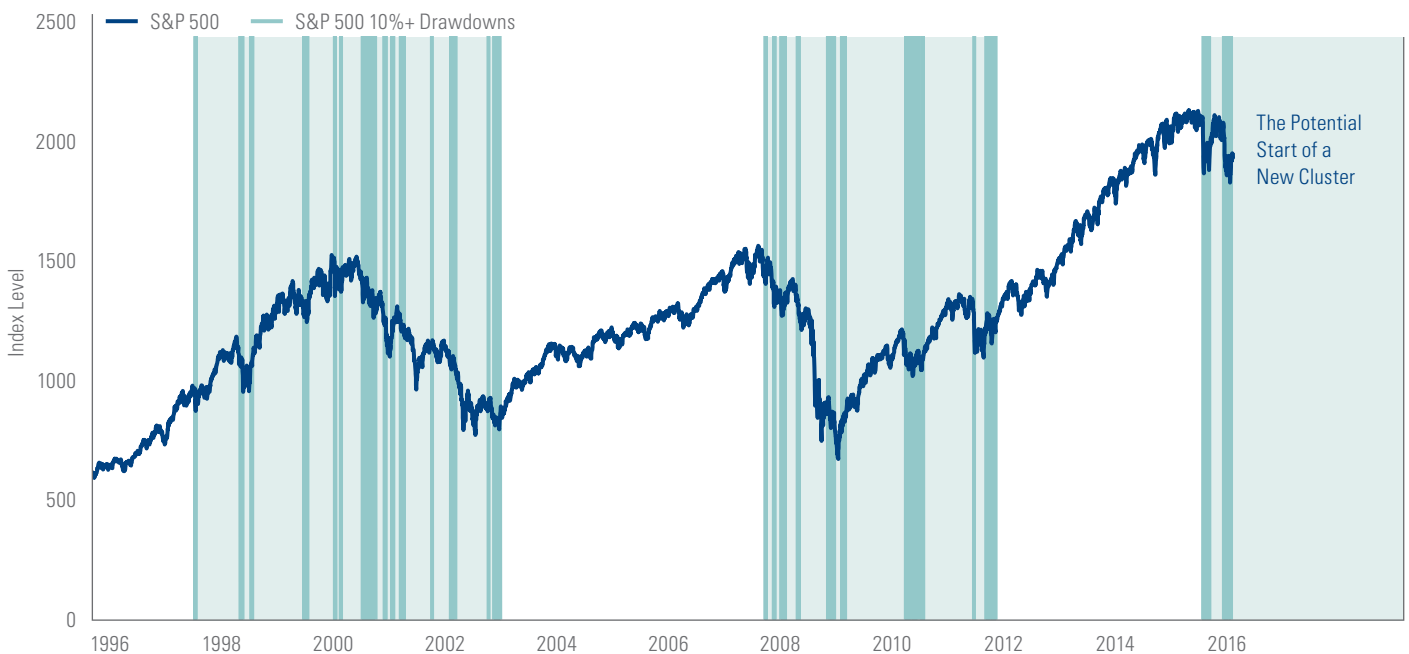
A gradual pickup in inflation and realized monetary policy divergence could drive further US Dollar gains, although at a slower pace.



VOLATILITY

Following an extended period of low equity volatility, we may have entered a new phase characterized by more frequent, yet more historically normal, market turbulence.

A NEW CLUSTER OF VOLATILITY



Source: Bloomberg and GSAM as of February 29, 2016. Drawdowns are defined as a period when the S&P 500 Index falls from the most recent peak to the current trough (since January 1996). The 10%+ drawdown periods capture drawdowns, on a year-over-year basis, that are at least 10%. Each drawdown is taken as the percentage change in the S&P 500 Index from the highest year-to-date peak to the current trough. **Past performance does not guarantee future results, which may vary.**

Market Know-How Q2 2016

THE KNOW

- 1 Investors have frequently been poor market timers
- 2 Certain market gauges are implying recession
- 3 Individual income sources pose risks
- 4 Core fixed income still counts
- 5 Credit markets have been driven by oil
- 6 Revenue sources matter
- 7 Volatility is 'normal'
- 8 The US election looms

THE HOW

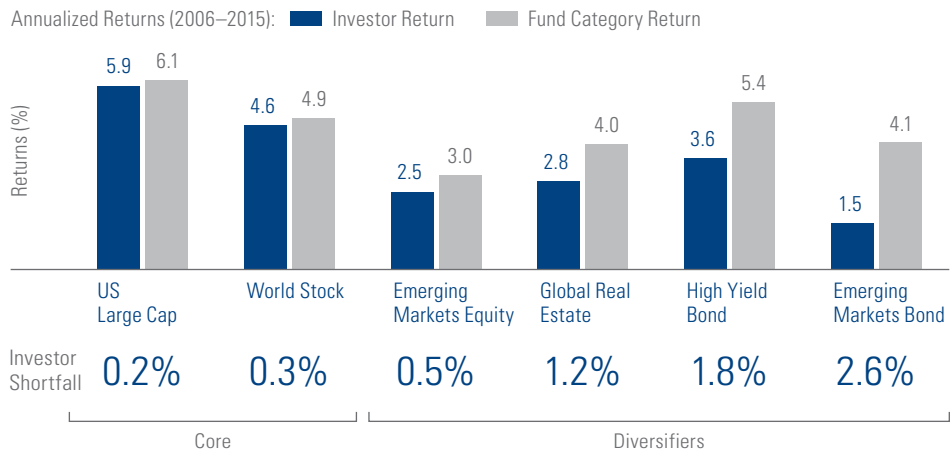
- Understand risk-aware investing
- Put recession risk in context
- Consider fusing income sources
- Globalize the core
- Deploy selectively
- Focus on the local recovery, globally
- Alternatives can be 'core' strategies
- Politics is not primary to portfolios

Views and opinions are current as of March 2016, and may be subject to change, they should not be construed as investment advice.

Economic and market forecasts presented herein reflect our judgment as of the date of this presentation and are subject to change without notice. These forecasts do not take into account the specific investment objectives, restrictions, tax and financial situation or other needs of any specific client. Actual data will vary and may not be reflected here. These forecasts are subject to high levels of uncertainty that may affect actual performance. Accordingly, these forecasts should be viewed as merely representative of a broad range of possible outcomes. These forecasts are estimated, based on assumptions, and are subject to significant revision and may change materially as economic and market conditions change. Goldman Sachs Asset Management has no obligation to provide updates or changes to these forecasts. Examples are for illustrative purposes only.

1

Investors have frequently been poor market timers. Fund-flow data show a propensity to buy too high and sell too low.



Source: Morningstar and GSAM.

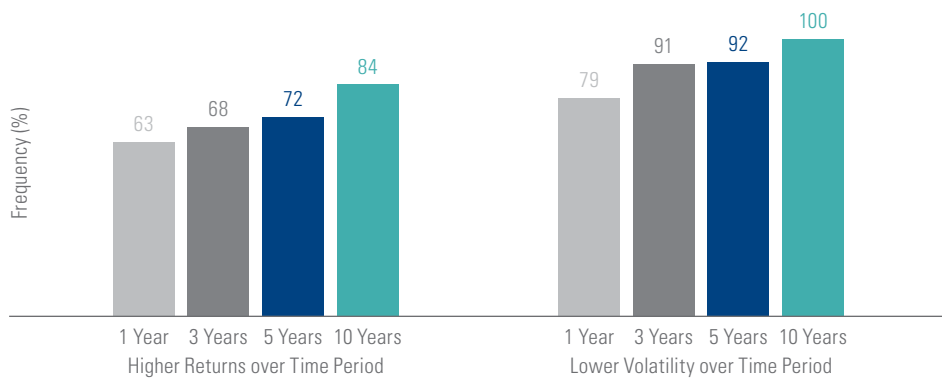
Historically, attempting to “time” the market has often caused investors to underperform a buy-and-hold approach.

Comparing the “investor return” to the manager or “fund category return” shows a historical investor shortfall as large as 2.6% on an annualized basis. The gap has been particularly large for diversifier asset classes. These figures suggest investors would have been better served by adopting a longer-term mindset.



Understand risk-aware investing. Well-constructed portfolios can help investors stick to the plan.

Frequency of Diversified Portfolio Outperformance versus S&P 500



Source: Bloomberg and GSAM.

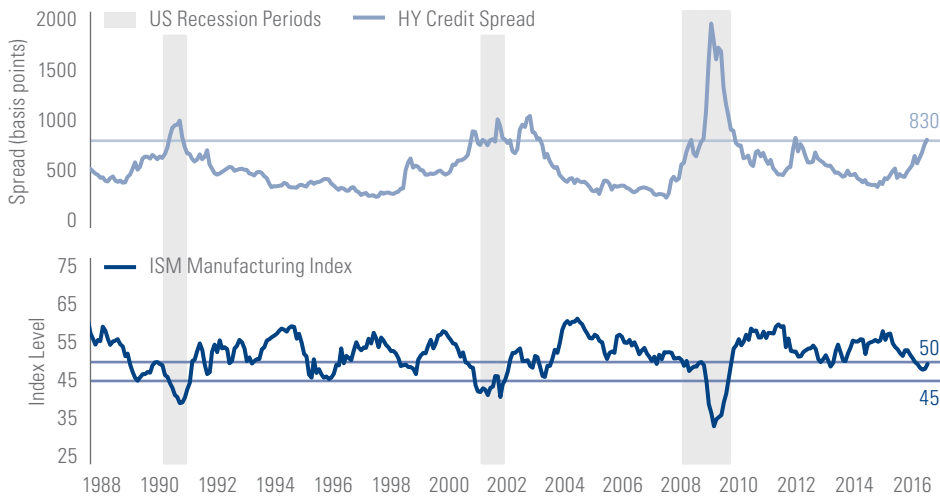
In our view, careful portfolio construction matters in all market environments.

Well-built investment portfolios require long-term allocation choices, and rationales should be based on more than the recent past. Historically, as the comparison of a diversified portfolio to the S&P 500 Index illustrates, longer holding periods and a broader approach have often resulted in stronger returns and lower volatility.

Top Section Notes: As of December 31, 2015. Asset class return, represented by the Morningstar category return, is the average of net returns for each fund in a particular Morningstar asset class. Investor return is the average money-weighted return of funds in a particular Morningstar asset class. US Large Cap represents the US Large Blend Morningstar Category. World Stock represents the World Stock Morningstar category. Emerging Markets Equity represents the Diversified Emerging Markets Morningstar Category. Global Real Estate represents the Global Real Estate Morningstar category. High Yield Bond represents the High Yield Bond Morningstar category. Emerging Markets Bond represents the Emerging Markets Bond Morningstar category. Bottom Section Notes: Analysis is based on data from January 1, 2001 to December 31, 2015. The diversified portfolio includes 60% S&P 500 Index and 40% diversifying asset classes. Diversifying asset classes are defined as 10% Emerging Market Debt USD, 22% Global High Yield, 9% Bank Loans, 24% Emerging Market Equity, 18% International Developed Small Cap, 5% International Public Real Estate, 6% US Public Real Estate, and 7% Commodities. Returns are based on the following indices: Emerging Markets Equity (MSCI Emerging Markets), Global High Yield (Barclays Global High Yield Index), Emerging Market Debt USD (JPM EMBI Global Diversified), US Public Real Estate (DJ US Select RESI), Commodities (S&P GSCI Index), International Public Real Estate (S&P Developed ex-US Property Index), International Developed Small Cap (S&P Developed ex-US Small), Bank Loans (Credit Suisse Leveraged Loan Index). The performance results are based on historical performance of the indices used. The result will vary based on market conditions and your allocation. Diversification does not protect an investor from market risk and does not ensure a profit.

Past performance does not guarantee future results, which may vary.

2 Certain market gauges are implying recession. High-yield spreads in particular have struck a nerve with investors.



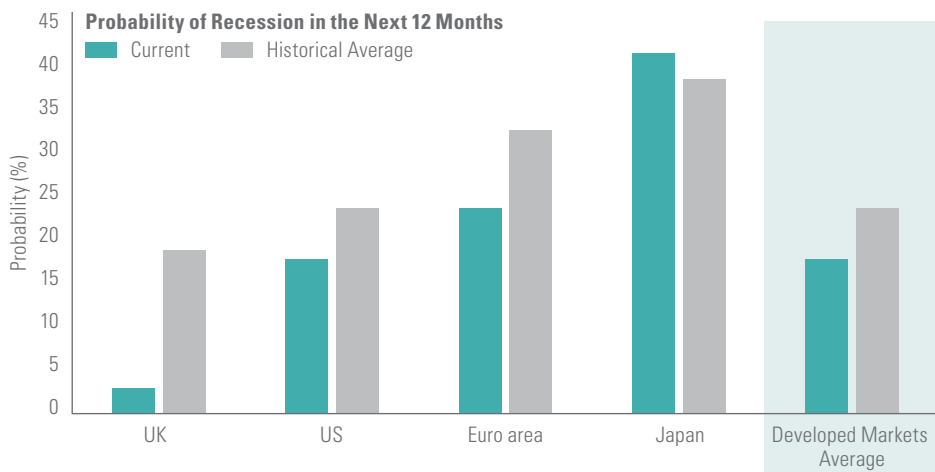
High yield spreads have widened to extremes and manufacturing data has been contracting, suggesting recession.

Credit spreads have reached the 89th historical percentile. The ISM Manufacturing Index, now below 50, has crept into contractionary territory, though historically, a sustained drop below 45 is a more meaningful recession indicator.

Top chart source: BAML, Haver Analytics, and GSAM. Bottom chart source: NBER, Institute for Supply Management, Haver, and GSAM.



Put recession risk in context. While risk has moderately risen, recession probability remains below the long-term average.



Despite an increase in recession risk globally, historical context shows that overall risk is moderate.

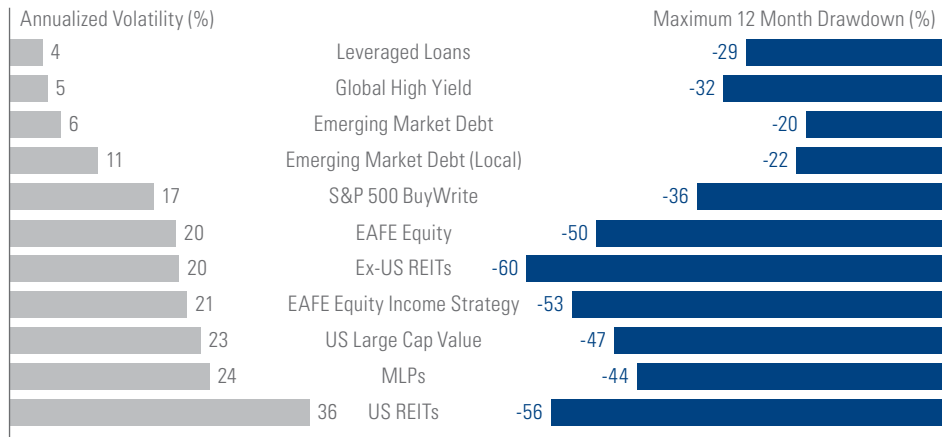
Recession risk in the US is below the long-term historical average, a pattern which is mirrored in the Euro area as well as developed markets more generally. Although recession risk has increased, near-term recession is not our base case.

Source: Goldman Sachs Global Investment Research and GSAM.

Top Section Notes: Top chart: Analysis is based on data from January 31, 1988–February 29, 2016. High Yield Spreads are represented by the BofA Merrill Lynch US High Yield Option-Adjusted Spread (OAS). OAS is the measurement of the spread of a fixed-income security rate and the risk-free rate of return, which is adjusted to take into account an embedded option. A basis point is one hundredth of one percent. Bottom chart: Analysis is as of January 31, 1988–February 29, 2016. ISM Manufacturing refers to the ISM Manufacturing Composite Index, which is based on surveys of manufacturing firms and monitors employment, production, inventories, new orders and supplier deliveries. ISM levels below 45 generally point to recessionary periods in the US economy. Bottom Section Notes: Analysis as of February 5, 2016. Average is based on data from 1985–2015. The chart shows the latest unconditional recession probabilities for various countries and regions in the upcoming 12 months. The economic and market forecasts presented herein are for informational purposes as of the date of this presentation. There can be no assurance that the forecasts will be achieved. Please see additional disclosures at the end of this presentation. **Past performance does not guarantee future results, which may vary.**

3

Individual income sources pose risks. Cash-generating assets often entail elevated volatility.



Heavily relying on single income sources to boost portfolio yield often requires fortitude.

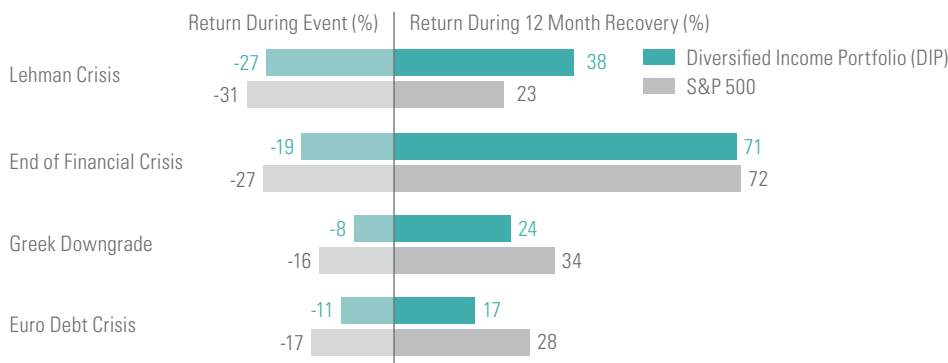
From real estate investment trusts (REITs) to high yield and leveraged loans, the tradeoff of income generation has frequently been price volatility and/or steep historical drawdowns.

Source: Bloomberg and GSAM.



Consider fusing income sources. After equity drawdowns, a diversified range of cash generators has driven attractive returns.

On average, the DIP captures 99% of the upside and only participates in 69% of the downside versus the S&P 500 Index



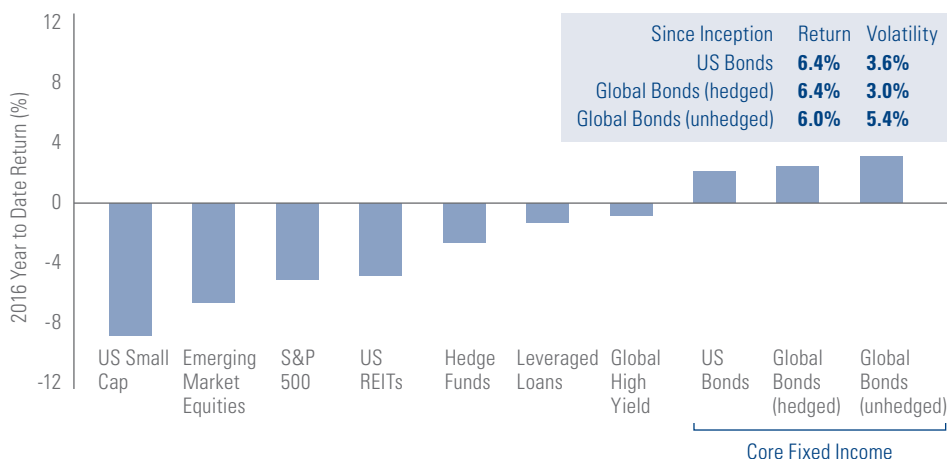
Source: Bloomberg and GSAM.

Historically speaking, a blend of income sources has often outperformed equities.

In recent market downdrafts, a diversified income portfolio has functioned as a buffer to deeper index losses, exhibiting the enviable combination of smaller declines than the broad market with comparable performance recoveries following those declines.

Top Section Notes: Volatility and maximum drawdown calculated from June 2006 (earliest common inception) to February 2016. Volatility is annualized standard deviation using daily returns. Maximum Drawdown, the maximum loss from a peak to a trough of a portfolio before a new peak is obtained, is calculated on a 12 month rolling basis. Abbreviations in the top chart and the corresponding allocations of the asset classes comprising the Diversified Income Portfolio (an illustrative income portfolio) in the bottom chart: 16.2% US Large Cap Value (Russell 1000 Value Index), 8.1% S&P 500 BuyWrite (CBOE S&P 500 BuyWrite Index), 10.5% EAFE Equity (MSCI EAFE TR index), 5.3% EAFE Equity Income Strategy (MSCI EAFE Value TR index), 11.1% Emerging Market Debt (USD) (J.P. Morgan EMBI Global Diversified Index), 5.6% Emerging Market Debt (Local) (J.P. Morgan GBI-EM Global Diversified Index), 17.7% Global High Yield (Barclays Global High Yield Index), 5.5% Leveraged Loans (Credit Suisse Leveraged Loan Index), 4.1% Ex-US REITs (FTSE EPRA/NAREIT ex US TR index), 5.0% US REITs (FTSE NAREIT Composite TR Index), 11.0% MLPs (Alerian Master Limited Partnership Index). All indices are total return. Bottom Section Notes: Returns were calculated from peak to trough surrounding the event listed. 12 month return represents the 12 month period following the trough. Dates for events are as follows: August–October 2008 (Lehman Crisis), December 2008–April 2009 (End of Financial Crisis), March 2010–August 2010 (Greek Downgrade), and July 2011–August 2011 (Euro Debt Crisis). S&P 500 refers to the S&P 500 total return index. These illustrative results do not reflect any GSAM product and are being shown for informational purposes only. No representation is made that an investor will achieve results similar to those shown. Diversification does not protect an investor from market risk and does not ensure a profit. Please see end disclosures for additional definitions. **Past performance does not guarantee future results, which may vary.**

4 Core fixed income still counts. More than one type of core fixed income allocation weathered the volatile start to 2016.



Core fixed income can be broader than just US bonds.

As equities and several diversifying asset classes declined at the start of 2016, core fixed income allocations advanced. We would note that core fixed income can consist of more than US bonds. Historically, allocations benchmarked to the Barclays Global Aggregate Index have delivered comparable or better returns with similar volatility.

Source: Bloomberg and GSAM.



Globalize the core. Global bond allocations can reduce 'home country bias' and rate risk; currency hedging can reduce volatility.

Rate Differentials Could Lead to US Dollar Support and Rate Containment

	Switzerland	Japan	Germany	France	Italy	Spain	UK	US
1 Year	-1.1	-0.2	-0.5	-0.4	-0.1	0.0	0.3	0.6
2 Year	-1.1	-0.2	-0.6	-0.4	0.0	0.0	0.3	0.8
3 Year	-1.1	-0.2	-0.6	-0.4	0.1	0.2	0.4	1.0
5 Year	-1.0	-0.2	-0.4	-0.2	0.5	0.6	0.7	1.3
7 Year	-0.7	-0.2	-0.3	0.0	0.9	1.0	1.0	1.5
10 Year	-0.5	-0.1	0.1	0.5	1.5	1.6	1.4	1.8

Source: Bloomberg and GSAM.

Historically, currency-hedged global bonds have outperformed US bonds with less risk than unhedged allocations.

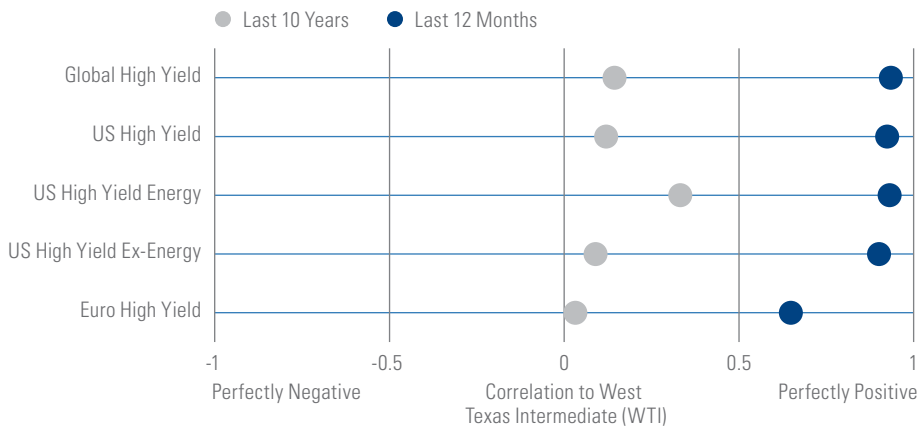
We believe global bond exposure can help enhance investors' core bond holdings by adding country and interest rate diversification, while maintaining a similar risk/return profile to that of traditional core fixed income. Furthermore, global interest rate differentials should support Dollar strength and currency-hedged core exposure.

Top Section: Analysis is based on monthly returns as of February 29, 2016. The bar chart shows year-to-date (YTD) total returns and the callout boxes show annualized return and volatility since common inception (February 28, 1990). Volatility is calculated by the standard deviation of monthly returns. Standard Deviation is a measure of how spread out numbers are. The indices analyzed are: US Small Cap (Russell 2000 Index), Emerging Market Equities (MSCI EM Index), US REITs (FTSE NAREIT Composite TR Index), Hedge Funds (HFRI Fund of Funds Composite Index), Global High Yield (Barclays Global High Yield Index), Leveraged Loans (Credit Suisse Leveraged Loan Index), Global Bonds (unhedged) (Barclays Global Aggregate Bond Index Unhedged), US Bonds (Barclays US Aggregate Bond Index), Global Bonds (hedged) (Barclays Global Aggregate Bond Index Hedged). All indices are total return. Bottom Section: Chart data is as of February 29, 2016. Yields shown are for sovereign debt of various maturities. Please see additional disclosures.

Past performance does not guarantee future results, which may vary.

5

Credit markets have been driven by oil. Concerns about plunging oil prices have polluted investor sentiment.



Oil price anxieties have painted investor attitudes toward credit with a broad brush.

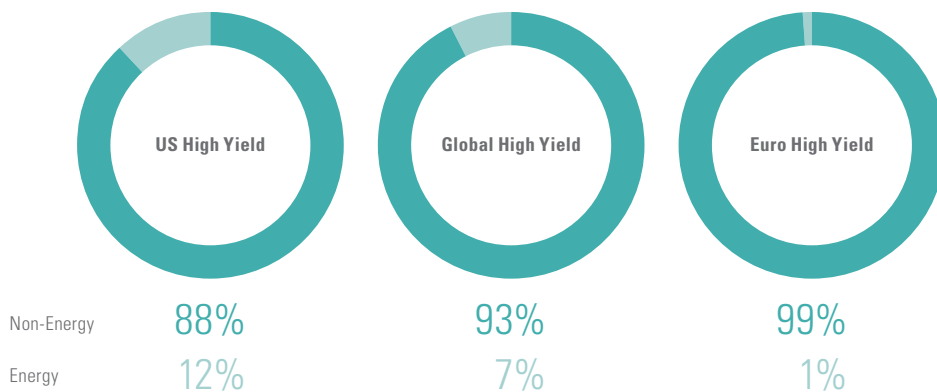
Although we believe we are in later stages of the credit cycle, the investor pessimism over the past year is not justified by corporate fundamentals. Credit spreads—like many risk-asset correlations—have been driven by oil prices to an extreme degree.

Source: Bloomberg and GSAM.



Deploy selectively. Energy dominance masks an opportunity for precision.

We believe a selective and focused approach to credit may help investors weather volatile markets.

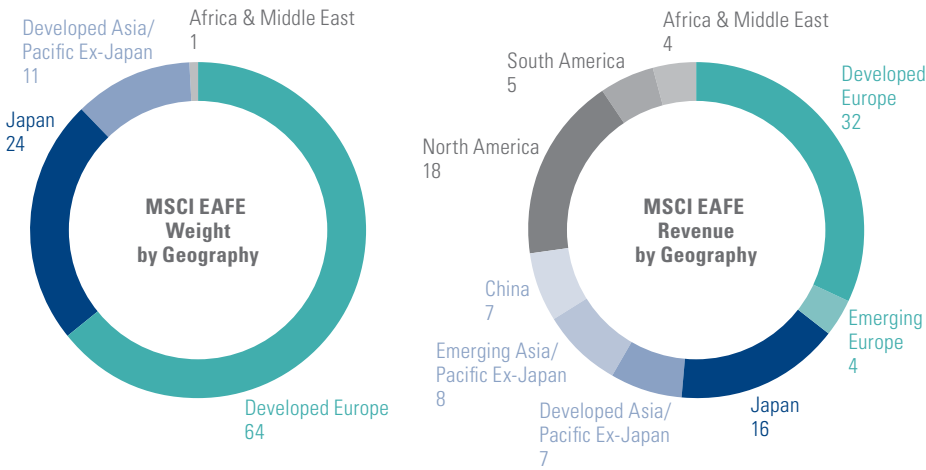


As uncertainty prevails, we think that moving up in credit quality coupled with a thorough analysis of corporate fundamentals may be the path forward. Ultimately, we expect low oil prices to act as a net positive for global growth, and we see opportunities for selective and precise exposure, particularly for high yield assets.

Source: Barclays Live and GSAM.

Top Section Notes: Chart data as of February 12, 2016. Analysis shows the 1 year daily and 10 year monthly correlations of selected High Yield Indices to West Texas Intermediate (WTI) oil prices. The indices analyzed are: Global High Yield (Barclays Global High Yield Total Return Index Value Unhedged USD), US High Yield (Barclays US Corporate High Yield Energy Total Return Index Value Unhedged USD), US High Yield Energy (Barclays High Yield Total Return Index Value Unhedged USD), US High Yield Ex-Energy (Barclays US High Yield Ex-Energy Total Return Index Value Unhedged USD), and Euro High Yield (Barclays European HY 3% Issuer Constraint Total Return Index Value Unhedged EUR). Bottom Section Notes: Chart data as of March 2, 2016. Exposure to the energy sector for selected high yield indices, namely: Barclays US Corporate High Yield, Barclays Global High Yield and Barclays Pan-European High Yield.

6 Revenue sources matter. We believe investors should judge international equity allocations by revenue sources.



In international developed markets, geography alone may not deliver the intended investment exposure.

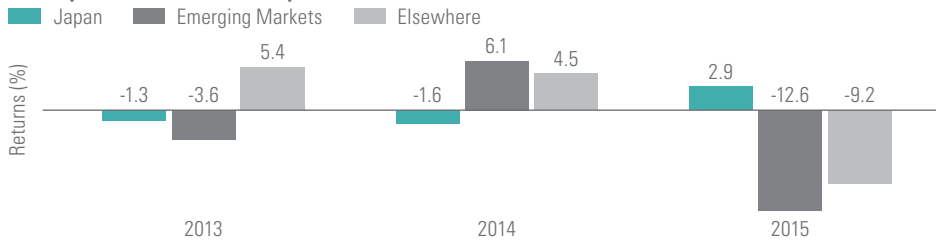
While international equity benchmarks may appear heavily weighted to Europe and Japan (88%), constituents' revenue sources are markedly different, with just 48% from these sources. Also, Emerging Markets (27%) and North America (18%) drive a significant portion of the revenues.

Source: FactSet and GSAM.



Focus on the local recovery, globally. Japanese and Euro area companies appear poised to benefit from local economic growth.

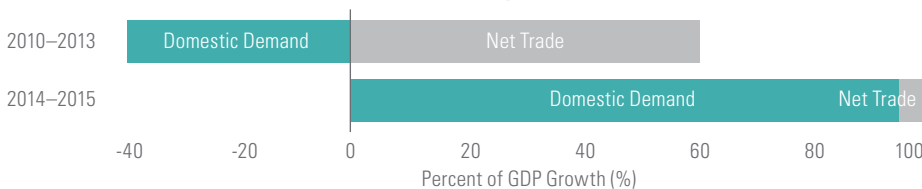
Decomposition of Returns of Japanese Stocks Based on Sales from:



One answer to imprecise exposures is to zero in on positive local trends in Japan and the Euro area.

In Japan, we expect equities with higher exposure to local sales to continue their recent outperformance. In the Euro area, economic growth has been driven increasingly by internal demand—a trend which we believe should benefit firms with exposure close to home.

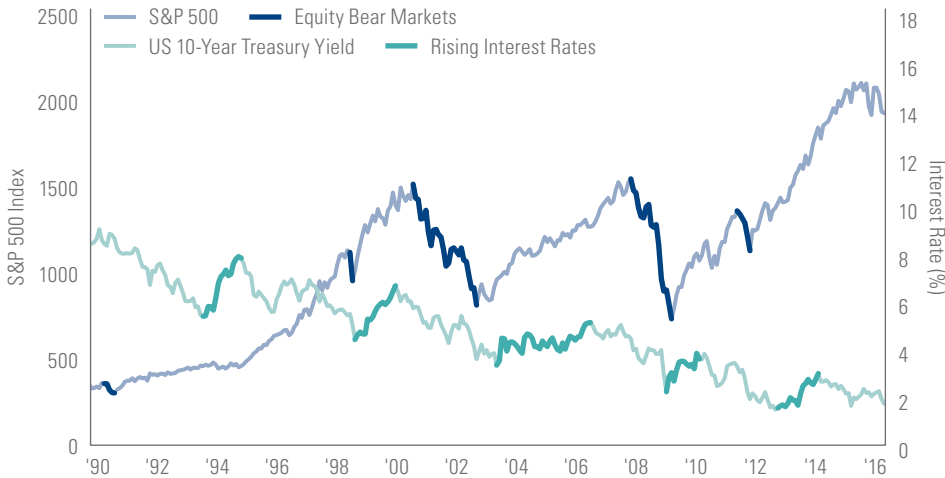
Euro area Breakdown of GDP Growth More Domestically Focused



Top chart source: Corporate Reports, Empirical Research Partners, and GSAM. Bottom chart source: Haver and GSAM.

Top Section Notes: Analysis as of February 11, 2016. The charts depict the breakdown of the MSCI EAFE Index by weight and revenue. Developed Europe includes Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the UK. Data has been rounded for illustrative purposes. Bottom Section Notes: Top Chart is as of January 31, 2016. The analysis looks at large and mid-capitalization Japanese stocks denominated in US Dollars to show relative returns of stocks according to their country/regional reliance on sales. Provided by Empirical Research Partners, LLC. Data excludes Financials and Utilities stocks. Empirical Research Partners does not calculate sales/revenues figures on Financials and Utilities stocks typically don't include foreign sales in their business models. If stocks in these sectors were included, the results may vary. Bottom chart: Analysis is as of year-end 2015. Domestic Demand is the sum of Final Consumption Expenditures and Gross Capital Formations. Net Trade is defined as net exports of goods and services. "GDP" stands for Gross Domestic Product. **Past performance does not guarantee future results, which may vary.**

7 Volatility is 'normal.' The last quarter century has seen recurrent market volatility, not unlike the turbulent start to 2016.



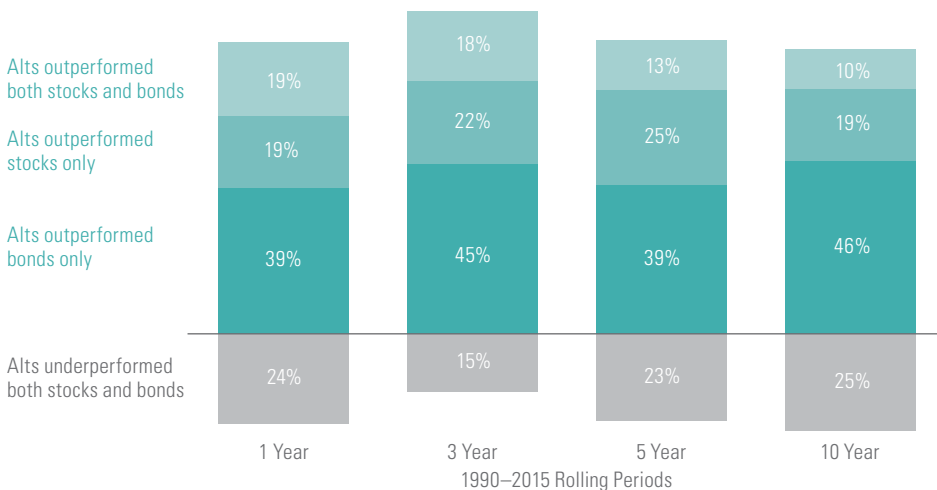
Source: Bloomberg and GSAM.

Since 1990, investors have experienced either an equity bear market or rising rate environment almost half of the time.

If major asset classes are entering a period of moderating returns and heightened volatility, as we believe to be the case, investors may have to work harder for returns—and risk-management measures may rise in importance.



Alternatives can be 'core' strategies. Over the last quarter century, alternatives frequently outperformed stocks or bonds.



Source: Bloomberg and GSAM.

Alternative strategies have outperformed either stocks or bonds (or both) roughly 75% of the time since 1990.

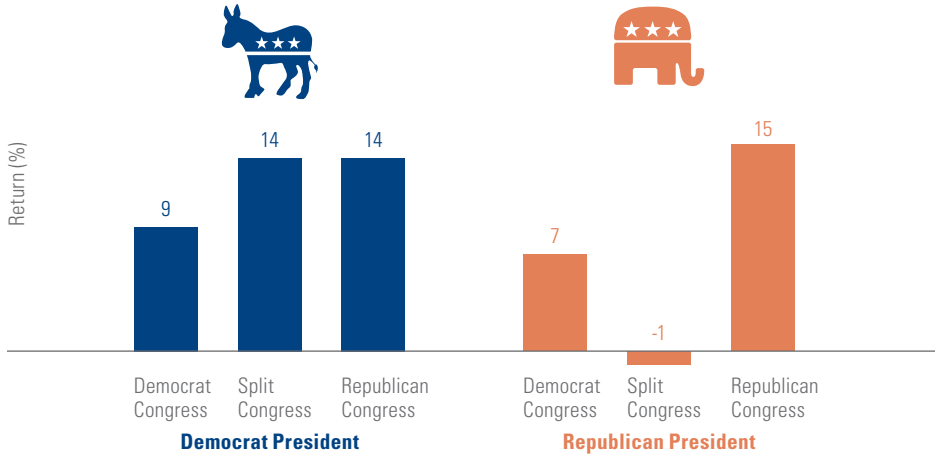
We believe alternative strategies can help investors adapt to an environment of higher market volatility by providing differentiated sources of returns and more tools in pursuit of volatility management.

Top Section Notes: Analysis as of February 26, 2016. Rising rate periods are the five longest periods during which rates rose since 1990. Bear markets are defined as periods in which equities fell by at least 15%. Challenging environments are equity bear markets and rising rate periods. Rising rate periods are defined by rising rates in the 10 Year Yield. Bottom Section Notes: Stocks is represented by S&P 500 Price Index; Bonds is represented by the Barclays US Aggregate Bond Index; Alternatives is represented by the HFRI Fund of Funds Index. 1 Year is 301 periods of 12 month rolling returns, 3 Years is 277 periods of 36 month rolling returns, 5 Years is 253 periods of analysis of 60 month rolling returns, and 10 Years is 193 periods of analysis of 120 month rolling returns. Please see additional disclosures. Time period shown is earliest common inception date (HFRI FOF inception January 1, 1990) through year-end 2015. Data has been rounded for illustrative purposes. **Past performance does not guarantee future results, which may vary.**

8

The US election looms. Headlines are focused on the potential links between political forces and investment portfolios.

Average Annual Price Return of S&P 500



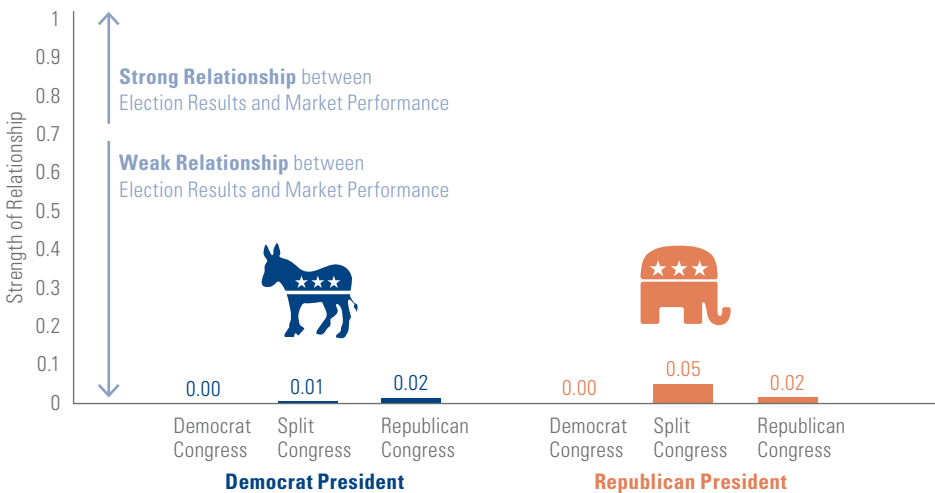
In the limited sample size of US electoral history, certain partisan outcomes are frequently viewed as better for investors than others.

Instances of unified Republican government since World War II historically have, for instance, delivered a 15% average annual return. Other partisan outcomes have coincided with less favorable returns. These data points are often interpreted to suggest an investment advantage for one outcome over another.

Source: Bloomberg and GSAM.



Politics is not primary to portfolios. Data appearing to connect elections to market performance turn out to be weak.



The relationship between election outcomes and market performance is extraordinarily weak, statistically speaking.

The small sample size of US equity returns around US elections necessarily poses inherent limitations for those who would purport to assign advantage for one partisan outcome versus another. For these reasons, we believe investors should strive to separate their political views from their portfolios.

Source: Bloomberg and GSAM.

Top Section Notes: Analysis from December 31, 1946 to December 31, 2015. The S&P 500 returns show average annual price returns for each Presidential party and corresponding Congressional party majority. Republican Congress refers to when both the House of Representatives and Senate have a Republican majority in both chambers; Democrat Congress refers to when both the House of Representatives and Senate have a Democrat majority in both chambers; Split Congress is when House of Representatives and Senate are not controlled by the same party. Bottom Section Notes: Analysis from December 31, 1946 to December 31, 2015. Strength of relationship is determined by R-Squared, a statistical measurement of how close a set of data fits a regression model (best-fitting line).

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Davide Andoloro

Associate, Market Strategist

Davide is responsible for analyzing macroeconomic dynamics and developing timely market views across different asset classes.

Risk Disclosures

Investors should also consider some of the potential risks of alternative investments: Alternative Strategies. Alternative strategies often engage in leverage and other investment practices that are speculative and involve a high degree of risk. Such practices may increase the volatility of performance and the risk of investment loss, including the entire amount that is invested. **Manager experience.** Manager risk includes those that exist within a manager's organization, investment process or supporting systems and infrastructure. There is also a potential for fund-level risks that arise from the way in which a manager constructs and manages the fund. **Leverage.** Leverage increases a fund's sensitivity to market movements. Funds that use leverage can be expected to be more "volatile" than other funds that do not use leverage. This means if the investments a fund buys decrease in market value, the value of the fund's shares will decrease by even more. **Counterparty risk.** Alternative strategies often make significant use of over-the-counter (OTC) derivatives and therefore are subject to the risk that counterparties will not perform their obligations under such contracts. **Liquidity risk.** Alternative strategies may make investments that are illiquid or that may become less liquid in response to market developments. At times, a fund may be unable to sell certain of its illiquid investments without a substantial drop in price, if at all. **Valuation risk.** There is risk that the values used by alternative strategies to price investments may be different from those used by other investors to price the same investments. The above are not an exhaustive list of potential risks. There may be additional risks that should be considered before any investment decision.

Equity securities are more volatile than fixed income securities and subject to greater risks. Small and mid-sized company stocks involve greater risks than those customarily associated with larger companies.

Master Limited Partnerships ("MLPs") may be generally less liquid than other publicly traded securities and as such can be more volatile and involve higher risk. Investments in securities of an MLP involve risks that differ from investments in common stocks, including risks related limited control and limited rights to vote on matters affecting the MLP, risks related to potential conflicts of interest between the MLP and the MLP's general partner, cash flow risks, dilution risks and risks related to the general partner's right to require unitholders to sell their common units at an undesirable time or price. MLPs are also generally considered interest-rate sensitive investments. During periods of interest rate volatility, these investments may not provide attractive returns.

MLPs may also involve substantially different tax treatment than other equity-type investments, and such tax treatment could be disadvantageous to certain types of investors, such as retirement plans, mutual funds, charitable accounts, foreign investors, retirement accounts or charitable entities. In addition, investments in MLPs may trigger state tax reporting requirements. Generally, a master limited partnership ("MLP") is treated as a partnership for Federal income tax purposes. Therefore, investors in an MLP may be subject to certain taxes in addition to Federal income taxes, including state and local income taxes imposed by the various jurisdictions in which the MLP conducts business or owns property. In addition, certain tax-exempt investors in an MLP, such as tax-exempt foundations and charitable lead trusts, may incur unrelated business taxable income ("UBTI") with respect to their investment. UBTI may result in increased Federal, and possibly state and local, tax costs, and may also result in additional filing requirements for tax exempt investors. Non-US investors may be subject to US taxation on a net income basis and have US filing obligations as a result of investing in MLPs. The tax reporting information for MLPs generally is provided to investors on an annual IRS Schedule K-1, rather than an IRS Form 1099. To the extent the Schedule K-1 is delivered after April 15, you may be required to request an extension to file your tax returns.

MLP distributions consist largely of return of capital and not of current income. The ultimate composition of these distributions may vary due to a variety of factors including projected income and expenses, depreciation and depletion, and any tax elections made by the MLP. The final characterization of such distribution will be made when an MLP can determine each investor's share of the MLP's income, expenses, gains and losses. The final tax status of the distribution may differ substantially from this information.

An investment in real estate securities is subject to greater price volatility and the special risks associated with direct ownership of real estate.

Investments in fixed-income securities are subject to credit and interest rate risks. Bond prices fluctuate inversely to changes in interest rates. Therefore, a general rise in interest rates can result in the decline in the bond's price. Credit risk is the risk that an issuer will default on payments of interest and principal. This risk is higher when investing in high yield bonds, also known as junk bonds, which have lower ratings and are subject to greater volatility. All fixed income investments may be worth less than their original cost upon redemption or maturity.

Although Treasuries are considered free from credit risk, they are subject to interest rate risk, which may cause the underlying value of the security to fluctuate.

There may be additional risks that are not currently foreseen or considered.

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Glossary

Equities

The **S&P 500 Index** is the Standard & Poor's 500 Composite Stock Prices Index of 500 stocks, an unmanaged index of common stock prices. The index figures do not reflect any deduction for fees, expenses or taxes. It is not possible to invest directly in an unmanaged index.

The **S&P Developed ex-US Property Index** measures the performance of real estate companies domiciled in countries outside the United States.

The **S&P Developed ex US Small Cap Index** covers the smallest 20% of companies from developed countries (excluding the US) ranked by total market capitalization.

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. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

The **Russell 1000 Value Index** is an unmanaged index of common stock prices that measures the performance of the large-cap value segment of the US equity universe.

The **FTSE NAREIT Composite Total Return Index** is a free-float weighted index that tracks US REITs and publicly-traded real estate companies.

The **FTSE EPRA/NAREIT Developed ex US Index** is a subset of the FTSE EPRA/NAREIT Developed Index and is designed to track the performance of listed real estate companies and REITs.

The **Dow Jones US Select Real Estate Securities Index** is a float-weighted index that measures US publicly traded real estate securities.

The **MSCI Emerging Markets Index** is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets.

The unmanaged **MSCI EAFE Index** (unhedged) is a market capitalization weighted composite of securities in 21 developed markets.

The **MSCI Hong Kong Index** is designed to measure the performance of the large and mid cap segments of the Hong Kong market. With 43 constituents, the index covers approximately 85% of the free float-adjusted market capitalization of the Hong Kong equity universe.

The **MSCI Japan Index** is designed to measure the performance of the large and mid cap segments of the Japanese market. With 318 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan.

The **MSCI Switzerland Index** is designed to measure the performance of the large and mid cap segments of the Swiss market. With 40 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Switzerland.

Fixed Income

The **Barclays Global High Yield Index** provides a broad-based measure of the global high-yield fixed income market.

The **10-Year Treasury** is a US Treasury debt obligation that has a maturity of 10 years.

The **J.P. Morgan Corporate Emerging Markets Bond Index** (CEMBI) is a global, liquid corporate emerging markets benchmark that tracks U.S.-denominated corporate bonds issued by emerging markets entities.

The **J.P. Morgan GBI-EM Global Diversified Composite Index** tracks local currency bonds issued by emerging market sovereign issuers.

The **Barclays US Corporate High Yield 2% Issuer Capped Bond Index** is an issuer-constrained version of the flagship US Corporate High Yield Index, which measures the USD-denominated, high yield, fixed-rate corporate bond market. The index follows the same rules as the uncapped version, but limits the exposure of each issuer to 2% of the total market value and redistributes any excess market value index wide on a pro rata basis.

The **Barclays Euro High Yield Index** measures the market of non-investment grade, fixed-rate corporate bonds denominated in Euro. Inclusion is based on the currency of issue, and not the domicile of the issuer. The index excludes emerging market debt.

The **Barclays Global Aggregate Index** provides a broad-based measure of the global investment-grade fixed income markets. The three major components of this index are the U.S. Aggregate, the Pan-European Aggregate, and the Asian-Pacific Aggregate Indices. The index also includes Eurodollar and Euro-Yen corporate bonds, Canadian government, agency and corporate securities, and USD investment grade 144A securities.

The **Barclays Aggregate Bond Index** represents an unmanaged diversified portfolio of fixed income securities, including U.S. Treasuries, investment-grade corporate bonds, and mortgage backed and asset-backed securities.

The **Barclays Pan-European Aggregate Bond Index** tracks fixed-rate, investment-grade securities issued in the following European currencies: Euro, British pounds, Norwegian krone, Danish krone, Swedish krona, Czech koruna, Hungarian forint, Polish zloty, and Slovakian koruna.

The **BofA Merrill Lynch Option-Adjusted Spreads** (OASs) are the calculated spreads between a computed OAS index of all bonds in a given rating category and a spot Treasury curve. An OAS index is constructed using each constituent bond's OAS, weighted by market capitalization. The BofA Merrill Lynch High Yield Master II OAS uses an index of bonds that are below investment grade.

A **credit spread** is the spread between Treasury securities and non-Treasury securities that are identical in all respects except for quality rating.

Other

The **CBOE S&P 500 BuyWrite Index** is a benchmark designed to track the performance of a hypothetical buy-write strategy on the S&P 500 Index.

The **S&P GSCI Commodity Index** is a composite index of commodity sector returns, representing an unleveraged, long-only investment in commodity futures that is broadly diversified across the spectrum of commodities.

The **S&P 500 Global Infrastructure Index** tracks 75 companies from around the world chosen to represent the listed infrastructure industry while maintaining liquidity and tradability.

The **Credit Suisse Leveraged Loan Index** mirrors the investable universe of the USD denominated leveraged loan market

The **HFR Index** is an equal weighted, net of fee, index composed of approximately 800 fund-of-funds which report to HFR.

West Texas Intermediate (WTI), also known as Texas light sweet, is a grade of crude oil used as a benchmark in oil pricing.

The **Alerian MLP Index** is the leading gauge of energy Master Limited Partnerships (MLPs). The float-adjusted, capitalization-weighted index, whose constituents represent approximately 85% of total float-adjusted market capitalization, is disseminated real-time on a price-return basis (AMZ) and on a total-return basis (AMZX).

Index Benchmarks

Indices are unmanaged. The figures for the index reflect the reinvestment of all income or dividends, as applicable, but do not reflect the deduction of any fees or expenses which would reduce returns. Investors cannot invest directly in indices.

The indices referenced herein have been selected because they are well known, easily recognized by investors, and reflect those indices that the Investment Manager believes, in part based on industry practice, provide a suitable benchmark against which to evaluate the investment or broader market described herein.

A Long-term Partnership

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