Who We Are: Research As Portfolio Manager

LPL Financial Research

Part of understanding who LPL Financial Research is comes from understanding our organizational and decision-making structure. However, perhaps even more important to answering the question of who we are is to understand:

- What is our investment philosophy?
- What is our motivation?
- What are our core beliefs?

LPL Financial Research serves two roles:

- To provide due diligence.
- To provide investment management advice.

When we act as an investment manager, we provide advice in the area of asset allocation models and complete portfolio construction. From there, you and your advisor can decide how to best leverage this advice, in conjunction with our due diligence advice, to help build the portfolio that best meets your needs.

LPL Financial Research Is an Opportunistic, All-market, All-weather Portfolio Manager

In its most basic form, portfolio managers can either be aggressive or defensive in their posturing and investment philosophy. Each posture presents opportunities in different market circumstances. On average, the S&P 500 rises about 8% per year (based on the last 20 years). Defensive positioning can be problematic when markets move higher more often than not and can be expensive to implement. Additionally, hedging and alternative investments are not always cost-effective. Conversely, an aggressive stance may result in capturing more downside than upside, which consequently can be difficult to recoup. Therefore, we believe the right posture is to seek opportunities in positive market and be cautious in down markets to try and avoid those large downdrafts. We seek to add value in all conditions so we negotiate ever-changing markets using a dynamic and active management style.

We do understand that there are different levels of dynamic management that investors seek. On the two extremes, we construct portfolios that are very opportunistic, which are considered for tactical positioning (trading daily), and others that are more strategic, which are monitored often, but typically only trade every couple of years. In addition, we do know that investors have changing needs, outside of just trading frequency. Therefore, we do create asset allocation models and complete portfolios to help meet these different needs.

Our Overarching Beliefs and Philosophy

Our overarching beliefs and philosophy remain the same as does our very consistent underlying process, with respect to items like the inputs, voting committees, monitoring requirements, and other facets. However, we do modify our advice and recommendations as needed.

We believe in the diversity of thought. Therefore, our team is highly collaborative and interactive in the way we manage our portfolio strategies. While each organizational team has its individual role, communication among the teams is constant, which is further promoted by our decision-making structures. Our collaborative process between members of our team with specific experience ensures that all of our models are well diversified, but are also managed and communicated to ensure your trust.

In order to accomplish our goal of being a trusted portfolio manager, we are not conflicted in our decision making. We do not believe that you can make reliable investment decisions if conflicts are present. LPL Financial Research has no proprietary products to sell, no investment banking relationships to promote, and no other business conflicts that may impede us from providing unbiased research. We are compensated based on what is most important to you: the performance of our recommended models and investments.

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