

# 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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#### IMPORTANT DISCLOSURES

The opinions voiced in this material are for general information only and are not intended to provide any specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing.

Past performance is no guarantee of future results.

**Investors should consider the investment objective, risks, charges and expenses of the investment company carefully before investing. The prospectus contains this and other information about the investment company. You can obtain the prospectus from your financial advisor. Read carefully before investing.**

The strategic asset allocation process projects a three- to five-year time period. While the strength of the asset allocation decisions is retested often, we do not anticipate making adjustments until midway through the strategic time frame, which generally is about every two to three years. If significant market fluctuations warrant a change, adjustments may be made sooner.

Tactical portfolios are designed to be monitored over a shorter time frame to potentially take advantage of opportunities as short as a few months, weeks, or even days. For these portfolios, more timely changes may allow investors to benefit from rapidly changing opportunities within the market.

Asset allocation does not ensure a profit or protect against a loss.

There is no assurance that the techniques and strategies discussed are suitable for all investors or will yield positive outcomes. The purchase of certain securities may be required to effect some of the strategies. Investing involves risks including possible loss of principal.

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

This research material has been prepared by LPL Financial.

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.

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