

Who We Are: Role and Team Structure

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?

Our Role

Over the years since our inception, we have had to adapt to changing market conditions as the investing playing field continues to evolve with new participants, products, and investment ideas. Consequently, we have evolved the role and structure of the LPL Financial Research Team to help satisfy the needs of our advisors and clients. Originally, the Research Team was constructed to provide recommended lists. We then moved in to provide simplistic asset allocation advice.

Now, the LPL Financial Research Team serves two primary roles:

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

To serve these two roles, we have increased the number of Research staff with qualified analysts, many of whom have received advanced degrees or well-known designations to ensure you receive professional advice. Additionally, we have branched out and now have our own dedicated communications, marketing, and service teams.

Our Structure

The Research Team is separated into several groups that are designed to work together to perform high-quality due diligence, create optimal portfolios, provide strong customer service, and effectively communicate our advice to advisor and clients.

In order to do this, we have two structures: a traditional organizational structure and a decision-making structure.

Organizational Structure and Responsibilities

Our organizational structure groups teams together that perform similar functions. Here is a brief description of the responsibilities of each of the groups represented in the organizational structure.

- **Investment Strategy Group (ISG):** Recommends new investment ideas and monitors current allocations using our traditional fundamental, valuation, and technicals framework for analysis.
- **Manager Strategy Group (MSG):** Provides due diligence on mutual funds, separately managed accounts, variable annuity subaccounts, third-party investment advisors, and alternative investments.
- **Portfolio Strategy Group (PSG):** Manages portfolios holistically—asset allocation combined with individual holdings—to ensure our portfolios are positioned and designed as we want them to be.
- **Investor Strategy:** Serves as the primary “face” of Research—providing the majority of our commentaries, educational, and informational pieces.

- **ASK Research:** Serves as our dedicated service team for your advisor to answer any questions they may have and provide us with the best insight as to your current needs or concerns.
- **Marketing & Communications:** Communicates our ideas to ensure we provide enough transparency to keep you informed about our investment decisions, including recommendations and changes.
- **Custom Solutions:** Provides any tweaks of our investment advice to meet the needs of a specific distribution channel or client type. This group also monitors outside strategists on centrally-managed platforms.

For more details, please see the Research Organization chart on the Resource Center.

Decision-Making Structure and Responsibilities

Our decision-making structure is different from our traditional organizational structure. Our organizational structure is one of silos—where everyone who serves a similar function is part of the same group. However, we believe that the best decision-making is done by groups that have more varied perspective.

We provide due diligence initially and then at least annually going forward on about 800 investments. Additionally, we manage more than 265 different portfolios. We used to make decisions in our organizational silos and bubble of all decisions to one investment committee; however, that one committee had too many decisions to make and was inefficient. Therefore, we changed our structure, as it is imperative that we have an efficiently constructed investment decision-making structure.

By combining members from all of the organizational groups listed above, we created Portfolio Management Teams (PMTs) that are assigned a set of models with similar investment philosophies. The five teams are Alpha Focused, All Weather Tactical, Downside Risk Aware, Opportunistic, and Strategic. This new structure improves communication among the members of Research and allows us to incorporate each group’s strengths and perspective on the portfolios into one team.

The original Investment Committee was also split up into the Macro Policy Team (MPT) and the Portfolio Implementation Team (PIT) to work effectively with the new PMT structure. The MPT meets throughout the week to discuss macro issues regarding both domestic and foreign economies that can influence asset classes, sectors, and markets. While all are welcome to attend, the leader of each PMT is required to attend these meetings to incorporate the view of the MPTs into their recommendations for their models. When the PMTs are ready to make a recommendation, they present their recommendations to the PIT. Final recommendations are reviewed by the PIT in which we review sell disciplines, map out alternative replacements, and determine the appropriate course of action.

The MPT and PIT meet daily for a short period of time and then have longer weekly meetings. Notes are taken and shared at every meeting, which are

used to highlight the objectives and agenda for the following meeting. In order to make sure we are on top of everything, we follow a process on a daily, weekly, and monthly basis in these dedicated meetings.

- **Daily:** The Daily Performance Report and monitoring report are circulated to all members of the Research team. We review individual recommendations and portfolio behavior to look for outliers or items not acting as we would expect.
- **Weekly:** The three organizational investment groups—ISG, MSG, and PSG—bring dashboards they have created for their respective coverage area to point out any outliers or any changes that affect our original investment thesis. The PMTs for each group of models present their findings and make recommendations as needed. We also review sell disciplines to see if any recommendations are no longer in favor.
- **Monthly:** We do a deep dive, look back at performance, and review each portfolio to ensure they are behaving as expected.
- **Ad hoc “huddles”:** Investing is a dynamic process and these are called when needed to address important items.

This new structure allows for all members of the Research Team to be more engaged in our due diligence and portfolio management activities and to learn from one another by bringing different perspectives to the portfolios. We continually strive to find ways to more effectively evolve our due diligence process and to improve your investment experience through increased transparency and improved performance.

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.

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.

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