Platform: Strategic Asset Management

LPL Financial Research

You and your advisor can pick and choose from the spectrum of LPL Financial Research guidance to find the platform that best meets your needs. One of the platforms available to your advisor to build your portfolio and leverage the expertise of LPL Financial Research is Strategic Asset Management, or SAM.

Investment Philosophy

LPL Financial Research is an opportunistic, all-market, all-weather due diligence provider and portfolio manager. Through our investment and portfolio recommendations, we aim to avoid downside and capture upside. To this end, we are conservative when markets are tough and aggressive when they are rising. Though a very broad investment mandate, we believe this is the only way to effectively provide recommendations for our advisors and their clients.

What Is SAM?

Strategic Asset Management (SAM) is a comprehensive, open-architecture, fee-based investment platform created to help LPL Financial advisors deliver highly customized advice and exceptional service to their clients. The platform provides a foundation to help advisors develop a successful relationship by thoroughly understanding your long-term financial goals and offering flexible strategies to help achieve them. With those goals in mind, you and your advisor have the flexibility to choose from more than 8,000 mutual funds from 450 fund families, individual stocks and bonds, closed-end funds (CEFs), exchange-traded funds (ETFs), unit investment trusts (UITs), strategies, several fee-based variable annuities, and certain alternative investments to build your portfolio. LPL Financial Research assists your advisor in the SAM portfolio construction process in two ways: asset allocation and manager recommendations.

Asset Allocation — Adapting to Market Conditions

Asset allocation is important because, when investing in multiple asset classes, your portfolio may perform more consistently over time and it may minimize the risk of underperformance. Market conditions that can help one asset class to perform well may cause another to have average or poor returns over the same time period. And, a portfolio consisting of a diversified group of investments may be able to limit your losses and reduce the fluctuations of investment returns without sacrificing potential gain.

LPL Financial Research provides advice on both strategic and tactical asset allocation models within SAM. The key difference between these two types of advice is the timeframe over which we are targeting investment opportunities. Our strategic asset allocation process looks out over a three- to five-year time period. Quarterly, we retest the strength of our asset allocation recommendations. However, we do not anticipate making adjustments until "halftime" of our strategic timeframe, which generally is about every two to three years. If significant market fluctuations warrant a change, however, we may make adjustments sooner, though we anticipate this being a very rare occurrence.

Relative to strategic asset allocation, tactical models are designed to focus on a much shorter timeframe, and potentially take advantage of opportunities as short as a few months. Tactical asset allocation is not the same as "market timing." Rather, more timely changes may allow portfolios to benefit from rapidly changing opportunities within the market. For more information, please refer to *What We Do: Types of Asset Allocation.*

Manager Recommendations — Selecting the Right Pieces

Our investment manager selection and due diligence efforts for mutual funds and fee-based variable annuity subaccounts are based on a thorough investment discipline to help make your decision easier. Our

Asset Allocation	Strategic, Tactical
Product Recommendations	Mutual Funds (Equity, Fixed Income, Alternative Strategies), Fee-Based Variable Annuity Subaccounts
Unique Factors	SAM Alternative Strategy Models, Fee-Based Variable Annuity Optional Benefit
Transparency	SAM/Recommended Mutual Fund Trade Logs, SAM/ Recommended Models, SAM Quarterly Performance Update, Recommended Mutual Fund Fact Sheet, Recommended Mutual Fund Investment Thesis, Recommended Fee-Based Variable Annuity Trade Logs

recommendations are unbiased. As an independent firm, you and your advisor can be confident we are making decisions based solely on recommending the best investment option for a specific purpose.

The LPL Financial Research due diligence process combines quantitative and qualitative screening factors and analysis that do not include or consider in any way any financial arrangements or business relationships that may exist between LPL Financial and the manager. Our goal is to identify managers that have demonstrated the ability to consistently outperform the appropriate benchmark and peer group with a process that is identifiable and repeatable.

The most visible representation of the Research due diligence process is found in our SAM/Mutual Fund Recommended List. With this list, our team narrows the broad investable mutual fund universe from the thousands to a list of approximately 200, representing nearly 50 asset classes and sectors, including equity, fixed income, and alternative strategy mutual funds. For more information, please refer to *Due Diligence: Mutual Fund Process.*

In addition, we make recommendations for the fee-based variable annuities that are available in SAM. In making these recommendations, we adhere to the same core investment philosophy and have constructed these models to be consistent with our best investment advice, implemented using the available investment options specific to each annuity provider. For more information please refer to *Due Diligence: Variable Annuity Subaccount Process.*

With regard to exchange-traded products (ETPs)—CEFs, ETFs, and exchange-traded notes (ETNs)—we search for the most appropriate products to replicate the asset allocation exposure we are trying to express in a given portfolio. Some of the factors we consider, but are not limited to, include: correlation, tracking error, liquidity, bid-ask spreads, and premium/discount to net asset value. For more information, please refer to *Due Diligence: Exchange-Traded Product Process.*

LPL Financial Research also conducts due diligence on alternative investment products that are available on the SAM platform, including business development companies (BDCs), hedge funds, fund of hedge funds, managed futures, and Real Estate Investment Trusts (REITs).

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.

Investing in mutual funds involves risk, including possible loss of principal. Investments in specialized industry sectors have additional risks, which are outlined in the prospectus. The fund's concentrated holdings will subject it to greater volatility than a fund that invests more broadly.

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

Nontraditional 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 nontraditional investments may accelerate the velocity of potential losses. Long positions may decline as short positions rise, thereby accelerating potential losses to the investor.

An Exchange Traded Note (ETN) is a senior unsecured debt obligation, usually issued by a bank or financial institution, designed to track the total return of an underlying index or benchmark less applicable fees.

An Exchange Traded Fund (ETF) is an investment vehicle designed to track a particular index by offering ownership in a basket of securities that replicate that index, such as the S&P 500 or the Dow Jones Industrial Average. ETFs trade like stocks on major exchanges and offer several benefits such as lower expense ratios, trading flexibility and tax efficiency.

Principal Risk: An investment in Exchange-Traded Funds (ETF), structured as a mutual fund or unit investment trust, involves the risk of losing money and should be considered as part of an overall program, not a complete investment program. An investment in ETFs involves additional risks: not diversified, the risks of price volatility, competitive industry pressure, international political and economic developments, possible trading halts, and index tracking error.

Managed Futures funds use systematic quantitative programs to find and invest in positive and negative trends in the futures markets for financials and commodities. Historically, the benefit of managed futures have been solid long-term returns with very low correlation to equities and fixed income securities.

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 information is not intended to be a substitute for specific individualized tax, legal, or investment planning advice. We suggest that you discuss your specific tax issues with a qualified tax advisor

A closed-end fund is a publicly traded investment company that raises a fixed amount of capital through an initial public offering (IPO). The fund is then structured, listed and traded like a stock on a stock exchange.

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.

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values and yields will decline as interest rates rise and bonds are subject to availability and change in price.

Stock investing involves risk including loss of principal.

Unit Investment Trusts (UITS) are a fixed portfolio of securities with a set term. Strategies are long term, therefore investors should consider their ability to pursue investing in successive trusts and the tax consequences.

An Annuity is a financial product sold by financial institutions that is designed to accept and grow funds from an individual and then, upon annuitization, pay out a stream of payments to the individual at a later point in time. Annuities are primarily used as a means of securing a steady cash flow for an individual during their retirement years.

Options are not suitable for all investors and certain options strategies may expose investors to significant potential losses, such as losing the entire amount paid for the option.

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 affect some of the strategies. Investing involves risks including possible loss of principal.

Correlation is a statistical measure of how two securities move in relation to each other. Correlations are used in advanced portfolio management.

Tracking Error: A measure of the consistency or volatility (standard deviation) of excess returns relative to a benchmark.

There is no guarantee that the Business Development Company (BDC) will achieve its investment objectives. Investing in private equity and private debt is subject to significant risks and may not be suitable for all investors. These risks may include limited operating history, uncertain distributions, inconsistent valuation of the portfolio, changing interest rates, leveraging of assets, reliance on the investment advisor, potential conflicts of interest, payment of substantial fees to the investment advisor and the dealer manager, potential illiquidity and liquidation at more or less than the original amount invested.

Investing in real estate/REITs involves special risks such as potential illiquidity and may not be suitable for all investors. There is no assurance that the investment objectives of this program will be attained.

Conservative FOFs classified as "Conservative" exhibit one or more of the following characteristics: seeks consistent returns by primarily investing in funds that generally engage in more "conservative" strategies such as Equity Market Neutral, Fixed Income Arbitrage, and Convertible Arbitrage; exhibits a lower historical annual standard deviation than the HFRI Fund of Funds Composite Index. A fund in the HFRI FOF Conservative Index shows generally consistent performance regardless of market conditions.

A variable annuity is an investment product with an insurance wrapper that offers tax-deferred growth, professionally managed investment portfolios, a death benefit and flexible withdrawal options that can help create a retirement income stream for life. For investors age 65 and over, guaranteed lifetime withdrawal guarantees range between 4.5% and 5.3% for single life riders. Variable annuities are long-term, tax-deferred investment vehicles designed for retirement purposes and contain both an investment and insurance component. They are sold only by prospectus. Guarantees are based on the claims paying ability of the issuer. They carry surrender charges, mortality and expense risk charges, administrative charges as well as investment fees and charges. By employing a variable annuity as part of a client's overall retirement plan the client can maintain their participation and flexibility in the equity market, and through the use of optional income features, can also secure a predictable income stream for the rest of their life.

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.

Not FDIC or NCUA/NCUSIF Insured | No Bank or Credit Union Guarantee | May Lose Value | Not Guaranteed by any Government Agency | Not a Bank/Credit Union Deposit