

What We Do: Quad-Core Methodology

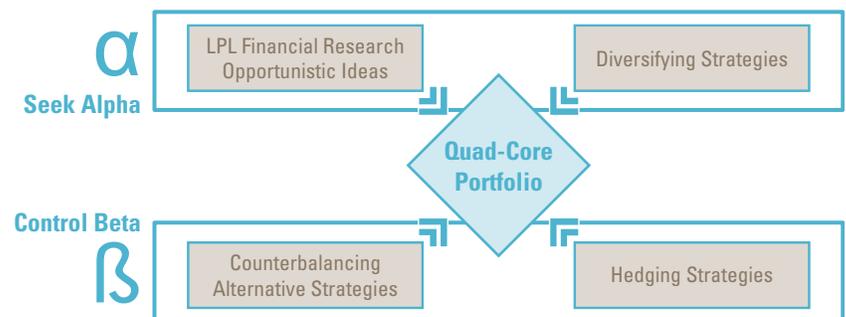
LPL Financial Research

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.

Overall, the Quad-Core four-pronged methodology is intended to provide a more diversified approach to portfolio management. Its purpose is to attempt to mitigate any biases within the LPL Financial Research process. Therefore, it is meant to go beyond the traditional fundamental, valuation, and technical analysis we conduct. At all times, portfolios that utilize the Quad-Core methodology will be comprised of ideas from each of the four categories detailed below. However, the allocation among the four portions will fluctuate over time, depending on market conditions and outlooks.

Quad-Core Methodology



- **LPL Financial Research Opportunistic Ideas:** This component searches for tactical opportunities in the market based on the LPL Financial Research investment process. It incorporates momentum ideas to help capitalize on market fluctuations and employs the use of our technical analysis overlay to reduce emotional bias. This component may also include contrarian ideas in order to “over-diversify” by encompassing investments which are currently unpopular. These LPL Financial Research ideas will likely be about 30–75% of the portfolio and seek to help it realize gains on the upside and help protect from losses on the downside.
- **Diversifying Strategies:** The Quad-Core philosophy takes a “think differently” approach to investing. We believe all investors, including us, have biases in how we invest. These biases may lead to portfolios that can habitually underperform in certain markets. Incorporating other managers’ ideas into our process attempts to provide the portfolio with some different perspectives to reduce the LPL Financial Research bias. The approximate allocation to this category will be about 15–40% and may help limit volatility during market fluctuations.
- **Counterbalancing Alternative Strategies:** This component is an integral part of the Quad-Core approach. Portfolios that utilize this approach tend to be more benchmark-agnostic than other LPL Financial Research portfolios. Alternative strategies will typically comprise

30–50% of the portfolio in order to try and realize more non-correlated market performance. Implementing a wide variety of alternative strategies is an attempt to achieve positive rates of return, even when markets are volatile.

- **Hedging Strategies:** Strategic hedging strategies are core to the philosophy and will be a 10–50% allocation to help ensure that there is always a downside-protecting bias. Quad-Core portfolios seek to cut down the tails of a normal distribution, the really good and the really bad, in order to seek positive rates of return. For these portfolios, preventing losses is much more important than maximizing profits. Incorporating strategic hedging strategies in the Quad-Core approach may help the portfolio reach a positive position even during market plunges.

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.

Structured Products typically have two components; a note and a derivative at a fixed maturity. They are complicated investments intended for a "buy and sell" strategy and offer protection from downside risk in exchange for forgoing some upside potential to achieve that protection. Principal protection may vary from partial to 100 percent.

Investing in Structured Notes is not equivalent to investing directly in the underlying securities of the index and carry risks such as loss of principal and the possibility that you may own the referenced asset at a lower price, due to economic and market factors that may either offset or magnify each other. At maturity, if the derivative turns out to be valuable, the investor can gain exposure to the upside of that index.

Absolute Return funds have the goal of providing a positive return in all market conditions and tend to have low volatility and provide bond-like returns. They also tend to have a very low correlation to bonds and low correlation to stocks. Because of their goal of low to moderate volatility, these securities are more suited for accounts with more moderate risk/return goals.



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.

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

Low correlation means that different asset types have not performed in the same way: When returns on some asset types were declining, returns on others were gaining.

Interest Rate Risk is the risk that an investment's value will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship. Such changes usually affect securities inversely and can be reduced by diversifying (investing in fixed-income securities with different durations) or hedging (e.g. through an interest rate swap).

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.

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