Who We Are: Research As Due Diligence Provider

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 primary roles:

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

The LPL Financial Research team believes that not all investment managers and products are appropriate for everyone. As headlines have made clear to all of us, some investments are not appropriate for anyone—as they are based on fraud or fiction. Some investments appear sound, but are really based on luck instead of skill—and, at some point, luck does run out. Other investments are appropriate for those who understand the complexities and issues involved and are financially and emotionally willing to take on those risks. Our goal is to help vet the vast universe of available products and provide guidance about which ones we believe are sound and what type of investor they would appeal to.

Conflict-Free Decision-Making

In order to accomplish our goal, 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.

A plethora of investment products are available to investors including mutual funds, exchange-traded products, variable annuities, and alternative investments—all of which have many moving parts that can be a daunting task to track and monitor. Mutual fund managers may alter their investment style or switch from managing one fund to another. Exchange-traded products (ETPs), the term we use to include exchange-traded funds (ETFs), exchange-traded notes (ETNs), and closed-end funds (CEFs), are growing quickly and newer more exotic products that invest in derivatives, such as futures contracts or swaps, may behave differently than your expectations due to features of their underlying holdings. Variable annuity subaccounts are ever changing and requirements about what can be held where continue to evolve with annuities riders and other considerations. Some alternative investments may not offer sufficient transparency, which can be worrisome considering all the mistrust that has surfaced in recent years.

Monitoring and Due Diligence

One of our primary roles is to monitor and provide due diligence on these products. We do this for two reasons:

- To educate investors about these products and how they can help you reach your financial goals.
- To provide recommendations on particular products.

LPL Financial

Our role as due diligence provider is primarily carried out by our Manager Strategy Group (MSG). Our analysts conduct traditional due diligence which consists of both quantitative and qualitative research. Our main goal is to learn about the firm, portfolio managers and other investment personnel, as well as their investment strategy and process. We use both proprietary and third-party analysis to accomplish these goals. Both recommendations and approvals are important — there are times when we feel comfortable making a formal recommendation and there are others, when additional factors are in place, where we provide product approvals. The MSG provides in-depth due diligence and recommendations on open-end mutual funds, separately-managed accounts, and ETPs. Additionally, this team approves all other separately-managed account managers, third-party investment advisors, and alternative investments.

For more details on the processes we employ on specific products, please reference the products and process publications in the Due Diligence Suite.

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 involve risk, including possible loss of principal. Investments in specialized industry sectors have additional risks, which are outlined in the prospectus.

Principal risk: An investment in Exchange Traded Funds (ETFs), 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, Index tracking error.

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.

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 alternative investments may accelerate the velocity of potential losses.

Variable annuities are long-term, tax-deferred investment vehicles designed for purposes and contain both an investment and insurance component. They are sold only prospectus. Guarantees are based on claims paying ability of the issuer. Withdrawals made prior to age 59 1/2 are subject to a 10% IRS penalty tax and surrender charges may apply. Gains from tax-deferred investments are taxable as ordinary income upon withdrawal. The investment returns and principal value of the available sub-account portfolios will fluctuate so that the value of an investor's unit, when redeemed, may be worth more or less than their original value.

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.

Derivatives 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.

Derivatives involve additional risks including interest rate risk, credit risk, the risk of improper valuation and the risk of non-correlation to the relevant instruments they are designed to hedge or to closely track.

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.

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.