Platform: Personal Wealth Portfolios

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 Personal Wealth Portfolios, or PWP.

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 PWP?

Personal Wealth Portfolios, a centrally managed fee-based platform available through LPL Financial, provides the framework to deliver sophisticated investment strategies for you in an efficient way. The portfolios have potential to benefit from leveraging the experience and resources of LPL Financial Research, which constructs asset allocation models, selects quality managers, and provides ongoing due diligence and monitoring. Portfolios may contain separately managed, mutual funds, exchanged-traded funds (ETFs), or some combination of the three. The Overlay Portfolio Management Group uses state-of-the-art technological monitoring, rebalancing*, and tax management services to ensure the portfolio remains in line with the chosen investment strategy.

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 purely strategic models and strategic models with a tactical element within PWP. The key difference between these two types of advice (strategic vs. tactical) 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, the tactically managed sleeves 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 can 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, separately managed accounts (SMAs), and exchange-traded products (ETPs)—including closed-end funds (CEFs), exchange-traded notes (ETNs), and ETFs—in PWP are based on a thorough investment discipline to help make your decision easier. Our recommendations are unbiased. As an

*Rebalancing may incur a taxable event.

Asset Allocation	Strategic, Strategic with Tactical Sleeves
Product Recommendations	SMAs, Mutual Funds, ETPs
Unique Factors	Tactical Sleeves
Transparency	PWP Asset Allocation Guide, PWP Manager Guide, PWP Trade Logs

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 PWP Recommended List. With this list, our team narrows the broad investable mutual fund and SMA universe from the thousands to a list of approximately 150, representing numerous asset classes and sectors, including equity, fixed income, and alternative strategy mutual funds and SMAs. For more information, please refer to *Due Diligence: Mutual Fund Process* and *Due Diligence: Separately Managed Account Process.*

With regard to exchange-traded products, 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.*

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.

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.

Stock investing involves risk including 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.

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