

Who We Are: Investment Philosophy and Beliefs

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 Investment Philosophy

We are 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.

Our mission is to be a trusted partner to our advisors who provide investors with choices to help meet their financial goals. In this endeavor, our sole motivation is to provide stellar due diligence and investment management advice—as a partner for those advisors who manage client assets themselves or as a portfolio manager for those advisors who want to leverage our experience.

LPL Financial Research Core Beliefs

- **Independence is essential:** We believe that being independent, unrestricted, and not conflicted by business interests is the only way to provide exceptional advice. The structure of LPL Financial—not having proprietary product, investment banking, or market making facilities—provides the backdrop for unbiased decision making and our investment team is not privy to the business arrangements of the firm. We are compensated based upon the performance of our recommended investments and portfolios, which puts us on the same side of the table as our advisors and their clients.
- **Tactical tilt with a strategic offering:** We believe that we can effectively take advantage of opportunities that are presented to us by the markets. Therefore, we believe in tactical portfolio and recommended list management. However, we know that this is not ideal for all clients and consequently, offer strategic portfolios and recommendations as well. However, we do not believe that strategic advice is “set-it-and-forget-it”—these portfolios and recommendations need to be monitored just as closely as tactical ones, but from a different timeframe perspective.
- **Combinations matter:** We believe that how investments combine together is one of the key considerations in investing. In those areas where we are putting together portfolios, we are very thoughtful about which pieces make up the puzzle. Investments have biases—we seek to create portfolios that pair complementary investments together to offset those biases and that may lead to a portfolio that performs better than the simple sum of its parts would imply. Just to be clear, we seek to capitalize on those biases that are the outcome of a sound, repeatable investment process, not simply something used as an excuse by a bad manager.

- **Adaptability is key:** We believe that the processes by which investments are run through due diligence and positioned for model inclusion must be evolving. We believe that markets, investment options, and data availability change quickly and a process that does not have adaptability, flexibility, and subjectivity involved in it will miss some key opportunities.
- **Transparency is a must:** We believe that we have to be transparent in our input, output, and decision-making process so that our advisors and their clients can be confident in what we are doing. We do not believe in a “black box” approach, as we seek to put as much information out as possible to allow for an understanding of what we are doing, how we are doing it, and why we are doing it.
- **Versatility is critical:** We need to offer a very broad range of investment advice. Since we grew up as the in-house Research team of a firm that supports a broad range of advisor and client needs, we have to offer variety to meet the needs of different advisor practices, clients, life events, and distribution channels. We have a core investment philosophy that we use as our grounding to then leverage the experience and synergies we have to provide a broad range of advice. The advice we provide is designed to meet the needs of our advisors: some that is asked for specifically or some that is meant to be leading edge in the investment landscape.

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.

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.

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.

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.

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