LPL RESEARCH

DUE DILIGENCE

WHO WE ARE: RESEARCH AS PORTFOLIO MANAGER

Part of understanding who LPL 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 Research serves two roles in portfolio management:

- To provide due diligence
- To provide investment management advice

When we act as an investment manager, we provide advice in the area of asset allocation models and complete portfolio construction. From there, you and your advisor can decide how to best leverage this advice, in conjunction with our due diligence advice, to help build the portfolio that best meets your needs.

LPL RESEARCH IS AN OPPORTUNISTIC, ALL-MARKET, ALL-WEATHER PORTFOLIO MANAGER

In its most basic form, portfolio managers can either be aggressive or defensive in their posturing and investment philosophy. Each posture presents opportunities in different market circumstances. On average, the S&P 500 rises about 8% per year (based on the last 20 years). Defensive positioning can be problematic when markets move higher more often than not and can be expensive to implement. Additionally, hedging and alternative investments are not always cost-effective. Conversely, an aggressive stance may result in capturing more downside than upside, which consequently can be difficult to recoup. Therefore, we believe the right posture is to seek opportunities in positive market and be cautious in down markets to try and avoid those large downdrafts. We seek to add value in all conditions so we negotiate ever-changing markets using a dynamic and active management style.

We do understand that there are different levels of dynamic management that investors seek. On the two extremes, we construct portfolios that are very opportunistic, which are considered for tactical positioning (trading daily), and others that are more strategic, which are monitored often, but typically only trade every couple of years. In addition, we do know that investors have changing needs, outside of just trading frequency. Therefore, we do create asset allocation models and complete portfolios to help meet these different needs and investment styles.

OUR OVERARCHING BELIEFS AND PHILOSOPHY

Our mission is to be a trusted partner to our advisors and institutions 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 who manage client assets themselves or as a portfolio manager for those who want to leverage our experience.

We believe in the diversity of thought. Therefore, our team is highly collaborative and interactive in the way we manage our portfolio strategies. While each organizational team has its individual role, communication among the teams is constant, which is further promoted by our decision-making structures. Our collaborative process between members of our team with specific experience ensures that all of our models are well diversified, but are also managed and communicated to ensure your trust.

In order to accomplish our goal of being a trusted portfolio manager, we are not conflicted in our decision making. We do not believe that you can make reliable investment decisions if conflicts are present. LPL 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. ■

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