

# Trade Log | Exchange Traded Products

LPL Financial Research

As of August 27, 2020

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## Overview

LPL Research has placed trades in the Model Wealth Portfolios (MWP) Tactical Exchange-Traded Product (ETP) portfolios. The trades are intended to shift equity exposure toward higher conviction ideas that may be better positioned for the current economic environment. Overall risk levels for these portfolios are not expected to change materially.

The S&P 500 Index has recovered all-time record highs set in February 2020, reflecting optimism that a vaccine will significantly improve economic conditions over the next 6 to 12 months, on top of massive fiscal and monetary stimulus already put in place with more likely forthcoming. While we are encouraged by the market's strength, we also believe that stock prices may be pricing in an overly optimistic path for economic recovery in the near term. As a result, we believe now is a good time to shift our equity allocations toward areas potentially well positioned for a more measured recovery, particularly the digital media-focused communication services sector, and eliminate our financial services position.

At the same time, we recognize the stock market is in the early stages of a new bull market, historically a favorable environment for small cap stocks. Given the possibility that a vaccine, or vaccines, bring about a timely end to the pandemic, we believe adding some exposure to small cap equities makes sense, funded from our large cap-focused core equities position. Even after this trade, the allocation to small cap stocks in these portfolios will be below that of the diversified benchmarks.

Finally, we are shifting our emerging market equities implementation to areas that we believe are better positioned for the pandemic and a still challenging global economic environment. Specifically, we are shifting our emerging market allocation to a growth-focused holding with an emphasis on corporate governance and an Asia-focused holding, a combination we believe may provide superior performance over time compared to passive index-like exposure. We continue to include an emerging market equity allocation to take advantage of relatively better economic growth outlooks in Asia, attractive valuations, and our expectation that US dollar weakness will continue.

Specifically, these trades accomplish the following:

## Summary Of Changes

Exchange-Traded Products	Ticker Symbol	Trade Decision	Impacted Portfolios	Impacted Investment Objective(s)
Communications Services Select Sector SPDR	XLC	Initiate	Tactical ETP	AG, G, GWI
iShares MSCI All-Country Asia Ex-Japan ETF	AAXJ	Initiate	Tactical ETP	AG, G, GWI
Vanguard Small-Cap ETF	VB	Initiate	Tactical ETP	AG, G, GWI, IMG
WisdomTree Emerging Markets Ex-State Owned Enterprises	XSOE	Initiate	Tactical ETP	AG, G, GWI, IMG
Financial Select Sector SPDR Fund	XLF	Eliminate	Tactical ETP	Eliminate in AG, G, GWI
iShares Core MSCI Emerging Markets	IEMG	Eliminate	Tactical ETP	AG, G, GWI
Vanguard Total Stock Market ETF	VTI	Reduce	Tactical ETP	AG, G, GWI, IMG

**Tactical ETP Portfolios %**

Security Name	Ticker	Aggressive Growth		Growth		Growth with Income		Income with Moderate Growth		Income with Capital Preservation	
		Previous	Current	Previous	Current	Previous	Current	Previous	Current	Previous	Current
Communication Services Sel Sect SPDR	XLC	0.00	<b>5.00</b>	0.00	<b>3.50</b>	0.00	<b>2.00</b>	0.00	0.00	0.00	0.00
Financial Select Sector SPDR	XLF	5.00	<b>0.00</b>	3.50	<b>0.00</b>	2.00	<b>0.00</b>	0.00	0.00	0.00	0.00
Goldman Sachs ActiveBeta® US LgCp Eq ETF	GSLC	20.00	20.00	20.50	20.50	15.00	15.00	11.50	11.50	8.00	8.00
Health Care Select Sector SPDR	XLV	6.00	6.00	4.50	4.50	4.00	4.00	0.00	0.00	0.00	0.00
Industrial Select Sector SPDR	XLI	6.00	6.00	4.00	4.00	3.50	3.50	3.00	3.00	0.00	0.00
Vanguard Information Technology ETF	VGT	9.00	9.00	7.50	7.50	6.00	6.00	3.00	3.00	2.00	2.00
Vanguard Small Cap ETF	VB	0.00	<b>5.00</b>	0.00	<b>4.00</b>	0.00	<b>3.00</b>	0.00	<b>2.00</b>	0.00	0.00
Vanguard Total Stock Market ETF	VTI	27.00	<b>21.50</b>	20.50	<b>16.50</b>	16.00	<b>12.00</b>	14.50	<b>10.50</b>	4.00	4.00
WisdomTree Emerging Markets ex-State Owned Enterprises	XSOE	0.00	<b>5.00</b>	0.00	<b>4.00</b>	0.00	<b>3.00</b>	0.00	<b>2.00</b>	0.00	0.00
iShares Core MSCI Emerging Markets	IEMG	7.50	<b>0.00</b>	7.00	<b>0.00</b>	4.00	<b>0.00</b>	0.00	0.00	0.00	0.00
iShares Edge MSCI USA Quality Factor ETF	QUAL	10.50	10.50	9.00	9.00	6.50	6.50	6.00	6.00	4.50	4.50
iShares MSCI All Country Asia ex Jpn Idx	AAXJ	0.00	<b>3.00</b>	0.00	<b>3.00</b>	0.00	<b>2.00</b>	0.00	0.00	0.00	0.00
SPDR DoubleLine Total Return Tactical ETF	TOTL	0.00	0.00	9.00	9.00	11.50	11.50	11.50	11.50	13.00	13.00
SPDR® Portfolio Interm Term Corp Bd ETF	SPIB	0.00	0.00	2.50	2.50	5.00	5.00	7.00	7.00	8.50	8.50
Vanguard Total Bond Market ETF	BND	0.00	0.00	0.00	0.00	5.00	5.00	15.50	15.50	28.00	28.00
iShares 3-7 Year Treasury Bond ETF	IEI	0.00	0.00	6.50	6.50	6.50	6.50	8.50	8.50	10.50	10.50
iShares Barclays MBS Bond Fund	MBB	0.00	0.00	0.00	0.00	9.00	9.00	12.00	12.00	13.50	13.50
iShares Short Maturity Bond ETF	NEAR	3.00	3.00	0.00	0.00	0.00	0.00	2.50	2.50	3.00	3.00

**Changes indicated in bold.**

Tactical ETP Portfolios %

Security Name	Ticker	Aggressive Growth		Growth		Growth with Income		Income with Moderate Growth		Income with Capital Preservation	
		Previous	Current	Previous	Current	Previous	Current	Previous	Current	Previous	Current
SPDR® Gold MiniShares	GLDM	4.00	4.00	3.50	3.50	3.00	3.00	0.00	0.00	0.00	0.00
CASH	CASH	2.00	2.00	2.00	2.00	3.00	3.00	5.00	5.00	5.00	5.00
<b>Total</b>		<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Cash Nontraditional

Changes indicated in bold.

The cash portion of this portfolio is represented by money market instruments.

## Investment Objectives

### Aggressive Growth

Emphasis is placed on aggressive growth and maximum capital appreciation. This investment portfolio has a very high level of risk and is for investors with a longer time horizon. This portfolio is considered to have the highest level of risk.

### Growth

Emphasis is placed on achieving high long-term growth and capital appreciation. This is considered higher than average risk.

### Growth with Income

Emphasis is placed on modest capital growth. Certain assets are included to generate income and reduce overall volatility.

### Income with Moderate Growth

Emphasis is placed on current income with some focus on moderate capital growth.

### Income with Capital Preservation

Emphasis is placed on current income and preventing capital loss. This is considered the lowest risk portfolio available and is generally for investors with the shortest time horizon.

#### IMPORTANT DISCLOSURES

This material has been prepared for informational purposes only, and is not intended as specific advice or recommendations for any individual. There is no assurance that the views or strategies discussed are suitable for all investors and they do not take into account the particular needs, investment objectives, tax and financial condition of any specific person. To determine which investment(s) may be appropriate for you, please consult your financial advisor prior to investing. Any economic forecasts set forth may not develop as predicted and are subject to change.

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**Investors should consider the investment objectives, risks, charges, and expenses of the underlying investment company holdings carefully before investing. The prospectus and, if available, the summary prospectus contain this and other important information about the investment company. You can obtain a prospectus and summary prospectus from your financial representative. Please read carefully before investing.**

The portfolio composition is as of the date listed and is subject to change. An investor's actual holdings may differ from the model due to the timing of cash flows and account level investment restrictions. Please note that due to rounding, total may not add to 100%.

All information is believed to be from reliable resources; however, LPL Financial makes no representation as to its completeness or accuracy.

LPL shows performance as compared to at least two benchmarks that LPL created, the Investment Objective (IO) benchmark and the Diversified benchmark. Both benchmarks correspond with one of five investment objectives assigned to each LPL account and are allocated amongst varying percentages of stock, bond and cash indices according to the account's risk profile. The IO benchmark uses only a broad market cap domestic stock index and is intended to compare performance to a simple stocks/bond/cash allocation. The Diversified benchmark includes large and small cap domestic stock indices as well as developed international and emerging market stock indices and is intended to show performance factoring in diversification across the stock asset class.

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