MWP Trade Log | American Funds Diversified Combination Portfolio

A Publication of LPL Research

May 30, 2023

MWP American Funds Diversified Plus

Overview

LPL Research has made changes to the LPL Research American Funds Active Core models on the Model Wealth Portfolios (MWP) platform. The primary aim of the trade in all investment objectives (IO) except ICP was to increase developed international equity exposure, sourced mainly by reducing exposure to emerging market equity.

LPL Research's Strategic and Tactical Asset Allocation Committee (STAAC) recently upgraded its view of international developed equities to overweight. The upgrade reflects a combination of attractive valuations, the resilience of European economies, and supportive price momentum. The U.S. dollar is a wildcard but the Committee's intermediate to long term view is negative, implying possible strength for international currencies and creating a potential catalyst for continued positive relative performance over the next 12-24 months. The Committee maintains its cautious outlook for emerging market equities due to soft earnings and geopolitical uncertainty. Flows and price momentum remain weak even as China's reopening unfolds.

As seen in the table below, the trade initiated a growth-oriented international equity strategy across all IOs except ICP. This trade was primarily sourced from a reduction in an emerging markets strategy with a small reduction in a large growth strategy in AG and G. We expect the overall style balance (growth versus value) to remain roughly the same, as both the new strategies and the source of funds are growth oriented. In ICP we have modestly reduced risk in awareness of increased economic uncertainty even if the STAAC's recommendation remains an equity overweight looking out over the next year. In ICP only we have also slightly adjusted the style and size balance to be more in line with other IOs.

We do not expect overall risk levels to change meaningfully as a result of these trades, except in ICP where equity exposure has been slightly reduced.

After the trade, relative to Diversified Benchmarks, we expect the portfolios to behave as if they are overweight equity, except in ICP; overweight international equities with a focus on developed markets; overweight mid-caps and underweight small caps; and roughly neutral on style. Fixed income positioning has approximately the same interest rate sensitivity (duration) as the benchmarks, modestly higher credit sensitivity, and a strong focus on core bonds.

Summary of Changes

				Investment Objective									
				Aggressive Growth		Growth		Growth with Income		Income with Moderate Growth		Income with Capital Preservation	
Asset Class	Category	Name	Ticker	Prior	Current	Prior	Current	Prior	Current	Prior	Current	Prior	Current
Equities	Large Growth	American Funds Growth Fund of Amer F2	GFFFX	11.0%	8.0%	15.0%	13.0%					4.0%	6.0%
	Mid Value	JHancock Disciplined Value Mid Cap I	JVMIX									4.0%	2.0%
	Large Foreign	American Funds Europacific Growth F2	AEPFX	0.0%	8.0%	0.0%	7.0%	0.0%	5.0%	0.0%	3.0%		
	Emerging Markets	American Funds New World F2	NFFFX	9.0%	4.0%	8.0%	3.0%	5.0%	0.0%	3.0%	0.0%	2.0%	0.0%
	Total			20.0%	20.0%	23.0%	23.0%	5.0%	5.0%	3.0%	3.0%	10.0%	8.0%
Fixed Income	Short/Intermediate High Quality Bond	American Funds Interm Bd Fd of Amer F2	IBAFX									11.0%	13.0%
	Total											11.0%	13.0%
Total				20.0%	20.0%	23.0%	23.0%	5.0%	5.0%	3.0%	3.0%	21.0%	21.0%

Increase: Green Decrease: Red

***LPL Research** is your financial professional's partner. Our mission is simple: Provide investment research to support you and your financial professional as you work toward your investment goals.*

MWP American Funds Diversified Plus

				Investment Objective									
				Aggressive Growth		Growth		Growth with Income		Income with Moderate Growth		Income with Capital Preservation	
Asset Class	Category	Name	Ticker	Prior	Current	Prior	Current	Prior	Current	Prior	Current	Prior	Current
Equities	Large Growth	American Funds Growth Fund of Amer F2	GFFFX	11.0%	8.0%	15.0%	13.0%	14.0%	14.0%	10.0%	10.0%	4.0%	6.0%
	Large Value	American Funds American Mutual F2	AMRFX	5.0%	5.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Large Blend	American Funds Invmt Co of Amer F2	ICAFX	21.0%	21.0%	17.0%	17.0%	11.0%	11.0%	6.0%	6.0%	2.0%	2.0%
		American Funds Washington Mutual F2	WMFFX	27.0%	27.0%	23.0%	23.0%	16.0%	16.0%	6.0%	6.0%	2.0%	2.0%
	Mid Value	JHancock Disciplined Value Mid Cap I	JVMIX	10.0%	10.0%	8.0%	8.0%	8.0%	8.0%	7.0%	7.0%	4.0%	2.0%
	Large Foreign	American Funds Europacific Growth F2	AEPFX	0.0%	8.0%	0.0%	7.0%	0.0%	5.0%	0.0%	3.0%	0.0%	0.0%
	Emerging Markets	American Funds New World F2	NFFFX	9.0%	4.0%	8.0%	3.0%	5.0%	0.0%	3.0%	0.0%	2.0%	0.0%
	Large Cap Global Stock	American Funds SMALLCAP World F2	SMCFX	15.0%	15.0%	12.0%	12.0%	8.0%	8.0%	5.0%	5.0%	3.0%	3.0%
	Total			98.0%	98.0%	83.0%	83.0%	62.0%	62.0%	37.0%	37.0%	17.0%	15.0%
Fixed Income	Intermediate/Long High Quality Bond	American Funds Bond Fund of Amer F2	ABNFX	0.0%	0.0%	6.0%	6.0%	20.0%	20.0%	29.0%	29.0%	38.0%	38.0%
		American Funds Corporate Bond F2	BFCGX	0.0%	0.0%	0.0%	0.0%	2.0%	2.0%	2.0%	2.0%	3.0%	3.0%
		American Funds Strategic Bond F-2	ANBFX	0.0%	0.0%	0.0%	0.0%	3.0%	3.0%	12.0%	12.0%	15.0%	15.0%
	Short/Intermediate High Quality Bond	American Funds Interm Bd Fd of Amer F2	IBAFX	0.0%	0.0%	0.0%	0.0%	4.0%	4.0%	6.0%	6.0%	11.0%	13.0%
	Total			0.0%	0.0%	6.0%	6.0%	29.0%	29.0%	49.0%	49.0%	67.0%	69.0%
Allocation	Balanced (Traditional)	American Funds American Balanced F2	AMBFX	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	6.0%	6.0%	7.0%	7.0%
	Balanced (Global)	American Funds Capital Income Bldr F2	CAIFX	0.0%	0.0%	9.0%	9.0%	7.0%	7.0%	6.0%	6.0%	7.0%	7.0%
	Total			0.0%	0.0%	9.0%	9.0%	7.0%	7.0%	12.0%	12.0%	14.0%	14.0%
Cash	CASH	CASH	Cash	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
	Total			2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Total				100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Increase: Green **Decrease:** Red **No Change:** Black **Totals:** Grey

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 portfolios' considered to have the highest level of risk.

Growth: Emphasis is placed on achieving high long-term growth and capital appreciation. This portfolio is considered to have 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.