

# MWP Trade Log | LPL Research American Funds Active Core

## Mutual Fund Portfolio

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#### Overview

The LPL Research Core Series Model Portfolio Committee (MPC) has made changes to the LPL Research American Funds Active Core model portfolios on the Model Wealth Portfolios (MWP) platform. These changes primarily target increasing exposure to domestic growth style equities, reducing exposure to small and mid (SMID) cap equities and reallocating exposure from an allocation fund to direct holdings in stocks and bonds.

The Core Series MPC made these changes following tactical guidance from the LPL Research Strategic and Tactical Asset Allocation Committee (STAAC). The STAAC recently upgraded its tactical view on large cap growth equities and downgraded SMID cap value equities, based primarily on LPL Research's quantitative and technical analysis. Large cap growth equities, bolstered by superior earnings power, AI-driven momentum, robust balance sheets, and lower sensitivity to interest rate changes, outweigh concerns about higher valuations and rotation risks. Historically, large cap equities also tend to do well as the economy slows. In contrast, SMID cap value equities are likely to face persistent challenges from rising interest rate volatility and a cooling economy in 2025, which supersedes generally attractive valuations on a tactical basis. The STAAC's tactical quantitative and technical analysis work indicates the SMID cap value equity outlook has deteriorated. Though SMID cap stocks are attractively valued and benefit from their domestic focus in this tense trade environment, tactically, large caps possess better momentum, greater earnings power, and less interest rate sensitivity. The STAAC also previously tempered enthusiasm for preferred securities following strong price appreciation but continues to recommend an overweight to the asset class in certain Investment Objectives (IO) as valuations are still relatively attractive. Overall, the STAAC maintains its tactical neutral stance on equities, as a steadily growing economy and strong corporate profits are offset by headline risk, a slower and potentially shallower Federal Reserve (Fed) easing cycle and stretched sentiment.

In all Investment Objectives (IO), we trimmed a non-American Funds mid cap value mutual fund (Ticker: JVMIX) and eliminated a SMID cap focused global stock mutual fund (Ticker: SMCFX), with proceeds used to add to a large cap growth equity mutual fund (Ticker: GFFF), and in the more conservative IOs only, add to a large cap value equity mutual fund (Ticker: AMRFX). Additional proceeds from these trims were used in all IOs to add to a large foreign equity mutual fund (Ticker: AEPFX), and in certain IOs, to initiate an emerging markets equity mutual fund (Ticker: NFFF). In the more aggressive IOs, a proportion of the equity trims were used to add to a core focused intermediate/long high-quality bond mutual fund (Ticker: ABNFX), decreasing the overall equity exposure to benchmark levels. In the more conservative IOs only, we eliminated a balanced (traditional) allocation mutual fund (Ticker: AMBFX), with some proceeds used in the aforementioned equity adds, while the remaining proceeds were used to add to a core focused intermediate/long high-quality bond mutual fund (Ticker: ABNFX), in proportions designed to maintain the existing fixed income overweight. By implementing these trades, LPL Research will be better positioned to align the overall portfolio risk and geographic equity exposure with the STAAC's asset allocation views more easily going forward.

In most IOs, we expect overall risk levels to decrease slightly (and to decrease more meaningfully in the Aggressive Growth (AG) IO), but to remain fairly neutral relative to the benchmark. All IOs now have benchmark weight exposure to equities, an overweight to fixed income, and an underweight to cash. Within equities, there are increased overweights to large cap domestic equities relative to mid and especially small caps, and an overweight to growth style equities relative to value. Dedicated developed international (large foreign) equity allocations are now around benchmark levels, and emerging market equities remain underweight, but that underweight is reduced in certain IOs. Fixed income interest rate sensitivity (duration) remains close to benchmark levels, with a strong focus on core bonds. A large majority of implementations continue to be from the American Funds mutual fund family, with other fund companies utilized only where we believe it to be additive to the model portfolio in any particular asset class.

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### Summary of Changes

Asset Class	Category	Name	Ticker	Investment Objective (IO)									
				Aggressive Growth (AG)		Growth (G)		Growth with Income (GWI)		Income with Moderate Growth (IMG)		Income with Capital Preservation (ICP)	
				Prior	Current	Prior	Current	Prior	Current	Prior	Current	Prior	Current
Equities	Large Growth	American Funds Growth Fund of Amer F2	GFFFX	12.0%	15.0%	11.0%	14.0%	11.0%	13.0%	8.0%	11.0%	5.0%	6.5%
	Large Value	American Funds American Mutual F2	AMRFX							2.0%	3.0%	2.0%	3.5%
	Mid Value	JHancock Disciplined Value Mid Cap I	JVMIX	10.0%	7.0%	8.0%	7.0%	8.0%	6.0%	7.0%	5.0%	2.0%	0.0%
	Large Cap Global Stock	American Funds SMALLCAP World F2	SMCFX	6.0%	0.0%	6.0%	0.0%	5.0%	0.0%	3.0%	0.0%	2.0%	0.0%
	Large Foreign	American Funds Europacific Growth F2	AEPFX	8.0%	11.0%	7.0%	10.0%	5.0%	8.0%	3.0%	5.0%	0.0%	4.0%
	Emerging Markets	American Funds New World F2	NFFFX					0.0%	2.0%	0.0%	2.0%		
	<b>Total</b>				36.0%	33.0%	32.0%	31.0%	29.0%	29.0%	23.0%	26.0%	11.0%
Fixed Income	Intermediate/Long High Quality Bond	American Funds Bond Fund of Amer F2	ABNFX	0.0%	3.0%	11.0%	12.0%			36.0%	38.0%	45.0%	47.0%
	<b>Total</b>			0.0%	3.0%	11.0%	12.0%			36.0%	38.0%	45.0%	47.0%
Allocation	Balanced (Traditional)	American Funds American Balanced F2	AMBFX							5.0%	0.0%	5.0%	0.0%
	<b>Total</b>									5.0%	0.0%	5.0%	0.0%
<b>Total</b>				36.0%	36.0%	43.0%	43.0%	29.0%	29.0%	64.0%	64.0%	61.0%	61.0%

Increase: Green    Decrease: Red

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Asset Class	Category	Name	Ticker	Investment Objective (IO)									
				Aggressive Growth (AG)		Growth (G)		Growth with Income (GWI)		Income with Moderate Growth (IMG)		Income with Capital Preservation (ICP)	
				Prior	Current	Prior	Current	Prior	Current	Prior	Current	Prior	Current
Equities	Large Growth	American Funds Growth Fund of Amer F2	GFFFX	12.0%	15.0%	11.0%	14.0%	11.0%	13.0%	8.0%	11.0%	5.0%	6.5%
	Large Value	American Funds American Mutual F2	AMRFX	5.0%	5.0%	2.0%	2.0%	2.0%	2.0%	2.0%	3.0%	2.0%	3.5%
	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%	7.0%	8.0%	7.0%	8.0%	6.0%	7.0%	5.0%	2.0%	0.0%
	Small Growth	American Century Small Cap Growth Inv	ANOIX	3.0%	3.0%	2.0%	2.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Small Value	Undiscovered Managers Behavioral Val I	UBVSX	2.0%	2.0%	2.0%	2.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Small Blend	Harbor Small Cap Value Instl	HASCX	0.0%	0.0%	0.0%	0.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
	Large Cap Global Stock	American Funds SMALLCAP World F2	SMCFX	6.0%	0.0%	6.0%	0.0%	5.0%	0.0%	3.0%	0.0%	2.0%	0.0%
	Large Foreign	American Funds Europacific Growth F2	AEPFX	8.0%	11.0%	7.0%	10.0%	5.0%	8.0%	3.0%	5.0%	0.0%	4.0%
	Emerging Markets	American Funds New World F2	NFFFX	4.0%	4.0%	3.0%	3.0%	0.0%	2.0%	0.0%	2.0%	0.0%	0.0%
	Total				98.0%	95.0%	81.0%	80.0%	60.0%	60.0%	37.0%	40.0%	17.0%
Fixed Income	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%	13.0%	13.0%
	Intermediate/Long High Quality Bond	American Funds Bond Fund of Amer F2	ABNFX	0.0%	3.0%	11.0%	12.0%	22.0%	22.0%	36.0%	38.0%	45.0%	47.0%
		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%	6.0%	6.0%	10.0%	10.0%	12.0%	12.0%	15.0%	15.0%
Total				0.0%	3.0%	17.0%	18.0%	38.0%	38.0%	56.0%	58.0%	76.0%	78.0%
Allocation	Balanced (Traditional)	American Funds American Balanced F2	AMBFX	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%	0.0%	5.0%	0.0%
	Total				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%	0.0%	5.0%
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%
Total				100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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

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

**Investment Objectives**

**Aggressive Growth (AG):** 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 (G):** 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 (GWI):** Emphasis is placed on modest capital growth. Certain assets are included to generate income and reduce overall volatility.

**Income with Moderate Growth (IMG):** Emphasis is placed on current income with some focus on moderate capital growth.

**Income with Capital Preservation (ICP):** 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**

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Alternative investments may not be suitable for all investors and involve special risks such as leveraging the investment, potential adverse market forces, regulatory changes and potentially illiquidity. The strategies employed in the management of alternative investments may accelerate the velocity of potential losses

**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. 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 sources; however LPL Financial makes no representation as to its completeness or accuracy.

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