

MWP Trade Log | Tactical ETP

Exchange-Traded Product Portfolio

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MWP Tactical Exchange-Traded Product (ETP)

Overview

The LPL Research Tactical Model Portfolio Committee (MPC) has made changes to the Tactical Exchange-Traded Product (ETP) models on the Model Wealth Portfolios (MWP) platform. These changes primarily target eliminating exposure to preferred securities, increasing exposure to investment-grade corporate bonds and initiating exposure to alternative investments.

The Tactical MPC made these changes following tactical guidance from the LPL Research Strategic and Tactical Asset Allocation Committee (STAAC). The STAAC downgraded its view on preferred securities, moving to neutral from overweight (which was previously reduced from strong overweight in 2024). The original strong overweight position, established in March 2023, capitalized on the attractive spread widening that occurred following the Silicon Valley Bank crisis and the disproportionate sell-off that took place in the banking sector. Since then, preferred securities have performed well, with spreads tightening significantly from those distressed levels. While the asset class still offers compelling yields, the risk-reward profile has normalized, suggesting a more balanced positioning is now appropriate given current valuations and our outlook for stable but modest returns, primarily coming from coupons. Simultaneously, the STAAC modestly upgraded the view on investment-grade corporate bonds from strong underweight to underweight to be more in line with the team's quantitative processes. Corporate credit spreads had been at or near secular tight, so the strong underweight designation reflected concerns about valuations and, more specifically, the credit market's lack of concern about downside risks. Over the last few weeks, credit spreads have widened due to economic growth and tariff concerns but are still not wide by historical standards and could continue to widen over the near term. The STAAC does not envision spreads going to recession levels (they're not even back to the summer 2024 wides), however, this is a realignment of risk premia to higher macro volatility, and as such, an underweight recommendation is still appropriate. Continued elevated political and geopolitical uncertainty has created the potential for heightened ongoing volatility that the STAAC anticipates may increase dispersion on a macro level. As such, the STAAC increased its outlook on alternative investment strategies, specifically targeting low correlations to traditional asset classes to dampen portfolio volatility. We believe a managed futures-focused product that was recently added to LPL Research's coverage list has the potential to provide attractive returns going forward given their dynamic ability to invest in long and short positions across a variety of asset classes.

In all Investment Objectives (IO), we eliminated a preferred securities Exchange-Traded Fund (ETF) (Ticker: PFFD) and in most IOs used some proceeds to add to a corporate-focused intermediate/long high-quality bond ETF (Ticker: SPIB) that aligns closely with the part of the corporate bond yield curve that we find most attractive. In all IOs we initiated a managed futures-focused alternative investment ETF (Ticker: DBMF), funded in the more conservative IOs by trimming a mortgage-backed ETF (Ticker: MBB) and a U.S. government bond (Treasury) focused intermediate high-quality bond ETF (Ticker: SPTI), and funded in the more aggressive IOs by the preferred securities elimination.

We expect risk levels to marginally decrease following these trades while continuing to be fairly neutral relative to benchmark levels. All IOs continue to have benchmark weight allocations to equities, are underweight cash. The more aggressive IOs now have benchmark weight allocations to fixed income, while the more conservative IOs remain overweight, and all IOs now have an allocation to alternative strategies. Within the equity allocations, there continues to be an overweight to domestic equities, with a sustained concentration in large cap domestic equities, and an underweight to emerging market equities. Domestic equity allocations are designed to have an overweight exposure to growth-style equities relative to value. The interest rate sensitivity (duration) of the core bond allocations is fairly unchanged and remains below benchmark levels partly due to the shorter part of the corporate bond yield curve we are targeting.

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MWP Tactical Exchange-Traded Product (ETP)

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		
Fixed Income	Intermediate/Long High Quality Bond	SPDR Portfolio Interm Term Corp Bd ETF	SPIB			7.0%	8.0%	11.5%	12.5%	15.0%	17.0%				
		SPDR Portfolio Intmtd Term Trs ETF	SPTI			8.0%	7.0%	17.0%	16.0%						
	Mortgage-Backed	iShares MBS ETF	MBB			12.0%	11.0%	18.5%	16.5%	24.5%	22.5%				
	Preferred Securities	Global X US Preferred ETF	PFFD	3.0%	0.0%	2.0%	0.0%	2.0%	0.0%	2.0%	0.0%	3.0%	0.0%		
	Total				3.0%	0.0%	10.0%	7.0%	38.0%	35.0%	32.0%	29.0%	42.5%	39.5%	
Alternatives	Macro: Managed Futures	iMGP DBi Managed Futures Strategy ETF	DBMF	0.0%	3.0%	0.0%	3.0%	0.0%	3.0%	0.0%	3.0%	0.0%	3.0%		
		Total				0.0%	3.0%	0.0%	3.0%	0.0%	3.0%	0.0%	3.0%		
Total						3.0%	3.0%	10.0%	10.0%	38.0%	38.0%	32.0%	32.0%	42.5%	42.5%

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	SPDR Portfolio S&P 500 Growth ETF	SPYG	12.5%	12.5%	11.0%	11.0%	9.5%	9.5%	7.5%	7.5%	3.0%	3.0%
		Vanguard Russell 1000 Growth ETF	VONG	14.0%	14.0%	10.5%	10.5%	7.5%	7.5%	5.5%	5.5%	3.5%	3.5%
	Large Value	SPDR Portfolio S&P 500 Value ETF	SPYV	17.5%	17.5%	13.5%	13.5%	11.0%	11.0%	9.0%	9.0%	4.5%	4.5%
		Vanguard Russell 1000 Value ETF	VONV	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	2.0%
	Large Blend	Vanguard Total Stock Market ETF	VTI	11.0%	11.0%	9.5%	9.5%	4.5%	4.5%	2.5%	2.5%	0.0%	0.0%
	Small Blend	iShares Core S&P Small-Cap ETF	IJR	5.5%	5.5%	5.0%	5.0%	4.5%	4.5%	3.5%	3.5%	3.0%	3.0%
		iShares Russell 2000 ETF	IWM	2.0%	2.0%	2.0%	2.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Sector - Financial	The Financial Select Sector SPDR ETF	XLF	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	2.0%	2.0%	0.0%	0.0%
	Sector - Communication Services	The Comm Svcs Sel Sect SPDR ETF	XLC	3.0%	3.0%	3.0%	3.0%	2.0%	2.0%	0.0%	0.0%	0.0%	0.0%
	Sector - Industrials	The Industrial Select Sector SPDR ETF	XLI	3.5%	3.5%	3.0%	3.0%	2.0%	2.0%	2.0%	2.0%	0.0%	0.0%
	Sector - Technology	Vanguard Information Technology ETF	VGT	5.5%	5.5%	4.5%	4.5%	4.0%	4.0%	2.0%	2.0%	0.0%	0.0%
	Sector - Healthcare	The Health Care Select Sector SPDR ETF	XLV	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	0.0%	0.0%	0.0%	0.0%
	Large Foreign	iShares Core MSCI EAFE ETF	IEFA	12.0%	12.0%	10.0%	10.0%	8.0%	8.0%	6.0%	6.0%	4.0%	4.0%
	Emerging Markets	iShares Core MSCI Emerging Markets ETF	IEMG	3.5%	3.5%	3.0%	3.0%	2.0%	2.0%	0.0%	0.0%	0.0%	0.0%
	Total				95.0%	95.0%	80.0%	80.0%	60.0%	60.0%	40.0%	40.0%	20.0%
Fixed Income	Intermediate/Long High Quality Bond	SPDR Portfolio Interm Term Corp Bd ETF	SPIB	0.0%	0.0%	3.5%	3.5%	7.0%	8.0%	11.5%	12.5%	15.0%	17.0%
		SPDR Portfolio Intmtd Term Trs ETF	SPTI	0.0%	0.0%	8.0%	7.0%	17.0%	16.0%	26.0%	26.0%	35.5%	35.5%
	Mortgage-Backed	iShares MBS ETF	MBB	0.0%	0.0%	4.5%	4.5%	12.0%	11.0%	18.5%	16.5%	24.5%	22.5%
	Preferred Securities	Global X US Preferred ETF	PFFD	3.0%	0.0%	2.0%	0.0%	2.0%	0.0%	2.0%	0.0%	3.0%	0.0%
	Total				3.0%	0.0%	18.0%	15.0%	38.0%	35.0%	58.0%	55.0%	78.0%
Alternatives	Macro: Managed Futures	IMGP DBi Managed Futures Strategy ETF	DBMF	0.0%	3.0%	0.0%	3.0%	0.0%	3.0%	0.0%	3.0%	0.0%	3.0%
	Total				0.0%	3.0%	0.0%	3.0%	0.0%	3.0%	0.0%	3.0%	0.0%
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%

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 (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

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.

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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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