

MWP Trade Log | Tactical Mutual Fund

Mutual Fund Portfolio

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MWP Tactical Mutual Fund

Overview

The LPL Research Tactical Model Portfolio Committee (MPC) has made changes to the Tactical Mutual Fund model portfolios on the Model Wealth Portfolios (MWP) platform. These changes primarily target increasing exposure to emerging market equities, decreasing exposure to large/mid cap growth style equities, and rebalancing within small and mid cap domestic equities.

The Tactical MPC made this adjustment following guidance from the LPL Research Strategic and Tactical Asset Allocation Committee (STAAC) regarding the outlook for emerging market (EM) equities. First, improvements in company fundamentals and technical analysis trends were noteworthy, suggesting an underweight allocation to EM equities (relative to domestic equities) is no longer warranted. We believe the latest relief rally in domestic large cap growth equities reflects overly optimistic assumptions about tariffs and trade policy risk. At the same time, even after a strong rally off the lows, EM valuations remain attractive, which, combined with potential tailwinds from a weakening U.S. dollar, enhances their appeal. A benchmark-level tactical allocation to EM equities can also help mitigate event risk during a period of heightened policy uncertainty. Although U.S. equities have demonstrated resilience recently, and we remain equal, not underweight, our assessment of the risk-reward trade-off for EM on a tactical basis is consistent with a benchmark allocation. The MPC aligned the models with the now-neutral views on geographic equity exposure by also adding to developed international equities amid similar positive trends following dollar weakness and bullish deficit/defense spending signs for Europe. Technical trends favored a slight overweight to value-focused developed international equities (relative to growth). The MPC also took these trades as an opportunity to rebalance within small and mid-cap domestic equities eliminating dedicated mid-cap allocations and after a period of underperformance relative to mid-caps, broader domestic equities and the benchmark, increasing the allocation to small cap growth equities closer to benchmark levels, aligning with the STAACs neutral view on small cap growth.

In all Investment Objectives (IO), we eliminated a combination of mid cap growth, value and blend mutual funds (Tickers: OTCIX, JVMIX and TMCPIX, respectively) with some proceeds used to increase international equities to benchmark levels by adding to an emerging markets equity mutual fund (Ticker: FIMKX) and a relative value-focused large foreign (developed international) equity mutual fund (Ticker: DODFX). Additional proceeds were used to rebalance some of the mid cap exposure towards a more benchmark like stance in small cap growth, initiating a small cap growth equity mutual fund (Ticker: NWKDX) in most IOs. We believe the fund's focus on high-quality companies that are profitable, have high returns on equity, and modest debt levels may result in lower volatility and the potential for less downside participation compared to other small cap growth managers. We believe this contrasting investment style makes it a good pairing for the existing small cap growth manager used in the models. In certain IOs, the existing small cap growth mutual fund (Ticker: ANOIX) and/or a small cap value mutual fund (Ticker: CSCZX) were trimmed and used as additional funding sources. In certain IOs, there were some small trades within the domestic large cap allocations to align better with the STAAC Tactical Asset Allocation (TAA), trimming a large cap value equity mutual fund (Ticker: DODGX) and adding to a large cap growth equity mutual fund (Ticker: LSGRX).

We don't expect risk levels to change following these trades and to continue to be fairly neutral relative to benchmark levels. All IOs continue to have benchmark weight allocations to equities and are underweight cash; most IOs are around benchmark weight fixed income (except the more conservative that remain overweight); and all IOs have an allocation to alternative investments. Within the equity allocations, there is now neutral geographic positioning of equities relative to the benchmark. Within domestic equities there is an overweight to large cap growth equities and an underweight to small cap value equities. The interest rate sensitivity (duration) of the core bond allocations remains around neutral relative to the benchmark.

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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	Loomis Sayles Growth Y	LSGRX									4.0%	5.0%	
	Large Value	Dodge & Cox Stock I	DODGX									7.0%	6.0%	
	Mid Growth	MFS Mid Cap Growth I	OTCIX	4.5%	0.0%	3.0%	0.0%	3.0%	0.0%	2.0%	0.0%			
	Mid Value	JHancock Disciplined Value Mid Cap I	JVMIX	3.0%	0.0%	2.0%	0.0%							
	Mid Blend	Touchstone Mid Cap Y	TMCPX									2.0%	0.0%	
	Small Growth	American Century Small Cap Growth Inv	ANOIX			6.0%	5.0%	4.0%	3.0%					
		Nationwide Geneva Small Cap Gr Instl Svc	NWKDX	0.0%	3.5%	0.0%	2.0%	0.0%	2.0%	0.0%	2.0%			
	Small Value	Columbia Small Cap Value I Inst	CSCZX					3.0%	2.0%	3.0%	2.0%			
	Large Foreign	Dodge & Cox International Stock I	DODFX					4.0%	5.0%	2.0%	3.0%	3.0%	4.0%	
	Emerging Markets	Fidelity Advisor Focused Em Mkts I	FIMKX	3.0%	7.0%	2.0%	6.0%	2.0%	4.0%	2.0%	3.0%			
Total				10.5%	10.5%	13.0%	13.0%	16.0%	16.0%	16.0%	16.0%	9.0%	9.0%	
Total				10.5%	10.5%	13.0%	13.0%	16.0%	16.0%	16.0%	16.0%	9.0%	9.0%	

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	Edgewood Growth Instl	EGFIX	16.0%	16.0%	13.5%	13.5%	9.5%	9.5%	6.0%	6.0%	2.0%	2.0%
		Loomis Sayles Growth Y	LSGRX	16.0%	16.0%	13.5%	13.5%	10.0%	10.0%	7.5%	7.5%	4.0%	5.0%
	Large Value	Dodge & Cox Stock I	DODGX	15.0%	15.0%	12.5%	12.5%	9.5%	9.5%	7.0%	6.0%	3.0%	3.0%
		MFS Value I	MEIIX	15.0%	15.0%	13.0%	13.0%	10.0%	10.0%	6.5%	6.5%	3.0%	3.0%
	Mid Growth	MFS Mid Cap Growth I	OTCIX	4.5%	0.0%	3.0%	0.0%	3.0%	0.0%	2.0%	0.0%	0.0%	0.0%
	Mid Value	JHancock Disciplined Value Mid Cap I	JVMIX	3.0%	0.0%	2.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Mid Blend	Touchstone Mid Cap Y	TMCPX	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	0.0%
	Small Growth	American Century Small Cap Growth Inv	ANOIX	6.0%	6.0%	6.0%	5.0%	4.0%	3.0%	2.0%	2.0%	0.0%	0.0%
		Nationwide Geneva Small Cap Gr Instl Svc	NWKDX	0.0%	3.5%	0.0%	2.0%	0.0%	2.0%	0.0%	2.0%	0.0%	0.0%
	Small Value	Columbia Small Cap Value I Inst	CSCZX	2.5%	2.5%	2.5%	2.5%	3.0%	2.0%	3.0%	2.0%	0.0%	0.0%
		Undiscovered Managers Behavioral Val I	UBVSX	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	0.0%	0.0%	0.0%	0.0%
	Small Blend	Invesco Main Street Small Cap Y	OSCYX	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.0%	3.0%
	Large Foreign	Dodge & Cox International Stock I	DODFX	7.0%	7.0%	6.0%	6.0%	4.0%	5.0%	2.0%	3.0%	3.0%	4.0%
		Goldman Sachs GQG Ptnrs Intl Opps Inv	GSINX	5.0%	5.0%	4.0%	4.0%	3.0%	3.0%	2.0%	2.0%	0.0%	0.0%
	Emerging Markets	Fidelity Advisor Focused Em Mkts I	FIMKX	3.0%	7.0%	2.0%	6.0%	2.0%	4.0%	2.0%	3.0%	0.0%	0.0%
Total				95.0%	95.0%	80.0%	80.0%	60.0%	60.0%	40.0%	40.0%	20.0%	20.0%
Fixed Income	Short/Intermediate High Quality Bond	PGIM Short-Term Corporate Bond Z	PIFZX	0.0%	0.0%	2.0%	2.0%	2.0%	2.0%	3.0%	3.0%	4.0%	4.0%
	Intermediate High Quality Bond	Baird Aggregate Bond Inst	BAGIX	0.0%	0.0%	5.0%	5.0%	14.0%	14.0%	21.0%	21.0%	29.0%	29.0%
		JPMorgan Core Bond I	WOBDX	0.0%	0.0%	7.0%	7.0%	12.0%	12.0%	18.0%	18.0%	27.0%	27.0%
	Intermediate/Long High Quality Bond	PGIM Total Return Bond Z	PDBZX	0.0%	0.0%	0.0%	0.0%	7.0%	7.0%	13.0%	13.0%	15.0%	15.0%
	Total				0.0%	0.0%	14.0%	14.0%	35.0%	35.0%	55.0%	55.0%	75.0%
Alternatives	Macro: Global Discretionary	Campbell Systematic Macro I	EBSIX	3.0%	3.0%	4.0%	4.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Multi-Strategy/Fund of Funds	BlackRock Systematic Multi-Strat Instl	BIMBX	0.0%	0.0%	0.0%	0.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
	Total				3.0%	3.0%	4.0%	4.0%	3.0%	3.0%	3.0%	3.0%	
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%	
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.

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