

# MWP Trade Log | LPL Research American Funds Active Core

## Mutual Fund Portfolio

A Publication of LPL Research

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### MWP LPL Research American Funds Active Core

#### Overview

The LPL Research Specialized 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 emerging market equities and rebalancing within domestic large cap equities to reduce the relative overweight to growth style equities.

The Specialized 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, and specifically, 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.

In all Investment Objectives (IO), we trimmed a large cap blend equity mutual fund (Ticker: ICAFX) and used the proceeds to add to an EM equity mutual fund (Ticker: NFFFX). Additional proceeds were used to add to a large cap value equity mutual fund (Ticker: AMRFX). These additions were made in proportion to align equity exposures both geographically and stylistically to the STAAC's asset allocation guidance.

We don't expect risk levels to materially change following these trades, and to remain fairly neutral relative to the benchmark. All IOs continue to have benchmark weight allocations to equities, an overweight to fixed income and underweight to cash. Within the equity allocations, there is now a neutral weight to domestic, emerging, and developed market equities. Domestic equity allocations continue to have a slight overweight to growth style equities, relative to value, though they are reduced following these trades. 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 Value	American Funds American Mutual F2	AMRFX			2.0%	3.0%	2.0%	3.5%	3.0%	4.0%	3.5%	5.5%
	Large Blend	American Funds Invmt Co of Amer F2	ICAFX	21.0%	17.0%	17.0%	13.0%	11.0%	7.5%	6.0%	4.0%	2.0%	0.0%
	Large Foreign	American Funds Europacific Growth F2	AEPFX	11.0%	12.0%								
	Emerging Markets	American Funds New World F2	NFFFX	4.0%	7.0%	3.0%	6.0%	2.0%	4.0%	2.0%	3.0%		
	<b>Total</b>			36.0%	36.0%	22.0%	22.0%	15.0%	15.0%	11.0%	11.0%	5.5%	5.5%
<b>Total</b>			36.0%	36.0%	22.0%	22.0%	15.0%	15.0%	11.0%	11.0%	5.5%	5.5%	

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	American Funds Growth Fund of Amer F2	GFFFX	15.0%	15.0%	14.0%	14.0%	13.0%	13.0%	11.0%	11.0%	6.5%	6.5%
	Large Value	American Funds American Mutual F2	AMRFX	5.0%	5.0%	2.0%	3.0%	2.0%	3.5%	3.0%	4.0%	3.5%	5.5%
	Large Blend	American Funds Invmt Co of Amer F2	ICAFX	21.0%	17.0%	17.0%	13.0%	11.0%	7.5%	6.0%	4.0%	2.0%	0.0%
		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	7.0%	7.0%	7.0%	7.0%	6.0%	6.0%	5.0%	5.0%	0.0%	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 Foreign	American Funds Europacific Growth F2	AEPFX	11.0%	12.0%	10.0%	10.0%	8.0%	8.0%	5.0%	5.0%	4.0%	4.0%
	Emerging Markets	American Funds New World F2	NFFFX	4.0%	7.0%	3.0%	6.0%	2.0%	4.0%	2.0%	3.0%	0.0%	0.0%
	<b>Total</b>				95.0%	95.0%	80.0%	80.0%	60.0%	60.0%	40.0%	40.0%	20.0%
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	3.0%	3.0%	12.0%	12.0%	22.0%	22.0%	38.0%	38.0%	47.0%	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%
<b>Total</b>				3.0%	3.0%	18.0%	18.0%	38.0%	38.0%	58.0%	58.0%	78.0%	78.0%
Cash	CASH	CASH	Cash	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
	<b>Total</b>				2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	
<b>Total</b>				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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