

The primary objective of the portfolios is to provide a total return in excess of the Diversified Benchmark, while the secondary objective is to implement with strategies that use ESG incorporation and active ownership approaches.

As a result of the underlying managers in these portfolios incorporating an ESG-oriented investment process, these portfolios tend to depend on equity market leadership driven by growth factors and credit-sensitive fixed income sectors outperforming US Treasuries to achieve their goals.

Fourth Quarter 2020

SUSTAINABLE INVESTING—ESG

Model Wealth Portfolios (MWP), *Quarterly Update & Outlook*

Portfolio Performance Review

The Sustainable Investing-ESG models delivered returns that tended to trail those of their respective Diversified Benchmarks in the fourth quarter, with better relative returns in more conservative investment objectives (IO). Manager selection in fixed income provided a boost to relative returns across most IOs, while an underweight to small cap equity hindered relative performance across all IOs. In calendar year 2020 overall, portfolios solidly outperformed their Diversified Benchmarks across all IOs.

Market Performance

The Russell 3000 Index gained 14.7% during a strong fourth quarter for stocks, bringing the 2020 return to 20.7%. Small caps' quarterly outperformance compared to large caps was its largest on record, as the Russell 2000 Index returned 31.4% during the quarter, while mid caps also outpaced large caps with a 19.9% return. Value-style stocks beat their growth counterparts primarily due to strong performance from the financials sector and value-oriented technology stocks. Non-US stocks outperformed their US counterparts during the quarter, led by emerging markets' 19.8% return compared to 16.1% for developed international equities, based on the MSCI EM and MSCI EAFE indexes. Riskier fixed income sectors outpaced more modest gains in high-quality fixed income sectors during the quarter, led by high-yield corporates, preferred securities, and emerging markets debt. The Bloomberg Barclays US Aggregate Bond Index returned 0.7% during the quarter.

Positive Contributors

- Allocation effect (overweight fixed income and underweight cash)
- Active management in fixed income

Negative Detractors

- Underweight small cap equity
- Active management in large cap equity
- Underweight value-style equities

Portfolio Positioning Changes

There were no changes to the portfolio allocations during the fourth quarter of 2020.

Current Positioning

LPL Research has positioned the portfolios with an emphasis on globally diversified core equities. We have targeted near-benchmark equity allocations across all IOs, along with tilts toward large cap in the domestic equity portions of portfolios. Within the fixed income portions of models, we have targeted interest-rate sensitivity modestly below benchmark levels. A thematic focus on sustainable investing in these models has typically contributed to limited exposure in the energy sector.

Actual Performance of the Portfolios (%) as of 12/31/20

		3-Month		1-Year		3-Year		5-Year		10-Year		01/09- Present [^]		Since Inception ⁺	
		Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
AG	Sustainable Investing ESG	13.31	12.54	24.72	21.75	13.24	10.48	12.89	10.12	10.83	8.10	12.57	9.80	8.47	5.92
	Diversified Benchmark	16.05		16.90		11.25		13.21		11.11		12.93		8.86	
	IO Benchmark	13.94		19.99		13.92		14.75		13.15		14.49		10.42	
G	Sustainable Investing ESG	11.61	10.84	22.06	19.17	12.00	9.27	11.63	8.89	9.82	7.12	11.59	8.85	8.02	5.48
	Diversified Benchmark	13.57		15.79		10.52		11.94		10.05		11.66		8.28	
	IO Benchmark	11.82		18.34		12.75		13.21		11.75		12.94		9.57	
GWI	Sustainable Investing ESG	9.11	8.35	17.69	14.88	9.94	7.30	9.50	6.84	8.14	5.49	9.94	7.25	7.24	4.73
	Diversified Benchmark	10.27		13.97		9.40		10.12		8.57		9.87		7.40	
	IO Benchmark	9.00		15.91		11.06		11.09		9.82		10.82		8.35	
IMG	Sustainable Investing ESG	6.44	5.70	15.00	12.22	8.22	5.63	7.36	4.76	6.39	3.79	8.09	5.44	6.22	3.73
	Diversified Benchmark	7.03		11.84		8.06		8.20		6.94		7.94		6.32	
	IO Benchmark	6.18		13.07		9.14		8.82		7.76		8.55		6.94	
ICP	Sustainable Investing ESG	3.72	2.99	10.46	7.76	6.16	3.64	5.14	2.60	4.68	2.12	6.25	3.65	5.18	2.72
	Diversified Benchmark	3.75		9.18		6.49		6.06		5.23		5.84		5.08	
	IO Benchmark	3.37		9.93		7.06		6.44		5.61		6.18		5.39	

Source: LPL Research

⁺Inception date 03/01/08. Periods over one year are annualized.[^]01/09 denotes change in LPL Financial Research Chief Investment Officer and management processes.

Performance data quoted represent past performance, and are not indicative of future results. Investment returns shown represent composite portfolio performance and do not reflect the performance of any individual account. Individual client experience may have differed dependent upon the timing of cash flows and account-level investment restrictions. Gross performance is gross of applicable overlay and advisory fees but net of underlying mutual fund investment management fees and expenses. Net performance is net of expenses and the maximum annual advisory fee of 2.50%, billed quarterly (for the 2016 period net performance reflects a maximum fee of 2.58% for select portfolios), and applied at the beginning of the quarter on a prorated basis. The returns shown include reinvestment of income distributed from the underlying mutual funds.

The returns for the portfolio were obtained during a period of fluctuating interest rates, bond prices, and stock prices, and should not be considered representative of the returns you could expect to realize from any future investment in the portfolio. The underlying holdings contained in, or the investment strategies followed with respect to the model portfolio may have changed materially during the time period portrayed and may not relate to the type of securities or advisory services currently offered. As market conditions can fluctuate suddenly and frequently, the portfolio holdings and investment mix may change, which can result in an investor's performance deviating from the performance portrayed.

Portfolio performance assumes a quarterly rebalancing frequency. Rebalancing is a taxable event that may result in a taxable gain or loss; thus, rebalancing in non-tax-advantaged accounts may involve higher taxes than tax-advantaged accounts.

Benchmark composition and investment objective descriptions can be found on page 03.

LPL Diversified Benchmark Description

(Tactical and Strategic Models)

Benchmark Indexes	AG	G	GWI	IMG	ICP
S&P 500 Index	57%	48%	36%	24%	12%
Russell 2000 Index	19%	16%	12%	8%	4%
MSCI EAFE Index	12%	10%	8%	5%	4%
MSCI Emerging Markets Index	7%	6%	4%	3%	0%
Bloomberg Barclays U.S. Aggregate Bond Index	0%	15%	35%	53%	70%
Cash	5%	5%	5%	7%	10%

Weighted Average Investment Objective

Benchmark Description

(Tactical and Strategic Models)

Benchmark Indexes	AG	G	GWI	IMG	ICP
Russell 3000 Index	95%	80%	60%	40%	20%
Bloomberg Barclays U.S. Aggregate Bond Index	0%	15%	35%	53%	70%
Cash	5%	5%	5%	7%	10%

The cash portion of these portfolios is made up of money market instruments.

Index returns are presented as a general indicator of market performance during the periods depicted. Index performance is not indicative of the performance of any investment and do not reflect fees, expenses, or sales charges. The index composition may not reflect the manner in which the portfolio is constructed and portfolio characteristics including volatility, risk and return features may deviate from those of the benchmark. All indexes are unmanaged and cannot be invested into directly.

Explanation of Use of Benchmarks

LPL shows performance as compared to at least two benchmarks that LPL created, the Investment Objective (IO) benchmark and the Diversified benchmark. Both benchmarks correspond with one of five investment objectives assigned to each LPL account and are allocated amongst varying percentages of stock, bond and cash indices according to the account's risk profile. The IO benchmark uses only a broad market cap domestic stock index and is intended to compare performance to a simple stocks/bond/cash allocation. The Diversified benchmark includes large and small cap domestic stock indices as well as developed international and emerging market stock indices and is intended to show performance factoring in diversification across the stock asset class.

INVESTMENT OBJECTIVES

Aggressive Growth (AG) – Emphasis is placed on aggressive growth and maximum capital appreciation. This portfolio has a very high level of risk and is for investors with a longer time horizon. This portfolio is considered to have the highest level of risk.

Growth (G) – Emphasis is placed on achieving high long-term growth and capital appreciation. This is considered 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

This material has been prepared for informational purposes only, and is not intended as specific advice or recommendations for any individual. There is no assurance that the views or strategies discussed are suitable for all investors and they do not take into account the particular needs, investment objectives, tax and financial condition of any specific person. To determine which investment(s) may be appropriate for you, please consult your financial advisor prior to investing. Any economic forecasts set forth may not develop as predicted and are subject to change.

Model Wealth Portfolios (MWP) are centrally managed fee-based portfolios constructed by LPL Research. Investment choices include mutual funds and exchange-traded products (ETPs). Optimum Market Portfolios (OMP) are centrally managed fee-based portfolios constructed by LPL Research. Investments are composed of the Optimum funds (mutual funds) that feature 10 or more money managers. The MWP and OMP portfolios benefit from ongoing monitoring and rebalancing implemented by LPL Financial Overlay Portfolio Management Group. Strategic Asset Management (SAM) is an open-architecture, fee based investment platform, giving advisors the ability to create customized portfolios. The strategies displayed are composed of Analyst Top Picks in each represented asset class.

All information is believed to be from reliable sources; however, LPL Financial makes no representation as to its completeness or accuracy.

RISK DISCLOSURES

Investing involves risks including possible loss of principal. No investment strategy or risk management technique can guarantee return or eliminate risk in all market environments. There can be no assurance that any stated investment objectives will be achieved.

Investing in mutual funds involves risk, including possible loss of principal. The funds value will fluctuate with market conditions and may not achieve its investment objective. Upon redemption, the value of fund shares may be worth more or less than their original cost. Exchange Traded Funds (ETF) are subject to risks including but not limited to the loss of principal, price volatility, competitive industry pressure, international political and economic developments, possible trading halts, index tracking errors and are not diversified. For fund specific risks please refer to the prospectus.

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. Please read carefully before investing.

INDEX DEFINITIONS

The Russell 3000 Index measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The Bloomberg Barclays U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS, and CMBS (agency and non-agency).

The FTSE 3-Month T-Bill Index represents monthly return equivalents of yield averages of the last 3-month Treasury bill issues.

The S&P 500 Index is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The Russell 2000 Index measures the performance of the small cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index.

The MSCI EAFE Index measures international equity performance. It comprises the MSCI country indexes that represent developed markets outside of North America: Europe, Australasia, and the Far East.

The MSCI Emerging Markets Index captures large and mid cap representation across 23 emerging markets (EM) countries. With 822 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

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