

ASSET ALLOCATION STRATEGIES  
THE ART OF DIVERSIFICATION

**BLACKROCK®**



# Potential Advantages of Diversification

Individual asset classes tend to historically perform differently depending on market conditions. A portfolio that offers exposure to a variety of asset classes is considered to be diversified—and by design, may reduce the likelihood that poor performance from one particular investment or asset class will drag down the entire portfolio. However, there is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk and does not ensure profits in declining markets.

## A TRULY DIVERSIFIED PORTFOLIO MAY HELP SMOOTH THE RIDE

Ranked Annual Percent Returns of Indexes and 'Diversified Portfolio' Benchmark

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Emerging Mkts Equity 32.6	Emerging Mkts Equity 39.8	World Bond (ex-US) 10.1	Emerging Mkts Equity 79.0	Small/Mid Cap Equity 26.9	Taxable Fixed Inc 9.4	Emerging Mkts Equity 18.6	Small/Mid Cap Equity 38.8	Core Equity 13.2	Core Equity 0.9
Int'l Equity 26.9	Int'l Equity 11.6	Taxable Fixed Inc 5.2	High Yield Tax FI 58.2	Emerging Mkts Equity 19.2	Emerging Mkts Bond 8.5	Int'l Equity 17.9	Core Equity 33.1	Emerging Mkts Bond 7.1	Emerging Mkts Bond 0.6
Small/Mid Cap Equity 18.4	World Bond (ex-US) 11.5	Treasury 1.8	Int'l Equity 32.5	Core Equity 16.1	World Bond (ex-US) 5.2	Small/Mid Cap Equity 16.4	Int'l Equity 15.8	Taxable Fixed Inc 6.0	Taxable Fixed Inc 0.6
Core Equity 15.5	Diversified Portfolio 7.4	Emerging Mkts Bond -10.5	Emerging Mkts Bond 29.5	High Yield Tax FI 15.1	High Yield Tax FI 5.0	Core Equity 16.4	Diversified Portfolio 14.9	Diversified Portfolio 5.3	Diversified Portfolio 0.5
Diversified Portfolio 13.2	Taxable Fixed Inc 7.0	Diversified Portfolio -18.5	Core Equity 28.4	Emerging Mkts Bond 12.0	Core Equity 1.5	High Yield Tax FI 15.8	High Yield Tax FI 7.6	Small/Mid Cap Equity 4.9	Treasury 0.1
High Yield Tax FI 11.9	Emerging Mkts Bond 6.2	High Yield Tax FI -26.2	Small/Mid Cap Equity 27.2	Diversified Portfolio 8.9	Treasury 0.1	Emerging Mkts Bond 11.4	Treasury 0.1	High Yield Tax FI 2.5	Small/Mid Cap Equity -4.4
Emerging Mkts Bond 10.5	Core Equity 5.8	Small/Mid Cap Equity -33.8	Diversified Portfolio 17.8	Int'l Equity 8.2	Diversified Portfolio 0.1	Diversified Portfolio 11.1	Taxable Fixed Inc -2.0	Treasury 0.0	High Yield Tax FI -4.5
World Bond (ex-US) 6.9	Treasury 4.8	Core Equity -37.6	Taxable Fixed Inc 5.9	Taxable Fixed Inc 6.5	Small/Mid Cap Equity -4.2	Taxable Fixed Inc 4.2	Emerging Mkts Equity -2.3	Emerging Mkts Equity -1.8	World Bond (ex-US) -5.5
Treasury 4.8	High Yield Tax FI 1.9	Int'l Equity -43.1	World Bond (ex-US) 4.4	World Bond (ex-US) 5.2	Int'l Equity -12.1	World Bond (ex-US) 1.5	World Bond (ex-US) -4.6	World Bond (ex-US) -2.7	Int'l Equity -5.7
Taxable Fixed Inc 4.3	Small/Mid Cap Equity -1.6	Emerging Mkts Equity -53.2	Treasury 0.1	Treasury 0.1	Emerging Mkts Equity -18.4	Treasury 0.1	Emerging Mkts Bond -6.2	Int'l Equity -3.9	Emerging Mkts Equity -14.6

Source: PSN Enterprise and BlackRock. **Past performance does not guarantee or indicate future results.** The information provided is for illustrative purposes only and is not meant to represent the performance of any particular investment. Investing involves risk. Asset class returns are represented by the returns of indexes and are ranked on an annual total return basis. It is not possible to invest directly in an index. **Core Equity** is represented by the Russell 1000 Index. **International Equity** is represented by the MSCI All Country World ex-US Index. **Small / Mid Cap Equity** is represented by the Russell 2000 Index. **Emerging Markets Equity** is represented by the MSCI Emerging Markets Index. **Taxable Fixed Income** is represented by the Barclays Aggregate Bond Index. **High Yield Taxable Fixed Income** is represented by the Barclays High Yield Corporate Bond Index. **World Bond (ex-US)** is represented by the Citigroup World Government Bond ex-US index. **Emerging Markets Bond** is represented by the Citigroup Global Emerging Markets Sovereign Index. **Treasury** is represented by the ML US 3-month Treasury Index. For purposes of this page, the Diversified Portfolio reflects the benchmark allocations for the LPL Tactical Growth with Income ETF model and is composed of the following indexes: 27.5% Russell 3000 Index, 27.5% MSCI EAFE Index, 23% Barclays US Aggregate Index, 20% Citi World Global Bond Index(ex US) Hedged and 2% Barclays 1-3 Month T-Bill Index. The composition of the LPL Tactical Growth with Income ETF benchmark against which account performance will be measured may differ. The Diversified Portfolio's returns shown reflect rebalancing of its component indexes to their established percentages on 1 January of each year. For descriptions of the indexes, please see Important Notes at the end of this brochure.

## BLENDING INDEX AND ACTIVE MANAGEMENT

In structuring the Asset Allocation Strategies, the Global Tactical Asset Allocation (GTAA) Team blends index and active management.

- ▶ **Index management:** Strategies seek to track the market using an index.
- ▶ **Active management:** Investment managers attempt to outperform the market by predicting market activity and can add value to portfolios by anticipating market cycles and continuously changing asset allocation over time.

As the two styles complement each other, blending index and active management can potentially reduce risk and increase returns.

## ASSET ALLOCATION STRATEGIES FROM BLACKROCK

In the LPL Model Wealth Portfolios (MWP) Program, BlackRock offers a range of diversified portfolio strategies to LPL Financial Advisors for their clients that seek to take some of the stress out of investing. Asset Allocation Strategies offer exposure to a wide variety of asset classes, geographies and investment themes, as well as optionality across risk profiles, ranging from conservative to aggressive (Asset Allocation Strategies do not guarantee profit or protect against loss). These portfolios utilize Exchange Traded Funds (ETFs) and BlackRock mutual funds for diversity, liquidity, transparency and cost efficiency—portfolios are then overlaid with the asset allocation experience of BlackRock's Global Tactical Asset Allocation (GTAA) Team.

## POTENTIAL BENEFITS OF ASSET ALLOCATION STRATEGIES

- ▶ Diversification across asset class, size, style and geography
- ▶ Rigorous risk management and professional asset allocation overlay
- ▶ Flexible asset allocation that adapts to changing market environments
- ▶ Optionality across building blocks, risk tolerances and management styles

## UTILIZING ETFs TO HELP BUILD A BETTER PORTFOLIO

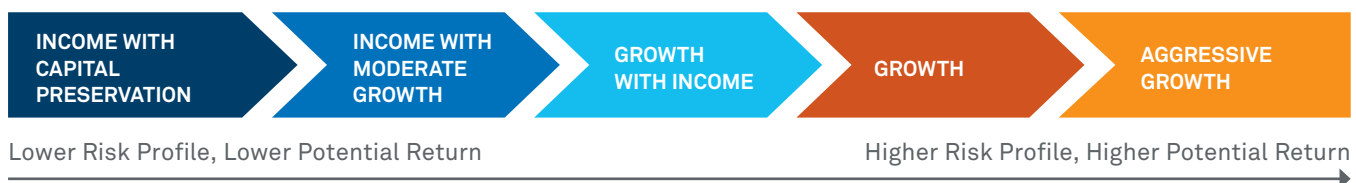
The GTAA Team seeks to identify the best investment opportunities, choosing from a wide universe of ETFs and tailoring each portfolio to a specific risk exposure.

## MONITORING AND MANAGING RISK

BlackRock is focused on risk management, having made major investments in technology, analytics and personnel over the last two decades. A key differentiating feature of BlackRock's approach to risk management includes a dedicated global team of independent risk managers who work alongside our portfolio management teams, serving a critical oversight function. This group, known as Risk & Quantitative Analysis (RQA), focuses on analyzing and quantifying risks, while monitoring holdings and rigorously testing portfolios.

BlackRock technology, the RQA team and the expertise of the GTAA Team are all integral components of risk management—together they seek to deliver consistent investment results with fewer surprises.

## ASSET ALLOCATION STRATEGIES—RANGE OF RISK PROFILES



# The Global Tactical Asset Allocation (GTAA) Team

The Asset Allocation Strategies are run by BlackRock's Global Tactical Asset Allocation (GTAA) Team, which provides clients with customized asset allocation, portfolio management, risk monitoring and tactical investment ideas. The Team manages \$26 billion for institutions, insurance companies and individual investors. The GTAA Team is part of BlackRock's broader Multi-Asset Strategies (MAS) group, a global investment platform consisting of over 190 investment professionals responsible for managing more than \$195 billion.\*

## EXTENSIVE GLOBAL RESOURCES HELP PROVIDE DEEP UNDERSTANDING OF LOCAL MARKETS AND ECONOMIES



## ASSET ALLOCATION STRATEGIES—INVESTMENT PROCESS

1. The GTAA Team works with LPL Financial to establish investment strategies based on investors' risk profiles and time horizons, as well as BlackRock's market view.
2. The GTAA Team selects investments for each strategy by evaluating the available universe of ETFs and mutual funds.†
3. Strategic ETF portfolios are rebalanced to target allocations semi-annually to annually. Tactical ETF, Alpha/Beta Blend and Tactical Mutual Fund portfolios are adjusted on an ongoing basis to adapt to changing investment environments.§

In the LPL Model Wealth Portfolios (MWP) Program, the LPL Financial Overlay Portfolio Management Group is the client's investment manager and implements trades for the client's account based on asset allocations from BlackRock. BlackRock does not have investment discretion and does not place trade orders for clients accounts.

\* As of December 31, 2015. † Portfolio holdings may include ETFs managed by BlackRock and its affiliates (e.g., iShares ETFs) and other firms not affiliated with BlackRock, and mutual funds managed by BlackRock and its affiliates. § Rebalancing may involve tax consequences.



# A Diversified Range of Multi-Asset Strategies

BlackRock Asset Allocation Strategies available in the LPL Model Wealth Portfolios are separately managed account (SMA) strategies that seek capital appreciation through diversification, flexible asset allocation and disciplined risk management. BlackRock offers a range of Asset Allocation Strategies across four styles: Strategic ETF, Tactical ETF, Tactical Mutual Fund and Alpha/Beta Blend. Within each style, portfolios are available across a range of risk profiles from conservative to aggressive. Your financial professional can help you choose the strategy most appropriate for you, based on your investment objectives, risk tolerance and time horizon.

## THE RANGE OF BLACKROCK ASSET ALLOCATION STRATEGIES

	Strategic ETF Portfolios	Tactical ETF Portfolios	Tactical Mutual Fund Portfolios	Alpha/Beta Blend Portfolios
<b>Overview</b>	Global, diversified ETF portfolios, which express longer-term views. BlackRock sets asset allocations based on long-term market views, but the GTAA Team can adjust them to take advantage of medium- to longer-term opportunities.	Global, diversified ETF portfolios. BlackRock sets asset allocations based on a combination of long- and short-term market views. The GTAA Team then makes dynamic investment decisions to reflect changes in market conditions and the evolution of investment views.	Global, diversified portfolios composed of primarily actively managed mutual funds. BlackRock sets asset allocations based on a combination of long- and short-term market views. The GTAA Team then makes dynamic investment decisions to reflect changes in market conditions and the evolution of investment views.	Global, diversified portfolios composed of ETFs and actively managed mutual funds. BlackRock sets asset allocations based on a combination of long- and short-term market views. The GTAA Team then makes dynamic investment decisions to reflect changes in market conditions and the evolution of investment views.
<b>Components</b>	5 to 10 underlying ETF holdings <sup>†</sup>	10 to 20 underlying ETF holdings <sup>†</sup>	10 to 20 underlying mutual fund holdings, as well as fewer ETF holdings <sup>†</sup>	20 to 30 underlying ETF holdings and/or mutual fund holdings <sup>†</sup>
<b>Minimum Investment</b>	\$25,000	\$50,000	\$50,000	\$80,000
<b>Allocation Review</b>	Semi-annual to annual portfolio rebalancing to target allocations.	Active allocation changes are made to the portfolios based on BlackRock's market view.		
<b>Risk Profiles<sup>‡</sup></b>	<ul style="list-style-type: none"> <li>▶ Income with Capital Preservation</li> <li>▶ Income with Moderate Growth</li> <li>▶ Growth with Income</li> <li>▶ Growth</li> <li>▶ Aggressive Growth</li> </ul>	<ul style="list-style-type: none"> <li>▶ Income with Capital Preservation</li> <li>▶ Income with Moderate Growth</li> <li>▶ Growth with Income</li> <li>▶ Growth</li> <li>▶ Aggressive Growth</li> </ul>	<ul style="list-style-type: none"> <li>▶ Income with Moderate Growth</li> <li>▶ Growth with Income</li> <li>▶ Aggressive Growth</li> </ul>	<ul style="list-style-type: none"> <li>▶ Income with Moderate Growth</li> <li>▶ Growth with Income</li> <li>▶ Aggressive Growth</li> </ul>

Talk to your financial professional today about Asset Allocation Strategies and the art of diversification.

**No strategy assures success or protects against loss.**

<sup>†</sup> Portfolio holdings may include ETFs managed by BlackRock and its affiliates (e.g., iShares ETFs) and other firms not affiliated with BlackRock, and mutual funds managed by BlackRock and its affiliates. <sup>‡</sup> For descriptions of the Risk Profiles, please see Important Notes at the end of this brochure.

## Want to know more?



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### Important Notes

The views of the BlackRock Global Tactical Asset Allocation (GTAA) Team relate to BlackRock's Active ETF and Mutual Fund Portfolios within the LPL Financial Model Wealth Portfolios (MWP) platform. Information shown represents the current investment strategy and philosophy of BlackRock Investment Management, LLC ("BlackRock"), the model portfolio provider, and is subject to change. There is no guarantee that any forecasts made will come to pass. No investment strategy assures success or protection against loss. In the LPL MWP program, the LPL Financial Overlay Portfolio Management Group is the client's investment manager and implements trades for the client's account based on the model portfolio of investments LPL receives from BlackRock. LPL Financial may select investments for a client's account that differ from BlackRock's model. BlackRock is not the discretionary investment manager for any client accounts managed within the LPL MWP platform.

**Investing involves risk, including possible loss of principal.** Diversification and asset allocation may not protect against market risk.

**There is no assurance that techniques and strategies discussed are suitable for all investors or will yield positive outcomes. The purchase of certain securities may be required to effect some of the strategies.**

**An investment in Exchange Traded Funds (ETFs), structured as a mutual fund or unit investment trust, involves the risk of losing money and should be considered as part of an overall program, not a complete investment program. An investment in ETFs involves additional risks: not diversified, the risks of price volatility, competitive industry pressure, international political and economic developments, possible trading halts, index tracking errors.**

### Risk Profiles

**Income with Capital Preservation:** The objective is to maintain capital. Adjusted for inflation, investment returns may be very low or, in some years, negative, in exchange for high liquidity and reduced risk of principal loss. **Income with Moderate Growth:** The objective is to obtain a continuing income stream from dependable debt and equity sources. In order to satisfy current yield requirements, an investor selecting this strategy should be willing to absorb some risk of principal loss. **Growth with Income:** The objective is to strike a balance between bonds for current income and stocks for growth. Despite the relatively balanced nature of the portfolio, an investor selecting this strategy should be willing to assume risk of principal loss. **Growth:** The objective is to accumulate wealth over time, rather than current income. An investor selecting this strategy should be willing to accept the risks of price volatility and principal loss in seeking to achieve growth. **Aggressive Growth:** The objective is to achieve above-average growth over time; income is of little, if any, concern. An investor selecting this strategy should be willing to take substantial risk in seeking to achieve above-average returns.

*An investment in the fund(s) is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.*

The **Russell 3000 Index** measures the performance of the 3,000 largest US companies based on total market capitalization, which represents approximately 98% of the investable US equity market. The **MSCI All Country World ex-US Index** provides a broad measure of stock performance throughout the world, excluding US-based companies. It includes developed and emerging markets. The **MSCI Emerging Markets Index** is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global Emerging Markets, consisting of 26 Emerging Markets countries. The **Barclays Aggregate Bond Index** covers the US investment-grade fixed-rate bond market, including government and credit securities, agency mortgage pass-through securities, asset-backed securities and commercial mortgage-based securities. To qualify for inclusion, a bond or security must have at least one year to final maturity, rated investment grade Baa3 or better, dollar denominated, non-convertible, fixed rate and be publicly issued. The **Barclays High Yield Corporate Bond Index** covers the universe of fixed rate, non-investment grade debt. Pay-In-Kind (PIK) bonds, Eurobonds, and debt issues from countries designated as Emerging Markets (e.g., Argentina, Mexico, Venezuela, etc.) are excluded, but Yankee and global bonds (SEC registered) of issuers in non-EMG countries are included. Original issue zeroes and step-up coupon structures are also included. The **Citigroup Global Emerging Markets Sovereign Index** includes Brady bonds and US dollar denominated Emerging Market sovereign debt issued in the global, Yankee, and Eurodollar markets excluding loans. The ESBI offers diversification benefits with respect to the geographical and asset class dimensions. It comprises debt in more than 25 countries including Emerging Markets in Africa, Asia, Europe, and Latin America. The **Citigroup World ex-U.S. Government Bond Index** is a market capitalization weighted index consisting of the government bond markets of the following countries: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, Netherlands, Spain, Sweden, Switzerland, and United Kingdom. Country eligibility is determined based upon market capitalization and investability criteria. The index includes all fixed-rate bonds with a remaining maturity of one year or longer and with amounts outstanding of at least the equivalent of US\$25 million. Government securities typically exclude floating or variable rate bonds, U.S./Canadian savings bonds and private placements. The **Russell 1000 Index** is an unmanaged index that measures the performance of the 1,000 largest companies in the Russell 3000 Index. The Barclays Capital TIPS Index consists of Treasury Inflation-Protection Securities in the US Treasury Index. The US Treasury Index represents public obligations of the US Treasury with a remaining maturity of one year or more. Bonds in the index must have at least one year to final maturity regardless of call features; must have at least \$150mn par amount outstanding; must be rated investment grade (Baa3 or better) by Moody's Investors Service or equivalent; must be dollar-denominated and non-convertible; and must be publicly issued; and be a US Treasury Inflation Note. The **Russell 2000 Index** is a market-weighted small-capitalization index composed of the smaller 2,000 stocks, ranked by market capitalization, of the Russell 3000 Index. The **BofA Merrill Lynch 3-month U.S. Treasury Bill Index** is composed of a single issue purchased at the beginning of the month and held for a full month. At the end of the month, that issue is sold and rolled into a newly selected issue. The issue selected at each month-end rebalancing is the outstanding Treasury bill that matures closest to, but not beyond three months from the rebalancing date. While the index will often hold the Treasury bill issued at the most recent or prior 3-month auction, it is also possible for a seasoned 6-Month or 1-Year Bill to be selected.

Advisory services offered through LPL Financial, a Registered Investment Advisor. BlackRock is not affiliated with LPL Financial.

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