



BUILT ON STRENGTH

The LPL Research American Funds®
Active Core Portfolios

Exploring the Continuum of Passive and Active Management Products

Figure 1: Investment options are often lumped into active and passive buckets, but in reality, there's an active-passive continuum

Product: Continuum by Management Style

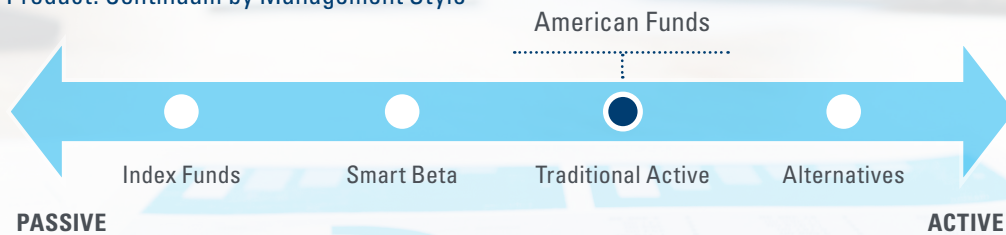
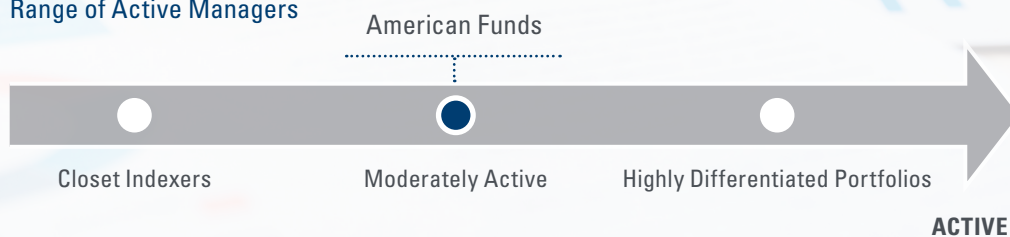


Figure 2: Traditional active managers range from closet indexers to highly differentiated portfolios

Range of Active Managers



Active management involves more frequent buying and selling of assets and will tend to generate higher transaction cost. Investors should consider the tax consequences of moving positions more frequently.

Source: LPL Research 03/03/17

The LPL Research American Funds® Active Core Portfolios

Active investing—or adjusting your portfolio allocation with the goal of capitalizing on good market conditions and managing risk in more challenging ones—can be an appropriate strategy when you have long-term goals. An active strategy that’s right for you can sometimes be hard to find. But you deserve an active approach to your portfolio, put in place by managers who use proven strategies to help you address your goals.

To make this happen, LPL Financial leveraged the portfolio construction expertise of LPL Research and core investment funds from American Funds to design the LPL Research American Funds® Active Core portfolios. By investing in these portfolios, you get what you deserve: an active approach to help you work toward your long-term goals, put in place by managers who have a stated objective to beat established benchmarks.

What an Active Core Means for You

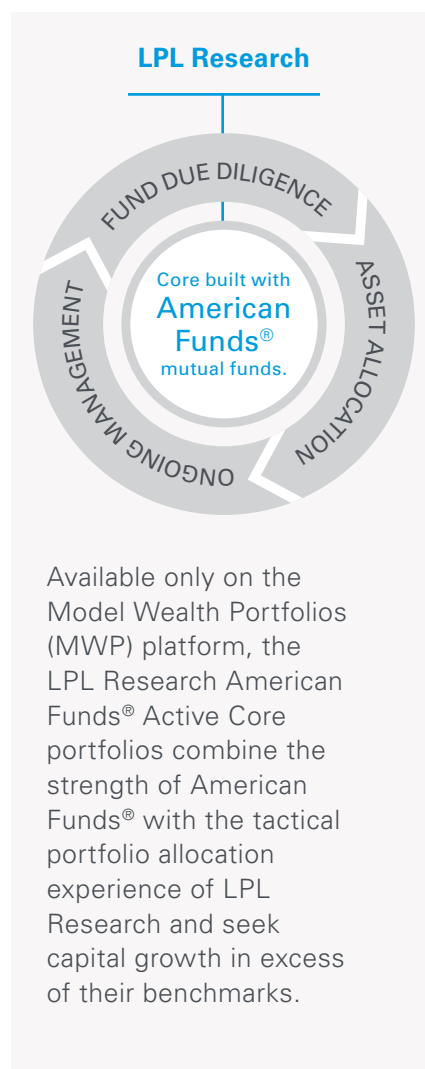
The Active Core Portfolios offer you access to:

- Experienced institutional money managers
- Actively managed portfolios
- Exposure to new asset classes or allocations

The management and tactical portfolio allocation expertise of LPL Research combined with the American Funds’ underlying investments can help you navigate various market conditions and work toward your financial goals.

Model Wealth Portfolios (MWP) are centrally managed fee-based portfolios constructed by LPL Financial Research. Investment choices include mutual funds and exchange-traded products (ETPs). The portfolios benefit from ongoing monitoring, rebalancing, and tax management services implemented by the LPL Financial Overlay Portfolio Management Group.

The LPL Research American Funds Active Core models have a minimum investment of \$25,000 and are offered with no strategist fee. Depending on account size, the model may have a maximum annual advisory fee of 2.5%.



Available only on the Model Wealth Portfolios (MWP) platform, the LPL Research American Funds® Active Core portfolios combine the strength of American Funds® with the tactical portfolio allocation experience of LPL Research and seek capital growth in excess of their benchmarks.

The MWP American Funds Active Core Portfolios

American Funds are used for core equity and fixed income allocations and complemented by other fund managers selected by LPL Research.



Tactical Risk Positioning and Tactical Investment Horizon

Investing in mutual funds involves risk, including possible loss of principal. Managed investments have numerous specific risks such as manager, concentration, and liquidity risk. For more information on risks, fees, and other important information for a specific fund please refer to the prospectus.

Setting Out to Build the Active Core Portfolios

LPL Research built the portfolios to create “all-weather” investment solutions designed to seek out performance in a variety of market conditions. The Active Core portfolios are monitored and adjusted based on the markets to help you potentially capture growth opportunities and manage risk in challenging times.

In developing the Active Core portfolios, LPL Research used American Funds® for the core equity and fixed-income allocations. They then chose additional fund managers with strategies that complement the American Funds® approach. The team went through a three-step process to complete the portfolios:

- 1. Market assessment:** Reviewed current conditions across various markets to determine which opportunities may continue in the future, as well as when to expect meaningful changes and conditions.
- 2. Investment themes:** Examined investment themes to determine which investment types would potentially generate favorable results across multiple time frames.
- 3. Diversification:** Created a diversified asset allocation designed to capitalize on current growth potential, yet maintain the capital protection needed over the next one to three years.

Going forward, LPL Research will:

- Increase or decrease the portfolios’ risk level in response to market changes
- Monitor and rebalance the portfolios to potentially capture growth opportunities in favorable conditions and seek capital protection in challenging ones

LPL Research is solely responsible for all fund choices and asset allocation decisions within the model and has the option of picking from the wide variety of offerings available through American Funds® or adding funds not managed by American Funds® if necessary to keep the model lined up with its objectives.

There is no guarantee the American Fund Core Portfolios will attain their desired investment objectives.

There is no guarantee that a diversified portfolio will enhance overall returns or outperform a nondiversified portfolio. Diversification and asset allocation do not protect against market risk.

Investing in the portfolio involves risk, including the loss of principal.

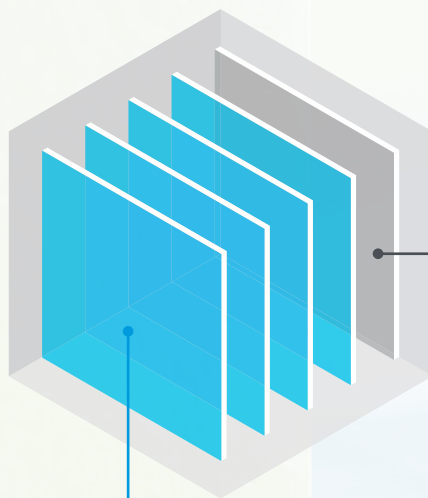
Active Core Portfolios At-a-Glance:

- **Portfolio goal:**
Capital growth through an all-weather approach
- **Investment horizon:**
1–3 years
- **Turnover range:**
40%–80%
- **Vehicle:** Mutual funds

The Capital System's Multiple Manager Approach

American Funds' GFA Fund®

A diverse group of portfolio managers and analysts brings complementary investment approaches, experience levels, backgrounds, and areas of focus.



Analysts

In most funds, including GFA, a group of investment analysts manages a portion of the fund known as the research portfolio.

Portfolio Managers

Each portfolio manager is assigned a portion of the overall assets to manage independently, enabling them to focus on their highest conviction ideas.

Investors should consider the investment objectives, risks, charges, and expenses of the investment company 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. Read carefully before investing.

Built on Consistency: The American Funds® Advantage

With a strategic selection of core equity and fixed income mutual funds, American Funds® provides the foundation on which the Active Core portfolios are built. Since 1931, American Funds® has helped investors pursue long-term investment success by focusing on individuals' real-life needs and goals. By putting investors first, American Funds® strives to earn and keep your trust.

Key American Funds features

- **Aligned with investor success:** American Funds® portfolio managers average 27 years of investment experience, including 22 years at American Funds®.
- **Low costs:** On average, their funds' management fees are among the lowest in the industry.¹
- **Active at the core:** Equity assets typically represent the largest part of a client's portfolio. As a result, the fund manager believes it's important to select actively managed equity funds for a portfolio's core allocation to help position the portfolio for the long term.

The Capital System: American Funds® Investment Process

The Capital System is the American Funds® process for investing that, in combination with their approach, has delivered superior long-term results. American Funds®² combines the innovation of individual thought and experience with the positive outcomes of teamwork, all with the objective of helping you pursue your real-life goals.

In the Capital System, multiple portfolio managers and analysts with different backgrounds, ages, and investment styles manage portions of the same fund. They're responsible for the portions of funds that best match their backgrounds and areas of specialty, and they have autonomy over the portions they manage. However, the managers also collaborate, sharing insights with their peers and expanding their knowledge through the open exchange of ideas. Independent decision-making enables managers and analysts to act on their highest convictions, while working together as a team ensures success isn't tied to any one manager's results.

¹ On average, our management fees were in the lowest quintile 73% of the time, based on the 20-year period ended December 31, 2016, versus comparable Lipper categories, excluding funds of funds.

² Equity funds have beaten their Lipper peer indexes in 93% of 10-year periods and 98% of 20-year periods. Fixed income funds have beaten their Lipper indexes in 80% of 10-year periods and 80% of 20-year periods.

Based on Class F-2 share results for rolling periods through December 31, 2016. Periods covered are the shorter of the fund's lifetime or since the comparable Lipper index inception date (except Capital Income Builder and SMALLCAP World Fund, for which the Lipper average was used). Expenses differ for each share class, so results will vary. Class F-2 shares were first offered on August 1, 2008. Class F-2 share results prior to the date of first sale are hypothetical based on Class A share results without a sales charge, adjusted for typical estimated expenses. Results for certain funds with an inception date after August 1, 2008, also include hypothetical returns because those funds' Class F-2 shares sold after the funds' date of first offering. Please see americanfunds.com for more information on specific expense adjustments and the actual dates of first sale.



LPL Research: The Manager

Because of their approach and track record, American Funds® mutual funds sit at the center of the model, with LPL Research providing the day-to-day management of the model. LPL Research is our trusted partner and acts as the portfolio manager of the Active Core portfolios. Rather than the model being fully controlled by just one manager, as is the case with many models, LPL Research helps construct the Active Core Portfolios. Their robust team of investment professionals is focused on economic analysis, asset allocation, portfolio construction, and manager due diligence, which ensures every decision and model adjustment is carefully researched and considered.

LPL Research has a simple mission: Provide independent and objective investment research to help you work toward your investment goals. To accomplish this, LPL Research has four primary roles:

- Share relevant and timely market and economic insights
- Provide rigorous due diligence and asset allocation advice
- Manage discretionary investment portfolios
- Develop forward-thinking thought leadership perspectives and strategies

LPL Research works to support us in providing you with market insights and investment solutions that help you pursue your objectives.

Quick Facts on LPL Research:

- Maintains more than 300 portfolios tailored to specific objectives
- Has approximately \$143 billion in assets under advisement*
- Provides due diligence on more than 900 approved or recommended managers
- Publishes more than 150 commentaries on markets and economy each year

* Estimate through 08/31/2017 for assets where advisors have discretion leveraging LPL Research advice through our advisory platforms.



The Research Team

LPL Research keeps a close eye on global market activities, evaluating which risks and opportunities may be unfolding as the economic landscape changes. Ultimately, their goal is to determine how the latest market trends, geopolitical events, and policy decisions may impact your investments, so they can make the appropriate changes ahead of time.

LPL Research believes that one of the most important decisions in investing is deciding how to combine the different segments of a portfolio. As a result, they're willing to investigate new asset classes to enhance their models and ensure each investment is working in concert with the other pieces of the portfolio. Each asset allocation and portfolio the team creates has pieces designed to address specific needs or areas of concern.

With LPL Research as the portfolio manager and American Funds® sitting at the core of the Active Core portfolios, you can have direct access to an exclusive model that leverages the strengths of two firms who share a common objective—helping you achieve your long-term investment goals.

What Is Model Wealth Portfolios (MWP)?

Model Wealth Portfolios (MWP) is an investment platform that provides you the opportunity to choose a strategy that aligns with your financial goals. By investing in MWP, you're given direct access to a suite of experienced portfolio strategists, each of whom offers a unique philosophy, process, and market outlook.

Next Steps

By investing in the LPL Research American Funds® Active Core portfolios, you get a tactical approach to help you pursue your long-term goals, put in place by experienced managers focused on the objective to beat the benchmarks.

If you think this strategy is right for you or you'd like to learn more, please contact us today.

There is no assurance that the American Funds Core Portfolios are suitable for all investors or will yield positive outcomes. The purchase of certain securities will be required to effect some of the strategies. Investing involves risks including possible loss of principal.

The American Funds Core Portfolios are accounts that allocate your portfolio's assets among underlying American Funds within ranges designed to meet your investment objective. Depending on your investment goals and objectives, your financial advisor will help you select a portfolio designed by the LPL Financial Research Department. Your financial advisor can provide you with information about the special risks that may be associated with the underlying funds. All mutual funds are subject to market risks and an investor may receive more or less than the original investment at redemption.

The LPL Research American Funds® Active Core Portfolios are offered through LPL Financial, member FINRA/SIPC, and a registered investment advisor.

LPL Financial and American Funds are two separate entities.

This material was prepared by LPL Financial.

