

# Investment Review

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## The Episcopal Diocese of Vermont

*June 30, 2018*

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## Quarterly Performance Summary

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The Episcopal Diocese Unit fund gained 1.14% in the second quarter resulting in investment gains of \$348,096. During the second quarter, positions were added to Apple Computer to maintain and increase the position as a result of calls being exercised. In addition, we added dollars to a preferred stock position, corporate debt, and stock in Merck Corporation. During the quarter, AT&T completed its merger of Time Warner and as a result, feeling value had been maximized, we moved those dollars to Home Depot in the consumer products/retail sector.

# Investment Return Summary

Due to the IPS change in March 2016, periods beginning prior to 3/31/16 do not reflect current investments and are omitted.

## Second Quarter 2018

March 31, 2018 Value:	\$26,495,047
Net Cash Flows:	(\$51,188)
Investment Gain:	\$348,096
June 30, 2018 Value:	\$26,791,955
Second Quarter Return:	1.14%
Basic Benchmark Return:*	2.31%
Alternative Benchmark Return:*	1.59%

## Year-to-Date Period (12/31/2017 - 06/30/2018)

Investment Gain:	\$404,881
Year-to-Date Return:	1.19%
Basic Benchmark Return:*	1.31%
Alternative Benchmark Return:*	0.66%

## One-Year Period (06/30/2017 - 06/30/2018)

Investment Gain:	\$2,368,775
One-Year Return:	8.76%
Basic Benchmark Return:*	9.50%
Alternative Benchmark Return:*	8.05%

\*The Basic Benchmark is weighted to the Standard & Poor's 500 Index and the Barclays US Aggregate Bond Index based on the actual portfolio allocation. The Alternative Benchmark is weighted among the Standard & Poor's 500 Index, the Barclays US Aggregate Bond Index, the Russell 2000 Index, the MSCI EAFE Index, the Barclays US Intermediate Credit Index, the Barclays US 1-3 Year Government/Credit Index, the Citi 1-Month Treasury Bill Index, the S&P GSCI Gold Spot Index, and the PHLX Gold & Silver Index based on the actual portfolio allocation.

Portfolio returns are calculated net of fees. Market valuations are based on information we believe to be reliable, but no guarantees are made as to its accuracy or completeness. This schedule is not intended for tax, lending, legal, or other non-financial planning purposes, and should not be relied upon by third parties. Past performance is not a guarantee of future results. The preceding data is provided to you for informational purposes only. This report is not a replacement for the client account statements from Raymond James or other custodians. Investors are reminded to compare the findings in this report to their quarterly account statements.

## Account Activity Summary

Due to the IPS change in March 2016, periods beginning prior to 3/31/16 do not reflect current investments and are omitted.

	Second Quarter	YTD	One-Year	Three-Year	Five-Year	Ten-Year
<b>Beginning Market Value</b>	<b>\$26,495,047</b>	<b>\$26,798,502</b>	<b>\$25,442,774</b>	-	-	-
Contributions						
Parish Deposits	\$288,484	\$297,728	\$408,572	-	-	-
Withdrawals						
Parish Withdrawals	(\$15,000)	(\$58,113)	(\$134,971)	-	-	-
Parish Dividends	(\$276,081)	(\$551,962)	(\$1,110,774)	-	-	-
Foreign Taxes Withheld	(\$5,757)	(\$6,562)	(\$10,500)	-	-	-
Management Expenses	(\$42,835)	(\$92,519)	(\$171,922)	-	-	-
<b>Net Cash Flows</b>	<b>(\$51,188)</b>	<b>(\$411,429)</b>	<b>(\$1,019,594)</b>	-	-	-
Income						
Interest / Dividends	\$204,209	\$373,551	\$708,337	-	-	-
Gains (Losses)	\$143,887	\$31,330	\$1,660,438	-	-	-
<b>Total Earnings</b>	<b>\$348,096</b>	<b>\$404,881</b>	<b>\$2,368,775</b>	-	-	-
<b>Ending Market Value</b>	<b>\$26,791,955</b>	<b>\$26,791,955</b>	<b>\$26,791,955</b>	-	-	-
Portfolio Return (Gross of Fees)	1.29%	1.48%	9.36%	-	-	-
Management Expenses	-0.160%	-0.345%	-0.642%	-	-	-
Portfolio Return (Net of Fees)	1.14%	1.19%	8.76%	-	-	-
Basic Benchmark Return	2.31%	1.31%	9.50%	-	-	-
Alternative Benchmark Return	1.59%	0.66%	8.05%	-	-	-

**Parish Deposits:** The total amount deposited by the parishes for investment into the Unit Fund subaccounts.

**Parish Withdrawals:** The total principal amount withdrawn by the parishes from the Unit Fund subaccounts.

**Parish Dividends:** The total Unit Fund dividends paid directly to the parishes and not reinvested or used for loan repayment.

**Foreign Taxes Withheld:** The total foreign income taxes automatically withheld on dividends paid by non-US companies.

**Management Expenses:** The total expenses paid by the Unit Fund for investment, accounting, account maintenance, statement preparation, and reporting purposes. The percentage is calculated as the expense amount divided by the beginning value.

**Interest / Dividends:** The total interest and dividends generated by the investments of the Unit Fund.

**Gains (Losses):** The total rise or fall of the market value of the investments in the Unit Fund.

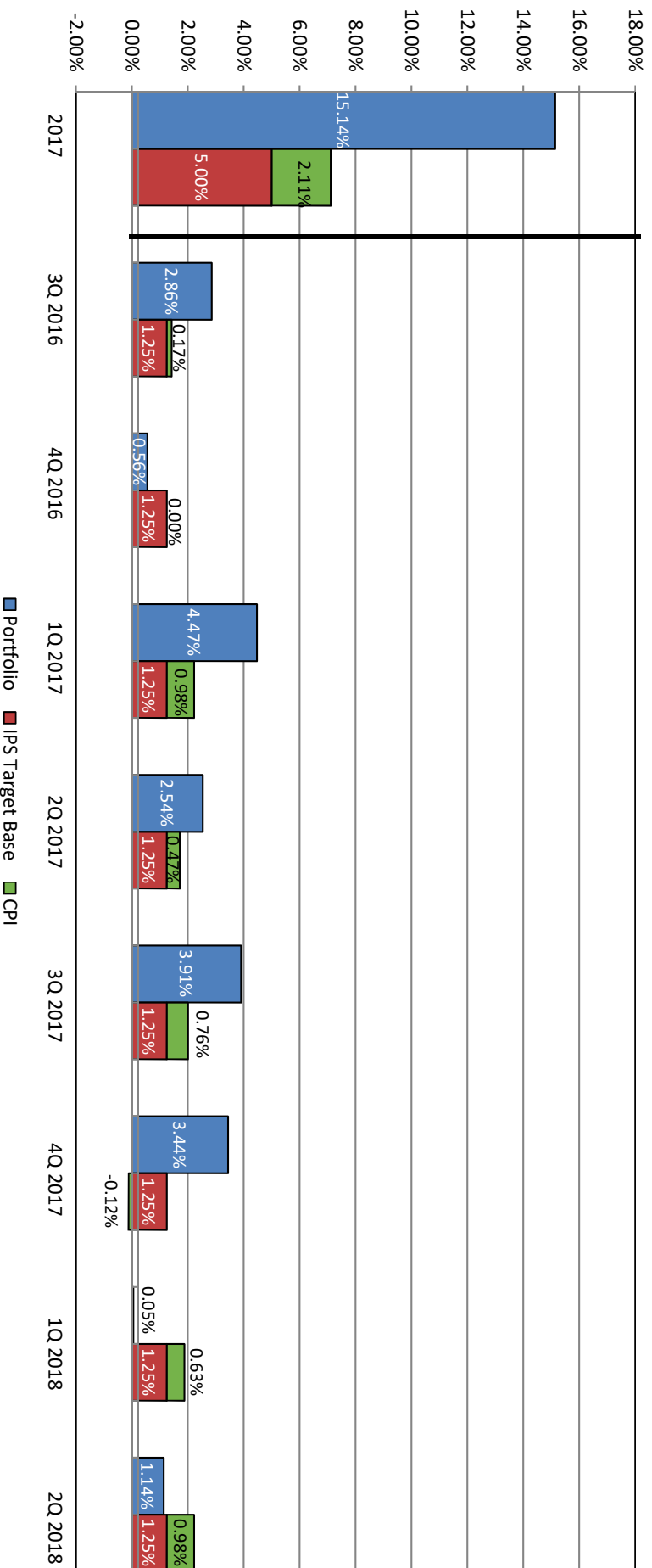
**Portfolio Return:** The time-weighted rate of return earned by the Unit Fund investments before (gross) and after (net) the management expenses are deducted.

\*The Basic Benchmark is weighted to the Standard & Poor's 500 Index and the Barclays US Aggregate Bond Index based on the actual portfolio allocation. The Alternative Benchmark is weighted among the Standard & Poor's 500 Index, the Barclays US Aggregate Bond Index, the Russell 2000 Index, the MSCI EAFE Index, the Barclays US Intermediate Credit Index, the Barclays US 1-3 Year Government/Credit Index, the Citi 1-Month Treasury Bill Index, the S&P GSCI Gold Spot Index, and the PHLX Gold & Silver Index based on the actual portfolio allocation.

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## Quarterly Portfolio and IPS Target Returns

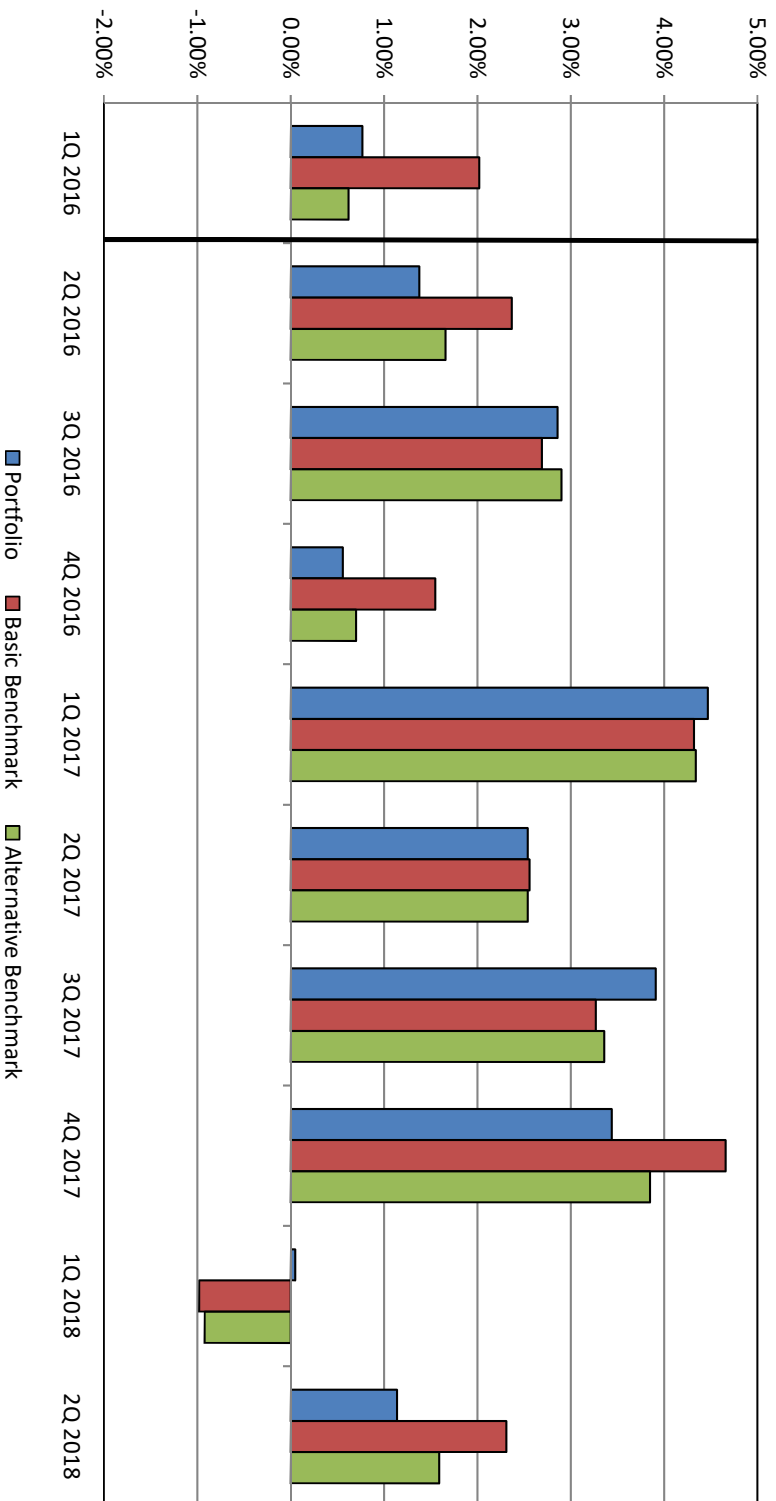
The IPS changed in March 2016. Periods prior to 3/31/16 reflect the former investment strategy.



The IPS Target Return is comprised of the quarterly non-seasonally-adjusted (NSA) CPI + 1.25%. This equates to an annual target return of CPI + 5%. The CPI figure is not available until the 15th of the month or later. Portfolio returns are calculated net of fees. Market valuations are based on information we believe to be reliable, but no guarantees are made as to its accuracy or completeness. This schedule is not intended for tax, lending, legal, or other non-financial planning purposes, and should not be relied upon by third parties. Past performance is not a guarantee of future results. The preceding data is provided to you for informational purposes only. This report is not a replacement for the client account statements from Raymond James or other custodians. Investors are reminded to compare the findings in this report to their quarterly account statements.

# Comparative Returns for the Last 10 Quarters

The IPS changed in March 2016. Periods prior to 3/31/16 reflect the former investment strategy.

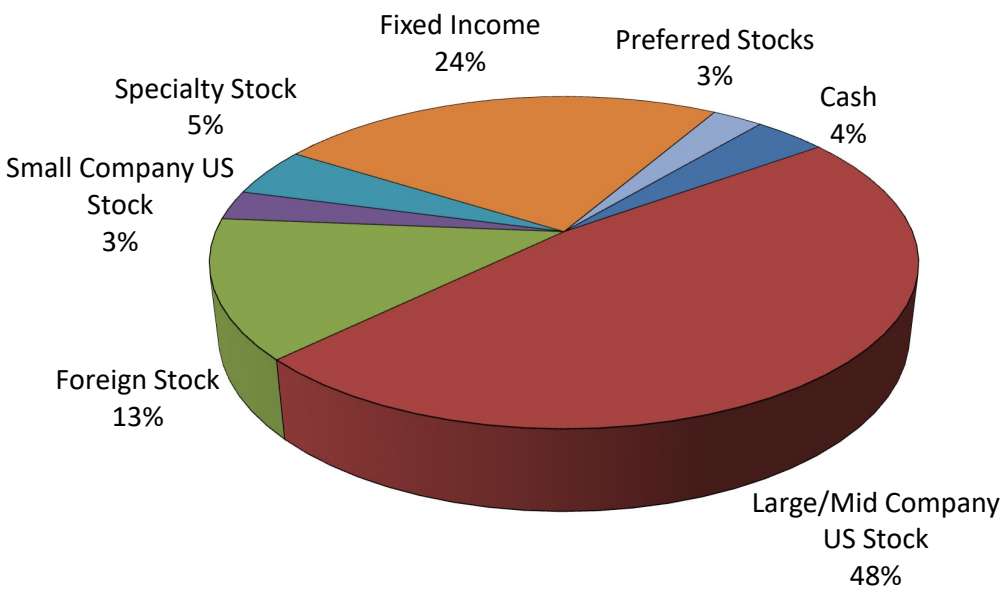


**Black line denotes a change in the investment policy.** The Basic Benchmark is weighted to the Standard & Poor's 500 Index and the Barclays US Aggregate Bond Index based on the actual portfolio allocation. The Alternative Benchmark is weighted among the Standard & Poor's 500 Index, the Barclays US Aggregate Bond Index, the Russell 2000 Index, the MSCI EAFE Index, the Barclays US Intermediate Credit Index, the Barclays US 1-3 Year Government/Credit Index, the Citi 1-Month Treasury Bill Index, the S&P GSCI Gold Spot Index, and the PHLX Gold & Silver Index based on the actual portfolio allocation.

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# Portfolio Allocation

(69% Equities, 31% Fixed Investments)



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# GLOBAL MARKET OBSERVATIONS

Quarterly Economic & Market Commentary  
Q2 2018

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**RAYMOND JAMES**



Beset by escalating trade tensions and beleaguered by tariff threats, the rise of the U.S. equity market has been bridled by protectionist policy. This increased uncertainty has been evinced by the sideways slide of stocks in recent months. Tariff announcements have corresponded closely to sharp selloffs.

### *Sideways Slide*

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Following its finish as one of the best performers in 2017, the emerging markets engine has fallen out of the fast lane. A host of obstacles have caused emerging markets to lose their former luster. However, the greatest threat to emerging markets has been the appreciation of the U.S. dollar.

### *Credit Crunch*

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A barrage of political upheaval has bedeviled developed democracies in recent years. Widespread frustration amongst populaces around the globe has fueled the rapid rise of newfangled political movements, particularly in Europe. An enfeebled establishment has been stunned by the bombardment.

### *Populism and Protectionism*

Page 8



In May, all eyes once again turned to Rome. Following elections in March, political turmoil has gripped the Italian state, causing a spike in Italian government bond yields and a selloff in Italian equities. The proposed policies of Italy's new government continue to give investors cause for concern.

### *Improbable Partners*

Page 5



Having met both its inflation and employment targets, the U.S. Federal Reserve (Fed) has been keen to raise interest rates. However, hawkish Fed policy begets both higher government bond yields and, generally, a strengthening U.S. dollar, spelling trouble for debtors and central banks around the world.

### *Dominion of the Dollar*

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# ASSET CLASS RETURNS OVER Q2 2018 (%)

GLOBAL MARKET OBSERVATIONS – Q2 2018

## Returns for Key Indices – Trailing 12 Months and the Second Quarter of 2018 – Ranked in Order of Performance (Best to Worst)

Broad Asset Class Total Returns		Domestic Equity Total Returns		S&P 500 Equity Sector Total Returns		International Equity Total Returns		Fixed Income Total Returns	
T12	Q2	T12	Q2	T12	Q2	T12	Q2	T12	Q2
U.S. Equity 14.78	U.S. Equity 3.89	Large Growth 22.51	Small Value 8.30	Info Tech 31.30	Energy 13.48	EM Eastern Europe 15.44	U.S. Large Cap 3.43	Global Bond ex-U.S. 2.78	High Yield 1.03
Commodities 7.35	Global Real Estate 3.15	Small Growth 21.86	Small Blend 7.75	Cons Disc 23.55	Cons Disc 8.17	U.S. Large Cap 14.37	United Kingdom 2.95	High Yield 2.62	Municipal 0.87
Non-U.S. Equity 7.28	Blended Portfolio 1.08	Mid Growth 18.52	Small Growth 7.23	Energy 20.99	Info Tech 7.09	Japan 10.51	Pacific ex-Japan 1.77	U.S. Tips 2.11	U.S. Tips 0.77
Blended Portfolio 6.73	Cash & Cash Alternatives 0.44	Small Blend 17.57	Large Growth 5.76	S&P 500 14.37	Real Estate 6.13	EM Asia 10.09	Developed Markets -1.24	Municipal 1.56	T-Bill 0.44
Global Real Estate 6.26	Commodities 0.40	Large Blend 14.54	Large Blend 3.57	Materials 9.90	Utilities 3.74	United Kingdom 10.02	Japan -2.84	T-Bill 1.33	Short-Term Bond 0.28
Cash & Cash Alternatives 1.33	U.S. Fixed Income -0.16	Mid Blend 12.33	Mid Blend 2.82	Financials 9.65	S&P 500 3.43	Pacific ex-Japan 8.68	Europe ex-UK -2.86	Short-Term Bond 0.21	MBS 0.24
U.S. Fixed Income -0.40	Non-U.S. Equity -2.61	Small Value 13.10	Mid Growth 3.16	Health Care 7.11	Health Care 3.09	Emerging Markets 8.20	EM Asia -5.85	MBS 0.15	Treasury 0.10
		Mid Value 7.60	Mid Value 2.41	Real Estate 5.02	Telecom -0.94	Developed Markets 6.84	EM Eastern Europe -7.79	Agency -0.14	Agency 0.00
		Large Value 6.77	Large Value 1.18	Utilities 3.41	Cons Staples -1.54	Europe ex-UK 3.51	Emerging Markets -7.96	Aggregate Bond -0.40	Aggregate Bond -0.16
				Telecom 1.39	Financials -3.16	EM Latin America -0.16	EM Latin America -17.75	Credit -0.65	Credit -0.88
				Cons Staples -3.93	Industrials -3.18			Treasury -0.65	Long-Term Bond -1.45
								Long-Term Bond -0.78	Emerging Mkt Bond -4.14
								Emerging Mkt Bond -4.31	Global Bond ex-U.S. -4.76

Assume all asset classes are U.S. unless otherwise noted | Data as of 06/30/2018 | Ranked in order of performances (best to worst)

All investing involves risk and you may incur a profit or a loss. Past performance is not a guarantee of future results. This material is for informational purposes only and should not be used or construed as a recommendation regarding any security. Indices are unmanaged and cannot accommodate direct investments. An individual who purchases an investment product which attempts to mimic the performance of an index will incur expenses such as management fees and transaction costs which reduce returns. Returns are cumulative total return for stated period, including reinvestment of dividends. Dividends are not guaranteed and a company's future ability to pay dividends may be limited. Source: Morningstar Direct

BEST ← → WORST

## DOMESTIC MARKETS

GLOBAL MARKET OBSERVATIONS – Q2 2018

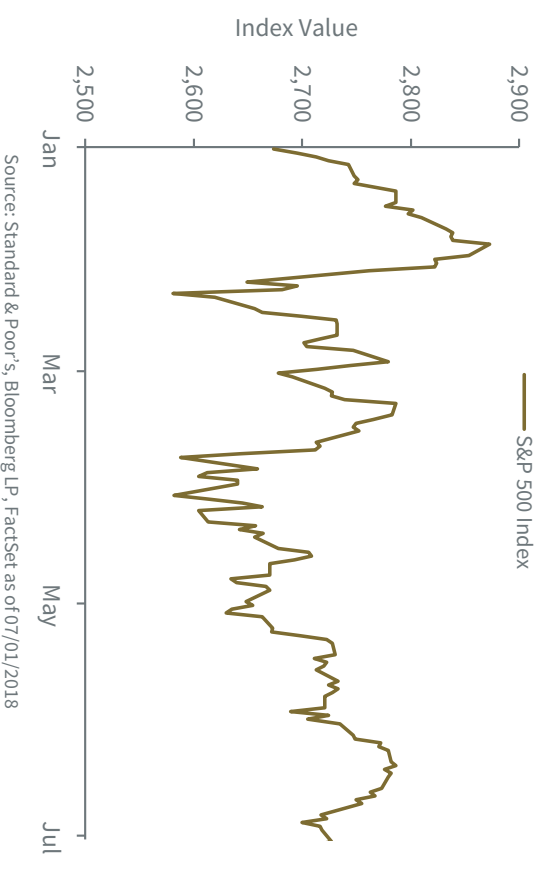
### SIDEWAYS SLIDE

Beset by escalating trade tensions and beleaguered by tariff threats, the rise of the U.S. equity market has been bridled by protectionist policy. The present state of the American market stands in stark contrast to its state at the beginning of the year. With Congress having passed broad tax reform in late December 2017, many, including the International Monetary Fund, spoke of a renewed period of “synchronized global growth.” The ink of his signature had barely dried on the tax law before the strokes of President Trump’s pen had a new target: trade.

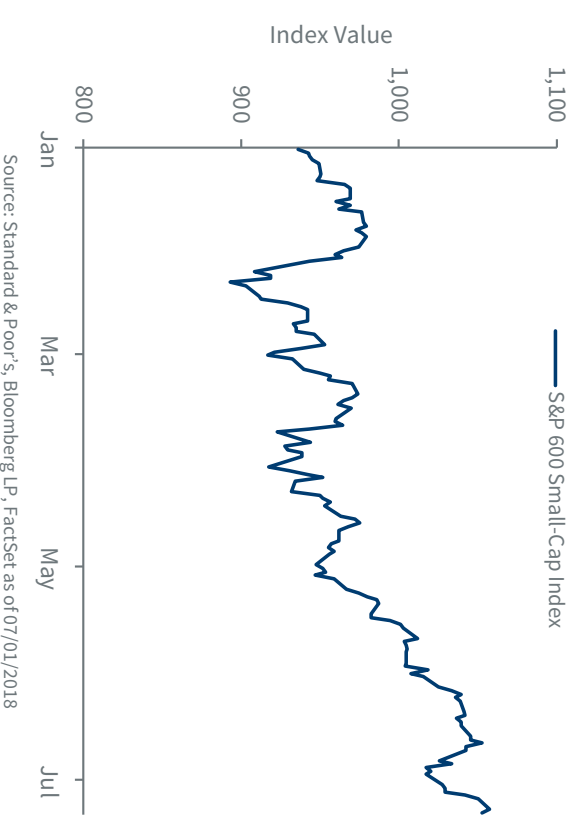
A variety of foreign imports ranging from washing machines and automobiles to steel and aluminum have since fallen within the crosshairs of U.S. tariffs. America’s closest trading partners, including Canada, Mexico, and the European Union, have all been impacted. However, the greatest pressure has been applied to China, which has been subjected to substantial tariff measures. Following months of threats (see *Trading Tariffs: A Dangerous Duel*, Q1 2018 Global Market Observations), tariffs were formally applied to a host of Chinese imports on July 6. Given the fact that tariffs cause costs to rise and disrupt global supply chains (see *Populism and Protectionism*, p. 8), uncertainty in the market has increased markedly.

This increased uncertainty has been evinced by the sideways slide of stocks in recent months. As measured by the S&P 500 Index, the broad U.S. equity market has yet to regain the heights it reached in late January of this year (see chart). The sharp selloffs have corresponded closely to tariff announcements. The fact that markets appear bridled by protectionist trade policy is further substantiated by the outperformance of small-capitalization stocks, which are relatively more insulated from tariffs (see chart). This is largely due to the fact that their revenues are generally derived from domestic rather than international sources. Separately, the U.S. Federal Reserve voiced concerns in its June meeting that plans for capital spending had been “scaled back or postponed as a result of uncertainty over trade policy.” So long as protectionist policy and trade tensions continue to roil markets, uncertainty surrounding the size and scope of the fallout will remain and the future ascent of stocks will likely remain fraught with obstacles.

### TREADING WATER



### TRADING PLACES

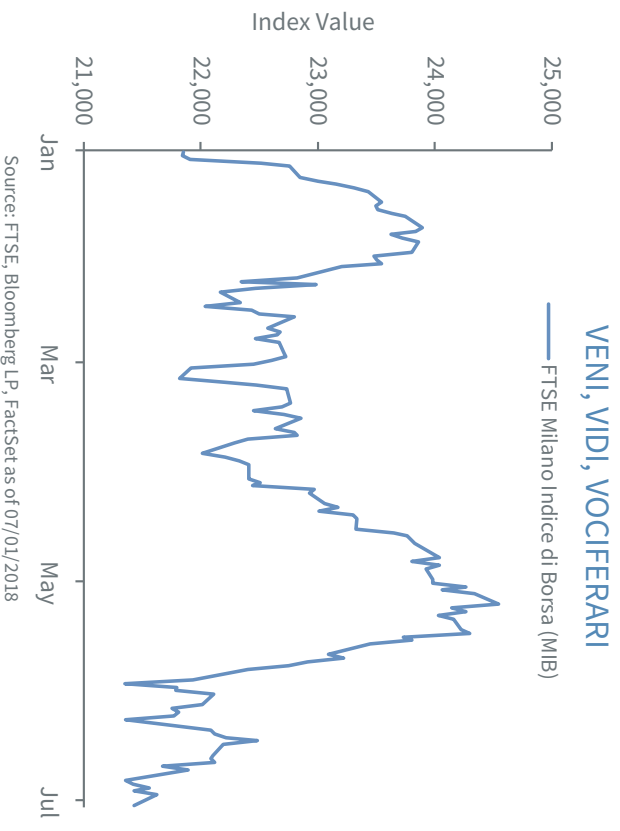
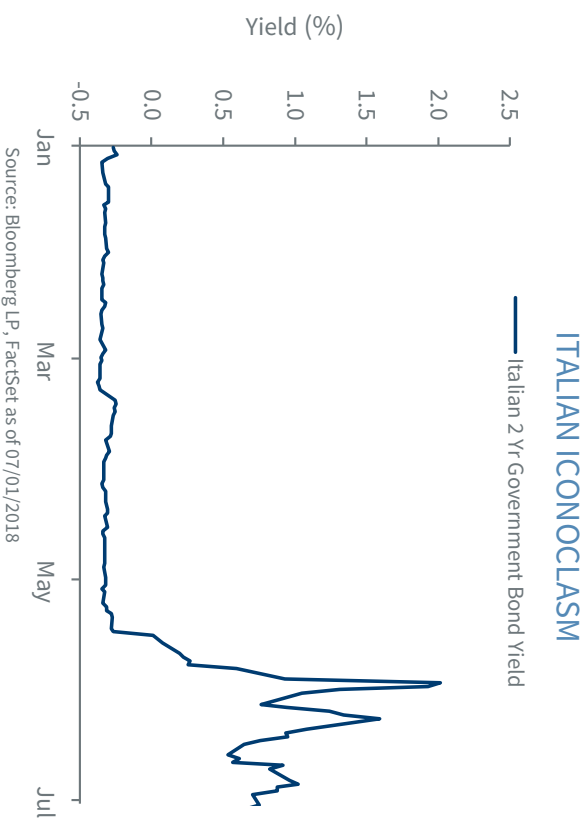


IMPROBABLE PARTNERS

In May, all eyes once again turned to Rome. Following elections in March, the insurgent populist *Movimento Cinque Stelle* (M5S) and *Legga Nord* (LN) parties wrested control of Italy’s parliament from the incumbent *Partito Democratico* (see *Inertia, Ire, and Populist Pandemonium, Q1 2018 Global Market Observations*). However, neither party secured an outright majority, causing Italy to be without a workable government due to the deadlock. That is, until an improbable partnership between M5S and LN emerged at the end of May.

In an unexpected turn of events, both parties coalesced and put forward Giuseppe Conte as their pick for prime minister. Yet, it was not the choice of prime minister that caused the most contention. Rather, it was the nominee to head the Ministry of Economy and Finances, Paolo Savona. Savona, an economist openly opposed to the euro and previously supportive of Italy’s exit from the single currency, was ultimately unpalatable to the president, who vetoed his nomination. This in turn sparked calls to impeach the president and to hold new elections, which ultimately fueled fears that Italy was indeed slipping further into political crisis.

The turmoil spilled over to Italian bond and equity markets. The political upheaval was the proximate cause of the subsequent spike in Italian government bond yields and the selloff in Italian equities (see charts), which rippled through capital markets around the globe. Responding in part to the market panic, Mr. Savona was installed in a different ministry altogether and Mr. Conte officially assumed power as prime minister on June 1, which ultimately tempered the immediate political tensions. However, the political platforms and proposed policies of both M5S and LN continue to give investors cause for concern. A combination of tax cuts and increased spending (including plans for providing a universal basic income) threaten to further swell Italy’s burgeoning government debt, which currently stands at €2.3 trillion. In nominal terms, it is the highest amongst all European Union countries. Relative to its GDP, Italy’s debt is second only to Greece. Reconciling such fiscal largesse within the constraints of its debt will prove a significant challenge for the new Italian government. Whether such policies will succeed in spurring growth has yet to be seen. If one thing remains certain, it is that the Italian government has its work cut out for it.



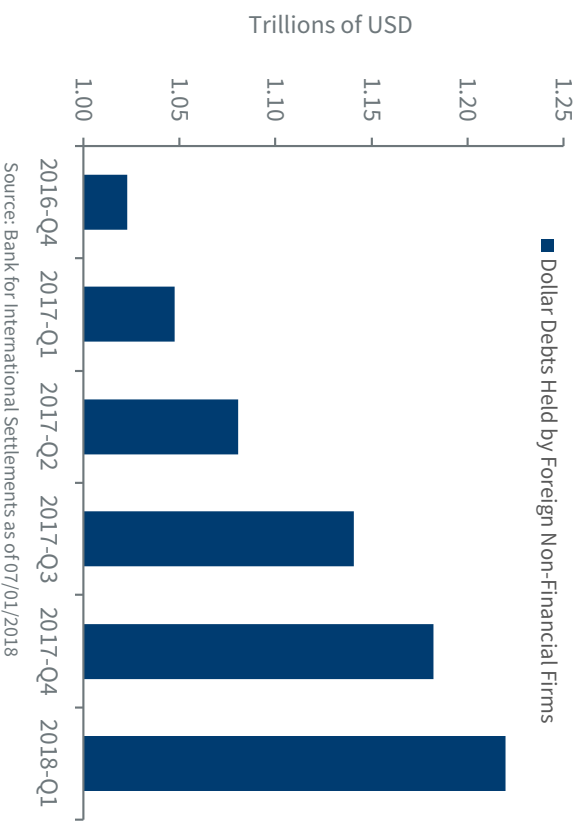
**CREDIT CRUNCH**

Following its finish as one of the best performers in 2017, the emerging markets engine has fallen out of the fast lane. A host of obstacles have caused emerging markets to lose their former luster. From steep tariffs impacting Chinese exports (see *Trading Tariffs: A Dangerous Duel, Q1 2018 Global Market Observations*) to runaway inflation in Argentina, the list is long. However, the obstacle which poses the greatest threat to emerging markets has been the appreciation of the U.S. dollar and its pernicious impact on foreign debts denominated in dollars.

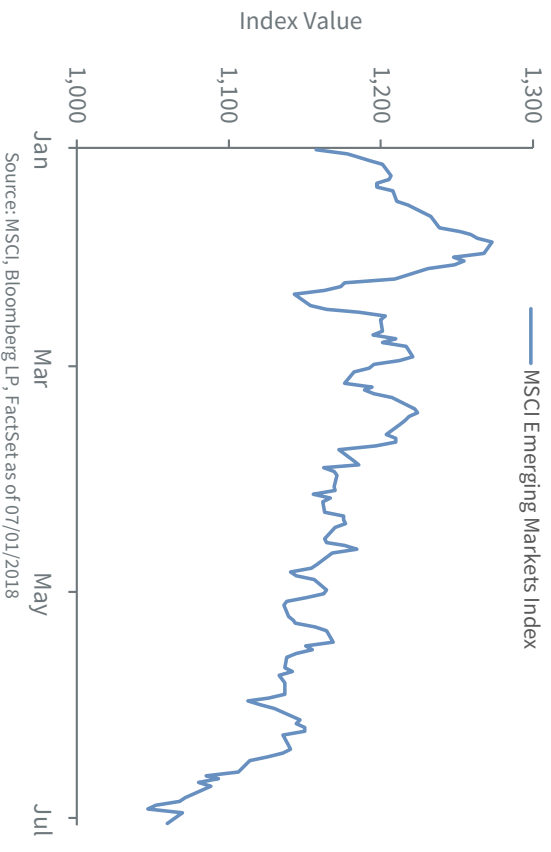
Encouraged by promising growth prospects and incentivized by low borrowing costs, foreign companies developed an increased appetite for loans. Dollar denominated debt held by non-financial corporations in emerging markets has grown steadily over the past year to the tune of \$200 billion, bringing the total to just over \$1.2 trillion (see chart). When debts are denominated in foreign currencies, the debtor assumes currency risk. In this case, as the dollar rises in value relative to a company’s local currency, the debt becomes more expensive to service, causing a credit crunch.

The effects of a strengthening dollar have been evinced by the decline in emerging market equities. As measured by the MSCI Emerging Markets Index, stocks in developing economies are well below the heights reached in late January of this year (see chart). Their decline highlights a paradoxical relationship: so long as solid fundamentals in the U.S. cause the dollar to strengthen, emerging economies will remain under pressure due to the divergence in exchange rates. Argentina was recently forced to secure a \$50 billion loan from the International Monetary Fund to staunch the cratering of the peso after conventional methods failed, and Turkey’s central bank has raised interest rates significantly to stem a similar fall in the lira (see *Dominion of the Dollar*, p. 7). Additional pressures include higher oil prices and the impact of various political elections, including those most recently held in Turkey and Mexico (Brazilians will head to the polls in October). Still, these current currency pressures are a far cry from those which pushed emerging economies into crisis in the 1990s. While emerging markets are not yet out for the count, how they will regain their lost momentum remains unclear.

**DAUNTED DOLLAR DEBT**



**THE EMERGING EBB**

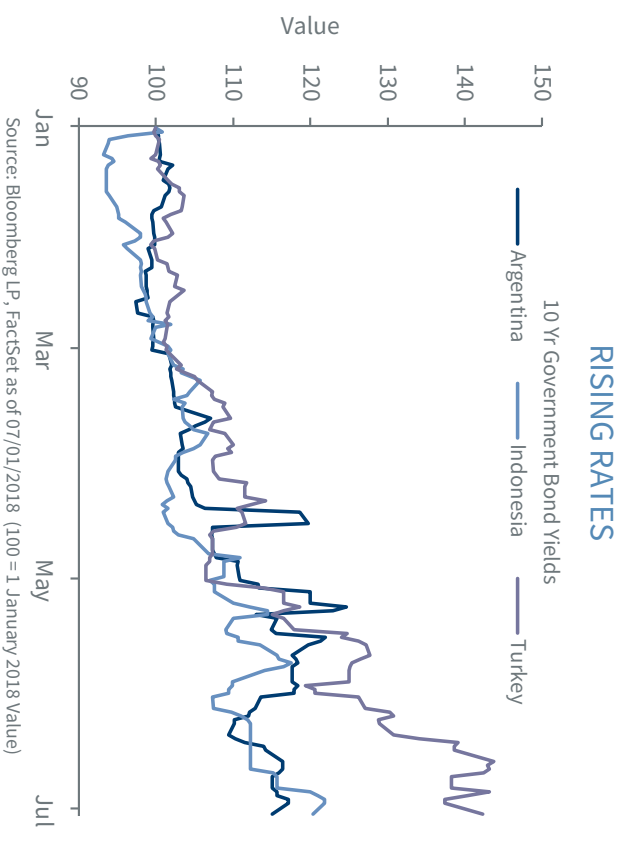
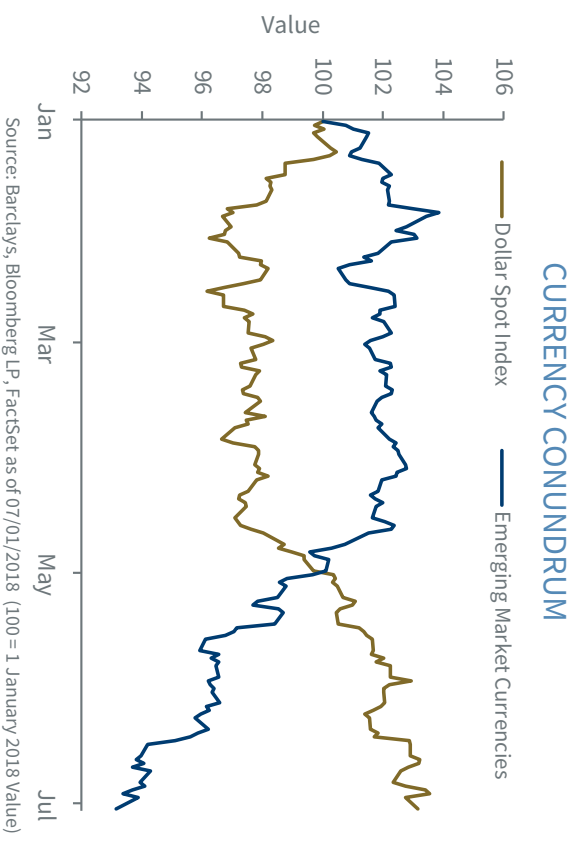


**DOMINION OF THE DOLLAR**

Having met both its inflation and employment targets, the U.S. Federal Reserve (Fed) has been keen to raise interest rates. With the Federal Government driving fiscal stimulus in the form of tax cuts and planned spending on infrastructure, the Fed is tasked with buoying the presently strong state of the U.S. economy and staving off runaway inflation, which would overheat it. The Fed also has an interest in raising rates so that it has room to lower them in the future, should a recession occur. It therefore follows that hawkish Fed policy begets both rising government bond yields and, generally, a strengthening U.S. dollar. While higher yields and a stronger dollar bode well for U.S. savers and consumers, both effects spell trouble for debtors and central banks around the world. This peripheral and rather paradoxical dynamic is due to the dominance of the dollar as the most widely circulated currency in the world.

The dominion of the dollar is vast indeed. Due to the fact that the overwhelming majority of currency exchanges utilize the dollar as their base currency (i.e., the dollar is the universal medium of exchange), a rise in the dollar inevitably precipitates a fall in the value of foreign currencies. This inverse relationship has manifested itself over the past few months as the dollar has strengthened (see chart). This presents a problem for debtors whose loans are denominated in dollars (see *Credit Crunch*, p. 6) as well as central banks.

Despite the fact that their domestic economies may not warrant an increase, central banks are faced with a difficult decision: raise interest rates to stabilize their exchange rate with the dollar or risk the consequences of a devalued currency. While a devalued currency makes exports more competitive abroad, it also engenders inflation and causes current account deficits to become more costly to maintain. Many central banks have therefore opted to raise rates. Most notably, the central banks of Argentina, Indonesia, and Turkey have all raised rates substantially as the dollar has strengthened, prompting a rise in their government bond yields (see chart). While a variety of other factors inform and influence such increases, Fed policy and a strengthening dollar exert considerable clout over the world’s currency and credit markets.



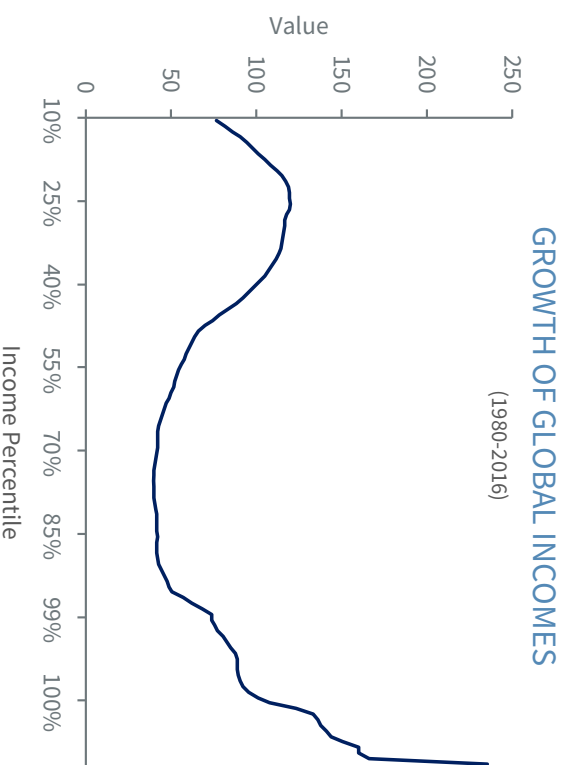
**POPULISM AND PROTECTIONISM**

A barrage of political upheaval has bedeviled developed democracies in recent years. Widespread frustration amongst populaces around the globe has fueled the rapid rise of newfangled political movements, particularly in Europe. Britain made the dramatic decision to exit the European Union and political parties across continental Europe have staged strikingly successful campaigns against incumbents (as in the case of France and Germany), or, in some cases, completely overthrew them (as in the case of Italy and Austria). An enfeebled establishment has been stunned by the bombardment.

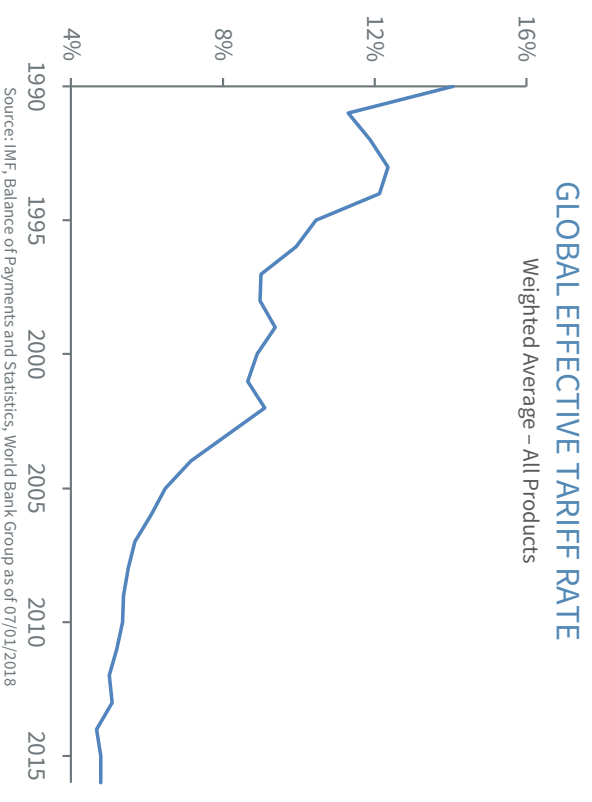
Pundits have dubbed many of these movements ‘populist’ in nature. This begs the question as to what constitutes ‘populism.’ As ubiquitous as the term has become, it is surprisingly difficult to define. While many ‘populist’ movements often exhibit comparable characteristics or are inspired by similar ideologies, they are rarely the same. On the contrary, populist movements often march to different drums, each tune unique to the grievances of a given populace. Many are nationalistic and nativist in nature. Others rail against elitism and the lack of economic opportunity. However, nearly all are fueled either by frustration at the status quo.

While the causes of such sentiment are myriad, a few notable developments merit consideration. Chief amongst them is the recent stagnation of wages over the past few decades amongst the 70th-90th percentiles of global incomes, which comprise most individuals in the developed world (see chart). Dubbed the ‘elephant chart’ due to its distinctive shape, it illustrates how much of the world has prospered across the board, with the notable exception of individuals within this specific interval (the middle of the ‘trunk’). Based on this measure, many are no wealthier than they were 30 years ago. This has doubtless kindled frustrations against the current status quo, which has left governments vulnerable to populist platforms around the world.

One could contend that populism can therefore be viewed as a revolt against ‘globalization’, the movement which has sought to stitch nations together around the world through free trade and open borders over the past half century.



Source: World Income Inequality Report as of 07/01/2018 (100 = 1980 Value)



Source: IMF, Balance of Payments and Statistics, World Bank Group as of 07/01/2018

## GLOBAL INSIGHTS (CONT.)

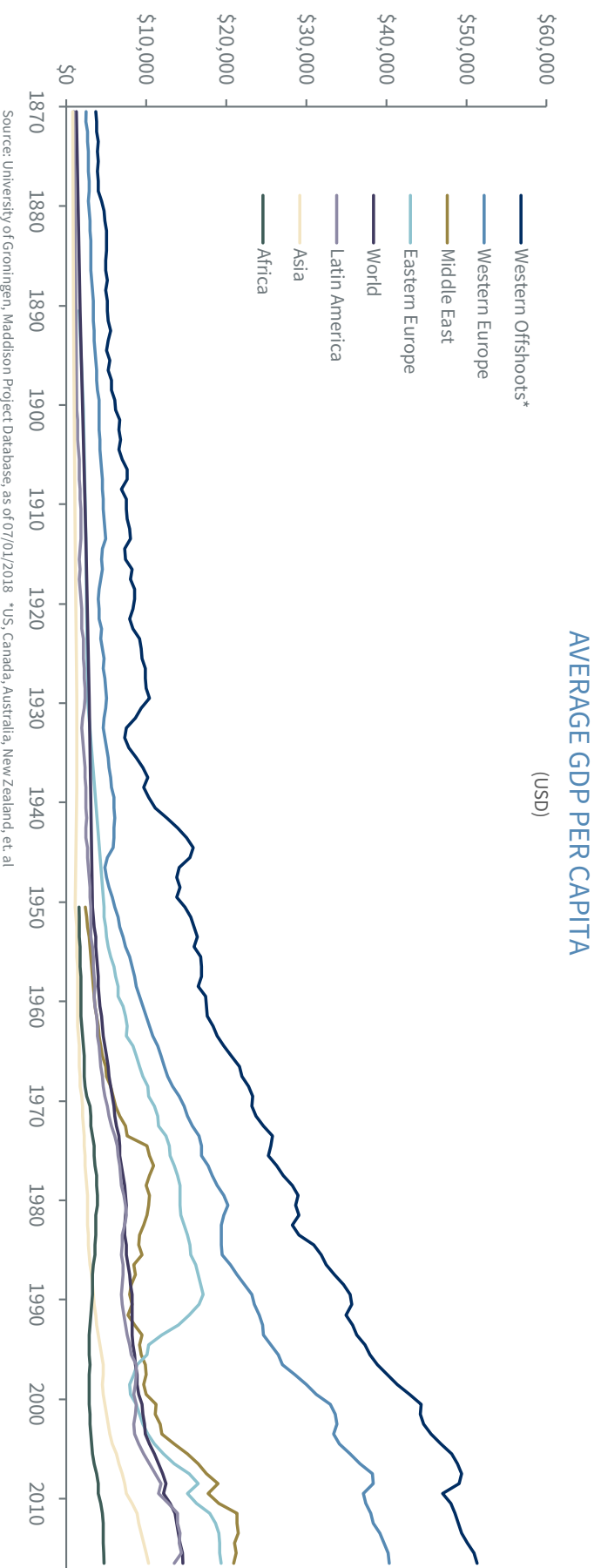
GLOBAL MARKET OBSERVATIONS - Q2 2018

In general, populists have maintained that globalization, to a greater or lesser degree, has been responsible for engendering the systemic issues which have endangered the livelihood of their respective constituents.

However, protectionist policies often have economic drawbacks in the long run. Tariffs are one such example. When tariffs are enacted, costs rise. Goods become more expensive to consumers and inputs become more expensive to companies, reducing both income and profitability, respectively. That is to say that the aggregate impact to the entire economy at large is negative. In the event that nations engage in a 'trade war' wherein each nation retaliates with higher and more extensive tariffs, the negative economic effects would be amplified drastically. In short, the inefficiencies induced by tariffs are tantamount to 'deadweight loss' and the effects upon the global economy, on average and in aggregate, are negative.

In general, markets and economies thrive when they operate at optimal efficiency, minimizing costs and maximizing value. The benefits of this fundamental maxim are manifest in the growth of the global economy over the past half century. Both the volume and value of global trade have grown exponentially as tariffs and barriers to trade have fallen (see chart, preceding page). This has coincided with the growth of the global economy over the same time period, which is, on average and in aggregate, more prosperous than at any time in human history (see chart).

Generally speaking, all nations stand to benefit by trading freely with one another. On the other hand, tariffs and protectionist measures cause disruptions to global supply chains, increasing costs and reducing profitability. In other words, nations stand to be harmed by abandoning free trade and engaging in trade wars.



# ECONOMIC SNAPSHOT

GLOBAL MARKET OBSERVATIONS – Q2 2018

Economic data reports have been consistent with a pickup in the pace of growth in 2Q18 (the advance GDP estimate is due, along with annual benchmark revisions, on July 27). Job growth has remained relatively strong, and labor market conditions have tightened further. The Federal Reserve (Fed) has continued to raise short-term interest rates, and further rate increases are expected (at a gradual pace) as the Fed tries for a soft landing. Trade policy conflicts have intensified, adding risk and uncertainty to the outlook.

**DR. SCOTT BROWN**  
Chief Economist,  
Equity Research

ECONOMIC INDICATOR	COMMENTARY
<b>GROWTH</b>	GDP growth is expected to have picked up in 2Q18, but that partly reflects a rebound from a “soft” 1Q18. The pace of growth is likely to moderate in the second half of the year, partly reflecting labor market constraints.
<b>EMPLOYMENT</b>	Nonfarm payrolls have continued to rise at a moderately strong pace. The unemployment rate has fallen further. Shortages of skilled labor have been noted in a number of industries.
<b>BUSINESS INVESTMENT</b>	Sentiment remains strong, but business fixed investment is expected to be somewhat slower this year (despite corporate tax cuts).
<b>HOUSING AND CONSTRUCTION</b>	Builders continue to note supply constraints (lack of skilled labor, higher costs). Demand remains strong. Home prices have continued to rise, making affordability an important issue.
<b>THE DOLLAR</b>	Trade policy conflicts and concerns about global economic risks have led to a flight to safety.
<b>CONSUMER SPENDING</b>	Job gains, wage growth, and tax cuts have been supportive. Spending momentum picked up into early 2Q18. However, higher gasoline prices have reduced purchasing power relative to a year ago.
<b>MANUFACTURING</b>	New orders and production have been mixed, but the pace has been generally lackluster-to-moderate. Trade tariffs are a concern.
<b>INFLATION</b>	Increased tariffs will add to commodity price pressures. Wage gains are moderate. Consumer price inflation is closer to the Fed’s goal.
<b>MONETARY POLICY</b>	Fed policy “remains accommodative” (according to the June 13 FOMC statement), but is close to neutral. The Fed is expected to raise rates further, partly in an attempt to move the unemployment rate higher.
<b>LONG-TERM INTEREST RATES</b>	A strengthening economy and increased government borrowing would normally send bond yields higher. However, trade policy concerns and geopolitical risks have led to a flight to safety.
<b>FISCAL POLICY</b>	Tax cuts and added spending are expected to provide support for the economy in the near term, but budget deficits are projected to be a lot higher and there’s limited scope to counter a recession if needed.
<b>REST OF THE WORLD</b>	The global economic outlook was strong at the start of the year. However, supply chain disruptions and Fed rate increases have negative impacts on emerging economies. Italy and Brexit are concerns in Europe.
<b>NEUTRAL</b>	

# SECTOR SNAPSHOT

GLOBAL MARKET OBSERVATIONS – Q2 2018

This report is intended to highlight the dynamics underlying the 11 S&P 500 sectors, with a goal of providing a timely assessment to be used in developing your personal portfolio strategy. Our time horizon for the sector weightings is not meant to be short-term oriented. Our goal is to look for trends that can be sustainable for several quarters; yet, given the dynamic nature of financial markets, our opinion could change as market conditions dictate. Most investors should seek diversity to balance risk versus reward. For this reason, even the least-favored sectors may be appropriate for portfolios seeking a more balanced equity allocation. Those investors seeking a more aggressive investment style may choose to overweight the preferred sectors and entirely avoid the least favored sectors.

**J. MICHAEL GIBBS**  
Managing Director of Equity  
Portfolio & Technical Strategy

SECTOR	S&P WEIGHT	TACTICAL COMMENTS
<b>INFORMATION TECHNOLOGY</b>	<b>26.4%</b>	Healthy fundamentals are expected to continue. Technical momentum for the intermediate term remains strong. Valuations are a challenge, but, as long as fundamentals hold up, valuations should be sustainable. The biggest risk appears to be the U.S. trade battle with China..
<b>FINANCIALS</b>	<b>14.0%</b>	Price return for the sector is negative year to date vs. gains for the S&P 500. Despite the negative return, fundamental expectations are healthy and valuation attractive. The flattening yield curve is likely the overhang on the sector. We stay Overweight on the back of good fundamentals, attractive valuation, and solid U.S. economic growth.
<b>HEALTH CARE</b>	<b>14.1%</b>	We cautiously remain Overweight. Fundamental trends are reasonable, but decent projected earnings growth for 2018 and 2019 falls behind the rapid growth expected for the S&P 500. Valuation is attractive based on numerous measures, but, relative to expected growth, it is less so. Technical trends relative to the S&P 500 remain negative. Despite the negatives, there is enough opportunity at the subsector level to justify investment.
<b>INDUSTRIALS</b>	<b>9.6%</b>	Trade wars and fear of margin pressure (rising freight, labor, and commodity costs) are weighing on the sector. We are guarded with earnings season due to kick-off in a few weeks, but, after the extreme relative strength giveback and with valuation somewhat attractive, we feel a bounce in relative performance is likely.
<b>ENERGY</b>	<b>6.1%</b>	Crude prices rallied on the news of OPEC settling on production increases below levels feared by the market. We would be buyers as it is likely to post relative strength gains versus the overall market for the intermediate term. Fundamentals remain healthy, while valuation allows for upside.
<b>EQUAL WEIGHT</b>	<b>13.0%</b>	Technical and fundamental trends support a more positive opinion, but, after the recent run, prices are extended.
<b>CONSUMER DISCRETIONARY</b>	<b>6.8%</b>	Earnings growth is expected to be well below the S&P 500 growth in 2018 and 2019. Recent revisions have been lower as well. Fundamental trends throughout many subsectors remain a challenge as the lack of pricing power leaves margins vulnerable to rising freight and wage costs.
<b>UTILITIES</b>	<b>2.8%</b>	Overall earnings growth relative to the S&P 500 is expected to be unimpressive in 2018. Valuation is compelling. Yet, the inverse correlation to rising interest rates keeps us on the sidelines.
<b>REAL ESTATE</b>	<b>2.7%</b>	Fundamental growth is less than appealing relative to growth expected for the S&P 500. Valuation is attractive, but weighing all three (fundamental, valuation, and technical) trends reaffirms of our Underweight.
<b>MATERIALS</b>	<b>2.6%</b>	With expectations for the trade battle between the U.S. and China to carry on for months, we chose to lighten exposure to those sectors that appear to be most impacted in terms of stock price action.
<b>TELECOM</b>	<b>1.9%</b>	The current stocks within the sector are inexpensive based on historical valuation measures, but fundamental growth is anemic and stock prices are sensitive to interest rate movements.
<b>UNDERWEIGHT</b>		

## DISCLOSURES

GLOBAL MARKET OBSERVATIONS – Q2 2018

All content written and assembled by Taylor Krystkowiak, Investment Strategy Analyst.

### ADDITIONAL DISCLOSURES

Any charts and tables presented herein are for illustrative purposes only and should not be considered as the sole basis for an investment decision. There can be no assurance that the future performance of any specific investment or investment strategy made reference to be profitable or equal any corresponding indicated historical performance level(s). This information should not be construed as a recommendation.

The foregoing content is subject to change at any time without notice. Content provided herein is for informational purposes only. There is no guarantee that these statements, opinions or forecasts provided herein will prove to be correct.

Past performance is not a guarantee of future results. Indices and peer groups are not available for direct investment. Any investor who attempts to mimic the performance of an index or peer group would incur fees and expenses that would reduce returns. All investing involves risk. Asset allocation and diversification does not ensure a profit or protect against a loss. Dividends are not guaranteed and a company's future ability to pay them may be limited.

International investing involves additional risks such as currency fluctuations, differing financial accounting standards, and possible political and economic instability. These risks are greater in emerging markets.

High-yield bonds are not suitable for all investors. The risk of default may increase due to changes in the issuer's credit quality. Price changes may occur due to changes in interest rates and the liquidity of the bond. When appropriate, these bonds should only comprise a modest portion of your portfolio.

Investing in small- and mid-cap stocks are riskier investments which include price volatility, less liquidity and the threat of competition.

Not FDIC or NCUA Insured • No Bank Guarantee • May Lose Value

## INDEX DESCRIPTIONS

GLOBAL MARKET OBSERVATIONS – Q2 2018

### BROAD ASSET CLASS RETURNS

**U.S. EQUITY** | Russell 3000 Total Return Index: This index represents 3000 large U.S. companies, ranked by market capitalization. It represents approximately 98% of the U.S. equity market. This index includes the effects of reinvested dividends.

**NON-U.S. EQUITY** | MSCI ACWI Ex USA Net Return Index: The index is a market-capitalization-weighted index maintained by Morgan Stanley Capital International (MSCI) and designed to provide a broad measure of stock performance throughout the world, with the exception of U.S.-based companies. The index includes both developed and emerging markets.

**GLOBAL REAL ESTATE** | FTSE EPRA/NAREIT Global Net Return Index: This index is designed to track the performance of listed real estate companies and REITs in both developed and emerging markets. By making the index constituents free-float adjusted, liquidity, size and revenue screened, the series is suitable for use as the basis for investment products. Prior to 2009, this asset class was represented by the NASDAQ Global Real Estate Index.

**CASH & CASH ALTERNATIVES** | Citigroup 3 Month U.S. Treasury-Bill Total Return Index: This index is a measurement of the movement of 3-month T-Bills. The income used to calculate the monthly return is derived by subtracting the original amount invested from the maturity value.

**FIXED INCOME** | Bloomberg Barclays Capital Aggregate Bond Total Return Index: This index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities.

**COMMODITIES** | Bloomberg Commodity Total Return Index: The index tracks prices of futures contracts on physical commodities on the commodity markets. The index is designed to minimize concentration in any one commodity or sector. It currently has 22 commodity futures in seven sectors. No one commodity can compose less than 2% or more than 15% of the index, and no sector can represent more than 33% of the index (as of the annual weightings of the components). The weightings for each commodity included in the Bloomberg Commodity Index are calculated in accordance with rules that ensure that the relative proportion of each of the underlying individual commodities reflects its global economic significance and market liquidity. Annual rebalancing and reweighting ensure that diversity is maintained over time.

### DOMESTIC EQUITY RETURNS

**LARGE GROWTH** | Russell 1000 Growth Total Return Index: This index represents a segment of the Russell 1000 Index with a greater-than-average growth orientation. Companies in this index have higher price-to-book and price-earnings ratios, lower dividend yields and higher forecasted growth values. This index includes the effects of reinvested dividends.

**MID GROWTH** | Russell Mid Cap Growth Total Return Index: This index contains stocks from the Russell Midcap Index with a greater-than-average growth orientation. The stocks are also members of the Russell 1000 Growth Index. This index includes the effects of reinvested dividends.

**SMALL GROWTH** | Russell 2000 Growth Total Return Index: This index represents a segment of the Russell 2000 Index with a greater-than-average growth orientation. The combined market capitalization of the Russell 2000 Growth and Value Indices will add up to the total market cap of the Russell 2000. This index includes the effects of reinvested dividends.

**LARGE BLEND** | Russell 1000 Total Return Index: This index represents the 1000 largest companies in the Russell 3000 Index. This index is highly correlated with the S&P 500 Index. This index includes the effects of reinvested dividends.

**MID BLEND** | Russell Mid Cap Total Return Index: This index consists of the bottom 800 securities in the Russell 1000 Index as ranked by total market capitalization. This index includes the effects of reinvested dividends.

**SMALL BLEND** | Russell 2000 Total Return Index: This index covers 2000 of the smallest companies in the Russell 3000 Index, which ranks the 3000 largest U.S. companies by market capitalization. The Russell 2000 represents approximately 10% of the Russell 3000 total market capitalization. This index includes the effects of reinvested dividends.

**LARGE VALUE** | Russell 1000 Value Total Return Index: This index represents a segment of the Russell 1000 Index with a less-than-average growth orientation. Companies in this index have low price-to-book and price-earnings ratios, higher dividend yields and lower forecasted growth values. This index includes the effects of reinvested dividends.

## INDEX DESCRIPTIONS

GLOBAL MARKET OBSERVATIONS – Q2 2018

### DOMESTIC EQUITY RETURNS (CONT.)

**MID VALUE** | Russell Mid Cap Value Total Return Index: This index contains stocks from the Russell Midcap Index with a less-than-average growth orientation. The stocks are also members of the Russell 1000 Value Index. This index includes the effects of reinvested dividends.

**SMALL VALUE** | Russell 2000 Value Total Return Index: This index represents a segment of the Russell 2000 Index with a less-than-average growth orientation. The combined market capitalization of the Russell 2000 Growth and Value Indices will add up to the total market cap of the Russell 2000. This index includes the effects of reinvested dividends.

### FIXED INCOME RETURNS

**AGGREGATE BOND** | Bloomberg Barclays US Agg Bond Total Return Index: The index is a measure of the investment grade, fixed-rate, taxable bond market of roughly 6,000 SEC-registered securities with intermediate maturities averaging approximately 10 years. The index includes bonds from the Treasury, Government-Related, Corporate, MBS, ABS, and CMBS sectors.

**HIGH YIELD** | Bloomberg Barclays US Corporate High Yield Total Return Index: The index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below.

**CREDIT** | Bloomberg Barclays U.S. Credit Total Return Index: The index measures the investment grade, US dollar-denominated, fixed-rate, taxable corporate and government related bond markets. It is composed of the US Corporate Index and a non-corporate component that includes foreign agencies, sovereigns, supranationals and local authorities.

**SHORT-TERM BOND** | Bloomberg Barclays US Govt/Credit 1-3 Yr Total Return Index: The index is the 1-3 year component of the Bloomberg Barclays U.S. Government/Credit Index. The Bloomberg Barclays U.S. Government/Credit Index covers treasuries, agencies, publicly issued U.S. corporate and foreign debentures and secured notes that meet specified maturity, liquidity, and quality requirements.

**LONG-TERM BOND** | Bloomberg Barclays US Govt/Credit Long Total Return Index: The index is a measure of domestic fixed income securities, including Treasury issues and corporate debt issues, that are rated investment grade (Baa by Moody's Investors Service and BBB by Standard and Poor's) and with maturities of ten years or greater.

**MBS** | Bloomberg Barclays US MBS Total Return Index: The index tracks agency mortgage backed pass-through securities (both fixed-rate and hybrid ARM) guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). The index is constructed by grouping individual TBA-deliverable MBS pools into aggregates or generics based on program, coupon and vintage.

**TREASURY** | Bloomberg Barclays US Treasury Total Return Index: The index measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury. Treasury bills are excluded by the maturity constraint, but are part of a separate Short Treasury Index.

**U.S. TIPS** | Bloomberg Barclays US Treasury US TIPS Total Return Index: The index includes all publicly issued, U.S. Treasury inflation-protected securities that have at least one year remaining to maturity, are rated investment grade, and have \$250 million or more of outstanding face value.

**GLOBAL BOND EX U.S.** | Bloomberg Barclays Gbl Agg Ex USD Total Return Index: The index provides a broad-based measure of the global investment grade fixed-rate debt markets, excluding the United States. Currency exposure is hedged to the US dollar.

**T-BILLS** | Citi Treasury Bill 3 Mon Total Return Index: This index is a measurement of the movement of 3-month T-Bills. The income used to calculate the monthly return is derived by subtracting the original amount invested from the maturity value.

**EMERGING MKT BOND** | J.P. Morgan EMBI Plus Total Return Index: The index tracks total returns for traded external debt instruments (external meaning foreign currency denominated fixed income) in the emerging markets.

**AGENCY** | Bloomberg Barclays US Agency Total Return Index: The index includes native currency agency debentures from issuers such as Fannie Mae, Freddie Mac, and Federal Home Loan Bank. It is a subcomponent of the Government-Related Index (which also includes non-native currency bonds, sovereigns, supranationals, and local authority debt) and the U.S. Government Index (which also includes U.S. Treasury debt). The index includes callable and non-callable agency securities that are publicly issued by U.S. government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. government (such as USAID securities).

## INDEX DESCRIPTIONS

GLOBAL MARKET OBSERVATIONS – Q2 2018

### FIXED INCOME RETURNS (CONT.)

**MUNICIPAL** | Bloomberg Barclays Municipal Total Return Index: The index is a measure of the long-term tax-exempt bond market with securities of investment grade (rated at least Baa by Moody's Investors Service and BBB by Standard and Poor's). This index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-funded bonds.

### INTERNATIONAL EQUITY RETURNS

**EMERGING MARKETS EASTERN EUROPE** | MSCI EM Eastern Europe Net Return Index: The index captures large and mid cap representation across 4 Emerging Markets (EM) countries in Eastern Europe. With 50 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

**EMERGING MARKETS ASIA** | MSCI EM Asia Net Return Index: The index captures large and mid cap representation across 8 Emerging Markets countries. With 554 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

**EMERGING MARKETS LATIN AMERICA** | MSCI EM Latin America Net Return Index: The index captures large and mid cap representation across 5 Emerging Markets (EM) countries in Latin America. With 116 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

**EMERGING MARKETS** | MSCI Emerging Markets Net Return Index: This index consists of 23 countries representing 10% of world market capitalization. The index is available for a number of regions, market segments/sizes and covers approximately 85% of the free float-adjusted market capitalization in each of the 23 countries.

**PACIFIC EX-JAPAN** | MSCI Pacific Ex Japan Net Return Index: The index captures large and mid cap representation across 4 of 5 Developed Markets (DM) countries in the Pacific region (excluding Japan). With 150 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

**UNITED KINGDOM** | MSCI Pacific Ex Japan Net Return Index: The index captures large and mid cap representation across 4 of 5 Developed Markets (DM) countries in the Pacific region (excluding Japan). With 150 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

**U.S. LARGE CAP** | S&P 500 Total Return Index: The index is widely regarded as the best single gauge of large-cap U.S. equities. There is over USD 7.8 trillion benchmarked to the index, with index assets comprising approximately USD 2.2 trillion of this total. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

**JAPAN** | MSCI Japan Net Return Index: The index is designed to measure the performance of the large and mid cap segments of the Japanese market. With 319 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan.

**FOREIGN DEVELOPED MARKETS** | MSCI EAFE Net Return Index: This index is designed to represent the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada. The index is available for a number of regions, market segments/sizes and covers approximately 85% of the free float-adjusted market capitalization in each of the 21 countries.

**EUROPE EX UK** | MSCI Europe Ex UK Net Return Index: The index captures large and mid cap representation across 14 Developed Markets (DM) countries in Europe. With 337 constituents, the index covers approximately 85% of the free float-adjusted market capitalization across European Developed Markets excluding the UK.

### EQUITY SECTOR RETURNS

**ENERGY** | S&P 500 Sec/Energy Total Return Index: The S&P 500® Energy Index comprises those companies included in the S&P 500 that are classified as members of the GICS® Energy sector.

**MATERIALS** | S&P 500 Sec/Materials Total Return Index: The S&P 500® Materials Index comprises those companies included in the S&P 500 that are classified as members of the GICS® Materials sector.

**UTILITIES** | S&P 500 Sec/Utilities Total Return Index: The S&P 500® Utilities Index comprises those companies included in the S&P 500 that are classified as members of the GICS® Utilities sector.

**INFO TECH** | S&P 500 Sec/Information Technology Total Return Index: The S&P 500® Info Tech Index comprises those companies included in the S&P 500 that are classified as members of the GICS® Info Tech sector.

## INDEX DESCRIPTIONS

GLOBAL MARKET OBSERVATIONS – Q2 2018

### EQUITY SECTOR RETURNS (CONT.)

**CONS STAPLES** | S&P 500 Sec/Cons Staples Total Return Index: The S&P 500® Consumer Staples Index comprises those companies included in the S&P 500 that are classified as members of the GICS® consumer staples sector.

**INDUSTRIALS** | S&P 500 Sec/Industrials Total Return Index: The S&P 500® Industrials Index comprises those companies included in the S&P 500 that are classified as members of the GICS® Industrials sector.

**TELECOM** | S&P 500 Sec/Telecom Services Total Return Index: The S&P 500® Telecom Index comprises those companies included in the S&P 500 that are classified as members of the GICS® Telecom sector.

**HEALTH CARE** | S&P 500 Sec/Health Care Total Return Index: The S&P 500® Health Care Index comprises those companies included in the S&P 500 that are classified as members of the GICS® Health Care sector.

**S&P 500** | S&P 500 Total Return Index: The index is widely regarded as the best single gauge of large-cap U.S. equities. There is over USD 7.8 trillion benchmarked to the index, with index assets comprising approximately USD 2.2 trillion of this total. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

**CONS DISC** | S&P 500 Sec/Cons Disc Total Return Index: The S&P 500® Consumer Discretionary Index comprises those companies included in the S&P 500 that are classified as members of the GICS® Consumer Discretionary sector.

**REAL ESTATE** | S&P 500 Sec/Real Estate Total Return Index: The S&P 500® Real Estate Index comprises those companies included in the S&P 500 that are classified as members of the GICS® Real Estate sector.

**FINANCIALS** | S&P 500 Sec/Financials Total Return Index: The S&P 500® Financials Index comprises those companies included in the S&P 500 that are classified as members of the GICS® Financials sector.

### MISC.

**STOXX 600** | The STOXX Europe 600 Index is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 17 countries of the European region: Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

**CAC 40** | The CAC 40® is a free float market capitalization weighted index that reflects the performance of the 40 largest and most actively traded shares listed on Euronext Paris, and is the most widely used indicator of the Paris stock market. The index serves as an underlying for structured products, funds, exchange traded funds, options and futures.

**DAX** | The DAX® index, the best known German stock exchange barometer, measures the performance of the 30 largest and most liquid companies on the German stock market. It represents around 80 percent of the market capitalization of listed stock corporations in Germany.

**NIKKEI 225** | Japan's Nikkei 225 is a price-weighted index comprised of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange. The Nikkei is equivalent to the Dow Jones Industrial Average Index in the United States.

# Appendix

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## Portfolio and Individual Account Investment Returns

Due to the IPS change in March 2016, periods beginning prior to 3/31/16 do not reflect current investments and are omitted.

Information as of: 6/30/2018

	Market Value	Current Allocation	One-Month	Three-Month	Six-Month	YTD	One-Year	Two-Year	Three-Year	Five-Year	Seven-Year	Inception
Overall Portfolio	\$26,791,955		-0.50%	1.14%	1.19%	1.19%	8.76%	9.77%	-	-	-	-
<b>Basic Benchmark*</b>			<b>0.39%</b>	<b>2.31%</b>	<b>1.31%</b>	<b>1.31%</b>	<b>9.50%</b>	<b>10.55%</b>	-	-	-	-
<b>Alternative Benchmark*</b>			<b>-0.01%</b>	<b>1.59%</b>	<b>0.66%</b>	<b>0.66%</b>	<b>8.05%</b>	<b>9.48%</b>	-	-	-	-
Individual Stock Account	\$14,215,229	53%	-0.70%	2.15%	2.53%	2.53%	12.71%	13.85%	-	-	-	-
<b>Index: S&amp;P 500</b>			<b>0.62%</b>	<b>3.43%</b>	<b>2.65%</b>	<b>2.65%</b>	<b>14.37%</b>	<b>16.12%</b>	-	-	-	-
Clarkston SMID-Cap Equity	\$3,150,350	12%	0.75%	2.33%	3.23%	3.23%	12.32%	13.34%	-	-	-	-
<b>Index: Russell 2000</b>			<b>0.72%</b>	<b>7.75%</b>	<b>7.66%</b>	<b>7.66%</b>	<b>17.57%</b>	<b>21.03%</b>	-	-	-	-
Boston Company Int'l Equity	\$2,833,749	11%	-2.11%	-1.95%	-2.03%	-2.03%	8.99%	14.41%	-	-	-	-
<b>Index: MSCI EAFE</b>			<b>-1.22%</b>	<b>-1.24%</b>	<b>-2.75%</b>	<b>-2.75%</b>	<b>6.84%</b>	<b>13.36%</b>	-	-	-	-
Individual Bond Account	\$6,592,628	25%	0.01%	-0.23%	-1.20%	-1.20%	-0.24%	-0.75%	-	-	-	-
<b>Index: Barclays US Int Credit</b>			<b>-0.15%</b>	<b>-0.08%</b>	<b>-1.45%</b>	<b>-1.45%</b>	<b>-0.36%</b>	<b>0.50%</b>	-	-	-	-

\*The Basic Benchmark is weighted to the Standard & Poor's 500 Index and the Barclays US Aggregate Bond Index based on the actual portfolio allocation. The Alternative Benchmark is weighted among the Standard & Poor's 500 Index, the Barclays US Aggregate Bond Index, the Russell 2000 Index, the MSCI EAFE Index, the Barclays US Intermediate Credit Index, the Barclays US 1-3 Year Government/Credit Index, the Citi 1-Month Treasury Bill Index, the S&P GSCI Gold Spot Index, and the PHLX Gold & Silver Index based on the actual portfolio allocation.

Portfolio returns are calculated net of fees. Market valuations are based on information we believe to be reliable, but no guarantees are made as to its accuracy or completeness. This schedule is not intended for tax, lending, legal, or other non-financial planning purposes, and should not be relied upon by third parties. Past performance is not a guarantee of future results. The preceding data is provided to you for informational purposes only. This report is not a replacement for the client account statements from Raymond James or other custodians. Investors are reminded to compare the findings in this report to their quarterly account statements.

# The Episcopal Diocese of Vermont : Unit Fund

## Portfolio Snapshot

**Portfolio Value**  
26,972,821.61

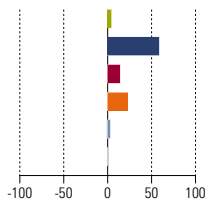
**Benchmark**  
Episcopal Diocese Alt. Benchmark

**Account Number**

**Report Currency**  
USD

### Analysis

#### Asset Allocation



	Portfolio Long	Portfolio Short	Portfolio Net	Bmk Net
Cash	3.93	0.00	3.93	6.00
US Stock	58.07	0.00	58.07	43.77
Non US Stock	13.56	0.00	13.56	17.21
Bond	22.41	0.00	22.41	0.00
Other	2.42	0.39	2.02	0.02
Not Classified	0.00	0.00	0.00	33.00
<b>Total</b>	<b>100.39</b>	<b>0.39</b>	<b>100.00</b>	<b>100.00</b>

#### Equity Investment Style %

	Value	Core	Growth
<b>Large</b>	22	29	29
<b>Mid</b>	3	5	3
<b>Small</b>	0	3	1

Total Stock Holdings  
1062  
Not Classified %  
4.00

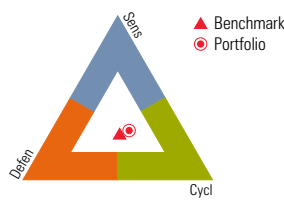
#### Fixed-Income Investment Style %

	Ltd	Mod	Ext
<b>High</b>	53	0	0
<b>Med</b>	47	0	0
<b>Low</b>	0	0	0

Total Bond Holdings  
3  
Not Classified %  
0.00

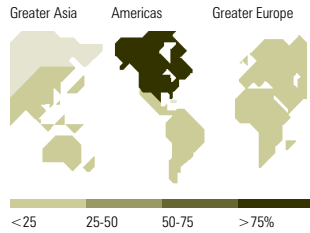
### Stock Analysis

#### Stock Sectors



	Portfolio %	Bmk %
<b>Defen</b>	<b>18.47</b>	<b>23.65</b>
Cons Defensive	4.65	7.79
Healthcare	13.34	12.89
Utilities	0.48	2.97
<b>Sens</b>	<b>41.29</b>	<b>38.71</b>
Comm Svcs	1.82	3.02
Energy	5.07	5.89
Industrials	14.63	11.61
Technology	19.77	18.19
<b>Cycl</b>	<b>40.24</b>	<b>37.65</b>
Basic Matls	5.62	4.68
Cons Cyclical	11.51	12.05
Financial Svcs	21.47	17.76
Real Estate	1.64	3.16
Not Classified	0.00	-0.01

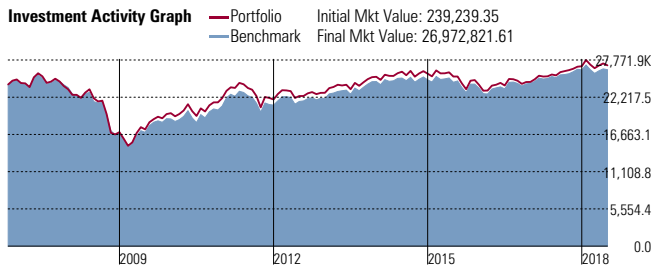
#### Stock Regions



	Portfolio %	Bmk %
<b>Americas</b>	<b>82.99</b>	<b>71.79</b>
North America	82.99	71.77
Central/Latin	0.00	0.02
<b>Greater Asia</b>	<b>6.86</b>	<b>10.66</b>
Japan	3.52	6.91
Australasia	0.83	1.91
Asia Developed	1.18	1.43
Asia Emerging	1.33	0.41
<b>Greater Europe</b>	<b>10.15</b>	<b>17.55</b>
United Kingdom	2.69	5.09
Europe Developed	7.46	12.32
Europe Emerging	0.00	0.00
Africa/Middle East	0.00	0.14
Not Classified	0.00	0.00

### Performance

#### Investment Activity Graph



	3 Mo	1 Yr	3 Yr	5 Yr	10 Yr
<b>Portfolio Return</b>	1.22	9.35	6.68	7.72	6.58
<b>Benchmark Return</b>	1.63	7.65	6.63	7.64	6.39
<b>+/- Benchmark Return</b>	-0.41	1.69	0.05	0.08	0.19

#### Time Period Return

	Best %	Worst %
3 Months	34.54 (10/06-12/06)	-21.70 (09/08-11/08)
1 Year	45.63 (10/06-09/07)	-29.27 (03/08-02/09)
3 Years	18.63 (03/09-02/12)	-2.52 (07/07-06/10)

#### Portfolio Yield

	Yield %
Trailing 12 Month	2.19

#### Performance Disclosure

The performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate thus an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than return data quoted herein. For information current to the most recent month-end, please visit <http://www.morningstaradvisor.com/familyinfo.asp>

### Holdings

#### Top 10 holdings out of 197

RJ BANK DEPOSIT PROGRAM
Apple Inc
Microsoft Corp
JPMorgan Chase & Co
SPDR® Gold Shares
The Home Depot Inc
Amazon.com Inc
FANNIE MAE POOL #BC6358FNMA CONV INTERMEDIATE TERM 15
COX COMMUNICATIONS, INC. MTN IUS22404QAG38
Microchip Technology Inc

Ticker	Type	Holding Value	% Assets
RJ BANK DEPOSIT PROGR	FM	1,037,028.09	3.84
AAPL	ST	860,391.28	3.19
MSFT	ST	757,324.80	2.81
JPM	ST	698,869.40	2.59
GLD	ETF	652,337.70	2.42
HD	ST	557,400.70	2.07
AMZN	ST	518,439.00	1.92
FNBC6358	MBS	516,377.53	1.91
US22404QAG38	CD	464,589.39	1.72
MCHP	ST	436,560.00	1.62



# The Episcopal Diocese of Vermont : Unit Fund

## Portfolio Snapshot

**Portfolio Value**  
26,972,821.61

**Benchmark**  
Episcopal Diocese Alt. Benchmark

**Account Number**

**Report Currency**  
USD

### Non-Load Adjustment Returns

Total 197 holdings as of 6/30/2018											
	Type	Holdings Date	% of Assets	Holding Value	7-day Yield	1 Yr Ret %	3 Yr Ret %	5 Yr Ret %	10 Yr Ret %	Max Front Load %	Max Back Load %
RJ BANK DEPOSIT PROGRAM	FM		3.84	1,037,028.09	—	—	—	—	—	—	—
Apple Inc	ST	5/31/2018	3.19	860,391.28	0.00	30.46	15.91	29.09	24.11	—	—
Microsoft Corp	ST	5/31/2018	2.81	757,324.80	0.00	45.79	33.84	26.47	16.49	—	—
JPMorgan Chase & Co	ST	5/31/2018	2.59	698,869.40	0.00	16.42	18.32	17.57	14.38	—	—
SPDR® Gold Shares	ETF	6/29/2018	2.42	652,337.70	0.00	0.53	1.83	-0.08	2.64	—	—
The Home Depot Inc	ST	5/31/2018	2.07	557,400.70	0.00	30.03	23.25	22.86	26.76	—	—
Amazon.com Inc	ST	5/31/2018	1.92	518,439.00	—	75.60	57.62	43.67	36.93	—	—
FANNIE MAE POOL #BC6358FNMA CONV...	MBS		1.91	516,377.53	0.00	—	—	—	—	—	—
COX COMMUNICATIONS, INC. MTN IUS22...	CD		1.72	464,589.39	0.00	—	—	—	—	—	—
Microchip Technology Inc	ST	5/31/2018	1.62	436,560.00	0.00	19.76	27.06	22.67	15.67	—	—
Marathon Petroleum Corp	ST	5/31/2018	1.59	429,309.04	0.00	37.73	13.55	17.57	—	—	—
AbbVie Inc	ST	5/31/2018	1.46	394,040.45	0.00	31.98	15.33	21.59	—	—	—
Union Pacific Corp	ST	5/31/2018	1.40	377,860.56	0.00	32.94	16.83	15.43	16.53	—	—
Chevron Corp	ST	5/31/2018	1.39	373,979.94	0.00	25.87	14.13	5.43	6.31	—	—
CME Group Inc Class A	ST	5/31/2018	1.38	373,245.84	0.00	36.43	26.77	22.53	12.32	—	—
Motorola Solutions Inc	ST	5/31/2018	1.32	356,557.68	0.00	36.96	29.38	17.51	15.72	—	—
Visa Inc Class A	ST	5/31/2018	1.19	320,529.00	0.00	42.18	26.30	24.62	21.49	—	—
BANC ONE CORPORATION NTS ISINUS059...	CD		1.17	315,344.54	0.00	—	—	—	—	—	—
Becton, Dickinson and Co	ST	5/31/2018	1.15	309,271.96	0.00	24.49	21.01	21.37	13.50	—	—
Eaton Corp PLC	ST	5/31/2018	1.12	302,697.00	0.00	-0.77	7.05	5.88	9.27	—	—
FedEx Corp	ST	5/31/2018	1.09	295,178.00	0.00	5.44	10.98	19.00	11.91	—	—
The Estee Lauder Companies Inc Class A	ST	5/31/2018	1.09	293,941.40	0.00	50.38	19.67	18.22	21.48	—	—
Alphabet Inc A	ST	5/31/2018	1.09	293,589.40	—	21.46	27.88	21.37	15.98	—	—
Pfizer Inc	ST	5/31/2018	1.07	289,695.80	0.00	12.07	6.49	9.08	12.04	—	—
Oracle Corp	ST	5/31/2018	1.03	277,401.76	0.00	-10.77	4.62	9.05	8.92	—	—
Wells Fargo & Co Pref Share	ST	5/31/2018	1.02	275,000.00	0.00	-3.55	5.31	—	—	—	—
Intercontinental Exchange Inc	ST	5/31/2018	1.01	273,385.35	0.00	12.96	19.54	17.04	13.10	—	—
Public Storage Pref Share	ST	5/31/2018	1.01	271,810.00	—	—	—	—	—	—	—
Carnival Corp	ST	5/31/2018	0.98	263,568.69	0.00	-10.18	7.90	13.71	8.41	—	—
Ingersoll-Rand PLC	ST	5/31/2018	0.97	261,114.30	0.00	0.20	12.25	17.38	13.65	—	—
Merck & Co Inc	ST	5/31/2018	0.95	257,428.70	0.00	-2.16	5.51	8.94	8.95	—	—
Salesforce.com Inc	ST	5/31/2018	0.95	256,568.40	—	57.51	25.12	29.00	23.11	—	—
Air Products & Chemicals Inc	ST	5/31/2018	0.95	256,331.58	0.00	11.68	9.63	15.61	8.20	—	—
Broadcom Inc	ST	5/31/2018	0.94	254,044.08	0.00	6.81	24.52	47.93	—	—	—
GOLDMAN SACHS BANK USA FDIC #CER...	CD		0.92	248,777.01	0.00	—	—	—	—	—	—
Allstate Corp	ST	5/31/2018	0.90	241,865.50	0.00	5.01	14.14	15.78	9.79	—	—
Kansas City Southern	ST	5/31/2018	0.89	241,270.92	0.00	2.62	6.66	1.28	10.04	—	—
Voyager Therapeutics Inc	ST	5/31/2018	0.87	234,480.00	—	118.08	—	—	—	—	—
Chubb Ltd	ST	5/31/2018	0.86	230,668.32	0.00	-10.80	10.04	9.84	11.26	—	—
Synchrony Financial	ST	5/31/2018	0.85	229,120.32	0.00	13.91	1.61	—	—	—	—
Verizon Communications Inc	ST	5/31/2018	0.85	228,256.47	0.00	18.05	7.45	4.62	9.38	—	—
CVS Health Corp	ST	5/31/2018	0.84	227,155.50	0.00	-17.84	-13.19	4.32	6.62	—	—
SEAGATE HDD CAYMAN DEB ISIN US	CD		0.82	220,884.59	0.00	—	—	—	—	—	—
Booking Holdings Inc	ST	5/31/2018	0.80	214,871.54	—	8.37	20.75	19.65	33.18	—	—
Express Scripts Holding Co	ST	5/31/2018	0.78	210,860.51	—	20.94	-4.61	4.57	9.43	—	—

# The Episcopal Diocese of Vermont : Unit Fund

## Portfolio Snapshot

**Portfolio Value**  
26,972,821.61

**Benchmark**  
Episcopal Diocese Alt. Benchmark

**Account Number**

**Report Currency**  
USD

### Non-Load Adjustment Returns

Total 197 holdings as of 6/30/2018		Type	Holdings Date	% of Assets	Holding Value	7-day Yield	1 Yr Ret %	3 Yr Ret %	5 Yr Ret %	10 Yr Ret %	Max Front Load %	Max Back Load %
CENTERPOINT ENGY RES BD 2009-1	CD			0.73	195,804.29	0.00	—	—	—	—	—	—
The Kraft Heinz Co	ST	5/31/2018		0.72	194,679.18	0.00	-23.95	—	—	—	—	—
ENTERGY MISSISSIPPI, INCORPORATED. 1...	UIT			0.72	194,240.00	—	—	—	—	—	—	—
Stericycle Inc	ST	5/31/2018		0.70	189,993.90	—	-14.45	-21.29	-9.98	2.36	—	—
The Western Union Co	ST	5/31/2018		0.68	182,238.12	0.00	10.78	3.52	6.92	0.46	—	—
FAIRFAX FINANCIAL HOLDINGS LIMISIN U...	CD			0.63	170,538.91	0.00	—	—	—	—	—	—
Celgene Corp	ST	5/31/2018		0.60	160,825.50	—	-38.85	-11.80	6.31	9.54	—	—
JEFFERIES GROUP, INC. NTS ISINUS47231...	CD			0.59	158,263.09	0.00	—	—	—	—	—	—
Brown & Brown Inc	ST	5/31/2018		0.58	156,258.55	0.00	30.26	20.62	12.92	13.86	—	—
SLM STUDENT LOAN TR 2008-5 A-4RATE ...	CD			0.56	150,373.86	0.00	—	—	—	—	—	—
Willis Towers Watson PLC	ST	5/31/2018		0.56	149,932.40	0.00	5.78	8.73	9.29	9.09	—	—
AT&T INC. NTS ISIN US00206RCEO	CD			0.55	149,610.60	0.00	—	—	—	—	—	—
Legg Mason Inc	ST	5/31/2018		0.55	148,331.83	0.00	-6.16	-9.91	4.50	-0.46	—	—
JPMORGAN CHASE BANK NA COLUMBU...	CD			0.53	143,167.13	0.00	—	—	—	—	—	—
Newmont Mining Corp	ST	5/31/2018		0.52	140,733.72	0.00	17.75	18.13	5.78	-1.83	—	—
WestRock Co A	ST	5/31/2018		0.52	139,299.86	0.00	3.46	3.69	6.71	17.28	—	—
COMERICA BANK DEBENTURE ISINUS200...	CD			0.48	129,549.78	0.00	—	—	—	—	—	—
U.S. BANK NATIONAL ASSOCIATIONUS90...	CD			0.48	128,282.24	0.00	—	—	—	—	—	—
DISCOVER CARD EXE TR 2012-5-6CREDIT ...	CD			0.47	127,686.59	0.00	—	—	—	—	—	—
LPL Financial Holdings Inc	ST	5/31/2018		0.47	127,082.06	0.00	57.14	14.99	14.29	—	—	—
Broadridge Financial Solutions Inc	ST	5/31/2018		0.46	125,343.90	0.00	54.63	34.46	36.76	21.27	—	—
GENERAL MOTORS FINANCIAL COMPANT...	CD			0.46	124,718.50	0.00	—	—	—	—	—	—
BB&T CORPORATION MTN ISIN US05	CD			0.45	122,104.34	0.00	—	—	—	—	—	—
John Wiley & Sons Inc Class A	ST	5/31/2018		0.45	121,867.20	0.00	20.15	7.11	11.51	5.32	—	—
SPIRIT REALTY LP NTS ISIN US84	CD			0.45	121,524.11	0.00	—	—	—	—	—	—
Agnico Eagle Mines Ltd	ST	5/31/2018		0.45	120,074.60	0.00	2.57	18.47	12.05	-3.69	—	—
PEPSICO CAPITAL RESOURCES, INCUS713...	CD			0.44	118,064.83	0.00	—	—	—	—	—	—
PUBLIC SERVICE ELECTRIC AND GAMTN IS...	CD			0.44	117,625.95	0.00	—	—	—	—	—	—
EXXON MOBIL CORPORATION NTS ISUS30...	CD			0.42	112,325.84	0.00	—	—	—	—	—	—
UNITED TECHNOLOGIES CORPORATIOUS9...	CD			0.41	109,612.93	0.00	—	—	—	—	—	—
TARGET CORPORATION NTS ISIN US	CD			0.40	108,970.10	0.00	—	—	—	—	—	—
METLIFE INC. DEBENTURE PAYS QTUS591...	CD			0.40	107,137.55	0.00	—	—	—	—	—	—
UNITED PARCEL SERVICE, INC. NTUS9113...	CD			0.39	104,320.90	0.00	—	—	—	—	—	—
IQVIA Holdings Inc	ST	5/31/2018		0.39	104,212.08	—	11.53	11.19	18.59	—	—	—
iShares MSCI EAFE ETF	ETF	6/28/2018		0.39	103,870.47	0.00	5.89	4.75	6.21	2.78	—	—
THE PROCTER & GAMBLE COMPANY NUS...	CD			0.38	103,282.72	0.00	—	—	—	—	—	—
AMERICAN EXPRESS COMPANY NTS IUS0...	CD			0.37	100,249.02	0.00	—	—	—	—	—	—
CIT BANK FDIC # 35575 CERTIFICDEPOSIT...	CD			0.37	99,078.39	0.00	—	—	—	—	—	—
Hillenbrand Inc	ST	5/31/2018		0.36	98,354.90	0.00	33.09	18.09	17.55	11.59	—	—
Goldcorp Inc	ST	5/31/2018		0.36	98,191.02	0.00	6.84	-4.50	-9.66	-10.30	—	—
Actuant Corp Class A	ST	5/31/2018		0.36	98,175.75	0.00	19.50	8.52	-2.15	-0.49	—	—
Alamos Gold Inc	ST	5/31/2018		0.36	96,752.76	0.00	-20.48	0.51	-13.20	—	—	—
BERKSHIRE HATHAWAY INC. NTS ISUS08...	CD			0.36	96,212.65	0.00	—	—	—	—	—	—
Nielsen Holdings PLC	ST	5/31/2018		0.35	95,542.77	0.00	-16.74	-8.85	1.05	—	—	—
Matthews International Corp Class A	ST	5/31/2018		0.35	94,903.20	0.00	-2.70	4.62	10.52	3.70	—	—

# The Episcopal Diocese of Vermont : Unit Fund

## Portfolio Snapshot

**Portfolio Value**  
26,972,821.61

**Benchmark**  
Episcopal Diocese Alt. Benchmark

**Account Number**

**Report Currency**  
USD

### Non-Load Adjustment Returns

Total 197 holdings as of 6/30/2018											
	Type	Holdings Date	% of Assets	Holding Value	7-day Yield	1 Yr Ret %	3 Yr Ret %	5 Yr Ret %	10 Yr Ret %	Max Front Load %	Max Back Load %
Landstar System Inc	ST	5/31/2018	0.34	92,055.60	0.00	29.91	18.85	17.51	7.98	—	—
Barrick Gold Corp	ST	5/31/2018	0.33	89,625.38	0.00	-16.75	8.01	-2.61	-10.62	—	—
HEWLETT PACKARD ENTERPRISE COMISL...	CD		0.32	86,867.89	0.00	—	—	—	—	—	—
C.H. Robinson Worldwide Inc	ST	5/31/2018	0.32	86,337.12	0.00	24.48	12.90	10.78	6.52	—	—
Randgold Resources Ltd ADR	ST	5/31/2018	0.32	85,801.17	0.00	-10.76	6.30	5.00	6.06	—	—
General Electric Capital Corpo Isin Us3696...	FI		0.31	83,963.13	0.00	—	—	—	—	—	—
CHASE ISSUANCE TR 2012-4A A CCARDS	CD		0.31	82,997.92	0.00	—	—	—	—	—	—
Carolina Power & Light Company Isin Us14...	FI		0.28	75,635.25	0.00	—	—	—	—	—	—
NELNET ST LN TR 2008-4 A-4 ACT	CD		0.27	73,680.70	0.00	—	—	—	—	—	—
PPL ELECTRIC UTILITIES CORPORAMTG ISI...	CD		0.27	73,300.55	0.00	—	—	—	—	—	—
McCormick & Co Inc Non-Voting	ST	5/31/2018	0.26	71,279.26	0.00	21.42	14.94	12.74	15.06	—	—
Sumitomo Mitsui Financial Group Inc ADR	ST	5/31/2018	0.26	70,823.55	0.00	0.68	-1.29	-0.42	-3.59	—	—
Royal Dutch Shell PLC ADR Class A	ST	5/31/2018	0.26	70,406.91	0.00	38.15	14.34	8.25	4.32	—	—
Hitachi Ltd ADR	ST	5/31/2018	0.26	69,099.80	0.00	16.55	4.47	3.37	1.11	—	—
Sands China Ltd ADR	ST	5/31/2018	0.25	68,333.62	0.00	21.18	22.25	8.66	—	—	—
IHS Markit Ltd A	ST	5/31/2018	0.25	67,634.49	—	17.14	12.57	11.94	10.18	—	—
LAZARD GROUP LLC NTS OID ISINUS5210...	CD		0.25	66,420.76	0.00	—	—	—	—	—	—
Waters Corp	ST	5/31/2018	0.24	65,239.83	—	5.30	14.67	14.11	11.62	—	—
Seven & i Holdings Co Ltd ADR	ST	5/31/2018	0.24	64,299.96	0.00	7.86	2.36	5.08	—	—	—
Diageo PLC ADR	ST	5/31/2018	0.24	63,508.41	0.00	23.28	10.53	7.56	10.21	—	—
Cintas Corp	ST	5/31/2018	0.23	62,183.52	0.00	48.35	31.26	34.23	23.34	—	—
Northern Tr 3.45% 2020-11-04	FI		0.23	62,008.74	0.00	—	—	—	—	—	—
Sony Corp ADR	ST	5/31/2018	0.23	61,819.56	0.00	34.62	22.38	19.98	2.66	—	—
Markel Corp	ST	5/31/2018	0.23	61,807.95	—	11.12	10.64	15.53	11.44	—	—
Novartis AG ADR	ST	5/31/2018	0.23	60,885.24	0.00	-6.17	-5.01	4.80	7.13	—	—
BHP Billiton Ltd ADR	ST	5/31/2018	0.23	60,762.15	0.00	47.05	11.74	2.75	-1.08	—	—
SUNTRUST BANKS, INC. NTS ISINUS8679...	CD		0.22	59,825.93	0.00	—	—	—	—	—	—
Post Holdings Inc	ST	5/31/2018	0.22	59,353.80	—	10.78	16.84	14.53	—	—	—
Bayer AG ADR	ST	5/31/2018	0.22	58,607.50	0.00	-12.74	-5.55	2.94	5.13	—	—
Unilever PLC ADR	ST	5/31/2018	0.21	57,546.48	0.00	5.44	12.21	9.93	10.63	—	—
Fastenal Co	ST	5/31/2018	0.21	56,697.14	0.00	13.74	7.47	3.64	11.01	—	—
TRAVELERS COMPANIES, INC. NTSUS894...	CD		0.21	56,277.85	0.00	—	—	—	—	—	—
BNP Paribas ADR	ST	5/31/2018	0.20	54,814.32	0.00	-10.66	5.26	6.43	-0.01	—	—
Recruit Holdings Co Ltd	ST	5/31/2018	0.20	53,546.94	0.00	59.23	—	—	—	—	—
Orange SA ADR	ST	5/31/2018	0.20	53,394.01	0.00	9.10	7.24	17.69	0.86	—	—
DISCOVER BANK FDIC # 5649 CERTDEPO...	CD		0.20	53,170.41	0.00	—	—	—	—	—	—
AVNET, INC. NTS ISIN US053807A	CD		0.19	52,076.36	0.00	—	—	—	—	—	—
ASSURED GUARANTY US HOLDINGS IISIN...	CD		0.19	50,281.16	0.00	—	—	—	—	—	—
Nintendo Co Ltd ADR	ST	5/31/2018	0.19	49,967.75	0.00	-1.25	26.42	24.09	-3.58	—	—
ALABAMA POWER COMPANY NTS ISINUS...	CD		0.18	49,730.74	0.00	—	—	—	—	—	—
CONSOLIDATED EDISON COMPANY OFINC...	CD		0.18	49,263.38	0.00	—	—	—	—	—	—
Prudential PLC ADR	ST	5/31/2018	0.18	48,990.40	—	-0.67	0.05	10.01	12.67	—	—
NORTHERN STATES POWER COMPANYISI...	CD		0.18	48,738.34	0.00	—	—	—	—	—	—
Banco Santander SA ADR	ST	5/31/2018	0.18	48,540.60	0.00	-16.87	-4.73	2.24	-5.16	—	—
Suzuki Motor Corp ADR	ST	5/31/2018	0.18	47,312.19	—	15.21	17.16	17.46	—	—	—

# The Episcopal Diocese of Vermont : Unit Fund

## Portfolio Snapshot

<b>Portfolio Value</b>	<b>Benchmark</b>	<b>Account Number</b>	<b>Report Currency</b>
26,972,821.61	Episcopal Diocese Alt. Benchmark		USD

### Non-Load Adjustment Returns

Total 197 holdings as of 6/30/2018		Type	Holdings Date	% of Assets	Holding Value	7-day Yield	1 Yr Ret %	3 Yr Ret %	5 Yr Ret %	10 Yr Ret %	Max Front Load %	Max Back Load %
Denso Corp ADR	ST	5/31/2018	0.17	46,894.58	0.00	17.28	1.56	2.87	-14.42	—	—	
Vinci SA ADR	ST	5/31/2018	0.17	46,874.52	0.00	15.06	21.76	17.58	—	—	—	
STATE STREET CORPORATION NTS IUS85...	CD		0.17	46,830.89	0.00	—	—	—	—	—	—	
Shionogi & Co Ltd ADR	ST	5/31/2018	0.17	46,169.34	0.00	-7.25	—	—	—	—	—	
Woodside Petroleum Ltd ADR	ST	5/31/2018	0.17	45,847.76	0.00	20.73	4.48	1.44	-4.69	—	—	
Macquarie Group Ltd ADR	ST	5/31/2018	0.17	45,671.68	0.00	37.97	18.37	23.01	—	—	—	
Fiat Chrysler Automobiles NV	ST	5/31/2018	0.17	45,600.46	—	77.70	30.48	34.26	—	—	—	
Heineken NV ADR	ST	5/31/2018	0.17	45,380.80	0.00	4.61	11.34	11.32	8.86	—	—	
Anglo American PLC ADR	ST	5/31/2018	0.17	45,104.28	0.00	78.57	19.05	6.61	-8.82	—	—	
Enel SpA ADR	ST	5/31/2018	0.17	44,875.26	0.00	6.95	10.62	15.97	0.39	—	—	
SSE PLC ADR	ST	5/31/2018	0.16	44,313.44	0.00	-4.29	-5.01	-0.02	—	—	—	
Galp Energia SGPS SA ADR	ST	5/31/2018	0.16	43,839.60	0.00	30.42	21.76	6.38	—	—	—	
TEXTRON INC. NTS ISIN US883203	CD		0.16	43,253.92	0.00	—	—	—	—	—	—	
AIA Group Ltd ADR	ST	5/31/2018	0.16	43,185.82	0.00	20.98	11.48	17.00	—	—	—	
KIMBERLY-CLARK CORPORATION NTSUS4...	CD		0.16	42,534.03	0.00	—	—	—	—	—	—	
PNC BANK, NATIONAL ASSOCIATIONUS6...	CD		0.16	42,224.56	0.00	—	—	—	—	—	—	
NN Group NV ADR	ST	5/31/2018	0.16	42,078.40	0.00	11.15	—	—	—	—	—	
Julius Baer Gruppe AG ADR	ST	5/31/2018	0.15	41,740.07	0.00	13.30	3.75	10.75	—	—	—	
Lonza Group Ltd ADR	ST	5/31/2018	0.15	41,645.80	0.00	23.36	27.23	30.55	—	—	—	
Fresenius SE & Co KGaA ADR	ST	5/31/2018	0.15	41,645.25	0.00	-5.84	8.51	15.23	—	—	—	
United Overseas Bank Ltd ADR	ST	5/31/2018	0.15	41,322.64	0.00	21.10	8.80	8.55	7.33	—	—	
TEVA PHARMACEUTICAL FINANCE NEIII B...	CD		0.15	40,325.50	0.00	—	—	—	—	—	—	
KDDI Corp ADR	ST	5/31/2018	0.15	40,001.94	0.00	4.99	6.09	11.68	—	—	—	
BROOKFIELD FINANCE LLC NTS ISIU51127...	CD		0.15	39,964.82	0.00	—	—	—	—	—	—	
NATIONAL RURAL UTILITIES COOPEFINAN...	CD		0.14	38,778.81	0.00	—	—	—	—	—	—	
Basf SE ADR	ST	5/31/2018	0.14	38,455.10	0.00	6.37	6.49	5.00	7.04	—	—	
Royal Philips NV ADR	ST	5/31/2018	0.14	37,873.92	0.00	20.85	21.65	12.38	5.81	—	—	
Sun Hung Kai Properties Ltd ADR	ST	5/31/2018	0.14	37,286.02	0.00	6.65	1.23	6.85	3.72	—	—	
Alfa Laval AB ADR	ST	5/31/2018	0.14	36,737.64	—	15.02	11.36	3.86	—	—	—	
UniCredit SpA ADR	ST	5/31/2018	0.13	36,151.65	0.00	—	—	—	—	—	—	
Legal & General Group PLC ADR	ST	5/31/2018	0.13	34,208.72	0.00	10.41	1.86	11.77	10.91	—	—	
UPM-Kymmene Oyj ADR	ST	5/31/2018	0.12	33,490.19	0.00	28.76	31.52	35.06	13.45	—	—	
Graco Inc	ST	5/31/2018	0.12	33,236.70	0.00	25.60	25.94	18.26	15.73	—	—	
Allianz SE ADR	ST	5/31/2018	0.12	31,293.44	0.00	8.35	14.44	11.96	6.09	—	—	
STMicroelectronics NV ADR	ST	5/31/2018	0.11	30,724.68	0.00	55.56	43.88	24.17	12.25	—	—	
ACS Actividades de Construccion y Servi...	ST	5/31/2018	0.11	30,614.22	—	7.70	4.28	—	—	—	—	
ITOCHU Corp ADR	ST	5/31/2018	0.11	30,035.20	0.00	25.63	15.00	12.37	—	—	—	
Cie Generale des Etablissements Michelin ...	ST	5/31/2018	0.11	29,518.08	0.00	-6.29	8.08	9.28	—	—	—	
FORD MOTOR COMPANY DEBENTURE IUS...	CD		0.11	28,552.60	0.00	—	—	—	—	—	—	
Shiseido Co Ltd ADR	ST	5/31/2018	0.10	27,915.03	0.00	123.11	52.89	40.84	15.61	—	—	
Edenred SA ADR	ST	5/31/2018	0.10	27,669.60	0.00	27.22	11.20	—	—	—	—	
Atos SE ADR	ST	5/31/2018	0.10	26,049.00	0.00	-1.18	23.80	—	—	—	—	
NATIONAL RURAL UTILITIES COOPEFINAN...	CD		0.09	25,614.28	0.00	—	—	—	—	—	—	
Ferguson PLC ADR	ST	5/31/2018	0.09	24,523.35	0.00	34.45	10.31	14.24	10.72	—	—	
Kering SA ADR	ST	5/31/2018	0.09	24,233.04	0.00	66.08	49.14	24.58	—	—	—	

# The Episcopal Diocese of Vermont : Unit Fund

## Portfolio Snapshot

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### Non-Load Adjustment Returns

Total 197 holdings as of 6/30/2018	Type	Holdings Date	% of Assets	Holding Value	7-day Yield	1 Yr Ret %	3 Yr Ret %	5 Yr Ret %	10 Yr Ret %	Max Front Load %	Max Back Load %
Amadeus IT Group SA ADR	ST	5/31/2018	0.09	23,046.66	0.00	32.94	27.88	22.17	—	—	—
Hapag-Lloyd AG ADR	ST	5/31/2018	0.09	23,036.53	—	—	—	—	—	—	—
Telenor ASA ADR	ST	5/31/2018	0.08	22,622.53	0.00	30.02	2.99	5.24	4.55	—	—
Swedbank AB ADR	ST	5/31/2018	0.08	22,167.06	0.00	-7.07	3.19	4.33	8.10	—	—
CASH	CSH		0.08	22,148.29	—	—	—	—	—	—	—
Panasonic Corp ADR	ST	5/31/2018	0.08	20,335.38	0.00	0.76	1.52	12.69	-3.30	—	—
THK Co Ltd ADR	ST	5/31/2018	0.07	19,867.82	0.00	2.90	11.91	8.18	—	—	—
Deutsche Post AG ADR	ST	5/31/2018	0.07	19,555.97	0.00	-10.84	6.61	8.73	—	—	—
Erste Group Bank AG. ADR	ST	5/31/2018	0.07	18,613.08	0.00	12.52	16.52	11.35	-2.10	—	—
Renault SA ADR	ST	5/31/2018	0.06	17,389.12	0.00	-2.15	-3.54	—	—	—	—
Adecco Group AG ADR	ST	5/31/2018	0.06	16,543.89	0.00	-18.75	-6.80	4.12	—	—	—
ING Groep NV ADR	ST	5/31/2018	0.04	11,083.68	0.00	-14.17	-0.09	12.89	-5.86	—	—
THE PROCTER & GAMBLE COMPANY NUS...	CD		0.03	8,684.08	0.00	—	—	—	—	—	—
CALL: JPMORGAN CHASE & COMPANYJA...	OP		-0.01	-3,953.00	—	—	—	—	—	—	—
CALL: MARATHON PETE CORPJAN 80 EXP...	OP		-0.08	-21,350.00	—	—	—	—	—	—	—
CALL: AMAZON COM INCORPORATEDJAN...	OP		-0.11	-30,240.00	—	—	—	—	—	—	—
CALL: MICROSOFT CORPORATIONJAN 10...	OP		-0.19	-50,760.00	—	—	—	—	—	—	—

### Performance Disclosure

The performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate thus an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than return data quoted herein. For information current to the most recent month-end, please visit <http://advisor.morningstar.com/familyinfo.asp>.



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346 Shelburne Road, PO Box 1064 Burlington, Vermont 05402-1064

Tel: (802) 863-5534 Fax: (802) 658-0538

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As a Registered Investment Advisor, we are obligated to offer you a copy of our ADV Part 2A. This is an annual filing with the SEC. If you would like to receive a copy of this filing, please return the bottom portion of this letter. Please feel free to call me if you have any questions.

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**P.O. Box 1064**  
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## INDEX DEFINITIONS

**S&P 500** - an index that includes 500 leading companies in leading industries of the U.S. economy. Although the S&P 500® focuses on the large cap segment of the market, with approximately 75% coverage of U.S. equities, it is generally considered representative of the U.S. stock market.

**MSCI EAFE** - an index comprised of stocks in Europe, Australasia, and the Far East and is generally considered representative of the international stock market.. International investing involves special risks including currency fluctuations, differing financial accounting standards, and possible political and economic volatility.

**Russell 2000** - an index comprised of approximately 2,000 of the smallest companies of the Russell 3000 index (which represents the largest 3,000 companies). Small cap stocks generally involve greater risks, and therefore, may not be appropriate for every investor.

**Balanced Index** - a weighted index comprised of 60% S&P 500 Index and 40% Barclays Capital Aggregate Bond Index.

**NASDAQ Composite** - a market value weighted index of all common stocks listed on the NASDAQ system.

**Barclays Capital Aggregate Bond** - an index comprised of approximately 6,000 publicly traded investment grade or higher bonds including US Government, corporate, mortgage-backed, and asset backed bonds with an approximate average maturity of 10 years.

**S&P MidCap 400** - a market capitalization-weighted index composed of 400 stocks, including reinvestment of dividends, that is generally considered representative of mid-sized US companies.

**S&P SmallCap 600** - a market capitalization-weighted index composed of 600 stocks, including reinvestment of dividends, that is generally considered representative of small-sized US companies.

**PHLX Gold & Silver** – an index comprised of sixteen precious metal mining companies that are traded on the Philadelphia Stock Exchange. Gold is subject to the special risks associated with investing in precious metals, including but not limited to: price may be subject to wide fluctuation; the market is relatively limited; the sources are concentrated in countries that have the potential for instability; and the market is unregulated.

Inclusion of indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results.

## SECURITIES DEFINITIONS

**U.S. Government Bonds and Treasury Bills** - Debt obligations issued and guaranteed by the U.S. government which, if held to maturity, offer a fixed rate of interest and guaranteed principal value. U.S. government bonds are issued and guaranteed as to the timely payment of principal and interest by the federal government. Treasury bills are certificates reflecting short-term (less than one-year) obligations of the U. S. government.

**CDs** - Time deposits offering FDIC insurance and a fixed rate of interest. Both principal and yield of investment securities will fluctuate with changes in market conditions. The current FDIC deposit insurance amount is \$250,000 per depositor, per insured bank, for each account ownership category.

**Corporate Bonds** - Debt obligations of the issuing corporation offering a fixed rate of interest. Both principal and yield of investment securities will fluctuate with changes in market conditions. There is an inverse relationship between interest rate movements and bond prices. Generally, when interest rates rise, bond prices fall and when interest rates fall, bond prices generally rise.

## INVESTMENT STYLE DESCRIPTIONS

**Growth Investing** - A style of investment strategy. Those who follow this style, known as *growth investors*, invest in companies that exhibit signs of above-average growth, even if the share price appears expensive in terms of metrics such as price-to-earning or price-to-book ratios.

**Value Investing** - A style of investment strategy from the so-called "Graham & Dodd" School. Followers of this style, known as *value investors*, generally invest in companies whose shares appear underpriced by some forms of fundamental analysis

**Blend Investing** - Some mutual funds invest in stocks from both the growth and the value styles. This may provide style diversification within one fund.

# Portfolio Snapshot Report

## Disclosure Statement

### General

Investment portfolios illustrated in this report can be scheduled or unscheduled. With an "unscheduled" portfolio, the user inputs only the portfolio holdings and their current allocations. Morningstar calculates returns using the given allocations assuming monthly rebalancing. Taxes, loads, and sales charges are not taken into account.

With "scheduled" portfolios, users input the date and amount for all investments into and withdrawals from each holding, as well as tax rates, loads, and other factors that would have affected portfolio performance. A hypothetical illustration is one type of scheduled portfolio.

Both scheduled and unscheduled portfolios are theoretical, for illustrative purposes only, and are not reflective of an investor's actual experience. For both scheduled and unscheduled portfolios, the performance data given represents past performance and should not be considered indicative of future results. Principal value and investment return of stocks, mutual funds, and variable annuity/life products will fluctuate, and an investor's shares/units when redeemed will be worth more or less than the original investment. Stocks, mutual funds, and variable annuity/life products are not FDIC-insured, may lose value, and are not guaranteed by a bank or other financial institution. Portfolio statistics change over time.

Used as supplemental sales literature, the Portfolio Snapshot report must be preceded or accompanied by the fund/policy's current prospectus or equivalent. In all cases, this disclosure statement should accompany the Portfolio Snapshot report. Morningstar is not itself a FINRA-member firm.

The underlying holdings of the portfolio are not federally or FDIC-insured and are not deposits or obligations of, or guaranteed by, any financial institution. Investment in securities involve investment risks including possible loss of principal and fluctuation in value.

The information contained in this report is from the most recent information available to Morningstar as of the release date, and may or may not be an accurate reflection of the current composition of the securities included in the portfolio. There is no assurance that the weightings, composition and ratios will remain the same.

### Items to Note Regarding Certain Underlying Securities

A closed-end fund is an investment company, which typically makes one public offering of a fixed number of shares. Thereafter, shares are traded on a secondary market such as the New York Stock Exchange. As a result, the secondary market price may be higher or lower than the closed-end fund's net asset value (NAV). If these shares trade at a price above their NAV, they are said to be trading at a premium. Conversely, if they are trading at a price below their NAV, they are said to be trading at a discount.

An exchange-traded fund (ETF) is an investment company that typically has an investment objective of striving to achieve a similar return as a particular market index. The ETF will invest in either all or a representative sample of the securities included in the index it is seeking to imitate. Like closed-end funds, ETFs can be traded on a secondary market and thus have a market price that may be higher or lower than its net asset value. If these shares trade at a price

above their NAV, they are said to be trading at a premium. Conversely, if they are trading at a price below their NAV, they are said to be trading at a discount.

A money market fund is an investment company that invests in commercial paper, banker's acceptances, repurchase agreements, government securities, certificates of deposit and other highly liquid securities, and pays money market rates of interest. Money markets are not FDIC-insured, may lose money, and are not guaranteed by a bank or other financial institution. Although the money market seeks to preserve a stable per share value (i.e. \$1.00 per share), it is possible to lose money by investment in the fund.

Unit investment trust (UIT) is an investment company organized under a trust agreement between a sponsor and trustee. UITs typically purchase a fixed portfolio of securities and then sell units in the trust to investors. The major difference between a UIT and a mutual fund is that a mutual fund is actively managed, while a UIT is not. On a periodic basis, UITs usually distribute to the unit holder their pro rata share of the trust's net investment income and net realized capital gains, if any. If the trust is one that invests only in tax-free securities, then the income from the trust is also tax-free. UITs generally make one public offering of a fixed number of units. However, in some cases, the sponsor will maintain a secondary market that allows existing unit holders to sell their units and for new investors to buy units.

Variable annuities are tax-deferred investments structured to convert a sum of money into a series of payments over time. Variable annuity policies have limitations and are not viewed as short-term liquid investments. An insurance company's fulfillment of a commitment to pay a minimum death benefit, a schedule of payments, a fixed investment account guaranteed by the insurance company, or another form of guarantee depends on the claims-paying ability of the issuing insurance company. Any such guarantee does not affect or apply to the investment return or principal value of the separate account and its subaccount. The financial ratings quoted for an insurance company do not apply to the separate account and its subaccount. If the variable annuity subaccount is invested in a money-market fund, although it seeks to preserve a stable per share value (i.e. \$1.00 per share), it is possible to lose money by investment in the fund.

Variable life insurance is a cash-value life insurance that has a variable cash value and/or death benefit depending on the investment performance of the subaccount into which premium payments are invested. Unlike traditional life insurance, variable life insurance has inherent risks associated with it, including market volatility, and is not viewed as a short-term liquid investment. For more information on a variable life product, including each subaccount, please read the current prospectus. Please note, the financial ratings noted on the report are quoted for an insurance company and do not apply to the separate account and its subaccount. If the variable life subaccount is invested in a money-market fund, although it seeks to preserve a stable per share value (i.e. \$1.00 per share), it is possible to lose money by investment in the fund.

### Pre-inception Returns

The analysis in this report may be based, in part, on adjusted historical returns for periods prior to the fund's actual inception. These calculated returns reflect the historical performance of the oldest share class of the fund, adjusted to reflect the fees and expenses of this share class. These fees and expenses are referenced in the report's list of holdings and again on the standardized returns page. When pre-inception data are presented in the report, the header at the top of the report will indicate this and the affected data elements will be displayed in italics.

While the inclusion of pre-inception data provides valuable insight into the probable long-term behavior of newer share classes of a fund, investors should be aware that an adjusted historical return can only provide an approximation of that behavior. For example, the fee structures between a retail share class will vary from that of an institutional share class, as retail shares tend to have higher operating expenses and sales charges. These adjusted historical returns are not actual returns. Calculation methodologies utilized by Morningstar may differ from those applied by other entities, including the fund itself.

## Portfolio Snapshot Report Disclosure Statement (continued)

### Scheduled Portfolio Trailing Returns

Scheduled Portfolios are customized by the user to account for loads, taxes, cash flows, and specific investment dates. Scheduled portfolios use the portfolio's investment history to calculate final market values and returns. For scheduled portfolios, both individual holding and portfolio returns are internal-rate-of-return calculations that reflect the timing and dollar size of all purchases and sales. For stocks and mutual funds, sales charges and tax rates are taken into account as specified by the user (except in the pre-tax returns, which reflect the impact of sales charges but not taxes). Note that in some scheduled portfolio illustrations, dividends and capital gains distributions, if applicable, are reinvested at the end of the month in which they are made at the month-end closing price. This can cause discrepancies between calculated returns and actual investor experience.

### Scheduled Portfolio Returns-Based Performance Data

For scheduled portfolios, the monthly returns used to calculate alphas, betas, R-squareds, standard deviations, Sharpe ratios, and best/worst time-period data are internal rates of return.

### Important VA Disclosure for Scheduled Portfolios

For variable annuity products, policy level charges (other than front-end loads, if input by the advisor) are not factored into returns. When withdrawals and liquidations are made, increases in value over the purchase price are taxed at the capital gains rate that currently is in effect. This is not reflective of the actual tax treatment for these products, which requires the entire withdrawal to be taxed at the income tax rate. If adjusted for sales charges and the effects of taxation, the subaccount returns would be reduced.

### Scheduled Portfolio Investment Activity Graph

The historic portfolio values that are graphed are those used to track the portfolio when calculating returns.

### Unscheduled Portfolio Returns

Monthly total returns for unscheduled portfolios are calculated by applying the ending period holding weightings supplied by the user to an individual holding's monthly returns. When monthly returns are unavailable for a holding (i.e. Due to it not being in existence during the historical period being reported), the remaining portfolio holdings are re-weighted to maintain consistent proportions. Inception dates are listed in the Disclosure for Standardized and Tax Adjusted Returns. Trailing returns are calculated by geometrically linking these weighted-average monthly returns. Unscheduled portfolio returns thus assume monthly rebalancing. Returns for individual holdings are simple time-weighted trailing returns. Neither portfolio returns nor holding returns are adjusted for loads or taxes, and if adjusted for, would reduce the returns stated. The returns stated assume the reinvestment of dividends and capital gains. Mutual fund returns include all ongoing fund expenses. VA/VL returns reflect subaccount level fund expenses, including M&E expenses, administration fees, and actual ongoing fund level expenses.

### Unscheduled Portfolio Investment Activity Graph

The historic performance data graphed is extrapolated from the ending portfolio value based on the monthly returns.

### Benchmark Returns

Benchmark returns may or may not be adjusted to reflect ongoing expenses such as sales charges. An investment's portfolio may differ significantly from the securities in the benchmark.

Returns for custom benchmarks are calculated by applying user-supplied weightings to each benchmark's returns every month. Trailing returns are calculated by geometrically linking these weighted-average monthly returns. Custom benchmark returns thus assume monthly rebalancing.

### Standardized Returns

For mutual funds, standardized return is total return adjusted for sales charges, and reflects all ongoing fund expenses. Following this disclosure statement, standardized returns for each portfolio holding are shown.

For money market mutual funds, standardized return is total return adjusted for sales charges and reflects all ongoing fund expenses. Current 7-day yield more closely reflects the current earnings of the money market fund than the total return quotation.

For VA subaccounts, standardized return is total return based on its inception date within the separate account and is adjusted to reflect recurring and non-recurring charges such as surrender fees, contract charges, maximum front-end load, maximum deferred load, maximum M&E risk charge, administration fees, and actual ongoing fund-level expenses.

For ETFs, the standardized returns reflect performance, both at market price and NAV price, without adjusting for the effects of taxation or brokers commissions. These returns are adjusted to reflect all ongoing ETF expenses and assume reinvestment of dividends and capital gains. If adjusted, the effects of taxation would reduce the performance quoted.

The charges and expenses used in the standardized returns are obtained from the most recent prospectus and/or shareholder report available to Morningstar. For mutual funds and VAs, all dividends and capital gains are assumed to be reinvested. For stocks, stock acquired via divestitures is assumed to be liquidated and reinvested in the original holding.

### Non-Standardized Returns

For mutual funds, total return is not adjusted for sales charges and reflects all ongoing fund expenses for various time periods. These returns assume reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the mutual fund returns would be reduced. Please note these returns can include pre-inception data and if included, this data will be represented in italics.

For money market funds, total return is not adjusted for sales charges and reflects all ongoing fund expenses for various time periods. These returns assume reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the money market returns would be reduced.

For VA and VL subaccounts, non-standardized returns illustrate performance that is adjusted to reflect recurring and non-recurring charges such as surrender fees, contract charges, maximum front-end load, maximum deferred load, maximum M&E risk charge, administrative fees and underlying fund-level expenses for various time periods. Non-Standardized performance returns assume reinvestment of dividends and capital gains. If adjusted for the effects of taxation, the subaccount returns would be significantly reduced. Please note that these returns can include pre-inception data and if included, this data will be represented in italics.

### Investment Advisory Fees

The investment(s) returns do not necessarily reflect the deduction of all investment advisory fees. Client investment returns will be reduced if additional advisory fees are incurred such as deferred loads, redemption fees, wrap fees, or other account charges.

## Portfolio Snapshot Report Disclosure Statement (continued)

### Investment Style

The Morningstar Style Box combines the various funds investment strategies. For the equity style box, the vertical axis shows the market capitalization of the stocks owned and the horizontal axis shows investment style (value, blend, or growth). For the fixed-income style box, the vertical axis shows the average credit quality of the bonds owned and the horizontal axis shows interest rate sensitivity as measured by a bond's duration (short, intermediate, or long).

### Risk and Return

Standard deviation is a statistical measure of the volatility of a portfolio's returns around its mean.

Sharpe ratio uses a portfolio's standard deviation and total return to determine reward per unit of risk.

Alpha measures the difference between a portfolio's actual returns and its expected performance, given its beta and the actual returns of the benchmark index. Alpha is often seen as a measurement of the value added or subtracted by a portfolio's manager.

Beta is a measure of the degree of change in value one can expect in a portfolio given a change in value in a benchmark index. A portfolio with a beta greater than one is generally more volatile than its benchmark index, and a portfolio with a beta of less than one is generally less volatile than its benchmark index.

R-squared reflects the percentage of a portfolio's movements that are explained by movements in its benchmark index, showing the degree of correlation between the portfolio and a benchmark. This figure is also helpful in assessing how likely it is that alpha and beta are statistically significant.

### Fundamental Analysis

The below referenced data elements are a weighted average of the equity holdings in the portfolio.

The median market capitalization of a subaccount's equity portfolio gives you a measure of the size of the companies in which the subaccount invests.

The Price/Cash Flow ratio is a weighted average of the price/cash-flow ratios of the stocks in a subaccount's portfolio. Price/cash-flow shows the ability of a business to generate cash and acts as a gauge of liquidity and solvency.

The Price/Book ratio is a weighted average of the price/book ratios of all the stocks in the underlying fund's portfolio. The P/B ratio of a company is calculated by dividing the market price of its stock by the company's per-share book value. Stocks with negative book values are excluded from this calculation.

The Price/Earnings ratio is a weighted average of the price/earnings ratios of the stocks in the underlying fund's portfolio. The P/E ratio of a stock is calculated by dividing the current price of the stock by its trailing 12 months' earnings per share. In computing the average, Morningstar weights each portfolio holding by the percentage of equity assets it represents.

The Price/Sales ratio is a weighted average of the price/sales ratios of the stocks in the underlying fund's portfolio. The P/S ratio of a stock is calculated by dividing the current price of the stock by its trailing 12 months' revenues per share. In computing the average, Morningstar weights each portfolio holding by the percentage of equity assets it represents.

The return on assets (ROA) is the percentage a company earns on its assets in a given year. The calculation is net income divided by end-of-year total assets, multiplied by 100.

The Return on Equity (ROE) is the percentage a company earns on its shareholders' equity in a given year. The calculation is net income divided by end-of-year net worth, multiplied by 100.

Market Maturity shows the percentage of a holding's common stocks that are domiciled in developed and emerging markets.

The below referenced data elements listed below are a weighted average of the fixed income holdings in the portfolio.

The average credit quality is derived by taking the weighted average of the credit rating for each bond in the portfolio.

Average maturity is used for holdings in the taxable fixed-income category, this is a weighted average of all the maturities of the bonds in a portfolio, computed by weighting each maturity date by the market value of the security. Credit quality breakdowns are shown for corporate-bond holdings and depicts the quality of bonds in the underlying portfolio. The analysis reveals the percentage of fixed-income securities that fall within each credit-quality rating as assigned by Standard & Poor's or Moody's. This figure is not provided for financial companies.

Debt as a percentage of capital is calculated by dividing long-term debt by total capitalization (the sum of common equity plus preferred equity plus long-term debt). This figure is not provided for financial companies.

Duration is a time measure of a bond's interest-rate sensitivity.

Net Margin is a measure of profitability. It is equal to annual net income divided by revenues from the same period for the past five fiscal years, multiplied by 100.

Type Weightings divide the stocks in a given holding's portfolio into eight type designations each of which defines a broad category of investment characteristics. Not all stocks in a given holding's portfolio are assigned a type. These stocks are grouped under NA.

The below referenced data elements listed below are a weighted average of the total holdings in the portfolio.

The average expense ratio is the percentage of assets deducted each year for operating expenses, management fees, and all other asset-based costs incurred by the fund, excluding brokerage fees. Please note for mutual funds, variable annuities/life, ETF and closed-end funds we use the gross prospectus ratio as provided in the prospectus. For separate accounts and stocks we pull the audited expense ratio from the annual report.

Potential capital gains exposure is the percentage of a holding's total assets that represent capital appreciation.

### Investment Risk

**Market Price Risk:** The market price of ETF's traded on the secondary market is subject to the forces of supply and demand and thus independent of the ETF's NAV. This can result in the market price trading at a premium or discount to the NAV which will affect an investors value.

**Market Risk:** The market prices of ETF's can fluctuate as to the result of several factors such as security-specific factors or general investor sentiment. Therefore, investors should be aware of the prospect of market fluctuations and the impact it may have on the ETF market price.

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**Portfolio Snapshot Report  
Disclosure Statement (continued)**

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International Emerging Market Funds/Subaccounts: The investor should note that funds and subaccounts that invest in international securities take on special additional risks. These risks include, but are not limited to, currency risk, political risk, and risk associated with varying accounting standards. Investing in emerging markets normally accentuates these risks.

Sector Funds/Subaccounts: The investor should note that funds and subaccounts that invest exclusively in one sector or industry involve additional risks. The lack of industry diversification subjects the investor to increased industry-specific risks.

Non-Diversified Funds/Subaccounts: The investor should note that funds or subaccounts that invest more of their assets in a single issuer involve additional risks, including share price fluctuations, because of the increased concentration of investments.

Small Cap Funds/Subaccounts: The investor should note that funds and subaccounts that invest in stocks of small companies involve additional risks. Smaller companies typically have a higher risk of failure, and are not as well established as larger blue-chip companies. Historically, smaller-company stocks have experienced a greater degree of price volatility than the overall market average.

Mid Cap Funds/Subaccounts: The investor should note that funds and subaccounts that invest in companies with market capitalizations below \$10 billion involve additional risks. The securities of these companies may be more volatile and less liquid than the securities of larger companies.

High-Yield Bond Funds/Subaccounts: The investor should note that funds and subaccounts that invest in lower-rated debt securities (commonly referred to as junk bonds) involve additional risks because of the lower credit quality of the securities in the portfolio. The investor should be aware of the possible higher level of volatility and increased risk of default.

Tax-Free Municipal Bond Funds: The investor should note that the income from tax-free municipal bond funds may be subject to state and local taxation and the Alternative Minimum Tax.