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## To the Trustees of the Florida West Coast Operating Engineers

# Portfolio Review

**Prepared by: Tony DuBose**

**November 14, 2018**

# Table of Contents

# I. About Legacy Wealth Management

Legacy Wealth Management is a wealth management and financial services firm with offices located in South Florida.

Our investment professionals have over 150 years combined experience managing our clients' wealth planning needs. Legacy is an independent firm offering objective investment advice and no proprietary products or services.

Our mission is to have positive impact on the lives of our clients and their families, by delivering personalized planning solutions and ongoing service far exceeding their expectations.

We aim to be a professional value added advocate for our clients through intergenerational wealth management. During this process we seek to meet and exceed our clients' expectations, and strive to be the best at what we do.

# II. Who We Are

**Tony DuBose**
*Managing Principal*

**Tony DuBose** is the co-founder and Managing Principal of Legacy Wealth Management. As a wealth advisor for over 20 years, he has aided individuals, families, and institutions in pursuing their financial goals. His primary goal is to understand each client's unique needs and goals, and to advocate for his clients' best interests. As Chief Investment Officer (CIO), he also serves on the firm's investment committee to determine and execute key investment strategies.

"As an avid pilot, I relate much of flying a plane to investment management. Both are about knowing, understanding, and mitigating risks. Both are about keeping calm and alert in moments of sudden change. And both are about getting to where you want to go."

Tony enjoys expanding his knowledge of the latest in business development, client service, and critical investment advisory activities through his annual attendance of LPL Financial's Advisory Leaders Forum, an exclusive three-day academic experience held at such universities as Duke and Northwestern's Kellogg School of Management.

Tony graduated from Valdosta State University in 1983. He enjoys using his aviation skills to complete humanitarian missions for various nonprofit organizations. He resides in Davie with his family.

# III. Compass Points

LPL RESEARCH

PORTFOLIO COMPASS

The *Portfolio Compass* provides a snapshot of LPL Research's views on equity, equity sectors, fixed income, and alternative asset classes. This monthly publication illustrates our current views and will change as needed over a 3- to 12-month time horizon.

The top down is an important part of our asset allocation process. As a result, we have a macro section including our views of the global economy and key drivers of those views, and a section on what we are watching that might change those views.

## CONTENTS



All performance referenced herein is as of October 16, 2018, unless otherwise noted.

*As noted in our *Midyear Outlook 2018*, we expect a 10–14% S&P 500 Index total return in 2018, driven by GDP growth of 2.75–3.0%, 17% S&P 500 earnings growth, and a target price-to-earnings ratio (PE) of 19.0.

October 17 2018

# NAVIGATING THE MARKETS

## COMPASS CHANGES

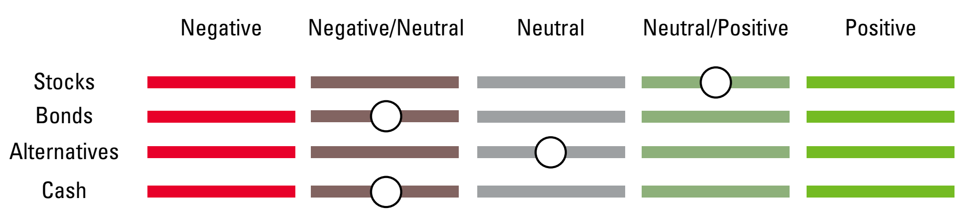
- Downgrading view of small and mid cap growth from neutral/positive to neutral.
- Our Communication Services view is neutral, compared with prior telecom view of negative/neutral.
- Upgrading our view of investment-grade corporates from neutral to neutral/positive.
- Upgrading our view of long-term municipal bonds from neutral to neutral/positive.
- Downgrading our view of medium-term municipal bonds from neutral/positive to neutral.

## INVESTMENT TAKEAWAYS

- We expect additional gains for the S&P 500 Index over the balance of 2018, driven by steady economic growth, strong earnings gains, and tax cuts.
- We favor U.S. equities over developed international; we continue to have structural concerns with Europe.
- We expect strong economic growth and attractive valuations to help emerging markets (EM) offset trade risk and tighter monetary policy. A trade deal with China presents a potential positive catalyst.
- Our communication services view is neutral following the recent sector revamp. Our cautious view on media and traditional telecom, plus high valuations, offset a strong growth outlook for former tech stocks.
- We emphasize a blend of high-quality intermediate bonds, with a preference for investment-grade corporates and mortgage-backed securities (MBS) over Treasuries and a small allocation to less interest-rate-sensitive sectors, such as bank loans or high-yield bonds, for suitable investors.
- We are upgrading our view of long-term munis and downgrading our view of medium-term munis due to changes in relative attractiveness compared with similarly dated Treasuries.
- We are upgrading our view of investment-grade corporates due to the supportive economic environment and prospects that the pace at which rates rise will slow.
- A Federal Reserve (Fed) rate hike in December is likely, potentially followed by several more in 2019. A moderate pickup in economic growth and inflation may be headwinds for fixed income.
- From a technical perspective, recent volatility has the S&P 500 testing its 200-day moving average, though the index remains in an uptrend that is bullish.

## BROAD ASSET CLASS VIEWS

LPL Research's views on stocks, bonds, cash, and alternatives are illustrated below.






LPL Financial

# MACROECONOMIC VIEWS

| | Economic Factor | Outlook | Investing Impact |
|---|---|---|---|
| ECONOMY | **U.S. GDP Growth** | We expect gross domestic product (GDP) near 3.0% in 2018.* | Absence of a recession would likely support equity markets. |
| | **Consumer Spending** | New tax law, a strong labor market, and stock gains may help. | Supports consumer cyclicals, but potential growth in business spending may be more important. |
| | **Business Spending** | New tax law and deregulation are supportive; watching trade policy. | Industrials would be most likely to benefit; upside for technology but some policy risks. |
| | **Housing** | Tight supply and years of underbuilding suggest upside, but higher rates have become a headwind. | A stronger turnaround could support housing and financials stocks. |
| | **Import/Export** | Service sector exports strong; uncertainty around trade. | May support technology and business services; some uncertainty for multinationals. |
| | **Labor Market** | Unemployment near multidecade low; wage gains supporting consumer spending. | May soon pressure profit margins; supports additional Fed rate hikes. |
| | **Inflation** | Early signs of a potential pickup but still well contained. | Interest rates likely to rise further, but only gradually. |
| | **Business Cycle** | Some late cycle signs but economy not overheating. | Equity markets may have room to run, but volatility may continue. |
| | **Dollar** | Fed rate hikes may be priced in, slowing the rally. | Earnings tailwind for U.S. multinationals is ebbing. |
| | **Global GDP Growth** | Expected to hold near steady in 2018 despite recent slowing. Trade uncertainty remains a risk. | Potentially supportive of equities with risks for global multinationals. |
| POLICY | **Fiscal** | New tax law, regulation supporting growth. | May provide an economic lift, but government debt still a potential long-term headwind. |
| | **Monetary** | Gradual rate hike path likely to continue. Balance sheet normalization has begun. | May be a modest headwind for quality bonds. |
| | **Government** | Fiscal stimulus likely outweighs tariff impact. Midterms loom. | May contribute to higher stock volatility. |
| RISKS | **Financial** | Political environment may lead to looser credit standards and accelerate deregulation. | Net positives in the short term but longer term may enable buildup if excesses in the economy and markets. |
| | **Geopolitical & Other** | China remains in focus. Trade deal may come after midterms. | May contribute to higher stock volatility. |
| OVERSEAS | **Developed Overseas** | Anti-Eurozone populism, Brexit uncertainty, and slower growth. | Strategically, international equities expected to provide diversification benefits. |
| | **Emerging Markets** | Trade risk remains and there are pockets of stress, but EM growth outlook overall still looks good. | Low valuations and strong earnings offer EM upside potential once trade situation is resolved. |
| FINANCIAL CONDITIONS | **Corporate Profits** | Strong earnings growth expected in second half of 2018 on tax cuts, global growth backdrop. | May support further stock market gains in 2018. |
| | **Main Street** | Fed Beige Book supports positive outlook. | Supports cyclical sector performance. |

Source: LPL Research, U.S. Department of Energy, Haver Analytics 10/16/18

The opinions voiced in this material are for general information only and are not intended to provide or be construed as providing specific investment advice or recommendations for your clients. Any economic forecasts set forth in the presentation may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

*Our forecast for GDP growth of 2.75–3.0% is based on the historical mid-cycle growth rate of the last fifty years; extra weight is given to the current cycle with a small upward adjustment due to the expected impact of the new tax law. Economic growth is affected by changes to inputs such as: business and consumer spending, housing, net exports, capital investments, and government spending. Potential delays in passing major fiscal policies introduce some risk to the downside.

# ASSET CLASS & SECTOR TOP PICKS

Below we provide our top overall ideas across the various asset classes and sectors covered in this publication, as well as our best ideas within the three disciplines of our investment process: fundamentals, technicals, and valuations. More details on these and other investment ideas can be found on subsequent pages.

| Characteristics | EQUITY ASSET CLASSES | EQUITY SECTORS | FIXED INCOME |
|---|---|---|---|
| BEST OVERALL IDEAS | U.S. Stocks | Industrials<br>Technology | Bank Loans<br>Investment-Grade Corporates<br>MBS |
| Fundamentals | U.S. Small Caps<br>U.S. Stocks | Financials<br>Industrials<br>Technology | Bank Loans<br>Investment-Grade Corporates<br>Treasury Inflation-Protected Securities (TIPS) |
| Technicals | U.S. Stocks | Healthcare<br>Industrials | Bank Loans |
| Valuations | EM<br>Midcap Stocks<br>Master Limited Partnerships (MLP) | Industrials<br>Telecommunications | MBS |

| Characteristics | ALTERNATIVE ASSET CLASSES |
|---|---|
| BEST OVERALL IDEAS | Long/Short Equity |
| Catalysts | Event Driven<br>Global Macro |
| Trading Environment | Long/Short Equity |
| Volatility | Global Macro<br>Long/Short Equity<br>Managed Futures |

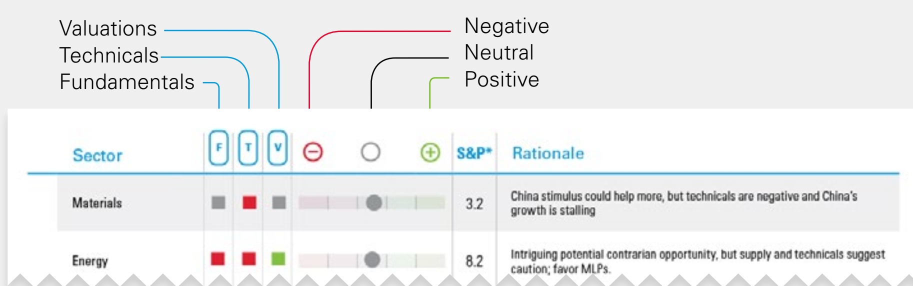
## READING THE PORTFOLIO COMPASS

| RATING | ICON | |
|---|---|---|
| Negative | ■ | ● |
| Negative/Neutral | | ● |
| Neutral | ■ | ● |
| Positive/Neutral | | ● |
| Positive | ■ | ● |
| Previous Position | | |

Fundamental, technical, and valuation characteristics for each category are shown by their blue icons below, and displayed as colored squares.

Negative, neutral, or positive views are illustrated as a colored circle positioned over the scale, whereas an outlined black circle with an arrow indicates change, and shows the previous view.

Rationales for our views are provided on the right side.




Global macro strategy is a hedge fund strategy that selects it holdings primarily on the macroeconomic and political views of various countries, and is subject to numerous risks such as: geopolitical, derivative, commodity, volatility, currency, and regulatory.

Long/short equity strategies are subject to normal alternative investment risks, including potentially higher fees; while there is additional management risk, as the manager is attempting to accurately anticipate the likely movement of both their long and short holdings. There is also the risk of "beta-mismatch," in which long positions could lose more than short positions during falling markets.

# EQUITY ASSET CLASSES

We expect additional gains for the S&P 500 over the balance of 2018, consistent with our forecasts from *Midyear Outlook 2018*, driven by steady economic growth, strong earnings gains, and tax cuts. Favorable seasonality and stable interest rates may help stocks stabilize in the near term after recent market volatility. We expect value to benefit from accelerating economic growth and stronger performance in financial stocks. Small caps generally benefit more from tax reform, but large caps would likely benefit more from a potential trade deal with China. We expect strong economic growth and low valuations may help EM equities recapture recent losses despite tighter global monetary policy and trade tensions.

| | Sector | F | T | V | − ○ + | Rationale |
|---|---|---|---|---|---|---|
| Style/Capitalization | Large Growth | | | | | Large caps benefit relatively less from tax reform, but an aging economic cycle and potential for a trade deal with China may help fourth quarter performance. We expect improving economic growth, better financials sector performance, and lower relative valuations to help value begin to reverse a decade of underperformance versus growth, based on the Russell indexes. |
| | Large Value | | | | | |
| | Mid Growth | | | | | Midcap valuations are attractive relative to large caps and merger and acquisition activity has picked up, partly due to the new tax law and repatriation of overseas cash. Relatively greater focus on U.S. may help near-term performance, but relative valuations for mid growth look a bit stretched and technicals have weakened. |
| | Mid Value | | | | | |
| | Small Growth | | | | | Small caps generally benefit more than large caps from tax reform. However, a potential trade agreement with China, a stable (not rising) U.S. dollar, and an aging business cycle are key factors to watch. |
| | Small Value | | | | | |
| Region | U.S. Stocks | | | | | Among developed markets, we remain U.S. focused, supported by solid economic growth, a strong earnings backdrop, and still-reasonable valuations. |
| | Large Foreign | | | | | Though valuations are attractive, we continue to have structural concerns in Europe, where growth has slowed. Japan looks better to us than Europe as an investment, but its economy is slowing. We continue to monitor overseas data, trade policy, geopolitical risk, and currency movements to assess international developed market opportunities. |
| | Small Foreign | | | | | |
| | EM | | | | | We expect strong growth and low valuations may help EM equities recapture recent losses despite tighter monetary policy, trade tensions, and pockets of stress such as Turkey. Trade headlines may lead to more near-term volatility, but we think the group is showing signs of stabilization with attractive upside potential. |
| MLPs | MLPs | | | | | Positives include rich yields, strong U.S. production, and acquisition activity. Recent tax policy clarity has buoyed performance. Positive bias. |

Investing in master limited partnerships (MLPs) involves additional risks as compared with the risks of investing in common stock, including risks related to cash flow, dilution, and voting rights. MLPs may trade less frequently than larger companies due to their smaller capitalizations, which may result in erratic price movement or difficulty in buying or selling. MLPs are subject to significant regulation and may be adversely affected by changes in the regulatory environment, including the risk that an MLP could lose its tax status as a partnership. Additional management fees and other expenses are associated with investing in MLP funds.

# EQUITY SECTORS

We maintain our preference for cyclical sectors as the U.S. economic expansion continues. We expect industrials to benefit from solid global demand, a pickup in capital spending, and a potential trade deal with China after the midterm elections. Financials remain positioned to benefit from deregulation, higher dividend payouts, and rising short-term interest rates, though the relatively flat yield curve remains a headwind. After the communication service sector revamp, technology's valuations are a bit lower, but the earnings growth outlook is also a bit weaker. Our communication services sector view is neutral.

| | Sector | S&P* | Rationale |
|---|---|---|---|
| Cyclical | Materials | 2.4 | Strong earnings growth, potential infrastructure spending, and burgeoning inflation help, but sector unlikely to work until progress is made on China trade issues. |
| Cyclical | Energy | 6.1 | Global supply constraints and solid global demand may support oil, but expected U.S. supply response to higher prices may cap additional upside. |
| Cyclical | Industrials | 9.7 | U.S. spending on capital equipment and defense are picking up. We may get a trade deal with China after the midterms; slowing growth overseas is a near-term headwind. |
| Cyclical | Communication Services | 10.0 | No longer a defensive sector after recent revamp. Our cautious view on media and traditional telecom, plus high valuations, offset strong growth outlook for former tech stocks. |
| Cyclical | Consumer Discretionary | 10.0 | Solid earnings and tax cuts support a positive bias, but valuations are high and the sector tends to do relatively worse late in business cycles. |
| Cyclical | Technology | 20.7 | Business spending outlook and productivity enabling role are attractive; valuations are lower after communication services sector revamp but so is the earnings growth outlook. |
| Cyclical | Financials | 13.4 | Positives include deregulation, dividend growth, tax cuts, valuations, and higher short-term interest rates; yield curve and loan demand are key sticking points. |
| Defensive | Utilities | 3.0 | Rising interest rates and our preference for cyclical sectors drive caution, though earnings growth has picked up some and interest rate increases will likely moderate. |
| Defensive | Healthcare | 15.2 | Valuations are still reasonable, spending outlook is relatively stable, demographics help, and technicals look good. Positive bias, though we are wary of policy risk ahead of midterm elections. |
| Defensive | Consumer Staples | 6.9 | We favor cyclical sectors, though the near-term outlook has improved with higher market volatility for this defensive sector; interest rate risk may be easing. |
| Defensive | Real Estate | 2.6 | The group offers rich yields and fundamentals still look pretty good; may see better near-term performance if interest rates level off. |

* S&P 500 Weight (%)

Investing in real estate/REITs involves special risks such as potential illiquidity and may not be suitable for all investors. There is no assurance that the investment objectives of this program will be attained.

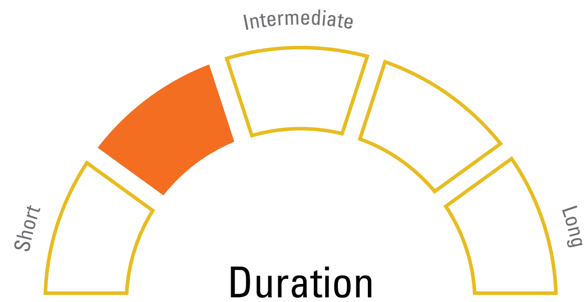
Because of its narrow focus, specialty sector investing, such as healthcare, financials, or energy, will be subject to greater volatility than investing more broadly across many sectors and companies.

There is no guarantee that a diversified portfolio will enhance overall returns or outperform a nondiversified portfolio. Diversification does not ensure against market risk.

# FIXED INCOME

Tax reform drove a late-2017 surge in municipal issuance, which continues to have an impact on the volume of new issues. Municipal bonds' credit quality remains generally good; problem issuers remain isolated and have not impacted the broader market.


Maintaining a cautious approach as valuations remain rich, but still prefer corporate bonds to government bonds.




Interest rate sensitivity is less defensive but still lower than the benchmark due to expensive valuations.

Yield spread is the difference between yields on differing debt instruments, calculated by deducting the yield of one instrument from another. The higher the yield spread, the greater the difference between the yields offered by each instrument. The spread can be measured between debt instruments of differing maturities, credit ratings, and risk.

| | Sector | F | T | V | ⊖ ○ ⊕ | Rationale |
|---|---|---|---|---|---|---|
| Tax-Free Bonds | Munis–Short-Term | | | | | Valuations relative to Treasuries remain expensive relative to history. |
| | Munis–Intermediate-Term | | | | | Valuations relative to Treasuries remain on the expensive side. |
| | Munis–Long-Term | | | | | Long-term yields are more attractive than short-term yields, though higher duration may be a headwind if rates continue to rise. Valuations have become attractive relative to long-dated Treasuries. |
| | Munis–High-Yield | | | | | Valuations remain expensive, though additional yield continues to be a factor. Long duration may be a headwind if rates continue to rise. |

*(Continued on next page)*

For the purposes of this publication, intermediate-term bonds have maturities between 3 and 10 years, and short-term bonds are those with maturities of less than 3 years.

All bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and are subject to availably and change in price.

High-yield/junk bonds are not investment-grade securities, involve substantial risks, and generally should be part of the diversified portfolio of sophisticated investors.

Municipal bonds are subject to availability, price, and market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise. Interest income may be subject to the alternative minimum tax. Federally tax-free but other state and local taxes may apply.

Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate, and credit risk, as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.

# FIXED INCOME (CONTINUED)

For fixed income allocations, we continue to emphasize a blend of high-quality intermediate bonds coupled with a small allocation to less interest-rate-sensitive sectors, such as bank loans or high-yield bonds, for suitable investors. We remain concerned about rising rates putting pressure on fixed income in 2018, and the late 2017 tax law adds slightly to that concern and may also lead to additional Treasury issuance in the near term. Improving consumer demand and business investment could help corporate profits, though inflationary pressures may offset these benefits for fixed income investors. We maintain a cautious approach with credit-sensitive areas of the market, but a "coupon-clipping" environment may still aid suitable investors.

| | Sector | F | T | V | ⊖ | ○ | ⊕ | Rationale |
|---|---|---|---|---|---|---|---|---|
| Taxable Bonds – U.S. | Treasuries | | | | | | | Yield spreads to overseas alternatives remain elevated relative to history. However, heavy supply and rising levels of growth and inflation could be headwinds. |
| | TIPS | | | | | | | Breakeven inflation remains slightly above the Fed's 2% target. Interest rate sensitivity could be a headwind. |
| | MBS | | | | | | | Yield per unit of duration remains attractive relative to other high-quality options, but Fed balance sheet normalization remains a risk over time. |
| | Investment-Grade Corporates | | | | | | | We still find incremental value in corporate bonds due to the economic backdrop and a potential slowing in the pace of rising rates. |
| | Preferred Stocks | | | | | | | Fundamentals are firm for U.S. banks, but valuations continue to warrant caution. Higher interest rate sensitivity remains a risk. |
| | High-Yield Corporates | | | | | | | Average yield spread of about 3.2% is just below our estimate of fair value but leaves little room for error. Yields remain attractive. Oil price or equity market weakness could be negative drivers. |
| | Bank Loans | | | | | | | Floating rates may benefit holders if short-term rates continue to rise, though valuations are less attractive than they were last year and call risk is a concern in some areas of the sector. |
| Taxable Bonds – Foreign | Foreign Bonds–Hedged | | | | | | | Fading easing bias of foreign central banks could lead to rising rates and pressure on performance. |
| | Foreign Bonds–Unhedged | | | | | | | Potential currency volatility, low yields, and unattractive valuations are negatives. |
| | EMD | | | | | | | Spreads have widened amid Turkish currency collapse but remain tight relative to history. Trade policy remains a risk. |

Investing in foreign and emerging market debt (EMD) securities involves special additional risks. These risks include, but are not limited to, currency risk, geopolitical and regulatory risk, and risk associated with varying settlement standards.

Mortgage-backed securities (MBS) are subject to credit, default, prepayment risk that acts much like call risk when you get your principal back sooner than the stated maturity, extension risk, the opposite of prepayment risk, market and interest rate risk.

Bank loans are loans issued by below investment-grade companies for short-term funding purposes with higher yield than short-term debt and involve risk.

Treasury Inflation-Protected Securities (TIPS) help eliminate inflation risk to your portfolio, as the principal is adjusted semiannually for inflation based on the Consumer Price Index (CPI)—while providing a real rate of return guaranteed by the U.S. government.

# COMMODITIES & ALTERNATIVE ASSET CLASSES

Steady U.S. production may make it hard for WTI Crude to sustain prices above $70, although global demand has firmed and global supply has tightened. Demand outlook remains generally positive for industrial metals, but trade tensions may persist and technicals are challenged. Tariffs are also weighing on crop prices, which have broken down technically. The event-driven investing outlook remains promising as tax reform and continued global growth may increase the corporate activity opportunity set.

| | Sector | F | T | V | − ○ + | Rationale |
|---|---|---|---|---|---|---|
| Commodities | Industrial Metals | | | | | Global demand outlook remains generally positive and more U.S. infrastructure spending is still possible, but trade tensions may persist. |
| | Precious Metals | | | | | U.S. dollar strength, rising interest rates, and our preference for riskier assets suggest caution. Watching inflation and market's level of risk tolerance. |
| | Energy | | | | | Steady U.S. production may cap WTI Crude's ability to maintain prices above $70. Solid global demand and overseas supply disruptions including Iran sanctions have provided support recently. |
| | Agricultural | | | | | Agriculture prices have broken down technically due to tariffs; trade tensions may persist. |

| | Sector | TE | CT | VO | − ○ + | Rationale |
|---|---|---|---|---|---|---|
| Alternatives | Long/Short Equity | | | | | We continue to favor strategies with a conservative or variable net exposure to global markets. Recent weakness in the Technology and Consumer Discretionary sectors has weighed on performance and led some strategies to implement a more defensive tilt by adding shorts and reducing long exposure. |
| | Event Driven | | | | | Deal flow remains healthy; however, global mergers requiring regulatory approval from multiple countries face additional risk due to the ongoing global trade negotiations. The strategy maintains its low beta and low correlation profile to traditional benchmarks. |
| | Managed Futures | | | | | We continue to favor either multimanagers or a combination of uncorrelated trading strategies to smooth and diversify return profiles. Recent performance has been negatively impacted by long equity exposure and short U.S. Treasury positioning. |
| | Global Macro | | | | | Global macro strategies continue to provide diverse exposure sets and have provided attractive downside protection during equity sell-offs. Shifts in fiscal policy, global political uncertainty, and economic divergences provide an attractive opportunity set. |

LEGEND

| CHARACTERISTICS | ICON | DEFINITION |
|---|---|---|
| Catalysts | CT | Potential for favorable macroeconomic and/or idiosyncratic market developments that may benefit the investment strategy. |
| Trading Environment | TE | Market characteristics present sufficient investment opportunities for this investment style. |
| Volatility | VO | The current volatility regime provides a constructive environment that an investment of this style can capitalize on. |

Alternative strategies may not be suitable for all investors and should be considered as an investment for the risk capital portion of the investor's portfolio. The strategies employed in the management of alternative investments may accelerate the velocity of potential losses.

Commodity-linked investments may be more volatile and less liquid than the underlying instruments or measures, and their value may be affected by the performance of the overall commodities baskets as well as weather, geopolitical events, and regulatory developments.

## IMPORTANT DISCLOSURES

All performance referenced is historical and is no guarantee of future results.

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

All indexes are unmanaged and cannot be invested into directly. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment.

### Stock and Pooled Investment Risks

The payment of dividends is not guaranteed. Companies may reduce or eliminate the payment of dividends at any given time.

Value investments can perform differently from the market as a whole. They can remain undervalued by the market for long periods of time.

Investing in stock includes numerous specific risks including: the fluctuation of dividend, loss of principal, and potential illiquidity of the investment in a falling market.

Investing in foreign and emerging markets securities involves special additional risks. These risks include, but are not limited to, currency risk, geopolitical risk, and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks.

The prices of small and mid cap stocks are generally more volatile than large cap stocks.

### Bond and Debt Equity Risks

Government bonds and Treasury bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.

### Alternative Risks

Event driven strategies, such as merger arbitrage, consist of buying shares of the target company in a proposed merger and fully or partially hedging the exposure to the acquirer by shorting the stock of the acquiring company or other means. This strategy involves significant risk as events may not occur as planned and disruptions to a planned merger may result in significant loss to a hedged position.

Managed futures strategies use systematic quantitative programs to find and invest in positive and negative trends in the futures markets for financials and commodities. Futures and forward trading is speculative, includes a high degree of risk that the anticipated market outcome may not occur, and may not be suitable for all investors.

## INDEX DEFINITIONS

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

The Bloomberg Barclays U.S. Municipal Bond Index covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds.

The Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

## DEFINITIONS

A cyclical stock is an equity security whose price is affected by ups and downs in the overall economy. Cyclical stocks typically relate to companies that sell discretionary items that consumers can afford to buy more of in a booming economy and will cut back on during a recession.

Gross domestic product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period, though GDP is usually calculated on an annual basis. It includes all of private and public consumption, government outlays, investments and exports less imports that occur within a defined territory.

The simple moving average is an arithmetic moving average that is calculated by adding the closing price of the security for a number of time periods and then dividing this total by the number of time periods. Short-term averages respond quickly to changes in the price of the underlying, while long-term averages are slow to react.

The Beige Book is a commonly used name for the Federal Reserve's (Fed) report called the Summary of Commentary on Current Economic Conditions by Federal Reserve District. It is published just before the Federal Open Market Committee (FOMC) meeting on interest rates and is used to inform the members on changes in the economy since the last meeting.

Technical analysis is a methodology for evaluating securities based on statistics generated by market activity, such as past prices, volume and momentum, and is not intended to be used as the sole mechanism for trading decisions. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns and trends. Technical analysis carries inherent risk, chief amongst which is that past performance is not indicative of future results. Technical analysis should be used in conjunction with Fundamental analysis within the decision making process and shall include but not be limited to the following considerations: investment thesis, suitability, expected time horizon, and operational factors, such as trading costs are examples.

The PE ratio (price-to-earnings ratio) is a measure of the price paid for a share relative to the annual net income or profit earned by the firm per share. It is a financial ratio used for valuation: a higher PE ratio means that investors are paying more for each unit of net income, so the stock is more expensive compared to one with lower PE ratio.

Alpha measures the difference between a portfolio's actual returns and its expected performance, given its level of risk as measured by Beta. A positive (negative) Alpha indicates the portfolio has performed better (worse) than its Beta would predict.

Beta measures a portfolio's volatility relative to its benchmark. A Beta greater than 1 suggests the portfolio has historically been more volatile than its benchmark. A Beta less than 1 suggests the portfolio has historically been less volatile than its benchmark.

Idiosyncratic risk can be thought of as the factors that affect an asset such as a stock and its underlying company at the microeconomic level. Idiosyncratic risk has little or no correlation with market risk, and can therefore be substantially mitigated or eliminated from a portfolio by using adequate diversification.

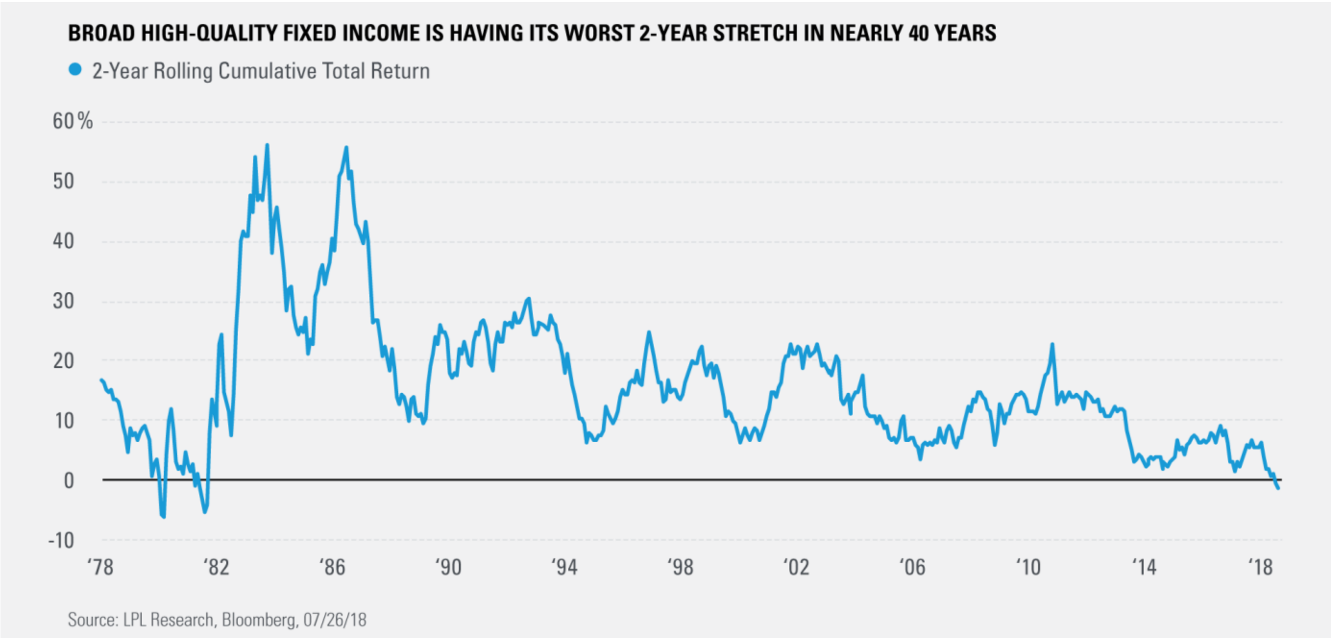


RES 35978 1018 | For Public Use | Tracking #1-782958 (Exp. 10/19)

## A Tough Stretch for High-Quality Bonds

It's been a difficult stretch for fixed-income investors since yields bottomed in the summer of 2016.

As shown in the LPL Chart of the Day, the 2-year cumulative total return for the broad high-quality bond market (as represented by the Bloomberg Barclays Aggregate Index) is negative for the first time in nearly 40 years.




As the business cycle has normalized, the economy is relying less on monetary policy and is transitioning to more typical drivers like corporate fundamentals and fiscal stimulus. As a result, interest rates have risen to more normalized levels. Although this is ultimately a positive sign that reflects a strengthening economy, it has made for a challenging two years in high-quality fixed income.

"Economic growth, deficit spending, rising inflationary pressures, and expectations for future rate hikes have lifted rates over the past two years," according to LPL Chief Investment Strategist John Lynch. "Although interest rates may likely move higher in the year ahead, we believe the pace of the last two years will not be replicated."

Investors have felt the pain of higher interest rates in the form of lower bond prices. However, investors may stand to gain over time as they generally receive more interest than they pay. Two years ago, yields across the globe were extremely depressed, with the 10-year Treasury yield reaching its all-time low of 1.36% on July 8, 2016. The 10-year yield has more than doubled since then. Investors can take solace that we do not believe the next one or two years will be as challenging for fixed income investors as the past two have been. Long-term interest rates currently reflect meaningfully higher levels of growth and inflation than they did two years ago.

We have already seen indications that the pace of interest rate increases has slowed, which was reflected in the quarter-over-quarter performance of the Barclays Aggregate. Though the second quarter return was negative, it was much less so than the first quarter, pointing to a rate environment that reflects the economic realities of a strengthening U.S. economy.

Although investors may be questioning the worth of high-quality fixed income in their diversified portfolios, we maintain that it is vital to help manage equity market risk in the face of higher volatility. As the business cycle ages, we believe high-quality fixed income becomes more important for suitable investors.

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Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates risk and bonds are subject to availability and change in price.

There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.

All indexes are unmanaged and cannot be invested into directly. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. All performance referenced is historical and is no guarantee of future results.

Investing involves risks including possible loss of principal. No investment strategy or risk management technique can guarantee return or eliminate risk in all market environments.

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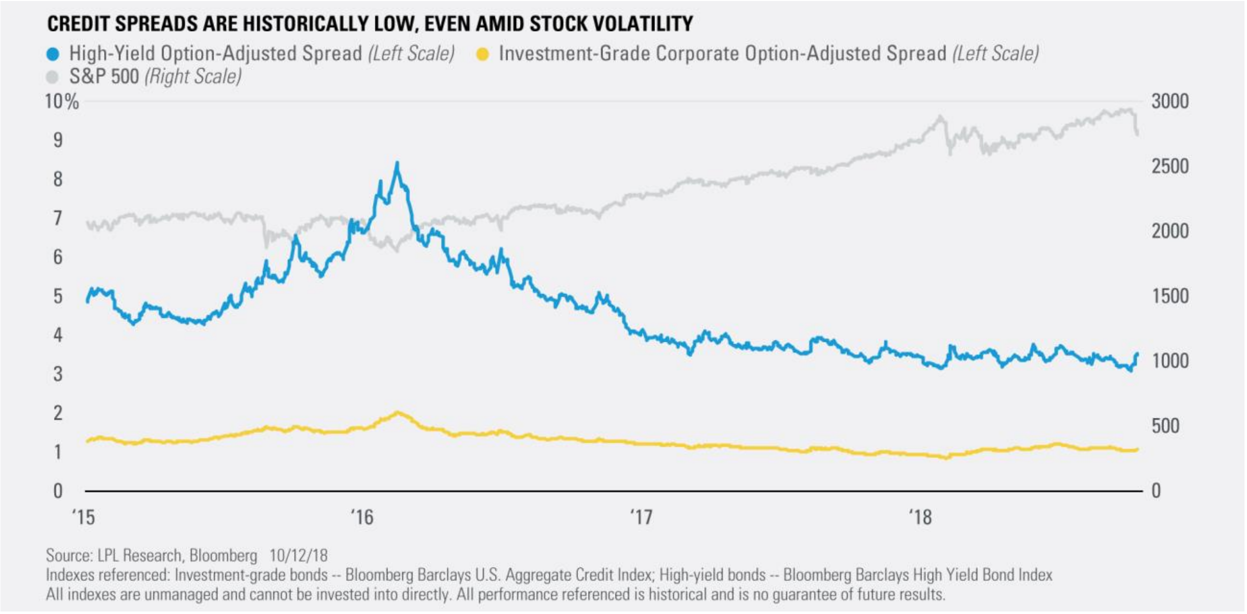
**Credit's Signals in Last Week's Sell-Off**

Last week's sharp equity sell-off broke months of historic calm for U.S. stocks. As investors clamor for answers, we've provided our biggest takeaways from the bond markets response to the volatility.

**Domestic credit markets were resilient,** even as global equities fell the most since March 2018. As shown in the LPL Chart of the Day, investment-grade and high-yield spreads were subdued even as the S&P 500 Index fell nearly 7%.




Typically, yields are a barometer of perceived risk in the corporate bond market. If investors expect higher future risk, they are likely to demand additional yield from issuers to compensate.

**Investors piled into longer-term Treasuries,** pushing up government bond prices and leading to yields and stocks declining together. While this risk-to-safety* pivot intuitively makes sense, it's a rare trend in the current low-yield environment. Last week, the S&P 500 and the 10-year Treasury yield fell together for four straight days, the first time that's happened since February 2016. The tandem drop in stocks and yields isn't as surprising given the 10-year yield was due for a breather after swiftly rising to a seven-year high on October 5. Reports last week showed producer and consumer price growth remains manageable, and longer-term yields tend to fluctuate with inflation expectations.

Overall, our outlook on fixed income hasn't changed. We still think bonds are an important part of portfolios, as they provide income and help mitigate the risk to a portfolio's value during times of equity weakness (like last week's event). We also believe the rally in rates may be done in the near-term, as 3.25% on the 10-year yield is the top of our year-end forecast. Contained inflationary pressures and Treasuries' attractive valuations compared with relatively low government yields around the world may keep a lid on longer-term rates for now.

For more thoughts on last week's volatility, check out this week's *Weekly Market Commentary: Perspective on Market Volatility*.

**IMPORTANT DISCLOSURES**

*U.S. Treasuries may be considered “safe haven” investments but do carry some degree of risk including interest rate, credit, and market risk. They are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value.

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.

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**Interpreting the Surge in Bond Protection Prices**

One corner of the credit market is showing some signs of angst from U.S. equities' roughest October since the financial crisis.

As shown in the LPL Chart of the Day, the price of U.S. credit-default swaps (CDS), or a measure of the cost of insuring against default on a bond, has risen highest level since December 2016 for both high-yield and investment-grade bonds. Higher CDS prices indicate increasing demand for bond protection amid a bout of U.S. equity volatility.

**COST OF BOND INSURANCE JUMPS TO HIGHEST SINCE DECEMBER 2016**

Markit Gauges of Credit-Default Swap Prices


Source: LPL Research, Markit, Bloomberg 10/29/18

A Credit Default Swap (CDS) is designed to transfer the credit exposure of fixed income products between parties. The buyer of a credit swap receives credit protection, whereas the seller of the swap guarantees the credit worthiness of the product. By doing this, the risk of default is transferred from the holder of the fixed income security to the seller of the swap.

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price. High yield/junk bonds (grade BB or below) are not investment grade securities, and are subject to higher interest rate, credit, and liquidity risks than those graded BBB and above. They generally should be part of a diversified portfolio for sophisticated investors.

While the jump in CDS can be perceived as a warning of a credit event, other measures of corporate-bond stress signal differently.

High-yield and investment-grade spreads, though notably higher this month, are still low compared to history and contained relative to Treasury yields, suggesting investors are confident that corporations are able to service outstanding debt. Interest coverage ratios for S&P 500 index companies are still significantly higher than they were before the financial crisis, and corporate profits are on track for the second quarter of double-digit profit growth. The TED Spread, or the difference between 3-month LIBOR and the 3-month Treasury yield, sits near a 15-month low, reflecting the lack of stress in bank credit relative to government debt.

“Companies' balance sheets remain strong, thanks to solid economic growth and strong corporate profits,” said LPL Chief Investment Strategist John Lynch. “Overall, our cautious outlook on fixed income hasn't changed. Yet, bonds remain an important part of diversified portfolios, as they provide liquidity, income, and can help mitigate risk during times of equity market weakness.”

Higher long-term rates could be a source of the nervousness in corporate bonds, especially as the 10-year Treasury yield hovers near a 7-year high. However, we don't expect rates to climb much higher from these levels amid contained inflation and relatively low rates overseas. We expect the 10-year yield to trade near the upper end of our original 2.75–3.25% year-end 2018 forecast.

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

Tracking #1-787510 (Exp. 10/19)

# IV. Portfolio Review

# Portfolio Performance Summary

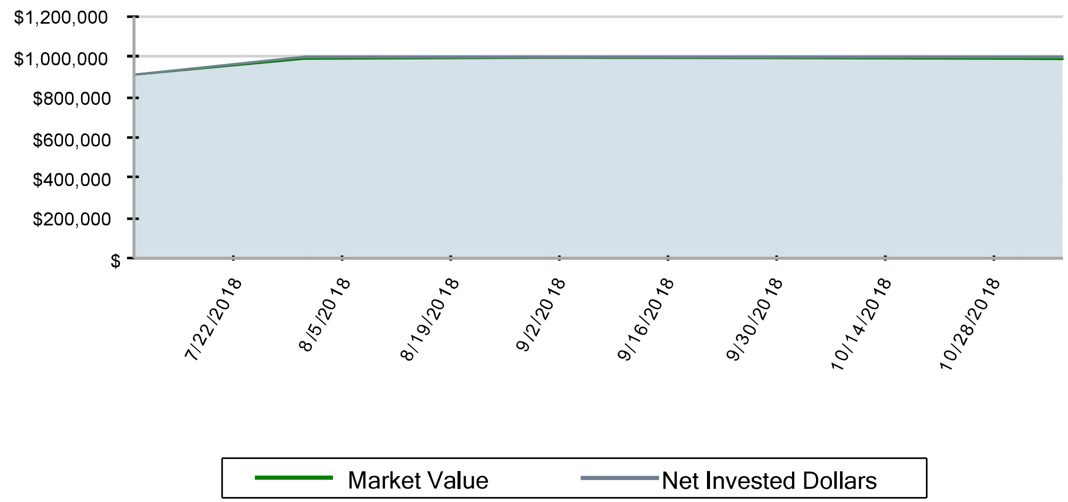
## FLORIDA WC OPERATING

Valuation Period: July 9, 2018 - November 6, 2018
Prepared by: Tony DuBose

## Investment Summary

**From 7/9/2018 to 11/6/2018**

| | |
|---|---|
| **Market Value on 7/9/2018** | **$912,000.00** |
| Inflows | $88,403.60 |
| Outflows | $0.00 |
| Market Fluctuation | ($17,842.47) |
| Interest | $8,697.32 |
| Dividends | $761.19 |
| Advisory Fees | ($2,574.84) |
| Market Value on 11/6/2018 | **$989,444.80** |
| **Performance Return (IRR)** | **(1.11%)** |




**From Inception to 11/6/2018**

| | |
|---|---|
| Total Invested Dollars Since 7/8/2018 | $1,000,403.60 |
| Outflows | $0.00 |
| Net Invested Dollars | $1,000,403.60 |
| Net Change | ($10,958.80) |
| Market Value on 11/6/2018 | $989,444.80 |
| Performance Return (IRR) | (1.12%) |

## Investment Details

| Loc | Account Name | LPL Account # | Sponsor Account # | Description | Net Invested Dollars ($) | Market Value($) on 7/9/2018 | Market Value($) on 11/6/2018 | 7/9/2018-to-11/6/2018 Total % (IRR) |
|---|---|---|---|---|---|---|---|---|
| LPL | FLORIDA WC OPERATING | ****-4488 | | SWM II - Retirement | 1,000,403.60 | 912,000.00 | 989,444.80 | (1.11) |
| | | | | **Report Totals:** | **$1,000,403.60** | **$912,000.00** | **$989,444.80** | **(1.11%)** |

## Performance to Benchmark Summary

| | Return % (IRR) |
|---|---|
| Your Account | (1.11) |

| Benchmark | Return % (SRR) |
|---|---|
| Bloomberg Barclays US Government 1-3 Year Tot Return Index | 0.29 |
| S&P/Citigroup U.S. Broad Investment Grade Index | (1.15) |

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# Portfolio Appraisal By Security Type

## FLORIDA WC OPERATING

Valuation Period: July 9, 2018 - November 6, 2018
Prepared by: Tony DuBose

LegacyWealth Management
Managing Generations of Wealth™

## Account Summary

| Loc | Account Name | LPL Account # | Sponsor Account # | Description | Market Value($) on 7/9/2018 | Market Value($) on 11/6/2018 | 7/9/2018-to-11/6/2018 Total % (IRR) |
|---|---|---|---|---|---|---|---|
| LPL | FLORIDA WC OPERATING | ****-4488 | | SWM II - Retirement | 912,000.00 | 989,444.80 | (1.11) |
| | | | | Report Totals: | **$912,000.00** | **$989,444.80** | **(1.11%)** |

## Certificate of Deposit

| Loc | Account # | Security ID | Description | Quantity | Price ($) | Price As Of | Market Value ($) | % of Port | Return % (IRR) |
|---|---|---|---|---|---|---|---|---|---|
| LPL | ****4488 | 35471TEJ7 | FRANKLIN SYNERGY BANK<br>FRANKLIN TN CD<br>FDIC #58714<br>CPN 2.550% DUE 12/26/19<br>DTD 06/26/18 FC 07/26/18 | 100,000.0000 | 99.76 | 11/06/18 | 99,760.30 | 10.08 | 0.31 |
| LPL | ****4488 | 949763SP2 | WELLS FARGO BANK NA<br>SIOUX FALLS SD CD<br>FDIC #03511<br>CPN 2.800% DUE 07/27/20<br>DTD 07/27/18 FC 08/27/18 | 50,000.0000 | 99.60 | 11/06/18 | 49,802.40 | 5.03 | 0.29 |
| | | | | | | Totals: | 149,562.70 | 15.12 | 0.32 |

## Corporate Bond

| Loc | Account # | Security ID | Description | Quantity | Price ($) | Price As Of | Market Value ($) | % of Port | Return % (IRR) |
|---|---|---|---|---|---|---|---|---|---|
| LPL | ****4488 | 008117AP8 | AETNA INC<br>SR NOTE<br>CPN 2.750% DUE 11/15/22<br>DTD 11/07/12 FC 05/15/13<br>CALL 08/15/22 @ 100.000 | 50,000.0000 | 95.62 | 11/06/18 | 47,810.35 | 4.83 | (1.58) |

## Corporate Bond (continued)

| Loc | Account # | Security ID | Description | Quantity | Price ($) | Price As Of | Market Value ($) | % of Port | Return % (IRR) |
|---|---|---|---|---|---|---|---|---|---|
| LPL | ****4488 | 06051GFH7 | BANK AMERICA CORP<br>MEDIUM TERM NOTE<br>CPN 4.200% DUE 08/26/24<br>DTD 08/26/14 FC 02/26/15 | 50,000.0000 | 99.39 | 11/06/18 | 49,693.80 | 5.02 | (1.22) |
| LPL | ****4488 | 126650CJ7 | CVS HLTH CORP<br>SR NOTE<br>CPN 2.800% DUE 07/20/20<br>DTD 07/20/15 FC 01/20/16<br>CALL 06/20/20 @ 100.000 | 50,000.0000 | 98.93 | 11/06/18 | 49,464.75 | 5.00 | (0.47) |
| LPL | ****4488 | 172967GT2 | CITIGROUP INC<br>SUB NOTE<br>CPN 3.500% DUE 05/15/23<br>DTD 05/14/13 FC 11/15/13 | 38,000.0000 | 97.95 | 11/06/18 | 37,222.14 | 3.76 | (1.77) |
| LPL | ****4488 | 278642AK9 | EBAY INC<br>NOTE<br>CPN 2.875% DUE 08/01/21<br>DTD 07/28/14 FC 02/01/15<br>CALL 06/01/21 @ 100.000 | 20,000.0000 | 98.11 | 11/06/18 | 19,622.06 | 1.98 | (1.01) |
| LPL | ****4488 | 337915AA0 | FIRSTMERIT CORP<br>SUB NOTE<br>CPN 4.350% DUE 02/04/23<br>DTD 02/04/13 FC 08/04/13 | 50,000.0000 | 99.61 | 11/06/18 | 49,806.85 | 5.03 | (1.88) |
| LPL | ****4488 | 36966TFV9 | GENL ELECTRIC CAP CORP<br>INTERNOTES<br>SURVIVOR OPTION<br>CPN 3.000% DUE 07/15/22<br>DTD 07/06/12 FC 01/15/13 | 35,000.0000 | 94.41 | 11/06/18 | 33,041.79 | 3.34 | (3.74) |
| LPL | ****4488 | 46625HJY7 | JPMORGAN CHASE & CO<br>SUB NOTE<br>CPN 3.875% DUE 09/10/24<br>DTD 09/10/14 FC 03/10/15 | 50,000.0000 | 98.08 | 11/06/18 | 49,038.65 | 4.96 | (1.27) |
| LPL | ****4488 | 50076QAZ9 | KRAFT FOODS GRP INC<br>NOTE<br>CPN 3.500% DUE 06/06/22<br>DTD 12/06/12 FC 06/06/13 | 50,000.0000 | 98.25 | 11/06/18 | 49,126.40 | 4.97 | (1.90) |
| LPL | ****4488 | 63743FSY3 | NATL RURAL UTILS COOP<br>INTERNOTES<br>SURVIVOR OPTION<br>CPN 3.000% DUE 07/15/22<br>DTD 04/03/14 FC 05/15/14 | 50,000.0000 | 96.46 | 11/06/18 | 48,231.05 | 4.87 | (1.75) |

## Corporate Bond (continued)

| Loc | Account # | Security ID | Description | Quantity | Price ($) | Price As Of | Market Value ($) | % of Port | Return % (IRR) |
|---|---|---|---|---|---|---|---|---|---|
| LPL | ****4488 | 718172AL3 | PHILIP MORRIS INTL INC NOTE CPN 2.900% DUE 11/15/21 DTD 11/15/11 FC 05/15/12 | 50,000.0000 | 98.11 | 11/06/18 | 49,053.55 | 4.96 | (1.41) |
| | | | | | | Totals: | 482,111.39 | 48.73 | (1.63) |

## Government Bond

| Loc | Account # | Security ID | Description | Quantity | Price ($) | Price As Of | Market Value ($) | % of Port | Return % (IRR) |
|---|---|---|---|---|---|---|---|---|---|
| LPL | ****4488 | 9128282J8 | U S TREASURY NOTE CPN 1.500% DUE 07/15/20 DTD 07/15/17 FC 01/15/18 | 100,000.0000 | 97.69 | 11/06/18 | 97,687.50 | 9.87 | (0.39) |
| LPL | ****4488 | 912828WY2 | U S TREASURY NOTE CPN 2.250% DUE 07/31/21 DTD 07/31/14 FC 01/31/15 | 100,000.0000 | 98.08 | 11/06/18 | 98,078.10 | 9.91 | (0.80) |
| | | | | | | Totals: | 195,765.60 | 19.79 | (0.60) |

## Money Market

| Loc | Account # | Security ID | Description | Quantity | Price ($) | Price As Of | Market Value ($) | % of Port | Return % (IRR) |
|---|---|---|---|---|---|---|---|---|---|
| LPL | ****4488 | 9999227 | Insured Cash Account | 14,246.0200 | 1.00 | 11/06/18 | 14,246.02 | 1.44 | 0.00 |
| | | | | | | Totals: | 14,246.02 | 1.44 | 0.00 |

## Mortgage-Backed Bond

| Loc | Account # | Security ID | Description | Quantity | Price ($) | Price As Of | Market Value ($) | % of Port | Return % (IRR) |
|---|---|---|---|---|---|---|---|---|---|
| LPL | ****4488 | 3135G0K93 | FEDL NATL MTG ASSN NOTE CPN 1.250% DUE 06/28/19 DTD 06/28/16 FC 12/28/16 CALL 09/28/18 @ 100.000 | 25,000.0000 | 99.10 | 11/06/18 | 24,775.58 | 2.50 | 0.06 |
| LPL | ****4488 | 3137EACA5 | FEDL HOME LOAN MTG CORP MEDIUM TERM NOTE CPN 3.750% DUE 03/27/19 DTD 03/27/09 FC 09/27/09 | 75,000.0000 | 100.50 | 11/06/18 | 75,372.30 | 7.62 | 0.16 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Totals: | 100,147.88 | 10.12 | 0.14 |

## Mutual Fund - Open-end

| Loc | Account # | Security ID | Description | Quantity | Price ($) | Price As Of | Market Value ($) | % of Port | Return % (IRR) |
|---|---|---|---|---|---|---|---|---|---|
| LPL | ****4488 | PONPX | PIMCO INCOME CL I2 | 4,028.0220 | 11.82 | 11/06/18 | 47,611.22 | 4.81 | (0.04) |
| | | | | | | Totals: | 47,611.22 | 4.81 | (0.04) |
| | | | | | | **Grand Totals:** | **$989,444.80** | **100.00%** | **(1.11%)** |

## Performance to Benchmark Summary

| | Return % (IRR) |
|---|---|
| Your Account | (1.11) |

| Benchmark | Return % (SRR) |
|---|---|
| Bloomberg Barclays US Government 1-3 Year Tot Return Index | 0.29 |
| S&P/Citigroup U.S. Broad Investment Grade Index | (1.15) |

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# Allocation By Security Type

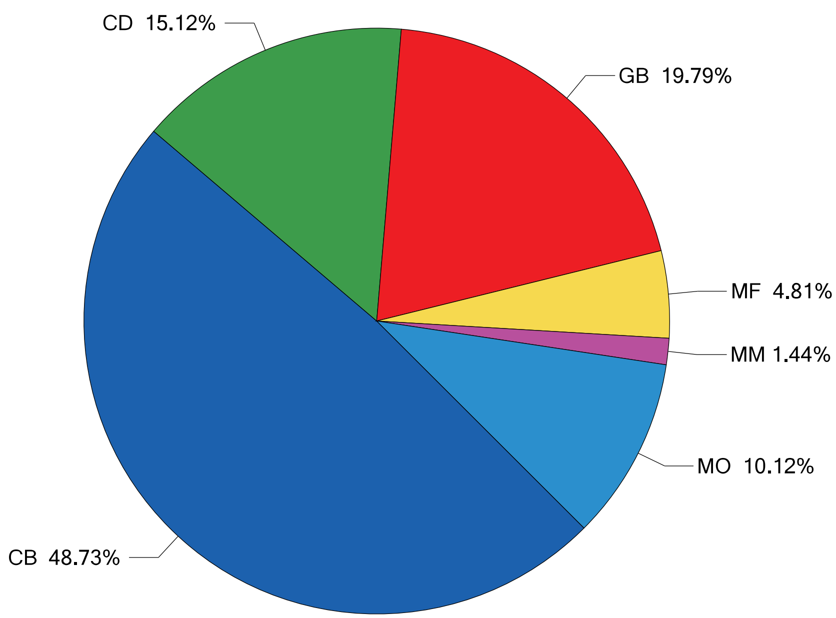
## FLORIDA WC OPERATING

Values As Of: November 6, 2018
Prepared by: Tony DuBose

LegacyWealth Management
*Managing Generations of Wealth*

### Account Summary

| Loc | Account Name | LPL Account # | Sponsor Account # | Description | Market Value ($) |
|---|---|---|---|---|---|
| LPL | FLORIDA WC OPERATING | ****-4488 | | SWM II - Retirement | 989,444.80 |
| | | | | **Report Totals:** | **989,444.80** |




| Sec Type | Sec Type Description | Market Value ($) | % of Assets |
|---|---|---|---|
| CB | Corporate Bond | 482,111.39 | 48.73 |
| CD | Certificate of Deposit | 149,562.70 | 15.12 |
| GB | Government Bond | 195,765.60 | 19.79 |
| MF | Mutual Fund - Open-end | 47,611.22 | 4.81 |
| MM | Money Market | 14,246.02 | 1.44 |
| MO | Mortgage-Backed Bond | 100,147.88 | 10.12 |
| | **Totals:** | **$989,444.80** | **100.00%** |

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# Estimated Income

## FLORIDA WC OPERATING

Values Projected For: December 2018 - November 2019
Prepared by: Tony DuBose

LegacyWealth Management
*Managing Generations of Wealth™*

## Account Summary

| Loc | Account Name | LPL Account # | Sponsor Account # | Description | Market Value ($) |
|---|---|---|---|---|---|
| LPL | FLORIDA WC OPERATING | ****-4488 | | SWM II - Retirement | 989,444.80 |
| | | | | **Report Totals:** | **989,444.80** |

### ****4488 - FLORIDA WC OPERATING - SWM II - Retirement

| Security ID | Description | Quantity | Market Value ($) | Next Pay Date | Dec ($) | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Total | Yield |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 008117AP8 | AETNA INC<br>SR NOTE<br>CPN 2.750% DUE 11/15/22<br>DTD 11/07/12 FC 05/15/13<br>CALL 08/15/22 @ 100.000 | 50,000.0000 | 47,810.35 | 11/15/18 | | | | | | 688 | | | | | | 688 | 1,375 | 2.88% |
| 06051GFH7 | BANK AMERICA CORP<br>MEDIUM TERM NOTE<br>CPN 4.200% DUE 08/26/24<br>DTD 08/26/14 FC 02/26/15 | 50,000.0000 | 49,693.80 | 02/26/19 | | | 1,050 | | | | | | 1,050 | | | | 2,100 | 4.23% |
| 126650CJ7 | CVS HLTH CORP<br>SR NOTE<br>CPN 2.800% DUE 07/20/20<br>DTD 07/20/15 FC 01/20/16<br>CALL 06/20/20 @ 100.000 | 50,000.0000 | 49,464.75 | 01/20/19 | | 700 | | | | | | 700 | | | | | 1,400 | 2.83% |
| 172967GT2 | CITIGROUP INC<br>SUB NOTE<br>CPN 3.500% DUE 05/15/23<br>DTD 05/14/13 FC 11/15/13 | 38,000.0000 | 37,222.14 | 11/15/18 | | | | | | 665 | | | | | | 665 | 1,330 | 3.57% |
| 278642AK9 | EBAY INC<br>NOTE<br>CPN 2.875% DUE 08/01/21<br>DTD 07/28/14 FC 02/01/15<br>CALL 06/01/21 @ 100.000 | 20,000.0000 | 19,622.06 | 02/01/19 | | | 288 | | | | | | 288 | | | | 575 | 2.93% |

| | | | | | ($) | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Security ID** | **Description** | **Quantity** | **Market Value ($)** | **Next Pay Date** | **Dec** | **Jan** | **Feb** | **Mar** | **Apr** | **May** | **Jun** | **Jul** | **Aug** | **Sep** | **Oct** | **Nov** | **Total** | **Yield** |
| 3135G0K93 | FEDL NATL MTG ASSN<br>NOTE<br>CPN 1.250% DUE 06/28/19<br>DTD 06/28/16 FC 12/28/16<br>CALL 09/28/18 @ 100.000 | 25,000.0000 | 24,775.58 | 12/28/18 | 156 | | | | | | 156 | | | | | | 313 | 1.26% |
| 3137EACA5 | FEDL HOME LOAN MTG CORP<br>MEDIUM TERM NOTE<br>CPN 3.750% DUE 03/27/19<br>DTD 03/27/09 FC 09/27/09 | 75,000.0000 | 75,372.30 | 03/27/19 | | | | 1,406 | | | | | | | | | 1,406 | 1.87% |
| 337915AA0 | FIRSTMERIT CORP<br>SUB NOTE<br>CPN 4.350% DUE 02/04/23<br>DTD 02/04/13 FC 08/04/13 | 50,000.0000 | 49,806.85 | 02/04/19 | | | 1,088 | | | | | | 1,088 | | | | 2,175 | 4.37% |
| 35471TEJ7 | FRANKLIN SYNERGY BANK<br>FRANKLIN TN CD<br>FDIC #58714<br>CPN 2.550% DUE 12/26/19<br>DTD 06/26/18 FC 07/26/18 | 100,000.0000 | 99,760.30 | 11/26/18 | 213 | 213 | 213 | 213 | 213 | 213 | 213 | 213 | 213 | 213 | 213 | 213 | 2,550 | 2.56% |
| 36966TFV9 | GENL ELECTRIC CAP CORP<br>INTERNOTES<br>SURVIVOR OPTION<br>CPN 3.000% DUE 07/15/22<br>DTD 07/06/12 FC 01/15/13 | 35,000.0000 | 33,041.79 | 01/15/19 | | 525 | | | | | | 525 | | | | | 1,050 | 3.18% |
| 46625HJY7 | JPMORGAN CHASE & CO<br>SUB NOTE<br>CPN 3.875% DUE 09/10/24<br>DTD 09/10/14 FC 03/10/15 | 50,000.0000 | 49,038.65 | 03/10/19 | | | | 969 | | | | | | 969 | | | 1,938 | 3.95% |
| 50076QAZ9 | KRAFT FOODS GRP INC<br>NOTE<br>CPN 3.500% DUE 06/06/22<br>DTD 12/06/12 FC 06/06/13 | 50,000.0000 | 49,126.40 | 12/06/18 | 875 | | | | | | 875 | | | | | | 1,750 | 3.56% |
| 63743FSY3 | NATL RURAL UTILS COOP<br>INTERNOTES<br>SURVIVOR OPTION<br>CPN 3.000% DUE 07/15/22<br>DTD 04/03/14 FC 05/15/14 | 50,000.0000 | 48,231.05 | 11/15/18 | 125 | 125 | 125 | 125 | 125 | 125 | 125 | 125 | 125 | 125 | 125 | 125 | 1,500 | 3.11% |
| 718172AL3 | PHILIP MORRIS INTL INC<br>NOTE<br>CPN 2.900% DUE 11/15/21<br>DTD 11/15/11 FC 05/15/12 | 50,000.0000 | 49,053.55 | 11/15/18 | | | | | | 725 | | | | | | 725 | 1,450 | 2.96% |

| Security ID | Description | Quantity | Market Value ($) | Next Pay Date | ($) Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Total | Yield |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 9128282J8 | U S TREASURY NOTE<br>CPN 1.500% DUE 07/15/20<br>DTD 07/15/17 FC 01/15/18 | 100,000.0000 | 97,687.50 | 01/15/19 | | 750 | | | | | | 750 | | | | | 1,500 | 1.54% |
| 912828WY2 | U S TREASURY NOTE<br>CPN 2.250% DUE 07/31/21<br>DTD 07/31/14 FC 01/31/15 | 100,000.0000 | 98,078.10 | 01/31/19 | | 1,125 | | | | | | 1,125 | | | | | 2,250 | 2.29% |
| 949763SP2 | WELLS FARGO BANK NA<br>SIOUX FALLS SD CD<br>FDIC #03511<br>CPN 2.800% DUE 07/27/20<br>DTD 07/27/18 FC 08/27/18 | 50,000.0000 | 49,802.40 | 11/27/18 | 117 | 117 | 117 | 117 | 117 | 117 | 117 | 117 | 117 | 117 | 117 | 117 | 1,400 | 2.81% |
| PONPX | PIMCO<br>INCOME<br>CL I2 | 4,028.0220 | 47,611.22 | 11/30/18 | 221 | 221 | 221 | 221 | 221 | 221 | 221 | 221 | 221 | 221 | 221 | 221 | 2,656 | 5.58% |
| | | | | | **1,707** | **3,776** | **3,101** | **3,051** | **676** | **2,753** | **1,707** | **3,776** | **3,101** | **1,644** | **676** | **2,753** | **28,717** | |
| | | | | **Total Income ($) :** | **1,707** | **3,776** | **3,101** | **3,051** | **676** | **2,753** | **1,707** | **3,776** | **3,101** | **1,644** | **676** | **2,753** | **28,717** | |

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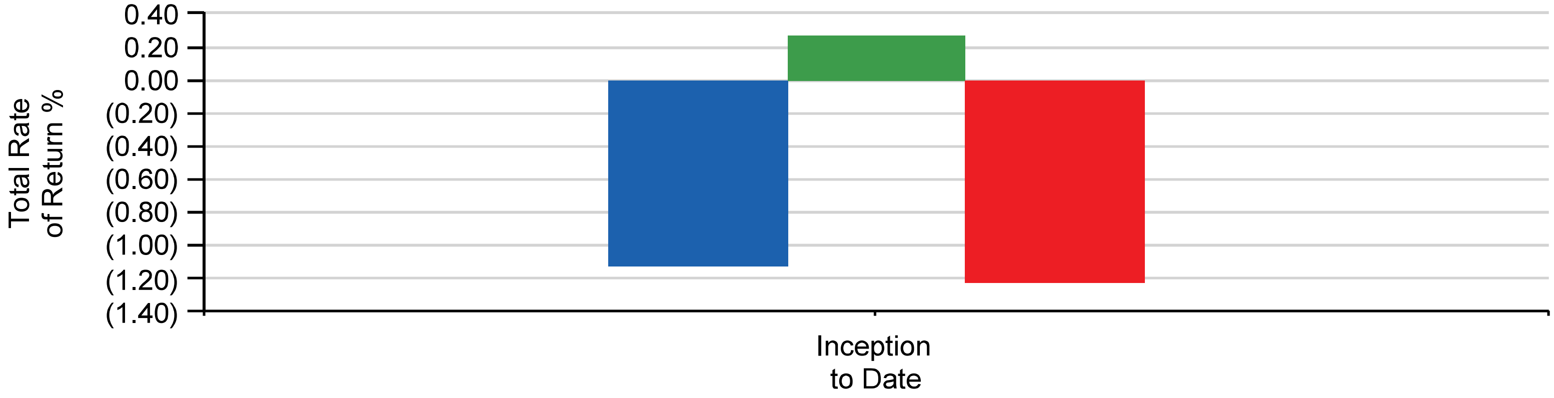
Estimated Annual Income (EAI): For positions with annual dividends, the Estimated Annual Income is calculated by taking the annual dividend and multiplying by the number of shares owned. If dividends are more or less frequent, the dividend rate is multiplied by the frequency of the dividend and the number of shares owned. If no rate is available, no EAI numbers will be generated. EAI for certain types of securities could include a return of principal or capital gains in which case the EAI would be overstated. EAI is an estimate and the actual income and yield might be lower or higher than the estimated amounts. Additionally the actual dividend or yield may vary depending on the security issuers' approval of paying the dividends.

# Multi-Period Performance

## FLORIDA WC OPERATING

As Of: November 6, 2018
Prepared by: Tony DuBose




| | Inception (7/8/2018) to Date |
|---|---|
| FLORIDA WC OPERATING (IRR) | (1.12%) |
| Bloomberg Barclays US Government 1-3 Year Tot Return Index (SRR) | 0.27% |
| S&P/Citigroup U.S. Broad Investment Grade Index (SRR) | (1.22%) |

## Account Summary

| Loc | Account Name | LPL Account # | Sponsor Account # | Description | Market Value($) on 11/6/2018 |
|---|---|---|---|---|---|
| LPL | FLORIDA WC OPERATING | ****-4488 | | SWM II - Retirement | 989,444.80 |
| | | | | Report Totals: | **$989,444.80** |

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**Portfolio Manager Report Disclosures**

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**Performance Calculations** Performance return figures are expressed as a percentage and include the impact of the deduction of any advisory fees and transaction charges. Unless otherwise stated, performance returns are cumulative. Two different methods, time-weighted and money-weighted, are displayed on reports. The Advisory Performance Report, uses a time-weighted return. The remaining reports use either a time-weighted or money-weighted return. The return method used on these reports is clearly labeled and can be configured by your Financial Advisor. The time-weighted method is used to depict an account's relative rate of return, is not sensitive to contributions and withdrawals into and out of the account, and, as compared to the money-weighted method, allows clients to better compare performance against other money managers. The money-weighted return method is used to depict an account's personal rate of return, accounts for all contributions and withdrawals into and out of the account, and, as compared to the time-weighted method, better represents the client's actual investment experience during the evaluation period. On your performance reports, money-weighted returns are denoted with IRR while time-weighted returns are denoted with TWR. Below is an example to clarify the difference of these two methods:

Example: Two investors begin by buying 100 shares at the end of the years' price ($10), starting off with $1,000. The first investor makes two subsequent purchases of 100 shares each, one at the end of May ($14) and the other at the end of August ($15). The second investor also makes two additional purchases of 100 shares each, but hers are at the end of April ($8) and September ($9). The price of the security at the end of the year is $11, meaning the security is up 10%. The first investor shows a loss of $600, while the second shows a gain of $600. The time-weighted return for each investor is 10%. The money-weighted return for the first investor is -24.86% and the second investor is +35.16%.

| | **Investor 1** | **Investor 2** |
|---|---|---|
| | Dec: 100 Shares @ $10/s | Dec: 100 Shares @ $10/s |
| | May: 100 Shares @ $14/s | Apr: 100 Shares @ $8/s |
| | Aug: 100 Shares @15/s | Sept: 100 Shares @9/s |
| **Net Invested** | $3,900.00 | $2,700.00 |
| **Ending Value** | $3,300.00 | $3,300.00 |
| **Net Change** | -$600.00 | $600.00 |
| **Time Weighted (TWR)** | 10.00% | 10.00% |
| **Money Weighted (IRR)** | -24.86% | 35.16% |

If performance cannot be calculated for a period within the report timeframe, graphs will display a flat line and returns will display "N/A" or "—". For third party advisory programs (TMP), and outside custodians (CST), the above-noted performance calculations may differ from the methodologies used at the current or prior firm or custodian.

**Purchase Date** Purchase date reflects the earliest purchase date for any portion of the position. Additional purchases may have been made after the initial purchase.

**Special Note about Certain Performance Reports** For the Comparative Analysis Report, only positions that were held at the Start Date and/or at the End Date will be shown; however, positions held in the account after the Start Date and sold prior to the End Date will be reflected in the performance figures shown on the report. For the Portfolio Appraisal Reports, only securities held at the End Date will be shown; however, positions held in the account on or after the Start Date and sold prior to the End Date will be reflected in the performance figures shown on the report.

**Location Columns** The terms used under the column with the heading "Loc," which include "LPL", "CST", "TMP," and "U" refer to securities held in your LPL account(s) or by an investment sponsor that has agreed to electronically provide information to LPL about your holdings.

"LPL" represents accounts with assets maintained at LPL.

"CST" represents accounts held by an outside custodian that are not held or verified by LPL nor covered by LPL's SIPC Insurance. LPL is not an investment advisor or broker-dealer to CST accounts and is not responsible for the holdings or management of the CST account. The source of all price information is the custodian or a third party vendor.

"TMP" represents accounts managed by an investment firm other than LPL as part of a third party advisory program. TMP accounts are held away from LPL and are not covered by LPL's SIPC Insurance. For TMP accounts, LPL's role is limited to a referral to the third party investment firm and LPL does not serve as broker-dealer. TMP accounts have not been verified by LPL. The source of all price information is the third party investment firm, a custodian or a third party vendor.

Please be aware that you have the obligation to verify the accuracy of data for outside accounts, including CST, and TMP accounts, through confirmations, statements and other correspondence and documents you receive from the custodian holding the assets.

"U" represents "Unofficial Accounts" which may contain both "tracked" and "non-tracked" positions. Tracked positions are assets not held or verified by LPL nor covered by LPL's SIPC Insurance, for which you have supplied the quantity information to your Financial Advisor, through the delivery of a statement or other record prepared by the investment sponsor or other source other than your Financial Advisor. The source of all price information for these tracked positions is one or more third party vendors and may include the use of substitute prices as noted above. Non-tracked positions are assets not held or verified by LPL, for which you have supplied the price and quantity information to your Financial Advisor, through the delivery of a statement or other record prepared by the investment sponsor or other source other than your Financial Advisor. LPL makes no representation or warranty as to the accuracy of the information concerning these Unofficial Accounts and non-tracked and tracked positions. Performance is not calculated in Portfolio Manager reports for Unofficial Accounts (either tracked or non-tracked assets).

**Personal Assets** This report may include personal assets that the firm does not hold on your behalf, and that are not included on the firm's books and records. Personal assets include the following:

- Collectibles (e.g., art, antiques, coins, stamps)
- Real estate (e.g., personal residence, vacation homes, investment property)
- Intangible Assets (e.g., patents, trademarks, copyrights, goodwill)
- Checking and savings accounts
- Business ownership/interests (e.g., equipment, inventory, property, accounts receivables)
- Insurance
- Personal Property (e.g., cars, snowmobiles, etc.)

*Information about personal assets is shown as an accommodation to you. The value of personal assets has not been verified by the firm and is included for informational purposes only. You should not use information about personal assets on this report for lending, legal, or tax purposes. You are encouraged to review and maintain any applicable source documents related to personal assets as they may contain notices, disclosures and other important information.*

**Outside Positions** Outside positions are securities held directly by an outside sponsor rather than in an LPL account. They include positions held in accounts identified in the "Loc" column with a term other than "LPL." There may be differences in the way each outside position is reflected based on these various data sources used. If available, market value may be reflected for these outside positions. Performance may not be calculated for all outside positions. Information regarding outside positions may be limited because it is provided by a third party source.

**Pre-June 2000 Data Not Available for Performance** Performance for LPL accounts is not available at the account, position, asset class, or security level prior to June 2000. Generally, performance for assets held directly with the sponsor is not available prior to May of 2010.

**Direct Participation Programs and Alternative Investments** Direct participation program securities (e.g. partnerships, limited liability companies, fund of hedge funds, managed futures, and real estate investment trusts that are not listed on a national exchange or NASDAQ) are generally illiquid and you may not be able to liquidate. Securities prices may vary from actual liquidation value and should not be relied upon. The values for these securities generally are provided by the management of the program and represent the management's estimate of the investor's interest in the net assets of the program.

**Cost Basis** Transactions shown in the reports are automatically paired against holdings on a "First-In/First Out" basis (unless manually adjusted), and for this reason, may not match the cost basis provided in a trade confirmation or statement. In addition, because the cost basis on certain securities may have been provided by a source other than LPL, the cost basis on this report may not reflect accurate data or correspond to data on your trade confirmations. If cost basis is not available, N/A or "--- " is used as the cost basis. For any assets purchased in the account, the cost basis is the actual purchase price including transaction charges.

**Index and Benchmarks** Indices and benchmarks are unmanaged and cannot be invested into directly. For additional information regarding the indices that may be displayed, please contact your Financial Advisor. Benchmark returns may not correspond exactly to the benchmark returns displayed on LPL advisory performance reports or statements.

If returns shown in a report are calculated according to the time-weighted method, returns for the benchmark will be shown based on the simple method. The simple method tracks the return of the benchmark during the reporting period without regard to the timing and value of any additions or withdrawals from your account.

If returns shown in a report are calculated according to the money-weighted method, returns for the benchmark may be shown either based on the simple method or the money-weighted method. A money-weighted benchmark return generally seeks

to represent how a hypothetical investment in the benchmark would have performed based on the cash flows in your account. Because money-weighted benchmarks are based on the cash flows in your account, the benchmark returns shown in the report are not likely to be comparable to the published returns for the same benchmark.

**LPL Benchmarks** The LPL benchmark is calculated using a weighted average of the indices, in the percentages specified as noted above. The LPL benchmark may represent the benchmark for the current investment objective for the account or a benchmark assigned to your account or group of accounts by your Financial Advisor. Please keep in mind that the investment objective for the account may have changed over time.

**Income** Projected income totals shown are estimated and are rounded to the nearest dollar. Total values may reflect rounding discrepancies. If information is not available to calculate income on certain securities, those income generating securities will not be displayed on the report.

**Money Market Funds** Money market fund investments are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the funds seek to preserve a value of $1.00 per share, it is possible to lose money in money market funds.

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