

Core Retirement Portfolio

Portfolio Manager Commentary

As of 09/30/2018



3Q 2018 Overview

Throughout 2018, we have forewarned investors the two principal challenges facing the stock market were the Federal Reserve's stated intention to gradually raise interest rates to a "normalized" level, and the second was the continuing debate over negotiating new trade agreements.

Historically, normalized interest rates provide a real return of 1.0%–1.5% above inflation. Because core inflation is now about 2.0%, the Federal Reserve is telling us they are on a mission to eventually move the Federal Funds Rate to approximately 3.0%–3.5%. The recent increase in interest rates this past September placed the Fed Funds at 2.0%–2.25%, meaning more interest rate increases are in our future.

Much progress has been made in newly signed trade agreements with South Korea, Mexico, and Canada, but there are still tougher discussions ahead for reaching an agreement with Japan, the European Union, and eventually China. Although there has been a general feeling of angst associated with what might happen on the trade front, thus far we can find no significant impact on corporate profitability.

The increase in interest rates and tug of war in trade agreement negotiations have shifted from being a tailwind in 2017 to become a headwind in 2018. Even so, we are pleased to report the Core Retirement Portfolio continues to perform well, outperforming its stated benchmark, and most importantly, providing a steady income stream for those retirees who are currently in the decumulation phase of their financial plan.

For the third quarter of 2018, CRP posted a return of 3.82% (3.73% net) compared to its benchmark, which gained 2.68%. Year-to-date, CRP is a plus 3.97% gross (3.70% net) versus the benchmark, which is up 2.23%.

Sleeve Level Returns for 3Q 2018 (Gross and Net of Fees; 6/30/2018 – 9/30/2018)

	Strategy Return	Benchmark Return
Quality Dividend %	5.27 / 5.18	5.70
Global Leaders %	3.96 / 3.87	4.28
Equity Risk Management Strategy %	7.71 / 7.62	0.94
Fixed Income Stability %	0.30 / 0.22	0.11

The Quality Dividend Portfolio performance returns presented have been calculated based on the performance of separately managed accounts invested in the strategy in the Stifel Opportunity Program. The returns were calculated by Stifel, in accordance with their calculation procedures. In this instance, EquityCompass is a model provider only and does not have discretion over implementing portfolio decisions.

	Total Returns			Annualized Returns		Calendar-Year Returns	
	3-Mos	6-Mos	YTD	1-yr	Incp.	2016	2017
Gross %	3.82	6.25	3.97	8.97	9.25	8.14	16.95
Net %	3.73	6.06	3.70	8.59	8.89	7.77	16.55
Benchmark %	2.68	3.36	2.23	5.88	7.41	8.17	13.09

Inception – November 2015; Net of fee calculated net of 35bps manager fee only; Benchmark = 25% Russell 1000 Value TR / 25% Barclays U.S. Intermediate Aggregate Bond Index / 25% MSCI All Country World Index / 25% HFRI Equity Hedge Index

Objective

A multi-strategy approach designed to fund retirement withdrawals by addressing four essential needs: income, capital appreciation, stability, and risk mitigation.

Portfolio Management Team



Robert G. Hagstrom, CFA
Senior Portfolio Manager



Tim McCann
Senior Portfolio Manager

About EquityCompass

EquityCompass is a Baltimore-based SEC registered investment adviser offering a broad range of portfolio strategies and custom plans for individuals, financial intermediaries, and institutional clients in the U.S. and Europe. Formally organized in 2008, EquityCompass provides portfolio strategies with respect to total assets over \$4.2 billion as of September 30, 2018.*

The EquityCompass team of professionals represents deep industry experience in security analysis, capital markets, and portfolio management. We are committed to a consistent investment process that relies on enduring principles, sound empirical reasoning, and the recognition of a dynamic investment environment with a global reach.

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Portfolio Outlook

We remain constructive on the outlook for financial markets ahead. The principal reason lies with the continued strength of the U.S. economy. Although many were ready to “throw in towel” on this aged bull market, the now longest performing champion shows no evidence of taking a knee. We continue to focus on the growth of the S&P 500 Index 12-month forward earnings estimates. Although growth estimates for corporate earnings are decelerating in the second half of this year, following the burst in profitability in the first half of the year on the heels of the Tax Reform Act, the direction of earnings growth remains positive in 2018. That, for us, is the strongest fundamental indicator of the health of the stock market and the U.S. economy.

DISCLOSURES

The information contained herein has been prepared from sources believed to be reliable but is not guaranteed and is not a complete summary or statement of all available data nor is it considered an offer to buy or sell any securities referred to herein. EquityCompass Strategies is a research and investment advisory unit of Choice Financial Partners, Inc., a wholly owned subsidiary and affiliated SEC registered investment adviser of Stifel Financial Corp. Portfolios based on EquityCompass Strategies are available primarily through Stifel, Nicolaus & Company, Incorporated. Affiliates of EquityCompass Strategies may, at times, release written or oral commentary, technical analysis, or trading strategies that differ from the opinions expressed within. Opinions expressed are subject to change without notice and do not take into account the particular investment objectives, financial situation, or needs of individual investors. This commentary often expresses opinions about the direction of market, investment sector, and other trends. The opinions should not be considered predictions of future results. EquityCompass and Ziegler Capital Management, LLC ("ZCM") are wholly owned subsidiaries and affiliated SEC Registered Investment Advisers of Stifel Financial Corp. ("Stifel"). EquityCompass will hire its affiliate, ZCM, to manage the fixed income strategy in the portfolio. This will not increase the overall fee for any client. The Stifel Opportunity Program is a fee-based program that requires a \$300,000 minimum investment. There may be other costs associated with the Stifel Opportunity Program, including but not limited to: exchange fees, transfer taxes, interest expense, trade surcharges, and closing costs. Ask your Financial Advisor for a Disclosure Brochure which further outlines the fees, services, exclusions, and disclosures associated with this program. You should consider all terms and conditions before deciding whether the Stifel Opportunity Program is appropriate for you.

There are four sleeves in the CRP portfolio, three of which are available to invest as separate strategies: Quality Dividend, Global Leaders, and Tactical Equity Risk Management. However, the Fixed Income Stability sleeve is not offered as a separate strategy for investing purposes. The sleeve performance figures discussed herein are estimated performance figures which were calculated using the following methodology for each sleeve: actual composite returns were used for the Quality Dividend and Global Leaders sleeves, for the Fixed Income Stability and Tactical Equity Risk Management sleeves performance was calculated using actual transaction and holdings data for the sleeve during the period referenced. These returns have not been audited or verified. Performance figures discussed herein are presented gross of fees, unless explicitly stated. Management fees are fully described in Part 2A of the Form ADV.

Foreign investments are subject to risks not ordinarily associated with domestic investments, such as currency, economic and political risks, and different accounting standards. There are special considerations associated with international investing, including the risk of currency fluctuations and political and economic events. Investing in emerging markets may involve greater risk and volatility than investing in more developed countries. Due to their narrow focus, sector-based investments typically exhibit greater volatility and are generally associated with a high degree of risk. Changes in market conditions or a company's financial condition may impact the company's ability to continue to pay dividends. Companies may also choose to discontinue dividend payments. High-dividend paying stocks may carry elevated risks and companies may lower or discontinue dividends at any time. Diversification and/or asset allocation does not ensure a profit or protect against loss. Any investment involves risks, including a possible loss of principal. Rebalancing may have tax consequences, which should be discussed with your tax advisor. *Exchange Traded Funds (ETFs) are subject to market risk, including the possible loss of principal, and may trade for less than their net asset value. ETFs trade like a stock, and there will be brokerage commissions associated with buying and selling exchange traded funds unless trading occurs in a fee-based account. Investors should consider an ETF's investment objective, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other important information, is available from your Financial Advisor and should be read carefully before investing.*

The S&P 500[®] Index is a broad market index that tracks the performance of 500 stocks from major industries of the U.S. economy. This index is generally considered representative of the U.S. large capitalization market. The MSCI All Country World Index captures large- and mid-cap representation across 23 Developed Markets and 21 Emerging Markets countries. With 2,434 constituents, the index covers approximately 85% of the global investable equity opportunity set. The Barclays Intermediate U.S. Aggregate Bond Index Unmanaged index that measures the performance of the US investment grade bond market while removing the longer maturity portions of the broad market benchmarks. The index invests in a wide spectrum of public, investment-grade, taxable, fixed income securities in the United States --- including government, corporate, and international dollar-denominated bonds, as well as mortgage-backed and asset-backed securities, all with maturities of more than 1 year. The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower expected growth values. The HFRI Equity Hedge (Total) Index (HFRIEHI) is a fund-weighted index of strategies that maintain positions both long and short in primarily equity and equity derivative securities. A wide variety of investment processes can be employed to arrive at an investment decision, including both quantitative and fundamental techniques, strategies can be broadly diversified or narrowly focused on specific sectors and can range broadly in terms of levels of net exposure, leverage employed, holding period, concentrations of market capitalizations and valuation ranges of typical portfolios. Indices are unmanaged, do not reflect fees and expenses, and it is not possible to invest directly in an index. All performance results presented are done solely for educational and illustrative purposes and are not intended for trading, or to be considered investment advice. No representation is made that any Strategy, model, or model mix will achieve results similar to those shown in these materials. It should not be assumed that any holdings included in these materials were or will prove to be profitable, or that recommendations or decisions that the firm makes in the future will be profitable or will equal the investment performance of the securities discussed herein.

*Total assets combines both Assets Under Management and Assets Under Advisement as of September 30, 2018. Assets Under Management represents the aggregate fair value of all discretionary and non-discretionary assets, including fee paying and non-fee paying portfolios. Assets Under Advisement represent advisory-only assets where the firm provides a model portfolio and does not have trading authority over the assets. **Past performance does not guarantee future performance or investment results.**

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