Raffa
Wealth Management, LLC

Data as of December 31, 2018

# Investment Presentation for
# SAMPLE ORGANIZATION

# MARKET SUMMARY

US Stocks

December added to US stocks' best year since 1995. Market indices closed the year at record highs and US equity posted the fifth straight year of positive performance on steady profit growth, improving economic readings, and support from the Fed. While not spectacular, US corporate profit has progressively grown each quarter of 2013 and has continued to beat estimates. Economic readings have shown an improving economy as the unemployment rate has dropped from 7.8% to 7.0% over 2013, inflation remains low, retail spending and manufacturing has picked up reflected in a 3Q GDP of 4.2%, and home sales, despite the increase in mortgage rates, remain robust. The Fed's statement after their December meeting reassured investors that despite tapering, the central bank would remain accommodative for some time. US stocks were the top performing asset class gaining 2.64% for the month and rising 10.10% in the fourth quarter. For 2013 US equity jumped 33.55%.

International Stocks

Foreign stocks posted a solid year with a large dichotomy between developed and emerging markets. European stocks reached a more than five year high to end the year and were driven over 2013 by a slowly improving European economy emerging out of recession and continued easy money policies by the ECB. Japan was the best performing major market with stocks up 56.72%, reaching a six year high on a falling yen and the extremely expansionary policies of Prime Minister Abe. Developed international markets as a whole were up 22.78%. China's stock market ended the year down 6.75% and emerging markets in general had a tough go in 2013 sinking 2.60%. Emerging markets suffered from faltering growth, weakness from commodities and rising interest rates. International stocks rose 0.87% in December and were up 4.74% for the quarter. Over the year foreign stock rose 15.63%.

Bonds

Fixed income ended 2013 on a down note. The Fed announced at their final 2013 meeting that they would begin to taper their bond purchases, which sent yields up and bond prices down. However, they did announce that they would hold short term lending rates near zero well into the future. The 10 year Treasury yield ended the year at 3.04% up from 1.78% to start the year and a low of 1.66% in early May. It's the first time since July 2011 the yield has reached the 3% level. Corporates and munis were the top performing sectors in December with short term bonds outperforming longer term bonds. Over 2013 corporate bonds were the top performer with short term bonds having the best performance. December saw the broad bond market fall 0.57% and it was down 0.14% for the fourth quarter. Over 2013 bonds sank 2.02%.



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# SAMPLE PORTFOLIO: OBJECTIVES & ALLOCATION

- The SAMPLE Reserve portfolio is designed to provide capital appreciation while minimizing risk.
- The Investment Policy Statement states a mix of 50% to equities and 50% to fixed income and cash.
- The portfolio was in line with its target allocations as of December 31st.

| Description | Weight | Current Value | Target Percent | Target Value | Percent Variance | Dollar Variance |
|---|---|---|---|---|---|---|
| US Stock | 34.3% | $ 7,404,552 | 32.5% | $ 7,016,494 | 5.5% | $ 388,058 |
| Foreign Stock | 18.5% | $ 3,991,094 | 17.5% | $ 3,778,112 | 5.6% | $ 212,982 |
| Intermediate Bond | 23.6% | $ 5,104,653 | 25.0% | $ 5,397,303 | -5.4% | $ (292,650) |
| Short Bond | 22.8% | $ 4,924,948 | 24.0% | $ 5,181,411 | -4.9% | $ (256,463) |
| Cash | 0.8% | $ 163,965 | 1.0% | $ 215,892 | -24.1% | $ (51,927) |
| | 100% | $ 21,589,212 | | | | |




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# SAMPLE PORTFOLIO: PERFORMANCE

- The Reserve portfolio gained 12.95%, or $2,461,854, over the year to date.
- For the trailing three years, the portfolio has risen 7.53% annually, or $4,163,851.
- Since inception, the portfolio is up 8.22% annually, or $5,265,926.

| Description | Year to Date | | Last 3 Years | | Since Incept. | |
|---|---|---|---|---|---|---|
| Beginning Value | $ | 18,627,359 | $ | 16,425,361 | $ | 12,298,461 |
| Net Contributions | $ | 500,000 | $ | 1,000,000 | $ | 4,024,825 |
| Capital Appreciation | $ | 2,157,231 | $ | 3,211,934 | $ | 3,029,742 |
| Income | $ | 357,766 | $ | 1,102,914 | $ | 2,536,102 |
| Management Fees | $ | (53,143) | $ | (150,997) | $ | (299,917) |
| Other Expenses | $ | - | $ | - | $ | - |
| Ending Value | $ | 21,589,212 | $ | 21,589,212 | $ | 21,589,212 |
| Total Investment Gain/Loss | $ | 2,461,854 | $ | 4,163,851 | $ | 5,265,926 |
| Time Weighted (gross) | | 13.25% | | 7.83% | | 8.46% |
| Time Weighted (net) | | 12.95% | | 7.53% | | 8.22% |

Performance is net of mutual fund fees and Raffa Wealth Management advisory fees. You are encouraged to compare the account information in this report to the account information sent to you from the account custodian.

**Inception date of: 06/30/2007

Benchmark comprised of:
06/07 - Pres: Russell 3000 (32.5%), FTSE AW ExUS (17.5%), BarCap Agg (25%), BarCap Gov 1-3 (20%), BofAML US TBill 3M (5%)

# SAMPLE PORTFOLIO: ASSET CLASS PERFORMANCE

- The portfolio outpaced the benchmark over all time periods driven by the US Stock allocation outpacing its benchmark.
- U.S. Stock had another strong quarter, up double digits, to close out 2013 and was once again the top performing asset class. U.S. Stock was driven by the small cap and value tilt which drove the outperformance of the benchmark. Foreign Stock had a strong year in absolute terms but trailed its benchmark as a result of the allocations tilt towards emerging markets which were down for the year.
- The Fed finally announced that it would begin tapering its bond purchases and as a result bond yields rose in December, which moved bonds into negative territory for the quarter. Over the trailing year, bonds were down to a greater degree driven by the steep rise in rates over the second quarter. Intermediate Bonds were in line with their benchmark, but Short Bonds trailed due to their international bond allocation.

| Asset Class | Market Value | Year to Date | Last 3 Years | Since Incept. |
|---|---|---|---|---|
| US Stock | $ 7,404,552 | 34.93% | 16.36% | 12.44% |
| Russell 3000 | | 33.55% | 16.24% | 11.01% |
| Foreign Stock | $ 3,991,094 | 13.71% | 4.69% | 2.24% |
| FTSE All World ExUS | | 15.63% | 5.60% | 1.20% |
| Intermediate Bond | $ 5,104,653 | -2.09% | 3.04% | 5.65% |
| BarCap US Aggreate Bond | | -2.02% | 3.26% | 5.14% |
| Short Bond | $ 4,924,948 | -0.19% | 1.93% | 2.88% |
| BarCap 1-3 Yr Gov | | 0.37% | 0.81% | 2.71% |
| Cash | $ 163,965 | 0.01% | 0.01% | 0.76% |
| ML 3M Tbill | | 0.07% | 0.10% | 0.78% |
| Total Portfolio | $ 21,589,212 | 12.95% | 7.53% | 8.22% |
| Portfolio Benchmark | | 12.78% | 7.45% | 7.82% |

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# SAMPLE PORTFOLIO: EQUITY FUND REVIEW

| Investment Name | Percent | | Market Value | Last 12 Months | % Rank | Last 3 Years | % Rank | Last 5 Years | % Rank | Last 10 Years | % Rank |
|---|---|---|---|---|---|---|---|---|---|---|---|
| ***US Stock*** | ***34.3%*** | ***$*** | ***7,404,552*** | | | | | | | | |
| DFA US Core Equity 1 I | 33.0% | $ | 7,116,391 | 36.6% | 12 | 16.6% | 14 | 19.9% | 9 | N/A | N/A |
| Russell 3000 TR USD | | | | 33.6% | | 16.2% | | 18.7% | | 7.9% | |
| DFA Real Estate Securities I | 1.3% | $ | 288,161 | 1.4% | 56 | 9.1% | 26 | 16.4% | 36 | 8.2% | 43 |
| DJ US Select REIT TR USD | | | | 1.2% | | 9.0% | | 16.4% | | 8.2% | |
| ***Foreign Stock*** | ***18.5%*** | ***$*** | ***3,991,094*** | | | | | | | | |
| DFA Intl Value I | 3.0% | $ | 655,065 | 23.1% | 31 | 6.1% | 71 | 13.0% | 22 | 8.1% | 18 |
| MSCI EAFE Value NR USD | | | | 23.0% | | 8.3% | | 12.0% | | 6.8% | |
| Vanguard FTSE All-World ex-US ETF | 9.4% | $ | 2,020,283 | 14.5% | 93 | 5.2% | 62 | 12.6% | 29 | N/A | N/A |
| FTSE AW Ex US TR USD | | | | 15.6% | | 5.6% | | 13.6% | | 8.4% | |
| DFA Intl Small Company I | 2.4% | $ | 526,114 | 27.4% | 51 | 8.6% | 56 | 17.7% | 63 | 10.3% | 28 |
| MSCI EAFE Small Cap NR USD | | | | 29.3% | | 9.3% | | 18.5% | | 9.5% | |
| DFA Emerging Markets I | 3.7% | $ | 789,633 | -3.1% | 61 | -1.6% | 40 | 14.8% | 35 | 11.6% | 21 |
| MSCI EM NR USD | | | | -2.6% | | -2.1% | | 14.8% | | 11.2% | |

***Please note that while funds may be measured against the same benchmark, their peer groups may be different. Please refer to the Fund Performance Commentary section that will explain the differences in the fund rankings in greater detail.***

Past performance is no guarantee of future results and there is always a risk that an investor may lose money. Information contained has been gathered from sources we believe to be reliable, but we do not guarantee the accuracy or completeness of such information. Indices are not available for direct investment and performance does not reflect expenses of an actual portfolio. Expenses would reduce the annualized return illustrated. Performance figures are gross of RWM's investment advisory fee as described in its form ADV which is available upon request. The incurrence or inclusion of the Raffa Wealth Management fee will have the effect of decreasing performance results. For example, an advisory fee of 1% compounded over a ten year period would reduce a 10% return to an 8.9% annual return.




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# SAMPLE PORTFOLIO: BOND FUND REVIEW

| Investment Name | Percent | Market Value | Last 12 Months | % Rank | Last 3 Years | % Rank | Last 5 Years | % Rank | Last 10 Years | % Rank |
|---|---|---|---|---|---|---|---|---|---|---|
| ***Intermediate Bond*** | ***23.6%*** | ***$ 5,104,653*** | | | | | | | | |
| Vanguard Total Bond Market ETF | 18.9% | $ 4,087,158 | -2.1% | 61 | 3.1% | 30 | 4.4% | 15 | N/A | N/A |
| BarCap US Agg Bond TR USD | | | -2.0% | | 3.3% | | 4.4% | | 4.5% | |
| DFA World ex US Government Fxd Inc I | 4.7% | $ 1,017,495 | -2.2% | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Citi WGBI NonUSD Hdg USD | | | 1.4% | | 3.7% | | 3.2% | | 4.3% | |
| ***Short Bond*** | ***22.8%*** | ***$ 4,924,948*** | | | | | | | | |
| Vanguard Short-Term Federal Adm | 12.4% | $ 2,671,528 | -0.2% | 23 | 1.4% | 17 | 2.1% | 31 | 3.3% | 12 |
| DFA Five-Year Global Fixed-Income I | 6.6% | $ 1,433,763 | -0.4% | N/A | 2.9% | N/A | 3.7% | N/A | 3.6% | N/A |
| BarCap US Govt 1-3 Yr TR USD | | | 0.4% | | 0.8% | | 1.2% | | 2.7% | |
| DFA One-Year Fixed-Income I | 3.8% | $ 819,658 | 0.3% | 59 | 0.6% | 60 | 1.0% | 68 | 2.2% | 31 |
| Barclays US Govt 1 Yr TR USD | | | 0.3% | | 0.4% | | 0.6% | | 2.2% | |
| ***Cash*** | ***0.8%*** | ***$ 163,965*** | | | | | | | | |
| Schwab US Treasury Money | 0.8% | $ 163,965 | 0.0% | | 0.0% | | 0.0% | | 1.3% | |
| BofAML US Treasury Bill 3 Mon | | | 0.1% | | 0.1% | | 0.1% | | 1.7% | |

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# MARKET OUTLOOK

While an agreement has been reached on a budget deal which avoids another government shutdown in January, the next political hurdle is the debt ceiling. It needs to be raised by February/March, or the government will default on its debt. There has been a thaw between the parties recently, however much disagreement still remains. Reaching a deal to raise the debt ceiling will likely be a difficult process that will result in substantial market volatility as the deadline approaches. In Europe, the region appears to be stabilizing as it has made it back out of recession, but growth remains meager with deflation a threat. Japan's easy economic policies have aided growth significantly with GDP accelerating over the past two quarters. China also appears to have stabilized from its recent slowing growth. The ECB, the Bank of England, Bank of Japan and most notably the Fed have continued to pursue their easy money policies. It has helped support global stock markets to date, but how they begin to move out of these policies will have a significant effect on the markets and world economy. After their two most recent meetings the Fed has begun taking steps to wind down its support for the economy. However, they sought to reassure investors that they will be making the process very gradual as they will keep rates low well into the future - past what they had previously stated. This has helped avoid the interest rate shock seen in May. On the flip side the ECB has pledged to take further moves if necessary. Third quarter earnings were expected to be disappointing, however more than half of S&P 500 companies beat profit estimates showing that businesses have continued to prosper. Fourth quarter earnings have gotten off to a positive start.

While at the end of December it appeared obvious that investing in stocks over fixed income is a better investment, no one knows the future. That was borne out over January as stocks have shown how they are significantly more volatile than bonds. Having clear investment guidelines can eliminate the emotional pull to over concentrate a portfolio in the hot asset class.

# DISCLOSURES

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