Client Webcast

HKFS Investment Advisory Committee

AGENDA

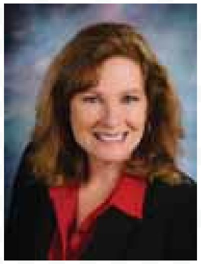
Recorded Jan. 17, 2018

- Fourth Quarter and 2017 Review
- Economic and Market Outlook

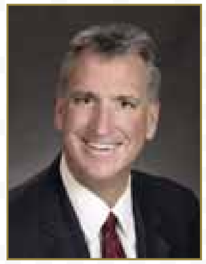
HK Financial Services

YOUR FINANCIAL NAVIGATION **PARTNER**

Presenters



Ann McCorkindale, CFA, CFP®*
Executive Vice President
Chief Investment Officer



Ivan Gruhl, CFA *
VP Advanced RIA Sales
Fixed Income Strategist

David Lebovitz
Vice President
Global Market Strategist
J.P. Morgan Asset Management

HKFS Investment Advisory Committee

Ann McCorkindale, CFA, CFP®*
Executive Vice President & Chief Investment Officer

Ivan Gruhl, CFA *
VP Advanced RIA Sales & Fixed Income Strategist

John Darrah, CFP®, CLU *†
Chairman of the Board & Chief Executive Officer

Rick Hageman, CFA, CFP® *†
Financial Planning Consultant

Mike Gasperi, FLMI, MBA *†
Financial Planning Consultant

Matt Morey *
Investment Solutions Manager

Jim Herrig, J.D. *
Partner Emeritus

Dr. Laddie Sula, Ph.D.
Professor Emeritus, Economics, Loras College

*Advisory Services offered through HK Financial Services (HKFS), a Registered Investment Advisor.
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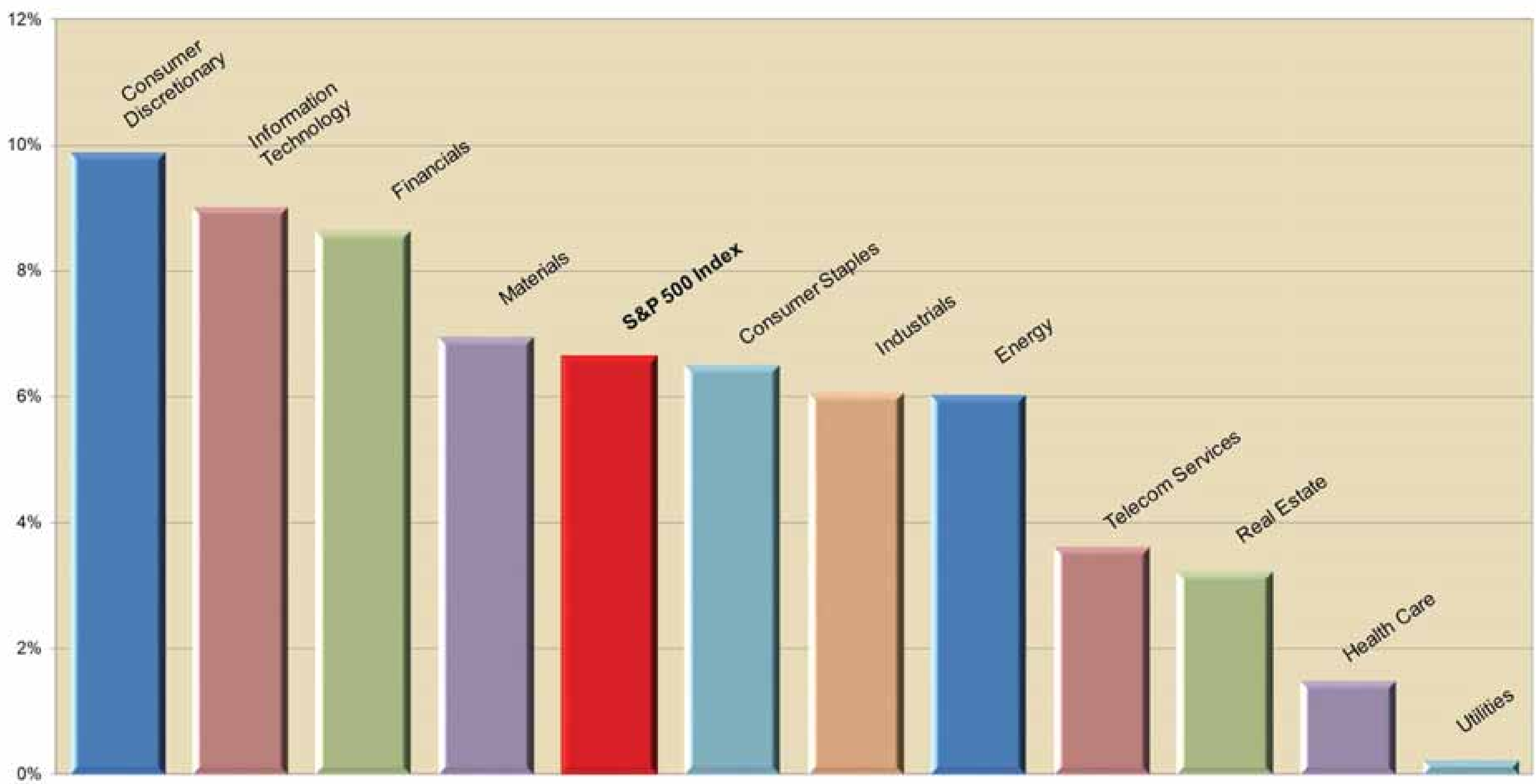
Past 12 Months in Review
(through Dec. 31, 2017)

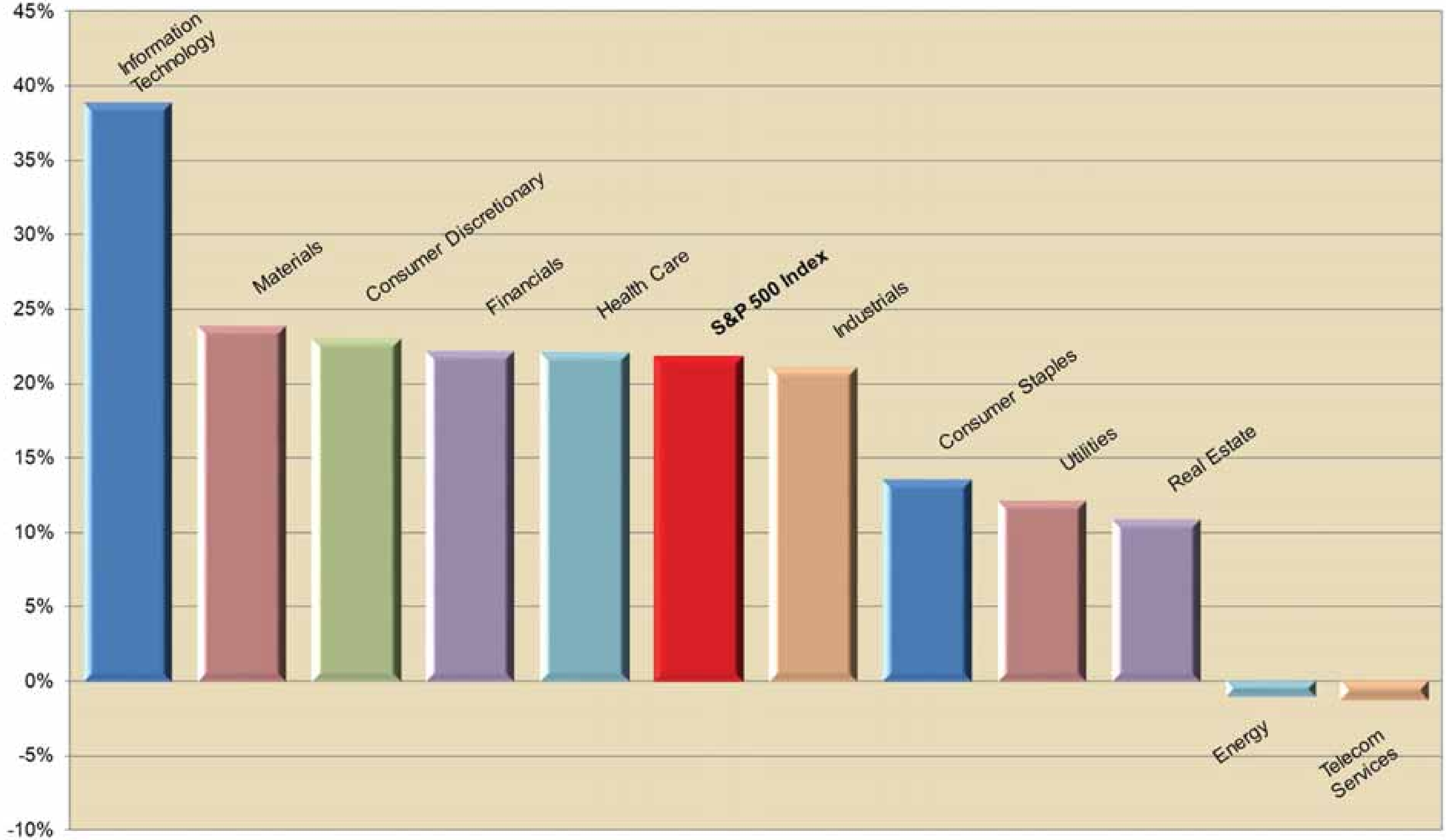
Data provided by MSN Money for the S&P 500 Index, the iShares Barclays Aggregate Bond Fund, and the iShares MSCI ACWI ex US Index Fund as of December 31, 2017. Indices are unmanaged, represent past performance, do not incur fees or expenses, and cannot be invested in directly. Past performance is no guarantee of future results.

S&P 500 Sectors
Fourth quarter 2017



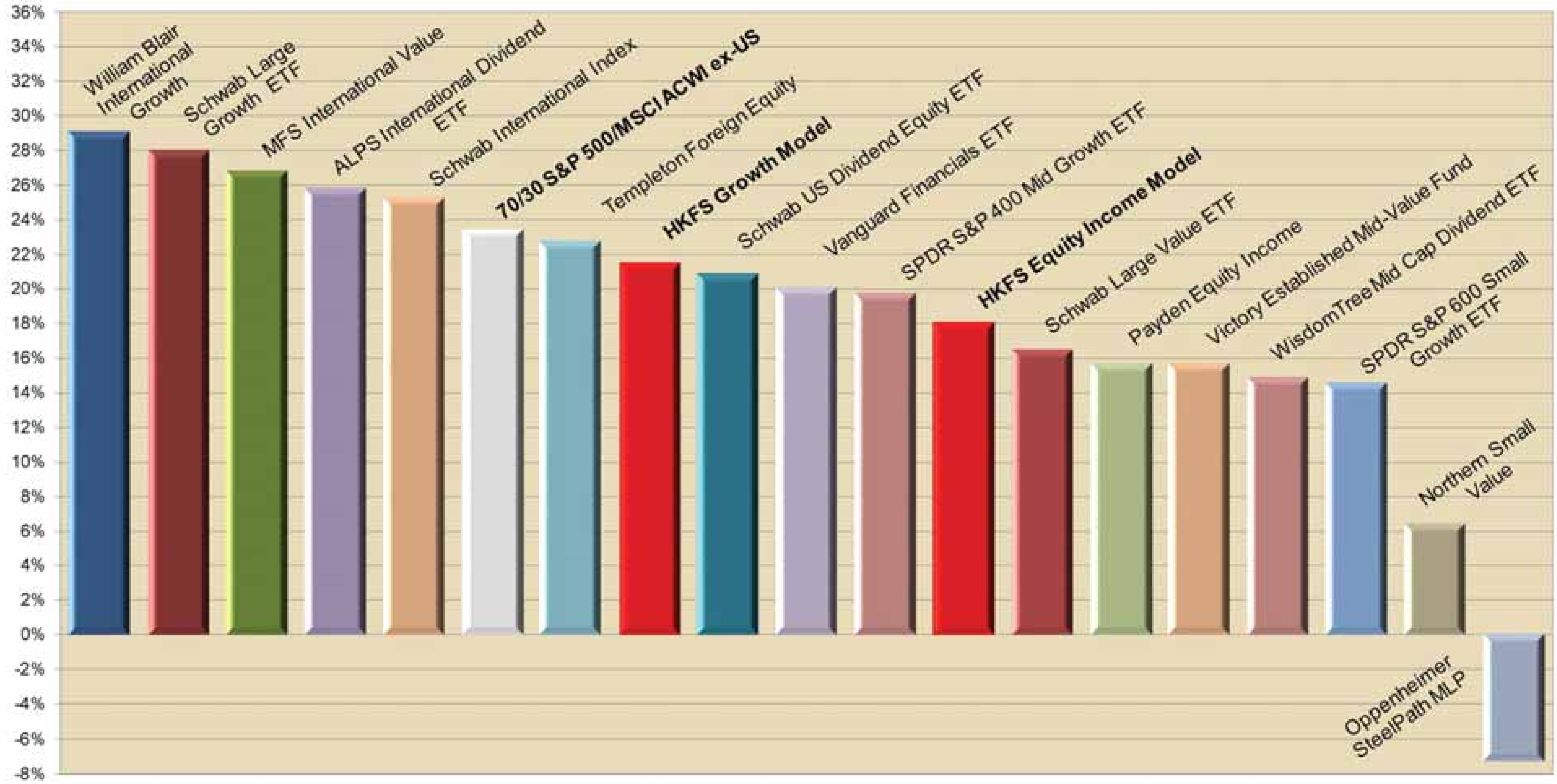
Source: S&P Dow Jones Indices LLC and/or its affiliates. Data as of December 29, 2017. Index performance based on total return USD. Charts and graphs are provided for illustrative purposes. Past performance is no guarantee of future results.

S&P 500 Sectors
For the year 2017



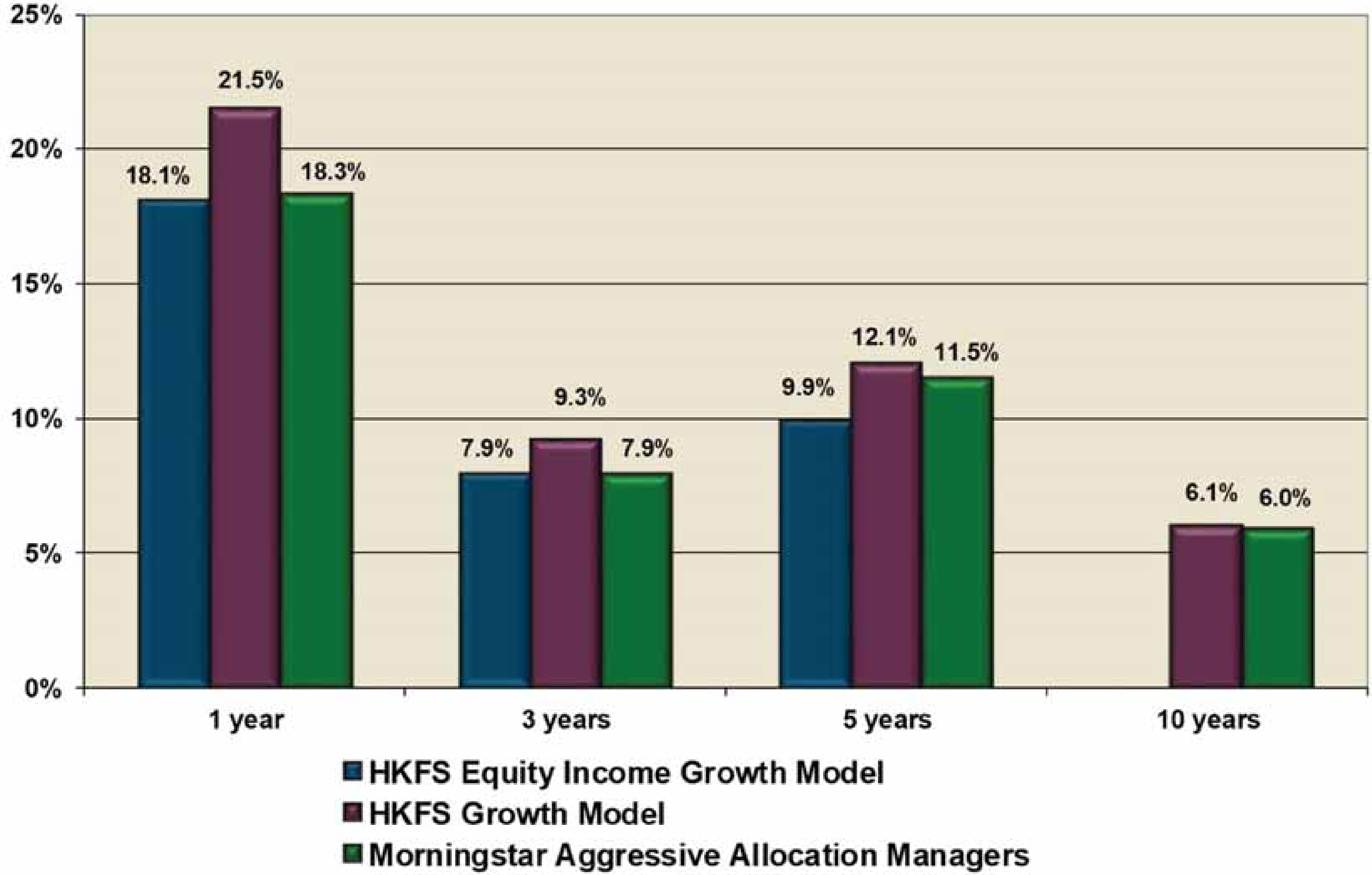
Source: S&P Dow Jones Indices LLC and/or its affiliates. Data as of December 29, 2017. Index performance based on total return USD. Charts and graphs are provided for illustrative purposes. Past performance is no guarantee of future results.

HKFS Growth Model Returns
For the year 2017



Fund and index data provided by Morningstar, Inc.® as of December 31, 2017. The HKFS Model Portfolio returns are calculated using time weighted return and reflect fund internal expense ratios. Returns illustrated do not reflect the deduction of advisor fees and are not “pure net of fee” returns. Pure net of fee returns reflect the deduction of advisor management fees, custodian, trading, wrap, and any additional advisor service fees, if applicable. HKFS maximum advisor fees are disclosed in Part II of Form ADV. Fees are negotiable. The HKFS Growth Model returns are based on actual performance of one specific account invested 100% in the Portfolio for the periods illustrated. The HKFS Equity Income Growth Model returns use hypothecated monthly returns of funds invested in the model from inception of 4/30/12 until 12/31/12, and uses historical investment performance from an actual account beginning 12/31/12. Returns reflect the reinvestment of dividends and capital gains distributions, as well as changes of funds and sector allocations within the Portfolio during those periods. Returns do not represent the performance of any other client account, which may differ significantly. Past performance does not guarantee future performance. You may lose principal. The S&P 500 Index and the MSCI All-Country World ex-US are unmanaged indexes that are not necessarily representative of securities held in the model. Investors cannot invest directly in any index.

HKFS Growth and Equity Income Model Returns for periods ending Dec. 31, 2017



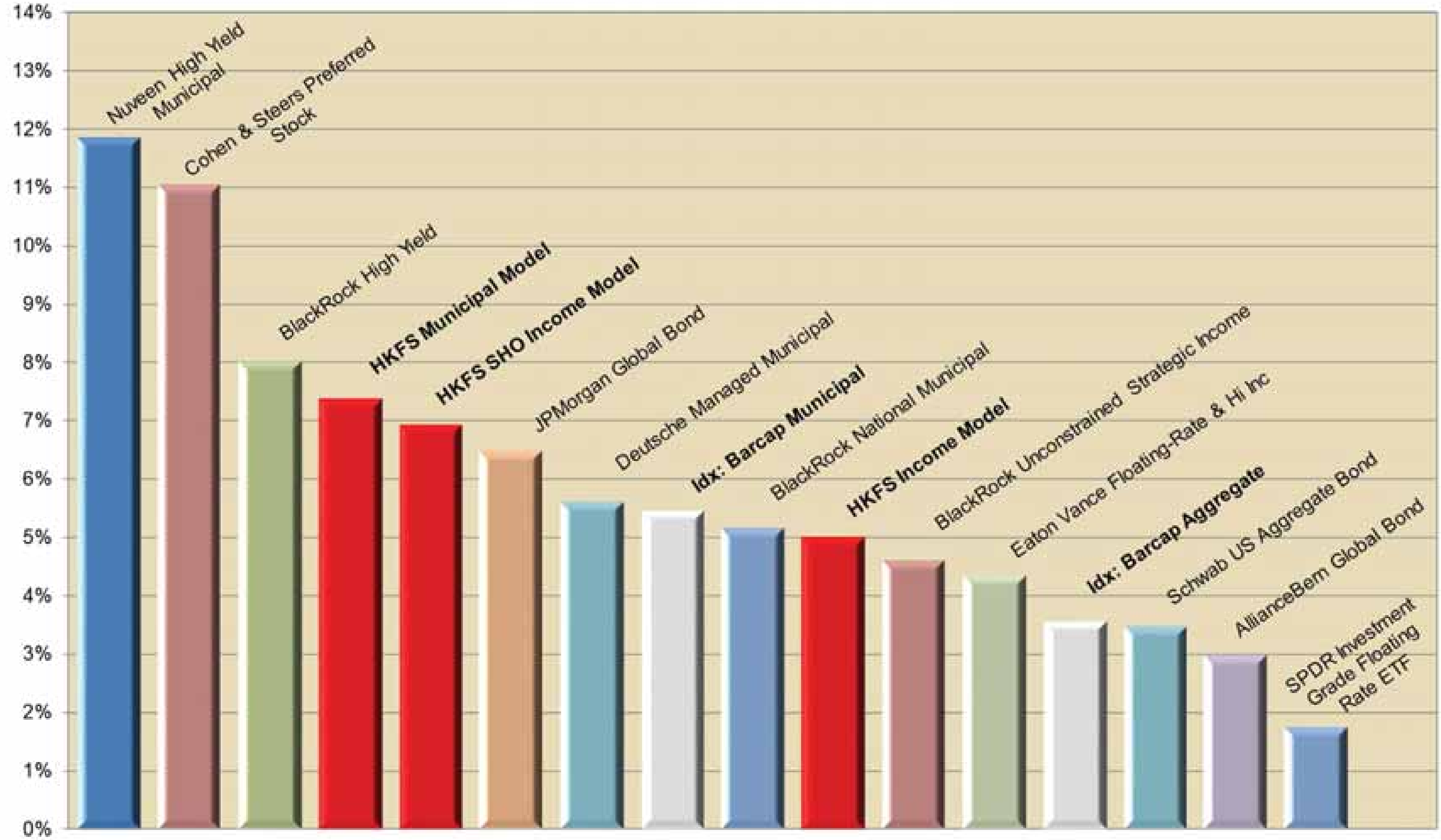
Performance of the Aggressive Allocation Managers, the S&P 500 Index, and the MSCI All Cap World Ex-US Index provided by Morningstar, Inc.® as of December 31, 2017. The HKFS Model Portfolio returns are calculated using time weighted return and reflect fund internal expense ratios. Returns illustrated do not reflect the deduction of advisor fees and are not "pure net of fee" returns. Pure net of fee returns reflect the deduction of advisor management fees, custodian, trading, wrap, and any additional advisor service fees, if applicable. HKFS maximum advisor fees are disclosed in Part II of Form ADV. The HKFS Growth Model returns are based on actual performance of one specific account invested 100% in the Portfolio for the periods illustrated. The HKFS Equity Income Growth Model returns use hypothecated monthly returns of funds invested in the model from inception of 4/30/12 until 12/31/12, and uses historical investment performance from an actual account beginning 12/31/12. Returns reflect the reinvestment of dividends and capital gains distributions, as well as changes of funds and sector allocations within the Portfolio during those periods. Returns do not represent the performance of any other client account, which may differ significantly because of additions, distributions and investment timing. Past performance does not guarantee future performance. You may lose principal. The S&P 500 and MSCI All Cap World Ex-US are unmanaged indices and are not necessarily representative of securities held in the Portfolio. Investors cannot invest directly in any index.

Yield on 10-Year Treasury Note
(through Dec. 31, 2017)

Data provided by Google Finance for the CBOE 10-Year Treasury Note as of December 31, 2017.

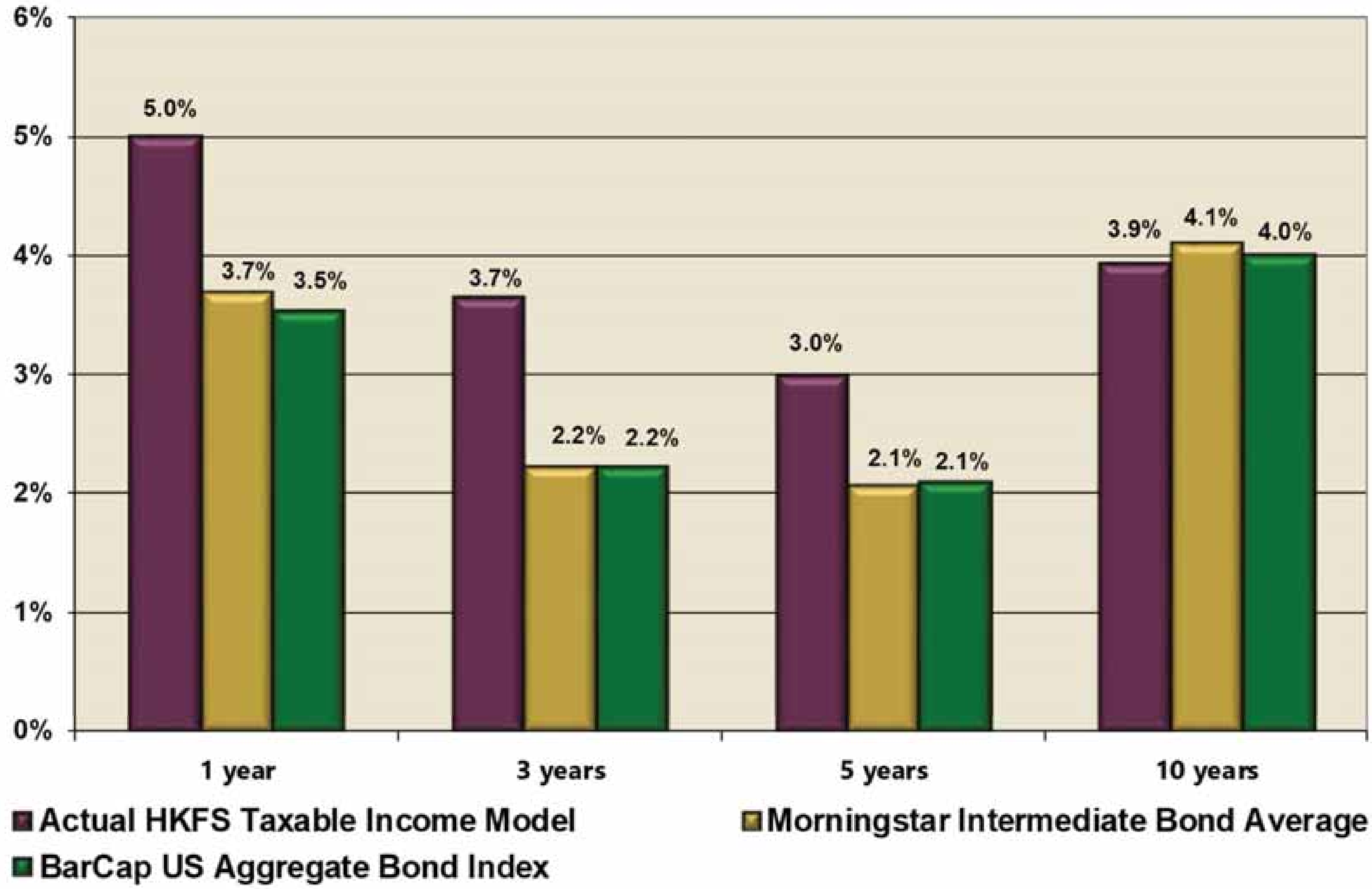
HKFS Income Model Fund Returns

For the year 2017



Fund and index data provided by Morningstar, Inc® as of December 31, 2017. The HKFS Model returns are calculated using time weighted return and reflect fund internal expense ratios. Returns illustrated do not reflect the deduction of advisor fees and are not "pure net of fee" returns. Pure net of fee returns reflect the deduction of advisor management fees, custodian, trading, wrap, and any additional advisor service fees, if applicable. HKFS maximum advisor fees are disclosed in Part II of Form ADV. Fees are negotiable. The HKFS Taxable Income Model Portfolio returns are based on actual performance of one specific account invested 100% in the Portfolio for the periods illustrated. The HKFS SHO Model returns use hypothecated monthly returns of funds invested in the model from inception of 4/30/12 until 7/31/12, and uses historical investment performance from an actual account beginning 7/31/12. Returns reflect the reinvestment of dividends and capital gains distributions, as well as changes of funds and sector allocations within the Portfolio during those periods. Returns do not represent the performance of any other client account, which may differ significantly. Past performance does not guarantee future performance. You may lose principal. The BarCap US Aggregate Bond Index and the Morningstar Intermediate Bond Average are unmanaged indices and are not necessarily representative of securities held in the Portfolio. Investors cannot invest directly in any index.

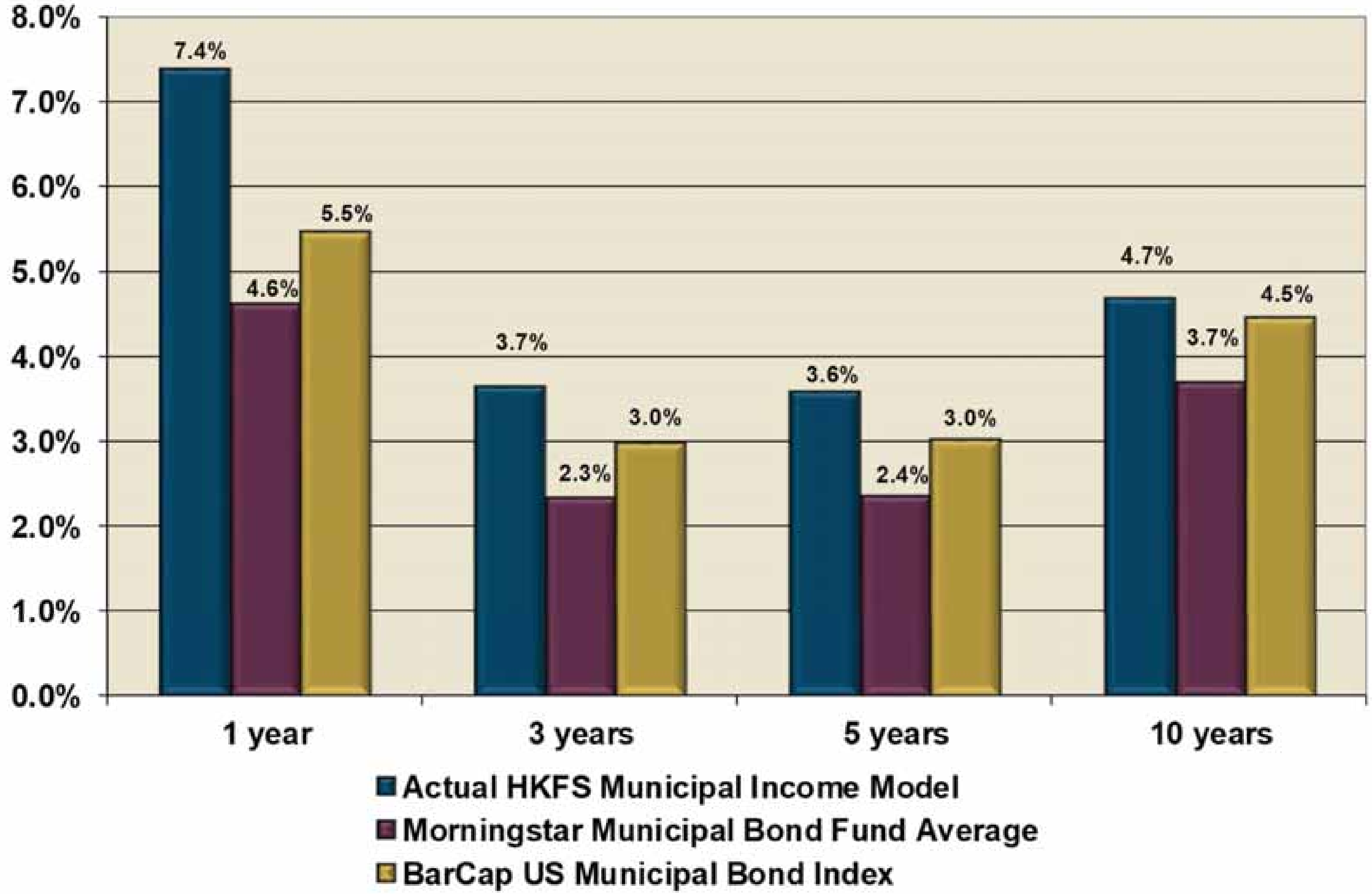
HKFS Taxable Income Model Returns for periods ending Dec. 31, 2017



Data for the BarCap Aggregate Index and the Morningstar Bond Average provided by Morningstar, Inc.® as of December 31, 2017. The HKFS Model returns are calculated using time weighted return and reflect fund internal expense ratios. Returns illustrated do not reflect the deduction of advisor fees and are not "pure net of fee" returns. Pure net of fee returns reflect the deduction of advisor management fees, custodian, trading, wrap, and any additional advisor service fees, if applicable. HKFS maximum advisor fees are disclosed in Part II of Form ADV. The HKFS Taxable Income Model Portfolio returns are based on actual performance of one specific account invested 100% in the Portfolio for the periods illustrated. The HKFS SHO Model returns use hypothecated monthly returns of funds invested in the model from inception of 4/30/12 until 7/31/12, and uses historical investment performance from an actual account beginning 7/31/12. Returns reflect the reinvestment of dividends and capital gains distributions, as well as changes of funds and sector allocations within the Portfolio during those periods. Returns do not represent the performance of any other client account, which may differ significantly because of additions, distributions and investment timing. Past performance does not guarantee future performance. You may lose principal. The BarCap US Aggregate Bond Index and the Morningstar Intermediate Bond Average are unmanaged indices and are not necessarily representative of securities held in the Portfolio. Investors cannot invest directly in any index.

HKFS Municipal Bond Fund Model Returns

for periods ending Dec. 31, 2017



Data for the Morningstar Municipal Bond Fund Average and the BarCap Municipal Index are provided by Morningstar, Inc.® as of December 31, 2017. The HKFS Municipal Income Model Portfolio returns are calculated using time weighted return and reflect fund internal expense ratios. Returns illustrated do not reflect the deduction of advisor fees and are not "pure net of fee" returns. Pure net of fee returns reflect the deduction of advisor management fees, custodian, trading, wrap, and any additional advisor service fees, if applicable. HKFS maximum advisor fees are disclosed in Part II of Form ADV. The HKFS Municipal Income Model Portfolio returns are based on actual performance of one specific account invested 100% in the Portfolio for the periods illustrated. Returns reflect the reinvestment of dividends and capital gains distributions, as well as changes of funds and sector allocations within the Portfolio during those periods. Returns do not represent the performance of any other client account, which may differ significantly because of additions, distributions and investment timing. Past performance does not guarantee future performance. You may lose principal. The Morningstar Municipal Bond Fund Average and the BarCap US Municipal Bond Index are unmanaged indices and are not necessarily representative of securities held in the Portfolio. Investors cannot invest directly in any index.

MARKET INSIGHTS

Guide to the Markets®

U.S. | 1Q 2018 | As of December 31, 2017

J.P.Morgan Asset Management

International

Manufacturing momentum

Global Purchasing Managers' Index for manufacturing

		2016 Jan	2016 Feb	2016 Mar	2016 Apr	2016 May	2016 Jun	2016 Jul	2016 Aug	2016 Sep	2016 Oct	2016 Nov	2016 Dec	2017 Jan	2017 Feb	2017 Mar	2017 Apr	2017 May	2017 Jun	2017 Jul	2017 Aug	2017 Sep	2017 Oct	2017 Nov	2017 Dec
	Global	50.9	50.0	50.6	50.2	50.1	50.4	51.0	50.8	51.1	52.0	52.1	52.7	52.8	53.0	53.0	52.7	52.6	52.6	52.8	53.2	53.3	53.5	54.1	54.5
	Developed Markets	52.1	50.8	50.9	50.5	50.4	51.2	51.5	51.2	51.5	52.6	53.0	53.8	54.2	54.1	53.9	54.1	54.1	53.9	54.0	54.2	54.6	55.2	55.8	56.3
	Emerging Markets	49.4	48.9	50.2	49.5	49.5	49.3	50.3	50.1	50.3	51.0	50.8	51.0	50.8	51.3	51.6	50.9	50.6	50.8	51.0	51.7	51.4	51.2	51.7	52.2
Developed	U.S.	52.4	51.3	51.5	50.8	50.7	51.3	52.9	52.0	51.5	53.4	54.1	54.3	55.0	54.2	53.3	52.8	52.7	52.0	53.3	52.8	53.1	54.6	53.9	55.1
	Canada	49.3	49.4	51.5	52.2	52.1	51.8	51.9	51.1	50.3	51.1	51.5	51.8	53.5	54.7	55.5	55.9	55.1	54.7	55.5	54.6	55.0	54.3	54.4	54.7
	Japan	52.3	50.1	49.1	48.2	47.7	48.1	49.3	49.5	50.4	51.4	51.3	52.4	52.7	53.3	52.4	52.7	53.1	52.4	52.1	52.2	52.9	52.8	53.6	54.0
	UK	52.3	50.9	51.3	49.6	50.5	53.0	48.5	53.1	55.7	54.0	53.1	55.9	55.4	54.6	54.3	57.1	56.4	54.2	55.3	56.8	56.1	56.3	58.2	56.3
	Euro Area	52.3	51.2	51.6	51.7	51.5	52.8	52.0	51.7	52.6	53.5	53.7	54.9	55.2	55.4	56.2	56.7	57.0	57.4	56.6	57.4	58.1	58.5	60.1	60.6
	Germany	52.3	50.5	50.7	51.8	52.1	54.5	53.8	53.6	54.3	55.0	54.3	55.6	56.4	56.8	58.3	58.2	59.5	59.6	58.1	59.3	60.6	60.6	62.5	63.3
	France	50.0	50.2	49.6	48.0	48.4	48.3	48.6	48.3	49.7	51.8	51.7	53.5	53.6	52.2	53.3	55.1	53.8	54.8	54.9	55.8	56.1	56.1	57.7	58.8
	Italy	53.2	52.2	53.5	53.9	52.4	53.5	51.2	49.8	51.0	50.9	52.2	53.2	53.0	55.0	55.7	56.2	55.1	55.2	55.1	56.3	56.3	57.8	58.3	57.4
	Spain	55.4	54.1	53.4	53.5	51.8	52.2	51.0	51.0	52.3	53.3	54.5	55.3	55.6	54.8	53.9	54.5	55.4	54.7	54.0	52.4	54.3	55.8	56.1	55.8
	Greece	50.0	48.4	49.0	49.7	48.4	50.4	48.7	50.4	49.2	48.6	48.3	49.3	46.6	47.7	46.7	48.2	49.6	50.5	50.5	52.2	52.8	52.1	52.2	53.1
Emerging	China	48.4	48.0	49.7	49.4	49.2	48.6	50.6	50.0	50.1	51.2	50.9	51.9	51.0	51.7	51.2	50.3	49.6	50.4	51.1	51.6	51.0	51.0	50.8	51.5
	Indonesia	48.9	48.7	50.6	50.9	50.6	51.9	48.4	50.4	50.9	48.7	49.7	49.0	50.4	49.3	50.5	51.2	50.6	49.5	48.6	50.7	50.4	50.1	50.4	49.3
	Korea	49.5	48.7	49.5	50.0	50.1	50.5	50.1	48.6	47.6	48.0	48.0	49.4	49.0	49.2	48.4	49.4	49.2	50.1	49.1	49.9	50.6	50.2	51.2	49.9
	Taiwan	50.6	49.4	51.1	49.7	48.5	50.5	51.0	51.8	52.2	52.7	54.7	56.2	55.6	54.5	56.2	54.4	53.1	53.3	53.6	54.3	54.2	53.6	56.3	56.6
	India	51.1	51.1	52.4	50.5	50.7	51.7	51.8	52.6	52.1	54.4	52.3	49.6	50.4	50.7	52.5	52.5	51.6	50.9	47.9	51.2	51.2	50.3	52.6	54.7
	Brazil	47.4	44.5	46.0	42.6	41.6	43.2	46.0	45.7	46.0	46.3	46.2	45.2	44.0	46.9	49.6	50.1	52.0	50.5	50.0	50.9	50.9	51.2	53.5	52.4
	Mexico	52.2	53.1	53.2	52.4	53.6	51.1	50.6	50.9	51.9	51.8	51.1	50.2	50.8	50.6	51.5	50.7	51.2	52.3	51.2	52.2	52.8	49.2	52.4	51.7
	Russia	49.8	49.3	48.3	48.0	49.6	51.5	49.5	50.8	51.1	52.4	53.6	53.7	54.7	52.5	52.4	50.8	52.4	50.3	52.7	51.6	51.9	51.1	51.5	52.0

Source: Markit, J.P. Morgan Asset Management.
Heatmap colors are based on PMI relative to the 50 level, which indicates acceleration or deceleration of the sector, for the time period shown. Past performance is not a reliable indicator of current and future results.
Guide to the Markets – U.S. Data are as of December 31, 2017.

J.P.Morgan Asset Management

Global inflation

Year-over-year headline inflation by country and region

		2015	2016												2017										
		Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
	Global	1.6%	1.8%	1.7%	1.6%	1.6%	1.5%	1.6%	1.5%	1.5%	1.7%	1.7%	1.8%	1.9%	2.3%	2.1%	1.9%	2.0%	1.8%	1.7%	1.7%	1.9%	2.0%	2.1%	2.2%
	Developed Markets	0.5%	0.8%	0.5%	0.5%	0.5%	0.5%	0.6%	0.5%	0.6%	0.9%	1.1%	1.2%	1.5%	2.0%	2.1%	1.8%	1.9%	1.6%	1.4%	1.5%	1.7%	1.8%	1.6%	1.8%
	Emerging Markets	3.5%	3.5%	3.7%	3.4%	3.4%	3.2%	3.2%	3.2%	2.9%	3.0%	3.1%	3.1%	3.0%	3.2%	2.4%	2.5%	2.6%	2.6%	2.5%	2.4%	2.7%	2.6%	2.8%	2.8%
Developed	U.S.	0.7%	1.4%	1.0%	0.9%	1.1%	1.0%	1.0%	0.8%	1.1%	1.5%	1.6%	1.7%	2.1%	2.5%	2.7%	2.4%	2.2%	1.9%	1.6%	1.7%	1.9%	2.2%	2.0%	2.2%
	Canada	1.6%	2.0%	1.4%	1.3%	1.7%	1.5%	1.5%	1.3%	1.1%	1.3%	1.5%	1.2%	1.5%	2.1%	2.0%	1.6%	1.6%	1.3%	1.0%	1.2%	1.4%	1.6%	1.4%	2.1%
	Japan	0.1%	-0.1%	0.2%	0.0%	-0.3%	-0.4%	-0.3%	-0.5%	-0.5%	-0.5%	0.2%	0.5%	0.3%	0.5%	0.2%	0.2%	0.4%	0.4%	0.3%	0.5%	0.6%	0.7%	0.2%	0.5%
	UK	0.2%	0.3%	0.3%	0.5%	0.3%	0.3%	0.5%	0.6%	0.6%	1.0%	0.9%	1.2%	1.6%	1.8%	2.3%	2.3%	2.7%	2.9%	2.6%	2.6%	2.9%	3.0%	3.0%	3.1%
	Euro Area	0.2%	0.3%	-0.2%	0.0%	-0.2%	-0.1%	0.1%	0.2%	0.2%	0.4%	0.5%	0.6%	1.1%	1.8%	2.0%	1.5%	1.9%	1.4%	1.3%	1.3%	1.5%	1.5%	1.4%	1.5%
	Germany	0.2%	0.4%	-0.2%	0.1%	-0.3%	0.0%	0.2%	0.4%	0.3%	0.5%	0.7%	0.7%	1.7%	1.9%	2.2%	1.5%	2.0%	1.4%	1.5%	1.5%	1.8%	1.8%	1.5%	1.8%
	France	0.3%	0.3%	-0.1%	-0.1%	-0.1%	0.1%	0.3%	0.4%	0.4%	0.5%	0.5%	0.7%	0.8%	1.6%	1.4%	1.4%	1.4%	0.9%	0.8%	0.8%	1.0%	1.1%	1.2%	1.3%
	Italy	0.1%	0.4%	-0.2%	-0.2%	-0.4%	-0.3%	-0.3%	-0.2%	-0.2%	0.1%	-0.2%	0.1%	0.5%	1.0%	1.6%	1.4%	2.0%	1.6%	1.2%	1.2%	1.4%	1.3%	1.1%	1.1%
	Spain	-0.1%	-0.4%	-1.0%	-1.0%	-1.2%	-1.1%	-0.9%	-0.7%	-0.3%	0.0%	0.5%	0.5%	1.4%	2.9%	3.0%	2.1%	2.6%	2.0%	1.6%	1.7%	2.0%	1.8%	1.7%	1.8%
	Greece	0.4%	-0.1%	0.1%	-0.7%	-0.4%	-0.2%	0.2%	0.2%	0.4%	-0.1%	0.6%	-0.2%	0.3%	1.5%	1.4%	1.7%	1.6%	1.5%	0.9%	0.9%	0.6%	1.0%	0.5%	1.1%
Emerging	China	1.6%	1.8%	2.3%	2.3%	2.3%	2.0%	1.9%	1.8%	1.3%	1.9%	2.1%	2.3%	2.1%	2.5%	0.8%	0.9%	1.2%	1.5%	1.5%	1.4%	1.8%	1.6%	1.9%	1.7%
	Indonesia	3.4%	4.1%	4.4%	4.4%	3.6%	3.3%	3.5%	3.2%	2.8%	3.1%	3.3%	3.6%	3.0%	3.5%	3.8%	3.6%	4.2%	4.3%	4.4%	3.9%	3.8%	3.7%	3.6%	3.3%
	Korea	1.1%	0.6%	1.1%	0.8%	1.0%	0.8%	0.7%	0.4%	0.5%	1.3%	1.5%	1.5%	1.3%	2.0%	1.9%	2.2%	1.9%	2.0%	1.9%	2.2%	2.6%	2.1%	1.8%	1.3%
	Taiwan	0.1%	0.8%	2.4%	2.0%	1.9%	1.2%	0.9%	1.2%	0.6%	0.3%	1.7%	2.0%	1.7%	2.2%	-0.1%	0.2%	0.1%	0.6%	1.0%	0.8%	1.0%	0.5%	-0.3%	0.3%
	India	5.6%	5.7%	5.3%	4.8%	5.5%	5.8%	5.8%	6.1%	5.0%	4.4%	4.2%	3.6%	3.4%	3.2%	3.7%	3.9%	3.0%	2.2%	1.5%	2.4%	3.3%	3.3%	3.6%	4.9%
	Brazil	10.7%	10.7%	10.4%	9.4%	9.3%	9.3%	8.8%	8.7%	9.0%	8.5%	7.9%	7.0%	6.3%	5.4%	4.8%	4.6%	4.1%	3.6%	3.0%	2.7%	2.5%	2.5%	2.7%	2.8%
	Mexico	2.1%	2.6%	2.9%	2.6%	2.5%	2.6%	2.5%	2.7%	2.7%	3.0%	3.1%	3.3%	3.4%	4.7%	4.9%	5.4%	5.8%	6.2%	6.3%	6.4%	6.7%	6.3%	6.4%	6.6%
	Russia	12.9%	9.8%	8.1%	7.3%	7.3%	7.3%	7.5%	7.2%	6.8%	6.4%	6.1%	5.8%	5.4%	5.0%	4.6%	4.3%	4.1%	4.1%	4.3%	3.9%	3.3%	3.0%	2.7%	2.5%

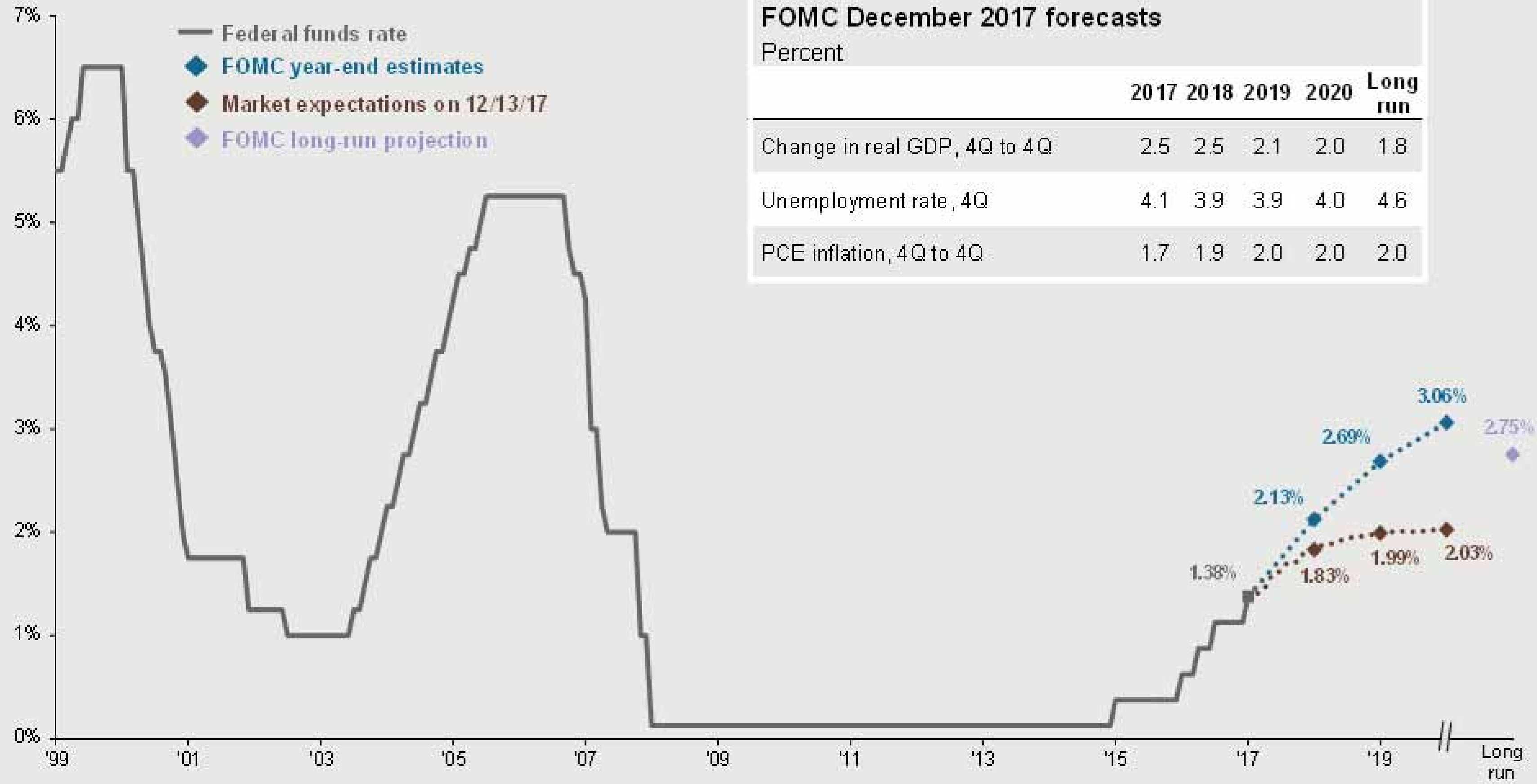
Source: Federal Reserve, Statistics Canada, UK Office for National Statistics (ONS), Eurostat, Melbourne Institute, Japan Ministry of Internal Affairs & Communication, National Bureau of Statistics China, Statistics Indonesia, Korean National Statistical Office, DGBAS, India Ministry of Statistics & Programme Implementation, Bank of Mexico, Goskomstat of Russia, IBGE, FactSet, J.P. Morgan Asset Management.
Heatmap colors are based on z-score of year-over-year inflation rate relative to five year history, for the time period shown. Past performance is not a reliable indicator of current and future results.
Guide to the Markets – U.S. Data are as of December 31, 2017.

J.P.Morgan Asset Management

The Fed and interest rates

Federal funds rate expectations

FOMC and market expectations for the fed funds rate



FOMC December 2017 forecasts

Percent

	2017	2018	2019	2020	Long run
Change in real GDP, 4Q to 4Q	2.5	2.5	2.1	2.0	1.8
Unemployment rate, 4Q	4.1	3.9	3.9	4.0	4.6
PCE inflation, 4Q to 4Q	1.7	1.9	2.0	2.0	2.0

Source: FactSet, Federal Reserve, Bloomberg, J.P. Morgan Asset Management.
Market expectations are the federal funds rates priced into the fed futures market as of the date of the December 2017 FOMC meeting.
Guide to the Markets – U.S. Data are as of December 31, 2017.

Asset class returns

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2003 - 2017 Ann.	2003 - 2017 Vol.
EM Equity 56.3%	REITs 31.6%	EM Equity 34.5%	REITs 35.1%	EM Equity 39.8%	Fixed Income 5.2%	EM Equity 79.0%	REITs 27.9%	REITs 8.3%	REITs 19.7%	Small Cap 38.8%	REITs 28.0%	REITs 2.8%	Small Cap 21.3%	EM Equity 37.8%	EM Equity 12.7%	EM Equity 23.0%
Small Cap 47.3%	EM Equity 26.0%	Comdty. 21.4%	EM Equity 32.6%	Comdty. 16.2%	Cash 1.8%	High Yield 59.4%	Small Cap 26.9%	Fixed Income 7.8%	High Yield 19.6%	Large Cap 32.4%	Large Cap 13.7%	Large Cap 1.4%	High Yield 14.3%	DM Equity 25.6%	Small Cap 11.2%	REITs 22.3%
DM Equity 39.2%	DM Equity 20.7%	DM Equity 14.0%	DM Equity 26.9%	DM Equity 11.6%	Asset Alloc. -25.4%	DM Equity 32.5%	EM Equity 19.2%	High Yield 3.1%	EM Equity 18.6%	DM Equity 23.3%	Fixed Income 6.0%	Fixed Income 0.5%	Large Cap 12.0%	Large Cap 21.8%	REITs 11.1%	Small Cap 18.8%
REITs 37.1%	Small Cap 18.3%	REITs 12.2%	Small Cap 18.4%	Asset Alloc. 7.1%	High Yield -26.9%	REITs 28.0%	Comdty. 16.8%	Large Cap 2.1%	DM Equity 17.9%	Asset Alloc. 14.9%	Asset Alloc. 5.2%	Cash 0.0%	Comdty. 11.8%	Small Cap 14.6%	Large Cap 9.9%	Comdty. 18.8%
High Yield 32.4%	High Yield 13.2%	Asset Alloc. 8.1%	Large Cap 15.8%	Fixed Income 7.0%	Small Cap -33.8%	Small Cap 27.2%	Large Cap 15.1%	Cash 0.1%	Small Cap 16.3%	High Yield 7.3%	Small Cap 4.9%	DM Equity -0.4%	EM Equity 11.6%	Asset Alloc. 14.6%	High Yield 9.6%	DM Equity 18.4%
Large Cap 28.7%	Asset Alloc. 12.8%	Large Cap 4.9%	Asset Alloc. 15.3%	Large Cap 5.5%	Comdty. -35.6%	Large Cap 26.5%	High Yield 14.8%	Asset Alloc. -0.7%	Large Cap 16.0%	REITs 2.9%	Cash 0.0%	Asset Alloc. -2.0%	REITs 8.6%	High Yield 10.4%	DM Equity 8.6%	Large Cap 14.5%
Asset Alloc. 26.3%	Large Cap 10.9%	Small Cap 4.6%	High Yield 13.7%	Cash 4.8%	Large Cap -37.0%	Asset Alloc. 25.0%	Asset Alloc. 13.3%	Small Cap -4.2%	Asset Alloc. 12.2%	Cash 0.0%	High Yield 0.0%	High Yield -2.7%	Asset Alloc. 8.3%	REITs 8.7%	Asset Alloc. 8.3%	High Yield 11.3%
Comdty. 23.9%	Comdty. 9.1%	High Yield 3.6%	Cash 4.8%	High Yield 3.2%	REITs -37.7%	Comdty. 18.9%	DM Equity 8.2%	DM Equity -11.7%	Fixed Income 4.2%	Fixed Income -2.0%	EM Equity -1.8%	Small Cap -4.4%	Fixed Income 2.6%	Fixed Income 3.5%	Fixed Income 4.1%	Asset Alloc. 11.0%
Fixed Income 4.1%	Fixed Income 4.3%	Cash 3.0%	Fixed Income 4.3%	Small Cap -1.6%	DM Equity -43.1%	Fixed Income 5.9%	Fixed Income 6.5%	Comdty. -13.3%	Cash 0.1%	EM Equity -2.3%	DM Equity -4.5%	EM Equity -14.6%	DM Equity 1.5%	Comdty. 1.7%	Cash 1.2%	Fixed Income 3.3%
Cash 1.0%	Cash 1.2%	Fixed Income 2.4%	Comdty. 2.1%	REITs -15.7%	EM Equity -53.2%	Cash 0.1%	Cash 0.1%	EM Equity -18.2%	Comdty. -1.1%	Comdty. -9.5%	Comdty. -17.0%	Comdty. -24.7%	Cash 0.3%	Cash 0.8%	Comdty. -0.3%	Cash 0.8%

Source: Barclays, Bloomberg, FactSet, MSCI, NAREIT, Russell, Standard & Poor's, J.P. Morgan Asset Management.
Large cap: S&P 500, Small cap: Russell 2000, EM Equity: MSCI EME, DM Equity: MSCI EAFE, Comdty: Bloomberg Commodity Index, High Yield: Barclays Global HY Index, Fixed Income: Barclays US Aggregate, REITs: NAREIT Equity REIT Index. The "Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Barclays US Aggregate, 5% in the Barclays 1-3m Treasury, 5% in the Barclays Global High Yield Index, 5% in the Bloomberg Commodity Index and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. Annualized (Ann.) return and volatility (Vol.) represents period of 12/31/02 – 12/31/17. Please see disclosure page at end for index definitions. All data represents total return for stated period. Past performance is not indicative of future returns.

Guide to the Markets – U.S. Data are as of December 31, 2017.

Investing principles

J.P.Morgan Asset Management

J.P. Morgan Asset Management – Index definitions

All indexes are unmanaged and an individual cannot invest directly in an index. Index returns do not include fees or expenses.

Equities:

The **Dow Jones Industrial Average** is a price-weighted average of 30 actively traded blue-chip U.S. stocks.

The **MSCI ACWI (All Country World Index)** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets.

The **MSCI EAFE Index (Europe, Australasia, Far East)** is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada.

The **MSCI Emerging Markets Index** is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets.

The **MSCI Europe Index** is a free float-adjusted market capitalization index that is designed to measure developed market equity performance in Europe.

The **MSCI Pacific Index** is a free float-adjusted market capitalization index that is designed to measure equity market performance in the Pacific region.

The **Russell 1000 Index®** measures the performance of the 1,000 largest companies in the Russell 3000.

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

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

The **Russell 2000 Index®** measures the performance of the 2,000 smallest companies in the Russell 3000 Index.

The **Russell 2000 Growth Index®** measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 2000 Value Index®** measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

The **Russell 3000 Index®** measures the performance of the 3,000 largest U.S. companies based on total market capitalization.

The **Russell Midcap Index®** measures the performance of the 800 smallest companies in the Russell 1000 Index.

The **Russell Midcap Growth Index ®** measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The stocks are also members of the Russell 1000 Growth index.

The **Russell Midcap Value Index ®** measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values. The stocks are also members of the Russell 1000 Value index.

The **S&P 500 Index** is widely regarded as the best single gauge of the U.S. equities market. The index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. The **S&P 500 Index** focuses on the large-cap segment of the market; however, since it includes a significant portion of the total value of the market, it also represents the market.

Fixed income:

The **Barclays 1-3 Month U.S. Treasury Bill Index** includes all publicly issued zero-coupon US Treasury Bills that have a remaining maturity of less than 3 months and more than 1 month, are rated investment grade, and have $250 million or more of outstanding face value. In addition, the securities must be denominated in U.S. dollars and must be fixed rate and non convertible.

The **Barclays Global High Yield Index** is a multi-currency flagship measure of the global high yield debt market. The index represents the union of the US High Yield, the Pan-European High Yield, and Emerging Markets (EM) Hard Currency High Yield Indices. The high yield and emerging markets sub-components are mutually exclusive. Until January 1, 2011, the index also included CMBS high yield securities.

The **Barclays Municipal Index**: consists of a broad selection of investment- grade general obligation and revenue bonds of maturities ranging from one year to 30 years. It is an unmanaged index representative of the tax-exempt bond market.

The **Barclays US Dollar Floating Rate Note (FRN) Index** provides a measure of the U.S. dollar denominated floating rate note market.

The **Barclays US Corporate Investment Grade Index** is an unmanaged index consisting of publicly issued US Corporate and specified foreign debentures and secured notes that are rated investment grade (Baa3/BBB or higher) by at least two ratings agencies, have at least one year to final maturity and have at least $250 million par amount outstanding. To qualify, bonds must be SEC-registered.

The **Barclays US High Yield Index** covers the universe of fixed rate, non-investment grade debt. Eurobonds and debt issues from countries designated as emerging markets (sovereign rating of Baa1/BBB+/BBB+ and below using the middle of Moody's, S&P, and Fitch) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included.

The **Barclays US Mortgage Backed Securities Index** is an unmanaged index that measures the performance of investment grade fixed-rate mortgage backed pass-through securities of GNMA, FNMA and FHLMC.

The **Barclays US TIPS Index** consists of Inflation-Protection securities issued by the U.S. Treasury.

The **J.P. Morgan Emerging Market Bond Global Index (EMBI)** includes U.S. dollar denominated Brady bonds, Eurobonds, traded loans and local market debt instruments issued by sovereign and quasi-sovereign entities.

The **J.P. Morgan Domestic High Yield Index** is designed to mirror the investable universe of the U.S. dollar domestic high yield corporate debt market.

The **J.P. Morgan Corporate Emerging Markets Bond Index Broad Diversified (CEMBI Broad Diversified)** is an expansion of the **J.P. Morgan Corporate Emerging Markets Bond Index (CEMBI)**. The CEMBI is a market capitalization weighted index consisting of U.S. dollar denominated emerging market corporate bonds.

The **J.P. Morgan Emerging Markets Bond Index Global Diversified (EMBI Global Diversified)** tracks total returns for U.S. dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds. The index limits the exposure of some of the larger countries.

The **J.P. Morgan GBI EM Global Diversified** tracks the performance of local currency debt issued by emerging market governments, whose debt is accessible by most of the international investor base.

The **U.S. Treasury Index** is a component of the U.S. Government index.

J.P.Morgan Asset Management

Other asset classes:

The **Alerian MLP Index** is a composite of the 50 most prominent energy Master Limited Partnerships (MLPs) that provides investors with an unbiased, comprehensive benchmark for the asset class.

The **Bloomberg Commodity Index** and related sub-indices are composed of futures contracts on physical commodities and represents twenty two separate commodities traded on U.S. exchanges, with the exception of aluminum, nickel, and zinc

The **Cambridge Associates U.S. Global Buyout and Growth Index®** is based on data compiled from 1,768 global (U.S. & ex – U.S.) buyout and growth equity funds, including fully liquidated partnerships, formed between 1986 and 2013.

The **CS/Tremont Hedge Fund Index** is compiled by Credit Suisse Tremont Index, LLC. It is an asset-weighted hedge fund index and includes only funds, as opposed to separate accounts. The Index uses the Credit Suisse/Tremont database, which tracks over 4500 funds, and consists only of funds with a minimum of US$50 million under management, a 12-month track record, and audited financial statements. It is calculated and rebalanced on a monthly basis, and shown net of all performance fees and expenses. It is the exclusive property of Credit Suisse Tremont Index, LLC.

The **HFRI Monthly Indices (HFRI)** are equally weighted performance indexes, utilized by numerous hedge fund managers as a benchmark for their own hedge funds. The HFRI are broken down into 4 main strategies, each with multiple sub strategies. All single-manager HFRI Index constituents are included in the HFRI Fund Weighted Composite, which accounts for over 2200 funds listed on the internal HFR Database.

The **NAREIT EQUITY REIT Index** is designed to provide the most comprehensive assessment of overall industry performance, and includes all tax-qualified real estate investment trusts (REITs) that are listed on the NYSE, the American Stock Exchange or the NASDAQ National Market List.

The **NFI-ODCE**, short for NCREIF Fund Index - Open End Diversified Core Equity, is an index of investment returns reporting on both a historical and current basis the results of 33 open-end commingled funds pursuing a core investment strategy, some of which have performance histories dating back to the 1970s. The NFI-ODCE Index is capitalization-weighted and is reported gross of fees. Measurement is time-weighted.

Definitions:

Investing in **alternative assets** involves higher risks than traditional investments and is suitable only for sophisticated investors. Alternative investments involve greater risks than traditional investments and should not be deemed a complete investment program. They are not tax efficient and an investor should consult with his/her tax advisor prior to investing. Alternative investments have higher fees than traditional investments and they may also be highly leveraged and engage in speculative investment techniques, which can magnify the potential for investment loss or gain. The value of the investment may fall as well as rise and investors may get back less than they invested.

Bonds are subject to interest rate risks. Bond prices generally fall when interest rates rise.

Investments in **commodities** may have greater volatility than investments in traditional securities, particularly if the instruments involve leverage. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments. Use of leveraged commodity-linked derivatives creates an opportunity for increased return but, at the same time, creates the possibility for greater loss.

Derivatives may be riskier than other types of investments because they may be more sensitive to changes in economic or market conditions than other types of investments and could result in losses that significantly exceed the original investment. The use of derivatives may not be successful, resulting in investment losses, and the cost of such strategies may reduce investment returns.

Distressed Restructuring Strategies employ an investment process focused on corporate fixed income instruments, primarily on corporate credit instruments of companies trading at significant discounts to their value at issuance or obliged (par value) at maturity as a result of either formal bankruptcy proceeding or financial market perception of near term proceedings.

Investments in **emerging markets** can be more volatile. The normal risks of investing in foreign countries are heightened when investing in emerging markets. In addition, the small size of securities markets and the low trading volume may lead to a lack of liquidity, which leads to increased volatility. Also, emerging markets may not provide adequate legal protection for private or foreign investment or private property.

The price of **equity** securities may rise, or fall because of changes in the broad market or changes in a company's financial condition, sometimes rapidly or unpredictably. These price movements may result from factors affecting individual companies, sectors or industries, or the securities market as a whole, such as changes in economic or political conditions. Equity securities are subject to "stock market risk" meaning that stock prices in general may decline over short or extended periods of time.

Equity market neutral strategies employ sophisticated quantitative techniques of analyzing price data to ascertain information about future price movement and relationships between securities, select securities for purchase and sale. Equity Market Neutral Strategies typically maintain characteristic net equity market exposure no greater than 10% long or short.

Global macro strategies trade a broad range of strategies in which the investment process is predicated on movements in underlying economic variables and the impact these have on equity, fixed income, hard currency and commodity markets.

International investing involves a greater degree of risk and increased volatility. Changes in currency exchange rates and differences in accounting and taxation policies outside the U.S. can raise or lower returns. Some overseas markets may not be as politically and economically stable as the United States and other nations.

There is no guarantee that the use of **long and short positions** will succeed in limiting an investor's exposure to domestic stock market movements, capitalization, sector swings or other risk factors. Using long and short selling strategies may have higher portfolio turnover rates. Short selling involves certain risks, including additional costs associated with covering short positions and a possibility of unlimited loss on certain short sale positions.

Merger arbitrage strategies which employ an investment process primarily focused on opportunities in equity and equity related instruments of companies which are currently engaged in a corporate transaction.

Mid-capitalization investing typically carries more risk than investing in well-established "blue-chip" companies. Historically, mid-cap companies' stock has experienced a greater degree of market volatility than the average stock.

Price to forward earnings is a measure of the price-to-earnings ratio (P/E) using forecasted earnings. **Price to book value** compares a stock's market value to its book value. **Price to cash flow** is a measure of the market's expectations of a firm's future financial health. **Price to dividends** is the ratio of the price of a share on a stock exchange to the dividends per share paid in the previous year, used as a measure of a company's potential as an investment.

Real estate investments may be subject to a higher degree of market risk because of concentration in a specific industry, sector or geographical sector. Real estate investments may be subject to risks including, but not limited to, declines in the value of real estate, risks related to general and economic conditions, changes in the value of the underlying property owned by the trust and defaults by borrower.

Relative Value Strategies maintain positions in which the investment thesis is predicated on realization of a valuation discrepancy in the relationship between multiple securities.

Small-capitalization investing typically carries more risk than investing in well-established "blue-chip" companies since smaller companies generally have a higher risk of failure. Historically, smaller companies' stock has experienced a greater degree of market volatility than the average stock.

J.P.Morgan
Asset Management

J.P. Morgan Asset Management – Risks & disclosures

The Market Insights program provides comprehensive data and commentary on global markets without reference to products. Designed as a tool to help clients understand the markets and support investment decision-making, the program explores the implications of current economic data and changing market conditions.

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Unless otherwise stated, all data are as of December 31, 2017 or most recently available.

Guide to the Markets – U.S.

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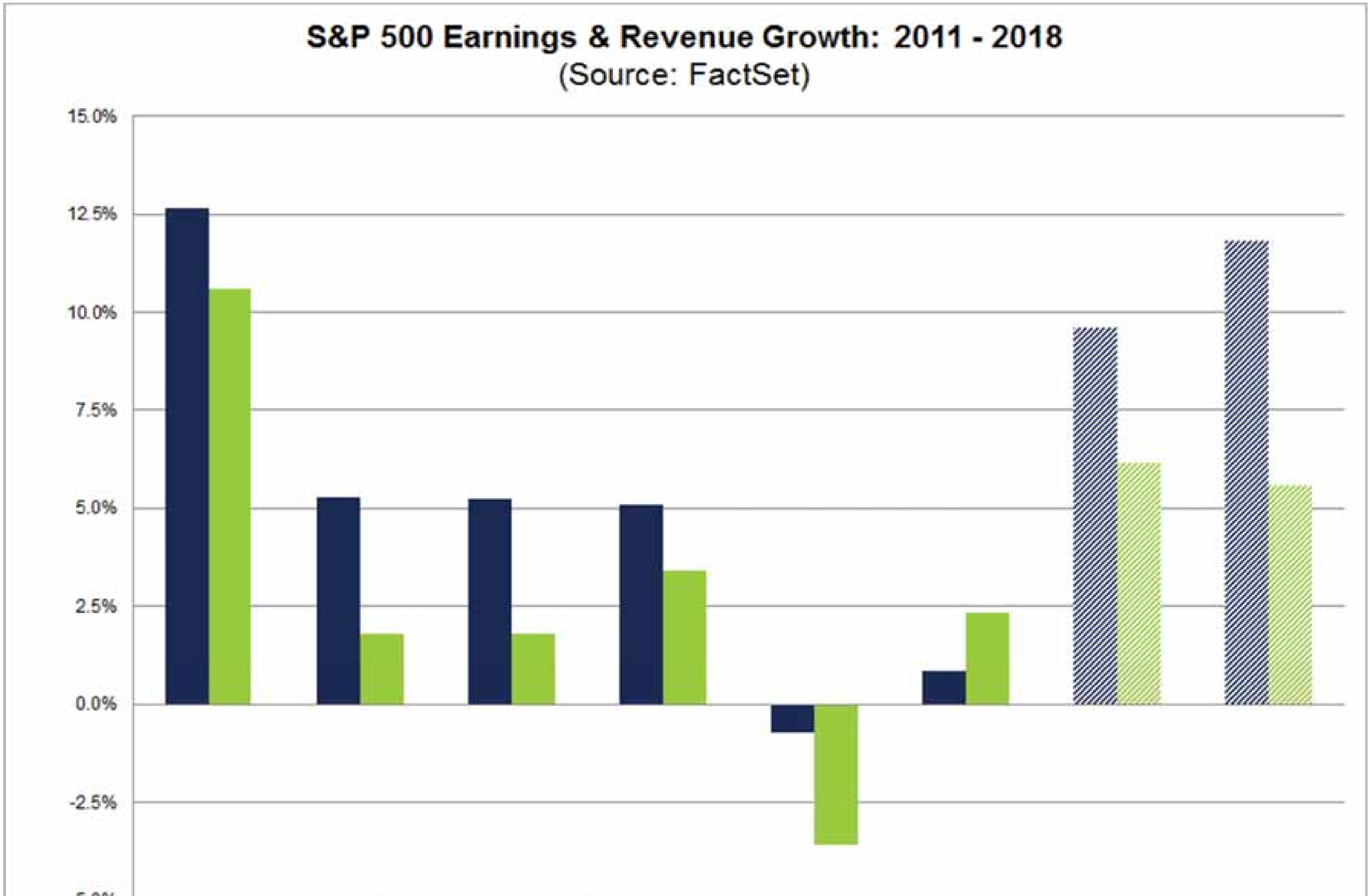
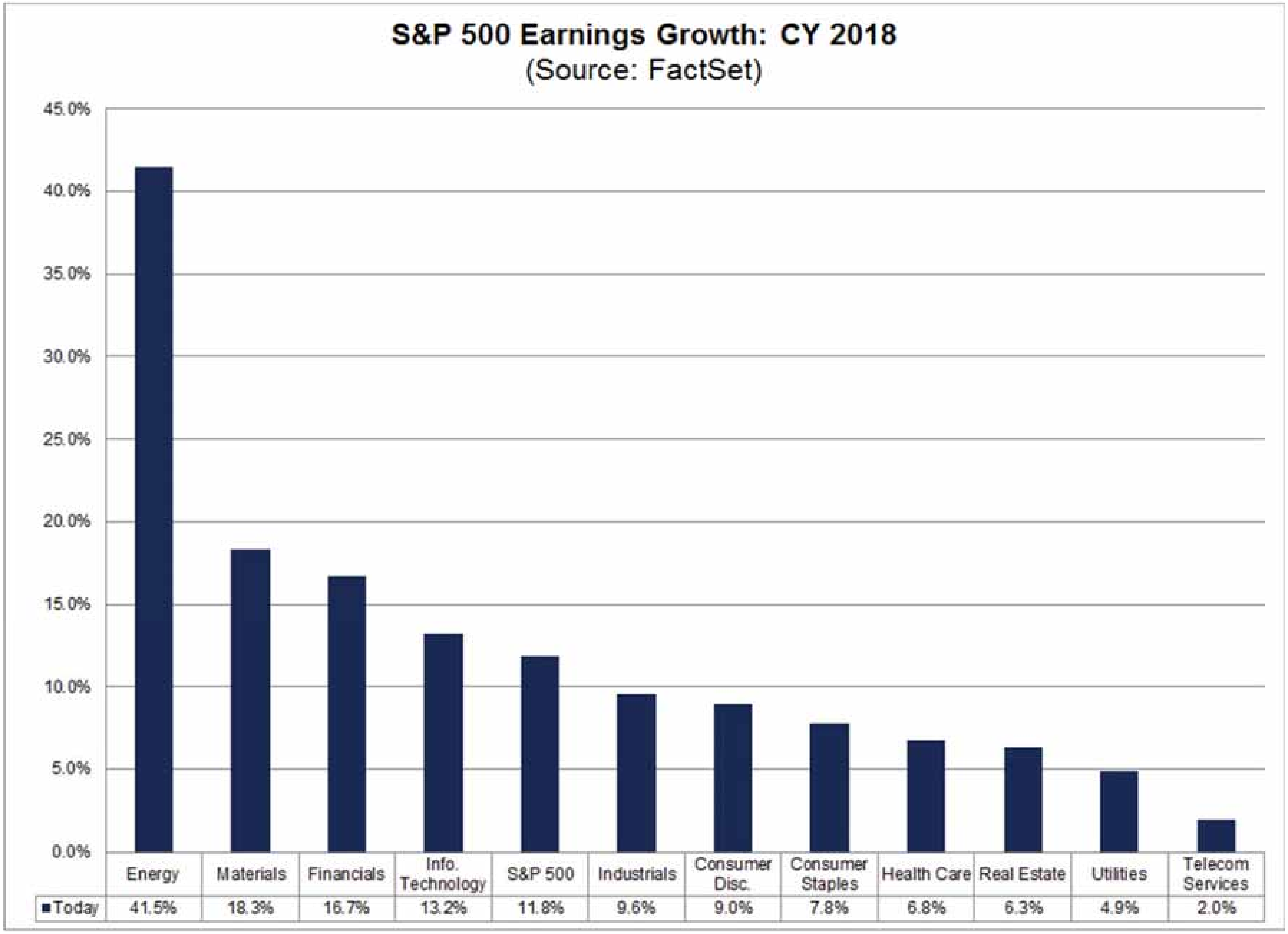
J.P.Morgan
Asset Management

S&P 500 Earnings and Revenue Growth



	CY 2011	CY 2012	CY 2013	CY 2014	CY 2015	CY 2016	CY 2017	CY 2018
Earnings	12.7%	5.3%	5.2%	5.1%	-0.7%	0.9%	9.6%	11.8%
Sales	10.6%	1.8%	1.8%	3.4%	-3.6%	2.3%	6.2%	5.6%

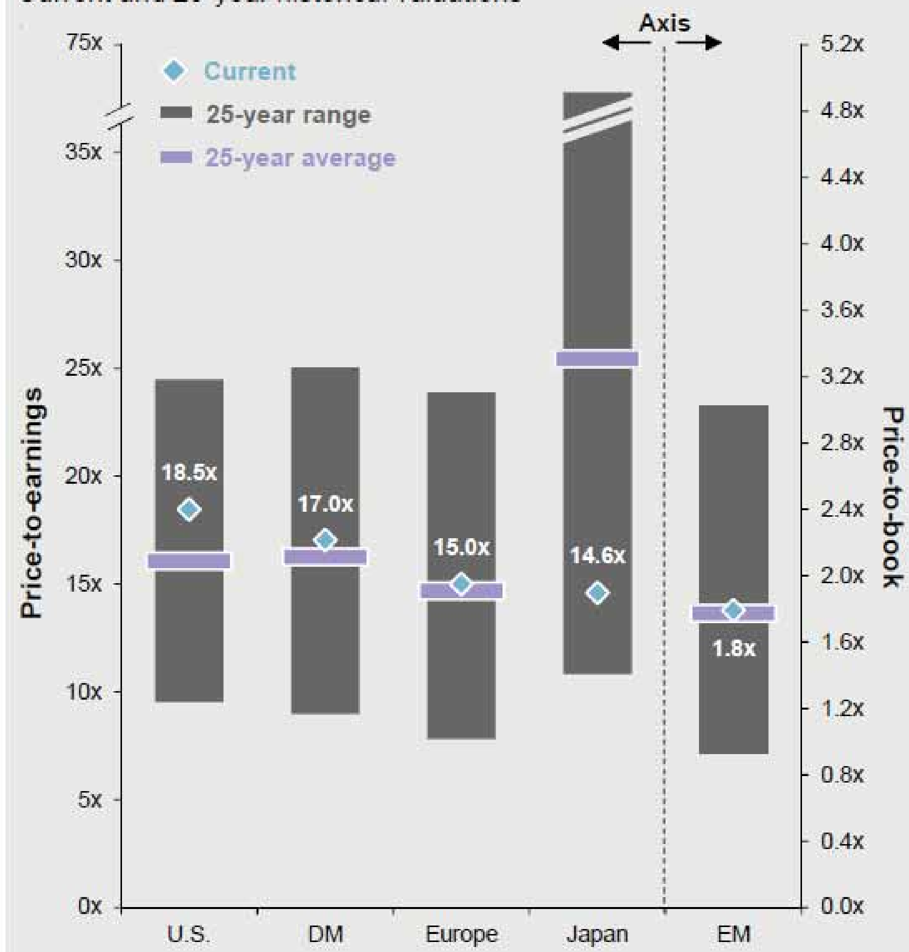
S&P 500 2018 Earnings Estimates by Sector



International Stocks
Earnings and Valuations

Global earnings
EPS, U.S. dollar, NTMA, Jan. 2006 = 100

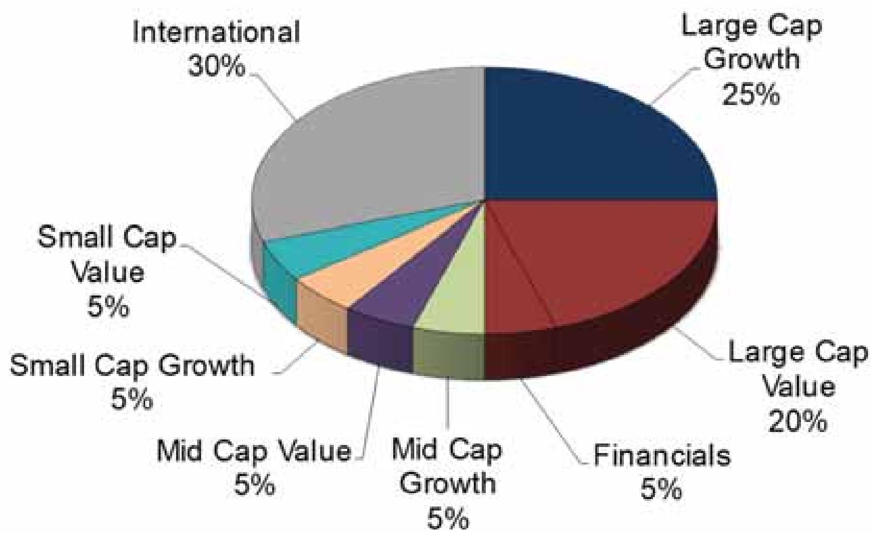
Global valuations
Current and 25-year historical valuations*



Source: FactSet, MSCI, Thomson Returers, Standard & Poor's, J.P. Morgan Asset Management. *Valuations refer to NTMA P/E for Europe, U.S., Japan, and Developed Markets and P/B for emerging markets. Valuation and earnings charts use MSCI indices for all regions/countries, except for the U.S., which is the S&P 500. All indices use IBES aggregate earnings estimates, which may differ from earnings estimates used elsewhere in the book. MSCI Europe include the Eurozone as well as countries not in the currency bloc, such as the U.K., Switzerland, Sweden and Norway (which collectively make up 49% of the overall index). Past performance is not a reliable indicator of current and future results. Guide to the Markets – U.S. Data are as of 9/30/17.

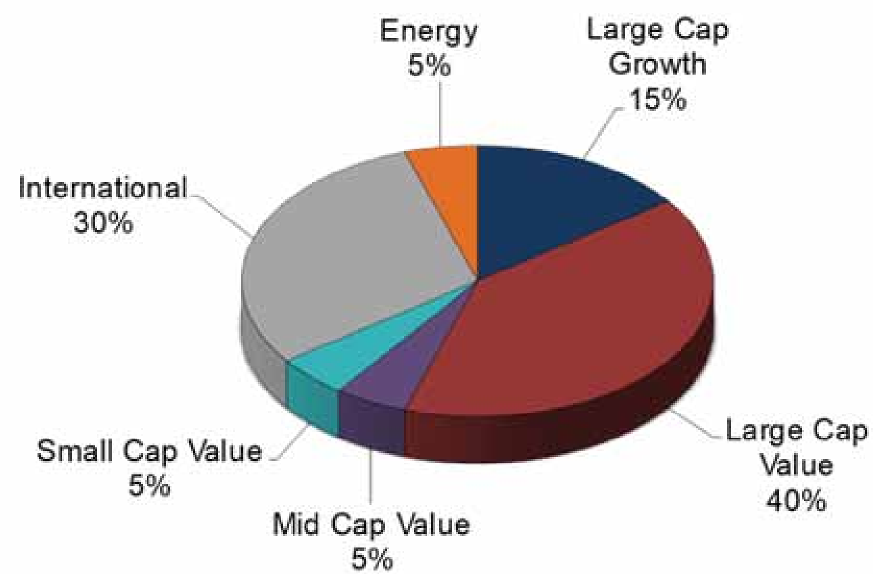
HKFS Model Portfolios: Growth

Growth Model Allocation



Yield 1.53%

Equity Income Growth Model Allocation



Yield 2.62%

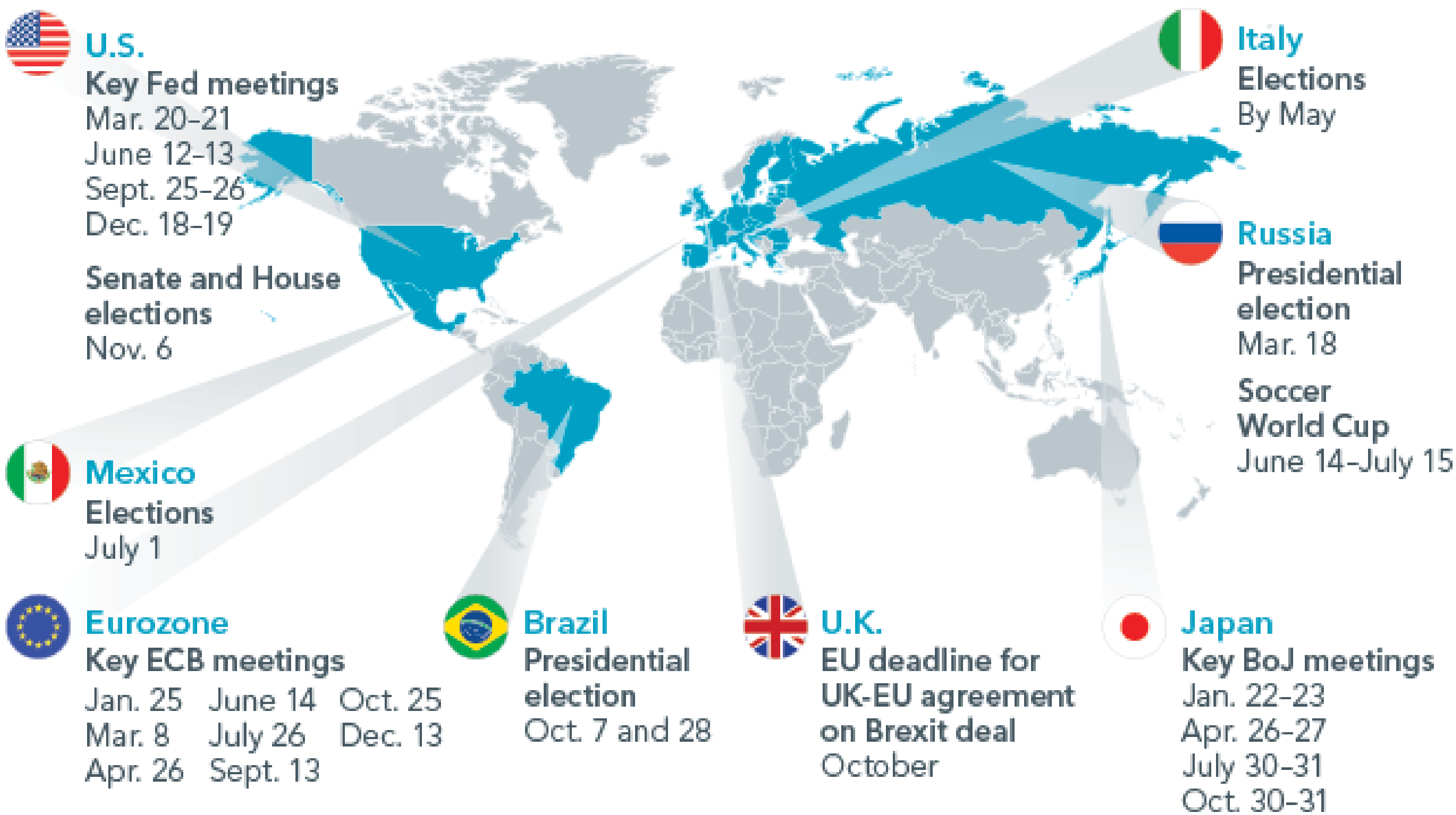
The HKFS growth model allocations are based on a long-term view of global equity markets. The HKFS Investment Advisory Committee regularly reviews and recommends strategic adjustments to style allocations based on changing market conditions. In addition, investment vehicles that represent each style are monitored and adjusted based on style weighting changes or relative performance to peers.

Fixed Income Update:
All Eyes on Interest Rates

Fixed Income:
All Eyes on Interest Rates

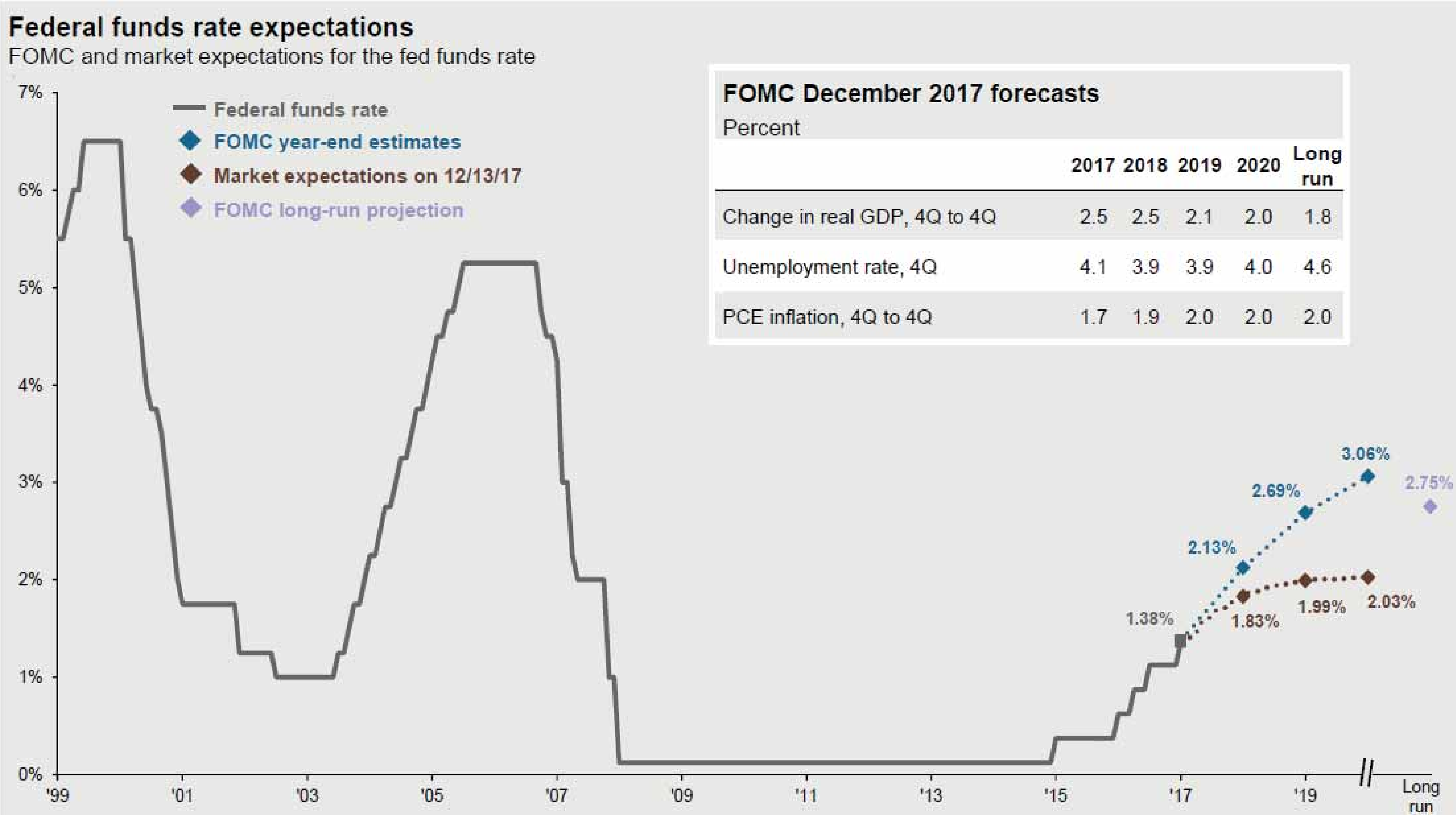
- Key events to watch in 2018
- Pressure points for interest rates this year – All eyes on:
  - Fed rate hikes – Slowly but surely
  - Global monetary policy – The end of accommodation
  - Fed balance sheet unwind and foreign demand
  - Inflation has remained low
  - Volatility and the shape of the Treasury curve
- Municipal market update
- Portfolio positioning in fixed income

Events to Watch in 2018



Source: BlackRock Investments Institute. November 2017.
Notes: The Fed and ECB meetings are those accompanied by press conferences. The BoJ events shown are followed by the publication of the central bank's outlook report.

Rate Hikes…Slowly but Surely



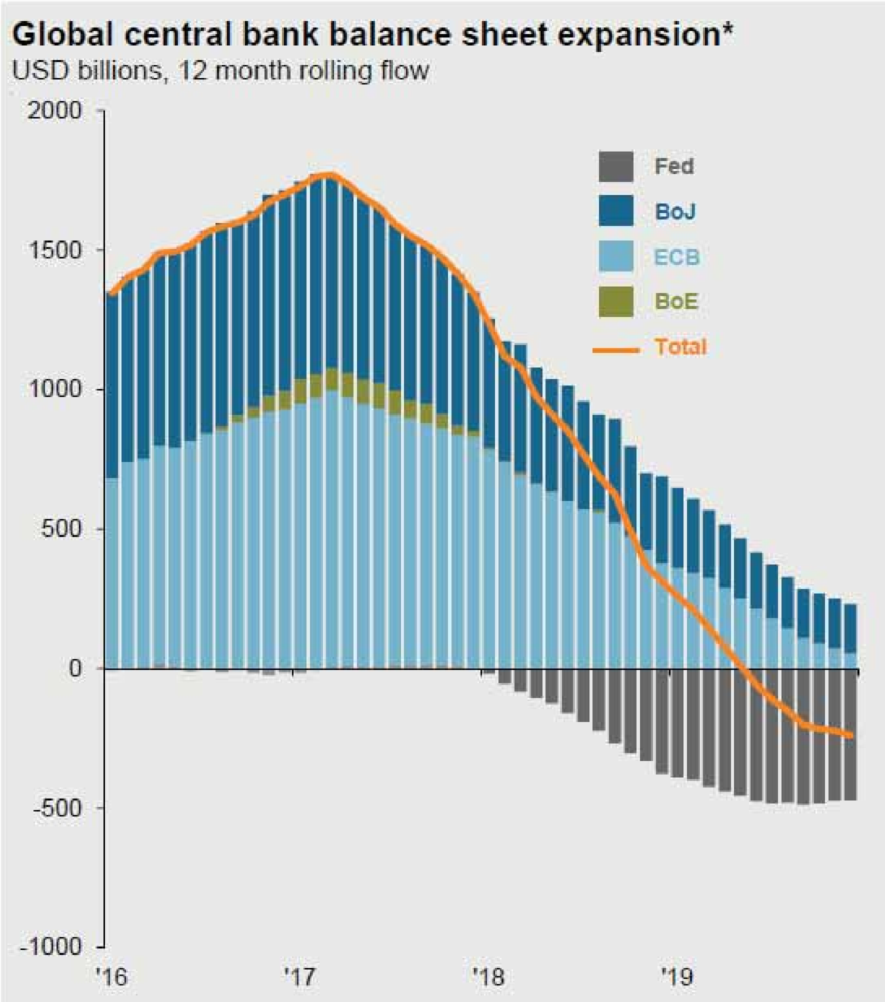
FOMC December 2017 forecasts

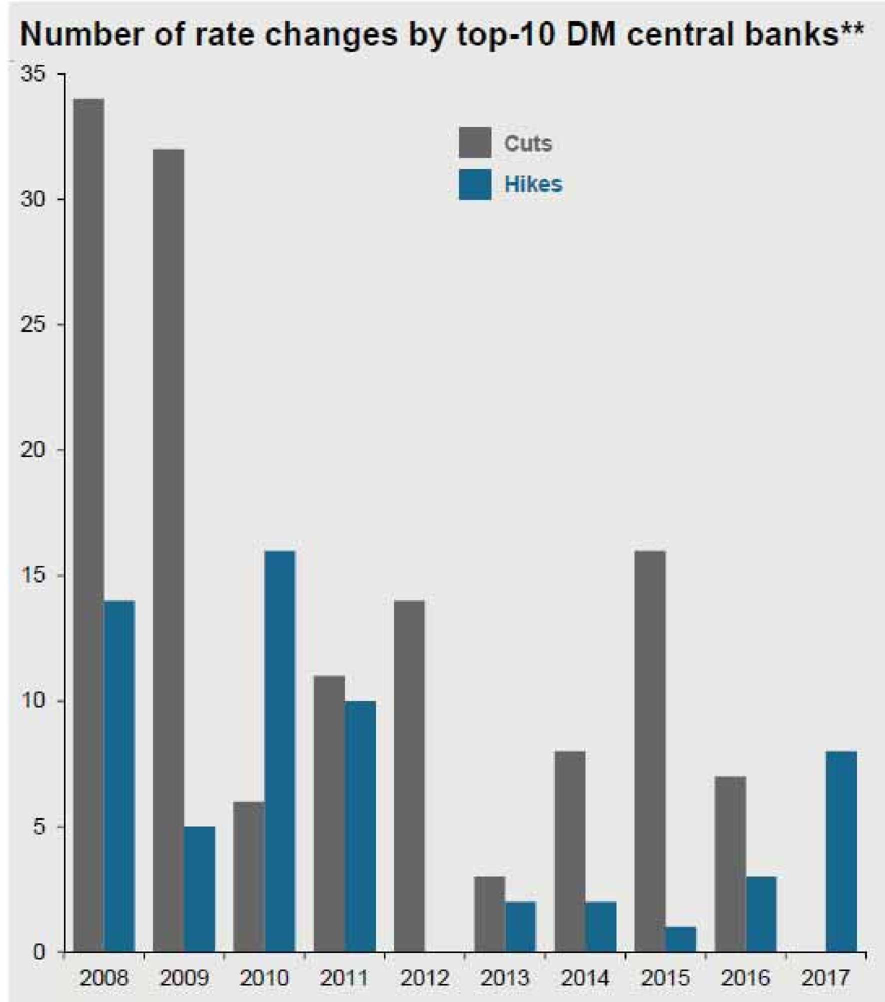
Percent

	2017	2018	2019	2020	Long run
Change in real GDP, 4Q to 4Q	2.5	2.5	2.1	2.0	1.8
Unemployment rate, 4Q	4.1	3.9	3.9	4.0	4.6
PCE inflation, 4Q to 4Q	1.7	1.9	2.0	2.0	2.0

Source: FactSet, Federal Reserve, Bloomberg, J.P. Morgan Asset Management. Market expectations are the federal funds rates priced into the fed futures market as of the date of the December 2017 FOMC meeting. Guide to the Markets – U.S. Data are as of 12/31/17.

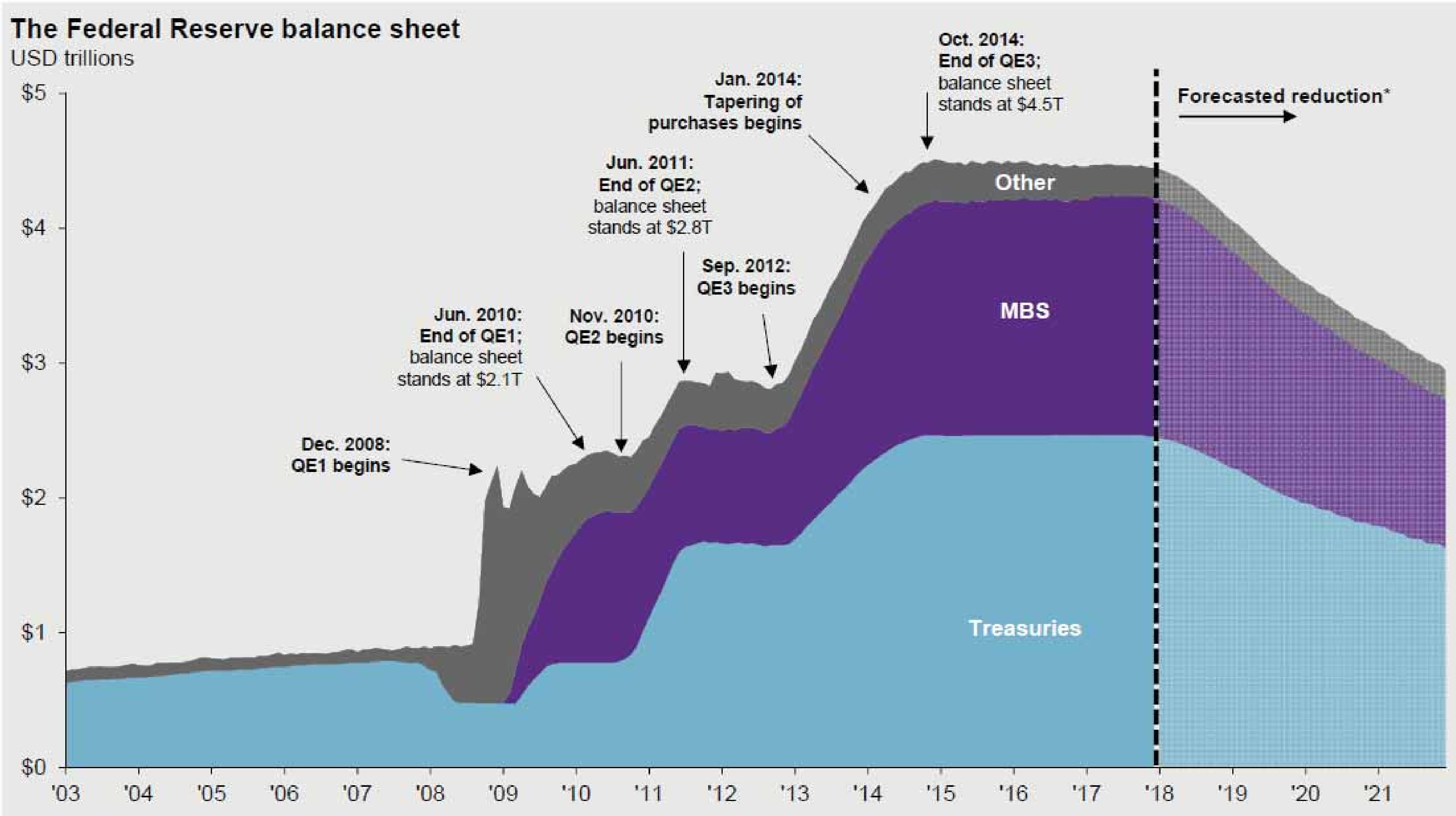
Global Monetary Policy





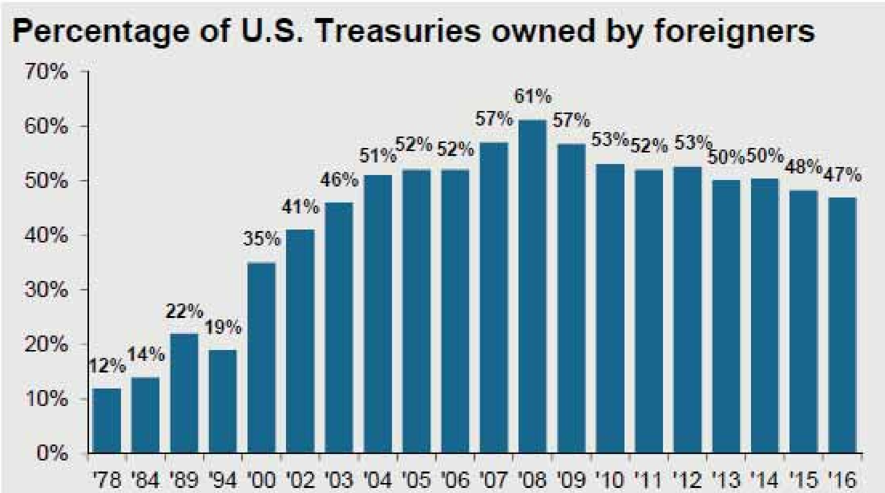
Source: J.P. Morgan Asset Management; (Left) Bank of England, Bank of Japan, European Central Bank, FactSet, Federal Reserve System, J.P. Morgan Global Economic Research; (Right) Bloomberg. *Includes the Bank of Japan (BoJ), Bank of England (BoE), European Central Bank (ECB) and Federal Reserve. Balance sheet expansion assumes no more quantitative easing (QE) from BoE; tapering of ECB QE to 30bn EUR in January 2018 and 0 in October 2018; tapering of BoJ QE to 50trn JPY ann. In 1Q18, 40trn JPY ann. in 2Q18, 30trn JPY ann. in 4Q18, and 20trn JPY ann. In 2019; and tapering of Fed QE per the September FOMC statement, incorporating a maturity schedule. **Including: U.S., Eurozone, Japan, UK, Canada, Australia, Sweden, Norway, Denmark and Switzerland. Guide to the Markets – U.S. Data are as of 12/31/17.

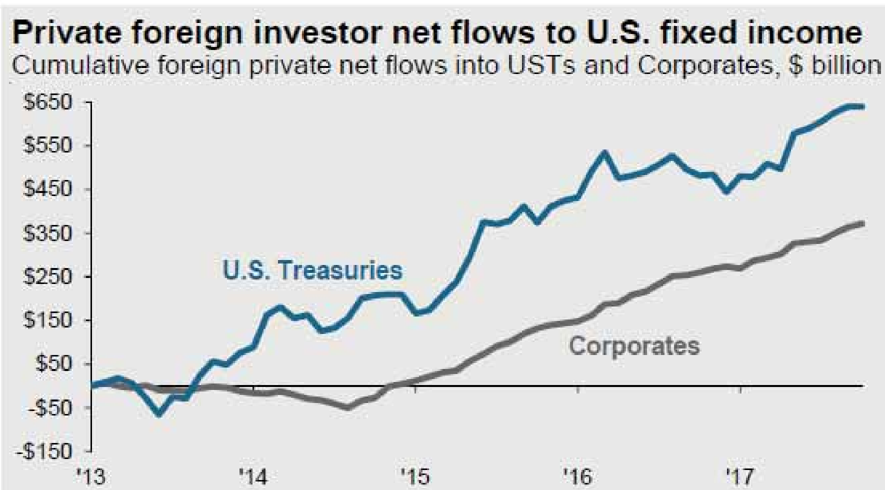
The Long Unwinding Road

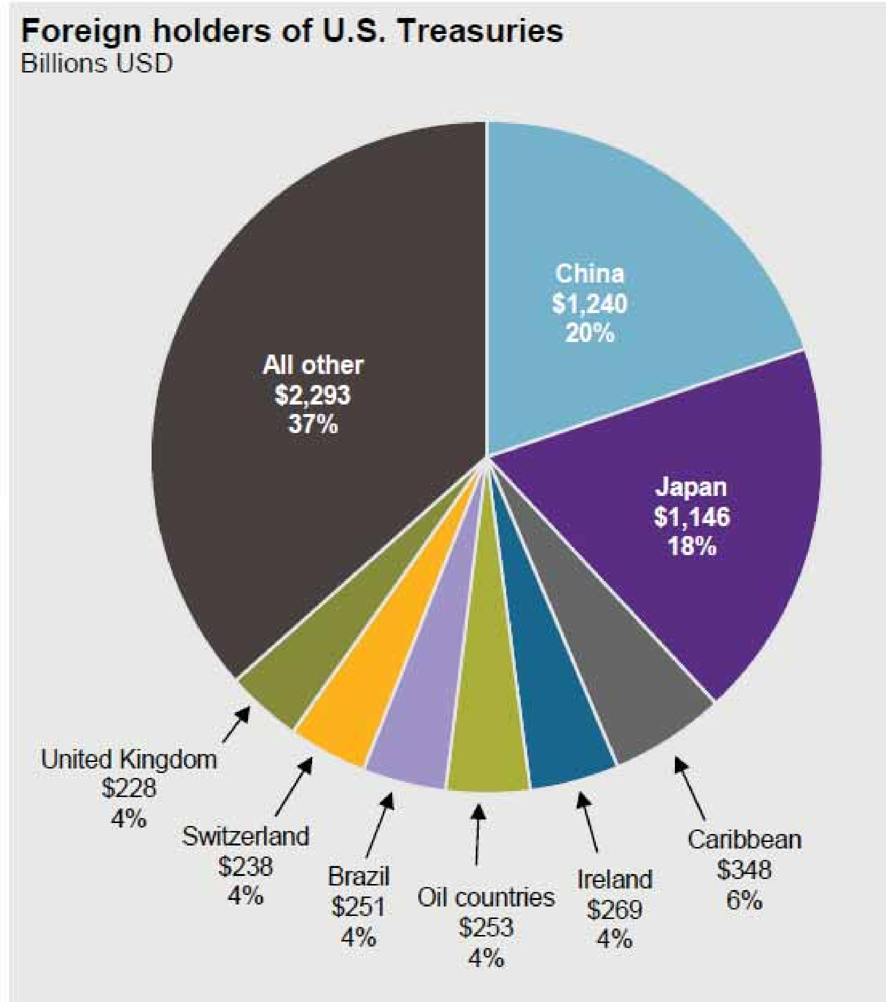


Source: Federal Reserve, FactSet, J.P. Morgan Asset Management. Currently, the balance sheet contains $2.5 trillion in Treasuries and $1.8 trillion in MBS. The end balance forecast is $1.6 trillion in Treasuries and $1 trillion in MBS. *Balance sheet reduction assumes reduction from current level, beginning October 2017 until December 2021. Reduction of Treasuries and MBS is per FOMC guidelines from the September 2017 meeting minutes: the cap on Treasury securities will being at $6 billion per month initially and reduction rate will increase in steps of $6 billion at three-month intervals over 12 months until reaching $30 billion per month; the MBS cap will begin at $4 billion per month initially and will increase in steps of $4 billion at three-month intervals over 12 months until reaching $20 billion per month; Other assets are reduced in proportion. In those months where the amount of maturing assets do not exceed the stated cap then the balance sheet will be reduced by the total amount of maturing assets. Guide to the Markets – U.S. Data are as of 12/31/17.

Foreign Ownership of U.S. Treasuries





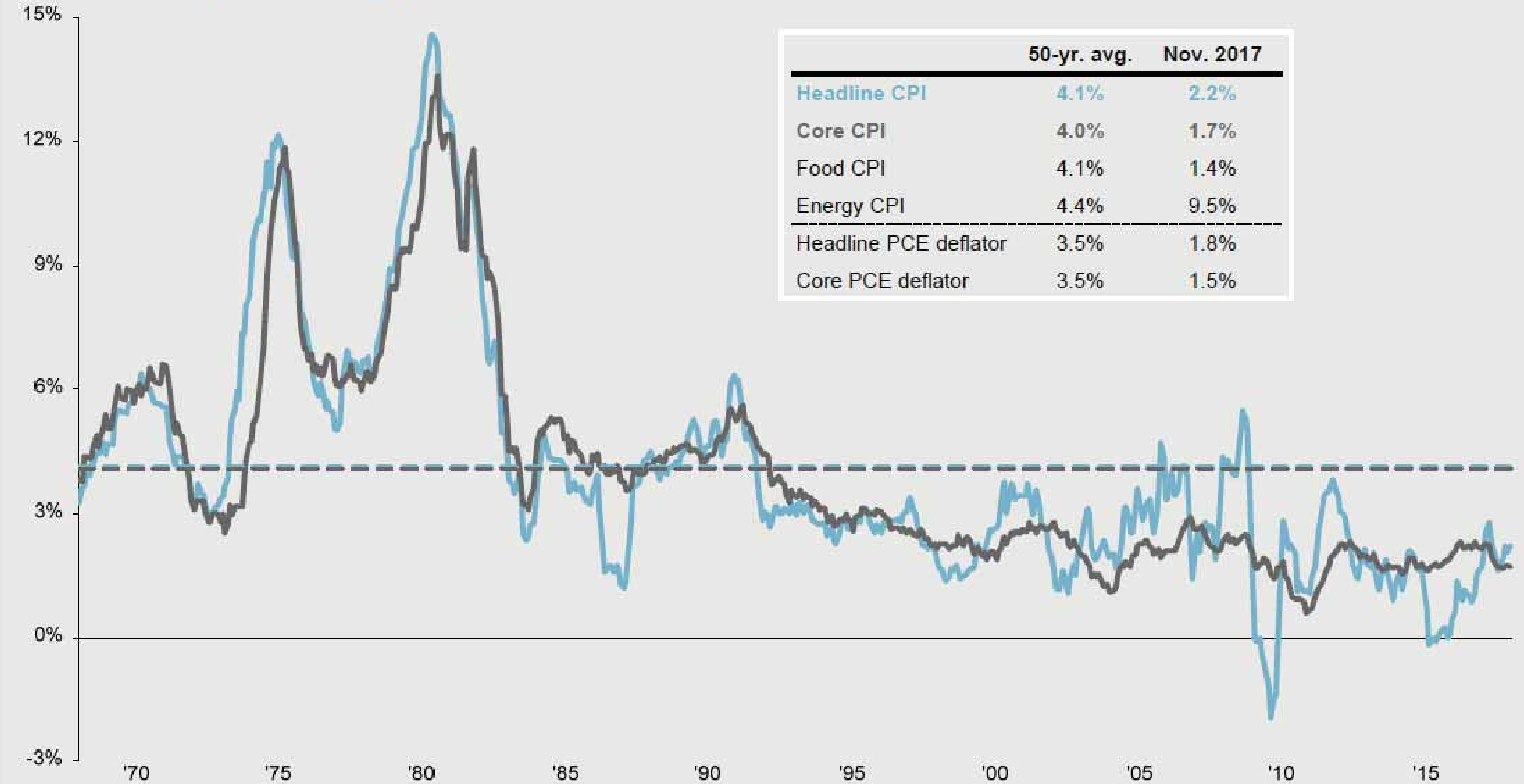


Source: U.S. Treasury Department TIC, J.P. Morgan Asset Management. Data reflects most recently available information published by the U.S. Treasury in April 2017 for the period ending June 2016. Based on long-term marketable securities less bills outstanding. Caribbean Banking Centers include Bahamas, Bermuda, Cayman Islands, Netherlands Antilles and Panama. Oil countries include Ecuador, Venezuela, Indonesia, Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, the United Arab Emirates, Algeria, Gabon, Libya and Nigeria. Data on this page are updated quarterly to reflect revisions by the Treasury. Guide to the Markets – U.S. Data are as of 12/31/17.

Inflation Has Remained Low

CPI and core CPI

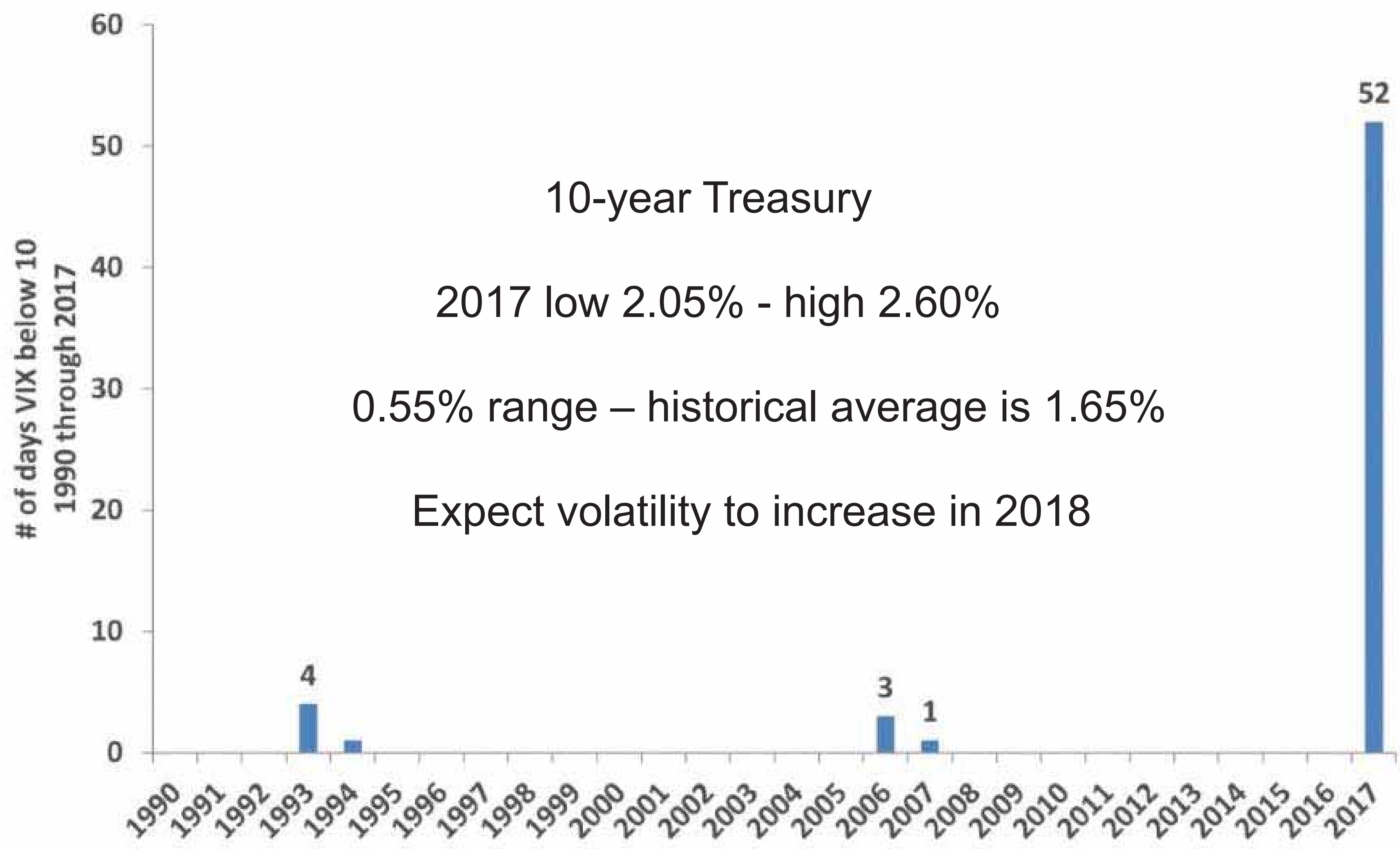
% change vs. prior year, seasonally adjusted



	50-yr. avg.	Nov. 2017
Headline CPI	4.1%	2.2%
Core CPI	4.0%	1.7%
Food CPI	4.1%	1.4%
Energy CPI	4.4%	9.5%
Headline PCE deflator	3.5%	1.8%
Core PCE deflator	3.5%	1.5%

Source: BLS, FactSet, J.P. Morgan Asset Management. CPI used is CPI-U and values shown are % change vs. one year ago. Core CPI is defined as CPI excluding food and energy prices. The Personal Consumption Expenditure (PCE) deflator employs an evolving chain-weighted basket of consumer expenditures instead of the fixed-weight basket used in CPI calculations. Past performance is not a reliable indicator of current and future results. Guide to the Markets – U.S. Data are as of 12/31/17.

Low Volatility - Number of Days VIX Index Closed Below 10



10-year Treasury

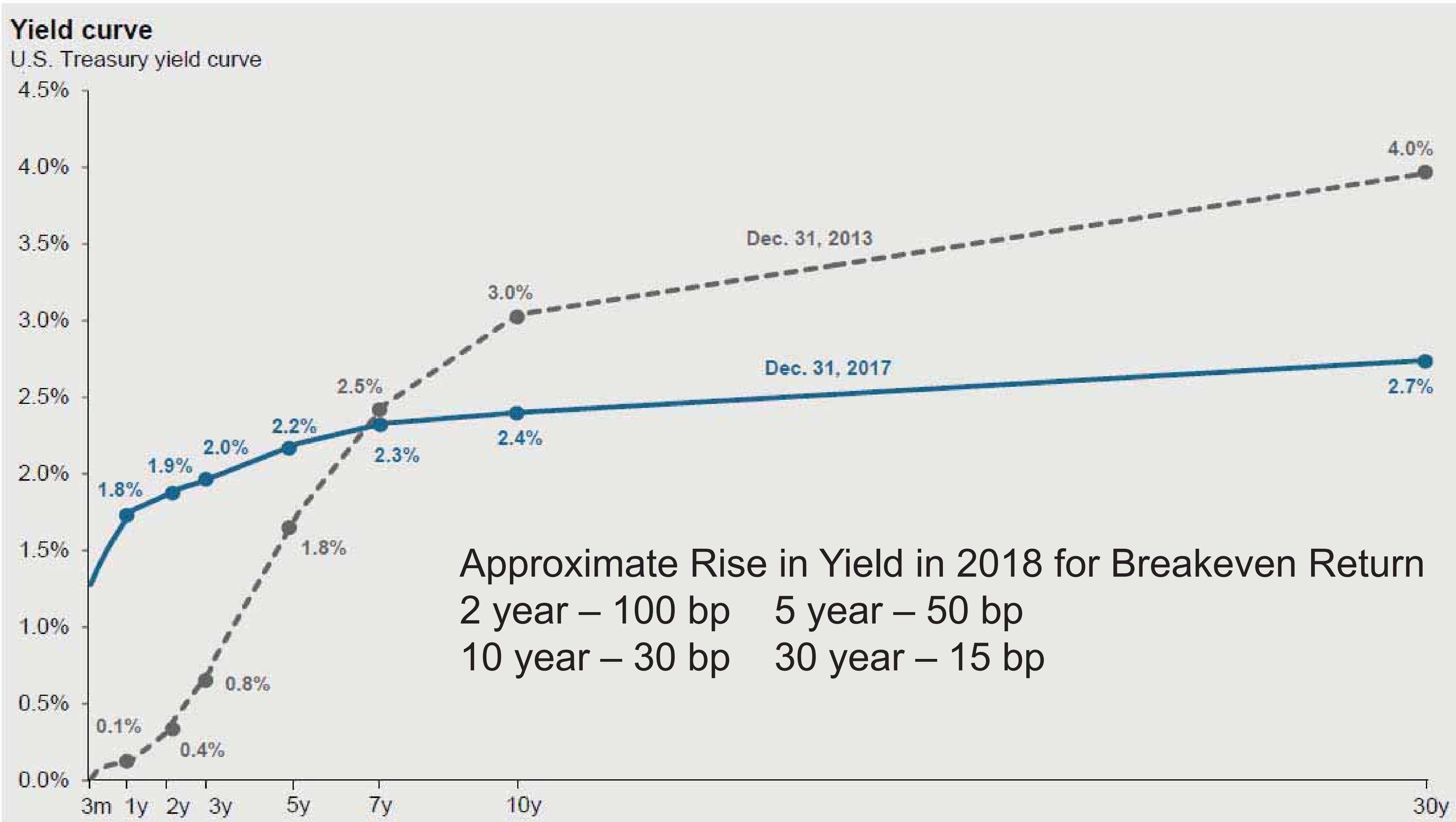
2017 low 2.05% - high 2.60%

0.55% range – historical average is 1.65%

Expect volatility to increase in 2018

Source: Bloomberg, DoubleLine.
VIX = CBOE Volatility Index measures the stock market's expectation of volatility implied by S&P 500 index options calculated by the Chicago Board Options Exchange. You cannot invest directly in an index.

The Yield Curve is Flattening



Approximate Rise in Yield in 2018 for Breakeven Return

2 year – 100 bp   5 year – 50 bp

10 year – 30 bp   30 year – 15 bp

Source: FactSet, Federal Reserve, J.P. Morgan Asset Management. Guide to the Markets – U.S. Data are as of 12/31/17.

Municipal Market Update

1. Effect of Tax Reform
2. High Yield Municipals
3. Default Rate Update

History shows municipal bond prices are not affected by federal income tax rates

Period	Maximum Tax Rate	Bond Buyer 20 / 10-Year Treasury Yield	Bond Buyer 20 / 30-Year Treasury Yield
1982 - 1986	50.0%	87.7%	87.4%
1987	38.5%	91.0%	89.0%
1988 - 1990	33.0%	85.7%	85.3%
1991 - 1992	31.0%	90.2%	84.5%
1993 - 2001	39.6%	93.5%	88.8%

- **During the Reagan Era** taxes were cut, but municipal bonds produced a return of 15.2%
- **During George W. Bush's presidency** taxes were cut, but municipal bonds produced a return of 5.5%
- **During Barack Obama's tenure** taxes were raised and the municipal-to-Treasury ratio increased

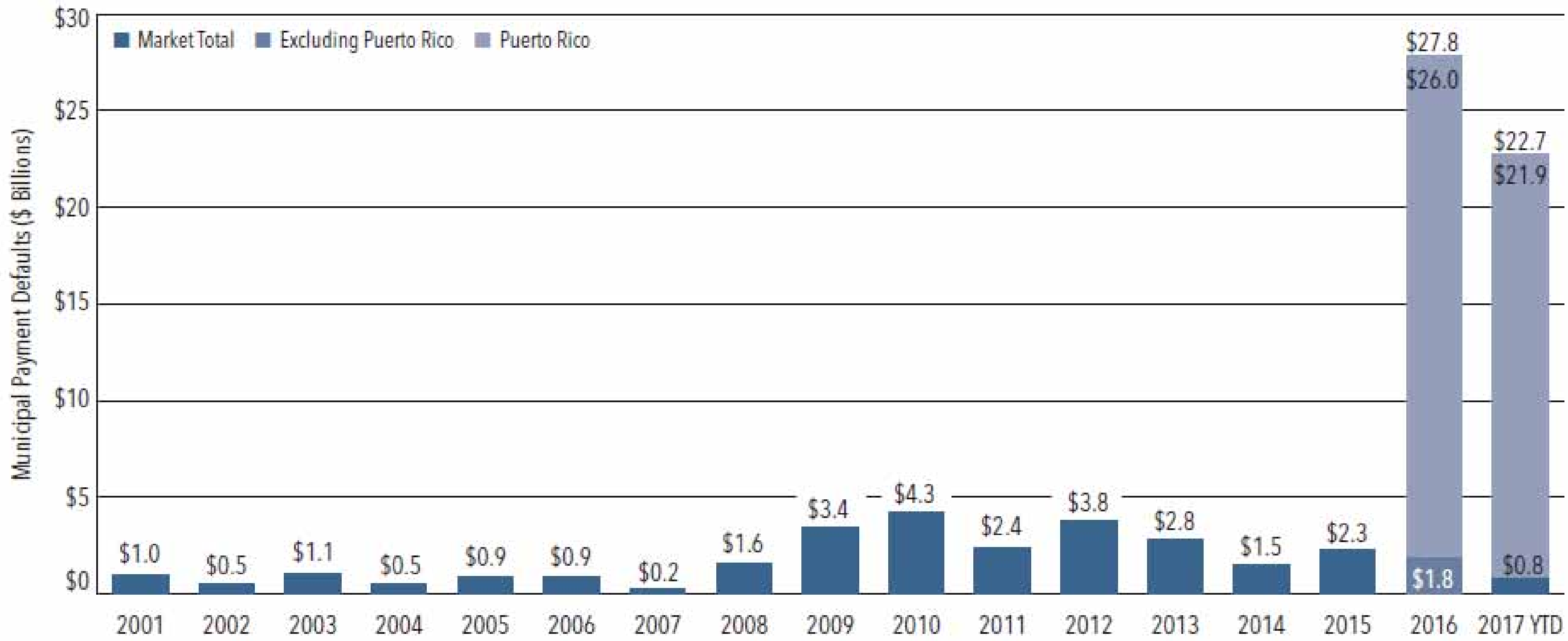
Source: Bloomberg, LP; Maximum Tax Rate, Walters Kluwer, CCH, http://www.cch.com/WBOT2013/029IncomeTaxRates.asp. Past performance is no guarantee of future results. Indices are unmanaged and unavailable for direct investment. Nuveen Asset Management – Municipal Market Update 11/30/17.

High Yield Municipals Are Cheap Relative to High Yield Corporates

Source: Bloomberg, LP, 10/31/95 – 11/30/17. **Past performance is no guarantee of future results. Representative Indexes: High Yield Municipal**: Bloomberg Barclays High Yield Municipal Index, **High Yield Corporate**: Bloomberg Barclays U.S. High Yield Corporate Index. High yield or lower-rated bonds and municipal bonds carry greater credit risk, and are subject to greater price volatility. Indices are unmanaged and unavailable for direct investment. Nuveen Asset Management – Municipal Market Update 11/30/17.

Defaults Are Running at the Lowest Level Since 2008 (excluding Puerto Rico)

Defaults have increased, but meaningful increases are due to Puerto Rico



There were only two Chapter 9 bankruptcy filings so far in 2017. Puerto Rico made up 94% of 2016 defaults.

Source: Municipals Weekly Bank of Amercia/Merrill Lynch Research, December 1, 2017. Data as of 12/1/17, most recent data available. Data represents defaults on the entire universe of bonds, both rated and unrated, and includes Puerto Rico defaults. Nuveen Asset Management – Municipal Market Update 11/30/17.

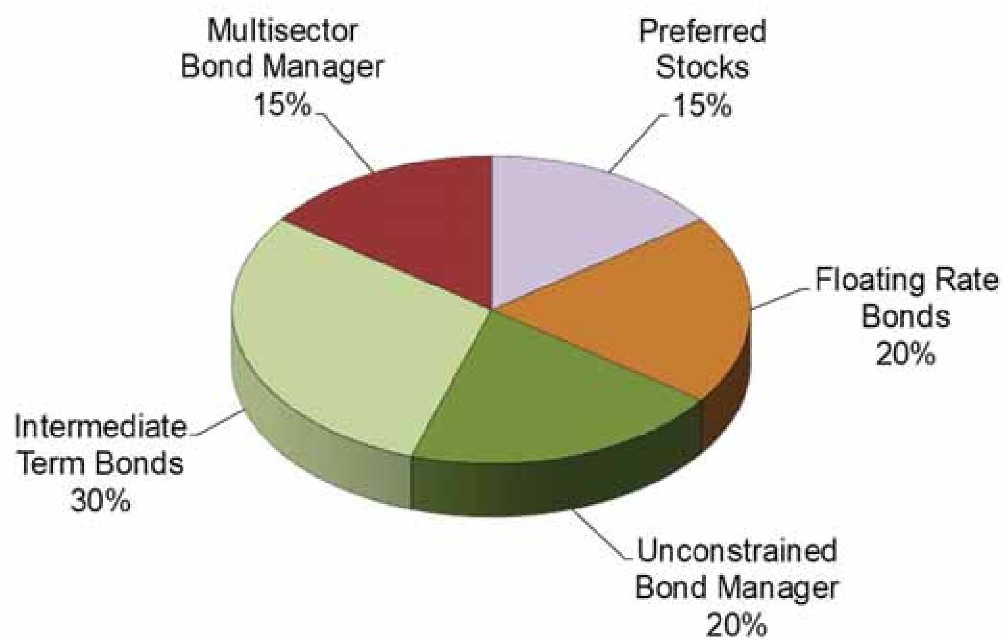
Portfolio Positioning in Fixed Income

- **Duration:** Maintain a defensive posture in a rising rate environment. *Taxable income portfolio = 3.0 years vs. 6.0 years for benchmark.*

- **Risk:** Keep a bias toward higher quality. Currently avoiding high-yield and bank loans in taxable markets. Yield advantage obtained through preferred stock (*Cohen and Steers*) and investment-grade floating rate sectors (*FLRN*).

- **Flexibility:** Use unconstrained (*Blackrock)* and global sector opportunity managers. (*JP Morgan*)

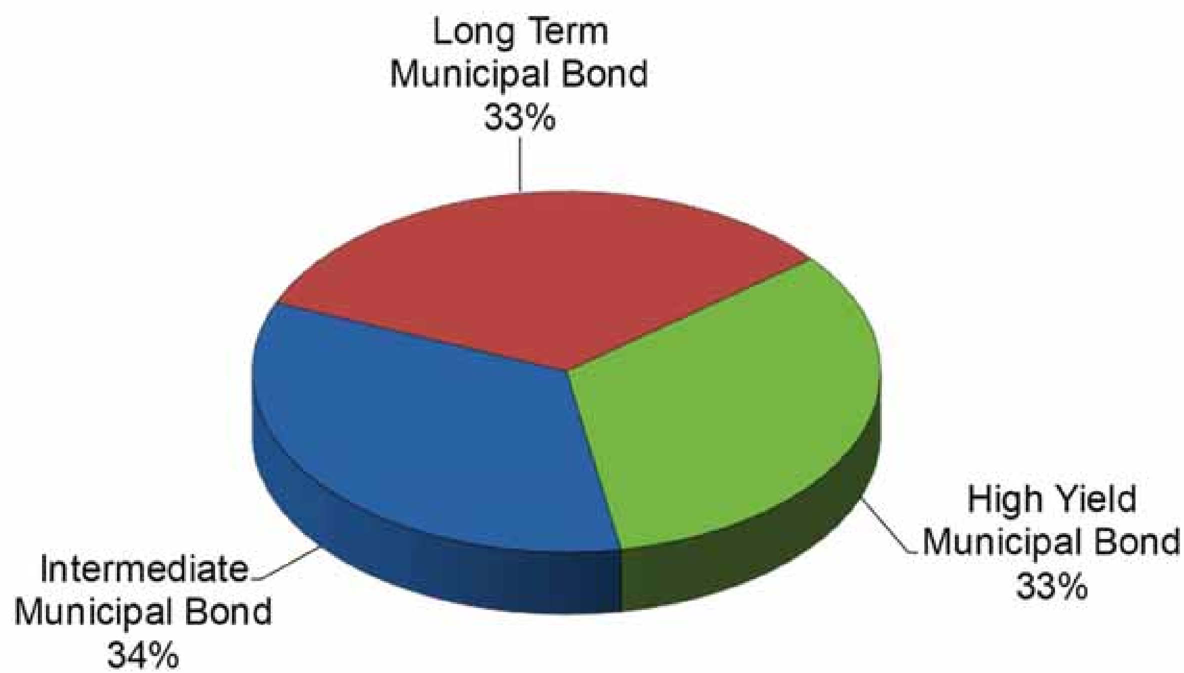
HKFS Model Portfolios: Taxable Income Mutual Funds



Yield 2.84%

The HKFS taxable income fund model allocations are based on a long-term view of global income markets. The HKFS Investment Advisory Committee regularly reviews and recommends strategic adjustments to style allocations based on changing market conditions. In addition, investment vehicles that represent each style are monitored and adjusted based on style weighting changes or relative performance to peers.

HKFS Model Portfolios: Municipal Income Fund



Yield 3.72%

The HKFS municipal income fund model allocations are based on a long-term view of global income markets. The HKFS Investment Advisory Committee regularly reviews and recommends strategic adjustments to style allocations based on changing market conditions. In addition, investment vehicles that represent each style are monitored and adjusted based on style weighting changes or relative performance to peers.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