CIO PORTFOLIO STRUCTURE
ASSET ALLOCATION MODELS

WINTHROP CAPITAL MANAGEMENT

FIRST QUARTER 2019

PORTFOLIO STRUCTURE SUMMARY

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Domestic Equities have experienced heightened volatility over the 4Q 2018 and into 2019. The confluence of trade tariff uncertainty with China, slowing domestic and global growth, political brinksmanship resulting in the shutdown of the U.S. government, and a Brexit without a confirmed plan to leave the EU are just some of the converging factors that are currently impacting investor decisions. Our proprietary research and macroeconomic view allows us to identify trends in the market and structure our models with strategic allocations in the following asset classes for this quarter.

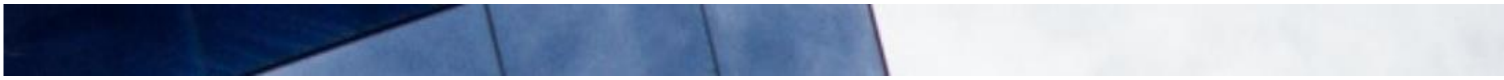
- **Domestic Equity: We are increasing our allocation to domestic large cap equities given the current valuations.**
  We expect earnings growth in 1Q 2019 to slow; however, the cash flow generation from large cap companies remains strong. We are overweight large cap relative to small and mid-cap. Year-over-year comparisons will no longer benefit from the bump in the Tax Reform and Jobs Act of 2017 which helped to support stronger earnings growth in 2018.

- **Domestic Fixed Income: We favor credit based short duration strategies in investment grade and high yield.**
  We believe there is a natural level to how high interest can actually move given the overall fragile recovery experienced since 2008. While we are concerned about a potential shift in the credit cycle which would result in deterioration in credit, we believe investors are compensated well in the short duration credit area. We would prefer to take on credit risk rather than duration risk in our recommended portfolio allocation. Given the recent widening in spreads in the high yield sector, we are looking for an entry point to add to high yield exposure.

- **Global Equity: We expect global growth to continue to slow in first half of 2019.**
  We expect global growth of the developed countries to decelerate in the first half of 2019. U.S. domestic economic growth remains one of the stronger economies in the world. Emerging market economies are struggling and capital flows to the emerging economies are significantly lower over the past five years which gives us pause to an increased allocation in our models. Emerging markets have under-performed significantly over the past three years and we consider cheap on a valuation basis.

- **Global Fixed Income: We are currently void of global fixed income in our models.**
  The expected returns for investing in global fixed income through pooled products does not compensate investors for the risk. This asset class generally offers the potential return of domestic high yield with the heightened volatility of equities. This asset class can be disruptive to a risk based portfolio structure.

- **Alternatives: We consider hedge funds, real estate, and private investment in our alternative sector.**
  We continue to believe this asset class can offer excellent diversification for a portfolio but remain focused on fees. Currently, we prefer Global Macro and Risk Parity strategies. Risk Parity translates well into the mutual fund; however, Global Macro strategies tend to be long only in the Registered Investment Company (RIC) structure and not representative of institutional product.



ASSET ALLOCATION & PORTFOLIO STRUCTURE

Our asset allocation models are based on algorithms which considers several inputs, including an analysis of each managers expected volatility, correlation with other asset classes, and expected returns. Our asset allocation further considers the intrinsic valuation of the markets in which we invest. We review over 50 Asset Classes covering over 8,000 Exchange Traded Funds and Mutual Funds each quarter which are then screened to determine those securities with the following characteristics:

- **Exceed the performance of their benchmark over the past three to five years**
- **Volatility in line with their benchmark**
- **Sharpe ratio that is in excess of the benchmark over the past three years**
- **Low fees**

In general, during periods of high valuation and low volatility, we seek to reduce the overall portfolio risk. In contrast, during periods of high volatility and reduce valuations, we seek to increase portfolio risk and potential return. Shifts in portfolio allocation consider the potential for investment return over the long term.

Given the recent shift in equity valuations, we have made several steps to increase the domestic equity allocation and reduce fixed income over the past quarter. In general, the current investment environment continues to favor low expense exchange traded funds over mutual funds in both equity and fixed income asset classes.

Asset Class	Current Tactical Weight*		Q4 2018 Return**	2018 YTD Return**
EQUITIES				
U.S. Large Cap Growth	Over	↑	-15.9%	-1.5%
U.S. Large Cap Value	Over	↑	-11.7%	-8.3%
U.S. Small Cap Growth	Over	↑	-21.7%	-9.34%
U.S. Small Cap Value	Neutral	↑	-18.7%	-12.9%
International Developed	Neutral	↓	-12.7%	-13.6%
Emerging Markets	Neutral	↓	-7.5%	-14.4%
FIXED INCOME				
U.S. Governments	Under	↓	1.2%	0.3%
U.S. Mortgages	Under	↓	2.1%	1.0%
U.S. Corporates	Neutral	↑	0.1%	-2.1%
U.S. Municipal	Neutral	↓	1.7%	1.3%
High Yield	Under	↑	-4.5%	1.3%
International Fixed Income	Under	↓	1.0%	-1.4%
Cash	Neutral	→	2.6%	0.9%

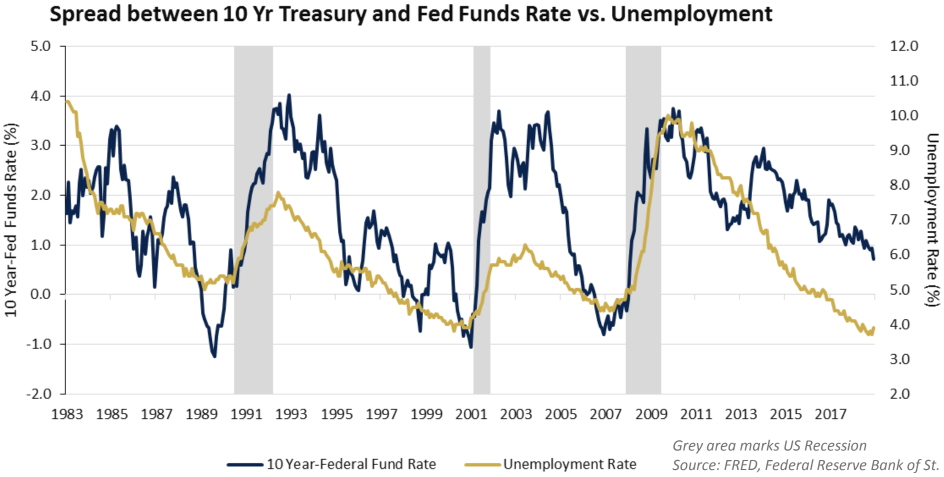
Source: Bloomberg, Barclays

**Tactical Weight Based on moderate U.S. Client Allocations (low tax sensitivity)*

*** US Large Cap Growth = Russel 1000 Growth TR, US Large Cap Value = Russell 1000 Value TR, US Small Cap Growth = Russell 2000 Growth TR, US Small Cap Value = Russell 2000 Value TR, International Developed = MSCI World ex USA NR, Emerging Markets = MSCI EM NR, Governments = Bloomberg Barclays Government Related, Mortgages = Bloomberg Barclays U.S. MBS, Corporates = Bloomberg Barclays U.S. Credit, High Yield = Bloomberg U.S. Corporate High Yield, International Fixed Income = Bloomberg Barclays Emerging Market Fixed Income, Cash = Bloomberg Barclays U.S. Treasury*

We are expecting the domestic economy to slow in 2019. The unemployment rate and slope of the yield curve are highly correlated. While there is still room for economic expansion, signs in the market are confirming a slowdown is nearing.

Spread between 10 Yr Treasury and Fed Funds Rate vs. Unemployment



Grey area marks US Recession
Source: FRED, Federal Reserve Bank of St. Louis

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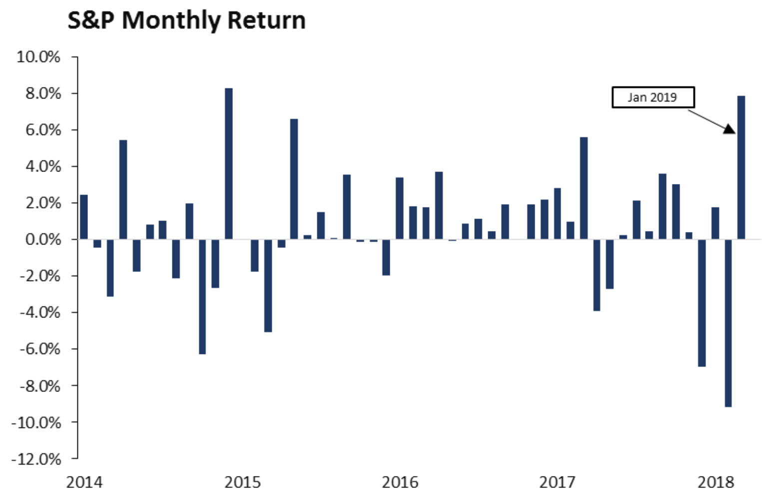
DOMESTIC EQUITY ALLOCATION

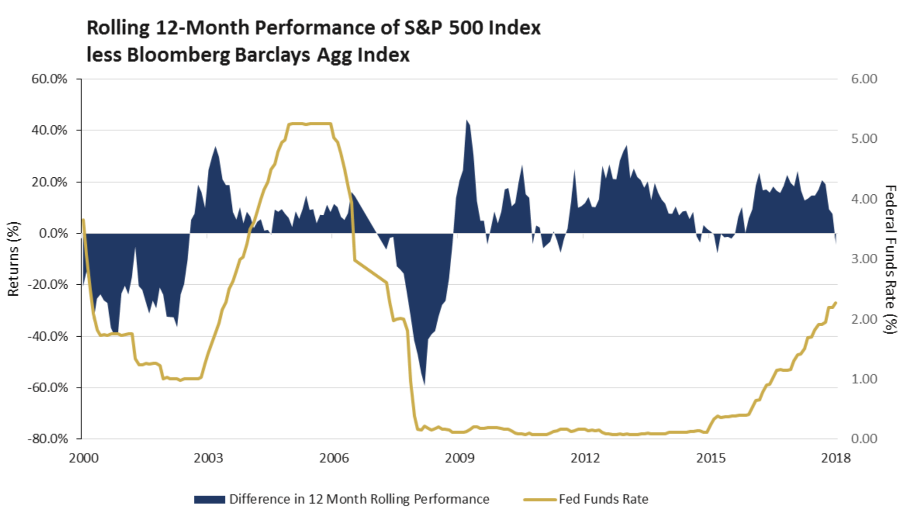
With the sharp sell-off in domestic equities during the 4Q 2018, the domestic equity market, measured by the S&P 500 approached fair value. With expected earnings on the S&P 500 at $171 and earnings growth close to 3%, at a 15 multiple to future earnings, we believe the S&P 500 is near fair value between 2600 and 2650. Volatility spiked in the fourth quarter as equity prices plummeted. The recovery in equity prices in 2019 has been strong as progress around issues including China trade and border security are made.



Our concerns over the sustainability of economic growth this year are clouding our outlook for earnings growth. On the positive side, profit margins are near historic wide levels and companies are throwing off significant cash flow. However, increased interest expense, rising labor costs and rising materials costs will likely put pressure on margins in 2019. We are less concerned about the threat to rising interest rates on equity valuations given our expectation for slower growth. We are not in the camp that an economic recession is imminent.

We believe that small cap stocks generally perform well during periods of credit expansion. While Consumer & Industrial loan growth has been stubbornly slow over the last three years, we have seen a marked increase in year over year loan growth in 4Q 2018. As a result, we are looking for an opportunity to potentially increase our mid and small cap exposure. However, the targeted risk in the small cap space limits the overall size of the overall portfolio allocation.

Given our expectation for slowing economic growth, we are constructive on bond allocations in our model portfolios. Bonds typically outperform stocks during periods of economic slowdown.



GLOBAL EQUITY ALLOCATION

We expect global growth of the developed countries to decelerate in the first half of 2019. The U.S. economy remains the largest economy in the world, and we expect economic growth will continue to outpace other developed countries in 2019. We continue to favor ETFs and Index Funds with lower fees over actively managed funds on this environment.

Quarterly Change in GDP at an annualized rate

Source: DESTATIS, FRED

Europe's economy is slowing as Brexit casts a shadow over business investment and consumption. Italy's economy moved into recession in the fourth quarter of 2018. In addition, Germany's economy, which is heavy manufacturing, is slowing dramatically.

Economic growth in emerging market countries has generally struggled over the past three years. In addition, capital flows to the emerging economies are significantly lower over the past five years, which gives us pause to an increased allocation in our models. Emerging markets have under-performed significantly over the past three years and we consider them cheap on a valuation basis.

SECTOR ALLOCATION

The recent volatility has significantly impacted sector performance and valuations.

Sector	Q4 2018 Allocation (%)	1Q 2019 Allocation (%)	Total Return 2018 (%)*	Total Return 4Q 2018 (%)*
Consumer Discretionary	10.3%	9.9%	1.6%	-15.2%
Consumer Staples	6.7%	7.4%	-8.1%	-5.0%
Industrials	9.7%	9.2%	-13.2%	-17.3%
Communications	10.0%	10.1%	-16.8%	-14.6%
Technology	21.0%	20.1%	-1.7%	-17.4%
Health Care	15.0%	15.5%	6.3%	-8.7%
Real Estate	2.7%	3.0%	-2.4%	-3.8%
Financials	13.3%	13.3%	-13.0%	-3.8%
Basic Materials	2.4%	2.7%	-14.8%	-12.2%
Energy	6.0%	5.3%	-18.2%	-23.6%
Utilities	2.8%	3.3%	3.9%	1.4%

Source: S&P 500

4Q 2018 earnings in the banking sector were mixed. Banks showed strength on the core business, but they showed weakness in fixed income trading and investment banking. We expect the decline in interest rates and improvement in overall market liquidity will support increases in fixed income trading.

Valuations in the Technology sector were sharply lower in 4Q 2018. The movement in the Technology sector is highly sensitive to the largest holdings represented. The five largest technology stocks now represent 49.5% of the total Technology sector.

Technology Sector	Market Cap $ billions*	% of Sector	Total Return 2018 (%)	Total Return 4Q 2018 (%)
Microsoft	$828.3	17.8%	20.8%	-10.8%
Apple	$746.1	16.0%	-5.4%	-29.9%
Visa	$305.6	6.6%	16.5%	-11.9%
Intel	$214.6	4.6%	4.2%	-0.1%
Cisco	$207.3	4.5%	16.6%	-10.3%
Technology Sector Total	**$4,648.9**	**49.5%**		

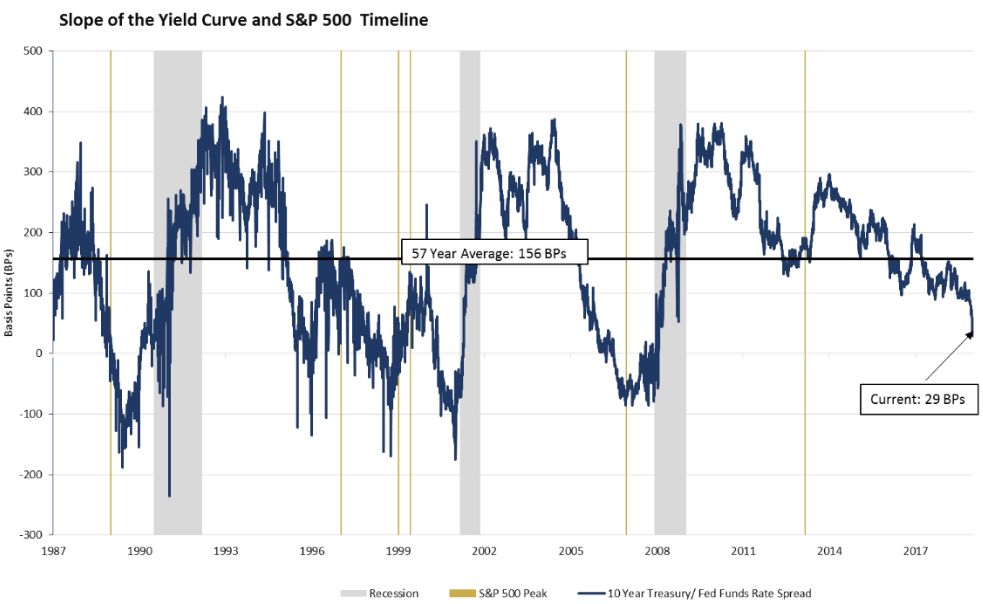
Source: Bloomberg
**Notes: Technology market cap is based off of XLK SPDR Information Technology Sector ETF holdings as of 12/31/2018*

We are reducing our weightings toward the manufacturing and communications sectors near term. Manufacturing is currently slowing as trade concerns with China and Europe are impacting the sector. While we are constructive long term on the Communications sector, we have near term concerns on balance sheet leverage and execution risk with the shift to direct to consumer business models with several of the larger companies in the sector.

FIXED INCOME

Over the past several years, our view on the risk reward relationship in the fixed income sector favored short duration credit. The single biggest determinant to total return for fixed income is the duration exposure in the portfolio. Our bias, given the overall general trend toward increasing interest rates, is to remain short in our duration exposure. With inflation expectations below the Fed's target of 2%, we are underweight Treasury Inflation Protected Securities (TIPS).

We believe there is a natural level to how high interest can actually move given the overall fragile economic recovery experienced since 2008. While we are concerned about a potential shift in the credit cycle which would result in deterioration in credit, we believe investors are compensated well in the short duration credit area. We would prefer to take on credit risk rather than duration risk in our recommended portfolio allocation. Given the recent widening in spreads in the high yield sector, we are looking for an entry point to add to high yield exposure.



Source: FRED, Federal Reserve Bank of St. Louis
Current 10-Year Treasury minus the Federal Funds rate
Grey Area Indicates US Recessionary Period

We are cautious on floating rate securities which use leverage loans. We believe we are on the front end of a potential turn in the credit cycle. Leverage loans are a larger piece of the capital markets and have increased to over $1.0 trillion in size which is larger than the high yield market. This pushes risk from the banking sector, which historically held this asset class, directly into the market. Many leveraged loans have been underwritten with lower standard of covenant protection. These loans, known as "covenant light loans," often exhibit deterioration early in the credit cycle. Many floating rate mutual funds invest portfolio assets in leverage loans which represents a higher level of credit risk for this specific strategy than we desire.

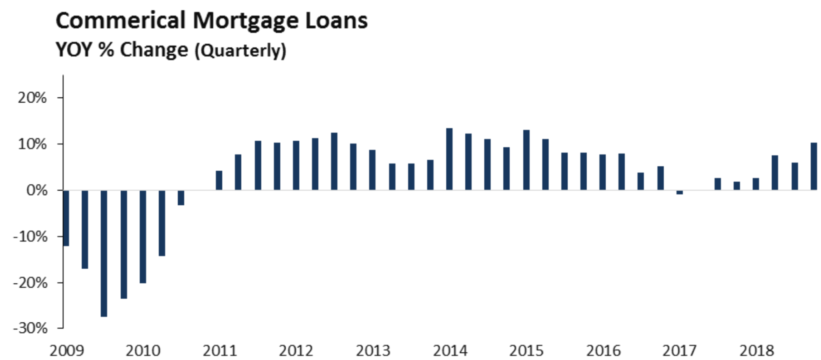
Global fixed income is a challenging asset class for retail investors limited to pooled products such as mutual funds and ETF's because of the high fees, long bias and general portfolios structure. Global fixed income funds can exhibit high levels of volatility that are not necessarily commensurate with their realized total rates of return over measured rime horizons. In addition, the current deficit spending for many sovereign issuers and the outlook for a global economic slowdown do not provide a catalysts for credit improvement. As a result, we do not currently include an allocation to global fixed income in our asset allocations.

ALTERNATIVES

We view Alternative assets as import part of a diversified portfolio. In general, our Alternatives sector considers Private Equity, Hedge Funds, Real Estate, Private Investments, Business Development Companies, and Liquid Alternatives.

- **Hedge Funds**
  We maintain our preference for Global Macro and Multi-Strategy hedge funds. We are looking for hedge funds that generate positive Sharpe ratios. As volatility is likely to increase in the future, we expect these types of funds to contribute to the overall performance of the portfolio in a non-correlated manner. We prefer market neutral hedge funds because they have lower correlations to other asset classes in the portfolio and are more likely to provide alpha when measured correctly against a multi-factor benchmark.

- **Real Estate**
  Commercial real estate should benefit from lower interest rates, which will help support the current cap rate level. Commercial real estate has experienced solid growth over the past ten years, and low interest rates will help continue to fuel development. We are cautious on valuations in certain geographic areas as cap rates have declined to extremely low levels; however, we do not see any immediate catalysts for valuation changes.



Source: Boards of Governors of the Federal Reserve System

- **Private Investment**
  Valuations for private companies have increased dramatically over the past decade as demand for private equity funds has increased. Forward looking returns for private equity funds and direct private equity investments are lower than they have been in the past. Given the high valuations, skill is more important than ever in this space.

- **Business Development Companies**
  Business Development Companies (BDCs) are a business structure that came into existence in 1980 as an amendment to the Investment Act of 1940. For asset allocations that are limited to public securities, BDCs offer non-correlated returns and a high level of income. However, BDC corporate structures allow for higher levels of leverage than closed end funds and have higher fees. We are cautious on BDCs because the underlying collateral is generally a form of leveraged loans which we have concerns. However, the recent price decline of many BDCs provides an entry point for long term total return investors.

- **Liquid Alternatives**
  Despite the dramatic underperformance from liquid alternatives in 2018, we still maintain a small strategic allocation to this sector. The low correlation to other asset classes makes well run, fee-conscious liquid asset funds attractive over long time periods. We are looking to add to our allocation in Liquid Alternatives given current valuations.

DISCLAIMER

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