THE SEDORIC GROUP
of Steward Partners

2018 Stakeholder Report

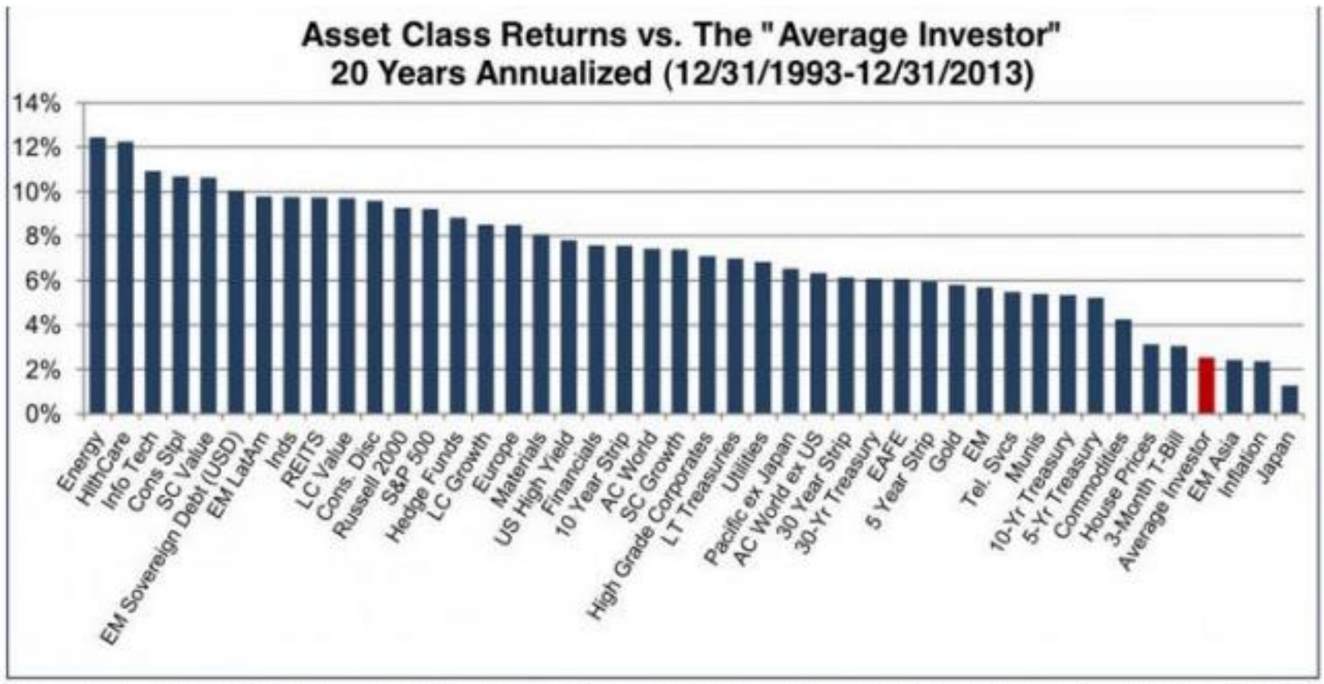
2017 is behind us. The year was marked with periods of disruption, unprecedented geopolitical turbulence, and economic expansion with benign market volatility. Low interest rates remain and central bankers are challenged with how to unwind the stimulus from the Great Recession. The Sedoric Group has never been more energized to help clients reach their desired destination in this environment. We are fiduciaries and everything we do is with our client's goals and objectives in mind. It is because of you we continue to invest in the evolution of our team and the array of services we provide. We thank you in advance for taking the time to read our annual Stakeholder Report and promise that whatever 2018 has in store, we look forward to managing and overcoming challenges together with you.

Practice Update

Ever since our inception, The Sedoric Group has continued to enhance our planning and process to help improve client outcomes. 2017 represents the year we were able to orchestrate the following components as we prepare to steward clients through an uncertain and evolving economic and political landscape.

- We simplified our annual meeting and periodic review process to deliver relevant content based on client interests and concerns.
- We researched and launched a proprietary process to help identify the behavioral and financial characteristics of successful outcomes to help quantify overall engagement and enhance client outcomes.
- We introduced web conferencing/desktop sharing technologies to review investment, planning, scenario analysis, and situational modeling.
- We designed our Client Scorecard and Client Financial Review (CFR) to help organize the investment planning process into digestible bites, while also making sure we continue to focus on the elements of the planning process that drive success and are within our control.

The following graph displays how investor psychology and behavioral response can undermine success over time:



Source: Richard Bernstein Advisors LLC., Bloomberg, MSCI, Standard & Poor's, Russell, HFRI, BofA Merrill Lynch, Dalbar, FHFA, FRB, FTSE. Total Returns in USD.
Average Investor is represented by Dalbar's average asset allocation investor return, which utilizes the net of aggregate mutual fund sales, redemptions and exchanges each month as a measure of investor behavior.
For Index descriptors, see "Index Descriptions" at end of document.

Richard Bernstein Advisors

Team Update

This past April, our team quietly celebrated the successful retirement of Michele Richard. Nothing makes us prouder than to see planning and process work for one of our very own. Dana and Michele prepared, masterfully, to spend more time on the golf course and giving back to her community. Tom was invited to moderate a panel on team mentoring and reverse mentoring at the Barron's Magazine 'Top Advisor" meeting in Florida and once again at the "Top Teams" Conference in Las Vegas this winter. The Sedoric Group has also been recognized by Forbes Magazine as one of the top investment teams in the nation for 2018i .

In preparation for the future and the evolving needs of our clients, we are proud to announce that Casey successfully passed the comprehensive CERTIFIED FINANCIAL PLANNER™ exam in November and is now enjoys adding CFP® to his title. To complete the rigorous educational requirement and pass the exam, Casey had to master nearly 100 integrated financial planning topics and his team, friends and our clients are proud of his passage on the first "go". Our clients benefit from this additional expertise and Casey's credentials.

Financial and Economic Update

Despite all the noise and a barrage of tweets, the world economy in 2017 had its best year since the 2008 financial crisis. Investors were rewarded with global equities delivering above average returns and bond markets, albeit pronounced dead multiple times over the past five years, generated respectable single digit returns and relative safety. Domestic stock market volatility was all but exterminated in 2017 and we always remind our investors that volatility and returns are mean regressing. The S&P 500 set a record by going 14 straight months without a loss and the DJIA enjoyed less adversity than any other year in history going back over 100 years. Even with domestic volatility absent, the real winners of 2017 were the foreign and emerging markets. The MSCI EAFE® and MSCI Emerging Marketsii indices witnessed returns of over 25% and 30% respectively in 2017, validating our disciplined approach to global diversification and emphasis on relative valuations. This serves as a worthy reminder of how markets can be cyclical - and why valuations matter.

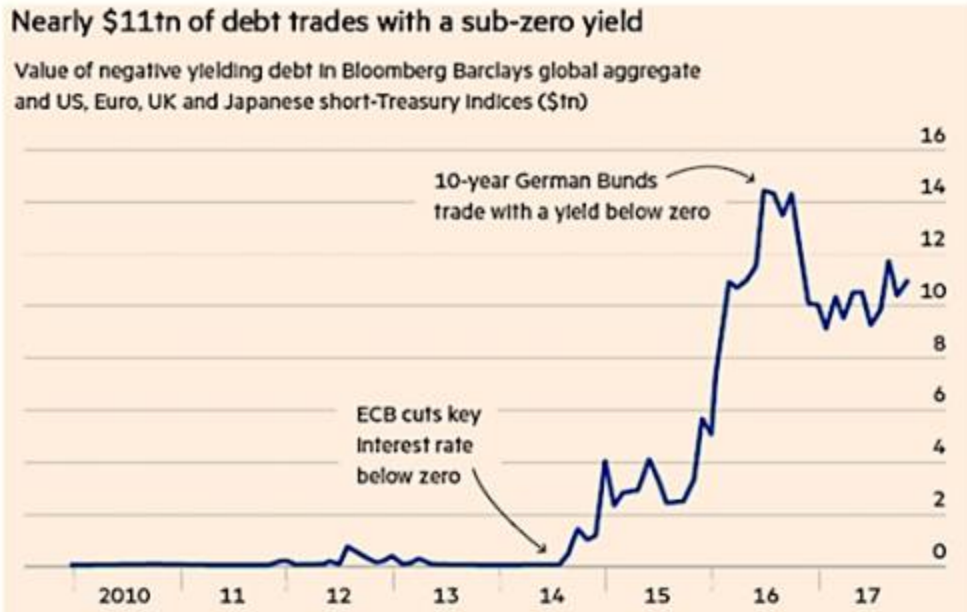
The success of 2017, however, does not dismiss the ongoing dilemma investors' face about the very real prospect that markets revert to their mean, both in price and volatility.

The prospect of lower returns courtesy of a continuation of historically low interest rates, and elevated U.S. equity valuations, makes us question the solvency of plans (i.e. pensions and government benefits) predicated on the assumption of historical average returns. We began discussing this question a number of years ago when we recognized what central bank distortions might do to markets. What was once more of a hypothetical scenario today seems far more plausible: If abnormally low returns were to prevail, we can foresee an environment that may challenge the traditional rules of 'retirement planning' - and financial services in general.

There are also several changes financial professionals are grappling with: the evolution of the "fiduciary rule" and those who do not act as a fiduciary for their clients; aging financial professionals and the lack of transparent or mandated succession planning (we have been fiduciaries for our clients since Tom first pushed for the standard over 15 years ago at A. G. Edwards); digital investment solutions and their inability to act as a fiduciary; and most recently, a number of investment firms abandoning "The Broker Protocol" which set rules in place since 2004 for who owns and is responsible for client results and what is the client's relationship with the firm that custodies their assets. All of this is "inside baseball" and clients need to understand how they are served – or aren't.

Never has Benjamin Franklin's famous quote, "Failing to plan is planning to fail," been more relevant, and we're grateful for your trust as we look forward to the year ahead.

By all accounts, U.S. equity markets are historically expensive. Bond yields and interest rates remain stubbornly low, often lagging inflation, and even yielding negative returns in many countries as shown in the following chart.

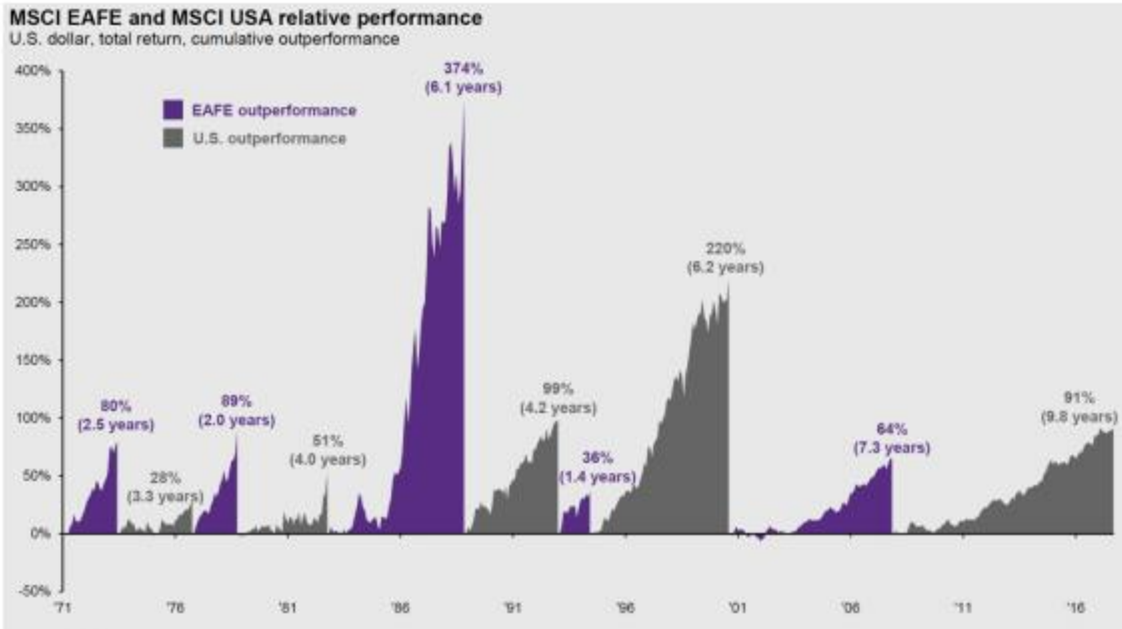


Source: Financial Times

The most alarming part of this equation is the sanguine forecasts and assumptions investors and taxpayers continue to use when modeling longer term returns or carrying costs. The Norwegian sovereign wealth fund (a surplus of wealth reserved for its citizens and one of the largest asset pools in the world) recently lowered its forward looking expected return from 4% to 3% because of record low interest rates and geopolitical risksiii. Compare this decision in prudency to the severely underfunded U.S. public pension system that, as of February 2017, is still using an average return assumption of 7.52%iv . Humans are biased to extrapolate recent results while ignoring mathematical laws that suggest lower returns in the future.

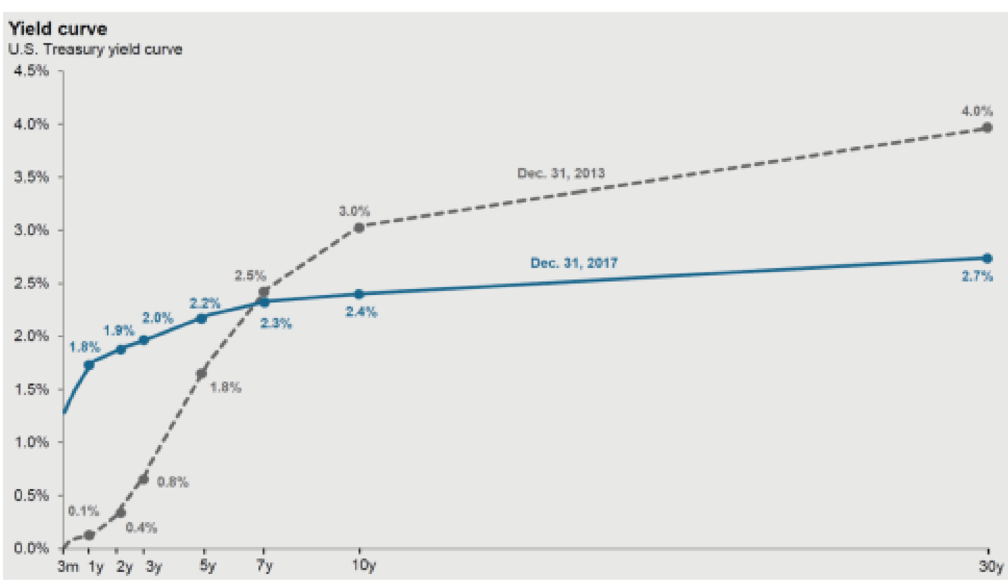
Despite the prospect of lower future returns domestically, we still see relative long-term opportunities overseas. International and emerging market equities have yet to recover from their earlier market highs in 2008, and developed international markets continue to deliver income streams nearly 50% higher than their U.S. counterparts v .

For retiree's living off the income of their assets this is an attractive trait in a world in search of yield. It is also important for investors to remember that a share of stock is merely a claim on a long-term stream of cash flows. The higher the price paid for this future stream, the lower the likely return. Conversely, the lower the price paid, the higher the likely return will be over time.



Source: MSCI, FactSet, J.P. Morgan Asset Management.
Guide to the Markets – U.S. Data are as of September 30, 2017.

In addition to opportunities overseas, we are also challenged by the shape of the domestic yield curve. Higher interest rates in the futures are not assured and equity markets may be ignoring a recession that might follow an inverted yield curve - if it occurs. The yield curve has flattened, not normalized, with recent Fed actions. Falling long-term interest rates are indicative of a lack of future demand, and are directly at odds with elevated equity valuations. As you can see below, long-term interest rates have been in decline since 2013 despite an accelerating economy and an 'opportunistic' tax reform bill meant to further generate economic demand. An inverted yield curve may be in the future, so hold on to your hats, friends. An inverted yield curve has preceded 7 of the past 7 recessions and the graph below displays the current flat yield curve.



Source: FactSet, Federal Reserve, J.P. Morgan Asset Management.
Guide to the Markets – U.S. Data are as of December 31, 2017.

Lastly, we would be remiss if we did not acknowledge the fragility of the geopolitical environment. Like chaos theory, the more players in motion the more likely there is be a misstep. If we've learned anything over the years, it's that distressed markets and economic events are non-linear and unpredictable. They also provide opportunities.

Rich domestic equity valuations following nine years of robust returns, coupled with historically low interest rates and a fragile geopolitical environment provide us ample reason to initiate strategic rebalancing efforts within the majority of client portfolios in 2018. For many this will mean realizing some of the gains earned during this past market cycle, while also increasing fixed and cash exposure. For others, our rebalancing efforts may involve increasing foreign exposure, both developed and emerging markets. As always, all rebalancing will be conducted in alignment with one's goals and your long-term plan in mind.

The recent tax bill reminds us that 'the one thing we know about change is that it is constant' and why we will preach the importance of tax flexibility and planning for all our clients. As risk managers, the more in alignment one's balance sheet and tax planning is with one's goals, the more durable a plan becomes. Despite economic headwinds and geopolitical turbulence, we are very proud that our planning and process continues to aid clients in achieving their goals.

Sincerely,

Tom Sedoric
Partner, Executive Managing Director
Wealth Manager

D. Casey Snyder, CFP®
Partner, Senior Vice President
Wealth Manager

Erika Luczynski
Partner, Vice President
Wealth Management Associate

Brittany

Brittany Long
Partner, Vice President
Senior Registered Client Administrative Manager

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