



SAMPLE RECOMMENDED ETF PORTFOLIOS

February 28, 2020

The Exclusive Coaching Program

Proven Systems ... Customized Advice ... Results

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Recommended ETF investments are chosen based on the following criteria.

Criteria 1: 4 or 5 stars from investment research company, Morningstar, Inc.

We respect the research done by this industry-leading investment research firm. They provide us a quantitative and objective assessment that helps begin our evaluation process. Morningstar rates ETFs with the same methodology as their rating for funds. It assigns 1 to 5 stars based on an investment's past risk- and load-adjusted returns versus category peers. Within each of Morningstar's categories, the top 10% of ETFs receive 5 stars and the bottom 10% receive 1 star. ETFs are rated for up to three time periods: three-, five-, and 10-years, and these ratings are combined to produce an overall rating. ETFs with less than three years of history are not rated. Morningstar's ratings are objective, based entirely on a mathematical evaluation of past performance. While we respect Morningstar's rating, this rating alone does not automatically assure that we will or will not choose an ETF.

About Morningstar, Inc.

Incorporated in 1984, Morningstar, Inc. is a leading provider of independent investment research in North America, Europe, Australia, and Asia, with operations in 27 countries.

Morningstar offers an extensive line of products and services for individual investors, financial advisors, asset managers, retirement plan providers and sponsors, and institutional investors in the private capital markets. Morningstar provides data and research insights on a wide range of investment offerings, including managed investment products, publicly listed companies, private capital markets, and real-time global market data.

Criteria 2: ETFs that are large and liquid

Liquidity and the ability to have access to changing investments for our clients is a major area we pay attention to. Sound liquidity management practices are important elements of portfolio and risk management. We try to avoid small ETFs or ETFs with very low assets (generally our clients should not own collectively more than 5% of an ETF). While some obscure smaller ETFs could have past performance returns that look attractive, liquidity management is a constant area of focus for our selections.

Criteria 3: Prior history or track record

One of our key criteria is to offer ETFs that have some prior history to analyze. This gives us at least a starting point for how each ETF has performed. We try to look, if possible, at not just current data but how the ETF performed during periods of market decline. While prior performance can be a useful tool for identifying ETFs worthy of further research, we review it, but do not consider past performance to indicate buy or sell signals. Exceptions to this criterion can be made under certain circumstances (for example, if the category is new or the ETF is a newer version that offers a lower fee structure).

Criteria 4: Continuity of philosophy

Each individual ETF we choose has an investment philosophy. This philosophy, like ours, is typically the ETF's set of guiding principles that inform and shape investment decision-making process within that ETF. We primarily look for ETFs that define their philosophy and stay within that focus. Our goal is to choose ETFs that show a discipline and do not change their strategy often, if at all.

Criteria 5: Adequate communication

One of our firm's primary objectives is to offer transparency and to provide on-going communication in a timely fashion to our clients. We expect the ETFs that we populate our portfolios with to do the same. When choosing ETFs we always consider the availability and ease of communications with that company or ETF.

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Symbol	ETF	Symbol	ETF
SCHP	Schwab U.S. TIPS	SCHB	Schwab U.S. Broad Market
TIP	iShares TIPS Bond	QQQ	Invesco QQQ Trust
IPE	SPDR Barclays Capital TIPS	DIA	SPDR Dow Jones Industrial Average
SPY	SPDR S&P 500	SLYV	SPDR 600 Small Cap Value
VOO	Vanguard S&P 500	FVD	First Trust Value Line Dividend Index
IVV	iShares Core S&P	MGC	Vanguard Megacap
SCHX	Schwab U.S. Large Cap	VTV	Vanguard Value
VIG	Vanguard Dividend Appreciation	XLG	Invesco S&P 500 Top 50
DGRW	Wisdomtree U.S. Dividend Growth	SDY	SPDR S&P Dividend
DGRO	iShares Core Dividend Growth	AGZ	iShares Agency Bond
SPTS	SPDR Portfolio Short Term Treasury	BNDX	Vanguard Total International Bond
DVY	iShares Select Dividends	TFLO	iShares Treasury Floating Bond Rate
CPL	Victory Shares U.S. Large Cap High Dividend	FIBR	iShares Edge US Fixed Income Bal. Risk
VGT	Vanguard Information Technology	BIV	Vanguard Intermediate Term Bond
XLK	Technology Select Sector SPDR	GSY	Invesco Ultra Short Duration
IGM	iShares North America Tech	FBND	Fidelity Total Bond
VHT	Vanguard Healthcare	VCSH	Vanguard Short Term Corporate Bond
FHLC	Fidelity MSCI HealthCare Index	NEAR	iShares Short Maturity Bond
VTI	Vanguard Total Stock Market	FLRN	SPDR Barclay's Capital Invst. Floating Rate
IWV	iShares Russell 3000	YVM	Vanguard High Yield Dividend
IYY	iShares Dow Jones US	VGSH	Vanguard Short-term Treasury
ITOT	iShares Core S&P Total U.S. Stock Market	SCHO	Schwab Short-term Treasury
FTEC	Fidelity MCI Info Tech Index		

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\$1,000,000 10-PACK or "10 Star" Model Portfolio

PREVIOUS (AS OF 1/1/2020)			
ETF		%	INVESTMENT
Vanguard Prime Money Market Investor	VMMXX	23	230,000
SPDR Portfolio Short Term Treasury	SPTS	17	170,000
SPDR® S&P 500 ETF (USD)	SPY	10	100,000
Vanguard S&P 500 ETF (USD)	VOO	10	100,000
Vanguard Dividend Appreciation	VIG	8	80,000
Ishares Core S&P Total US Market	ITOT	8	80,000
Ishares Core Dividend Growth	DGRO	6	60,000
Vanguard Total Stock Market	VTI	6	60,000
Ishares Select Dividends	DVY	6	60,000
Vanguard Short Term Corporate Bond	VCSH	6	60,000

CURRENT (AS OF 2/28/2020)			
ETF		%	INVESTMENT
Vanguard Prime Money Market Investor	VMMXX	20½	205,000
SPDR Portfolio Short Term Treasury	SPTS	17	170,000
SPDR® S&P 500 ETF (USD)	SPY	12½	125,000
Vanguard S&P 500 ETF (USD)	VOO	10	100,000
Vanguard Dividend Appreciation	VIG	8	80,000
Ishares Core S&P Total US Market	ITOT	8	80,000
Ishares Core Dividend Growth	DGRO	6	60,000
Vanguard Total Stock Market	VTI	6	60,000
Ishares Select Dividends	DVY	6	60,000
Vanguard Short Term Corporate Bond	VCSH	6	60,000

Total Expenses are ~0.10%

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SAMPLE

ETF Portfolio

\$1,000,000 12-PACK or “Desirable Dozen” Model Portfolio

PREVIOUS (AS OF 1/1/2020)

ETF		%	INVESTMENT
Vanguard Prime Money Market Investor	VMMXX	21	210,000
SPDR Portfolio Short Term Treasury	SPTS	15	150,000
Vanguard S&P 500 ETF (USD)	VOO	9	90,000
SPDR® S&P 500 ETF (USD)	SPY	9	90,000
Vanguard Dividend Appreciation	VIG	8	80,000
Ishares Core S&P Total US Market	ITOT	8	80,000
Ishares Core Dividend Growth	DGRO	6	60,000
Vanguard Total Stock Market	VTI	6	60,000
Ishares Select Dividends	DVY	6	60,000
Vanguard Short Term Corporate Bond	VCSH	6	60,000
Vanguard Information Technology	VGT	3	30,000
Fidelity MSCI Health Care Index	FHLC	3	30,000

CURRENT (AS OF 2/28/2020)

ETF		%	INVESTMENT
Vanguard Prime Money Market Investor	VMMXX	18½	185,000
SPDR Portfolio Short Term Treasury	SPTS	15	150,000
SPDR® S&P 500 ETF (USD)	SPY	11½	115,000
Vanguard S&P 500 ETF (USD)	VOO	9	90,000
Vanguard Dividend Appreciation	VIG	8	80,000
Ishares Core S&P Total US Market	ITOT	8	80,000
Ishares Core Dividend Growth	DGRO	6	60,000
Vanguard Total Stock Market	VTI	6	60,000
Ishares Select Dividends	DVY	6	60,000
Vanguard Short Term Corporate Bond	VCSH	6	60,000
Vanguard Information Technology	VGT	3	30,000
Fidelity MSCI Health Care Index	FHLC	3	30,000

Total Expenses are ~0.10%

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Portfolio Discussion

Logic, Thoughts and This Quarter's Changes

Both of these portfolios were constructed for **long-term investors**. The main difference is that the **12-pack/Desirable Dozen** is slightly more equity intensive and includes focused investments in two specific areas we feel will grow over the next decade: healthcare and information technology. The **10-pack/10 Star** model is a little more conservative.

10-pack or "10 Star" Model Portfolio:

At the start of 2019, we added to equities to rebalance based on a downturn in the market. During 2019 we made changes every quarter and reduced equities to rebalance after they advanced. After a strong double digit return for 2019, we are not making any changes to our holdings as of now. With interest rates low, we still feel over the long-term equities offer better return opportunities. Analysts are forecasting for slight growth in 2020, but we are looking for a possible pull back or correction as an entry point during the quarter to slightly increase our equity holdings.

February 28, 2020 Portfolio Update:

We now are reaching that "pull back or correction" entry point we were looking for during the quarter to slightly increase our equity holdings. While we believe that markets can still go lower, we are recommending putting 2½% of our cash position into SPY at its current price of UNDER 290 . We still think there is more downside risk so this is a start of putting some sidelines cash to work at lower prices, with the understanding that if we see another 10% drop, we will be putting some more cash to work. That is what rebalancing and capitalizing on drops in the equity markets allows for.

Please remember that these portfolios are ideas for LONG TERM investors and not those whose risk tolerances do not fit the portfolios guidelines!

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Portfolio Discussion

Logic, Thoughts and This Quarter's Changes

12-pack or “Desirable Dozen” Model Portfolio:

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Quarterly Commentary

1.1.2020

Our primary objective is to keep our focus on the long-term.

We continue to keep a watchful eye on investments. Again, for this quarter, although equities have advanced heavily in 2019, we still favor them for the long-term to meet investors returns. The portfolios are still keeping liquid positions available and will look for better entry points during the quarter to possibly add slightly to equity holdings. Many factors of the economy are showing signs of concern, but some economic indicators are still very reasonable (i.e. low inflation and high employment). At this time, we still feel equities offer an investor the best prospect of meeting long-term portfolio returns.

When choosing our fixed income and bonds, we note that interest rates are at low levels and are concerned that if rates move up that fixed income instruments with any type of duration could lose some value. Our approach uses fixed income as a hedge against equities and not as a strategy to make high returns. We are still neutral on fixed income (primarily due to low rates) and heavily favor short-term durations and prime money markets.

Current Long-Term *OUTLOOK*



MAIN BENEFITS OF BOTH SAMPLE PORTFOLIOS INCLUDE:

- Reasonable risk adjustment (mix of equity/fixed income/money market allocations)
- Low-cost (Approx. 10 basis points (0.10%))
- Tax efficient (primarily ETF's that are typically more tax efficient compared to funds that have a higher degree of portfolio turnover)
- Updated periodically
- Full transparency (not a manager of manager approach)

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