



2019 Year End Tax & Investment Planning

Top 10 Tips to Reduce Tax Liability



Faith Chaffee

Vice President & Senior Portfolio Specialist
Savos Investments



Alexandra L. Miller, CPA, PC

Owner of Alexandra L. Miller, CPA, PC Firm

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WHAT'S NEW AT UNDERHILL FINANCIAL, LLC?

- Articles added to our website
 - Underhillfinancial.com



SEPTEMBER 5, 2019

Financial Caregiving: 10 Ways to Go About It

More than 90% of private caregivers eventually provide some kind of financial help. From paying bills, copays, providing food or transportation, or spending money to provide time and personal attention at someone else's home.



SEPTEMBER 5, 2019

6 Surprising Retirement Facts No One Tells You About

Surprise! Retirement is an exciting & validating time but there are many surprising facts that you may not be aware of when planning. Take these 6 things to heart.



SEPTEMBER 5, 2019

4 Most Common Money Mistakes for Pre-Retirees

We've rounded up the four most common mistakes soon-to-be retirees make regarding their money, so you can prepare now to make your transition into retirement a bit smoother.

- New Addition to our Underhill Financial Team
 - Carrie Price



WHAT'S NEW AT CARMICHAEL FINANCIAL, LLC?

- **Bi-Monthly Newsletter**
 - Articles linked to updated Website
- **Updated Website**
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- **Digital Adviser**
 - Self Service account opening



Tax Season





Faith Chaffee, Vice President & Senior Portfolio Specialist



Faith Chaffee is Vice President and Senior Portfolio Specialist (West) for Savos Investments, responsible for communicating the strategies and activities of the Investment Management Team to key centers of influence. She also supports the firm's advisor base and sales infrastructure through an active outreach program, and represents Savos at sales meetings and conferences. She joined Savos in April 2018.

Faith has more than 18 years of experience in the financial services industry. She previously served for 6 years as a Regional Consultant for AssetMark, Inc., where she provided business development support and practice management expertise to financial advisors in the Northern California division. Prior to AssetMark, she worked closely with more than 300 advisers as a Portfolio Specialist at Niemann Capital Management. Before joining Niemann, Faith was a Private Equity Associate at Shott Capital Management, LLC.

Faith is a Bay Area native and loves sports; she played women's basketball at San Francisco State University (SFSU). She earned her BS in Business Administration, Finance, from SFSU. She holds FINRA Series 7, 63, and 65 licenses.



Market Update and Outlook

Presented by:
Faith Chaffee, Vice President
and
Senior Portfolio Specialist

October 29, 2019

3Q19 Review and 4Q19 Outlook

The complicated environment.

3Q Market Review

- Concern about slowing economic growth turned investor sentiment defensive
- US large cap equities ended up after volatile quarter
- Bonds offered strong returns

In 2019, equity market volatility has been a poor allocation signal

- Volatility is the difference between daily returns
- Historically, volatility has been a reasonable signal
- In 2019, volatility has experienced several reversals, mirroring market returns

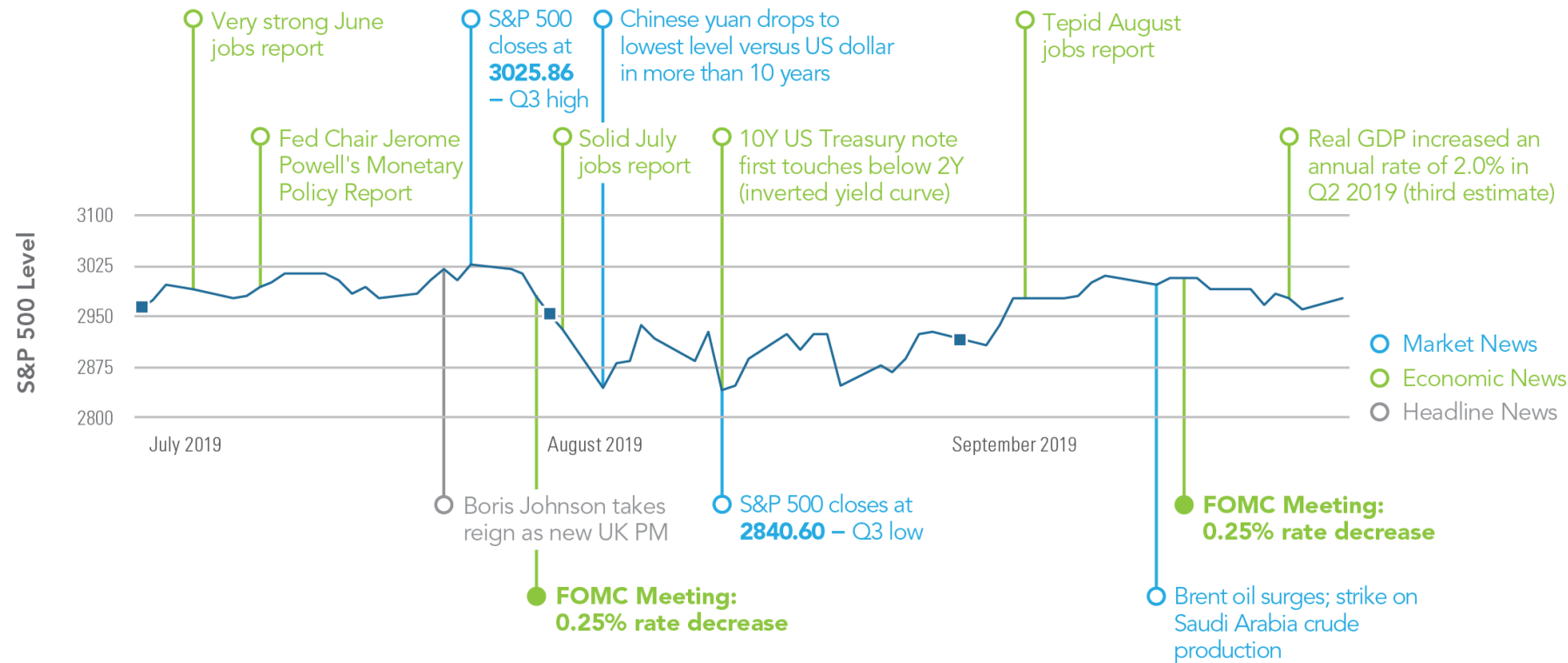
4Q Outlook

- Fed is in sync with market expectations
- Typical late cycle conditions are generally absent

3Q Market Update

3Q19 Equity Market Timeline

Roller coaster sentiment about economic growth drove the equity market.



3Q19 US Equity Market Performance

S&P 500 returned 1.7% in Q3

- **Utilities** (+9.3%) was the best performing sector; **Energy** (-6.3%) lagged
- The US Aggregate Bond Index (+2.3%) outperformed the S&P 500

Performance of S&P 500 By Sector



Data as of 9/30/19. Source: FinViz.

For illustrative purposes only. Past performance is no guarantee of future returns. Market indices are not directly investible. This analysis does not represent the experience of any Savos portfolio or client.



YTD Capital Market Performance

S&P 500 returned 20.6%YTD

- **Info Tech** (+31.4%) has been the best performing sector; **Health Care** (-5.6%) has lagged
- S&P 500 up 3.7% since the 9/20/18 market peak

Performance of S&P 500 By Sector



Data as of 9/30/19. Source: FinViz.

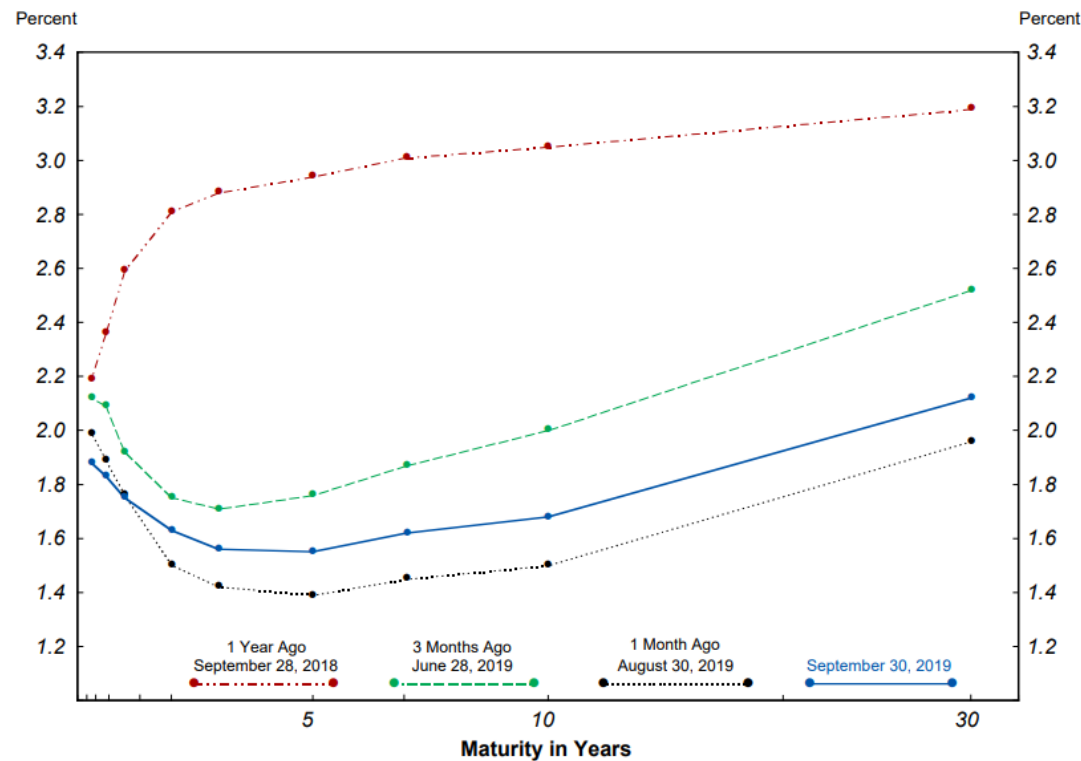
For illustrative purposes only. Past performance is no guarantee of future returns. Market indices are not directly investible. This analysis does not represent the experience of any Savos portfolio or client.

US Government Bond Yields Fell Sharply

Concern about economic growth drove investor sentiment

- Pessimism subsided a bit in September
- UST yield curve remained inverted despite two rate cuts

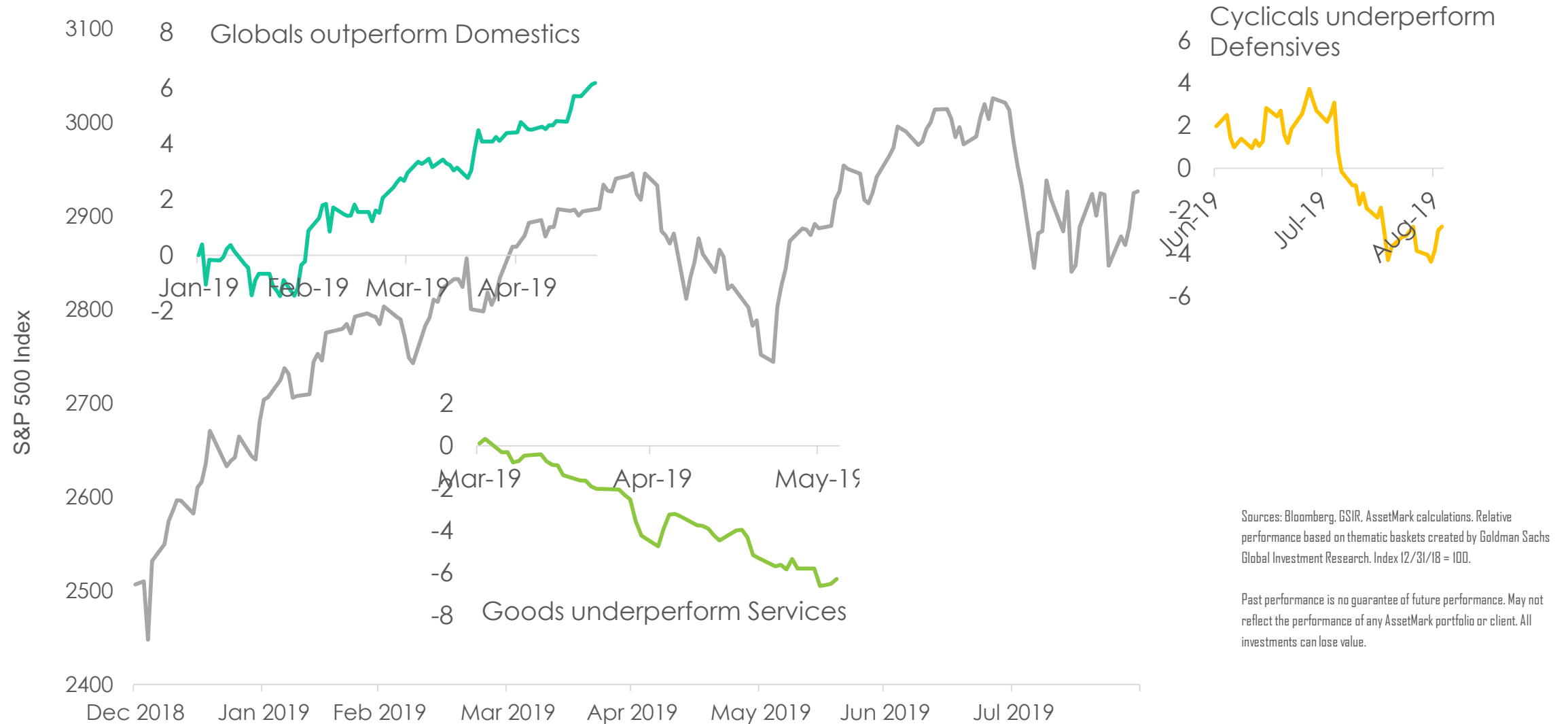
US Treasury Yield Curves



Data as of 9/30/19. Source: Crandall, Pierce.

For illustrative purposes only. Past performance is no guarantee of future returns. Market indices are not directly investible. This analysis does not represent the experience of any Savas portfolio or client.

Economic Policy Concerns Have Drawn Attention...



...Away From Underlying Corporate Fundamentals

Big Box Retailer

Value pricing and treasure hunt experience continue to drive traffic to store in an increasingly online world
Private label is 25% of sales and could rise to 30% over time

Provider of payments services and technology

Strong growth from alternative payments networks, particularly in emerging markets
Tailwind from consumers moving from cash to credit and online purchasing

Provider of online media content

Original content and distribution partnerships expected to drive strong subscriber growth
Tailwind from consumers' reduced reliance on cable, but additional competition from content providers' direct-to-consumer streaming

Global media conglomerate

Increased profit opportunity from franchise movie platforms
Key segments suffer reduced sales through cable packages; preparing direct-to-consumer streaming

Select observations from relevant corporate presentations. Savos opinion as of 9/1/19 and subject to change. For illustrative purposes only. Not intended to be an investment recommendation. All investments can lose value. Source: Goldman Sachs Equity Research.

service

Bond Returns Mirrored Risk Sentiment

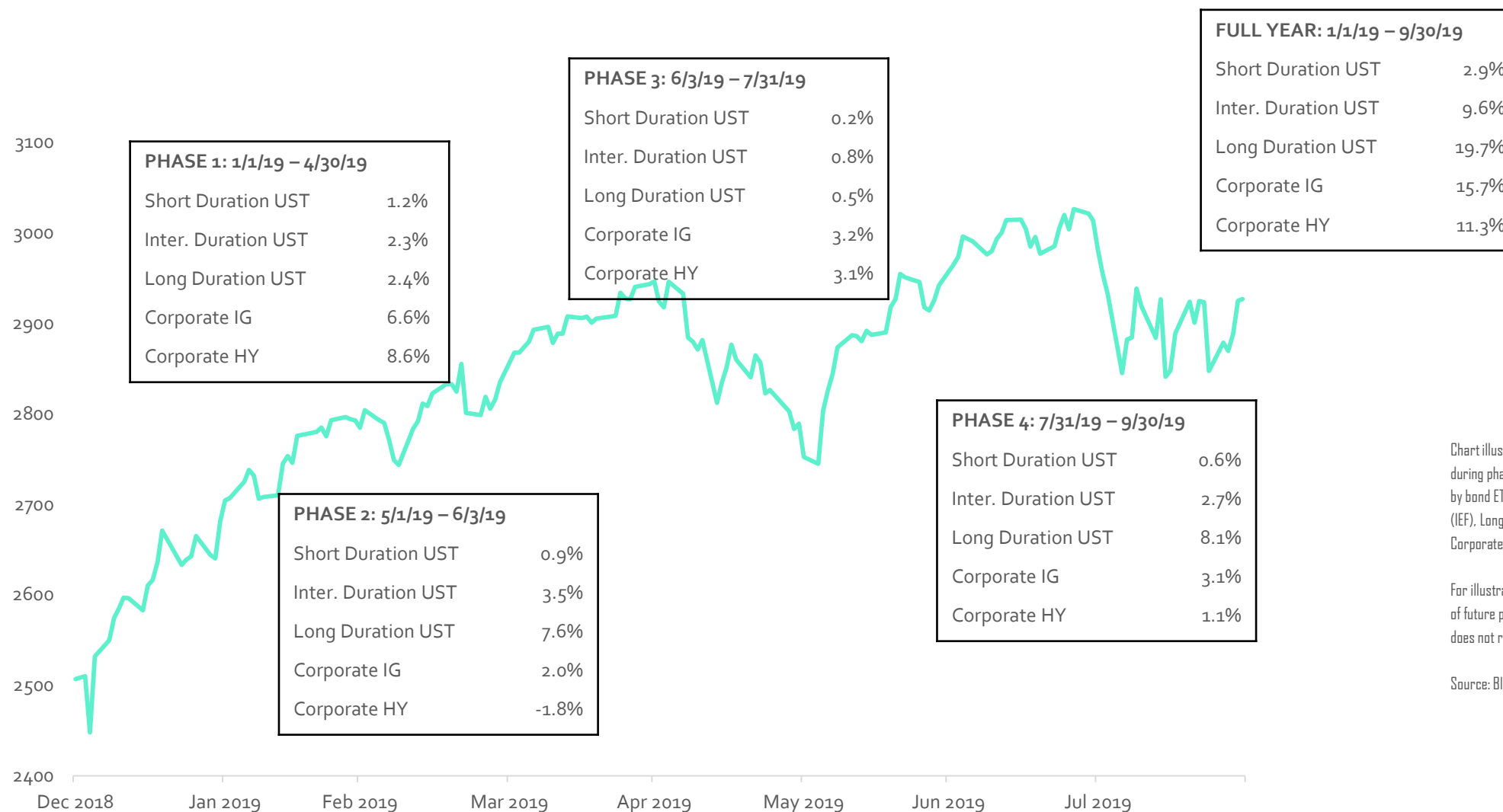


Chart illustrates the total return of select bond market segments during phases of equity market performance. Sectors represented by bond ETFs: Short Duration UST (SHV), Intermediate Duration UST (IEF), Long Duration UST (TLT), Corporate Investment Grade (LQD), Corporate High Yield (HYG).

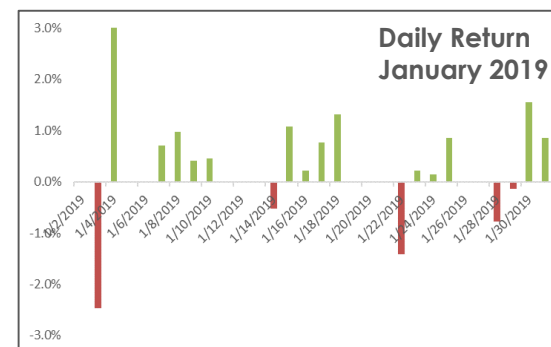
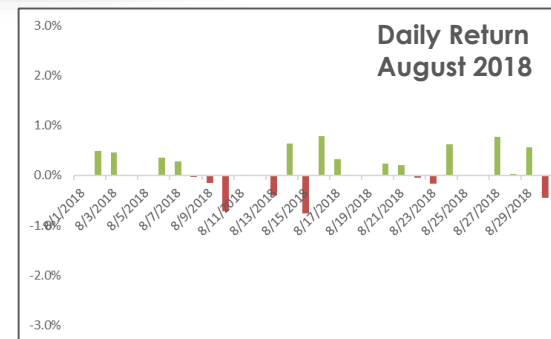
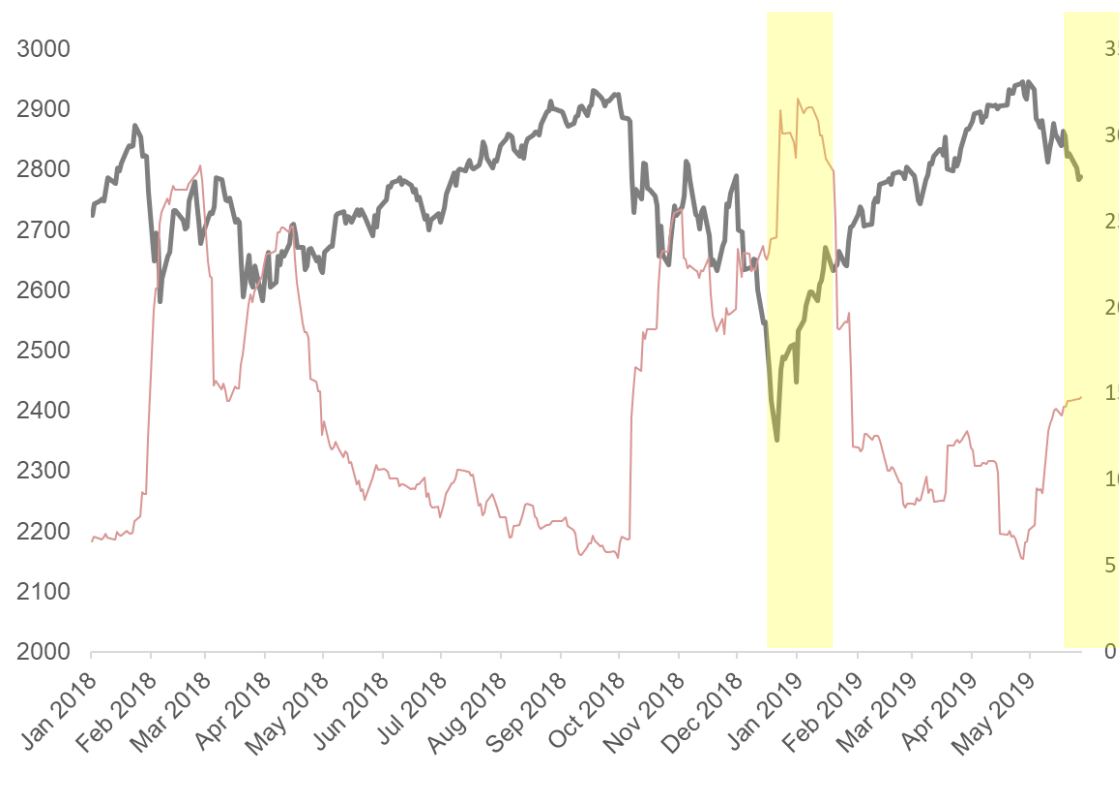
For illustrative purposes only. Past performance is not an indication of future performance. All investments can lose value. This analysis does not represent the experience of any Savos portfolio or client.

Source: Bloomberg.

Risk Controlled Equity

Recent S&P 500 Volatility

Volatility reflects the difference in daily returns.



Historical volatility compares the S&P 500 Index to 20 day volatility defined as the standard deviation of daily returns over a 20 day period ending with the observation date. Data from January 1, 2018 through May 30, 2019.

For illustrative purposes only.

Sources: Bloomberg; AssetMark calculations.

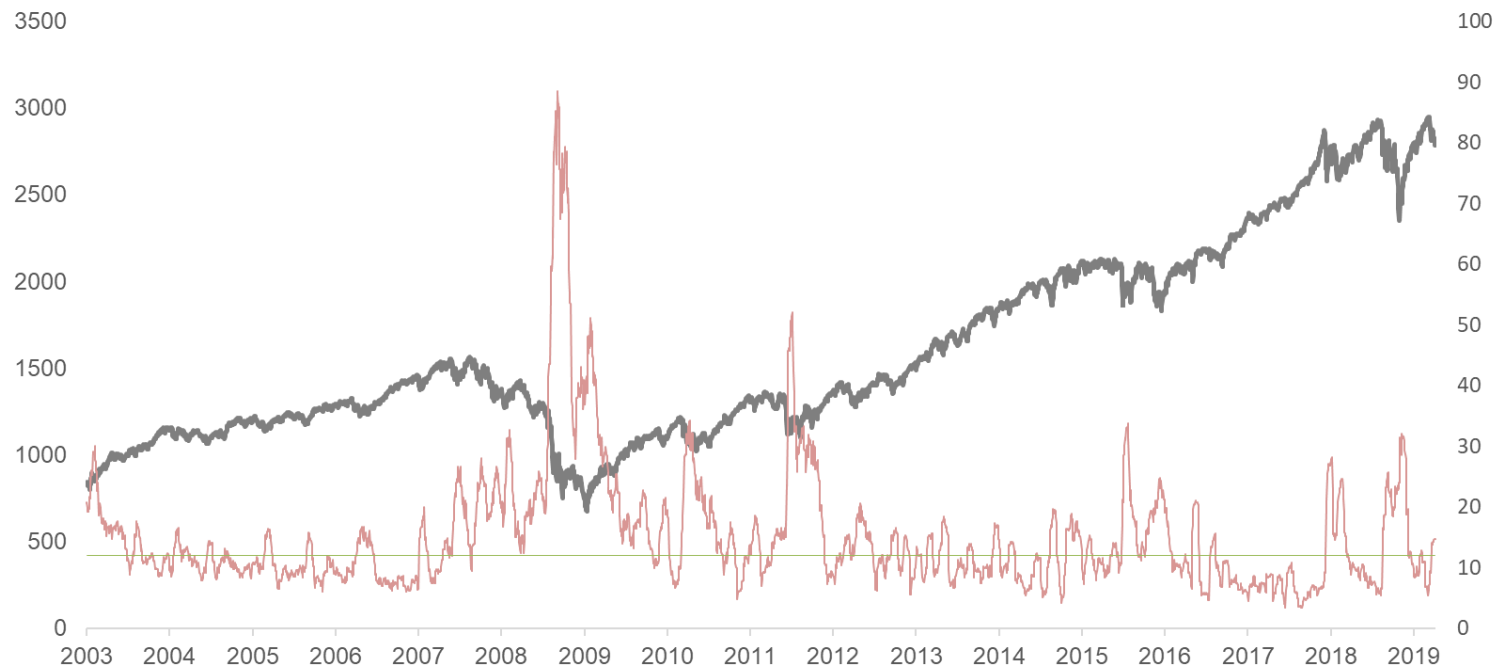
Using Volatility As An Allocation Signal

As an allocation signal, volatility has appealing characteristics

- Volatility is observable and has been relatively persistent
- High volatility has been associated with investment discomfort and substantial downturns

Historical Index and Volatility

S&P 500 level and realized volatility



Historical volatility compares the S&P 500 Index to 20 day volatility defined as the standard deviation of daily returns over a 20 day period ending with the observation date from January 1, 2003 through May 30, 2019.

For illustrative purposes only.

Sources: Standard and Poor's; AssetMark calculations.

- S&P 500 Index (left axis)
- 20 day volatility (right axis)
- 12% reference point (S&P 500 Daily Risk Control 12% Index target)

Volatility Has Been Coincident With Returns

As an allocation signal, volatility has appealing characteristics

- Volatility is observable and has been relatively persistent
- High volatility has been associated with investment discomfort and substantial downturns

Historical Returns by Volatility Decile

S&P 500 20-day realized volatility and average subsequent 20 day return



Historical returns reflect the average return over 20 days following each day in the respective volatility decile. 20 day volatility is defined as the standard deviation of daily returns over a 20 day period ending with the observation date from January 1, 2003 through May 30, 2019.

For illustrative purposes only.

Sources: Bloomberg; Savos calculations.

Volatility Regime Shifts Hurt Performance

2019 has been challenging for volatility-based allocation strategies.

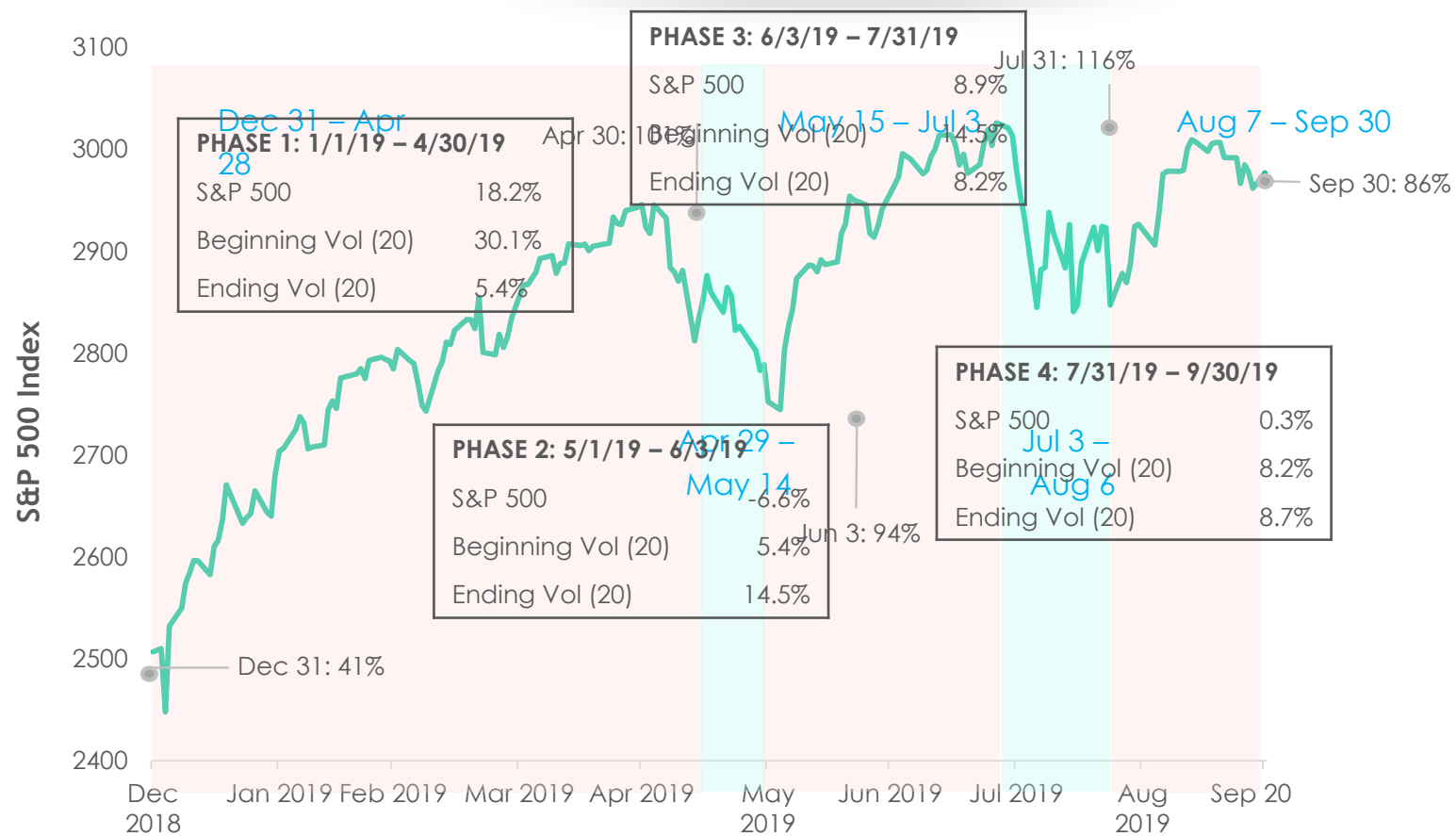


Chart illustrates the equity allocation of the S&P 500 Daily Risk Control (2%) Index. Shaded regions indicate an allocation of less than 100% (red) or more than 100% (green).

For illustrative purposes only. Past performance is not an indication of future performance. All investments can lose value. This analysis does not represent the experience of any Savas portfolio or client.

Source: Bloomberg.



Outlook

4Q19 Outlook

Reversal of pessimism may be problematic for cautious investors.

Even modest optimism may cause reversal in relative performance

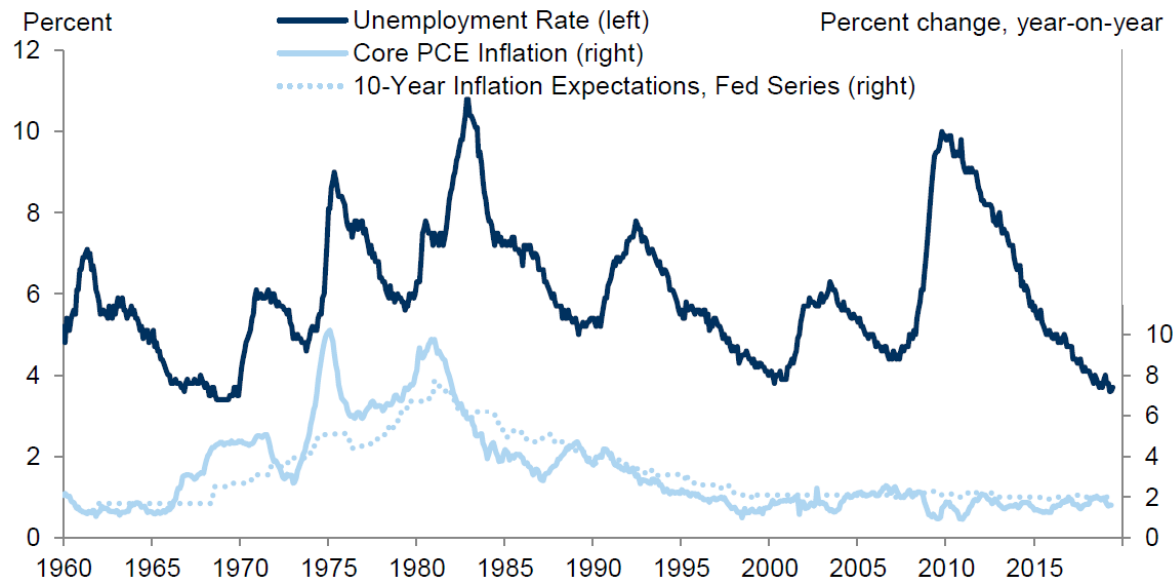
- Sharp decline in government bond yields in 3Q may reverse
- Yield on S&P 500 is above yield on 10 year UST

Consider risk-controlled equity to complement Core

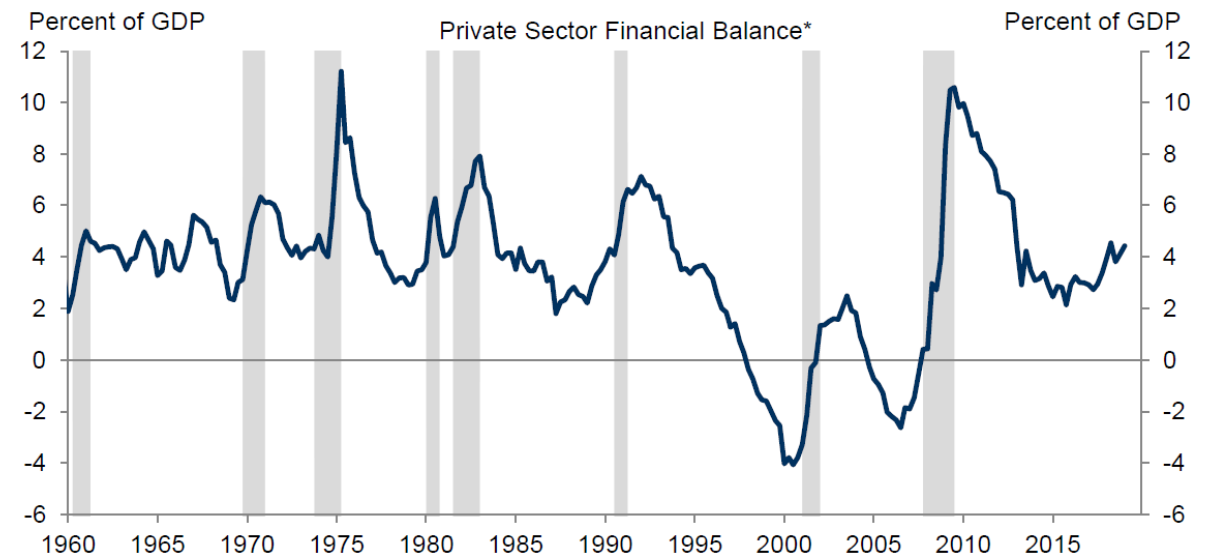
- “Risk on/risk off” dynamic presents opportunity/need for allocation adjustment
- Systematic adjustment supports transparency and tax-efficiency

Imbalances Grew During Prior Expansions; Missing Now

Low unemployment has not created inflation



Private sector balance sheet in good shape



Savos opinion as of 9/1/19 and subject to change at any time. There can be no assurance that any Savos portfolio will achieve the intended outcome.

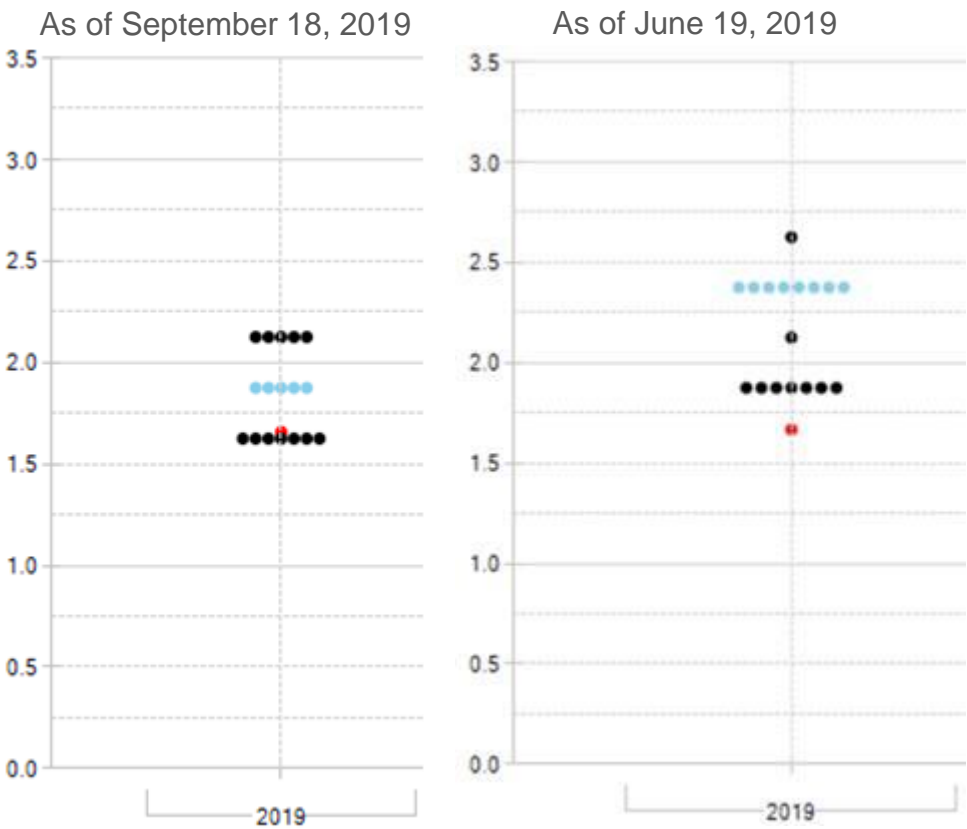
* Total income minus total spending or, alternatively, total saving minus total investment, all households and businesses. Source: Federal Reserve Board, GSIR; (left) Department of Labor, Department of Commerce.

Less Uncertainty Regarding US Monetary Policy

Fed is communicating clear expectations.

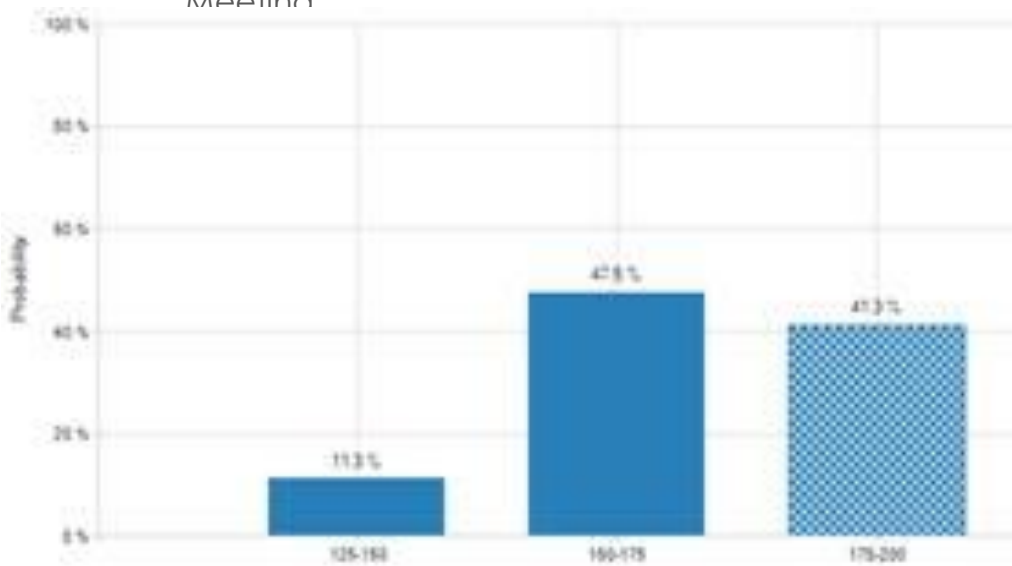
The market is listening.

FOMC Participants' Assessments of Appropriate Monetary Policy



Blue dots indicate the median projection. Red dot indicates the effective rate implied by the year-end fed funds futures price as of September 18, 2019. Sources: Federal Reserve, CME.

Target Rate Probabilities for December 11, 2019 Meeting



As of September 18, 2019. Source: CME Group.

High Dividend Stocks May Offer Value

S&P 500 yield higher than 10y UST



Data as of 9/4/19. Sources: FactSet, Compustat, GSGIR.

High dividend stocks appear cheap



Data as of 8/11/19. Source: GSGIR.

Important Information

This material does not constitute any representation as to the suitability or appropriateness of any investment. This information is prepared as general information only. It does not have regard to the specific investment objectives, financial situation, or the particular needs of any specific person who may receive this report. Some information has been drawn from sources believed to be reliable, but its accuracy is not guaranteed, and is subject to change.

This information is not a solicitation for investment. Asset allocation cannot eliminate the risk of fluctuating prices and uncertain returns. Investing involves risk including the potential loss of principal. There is no guarantee that a diversified portfolio will outperform a non-diversified portfolio in any given market environment. No investment strategy, such as asset allocation, can guarantee a profit or protect against loss in periods of declining values.

It is not possible for an individual to invest directly in an index. The S&P 500 Index is an unmanaged index that is generally considered representative of the US equity market, consisting of 500 leading companies in leading industries of the US economy (typically large cap companies) representing approximately 75% of the investable US equity market. S&P 500 Risk Control™ series relies on S&P 500 methodology and overlays mathematical algorithms to maintain specific volatility targets. Index exposure is dynamically rebalanced based on observed S&P 500 historic volatility to maintain 5%, 10%, 12%, 15%, and 18% volatility targets.

The potential benefits of loss harvesting depend on your individual financial situation. We recommend that you consult a tax professional before deciding to engage in any tax strategy including loss harvesting. Tax-qualified accounts, such as IRAs, do not benefit from tax-efficient management.

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THANK YOU





Alexandra L. Miller, CPA, PC.



Alex is the owner of her own accounting firm in Tucson, Arizona, Alexandra L. Miller, CPA, PC. Her tax and accounting practice specializes in individuals, estates, trusts, small businesses and doing accounting and bookkeeping for small nonprofit organizations.

Alex graduated from the University of Arizona with degrees in accounting and management. Alex currently serves as the immediate past president for the international board of directors of Beta Alpha Psi, a collegiate honor organization focusing on accounting, finance and information systems students. She is past national president of the American Woman's Society of CPAs (AWSCPA) and formerly served as the chair of the Professional Partners for Beta Alpha Psi as the AWSCPA representative. She is a member of the American Institute of CPAs (AICPA), the Arizona Society of CPAs (ASCPA), the Accounting and Financial Women's Alliance (AFWA), the Institute of Management Accountants (IMA), the National Association of Women in Construction (NAWIC), and the Educational Foundation for Women in Accounting (EFWA).

In Tucson, she is a member of the Southern Arizona Estate Planning Council, and serves on the professional advisory committees of the Community Foundation for Southern Arizona and the University of Arizona Foundation.

2019 Top Tax Tips



1. Implement Tax-Loss Harvesting

Consider
Qualified vs.
Non-Qualified
Dividends

Claim up	Under current law, you can claim up to \$3,000 in capital losses against non-investment income
Carry forward	You can carry forward into future tax years any losses over \$3,000.
Rule	Under the wash-sale rule, you cannot buy “substantially identical” securities until at least 30 days later.
Remember	Remember that the IRS has determined that Qualified Dividends are potentially subject to a lower tax rate.

2. Max Out Retirement Plan Contributions

In 2019, the maximum 401(k) contribution is \$19,000, or \$25,000 if you are age 50 or over.

If you're a small business owner, you might consider a Solo 401(k) or Roth 401(k).

Try to contribute at least the amount that will be matched by employer contributions.

3. Increase Charitable Giving

- You can donate items to local charities and write their market values off as an itemized deduction on your taxes.
- Depending on the charity, you can donate:
 - Gently used clothing, furniture, working electronics and more.
- Charitable contributions to private organizations are limited to 30% of your adjusted gross income.
- Public charity gifts are limited to 60% of AGI.

4. Accelerate RMDs



Look at your cash flow each year and potentially accelerating your distributions to take advantage of lower tax rates in certain years.



A lower income year.

It might make sense to take advanced IRA distributions in order to get them in a lower tax rate.

5. Consider Roth Conversions



ROTH IRAS ARE KNOWN TO
HAVE GREAT LONG-TERM TAX
ADVANTAGES.



LOWER INCOME TAX YEAR,
CONSIDER CONVERTING
YOUR OTHER RETIREMENT
ACCOUNTS AND IRAS TO
ROTHS.



YOU'LL PAY TAXES ON THE FUNDS
YOU CONVERT NOW, BUT THEN
THEY'LL GROW TAX DEFERRED IN
THE FUTURE AND YOU WON'T BE
SUBJECT TO THE RMD
REQUIREMENTS.

6. What about a Back-Door Roth?



Is your income too high to be able to contribute to a Roth IRA?



If you have no other IRA accounts (including certain retirement accounts like Simplified Employee Pensions or SEP IRAs) you might consider making what's called a Back-Door Roth contribution.



This involves made a nondeductible traditional IRA contribution and then converting that into a Roth IRA tax free. There are certain rules that need to be followed, but it can be an effective retirement vehicle for those unable to do Roths or deductible traditional IRAs.

7. Don't forget your Health Savings Account (HSA) for retirement potential

1

Unlike Flexible Spending Accounts (FSA) that are generally “use or lose” the HSA can continue growing tax deferred until retirement.

2

For those without the ability to do IRAs, this is another vehicle for savings, especially if you don't need to use it for medical expenses.

8. Take Advantage of your Tax Credits



Child and dependent care credits



Education expenses for The American Opportunity of Lifetime Learning Credit



Home improvements



Residential Energy Efficient Property Credit for solar and wind energy is still one of the best credits out there, at 30% of the cost through the end of 2019.



Arizona offers a maximum \$1,000 credit for solar as well!



Arizona also offers a variety of dollar for dollar tax credits, up to \$4,869 for married couples and \$2,435 for single filers.

9. Fund education and the future

If you have children or grandchildren who are working, considering helping them fund a Roth IRA to maximum each year on their behalf.

Qualified Tuition Programs (including Section 529 plans)

TCJA changed the definitions on what qualifies for 529 plan expenses

Arizona offers an income adjustment of up to \$4,000 for a married couple (\$2,000 for single) for those giving to 529 plans

10. Do you own a small business or a rental?

One of the most complex areas of the TCJA was the new 20% Qualified Small Business Income Deduction.

The rules were modified to have Safe Harbor provisions for those who have small rental properties.



WRAP UP SUMMARY



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FINANCIAL ADVISORS, LLC

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Index Descriptions

EQUITIES

Asset Class	Index	Description
US Equities	S&P 500	An unmanaged index that is generally considered representative of the US equity market, consisting of 500 leading companies in leading industries of the US economy (typically large cap companies) representing approximately 75% of the investable US equity market.
Int'l Equities	MSCI EAFE	A free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of countries considered to represent developed markets, excluding the U.S. and Canada.
Global Equities	MSCI ACWI	A free float-adjusted capitalization weighted index that is designed to measure the equity performance of countries considered to represent both developed and emerging markets.
US Dividends	S&P High Yield Dividend Aristocrats	The Index is comprised of the 50 highest dividend yielding constituents of the stocks of the S&P Composite 1500 Index that have increased dividends every year for at least 25 consecutive years. These stocks have both capital growth and dividend income characteristics, as opposed to stocks that are pure yield, or pure capital oriented.
US Small Cap	S&P 600	A cap weighted index that is generally representative of the US equity market, consisting of 600 small size companies in the US. Small size is based on market capitalization within the range of \$400 million to \$1.8 billion.
EM Equities	MSCI Emerging Markets	A free float-adjusted, market capitalization index that is designed to measure the equity market performance of countries considered to represent emerging markets
Large Growth	Russell 1000 Growth	An index that measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-value ratios and higher forecasted growth values
Large Value	Russell 1000 Value	An index that measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower expected growth values
Mid Growth	Russell Mid Cap Growth	An index that measures the performance of the mid-cap growth segment of the U.S. equity universe. It includes those Russell Mid Cap Index companies with higher price-to-value ratios and higher forecasted growth values
Mid Value	Russell Mid Cap Value	An index that measures the performance of the mid-cap value segment of the U.S. equity universe. It includes those Russell Mid Cap Index companies with lower price-to-book ratios and lower expected growth values
Small Growth	Russell 2000 Growth	An index that measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 Index companies with higher price-to-value ratios and higher forecasted growth values
Small Value	Russell 2000 Value	An index that measures the performance of the small-cap value segment of the U.S. equity universe. It includes those Russell 2000 Index companies with lower price-to-book ratios and lower expected growth values

Index Descriptions

EQUITIES

Asset Class	Index	Description
Communication Services	S&P 500 Communication Services	The index is primarily comprised of companies from the media, retailing, and software & services industries in the U.S
Consumer Staples	S&P 500 Consumer Staples	The index is primarily composed of companies involved in the development and production of consumer products that cover food and drug retailing, beverages, food products, tobacco, household products, and personal products
Consumer Discretionary	S&P 500 Consumer Discretionary	The index is primarily composed of companies involved in industries such as automobiles and components, consumer durables, apparel, hotels, restaurants, leisure, media, and retailing are primarily represented in this group.
Energy	S&P 500 Energy	The index is primarily comprised of companies involved that develop and produce crude oil and natural gas, and provide drilling and other energy-related services.
Financials	S&P 500 Financials	The index is primarily comprised of companies in a wide array of diversified financial service firms, insurance, banks, capital markets, consumer finance and thrift companies.
Healthcare	S&P 500 Health Care	The index is primarily comprised of companies involved in health care equipment and supplies, health care providers and services, biotechnology, and pharmaceuticals industries
Industrials	S&P 500 Industrials	The index is primarily comprised of companies in such industries as aerospace and defense, building products, construction and engineering, electrical equipment, conglomerates, machinery, commercial services and supplies, air freight and logistics, airlines, marine, road and rail, and transportation infrastructure companies.
Information Technology	S&P 500 Information Technology	The index is primarily composed of companies involved in technology hardware, storage, and peripherals; software; communications equipment; semiconductors and semiconductor equipment; internet software and services; IT services; electronic equipment, instruments and components
Materials	S&P 500 Materials	The index is primarily composed of companies involved in such industries as chemicals, construction materials, containers and packaging, metals and mining, and paper and forest products.
Real Estate	S&P 500 Real Estate	The index is primarily comprised of companies from the following industries: Real Estate Management & Development and REITs, excluding Mortgage REITs.
Utilities	S&P 500 Utilities	The index is primarily comprised of companies that produce, generate, transmit or distribute electricity or natural gas.

Index Descriptions

FIXED INCOME	Asset Class	Index	Description
	Global Bonds	Bloomberg Barclays Global Aggregate	The index is a measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers. The index also includes Eurodollar, Euro-Yen, and 144A Index-eligible securities, and debt from five local currency markets not tracked by the regional aggregate benchmarks (CLP, MXN, ZAR, ILS and TRY)
	US Bonds	Bloomberg Barclays US Aggregate	The index covers the USD denominated investment grade, fixed rate taxable bond market of SEC registered securities. The index includes bonds from the Treasury, Government-related, Corporate, MBS (agency fixed-rate and hybrid ARM passthroughs), ABS, and GMBS sectors, US Agency Hybrid Adjustable Rate Mortgage (ARM) securities were added to the index on April 1 2007
	US High Yield	Bloomberg Barclays Corporate High Yield	The index measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. The index excludes emerging market debt
	US Investment Grade	Bloomberg Barclays U.S. Corporate Investment Grade	A broad-based benchmark that measures the investment grade, fixed-rate, taxable, corporate bond market. It includes USD-denominated securities publicly issued by U.S. and non-U.S. industrial, utility, and financial issuers that meet specified maturity, liquidity, and quality requirements
	US MBS	Bloomberg Barclays US MBS	The index measures the performance of investment grade fixed-rate mortgage-backed pass-through securities of GNMA, FNMA, and FHLMC.
	Bank Loans	S&P/LSTA Leveraged Loan	The Index is designed to track the market-weighted performance of the largest institutional leveraged loans based on market weightings, spreads and interest payments.
	TIPs	Bloomberg Barclays U.S. Treasury: U.S. TIPS	The index includes all publicly issued, U.S. Treasury inflation-protected securities that have at least one year remaining to maturity, are rated investment grade, and have \$250 million or more of outstanding face value.
	Municipal	Bloomberg Barclays Municipal Bond	The index covers the USD-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds.
	Short Treasuries	Bloomberg Barclays U.S. Treasury: 1-3 Year	The index measures the performance of short-term government bonds issued by the U.S. Treasury. It includes all publicly issued, U.S. Treasury securities that have a remaining maturity of between 1 and 3 years, are non-convertible, are denominated in U.S. dollars, are rated investment grade, are fixed rate, and have \$250 million or more of outstanding face value.
	Long Treasuries	Bloomberg Barclays US Treasury Long	The index measures the performance of long term government bonds issued by the U.S. Treasury. It includes all publicly issued, U.S. Treasury securities that have a remaining maturity of 10 or more years, are non-convertible, are denominated in U.S. dollars, are rated investment grade, are fixed rate, and have \$250 million or more of outstanding face value

Index Descriptions

FIXED INCOME	Asset Class	Index	Description
	International Bonds	Bloomberg Barclays Global Aggregate Ex USD	The index is a measure of global investment grade debt from twenty-three local currency markets. This multi-currency benchmark includes government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers. The index also includes Eurodollar, Euro-Yen, and 144A Index-eligible securities, and debt from five local currency markets not tracked by the regional aggregate benchmarks (CLP, MXN, ZAR, ILS and TRY).
	Emerging Market Bonds	Bloomberg Barclays Emerging Market Aggregate	The index is a flagship hard currency Emerging Markets debt benchmark that includes fixed and floating-rate US dollar-denominated debt issued from sovereign, quasi-sovereign, and corporate EM issuers. Country eligibility and classification as Emerging Markets is rules-based and reviewed annually using World Bank income group and International Monetary Fund (IMF) country classification.
	Cash	FTSE 3-month T-bill	An unmanaged index of 3 month Treasury bills
OTHER	Asset Class	Index	Description
	Global 60/40 Index Blend	60% MSCI ACWI, 40% BBG Bar Glb Agg	A blend of global equities and global bonds indexes used as a benchmark for a balanced portfolio.
	Tactical (Limit Loss)	S&P 500 Daily Risk Control 10%	An index that relies on existing S&P 500 methodology and overlays mathematical algorithms to control the index risk profiles at specific volatility targets. The index dynamically rebalances exposure to maintain a 10% volatility target. The index represents portfolios consisting of the S&P 500 index and a cash component accruing interest. The indices are dynamically adjusted to target a level of volatility indicated below. Volatility is calculated as a function of historical returns that uses exponential weightings to give more significance to recent observations. In addition, short and long-term measures of volatility are used to cause the indices to deleverage quickly, but increase exposure more gradually on a relative basis.
	US REITs	FTSE Nareit All Equity REITs	A broad measure of the performance of publicly traded US real estate securities, such as Real Estate Investment Trusts (REITs) and Real Estate Operating Companies
	Commodities	Bloomberg Commodity	A broadly diversified benchmark that measures the futures contracts of physical commodities traded on US exchanges, with the exception of aluminum, nickel and zinc, which trade on the London Metal Exchange (LME). The component weightings are also determined by several rules designed to insure diversified commodity exposure.
	Managed Futures	SG Trend	The index calculates the net daily rate of return for a pool of trend following hedge fund managers that is equal weighted and reconstituted annually.

Important Information

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