

April 29, 2018

401k PORTFOLIO MAY 2018 UPDATE & NEWSLETTER



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May 2018 Newsletter

3% Yields Stuns Bulls

For the first three weeks in April, U.S. stocks rose as geopolitical tensions faded and investors turned to corporate earnings for guidance on future economic growth. Last week, however, the equity markets got spooked when we saw rising yields on the 10-year treasury reach 3.0% for the first time in four years. That and inflationary concerns accompanying higher commodity prices led to five days of stock declines in a row. After some late stabilization, the S&P 500 stands up for the month at +1.1% MTD and slightly below flat at -0.138% YTD.

All of the **EZTracker** model portfolios were up on the month and they continue to outpace both the Morningstar Benchmarks and the S&P 500. As a result there are no changes to the **EZTracker** Aggressive, Moderate, or Conservative model portfolios for the coming month.

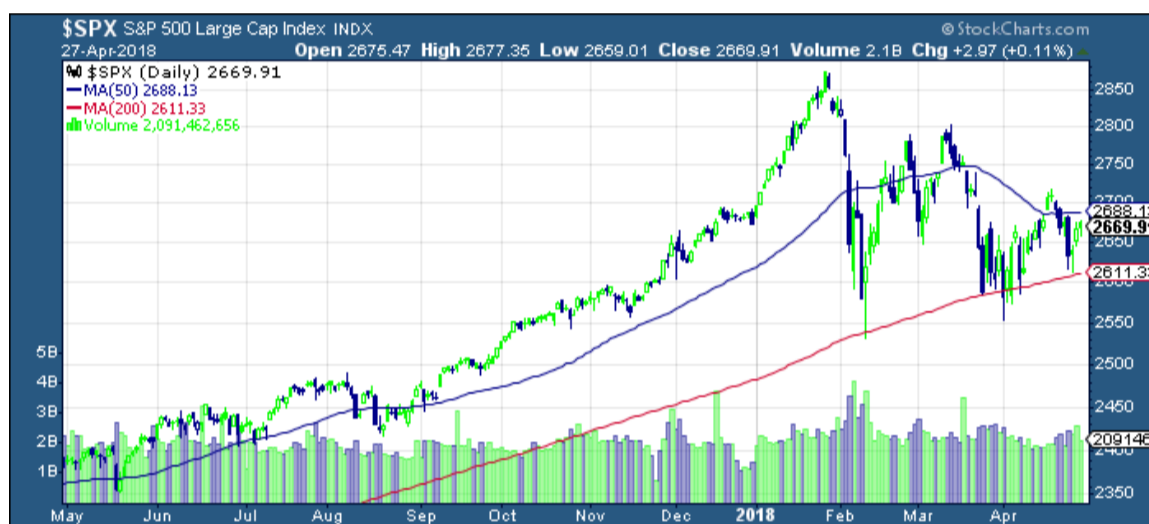
For the Pilot's Brokerage Portfolio, we are making one change found on page 3.

Portfolio Update on Page 3

There is a lot going on in this turbulent market that will determine the direction of the EZTracker portfolios for the rest of the year. Below is a summary of the key issues that we are following:

Corporate Earnings

In general, Q1 earnings for S&P 500 companies have been spectacular, with Q1 profit gains over 22%, "easily the best quarter in at least seven years" according to the Sevens Report. Moreover, over 79% of reporting companies have beaten Wall Street estimates. But the markets have not been impressed. Market pros worry that most of the earnings power already has been priced into the market and are focused on growth, looking ahead and wondering how corporate earnings can top themselves next year. Simply put, although strong earnings are important, future growth ultimately is what will drive stocks and multiples higher.



Financials: Bank earnings so far have been decent, with earnings beats by Citi, JPM, BofA, Goldman Sachs, American Express, and many others. Markets have not rewarded these positive reports however, possibly due to the perceived quality of the outperformance (ie tax benefits). With the recent rise in yields, however, the financial sector (XLF) has outperformed other sectors, gaining over 2.0% in April. Financials benefit from higher yields from the spread between what they pay savers and what they earn on loans and investments.

Industrials: Despite decent Q1 earnings performance, Industrials lagged toward the end of the month after Caterpillar's (CAT) management announced that the construction equipment giant did not expect to see further profit growth for the rest of the year. This doused cold water not only on CAT but also on the entire industrials and materials sector.

Technology: Toward the end of April, Technology earnings results materially outperformed with sector EPS up 22%. This was led by Facebook (FB, 63% EPS increase) and Microsoft (MSFT, beat estimates by 12%). Ultimately such earnings strength didn't translate into share price growth as the sector is down 1.85% for the month. Technology, however, still remains the 2nd strongest YTD of the 11 sectors tracked by Morningstar.

Consumer Discretionary: The Consumer Discretionary sector (XLY) has been one of the strongest performers over the last month, posting 2.96% growth during April. Sources of its momentum include Amazon (AMZN, Q1 earnings that blew past expectations by over 150%) and Netflix (NFLX, posting a 60% increase in EPS). The sector benefits from improving employment and a healthy housing market (as well as lower perceived personal income taxes) which lead to higher consumer spending on purchases outside of core consumer staples.

EZTracker's Brokerage Portfolio has exposure to three of the above-mentioned sectors, Financials, Technology and Consumer Discretionary.

Bottom Line:

After the market fluctuations and fickleness of the past few months, and in the midst of an excellent earnings environment, U.S. stocks have ended up virtually flat, making runs at both highs and lows but failing to break out in either direction. Accompanying this market volatility, we've had more than a few calls and emails from you with the question: "What should I do?" Keep in mind that investing for your retirement is a long-term proposition. If increased volatility makes you nervous, take a look at how much risk you're taking with your 401k and other investments. Follow the model portfolio that best fits your comfort and ability to take risk. Only you can decide how much risk is right for you.

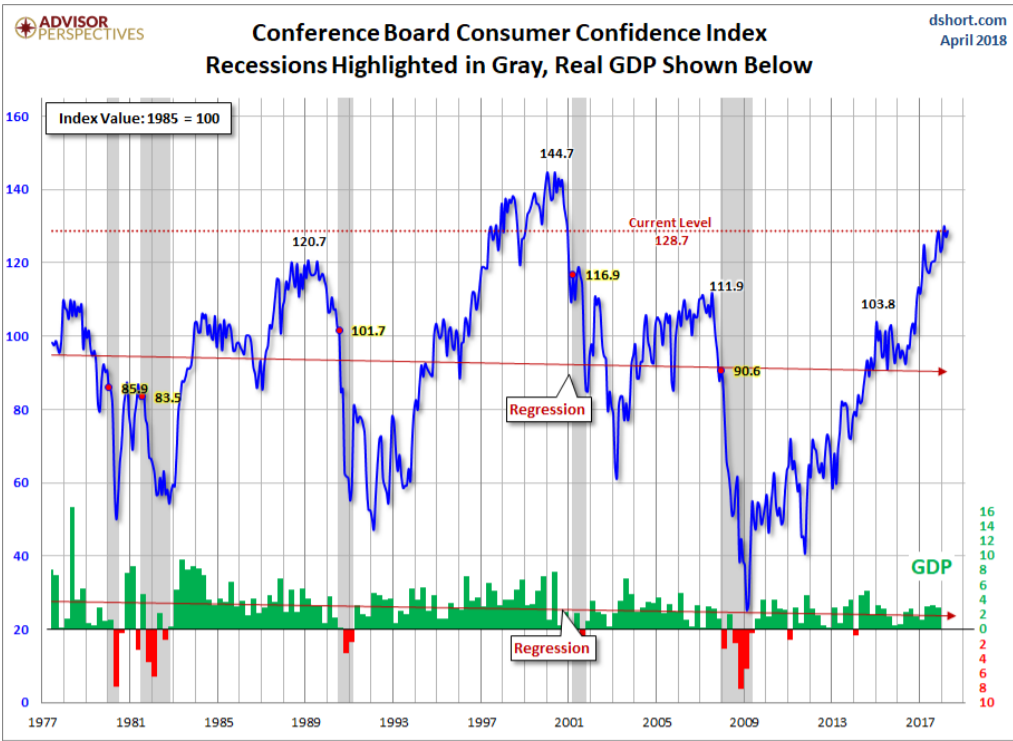
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What We're Watching

Economic Data

The latest batch of U.S. economic data points to a rosy picture. **March new home sales** rebounded to 694,000, a 4% increase over February. **U.S. Consumer Confidence** index continued to climb – to 128.7 in April from 127.0 in March – reaching near an 18-year high. Americans were more optimistic about their own finances and they think jobs are easy to find. “Overall, confidence levels remain strong and suggest that the economy will continue expanding at a solid pace in the months ahead,” said Lynn Franco, Director of Economic Indicators at Conference Board. Friday’s **GDP Report** had Q1 GDP up 2.3% vs a consensus estimate of 2.0% - the first time that a first quarter GDP beat economist expectations since 2008.



Sector Analysis

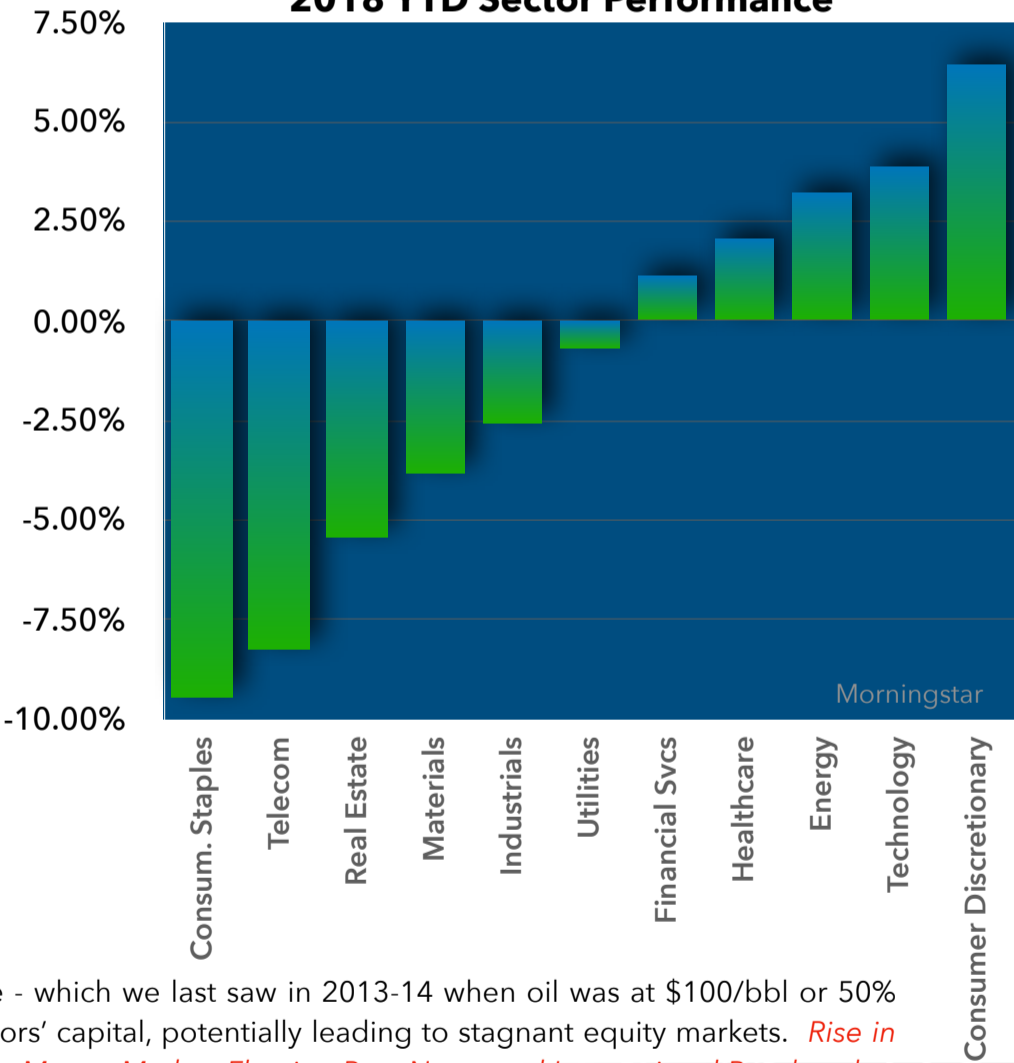
Year-to-date, US equity sector performance continues to be mixed with material weakness continuing across all value and core sectors (small-cap, mid-cap, and large-cap), while all growth sectors (small-, mid-, and large-cap) continue to be in the black. *In many EZTracker model portfolios, we are weighted toward growth sectors to take advantage of this trend.*

YTD Index Performance: Returns (%)

	VALUE	BLEND	GROWTH
LARGE CAP	-2.44%	-2.99%	7.28%
MID CAP	0.18%	-1.48%	3.28%
SMALL CAP	-3.44%	-0.88%	3.84%

Morningstar

2018 YTD Sector Performance



Fixed Income and Other Markets

Yield Curve and Rates: 10-year yields have risen to the 3.00% range - which we last saw in 2013-14 when oil was at \$100/bbl or 50% more than today. At this yield, bonds compete with stocks for investors’ capital, potentially leading to stagnant equity markets. *Rise in yields and the fall in prices is why EZTracker portfolios use Stable Value, Money Market, Floating Rate Notes and International Bonds rather than other bond options in the 401k.* Although the spread between 2-yr Treasuries and 10-yr Treasuries dipped earlier this month to 0.43% (a bearish indicator), it has recovered and is now back over 0.50%. A flatter yield curve signals expectations of slower long-term growth. An inversion (shorter term bonds’ yield > longer term bonds) is considered to be a predictor of recession.

Currencies: The US Dollar is trading at its highest level since January. The main catalyst for US Dollar strength continues to be the rise in US Treasury yields. Put simply, higher yields on U.S. bonds, mutual funds and CD’s make them more attractive for foreign investors. These investors need dollars to buy U.S. investments and must trade their currencies to get ahold of them.

Oil: Earlier in April, oil prices had been bolstered by the sense in the market that Trump will pull the U.S. out of a 2015 international accord to curb Iran’s nuclear program, which would likely lead to sanctions and frustrate the region’s oil output, reducing global supply. Oil prices then fell recently after Trump reversed course and signaled an interest in a new deal on Iran. West Texas Intermediate futures trading over \$68.

EZTracker provides model portfolios designed for different investment needs. The model portfolios reflect the changes below. Your percentages may vary somewhat, make sure you have the correct funds and approximately these percentages.

Pilots’ 401k Portfolios:

- **Aggressive, Moderate, and Conservative Portfolios:** **There are NO CHANGES for the coming month.**
- **Expanded Portfolio:** **There are NO CHANGES for the coming month.**
- **Brokerage Portfolio:** **Sell 100% KraneShares CSI China Internet(KWEB), with proceeds of sale, Buy:**
Gugg’hm S&P500 Equal Wgt Technology (RYT) 20%,
Consumer Discretionary SPDR (XLY) 40%, and
Gugg’hm S&P500 Equal Wgt Financials (RYF) 40%

Non-Pilots’ 401k/Profit Sharing Portfolios:

- **Aggressive, Moderate and Conservative Portfolios:** **There are NO CHANGES for the coming month.**
- **Expanded Portfolio:** **There are NO CHANGES for the coming month.**

Southwest Pilots Portfolio	Aggressive	Moderate	Conservative
Wells Fargo Stable Asset		20%	60%
Vanguard Institutional Index (VIXX)	10%	10%	7%
Vanguard Total Stock Market Index (VTSX)	29%	23%	10%
Schwab Fundamental Small Company (SFSNX)	9%	4%	4%
Vanguard Total International Stock (VTSNX)	18%	11%	7%
DFA Emerging Markets Value (DFEVX)	9%	8%	4%
Vanguard Federal Money Market Fund (VMFXX)	5%	10%	
Blackrock Fundamental U.S. Large Company	10%	7%	4%
Vanguard Extended Market Index (VEMPX)	10%	7%	4%
Southwest Non-Pilots Portfolio/Profit Sharing	Aggressive	Moderate	Conservative
Stable Value Fund	5%	30%	60%
FIAM Small Cap Core	13%	9%	5%
American Funds EuroPacific (RERGX)	25%	19%	10%
Vanguard Institutional Index (VIXX)	37%	27%	17%
Harbor Capital Appreciation (HACAX)	20%	15%	8%

Pilots’ Expanded Portfolio.

For information and details see p. 6 & 9.

The **EZTracker** Pilots’ Expanded Portfolio uses ETFs available through the Schwab Self-Directed Brokerage Link. All Schwab ETFs trade commission free. Non-Schwab ETFs incur a \$4.95 commission charge. This model portfolio is constructed using the data on page 7. As 5% of your 401k must remain in the core 401k, allocate a minimum of 5% to the Vanguard Total Money Market (VMFXX).

Pilot’s Expanded Portfolio	401k	Brokerage	Total
Vanguard Federal Money Market (VMFXX)	100%		4%
Schwab U.S. Mid Cap (SCHM)		9.4%	9%
Schwab U.S. Large Cap (SCHX)		27.0%	26%
Schwab Fundamental Emerg Mkts (FNDE)		8.3%	8%
Schwab U.S. Small Cap (SCHA)		7.3%	7%
Schwab International Equity (SCHF)		14.6%	14%
S&P Equal Weight Technology (RYT)		9.4%	9%
Gugg’m S&P 500 Equal Wght Financials (RYF)		10.4%	10%
Consumer Discretionary SPDR* (XLY)		9.4%	9%
SPDR Barclays Intl Treasury Fund (BWX)		4.2%	4%

*non-Schwab ETF. \$4.95 Commission.

Expanded Portfolio Other SW Employees/ Profit Sharing Plan.

For information and details see p. 6 & 9.

The **EZTracker** Expanded 401k Portfolio for ALL other SW Employees and the Southwest Profit Sharing Plan uses selected mutual funds to supplement the choices currently available in the 401k plan. The supplemental mutual funds are available through the SDA. *Southwest employees can use the SDA for a maximum of 50% of their 401k or Profit Sharing.*

Expanded Portfolios - NonPilots & Profit Sharing Plan	401k	Brokerage	Total
Vanguard U.S. Institutional Index (VIXX)	73%		37%
FIAM Small Cap Core	27%		14%
Schwab Fund. Emerg Mkts. (SFENX)		19%	9%
Schwab Fund. Intl. Small Co. (SFILX)		19%	9%
Schwab Large Co. Growth Fund (SWLSX)		30%	15%
Schwab International Core (SICNX)		32%	16%

Note: If you need assistance, call the Empower Service Center: 1-866-588-2728

Model Portfolios | May 2018 Newsletter

All the model portfolios consist of core holdings representing major market segments, plus top performers based on current market conditions. Some market conditions may cause us to deviate from the following indicative percentages.



Aggressive Portfolio:

95-100% invested in equities. This is a high risk/high reward portfolio.

Moderate Portfolio:

70% invested in equities and 30% invested in bonds or the money market fund or Stable Value Fund

Conservative Portfolio:

40% invested in equities and 60% invested in bonds or the money market fund or Stable Value Fund.

Brokerage Portfolio: These are high risk/high reward portfolios for subscribers looking for a wider selection of investment options.

- The Pilot's Expanded Portfolio is 95-100% invested in equities using the PRCA Brokerage Link and an expanded list of Schwab ETFs. This is a high risk/high reward portfolio.
- The Expanded Portfolio for non-pilots/Profit Sharing is 50% invested in the core 401k investment options and 50% invested in an expanded list of Schwab mutual funds.

Performance

Southwest Pilots 401k

Current Performance Through April 29, 2018	MTD April *	YTD 2018	1-YEAR
EZTracker Aggressive	3.03%	1.53%	13.00%
EZTracker Moderate	2.26%	1.25%	9.82%
EZTracker Conservative	1.41%	1.07%	6.58%
EZTracker Brokerage	1.84%	-0.11%	10.98%
Morningstar Benchmarks			
Aggressive Target Risk Index		0.31%	13.41%
Moderate Target Risk Index		-0.53%	8.15%
Conservative Target Risk Index		-1.20%	2.80%
S&P 500		-0.14%	11.77%

* Performance since last newsletter

Southwest Non-Pilots 401k/Profit Sharing

Current Performance Through April 29, 2018	MTD April *	YTD 2018	1-YEAR
EZTracker Aggressive	2.22%	0.10%	11.59%
EZTracker Moderate	1.69%	0.14%	8.96%
EZTracker Conservative	1.03%	0.30%	6.65%
EZTracker Brokerage	2.92%	1.02%	13.24%
Morningstar Benchmarks			
Aggressive Target Risk Index		0.31%	13.41%
Moderate Target Risk Index		-0.53%	8.15%
Conservative Target Risk Index		-1.20%	2.80%
S&P 500		-0.14%	11.77%

Morningstar Target Risk Index

The Morningstar Target Risk Index series serve as benchmarks to help with investment selections. They cover a global set of stocks, bonds and commodities. While not investable indices, they represent challenging benchmarks for long-term investing plans such as the **EZTracker** model portfolios.

Historical Performance

Any investment strategy should be measured one way: Results over time. Not one-week, one-month, not even one-year. While past performance is not a guarantee of future performance, our record has been excellent in delivering long-term returns. As with any long-term investing strategy, you should not expect dramatic short-term results to offset past losses.

Annual % Total Returns

Pilots 401k	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
EZTracker Aggressive	9.95	6.36	20.18	13.79	-27.29	20.36	14.70	-8.53	10.75	25.59	5.62	-3.77	6.67	19.47
EZTracker Moderate	6.97	4.54	13.90	10.94	-18.46	13.64	10.35	-4.09	7.32	17.66	5.01	-2.69	4.28	13.87
EZTracker Conservative	3.98	2.64	7.82	6.71	-8.40	9.22	7.26	-1.48	4.95	10.59	3.51	-0.72	3.42	8.78
EZTracker Expanded						Portfolio Started 4/25/11				6.46	25.97	9.08	-0.91	4.34
401k for Others & Profit Sharing	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
EZTracker Aggressive	14.10	10.89	19.44	8.39	-16.21	19.64	7.76	-10.97	9.55	28.52	6.13	-3.29	8.09	18.86
EZTracker Moderate	9.87	7.62	14.90	7.16	-10.04	15.09	6.24	-6.67	6.63	19.95	4.20	-1.94	5.85	14.47
EZTracker Conservative	5.64	4.35	10.44	5.92	-3.80	9.80	4.55	-3.44	4.37	11.68	3.16	-0.67	3.98	10.53
EZTracker Expanded						Portfolio Started 4/25/11				4.83	27.20	5.35	-0.69	10.58
Morningstar Benchmarks	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Aggressive Target Risk Index						32.00	16.75	-3.60	16.07	24.53	5.23	-2.67	11.34	21.95
Moderate Target Risk Index						21.77	12.33	0.59	12.04	14.31	4.89	-1.79	8.57	14.66
Conservative Target Risk Index						9.56	7.07	4.38	7.36	2.97	3.38	-0.92	4.67	7.00

All data for the model portfolios and the market indices are based on total returns which include reinvestment of dividends. See the EZTracker website (www.eztracker401k.com) for historical data for all model portfolios.

Monthly Fund Data-Southwest Pilots

The following represents data on all funds available in the Southwest Airlines 401k and Profit Sharing plans for this month.

Fund	Fund Symbol	Total Returns				Tracker Average
		1 MO	3 MO	6 MO	12 MO	
Blackrock Fundamental US Large Company		3.54%	-2.25%	12.02%	26.47%	21.70%
Vanguard Small Cap Growth Index	VSGIX	2.10%	-2.70%	6.89%	15.93%	12.12%
DFA Emerging Markets Value	DFEVX	0.73%	-7.48%	6.51%	18.64%	10.04%
DFA International Small Cap Value	DISVX	3.09%	-5.97%	4.01%	16.34%	9.53%
American Funds EuroPacific Growth R6	RERGX	1.44%	-5.82%	3.57%	17.86%	9.30%
American Funds 2060 Target Date Retirement		1.94%	-5.04%	4.94%	14.88%	9.12%
American Funds 2050 Target Date Retirement		1.92%	-5.05%	4.95%	14.85%	9.09%
American Funds 2055 Target Date Retirement		1.91%	-5.08%	4.94%	14.84%	9.06%
American Funds 2045 Target Date Retirement		1.81%	-5.07%	4.80%	14.62%	8.82%
American Funds 2040 Target Date Retirement		1.84%	-4.97%	4.66%	14.29%	8.63%
Vanguard Total International Stock Index-Inst	VTSNX	2.18%	-6.48%	4.01%	15.65%	8.38%
Vanguard Extended Market Index Fund	VEMPX	2.14%	-3.94%	4.47%	11.99%	8.00%
American Funds 2035 Target Date Retirement		1.69%	-4.86%	4.31%	13.50%	7.99%
Vanguard Total Stock Market Index	VITSX	2.34%	-6.13%	4.48%	13.67%	7.83%
Vanguard Institutional Index Plus	VIIIX	2.32%	-6.61%	4.44%	13.96%	7.70%
Schwab Fundamental US Small Co. Index	SFSNX	3.52%	-3.72%	4.22%	9.27%	7.25%
American Funds 2030 Target Date Retirement		1.46%	-4.46%	3.53%	11.47%	6.55%
American Funds 2025 Target Date Retirement		1.20%	-3.97%	2.60%	9.21%	4.93%
American Funds 2020 Target Date Retirement		0.96%	-3.60%	1.78%	7.27%	3.50%
Vanguard Total International Bond Index	VTIFX	-0.05%	1.02%	1.37%	2.59%	2.69%
American Funds 2015 Target Date Retirement		0.87%	-3.51%	1.21%	5.99%	2.49%
American Funds 2010 Target Date Retirement		0.84%	-3.38%	0.97%	5.36%	2.06%
Wells Fargo Stable Asset		0.17%	0.51%	1.00%	1.95%	1.98%
BlackRock Global Allocation I	MALOX	0.36%	-5.01%	1.25%	6.73%	1.81%
Vanguard Federal Money Market	VMFXX	0.13%	0.35%	0.64%	1.09%	1.20%
DFA Global Real Estate Securities	DFGEX	2.63%	-3.31%	0.47%	1.41%	0.66%
Vanguard Short-Term Inflation Protected	VTSPX	-0.08%	0.16%	0.26%	0.26%	0.33%
Loomis Sayles Core Plus Bond	NERYX	-0.18%	-1.13%	-0.36%	1.48%	-0.10%
Vanguard Total Bond Market Index -Inst	VBTIX	-0.62%	-1.50%	-1.75%	-0.40%	-2.33%

Monthly Fund Data-Southwest Non-Pilots/Profit Sharing

The following represents data on all funds available in the Southwest Airlines 401k and Profit Sharing plans for this month.

Fund	Fund Symbol	Total Returns				Tracker Average
		1 MO	3 MO	6 MO	12 MO	
Harbor Capital Appreciation	HACAX	2.19%	-4.67%	9.65%	27.26%	18.79%
FIAM Small Cap Core		3.31%	-2.28%	5.98%	12.66%	10.73%
American Funds EuroPacific Growth R6	RERGX	1.44%	-5.82%	3.57%	17.86%	9.30%
Vanguard Institutional Index Plus	VIIIX	2.32%	-6.61%	4.44%	13.96%	7.70%
Vanguard Target Retirement 2045 Trust Select		2.01%	-5.68%	3.79%	13.03%	7.17%
Vanguard Target Retirement 2050 Trust Select		2.00%	-5.72%	3.79%	13.04%	7.16%
Vanguard Target Retirement 2055 Trust Select		2.00%	-5.71%	3.77%	13.00%	7.13%
Vanguard Target Retirement 2060 Trust Select		2.00%	-5.74%	3.76%	13.00%	7.10%
Vanguard Target Retirement 2040 Trust Select		1.85%	-5.50%	3.58%	12.46%	6.76%
Vanguard Target Retirement 2035 Trust Select		1.65%	-5.07%	3.23%	11.42%	6.13%
Dodge & Cox Stock	DODGX	2.72%	-7.89%	4.60%	11.63%	6.03%
Vanguard Target Retirement 2030 Trust Select		1.45%	-4.66%	2.84%	10.35%	5.45%
Vanguard Target Retirement 2025 Trust Select		1.29%	-4.19%	2.49%	9.31%	4.85%
Vanguard Target Retirement 2020 Trust Select		1.03%	-3.68%	2.07%	8.13%	4.12%
Vanguard Target Retirement 2015 Trust Select		0.74%	-2.92%	1.52%	6.39%	3.12%
Vanguard Target Retirement Income Select		0.38%	-2.25%	0.90%	4.52%	1.93%
Stable Value Fund		0.14%	0.41%	0.81%	1.59%	1.61%
PIMCO Funds Total Return Institutional	PTTRX	-0.86%	-1.36%	-1.66%	0.50%	-1.85%
Southwest Common Stock	LUV	-5.82%	-12.79%	-3.00%	-4.86%	-14.44%

Pilots' Expanded Portfolio

In 2011 we added a new 401k portfolio for Pilots – **the Expanded Portfolio**. The decision to add this portfolio comes as a result of requests from pilots to make use of the PCRA and pressure from the SWPA 401k committee to limit trading activity in the core 401k plan. The Schwab Personal Choice Retirement Account (PCRA) is a self-directed brokerage account that supplements your core retirement account investments and provides access to a greatly expanded range of investments. Pilots can use the PCRA for up to 95% of their 401k. Our new portfolio reflects this flexibility.

- The **Expanded Portfolio** is based on 100+ ETFs we believe provide a great range of investment options. These ETFs provide a much wider range of investment options than provided in the basic 401k plan for Southwest pilots. These Schwab ETFs that trade commission-free through the PCRA and have sufficient trading volume to insure good liquidity.

We've selected ETFs rather than mutual funds:

- so this portfolio will not be burdened by trading restrictions imposed by most mutual funds.
- to provide excellent transparency. You can check the composition of any ETF (www.morningstar.com or www.etfdb.com).
- to provide the flexibility of adding coverage of other market segments in the future.

To get started and to open a PCRA account is easy.

1. Go to www.swapa.org and click on the 401k tab and log-in.
2. Click on the \$ sign in the lower right corner and log into your plan.
3. On your account page, select "Investments" from the top menu bar.
4. Select "Schwab Self-Directed Brokerage Account". Here you will be able to get information about starting your account as well as a wide range of general information about this option for your 401k.

To use this portfolio, you must open a Self-Directed Brokerage Account through Schwab. Any questions, call 1-888-393-7272
See the updated Pilot 401k Expanded Portfolio on page 3.

In addition to these ETF holdings, 5% of your 401k must remain within the core 401k plan. Allocate this 5% to the Vanguard Total Money Market (VNFXX). All contributions from your paychecks should be going to the Money Market Fund and then transferred to the PCRA.

Expanded Portfolio for All Other Southwest Employees and the Profit Sharing Plan

In June 2011 we added a new 401k portfolio for all non-pilot employees at Southwest – **the Expanded Portfolio**. This portfolio can also be used by all Southwest employees to manage their Profit Sharing Plan. The decision to add this portfolio is the result of requests from employees to make use of the expanded options available to them and to provide investment opportunities in market segments not available in the plans. The Self-Directed Brokerage Account (SDA) can be used to supplement your core retirement account investments and provides access to a greatly expanded range of investments. Southwest employees (non-pilots) managing their 401k and all Southwest employees (including pilots) managing their Profit Sharing Plans can use the SDA for up to 50% of the plan. Our new portfolio reflects this flexibility.

The **Expanded Portfolio** adds 50 mutual funds to the current list of investment options available in the 401k. We have selected these mutual funds because:

- They represent investment segments currently under-represented in the 401k (small/mid cap funds, international funds and bond funds).
- Because of the 50% limitation on investing through the SDA, we wanted to have the flexibility to start with a limited number of funds and add funds as needed.
- All of the selected funds are No-Load/No Transaction Fee funds. There are no commissions, although there are trading restrictions.

To get started and to open a SDA account is easy.

1. Go to: www.freedomtoretire.com and log-in
2. Select Retirement Brokerage Services – Self Directed Account
3. You can view a demo, open your account and get a User's Guide.
4. After you have opened your SDA account, you can transfer up to 50% of your 401k balance to the Retirement Brokerage Services SDA.
5. See the Expanded Model Portfolio on page 3.

Note: If you need assistance, call the Empower Service Center: 1-866-588-2728

Pilot's Expanded Portfolio

This is an aggressive portfolio designed for investors who are comfortable using online brokerage services and want to take a more active role in managing their 401k portfolios. This partial list of ETFs are the top 50 this month of the 100 ETFs we track at Schwab.

Schwab ETF Portfolio	Symbol	1 Mo	3 Mo	6 Mo	12 Mo	Tracker Avg
U.S. Brent Oil Fund	BNO	7.72%	7.05%	26.93%	46.85%	48.30%
United States 12 Month Oil	USL	5.24%	4.87%	25.77%	32.86%	37.49%
United States Gasoline Fund	UGA	5.49%	-0.94%	9.34%	35.45%	26.92%
SPDR S&P Global Natural Resources	GNR	5.84%	-3.38%	10.57%	23.74%	20.06%
Guggenheim Frontier Markets	FRN	-2.36%	-3.48%	11.31%	25.05%	16.65%
PowerShares Emerging Mkts Momentum	PIE	-1.55%	-5.72%	8.24%	28.14%	15.88%
Consumer Discretionary SPDR	XLY	2.96%	-4.20%	13.39%	16.64%	15.70%
Gugg'hm S&P500 Equal Wgt Technology	RYT	0.66%	-3.15%	7.13%	23.88%	15.55%
SPDR S&P Emerging Markets Dividend	EDIV	-1.68%	-4.81%	13.66%	20.43%	15.06%
US Commodity Index	USCI	3.21%	0.76%	7.84%	13.77%	13.95%
Guggenheim S&P 500 Pure Growth	RPG	0.96%	-4.57%	6.64%	20.41%	12.78%
Guggenheim S&P 500 Pure Value	RPV	5.21%	-5.32%	7.92%	15.20%	12.56%
Schwab U.S. Large-Cap Growth	SCHG	2.17%	-5.37%	7.25%	18.59%	12.35%
PowerShares Em. Mkts. Low Volatiliy	EELV	1.27%	-4.13%	8.19%	17.31%	12.35%
SPDR S&P China ETF	GXC	-1.42%	-12.43%	4.39%	31.85%	12.22%
Oppenheimer Ultra Dividend	RDIV	5.89%	-2.83%	8.49%	10.27%	11.90%
Gugg'hm S&P500 Equal Wgt Financials	RYF	2.73%	-5.68%	5.82%	18.64%	11.73%
Schwab Intl Small-Cap Equity	SCHC	2.58%	-5.42%	6.06%	17.79%	11.45%
Schwab Fundamental Intl. Large Company	FNDF	4.52%	-5.23%	4.65%	16.15%	10.96%
Schwab Fundamental Intl. Small Company	FNDC	2.66%	-5.10%	5.04%	17.27%	10.84%
JP Morgan Diver. Return Intl. Equity	JPIN	3.61%	-4.03%	4.95%	14.56%	10.41%
Schwab Fundamental Emerging Mkts	FNDE	0.52%	-7.07%	6.67%	18.72%	10.28%
Powershares DWA Momentum	PDP	1.94%	-4.65%	4.84%	15.50%	9.61%
Schwab International Equity	SCHF	3.50%	-5.61%	3.76%	14.93%	9.04%
Guggenheim BRIC ETF	EEB	-0.16%	-9.62%	4.08%	21.88%	8.83%
KraneShares CSI China Internet *	KWEB	-4.66%	-14.65%	5.38%	30.00%	8.77%
PowerShares S&P 500 High Beta Port.	SPHB	1.05%	-7.20%	6.44%	15.79%	8.77%
SPDR MSCI ACWI (ex-US)	CWI	2.43%	-6.52%	3.61%	15.64%	8.27%
Global X Robotics & Art. Intell.	BOTZ	-1.99%	-14.96%	0.62%	30.54%	7.75%
Schwab U.S. Large-Cap	SCHX	2.21%	-6.43%	4.48%	13.90%	7.73%
Deutsche X-trackers EAFE Hedged	DBEF	6.44%	-2.86%	1.17%	9.36%	7.69%
Schwab U.S. Broad Market	SCHB	2.27%	-6.17%	4.43%	13.55%	7.68%
Schwab U.S. Mid-Cap	SCHM	1.78%	-5.14%	4.69%	12.18%	7.37%
Schwab U.S. Small-Cap	SCHA	2.65%	-3.80%	3.88%	10.67%	7.31%
Guggenheim S&P 500 Equal Weight	RSP	2.46%	-5.81%	4.94%	11.54%	7.16%
Schwab Fundamental U.S. Small Company	FNDA	3.40%	-3.77%	4.22%	9.17%	7.11%
Schwab Fundamental U.S. Large Company	FNDX	3.09%	-6.95%	4.59%	11.64%	6.75%
WisdomTree U.S. Dividend Growth	DGRW	1.58%	-8.68%	3.79%	14.15%	5.91%
PowerShares S&P International Devel	IDLV	2.51%	-4.71%	2.62%	10.38%	5.89%
Schwab Emerging Markets Equity	SCHE	-1.48%	-9.88%	3.97%	17.91%	5.74%
SPDR Barclays Capital Convert. Securities	CWB	0.34%	-3.23%	3.26%	10.09%	5.71%
SPDR Stoxx Europe 350	FEU	4.35%	-6.84%	2.04%	10.66%	5.57%
CurrencyShares Euro Trust	FXE	-2.23%	-2.53%	4.15%	10.64%	5.47%
SPDR Barclays International Corpora...	IBND	-2.55%	-3.09%	3.83%	11.31%	5.18%
SPDR S&P Emerging Markets Small Cap	EWX	-1.04%	-8.07%	3.09%	14.31%	4.52%
WisdomTree Intl. Hedged Dividend Growth	IHDG	4.09%	-3.34%	-0.30%	7.51%	4.34%
PowerShares India Portfolio	PIN	3.34%	-7.79%	0.51%	11.77%	4.27%
SPDR Barclays Intl Treasury Bond	BWX	-2.72%	-1.61%	4.35%	7.46%	4.08%
PowerShares S&P 500 Low Volatility	SPLV	1.35%	-4.31%	1.32%	8.72%	3.86%
SPDR Blackstone GSO Senior Loan	SRLN	0.41%	0.69%	1.84%	3.89%	3.73%

Expanded Portfolio for Non-Pilots and Profit Sharing Plan

This is an aggressive portfolio designed for investors who are comfortable using online brokerage services and want to take a more active role in managing their 401k/Profit Sharing portfolios. The

following mutual funds have been selected to supplement the choices available to non-pilot employees at Southwest for the 401k plan and all employees for the Profit Sharing Plan. These funds have been selected to broaden the investment choices for these employees by providing investment options in market segments not currently covered by the current plan.

SW Expanded fo Non-Pilots & Profit Sharing	Symbol	1 Mo	3 Mo	6 Mo	12 Mo	Tracker Avg
Schwab Fundmtl Interntl Small Co Index	SFILX	2.59%	-5.06%	5.03%	17.45%	10.92%
Schwab Fundmtl Interntl Large Co Index	SFNNX	4.21%	-5.29%	4.67%	15.92%	10.64%
Schwab Fund. Emerg Mkts Large Co Idx	SFENX	0.00%	-7.04%	6.68%	18.01%	9.63%
Schwab International Index Fund	SWISX	3.28%	-5.67%	3.85%	14.37%	8.63%
Schwab Large-Cap Growth Fund	SWLSX	1.52%	-6.40%	4.40%	16.12%	8.54%
Schwab Small-Cap Index Fund	SWSSX	2.94%	-2.87%	3.91%	11.28%	8.33%
Schwab 1000 Index Fund	SNXFX	2.23%	-6.40%	4.49%	13.83%	7.72%
Schwab S&P 500 Index Fund	SWPPX	2.33%	-6.59%	4.43%	13.95%	7.70%
Schwab Total Stock Market Index Fund	SWTSX	2.28%	-6.14%	4.41%	13.53%	7.68%
Schwab Fundamental US Small Co. Index	SFSNX	3.52%	-3.72%	4.22%	9.27%	7.25%
Schwab Fundamental US Large Co Index	SFLNX	3.06%	-7.05%	4.56%	11.68%	6.69%
Schwab Small-Cap Equity Fund	SWSCX	2.24%	-3.47%	3.60%	9.82%	6.65%
Schwab Core Equity Fund	SWANX	1.71%	-6.60%	3.68%	13.40%	6.65%
Schwab Hedged Equity Fund	SWHEX	2.43%	-2.76%	3.51%	6.94%	5.52%
Schwab International Core Equity Fund	SICNX	2.38%	-6.29%	2.30%	11.34%	5.31%
Schwab Fundmtl Global RE Index	SFREX	2.48%	-5.62%	1.56%	9.58%	4.37%
Schwab Health Care Fund	SWHFX	3.07%	-7.87%	2.38%	10.42%	4.36%
Schwab Dividend Equity Fund	SWDSX	1.83%	-7.08%	1.91%	8.80%	2.98%
Schwab Global Real Estate Fund	SWASX	2.81%	-5.06%	0.24%	4.61%	1.42%
Schwab Treasury Inflation Prot. Sec. Index	SWRSX	-0.06%	-0.51%	0.29%	0.13%	-0.08%
Schwab Short-Term Bond Index	SWSBX	-0.23%	-0.43%	-1.10%	-0.46%	-1.21%
Schwab U.S. Aggregate Bond Index	SWAGX	-0.57%	-1.34%	-1.72%	-0.21%	-2.09%
Schwab Intermediate-Term Bond Fund	SWIIX	-0.41%	-0.98%	-1.68%	-1.01%	-2.23%
Schwab GNMA Fund	SWGSX	-0.38%	-1.07%	-1.86%	-1.19%	-2.45%

Southwest employees (non-pilots) may allocate up to 50% of their 401k portfolio to investments outside of the current plan offerings.
All Southwest employees may allocate up to 50% of their Profit Sharing portfolio to investments outside of the current plan offerings.

Change and Rebalance Procedures

PILOTS' 401K

Change Investments/Rebalance/Transfer/Future Investments

- Log on to www.swapa.org and click on the \$ sign on bottom.
- Under Participant Login enter Username and Password and sign in.
- Hit "Manage Accounts" at top of page and "Southwest Pilots Retirement Savings Plan".
- Hit "Change Investments" on the top of the page.

Current Subscribers:

- Select "Trade an Investment".
- Select "Begin Transfer" (Roth or Non Roth).
- Under Transfer of Assets, select "all contribution types
- Put Percentage amount into box(s) From.
- Put Percentage amount into box(s) To.
- Complete the transfer process
- Hit "Continue".
- Hit "Submit".
- To set your Future Contributions, click on "Future Investments" on the "Manage Account" page
- Under Future Contributions, select "apply rebalance selections to future contributions"
- Enter percentages in the boxes in the "% After Rebalance" column
- Click "Continue"

New Subscribers or if you haven't made any changes to your account within the past 90 days: Select "Rebalance Your Investments" to rebalance your entire account.

- Under Trade Assets of, select "all contribution types
- Under Future Contributions, select "apply rebalance selections to future contributions"
- Enter percentages in the boxes in the "% After Rebalance" column
- Click "Continue"

Questions please call 1-800-969-7972 ext. 4222

NON-PILOTS'/PROFIT SHARING

Log in with your Username and Password to:

<https://freedomtoretire.empower-retirement.com/participant/#/login?accu=SWA>

- Click on "My Accounts" at the top of the page.
- Select "Southwest Airlines Co. 401k Plan"
- On left side under "Investments" Tab, click on "View/Manage my Investments"
- On right side, click on first box "Change My Investments" (Under Non-Roth Current Balance & Future Allocation)
- Select the circle for "Change how my current balance is invested"
- On the next page, select the circle for "Change how my current balance is invested"
- Go to the bottom of the page, you see "This fund transfer will apply to your existing balance (s) only...(in yellow box). Under that enter the Fund-to-Fund transfer amounts in the "Transfer From" boxes and the "Transfer To" boxes.
- If making more than one transfer, then select "Select another Transfer" or if finished select "Review Transfer(s)" box.
- Click the blue box for "OK" under "There are Warnings"
- Click the blue box that says "Submit"



Questions, Comments, Problems?

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