

June 24, 2018

401k PORTFOLIO JULY 2018 UPDATE & NEWSLETTER



Southwest®

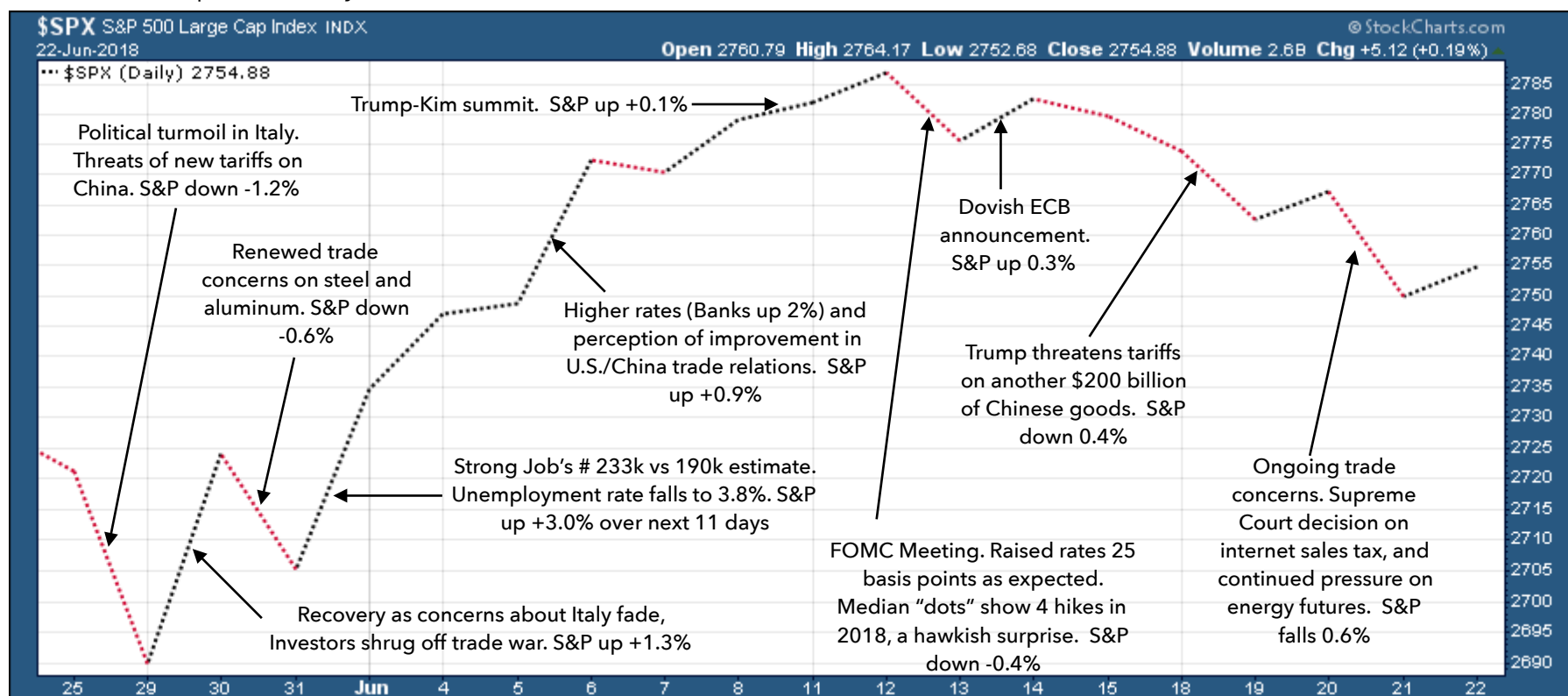
TAKE CONTROL OF YOUR FUTURE

July 2018 Newsletter

Coming off a volatile month with split indices' performance since the last newsletter – DJIA down 0.79% (YTD -.56%), S&P +1.23% (YTD +3.04%) and Nasdaq +3.48% (YTD +11.44%), it is clear we are entering a period of investors' risk reduction. Geopolitical concerns, tariffs - both in place and threatened, and the resultant general perception of international instability has caused us to take a close look at our overseas investments.

We decided to reduce exposure to International and Emerging Market funds and refocus on Domestic investments. We will continue to monitor all sectors and regions but we feel the safer play at this time is to be weighted in the U.S. **EZTracker** portfolios continue to outperform our benchmarks, yet we continue to look to optimize. Please see page 3 for detailed model portfolio adjustments.

Portfolio Update on Page 4



As evident in the above chart showing the SPX since May 25, geopolitical concerns have been the reasons behind market movements, with trade concerns sparked by the threatened tariffs against China as the major source of market headwinds.

So, What Is the Big Deal with Tariffs?

A tariff is a tax on certain goods or items coming into a country, levied by a customs broker or agent at the time that the goods enter. The concept is that a tariff would push up the US price of foreign products, making US alternatives more attractive. Currently, President Trump is attempting to get US companies and consumers to use fewer Chinese-produced goods and opt for items made in the US or imported from a more friendly ally.

What does this mean to me?

First: The prices of some products that everyone buys will likely go up. Steel and aluminum, two imports already targeted by the administration, are crucial inputs for autos, airplanes, appliances and for the construction, oil and utility industries.

Second: Although meant to protect US industries, US companies may not be able to replace what is imported, meaning that manufacturers will keep importing and paying the tariff, and therefore would become less profitable or less competitive.

Third: Foreign countries' retaliation, or a trade war, adds insult to injury where other US exporters (like farmers – China is the top export market for soybeans buying \$14 billion last year) would suffer immediate reductions in overseas demand without any alternate new market.

To the extent that the threat of tariffs obtain some other international goal or concession, without actually levying the duty, it can be an effective negotiation tactic.

Bottom Line:

Fundamental economic strength spurred the US Equity markets at the onset of June, but the announced tariffs and the potential for a drawn-out trade war with China as well as the European Union negatively affected investors sentiment. We continue to closely watch these events given the global uncertainty that may arise from trade and geopolitical concerns, and have changed our model portfolios accordingly. Keep in mind that investing for your retirement is a long-term proposition. 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.

Help Hotline: We help new subscribers get started, and current subscribers get back on track.

201.503.6445 | contact@eztracker401k.com

What We're Watching

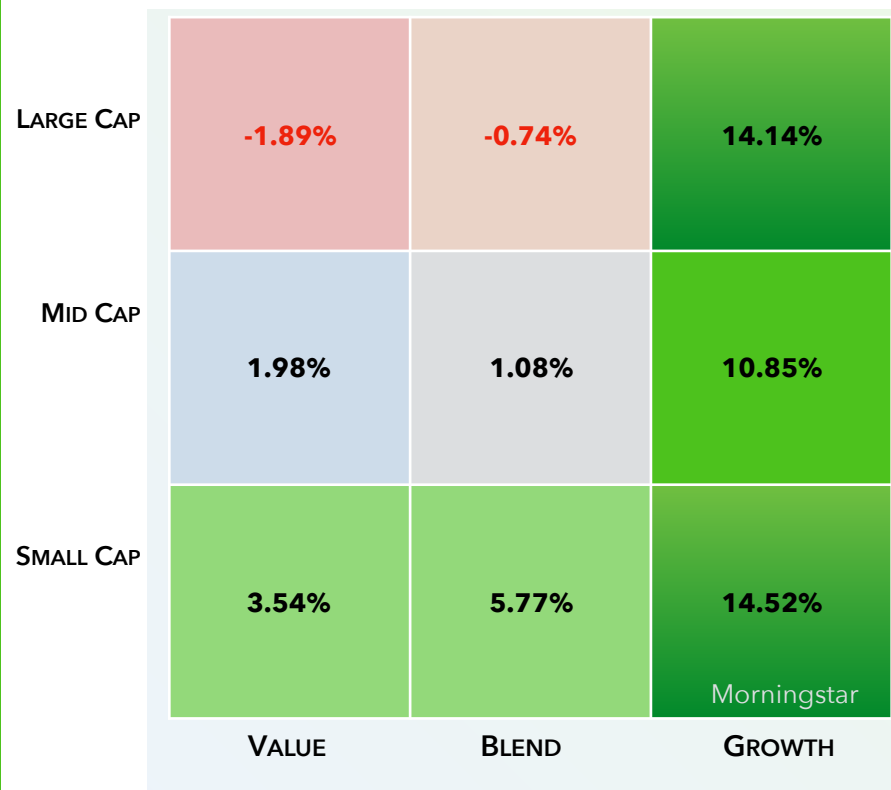
Economic Data

Employment, as described in the **May US Employment Report** (issued on June 1), outperformed expectations with a 223k increase in non-farm payrolls. The resultant reduction in the unemployment rate to 3.8% was energized by broad-based strength across many services sectors including business services, education and health, leisure and hospitality, and retail. At the widely anticipated **June Federal Open Market Committee** meeting, the Fed raised the target range for the federal funds rate by 25bp, in line with consensus expectations. The Fed's policy path steepened in 2018 and 2019 with indications of two further rate hikes this year and three rate increases in 2019. Consumer sentiment as measured by the **University of Michigan Index for Consumer Sentiment** continues to climb, rising to 99.3 in June from 98.0 based mainly on an improvement in consumers' assessment of current economic conditions and consumers' perceiving themselves to be better off financially relative to a year ago. That said, consumers also perceive more uncertainty, driven by expectations of higher interest rates and elevated gas prices.

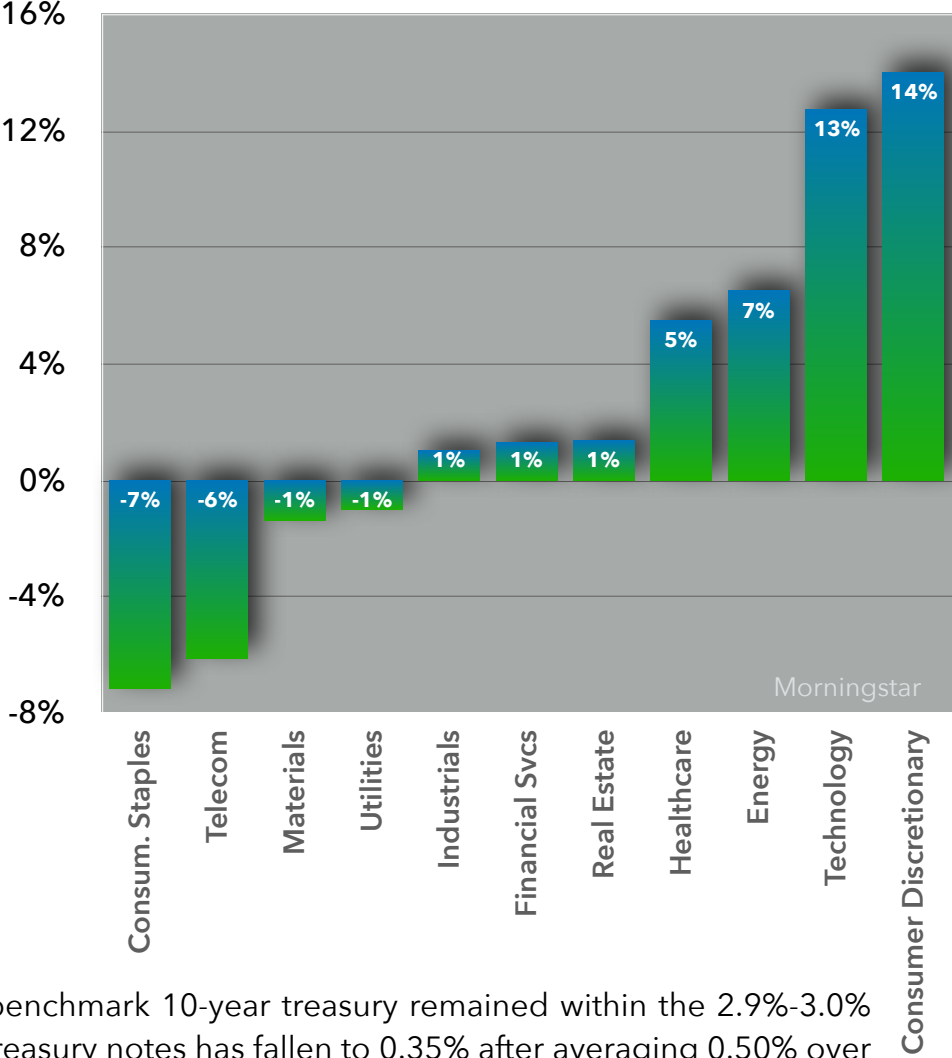
Sector Analysis

Consumer Discretionary, Technology, Energy, and Healthcare continue to be the best performing sectors. Defensive sectors such as Consumer Staples and Telecom continue to lag the market with no signs of a change. The sectors that would be expected to perform well through a trade war scenario, besides US bonds, are those that have a lot of exposure to the US economy such as Healthcare (which has recently risen to be a top-performing sector YTD) and regional banks. In many of our **EZTracker** expanded, brokerage or **EZTrackerETF** portfolios, we are weighted towards the the higher performing sectors such as Technology and Consumer Discretionary.

YTD Index Performance: Returns (%)



2018 YTD Sector Performance



Fixed Income and Other Markets

Yield Curve and Rates: Since the end of May, the yield on the benchmark 10-year treasury remained within the 2.9%-3.0% range. More importantly, the spread between two- and ten-year Treasury notes has fallen to 0.35% after averaging 0.50% over the past 3 months. The yield curve tends to flatten when investors pare their long-term growth and inflation expectations, but one should not discount the Fed's intentions to continue hiking short term interest rates (causing this spread to fall). This indicator is important since each of the past seven recessions has been preceded by an inverted curve (shorter-term bonds paying more than longer bonds).

Oil: Since the end of May, oil prices have fallen due to the assumption amongst investors that OPEC will decide to boost production during its meetings held the weekend of June 22-24. This in fact was the case after Saudi Arabia convinced Iran to drop its opposition, paving the way for a deal for increased production of some 700,000 barrels per day starting next month. Although the boost was lower than originally expected, the increased output is hoped to keep oil prices at their "goldilocks" value of just under \$70 per barrel, offering price relief to consumers. Oil prices actually rose on the announcement and the realization that the boost was lower than expected, but many experts expect the prices to revert to their downward trend soon.

The following changes have occurred for the Southwest Pilot's Plans only:

The DFA International Small Cap Value (DISVX) and the DFA Emerging Markets Value (DFEVX) funds will be replaced by the DFA World ex US Core Equity (DFWIX) portfolio.

If you own either of the outgoing DFA funds, your money will move automatically to the new DFA World ex US Core Equity Fund. This change will occur in June. You should have already received the notice from Schwab.

In addition,

The BlackRock Global Allocation (MALOX) fund will be removed from the lineup.

If you are invested in the BlackRock Global Allocation (MALOX) on the transition date (June), your dollars will automatically flow into the American Target Retirement fund that most closely matches your target retirement year. You should have already received the official fund change notification from Schwab. Please reach out to the Committee at 401k@swapa.org if you have any questions.

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:** Exchange Vanguard Total International Stock (VTSNX) for Vanguard Total Stock Market Index (VITSX). Exchange DFA Emerging Markets Value (DFEVX or DFWIX)* for Vanguard Extended Market Index (VEMPX). These purchases are additions to already held positions.
- **Expanded Portfolio:** Sell 100% Schwab Fundamental Emerg Mkts (FNDE) and 100% Schwab INTL Equity (SCHF). With the proceeds from sale allocate 60% to Schwab US Broad Mkt (SCHB) and 40% to Schwab Fundamental US Small Co. (FNDA).

* See Page 3

Directions for making portfolio changes and Rebalancing are on page 12.

Non-Pilots’ 401k/Profit Sharing Portfolios:

- **Aggressive, Moderate and Conservative Portfolios:** Exchange 100% American Funds EuroPacific (RERGX) for 60% Vanguard Inst Index (VIXIX) and 40% FIAM Small Cap Core. These purchases are additions to already held positions.
- **Expanded Portfolio:** Exchange Schwab INTL Core (SICNX) for Schwab Total Stock Mkt Index Fund (SWTSX). Exchange Schwab Fund Emerging Mkts (SFENX) for Schwab Fundamental US Small Co Index Fund (SFSNX)

Southwest Pilots Portfolio	Aggressive	Moderate	Conservative
Wells Fargo Stable Asset		19%	57%
Vanguard Institutional Index (VIXIX)	10%	11%	8%
Vanguard Total Stock Market Index (VITSX)	46%	34%	18%
Schwab Fundamental Small Company (SFSNX)	10%	4%	5%
Vanguard Federal Money Market Fund (VMFXX)	5%	9%	
Blackrock Fundamental U.S. Large Company	11%	8%	4%
Vanguard Extended Market Index (VEMPX)	18%	15%	8%
Southwest Non-Pilots Portfolio/Profit Sharing	Aggressive	Moderate	Conservative
Stable Value Fund	5%	28%	58%
FIAM Small Cap Core	23%	17%	10%
Vanguard Institutional Index (VIXIX)	52%	39%	24%
Harbor Capital Appreciation (HACAX)	20%	16%	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).

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.

Pilot’s Expanded Portfolio	401k	Brokerage	Total
Vanguard Federal Money Market (VMFXX)	100%		3.7%
Schwab U.S. Mid Cap (SCHM)		9.6%	9.2%
Schwab U.S. Large Cap (SCHX)		28.5%	27.5%
Schwab Fundamental US Small Company Index (FNDA)		8.5%	8.2%
Schwab U.S. Small Cap (SCHA)		7.4%	7.1%
Schwab US Broad Market (SCHB)		12.8%	12.3%
S&P Equal Weight Technology (RYT)		10%	9.7%
Gugg’m S&P 500 Equal Wght Financials (RYF)		9.5%	9.1%
Consumer Discretionary SPDR* (XLY)		9.9%	9.5%
SPDR Bloomberg Barclays Investment Grade Floating Rate ETF (FLRN)		3.8%	3.7%
	100%	100%	100%

*non-Schwab ETF. \$4.95 Commission.

Expanded Portfolios - NonPilots & Profit Sharing Plan	401k	Brokerage	Total
Vanguard U.S. Institutional Index (VIXIX)	73%		39%
FIAM Small Cap Core	27%		15%
Schwab Fundamental US Small Company Index (SFSNX)		18%	8%
Schwab Large Cap. Growth Fund (SWLSX)		52%	24%
Schwab Total Stock Market Index Fund (SWTSX)		30%	14%
	100%	100%	100%

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

Model Portfolios | July 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 June 24, 2018	MTD June *	YTD 2018	1-YEAR
EZTracker Aggressive	1.00%	4.17%	13.68%
EZTracker Moderate	0.73%	3.21%	10.29%
EZTracker Conservative	0.53%	2.42%	6.72%
EZTracker Brokerage	0.70%	2.13%	11.65%
Morningstar Benchmarks			
Aggressive Target Risk		1.63%	12.69%
Moderate Target Risk Index		0.29%	7.39%
Conservative Target Risk Index		-0.81%	2.06%
S&P 500		3.04%	13.16%

* Performance since last newsletter

Southwest Non-Pilots 401k/Profit Sharing

Current Performance Through June 24, 2018	MTD June *	YTD 2018	1-YEAR
EZTracker Aggressive	0.94%	3.38%	12.83%
EZTracker Moderate	0.72%	2.64%	9.72%
EZTracker Conservative	0.51%	1.93%	6.82%
EZTracker Brokerage	0.46%	3.01%	13.62%
Morningstar Benchmarks			
Aggressive Target Risk Index		1.63%	12.69%
Moderate Target Risk Index		0.29%	7.39%
Conservative Target Risk Index		-0.81%	2.06%
S&P 500		3.04%	13.16%

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 Large Cap Focus Growth Fund		4.39%	9.34%	17.52%	31.22%	34.08%
Vanguard Small-Cap Growth Index Fund	VSGIX	4.24%	9.02%	11.90%	23.93%	26.78%
Schwab Fundamental US Small Company Index Fund	SFSNX	3.66%	10.02%	7.96%	20.19%	22.82%
Vanguard Extended Market Index Fund	VEMPX	3.47%	7.74%	8.34%	20.20%	21.68%
Vanguard Total Stock Market Index Fund	VITSX	1.69%	5.27%	4.51%	16.23%	15.11%
Vanguard Institutional Index Fund	VIIIX	1.29%	4.71%	3.66%	15.37%	13.66%
American Funds 2060 Target Date Retirement Fund		0.31%	3.12%	3.80%	14.10%	11.64%
American Funds 2050 Target Date Retirement Fund		0.26%	3.15%	3.82%	14.11%	11.64%
American Funds 2055 Target Date Retirement Fund		0.26%	3.10%	3.75%	14.05%	11.54%
American Funds 2045 Target Date Retirement Fund		0.25%	3.09%	3.70%	13.82%	11.38%
American Funds 2040 Target Date Retirement Fund		0.25%	3.01%	3.55%	13.42%	11.04%
American Funds 2035 Target Date Retirement Fund		0.33%	2.95%	3.26%	12.64%	10.46%
DFA Global Real Estate Securities Portfolio		4.18%	6.61%	1.67%	4.48%	9.25%
American Funds 2030 Target Date Retirement Fund	RFETX	0.20%	2.36%	2.33%	10.38%	8.33%
American Funds 2025 Target Date Retirement Fund		0.22%	1.94%	1.63%	8.21%	6.55%
American Funds 2020 Target Date Retirement Fund		0.24%	1.60%	0.92%	6.27%	4.93%
American Funds EuroPacific Growth Fund		-2.83%	-0.97%	0.33%	10.43%	3.80%
American Funds 2015 Target Date Retirement Fund	RFJTX	0.17%	1.40%	0.28%	5.04%	3.76%
American Funds 2010 Target Date Retirement Fund	RFTTX	0.18%	1.30%	0.17%	4.46%	3.34%
Vanguard Total International Bond Index Fund		0.83%	0.51%	1.25%	1.99%	2.50%
Wells Fargo Stable Asset		0.17%	0.52%	1.02%	2.00%	2.03%
World ex U.S. Core Equity Portfolio		-4.03%	-1.78%	-1.70%	10.43%	1.59%
Vanguard Total International Stock Index Fund	VTSNX	-3.46%	-1.11%	-1.51%	8.92%	1.55%
Vanguard Short-Term Inflation-Protected Securities	VTSPX	0.28%	0.45%	0.78%	1.20%	1.48%
Vanguard Federal Money Market	VMFXX	0.15%	0.42%	0.75%	1.25%	1.40%
Natixis Loomis Sayles Core Plus Bond Fund		0.54%	-0.20%	-1.00%	0.13%	-0.28%
Vanguard Total Bond Market Index Fund	VBTIX	0.71%	-0.06%	-1.58%	-1.37%	-1.25%
DFA Emerging Markets Value Portfolio	DFEVX	-6.74%	-7.30%	-3.88%	8.74%	-5.01%

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 Fund	HACAX	3.11%	7.39%	12.82%	29.48%	28.80%
FIAM Small Cap Core		2.70%	10.89%	9.66%	18.97%	23.03%
Vanguard Institutional Index Fund	VIIIX	1.29%	4.71%	3.66%	15.37%	13.66%
Dodge & Cox Stock Fund	DODGX	0.55%	4.29%	2.21%	14.50%	11.75%
Vanguard Institutional Target Retirement 2045 Fund		-0.25%	2.50%	1.88%	11.86%	8.72%
Vanguard Institutional Target Retirement 2050 Fund		-0.25%	2.45%	1.84%	11.87%	8.68%
Vanguard Institutional Target Retirement 2055 Fund		-0.29%	2.45%	1.82%	11.88%	8.65%
Vanguard Institutional Target Retirement 2060 Fund		-0.29%	2.45%	1.81%	11.82%	8.62%
Vanguard Institutional Target Retirement 2040 Fund		-0.21%	2.35%	1.71%	11.35%	8.29%
Vanguard Institutional Target Retirement 2035 Fund		-0.13%	2.16%	1.57%	10.34%	7.61%
Vanguard Institutional Target Retirement 2030 Fund		-0.04%	1.96%	1.35%	9.25%	6.83%
Vanguard Institutional Target Retirement 2025 Fund		0.04%	1.81%	1.16%	8.23%	6.13%
Vanguard Institutional Target Retirement 2020 Fund		0.09%	1.57%	0.95%	7.07%	5.28%
Vanguard Institutional Target Retirement 2015 Fund		0.23%	1.24%	0.71%	5.56%	4.22%
American Funds EuroPacific Growth Fund		-2.83%	-0.97%	0.33%	10.43%	3.80%
Vanguard Institutional Target Retirement Income		0.36%	1.02%	0.46%	3.89%	3.12%
Stable Value Fund		0.15%	0.43%	0.84%	1.63%	1.67%
PIMCO Total Return Fund	PTTRX	0.55%	-0.42%	-1.43%	-0.69%	-1.09%
Southwest Common Stock	LUV	-1.80%	-7.83%	-21.19%	-16.23%	-25.67%

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.

Schwab ETF Portfolio	Symbol	1 Mo	3 Mo	6 Mo	12 Mo	Tracker
United States Brent Oil Fund LP	BNO	-4.43%	12.31%	20.50%	75.31%	56.56%
United States 12 Month Oil Fund LP	USL	-5.10%	8.13%	18.74%	54.53%	41.63%
Consumer Discretionary Select Sector SPDR Fund	XLY	6.32%	9.22%	13.09%	25.76%	29.67%
Invesco S&P 500 Equal Weight Technology ETF	RYT	2.36%	5.32%	13.09%	28.18%	26.70%
Oppenheimer S&P Ultra Dividend Revenue ETF	RDIV	5.06%	12.29%	7.08%	22.08%	25.37%
United States Gasoline Fund LP	UGA	-8.33%	2.61%	5.49%	44.93%	24.39%
KraneShares CSI China Internet ETF	KWEB	5.30%	0.46%	7.61%	30.35%	23.85%
Invesco S&P 500 Pure Growth ETF	RPG	2.77%	5.61%	11.48%	23.83%	23.83%
Schwab U.S. Large-Cap Growth ETF	SCHG	3.06%	7.06%	9.08%	22.34%	22.66%
Schwab Fundamental U.S. Small Company Index ETF	FNDA	3.55%	9.87%	7.91%	20.15%	22.62%
Invesco DWA Momentum ETF	PDP	2.83%	7.33%	9.88%	21.02%	22.40%
Schwab US Small-Cap ETF	SCHA	3.10%	8.51%	8.20%	20.25%	21.85%
Schwab U.S. Mid-Cap ETF	SCHM	2.71%	6.02%	5.62%	18.23%	17.77%
SPDR S&P Global Natural Resources ETF	GNR	-4.03%	5.94%	4.74%	25.81%	17.71%
Invesco S&P 500 High Beta ETF	SPHB	-0.15%	3.48%	4.48%	23.07%	16.85%
SPDR Bloomberg Barclays Convertible Securities ETF	CWB	2.62%	4.37%	7.82%	12.77%	15.04%
Schwab US Broad Market ETF	SCHB	1.65%	5.16%	4.38%	16.11%	14.89%
MPLX LP	MPLX	-5.18%	9.15%	1.50%	20.87%	14.37%
Schwab US Large-Cap ETF	SCHX	1.44%	4.75%	3.91%	15.63%	14.04%
Invesco S&P 500 Pure Value ETF	RPV	0.71%	5.00%	2.07%	16.20%	13.07%
Schwab U.S. REIT ETF	SCHH	6.62%	11.82%	2.61%	2.75%	12.99%
Invesco S&P 500 Equal Weight ETF	RSP	1.61%	4.50%	2.97%	13.55%	12.34%
SPDR S&P China ETF	GXC	-2.83%	-0.99%	2.06%	24.12%	12.20%
United States Commodity Index Fund	USCI	-3.47%	2.47%	4.96%	17.74%	11.83%
Schwab Fundamental U.S. Large Company Index ETF	FNDX	0.42%	5.01%	1.62%	14.24%	11.61%
WisdomTree U.S. Quality Dividend Growth Fund	DGRW	0.72%	4.04%	1.01%	14.58%	11.11%
Schwab US Dividend Equity ETF	SCHD	1.49%	3.75%	-1.11%	12.81%	9.24%
WisdomTree International Hedged Quality Dividend Growth Fund	IHDG	-0.80%	7.10%	2.04%	7.54%	8.67%
Invesco BuyBack Achievers ETF	PKW	1.75%	3.34%	-0.48%	10.98%	8.51%
Invesco DWA Developed Markets Momentum ETF	PIZ	-0.66%	2.32%	2.88%	11.01%	8.48%
ALPS Sector Dividend Dogs ETF	SDOG	1.17%	4.68%	-0.14%	9.51%	8.30%
SPDR Dow Jones Global Real Estate ETF	RWO	3.33%	6.76%	1.32%	3.29%	8.02%
Invesco S&P 500 Low Volatility ETF	SPLV	1.91%	2.58%	0.79%	7.23%	6.83%
Schwab International Small-Cap Equity ETF	SCHC	-2.80%	0.83%	0.88%	12.70%	6.33%
Schwab U.S. Large-Cap Value ETF	SCHV	-0.26%	2.43%	-0.90%	9.53%	5.89%
Invesco S&P 500 Equal Weight Financials ETF	RYF	-2.92%	-0.45%	-0.52%	14.53%	5.81%
Xtrackers MSCI EAFE Hedged Equity ETF	DBEF	-2.65%	6.24%	0.18%	6.63%	5.68%
Invesco BRIC ETF	EEB	-3.18%	-4.42%	-0.65%	18.34%	5.50%
SPDR Nuveen S&P High Yield Municipal Bond ETF	HYMB	1.19%	2.64%	3.46%	2.22%	5.19%
WisdomTree Bloomberg U.S. Dollar Bullish Fund	USDU	0.99%	5.65%	2.35%	-0.11%	4.84%
PIMCO 0-5 Year High Yield Corporate Bond Index Exchange-	HYS	0.41%	1.97%	1.83%	3.95%	4.45%
Invesco India Exchange-Traded Fund Trust	PIN	3.18%	0.77%	-4.81%	8.73%	4.29%
Invesco BulletShares 2019 High Yield Corporate Bond ETF	BSJJ	0.87%	1.66%	1.79%	3.26%	4.13%
Invesco BulletShares 2020 High Yield Corporate Bond ETF	BSJK	0.82%	1.73%	1.58%	3.30%	4.05%
Invesco DWA Emerging Markets Markets Momentum ETF	PIE	-7.14%	-5.26%	-0.15%	19.47%	3.78%
Schwab Fundamental International Small Company Index ETF	FNDC	-3.10%	-0.03%	-0.79%	10.49%	3.59%
SPDR Blackstone / GSO Senior Loan ETF	SRLN	0.07%	0.65%	1.80%	3.79%	3.44%
Global X MLP ETF	MLPA	-1.49%	11.54%	-1.92%	-1.85%	3.42%
Invesco BulletShares 2018 High Yield Corporate Bond ETF	BSJI	0.35%	1.08%	1.87%	2.67%	3.25%
Schwab Fundamental International Large Company Index ETF	FNDF	-3.99%	1.22%	-1.29%	10.00%	3.24%

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.

Schwab ETF Portfolio	Symbol	1 Mo	3 Mo	6 Mo	12 Mo	Tracker
Invesco Senior Loan ETF	BKLN	0.08%	0.45%	1.78%	3.25%	3.04%
SPDR Wells Fargo Preferred Stock ETF	PSK	2.02%	1.38%	0.36%	1.51%	2.88%
Global X Robotics & Artificial Intelligence ETF	BOTZ	-4.70%	-6.01%	-4.54%	19.94%	2.56%
Invesco Preferred ETF	PGX	1.72%	1.14%	-0.03%	1.84%	2.55%
IndexIQ ETF Trust - IQ Hedge Multi-Strategy Tracker ETF	QAI	-0.10%	0.39%	0.53%	3.52%	2.37%
SPDR Bloomberg Barclays Investment Grade Floating Rate ETF	FLRN	0.14%	0.66%	1.19%	2.03%	2.19%
Schwab International Equity ETF	SCHF	-3.46%	0.63%	-1.39%	8.19%	2.17%
Invesco International Dividend Achievers ETF	PID	-1.05%	1.44%	-3.70%	6.97%	2.00%
Schwab US TIPS ETF	SCHP	1.18%	0.94%	0.24%	0.93%	1.79%
Invesco S&P International Developed Low Volatility ETF	IDLV	-1.58%	0.58%	-0.85%	5.02%	1.73%
Invesco S&P 500 Equal Weight Consumer Staples ETF	RHS	5.17%	1.94%	-5.44%	1.29%	1.62%
Invesco BulletShares 2018 Corporate Bond ETF	BSCI	0.25%	0.58%	0.93%	1.19%	1.60%
JPMorgan Diversified Return International Equity ETF	JPIN	-3.61%	0.50%	-1.24%	6.75%	1.31%
Invesco Fundamental High Yield Corporate Bond ETF	PHB	0.41%	0.73%	-0.54%	1.50%	1.14%
Invesco BulletShares 2019 Corporate Bond ETF	BSCJ	0.07%	0.62%	0.40%	0.67%	0.96%
Industrial Select Sector SPDR Fund	XLI	-3.48%	-1.24%	-2.93%	9.10%	0.79%
SPDR Nuveen Bloomberg Barclays Municipal Bond ETF	TFI	0.81%	0.93%	-0.42%	0.00%	0.72%
Invesco BulletShares 2020 Corporate Bond ETF	BSCK	0.19%	0.73%	-0.05%	-0.01%	0.47%
Schwab Short-Term U.S. Treasury ETF	SCHO	0.30%	0.18%	0.04%	-0.23%	0.16%
SPDR MSCI ACWI ex-US ETF	CWI	-4.06%	-1.43%	-2.27%	7.94%	0.09%
Invesco CurrencyShares Japanese Yen Trust	FXJ	0.82%	-4.30%	2.77%	0.65%	-0.03%
Invesco BulletShares 2021 Corporate Bond ETF	BSCL	0.26%	0.52%	-0.69%	-0.39%	-0.17%
PIMCO 25+ Year Zero Coupon U.S. Treasury Index Exchange-	ZROZ	4.48%	1.54%	-3.18%	-3.58%	-0.40%
ETFS Physical Silver Shares	SIVR	-0.62%	0.25%	0.60%	-1.05%	-0.45%
Invesco Variable Rate Preferred ETF	VRP	-0.01%	-0.24%	-1.02%	-0.34%	-0.87%
Invesco BulletShares 2022 Corporate Bond ETF	BSCM	0.33%	0.37%	-1.31%	-1.06%	-0.91%
Schwab U.S. Aggregate Bond ETF	SCHZ	0.81%	0.17%	-1.43%	-1.43%	-1.03%
SPDR Portfolio Long Term Treasury ETF	SPTL	3.05%	0.80%	-2.43%	-3.33%	-1.05%
Schwab Intermediate-Term U.S. Treasury ETF	SCHR	0.91%	0.09%	-1.14%	-2.24%	-1.30%
SPDR STOXX Europe 50 ETF	FEU	-3.74%	1.18%	-3.04%	3.17%	-1.33%
SPDR S&P International Dividend ETF	DWX	-2.34%	-0.45%	-3.31%	2.69%	-1.86%
Sprott Gold Miners ETF	SGDM	0.83%	1.84%	-5.09%	-1.44%	-2.11%
Invesco CurrencyShares British Pound Sterling Trust	FXB	-1.32%	-6.12%	-0.93%	4.14%	-2.31%
SPDR Bloomberg Barclays International Treasury Bond ETF	BWX	-0.31%	-4.92%	-0.93%	1.69%	-2.44%
SPDR Bloomberg Barclays Short Term International Treasury Bond	BWZ	-0.59%	-4.87%	-1.40%	2.01%	-2.65%
Invesco S&P Emerging Markets Low Volatility ETF	EELV	-4.57%	-5.08%	-1.35%	6.07%	-2.69%
Invesco CurrencyShares Euro Currency Trust	FXE	-1.10%	-5.53%	-2.05%	3.71%	-2.71%
SPDR Bloomberg Barclays International Corporate Bond ETF	IBND	-0.76%	-5.61%	-2.86%	4.00%	-2.86%
ETFS Physical Swiss Gold Shares	SGOL	-1.71%	-4.47%	-0.46%	1.22%	-2.96%
SPDR S&P Emerging Markets SmallCap ETF	EWX	-4.01%	-6.14%	-4.99%	6.93%	-4.48%
Schwab Emerging Markets Equity ETF	SCHE	-5.03%	-7.93%	-5.20%	8.54%	-5.25%
SPDR S&P Emerging Markets Dividend ETF	EDIV	-6.32%	-10.38%	-2.55%	8.82%	-5.69%
Schwab Fundamental Emerging Markets Large Company Index	FNDE	-8.13%	-9.71%	-5.15%	7.67%	-8.36%
Invesco Frontier Markets ETF	FRN	-4.97%	-13.28%	-4.65%	6.18%	-9.12%
Invesco Emerging Markets Sovereign Debt ETF	PCY	-0.63%	-3.44%	-7.52%	-5.59%	-9.37%
ETFS Physical Platinum Shares	PPLT	-3.59%	-8.01%	-4.93%	-5.90%	-12.23%

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 Small-Cap Index Fund	SWSSX	3.84%	9.55%	9.98%	21.64%	24.55%
Schwab Fundamental US Small Company Index Fund	SFSNX	3.66%	10.02%	7.96%	20.19%	22.82%
Schwab Small-Cap Equity Fund	SWSCX	3.74%	8.17%	8.68%	20.34%	22.33%
Schwab Large Cap Growth Fund	SWLSX	1.94%	4.99%	5.34%	18.23%	16.64%
Schwab Total Stock Market Index Fund	SWTSX	1.66%	5.23%	4.45%	16.15%	15.00%
Schwab 1000 Index Fund	SNXFX	1.45%	4.82%	3.95%	15.73%	14.15%
Schwab S&P 500 Index Fund	SWPPX	1.28%	4.69%	3.65%	15.35%	13.62%
Schwab Fundamental US Large Company Index	SFLNX	0.46%	5.01%	1.68%	14.26%	11.67%
Schwab Core Equity Fund	SWANX	0.69%	3.55%	2.28%	14.40%	11.41%
Schwab Fundamental Global Real Estate Index Fund	SFREX	1.51%	4.56%	2.55%	9.88%	10.09%
Schwab Health Care Fund	SWHFX	2.27%	5.17%	4.04%	6.97%	10.07%
Schwab Global Real Estate Fund	SWASX	1.85%	5.26%	2.09%	5.98%	8.28%
Schwab Hedged Equity Fund	SWHEX	-0.80%	1.95%	0.58%	8.20%	5.42%
Schwab Dividend Equity Fund	SWDSX	-0.86%	2.07%	-0.93%	9.55%	5.37%
Schwab Fundamental International Small Company Index Fund	SFILX	-3.05%	-0.21%	-0.63%	10.47%	3.59%
Schwab Fundamental International Large Company Index Fund	SFNNX	-3.89%	1.19%	-1.05%	10.12%	3.47%
Schwab International Index Fund	SWISX	-3.24%	0.73%	-0.87%	7.96%	2.50%
Schwab Treasury Inflation Protected Securities	SWRSX	1.20%	0.95%	0.40%	1.04%	1.96%
Schwab Short-Term Bond Index Fund	SWSBX	0.29%	0.22%	-0.35%	-0.60%	-0.24%
Schwab GNMA Fund	SWGSX	0.77%	0.38%	-1.14%	-1.17%	-0.63%
Schwab Intermediate-Term Bond Fund	SWIIX	0.62%	0.06%	-1.15%	-1.36%	-1.00%
Schwab US Aggregate Bond Index Fund	SWAGX	0.77%	-0.01%	-1.49%	-1.33%	-1.12%
Schwab International Core Equity Fund	SICNX	-3.82%	-1.10%	-2.17%	4.11%	-1.62%
Schwab Fundamental Emerging Markets Large Company Index Fund	SFENX	-7.79%	-9.66%	-4.35%	8.02%	-7.52%

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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