

September 30, 2018

401k PORTFOLIO OCTOBER 2018 UPDATE & NEWSLETTER

SAMPLE

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October 2018 Newsletter

The S&P 500 gained more than 7% in the third fiscal quarter. This is the strongest fiscal quarter for that index since the end of 2013. All three major indexes are at or near record highs, as investors expect continued corporate earnings strength. Historically, a positive fiscal Q3 has indicated continued Q4 growth – and in midterm election years specifically, the S&P 500 has rallied an average of 7.1% in the fourth quarter following a Q3 gain.

There are NO CHANGES to any **EZTracker** model portfolios. Our equity positions continue to be well balanced and diversified, while we keep a watchful eye on sectors such as small caps and financials. **EZTracker** model portfolios continue to outperform since our June rotation out of international and emerging markets, and we continue to monitor re-entry points.



Portfolio Update on Page 4



Equity markets have so far remained resilient in the face of rising yields and trade tensions, suggesting investors are comfortable with the outlook for corporate earnings and global growth even as borrowing costs rise. This week, Federal Reserve officials raised interest rates for the 3d time this year and reaffirmed further gradual hikes into 2019. The language in the Fed minutes, however, seemed to acknowledge that rates have moved closer to the neutral level, potentially leading to a hiatus for the Fed to assess their effects on the economy. Investors currently expect another 0.25% hike in December and 2-3 more raises in 2019.

This month, Ray Dalio, founder of Bridgewater Associates, the world's largest fund with \$150B in AUM, gave a CNBC interview suggesting investors to be "more defensive" in the current stock market environment. The insightful parts included his comments on where we are in the cycle (he said 7th inning), when investors can expect the next downturn (two years), and China (tariffs are "not that big of a deal"). <https://www.cnbc.com/video/2018/09/11/ray-dalio-bridgewater-financial-crisis-economy-debt.html>.

We expect further global noise that could disrupt markets going forward like troubled Emerging Market currencies, a potentially messy Brexit and continued trade tensions between the US and its global partners. For example, EM's outlook has deteriorated since Q2 and downside risks still remain (**EZTracker** model portfolios all materially reduced EM exposure in June). Although China and other advanced economies are the drivers of the ongoing global expansion, the trade war creates uncertainty – how bad it will get and how deep will it damage the world economy. All this, however, has been relegated to the background as investors continue to focus on the United States, as domestic trends are fundamentally driving the markets. Here are the reasons why:

The Economy: Domestic growth has been strong, running at a 3.2% annual rate in the first half of the year, and inflation is still behaving. Lower inflation means less pressure on the Federal Reserve to raise interest rates;

Corporate Earnings: Profits for the S&P 500 are expected to rise 22% this year, and 10% next year according to CFRA Research. Since stocks typically trade on expectations of future earnings, you would expect valuations to rise as profits rise.

Valuation: The S&P is trading at about 18 times 2018 earnings and about 16 time forward (next year) expected profits;

Sectors: **EZTracker** model portfolios have been based on thorough sector analysis with an eye on large cap growth companies such as the FAANG group of companies (FB, AMZN, AAPL, NFLX, GOOGL) which are described more fully on Page 3;

Fixed Income & Rates: Although investors have shrugged off the increase in rates and the flattening of the yield curve, we continue to monitor these fixed income movements as we believe these trends are long-term bearish indicators (mentioned in previous newsletters) that are currently overshadowed by other strengths and bullish short-term forces.

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201.503.6445 | contact@eztracker401k.com

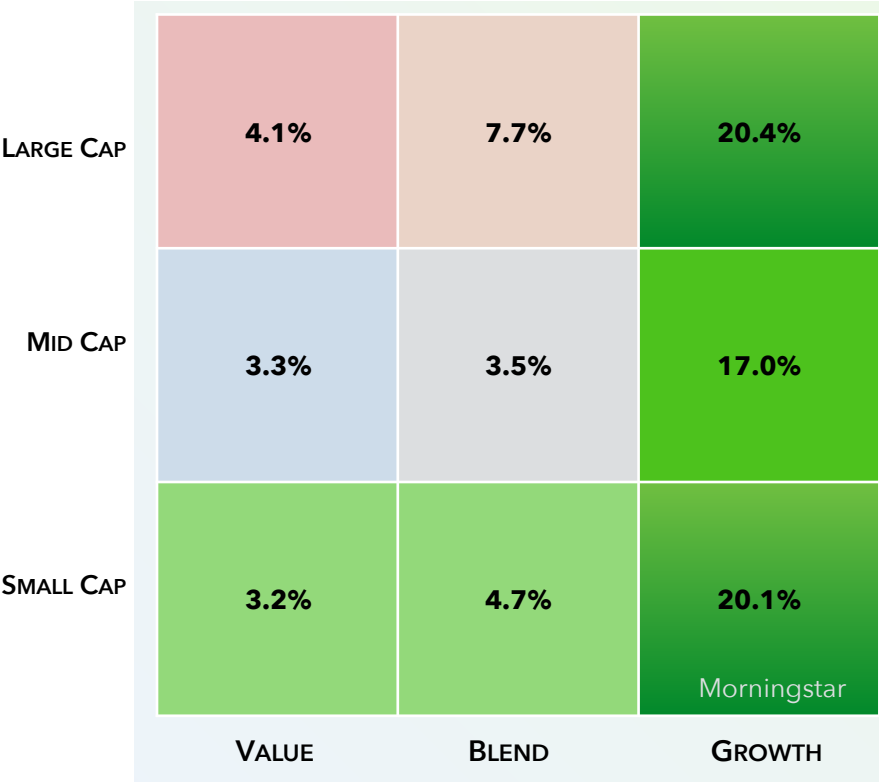
Economic Data

The University of Michigan Consumer Sentiment for September continues to suggest a fairly upbeat disposition among consumers. Households viewed their current and future finances more favorably in September, driven by expectations of better income levels. The U-M press release noted the single issue that had a potential negative effect on the economy was tariffs – cited by nearly one-third of all survey respondents. Non-farm payrolls rose 201,000 from the prior month, topping the median economist forecast of 190,000 jobs and the unemployment rate was unchanged at 3.9%, remaining at its lowest rate since the 1960s.

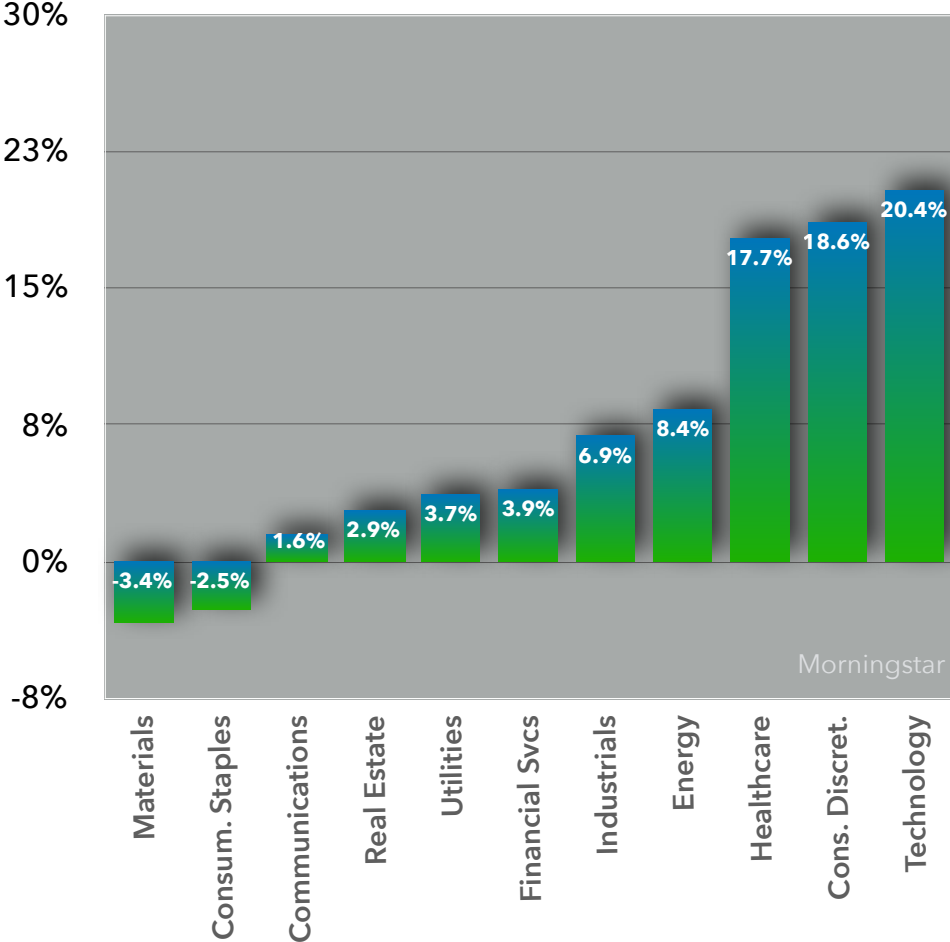
Sector Analysis

10 out of the 11 S&P Sectors posted gains in Q3. The leaders were Healthcare, Tech, Consumer Discretionary and Financials. The sole laggard was Real Estate. This past Friday we saw the launch of the S&P Communications Services sector, replacing the Telecommunications Sector and involving a reshuffling of major industry groups including some widely followed and traded names in the market. The new sector will include companies from three different industry groups, Communications, (e.g. Verizon) Technology (e.g. Facebook and Google's parent Alphabet) and Consumer Discretionary. (e.g. Netflix and Disney).

YTD Index Performance: Returns (%)



2018 YTD Sector Performance



In market speak, the acronym FAANG stands for Facebook, Amazon, Apple, Netflix and Google a collection of tech companies so widely followed by investors that the media came up with an nickname for them as a whole. Each of the companies within FAANG has been known to move markets and transform not just their own industries, but also how we all live. Together, the five companies make up approximately 13% of the S&P index with a collective market cap of nearly \$4 trillion. To look at their magnitude a different way, if FAANG was a country, and its market cap was the country's GDP, FAANG would be the fourth-largest economy in the world. Purchasing individual FAANG equities can be costly, so EZTracker relies on mutual funds and ETFs for appropriate exposure, while at the same time diversifying within other names providing protection.

FAANG corporate earnings are due out in early November, and each name has some questions including: public concerns about Facebook and Google's data-driven and ad-driven business models, Netflix and Amazon's stratospheric speculative valuations and Apple's new iPhone sales expectations.

Because these five companies are so heavily weighted in the markets, investors are looking for these answers as well as strong guidance to spur the markets to even higher levels. EZTracker's sector analysis takes into account the strength and growth runway of the FAANG group of companies.

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, & Conservative Portfolios: **There are no changes for the coming month**
- Expanded Portfolio: **There are no changes for the coming month**

Non-Pilots’ 401k/Profit Sharing Portfolios:

- Aggressive, Moderate, & Conservative Portfolio: **There are no changes for the coming month**
- Expanded Portfolio: **There are no changes for the coming month**

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

Southwest Pilots Portfolio	Aggressive	Moderate	Conservative
Wells Fargo Stable Asset		100%	100%
Vanguard Total Bond Market Index Fund (VBTIX)			100%
Vanguard Institutional Index (VIXIX)			100%
Vanguard Total Stock Market Index (VITMX)			100%
Schwab Fundamental Small Company (SFSNX)			100%
Blackrock Fundamental U.S. Large Company			100%
Vanguard Extended Market Index (VEMMX)			100%
Southwest Non-Pilots Portfolio/Profit Sharing			Conservative
Stable Value Fund			100%
PIMCO Total Return Collective Trust II			100%
FIAM Small Cap Core			100%
Vanguard Institutional Index (VIXIX)			100%
Harbor Capital Appreciation (HACAX)	20%	10%	8%

Visit www.eztracker401k.com for more information

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 6. As 5% of your 401k must remain in the core 401k, allocate a minimum of 5% to the Vanguard Total Money Market (VMMXX).

Expanded Portfolio Other SW Employees/ Profit Sharing Plan.
For information and details see p. 7 & 11.
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 (VFMXX)	100%		3.5%
Schwab U.S. Mid Cap (SCHM)		9.5%	9.2%
Schwab U.S. Large Cap (SCHX)		28.8%	27.8%
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)		13.1%	12.6%
S&P Equal Weight Technology (RYT)		10%	9.6%
Gugg’m S&P 500 Equal Wght Financials (RYF)		9.2%	8.9%
Consumer Discretionary SPDR* (XLY)		9.8%	9.5%
Schwab U.S. Aggregate Bond ETF (SCHZ)		3.7%	3.6%
	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

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 Sep 30, 2018	MTD Sep *	YTD 2018	1-YEAR
EZTracker Aggressive	0.53%	8.39%	14.44%
EZTracker Moderate	0.46%	6.56%	11.14%
EZTracker Conservative	0.10%	4.33%	7.14%
EZTracker Brokerage	0.43%	5.89%	11.79%
Morningstar Benchmarks			
Aggressive Target Risk	0.68%	4.47%	11.11%
Moderate Target Risk Index	0.25%	2.25%	6.46%
Conservative Target Risk Index	-0.28%	0.05%	1.62%
S&P 500		8.99%	15.67%

* Performance since last newsletter

Southwest Non-Pilots 401k/Profit Sharing

Current Performance Through Sep 30, 2018	MTD Sep *	YTD 2018	1-YEAR
EZTracker Aggressive	1.08%	8.00%	13.66%
EZTracker Moderate	0.76%	6.12%	10.34%
EZTracker Conservative	0.32%	3.99%	6.59%
EZTracker Brokerage	0.78%	8.00%	14.71%
Morningstar Benchmarks			
Aggressive Target Risk Index	0.68%	4.47%	11.11%
Moderate Target Risk Index	0.25%	2.25%	6.46%
Conservative Target Risk Index	-0.28%	0.05%	1.62%
S&P 500		8.99%	15.67%

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		0.54%	5.91%	15.10%	31.47%	28.92%
Vanguard Small-Cap Growth Index Fund	VSGIX	-1.34%	6.63%	14.48%	23.60%	23.66%
Vanguard Institutional Index Fund	VIIIX	0.57%	7.71%	11.40%	17.89%	20.49%
Vanguard Total Stock Market Index Fund	VITSX	0.16%	7.09%	11.28%	17.62%	19.72%
Vanguard Extended Market Index Fund Institutional	VEMPX	-1.75%	4.36%	10.62%	16.13%	16.02%
Schwab Fundamental US Small Company Index	SFSNX	-2.00%	2.47%	10.07%	13.83%	13.29%
American Funds 2050 Target Date Retirement Fund		0.38%	3.35%	5.31%	11.37%	11.14%
American Funds 2060 Target Date Retirement Fund		0.38%	3.30%	5.28%	11.35%	11.08%
American Funds 2055 Target Date Retirement Fund		0.35%	3.30%	5.30%	11.31%	11.05%
American Funds 2045 Target Date Retirement Fund		0.37%	3.28%	5.21%	11.08%	10.88%
American Funds 2040 Target Date Retirement Fund		0.25%	3.14%	5.03%	10.68%	10.42%
American Funds 2035 Target Date Retirement Fund		0.26%	3.03%	4.76%	10.04%	9.86%
American Funds 2030 Target Date Retirement Fund		0.20%	2.59%	4.01%	8.30%	8.24%
American Funds 2025 Target Date Retirement Fund		0.14%	2.21%	3.35%	6.58%	6.70%
American Funds 2020 Target Date Retirement Fund		0.16%	1.98%	2.96%	5.20%	5.61%
DFA Global Real Estate Securities Portfolio	DFGEX	-1.95%	0.36%	5.75%	4.57%	4.76%
American Funds 2015 Target Date Retirement Fund		0.08%	1.81%	2.52%	4.02%	4.60%
American Funds 2010 Target Date Retirement Fund		0.09%	1.65%	2.22%	3.39%	4.01%
Wells Fargo Stable Return Fund		0.17%	0.52%	1.04%	2.05%	2.07%
Vanguard Federal Money Market	VMFXX	0.16%	0.48%	0.90%	1.50%	1.66%
Vanguard Total International Bond Index Fund	VTIFX	-0.27%	-0.21%	0.18%	2.27%	1.07%
Vanguard Short-Term Inflation-Protected Securities	VTSPX	-0.22%	0.14%	0.63%	1.02%	0.85%
Loomis Sayles Core Plus Bond	NERYX	-0.23%	0.51%	0.05%	-0.02%	0.17%
Vanguard Total International Stock Index Fund	VTSNX	0.28%	0.54%	-2.65%	1.63%	-0.10%
Vanguard Total Bond Market Index Fund	VBPIX	-0.53%	0.03%	-0.14%	-1.21%	-1.00%
American Funds EuroPacific Growth R6	RERGX	-0.54%	-0.84%	-3.64%	1.47%	-1.94%
DFA World ex US Core Equity	DFWIX	-0.16%	-0.50%	-4.56%	0.45%	-2.60%

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	
Southwest Common Stock	LUV	6.97%	20.30%	10.88%	14.31%	28.63%
Harbor Capital Appreciation Instl	HACAX	0.71%	6.71%	13.49%	26.94%	26.10%
Vanguard Institutional Index Fund		0.57%	7.71%	11.40%	17.89%	20.49%
FIAM Small Cap Core Class O		-0.61%	1.49%	12.55%	18.63%	17.49%
Dodge & Cox Stock Fund	DODGX	0.16%	6.49%	9.43%	13.70%	16.24%
Vanguard Institutional Target Retirement 2045		0.16%	4.02%	5.03%	9.92%	10.44%
Vanguard Institutional Target Retirement 2060		0.20%	4.05%	5.01%	9.83%	10.42%
Vanguard Institutional Target Retirement 2050		0.16%	4.01%	5.02%	9.88%	10.41%
Vanguard Institutional Target Retirement 2055		0.16%	4.01%	5.01%	9.84%	10.38%
Vanguard Institutional Target Retirement 2040		0.12%	3.80%	4.77%	9.39%	9.86%
Vanguard Institutional Target Retirement 2035		0.08%	3.46%	4.35%	8.54%	8.96%
Vanguard Institutional Target Retirement 2030		0.04%	3.11%	3.91%	7.73%	8.07%
Vanguard Institutional Target Retirement 2025		-0.04%	2.80%	3.52%	6.85%	7.16%
Vanguard Institutional Target Retirement 2020		-0.09%	2.40%	3.04%	5.92%	6.15%
Vanguard Institutional Target Retirement 2015		-0.18%	1.82%	2.33%	4.60%	4.67%
Vanguard Institutional Target Retirement Income		-0.21%	1.34%	1.79%	3.34%	3.42%
Stable Value Fund		0.16%	0.47%	0.90%	1.71%	1.77%
PIMCO Total Return Fund	PTTRX	-0.60%	0.08%	-0.36%	-1.52%	-1.30%
American Funds EuroPacific Growth R6	RERGX	-0.54%	-0.84%	-3.64%	1.47%	-1.94%

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 4.

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 4.

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	7.47%	5.14%	21.84%	53.83%	48.15%
United States 12 Month Oil Fund LP	USL	6.66%	7.46%	20.19%	49.18%	45.54%
Consumer Discretionary Select Sector SPDR Fund	XLY	0.53%	7.57%	16.38%	31.69%	30.64%
United States Gasoline Fund LP	UGA	5.48%	4.71%	11.88%	28.37%	27.51%
Schwab U.S. Large-Cap Growth ETF	SCHG	0.59%	8.45%	14.86%	25.23%	26.79%
Invesco S&P 500 Equal Weight Technology ETF	RYT	-0.44%	6.48%	11.72%	25.72%	23.71%
Invesco DWA Momentum ETF	PDP	-0.37%	7.69%	13.22%	22.68%	23.58%
WisdomTree U.S. Quality Dividend Growth Fund	DGRW	1.26%	8.83%	11.05%	18.58%	21.67%
Schwab US Large-Cap ETF	SCHX	0.52%	7.51%	11.27%	17.94%	20.31%
Schwab US Broad Market ETF	SCHB	0.24%	7.14%	11.31%	17.61%	19.80%
Schwab US Dividend Equity ETF	SCHD	1.25%	8.27%	9.74%	16.34%	19.42%
Invesco S&P 500 Pure Growth ETF	RPG	-0.47%	4.91%	9.74%	20.68%	19.01%
Schwab Fundamental U.S. Large Company Index ETF	FNDX	0.76%	6.83%	10.36%	15.24%	18.11%
Schwab U.S. Mid-Cap ETF	SCHM	-0.73%	5.72%	10.01%	16.99%	17.45%
Industrial Select Sector SPDR Fund	XLI	2.17%	9.98%	6.46%	12.45%	16.94%
Oppenheimer S&P Ultra Dividend Revenue ETF	RDIV	-0.70%	1.93%	12.17%	16.65%	16.40%
Invesco S&P 500 Equal Weight ETF	RSP	0.17%	5.30%	8.27%	13.73%	14.99%
Invesco S&P 500 High Beta ETF	SPHB	-0.36%	4.93%	6.72%	15.72%	14.73%
Schwab US Small-Cap ETF	SCHA	-2.34%	3.83%	10.76%	14.52%	14.60%
Invesco BuyBack Achievers ETF	PKW	0.46%	7.75%	7.79%	10.74%	14.58%
Invesco S&P 500 Pure Value ETF	RPV	-0.49%	5.02%	7.34%	13.70%	13.94%
Schwab U.S. Large-Cap Value ETF	SCHV	0.21%	6.32%	7.62%	11.14%	13.79%
Schwab Fundamental U.S. Small Company Index ETF	FNDA	-1.95%	2.40%	10.04%	13.69%	13.19%
SPDR S&P Global Natural Resources ETF	GNR	3.56%	0.96%	5.74%	12.80%	12.58%
Invesco S&P 500 Low Volatility ETF	SPLV	-0.36%	5.00%	6.56%	10.42%	11.80%
Global X MLP ETF	MLPA	-2.35%	6.22%	17.03%	0.55%	11.70%
ALPS Sector Dividend Dogs ETF	SDOG	0.25%	3.93%	6.83%	7.77%	10.25%
Xtrackers MSCI EAFE Hedged Equity ETF	DBEF	1.41%	2.99%	6.30%	6.46%	9.37%
Global X MLP & Energy Infrastructure ETF	MLPX	-2.20%	1.47%	16.23%	1.54%	9.30%
SPDR Bloomberg Barclays Convertible Securities ETF	CWB	-0.61%	2.27%	5.61%	9.64%	9.22%
Schwab U.S. REIT ETF	SCHH	-2.77%	0.67%	10.77%	4.54%	7.21%
Invesco S&P 500 Equal Weight Consumer Staples ETF	RHS	-0.46%	3.24%	2.49%	6.89%	6.63%
Invesco S&P Emerging Markets Low Volatility ETF	EELV	2.10%	5.30%	-2.91%	5.91%	5.67%
WisdomTree Bloomberg U.S. Dollar Bullish Fund	USDU	0.01%	0.67%	6.03%	3.57%	5.61%
PIMCO 0-5 Year High Yield Corporate Bond Index Exchange-	HYS	0.45%	2.37%	3.40%	3.86%	5.49%
Invesco Senior Loan ETF	BKLN	0.82%	2.23%	2.21%	3.96%	5.03%
SPDR Blackstone / GSO Senior Loan ETF	SRLN	0.59%	2.04%	2.20%	4.31%	4.99%
WisdomTree International Hedged Quality Dividend Growth Fund	IHDG	-1.47%	0.94%	4.15%	4.87%	4.63%
JPMorgan Diversified Return International Equity ETF	JPIN	1.31%	1.84%	-0.18%	4.79%	4.23%
Invesco BulletShares 2020 High Yield Corporate Bond ETF	BSJK	0.40%	1.72%	2.55%	2.40%	3.86%
Invesco BulletShares 2019 High Yield Corporate Bond ETF	BSJJ	0.42%	1.56%	2.05%	2.67%	3.65%
SPDR Dow Jones Global Real Estate ETF	RWO	-2.10%	-0.11%	5.00%	3.37%	3.36%
Invesco Fundamental High Yield Corporate Bond ETF	PHB	0.29%	2.39%	2.24%	1.22%	3.35%
Invesco International Dividend Achievers ETF	PID	0.21%	2.14%	2.22%	1.05%	3.06%
SPDR Nuveen S&P High Yield Municipal Bond ETF	HYMB	-0.59%	0.63%	2.98%	2.50%	3.01%
Schwab Fundamental International Large Company Index ETF	FNDF	1.56%	1.39%	-0.10%	2.61%	2.98%
Invesco BulletShares 2018 High Yield Corporate Bond ETF	BSJI	0.22%	0.79%	1.45%	2.43%	2.67%
SPDR Bloomberg Barclays Investment Grade Floating Rate ETF	FLRN	0.22%	0.79%	1.39%	2.30%	2.57%
Invesco S&P 500 Equal Weight Financials ETF	RYF	-2.27%	2.07%	-1.05%	5.86%	2.52%
IndexIQ ETF Trust - IQ Hedge Multi-Strategy Tracker ETF	QAI	-0.07%	1.09%	0.79%	2.81%	2.52%

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 Commodity Index Fund	USCI	1.92%	-2.86%	-0.72%	6.07%	2.40%
Schwab International Equity ETF	SCHF	0.87%	1.45%	-0.53%	2.55%	2.37%
Invesco BulletShares 2019 Corporate Bond ETF	BSCJ	0.19%	0.99%	1.54%	1.23%	2.15%
Invesco S&P International Developed Low Volatility ETF	IDLV	0.15%	1.66%	0.26%	1.84%	2.14%
Invesco BulletShares 2018 Corporate Bond ETF	BSCI	0.14%	0.54%	1.09%	1.60%	1.84%
Global X Robotics & Artificial Intelligence ETF	BOTZ	-0.74%	3.95%	-5.42%	5.20%	1.64%
Invesco BulletShares 2020 Corporate Bond ETF	BSCK	0.11%	0.75%	1.29%	0.29%	1.33%
Invesco Variable Rate Preferred ETF	VRP	-0.51%	1.30%	1.19%	0.05%	1.11%
Invesco BulletShares 2021 Corporate Bond ETF	BSCL	-0.05%	0.67%	0.97%	-0.30%	0.70%
Schwab Fundamental Emerging Markets Large Company Index	FNDE	2.09%	4.12%	-7.60%	2.66%	0.69%
Invesco BulletShares 2022 Corporate Bond ETF	BSCM	-0.20%	0.83%	0.91%	-0.83%	0.39%
Schwab Short-Term U.S. Treasury ETF	SCHO	-0.15%	0.14%	0.34%	-0.14%	0.10%
SPDR MSCI ACWI ex-US ETF	CWI	0.48%	0.92%	-2.68%	1.10%	-0.10%
Invesco Preferred ETF	PGX	-1.59%	-0.26%	0.87%	0.77%	-0.12%
SPDR Wells Fargo Preferred Stock ETF	PSK	-1.66%	-0.56%	0.88%	0.51%	-0.45%
Invesco DWA Developed Markets Momentum ETF	PIZ	-2.59%	-0.15%	-0.83%	2.63%	-0.51%
Schwab US TIPS ETF	SCHP	-0.96%	-0.81%	0.07%	0.42%	-0.69%
SPDR STOXX Europe 50 ETF	FEU	0.70%	1.01%	-0.70%	-2.32%	-0.71%
Schwab International Small-Cap Equity ETF	SCHC	-0.45%	-1.14%	-2.33%	2.33%	-0.86%
SPDR Nuveen Bloomberg Barclays Municipal Bond ETF	TFI	-0.98%	-0.48%	-0.03%	-0.75%	-1.23%
Schwab U.S. Aggregate Bond ETF	SCHZ	-0.65%	-0.05%	-0.12%	-1.45%	-1.24%
Invesco Emerging Markets Sovereign Debt ETF	PCY	1.73%	2.98%	-1.95%	-5.16%	-1.31%
Schwab Fundamental International Small Company Index ETF	FNDC	0.15%	-0.98%	-3.59%	1.00%	-1.87%
Schwab Intermediate-Term U.S. Treasury ETF	SCHR	-0.76%	-0.42%	-0.49%	-2.09%	-2.05%
SPDR S&P Emerging Markets Dividend ETF	EDIV	1.06%	1.86%	-11.03%	4.30%	-2.08%
SPDR S&P International Dividend ETF	DWX	-0.40%	-0.32%	-2.92%	-2.16%	-3.16%
SPDR Bloomberg Barclays Short Term International Treasury Bond	BWZ	-0.15%	-0.31%	-5.67%	-2.03%	-4.45%
SPDR Bloomberg Barclays International Corporate Bond ETF	IBND	-0.18%	-0.50%	-6.40%	-2.07%	-4.99%
Invesco CurrencyShares Euro Currency Trust	FXE	-0.04%	-0.80%	-6.06%	-2.58%	-5.17%
SPDR Bloomberg Barclays International Treasury Bond ETF	BWX	-0.74%	-1.07%	-6.76%	-1.53%	-5.51%
Invesco CurrencyShares British Pound Sterling Trust	FXB	0.56%	-1.30%	-7.24%	-3.01%	-5.99%
SPDR Portfolio Long Term Treasury ETF	SPTL	-2.73%	-2.83%	-2.38%	-3.53%	-6.25%
Invesco BRIC ETF	EEB	0.08%	-1.88%	-8.34%	-1.78%	-6.50%
Invesco CurrencyShares Japanese Yen Trust	FXY	-2.25%	-2.68%	-6.61%	-1.43%	-7.08%
Schwab Emerging Markets Equity ETF	SCHE	-0.66%	-0.70%	-10.42%	-2.19%	-7.61%
Invesco India Exchange-Traded Fund Trust	PIN	-9.00%	-2.60%	-4.70%	1.18%	-8.25%
PIMCO 25+ Year Zero Coupon U.S. Treasury Index Exchange-	ZROZ	-4.41%	-4.84%	-3.86%	-3.90%	-9.28%
Invesco Frontier Markets ETF	FRN	2.35%	-2.24%	-17.43%	-4.66%	-11.99%
ETFS Physical Swiss Gold Shares	SGOL	-0.64%	-4.89%	-10.33%	-7.21%	-12.58%
ETFS Physical Platinum Shares	PPLT	3.57%	-4.65%	-12.73%	-11.32%	-13.70%
SPDR S&P China ETF	GXC	-1.62%	-7.74%	-12.24%	-3.67%	-13.78%
SPDR S&P Emerging Markets SmallCap ETF	EWX	-4.17%	-5.61%	-13.91%	-6.90%	-16.68%
ETFS Physical Silver Shares	SIVR	0.71%	-9.20%	-10.79%	-12.55%	-17.36%
Invesco DWA Emerging Markets Markets Momentum ETF	PIE	-5.65%	-10.17%	-15.90%	-3.92%	-19.44%
Sprott Gold Miners ETF	SGDM	-1.20%	-19.00%	-20.45%	-23.90%	-35.21%

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 Health Care Fund	SWHFX	1.43%	11.90%	15.35%	14.10%	23.34%
Schwab Large Cap Growth Fund	SWLSX	-0.55%	7.42%	11.49%	19.60%	20.71%
Schwab S&P 500 Index Fund	SWPPX	0.57%	7.71%	11.40%	17.88%	20.50%
Schwab 1000 Index Fund	SNXFX	0.36%	7.36%	11.11%	17.69%	19.93%
Schwab Total Stock Market Index Fund	SWTSX	0.15%	7.09%	11.24%	17.52%	19.64%
Schwab Fundamental US Large Company Index Fund	SFLNX	0.70%	6.90%	10.46%	15.25%	18.17%
Schwab Small-Cap Index Fund	SWSSX	-2.43%	3.61%	11.62%	15.33%	15.35%
Schwab Core Equity Fund	SWANX	-0.66%	5.71%	7.82%	13.90%	14.61%
Schwab Fundamental US Small Company Index Fund	SFSNX	-2.00%	2.47%	10.07%	13.83%	13.29%
Schwab Small-Cap Equity Fund	SWSCX	-2.21%	2.31%	8.98%	13.31%	12.22%
Schwab Dividend Equity Fund	SWDSX	-0.59%	4.40%	5.14%	7.71%	9.09%
Schwab Hedged Equity Fund	SWHEX	-0.11%	3.51%	4.12%	6.08%	7.42%
Schwab Fundamental International Large Company	SFNNX	1.51%	1.40%	0.21%	2.72%	3.19%
Schwab International Index Fund	SWISX	0.93%	1.42%	-0.34%	2.62%	2.53%
Schwab Fundamental Emerging Markets Large Company Index Fund	SFENX	2.34%	4.19%	-6.88%	3.21%	1.56%
Schwab Short-Term Bond Index Fund	SWSBX	-0.22%	0.24%	0.34%	-0.48%	-0.07%
Schwab Global Real Estate Fund	SWASX	-2.28%	-0.86%	2.01%	0.64%	-0.26%
Schwab Treasury Inflation Protected Securities Index	SWRSX	-0.98%	-0.80%	-0.08%	0.40%	-0.79%
Schwab US Aggregate Bond Index Fund	SWAGX	-0.58%	-0.01%	-0.14%	-1.26%	-1.09%
Schwab Intermediate-Term Bond Fund	SWIIX	-0.52%	-0.14%	-0.10%	-1.49%	-1.23%
Schwab Fundamental International Small Company	SFILX	0.29%	-0.85%	-3.19%	1.35%	-1.31%
Schwab Fundamental Global Real Estate Index Fund	SFREX	-2.55%	-1.54%	0.39%	1.17%	-1.38%
Schwab GNMA Fund	SWG SX	-0.83%	-0.50%	-0.24%	-1.90%	-1.89%
Schwab International Core Equity Fund	SICNX	0.47%	-0.37%	-3.63%	-2.12%	-3.08%

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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