

December 31, 2018

# 401k PORTFOLIO JANUARY 2019 UPDATE & NEWSLETTER

**SAMPLE**

**Southwest®**

TAKE CONTROL OF YOUR FUTURE

## EZTracker vs Benchmarks & Target Date Funds

Through December 31, 2018	YTD 2018	EZTracker Outperformance
<b>EZTracker Aggressive</b> (95% stocks/5% bonds target)	-4.0%	-
<b>EZTracker Moderate</b> (70% stocks/30% bonds target)	-2.8%	-
<b>EZTracker Conservative</b> (40% stocks/60% bonds target)	-1.0%	-
Morningstar Benchmarks	YTD 2018	EZT Outperformance
Aggressive Target Risk Index (95% stocks/5% bonds)	-8.2%	+4.2%
Moderate Target Risk Index (70% stocks/30% bonds)	-5.8%	+3.0%
Conservative Target Risk Index (40% stocks/60% bonds)	-2.9%	+1.9%
Target Date Funds	YTD 2018	EZT Outperformance
American Funds 2010 Target Date Retirement (41% stocks/59% bonds)	-2.5%	+1.5%
American Funds 2015 Target Date Retirement (45% stocks/55% bonds)	-2.7%	
American Funds 2020 Target Date Retirement (48% stocks/52% bonds)	-2.7%	
American Funds 2025 Target Date Retirement (58% stocks/42% bonds)	-3.5%	
American Funds 2030 Target Date Retirement (68% stocks/32% bonds)	-4.2%	+1.4%
American Funds 2035 Target Date Retirement (79% stocks/21% bonds)	-5.1%	
American Funds 2040 Target Date Retirement (82% stocks/18% bonds)	-5.5%	
American Funds 2045 Target Date Retirement (85% stocks/15% bonds)	-5.6%	
American Funds 2050 Target Date Retirement (86% stocks/14% bonds)	-5.6%	
American Funds 2055 Target Date Retirement (86% stocks/14% bonds)	-5.7%	
American Funds 2060 Target Date Retirement (86% stocks/14% bonds)	-5.6%	+1.6%
Traditional Indices	YTD 2018	EZT Outperformance
Dow Jones Industrial Average (100% US 30 stocks/0% bonds)	-5.6%	+1.6%
S&P 500 Index (100% US 500 stocks/0% bonds)	-6.2%	+2.2%

### 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 benchmark targets for long-term investing plans such as the **EZTracker** model portfolios.

### Target Date Funds

Target-date funds simplify investing in many ways but they can complicate it if the risk exposure is wrong. Investing is not one-size-fits-all, and everyone's situation is different. Target-date funds don't take into account where you fall on the aggressive, moderate, or conservative risk tolerance scale. Choosing a target-date fund based solely on your expected retirement date could leave you with an investment that exposes you to too much - or not enough - risk to meet your financial goals.

### EZTracker 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 at **EZTracker** 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.

## EZTracker vs Benchmarks & Target Date Funds

Through December 31, 2018	YTD 2018	EZTracker Outperformance
<b>EZTracker Aggressive</b> (95% stocks/5% bonds target)	-5.3%	-
<b>EZTracker Moderate</b> (70% stocks/30% bonds target)	-3.9%	-
<b>EZTracker Conservative</b> (40% stocks/60% bonds target)	-1.6%	-
<b>Morningstar Benchmarks</b>	<b>YTD 2018</b>	<b>EZT Outperformance</b>
Aggressive Target Risk Index (95% stocks/5% bonds)	-8.2%	+2.9%
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Conservative Target Risk Index (40% stocks/60% bonds)	-2.9%	+1.3%
<b>Target Date Funds</b>	<b>YTD 2018</b>	<b>EZT Outperformance</b>
Vanguard Target Retirement Income Select (30% stocks/70% bonds)	-2.0%	
Vanguard Target Retirement 2015 Trust Select (45% stock/55% bonds)	-2.9%	+1.3%
Vanguard Target Retirement 2020 Trust Select (54% stock/46% bonds)	-4.2%	
Vanguard Target Retirement 2025 Trust Select (62% stock/38% bonds)	-5.0%	
Vanguard Target Retirement 2030 Trust Select (70% stock/30% bonds)	-5.8%	+2.0%
Vanguard Target Retirement 2035 Trust Select (78% stock/22% bonds)	-6.6%	
Vanguard Target Retirement 2040 Trust Select (84% stock/16% bonds)	-7.3%	
Vanguard Target Retirement 2045 Trust Select (88% stock/12% bonds)	-7.9%	
Vanguard Target Retirement 2050 Trust Select (88% stock/12% bonds)	-7.9%	
Vanguard Target Retirement 2055 Trust Select (88% stock/12% bonds)	-7.8%	
Vanguard Target Retirement 2060 Trust Select (88% stock/12% bonds)	-7.9%	
Vanguard Target Retirement 2065 Trust Select (88% stock/12% bonds)	-8.0%	+2.7%
<b>Traditional Indices</b>	<b>YTD 2018</b>	<b>EZT Outperformance</b>
Dow Jones Industrial Average (100% US 30 stocks/0% bonds)	-5.6%	+0.4%
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## January 2019 Newsletter

In our last newsletter, we noted that our defensive stance for the **EZTracker** model portfolios was justified by November's continued volatility across the markets. Now that December has passed, the term "volatility" does not even do justice to what investors have seen and experienced since. As of yesterday's 12/31 close: S&P -9.18% for the month (YTD-6.24%), DJII -8.66% (-5.63%) and Nasdaq -9.48% (-3.88%), closing out the worst December since the Great Depression. **EZTracker's** continued defensive stance for its model portfolios continued to be justified.

**We are not making any changes to any **EZTracker** portfolios for this month.** The volatility over the last two weeks puts in stark relief the continued risks that surround all investing decisions, such as economic growth concerns and political and economic uncertainties like the unresolved US-China trade war. We aim to be as consistent as possible with our strategies for the **EZTracker** model portfolios. While we may not capture each and every market peak or valley, our disciplined approach has provided for consistent market returns over our 16-year history. More importantly, this has enabled us to reduce exposure across all our model portfolios in advance of the recent market gyrations, thereby outperforming the benchmarks as shown in our comparative charts on the previous pages.



### 2018

After the markets underwent a prolonged increase throughout much of the year – hitting multiple all-time highs on the way but punctuated by two separate corrections – 2018 closed with all major indices posting their first annual loss since 2015. This all occurred in the midst of rising interest rates, an ugly trade battle with many of the US' key trading partners, and growing fears of a slowdown in global economic growth. On the flip side, the signs of recession that everyone has been looking for have not materialized, and consumer spending has remained very strong.

### What We're Watching

At the end of October we outlined a host of potential causes for our taking a more conservative stance with **EZTracker** model portfolios: Corporate Earnings, European Union/Italy, U.S./China Trade Dispute and Rising Interest Rates/Hawkish Fed. Since then, certain things have crystallized (Fed interest rate hike), and others remain uncertain (worldwide growth rates and US/China trade). Furthermore there have been new stressors on the market such as Presidential threats of interference at the Fed, the US government shutdown, and China's domestic economic slowdown. Taking into account the year-end volatility and the markets being within correction territory, we see many unresolved issues but also some positives:

**Consumer Spending:** Americans' purchases make up nearly 70% of economic activity and that engine is expected to continue. Mastercard reported that holiday spending growth was the best in six years, while amazon.com said it had record unit sales.

**China economic growth:** As China is the world's largest exporter of goods with the most demand for materials from other countries, what happens there matters for businesses and markets across the globe. China just posted the first drop in industrial profits in over 3 years, and a big wild card is how the trade war between the U.S. and China will play out in 2019.

**Inflation:** Despite faster pay increases, most economists expect inflation to remain tempered next year. Oil and gasoline prices have fallen amid rising supplies and cooling global demand.

**The Federal Reserve:** Of the 5 major economic drivers (**consumer behavior, investment, inflation, housing and the labor market**), consumer behavior, inflation and the labor market all lack indications of imminent downturn. This moderates the risk that the Federal Reserve will cause a recession by hiking interest rates too much too soon. The Fed can move slowly, and pause if hiccups in the data suggest higher rates are hurting consumers or hiring. Evidence suggests that the Fed understands this just fine. January could prove pivotal as analysts will get more direction:

- January 3: Minutes from the December meeting of the rate-setting FOMC are due
- January 29-30: The next central bank meeting which allows it the opportunity to further fine-tune its message.

Turning on the Crystal Ball. Barron's Roster of Experts Batted .000 for 2018

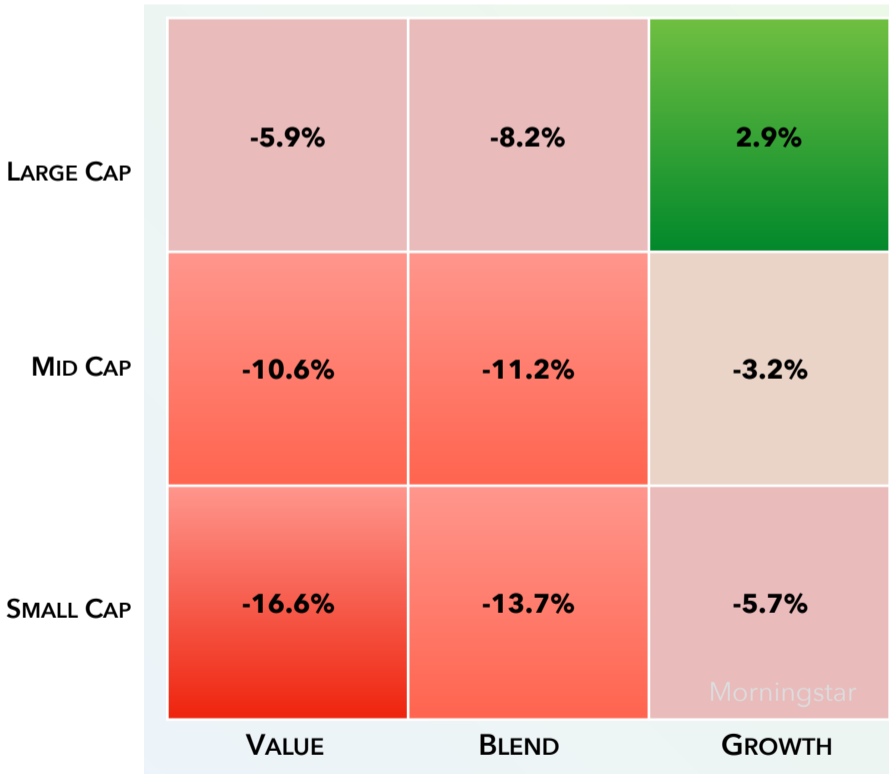
Every year at this time we check with the experts. While **EZTracker** doesn't make predictions, the year-end brings out the analysts and gurus to enlighten us for the coming year. Each December, Barron's takes a poll of ten experts from the major financial firms – below we summarize their scorecard for 2018 and “guesstimates” for 2019.

For 2019 all ten of Barron's listed analysts call for the S&P to finish higher by year-end with the most optimistic forecasts at 3100 (a 23.7% increase from current levels, and 19.2% up from the polling date). Not one analyst took a conservative stance. Keep in mind that all analysts from last years Barron's panel missed the mark – missed it by an average of more than 11%.

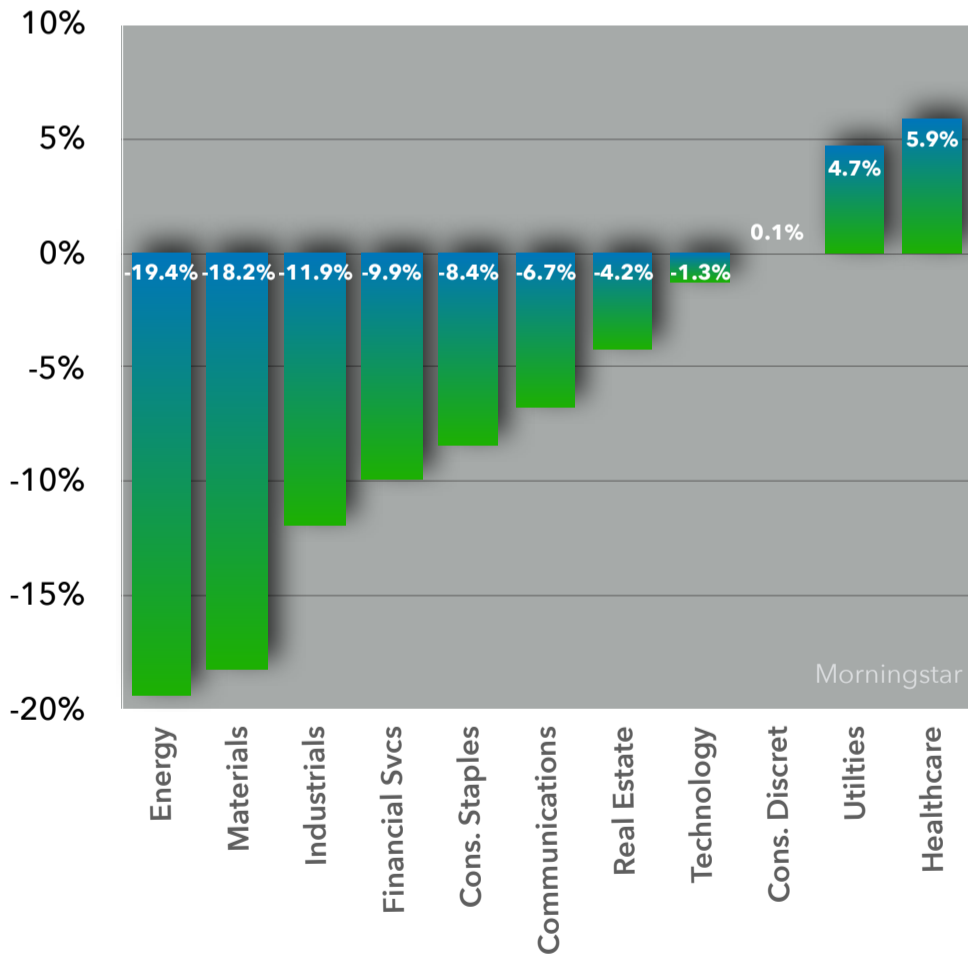
Company	Analyst	2018 S&P Prediction	Actual 2018 S&P	2018 % Miss	2019 S&P Prediction	% Increase
Morgan Stanley	Michael Wilson	2750	2507	-8.8%	2750	9.7%
Yardeni Research	Edward Yardeni	N/A	2507	N/A	3100	23.7%
BofA Merrill Lynch	Savita Subramanian	2800	2507	-10.5%	2900	15.7%
T. Rowe Price	Rob Sharps	2775	2507	-9.7%	2850	13.7%
PGIM	John Praveen	2925	2507	-14.3%	3000	19.7%
Nuveen	Saira Malik	N/A	2507	N/A	2840	13.3%
Citi	Tobias Levkovich	N/A	2507	N/A	3100	23.7%
J.P. Morgan	Dubravko Lakos-Bujas	2800	2507	-10.5%	3100	23.7%
Goldman Sachs	David Kostin	2850	2507	-12.0%	3000	19.7%
Federated Investors	Steve Auth	3000	2507	-16.4%	3100	23.7%
Average		2843	2507	-11.7%	2974	18.6%

Sector Analysis:

YTD Index Performance: Returns (%)



2018 YTD Sector Performance



A Hallmark Moment:

Recently, when deplaning a flight I ended up talking with the pilot. I handed him an EZTracker business card and he replied “I’m a subscriber!” I told him I was a partner and a co-author of the newsletter, to which he responded “Get out of here! Your bold call at the end of October really saved me!” He introduced me to his co-pilot, mentioning that he would be missing out “if he was not signed up with these guys.” We spoke for a few minutes, exchanged season greetings, and went on our way. I recall thinking, what a great job we have and how our subscribers really count on us. Happy New Year to all and a prosperous 2019 for everyone!

**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: No Changes this month
- Expanded Portfolio: No Changes this month

Non-Pilots' 401k/Profit Sharing Portfolios:

- Aggressive, Moderate, & Conservative Portfolio:No Changes this month
- Expanded Portfolio: No Changes this month

Directions for making portfolio changes and rebalancing are on page 14.

Southwest Pilots' Portfolio	Aggressive	Moderate	Conservative
Vanguard Institutional Index (VIIIX)	Visit <a href="http://www.eztracker401k.com">www.eztracker401k.com</a> for more information or call 201-503-6445		
Blackrock Fundamental U.S. Large Company			
Wells Fargo Stable Asset			
Vanguard Federal Money Market (VMFXX)			
Southwest Non-Pilots' Portfolio/Profit Sharing			Conservative
Vanguard Institutional Index (VIIIX)			
Dodge and Cox Stock Fund (DODGX)			
Stable Value Fund	60%	66%	62%

**Pilots' Expanded Portfolio.**  
For information and details see p. 10-12  
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 8. 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. 10 &13.  
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%		5.1%
Schwab U.S. Large Cap (SCHX)			%
Schwab US Broad Market (SCHB)			%
Technology Select Sector SPDR Fund (XLK)			%
Invesco S&P 500 Equal Weight Consumer Staples (RHS)			%
Schwab Short-Term U.S. Treasury (SCHO)			%
Consumer Discretionary SPDR* (XLY)			%
Schwab U.S. Aggregate Bond ETF (SCHZ)			%
	100%	100%	100%

\*non-Schwab ETF. \$4.95 Commission.

Expanded Portfolios - NonPilots & Profit Sharing Plan	401k	Brokerage	Total
Vanguard U.S. Institutional Index (VIIIX)	44%		40%
Stable Value Fund	56%		49%
Schwab Large Cap. Growth Fund (SWLSX)		100%	11%
	100%	100%	100%

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

# Model Portfolios | December 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 Dec 31, 2018	MTD Dec *	YTD 2018	1-YEAR
<b>EZTracker</b> Aggressive	-1.48%	-4.00%	-4.00%
<b>EZTracker</b> Moderate	-1.16%	-2.76%	-2.76%
<b>EZTracker</b> Conservative	-0.54%	-1.01%	-1.01%
<b>EZTracker</b> Brokerage	-2.75%	-7.47%	-7.47%
<b>Morningstar Benchmarks</b>			
Aggressive Target Risk	-4.20%	-8.17%	-8.17%
Moderate Target Risk Index	-1.71%	-4.76%	-4.76%
Conservative Target Risk Index	0.65%	-1.20%	-1.20%
<b>S&amp;P 500</b>	<b>-4.78%</b>	<b>-6.24%</b>	<b>-6.24%</b>

\* Performance since last newsletter

### Southwest Non-Pilots 401k/Profit Sharing

Current Performance Through Dec 31, 2018	MTD Dec *	YTD 2018	1-YEAR
<b>EZTracker</b> Aggressive	-2.06%	-5.28%	-5.28%
<b>EZTracker</b> Moderate	-1.63%	-3.86%	-3.86%
<b>EZTracker</b> Conservative	-0.85%	-1.57%	-1.57%
<b>EZTracker</b> Brokerage	-2.09%	-5.61%	-5.61%
<b>Morningstar Benchmarks</b>			
Aggressive Target Risk Index	-4.20%	-8.17%	-8.17%
Moderate Target Risk Index	-1.71%	-4.76%	-4.76%
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## Annual % Total Returns

Pilots 401k	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>EZTracker</b> 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	-4.00
<b>EZTracker</b> 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	-2.76
<b>EZTracker</b> 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	-1.01
<b>EZTracker</b> Expanded						Portfolio Started 4/25/11				6.46	25.97	9.08	-0.91	4.34	-7.47
401k for Others & Profit	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>EZTracker</b> 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	-5.28
<b>EZTracker</b> 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	-3.86
<b>EZTracker</b> 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	-1.57
<b>EZTracker</b> Expanded						Portfolio Started 4/25/11				4.83	27.20	5.35	-0.69	10.58	-5.61
<b>Morningstar Benchmarks</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	
Aggressive Target Risk Index						32.00	16.75	-3.60	16.07	24.53	5.23	-2.67	11.34	21.95	-8.17
Moderate Target Risk Index						21.77	12.33	0.59	12.04	14.31	4.89	-1.79	8.57	14.66	-4.76
Conservative Target Risk Index						9.56	7.07	4.38	7.36	2.97	3.38	-0.92	4.67	7.00	-1.20

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](http://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				YTD	Tracker AVG
		1 MO	3 MO	6 MO	12 MO		
Vanguard Total International Bond Index	VTIFX	1.13%	1.87%	1.66%	3.00%	3.00%	4.18%
Vanguard Total Bond Market Index -Inst	VBTIX	1.82%	1.63%	1.66%	0.00%	0.00%	2.78%
Wells Fargo Stable Asset		0.19%	0.56%	1.09%	2.12%	2.12%	2.16%
Vanguard Federal Money Market	VMFXX	0.19%	0.56%	1.04%	1.80%	1.80%	1.96%
Loomis Sayles Core Plus Bond	NERYX	1.26%	0.05%	0.56%	-0.69%	-0.69%	0.65%
Vanguard Short-Term Inflation Protected	VTSPX	0.17%	-0.25%	-0.11%	0.59%	0.59%	0.22%
American Funds 2010 Target Date Retirement		-2.23%	-3.64%	-2.05%	-2.49%	-2.49%	-5.68%
American Funds 2015 Target Date Retirement		-2.47%	-4.21%	-2.47%	-2.72%	-2.72%	-6.48%
American Funds 2020 Target Date Retirement		-2.77%	-4.88%	-3.00%	-2.69%	-2.69%	-7.27%
American Funds 2025 Target Date Retirement		-3.47%	-6.32%	-4.25%	-3.47%	-3.47%	-9.56%
DFA Global Real Estate Securities	DFGEX	-5.53%	-4.93%	-4.59%	-4.15%	-4.15%	-10.48%
American Funds 2030 Target Date Retirement		-4.29%	-7.86%	-5.46%	-4.16%	-4.16%	-11.87%
American Funds 2035 Target Date Retirement		-5.33%	-9.75%	-7.02%	-5.14%	-5.14%	-14.86%
American Funds 2040 Target Date Retirement		-5.71%	-10.40%	-7.58%	-5.52%	-5.52%	-15.93%
American Funds 2045 Target Date Retirement		-5.83%	-10.66%	-7.73%	-5.58%	-5.58%	-16.25%
American Funds 2050 Target Date Retirement		-5.92%	-10.84%	-7.86%	-5.61%	-5.61%	-16.48%
American Funds 2060 Target Date Retirement		-5.94%	-10.88%	-7.94%	-5.64%	-5.64%	-16.58%
American Funds 2055 Target Date Retirement		-6.00%	-10.88%	-7.94%	-5.65%	-5.65%	-16.62%
Blackrock Fundamental US Large Company		-8.49%	-15.49%	-10.50%	3.43%	3.43%	-16.94%
Vanguard Institutional Index Instl Pl	VIIIX	-9.03%	-13.53%	-6.86%	-4.41%	-4.41%	-18.45%
Vanguard Total Stock Market Index	VITSX	-9.29%	-14.26%	-8.18%	-5.16%	-5.16%	-20.12%
Vanguard Total International Stock Index-Inst	VTSNX	-4.84%	-11.66%	-11.19%	-14.39%	-14.39%	-22.95%
American Funds EuroPacific GR6	RERGX	-5.12%	-12.59%	-13.33%	-14.91%	-14.91%	-25.06%
DFA World ex US Core Equity	DFWIX	-5.13%	-12.83%	-13.27%	-17.00%	-17.00%	-26.30%
Vanguard Small Cap Growth Index	VSGIX	-10.69%	-19.30%	-13.95%	-5.69%	-5.69%	-27.07%
Vanguard Extended Market Index Fund	VEMPX	-10.69%	-18.17%	-14.60%	-9.35%	-9.35%	-28.81%
Schwab Fundamental US Small Co. Index	SFSNX	-11.70%	-18.85%	-16.84%	-12.05%	-12.05%	-32.42%

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				YTD	Tracker Avg
		1 MO	3 MO	6 MO	12 MO		
PIMCO Total Return Collective Trust II	PTTRX	1.16%	1.39%	1.47%	-0.26%	-0.26%	2.05%
Stable Value Fund		0.17%	0.48%	0.95%	1.80%	1.80%	1.86%
Vanguard Target Retirement Income Select		-1.32%	-3.21%	-1.91%	-1.98%	-1.98%	-4.59%
Vanguard Target Retirement 2015 Trust Select		-2.20%	-4.64%	-2.91%	-2.91%	-2.91%	-6.90%
Vanguard Target Retirement 2020 Trust Select		-3.31%	-6.49%	-4.25%	-4.21%	-4.21%	-9.96%
Vanguard Target Retirement 2025 Trust Select		-4.06%	-7.73%	-5.15%	-5.02%	-5.02%	-11.98%
Vanguard Target Retirement 2030 Trust Select		-4.79%	-8.85%	-6.02%	-5.82%	-5.82%	-13.90%
Vanguard Target Retirement 2035 Trust Select		-5.47%	-9.95%	-6.84%	-6.56%	-6.56%	-15.73%
Vanguard Target Retirement 2040 Trust Select		-6.16%	-11.04%	-7.66%	-7.31%	-7.31%	-17.55%
Vanguard Institutional 500 Index Trust		-9.03%	-13.53%	-6.86%	-4.41%	-4.41%	-18.45%
Vanguard Target Retirement 2055 Trust Select		-6.58%	-11.76%	-8.22%	-7.84%	-7.84%	-18.76%
Vanguard Target Retirement 2045 Trust Select		-6.61%	-11.80%	-8.25%	-7.87%	-7.87%	-18.83%
Vanguard Target Retirement 2060 Trust Select		-6.63%	-11.80%	-8.23%	-7.88%	-7.88%	-18.83%
Vanguard Target Retirement 2050 Trust Select		-6.61%	-11.79%	-8.25%	-7.87%	-7.87%	-18.84%
Vanguard Target Retirement 2065 Trust Select		-6.57%	-11.77%	-8.28%	-7.95%	-7.95%	-18.85%
Harbor Capital Appreciation Instl	HACAX	-7.69%	-16.40%	-10.79%	-1.03%	-1.03%	-19.59%
Dodge & Cox Stock Fund	DODGX	-10.68%	-13.57%	-7.96%	-7.07%	-7.07%	-21.43%
American Funds EuroPacific GR6	RERGX	-5.12%	-12.59%	-13.33%	-14.91%	-14.91%	-25.06%
FIAM Small Cap Core Class O		-8.18%	-19.47%	-18.27%	-10.38%	-10.38%	-30.71%
Southwest Common Stock	LUV	-6.25%	-25.57%	-10.46%	-29.44%	-29.44%	-39.12%

# Expanded Portfolios-Southwest Pilots & NonPilots

## **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](http://www.morningstar.com) or [www.etfdb.com](http://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](http://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](http://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 Expanded Portfolio/Profit Sharing

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 Avg
Aberdeen Standard Physical Swiss Gold Shares ETF	SGOL	4.91%	7.49%	2.24%	-1.94%	6.93%
SPDR Portfolio Long Term Treasury ETF	SPTL	5.86%	4.68%	1.71%	-1.56%	5.83%
Invesco CurrencyShares Japanese Yen Trust	FXJ	3.43%	3.52%	0.74%	2.31%	5.46%
Schwab Intermediate-Term U.S. Treasury ETF	SCHR	2.08%	3.05%	2.61%	1.45%	5.01%
SPDR Nuveen S&P High Yield Municipal Bond ETF	HYMB	1.52%	1.04%	1.68%	4.91%	4.99%
WisdomTree Bloomberg U.S. Dollar Bullish Fund	USDU	-0.92%	1.96%	2.64%	5.40%	4.95%
PIMCO 25+ Year Zero Coupon U.S. Treasury Index Exchange-	ZROZ	8.26%	4.79%	-0.27%	-4.61%	4.46%
SPDR Nuveen Bloomberg Barclays Municipal Bond ETF	TFI	1.49%	2.14%	1.65%	0.52%	3.17%
Schwab Short-Term U.S. Treasury ETF	SCHO	0.83%	1.37%	1.50%	1.56%	2.87%
Schwab U.S. Aggregate Bond ETF	SCHZ	1.85%	1.63%	1.58%	-0.03%	2.74%
Sprott Gold Miners ETF	SGDM	15.44%	12.63%	-8.78%	-15.16%	2.25%
Invesco BulletShares 2019 Corporate Bond ETF	BSCJ	0.27%	0.49%	1.48%	1.83%	2.21%
Invesco BulletShares 2021 Corporate Bond ETF	BSCL	0.91%	0.79%	1.47%	0.67%	2.09%
Invesco BulletShares 2020 Corporate Bond ETF	BSCK	0.61%	0.59%	1.34%	1.14%	2.01%
Invesco BulletShares 2022 Corporate Bond ETF	BSCM	1.07%	0.61%	1.44%	0.03%	1.72%
Aberdeen Standard Physical Silver Shares ETF	SIVR	9.14%	5.76%	-3.97%	-8.96%	1.07%
SPDR Bloomberg Barclays International Treasury Bond ETF	BWX	2.09%	1.25%	0.16%	-1.85%	0.89%
SPDR Bloomberg Barclays Investment Grade Floating Rate ETF	FLRN	-0.32%	-0.46%	0.33%	1.39%	0.52%
Invesco BulletShares 2019 High Yield Corporate Bond ETF	BSJJ	-0.88%	-1.40%	0.15%	1.09%	-0.57%
Invesco Emerging Markets Sovereign Debt ETF	PCY	2.26%	-0.75%	2.21%	-6.15%	-1.33%
Schwab US TIPS ETF	SCHP	0.57%	-0.51%	-1.31%	-1.42%	-1.45%
Invesco BulletShares 2020 High Yield Corporate Bond ETF	BSJK	-0.87%	-2.23%	-0.55%	0.25%	-1.85%
SPDR Bloomberg Barclays Short Term International Treasury Bond	BWZ	0.99%	-0.54%	-0.84%	-3.37%	-2.05%
Invesco India Exchange-Traded Fund Trust	PIN	0.82%	1.91%	-0.74%	-7.55%	-3.03%
Invesco CurrencyShares Euro Currency Trust	FXE	1.12%	-1.51%	-2.30%	-5.30%	-4.36%
PIMCO 0-5 Year High Yield Corporate Bond Index Exchange-	HYS	-2.02%	-3.94%	-1.67%	-0.72%	-4.56%
SPDR Bloomberg Barclays International Corporate Bond ETF	IBND	1.54%	-1.70%	-2.19%	-6.15%	-4.64%
Invesco Fundamental High Yield Corporate Bond ETF	PHB	-1.64%	-3.57%	-1.26%	-2.69%	-5.00%
SPDR Blackstone / GSO Senior Loan ETF	SRLN	-2.88%	-3.95%	-2.00%	-0.66%	-5.18%
Invesco CurrencyShares British Pound Sterling Trust	FXB	0.06%	-2.19%	-3.46%	-5.75%	-6.19%
SPDR S&P Emerging Markets Dividend ETF	EDIV	-1.85%	-2.58%	-0.77%	-6.16%	-6.20%
Invesco Senior Loan ETF	BKLN	-3.25%	-4.70%	-2.57%	-1.31%	-6.45%
IndexIQ ETF Trust - IQ Hedge Multi-Strategy Tracker ETF	QAI	-1.74%	-4.20%	-3.16%	-3.32%	-6.77%
Invesco S&P 500 Low Volatility ETF	SPLV	-6.79%	-5.26%	-0.53%	-0.18%	-6.96%
Invesco Preferred ETF	PGX	-0.48%	-4.50%	-4.75%	-4.00%	-7.49%
Invesco S&P Emerging Markets Low Volatility ETF	EELV	-0.98%	-6.39%	-1.44%	-5.34%	-7.71%
SPDR Wells Fargo Preferred Stock ETF	PSK	-0.54%	-4.98%	-5.51%	-4.54%	-8.49%
Invesco Variable Rate Preferred ETF	VRP	-2.61%	-7.07%	-5.85%	-6.62%	-12.08%
SPDR Dow Jones Global Real Estate ETF	RWO	-5.93%	-5.91%	-6.01%	-5.99%	-13.00%
SPDR Bloomberg Barclays Convertible Securities ETF	CWB	-5.43%	-9.45%	-7.40%	-1.96%	-13.22%
Invesco S&P International Developed Low Volatility ETF	IDLV	-4.21%	-7.10%	-5.56%	-8.00%	-13.57%
Schwab Fundamental Emerging Markets Large Company Index	FNDE	-3.20%	-7.70%	-3.90%	-10.34%	-13.71%
Schwab U.S. REIT ETF	SCHH	-8.46%	-6.57%	-5.95%	-4.22%	-13.74%
Aberdeen Standard Physical Platinum Shares ETF	PPLT	-0.54%	-2.75%	-7.27%	-14.95%	-13.92%
SPDR S&P International Dividend ETF	DWX	-3.32%	-6.35%	-6.66%	-11.08%	-14.95%
Schwab US Dividend Equity ETF	SCHD	-8.13%	-10.64%	-3.25%	-5.56%	-15.05%
Schwab Emerging Markets Equity ETF	SCHE	-3.23%	-6.06%	-6.71%	-13.56%	-16.12%
Consumer Discretionary Select Sector SPDR Fund	XLY	-7.95%	-15.20%	-8.78%	1.59%	-16.54%
Invesco BRIC ETF	EEB	-5.65%	-6.48%	-8.24%	-11.34%	-17.30%
WisdomTree U.S. Quality Dividend Growth Fund	DGRW	-9.17%	-12.93%	-5.25%	-5.36%	-17.84%

# Pilot Expanded Portfolio/Profit Sharing

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 Avg
Schwab U.S. Large-Cap Value ETF	SCHV	-9.20%	-11.42%	-5.82%	-7.30%	-18.41%
Schwab U.S. Large-Cap Growth ETF	SCHG	-8.55%	-15.49%	-8.35%	-1.36%	-18.41%
Schwab US Large-Cap ETF	SCHX	-8.79%	-13.60%	-7.11%	-4.53%	-18.56%
Invesco International Dividend Achievers ETF	PID	-6.08%	-9.27%	-7.33%	-11.44%	-18.61%
Invesco S&P 500 Equal Weight Consumer Staples ETF	RHS	-9.61%	-8.49%	-5.53%	-10.84%	-18.80%
Invesco S&P 500 Equal Weight Technology ETF	RYT	-8.73%	-16.05%	-10.62%	-0.61%	-19.64%
Schwab US Broad Market ETF	SCHB	-9.15%	-14.30%	-8.18%	-5.30%	-20.15%
Xtrackers MSCI EAFE Hedged Equity ETF	DBEF	-6.28%	-11.90%	-9.26%	-9.50%	-20.15%
Oppenheimer S&P Ultra Dividend Revenue ETF	RDIV	-9.51%	-12.31%	-10.62%	-4.82%	-20.32%
Technology Select Sector SPDR Fund	XLK	-8.36%	-17.35%	-10.08%	-1.66%	-20.43%
Schwab Fundamental U.S. Large Company Index ETF	FNDX	-9.59%	-13.83%	-7.94%	-7.31%	-21.09%
SPDR STOXX Europe 50 ETF	FEU	-4.95%	-10.58%	-9.68%	-13.76%	-21.26%
United States Commodity Index Fund	USCI	-1.91%	-11.63%	-14.16%	-11.76%	-21.52%
JPMorgan Diversified Return International Equity ETF	JPIN	-3.99%	-12.19%	-10.58%	-13.12%	-21.75%
SPDR MSCI ACWI ex-US ETF	CWI	-4.92%	-11.10%	-10.28%	-13.82%	-21.88%
SPDR S&P Emerging Markets SmallCap ETF	EWX	-3.30%	-6.49%	-11.74%	-18.74%	-21.97%
Invesco S&P 500 Equal Weight ETF	RSP	-9.54%	-13.90%	-9.33%	-7.82%	-22.14%
Invesco Frontier Markets ETF	FRN	-6.61%	-8.00%	-10.06%	-16.36%	-22.38%
Invesco BuyBack Achievers ETF	PKW	-11.23%	-14.07%	-7.41%	-10.52%	-23.58%
Invesco S&P 500 Pure Growth ETF	RPG	-9.08%	-17.01%	-12.93%	-4.53%	-23.76%
Schwab International Equity ETF	SCHF	-5.44%	-12.94%	-11.68%	-14.32%	-24.21%
Schwab Fundamental International Large Company Index ETF	FNDF	-5.66%	-12.97%	-11.76%	-14.26%	-24.36%
WisdomTree International Hedged Quality Dividend Growth Fund	IHDG	-7.17%	-13.31%	-12.49%	-12.03%	-24.55%
Invesco DWA Momentum ETF	PDP	-9.18%	-18.58%	-12.32%	-5.96%	-25.12%
ALPS Sector Dividend Dogs ETF	SDOG	-10.57%	-13.85%	-10.47%	-11.40%	-25.25%
Schwab U.S. Mid-Cap ETF	SCHM	-10.66%	-16.72%	-11.95%	-8.77%	-26.24%
Industrial Select Sector SPDR Fund	XLI	-10.65%	-17.33%	-9.08%	-13.24%	-27.43%
SPDR S&P Global Natural Resources ETF	GNR	-5.23%	-16.72%	-15.93%	-13.18%	-27.85%
Invesco S&P 500 Pure Value ETF	RPV	-12.11%	-16.57%	-12.39%	-12.30%	-29.11%
Invesco DWA Developed Markets Momentum ETF	PIZ	-5.14%	-16.20%	-16.32%	-16.14%	-29.34%
Invesco S&P 500 Equal Weight Financials ETF	RYF	-11.76%	-14.79%	-13.03%	-15.80%	-30.21%
SPDR S&P China ETF	GXC	-7.57%	-11.04%	-17.93%	-19.38%	-30.50%
Global X MLP ETF	MLPA	-10.19%	-18.01%	-12.91%	-15.67%	-30.97%
Invesco DWA Emerging Markets Markets Momentum ETF	PIE	-3.46%	-11.36%	-20.38%	-22.01%	-31.20%
Global X MLP & Energy Infrastructure ETF	MLPX	-9.63%	-16.95%	-15.73%	-15.44%	-31.51%
Schwab Fundamental International Small Company Index ETF	FNDC	-7.17%	-15.77%	-16.60%	-19.12%	-32.00%
Schwab International Small-Cap Equity ETF	SCHC	-6.51%	-16.42%	-17.37%	-18.63%	-32.14%
Schwab Fundamental U.S. Small Company Index ETF	FNDA	-11.71%	-18.85%	-16.90%	-12.10%	-32.48%
Schwab US Small-Cap ETF	SCHA	-11.83%	-19.88%	-16.81%	-11.77%	-32.88%
Invesco S&P 500 High Beta ETF	SPHB	-11.16%	-21.08%	-17.20%	-15.54%	-35.44%
United States 12 Month Oil Fund LP	USL	-7.50%	-33.99%	-29.07%	-14.15%	-46.21%
United States Brent Oil Fund LP	BNO	-8.26%	-34.26%	-30.88%	-15.30%	-48.39%
Global X Robotics & Artificial Intelligence ETF	BOTZ	-13.84%	-25.78%	-22.85%	-28.35%	-49.54%
United States Gasoline Fund LP	UGA	-6.38%	-36.60%	-33.61%	-28.07%	-57.09%

# 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	YTD	Tracker Avg
Schwab Short-Term Bond Index Fund	SWSBX	1.12%	1.51%	1.75%	1.30%	1.30%	3.10%
Schwab Intermediate-Term Bond Fund	SWIIX	1.45%	1.64%	1.49%	0.33%	0.33%	2.67%
Schwab US Aggregate Bond Index Fund	SWAGX	1.80%	1.57%	1.55%	-0.14%	-0.14%	2.61%
Schwab Treasury Inflation Protected Securities	SWRSX	0.55%	-0.48%	-1.27%	-1.32%	-1.32%	-1.37%
Schwab Health Care Fund	SWHFX	-8.26%	-9.19%	1.63%	3.98%	3.98%	-6.46%
Schwab Fundamental Emerging Markets Large	SFENX	-3.04%	-7.68%	-3.81%	-9.93%	-9.93%	-13.35%
Schwab Global Real Estate Fund	SWASX	-4.50%	-6.43%	-7.24%	-7.68%	-7.68%	-14.10%
Schwab Fundamental Global Real Estate Index	SFREX	-5.67%	-6.43%	-7.86%	-8.23%	-8.23%	-15.38%
Schwab Hedged Equity Fund	SWHEX	-4.41%	-10.03%	-6.87%	-7.09%	-7.09%	-15.49%
Schwab S&P 500 Index Fund	SWPPX	-9.04%	-13.53%	-6.86%	-4.42%	-4.42%	-18.46%
Schwab 1000 Index Fund	SNXFX	-9.12%	-13.87%	-7.52%	-4.91%	-4.91%	-19.32%
Schwab Total Stock Market Index Fund	SWTSX	-9.33%	-14.36%	-8.29%	-5.30%	-5.30%	-20.33%
Schwab Fundamental US Large Company Index	SFLNX	-9.68%	-13.91%	-7.97%	-7.27%	-7.27%	-21.18%
Schwab International Index Fund	SWISX	-5.06%	-12.37%	-11.12%	-13.33%	-13.33%	-22.84%
Schwab Fundamental International Large Company Index Fund	SFNNX	-5.48%	-12.82%	-11.59%	-13.91%	-13.91%	-23.90%
Schwab Core Equity Fund	SWANX	-9.42%	-15.06%	-10.21%	-9.26%	-9.26%	-23.98%
Schwab Large Cap Growth Fund	SWLSX	-8.78%	-17.31%	-11.18%	-7.71%	-7.71%	-24.53%
Schwab Dividend Equity Fund	SWDSX	-9.47%	-14.07%	-10.29%	-12.05%	-12.05%	-25.03%
Schwab International Core Equity Fund	SICNX	-5.33%	-14.50%	-14.82%	-18.27%	-18.27%	-28.86%
Schwab Fundamental International Small	SFILX	-6.74%	-15.42%	-16.14%	-18.57%	-18.57%	-31.02%
Schwab Fundamental US Small Company Index	SFSNX	-11.70%	-18.85%	-16.84%	-12.05%	-12.05%	-32.42%
Schwab Small-Cap Index Fund	SWSSX	-11.90%	-20.20%	-17.32%	-10.95%	-10.95%	-32.92%
Schwab Small-Cap Equity Fund	SWSCX	-11.63%	-19.90%	-18.06%	-12.13%	-12.13%	-33.67%

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](http://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?

Let us know if you have any questions or suggestions. We're just a click away at [contact@eztracker401k.com](mailto:contact@eztracker401k.com). Or text/call 201.503.6445 or 201.503.6571. The information and data contained herein are compiled from sources and procedures believed reliable, but accuracy cannot be guaranteed. **EZTracker** monitors fund performance and publishes a monthly newsletter. The publisher and owners disclaim any and all liability for losses that may be sustained as a result of using the data presented herein. Past performance is no assurance of future results. All investments involve risk. You should invest only after careful examination of fund prospectuses.

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