

July 28, 2019

# 401k PORTFOLIO AUGUST 2019 UPDATE & NEWSLETTER

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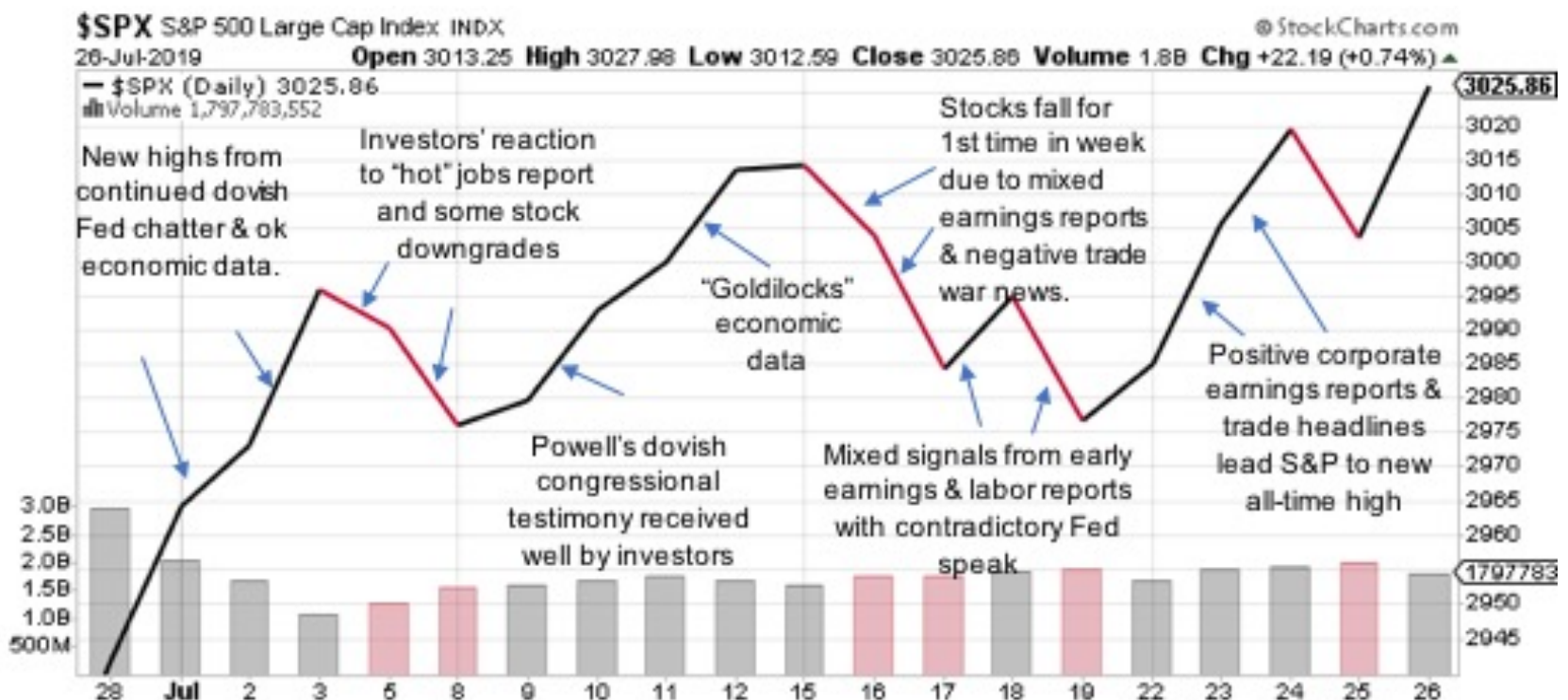
TAKE CONTROL OF YOUR FUTURE

## August 2019 Newsletter

### Market Resilience Continues for Another Month

On Friday, the S&P 500 index and Nasdaq composite both rose to a record close. Since our last newsletter, DJII +2.2% (YTD+16.6%), S&P 500 +2.9% (YTD + 20.7%) and NASDAQ +4.0% (YTD +25.5%).

The equity markets hit all-time highs this month on the back of 1) hopes that the Fed will elect to cut rates next week; 2) stronger than expected corporate earnings; and 3) incremental progress on US-China trade. The 10-year yield, however, continues to signal a poor commentary on future growth, and short-end interest rates are beginning to look less attractive with the prospect of rate cuts. As such, we are taking this opportunity to adjust our fixed income allocation for **EZTracker** Moderate and Conservative portfolios. **Please see page 4 for portfolio changes.**



### Fed Rate Cut Expectations

The Federal Reserve is expected to cut interest rates for the first time in more than a decade at its upcoming meetings on July 30 and 31, a pre-emptive move due to concerns about the impact of the trade war and a slowing global economy. The market has priced in a 25 basis point cut next week, and expects another later this year. Friday's Q2 GDP growth report came in higher than expected at 2.1% (vs. 1.8%), which some fear may tempt the Fed to adopt a less aggressive posture on cutting rates. Although higher than expected, the GDP growth trend is markedly negative-- following 3.1% the previous quarter -- and may be what the Fed needs to truly pull the trigger on a rate cut. Should the Fed signal it may not lower interest rates as much as has been communicated, it will need to say so very delicately. Because the markets expect rate cuts, a signal that the Fed may take less action could have a large impact.

### Corporate Earnings

To date, 44% of the companies that make up the S&P 500 have reported Q2 results, and so far the results have been promising. The percentage of firms beating estimated EPS (77%) and beating predicted Sales (61%) are both above the five-year average for each metric. Looking forward to the second half of the year, analysts predict a relative decline in corporate earnings for Q3 followed by mid-single-digit earnings growth in the fourth quarter. During the upcoming week, 168 companies in the S&P 500 (including seven Dow 30 components) are scheduled to report Q2 results. Some noteworthy individual company activity: **Facebook (FB)** gained 2% after the social media giant reported quarterly revenue that beat estimates, but also announced that new rules and product changes aimed at protecting user privacy would slow its revenue growth into next year. **3M Co. (MMM)** rose 4.5% after the manufacturing conglomerate reiterated its full-year earnings forecast despite slowing sales growth in high-profile markets such as China. **Tesla Inc (TSLA)** tumbled 12.3%, after the electric carmaker pushed back its profit timeline once again after missing its quarterly financial targets. **Texas Instruments (TXN)** hinted that a global slowdown in microchip demand would not be as long as feared, which countered bleak earnings from bellwether companies **Boeing** and **Caterpillar**.

## Economic Data

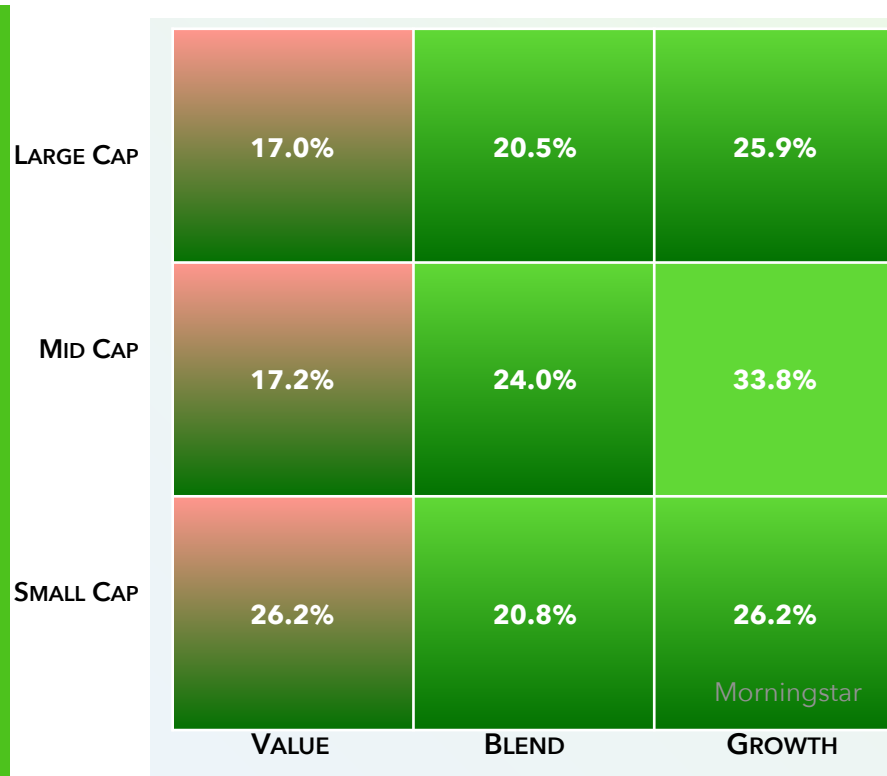
Economic data is decidedly mixed, as strong reported employment growth was countered by slowing GDP growth. The July 5 **Jobs Report** showed that job growth rebounded sharply, as employers added 224,000 jobs, a larger figure than expected. The unemployment rate rose slightly, although at 3.7% it remains near a multi decade low.

**GDP** growth slowed to 2.1% from 3.1% in the prior quarter, reflecting downturns in inventory investment, exports, and non-residential fixed investments.

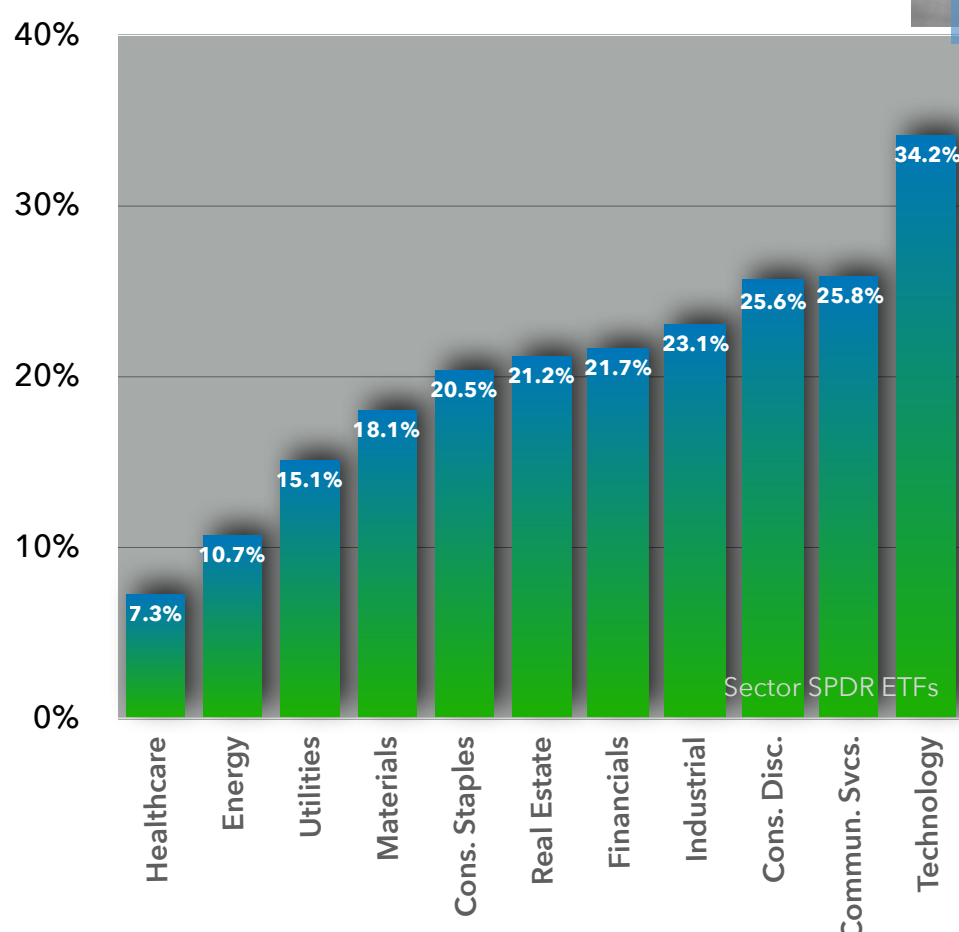
## Sector Analysis

Leaders this month were Communications Services (+6.8%), Technology (+6.1%), Consumer Discretionary (+4.6%), and Consumer Staples (+4.1). Laggards were Energy (-1.6%) and Healthcare (+0.4%).

2019 YTD Index Performance: Returns (%)



2019 YTD Sector Performance: Returns (%)



## Fixed Income

The yield on the benchmark 10-year Treasury note has risen about 10 basis points since the last newsletter, closing Friday at 2.074%. As markets are focused on the US Fed, **EZTracker** has been considering the right balances in it's model portfolios taking into an account the general expectation of rate cuts. Bottom line, the bond markets continue to signal medium and long-term economic issues, and while hopes of central bank easing has propelled stocks to new highs, the 10-year yield is signaling a slowdown in future growth. Short-end rates are poised to drop with a rate cut, therefore in certain **EZTracker** model portfolios we are reallocating a portion of our short-term MM/cash/stable value position into longer-dated fixed income securities.

### **EZTracker** Approach:

- We don't predict where the market is going - we identify the best performers;
- We use a disciplined approach to investing even during market volatility and uncertainty, and we review portfolios monthly;
- We take a long-term perspective of the market;
- We are consistent in our strategy, the **EZTracker** portfolios have consistently outperformed the market in up and down markets.

### The **EZTracker** Subscriber Approach:

- Avoid emotional extremes. Monitor your risk profile and stick to your plan;
- Stop listening to the talking heads. Not one has demonstrated the ability to predict the market;
- Stay up-to-date and maintain your portfolio on a timely basis.

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

Text or call 201.503.6445 | [contact@eztracker401k.com](mailto:contact@eztracker401k.com)



**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.

Current Subscribers:

Pilots' 401k Portfolios:

- Aggressive Portfolios:  
There are no changes for this month
- Moderate, & Conservative Portfolios:  
Exchange 50% Vanguard Federal Money Market (VMFXX) for Vanguard Total Bond Market Index Inst (VBTIX)
- Expanded Portfolio: There are no changes for this month

Non-Pilots' 401k/Profit Sharing Portfolios:

- Aggressive Portfolios:  
There are no changes for this month
- Moderate, & Conservative Portfolios:  
Exchange 50% Stable Value Fund for PIMCO Total Return Collective Trust II
- Expanded Portfolio: There are no changes for this month

New Subscribers:

or those who haven't made any changes in a few months

Rebalance your 401k using the chart below for the portfolio you want to follow. Rebalance directions on page 12

Southwest Pilots' Portfolio	Symbol	Aggressive	Moderate	Conservative
Vanguard Institutional Index Instl Pl	VIIIX	5		3%
Vanguard Extended Market Index Fund	VEMPX	1		1%
Schwab Fundamental US Small Co. Index	SFSNX	1		1%
Vanguard Total Bond Market Index -Inst	VBTIX			0%
Vanguard Federal Money Market	VMFXX			0%
Blackrock Fundamental US Large Company		2		0%
Southwest Non-Pilots' Portfolio/Profit Sharing	Symbol	Agg		ervative
Vanguard Institutional 500 Index Trust		5		3%
Dodge & Cox Stock Fund	DODGX	1		1%
FIAM Small Cap Core Class O		1		1%
PIMCO Total Return Collective Trust II	PTTRX			0%
Stable Value Fund				0%
Harbor Capital Appreciation Instl	HACAX	21%	15%	9%

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**Pilots' Expanded Portfolio.**  
For information and details see p. 8-10  
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 (VMFXX).

**Expanded Portfolio Other SW Employees/ Profit Sharing Plan.**  
For information and details see p. 8 & 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 (VMFXX)	100%		5%
Schwab U.S. Large Cap (SCHX)		11.8%	22.8%
Schwab US Broad Market (SCHB)			
Technology Select Sector SPDR Fund (XLK)			
Invesco S&P 500 Equal Weight Consumer Staples (CSPX)			
Consumer Discretionary SPDR* (XLY)			
Schwab U.S. Aggregate Bond ETF (SCHZ)			
Schwab U.S. Mid-Cap ETF (SCHM)		6.4%	6.1%
Utilities Select Sector SPDR (XLU)		6.0%	5.7%
	100%	100.0%	100%

Visit [www.eztracker401k.com](http://www.eztracker401k.com) or call 201-503-6445 for more information

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

Expanded Portfolios - NonPilots & Profit Sharing Plan	401k	Brokerage	Total
Vanguard U.S. Institutional Index (VIIIX)	100%		59%
Schwab Large Cap Growth Fund (SWLSX)		51.2%	21%
Schwab US Aggregate Bond Index Fund (SWAGX)		24.4%	10%
Schwab US Mid-Cap Index (SWMCX)		24.4%	10%
	100%	100.0%	100%

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 July 28, 2019	MTD July *	YTD 2019
<b>EZTracker</b> Aggressive	2.87%	14.36%
<b>EZTracker</b> Moderate	2.09%	10.70%
<b>EZTracker</b> Conservative	1.29%	6.61%
<b>EZTracker</b> Brokerage	2.86%	17.40%
<b>Morningstar Benchmarks</b>		
Aggressive Target Risk Index	1.37%	17.64%
Moderate Target Risk Index	0.91%	13.10%
Conservative Target Risk Index	0.35%	7.93%
<b>S&amp;P 500</b>	<b>2.86%</b>	<b>20.70%</b>

\* Performance since last newsletter

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

Current Performance Through July 28, 2019	MTD July *	YTD 2019
<b>EZTracker</b> Aggressive	2.93%	13.89%
<b>EZTracker</b> Moderate	2.12%	10.31%
<b>EZTracker</b> Conservative	1.29%	6.33%
<b>EZTracker</b> Brokerage	2.80%	14.27%
<b>Morningstar Benchmarks</b>		
Aggressive Target Risk Index	1.37%	17.64%
Moderate Target Risk Index	0.91%	13.10%
Conservative Target Risk Index	0.35%	7.93%
<b>S&amp;P 500</b>	<b>2.86%</b>	<b>20.70%</b>

### 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	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>	<b>2018</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		
Blackrock Fundamental US Large Company		4.45%	4.77%	18.14%	10.59%	28.26%	20.70%
Vanguard Institutional Index Instl Pl	VIIIX	3.98%	3.44%	14.72%	8.81%	22.07%	16.88%
Vanguard Total Stock Market Index	VITSX	4.20%	3.20%	14.14%	7.59%	22.14%	15.89%
DFA Global Real Estate Securities	DFGEX	1.81%	2.96%	10.25%	12.67%	18.30%	15.10%
American Funds 2050 Target Date Retirement		2.90%	2.44%	11.22%	5.01%	17.27%	11.77%
American Funds 2055 Target Date Retirement		2.88%	2.41%	11.17%	5.02%	17.30%	11.71%
American Funds 2060 Target Date Retirement		2.87%	2.40%	11.17%	4.99%	17.27%	11.69%
American Funds 2045 Target Date Retirement		2.84%	2.46%	11.06%	5.02%	17.05%	11.66%
American Funds 2040 Target Date Retirement		2.77%	2.37%	10.90%	5.06%	16.81%	11.50%
Vanguard Total International Bond Index	VTIFX	1.23%	3.97%	6.49%	9.03%	7.28%	11.30%
American Funds 2035 Target Date Retirement		2.57%	2.37%	10.58%	5.11%	16.02%	11.25%
Vanguard Extended Market Index Fund	VEMPX	5.38%	2.01%	11.44%	1.61%	22.60%	11.15%
American Funds 2030 Target Date Retirement		2.04%	2.38%	9.46%	5.26%	13.85%	10.44%
American Funds 2025 Target Date Retirement		1.74%	2.34%	8.61%	5.55%	12.27%	9.95%
American Funds 2020 Target Date Retirement		1.41%	2.20%	7.89%	5.83%	10.74%	9.45%
Vanguard Total Bond Market Index -Inst	VBTIX	0.34%	3.07%	5.82%	8.00%	6.15%	9.40%
American Funds 2015 Target Date Retirement		1.28%	2.24%	7.60%	6.01%	10.19%	9.34%
American Funds 2010 Target Date Retirement		1.17%	2.19%	7.07%	5.88%	9.48%	8.90%
American Funds EuroPacific GR6	RERGX	1.87%	2.26%	11.18%	0.59%	18.79%	8.67%
Loomis Sayles Core Plus Bond	NERYX	0.40%	2.88%	5.68%	6.79%	6.61%	8.59%
Vanguard Short-Term Inflation Protected	VTSPX	0.12%	1.25%	3.06%	3.46%	3.36%	4.30%
Schwab Fundamental US Small Co. Index	SFSNX	4.63%	-0.43%	6.82%	-4.42%	17.56%	3.60%
Vanguard Total International Stock Index-Inst	VTSNX	0.71%	0.24%	6.34%	-1.73%	13.13%	3.04%
Vanguard Federal Money Market	VMFXX	0.21%	0.58%	1.17%	2.26%	1.37%	2.30%
Wells Fargo Stable Asset		0.19%	0.58%	1.14%	2.26%	1.33%	2.27%
DFA World ex US Core Equity	DFWIX	0.54%	-1.06%	4.15%	-5.14%	11.31%	-0.82%

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 Institutional 500 Index Trust		3.98%	3.44%	14.72%	8.81%	22.07%	16.88%
Harbor Capital Appreciation Instl	HACAX	4.16%	1.99%	15.00%	6.81%	24.73%	15.26%
FIAM Small Cap Core Class O		1.79%	2.49%	12.86%	2.68%	24.35%	10.82%
Vanguard Target Retirement 2060 Trust Select		2.60%	2.19%	10.47%	4.39%	17.26%	10.72%
Vanguard Target Retirement 2065 Trust Select		2.59%	2.18%	10.48%	4.32%	17.19%	10.67%
Vanguard Target Retirement 2055 Trust Select		2.56%	2.15%	10.48%	4.35%	17.21%	10.66%
Vanguard Target Retirement 2050 Trust Select		2.57%	2.15%	10.46%	4.31%	17.21%	10.63%
Vanguard Target Retirement 2045 Trust Select		2.58%	2.16%	10.43%	4.33%	17.19%	10.63%
Vanguard Target Retirement 2035 Trust Select		2.28%	2.37%	9.81%	4.94%	15.63%	10.59%
Vanguard Target Retirement 2025 Trust Select		1.95%	2.60%	9.15%	5.67%	13.79%	10.57%
Vanguard Target Retirement 2040 Trust Select		2.43%	2.22%	10.18%	4.55%	16.52%	10.56%
Vanguard Target Retirement 2030 Trust Select		2.10%	2.44%	9.43%	5.29%	14.69%	10.50%
Dodge & Cox Stock Fund	DODGX	4.80%	1.92%	9.13%	3.34%	17.34%	10.47%
Vanguard Target Retirement 2020 Trust Select		1.72%	2.56%	8.49%	5.76%	12.46%	10.10%
Vanguard Target Retirement 2015 Trust Select		1.38%	2.56%	7.59%	6.00%	10.61%	9.56%
Vanguard Target Retirement Income Select		1.17%	2.61%	6.98%	6.29%	9.38%	9.30%
American Funds EuroPacific GR6	RERGX	1.87%	2.26%	11.18%	0.59%	18.79%	8.67%
PIMCO Total Return Collective Trust II	PTTRX	0.10%	2.70%	5.47%	7.41%	5.83%	8.55%
Stable Value Fund		0.18%	0.53%	1.06%	2.05%	1.24%	2.09%
Southwest Common Stock	LUV	0.00%	-4.23%	-6.40%	-13.09%	9.17%	-12.94%



# 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
Sprott Gold Miners ETF	SGDM	7.47%	28.51%	32.29%	28.08%	52.55%
Technology Select Sector SPDR Fund	XLK	6.09%	5.50%	26.12%	14.65%	28.56%
Invesco S&P 500 Equal Weight Technology ETF	RYT	7.18%	4.74%	22.08%	13.30%	25.80%
Invesco DWA Momentum ETF	PDP	6.02%	6.83%	21.60%	8.94%	23.67%
Invesco S&P 500 Low Volatility ETF	SPLV	2.88%	5.57%	16.69%	17.08%	23.03%
PIMCO 25+ Year Zero Coupon U.S. Treasury Index Exchange-	ZROZ	-0.30%	9.59%	14.17%	15.94%	21.49%
Utilities Select Sector SPDR Fund	XLU	1.11%	4.06%	14.22%	17.35%	20.04%
Schwab U.S. Large-Cap Growth ETF	SCHG	4.58%	3.79%	17.14%	10.30%	19.52%
Consumer Discretionary Select Sector SPDR Fund	XLY	4.60%	2.74%	16.23%	11.92%	19.36%
Aberdeen Standard Physical Gold Shares ETF	SGOL	0.51%	10.13%	8.93%	15.56%	19.16%
Invesco S&P 500 Equal Weight Consumer Staples ETF	RHS	3.48%	3.80%	16.87%	10.61%	18.96%
Invesco Emerging Markets Sovereign Debt ETF	PCY	2.15%	6.94%	11.13%	13.21%	18.24%
Schwab US Dividend Equity ETF	SCHD	4.38%	3.24%	13.76%	10.46%	17.36%
Schwab US Large-Cap ETF	SCHX	4.05%	3.41%	14.69%	8.65%	16.80%
SPDR Portfolio Long Term Treasury ETF	SPTL	-0.13%	6.81%	10.44%	13.29%	16.59%
Invesco S&P 500 Equal Weight Financials ETF	RYF	6.48%	4.91%	13.55%	5.11%	16.39%
Invesco BuyBack Achievers ETF	PKW	4.02%	1.38%	14.44%	10.15%	16.35%
Schwab US Broad Market ETF	SCHB	4.15%	3.22%	14.18%	7.55%	15.87%
WisdomTree U.S. Quality Dividend Growth Fund	DGRW	4.46%	2.96%	14.00%	7.60%	15.83%
Invesco Frontier Markets ETF	FRN	2.16%	6.77%	14.34%	4.40%	15.09%
Schwab U.S. REIT ETF	SCHH	2.98%	2.05%	9.72%	11.48%	14.30%
Aberdeen Standard Physical Silver Shares ETF	SIVR	6.98%	8.59%	3.90%	5.84%	13.80%
Invesco S&P 500 Equal Weight ETF	RSP	3.65%	2.49%	12.29%	6.46%	13.57%
Schwab U.S. Large-Cap Value ETF	SCHV	3.40%	3.02%	11.74%	6.70%	13.56%
Schwab Fundamental U.S. Large Company Index ETF	FNDX	3.54%	2.80%	12.06%	5.87%	13.24%
Invesco S&P 500 Pure Growth ETF	RPG	3.55%	2.79%	14.39%	2.78%	12.82%
Schwab U.S. Mid-Cap ETF	SCHM	4.71%	2.06%	12.03%	4.69%	12.81%
WisdomTree International Hedged Quality Dividend Growth Fund	IHDG	3.28%	1.84%	15.02%	3.24%	12.75%
Industrial Select Sector SPDR Fund	XLI	2.56%	1.71%	13.17%	5.50%	12.51%
Invesco Preferred ETF	PGX	1.83%	3.88%	8.73%	8.40%	12.46%
SPDR Bloomberg Barclays Convertible Securities ETF	CWB	3.62%	1.96%	10.20%	6.07%	11.92%
SPDR Wells Fargo Preferred Stock ETF	PSK	1.81%	3.83%	8.61%	7.50%	11.87%
Invesco Variable Rate Preferred ETF	VRP	1.89%	3.31%	8.77%	6.94%	11.41%
Invesco S&P International Developed Low Volatility ETF	IDLV	0.30%	3.98%	9.05%	6.73%	10.94%
Xtrackers MSCI EAFE Hedged Equity ETF	DBEF	2.34%	1.67%	11.52%	3.76%	10.52%
SPDR Nuveen S&P High Yield Municipal Bond ETF	HYMB	0.68%	2.80%	7.78%	7.96%	10.48%
SPDR Dow Jones Global Real Estate ETF	RWO	1.74%	1.80%	7.19%	8.20%	10.33%
Invesco DWA Developed Markets Momentum ETF	PIZ	2.27%	4.05%	14.11%	-1.97%	10.07%
Schwab U.S. Aggregate Bond ETF	SCHZ	0.41%	3.08%	5.78%	7.94%	9.39%
SPDR Nuveen Bloomberg Barclays Municipal Bond ETF	TFI	0.80%	2.68%	5.88%	7.38%	9.13%
Global X MLP ETF	MLPA	2.86%	4.33%	8.18%	0.37%	8.58%
Schwab Intermediate-Term U.S. Treasury ETF	SCHR	-0.08%	2.83%	4.94%	7.92%	8.52%
Invesco Fundamental High Yield Corporate Bond ETF	PHB	0.56%	1.85%	5.90%	7.23%	8.48%
SPDR STOXX Europe 50 ETF	FEU	-0.47%	2.07%	12.41%	1.39%	8.40%
Invesco S&P 500 High Beta ETF	SPHB	4.28%	0.09%	11.38%	-0.75%	8.19%
Schwab US TIPS ETF	SCHP	0.28%	2.52%	6.04%	5.63%	7.89%
Invesco International Dividend Achievers ETF	PID	-0.64%	0.65%	8.57%	5.47%	7.66%
ALPS Sector Dividend Dogs ETF	SDOG	3.80%	1.34%	7.39%	1.47%	7.63%
SPDR S&P International Dividend ETF	DWX	-0.66%	1.95%	8.09%	4.11%	7.36%
Schwab US Small-Cap ETF	SCHA	5.10%	1.06%	9.40%	-2.31%	7.23%

# 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
Invesco BulletShares 2022 Corporate Bond ETF	BSCM	0.17%	1.82%	4.37%	6.62%	7.08%
Invesco S&P 500 Pure Value ETF	RPV	3.96%	0.98%	7.03%	0.61%	6.87%
PIMCO 0-5 Year High Yield Corporate Bond Index Exchange-Traded Fund	HYS	0.64%	0.99%	4.81%	5.05%	6.27%
WisdomTree Bloomberg U.S. Dollar Bullish Fund	USDU	1.96%	0.93%	3.40%	5.14%	6.24%
Aberdeen Standard Physical Platinum Shares ETF	PPLT	5.87%	-4.02%	5.28%	4.12%	6.13%
SPDR Bloomberg Barclays International Treasury Bond ETF	BWX	-0.81%	3.81%	3.37%	4.24%	5.79%
Invesco DWA Emerging Markets Markets Momentum ETF	PIE	3.33%	4.70%	10.25%	-8.52%	5.32%
Invesco BulletShares 2021 Corporate Bond ETF	BSCL	0.28%	1.36%	3.09%	5.01%	5.31%
Invesco Senior Loan ETF	BKLN	1.01%	0.63%	4.06%	3.84%	5.20%
Invesco BRIC ETF	EEB	0.46%	0.57%	5.97%	2.52%	5.19%
SPDR Blackstone / GSO Senior Loan ETF	SRLN	0.89%	0.59%	4.00%	3.70%	5.00%
Invesco S&P Ultra Dividend Revenue ETF	RDIV	2.25%	-1.75%	6.68%	1.87%	4.93%
SPDR S&P Emerging Markets Dividend ETF	EDIV	-1.10%	1.99%	2.11%	5.75%	4.77%
Schwab Fundamental Emerging Markets Large Company Index ETF	FNDE	0.14%	1.60%	3.02%	3.51%	4.51%
SPDR MSCI ACWI ex-US ETF	CWI	0.41%	0.38%	7.07%	-0.35%	4.10%
Invesco BulletShares 2020 High Yield Corporate Bond ETF	BSJK	0.18%	0.80%	2.77%	3.67%	4.05%
Schwab Short-Term U.S. Treasury ETF	SCHO	-0.04%	1.22%	2.34%	3.89%	4.05%
United States Gasoline Fund LP	UGA	-2.51%	-4.96%	26.02%	-11.21%	4.01%
Invesco BulletShares 2020 Corporate Bond ETF	BSCK	0.26%	0.97%	2.16%	3.66%	3.85%
Schwab Fundamental U.S. Small Company Index ETF	FNDA	4.55%	-0.45%	6.79%	-4.41%	3.53%
Schwab International Equity ETF	SCHF	0.41%	0.62%	7.00%	-1.80%	3.40%
SPDR Bloomberg Barclays Investment Grade Floating Rate ETF	FLRN	0.40%	0.83%	2.09%	2.82%	3.35%
Schwab Emerging Markets Equity ETF	SCHE	0.73%	-0.74%	4.51%	1.35%	3.19%
SPDR S&P Emerging Markets SmallCap ETF	EWX	2.17%	1.24%	5.25%	-2.98%	3.09%
Invesco BulletShares 2019 High Yield Corporate Bond ETF	BSJJ	0.16%	0.65%	1.85%	3.00%	3.08%
IndexIQ ETF Trust - IQ Hedge Multi-Strategy Tracker ETF	QAI	0.51%	0.73%	3.11%	1.09%	2.97%
SPDR Bloomberg Barclays International Corporate Bond ETF	IBND	-0.82%	2.26%	2.63%	1.05%	2.79%
Invesco BulletShares 2019 Corporate Bond ETF	BSCJ	0.15%	0.62%	1.03%	2.57%	2.39%
Invesco CurrencyShares Japanese Yen Trust	FXJ	-0.85%	2.54%	0.42%	1.80%	2.14%
Invesco S&P Emerging Markets Low Volatility ETF	EELV	-1.64%	-0.04%	0.56%	0.50%	-0.34%
Global X MLP & Energy Infrastructure ETF	MLPX	-0.55%	-1.87%	4.31%	-3.24%	-0.74%
Schwab Fundamental International Large Company Index ETF	FNDF	-0.14%	-1.16%	3.78%	-4.71%	-1.22%
SPDR Bloomberg Barclays Short Term International Treasury Bond	BWZ	-1.40%	0.78%	-0.80%	-0.98%	-1.31%
Schwab International Small-Cap Equity ETF	SCHC	0.68%	-0.95%	4.76%	-7.46%	-1.62%
SPDR S&P Global Natural Resources ETF	GNR	-1.29%	-0.93%	4.03%	-6.18%	-2.39%
JPMorgan Diversified Return International Equity ETF	JPIN	-0.13%	-1.40%	1.39%	-4.69%	-2.63%
SPDR S&P China ETF	GXC	1.42%	-5.40%	4.07%	-5.86%	-3.14%
Global X Robotics & Artificial Intelligence ETF	BOTZ	-1.09%	-5.36%	9.01%	-9.59%	-3.84%
Schwab Fundamental International Small Company Index ETF	FNDC	0.48%	-1.66%	2.77%	-8.95%	-4.01%
Invesco India Exchange-Traded Fund Trust	PIN	-3.71%	-4.27%	3.39%	-3.73%	-4.54%
Invesco CurrencyShares Euro Currency Trust	FXE	-2.20%	-0.41%	-2.94%	-5.25%	-5.89%
United States Brent Oil Fund LP	BNO	-2.79%	-7.89%	8.17%	-10.73%	-7.22%
Invesco CurrencyShares British Pound Sterling Trust	FXB	-2.39%	-4.13%	-6.25%	-5.52%	-9.98%
United States 12 Month Oil Fund LP	USL	-3.59%	-8.87%	3.29%	-14.61%	-12.97%
United States Commodity Index Fund	USCI	-2.83%	-5.87%	-6.86%	-14.66%	-16.48%

# 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 1000 Index Fund	SNXFX	4.21%	3.50%	14.73%	8.58%	22.48%	16.92%
Schwab S&P 500 Index Fund	SWPPX	3.98%	3.43%	14.70%	8.77%	22.03%	16.84%
Schwab Total Stock Market Index Fund	SWTSX	4.23%	3.20%	14.15%	7.48%	22.14%	15.85%
Schwab US Mid-Cap Index Fund	SWMCX	4.51%	3.20%	14.18%	6.85%	24.44%	15.68%
Schwab Large Cap Growth Fund	SWLSX	4.54%	2.31%	15.35%	4.84%	23.24%	14.75%
Schwab Core Equity Fund	SWANX	3.99%	3.01%	14.06%	5.58%	21.99%	14.52%
Schwab Fundamental US Large Company Index	SFLNX	3.64%	2.85%	12.01%	5.85%	19.24%	13.28%
Schwab Global Real Estate Fund	SWASX	1.87%	2.38%	9.29%	9.08%	18.68%	12.34%
Schwab Dividend Equity Fund	SWDSX	3.13%	2.37%	10.44%	3.16%	18.39%	10.42%
Schwab US Aggregate Bond Index Fund	SWAGX	0.35%	3.05%	5.86%	7.97%	6.08%	9.40%
Schwab Treasury Inflation Protected Securities	SWRSX	0.21%	2.49%	5.96%	5.58%	6.16%	7.77%
Schwab Fundamental Global Real Estate Index Fund	SFREX	1.39%	0.74%	6.04%	5.03%	14.79%	7.20%
Schwab Short-Term Bond Index Fund	SWSBX	0.11%	1.62%	3.30%	5.25%	3.37%	5.61%
Schwab Fundamental Emerging Markets Large	SFENX	0.11%	1.43%	3.25%	3.51%	11.64%	4.53%
Schwab International Index Fund	SWISX	0.55%	0.86%	7.73%	-1.18%	13.75%	4.34%
Schwab Health Care Fund	SWHFX	0.04%	2.53%	3.22%	1.03%	6.19%	3.72%
Schwab Fundamental US Small Company Index	SFSNX	4.63%	-0.43%	6.82%	-4.42%	17.56%	3.60%
Schwab Small-Cap Index Fund	SWSSX	4.16%	-0.45%	7.24%	-5.49%	18.01%	2.98%
Schwab International Core Equity Fund	SICNX	0.10%	0.20%	5.30%	-5.91%	12.33%	-0.16%
Schwab Fundamental International Large	SFNNX	0.11%	-0.91%	3.80%	-4.40%	10.35%	-0.76%
Schwab Small-Cap Equity Fund	SWSCX	3.55%	-3.04%	3.80%	-7.95%	14.78%	-1.98%
Schwab Hedged Equity Fund	SWHEX	1.37%	-1.40%	0.00%	-3.69%	4.87%	-2.03%
Schwab Fundamental International Small Company Index Fund	SFILX	0.58%	-1.45%	2.60%	-8.87%	9.60%	-3.90%

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.

## **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**

**PROFIT SHARING DIRECTIONS ON NEXT PAGE**



## 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)

### **FOR REBALANCE INSTRUCTIONS:**

- Select the circle for "Rebalance my current balance". How often: Choose "Once". Make sure there is a check-mark in the box next to "*Direct my future investment this way*". If not, please check it. Hit "Continue" box
- Under "How would you like to invest?" Chose "Do it Myself". Click on the "Choose individual funds" box
- Now hit the yellow box that says "Add/View all funds". Click the boxes to add the funds desired. Hit the "Add" button.
- Now make your allocations. Once you enter a percentage, hit the "LOCK" button to lock that choice, otherwise the sliding function will keep adjusting. Make certain the Total adds up to 100%.
- Click the blue box that says "Submit"
- Review changes and Click the blue box that says "Confirm"

### **FOR ONE-FOR-ONE EXCHANGES INSTRUCTIONS:**

- 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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