



January 2018

2017 UPDATES TO GUIDED PORTFOLIOS FOR RETIREMENT PLANS

SPRING 2017 UPDATE

On May 20, 2017, Trust Company of Illinois fine-tuned the Retirement Plan Guided Portfolios. These changes have been incorporated to reflect current and forward-looking views on the domestic and international capital markets.

The changes are summarized as follows:

Equities

The level of equity exposure remained relatively the same with some modest increases in three of four Guided Portfolios. The overall weighting to domestic equities versus international equities remained approximately the same and is also roughly in line with global benchmarks.

We increased the weighting to our large-cap core fund (Vanguard 500 index fund) and reduced the weighting to our satellite fund

(Vanguard Dividend Growth). These weightings further reflect our core and satellite portfolio construction preferences in the domestic equity large-cap asset class. Our allocations to small- and mid-cap were adjusted to provide smaller proportional weightings in more conservative portfolios with increasing exposures in more aggressive portfolios.

Small- and mid-cap equities tend to provide higher long-term returns than large-cap equities, but with more volatility. We made similar adjustments within our international allocations by providing smaller weightings to emerging markets in more conservative portfolios and increasing those exposures in more aggressive portfolios. Emerging markets are considered attractive, but carry more volatility. As such, more aggressive portfolios should see more upside in up markets, while conservative portfolios are expected to demonstrate even more downside

protection in risk-off or down markets.

Fixed Income & Complementary

There were very little changes in these asset classes. We took advantage of our strong returns in high yield by reducing our exposures based on historically expensive valuations. Those proceeds were used to fund our equity adjustments. The overall weighting to our complementary allocations remained the same, but we split our allocation in the Growth Guided Portfolio between two funds instead of one. These strategies have low or negative correlations to equities and fixed income and also provide risk mitigating characteristics.

We continue to closely monitor the outlook for various asset classes with an eye on current valuations. If you have any questions about these changes or anything related to your account, please contact your Retirement Plan Services representative.

FALL 2017 UPDATE

On November 14, 2017, the Guided Portfolios (Conservative, Balanced, Growth and Stock Focused portfolios) in your retirement plan were adjusted to take advantage of market conditions. As a reminder, each portfolio invests in mutual funds that invest in either Stocks (or other Equity investments), Bonds (or other Fixed Income investments) and Complementary Strategies (alternatives).

Here is a summary of the changes made:

The complementary strategy allocations in the Conservative,

Balanced and Growth portfolios were reduced in favor of increasing positions in stocks. Within the stock allocation, we increased the allocation to international stocks given that foreign companies are earlier in the business cycle and have cheaper valuations on a historical basis than U.S. stocks. We also made changes to U.S. stock allocations. To capture some of the pro-growth advantages for small domestic businesses expected in U.S. tax proposals, we reduced our position in U.S. large cap stocks in favor of U.S. small caps. We also increased investment in global infrastructure. Domestically there is a general consensus that the U.S. is in desperate

need for an infrastructure overhaul – meaning that the federal government is likely to spend or incentivize spending on infrastructure. This need extends beyond our borders. For example, as emerging markets continue to grow, they will need to expand infrastructure to sustain growth. As an investment, the infrastructure class has historically provided defensive characteristics (does not fall in down markets as much as broader indices), which we felt added some protection to our stock allocation.

Current portfolio allocations are available at www.tcwealthpartners.com/guidedportfolios. ■