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PHILLIPS FINANCIAL

A foundation of trust

July 3, 2019

Please enjoy our 2019 2nd quarter market commentary.

A Review of 2nd Quarter 2019

A 15-year investment review and update from Rick:

Normally at the beginning of each quarter our investment newsletter reviews recent investment returns and related performance drivers.

For two reasons I would like to depart from the usual focus this quarter and take a longer term look at performance over the last 15 years.

First, this July Phillips Financial celebrates its 15th year anniversary as an SEC Registered Investment Adviser. While Phillips had been providing investment management products and advice for many years prior, the affiliation model change made in 2004 allowed us to better serve you, our clients, and most importantly better align our interests with yours. In 2017, we proudly announced that Phillips Financial total assets under management (AUM) exceeded $1 Billion. We can now report that during June 2019 our AUM exceeded $1.1 Billion. In 2004 our total AUM was less than $250 Million. Your confidence in our firm has contributed greatly to the growth and success of Phillips and on behalf of the entire firm, I thank you for your support.

Secondly, during the last 15 years investment performance has also contributed to growth in both our AUM and in the investment portfolios of most clients. Timing of individual client deposits and withdrawals can also have an impact on performance at the client portfolio level. Beginning with this quarter, the performance table below has been expanded to include performance information for the 15 years Phillips has operated as a registered investment adviser. 2019 year-to-date performance has been quite strong across all asset classes. In fact, the widely followed S&P 500 Index had its best first ½ of the year since 1997. Ten-year performance has also been quite robust across most asset classes and now reflects the entirety of the historic bull market we are currently experiencing. Fifteen-year performance has been much more measured yet still quite positive even though it includes adverse market conditions experienced in 2008 and early 2009 during the Financial Crisis and Great Recession. We are all used to seeing the phrase "past performance is no guarantee of future results" and we do not predict future market returns. However, I would suggest that based on my 40 years in the business we focus more on the 15-year results and not the 10-year results.

Equity markets will move up and down over any extended period as general economic conditions change. If we look at the widely followed benchmark S&P 500

Index we see the path forward is never an upward straight line. I am attaching an exhibit prepared by Putnam Investments that demonstrates that path over the period from 12/31/2003 through 12/31/2018, roughly the same 15-year period that Phillips has now operated as a SEC registered investment adviser.

The Putnam exhibit also underscores an important investment principle that Phillips Financial has always emphasized; to avoid predicting the best time to buy and sell but instead to stay fully invested for the long term. Think about this, if one had been out of the market for just the 10 best days of market performance during those 15 years or over 3,700 trading days, total return would have been cut almost in half. And typically, the best trading days will occur within proximity to the worst trading days in the market. By staying invested clients and the firm have benefited greatly over the last 15 years.

Before concluding, let me speak to one additional topic relative to financial performance over the last few months. If you are like me, the journey taken by interest rates recently has been perplexing. We see the impact of same in the volatility of investment performance of fixed income, particularly as measured by the Bloomberg Barclays US Aggregate Bond Index (AGG). The benchmark 10-year US treasury yield peaked at 3.24% in November 2018 and closed at 2.01% at the end of June 2019. Given that interest rates move inversely with bond price, the decline in interest rates contributed greatly to the positive returns of the AGG for the last year.

I want to thank you once again for your confidence in Phillips Financial and working with your adviser to help realize your financial goals.

Rich

Index	% Last Quarter Return 4/1/19 - 6/30/19	% Year-to-Date Return 1/1/19 - 6/30/19	% Cumulative 1 Year Avg. 7/1/18 - 6/30/19	% Cumulative 3 Year Avg. 7/1/16 - 6/30/19	% Cumulative 5 Year Avg. 7/1/14 - 6/30/19	% Cumulative 10 Year Avg. 7/1/09 - 6/30/19	% Cumulative 15 Year Avg. 7/1/04 - 6/30/19
Bloomberg Barclays US Aggregate Bond Index	3.08%	6.11%	7.87%	2.31%	2.95%	3.90%	4.27%
S&P 500 Index	**4.30%**	**18.54%**	10.42%	**14.19%**	**10.71%**	14.70%	8.75%
S&P 500 Value Index	4.02%	16.70%	8.67%	10.64%	7.92%	13.10%	7.53%
S&P Mid Cap 400 Index	3.05%	17.97%	1.36%	10.90%	8.02%	14.64%	**9.67%**
S&P Small Cap 600 Index	1.87%	13.69%	-4.88%	11.97%	8.41%	14.99%	9.43%
S&P Small Cap 600 Value Index	1.25%	13.86%	**-7.16%**	10.23%	6.95%	14.07%	8.65%
MSCI EAFE Index	3.68%	14.03%	1.08%	9.11%	2.25%	6.90%	5.35%
MSCI Emerging Markets Index	0.61%	10.58%	1.21%	10.66%	2.49%	5.81%	8.70%
Wilshire REIT Index	1.63%	17.92%	**10.53%**	4.11%	7.84%	**15.66%**	8.98%
Bloomberg Commodity Index	**-1.19%**	**5.06%**	-6.75%	**-2.18%**	**-9.15%**	**-3.74%**	**-2.58%**

Source: Standard & Poor's, Bloomberg, Morgan Stanley Capital International, Wilshire Associates, Fidelity Investments, BlackRock, Inc..
Green = best performing asset class
Red = worst performing asset class

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Putnam INVESTMENTS

Time, not timing, is the best way to capitalize on stock market gains

By trying to predict the best time to buy and sell, you may miss the market's biggest gains.

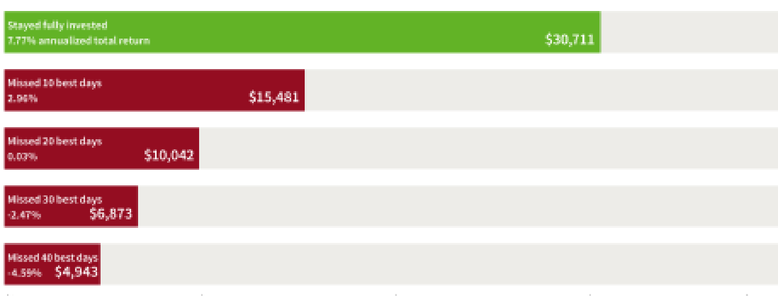
S&P 500 Index 12/31/03–12/31/18

Data is historical. Past performance is not a guarantee of future results. The S&P 500 Index is an unmanaged index of common stock performance.

Not FDIC insured | May lose value | No bank guarantee

Stay invested so you don't miss the market's best days

$10,000 invested in the S&P 500 (12/31/03–12/31/18)



By staying fully invested over the past 15 years, you would have earned $15,230 more than someone who missed the market's 10 best days.

Data is historical. Past performance is not a guarantee of future results. The best time to invest assumes shares are bought when market prices are low.

For informational purposes only. Not an investment recommendation.

Investors should carefully consider the investment objectives, risks, charges, and expenses of a fund before investing. For a prospectus, or a summary prospectus if available, containing this and other information for any Putnam fund or product, call your financial representative or call Putnam at 1-800-225-1581. Please read the prospectus carefully before investing.

Putnam Retail Management

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Definitions & Disclosures:

Bloomberg Barclays Aggregate Bond Index. An index managed by Bloomberg to track the general performance of the domestic taxable investment grade bond market.

S&P 500 Index. An index that measures the large-capitalization sector including roughly 500 leading companies representing over 80% of the largest market capitalization in the U.S. equity markets. It is a capitalization-weighted index from a range of securities chosen by Standard & Poor's for liquidity and industry group representation.

S&P 500 Value Index. Contains those securities from the S&P 500 Index with lower-than-average sales and growth rates and that generally reflect lower price-to-earnings and price-to-book ratios.
S&P MidCap 400 Index. An index that measures the mid-capitalization sector including roughly 400 leading companies representing about 7% of the U.S. equity market. It is a capitalization-weighted index from a range of securities chosen by Standard & Poor's for liquidity and industry group representation.
S&P SmallCap 600 Index. An index that measures the small-capitalization sector including roughly 600 leading companies representing about 3% of the U.S. equity market. It is a capitalization-weighted index from a range of securities chosen by Standard & Poor's for liquidity and industry group representation.
S&P SmallCap 600 Value Index. Contains those securities from the S&P SmallCap 600 Index with lower-than-average sales and earnings growth rates and that generally reflect lower price-to-earnings and price-to-book ratios.
MSCI EAFE Index. An index developed by Morgan Stanley Capital International Inc. as an equity benchmark for performance of publicly traded securities in developed international markets.
MSCI Emerging Markets Index. An index developed by Morgan Stanley Capital International Inc. as an equity benchmark for performance of publicly traded securities in emerging markets.
Wilshire REIT Index. An index developed by Wilshire Associates to track the general performance of Real Estate Investment Trusts (REITs) traded on domestic equity markets.
Bloomberg Commodity Index. An index managed by Bloomberg to provide a diversified, economically rational and liquid benchmark for commodities as an asset class. The index is currently composed of the prices of 22 exchange traded futures contracts on physical commodities.

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