



CAPITAL MANAGEMENT

TWIN Capital Update

July 1, 2019

TWIN Strategy & Benchmark Returns through June 28, 2019

GROSS & NET of Fees Composite RETURNS, (%)

TWIN Strategy (Benchmark)	June		Trailing 3 Months		Year-to-Date	
	Gross	Net	Gross	Net	Gross	Net
Enhanced Equity / <i>Enhanced Index</i> (S&P 500®)	6.82	6.82	3.98	3.93	17.36	17.26
Enhanced 50 / <i>Concentrated</i> (S&P 500®)	6.25	6.25	3.58	3.58	16.88	16.88
Prime / <i>Active</i> (Russell 1000®)	6.66	6.66	3.59	3.53	17.37	17.24
Dividend Select / <i>Lower-Volatility</i> (S&P 500®)	6.41	6.41	4.82	4.73	18.12	17.92
Small Cap / <i>Active</i> (Russell 2000®)	6.95	6.95	-0.23	-0.40	10.17	9.81
Benchmarks						
S&P 500® Index	7.05		4.30		18.54	
Russell 1000® Index	7.02		4.25		18.84	
Russell 2000® Index	7.07		2.10		16.99	

Market and Strategy Performance Highlights

- Following May, its only negative month so far this year, the S&P 500® Index roared back in June and established new all-time highs. The 18.5% return during the first six months of 2019 for the S&P 500® Index is the highest return through June since 1997 (when the S&P 500® Index was up 20.6%).
- The market's strength was broad-based as all eleven S&P 500® GICS sectors generated positive returns in June. The market was led by cyclical sectors while higher-yielding sectors tended to lag in the June rally. Materials were the best performing group of stocks (up 11.7%) while Real Estate stocks were up the least (1.8%).
- Following the strong return to less-volatile and more-defensive stocks that began in September 2018, these stocks underperformed their dynamic and more-volatile counterparts in June. There was less clarity on the value-growth dimension as value beat growth for the S&P 500® but the two styles were more in line for the Russell 1000®.
- It was difficult for TWIN's strategies to keep pace with the very strong market as the S&P 500® generated its highest return in June in TWIN's monthly historical data back to 1962. Fortunately, TWIN's *Fundamental Tilt®* positioning of our strategies' tracking error towards the lower-end of the allowable range and our focus on risk control helped to dampen their relative underperformance.
- As volatility rose along with the market's decline in May, TWIN's **Dividend Select** strategy benefitted from its primary focus on less-volatile and consistent dividend-growing stocks. Even though it did not keep pace in June, **Dividend Select** beat its S&P 500® benchmark during the second quarter.

Please read strategy descriptions & important disclosures on the following page.

Strategy Objectives

TWIN **Enhanced Equity** (formerly named Active Equity): As an enhanced index strategy, the goal is to consistently outperform the S&P 500® benchmark, while taking marginally less risk than the benchmark. Composite Inception Date: February 1995.

TWIN **Enhanced 50**: A more concentrated variant of our long-running enhanced index strategy (Enhanced Equity) which seeks to outperform the S&P 500® benchmark over a full-market cycle, while taking risk close to that of the benchmark. Composite Inception Date: October 2018.

TWIN **Prime**: The strategy's objective is to consistently outperform the Russell 1000® benchmark with risk levels similar to those of its benchmark. Composite Inception Date: January 2004.

TWIN **Dividend Select**: The strategy's objective is to provide a smoother returns profile than the S&P 500®, while generating value-added over a full market cycle. The methodology focuses on dividend "payers and growers" in the S&P 500® Index. Composite Inception Date: June 2010.

TWIN **Small Cap**: The strategy's objective is to outperform the Russell 2000® benchmark. Composite Inception Date: October 2013.

Disclosures

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. INVESTMENTS ARE NOT GUARANTEED AND MAY LOSE VALUE.

TWIN Capital Management, Inc. ("TCM") is a registered investment advisor who started business in April 1990. Investment performance for Composites appearing in this material was derived from a monthly asset-weighted rate of total return calculation, using asset-weighted cash flow methodology. These monthly asset-weighted returns were then geometrically linked to create time-weighted quarterly and cumulative period returns. Composite returns include all discretionary accounts managed within the defined investment styles during the periods presented. More information regarding composite construction or historical investment performance is available upon request to TCM. The U.S. dollar is the currency used to express performance. No provision was made for the effect of federal or other taxes on the returns presented, as they will vary from investor to investor.

Unless otherwise noted, the performance of all indices and composites referenced herein include reinvested dividends and income. All indices referenced herein are passive, and do not reflect fees or expenses. Investors may not be able to invest in the indices directly. TCM performance results reflect estimates for the most recent month. Graphs and charts included in this material are for informational purposes only and are not intended to serve as the basis for any investment decision.

TCM is registered with the SEC, and a copy of its ADV Part 2, which explains the various fee schedules and services offered, is available upon request to TCM. Some portfolio(s) included in the presented Composites were not charged a management fee by TCM. This has the effect of improving net returns for certain periods. At the end of each of the following annual periods, the percentage of each composite represented by non-fee paying portfolios follows. Figures are shown only if a composite contains non-fee paying portfolio(s) at the end of an annual period: TWIN **Small Cap** Composite: 2013 100%, 2014 31%, 2015 22%, 2016 22%, 2017 11%, 2018 11%. TWIN **Prime** Composite: 2009 100%. TWIN **Enhanced 50** Composite: 2018 100%.

The **S&P 500® Index** is a representative measure of approximately 500 leading companies from leading industries; the index is a benchmark for the large-cap segment of U.S. equity market. Company weights in the index are proportional to firms' available market capitalization. A Committee at S&P maintains the index with a focus on liquidity and investability. Russell produces and maintains a family of U.S. equity indexes. In the determination of index membership, Russell calculates capitalization and other category breakpoint values based on ranks of U.S. common stocks at each annual reconstitution period using market value of freely-available outstanding shares. Stocks exceeding the breakpoint established for the largest 3,000 stocks become constituents in the Russell 3000® Index (with some adjustments to the constituent list to reduce category changes). Similarly, the largest approximately 1,000 stocks become the **Russell 1000® Index**. The smallest approximately 2,000 stocks become the **Russell 2000® Index**. Style category breakpoints based on an objective scoring algorithm are used to assign fractions of Russell Index constituents' capitalization to value & growth sub-indices.

These benchmarks should be used for purposes of comparison only, and the comparison should not be understood to mean that there will necessarily be a correlation between TCM's returns and the benchmark's returns. Furthermore, the volatility of the benchmark may be materially different from TCM's actual portfolio. Where market & index data is presented, it has been obtained from a variety of sources deemed reliable. These sources may include some or all of the following: FTSE Russell, Standard & Poor's and FactSet Research Systems. TCM assumes no responsibility for the accuracy of this data. All information is provided for informational purposes only. Frank Russell Company ("Russell") is the source & owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell is a trademark of Frank Russell Company. Standard & Poor's, S&P and 500 are registered trademarks of Standard & Poor's Financial Services LLC, a division of S&P Global ("S&P"). These trademarks have been licensed to S&P Dow Jones Indices LLC. None of the owners or suppliers of data featured in this report promote, sponsor or endorse the content of this communication, nor accept responsibility for errors or omissions in the underlying data. Further distribution of the index data contained in this report is prohibited.