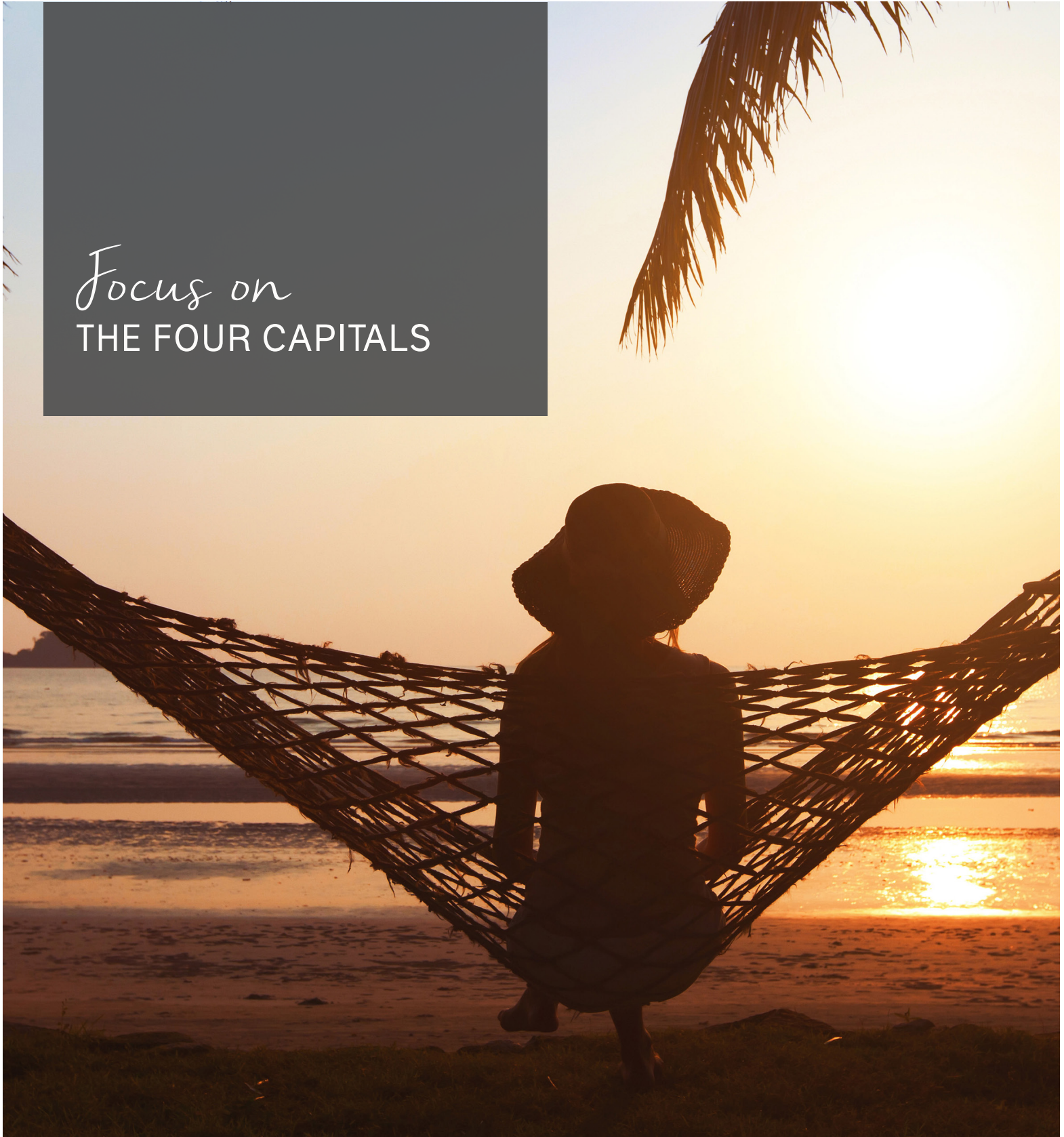


2018 ANNUAL REPORT



Focus on THE FOUR CAPITALS



A MESSAGE FROM OUR CEO

WHILE MARKETS EXPERIENCED A ROUGH RIDE IN 2018, OUR FOCUS ON THE FOUR CAPITALS HELD STEADY.

It was a fulfilling year at SFG as we assisted our clients and their families whenever needs arose across any or all of their Four Capitals — Financial, Intellectual, Psychological, and Physical. We continued to expand our network of external resources to fully meet our clients' objectives. In addition, our client community itself serves as a valuable source of Intellectual Capital in business, healthcare, legal, and other disciplines. Internally, we improved our own Intellectual Capital through webinars, conferences, and the SFG book club, as well as meetings with investment managers and professionals in the healthcare, nutrition, and fitness industries.

SFG remains an independent boutique firm adept at researching and delivering objective solutions. From planning, investing, and managing Financial Capital to meeting needs for Intellectual, Psychological, and Physical Capital, our team is flexible in responding to different situations as they arise. We assist each client's decision-making process through fact-based research. Our website blog seeks to provide useful financial and life information.

Going forward, we are committed to expanding and enhancing our capabilities to continue to meet our clients' needs. As part of our core value of Innovation, we are completely revamping our technology platform in 2019 to better serve your needs and make it easier for you to share information with us and allow us to provide real-time data with you. We're also formulating an internal succession plan to ensure the continuity of our firm and client relationships for many years to come.

Rest assured that the Four Capitals will remain embedded in the SFG philosophy and culture. That unwavering commitment — combined with our innate desire to truly help people — gives SFG its distinct DNA. We value each and every client and the trust you've placed in us in this very personal relationship.



Russ Schultz

Russ Schultz, CFP®
Chief Executive Officer &
Chief Investment Officer

A MESSAGE FROM OUR COO/CCO

The Four Capitals tell only part of our story. We believe clients also choose us for three other reasons, and they continue to work with us over time because of three enduring core values.

SFG's core values of Client Commitment, Innovation, and Service Heart illustrate how our loyalty remains exclusively to our clients. We're committed to empowering them through ongoing education and communication. We foster an independent and creative atmosphere throughout our organization to help inspire innovation in everything we do for our clients. And we take great pride in not only anticipating and serving our clients' needs, but also in seeing their children and grandchildren grow up to pursue their dreams.

At SFG, we're constantly looking to improve and innovate. In 2018, we went through a rigorous self-assessment to help determine what we believe makes us different and how our clients benefit. This exercise enabled us to identify three key characteristics:

- 1. Approach:** From developing your personal plan to delivering custom solutions, we're dedicated to maximizing your Four Capitals throughout your life and across generations.
- 2. Innovation:** Through our Integrative Personal Planning process, we help ensure your plan is on the right track for your specific goals, often going well beyond markets and investing.
- 3. Culture:** As a fiduciary, we put your interests first while pursuing the highest standards of integrity and accountability. For you, it means a close, long-lasting relationship with a team devoted to always being there when you and your family need us.

LOOKING AHEAD

Cybersecurity remains a priority for us. In 2018, we started using ShareFile to securely share documents with you. In addition, we create monthly blog posts on cybersecurity topics such as how to protect your personal data and identity. See the end of this report for best practices.

One of our strategic business objectives is to continue growing our client base through referrals from existing clients and partners. If you know someone who might benefit from our services, please don't hesitate to refer them or contact us.



Jennifer Specter

Jennifer Specter, MA
Chief Operations Officer &
Chief Compliance Officer

WHAT'S INSIDE

The Four Capitals	3
Financial Capital	
Psychological Capital	
Physical Capital	
Intellectual Capital	
Company Culture	5
Cybersecurity	7
Meet the SFG Team	11

THE FOUR CAPITALS



FINANCIAL CAPITAL

WE DON'T PREDICT THE FUTURE, WE HELP YOU PREPARE FOR IT

Market volatility provided quite the rollercoaster ride throughout 2018. The severe ups and downs were most likely attributable to trade war tensions and monetary policy. As the Federal Reserve drains liquidity from the system after years of easy monetary policy while simultaneously raising interest rates, investors have become reluctant to continue taking on risk. See our [2018 Market Review & Outlook](#) for more details.

Rising interest rates, ten years of monetary policy that has appeared to encourage risk-taking, and high debt levels all pose potential threats to the overall economy. Going forward, we remain focused on managing credit risk and equity exposure to help navigate the next downturn, which may be triggered by the sheer amount of debt burden on the system.

At SFG, we believe markets trade on fundamentals over the long term. We apply this premise across all stages of our investment planning process — from researching managers to tailoring a diversified portfolio to each client's unique profile. We use scenario planning to prepare for likely future economic events and to assess appropriate strategies for each scenario. We then take proactive steps aimed at managing a portfolio's risk and delivering on its long-term objectives.

In 2018, we traveled to New York, Dallas, Los Angeles, and San Diego to meet with investment managers. We also attended the Berkshire Hathaway conference in Omaha.



PSYCHOLOGICAL CAPITAL

TRUE WEALTH IS MEASURED BY MORE THAN MONEY

We at SFG count ourselves fortunate to serve so many long-term clients. We've watched their families grow and change over the years, and we value and cherish these relationships built on mutual trust, shared history, and strong empathy. We're also excited to get to know and support new clients as they come on board to start the collaboration process.

We also helped with grief over the loss of loved ones, speaking openly about the most comfortable ways to communicate with and provide support during these



THE GREATEST DISCOVERY OF
MY GENERATION IS THAT
HUMAN BEINGS CAN ALTER
THEIR LIVES BY ALTERING
THEIR ATTITUDES OF MIND.

– WILLIAM JAMES

difficult times. Other life changes in 2018 included retirement, marriages, divorces, starting a family, managing an inheritance, relocating, and changing jobs.

In all cases, our team created several financial planning scenarios to help illustrate what situations might look like when faced with impending life-changing decisions.

Our **Service Heart** compelled us to proactively serve as a liaison between several clients and their estate planning attorneys during the year. We also acted as an owner's representative for our clients' real estate projects, leveraging our industry experience and expertise.



PHYSICAL CAPITAL

GOOD HEALTH CAN DRAMATICALLY IMPROVE QUALITY OF LIFE AND OVERALL WELL-BEING, NO MATTER WHAT YOUR AGE

Our commitment to wellness is imbedded in SFG's philosophy and culture, as we once again paid our employees' membership fees at a local gym. This year, several team members committed to 5:30 a.m. workout classes. They encourage one another and hold each other accountable for meeting up at the gym in the morning. And, of course, because SFG is an eclectic group of individuals, other team members chose to work out together in the evenings. Lastly, we all enjoyed the spontaneous "walking meeting," where fresh air inspires fresh ideas!

Our commitment to **Physical Capital** is also reflected in the healthy snacks and beverages we provide to employees and visiting clients. At your next visit to the office, try something new like organic dark chocolate chewy banana bites or sprouted nut bars!



INTELLECTUAL CAPITAL

ONGOING EMPLOYEE EDUCATION IS ONE OF THE BEST INVESTMENTS WE MAKE

SFG defines **Intellectual Capital** as the knowledge and training you can invest to increase your productivity and personal worth. We believe that staying current with industry trends and investing in our team are essential parts of our obligation to serve your needs in the best way possible.

We attended the following events to expand our knowledge, stay abreast of ever-changing policies, and meet our continuing education requirements:

- **National Association of Personal Financial Advisors** (NAPFA) conferences in [Phoenix](#) and [Philadelphia](#)
- **Schwab IMPACT** in Washington, DC
- **Kayne Anderson Investor Conference** in Beverly Hills
- **J.P. Morgan Wealth Management Conference** in Chicago
- **Schwab Solutions** in San Francisco
- The [Mauldin Economic Strategy Investment Conference](#) streamed live from San Diego
- [Berkshire Hathaway Shareholders Meeting](#) in Omaha (Warren Buffett and Charlie Munger led this iconic meeting by holding a question and answer session.)

Our investment in **Intellectual Capital** is also evident in our frequent use of webinars. While we value face-to-face events, we also take advantage of innovative and efficient technologies for virtual learning.

SFG'S BOOK CLUB CONTINUES!

SFG provides non-fiction books of our choice and we then present an old-fashioned “book report” at a potluck lunch with our fellow team members. Check out our blog posts titled “[What We're Reading...](#)” or just ask us the next time we speak.

COMPANY CULTURE

SFG appreciates the value of cultivating an independent, innovative culture that empowers employees to make a difference in strengthening our community.

CHARITABLE GIVING & SUSTAINABILITY

We continued our tradition of giving during the holidays. We remembered our furry friends by donating to the Nevada Humane Society and once again “adopted” a family in need from our local Children's Cabinet. We received their wish lists and shopped our hearts out, feeling the true spirit of the holiday by helping others in our community.

Another of SFG's beloved traditions is caroling at our local Veterans Hospital. Each December, we gather our spouses, children, parents, and friends — the

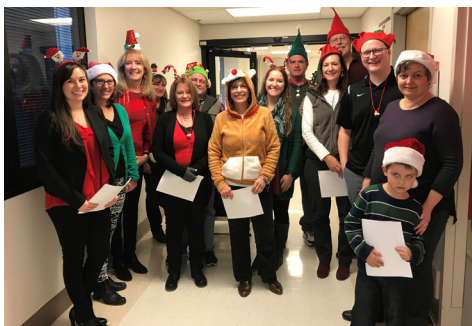
JOIN THE SFG COMMUNITY!

[Sign up](#) to receive insights related to the Four Capitals and what's new at SFG.

“

THE BEST WAY TO FIND
YOURSELF IS TO LOSE
YOURSELF IN THE
SERVICE OF OTHERS.

— MAHATMA GANDHI



SFG team spends an afternoon singing Christmas carols to (and with) the veterans.



Adopt-a-family gift giving.



SFG family holiday party.

more, the merrier! — and spend an afternoon singing Christmas carols to (and with) the veterans. We performed in the main dining hall and walked the hallways to sing to those in their rooms. This year, we were fortunate to have live guitar accompaniment, which improved our sound quite a bit! Several patients walked the halls, requested songs, and sang merrily with us.

We are honored to have “entertained the troops” for eight years running and feel grateful to maintain these two SFG holiday traditions. We believe that giving money, time, and support to others is truly its own gift.

Besides SFG-supported giving, many of our team members volunteered on their own with local organizations such as the Reno-Sparks Gospel Mission, Ronald McDonald House Charities, and the Women and Children’s Center of the Sierra. Vicki continued her work with Soroptimist International of Truckee Meadows, a worldwide organization of women that improves the lives of women and girls through programs leading to social and economic empowerment. Among several worthy projects, Vicki’s chapter worked with the Nevada State Attorney General’s office on the annual benefit dinner supporting victims of human trafficking.

We continue to support the environment by recycling, participating in a secure paper shredding and recycling program, and providing a water filtration system that eliminates the need for plastic bottles.

TEAM ACTIVITIES

SFG fosters collaboration, communication, and problem-solving through activities that allow us to see each other in a different light and in a different setting. Our culture revolves around shared values, engagement, a common purpose, and, of course, a little extracurricular fun.

Our families came together at the annual Nugget Rib Cook-Off and the SFG holiday dinner. After work get-togethers included bocce ball and bowling. We all continued to enjoy our work-time holiday lunches and the occasional potluck, which often included a quick walk around the building! New this year was our

employee SFG Café featuring a fully stocked pantry to provide breakfast, lunch, and yummy organic snacks to help the team stay well fed and healthy! A few of us were able to attend the Reno Philharmonic Chorus concert to hear fellow team member Elena sing. We satisfied our need for friendly competition with a weekly football pool, Super Bowl squares, and a March Madness pool that allowed us to root for our local UNR basketball team!

We worked together in teams to write and post blog articles to our website. If you haven't had a chance to read them, they offer insights into topics that may be of interest to you and your Four Capitals.

CYBERSECURITY

As part of our focus on cybersecurity in 2018, we conducted interactive training and exercises to help ensure all necessary protocols and procedures are in place to protect your personal information. We also started posting articles about relevant cybersecurity issues in our monthly [SFG Capital News blog](#) and providing a best practices handout at client meetings. We hope these resources help keep cybersecurity top-of-mind, as it remains a serious threat requiring constant vigilance. While SFG is dedicated to playing an important role in helping protect your assets, we also encourage you to take action on your own.

This section includes tips on what to look for and do when checking emails or going online. Reference it throughout the year as a refresher and be sure to check out our blog regularly. Many suggestions may be things you're doing now, while others may be new. We also cover actions to take if you suspect your personal information has been compromised. If you have questions, please call us — we're here to help.

Cyber criminals exploit our increasing reliance on technology. Methods used to compromise a victim's identity or login credentials — such as malware, phishing, and social engineering — are becoming increasingly sophisticated and difficult to spot. A fraudster's goal is to obtain information to access your accounts and assets or to sell your information for this purpose. Following safe practices and exercising caution when sharing information or executing transactions can help make a big difference.



**YOU DON'T GET HARMONY
WHEN EVERYBODY SINGS
THE SAME NOTE.**

— DOUG FLOYD

HOW WE CAN WORK TOGETHER TO PROTECT YOUR INFORMATION AND ASSETS

Safe practices for communicating with SFG

- **Keep us informed** regarding changes to your personal information.
- **Expect us to call you to confirm** email requests to move money, make trades, or change account information.
- **Contact us immediately** at 775-850-5620 if you ever receive an email request to complete a wire transaction on your own. We would never ask you to do that.
- **Use ShareFile**, a secure online platform, to send us documents with personal information.

How Schwab protects your account

Schwab takes your security seriously and leverages protocols and policies to help protect your financial assets. Below are actions you can take to reinforce their efforts, along with resources to assist you in keeping your accounts safe:

- **Use two-factor authentication**, which requires you to enter a unique code each time you access your Schwab accounts.
- **Review the [Schwab Security Guarantee](#)**, which covers 100% of any losses in any of your Schwab accounts due to unauthorized activity.

To learn more, visit [Schwab's Client Learning Center](#).

What you can do

- Be aware of suspicious phone calls, emails, and texts asking you to send money or disclose personal information. If a service rep calls you, hang up and call back using a known phone number.
- Beware of phishing and malicious links. Urgent-sounding, legitimate-looking emails are intended to tempt you into accidentally disclosing personal information or installing malware. Phishing emails will attempt to use a "From" name that you recognize, so also look closely at the email address to make sure it's legitimate.
- Don't open links or attachments from unknown sources. Instead, type the known web address in your browser.
- Check your email and account statements regularly for suspicious activity.
- Never enter confidential information in public areas. Assume someone is always watching.



IOT WITHOUT SECURITY =
INTERNET OF THREATS

— STEPHANE NAPPO

- Don't use public USB ports in airports, coffee shops, etc. They can be hacked to download all of your information through the cord. Only plug your devices directly into power outlets.
- Consider putting a preventative freeze or lock on your credit. [Read our blog](#) to explore the options.

Exercise caution when moving money

- Leverage Schwab's electronic authorization tool to verify requests. Featuring built-in safeguards, this tool is the fastest and most secure way to move money. Please call us for more information about how to use it.
- Review and verbally confirm all disbursement request details thoroughly before providing your approval, especially when sending funds to another country.

Adhere to strong password principles

- Don't use personal information as part of your login ID or password, and don't share login credentials or "password formulas" via email. A password formula example would be "my password is my zip code and dog's name."
- Create a unique, complex password for each website and change it every six months. Consider using a password manager to simplify this process.
- Use "two-factor," "dual-factor," or "multi-factor" authentication if it is available. This type of authentication should be used with your password manager, email (most major email services now offer dual-factor authentication options), bank account, and investment account sites (Schwab does offer this feature).
- Don't use security questions that are easily searchable by fraudsters, such as your elementary school or mother's maiden name.
- Password protect your phone, tablet, computer, etc. and don't lend them to strangers.

Maintain updated technology

- Keep your web browser, operating system, antivirus, and anti-spyware updated, and activate the firewall.
- Don't use free/found USB devices. They may be infected with malware.
- Check security settings on your applications and web browser to make sure they're strong.
- Turn off Bluetooth when it's not needed.
- [Dispose of old hardware](#) safely by performing a factory reset or removing and destroying all data storage devices.

Use caution on websites, email, and social media

- Don't visit websites you don't know (e.g., advertised on pop-up ads and banners). A best practice is to never respond to pop-up ads, as even those from reputable websites can be compromised.
- Log out completely to terminate access when exiting all websites.
- Don't use public computers or free Wi-Fi, especially when logging into an account that requires your password. Use a personal Wi-Fi hotspot or a Virtual Private Network (VPN).
- Hover over questionable links to reveal the URL before clicking. Don't click on any email links to access your online accounts. Instead, type the company's web address into your browser to log in, view messages, etc. Remember that secure websites start with "https," not "http."
- Delete any emails that contain personal or account information from both your Inbox and Sent folders. And then be sure to delete them from your Trash folder.
- Be wary of "Unsubscribe" links in emails unless you know it is coming from a valid source. A better practice is to block the sender.
- Be cautious when accepting "friend" requests on social media, liking posts, or following links.
- Limit your sharing of information on social media sites. Assume fraudsters can see everything, even if you have safeguards.
- Consider what you're disclosing before sharing or posting your résumé.

What to do if you suspect a breach

- **Call our office** at 775-850-5620 or your Schwab Alliance team immediately at 800-515-2157 so that they can watch for suspicious activity and collaborate with you on other steps to take.
- Change your password(s) and security questions.
- Consider putting a freeze or lock on your credit. [Read our blog](#) to explore the options.

LEARN MORE

Visit these sites for more information and best practices:

- [StaySafeOnline.org](#): Review the STOP. THINK. CONNECT™ cybersecurity educational campaign.
- [OnGuardOnline.gov](#): Focused on online security for kids, it includes a blog on current cyber trends.
- FDIC Consumer Assistance & Information, <https://www.fdic.gov/consumers/assistance/index.html>
- FBI Scams and Safety provides additional tips, <https://www.fbi.gov/scams-and-safety>

MEET THE SFG TEAM

Management Team



RUSS SCHULTZ, CFP®
Chief Executive Officer /
Chief Investment Officer



VICKI SCHULTZ, MBA, CFP®
Executive Vice President



JENNIFER SPECTER, MA
Chief Operations Officer/
Chief Compliance Officer

Financial Planning Team



CLARISSA ALESEVICH, FPQP™
Financial Planning Associate



ALYSSA YOCOM
Financial Planning Associate



JULIE HAYES, FPQP™
Client Services Administrator

Investment Management Team



WILLIAM SAULSGIVER
Investment Analyst

Operations Team



LIZ POIRER
Operations Associate



ELENA TCHIGRIAeva, MS
Investment Plan Manager



SHARON EARLE
Office Administrator



JOYCE E. FARLEY
Controller Accountant

Contact **Schultz Financial Group** to discuss these and other topics that may help you reach your lifelong goals.

P. 775 850 5620 | E. INFO@SFGINC.COM | W. SFGINC.COM

SCHULTZ FINANCIAL GROUP INC.

10765 Double R Blvd., Suite 200 • Reno NV 89521

This information is for informational purposes only and is not intended to provide specific advice or recommendations. Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by Schultz Financial Group Incorporated), or any non-investment related content, made reference to directly or indirectly in this newsletter will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this newsletter serves as the receipt of, or as a substitute for, personalized investment advice from Schultz Financial Group Incorporated. To the extent that a reader has any questions regarding the applicability of any specific issue discussed above to his/her individual situation, he/she is encouraged to consult with the professional advisor of his/her choosing. Schultz Financial Group Incorporated is neither a law firm nor a certified public accounting firm and no portion of the newsletter content should be construed as legal or accounting advice. A copy of the Schultz Financial Group Incorporated's current written disclosure statement discussing our advisory services and fees is available upon request. If you are an Schultz Financial Group Incorporated client, please remember to contact Schultz Financial Group Incorporated, in writing, if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing/evaluating/ revising our previous recommendations and/or services.

© Schultz Financial Group Inc., 2019