Q1 2019

Zacks Investment Management

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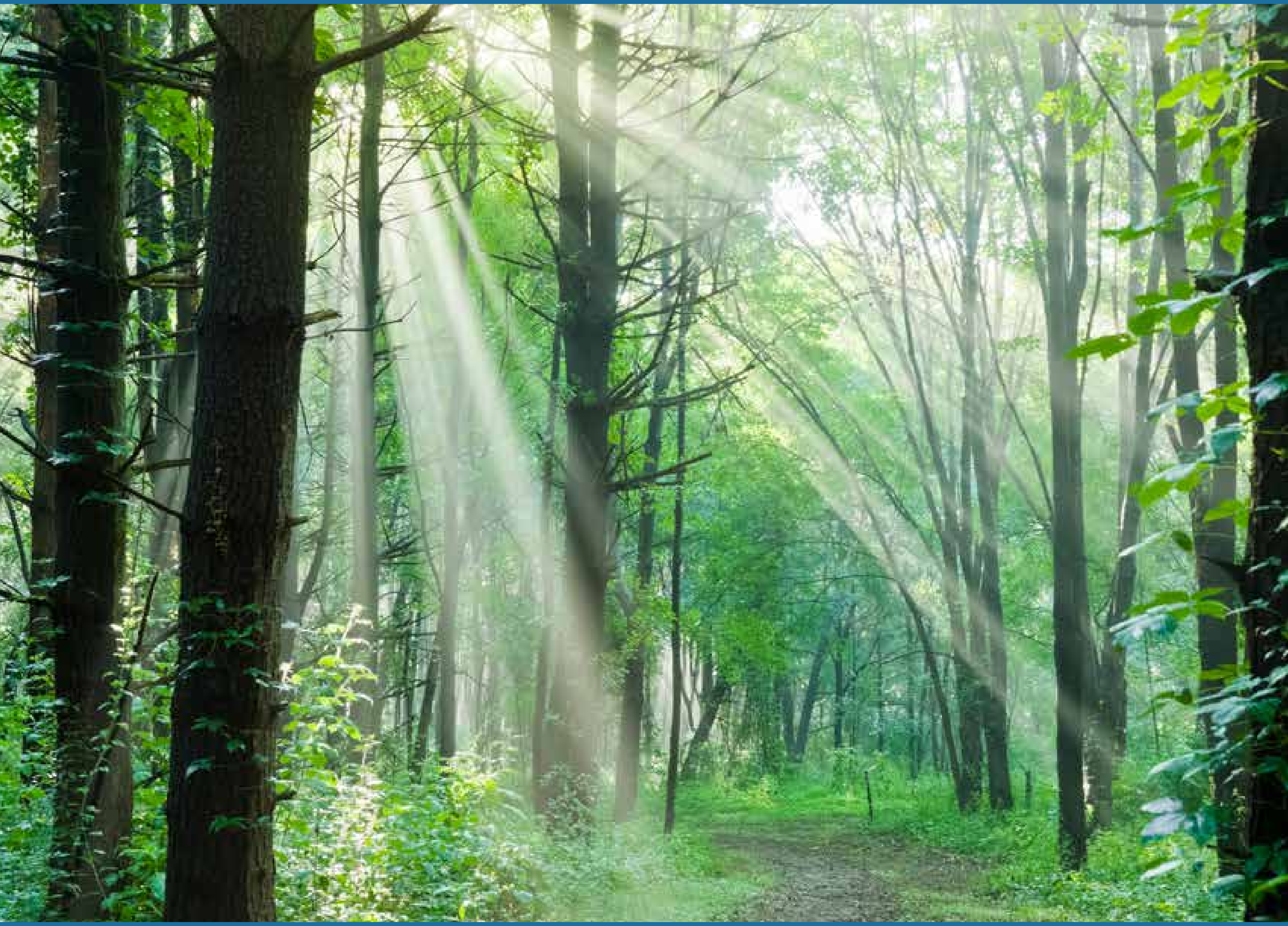
Built for Performance™



Personalized Wealth Management

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April 26, 2019

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Senior Portfolio Manager

Mitch's Outlook

The Beauty of a "V-Shaped" Bounce

The final three months of 2018 were, as noted in our Q4 2018 letter, "challenging and fairly ruthless." For a single day, the S&P 500 crossed into bear market territory and investor sentiment had decisively taken a turn for the worse. No longer were analysts and market participants enthusiastic about corporate earnings growth, low inflation, low interest rates, and sturdy economic growth. As 2019 commenced, attention had turned to the possibility of an impending recession.

Zacks Investment Management maintained that market activity appeared symptomatic of a correction, not a bear market. In our Q4 2018 letter, we cited the market downside and noted: *"that's how corrections happen – assets get re-priced downward once investors assume the worst-case scenario for the economic and earnings outlook, and then equities rally when the economy does not actually enter recession and earnings growth proves to be stable."*

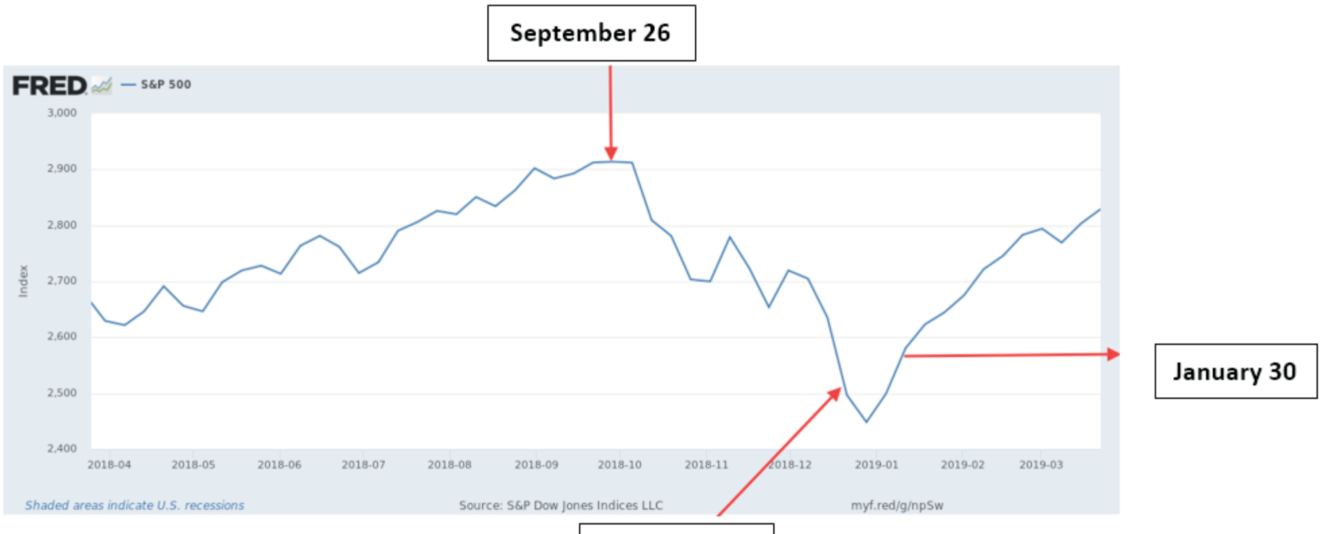
Although we believe the market would have naturally re-aligned with fundamentals over time, the first quarter delivered a major catalyst that fueled the rally: the Federal Reserve's flip from being hawkish to dovish.

A 'hawkish' Fed is generally engaged in monetary policy tightening (i.e., raising interest rates), while a 'dovish' Fed generally engages in easing financial conditions. Throughout 2018, the Federal Reserve could have been aptly labeled 'hawkish.' Though the Fed was committed to raising interest rates gradually on a data-dependent basis, rates were still rising and the yield curve was flattening.

But, that changed in late December and early January. By the end of the year, the Fed had already started to tone down their hawkish language. Still, it wasn't long before Chairman Jerome Powell fully walked-back the Fed's position, stating that "the case for raising rates has weakened somewhat."

The market saw this statement as the Fed pivoting from hawkish to dovish, particularly since Powell added that the 2.25% - 2.5% fed funds rate was within a reasonable range of the committee's neutral rate estimate. The market seemingly interpreted this as a signal that the Fed would not raise rates in 2019, and stocks have arguably been rallying ever since. This created the welcomed (and beautiful) "v-shaped" bounce seen in the following chart.

S&P 500 Performance (Last 12 Months

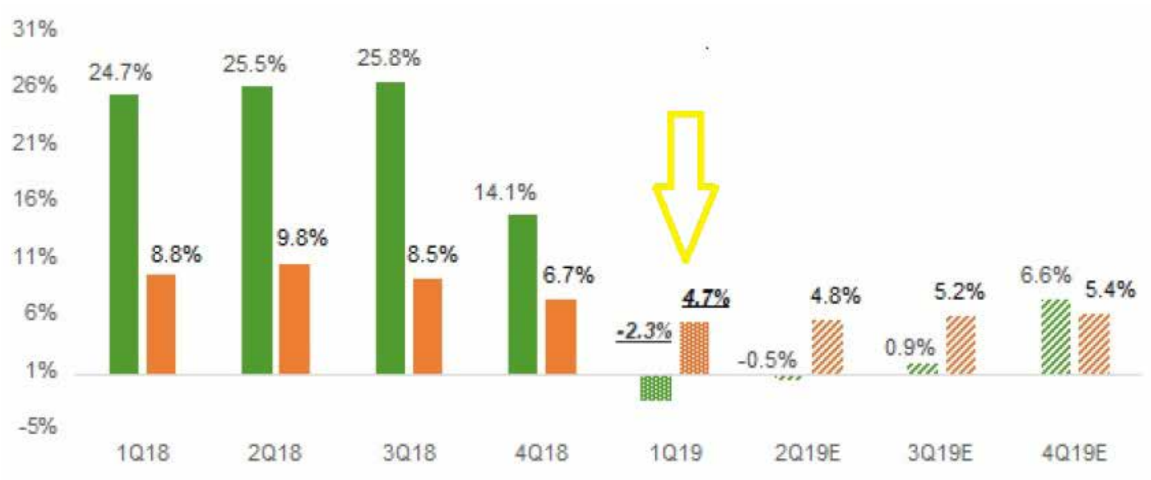


Source: Federal Reserve Bank of St. Louis

If the Fed remains on the sidelines in 2019, we would argue that stocks could post fairly solid gains for the year, assuming we also see broad-based upside surprises in earnings growth and earnings revisions.

Which brings us to another key development from Q1 2019: the mixed earnings picture. In short, U.S. corporate earnings may struggle to produce positive year-over-year growth in the first half of this year (see following chart), and it remains to be seen how the market will respond, assuming this is the case.

Quarterly Earnings & Revenue Growth (YoY)



Source: Zacks Investment Research, Inc.

To be fair, Q1 and Q2 2019 earnings have a high benchmark for comparison as corporate profitability in 2018 was boosted by the sizable corporate tax cut. Estimates for the current period (Q2 2019) have been coming down as companies have been reporting Q1 results and sharing their outlook for business trends. Total Q2 earnings for the S&P 500 index are expected to be down -0.3% from the same period last year on +4.9% higher revenues, though those are just the latest estimates. That said, the pace and magnitude of negative revisions to Q2 estimates is lower than what we have seen at comparable periods in preceding quarters, which is good news.

Additionally, while 2019 earnings are expected to notch just 2% growth, full-year 2020 earnings growth for S&P 500 companies is expected to reach double digits. The counter narrative would argue that the weak first half of 2019 signals the end of the economic cycle, when growth inevitably turns south. Macroeconomic data doesn't currently support this narrative, but these factors are difficult to decipher in real time.

The View from Abroad: Slowing Growth

The Brexit issue remains a near-term equity market concern and has weighed on the U.K. economy — according to Goldman Sachs, Brexit has cost Britain $785 million per week since the 2016 referendum. The uncertainty over the U.K.'s future is a significant impediment to business, in our view. Without knowing the 'rules of the road' and how they might change, businesses are reluctant to hire and make new investments. We think the U.K. economy, and the broader Euro economy, will continue to be weighed down as a result.

The European Union agreed to give Britain until October 31 to complete a Brexit deal, allowing all parties to avoid a far-from-desirable "hard Brexit" (which would have implied leaving with no deal and could have led to disastrous trade/customs/border implications). The extension gives the U.K. more time to try and negotiate a deal through Parliament, which has been a wildly discouraging process. Parliament, so far, has rejected three of Prime Minister Theresa May's proposals. We would argue that the delayed uncertainty of Brexit will continue to weigh on U.K. and EU stocks.

On the China trade front, few details have been offered regarding a new trade arrangement, but the market appears convinced that a worst-case outcome will be avoided. Both sides have made encouraging statements regarding a deal, and the most difficult remaining points appear related to enforcement mechanisms and whether the Trump administration will drop current tariffs. Market-watchers are eagerly anticipating the announcement of a summit meeting between President Trump and President Xi Jinping.

The counterweights to slowing growth and trade uncertainty, however, come in the form of the European Central Bank continuing its easing efforts as China ramps-up theirs. China recently loosened financial sector regulations to improve credit growth, an action that bodes well for global trade in the second half of 2019. A U.S. trade deal with China is something that both leaders want to deliver. Still, the market is likely skeptical that a grand breakthrough, where all U.S. demands are met, can be achieved. One could argue that, for the global economy, any deal is a good deal — and, Q2 may deliver it.

Bottom Line for Investors

It's important to note that the stock market, historically, remains one of the best leading indicators of the economy. The key, in terms of the market's movement relative to economic data, is not whether the economic outlook is positive or negative, but whether economic expectations already being priced in to the market are met or exceeded. In my view, the market rallied during Q1 2019 not because the economic data was tremendously positive, but because the data was not as negative as expected at the end of 2018.

I would take the recent strength in the market to indicate that the likelihood of a disruptive Brexit and the potential for increased trade war tensions, which would weigh negatively on earnings, are less likely to materialize than previously believed. At the start of 2019, most of these fears – Brexit, trade war, etc. – arguably faded, while valuations became more attractive with the sell-off. The end result was a reset of expectations with investors realizing that equities were suddenly attractive again.

There's reason to believe positive sentiment toward equities could continue, as well. Policy makers in the U.S., Europe, and China appear tuned-in to signals from various indicators as the Federal Reserve has essentially stopped its gradual interest rate increases, the European Central Bank has eased monetary policy, and China has engaged in fiscal stimulus – by cutting taxes and increasing spending.

These, and other factors, are signaling to us that it would be wise to look for the next downturn to occur in approximately 12 - 18 months versus in the next 3 - 6 months. The next phase for investors will be to watch each indicator closely in the next quarter or two and see if any of these monetary and fiscal efforts will prolong the expansion. Additionally, investors should keep in mind that, once rates start rising again (probably not in 2019), we can reasonably expect downward pressure on stock prices as seen in September and December of 2018 (especially given how late we are in this business cycle).

Mitch

All-Cap Core Strategy

For the quarter ending March 31, 2019, the Zacks All-Cap Core Strategy returned +13.21% gross and +12.74% net. The strategy's benchmark, the Russell 3000 Index, returned +14.04% during the same period. Since inception, the Zacks All-Cap Core Strategy ranks in the top 5% of 613 managers in the Morningstar All Domestic Equity Managers universe.

In terms of style, growth stocks outperformed value stocks across all capitalization categories. The Russell 1000 Growth Index (large-cap growth) was up +16.10%, while the Russell 1000 Value Index (large-cap value) rose a lesser +11.93%. Similarly, the Russell Midcap Growth Index (up +19.62%) outperformed the Russell Midcap Value Index (up +14.37%), while the Russell Small-Cap Growth Index (up +17.14%) outperformed the Russell Small-Cap Value Index (up +11.93%). As a category, mid-cap stocks, as measured by the Russell Mid-Cap Index, rose +16.54%.

Performance posted in Q1 2019 marks a stunning reversal from that of Q4 2018 when growth indexes trailed value indexes by a wide margin (though both categories were sharply negative). In Q4 2018, the Federal Reserve's December rate hike and commitment to gradual rate increases, coupled with uncertainty regarding trade issues and fears of global economic recession, drove global equities lower. Fast forward to Q1 2019, and we find a Fed that has become more accommodative (no further rate hikes are expected in 2019), trade issues that appear closer to resolution, and China renewing its commitment to massive fiscal and monetary stimulus. This good news helped boost U.S. and global equity markets fueling a synchronized rally where virtually every asset class moved higher.

As a result, the All-Cap Core Strategy participated in the upside. During strong stock market rallies, the All-Cap Core Strategy can fall somewhat behind its benchmark. Conversely, the strategy has demonstrated solid relative performance during market downturns. We witnessed this dynamic in Q4 2018 as the All-Cap Core Strategy outperformed its benchmark (Russell 3000 Index) during declines in that quarter and demonstrated the strategy's risk management in practice.

In Q1 2019, the All-Cap Core Strategy process delivered solid results within the Consumer Discretionary and Finance sectors, where the strategy's sector allocation and stock selection added relative outperformance over the benchmark of 52 basis points and 39 basis points, respectively. Numerous individual positions also added notable value to the portfolio. Security software company, Proofpoint, was up +44.89%; electronic fund transfer company, Euronet Worldwide, was up +39.27%; retailer Best Buy was up +34.18%; and health and industrial conglomerate, Danaher Corp, rose +28.22%.

Weakening growth expectations, low inflation, and dovish actions from the Fed drove Treasury yields down to such an extent that the yield on the 10-Year US Treasury was lower than the 3-Month US Treasury yield for a period during Q1 2019. Investor demand for safety and yield (some of which came from abroad) added pressure to long-term yields. Throughout history, a negative yield curve has been a reliable leading indicator for a recession, so the yield curve inversion created concern for many. In our view, the Federal Reserve's position of pausing rate hikes, coupled with the fact that interest rates are still near historic lows, supports our belief that a recession is still likely several quarters away. We do not see any obvious imbalance in the system, except perhaps for high corporate leverage which we continue to monitor.

This being said, the All-Cap Core Strategy's process remains independent of the macroeconomic outlook as we continue to focus on companies with solid earnings and fundamentals and staying true to a rigorous risk management process. The process and discipline has served the strategy well during previous recessions and expansions, and we are confident it will continue to generate attractive results consistent with the strategy's long-term track record.

Dividend Strategy

For the first quarter of 2019, the Zacks Dividend Strategy delivered a gross return of +10.55% and +10.08% net. The strategy's benchmark, the Russell 1000 Value Index, returned +11.93% during the same period. The yield on the Dividend Strategy was +3.43% at the end of Q1 2019 versus the +2.64% yield on the Russell 1000 Value Index. Since inception, the Zacks Dividend Strategy ranks in the top 2% out of 758 managers in the Morningstar Large Cap Value Universe.

The final quarter of 2018 was characterized by a steep drop in asset prices accompanied by concerns about the impact of higher interest rates, trade tensions, and slowing global economic and corporate profit growth. Equity markets entered the first few days of 2019 cautiously.

However, the market's trajectory started changing once Federal Reserve Chairman, Jerome Powell, shifted his stance of 'gradual monetary tightening' to one of 'patience,' offering markets the seeming assurance of no further rate hikes in 2019. The Fed's pivot came when there were signs of progress in trade negotiations with China. Traders seemed to price-in the increasing possibility of a mutually acceptable trade deal with an end to tariffs.

In the 'large value' space, the Industrials, Technology and Energy sectors outperformed over the quarter, while Health Care and Financials underperformed. The strategy's overweight to the Technology sector supported relative performance. The strategy's underweight to the Industrials sector, and overweight to Health Care, hampered relative performance.

For the balance of 2019, the market must contend with global and corporate profit growth slowing. The upshot, however, is that this market is also set up for an array of potentially positive surprises: better-than-expected earnings, an environment where trade and tariff issues improve, Chinese monetary and fiscal stimulus, and the Fed remaining on the sidelines with low inflation and modest growth. Should these factors come to fruition in 2019, we believe the market will have the support needed to move higher and undergird the strategy toward producing attractive returns.

Finally, due to the tax-advantaged nature of dividend payments, and the Zacks Dividend Strategy's attractive yield of +3.43% net compared to the 10-Year US Treasury yield of +2.41%, we believe the strategy remains well-suited for those seeking moderate growth and income.

Focus Growth Strategy

In Q1 2019, the Zacks Focus Growth Strategy returned +14.14% gross and +13.67% net. The strategy's benchmark, the Russell 1000 Growth index, returned +16.10% during the same period. Since inception, the Zacks Focus Growth Strategy ranks in the top 8% of 933 managers in the Morningstar Large Cap Growth universe.

In the first quarter, the Federal Reserve pivoted from planned 'gradual' rate hikes to being 'patient' and indicating no further rate hikes for 2019. Investors were elated and growth stocks benefited most, as large-cap and small-cap growth stocks outperformed their value peers.

The shift in market sentiment boosted the Technology and Health Care sectors to which the strategy was overweight. Additionally, the Energy sector has seen strong gains, and the strategy's overweight there and holdings selections contributed positively to relative performance. Still, positioning in the Retail and Wholesale sectors contributed to the strategy's relative underperformance.

The first quarter of 2019 delivered the v-shaped market response many investors were hoping for following disappointing Q4 2018 results; now, the focus is on U.S. corporate earnings. Many corporations have adjusted earnings expectations downward and the market's performance for the year may hinge on whether these corporations can deliver a positive surprise. In the Focus Growth Strategy, we remain highly attentive to risk exposure with growth stocks which we believe can help mitigate the effects of market volatility as the year progresses.

International Strategy

In the first quarter of 2019, the Zacks International Strategy returned +10.39% gross and +9.92% net. The strategy's benchmark, the Developed Market EAFE Index, returned +10.13% during the same period.

Global markets marched higher in unison in the first quarter, following a sharp pullback in Q4 2018. China registered one of the best equity market performances in Q1 2019 as GXC (SPDR S&P China ETD) was up over +18%. Improvements in trade talks with the U.S. helped, but the bigger factor, we believe, was China's commitment to massive fiscal and monetary stimulus; from cutting bank reserve rates to reducing the consumer tax, China has taken numerous positive steps forward.

In Q1 2019, the Zacks International Strategy benefitted from being 1.5% overweight to China, removing Spain from the strategy (which was up only +6.7% for the quarter and far below the benchmark) and increasing weight to Hong Kong (EWH), which rose +16% and outperformed the index. The International Strategy also avoided Malaysia (EWM, +0.57%) and Poland (EPOL, +.65%), which both significantly underperformed the index.

Earlier this month (April 2019), the International Strategy was rebalanced. Research and portfolio management are a continuous process and, from time-to-time, we may add a new factor to support decision-making when we believe it adds value and is uncorrelated to other factors in the model. This quarter, we added a new factor which is essentially the Fed Model. In each country, we are looking at the difference between each country's equity index earning yield minus its long-term bond yield. Countries with a higher spread will be preferred. Long-term government bonds generally discount the inflation and real growth rate. In our view, an equity earning yield higher than the bond yield should reward equity investors.

Another update to the International Strategy relates to the portfolio construction/optimization process. In the past, the strategy used mean variance optimization. Although it is a critical tool widely used in modern financial management, one of its weaknesses is that it is very sensitive to the alpha model. After spending many months in the development stage, we are now using the Black-Litterman (BL) model which is a 2-step process. First, it calculates the market expectation through a process called reverse optimization. Then, the market expectation is adjusted with our view (a proprietary alpha model). We believe it is a superior process in terms of risk management and alpha generation.

Market Neutral Strategy

The Zacks Market Neutral Fund saw its NAV remain largely unchanged during the first quarter of 2019.

Though returns for the quarter were flat, the Market Neutral Strategy delivered solid performance during January and February, before retreating in March. From a sector perspective, Basic Materials, Consumer Cyclicals, Energy, Health Care, Capital Goods and Utilities weighed on the strategy. More specifically, long positions in Consumer Cyclicals and Health Care had relatively large negative returns compared to their short counterparts, hampering performance when the market rallied sharply off the bottom. The Health Care sector delivered a negative surprise when some of the strategy's short positions caught the market off-guard with merger and acquisition announcements. The Finance sector and REITs both generated positive performance, with the long and short positions both supporting positive returns in the portfolio.

The equity market recovered strongly from Q4 2018 declines by delivering one of the best quarters performance-wise in nearly a decade. The Market Neutral Strategy remains committed to remaining just that – neutral – toward not seeing too much performance impact on the downside or the upside. The strategy's goal remains to be a portfolio with minimum volatility over the long-term.

Mid-Cap Core Strategy

In Q1 2019, the Zacks Mid-Cap Core Strategy returned +17.52% gross and +17.03% net, outperforming the Russell Midcap Index, which returned +16.54%. Since inception, Zacks Mid-Cap Core Strategy ranks in the top 1% of 307 managers in the Morningstar Mid-Cap Blend universe.

During Q1, mid-cap stocks outperformed large-cap and small-cap stocks. The quarter was marked by the Federal Reserve transitioning from a monetary tightening stance to a patient and cautious approach, with no further rate hikes expected in 2019. Trade and tariff issues with China evolved from being one of mutual threats and increased tariffs to suspensions of further tariffs and increased hope for a mutually acceptable deal. Additionally, China initiated aggressive stimulus measures and other global central banks followed by adopting easier monetary policy positioning. These developments increased market hope that global economic growth and corporate profit growth could overcome short-term weaknesses and last throughout 2019. These tailwinds supported a strong equity market recovery, with mid-cap companies benefiting more than large-cap and small-cap stocks.

In the mid-cap space, the Technology, Energy, and Industrials sectors outperformed. Consumer Staples, Utilities and Financials underperformed. The strategy's overweight to Technology supported relative performance. However, the strategy's overweight to Financials and Utilities hampered relative performance.

If market expectations regarding global economic and corporate profit growth are realized, trade and tariff disputes are successfully addressed, and interest rates and inflation remain low, then growth-sensitive mid-cap stocks could continue to see strong gains. Generally, mid-caps tend to benefit from investors deflecting risk associated with small-caps, but who wish to pursue higher growth potential than might be seen in large-cap stocks.

Quantitative Strategy

In Q1 2019, the Zacks Quantitative Strategy returned +14.63% gross and +14.15% net, outperforming the S&P 500 which returned +13.65% during the same period.

During the quarter, the Quantitative Strategy was overweight to the Retail-Wholesale, Financials, Utilities, Consumer Discretionary, and Industrials sectors. In these overweight sectors, the Financials and Retail-Wholesale sectors underperformed the benchmark while the Utilities and Consumer Discretionary sectors outperformed the benchmark.

The Quantitative Strategy was underweight to the Technology, Consumer Staples, Energy and Health Care sectors. The strategy's underweight to the Technology sector hampered performance, however positioning to Energy and Consumer Staples beat the corresponding sectors in the benchmark.

When all the figures are in, the first quarter is likely to show that the U.S. economy grew modestly with low inflation and low interest rates. As we write, more than half of the S&P 500 companies have reported earnings exceeding analyst estimates. History suggests that, as concerns over economic and corporate growth momentum increases, investors tend to pay closer attention to upside earnings surprises; a core element of the strategy's construction. The companies with larger positive upside surprises should receive a warm welcome from the market in a low return environment.

Small-Cap Core Strategy

In Q1 2019, the Zacks Small-Cap Core Strategy returned +12.89% gross and +12.42% net. During this same period, the Russell 2000 Index returned +14.58%. Since inception, the Zacks Small-Cap Core Strategy ranks in the top 3% out of 518 managers in the Morningstar Small Blend universe.

During Q1 2019, small-cap stocks slightly outperformed large-caps but underperformed mid-cap stocks. The quarter was marked by the Federal Reserve transitioning from a gradual monetary tightening stance to a “pause,” such that no further rate hikes are expected this year. Trade and tariff relations with China also evolved positively; from mutual threats and increased tariffs to anticipation of a mutually acceptable deal. These developments supported market hope for increased economic and corporate profit growth and, in our view, ultimately led to the strong recovery of small-cap companies.

In the small-cap space, the Technology, Real Estate, Energy, and Materials sectors outperformed, while Financials, Industrials, and Consumer Staples underperformed. The strategy’s overweight to Technology and underweight to Financials supported relative performance. The strategy’s underweight to Energy and Materials, and overweight to Industrials, hampered relative performance.

If market expectations for global economic and corporate profit growth are realized, a resolution of trade and tariff disputes occur, and interest rates and inflation remain at current low levels, then growth-sensitive small-cap stocks could continue to see strong gains.

Generally speaking, small-cap stocks reap the benefits of investors maintaining a high appetite for risk while pursuing higher growth potential than might be seen in large and mid-cap stocks.

Fixed Income Strategy

Bond yields continued to decline as the Federal Reserve shifted from a 'hawkish' to a 'dovish' stance. Since investors remained concerned about a slowing economy, fixed income markets continued to attract investors even as equity markets staged a sharp rally. A portion of the Treasury yield curve inverted during the quarter causing some angst over the possibility of a future recession. Over the quarter, returns on Treasuries lagged both corporate and municipal bonds as investors reached for riskier assets.

The Federal Reserve's January and March meetings produced dovish language and an effective "pause" to monetary policy tightening. In a matter of 6 months, we have seen the Fed change their expectations from three rate hikes to zero in 2019, while committing to slow the quantitative taper program by shrinking its balance sheet at a slower pace.

While growth is expected to slow in 2019, especially globally, the Fed's actions were seen as an effort to provide equity markets support, which endured a substantial decline in Q4 2018. At their March meeting, the Fed presented its plan to cease the quantitative program by the end of September 2019, eliminating another tightening tool it had been using; this timing was earlier than expected. While the Fed continues to state that future action is data dependent, and rates could be raised, we don't expect the Fed to resume their hawkish tone unless inflation figures come in higher than expected. On March 29, the fed funds futures market showed a 73.5% chance of a rate cut by the end of January 2020. Prior to the Fed meeting in March, it showed a 38% chance of a rate cut by January end. Market participants are not expecting any rate hikes over the next year. It is a fickle indicator, but it shows how market expectations have changed.

With the exception of short-term rates, bond yields declined in a nearly parallel fashion across the yield curve. The 2-Year US Treasury bond ended Q1 with a yield of +2.26%, down from +2.49% at the beginning of the quarter. The 10-Year US Treasury bond ended Q1 with a yield of +2.41%, down from +2.68% at the beginning of the quarter.

The yield curve partially inverted in Q1, with the 3-month T-bill yielding more than the 10-Year US Treasury bond for a few days in late March. The short-to-intermediate part of the curve (3-month to 5-year term) remains inverted. While much has been made of this inversion, there are a couple of items to keep in mind.

First, the more popular and, arguably, reliable yield curve (the spread between the 2-Year and 10-Year) remains positive. In other words, the 10-Year Treasury continues to provide higher yield than 2-Year bonds. Historically, investors have focused on this spread as a recession indicator.

Second, the decline in rates in the intermediate portion of the Treasury yield curve may be a technical issue. The European Central Bank recently announced another set of easing through a program called TLTRO (targeted longer-term refinancing operations). They had previously executed the program in 2016 and 2017 to stimulate the economy and are trying again. The end result, however, has been for quality bonds in Europe to dip into negative territory (making U.S. rates more attractive). Even yields on German 10-Year bonds were trading in negative yield territory. As we write, the yield on Greece's 10-Year bonds reached low levels not seen since 2005. Investors seeking higher yields have, thus, gravitated to the U.S. bond market, putting downward pressure on yields.

In the credit markets, spreads narrowed substantially as risk appetite came back into fashion. Spreads are back at levels last seen in November, prior to the big widening that characterized the end of last year. Companies have been able to issue debt with ease, as many new issues were vastly over-subscribed. We remain concerned, however, with the lack of earnings growth in the first part of 2019.

Municipal bonds continued to rally as interest rates declined throughout the quarter. Supply remained tight and demand remained strong as investors looked for ways to shield income from taxes. The tax reform legislation passed in 2017 has further supported the municipal bond market. In particular, the deduction cap on state and local taxes has hurt high income earners in states such as California, New York and Connecticut, prompting demand for tax-free income.

Fixed income investments remain an important risk management component for portfolios by providing diversification and stability (as seen during the recent market turmoil). We continue to favor corporate and municipal bonds for investors seeking income and diversification and, as always, credit quality remains foremost in our selection method.

DISCLOSURE Past performance is no guarantee of future results. Results for Strategies are shown gross and net of fees. Results for the Strategy reflect the reinvestment of dividends and other earnings. The results portrayed is the performance history of a composite of all discretionary accounts with no material investment restrictions, which are not restrained by investment style, type of security, industry/sector, location, size or market cap; it invests primarily in U.S. common stocks.

Prospective clients and clients should not assume identical performance results to those shown would have been achieved for their account if it was invested in the Strategy during the period. Clients of the firm may receive different performance than the composite. Client performance may differ due to factors such as timing of investment(s), timing of withdrawal(s), and client-mandated investment restrictions. Wholesale, retail and institutional clients of the firm may have differing performance due to timing of trades.

Investments in the Strategy are not deposits of any bank, are not guaranteed by any bank, are not insured by FDIC or any other agency, and involve investment risks, including possible loss of the principal amount invested. Net of fees performance is based on the maximum fee of 1.75% for a $500,000 account. Lower fees may apply to larger accounts; higher fees may apply to smaller accounts. Separately managed account minimums apply. Inherent in any investment is the potential for loss. Standard management fees are available on request and are described in Part 2A of Form ADV.

The sample portfolio holdings provided represents the top 10 largest equity positions in the Strategy as of 03/31/19 based on the aggregate dollar value for a representative account. The specific securities identified and described do not represent all of the securities purchased, sold, or recommended for the Strategy, and the reader should not assume that investments in the securities identified and discussed were or will be profitable. All information is provided for informational purposes only and should not be deemed as a recommendation to buy the securities mentioned.

Morningstar Rank:

The Morningstar Universes used for comparative analysis are constructed by Morningstar (median performance) and data is provided to Zacks by Zephyr Style Advisor. The percentile ranking for each Zacks Strategy is based on the gross comparison for Zacks Strategies vs. the indicated universe rounded up to the nearest whole percentile as of 03/31/19. Other managers included in universe by Morningstar may exhibit style drift when compared to Zacks Investment Management portfolio. Neither Zacks Investment Management nor Zacks Investment Research has any affiliation with Morningstar. Neither Zacks Investment Management nor Zacks Investment Research had any influence of the process Morningstar used to determine this ranking.

[1] WE CALL IT PURE INVESTING™

Companies build businesses that grow and create value over time. By investing in their stocks and bonds you participate in that value creation.

At Zacks, we believe the “truth in investing” is ...the more of your investable assets allocated to stocks and bonds, the greater your net worth will grow. We call this Pure Investing™

Our competitors want to allocate an ever increasing % of your money to alternatives; hedge funds, fund of funds, commodity funds, options, futures or the hot trend or theme at the time, from tulip bulbs to mortgage backed securities.

These “alternatives” amount to gambling with your money, “mostly for the benefit of others”. They do not create long-term value. These are simply zero-sum games with short- term winners and losers.

Why chase alternatives, when you can invest in the real thing? We believe there is a Better Way, benefit from Pure Investing™ at Zacks.

Indexes Presented:

The S&P 500 Index is a well-known, unmanaged index of the prices of 500 large company common stocks, mainly blue-chip stocks, selected by Standard & Poor’s. The S&P 500 Index assumes reinvestment of dividends but does not reflect advisory fees or other expenses. An investor cannot invest directly in this Index. The volatility of the benchmark may be materially different from the individual performance obtained by a specific investor.

The Russell 2000 Index is a well-known, unmanaged index of the prices of 2000 small-cap company common stocks, selected by Russell. The Russell 2000 Index assumes reinvestment of dividends but does not reflect advisory fees. An investor cannot invest directly in an index. The volatility of the benchmark may be materially different from the individual performance obtained by a specific investor.

The Russell Mid Cap Index is a well-known, unmanaged index of the prices of approximately 800 mid-cap company common stocks, selected by Russell. The Russell Mid Cap Index assumes reinvestment of dividends but does not reflect advisory fees. An investor cannot invest directly in an index. The volatility of the benchmark may be materially different from the individual performance obtained by a specific investor.

The Russell 1000 Growth Index is a well-known, unmanaged index of the prices of 1000 large-company growth common stocks selected by Russell. The Russell 1000 Growth Index assumes reinvestment of dividends but does not reflect advisory fees. An investor cannot invest directly in an index. The volatility of the benchmark may be materially different from the individual performance obtained by a specific investor.

The Russell 1000 Value Index is a well-known, unmanaged index of the price of 1000 large-company growth common stocks selected by Russell. The Russell 1000 Growth Index assumes reinvestment of dividends but does not reflect advisory fees. An investor cannot directly invest in an index. The volatility of the benchmark may be materially different from the individual performance obtained by a specific investor.

The Russell 3000 Index is a well-known, unmanaged index of the prices of 3000 broad U.S. equity company common stocks, selected by Russell. The Russell 3000 Index assumes reinvestment of dividends but does not reflect advisory fees. An investor cannot invest directly in an index. The volatility of the benchmark may be materially different from the individual performance obtained by a specific investor.

The MSCI EAFE is an index from Morgan Stanley Capital International. The MSCI EAFE is a well-known, unmanaged index representing developed nation countries around the world. The MSCI EAFE Index assumes reinvestment of dividends but does not reflect advisory fees. An investor cannot invest directly in an index. The volatility of the benchmark may be materially different from the individual performance obtained by a specific investor.

Zacks Investment Management may utilize mutual funds in some client portfolios. Zacks Investment Management is the advisor to these funds and will receive compensation from the funds and their shareholders for advisory services. Additional information is available upon request.

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