SPINNAKER

SEPTEMBER, 2018

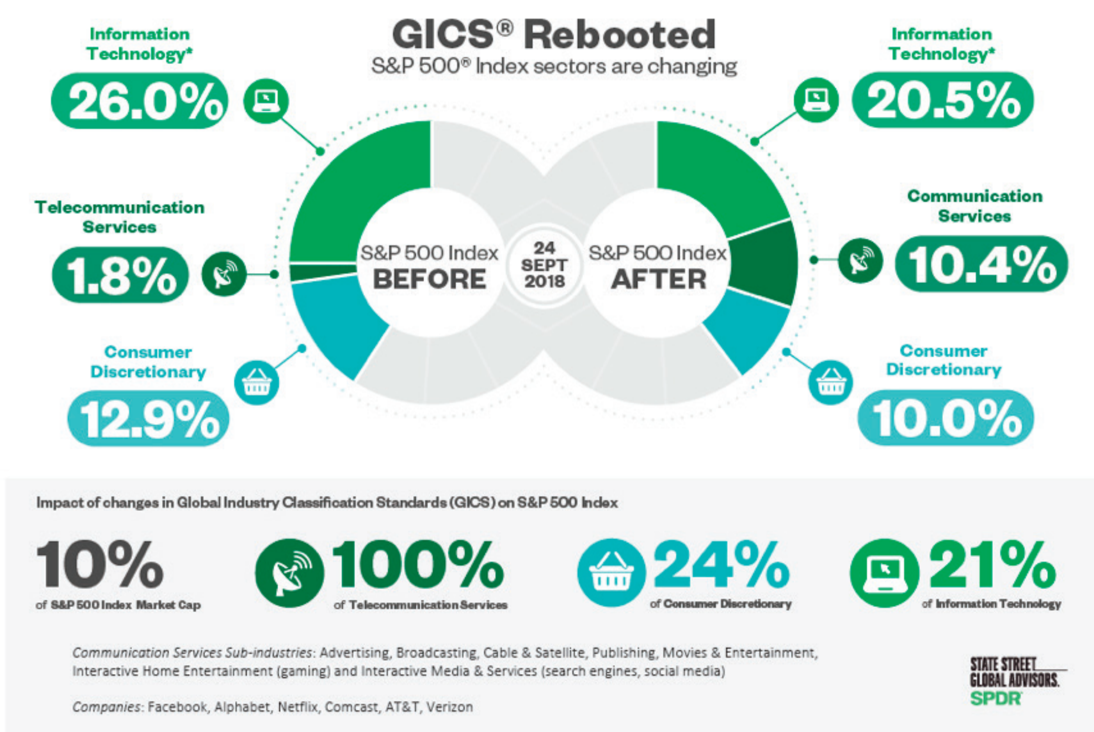
WHAT S&P SECTOR CHANGES MEAN FOR INVESTORS AND ANALYSTS

The objective of Spinnaker's investment strategy is to offer broad market diversification while tilting toward favorable asset classes, themes, and sectors of the economy to add alpha (returns in excess of our benchmarks) for our clients. In offering broad diversification with modest, thematic "tilts" we have been able to maintain equity exposure without taking on too much risk. For example, we have been overweight to the Financials, Technology and Health Care sectors for several years. Consequently, our clients have benefitted from robust equity exposure for the duration of this decade-long bull market.

Occasionally the economic sectors that we track change generally because of long-term evolution in the U.S. economy. Our investment process in U.S. equities mandates that we change with them. Such a change will occur this month with a major sector recharacterization, allowing investors to further differentiate amongst stocks in the diverse Technology and Media sectors.

- Alphabet (formerly Google) and Facebook have been media companies for the last decade, earning nearly all their revenues from advertising spend. These two large holdings will be moved from the Technology sector into a sector called Communications Services. There they will trade alongside traditional media companies like Comcast and Disney. The Communications Services sector will be about 10% of the S&P 500 index.

- AT&T and Verizon were growth companies during the TMT (Technology, Media & Telecom) era of the late 1990s as people bought mobile phones for the first time. Thanks to industry



Source: State Street Global Advisors

consolidation and a near 100% penetration rate of mobile phones in the U.S., the Telecommunications space is no longer large enough to warrant its own sector. Telecom will join the Communications Services sector in September.

Historically, the stand-alone Telecom sector had more defensive characteristics, with less sensitivity to market moves and an outsized dividend yield. The new Communications sector will likely be more volatile, and cyclical given that Facebook and Alphabet (Google) will represent 50% of the space, and both companies generate most of their revenues from the advertising market.

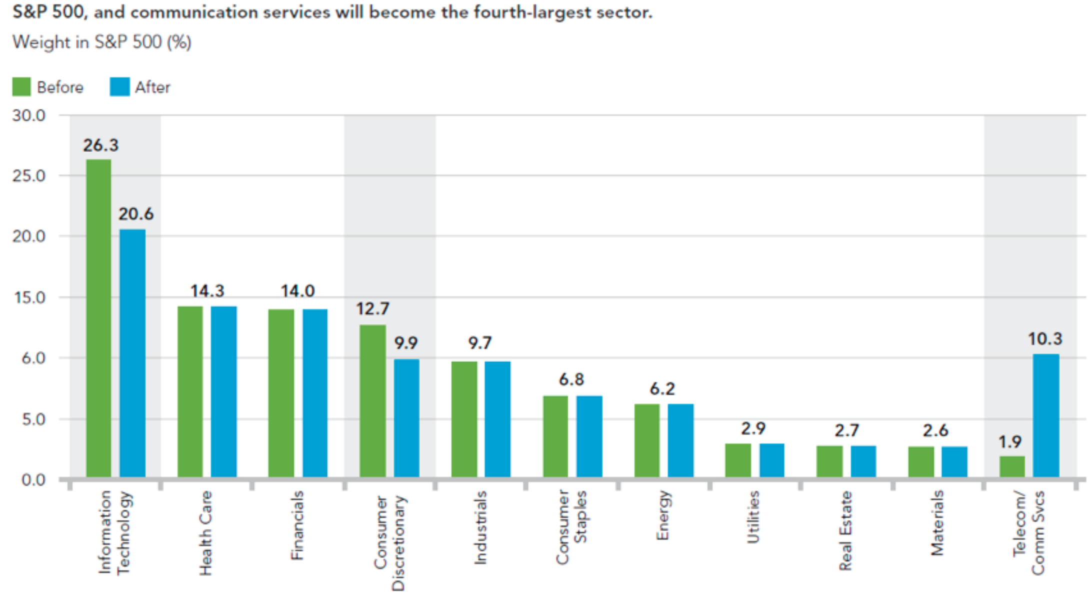
Without Alphabet/Google and Facebook, the remaining Technology sector will be dominated by software companies and Apple. Software has become a relatively defensive sector in that its subscription models and enterprise orientation make it both "sticky" and crucial for business processes. Despite having structural growth and incredible business models, many Technology names are looking over-valued and have recently had incredible performance.

The impact on most investors, whether investing actively or passively, is basically zero. Active mutual fund managers will continue to hold the stocks that they feel are the most promising, regardless of sector categorization. Passive investors using broad indexes like the Nasdaq or S&P 500 as core holdings will also be unaffected.

Of course, indexes representing these sectors will be affected by the shuffling, as will the mechanics of diversification and tilting. For instance, Spinnaker's Global Market Growth strategy adds alpha via sector tilts. Through the end of 2018 and perhaps even into 2019, we will be adjusting our sector weights to accommodate the new Communications sector. Therefore, while our clients' collective exposure to stocks should not change very much, the mechanics of providing this exposure will.

The infographics below provide additional insight on how the S&P 500 index will be reweighted after the change.

EXHIBIT 2: The new GICS structure will reduce the weights of information technology and consumer discretionary in the S&P 500, and communication services will become the fourth-largest sector.



Source: Standard & Poor's, FactSet, as of June 30, 2018.

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