Shepherd Financial Partners Investment Process

Investment Philosophy

Shepherd Financial Partners creates portfolios with the objective of helping clients work toward their financial goals after-tax and net-of-fees. We use our assessment of the business cycle to drive positioning in areas that work toward this investment goal on a risk-adjusted basis. We continually ask ourselves: what risk are we taking, and how well are we being paid for it.

We believe in a global asset allocation approach to portfolio construction as a way to diversify holdings and thus dampen risk. We strive to be adaptive within this asset allocation framework. Markets are driven by cycles and we look to maximize our clients' risk adjusted returns by taking advantage of opportunities presented to us as different points of the cycle. Our philosophy is maintained across all SFP strategies.

Investment Process Overview

1| Macro Research

Generate top-down macro view based on analysis of 7 economic factors.

Output: SFP Investment Outlook

Identify current location in the economic cycle using economic factors and use this to drive asset class outlooks.

Output: Equity and Fixed income outlooks within the SFP Investment Outlook; Factor research

2| Allocate and Execute

Implementation: Use macro views (from SFP outlook) to determine asset allocation views which results in over/under weights compared to agreed upon benchmarks.

Idea Generation: Use agreed-upon screening criteria for each strategy to generate a universe of ideas – forms watch list. Investment team conducts due diligence. Trades are presented at the Investment Committee meeting.

Execution: Position sizing based on risk budgeting conviction and allocation bands constraints.

3| Monitor

- **Risk management**
- **Rebalancing and**
- **Monitoring** of the portfolios are completed in accordance with model band parameters and macro factor updates.

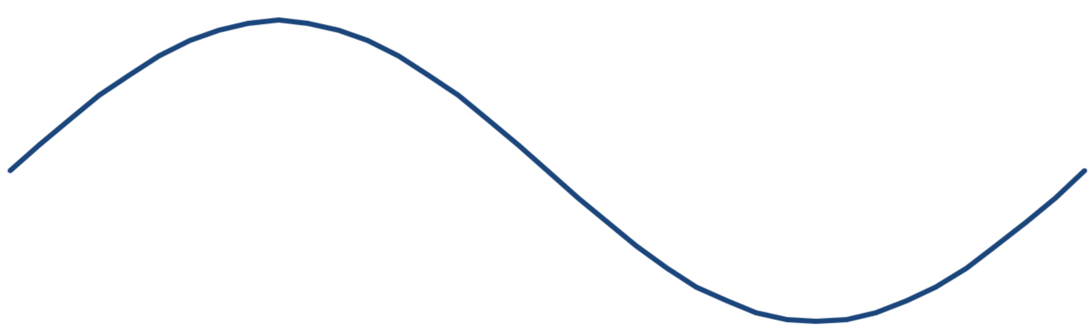
1 | Macro Research: Factor Overview

We use 7 macroeconomic factors to approximate our current position in the business cycle and therefore dictate our outlook and asset allocation.

Factor Overview	Key Data Threshold	Definition
Leading Economic Indicators (LEI)	< 0%	The Conference Board's index of 10 key US economic indicators that are used to signal peaks and troughs in the business cycle. Historically, the index growth (year over year) turns negative prior to a recession.
Retail Sales	< 0%	Index of retail sales in the US. Historically, retail sales growth (year over year) turns negative prior to a recession.
ISM Manufacturing	< 50%	The Institute of Supply Management (ISM) conducts a survey of more than 300 manufacturing firms to gauge sentiment on production. Historically, ISM Manufacturing index falls below 50 prior to a recession.
Real Money Supply (M1) Growth	< 0%	M1 is a popular measure of liquidity within the financial system. Real money supply growth (y/y) generally goes negative prior to a recession.
Yield Curve (10-2)	< 0bps	The treasury yield curve is the difference between the yields on longer dated US treasuries vs. shorter dated US treasuries. We focus on the spread between 10 year and 2 year treasuries – this spread inverts (turns negative) prior to a recession.
High Yield Credit Spreads	Velocity of increase	High yield credit spread is the difference between yield in a high yield bond and a treasury in a given maturity term. When this spread widens, the bond market is signaling potential cracks in the credit market and economy.
Valuations (forward P/E S&P 500)	Relative vs. long-term averages	Valuations for equity investments allow for a relative comparison of price. We track forward price to earnings for the S&P 500 (along with other indexes) which provides a gauge of how expensive or cheap equity markets are.

Macro Research: Location in Business Cycle

Recession Probability	**Low**	**Low**	**High**	**High**
Economic Growth	**Accelerating**	**Decelerating**	**Decelerating**	**Accelerating**
	Expansion	**Slowdown**	**Contraction**	**Recovery**



Which factors tend to work well in each regime?	**Momentum**	**Min Vol**	**Min Vol**	**Size**
		Quality	**Quality**	**Value**

2 | Allocate and Execute: Model Objective

The Aggressive Growth Model seeks long-term capital appreciation. The model generally invests 90-100% in a diversified portfolio of equities. This investment portfolio is appropriate for investors with a long- term time horizon and no need for current income. This portfolio is considered to have the highest level of risk among the models presented.

The Growth Model seeks long-term capital appreciation and modest current income. The model generally invests 70-90% in a diversified portfolio of equities with the remainder in fixed income securities and cash. This investment portfolio is appropriate for investors with an intermediate to long-term time horizon and a moderate need for current income. This portfolio is considered higher than average risk.

The Growth & Income Model seeks long-term capital appreciation and current income. The model generally invests 50-70% in a diversified portfolio of equities with the remainder in fixed income securities and cash. This investment portfolio is appropriate for investors with an intermediate time horizon and a need for current income. This portfolio is considered average risk.

The Income with Moderate Growth Model seeks current income, principal protection, and moderate capital appreciation. The model generally invests 30-50% in a diversified portfolio of equities with the remainder in fixed income securities and cash. This investment portfolio is appropriate for investors with a short to intermediate time horizon and a need for current income. This portfolio is considered to have the lowest level of risk among the models presented.

3 | Monitor: Model risk management

Daily	Weekly	Monthly	Quarterly	Semi-Annually
Morning Research Note	Investment Committee Meeting	Portfolio Performance Update	Attribution Analysis	Portfolio Rebalance
Position/Market Monitoring	Insufficient Funds Screening	Internal Stress Test Update	Client Investment Letter	Investment Outlook Refresh
Trading Operation	Attention Account Meeting	Macro Data Update	3rd Party Stress Test Update	
Cash Management Trading			Management Reporting Update	
			Earnings Call Monitoring for stock holdings	

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You should probably create a separate slide for the following Model Risk disclosures: The information provided is for informational purposes only and not intended to provide specific advice or recommendations for any individual. Indices are unmanaged and may not be invested into directly. All portfolios are required to be reviewed for suitability and alignment with investor's goals and objectives prior to implementation. No strategy, including asset allocation, assures success or protects against loss. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk. Tactical allocation may involve more frequent buying and selling of assets and will tend to generate higher transaction cost. Investors should consider the tax consequences of moving positions more frequently. Stock investing involves risk, including loss of principal. The prices of small and mid-cap stocks are generally more volatile than large cap stocks. An investment in Exchange Traded Funds (ETFs), structured as a mutual fund or unit investment trust, involves the risk of losing money and should be considered as part of an overall program, not a complete investment program. An investment in ETFs involves additional risks, such as not diversified, price volatility, competitive industry pressure, international political and economic developments, possible trading halts, and index tracking errors. Investing in mutual funds involves risk, including possible loss of principal. Value will fluctuate with market conditions and may not achieve its investment objective. Because of their narrow focus, investing in specialized sectors maybe subject to greater volatility and special risks than investing more broadly across many sectors and companies. International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. Fixed income investments are subject to credit, market, and interest rate risk if sold prior to maturity and are subject to availability and change in price. Cash alternatives are subject to various risks, such as market or credit risk, and may lose value.