Essential Growth Portfolio℠

Report for the Fourth Quarter of 2018

Philosophy

We believe that high quality companies will deliver excellent risk-adjusted returns for investors over a complete market cycle, if chosen according to a disciplined, value-oriented process.

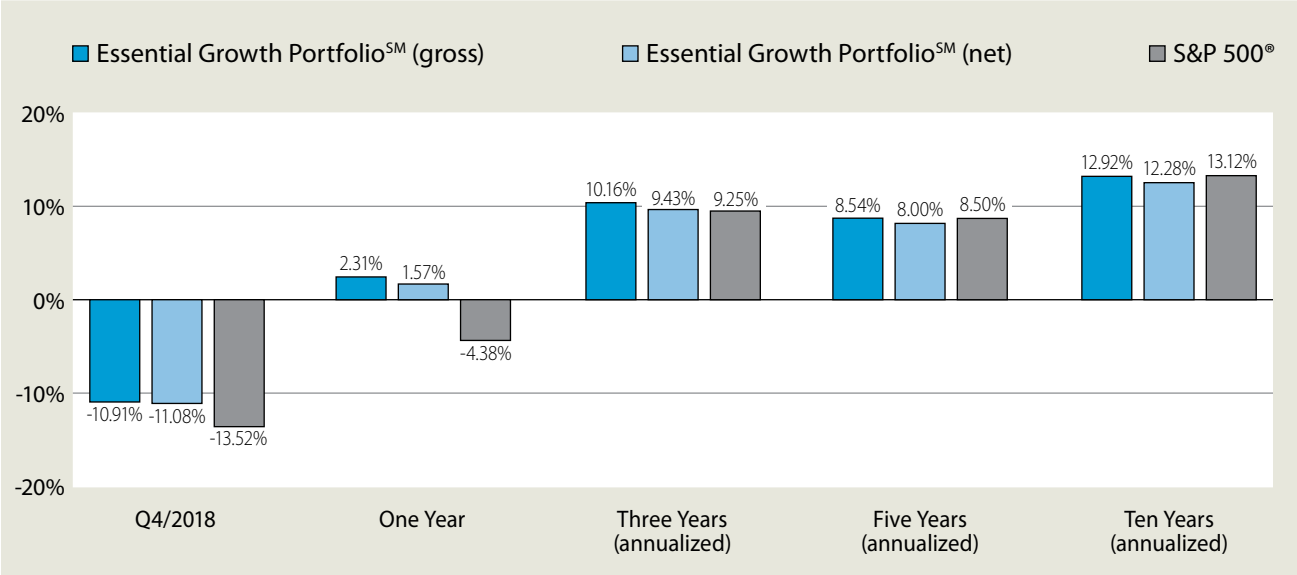
Objective

We seek long-term capital appreciation by investing in a diversified portfolio of common stocks of companies that demonstrate long histories of strong returns on equity and consistent earnings growth. Dividend income is a secondary consideration.

Essential Investment Partners

Essential Investment Partners
4600 South Syracuse Street, Suite 410
Denver, CO 80237
(303) 333-8498
www.essentialinvestment.com

Essential Growth Portfolio℠
Total Returns for Periods Ended December 31, 2018



Portfolio Manager's Commentary for Fourth Quarter of 2018

US stocks sharply reversed course in the fourth quarter, more than erasing the gains from the first three quarters of the year. December, usually a positive month for stocks, was particularly brutal, as indices turned in rare double digit declines. Investors became concerned about the US economy slowing, the Federal Reserve continuing to raise rates and the trade wars having an impact on the real global economy. Technology companies, whose stocks had led the charge on the way up, led the retreat in the fourth quarter as their business plans came under fire and investors decided that future earnings may not be as strong as originally anticipated.

Top Ten Holdings as of 12/31/18

UnitedHealth Group Incorporated	7.0%
Alphabet Inc. Classes A and C	6.1%
The TJX Companies, Inc.	4.9%
Mastercard Incorporated	4.7%
Johnson & Johnson	4.5%
Becton, Dickinson and Company	4.4%
Microsoft Corporation	4.2%
Booking Holdings Inc.	3.9%
Ball Corporation	3.9%
Stryker Corporation	3.8%

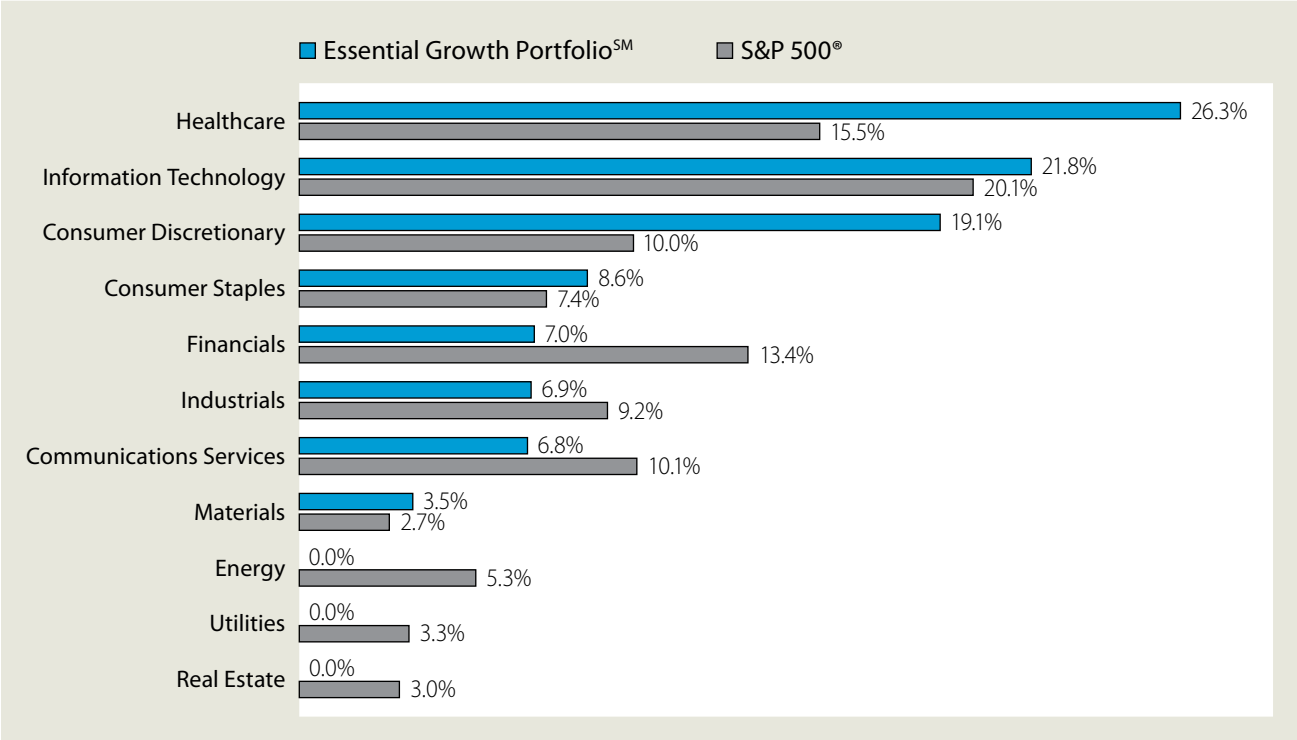
Portfolio Characteristics as of 12/31/18

	EGP	S&P500®
Market capitalization ($bil)	$212	$201
Dividend yield	1.43%	2.23%
Sharpe ratio	0.85	0.78

For the quarter, US stocks, as represented by the S&P 500 Index®, posted a decline of -13.52%. The Essential Growth Portfolio® composite exceeded the return of the S&P 500 Index® in the quarter with a return of -10.91% (gross) and -11.08% (net of fees). For the full year, the Essential Growth Portfolio® composite eked out a positive return, returning +2.31% (gross) and +1.57% (net of fees), compared to a loss of -4.38% for the S&P 500 Index®.

Like the broader market, the technology sector was the worst performing sector in the Essential Growth Portfolio®. Apple was the biggest loser in the fourth quarter, declining nearly 30%, after reaching an all-time high in early October. The other notable loser in the quarter was Lab Corp. which reported disappointing earnings and a reduced outlook. The only good news came from Dollar Tree and Ball Corp. which were our only two stocks with positive returns in the quarter.

Sector Comparison vs. S&P 500® as of December 31, 2018



Our strategy is focused on those sectors and companies that can deliver consistent earnings growth and returns on capital over long periods of time. Historically, that means we have the biggest weights in the technology, health care and consumer discretionary sectors. While our technology and health care sector investments did better than the broad market for the full

year, the biggest value addition came from consumer-oriented companies. Mastercard was the best performer for the full year, followed by Ball and TJX. Microsoft was also a strong performer, aided by a completely new focus on high value businesses, delivered in a cost-effective way.

We noted last quarter that we would not have been surprised to see a correction in the prices of the higher growth companies in the portfolio. We certainly got that correction in a very harsh fashion. Volatility, both up and down, has returned to the US markets and may continue for a while as the market decides whether its concerns are temporary or lasting. It is important to remember that the biggest one day gains, which we have seen several of in the last few weeks, usually come amidst declining markets. So it is quite possible that we could have more downside ahead.

Historically, the Essential Growth Portfolio® has performed relatively well in down markets as the kinds of companies we invest in tend to hold their value relatively better in negative environments. While that was the case in the fourth quarter downturn, we can hardly celebrate a double digit loss. We remain focused on our objective of providing long term returns very similar to those of the US large cap market with somewhat less risk.

Jon Zeschin, CPA/PFS, CFP®
Portfolio Manager

Important Information

Essential Investment Partners, LLC ("EIP") is registered as an investment adviser with the U.S. Securities and Exchange Commission and will transact investment advisory business in states only to the extent EIP has made or is exempt from the requisite notice filings. No follow up or individualized responses to persons in other jurisdictions that involve either rendering or attempting to render personalized investment advice for compensation will be made absent compliance with applicable legal requirements, or an applicable exemption or exclusion.

The Essential Growth Portfolio℠ is a composite of portfolios managed by EIP in this strategy. This Portfolio may be used as a model for recommendations to other advisory clients, depending on the clients' individual needs, financial condition and risk tolerance. Holdings in an individual client's portfolio may vary from the holdings presented herein.

All composite returns are calculated as time-weighted total returns, reflecting the reinvestment of dividends and capital gains, the effects of cash holdings and the deduction of brokerage commissions on transactions. Dividends and other distributions are recorded when received in cash or additional shares, regardless of when such distributions may be recognized for income tax purposes. "EGP Gross" means the total return composite for the Essential Growth Portfolio℠ without the effect of management fees charged by EIP. "EGP Net" reflects the "EGP Gross" returns adjusted for the actual fees charged to clients. For non-fee paying accounts, EGP Net reflects EGP Gross returns adjusted for the effects of charging a hypothetical fee using EIP's standard fee schedule of 1% of assets per annum up to $2 million, 0.75% of assets per annum on the next $3 million of assets and 0.50% of assets per annum on assets in excess of $5 million, billed quarterly in arrears. This is the highest fee schedule charged to any client using the Essential Growth Portfolio℠. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. The composite contains all fee-paying accounts which are or were managed as standalone portfolios using this strategy. *Past performance does not guarantee future results.* Investing in stocks involves substantial risks, including the risk of losing some or all of the amounts invested.

Prior to 2007, the Essential Growth Portfolio℠ included stocks of all market capitalizations. Since the beginning of 2007, a stock must have a market capitalization of greater than $1 billion to be considered for purchase (and legacy positions were eliminated by the end of 2007). The portfolio management team changed in October, 2015.

The S&P 500® is an unmanaged index of U.S. stocks weighted by market capitalization. The S&P 500® returns presented are time-weighted total returns, including the reinvestment of dividends.

All portfolio characteristics for the Essential Growth Portfolio℠ are weighted averages, except the Sharpe Ratio. The Sharpe Ratio measures the amount of return per unit of risk taken and is calculated by dividing the five year gross annualized return by the five year annualized standard deviation. The sources for other portfolio characteristics are Morningstar, Inc. and internal calculations performed by Essential Investment Partners, LLC.

This information is for illustrative purposes only; nothing contained herein is intended as investment advice or an opinion regarding the appropriateness of any investment, or a solicitation of any type.

Essential Investment Partners
4600 South Syracuse Street, Suite 410
Denver, CO 80237
(303) 333-8498
www.essentialinvestment.com