



Economic and Market Update

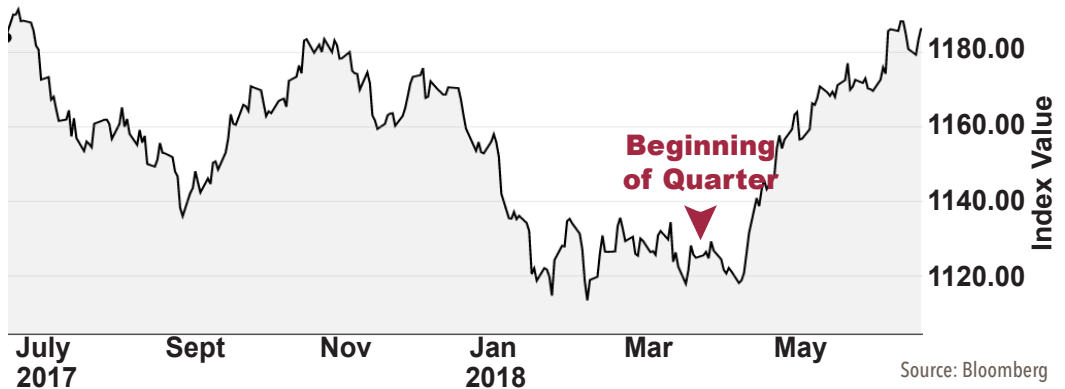
By: The Investment Committee

CORRELATION AND THE BENEFITS OF DIVERSIFICATION

Correlation is generally defined in the investment world as a statistic that measures the degree to which assets change in value relative to one another. However, diversification is a methodology practiced to reduce risk within a portfolio by combining assets (or investments) that have low correlations amongst themselves, thereby providing higher expected risk adjusted returns. For the past forty years the Investment Committee at JNBA has focused not only on providing sound investment returns for our clients, but more importantly, managing around the risk tolerance/capacity of our clients by keenly watching correlations and managing diversification.

2018 has been a fine illustration of why our investment approach at JNBA has been successful and is a testament to our client retention rate of 97% since we began tracking in 2001.

Year-to-date, performance of U.S. small cap growth is in the double digits while U.S. small cap value is in the red. Emerging and international equity markets had an incredible run in 2017 (EM up almost 40%) but have since been a negative influence on many portfolios quarter-to-date thanks in part to a strengthening U.S. Dollar (USD) (see chart below).



Source: Bloomberg

So while pockets of the markets have seen incredible volatility and divergence of returns, well-constructed portfolios have generally experienced modest changes in performance on a weekly basis thus far in 2018. It is important to keep in mind that although talks of tariffs, trade wars, rising interest rates, and geopolitical risks might be frightening, risk can be mitigated through the use of correlation statistics and portfolio diversification.

THE NUMBERS



MARKET WRAP 6/27/18

S&P 500	1.8%
S&P Small Cap	9.3%
MSCI EAFE Int'l	-3.7%
U.S. Aggregate Bond	-1.7%

U.S. TREASURY YIELDS 6/28/18

91-day T-Bill	1.9%
5-Year	2.7%
10-Year	2.8%

MORTGAGE RATES 6/28/18

15-Year Fixed	3.8%
30-Year Fixed	4.4%

OIL (per barrel) \$73.60

GOLD (per ounce) \$1,251

UNEMPLOYMENT MAY 2018 3.8%

1ST QUARTER GROSS DOMESTIC PRODUCT 2.0%

JNBA Named to *Financial Times* 300 Top Registered Investment Advisers List

For the fourth time, JNBA has been named to the *Financial Times* Top 300 Registered Investment Advisers in the nation list.



FT 300 Ranking June 2018



RISKALYZE

By: Financial Planning Committee

New Tool Makes Understanding Risk Tolerance Easier

Understanding risk tolerance is a key consideration when structuring and managing your portfolio. That is why we ask every client to complete a risk questionnaire when you are onboarding, and again every three years after that. As you experience various life events, your comfort around risk may change. By keeping your risk tolerance level up to date, it allows us to understand more accurately what allocation will be most appropriate for you.

To improve this process, JNBA recently implemented a new online risk assessment tool called Riskalyze. With this new tool, we are able to:

- 1) More efficiently understand your comfort around market volatility and potential gains or losses in your investment portfolio; and
- 2) Create a more dynamic and convenient experience that provides a risk tolerance level immediately after the questionnaire is completed.

Riskalyze is just one tool we use to determine the most appropriate portfolio allocation for our clients. As always, your advisory team will review all risk tolerance results in greater detail at your next meeting. They will also discuss with you how the risk score aligns with your portfolio allocation.

Please let your advisory team know if you are uncomfortable completing a risk assessment tool online. They will work with you to complete the risk assessment during your meeting.



DID YOU KNOW

LONG-TERM ISSUE

The estimated Social Security shortfall today between the future taxes anticipated being collected and the future benefits expected to be paid out over the next 75 years is \$13.2 trillion. The entire deficiency could be eliminated by either an immediate 2.78% increase in the combined Social Security payroll tax rate or an immediate 17% reduction in benefits that are paid out to both current and future beneficiaries.

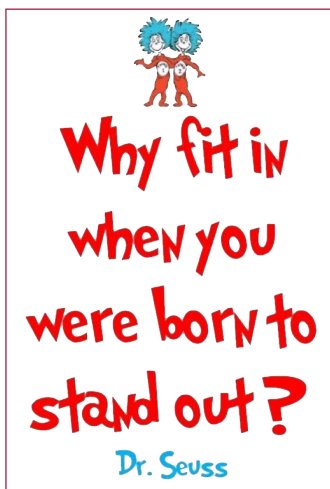
Source: Social Security Administration

RECENTLY ANNOUNCED

Health Savings Account Family Maximum Contribution Reverts Back

The 2018 HSA maximum contribution for families was reverted back to \$6,900 as originally released by the IRS. For nearly two months, it was reduced to \$6,850 in light of the new inflation calculations under the new tax reform laws.

The individual and catch-up limits remain unchanged at \$3,450 and \$1,000 respectively.



EXECUTIVE CORNER

By: Kim Brown

I hope you are all enjoying summer, which is clearly going too fast!

I have been a Dr. Seuss fan for as long as I can remember because, well, I like him. His words put a smile on my face and share lasting wisdom in fun ways. "Why fit in when you were born to stand out?" is one of my Dr. Seuss favorites.

I love it because it's how I feel about JNBA and our team. In an industry that seems in many ways to be a sea of sameness, we have worked hard to stand out. We walk a daily journey of continuous improvement, from our processes, our technology, and our people. We are blessed with a multi-generational team of some of the smartest, kindest people I've ever had the pleasure to know. What makes them stand out is their drive to take our service level to new heights through true advocacy for our clients. After all, we want to stand

out because we are willing to work hard and do what it takes to advocate on all issues that are important to you. By working with you and walking with you through life's most important decisions, your success is our success. We strive to stand out as irreplaceable partners to you, our valued and irreplaceable clients.

No one can better share our passion of delivering a higher standard than our team. Visit jnba.com to see our new video.

I hope you all have a wonderful 4th of July weekend celebrating our great nation and the independence we are privileged to have because of the bravest of all among us, the men and women who serve our country.

MEET TWO OF OUR NEW TEAM MEMBERS

Shawn Yoakum – Marketing Associate

As a Marketing Associate, Shawn's main goal is to ensure that JNBA's brand position and key messaging is delivered to the marketplace in the most efficient manner possible. This includes direct and social media content, website and advertising initiatives, and general communications. She works closely with internal teams to ensure the information JNBA is putting forth is timely, credible, and easy to access.



Micheal Lund – Trading and Reporting Investment Analyst

As a Trading and Reporting Investment Analyst, Michael brings nearly five years experience to the expanding investment team at JNBA. Some of Michael's core responsibilities include investment research and portfolio administration, facilitating JNBA's trading and rebalancing process, and assisting the JNBA Investment Committee in various aspects of the investment process.

To learn more about Shawn and Michael, visit our website – you'll find them under "Our People."

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Featured Investment Corner

By: The Investment Committee

This feature profiles a new investment each quarter that the JNBA Investment Committee has chosen to reflect the strategies of many portfolios at our firm. Our hope is to provide additional insight behind the strategies implemented by our Investment Committee. If you have any questions about the featured investment or the specifics of your own portfolio, please contact your Advisor.

VAN ECK VECTORS MORNINGSTAR WIDE MOAT ETF (MOAT)



Objective: VanEck Vectors Morningstar Wide Moat ETF (MOAT) seeks to replicate the price and yield performance of the Morningstar Wide Moat Focus Index. The index is composed of the most undervalued (trading at the lowest current market price/fair value ratios), highest-quality companies in Morningstar's coverage universe. The companies in this index must have an economic moat rating of wide (they have advantages that will fend off competitors for at least 20 years), and their shares must be trading below their fair value estimates, which are determined through independent research conducted by the Morningstar Equity Research team.

Role in JNBA Portfolios: U.S. Large Cap Core Equity

Annualized total return over 3-5 years: 13.5% / 14.2%

*As seen in the 6/26/14, 6/18/15, 6/16/16 & 6/28/18 issues of *Financial Times* magazine. Rankings and/or recognition by unaffiliated rating services and/or publications should not be construed by a client or prospective client as a guarantee that he/she will experience a certain level of results if JNBA Financial Advisors, Inc. is engaged, or continues to be engaged, to provide investment advisory services, nor should it be construed as a current or past endorsement of JNBA Financial Advisors, Inc. by any of its clients. Rankings published by magazines, and others, generally base their selections exclusively on information prepared and/or submitted by the recognized advisor. Rankings are generally limited to participating advisors. JNBA's Chief Compliance Officer remains available to address any questions regarding rankings and/or recognitions, including providing the criteria used for any referenced ranking. Please see www.jnba.com/disclosure for more information.

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