

January 1, 2020

401K PORTFOLIO JANUARY 2020 UPDATE & NEWSLETTER

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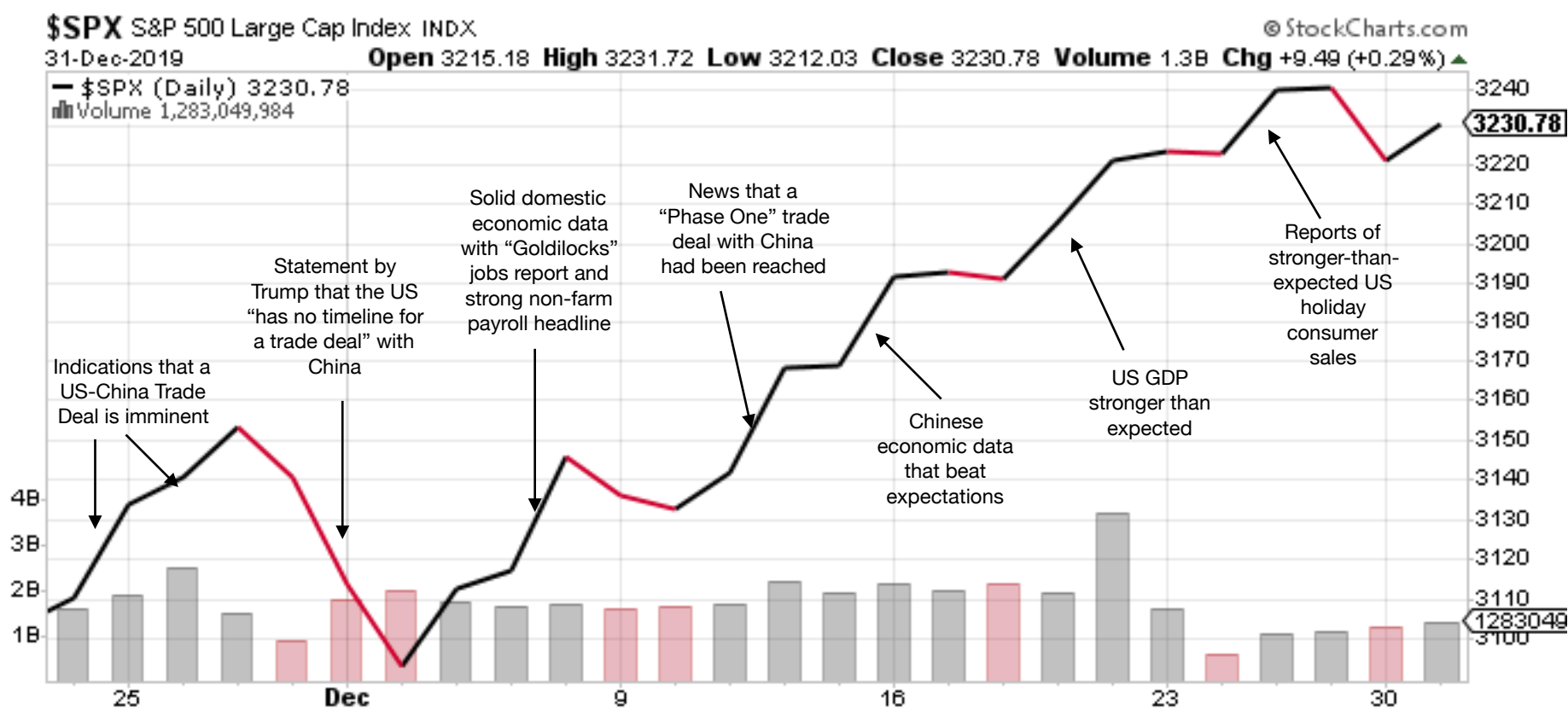
TAKE CONTROL OF YOUR FUTURE

January 2020 Newsletter

Happy New Year!

In a December to remember, the month is ending with a bang, as all major US indices rose almost 3%, and all broke records. Over the full year 2019, the DJII ended up 22.3%, S&P 500 +28.9% and NASDAQ +35.2%. The S&P 500's yearly return is its second best annual return since 1997. (2013 +29.6%)

EZTracker's model portfolios reflect the current markets' strengths. Therefore, we are **not making any changes** in our model portfolios at this time – all EZTracker model portfolios remain diversified and reflect the strategy we've used since 2002 to deliver superior long-term performance.



What a difference a year makes!

During the last months of 2018, worries about interest rates, slowing economic growth, an escalating trade war, and upcoming recession risks abounded, causing markets to retreat by 19% over the 3-months Sept 24-Dec 24, 2018. At that time, EZTracker acknowledged the volatility and our model portfolios remained defensive, averaging a 4.5% outperformance for the full year 2018 versus Aggressive benchmarks, 2.2% for Moderate, and 0.2% for Conservative portfolios.

In retrospect, 2019 was also a year of volatility, which was not surprising due to the numerous macroeconomic uncertainties facing the markets, the global and domestic economies, and geopolitical uncertainties. Volatility, however, **does not** automatically equate to poor investment performance. For the domestic markets, resilient corporate earnings, stable economic growth and an accommodative Federal Reserve combined with rising optimism towards U.S. - China trade (especially toward the end of the year) all helped to deliver an amazing year of positive returns.

Some highlights from 2019:

- The Fed remained active this year, cutting rates three times and signaling a pause for the time being;
- The U.S. 10-year Treasury closed at a healthy 1.92% yield while many foreign government bonds remain in negative territory;
- Markets are still focused on the prospects of a comprehensive US-China trade deal, with investors encouraged by recent official announcement of a "Phase One" signing ceremony on January 15th. Dialing back on some existing tariffs seems enough to relieve some pressure on the global economy and re-energize stock market bulls. Full details are still not clear, however what has been disclosed so far is promising. The tentative agreement unwinds some of the new tariffs that were threatened by Trump earlier in the year., however the 25% tariff on \$250 billion of Chinese imports remains, with the possibility of a further tariff increase if China doesn't follow through on its commitments. The trade agreement marks the first time trade talks have led to an actual reduction of tariffs rather than a delay.
- Government data showed payrolls jumped 266,000 last month, the most since January 2019, with the jobless rate dropping to 3.5% and average hourly earnings exceeding expectations. Markets have received this to be a sign that the American economy isn't close to signaling a recession.

December's **University of Michigan Consumer Sentiment Index** strong measure of 99.3 represented a 2.6% gain from November's 96.8. The increase reflected improved sentiment across all income distribution levels, however the top third gained the most. Reduced inflation expectations – to their lowest in over four years - had the largest effect.

Index Analysis: Over the full year 2019, large cap stocks once again outperformed small caps. Large cap outperformance was partially due to investors' rising future recession fears, as larger companies' broader reach and diversity historically desensitize them to a slowing economy.

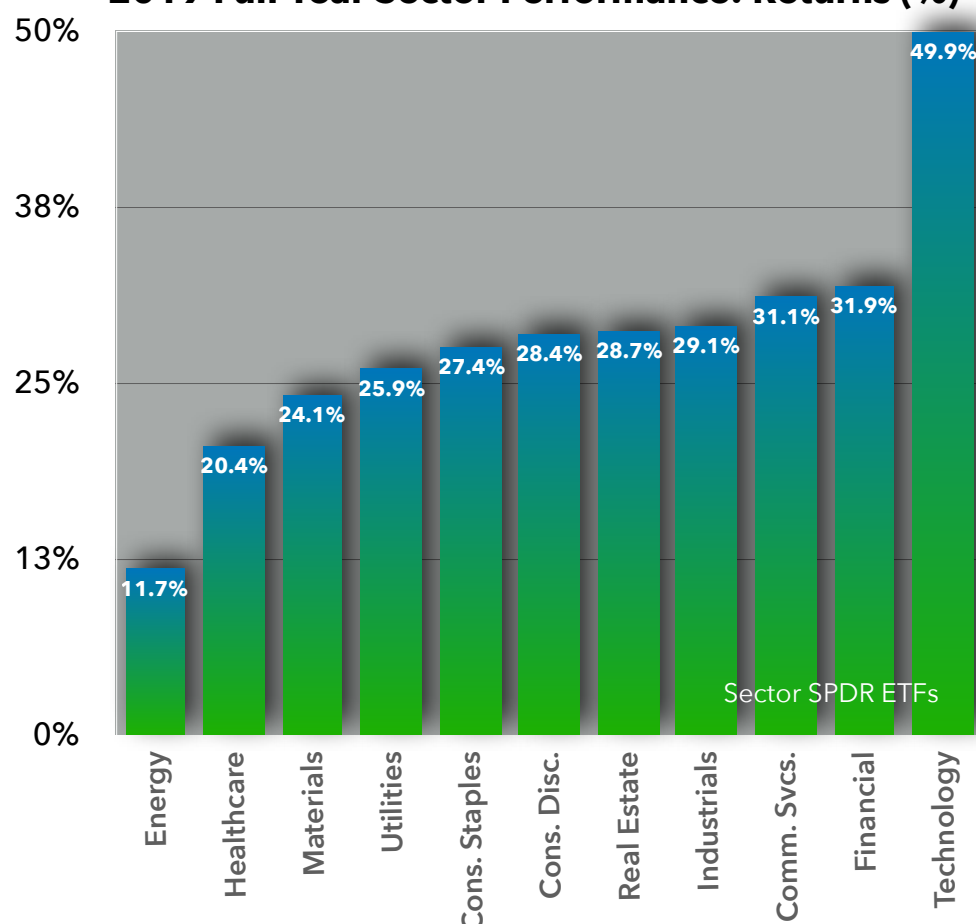
From an investment style standpoint, growth stocks outperformed value stocks, mainly due to strength in technology, consumer sectors and industrials. Growth stocks are considered stocks that have the potential to outperform the overall market over time because of their future potential, while value stocks are classified as stocks that are currently trading below what they are really worth and will, therefore, provide a superior return.

2019 Full Year Index Perf: Returns (%)

LARGE CAP	25.9%	33.2%	34.7%
MID CAP	24.6%	31.8%	36.6%
SMALL CAP	19.7%	29.5%	28.0%
	VALUE	BLEND	GROWTH

Morningstar YTD thru 12/27

2019 Full Year Sector Performance: Returns (%)

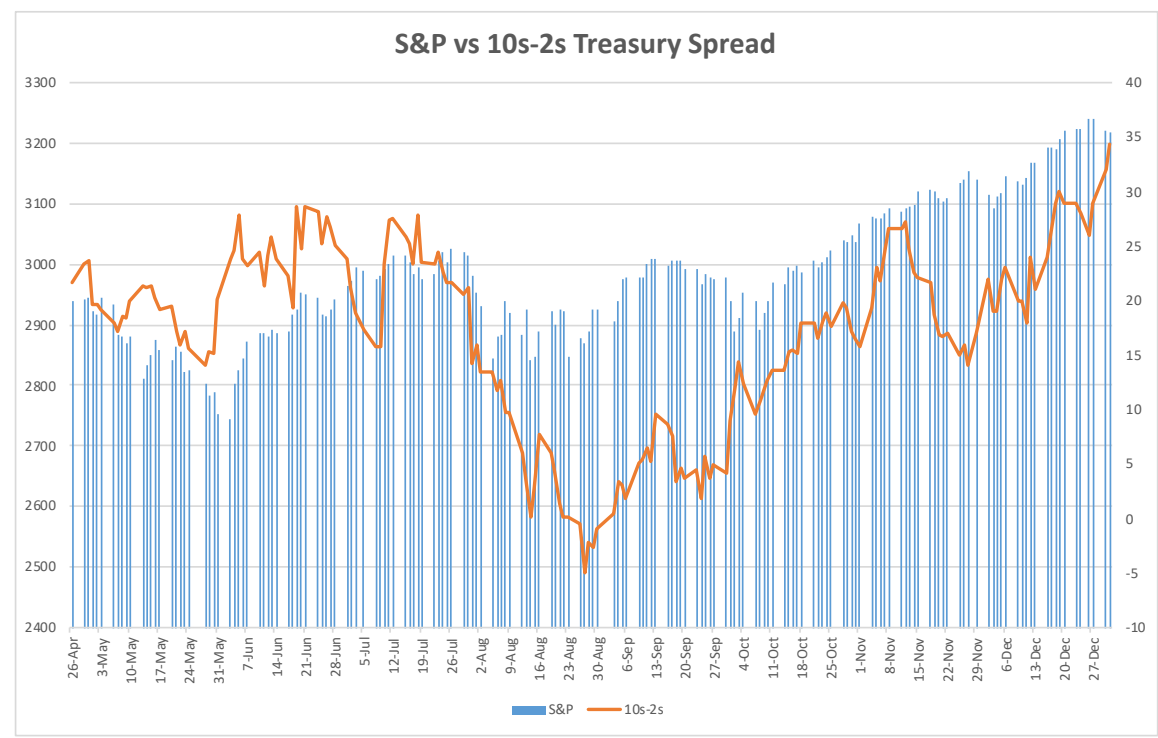


On a **sector level**, all eleven S&P 500 Index sectors finished the year with positive returns. Technology had the highest YTD returns, approaching 50%, led by FAANG (Facebook, Apple, Amazon, Netflix, Google). Financials performed second best, partially because their strong avg. dividend yield exceeded that of the 10-yr Treasuries. Traditional defensive stock sectors carrying high dividend yields (Utilities and REITS) similarly performed well, fueled by falling T-yields and concerns about future economic growth. Energy had the lowest returns from oil price declines and reduced sector demand.

Which sectors lead the market is often a leading indicator: strength in cyclicals implies expectations of continued overall growth, while outperforming defensive sectors signal reduced confidence in global growth rebound.

Looking internationally, developed and emerging markets remained volatile from global economic growth concerns combined with pressures from a strong US Dollar. Developed markets outperformed EM due to the ECB's cutting interest rates and restarting quantitative easing (QE) for the first time since 2018. From June thru November 2019, **EZTracker's** model portfolios underweighted international and emerging markets, shifting exposure to US domestic stocks— during that period domestic equities outperformed international and EM sectors by 13%+.

Switching to fixed income markets, bond prices were broadly higher (US 10-year treasury yields began the year yielding 2.66% and ended the year at 1.92%), as expected given global rate cuts, rising concerns about future economic growth, and subdued inflation readings. Longer-duration bonds once again outperformed shorter, which is reflective of a market that is responding to the recent rate cuts and threats of potentially slowing economic growth.



The yield curve, as measured by the spread (difference) between the yield on the 10-year and the 2-year Treasury note, has steepened over the past month to the widest levels seen in over a year, ending 2019 at 35 bps. An encouraging macro signal, this implies an expectation of continuing economic growth over the medium to longer term. Still, the question facing investors is how the 10s-2s spread changes over the next few months. This remains one of the key indicators **EZTracker** monitors for signs of economic growth.

Expectations of 2020

While we of course cannot predict the future, we share “expert” analyst predictions for 2020 and show how the same analysts performed in 2019. Keep in mind that the “experts” missed on their 2019 forecast by approximately 8% (on average) after missing the prior year by almost 12%.

Company	Analyst	2019 S&P Prediction	Actual 2019 S&P	% Miss 2019	2020 S&P Prediction	2020 Proj vs. 2019 Close
Deutsche Bank	Binky Chadha	3250	3231	0.6%	3250	0.6%
BMO	Brian Belski	3,150	3231	2.5%	3400	5.2%
Citi	Tobias Levkovich	3100	3231	4.0%	3375	4.5%
J.P. Morgan	Dubravko Lakos-Bujas	3100	3231	4.0%	3400	5.2%
Credit Suisse	Jonathan Golub	3025	3231	6.4%	3425	6.0%
Goldman Sachs	David Kostin	3000	3231	7.1%	3400	5.2%
Barclays	Maneesh Deshpande	3000	3231	7.1%	3300	2.1%
Cannaccord Genuity	Tony Dwyer	2950	3231	8.7%	3350	3.7%
BofA Merrill Lynch	Savita Subramanian	2900	3231	10.2%	3300	2.1%
RBC	Lori Calvasina	2900	3231	10.2%	3350	3.7%
Morgan Stanley	Michael Wilson	2750	3231	14.9%	3000	-7.1%
UBS Group	Francois Trahan	2550	3231	21.1%	3000	-7.1%
Average		2973	3231	8.1%	3296	2.0%

We understand that markets always face uncertainties at the start of a new year, and we are committed to monitoring these situations and their impact on your retirement portfolio. At **EZTracker**, we understand that volatility, regardless of the cause, can be unnerving, *even if it is not atypical*. We remain committed to helping you navigate this ever-changing market environment, with a focus on ensuring continued progress on achieving your long-term investment goals. As always, successful investing remains a marathon, not a sprint – so it remains critical to stay invested, remain patient, and stick to a plan.

Bottom line, U.S. markets were resilient in 2019 and the performance remains impressive. However, our experience has taught us that resilience only goes so far, and risks still need to be monitored closely. The **EZTracker** team remains dedicated to helping you successfully navigate this market environment as we have since **EZTracker** began in 2002. We remain vigilant towards risks to portfolios and the economy, and we thank you for your ongoing confidence and trust.

EZTracker provides three model portfolios for Envoy employees; Aggressive, Moderate and Conservative. Each is designed for different investment needs and styles as well as level of risk.

STEP 1: Update Current Investments

Current Subscribers:



Aggressive, Moderate & Conservative Portfolios:
There are NO CHANGES this month.

New Subscribers: *or those who haven't made any changes in a few months*

Rebalance your 401k using the chart below for the portfolio you want to follow. Use "Rebalance my current balance" process.

EZTracker Model Portfolios	Symbol	Aggressive	Moderate	Conservative	Buy Date
Fidelity 500 Index Fund	FXAIX	40%	32%	18%	11/25/19
T. Rowe Price New Horizon	PRNHX			9%	11/25/19
JPMorgan Large Cap Growth R6	JLGMX			9%	11/25/19
American Funds EuroPacific Growth R6	RERGX			9%	11/25/19
Vanguard Total Bond Market Index Inst	VBPIX			9%	11/25/19
		100%	100%	100%	

Your individual percentages may vary somewhat from those indicated above due to rounding, timing of purchases, and performance every month (In many cases even though there may be no changes for a particular month you may notice a small change, due to performance/rounding).

Visit www.eztracker401k.com or call 201-503-6445 for more information

STEP 2: Update Future Investment Elections

If you are adding cash to your 401k through payroll deductions, set your Future Contributions identical to your Current Investment in the above **EZTracker** Model Portfolio chart.

After you complete the necessary "Exchange" or "Rebalance", print a copy of your transactions, including your confirmation number. The Buy dates are the dates of the most recent purchase. In some cases, prior purchase may have been made. **Keep track of your Buy dates to comply with any trading restrictions.** If you make changes to your 401k, you will not see your newly updated portfolio until the next day. While your percentages may vary somewhat, make sure you have the correct funds and approximately these percentages.

Portfolio Management for the 401k

- Go to: <https://participant.empower-retirement.com/participant/#/login>
- Log in with your Username and Password
- Click "My Account" on the top
- In the left-hand column, click on "View/manage my investments"
- Click the blue tab (lower right corner) "Change my investments"
- Select the action you want to take: choose:
 - Current subscribers** should select "Change how my current balance is invested". This is the "Fund to Fund Transfer" method.
 - New subscribers** should select "Rebalance my current balance"
- Review your choices.
- Select "Submit".
- After updating your Current Investments, make sure you also update your Future Investments (Paycheck and Company Contributions).

Questions? Call Empower and tell them what percentages you want in each fund: 800-345-2345

Model Portfolios | January 2020 Newsletter

All the model portfolios consist of core holdings representing major market segments, plus top performers based on current market conditions. Some market conditions may cause us to deviate from the following indicative percentages.



- Aggressive Portfolio:**
95-100% invested in equities. This is a high risk/high reward portfolio.
- Moderate Portfolio:**
70% invested in equities and 30% invested in bonds or the Credit Union or Stable Value Fund
- Conservative Portfolio:**
40% invested in equities and 60% invested in bonds or the Credit Union or Stable Value Fund. This is our lowest risk portfolio.

Which Portfolio is Right for You: Selecting the right portfolio is an individual decision based on your willingness and ability to take risk. Only you can decide. Planning your retirement is more important than ever. Your portfolio choice will vary based on age, retirement horizon, savings & expenses, pension & social security income, other investment assets, personality, and other factors. We believe you can take control of your 401k and plan for the retirement you envision. We've arranged for advisors at Friedenthal Financial to do a COMPLIMENTARY RISK ASSESSMENT for you. Or, you can take this SHORT QUIZ on your own that they've provided. No personal information is required for the quiz. Your privacy is protected.

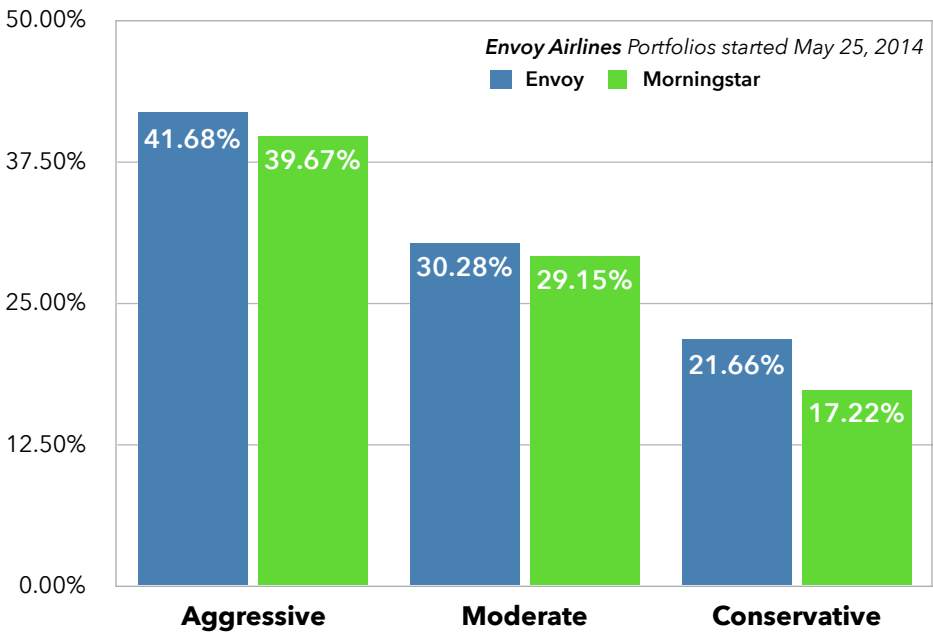
Performance

The **EZTracker** methodology used for **Envoy Airlines** is the same methodology (investing in the best performing funds) we've used since we began publishing in 2002. It has consistently delivered superior long-term results. While past performance is no guarantee of future results, our past performance validates this long-term investing philosophy.

Current Performance Through Dec 31, 2019	MTD Dec *	YTD 2019	3-Year
EZTracker Aggressive	3.81%	22.51%	41.68%
EZTracker Moderate	2.84%	16.98%	30.28%
EZTracker Conservative	1.60%	11.12%	21.66%
Morningstar Benchmarks			
Aggressive Target Risk Index	3.83%	25.79%	39.67%
Moderate Target Risk Index	2.45%	18.88%	29.15%
Conservative Target Risk Index	0.84%	11.00%	17.22%
S&P 500	3.87%	28.88%	44.29%

* Performance since last newsletter

3-Yr Total Returns vs Morningstar Benchmarks



Morningstar Target Risk Index

The Morningstar Target Risk Index series serve as benchmarks to help with investment selections. They cover a global set of stocks, bonds and commodities. While not investable indices, they represent challenging benchmarks for long-term investing plans such as the **EZTracker** model portfolios.

Historical Performance

Any investment strategy should be measured one way: Results over time. Not one-week, one-month, not even one-year. While past performance is not a guarantee of future performance, our record has been excellent in delivering long-term returns. As with any long-term investing strategy, you should not expect dramatic short-term results to offset past losses.

Annual % Total Returns

EZTracker Model	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
EZTracker Aggressive	0.59	39.49	18.13	12.19	17.10	9.29	-14.63	34.12	19.58	-0.44	7.18	29.77	4.87	0.49	1.56	19.11	-2.91	22.5
EZTracker Moderate	1.30	27.40	13.47	9.91	13.40	8.52	-9.75	24.71	14.36	0.03	5.42	20.14	4.73	1.37	3.32	13.82	-2.16	17
EZTracker Conservative	1.87	14.36	7.82	7.27	9.24	7.62	-3.80	13.89	7.30	0.11	3.58	12.54	4.42	1.72	2.48	9.91	-0.39	11.1
Morningstar Benchmarks																		
Aggressive Target Risk								32.00	16.75	-3.60	16.07	24.53	5.23	-2.67	11.34	21.95	-8.17	25.79
Moderate Target Risk Index								21.77	12.33	0.59	12.04	14.31	4.89	-1.79	8.57	14.66	-4.76	18.88
Conservative Target Risk								9.56	7.07	4.38	7.36	2.97	3.38	-0.92	4.67	7.00	-1.20	11.00

All data for the model portfolios and the market indices are based on total returns which include reinvestment of dividends. See the EZTracker website (www.eztracker401k.com) for historical data for all model portfolios.

Monthly Fund Data

Below is the current fund performance for the alternatives in the **Envoy Air** 401k plan. The “Tracker Average” is a weighted average of performance over the past year and is a key factor in selecting funds for inclusion in the model portfolios.

Fund	Fund Symbol	Total Returns				YTD	Tracker Average
		1 MO	3 MO	6 MO	12 MO		
JPMorgan Large Cap Growth R6	JLGMX	2.88%	9.70%	8.47%	39.39%	39.39%	32.97%
Fidelity 500 Index Fund	FXAIX	3.01%	9.06%	10.91%	31.47%	31.47%	29.70%
T. Rowe Price New Horizon	PRNHX	0.28%	8.97%	5.56%	37.71%	37.71%	28.65%
American Beacon Large Cap Value Inst	AADEX	2.86%	8.27%	9.53%	29.67%	29.67%	27.45%
American Funds EuroPacific Growth R6	RERGX	4.30%	10.09%	8.34%	27.40%	27.40%	27.34%
Oppenheimer Developing Markets I	ODVIX	5.69%	11.88%	7.68%	24.53%	24.53%	27.16%
American Century Mid Cap Value R6	AMDVX	2.64%	6.79%	10.20%	29.31%	29.31%	26.70%
T Rowe Price Mid Cap Growth Fund	RPMGX	2.10%	6.63%	5.85%	31.53%	31.53%	25.15%
American Beacon Small Cap Value Inst		3.71%	9.29%	8.10%	23.51%	23.51%	24.34%
Vanguard Small Cap Index I		2.19%	8.14%	6.58%	27.40%	27.40%	24.17%
JPMCB SmartRetirement DRE 2060 CF10		3.27%	7.76%	7.93%	24.60%	24.60%	23.76%
JPMCB SmartRetirement DRE 2050 CF10		3.24%	7.79%	7.89%	24.52%	24.52%	23.70%
JPMCB SmartRetirement DRE 2045 CF10		3.24%	7.79%	7.90%	24.49%	24.49%	23.68%
JPMCB SmartRetirement DRE 2055 CF10	JPTBX	3.03%	7.50%	8.31%	24.34%	24.34%	23.55%
Vanguard Total International Stock Index Instl		4.27%	9.05%	7.30%	21.56%	21.56%	23.00%
JPMCB SmartRetirement DRE 2040 CF10	SMTAX	3.07%	7.33%	7.57%	23.74%	23.74%	22.75%
JPMCB SmartRetirement DRE 2035 CF10		2.76%	6.53%	7.05%	22.20%	22.20%	21.02%
JPMCB SmartRetirement DRE 2030 CF10		2.21%	5.17%	6.01%	20.39%	20.39%	18.42%
JPMCB SmartRetirement DRE 2025 CF10	JNSAX	1.86%	4.23%	5.31%	18.16%	18.16%	16.12%
JPMCB SmartRetirement DRE 2020 CF10		1.48%	3.16%	4.39%	15.49%	15.49%	13.37%
JPMCB SmartRetirement DRE Income CF10		1.32%	2.70%	4.03%	13.96%	13.96%	12.00%
Vanguard Total Bond Market Index Inst	VBPIX	-0.14%	0.03%	2.46%	8.73%	8.73%	6.05%
Invesco Stable Value-III		0.19%	0.66%	1.33%	2.49%	2.49%	2.55%
Wilmington Core Bond Class I1		0.18%	0.55%	1.13%	2.28%	2.28%	2.26%
American Airline Federal Credit Union		0.20%	0.33%	0.72%	1.52%	1.52%	1.50%



Questions, Comments, Problems?

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