

January 1, 2020

401k PORTFOLIO JANUARY 2020 UPDATE & NEWSLETTER

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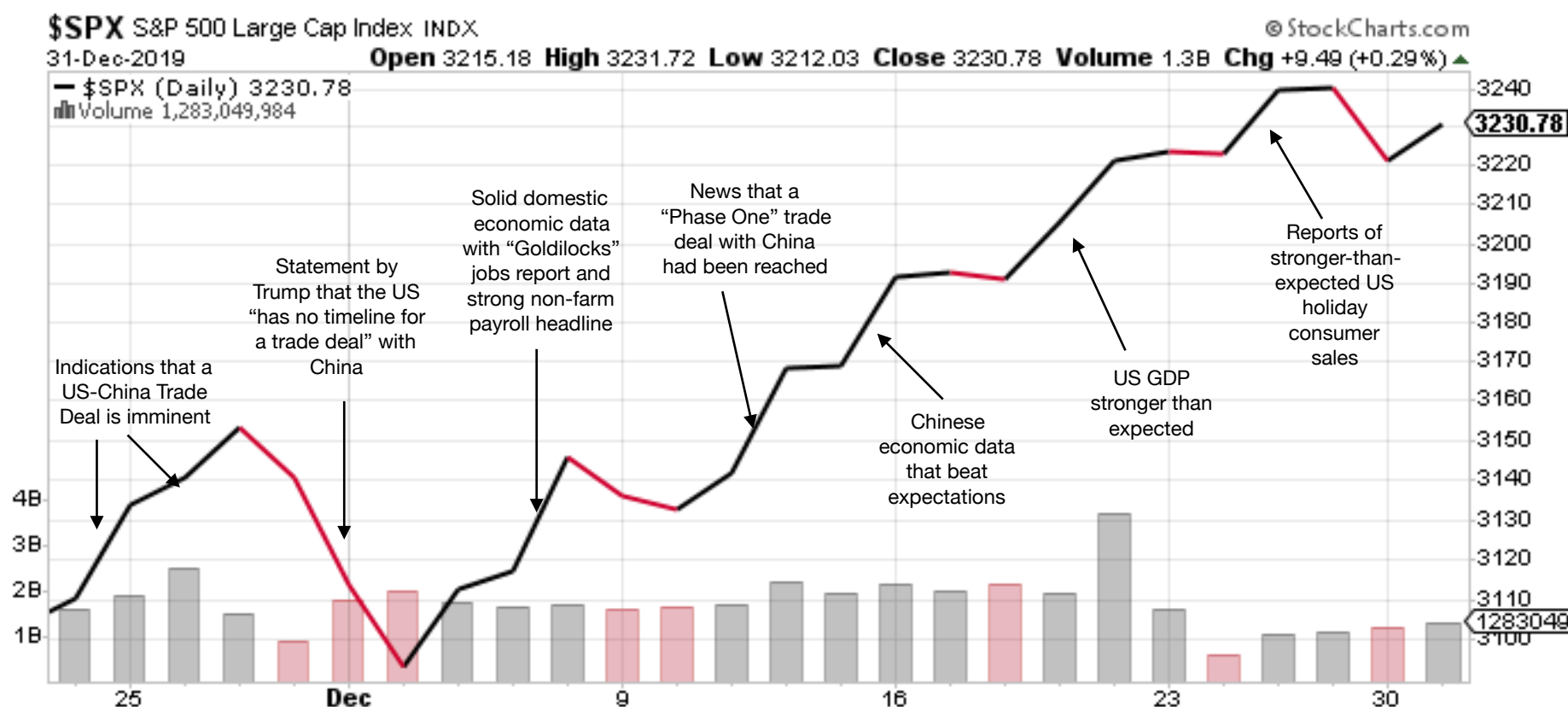
TAKE CONTROL OF YOUR FUTURE



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.

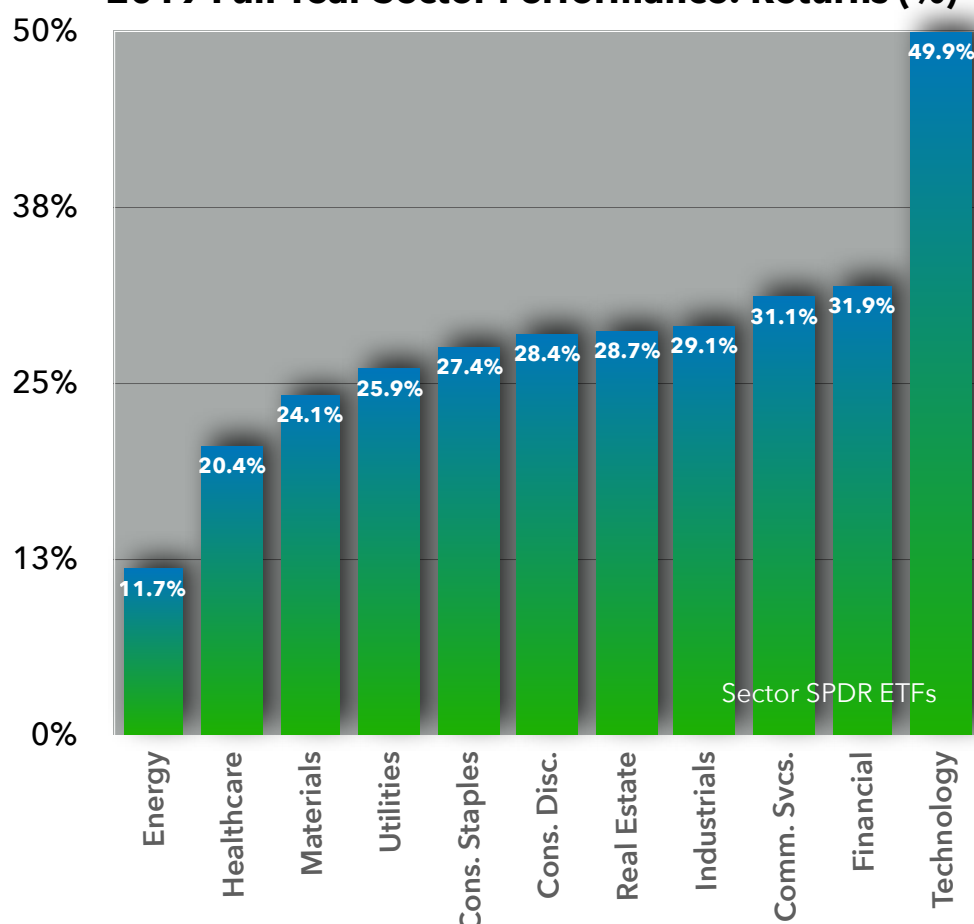
From an investment style standpoint, growth stocks outperformed value stocks, mainly due to strength in technology, consumer sectors and industrials. Growth stocks are considered stocks that have the potential to outperform the overall market over time because of their future potential, while value stocks 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 (%)

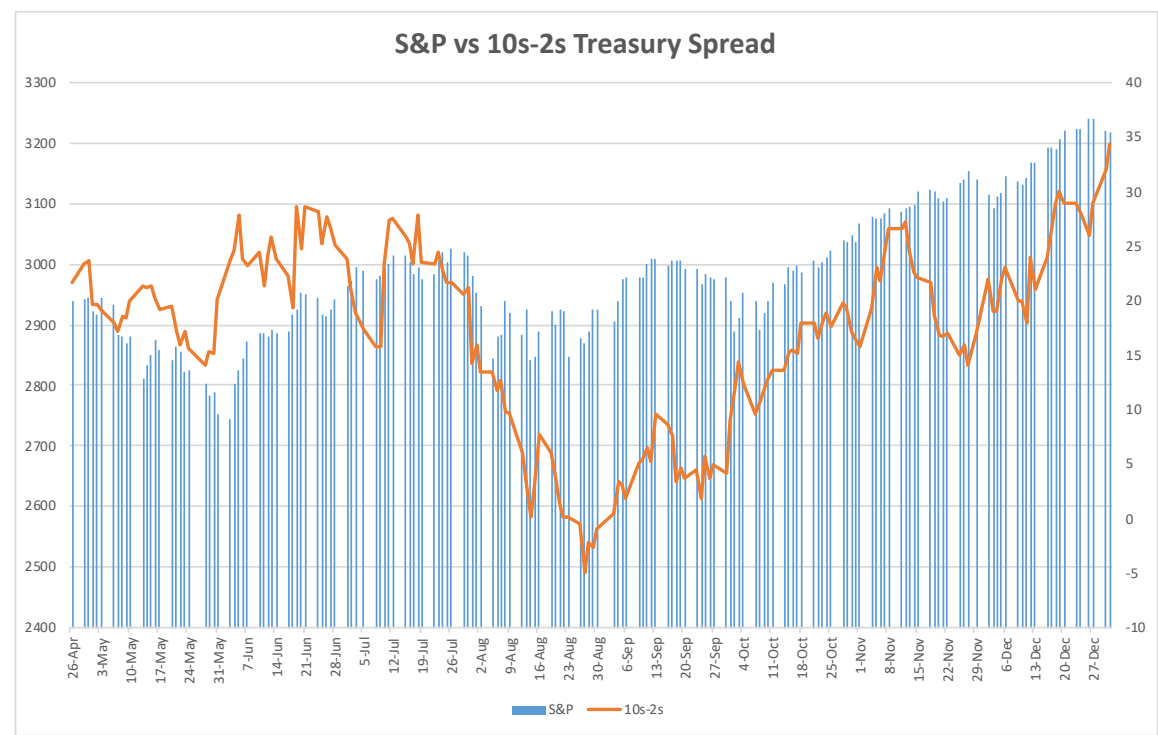


On a **sector level**, all eleven S&P 500 Index sectors finished the year with positive returns. Technology had the highest YTD returns, approaching 50%, led by FAANG (Facebook, Apple, Amazon, Netflix, Google). Financials performed second best, partially because their strong avg. dividend yield exceeded 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 SkyWest Employees; Aggressive, Moderate and Conservative. Each is designed for different investment needs and styles, as well as level of risk tolerance.

STEP 1: Update Current Investments

Current Subscribers:



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

New Subscribers:

Rebalance your 401k using the chart below for the portfolio you want to follow. If you need assistance, call our free help hotline at 201.503.6445.

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.

EZTracker Model Portfolios	Symbol	Aggressive	Moderate	Conservative	Buy Date
Vanguard Institutional Index I	VINIX	40%	33%	27%	11/25/19
T. Rowe Price New Horizons	PRNHX				11/25/19
American Funds Europacific Growth R5E	RERHX				11/25/19
T. Rowe Price Mid-Cap Growth	RPMGX				11/25/19
Vanguard Total Bond Market Index Admiral	VBTLX	5%	30%	60%	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).

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.

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 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 Stable Value Fund.
- Conservative Portfolio:**
40% invested in equities and 60% invested in bonds or Stable Value Fund. This is our lowest risk portfolio.

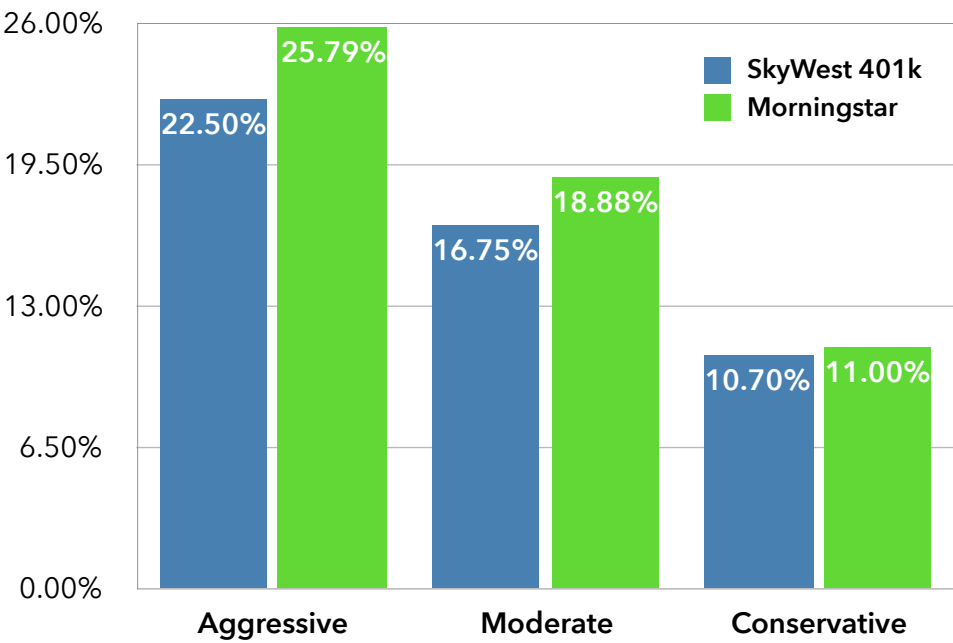
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Performance

Current Performance Through Dec 31, 2019	MTD Dec*	YTD
EZTracker Aggressive	3.52%	22.50%
EZTracker Moderate	2.57%	16.75%
EZTracker Conservative	1.40%	10.70%
Morningstar Benchmarks		
Aggressive Target Risk Index	3.83%	25.79%
Moderate Target Risk Index	2.45%	18.88%
Conservative Target Risk Index	0.84%	11.00%
S&P 500	3.87%	28.88%

* Portfolio started 11/25/18
** Since last Newsletter

YTD Total Return versus Morningstar Benchmarks



SkyWest Portfolios started Nov 25, 2018

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, or 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.

Monthly Fund Data



Below is the current fund performance for the alternatives in the **SkyWest** 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 Return					Tracker Average
		1 MO	3 MO	6 MO	12 MO	YTD	
Skywest Stock	SKYW	3.37%	12.81%	6.95%	46.54%	46.54%	38.00%
Vanguard Institutional Index I	VINIX	3.01%	9.06%	10.90%	31.46%	31.46%	29.70%
Fidelity Low Priced Stock	FLPSX	3.93%	12.46%	12.21%	25.66%	25.66%	29.60%
T. Rowe Price New Horizons	PRNHX	0.28%	8.97%	5.56%	37.71%	37.71%	28.65%
American Funds Europacific Growth R5E	RERHX	4.29%	10.05%	8.26%	27.21%	27.21%	27.17%
MFS Value R3	MEIHX	2.79%	7.03%	9.61%	29.74%	29.74%	26.82%
T. Rowe Price Blue Chip Growth Trust T2	TRBCX	2.20%	9.33%	7.54%	29.97%	29.97%	26.75%
T. Rowe Price International Discovery	PRIDX	4.68%	11.00%	8.10%	24.60%	24.60%	26.39%
Vanguard Extended Market Index Inst	VIEIX	2.16%	8.89%	7.14%	28.05%	28.05%	25.23%
T. Rowe Price Mid-Cap Growth	RPMGX	2.10%	6.63%	5.85%	31.53%	31.53%	25.15%
Vanguard Emerging Mkts Stock Idx Adm	VEMAX	6.96%	11.32%	7.31%	20.31%	20.31%	25.03%
T. Rowe Price Retirement Trust 2060 B	TRRLX	3.05%	7.56%	7.74%	25.37%	25.37%	23.85%
T. Rowe Price Retirement Trust 2045 B	TRRKX	3.01%	7.53%	7.76%	25.39%	25.39%	23.83%
T. Rowe Price Retirement Trust 2055 B	TRRNK	3.03%	7.52%	7.73%	25.38%	25.38%	23.81%
T. Rowe Price Retirement Trust 2050 B	TRRMX	3.01%	7.49%	7.70%	25.32%	25.32%	23.74%
MFS International Value R3	MINGX	2.78%	7.40%	7.45%	25.56%	25.56%	23.55%
JPMorgan Mid Cap Value L	FLMVX	2.83%	5.94%	7.11%	26.63%	26.63%	23.19%
T. Rowe Price Retirement Trust 2040 B	TRRDX	2.85%	7.15%	7.47%	24.68%	24.68%	22.99%
Vanguard Total Intl Stock Index Admiral	VTIAX	4.23%	9.01%	7.27%	21.51%	21.51%	22.92%
T. Rowe Price Retirement Trust 2035 B	TRRJX	2.72%	6.82%	7.21%	23.70%	23.70%	22.07%
Goldman Sachs Small Cap Value Inst	GSSIX	3.01%	7.05%	6.06%	23.14%	23.14%	21.42%
Vanguard Real Estate Idx Admiral Shares	VGSLX	0.81%	0.62%	8.07%	28.94%	28.94%	20.97%
T. Rowe Price Retirement Trust 2030 B	TRRCX	2.57%	6.32%	6.86%	22.48%	22.48%	20.86%
T. Rowe Price Retirement Trust 2025 B	TRRHK	2.37%	5.80%	6.46%	20.95%	20.95%	19.41%
T. Rowe Price Retirement Trust 2020 B	TRRBK	2.21%	5.25%	6.02%	19.37%	19.37%	17.92%
T. Rowe Price Retirement Trust 2015 B	TRRGK	1.95%	4.53%	5.40%	17.40%	17.40%	15.98%
T. Rowe Price Retirement Trust 2010 B	TRRAX	1.85%	4.16%	5.09%	16.16%	16.16%	14.86%
T. Rowe Price Retirement Trust 2005 B	TRRFK	1.73%	3.74%	4.73%	15.08%	15.08%	13.79%
Metropolitan West Total Return Bond M	MWTRK	-0.05%	0.23%	2.40%	8.93%	8.93%	6.28%
Vanguard Total Bond Market Index Admiral	VBTLK	-0.14%	0.03%	2.46%	8.71%	8.71%	6.03%
JPMorgan Strategic Income Opps R5	JSORK	0.42%	0.70%	1.06%	4.21%	4.21%	3.48%
T. Rowe Price Stable Value N	TRPSK	0.18%	0.53%	1.09%	2.22%	2.22%	2.20%



Questions, Comments, Problems?

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