January 1, 2020

401K PORTFOLIO JANUARY 2020 UPDATE & NEWSLETTER

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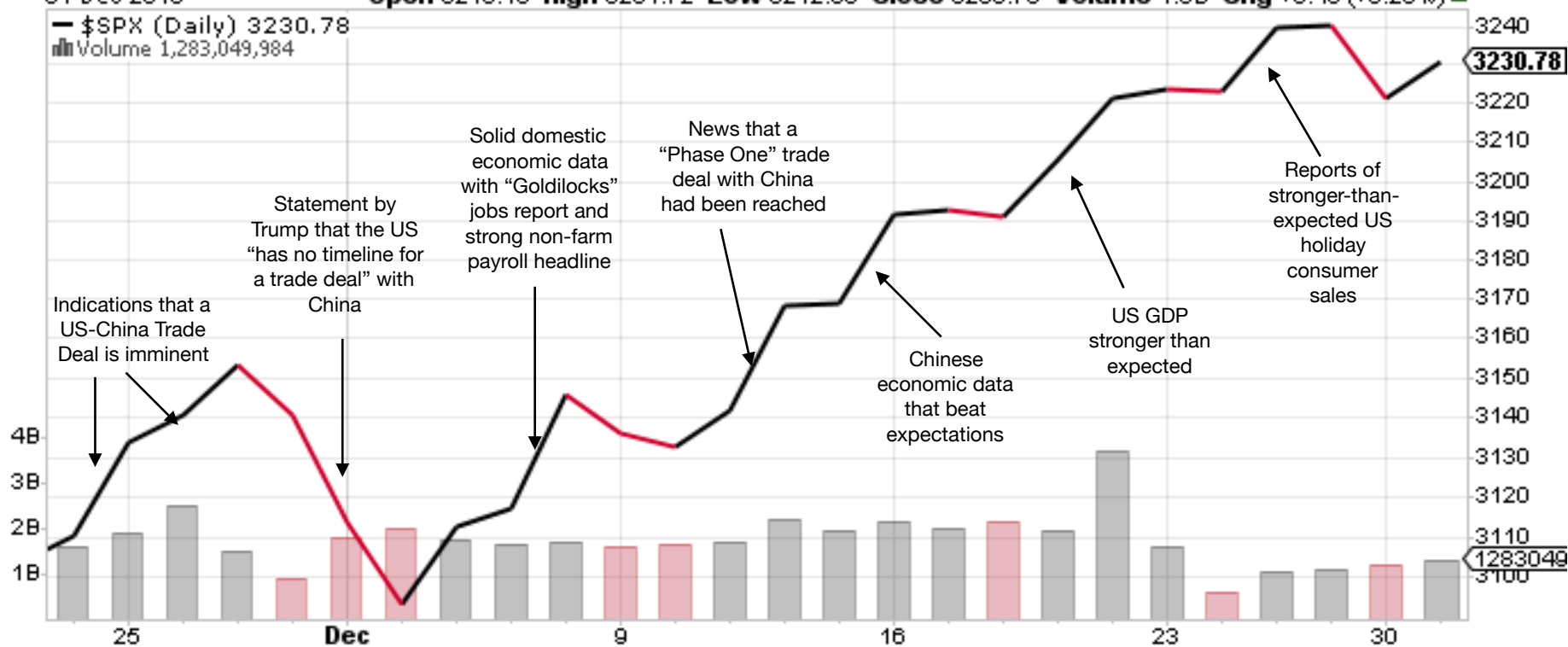
EZTracker's model portfolios reflect the current markets' strengths. Therefore, we are **not making any changes** in our model portfolios at this time – all **EZTracker** model portfolios remain diversified and reflect the strategy we've used since 2002 to deliver superior long-term performance.

$SPX S&P 500 Large Cap Index INDX — 31-Dec-2019 Open 3215.18 High 3231.72 Low 3212.03 Close 3230.78 Volume 1.3B Chg +9.49 (+0.29%) — $SPX (Daily) 3230.78 — Volume 1,283,049,984 — © StockCharts.com

Annotations on chart:
- Indications that a US-China Trade Deal is imminent
- Statement by Trump that the US "has no timeline for a trade deal" with China
- Solid domestic economic data with "Goldilocks" jobs report and strong non-farm payroll headline
- News that a "Phase One" trade deal with China had been reached
- Chinese economic data that beat expectations
- US GDP stronger than expected
- Reports of stronger-than-expected US holiday consumer sales

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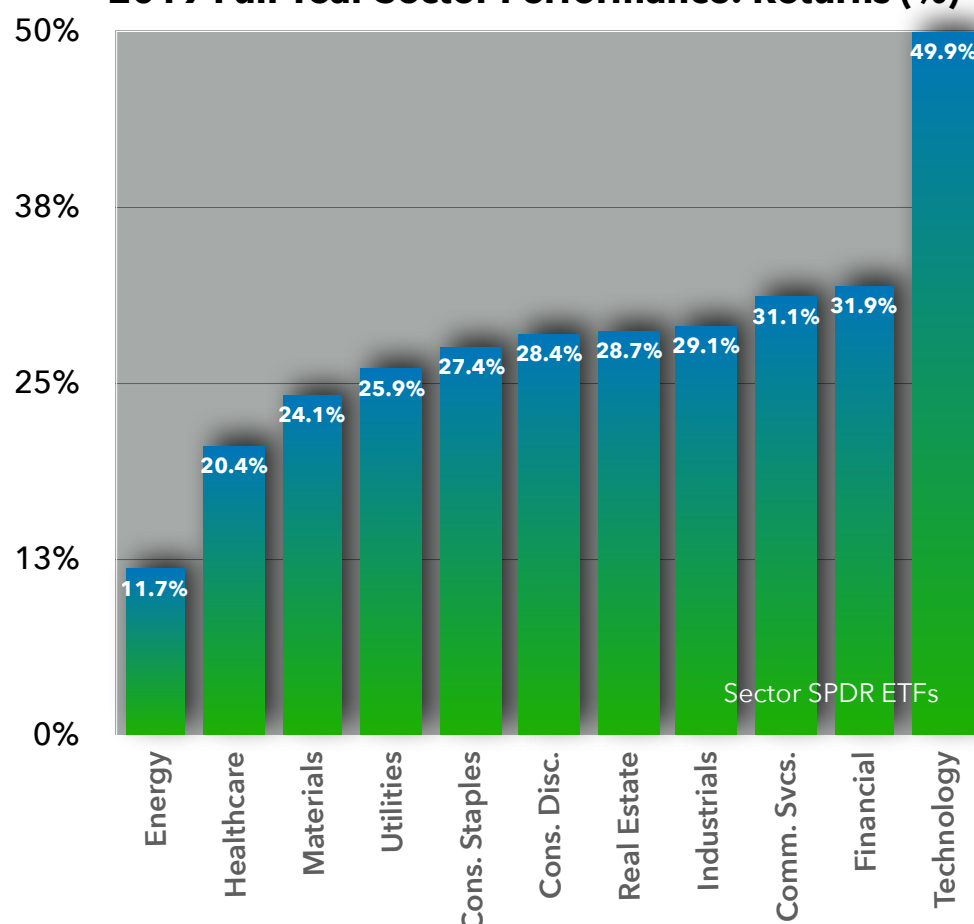
From an investment style standpoint, growth stocks outperformed value stocks, mainly due to strength in technology, consumer sectors and industrials. Growth stocks are considered stocks that have the potential to outperform the overall market over time because of their future potential, while value stocks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

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

Morningstar YTD thru 12/27

2019 Full Year Sector Performance: Returns (%)

Energy 11.7%, Healthcare 20.4%, Materials 24.1%, Utilities 25.9%, Cons. Staples 27.4%, Cons. Disc. 28.4%, Real Estate 28.7%, Industrials 29.1%, Comm. Svcs. 31.1%, Financial 31.9%, Technology 49.9%

Sector SPDR ETFs

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.

What We're Watching

S&P vs 10s-2s Treasury Spread
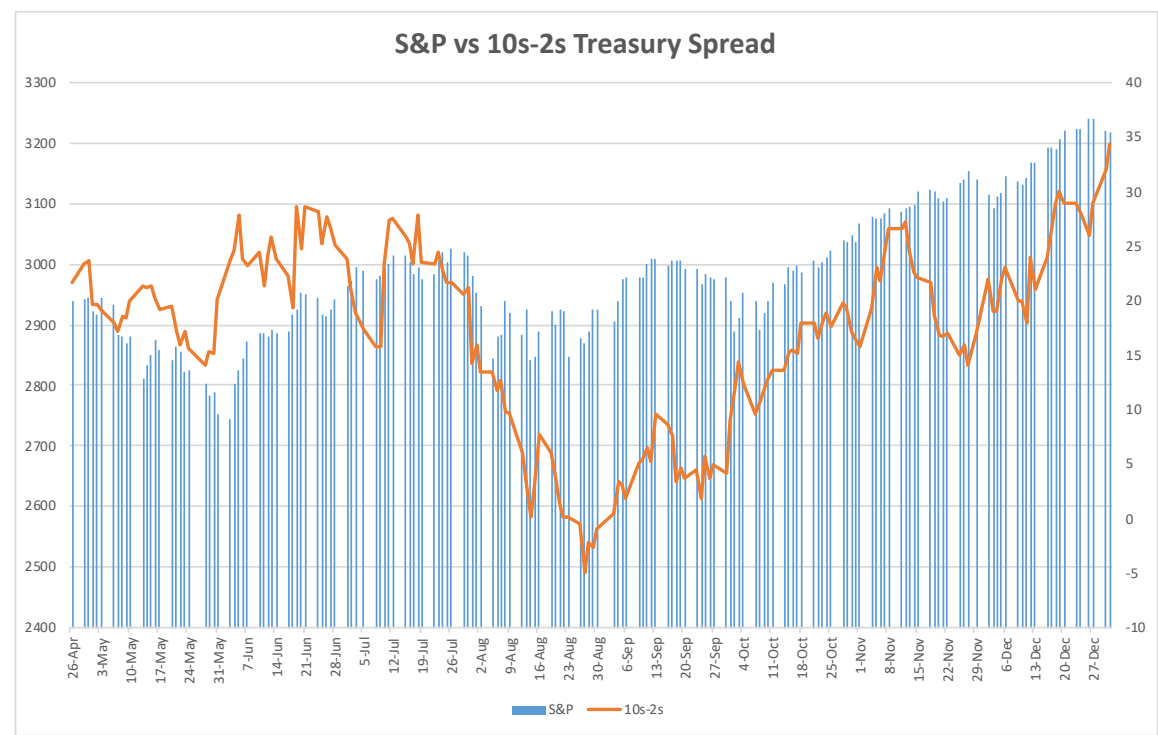
The yield curve, as measured by the spread (difference) between the yield on the 10-year and the 2-year Treasury note, has steepened over the past month to the widest levels seen in over a year, ending 2019 at **35** bps. An encouraging macro signal, this implies an expectation of continuing economic 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
Deusche 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.

Help Hotline: We help new subscribers get started, and current subscribers get back on track.
Text or call 201.503.6445 | contact@eztracker401k.com

3

Model Portfolios | January 2020 Newsletter

EZTracker provides three model portfolios for **Starbucks 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	Aggressive	Moderate	Conservative	Buy Date
VANGUARD INST INDEX (VINIX)	40%	32%	18%	11/25/19
WF DISCOVERY R6 (WFDRX)			%	11/25/19
MFS INST INTL EQUITY (MIEIX)			%	11/25/19
VANG TOT BD MKT INST (VBTIX)			0%	11/25/19
WINSLOW LG CP GR I		%	%	11/25/19
	100%	100%	100%	

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

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.
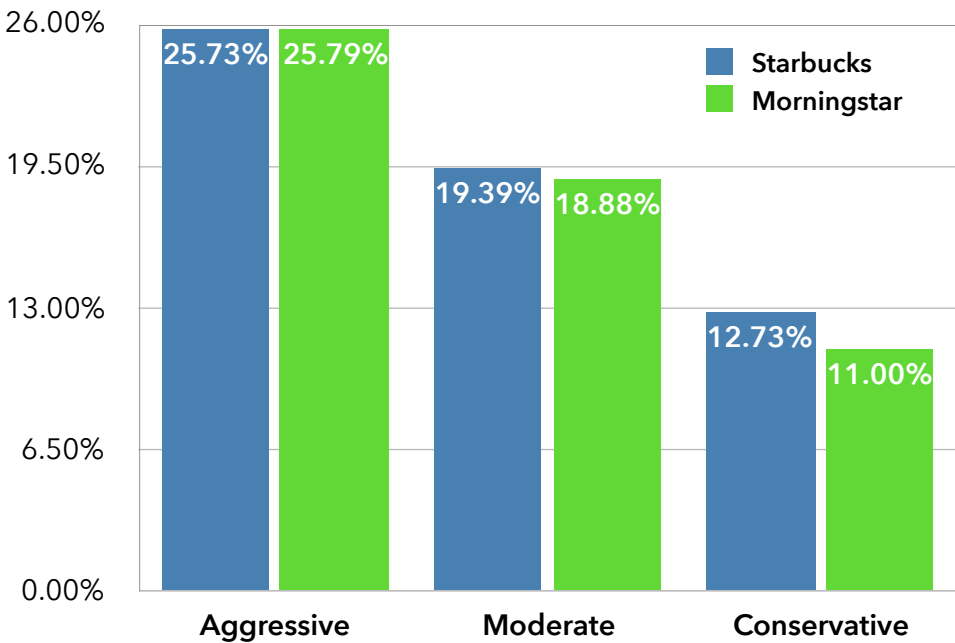
EZTracker

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.

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.

Current Performance Through Dec 31, 2019	MTD Dec *	YTD 2019
EZTracker Aggressive	3.68%	25.73%
EZTracker Moderate	2.75%	19.39%
EZTracker Conservative	1.60%	12.73%
Morningstar Benchmarks		
Aggressive Target Risk Index	3.83%	25.79%
Moderate Target Risk Index	2.45%	18.88%
Conservative Target Risk Index	0.84%	11.0%
S&P 500	**3.87%**	**28.88%**

Portfolio started 01/02/19
* Since last Newsletter

YTD Total Return versus Morningstar Benchmarks

Bar chart — Starbucks (blue) vs Morningstar (green):
- Aggressive: 25.73% / 25.79%
- Moderate: 19.39% / 18.88%
- Conservative: 12.73% / 11.00%

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.

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.

6

Monthly Fund Data

Below is the current fund performance for the alternatives in the **Starbucks** 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	Symbol	Total Return					Tracker Average
		1 MO	**3 MO**	**6 MO**	**12 MO**	**YTD**	
VANG FTSE SOC IDX IS (VFTNX)	VFTNX	3.31%	10.59%	12.60%	33.96%	33.96%	32.98%
VANGUARD INST INDEX (VINIX)	VINIX	3.01%	9.06%	10.90%	31.46%	31.46%	29.70%
WINSLOW LG CP GR I		2.76%	9.20%	8.64%	33.43%	33.43%	29.47%
WF DISCOVERY R6 (WFDRX)	WFDRX	0.37%	6.78%	2.30%	39.74%	39.74%	26.84%
BP LG CAP VAL EQ CIT		3.02%	9.23%	8.98%	27.88%	27.88%	26.79%
MFS INST INTL EQUITY (MIEIX)	MIEIX	3.34%	9.02%	8.04%	28.40%	28.40%	26.62%
VANGUARD TARGET 2060		3.05%	8.02%	8.32%	25.00%	25.00%	24.21%
VANGUARD TARGET 2050		3.05%	8.01%	8.33%	24.98%	24.98%	24.20%
VANGUARD TARGET 2055		3.05%	8.02%	8.32%	24.98%	24.98%	24.20%
VANG SM CAP IDX INST (VSCIX)	VSCIX	2.19%	8.14%	6.58%	27.40%	27.40%	24.17%
VANGUARD TARGET 2065		3.01%	8.00%	8.29%	24.96%	24.96%	24.14%
VANGUARD TARGET 2045		3.02%	8.00%	8.28%	24.94%	24.94%	24.13%
VANG TOT INTL STK IS (VTSNX)	VTSNX	4.27%	9.05%	7.30%	21.56%	21.56%	23.00%
VANGUARD TARGET 2040		2.80%	7.38%	7.90%	23.86%	23.86%	22.87%
GS SM CAP VALUE R6 (GSSUX)	GSSUX	3.02%	7.09%	6.10%	23.19%	23.19%	21.49%
VANGUARD TARGET 2035		2.50%	6.68%	7.43%	22.44%	22.44%	21.30%
VANGUARD TARGET 2030		2.23%	5.95%	6.89%	21.07%	21.07%	19.72%
VANGUARD TARGET 2025		1.95%	5.22%	6.37%	19.63%	19.63%	18.09%
VANGUARD TARGET 2020		1.72%	4.46%	5.71%	17.63%	17.63%	16.10%
VANGUARD TARGET 2015		1.23%	3.20%	4.69%	14.81%	14.81%	13.05%
VANGUARD TARGET INC		1.00%	2.60%	4.17%	13.16%	13.16%	11.41%
DODGE & COX INCOME (DODIX)	DODIX	0.28%	0.85%	2.95%	9.73%	9.73%	7.53%
PIM REAL RETURN INST (PRRIX)	PRRIX	0.57%	0.92%	2.06%	8.52%	8.52%	6.58%
VANG TOT BD MKT INST (VBTIX)	VBTIX	-0.14%	0.03%	2.46%	8.73%	8.73%	6.05%
WF STABLE RETURN Q		0.18%	0.53%	1.07%	2.18%	2.18%	2.16%

Questions, Comments, Problems?

Let us know if you have any questions or suggestions. We're just a click away at **contact@eztracker401k.com**. Or text/call 201.503.6445 or 201.503.6571. The information and data contained herein are compiled from sources and procedures believed reliable, but accuracy cannot be guaranteed. EZTracker monitors fund performance and publishes a monthly newsletter. The publisher and owners disclaim any and all liability for losses that may be sustained as a result of using the data presented herein. Past performance is no assurance of future results. All investments involve risk. You should invest only after careful examination of fund prospectuses.

EZTracker is a publishing company founded to meet the growing demand for expert, reliable information about 401k choices. EZTracker is not endorsed by or affiliated with Starbucks or any of its subsidiaries. The goal of EZTracker is to remove the guesswork from 401k choices and to help employees manage their own 401k plan with confidence and in an informed way. EZTracker is not a financial advisor nor is it a financial manager. It is a provider of information about the various funds within the Starbucks 401k retirement plan. By reporting the performance of each fund in a straightforward and easy to understand manner, we hope every employee, from the financial neophyte to the sophisticated investor will make informed choices to best fit their retirement goals and needs.

One Month Free: Tell your friends about how EZTracker can help them with their 401k. Send us their email address and we'll send them a copy of this month's newsletter. When they subscribe, we'll add a month to your subscription for free.

Help for your IRA or Personal Brokerage Accounts: The EZTracker ETF newsletter is a great tool for your non-401k investments. With commission-free portfolios for Vanguard, Fidelity, Schwab and Ameritrade, it's a great way to manage your IRA or personal brokerage account with the EZTracker strategy.

FOLLOW US ON SOCIAL MEDIA FOR WEEKLY EZ BITES ON THE MARKETS!

in EZTracker 401k

f EZTracker 401k