

February 2018 Newsletter



The Bulls Continue the Momentum

The bulls have taken January by storm. We continue to see record numbers in equities with the Dow Jones up 7.7%, the Nasdaq up 8.7% and the S&P up 7.5% year-to-date. Corporate earnings have been mostly positive, with two-thirds of the S&P 500 beating consensus estimates, and not even a government shutdown can stop this train. This is all good news for EZTracker portfolios but we must continue to keep our eye on the ball.

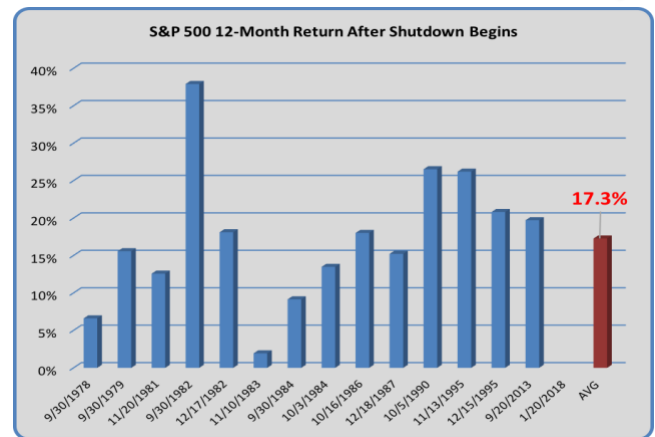
After much thought and analysis, we have concluded that the portfolios are well diversified and in the right place for the current environment. For the coming month, there are no changes in the Aggressive, Moderate, or Conservative portfolios.

Portfolio Update on page 2

Shutdown? What shutdown?

We started last week with worries about a prolonged government shutdown. However, an agreement was reached keeping the government open until February 8th, with Congress “kicking the can” down the road for further discussion on the budget and immigration policies. Since the shutdown only lasted three days, the economic effects should be limited, but we need to review this again after February 8th in case of another shutdown. Our curiosity on the effects of past government shutdowns led us to study historical market returns after each shutdown since 1978. On average, the S&P gained 4.2% three months after a shutdown, and 17.3% one year after. During the 2013 shutdown which lasted 16 days, Standard & Poor’s stated that the shutdown had taken \$24 billion out of the economy and shaved at least 0.6% off GDP growth.

Since 1970, there have been fourteen years where the S&P 500’s returns for the month of January exceeded 4.0%. In every instance, the S&P ended up with a positive return for the year with an average full-year return of 21%.



Data: Congressional Research Service, Bloomberg

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201-503-6445 or contact@eztracker401k.com

From a fundamental perspective, times are good: global economies are expanding and investing; unemployment rates are at post-crisis lows in the U.S., Japan, and Germany; and inflation remains low in most developed economies. From a technical perspective, many asset class valuations are at extreme levels (e.g. S&P price-to-EBITDA ratio currently stands at 11.0, the highest level since 1990; RSI-S&P Relative Strength Index is at 83.23, its highest since 1995-1996). Moreover, we have seen a significant crisis taking place once every three to five years, so by that measure we may be overdue for the next market event.

Years	Crisis
1987	Stock Market Crash
1990-1991	US Savings & Loans Crisis
1993-1995	Latin America
1997-1998	Asia Currency, Russia, LTCM
2000-2002	Internet/Tech Bubble, 9/11, Enron, Andersen
2007-2008	Global Financial Crisis
2010-2012	Eurozone Crisis

Source: EZTracker401k

Current Market Valuation

The current market valuation may seem stretched in isolation, but based on the high levels of corporate profits, it does not appear to be unreasonable. The reduction in corporate tax rates plus the tax break on overseas asset repatriation are favorable events which are expected to lead to investment. The investment community is calling it a market “melt-up”, but are we due for a correction? As we have written in past newsletters, the EZTracker strategy is not to guess but to take what the market gives us, thoughtfully changing our model portfolios based not on projections, but on actual market performance and trends. It’s why we were largely out of the market in 2008. While market headwinds and market volatility may be increasing, the market has been resilient and the short-term direction remains up. We don’t see any evidence yet of a change in direction for the market.

Continued on page 3

Model Portfolio Update—January 28, 2017

STEP 1: Update Your Current Portfolio

Current Subscribers:

- **Aggressive, Moderate and Conservative Portfolios:** There are no changes in any of the portfolios for the month.

New Subscribers: Adjust your portfolio to match the model you've selected to follow. Use the "Rebalance my current balance" process.

Which Portfolio is Right for You: Selecting the right portfolio is an individual decision based on your comfort 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, income, lifestyle, other investment assets and your tolerance for risk. We believe you can take control of your 401k and plan for the retirement you envision. For help in thinking about your ability and comfort with risk, check out the short risk quiz provided by our friends at Friedenthal Financial: [Risk Tolerance Quiz](#). No personal information (name, email, phone, etc.) is required to take the quiz. Your privacy is protected.

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.

EZTracker Model Portfolios	Aggressive	Moderate	Conservative	Newsletter Buy Date	Your Buy Date
Invesco Stable Value Trust		20%	59%	8/28/17	
JPMCB Equity Index - CF	27%	21%	14%	8/28/17	
American Century MidCap Value (AMDVX)	5%	4%		8/28/17	
T. Rowe Price MidCap Growth (RPMGX)	5%	4%	4%	8/28/17	
Vanguard Small Cap Index (VSCIX)	10%	7%	4%	8/28/17	
Vanguard Total International Stock Index (VTSNX)	20%	14%	7%	8/28/17	
Oppenheimer Developing Markets (ODVIX)	8%	6%	4%	8/28/17	
Vanguard Total Bond Market Index (VBTIX)	5%	12%		8/28/17	
TRP New Horizons (PRNHX)	10%	6%	4%	10/30/17	
American Beacon Large Cap Value (AADEX)	10%	6%	4%	10/30/17	

STEP 2: Change Future Investments

This is the money coming out of your paycheck each month and going into your 401k. **These are identical to your "Current Investments".** Use the grid above to set them based on the portfolio you are following.

Portfolio Management for the 401k

1. Go to: <https://participant.empower-retirement.com/participant/#/login>
2. Log in with your Username and Password
3. Click "My Account" on the top
4. In the left-hand column, click on "View/manage my investments"
5. Click the blue tab (lower right corner) "Change my investments"
6. 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"
7. Review your choices.
9. Select "Submit".
10. After updating your Current Investments, make sure you also update your Future Investments (Paycheck and Company Contributions).

Keep track of YOUR purchase and sale dates.

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

What We're Watching

- **Davos 2018** – At the World Economic Forum's annual meeting, President Trump spoke about being in favor of free but fair trade, stating: "The United States will no longer turn a blind eye to unfair trade practices...We cannot have free and open trade if some countries exploit the system at the expense of others." Michael Corbat, Citigroup CEO said during a Davos panel "There is an ambivalence out there that's concerning. When the next turn comes-and it will come-it's likely to be more violent than it would otherwise be if we let some pressure off along the way." The International Monetary Fund raised its global growth forecast for 2018 and 2019 to 3.9%, expecting the global economy to continue to recover on the back of buoyant trade and investment, as well as recent US tax reforms.
- **Treasury Yield Curve.** The spread between the 2-year and the 10-year Treasury bond is currently 0.57% which is very low historically. Each of the past seven recessions has been preceded by an inverted yield curve (shorter-term bonds paying more than longer bonds). We will be watching this bearish indicator closely, because if the spread were to continue to fall we will be sure to note it in future newsletters and take this into consideration when planning our portfolios.



- **Inflation.** Economists are seeing the potential for an increased level of inflation. The annual inflation rate has been below the Federal Reserve's 2% target for 5 ½ years but with improved economic growth and higher commodity prices, there is belief that overall prices could soon begin to rise. There is also the belief that wage growth will lead to higher inflation. While many companies are beginning to raise wages and offer bonuses, we look at some key data to measure the slack in the system: the unemployment rate held steady at 4.1% in December and the employment-to-population ratio among workers 25-54 is now 79%. In 2007, the last time hiring was so strong, the unemployment rate stood at 4.5%, and the employment-to-population ratio was 80%. Although current unemployment is below 2007's rate (an inflation indicator), it is offset by the lower current employment-to-population ratio, suggesting that the labor markets may not be as tight as implied by the unemployment rate alone, and there is more room to run.
- **The Dollar.** Despite President Trump's dollar-supportive comments at Davos this week, 2018 has seen a continued bearish trend for the dollar. A weak dollar has not only helped the performance of the international and emerging market funds in the EZTracker model portfolios, it has stimulated demand from overseas investment in the U.S. Markets. On average, the 10 highest-weighted stocks in the S&P 500 reported that overseas revenue accounted for 40% of their top line. Repatriation of overseas non-dollar money is assisted by a weak dollar. For example, 1 year ago, 1 GBP (British Pound) was worth 1.25 USD. Today, 1 GBP is worth 1.42 USD.
- **GDP Growth.** Q4 2017 GDP was released on Friday, January 26th and came at a reading of 2.6% annualized q/q growth. Personal consumption was extremely strong (3.8%), and weakness came in net exports (-1.13%) and inventories (-0.67%). Despite the lower than expected headline number, this was a standout report led by the consumer showing the economy had strong momentum going into 2018. We will keep a close watch on GDP growth in Q1 and Q2 to see if this trend continues. Healthy GDP growth usually translates into strong corporate earnings, which bodes well for the stock market.
- **Consumer/Business Confidence:** Consumer Confidence declined in December after reaching a 17-year high in November, which was attributed to Americans feeling slightly less optimistic about future job prospects. We will be looking at the next reading very closely (January 30th) to see if this bearish indicator continues or was a temporary blip. We are also looking at the NFIB Small Business Optimism Index which declined as well in December after reaching a 25-year high the previous month. Small businesses are responsible for a majority of new job creation so their health is often a leading market indicator, signifying changes in the stock market, especially small caps. Next release is February 14th.

Help a Friend: Tell your friends about how EZTracker can help them with their 401k. Send us their email address and we'll send him or her a copy of this month's newsletter. When they subscribe, we'll add a month to your subscription.

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

Request a free copy of the February issue.

contact@eztracker401k.com

or 201-503-6445

Model Portfolios

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.

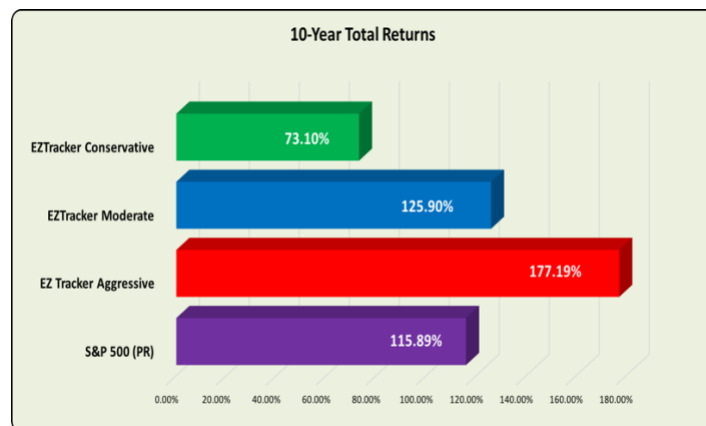
EZTracker Moderate Portfolio: 70% invested in equities and 30% invested in bonds, the Credit Union, or the Stable Value Fund.

EZTracker Conservative Portfolio: 40% invested in equities and 60% invested in invested in bonds, the Credit Union, or the 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 comfort 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, income, lifestyle, other investment assets and your tolerance for risk. We believe you can take control of your 401k and plan for the retirement you envision. For help in thinking about your ability and comfort with risk, check out the short risk quiz provided by our friends at Friedenthal Financial: [Risk Tolerance Quiz](#). No personal information (name, email, phone, etc.) is required to take the quiz. Your privacy is protected.

Performance

Current Performance through January 28, 2018	YTD 2018	1-Year
EZTracker Aggressive	7.02%	23.97%
EZTracker Moderate	5.05%	17.17%
EZTracker Conservative	3.25%	11.83%
Morningstar Benchmarks		
Aggressive Target Risk Index	6.49%	25.98%
Moderate Target Risk Index	3.85%	16.83%
Conservative Target Risk Index	0.99%	7.38%
S&P 500	7.45%	25.09%



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. long-term returns. As with any long-term investing strategy, you should not expect dramatic short-term results to offset past losses.

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 Portfolios	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Aggressive	.59	39.49	18.13	12.19	17.10	9.29	-14.63	34.12	19.58	-4.44	7.18	29.77	4.87	.49	1.56	19.11
Moderate	1.30	27.40	13.47	9.91	13.40	8.52	-9.75	24.71	14.36	.03	5.42	20.14	4.73	1.37	3.32	13.82
Conservative	1.87	14.36	7.82	7.27	9.24	7.62	-3.80	13.89	7.30	.11	3.58	12.54	4.42	1.72	2.48	9.91
Morningstar Benchmarks	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Aggressive								32.00	16.75	-3.60	16.07	24.53	5.23	-2.67	11.34	21.95
Moderate								21.77	12.33	.59	12.04	14.31	4.89	-1.79	8.57	14.66
Conservative								9.56	7.07	4.38	7.36	2.97	3.38	-0.92	4.67	7.00

*Total returns including dividends.

EZTracker portfolios invest in the best performing funds. Past performance does not guarantee future results.

Monthly Fund Data

The following are all the funds available for the Envoy 401k.

Envoy						
Fund	Fund Ticker	Total Returns				Tracker Average
		1 MO	3 MO	6 MO	12 MO	
JPMorgan Large Cap Growth-R6	JLGMX	10.42%	16.73%	21.04%	44.12%	50.36%
Oppenheimer Developing Markets	ODVIX	11.51%	13.47%	19.23%	40.49%	46.21%
TRP New Horizons	PRNHX	7.86%	11.65%	17.05%	35.60%	39.37%
American Funds EuroPacific GR6	RERGX	8.64%	10.28%	15.00%	34.16%	37.14%
Vanguard Total International Stock Index-Inst	VTSNX	8.52%	11.68%	15.58%	31.14%	36.51%
JPMCB Equity Index-CF		7.28%	12.68%	16.97%	27.36%	35.07%
TRP Mid Cap Growth	RPMGX	7.56%	10.27%	14.58%	29.82%	33.95%
American Beacon Large Cap Value	AADEX	7.31%	11.87%	16.75%	23.69%	32.52%
JPMCB SmartRetirement 2055		6.86%	11.04%	14.46%	25.76%	31.71%
JPMCB SmartRetirement 2045		6.70%	10.76%	14.36%	25.38%	31.20%
JPMCB SmartRetirement 2050		6.70%	10.77%	14.39%	25.31%	31.19%
JPMCB SmartRetirement 2040		6.51%	10.54%	14.08%	24.93%	30.58%
JPMCB SmartRetirement 2055		6.15%	9.95%	13.32%	23.74%	29.00%
JPMCB SmartRetirement 2035		6.01%	9.70%	13.04%	23.16%	28.32%
JPMCB SmartRetirement 2030		5.42%	8.79%	11.84%	21.26%	25.81%
Vanguard Small Cap Index-Inst	VSCIX	4.71%	9.25%	13.00%	18.95%	25.04%
American Century Mid Cap Value -R6	AMDVX	5.42%	9.19%	11.76%	15.61%	22.90%
JPMCB SmartRetirement 2025		4.44%	7.33%	9.77%	18.02%	21.58%
American Beacon Small Cap Value	AVFIX	3.66%	6.54%	11.57%	11.46%	18.12%
JPMCB SmartRetirement 2020-C10		3.60%	5.99%	8.10%	15.10%	17.89%
JPMCB SmartRetirement Income		2.89%	4.78%	6.51%	11.99%	14.28%
RidgeWorth SEIX High Income-I	STHTX	1.26%	1.72%	3.55%	7.44%	7.62%
Invesco Stable Value Trust		0.16%	0.49%	0.98%	1.94%	1.95%
DFA Inflation-Protected Securities Inst.	DIPSX	-0.09%	0.71%	0.63%	1.71%	1.61%
JP Morgan Core Bond-R5	JCBRX	-0.46%	-0.04%	0.03%	2.97%	1.37%
Vanguard Total Bond Market Index -Inst	VBPIX	-0.54%	-0.07%	-0.09%	2.70%	1.10%
American Airlines Federal CU		0.07%	0.27%	0.47%	0.94%	0.95%

Questions, Comments, Problems

Let us know if you have any questions or suggestions. We're just a click away at contact@eztracker401k.com. Or call (201) 503-6445. For help or questions about rebalancing or fund-to-fund transfers call 201-503-6571.

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