

March 25, 2018

# 401k PORTFOLIO UPDATE & NEWSLETTER



 **DELTA**

TAKE CONTROL OF YOUR FUTURE

## April 2018 Newsletter

### There's a new tariff in town

Since our last newsletter, financial markets have shown continued volatility. The S&P (-5.79%), DOW (-7.02%) and NASDAQ (-4.70%) all posted declines, almost all within the last 3 days. Many analysts point to specifically identifiable reasons including international trade tensions, Facebook's issues, and political turnover, somewhat tempered by the results of last week's FOMC meeting. Drops occurred in every sector, with basic materials, financial services, healthcare, telecom, and industrials underperforming most.

We've got our antennae up and are keeping a watchful eye on market movements, and are making some changes to our model portfolios as follows:

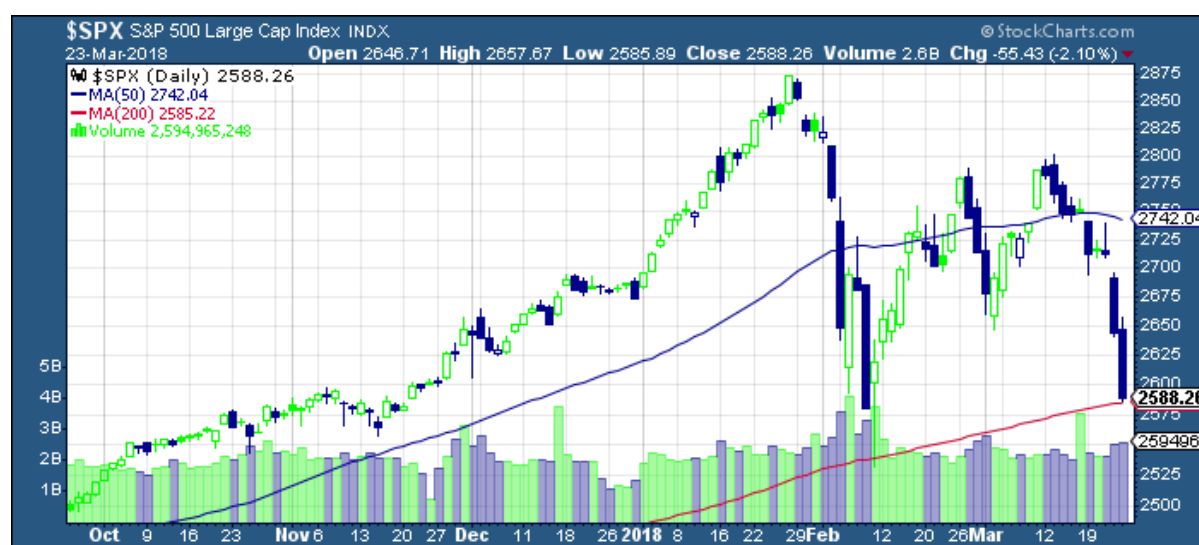
For the Aggressive, Moderate and Conservative portfolios, we are shifting funds for better performance and lower fees.

For Brokerage, we are paring back exposure to industrials - and their greater vulnerability to tariffs - while shifting to the technology sector.

### Event-driven Market Pressure

As mentioned above, the declines are traceable to:

- **Trade Tensions:** The Administration announced tariffs on steel and aluminum, and on imports from China during the month. Both levies stoked fears of trade wars with various trading partners, leading to market drops.
- **Facebook:** The issues surrounding Facebook's (mis)use of private data led to a selloff not only in FB but also for the overall tech sector, due to worries about overall data regulation.
- **Political Turnover:** During the month, the White House replaced the National Security Advisor, the Secretary of State, its lead economic advisor and the lead counsel in the Russia special investigation, adding to uncertainty around consistency and direction of the executive branch.



### It's Not All Bad.....

**The Fed:** The Federal Open Market Committee's meeting last week resulted in - as expected - a 0.25% increase in the target Fed Funds rate, as well as an implication of two more rate hikes this year. As widely reported by financial analysts, the FOMC's outlook for the US economy improved, featuring the implied downgrade of inflationary indicators such as business investment and household spending. At the time, the financial markets digested the meeting results without a hiccup.

**Inflation?:** February core CPI rose 0.2% M-o-M, meeting expectations -- the key takeaway is that the pace of rising prices seems to have cooled since January. This slowing pace coupled with mixed March economic growth data offset other inflationary indicators like PPI (up 2.7% year over year) and import prices (up 0.4% vs. estimates of 0.3%). Taken together, the data was not strong enough for the Fed to get more aggressive with rate hikes.

**Back to Fundamentals:** As we mentioned in last month's newsletter, many experts predict continued volatility over the short to medium term, which means expected market fluctuations due to reactions (and over-reactions) to both positive and negative news. The five fundamental foundations for the markets to do well are: corporate earnings, global economic growth, a benign Federal Reserve, non-aggressive inflation, and an absence of material political disruptions.

**Momentum** in this market remains mixed, at least near term, but longer-term fundamentals are still intact. When corrections happen, you will not see us frantically jumping out of the market. The EZTracker model portfolios are well-balanced - we will make necessary portfolio changes to reflect major changes in market direction while maintaining EZTracker's proven strategy, designed to deliver long-term superior results over periods of both market growth and market declines. As an integral part of that strategy, we look toward digesting upcoming data such as Q1 corporate earnings results next month while continually keeping an eye on political and other events that could continue to put pressure on overall market performance.



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# What We're Watching

## Consumer & Business Confidence

The University of Michigan Consumer Sentiment Index rose 2.3 points in March, to its highest level since 2004, due to an encouraging general assessment of current economic conditions. Favorable mentions of the tax reform legislation in the survey were offset - equally - by unfavorable references to the tariffs on steel and aluminum.

The NFIB Small Business Optimism Index grew to 107.6, up 0.7 points above the previous reading and the second highest reading in the 45-year history of the index. We watch these two measures of mood since they are highly correlated and declines in sentiment were a leading indicator for the last two recessions.



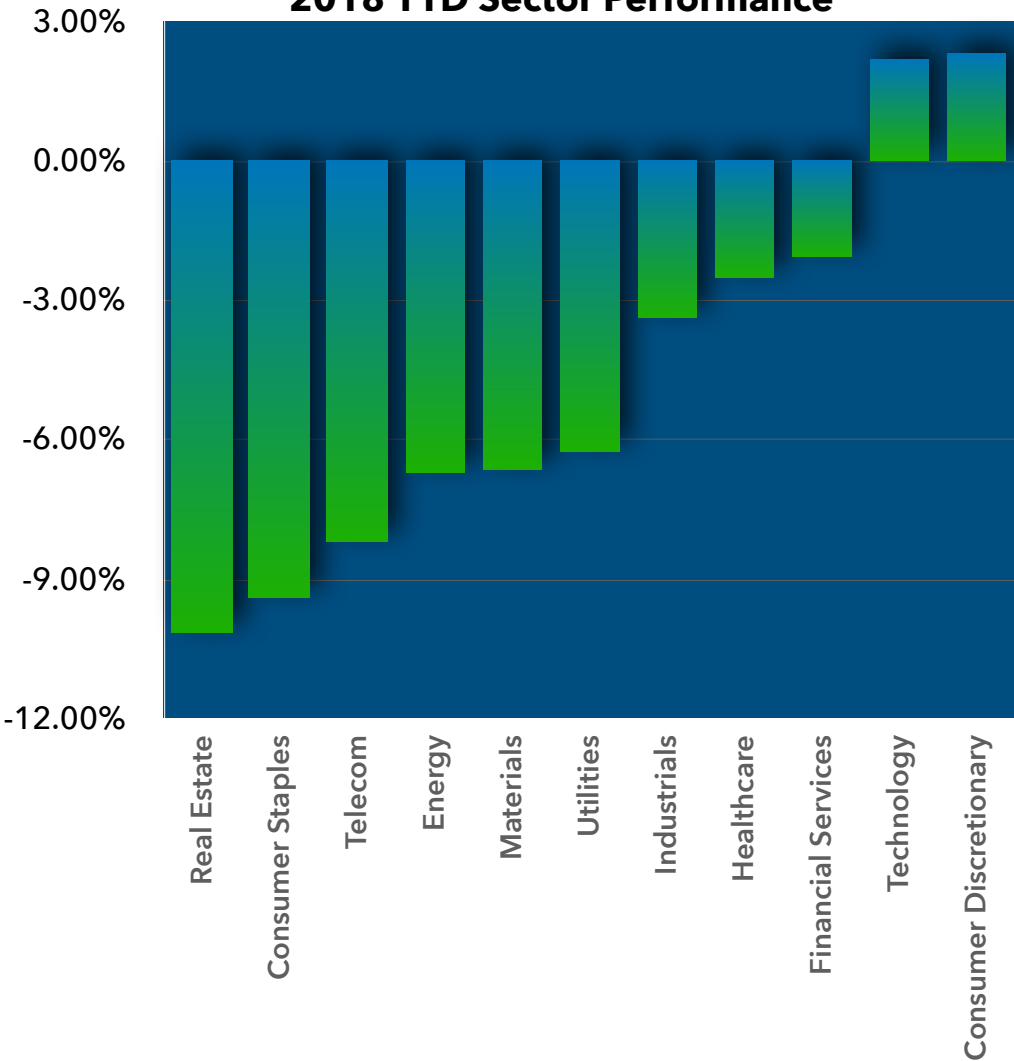
## Sector Analysis

Year-to-date, US equity sector performance has been mixed with weakness specifically in value sectors (small-cap, mid-cap, and large-cap), and gains in growth sectors (small-, mid-, and large-cap). In many EZTracker model portfolios, we had shifted from value to growth for this reason. Some reasons for small-cap relative weakness could be corporate tax cuts (which favor larger companies) and rising interest rates (since small-cap companies need to borrow relatively more than large-caps to fund their growth).

### YTD Index Performance: Returns (%)

	VALUE	BLEND	GROWTH
LARGE CAP	-5.63%	-4.98%	3.36%
MID CAP	-4.13%	-4.33%	2.39%
SMALL CAP	-7.19%	-4.80%	2.20%

### 2018 YTD Sector Performance



## Fixed Income and Other Markets

**Yield Curve and Rates:** We reviewed the spread between 2-yr Treasuries and 10-yr Treasuries in February's newsletter when it stood at 0.57%. The spread remains at approximately the same level today, at 0.56%. This metric is important to monitor since each of the past seven recessions had been preceded by an inverted yield curve (shorter-term bonds paying more than longer bonds). An orderly rise of this spread would be a positive indicator for stocks.

**Currencies:** Growing geopolitical risk in the U.S. and escalating trade tensions could weigh on the dollar relative to other reserve currencies such as the euro and yen.

**Oil & Gold:** Although oil futures have been moving sideways so far this year without much trend to rely upon, the longer-term trend remains bullish due to rising geopolitical concerns (Iran/Saudi Arabia) as well as lower inventory data. Oil prices were higher Friday, with West Texas Intermediate futures trading over \$65, a nearly 2 percent gain. Gold, benefiting from fears about trade wars, rose 1.5% Friday to \$1,347 per ounce.



**EZTracker** provides four model portfolios for Delta Airlines pilots; Aggressive, Moderate, Conservative & Brokerage. Each is designed for different investment needs and styles, as well as level of risk.

## STEP 1: Update Current Investments

Login to Fidelity NetBenefits by [clicking here](#).

### Current Subscribers:



**Aggressive, Moderate & Conservative Portfolios:**  
Exchange Large Cap Growth for Fidelity Contrafund (FID CONTRA POOL CL2)



**Brokerage Portfolio:**  
Sell 100% Fidelity Select Industrials (FCYIX) and with the proceeds of sale and any cash balance, buy Fidelity Select Technology (FSPTX)

### New Subscribers:

or haven't made any changes in the past 90+ days:

- Scroll down to "Holdings" and click on "View Details/Change Investments".
- Under Current Investments, click on "Exchange multiple investments".
- This will take you through the rebalance process

**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	Ticker	Aggressive	Moderate	Conservative	Brokerage	Buy Date
INS/Contract Stable Value			20%	59%		8/28/17
S&P 500 Index		33%	26%	16%		8/28/17
Small/Mid Cap Index		17%	10%	7%		8/28/17
International Equity Index		17%	12%	6%		8/28/17
Emerging Markets Equity		10%	8%	4%		8/28/17
Fidelity Contrafund (FID CONTRA POOL CL 2)		19%	14%	8%		03/26/18
BWG Global Opportunities Bond	GOBSX	4%	10%			2/26/18
Fidelity 500 Index *	FUSVX				24%	9/26/16
Fidelity Mid Cap Stock Fund	FMCSX				12%	9/26/16
Fidelity International Index	FSIVX				14%	6/26/17
Fidelity Total Emerging Markets	FTEMX				8%	1/30/17
Fidelity Contrafund	FCNTX				9%	7/31/17
Fidelity Select Financial Services	FIDSX				12%	9/25/17
Fidelity Select Technology	FSPTX				9%	03/26/18
Fidelity Select Consumer Discretionary	FSCPX				12%	1/2/18

\*this is the Advantage share class which has a \$10,000 minimum. For those with smaller accounts, FUSEX has a \$2,500 minimum.

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. These dates are the day **after** publication of the monthly newsletter. Your Buy date may be different. **Keep track of your Buy dates to comply with any trading restrictions.**

## STEP 2: Update Future Investment Elections

- From the "Summary" page scroll down to "Holdings." Click on "View Details/Change Investments"
- Under "Future Investments", select "Change Investment Elections".
- Select "I'll manage on my own". Complete the process by entering the percentages from the grid above in the Desired % column.
- Complete the procedure and get a confirmation.

# Model Portfolios | March 25, 2018

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 Stable Value Fund
- Conservative Portfolio:**  
40% invested in equities and 60% invested in bonds or the Stable Value Fund. This is our lowest risk portfolio.
- Brokerage Portfolio:**  
**Aggressive:** 95-100% invested in equities through the Brokerage Link and an expanded list of Fidelity mutual funds. This is a high risk/high reward portfolio.

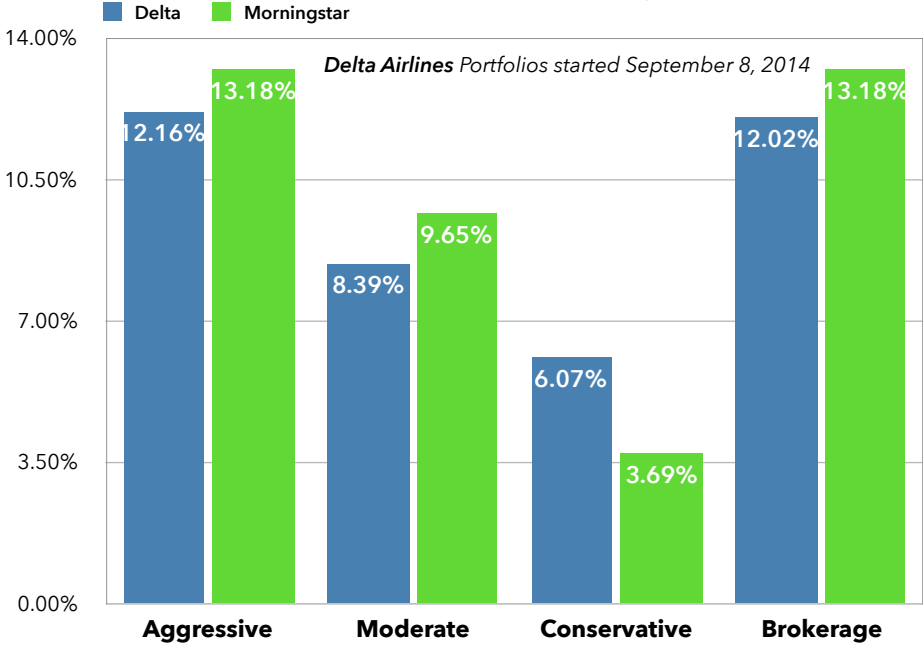
**Which Portfolio is Right for You:** Selecting the right portfolio is an individual decision based on your **willingness** and **ability** to take risk. Only you can decide. Planning your retirement is more important than ever. Your portfolio choice will vary based on age, retirement horizon, savings & 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 **Delta 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 March 25, 2018	YTD 2018	1-Year
<b>EZTracker</b> Aggressive	-1.75%	12.16%
<b>EZTracker</b> Moderate	-1.31%	8.39%
<b>EZTracker</b> Conservative	-0.53%	6.07%
<b>EZTracker</b> Brokerage	-1.84%	12.02%
Morningstar Benchmarks		
Aggressive Target Risk Index	-2.16%	13.18%
Moderate Target Risk Index	-0.89%	9.65%
Conservative Target Risk Index	-1.41%	3.69%
S&P 500	-3.19%	10.33%

1-Year Total Return versus 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.

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](http://www.eztracker401k.com)) for historical data for all model portfolios.

# Monthly Fund Data

Below is the current fund performance for the alternatives in the **Delta Airlines** 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	Total Returns				Tracker Average
	1 MO	3 MO	6 MO	12 MO	Average
Fidelity Contrafund	-5.22%	1.61%	9.40%	23.94%	16.22%
Emerging Markets Equity Index	-4.50%	0.40%	5.38%	22.50%	12.97%
Emerging Markets Equity	-4.88%	0.91%	6.36%	19.48%	11.93%
Small/Mid Growth	-3.00%	-0.27%	7.11%	16.13%	10.90%
Large Cap Growth	-4.74%	-0.70%	7.58%	17.55%	10.74%
Small/Mid Cap Index	-2.51%	-1.18%	5.77%	14.01%	8.77%
S&P 500 Index	-5.67%	-2.76%	4.53%	12.54%	4.71%
International Equity	-4.35%	-2.61%	0.54%	14.05%	4.16%
BWG Global Opportunity Bond (GOBSX)	0.36%	3.70%	-2.35%	5.36%	3.85%
International Equity Index	-4.20%	-3.37%	1.18%	13.25%	3.74%
Lifecycle 2045	-4.05%	-3.10%	2.49%	11.23%	3.58%
Lifecycle 2050	-4.19%	-3.18%	2.48%	11.38%	3.55%
Lifecycle 2055	-4.19%	-3.19%	2.51%	11.37%	3.55%
Lifecycle 2060	-4.18%	-3.21%	2.48%	11.33%	3.51%
Lifecycle 2040	-3.79%	-2.95%	2.35%	10.65%	3.41%
Small/Mid Value	-3.16%	-3.36%	3.98%	8.29%	3.14%
Lifecycle 2035	-3.40%	-2.77%	2.11%	9.76%	3.12%
Lifecycle 2030	-2.93%	-2.52%	1.81%	8.79%	2.81%
Lifecycle 2025	-2.47%	-2.37%	1.43%	7.64%	2.31%
Lifecycle 2020	-1.92%	-2.09%	1.08%	6.51%	1.95%
INS CTRCT/STABLE VALUE	0.13%	0.41%	0.80%	1.57%	1.59%
Lifecycle Retirement	-1.58%	-2.01%	0.71%	5.48%	1.42%
Diversified Bond	0.08%	-1.63%	-1.04%	2.07%	-0.28%
Bond Index	0.16%	-2.02%	-1.64%	0.88%	-1.43%
Large Cap Value	-6.32%	-5.12%	0.54%	7.02%	-2.11%
Deutsche Real Estate R6 (RRRZX)	-2.35%	-10.21%	-11.73%	-9.14%	-18.23%

# Brokerage Portfolio Monthly Fund Data

These Fidelity funds are used in the EZTracker Brokerage Portfolio. These make use of the brokerage link in the Delta 401k plan.

Fidelity Portfolio	Symbol	1 Mo	3 Mo	6 Mo	12 Mo	Avg
Fidelity Select Defense & Aerospace	FSDAX	-4.16%	6.11%	13.15%	35.50%	27.61%
Fidelity Select Technology	FSPTX	-3.88%	4.02%	11.94%	36.09%	26.28%
Fidelity Small Cap Growth	FCPGX	-0.57%	6.11%	13.04%	28.71%	25.79%
Fidelity Select Retailing	FSRPX	-3.97%	4.39%	19.70%	24.43%	24.30%
Fidelity China Region Fund	FHKCX	-4.75%	1.81%	10.04%	32.83%	21.78%
Fidelity International Small Cap	FSCOX	-1.84%	3.24%	10.24%	27.72%	21.47%
Fidelity Latin America	FLATX	-3.60%	11.48%	2.88%	27.11%	20.66%
Fidelity Contrafund	FCNTX	-5.22%	1.61%	9.40%	23.94%	16.22%
Fidelity Select Consumer Discretionary	FSCPX	-5.06%	1.71%	13.99%	18.19%	15.73%
Fidelity Pacific Basin	FPBFX	-4.21%	-1.17%	7.65%	25.54%	15.17%
Fidelity Worldwide	FWWFX	-3.85%	1.29%	7.06%	22.65%	14.81%
Fidelity Nasdaq Composite Index	FNCMX	-4.75%	0.45%	8.94%	20.89%	13.92%
Fidelity Japan Fund	FJPNX	-5.15%	-1.36%	8.60%	19.92%	12.01%
Fidelity Select Health Care	FSPHX	-2.22%	3.92%	3.45%	16.45%	11.78%
Fidelity Total Emerging Markets	FTEMX	-4.17%	1.04%	4.02%	17.26%	9.90%
Fidelity Select Biotechnology	FBIOX	-4.82%	4.03%	1.66%	16.71%	9.59%
Fidelity Europe	FIEUX	-4.09%	-1.84%	0.98%	18.92%	7.62%
Fidelity Select Financial Services	FIDSX	-6.17%	-3.82%	7.31%	16.49%	7.53%
Fidelity Mid Cap Stock Fund	FMCSX	-3.12%	-1.44%	4.39%	12.78%	6.88%
Fidelity Select Air Transportation	FSAIX	-4.20%	-5.89%	2.19%	18.55%	5.82%
Fidelity Select Industrials	FCYIX	-5.13%	-3.24%	5.13%	13.89%	5.81%
Fidelity Mid Cap Enhanced Index	FMEIX	-3.92%	-3.13%	5.95%	11.45%	5.64%
Fidelity Select Transportation	FSRFX	-3.11%	-6.47%	2.67%	16.69%	5.34%
Fidelity Total Market Index	FSTVX	-5.09%	-2.77%	4.62%	12.77%	5.20%
Fidelity Select Banking	FSRBX	-7.61%	-3.32%	7.52%	12.61%	5.01%
Fidelity Convertible Securities	FCVSX	-1.41%	-0.43%	2.74%	7.32%	4.49%
Fidelity 500 Index	FUSVX	-5.63%	-3.08%	4.43%	12.49%	4.48%
Fidelity International Index	FSIVX	-4.63%	-2.68%	0.68%	13.10%	3.53%
Fidelity Small Cap Enhanced Index	FCPEX	-2.69%	-2.55%	4.03%	7.27%	3.30%
Fidelity Select Utilities	FSUTX	0.04%	-0.69%	-0.66%	7.19%	3.21%
Fidelity High Income Fund	SPHIX	-0.43%	-0.62%	0.44%	5.59%	2.72%
INS CTRCT/STABLE VALUE	DELTA1	0.13%	0.41%	0.80%	1.57%	1.59%
Fidelity Large Cap Value Enhanced Index	FLVEX	-4.82%	-4.38%	3.13%	8.43%	1.29%
Fidelity Select Energy	FSENX	-0.61%	-4.66%	5.93%	1.66%	1.27%
Fidelity Select Pharmaceuticals	FPHAX	-2.76%	1.08%	-1.77%	4.88%	0.78%
Fidelity Global Credit	FGBFX	-0.33%	-1.59%	-0.85%	3.80%	0.56%
Fidelity Inflation Protected Bond Index	FSIYX	0.53%	-0.53%	-0.49%	0.68%	0.11%
Fidelity Large Cap Stock	FLCSX	-6.63%	-5.04%	1.70%	9.08%	-0.48%
Fidelity Total Bond	FTBFX	0.18%	-1.40%	-1.57%	1.31%	-0.81%
Fidelity New Markets Income	FNMIX	-0.51%	-2.10%	-2.10%	3.09%	-0.89%
Fidelity Corporate Bond	FCBFX	-0.30%	-2.10%	-1.77%	2.54%	-0.90%
Fidelity Limited Term Govt	FFXSX	0.09%	-0.50%	-1.10%	-0.31%	-0.99%
Fidelity US Bond Index	FSITX	0.27%	-1.45%	-1.70%	0.83%	-1.12%
Fidelity Select Natural Resources	FNARX	-1.65%	-5.94%	4.20%	1.31%	-1.14%
Fidelity Mid Cap Value Fund	FSMVX	-4.35%	-6.44%	2.36%	6.29%	-1.17%
Fidelity GNMA	FGMNX	0.25%	-1.32%	-1.61%	0.06%	-1.43%
Fidelity Long- Term Treasury Bond Index	FLBAX	1.82%	-3.30%	-3.72%	1.99%	-1.75%
Fidelity Select Construction & Housing	FSHOX	-5.60%	-8.39%	2.40%	7.46%	-2.26%
Fidelity Select Materials	FSDPX	-8.07%	-6.89%	-0.72%	9.25%	-3.51%
Fidelity Select Gold	FSAGX	0.41%	-5.28%	-8.46%	-8.58%	-11.95%
Fidelity Select Telecommunications	FSTCX	-4.71%	-8.29%	-7.27%	-6.01%	-14.34%
Fidelity Select Consumer Staples	FDFAX	-5.80%	-8.82%	-5.33%	-6.56%	-14.47%
Fidelity Real Estate Investment Portfolio	FRESX	-2.50%	-9.43%	-9.11%	-6.02%	-14.76%



## Questions, Comments, Problems?

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