

July 29, 2018



# 401K PORTFOLIO AUGUST 2018 UPDATE & NEWSLETTER

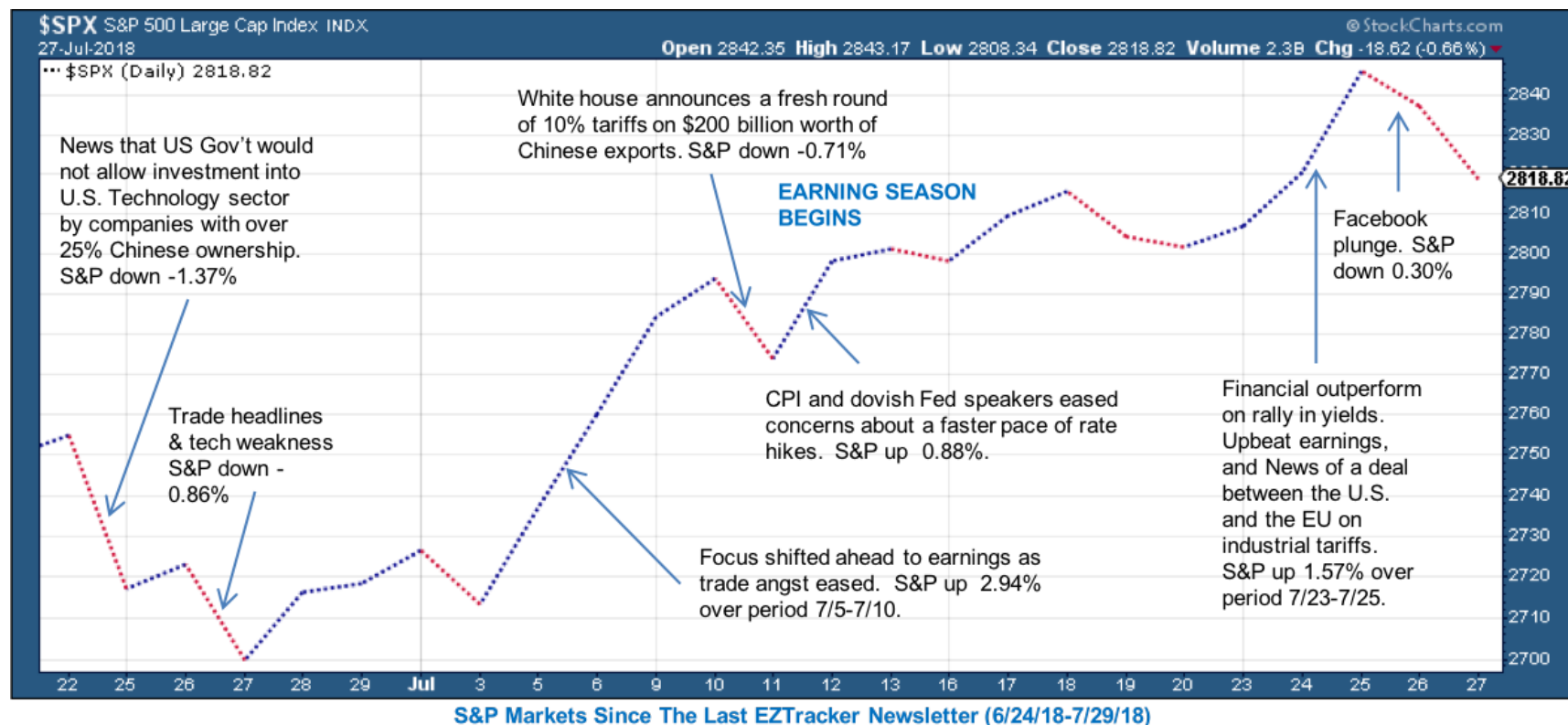
TAKE CONTROL OF YOUR FUTURE

## August 2018 Newsletter

Corporate earnings, international summits and Tweets were the dominant themes of July. As Wall Street continues to digest all the news, investors have remained level-headed and the markets maintained their upward momentum. When it comes to our analyzing the choices in your plans, we take a big picture longer term outlook--and like the market has done recently, we don't overreact. The S&P 500 finished the month +3.76% (YTD+5.43%), while the DJIA came in at +3.96% (+2.96%) and the Nasdaq Composite finished +4.94% (+12.08%). With that being said, there are **NO CHANGES** in any of the **EZTracker** portfolios for this period.



Portfolio Update on Page 4



### Corporate Earnings

The Technology Sector was up for the month by 4.87% extending its YTD advance to 14.3%, led by stocks such as Microsoft (MSFT) and IBM (IBM), which reported their quarterly results during the month and enjoyed share price rallies after their reported earnings beat. Also reporting this month were eBay (EBAY) and Netflix (NFLX) both of which reported lower earnings than estimates, and subsequently posted share price declines. Netflix still remains up over 100% YTD.

Many financial companies also reported corporate earnings this month, including Bank of America (BAC), Goldman Sachs (GS), and Morgan Stanley (MS), all of which topped estimates. The positive results helped the financial sector climb 6.15% and finish among the top of the sector standings for the month.

### Well, what does "Corporate Earnings" mean anyhow?

The term "Corporate Earnings" typically refers to a company's reported after-tax net income, also known as the bottom line (often adjusted to remove extraordinary gains or losses). Earnings are often the main determinant of a company's share price, because they are a direct link to and measure of company performance. The circumstances relating to earnings generation can indicate whether the business will be profitable and successful in the long run - therefore earnings are the most studied numbers in reported financial statements as they are used to compare a company's performance over time with its competitors and industry peers. Companies typically report earnings on both a quarterly and annual basis, and reported earnings that deviate from analysts' expectations can have large impacts on stock price.

Every quarter, financial analysts wait for earnings releases by the companies they follow, and then compare the actual results against their own estimates. A company that beats estimates is often rewarded with gains in its stock price and ultimately company value, which is the main metric used to measure management performance.

**Bottom Line:** Of the S&P 500 companies that have reported earnings to date for Q2, 82.3% have reported earnings above analyst expectations. With all the other stuff going on this month, investors see corporate earnings as the key indicator of economic health and the stock market has reflected this. For a more detailed look on earnings, click here:

[http://lipperalpha.financial.thomsonreuters.com/wp-content/uploads/2018/07/SP500\\_18Q1\\_DashBoard\\_180727.png](http://lipperalpha.financial.thomsonreuters.com/wp-content/uploads/2018/07/SP500_18Q1_DashBoard_180727.png)

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# What We're Watching

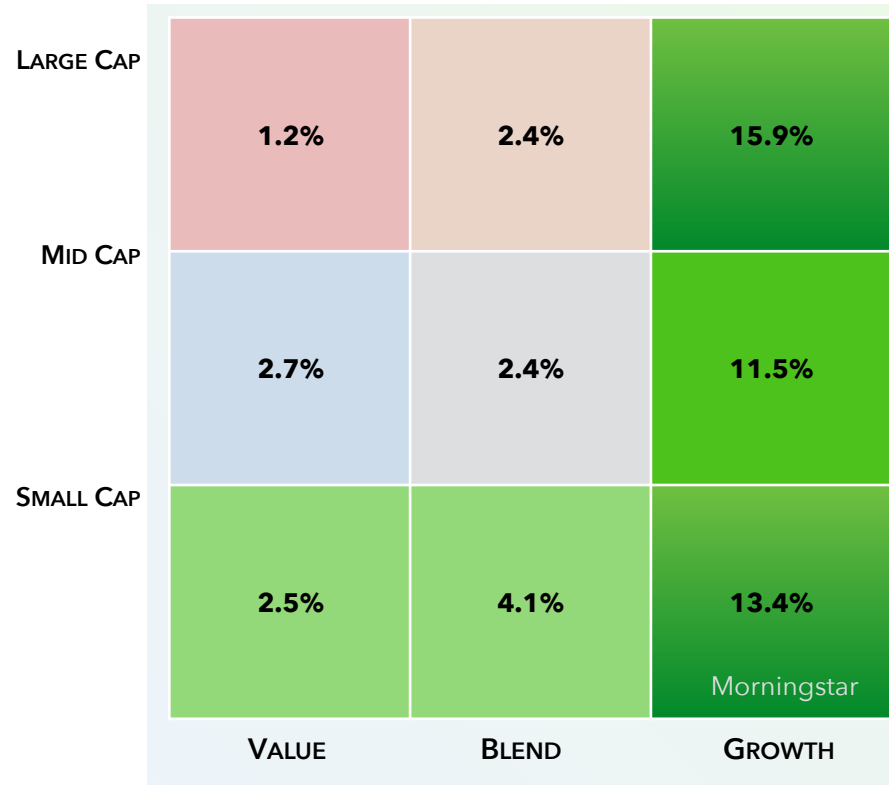
## Economic Data

Consumer sentiment as measured by the **University of Michigan Index for Consumer Sentiment** moderated to 97.1 in July, lower than consensus expectations (98.0). The decline was driven by consumers' assessment of current economic conditions, which turned less favorable amid rising concerns over protectionist trade policies. That said, consumers remain optimistic about future economic conditions. The Commerce Department reported on July 27th that **GDP** (gross domestic product), the broadest measure of goods and services produced in the economy, grew at 4.1% in the second quarter of the year. Consumers led the way, shrugging off higher gasoline prices and sluggish wage growth to step up their spending on everything from cars to clothes to restaurant meals. In the short term and counterintuitively, trade tensions may be contributing to domestic export growth by prompting foreign buyers to stock up on American products before the governments impose retaliatory tariffs. Soybean exports, in particular, have surged, rising more than 50% in May from a year earlier. **Existing Home Sales** dropped in June for a third straight month, falling 5.3% to 631k (Estimates 668k). Rising interest rates seems to be affecting the housing markets, as buyers are getting squeezed by higher mortgage rates. Purchases of new homes are at their slowest pace in eight months, while the median selling price declined to the lowest in more than a year. **EZTracker** will watch signs of a cooling housing market.

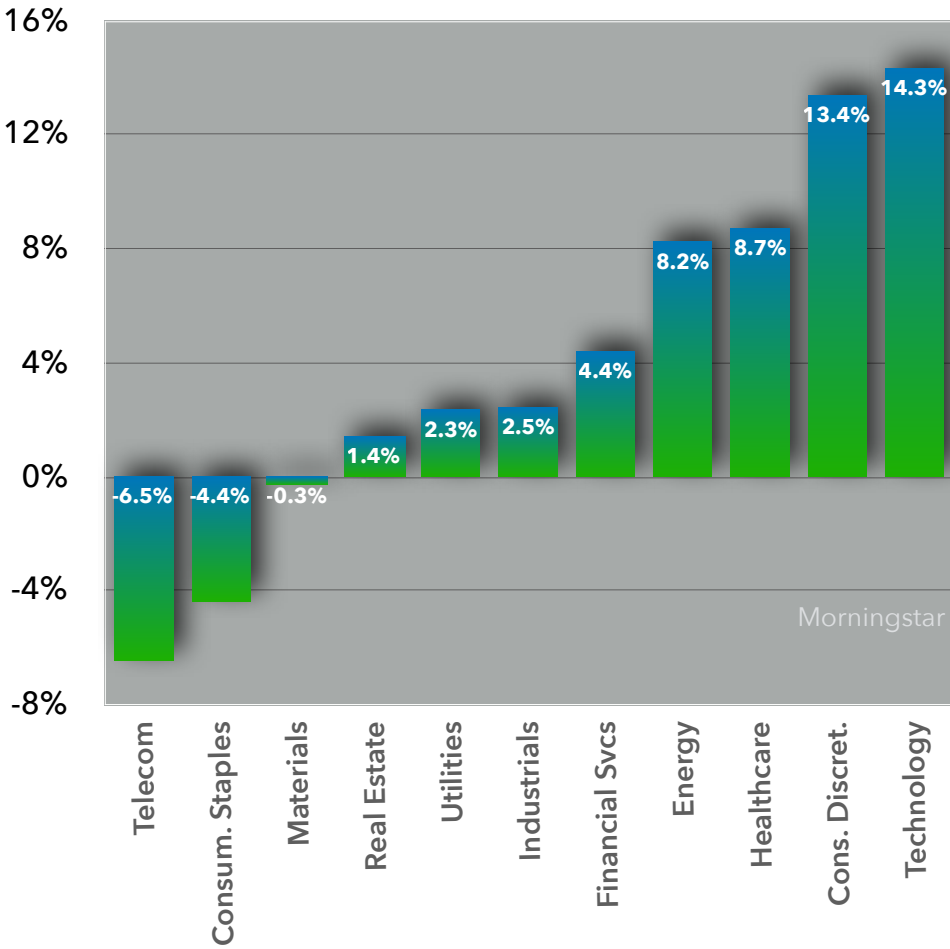
## Sector Analysis

During July, aided by corporate earnings releases as mentioned before, Technology, Financials and Healthcare lead the way as the best performing sectors. Year-to-date, Materials, Consumer Staples, and Telecom continue to lag. In many of our **EZTracker** Portfolios we maintain exposure in Consumer Discretionary, Technology and Financials.

YTD Index Performance: Returns (%)



2018 YTD Sector Performance



## Fixed Income and Other Markets

**Rates:** Why are yields rising? Last week, treasury yields popped by over 10 basis points, hitting a eight-week high of 2.98%. Our belief is that it had little to do with inflation, the Fed, or trade related issues. Rather, the sell-off has to do with international concerns, specifically the monetary policy of the Bank of Japan. Late last week, Reuters released an article detailing how BOJ officials are investigating ways to make their accommodation more "sustainable", causing the yen to rise more than 1% vs the dollar and sparked sharp selling in U.S. Treasuries and Japanese government bonds, causing yields to move higher.

**Yield Curve:** The spread between 2yr and 10yr treasuries continue to flatten (from 0.35% last month to 0.29% currently), and is somewhat puzzling in our minds. We have been watching this spread for quite some time, and warning that levels that approach an inverted yield curve (shorter-term bonds paying more than longer bonds) suggest that a recession is very close. But recent economic data doesn't seem to support an imminent recession. Many factors are causing the yield curve to flatten, ranging from monetary policy, America's trade spats, concern about growth outside the U.S., pension fund and insurer demand for long-term high liquid bonds, and ECB and BOJ monetary policies. An inversion tends to be a good leading indicator, but it can take a while for the economy and the stock market to reflect the consequences. **EZTracker** will continue to monitor this.





**EZTracker** provides three model portfolios for Amazon Employees; Aggressive, and Moderate. 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 to any model portfolios 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 Instl 500 Index Trust	56%	43%	25%	12/31/17, 6/25/18
Vanguard Explorer Fund Admiral	20%	14%	8%	12/31/17
Vanguard Retire Savings Trust III	4%	28%	57%	12/31/17
State St Russell Lg Cap Gr Indx NL	20%	15%	10%	12/31/17
	100%	100%	100%	0

## 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.

# Model Portfolios | August 2018 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 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.

**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.

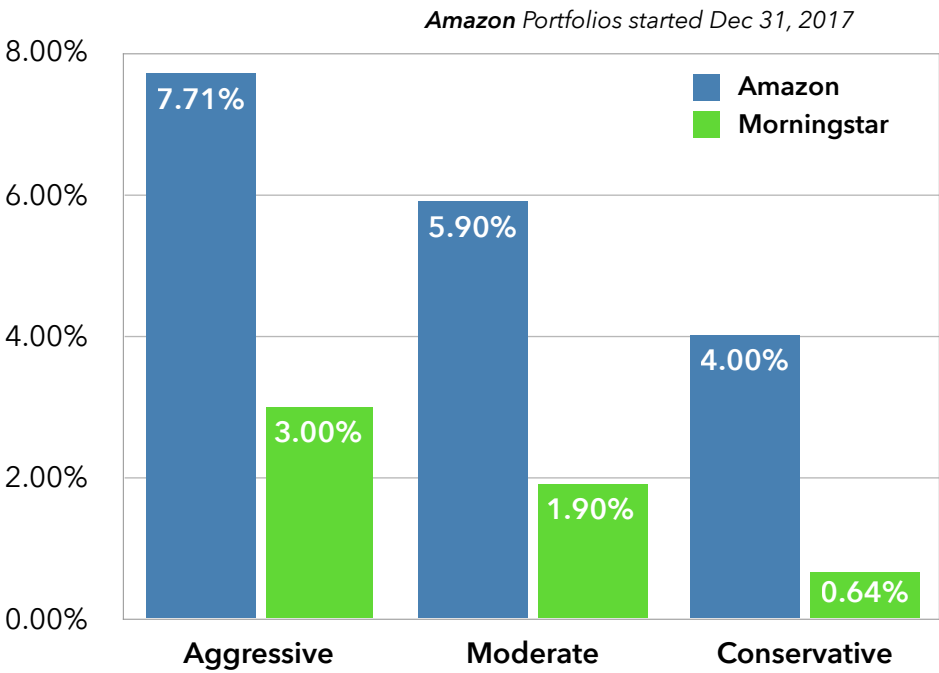
Current Performance Through July 29, 2018	July **	YTD
EZTracker Aggressive	1.77%	7.71%
EZTracker Moderate	1.40%	5.90%
EZTracker Conservative	0.90%	4.00%
Morningstar Benchmarks		
Aggressive Target Risk Index	1.35%	3.00%
Moderate Target Risk Index	1.61%	1.90%
Conservative Target Risk Index	1.46%	0.64%
S&P 500		5.43%

\* Portfolio backtested to 12/31/17  
\*\* Since last Newsletter on June 24

### 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.

### Total Return versus Morningstar Benchmarks YTD



### 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.

# Monthly Fund Data

Below is the current fund performance for the alternatives in the **Amazon** 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	
Amazon Co. Stock Fund	9.44%	15.56%	29.62%	73.74%	70.02%
Vanguard Explorer Fund Admiral	3.39%	8.86%	7.04%	24.91%	24.11%
State St Russell Lg Cap Gr Indx NL	4.72%	8.56%	2.34%	23.01%	21.07%
Vanguard FTSE Social Index Inst	4.55%	6.61%	-0.25%	17.55%	15.53%
Vanguard Instl 500 Index Trust	4.54%	6.08%	-0.93%	16.08%	14.06%
American Beacon Small Cap Value R6	0.70%	5.30%	0.70%	12.55%	10.50%
Vanguard Target Ret 2055 Tr Sel	3.53%	2.72%	-3.18%	10.93%	7.64%
Vanguard Target Ret 2060 Tr Sel	3.54%	2.70%	-3.17%	10.93%	7.63%
Vanguard Target Ret 2045 Tr Sel	3.53%	2.70%	-3.17%	10.93%	7.63%
Vanguard Target Ret 2050 Tr Sel	3.52%	2.70%	-3.19%	10.94%	7.62%
Vanguard Target Ret 2065 Tr Sel	3.52%	2.66%	-3.20%	10.95%	7.60%
Vanguard Target Ret 2040 Tr Sel	3.31%	2.59%	-3.05%	10.47%	7.26%
Vanguard Target Ret 2035 Tr Sel	3.06%	2.41%	-2.75%	9.57%	6.71%
State St Russell Lg Cap Val Indx NL	3.88%	3.27%	-4.13%	8.99%	6.55%
Vanguard Target Ret 2030 Tr Sel	2.72%	2.23%	-2.52%	8.64%	6.04%
Vanguard Target Ret 2025 Tr Sel	2.44%	2.06%	-2.28%	7.72%	5.42%
Vanguard Target Ret 2020 Tr Sel	2.08%	1.85%	-1.94%	6.75%	4.77%
Vanguard Target Ret 2015 Tr Sel	1.57%	1.51%	-1.46%	5.34%	3.79%
Vanguard Target Ret Income Tr Sel	1.05%	1.25%	-1.00%	3.80%	2.78%
Vanguard Retire Savings Trust III	0.18%	0.52%	1.05%	1.99%	2.04%
WF Treasury PI MMkt Inst	0.15%	0.45%	0.81%	1.33%	1.50%
Vanguard Inst Tot Intl St Mt Ix Tr	3.65%	-1.78%	-8.14%	6.28%	0.00%
PIMCO Total Return Inst	0.03%	0.57%	-0.80%	-0.28%	-0.26%
Vanguard Inst Tot Bd Mkt Ix Tr	-0.14%	0.60%	-0.88%	-0.86%	-0.70%
Invesco International Growth CL I	4.44%	-1.54%	-8.53%	1.78%	-2.10%
Oakmark International Institutional	3.52%	-5.12%	-12.79%	1.35%	-7.11%



## Questions, Comments, Problems?

Let us know if you have any questions or suggestions. We're just a click away at [contact@eztracker401k.com](mailto:contact@eztracker401k.com). Or call 201.503.6445. For help or questions about rebalancing or fund-to-fund transfers call 201.503.6571. The information and data contained herein are compiled from sources and procedures believed reliable, but accuracy cannot be guaranteed.

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