

June 24, 2018

# 401k PORTFOLIO JULY 2018 UPDATE & NEWSLETTER



**envoy**<sup>SM</sup>

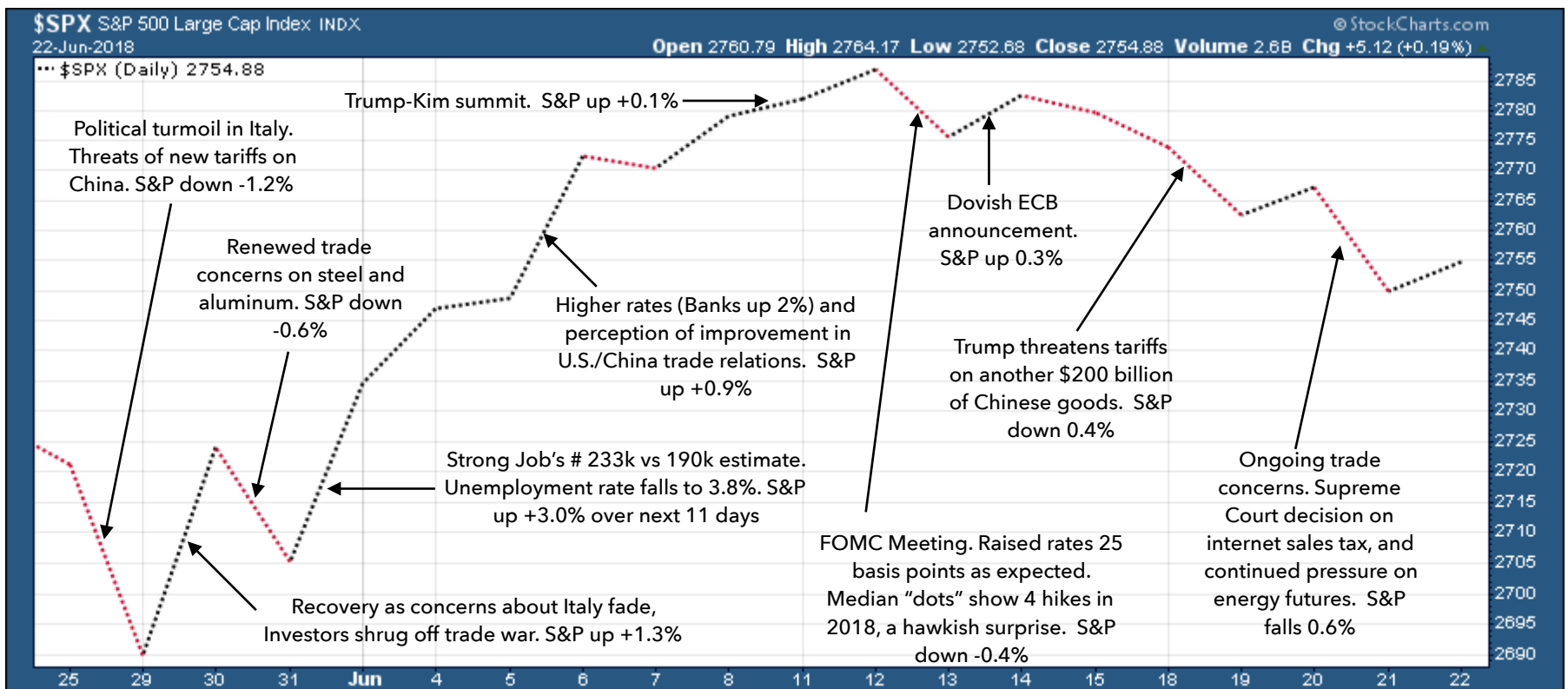
TAKE CONTROL OF YOUR FUTURE

## July 2018 Newsletter

Coming off a volatile month with split indices' performance since the last newsletter – DJIA down 0.79% (YTD -.56%), S&P +1.23% (YTD +3.04%) and Nasdaq +3.48% (YTD +11.44%), it is clear we are entering a period of investors' risk reduction. Geopolitical concerns, tariffs - both in place and threatened, and the resultant general perception of international instability has caused us to take a close look at our overseas investments.

We decided to reduce exposure to International and Emerging Market funds and refocus on Domestic investments. We will continue to monitor all sectors and regions but we feel the safer play at this time is to be weighted in the U.S. **EZTracker** portfolios continue to outperform our benchmarks, yet we continue to look to optimize. Please see page 3 for detailed model portfolio adjustments.

**Portfolio Update on Page 3**



As evident in the above chart showing the SPX since May 25, geopolitical concerns have been the reasons behind market movements, with trade concerns sparked by the threatened tariffs against China as the major source of market headwinds.

### So, What Is the Big Deal with Tariffs?

A tariff is a tax on certain goods or items coming into a country, levied by a customs broker or agent at the time that the goods enter. The concept is that a tariff would push up the US price of foreign products, making US alternatives more attractive. Currently, President Trump is attempting to get US companies and consumers to use fewer Chinese-produced goods and opt for items made in the US or imported from a more friendly ally.

#### What does this mean to me?

**First:** The prices of some products that everyone buys will likely go up. Steel and aluminum, two imports already targeted by the administration, are crucial inputs for autos, airplanes, appliances and for the construction, oil and utility industries.

**Second:** Although meant to protect US industries, US companies may not be able to replace what is imported, meaning that manufacturers will keep importing and paying the tariff, and therefore would become less profitable or less competitive.

**Third:** Foreign countries' retaliation, or a trade war, adds insult to injury where other US exporters (like farmers – China is the top export market for soybeans buying \$14 billion last year) would suffer immediate reductions in overseas demand without any alternate new market.

**To the extent** that the threat of tariffs obtain some other international goal or concession, without actually levying the duty, it can be an effective negotiation tactic.

#### Bottom Line:

Fundamental economic strength spurred the US Equity markets at the onset of June, but the announced tariffs and the potential for a drawn-out trade war with China as well as the European Union negatively affected investors sentiment. We continue to closely watch these events given the global uncertainty that may arise from trade and geopolitical concerns, and have changed our model portfolios accordingly. Keep in mind that investing for your retirement is a long-term proposition. Follow the model portfolio that best fits your comfort and ability to take risk. Only you can decide how much risk is right for you.

**Help Hotline:** We help new subscribers get started, and current subscribers get back on track.

201.503.6445 | [contact@eztracker401k.com](mailto:contact@eztracker401k.com)

# What We're Watching

## Economic Data

Employment, as described in the **May US Employment Report** (issued on June 1), outperformed expectations with a 223k increase in non-farm payrolls. The resultant reduction in the unemployment rate to 3.8% was energized by broad-based strength across many services sectors including business services, education and health, leisure and hospitality, and retail. At the widely anticipated **June Federal Open Market Committee** meeting, the Fed raised the target range for the federal funds rate by 25bp, in line with consensus expectations. The Fed's policy path steepened in 2018 and 2019 with indications of two further rate hikes this year and three rate increases in 2019. Consumer sentiment as measured by the **University of Michigan Index for Consumer Sentiment** continues to climb, rising to 99.3 in June from 98.0 based mainly on an improvement in consumers' assessment of current economic conditions and consumers' perceiving themselves to be better off financially relative to a year ago. That said, consumers also perceive more uncertainty, driven by expectations of higher interest rates and elevated gas prices.

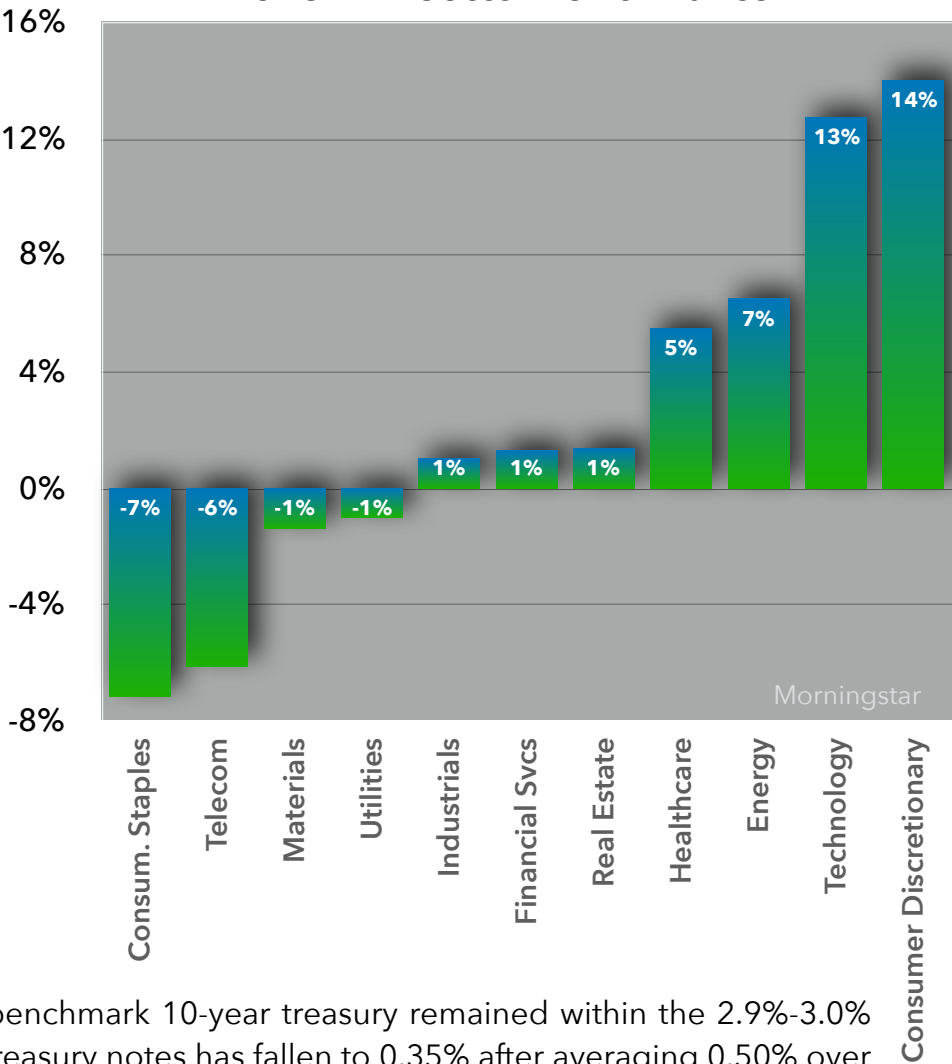
## Sector Analysis

Consumer Discretionary, Technology, Energy, and Healthcare continue to be the best performing sectors. Defensive sectors such as Consumer Staples and Telecom continue to lag the market with no signs of a change. The sectors that would be expected to perform well through a trade war scenario, besides US bonds, are those that have a lot of exposure to the US economy such as Healthcare (which has recently risen to be a top-performing sector YTD) and regional banks. In many of our **EZTracker** expanded, brokerage or **EZTrackerETF** portfolios, we are weighted towards the the higher performing sectors such as Technology and Consumer Discretionary.

YTD Index Performance: Returns (%)

	VALUE	BLEND	GROWTH
LARGE CAP	-1.89%	-0.74%	14.14%
MID CAP	1.98%	1.08%	10.85%
SMALL CAP	3.54%	5.77%	14.52%
Morningstar			

2018 YTD Sector Performance



## Fixed Income and Other Markets

**Yield Curve and Rates:** Since the end of May, the yield on the benchmark 10-year treasury remained within the 2.9%-3.0% range. More importantly, the spread between two- and ten-year Treasury notes has fallen to 0.35% after averaging 0.50% over the past 3 months. The yield curve tends to flatten when investors pare their long-term growth and inflation expectations, but one should not discount the Fed's intentions to continue hiking short term interest rates (causing this spread to fall). This indicator is important since each of the past seven recessions has been preceded by an inverted curve (shorter-term bonds paying more than longer bonds).

**Oil:** Since the end of May, oil prices have fallen due to the assumption amongst investors that OPEC will decide to boost production during its meetings held the weekend of June 22-24. This in fact was the case after Saudi Arabia convinced Iran to drop its opposition, paving the way for a deal for increased production of some 700,000 barrels per day starting next month. Although the boost was lower than originally expected, the increased output is hoped to keep oil prices at their "goldilocks" value of just under \$70 per barrel, offering price relief to consumers. Oil prices actually rose on the announcement and the realization that the boost was lower than expected, but many experts expect the prices to revert to their downward trend soon.

**EZTracker** provides three model portfolios for Envoy employees; Aggressive, Moderate and Conservative. 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:**  
**Exchange Vanguard Total International Stock Index (VTSNX) for JPMCB Equity Index-CF\***  
**Exchange Oppenheimer Dev. Markets (ODVIX) for Vanguard Small Cap Index-Inst (VSCIX)\***

### New Subscribers:

Rebalance your 401k using the chart below for the portfolio you want to follow. Use "Rebalance my current balance" process.

\* This represents an addition to a position already held.

EZTracker Model Portfolios	Symbol	Aggressive	Moderate	Conservative	Buy Date
Invesco Stable Value Trust or AA Federal Credit Union **		5%	30%	58%	8/28/17, 2/26/18
JPMCB Equity Index-CF		46%	34%	21%	8/28/17, 6/25/18
Amercan Century Mid Cap Value -R6	AMDVX	5%	4%		8/28/17
TRP Mid Cap Growth	RPMGX	5%	4%	4%	8/28/17
Vanguard Small Cap Index-Inst	VSCIX	18%	14%	8%	8/28/17, 6/25/18
TRP New Horizons	PRNHX	11%	7%	5%	10/30/17
JPMorgan Large Cap Growth-R6	JLGMX	10%	7%	4%	2/26/18
		100%	100%	100%	

\*\* Either allocation appropriate

Your individual percentages may vary somewhat from those indicated above.

## 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.

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.

### Portfolio Management for the 401k

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

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



# Model Portfolios | July 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 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 Credit Union or Stable Value Fund
- Conservative Portfolio:**  
40% invested in equities and 60% invested in bonds or the Credit Union 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.

## Performance

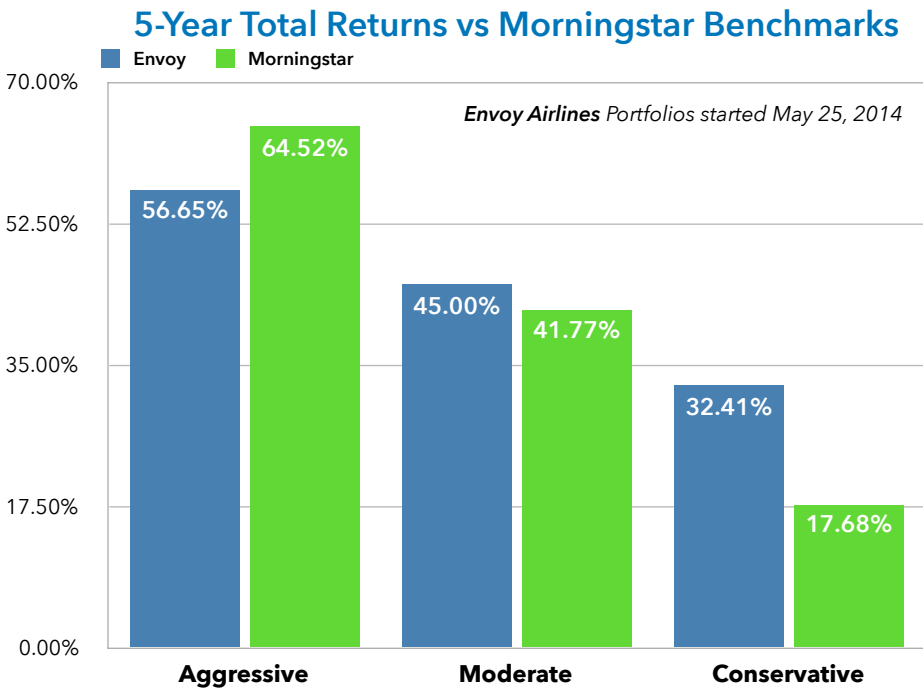
The **EZTracker** methodology used for **Envoy Airlines** is the same methodology (investing in the best performing funds) we've used since we began publishing in 2002. It has consistently delivered superior long-term results. While past performance is no guarantee of future results, our past performance validates this long-term investing philosophy.

Current Performance Through June 24, 2018	MTD June *	YTD 2018	1-YEAR
<b>EZTracker</b> Aggressive	1.24%	4.16%	13.69%
<b>EZTracker</b> Moderate	0.89%	2.98%	9.91%
<b>EZTracker</b> Conservative	0.69%	2.62%	7.44%
Morningstar Benchmarks			
Aggressive Target Risk Index		1.63%	12.69%
Moderate Target Risk Index		0.29%	7.39%
Conservative Target Risk Index		-0.81%	2.06%
<b>S&amp;P 500</b>		<b>3.04%</b>	<b>13.16%</b>

\* Performance since last newsletter

### 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.

## Annual % Total Returns

EZTracker Model Portfolios	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>EZTracker</b> Aggressive	0.59	39.49	18.13	12.19	17.10	9.29	-14.63	34.12	19.58	-0.44	7.18	29.77	4.87	0.49	1.56	19.11
<b>EZTracker</b> Moderate	1.30	27.40	13.47	9.91	13.40	8.52	-9.75	24.71	14.36	0.03	5.42	20.14	4.73	1.37	3.32	13.82
<b>EZTracker</b> Conservative	1.87	14.36	7.82	7.27	9.24	7.62	-3.80	13.89	7.30	0.11	3.58	12.54	4.42	1.72	2.48	9.91
Morningstar Benchmarks																
Aggressive Target Risk Index								32.00	16.75	-3.60	16.07	24.53	5.23	-2.67	11.34	21.95
Moderate Target Risk Index								21.77	12.33	0.59	12.04	14.31	4.89	-1.79	8.57	14.66
Conservative Target Risk Index								9.56	7.07	4.38	7.36	2.97	3.38	-0.92	4.67	7.00

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 **Envoy Air** 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 Returns				Tracker Average
		1 MO	3 MO	6 MO	12 MO	
T Rowe Price New Horizons Fund Inc	PRNHX	6.37%	9.68%	16.95%	30.61%	34.70%
JPMorgan Large Cap Growth Fund	JLGMX	4.25%	8.40%	14.96%	29.60%	31.21%
Vanguard Small-Cap Index Fund	VSCIX	3.16%	8.22%	8.06%	19.77%	21.38%
American Beacon Small Cap Value Fund	AVFIX	2.56%	8.52%	6.08%	17.88%	19.12%
T Rowe Price Mid-Cap Growth Fund Inc	RPMGX	1.76%	2.67%	6.82%	16.56%	15.16%
JPMorgan Equity Index Fund	HLEIX	1.27%	4.66%	3.56%	15.17%	13.45%
American Beacon Large Cap Value Fund	AADEX	-0.74%	3.86%	0.24%	11.49%	8.10%
Oppenheimer Developing Markets Fund		-1.19%	-2.11%	2.08%	14.52%	7.26%
JPMorgan SmartRetirement Blend 2055 Fund		-0.30%	2.01%	0.63%	10.03%	6.75%
JPMorgan SmartRetirement 2060 Fund		-0.50%	1.26%	0.27%	10.56%	6.32%
JPMorgan SmartRetirement 2050 Fund		-0.51%	1.29%	0.16%	10.53%	6.25%
JPMorgan SmartRetirement 2045 Fund		-0.56%	1.24%	0.12%	10.51%	6.17%
JPMorgan SmartRetirement 2040 Fund		-0.49%	1.20%	0.10%	10.36%	6.10%
American Century Mid Cap Value Fund	AMDVX	-0.23%	2.69%	0.29%	8.28%	6.02%
JPMorgan SmartRetirement 2035 Fund		-0.43%	1.05%	-0.04%	9.42%	5.46%
JPMorgan SmartRetirement 2030 Fund		-0.19%	1.13%	0.07%	8.79%	5.35%
JPMorgan SmartRetirement 2025 Fund		-0.10%	0.92%	-0.19%	7.01%	4.16%
American Funds EuroPacific Growth Fund		-2.83%	-0.97%	0.33%	10.43%	3.80%
JPMorgan SmartRetirement 2020 Fund		-0.05%	0.67%	-0.31%	5.79%	3.33%
JPMorgan SmartRetirement Income Fund		0.05%	0.54%	-0.46%	4.42%	2.49%
Invesco Stable Value-III		0.17%	0.52%	1.02%	2.00%	2.03%
Vanguard Total International Stock Index Fund	VTSNX	-3.46%	-1.11%	-1.51%	8.92%	1.55%
American Airlines Federal CU	AAFCU	0.07%	0.27%	0.53%	1.08%	1.06%
Wilmington Core Bond Class I1	ECORE	0.13%	0.39%	0.52%	0.52%	0.85%
Vanguard Total Bond Market Index Fund		0.71%	-0.06%	-1.58%	-1.37%	-1.25%



## 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 answers 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. 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.

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