

August 26, 2018



# 401K PORTFOLIO SEPTEMBER 2018 UPDATE & NEWSLETTER

TAKE CONTROL OF YOUR FUTURE

## September 2018 Newsletter

**Thanks to** the **EZTracker** model portfolios' rotation out from emerging markets and international equities into domestic small- and large-cap equities, our portfolios continue to deliver excellent returns. For August month-to-date, the DJII rose 1.33% (YTD +4.3%), the S&P 500 rose 1.98% (+7.5%), and the NASDAQ composite rose 2.7% (+16.1%). The S&P 500 index touched an all-time high of 2,874 on Friday, marking the first record close since January.

For the coming month, we have decided to increase our duration in fixed income, re-allocating a portion of our position to the intermediate aggregate bond sector. We believe our equity positions are well balanced and diversified.



**Portfolio Update on Page 4**



Despite a growing number of negative factors highlighted in the news, we continue to see resilience in the domestic markets as the major equity indices continue their upward trend. The broadest stock index (S&P 500) rose to a record after the Federal Reserve chair signaled that the central bank has no intention of accelerating the pace of rate hikes.

### **Federal Reserve Annual Retreat - Jackson Hole, WY:**

In his closely watched speech at the Fed's annual retreat, Fed Chairman Powell expressed confidence in the economy, stating "The economy is strong, inflation is near our 2 percent objective, and most people who want a job are finding one....My colleagues and I are carefully monitoring incoming data, and we are setting policy to do what monetary policy can do to support continued growth [and] a strong labor market..." Powell did acknowledge some of the turmoil in emerging markets, saying "there are risk factors abroad and at home that, in time, could demand a different policy response."

**Headlines**, however, have continued to cast doubt on the sustainability of the economic cycle and the length of the bull market. We thought it would be a useful exercise to list out the contrasting points of view of the bears and bulls:

#### **Bears Warn:**

- Flattening of the yield curve increases the risk of recession/ trade war escalation could trigger the expansion's downfall;
- Rising labor costs and commodity prices will squeeze corporate profit margins; rising costs will boost inflation, sending bond yields higher and negatively impacting equities;
- Threat of impeachment will cause the market to crash.

#### **Bulls Say:**

- Corporate revenues and earnings are at all-time highs;
- S&P revenues have jumped over 10% YOY and earnings have soared over 25% YOY in the last quarter, reflecting increased demand for products and services as well as cuts in the corporate tax rate;
- GDP Growth is strong- the domestic economy grew 4.1% in Q2, 2018.

Having patience and maintaining a long-term investment horizon are essential to achieving long-term investment success in any market. This seems particularly true in the current market environment. For example, we are noting a shift in investor sentiment from growth to value stocks - but for now although our model portfolios do not have changes related to that type of allocation, we are keeping our eye on where investors' demand is heading.

**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

The **U.S. Unemployment rate** for July (announced early August) came in at 3.9% as expected. The main takeaway from the unemployment report is that jobs growth in the goods sector– and manufacturing in particular– remains solid and shows no adverse effect (yet) from concerns about increased protectionism.

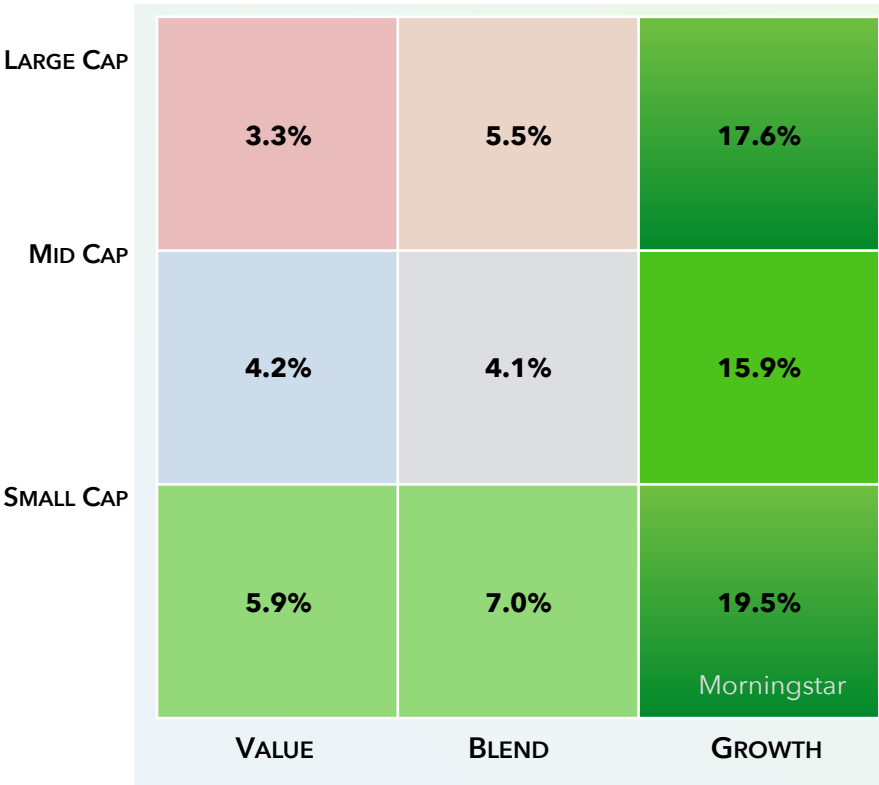
Consumer sentiment as measured by the **University of Michigan Index for Consumer Sentiment** fell in August from 97.9 to 95.3, its first material fall in many months. The August report showed that consumers are starting to perceive themselves to be financially worse as a result of affordability issues related to big-ticket consumer items and housing. General consumer assessment about the future, however, remained unchanged.

## Sector Analysis

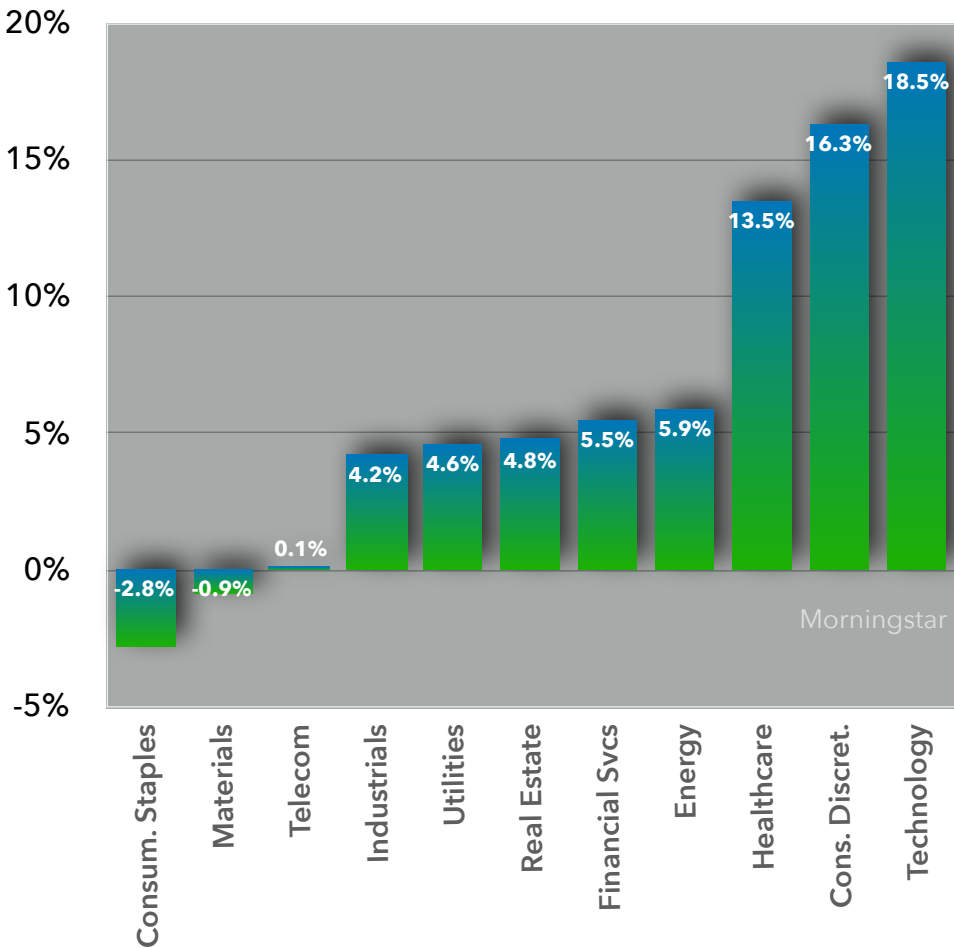
The best performing sectors continue to be Technology, Consumer Discretionary and Healthcare. In fact, all sectors were up for the month except for Energy. Over this past month, we have noticed a market sentiment shift, from Large Cap Growth into Small Cap Growth stocks. Furthermore, there has been marked strength in all domestic Value sectors.

Although Value stocks have materially underperformed growth stocks so far in 2018, on an historical basis, value stocks tend to perform better – with stronger relative returns – during the portion of an economic cycle when valuations are high and interest rates have reversed and turned upward. This is partially a result of rising interest rates' impact on equity performance: since growth stocks tend to have a higher weight of cash flows expected farther in the future (i.e. longer duration), higher interest rates should more negatively impact values of growth stocks relative to value stocks.

YTD Index Performance: Returns (%)



2018 YTD Sector Performance



## Fixed Income and Other Markets

**Rates & Yield Curve:** The spread between 2-year and 10-year treasuries continues to decline (a bearish indicator), from 0.29% last month to 0.20% as of Friday 8/24, but stocks have been largely ignoring the compressing yield curve and low bond yields.

Since August 1<sup>st</sup>, when we saw 10-year treasury yields as high as 3.0%, bond prices have rallied, lowering yields down to 2.82%. This was driven partially by a flight-to-quality (away from the stresses in emerging and international markets), and partially from the Fed's indication in its August minutes that the Fed could slow the pace of rate increases if global trade spats begin to take a toll on the economy.

*What this means to us* is that, for yields to resume their rise (and fixed income prices to fall), we need to see material trade progress and an uptick in economic data and inflation expectations. With neither looking imminent, we have decided to allocate a portion of our fixed income position away from short term cash-like instruments into the more aggressive intermediate term aggregate bonds sector.



**EZTracker** provides three model portfolios for Amazon 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 Portfolio:**  
Exchange 100% Vanguard Retire Savings Trust III for Vanguard Inst Tot Bond Mkt Index Tr

**Moderate & Conservative Portfolios:**  
Exchange 50% Vanguard Retire Savings Trust III for Vanguard Inst Tot Bond Mkt Index Tr

### 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%	26%	12/31/17, 6/25/18
Vanguard Explorer Fund Admiral	20%	14%	8%	12/31/17
Vanguard Retire Savings Trust III		14%	28%	12/31/17
State St Russell Lg Cap Gr Index NL	20%	15%	10%	12/31/17
Vanguard Inst Tot Bd Mkt Index Tr	4%	14%	28%	8/27/18
	100%	100%	100%	

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.



# Model Portfolios | September 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.



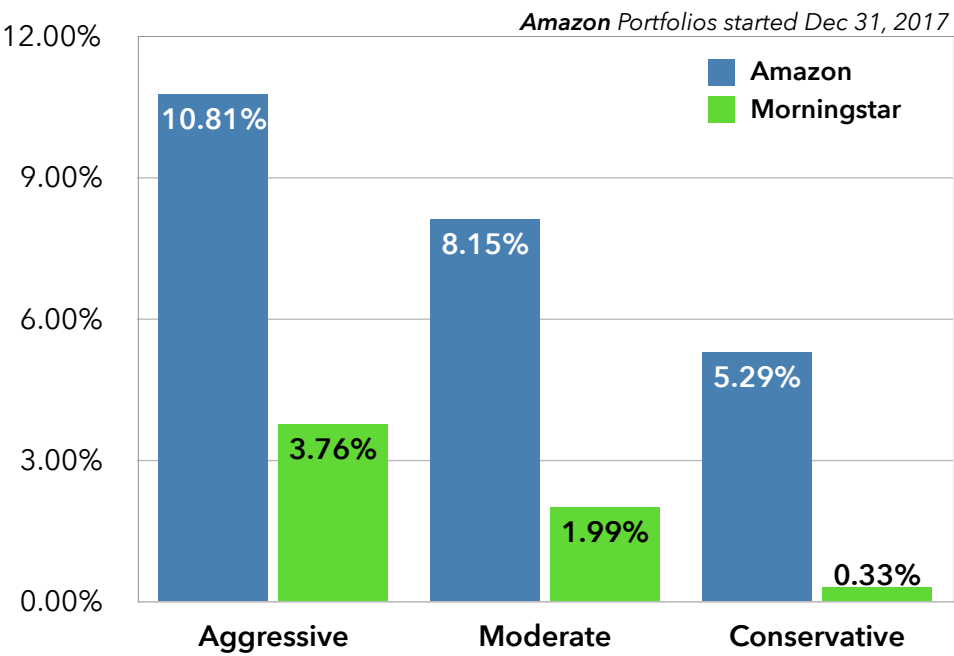
- Aggressive Portfolio:**  
95-100% invested in equities. This is a high risk/high reward portfolio.
- Moderate Portfolio:**  
70% invested in equities and 30% invested in bonds or Stable Value Fund.
- Conservative Portfolio:**  
40% invested in equities and 60% invested in bonds or Stable Value Fund. 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 Aug 26, 2018	Aug **	YTD
EZTracker Aggressive	2.88%	10.81%
EZTracker Moderate	2.13%	8.15%
EZTracker Conservative	1.24%	5.29%
Morningstar Benchmarks		
Aggressive Target Risk Index	0.74%	3.76%
Moderate Target Risk Index	0.09%	1.99%
Conservative Target Risk Index	-0.31%	0.33%
S&P 500		7.52%

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

Total Return versus Morningstar Benchmarks YTD



### 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.

# 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	4.16%	18.86%	27.03%	100.05%	81.89%
Vanguard Explorer Fund Admiral	4.98%	9.13%	15.50%	36.31%	35.96%
State St Russell Lg Cap Gr Indx NL	2.06%	7.49%	8.58%	27.62%	24.96%
American Beacon Small Cap Value R6	2.54%	4.67%	9.27%	22.84%	21.45%
Vanguard FTSE Social Index Inst	2.14%	6.21%	6.58%	21.88%	20.09%
Vanguard Instl 500 Index Trust	2.12%	5.88%	5.64%	20.14%	18.43%
State St Russell Lg Cap Val Indx NL	2.46%	4.21%	3.10%	13.01%	12.43%
Vanguard Target Ret 2050 Tr Sel	0.72%	2.04%	1.49%	12.49%	9.13%
Vanguard Target Ret 2045 Tr Sel	0.69%	2.06%	1.48%	12.45%	9.10%
Vanguard Target Ret 2055 Tr Sel	0.69%	2.03%	1.47%	12.48%	9.10%
Vanguard Target Ret 2060 Tr Sel	0.70%	2.02%	1.47%	12.45%	9.08%
Vanguard Target Ret 2065 Tr Sel	0.72%	2.00%	1.44%	12.43%	9.05%
Vanguard Target Ret 2040 Tr Sel	0.71%	2.01%	1.48%	11.96%	8.81%
Vanguard Target Ret 2035 Tr Sel	0.71%	1.96%	1.52%	10.92%	8.24%
Vanguard Target Ret 2030 Tr Sel	0.70%	1.86%	1.47%	9.82%	7.55%
Vanguard Target Ret 2025 Tr Sel	0.69%	1.83%	1.50%	8.83%	7.01%
Vanguard Target Ret 2020 Tr Sel	0.69%	1.71%	1.45%	7.67%	6.29%
Vanguard Target Ret 2015 Tr Sel	0.65%	1.56%	1.43%	6.08%	5.30%
Vanguard Target Ret Income Tr Sel	0.67%	1.40%	1.42%	4.41%	4.31%
Vanguard Retire Savings Trust III	0.18%	0.52%	1.05%	1.99%	2.04%
Vanguard Inst Tot Bd Mkt Ix Tr	0.83%	1.40%	1.31%	-0.63%	1.58%
PIMCO Total Return Inst	0.95%	1.40%	0.91%	-0.44%	1.54%
WF Treasury Pl MMkt Inst	0.15%	0.45%	0.81%	1.33%	1.50%
Vanguard Inst Tot Intl St Mt Ix Tr	-1.62%	-3.50%	-5.60%	4.00%	-3.67%
Invesco International Growth CL I	-1.27%	-1.91%	-6.28%	0.76%	-4.75%
Oakmark International Institutional	-3.45%	-7.67%	-11.53%	-2.33%	-13.63%



## 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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