

September 30, 2018

401k PORTFOLIO OCTOBER 2018 UPDATE & NEWSLETTER

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TAKE CONTROL OF YOUR FUTURE

October 2018 Newsletter

The S&P 500 gained more than 7% in the third fiscal quarter. This is the strongest fiscal quarter for that index since the end of 2013. All three major indexes are at or near record highs, as investors expect continued corporate earnings strength. Historically, a positive fiscal Q3 has indicated continued Q4 growth – and in midterm election years specifically, the S&P 500 has rallied an average of 7.1% in the fourth quarter following a Q3 gain.

There are NO CHANGES to any **EZTracker** model portfolios. Our equity positions continue to be well balanced and diversified, while we keep a watchful eye on sectors such as small caps and financials. **EZTracker** model portfolios continue to outperform since our June rotation out of international and emerging markets, and we continue to monitor re-entry points.



Portfolio Update on Page 4



Equity markets have so far remained resilient in the face of rising yields and trade tensions, suggesting investors are comfortable with the outlook for corporate earnings and global growth even as borrowing costs rise. This week, Federal Reserve officials raised interest rates for the 3d time this year and reaffirmed further gradual hikes into 2019. The language in the Fed minutes, however, seemed to acknowledge that rates have moved closer to the neutral level, potentially leading to a hiatus for the Fed to assess their effects on the economy. Investors currently expect another 0.25% hike in December and 2-3 more raises in 2019.

This month, Ray Dalio, founder of Bridgewater Associates, the world's largest fund with \$150B in AUM, gave a CNBC interview suggesting investors to be "more defensive" in the current stock market environment. The insightful parts included his comments on where we are in the cycle (he said 7th inning), when investors can expect the next downturn (two years), and China (tariffs are "not that big of a deal"). <https://www.cnbc.com/video/2018/09/11/ray-dalio-bridgewater-financial-crisis-economy-debt.html>.

We expect further global noise that could disrupt markets going forward like troubled Emerging Market currencies, a potentially messy Brexit and continued trade tensions between the US and its global partners. For example, EM's outlook has deteriorated since Q2 and downside risks still remain (**EZTracker** model portfolios all materially reduced EM exposure in June). Although China and other advanced economies are the drivers of the ongoing global expansion, the trade war creates uncertainty – how bad it will get and how deep will it damage the world economy. All this, however, has been relegated to the background as investors continue to focus on the United States, as domestic trends are fundamentally driving the markets. Here are the reasons why:

The Economy: Domestic growth has been strong, running at a 3.2% annual rate in the first half of the year, and inflation is still behaving. Lower inflation means less pressure on the Federal Reserve to raise interest rates;

Corporate Earnings: Profits for the S&P 500 are expected to rise 22% this year, and 10% next year according to CFRA Research. Since stocks typically trade on expectations of future earnings, you would expect valuations to rise as profits rise.

Valuation: The S&P is trading at about 18 times 2018 earnings and about 16 time forward (next year) expected profits;

Sectors: **EZTracker** model portfolios have been based on thorough sector analysis with an eye on large cap growth companies such as the FAANG group of companies (FB, AMZN, AAPL, NFLX, GOOGL) which are described more fully on Page 3;

Fixed Income & Rates: Although investors have shrugged off the increase in rates and the flattening of the yield curve, we continue to monitor these fixed income movements as we believe these trends are long-term bearish indicators (mentioned in previous newsletters) that are currently overshadowed by other strengths and bullish short-term forces.

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

201.503.6445 | contact@eztracker401k.com

What We're Watching

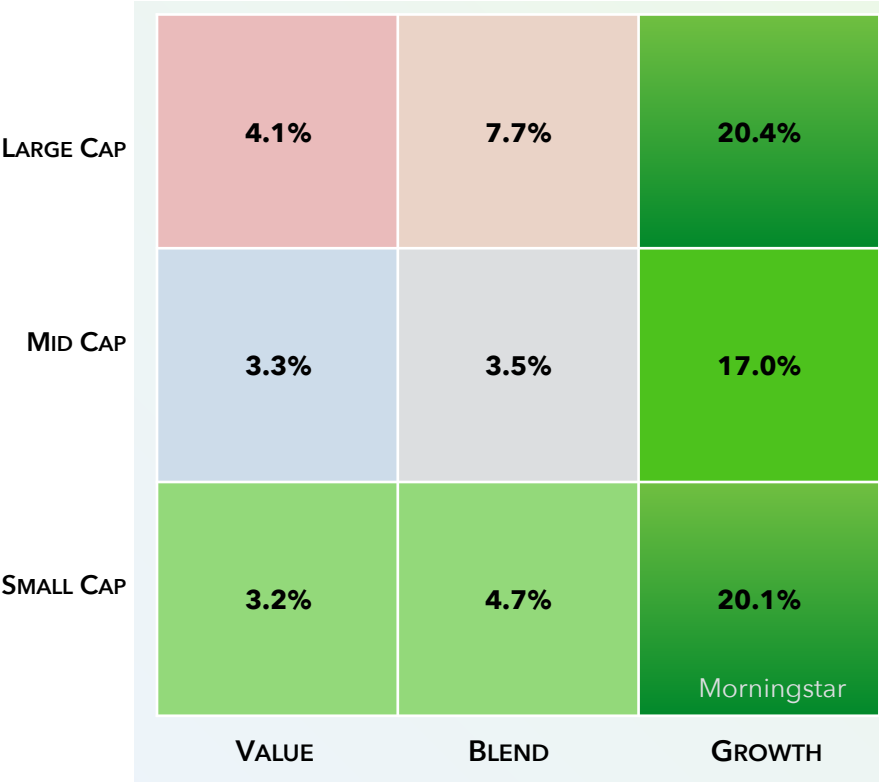
Economic Data

The **University of Michigan Consumer Sentiment** for September continues to suggest a fairly upbeat disposition among consumers. Households viewed their current and future finances more favorably in September, driven by expectations of better income levels. The U-M press release noted the single issue that had a potential negative effect on the economy was tariffs – cited by nearly one-third of all survey respondents. **Non-farm payrolls** rose 201,000 from the prior month, topping the median economist forecast of 190,000 jobs and the **unemployment rate** was unchanged at 3.9%, remaining at its lowest rate since the 1960s.

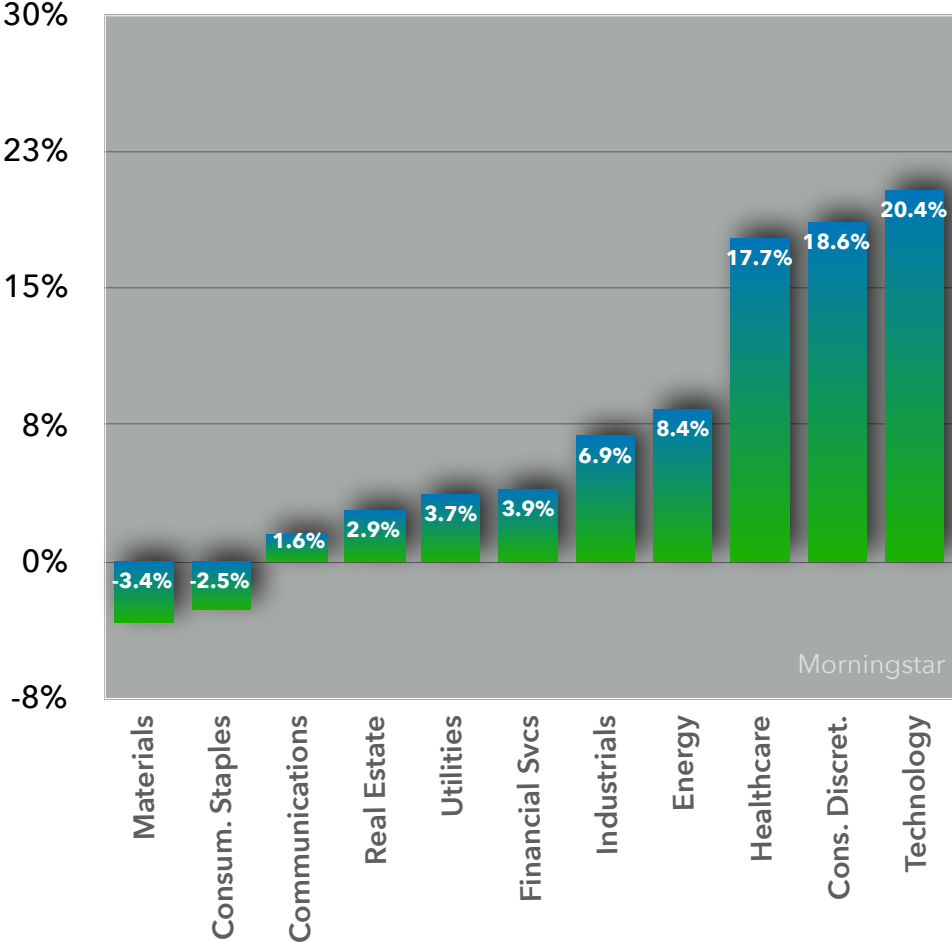
Sector Analysis

10 out of the 11 S&P Sectors posted gains in Q3. The leaders were Healthcare, Tech, Consumer Discretionary and Financials. The sole laggard was Real Estate. This past Friday we saw the launch of the **S&P Communications Services** sector, replacing the Telecommunications Sector and involving a reshuffling of major industry groups including some widely followed and traded names in the market. The new sector will include companies from three different industry groups, Communications, (e.g. *Verizon*) Technology (e.g. *Facebook* and Google's parent *Alphabet*) and Consumer Discretionary. (e.g. *Netflix* and *Disney*).

YTD Index Performance: Returns (%)



2018 YTD Sector Performance



In market speak, the acronym FAANG stands for *Facebook, Amazon, Apple, Netflix* and *Google* a collection of tech companies so widely followed by investors that the media came up with an nickname for them as a whole. Each of the companies within FAANG has been known to move markets and transform not just their own industries, but also how we all live. Together, the five companies make up approximately 13% of the S&P index with a collective market cap of nearly \$4 trillion. To look at their magnitude a different way, if FAANG was a country, and its market cap was the country's GDP, FAANG would be the fourth-largest economy in the world. Purchasing individual FAANG equities can be costly, so **EZTracker** relies on mutual funds and ETFs for appropriate exposure, while at the same time diversifying within other names providing protection.

FAANG corporate earnings are due out in early November, and each name has some questions including: public concerns about *Facebook* and *Google's* data-driven and ad-driven business models, *Netflix* and *Amazon's* stratospheric speculative valuations and *Apple's* new iPhone sales expectations.

Because these five companies are so heavily weighted in the markets, investors are looking for these answers as well as strong guidance to spur the markets to even higher levels. **EZTracker's** sector analysis takes into account the strength and growth runway of the FAANG group of companies.

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:

There are no changes for the coming month

New Subscribers:

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

EZTracker Model Portfolios	Symbol	Aggressive	Moderate	Conservative	Buy Date
Invesco Stable Value Trust or AA Federal Credit Union **				8%	8/28/17, 2/26/18
Vanguard Total Bond Market Index Fund	VBPIX			8%	8/27/18
JPMCB Equity Index-CF				2%	8/28/17, 6/25/18
Amercan Century Mid Cap Value -R6	AMDVX				8/28/17
TRP Mid Cap Growth	RPMGX				8/28/17
Vanguard Small Cap Index-Inst	VSCIX				8/28/17, 6/25/18
TRP New Horizons	PRNHX				10/30/17
JPMorgan Large Cap Growth-R6	JLGMX	10%	6%	4%	2/26/18
		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).

** Either allocation appropriate

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 | October 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.

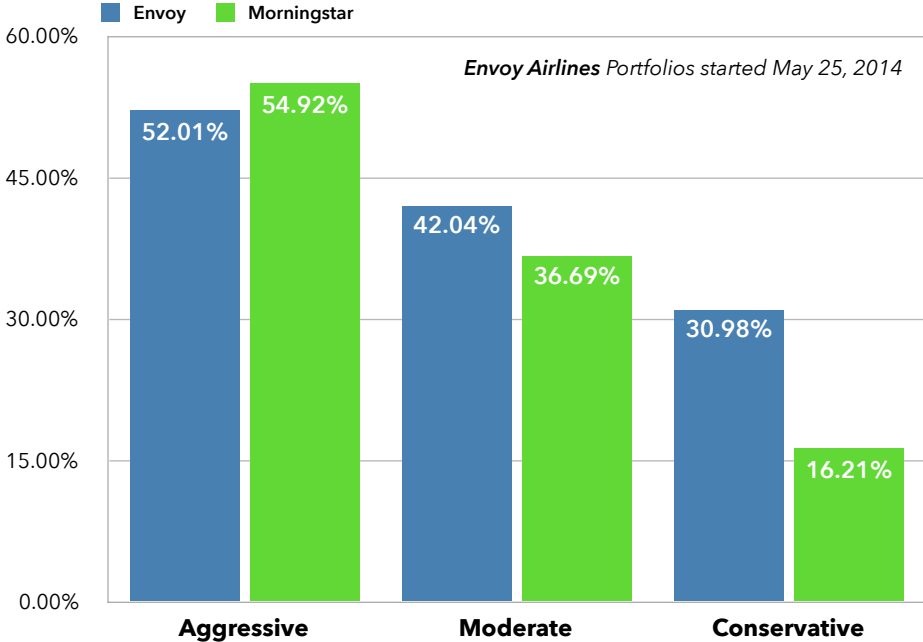
Performance

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 Sep 30, 2018	MTD Sep *	YTD 2018	1-YEAR
EZTracker Aggressive	1.05%	9.57%	15.53%
EZTracker Moderate	0.68%	6.87%	11.11%
EZTracker Conservative	0.39%	5.10%	7.81%
Morningstar Benchmarks			
Aggressive Target Risk Index	0.68%	4.47%	11.11%
Moderate Target Risk Index	0.25%	2.25%	6.46%
Conservative Target Risk Index	-0.28%	0.05%	1.62%
S&P 500		8.99%	15.67%

* Performance since last newsletter

5-Year Total Returns vs 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.

Annual % Total Returns

EZTracker Model Portfolios	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
EZTracker 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
EZTracker 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
EZTracker 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) 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	
JPMorgan Large Cap Growth R6	JLGMX	0.92%	9.28%	17.49%	33.64%	33.46%
TRP New Horizons	PRNHX	0.27%	9.05%	18.05%	31.22%	31.96%
JPMCB Equity Index Fund-CF		0.57%	7.67%	11.31%	17.69%	20.32%
T Rowe Price Mid-Cap Growth Fund Inc	RPMGX	0.16%	7.42%	8.39%	17.79%	18.42%
Vanguard Small-Cap Index Fund	VSCIX	-1.53%	4.78%	11.28%	16.72%	17.04%
American Beacon Large Cap Value Inst	AADEX	0.20%	5.42%	7.76%	10.44%	12.99%
American Beacon Small Cap Value Inst	AVFIX	-2.40%	2.17%	8.79%	9.96%	10.10%
JPMCB SmartRetirement DRE 2055 CF10		0.00%	3.52%	3.91%	7.98%	8.41%
Amercan Century Mid Cap Value -R6	AMDVX	-1.42%	3.25%	4.90%	7.44%	7.73%
JPMCB SmartRetirement DRE 2060 CF10		-0.11%	3.38%	3.07%	7.47%	7.53%
JPMCB SmartRetirement DRE 2045 CF10		-0.10%	3.41%	3.03%	7.43%	7.51%
JPMCB SmartRetirement DRE 2050 CF10		-0.14%	3.37%	3.03%	7.44%	7.47%
JPMCB SmartRetirement DRE 2040 CF10		-0.16%	3.26%	2.88%	7.22%	7.21%
JPMCB SmartRetirement DRE 2035 CF10		-0.18%	3.04%	2.66%	6.56%	6.60%
JPMCB SmartRetirement DRE 2030 CF10		-0.16%	2.69%	2.48%	6.12%	6.07%
JPMCB SmartRetirement DRE 2025 CF10		-0.23%	2.32%	2.09%	4.92%	4.97%
JPMCB SmartRetirement DRE 2020 CF10		-0.23%	1.94%	1.64%	3.92%	3.97%
JPMCB SmartRetirement DRE Income CF10		-0.25%	1.55%	1.28%	2.89%	2.99%
Invesco Stable Value-III		0.17%	0.52%	1.04%	2.05%	2.07%
Wilmington Core Bond Class I1		0.19%	0.53%	0.92%	1.05%	1.47%
American Airlines Federal Credit Union (AA		0.13%	0.40%	0.67%	1.21%	1.31%
Vanguard Total International Stock Index Fund	VTSNX	0.28%	0.54%	-2.65%	1.63%	-0.10%
Vanguard Total Bond Market Index Fund	VBPIX	-0.53%	0.03%	-0.14%	-1.21%	-1.00%
American Funds EuroPacific Growth R6	RERGX	-0.54%	-0.84%	-3.64%	1.47%	-1.94%
Oppenheimer Developing Markets Fund	ODVIX	-1.11%	-3.30%	-7.17%	0.55%	-6.01%



Questions, Comments, Problems?

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