

January 27, 2019

401K PORTFOLIO FEBRUARY 2019 UPDATE & NEWSLETTER

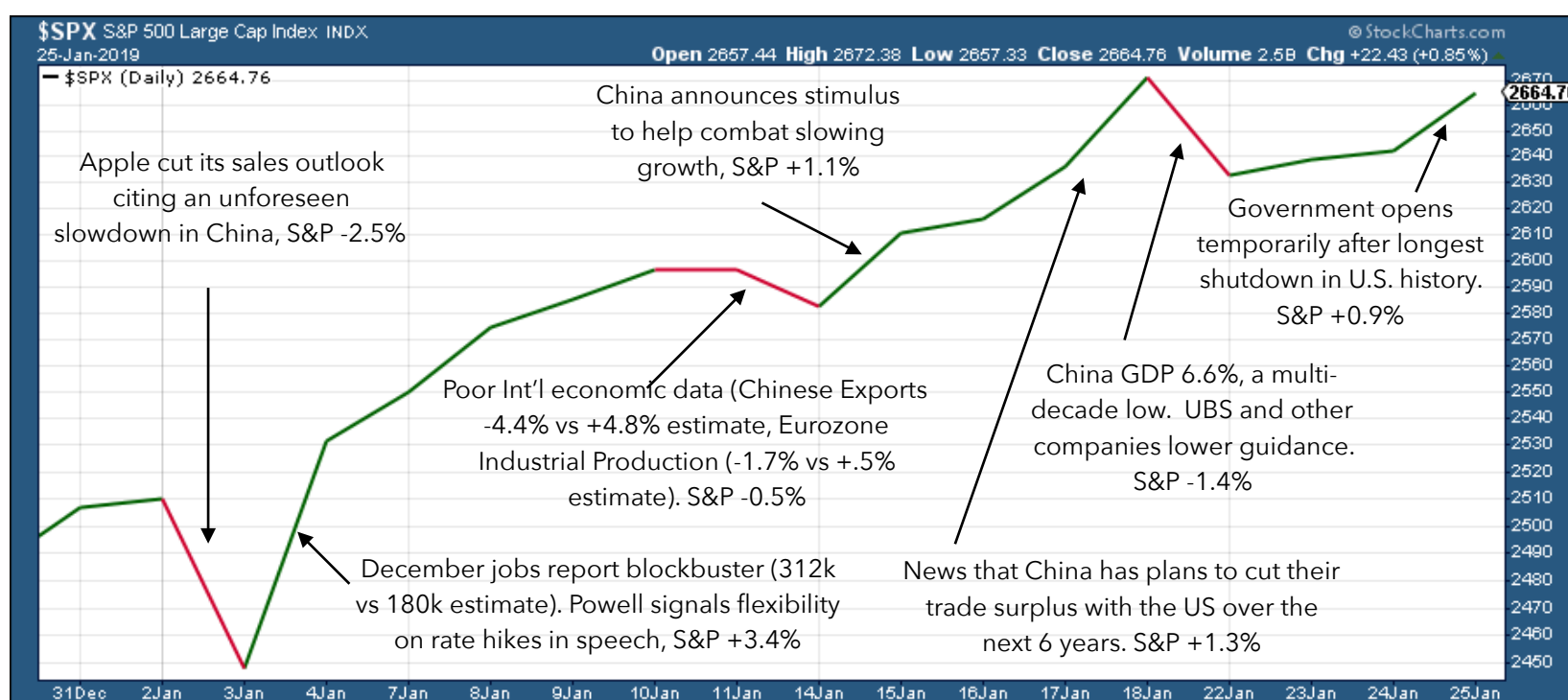


TAKE CONTROL OF YOUR FUTURE

February 2019 Newsletter

January started 2019 off on solid footing, with all three major indices in positive territory: S&P 500 +6.3%, DJII +6.0% and NASDAQ +8.0%. Together with other macro indicators, investors' bullish sentiment has been boosted by optimism over a largely upbeat corporate earnings season so far, at least vs. previous expectations. This enabled investors to look past enduring worries about global growth and the economic effects of the US government shutdown.

There is, however, still a respectable level of volatility in the markets, which has been somewhat tempered by expectations of a much-anticipated U.S./China trade agreement. The negativity that we experienced in December continues to alleviate, and we take this opportunity to rebalance our **EZTracker** model portfolios - putting some dollars back to work - to reflect our stronger outlook. **There are changes in ALL portfolios. Please see page 4 for further information.**



In October, we became more defensive in our model portfolios, citing increased volatility risk stemming from four major areas of concern. We recap each of the named issues below, commenting on whether they currently are **MORE**, the **SAME**, or **LESS** of a driver of volatility vs. what they were back in October:

- 1. Corporate Earnings: LESS:** About 1/3 of the S&P 500 has reported earnings already, and most results were better than expected results. In general, reporting companies are beating Wall Street sales and earnings estimates at a pace similar to that for Q3 2018. Although average earnings growth has decelerated (Q4 earnings grew 13% Y-o-Y, down from Q3's 24%), the market's positive reaction is likely because investors had expected much worse. As per Tom Essaye, president of the Sevens Report: "While it's still early, it's fair to say that this earnings season is so far turning out to be better-than-expected."
- 2. European Union: SAME:** Uncertainty in the EU has not yet alleviated – the ultimate result of Brexit negotiations remains unclear. Although European events are important in a larger context, **EZTracker** model portfolios shifted out of International equities in June and remain underweight. We continue to monitor it with an eye toward increasing exposure if warranted.
- 3. US/China Trade Dispute: LESS:** Although the threats of a full-on trade war that dominated the news cycle during Q4 2018 are not fully resolved, at that time investors factored in a potential trade war in their expectations. Therefore, any subsequent warming indications are welcomed. Investors now are encouraged by the hope that both sides are intent on avoiding a worst-case trade scenario. This sentiment was supported by PRC Vice President Wang QiShan's eagerly-anticipated speech at the Davos World Economic forum - ahead of a March 2 trade deal deadline - where he mentioned:
"For the Chinese and U.S. economies, I believe they are in state of (being) mutually indispensable.... This is a reality, either side can't do without the other, so... there has to be a mutual benefit and win-win (relationship)."
- 4. The Fed's Stance on Tightening: LESS:** The rhetoric from Fed officials has shown uncharacteristic flexibility over the past month. Adding to investor optimism were reports that Powell is considering to end more quickly the Fed's balance sheet reduction program, and that the Fed seems to be more cautious in raising rates - needing to see stronger economic data, GDP (which could be affected by the gov't shutdown) and higher inflation to justify further hikes. This is a far cry from Q4's palpable fear of the Fed's heavy-handedly strangling the economy by tightening too much.

Although a key takeaway from the above is that 3 of the 4 key volatility causes seem to have receded— leading to our rebalancing decision for the **EZTracker** Model Portfolios— there are still some concerning material or systemic weaknesses that preclude us from moving all the way back to where equity exposure was prior to November:

- a. China's current economic slowdown (December's trade data clearly indicated a slowdown in exports);
- b. The as-yet-unquantified impact of 35-day the US Government shutdown;
- c. Signs of weakness in the existing-home sales market (discussed on Page 3)

Economic Data

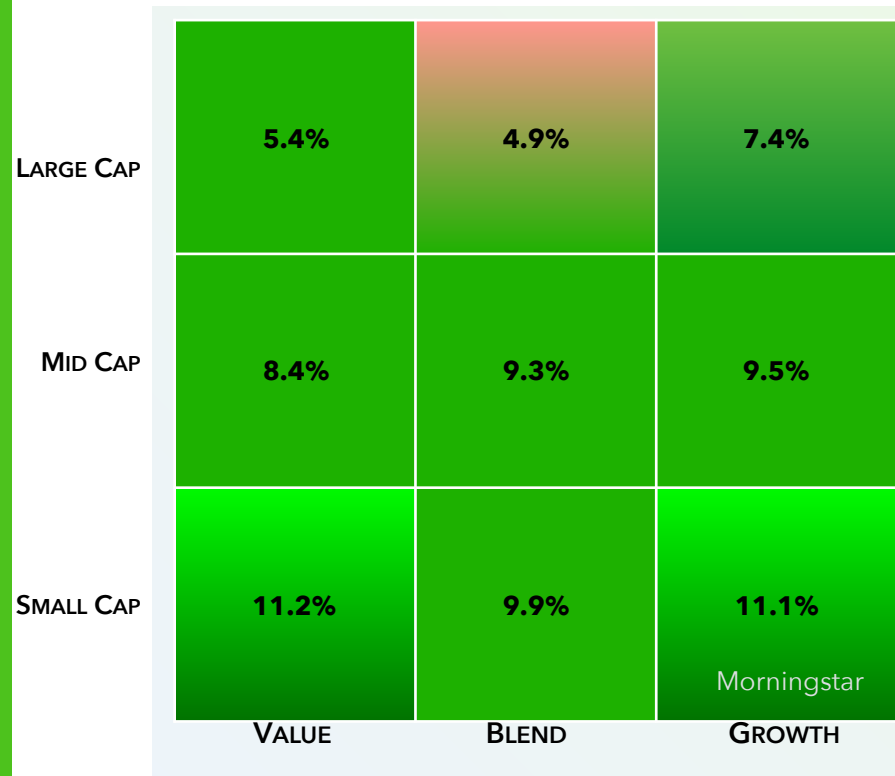
The University of Michigan Consumer Sentiment for January came in at 90.7, **down 7.7 from December's reading** to the lowest level since Trump was elected. The fall was from a host of issues including the partial government shutdown, the impact of tariffs, instabilities in financial markets, the global slowdown, and the Fed's lack of clarity about monetary policy. **Non-farm payrolls** surged by 312,000 from the prior month, topping the median economist forecast of 176,000 jobs and wages jumped 3.2 percent from a year ago and 0.4 percent over the previous month.

Housing Market: December's existing-home sales ran at a seasonally adjusted annual rate of 4.99 million (down 6.4% for the month, 10.3% lower than 1 year ago), capping a dismal year for housing. Full-year sales of 5.34 million was the worst year since 2015, when the evolving housing recovery was knocked off course by a mortgage regulation change.

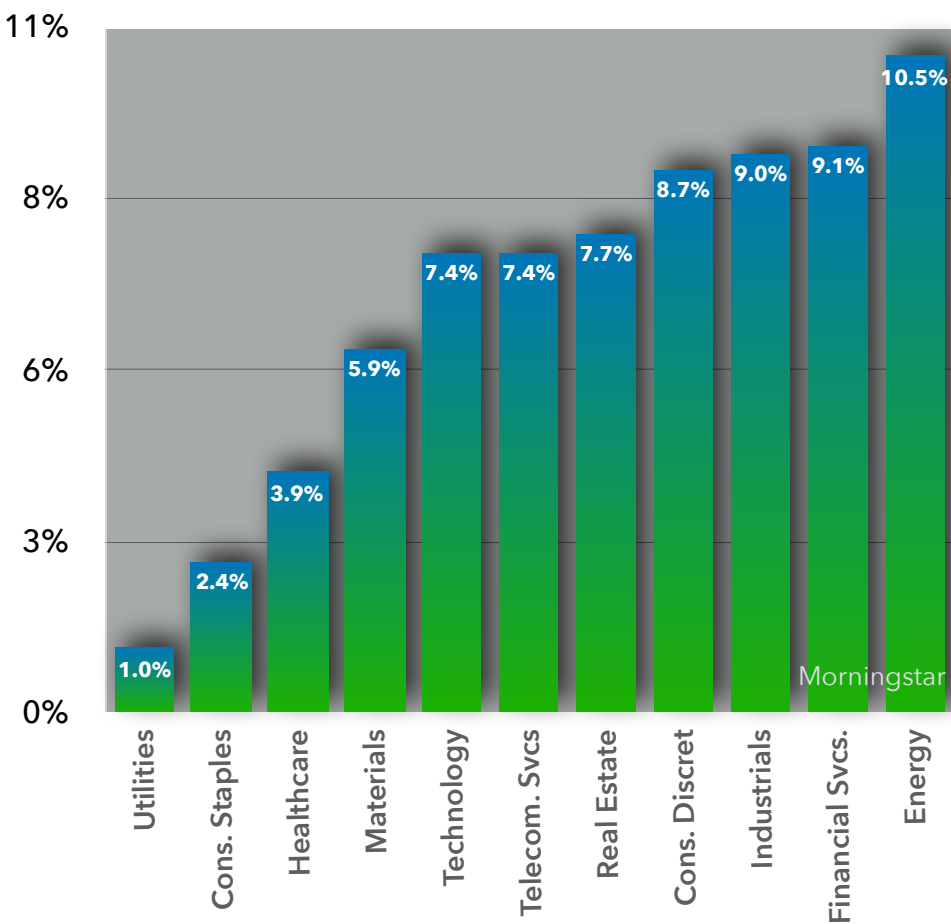
Sector Analysis

All 11 S&P sectors were in the black in January, led by Energy (+10.5% bouncing back from yearly lows), Financials (+9.1% upon bank earnings) and Industrials (+9.0% from expectations of a thawing of US-China trade). Laggards consisted of the more defensive sectors such as Utilities (+1.0%) and Consumer Staples (+2.4%).

YTD Index Performance: Returns (%)



2019 YTD Sector Performance



Fixed Income and Other Markets

Rates & Yield Curve: 10-year yields are currently at 2.76% (up from 2.62% at Jan 2). Why do we focus on 10-year yields? Many view it as a proxy for longer-term growth and inflation expectations and a signal for where the U.S. economy is headed. Currently, in our opinion, a 3.0% or higher yield would reflect healthy growth and inflation expectations from the bond market. BUT, while the 10-year yield is interesting as a leading indicator, as a low-risk investment vehicle for EZTracker model portfolios, the 2-year note is a much more interesting story as an alternative to stocks amidst the current market volatility. With the 2-year note yielding just 0.15% lower than the 10-year, the shorter duration bond (which shouldn't lose value as much as the 10-year if rates continue to rise) makes for an attractive option.

What this means to us is that, for yields to continue to rise (and fixed income prices to fall), we need to see material trade progress and an uptick in economic data and inflation expectations. With a potential trade deal looking imminent, after moving heavier into stocks, we allocate a portion of our fixed income position into safe, shorter-term stable value and cash-like instruments in order to obtain almost the same yield as the 10-year but with lower duration related price volatility.

EZTracker provides three model portfolios for FedEx 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, Moderate & Conservative Portfolios:
New subscribers please rebalance your 401k using the chart below.

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 Institutional 500 Index Trust	30%	21%	12%	1/2/19
Vanguard Retirement Savings Trust II	29%	49%	70%	1/2/19
Vanguard Extended Market Index	21%	15%	9%	1/2/19
Vanguard PRIMECAP Fund Admiral Shares	20%	15%	9%	1/2/19
	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.

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.



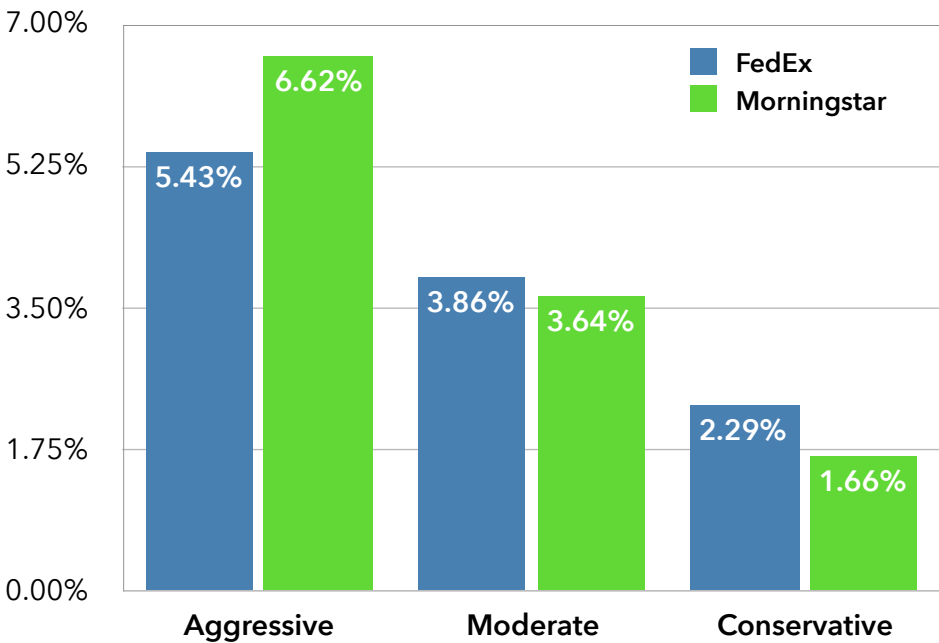
- Aggressive Portfolio:**
95-100% invested in equities. This is a high risk/high reward portfolio.
- Moderate Portfolio:**
70% invested in equities and 30% invested in bonds or Stable Value Fund.
- Conservative Portfolio:**
40% invested in equities and 60% invested in bonds or Stable Value Fund. This 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 Jan 22, 2019	Jan **	YTD
EZTracker Aggressive	5.43%	5.43%
EZTracker Moderate	3.86%	3.86%
EZTracker Conservative	2.29%	2.29%
Morningstar Benchmarks		
Aggressive Target Risk Index	6.62%	6.62%
Moderate Target Risk Index	3.64%	3.64%
Conservative Target Risk Index	1.66%	1.66%
S&P 500	6.30%	6.30%

* Portfolio started 01/02/19
** Since last Newsletter

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 **FedEx** 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	Symbol	Total Return					Tracker Average
		1 MO	3 MO	6 MO	12 MO	YTD	
Vanguard PRIMECAP Fund Admiral Shares	VPMAX	14.58%	0.97%	-6.03%	-1.75%	7.22%	4.24%
Vanguard Small-Cap Index Fund	VSCIX	17.56%	0.91%	-7.99%	-4.24%	10.33%	3.41%
Vanguard Institutional Total Bond Market		0.56%	2.53%	2.07%	0.97%	0.31%	3.34%
Vanguard Extended Market Index		17.45%	0.97%	-8.46%	-4.96%	10.01%	2.72%
Vanguard Mid-Cap Index Fund	VMCIX	15.69%	1.72%	-6.67%	-6.07%	8.89%	2.55%
Vanguard Retirement Savings Trust II		0.20%	0.60%	1.14%	2.21%	0.20%	2.26%
Vanguard Prime Money Market Fund	VMRXX	0.15%	0.54%	1.06%	1.88%	0.15%	1.98%
Vanguard Target Retirement Income		4.00%	1.71%	-0.80%	-1.37%	2.20%	1.93%
Vanguard LifeStrategy Conservative Growth	VSCGX	5.19%	1.97%	-1.39%	-2.25%	2.89%	1.92%
Vanguard Wellington Fund Admiral Shares	VWENX	7.41%	1.14%	-1.87%	-3.40%	3.51%	1.79%
Vanguard Institutional 500 Index Trust		13.50%	-0.99%	-5.44%	-4.30%	6.40%	1.51%
Vanguard Target Retirement 2015 Trust		5.03%	1.61%	-1.65%	-2.53%	2.81%	1.34%
Vanguard Target Retirement 2020 Trust		6.61%	1.61%	-2.68%	-3.76%	3.67%	0.97%
Vanguard LifeStrategy Moderate Growth	VSMGX	7.48%	1.65%	-3.16%	-4.31%	4.15%	0.91%
Vanguard Target Retirement 2025 Trust		7.71%	1.61%	-3.38%	-4.59%	4.29%	0.74%
Vanguard Target Retirement 2030 Trust		8.58%	1.47%	-4.02%	-5.36%	4.77%	0.36%
Janus Henderson Core Plus Fixed	JUCTX	0.35%	2.11%	2.89%	-4.80%	-0.67%	0.30%
Vanguard Target Retirement 2035 Trust		9.51%	1.37%	-4.71%	-6.16%	5.21%	0.01%
Vanguard Inflation-Protected Securities	VIPIX	0.30%	1.04%	-0.63%	-0.73%	0.10%	-0.01%
Vanguard Target Retirement 2040 Trust		10.39%	1.24%	-5.35%	-6.93%	5.73%	-0.36%
Vanguard Target Retirement 2055 Trust		11.09%	1.18%	-5.79%	-7.42%	6.09%	-0.52%
Vanguard Target Retirement 2045 Trust		11.09%	1.17%	-5.77%	-7.44%	6.09%	-0.52%
Vanguard Target Retirement 2050 Trust		11.09%	1.15%	-5.80%	-7.43%	6.09%	-0.54%
Vanguard Target Retirement 2065 Trust		11.05%	1.18%	-5.79%	-7.48%	6.07%	-0.56%
Vanguard Target Retirement 2060 Trust		11.06%	1.13%	-5.79%	-7.44%	6.10%	-0.57%
Vanguard Windsor Fund Admiral Shares	VWNEX	14.96%	0.93%	-7.23%	-10.17%	8.36%	-0.82%
Vanguard Institutional Total International		9.65%	3.36%	-7.89%	-14.53%	6.39%	-5.14%
Vanguard International Value Fund Investor	VTRIX	9.21%	1.68%	-8.19%	-15.15%	5.98%	-6.79%
Vanguard International Growth Fund Admiral	VWILX	11.00%	2.25%	-13.74%	-14.42%	6.53%	-8.13%



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