

February 24, 2019

401K PORTFOLIO MARCH 2019 UPDATE & NEWSLETTER



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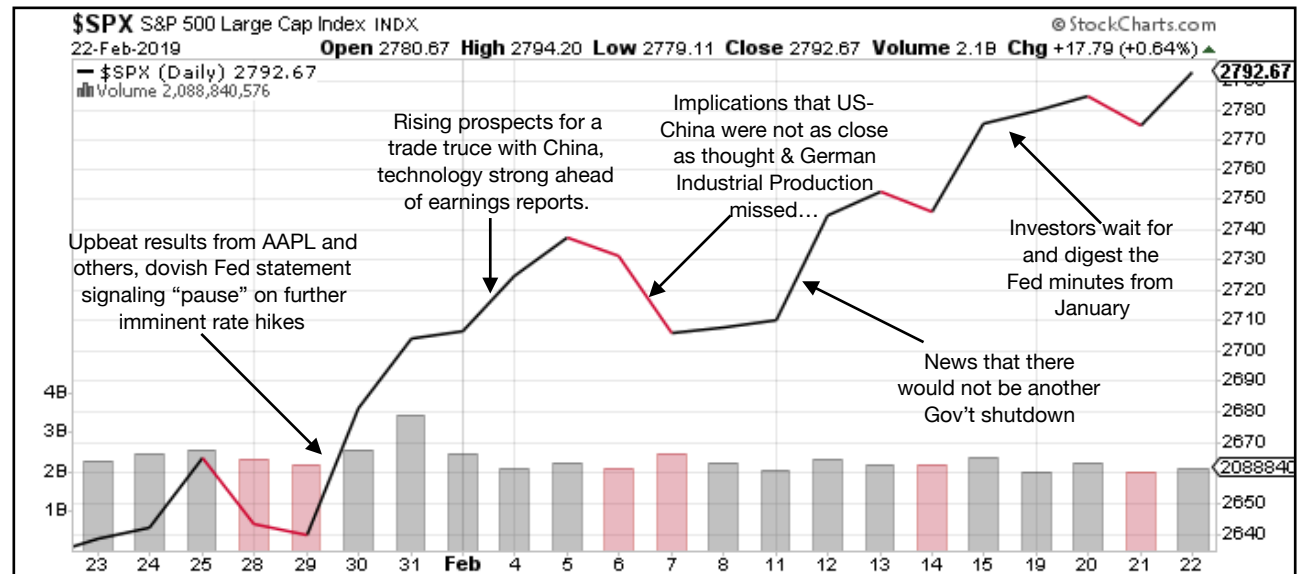
TAKE CONTROL OF YOUR FUTURE

March 2019 Newsletter

PATIENCE

Stocks rose in February domestically and globally amid optimism over trade talks and generally decent corporate earnings, piggybacking on the ending of the government shutdown. All three major indices remain in positive territory for the year: S&P 500 +11.4%, DJII +11.6% and NASDAQ +13.5%, with the S&P 500 reaching its highest closing level since November.

There is still much uncertainty in the markets, however, which we discuss below. We therefore are taking a **patient** stance this month, and there are **no changes** to **EZTracker** portfolios.



The Theme of this Month's Newsletter is Patience. While there are many positive macro signs (Federal Reserve stance on tightening, labor participation, housing), the positives must be viewed in light of, and tempered by, repeated indications of a slowdown in global growth.

Global Growth: Although February provided mixed messages on global growth, negative indicators are increasing almost daily. The bulls were encouraged by Chinese exports, which surged 9% and signaled a stabilizing of the Chinese economy, while Da Bears focused on a host of poor indicators including: poor US retail sales and industrial production results (as together they indicate the US economy is losing momentum), as well as a reduction in global trade evidenced by both a fall in Japan's exports to China and a reduction in new orders to Germany.

The Fed: The minutes of the Federal Reserve's January meeting (released Wednesday 2/20) showed that officials debated whether increases in borrowing costs might be needed at all later this year, shedding light on the central bank's pivot toward *patience* and away from projecting multiple gradual rate hikes. Recent improvements in labor force participation, which helped alleviate inflationary tightening in labor markets, supported this pivot. The minutes also elaborated on the dovish message delivered 3 weeks ago when the FOMC said it will be "patient," and signaled it had put rate hikes on hold.
of times "patient" or "patience" appears in January's Fed Minutes: 13. December 2018's Minutes: 1. Rest of 2018: 1

Corporate Earnings: With more than ¾ of the S&P companies having reported results, the overall blended earnings-per-share consensus averaged 13.1% which is a marked improvement from the 10.6% estimate at the start of earnings season. Although this sounds strong, Credit Suisse estimates that more than half the earnings growth is related to last year's tax reform, and not from other fundamentals. Moreover, forward estimates continue to come down, and the 2019 EPS growth target for the average company in the S&P 500 now implies nearly 50% deceleration from 2018.

US-China Trade: With positive progress on trade talks and a Trump-Xi summit meeting in sight, most investors expect an agreement that will forestall the threatened increase in tariffs to 25% and possibly even roll back the existing 10% tariffs. One interesting extrapolation is that if China commits to extra purchases from the US, there will be commensurate losses in trade with China from other worldwide regions – the areas potentially most harmed would be the EU (automobiles, aircraft) and Japan (vehicles, machinery, electronics), followed by Korea.

Inflation: The Fed's January minutes implied that if the the rising US Labor force participation rate (up to 63.2% from 62.7% in Sept), is sustainable, then the cycle of employment gains, rising household income and related spending and further hiring can run for longer without creating excessive inflationary pressure– reducing the need for further Fed tightening

Housing: As measured by the National Assoc. of Home Builders, sentiment rose in February for the second straight month as lower mortgage rates and a strong labor market help stabilize demand. This exceeded all forecasts and suggested that buyers noted mortgage costs falling to the lowest levels in a year (also reflecting the Fed's focus on patience).

What We're Watching



Economic Data

Retail Sales data released last week for December (delayed due to gov's shutdown) further entrenched the narrative of a slowing U.S. economy, however the U.S. labor market remained strong, as the economy added 304,000 jobs in January, far more than the 165,000 estimate (note: December was revised down to 222,000 from 312,000).

January's data add to a mixed picture backdrop, with slowing retail activity, a strong labor market, and stable core inflation, which together entrench the Fed "patience" narrative.

The University of Michigan Consumer Sentiment for February rebounded, with the index rising to 95.5 after dipping to a multi-year shutdown-effected low in January. The rebound reflects the end of the shutdown as well as some improvement in consumer expectations due to the dovish tilt in the Fed's forward guidance.

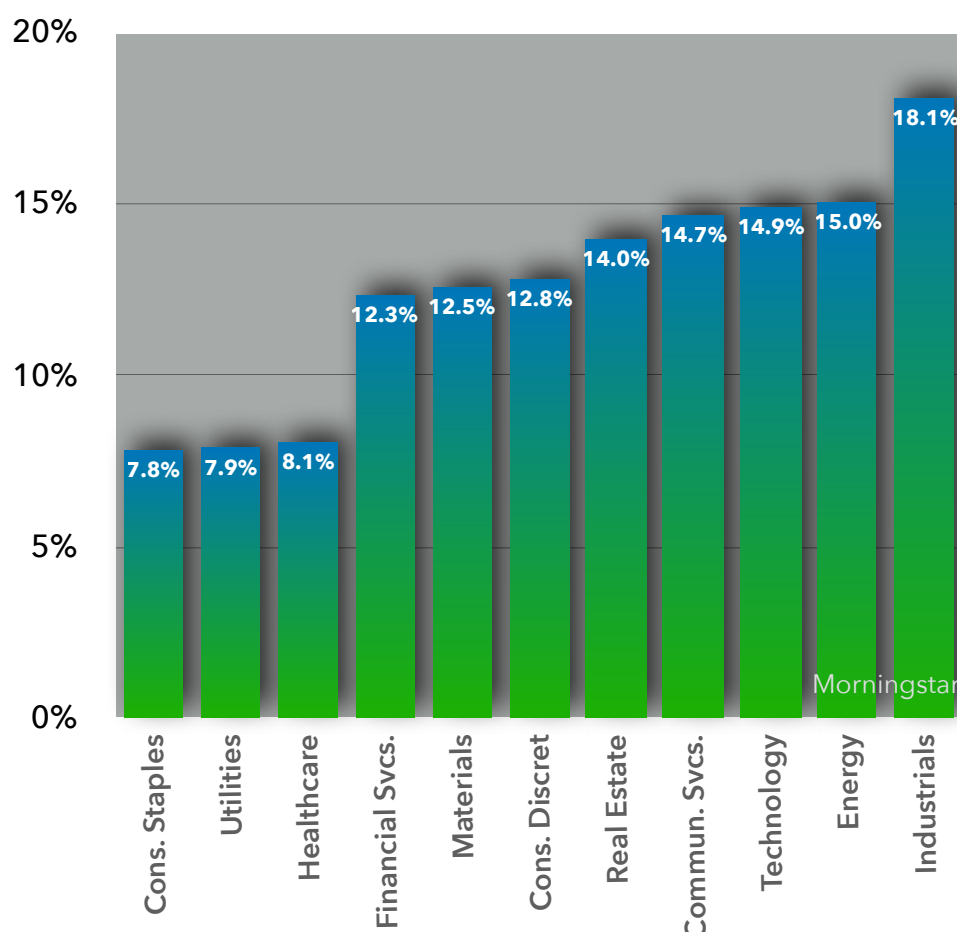
Sector Analysis

Resulting from a strong February across the board, all of the eleven S&P 500 Sectors are materially in the black for the year. The leader by far is Industrials, mainly due to defense spending and trade hopes. Defensive stocks make up the laggards, including Consumer Staples (+7.8% YTD) and Utilities (+7.9%).

YTD Index Performance: Returns (%)

	VALUE	BLEND	GROWTH
LARGE CAP	9.9%	10.7%	12.8%
MID CAP	14.0%	16.8%	17.8%
SMALL CAP	17.6%	17.7%	19.8%
	Morningstar		

2019 YTD Sector Performance



Fixed Income and Other Markets

Rates & Yield Curve: **EZTracker** Moderate and Conservative model portfolios still have a sizable allocation to short-term/stable value instruments, but we are laser-focused on the Fixed Income markets with an eye toward lengthening our duration exposure when appropriate. This Friday, 10-year Treasury yields closed at 2.65% having declined from last month's 2.76% – such decline in yields and return makes longer-term instruments less attractive at the moment, leading our model portfolios to remain in shorter term debt instruments / stable value at this juncture.

Based on the Fed's indicated holding pattern on rates, coupled with indications of a global growth slowdown, rates are expected to remain within a 2.5%-2.8% band. With this in mind, if the yield increases toward the top of this range, we will consider allocating a larger portion of the model portfolio fixed income portion to longer-term bonds.

Oil: Oil prices rose to their highest levels of the year on Friday, supported by OPEC's ongoing supply cuts as well as hopes of the end to the US-China trade dispute.



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

Text or call 201.503.6445 | contact@eztracker401k.com



EZTracker provides three model portfolios for Starbucks 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:**
Rebalance your account to the corresponding portfolio 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	Symbol	Aggressive	Moderate	Conservative	Buy Date
VANGUARD INST INDEX	VINIX	28%	34%	15%	1/2/19
WF DISCOVERY R6	WFDRX	28%	34%	15%	1/2/19
VANG SM CAP IDX INST	VSCIX	28%	34%	15%	1/2/19
WF STABLE RETURN Q		28%	34%	15%	1/2/19
WINSLOW LG CP GR I		28%	34%	15%	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.



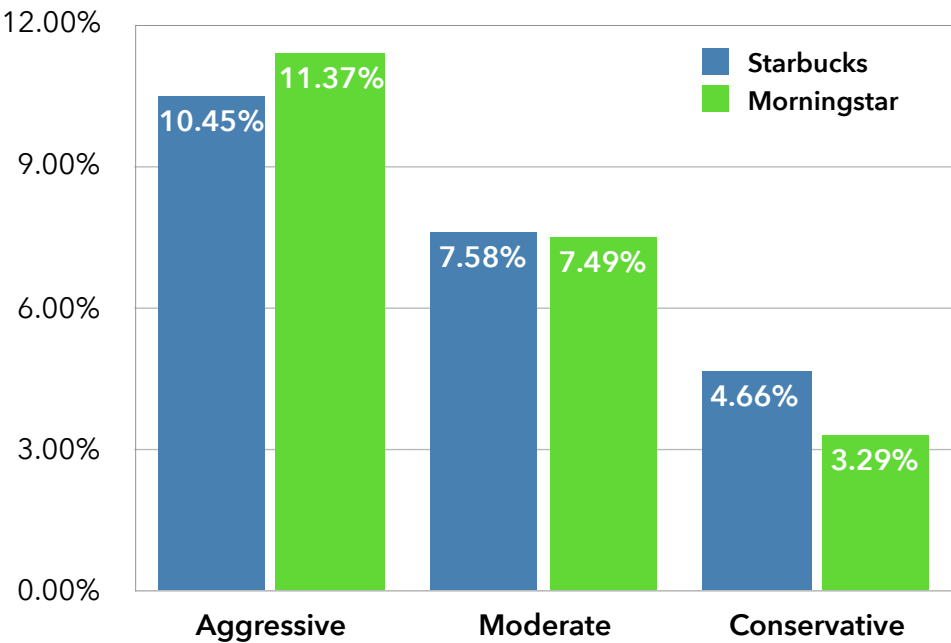
- Aggressive Portfolio:**
95-100% invested in equities. This is a high risk/high reward portfolio.
- Moderate Portfolio:**
70% invested in equities and 30% invested in bonds or Stable Value Fund.
- Conservative Portfolio:**
40% invested in equities and 60% invested in bonds or Stable Value Fund. This 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 Feb 24, 2019	Feb *	YTD
EZTracker Aggressive	4.42%	10.45%
EZTracker Moderate	3.26%	7.58%
EZTracker Conservative	2.05%	4.66%
Morningstar Benchmarks		
Aggressive Target Risk Index	4.46%	11.37%
Moderate Target Risk Index	3.71%	7.49%
Conservative Target Risk Index	1.60%	3.29%
S&P 500	4.80%	11.40%

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 **Starbucks** 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	
WF DISCOVERY R6 (WFDRX)	WFDRX	6.20%	12.37%	-3.81%	9.28%	21.93%	13.11%
WINSLOW LG CP GR I		3.75%	8.34%	-2.23%	10.59%	14.67%	11.16%
VANG SM CAP IDX INST (VSCIX)	VSCIX	3.49%	7.32%	-5.45%	6.90%	17.34%	6.69%
VANG FTSE SOC IDX IS (VFTNX)	VFTNX	2.48%	4.33%	-2.40%	6.85%	11.92%	6.14%
VANGUARD INST INDEX (VINIX)	VINIX	2.73%	3.98%	-2.61%	5.81%	11.82%	5.40%
MFS INST INTL EQUITY (MIEIX)	MIEIX	3.57%	6.33%	-1.33%	0.25%	10.18%	4.81%
DODGE & COX INCOME (DODIX)	DODIX	0.52%	2.72%	2.30%	2.85%	1.96%	4.57%
VANG TOT BD MKT INST (VBTIX)	VBTIX	0.23%	2.29%	2.15%	3.01%	0.90%	4.19%
VANGUARD TARGET 2025		1.61%	3.95%	-0.54%	2.21%	7.41%	3.94%
VANGUARD TARGET 2020		1.43%	3.60%	-0.21%	2.34%	6.43%	3.90%
VANGUARD TARGET INC		0.91%	2.87%	0.73%	2.61%	4.00%	3.89%
VANGUARD TARGET 2030		1.80%	4.13%	-0.93%	2.05%	8.21%	3.85%
VANGUARD TARGET 2035		1.99%	4.33%	-1.29%	1.91%	8.98%	3.78%
VANGUARD TARGET 2015		1.11%	3.14%	0.22%	2.46%	4.98%	3.78%
VANGUARD TARGET 2040		2.13%	4.49%	-1.70%	1.65%	9.78%	3.59%
VANGUARD TARGET 2055		2.26%	4.65%	-1.94%	1.53%	10.37%	3.55%
VANGUARD TARGET 2060		2.26%	4.64%	-1.95%	1.53%	10.39%	3.53%
VANGUARD TARGET 2050		2.22%	4.63%	-1.98%	1.51%	10.36%	3.48%
VANGUARD TARGET 2045		2.20%	4.60%	-1.99%	1.54%	10.34%	3.46%
VANGUARD TARGET 2065		2.22%	4.62%	-1.94%	1.44%	10.35%	3.46%
GS SM CAP VALUE R6 (GSSUX)	GSSUX	3.53%	5.98%	-6.39%	1.81%	15.96%	2.69%
WF STABLE RETURN Q		0.19%	0.56%	1.09%	2.14%	0.37%	2.17%
PIM REAL RETURN INST (PRRIX)	PRRIX	0.35%	1.57%	0.05%	1.35%	1.67%	1.80%
VANG TOT INTL STK IS (VTSNX)	VTSNX	1.91%	5.26%	-1.60%	-5.53%	9.74%	0.03%
BP LG CAP VAL EQ CIT		1.77%	3.04%	-5.63%	-2.37%	12.24%	-1.74%



Questions, Comments, Problems?

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