

July 28, 2019

# 401K PORTFOLIO AUGUST 2019 UPDATE & NEWSLETTER

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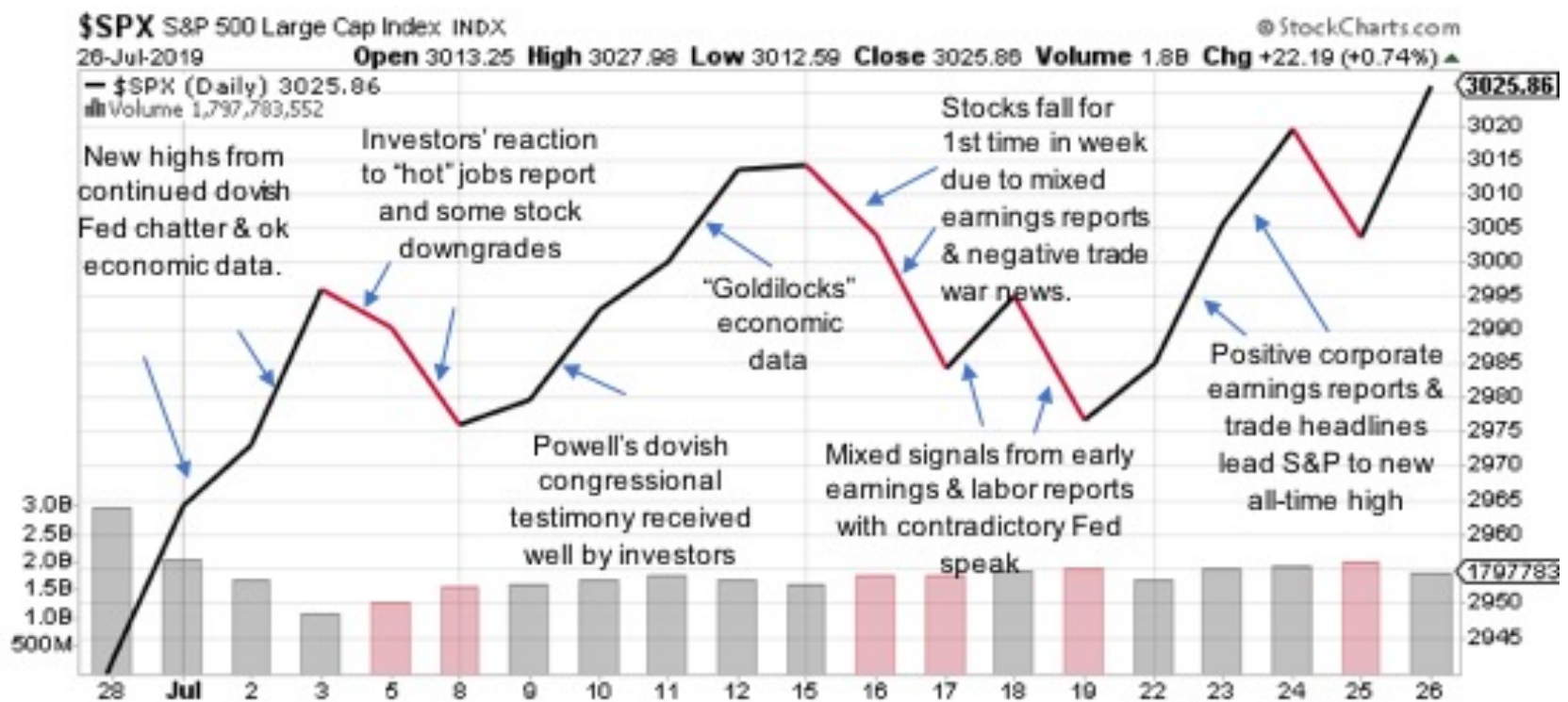
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## August 2019 Newsletter

### Market Resilience Continues for Another Month

On Friday, the S&P 500 index and Nasdaq composite both rose to a record close. Since our last newsletter, DJII +2.2% (YTD+16.6%), S&P 500 +2.9% (YTD + 20.7%) and NASDAQ +4.0% (YTD +25.5%).

The equity markets hit all-time highs this month on the back of 1) hopes that the Fed will elect to cut rates next week; 2) stronger than expected corporate earnings; and 3) incremental progress on US-China trade. The 10-year yield, however, continues to signal a poor commentary on future growth, and short-end interest rates are beginning to look less attractive with the prospect of rate cuts. As such, we are taking this opportunity to adjust our fixed income allocation for **EZTracker** Moderate and Conservative portfolios. **Please see page 4 for portfolio changes.**



### Fed Rate Cut Expectations

The Federal Reserve is expected to cut interest rates for the first time in more than a decade at its upcoming meetings on July 30 and 31, a pre-emptive move due to concerns about the impact of the trade war and a slowing global economy. The market has priced in a 25 basis point cut next week, and expects another later this year. Friday's Q2 GDP growth report came in higher than expected at 2.1% (vs. 1.8%), which some fear may tempt the Fed to adopt a less aggressive posture on cutting rates. Although higher than expected, the GDP growth trend is markedly negative-- following 3.1% the previous quarter -- and may be what the Fed needs to truly pull the trigger on a rate cut. Should the Fed signal it may not lower interest rates as much as has been communicated, it will need to say so very delicately. Because the markets expect rate cuts, a signal that the Fed may take less action could have a large impact.

### Corporate Earnings

To date, 44% of the companies that make up the S&P 500 have reported Q2 results, and so far the results have been promising. The percentage of firms beating estimated EPS (77%) and beating predicted Sales (61%) are both above the five-year average for each metric. Looking forward to the second half of the year, analysts predict a relative decline in corporate earnings for Q3 followed by mid-single-digit earnings growth in the fourth quarter. During the upcoming week, 168 companies in the S&P 500 (including seven Dow 30 components) are scheduled to report Q2 results. Some noteworthy individual company activity: **Facebook (FB)** gained 2% after the social media giant reported quarterly revenue that beat estimates, but also announced that new rules and product changes aimed at protecting user privacy would slow its revenue growth into next year. **3M Co. (MMM)** rose 4.5% after the manufacturing conglomerate reiterated its full-year earnings forecast despite slowing sales growth in high-profile markets such as China. **Tesla Inc (TSLA)** tumbled 12.3%, after the electric carmaker pushed back its profit timeline once again after missing its quarterly financial targets. **Texas Instruments (TXN)** hinted that a global slowdown in microchip demand would not be as long as feared, which countered bleak earnings from bellwether companies **Boeing** and **Caterpillar**.

## Economic Data

Economic data is decidedly mixed, as strong reported employment growth was countered by slowing GDP growth. The July 5 **Jobs Report** showed that job growth rebounded sharply, as employers added 224,000 jobs, a larger figure than expected. The unemployment rate rose slightly, although at 3.7% it remains near a multi decade low.

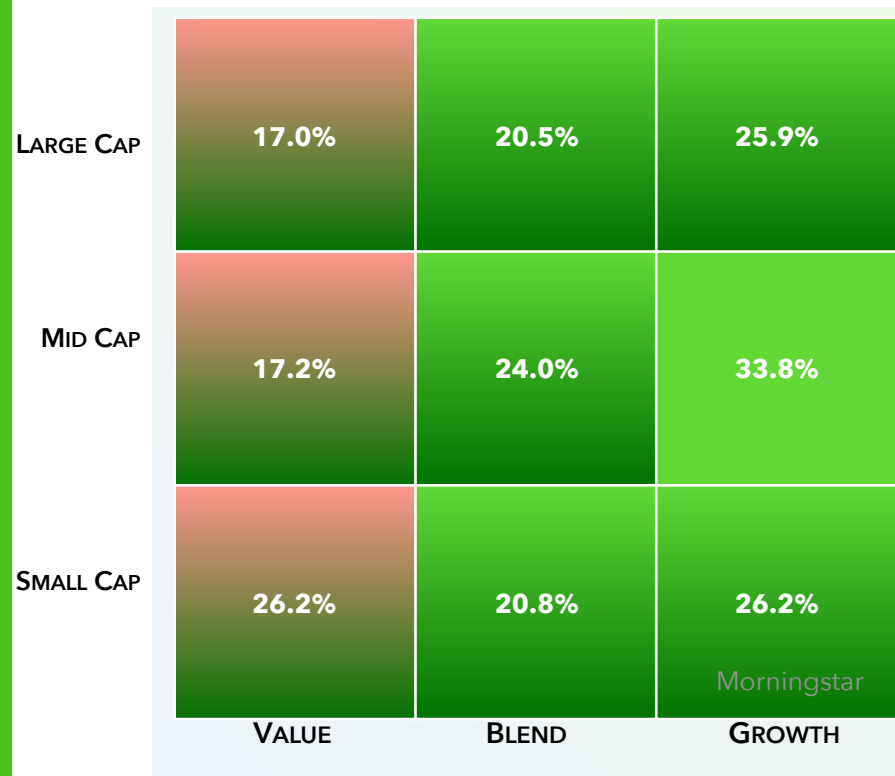
**GDP** growth slowed to 2.1% from 3.1% in the prior quarter, reflecting downturns in inventory investment, exports, and non-residential fixed investments.

## Sector Analysis

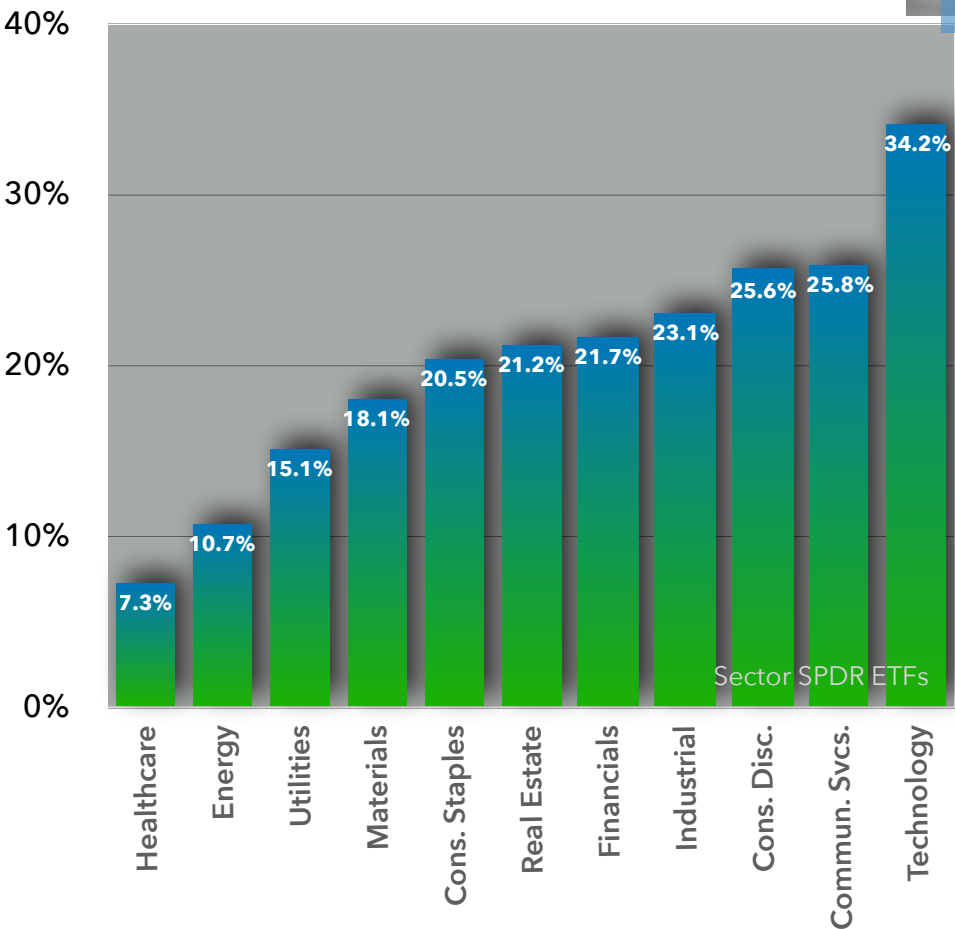
Leaders this month were Communications Services (+6.8%), Technology (+6.1%), Consumer Discretionary (+4.6%), and Consumer Staples (+4.1). Laggards were Energy (-1.6%) and Healthcare (+0.4%).



2019 YTD Index Performance: Returns (%)



2019 YTD Sector Performance: Returns (%)



## Fixed Income

The yield on the benchmark 10-year Treasury note has risen about 10 basis points since the last newsletter, closing Friday at 2.074%. As markets are focused on the US Fed, **EZTracker** has been considering the right balances in it's model portfolios taking into an account the general expectation of rate cuts. Bottom line, the bond markets continue to signal medium and long-term economic issues, and while hopes of central bank easing has propelled stocks to new highs, the 10-year yield is signaling a slowdown in future growth. Short-end rates are poised to drop with a rate cut, therefore in certain **EZTracker** model portfolios we are reallocating a portion of our short-term MM/cash/stable value position into longer-dated fixed income securities.

### **EZTracker** Approach:

- We don't predict where the market is going - we identify the best performers;
- We use a disciplined approach to investing even during market volatility and uncertainty, and we review portfolios monthly;
- We take a long-term perspective of the market;
- We are consistent in our strategy, the **EZTracker** portfolios have consistently outperformed the market in up and down markets.

### The **EZTracker** Subscriber Approach:

- Avoid emotional extremes. Monitor your risk profile and stick to your plan;
- Stop listening to the talking heads. Not one has demonstrated the ability to predict the market;
- Stay up-to-date and maintain your portfolio on a timely basis.



## Plan Changes

Your Envoy Air, Inc. 401(k) Plan is an important part of your long-term financial strategy. That is why Envoy Air regularly reviews the plan to assess if investments are market competitive and the plan continues to align with corporate objectives. As a result of a recent review, we are announcing the following fund changes effective July 29, 2019:

- Adding the Fidelity 500 Index (FXAIX) Fund to the fund lineup.
- Removing the JPMCB Equity Index Trust CF Fund and replacing with the Fidelity 500 Index (FXAIX) Fund.

Envoy Air is pleased to offer a similar fund that tracks the S&P 500 Index with a reduced expense ratio.



**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 Portfolio:**  
There are **NO CHANGES** this month.

**Moderate & Conservative Portfolios:**  
Exchange **50% Invesco Stable Value Trust** for  
**Vanguard Total Bond Market Index Inst (VBTIX)**

New Subscribers: *or those who haven't made any changes in a few months*

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
Fidelity 500 Index	FXAIX	54%	38%	22%	1/28/19, 4/29/19
JPMorgan Large Cap Growth-R6	JLGMX	2			1/28/19
Vanguard Small Cap Index I	VSCIX	1			1/28/19
T. Rowe Price New Horizon	PRNHX	1			1/28/19
Vanguard Total Bond Market Index Inst	VBTIX				7/29/19
Invesco Stable Value Trust					1/28/19
		100%	100%	100%	

Visit [www.eztracker401k.com](http://www.eztracker401k.com) or call 201-503-6445 for more information

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.

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 | August 2019 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.



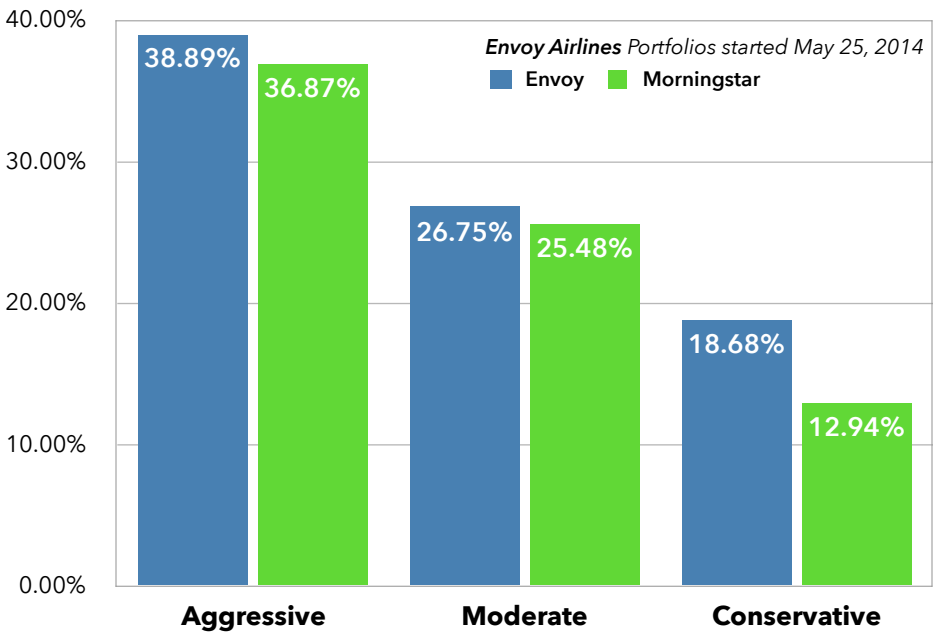
- Aggressive Portfolio:**  
95-100% invested in equities. This is a high risk/high reward portfolio.
- Moderate Portfolio:**  
70% invested in equities and 30% invested in bonds or the Credit Union or Stable Value Fund
- Conservative Portfolio:**  
40% invested in equities and 60% invested in bonds or 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.

### 3-Yr Total Returns vs Morningstar Benchmarks



### 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.

Current Performance Through July 28, 2019	MTD July *	YTD 2019	3-Year
EZTracker Aggressive	3.38%	16.97%	38.89%
EZTracker Moderate	2.47%	12.44%	26.75%
EZTracker Conservative	1.51%	7.80%	18.68%
Morningstar Benchmarks			
Aggressive Target Risk Index	1.37%	17.64%	36.87%
Moderate Target Risk Index	0.91%	13.10%	25.48%
Conservative Target Risk Index	0.35%	7.93%	12.94%
S&P 500	2.86%	20.70%	39.5%

\* 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.

### Annual % Total Returns

EZTracker Model Portfolios	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
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	-2.91
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	-2.16
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	-0.39
Morningstar Benchmarks	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Aggressive Target Risk Index								32.00	16.75	-3.60	16.07	24.53	5.23	-2.67	11.34	21.95	-8.17
Moderate Target Risk Index								21.77	12.33	0.59	12.04	14.31	4.89	-1.79	8.57	14.66	-4.76
Conservative Target Risk								9.56	7.07	4.38	7.36	2.97	3.38	-0.92	4.67	7.00	-1.20

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				YTD	Tracker Average
		1 MO	3 MO	6 MO	12 MO		
T. Rowe Price New Horizon	PRNHX	6.66%	9.74%	24.28%	18.26%	35.83%	32.15%
JPMorgan Large Cap Growth R6	JLGMX	5.63%	8.18%	22.85%	13.68%	34.28%	27.46%
T Rowe Price Mid Cap Growth Fund	RPMGX	4.70%	6.44%	17.74%	13.69%	27.74%	23.22%
Fidelity 500 Index Inst.	FXAIX	3.97%	3.38%	14.59%	8.55%	21.92%	16.64%
American Beacon Large Cap Value Inst	AADEX	3.54%	2.59%	11.07%	3.22%	21.02%	11.14%
JPMCB SmartRetirement DRE 2050 CF10		2.48%	2.18%	10.31%	3.62%	17.04%	10.14%
JPMCB SmartRetirement DRE 2055 CF10		2.39%	1.90%	10.12%	4.18%	16.49%	10.14%
JPMCB SmartRetirement DRE 2045 CF10		2.48%	2.19%	10.33%	3.57%	17.01%	10.13%
JPMCB SmartRetirement DRE 2060 CF10		2.38%	2.10%	10.26%	3.68%	17.04%	10.04%
JPMCB SmartRetirement DRE 2030 CF10		1.91%	2.54%	9.40%	4.55%	14.81%	10.03%
JPMCB SmartRetirement DRE 2040 CF10		2.38%	2.24%	10.12%	3.64%	16.60%	10.02%
Vanguard Small Cap Index I	VSCIX	5.01%	1.31%	10.60%	1.28%	22.02%	9.93%
JPMCB SmartRetirement DRE 2035 CF10		2.17%	2.38%	9.73%	3.86%	15.60%	9.90%
JPMCB SmartRetirement DRE 2025 CF10		1.63%	2.59%	8.67%	4.72%	13.26%	9.60%
Vanguard Total Bond Market Index Inst	VBPIX	0.34%	3.07%	5.82%	8.00%	6.15%	9.40%
American Century Mid Cap Value R6	AMDVX	3.76%	1.23%	10.39%	1.54%	19.81%	9.23%
JPMCB SmartRetirement DRE 2020 CF10		1.27%	2.55%	7.76%	4.83%	11.44%	8.95%
JPMCB SmartRetirement DRE Income CF10		1.16%	2.57%	7.26%	5.14%	10.34%	8.80%
American Funds EuroPacific Growth R6	RERGX	1.87%	2.26%	11.18%	0.59%	18.79%	8.67%
Oppenheimer Developing Markets I	ODVIX	0.79%	0.07%	8.70%	1.72%	15.70%	6.15%
Vanguard Total International Stock Index Instl	VTSNX	0.71%	0.24%	6.34%	-1.73%	13.13%	3.04%
Wilmington Core Bond Class I1		0.19%	0.57%	1.15%	2.30%	1.34%	2.30%
Invesco Stable Value-III		0.19%	0.58%	1.14%	2.26%	1.33%	2.28%
American Airline Federal Credit Union		0.00%	0.26%	0.72%	1.53%	0.79%	1.37%
American Beacon Small Cap Value Inst	AVFIX	4.50%	-1.78%	4.27%	-10.51%	15.75%	-1.92%



## 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 text/call 201.503.6445 or 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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