

Portfolio Changes

Growth Models

- Reduced QQQ by 3% and added IVV 8%.
- Reduced XLE, XLI and IWP by 2%.
- Added 1% to XLF.
- Bought XLP 2%.
- Sold VBK, XLK & REMX.
- Reduced IUSB & FBND by 5% and added VGLT 5%.

Income Models

- Reduced QQQ by 5% and added IVV 5%.
- Reduced XLE & XLI by 2%.
- Bought XLP 2% & added XLF 2%.
- Sold VBK, XLK & REMX.
- Reduced IUSB & FBND by 5% and added VGLT 5%.

Drivers of Portfolio Changes

Growth & Income Models

- Uncertainty associated with tariffs and implementation is slightly vague in the near term and has impact on industrials as the supply chains are across various geographies.
- Lowering some concentration risk in technology.
- Migrating growth and income models with the same security holdings across as and when opportunities arise.
- Income Model Yield 3.3%
 - Bond Yield – 5.35%, Effective Duration 6.6
- Growth Models Yield 2.4%
 - Bond Yield – 5.35% Effective Duration 6.6

Current Economic Highlights

- Personal consumption 3.1% YoY vs 3.1% prior.
- Headline retail sales 4.2% YoY vs 4.4% prior.
- Retail Sales control group went down to 3.7% YoY vs 4.4% prior.
- Industrial production was up 2% YoY vs 0.3% prior.
- The unemployment rate ticked down to 4.0% vs 4.1% prior.
- Aggregate Hours worked 1.0% YoY vs 0.6% prior.
- Personal savings as % of DPI down to 3.8% YoY vs 4.1% prior.
- ISM manufacturing PMI up to 50.9 vs 49.2 prior.
- ISM Services PMI ticked down to 52.8 vs 54.0 prior.
- Core PCE was flat at 2.8% vs the previous month.
- Q4 2024 GDP – 2.5% YoY vs 2.7% YoY in Q3 2024
2.3% QoQ vs 3.1% QoQ in Q3 2024
- Personal Consumption Expenditures 4.2% vs 3.7% (Q4 2024 annualized)

Forecast

- Growth remains above trend but continues to slow marginally towards trend as the year progresses with a rising probability of a downside surprise in the near term as new policy is rolled out and government spending plans are revised lower as they try and balance the budget.
- The administration has put out various plans with respect to trade to test the waters but have not yet implemented them as they negotiate final terms which potentially have various positive impacts on some industries while others may be impacted negatively.
- Progress is being made by DOGE to cut wasteful spending, a sign of a first step towards fiscal discipline. However, we are yet to see budget plans to gauge if the administration is in fact serious about it. Our expectation remains that this will have a negative impact on growth in the near term but should be structurally positive over the longer term.