

Portfolio Changes

Growth Models

- Reduced PPA 2% and added IVV 2%.
- Reduced IWP 5% and added DIVI 5%
- Sold PDBC 3% and bought XLF 3%
- Sold SPYD 5% and bought SPMD 3%, SPSD 2%
- Sold EWH 2%, reduced KWEB 2%
- Sold HIGH 10%, reduced IGEB 5% and bought JAAA 15%

Income Models

- Sold SPYD 5% and added to IVV 5%
- Sold PDBC 3% and added to QQQ 3%
- Sold EWH 2% and bought SPSM 2%
- Reduced SCHD 7% & bought XLF 3%, SPMD 3%, added XLK 1%
- Sold JEPQ 7%, reduced PPA 2% and added DIVI 5%, bought IWF 5%
- Sold HIGH 10%, reduced IGEB 5% and bought JAAA 15%

Drivers of Portfolio Changes

Growth & Income Models

- With the new administration's lean on deregulation and better NFIB small business confidence sectors that tend to benefit most are financial, energy and industrials.
- Migrating growth and income models with the same security holdings across as and when opportunities arise.
- Income Model Yield 3.2%
 - Bond Yield – 5.46%, Effective Duration 5.9
- Growth Models Yield 2.7%
 - Bond Yield – 5.46% Effective Duration 5.9

Current Economic Highlights

- Personal consumption 2.9% YoY vs 3.1% prior.
- Headline retail sales 3.9% YoY vs 4.1% prior.
- Retail Sales control group went down to 4.1% YoY vs 4.5% prior.
- Industrial production was up 0.5% YoY vs -0.6% prior.
- The unemployment rate ticked down to 4.1% vs 4.2% prior.
- Aggregate Hours worked 1.2% YoY vs 1.2% prior.
- Personal savings as % of DPI down to 4.4% YoY vs 4.5% prior.
- ISM manufacturing PMI up to 49.3 vs 48.4 prior.
- ISM Services PMI ticked up to 54.1 vs 52.1 prior.
- Core PCE was flat at 2.8% vs the previous month.
- Q3 2024 GDP – 2.7% YoY vs 3.0% YoY in Q2 2024
3.1% QoQ vs 3.0% QoQ in Q2 2024
- Personal Consumption Expenditures 3.7% vs 2.8% (Q3 2024 annualized)

Forecast

- The economy continues to grow above trend while inflation has bottomed out in q4 of 2024 and should rise further as we progress through the year.
- Expect a lot of dispersion in economic data and forecasts as the new administration's policies are digested and implemented. A lot of executive orders are expected right out of the gate along with a push towards getting the TCJA extended early in the administration. Tariffs on a global basis at a blanket rate may be used to fund much of the deficit caused by these tax cuts over the next 10 years.
- If there is a push towards fiscal austerity to get spending under control, we expect some slowdown in growth that can be of consequence which is not the expectation of consensus currently.
- If policy continues to be accommodative, risk assets should continue to do well if rates do not extend beyond a certain threshold in a short span of time which in turn will have an impact of a negative re-rating on valuations when they are already stretched.