

Portfolio Changes

Merged Growth & Income Models

- Sold XLF 5% & Bought SPYD 5%.
- Sold XLE 1%.
- Sold EMXC 5% & Bought IEMG 5%.
- Sold EFG 5% & Bought DIVI 5%.
- Sold SJNK 5%, reduced JAAA 5% and added VGLT 10%.
- Reduced KWEB by 1.5%
- Bought ROBO 2.5% & ETHA 1.5%, XLRE 2% and VNQI 2%.
- Added 0.5% to XME.

Current Economic Highlights

- Personal consumption 3.1% YoY vs 3.0% prior.
- Headline retail sales 3.1% YoY vs 3.9% prior.
- Retail Sales control group went down to 4.4% YoY vs 3.7% prior.
- Industrial production 1.4% YoY vs 1.9% prior.
- The unemployment rate ticked up to 4.1% vs 4.0% prior.
- Aggregate Hours worked 0.7% YoY vs 1.0% prior.
- Personal savings as % of DPI down to 4.6% YoY vs 3.5% prior.
- ISM manufacturing PMI 50.3 vs 50.9 prior.
- ISM Services PMI ticked up to 53.5 vs 52.8 prior.
- Core PCE was down to 2.6% vs 2.9% 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)

Drivers of Portfolio Changes

Growth & Income Models

- Continued de-leveraging in crowded trades as uncertainty remains elevated has volatility rise over the last month and remains at levels that warrant caution. Added some defensive positions to reduce some beta on the downside while maintaining upside beta if the current spike in vol is episodic and resolves quickly.
- Growth and inflation expectations have shifted rapidly; however, estimates are yet to reflect this change in sentiment.
- Getting more in-line with benchmarks on the international side.
- Model Yield 2.6%
 - Bond Yield – 5.35%, Effective Duration 7.7

Forecast

- Expect a higher degree of forecast error in the near term as distortions caused by trade/tariff pull forward to have different implications for growth in the near term.
- Growth continues to slow on a YoY basis while it remains positive over the year unless there is a drastic change in the underlying economy.
- Inflation should fall for a few more months before it stabilizes and probably starts to inflect higher in the latter half of the year all things equal. This can change quickly if the underlying growth dynamics weaken further.
- Uncertainty associated with respect to fiscal spending will remain elevated as DOGE cuts progress over the year while a clean spending bill later this year should give a better picture of what to expect over the next few years.
- Elevated volatility should be expected if uncertainty with respect to policy persists.