



WEEKLY UPDATE

PERSPECTIVE for BETTER FINANCIAL OUTCOMES

New Feature!

Below is a recording of our Redhawk Live Update to help our clients better understand what we are doing with our portfolios. We hope to send these out every week moving forward. Click the button below below to listen!

[Redhawk Live!](#)

Market Commentary

U.S. stocks finished mixed for the week, taking a breather following the strong performance since the beginning of the year. The International Monetary Fund (IMF) cut its 2019 and 2020 global growth forecasts, but that was hardly a surprise given trade tensions, the China slowdown, and declining economy in Europe and Japan. On Friday President Trump announced a deal to temporarily reopen the government for three weeks, while negotiations for border security continue.



After a weak start to the holiday-shortened week, stocks climbed their way back near the flat line, finishing last week just barely to the downside, ending the market's win streak at four weeks. While the damage of the December correction has not been fully repaired, the market is still 9.2% below last year's high, sentiment has swung back to a more balanced position. This has resulted in the 13.2% rise in the S&P 500 and 2,900-point gain in the Dow since December 24.

There was a broad mix of news and data last week, some favorable and some disappointing, and we think this is how the year will progress because this market is in the latter stage of expansion. This means day-to-day volatility is likely to continue. Ongoing trade tensions and the extended government shutdown offered an opportunity for the market to revert to panic mode, and yet stocks demonstrated some resiliency last week (even prior to the announcement of the temporary

deal to fund the government). We'd attribute this to the fundamentals (the economy and corporate profits) garnering a greater share of the spotlight more recently, reminding investors that the headline risks are only part of the investment story.

So, what's the good and the bad so far?

- **The Good** – Corporate earnings and employment have been the two bell weather trends that have provided broad support for the stock market. With the consumer accounting for 70% of GDP, the very healthy labor market continues to set a solid foundation for the economy. Initial jobless claims fell below 200,000 last week, the lowest since 1969. This aligns with the unemployment rate near a 50-year low and wage growth tracking at the best levels in more than a decade. Economic momentum has tailed off a bit, but the strong labor market highlight that we are not rapidly approaching a recession. Economic growth, in turn, sets the stage for rising corporate earnings, another powerful driver of market performance. Nearly a quarter of the S&P 500 companies have now reported results, with profits rising more than 13% in the recent quarter. Earnings estimates for 2019 have come down a bit, but still forecast better than 6% profit growth this year.
- **The Bad** - Data out of China showed that the world's second-largest economy grew by 6.6% for 2018, the slowest year of growth since 1990. This added to fears of a broader global economic slowdown that has contributed to the recent market volatility. Weaker growth in China also fanned the trade war fears, suggesting that the tariff tensions between the U.S. and China are starting to take a deeper bite. Global markets initially reacted negatively to the news, but negotiations are scheduled to take place this week, offering the markets some potential for progress. We don't expect the trade war to be resolved quickly, but the recent economic data do offer some hope for compromise. Policymakers reached a deal on Friday to temporarily reopen the government for three weeks, halting the longest-ever shutdown. Congress had already passed a measure that will allow for back pay, meaning that most of the impact on household consumption will be delayed rather than eliminated. The good news is that the largest portion of spending will likely still occur once backpay is received. Looking at past shutdowns, GDP in the coinciding quarter averaged 2.2% and GDP in the following two quarters averaged 3.4%. This is no assurance that the U.S. economy will accelerate from here, but it does demonstrate that government shutdowns are not catalysts for economic downturns.

INDEX	CLOSE	WEEK	YTD
Dow Jones Industrial Average	24,737	0.1%	6.0%
S&P 500 Index	2,665	-0.2%	6.3%
NASDAQ	7,165	0.1%	8.0%
MSCI EAFE	1,795	-0.5%	4.4%
10-yr Treasury Yield	2.75%	-0.03%	0.07%
Oil (\$/bbl)	\$53.57	-0.4%	18.0%
Bonds	\$106.68	0.3%	0.2%

Source: Bloomberg, 01/25/19. Bonds represented by the iShares Core U.S. Aggregate Bond ETF. Past performance does not guarantee future results.

Victoria Capital's Strategy Update

"What if everyone invested passively? Recently, this question was asked by a professional investment organization intimating that there would be innumerable pricing problems associated with only one investment strategy. The question seems to imply a crisis if there were a limited number of indices in which investors could passively invest (passive investing is replicating the return characteristics of a published index by buying all or a sample of the securities in the index). We know what would happen if there were only one stock to invest in; there would likely be unusual volatility in the price of that stock due to the liquidity of just one security.

As the world of indexing has expanded, professional investors have had to innovate to keep clients from fleeing to a passive strategy. One way has been to create indices that follow different rules where the strategy is an alternative to just one index. For example, the S&P 500 index consists of stocks weighted by market capitalization (the number of shares

times the price of the stock). A competitive index using the same stocks could be equally weighted, offsetting the impact of size. Then there are indices that are based on company characteristics as measured by revenues or profitability. Fixed income index funds can also have different structures based on the index that the fund is designed to track. Companies such as Dow Jones, MSCI, FTSE-Russell and Standard & Poor's can demand payment for using or quoting the performance or composition of their indices so there is money in creating indices. In mid-November of last year, the Index Industry Association (IIA) announced that their survey revealed that there are 3.727 million indexes globally, an increase of approximately 438,000 indexes since the survey was first conducted in June 2017 -- a 12% rise in one year! They estimate that these indexes represent approximately 98 percent of all indexes globally available.

As investors evaluate their portfolio, they will find that they own more indexes, as witnessed by the flow of funds into index-related products—more specifically the proliferation of exchange-traded funds (ETFs). By packaging slices of the market into tradeable vehicles, ETFs have become the go-to instrument for professionals seeking instant, liquid exposure to markets around the world. Mom-and-pop savers, meanwhile, have an inexpensive, transparent way to buy companies for the long haul. Investment in these vehicles have grown to more than \$6 trillion up from less than \$700 billion before the financial crisis in 2008. Moreover, last year's record \$315 billion inflow is second to only the \$476 billion inflow in 2017.

The VCM Target Return portfolios consist of a specific blend of indexed ETFs, so we have an interest in the answers to the question: "What if everyone invested passively?" Our approach involves selecting index ETFs to achieve a target return for the asset class and then weighting each portfolio based on our outlook for that segment of the market. By combining various index funds with different performance characteristics, we have been able to achieve long-term target returns while reducing the probability of loss over time.

There were no changes made to the Target Return portfolios last week. We added three new stocks to our Growth Equity portfolio.

Redhawk's Strategy Update

Despite making some sharp daily moves, the major U.S. stock indexes changed little overall in a holiday-shortened week. The lack of movement was a departure from its recent pattern of steady gains, which had produced four weeks in a row of positive results. Chinese Vice Premier Liu He is scheduled to visit Washington on Wednesday for high-level trade talks amid growing uncertainty about prospects for a comprehensive deal between the United States and China.

China's government reported that the nation's growth slipped to an annual rate of 6.4% during the final three months of 2018, matching most expectations. For the year overall, GDP growth was 6.6%, China's slowest annual rate since 1990. President Trump and congressional leaders on Friday announced a tentative deal to reopen the government for three weeks while they continue discussing border security issues. The agreement comes as federal agencies look

ahead to a busy week of economic releases, including the government's initial estimate of fourth-quarter GDP growth, which is due on Wednesday, and a monthly employment report, due on Friday.

[Redhawk Live Update - Click Here](#)

Redhawk Model Signals

Time Period:				1/28/2019	1/22/2019
Redhawk S&P 500 Portfolios (RSPC, RSPM, RSPA)	Symbol		Action	Redhawk Score	Redhawk Score
Equity Precious Metals	PALL	Aberdeen Standard Phys PalladiumShrs ETF		113.26	123.99
Intermediate Government	SCHR	Schwab Intermediate-Term US Trs ETF		106.75	108.23
Long-term Bond	BAB	Invesco Taxable Municipal Bond ETF		105.03	103.05
Ultrashort-Term Bond	GSY	Guggenheim Ultra Short Duration ETF		102.88	102.61
Intermediate Government	ITE	SPDR® Blmbg Barclays Interm Term Trs ETF		102.83	104.31
Intermediate Government	IEI	iShares 3-7 Year Treasury Bond ETF		102.04	103.52
Equity Precious Metals	IAU	iShares Gold Trust		98.69	109.42
Short-term Bond	BSCJ	Invesco BulletShares 2019 Corp Bd ETF		97.37	97.01
Short-term Bond	SPSB	SPDR® Portfolio Short Term Corp Bd ETF		96.42	96.06
Ultrashort-Term Bond	ICSH	iShares Ultra Short-Term Bond ETF		96.32	96.05
Utilities	RYU	Invesco S&P 500® Equal Weight Utilts ETF		95.14	72.75
Consumer Defensive	PSL	Invesco DWA Consumer Staples Mom ETF		87.09	56.44

Redhawk Environmental, Social, and Governance Portfolio (RESG)	Symbol		Action	Redhawk Score	Redhawk Score
Global Real Estate	CSSPX	Cohen & Steers Global Realty I		128.19	107.36
Large Blend	PRILX	Parnassus Core Equity Institutional		120.16	83.30
Large Blend	VFTSX	Vanguard FTSE Soc Inv		112.08	75.22
Intermediate Term Bond	CGBIX	Calvert Imp Green Bond I		106.02	105.43
Large Value	VHDYX	Vanguard High Dividend Yield Index Inv		105.18	82.79
Large Blend	ESG	FlexShares STOXX US ESG Impact ETF		96.24	59.38

Redhawk Income Portfolios (RBI, RHY, RTHI)	Symbol		Action	Redhawk Score	Redhawk Score
Intermediate Bond	DBLTX	DoubleLine Total Return Bond I		109.74	109.74
Long-term Bond	BAB	Invesco Taxable Municipal Bond ETF		108.94	108.94
Long Government	SCHR	Schwab Intermediate-Term US Trs ETF		105.08	105.08
Emerging Market Local Currency	EMUCX	MFS Emerging Markets Debt Local Curr		103.31	103.31

Emerging Market Local Currency	EMLIX	MFS Emerging Markets Debt Lcl Ccy I		103.21	103.21
Intermediate Government	ITE	SPDR® Blmbg Barclays Interm Term Trs ETF		100.74	100.74
High Yield	FIHBY	Federated Instl High Yield Bond Instl		93.57	93.57
Emerging Markets Bond	CEMB	iShares JP Morgan EM Corporate Bond ETF		92.66	92.66
World Bond	RIGS	RiverFront Strategic Income ETF		88.88	88.88

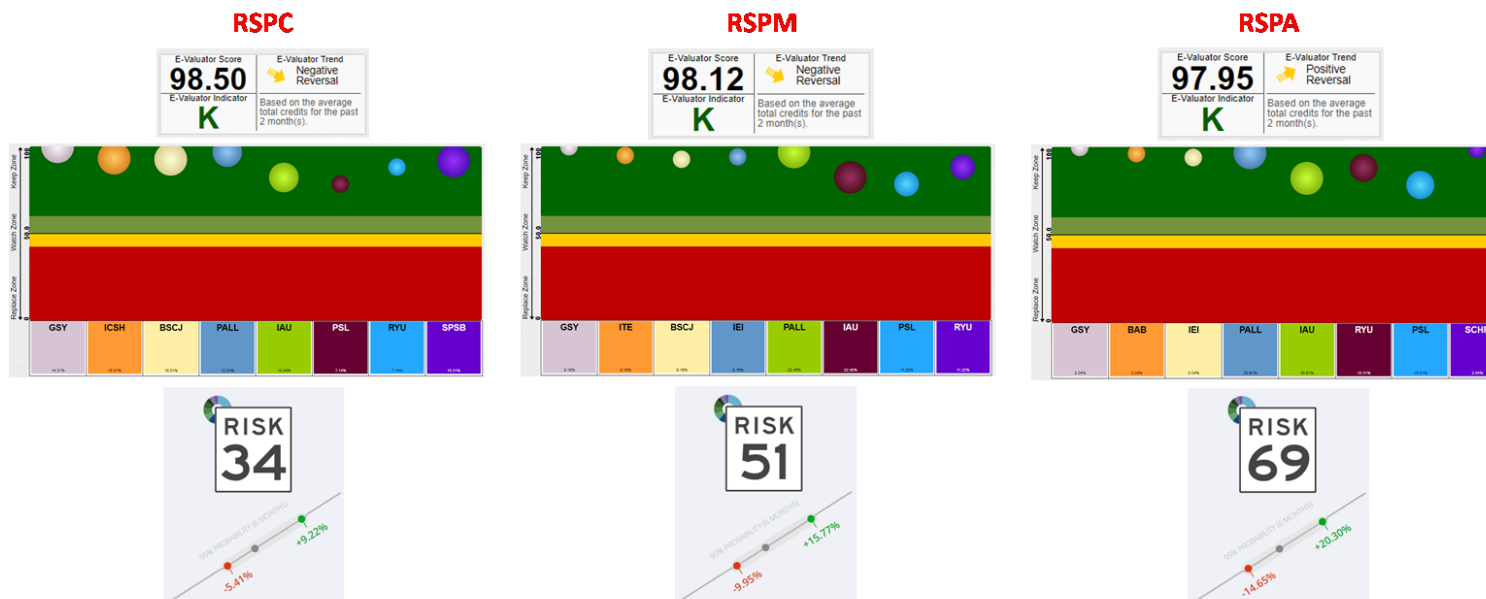
Redhawk Liquid Income Portfolios (LINCC, LINCM, LINCA, LINC8)	Symbol		Action	Redhawk Score	Redhawk Score
Long-term Bond	BAB	Invesco Taxable Municipal Bond ETF		109.24	109.24
Ultrashort-Term Bond	GSY	Guggenheim Ultra Short Duration ETF		107.79	107.79
Muni National Interm	VWIUX	Vanguard Interm-Term Tx-Ex Adm		107.74	107.74
Muni National Long	FTABX	Fidelity® Tax-Free Bond		107.12	107.12
Intermediate Government	SCHR	Schwab Intermediate-Term US Trs ETF		106.58	106.58
Muni National Long	VWAHX	Vanguard High-Yield Tax-Exempt		105.81	105.81
Intermediate Government	ITE	SPDR® Blmbg Barclays Interm Term Trs ETF		101.69	101.69
Ultrashort-Term Bond	ICSH	iShares Ultra Short-Term Bond ETF		100.81	100.81
Muni National Interm	AXBIX	American Century IntermTrm Tx-Fr Bd I		100.13	100.13
Short-term Bond	SPSB	SPDR® Portfolio Short Term Corp Bd ETF		99.74	99.74
Short-term Bond	BSCJ	Invesco BulletShares 2019 Corp Bd ETF		99.49	99.49
Intermediate Government	IEI	iShares 3-7 Year Treasury Bond ETF		98.09	98.09
Muni National Long	LMCIX	Lord Abbett AMT Free Municipal Bond I		88.46	88.46

Victoria Capital Management Target Return Portfolios (TRCI, TRMI, TRAI, TRCE, TRCM, TRAE, TRIP)	Symbol		Action	Redhawk Score	Redhawk Score
Small Value	VBR	Vanguard SC Val Idx ETF		129.11	90.41
Small Blend	VB	Vanguard Small-Cap ETF		126.90	85.24
Large Value	VYM	Vanguard High Dividend Yield ETF		121.33	86.19
Small Value	IWN	iShares Russell 2000 Value		120.19	81.49
Large Value	VTV	Vanguard Value Idx ETF		119.30	84.16
Large Value	DGRO	iShares Core Div Growth ETF		116.89	81.75
Small Blend	IJR	iShares S&P Small Cap Core		116.07	74.41
Mid-Cap Blend	SCHM	Schwab DJ Mid Cap Core		114.09	76.60
Large Blend	IVV	iShares Core S&P 500 ETF		110.43	73.57
Diversified Emerging Markets	SPEM	SPDR Portfolio Emerging Markets ETF		109.47	110.27
High Yield Bond	SHYG	iShares 0-5 HY Corp Bd ETF		107.26	97.07
Small Growth	VBK	Vanguard SC Gr Idx ETF		106.31	56.14
Large Blend	SPLG	SPDR Portfolio Large Cap ETF		106.01	69.15
Large Blend	IWB	iShares Russell 1000		104.03	67.17
High Yield Bond	HYG	iShares iBoxx \$HY Corp ETF		93.41	83.22
Mid-Cap Value	MDYV	SPDR S&P 400 Mid Cap Val ETF		83.42	45.40
Corporate Bond	VCIT	Vanguard Int Crp Bd ETF		82.60	78.97
Foreign Large Blend	SCHF	Schwab International Developed Equity		79.08	58.64
Short-Term Bond	VCSH	Vanguard ST Corp Bd ETF		74.20	73.84
Mid-Cap Growth	MDYG	SPDR S&P 400 Mid Cap Gro ETF		67.31	21.48

Keep	Keep.	
Watch	Watch.	
Replace with another fund.	Replace with another fund.	FUND
Replace with cash.	Replace with cash.	

S&P Portfolios: No changes.

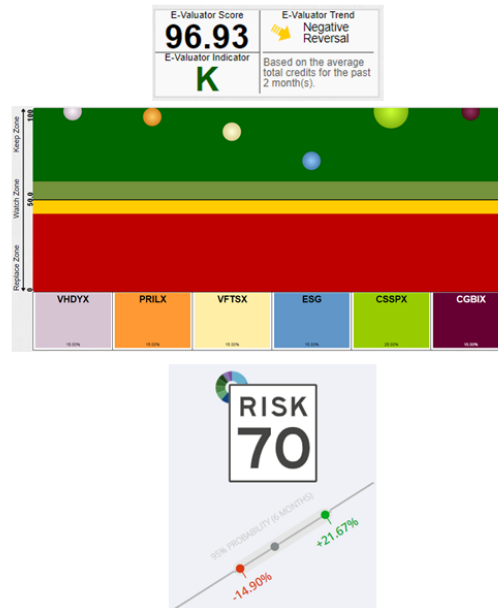
S&P Portfolio Bubble Reports as of 12/31/2018



Environmental, Social, and Governance Portfolio: Placed the Large Value sub-category (VHDYX) and the Large-Blend sub categories (ESG) (VFTSX) (PRILX) on the watch list due to under-performance.

Portfolio Bubble Reports as of 12/31/2018

RESG



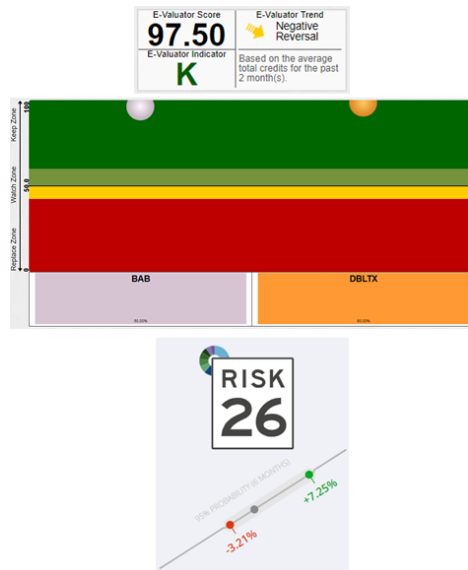
Growth Stock Portfolio: No changes.

High Dividend Stock Portfolio: No changes.

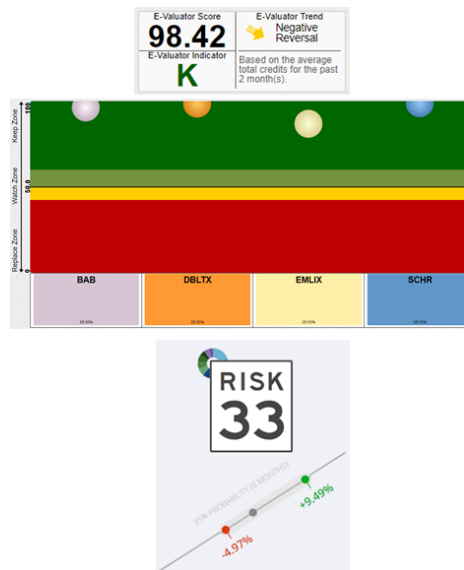
High Income Portfolios: No changes.

High Income Portfolio Bubble Reports as of 12/31/2018

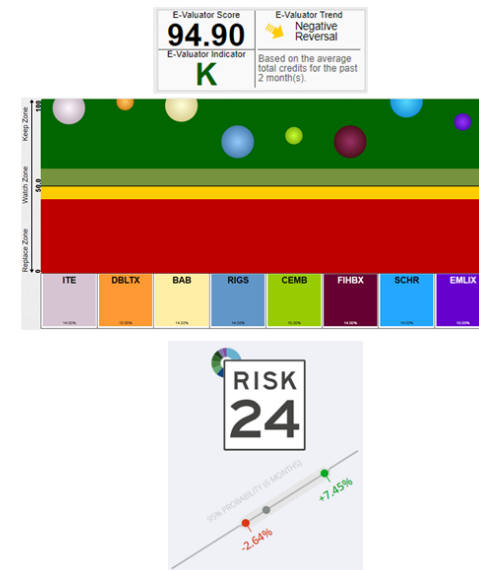
RBI



RHY



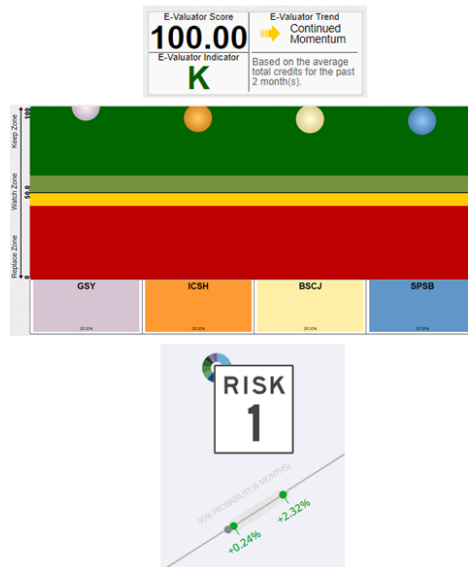
RTHI



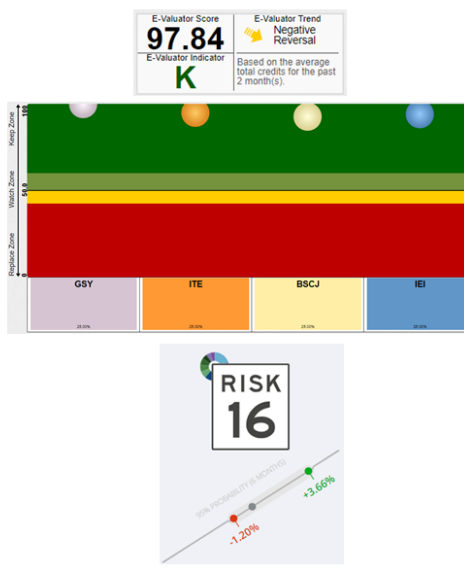
Liquid Income Portfolios: No changes.

Liquid Income Portfolio Bubble Reports as of 12/31/2018

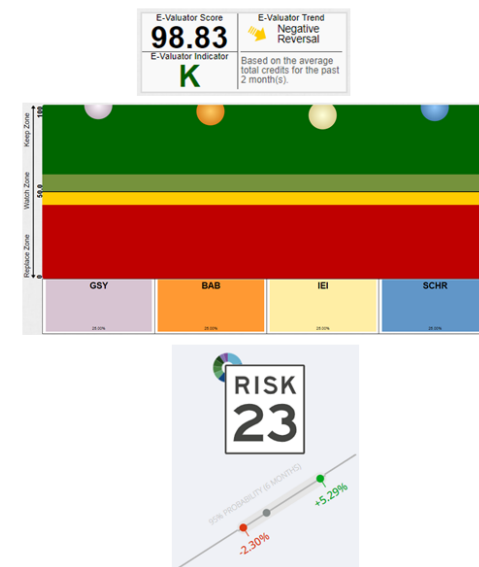
LINCC



LINCM

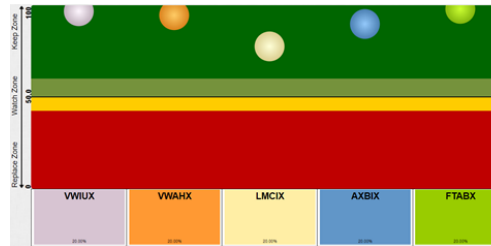


LINCA



LINCB

E-Valuator Score 96.39 E-Valuator Indicator K	E-Valuator Trend Positive Reversal Based on the average total credits for the past 2 month(s).
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Economic Data for this Week

Monday:

1. No major reports scheduled.

Tuesday:

1. U.S. Federal Reserve Board opens two-day policy meeting.
2. S&P/Case-Shiller 20-City Composite Home Price Index.

3. Consumer Confidence Index, The Conference Board.

Wednesday:

1. U.S. Federal Reserve Board concludes two-day policy meeting, Chairman Jerome Powell holds press conference.
2. Fourth-quarter GDP, initial estimate, U.S. Bureau of Economic Analysis.
3. ADP National Employment Report, ADP.
4. Pending home sales, National Association of Realtors.

Thursday:

1. Personal income and consumer spending, U.S. Bureau of Economic Analysis.

Friday:

1. Jobs and unemployment, U.S. Bureau of Labor Statistics.
2. Institute for Supply Management's manufacturing index.
3. Construction spending, U.S. Census Bureau.
4. University of Michigan Index of Consumer Sentiment.

Our algorithms have been in the "Risk Off" defensive position since 12/19/2018. The stochastic models in place have concluded that precious metals, utilities, and consumer staples are the non-correlated asset classes to invest for this defensive period. On Friday, the second trigger in moving to a "risk on" position as the VIX settled down from a high of 36 to 17. We will continue to gather relevant data points on the market while in this risk off period.

Portfolio Managers



The Target Return (TR) portfolios consist of a blend of exchange-traded funds (ETFs) to provide a range of risk and return characteristics that should meet the needs of investors saving for retirement. Each of these portfolios is designed to achieve a long-term target rate of return. By utilizing low cost ETFs and by keeping portfolio turnover low, the ability to produce targeted rates of return is dramatically increased. For investors seeking current income, the TR Income Portfolio (TRIP) has been structured to focus on producing both high current income and growing dividend income. The goal of the Victoria Capital Growth (VCG) portfolio is to provide long-

term growth through a diversified portfolio of individual equities. A theme-based investment strategy concentrates investments in common stocks of companies that are expected to grow faster than the overall economy. Owning individual stocks gives greater flexibility to make changes on a stock by stock basis for each client. By applying a bottom-up defensive tactical trading discipline, substantial portfolio reserves can be generated.

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