



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

Last week U.S. stocks finished lower, with the S&P 500 declining for five straight sessions, but still up 9.1% for the year. In response to slowing global growth, several world central banks are easing their stances towards rate hikes or taking new measures to boost their economies. The European Central Bank will hold rates steady through the end of 2019, on top of providing additional funding to banks. The Bank of Canada realized they underestimated the slowdown and will also be patient with rate hikes. Also, the Chinese government announced plans to cut taxes, increase loans to small businesses, and boost infrastructure investment to support growth. As a result of these actions the U.S. dollar strengthened against other currencies, presenting a headwind for the domestic market. Equity markets will likely be more difficult for the balance of the year than it has been for the first two months of 2019.



What affects the stock market can be narrowed down to earnings, the economy, and monetary policy. Investors have always looked at earnings results to get a pulse from the corporate sector about the health of the economy and clues for the future. So, while earnings are always important, this most recent quarter's results may have helped shine additional light on the question of whether the fourth-quarter market sell-off was justified. Corporate results and guidance helped put to rest concerns of a looming downturn. For the first month of this earnings season, the S&P 500 rose 6%, the strongest four-week performance during fourth-quarter earnings since 1998.

- **Results vs. expectations** - With the calendar fourth-quarter earnings season largely over, 69% of the S&P 500 companies have reported a positive earnings surprise. This slightly trails the 72% historical average of companies beating consensus earnings estimates in a given quarter since 1997. Despite the lower total percentage of positive earnings surprises, investors rewarded those companies that surprised, more so than they have historically, and punished less the companies that missed. For example, those companies that missed earnings expectations declined 0.8% in aggregate, compared with the five-year average decline of 2.6%. This indicates that results ended up being better than expected or, at least, not as bad as feared. For perspective, it is worth highlighting that the fourth-quarter earnings growth rate for the S&P 500 ended up around 13%, which marks the fifth straight quarter of double-digit earnings growth for the index. The last time this happened was back in 2010 - 2011 when the stock market was in the early stages of its expansion coming out of the financial crisis.
- **Cyclical sectors humming along** - Sectors like industrials, financials, and consumer discretionary provide a good read of economic conditions because they are more sensitive to changes in customer demand and economic growth. The signal from quarterly earnings and company guidance is that demand hasn't slowed dramatically, which was what the market feared back in December. Within financials, banks reported an

acceleration in loan growth given solid consumer and business confidence. At the same time a strong labor market has kept loan delinquencies and credit losses near cyclical lows, a sign that the 14% pullback the sector experienced in the fourth quarter was overdone. Consumer spending is a much broader indicator that the consumer is still in a healthy position, growing 4.6% in the fourth quarter of 2018.

However, the earnings season was not without weaknesses as wage inflation, higher steel costs from tariffs, and higher transportation costs all continue to be headwinds. The pace of these cost increases has slowed from its peak, and companies are implementing price increases to defend profitability. Other pockets of weakness can be found in interest-rate-sensitive sectors such as housing and autos.

- **Looking ahead** - For the first quarter of 2019, analysts are projecting a decline in earnings of 3.2% and for full-year 2019 earnings growth of 4.1%. This would be the first quarterly earnings decline since 2016 and the slowest yearly earnings growth in three years. Looking back at 2018, earnings soared 20%, driven by the tax reform and federal stimulus. Yet the stock market didn't give any credit to the 20% earnings growth, with the S&P 500 declining 4.4% instead of rising, as one would expect. As a result, investors will look through the below-average growth rates for 2019 and focus on a very robust two-year average earnings growth of 12% (averaging 2018 and 2019).

There are also reasons to believe that company guidance for the first quarter could prove to be conservative, resulting in upward revisions later in the year. Management teams may have formulated their guidance assuming higher tariffs taking place after March 1, a government shutdown, and higher interest rates. Since then, trade tensions have eased, the March 1 deadline has been postponed, the government has reopened, and the Federal Reserve hit the brakes, pausing rate hikes.

INDEX	CLOSE	WEEK	YTD
Dow Jones Industrial Average	25,450	-2.2%	9.1%
S&P 500 Index	2,743	-2.2%	9.4%
NASDAQ	7,408	-2.5%	11.6%
MSCI EAFE	1,839.23	-2.1%	6.9%
10-yr Treasury Yield	2.63%	-0.12%	-0.06%
Oil (\$/bbl)	\$56.03	0.4%	23.4%
Bonds	\$107.43	0.8%	1.4%

Source: Bloomberg, 03/08/19. Bonds represented by the iShares Core U.S. Aggregate Bond ETF. Past performance does not guarantee future results.

Victoria Capital's Strategy Update

The first two months of 2019 produced sizeable stock market gains that offset the declines experienced during the fourth quarter of 2018. The rally faded in the first week in March due to a combination of profit taking, signs of economic weakness and the prospect of unsuccessful negotiations with North Korea and China. Just a little dose of bad economic news sends the policymakers into a frenzy. As an example, foreign central banks are extending their commitment to easy money due to economic sluggishness in Europe and China while the Fed is backing off on any plan to raise interest rates this year.

Let's not get too caught up in another free-for-all over the health of the economy. The polar vortex and related cold weather across the nation's midsection, the temporary government shut down and the emergence of some weird political policies all contributed to a temporary interruption in the ongoing bull market. Saturday, March 8th marked the 363rd day since the S&P 500 bull market advance began in the wake of the financial crisis. The 305% rise since the March 2009 lows ranks as the index's third biggest ever. The bull is alive and well!

When looking at stock market volatility, an analogy can be drawn with a classic cappuccino: the frothy top of the drink can blow off with the slightest wind while the body of the coffee remains stable. Similarly, the stock market is affected by daily traders who pull the market one way or the other depending on the slightest change in the economy or market while investors remain committed to the long-term returns of a bull market advance.

The important fact is that corporate America is solid, delivering rising revenues and earnings growth. Earnings are expected to grow in the low double-digits this year and high single-digits next year. This wealth is being partly used to buy back shares effectively shrinking the size of shares outstanding and these buybacks will continue to shrink the size of the stock market at a time when analysts are telling us that there is a mountain of cash on the sidelines looking for buying opportunities. After the December dive last year, the "smart money" decided the bear should go into hibernation when the DJIA surged a record 1,084 points the day after Christmas. We are just waiting to see what the "smart money" is going to do after a normal correction of 5-8% in early March. The timing and size of the rally will give us some idea about the sustainability of the ongoing bull market.

Last week, we sold stocks that violated our selling disciplines and held cash in the Growth Equity portfolio. We continue to see an increase in investment opportunities and have added several securities to our Approved List for purchase when appropriate. We made no changes to the Target Return portfolios last week.

Redhawk's Strategy Update

Major stock indexes fell around 2%, sustaining their biggest losses since December, and the NASDAQ saw its 10-week winning streak snapped. While there were no big sell-offs, stocks fell for 5 days in a row heading into Saturday's 10th anniversary of the bull market. U.S. jobs growth dropped to the slowest monthly pace in about a year and a half. The economy generated just 20,000 jobs in February, far short of most economists' expectations and January's 311,000 figure. However, the unemployment rate slipped to 3.8% and wage growth accelerated.

Although there were no signs of any breakdown in the ongoing U.S.-China trade talks, the U.S. ambassador to China said on Friday that negotiators weren't ready to set a date for a summit between both countries' presidents to try to resolve the dispute. The ambassador said negotiators still have work to do to narrow the gap between their positions. The U.S. trade deficit has grown to the largest level since 2008. Last year's 12% growth rate for the nation's trade deficit was fueled in part by record trade gaps with China and Mexico. U.S. stock buybacks have broken a record for the fourth quarter in a row. Companies in the S&P 500 reported nearly \$215 billion in share repurchases in last year's fourth quarter, topping the prior record of \$204 billion set in the third quarter of 2018, according to S&P Dow Jones Indices.



Redhawk Model Signals

Time Period:				3/11/2019	3/4/2019
Redhawk S&P 500 and Dynamic Portfolios (RSPC, RSPM, RSPA, RDA, RDC, RDA)	Symbol		Action	Redhawk Score	Redhawk Score
Short-term Bond	BSCJ	Invesco BulletShares 2019 Corp Bd ETF	SLQD		
Large Growth	SPYG	SPDR® Portfolio S&P 500 Growth ETF	PUI		
Utilities	PUI	Invesco DWA Utilities Momentum ETF		113.43	102.94
Mid-Cap Growth	IWP	iShares Russell Mid-Cap Growth ETF		111.43	143.02
Short-term Bond	SLQD	iShares 0-5 Year Invmt Grade Corp Bd ETF		104.26	145.40
Short-term Bond	SPSB	SPDR® Portfolio Short Term Corp Bd ETF		99.88	102.94
Technology	VGT	Vanguard Information Technology ETF		90.83	135.57
Ultrashort-Term Bond	GSY	Guggenheim Ultra Short Duration ETF		90.42	100.87
Ultrashort-Term Bond	ICSH	iShares Ultra Short-Term Bond ETF		90.05	184.88
Intermediate Government	ITE	SPDR® Blmbg Barclays Interm Term Trs ETF		85.22	100.04
Diversified Emerging Markets	SPEM	SPDR® Portfolio Emerging Markets ETF		84.62	114.79
Intermediate Government	SCHR	Schwab Intermediate-Term US Trs ETF		82.95	177.10
Intermediate Government	IEI	iShares 3-7 Year Treasury Bond ETF		76.01	161.38
Long-term Bond	BAB	Invesco Taxable Municipal Bond ETF		75.98	96.52

Redhawk Environmental, Social, and Governance Portfolio (RESG)	Symbol		Action	Redhawk Score	Redhawk Score
Large Value	VHDYX	Vanguard High Dividend Yield Index Inv		113.74	127.06
Large Growth	CEYIX	Calvert Equity I		110.69	131.99
Mid-Cap Growth	AVEGX	Ave Maria Growth		102.00	145.50
Mid-Cap Value	PMVYX	Putnam Sustainable Future Y		95.62	109.88
Global Real Estate	CSSPX	Cohen & Steers Global Realty I		90.20	119.41
Intermediate Term Bond	CGBIX	Calvert Imp Green Bond I		78.35	93.23

Redhawk Income Portfolios (RBI, RHY, RTHI)	Symbol		Action	Redhawk Score	Redhawk Score
Emerging Market Bond	ESFIX	Ashmore Emerging Markets Short Dur Instl	EMHY		
Long Government	SCHR	Schwab Intermediate-Term US Trs ETF	BSCP		
Intermediate-term Bond	DBLTX	DoubleLine Total Return Bond I	HYG		
World Bond	RIGS	RiverFront Strategic Income ETF	PSK		
Emerging Markets Bond	CEMB	iShares JP Morgan EM Corporate Bond ETF	IGIB		
Emerging Market Bond	EMHY	iShares Emerging Markets High Yld Bd ETF		106.83	
Corporate Bond	BSCP	Invesco BulletShares 2025 Corp Bd ETF		102.72	
Preferred Stock	PSK	SPDR® Wells Fargo Preferred Stock ETF		102.40	
Corporate Bond	IGIB	iShares Intermediate-Term Corp Bd ETF		101.70	
High Yield	HYG	iShares iBoxx \$ High Yield Corp Bd ETF		101.42	
Emerging Market Local Currency	EMLIX	MFS Emerging Markets Debt Lcl Ccy I		101.19	109.84
High Yield	FIHBX	Federated Instl High Yield Bond Instl		93.93	94.81
Long-term Bond	BAB	Invesco Taxable Municipal Bond ETF		79.11	94.46

Redhawk Liquid Income Portfolios (LINCC, LINCM, LINCA, LINCB)	Symbol		Action	Redhawk Score	Redhawk Score
Intermediate Government	SCHR	Schwab Intermediate-Term US Trs ETF	BSCP		
Muni National Long	LMCIX	Lord Abbett AMT Free Municipal Bond I	NHMRX		
Short-term Bond	BSCJ	Invesco BulletShares 2019 Corp Bd ETF	SLQD		
Short-term Bond	SLQD	iShares 0-5 Year Invmt Grade Corp Bd ETF		105.75	
Corporate Bond	BSCP	Invesco BulletShares 2025 Corp Bd ETF		105.12	
Short-term Bond	SPSB	SPDR® Portfolio Short Term Corp Bd ETF		103.47	105.14
High Yield Municipal	NHMRX	Nuveen High Yield Municipal Bond I		102.40	

High Yield Muni	THMIX	Nuveen High Yield Municipal Bond I		102.43	
Muni National Long	FTABX	Fidelity® Tax-Free Bond		94.87	105.15
Ultrashort-Term Bond	GSY	Guggenheim Ultra Short Duration ETF		94.56	104.78
Long-term Bond	BAB	Invesco Taxable Municipal Bond ETF		94.52	94.52
Ultrashort-Term Bond	ICSH	iShares Ultra Short-Term Bond ETF		94.43	100.42
Muni National Interm	VWIUX	Vanguard Interm-Term Tx-Ex Adm		93.71	105.01
Muni National Long	VWAHX	Vanguard High-Yield Tax-Exempt		88.15	102.23
Intermediate Government	ITE	SPDR® Blmbg Barclays Interm Term Trs ETF		86.97	98.17
Intermediate Government	IEI	iShares 3-7 Year Treasury Bond ETF		77.34	87.77
Muni National Interm	AXBIX	American Century IntermTrm Tx-Fr Bd I		76.06	87.34

Victoria Capital Management Target Return Portfolios (TRCI, TRMI, TRAI, TRCE, TRCM, TRAE, TRIP)	Symbol		Action	Redhawk Score	Redhawk Score
Short-Term Bond	VCSH	Vanguard ST Corp Bd ETF		103.17	102.29
Corporate Bond	VCIT	Vanguard Int Crp Bd ETF		100.74	92.83
Large Value	DGRO	iShares Core Div Growth ETF		99.35	113.18
Small Blend	VB	Vanguard Small-Cap ETF		98.96	129.21
Small Growth	VBK	Vanguard SC Gr Idx ETF		98.04	126.55
Large Value	VYM	Vanguard High Dividend Yield ETF		97.69	114.65
High Yield Bond	HYG	iShares iBoxx \$HY Corp ETF		95.48	100.43
Large Blend	SPLG	SPDR Portfolio Large Cap ETF		94.93	116.44
Mid-Cap Blend	SCHM	Schwab DJ Mid Cap Core		94.22	122.31
Small Value	VBR	Vanguard SC Val Idx ETF		92.31	122.05
Large Blend	IWB	iShares Russell 1000		90.35	114.45
High Yield Bond	SHYG	iShares 0-5 HY Corp Bd ETF		85.84	104.59
Diversified Emerging Markets	SPEM	SPDR Portfolio Emerging Markets ETF		84.62	114.79
Large Value	VTV	Vanguard Value Idx ETF		84.01	115.87
Large Blend	IVV	iShares Core S&P 500 ETF		78.48	109.31
Mid-Cap Value	MDYV	SPDR S&P 400 Mid Cap Val ETF		78.41	95.45
Foreign Large Blend	SCHF	Schwab International Developed Equity		72.50	84.72
Small Value	IWN	iShares Russell 2000 Value		66.02	108.79
Small Blend	IJR	iShares S&P Small Cap Core		53.87	107.76
Mid-Cap Growth	MDYG	SPDR S&P 400 Mid Cap Gro ETF		28.61	65.02

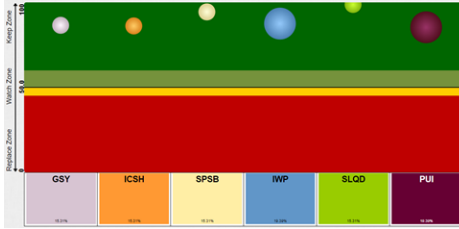
Keep	Keep.	
Watch	Watch.	
Replace with another fund.	Replace with another fund.	FUND
Replace with cash.	Replace with cash.	

S&P and Dynamic Portfolios: Replaced the Large Growth sub-category (SPYG) with the Utilities sub-category (PUI) due to under-performance. Replaced the Short-Term Bond sub-category (BSCJ) with (SPLG) due to performance. Took the Technology sub-category (VGT) off the watch list due to improved performance. Kept the Diversified Emerging Markets sub-category (SPEM) on the watch list due to under-performance.

S&P and Dynamic Portfolio Bubble Reports as of 2/28/2019

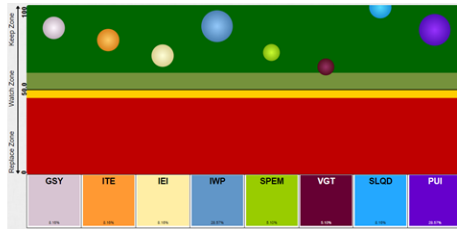
RSPC

E-Valuator Score 91.05	E-Valuator Trend Negative Reversal
E-Valuator Indicator K	Based on the average total credits for the past 3 month(s).



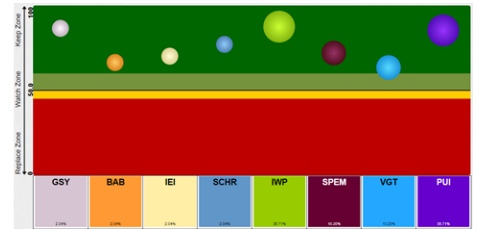
RSPM

E-Valuator Score 85.96	E-Valuator Trend Negative Reversal
E-Valuator Indicator K	Based on the average total credits for the past 3 month(s).



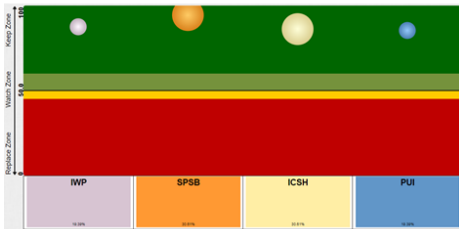
RSPA

E-Valuator Score 83.77	E-Valuator Trend Negative Reversal
E-Valuator Indicator K	Based on the average total credits for the past 3 month(s).



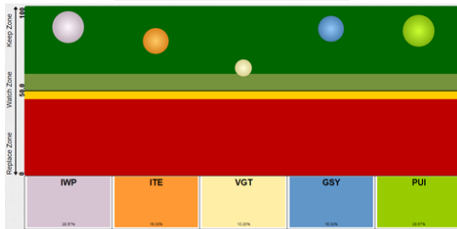
RDC

E-Valuator Score 89.74	E-Valuator Trend Negative Momentum
E-Valuator Indicator K	Based on the average total credits for the past 3 month(s).



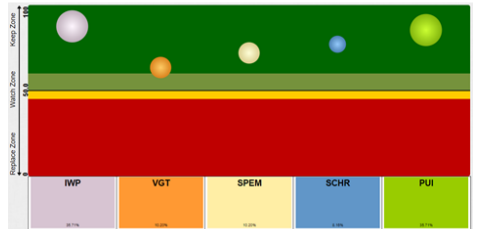
RDM

E-Valuator Score 85.88	E-Valuator Trend Negative Reversal
E-Valuator Indicator K	Based on the average total credits for the past 3 month(s).



RDA

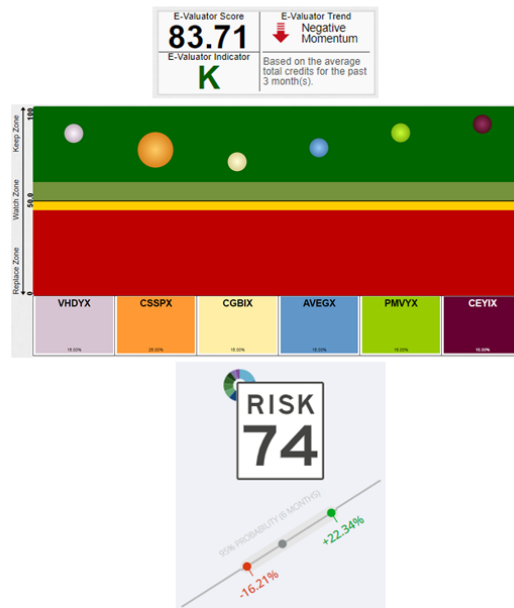
E-Valuator Score 83.58	E-Valuator Trend Negative Reversal
E-Valuator Indicator K	Based on the average total credits for the past 3 month(s).



Environmental, Social, and Governance Portfolio: No changes.

Portfolio Bubble Reports as of 2/28/2019

RESG



Growth Stock Portfolio: Replaced Halliburton Company (HAL) with PepsiCo (PEP) and replaced Diamondback Energy, Inc. (FANG) with Twenty-First Century Fox, Inc. (FOXA).

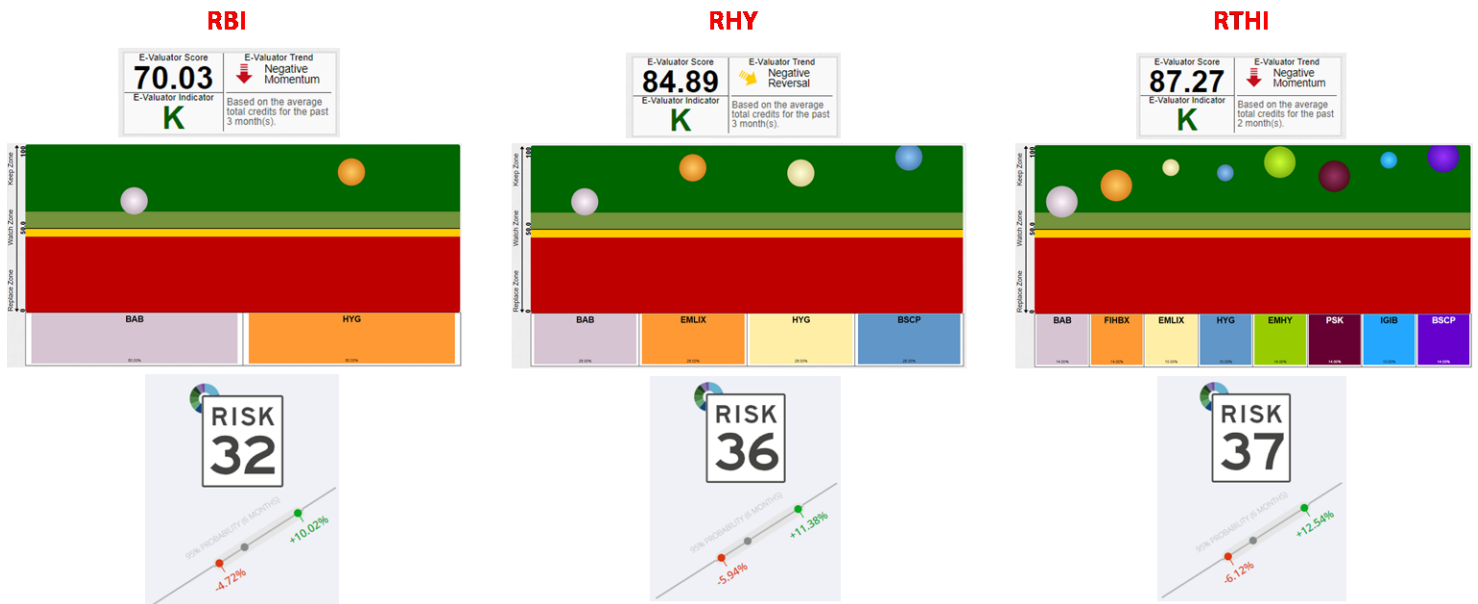


High Dividend Stock Portfolio: Replaced MPLX LP (MPLX) with Tenaris S.A. (TS), replaced AmeriGas Partners, L.P. (APU) with People's United Financial, Inc. (PBCT), and replaced DCP Midstream, LP (DCP) with Moelis & Company (MC).



High Income Portfolios: Replaced the Intermediate-term Bond sub-category (DBLTX) with the High Yield sub-category (HYG) due to performance. Replaced the Emerging Market Bond sub-category (ESFIX) with (EMHY) due to under-performance. Replaced the World Bond sub-category (RIGS) with the Preferred Stock sub-category (PSK) due to lagging performance. Replaced the Emerging Market Bond sub-category (CEMB) with the Corporate Bond sub-category (IGIB) due to performance. Replaced the Long Government sub-category (SCHR) with the Corporate Bond sub-category (BSCP) due to under-performance.

High Income Portfolio Bubble Reports as of 2/28/2019

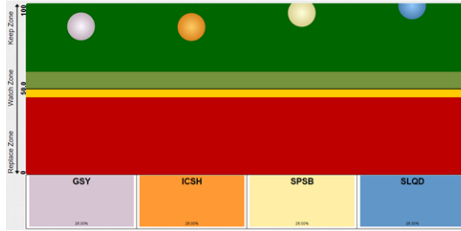


Liquid Income Portfolios: Replaced the Short-Term Bond sub-category (BSCJ) with (SPLG) due to performance. Replaced the Long Government sub-category (SCHR) with the Corporate Bond sub-category (BSCP) due to under-performance. Replaced the Muni National Long sub-category (LMCIX) with the High Yield Muni sub-category (NHMRX) due to under-performance.

Liquid Income Portfolio Bubble Reports as of 2/28/2019

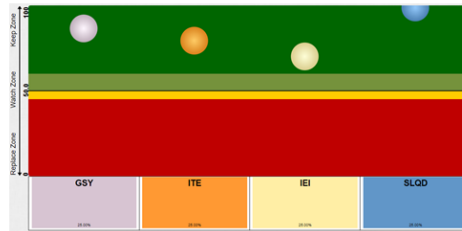
LINCC

E-Valuator Score 93.07	E-Valuator Trend Positive Reversal
E-Valuator Indicator K	Based on the average total credits for the past 3 month(s).



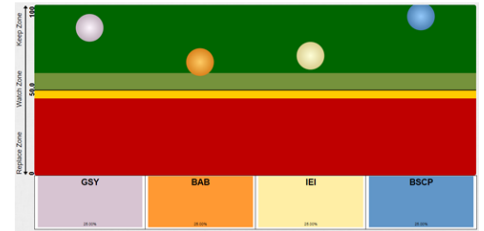
LINCM

E-Valuator Score 82.60	E-Valuator Trend Negative Momentum
E-Valuator Indicator K	Based on the average total credits for the past 3 month(s).



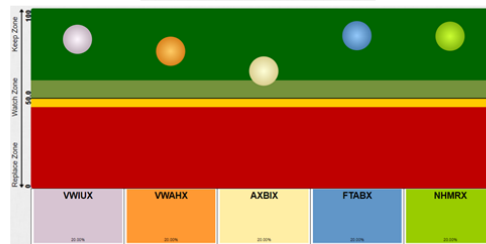
LINCA

E-Valuator Score 80.36	E-Valuator Trend Negative Momentum
E-Valuator Indicator K	Based on the average total credits for the past 3 month(s).



LINCB

E-Valuator Score 84.46	E-Valuator Trend Negative Momentum
E-Valuator Indicator K	Based on the average total credits for the past 3 month(s).



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Economic Data for this Week

Monday:

1. Retail sales, U.S. Census Bureau.
2. Business inventories, U.S. Census Bureau.

Tuesday:

1. Consumer Price Index, U.S. Bureau of Labor Statistics.

Wednesday:

1. Producer Price Index, U.S. Bureau of Labor Statistics.
2. Construction spending, U.S. Census Bureau.
3. Durable goods, U.S. Census Bureau.

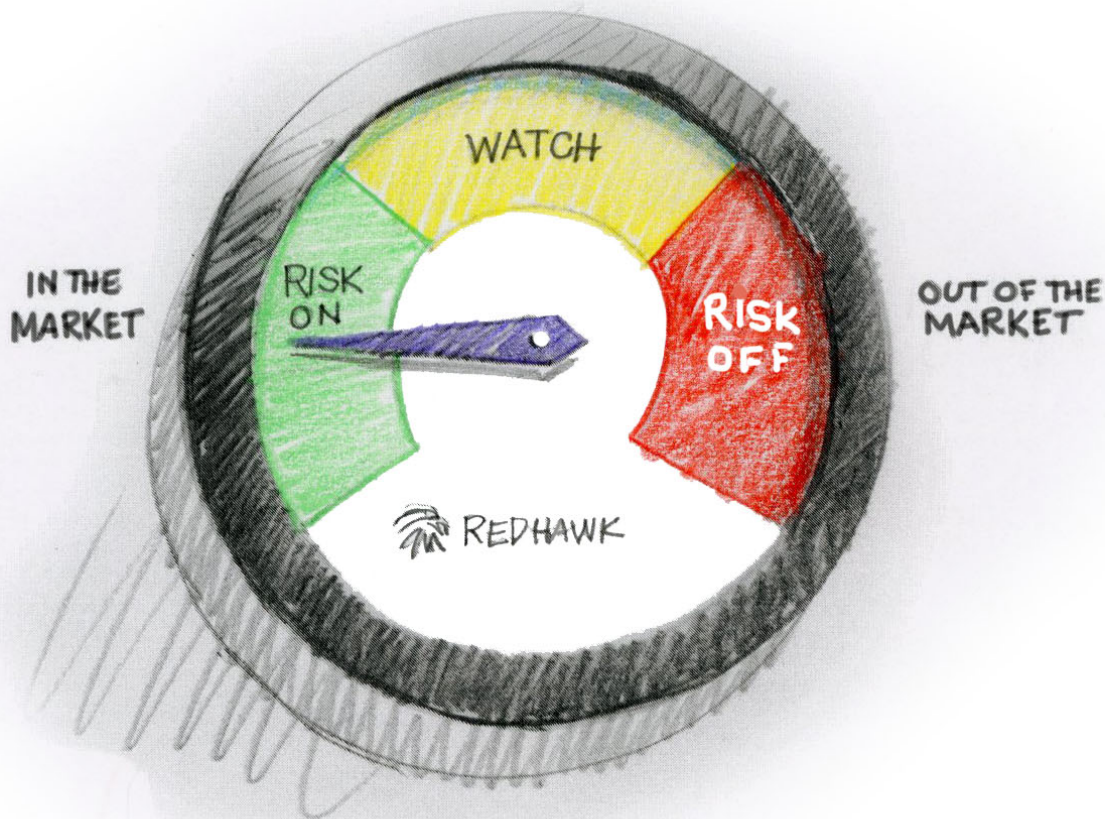
Thursday:

1. Export and import prices, U.S. Bureau of Labor Statistics.
2. New home sales, U.S. Census Bureau.

Friday:

1. Job Openings and Labor Turnover Survey, U.S. Bureau of Labor Statistics.
2. Industrial production and capacity utilization, U.S. Federal Reserve.
3. University of Michigan Index of Consumer Sentiment, preliminary result.

The algorithms, for the growth portfolios, tripped to "Risk On" after the market closed on Thursday 1/31/2019. The "Risk On" algorithm tripped because the VIX settled down. We will continue to gather relevant data points on the market and monitor the portfolios daily and communicate when we make any changes.



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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