



# 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 to listen!

[Redhawk Live!](#)

## Market Commentary

Last week stocks rebounded with major global markets reaching a four-month high. Encouraging economic data, in combination with little signs of inflation, provided a good backdrop for central banks to continue their wait and see stance. The Chinese government made renewed pledges to support the economy as it slows, while the U.K. voted to extend the Brexit deadline. Headlines around Brexit and trade negotiations will continue in the coming weeks, but the market will likely ignore the rhetoric.



This bull market just celebrated its 10th birthday! With stocks rising to fresh 2019 highs last week, now sitting less than 4% below the all-time high, the S&P 500 has delivered an amazing 412% total return over the past decade. Generated from the financial crisis in March 2009, this bull market grew quickly at first but stumbled early derailed by the Great Recession. It then hit its stride through much of its middle years, strengthened by the Fed's supportive measures. It's a long bull market by historical standards and we've seen it become more volatile lately with steep downturns and rallying to new highs. So, what now? We don't think the bull is completely done growing, but in this late stage, it's unlikely to resemble its youth. Here is some perspective on the last decade and what the bull market's next chapter might hold:

- **The Early Years:**

After falling 57% during the financial crisis, the bull market started strong, rising 37% in the first two months and 69% in its first year. Its best calendar year was 2013 when it gained 32.4%, followed by 2009 (+26.5%), and 2017 (+21.8%). 2018 was its weakest year (-4.4%), breaking its streak of nine straight positive years. All told, it has grown by an average rate of 17.7% per year over the past decade, one of the best 10-year stretches on record. For perspective, the long-term average annual return of the stock market has been roughly 10%.

It hasn't been all positive though as it experienced six 10% corrections, with the largest coming late last year (-19.8%) and in 2011 (-19.4%). Drivers for these short-term downturns have included fears of a weakening economy (2010, late 2018), the eurozone debt crisis (2011), concerns over rising rates and Fed tightening ('2015, early 2018), and a rising dollar and falling oil prices (2016). Despite these pullbacks, this bull market has had historically low volatility. It

went nearly four years without a 10% correction (2011-2015) and 2017's largest decline was a minor 2.8%, second only to 1995's 2.5% maximum decline. For perspective on market fluctuations, 10 years ago the Volatility Index (VIX) stood at 52. This week, it was below 13.

This is the second-longest and third-strongest bull market since World War II. The average bull market has lasted a little over 1,700 days (a little more than 4.5 years). The current one is approaching 3,700 days but is still well shy of the 4,500-day bull market from 1987-2000. The average bull market return has been 212%, qualifying the current expansion for the bull-market hall of fame, as it trails only the bull markets of the early 1950s (+426%) and the 1990s (+720%).

2018 saw two separate 10% corrections, the first such year in more than a decade. While we don't anticipate that repeating, we do believe it is more indicative of the characteristics of a mature bull market. As the prevailing backdrop of risks becomes more balanced with the tailwinds of moderate growth in the economy and in corporate earnings, we expect normal levels of volatility (which, by historical measure, means roughly three 5% dips and one 10% correction per year).

INDEX	CLOSE	WEEK	YTD
Dow Jones Industrial Average	25,849	1.6%	10.8%
S&P 500 Index	2,822	2.9%	12.6
NASDAQ	7,689	3.8%	15.9%
MSCI EAFE	1,890	2.8%	9.9%
10-yr Treasury Yield	2.59%	-0.04%	-0.10%
Oil (\$/bbl)	\$58.39	4.1%	28.6%
Bonds	\$107.70	0.3%	1.6%

Source: Bloomberg, 03/15/19. Bonds represented by the iShares Core U.S. Aggregate Bond ETF. Past performance does not guarantee future results.

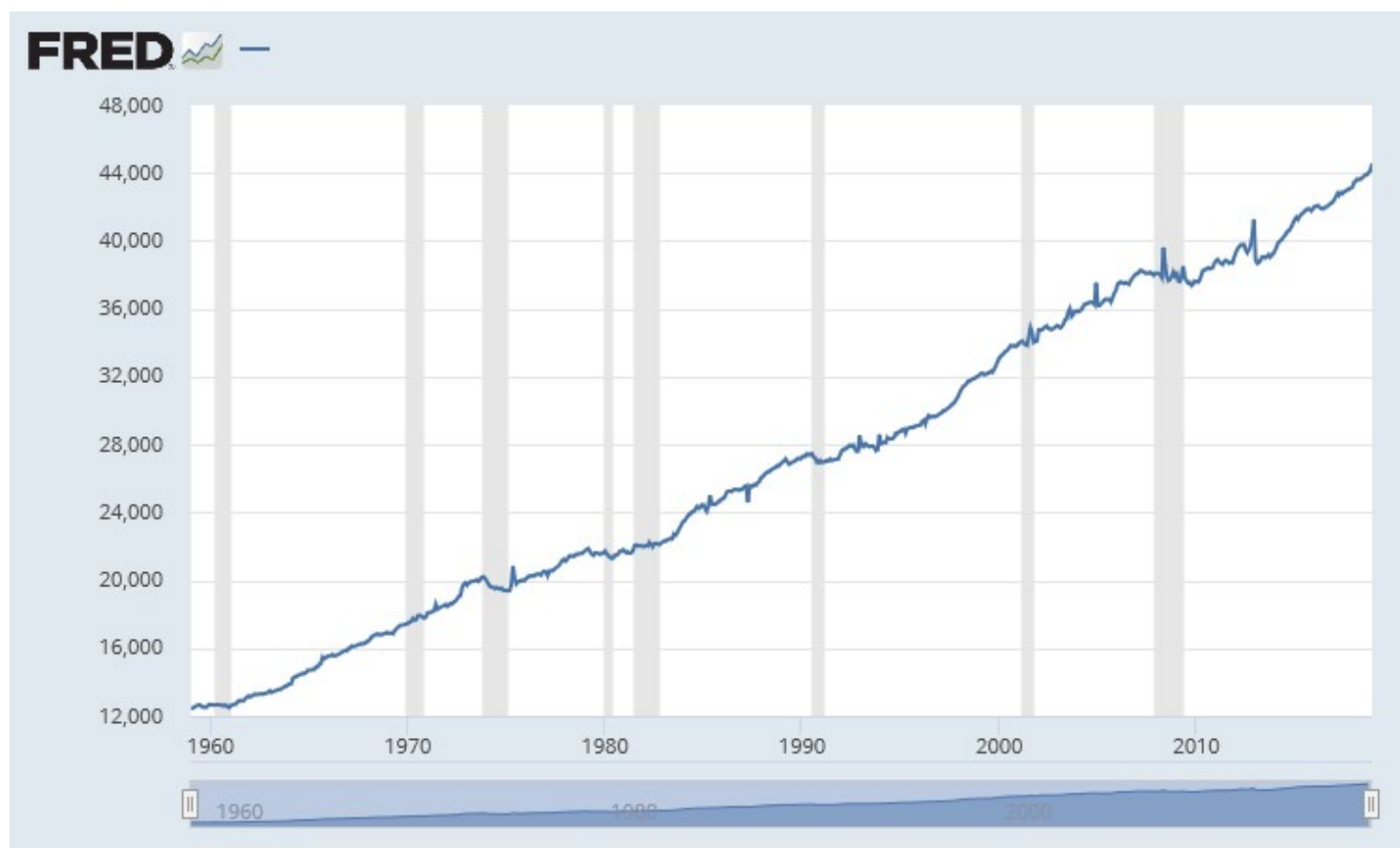
## Victoria Capital's Strategy Update

**A**s we approach the end of the first quarter, financial markets have turned in a surprisingly good performance so far this year. Not only has the stock market provided a record run but the bond markets have also fared well as interest rates declined. The performance of the bond market is understandable as an increasing number of economic statistics indicated a slowing economy. This slowdown may not be a bad thing because unemployment at 3.8% may be near a stress point that triggers concerns about inflation emanating from paying workers more money. (We are not a believer in this traditional “cost-push” inflation.) The economic soft patch could be attributable to a combination of the

government shutdown and the polar vortex that put a near-freeze on the production capabilities of mid-America. And there were some lower profits due to the impact of tariffs, yet no one has attempted to net out the negative effects on farmers with the positive impact on steel and aluminum producers. The stock market rally may be a beneficiary of this economic air pocket as the Fed seems to be backing off on any further increases in the fed funds rate.

The tangible results of last November's elections seem to be crystallizing around new economic theories that challenge the traditional relationships among economic variables. The emergence of the Green New Deal (GND), a play on the 1930s New Deal, has more than a few politicians endorsing policies that could affect the basic incentive-based economic model we know as capitalism. While there is no perfect economic system that we know of, the American model seems to have created the basis for a high standard of living and near record low unemployment. You can see from the chart below that Americans have been experiencing increasing income. So, why would anyone want to change the model that has given us this record going back to the late 1950s? Not us!

### ***Real Disposable Income Per Capita***



Source: Bureau of Economic Analysis and the Federal Reserve Bank of St. Louis

Last week we bought three stocks in the Growth Equity Portfolio that fall under the Quality Healthcare theme that is described below:

Companies that offer better ways to achieve new healthcare goals will be leading profit-makers in the coming years. Innovative disruptors will bring products and services to the market that provide quality healthcare at a lower cost. New cures for disease, technology-based solutions to sickness and the growing commitment of individuals striving to be healthy will combine to make delivering healthcare less burdensome on society while maintaining a compassionate environment for the ailing. Technology will also permeate this industry as better ways to record and track patient healthcare records will be in great demand as will more efficient management of healthcare facilities. Companies that have mastered robotics are introducing automated delivery of food and medicine in healthcare facilities. When there are over 10,000 people retiring every day, there is a need for innovation in delivering efficient healthcare.



No changes were made to the Target Return portfolios.

## Redhawk's Strategy Update

**A**fter falling for five days in a row in the previous week, the major U.S. stock indexes recaptured their positive momentum from January and February. Information technology stocks led the rally as the NASDAQ climbed nearly 4%, the S&P 500 added about 3%, and the Dow rose around 1%. Performance gaps between the major indexes were large, with the Dow trailing its peers by a wide margin. One reason was the nearly 10% weekly decline for Boeing, one of 30 stocks in the index. Its shares slid in the wake of a deadly crash of a Boeing 737 MAX in Ethiopia.

The latest monthly reading on U.S. inflation shows that prices remain stable, which is a trend that aligns with the U.S. Federal Reserve's current neutral stance on interest-rate policy. The Consumer Price Index rose 1.5% in February on an annualized basis, the slowest pace since September 2016. A monthly gauge of U.S. retail sales remained weak, but not quite as weak as December's report. The government said that retail sales rose just 0.2% in January on a seasonally adjusted basis. In December, retail sales fell 1.6%, the worst showing in more than a decade.

For the second week in a row, U.S. government bond yields fell, with the yield of the 10-year U.S. Treasury slipping to its lowest level since the start of this year. On Friday, the yield fell as low as 2.59% in intraday trading, down from a recent high of 2.75% on March 1. The U.S. Federal Reserve is expected to keep interest rates unchanged on Wednesday when it concludes a two-day policy meeting, just as it did at its most recent meeting in late January. Many economists now believe the Fed is unlikely to approve any rate hikes this year, unless there's a reversal of a recent weakening trend in economic data.

[Redhawk Live Update - Click Here](#)

## Redhawk Model Signals

Time Period:				3/18/2019	3/11/2019
Redhawk S&P 500 and Dynamic Portfolios (RSPC, RSPM, RSPA, RDA, RDC, RDA)	Symbol		Action	Redhawk Score	Redhawk Score
Diversified Emerging Markets	SPEM	SPDR® Portfolio Emerging Markets ETF	EWI		
Intermediate Government	EWI	iShares MSCI Hong Kong ETF		120.16	
Utilities	PUI	Invesco DWA Utilities Momentum ETF		120.07	113.43
Mid-Cap Growth	IWP	iShares Russell Mid-Cap Growth ETF		119.91	111.43
Short-term Bond	SLQD	iShares 0-5 Year Invmt Grade Corp Bd ETF		105.16	104.26
Short-term Bond	SPSB	SPDR® Portfolio Short Term Corp Bd ETF		100.78	99.88
Technology	VGT	Vanguard Information Technology ETF		100.04	90.83
Ultrashort-Term Bond	GSY	Guggenheim Ultra Short Duration ETF		90.71	90.42
Ultrashort-Term Bond	ICSH	iShares Ultra Short-Term Bond ETF		90.34	90.05
Intermediate Government	ITE	SPDR® Bimbg Barclays Interm Term Trs ETF		87.91	85.22
Intermediate Government	SCHR	Schwab Intermediate-Term US Trs ETF		85.64	82.95
Long-term Bond	BAB	Invesco Taxable Municipal Bond ETF		80.39	75.98
Intermediate Government	IEI	iShares 3-7 Year Treasury Bond ETF		78.70	76.01

Redhawk Environmental, Social, and Governance Portfolio (RESG)	Symbol		Action	Redhawk Score	Redhawk Score
Mid-Cap Value	PMVYX	Putnam Sustainable Future Y	IHSIX		
Large Value	VHDYX	Vanguard High Dividend Yield Index Inv		120.38	113.74
Large Growth	CEYIX	Calvert Equity I		119.72	110.69
Global Real Estate	IHSIX	Hartford Small Company I		116.07	
Mid-Cap Growth	AVFCY	Avic Media Growth		110.40	103.00

Mid-Cap Growth	AVEGX	Ave Maria Growth		110.48	102.00
Global Real Estate	CSSPX	Cohen & Steers Global Realty I		105.74	90.20
Intermediate Term Bond	CGBIX	Calvert Imp Green Bond I		80.88	78.35

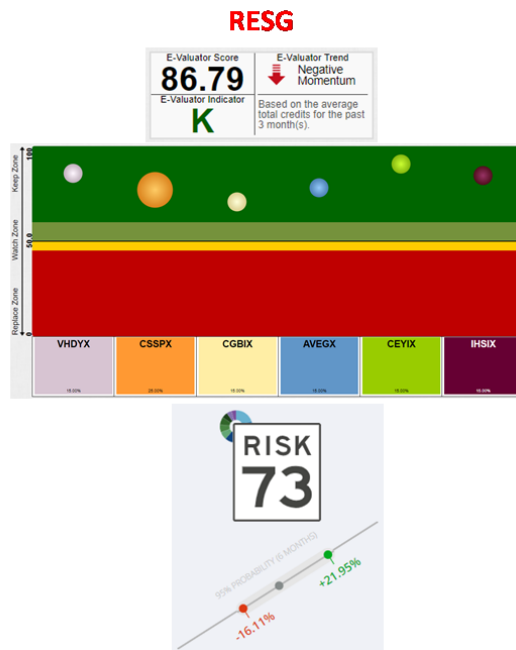
Redhawk Income Portfolios (RBI, RHY, RTHI)	Symbol		Action	Redhawk Score	Redhawk Score
Emerging Market Bond	EMHY	iShares Emerging Markets High Yld Bd ETF		110.76	106.83
Corporate Bond	BSCP	Invesco BulletShares 2025 Corp Bd ETF		102.69	102.72
Emerging Market Local Currency	EMLIX	MFS Emerging Markets Debt Lcl Ccy I		102.63	101.19
Preferred Stock	PSK	SPDR® Wells Fargo Preferred Stock ETF		102.46	102.40
Corporate Bond	IGIB	iShares Intermediate-Term Corp Bd ETF		101.67	101.70
High Yield	HYG	iShares iBoxx \$ High Yield Corp Bd ETF		99.65	101.42
High Yield	FIHBX	Federated Instl High Yield Bond Instl		94.14	93.93
Long-term Bond	BAB	Invesco Taxable Municipal Bond ETF		78.99	79.11

Redhawk Liquid Income Portfolios (LINCC, LINCM, LINCA, LINCB)	Symbol		Action	Redhawk Score	Redhawk Score
Short-term Bond	SLQD	iShares 0-5 Year Invmt Grade Corp Bd ETF		108.45	105.75
Corporate Bond	BSCP	Invesco BulletShares 2025 Corp Bd ETF		105.12	105.12
Short-term Bond	SPSB	SPDR® Portfolio Short Term Corp Bd ETF		103.47	103.47
High Yield Muni	NHMRX	Nuveen High Yield Municipal Bond I		102.49	102.49
Muni National Long	FTABX	Fidelity® Tax-Free Bond		94.87	94.87
Ultrashort-Term Bond	GSY	Guggenheim Ultra Short Duration ETF		94.56	94.56
Long-term Bond	BAB	Invesco Taxable Municipal Bond ETF		94.10	94.52
Ultrashort-Term Bond	ICSH	iShares Ultra Short-Term Bond ETF		94.43	94.43
Muni National Interm	VWIUX	Vanguard Interm-Term Tx-Ex Adm		93.71	93.71
Muni National Long	VWAHX	Vanguard High-Yield Tax-Exempt		88.15	88.15
Intermediate Government	ITE	SPDR® Blmbg Barclays Interm Term Trs ETF		86.97	86.97
Intermediate Government	IEI	iShares 3-7 Year Treasury Bond ETF		77.76	77.34
Muni National Interm	AXBIX	American Century IntermTrm Tx-Fr Bd I		76.06	76.06

Victoria Capital Management Target Return Portfolios (TRCI, TRMI, TRAI, TRCE, TRCM, TRAE, TRIP)	Symbol		Action	Redhawk Score	Redhawk Score
Small Growth	VBK	Vanguard SC Gr Idx ETF		107.89	98.04
Large Value	DGRO	iShares Core Div Growth ETF		107.40	99.35
Large Value	VYM	Vanguard High Dividend Yield ETF		105.74	97.69
Short-Term Bond	VCSH	Vanguard ST Corp Bd ETF		104.07	103.17
Small Blend	VB	Vanguard Small-Cap ETF		103.87	98.96
Corporate Bond	VCIT	Vanguard Int Crp Bd ETF		103.56	100.74
Large Blend	SPLG	SPDR Portfolio Large Cap ETF		103.17	94.93
Mid-Cap Blend	SCHM	Schwab DJ Mid Cap Core		100.11	94.22
Large Blend	IWB	iShares Russell 1000		98.59	90.35
High Yield Bond	HYG	iShares iBoxx \$HY Corp ETF		96.40	95.48
Small Value	VBR	Vanguard SC Val Idx ETF		96.34	92.31
Large Value	VTI	Vanguard Value Idx ETF		92.06	84.01
Diversified Emerging Markets	SPEM	SPDR Portfolio Emerging Markets ETF		87.36	84.62
High Yield Bond	SHYG	iShares 0-5 HY Corp Bd ETF		86.76	85.84
Large Blend	IVV	iShares Core S&P 500 ETF		86.72	78.48
Mid-Cap Value	MDYV	SPDR S&P 400 Mid Cap Val ETF		84.40	78.41
Foreign Large Blend	SCHF	Schwab International Developed Equity		75.30	72.50
Small Value	IWN	iShares Russell 2000 Value		70.05	66.02
Small Blend	IJR	iShares S&P Small Cap Core		58.78	53.87
Mid-Cap Growth	MDYG	SPDR S&P 400 Mid Cap Gro ETF		37.09	28.61

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





**Growth Stock Portfolio:** Replaced WellCare Health Plans, Inc (WCG) with China Life Insurance Company Limited (LFC).



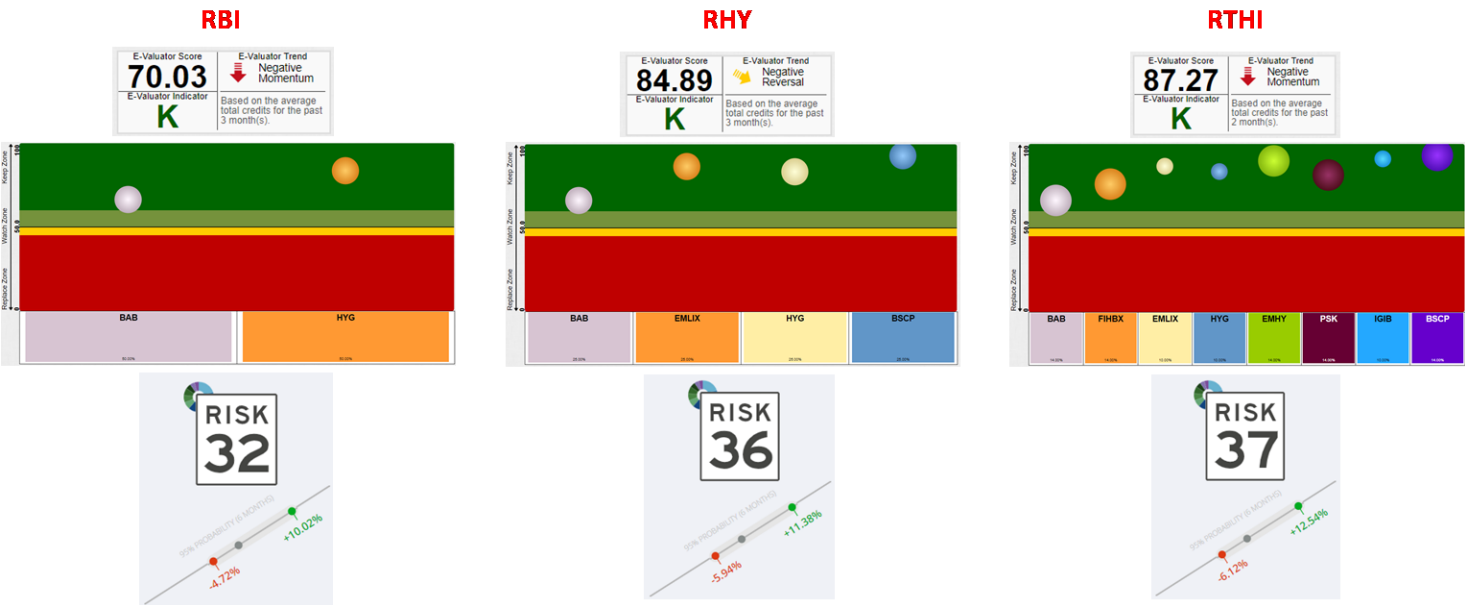
**High Dividend Stock Portfolio:** Replaced the GEO Group, Inc. (GEO) with Ryman Hospitality Properties, Inc. (RHP).



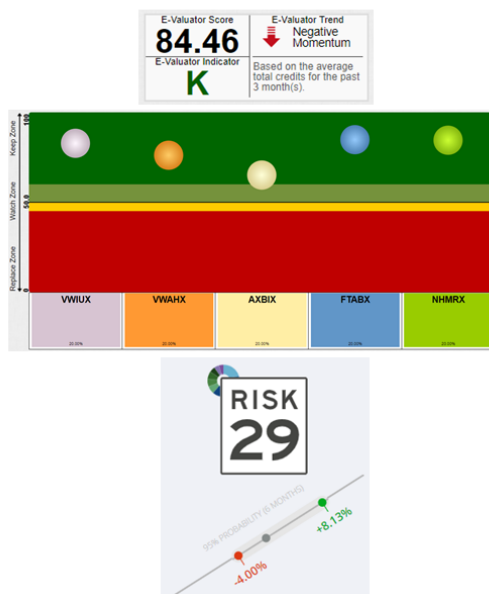


High Income Portfolios: No changes.

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



## LINCB



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## Economic Data for this Week

### Monday:

1. Housing Market Index, National Association of Home Builders.

### Tuesday:

1. U.S. Federal Reserve Board opens two-day policy meeting.
2. Housing starts, U.S. Census Bureau.
3. Factory orders, U.S. Census Bureau.

### Wednesday:

1. U.S. Federal Reserve Board concludes two-day policy meeting, Chairman Jerome Powell holds press conference.

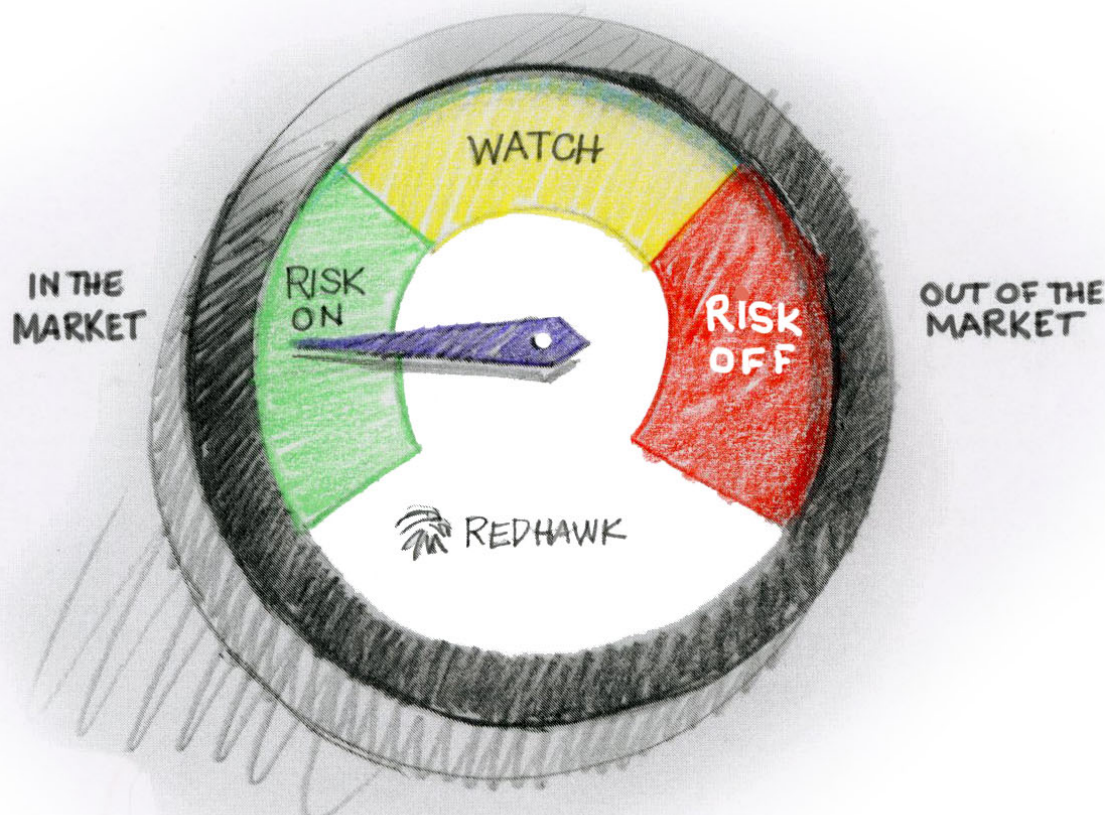
### Thursday:

1. The Conference Board Leading Economic Index for the U.S.

### Friday:

1. Existing home sales, National Association of Realtors.
2. Wholesale inventories, U.S. Census Bureau.
3. Federal budget, U.S. Department of the Treasury.

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 stay with the “risk on” direction and gather relevant data points on the market, monitor the portfolios daily, and communicate to you 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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