Redhawk's Weekly Update October 21st, 2019 Vol. 3 No. 40

REDHAWK WEALTH ADVISORS

WEEKLY UPDATE

PERSPECTIVE for BETTER FINANCIAL OUTCOMES

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 ended modestly higher as better-than-expected earnings and optimism around Brexit were offset by ongoing global growth concerns. The third-quarter U.S. earnings season started last week, with major banks reporting solid earnings against lowered investor expectations, leading the group higher. Also helping investor sentiment was the news that the EU and U.K. agreed on a tentative Brexit deal after days of negotiations. On the negative side, U.S. retail sales disappointed, and the International Monetary Fund (“IMF”) lowered its projections for global growth this year from 3.5% to 3%. Consumer spending remains solid, yet with all the uncertainty and headwinds, you can expect volatility to increase.

Earnings Season Kicks off.

Last week was the start to the third-quarter earnings season, the market received new economic data showing slipping growth and geopolitical events like Brexit finally starting to take shape. So, what are the key areas to watch?

1. *Fundamentals Are Slowing but Still Growing.*

Healthy household spending has been the key to economic growth over the 10-year expansion, contributing 70% of GDP. Last week new data showed that a key indicator of consumer health, retail sales, slumped for the first time in seven months, dropping 0.3% in September. Offsetting the decline was revised August sales growth, up to 0.6% from a still robust 0.4%. Though the monthly slowdown is partially explained by an early Labor Day that pulled holiday sales into August instead of September, it prompted market concerns that consumers are starting to feel the impact of the tariffs and slowing growth. If a new round of tariffs announced by the White House goes into effect later this year, consumers may be more negatively affected by trade concerns or the prospect of rising prices on consumer goods. However, despite trade headwinds, there is a strong labor market, high savings rates, and below-average debt burdens that put consumers in a good position to keep spending in step with the average pace of the expansion.

Moreover, low interest rates will help buffer corporate profits and consumer spending from challenges tied to weakening business confidence and manufacturing conditions. With no recession imminent, the economy is on track to support the continuation of steady stock returns, albeit at a slower pace.

2. *Stocks Do Not Appear Overpriced.*

Stock prices are now less than 1% shy of the record highs the S&P 500 reached earlier this year. In the latter stages of the bull market stock returns have further to climb. But it's important for long-term investors to pay attention to more than just the stock price. Knowing the status of what drives stock returns, namely earnings, dividends, and valuations, is also important. Toward that end, last week kicked off the start of the third-quarter earnings season, with Netflix, Johnson & Johnson, JP Morgan Chase, Bank of America, and Morgan Stanley beating analyst expectations. Estimates are for earnings to accelerate in coming months, with year-over-year growth in trailing 12-month profits improving from the three-year low of 2.5% in the third quarter to 6% in the fourth quarter.

Though slowing from the double-digit pace of the last two years, corporate performance appears strong enough to support the bull market and expect equities to outperform bonds. Stocks are also reasonably priced given 1) current valuations and dividend yields that are in line with historical averages, 2) support from central bank stimulus, and 3) expectation for modest economic growth ahead.

3. *Trade Deals Could Stabilize Slumping Global Growth.*

Last week the IMF, lowered its projections for global growth this year from 3.5% to 3%, the lowest level in 10 years. The growth forecast was pulled down by trade barriers, country-specific factors, and structural trends like aging demographics and slowing productivity growth. Despite the downbeat forecast, there was some good news, as the IMF expects growth to creep up to 3.4% in 2020 and does not foresee an imminent recession. Last week also showed that for major trade deals there may be progress on the horizon. European leaders announced a tentative Brexit trade deal between the U.K. and the eurozone. Despite the political challenges, last week's developments, if they continue, mean that Europe can avoid the disruption of a no-deal Brexit, which will likely add stability to the region.

Recently, the White House also announced a tentative trade deal between the U.S. and China, but this deal is in its early stages. With worldwide trade at its lowest level since 2012, with a de-escalation of trade tensions, and with continued positive negotiations, this environment bodes well for stabilizing and improving global growth ahead.

4. *Headlines May Prompt Short-lived Volatility.*

Last week also saw several geopolitical headlines, including the U.S. withdrawal in Syria, the ongoing impeachment inquiry, and the 2020 Democratic presidential debate. We will continue to see more market moving headlines tied to geopolitical events, so expect periodic bouts of volatility. It's interesting to note that since 1990, there have been three dips in the market (a decrease in S&P 500 returns of 5% or more) and one correction (a drop of 10% or more) on average each year as shown in the table below. In 2019, there have been two dips so far and no corrections.

Year	Number of Dips (5% or more)	Number of Corrections (10% or more)
2015	3	2
2016	1	0
2017	0	0
2018	4	2
2019 YTD	2	0
Annual Average (1990- present)	**3**	**1**

Source: Ned Davis Research, S&P 500 as of 10/17/2019

Victoria Capital's Strategy Update

The investment world is awash with “a rush to the bottom” mentality meaning fund managers, brokerage firms and investment advisors are continually lowering management and brokerage fees to attract or keep their business. As we pointed out last week in our Missive, the fee game isn’t the only game in town; investment performance counts too.

Periodically we come across situations that defy both criteria. Translation: Some firms charge high fees but fail to achieve their investment objectives. In the following real world example, two major brokerage firms joined together in 2008 (not a great time to start the joint venture), to create a fund that seeks to “closely track the S&P 500 index, while enhancing the after-tax return and minimizing transaction costs. “

We reviewed the after-fee performance record and were surprised to see that the fund underperformed the benchmark EVERY year from 2008 through 2017. The shocker is that the fee for portfolio “management” is 0.7125% quarterly or 2.88% annually. When we went back and looked at the before fee performance, it was a little better than the S&P 500 index i.e., 9.6% annualized vs. 9.5% for the S&P 500. Fees matter. When we review the cumulative performance after fees, this differential becomes enormous: For the ten years ending December 2017, our estimated cumulative value of $100,000 invested in this fund in the beginning would have grown to $171,951 while the S&P 500 index would have grown to $226,092.

Given the magnitude of the difference, we assumed that we sold both portfolios at the end of the ten years and recognized capital gains. If the portfolio managers eliminated any capital gains tax liability as per their objective, the proceeds of $171,951 was the same as the pre-tax amount. We then subjected the proceeds of the sale to a maximum 20% tax rate. The result: an after-tax value of $200,874—well above the fund’s value of $171,951.

The purpose of this story is to point out two important elements that contribute to successful investing: advisory fees relative to returns matter and comparing returns with a less complex strategy can identify a winner! That’s why we keep our strategies simple and low cost.

No changes were made to the Global Equity or Target Return strategies last week.

Redhawk's Strategy Update

Last week the S&P 500 and the NASDAQ rose slightly for the second week in a row while the Dow slipped. The weekly moves were small, less than 1%, as Tuesday’s rise was largely offset by a decline on Friday. The S&P 500 remained more than 1% below its record high set in late July. Earnings season got off to a shaky start, as the five-dozen major companies that reported results through Thursday posted a 5.4% earnings decline compared with last year’s third quarter, according to FactSet. Several executives said the U.S. dollar’s recent strength hurt international results. Overall, quarterly earnings are expected to decline 4.6%. An index of U.S. indicators showed the economy continued to grow last month, but at a slower pace than in previous months. Five of 10 indicators in the Conference Board’s Leading Economic Index for the U.S. were positive, but September’s overall growth rate was down compared with the previous month.

The world’s second-largest economy continues to cool, as China reported that its GDP increased at an annual rate of 6.0% last quarter, compared with a 6.2% growth rate in the preceding quarter. Friday’s report was in line with the downward trajectory that China’s growth has followed in recent years. A forecast from the International Monetary Fund projects that global economic growth will decline to around 3% this year, which would be the smallest gain since 2009. The IMF expects that tariffs resulting from global trade disputes will shave as much as $700 billion from global economic output. U.S. retail sales slipped in September, declining 0.3% from the previous month. It was the first monthly sales decline in seven months, a period when consumer spending has remained relatively strong, helping to maintain positive momentum for the broader economy amid weak business investment.

Redhawk Model Signals

Time Period:				10/21/2019	10/14/2019
Redhawk S&P 500 and Dynamic Portfolios (RSPC, RSPM, RSPA, RDC, RDM, RDA)	**Symbol**		**Action**	**Redhawk Score**	**Redhawk Score**
Short-term Bond	SLQD	iShares 0-5 Year Invmt Grade Corp Bd ETF		103.95	104.16
Intermediate Copre-Plus Bond	BYLD	iShares Yield Optimized Bond ETF		102.50	96.33
Consumer Cyclical	XLY	Consumer Discret Sel Sect SPDR® ETF		99.83	82.09
Utilities	VPU	Vanguard Utilities ETF		99.12	106.32
Foreign Large Value	HDEF	Xtrackers MSCI EAFE High Div Yld Eq ETF		95.00	78.30
Large Value	DGRO	iShares Core Dividend Growth ETF		94.96	84.61
Industrials	XAR	SPDR® S&P Aerospace & Defense ETF		90.41	81.52
Corporate Bond	IGIB	iShares Intermediate-Term Corp Bd ETF		89.18	87.85
High Yield Bond	HYLB	Xtrackers USD High Yield Corp Bd ETF		88.76	87.10
Large Blend	VOO	Vanguard S&P 500 ETF		88.40	76.62
Ultrashort-Term Bond	GSY	Guggenheim Ultra Short Duration ETF		88.02	88.16
Mid-Cap Value	XMLV	Invesco S&P MidCap Low Volatility ETF		83.57	74.77
Short-Term Bond	SPSB	SPDR® Portfolio Short Term Corp Bd ETF		79.18	79.39
Small Value	XSLV	Invesco S&P SmallCap Low Volatility ETF		77.63	73.33
Ultrashort-Term Bond	ICSH	iShares Ultra Short-Term Bond ETF		77.25	77.39

Redhawk Environmental, Social, and Governance Portfolio (RESG)	**Symbol**		**Action**	**Redhawk Score**	**Redhawk Score**
Global Real Estate	CSSPX	Cohen & Steers Global Realty I		119.58	104.95
Corporate Bond	CBFSX	JPMorgan Corporate Bond I		92.90	91.57
Large Value	BEGIX	Sterling Capital Equity Income I		86.26	75.91
Large Blend	VFTAX	Vanguard FTSE Social Index Admiral		86.14	74.36
Large Growth	CEYIX	Calvert Equity I		84.38	71.53
Mid-Cap Growth	AVEGX	Ave Maria Growth		81.63	72.27

Redhawk Income Portfolios (RBI, RHY, RTHI)	**Symbol**		**Action**	**Redhawk Score**	**Redhawk Score**
High Yield Bond	FALN	iShares Fallen Angels USD Bond ETF		114.79	100.46
Long-Term Bond	SPLB	SPDR® Portfolio Long Term Corp Bd ETF		109.88	121.25
Short-Term Bond	IGSB	iShares Short-Term Corporate Bond ETF		109.04	105.97
High Yield Bond	HYLB	Xtrackers USD High Yield Corp Bd ETF		102.12	87.10
Corporate Bond	LQD	iShares iBoxx $ Invmt Grade Corp Bd ETF		101.59	105.12
Intermediate Core-Plus Bond ETF	BYLD	iShares Yield Optimized Bond ETF		97.08	96.33
Corporate Bond	IGIB	iShares Intermediate-Term Corp Bd ETF		85.13	87.85

Redhawk Liquid Income Portfolios (LINCC, LINCM, LINCA, LINCB)	**Symbol**		**Action**	**Redhawk Score**	**Redhawk Score**
High Yield Muni	NHMRX	Nuveen High Yield Municipal Bond I		112.26	108.89
High Yield Bond	HYLB	Xtrackers USD High Yield Corp Bd ETF		107.46	87.10
Short-term Bond	SLQD	iShares 0-5 Year Invmt Grade Corp Bd ETF		105.78	101.45
Intermediate Core-Plus Bond ETF	BYLD	iShares Yield Optimized Bond ETF		100.23	96.33
Muni National Long	VWAHX	Vanguard High-Yield Tax-Exempt		94.48	95.17
Ultrashort-Term Bond	GSY	Guggenheim Ultra Short Duration ETF		94.16	89.96
Corporate Bond	IGIB	iShares Intermediate-Term Corp Bd ETF		88.31	88.43
Short-term Bond	SPSB	SPDR® Portfolio Short Term Corp Bd ETF		87.06	82.85
Ultrashort-Term Bond	ICSH	iShares Ultra Short-Term Bond ETF		82.32	76.86
Muni National Long	FTABX	Fidelity® Tax-Free Bond		82.10	84.89
Muni National Interm	VWIUX	Vanguard Interm-Term Tx-Ex Adm		72.58	73.87
Muni National Interm	AXBIX	American Century IntermTrm Tx-Fr Bd I		69.66	71.27

Redhawk Growth Stock Portfolio (RGS)	**Redhawk Score & Action**	**Redhawk High Dividend Stock Portfolio (RHDS)**	**Redhawk Score & Action**
Vipshop Holdings (VIPS)	99	Buckle Inc (BKE)	99
Celgene (CELG)	96	The Cato Corp Class A (CATO)	99
Generac Holdings Inc (GNRC)	95	Schweitzer-mauduit International Inc (SWM)	99

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Lockhead Martin (LMT)	95	Bristol-myers Squibb Co (BMY)	99
Cbre Inc (CBRE)	95	Enterprise Products Partners LP (EPD)	98
Booz Allen Hamilton Holding (BAH)	93	Ciner Resources LP (CINR)	98
Netease Inc (NTES)	92	CVS Health (CVS)	98
CDW (CDW)	92	Cardinal Health Inc (CAH)	98
Synopsys Inc (SNPS)	91	Gilead Sciences Inc (GILD)	98
Microsoft (MSFT)	90	Verizon Communications Inc (VZ)	97
Cintas (CTAS)	90	Seagate Technology PLC (STX)	95
Teradyne Inc (TER)	89	Cypress Energy Partners LP (CELP)	95
Chemed (CHE)	88	Innophos Holdings Inc (IPHS)	95
Estee Lauder Companies Inc (EL)	87	AT&T Inc (T)	94
Darden Restaurants Inc (DRI)	87	General Mills Inc (GIS)	94
Burlington Stores Inc (BURL)	86	Wayside Technology Group Inc (WSTG)	94
Fleetcor Technologies Inc (FLT)	86	Shell Midstream Partners LP (SHLX)	94
Ansys Inc (ANSS)	86	NASB Financial Inc (NASB)	94
Activision Blizzard Inc (ATVI	86	Telefonica Brasil SA (VIV)	94
Heico (HEI)	85	Valero Energy Corp (VLO)	94
Alpahbet Inc (GOOGL)	85	Ethan Allen Interiors Inc (ETH)	90
Cadence Design Systems Inc (CDNS)	85	Glaxosmithkline (GSK)	89
L3Harris Technologies Inc (LHX)	83	International Business Machines (IBM)	88
Veeva Systems Inc (VEEV)	83	Enel America SA (ENIA)	88
Lululemon Athletica Inc (LULU)	82	Chevron Corp (CVX)	88
Edwards Lifesciences (EW)	82	Proctor & Gamble Co (PG)	88
Fair Isaac (FICO)	82	Magellan Midstream Partners LP (MMP)	88
Vulcan Materials Co (VMC)	82	Companhia Energetica De Minas Gerais Cemig (CIG	87
Old Dominion Freight Line Inc (ODFL)	81	Kellog Co (K)	86
Epam Systems Inc (EPAM)	79	Dorchester Minerals LP (DMLP)	78
Martin Marietta Materials (MLM)	79	Duke Energy (DUK)	78
Icon (ICLR)	77	Phillips 66 Partners LP (PSXP)	77
Thermo Fisher Scientific Inc (TMO)	73	Exxon Mobil (XOM)	74

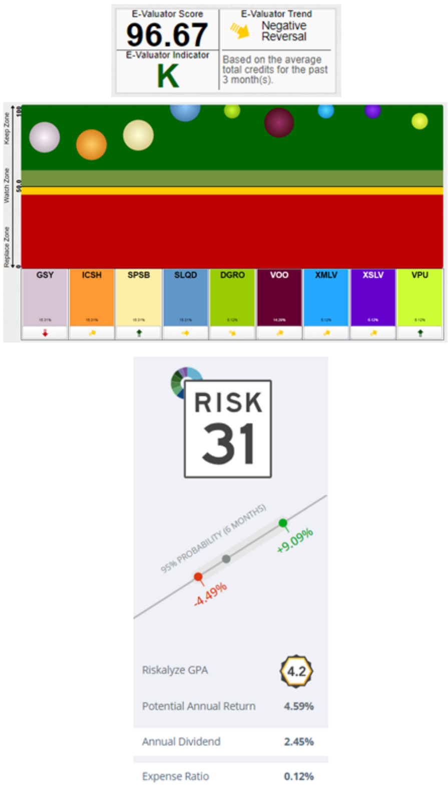
Victoria Capital Management Target Return Portfolios (TRCI, TRMI, TRAI, TRCE, TRCM, TRAE, TRIP)	Symbol		Action	Redhawk Score	Redhawk Score
Large Value	DGRO	iShares Core Div Growth ETF		94.42	84.07
Large Blend	SPLG	SPDR Portfolio Large Cap ETF		93.08	81.30
Large Blend	IVV	iShares Core S&P 500 ETF		89.20	77.42
Large Blend	IWB	iShares Russell 1000		88.67	76.89
Corporate Bond	VCIT	Vanguard Int Crp Bd ETF		82.83	81.50
Small Blend	VB	Vanguard Small-Cap ETF		81.76	76.68
Large Value	VTV	Vanguard Value Idx ETF		81.75	71.40
High Yield Bond	HYG	iShares iBoxx $HY Corp ETF		81.69	80.03
Small Value	VBR	Vanguard SC Val Idx ETF		80.29	86.97
Mid-Cap Blend	SCHM	Schwab DJ Mid Cap Core		79.70	71.71
Small Value	IWN	iShares Russell 2000 Value		67.11	62.81
Large Value	VYM	Vanguard High Dividend Yield ETF		58.30	47.95
Small Growth	VBK	Vanguard SC Gr Idx ETF		54.58	48.22
Mid-Cap Value	MDYV	SPDR S&P 400 Mid Cap Val ETF		40.65	31.85
High Yield Bond	SHYG	iShares 0-5 HY Corp Bd ETF		36.67	35.01
Small Blend	IJR	iShares S&P Small Cap Core		25.34	20.26
Mid-Cap Growth	MDYG	SPDR S&P 400 Mid Cap Gro ETF		(7.94)	(17.30)

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

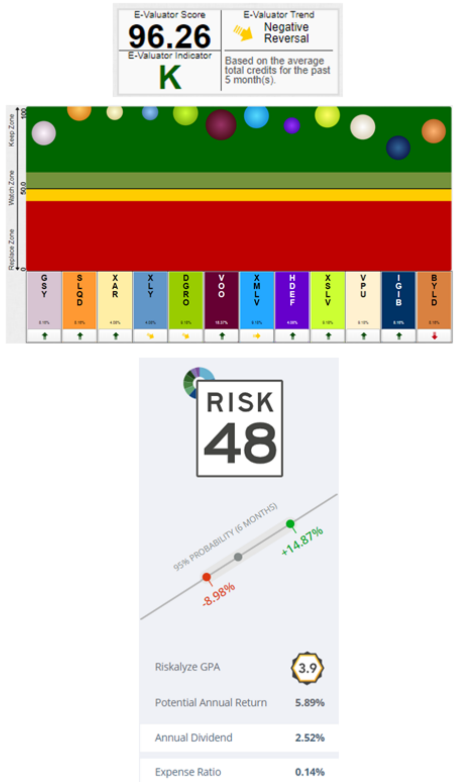
S&P and Dynamic Portfolios: Kept the Mid-Cap Value (XMLV), Industrials (XAR), Small Value (XSLV), and Foreign Large Value (HDEF) sub-categories on the watch list due to performance. Removed the Consumer Cyclical sub-category (XLY) off the watch list due to improved performance.

S&P and Dynamic Portfolio Bubble Reports as of 9/30/2019

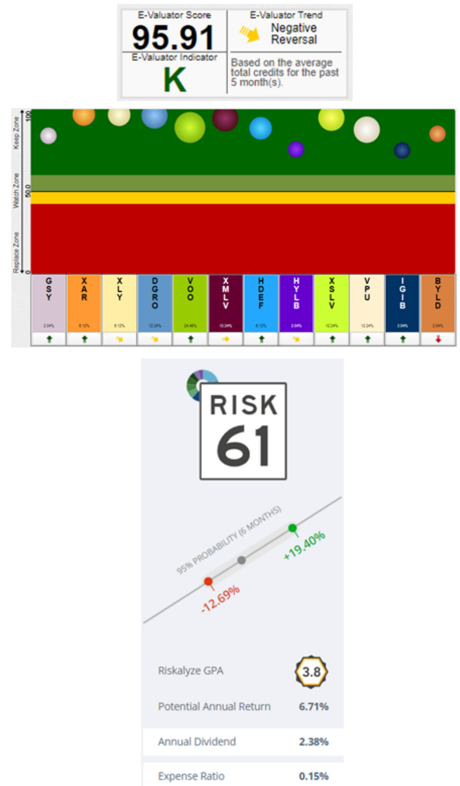
RSPC



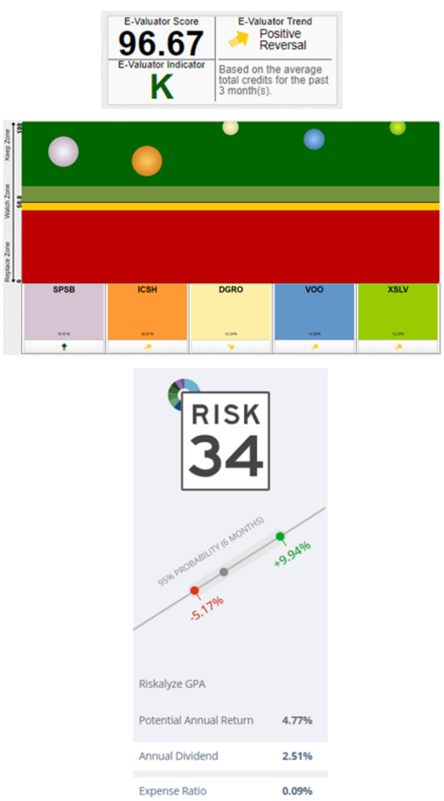
RSPM



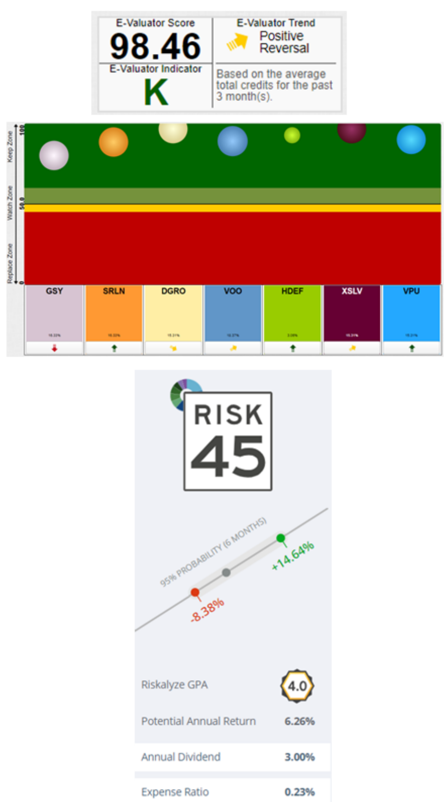
RSPA



RDC



RDM



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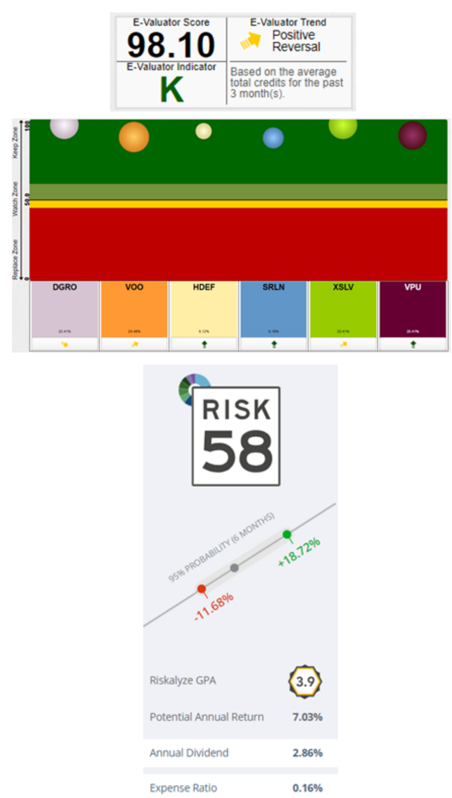
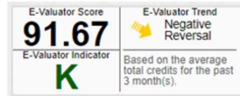
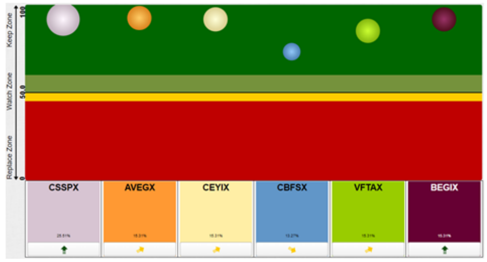


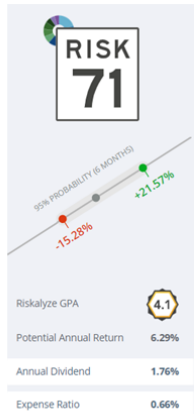
Environmental, Social, and Governance Portfolio: No changes.

Portfolio Bubble Reports as of 9/30/2019

RESG



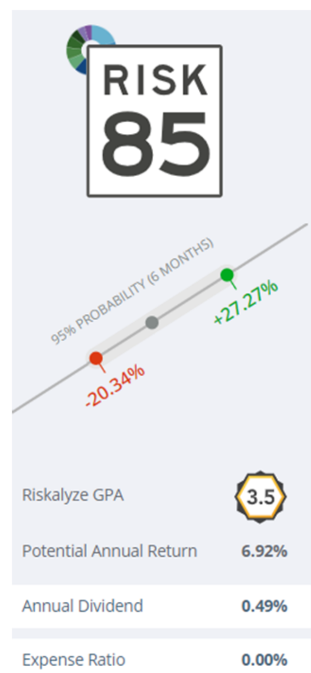




Growth Stock Portfolio: No changes.

RGS

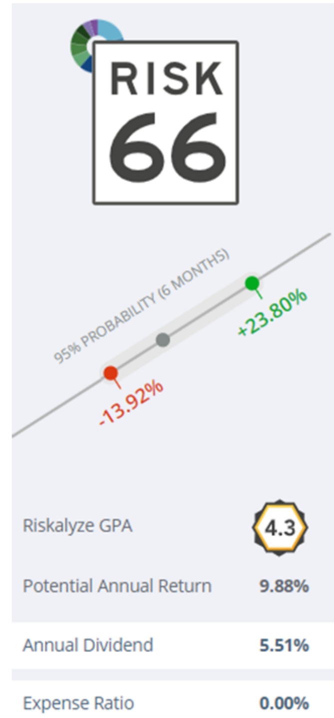
Ticker	Name	Last Price	Change	% Change	Yield	Stock Rank™
CBRE	Cbre Inc	50.81	+0.1	+0.3		95
GNRC	Generac Holdings Inc	77.56	-0.4	-0.6		95
LMT	Lockheed Martin	385.21	+0.3	+0.1	2.5	95
BAH	Booz Allen Hamilton Holding	70.49	-0.3	-0.5	1.3	93
NTES	Netease Inc	264.40	+0.8	+0.3	1.0	93
CDW	Cdw	122.63	+0.2	+0.2	1.0	92
MSFT	Microsoft	137.75	-0.4	-0.3	1.5	91
SNPS	Synopsys Inc	138.75	0.0	0.0		90
GOOGL	Alphabet Inc	1,215.70	+4.7	+0.4		90
BURL	Burlington Stores Inc	193.55	-0.4	-0.2		89
EL	Estee Lauder Companies Inc	196.89	-1.2	-0.6	0.9	88
TER	Teradyne Inc	59.51	-0.4	-0.7	0.6	88
CHE	Chemed	417.45	+5.0	+1.2	0.3	88
DRI	Darden Restaurants Inc	116.05	-0.4	-0.3	3.0	87
CTAS	Cintas	262.29	-0.6	-0.2	0.8	87
ANSS	Ansys Inc	223.63	-1.0	-0.4		86
LULU	Lululemon Athletica Inc	191.76	-1.4	-0.7		86
FLT	Fleetcor Technologies Inc	285.73	-4.0	-1.4		85
HEI	Heico	122.70	-1.0	-0.8	0.1	85
EW	Edwards Lifesciences	223.72	-5.7	-2.5		85
ATVI	Activision Blizzard Inc	55.48	+0.0	+0.1	0.7	84
ICLR	Icon	148.42	+0.6	+0.4		84
FICO	Fair Isaac	310.06	+0.1	+0.0		83
MLM	Martin Marietta Materials Inc	262.56	+0.6	+0.2	0.8	83
CDNS	Cadence Design Systems Inc	66.07	+0.2	+0.2		82
VEEV	Veeva Systems Inc	152.30	-1.7	-1.1		81
LHX	L3harris Technologies Inc	206.50	-1.3	-0.6	1.4	81
VMC	Vulcan Materials Co	147.95	+0.9	+0.6	0.8	80
EPAM	Epam Systems Inc	189.55	+0.6	+0.3		80
ODFL	Old Dominion Freight Line Inc	163.03	+0.3	+0.2	0.4	78
TMO	Thermo Fisher Scientific Inc	291.75	-0.5	-0.2	0.3	77



High Dividend Stock Portfolio: No changes.

RHDS

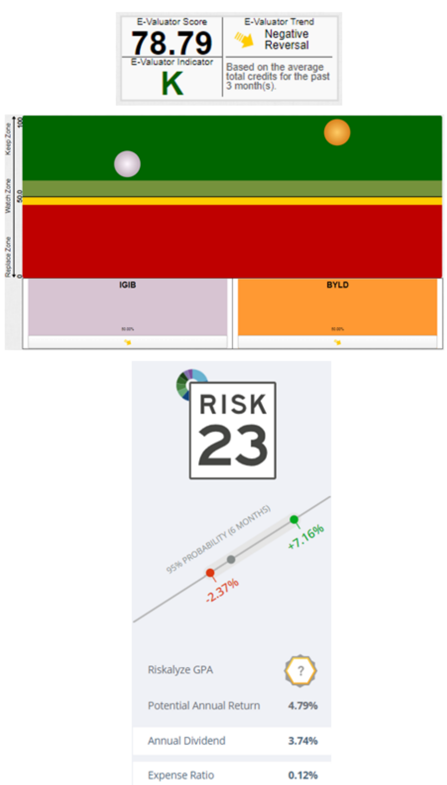
Ticker	Name	Last Price	Change	% Change	Yield	Stock Rank™
SWM	Schweitzer-mauduit International Inc	36.90	-0.3	-0.9	4.7	99
EPD	Enterprise Products Partners Lp	28.03	+0.1	+0.2	6.3	98
BMY	Bristol-myers Squibb Co	51.06	+0.3	+0.6	3.2	98
CINR	Ciner Resources Lp	17.66	-0.1	-0.8	7.6	98
IBM	International Business Machines	142.17	-0.8	-0.6	4.5	98
VZ	Verizon Communications Inc	60.25	+0.4	+0.6	4.1	97
STX	Seagate Technology	53.89	+0.2	+0.4	4.7	97
CVS	Cvs Health	62.32	+0.1	+0.1	3.2	97
GILD	Gilead Sciences Inc	63.32	+0.8	+1.2	4.0	96
CAH	Cardinal Health Inc	46.02	0.0	-0.1	4.2	96
ENIA	Enel Americas Sa	9.51	0.0	-0.4	4.3	96
VIV	Telefonica Brasil Sa	13.01	-0.2	-1.4	14.3	95
WSTG	Wayside Technology Inc	14.68	+0.0	+0.2	4.6	95
GIS	General Mills Inc	54.55	+0.3	+0.5	3.6	95
T	At&t Inc	37.74	+0.2	+0.6	5.4	95
CELP	Cypress Energy Partners Lp	8.97	+0.1	+0.8	9.4	94
SHLX	Shell Midstream Partners Lp	20.94	+0.0	+0.2	8.2	94
NASB	Nasb Financial Inc	41.99	0.0	0.0	4.8	93
ETH	Ethan Allen Interiors Inc	18.66	+0.1	+0.7	4.5	93
IPHS	Innophos Holdings Inc	32.18	-0.2	-0.5	5.9	91
CIG	Companhia Energetica De Minas Gerais Cemig	3.35	0.0	-1.5	7.7	90
CVX	Chevron	114.52	+0.7	+0.6	4.2	89
PG	Procter & Gamble Co	123.44	-0.6	-0.5	2.4	89
GSK	Glaxosmithkline	42.27	+0.3	+0.7	4.8	88
MMP	Magellan Midstream Partners Lp	65.77	+0.4	+0.6	6.2	88
VLO	Valero Energy	84.14	-0.4	-0.4	4.3	86
K	Kellogg Co	62.80	0.0	0.0	3.6	85
DMLP	Dorchester Minerals Lp	17.78	-0.1	-0.8	10.7	80
DUK	Duke Energy	96.75	-0.4	-0.4	3.9	78
PSXP	Phillips 66 Partners Lp	55.27	+0.1	+0.2	6.2	76
XOM	Exxon Mobil	68.91	-0.1	-0.1	5.0	75



High Income Portfolios: No changes.

High Income Portfolio Bubble Reports as of 9/30/2019

RBI



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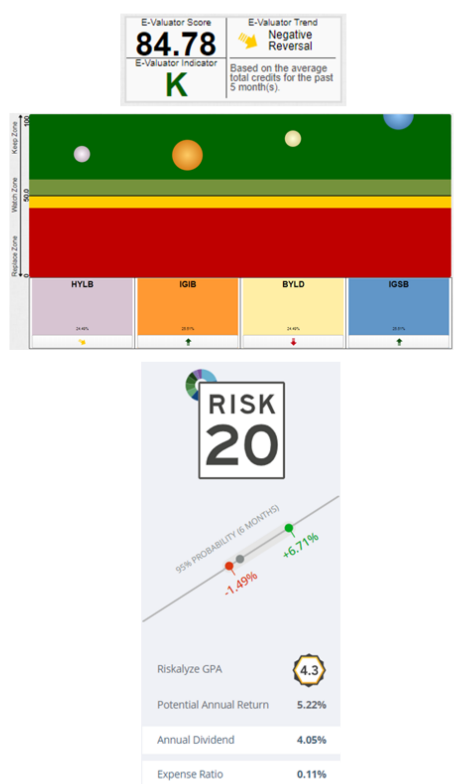

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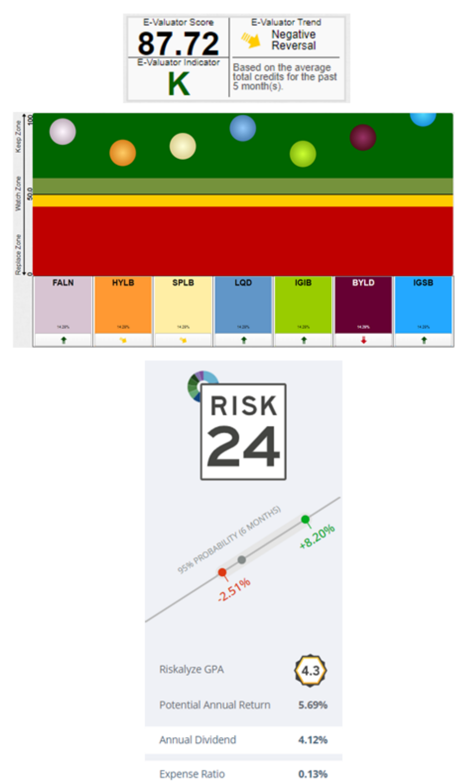
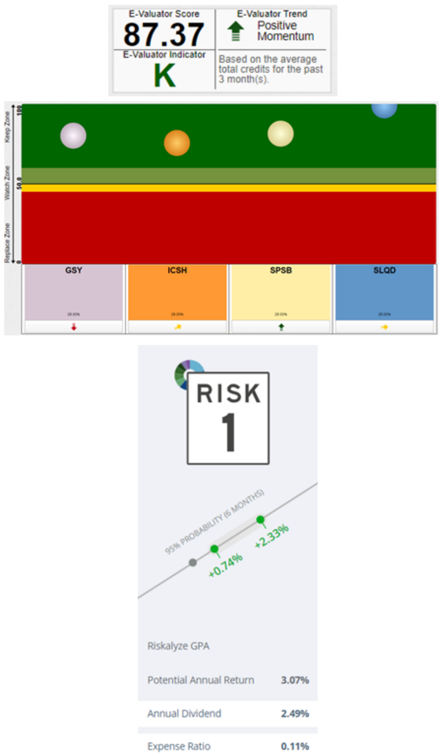


Liquid Income Portfolios: No changes.

Liquid Income Portfolio Bubble Reports as of 9/30/2019

LINCC



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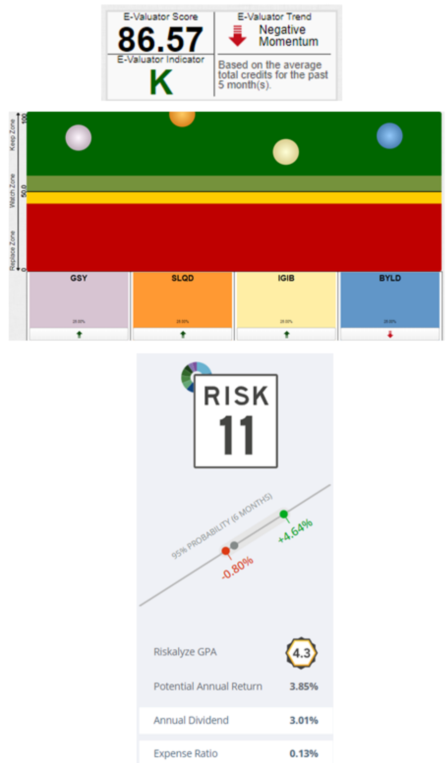
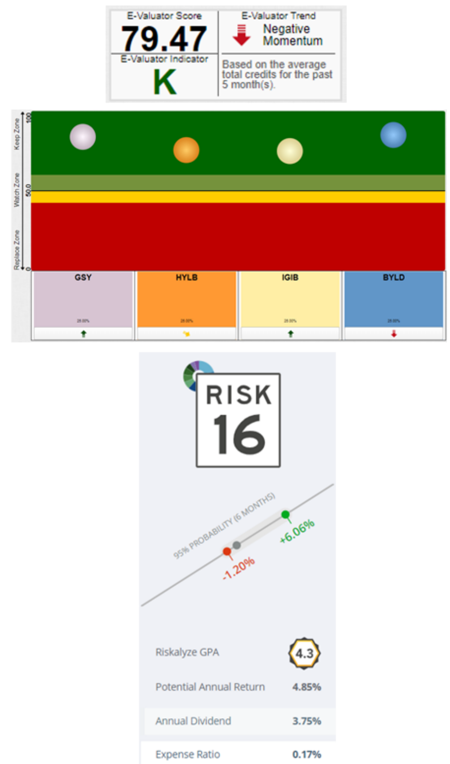
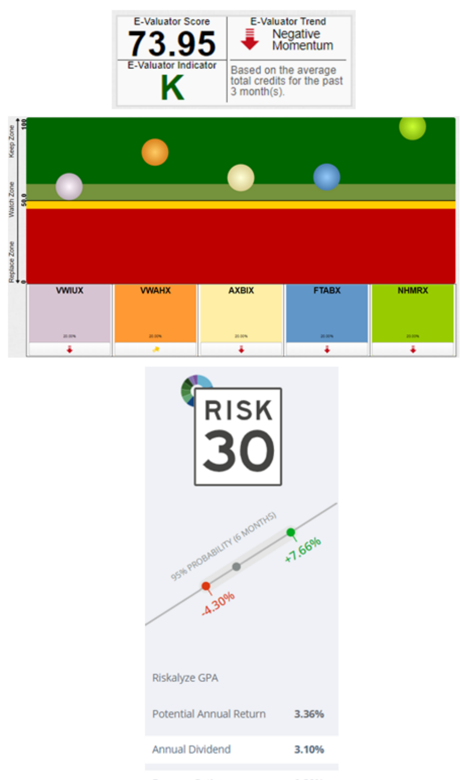


LINCA



LINCB



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Economic Data for this Week

Monday:

1. No major reports scheduled.

Tuesday:

1. Existing home sales, National Association of Realtors.

Wednesday:

1. No major reports scheduled.

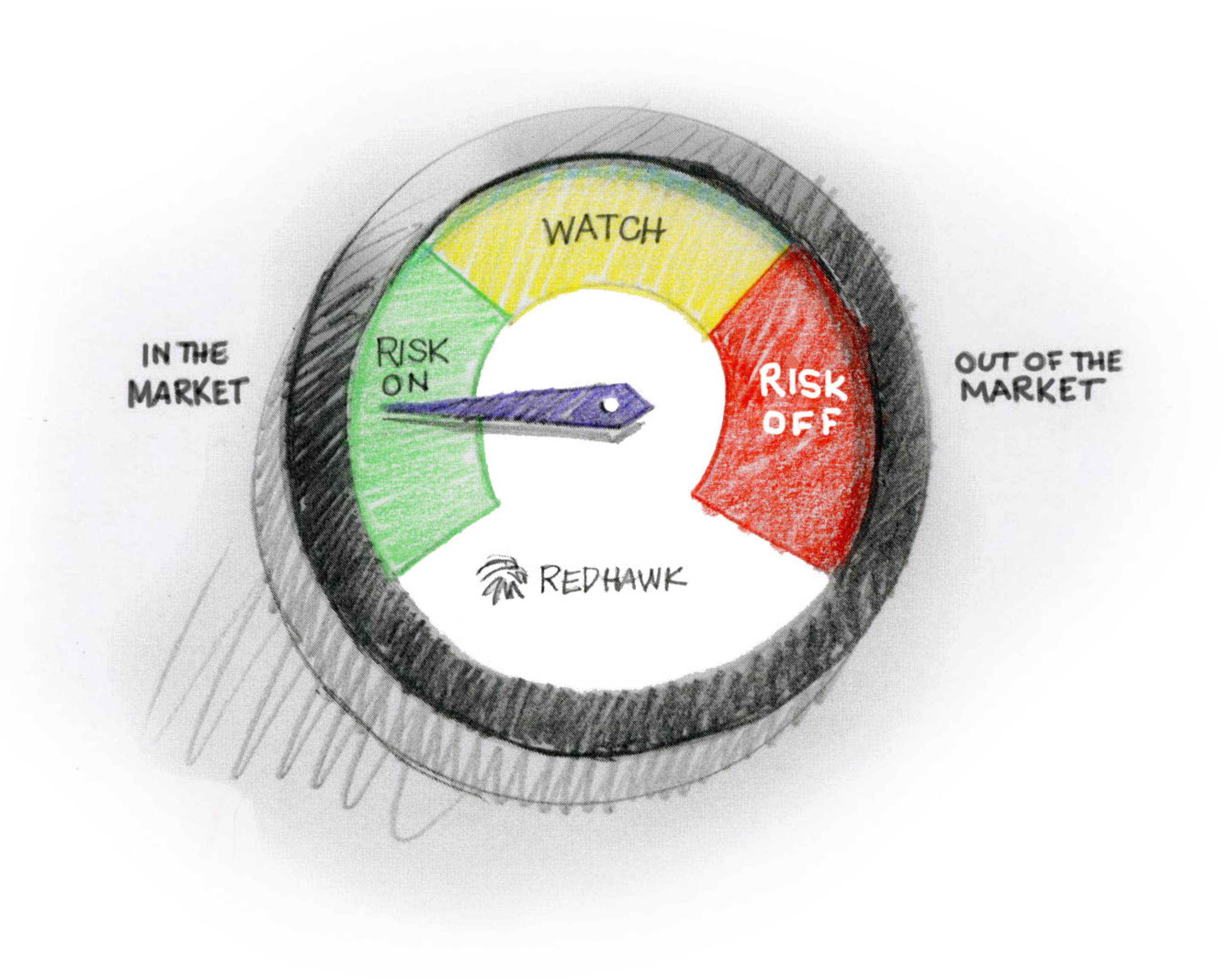
Thursday:

1. Durable goods orders, U.S. Census Bureau.
2. New home sales, U.S. Census Bureau.

Friday:

1. University of Michigan Index of Consumer Sentiment.

On 9/13, the “Risk On” algorithm tripped, and we continue to stay invested in equities.



Portfolio Managers

Victoria Capital Management, Inc.

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.