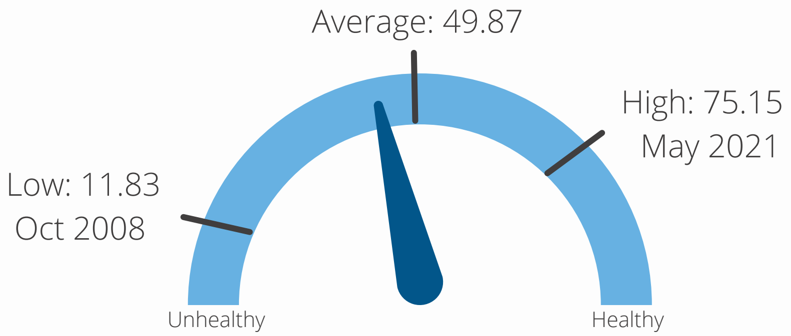
August 2023

Monthly Recap

Market Health Indicator*

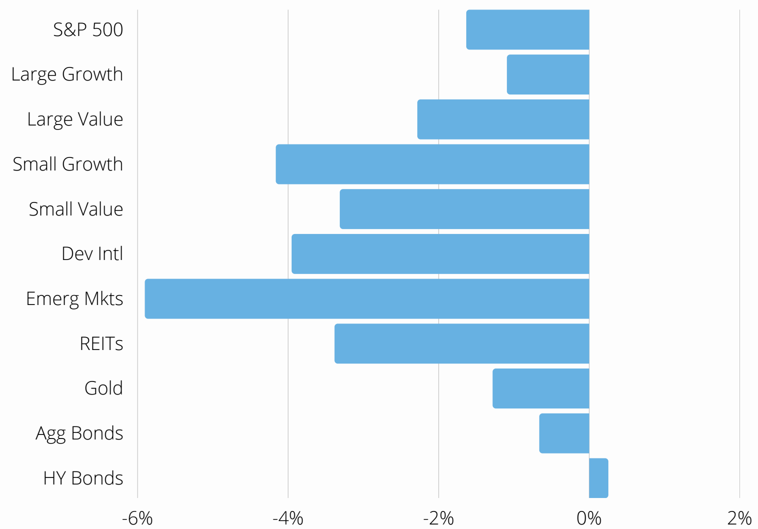


Current Score: 43.39

Slightly down from 47.79 last month, still indicating areas of caution and uncertainty in the markets and economy

Market Data

Monthly Index Performance



Data from Morningstar

Talking Points

Inflation snapped a streak of 12 straight monthly declines, rising from 3% to 3.2%, though it was still below forecasts of 3.3%

The labor market added 187,000 jobs, slightly above the expected 170,000, and unemployment fell to 3.5%

Retail sales increased 3.2% year-over-year marking the largest gain in five months as consumer spending remains strong

The 10-year Treasury yield rose from 3.97% to 4.09% as investors weighed future Fed rate hike expectations

Market breadth faded as only 35% of S&P 500 companies were above their 50-day moving average, the least since late 2022

*The Market Health Indicator is a monthly indicator created in September 2021 that is designed to measure market health on a scale of 0 - 100, analyzing various market segments such as economics, technicals, and volatility using data back to January of 2000. Higher scores indicate healthier market conditions.

Model **Updates**

Dynamic Growth	Increased exposure to large-growth, mid-cap, small-cap, and developed international stocks while reducing exposure to large-value and emerging markets. Also removed its equal-weight S&P 500 exposure as the model has continued to shift toward a more diversified style box blend in recent months, with a slight tilt toward large-cap and growth.
Dynamic Growth PLUS	The model remained fully invested throughout the month. Despite a modest pullback in equities, market trends remain largely positive so far in 2023, so the model has been fully invested since late-2022. Its holdings are inline with the Dynamic Growth model weights while it continues to monitor market conditions on a daily basis.
Tactical Growth	There was an increase to the bond hedge (from 4.42% to 13.22%) as broad market conditions slightly deteriorated. This caused the model to trim its other market exposures, though the ranking/weighting order remained the same (overweight Nasdaq). Including gold, the model is approximately 22% hedged, compared to 14% last month.
Tactical Growth PLUS	The model remained invested inline with the Tactical Growth model (increase to bonds, decreasing broad market exposure, and still overweight Nasdaq as its largest holding). There were no changes in the ranking order of its holdings. The model continues to monitor markets daily, and can act quickly if conditions change.
Dividend Focus	Added General Mills and Hershey, and sold out of United Parcel Service and Merck as they fell out of favor with the ranking system. The model remains invested in large-cap blue-chip companies with a focus on quality and stability. The current estimated dividend yield is 3.30% compared to 1.40% for the S&P 500.
Growth Focus	Added Autodesk and Palo Alto Networks, and sold out of Hologic and Qorvo as they fell below the ranking threshold. The model remains overweight in technology, consumer cyclical, and health care for sector exposure. For market cap exposures, the model is blended among smaller and larger companies.

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Model **Updates**

Sector Rotation	There were no changes in the model for the month. Maintained exposure to communications, industrials, financials, and health care. This results in a somewhat varied risk profile with a blend of growth/value and cyclical/defensive sectors, indicating mixed signals from markets and the economy.
All Weather	Increased exposure to energy stocks, short-term high-yield bonds, and ultra short-term bonds while reducing exposure to consumer staples stocks, gold, and treasury bonds. These adjustments did not shift the risk profile much as they largely offset each other. Overall, the model is approximately 46% equity / 8% gold / 46% fixed-income.
Dynamic Income	Increased exposure to high-yield and short-term bonds, as well as preferred stocks, while trimming aggregate, corporate investment-grade, and convertible bonds. These shifts result in a slight decrease to interest rate risk, with no notable change in credit risk. The model is overweight higher-yielding asset classes, but still holds a blend of varying credit qualities and durations.
Tactical Income	There were no changes in the model for the month. Remains overweight high-yield bonds with a blend of hybrid securities, corporate-investment grade, international, and short-term bonds. Overall, the model is favoring higher-yielding asset classes as credit markets remain relatively healthy and interest rates remain a headwind for longer-term treasuries .
Dynamic Short-Term Income	Increased exposure to short-term treasury, short-term corporate, floating rate, short-term TIPS, and short-term high-yield bonds while trimming ultra short-term bonds. These shifts slightly increase the overall risk profile, though the model still holds 25% in ultra short-term bonds to insulate against ongoing interest rate uncertainties. The current estimated yield is 5.99%.
Income Focus	Slightly increased exposure to high dividend financial stocks and reduced exposure to emerging market dividend stocks. This adjustment didn't cause any notable shift in the risk profile of the model. The model remains overweight covered-call holdings overall. Estimated yield is 10.13%.

Model **Updates**

Defensive Buffer	Added April and August while removing March and May holdings. Maintained exposure to June and July. These shifts result in more favorable spreads between the caps and remaining downside buffers (new blended average cap of 11.51% and downside buffer of 24.67% compared to a blended cap of 9.97% and buffer of 25.21% for previous holdings).
Aggressive Buffer	Added February and August while removing April and May holdings. Maintained exposure to June and July. These shifts result in more favorable spreads between the caps and remaining downside buffers (new blended average cap of 13.85% and downside buffer of 9.45% compared to a blended cap of 13.04% and buffer of 9.77% for previous holdings).