

# *Increasing Equity Exposure* **As Money Flows Turn Positive**



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***In this issue of "Increasing Equity Exposure As Money Flows Turn Positive."***

- ***Market Review And Update***
- ***Cognitive Dissonance***
- ***Valuations Dictate Long-Term Returns***
- ***Portfolio Positioning***
- ***#MacroView: Biden Stimulus Will Cut Poverty For One-Year***
- ***Sector & Market Analysis***
- ***401k Plan Manager***

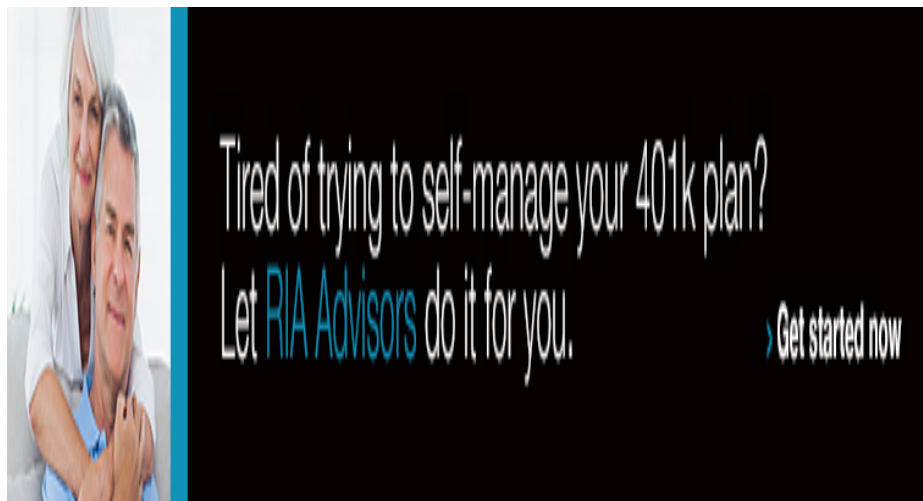
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# RIA Advisors Can Now Manage Your 401k Plan

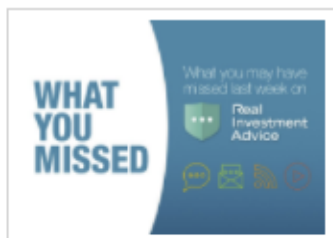
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## Catch Up On What You Missed Last Week



### #WhatYouMissed On RIA This Week: 4-2-21

Written by Lance Roberts | Apr 2, 2021

Here is what you might have missed from the RIA Crew last week. A compilation of our best blogs, newsletter, podcasts, the daily radio show and commentary from RIAPRO.NET.

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## Market Review & Update

Over the last several weeks, we have discussed how the *"negative money flow"* environment was keeping a lid on prices short-term. To wit:

*"As discussed last week, the 'sell signal' triggering on a short-term basis coincides with our concerns of quarter-end rebalancing for pension funds. I suspect we may have some additional quarter-end rebalancing risk early next week. **However, buying on Thursday next week, as second-quarter positioning gets underway, would not be***

**surprising.**

***As such, hold positions early next week and look for weaknesses to add to exposures as needed."***

Such turned out to be the case as the markets slopped around early in the week. However, that changed as markets exploded to new highs on Wednesday and Thursday as portfolio managers charged back into the stocks sold off during the Archegos debacle.



As shown, the break out to new highs for the S&P 500 confirmed the positive turn in "money flows." Notably, the breakout got further confirmation from combined "money flow" and "MACD" buy signals.



Yesterday's ["3-minutes"](#) video goes into more detail about the turn of the "money flow" indicators as we enter one of the stronger months of the year.

<https://www.youtube.com/watch?v=plzNfnc4O0I>



## Real Investment Show

with Lance Roberts

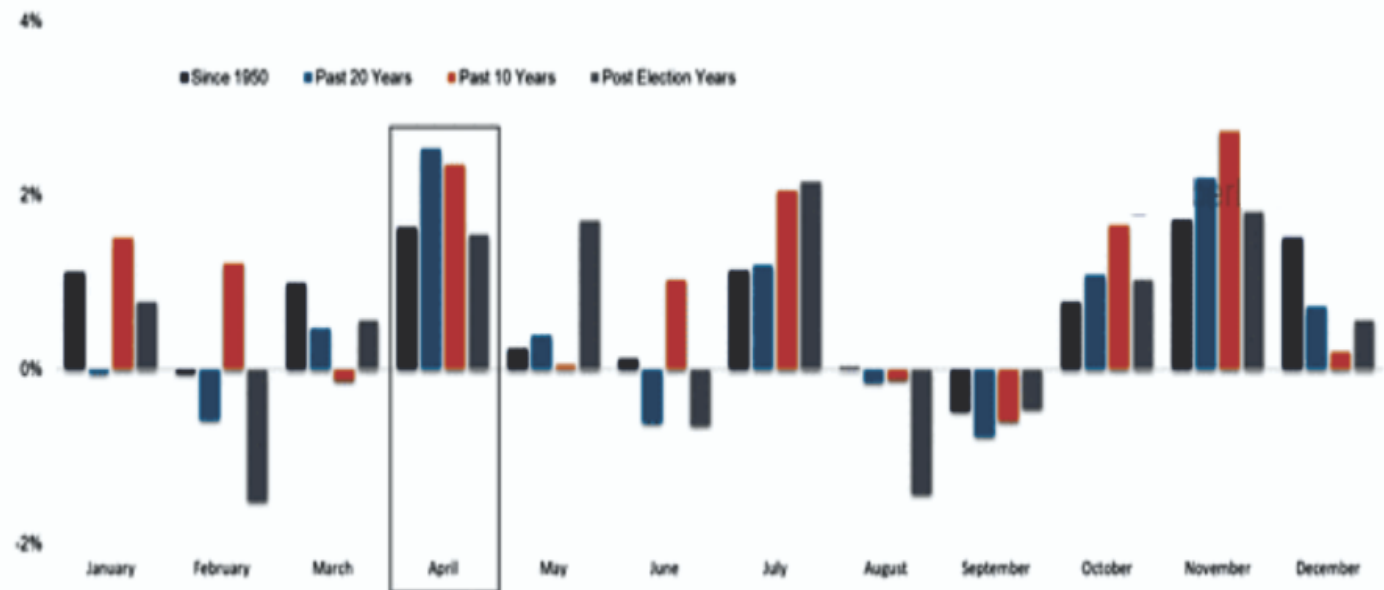
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### There Be Dragons

Given the confluence of those "*buy signals*" and "*seasonality*," we did increase exposure to portfolios over the last two weeks.

## April Has Been Very Kind To Stocks

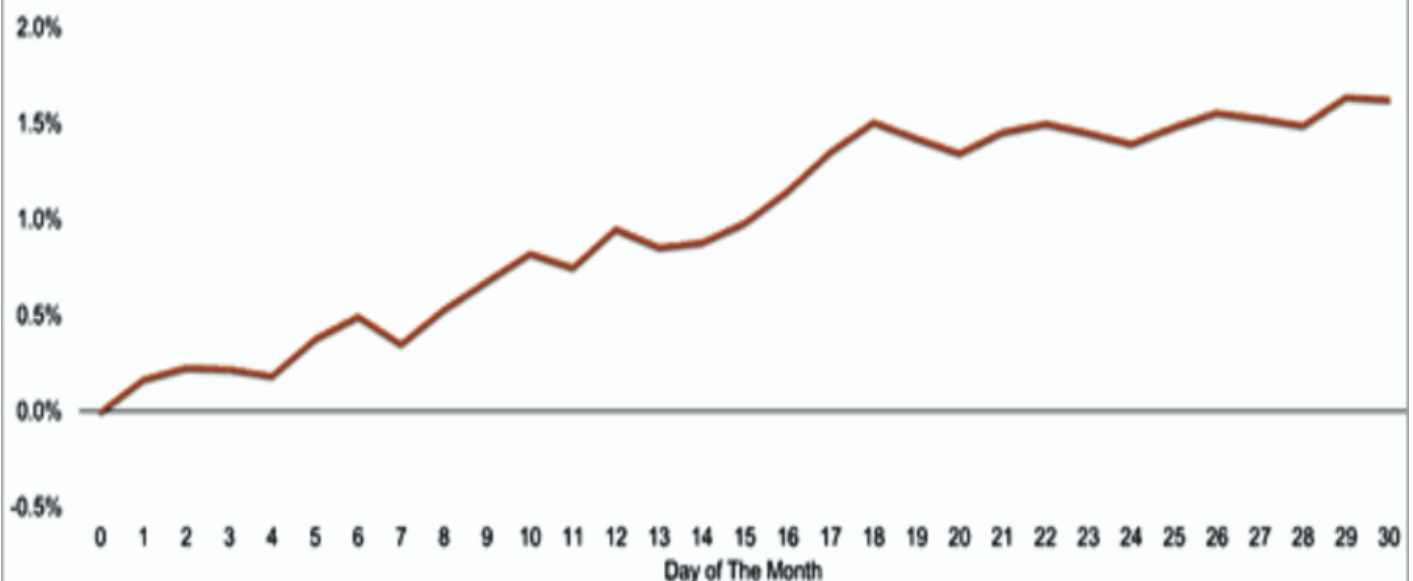
S&P 500 Index Average Monthly Returns (1950 - 2020)



Source: LPL Research, FactSet 03/25/21 (1950 - 2020)  
 All indexes are unmanaged and cannot be invested into directly.  
 Past performance is no guarantee of future results.  
 The modern design of the S&P 500 index was first launched in 1957. Performance before then incorporates the performance of its predecessor index, the S&P 90.

## April Is A Strong Month For Stocks Historically

S&P 500 Index Returns In April (1950 - 2020)



Source: LPL Research, FactSet 03/29/21

The modern design of the S&P 500 stock index was first launched in 1957. Performance back to 1950 incorporates the performance of predecessor index, the S&P 90.

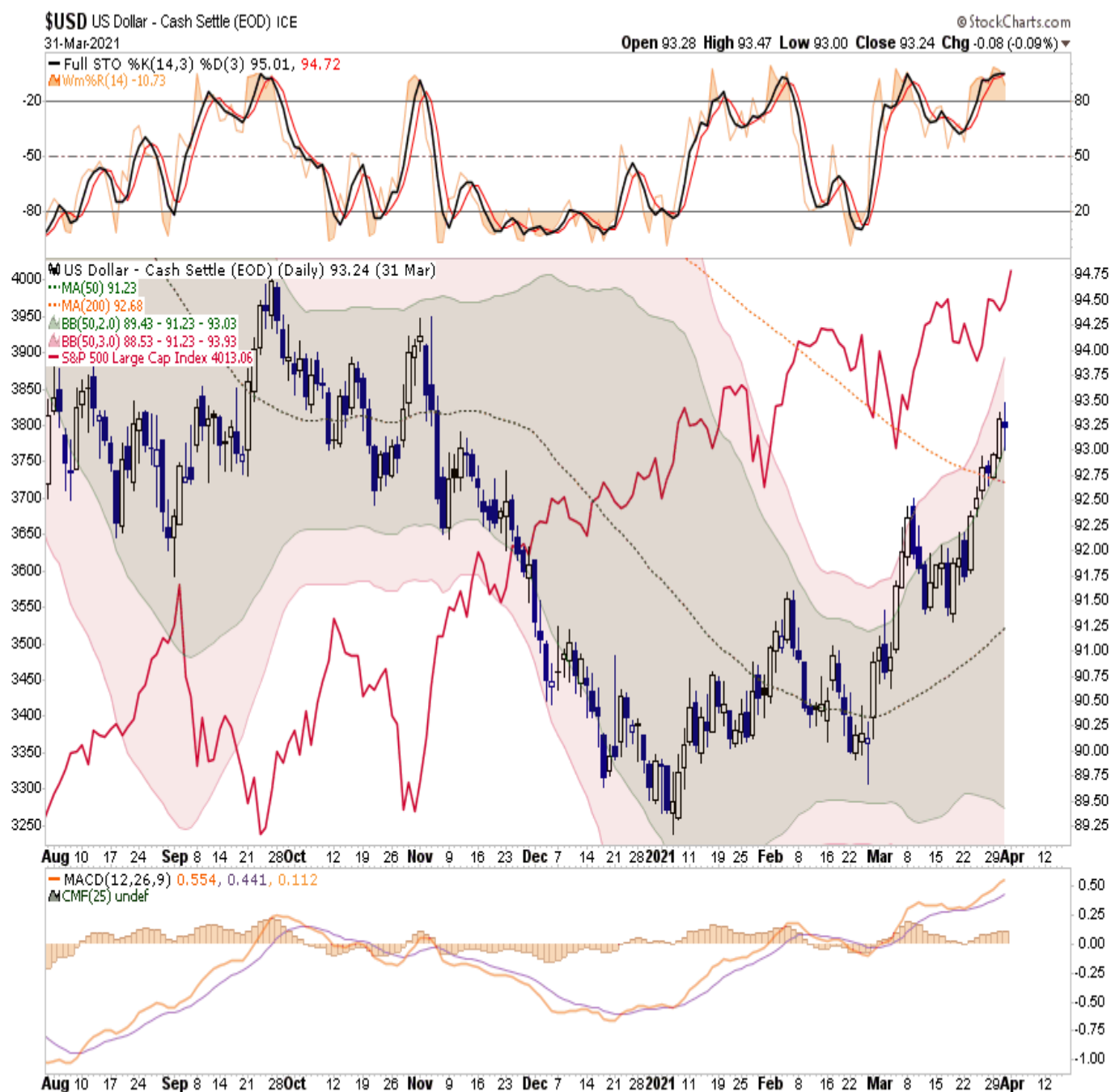
All indexes are unmanaged and cannot be invested in directly. All performance referenced is historical and is no guarantee of future result.

However, as we will discuss more in a moment, that increase in exposure does not come without risks.

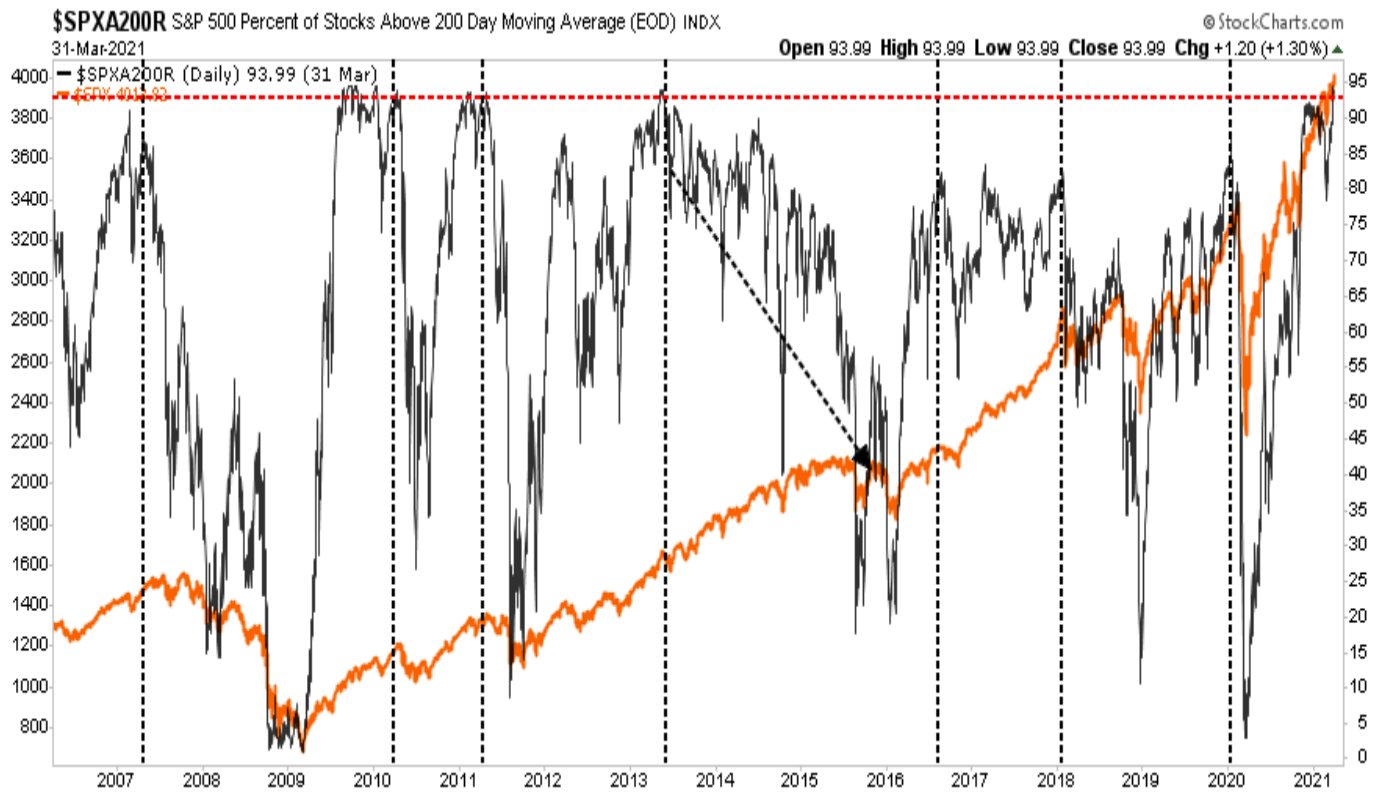
As discussed last week, the dollar continued to gain strength and broke above the 200-day moving average. As shown below, sharp increases in the dollar tend to weigh on equity markets.

*"The recent rotation to value has been primarily a function of a 'weaker dollar,' which boosts commodities. As noted, if economic growth does strengthen, leading to higher rates will attract foreign inflows into the dollar for a higher yield. Such also*

***undermines corporate profitability, given that roughly 40% of corporate profits are from abroad."***



Secondly, the number of stocks trading above their 200-dma is at extremes. Historically, when the ***"rising tide lifts EVERY boat,"*** such has usually been near markets' peaks.

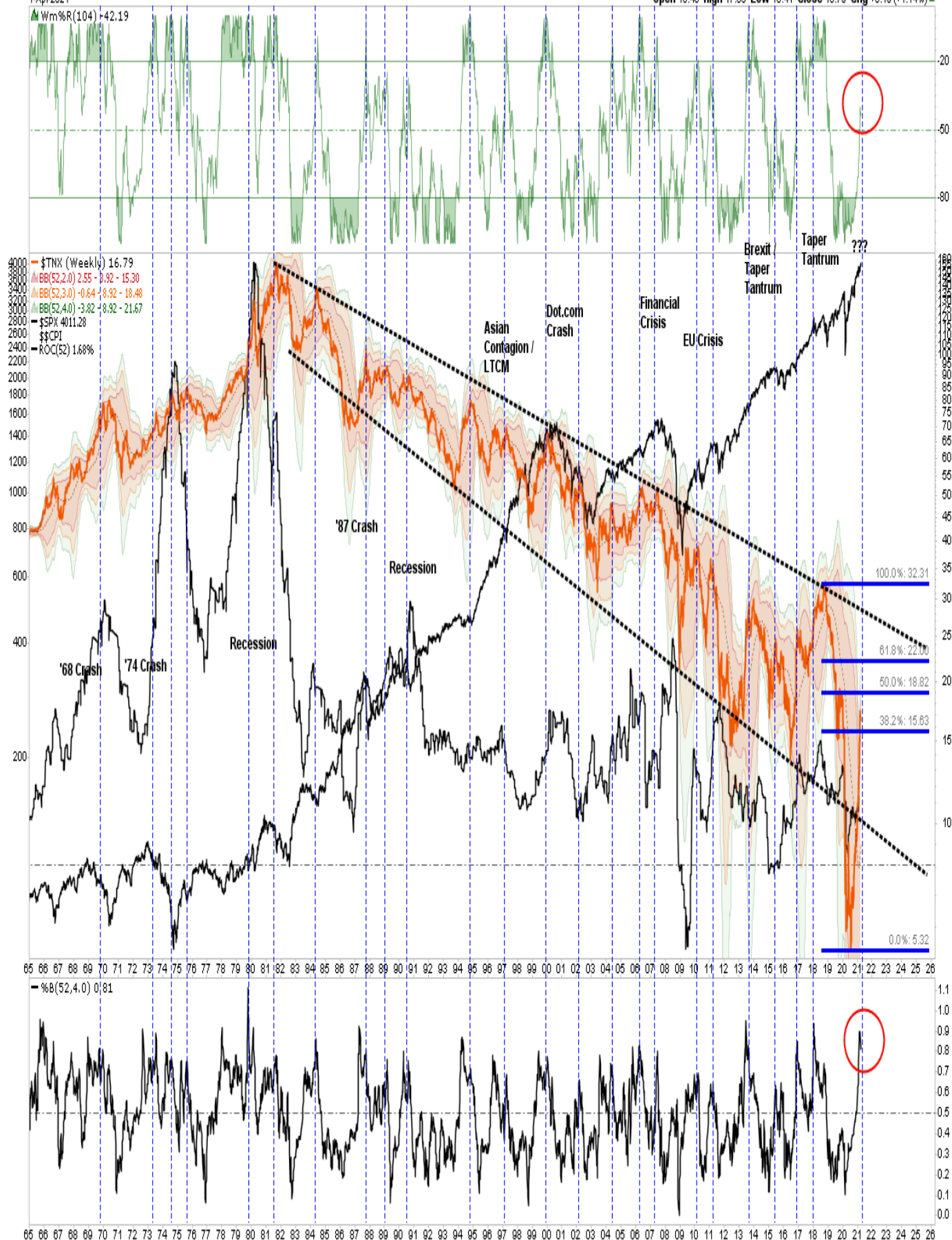


Lastly, interest rates remain a key to much of the ongoing advance. Sharply rising interest rates have always, without exception, led to a market decoupling. It isn't a question of *"if"* it will happen. It's only an issue of *"what rate"* pops the speculation.



1-Apr-2021

Open 16.46 High 17.65 Low 16.41 Close 16.79 Chg +0.19 (+1.14%)▲



I know. It isn't apparent.

*"If you think there are risks, why increase exposure?"*

Great question.

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## Cognitive Dissonance

As a portfolio manager for other people's money, I get tasked with two primary jobs.

1. *Generate returns per financial planning goals and objectives; and,*
2. *Don't lose money.*

Therefore, I have to take measured *"portfolio risk"* to create returns but remain aware of the *"risks"* which could lead to a loss of capital.

On Thursday, I tweeted, as noted above, that we increased equity exposure due to the confluence of buy signals and the seasonally strong month of April. A response to that tweet provides the basis for discussing ***"portfolio management in a high-risk environment."*** To wit:

<https://twitter.com/mlevin999/status/1377646349462605835?s=20>

I certainly understand his dismay. **With valuations at some of the most extreme levels seen only outside of the *"dot.com"* bubble, why would you invest capital now?**

Valuation metric	Aggregate index		Median stock	
	Current	Historical %ile	Current	Historical %ile
US market cap / GDP	265 %	100 %	NA	NA
EV / sales	3.2 x	100	3.8 x	100
EV / EBITDA	17.0 x	100	15.5 x	100
Forward P/E	24.0 x	99	21.2 x	99
Cash flow yield (CFO)	5.7 %	94	5.8 %	100
Price / book	4.3 x	94	3.8 x	100
Cyclically adjusted P/E (CAPE)	31.0 x	93	NA	NA
Free cash flow yield	3.5 %	62	3.7 %	70
Yield gap vs. IG	249 bp	42	294 bp	30
Yield gap vs. 10-year UST	333 bp	40	378 bp	36
Median metric		94 %		100 %

To clarify, we have to distinguish between time frames, risk, and expected outcomes.

## What Is Risk?

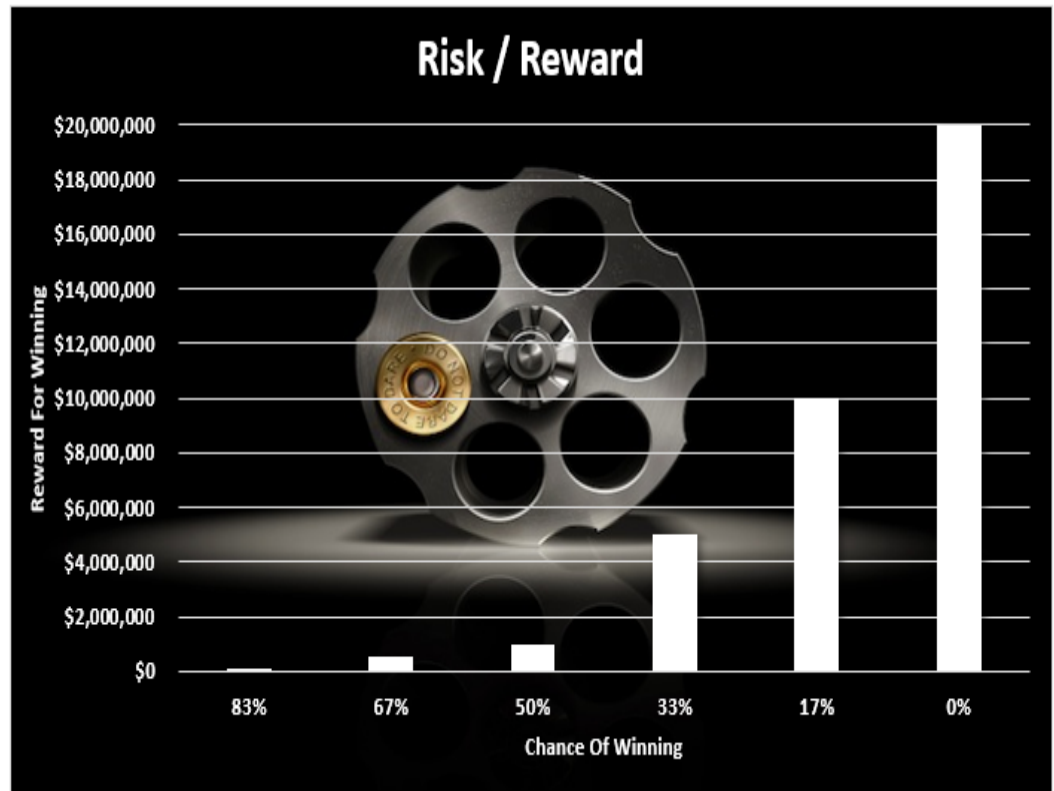
What is the definition of *risk*??

***The chance that an investment will lose value***

Increasing risk does not suggest a positive outcome? We can use a mathematical example of *Russian Roulette* to prove the point.

The number of bullets, the prize for *surviving*, and the odds of *survival* are shown:

Number of Bullets	Reward For Winning	Chance Of Survival
1	\$100,000	83%
2	\$500,000	67%
3	\$1,000,000	50%
4	\$5,000,000	33%
5	\$10,000,000	17%
6	\$20,000,000	0%



The point is simply while *more risk* equates to more reward, **the consequences of a negative result increase markedly.**

Blaise Pascal, a brilliant 17th-century mathematician, famously argued that:

***"If God exists, belief would lead to infinite joy in heaven, while disbelief would lead to infinite damnation in hell. But, if God doesn't exist, belief would have a finite cost, and disbelief would only have at best a finite benefit."***

Pascal concluded, given that we can never prove God's existence, **it's probably wiser to assume he exists because infinite damnation is much worse than a finite cost.**

Risk does not equal reward. *Risk* is a function of how much money you will **lose when things don't go as planned.** The problem with being wrong, and facing the wrath of risk, is the loss of capital **creates a negative effect to compounding** that you can never recover.

Year	Annual Return	Annualized Return
1	10.00%	
2	10.00%	10.00%
3	10.00%	10.00%
4	-10.00%	5.00%
5	30.00%	10.00%

*One Year Of Loss Destroys Effective Compound Rate*

*Requires A 30% Return To Recover From A 10% Loss*

There is an essential aspect to the *power of compounding*? the media never discusses. It **ONLY WORKS** when you do not lose money. As shown, after three straight years of 10% returns, a drawdown of just 10% cuts the average annual compound growth rate by 50%. Furthermore, it then requires a 30% return to regain the average rate of return required. In reality, chasing returns is much less critical to your long-term investment success than is commonly believed.

Even in healthy markets with fair valuations, risks exist. But in markets with high valuations, the risk of a reversion increase as time marches on.

## Real Investment Report

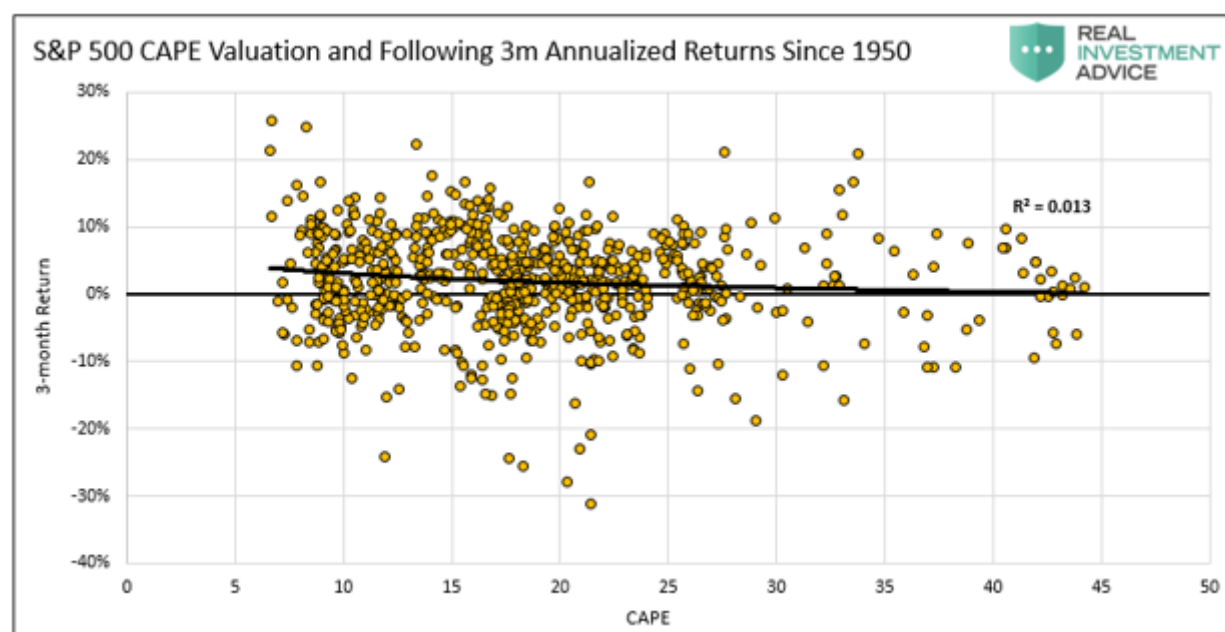
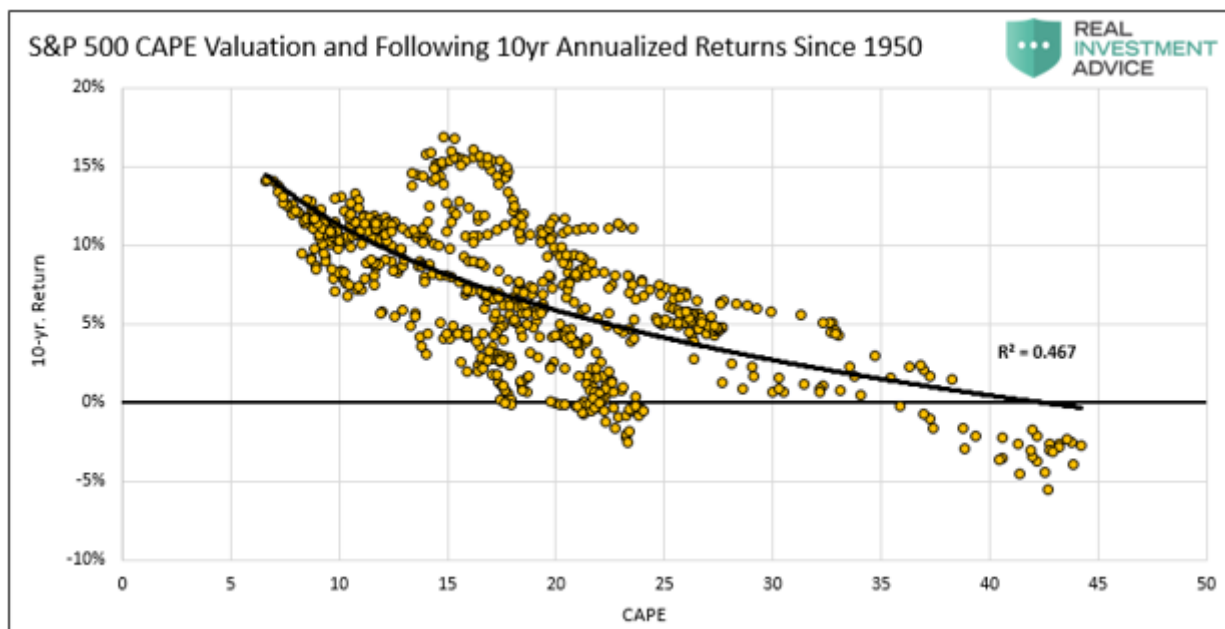
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## Valuations Dictate Returns Long-Term

Understanding what "risk" takes us to this vital point made by Michael Lebowitz in [\*"Zen And The Art Of Risk Management."\*](#)

*"In the short-term, price changes of stocks are based solely on liquidity, or the balance of buyers and sellers. Over long periods, price changes are dependent on valuations. The following scatter plots compare CAPE valuations to subsequent 10-year and 3-month returns to highlight this fact."*



***"The correlation of ten-year forward returns and CAPE is statistically significant with an R-squared of .4803. In other words, valuation matters in the long run. Conversely, there is no correlation between quarterly returns and CAPE."***

Such is an important point relative to our reader's comment.

In the short-term, worrying about high multiplies isn't conducive to creating portfolio returns from one month to the next. As such, it isn't *"cognitive dissonance"* that we are increasing exposure in a month that has a very high statistical probability of positive returns over the next 30-days.

## Fully Invested Bears

The problem in discussing ?investment risk? is that such commentary is summarily dismissed as being ?bearish,? By extension, such means we must be either sitting in cash or short the market. In either event, I have ?missed out? on the last advance.



Such reminds me of something famed Morgan Stanley strategist Gerard Minack said once:

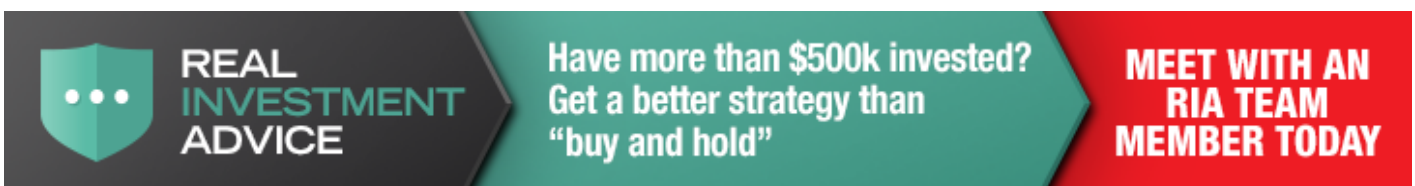
***?The funny thing is there is a disconnect between what investors are saying and what they are doing. No one thinks all the problems the global financial crisis revealed have been healed. But, when you have an equity rally as you've seen for the past four or five years, everybody has had to participate.***

***What you've had are fully invested bears.?***

While the mainstream media continues to skew individual's expectations by chastising them for *?not beating the market,?* which is **impossible to do**, **our job is to participate in the markets with a bias toward capital preservation.** As noted, the destruction of capital during market declines has the most significant impact on long-term portfolio performance.

From that view, as a portfolio manager, **the idea of ?fully invested bears? defines the reality of the markets we live with today.** Despite the understanding that the markets are overly bullish, extended, and valued, **we must stay invested or suffer potential ?career risk? for underperformance.**

Such is the consequence of the Federal Reserve's ongoing interventions. Portfolio managers must chase performance despite concerns of potential capital loss. In other words, we are **all ?fully invested bears.?** **We are all quite aware this will eventually end badly. However, in the short-term,** no one is willing to take the risk of being grossly underexposed to Central Bank interventions.



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## Portfolio Update

With this understanding, you can appreciate why we increased our equity exposure last week. Currently, we are at full equity allocations, with a slight increase in the duration of bonds. Such leaves our portfolios at model weights in cash with bond durations shorter than our benchmark.

Furthermore, we added an *"index trading position."* Having a single index position in the portfolio allows us to increase exposure to markets as needed quickly and promptly reduce exposure if required.

Lastly, we continue to carry a *"barbell approach"* in our portfolios. Such splits holdings between *"reflation"* trades such as Energy, Financials, and Materials and *"growth"* focused on Technology.

Therefore, with the breakout to new highs, the markets will likely stretch towards our year-end target of 4100.

After this discussion, it seems apropos to remind you of Bob Farrell's **"10-Investment Rules:"**

- *Markets tend to return to the mean over time.*
- *Excesses in one direction will lead to an opposite excess in the other direction.*
- *There are no new eras ? excesses are never permanent*
- *Exponential rapidly rising or falling markets usually go further than you think, but they do not correct by going sideways*
- *The public buys the most at the top and the least at the bottom*

- *Fear and greed are stronger than long-term resolve*
- *Markets are strongest when they are broad and weakest when they narrow to a handful of blue-chip names*
- *Bear markets have three stages ? sharp down, reflexive rebound, and a drawn-out fundamental downtrend*
- *When all the experts and forecasts agree ? something else is going to happen*
- *Bull markets are more fun than bear markets*

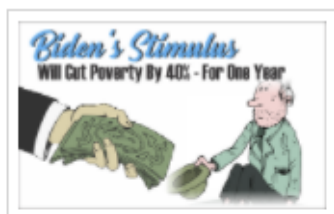
There is only one fact to remember:

***?All bull markets last until they are over.? ? Jim Dines***

**Just remember, "*risk*" is always "*risk*."**

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## The MacroView



### **Biden's Stimulus Will Cut Poverty By 40% – For One Year.**

Written by Lance Roberts | Mar 29, 2021

Unlike the New Deal, Biden's American Rescue Plan will only help the poor for one year. As is always the case, socialistic policies, sound great in theory, but rarely work as expected in reality.

[>> Read More](#)

If you need help or have questions, we are always glad to help. [Just email me.](#)

See You Next Week

**By Lance Roberts, CIO**

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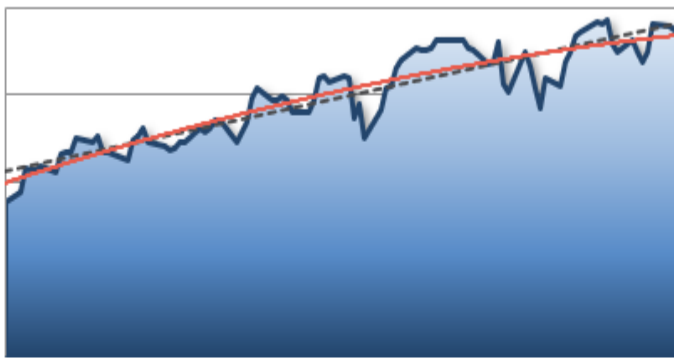
## Market & Sector Analysis

***Analysis & Stock Screens Exclusively For RIAPro Members***

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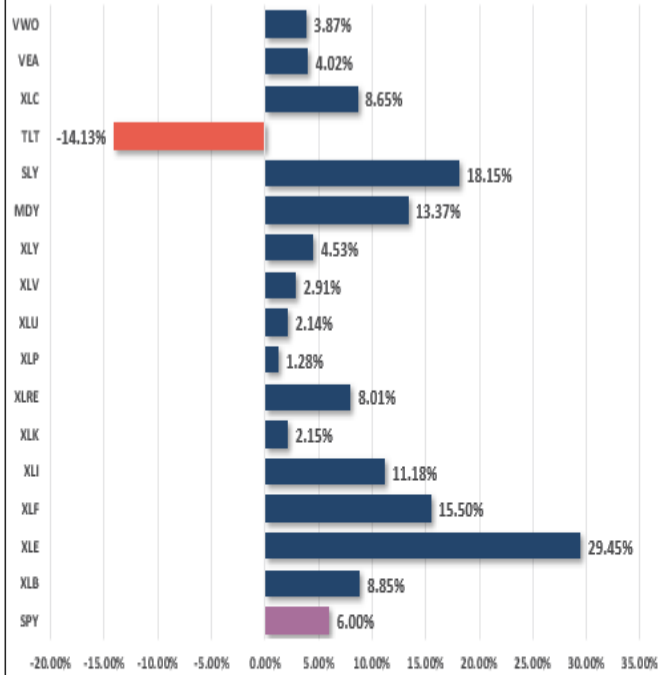
## S&P 500 Tear Sheet



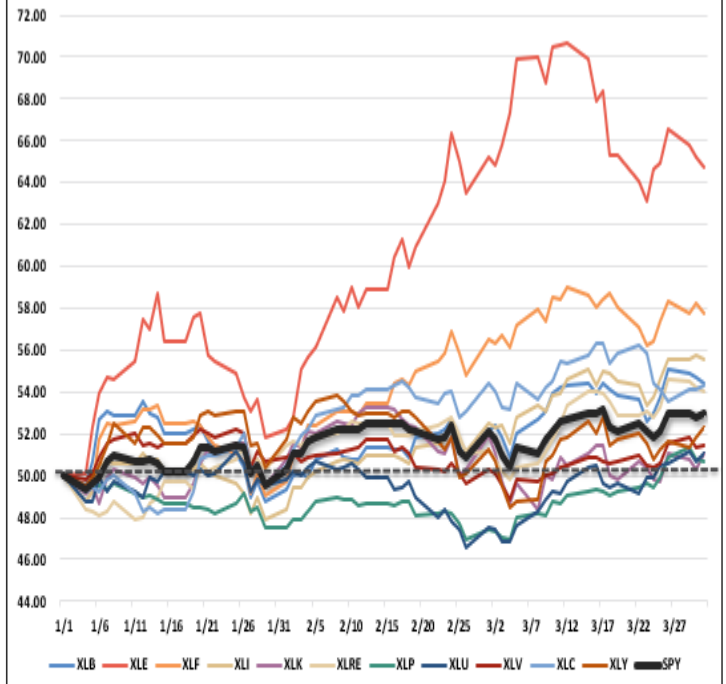
3 Month SPY Price									SPY RISK INFO		ZACKS		REAL INVESTMENT ADVICE	
									Item	T 2-Yr	T 1-Yr.	YTD	% Diff YTD/T1-YR	
									Price Return	40.30%	53.77%	6.00%	(88.83%)	
									Max Drawdown	(35.63%)	(10.86%)	(5.65%)	(47.92%)	
									Sharpe	0.89	2.84	1.83	(0.36)	
									Sortino	0.96	3.69	2.54	(0.31)	
									Volatility	25.42	20.92	15.74	(0.25)	
									Daily VaR-5%	(17.97)	25.44	3.43	(0.87)	
									Mnthly VaR-5%	(6.00)	(20.63)	(20.63)	0.00	
									S&P 500 Market Cap Analysis					
Item	2 years ago	1 year ago	Current	1 Yr % Change	5 Year High	5 year Low	% From High	% From Low	Item	12-M Ago	Current	% Chg		
Dividend Yield	1.87%	1.88%	1.34%	(39.96%)	2.19%	1.37%	(38.58%)	(2.00%)	Shares	3,126.6	3,012.8	(3.64%)		
P/E Ratio	18.31	15.66	29.27	46.52%	2931%	1605%	(0.1%)	82.36%	Sales	72,219	69,348	(3.98%)		
P/S Ratio	3.83	3.71	5.15	27.85%	4.89	3.21	5.30%	60.27%	SPS	23.1	23.0	(0.35%)		
P/B Ratio	4.96	5.04	6.79	25.80%	6.33	3.94	7.33%	72.34%	Earnings	11,448	10,437	(8.84%)		
ROE	22.00%	21.66%	20.40%	(6.14%)	22.00%	17.60%	(7.26%)	15.92%	EPS TTM	4.6	4.0	(11.90%)		
ROA	4.31%	4.23%	3.67%	(15.05%)	4.31%	3.50%	(14.73%)	4.84%	Dividend	1.6	1.5	(4.37%)		
S&P 500 Asset Allocation														
Sector	1 Year Price Return	Weight	Beta	P/E	P/E High- 5yr (Mo.)	P/E Low - 5Yr (Mo.)	P/E % From Peak	ROE	DIV. YIELD	TTM Earnings Yield	Current Forward Earnings	Forward PE		
Energy	76.56%	2.84%	1.90	(190.99)	121.96	(181.43)	(256.6%)	(0.4%)	4.3%	-0.53%	1.63	26.67		
Materials	75.77%	2.72%	1.21	26.53	26.40	14.08	0.5%	9.0%	1.8%	3.79%	4.18	19.18		
Industrials	65.93%	8.93%	1.19	50.14	45.91	14.68	9.2%	5.4%	1.4%	2.00%	3.88	23.54		
Discretionary	97.69%	12.40%	1.37	61.95	60.07	20.97	3.1%	18.5%	0.6%	1.61%	4.89	35.17		
Staples	27.09%	6.17%	0.64	22.57	22.83	17.65	(1.1%)	29.6%	2.5%	4.42%	4.32	19.57		
Health Care	35.02%	13.03%	0.77	18.44	19.47	15.11	(5.3%)	29.1%	1.7%	5.41%	7.60	15.85		
Financials	74.09%	11.47%	1.33	19.27	18.48	10.52	4.3%	7.4%	1.7%	5.22%	5.74	14.37		
Technology	78.69%	26.36%	1.08	33.63	32.78	15.71	2.6%	58.1%	0.9%	3.00%	5.29	26.94		
Telecom	74.52%	10.93%	0.97	29.68	28.18	17.61	5.3%	15.6%	0.6%	3.41%	7.36	22.90		
Utilities	22.70%	2.66%	0.40	20.02	22.09	16.35	(9.4%)	10.8%	3.2%	5.03%	3.45	17.12		
Real Estate	38.77%	2.49%	0.94	23.44	21.71	17.12	8.0%	6.9%	2.7%	4.31%	4.23	20.75		
Momentum Analysis														
Item	Price	ROC 50-Days	50-DMA	# Days Since Cross	% Dev 50-Day	200-DMA	# Days Since Cross	% Dev 200-Day	% Dev 50-200 DMA	% From 52-W High	% From 52-W Low	Buy/Sell		
Large Cap	396.33	3.24%	387.78	18	2.21%	355.94	199	11.35%	8.94%	(0.45%)	62.50%	Buy		
Mid Cap	476.05	5.84%	460.33	50	3.42%	392.01	135	21.44%	17.43%	(2.74%)	97.88%	Buy		
Small Cap	93.98	7.42%	92.01	6	2.14%	74.08	132	26.86%	24.20%	(5.75%)	117.40%	Buy		

## Performance Analysis

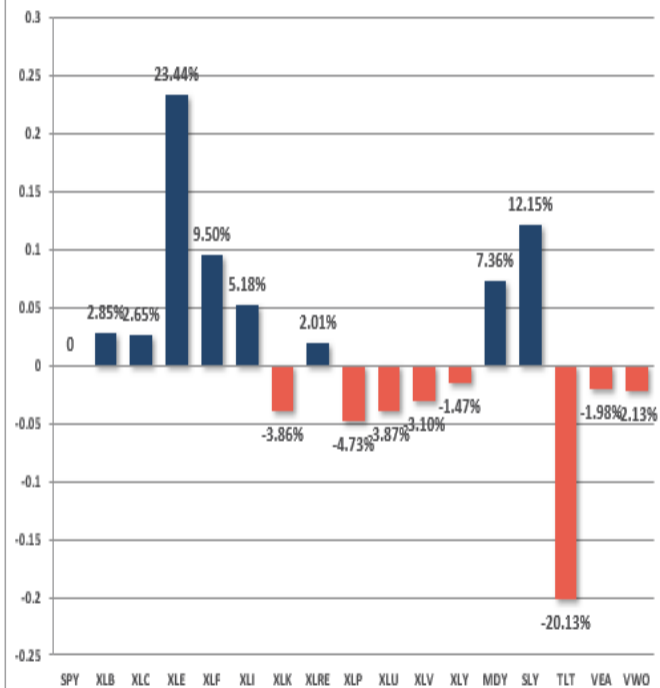
## Year To Date Performance



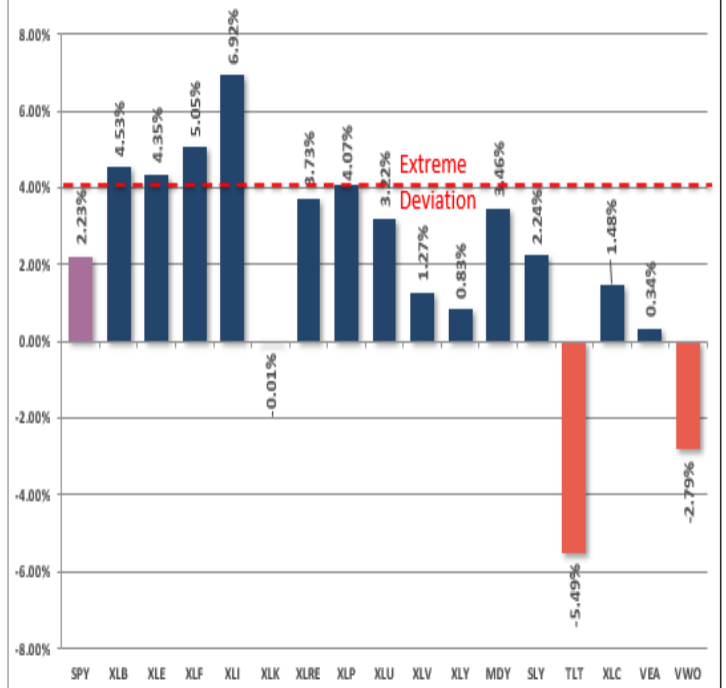
## YTD Price - S&P Sectors Recalibrated To \$50/share



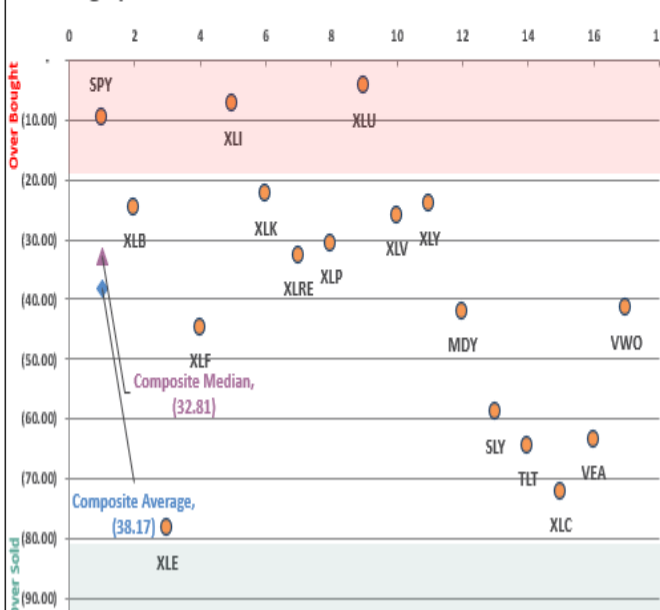
## Year To Date Performance Relative To S&P 500



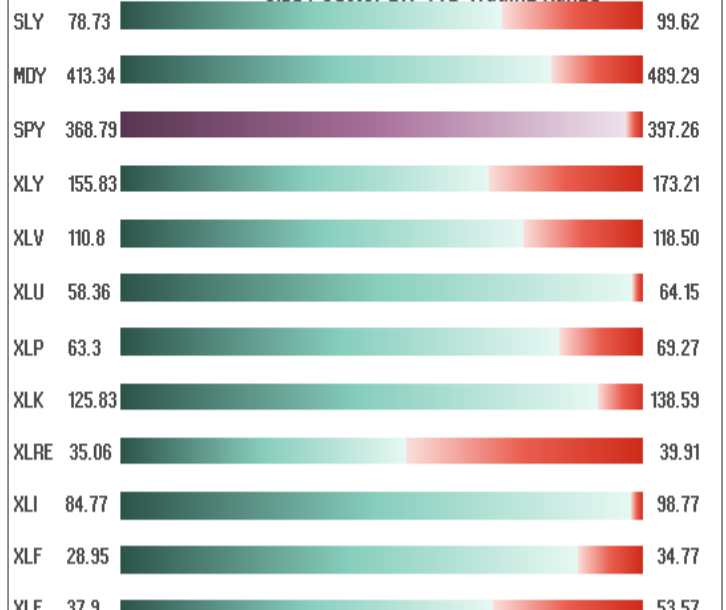
## Price Deviation From 50-Day Moving Average



## Overbought/Oversold 14-Periods



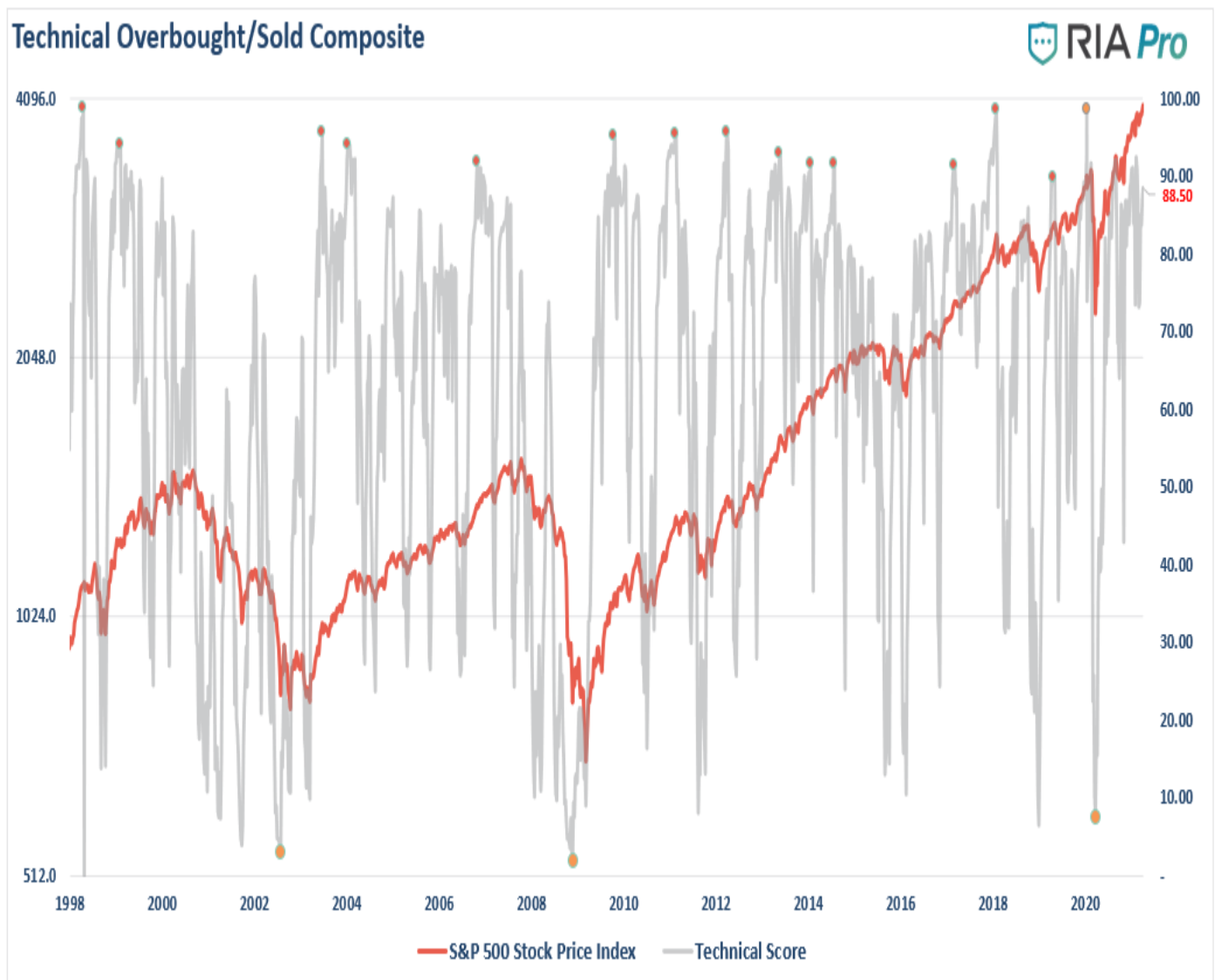
## Size / Sector ETF YTD Trading Range



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## Technical Composite

The technical overbought/sold gauge comprises several price indicators (RSI, Williams %R, etc.), measured using "weekly" closing price data. Readings above "80" are considered overbought, and below "20" is oversold. **The current reading is 88.50 out of a possible 100.**



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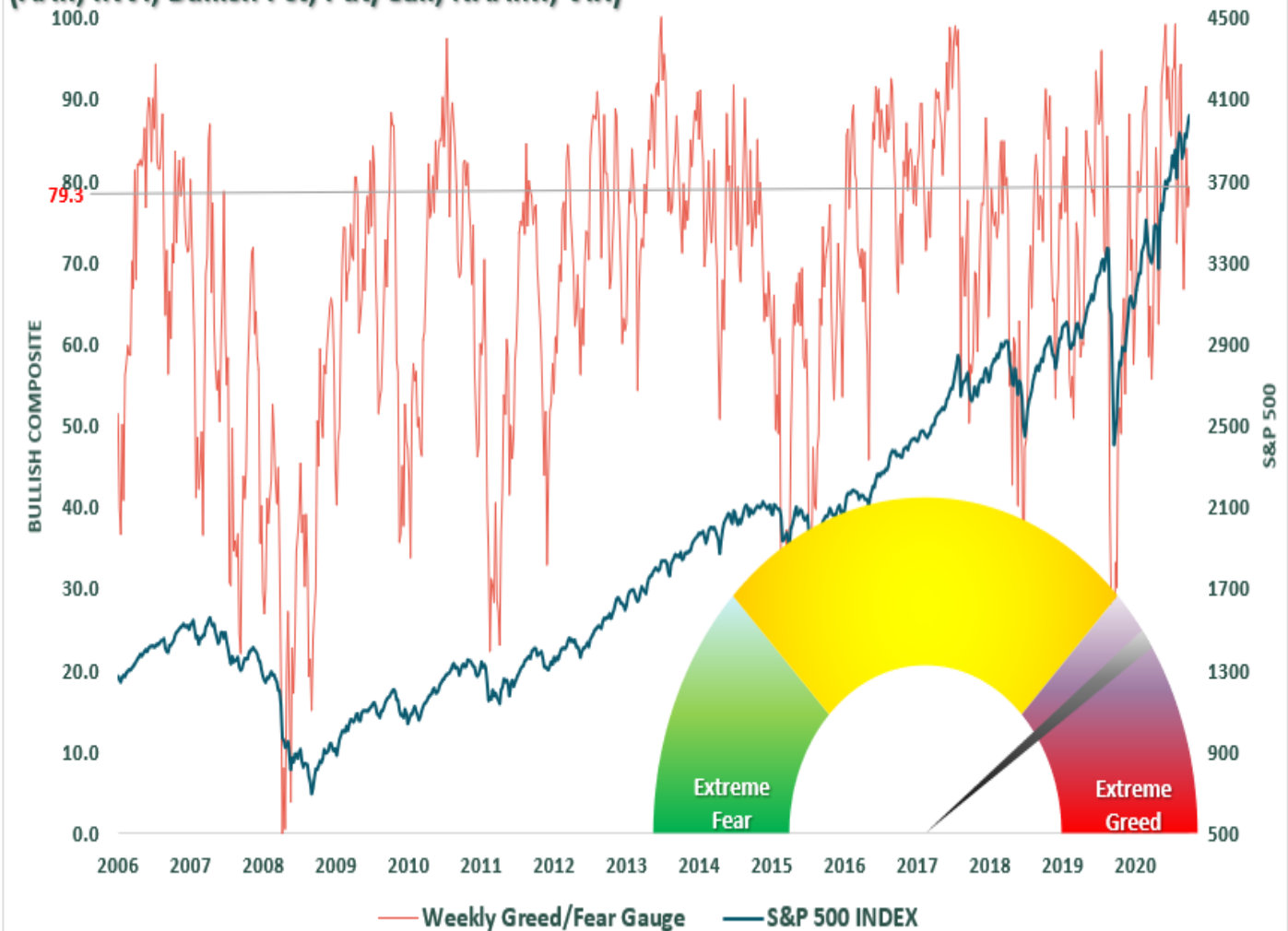
## Portfolio Positioning "Fear / Greed" Gauge

The "Fear/Greed" gauge is how individual and professional investors are "positioning" themselves in the market based on their equity exposure. From a contrarian position, the higher the allocation to equities, to more likely the market is closer to a correction than not. The gauge uses weekly closing data.

**NOTE:** The Fear/Greed Index measures risk from 0-100. It is a rarity that it reaches levels above 90. **The current reading is 79.34 out of a possible 100.**

## MARKET GREED/FEAR INDEX

(AII, INVI, Bullish Pct, Put/Call, NAAIM, VIX)



## Sector Model Analysis & Risk Ranges

### How To Read This Table

- The table compares each sector and market to the S&P 500 index on relative performance.
- "MA XVER" is determined by whether the short-term weekly moving average crosses positively or negatively with the long-term weekly moving average.
- The risk range is a function of the month-end closing price and the "beta" of the sector or market.
- Table shows the price deviation above and below the weekly moving averages.

RELATIVE PERFORMANCE		Current	PERFORMANCE RELATIVE TO S&P 500 INDEX					SHORT	LONG	MONTH	REL S&P	RISK RANGE		% DEV -	% DEV -	M/A XVER
Ticker	ETF NAME	Price	1 Week	4 Week	12 Weeks	24 Weeks	52 Weeks	WMA	WMA	END PRICE	BETA	HIGH	LOW	Short M/A	Long M/A	SIGNAL
IVV	ISHARS-SP500	402.08	2.80	6.34	5.68	15.29	59.18	387.17	364.27	397.82	0.99	407.77	387.87	4%	10%	BULLISH
XLB	SPDR-MATLS SELS	79.49	(0.58)	1.63	(2.28)	5.50	22.88	75.45	70.06	78.80	1.06	81.61	75.99	5%	13%	BULLISH
XLC	SPDR-COMM SV SS	74.58	(0.76)	(2.31)	5.17	7.44	14.18	71.08	65.81	73.32	0.99	75.88	70.76	5%	13%	BULLISH
XLE	SPDR-EGY SELS	50.31	(0.57)	(7.77)	15.64	47.58	7.68	46.00	38.96	49.06	1.77	51.15	46.97	9%	29%	BULLISH
XLF	SPDR-FINL SELS	34.47	(0.94)	(2.14)	5.73	22.76	12.82	32.09	28.34	34.05	1.20	35.31	32.79	7%	22%	BULLISH
XLK	SPDR-TECH SELS	135.48	1.91	0.71	(1.40)	(3.75)	13.78	132.07	124.52	132.81	1.04	137.52	128.10	3%	9%	BULLISH
XLI	SPDR-INDU SELS	98.78	(0.60)	1.87	4.28	6.65	13.81	91.57	85.54	98.45	1.20	102.09	94.81	8%	15%	BULLISH
XLP	SPDR-CONS STPL	67.98	(1.93)	1.05	(3.56)	(12.52)	(35.40)	65.81	65.60	68.31	0.63	70.45	66.17	3%	4%	BULLISH
XLRE	SPDR-RE SELS	40.12	0.18	3.82	8.04	(4.58)	(23.41)	37.62	36.69	39.49	0.67	40.74	38.24	7%	9%	BULLISH
XLU	SPDR-UTIL SELS	63.98	(1.66)	2.62	(2.17)	(14.25)	(40.06)	62.11	61.94	64.04	0.35	65.86	62.22	3%	3%	BULLISH
XLV	SPDR-HLTH CR	116.39	(1.46)	(1.30)	(6.06)	(6.37)	(26.27)	115.47	110.81	116.74	0.77	120.55	112.93	1%	5%	BULLISH
XLY	SPDR-CONS DISCR	169.42	0.07	2.38	(3.24)	(5.45)	20.96	166.38	157.07	168.07	1.13	174.18	161.96	2%	8%	BULLISH
XTN	SPDR-SP TRANSP	88.36	1.02	1.22	14.55	27.64	58.35	79.27	69.75	87.51	1.42	90.94	84.08	11%	27%	BULLISH
SDY	SPDR-SP DIV ETF	118.74	(1.51)	(0.10)	3.40	6.73	(6.52)	112.06	104.06	118.03	0.92	122.06	114.00	6%	14%	BULLISH
RSP	INVS-SP5 EQ ETF	143.08	(0.28)	0.43	3.47	10.77	17.15	134.89	123.03	141.66	1.12	146.79	136.53	6%	16%	BULLISH
SLY	SPDR-SP6 SC	95.25	0.24	(1.12)	5.93	28.66	49.01	90.47	76.79	93.98	1.28	97.53	90.43	5%	24%	BULLISH
MDY	SPDR-SP MC 400	482.30	0.35	1.45	3.74	16.87	33.89	455.70	403.53	476.05	1.20	493.64	458.46	6%	20%	BULLISH
EEM	ISHARS-EMG MKT	53.86	0.93	(5.20)	(4.63)	3.35	0.31	54.73	49.78	53.34	0.81	55.10	51.58	-2%	8%	BULLISH
EFA	ISHARS-EAFE	76.86	(1.16)	(2.69)	(3.24)	3.99	(11.63)	75.29	70.20	75.87	0.84	78.41	73.33	2%	9%	BULLISH
IAU	ISHARS-GOLD TR	16.46	(2.68)	(4.55)	(15.44)	(24.75)	(52.44)	17.10	17.73	16.26	0.07	16.68	15.84	-4%	-7%	BEARISH
GDX	VANECK-GOLD MNR	33.60	1.42	0.77	(18.11)	(31.91)	(25.00)	34.11	36.91	32.50	0.66	33.53	31.47	-1%	-9%	BEARISH
UUP	INVS-DB US\$ BU	25.01	(2.80)	(5.01)	(2.46)	(16.51)	(67.03)	24.53	24.81	25.12	(0.11)	25.72	24.52	2%	1%	BEARISH
BOND	PIMCO-TOT RETRN	109.57	(3.12)	(6.82)	(8.06)	(17.60)	(56.30)	111.36	111.98	109.46	0.08	112.28	106.64	-2%	-2%	BEARISH
TLT	ISHARS-20+YTB	137.51	(2.53)	(7.16)	(15.10)	(30.32)	(77.38)	145.18	154.87	135.45	(0.27)	138.47	132.43	-5%	-11%	BEARISH
BNDX	VANGD-TTL INT B	57.15	(3.24)	(6.27)	(7.87)	(17.48)	(57.60)	57.73	58.05	57.12	0.03	58.57	55.67	-1%	-2%	BEARISH
HYG	ISHARS-IBX HYCB	87.07	(2.33)	(5.52)	(5.87)	(12.53)	(43.34)	87.02	85.90	87.18	0.37	89.68	84.68	0%	1%	BULLISH



## Weekly Stock Screens

Currently, there are four different stock screens for you to review. The first is S&P 500 based companies with a *"Growth"* focus, the second is a *"Value"* screen on the entire universe of stocks, and the last are stocks that are *"Technically"* strong and breaking above their respective 50-dma.

We have provided the yield of each security and a Piotroski Score ranking to help you find fundamentally strong companies on each screen. ([For more on the Piotroski Score - read this report.](#))

### S&P 500 Growth Screen



Ticker	Company	Current Price	Next 3-5 Yr Est EPS Gr rate	5 yr Hist Sales Gr	Div Yield	P/E using 12 mo EPS	Score
ADBE	Adobe Systems	483.34	19.00	22.53	0.00	52.20	9.00
AMAT	Appld Matls Inc	141.52	13.79	10.63	0.62	30.83	9.00
ETSY	Etsy Inc	208.20	25.25	38.42	0.00	79.16	8.00
GNRC	Generac Holding	323.80	6.50	14.52	0.00	50.05	8.00
MSFT	Microsoft Corp	242.35	11.93	14.71	0.92	36.12	8.00
QRVO	Qorvo Inc	192.90	13.99	5.10	0.00	24.33	8.00
STZ	Constellatn Brd	229.62	7.41	4.95	1.31	22.49	8.00
ZTS	Zoetis Inc	157.89	12.22	7.76	0.63	41.01	8.00
ADI	Analog Devices	160.38	12.25	12.75	1.72	30.15	7.00
AMD	Adv Micro Dev	81.09	31.64	18.64	0.00	75.79	7.00
AVY	Avery Dennison	188.07	7.90	3.93	1.32	26.45	7.00
CDNS	Cadence Design	141.49	11.10	9.07	0.00	67.06	7.00
CTLT	Catalent Inc	106.54	19.65	13.46	0.00	47.99	7.00
DE	Deere & Co	372.12	19.20	9.18	0.97	34.01	7.00
IDXX	Idexx Labs Inc	486.36	15.81	10.70	0.00	72.48	7.00
IT	Gartner Inc -A	187.27	13.50	16.25	0.00	38.22	7.00
KLAC	Kla Corp	347.29	11.56	17.27	1.04	30.28	7.00
MLM	Martin Mrt-Matl	333.88	8.98	6.45	0.68	28.93	7.00
NVDA	Nvidia Corp	552.47	12.55	21.54	0.12	67.87	7.00
TXN	Texas Instrs	192.06	9.33	1.83	2.12	32.17	7.00
CBRE	Cbre Group Inc	80.05	11.00	19.94	0.00	24.41	6.00
CDW	Cdw Corp	169.44	13.10	7.62	0.94	25.83	6.00
CE	Celanese Corp	151.89	19.03	2.20	1.79	19.91	6.00
COO	Cooper Cos	385.49	11.00	7.27	0.02	38.09	6.00
DHR	Danaher Corp	225.08	13.69	0.46	0.37	35.78	6.00
EL	Estee Lauder	292.33	10.67	7.40	0.73	66.89	6.00
HCA	Hca Holdings	186.15	11.70	5.46	1.03	18.84	6.00
MTD	Mettler-Toledo	1175.19	13.79	5.39	0.00	45.96	6.00
NXPI	Nxp Semiconduct	208.08	10.00	0.98	1.08	35.27	6.00
OMC	Omnicom Grp	75.91	9.25	-2.21	3.69	14.54	6.00
RHI	Robt Half Intl	77.66	14.66	2.36	1.96	28.66	6.00
SPGI	S&P Global Inc	362.65	10.00	6.37	0.85	31.02	6.00
TSCO	Tractor Supply	176.50	9.02	9.65	1.18	25.69	6.00
URI	Utd Rentals Inc	331.71	10.60	12.91	0.00	18.99	6.00
A	Agilent Tech	127.69	9.00	6.57	0.61	36.17	5.00
CAT	Caterpillar Inc	232.74	12.00	4.79	1.77	38.22	5.00
CCI	Crown Castle	174.46	21.00	12.35	3.05	25.81	5.00
EMR	Emerson Elec Co	90.41	9.82	-2.05	2.23	24.98	5.00
FITB	Fifth Third Bk	37.98	8.25	6.38	2.84	17.58	5.00
ROK	Rockwell Automt	263.44	9.30	2.24	1.62	33.14	5.00
SNA	Snap-On Inc	231.74	8.29	1.30	2.12	19.93	5.00
TFC	Truist Finl Cp	59.05	6.84	15.54	3.05	15.38	5.00
TT	Trane Tech Plc	165.44	13.14	2.13	1.43	37.18	5.00
JPM	Jpmorgan Chase	153.71	5.00	8.60	2.34	17.33	4.00
MS	Morgan Stanley	78.22	6.75	9.77	1.79	11.96	4.00
MU	Micron Tech	92.41	9.21	13.05	0.00	27.50	4.00
TROW	T Rowe Price	173.96	11.83	9.16	2.48	18.12	4.00

## Low P/B, High-Value Score, High Dividend Screen

Ticker	Company	Current Price	Price/ Book	ROE 5 Yr Avg	Div Yield	Score
CMTV	Commnty Bcp Vt	19.19	1.34	12.46	3.96	8
GSBD	Goldman Sac Bdc	19.72	1.24	11.49	9.13	8
IBCP	Indep Bk Mich	23.76	1.33	11.45	3.54	8
LOMA	Loma Negra Cia	6.34	1.17	21.42	4.01	8
UBCP	Utd Bancorp -Oh	14.49	1.27	10.05	3.93	8
UGI	Ugi Corp	41.25	1.93	11.25	3.20	8
BSRR	Sierra Bancorp	26.79	1.20	10.46	3.14	7
CZFS	Citizens Fin Sv	59.65	1.20	11.97	3.12	7
EARN	Ellington Resid	12.33	0.91	10.63	9.08	7
FLIC	First Long Is	21.26	1.25	10.79	3.57	7
FNCB	Fncb Bancorp	7.80	1.01	14.50	3.08	7
FNF	Fnf Group	41.28	1.44	14.68	3.49	7
KEY	Keycorp New	20.27	1.23	10.46	3.65	7
MCBC	Macatawa Bank	10.03	1.43	12.40	3.19	7
NHTC	Natural Hlth Tr	7.01	1.18	40.24	11.41	7
PEG	Public Sv Entrp	59.67	1.89	11.14	3.42	7
TCPC	Blackrk Tcp Cap	14.06	1.06	12.06	8.53	7
TRTN	Triton Intl Ltd	55.64	1.90	12.30	4.10	7
UBFO	United Sec Bcsh	8.21	1.18	10.40	5.36	7
VST	Vistra Corp	17.72	1.04	176.31	3.39	7
WTBA	West Bancorp	24.24	1.78	14.73	3.63	7

## NEW! Fundamental Growth Screen

Ticker	Company	Current Price	Next 3-5 Yr Est EPS Gr rate	5 yr Hist Sales Gr	Div Yield	P/E using 12 mo EPS	Score
ADBE	Adobe Systems	483.34	19.00	22.53	-	52.20	9.00
AMAT	Appld Matls Inc	141.52	13.79	10.63	0.62	30.83	9.00
ETSY	Etsy Inc	208.20	25.25	38.42	-	79.16	8.00
QRVO	Qorvo Inc	192.90	13.99	5.10	-	24.33	8.00
ZTS	Zoetis Inc	157.89	12.22	7.76	0.63	41.01	8.00
MSFT	Microsoft Corp	242.35	11.93	14.71	0.92	36.12	8.00
AMD	Adv Micro Dev	81.09	31.64	18.64	-	75.79	7.00
CTLT	Catalent Inc	106.54	19.65	13.46	-	47.99	7.00
DE	Deere & Co	372.12	19.20	9.18	0.97	34.01	7.00
IDXX	Idexx Labs Inc	486.36	15.81	10.70	-	72.48	7.00
IT	Gartner Inc -A	187.27	13.50	16.25	-	38.22	7.00
NVDA	Nvidia Corp	552.47	12.55	21.54	0.12	67.87	7.00
ADI	Analog Devices	160.38	12.25	12.75	1.72	30.15	7.00
KLAC	Kla Corp	347.29	11.56	17.27	1.04	30.28	7.00
CDNS	Cadence Design	141.49	11.10	9.07	-	67.06	7.00
CE	Celanese Corp	151.89	19.03	2.20	1.79	19.91	6.00
RHI	Robt Half Intl	77.66	14.66	2.36	1.96	28.66	6.00
MTD	Mettler-Toledo	1,175.19	13.79	5.39	-	45.96	6.00
DHR	Danaher Corp	225.08	13.69	0.46	0.37	35.78	6.00
CDW	Cdw Corp	169.44	13.10	7.62	0.94	25.83	6.00
HCA	Hca Holdings	186.15	11.70	5.46	1.03	18.84	6.00
CBRE	Cbre Group Inc	80.05	11.00	19.94	-	24.41	6.00
COO	Cooper Cos	385.49	11.00	7.27	0.02	38.09	6.00
EL	Estee Lauder	292.33	10.67	7.40	0.73	66.89	6.00
URI	Utd Rentals Inc	331.71	10.60	12.91	-	18.99	6.00
CCI	Crown Castle	174.46	21.00	12.35	3.05	25.81	5.00
TT	Trane Tech Plc	165.44	13.14	2.13	1.43	37.18	5.00
CAT	Caterpillar Inc	232.74	12.00	4.79	1.77	38.22	5.00
TROW	T Rowe Price	173.96	11.83	9.16	2.48	18.12	4.00

## Aggressive Growth Strategy



Ticker	Company	Current Price	Next 3-5 Yr Est EPS Gr rate	5 yr Hist Sales Gr	Div Yield	P/E F1/ LT EPS Gr	Score
ADBE	Adobe Systems	483.34	19.00	22.53	-	2.54	9
FICO	Fair Isaac Inc	500.95	#N/A	9.79	-	#N/A	8
ETSY	Etsy Inc	208.20	25.25	38.42	-	3.00	8
MSFT	Microsoft Corp	242.35	11.93	14.71	0.92	2.76	8
ZTS	Zoetis Inc	157.89	12.22	7.76	0.63	2.93	8
ADI	Analog Devices	160.38	12.25	12.75	1.72	2.18	7
AMD	Adv Micro Dev	81.09	31.64	18.64	-	1.51	7
CDNS	Cadence Design	141.49	11.10	9.07	-	5.94	7
IDXX	Idexx Labs Inc	486.36	15.81	10.70	-	4.06	7
NVDA	Nvidia Corp	552.47	12.55	21.54	0.12	4.23	7
TXN	Texas Instrs	192.06	9.33	1.83	2.12	3.04	7
SPGI	S&P Global Inc	362.65	10.00	6.37	0.85	2.92	6
RGEN	Repligen	195.44	38.00	35.83	-	2.69	6
VICR	Vicor Corp	88.32	#N/A	9.06	-	#N/A	6
XLNX	Xilinx Inc	129.85	#N/A	9.17	-	#N/A	6
CCI	Crown Castle	174.46	21.00	12.35	3.05	1.30	5
CELH	Celsius Holding	49.56	#N/A	52.49	-	#N/A	5
ENPH	Enphase Energy	162.69	#N/A	23.19	-	#N/A	5
EXR	Extra Space Stg	135.45	4.95	9.71	2.95	4.54	5
IBKR	Interactive Brk	73.67	#N/A	15.21	0.54	#N/A	5
CGNX	Cognex Corp	84.31	#N/A	11.47	0.28	#N/A	4
SRC	Spirit Realty	43.45	4.05	(8.73)	5.75	3.69	4
ALGN	Align Tech Inc	545.05	19.81	25.56	-	3.52	3
PEN	Penumbra Inc	274.31	28.84	24.64	-	11.69	2

## Portfolio / Client Update

I encourage you to read the full newsletter this week if you are concerned about why we increased equity exposure in light of the market's fundamental long-term risks.

However, let me repeat the critical paragraph for you:

***"In the short-term, price changes of stocks are based solely on liquidity, or the balance of buyers and sellers. Over long periods, price changes are dependent on valuations. The following scatter plots compare CAPE valuations to subsequent 10-year and 3-month returns to highlight this fact."***

We understand the "risks" we are taking and are doing so in a measured and pragmatic approach. We understand the importance of creating returns in the short-term and the implications of long-term returns from excess valuations.

With this understanding, you can appreciate why we increased our equity exposure last week. **Currently, we are at full equity allocations, with a slight increase in the duration of bonds. Such leaves our portfolios at model weights in cash with bond durations shorter than our benchmark.**

Furthermore, we added an *"index trading position."* Having a single index position in the portfolio allows us to increase exposure to markets as needed quickly and quickly reduce exposure if required.

Lastly, we continue to carry a *"barbell approach"* in our portfolios. Such splits holdings between *"reflation"* trades such as Energy, Financials, and Materials and *"growth"* focused on Technology.

As always, we continue watching our indicators closely. However, support at the 50-dma continues to hold, which negates some downside risk in the short term.

## Portfolio Changes

During the past week, we made minor changes to portfolios. We post all trades in real-time at [RIAPRO.NET](http://RIAPRO.NET).

### **\*\* Equity / ETF Portfolio ? Trade Update \*\*\***

*"As noted yesterday, we added to individual positions yesterday within portfolio models, and today we added our ?trading index? positions to all models. As noted, with the quarter-end rebalancing behind us, and with April being one of the strongest performance months of the year within the seasonally strong cycle, we are upping exposure short-term to participate with a breakout to new highs." - 4/1/21*

#### **Both Models:**

- *Reduced SHY to 10% of the portfolio*
- *Added a 5% position in SPY*

*"With our S&P 500 ?money flow? models turning positive, along with money flows, we are adding exposure to portfolios for what tends to be a historically strong April period. We are doing this in two phases ? adding individual positions today, and shortly, we will add trading index positions in SPY and QQQ." - 03/31/21*

#### **Equity Model:**

- *Increased ALB to 4% of the portfolio.*
- *Initiated a 2% in NXPI*
- *Started a 2% in F*
- *Selling 100% of CRM*

#### **ETF Model**

- *Added 1% to LIT, increasing weight to 4%*

As always, our short-term concern remains the protection of your portfolio. We have now shifted our focus from the election back to the economic recovery and where we go from here.

*Lance Roberts*

CIO

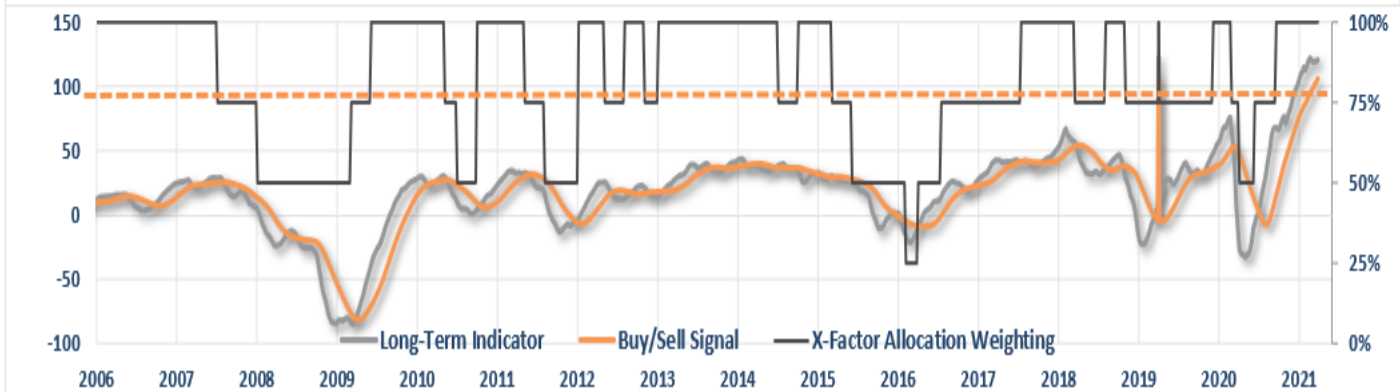
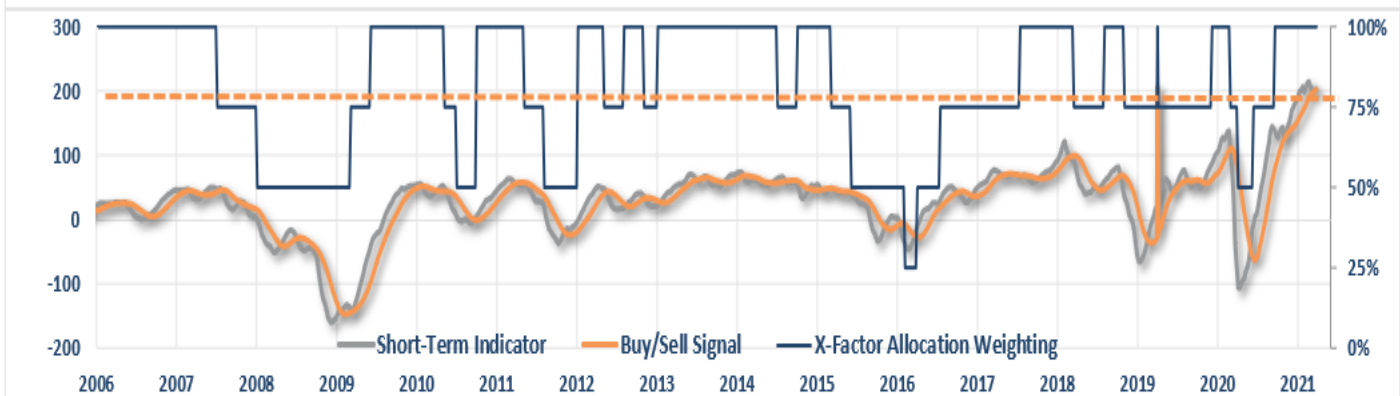
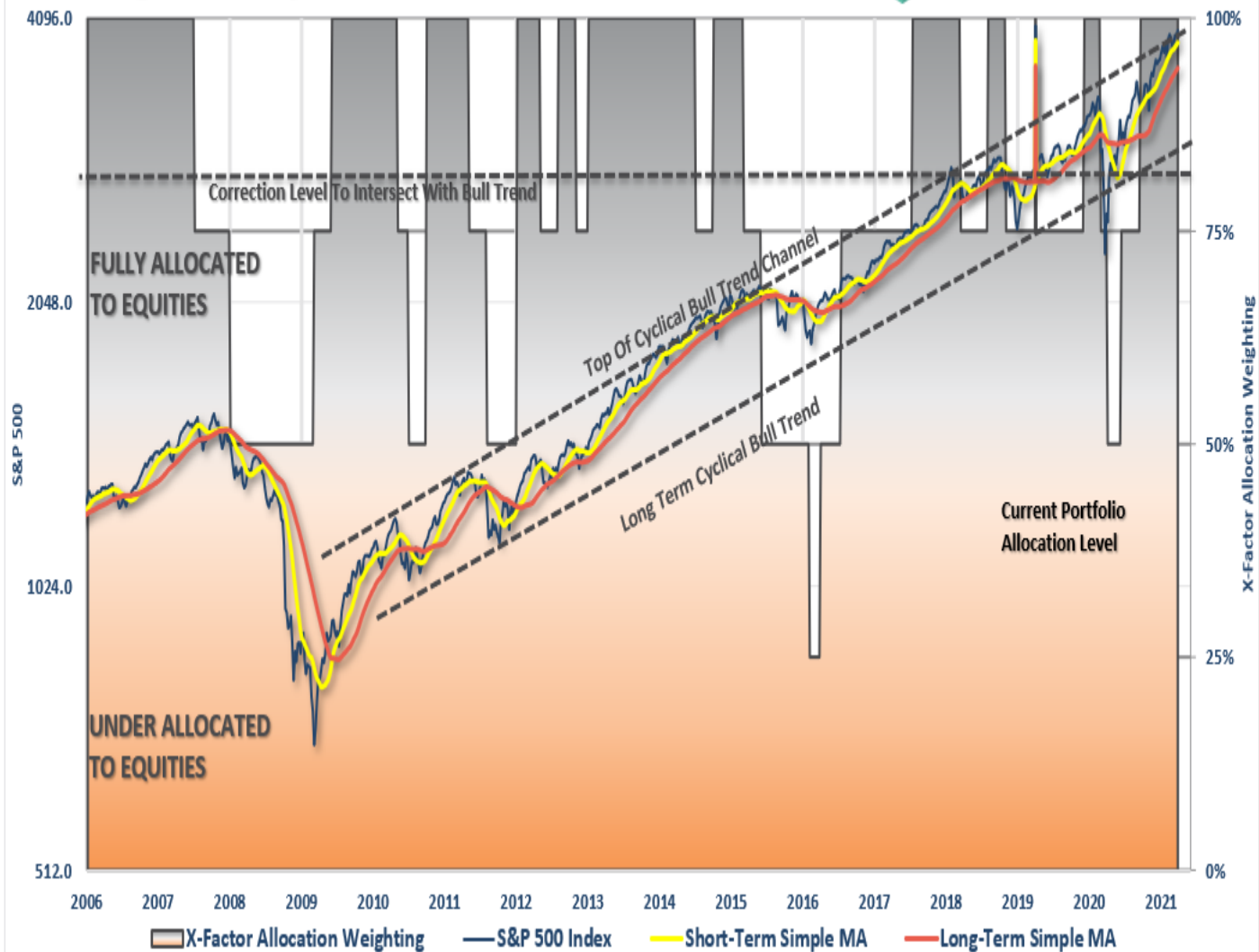
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# THE REAL 401k PLAN MANAGER

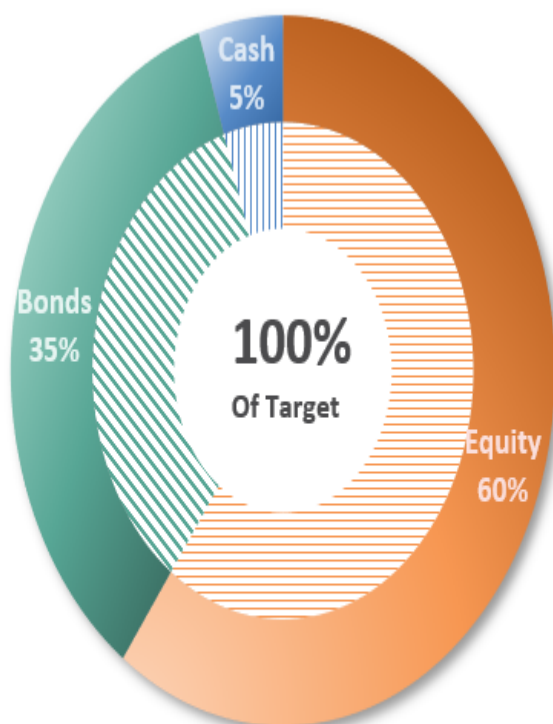
*A Conservative Strategy For Long-Term Investors*

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# Risk Management Analysis



## Current Portfolio Weighting



## Current 401k Allocation Model

### 5.00% Cash + All Future Contributions

*Primary concern is the protection of investment capital*

Examples: Stable Value, Money Market, Retirement Reserves

### 35.00% Fixed Income (Bonds)

*Bond Funds reflect the direction of interest rates*

Examples: Short Duration, Total Return and Real Return Funds

### 60.00% Equity (Stocks)

*The vast majority of funds track an index.*

*Therefore, select on ONE fund from each category.*

*Keep it Simple.*

20% Equity Income, Balanced or Conservative Allocation

30% Large Cap Growth (S&P 500 Index)

5% International

5% Mid-Cap

## Portfolio Instructions:

Allocation Level To Equities	Recommendation	When To Take Action
Less Than Target Allocation	Hold Current Exposure	Hold Exposure
Equal To Target Allocation	Hold Current Exposure	Hold Exposure
Over Target Allocation	Hold Current Exposure	Hold Exposure

## Commentary


As noted last week:

**"After rallying off the 50-dma last week, the market rallied back towards all-time highs on Friday. With quarter-end pension fund rebalancing complete, the market is likely clear for a rally into early April."**

***If you need to increase equity exposure, the opportunity to do so is available. But as always monitor the risk you take as we are very extended into the current market cycle. If you are close to retirement, think about being more conservative as you don't have the time to make up substantial losses if they occur."***


Continue to maintain exposures, but rebalance positions that have grown to outsize weightings in portfolio. International and small-cap stocks have had decent corrections, but remain extended from long-term means. You can add weight to these sectors, but keep a watch on the dollar. The dollar is continuing to rise which will undermine these areas specifically.

If you need help after reading the alert, do not hesitate to [contact me](#).



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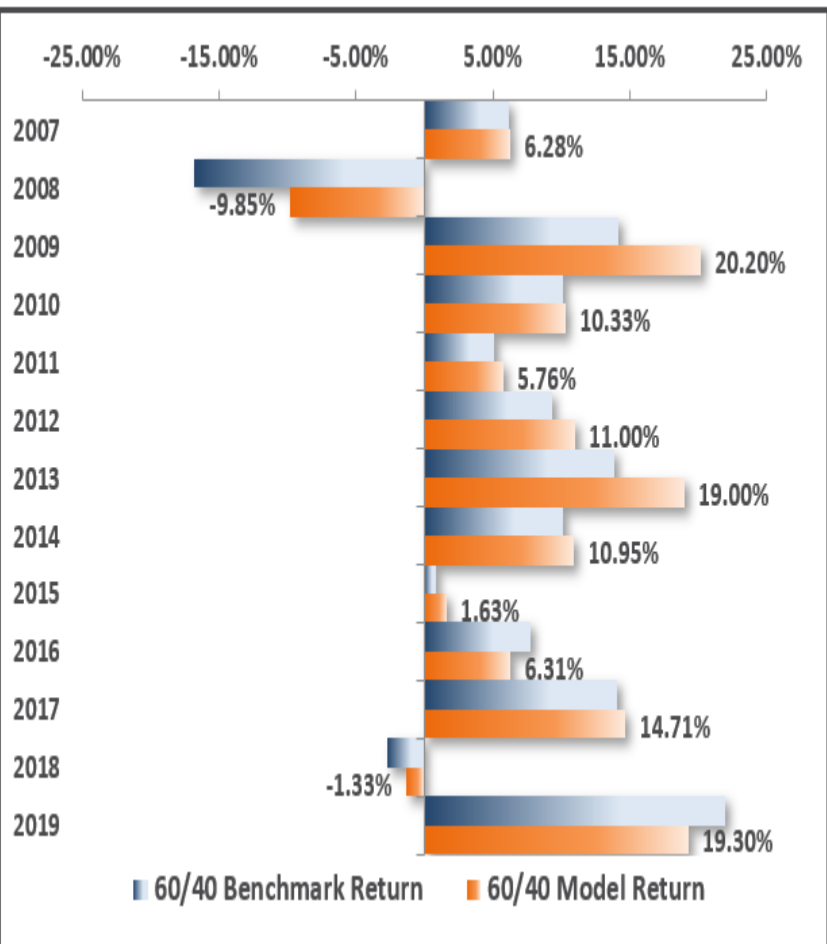
[> Learn More](#)

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*Model performance is a two-asset model of stocks and bonds relative to the weighting changes made each week in the newsletter. Such is strictly for informational and educational purposes only, and one should not rely on it for any reason. Past performance is not a guarantee of future results. Use at your own risk and peril.*



Year	60/40 Benchmark Return	60/40 Model Return
2007	6.15%	6.28%
2008	-16.79%	-9.85%
2009	14.22%	20.20%
2010	10.17%	10.33%
2011	5.14%	5.76%
2012	9.33%	11.00%
2013	13.91%	19.00%
2014	10.08%	10.95%
2015	0.83%	1.63%
2016	7.79%	6.31%
2017	14.12%	14.71%
2018	-2.72%	-1.33%
2019	21.96%	19.30%



Portfolio vs Benchmark Statistics	
Number of Up Years	11
Number of Down Years	2
Best One Year Return Of Benchmark	21.96%
Best One Year Return Of Model	20.20%
Worst One Year Return Of Benchmark	-16.79%
Worst One Year Return Of Model	-9.85%
Benchmark Return 2007-Present	123.78%
Model Return 2007-Present	173.11%
Total Alpha Generated	49.33%
Mean Annual Return Of Benchmark	7.25%
Mean Annual Return Of Model	8.79%
Beta Of Model vs Benchmark	0.86
Jensens Alpha	2.30%
Sharpe Ratio	0.29

