

iSectors[®] Current Economic Update

iSectors[®] economic research continues to support the contention (we've held for more than a year now) that the state of the U.S. economy is ripe for stagflation. The unemployment rate continues to increase, GDP growth is slowing, stock market volatility is rising, and if the expected interest rate cuts from the Fed do not have the desired effect, inflation may continue to run above their target and stay elevated, even in the face of a slowing economy.

Post-MPT Allocations Positioned Defensively on a Relative Basis

Compared to their respective benchmarks, both iSectors[®] Post-MPT Growth Allocation (PMPTG) and iSectors[®] Post-MPT Moderate Allocation (PMPTM) are overweight defensive sectors and asset classes. Growth's allocation to defensive sectors nearly triples that of its S&P 500 benchmark, as seen below (SPY). While Moderate's 60/40 stock/bond benchmark has a lower defensive allocation than both Post-MPT models (based on Morningstar's sector classification, with gold bullion and bonds added to the defensive category). Given the heightened market volatility of late, and economic uncertainty highlighted in the opening paragraph, the defensive tilt has proved beneficial for both models in recent months.

	SPY	60/40	PMPTG	PMPTM
Cyclical Sectors	27.35%	16.41%	14.60%	2.80%
Sensitive Sectors	52.15%	31.29%	26.60%	28.80%
Defensive Sectors	20.50%	52.30%	60.30%	68.40%

	Sector	SPY	60/40	PMPTG	PMPTM
Cyclical	Materials	2.02%	1.21%	10.90%	1.70%
	Consumer Cyc.	10.16%	6.10%	0.00%	0.00%
	Financials	12.85%	7.71%	0.00%	1.10%
	Real Estate	2.32%	1.39%	3.70%	0.00%
Sensitive	Communication	8.88%	5.33%	0.00%	0.00%
	Energy	3.74%	2.24%	0.00%	0.00%
	Industrials	7.95%	4.77%	0.00%	0.00%
	Technology	31.58%	18.95%	26.60%	28.80%
Defensive	Consumer Def.	5.89%	3.53%	0.00%	0.00%
	Healthcare	12.13%	7.28%	3.50%	15.70%
	Utilities	2.48%	1.49%	0.00%	14.30%
	Bonds	0.00%	40.00%	24.90%	7.80%
	Gold	0.00%	0.00%	29.90%	28.60%
	Cash	0.00%	0.00%	2.00%	2.00%

Key Overweights and Underweights vs. S&P 500 and 60/40 Stock/Bond Benchmark

- iSectors[®] Post-MPT Growth Allocation: OVERWEIGHT Basic Materials, UNDERWEIGHT Consumer Cyclical/Financials/Healthcare.

- iSectors[®] Post-MPT Moderate Allocation: OVERWEIGHT Healthcare/Utilities, UNDERWEIGHT Consumer Cyclical/Financials.

- Both models currently hold a near maximum weighting to gold bullion in addition to the overweights and underweights described above. Gold has been a mainstay in each of these models for more than a year now as previously mentioned concerns over sticky inflation, volatile interest rates, and geopolitical unrest have persisted during much of that period.

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Data Sources

Morningstar.com

eVestment.com

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