

DECEMBER 2016

THE EXPRESS ADVISOR™

A NEWSLETTER FOR FEDERAL EXPRESS PILOTS



Leading Authority on Successfully Investing Your 401k Plan

CAPTAIN'S BRIEFING:

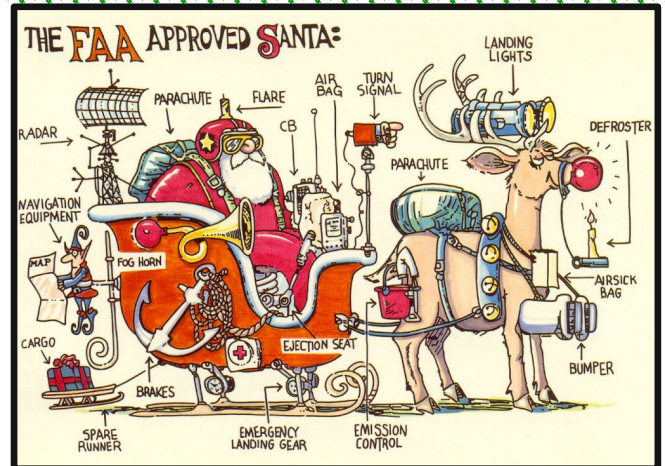
- **ONE FUND EXCHANGE** in ALL models.

Your FedEx MPP Plan is merging into the RSP Plan at the end of the month!

IMPORTANT:

- The merger of the plans begins Wednesday, Dec. 28th at 4pm EST and will end sometime the week of Jan 1st, 2017. Vanguard will notify you when the freeze window is lifted.
- All of the MPP accounts will be frozen during this time period and transferred in-kind into the PRSP.
- **YOU MUST GO IN AND RE-ELECT YOUR RSP BENEFICIARIES** once the freeze is lifted.
- After the plans merge, the PRSP will offer Roth 401(k) after-tax contributions as an alternative to Pre-tax and traditional After-tax contributions you can make currently.

We wish you a Safe and Happy Holiday Season!



Captain's Table — Go to page 5

The Future of Drones

- **Make sure you are keeping track of your trade dates for the 30-day buy back in period!**

President Trump

The trading days leading up to the U.S. presidential election did not feel great. For eight straight trading days, the stock market lost value. It was the first time the market had experienced eight consecutive down days since 2008. Fortunately, this year's eight-day funk amounted to the S&P 500 losing only about 3% in value. October was a down month for most stock and bond benchmarks, and the consensus view on stocks and the election was that markets liked the certainty that came with a Hillary Clinton presidency (essentially a third term of Obama). Most political analysts and media outlets gave Clinton better grades following the presidential debates, and the trading days following those debates seemed to echo that view. Early polls showed Clinton holding a lead, but the race tightened in the weeks leading up to Election Day.

Nate Silver's "FiveThirtyEight" website—which performs polling analytics for politics, economics, sports, and other content—had Clinton favored with a 71% probability of winning in the final days prior to the election. Boy, did they get it wrong. There will be countless hours of research that go into studying the 2016 election. FiveThirtyEight aside, many polls showed Donald Trump gaining momentum in late October and early November, and it was that momentum that may have soured the markets. The market didn't seem to like the "outsider", a candidate with no political track record and largely undetailed policy ideas. The consensus view held that a Trump election would be followed by a market sell-off, and the comparison to a Brexit-like shock seemed sensible.

(Continued on page 2)

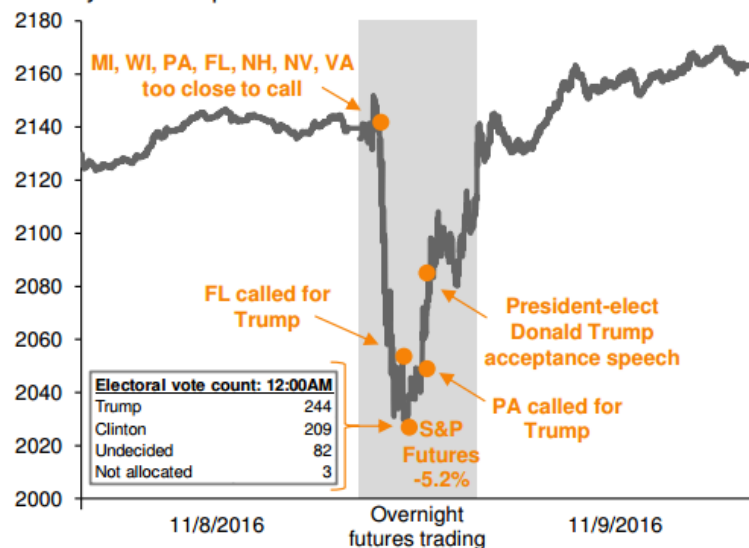
"You're flying toward an unknown financial future— WE HAVE CHARTS!"



CHART OF THE WEEK

Election pullback corrected itself in overnight futures trading

Intraday S&P 500 price index and S&P 500 futures market



Advertisement

→ If you're approaching retirement, NOW is the time to have a conversation and get everything lined up for your "final approach."

We've made it easy for you to chart the path to your "final approach," in our FREE "14 Days to a Secure & Prosperous Retirement Course!"

[click here](#)

to sign up for this "no-strings attached" free email course.

Provided by Smith Anglin,
a Registered Investment Advisor

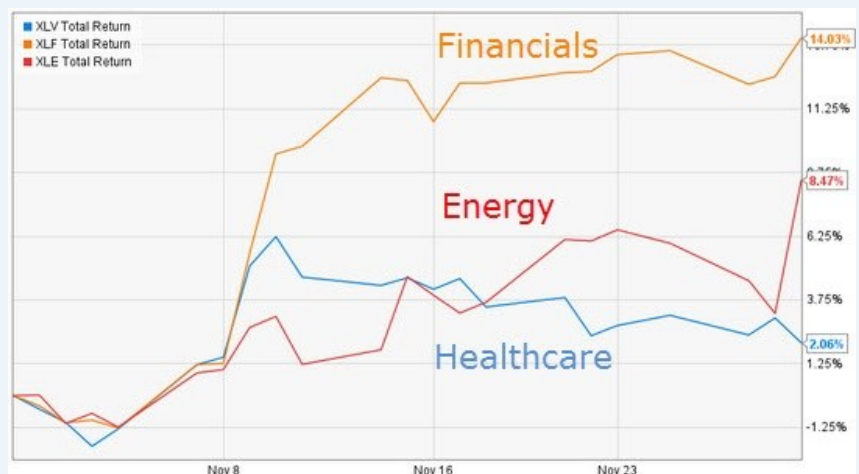
New policies and potential impacts

There was a shock in overnight trading of stock futures on election night. The S&P 500 was down 5% in a very swift move. It looked like markets were set to have a bad day the morning after the election, but stocks traded flat at the open and then rallied higher that day ... and continued on an upward trajectory for most of November. The Brexit sell-off lasted two trading days; the market reaction to President-elect Trump lasted all of a couple of hours. It was a fascinating turn of events, and it now removes some of the uncertainty that has been weighing down markets and kept them largely range bound since July.

The overall market mood is now optimistic based on expected policy reforms, and there are two major stimuli involved: tax reform and deregulation. Trump's tax plan looks like it could be especially beneficial for businesses as corporate taxes could be cut by more than half, down from 35% to 15%. In addition, tax reform could influence U.S. businesses to repatriate billions in foreign revenues at a rather friendly 10% tax rate. Reduced corporate taxes will boost bottom line earnings, and repatriated cash could boost capital expenditures, stock buybacks, and dividends paid out to shareholders. All three of those could be a great boon to both the economy and investors.

Put in simple terms, deregulation translates to a business-friendly environment, and initially it looks like that could be very positive for financial, healthcare, and energy companies. Trump has pledged to overhaul the Dodd-Frank Act, which was in large part enacted as a reaction to the Financial Crisis. Dodd-Frank compliance has proven to be burdensome to the financial industry, and the prospects of deregulation and higher interest rates have boosted the earnings expectations, and thus the stock prices of banks and financial firms.

Trump has also vowed to repeal and replace the Affordable Care Act. The healthcare sector has traded lower most of this year with the expectation of a Clinton administration coming to power, but the charts (below) show a significant about-face in the healthcare sector after the election. Lastly, the energy sector is expected to benefit from a Trump administration as his views on energy and climate change differ greatly from those of the Obama administration. Sectors aside, Trump is viewed as pro-business and pro-growth, and the markets have moved in response to that.



Velocity Composite™ Fund Score Ranking

Symbol / #	Fund Name	Score	1MoPerf	3MoPerf	6MoPerf	1YrPerf	3YrPerf	5YrPerf
VWENX	Vanguard Wellington Fund Admiral	1262	-0.82%	-2.15%	1.15%	3.29%	8.79%	29.68%
VSCGX	Vanguard LifeStrategy Consrv Grwth	1210	-1.23%	-2.33%	0.91%	3.26%	7.71%	22.48%
#1686	Vanguard Target Ret Income Tr Sel	1186	-1.23%	-2.33%	0.91%	3.26%	7.71%	22.48%
VIPIX	Vanguard Infla-Protected Sec Inst	1184	-2.07%	-1.85%	0.48%	3.66%	5.03%	3.94%
VWNEX	Vanguard Windsor Fund Admiral	1154	5.64%	3.51%	8.38%	11.74%	27.27%	96.66%
#6901	Vanguard Instl Extended Market Tr	1121	4.36%	-0.27%	4.71%	4.36%	22.57%	83.27%
VSCIX	Vanguard Small-Cap Index Fund Inst	994	11.06%	6.49%	15.79%	12.24%	20.98%	92.92%
VMCIX	Vanguard Mid-Cap Index Fund Inst	927	5.31%	1.80%	7.14%	9.21%	27.29%	94.47%
#6900	Vanguard Institutional 500 Index Trust	841	3.68%	1.60%	5.90%	7.89%	29.38%	95.56%
VPMAX	Vanguard PrimeCap Fund Admiral	668	3.67%	1.55%	5.88%	7.90%	29.54%	96.00%
#1680	Vanguard Target Ret 2040 Tr Sel	666	0.49%	-0.70%	3.22%	4.04%	13.27%	56.93%
VSMGX	Vanguard LifeStrategy Mod Growth	612	-0.82%	-2.15%	1.15%	3.29%	8.79%	29.68%
#1674	Vanguard Target Ret 2010 Tr Sel	522	-1.23%	-2.33%	0.91%	3.26%	7.71%	22.48%
VTRIX	Vanguard International Value Fund	474	-1.78%	-2.87%	-1.20%	-3.60%	-6.36%	29.29%
#6904	Vanguard Inst Tot Intl St Mt Ix Tr	360	-2.04%	-2.75%	1.33%	-0.24%	-6.71%	20.65%
J6560	Janus Core Plus Fixed Inc CF	300	-2.57%	-3.33%	-1.05%	1.96%	8.20%	12.16%
#6903	Vanguard Inst Tot Bond Market Index Tr	271	-2.57%	-3.33%	-1.05%	1.96%	8.20%	12.16%
VWILX	Vanguard International Growth Adm	220	-1.78%	-2.87%	-1.20%	-3.60%	-6.36%	29.29%

APPROXIMATE Future Publication Dates

1/5/17

2/3/17

3/3/17

4/5/17

5/3/17

6/5/17

7/6/17

8/3/17

9/6/17

***** Target Date & International Fund Notes:** Vanguard is now limiting ownership of Target Date Funds to one at a time. After a review of our trading history, the system has used two maturities the most: 2040 and 2010. For this reason, we are keeping these and eliminating the rest from the system ranking. This makes the system easier to follow.

Definitions & Notes: The Velocity Composite Fund Score Ranking combines the Velocity (speed of advance of a fund compared to all other funds) with its Buy Point Score (how close the fund is to a recent bottom). This composite score is used to rank all available fund choices. In defined Bull Market advances, the system uses the Top 3 funds in the Aggressive model and the Top 4 in the Moderate and Conservative models. In Defined Bear Market periods, this ranking is provided for information purposes and for those who are "doing their own thing" and would like to know how the system views the funds. Rankings dates are the last business day of each month. The actual price history of each fund is used to calculate the score.

FedEx 401(k) Plan Conservative Model

Symbol/#	Fund Name	Allocate
VMRXX	Vanguard Prime Money Market Adm	60.00%
VIPIX	Vanguard Infla-Protected Sec Inst	10.00%
VWENX	Vanguard Wellington Fund Admiral Shares	10.00%
#1686	Vanguard Target Ret Income Tr Sel	10.00%
VSCGX	Vanguard LifeStrategy Consrv Grwth	10.00%
		100.00%

FedEx Pilots 401(k) Plan Moderate Model

Symbol	Fund Name	Allocate
VMRXX	Vanguard Prime Money Market Adm	36.00%
VIPIX	Vanguard Infla-Protected Sec Inst	16.00%
VWENX	Vanguard Wellington Fund Admiral Shares	16.00%
#1686	Vanguard Target Ret Income Tr Sel	16.00%
VSCGX	Vanguard LifeStrategy Consrv Grwth	16.00%
		100.00%

FedEx Pilots 401(k) Plan Aggressive Model

Symbol	Fund Name	Allocate
VMRXX	Vanguard Prime Money Market Adm	19.00%
VIPIX	Vanguard Infla-Protected Sec Inst	27.00%
VWENX	Vanguard Wellington Fund Admiral Shares	27.00%
#1686	Vanguard Target Ret Income Tr Sel	27.00%
		100.00%

• ONE FUND EXCHANGE in ALL models

- IN A MONTH WITH TRADES—

THE NEW FUNDS WILL BE HIGHLIGHTED IN YELLOW

- **READ:** If your 401k plan has *any* trading restrictions, you must keep track of your buy and sell orders.
- **Future Contributions:** The models work smoothly if you direct ALL future contributions into the money market account. Then, they will be automatically invested into the correct allocation when you make changes to follow a model.

Is your credit card about to expire? Have you recently received a new card OR have you requested a new credit card because of vendor security issues?

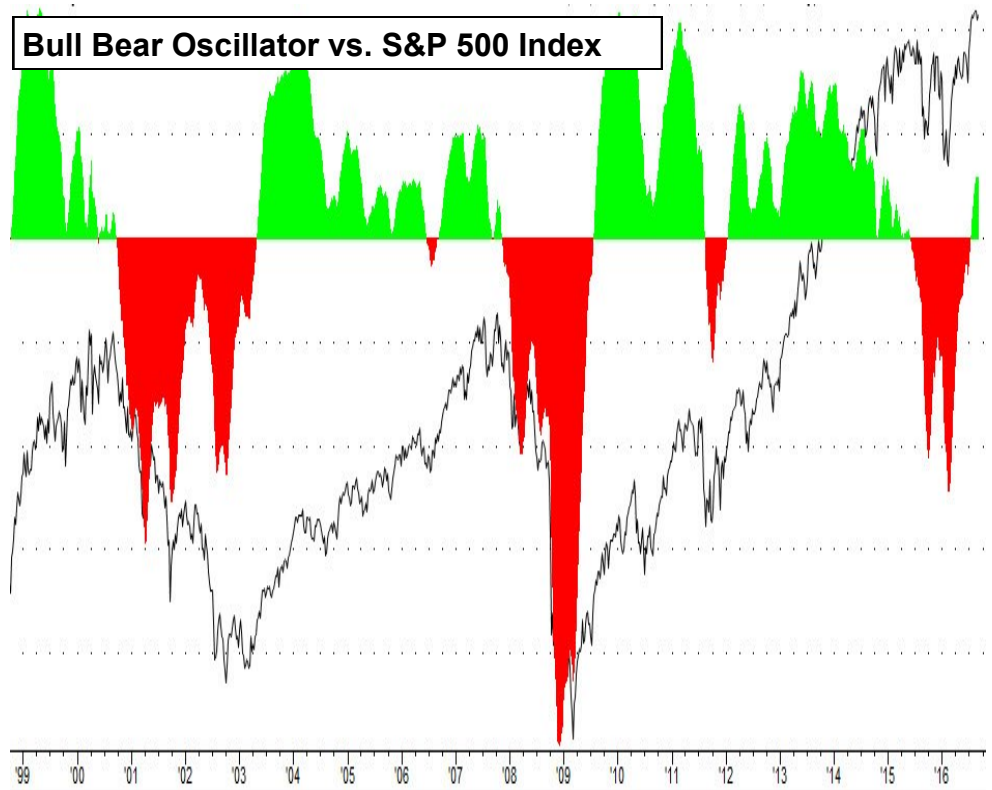
To update new CREDIT CARD information BEFORE your credit card expires, either call us at 717-569-8162 or go to the "Update Credit Card Information" section under the Member's Tab.

Fear & Greed Index

After a nervous and negative October, the S&P 500 continued its slide in early November before rebounding the final two days prior to the election. Markets plunged in after-hours trading on election night, surprised by Mr. Trump's stunning victory, only to reverse course the following day. U.S. markets advanced for the rest of November, setting several all-time highs.



Bull Bear Oscillator vs. S&P 500 Index



Worry-Free 401k Flight Path Models™—FedEx

Aggressive Model

Moderate Model

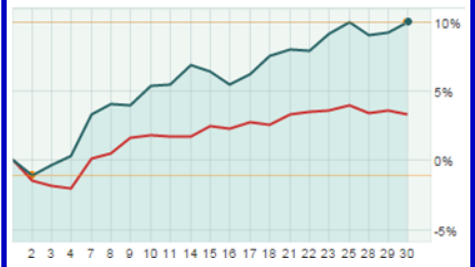
Conservative Model

S&P 500 Index



FDX—If you liked how the S&P 500 performed in November, well FedEx stock was trice as nice. FDX advanced more than 10% for the month, almost 3 times as much as the S&P 500, which gained more than 3% in November and posted new all-time highs along the way.

■ FDX ■ S&P 500



FedEx Pilots 401k Plan (as of November 30, 2016)

Performance Stats

	YTD	1 Month	1 Year	3 Years	5 Years	10 Years	Inception
Conservative Model Annualized	-2.20%	-1.10%	0.70%	5.55%	16.70%	17.39%	68.76%
				1.82%	3.14%	1.62%	3.13%
Moderate Model Annualized	-3.70%	-1.70%	4.48%	13.15%	29.68%	35.04%	138.39%
				4.20%	5.34%	3.05%	5.24%
Aggressive Model Annualized	-5.80%	-2.40%	5.67%	26.51%	37.12%	53.41%	212.74%
				8.15%	6.52%	4.37%	6.94%
S&P 500 Annualized	8.85%	3.70%	8.06%	29.75%	96.33%	94.62%	116.72%
				9.07%	14.45%	6.89%	4.65%



from the CAPTAIN'S TABLE

The Future of Drones

I understand the “Captain’s Table” piece is designed to provide some education on topics that may be considered standards for our industry, but I thought I would keep it somewhat light-hearted this month and discuss something that is certain to be a part of our future. As a private pilot, I have often thought about the potential for drones taking to the sky in the not-so-distant future. What does that look like? What regulations will be in place? In a busy area such as Dallas, am I going to see several dozen drones running around the area on my next approach into Addison airport? There are many companies that are now interested in the drone delivery technology and wondering when the technology will become available. Drone delivery solutions are still in the development stage and are not yet ready for commercial use. The following is a very brief update regarding when it might be a reality.

Amazon is on the forefront of developing drone delivery technology, but many hurdles remain before it becomes commonplace. For example, U.S. regulations restrict drones from flying higher than 400 feet, traveling beyond the view of the operator, flying at night, and/or flying over people. It’s hard to imagine delivering anything in our area with those current restrictions. Additionally, practical limitations such as the distance a drone can travel, the amount of weight a drone can carry, problems related to flying drones in high winds or rainstorms all have engineers scratching their heads. Also in play are the numerous privacy laws pertaining to live video feeds captured and recorded by flying drones. These factors are hampering the development of drone delivery, at least here in the U.S. The technology appears to be proceeding more rapidly in other countries and tests have been conducted in several nations such as Canada, Denmark, New Zealand and the U.K.

In August of this year, Domino’s announced that it had received permission to launch the world’s first commercial drone delivery service after demonstrating drone deliveries in Auckland, New Zealand. A trial run is being allowed by the Civil Aviation Authority in New Zealand to selected customer homes from an approved Domino’s location. The process goes like this: the customer who requests

drone delivery (for an added fee of course) receives a smartphone notification as their delivery arrives. The customer is instructed to go outside in an open area and press a button on their Domino’s smartphone app to lower the tethered package. Once the package is delivered, the drone reels in the tether and returns to the store. I keep thinking to myself how many things can go wrong in this process, but who am I to stop progress. Currently, the drones being used can carry up to 5.5 pounds up to 10 miles, round trip.

If drone delivery becomes a reality, we can expect to see them used in several industries. Obviously, the fast food industry would be expected to adopt some usage. Pharmacies may use them to deliver medications, hospitals could use them to send blood samples out for analysis, delivery companies could transport lightweight packages the final few miles of their delivery (which is reportedly the costliest portion of the delivery process), and relief organizations could deliver supplies to disaster areas. 7-Eleven actually reported the successful delivery of a Slurpee in Reno, NV, so clearly the technology is progressing. Other leaders in drone deliveries include Google, the U.S. Postal Service, DHL, Mercedes-Benz, and the China-based Alibaba. But not all drone delivery news is good; evidence suggests that drones have been used to smuggle drugs into and within the U.S., as well as, drugs and other contraband into prisons. Obviously, every technology seems to have a dark side.

Currently, there are more than 70 companies that are developing drone technology, with the bulk of them focusing on mapping, aerial photography, oil and gas line inspection, civil engineering, forest and farmland monitoring, search and rescue, and construction management. Facebook is even looking at solar-powered drone routers that could hover above cities to provide Wi-Fi internet service to rural or unpopulated areas, as well as, developing countries with little access to internet service.

Of the few drone companies focusing on delivery applications, Flirtey is one of the best known. Matternet, a competing drone company, is developing smart drones capable of using GPS technology, sensors, and artificial intelligence to self-navigate and avoid unforeseen obstacles. Other companies are creating drones that remain stable and continue to fly even if it bumps into an obstacle or ones that follow and film a subject wearing the device’s tracking wristband.

So, it is clear to see that drone technology is developing rapidly, as is drone delivery technology. I expect to see more of this technology rolled out in other countries first, and assuming they are successful; it may appear in the U.S. in the next few years. Although I recognize the numerous pitfalls they will encounter along the way, not to mention all the college students that order pizza and think it would be funny to hold on to the tether or tie it to the frat house.

I look forward to the day I can order up a large sweet ice tea and have it delivered to the fairway of my choice or even a steaming hot chocolate to our favorite duck/deer blind. Who knows, it could happen.

Have a great month. *Chris*

Chris Lott, CFP®, CPA is a Managing Partner at Smith Anglin Financial, and is a member of the firm's Investment Committee. He regularly meets with prospective clients, counsels existing clients, leads investment portfolio analysis and develops materials for communicating with the firm's clientele and target markets.

Experts at the Captain's Table: All members have a wide and varied background in all areas of wealth management. Most importantly, the members have worked extensively with professional pilots at American, Delta, Federal Express, Southwest, United – and every airline that merged into these along the way – for more than 85 years combined. They know your world, your benefits, how to retire in the best way, and what is needed at each life-stage in retirement to get you to your goal.

Capital Markets and Interest Rates

U.S. stocks have performed very well since the election, but Developed International stocks, Emerging Markets stocks, and bonds have lost value. Domestic stocks in every market cap segment, from large-cap stocks down to small-cap stocks, ended November markedly higher, but mid-caps and small-caps had the strongest performance. That out-performance was due in large part to renewed interest rate expectations (discussed below) and the potential for the U.S. dollar to strengthen. The stocks of midsized and smaller U.S. companies outperformed their larger counterparts because these smaller companies are less influenced by currency issues. A strong U.S. dollar can be a headwind to large companies forced to export goods made more expensive by a surging greenback. Trump's desire to repeal/revise the North American Free Trade Agreement (NAFTA) and his promise to withdraw from the Trans-Pacific Partnership (TPP) on his first day in office help explain the underperformance of international stocks. Some investment strategists claim that diversification is dead, but last month proves that it still works for investors and helps portfolios during times of greater uncertainty.

There was a major shift in interest rate expectations as a result of the election. The Federal Reserve Board has been very cautious in its interest rate policy, and that has amounted to only one, singular interest rate hike since the Financial Crisis began. The Fed has cited a myriad of issues for their slow and cautious approach: slack in jobs, lack of wage growth, low inflation, and even global conditions. Fed members have commented on Trump's tax policy and fiscal spending as two factors which could send inflation higher; thus, the expectation of interest rate hikes has risen.

If you study Fed funds futures, you can get a sense of what the market expects. So, what's the market's assumption for a December Fed funds rate increase? The answer is about 99%. Market strategists and Fed watchers are now predicting multiple rate hikes in 2017, but that's not really a surprise as they've predicted higher rates for more than five years now. However, conditions now seem more suitable for possible hikes in the near future.

Higher interest rates will be good for savers sitting on cash, which has provided them with very little income in recent memory. Higher rates will also be good for banks sitting on loan portfolios that have yielded little profits. And the combination of higher rates along with higher inflation could be good for real estate. But the path to higher interest rates has been a short-term shock to bond investors. Investment grade bonds had a terrific first half of 2016, as a lot of foreign money poured into U.S. bonds because their yields were higher than what could be found elsewhere. However, as interest rate hikes are now more likely, bonds have experienced some hefty outflows, and their values have taken a hit. In the two weeks following the election, roughly \$10b moved out of bond funds, slashing the year-to-date return of those funds in half. The selling seems to be overdone though as the Fed funds rate still sits well below 1%, and probably won't go over 2% until 2018. Everyone, including the markets, probably needs to just take a deep breath and see how Congress and President-Elect Trump work together after the inauguration in passing legislation regarding taxes, trade, healthcare, and so on.



A New Year, A New Deal

In September, members of the OPEC oil cartel tentatively agreed to production cuts in an effort to boost the price of crude oil. However, there was a lack of agreement on the details of the deal. OPEC held another meeting just last week that included several non-OPEC countries, and participants formally agreed to cut overall production by 1.2 million barrels a day. Oil prices and energy stocks rallied on the news.

The agreement is an interesting turn of events because it was on the Friday after Thanksgiving just two years ago, in 2014, when OPEC decided to make no changes to oil production. West Texas Crude had peaked in the summer of 2014 at around \$107/barrel, and from June until November the price of oil plummeted by about -25%. The decision then to not cut or cap production was a strategy of allowing massive oversupply to send oil prices lower, a move intended to hurt frackers and shale players in the U.S. and drive some of them out of business. You might recall in past newsletters that we've highlighted how a weak U.S. energy sector has been a drag on overall S&P 500 earnings, so there's no question that OPEC's strategy to inflict pain on U.S. producers was successful.

However, the plan also meant that OPEC would be hurting their own pocketbooks. Venezuela's already reeling economy was further harmed by lower oil revenues and now flirts with economic and political ruin. Even Saudi Arabia had to cut subsidies and perks for citizens, and non-OPEC countries like Russia have struggled mightily as diminished oil revenues damage their already fragile economy as well.

OPEC's latest efforts to manipulate the price of oil must be closely monitored. As the production cuts go into effect in January, it will be interesting to see how quickly U.S. frackers can bring production back online and profit from higher prices. Some energy analysts are predicting a brief move up in oil prices followed by yet another decline when supply increases. Supply and demand will continue to drive oil to some near-term equilibrium price, but higher interest rates in the U.S. could lead to more U.S. dollar strength which would apply downward pressure to oil prices because oil is priced in U.S. dollars. There are a lot of variables in play here, and OPEC meets again in mid-2017. Stay tuned.

Looking Ahead

After the Brexit and Trump surprises, there is another important vote to be held very soon that could also affect global markets. Italy is holding a referendum on reforming its Constitution on December 4th, and Italian Prime Minister Matteo Renzi believes that constitutional reform is necessary to provide political stability and allow the Italian government to operate more efficiently. The reforms are also critical in order to stabilizing the country's banks which are burdened with €200 billion in bad loans. A no-vote would result in shifting more power to Italian politicians who are in favor of Italy leaving the European Union. Some economists predict that to be the end of the Euro, an event which would have major repercussions for global trade.

As mentioned before, the Fed's December meeting should result in a vote to push interest rates higher. The markets expect a hike, so it's likely that higher rates are already priced into stocks. However, 2016 has been a year of big surprises, so who knows for sure? Remember, this was the year that ended the Chicago Cubs' "Curse of the Billy Goat" in the most dramatic of fashions. Cubs' fans went from the agony of losing the first three games of the World Series to the ecstasy of winning the series' final four straight games, breaking their 108-year-old year drought as Major League Baseball's victor. The "Back to the Future II" film was only one year off in its prediction of a Cubs Championship, and on top of that Nike is making the film's self-tying shoes a reality. Get ready to open your wallet though: a pair of the futuristic Nike HyperAdapt shoes will cost you a cool \$720.

Manage My 401k for Me!

Are you too busy to keep up with your 401k? Do trips and time zones keep you out of the loop? Want to make sure changes are made automatically to your account?

The 401k Autopilot ProgramSM is offered through Smith Anglin (not the newsletter). The firm provides *daily supervision*, going beyond the newsletter recommendations. All this for a fee smaller than the amount the market often fluctuates in a *day*. There is a \$250,000 minimum combined 401k plus any transferred accounts.

Get your free Autopilot Starter Kit at

<http://www.smithanglin.com/401k-autopilotprogram/>

Services provided through
Smith Anglin, a Registered
Investment Advisor