MARCH 2017

THE EXPRESS ADVISOR™

A NEWSLETTER FOR FEDERAL EXPRESS PILOTS

Leading Authority on Successfully Investing Your 401k Plan

CAPTAIN'S BRIEFING:

- **NO CHANGE** in the models.

Now that the freeze is lifted, if you haven't already YOU NEED TO GO IN AND RE-ELECT YOUR RSP BENEFICIARIES.

Captain's Table — Go to page 5

"Why you can't predict markets".

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

Did you know: Although DST has only been used for about 100 years, the idea was conceived many years before. Ancient civilizations are known to have engaged in a practice similar to modern DST where they would adjust their daily schedules to the Sun's schedule. For example, the Roman water clocks used different scales for different months of the year.

Wayne Gretzky, a National Hockey League Hall of Fame inductee, is probably the greatest hockey player of all time. He had a storied career even though he lacked overwhelming size or strength; in fact he was a good 30 pounds lighter than the average player of his time. On the ice, he showed great stamina and a fast and accurate shot, but the guy also had remarkable instincts. He was unrivaled in his ability to handle the puck and has a great line about his anticipation on the ice: "I skate to where the puck is going to be, not to where it has been." Investors have played the markets just like Gretzky, rallying higher in anticipation of pro-business, pro-growth policies touted by the Trump Administration and a Republican congress.

Committed and Decisive

The first few weeks of the Trump administration have been busy, very much like all newly-elected presidents embarking on a first term in the Oval Office. There's plenty to do: the hiring of staff, Congressional hearings for cabinet-level nominees, and the debriefings of current operations, but markets aren't really responding to any of the "new Administration" minutiae. Market participants, like Wayne Gretzky, are getting positioned for where they believe policy is going to be, focusing mainly on the likelihood of more favorable tax policy and of less regulation. Let's look at a few of the executive orders signed by President Trump so far.

- An Obama-era regulation on coal has been put to bed.
- An order to reduce regulatory burdens on small businesses was signed into law.
- An order was signed to build a wall to protect our southern border.
- An order was signed to advance construction of the Keystone XL and Dakota Access pipelines.
- An order was signed to roll back some of the banking and financial regulations in The Dodd-Frank Act.
- An order was signed regarding our nation's healthcare system, essentially beginning the process of repealing and replacing the Affordable Care Act, or "Obamacare".
- An order was signed to withdraw the United States from the Trans-Pacific Partnership (TPP).

(Continued on page 2)

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President Trump has made it clear that his administration will do its best to make good on key campaign policies, and that was clarified on the final day of February when President Trump made his first address to a joint-session of Congress. In the address, Trump discussed key policy issues including protecting our borders, immigration reform, renegotiating international trade deals, easing business regulation, and reforming healthcare, education, and the tax code. He didn't discuss many details, but the emphasis on protecting the American people and our economy was the real focus. Trump reiterated plans to stimulate job creation throughout his speech, and he stressed that our problems can be solved if the parties of government commit to working on them together.

There was a lot to digest, but investors have largely made their opinion clear since the election: "We think business will do well." Tax policy alone could do a lot to boost earnings. Some early research on the impact of proposed tax cuts suggest that a cut in the corporate tax rate from the present rate of 35% down to 25% could add as much as 9% to bottom line earnings. Deregulation will take many different forms, but various sectors are expected to benefit greatly as is evidenced in the recent rally. Financial, Healthcare, and Energy sector stocks have performed especially well although the Energy trade has backed up a bit since the beginning of the year.

Trump's presidency will also greatly influence the global economic landscape. Trump's campaign was filled with negative rhetoric on trade deals like the North American Free Trade Agreement (NAFTA) and the TPP. There are many facets to these shifts in policy, and they are largely interrelated. Obamacare contains rules regarding taxes, and trade deals will eventually work out measures regarding tariffs or a border adjustment tax. There is much to be seen regarding international trade deals, and currency manipulation has also been criticized (China, Trump has his eyes on you).

STOCKS

It's not just the prospects of a Trump agenda that's lifting stocks, it's also earnings. Most S&P 500 companies have reported Q4 2016 earnings at this point, and the blended earnings growth rate is 4.9%. It's been awhile since we've seen back-to-back quarters showing year-over-year earnings growth, but that's where we are. The S&P finished up 4.0% for the month of February and is up 5.9% for the year so far. Month-to-date and year-to-date small cap and mid cap stock returns are trailing the S&P by about a couple percentage points, as are international developed stocks, but one of the real winners so far is emerging markets which are up 3.8% for the month and 9.4% for the year.

Velocity Composite™ Fund Score Ranking

Symbol / #	Fund Name	Score	YTD	1MoPerf	3MoPerf
VSCIX	Vanguard Small-Cap Index Fund Inst	**1506**	3.98%	2.37%	5.94%
#6901	Vanguard Instl Extended Market Tr	**1482**	4.65%	2.46%	6.56%
#6904	Vanguard Inst Tot Intl St Mt Ix Tr	**1179**	5.48%	1.48%	7.62%
#6900	Vanguard Institutional 500 Index Trust	**1169**	5.94%	3.97%	8.02%
VWNEX	Vanguard Windsor Fund Admiral	**1167**	5.63%	3.89%	7.52%
VPMAX	Vanguard PrimeCap Fund Admiral	**1097**	7.49%	4.24%	9.34%
VWENX	Vanguard Wellington Fund Admiral	**1058**	3.63%	2.67%	5.84%
#1680	Vanguard Target Ret 2040 Tr Sel	**1006**	5.00%	2.57%	6.84%
#1686	Vanguard Target Ret Income Tr Select	**938**	2.12%	1.24%	2.97%
VMCIX	Vanguard Mid-Cap Index Fund Inst	**908**	6.17%	3.08%	6.86%
VSMGX	Vanguard LifeStrategy Mod Growth	**859**	3.64%	2.00%	4.95%
VTRIX	Vanguard International Value Fund	**844**	4.82%	0.82%	6.44%
VSCGX	Vanguard LifeStrategy Consrv Grwth	**773**	2.60%	1.56%	3.60%
VIPIX	Vanguard Infla-Protected Sec Inst	**636**	1.45%	0.48%	1.39%
VWILX	Vanguard International Growth Adm	**624**	8.32%	0.96%	8.63%
J6560	Janus Core Plus Fixed Inc CF	**543**	0.86%	0.84%	0.83%
#1674	Vanguard Target Ret 2010 Tr Sel	**541**	2.19%	1.28%	3.02%
#6903	Vanguard Inst Tot Bond Market Index Tr	**525**	0.99%	0.67%	1.24%

APPROXIMATE Future Publication Dates

4/5/17
5/3/17
6/5/17
7/6/17
8/3/17
9/6/17
10/4/17
11/3/17
12/5/17

*** **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%
#6901	Vanguard Instl Extended Market Tr	10.00%
#6900	Vanguard Institutional 500 Index Trust	10.00%
#6904	Vanguard Inst Tot Intl St Mt Ix Tr	10.00%
VSCIX	Vanguard Small-Cap Index Fund Inst	10.00%
		100.00%

FedEx Pilots 401(k) Plan Moderate Model

Symbol	Fund Name	Allocate
VMRXX	Vanguard Prime Money Market Adm	36.00%
#6901	Vanguard Instl Extended Market Tr	16.00%
#6900	Vanguard Institutional 500 Index Trust	16.00%
#6904	Vanguard Inst Tot Intl St Mt Ix Tr	16.00%
VSCIX	Vanguard Small-Cap Index Fund Inst	16.00%
		100.00%

FedEx Pilots 401(k) Plan Aggressive Model

Symbol	Fund Name	Allocate
VMRXX	Vanguard Prime Money Market Adm	19.00%
#6901	Vanguard Instl Extended Market Tr	27.00%
#6900	Vanguard Institutional 500 Index Trust	27.00%
#6904	Vanguard Inst Tot Intl St Mt Ix Tr	27.00%
		100.00%

- **NO CHANGE in the models**

- IN A MONTH WITH TRADES—

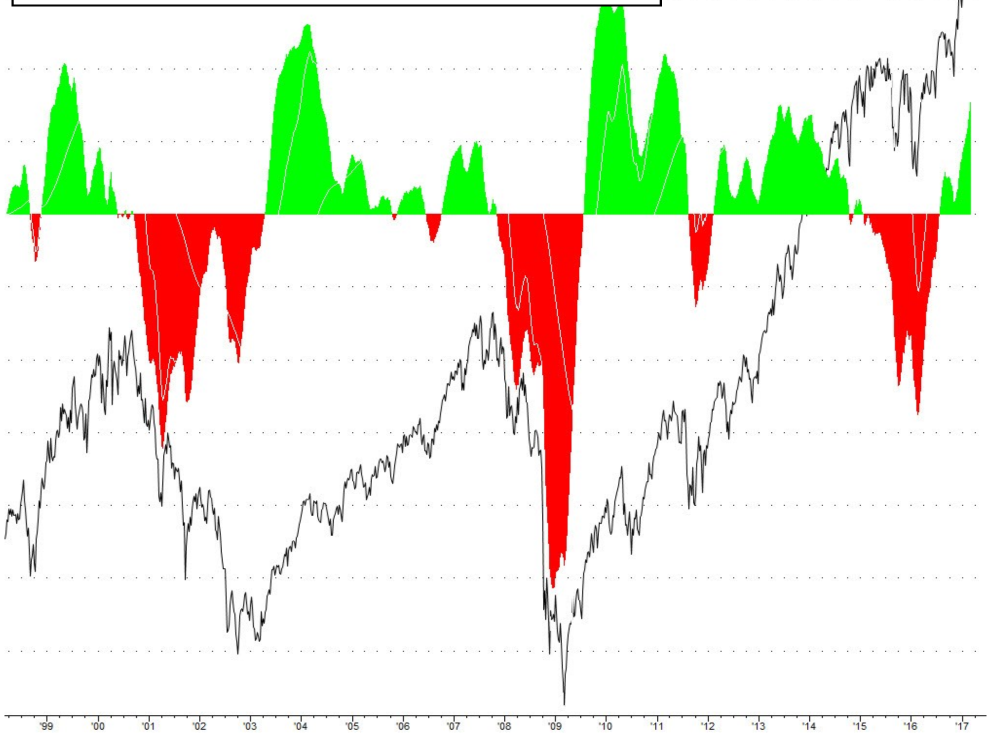
  THE NEW FUNDS WILL BE HIGHLIGHTED IN YELLOW

- **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.

Fear & Greed Index

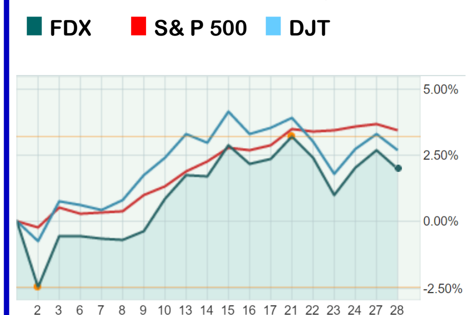
The S&P 500 soared to new highs in February, finishing the month up almost +4%, so it's of little surprise that the Fear/Greed needle was comfortably in the "Greed" camp at month end. For the year, the market is up almost +6%, and it's surged more than +11% since the November election.

Bull Bear Oscillator vs. S&P 500 Index



Worry-Free 401k Flight Path Models™—FedEx

FDX—FedEx stock (FDX) struggled early in February and trailed the S&P 500 all month, but still finished the month in the green: up more than +2%. By month end, FDX was closely tracking the performance of the Dow Jones Transportation Index (DJT) for Februarys.



FedEx Pilots 401k Plan (as of February 28, 2017)

Performance Stats

	YTD	1 Month	1 Year	3 Years	5 Years	10 Years	Inception
Conservative Model	1.32%	1.00%	3.60%	6.32%	17.20%	19.20%	68.06%
Annualized				2.06%	3.23%	1.77%	3.10%
Moderate Model	2.20%	1.60%	5.90%	14.49%	30.61%	37.30%	140.59%
Annualized				4.61%	5.49%	3.22%	5.30%
Aggressive Model	2.70%	2.00%	6.80%	27.59%	36.23%	56.82%	211.35%
Annualized				8.46%	6.38%	4.60%	6.91%
S&P 500	5.94%	5.36%	23.75%	37.29%	94.09%	111.77%	132.36%
Annualized				11.14%	14.18%	7.79%	5.08%

Trump Rally latest example of why you can't predict markets

Raise your hand if you saw this coming. The Dow Jones Industrial average ran its consecutive positive close streak to eleven days in a row with its close of +9.1 points Friday. That also marks the 11th straight record high, which is the longest such streak since 1987. Three more positive closes in a row will match the record 14-session winning streak last seen in…1897, according to data compiled by Bespoke Investment Group.

The Dow is up nearly 9.1% over the past three months, with investors attributing gains largely to Trump's November election victory. Investors are betting that Trump's policies on taxes and regulation will accelerate economic growth and boost corporate earnings. But what were they saying a few months ago? The tone was markedly different. Market crash predictions abounded from all corners of the investment world as the pundits and analysts pondered a Trump victory. Certainly, none of these market gurus could have foreseen eleven consecutive record closes. "A Trump win will be bad for stocks", "A Trump win will tank the markets" were some of the headlines. Oh, it crashed all right, but many folks slept right through it. As it became increasingly more obvious on election night hat Trump was going to win, premarket stock futures slid down almost 800 points…predicting, for a brief time, that the market was going to welcome Trump's victory by opening deep in red territory. However, by the time the market actually opened a few hours later, the pressure on stocks had abated. And to the surprise of the world, the market finished UP almost 300 points that day.

Could the market gurus have been more wrong? Well, yes. This dwindling gaggle of soothsayers also predicted doom and gloom last year in what became known as Brexit. Brexit, short for "British exit", was the vote by the British citizens to exit the European Union back in June of 2016. There were two failed predictions here by the experts. The first was that there was no way the Brits would vote to leave. Secondly, and more importantly for investors, experts once again predicted that markets would crash all over the world if this happened. Well it happened and while markets sold off sharply at first, they recovered in a few short days. Now, months later, Brexit is a distant memory as the U.K., too, recently set an all-time high record close.

Then there was the crash of 2008. While there were many that saw trouble on the horizon, almost no one predicted the disaster it came to be as the credit crisis caused widespread dislocations in credit markets, which threatened the entire financial system as we knew it. In fact, many forecasters remained bullish on stocks all the way down.

These are just some recent examples of the stock market's innately unpredictable ways and the failed predictions of the pundits. The financial markets are littered with economic forecasters whose proclamations emanate from acute cases of collective thinking and confirmation bias. Most are afraid to be too outlandish in their predictions and therefore have the inability to foresee unusual events that have severe consequences. It's rarely the risk you see coming that turns out to be the crisis to avoid.

While predicting election outcomes, legislative risk, the impact of economic policy or geopolitical risk is hard enough, betting on how the market is going to react to these events has proven over and over again to be a fool's errand. In fact, often it leads to poor investment returns. Many advisers, as well as retail investors, made this mistake last year. The uncertainties caused many to preemptively reduce equity exposure or eliminate it altogether, and it cost them.

Speculating on broad market reaction to future events is not investing. However, this doesn't mean turning a blind eye to events sure to move markets. Proper risk management means always being wary and cognizant of changing market conditions. But with the inability to immediately and accurately recognize the fate of stocks, a disciplined risk mitigation approach is required. A defined exit strategy allows investors to stay allocated and only react to changes in market sentiment and deteriorating conditions with the goal of avoiding severe and debilitating losses. Small pullbacks, whether event driven or not, are healthy for the long-term prospects of the market and shouldn't be met with panic selling.

Nor should investment decisions be made because a collective group of forecasters read and react to each other's analysis. Rather it pays to stay true to a diversified strategy and follow disciplined exit protocols that will help to largely avoid the real crisis that no one sees coming.

Update: The streak of consecutive up days reached twelve before closing down on Tuesday, February 28th.

Weston

Weston Pollock, *is a Managing Partner at Smith Anglin Financial, and leads the firm's marketing and business development. He regularly meets with prospective clients, counsels existing clients, participates in investment portfolio analysis and develops materials for communicating with the firm's clientele and target markets. He holds a BBA in Finance and Real Estate and numerous securities licenses and designations.*

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.*

BONDS and INTEREST RATES

High quality, plain vanilla bonds (as measured by the Barclay's Capital Aggregate Bond Index) are up about 1% for the year. Last month we highlighted how bond returns got pinched in the final quarter of 2016. Interest rate expectations have changed quite a bit since the election, and bond market investors are looking for higher yields. Inflation came in at 2.3% in January, and during her most recent congressional hearing, Fed Chair Janet Yellen's tone was noticeably more hawkish. After Yellen's testimony to Congress Fed Funds Futures – which show the market's view on the likelihood of interest rate hikes--saw the March rate hike probability move from 20% up to 33%. After President Trump's address to Congress, that probability jumped again from 33% to 66%. Remember, we only saw one interest rate hike of 0.25% in all of 2015, and only one more of the same size in 2016. This could be the year where we see multiple rate hikes (the consensus view is 2-3), putting the Fed Funds rate above 1% for the first time since the back half of 2008.

ECONOMY

February started off with positive jobs data. January saw 227,000 jobs added, and inflation has officially reached the Fed's stated target. Low unemployment and healthy inflation readings are the Fed's primary policy goals, and Yellen's recent testimony to Congress suggests that the Fed thinks the economy is doing just fine. Also, the University of Michigan Consumer Sentiment Index raced up to a 13-year high in January, posting a final reading of 98.5.

EMPTY NET

When a hockey team gets behind and time is running out, the coach will often pull the goalie out of the game and substitute in another offensive player in order to create more scoring opportunities. Usually a lone defensive player is left to protect his team's goal as best he can, but the strategy is all about creating the best situation possible to score. There's risk in the strategy, but when your team is after a playoff spot or, better yet, a championship, you'll resort to any means necessary. That's not too unlike President Trump's policies: Pull the negative forces of high tax rates and burdensome regulation from the equation and shift the strategy to one of offense, and good things may come of it.

Right now, we're transitioning to this "pull the goalie" strategy, but we're watching it all play out in super slow motion because the wheels of government turn slowly. It's like the goalie is ever so slowly skating to the sideline (executive orders setting this in motion), and the replacing defensive player (the favorable taxes, new trade deals, and deregulation) has yet to hit the ice. It's a real nail-biter right now. While tax cuts may reduce government revenues, at least temporarily, President Trump has promised increased spending on America's aging infrastructure. That's not going to help the deficit, at least not in the short term, which may be an issue for Congressional Republicans who have a penchant for voting down such policies. Tax legislation will also be subject to compromise and the long process that is government "action". If this transition is not handled smoothly, the game could be lost before the strategies are even in play. There are many risks in the world of investing, but possibly the greatest of them right now would be a policy misstep.

Stock prices, like Gretzky, have rushed ahead and are waiting for the puck. It's hard to tell how far away that puck is, but another Gretzky quote helps to make sense of taking on risk and staying invested: "You miss 100% of the shots you never take."