

SEPTEMBER 2017

# THE DELTA ADVISOR™

A NEWSLETTER FOR DELTA PILOTS



Leading Authority on Successfully Investing Your 401k Plan

## CAPTAIN'S BRIEFING:

**ONE CHANGE** in the models.

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

Captain's Table - **Remembering a Friend**

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## Harvey Hits Hard

It's hard to stay focused on a lot of things, including the markets, in the face of the human tragedy like what we've witnessed from Hurricane Harvey and its aftermath over the last few weeks in South Texas, in the greater Houston area, and into Louisiana. For the people who lived through it, the storm is over, and now it's time to clean up and get back to living. For those that lost loved ones, we offer our thoughts and prayers. Many have now embraced the opportunity to pitch in and help however we can - with our time and our money. We seem to complain a lot about the negatives associated with new technology in our world today - the incessant distraction of "screen time," etc. - but one of the great things about new technology is how it's made contributing to worthy causes easier than ever. With just a few clicks you can give to any one of several great charities. So, please find here a short list of charities that could really use your help right now. If you've already given, thanks. If you want to give, or give again, just click on any one of these live logo links.



American  
Red Cross



Samaritan's Purse  
INTERNATIONAL RELIEF

SPCA  
OF TEXAS

The destruction, especially from the flooding in the greater Houston area, is unimaginable. More than 75 people are dead or missing; another 30,000 people have been displaced; and the winds and floods have inundated hundreds of thousands of homes and businesses, prompting more than 17,000 rescues. Two weeks ago, when Harvey was still churning in the Gulf of Mexico, few could have imagined how much destruction this storm would do. But the "perfect storm" pieces started falling into place as Harvey plodded toward the Texas coast. It began intensifying, and its slow pace had the models of weather experts forecasting the increasing possibility of devastating precipitation.



The damage was worse than what anyone had predicted. Over a four-day period, many areas received more than 40 inches of rain as the system meandered over eastern Texas and adjacent waters, causing catastrophic flooding. With a peak accumulation of almost 52 inches in Cedar Bayou, Texas, a small town just east of Houston, Harvey became the wettest tropical cyclone on record in the contiguous United States. The local National Weather Service office in Houston observed all-time record daily rainfall accumulations on both August 26 and 27, measured at 14.4 inches and 16.08 inches respectively.

(Continued on page 2)

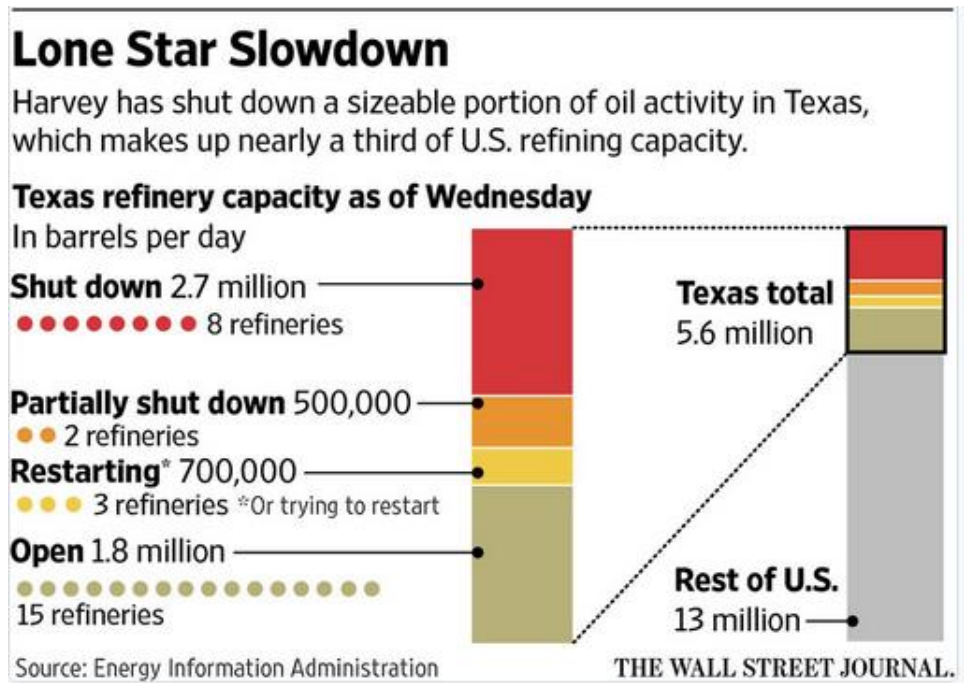
"You're flying toward an unknown financial future— WE HAVE CHARTS!"



The 39.11 inches of rain in August made the month the wettest ever recorded in Houston since record keeping began in 1892, more than doubling the previous record of 19.21 inches in June 2001. The Brazos River, which puts nine times as much water through it as the Rio Grande, at one point was putting 45-60 times as much water through, around 70-80,000 cubic feet per second. That's about the same amount of water found in an Olympic-sized swimming pool.

It's easier to understand now how this mind-boggling amount of rainfall completely overwhelmed the Houston area's rivers and reservoirs, and how at one point an estimated 25–30% of Harris County - roughly 444 square miles of land – was under water. FEMA director Brock Long called Harvey the worst disaster in Texas history, and the recovery is expected to take many years. Harvey could wind up being the most expensive natural disaster in American history, costing the economy an estimated \$190B, which would total more than Katrina and Sandy combined.

As can be imagined, when the fourth-largest city in the U.S. succumbs to a Category 4 hurricane, the impact is felt elsewhere. Oil and gas production in the Gulf of Mexico and oil refineries in the Houston area were scaled back ahead of Harvey, reducing capacity and creating an artificial fuel shortage. Panicked motorists swarmed gas stations throughout Texas, causing many locations to run out of fuel temporarily. Nationally, gasoline prices have risen an average of 17 cents a gallon since Harvey made landfall and now average \$2.45, according to AAA. Flood waters caused a chemical plant outside of Houston to lose power, preventing compounds from remaining refrigerated, which sparked a chemical fire. The threat of toxic pollutants being released into the air and drinking water is a real concern, but health department officials are overwhelmed and can't perform the necessary sampling yet.



Still, there are signs that the Houston area and South Texas are already starting the long path to recovery. Houston's mega-shelter at the NRG Center near downtown sheltered about 10,000 victims only days ago. Now that number is down to only 2,800. Victims are being consolidated from smaller shelters in the area, and many others have returned home. Houston Mayor Sylvester Turner said much of the city was hoping to get back on track after Labor Day, encouraging anyone who had plans of attending a conference, convention, sporting event or concert in Houston to keep their plans. Federal, state and local agencies are already starting the process of making capital available to victims of Harvey, and the Small Business Administration has announced plans to give out thousands of disaster recovery loans worth billions of dollars to rebuild Houston and other Harvey-hit areas.

Again, our thoughts and prayers go to all those affected by Harvey and to those preparing for Hurricane Irma. Now let's spend some time looking at what's been going on in the world.

(Continued on page 6)

# Velocity Composite Fund Score™ Ranking

Ticker	Fund Name	Score	YTD	1MoPerf	3MoPerf
-	International Equity	1092	20.31%	0.22%	3.42%
-	S&P 500 Index	1082	11.95%	0.31%	2.98%
-	Large Cap Growth	1044	15.28%	0.57%	3.27%
-	Small/Mid Cap Growth	983	12.06%	-1.47%	1.05%
-	Large Cap Value	976	6.31%	-1.46%	2.23%
-	Small/Mid Cap Index	937	8.16%	-0.40%	3.08%
-	LifeCycle 2020	873	7.80%	0.61%	2.28%
RRRZX	Deut Real Estate R6	861	4.97%	N/A	N/A
-	Fid ContraFund Pool	796	23.16%	1.72%	5.04%
-	Bond Index	692	3.71%	0.86%	1.18%
-	Diversified Bond	688	4.66%	0.60%	1.35%
GOBSX	LM BW GLB OPP BD IS	678	13.98%	N/A	N/A
-	Small/Mid Value	637	0.98%	-1.95%	0.93%
-	Intl Eq Idx	626	17.33%	0.00%	2.70%
-	Emrg Mkts Eq Idx	620	28.83%	2.18%	9.35%
-	Emerging Markets EQ	586	25.20%	2.26%	8.15%

## APPROXIMATE Future Publication Dates

10/4/17

11/3/17

12/5/17

1/4/18

2/5/18

3/5/18

Ins Ctrct/Stable Value will not appear in the monthly rankings since it technically mimics a money market fund.

### Definitions & Notes:

**1. Tickers:** The majority of the funds in the Delta Plan are not really mutual funds. They are composites or comingled funds, etc.

**YOU WILL USE THE FUND NAME TO TRADE.** Data from proxy funds is used to make all calculations for the funds listed above.

**2. The funds above were selected to work, using the model system.** There are other funds in the plan that are not used. There is no reason to have multiple international or emerging market funds, for example.

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. Proxies of each fund are used to calculate the score and historical returns.

### Delta 401k Plan Conservative Model

Symbol	Fund Name	Allocate
-	Ins Ctrct/Stable Value	60.00%
-	Large Cap Growth	10.00%
-	Small/Mid Growth	10.00%
-	S&P 500 Index	10.00%
-	International Equity	10.00%
		100.00%

### Delta Pilots 401k Plan Moderate Model

Symbol	Fund Name	Allocate
-	Ins Ctrct/Stable Value	36.00%
-	Large Cap Growth	16.00%
-	Small/Mid Growth	16.00%
-	S&P 500 Index	16.00%
-	International Equity	16.00%
		100.00%

### Delta Pilots 401k Plan Aggressive Model

Symbol	Fund Name	Allocate
-	Ins Ctrct/Stable Value	19.00%
-	Large Cap Growth	27.00%
-	Small/Mid Growth	27.00%
-	International Equity	27.00%
		100.00%

## • ONE CHANGE in the models.

- IN A MONTH WITH TRADES—

THE NEW FUNDS WILL BE HIGHLIGHTED IN YELLOW

- **READ:** Your 401k plan has trading restrictions, so you need to keep track of your buy and sell orders. Fidelity does a poor job of defining what “excessive trading” is and has expanded that definition to include all funds.

- **Future Contributions:** The models work smoothly if you direct ALL future contributions into the Ins Ctrct/Stable Value. Then, they will be automatically invested into the correct allocation when you make changes to follow a model.

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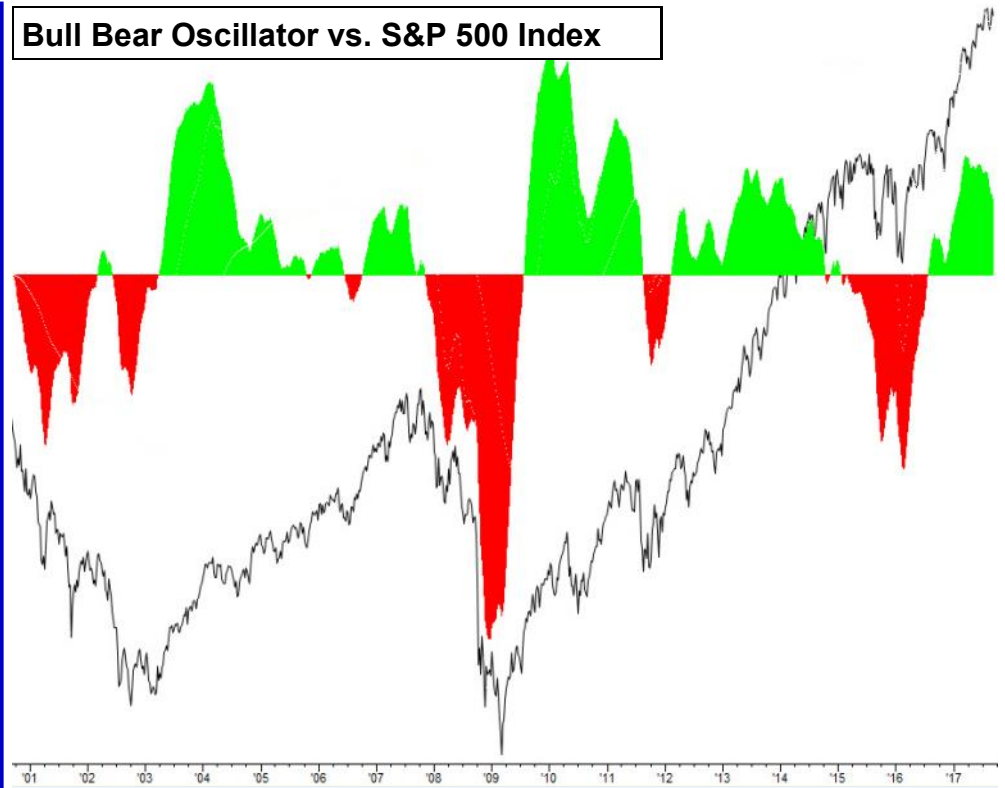


## Fear & Greed Index

Geopolitical tensions and stock market volatility took their toll on the enthusiasm of investors in August. Last month's Fear & Greed Index score of 65 gave way to a much more neutral score of 45 as August came to a close.



## Bull Bear Oscillator vs. S&P 500 Index



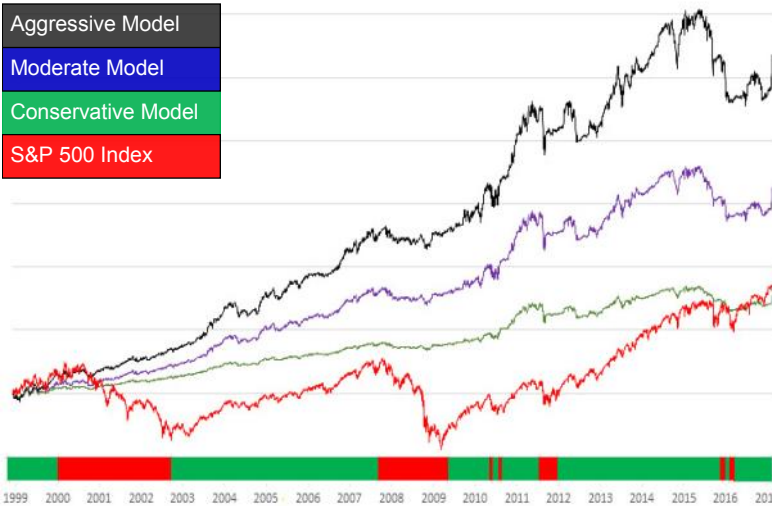
## Worry-Free 401k Flight Path Models™ - Delta

Aggressive Model

Moderate Model

Conservative Model

S&P 500 Index



## DAL

Fare discounting to match the competition, geopolitical events and the impact of Hurricane Harvey continue to weigh on airline stocks. Delta (DAL) struggled in August, posting a loss of 4%, in line with the NYSE

ARCA Airlines Index (XAL) which also dropped 4% during the month. Delta has lost more than 15% of its value since mid-July, when it hit its year-to-date high. So far in 2017, Delta is down 4%, and XAL is down about the same. However, the stock market (S&P 500) is up about +12% for the year so far.

DAL S&P 500 XAL



## Delta Pilots 401k Plan (as of August 31, 2017)

### Performance Stats

	YTD	1 Month	1 Year	3 Years	5 Years	10 Years	Inception
Conservative Model Annualized	4.87%	0.00%	8.97%	8.48%	18.58%	31.23%	91.49%
				2.75%	3.47%	2.76%	3.90%
Moderate Model Annualized	7.67%	0.00%	12.08%	6.17%	40.94%	56.18%	186.32%
				2.02%	7.10%	4.56%	6.38%
Aggressive Model Annualized	10.04%	0.10%	17.87%	16.47%	50.09%	87.19%	290.06%
				5.21%	8.46%	6.47%	8.34%
S&P 500 Annualized	11.93%	0.31%	16.23%	31.45%	95.43%	108.25%	141.28%
				9.54%	14.34%	7.61%	5.32%



## from the CAPTAIN'S TABLE

### Remembering a Friend

At Smith Anglin, our hearts were heavy last month.

On August 3<sup>rd</sup>, Karen Markward, long-time friend and work associate to so many of us, passed away after a 28-year, hard-fought battle with cancer.

I knew Karen for about five years, since the time John Rhoads with Rhoads Lucca Capital and David Lucca, the founder of the US Pilot Financial Association, were introduced to all of us at Smith Anglin. Over those years, which seem to have passed so quickly to me now, Karen and I shared a lot of laughs and sweet moments. In her role as Administrator of the USPFA, she would occasionally reach out to me when a pilot member of the Association had an investment or financial planning question that went beyond the scope of the USPFA. For you USPFA members who were fortunate enough to have known Karen, you also probably knew that she was passionate about her work. She always tried to make sure the USPFA members she talked to got good advice when they had questions.

Karen enjoyed reading, teaching, and going to garage sales. I can see how those same joys translated to the work she did for the USPFA where she was so good at listening to client issues and then looking to find them the right answer. She truly cared about each USPFA member, and she was dedicated to helping them in whatever way she could.

Last month, the sad news was shared with USPFA members and Smith Anglin by her family that she had passed. There was an immediate outpouring of heart-felt responses. It was wonderful to see how she had touched the lives of so many of you as well. Thank you for sharing those kind words.

Karen was described as:

*"... warm and professional in all regards ... You were lucky to have such a colleague ..."*

*"... always a breath of fresh air and a pleasure to talk to ..."*

*"... always very pleasant and helpful ..."*

*"... always of great help ..."*

*"... always a joy to talk with ..."*

*"... such a very sweet lady ..."*



**All so true.**

**We'll miss this dear lady.**

**Rex**

**Rex Moxley** joined Smith Anglin in 2001. Since then, he's served as a Managing Partner and as a member of the firm's Investment Committee. 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 Marketing, a graduate degree in Law 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.

## US Economy

Growth for the U.S. economy was recently revised higher, which could also be a tailwind for stocks going forward. The U.S. economy grew at a 3% annual pace in the second quarter of 2017, an upward revision from the 2.6% pace reported in July. Spending was robust by both consumers and businesses in Q2, with capital expenditures expanding at an 8.8% rate — the fastest in nearly two years.

## INTERNATIONAL

The forecast for an uptick in U.S. economic growth is being mirrored in other economies as well. For the first time in ten years, all of the world's major economies are forecast to grow. All 45 countries tracked by the Organisation for Economic Co-operation and Development are on track for GDP expansion in 2017, and 33 of them are forecast to post stronger growth than they did in 2016.

The expected economic strengthening in Europe is helping to prop up its currency. The euro continues to rally, hitting its highest level against the dollar since just before the European Central Bank announced its stimulus program in January 2015. Driving the euro's gains: growing expectations that the ECB will begin tapering its monthly €60 billion (\$71.3 billion) of bond buying as it runs out of assets to purchase. The euro is already up 13% against the dollar in 2017. Conversely, uncertainty surrounding the United Kingdom's (UK) Brexit campaign is weighing on the pound sterling. The third and latest round of Brexit negotiations between the European Union (EU) and the UK ended on an acrimonious note, with the two sides unable even to agree on whether any progress had been made during the week. There has been no agreement on key issues such as the Northern Ireland border, citizen's rights and the size of the Brexit divorce payment. The EU has stated that sufficient progress must be made on those issues before discussion of the UK's future trade relationship with the EU can be taken up. Sterling slipped almost 2% in August versus the US dollar, its worst month since December. In emerging markets news, manufacturing in China continues to surge. Total new business grew at the strongest rate in more than three years, while export orders saw the sharpest increase in over seven years, pointing to strong demand at home and abroad.

## STOCKS

The U.S. stock market (the S&P 500) was up and down in a topsy-turvy August, with the market finishing the month in the black, but just barely. Low trading volumes likely exacerbated market volatility, as many traders often take a break for vacations in August. Losses piled up in the first half of August due to a host of factors - worries over escalating tensions between the U.S. and North Korea, the terrorist attack in Barcelona, the Fed's uncertainty, and fears that the Trump administration's economic and business strategies are splintering.

As volatility spiked, many investors flocked to perceived safe havens like bonds, gold and utility stocks, which many consider the stock market's bond proxy because of their hefty dividends. In fact, utility stocks were the best-performing market sector in August. Meanwhile, the energy sector's slump deepened as the Gulf Coast oil industry took a heavy hit from Harvey. But U.S. markets began their rebound in the back half of August as positive news on earnings and economic data rolled in, helping the S&P 500 once again extend its streak of monthly advances to five.





## CENTRAL BANKS

In central bank news, the U.S. Federal Reserve Open Markets Committee (“the Fed”) appears split over the timing of their next rate hike. Minutes from the Fed’s July meeting reveal the group is worried about soft inflation numbers, but officials also agreed to begin the shrinking of the central bank’s holdings soon, perhaps in September. While U.S. job growth likely slowed in August after two straight months of robust gains, the pace of increase should be more than sufficient for the Fed to start shrinking its massive bond portfolio. However, Fed Chair Janet Yellen offered no clues about any policy shifts or further interest-rate increases while speaking at an economic symposium in Jackson Hole, Wyoming last month. Instead, she focused on defending regulations enacted following the financial crisis of 2008.

***“Our thoughts  
and prayers go  
to all those  
affected by  
Harvey and to  
those preparing  
for  
Hurricane Irma.”***

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