# Market Update and Model Portfolio Reviews 7/31/2020

## Model Strategies Trailing Returns* Compared to Respective Global and Domestic Benchmarks

Higher Risk/Reward Potential ↑ — ↓ Lower Risk/Reward Potential

| Ultra Aggressive | | 1-Month | 3-Month | 6-Month | YTD | 1-Year | 2-Year | Inception |
|---|---|---|---|---|---|---|---|---|
| Target Risk/Reward Profile | Model Strategy | 5.38% | 12.45% | 12.63% | 14.13% | 18.19% | 13.13% | 11.51% |
| 90% Equity | Global Benchmark | 4.79% | 12.67% | -0.38% | -1.64% | 6.10% | 3.75% | 8.14% |
| 10% Bond | Domestic Benchmark | 5.32% | 11.54% | 2.28% | 2.37% | 10.55% | 8.63% | 11.20% |

| Aggressive | | 1-Month | 3-Month | 6-Month | YTD | 1-Year | 2-Year | Inception |
|---|---|---|---|---|---|---|---|---|
| Target Risk/Reward Profile | Model Strategy | 5.07% | 11.58% | 13.34% | 15.13% | 18.96% | 13.30% | 10.76% |
| 80% Equity | Global Benchmark | 4.40% | 11.53% | 0.17% | -0.74% | 6.32% | 4.19% | 7.73% |
| 20% Bond | Domestic Benchmark | 4.86% | 10.52% | 2.57% | 2.87% | 10.39% | 8.64% | 10.48% |

| Growth | | 1-Month | 3-Month | 6-Month | YTD | 1-Year | 2-Year | Inception |
|---|---|---|---|---|---|---|---|---|
| Target Risk/Reward Profile | Model Strategy | 4.74% | 10.74% | 13.38% | 15.34% | 18.85% | 13.01% | 10.43% |
| 70% Equity | Global Benchmark | 4.00% | 10.38% | 0.70% | 0.15% | 6.54% | 4.62% | 7.31% |
| 30% Bond | Domestic Benchmark | 4.41% | 9.50% | 2.86% | 3.38% | 10.21% | 8.62% | 9.74% |

| Growth and Income | | 1-Month | 3-Month | 6-Month | YTD | 1-Year | 2-Year | Inception |
|---|---|---|---|---|---|---|---|---|
| Target Risk/Reward Profile | Model Strategy | 4.41% | 9.93% | 12.85% | 15.04% | 18.41% | 12.68% | 9.57% |
| 60% Equity | Global Benchmark | 3.61% | 9.23% | 1.24% | 1.05% | 6.76% | 5.05% | 6.88% |
| 40% Bond | Domestic Benchmark | 3.95% | 8.48% | 3.15% | 3.88% | 9.97% | 8.32% | 9.14% |

| Balanced | | 1-Month | 3-Month | 6-Month | YTD | 1-Year | 2-Year | Inception |
|---|---|---|---|---|---|---|---|---|
| Target Risk/Reward Profile | Model Strategy | 4.00% | 8.93% | 11.76% | 13.88% | 17.02% | 11.80% | 8.81% |
| 50% Equity | Global Benchmark | 3.22% | 8.08% | 1.78% | 1.94% | 6.97% | 5.47% | 6.45% |
| 50% Bond | Domestic Benchmark | 3.50% | 7.46% | 3.44% | 4.39% | 9.84% | 8.51% | 8.23% |

| Moderate | | 1-Month | 3-Month | 6-Month | YTD | 1-Year | 2-Year | Inception |
|---|---|---|---|---|---|---|---|---|
| Target Risk/Reward Profile | Model Strategy | 3.57% | 7.86% | 9.87% | 11.97% | 14.87% | 10.59% | 8.20% |
| 40% Equity | Global Benchmark | 2.83% | 6.93% | 2.32% | 2.84% | 7.19% | 5.90% | 6.02% |
| 60% Bond | Domestic Benchmark | 3.04% | 6.44% | 3.73% | 4.90% | 9.64% | 8.40% | 7.45% |

| Conservative | | 1-Month | 3-Month | 6-Month | YTD | 1-Year | 2-Year | Inception |
|---|---|---|---|---|---|---|---|---|
| Target Risk/Reward Profile | Model Strategy | 3.13% | 6.80% | 8.36% | 10.39% | 12.99% | 9.58% | 7.19% |
| 30% Equity | Global Benchmark | 2.43% | 5.78% | 2.85% | 3.73% | 7.63% | 6.32% | 5.58% |
| 70% Bond | Domestic Benchmark | 2.59% | 5.42% | 4.03% | 5.40% | 9.44% | 8.27% | 6.66% |

| Ultra Conservative | | 1-Month | 3-Month | 6-Month | YTD | 1-Year | 2-Year | Inception |
|---|---|---|---|---|---|---|---|---|
| Target Risk/Reward Profile | Model Strategy | 2.66% | 5.78% | 6.89% | 8.92% | 11.33% | 8.58% | 6.35% |
| 20% Equity | Global Benchmark | 2.04% | 4.63% | 3.39% | 4.63% | 7.63% | 6.74% | 5.14% |
| 80% Bond | Domestic Benchmark | 2.13% | 4.40% | 4.32% | 5.91% | 9.21% | 7.95% | 5.97% |

*DISCLOSURE (Click links for sources. If in print, sources available upon request). Calculations & Definitions available upon request. *Trailing returns as of 7/31/2020 and are annualized returns if over 1-Year. See "Model Disclosure" page for important disclosures and information – Total Period Measured 12/31/2016 – 7/31/2020. "Inception" refers to Inception to Date. Inception calculation assumes end of day market prices on 12/30/2016 for starting period values to calculate Inception to Date figures. Performance presented net of highest advisory fee. Views and opinions are of Alternative Capitalis, LLC and are not intended as investment advice or recommendation(s). The results do not represent actual trading and actual results may significantly differ from the theoretical results presented. Past performance is no guarantee of future results.*

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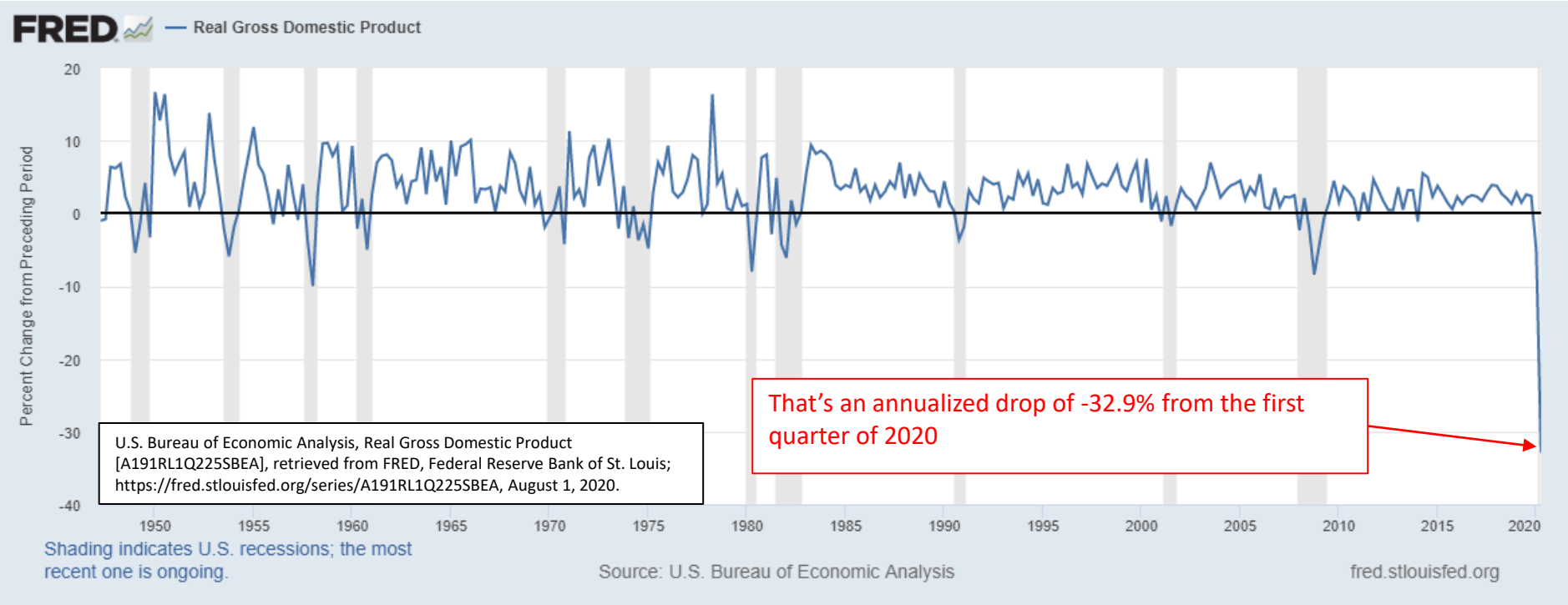
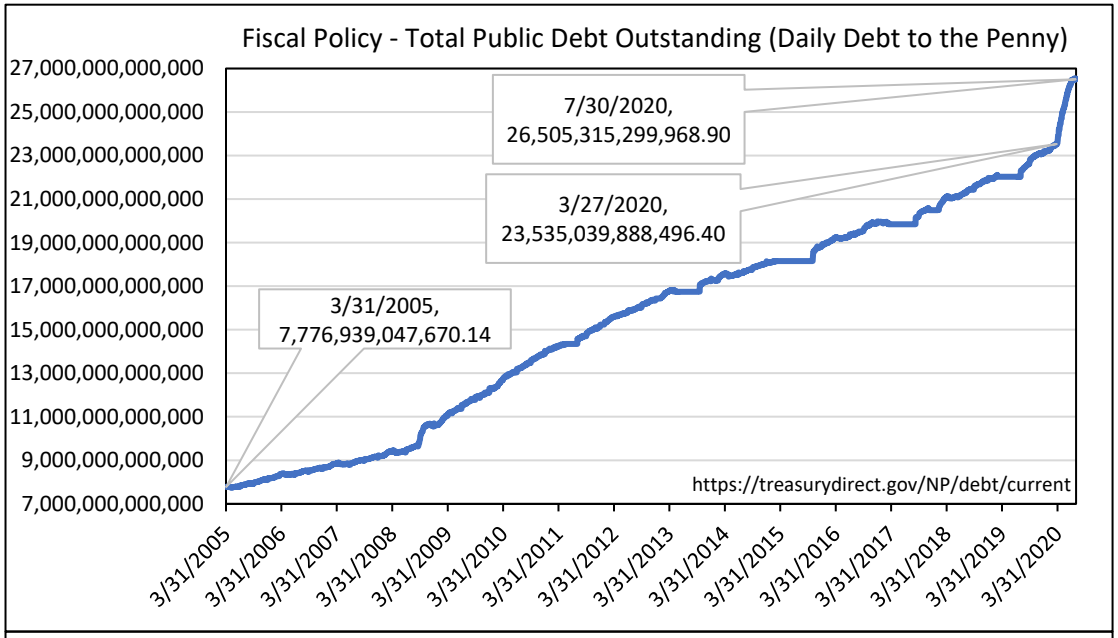
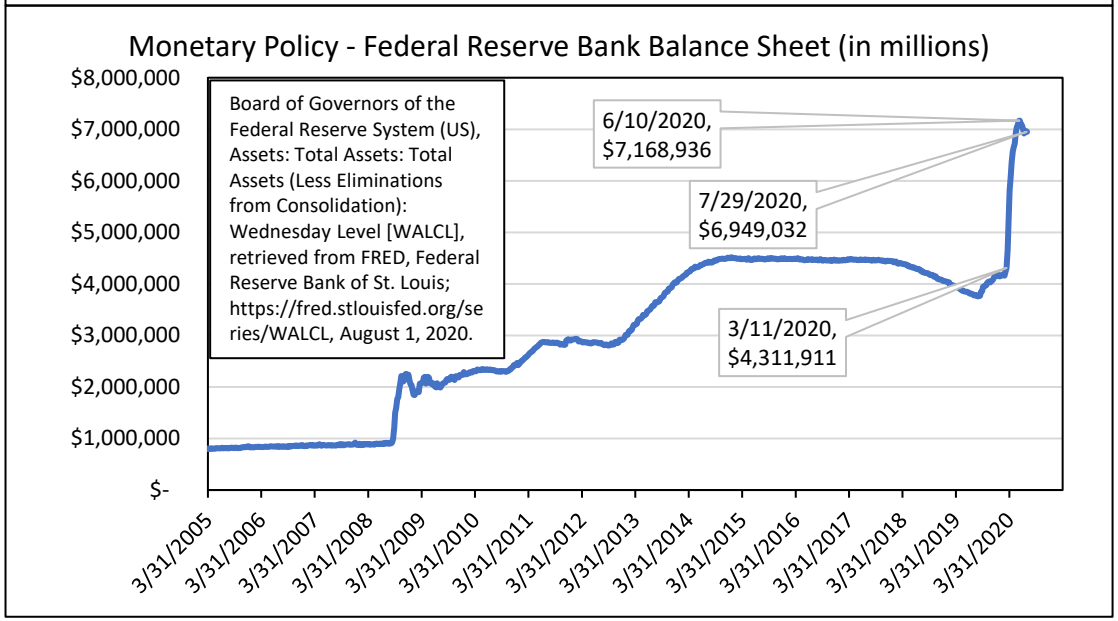



For the month of July, domestic large cap equities finished up 5.51% and reentered positive territory, up 1.25% year to date. Investment Grade Bonds* finished the month up 1.49%, and they are up 7.72% year to date. The constant question of "where do we go from here?" seems appropriate at month end; case counts continuing to rise, reversing reopening plans, positive vaccine news, sharpest economic contraction since the great depression, political uncertainty on phase four of fiscal stimulus (importantly Federal "PUC" payments or Pandemic Unemployment Compensation of $600 expiring), disposable personal income increased $1.53 trillion, or 42.1 percent, in the second quarter, compared with an increase of $157.8 billion, or 3.9 percent, in the first quarter, record setting positive corporate earnings *surprises*… It is a confusing time. Data alone cannot be a decision maker, especially in this environment.

Interest rates in global developed economies were close to, or at, historic lows before the COVID-19 pandemic struck. This trend has only continued during the pandemic, which has made the relative risk trade off between equities and higher quality fixed income a difficult allocation decision. There is global demand for high quality yield in a low rate environment, which is somewhat of a self-fulfilling catalyst for keeping yields lower for longer. Lower risk-free Treasury rates lowers equities' required rate of return when discounting future cash flows. This lower required rate of return, all else equal, justifies a higher equity valuation for many companies. This is because a company's value today is commonly associated with the estimated combined cash flows a company will generate in the future and then discounting those periodic future cash flows by a series of required rates of return. Pile on fiscal and monetary stimulus in a lower interest rate environment and you have a positive, near-term, recipe for broad equity index returns.

# Bridging the Gap From a Grim Second Quarter GDP




Between the CARES Act, which was signed into law on March 27, and the start of the fourth round of quantitative easing (since the financial crisis) on March 15, fiscal and monetary policy have added over $5 trillion to the economy and capital markets. It is not yet entirely clear how much this added to the second quarter's GDP results, but it was effectively a complete bridge if we look at GDP from an unannualized (quarterly) perspective. Unfortunately, there has been—and we will continue to see—permanent wealth lost in certain industries as the shut down/restrictions make the feasibility of business continuity pointless. As the labor market recovery took longer than initially expected after the financial crisis, it appears that labor market disruptions from the pandemic will linger on far after the pandemic is over.

In July, the models performed well relative to their domestic and global benchmarks. Returns attribution for the month was driven primarily by our Technology Sector overweight, while our Clean Energy allocation had the largest positive move, albeit not the largest attribution to the monthly returns. The other side of the Energy Sector (traditional oil/natural gas companies) was the sole detractor from overall positive results this month. July was a month where the tide rose and nearly all the major asset classes did well. Gold futures priced in dollars hit a new record, likely due to interest rates grinding lower, record public debt issuance, fears over the continued spread of COVID-19, momentum trade, political uncertainty, and concerns around future inflation as the supply of money increases from monetary policy.

Will the added hygiene measures possibly reduce the impact of the cold and flu season thereby possibly reducing a larger wave of COVID-19 spread into the fall and winter? Where do we go from here?

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**Model Disclosure**

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Thus, the performance shown does not reflect the impact that material economic and market factors had or might have had on decision making if actual investor money had been managed. Model portfolio performance is shown net of the model advisory fee of 1.25%, the highest fee charged by Alternative Capitalis, LLC. This reflects a change from Alternative Capitalis, LLC highest fee charged to a client(s) account from 1% to 1.25% annually. April 1, 2018 model performance to most recent date presented adjusts for the higher 1.25% annual fee. Model portfolio performance is shown net of the sample trading costs based on our Custodian's, TD Ameritrade Institutional, trading costs. Performance does not reflect the deduction of other fees or expenses, including but not limited to brokerage fees, custodial fees and fees and expenses charged by mutual funds and other investment companies. Performance results shown include the reinvestment of dividends and interest on cash balances where applicable. The data used to calculate the model performance was obtained from sources deemed reliable and then organized and presented by Alternative Capitalis, LLC. The performance calculations have not been audited by any third party. Actual performance of client portfolios may differ materially due to the timing related to additional client deposits or withdrawals and the actual deployment and investment of a client portfolio, the reinvestment of dividends, the length of time various positions are held, the client's objectives and restrictions, and fees and expenses incurred by any specific individual portfolio. The performance calculations are based on a hypothetical investment of $100,000 for both the model and benchmarks presented. **Benchmarks:** The performance results shown are compared to the performance of the performance of a blended ETF (exchange-traded-fund) portfolio comprised of the following two ETF's symbols, SPY & AGG, are described below. The benchmarks used are investable ETFs and their performance calculation is inclusive of the highest fee charged to a client(s) account, 1.25% annually. This will reduce the total return of the investable benchmark by the annualized rate of 1.25%. The ETF symbol SPY (SPDR® S&P 500® ETF Trust) which seeks to provide investment results that, before expenses, correspond generally to the price and yield performance of the S&P 500® Index (the "Index"). Visit https://us.spdrs.com/en/etf/spdr-sp-500-etf-SPY for more information about the ETF. The S&P 500® Index results do not reflect fees and expenses and you typically cannot invest in an index. The ETF symbol AGG (iShares Core U.S. Aggregate Bond ETF). The iShares Core U.S. Aggregate Bond ETF seeks to track the investment results of an index composed of the total U.S. investment-grade bond market. (the "Index"). Visit https://www.ishares.com/us/products/239458/ishares-core-total-us-bond-market-etf for more information about the ETF. The index composed of the total U.S. investment-grade bond market results do not reflect fees and expenses and you typically cannot invest in an index. The benchmark is blended representing a weighting of a percentage (%) to SPY and percentage (%) to AGG based on the respective model weights below. Unless otherwise indicated, the benchmarks are not rebalanced to maintain their original weighting over the period measured. Instead, they are comprised of the starting allocation and will shift given the prevailing market environment over the period measured. **Return Comparison:** To benchmark the results, the ETF (exchange-traded-fund) symbol SPY (SPDR® S&P 500® ETF Trust) which seeks to provide investment results that, before expenses, correspond generally to the price and yield performance of the S&P 500® Index (the "Index"). The S&P 500 was chosen as it is generally well recognized as an indicator or representation of the stock market in general and includes a cross section of equity holdings. In addition, the ETF symbol AGG was chosen as a benchmark. The iShares Core U.S. Aggregate Bond ETF seeks to track the investment results of an index composed of the total U.S. investment-grade bond market. The total U.S. investment-grade bond market was chosen as it is generally well recognized as an indicator or representation of the bond market in general and includes a cross section of debt holdings. For each respective model benchmark the performance measurement weightings are as follows to SPY / AGG %: 20/80, 30/70, 40/60, 50/50, 60/40, 70/30, 80/20, 90/10 % respectively for Ultra Conservative, Conservative, Moderate, Balanced, Growth & Income, Growth, Aggressive, Ultra Aggressive. **OPTIONS TRADING RISK DISCLOSURE**: Options Trading – Both the purchase and writing (selling) of options contracts –involves a significant degree of risk not suitable for all investors. Investors should carefully consider the inherent risks and financial obligations associated with options trading as further detailed in the Options Clearing Corporate booklet "Characteristics and Risks of Standardized Options." 233 Harvard St, #307, Brookline, MA 02446 is Alternative Capitalis, LLC's client facing address. All books, records, receipts, correspondence (mailing address) and day to day operations are located at 1565 West St, Wrentham, MA 02093.

**The results do not represent actual trading and actual results may significantly differ from the theoretical results presented.**

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## Model Disclosure Continued

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| ETF | Earliest Available Price Data for ETF | Backfill Index 1 | Earliest Available Data for Index Backfill 1 | Backfill Index 2 | Earliest Available Data for Index Backfill 2 |
|---|---|---|---|---|---|
| BNDX | 5/31/2013 | *ICE BofAML Global Broad Market Index* | 9/22/1998 | N/A | N/A |
| VT | 6/24/2008 | MSCI All Country World Index TR | 12/29/2000 | *S&P 500 (TR) Index* | 9/22/1998 |
| BND | 4/3/2007 | Barclays US Aggregate Bond Index | 9/22/1998 | N/A | N/A |

The ETF symbol BNDX (Vanguard Total International Bond ETF). The Vanguard Total International Bond ETF attempts to track the performance of the Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index (USD Hedged). Visit https://investor.vanguard.com/etf/profile/BNDX for more information about the ETF. The ETF symbol VT (Vanguard Total World Stock ETF) seeks to track the performance of the FTSE Global All Cap Index, which covers both well-established and still-developing markets. Visit https://investor.vanguard.com/etf/profile/VT for more information about the ETF. The ETF symbol BND (Vanguard Total Bond Market ETF). The Vanguard Total Bond Market ETF attempts to track the performance of the Bloomberg Barclays U.S. Aggregate Float Adjusted Index and attempted to track the Bloomberg Barclays U.S. Aggregate Bond Index through December 31, 2009. Visit https://investor.vanguard.com/etf/profile/BND for more information about the ETF. The benchmark is blended representing a weighting of a percentage (%) to BND, percentage (%) to VT and percentage (%) to BNDX based on the respective model weights below. Unless otherwise indicated, the benchmarks are not rebalanced to maintain their original weighting over the period measured. Instead, they are comprised of the starting allocation and will shift given the prevailing market environment over the period measured. **Return Comparison:** To benchmark the results, the ETF symbol BNDX (Vanguard Total International Bond ETF) attempts to track the performance of the Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index (USD Hedged). The Vanguard Total International Bond ETF was chosen as it is generally well recognized as an indicator or representation of the global bond market, ex-U.S. bonds, and tracks an investment-grade, non-USD denominated bond index, hedged against currency fluctuations for U.S. investors. The ETF symbol VT (Vanguard Total World Stock ETF) seeks to track the performance of the FTSE Global All Cap Index, which covers both well-established and still-developing markets. The Vanguard Total World Stock ETF was chosen as it is generally well recognized as an indicator or representation of the global stock market and tracks a market-cap-weighted index of global stocks covering approximately 98% of the domestic and emerging market capitalization. The ETF symbol BND (Vanguard Total Bond Market ETF) attempts to track the performance of the Bloomberg Barclays U.S. Aggregate Float Adjusted Index and attempted to track the Bloomberg Barclays U.S. Aggregate Bond Index through December 31, 2009. The Vanguard Total Bond Market ETF was chosen as it is generally well recognized as an indicator or representation of the U.S. Domestic bond market, and tracks a broad, market-value-weighted index of U.S. dollar-denominated, investment-grade, taxable, fixed-income securities with maturities of at least one year. For each respective model benchmark the performance measurement weightings are as follows to BND/VT/BNDX %: 66/20/14, 57.8/30/12.3, 49.5/40/10.5, 41.2/50/8.8, 33/60/7, 24.7/70/5.3, 16.5/80/3.5 and 8.2/90/1.8 % respectively for the Ultra Conservative, Conservative, Moderate, Balanced, Growth & Income, Growth, Aggressive and Ultra Aggressive Global Benchmarks.