

# REALLOCATION COMMENTARY

## Strategy Based Investing Portfolios

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### SBI Fund Replacement

The Tactical or Explore portion of the SBI portfolios has always been a function of the Athena Market Barometer (MB). Strategy based research has identified a relationship between the ranking of the ten strategies' performance over the previous twelve months and future returns. That relationship has been quantified into the MB. As long as the MB indicates the likelihood of positive returns, the Tactical portion of the portfolio has held the best performing strategy over the last twelve months, like a momentum approach to strategies. In 2015, 2016 and 2017, Future Growth was first, tenth and first, respectively, while Valuation was nearly the opposite at tenth, first and eighth. Given this rapid reversal and lack of momentum, we decided to hedge the Tactical portion with a Future Growth fund and a Valuation fund. In 2019, for example Future Growth was first and Valuation was fourth, suggesting the hedge was successful.

The MB, again based on strategy performance rankings, is calculated for small cap, large cap and international stocks and provides an expectation for future returns for those segments. Going forward, if the MB predicts positive returns, the tactical portion will have two funds. One will be the best performing strategy over the last twelve months. The other will be a fund managed by Athena based entirely on the MB which takes strong tilts toward small cap, large cap or international stocks. Athena's own fund is categorized as an Opportunity strategy. Opportunity is simplistically described as using unique opportunities that may exist for a small number of stocks at different points in time. Of course, if the MB predicts negative returns both sleeves of the Tactical portion can be cash.

For the Global Growth and Moderate portfolios we simply sold the valuation fund and bought Athena's fund. For the Global Conservative portfolios, we rebalanced and replaced a Profitability fund with a Valuation Fund.

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### **Past performance does not guarantee future results.**

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