

## Risk Exceeds Reward - Why We Took Profits



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*In this issue of "Risk Exceeds Reward - Why We Took Profits."*

- *Market Struggles With All-Time Highs*
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- *Sector & Market Analysis*
- *401k Plan Manager*

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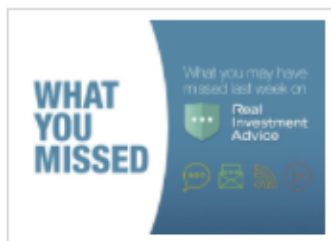
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## Catch Up On What You Missed Last Week



### #WhatYouMissed On RIA This Week: 11-20-20

Written by Lance Roberts | Nov 20, 2020

Here is what you might have missed from the RIA Crew last week. A compilation of our best blogs, newsletter, podcasts, the daily radio show and commentary from RIAPRO.NET.

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## Market Struggles With All-Time Highs

Last week, I started ["Market Breaks Out"](#) with the following paragraph.

*"If you like volatility, then this past week was for you. On Monday, the announcement by **Pfizer** sent markets screaming higher. Subsequently, the market faded into the end of the day. Since the highs of September, the market is now just **0.50% higher today**. Like I said, if you like volatility, you have gotten a good dose of it.*

Fast-forward to this past Monday, and I can repeat the same opening.

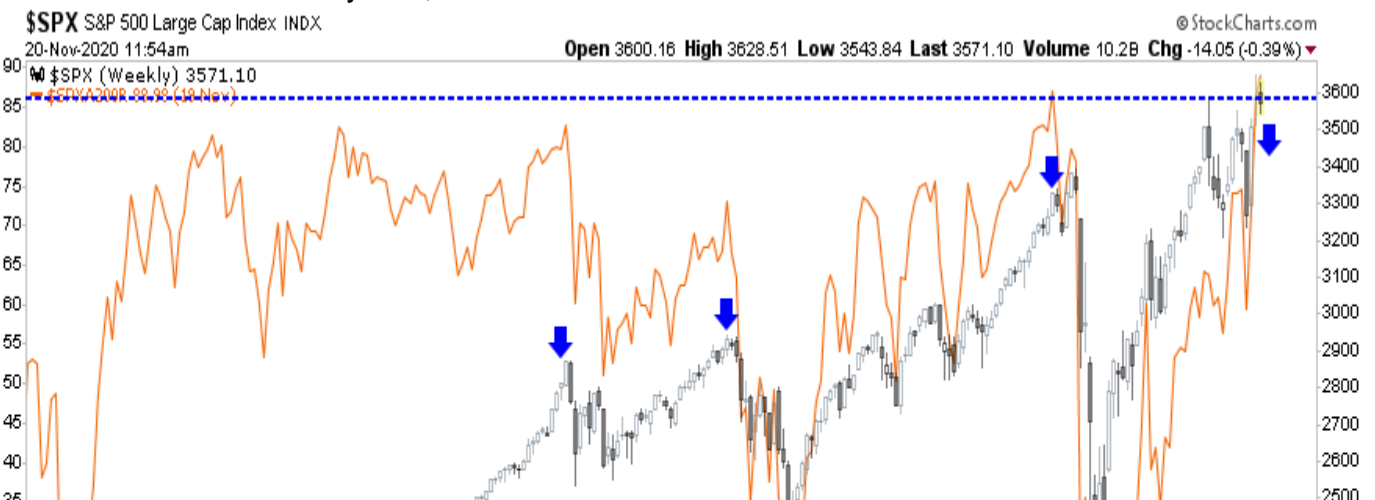
*"If you like volatility, then this past week was for you. On Monday, the announcement by **Moderna** sent markets screaming higher. Subsequently, the market faded into the end of the day. Since the highs of September, the market is **-0.65% lower today**. Like I said, if you like volatility, you have gotten a good dose of it.*



Importantly, just because the market is overbought, extended, and deviated from long-term averages does not necessarily mean an immediate correction. Such requires a catalyst. The overbought conditions provide the fuel for the correction. (*We discuss the potential catalyst in "Portfolio Positioning" below.*) However, with the market slowly "leaking" over the past week, a "sell" signal is approaching. Over the last few months, it has paid to be a bit more cautious at this point.



Furthermore, with the number of stocks now trading above their 200-dma at the highest level we have seen over the last 5-years, short-term corrections have often followed.

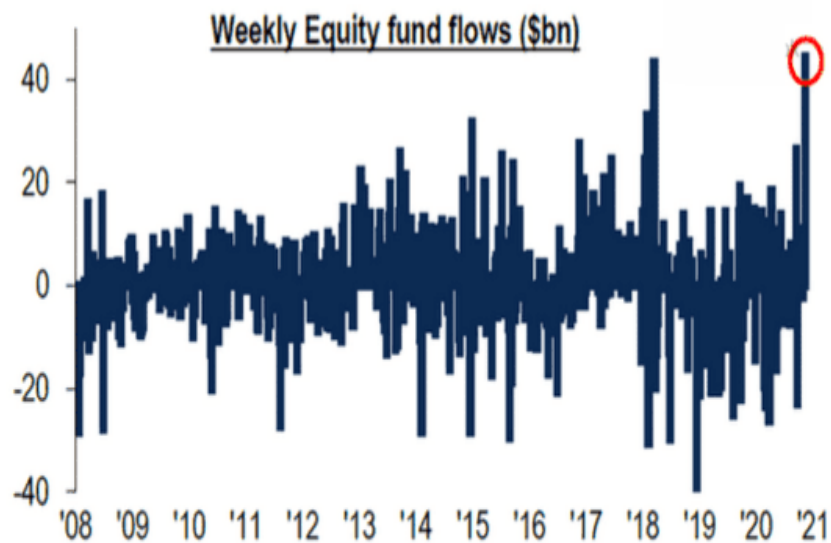


As we wrote in ["Bulls Go Ballistic,"](#) bullish sentiment has surged post-election despite rising virus cases, returning shutdowns, and lack of stimulus.&#2013266080;

## Inflows into stock funds hit 20-year high

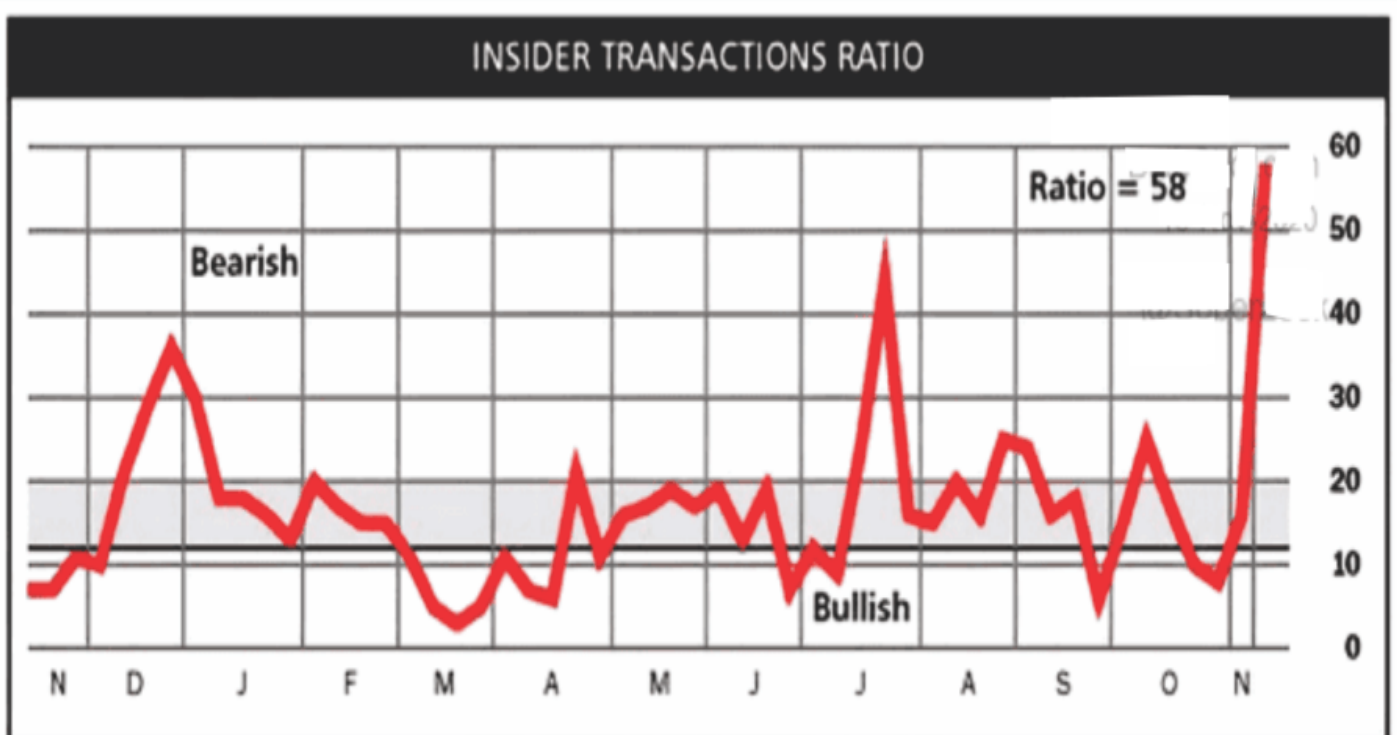
Firepower boosts equity markets on back of Covid-19 vaccine breakthrough

Chart 4: Largest week ever of global equity inflows



Source: BofA Global Investment Strategy, EPFR

At the same time, investors are rushing in; insiders are "selling out."&#2013266080;



Ratio of Insiders Sales to Buys. Readings under 12:1 are Bullish. Those over 20:1 are Bearish.

The total top 20 sales and buys are 588,175,017 and 10,227,750 respectively;

Source: Thomson Reuters

For these reasons, we continue to suggest some caution through active portfolio risk management until some of the excesses get reversed.



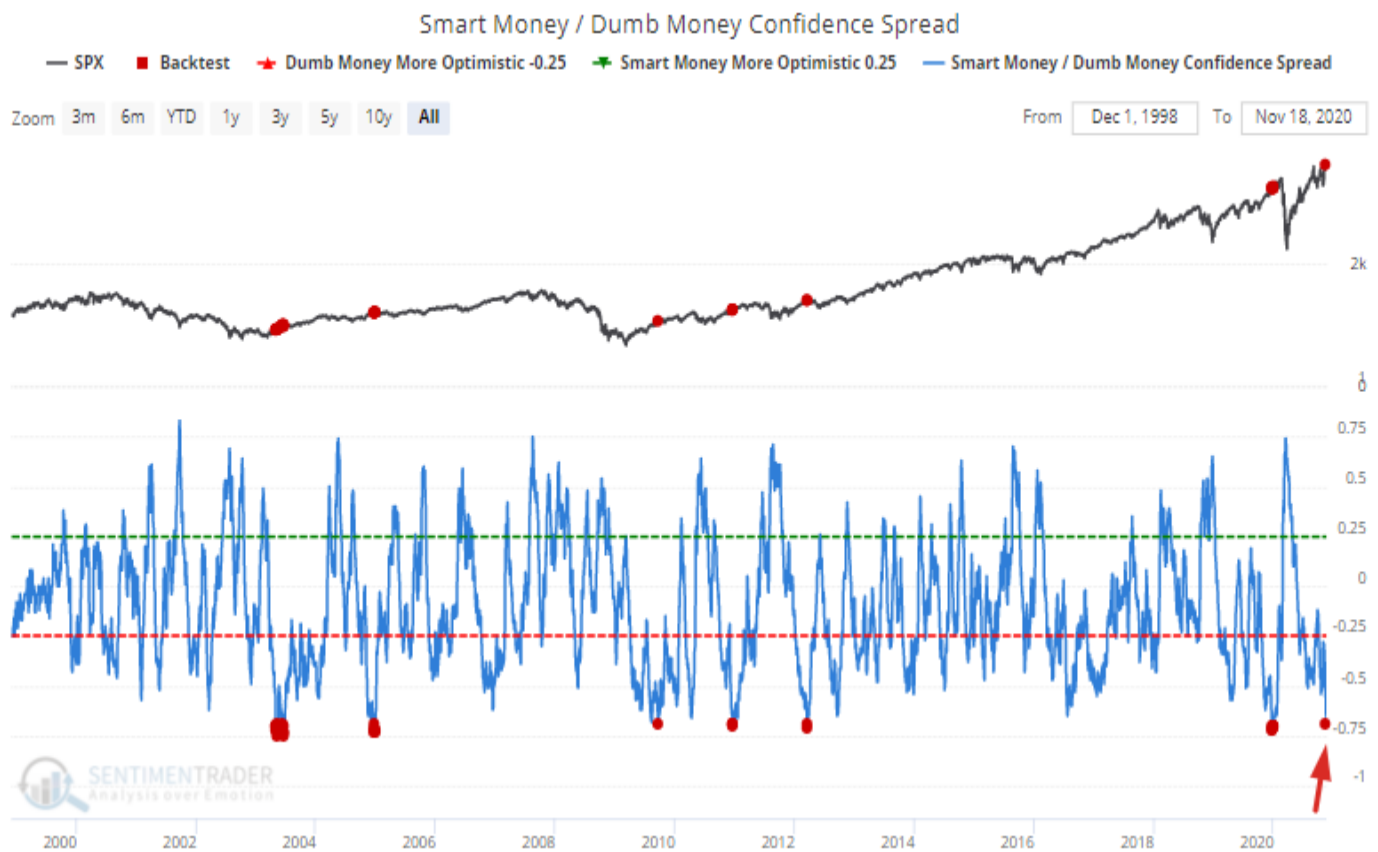
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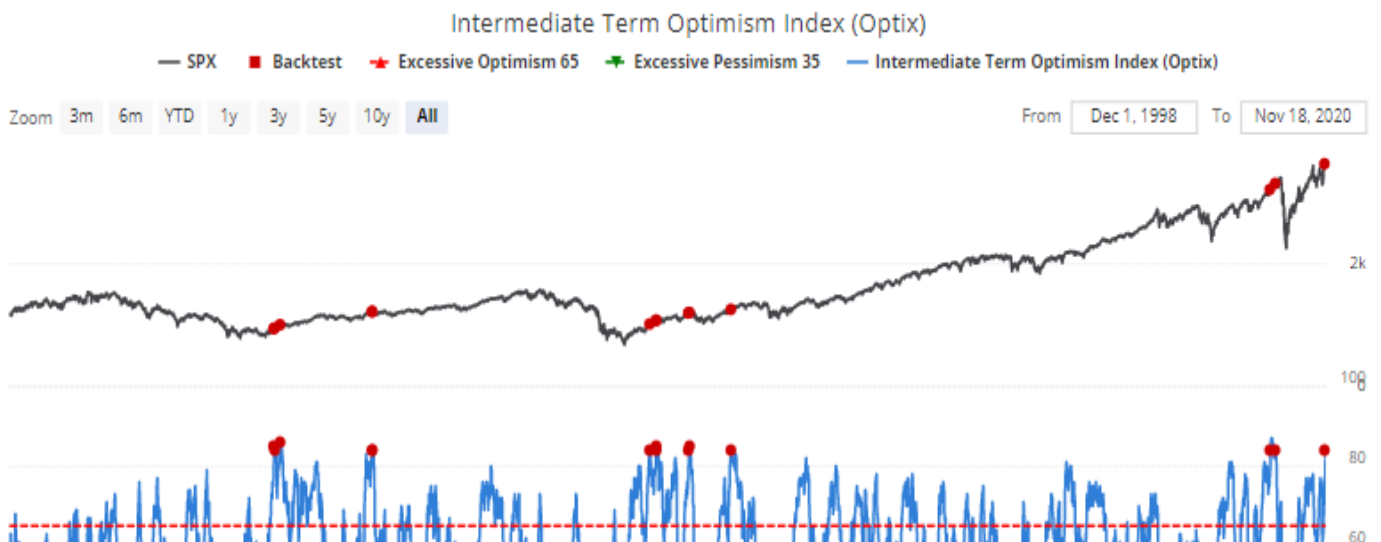
## Sentiment Is Getting Very High

As noted, it just isn't domestic "sentiment" becoming extended. SentimenTrader shows that sentiment has shot up to extremes on a global basis as well. To wit:

*"The stock market has mostly only gone in 1 direction since March: up. Since the various pullbacks along the way were very shallow, extremely optimistic sentiment never had a chance to properly wash out. As a result, sentiment across the world is now at sky-high levels. For example, our Smart Money/dumb Money Confidence Spread is at -0.69, one of the lowest readings ever."*



And optimism on an intermediate-term basis is at one of its highest readings of 83.





***?In a market run in part by models, machines, and day-traders, this probably should not have been a surprise.&#2013266080;Its not a coincidence were seeing more 6 sig+ moves relative to history, Cem Karsan, founder of Aegea Capital Management LLC, tweeted, using the symbol denoting standard&#2013266080;deviation. These arent your fathers equity markets.***

Jeff&#2013266080;concludes with two questions.

1. ***Is the current relative performance pattern sustainable?***
2. ***Should we now expect more fat-tail events?***

His answers were simplistic:

1. ***Maybe not; and,***
2. ***Definitely.***

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## So You Are Saying A "Crash" Is Coming?

No, that's not what I am saying, implying, or even remotely suggesting.

*For some reason, the markets have become more bipartisan than politics - with 'bulls' and 'bears' both 'social distancing' as much as possible." - [Real Investment Show](#)*

When it comes to investing, being either "bullish" or "bearish" is detrimental to your long-term returns. **Confining yourself into one "camp" or the other stops you from evaluating data that may run contrary to your view. In behavioral finance, such is called ["confirmation bias."](#)** To be a successful investor long-term, you must evaluate data for what it is **and make decisions even if it runs contrary to mainstream views.** The data tells us the current market advance is well ahead of itself in the short-term. **Historically, when "optimism" levels get to more extreme levels, the markets have experienced short- to intermediate-term corrections at the least, and sometimes more.** It is worth repeating my concluding point from last week:

*"When people take 'a little risk' and get rewarded for it, they are then encouraged to take 'a little more&#2013266080;risk.'&#2013266080; As my colleague Victor Adair notes, 'People in the 'crowd' don't appreciate the risks they are taking because they're surrounded by people who believe the market will keep going up.'"*

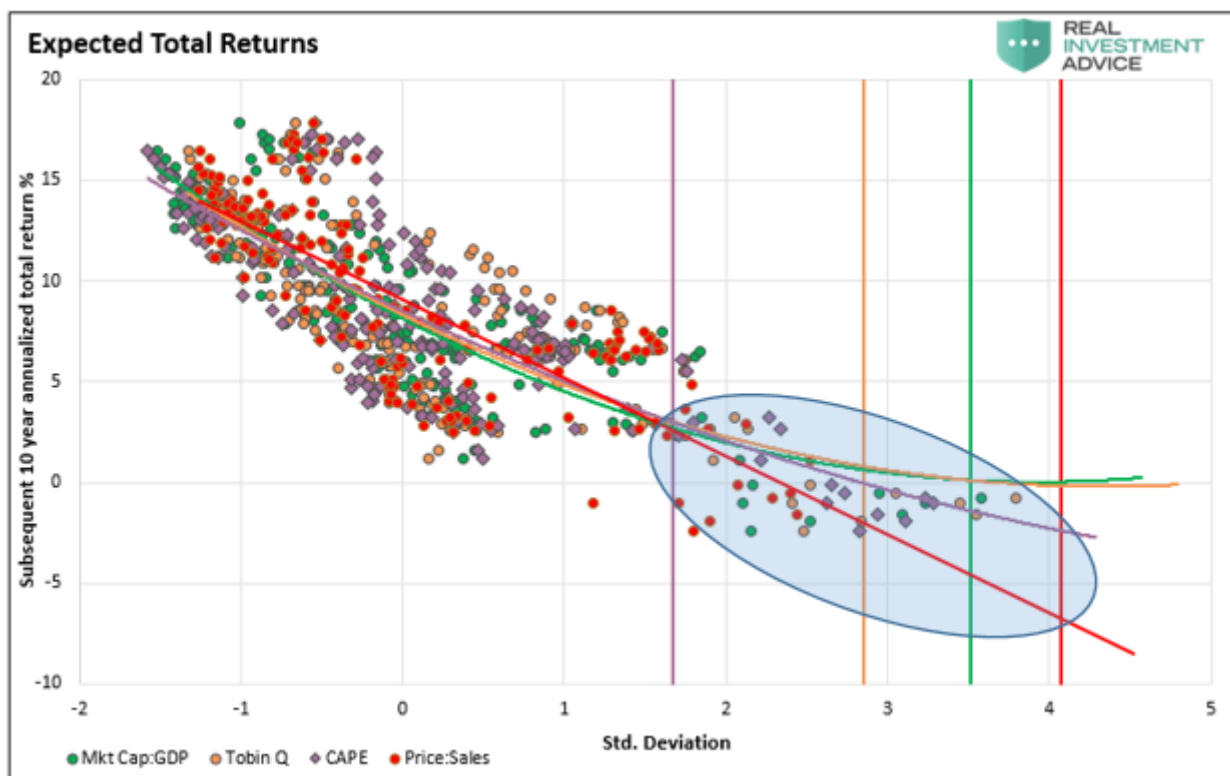
Such is currently the case. Everyone is now thoroughly convinced that markets can not go down due to the Federal Reserve interventions. Maybe they are right? Perhaps this time is different? Unfortunately, it usually just about the time "the crowd" becomes overly optimistic that an unexpected outcome occurs. As Bob Farrell once quipped:

***"When all experts agree, something else usually happens."&#2013266080;***

## Valuations Vs. Momentum

My partner, [Michael Lebowitz, penned an excellent piece](#) this week on valuations and long-term returns. I highly suggest reading the entirety of the article, but here is the crucial point.

**"Regardless of the economic environment, taking significant risks, and accepting pitiful expected returns is a bad idea. The average of the 10-year expected returns from the four gauges is -0.75%. When the Fed backs off, whether by its design or due to inflation, slower economic growth, or massive debt overhead, rich valuations will matter."**



*"The NYSE is the only place in the world that when the sign says 'Everyday high prices', everyone gets excited. If Walmart had the same sign, instead of 'Everyday low prices', no one would show up." -Peter Boockvar*

## Running With The Herd

As we have stated, "valuations" are a terrible "market timing" indicator. However, valuations tell you everything you need to know about future returns. It is about "sentiment" and "herd psychology" more than anything else in the very short-term. As my colleague, Doug Kass observed on Thursday in his "Real Money Diary."

*'Time and time again traders and investors robotically and often emotionally follow price and ignore the simple notion that **higher stock prices are the enemy of the rational buyer and lower prices are the ally of the rational buyer.** Too often as stock prices rise, investors cheer and **commonly ignore the consequences of buying at a high and elevated entry price.** And, too often as stock prices drop, investors panic and commonly ignore the consequences of selling at a low and depressed exit price. Thanks to a changing market structure, where active investing is overwhelmed by passive investing, mentalities have changed. Such also helps explain the popularity and proliferation of exchange-traded funds, quant strategies, and products that worship at the altar of price momentum. **In its essence, 'buyers live higher and sellers live lower.'** This evolution in market structure has arguably resulted in the least informed investor base in history as machines and exchange-traded funds know nothing about price and everything about value.'*

The problem is volatility has become a "wicked master." As we saw in March, the "elevator down"



can come swiftly. With investors piling into ETFs, and algorithmic quant strategies chasing momentum, markets will be more susceptible to wild future swings. When investors and robots try to "exit the theater" simultaneously, the drops will be swift with little notice.

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### Portfolio Positioning Update

Last Monday, just after Moderna made their vaccine announcement, I tweeted: Our job is to adjust our allocations to capture profits and protect capital when the "risk/reward" profile becomes unbalanced. On Monday, we reduced our exposure by increasing our bond holdings last Wednesday and raising cash levels Monday. Such was the point I made Tuesday in our ["3-Minutes" video](#). <https://www.youtube.com/watch?v=JbwZkDDGiXg>

### A Catalyst For A Decline

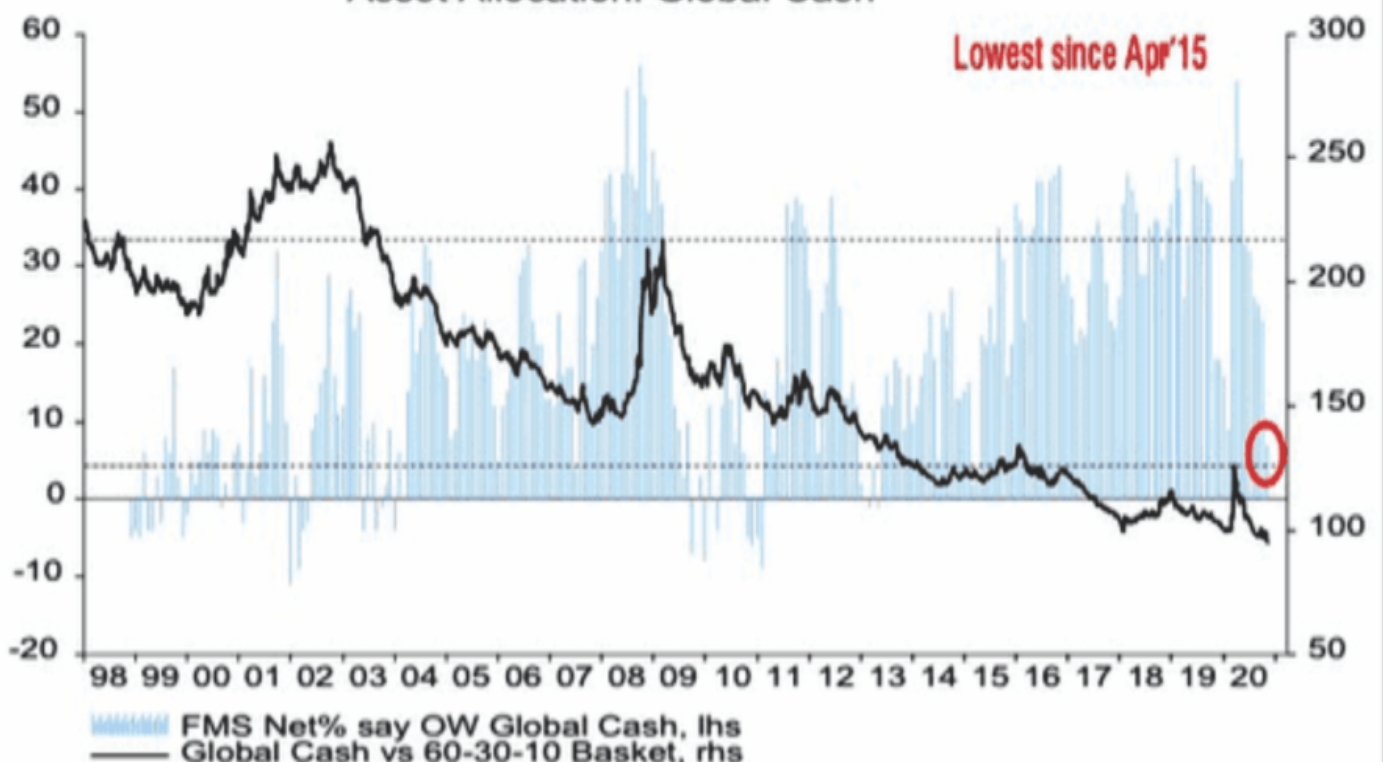
When markets are incredibly exuberant and extended, all that is needed to spark a short-term corrective process is a "catalyst." Following Thanksgiving and into the first two weeks of December, mutual funds must distribute their capital gains and interest for the year. **As shown below, fund managers are carrying some of the lowest cash balances on record; we could see selling pressure to make distributions.**

FMS cash allocation fell 16ppt MoM to net 7% overweight, the lowest level since April 2015.

Current allocation is 1.1 stdev below its long-term average.

#### Exhibit 32: Net % AA Say they are overweight Cash

Asset Allocation: Global Cash



## We Play The Probabilities

While many will read this article as being *bearish*; it isn't. As portfolio managers, we manage the risk of capital loss against the potential for reward. In other words, we *we prepare for the probabilities, but leave room to adjust for the possibilities.* No one knows with certainty what the future holds, which is why we must manage portfolio risk accordingly and be prepared to react when conditions change. **I am neither bullish nor bearish.** I follow a straightforward set of rules that are the core of our portfolio management philosophy. We focus on capital preservation and long-term *risk-adjusted* returns. Importantly, no discipline is perfect. Nothing works "all the time." However, any discipline or strategy works better than "no strategy at all."



### 15-Risk Management Rules To Follow:

1. **Cut losers short and let the winner's run.** *(Be a scale-up buyer into strength.)*
2. **Set goals and be actionable.** *(Without specific goals, trades become arbitrary and increase overall portfolio risk.)*
3. **Emotionally driven decisions void the investment process.** *(Buy high/sell low)*
4. **Follow the trend.** *(80% of portfolio performance is determined by the long-term, monthly, trend. While a "rising tide lifts all boats," the opposite is also true.)*
5. **Never let a "trading opportunity" turn into a long-term investment.** *(Refer to rule #1. All initial purchases are "trades," until your investment thesis is proved correct.)*
6. **An investment discipline does not work if it is not followed.**
7. **"Losing money" is part of the investment process.** *(If you are not prepared to take losses when they occur, you should not be investing.)*
8. **The odds of success improve greatly when the fundamental analysis is confirmed by the technical price action.** *(This applies to both bull and bear markets)*
9. **Never, under any circumstances, add to a losing position.** *(As Paul Tudor Jones once quipped:*

Everyone approaches money management differently. Such is just the way we do it.



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## The MacroView



### #MacroView: A Vaccine And The "New New Normal"

Written by Lance Roberts | Nov 20, 2020

Pfizer announced a potential vaccine for COVID-19 that was 90% effective. While a "vaccine" will eventually come to the market, it will only ensure a return to the "New New Normal."

[>> Read More](#)

If you need help or have questions, we are always glad to help. [Just email me.](#) See You Next Week By Lance Roberts, CIO

## Market & Sector Analysis

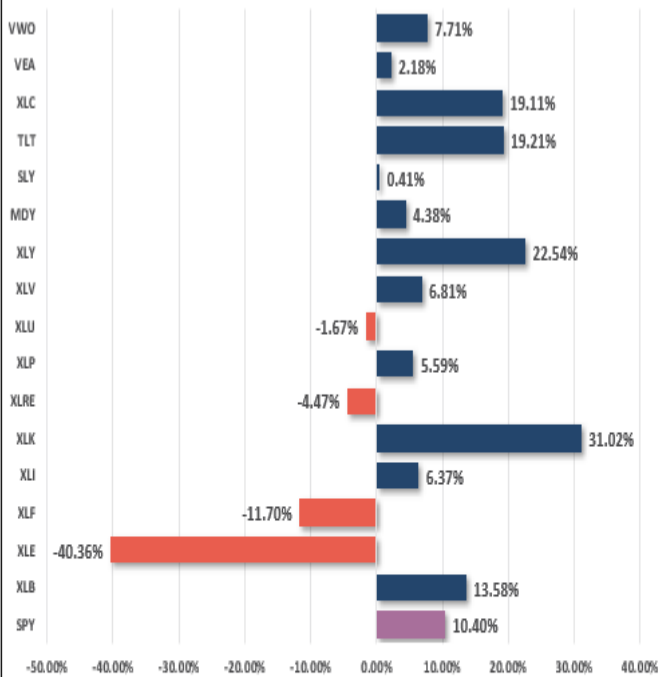
*Analysis & Stock Screens Exclusively For RIAPro Members*

## S&P 500 Tear Sheet

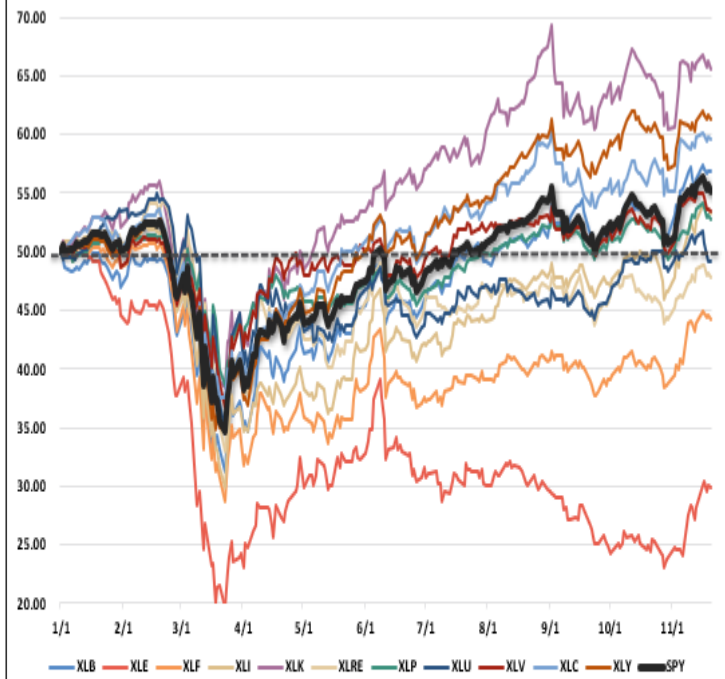


# Performance Analysis

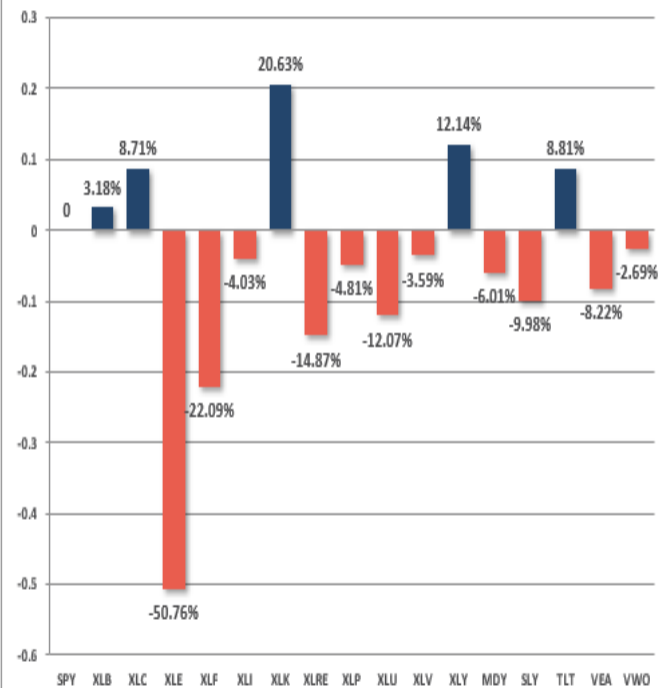
Year To Date Performance



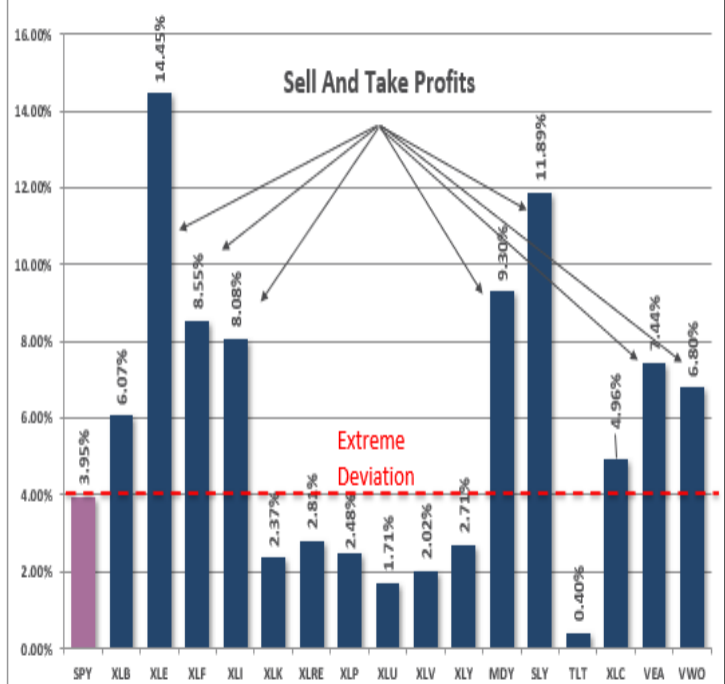
YTD Price - S&P Sectors Recalibrated To \$50/share



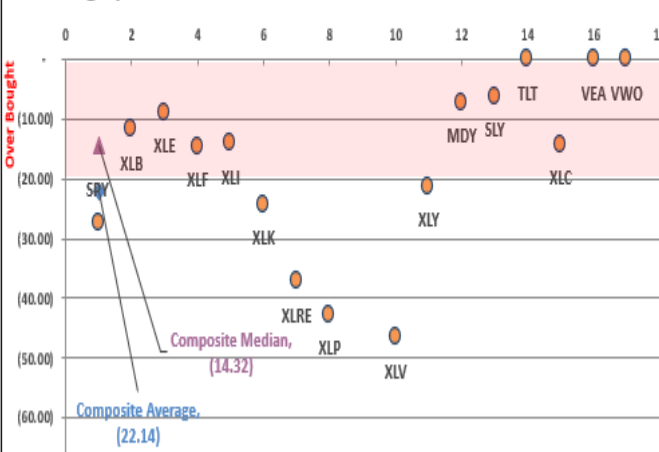
Year To Date Performance Relative To S&P 500



Price Deviation From 50-Day Moving Average



Overbought/Oversold 14-Periods

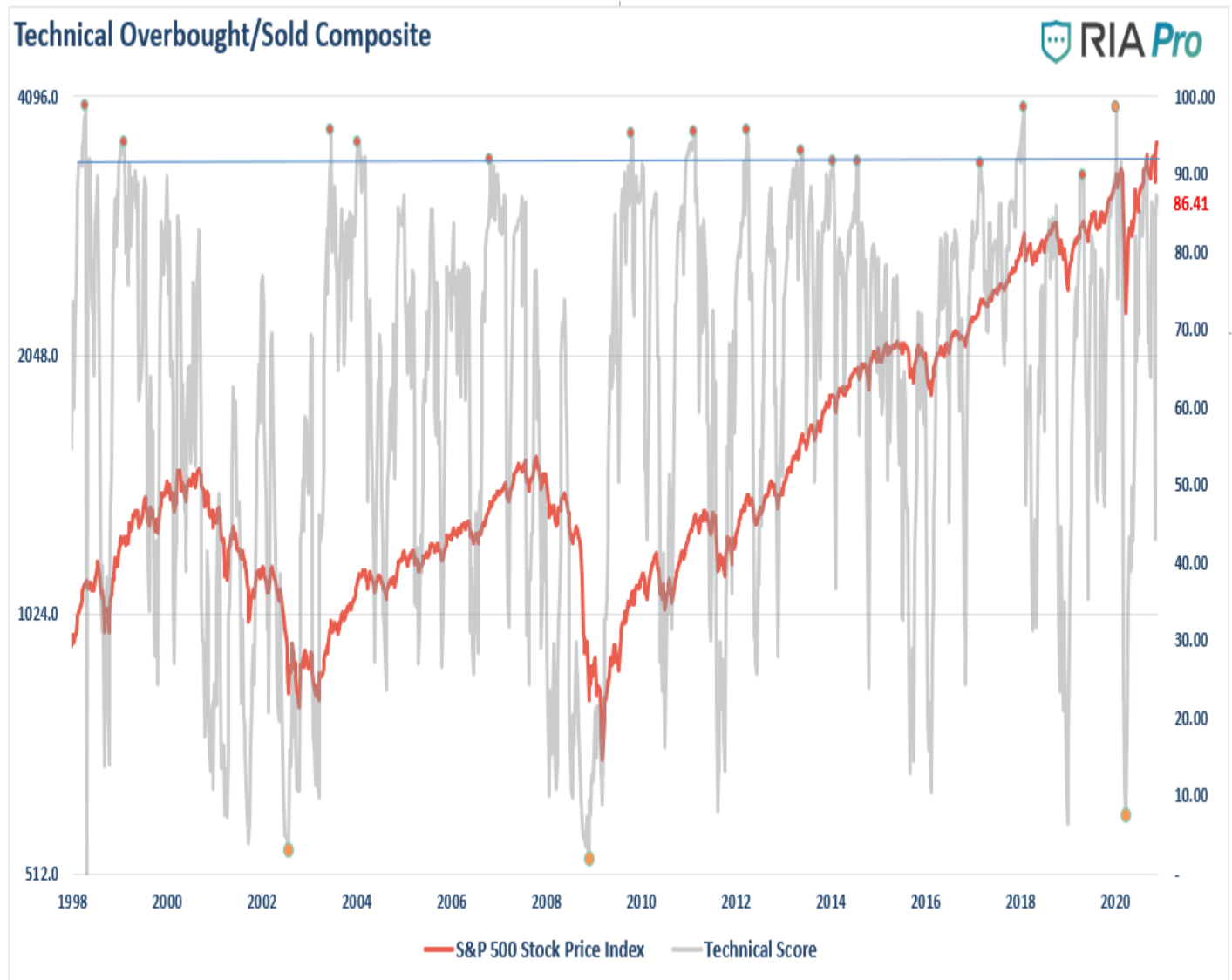


Size / Sector ETF YTD Trading Range



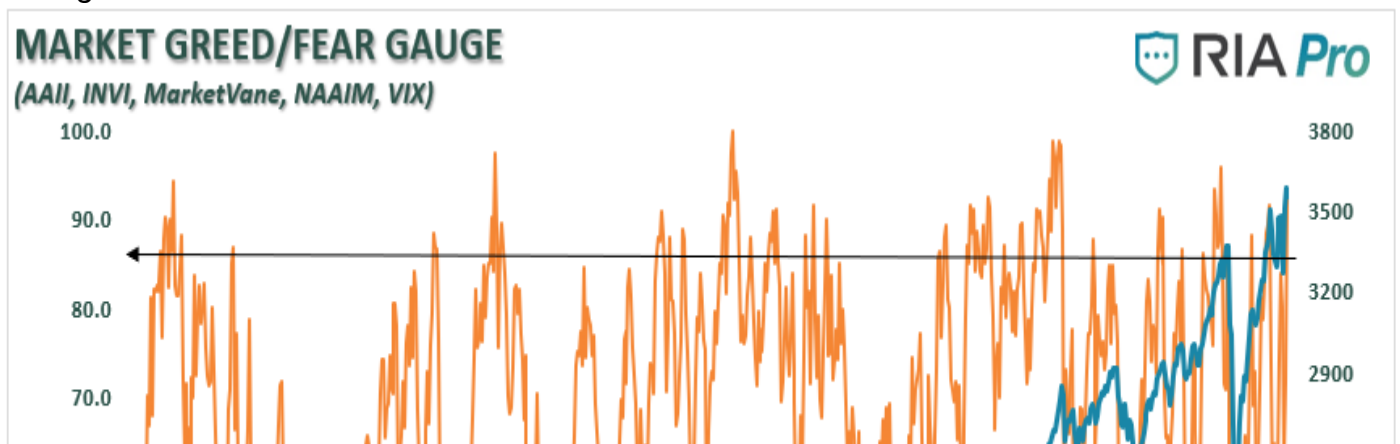
# Technical Composite

The technical overbought/sold gauge comprises several price indicators (RSI, Williams %R, etc.), measured using "weekly" closing price data. Readings above "80" are considered overbought, and below "20" is oversold.



# Portfolio Positioning "Fear / Greed" Gauge

The "Fear/Greed" gauge is how individual and professional investors are "positioning" themselves in the market based on their equity exposure. From a contrarian position, the higher the allocation to equities, to more likely the market is closer to a correction than not. The gauge uses weekly closing data.



# Sector Model Analysis & Risk Ranges

## How To Read.

- The table compares each sector and market to the S&P 500 index on relative performance.
- The "MA XVER" is determined by whether the short-term weekly moving average crosses positively or negatively with the long-term weekly moving average.
- The risk range is a function of the month-end closing price and the "beta" of the sector or market.
- The table shows the price deviation above and below the weekly moving averages.

RELATIVE PERFORMANCE		Current	PERFORMANCE RELATIVE TO S&P 500 INDEX					SHORT	LONG	MONTH	REL S&P	RISK RANGE		% DEV -	% DEV -	M/A XVER
Ticker	ETF NAME	Price	1 Week	4 Week	12 Weeks	24 Weeks	52 Weeks	WMA	WMA	END PRICE	BETA	HIGH	LOW	Short M/A	Long M/A	SIGNAL
IVV	ISHARS-SP500	356.63	(0.75)	2.79	1.32	11.28	14.03	343.85	319.86	327.62	0.99	335.81	319.43	4%	11%	BULLISH
XLB	SPDR-MATLS SELS	69.76	1.84	2.91	7.74	5.32	3.55	65.39	59.20	63.18	1.07	65.44	60.92	7%	18%	BULLISH
XLC	SPDR-COMM SV SS	63.88	0.40	0.06	(0.81)	3.80	8.72	61.20	56.50	59.20	0.99	61.27	57.13	4%	13%	BULLISH
XLE	SPDR-EGY SELS	35.81	6.45	15.05	(3.04)	(31.42)	(54.18)	32.13	35.11	28.72	1.63	29.91	27.53	11%	2%	BEARISH
XLF	SPDR-FINL SELS	27.18	1.31	4.86	5.86	(7.70)	(23.19)	25.04	23.89	23.86	1.15	24.73	22.99	9%	14%	BULLISH
XLK	SPDR-TECH SELS	120.11	(0.15)	(1.38)	(3.79)	7.16	24.68	117.92	106.55	110.86	1.07	114.82	106.90	2%	13%	BULLISH
XLI	SPDR-INDU SELS	86.66	1.80	3.98	8.67	4.59	(7.92)	79.69	72.18	75.87	1.14	78.63	73.11	9%	20%	BULLISH
XLP	SPDR-CONS STPL	66.50	(0.77)	(1.09)	(0.21)	(1.22)	(5.55)	64.97	61.68	62.26	0.57	64.17	60.35	2%	8%	BULLISH
XLRE	SPDR-RE SELS	36.94	(0.77)	0.89	(0.30)	(11.58)	(17.13)	35.99	35.00	34.15	0.70	35.24	33.06	3%	6%	BULLISH
XLU	SPDR-UTIL SELS	63.54	(3.10)	(4.66)	6.25	(7.44)	(13.18)	61.79	59.65	62.38	0.35	64.16	60.60	3%	7%	BULLISH
XLV	SPDR-HLTH CR	108.80	(2.21)	(1.88)	(0.57)	(5.86)	(3.31)	106.64	103.02	101.66	0.78	105.00	98.32	2%	6%	BULLISH
XLY	SPDR-CONS DISCR	153.69	0.91	(2.33)	0.78	5.82	13.71	149.49	134.04	142.97	1.17	148.21	137.73	3%	15%	BULLISH
XTN	SPDR-SP TRANSP	67.49	2.49	4.32	8.52	5.45	(8.50)	61.34	55.11	58.57	1.36	60.83	56.31	10%	22%	BULLISH
SDY	SPDR-SP DIV ETF	103.18	0.35	2.50	4.67	(6.88)	(16.23)	96.52	92.45	92.46	0.87	95.57	89.35	7%	12%	BULLISH
RSP	INVS-SP5 EQ ETF	120.74	1.33	2.99	6.16	(1.95)	(6.23)	112.16	104.55	107.51	1.10	111.38	103.64	8%	15%	BULLISH
SLY	SPDR-SP6 SC	72.75	3.38	6.64	10.90	2.32	(8.80)	64.77	59.96	62.33	1.24	64.66	60.00	12%	21%	BULLISH
MDY	SPDR-SP MC 400	391.84	2.37	3.84	9.00	1.17	(5.82)	356.54	331.20	346.27	1.18	359.00	333.54	10%	18%	BULLISH
EEM	ISHARS-EMG MKT	49.06	2.26	3.13	6.39	8.61	0.40	45.51	41.82	44.71	0.87	46.22	43.20	8%	17%	BULLISH
EFA	ISHARS-EAFE	70.35	2.17	5.48	6.12	(1.05)	(10.55)	65.21	61.85	61.39	0.81	63.42	59.36	8%	14%	BULLISH
IAU	ISHARS-GOLD TR	17.87	0.03	(4.38)	(5.91)	(0.01)	13.79	18.22	17.46	17.89	0.08	18.35	17.43	-2%	2%	BULLISH
GDX	VANECK-GOLD MNR	35.90	(4.80)	(10.31)	(15.76)	(0.68)	20.12	39.61	37.06	37.49	0.73	38.70	36.28	-9%	-3%	BULLISH
UUP	INVS-DB US\$ BU	24.93	0.35	(3.23)	(1.32)	(16.16)	(21.39)	25.17	25.88	25.37	(0.11)	25.98	24.76	-1%	-4%	BEARISH
IXUS	ISHARS-CR INT S	64.31	2.43	4.32	5.85	2.16	(7.22)	59.81	55.96	57.10	0.85	59.01	55.19	8%	15%	BULLISH
TLT	ISHARS-20+YTB	161.51	2.87	(0.57)	(1.07)	(7.82)	1.41	161.46	163.99	157.57	(0.30)	161.04	154.10	0%	-2%	BEARISH
BNDX	VANGD-TTL INT B	58.52	1.15	(2.36)	(0.03)	(8.85)	(13.43)	58.18	57.71	58.34	0.03	59.82	56.86	1%	1%	BULLISH
HYG	ISHARS-IBX HYCB	85.92	1.32	(1.55)	(0.41)	(9.55)	(14.92)	84.64	82.87	83.88	0.38	86.30	81.46	2%	4%	BULLISH



## Weekly Stock Screens

Currently, there are 3-different stock screens for you to review. The first is S&P 500 based companies with a "Growth" focus, the second is a "Value" screen on the entire universe of stocks, and the last are stocks that are "Technically" strong and breaking above their respective 50-dma. We have provided the yield of each security and a Piotroski Score ranking to help you find fundamentally strong companies on each screen. ([For more on the Piotroski Score - read this report.](#))

## S&P 500 Growth Screen

Ticker	Company	Current Price	Next 3-5 Yr Est EPS Gr rate	5 yr Hist Sales Gr	Div Yield	P/E using 12 mo EPS	Score
FBHS	Fortune Brd H&S	85.11	11.20	4.99	1.13	21.60	8.00
MSFT	Microsoft Corp	212.42	12.50	13.83	1.05	34.32	8.00
MTD	Mettler-Toledo	1147.34	12.10	5.59	0.00	47.63	8.00
PG	Procter & Gambl	139.53	7.57	1.54	2.27	25.93	8.00
PKI	Perkinelmer Inc	130.81	30.25	8.24	0.21	23.03	8.00
TMO	Thermo Fisher	453.10	18.00	11.58	0.19	28.30	8.00
ADP	Automatic Data	173.63	12.00	6.17	2.10	28.99	7.00
AVY	Avery Dennison	147.03	6.65	4.28	1.58	22.38	7.00
BLL	Ball Corp	97.91	5.00	8.85	0.61	34.23	7.00
CPRT	Copart Inc	113.83	13.00	16.55	0.00	42.00	7.00
CTLT	Catalent Inc	104.16	18.34	12.58	0.00	51.31	7.00
DVA	Davita Inc	107.63	18.26	-6.66	0.00	14.47	7.00
IDXX	Idexx Labs Inc	457.19	15.83	10.64	0.00	79.65	7.00
IT	Gartner Inc -A	152.27	13.50	17.83	0.00	33.91	7.00
KLAC	Kla Corp	243.75	13.64	17.02	1.48	22.38	7.00
MXIM	Maxim Intg Pdts	81.18	10.00	0.36	2.37	32.87	7.00
NVDA	Nvidia Corp	537.61	20.07	22.72	0.12	75.72	7.00
QRVO	Qorvo Inc	146.86	15.77	4.66	0.00	21.92	7.00
SHW	Sherwin William	728.73	10.27	12.94	0.74	30.70	7.00
TER	Teradyne Inc	106.47	16.74	10.61	0.38	24.25	7.00
TGT	Target Corp	171.37	7.22	2.75	1.59	20.28	7.00
UPS	Utd Parcel Srvc	166.48	7.90	6.91	2.43	21.70	7.00
WST	West Pharm Svc	281.22	20.47	7.42	0.24	66.48	7.00
AJG	Gallagher Arthu	116.04	11.06	7.24	1.55	26.19	6.00
APH	Amphenol Corp-A	127.20	8.50	9.76	0.79	35.43	6.00
ATVI	Activision Blzd	75.93	15.99	6.56	0.54	22.87	6.00
BLK	Blackrock Inc	673.48	9.03	8.02	2.16	21.04	6.00
CDW	Cdw Corp	132.78	13.10	7.83	1.14	21.01	6.00
DG	Dollar General	211.21	11.09	8.87	0.68	22.96	6.00
DOV	Dover Corp	124.68	11.50	0.15	1.59	22.03	6.00
FDX	Fedex Corp	279.85	12.00	8.62	0.93	24.72	6.00
J	Jacobs Engin Gr	105.15	7.77	5.59	0.72	19.73	6.00
LRCX	Lam Research	437.68	16.49	14.53	1.19	23.74	6.00
MAS	Masco	55.24	16.59	0.85	1.01	19.18	6.00
NVR	Nvr Inc	4215.53	12.96	7.87	0.00	19.43	6.00
PKG	Packaging Corp	129.80	5.00	5.17	2.43	21.07	6.00
RMD	Resmed Inc	211.76	14.53	12.50	0.74	41.52	6.00
ROK	Rockwell Automt	250.14	7.62	2.64	1.71	32.57	6.00
RSG	Republic Svcs	99.91	9.40	2.71	1.70	28.63	6.00
TT	Trane Tech Plc	146.79	9.15	3.61	1.44	30.45	6.00
TYL	Tyler Tech Inc	414.38	15.00	13.66	0.00	97.73	6.00
AOS	Smith (Ao) Corp	56.60	9.00	3.17	1.84	28.44	5.00

## Low P/B, High-Value Score, High Dividend Screen

Ticker	Company	Current Price	Price/ Book	ROE 5 Yr Avg	Div Yield	Score
SJM	Smucker Jm	117.05	1.60	11.92	3.08	9
CMTV	Commnty Bcp Vt	15.00	1.08	12.34	5.07	8
FLIC	First Long Is	17.73	1.06	10.79	4.29	8
HPE	Hewlett Pkd Ent	10.49	0.83	11.07	4.58	8
IBCP	Indep Bk Mich	17.12	1.00	11.07	4.67	8
PEG	Public Sv Entrp	57.62	1.84	11.16	3.40	8
TFC	Truist Finl Cp	46.90	1.02	10.08	3.84	8
TSLX	Sixth St Spclty	19.95	1.18	12.32	8.22	8
BSRR	Sierra Bancorp	22.08	1.00	10.41	3.62	7
CFR	Cullen Frost Bk	83.45	1.28	11.21	3.40	7
CHCO	City Hldgs Co	68.04	1.58	13.27	3.35	7
CPF	Central Pac Fin	16.95	0.88	10.07	5.43	7
CRWS	Crown Crafts	7.50	1.69	13.97	4.27	7
CVS	Cvs Health Corp	66.06	1.25	16.65	3.03	7
CZFS	Citizens Fin Sv	46.50	0.96	11.82	3.96	7
FMNB	Farmers Natl Bc	12.77	1.06	10.99	3.45	7
FNLC	First Bancp Inc	24.73	1.23	11.41	5.01	7
KBAL	Kimball Intl B	11.41	1.70	20.16	3.16	7
LARK	Landmark Bcp	24.73	0.94	10.11	3.23	7
LOMA	Loma Negra Cia	5.06	1.16	21.99	5.02	7
LTC	Ltc Properties	37.53	1.89	13.30	6.08	7
PFBC	Preferred Bank	38.23	1.14	15.19	3.14	7
STT	State St Corp	69.27	1.06	12.68	3.00	7
SWM	Schweitzer-Maud	35.65	1.78	19.52	4.94	7
UBFO	United Sec Bcsh	6.93	1.00	10.41	6.35	7
WTBA	West Bancorp	19.04	1.46	14.69	4.41	7

## Aggressive Growth Strategy

Ticker	Company	Current Price	Next 3-5 Yr Est EPS Gr rate	5 yr Hist Sales Gr	Div Yield	P/E F1/ LT EPS Gr	Score
CTRE	Caretrust Reit	19.27	#N/A	18.44	5.19	#N/A	8
MSCI	Msci Inc-A	400.79	#N/A	10.18	0.78	#N/A	8
MSFT	Microsoft Corp	212.42	12.50	13.83	1.05	2.52	8
CPRT	Copart Inc	113.83	13.00	16.55	-	3.02	7
FICO	Fair Isaac Inc	479.30	#N/A	9.43	-	#N/A	7
IDXX	Idexx Labs Inc	457.19	15.83	10.64	-	4.71	7
NVDA	Nvidia Corp	537.61	20.07	22.72	0.12	3.86	7
WST	West Pharm Svc	281.22	20.47	7.42	0.24	3.02	7
BF.B	Brown Forman B	80.14	#N/A	(4.73)	0.87	#N/A	6
HALO	Halozyme Thera	38.57	#N/A	6.59	-	#N/A	6
RGEN	Repligen	187.29	30.00	35.13	-	4.34	6
RMD	Resmed Inc	211.76	14.53	12.50	0.74	2.87	6
TYL	Tyler Tech Inc	414.38	15.00	13.66	-	6.67	6
CDNS	Cadence Design	112.60	15.43	8.59	-	3.61	5
IIPR	Innov Indl Ppty	153.47	#N/A	172.75	3.05	#N/A	5
ALGN	Align Tech Inc	441.35	18.28	27.06	-	7.28	4
EXR	Extra Space Stg	112.62	2.53	10.88	3.20	8.87	4
MKTX	Marketaxess Hld	534.22	#N/A	14.42	0.45	#N/A	4



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## Portfolio / Client Update

The past week was crazy. On Monday, Moderna announced they might have a vaccine that could be 94.5% effective, trumping Pfizer's 90% effectiveness. That market rallied on Monday but gave it all back on Tuesday and Wednesday. As noted last week, we finally got some "love" in our "value" stocks like CLX, CVS, CVX, and RTX. And this past week, due to more extreme extensions in these stocks, we took profits and raised cash levels by 5%. (See below) With next week being a holiday-shortened week, the "inmates tend to run the asylum." If we continue to see a relative increase in these value names, we will add some more incrementally. Having extra cash will give us a bit of protection against volatility. Also, as noted in the newsletter's main body, we are about to enter the **mutual fund distribution season**, which could apply more pressure to stocks. We may raise more cash and hedge if our indicators turn lower.

### Portfolio Changes

This past week we made the following changes to portfolios, as we noted in real-time on [RIAPRO.NET](http://RIAPRO.NET).

*"As noted in this past weekend's [Real Investment Report](#) the market has gotten back to more extreme overbought, extended, and bullish levels. Historically, such a setup has led to short-term corrections, or worse. While the vaccine news on this morning is certainly welcome, the markets have already priced much of that into stocks currently. Considering a vaccine won't be widely available to mid- to late-next year, the economic weakness will continue to weigh on profitability for now. As such, we are taking profits in some of our more egregiously extended positions and will use a post-Thanksgiving correction to add back to holdings at a cheaper level."*

### Equity Portfolio ? Taking Profits#2013266080;

- CVX from 2.5% to 1.5%
- CMCSA from 3% to 2.5%
- GOOG from 2.5% to 2%
- AAPL from 3% to 2.5%
- VZ from 3% to 2.5%
- UNH from 2.5% to 2%
- CVS from 2% to 1.5%
- TLT from 15% to 12.5%

### ETF Portfolio ? Taking Profits

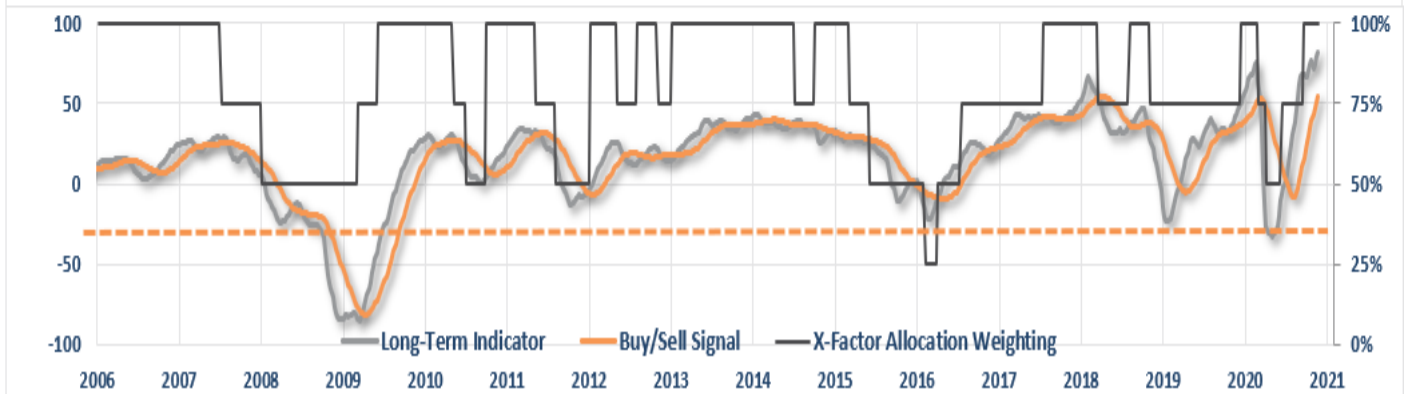
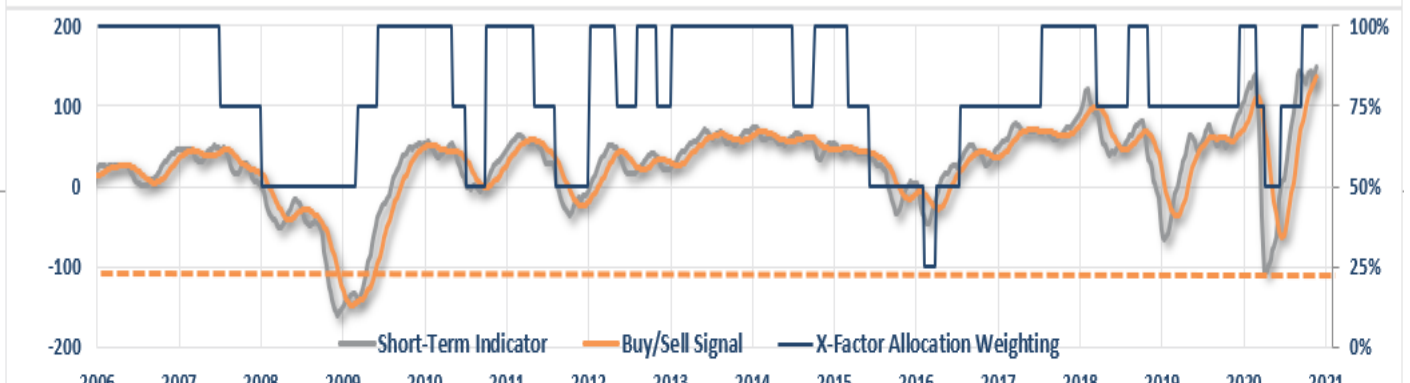
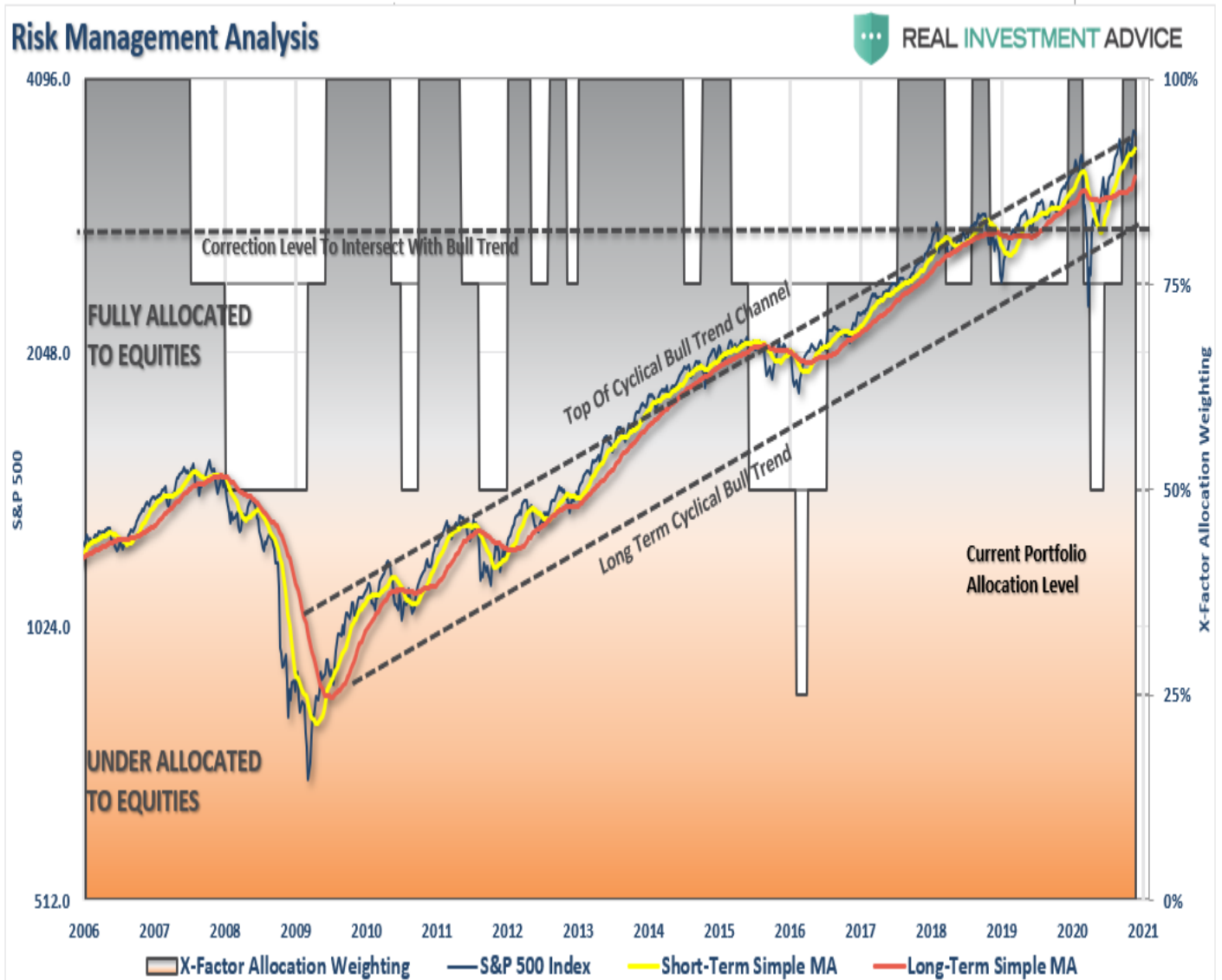
- CVX from 2.5% to 1.5%
- XLV from 9% to 8%
- XLP from 6.5% to 5.5%
- XLB from 3% to 2%
- TLT from 15% to 12.5%

As always, our short-term concern remains the protection of your portfolio. We have now shifted our focus from the election back to the economic recovery and where we go from here. *Lance Roberts CIO*

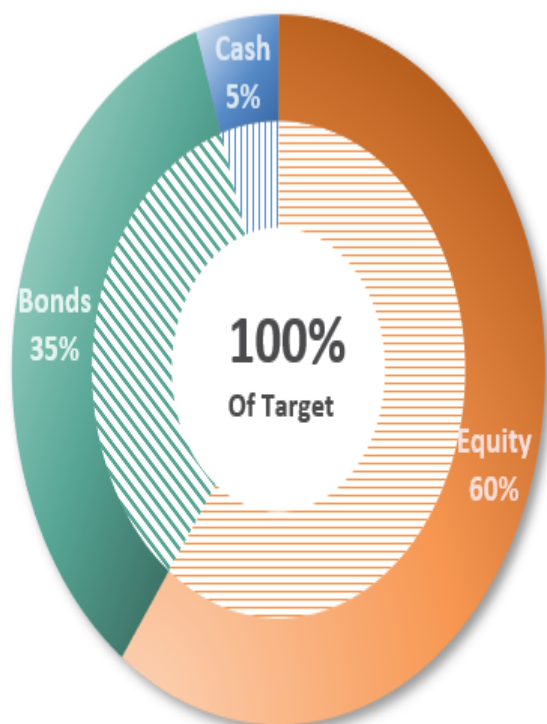
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# THE REAL 401k PLAN MANAGER

## A Conservative Strategy For Long-Term Investors



## Current Portfolio Weighting



## Current 401k Allocation Model

### 5.00% Cash + All Future Contributions

*Primary concern is the protection of investment capital*

*Examples: Stable Value, Money Market, Retirement Reserves*

### 35.00% Fixed Income (Bonds)

*Bond Funds reflect the direction of interest rates*

*Examples: Short Duration, Total Return and Real Return Funds*

### 60.00% Equity (Stocks)

*The vast majority of funds track an index.*

*Therefore, select on ONE fund from each category.*

*Keep it Simple.*

*20% Equity Income, Balanced or Conservative Allocation*

*30% Large Cap Growth (S&P 500 Index)*

*5% International*

*5% Mid-Cap*

## Portfolio Instructions:

Allocation Level To Equities	Recommendation	When To Take Action
Less Than Target Allocation	Hold Current Exposure	Hold Exposure
Equal To Target Allocation	Hold Current Exposure	Hold Exposure
Over Target Allocation	Hold Current Exposure	Hold Exposure

## Commentary

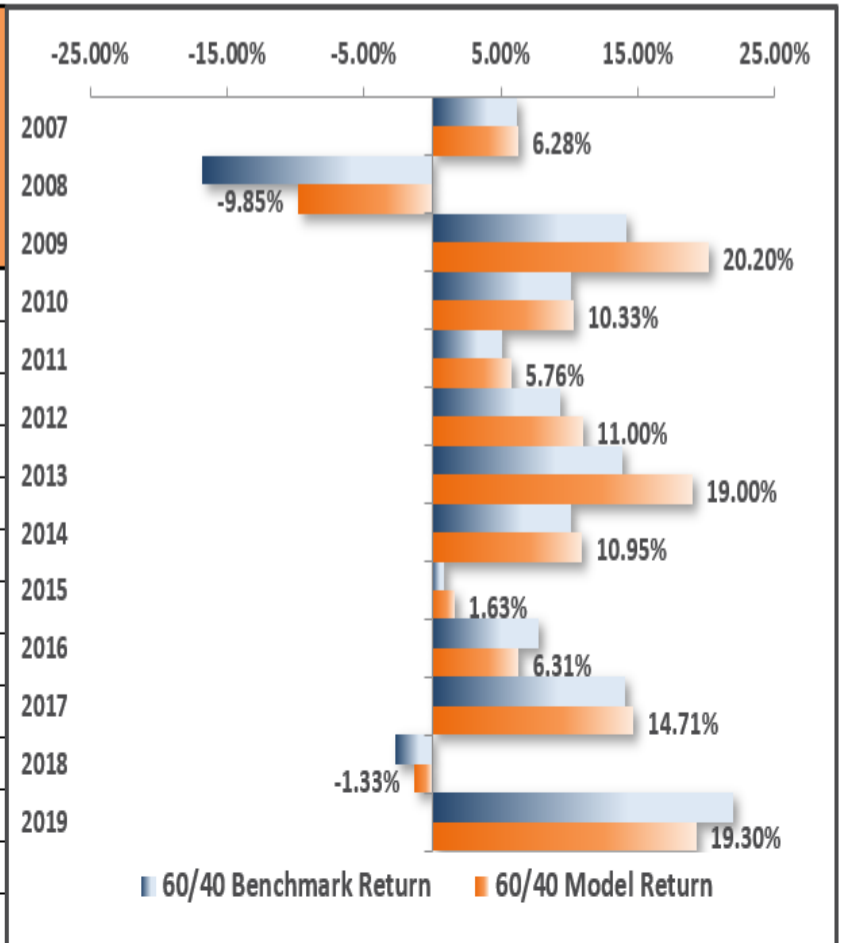
The market is now back to short-term overbought conditions. Continue to hold current exposure, but if you are looking to put "money to work" currently, you may want to wait for a correction. Normally, we see mutual funds distribute capital gains in the first two weeks of December which typically leads to a short-term correction. Look for that opportunity to increase allocation models accordingly.

With the election over, the market is going to start expecting more stimulus soon from Washington given the rising number of virus cases. If that fails to appear, there is downside risk to the market. Maintain exposures for now as we head into the end of the year, but if you are close to retirement, or are concerned about the markets, there is nothing wrong with holding extra fixed income or cash in portfolios currently.

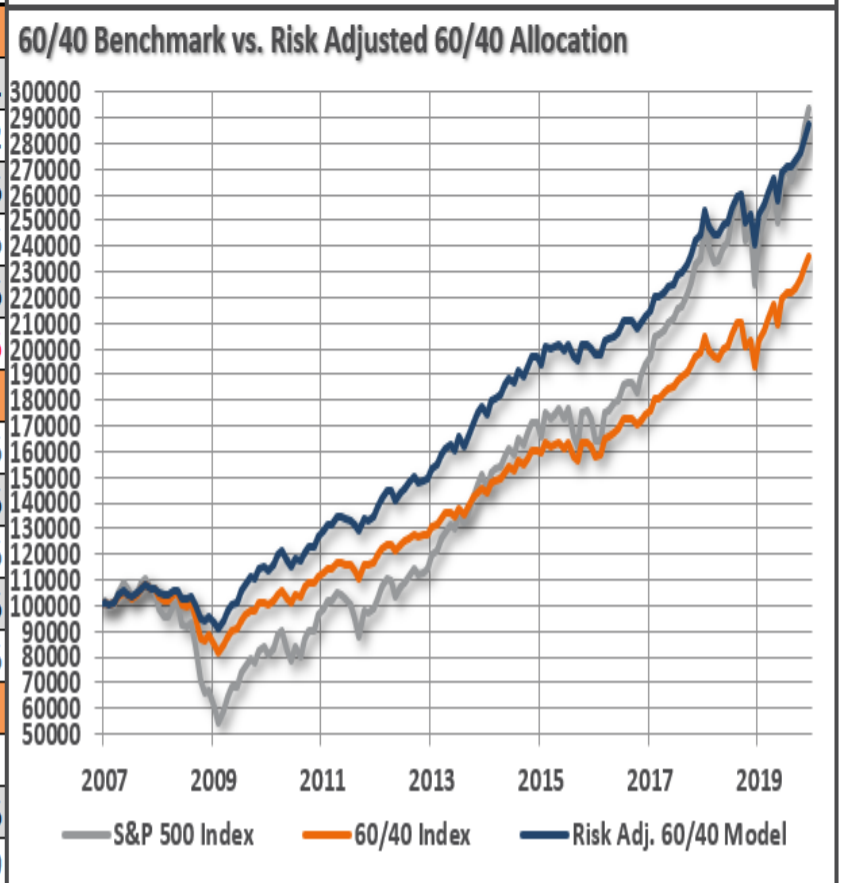
If you need help after reading the alert, do not hesitate to [contact me](#).

Model performance is a two-asset model of stocks and bonds relative to the weighting changes made each week in the newsletter. Such is strictly for informational and educational purposes only, and one should not rely on it for any reason. Past performance is not a guarantee of future results. Use at your own risk and peril.

Year	60/40 Benchmark Return	60/40 Model Return
2007	6.15%	6.28%
2008	-16.79%	-9.85%
2009	14.22%	20.20%
2010	10.17%	10.33%
2011	5.14%	5.76%
2012	9.33%	11.00%
2013	13.91%	19.00%
2014	10.08%	10.95%
2015	0.83%	1.63%
2016	7.79%	6.31%
2017	14.12%	14.71%
2018	-2.72%	-1.33%
2019	21.96%	19.30%



Portfolio vs Benchmark Statistics	
Number of Up Years	11
Number of Down Years	2
Best One Year Return Of Benchmark	21.96%
Best One Year Return Of Model	20.20%
Worst One Year Return Of Benchmark	-16.79%
Worst One Year Return Of Model	-9.85%
Benchmark Return 2007-Present	123.78%
Model Return 2007-Present	173.11%
Total Alpha Generated	49.33%
Mean Annual Return Of Benchmark	7.25%
Mean Annual Return Of Model	8.79%
Beta Of Model vs Benchmark	0.86
Jensens Alpha	2.30%
Sharpe Ratio	0.29



# 401k Plan Manager Live Model

As an [RIA PRO subscriber](#) (You get your first 30-days free), you can access our live 401k plan manager. Compare your current 401k allocation to our recommendation for your company-specific plan and our on 401k model allocation. You can also track performance, estimate future values based on your savings and expected returns, and dig down into your sector and market allocations. **If you would like to offer our service to your employees at a deeply discounted corporate rate, [please contact me.](#)**



Investment Analysis, Research & Data  
From The RIA Investment Team

Dashboard Macro ▾ Ideas ▾ Research ▾ Portfolio ▾ 401K- Beta Symbol Help ▾

This is the Beta version of 401K. Some Errors are expected ! [Click Here to report Issues](#)

My Portfolios

CVS Health ▾

✓ Add Portfolio

✓ Delete Portfolio

✓ Rename Portfolio

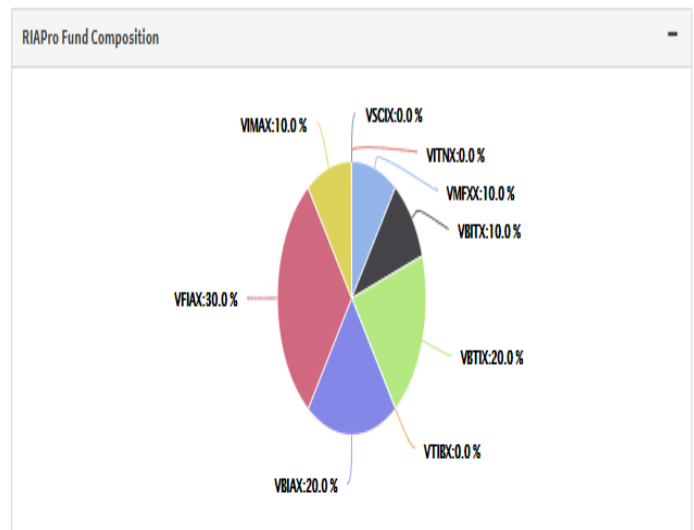
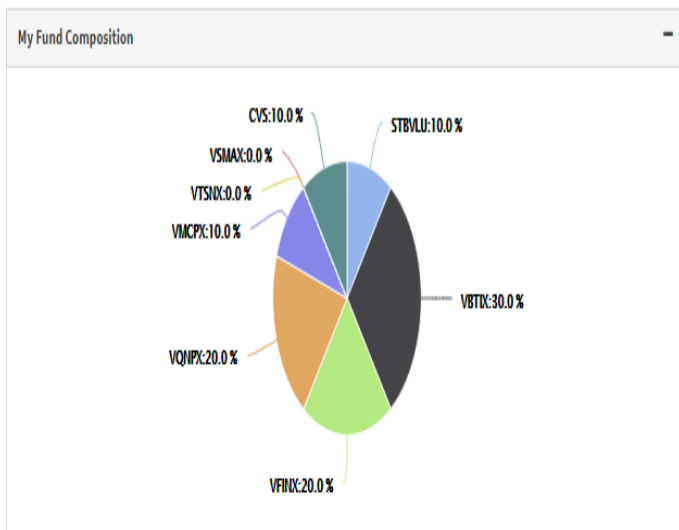
My Info Fund Selection **Comparison** Summary Commentary

My Portfolio

RIAPro Portfolio **RIA PRO MODEL PL** ▾

Retirement Income (My Portfolio Annual ROR 9.44 %)	
Current account balance	10,000
Estimated Retirement Balance	632,861
Estimated Retirement Balance (Inflation Adj)	620,204
Monthly Income	2,768
Monthly Income (Inflation Adj)	2,713
My Cumulative Contribution	172,934
Employer Cumulative Contribution	103,760

Retirement Income (RiaPro Annual ROR 9.02 %)	
Current account balance	10,000
Estimated Retirement Balance	609,786
Estimated Retirement Balance (Inflation Adj)	597,590
Monthly Income	2,667
Monthly Income (Inflation Adj)	2,614
My Cumulative Contribution	172,934
Employer Cumulative Contribution	103,760



My Asset Composition +

RIAPro Asset Composition +