



Selected Portfolio Position Review: 02-27-2020

Each week we produce a chart book of 10 of the current positions we have in our equity portfolio. Specifically, we are looking at the positions which warrant attention, or are providing an opportunity, or need to be sold.

While the portfolios are designed to have longer-term holding periods, we understand that things do not always go the way we plan. This monitoring process keeps us focused on capital preservation and long-term returns.

HOW TO READ THE CHARTS

There are four primary components to each chart:

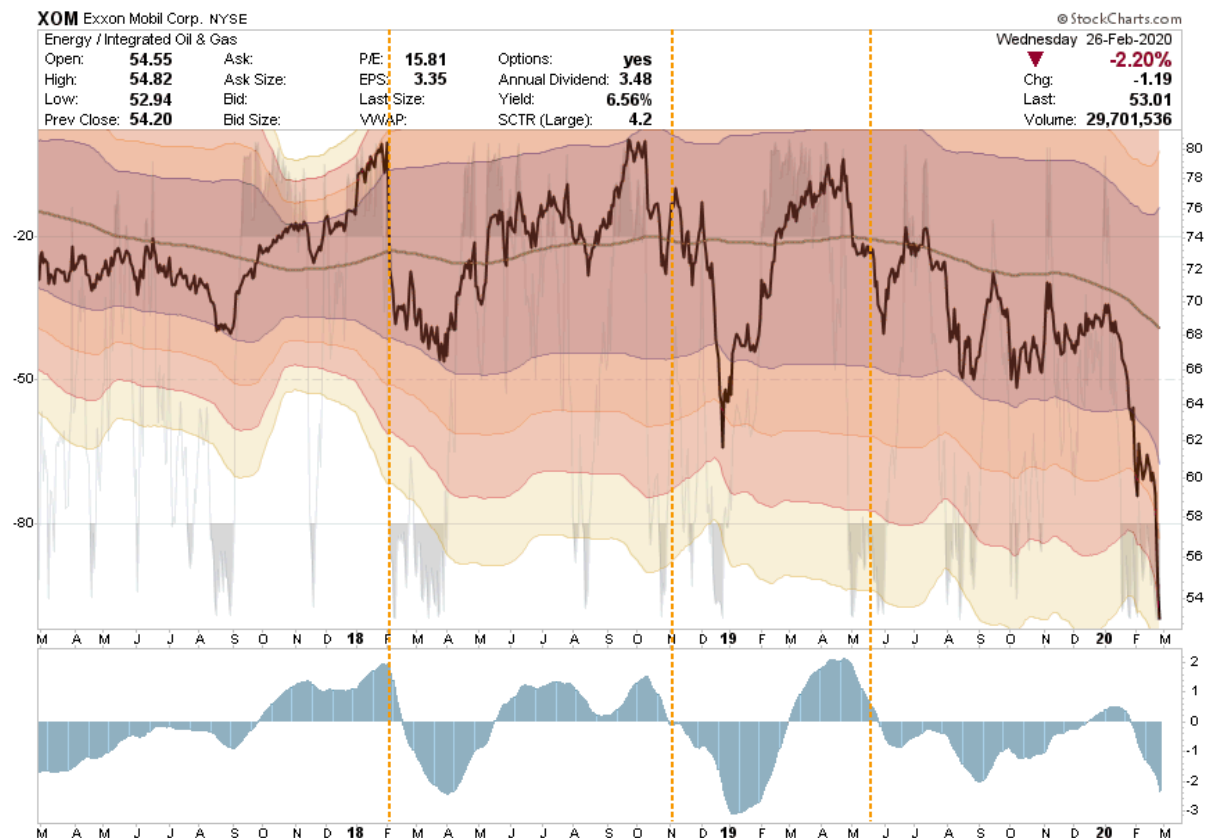
- *The price chart is contained within the shaded area which represents 2-standard deviations above and below the short-term moving average.*
- *The Over Bought/Over Sold indicator is in orange at the top.*
- *The Support/Resistance line (green) is the longer-term moving average which also acts as a trailing stop in many cases.*
- *The Buy / Sell is triggered when the green line is above the red line (Buy) or vice-versa (Sell).*

When the price of a position is at the top of the deviation range, overbought and on a buy signal it is generally a good time to take profits. When that positioning is reversed it is often a good time to look to add to a winning position or looking for an opportunity to exit a losing position.



With this basic tutorial, we will now review some positions in our Equity Portfolio which are either a concern, an opportunity, or are doing something interesting.

XOM - Exxon Mobil



- We are going to violate one of our trading rules, which is to never "average down" in a position. This is something we never do, but in this particular case the risk/reward trade off warrants the move.
- XOM is currently trading 5-standard deviations BELOW its 200-dma. This is an EXTREME rarity which will not last long. The risk of a further decline, even if oil drops further is relatively mitigated at this juncture and with a 6.5% dividend yield we can wait.
- First, we have owned XOM for a while and took profits in it previously, so the current position of 1% of the portfolio does not impute much risk to the overall portfolio.
- Second, as noted in the Sector Update, we are going to sell XLB and XLI on a bounce to remove the risk of the global supply chain impact from the corona virus so we are going to underweight risk in the ETF Model. We have already sold DOV and VMC in the Equity Portfolio. (We will add a 1/2 position in XLE to the ETF Model.)
- We have also taken profits, as we will discuss in a minute in other positions in both Portfolios in AGNC, NLY, and REM which further reduces our risk.
- We will see a reflexive bounce at some point to relieve the extreme negative positioning in XOM at which time we will either sell some or all of the position. Longer-term, given the valuation of the energy sector, we think we will eventually see a gravitation back to the sector. But that is a trade for a different day.
- We will look to execute this trade soon.

DEM - Wisdom Tree Emerging Markets

DEM WisdomTree Emerging Markets High Dividend Fund NYSE

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Open: **41.51** Ask: P/E: Options: **yes**
 High: **41.83** Ask Size: EPS: Annual Dividend: **2.19014**
 Low: **41.18** Bid: Last Size: Yield: **5.32%**
 Prev Close: **40.88** Bid Size: VWAP: SCTR (ETF): **28.8**

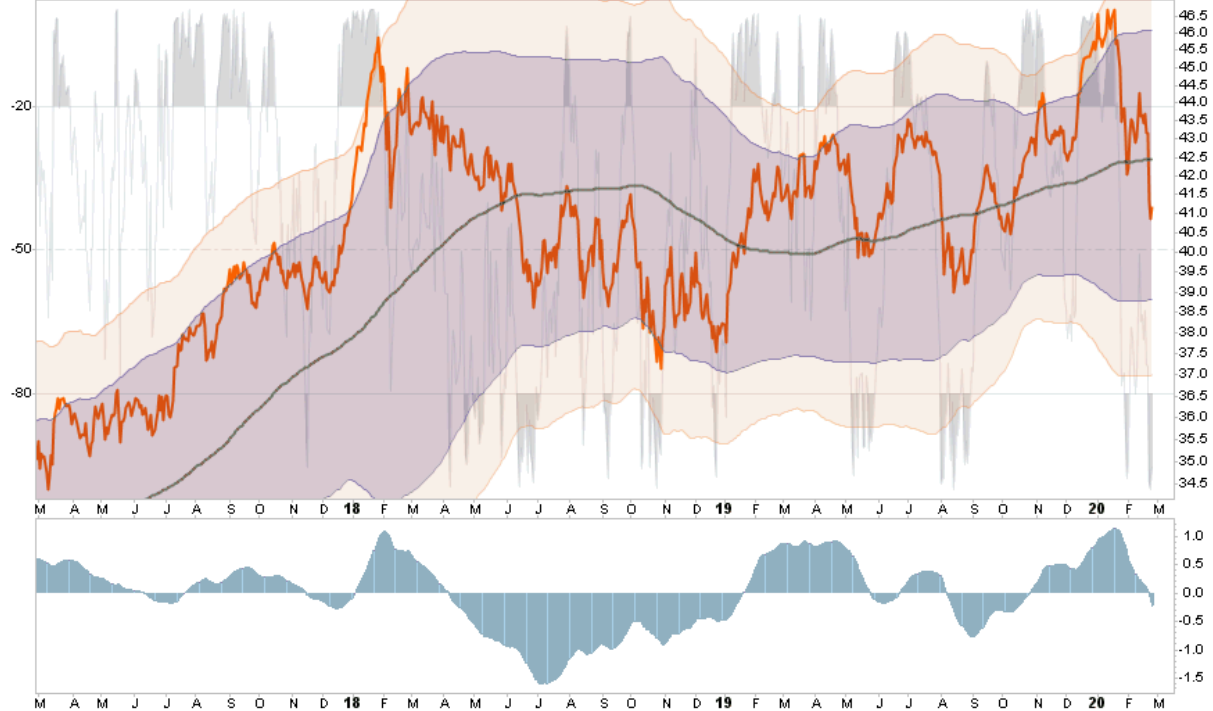
Wednesday 26-Feb-2020

▲ **+0.73%**

Chg: **+0.30**

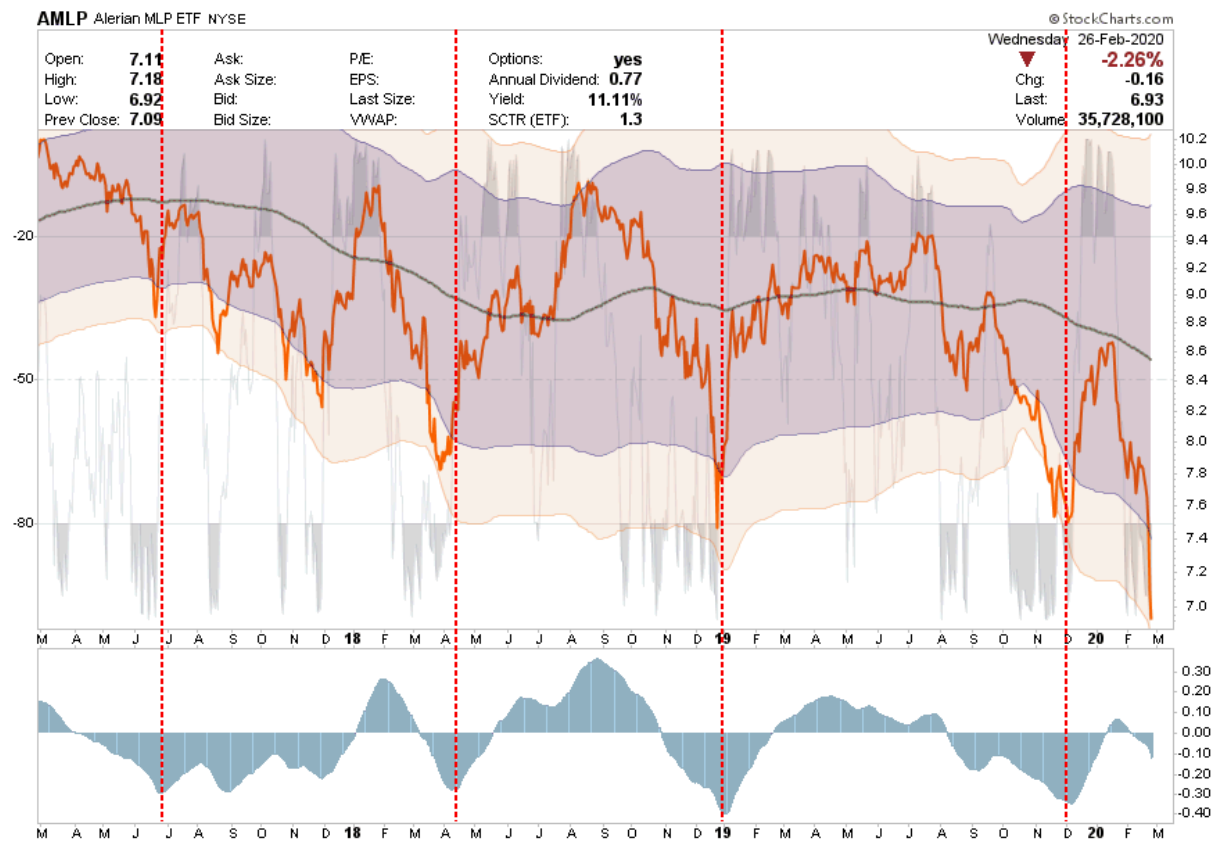
Last: **41.18**

Volume: **294,362**



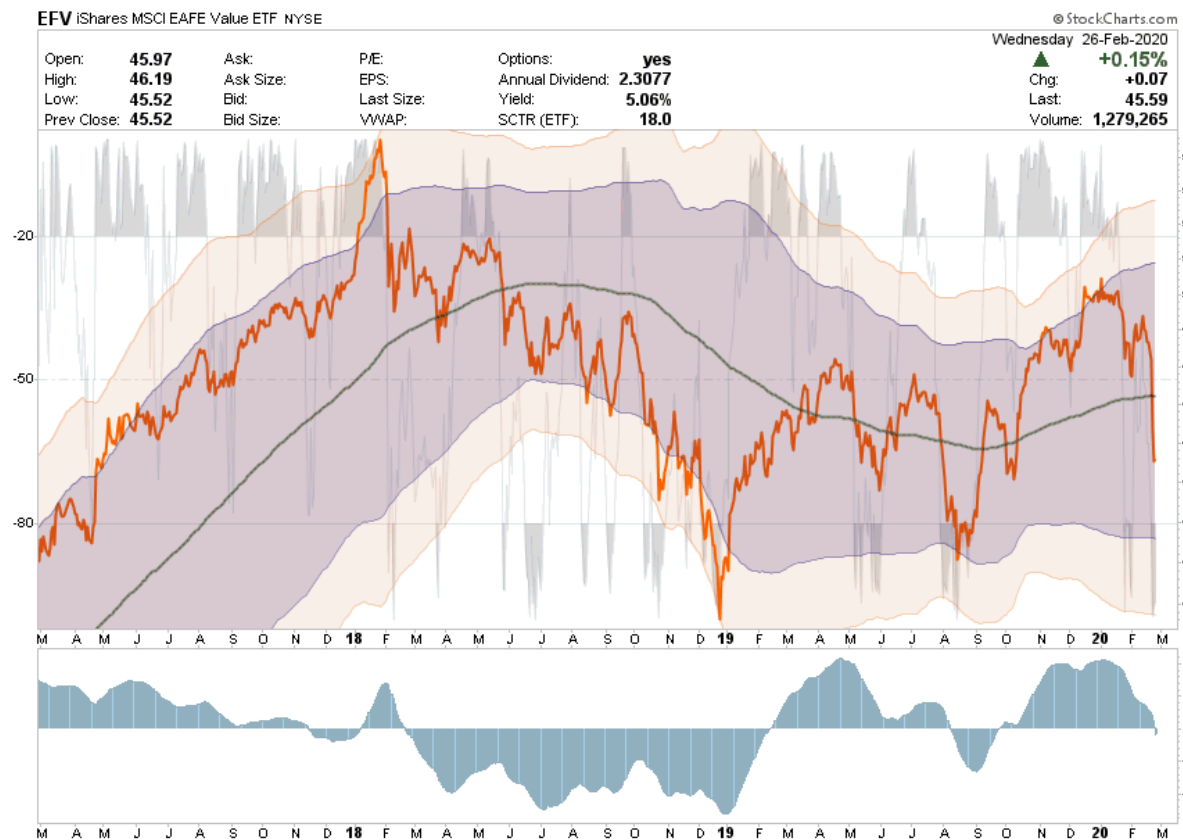
- As noted last week: "There are several positions we are going to discuss selling out of our portfolio in today's analysis. DEM has been holding up despite the impact of the virus, however, we think there is more exposure there to come on the risk side of the ledger, particularly with the U.S. dollar strengthening. We are going to sell this position out of the portfolio soon."
- That trade was completed this week.
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AML - Alerian MLP



- See comments above on XOM. The same trade will be applied to AMLP.

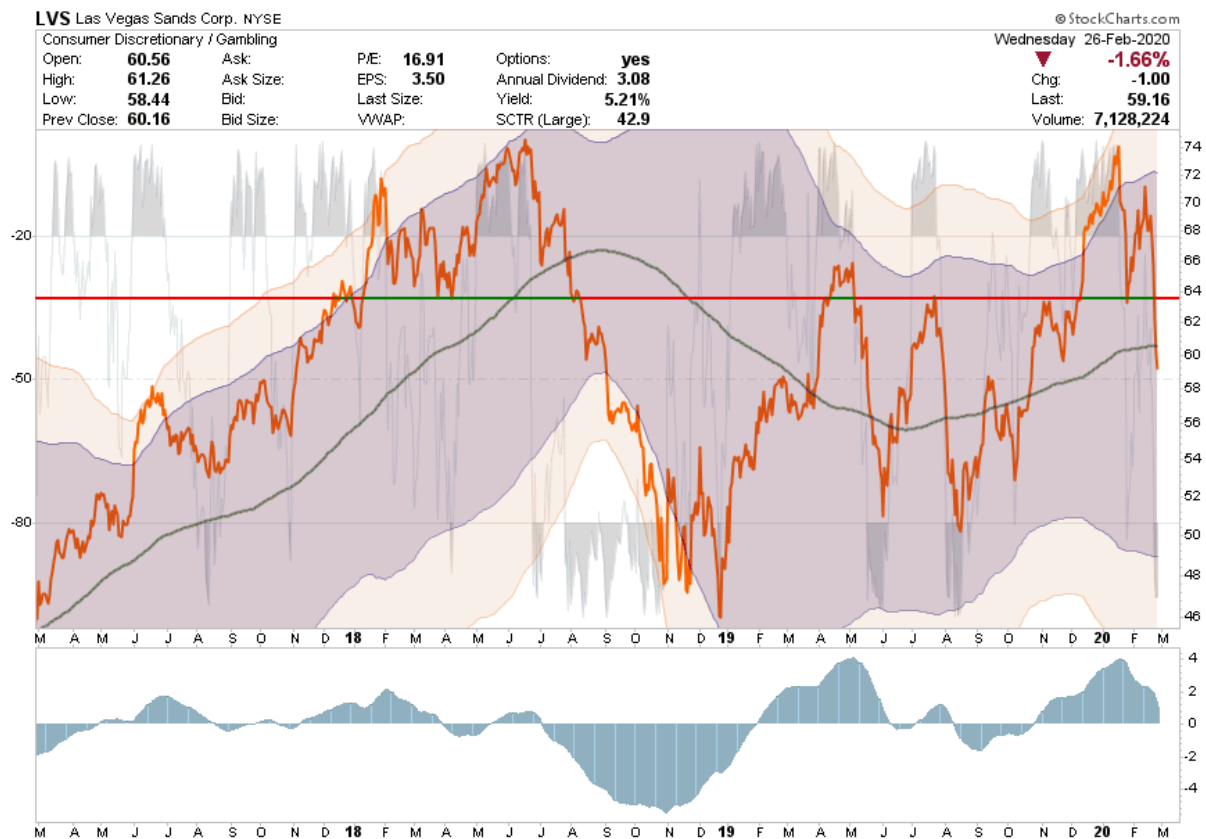
EFV - iShares MSCI EAFE Value ETF NYSE



- Like DEM above, we sold EFV for the same reasons.

- The stronger U.S. dollar, the impact of the coronavirus, and already weak relative performance pushed us to close out the holding and raise cash accordingly.
- For now cash is providing a better buffer against current volatility.
-

LVS - Las Vegas Sands Corp.



- LVS was a recent add to the Equity portfolio after it successfully tested breakout support levels with the "buy signal" still intact.
- However, the recent "Coronavirus" rout violated our stop-loss levels and the position was closed out in the EQUITY portfolio.
- In the DYNAMIC portfolio we only own 1/2 of a position so we are evaluating the holding currently. We are highly likely to sell the position in the portfolio on any rally towards \$62.

VOOG - Vanguard S&P 500 Growth ETF

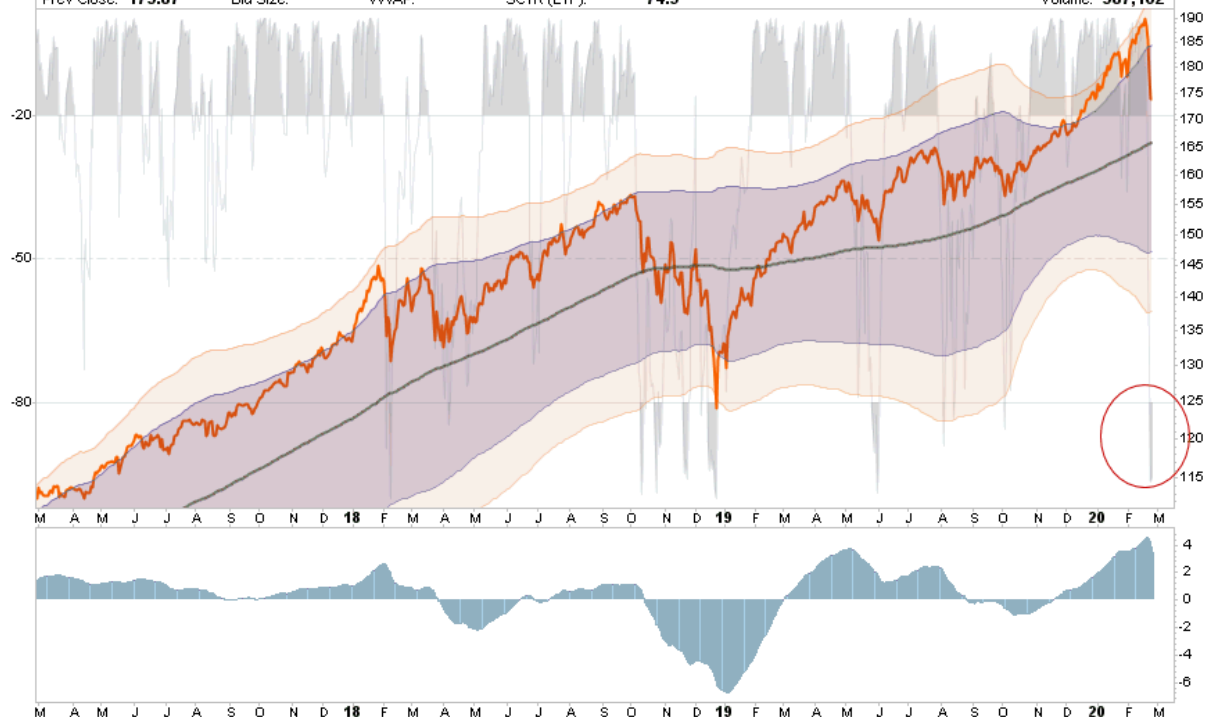
VOOG Vanguard S&P 500 Growth ETF NYSE

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Wednesday 26-Feb-2020

Open: 174.58	Ask:	P/E:	Options: no
High: 177.46	Ask Size:	EPS:	Annual Dividend: 2.1944
Low: 173.23	Bid:	Last Size:	Yield: 1.26%
Prev Close: 173.87	Bid Size:	VWAP:	SCTR (ETF): 74.9

▲ **+0.07%**
 Chg: **+0.12**
 Last: **173.99**
 Volume: **387,162**



- With the overall market oversold on a short-term basis, and still in a bullish trend, we are **RENTING** A TRADING POSITION in VOOG.
- *This position was added for a reflexive bounce from an oversold condition and will be sold in our target zone of \$178-182*
- *The goal is to add a little incremental return to the portfolio given the recent sales which increased our cash holdings to a level higher than we want currently.*
- *On any rally that pushes the market back to short-term overbought we will sell the position and likely hedge the portfolio against another decline.*
- *Stop is set at \$170*

VMC - Vulcan Materials, Co.

VMC Vulcan Materials Co. NYSE

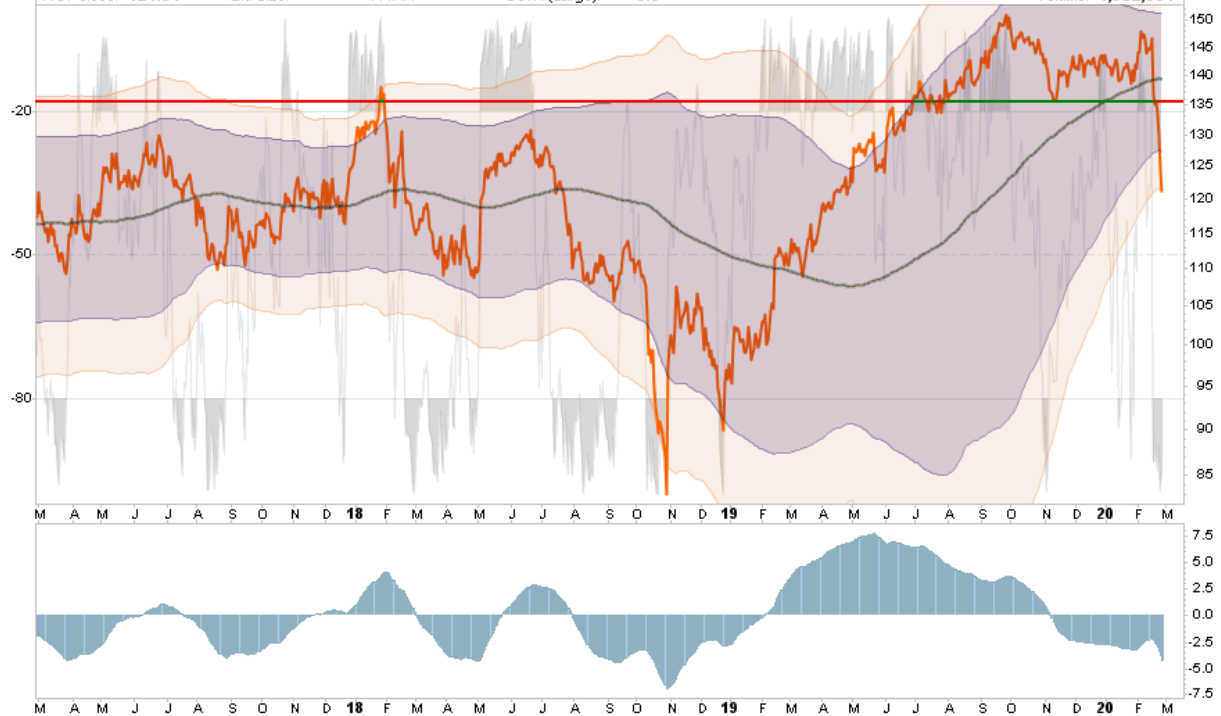
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Industrial / Building Materials

Wednesday 26-Feb-2020

Open: **125.74** Ask: P/E: **26.11** Options: **yes**
 High: **126.51** Ask Size: EPS: **4.63** Annual Dividend: **1.24**
 Low: **119.37** Bid: Last Size: Yield: **1.02%**
 Prev Close: **124.84** Bid Size: VWAP: SCTR (Large): **8.5**

Chg: **-3.06%**
 Last: **121.02**
 Volume: **1,902,654**



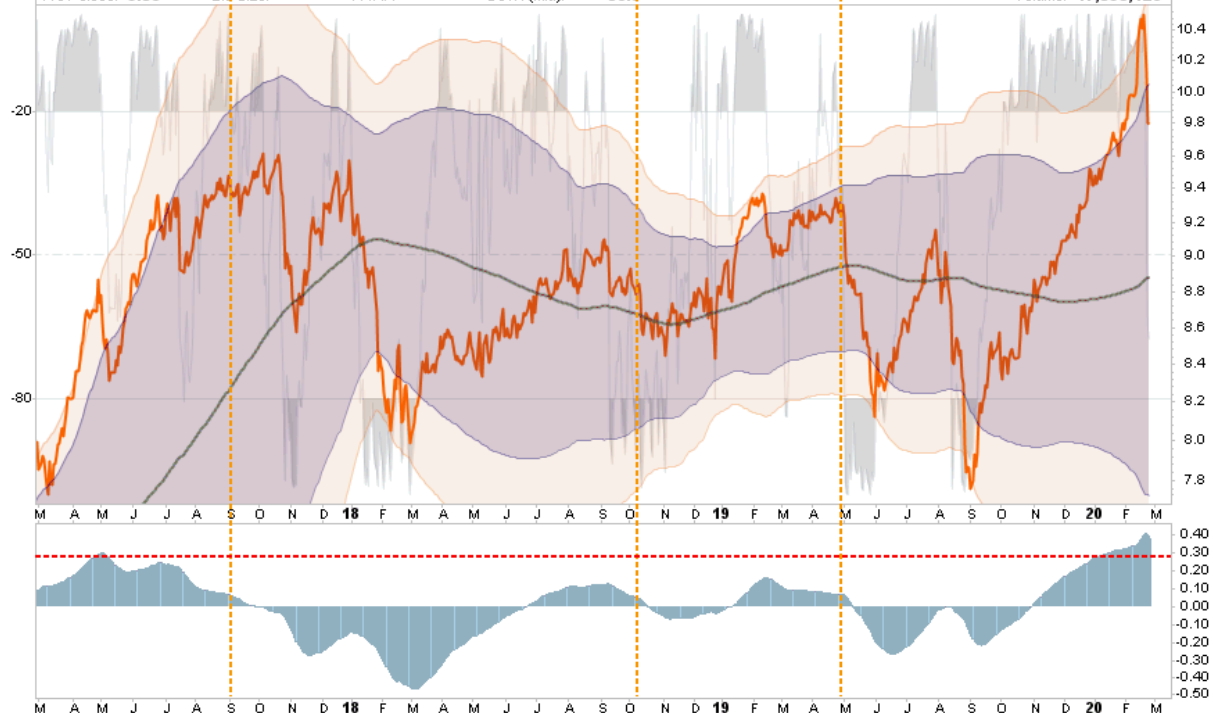
- As noted above, we sold out of both DOV and VMC this past week. Both have been good performers and we have previously taken profits in both.
- However, with the coronavirus impacting global supply chains we can step aside for now, reduce our risk, and protect our profits.
- We like both of these companies very much and will likely buy them back once we get a better handle on economic outlooks.

NLY - Annaly Capital Mgmt.

NLY Annaly Capital Management, Inc. NYSE

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Real Estate / Mortgage REITs	Open: 9.78	Ask:	P/E: -6.15	Options: yes	Wednesday 26-Feb-2020
	High: 10.04	Ask Size:	EPS: -1.59	Annual Dividend: 1.05	▼ -0.10%
	Low: 9.77	Bid:	Last Size:	Yield: 10.73%	Chg: -0.01
	Prev Close: 9.80	Bid Size:	VWAP:	SCTR (Mid): 86.0	Last: 9.79
					Volume: 17,895,126



- Last year, when the yield curve had deeply inverted, and everyone was panicking over a potential recession, we bought AGNC, NLY and REM in the Equity and ETF models on a bet the "yield curve" would steepen.
- That bet worked out very well and along with a huge dividend we also collected very sharp capital gains.
- However, with the yield curve inverting again, this is no longer the place we want to be so we have liquidated our stakes in these positions.
- We will put this trade back on once the yield-curve inversion ceases and we begin to see some growth prospects for the economy.

AGNC - AGNC Investment Corp.

AGNC AGNC Investment Corp. Nasdaq GM

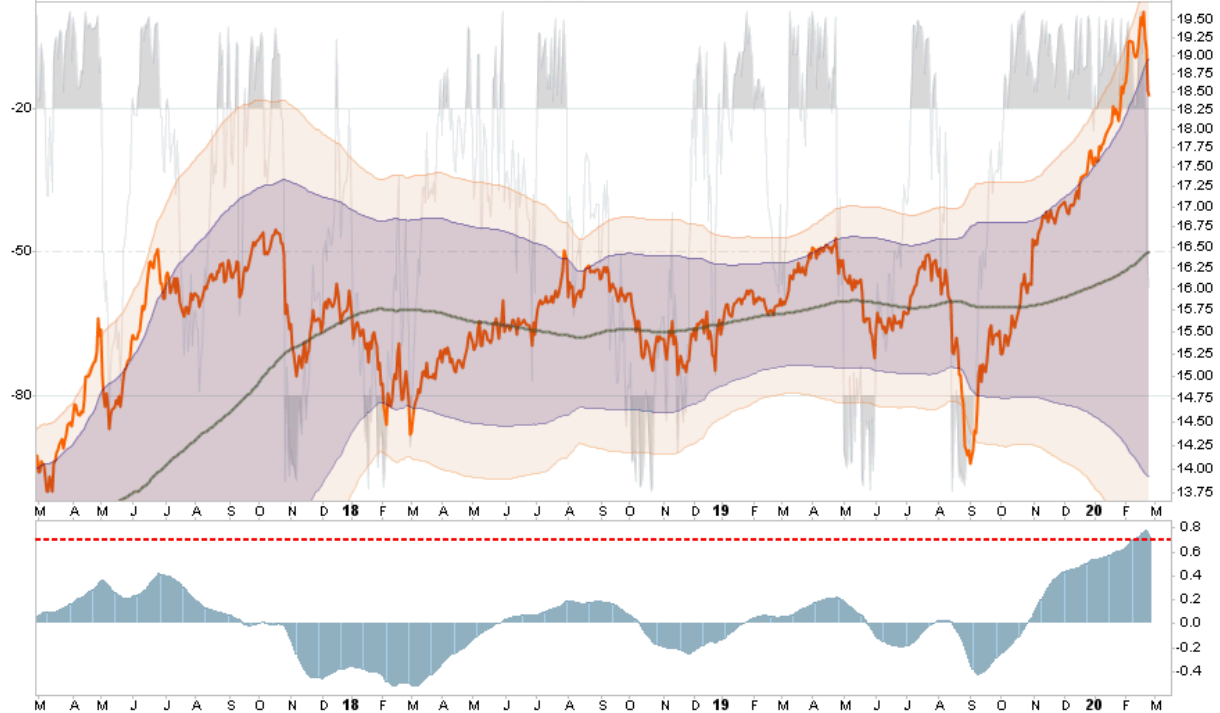
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Real Estate / Mortgage REITs

Wednesday 26-Feb-2020

Open: **18.510** Ask: P/E: **15.97** Options: **yes**
 High: **18.870** Ask Size: EPS: **1.15** Annual Dividend: **1.98**
 Low: **18.370** Bid: Last Size: Yield: **10.74%**
 Prev Close: **18.510** Bid Size: VWAP: SCTR (Mid): **90.1**

Chg: **-0.38%**
 Last: **18.440**
 Volume: **10,160,662**



- The same analysis for NLY applies to AGNC.

SLYV - SPDR S&P 600 Small Cap Value

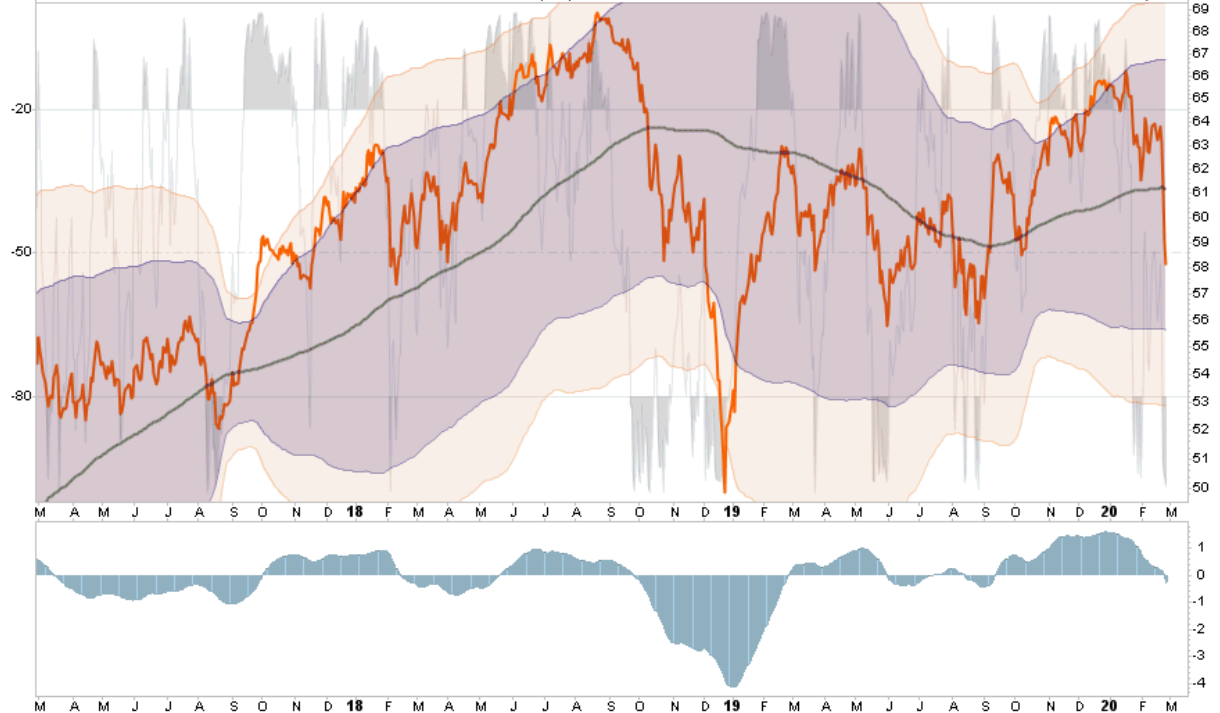
SLYV SPDR S&P 600 Small Cap Value ETF NYSE

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Wednesday 26-Feb-2020

Open: **59.33** Ask: P/E: Options: **no**
 High: **59.66** Ask Size: EPS: Annual Dividend: **1.0938**
 Low: **58.00** Bid: Last Size: Yield: **1.88%**
 Prev Close: **59.09** Bid Size: VWAP: SCTR (ETF): **10.9**

Chg: **-1.66%**
 Last: **58.11**
 Volume: **224,437**



- As with DEM and EFV above, we sold SLYV this past week as well to reduce laggards and free up cash for hedging purposes.
- SLYV broke support and is subject to impact from the virus.