ASTORIA Portfolio Advisors

ASTORIA'S Q3 INVESTMENT COMMITTEE ETF INSIGHTS

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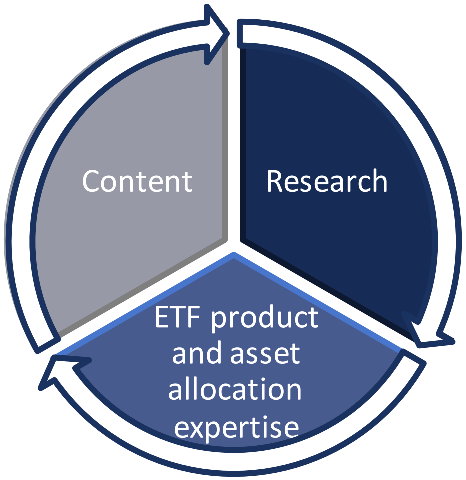
ASTORIA PORTFOLIO ADVISORS HAS PRODUCED HUNDREDS OF PAGES OF CONTENT IN THE PAST 3 MONTHS. WHY DO WE SPEND SO MUCH TIME WRITING RESEARCH?

Astoria believes in being **transparent** with our portfolio risk characteristics. Some firms want to protect their "intellectual property" by saying their models or investment processes are "proprietary." If we were on the other side of the table thinking about allocating to that manager, we certainly would want them to be as transparent as possible.

We have been very vocal about utilizing portfolio construction tools and risk models when building multi-asset ETF portfolios.

We don't know how many of our peers are as transparent as us.



SENTIMENT CHARTS

2 THINGS TO REMEMBER ABOUT RECESSIONS: 1) THEY ARE ALWAYS DETERMINED ON AN EX POST BASIS 2) VERY FEW PEOPLE CAN ACCURATELY PREDICT THE TIMING. REMEMBER 2008?

REUTERS

Business Markets World Politics TV More

BUSINESS NEWS JANUARY 17, 2008 / 10:48 AM / 12 YEARS AGO

Bernanke: Fed is not forecasting a recession

1 MIN READ

WASHINGTON (Reuters) - Federal Reserve Chairman Ben Bernanke on Thursday told lawmakers that even though the U.S. economy is facing a difficult combination of circumstances, the Fed is not forecasting a recession.

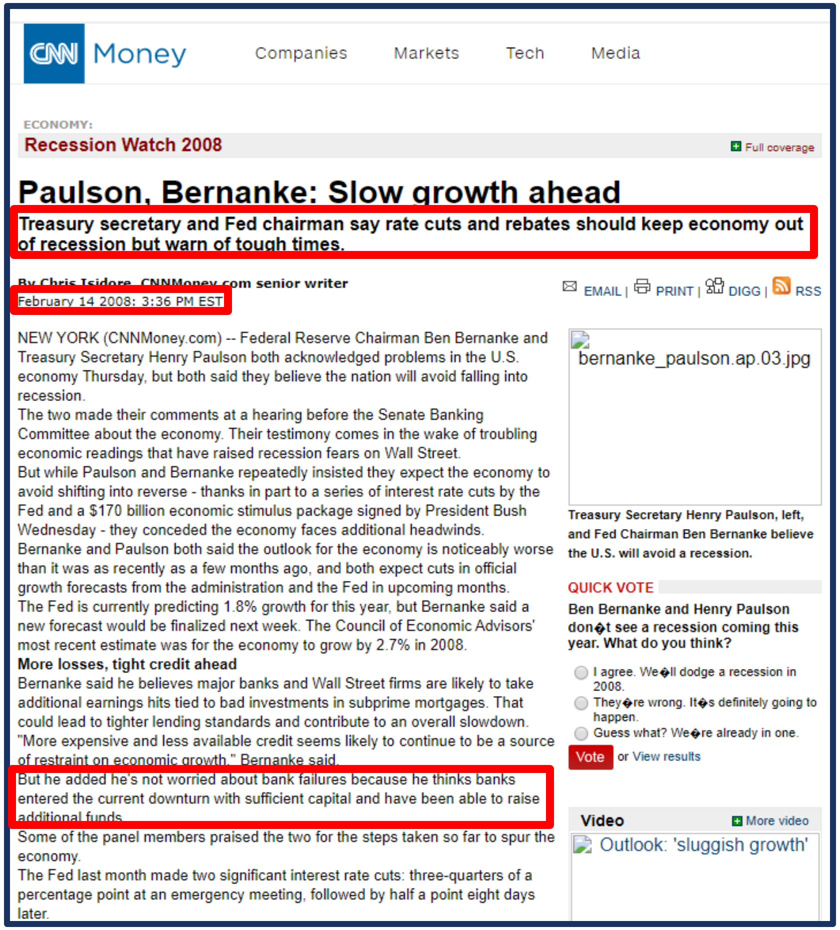
"The U.S. economy remains extraordinarily resilient," the U.S. central bank chief said in answering questions after testifying before the House of Representatives Budget Committee.

Bernanke added that growth will be worse this year. "We currently see the economy as continuing to grow, but growing at a relatively slow pace, particularly in the first half of this year," he said. "Recent indications suggest, though, that the economy has softened somewhat and that the growth prospects for 2008 are certainly below that of last year."

Reporting By Joanne Morrison; Editing by Theodore d'Affisio

Our Standards: The Thomson Reuters Trust Principles.

Source: https://www.reuters.com/article/us-usa-fed-bernanke-growth/bernanke-fed-is-not-forecasting-a-recession-idUSWBT00818220080117



CNN Money Companies Markets Tech Media

ECONOMY:
Recession Watch 2008 Full coverage

Paulson, Bernanke: Slow growth ahead

Treasury secretary and Fed chairman say rate cuts and rebates should keep economy out of recession but warn of tough times.

By Chris Isidore, CNNMoney.com senior writer
February 14 2008: 3:36 PM EST

EMAIL | PRINT | DIGG | RSS

NEW YORK (CNNMoney.com) -- Federal Reserve Chairman Ben Bernanke and Treasury Secretary Henry Paulson both acknowledged problems in the U.S. economy Thursday, but both said they believe the nation will avoid falling into recession.

The two made their comments at a hearing before the Senate Banking Committee about the economy. Their testimony comes in the wake of troubling economic readings that have raised recession fears on Wall Street.

But while Paulson and Bernanke repeatedly insisted they expect the economy to avoid shifting into reverse - thanks in part to a series of interest rate cuts by the Fed and a $170 billion economic stimulus package signed by President Bush Wednesday - they conceded the economy faces additional headwinds.

Bernanke and Paulson both said the outlook for the economy is noticeably worse than it was as recently as a few months ago, and both expect cuts in official growth forecasts from the administration and the Fed in upcoming months.

The Fed is currently predicting 1.8% growth for this year, but Bernanke said a new forecast would be finalized next week. The Council of Economic Advisors' most recent estimate was for the economy to grow by 2.7% in 2008.

More losses, tight credit ahead

Bernanke said he believes major banks and Wall Street firms are likely to take additional earnings hits tied to bad investments in subprime mortgages. That could lead to tighter lending standards and contribute to an overall slowdown.

"More expensive and less available credit seems likely to continue to be a source of restraint on economic growth," Bernanke said.

But he added he's not worried about bank failures because he thinks banks entered the current downturn with sufficient capital and have been able to raise additional funds.

Some of the panel members praised the two for the steps taken so far to spur the economy.

The Fed last month made two significant interest rate cuts: three-quarters of a percentage point at an emergency meeting, followed by half a point eight days later.

bernanke_paulson.ap.03.jpg

Treasury Secretary Henry Paulson, left, and Fed Chairman Ben Bernanke believe the U.S. will avoid a recession.

QUICK VOTE

Ben Bernanke and Henry Paulson don�t see a recession coming this year. What do you think?

- I agree. We�ll dodge a recession in 2008.
- They�re wrong. It�s definitely going to happen.
- Guess what? We�re already in one.

Vote or View results

Video More video

Outlook: 'sluggish growth'

Source: https://money.cnn.com/2008/02/14/news/economy/bernanke_paulson/index.htm

SINCE 2017, WE'VE BEEN STRATEGICALLY UTILIZING FACTORS AND ALTERNATIVES TO SOFTEN OUR PORTFOLIO VOLATILITY. IT HAS SERVED OUR CLIENTS WELL.

"The rate of change that made me bullish in 2017 (muted inflation, tremendous liquidity, and great earnings) is going to decline on the margin in 2018. The real story for 2018 is the decline of liquidity from rate hikes, QT, and ECB tapering. My big call for 2018 is hedge risk assets, own uncorrelated assets, and diversify your portfolio." **–Bloomberg TV, December 2017**

"Right now is when you want to get more defensive, raise cash, have alternatives, and hedge your portfolio more. Our view is that the cycle is over. People keep talking late cycle. We are in a new stock market cycle." **–Bloomberg TV, July 2018**

At the time, this was an out of consensus call. We can debate whether the cycle is new or old until the cows come home. However, the S&P 500 eventually fell 20% in Q4 2018.

Source: https://www.bloomberg.com/news/videos/2017-12-27/the-year-of-the-hedge-for-etfs-video

Source: https://www.bloomberg.com/news/videos/2018-07-05/reading-the-dark-signs-in-etf-flows-video

GLOBAL EQUITY INDICES PEAKED IN JANUARY 2018.

DON'T BELIEVE US?

THE STATS DON'T LIE!

John Davi
@AstoriaAdvisors

#Stocks peaked in Jan 18.

Since Jan 18:

SPX +5%
NKY -12% in JPY terms, -9% in USD
SX5E -2% in EUR, -12% in USD
MXEF -19% in USD

#Utilities +22%
#REITs +21%

#Energy -25%
#Financials -11%
#Materials -10%

U.S. stocks are trading with bear market tendencies. Again, the data doesn't lie.

4:12 PM · Aug 20, 2019 · Twitter Web App

Source: https://twitter.com/AstoriaAdvisors/status/1163906553403101186?s=20

WE WARNED ABOUT THE DISCONNECT BETWEEN EQUITIES AND THE DECLINING ISM BACK IN MARCH.

John Davi
@AstoriaAdvisors

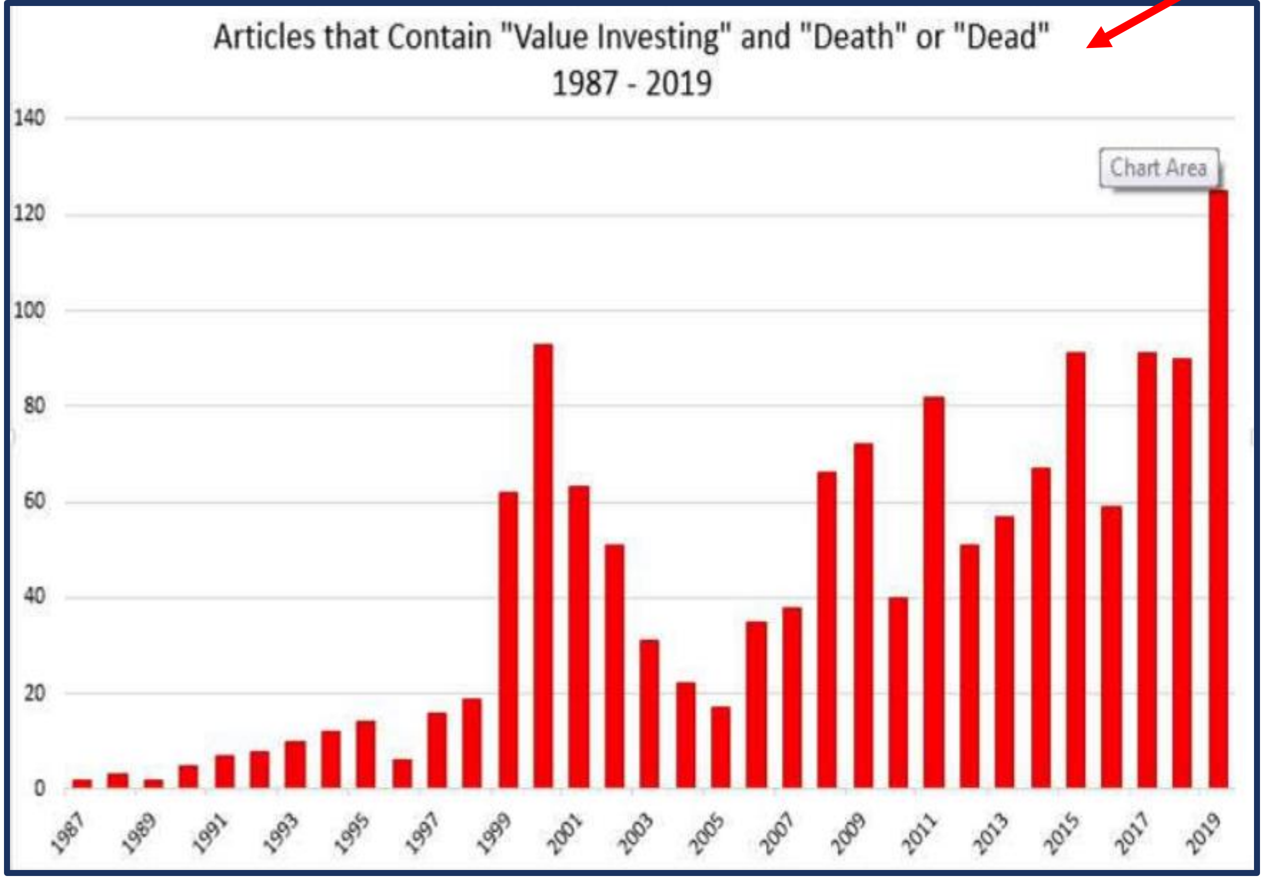
Very large disconnect between $ISM and $SPX.

Have equities rallied a little too fast relative to their fundamentals?

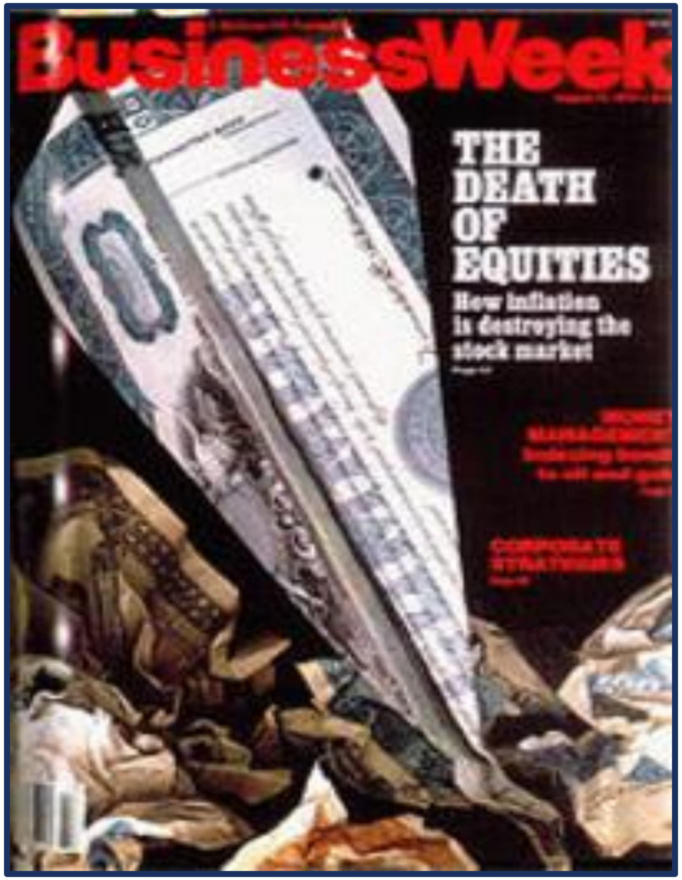
8:08 AM · Mar 19, 2019 · Twitter Web Client

Source: https://twitter.com/AstoriaAdvisors/status/1107977130615410688?s=20, ISM Manufacturing PMI, Bloomberg, Astoria Portfolio Advisors

IS THE DEATH OF VALUE TRADE SIMILAR TO WHEN BUSINESS WEEK FAMOUSLY QUOTED THE DEATH OF EQUITIES IN THE LATE 70S (AND BEFORE THE ENSUING BULL MARKET OF THE 80S)?



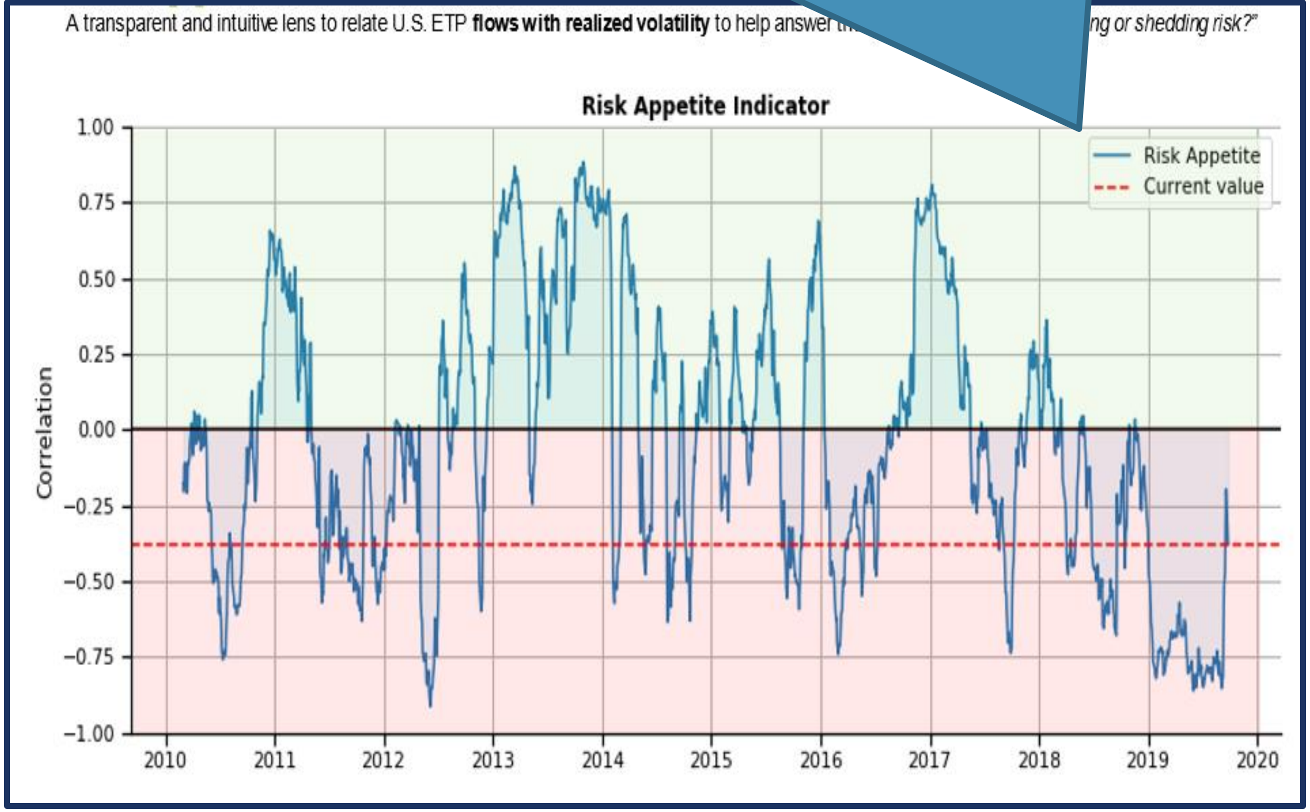
Source: https://twitter.com/verdadcap/status/1175153208064380928



Source: https://www.bloomberg.com/news/articles/2019-08-13/it-s-been-40-years-since-our-cover-story-declared-the-death-of-equities, BusinessWeek August 13, 1979

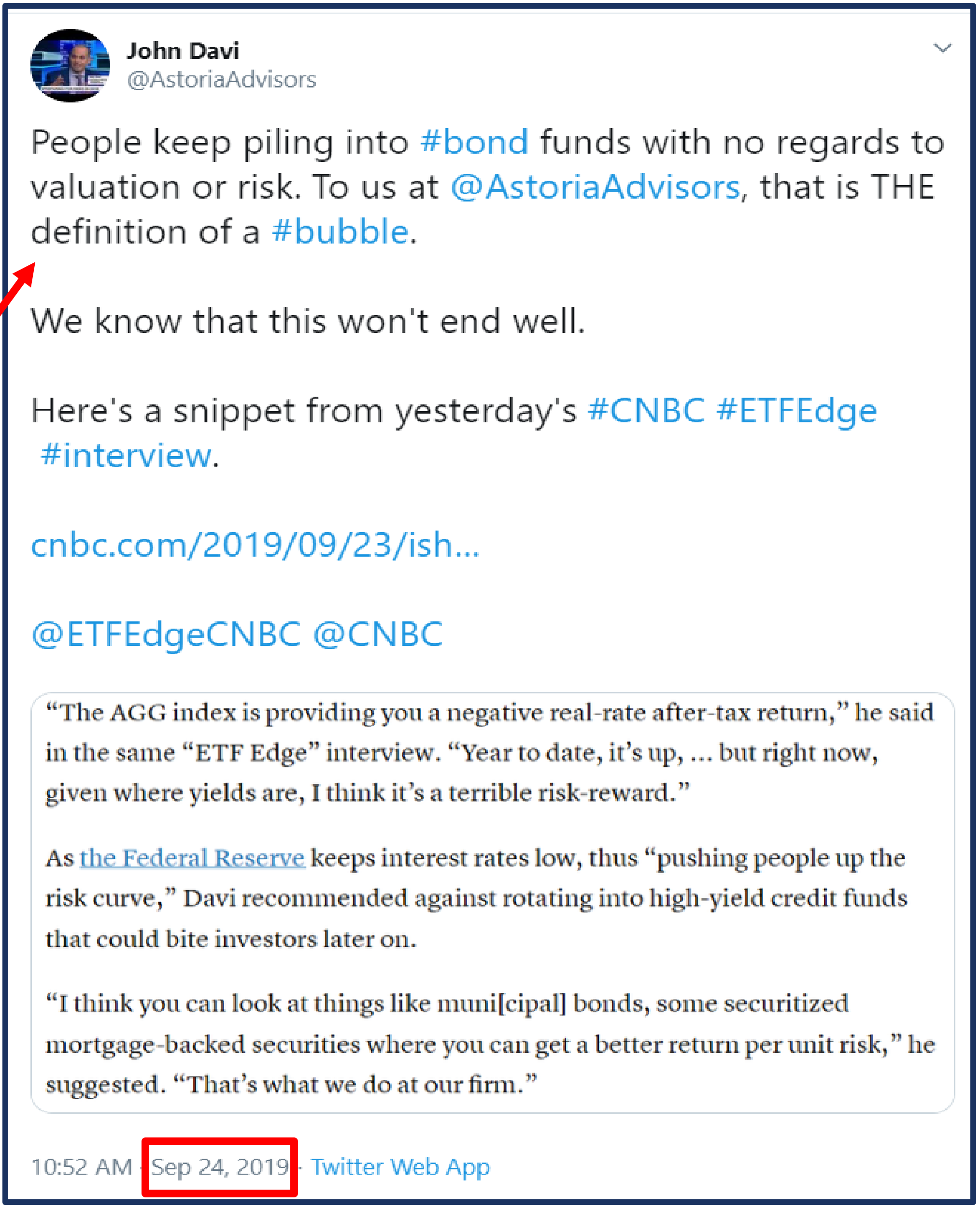
SENTIMENT IS AS WEAK AS ITS BEEN IN MANY YEARS. HONESTLY, WERE NOT SURPRISED. THIS IS, AFTER ALL, THE MOST HATED BULL MARKET EVER.

The amount of inflows into bonds (at such poor prices) is astonishing (and we don't use that word too often). Right now, the Agg Index is providing investors with a negative real-rate adjusted, after tax yield.



Source: BlackRock, with data from Markit and Thomson Reuters, as of September 30, 2019. Notes: The risk appetite indicator (RAI) describes the aggregate behavior of all U.S. listed ETP flows across 13 broad asset classes. The RAI is intended to help answer "Are investors adding or reducing risk?" Specifically, the RAI aggregates all U.S. listed ETP flows across 13 broad asset classes over a rolling 63 day window and then normalizes flows using a 2 year exponentially weighted moving average (EWMA) z-score. The volatility of daily returns for each asset class is then calculated over a 63 day EWMA. The flow z-scores and volatility are then converted to rankings (1st, 2nd, ...13th), where 1=lowest rank and 13=highest rank. Finally, we calculate the cross-sectional spearman rank correlation of flow rankings and volatility rankings, which produces a bounded value between [-1, 1] to measure ETP flow trends.

PEOPLE ARE BUYING BONDS WITHOUT ANY REGARD FOR VALUATION. THAT IS THE CLASSIC SIGN OF A BUBBLE. WE JUST DON'T KNOW WHAT THE CATALYST IS TO MAKE IT POP.


John Davi
@AstoriaAdvisors

People keep piling into #bond funds with no regards to valuation or risk. To us at @AstoriaAdvisors, that is THE definition of a #bubble.

We know that this won't end well.

Here's a snippet from yesterday's #CNBC #ETFEdge #interview.

cnbc.com/2019/09/23/ish...

@ETFEdgeCNBC @CNBC

"The AGG index is providing you a negative real-rate after-tax return," he said in the same "ETF Edge" interview. "Year to date, it's up, ... but right now, given where yields are, I think it's a terrible risk-reward."

As the Federal Reserve keeps interest rates low, thus "pushing people up the risk curve," Davi recommended against rotating into high-yield credit funds that could bite investors later on.

"I think you can look at things like muni[cipal] bonds, some securitized mortgage-backed securities where you can get a better return per unit risk," he suggested. "That's what we do at our firm."

10:52 AM · Sep 24, 2019 · Twitter Web App

Source: https://twitter.com/AstoriaAdvisors/status/1176509738013593601?s=20, CNBC

FORGET THE S&P 500 INDEX AS A BAROMETER FOR THE MARKET. LOOK UNDER THE HOOD. THERE HAS BEEN A DRAMATIC SPREAD BETWEEN BOND-LIKE PROXIES AND CYCLICALS SINCE JANUARY 24, 2018.

Investor sentiment is quite poor judging by the large year-to-date inflows into bonds funds and outflows from stock funds. State Street maintains an investor sentiment index which is hovering near 5-year lows.

Performance 1/24/2018 – 10/2/2019:

Utilities +27%, REITs +21%, **Energy** -28%, **Materials** -12%, **Financials** -10%. Meanwhile, the S&P 500 Index is only up 177bps.

Source: State Street Investor Confidence Index, Bloomberg, Astoria Portfolio Advisors

Source: Bloomberg

OVER THE PAST 1 YEAR, THE LOW VOLATILITY FACTOR HAS OUTPERFORMED THE OTHER BELLWETHER FACTORS BY 10-20%.

Low volatility has been the standout factor over the past 1 year.

Factor *(as of 2019-10-01)*

Updated October 2, 2019		**Live Daily***	1 Wk Return	YTD Return	1 YR Return	52 Wk Low	50 DMA 200 DMA 52 Wk Price Meter	52 Wk High	% Above (Below) 50 DMA	% Above (Below) 200 DMA
Momentum	MTUM	-1.78%	-1.10%	19.05%	3.82%	$92.8		$123.04	-1.78%	3.76%
Value	VLUE	-2.07%	-1.32%	13.52%	-5.45%	$68.64		$87.71	-0.14%	1.00%
Size	SIZE	-1.81%	-1.10%	17.97%	4.46%	$72.15		$93.23	-0.74%	1.79%
Quality	QUAL	-1.72%	-0.74%	20.38%	3.97%	$71.91		$94.1	-0.42%	3.34%
Dividend	DVY	-1.98%	-0.40%	15.75%	3.46%	$85.2		$103.22	1.18%	3.00%
Low Volatility	USMV	-1.39%	-0.61%	22.92%	14.18%	$49.77		$64.69	0.16%	6.69%

**Data provided for free by IEX. View IEX's Terms of Use.*

Source: https://www.etfaction.com/trackers/factor

PORTFOLIO CONSTRUCTION THOUGHTS ON TWITTER

Make sure you follow us on Twitter to get our regular portfolio construction thoughts and views: @AstoriaAdvisors

TWITTER 2018

John Davi
@AstoriaAdvisors

I wrote an article on Sep 14, 2018 arguing that the risk/rewards for stocks had worsened of late. So I'm NOT surprised with this increase in volatility. By the way, the title of my article was "Time to De-Risk Your ETF Portfolio". Just saying.....

Time To De-Risk Your ETF Portfolio
Don't get caught on the talk that this time things will be different; they never are.
etf.com

8:34 AM Oct 11, 2018 Twitter Web Client

John Davi
@AstoriaAdvisors

Investors are pointing to the recent #hawkish #FOMC meeting as the reason for the #stock and #bond sell-off last week. Just remember, the #FED has been behind the curve for this #cycle (and generally is always behind the curve). See our previous blog.

Pay Less Attention to the Fed and Focus on the Big Picture
While the quarterly FOMC meeting undoubtedly deserves attention, we suspect that investors are missing the forest for ...
astoriaadvisors.com

11:58 AM Oct 16, 2018 Twitter Web Client

John Davi
@AstoriaAdvisors

In November 2017, Astoria Portfolio Advisors wrote a report arguing that #QT + #Fed rate hikes + #ECB tapering their balance sheet would result in higher #volatility and lower financial asset prices in 2018.

3:54 PM Dec 26, 2018 · Twitter Web Client

View Tweet activity

1 Like

John Davi @AstoriaAdvisors · Dec 26, 2018
Replying to @AstoriaAdvisors
This was key driver behind our decision to hedge risk assets, underweight #stocks, and include #alternatives in our multi- asset portfolios. Here is a chart I have shared several times before. $SPY has tracked Financial Conditions (inverted) VERY closely in 2018.

1 1

John Davi @AstoriaAdvisors · Dec 26, 2018
The days of being outright long beta are over. The market sent you a signal in 2018. If you didn't hedge your portfolio, you were punished. Don't make the same mistake in 2019.

1

Add another Tweet

TWITTER 2019 FEB – APRIL

John Davi
@AstoriaAdvisors

In @astoriaadvisors view, #quality #ETFs will take in more assets than any other #factor ETF this year. The #earnings cycle is slowing, so companies with EPS stability (or above average growth) will be rewarded more.

cc: @BobPisani @ETFEdgeCNBC

As ETF industry meets, these are the hot trends people are wa...
Zero-fee funds, the influence of Google and Amazon, and smart beta strategies are hot topics as the ETF industry meets in ...
cnbc.com

7:41 AM Feb 12, 2019 Twitter Web Client

John Davi
@AstoriaAdvisors

#SMH sports a 14.5 PE ratio but is expected to have 8% decline in '19 EPS which is significantly below $SPY (+4% for '19).

I discussed why investors should avoid #semis on @ETFEdgeCNBC with @BobPisani and Chris Hempstead.

How to play the semis stocks following Nvida's Mellanox acqu...
John Davis of Astoria Portfolio Advisors and Chris Hempstead of Deutsche Bank join CNBC's Bob Pisani on 'ETF Edge' to ...
cnbc.com

8:44 AM Mar 12, 2019 Twitter Web Client

John Davi
@AstoriaAdvisors

China's significantly cheaper valuation + massive liquidity being injected into their economy + triple (yes triple) the earnings growth rate for '19 compared to $SPY makes for an attractive risk / reward in @AstoriaAdvisors view.

Don't ignore #China!

$FXI
$MCHI
$ASHR

8:29 AM Mar 14, 2019 Twitter Web Client

John Davi
@AstoriaAdvisors

Astoria's 2019 playbook is as follows: late cycle economic forces + desynchronized global growth + a deteriorating #earnings cycle = the need for more defensive posturing across #stocks and #bonds.

Read more here

astoriaadvisors.com/blog/10-etfs-f...

#10ETFsfor2019

10 ETFs for 2019
Value is emerging across the global equity space. Investors' disdain for equities is quite high. That usually means it's the ...
astoriaadvisors.com

9:47 AM Mar 16, 2019 Twitter Web Client

John Davi
@AstoriaAdvisors

I still believe a #rate #cut implies a weaker economy which should be bearish for #stocks and bullish for #bonds.

Our stance is to run globally diversified portfolios across stocks / bonds (across #factors as well) and to own alternatives to soften portfolio volatility.

> **John Davi** @AstoriaAdvisors · Feb 21
> Why is there a greater probability of a rate cut than a rate hike?
>
> A rate cut would imply a weak economy and would send a negative signal for risk assets!
>
> #rates #macro #fomc

ument Futures: Fed Funds - Effective Fed Effect
robability
3) Add/Remove Rates
n Calculated 02/21/2019 Based on ra

t Prob	2-2.25	2.25-2.5	2.5-2.75	2.75-3	3-
0.0%	0.0%	98.1%	1.9%	0.0%	
2.0%	2.0%	96.1%	1.9%	0.0%	
2.0%	2.0%	94.7%	3.3%	0.0%	
2.0%	2.0%	94.2%	3.8%	0.0%	
3.0%	2.9%	93.2%	3.8%	0.0%	
2.9%	2.9%	92.3%	4.7%	0.1%	
7.6%	7.4%	87.9%	4.5%	0.1%	
16.3%	15.4%	79.6%	4.0%	0.1%	

g 03/20/2019 4) Add/Remove Series

9:46 AM Mar 21, 2019 Twitter for iPhone

John Davi @AstoriaAdvisors · Mar 22

1) With regards to this week's #Fed decision, my view is that a rate #cut would send a negative signal to the market. Hence, in our view market participants shouldn't be cheering for one (the market is pricing around 50% chance of a cut by Jan 2020).

1 2

John Davi @AstoriaAdvisors · Mar 22

2) A rate cut would imply that the global #economy isn't as strong as the stock market is currently implying (S&P 500 +13% YTD). YTD, positioning across a number of metrics (Prime Brokerage leverage, #ETF/MF fund flows, etc) are still on the lighter side.

1 2

John Davi
@AstoriaAdvisors

3) So for me, the returns we are seeing YTD don't match up with the deteriorating #fundamentals (PMIs declining, #China slowing, #earnings deteriorating, etc). Fundamentals ultimately win so we would envision a pullback once positioning is more balanced.

8:04 AM Mar 22, 2019 Twitter Web Client

John Davi
@AstoriaAdvisors

Should I hedge my portfolio or include alternatives? Yes. This is a no brainer. The S&P 500 is currently annualizing a 70% total return for 2019. How on earth can this be sustained?

Read more here:

How Sustainable is the S&P 500's 70% Annualized Return?
We received a lot of questions regarding last week's 'Recession Fears Overblown' report. How many people have a good track...
astoriaadvisors.com

4:51 PM Apr 11, 2019 Twitter Web Client

TWITTER 2019 MAY – SEP

John Davi
@AstoriaAdvisors

@AstoriaAdvisors investment themes

1) high > low quality stocks
2) OW US, UW Eafe, OW EM
3) avoid junky credits
4) Invest with 1-2 year time horizon (impossible to time markets or factors)
5) don't react to short term price action
6) own alternatives
7) diversify across factors

6:57 AM · May 29, 2019 · Twitter Web Client

View Tweet activity

John Davi
@AstoriaAdvisors

Remember, the Fed (by design) isn't meant to be proactive. By the time they cut, it will have been too late.

Be proactive with your portfolios.

Markets are forward looking - most investors model their portfolios using a "rear view mirror approach"

WisdomTree @WisdomTreeETFs · Jun 13
Does the May #JobsReport add pressure on the #Fed to cut rates bit.ly/2wQc6m4

10:18 PM · Jun 13, 2019 · Twitter for iPhone

John Davi
@AstoriaAdvisors

The #Fed funds futures market is now pricing in several #interest cuts this year and unfortunately history shows that by the time the Fed cuts, it will be too late – #economic data will have already weakened, and #stocks will have fallen.

Read more here.

Forget the Fed and Focus on the Big Picture
While the quarterly FOMC meeting undoubtedly deserves attention, we suspect that investors are missing the forest for ...
astoriaadvisors.com

1:22 PM · Jun 23, 2019 · Twitter Web Client

View Tweet activity

John Davi
@AstoriaAdvisors

At Astoria, our dynamic #portfolios largely have #factored a weakening #macro environment as we've been reducing #equities, increasing #cash, utilizing more #bonds, and raising our #alternatives exposure.

Read more here.

Forget the Fed and Focus on the Big Picture
While the quarterly FOMC meeting undoubtedly deserves attention, we suspect that investors are missing the forest for ...
astoriaadvisors.com

11:37 AM · Jun 26, 2019 · Twitter Web Client

John Davi
@AstoriaAdvisors

The key message from @AstoriaAdvisors is that portfolio #risk has increased given

1) the significant YTD returns in US #stocks (+21%) and US #bonds (+6%)
2) global #economic data has deteriorated
3) #trade uncertainty remains high.

#macro #ETFs

Astoria's ETF Insights: A Surgical Look at QUAL, DGRW, EDIV, ...
Astoria's Founder and CIO, John Davi, appeared on CNBC TV on July 22, 2019 to discuss gold, US high quality stocks, emergin...
astoriaadvisors.com

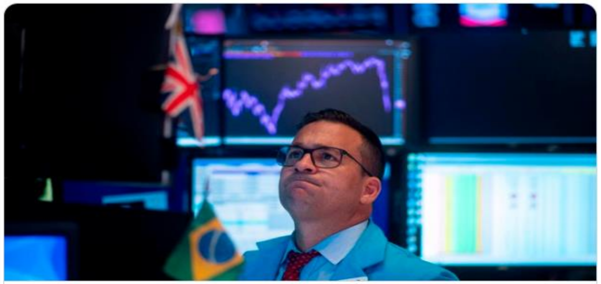
4:04 PM · Jul 29, 2019 · Twitter Web App

John Davi
@AstoriaAdvisors

@astoriaadvisors has been trimming exposure to #stocks, rotating away from #growth and towards #value, increasing to #alternatives, #gold, as well as towards market neutral strategies all year long.

Our latest thoughts below.

cc @foimbert @CNBC #CNBC



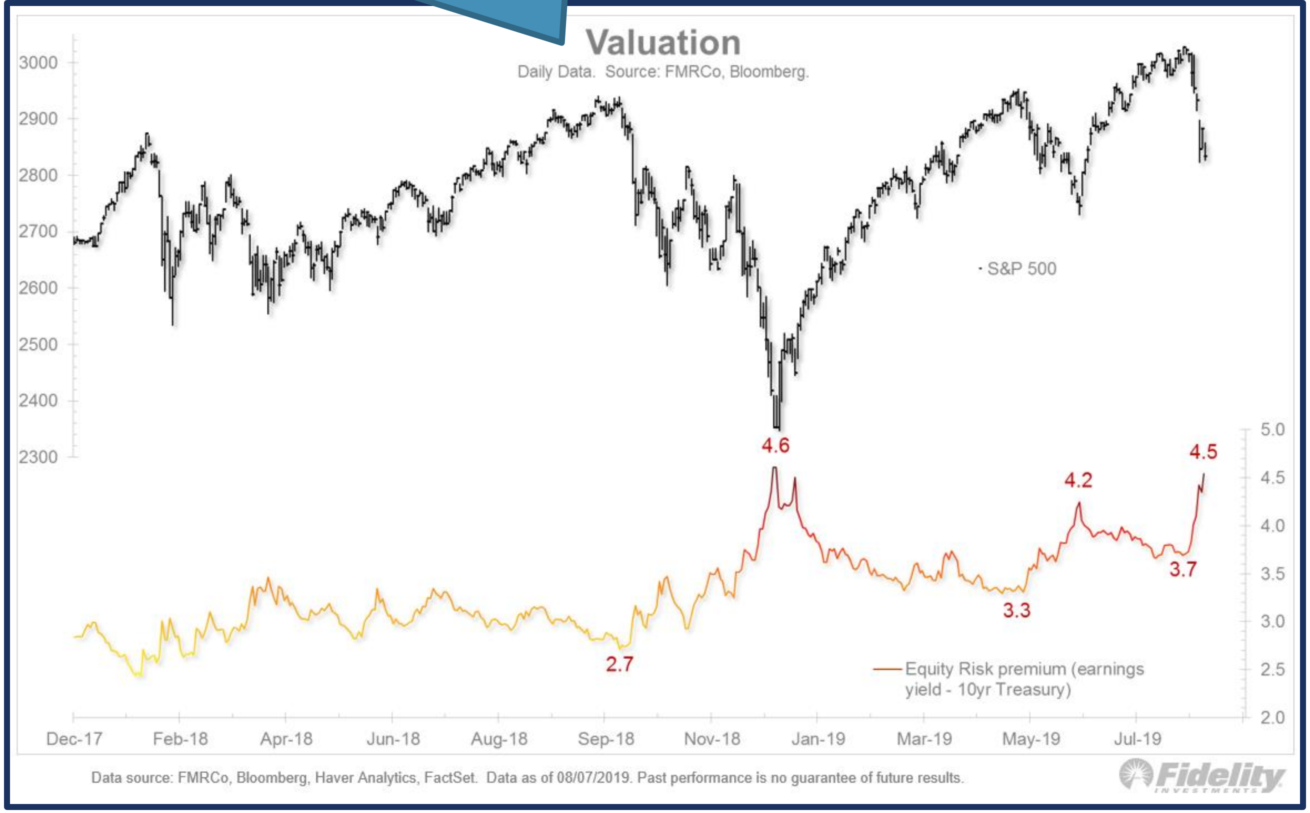
Stocks close little changed as tech shares and Ford weigh on the market
Stocks ended the day little changed, weighed down by a continuing decline in tech shares while Ford was pressured by a downgrade.
cnbc.com

9:16 AM · Sep 11, 2019 · Twitter Web App

CHARTS: THE GOOD…

LOWER INTEREST RATES SHOULD BE SUPPORTIVE FOR STOCKS. INTEREST RATES ARE A CRUCIAL COMPONENT WHEN CALCULATING THE PRESENT VALUE OF A FIRM'S CASH FLOW.

Lower rates should be supportive for stocks.

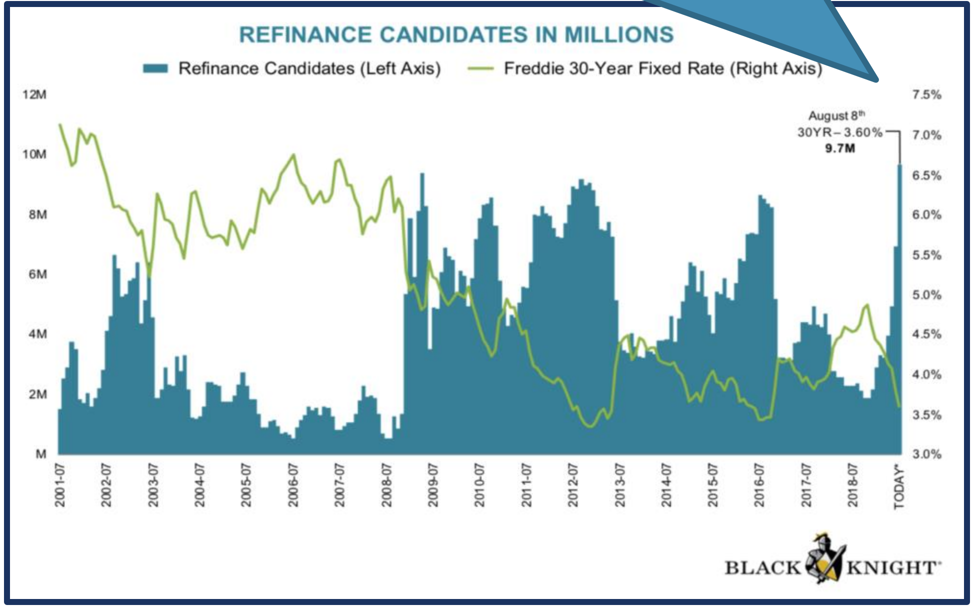


Source: https://www.linkedin.com/feed/update/urn:li:activity:6565228311746875392/, FMRCo, Bloomberg, Haver Analytics, FactSet.

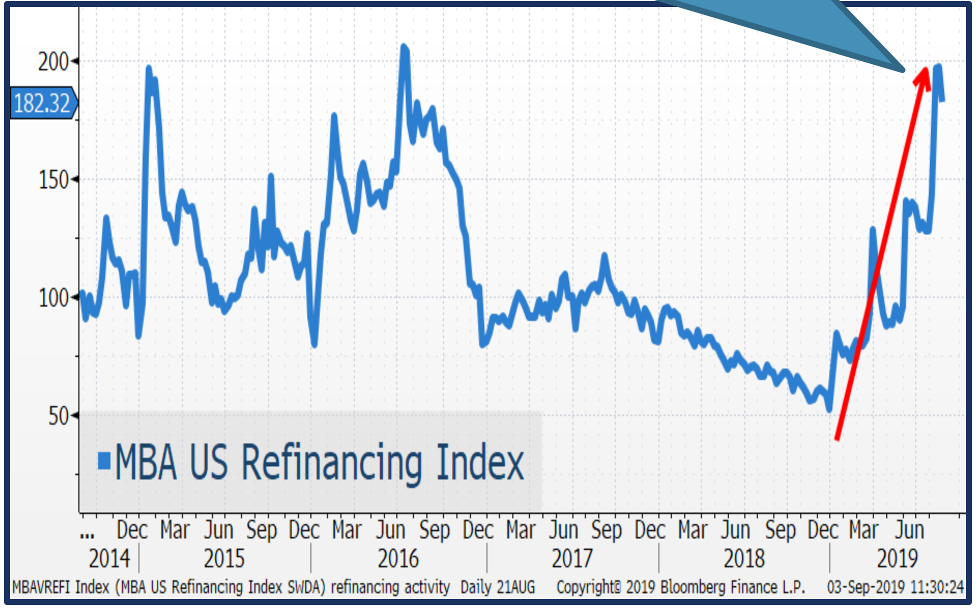
THE U.S. HOUSING MARKET REMAINS STRONG AND LOWER RATES SHOULD INCREASE CONSUMER'S SPENDING POWER.

More refinancing is on the way.

The only reason why the U.S. economy hasn't gone into a recession is because the consumer remains healthy from a balance sheet perspective.



Source: https://thebasispoint.com/almost-10-million-people-can-refinance-their-homes/?utm_source=Iterable&utm_medium=email&utm_campaign=campaign_&utm_source=Iterable&utm_medium=email&utm_campaign=campaign_741458

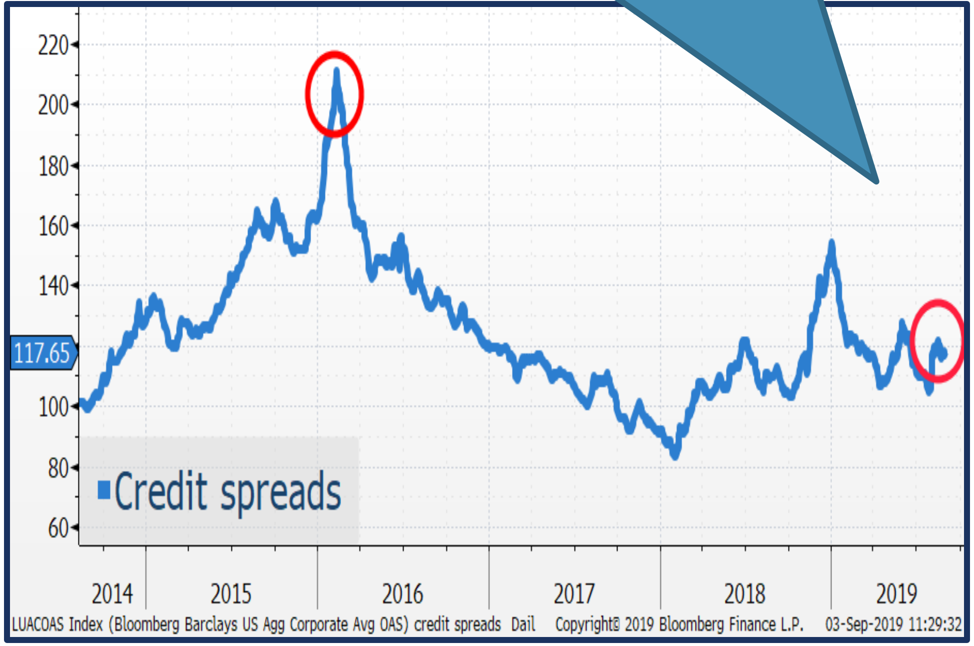


Source: Mortgage Bankers Association, Bloomberg, Astoria Portfolio Advisors

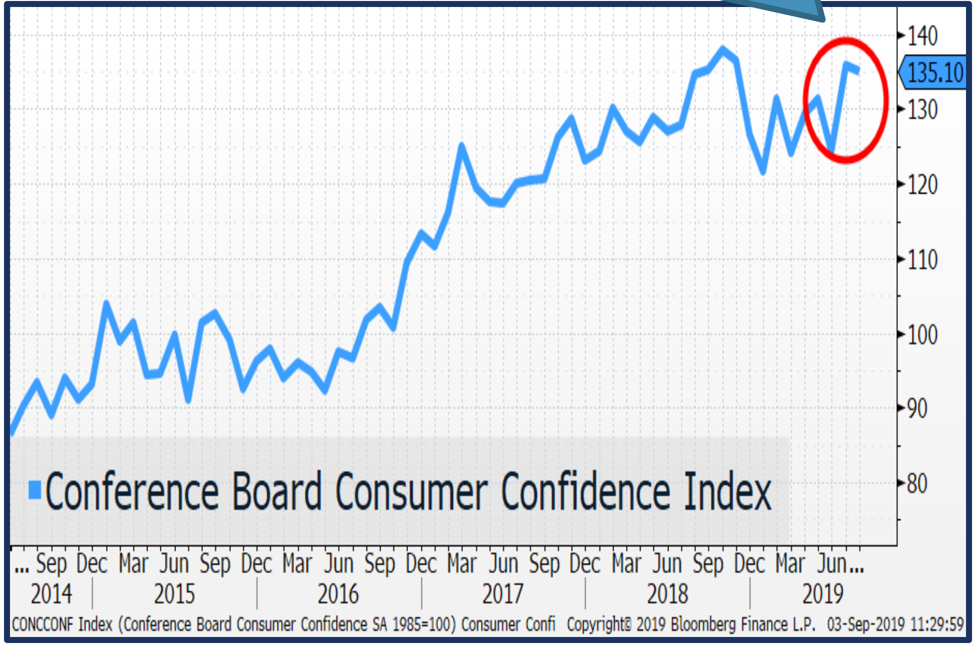
WATCH CREDIT SPREADS!

Credit spreads are contained – for now!

Consumer confidence remains strong – but admittedly it always is strong at the end of a cycle.



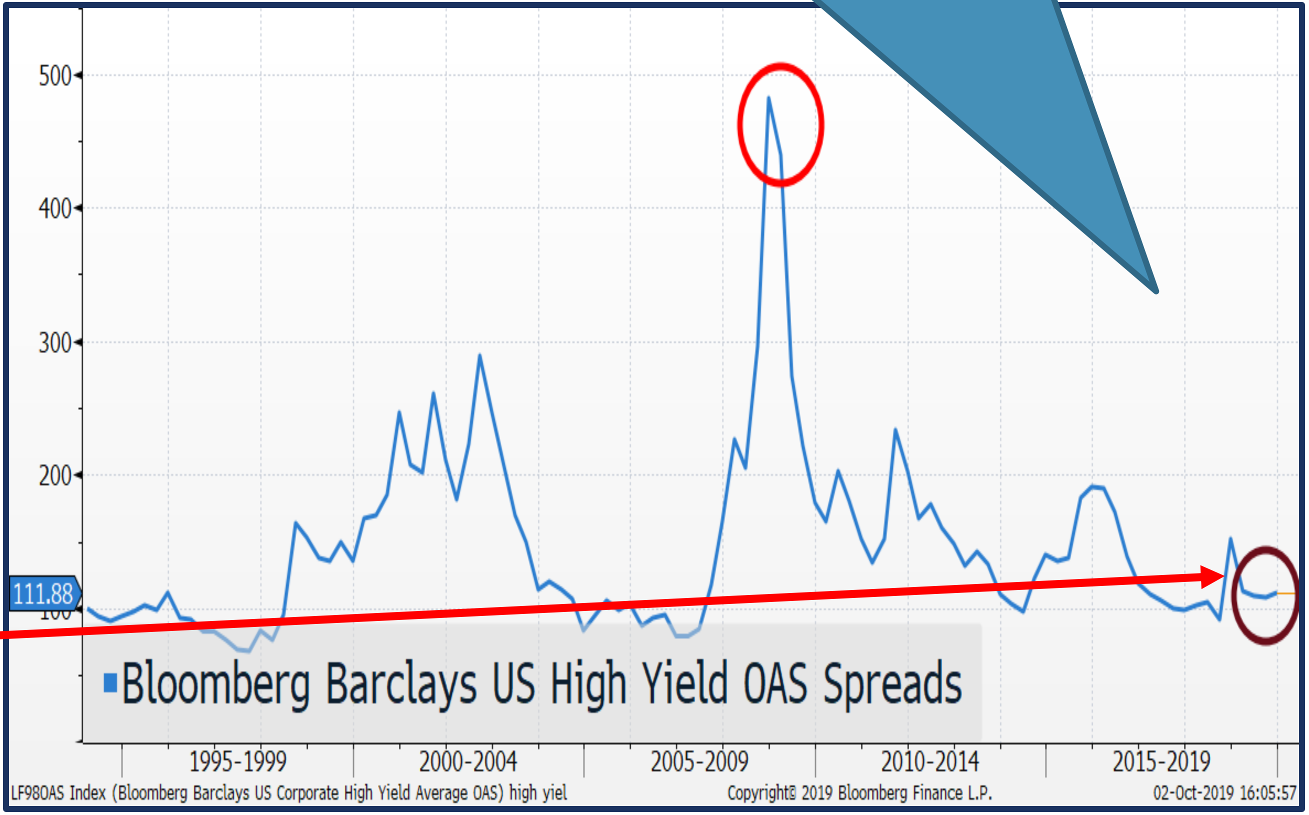
Source: Barclays, Bloomberg, Astoria Portfolio Advisors



Source: Conference Board Consumer Confidence, Bloomberg, Astoria Portfolio Advisors

TYPICALLY HY CREDIT SPREADS BLOW OUT PRIOR TO A RECESSION. FOR NOW, HIGH YIELD CREDIT SPREADS REMAIN CONTAINED.

We will start to get nervous if HY credit spreads blow out to the 250bps level.



Source: Barclays, Bloomberg, Astoria Portfolio Advisors

HAD YOU LISTENED TO MOST MARKET PUNDITS, YOU WOULD HAVE KEPT MOST OF YOUR MONEY IN CASH THIS YEAR AND MISSED A BIG RALLY IN INTERNATIONAL STOCKS. THIS IS A KEY REASON WHY OUR INVESTMENT PROCESS UTILIZES GAME THEORY AND IS SYSTEMATIC IN NATURE.

According to ETFAction.com, the iShares MSCI ACWI ex U.S. ETF (ACWX) currently has a P/E ratio of 14.07x based on 2019 analyst estimates. This is significantly lower than the SPDR S&P 500 ETF (SPY) which has a P/E ratio of 18.07x based on 2019 analyst estimates.

Range 12/28/2018 - 09/30/2019 Period Daily 276 Day(s) Table

	Security	Currency	Price Change	Total Return	Difference	Annual Eq
1)	SHCOMP Index	CNY	16.49%	19.32%	-4.23%	26.31%
2)	SX5E Index	EUR	19.52%	23.55%	--	32.27%
3)	MXEF Index	USD	3.99%	6.48%	-17.07%	8.66%
4)	NKY Index	JPY	8.70%	10.76%	-12.79%	14.47%
5)						
6)						

1M 3M 6M YTD 1Y 2Y 3Y 5Y 10Y

Source: Bloomberg

CHARTS: THE BAD…

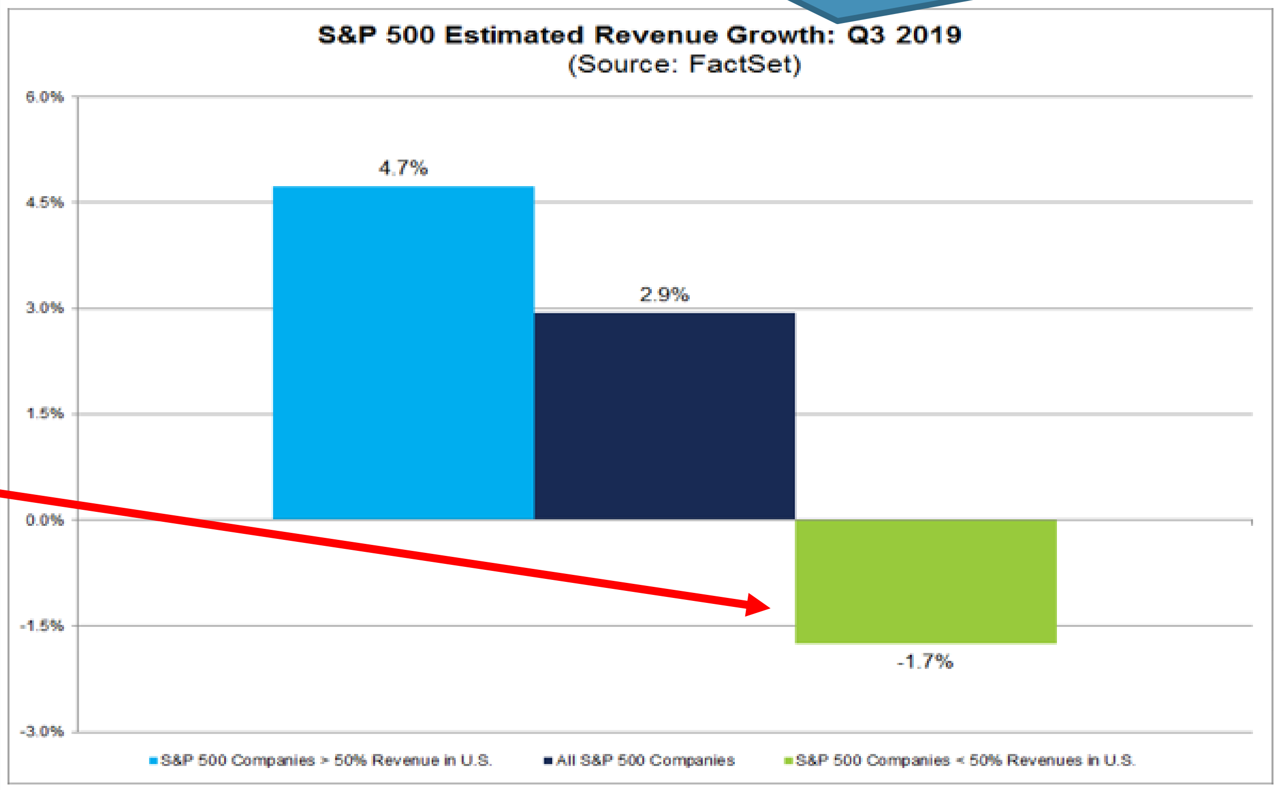
THERE'S NOTHING GOOD TO GATHER ON CORPORATE PROFIT FRONT.

Global earnings revision ratios are negative.

Source: Citigroup, Bloomberg, Astoria Portfolio Advisors

SPX COMPANIES WITH MORE GLOBAL REVENUE EXPOSURE ARE PROJECTED TO REPORT A YOY DECLINE IN REVENUES IN Q3.

It's simple: if you have global revenues, earnings will be negatively impacted because of trade concerns. If you are more domestic based, then earnings should be more insulated. This is a key reason why we are strategically tilted towards midcap stocks, which are in the sweet spot in terms of greater domestic exposure (compared to large caps), but don't have the credit/funding risk of small caps.



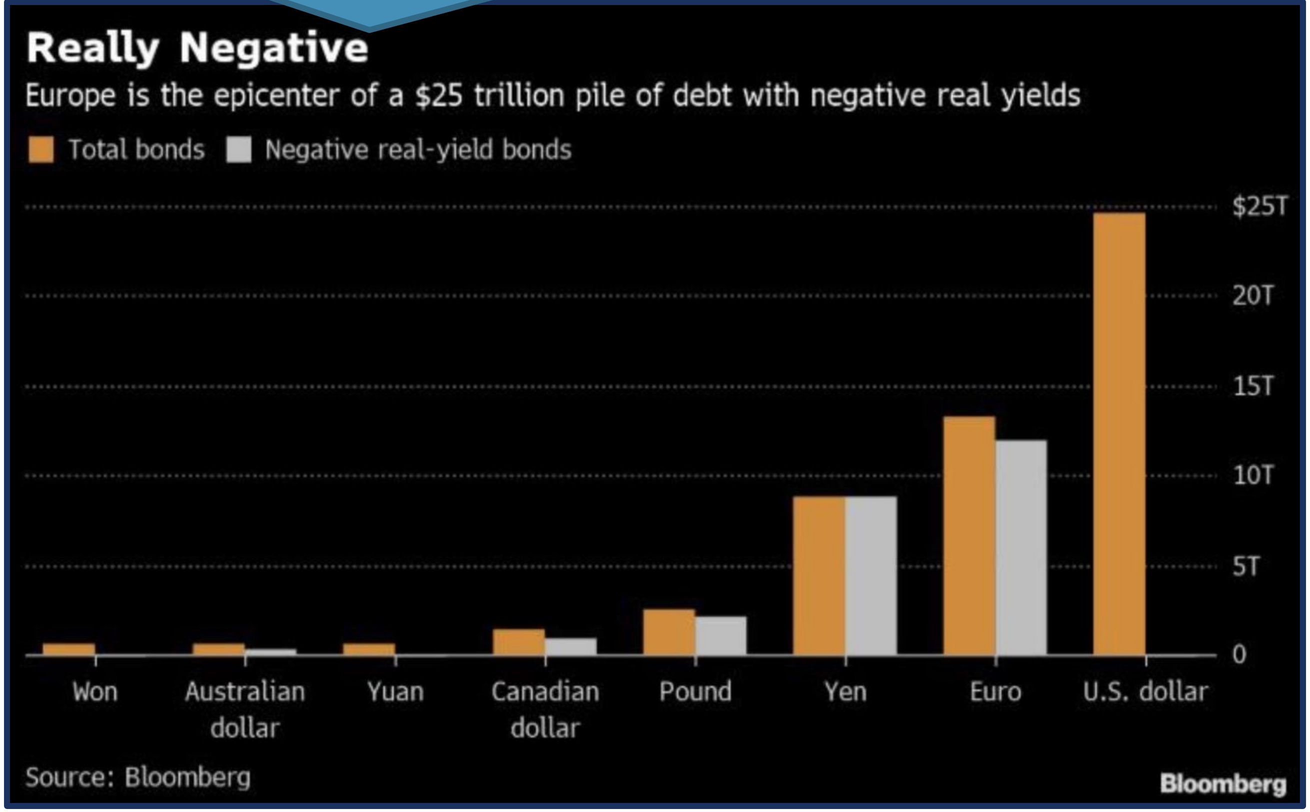
Source: https://bit.ly/2HL1Xgz, FactSet as of September 6, 2019

NEGATIVE YIELDING SOVEREIGN DEBT IS A MUCH, MUCH BIGGER PROBLEM THAN THE SUBPRIME CRISIS.

LOW INTEREST RATES ARE PUNISHING SAVERS AND PUSHING INVESTORS OUT THE RISK CURVE. DANGER!

People argue that the bubble in negative sovereign yielding debt isn't as "bad" as the subprime crisis. What on earth are they talking about? There are tens of trillions of negative sovereign debt (compared to a few trillion in subprime).

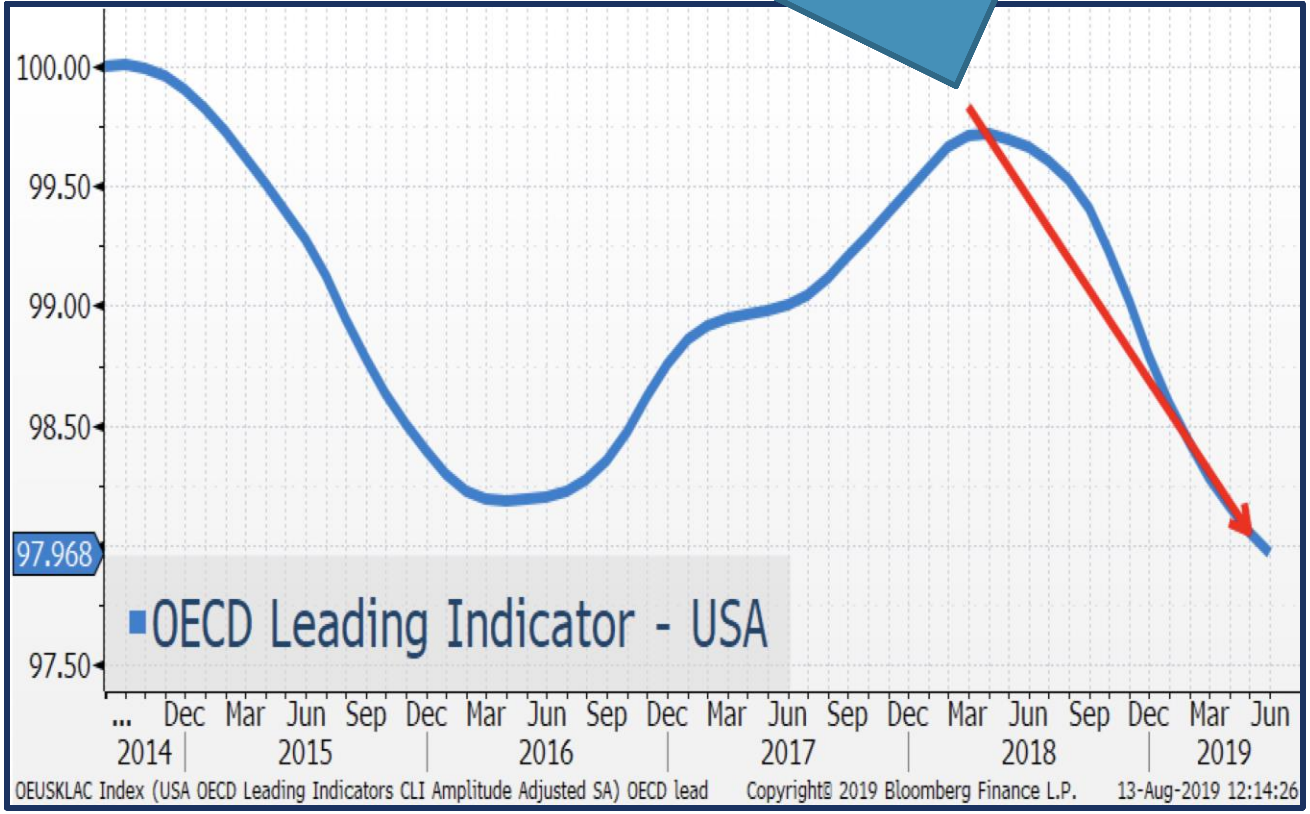
All it takes is a marginal increase in inflation to see a stampede in bond land.



Source: Bloomberg

OECD LEADING INDICATOR HAS BEEN DECLINING SINCE Q1 2018!

Make sure you don’t ignore leading indicators (most market pundits obsess over lagging indicators)!



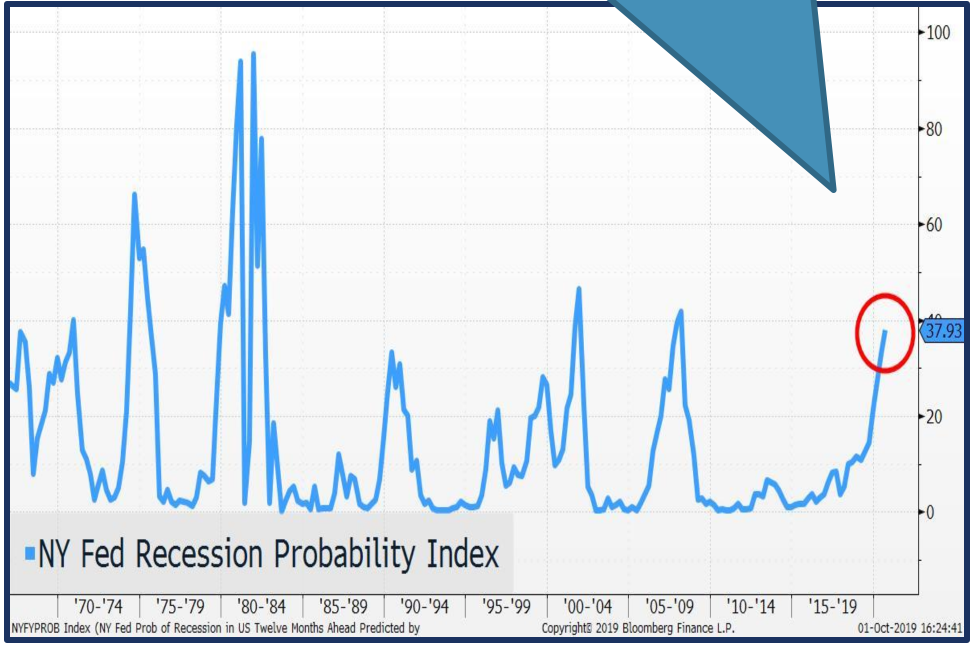
Source: OECD, Bloomberg, Astoria Portfolio Advisors

CHARTS: THE UGLY…

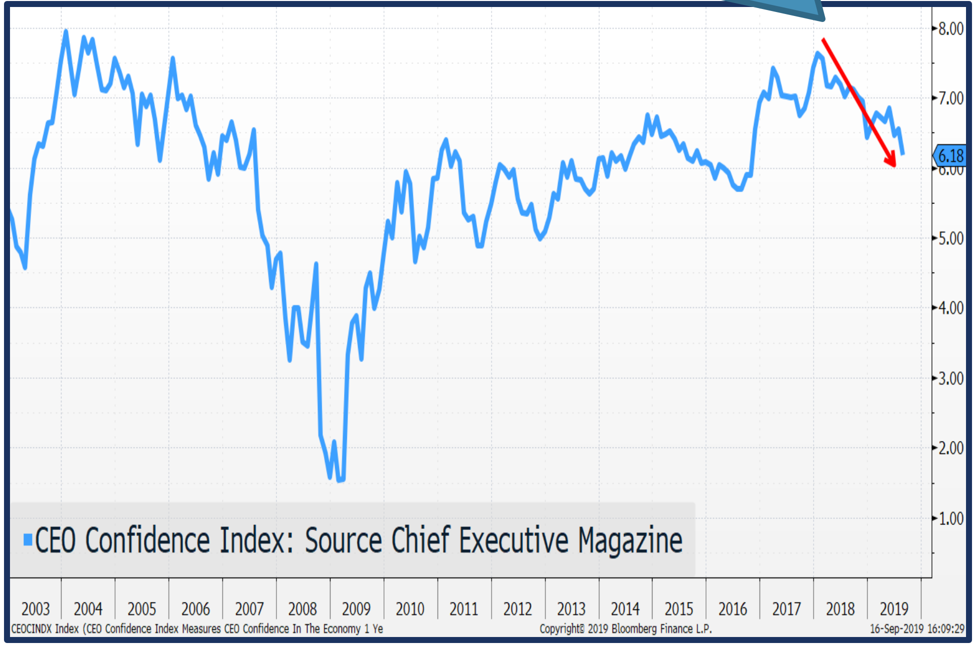
AN INVERTED U.S. YIELD CURVE, AN OIL SHOCK, AND FURTHER PENDING U.S. RATE CUTS SHOULD MAKE INVESTORS MORE CAUTIOUS IN THEIR ASSET ALLOCATION.

Recession probabilities are as high as they were in 2008. At some point, this becomes a self fulfilling prophecy. The more people talk about a recession, the greater the chances it will become a reality.

Are you surprised that CEO confidence has waned? They don't know how to model their businesses with looming trade tensions!



Source: New York Federal Reserve, Bloomberg, Astoria Portfolio Advisors



Source: Chief Executive Magazine, Bloomberg, Astoria Portfolio Advisors

WE WARNED ABOUT AN INVERTED YIELD CURVE GOING BACK TO JUNE 2018.

John Davi
@AstoriaAdvisors

Relentless #curveflattening! Additional rate hikes in '18 will put more pressure on the curve. At this point, it's too late in the cycle for this trend to revert. Note that a recession typically doesn't hit until 6-12 months once the curve inverts. #Fed #Rates #YieldCurve

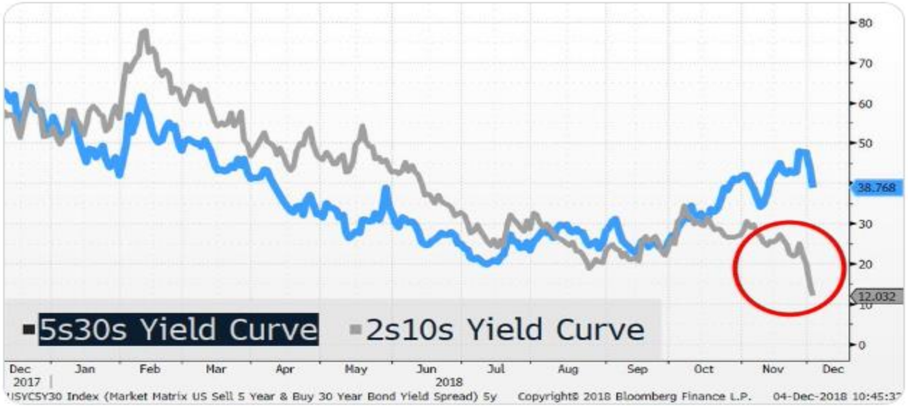
7:19 AM · Jun 15, 2018 · Twitter Web Client

Source: https://twitter.com/AstoriaAdvisors/status/1007583484058140672?s=20, Bloomberg, Astoria Portfolio Advisors

John Davi
@AstoriaAdvisors

2s/10s #curve in danger of inverting! Only 12bps to go before it #inverts.

We continue to believe that hedging one's portfolio, including alternatives, and getting more defensive is the more attractive risk/reward for investors. #macro #rates



10:50 AM · Dec 4, 2018 · Twitter Web Client

Source: https://twitter.com/AstoriaAdvisors/status/1069982405598027776?s=20, Bloomberg, Astoria Portfolio Advisors

DOES AN INVERTED YIELD CURVE MEAN A RECESSION IS IMMINENT IN THE U.S.? OF COURSE NOT, BUT THE RECESSION CLOCK HAS BEGUN.

7 out of the 8 U.S. yield curve inversions since 1960 were followed by a recession. The key, however, is that a recession isn't imminent:

1. The number of months between inversion and recession has increased (**17 months**) for the prior 3 yield curve inversions compared to the prior four inversions (**9 months**).
2. There was a **22-month lag** between the time the yield curve inverted in 2008 and the subsequent recession.

Astoria acknowledges the weakening economy. We believe a pending U.S. recession escalates if 3 things happen (materially, that is):

1. Credit spreads **widen.**
2. The U.S. consumer weakens.
3. The U.S. housing market declines.

How can a recession be avoided?

1. Substantial trade deal.
2. More fiscal policy globally.

Unfortunately, the damage is likely done and a recession is likely unavoidable.

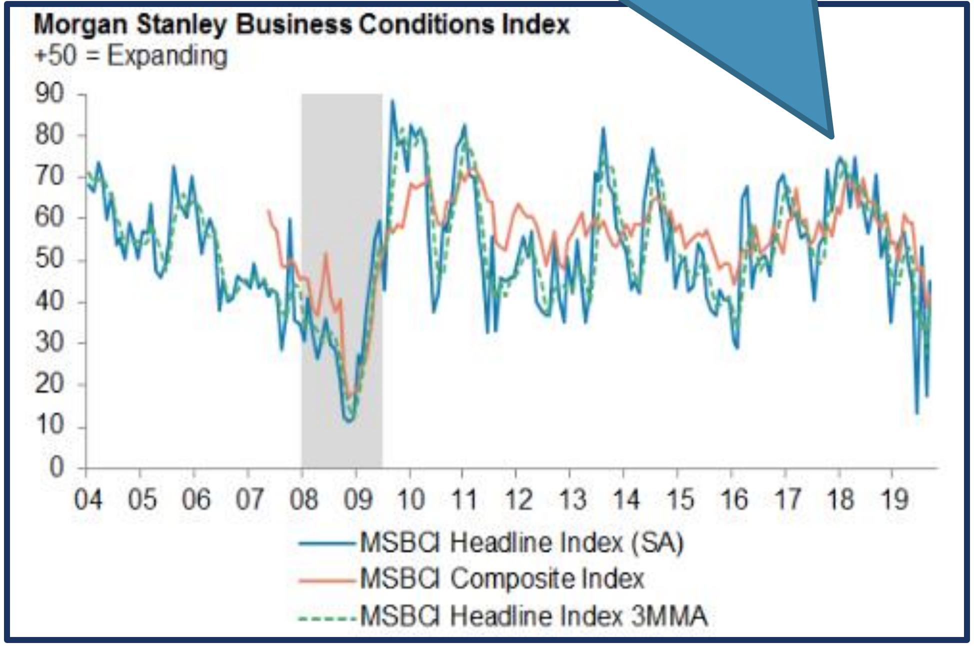
MAYBE ALL THIS RECESSION TALK IS GOOD?

The good news is that investors should have ample time to properly structure their portfolios to soften any impact when the recession occurs.

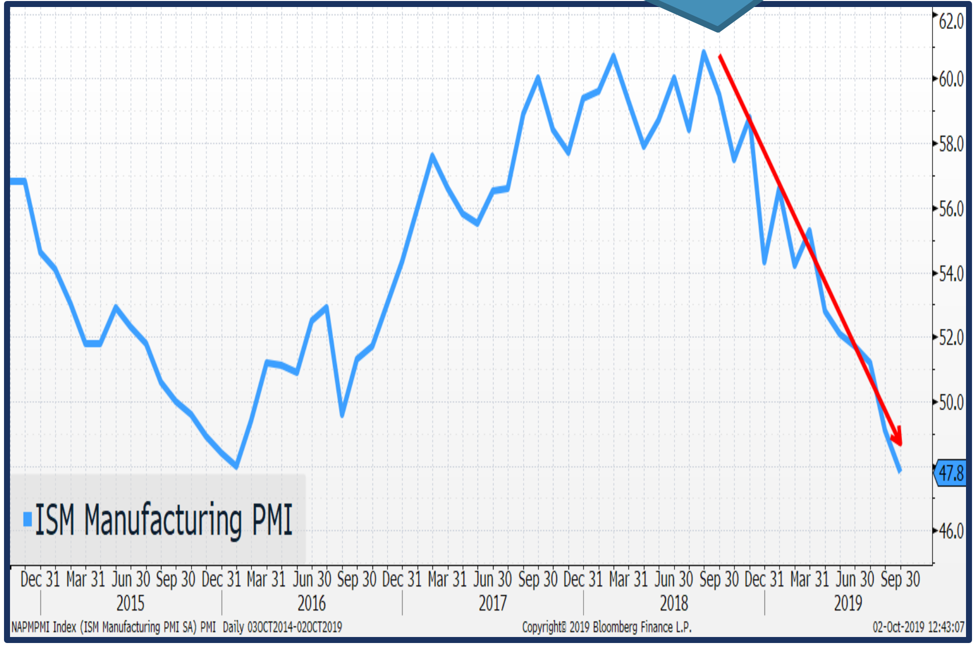
MANUFACTURING DATA HAS FALLEN OFF A CLIFF. WHY? 1) TRADE WARS – NOBODY KNOWS HOW TO MODEL FUTURE BUSINESS EXPANSION WHEN THEY CAN'T BUDGET THEIR INPUT COST 2) SLOWDOWN IN EUROPE/JAPAN

Morgan Stanley's Business Conditions Index stands at 45 which staged a healthy rebound from its Aug reading of 17. Still remains in contractionary territory though.

Bye-bye ISM.



Source: Morgan Stanley Research



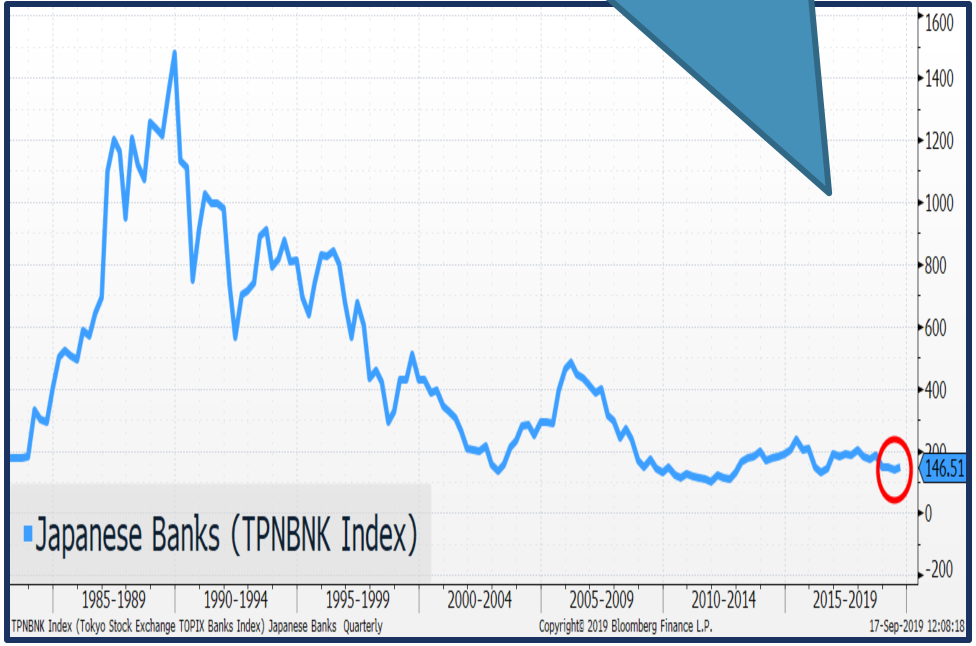
Source: ISM Manufacturing, Bloomberg, Astoria Portfolio Advisors

QE HAS BEEN A NIGHTMARE FOR EUROPEAN & JAPANESE BANKS - BOTH ARE TRADING AT 30+ YEAR LOWS!

Just remember that investors left Greece dead in the water and currently, that market is up 35% YTD. At some point, there should be some intrinsic value in these banks.

International banks needed a lot more than QE and yield curve targeting.

Source: EURO STOXX Banks Price EUR, Bloomberg, Astoria Portfolio Advisors



Source: Tokyo Stock Exchange TOPIX Banks Index, Bloomberg, Astoria Portfolio Advisors

THE U.S. CAN'T SURVIVE A SLOWDOWN IN EUROPE/JAPAN. THE WORLD IS TOO INTERCONNECTED. ALTHOUGH, THE CURRENT ADMINISTRATION SEEMS TO BE TRYING TO BREAK THAT LINKAGE. MAYBE IN THE FUTURE THE U.S. WON'T BE AS DEPENDENT ON THE REST OF THE WORLD.

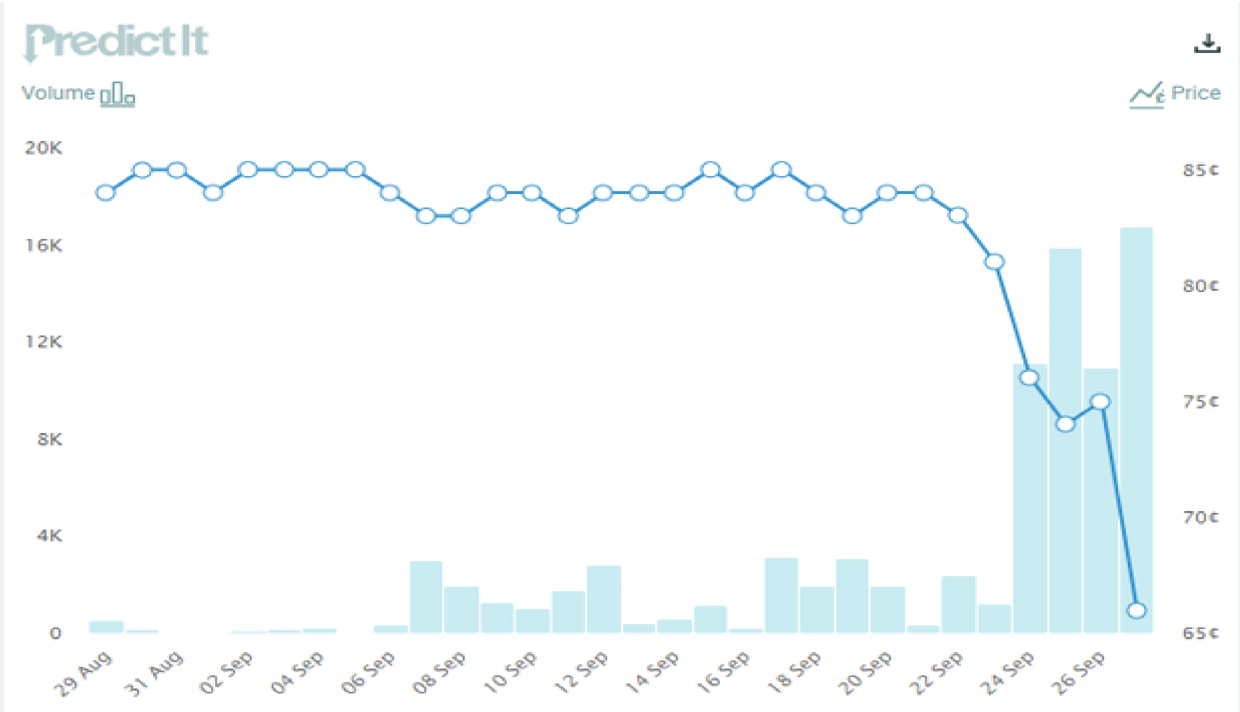
The Atlanta Fed GDPNow Forecast Model is 1.78% as of September 30, 2019.

Source: Atlanta Fed GDPNow GDP Forecast, Bloomberg, Astoria Portfolio Advisors

THE BETTING MARKET, WHICH CORRECTLY PREDICTED THE RISE OF ELIZABETH WARREN IN THE RACE FOR THE DEMOCRATIC NOMINEE, HAS REPRICED THE ODDS OF TRUMP COMPLETING HIS FIRST TERM AS POTUS. THE ODDS HAVE FALLEN FROM 85% A COUPLE OF WEEKS AGO TO 65%.

As Democratic leadership grows in the polls, market uncertainty will increase. This is yet another headwind for stocks.

Will Donald Trump complete his first term?

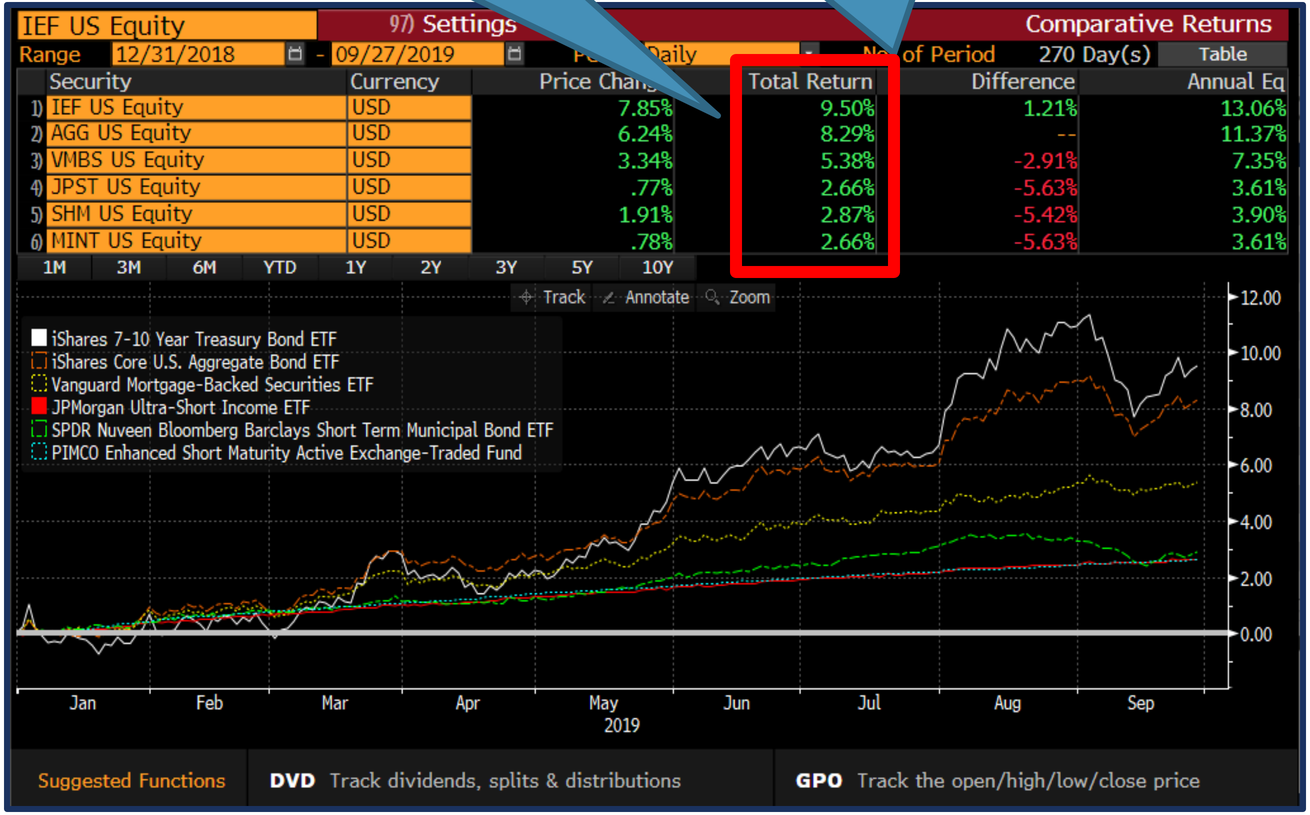


Source: https://twitter.com/Garth_Friesen/status/1178053720417996805, PredictIt

WHAT HAVE BONDS DONE YTD? IN SHORT, U.S. TREASURIES RALLIED AND EVERYTHING ELSE HAS UNDERPERFORMED.

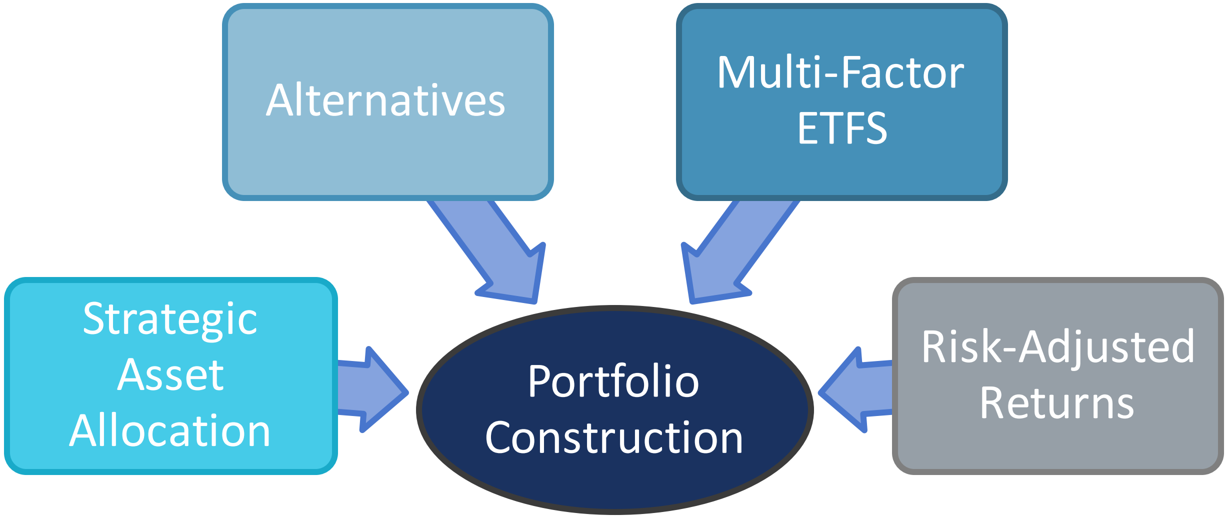
The Aggregate Bond Index (comprised of 43% U.S. Treasuries) is up +8.29% YTD (as of Sep 27).

U.S. Treasuries have rallied significantly: IEF (7-10 year) is +9.50% YTD. Most other credit segments have substantially underperformed Treasuries.



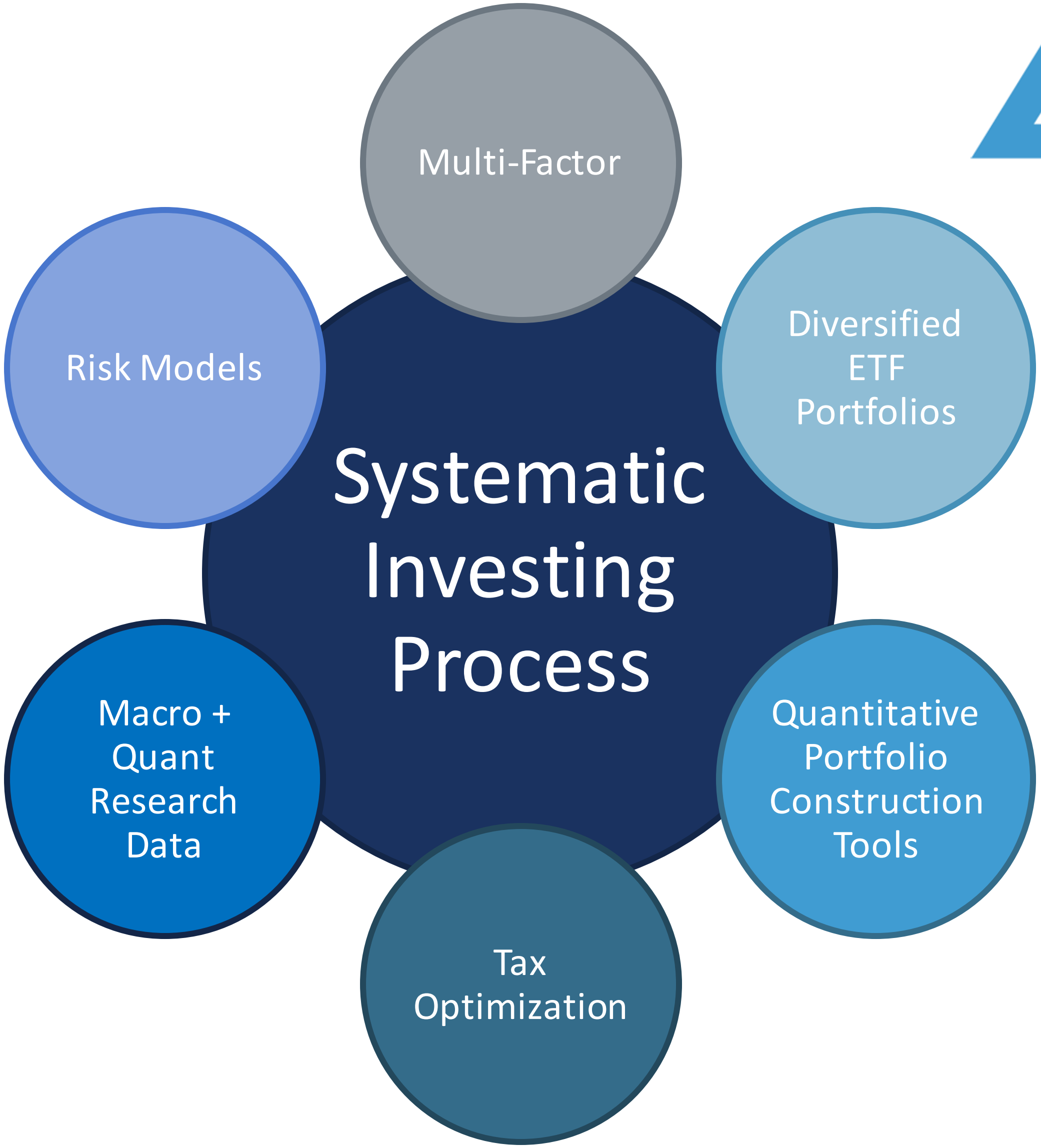
Source: Bloomberg

CHARTS: PORTFOLIO CONSTRUCTION



WE'VE GONE TO GREAT LENGTHS TO DESCRIBE THE MARKET – THAT'S THE EASY PART.

THE HARD PART IS: HOW DO YOU STRUCTURE A PORTFOLIO?



EUROPEAN STOCKS TRADE AT 50% DISCOUNT TO U.S. STOCKS.

The U.S. tends to trade at a premium to international stocks. If you have a long-time horizon, we believe a globally diversified ETF portfolio is a better risk reward than just owning the US.

Relentless demand for U.S. stocks!

Source: https://twitter.com/MebFaber/status/1148748390261374977/photo/1, Reuters, Datastream Robeco

Norway's Fund Wants to Add Up to $100 Billion in U.S. Stocks

By Sveinung Sleire and Mikael Holter
August 26, 2019, 7:00 PM EDT *Updated on August 27, 2019, 7:43 AM EDT*

- Fund recommends dropping regional overweight on Europe stocks
- Finance ministry says will decide in spring of next year

Source: https://www.bloomberg.com/news/articles/2019-08-26/norway-s-1-trillion-fund-weighs-pivotal-shift-to-u-s-stocks

DISDAIN FOR INTERNATIONAL STOCKS IS HIGH. NOBODY LIKES THEM. THAT'S USUALLY A SIGNAL TO BUY

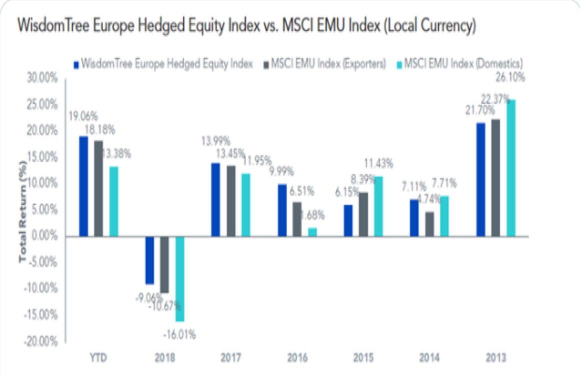
John Davi
@AstoriaAdvisors

Is it time for investors to dip back into #currencyhedged #ETFs?

from @WisdomTreeETFs on the recent performance of hedged and unhedged in recent years.

Hard to find many who are strategically long #Europe these days.

@AstoriaAdvisors have been vocal about allocating overseas.



Sources: WisdomTree, FactSet. Past performance is not indicative of future results. You cannot invest directly in an index. Index performance does not represent actual fund or portfolio performance. A fund or portfolio may differ significantly from the securities included in the index. Index performance assumes reinvestment of dividends but does not reflect any management fees, transaction costs or other expenses that would be incurred by a portfolio or fund, or brokerage commissions on transactions in fund shares. Such fees, expenses and commissions could reduce returns.

10:06 AM Jul 25, 2019 Twitter Web App

Source: https://twitter.com/AstoriaAdvisors/status/1154392576176377856?s=20, WisdomTree

John Davi
@AstoriaAdvisors

Disdain for international #stocks is high. Nobody likes them.

That's usually a signal to buy.

We like $IHDG for our international exposure.

It's a quant screen of high quality stocks with a currency hedge.

methodology from @WisdomTreeETFs

wisdomtree.com/-/media/us-med...

4:31 PM Sep 26, 2019 Twitter Web App

Source: https://twitter.com/AstoriaAdvisors/status/1177319844179521536?s=20, WisdomTree

John Davi
@AstoriaAdvisors

IHDG has outperformed $EFA by 800bps YTD (mostly due to ccy but also because quality is bid globally.

I admit that IHDG isn't cheap; trades 3 valuation turns richer than EFA but we want to avoid the cyclicals (i.e. banks) for now.

valuation data from @etfAction

Show 25 entries   Search:

Ticker	Fund Name	P/E	P/S	P/CF	P/B	Gross Margin	Payout Ratio	Yield
	Reset Filters	Min Max	Min Max	Min Max	Min Max	Min Max	Min Max	Min Max
EFA	iShares MSCI EAFE ETF	14.47	1.16	9.55	1.54	8.05%	50.61%	3.50%
IHDG	WisdomTree International Hedged Quality Dividend Growth Fund	17.17	2.17	13.66	3.45	12.62%	53.11%	3.09%

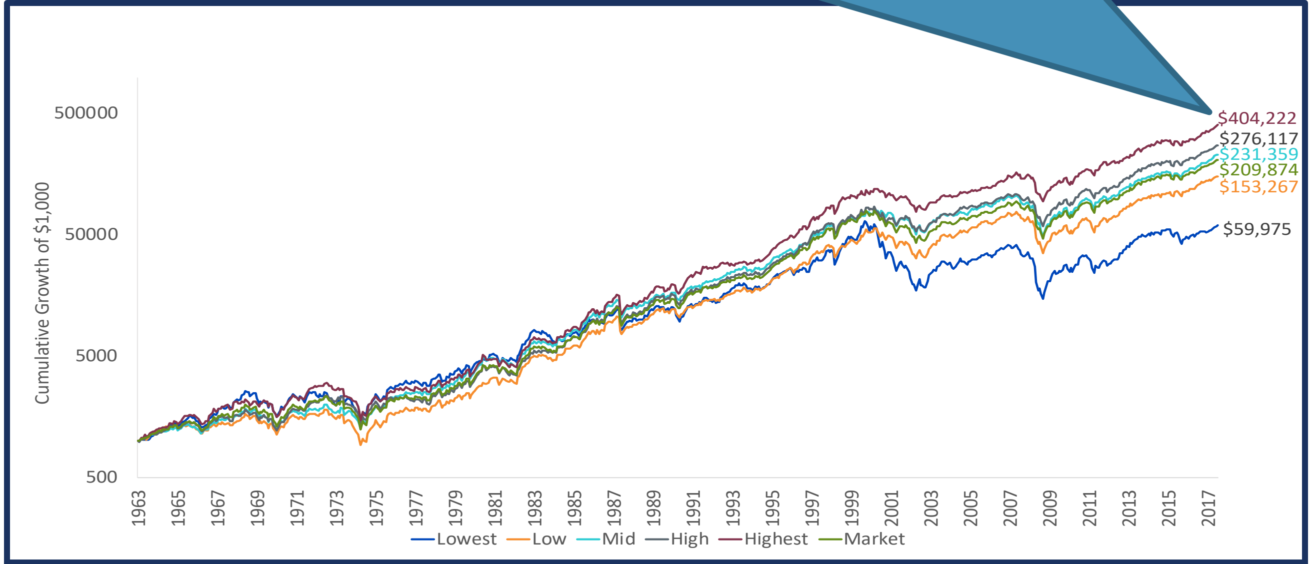
Showing 1 to 2 of 2 entries (filtered from 2,297 total entries)   Previous 1 Next

4:31 PM Sep 26, 2019 Twitter Web App

Source: https://twitter.com/AstoriaAdvisors/status/1177319850869428228?s=20, ETFAction

ASTORIA BEGAN ALLOCATING TO THE QUALITY FACTOR IN Q4 2018. IN 2019, PRETTY MUCH EVERY BUYSIDE AND SELLSIDE FIRM HAS RECOMMENDED AN ALLOCATION TO THIS FACTOR. THIS MAKES US NERVOUS.

The red line below is the highest quintile of quality stocks. It has the highest Sharpe Ratio compared to all other quintiles.



	Average Annual Return	Sharpe Ratio
Highest	11.63%	0.45
High	10.86%	0.40
Mid	10.50%	0.39
Low	9.67%	0.32
Lowest	7.79%	0.16
Market	10.30%	0.37

Source: Kenneth French Data Library, with data as of 12/31/17, WisdomTree. Period based on availability of operating profitability returns sorted into quintiles, beginning 6/30/63. Universe is U.S.-listed equities grouped on the basis of operating profitability. Past performance is not indicative of future results. Sharpe Ratio: Measure of risk-adjusted return. Higher values indicate greater return per unit of risk, specifically standard deviation, which is viewed as being desirable.

QUALITY WORKS DURING PERIODS OF MARKET VOLATILITY. JUST KEEP IN MIND THAT VALUATIONS FOR THIS COHORT ARE NOW ON THE HIGH END.

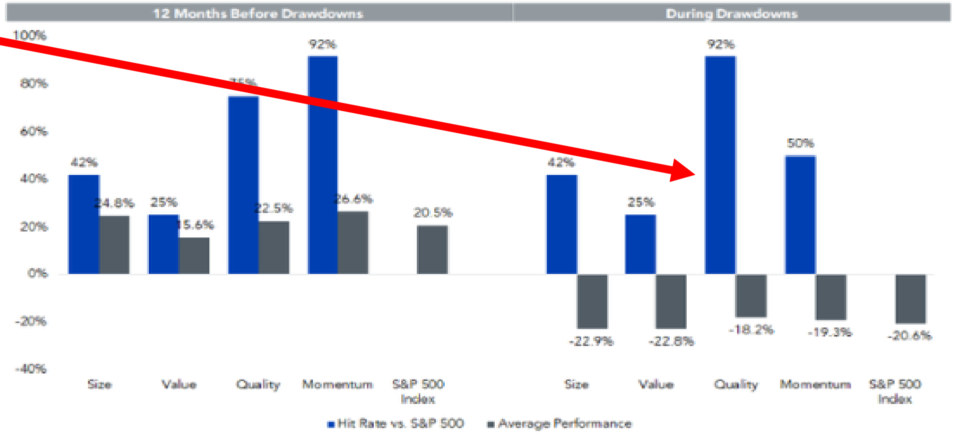
John Davi
@AstoriaAdvisors

@AstoriaAdvisors was very vocal in January about allocating towards high #quality #ETFs.

Nice chart from @WisdomTreeETFs showing the performance of quality (and other factors) over the past 20 years.

#DGRW remains our preferred vehicle for quality exposure.

Figure 1: Factor Performance in Market Cycles



Sources: WisdomTree, Yardeni Research, Kenneth French Data Library, Bloomberg, 9/30/1997–11/30/2018, which represents latest date of available data. Size refers to the Lo 30 portfolio of all listed stocks in the bottom 30% of the total U.S. market capitalization. Value refers to the BIG HiBM portfolio of large-cap companies with high book/market ratios. Quality refers to the BIG HiOP portfolio of large-cap companies with high operating profitability. Momentum refers to the BIG HiPRIOR portfolio of large-cap companies with positive trailing price momentum. Past performance is not indicative of future results. You cannot invest directly in an index. Please refer to the glossary for defined terms.

8:13 PM · May 22, 2019 · Twitter Web Client

Source: https://twitter.com/AstoriaAdvisors/status/1131352341570031617?s=20, WisdomTree

THE STREET IS PUSHING THE VALUE TRADE AND SUGGESTING TO FADE MOMENTUM. DON'T FORGET THAT VALUE AND MOMENTUM IDEALLY SHOULD BE UTILIZED TOGETHER, GIVEN THEIR LOWER CORRELATION.

<u>1/1/1927 - 12/31/2015 (Net of Fees)</u>

Summary Statistics*	50% Value / 50% Momentum (Net)	Value (Net)	Momentum (Net)	SP500
CAGR	13.20%	11.81%	13.31%	9.85%
Standard Deviation	24.90%	31.79%	22.53%	19.04%
Downside Deviation (MAR=5%)	17.71%	21.21%	16.67%	14.14%
Sharpe Ratio	0.49	0.39	0.52	0.41
Sortino Ratio (MAR=5%)	0.59	0.51	0.61	0.44
Worst Drawdown	-84.46%	-91.74%	-79.34%	-84.59%
Worst Month Return	-32.11%	-44.00%	-28.77%	-28.73%
Best Month Return	57.67%	98.63%	28.63%	41.65%
Profitable Months	61.80%	60.11%	61.14%	61.61%
Rolling 1-Year Win %	--	55.25%	47.21%	62.25%
Rolling 5-Year Win %	--	58.67%	51.54%	75.32%
Rolling 10-Year Win %	--	61.22%	54.27%	89.99%
Sum (5-Year Rolling MaxDD)	-33875.15%	-36980.65%	-34498.86%	-28709.66%

*Returns start in 01/1927 for this strategy.

Correlation Analysis**	50% Value / 50% Momentum (Net)	Value (Net)	Momentum (Net)	SP500
Up %	--	92.52%	93.26%	92.09%
Down %	--	84.51%	87.71%	86.59%
Negative Correlation	--	90.81%	84.21%	84.54%
Positive Correlation	--	91.72%	74.03%	83.26%
Tracking Error	--	11.78%	11.78%	11.07%

Correlation Matrix	50% Value / 50% Momentum (Net)	Value (Net)	Momentum (Net)	SP500
50% Value / 50% Momentum (Net)	100.00%	94.22%	88.13%	90.87%
Value (Net)	94.22%	100.00%	67.21%	84.65%
Momentum (Net)	88.13%	67.21%	100.00%	81.46%
SP500	90.87%	84.65%	81.46%	100.00%

**Bold denotes values less than |.5|

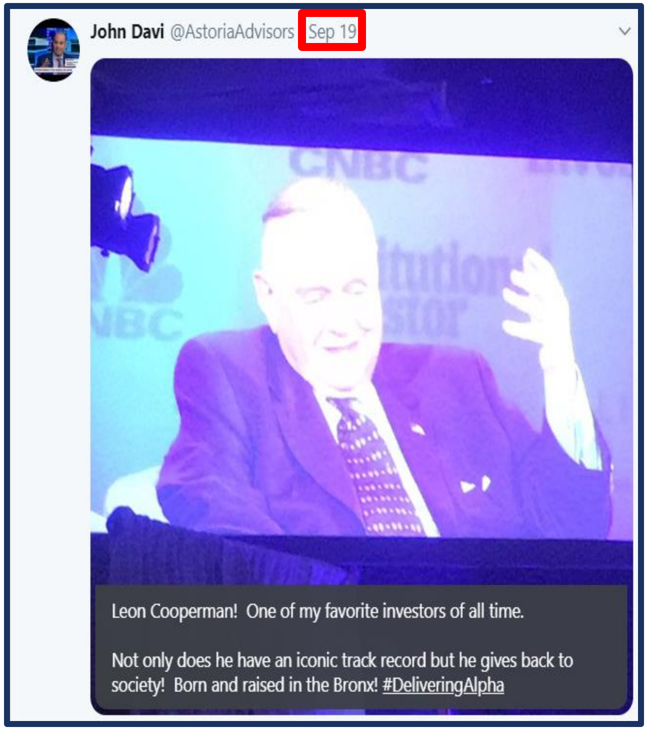
The results are hypothetical results and are NOT an indicator of future results and do NOT represent returns that any investor actually attained. Indexes are unmanaged, do not reflect management or trading fees, and one cannot invest directly in an index. Additional information regarding the construction of these results is available upon request.

Source: https://alphaarchitect.com/2016/03/22/why-investors-should-combine-value-and-momentum/,

WE ATTENDED THE DELIVERING ALPHA CONFERENCE WHICH REMINDED US WHY WE SHOULDN'T GIVE UP ON THE VALUE TRADE.

It amazes us why a large portion of investors are fixated in owning growth and momentum stocks. Notable value managers such as Joel Greenblatt, Warren Buffet, Leon Cooperman, and Seth Klarman have compiled successful, long-term track records by buying stocks below their intrinsic value and selling when they become expensive (i.e. they buy low and sell high). Not only do momentum investors ignore the time-tested approach of these value managers, they do the opposite (they buy high with the hopes of selling higher)!

Source: https://twitter.com/AstoriaAdvisors/status/1174768921125249036?s=20. Picture taken by Astoria Portfolio Advisors @ Delivering Alpha conference.



Source: https://twitter.com/AstoriaAdvisors/status/1174710688163553281?s=20. Picture taken by Astoria Portfolio Advisors @ Delivering Alpha conference.

DON'T GIVE UP ON VALUE STOCKS. HISTORICALLY THEY HAVE EXHIBITED STRONG RELATIVE PERFORMANCE COMPARED TO OTHER WELL DOCUMENTED FACTORS IN THE PERIOD PRIOR TO A RECESSION.

Value has historically done well in the period leading up to a recession.

Table 2: Pre-Recession (1964–2015)

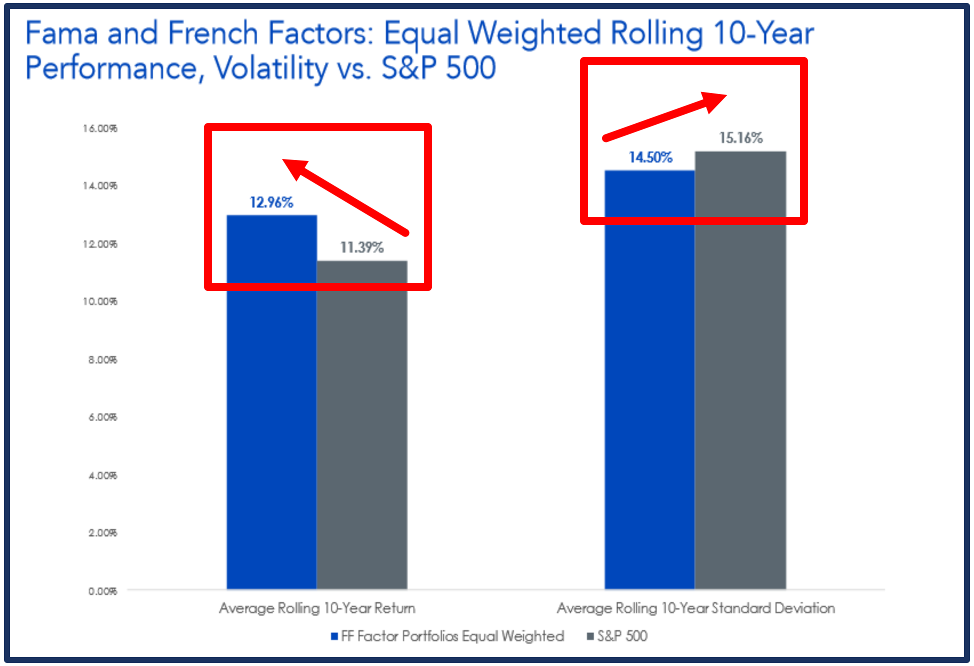
(84 monthly observations)		Excess Return vs. Large Stocks (%)		
Factor/Theme:		High	Low	Spread
SELECTION	Value	5.4	-12.4	17.8
	Momentum	5.4	-5.3	10.7
	Shareholder Yield	4.3	-5.8	10.1
	Dividend Yield*	1.5	-10.0	11.5
QUALITY	Financial Strength	3.6	-7.9	11.5
	Earnings Quality	2.1	-3.4	5.5
	Earnings Growth	2.2	-11.5	13.7
(Large Stocks universe: -0.5%)				

* For dividend yield, "high" and "low" were formed from the Large Stocks universe restricted to dividend-paying stocks only.

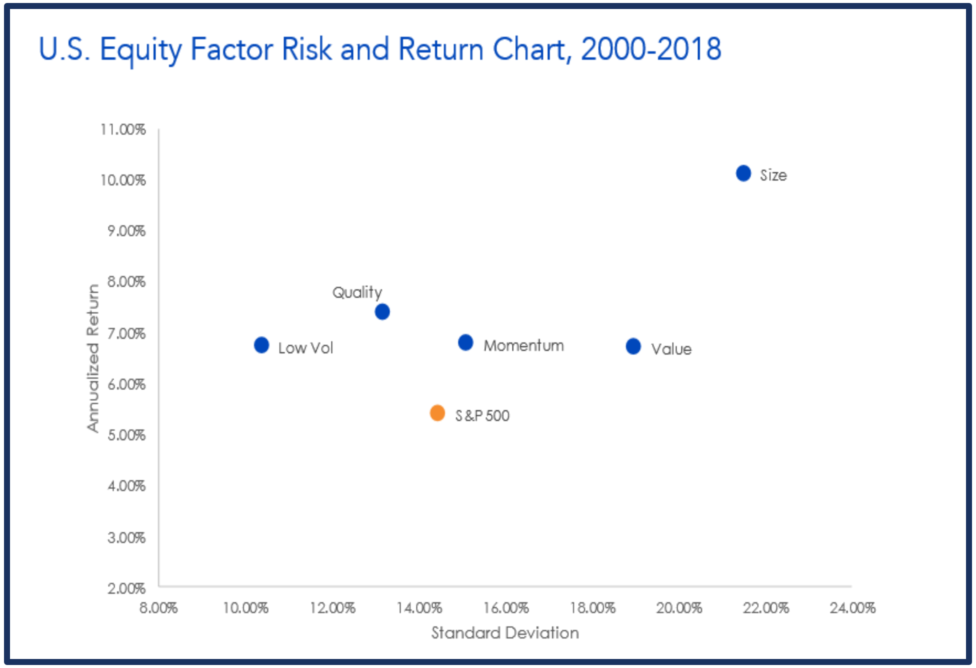
Source: Thompson QA, Compustat, OSAM calculations

Source: https://www.osam.com/pdfs/whitepapers/_8_Commentary_TheEconomicCycleAFactorInvestors Perspective_May-2016.pdf

COMBINING FACTORS HAS HISTORICALLY LED TO BETTER RISK ADJUSTED RETURNS WHEN HARVESTED OVER LONG PERIODS OF TIME. THAT'S WHY ASTORIA UTILIZES SEVERAL FACTORS IN OUR DYNAMIC AND STRATEGIC PORTFOLIOS.



Source: WisdomTree, Bloomberg, Zephyr StyleAdvisor, Kenneth R. French Data Library as of 6/30/2018. Fama and French Factor Portfolios Equal Weighted consists of Large Value (BIG HiBM), Large Quality (BIG HiOP), Large Momentum (BIG HiPRIOR), Large Low Volatility (BIG LoVAR), and Size (Lo 30) portfolios, combined in equal weights and rebalanced annually, beginning January 1, 1974. Data time frame chosen based on S&P 500 Total Return data availability and Fama and French data availability. Past performance is not indicative of future results. You cannot invest directly in an index.



Source: WisdomTree, Bloomberg, Kenneth R. French Data Library 12/31/1999 – 5/31/2018. Universe of stocks is defined by French Data Library and includes all companies listed on the NYSE, AMEX and NASDAQ. Value: Stocks above the median market-cap in the top 30% by book-to-market (2x3, BIG HiBM). Quality: Stocks above the median market-cap in the top 30% by operating profitability (2x3, Big HIOP). Size: Stocks in the bottom 30% by market cap (Lo 30). Momentum: Stocks above the median market-cap in the top 30% by prior price trends (2x3, BIG HiPRIOR). Low Volatility: Stocks in the top 20% by market-cap, and in the bottom 20% by variance (5x5, BIG LoVar). Past performance is not indicative of future results. You cannot invest directly in an Index.

WHY DOES ASTORIA INCLUDE ALTERNATIVES?

When we look across all public and private markets, most asset classes are fully valued. Private equity firms, which historically were able to buy assets at 7-8x cash flows, are now buying businesses at 12-13x.

Ironically, lower interest rates (which increases the present value of a company's cash flows) make equities more attractive compared to most other asset classes. Perhaps this is the reason stocks continue to rally despite their never-ending wall of worry.

But because we're never sure we're right, we always utilize alternatives to soften our portfolio volatility. Make sure you pick ones which are inversely correlated to your risk assets.

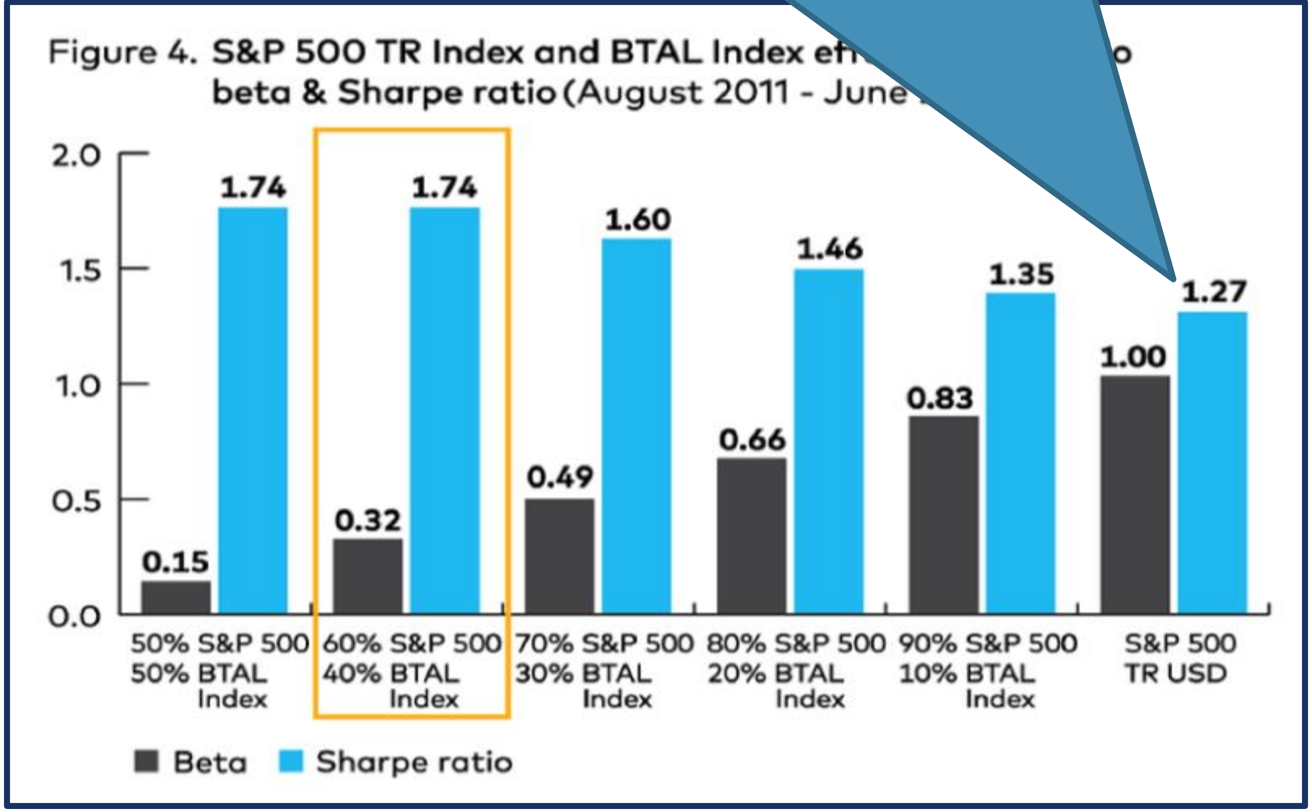
ADDING AN ALLOCATION OF BTAL TO A SPY PORTFOLIO HAS PRODUCED A HIGHER SHARPE RATIO SINCE AUGUST 2011.

BTAL is our top alternative ETF. Why?

1) Inverse correlation to stocks.

2) Systematic/rules based which fits Astoria's DNA.

3) Reasonable cost relative to the returns it provides.

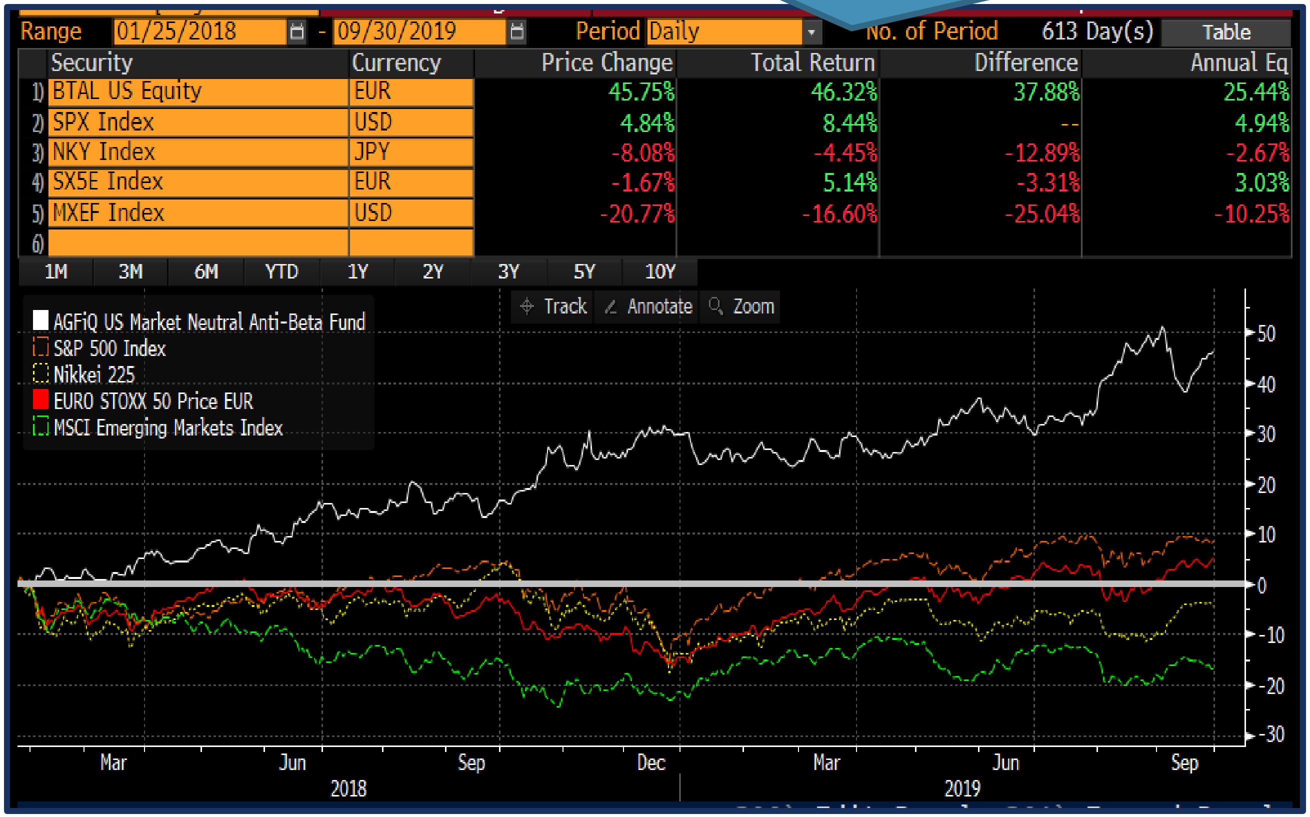


Source: AGFiQ, Morningstar from August 22, 2011 to June 30, 2019. Past performance does not guarantee future results. One cannot invest directly in an index.

ALTERNATIVES GET A DIRTY CONNOTATION. JUST FIND ONE THAT IS INVERSELY CORELATED WITH YOUR RISK ASSETS. DON'T OVERTHINK IT.

BTAL HAS HISTORICALLY PRODUCED A -70% CORRELATION TO THE U.S. EQUITY MARKET.

Between Jan 25, 2018 thru Sep 30, 2019, BTAL is +46% whereas S&P 500 is +8%, Europe +5%, Japan -4%, and EM -16%.


Range 01/25/2018 - 09/30/2019 Period Daily No. of Period 613 Day(s) Table

	Security	Currency	Price Change	Total Return	Difference	Annual Eq
1)	BTAL US Equity	EUR	45.75%	46.32%	37.88%	25.44%
2)	SPX Index	USD	4.84%	8.44%	--	4.94%
3)	NKY Index	JPY	-8.08%	-4.45%	-12.89%	-2.67%
4)	SX5E Index	EUR	-1.67%	5.14%	-3.31%	3.03%
5)	MXEF Index	USD	-20.77%	-16.60%	-25.04%	-10.25%
6)						

Source: Bloomberg

WHAT IS ASTORIA PORTFOLIO ADVISORS TELLING INVESTORS?

THESE WERE ASTORIA'S KEY THEMES GOING INTO 2019.

WE STILL BELIEVE IN ALL THESE THEMES.

Source: https://twitter.com/AstoriaAdvisors/status/1084452588316213248?s=20, https://www.astoriaadvisors.com/post/10-etfs-for-2019, Astoria Portfolio Advisors

ASSET ALLOCATION SHOULDN'T BE A SET IT AND FORGET IT STRATEGY.

1. Extend time horizons

- The research shows that the probability of making money increases as you lengthen your time horizon.
- If a 3% daily decline in the S&P 500 makes you uncomfortable, then you are taking too much risk in your portfolio.

2. Diversify across factors

- Diversifying across factors has historically provided a smoother risk/return profile and can help move investors higher up on the efficient frontier.

3. Diversify internationally

- International markets are offering a much wider margin of safety. The earnings yield in many international markets is high. In a world where there is $15 trillion of negative yielding debt, the earnings yield for international stocks is attractive.

4. Incorporate alternatives into your portfolio

- The key is to find strategies that are inversely correlated to stocks.
- We have written that we like Gold, Gold miners, Merger Arb, & Long/Short market neutral strategies.

STRATEGICALLY TRIM EXPOSURE TO GROWTH STOCKS AND DIVERSIFY ACROSS A PORTFOLIO OF FACTORS.

Astoria believes investors should:

- Have a more diversified portfolio both from an asset allocation and factor perspective.
- This involves trimming exposure to U.S. growth stocks, U.S. Treasuries, U.S. corporate credit, and U.S. high yield credit.

Strategic asset allocation shifts

- 50/30/20 is the new 60/40 given where U.S. bond yields are and U.S. stock valuations.
- Trim bonds (which have provided a tremendous Sharpe ratio in '19) and use more alternatives.
- You can't time value vs. growth.

We have strategically rebalanced our portfolios towards:

- U.S. value, U.S. quality, U.S. dividend yield, and international equities.

Be systematic & disciplined in investing

- Stop watching TV. It's bad for your financial health.
- Don't try to time the recession. If you build portfolios properly, you can weather most storms.
- Stop preparing for a 2008 scenario. That was a once in a century event.

VIEWS FROM ASTORIA'S INVESTMENT COMMITTEE

The U.S. Federal Reserve

- Downside risks from the U.S. and China trade discussions resulted in deteriorating macro-economic conditions and corporate earnings in 2019. As a result of the prevailing financial conditions, the U.S. Federal Reserve has lowered interest rates twice in the past three months.
- Moreover, the U.S. Federal Reserve has indicated it is open to cutting interest rates further in order to additionally stimulate growth and sustain the current economic expansion.

Views from Astoria's Investment Committee

- The macro-economic data and earnings outlook have been **deteriorating** for several quarters.
- There is **no reason** for the U.S. Fed Funds rate to be **above** the 30-year U.S. Treasury.

Despite the aforementioned economic conditions, the S&P 500 Index has produced a total return of 20.55% thus far in 2019.

- Seven policymakers on the Committee see one more 25bps rate cut before year-end in their base case. On the other hand, five FOMC participants placed their dot at 2.125% on the September dot plot, which is 25bps above the current level of the federal funds rate.

Why is the U.S. yield curve inverting?

- Yield curves in several international markets **inverted** this year, prompting overseas investors to invest in the U.S. Treasury market for **higher yields.**
- Tariffs have been a huge driver behind investors' flight to quality, but there are some powerful **supply/demand imbalances** that are also contributing to the inverted U.S. yield curve:
    1. Certain developed markets have an aging population creating more demand for bonds.
    2. Pension funds need to meet liability targets.

ADDITIONAL FOOTNOTES & DISCLAIMERS

ADDITIONAL FOOTNOTES

- **Slide 15:**
  - https://twitter.com/AstoriaAdvisors/status/1050363940474109953?s=20
  - https://twitter.com/AstoriaAdvisors/status/1052227356239253507?s=20
  - https://twitter.com/AstoriaAdvisors/status/1078031245290946566?s=20
- **Slide 16:**
  - https://twitter.com/AstoriaAdvisors/status/1095301855943495685?s=20
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- **Slide 17:**
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  - https://twitter.com/AstoriaAdvisors/status/1171774564256374787?s=20
- **Slide 33:**
  - https://emojipedia.org/woman-shrugging/
  - https://emojipedia.org/thinking-face/

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