



Vern Sumnicht, CEO / CIO

# iSectors<sup>®</sup> Market Review

## 1Q 2024



John Koch, CFA

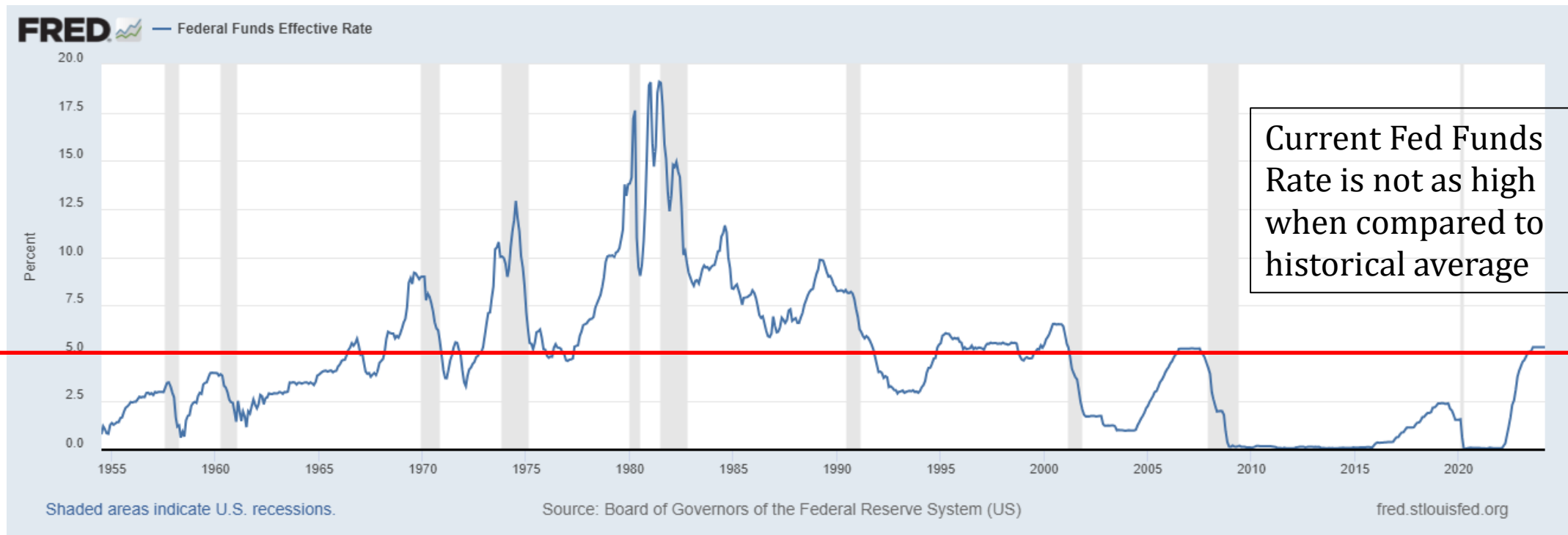
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# Current Environment

- Federal Reserve caught between a rock and a hard place

Cut rates: Inflation risk / Raise rates: Recession risk / Hold rates steady: Stagflation



# Money Supply, Gold, and Inflation

- M1: Most narrow definition of money supply. Cash, coins, savings accounts, and other liquid assets.
- M2: Includes M1 + short-term deposits and money market funds
- M3: M2 + other broad measures such as repurchase agreements and long-term deposits
- Official M3 reporting has been discontinued but can be recalculated
- The difference in M2 and M3 is important in iSectors' process
- Recent positive turn in M3 points toward sticky inflation continuing

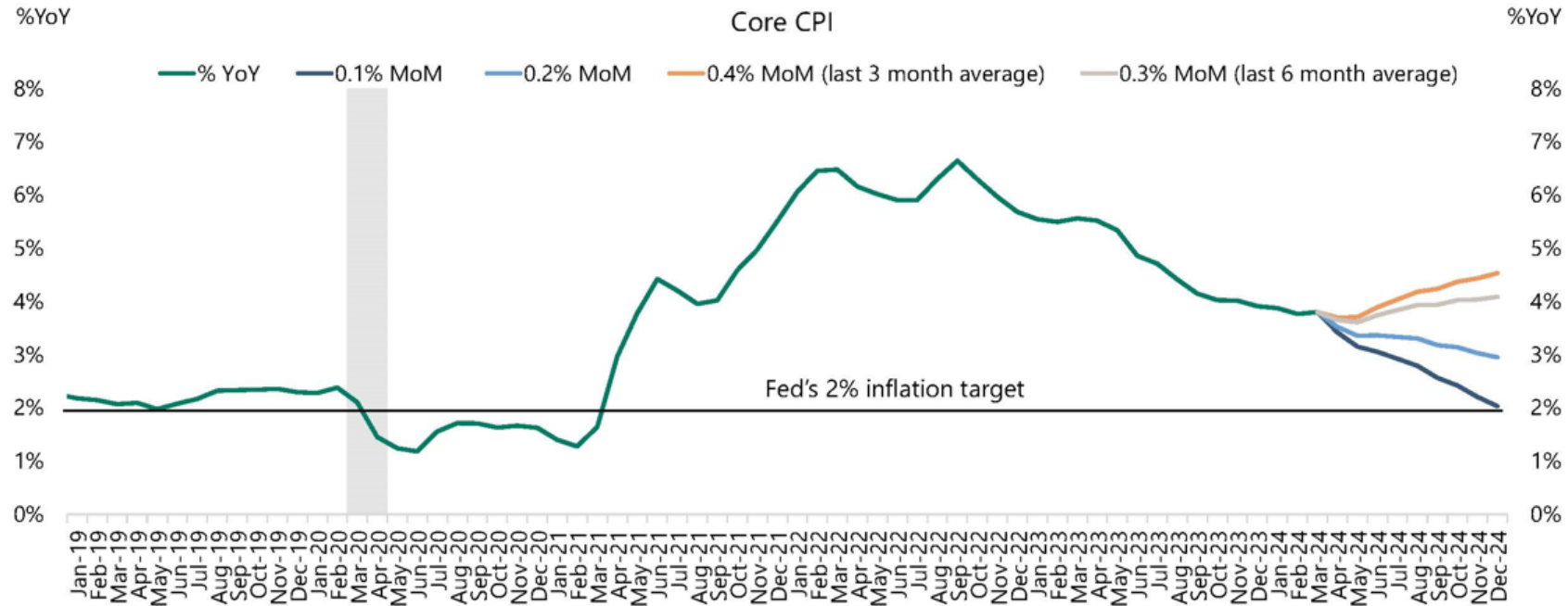
Month	M2 YoY % Change	Estimated M3 YoY % Change
Aug-22	3.86%	4.09%
Sep-22	2.64%	3.07%
Oct-22	1.46%	2.06%
Nov-22	0.35%	0.67%
Dec-22	-0.93%	0.12%
Jan-23	-1.62%	-0.29%
Feb-23	-2.23%	-0.34%
Mar-23	-3.84%	-2.06%
Apr-23	-3.71%	-1.89%
May-23	-3.95%	-1.97%
Jun-23	-3.80%	-1.68%
Jul-23	-3.93%	-1.45%
Aug-23	-3.94%	-1.50%
Sep-23	-3.68%	-1.00%
Oct-23	-3.42%	-0.37%
Nov-23	-3.08%	0.30%
Dec-23	-2.43%	0.76%
Jan-24	-2.01%	0.85%



# We Aren't The Only Ones Worried About Inflation

APOLLO

Inflation will likely be above the Fed's 2% inflation target for the rest of 2024



Source: BLS, Haver Analytics, Apollo Chief Economist



# Money Supply, Gold, and Inflation

- Increased money supply often leads to higher inflation
- Gold can act as a hedge in these situations
- Inflation 3%+ year-over-year drives stock/bond correlations higher

Correlation from 1993 to 2024, Months when YoY CPI Less Than 3%			
	Stocks	Bonds	Gold
Stocks	1.00		
Bonds	-0.03	1.00	
Gold	-0.04	0.18	1.00

Correlation from 1993 to 2024, Months when YoY CPI Greater Than 3%			
	Stocks	Bonds	Gold
Stocks	1.00		
Bonds	0.42	1.00	
Gold	-0.10	0.14	1.00



# Money Supply, Gold, and Inflation

- Recent periods have seen even higher correlation between stocks and bonds

- Today, gold is even more important in a portfolio to hedge the risk of stocks and bonds

Asset Correlations: 4/1/2021 to 3/31/2024

Name	Ticker	SPY	BND	SGOL	Annualized Return
SPDR S&P 500 ETF	SPY	1.00	0.71	0.33	3.18%
Vanguard Total Bond	BND	0.71	1.00	0.51	-4.43%
abrdrn Phys. Gold ETF	SGOL	0.33	0.51	1.00	7.28%

Source: [portfoliovisualizer.com](https://portfoliovisualizer.com)



# Post-MPT Outlook and Research

- Gold bullion and technology exposure has been consistently high in both models
- Given the Fed's dilemma and current economic environment, we believe gold is the most critical holding in both models

## Post-MPT Growth Allocation History

	Apr 2024	Mar 2024	Feb 2024	Jan 2024	Dec 2023	Nov 2023
Materials	11.80	6.80	3.60	9.00	6.70	5.90
Bond	16.20	13.80	21.80	10.20	8.00	6.80
Energy	0.00	0.00	0.00	0.00	0.00	2.30
Financials	0.00	0.00	0.00	0.00	0.00	0.00
Gold Bullion	29.10	29.30	29.50	29.50	28.80	29.00
Healthcare	11.80	19.30	13.60	18.80	24.70	23.30
Real Estate	1.50	1.10	0.00	1.30	1.60	1.40
Technology	27.60	27.70	29.50	29.20	30.00	29.30
Utilities	0.00	0.00	0.00	0.00	0.00	0.00
Cash	2.00	2.00	2.00	2.00	2.00	2.00
Total	100.0	100.0	100.0	100.0	101.8	100.0

## Post-MPT Moderate Allocation History

	Apr 2024	Mar 2024	Feb 2024	Jan 2024	Dec 2023	Nov 2023
Materials	1.10	0.90	0.70	1.00	1.00	0.00
Bond	4.10	3.20	2.70	1.30	0.00	0.00
Energy	0.00	0.00	0.00	0.00	1.10	2.50
Financials	1.60	1.30	1.50	1.00	0.00	0.00
Gold Bullion	28.80	28.90	29.40	29.20	28.70	29.10
Healthcare	23.10	24.10	24.00	25.10	26.30	26.70
Real Estate	0.00	0.00	0.00	0.00	0.00	0.00
Technology	29.40	29.40	29.40	29.30	29.40	29.50
Utilities	9.90	10.20	10.30	11.10	11.50	10.20
Cash	2.00	2.00	2.00	2.00	2.00	2.00
Total	100.0	100.0	100.0	100.0	100.0	100.0



# Models for Each Scenario

- **Inflation concerns**
  - iSectors® Inflation Protection Allocation
  - iSectors® Precious Metals Allocation
  
- **High interest rates**
  - iSectors® Capital Preservation
  - iSectors® Domestic Fixed Income
  
- **Slowdown/recession concerns**
  - iSectors® Post-MPT Allocations
  - iSectors® Domestic Equity Allocation
  
- **Risk On/Growth Environments**
  - iSectors® CryptoBlock® Allocation
  - iSectors® Future Growth Allocation

Model Name	March 2024 Return	March 2024 BM Return	Q1 2024 Return	Q1 2024 BM Return
Capital Preservation	0.53%	0.40%	0.98%	0.42%
CryptoBlock®	10.55%	2.93%	38.82%	5.73%
Future Growth	4.61%	3.20%	13.55%	8.32%
Domestic Equity	4.10%	3.22%	6.95%	10.56%
Domestic Fixed Income	0.48%	0.92%	0.87%	-0.78%
Endowment	2.34%	2.30%	3.82%	5.94%
Enhanced Income	1.13%	1.32%	1.88%	0.75%
Enhanced Aggressive	4.04%	3.21%	6.66%	6.57%
Global Fixed Inc.	0.70%	0.44%	-0.10%	-2.40%
Global Equity	3.37%	3.20%	6.17%	8.32%
Inflation Protection*	4.83%	0.44%	2.46%	1.15%
Liquid Alternatives	4.08%	1.26%	4.64%	2.52%
Post-MPT Growth	3.91%	3.22%	5.86%	10.56%
Post-MPT Moderate	4.34%	2.30%	7.36%	5.94%
Precious Metals*	8.50%	0.44%	3.33%	1.15%
Tactical Global Balanced	3.36%	2.30%	2.97%	5.94%

Not FDIC Insured • Not Bank Guaranteed • May Lose Value  
Slide contents not complete without additional disclosure attached

\*Benchmark for Inflation Protection and Precious Metals is the CPI





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