

Cycle Indicators, Risk Metrics, & Portfolio Positioning

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Astoria's Portfolio Management Process



What are we trying to accomplish in our ETF portfolios?

- Astoria Uses Business Cycle, Earnings/Valuations, and Sentiment & Risk to Dictate our Asset Allocation/Portfolio Positioning. We incorporate a Dynamic Overlay depending on the 3 inputs above.
- Target OW assets that have earnings that are growing, cheaper than market, poor sentiment, and have a catalyst for upside
- Target UW assets that are **expensive**, earnings are **slowing**, **strong** sentiment, that **lack** a catalyst for upside
- Diversify our factor exposures
- Utilize liquid alternatives to hedge downside risk

Business Cycle Indicators

- Apr **Nonfarm Payrolls** came in **meaningfully below** consensus, marking **lowest since Oct.** Mar **JOLTS Job Openings** also **lowest since Mar 2021.** Signals a cooling in the labor market
- Apr **ISM Manufacturing PMI** dropped back into **contractionary territory** while prices components increased. Apr **Markit Manufacturing PMI** (final) also posted a **4-month low**
- Apr **ISM Services PMI** fell into **contractionary territory** for **first time (& lowest) since Dec 2022,** while **prices** component rose. Apr **Markit Services PMI** (final) missed estimates and **fell** from Mar
- Mar **PCE** suggests **inflation remains stubborn.** MoM measures were level with expectations, but **YoY measures** came in **slightly hotter.** **Headline was up** from Feb & **core remains at Feb's level**
- In Mar, the **Conference Board LEI missed** expectations and **fell** from Feb (which was the first MoM increase since Feb 2022). Will **inflationary pressures delay its recovery?**
- Apr **NAHB HMI** was unchanged from Mar & remains at **highest since Jul 2023.** Mar **Pending Home Sales** gained versus an expected drop, posting **highest reading since Feb 2023**
- However, Mar **Housing Starts** missed expectations and fell from Feb, notching **lowest since Aug 2023.** Mar **Building Permits** (final) also missed original estimates and **fell** from Feb
- **Retail Sales** came in higher than expected in Mar amid online sales and elevated gas prices, implying the **consumer remains strong**
- **US Real GDP for Q1 2024** printed **1.6%, well below** the original **2.2%** forecast, while **PCE** posted its **largest gain in a year,** raising **stagflation concerns.** GDPNow expects Q2 2024 GDP = 3.3%

Earnings/Valuation Indicators

- Q1 2024 Earnings Season: **80% reported, 77% beat**, companies are reporting earnings that are **7.5% above estimates**. On the back of such strength, **consensus EPS** for the S&P 500 has been **revised upward**
- **EPS growth** for **Q1 2024** is now expected to be **4-5%**, which is **greater** than the Mar-end **estimate** of **3.4%**
- The **S&P 500's current P/E** ratio of **20.7x** is one standard deviation **above the median**, suggesting **valuations** are **expensive**
- Despite expensive **valuation**, when **excluding** the **top-7** companies of the S&P 500, it is **trading in line** with historical averages
- **S&P 500 Equity Risk Premium** is at **20-year lows**
- The **2s10s Treasury yield curve** inversion **deepened** earlier this year as **hotter inflation** prints **lowered rate cut** expectations. However, last week's **weaker growth** readings have caused it to **uninvert slightly**
- The **US** and **Japan (hedged)** maintain **strong estimate revisions** and **growth estimates**. Meanwhile, **Europe (hedged)** is relatively **cheaper** with **positive estimate revisions**, but its **growth estimates** are **low**

Sentiment/Flows/Risk Indicators

- Apr **Conference Board CCI** fell for a **3rd** consecutive **month** to its **lowest since Jul 2022**. Report revealed **concerns** about **business conditions, job market, and income**
- Apr **Michigan Consumer Sentiment Index** (final) missed estimates & **fell** from Mar, signaling slightly **lower consumer confidence** on the back of **higher inflation expectations**
- Apr **NAAIM Exposure Index** is now at **62, up slightly** from last week's 59.5. Note its **reversal from Mar-end 104 peak**
- The **Fear and Greed Index** remains in **Fear** territory, but is **working its way towards neutral**
- The spike in the **Fed's balance sheet** that occurred during the banking crisis earlier in 2023 has now been **completely undone**, and the **Fed's assets** continue to **decrease**
- As evidenced by the ratio between the **equal & cap weighted S&P**, **breadth improved** in the **end of 2023 & deteriorated** in the **beginning of 2024**. This relationship has **moved sideways recently**
- History implies that **equal weighted outperforms market-cap weighted** when **the economy** comes out of a **downturn** as breadth increases on the back of **improved economic conditions**
- **Earnings growth** for the **Mag 7** has been impressive, but it's **expected to slow after Q1 2024**. Meanwhile, forecasts show **earnings growth for 493 outpacing** that of the **7 towards 2024 end**

Portfolio Positioning

Tactical Models

- Renaissance:
 - OW Quality; tilt away from concentration risk using EW strategies
 - Established a position in Quality Growth and software/services
 - OW technology (AI productivity gains are baked into earnings)
 - Outright positions in Europe/Japan (hedged)
 - OW industrials (sector with best combo of improving fundamentals); EW energy and materials
- MARS:
 - OW Quality; tilt away from concentration risk using EW strategies
 - Closed sector UWs using EW technology & EW communication services ETFs; Now OW technology and communication services
 - Established a position in Quality Growth
 - OW the US but outright position in hedged Japan and hedged international developed
 - OW inflation sensitive sectors (energy, industrials, materials)
 - Decreased inversely correlated alts as macro data remains mostly healthy/Fed has rate cuts in back pocket
 - UW duration vs the benchmark as inflation remains elevated/less cuts priced in

Strategic Models

- OW to US, decreased exposure/UW to Europe/Developed Markets
- OW Quality, Mix Value & Growth (changed from last year); Tilt away from concentration risk using EW strategies
- Established a position in Quality Growth; Now EW technology
- OW inflation sensitive sectors (energy, industrials, materials)
- EW/slightly UW duration vs the benchmark
- Decreased inversely correlated alts as macro data remains mostly healthy/Fed has rate cuts in back pocket

Portfolio Positioning

		Aggressive UW/OW	Growth & Inc UW/OW	MARS UW/OW	RMDI UW/OW	Renaissance UW/OW
Asset Allocation	Equity	4%	3%	3%	1%	-1%
	US Equity	7%	6%	8%	5%	20%
	Non-US Equity	-3%	-3%	-5%	-4%	-21%
	Fixed Income	-8%	-6%	-7%	-4%	1%
	Alternative	4%	3%	4%	3%	1%
Equity Sectors	Basic Materials	2%	1%	2%	3%	0%
	Communication Services	-2%	-2%	2%	-2%	-1%
	Consumer Cyclical	1%	0%	-1%	-3%	1%
	Consumer Defensive	-1%	0%	-2%	-1%	0%
	Energy	2%	2%	2%	6%	0%
	Financial Services	-5%	-4%	-7%	-6%	-5%
	Healthcare	-1%	0%	-2%	-1%	-1%
	Industrials	4%	4%	7%	7%	5%
	Real Estate	-1%	-1%	-1%	-1%	-1%
	Technology	0%	0%	2%	-1%	4%
	Utilities	-1%	-1%	-1%	-1%	-1%
Equity Style Box	Large	-23%	-21%	-20%	-2%	-11%
	Large Value	-5%	-4%	-5%	2%	-4%
	Large Blend	-11%	-8%	-9%	-1%	-6%
	Large Growth	-8%	-10%	-6%	-3%	-1%
	Mid	19%	19%	18%	2%	11%
	Mid Value	7%	8%	6%	1%	3%
	Mid Blend	8%	9%	8%	2%	5%
	Mid Growth	4%	2%	3%	0%	3%
	Small	4%	2%	3%	0%	1%
	Small Value	1%	1%	1%	0%	0%
	Small Blend	2%	1%	1%	0%	1%
Small Growth	1%	1%	1%	0%	1%	

Source: BlackRock 360 Evaluator, Astoria Portfolio Advisors. Data as of May 7, 2024.

Portfolio Positioning

		Aggressive UW/OW	Growth & Inc UW/OW	MARS UW/OW	RMDI UW/OW	Renaissance UW/OW
Other Attrib	Standard Deviation	0.5%	0.1%	-0.1%	-0.2%	0.2%
	Avg. Effective Duration	-0.5	-0.2	-2.1	-0.2	—
	12 Month Trailing Yield	-0.3%	-0.1%	-0.4%	-0.1%	-0.8%
Fixed Income Sectors	Government	0%	0%	-1%	-8%	—
	Municipal	-1%	-1%	-1%	17%	—
	Corporate	15%	15%	14%	3%	—
	Securitized	-15%	-15%	-12%	-13%	—
	Cash & Equivs.	1%	1%	1%	1%	—
Credit Quality	AAA	16%	12%	16%	-19%	—
	Inv. Grade	-16%	-12%	-16%	19%	—
	High Yield	0%	0%	0%	0%	—
	Not Rated	0%	0%	0%	0%	—

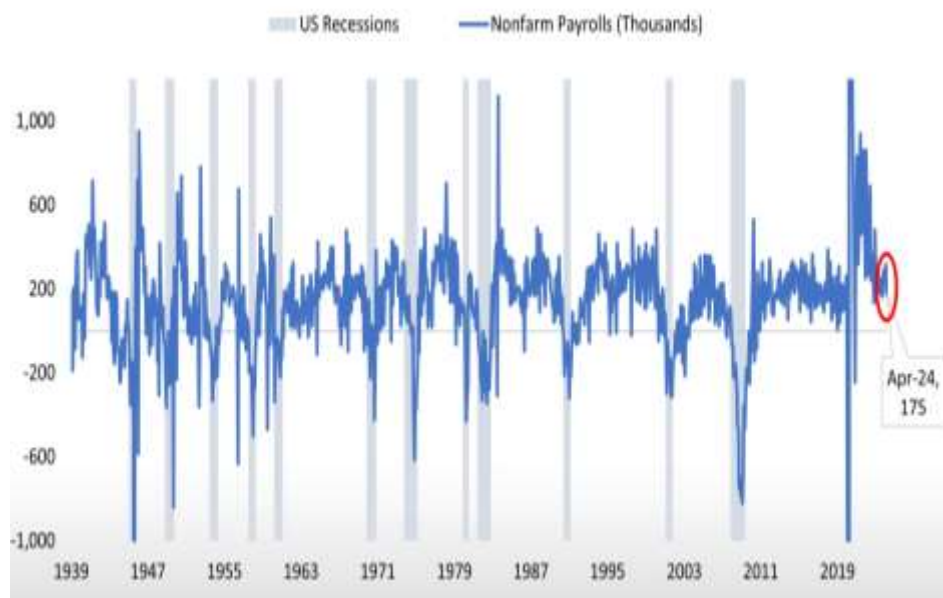
Source: BlackRock 360 Evaluator, Astoria Portfolio Advisors. Data as of May 7, 2024.

Business Cycle Indicators



Apr Nonfarm Payrolls came in meaningfully below consensus, marking lowest since Oct. Mar JOLTS Job Openings also lowest since Mar 2021. Signals a cooling in the labor market

Nonfarm Payrolls



Source: FactSet, US Department of Labor, Astoria Portfolio Advisors. Data as of May 3, 2024.

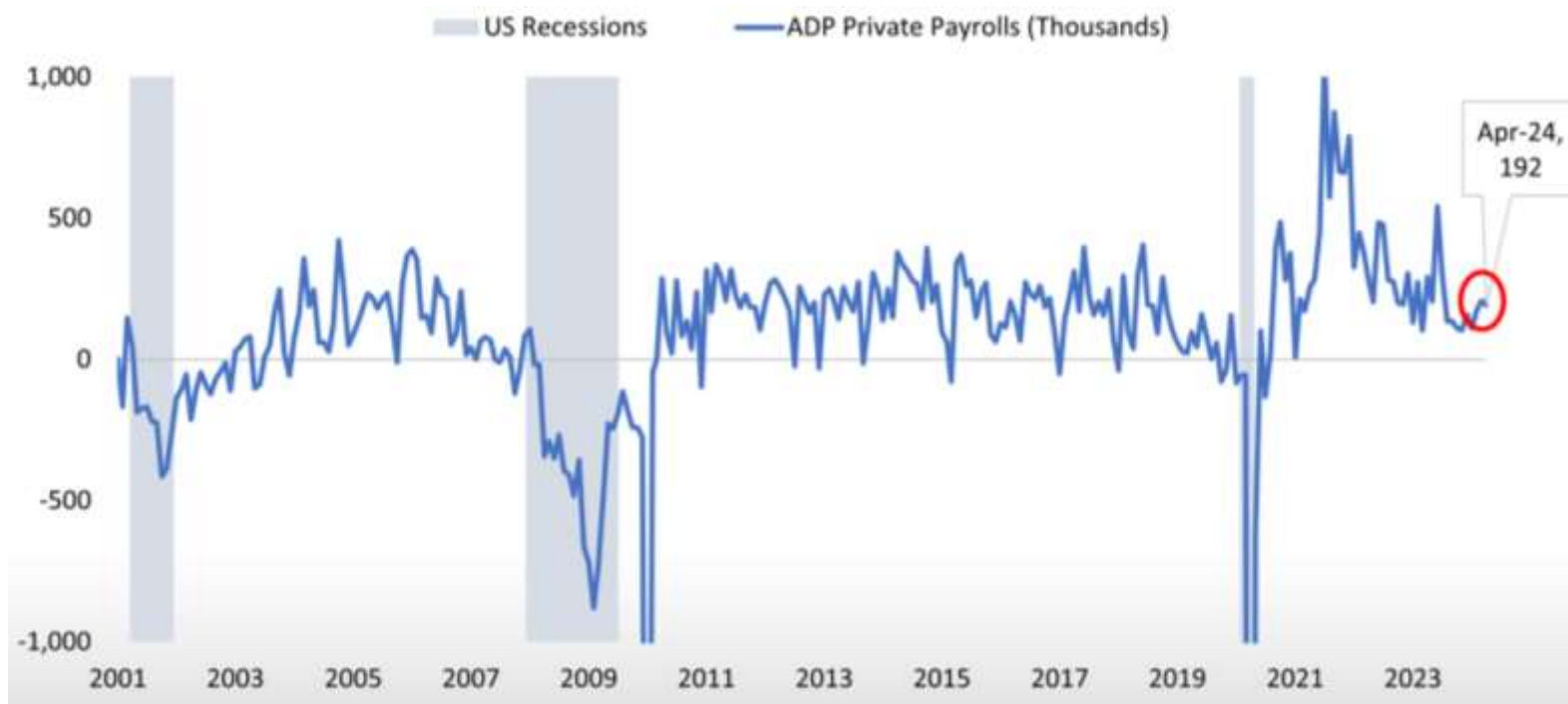
JOLTS Job Openings



Source: FactSet, US Department of Labor, Astoria Portfolio Advisors. Data as of May 2, 2024.

However, ADP Private Payrolls beat expectations in Apr but jobs added were down from Mar

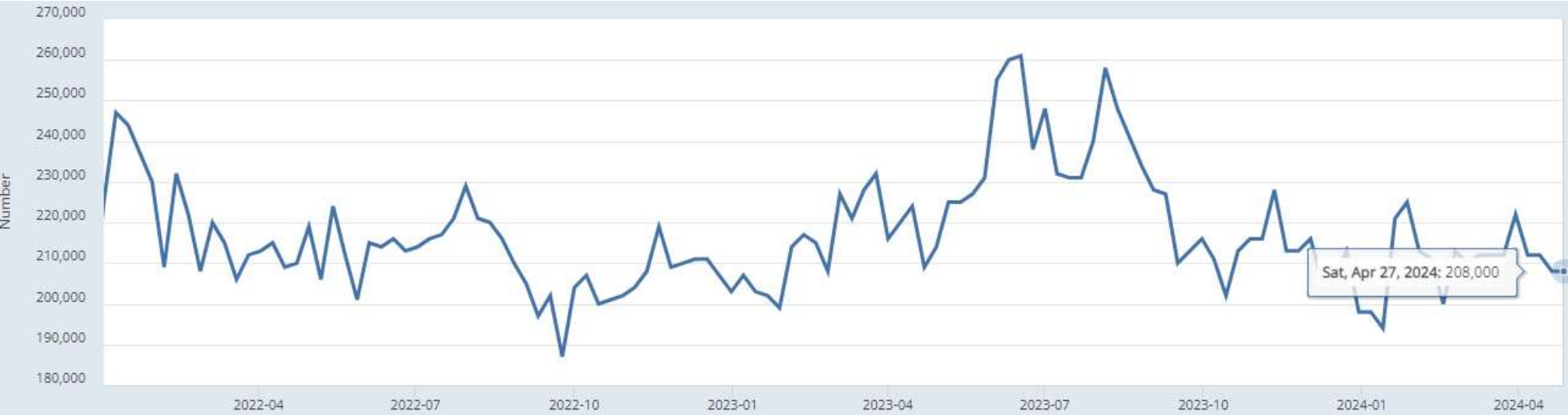
ADP National Employment Report: Private Payrolls



Source: FactSet, BEA – US Bureau of Economic Analysis, Astoria Portfolio Advisors. Data as of May 1, 2024

Throughout recent months, Initial Jobless Claims have fluctuated but remain controlled

Initial Jobless Claims | 01/01/2022 to 04/27/2024



Source: FRED. Data as of April 27, 2024.

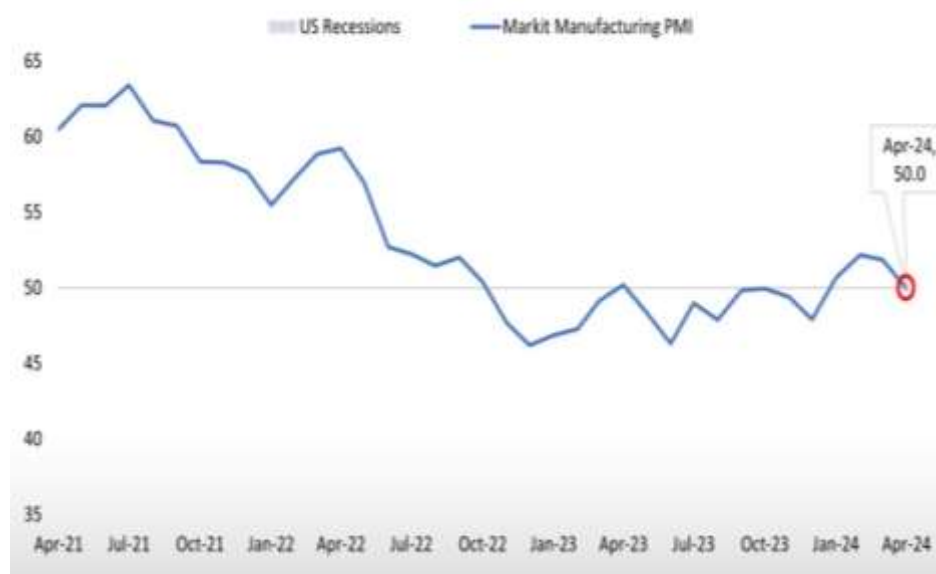
Apr ISM Manufacturing PMI dropped back into contractionary territory while prices component increased. Apr Markit Manufacturing PMI (final) also posted a 4-month low

ISM Manufacturing PMI



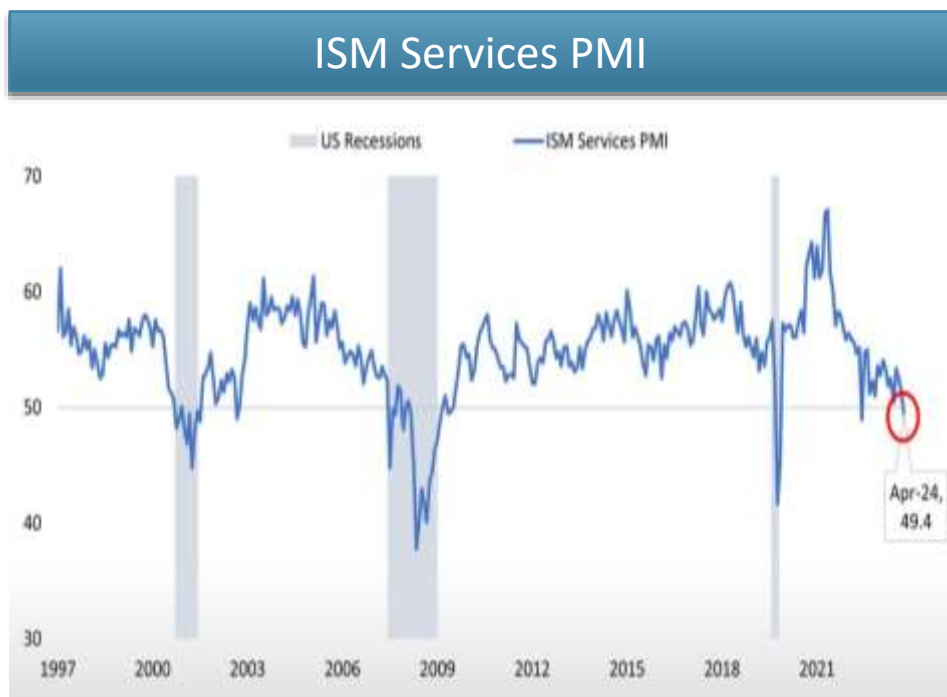
Source: FactSet, ISM - Institute for Supply Management, Astoria Portfolio Advisors. Data as of May 1, 2024.

Markit Manufacturing PMI



Source: FactSet, Markit Economics (NTC), Astoria Portfolio Advisors. Data as of May 2, 2024.

Apr ISM Services PMI fell into contractionary territory for first time (& lowest) since Dec 2022, while prices component rose. Apr Markit Services PMI (final) missed estimates and fell from Mar



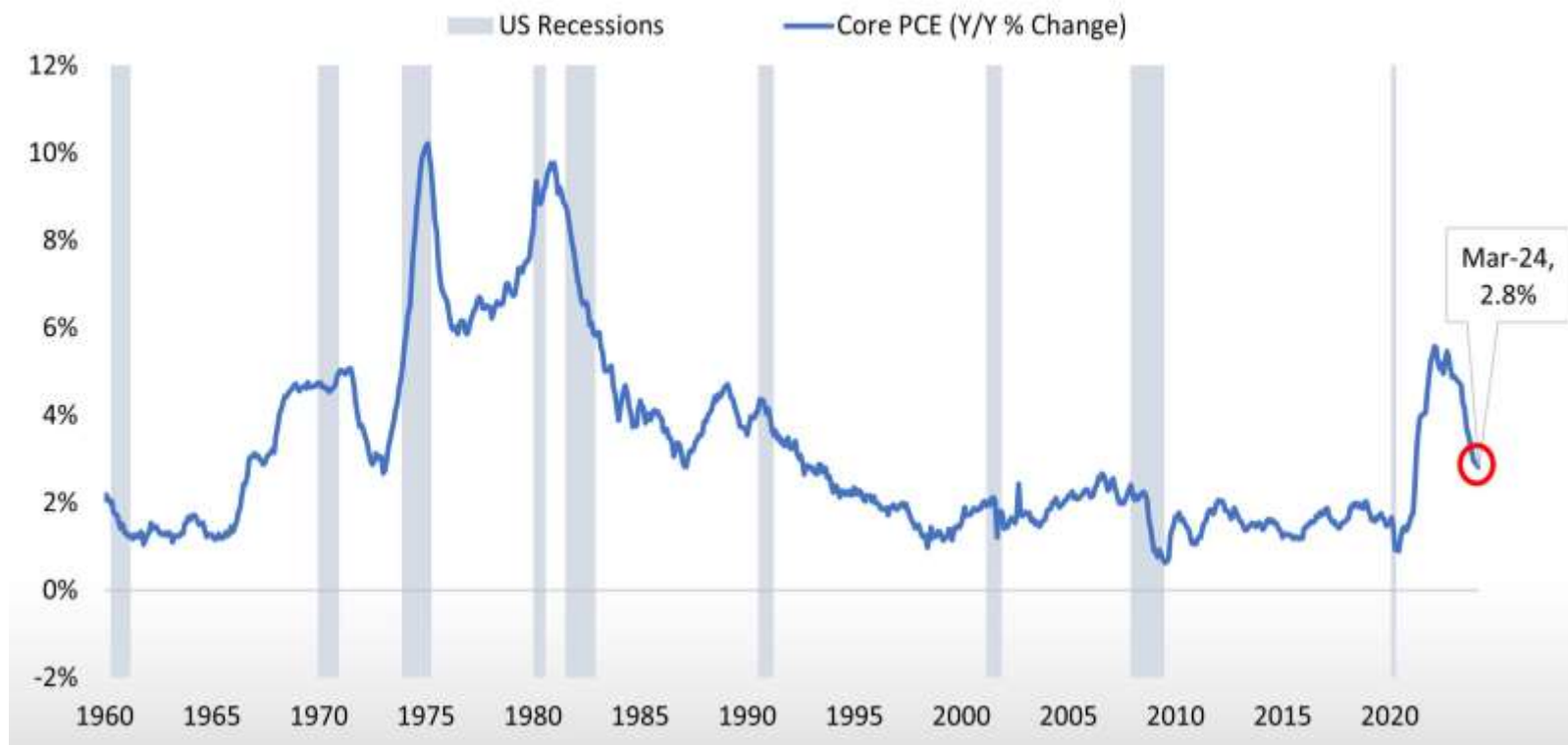
Source: FactSet, ISM - Institute for Supply Management, Astoria Portfolio Advisors. Data as May 3, 2024.



Source: FactSet, Markit Economics (NTC), Astoria Portfolio Advisors. Data as of May 3, 2024

Mar PCE suggests inflation remains stubborn. MoM measures were level with expectations, but YoY measures came in slightly hotter. Headline was up from Feb & core remains at Feb's level

Core Personal Consumption Expenditures (PCE) Price Index



Source: FactSet, BEA – US Bureau of Economic Analysis, Astoria Portfolio Advisors. Data as of April 26, 2024

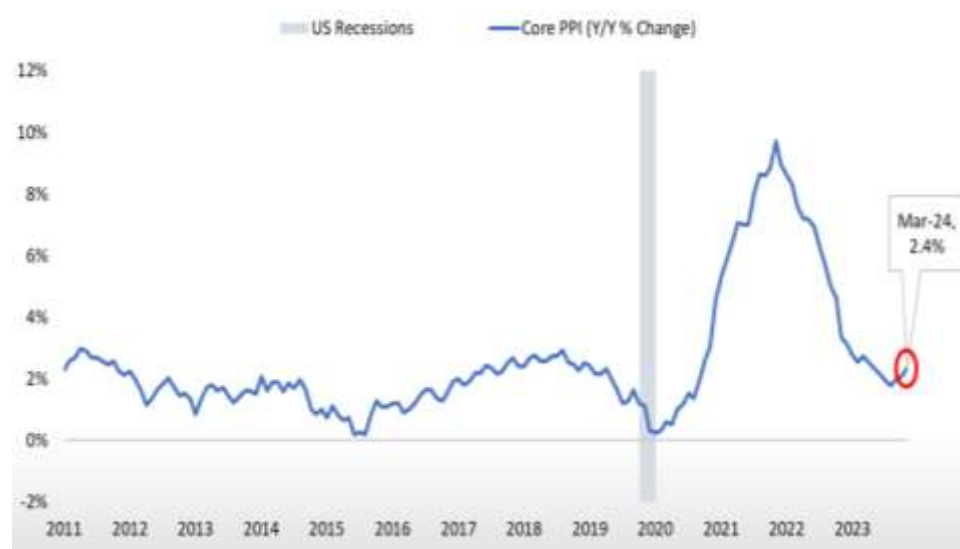
Mar CPI came in hotter than expected, with Core CPI remaining at almost double the Fed's 2% target. However, despite an increase in core YoY reading, Mar PPI was in line with consensus

Core Consumer Price Index



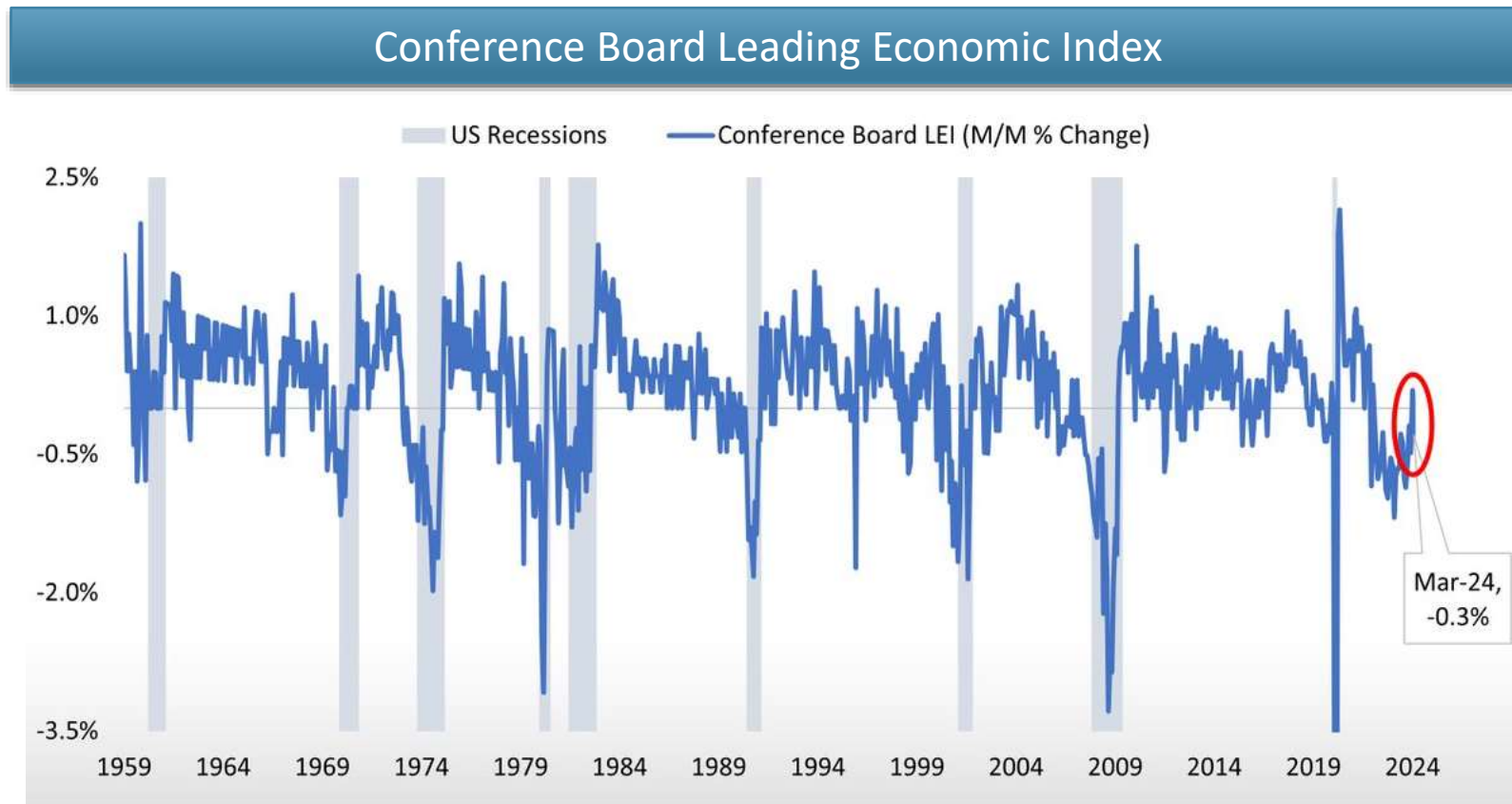
Source: FactSet, U.S. Department of Labor, Astoria Portfolio Advisors. Core CPI (Consumer Price Index) excludes the prices of food and energy. Data as of April 10, 2024.

Core Producer Price Index



Source: FactSet, U.S. Department of Labor, Astoria Portfolio Advisors. Core PPI (Producer Price Index) excludes the prices of food and energy. Data as of April 11, 2024.

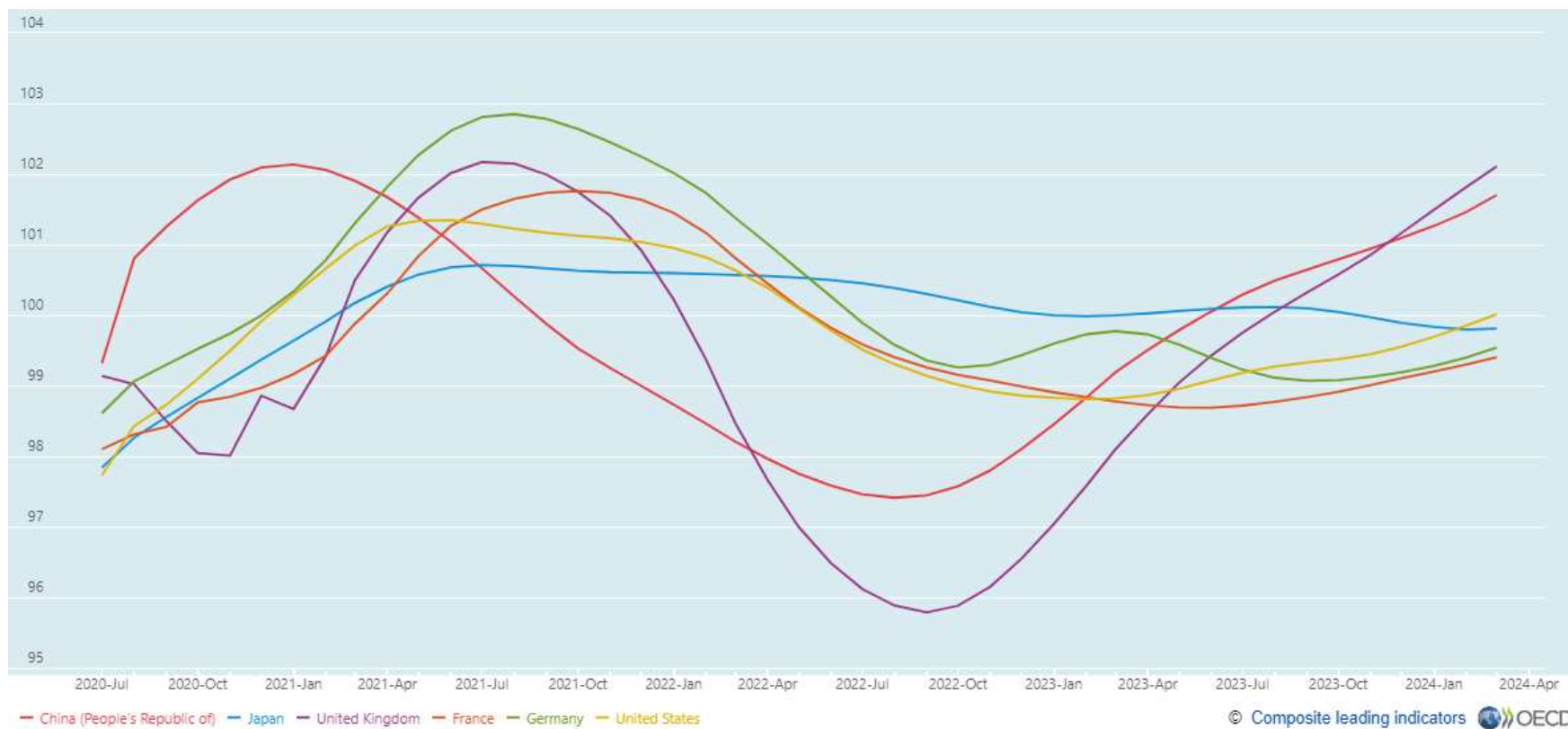
In Mar, the Conference Board LEI missed expectations and fell from Feb (which was the first MoM increase since Feb 2022). Will inflationary pressures delay its recovery?



Source: Conference Board, Astoria Portfolio Advisors. Data as of April 18, 2024.

Leading Indicators are mostly improving across the board, with China (red) & the UK (purple) having high positive rate of change. Otherwise, Japan (blue) seems flat (100 = hist. median)

OECD Composite Leading Indicators



Source: OECD.org. Data as of April 23, 2024.

Apr NAHB HMI was unchanged from Mar & remains at highest since Jul 2023. Mar Pending Home Sales gained versus an expected drop, posting highest reading since Feb 2023

NAHB Housing Market Index



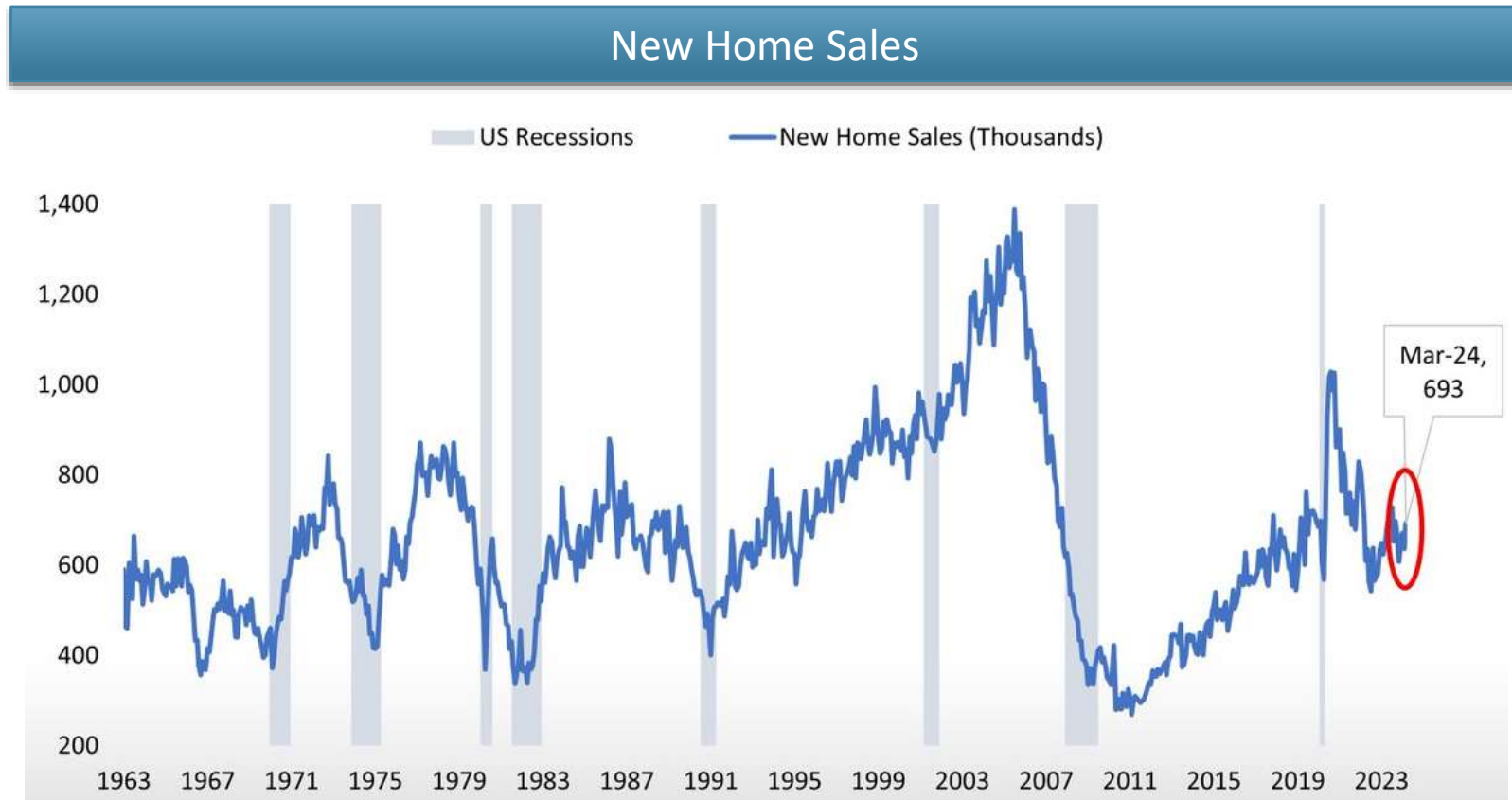
Source: FactSet, NAHB - National Association of Home Builders, Astoria Portfolio Advisors. Data as of April 15, 2024.

Pending Home Sales



Source: FactSet, NAR - US National Association of Realtors, Astoria Portfolio Advisors. Data as of April 25, 2024.

Mar New Home Sales increased meaningfully from Feb, posting its strongest monthly increase since Dec 2022



Source: FactSet, US Census Bureau, Astoria Portfolio Advisors. Data as of April 23, 2024.

Meanwhile, Mar Existing Home Sales fell from Feb amid rising mortgage rates. Comes after a sharp increase in the prior month



Source: FactSet, NAR - US National Association of Realtors, Astoria Portfolio Advisors. Data as of April 18, 2024.

Mar Housing Starts missed expectations and fell from Feb, notching lowest since Aug 2023. Mar Building Permits (final) also missed original estimates and fell from Feb

Housing Starts



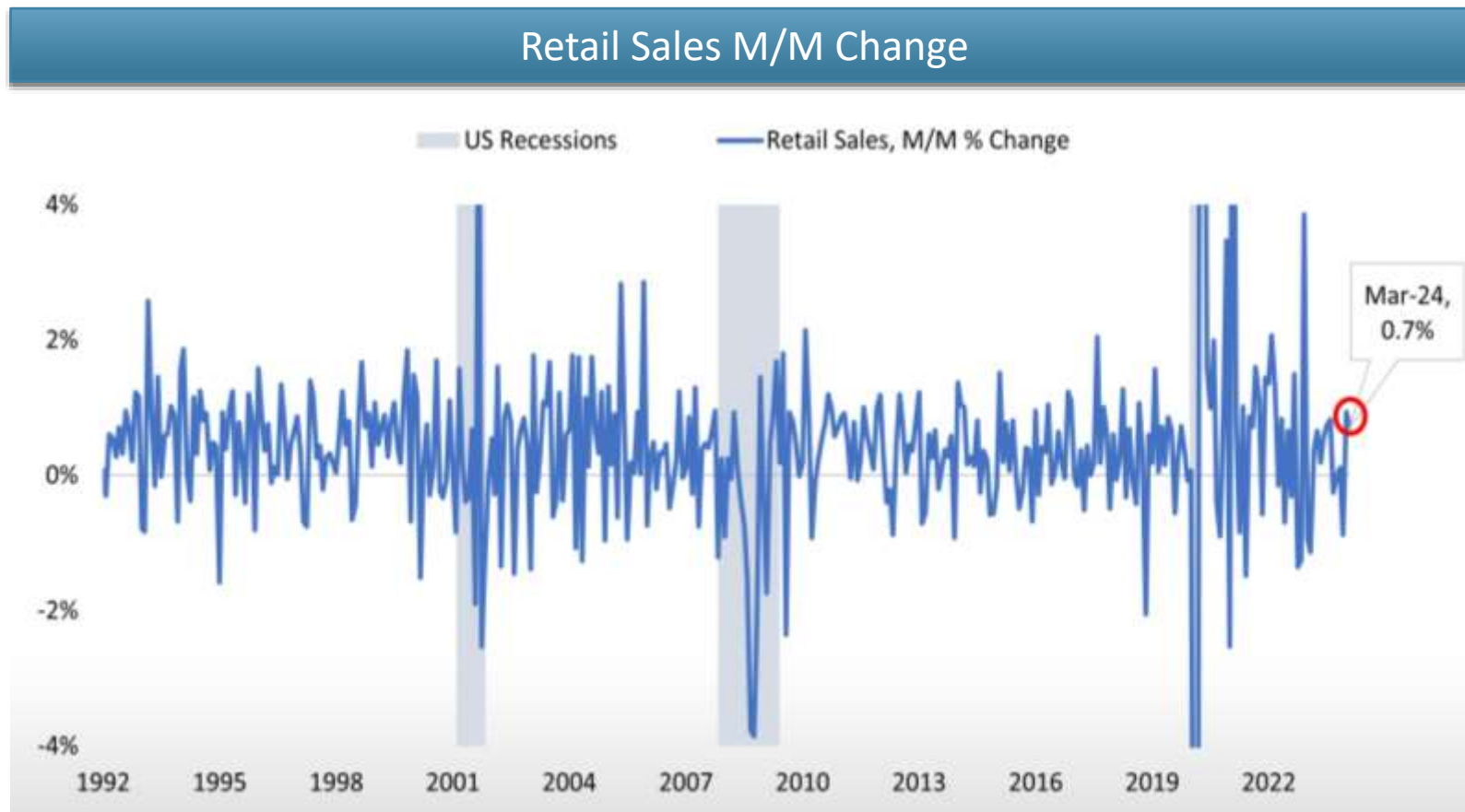
Source: FactSet, US Census Bureau, Astoria Portfolio Advisors. Data as of April 16, 2024.

Building Permits



Source: FactSet, US Census Bureau, Astoria Portfolio Advisors. Data as of April 23, 2024.

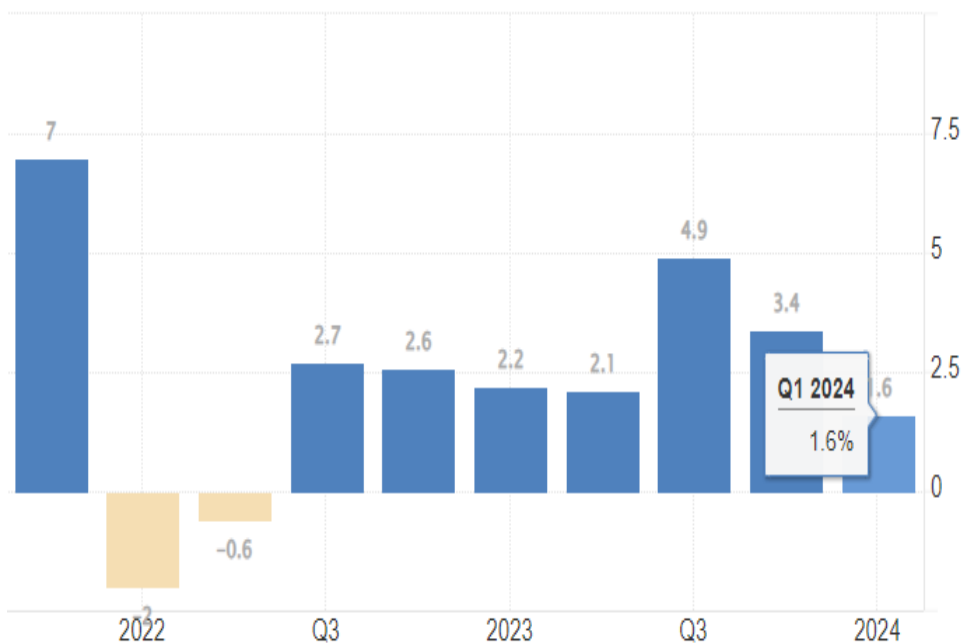
Retail Sales came in higher than expected in Mar amid online sales and elevated gas prices, implying the consumer remains strong



Source: FactSet, US Census Bureau, Astoria Portfolio Advisors. Data as of April 15, 2024.

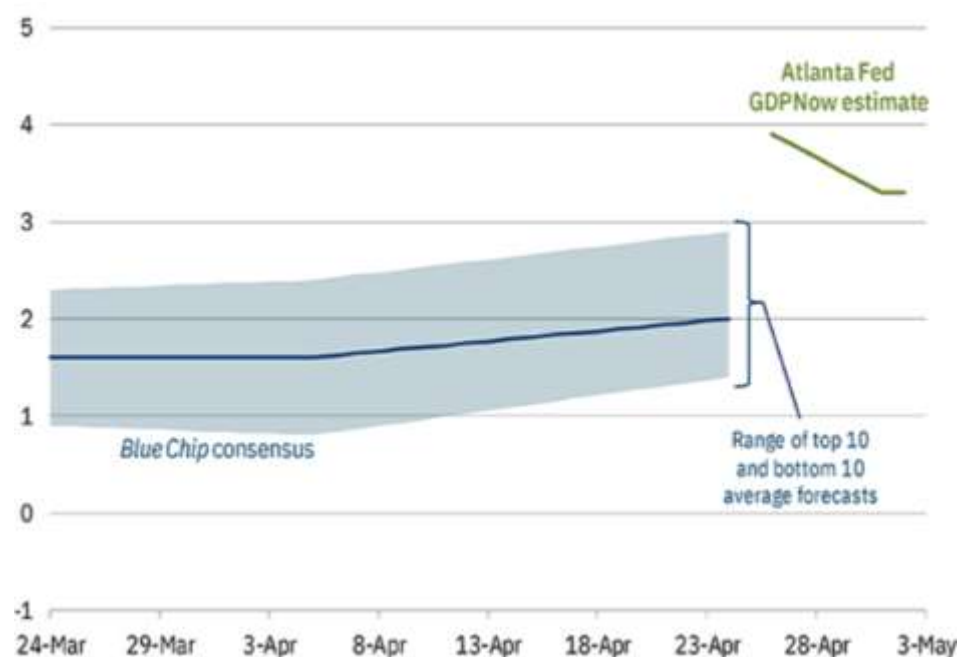
US Real GDP for Q1 2024 printed 1.6%, well below the original 2.2% forecast, while PCE posted its largest gain in a year, raising stagflation concerns. GDPNow expects Q2 2024 GDP = 3.3%

US Real GDP YoY % Change through Q1 2024



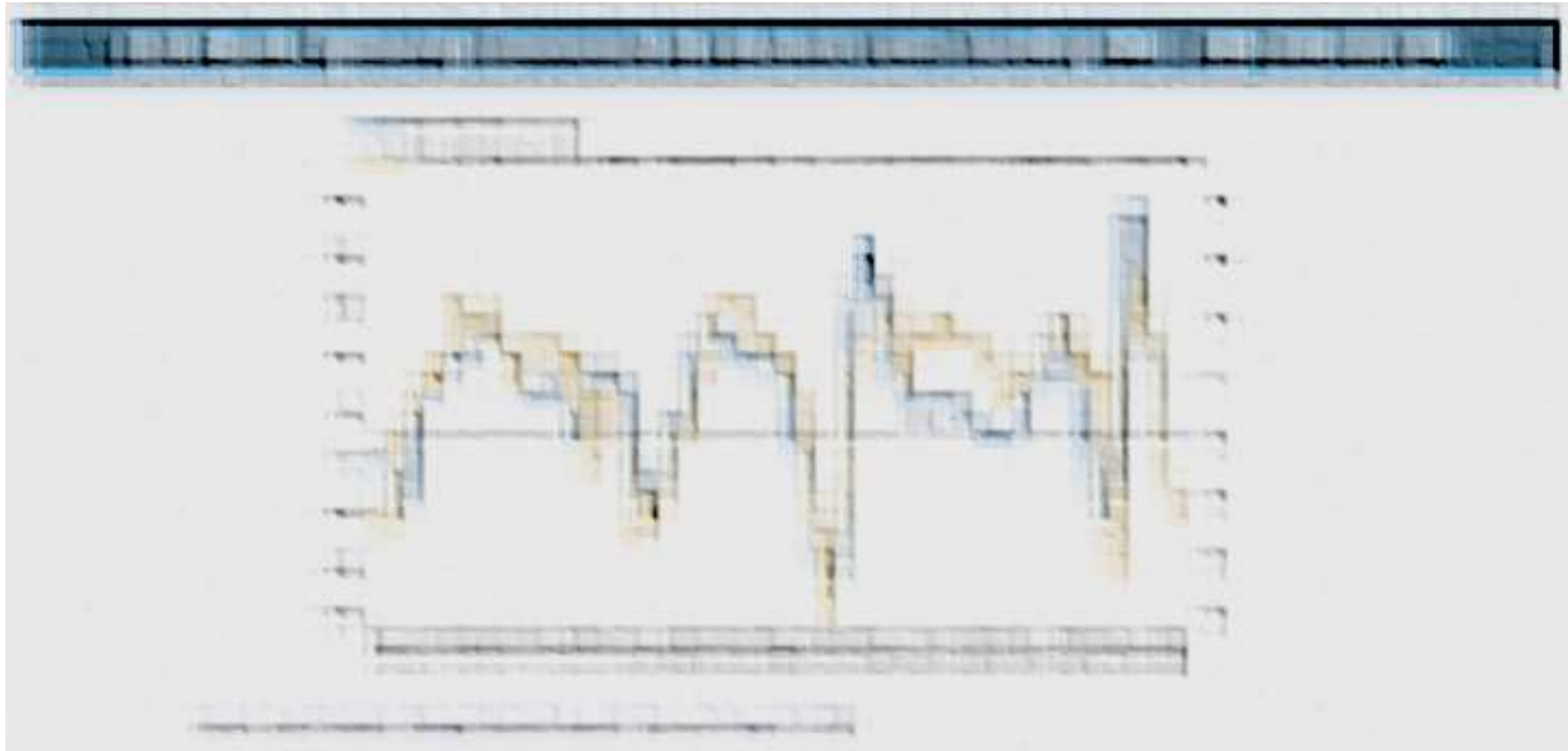
Source: Trading Economics, U.S. Bureau of Economic Analysis. Data as of April 25, 2024.

Atlanta Fed GDPNow Q2 2024 Real GDP Est.



Source: Blue Chip Economic Indicators and Blue Chip Financial Forecasts. Data as of May 6, 2024.

To access more of our macroeconomic insights and business cycle indicators on slides 26-50, please contact Frank Tedesco (ftedesco@astoriaadvisors.com).



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- Commodities Risk: Commodity prices can have significant volatility, and exposure to commodities can cause the value of the Fund's shares to decline or fluctuate in a rapid and unpredictable manner. The values of commodities may be affected by changes in overall market movements, real or perceived inflationary trends, commodity index volatility, changes in interest rates or currency exchange rates, population growth and changing demographics, international economic, political and regulatory developments, and factors affecting a particular region, industry or commodity.
- Futures Contracts Risk: The Fund expects that certain of the Underlying ETFs in which it invests will utilize futures contracts for its commodities investments. The risk of a position in a futures contract may be very large compared to the relatively low level of margin the Underlying ETF is required to deposit. In many cases, a relatively small price movement in a futures contract may result in immediate and substantial loss or gain to the investor relative to the size of a required margin deposit. The prices of futures contracts may not correlate perfectly with movements in the securities or index underlying them.
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