

Cycle Indicators, Risk Metrics, & Portfolio Positioning

Week of April 8, 2024

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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

- Mar **Nonfarm Payrolls** added more jobs than expected, and Mar **ADP Payrolls** also came in well above expectations, notching the largest gain since July. Signals **resilience in the labor market**
- Mar **ISM Manufacturing PMI** printed in **expansionary** territory for the **first time in 16 months** while Mar **Markit Manufacturing PMI** remains in **expansionary** territory
- Mar **ISM Services PMI** fell slightly from Feb, and **Markit Services PMI printed a 3-month low** in Mar. Suggests a **slight softening** in the **services sector**, but both **remain in expansionary** territory
- Feb **PCE** inched down from the prior month but remains **stubborn**. **Personal spending** also came in **hotter than expected**, suggesting **inflation pressures remain**
- **All Feb CPI and PPI prints** came in **hotter** than expected. **Core CPI** remains at **almost double** the Fed's **2% target**
- In Feb, the **Conference Board Leading Economic Index** beat estimates and increased from Jan, posting its **first monthly increase since Feb 2022**
- Mar **NAHB HMI** printed in **expansionary** territory for the **first time since July**, and Feb **Existing Home Sales** were **up largely** from Jan despite the recent rise in mortgage rates
- However, Feb **New Home Sales** declined slightly from Jan, implying the **housing market recovery** may be **uneven**
- **US Real GDP** for **Q4 2023** printed **3.4%**, **well above** the original **2% forecast**. **Atlanta Fed's GDPNow** also expects **Q1 2024 GDP** to print **2.5%**, indicating **growth** remains **strong**

Earnings/Valuation Indicators

- The **Q1 2024 estimated EPS** growth rate is **3%**, down 2% from the forecast 3 months ago. Earnings are still set to increase, with **consensus expecting stronger growth** through **year-end**
- **S&P 500 earnings revisions breadth** moves with price but leads EPS. Earnings revisions breadth **suggests ~10% NTM EPS growth**
- The **S&P 500's current P/E** ratio of **21.7x** 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 has recently **deepened** as stronger economic data and hotter inflation prints have **lowered** the market's **rate cut** expectations
- The **US** and **Japan (hedged)** maintain **strong estimate revisions** and **growth estimates**. Meanwhile, though **Europe (hedged)** is relatively **cheaper**, its growth estimates have **fallen**

Sentiment/Flows/Risk Indicators

- **Investor sentiment** has turned increasingly **bullish** as seen by the **NAAIM Exposure Index**, **12-month equity flows**, **AAll Bull / Bear**, and **1-month equity flows**
- Mar **Michigan Consumer Sentiment Index** beat estimates & improved from Feb. Final reading came in **meaningfully higher** than the preliminary on the back of **lower inflation expectations**
- Mar **Conference Board Consumer Confidence Index** missed expectations & fell slightly from Feb. Indicates **little change** regarding the **consumer outlook**
- 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. However, it's **trended higher in recent weeks**
- 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**

Portfolio Positioning

Tactical Models

- Renaissance:
 - OW Quality; tilt away from concentration risk using EW strategies
 - Closed sector UWs using EW technology & EW communication services ETFs; Now OW technology
 - Established a position in Quality Growth and software/services
 - 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 slightly 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 has improved and Fed is accommodative

Strategic Models

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

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%	-1%
	Communication Services	-1%	-2%	1%	-2%	1%
	Consumer Cyclical	1%	0%	-1%	-3%	1%
	Consumer Defensive	-1%	0%	-2%	-1%	-1%
	Energy	2%	2%	2%	6%	0%
	Financial Services	-5%	-5%	-7%	-6%	-7%
	Healthcare	-1%	0%	-2%	-1%	-2%
	Industrials	4%	3%	6%	7%	5%
	Real Estate	-1%	-1%	-1%	-1%	-1%
	Technology	0%	0%	1%	-2%	7%
	Utilities	-1%	-1%	-1%	-1%	-1%
Equity Style Box	Large	-9%	-4%	-21%	-22%	-15%
	Large Value	-4%	-2%	-5%	1%	-5%
	Large Blend	-5%	-2%	-9%	-9%	-7%
	Large Growth	0%	0%	-7%	-14%	-3%
	Mid	5%	2%	18%	21%	15%
	Mid Value	0%	0%	6%	10%	4%
	Mid Blend	2%	1%	9%	10%	7%
	Mid Growth	3%	1%	4%	1%	5%
	Small	3%	2%	3%	1%	1%
	Small Value	0%	0%	1%	1%	0%
	Small Blend	2%	1%	1%	0%	0%
	Small Growth	1%	0%	1%	0%	1%

Source: BlackRock 360 Evaluator, Astoria Portfolio Advisors. Data as of April 9, 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%	0.3%	-0.2%	0.4%
	Avg. Effective Duration	-0.5	-0.2	0.2	-0.2	—
	12 Month Trailing Yield	-0.3%	-0.1%	-0.4%	-0.1%	-0.8%
Fixed Income Sectors	Government	0%	0%	-1%	-7%	—
	Municipal	-1%	-1%	-1%	17%	—
	Corporate	15%	15%	13%	3%	—
	Securitized	-15%	-15%	-13%	-14%	—
	Cash & Equivs.	1%	1%	1%	1%	—
Credit Quality	AAA	15%	12%	15%	-20%	—
	Inv. Grade	-15%	-12%	-16%	20%	—
	High Yield	0%	0%	0%	0%	—
	Not Rated	0%	0%	0%	0%	—

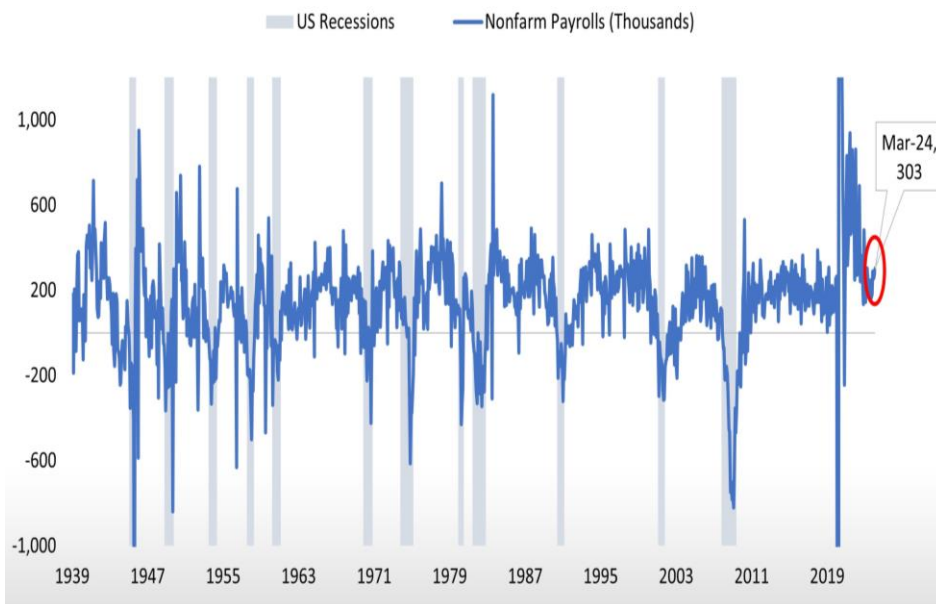
Source: BlackRock 360 Evaluator, Astoria Portfolio Advisors. Data as of April 9, 2024.

Business Cycle Indicators



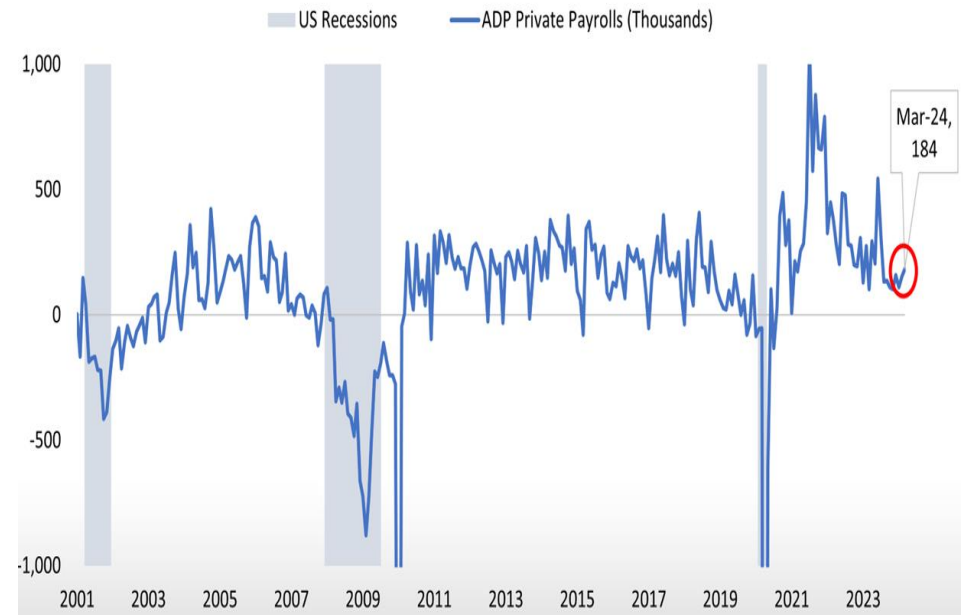
Mar Nonfarm Payrolls added more jobs than expected, and Mar ADP Payrolls also came in well above expectations, notching the largest gain since July. Signals resilience in the labor market

Nonfarm Payrolls



Source: FactSet, US Department of Labor, Astoria Portfolio Advisors. Data as of April 5, 2024.

ADP Payrolls



Source: FactSet, ADP, Astoria Portfolio Advisors. Data as of April 3, 2024.

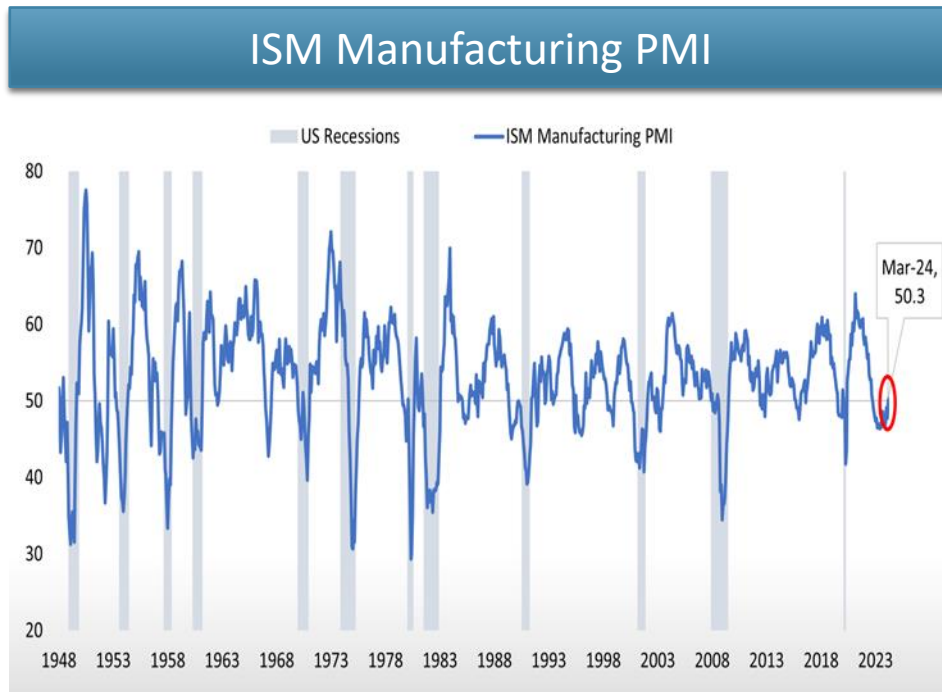
Throughout recent months, Initial Jobless Claims have fluctuated but remain controlled

Initial Jobless Claims | 01/01/2022 to 03/30/2024

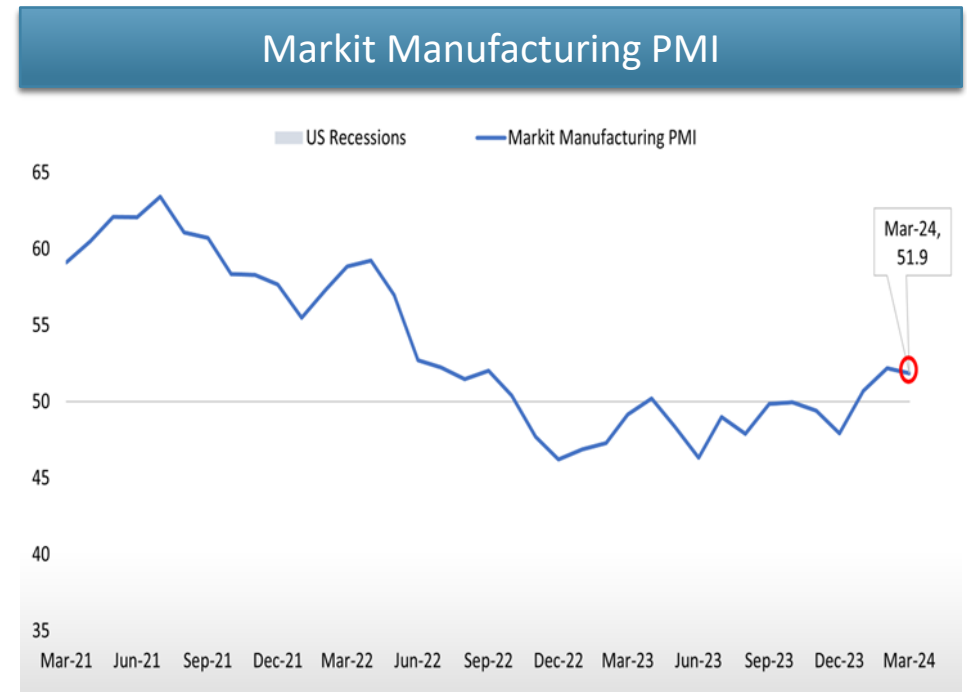


Source: FRED. Data as of March 30, 2024.

Mar ISM Manufacturing PMI printed in expansionary territory for the first time in 16 months while Mar Markit Manufacturing PMI remains in expansionary territory



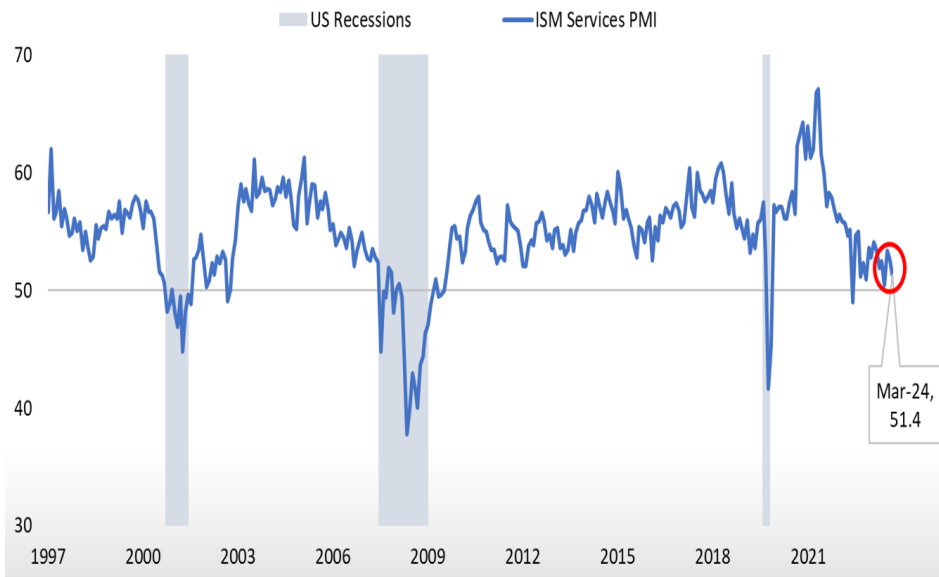
Source: FactSet, ISM - Institute for Supply Management, Astoria Portfolio Advisors. Data as of April 1, 2024.



Source: FactSet, Markit Economics (NTC), Astoria Portfolio Advisors. Data as of April 1, 2024.

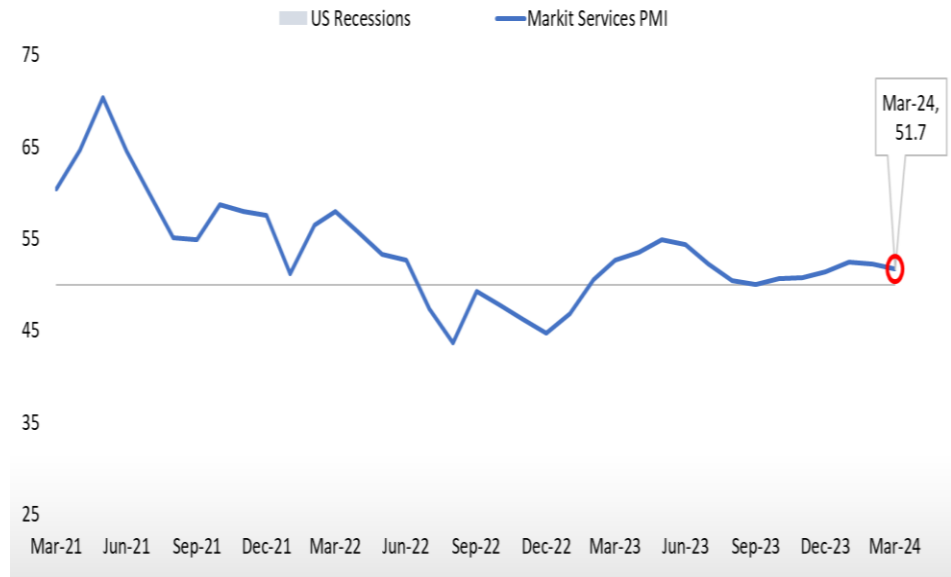
Mar ISM Services PMI fell slightly from Feb, and Markit Services PMI printed a 3-month low in Mar. Suggests a slight softening in the services sector, but both remain in expansionary territory

ISM Services PMI



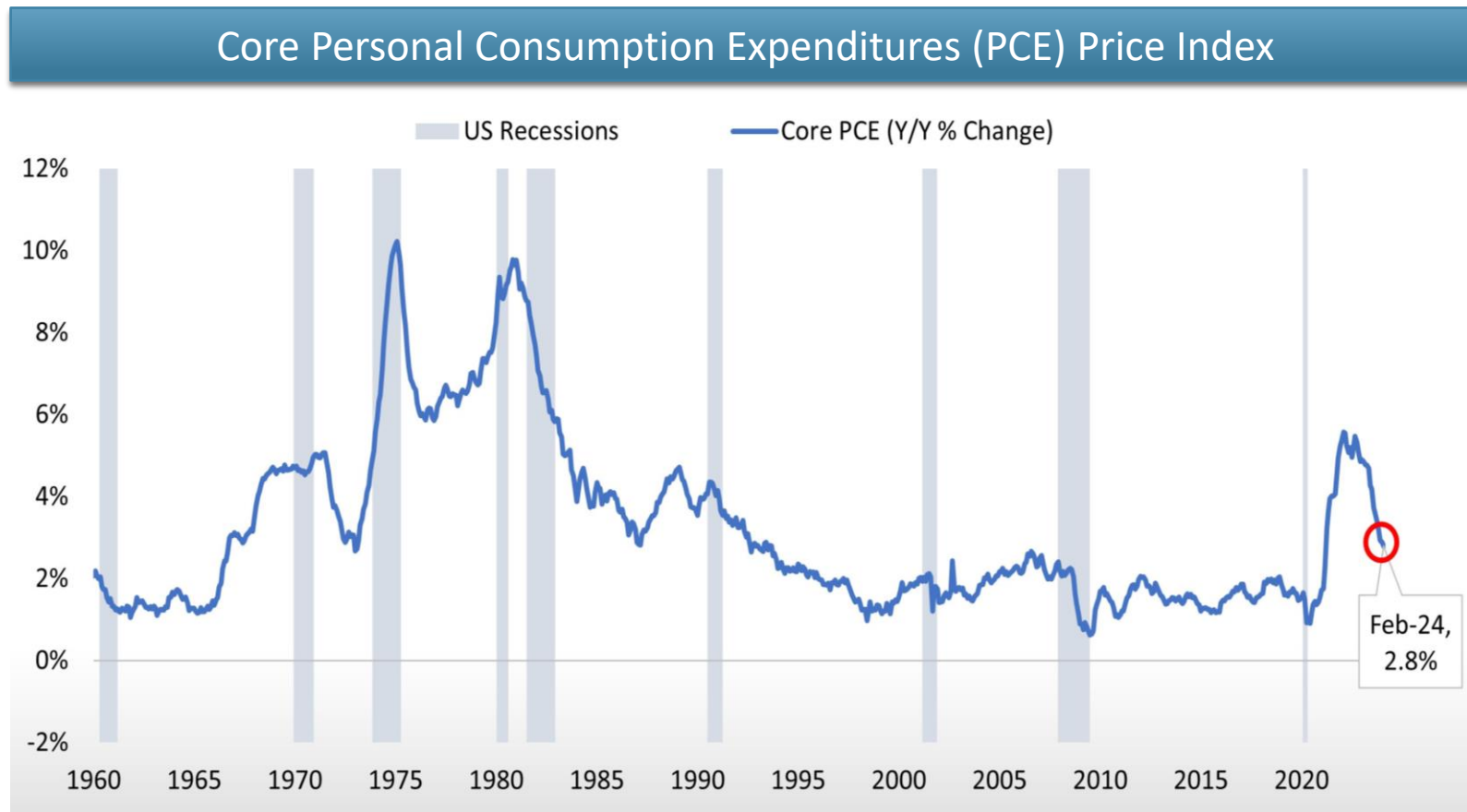
Source: FactSet, ISM - Institute for Supply Management, Astoria Portfolio Advisors. Data as of April 3, 2024.

Markit Services PMI



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

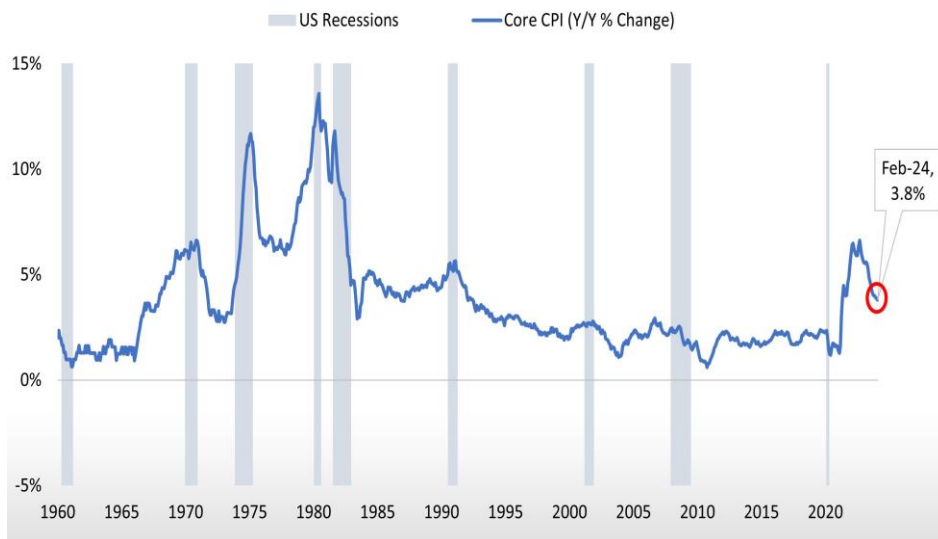
Feb PCE inched down from the prior month but remains stubborn. Personal spending also came in hotter than expected, suggesting inflation pressures remain



Source: FactSet, BEA – US Bureau of Economic Analysis, Astoria Portfolio Advisors. Data as of March 29, 2024

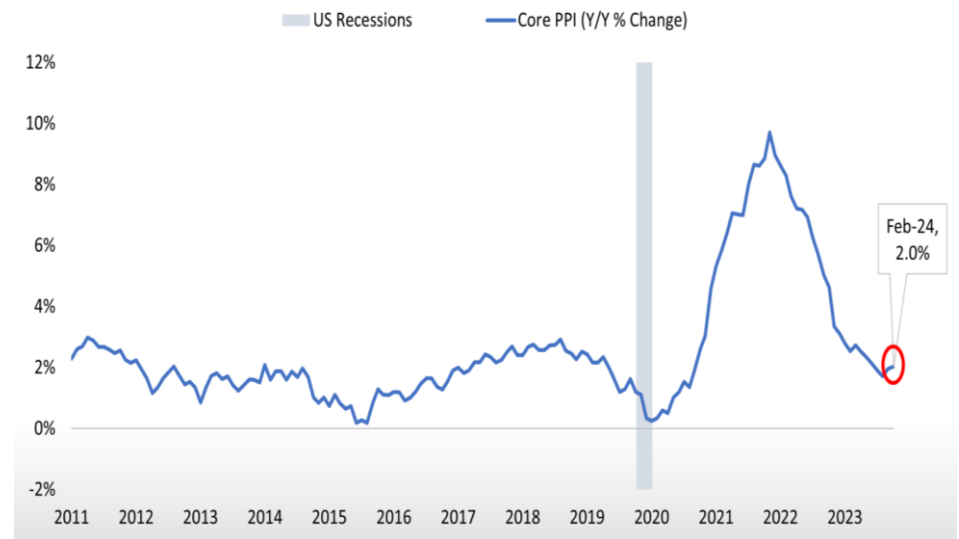
All Feb CPI and PPI prints came in hotter than expected. Core CPI remains at almost double the Fed's 2% target

Core Consumer Price Index



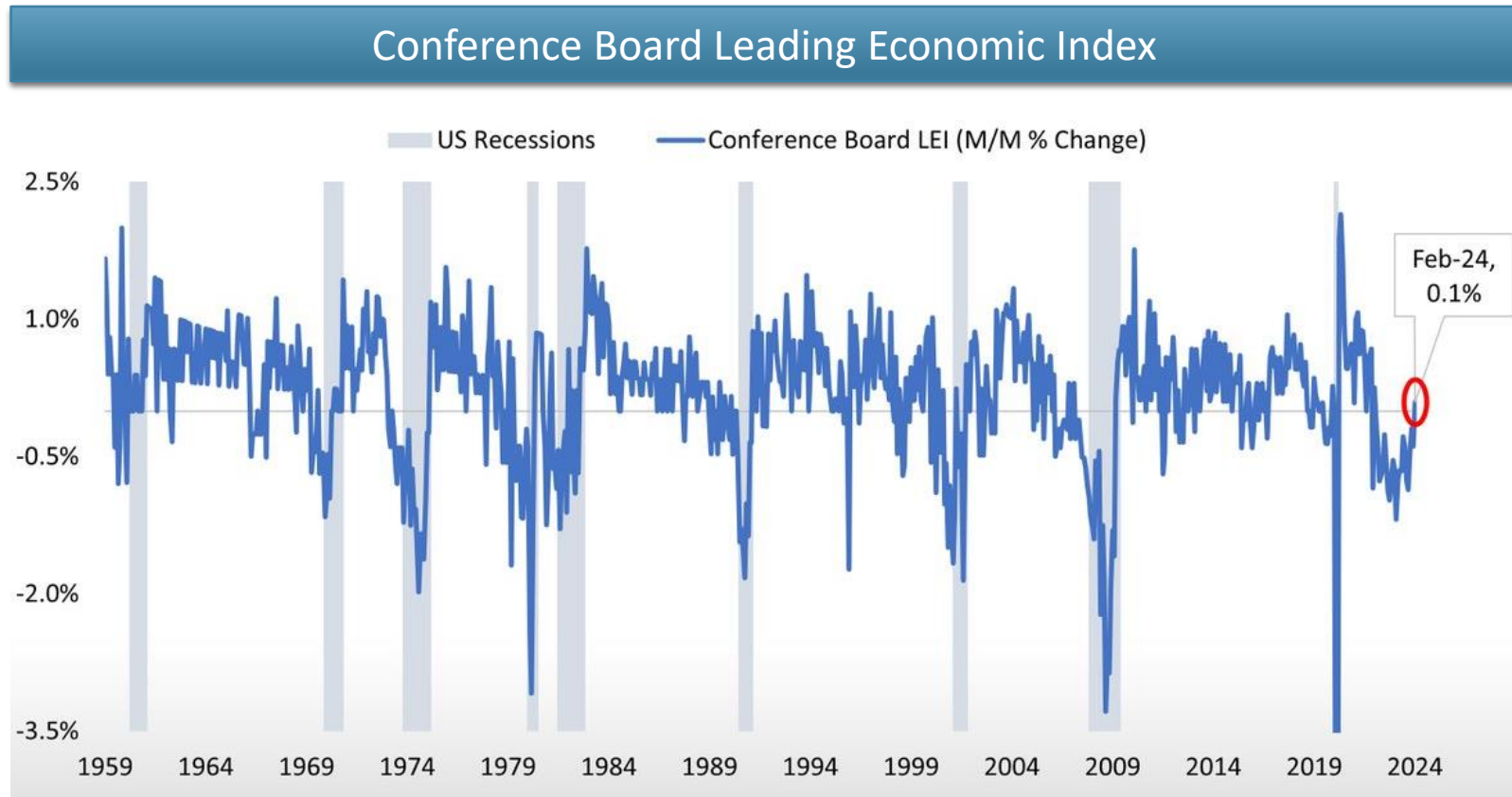
Source: FactSet, U.S. Department of Labor, Astoria Portfolio Advisors. Core CPI (Consumer Price Index) excludes the prices of food and energy. Data as of March 12, 2024.

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 March 14, 2024.

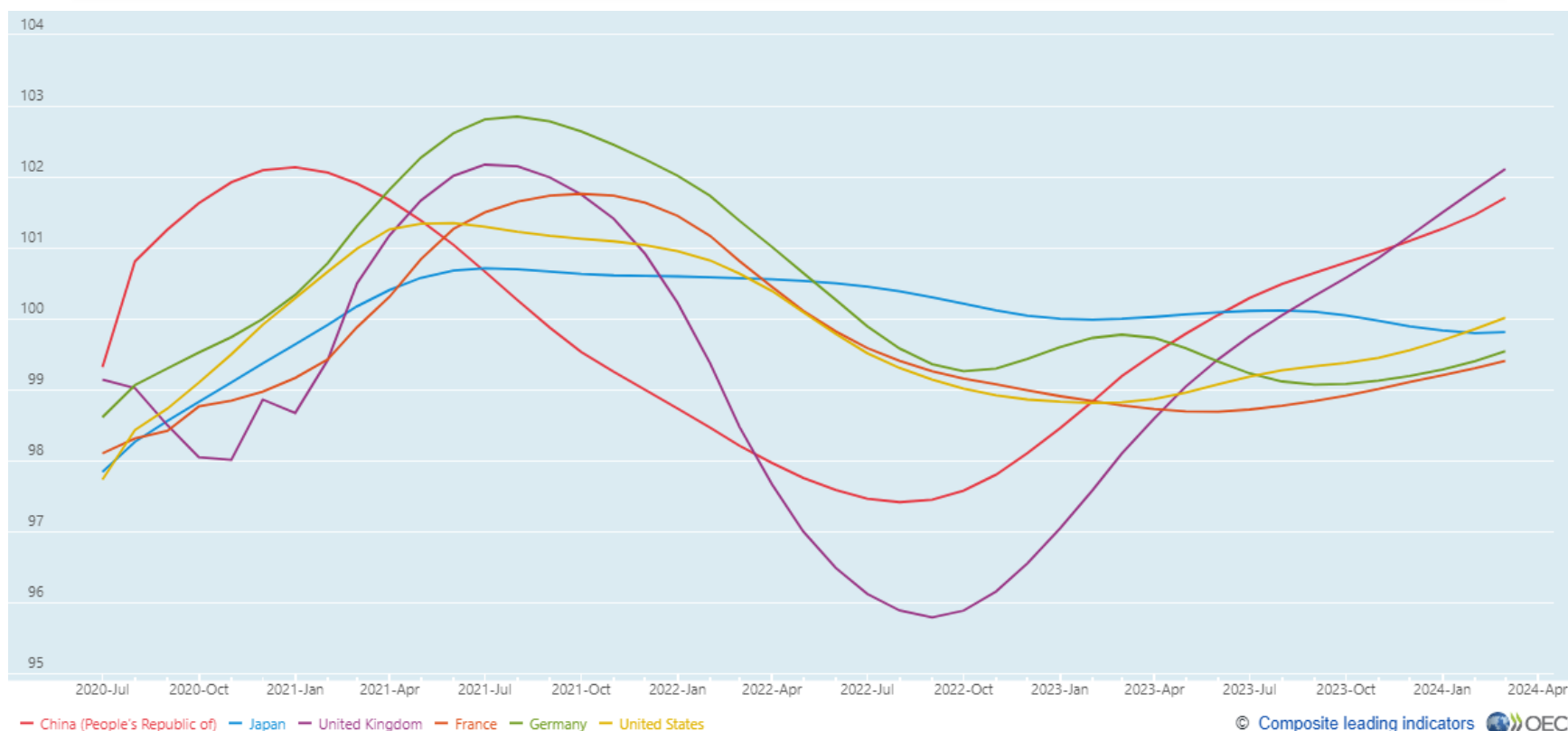
In Feb, the Conference Board Leading Economic Index beat estimates and increased from Jan, posting its first monthly increase since Feb 2022



Source: Conference Board, Astoria Portfolio Advisors. Data as of March 21, 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)

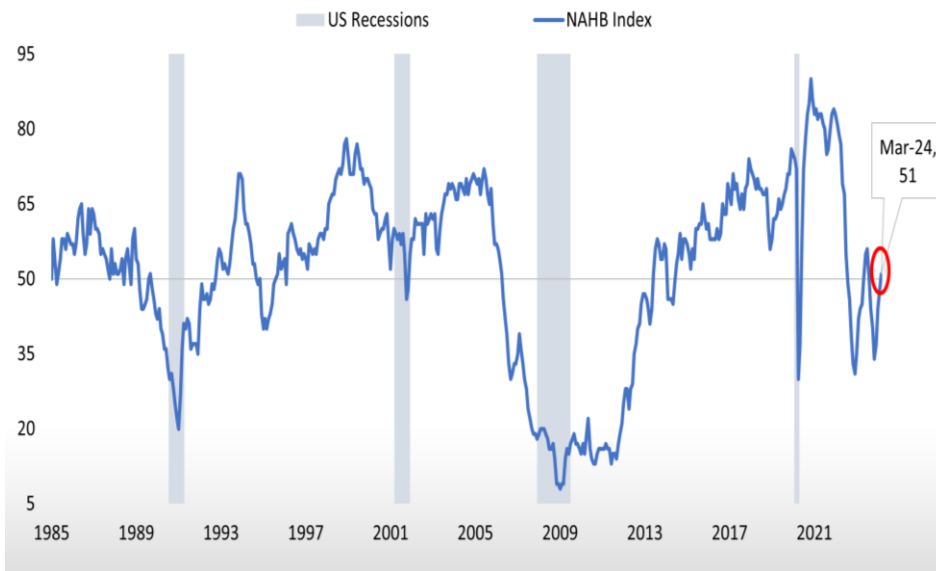
OECD Composite Leading Indicators



Source: OECD.org. Data as of April 9, 2024.

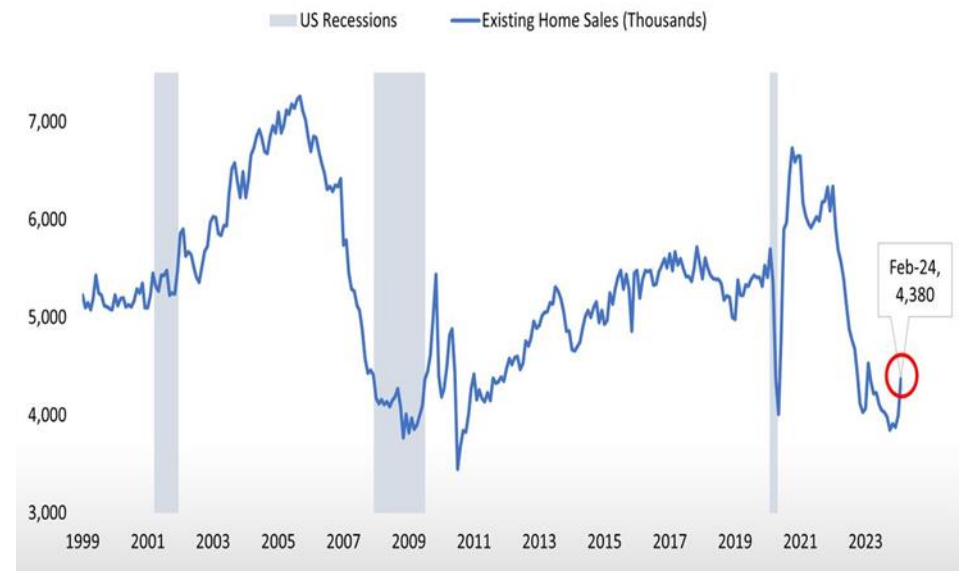
Mar NAHB HMI printed in expansionary territory for the first time since July, and Feb Existing Home Sales were up largely from Jan despite the recent rise in mortgage rates

NAHB Housing Market Index



Source: FactSet, NAHB - National Association of Home Builders, Astoria Portfolio Advisors. Data as of March 18, 2024.

Existing Home Sales



Source: FactSet, NAR - US National Association of Realtors, Astoria Portfolio Advisors. Data as of March 21, 2024.

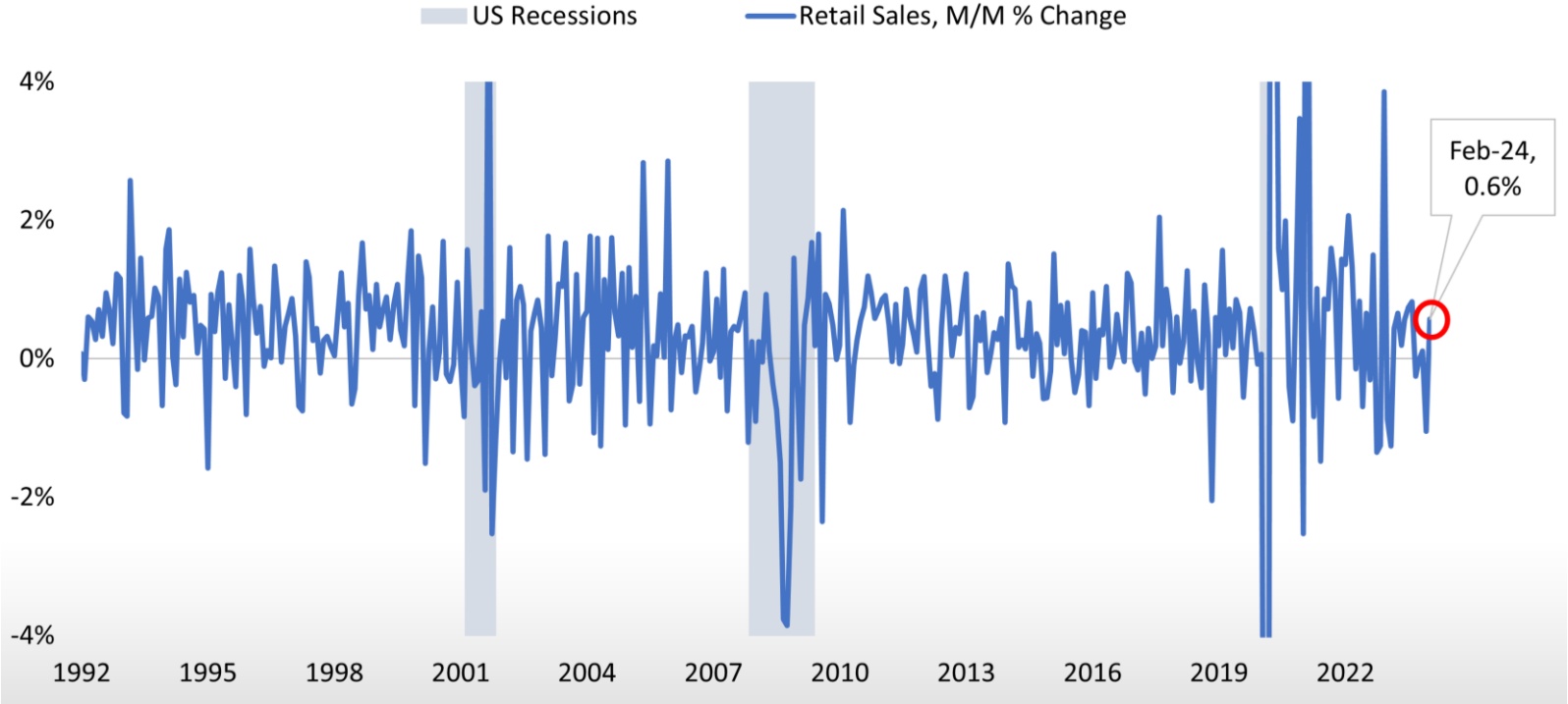
However, Feb New Home Sales declined slightly from Jan, implying the housing market recovery may be uneven



Source: FactSet, US Census Bureau, Astoria Portfolio Advisors. Data as of March 25, 2024.

Retail Sales rebounded in Feb on the back of gas and autodealer sales, but the print missed estimates. The tight labor market is keeping consumers resilient, but can the strength continue?

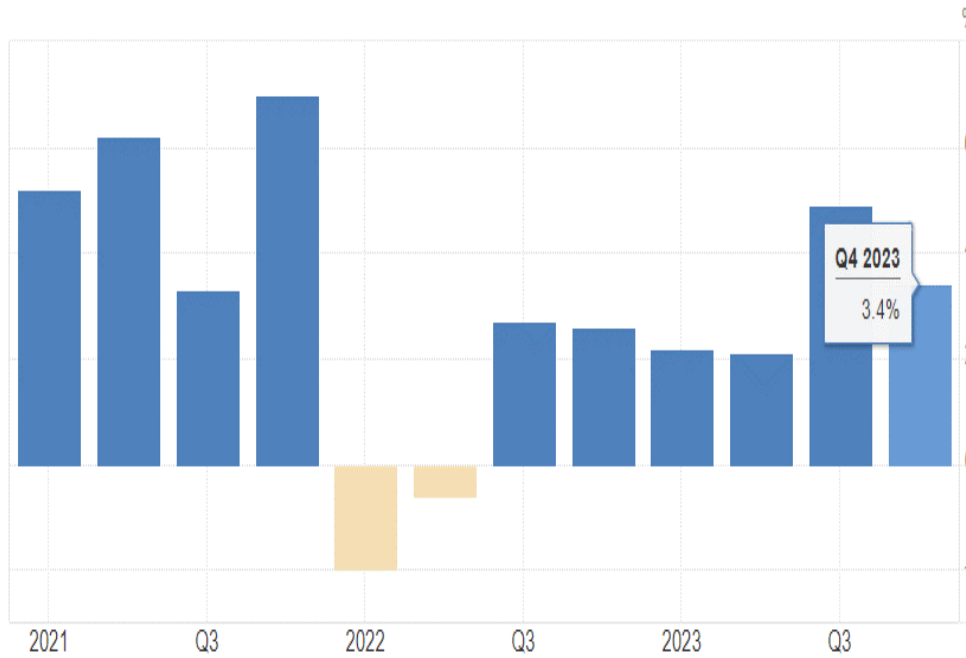
Retail Sales M/M Change



Source: FactSet, US Census Bureau, Astoria Portfolio Advisors. Data as of March 14, 2024.

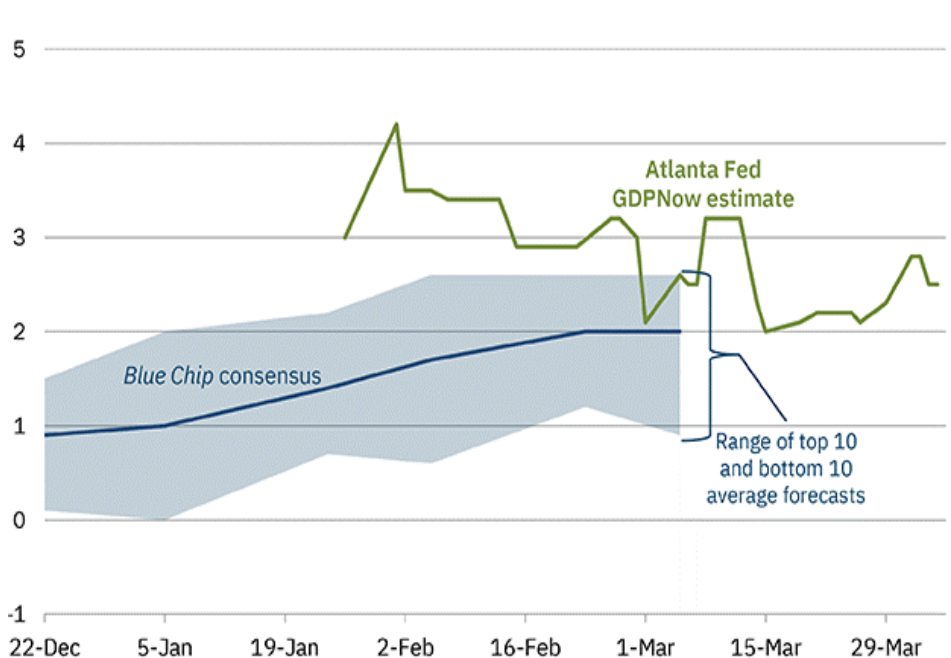
US Real GDP for Q4 2023 printed 3.4%, well above the original 2% forecast. Atlanta Fed's GDPNow also expects Q1 2024 GDP to print 2.5%, indicating growth remains strong

US Real GDP YoY % Change through Q4



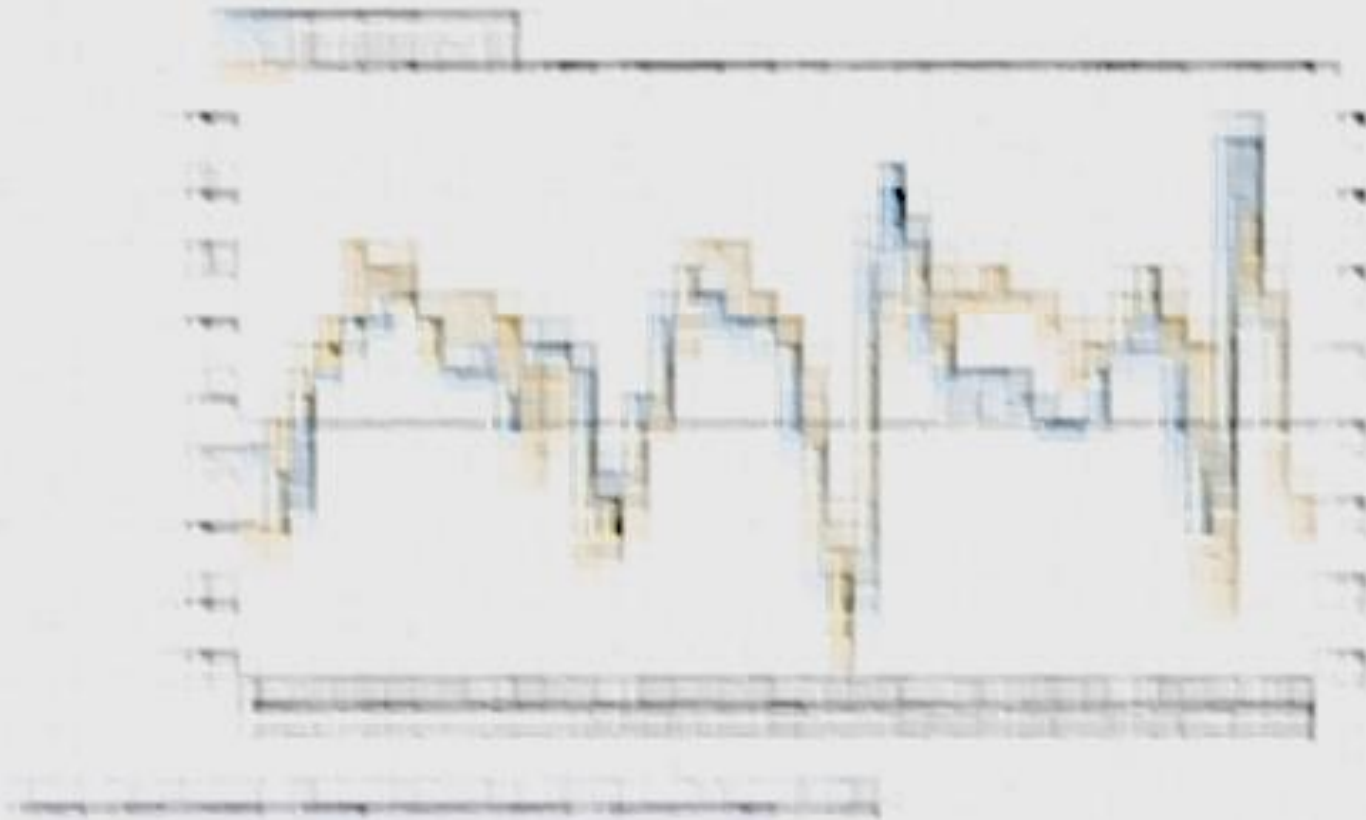
Source: Trading Economics, U.S. Bureau of Economic Analysis. Data as of March 28, 2024.

Atlanta Fed GDPNow Q1 2024 Real GDP Est.



Source: Blue Chip Economic Indicators and Blue Chip Financial Forecasts. Data as of April 4, 2024.

To access more of our macroeconomic insights and business cycle indicators on slides 23-47, 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.
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