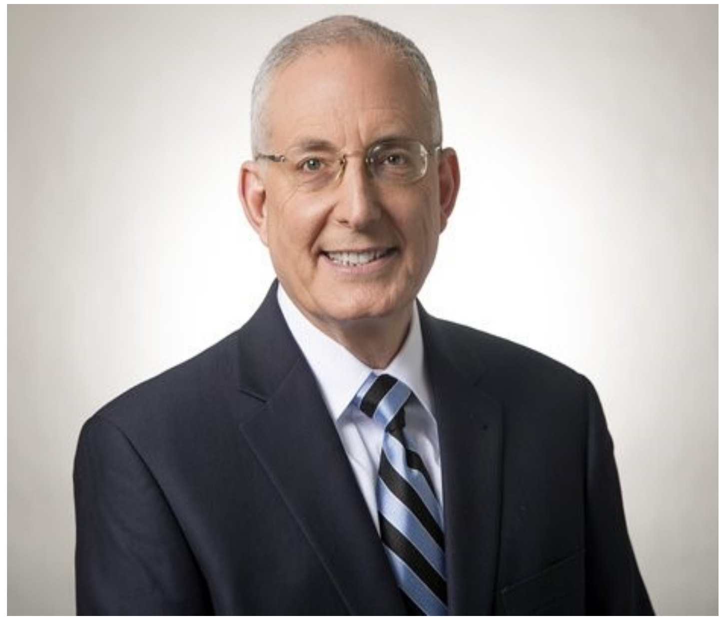
HORTER INVESTMENT MANAGEMENT, LLC

Ed Slott: Clients Confused About RMD Relief



IRA expert Ed Slott, president of Ed Slott and Co., stressed that the COVID-19 pandemic "shouldn't be down time" for advisors: "This is the time you want to strengthen your relationships."

In particular, he said, many clients need your help understanding the federal government's COVID-19 relief initiatives, including breaks on required minimum distributions from retirement accounts.

He spoke Wednesday at the Virtual Financial Advisor Summit hosted by Broadridge Advisor Solutions and Advisorist, a marketing firm.

"We know clients and consumers are desperate for

Click here to read more.

How Long Do Bear Markets Last? Reflecting on Historical Market Patterns

Jim Paulsen, chief investment strategist at The Leuthold Group, notes the first 22 days of this bear market declined 6.5 times faster than all post-war bear markets, dropping 32 percent in 22 days versus an average of just down 5.1 percent for the previous bear markets.

What makes this bear market so unnerving is that its roots are in a public health crisis, shutting down the economy to battle coronavirus, rather than the typical factors behind economic slowdowns.

But bear markets, and market crashes, do end.

Click here to read more.

QUOTE OF THE WEEK

"The only way you will ever permanently take control of your financial life is to dig deep and fix the root "

– Susan Orman

Taking a comprehensive look at the overall current stock market

Taking a comprehensive look at the overall current stock market, you can see the chart below representing eight major indices and their returns through the week ending May 8th, 2020. In a truly diversified portfolio, the portfolio's total return is determined by the performance of all of the individual positions in combination – not individually.

So, understanding the combined overall performance of the indices below, simply average the 8 indices to get a better overall picture of the market. The combined average of all 8 indices is –2.26% year to date.

Index	Year-to-Date (%)
Morningstar Multi Alternative Index (MSTVX)	-1.83%
Barclay US Agg Bond Index (AGG)	3.35%
DoubleLine Total Return (DBLTX)	0.21%
BlackRock 40/60 (BIMPX)	-3.05%
BlackRock 60/40 (BAGPX)	-6.01%
40/60 S&P 500/ Barclay AGG	-1.98%
60/40 S&P 500/ Barclays AGG	-4.64%
Vanguard Balanced Index Inv (VBINX)	-4.15%

Term of the Week:

Equity Wash Restriction

A provision in certain stable value or fixed income products that require transfers to be directed to an equity fund or other noncompeting investment option. Restrictions last for a stated period of time (usually 90 days) before those funds may be invested in any other competing fixed income fund (such as a money market fund) provided by the plan.

Dow Jones - Week Ending

WEEKLY MARKET SUMMARY

Global Equities: Major US equity markets ended the week higher, recovering quickly from an early Monday dip by gapping higher the rest of the week thanks to rallying in overnight futures markets. Optimism for a continuation of the Phase 1 trade agreement between the US and China helped broad indices look past a heartbreaking employment report as technology and energy sector stocks powered the S&P 500 and the Dow Jones Industrial to weekly gains of 3.5% and 2.6%, respectively. Developed International iShares MSCI EAFE ETF (EFA) had a similar gain, rising 2.7%, while Emerging Markets led the way as the iShares MSCI EM ETF (EEM) gained 4.6%.

Fixed Income: US Treasury yields moved in different directions during the week depending on where they sat on the yield curve. The yield on the 10-year Treasury Note increased from 0.62% to 0.68%, while the 2-year finished slightly off a new record low of .105% made during the week. The US Treasury announced that it will be issuing 20-Year Treasury Notes for the first time since the '80s to help lengthen the ballooning borrowing that is expected to total $3 trillion in the 2nd quarter alone. The Fed will have to continue to fund a portion of that issuance or risk higher interest rates as markets now officially expect the Fed Funds rate to go negative with futures trading moving the implied rate into the red as soon as November.

Commodities: Oil prices managed to continue the bounce from the prior week as OPEC+ production cuts took effect while US producers also made cutbacks, as the oil rig count dropped to pre-shale revolution levels. The supply reduction is hitting concurrent with the view that the demand trough is in the rearview mirror with drivers slowly-but-surely getting back on the road as states begin to reopen. The US West Texas Intermediate benchmark ended the week near $24.60 per barrel, while the International Brent crude benchmark clawed back above $30 to $30.80 per barrel. The price of gold ended slightly higher after a mid-week dip, finishing near $1,706 per ounce.

WEEKLY ECONOMIC SUMMARY

Historic Rise in Unemployment: The dire situation in the US employment picture came in slightly better than had been expected, but it hardly makes a 20.5 million person drop in nonfarm payrolls in April easier to swallow. This was enough to lift the official unemployment rate to 14.7% from the March figure of 4.4%, and is likely an underestimate of the true impact of the COVID19 lockdown due to backlogs in reporting of the historic figure on behalf of overwhelmed infrastructure in the hardest hit states. A 2.5% drop in the participation rate, from 62.7% to 60.2%, is also not reflected in the unemployment rate due to those people leaving the workforce for good.

Consumers Pay Down Credit: A small silver lining of the pandemic is that consumers have used cash to improve their financial position by paying down credit cards in the month of March. Revolving credit, such as credit cards, surprisingly dropped by $28.2 billion during the month, helping total consumer credit balances to drop by $12.1 billion during the month versus consensus expectations of a $15 billion rise and a $20 billion climb in the prior reading from February. This is the first drop since 2011, and though it might be positive in that citizens have cleaned up their personal balance sheets, it portends disaster for the revised estimate for US GDP.

Earnings Update: Shares for ride-sharing companies Uber Technologies, Inc. (UBER) and Lyft, Inc. (LYFT) were higher after recording better sales than the same quarter a year ago despite the economy screeching to a halt. Both companies have recently announced layoffs accounting for around 15% of their workforce, though reported that rides were beginning to pick up again in May after the deep slump in April. Shares of General Motors (GM) were higher after surprising estimates with a $294 million profit despite shuttered factories and dealerships during the quarter. Shares of Cars.com (CARS) were volatile, yet significantly higher after the shutdown boosted sales of automobiles to consumers without leaving their couch.

https://www.hanlon.com/weekly-update/

Current Model Allocations

Separately Managed Accounts

HIM #3 – 33.33% Fund & 50%MM & 16.67% Fund

HIM #8 – 100% Fund

HIM #25 – 100% Fund

HIM #22– 33% Fund & 67% MM

HIM #12– 100% Fund

Summary

In utilizing an approach that seeks to limit volatility, it is important to keep perspective of the activity in multiple asset classes. We seek to achieve superior risk-adjusted returns over a full market cycle to a traditional 60% equities / 40% bonds asset allocation. We do this by implementing global mandates of several tactical managers within different risk buckets. For those investors who are unwilling to stomach anything more than minimal downside risk, our goal is to provide a satisfying return over a full market cycle compared to the Barclays Aggregate Bond Index.

At Horter Investment Management we realize how confusing the financial markets can be. It is important to keep our clients up to date on what it all means, especially with how it relates to our private wealth managers and their models. With the market turmoil of the past week, on March 11th we entered a bear market for the first time since the financial crisis of 2008. A bear market is defined as a decline of 20% or more from recent highs. This bear market officially ends one of the longest bull markets in U.S. history, at 11 years. Keep in mind we are in a much different environment than 2008. In 2008 we had a housing bubble fueled by incredibly risky lending practices. In other words, we had major systemic problems in our economy and markets. Today we are in a much different, but still challenging environment as the markets attempt to quantify the impact of the coronavirus on the global economy. We have discussed the possibility of a Black Swan event impacting markets, and the coronavirus appears to be that event.

Our managers have been hired based on our belief that they can accomplish a satisfying return over a full market cycle, -- while limiting risk in comparison to a traditional asset allocation approach. At Horter we continue to monitor the domestic markets and how our managers are actively managing their portfolios on a daily basis in response to the coronavirus concerns. We remind you there are opportunities to consider with all of our managers and our tactical models. Hopefully this recent market commentary is helpful and thanks for your continued trust and loyalty.

CHART OF THE WEEK

The Chart of the Week is a year-to-date performance chart of the Consumer Discretionary Select Sector SPDR ETF (XLY, green) representing the performance of large-cap US consumer discretionary sector equities and its largest component, Amazon.com Inc. (AMZN, navy). The XLY would be 7% lower without the near 25% allocation to AMZN, which benefited from the social distancing paradigm, but the sector's poor breadth is not a signal of a healthy market environment https://www.hanlon.com/weekly-update/

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