Axxcess Wealth Management Trade Rationale - December 2018

As of: [12/10/2018]

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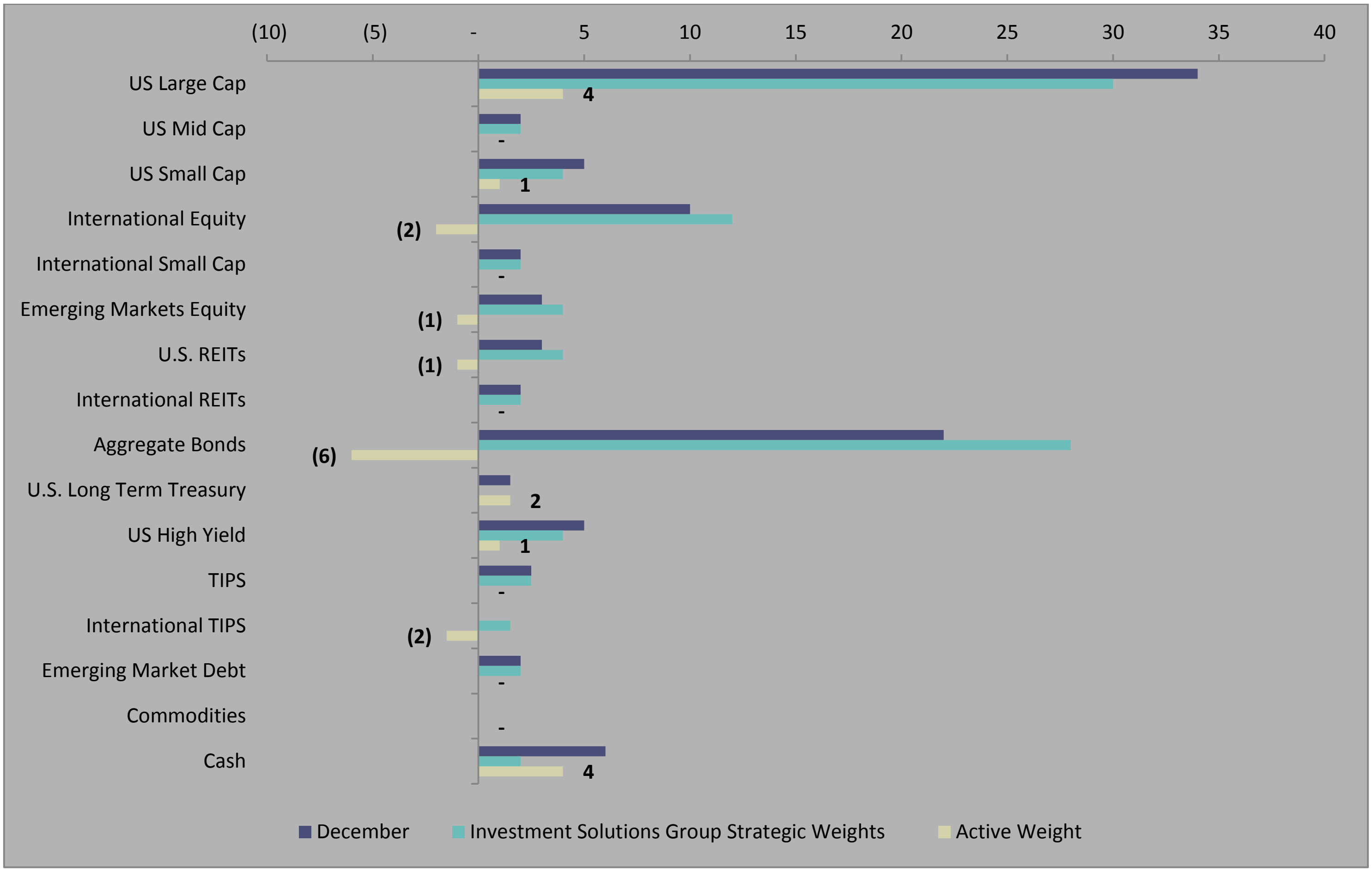
	Positioning	Factors and Qualitative View
Risk Regime	• Risk team agreed with “High Risk” Market Regime Indicator (MRI) reading for November	• The MRI (5 days moving average) finished November 2018 in High Risk regime • Team decided to derisk the portfolio again due to the MRI reading • Possible reasons behind the market decline include many of the same issues that have plagued markets during 2018 – the Italian referendum, ongoing US-China trade deal concerns, Brexit and more recently a plunge in oil prices
US Equity	• -2% US Large Cap	• US equity volatility forecasts have been elevated of late, and team wanted to decrease overweight to US large cap to be closer to neutral • Current market risk aversion and decrease in expected returns for equities supported the move in an effort to help manage potential for continued volatility
International	• No Change	• Model is forecasting minimal alpha due to reduction in price momentum factor. Team was satisfied with current allocation
Fixed Income	• +2% US Aggregate Bonds	• Added to US Aggregate Bonds as an opportunity to hedge against uncertainty and lessen active risk • US Treasury curve model continues to predict a further decline in yield curve levels, supporting this allocation
Real Assets	• No Change	• Team noted that the pullback in oil prices could present an attractive entry point, but ultimately decided to decrease equity overweight and implement Aggregate bonds in an effort to manage volatility
Cash	• No Change	• Portfolios hold an overweight to cash, the team noted that they would be ready to deploy cash when the when we have more clarity on the direction of markets

State Street Global Advisors Tactical Asset Allocation – Moderate Risk Profile



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