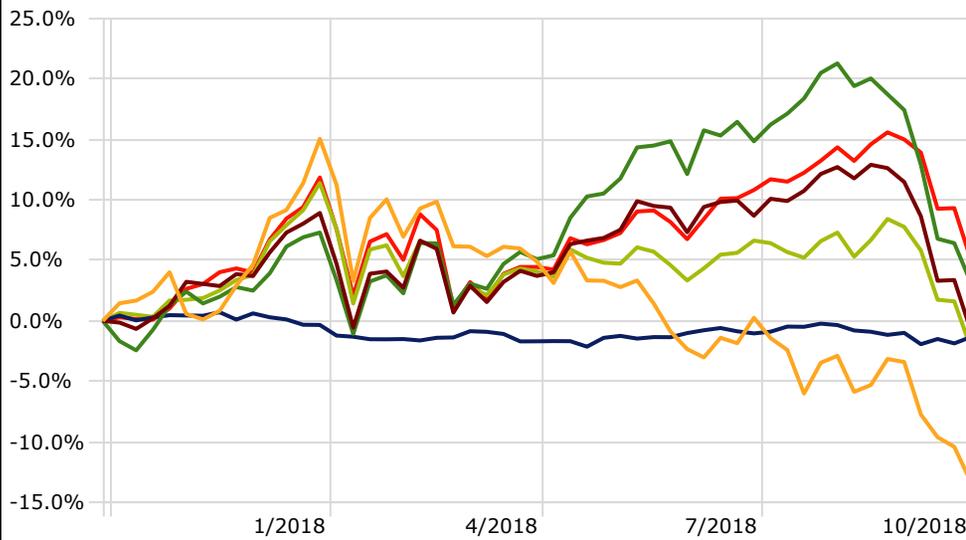




## 1 Year Market Returns

Time Period: 10/28/2017 to 10/27/2018



— S&P 500 TR USD     
 — S&P MidCap 400 TR     
 — S&P SmallCap 600 TR USD  
— MSCI EM NR USD     
 — BBgBarc US Agg Bond TR USD     
 — MSCI ACWI NR USD

## Trailing Returns

As of Date: 10/27/2018

	1 Week	1 Month	3 Month	6 Month	1 Year
BBgBarc US Agg Bond TR USD	0.54	-0.32	-0.29	0.37	-1.33
S&P 500 TR USD	-3.93	-8.67	-5.23	0.53	5.01
S&P MidCap 400 TR	-4.10	-10.74	-8.77	-4.41	-0.86
S&P SmallCap 600 TR USD	-3.10	-11.80	-10.19	-1.88	3.12
MSCI ACWI NR USD	-3.83	-9.51	-8.35	-6.11	-2.28
MSCI EM NR USD	-3.27	-10.54	-13.54	-17.37	-13.32

## Market Commentary

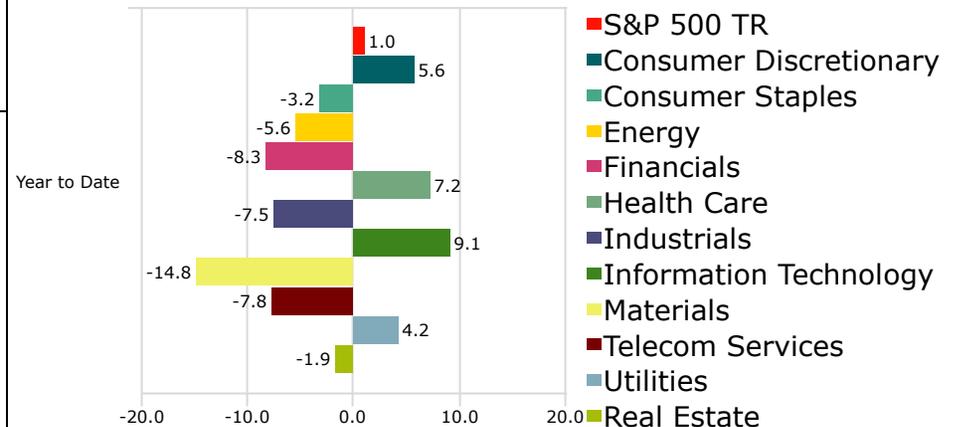
Global equity markets tumbled last week as investors ignored earnings results and sold risk assets. The S&P 500 was down -3.93%, followed by the MSCI EAFE Index (-3.87%) and Emerging Markets (-3.27%). The increased volatility drove down yields, with the 10-year Treasury down to 3.08% from 3.20% the week before. Oil also fell after comments by Saudi Arabia's energy minister indicated OPEC may increase production.

Earnings season has been positive thus far, with 48% of S&P 500 companies reporting. Per FactSet, 77% of reporting companies have beaten their estimates, and the earnings growth rate is a robust 22.5% year-over-year. Only 26 companies in the S&P 500 have issued negative EPS guidance for Q4. Revenue growth is also tracking at 7% annually, above the long term average. A number of factors are likely contributing to volatility, including the deteriorating trade relationship with China. A shift in global supply chains could be expensive and, combined with potentially rising wages, could compress margins going forward.

The U.S. Commerce department released third quarter GDP data, showing 3.5% growth, above estimates of 3.3%. This was boosted by strong consumer spending, which accelerated 4%. Inventories were also positive, adding 2.1% to GDP growth, but could be a headwind in future quarters. The trade deficit had the largest drag in 33 years, with exports declining 3.5% and imports increasing 9.1%. U.S. flash manufacturing PMI grew to an estimated 55.9, showing healthy demand.

This week's data includes readings on U.S. employment, inflation, and consumer confidence. The eurozone will also provide an estimate of Q3 GDP.

## Year to Date S&P Sector Returns





# Weekly Manager's Pulse

October 26, 2018

## Managed Strategist

### Moderate Conservative featuring TPFG

The portfolio places a modestly higher weight to equity relative to a Conservative model, while adding global fixed income and alternative exposure for diversification and risk management. Alternative holdings were the top performers in the equity exposure, while nontraditional bonds boosted fixed income holdings.

### Moderate featuring TPFG

The model is built around three themes, diversified equity, fixed income, and alternatives exposure. Nontraditional bonds, along with alternative holdings were the top contributors to performance.

### Moderate Aggressive featuring TPFG

The strategy places greater emphasis on equity exposure, with a modest allocation to fixed income. The equity allocation is diversified across large, mid and small caps, and has an overweight to the growth style and Technology sector. Large cap holdings were the top performers last week, while mid cap exposure detracted.

### Aggressive featuring TPFG

The portfolio is constructed with full exposure to risk assets across market caps and geography. It currently has an overweight to the growth side and Technology sector as the focus is on capturing the growth and innovation in several trends. Global large cap holdings were the top performers, while domestic mid cap holdings detracted.

## SMA, Retirement & Annuity

### Income

Treasury bonds rose as investors looked for capital preservation, as equity market volatility ticked up. The 10 Year Treasury Note finished the week at 3.08%. Investment grade corporate bonds posted solid results, indicating bond investors aren't concerned about the equity volatility. Agency and Non-Agency MBS exposure supported performance, while income producing equity exposure detracted.

### Balanced

Equity markets pulled back last week, while most fixed income sectors finished the week higher. The asset allocation of the strategy, with a tilt towards equity, was the biggest detractor to performance. Small cap and defensive equity positions held up the best in a choppy week. We have elected to maintain our positioning as we believe the economy remains on a growth track.

### Equity

Despite solid earnings results, October continues to be a volatile month for stocks, as the S&P 500 fell -3.93% last week. Growth stocks held a slight edge over value, while small caps held up slightly better than large caps. Low volatility allocations and large cap growth holdings provided support to the portfolio last week. Despite the recent volatility, we continue to maintain a growth and technology overweight based on fundamental readings.

### Retirement

No adjustments were made in retirement accounts last week.

### Annuity

No adjustments were made in annuity accounts last week.

## Economic Data \*

- Flash PMI mfg at 55.9
- New home sales at 553k
- Durable goods orders rose 0.8% m/m
- Pending home sales rose 0.5% m/m
- Consumer sentiment at 98.6

## Manager Spotlight - Wilshire Associates

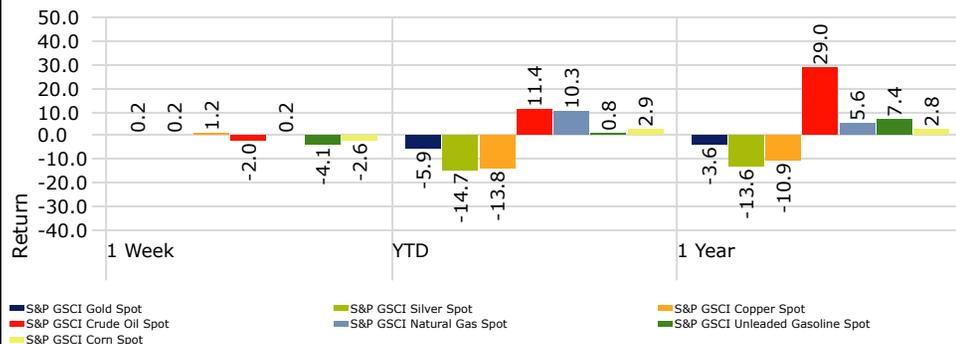
Wilshire Associates is a diversified global financial services firm that services clients across 20 countries with combined assets exceeding \$8 trillion. Wilshire, an independent firm for over 40 years, is supported by a global network of offices in the U.S., Europe, and the Asia Pacific.

- Founded in 1972
- Leveraging 40+ years of institutional experience.

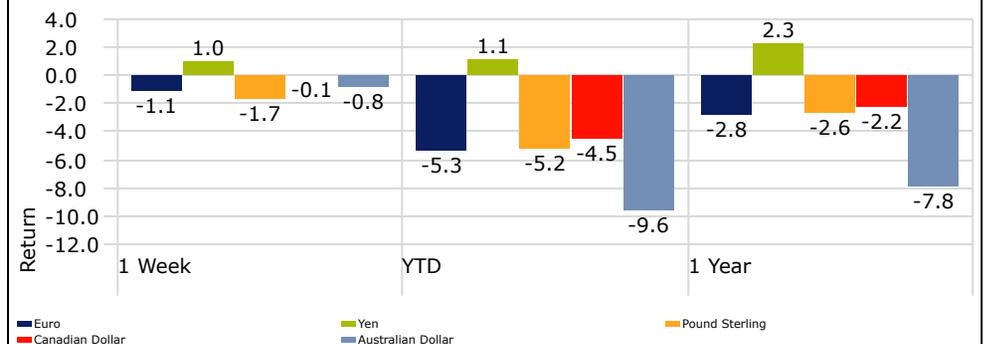
## Treasury Yields

	3 Month Treasury	2 Year Treasury	5 Year Treasury	10 Year Treasury	30 Year Treasury
10/26/2018	2.33%	2.81%	2.91%	3.08%	3.32%

## Select Commodity Returns



## Select Currency Returns vs. US Dollar



See Disclosures:



# Weekly Manager's Pulse

October 26, 2018

## **Disclosure**

The information provided herein is the opinion of The Pacific Financial Group ("TPFG") and may change without notice at the discretion of TPFG. Managed Strategist, SMA, Retirement and Annuity, are strategies managed by TPFG and represent TPFG's opinion and evaluation of its managed strategies. Manager Spotlight represents a summary of selected strategist used within the TPFG offerings. Market Commentary reflects TPFG's opinion of the general markets which may include one or more specific segments of national or global markets. Given that market conditions can change rapidly, the opinions, conclusions and/or observations expressed in the Market Commentary may change without notice. All information is believed to be accurate but has not been independently verified and TPFG makes no warranties as to the accuracy of the information or any representations made or implied. The information should not be construed or interpreted as an offer or solicitation to purchase or sell a financial instrument or service. The information is for informational purposes only and should not be relied on or deemed the provision of tax, legal, accounting or investment advice. Past performance is not a guarantee future results. All investments contain risks to include the total loss of invested principal. Diversification does not protect against the risk of loss. Investors should review all offering documents and disclosures and should consult their tax, legal or financial professional before investing.

**Indices** represent the broader market as relevant to the sector or market covered by the index. Indices are unmanaged and cannot be invested in directly. Indices do not consider the costs, fees, trading, or performance that an investor would otherwise experience when investing. **Currency Returns** represent the noted currency against the U.S. Dollar as a percent change to purchase a unit of the foreign currency with a U.S Dollar. **Treasury Yield** is the return on investment, expressed as a percentage, on the U.S. government's debt obligations. Returns are not annualized for periods less than 1 year. Returns data sourced from Morningstar Direct.

\*Sourced from JPMorgan Chase, publicly available at [https://am.jpmorgan.com/blob-gim/1383452890099/83456/weekly\\_market\\_recap.pdf?segment=AMERICAS\\_US\\_ADV&locale=en\\_US](https://am.jpmorgan.com/blob-gim/1383452890099/83456/weekly_market_recap.pdf?segment=AMERICAS_US_ADV&locale=en_US)