



ACADEMY
FINANCIAL, INC.
EVALUATE • ENVISION • EXECUTE

Rebalance and Reallocation

July 2020

Edward Bird, MBA, CFP®
Chief Investment Officer

“Listening to and understanding our client’s financial goals allows us to provide the highest level of investment planning advice and service.”

Fund Changes

Fidelity Real Estate Index Institutional Fund – Sell
Cohen & Steers Real Estate Securities Fund - Buy

Fidelity Real Estate Index Institutional Fund was our core holding for real estate exposure. It provided a broad investment strategy as we would expect from an index fund. The low expense ratio was a definite draw. We have entered a much more dynamic environment due to the systematic societal change from the Corona virus. Active management becomes much more compelling. Cohen & Steers has a proven long-term track record of performance and investment process. As an example, in recent months they have been over-weight in healthcare real estate while underweighting general retail. A recent purchase at a deep discount in May was a mall property company. These kinds of moves, driven by a deep analytical bench, are the type of approach that has outperformed the benchmark over the years.

Allocation Changes

Our main allocation changes are to reduce the position in international and emerging markets and increase the position in our hedged equity and intermediate fixed income. This is a deliberate response to both the reaction and result of the Corona virus as well as the strong rebound in equity markets we saw in the 2nd quarter. Our holdings in domestic equity will rise slightly. Our decision was to reduce risk somewhat and to do so in the area where there isn’t as much opportunity for growth. While the U.S. is a richer cost in terms of Price to Earnings, the prospects for future growth are much greater than in foreign markets where the valuations are compelling.

Within fixed income we added to the intermediate space and reduced our holdings in the short duration and high yield. This is somewhat of a wash in relation to portfolio risk as the increase in duration risk creates more price fluctuation, but that is countered by the reduction in credit risk by lowering the position in high yield.

As we replaced the real estate fund, we did keep the allocation the same. Easily the most hard-hit sector due to the Corona virus; there are some very compelling valuations and our view is to maintain the holding through the short-term lows.

Fund and information provided by Ycharts and Morningstar

Diversification may help reduce, but cannot eliminate, risk of investment losses. Historical performance relative to risk and return points to, but does not guarantee, the same relationship for future performance. There is no assurance that by assuming more risk, you are guaranteed to achieve better results.

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