



Rebalance and Reallocation August 2021

I hope this update finds you all healthy and enjoying the last few weeks of summer. As the newest addition to Academy Financial, I look forward to working with you and am excited to be another resource for you and your advisor. Our investment process continues to emphasize using a long-term, disciplined, and analytically rigorous approach to building portfolios to help you meet your financial goals.

We consider many factors when making decisions regarding asset allocation and security selection. Market and economic conditions are continually examined, and each holding is reviewed to make sure that it remains a good fit. Currently, we do not believe that any major shifts to the portfolios are necessary. We are not making any changes to holdings but are making two adjustments to equity allocations:

1. A relative increase to US Large Cap Growth target.
2. A small increase in overall equity exposure in some portfolios.

There are several factors that we believe will contribute to further economic growth and be advantageous for equity returns:

- The global recovery from the pandemic continues. Although the Delta variant is something to take seriously, both from a health and investing point of view, we believe that vaccination programs and improved treatments will limit the economic impact.
- Fiscal stimulus and easy monetary policy provided a bridge through the pandemic. Record amounts of consumer savings and pent-up demand will continue to drive US economic expansion.
- Companies in cyclical sectors will continue to benefit from rapid economic growth. Long-term, companies in sectors such as tech and pharmaceuticals will be well positioned to pass on higher costs as inflation and interest rates rise.
- At this point in time, more S&P 500 companies are beating earnings estimates than average, and they are beating estimates by a wider margin than average. The index is on pace for the highest year-over-year growth in earnings since Q4 2009.

While this economic environment makes equity investments very attractive, income and capital appreciation from fixed income remains elusive. We are maintaining our fixed income allocation which we believe is well-positioned to be a safety net for market volatility.



The positive returns in equities have continued since our last rebalance. For that reason, you will likely see a combination of buys and sells in both equity and fixed income holdings to align your portfolio with the appropriate allocation. Your Academy financial planner is always available to discuss your portfolio and how it aligns with your financial goals.

Blake Gaulden, CFA, CFP®
Chief Investment Officer



Fund and market 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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