Alexis Investment Partners, LLC

Practical ✧ Tactical

Despite a deluge of alarming and contentious news, markets bloomed in May. The S&P500 ETF (SPY) gained +5.1%, All country world ETF (ACWI) was up +4.6%, and Aggregate Bond ETF (AGG) earned +1.7%. Once again, **we are happy to report that our portfolios also enjoyed strong gains** (see charts on page 2). **Trailing 1-year and 5-year gains are impressive, reflecting the value of maintaining one's composure through periodic pullbacks, corrections and cyclical bear markets.**

Last month we wrote, "April was a step back in what remains a solid start to 2024. Pullbacks and corrections happen in both bull (rising) and bear (falling) markets. In bull markets, they tend to be relatively shallow and short-lived. Will April showers bring May flowers? We are cautiously optimistic…"

Seasonality continues to favor the bulls in June and sentiment remains neutral, perhaps due to a modest late pullback. Again, we're cautiously optimistic. We also know that trees don't grow to the sky, and we therefore plan to **tactically trim equity exposure into strength, targeting a neutral posture as we approach mid-year (in line with benchmark allocation). For now, we remain tactically overweight stocks.**

Your portfolio is designed to meet your long-term goals based on your resources and preferences. **Most of this newsletter issue discusses the various strategies we use to build custom client portfolios.** If you have any questions or would like to consider changes to your allocation among these strategies, **this is a great time to discuss potential changes (it is always best to make changes when things are going well – and even if we don't make changes, it may be helpful to revisit expectations for both up and down-market cycles).** Please schedule time to review your portfolio and performance and update us with regards to any concerns and/or change in circumstances.

Our models, indicators, and analysis continue to confirm a Bull market. Earnings continue to come in better than forecast, and supply chains are improving. Inflation remains stubborn, as expected, but we continue to believe the next moves from the Fed will be less restrictive.

We look forward to learning more as the year unfolds. We have no crystal ball – thankfully, we have the flexibility, discipline, and experience to adapt to a broad range of potential outcomes which has allowed us to thrive through full market cycles.

What to Expect in Portfolios

Last month we wrote: "It's difficult to predict the end of a correction, but **we are well positioned for recovery** having tactically shifted to an overweight equity position from one closer to neutral. **We will continue to monitor trend strength and leadership and will adjust portfolios as needed to manage risks and pursue growth opportunities."**

May rewarded our overweight stock position. We are now incrementally shifting back to a more neutral allocation. **We expect continued gains but would be surprised if volatility remains tame through the election.**

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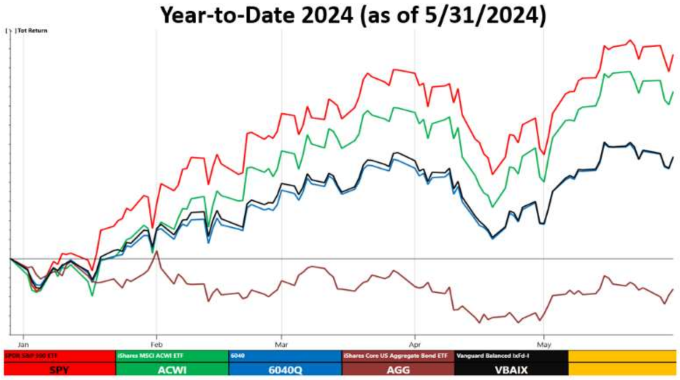
May was great – a snapback recovery from the April correction. Trailing 12-month performance is even more encouraging.
Bonds were positive for May but remain down year-to-date. The blue line is a 60/40 blend. The black line shows the popular Vanguard balanced index fund for reference.

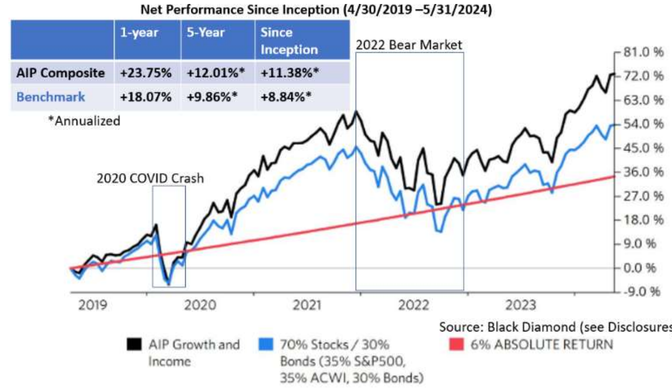
Year-to-Date 2024 (as of 5/31/2024)



Source: Investors FastTrack

The chart below shows the net performance of our most popular composite since inception (120 accounts – see disclosures on page 4).
The last five+ years have included the COVID crash and 2022 bear market. Our strategy and discipline led to greater participation in gains than declines, allowing us to add value through this volatile time.

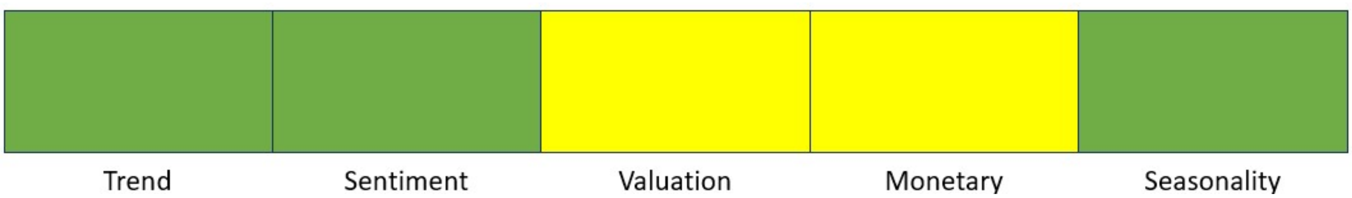
Net Performance Since Inception (4/30/2019 –5/31/2024)



Source: Black Diamond (see Disclosures)

Insights and Commentary

Investing can be an emotional roller coaster leading to costly mistakes. To navigate effectively as we seek greater participation in advances than declines, we have found it helpful to monitor a series of indicators and models based on 3 key tenants, (Don't Fight the Fed, Don't Fight the Trend, Follow Sentiment Except at Extremes) summarized in the chart below:



How can you know if your portfolio is optimal for your goals and preferences?

We write this newsletter to give you insights into our actions and expectations, but it can be a challenge to relate these comments to your portfolio. This is why it is helpful to check in and review your portfolio and performance. Another reason is that circumstances change, and it can be easy to forget to communicate changing needs, leading to missed opportunities.
At AIP, we manage portfolios to match the specific goals and risk preferences of each client by allocating among our core investment strategies – and upon approval, incorporating specific client requests.
When you look at your account statement, you may see only a few positions or you may see a series of stocks, ETFs, funds and possibly bonds. Fewer holdings do not imply less diversification. In fact, the opposite is generally true. The reason is that our core "Tactical" investment strategy is managed through an ETF that shows up as a single holding in your account but is very broadly diversified.

Being our core strategy, this ETF is held in most client accounts. Your specific allocation is based on the alignment between the ETF's benchmark and objective and your personal goals and preferences, on an account-by-account basis. We include a copy of the ETF's monthly fact sheet with each month's newsletter. This month, we are also including a full list of current holdings to improve transparency.
The benchmark of the ETF is 70% stocks and 30% bonds, and we have the flexibility to significantly deviate from that benchmark allocation based on our assessment of risks and opportunities. We call this our Tactical strategy. Clients who are more aggressive or who prefer for their portfolio to be strategically aligned with their benchmark through up and down market-cycles (less tactical) will have less exposure to the ETF we manage and instead see more individual stocks and ETFs in their portfolio. Those who have significant cash flow needs or are more conservative will have an allocation to bonds, bond funds or bond ETFs. We generally hold the same stocks and ETFs when purchased directly in client accounts as we do in the tactical ETF we manage, with a few caveats.

Update, Observations, Indicators and Outlook:

Continued from page 2:

When we select individual stocks, we focus on profitable, established leaders. It may be tempting to try to find the next AAPL, HD or CAT, but we prefer the consistency of investing directly in great companies, allowing us to participate in their relatively predictable earnings growth in up markets and benefit from their strong financial position and cash flows in more difficult times.

We chose to enter and exit positions based on our assessment of trend and valuation. We are more active within the ETF we manage due to the tax efficiency of the structure and the tactical nature of the strategy.

These same great companies are held by broadly diversified funds and ETFs, so we don't have to buy stocks directly to get significant exposure to them. The added benefit of buying ETFs is that that they tend to be more consistent due to greater diversification.

Most studies show that as much as 90% of long-term performance is attributable to asset allocation. The main reason we invest predominantly in ETFs is the ability to adapt to broad leadership trends like value vs growth or foreign versus domestic that can have a profound impact on returns over time. We have had tremendous success with certain individual stock picks, but the bulk of our long-term performance is driven by our ETF selections.

Our goal with all portfolios is to manage risk consistent with benchmarks but outperform through full market cycles by focusing on leadership trends and minimizing exposure to areas that are trending poorly or facing other identifiable headwinds. Our tactical strategy give us the additional flexibility to raise and deploy cash opportunistically.

We hope this review helps you better understand your portfolio structure. **If you have any questions, we encourage you to schedule a review. Strong performance across our strategies makes this a great time to check in and make sure your portfolio is optimal for your goals and preferences.** If yes, a review can give you peace of mind and refresh expectations for up and down markets. If no, we can make appropriate adjustments to better meet your long-term expectations.

In terms of our Market Pulse (right), **the Bull Market case remains intact.** In bull markets, we anticipate and manage pullbacks and corrections, but our focus is to participate in the growth potential of various investment that trend higher.

Election years tend to be positive for stocks regardless of the outcome, with some important historical exceptions that remind us to remain vigilant. **2024 is off to a great start, but we would be surprised to see smooth sailing through this year's election.**

We appreciate your continued confidence and look forward to your questions and comments.

Market Pulse:

We try to avoid jargon, but a few terms are helpful when describing financial conditions.

Bull Market: markets trending up (making higher highs on rallies and higher lows in periods of decline). **We can expect periodic pullbacks and corrections, but these should be relatively short and shallow – followed by resumption of the up-trend.**

Consolidation: after a period of strong gains or steep declines sometimes markets become range bound, moving up and down by 3-5% over several weeks. After consolidation, the prior trend resumes.

Pullback: a decline of 3-5% that generally happens at least twice per year. Pullbacks often resolve within a few weeks.

Correction: a decline of 5% to 10% that typically happens once per year. Like pullbacks, markets recover quickly after corrections, generally within 3-6 months. **The market has proved resilient over the trailing year, recovering from corrections in SEP/OCT 2023 and APR 2024.**

Bear Market: a decline of 20% or more. Many bear markets are fully recovered within 18-24 months, but severe bear markets like 2000-2003 and 2007-2009 can take 5-7 years or longer to recover from.

Bottoming Process: After a correction or bear market, stocks often bounce and re-test lows multiple times before recovery.

Alexis Investment Partners, LLC

103 Casterly Green Ct
Montgomery, TX 77316
925-457-5258
jason@alexisinvests.com

Find us on the Web:
www.alexisinvests.com
www.LEXIetf.com

Closing Comments:

Several clients have recently been speaking with friends who are looking to make a change either because they are nearing a life transition or have been unhappy with their current advisor.

We appreciate your referrals and are pleased that our company continues to enjoy steady growth. Our focus is always on providing exceptional service and performance and we are very grateful for your confidence and support!

Although our focus is on financial planning and investments, we also have relationships and resources to help with life and LTC insurance and annuities.

Jason acts as a 3(38) Fiduciary Advisor to 401k plans and has been able to help several small business owners reduce costs, significantly improve their plans and offload some of their liability as plan sponsors while creating a better experience for employees.

Please call and/or email me personally for most of your account servicing needs and especially when you have questions or concerns.

Disclosures

This material is for informational purposes only. Statements of future expectations, estimates, projections, and other forward-looking statements are based on available information and Jason Browne's view as of the time of these statements. Accordingly, such statements are inherently speculative as they are based on assumptions that may involve known and unknown risks and uncertainties.

Past performance is not indicative of future results. No investment is risk-free. Therefore, different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by Alexis Investment Partners, LLC) will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this newsletter serves as the receipt of, or as a substitute for, personalized investment advice from Alexis Investment Partners, LLC. Please remember to contact us if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services.

Mutual funds and other securities may distribute taxable dividends and capital gains to investors. Taxes on such items can affect the returns realized from such investment income received from certain investments may be subject to the Alternative Minimum Tax (AMT). Please consult with your tax advisor before making any investment and consider the effect that taxes may have on returns.

Rebalancing assets in a portfolio can have tax consequences. Selling assets in a taxable account may result in a taxable gain. Alexis Investment Partners, LLC. is neither a law firm nor a certified public accounting firm and no portion of this newsletter should be construed as legal or accounting advice.

AIP Composite Performance is calculated by Black Diamond based on the performance of all discretionary managed accounts with a Growth and Income objective that are assigned a 70/30 benchmark. Performance is net of all fees and expenses. From April 30, 2019, until Alexis Investment Partners, LLC registered with the SEC as an investment advisory firm in May 2021, Jason Browne offered advisory services using Alexis Investment Partners, LLC as a trade name through Sowell Management, LLC an SEC Registered Investment Adviser. Alexis Investment Partners, LLC and Sowell Management, LLC are independently owned and operated.

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