May 2024 | Alexis Investment Partners, LLC | 925-457-5258

Alexis Investment Partners, LLC

Practical ✧ Tactical

4/30/2024 marked our 5th anniversary managing portfolios as Alexis Investment Partners, LLC. It's been a challenging and volatile time (COVID plus the 2022 bear market), and we are grateful for your trust and confidence. We are happy to report that our portfolios have generally outpaced benchmarks (see chart on page 2).

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 – see page 3.

There are always good reasons to sell stocks. When stocks are falling, these issues tend to dominate news and investor's minds as pundits scramble for a narrative to rationalize the decline. It can be difficult to keep encouraging results like we are currently seeing year-to-date and for the trailing year in focus when faced with short-term setbacks. Hopefully this newsletter can help provide perspective.

Economic growth is slowing but steadfast. We are in the throws of earnings season and of the roughly 80% of S&P500 companies who have reported thus far, more than 80% are beating expectations. This is with the economy being held back by restrictive monetary policy (Fed holding short-term rates higher than market-based rates or current inflation rates hoping to reign in inflation by reducing demand).

Your portfolio is designed to meet your long-term goals based on your resources and preferences. It's easy to be complacent after a good year, but 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 is slowing as productivity slowly improves. Although the pandemic stimulus has been revoked, the Fed is likely to be less restrictive in the months ahead. Election years can be choppy but have generally been positive for stocks.

What to Expect in Portfolios

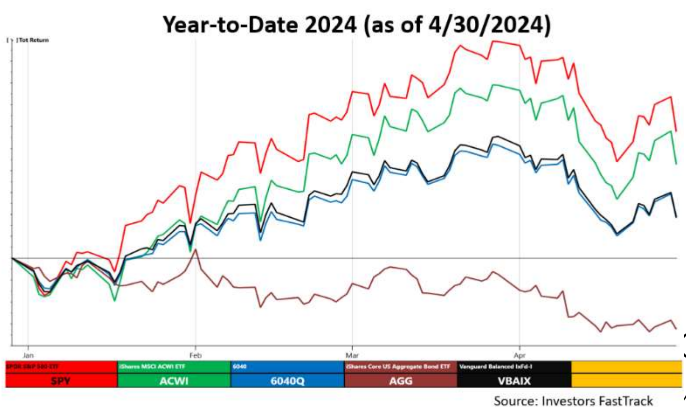
Last month we wrote: "We continue to incrementally rebalance tactical portfolios but are also quick to take advantage of periodic pullbacks to add to attractive names…Prudent risk management suggests rebalancing."

Tactically rebalancing in March allowed us to take advantage of early April weakness by buying/adding to select stocks/ETFs.

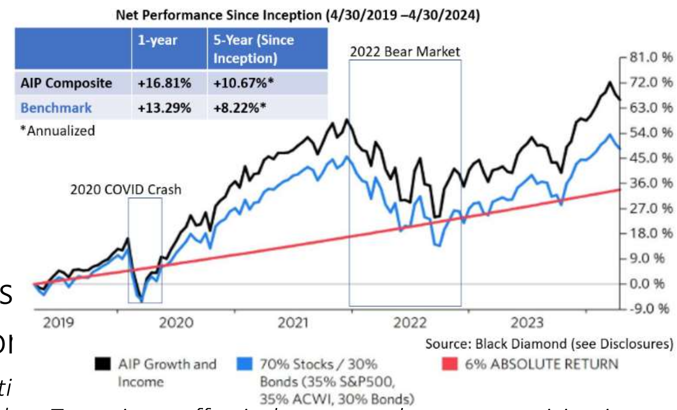
It's difficult to predict the end of a correction, but we are well positioned for recovery having tactically shifted to an overweight equity position from one closer to neutral. We will continue to monitor trend strength and leadership and will adjust portfolios as needed to manage risks and pursue growth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

Contents

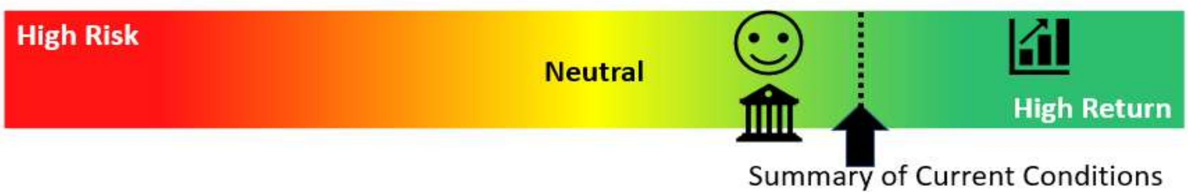
April was ugly but didn't meaningfully impact the strong start stocks have enjoyed in 2024. Trailing 12-month performance is even more encouraging. **Bonds have been weak** – cash and t-bills have been a much better tool for liquidity and stability. The blue line is a 60/40 blend. The black line shows the popular Vanguard balanced index fund for reference.



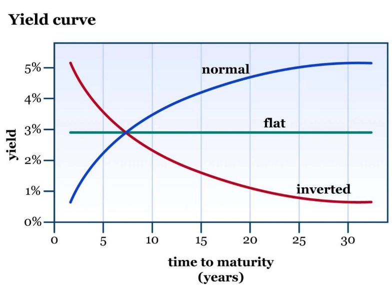
The chart below shows the net performance of our **most popular composite** since inception (120 accounts – see disclosures on page 4).
The last five years have included the COVID crash and 2022 bear market. **Our strategy and discipline led to greater participation in gains than declines, allowing us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



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:

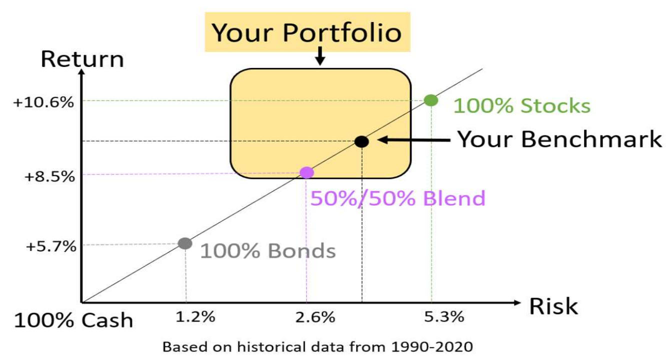


The chart below from Encyclopedia Britannica helps illustrate what we mean by a "normal" vs an "inverted" yield curve.



The reason yields are generally higher for longer maturity is to compensate the lender (person buying the bond) for less liquidity.
Why is the yield curve inverted? The Fed is holding short-term rates above inflation and market-based interest rates to reduce demand by making it more expensive to borrow. Historically, tight monetary policy has led to recession. Anticipating future rate cuts, bond investors have been willing to accept less interest for longer dated bonds. We continue to avoid bonds and instead hold T-bills and money market funds to take advantage of artificially high yields. This has served us well.

Risk/Return Expectations



This graphic serves as an important reminder that our goal is to add value (generate higher risk-adjusted returns) through full market cycles by allowing our portfolios to deviate from benchmarks. **We base allocation decisions on an assessment of both risk and return potential.**

Portfolios are based on client needs, goals, and preferences.

Update, Observations, Indicators and Outlook:

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 investments that trend higher. Stocks are in a pullback. We expect a resumption of the uptrend, but we may need to work through a deeper correction.

Looking Back:
Stocks have been resilient despite stubborn inflation, tight monetary policy, political uncertainty, persistent war in Ukraine, escalating conflict in the Middle East and ongoing US/China tensions. The yield curve has been inverted for more than a year and yet economic data and earnings remain strong.

Outlook and Positioning:
The Fed is on hold for now but looking for an excuse to reduce rates to a more neutral level. Timing has been pushed back by stubbornly high inflation. Roughly 80% of S&P500 companies have reported earnings thus far this season. Of these, 80% have beaten expectations.

Stocks entered the recent pullback in a strong uptrend. Pullbacks and corrections happen fast and are difficult to predict but a normal part of investing. Until stocks recapture recent highs, it is possible that the current pullback is part of a larger correction.

Based on broadening strength in the preceding rally, the fact that this is an election year, high levels of cash and the speed with which sentiment soured, we currently believe the worst may already be over and have positioned portfolios to benefit when the uptrend resumes.

Near term catalysts (what we're watching in the month(s) ahead):
The Fed voted to keep rates unchanged in May. Hotter than expected inflation data raised concerns that the Fed may be considering a rate increase, but these fears were eased. This, along with a weaker than expected April jobs report helped spark a rebound.

Stocks still have work to do to retract last month's pullback and break out to new highs. Until that happens, we respect the potential that things may get worse before they get better. May and June tend to be strong in election years. Earnings may help, along with expected easing from the ECB, any easing inflation or employment figures.

Thank you for your continued confidence. Please reach out with any questions or to schedule a portfolio review.

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.

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. The October lows marked the trough of the 2022 Bear Market.

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.