

# Quantitative Investment Decisions

*The Safety Net For Your Portfolio*

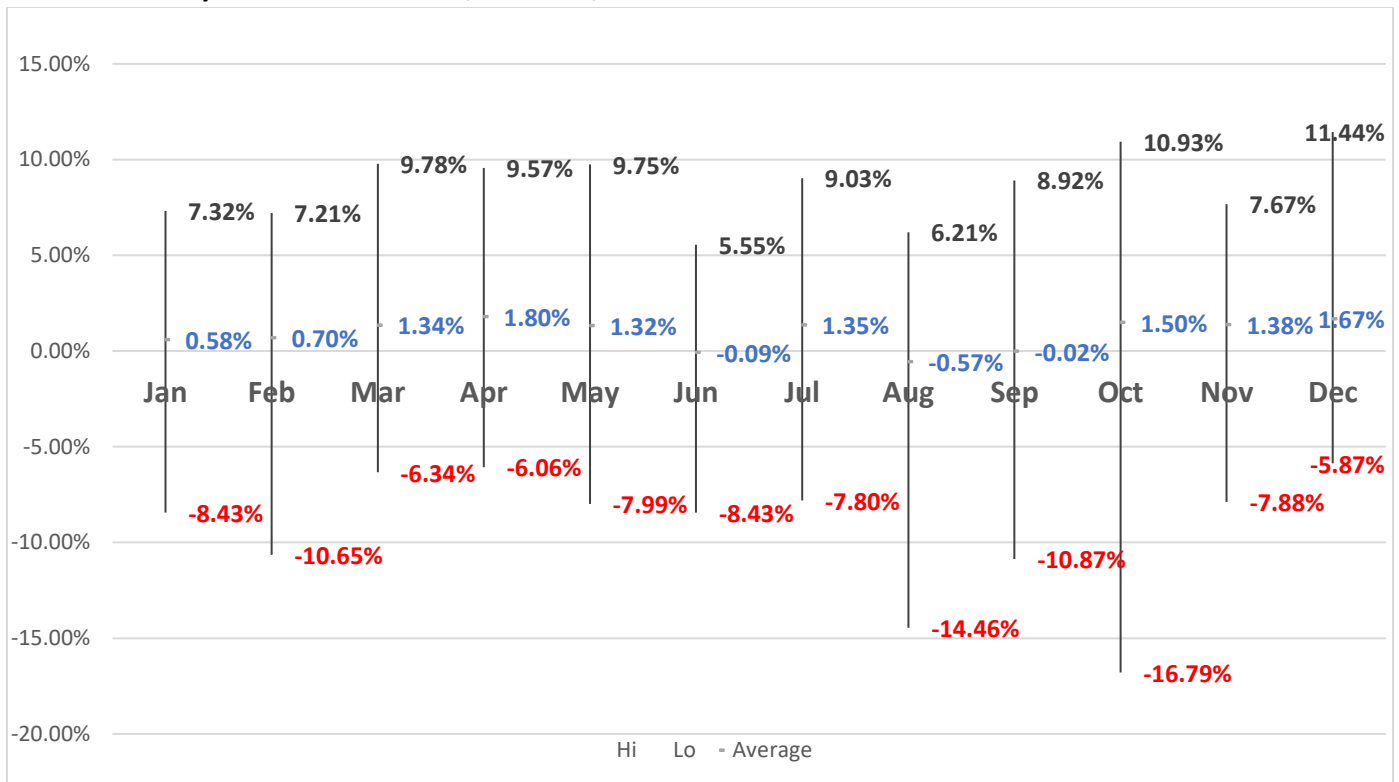
## September and October Should Continue the Party - August 20, 2019

### Executive Summary:

- YTD performance has predicted September's performance 66% of the time
- As of 8/13/2019 YTD performance is 13.3%, predicting a positive September
- QID's predictive model is estimating September return of 2.09% and October 4.48%

In the financial news you constantly hear "Beware of September". If you analyze monthly returns from January 1988 to August 2019 the lowest average monthly return occurred in August at -0.57%, June -0.09 and September being the third lowest average return at -0.02. This would suggest that you might not want to avoid September. Below we have included other factors that we believe are better indicators of September's outcome.

**Chart 1. Monthly S&P 500 Returns – 1/1988 to 8/2018**



Source: Morningstar

**Year-to-date performance appears to be a much more effective indicator as to September's success.** Since 1988, 31 years, the market performance through August has been positive 23 times. The subsequent September was positive 15 of the 23 times or 65% of the time. Eight of the 31 times

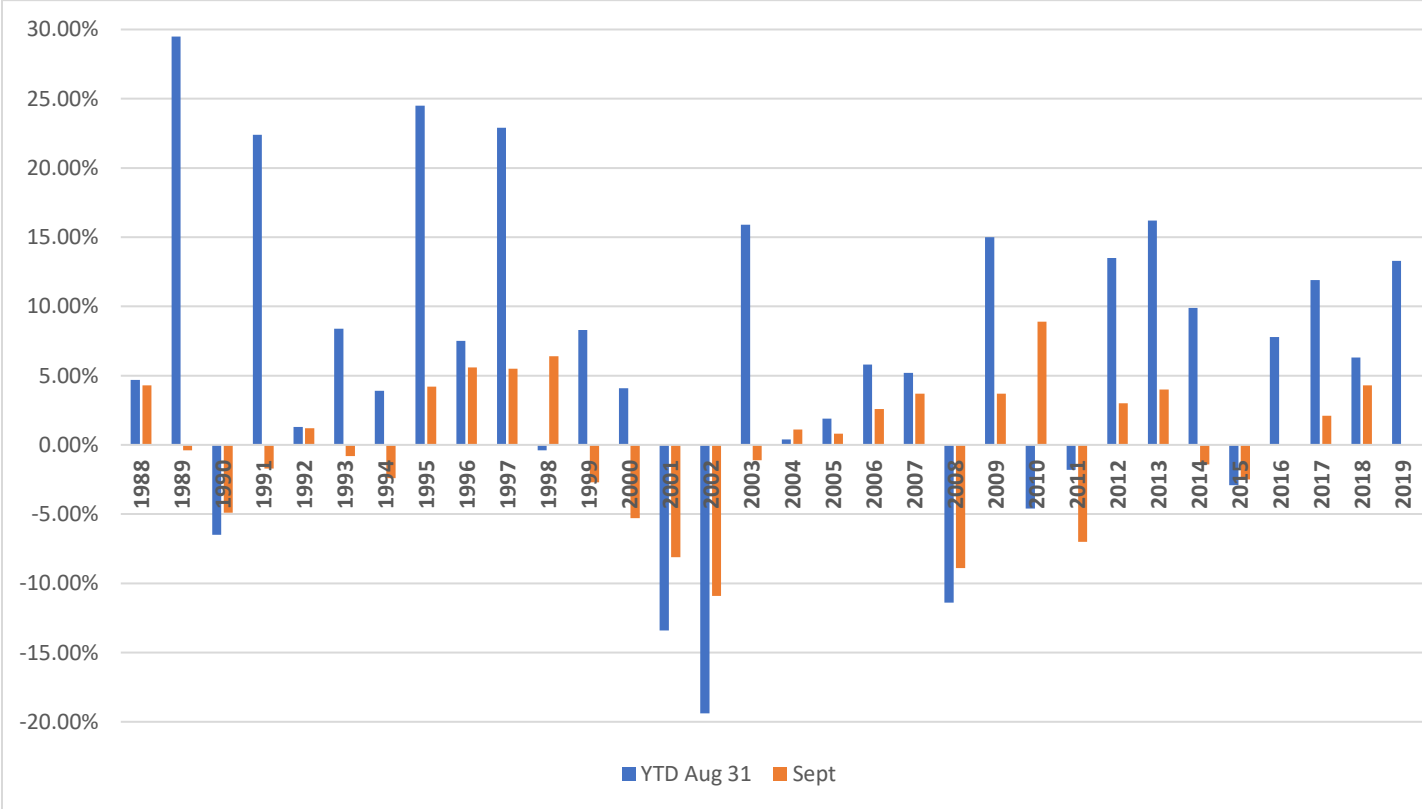
# Quantitative Investment Decisions

*The Safety Net For Your Portfolio*

YTD performance was negative, 75% of the time September was also negative. The markets return YTD as of 8/13/2019 was a positive 13.3%. Therefore, based on history, we have a 2-1 probability of being positive in September 2019, the party continues.

In 2018 we cautioned investors from going to sidelines at the end of August as we felt September had a high probability to be positive given year-to-date performance was over 6%. Our concern for remainder of the year was that our stock market predictor model was +/- 5% for 2018 and therefore, was at the higher end of our expected range. Our stock market predicted range for 2019 is +13% and 26%. Therefore, we are currently at the low end of the 2019 expected range with a month-end expected S&P 500 high of 3185. We believe it is too early for traders to leave the party. Long-term investors should stay the course.

**Chart 3. Annual performance YTD as of August vs September**



Source: Morningstar

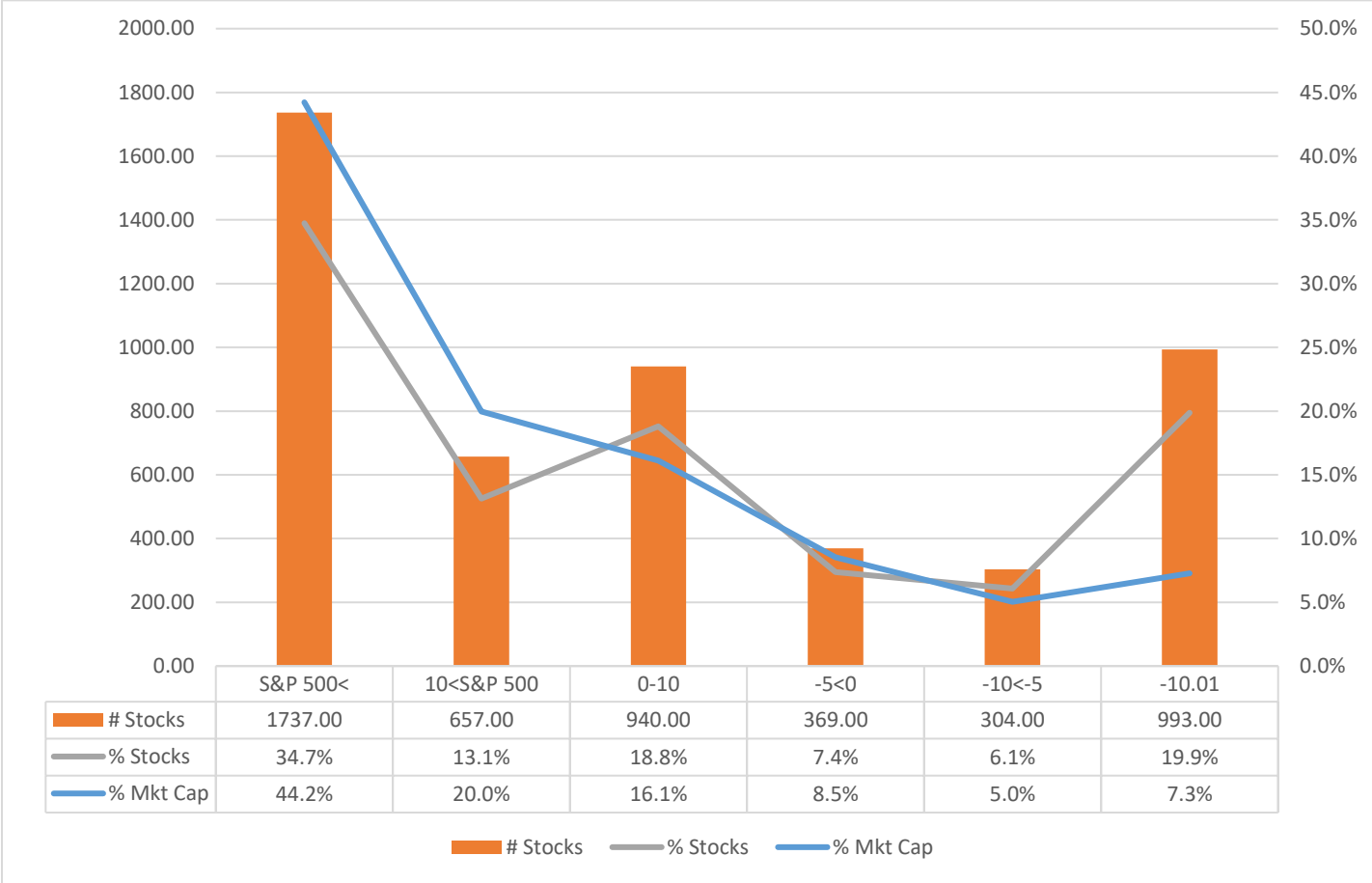
**However, what could be different this time around?** Another factor that investors should be aware of is the fact that mutual funds are required to close their books during the 4<sup>th</sup> quarter of the year. To avoid paying excessive taxes, the portfolio manager tends to sell stocks selling at a loss to

# Quantitative Investment Decisions

*The Safety Net For Your Portfolio*

reduce distributions. Through August 9, 2019, 34.7% of the U.S. domiciled and listed stocks performance was above the S&P 500. The outperformers represented 44% of the market cap value.

**Table 4. 2018 YTD Performance of U.S. Domiciled and Listed Businesses with a Stock Price above \$5.00**



Source: Morningstar

The number of stocks and representative market cap of companies that exceeded the market to date performance for 2019 was below 2018’s of 45% and 56%, respectively. Given that 2019 performance for first 8 months were stronger than 2018 13.3% vs 6.3%, it is not surprising that the number of stocks with zero or higher return for 2019 was 66.6% of the stocks and 80.1% of the market cap, much higher than 2018’s 59.4% and 72% respectively. We were not able to determine historical numbers for comparison prior to 2018. However, we expect that 66.6% of the number of stocks and 80.1% of the market capitalization should leave portfolio managers with few losing stocks to shed. The impact of mutual funds has diminished as assets have flowed to ETFs. ETFs tend to be less sensitive to tax implications as their holdings are more stable.

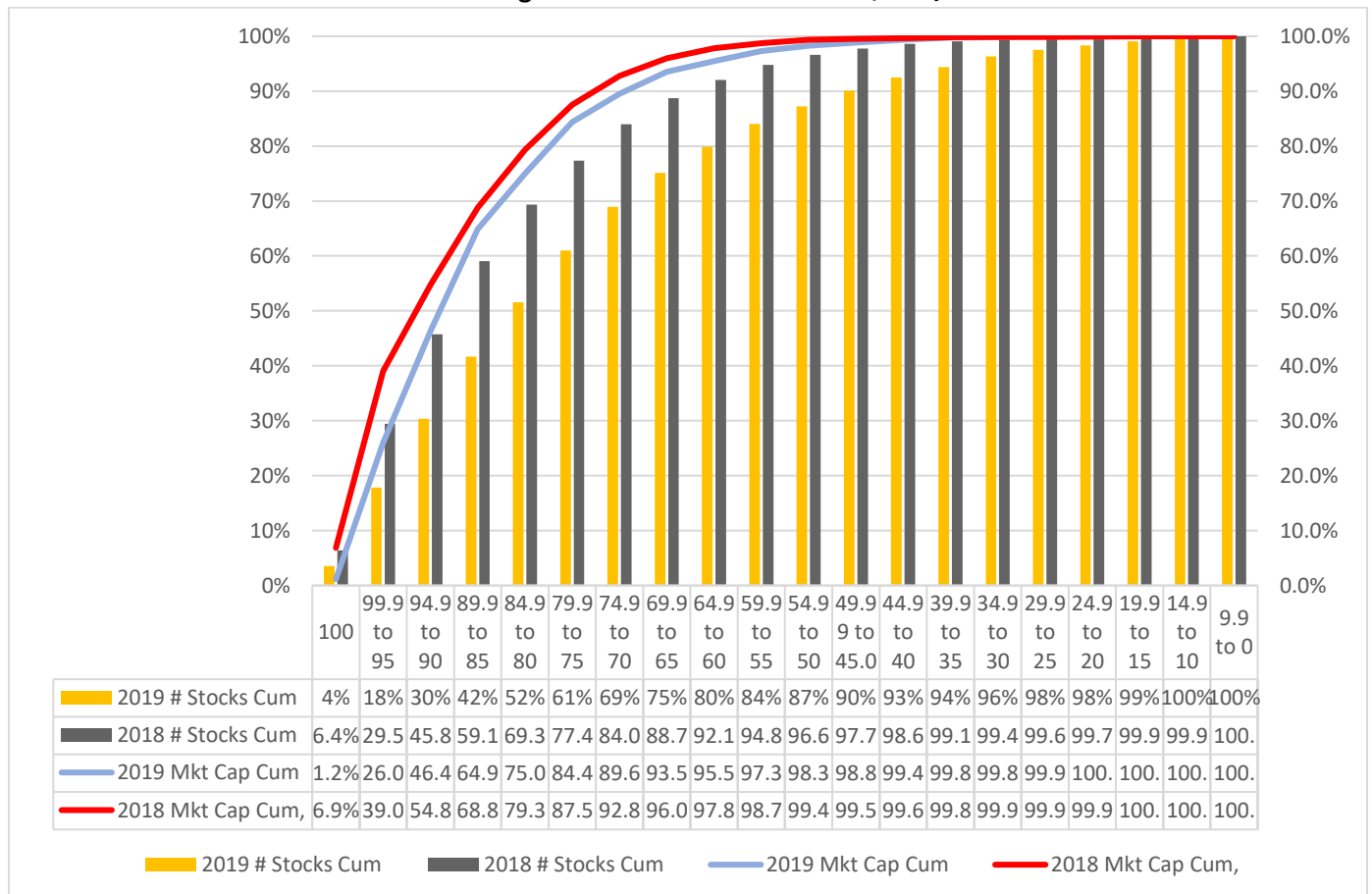
# Quantitative Investment Decisions

*The Safety Net For Your Portfolio*

## What else should investors consider determining September's potential performance?

Current price to 52-week high may also help in determining potential pressure on stocks in September. The lower the price is to 52-week high may indicate the potential for tax loss selling. Granted, investors may have sold the prior year-end, but it does seem to help in identifying potential pressure. For 2019 the cumulative number of stocks that are above 80% of its 52-week high is 52%, this is much lower than 2018's 69%. The pressure would appear to be on the smaller capitalization stocks as the % of market capitalization is much closer for 2019 vs. 2018 at 75% vs. 79%. In chart 5 below, we note the number of stocks and market cap that is represented by every 5 percentage points. As noted, 6% of the stocks and 7% of the market cap is at their 52-week high. 30% of the stocks and 46% of the market cap are at 90% of their 52-week high. This may lead to September 2019 gains to be lower than 2018's 4.29%. In 2018, 46% of the stocks and 55% of the market caps were in the 90<sup>th</sup> percentile of their 52-week highs.

**Chart 5. Current Stock Price to 52 Week High for All U.S. Listed Stocks > \$5.00/share**



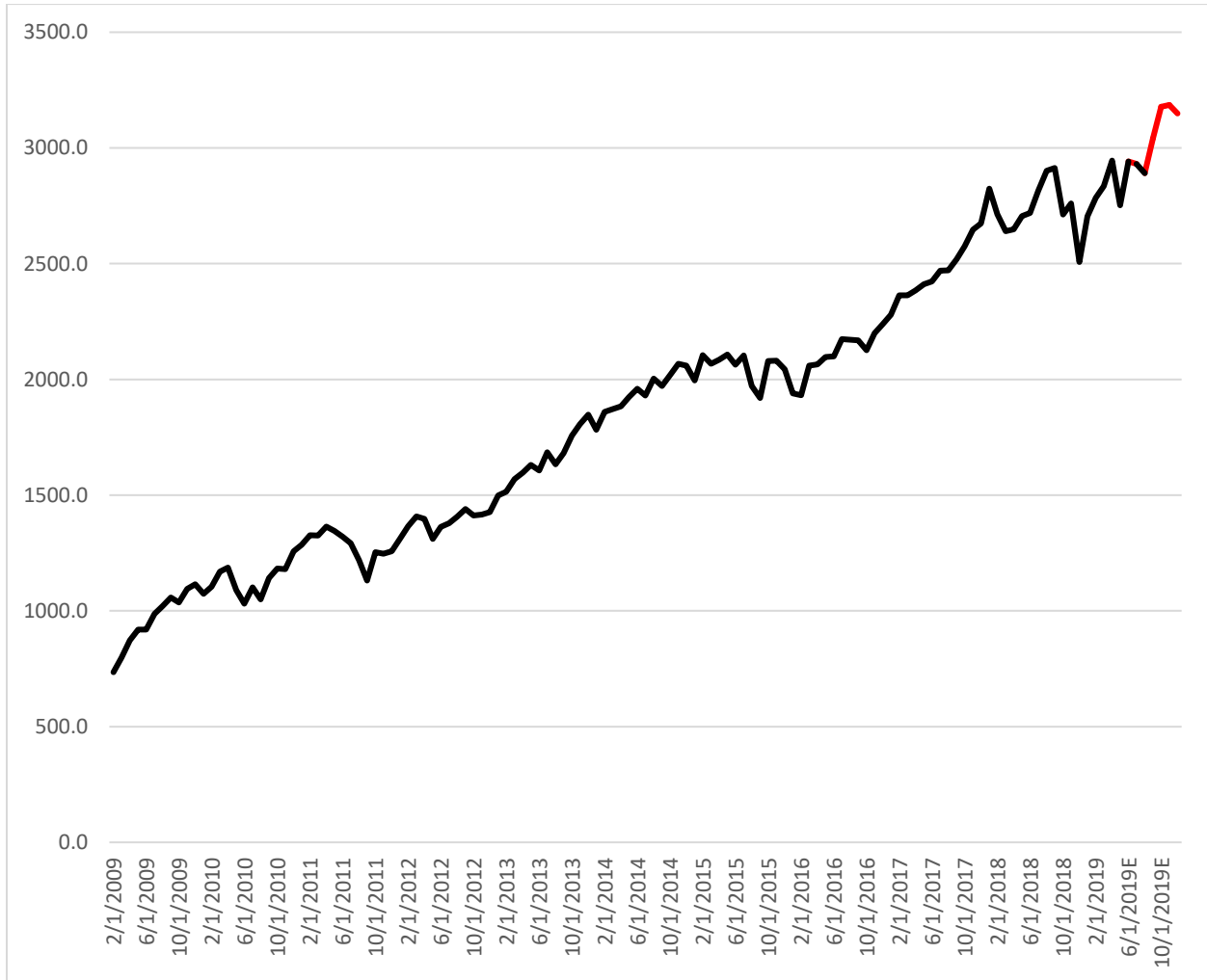
Source: Morningstar

# Quantitative Investment Decisions

*The Safety Net For Your Portfolio*

**The predictive market model is still flashing green.** The estimate for September is a gain of 2.09% followed by a 4.48% estimated gain for October, see exhibit 7 below. Stay tuned for our estimates for November through February, a change may be headed our way at year-end.

**Exhibit 6. S&P 500 Market Estimator Model**



Source: Morningstar and QIDLLC

Estimated S&P 500 Index.

**Exhibit 7. Month S&P 500 Estimated Return August 2019 to November 2019.**

Month	August	September	October	November
S&P 500 Estimated Return	-0.18%	2.09%	4.48%	0.25%

Source: QIDLLC

# Quantitative Investment Decisions

*The Safety Net For Your Portfolio*

## Disclosures

**Quantitative Investment Decisions, LLC ("QID") claims compliance with the Global Investment Performance Standards (GIPS®).**

### Firm Definition

Quantitative Investment Decisions, LLC ("QID" or the "Advisor") is registered investment advisor in the state of Florida organized as a Limited Liability Company ("LLC") under the laws of the State of Delaware, whose principle place of business is in Naples, FL. The entire investment team and critical operations staff became affiliated with QID on January 2, 2015.

QID reviews a total firm AUM report broken out by account on a quarterly basis to ensure that only actual assets managed, or sub-advised, by QID are included. All accounts deemed to be advisory only, hypothetical, or model in nature are excluded from total firm AUM. Total firm assets are all discretionary (whether fee-paying or not) for which QID has investment management responsibility, including assets managed by sub-advisors that QID has authority to select.

### Obtaining a Compliant Presentation and the Firm's List of Composite Descriptions

A compliant presentation, including the performance data for the composite, may be obtained by contacting QID at 239.631.8912 or by emailing [info@qidllc.com](mailto:info@qidllc.com).

The Quantitative Investment Decisions' (QID) Tactical U.S. Equity Strategy, Tactical International Equity Strategy, Tactical U.S. Fixed Income Strategy, and the Tactical Alternative Investments Strategy are long-term growth portfolios that invests in Exchange Traded Funds (ETF) as markets are rising and scales to cash as markets weaken using a trading algorithm. Their objective is capital appreciation. The portfolios represent United States markets, international markets, United States fixed-income markets and a blend of commodities and REITs that constitute the alternative investments strategy. The charts above show the total return, including reinvestment of all dividends. Returns are shown net (NR) of management fees and transaction fees for the composite account of the portfolios. The U.S. dollar is the currency used to express performance. QID claims compliance with the Global Investment Performance Standards (GIPS®). QID has been independently verified and its composites receive a quarterly performance examination by Ashland Partners & Company, LLP. **From April 30, 2012 through December 31, 2015 the performance shown is that of a composite of client accounts according to the dictates of the Program.** The quantitative engine providing strategy signals was enhanced effective April 1, 2014. The portfolio weighting scheme was also enhanced effective September 1, 2014.

Benchmarks are used for comparison purposes to correlate to each portfolio. The returns for the indexes shown include dividend reinvestment. Individual client accounts may have experienced investment results during the corresponding time periods that were materially different from those of the composite returns. **Performance data shown is past performance. Past performance is no guarantee of future results. Investments are subject to risk, and any of QID's investment strategies may lose money. QID's actively managed portfolios may underperform in bull or bear markets. The investment strategy presented is not appropriate for every investor and individual clients should review the terms, conditions and risk involved with specific products or services. The portfolio is constructed with Exchange Traded Funds that seek investment results that, before expenses, generally correspond to the price and yield of a particular index. There is no guarantee that the price and yield performance of the index can be fully matched. ETFs are subject to risks similar to those of stocks.**

### Risks

No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment. Asset allocation, nor diversification, does not guarantee a profit or protect against loss. Investment returns may fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost. **All investments include a risk of loss that clients should be prepared to endure. Quantitative Investment Decision's actively managed portfolio may underperform in bull or bear markets.**

---