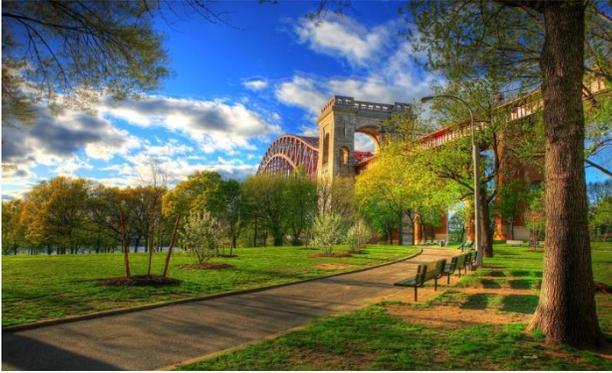




# Astoria Portfolio Advisors LLC.

John Davi, Chief Investment Officer  
September 2017





Astoria Park / Hells Gate Bridge.  
Source: <http://inno68.deviantart.com/art/Astoria-Park-Hells-Gate-Bridge-163093412>

## Background

- Cross Asset & Quantitative Research
- ETF Product Expertise
- Portfolio Construction and Advisory
- Equity Derivatives
- Risk Management

## Low Cost, ETF Model Portfolios

**Astoria Portfolio Advisors LLC specializes in the construction, management and sub-advising of low-cost, ETF Model Portfolios.** The firm utilizes **macroeconomic & quantitative models, cross asset risk indicators, as well as the firm's deep portfolio construction background** with the goal of providing better **risk adjusted returns** across varying economic cycles.



Douglaston, Queens. Source: John Davi.

## Contact Us

99 Wall Street, Suite 1885  
New York, NY 10005  
Work: 212-381-6185  
Email: [jdavi@astoriaportadv.com](mailto:jdavi@astoriaportadv.com)  
Website: [www.astoriaportadv.com](http://www.astoriaportadv.com)  
Twitter: [@AstoriaAdvisors](https://twitter.com/AstoriaAdvisors)  
LinkedIn: <https://www.linkedin.com/in/john-davi-93414510/>

# Astoria Portfolio Advisors' Macro Insights

- **Astoria Portfolio Advisors** (“Astoria”) outlined our **pro-growth, cyclical bias** in our **July** and **August Macro Insights** ([read here](#) and [here](#)). We remain **constructive** given (1) earnings globally remain in an **upward trajectory** (2) financial conditions remain **very loose** (3) realized inflation remains **subdued** (4) central banks remain **accommodative**.
- The combination of the above mentioned factors is driving **levered growth complexes** like **Emerging Market Equities** and **International Small Caps** which are up **25-30% YTD**.
- We have repeatedly been asked what would cause us to **reduce our cyclical bias**. Of the **50+** indicators and models that we monitor, there are several that would **ignite risk reduction**:
  - (1) aggressive **Fed tightening**
  - (2) an **inverted** yield curve
  - (3) significantly **tighter financial conditions**
  - (4) **deterioration** in the **global earnings cycle**
- In this month's **Macro Insights** we discuss the solutions and characteristics of our **Multi Asset Risk Allocation Model Portfolio**.

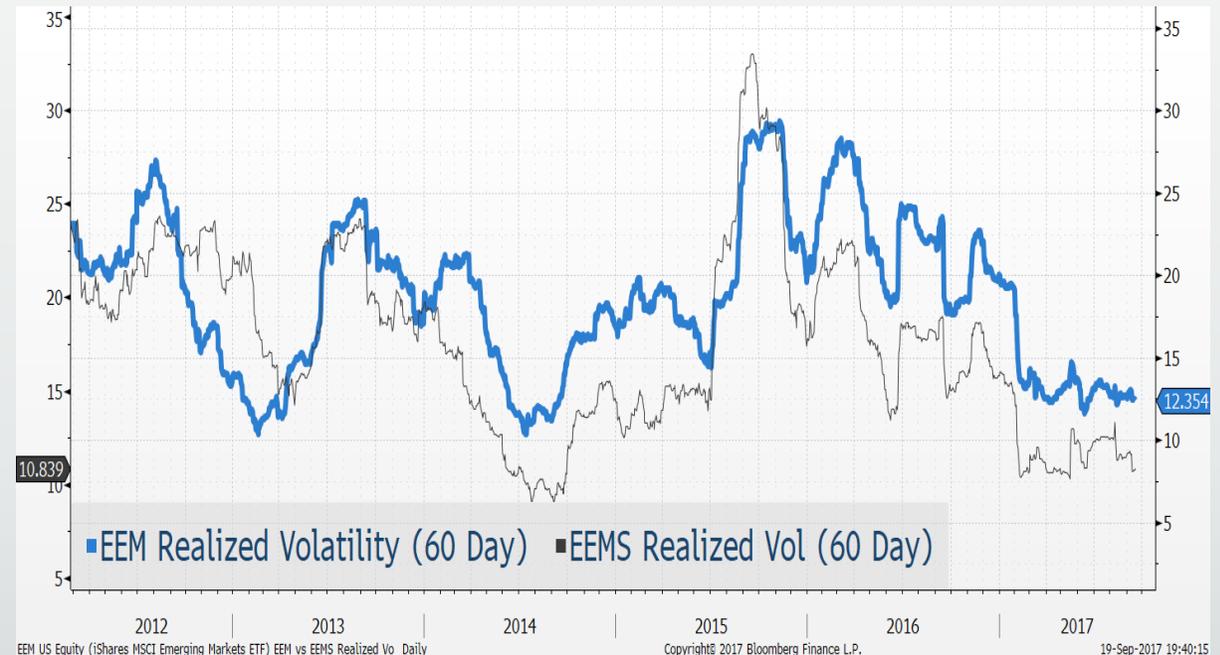
**Our Macro Insights deck is updated on a monthly basis. Refer to our website for updates**  
<https://www.astoriaportadv.com>

# Astoria has Been OW International Equities Since Last Year Which is a Key Driver Behind this Year's Outperformance

## ○ International ETFs:

- For our Emerging Market Equities we are utilizing **IEMG** (all cap EM) and **EPI** (India). **IEMG** includes EM Small Cap stocks which have a **lower beta** and **lower volatility** compared to EM Large Caps which makes it valuable from a portfolio construction standpoint.
- We previously highlighted why we like India ([read here](#)).
- For our Developed Markets ex-US Large Cap exposures, Astoria owns **ACWX** (DM ex-US unhedged), **DBEF** (MSCI EAFE), **HEDJ** (Europe hedged), **DXJ** (Japan hedged), & **JHDG** (Japan unhedged).

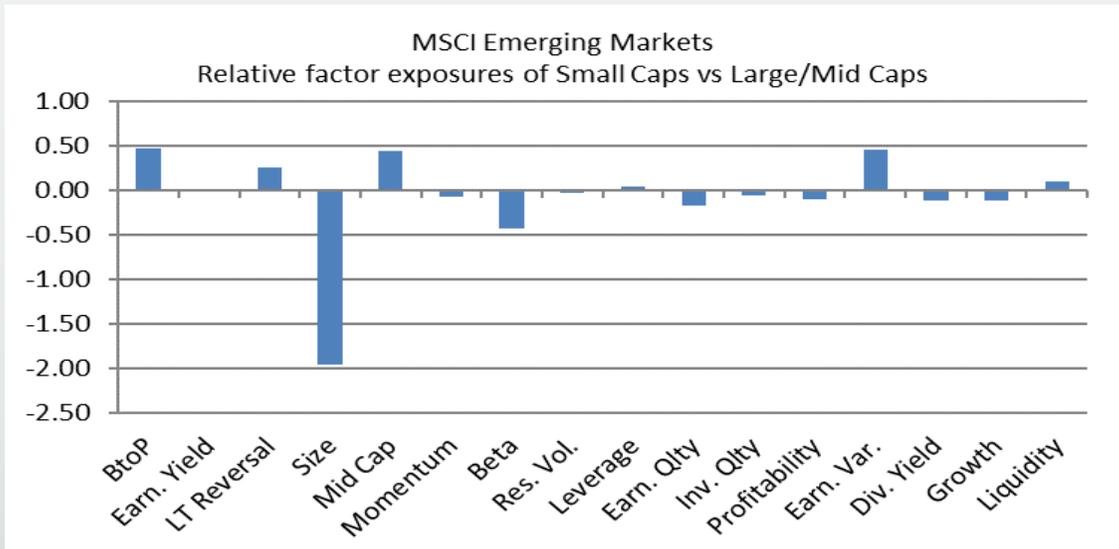
EM Small Caps have lower volatility and lower beta (0.76) compared to EM Large Caps. This is contrary to the US equity market place.



# International Small Caps Have Important Portfolio Diversification Benefits

- How many research reports do you read on International Small Caps? Get our point?
- In an environment of **increased global growth, muted inflation, and an upswing in the global earnings cycle**, International Small Caps are **attractive**.
- Compared to Large Caps, International Small Caps have
  - (1) **lower correlations**
  - (2) are **pure plays** on local economies around the world
  - (3) have **varying** factor and sector exposures
  - (4) have **important diversification benefits** within a global equity portfolio
- In August we added
  - **DFE** (European Small Caps unhedged)
  - **EWX** (EM Small Caps unhedged)
  - **SCHC** (DM ex US Small Cap unhedged)
  - **SCZ** (MSCI EAFE Small Caps unhedged)

International Small Caps historically have had a value bias (positive skew to book to price) but higher earnings variability.

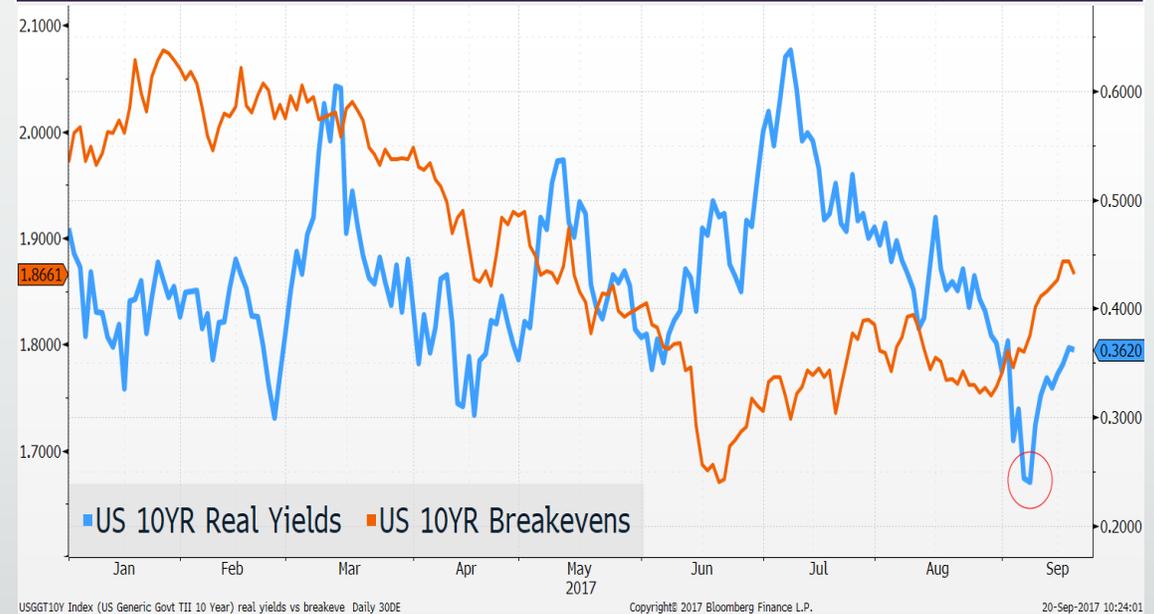


Source: MSCI Barra. Based on MSCI Barra's GEMLT average active factor exposures from Dec. 1998 to June 2017

# Gold Has Done Well Despite this Summer's Flatten in Real Yields

- **US ETFs:** We are significantly **UW** the US. We own **VTI** which is a play on the **smaller cap, value bias** in the marketplace.
  - We added **SCHA** (US Small Caps) as the disconnect between Small Caps and the broader market got too stretched.
  - We are also utilizing **KBWB** (US Banks) given our **constructive** view on US Large Cap banks.
- **Was Risk too Low?** This summer we noticed several strange occurrences (1) EEM realized volatility fell below NASDAQ volatility (2) VIX traded below 10 (3) SPX 30 day realized volatility reached 5. **Complacency** was rampant which made us a bit uncomfortable.
- We felt it was prudent to **implement hedges** (that carry well) ahead of what has been historically a rough period for equities.
- **Gold:** We increased our **Gold** exposure (**IAU & SGOL**) and **cash** (the **only true uncorrelated asset**) in mid August. We also added **ZROZ** (Zero Coupon bonds) and **TLT** (Long Dated US Treasuries) to further **soften the portfolio's volatility**.
- These hedges were implemented on a **short term tactical basis**.

**10 Year US Real Yields (blue line) has spiked higher in September as US 10YR Breakevens (orange line) have increased.**

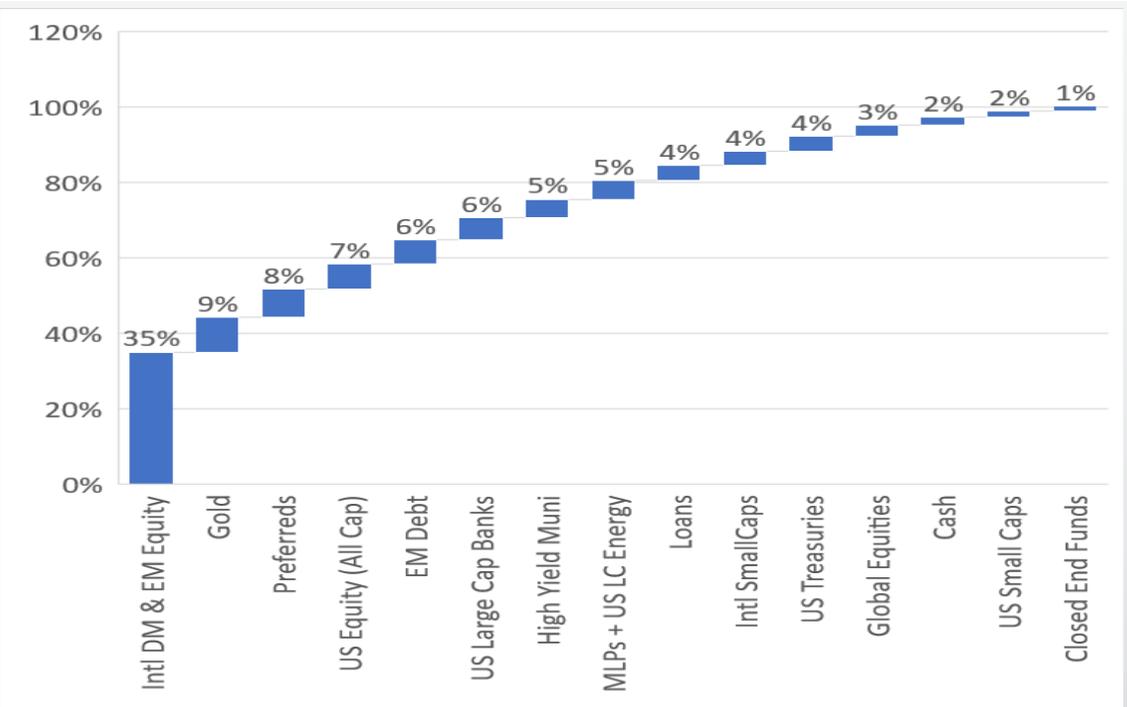


Sources: Bloomberg, Astoria Portfolio Advisors LLC

# We Value Income Strategies as They Help Reduce our Portfolio Risk

- Astoria's **Multi Asset Risk Allocation** portfolio contains an income sleeve. The total current dividend yield for our model is **2.95%**.
- Can there be any value in Fixed Income after seeing **\$2 trillion of inflows since 2007**? It's not easy to find value and there are bubbles throughout the asset class. However, we would note the following:
  - When factoring in the **yield relative to the risk** you are taking, Preferreds are attractive. **PFF** yields **5.67%** and the median 30 day realized volatility over the past 5 years is **4.5%**.
  - **PFF** also fits our **constructive view** on US Large Cap banks which make up **40%** of the ETF. PFF yields **5.6%** and **33%** of the bonds are rated **AAA**. Duration = **3.6**.
  - We recently wrote an article on **PFF** via **ETF.com** ([click here](#)).
- **EMB, HYD, BKLN/SRLN**, and **AMLPL** are other substantive income strategies in our model.

## Astoria's Multi Asset Risk Allocation Model Portfolio Weights (Sep '17)



Sources: Astoria Portfolio Advisors LLC

Note that the US Treasuries Category Includes Zero Coupon Bonds. Contact us for refined breakdown of our model.

# Important Disclosure Information

Astoria Portfolio Advisors LLC is a registered investment adviser. Information presented is for educational purposes only and does not intend to make an offer or solicitation for the sale or purchase of any specific securities, investments, or investment strategies. Investments involve risk and, unless otherwise stated, are not guaranteed. Be sure to first consult with a qualified financial adviser and/or tax professional before implementing any strategy discussed herein. Past performance is not indicative of future performance. Indices are typically not available for direct investment, are unmanaged, and do not incur fees or expenses.

This information contained herein has been prepared by Astoria Portfolio Advisors LLC on the basis of publicly available information, internally developed data and other third party sources believed to be reliable. Astoria Portfolio Advisors LLC has not sought to independently verify information obtained from public and third party sources and makes no representations or warranties as to accuracy, completeness or reliability of such information.

All opinions and views constitute judgments as of the date of writing without regard to the date on which the reader may receive or access the information and are subject to change at any time without notice and with no obligation to update. This material is for informational and illustrative purposes only and is intended solely for the information of those to whom it is distributed by Astoria Portfolio Advisors LLC. No part of this material may be reproduced or retransmitted in any manner without the prior written permission of Astoria Portfolio Advisors LLC.

Astoria Portfolio Advisors LLC does not represent, warrant or guarantee that this information is suitable for any investment purpose and it should not be used as a basis for investment decisions. This material should not be viewed as a current or past recommendation or a solicitation of an offer to buy or sell any securities or investment products or to adopt any investment strategy.

The reader should not assume that any investments in companies, securities, sectors, strategies and/or markets identified or described herein were or will be profitable and no representation is made that any investor will or is likely to achieve results comparable to those shown or will make any profit or will be able to avoid incurring substantial losses. Performance differences for certain investors may occur due to various factors, including timing of investment. Investment return will fluctuate and may be volatile, especially over short time horizons.

Investing entails risks, including possible loss or some or all of the investor's principal. The investment views and market opinions/analyses expressed herein may not reflect those of Astoria Portfolio Advisors LLC as a whole and different views may be expressed based on different investment styles, objectives, views or philosophies. To the extent that these materials contain statements about the future, such statements are forward looking and subject to a number of risks and uncertainties.

# Important Disclosure Information

There are no warranties implied.

Astoria Portfolio Advisors LLC is a New York based registered investment adviser. Astoria Portfolio Advisors LLC may only transact business in those states in which it is registered, or qualifies for an exemption or exclusion from registration requirements. Astoria Portfolio Advisors LLC's web site is limited to the dissemination of general information pertaining to its advisory services, together with access to additional investment-related information, publications, and links.

Accordingly, the publication of Astoria Portfolio Advisors LLC's website on the Internet should not be construed by any consumer and/or prospective client as Astoria Portfolio Advisors LLC's solicitation to effect, or attempt to effect transactions in securities, or the rendering of personalized investment advice for compensation, over the Internet. Any subsequent, direct communication by Astoria Portfolio Advisors LLC with a prospective client shall be conducted by a representative that is either registered or qualifies for an exemption or exclusion from registration in the state where the prospective client resides.

For information pertaining to the registration status of Astoria Portfolio Advisors LLC, please contact the state securities regulators for those states in which Astoria Portfolio Advisors LLC maintains a registration filing. A copy of Astoria Portfolio Advisors LLC's current written disclosure statement discussing RIA Firm Name's business operations, services, and fees is available at the SEC's investment adviser public information website – [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or from Astoria Portfolio Advisors LLC upon written request.

Astoria Portfolio Advisors LLC does not make any representations or warranties as to the accuracy, timeliness, suitability, completeness, or relevance of any information prepared by any unaffiliated third party, whether linked to Astoria Portfolio Advisors LLC's web site or incorporated herein, and takes no responsibility therefor. All such information is provided solely for convenience purposes only and all users thereof should be guided accordingly.

Astoria Portfolio Advisors' website and information are provided for guidance and information purposes only. Investments involve risk and unless otherwise stated, are not guaranteed. Be sure to first consult with a qualified financial adviser and/or tax professional before implementing any strategy. Astoria Portfolio Advisors' website and information are not intended to provide investment, tax, or legal advice.