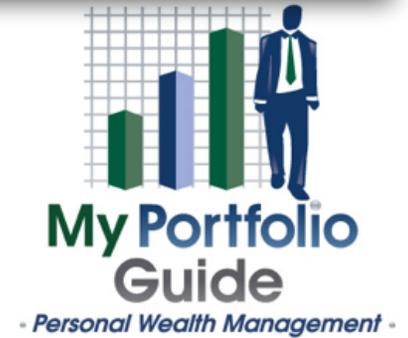


the Guide



INSIDE THIS ISSUE :

FEAR OF HEIGHTS

Be a student of history and pay attention to charts, however, be more weary of false signals especially at all-time highs.

MARKET RECAP

How did the stock market do last quarter? Take a look at how different benchmarks and indexes did versus your own portfolio. What's on the horizon?

EDUCATION CORNER

Most people listen to hot stock picks and always want to find the next big thing but should you, and what are your odds of success in doing so?

NEWS & NOTES CALENDAR

There is no shortage of investment choices out there but we're excited to share some new innovations that we'll be rolling out in the year to come! Our goal is to make investing simpler, efficient, and more honest for all those we serve.

False Signals

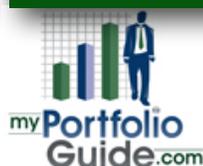


In today's world of 24/7 media coverage there is no shortage of news, opinions, and noise to clutter your mind and ultimately your investment success. We're now halfway through the year and almost every single economic pundit or financial media talking head has been dead wrong for the greater part of two years.

Most recently a technical (charting) signal made headlines amongst traders signaling a "major" market warning. The Hindenburg Omen was recently triggered (again) and caused many people to panic. Like many technical signals it can paint a narrative that stirs emotions and cause people to make irrational decisions. My Portfolio Guide, LLC definitely pays attention to charts but we don't solely rely on them as in our opinion it's akin to driving a car looking for obstacles using the rear view mirror as opposed to the windshield.

If you've never heard of the Hindenburg Omen, it was created in 1937 and is given credit for signaling the peaks of 1987, 1999, 2007, and 2021. This indicator uses the percentage of stocks in the market at 52-week highs and lows to measure the potential of an impending market crash. To that point, we do think there are some warning signs about market leadership and a concentration of tech/AI stocks leading the charge upwards. Also to its credit, and unlike many other market signals, it has not been retrofitted to suit a narrative like many are designed to so theoretically it eliminates hindsight bias. Although the Hindenburg Omen often precedes market corrections it doesn't necessarily predict immediate market downturns which makes us think it's more like a broken clock that is eventually right twice a day.

What experts or fearful headlines won't tell you is that this particular signal has a success rate of only about 25%. In the "Education Corner" of '*the Guide*' we will cover some of the concerns with recent market highs but also dig into what the odds are for those who are trying to pick stocks. Enjoy!



	2024 YTD	2023	2022	2021	2020	2019	2018	2017
20 / 80	1.18%	6.17%	-15.51%	2.26%	6.29%	8.88%	-3.90%	4.71%
40 / 60	4.50%	10.83%	-16.51%	8.32%	8.13%	11.13%	-4.70%	8.44%
50 / 50	6.17%	13.16%	-17.01%	11.35%	9.02%	12.25%	-5.09%	10.31%
60 / 40	7.83%	15.50%	-17.51%	14.38%	9.90%	13.38%	-5.49%	12.17%
70 / 30	9.49%	17.83%	-18.01%	17.41%	10.76%	14.50%	-5.89%	14.04%
80 / 20	11.16%	20.17%	-18.50%	20.45%	11.60%	15.62%	-6.29%	15.90%
S&P 500	14.49%	24.83%	-19.50%	26.51%	15.26%	17.90%	-7.74%	20.37%
Mid Cap	5.29%	15.82%	-14.93%	22.36%	11.39%	12.70%	-13.19%	18.37%
Small Cap	-1.54%	14.28%	-17.55%	23.89%	9.65%	12.50%	-13.44%	15.51%
MSCI EAFE	5.63%	14.81%	-24.41%	7.12%	15.88%	6.90%	-14.82%	25.19%
Emerging	6.38%	6.27%	-20.85%	-3.15%	9.88%	4.30%	-17.00%	30.52%
Bonds	-2.15%	1.50%	-14.52%	-3.79%	4.59%	6.80%	-3.01%	0.68%

MARKET RECAP

How did the "Market" do ???

Never rely on the media to tell you "how the market did". The answer is different for everyone because investors should be allocated specific to *their* goals and risk tolerance.

The above chart shows several (6) basic portfolio allocations with their corresponding performance over different time periods.

60 / 40, for example, represents 60% in the S&P 500 and 40% in the U.S. Aggregate Bond Index. Other major indexes are also posted (S&P 500, Mid, Small etc) MSCI EAFE represents 23 developed International countries except for the US or Canada.

This edition of *the Guide* discusses active stock picking versus the above referenced indexes and blended benchmarks. Here's a stat to chew on...Of all mutual funds which actively pick stocks, we pulled a study that screened the top 2,132 funds that performed the best over five years. Guess how many beat their respective index? Not one! So...what's working and what's not in regards to the major assets classes? We go back to the cover page and our brief discussion of the "Hindenburg Omen". While this indicator relies on the breadth of the market, it may not accurately predict a drop in the market as the talking heads lead us to believe. True, market leadership is still being driven by just a handful of stocks (NVIDIA, Amazon, Meta, Microsoft, and Alphabet-Google), but until any of them take a break you can expect this Large Cap rally to remain in place for the remainder of the year. Over 50% of US stocks outside of the S&P 500 index are actually down year to date! The overall environment right now points to what we've talked about for the greater part of two years which is an economic "soft landing". A year ago we were supposed to have "the recession of all recessions" and this year pundits predicted at least six interest rate cuts; neither have come to fruition and don't expect them to materialize no matter how loud the noise gets. Not that past market performance has any predictive ability, but when a year recording new highs hits 20 or more all-time highs at the midpoint of the year happens, we've seen an average of +9.3% returns and a higher finish +71.6% of the time. Great odds to keep your head down and not distracted by fearful headlines. Bonds, Commodities, Small/Mid Caps had another negative quarter. The broad Real Estate index is also flat to down over 5 years. Even our beloved exposure to Gold took a little break this quarter but remains a strong position in our allocation and portfolio stance. Gold is still up +12.9% YTD and we think it will not only hold serve but has another substantial bump left in it if we should ever get that first interest rate cut. Current odds of a rate cut in Q3 is at 72.9%.

Economic sector wise, we've of course seen outperformance from Technology but what happens when the party music slows down? Q3 last year saw this exact break, albeit short-lived, and beaten down sectors like Energy and Financials led the charge as the whole market took a breather. Forecasts in Technology point to a deceleration in earnings growth so while many chase the FOMO trade (fear of missing out), much of it is very well priced into the current market levels. Expect that again at some point and if you're overweighted in Tech, now is a decent time to take a few chips off the table in preparation.

In the meantime... **"Stay disciplined to stay positive" -MPG**

EDUCATION CORNER

Stock Picking Futility

“Stock picking is like gambling: those who win well, seldom bet, but when they do, they bet heavily.”

-Charlie Munger



Brutal odds...

Everyone has great intentions and wants to pick the next Microsoft, Apple, or NVIDIA. Many investors have CNBC or some financial news channel blaring on their televisions and basically influencing their minds to consider buying a hot stock. What are your odds of success in picking a stock over that of just being exposed to a broad market index?

The bottom line and hard truth on this is that selecting individual stocks is extraordinarily difficult and while every once in a while you can hit a home run, most often you will find yourself with a stock that underperforms the broad market over time. One study published by Hendrik Bessembinder (Arizona State University) in March of 2023 revealed that the majority of individual stocks never outperformed a one month U.S. Treasury bond over the time period of January 1990 to December 2020! Think about that for a second...A treasury bond is generally considered a risk-free investment and yet most stock pickers take on all the risks and angst of the stock market to basically underperform “sleep well at night” money. Furthermore, during this time period of 30 years, the top 2.4% of stocks accounted for the net gain of the entire global stock market! Those are dismal odds of thinking that one can consistently outperform the stock market index, so

My Portfolio Guide, LLC - Seal Beach, CA

why even do it?

90% of retail investors lose money in the stock market. That’s staggering data that we should not ignore and the earlier you learn that the better off you’ll be. OK, so those stats are for “Joe and Jane six pack” sitting at home listening to Jim Cramer or their neighbors, colleagues etc, right? Nope...Data shows that 82% of professional money managers also underperform the respective index that they’re trying to beat!

Monkey Business

In 1973 a Princeton University professor, Burton Malkiel, claimed that “a blindfolded monkey throwing darts at newspaper’s financial pages could select a portfolio that would do just as well as one carefully selected by experts.” Sadly enough, a study showed simulated results of 100 monkeys throwing darts at a newspaper outperformed the stock market by an average of 1.7% per year since 1964! There are plenty of reasons why this could be, perhaps one being that randomly picking Small Cap stocks, albeit more volatile, tend to outperform over longer periods of time. Regardless, before going out and buying a stock picking monkey, improve your odds by simply investing in the stock market index.



What about Artificial Intelligence?

Artificial Intelligence (AI) has taken the world by storm lately. We're not going to spend any time on sharing which AI stocks you should be picking, because that not only goes counter to the premise of this section in our Education Corner, but rather share some thoughts on how it will change the investing landscape and stock picking algorithms in general.

Using AI for stock picking is still in its infancy and evolving quicker than ever imagined. The jury is out on what the next chapter looks like but our take is not so much in AI helping retail investors but rather institutional ones in how they vet investments. The advent of AI is perhaps dangerous on several levels but offers fascinating tools for portfolio optimization as well as slashing tons of hours in the research process and most definitely has shown ways to enhance portfolio metrics scraping immense amounts of data that's available.

Where we mainly see AI helping money managers is not so much in the way of picking stocks to buy but more during nasty bear markets and the ability or decision process on *when to sell*. When the market is roaring anyone invested typically looks like a genius, but it's when the markets are on thin ice that certain vetted and reliable indicators can enhance returns to mitigate losses.

Buying is easy...selling, not so much!

Humans are naturally wired to be optimistic when dealing with a blank canvas and presented with an opportunity to buy something. We all go into something with the idea that it was either well researched, makes sense, and has the promise to be a game changer. The pitfall of picking a stock is not having an exit strategy or end goal in mind. The great Warren Buffett has often said that

anyone with an average level of intelligence can be a successful investor if they have the temperament to do it. *That...* is the issue though, most of us get in our own way and succumb to emotions. If you've picked a loser stock it's hard to sell and take the loss. Studies show that the pain of a loss is about two and a half times more than the pleasure of a win. This cognitive bias is hard wired in our human brains and knowing that going in is more than half the battle.

Speaking of Mr. Buffett, he won't buy a stock after vetting it without a fundamental reason to change his stance and a long-term mindset from the outset. *"If you aren't thinking about owning a stock for 10 years, don't even think about owning it for 10 minutes"*.

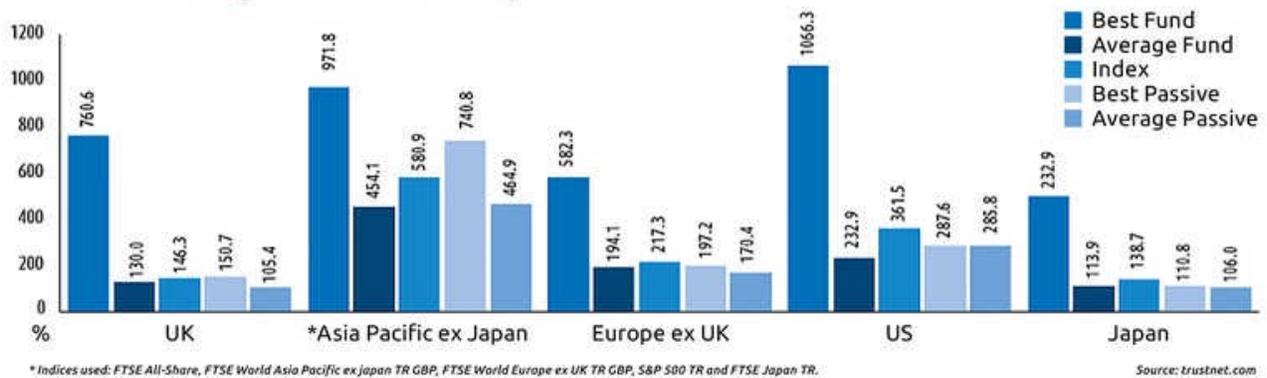
Selling a stock that you've had the good fortune of being way up on is almost just as difficult as greed inevitably kicks in.

Young folks beware!

Not only are the youth being influenced through social media as we all are, but they are starting with a true blank canvas. They also have the one thing most of us don't, and that is time! Knowing that going in, start with the basics and buy the entire market with one index instead of screwing around trying to find the next Amazon. Whenever we counsel young investors of affluent households we serve, one of the first and perhaps most poorly received messages we deliver is to avoid picking stocks. It's not just for young clients but for those new to our process.

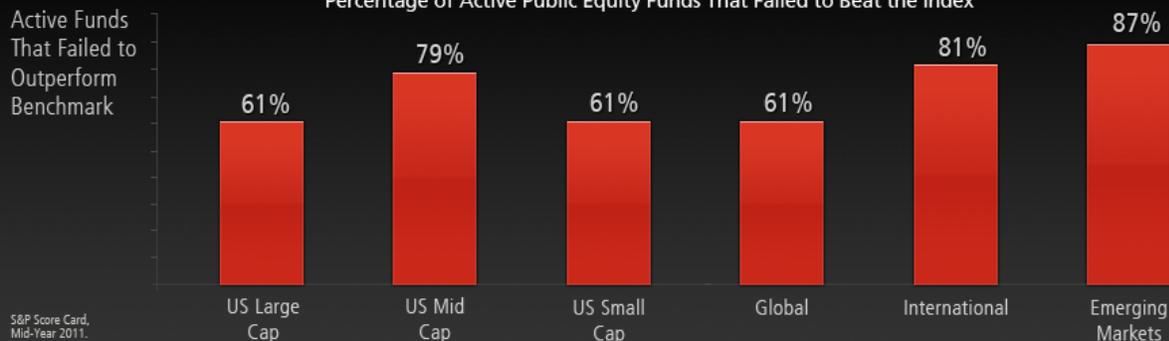
Most people picking stocks (whether professional or novice) end up collecting a "garage sale" of scattered stocks that they no longer really watch, follow closely, or know what to do with. What you end up getting is an incohesive collection of gambles that you become married to and ultimately underperform an intelligently designed portfolio of index funds.

20-year Return Comparison of Active and Passive Funds



The Failure of Active Management

Percentage of Active Public Equity Funds That Failed to Beat the Index



What about Mutual Funds?

Let's get right out front with it..My Portfolio Guide, LLC rarely uses actively managed mutual funds. Again, the data does not support doing so and over time they almost always underperform a passively managed index or Exchange Traded Fund (ETF). The two charts above shows this clearly but also highlights an important additional fact. Every so often there will be a mutual fund that goes on a huge run and outperforms the market; investors then flock to it, the fund grows immensely, internal costs to manage it rise as well, tax inefficiencies become apparent as the manager takes capital gains yet distributes to all shareholders regardless of their specific cost basis, and then inevitably, the fund comes back down to earth. You literally can buy a hot fund that's performed well in times past, the market crashes, and yet you can get saddled with a capital gain even though it's not yours (it's "mutually" owned). This phenomena not only happens all the time but especially after periods of strong market performance, like right now!

What also adds "insult to injury" with actively managed funds, is the silent killer of costs. It's even worse if you're paying an advisor to pick mutual funds or position you in SMA's (Separately Managed Accounts). Not only are those often times glorified index funds just trying to keep up by owning all the same high flying stocks that drive up (or down) the entire market, but you're usually paying at least 1% to 2.50% in hidden costs to have that fund managed.

As tempting as it is, and especially so since they're so heavily marketed to you, avoid them at all costs. These funds and managers usually come with the allure and false promise that since they allegedly vet opportunities better than others, they will outperform of side step that market in bad times. Not so! Matter of fact, it typically gets even worse when bear markets come around. Some asset classes can make the case for stronger market inefficiencies, like International and Emerging Markets, but as you'll see above it's absolute hogwash and actually even harder to beat the index when things are not going well.

News & Notes:



The Truth Business

My Portfolio Guide, LLC and founder Matthew V. Pixa are proud to share that for the 12th year in a row we've been recognized as one of the Top Wealth Managers in Orange County. For our existing clients and readers of *"the Guide"* this may not be news and perhaps redundant, but each year the criteria for evaluation gets tougher and so does the competition. Sadly enough, only about 7% of advisors nationwide even qualify to be considered for this award as they either have inherent conflicts of interest, poor marks on their records, or major client attrition. One constant in this industry is that it's not easy.

Markets go up and down, the competition and news is fierce for your attention, and there is more than an ample supply of "empty suits" who work for their firm as opposed to you. As a true fiduciary, we take our oath to do

what's right for you and your best interest with the highest level of care. While we can't control some of the external factors, like the stock market itself, the one thing we can do is be here for you and your family, guide you appropriately, and always be candid.



My Portfolio Guide, LLC is not just in the financial services business, but rather the "truth business". We sincerely thank all of our loyal clients, friends, support staff and vendors that help us do what we do.

"Nobody cares how much you know until they know how much you care."

-Theodore Roosevelt

MPG Exchange Traded Fund Launch

As our firm has grown over the years, so has the need to think of innovative ways to try and help improve our service offerings. Albeit early to announce this, My Portfolio Guide, LLC is in talks with a platform that will allow us to provide a series of Exchange Traded Funds (ETFs) for investors to choose from. Launching an ETF requires significant capital, adherence to strict compliance regulations, and financial expertise. We're not only exploring these innovations as a way to maintain our firm's scalability, but more so to provide clients honest, efficient, and transparent investment solutions to manage their wealth. Offering viable and trusted alternatives to a needlessly complex menu of choices is one of our main goals in this endeavor. Please stay tuned for additional information on this exciting new development in the year to come.





Events Calendar

CALENDAR:

Q3 Market Strategy

Quarterly Review Recording

Nationwide and via Zoom



July 2024

Multiple Dates

Athletes Touch

Irvine, CA



August 2024

August 21, 2024

Retirement Planning Panel

Long Beach Yacht Club

Long Beach, CA



RSVP (562) 799-5595

Summer is upon us and while the year feels like it just started we're already half way through it?! Get a jump on tackling any new goals or update us on new events and situations in your financial life by scheduling a Q3 2024 Review & Strategy session with us. Do you have any old unattended accounts you wish to revisit or see if they could be more optimized? Has something changed in your life that you wish to see evaluated with regard to your financial house? Are you still waiting to start or update your estate plan? With the markets being up again at the halfway point of the year, are you properly prepared for turbulence? Have you had us run a "Portfolio Stress Test" on your current investments? Do you have a friend, colleague, neighbor, or family member that could use some help and guidance? Learn what we think will be the biggest drivers to the markets in the quarter ahead and remainder of the year. Please reach out to set up your Q3 Review & Strategy session in person or via Zoom if you have not done so already. We can typically keep these to well under an hour and then follow up to create an actionable set of bullet

points you should be taking in the months to come.

Lastly, we want to treat you to a lunch with feeding you something more than just calories...

We moved our signature event up to August 21st so please mark your calendar and come join us! We're hosting a special educational event at the Long Beach Yacht Club. My Portfolio Guide, LLC will be interviewing a panel of experts over lunch on several aspects of **Retirement Planning**. We'll have experts on **Long-Term Care, Estate Planning**, and the pros and cons of **Reverse Mortgages**. This will be one of our best events of the year so please let us know if you'd like to attend.

The My Portfolio Guide, LLC office will be closed for the week of July 22nd to July 26th but with the nature of this business we'll of course be monitoring portfolios, emails, and any urgent requests.

As always, if you're interested in connecting, please contact us directly on our office line at **(562)799-5595** to reserve a time to meet.

