MAI STRATEGIES

VOL. XVII, NO. IV | www.macro-allocation.com | MAY 1, 2017

MAI Tactical - Asset Allocation - May

The MAI Tactical model portfolio is a pro-volatility portfolio - structured to benefit from unexpected market moves and to be un-correlated to common market benchmarks. We made significant portfolio re-weightings and new asset allocations to the MAI Tactical model portfolio as of May 1. Below, please find portfolio holdings and weightings as of May 1 and a discussion of position changes:

M·A·I
Macro Allocation Inc.

MAI Tactical Model Portfolio - Holdings (May 1, 2017)

Asset Class	Sector	Asset	Ticker	L/S	Weight	Gross	Price	Yield
					20.00%	**170.00%**		**-0.21%**
Fixed Income								
DM Sovereign	TSY - Long Term	ProShares 20+ year TSY	TLT	L	20.00%	20.00%	122.35	2.81%
Credit	High Yield	iShares iBoxx $ Inv. Grade Corp Bond	HYG	S	-20.00%	20.00%	88.12	-5.17%
Credit	Inv. Grade	iShares iBoxx $ High Yld Corp Bond	LQD	L	10.00%	10.00%	118.99	3.29%
					10.00%	**50.00%**		**-0.14%**
Equity & Resources								
DM Equity	Value	iShares Russell Value	IWD	L	5.00%	5.00%	114.72	2.16%
DM Equity	Growth	iShares Russell Growth	IWF	S	-5.00%	5.00%	116.33	-1.33%
DM Equity	Preferreds	iShares US Preferred Stock	PFF	L	5.00%	5.00%	39.01	5.67%
DM Equity	Japan	Wisdom Tree Japan Hedged Equity	DXJ	L	5.00%	5.00%	51.07	1.93%
DM Equity	Cons. Discretionary	Consumer Discret Sel Sect SPDR	XLY	S	-10.00%	10.00%	90.06	-1.61%
DM Equity	Financials	Financials Sel Sect SPDR	XLF	S	-10.00%	10.00%	23.53	-1.62%
EM Equity	Emerging Markets	Vanguard FTSE Emerging Markets	VWO	L	5.00%	5.00%	40.34	2.32%
EM Equity	Mining	Rio Tinto	RIO	L	5.00%	5.00%	39.82	4.25%
Real Estate	US Real Estate	Vanguard REIT	VNQ	S	-12.50%	12.50%	82.79	-4.66%
Real Estate	US Homebuilders	iShares US Home Construction	ITB	S	-12.50%	12.50%	32.33	-0.39%
Resources	Uranium	Cameco Corporation	CCJ	L	5.00%	5.00%	9.58	2.80%
Resources	Natural Gas	US Natural Gas Fund LP	UNG	S	-5.00%	5.00%	7.57	0.00%
Resources	Agriculture	PowerShares DB Agriculture Fund	DBA	L	15.00%	15.00%	19.74	0.00%
Resources	Gold	Gold (Physical) or GLD	GLD	L	20.00%	20.00%	120.77	0.00%
					10.00%	**120.00%**		**-0.06%**
		END						

Discussion of Asset Positioning & Changes

We left the Fixed Income portion of the Tactical model portfolio unchanged from last month. We remain bullish on long duration Treasury prices and bearish on high yield credit prices. We hold investment grade credits because they help offset negative carry from the short high-yield position and because we think they will eventually benefit from a migration out of high yield.

We made significant changes to MAI Tactical's equity basket. To begin, our highly cautious outlook for global equity, which would reduce prices across the board, suggests a reduction in overall market sponsorship. We reduced long allocations to US value, US preferred, Japanese and Emerging market equity, from 10 percent to 5 percent each, and we eliminated the portfolio's 5 percent position in small and mid-cap US shares.

We retained the portfolio’s 10 percent short positions in Consumer Discretionary and Financial sectors and 12.5 percent short positions in REITs and homebuilders. These sectors and industries would be hurt by a decline in US output. We reduced a short position in US growth from 10 percent to 5 percent to better balance the portfolio’s income carry exposure. We added a 5 percent allocation to a single name EM equity, Rio Tinto, in light of our view that certain resource miners will benefit from broad equity asset re-allocations.

Along with Rio, we increased allocations to assets we feel will attract capital – and generate capital appreciation – whether or not there is a reduction in overall market sponsorship. A global slowdown will not affect demand for certain commodities. We increased exposure to the Agriculture industry from 10 percent to 15 percent and added a 5 percent allocation to Cameco. The market has priced grains and uranium as though they were industries on the verge of extinction. Logic and basic fundamental analysis argue against this. We think specific goods inflation, which we have argued will accompany declining overall output growth (i.e., stagflation), would benefit our new additions specifically (see *Counting Cards*).

Not all commodities will be inelastic to a global slowdown. We opened a 5 percent short position in natural gas, which we believe will be hurt by overcapacity and the incentive among producers to service and repay debt loads by continuing to pump un-economic quantities.

We retained a 20 percent allocation to gold, which provides insurance against the decline of fiat currency purchasing power in all environments including deflation and hyperinflation.

MAI member/subscribers may find a complete history of holdings and returns from all model portfolios, as well as specific asset return contribution, online at www.macro-allocation.com.

Paul Brodsky
Macro Allocation Inc.

Property Notice & Disclaimer

The information contained in this document is for general information purposes only. It is provided by Macro Allocation Inc to Subscriber/Members, and, while we endeavor to ensure the information is up-to-date and correct, we make no representations or warranties of any kind, express or implied, about the completeness, accuracy, reliability, suitability or availability with respect to this document or the information, products, services, or related graphics contained in this document for any purpose. Nothing in this document should be taken to constitute professional advice or a formal recommendation, and we exclude all representations and warranties relating to the content and use of this document. Any reliance you place on such information is therefore strictly at your own risk.

In no event will Macro Allocation Inc, its affiliates, and employees be liable for any loss or damage including, without limitation, indirect or consequential loss or damage, or any loss or damage whatsoever arising from loss of data or profits arising out of, or in connection with, the use of this document.

Through this document you may infer that other sources of information mentioned in it could provide suitable analysis related to issues on which you may act and suffer damages. Any mention or reference herein does not necessarily imply a recommendation or endorse the views expressed or implied by it.

Macro Allocation Inc reserves the right to revise and amend this disclaimer notice from time to time and any revised version will be deemed to be applicable from the first date of publication of this document.