

January Changes to SSR Portfolio

This week we released the January changes to the SSR tracking portfolio. For more information on this month's deletions and additions, read the January SSR Monthly Report available [online](#).

December Market Recap

In a year where the U.K. voted to leave the European Union and a political unknown ascended to the highest elected office in the U.S., many were probably more than a little surprised that U.S. stocks enjoyed a relatively prosperous year. Such was 2016. The year began on a down note, as stocks moved in lockstep with the sharp decline in oil prices. However, prices stabilized, thanks in large part to the U.S. economy, which maintained its steady growth path. The SSR tracking portfolio posted its best annual performance in three years, gaining 13.8% in 2016 after falling 3.1% in 2015. In comparison, the iShares Dow Jones U.S. ETF (IYY) posted a 12.0% total return gain for the year.

The iShares DJ U.S. fund added 1.8% of total return in December, while the average stock in the S&P 500 gained 0.9% during the month. Overall, the S&P 500 index was up almost 2% in December and gained nearly 12% in 2016. Unlike 2015, where a relatively small number of large-cap stocks drove the performance of the U.S. market, small-cap issues broke out of a two-year slump in 2016 and ended the year on a strong note. The average stock in the S&P MidCap 400 index gained 2.1% in December, while the index itself gained 2.2%. For the year, the S&P MidCap 400 was up 20.7%. The average S&P SmallCap 600 index stock jumped 4.1% in December, while the index gained 3.4% for the month and 26.6% for the year.

Using exchange-traded funds as proxies for sector returns, the Select Sector SPDR ETFs, Energy (+24.9%), Industrials (+17.4%) and Materials (+14.5%) had the strongest performances during 2016. This was quite the reversal for Energy and Materials, as they were the two weakest sectors in 2015. Health Care (-4.3%), Financials (-2.4%) and Real Estate (-1.4%) were the only sectors to post losses for the year.

For the month of December, 23 of the 36 SSR stocks posted gains. On average, the stocks in Group 3 fared the best for the month, with six of the eight in the group posting gains. Within this growth at a reasonable price (GARP) revisions group, Photronics (PLAB) had the strongest month for any SSR stock, climbing 13.0%. For a review of the year's strongest- and weakest-performing stocks in the SSR tracking portfolio, see the [January Portfolio Corner](#).

The past year should have served as a strong reminder of the importance of having a disciplined,

long-term investment strategy. While global markets tumbled in the wake of the U.K.'s late-June Brexit vote, they turned in strong returns in July. Likewise, those who sold in the wake of the election of Donald Trump would have missed out on the "Trump Bump" that spanned the last several weeks of 2016.

The SSR approach relies on combining the approaches of four unique strategies into a single portfolio. Stocks are sold when they no longer match the philosophy of the strategy used to select them for the SSR portfolio. In addition, strategies are allowed to hold a larger-than-average number of stocks if the stocks in the strategy perform well and don't violate the sell rules. The portfolio naturally rotates out of some segments of the market as they underperform and picks up new segments as certain industries start to dominate the quantitative filters used for the four different strategies.

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SSR Investment Committee

Click [here](#) for news on the current SSR holdings and weekly performance data.

The Stock Superstars Report (SSR) publication was developed to educate individual investors on how to build a stock portfolio using a mix of strategies. The SSR is designed to provide all the information you need to manage a stock portfolio as well as to teach you about timely investment principles relating to the SSR portfolio and stock investing in general.