DAY HAGAN
ASSET MANAGEMENT

NDR
NED DAVIS RESEARCH

Smart Sector® Strategy

SEPTEMBER 2021

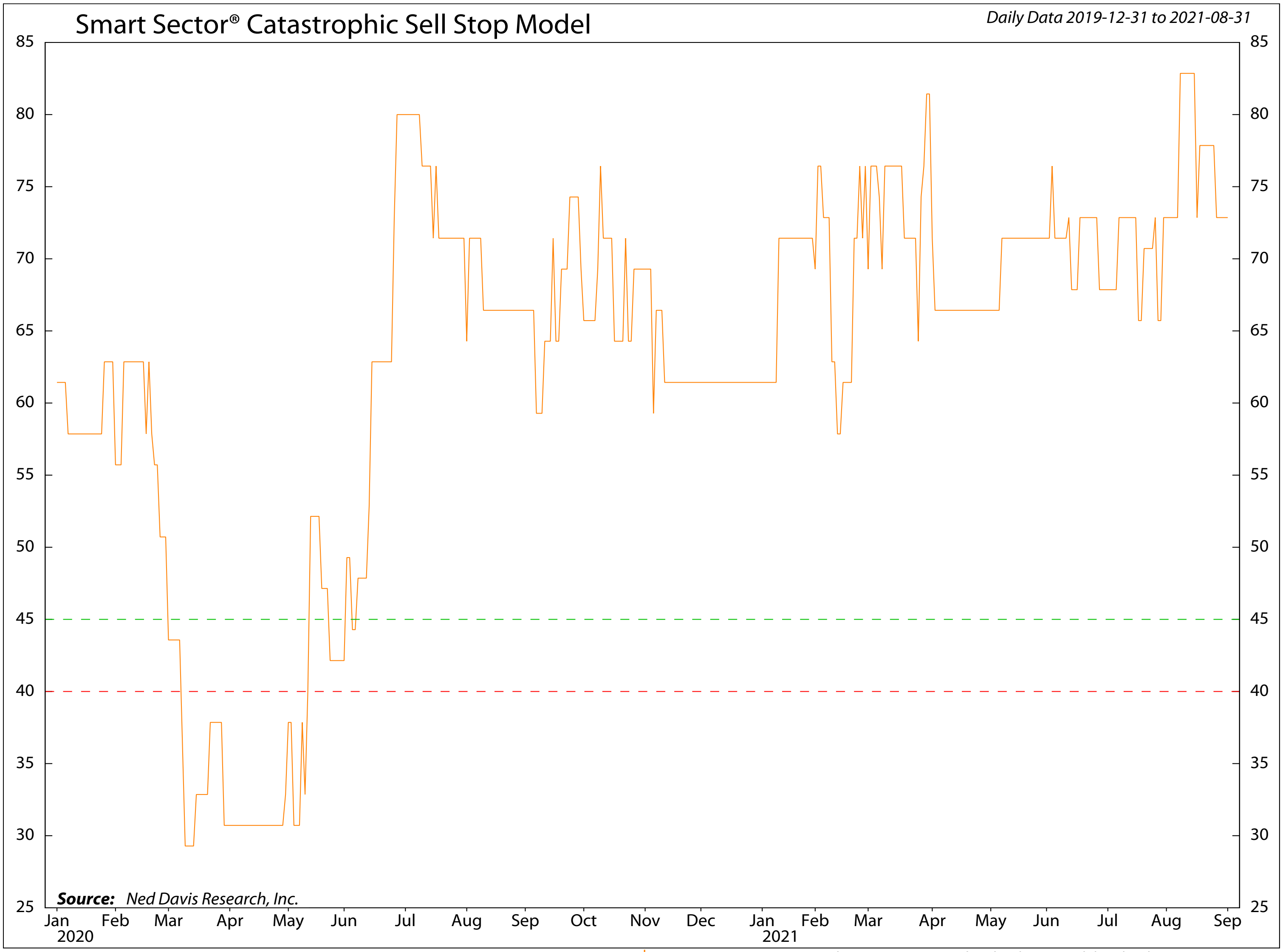
U.S. Market Update

The S&P 500 Total Return Index grew by over 300 basis points (bps) last month. The market has risen for 14 of the last 17 months.

At the start of the month, none of the technical (internal) indicators were bearish. Measures of global market breadth, stock/bond relative strength, trend, and volume demand relative to supply all reflect a favorable environment for stocks.

Only one of the external (macro, fundamental, and behavioral) indicators was bearish at the end of August. High yield option-adjusted spreads started to widen, which indicates an elevated risk outlook. However, this signal is occurring off of low spread levels, so it is not a substantial risk at this time.

For the Catastrophic Stop model (chart, below) to turn bearish requires further deterioration from both price-based and macro-fundamental indicators. For now, the weight of the evidence recommends that the Smart Sector® strategy maintains a 100% equity allocation..



Sector Performance Update

After declining for the previous two months, Financials (XLF) was the top-performing sector in August as it increased by more than 500 basis points (bps).

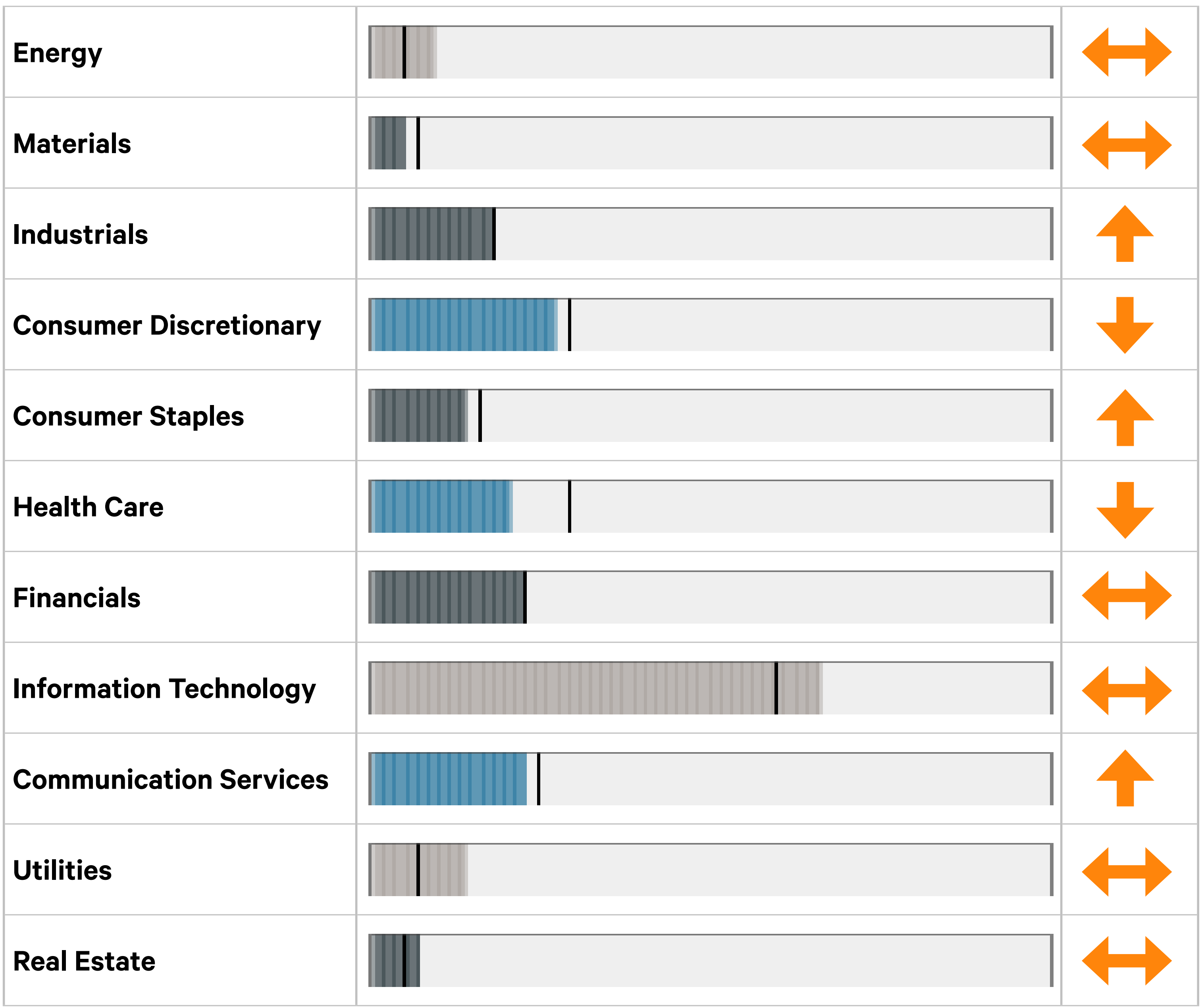
Information Technology (XLK), Communications Services (XLC), and Utilities (XLU) all rose by more than 300 bps last month. XLK has increased by more than 300 bps for four of the last five months. XLC has risen for nine of the last ten months. XLU has jumped by more than 300 bps for four of the last six months.

Health Care (XLV) and Real Estate (XLRE) both increased by more than 200 bps during August. XLV has produced positive returns for nine of the last ten months. XLRE has risen for ten straight months.

Consumer Staples (XLP), Materials (XLB), Consumer Discretionary (XLY), and Industrials (XLI) each increased by over 100 bps last month. All four sectors have been higher for five of the last six months.

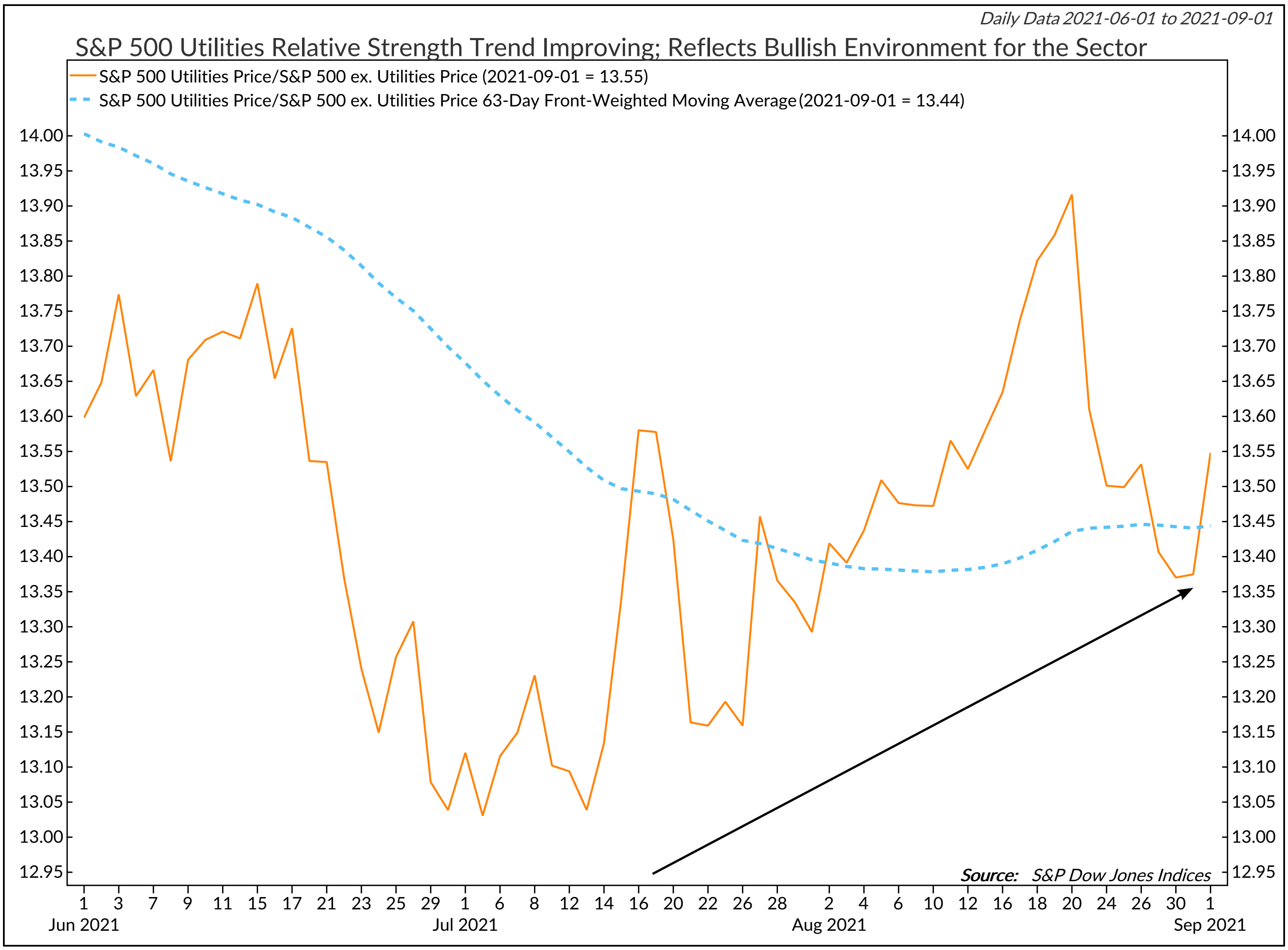
Energy (XLE) was the only sector to decline in August. XLE dropped by more than 200 bps. The sector has fallen for the last two months after rising for eight consecutive months.

Sector Allocation Summary



The vertical, black line represents the benchmark weight. The dark shading represents the sector's allocation. Shading significantly to the right (left) of the benchmark line represents an overweight (underweight) position. The direction of the arrow indicates whether the allocation increased, decreased, or remained approximately the same as the previous month.

- The Information Technology sector's allocation continues to have the most overweight status. No price-based (internal) indicators changed signals. A valuation indicator no longer shows the sector as attractive, while an Emerging Asia relative strength indicator turned bearish on the sector's outlook. Only one of the sector's macro, fundamental, and sentiment (external) indicators is bearish.
- The Utilities sector's weighting increased to further overweight allocation. Price momentum and trend (chart at bottom) measures produced new bullish signals. However, a capacity utilization indicator turned bearish. Only one of the sector's internal and external indicators is bearish.
- The Energy sector's allocation rose and remains overweight. An overbought/oversold indicator is reversing from an oversold condition, producing a bullish signal. Only one of the internal indicators is bearish.
- The Real Estate sector's weighting increased to slightly above the benchmark. No indicators changed signals this month. Only one of the internal indicators is bearish.
- Industrials' weighting significantly jumped to be in line with benchmark allocation. A trend indicator flipped from bearish to bullish, while a volatility measure returned to elevated levels, exiting its bullish reading.



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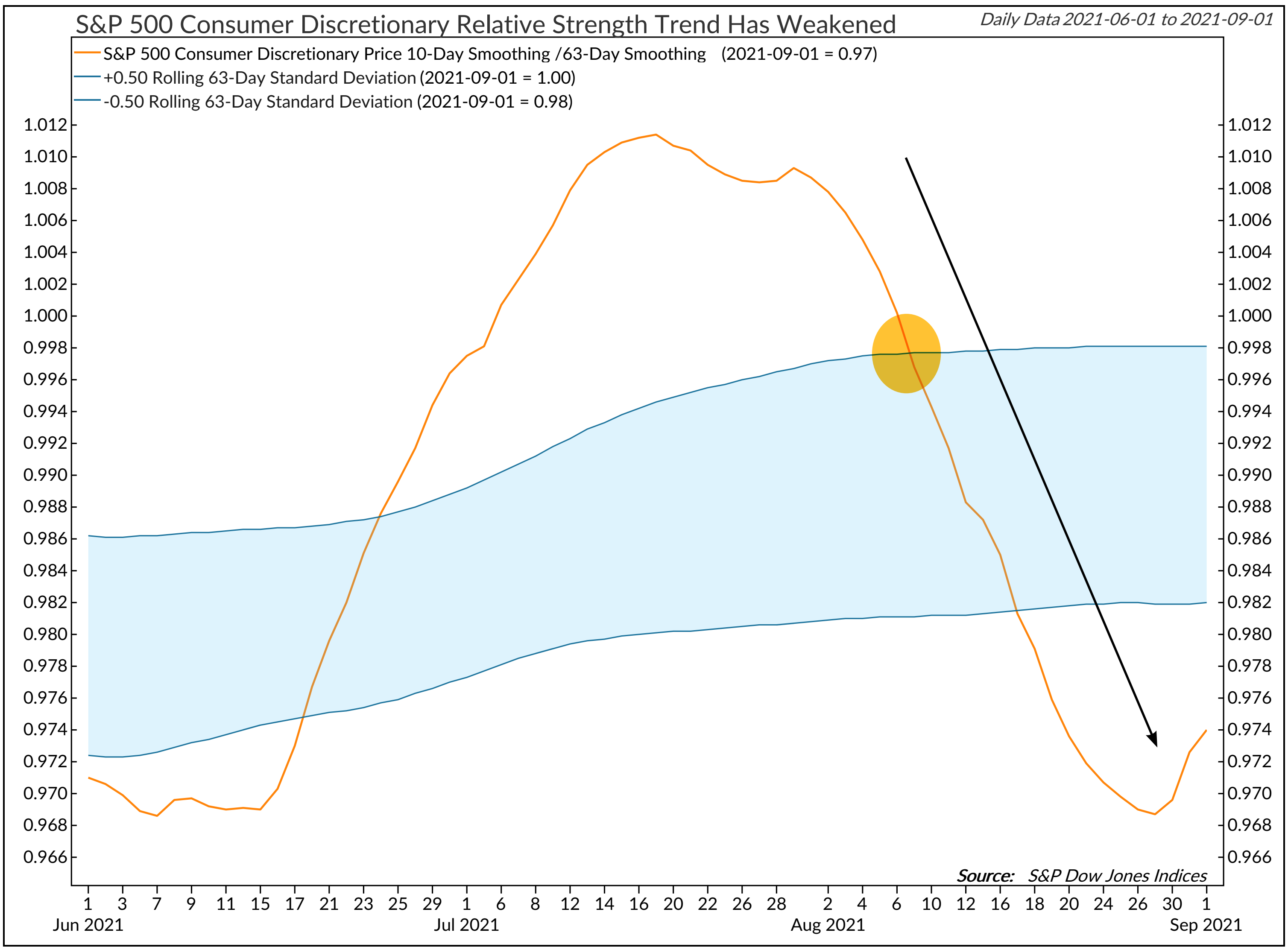
- The Financials sector's allocation improved, but it remains below benchmark. Weakening relative trend, rising volatility, and widening option-adjusted spread indicators exited their bullish readings. However, an absolute trend measure turned bullish.
- The Materials sector's allocation increased, but it continues to reside below the benchmark. Gold futures are weaker and have turned bearish on the sector. However, the sector is reversing from an oversold condition, which is bullish.
- The Consumer Staples sector's weighting rose, but it is still less than benchmark weighting. Food sales growth has rolled over and is a headwind for Staples companies. That has been offset by improving momentum for the sector.
- The Consumer Discretionary sector's allocation plummeted to below benchmark weighting. Although long-term yields fell (positive for the sector), many internal indicators weakened. Trend (chart at bottom), momentum, and overbought/oversold measures all flipped from bullish to bearish.
- The Communication Services sector's allocation increased, but it remains below benchmark. No indicators changed signals this month. Two-thirds of the external indicators are bearish.
- The Health Care sector's allocation dropped and is now underweight. There were a significant number of indicator changes. Relative trend, momentum, relative drawdown, valuation, and health care expenditure indicators all flashed new bearish signals. A health care new construction measure exited it bullish reading, but an earnings revisions breadth indicator generated a new bullish signal. Lastly, momentum reversal and breadth indicators exited their bearish readings.



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Smart Sector® Strategy

Strategy description

- The Smart Sector® with Catastrophic Stop strategy combines two Ned Davis Research quantitative investment strategies: The NDR Sector Allocation and the NDR Catastrophic Stop.

The process is based on the weight of the evidence

- The fund begins by overweighting and underweighting the S&P 500 sectors based on Ned Davis Research's proprietary sector models.
- Each of the sector models utilize sector-specific, weight-of-the-evidence composites of fundamental, economic, technical, and behavioral indicators to determine each sector's probability of outperforming the S&P 500.
- Sectors are weighted accordingly relative to benchmark weightings.

When market risks become extraordinarily high — reduce your portfolio risk

- The model remains fully invested unless the Ned Davis Research Catastrophic Sell Stop (CSS) model is triggered, whereupon the equity-invested position is trimmed to 50%.
- The NDR Catastrophic Sell Stop model combines time-tested, objective indicators designed to identify periods of high risk for the broad U.S. equity market. The model uses price-based, breadth, deviation from trend, fundamental, economic, interest rate, behavioral and volatility-based indicator composites.

When market risks return to normal — put your money back to work

- When the NDR CSS model moves back to bullish levels, indicating lower risk, the strategy immediately moves back to fully invested.

For more information, please contact:

Day Hagan Asset Management

1000 S. Tamiami Trl

Sarasota, FL 34236

Toll Free: (800) 594-7930

Office Phone: (941) 330-1702

Website: https://dayhagan.com/ or https://dhfunds.com/

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