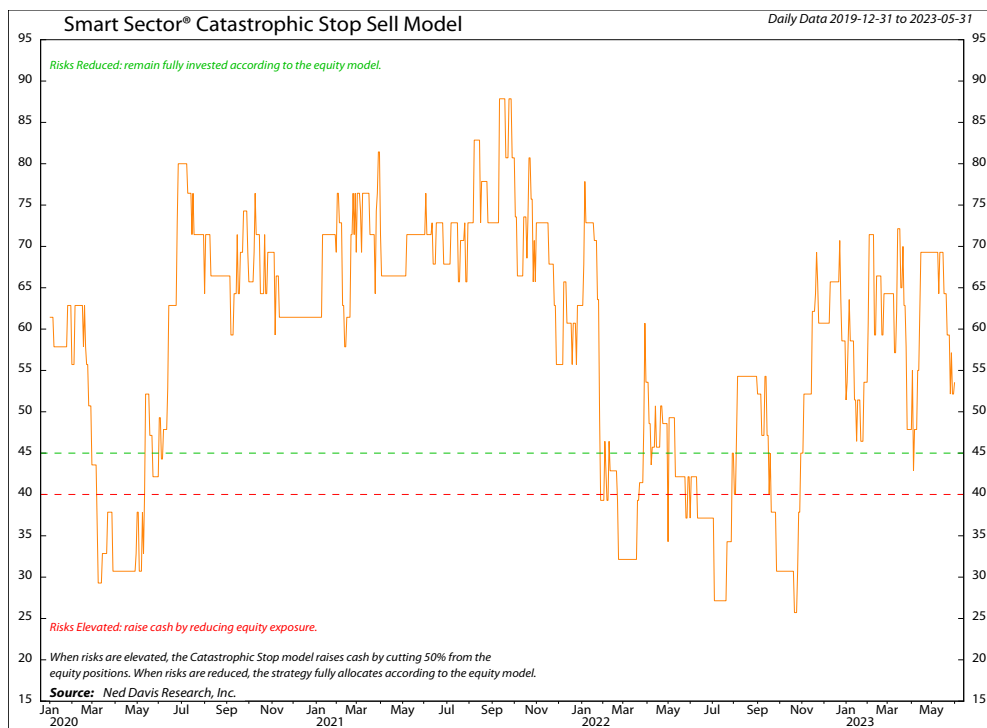


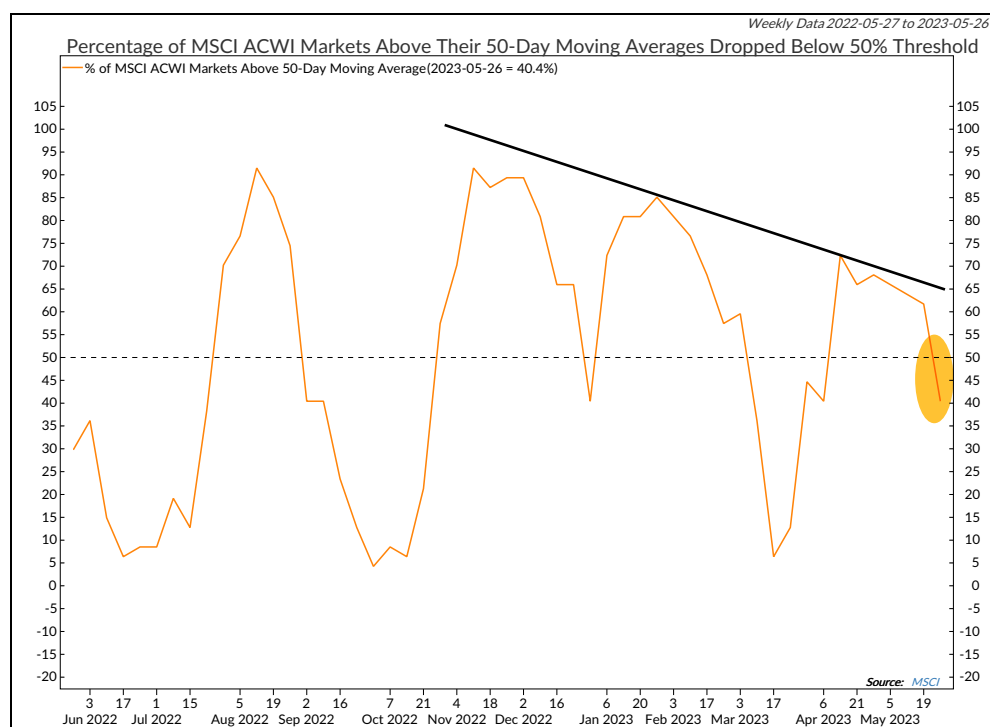
JUNE 2023

Catastrophic Stop Update

The NDR Catastrophic Sell Stop model combines time-tested, objective indicators designed to identify high risk periods for the equity market. The model (chart at right) deteriorated from last month but entered June with a fully invested equity allocation recommendation.



© Copyright 2023 NDR, Inc. Further distribution prohibited without prior permission. All Rights Reserved. See NDR Disclaimer at www.ndr.com/copyright.html. For data vendor disclaimers refer to www.ndr.com/vendorinfo/



Customized version of ETF1000.12



© Copyright 2023 Ned Davis Research, Inc. Further distribution prohibited without prior permission. All Rights Reserved. See NDR Disclaimer at www.ndr.com/copyright.html. For data vendor disclaimers refer to www.ndr.com/vendorinfo/

The model deterioration was mostly driven by weaker breadth—global stock market breadth (chart at left) and breadth for High Yield and Emerging Market bonds both declined during the month. Additionally, stock volume supply continues to outpace demand, option-adjusted spreads remain wide, sentiment shows excessive optimism, and the Baltic Dry Index reflects weakening economic activity. Some of these indicators will need to improve if the stock market rally is going to continue deep into the second-half of the year.

U.S. Market Update

The S&P 500 gained for a third month in a row but returns moderated to less than 0.5% for the month. Breadth weakened substantially—only three of the 11 S&P 500 sectors registered positive returns in the month of May. Performance was led by cyclical Growth sectors—Technology, Communication Services, and Consumer Discretionary all outperformed the S&P 500.

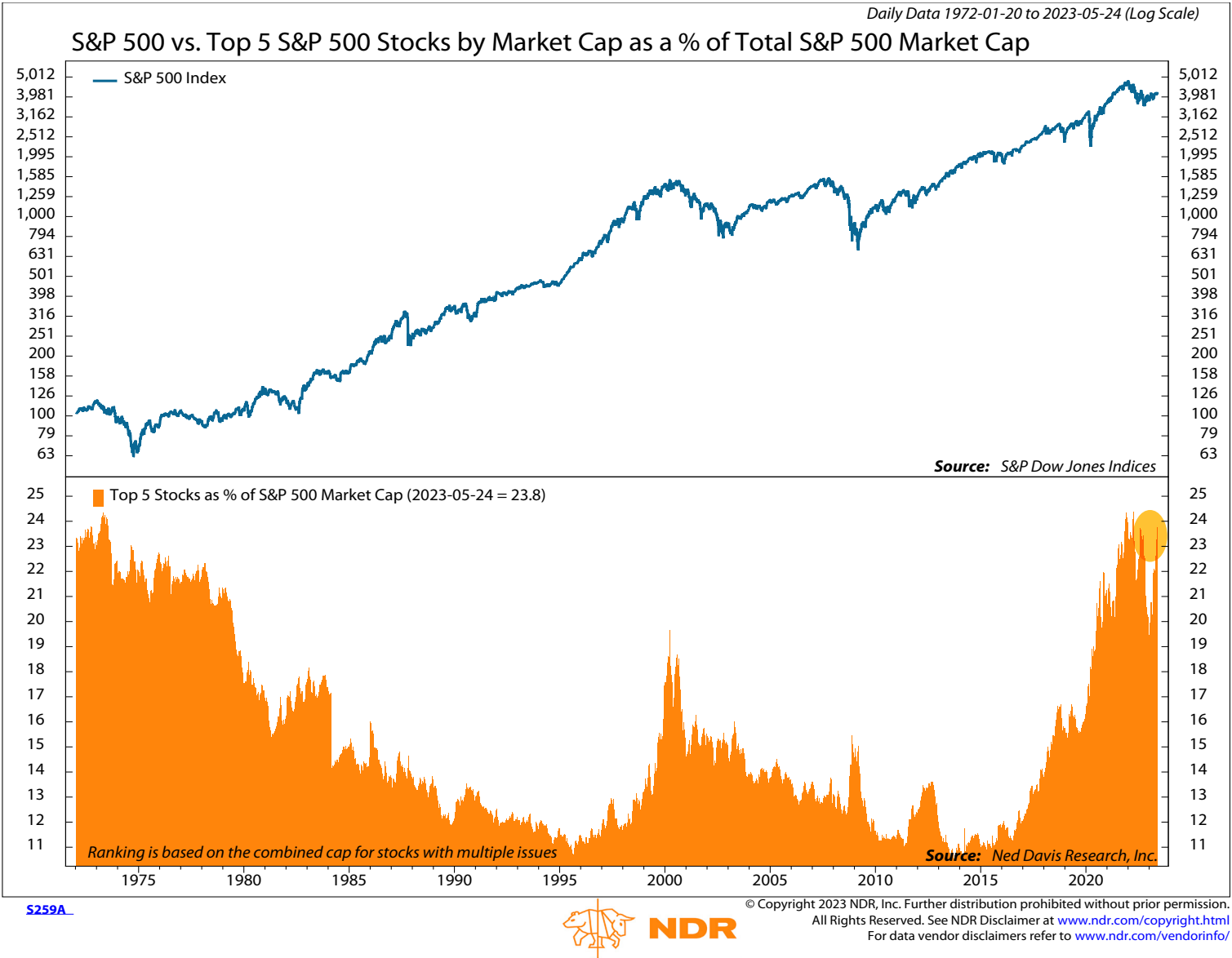
One of the side effects of the mega-cap led Growth rebound this year has been a rise in concentration at the top of the S&P 500. The five largest stocks—Microsoft, Apple, Alphabet, Amazon, and NVIDIA—now represent 23.8% of the index’s market cap, just off the nearly 50-year record set in April 2022 (chart below).

For most of the S&P 500’s history, the largest companies have come from a mix of sector types but have been almost exclusively from cyclical Growth sectors since the COVID outbreak. High stock market concentration is not a bearish development in and of itself. If the largest stocks can hold up on an absolute basis while breadth broadens out, the market can move higher as leadership rotates, like the end of 2020 when the first reopening trade got underway.

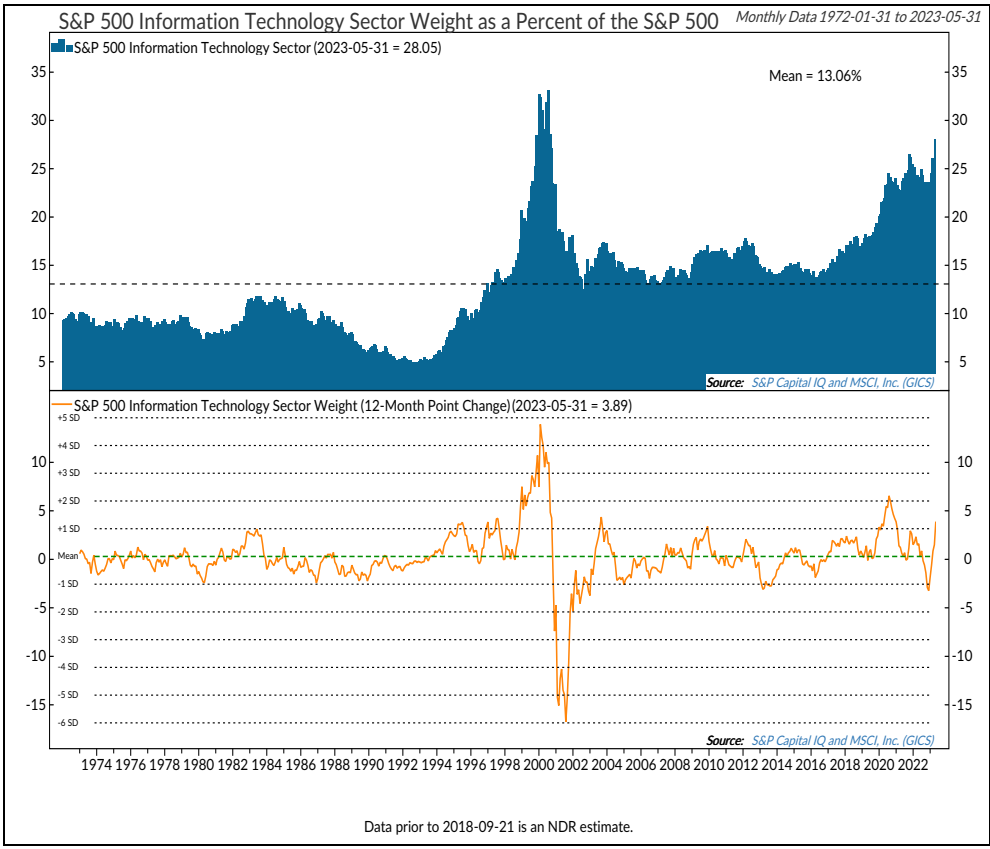
However, valuations are less attractive for the top market cap stocks—relative to the S&P 500, the top group’s P/E ratio has moved back towards the high end of its seven-year range. Given valuations are

elevated, above-market growth rates are needed to justify the premium, but earnings growth has slowed. That has not been the case since Q2 2021. However, that could quickly change if and when the economy enters its next recession.

The sector model moved more cyclical during the month. Entering June, the sector model is overweight cyclical Growth sectors such as Information Technology, Communication Services, and Consumer Discretionary, as well as Utilities. Industrials moved to marketweight. All other sectors are underweighted with significant drops in allocation to Health Care and Financials.



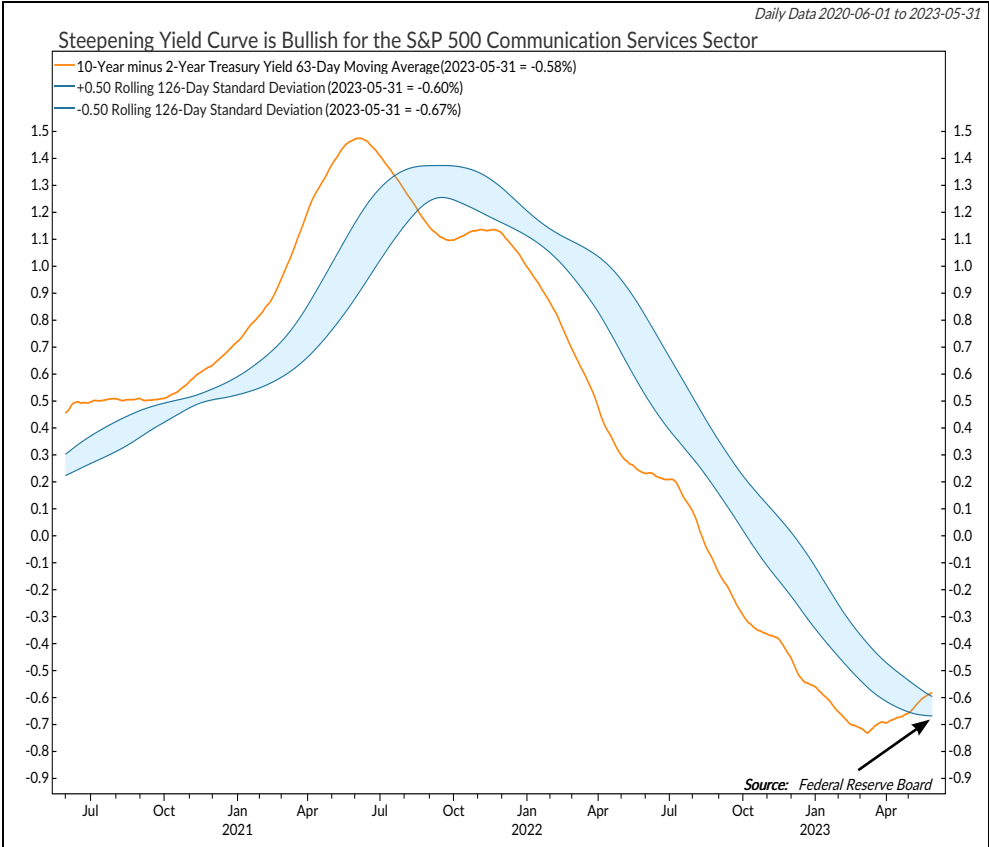
Allocation to the Information Technology sector rose sharply in May, moving it from a marketweight to the largest overweight position. Technology was the best performing sector in May, up nearly 9%, primarily driven by NVIDIA (30.9%), Microsoft (7.7%), and Apple (4.7%) as investors piled into artificial intelligence names. Tech has also been the best performing sector in 2023, up 35.7%. This outperformance has pushed the sector's weight in the S&P 500 to its highest level since September 2000 (chart right). All five of the sector's internal (price-based) indicators in our sector model finished May on bullish signals. Sector technicals have improved, but risks, including valuations and sentiment, have risen. Despite three of five external (macro-based) indicators having bearish readings, the sector had the highest overall composite model score at month end.



BA550H



© Copyright 2023 Ned Davis Research, Inc. Further distribution prohibited without prior permission. All Rights Reserved. See NDR Disclaimer at www.ndr.com/copyright.html. For data vendor disclaimers refer to www.ndr.com/vendorinfo/



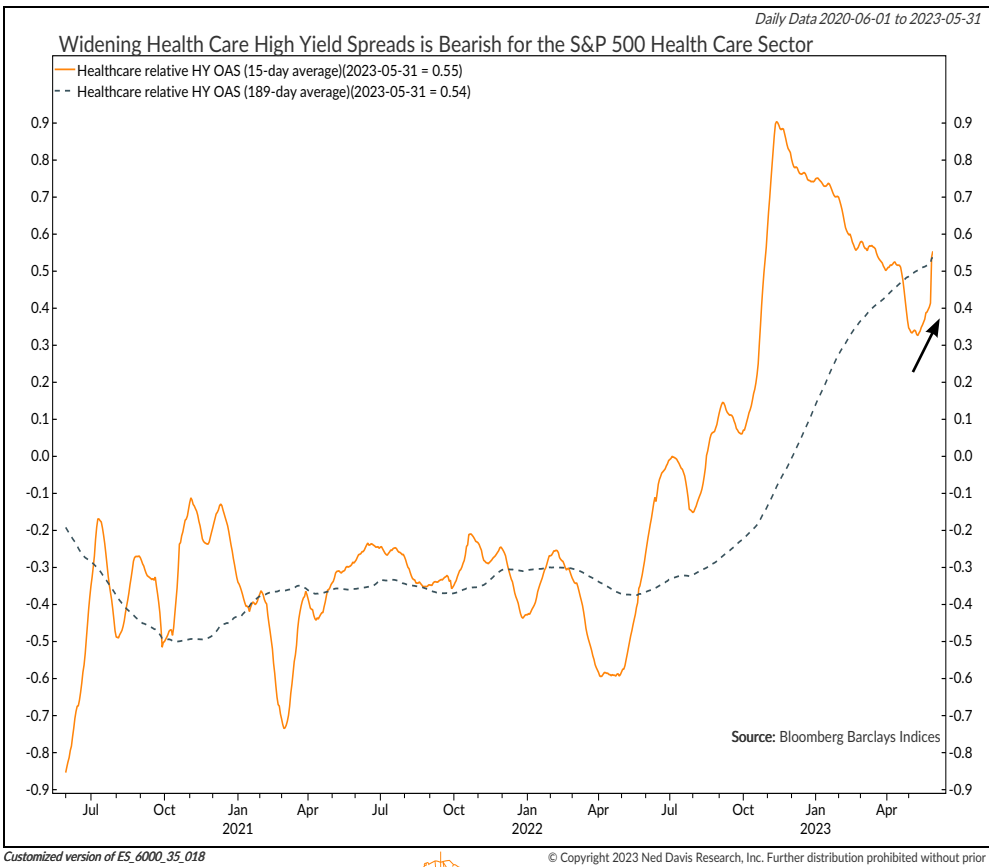
Customized version of ES 6000.50.011



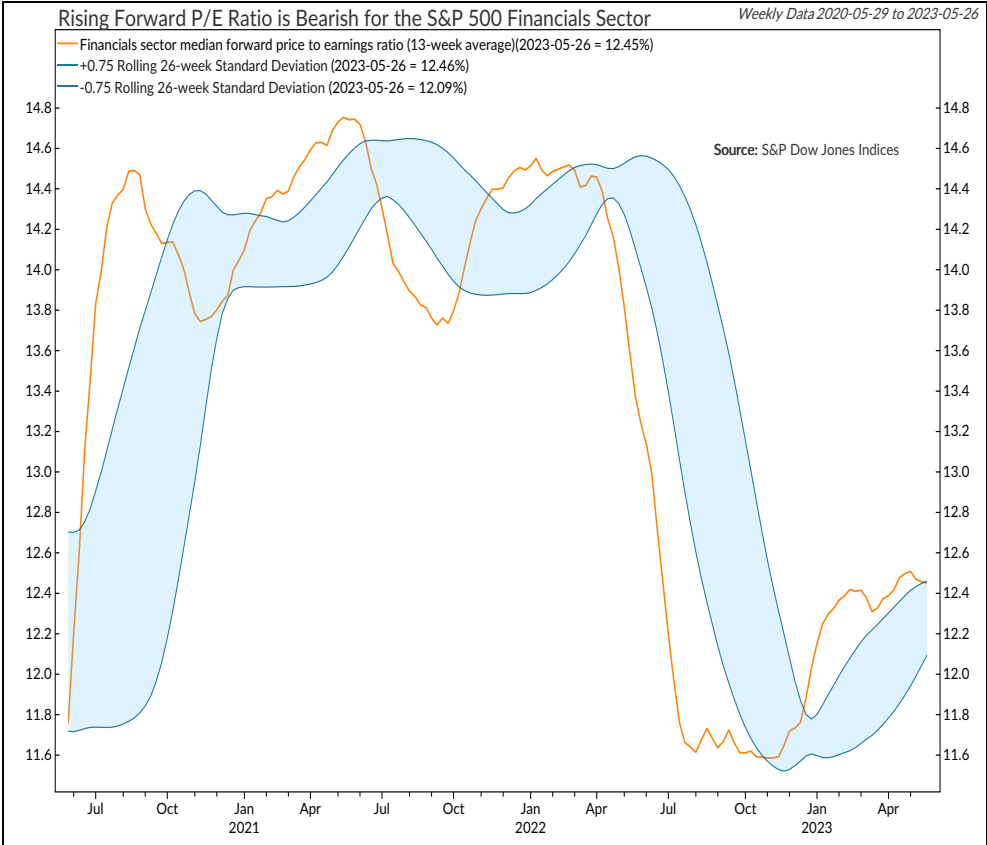
© Copyright 2023 Ned Davis Research, Inc. Further distribution prohibited without prior permission. All Rights Reserved. See NDR Disclaimer at www.ndr.com/copyright.html. For data vendor disclaimers refer to www.ndr.com/vendorinfo/

Allocation to the Communications Services sector rose in May, moving it from a slight underweight to an overweight position. Four of the six technical measures remain bullish for the sector. On a fundamental basis, valuation and earnings revision continue to be bullish for the sector. A steepening yield curve—as measured by the 10-2—moved bullish for the sector during the month (chart left).

The Health Care sector's allocation dropped over 1000 basis points in May to an underweight position. The sector was down over 4% in May. On a fundamental basis, health care construction, personal expenditures for health care, valuation, and earnings revision breadth remained bullish during the month. However, widening health care high yield spreads moved bearish for the sector (chart right). As investors moved to cyclical Growth sectors, technicals deteriorated—five of the six indicators moved bearish, including absolute short-term price trend, relative price trend, and relative drawdown.



© Copyright 2023 Ned Davis Research, Inc. Further distribution prohibited without prior permission. All Rights Reserved. See NDR Disclaimer at www.ndr.com/copyright.html. For data vendor disclaimers refer to www.ndr.com/vendorinfo/



© Copyright 2023 Ned Davis Research, Inc. Further distribution prohibited without prior permission. All Rights Reserved. See NDR Disclaimer at www.ndr.com/copyright.html. For data vendor disclaimers refer to www.ndr.com/vendorinfo/

The Financials sector's allocation dropped further in May, maintaining its underweight position. On a fundamental basis, U.S. Financial investment grade spreads and bank loan growth remained bullish for the sector. Over the past month, business conditions deteriorated, while valuation (chart left), and the yield curve moved bearish for the sector. This was confirmed by continued weak technicals.

Summary

The sector allocation strategy is overwhelmingly positioned in cyclical Growth with overweights to Information Technology, Communication Services, and Consumer Discretionary. Utilities is also overweight. Industrials moved to marketweight. Health Care, Financials, Consumer Staples, Real Estate, Industrials, and Materials are all at underweight. The sector model uses sector-specific indicators to determine opportunities and identify risks in an objective, weight-of-the-evidence approach.

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/>

Ned Davis Research Disclaimer:

The data and analysis contained within are provided "as is" and without warranty of any kind, either express or implied. The information is based on data believed to be reliable, but it is not guaranteed. NDR DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. All performance measures do not reflect tax consequences, execution, commissions, and other trading costs, and as such investors should consult their tax advisors before making investment decisions, as well as realize that the past performance and results of the model are not a guarantee of future results. The Smart Sector® Strategy is not intended to be the primary basis for investment decisions and the usage of the model does not address the suitability of any particular investment for any particular investor.

Using any graph, chart, formula, model, or other device to assist in deciding which securities to trade or when to trade them presents many difficulties and their effectiveness has significant limitations, including that prior patterns may not repeat themselves continuously or on any particular occasion. In addition, market participants using such devices can impact the market in a way that changes the effectiveness of such devices. NDR believes no individual graph, chart, formula, model, or other device should be used as the sole basis for any investment decision and suggests that all market participants consider differing viewpoints and use a weight of the evidence approach that fits their investment needs.

DISCLOSURES

Past performance does not guarantee future results. No current or prospective client should assume future performance of any specific investment or strategy will be profitable or equal to past performance levels. All investment strategies have the potential for profit or loss. Changes in investment strategies, contributions or withdrawals and economic conditions may materially alter the performance of your portfolio. Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment or strategy will be suitable or profitable for a client's portfolio. Historical performance results for investment indexes and/or categories generally do not reflect the deduction of transaction and/or custodial charges or the deduction of an investment management fee, the incurrence of which would have the effect of decreasing historical performance results. There can be no assurances that a portfolio will match or outperform any particular benchmark.

Day Hagan Asset Management is registered as an investment adviser with the United States Securities and Exchange Commission. SEC registration does not constitute an endorsement of the firm by the Commission nor does it indicate that the adviser has attained a particular level of skill or ability.

References to "NDR" throughout refer to Ned Davis Research, Inc. Clients engaging in this strategy will be advised by Day Hagan and will not have a contractual relationship with NDR. Day Hagan purchases signals from NDR, and Day Hagan is responsible for executing transactions on behalf of its clients and has discretion in how to implement the strategy.

NDR is a registered as an investment adviser with the Securities and Exchange Commission (SEC). NDR serves as the Signal Provider in connection with this strategy. The information provided here has not been approved or verified by the SEC or by any state or other authority. Additional information about NDR also is available on the SEC's website at <https://www.adviserinfo.sec.gov/>. This material is provided for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security or other financial instrument or to participate in any trading strategy. NDR's strategies, including the model discussed in this publication, are intended to be used only by sophisticated investment professionals.

There may be a potential tax implication with a rebalancing strategy. Re-balancing involves selling some positions and buying others, and this activity results in realized gains and losses for the positions that are sold. The performance calculations do not reflect the impact that paying taxes would have, and for taxable accounts, any taxable gains would reduce the performance on an after-tax basis. This reduction could be material to the overall performance of an actual trading account. NDR does not provide legal, tax or accounting advice. Please consult your tax advisor in connection with this material, before implementing such a strategy, and prior to any withdrawals that you make from your portfolio.

There is no guarantee that any investment strategy will achieve its objectives, generate dividends or avoid losses.

© 2023 Ned Davis Research, Inc. | © 2023 Day Hagan Asset Management, LLC