DAY HAGAN
ASSET MANAGEMENT

NDR
NED DAVIS RESEARCH

Smart Sector® Strategy

JANUARY 2022

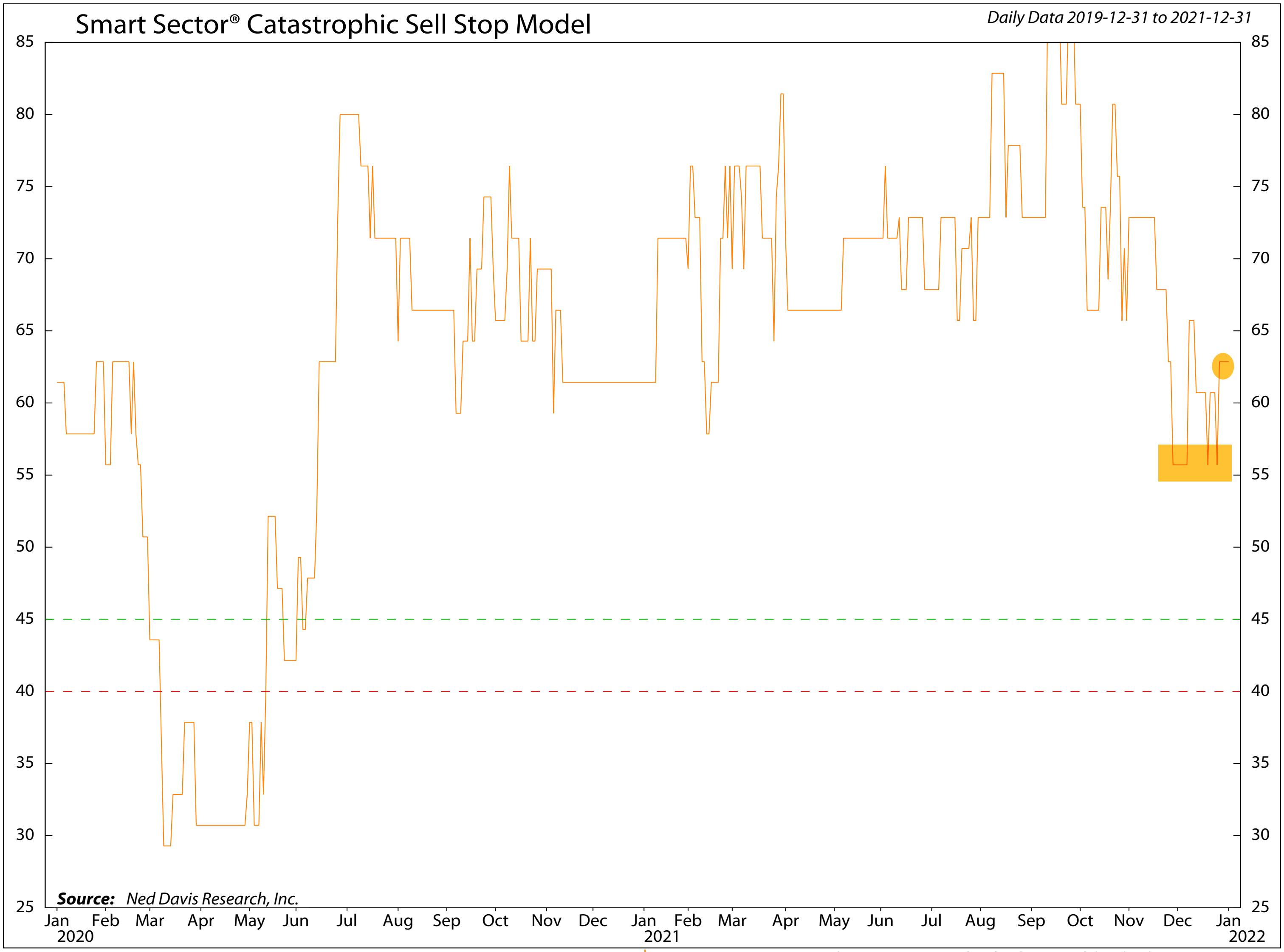
Catastrophic Stop Update

During December, NDR's global risk-on composite rebounded relative to its risk-off counterpart. The higher risk index outgained the lower risk composite by more than 480 basis points (bps). It was the largest one-month spread since February. For 2021, risk-on outpaced risk-off by more than 14%.

The increased risk appetite is reflected by the improvement within the Catastrophic Stop model (chart at bottom). At the beginning of December, there was technical improvement within both equities and fixed income. Approximately 58% of global equity markets traded above their intermediate-term moving averages. More than 80% of high yield and Emerging Markets segments traded above the near-term trends.

Not all indicator changes were favorable. The relative strength of transports to the broad market was below its longer-term trend at the start of the month. However, the indicator is close to returning to a bullish condition.

Further deterioration from both price-based and macro-fundamental indicators is required for the Catastrophic Stop model to turn bearish. For now, the weight of the evidence recommends that the Smart Sector® strategy maintains full exposure.



Sector Performance Update

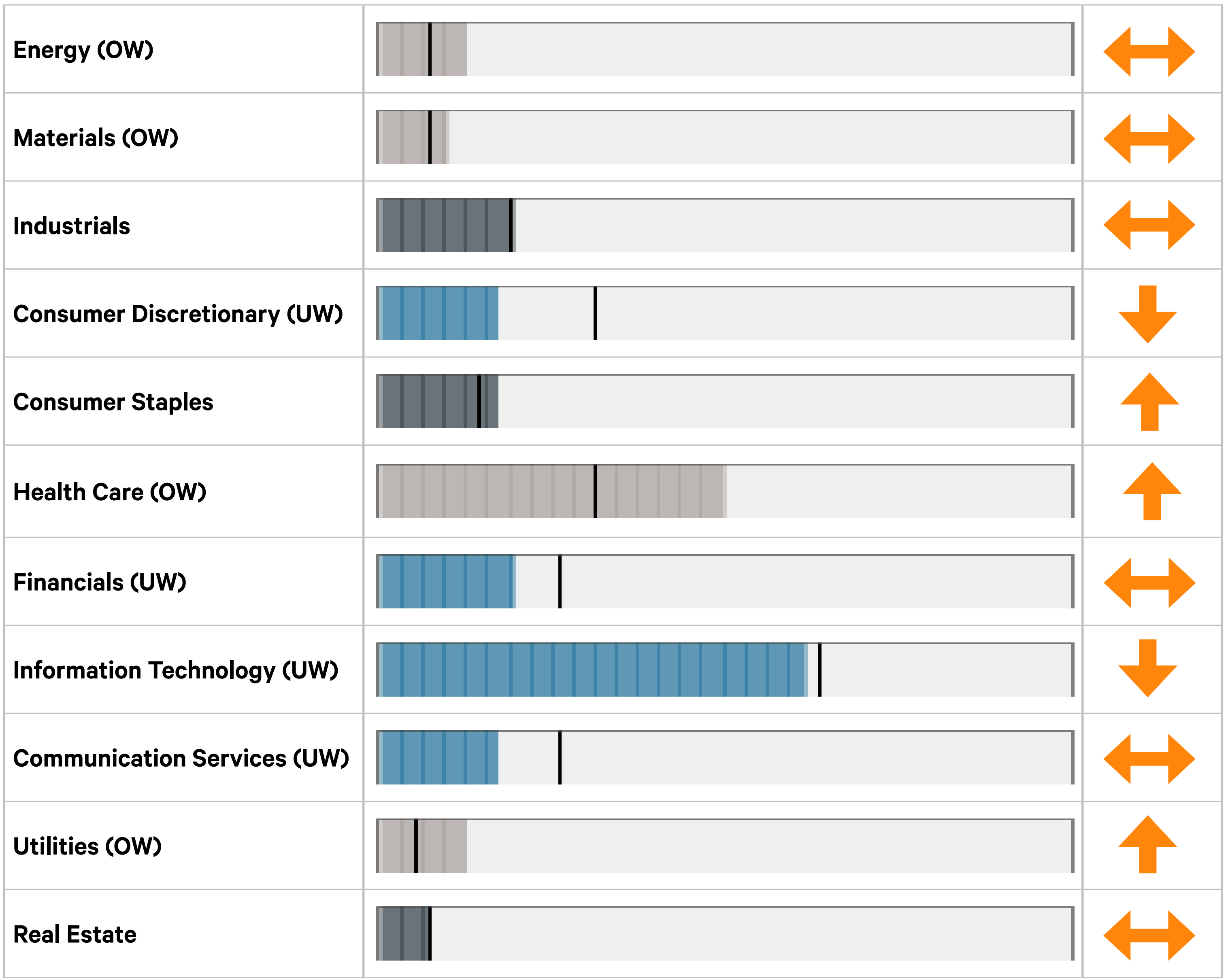
Defensive sectors produced the strongest returns in December. Consumer Staples (XLP), Utilities (XLU), Real Estate (XLRE), and Health Care (XLV) all increased by more than 900 basis points (bps). It was the best monthly return in XLP's history. It was only the third time that XLRE gained more than 10% for a month. XLRE was the second-best performing sector in 2021. Although XLP and XLU increased by more than 15% last year, they were two of the bottom three performing sectors.

Industrials (XLI) and Materials (XLB) each increased over 500 bps last month, but they have oscillated between positive and negative returns over the last five months. Both sectors rose by more than 20% last year.

Information Technology (XLK), Financials (XLF), Communications Services (XLC), and Energy (XLE) all gained more than 300 bps last month. XLK has risen for three straight months. Up more than 50%, XLE was the top-performing sector in 2021. XLK and XLF both jumped by more than 30%. XLC was the weakest sector last year, as it increased by less than 16%.

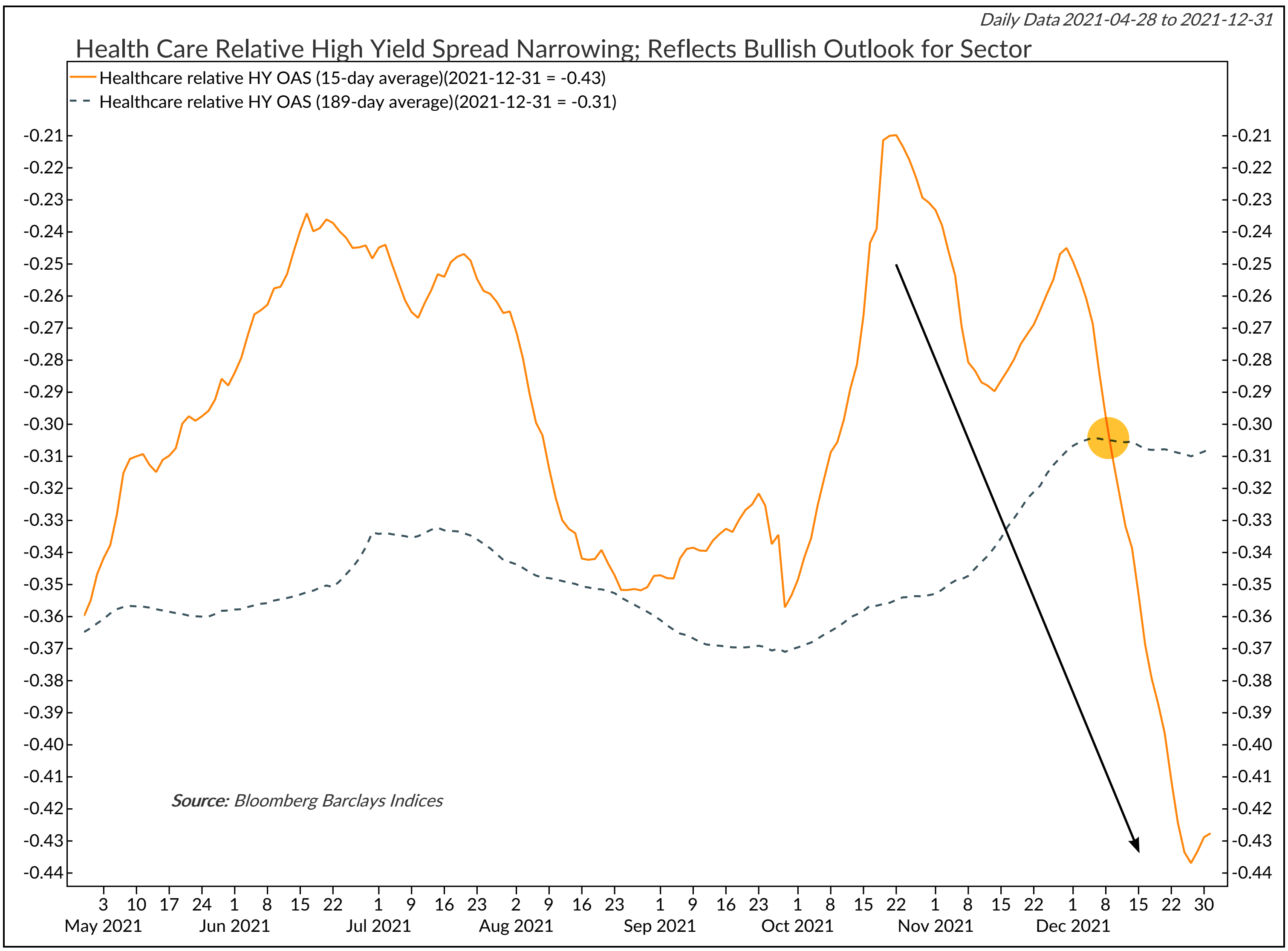
Consumer Discretionary (XLY) was the weakest sector in December, as it increased by less than 20 bps. XLY has risen for six of the last seven months and gained more than 27% in 2021.

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 [OW] (underweight [UW]) position. The direction of the arrow indicates whether the allocation increased, decreased, or remained approximately the same as the previous month.

- The Health Care sector jumped to the largest overweight allocation. The environment has improved as health care new construction increased, medical inflation rose, and high yield option-adjusted spreads narrowed (chart at bottom). Only one of the Health Care's external (macro, fundamental, and behavioral) indicators is bearish. The price action within the sector has confirmed these tailwinds. All the price-based (internals) indicators are bullish.
- The Utilities sector has moved further overweight relative to benchmark. Crude oil prices have reversed from oversold conditions, which historically has benefitted the sector. Only one of Utilities' external measures is bearish. The sector's trend and momentum have confirmed the environmental tailwinds, as none of the internal indicators are bearish.
- The Energy sector's allocation remains overweight. Crude oil sentiment shifted to neutral, but only two of the sector's indicators (overbought condition and stronger USD) are bearish.
- The Materials sector's allocation remains overweight. No indicators changed signals this month.
- The Consumer Staples sector's weighting rose to slightly above benchmark. There was technical improvement as the sector reverses from an oversold condition. Momentum has gotten positive and near-term breadth has broadened.
- The Real Estate sector's allocation is in line with benchmark. The sector's trend has strengthened as long-term yields have risen with an improving economy. However, the Real Estate sector needs to show more consistency in its daily performance to receive additional allocation.



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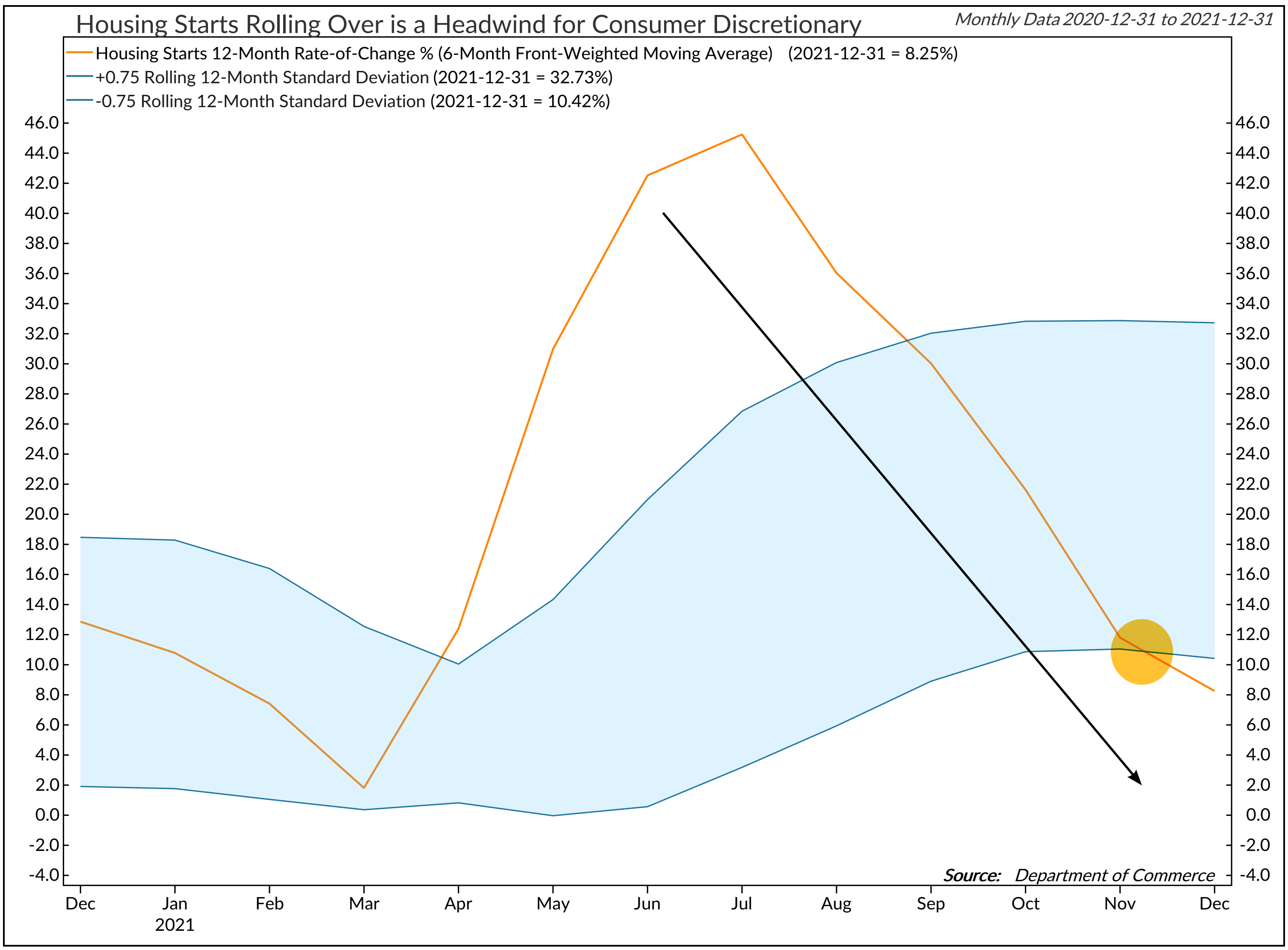
- Industrials' weighting remains below benchmark allocation. Although industrial production improved, the U.S. Dollar Index is overbought and sector volatility rose. Two-thirds of the sector's internal indicators are bearish.
- The Information Technology sector's allocation fell below benchmark. Technology is reversing from an overbought condition, inflation expectations temporarily weakened, and earnings revisions deteriorated. However, not all the news is bad as near-term breadth improved.
- The Financials sector's allocation has dropped below benchmark. The sector's volatility has increased, so none of the internal indicators are bullish. There were offsetting environmental factors as business credit conditions worsened, but bank loan growth improved.
- The Communication Services sector's allocation continues to be significantly below benchmark. Although the sector's volatility has receded, relative valuations have gotten expensive. Only two of the sector's indicators are bullish.
- The Consumer Discretionary sector plummeted to the largest allocation below benchmark. The sector is reversing from an overbought condition as housing starts weakened and consumer spending worsened. The trend and momentum indicators confirmed the environmental headwinds. Only one external indicator is bullish and two-thirds of the internal measures are bearish.



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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.

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