DAY HAGAN ASSET MANAGEMENT

NDR NED DAVIS RESEARCH

Smart Sector® Strategy

APRIL 2021

U.S. Market Update

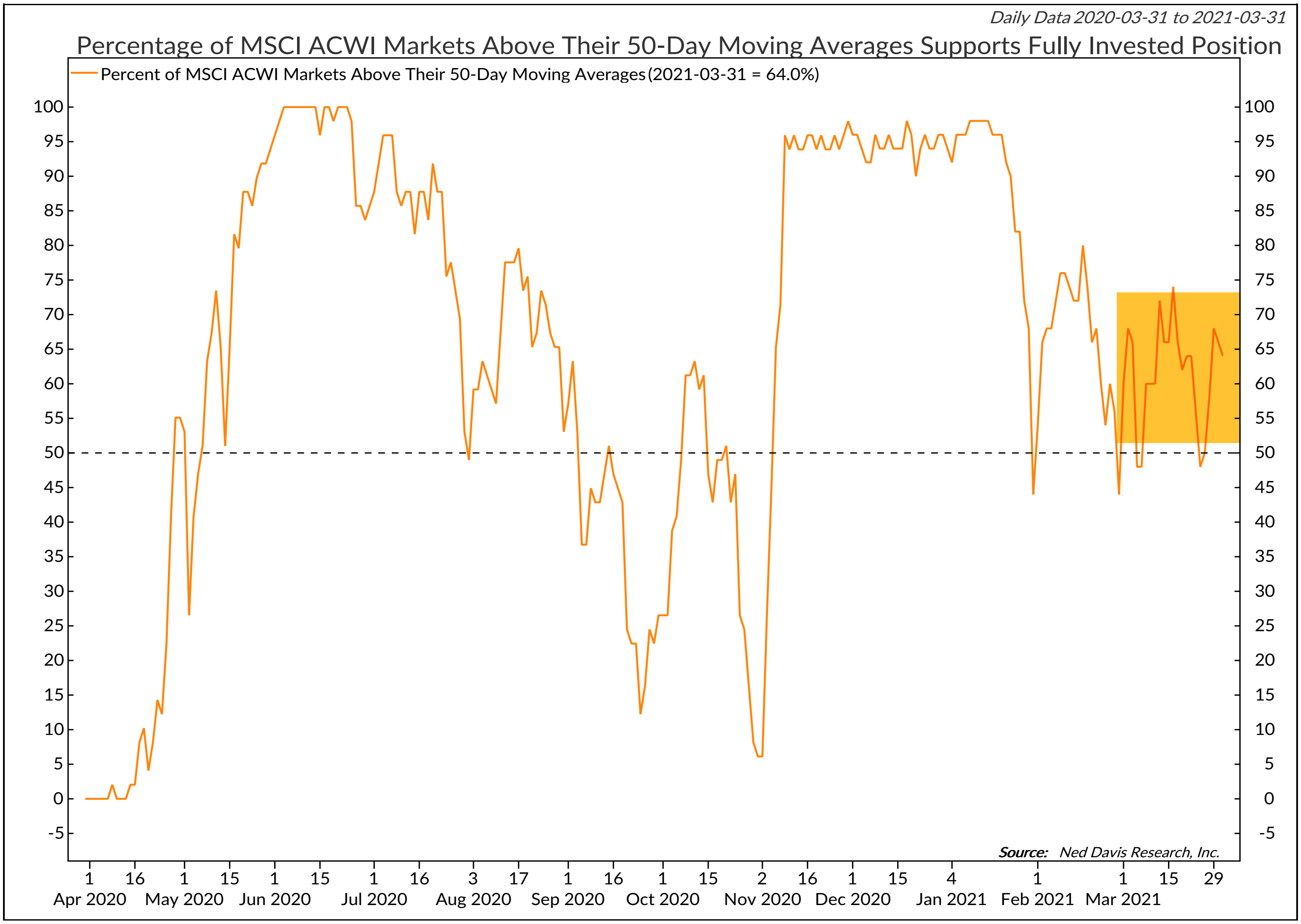
The S&P 500 Total Return Index grew by more than 4.35% last month. The market has risen for nine of the last twelve months.

The Catastrophic Stop model exited its March 10, 2020 sell signal on May 14th and continues to recommend a fully invested equity position. The overall model's composite reading shows that the weight of the evidence remains supportive of equities.

At the start of the month, none of the technical (internal) indicators were bearish. The global equity market participation indicator (breadth) produced a new bullish signal (chart at bottom). This breadth measure examines the percentage of global equity markets trading above their 50-day moving average. At the start of April, 64% of markets met that criterion.

Two external (macro, fundamental, and behavioral) indicators were bearish at the end of March. The yield curve continues to suggest headwinds for the market. Also, a measure of defensive sector leadership flashed a sell signal, as the combination of the Consumer Staples, Health Care, Utilities, and Telecommuncations Services rallied above its long-term trend.

For the Catastrophic Stop model 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 SectorTM strategy maintains a 100% equity allocation..



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Sector Performance Update

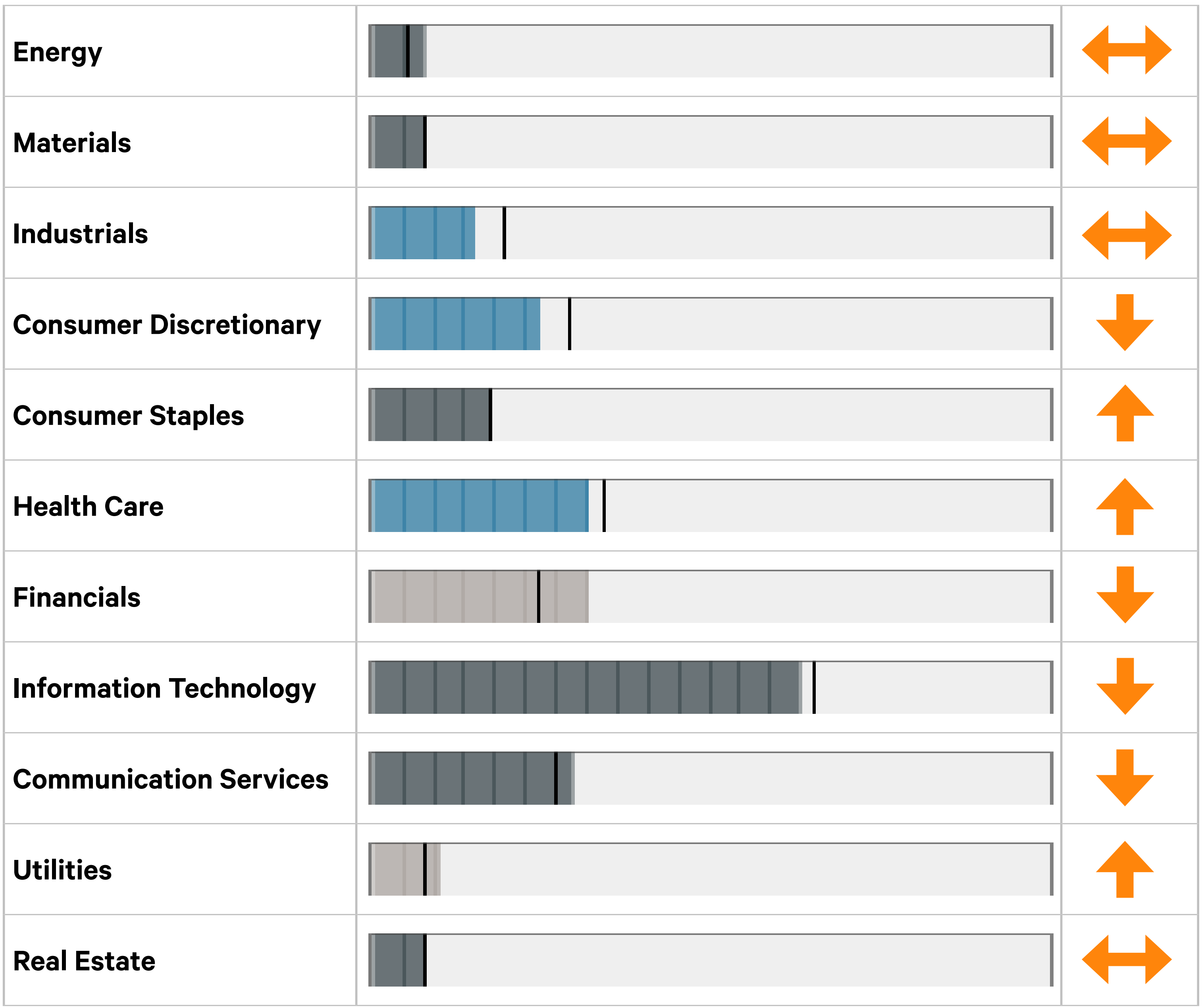
Utilities (XLU), Industrials (XLI), and Consumer Staples (XLP) all grew by more than 849 basis points (bps) last month. It was the best month for XLP and XLU in over 15 years. XLI gained more than 11% in the first quarter, while XLP was the weakest sector over the first three months of the year.

Real Estate (XLRE) and Materials (XLB) both rose by over 680 bps in March and by more than 900 bps for the first quarter. It was the best month for both sectors since November. XLRE has risen for five consecutive months.

Health Care (XLV), Consumer Discretionary (XLY), and Financials (XLF) all increased by more than 400 bps. All three sectors have risen for four of the last five months. XLF rose over 16% in the first quarter.

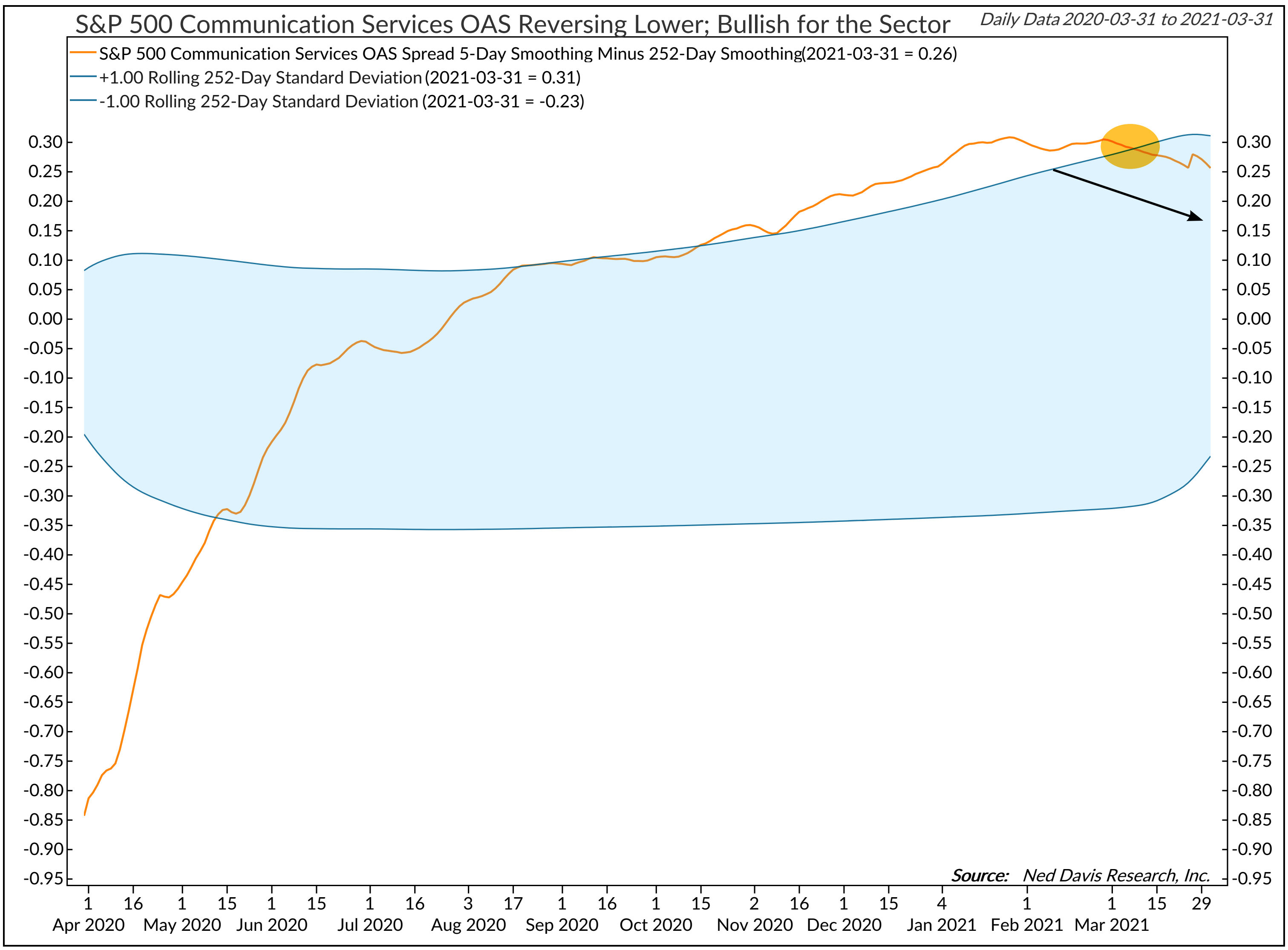
Energy (XLE), Communications Services (XLC), and Information Technology (XLK) all gained more than 180 bps. XLE has risen for five straight months and jumped by more than 30% in the first quarter.

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 Financials sector's allocation fell by almost 100 bps, but the sector is still approximately 300 bps above benchmark. A Citi Economic Surprise indicator whipsawed back to a bearish reading, but a U.S. Dollar indicator produced a new bullish signal on the sector. All but one of the sector's internal (price-based) indicators are bullish.
- The Utilities sector's weighting improved to over 100 bps more than benchmark. Four indicators (price reversal, breadth, yield on investment grade Utilities, and PMI Manufacturing) exited their bearish signals. However, a crude oil indicator flipped back to being bearish on the sector.
- The Communication Services sector's allocation declined to less than 100 bps above benchmark allocation. Improvement in option-adjusted spreads (chart at bottom) was offset by a bearish reading from an indicator comparing internet versus retail sales. Only one of the sector's external (macro, fundamental, and behavioral) indicators are bearish.
- The Real Estate sector's weighting improved, but it is less than 100 bps higher than the benchmark. The technical outlook improved for the sector as relative trend and breadth indicators switched from bearish to bullish. However, an industrial production construction supplies measure produced a new bearish reading.
- The Materials sector's allocation remains at less than 50 bps more than benchmark allocation. There were offsetting indicator changes as an overbought/oversold measure turned bullish, while an Emerging/Developed Market relative strength equity indicator became bearish.
- The Energy sector's allocation slightly declined to less than 50 bps above the benchmark. No indicators changed signals this month. More than half of the internal indicators are bullish.



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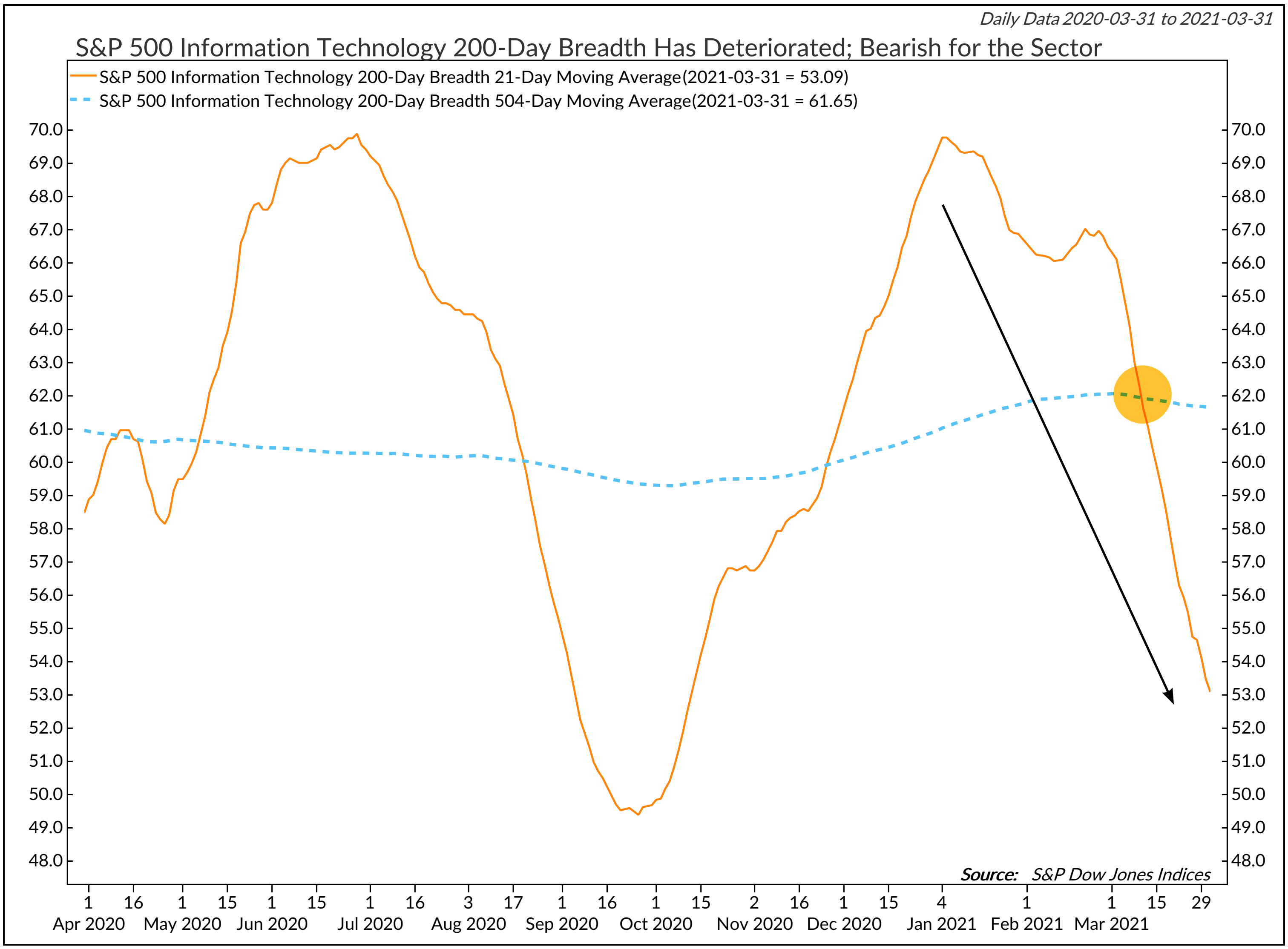
- The Consumer Staples sector's allocation jumped by over 400 bps to near benchmark weighting. Six indicators (concepts include: overbought/oversold, trend, breadth, short interest, and Citi Economic Surprise) exited their bearish readings.
- The Information Technology sector's allocation fell by over 400 bps to slightly below benchmark. The sector's allocation dropped as long-term breadth (chart at bottom) and intermediate-term overbought/oversold indicators produced new bearish signals. However, a short-term reversion indicator flipped from bearish to bullish.
- The Health Care sector's allocation increased by over 400 bps, but it remains below benchmark weighting. Trend, price momentum, and drawdown measures flashed new bullish signals.
- Industrials' weighting fell by 100 bps to almost 200 bps below benchmark allocation. Price momentum, breadth, and oil futures indicators exited their bearish signals. However, they were offset by volatility, U.S. Dollar, and industrial production measures generating new bearish readings.
- The Consumer Discretionary sector's allocation decreased by more than 200 bps to a below benchmark weighting. A price momentum indicator flipped from bullish to bearish. Two-thirds of the sector's internal measures are bearish.



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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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