DAY HAGAN
ASSET MANAGEMENT

NDR
NED DAVIS RESEARCH

Smart Sector® Strategy

JUNE 2021

U.S. Market Update

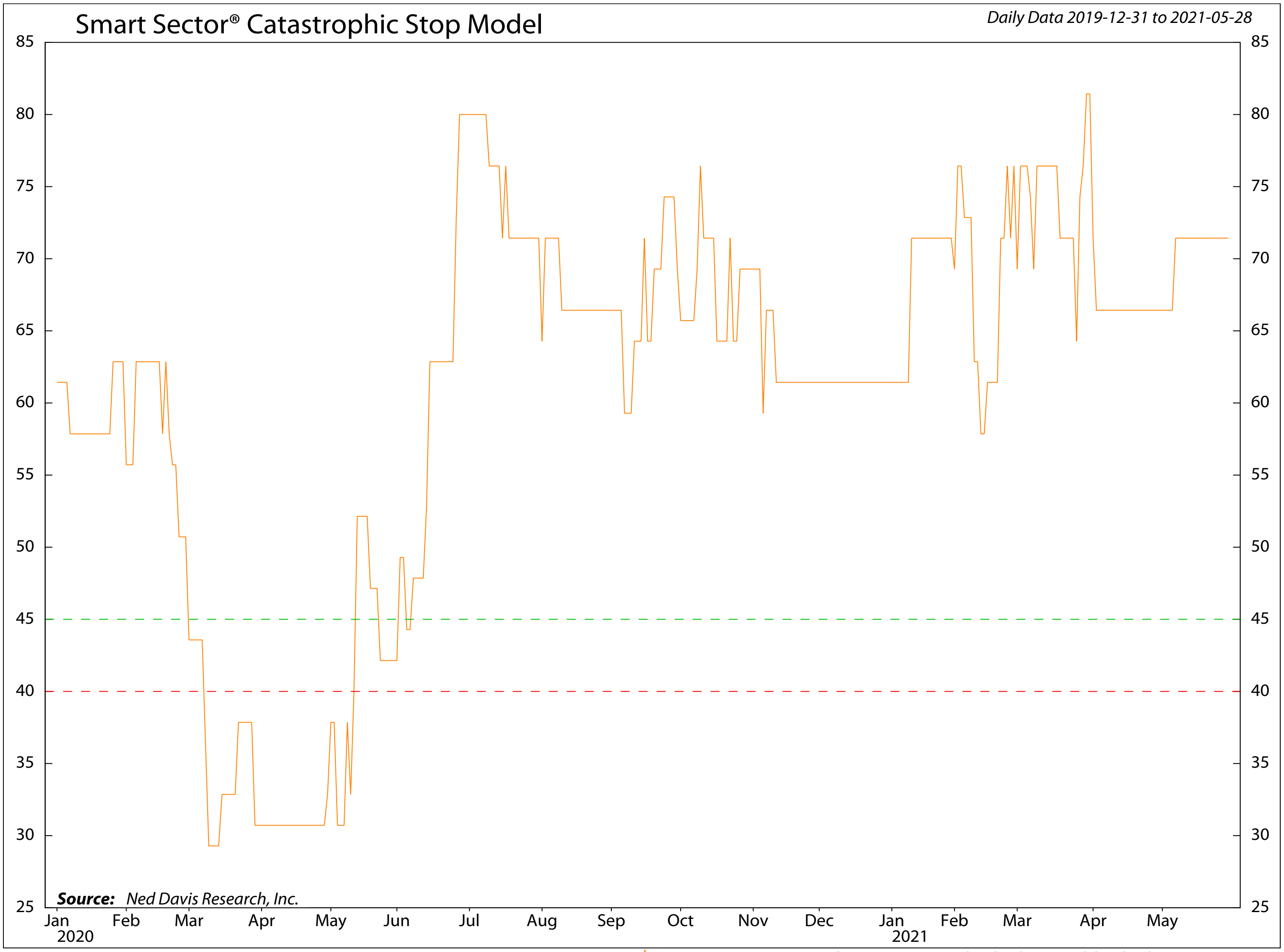
The S&P 500 Total Return Index grew by almost 0.70% last month. The market has risen for eleven of the last fourteen months.

The Smart Sector® Catastrophic Stop model's composite reading shows that the weight of the evidence remains supportive of a fully invested equity position.

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

Two external (macro, fundamental, and behavioral) indicators were bearish at the end of May. The yield curve continues to suggest headwinds for the market. Also, defensive sector leadership reflects bearish positioning, as the combination of the Consumer Staples, Health Care, Utilities, and Telecommuncation Services trades 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 Sector® strategy maintains a 100% equity allocation.



Sector Performance Update

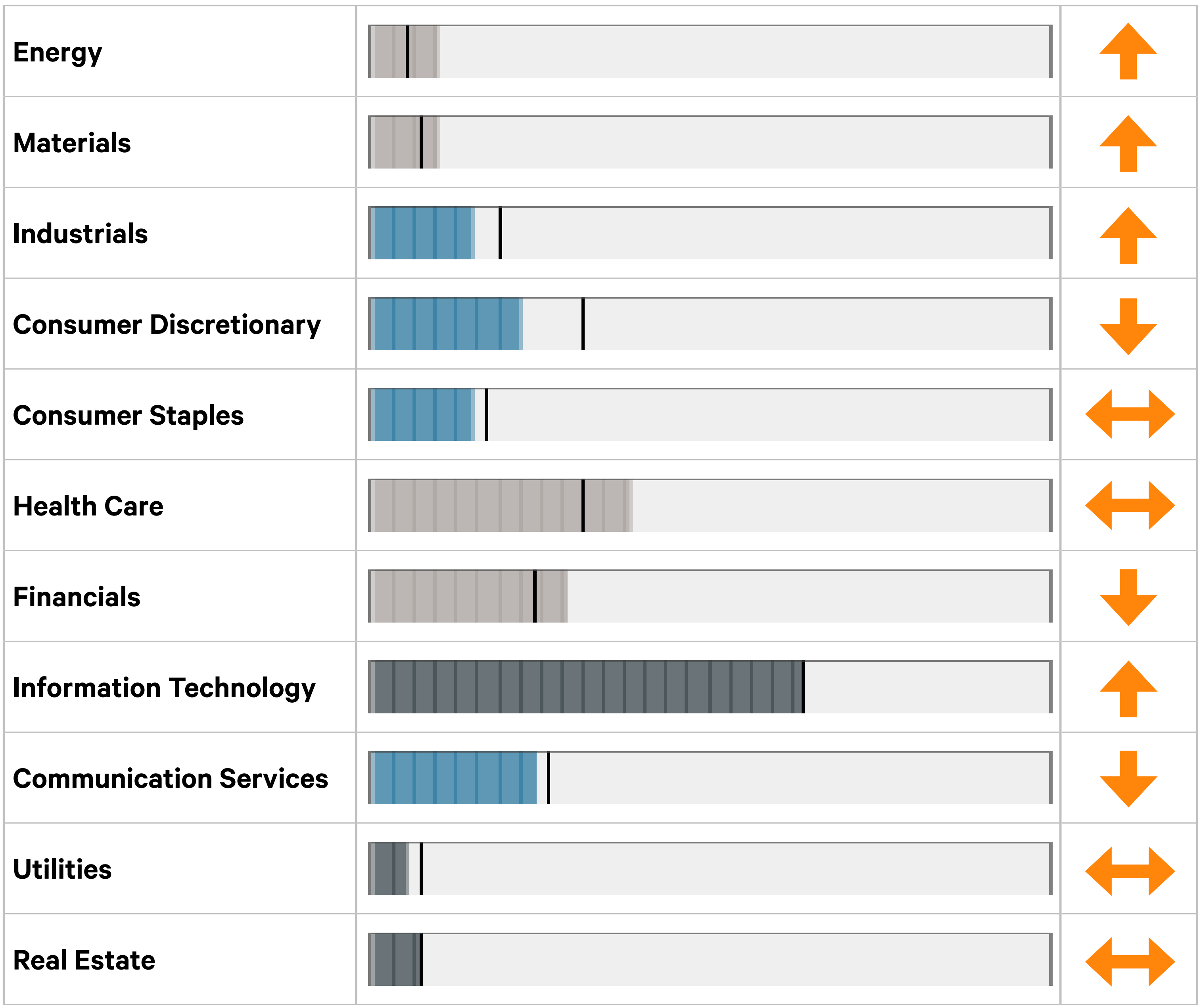
Energy (XLE), Materials (XLB), and Financials (XLF) all gained more than 475 basis points (bps) during May. XLE has risen for seven straight months and has been the top-performing sector for three of the first five months in 2021. XLB and XLF have jumped by more than 400 bps for four consecutive months.

Industrials (XLI), Consumer Staples (XLP), and Health Care (XLV) each increased by over 150 bps last month. XLI has gained more than 300 bps for four straight months. XLV has risen for six of the last seven months.

Communications Services (XLC) and Real Estate (XLRE) both rose by more than 90 bps. XLRE has risen for seven consecutive months. XLC has increased for six of the last seven months.

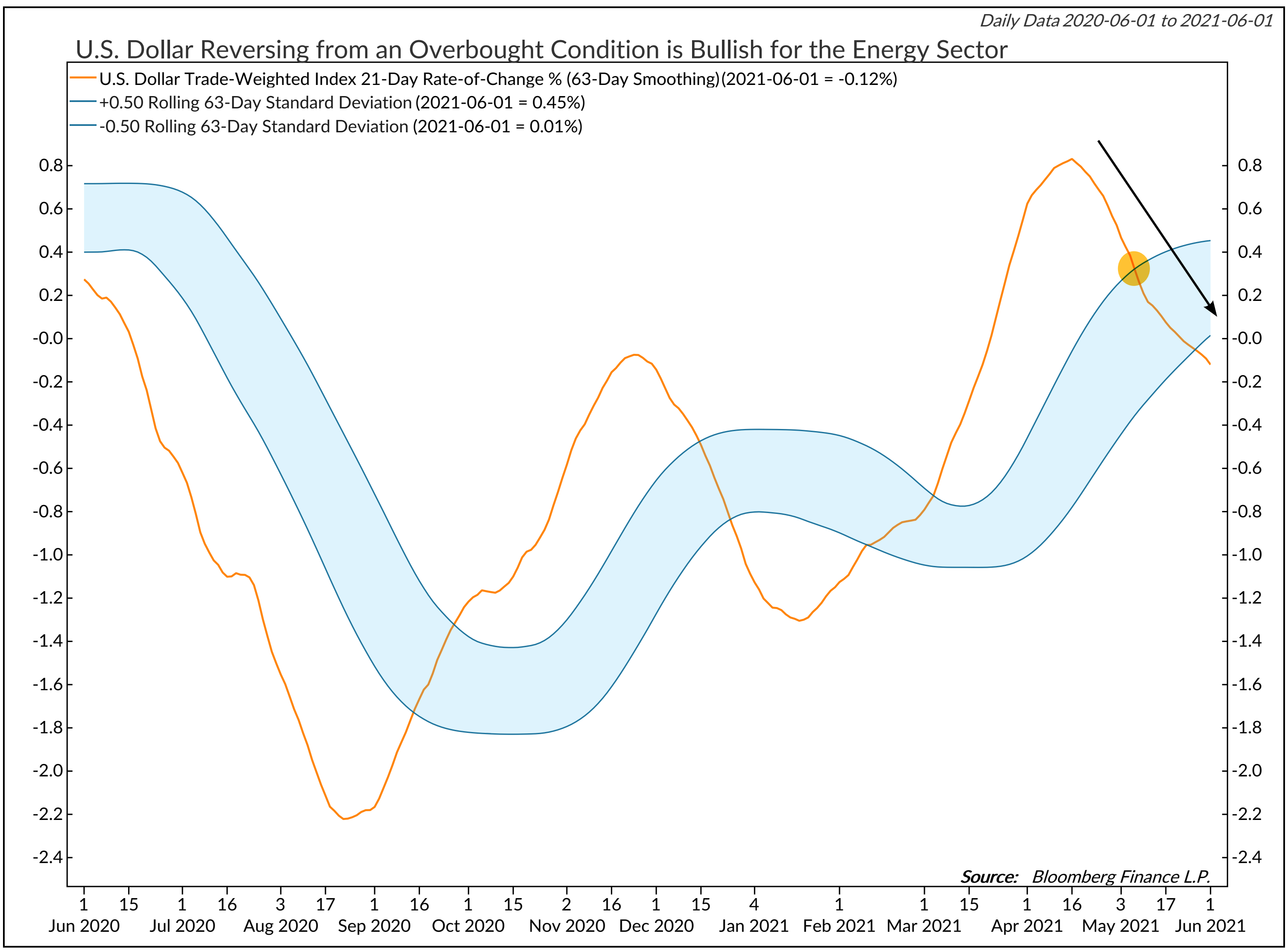
Consumer Discretionary (XLY), Utilities (XLU), and Information Technology (XLK) each declined during May. XLY was the worst sector last month, as it suffered its largest monthly decline since March 2020. XLK had its worst month since October. XLU has fallen for three of the last five months.

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 Health Care sector's allocation slightly decreased, but it remains more than 200 bps above benchmark weighting. None of the sector's indicators changed signals this month. All of the price-based (internal) indicators are bullish.
- The Financials sector's allocation dropped by over 100 bps, but it continues to be greater than 200 bps above benchmark. A U.S. Dollar (USD) trend indicator turned bearish on Financials as a near-term USD trend measure dropped below its longer-term trend.
- The Energy sector's weighting rose by more than 100 bps. An overbought/oversold indicator flipped from bearish to bullish. USD momentum is reversing lower from an overbought condition (chart, below), which benefits the sector. None of the macro, fundamental, and sentiment (external) indicators are bearish. Only one of the sector's internal indicators is bearish.
- The Materials sector's allocation increased by greater than 100 bps. Price momentum and trend indicators switched from bearish to bullish. All but one of the internal indicators are bullish. There were offsetting signal changes within the externals. A copper spot measure flashed a new bearish reading, but a gold momentum indicator produced a new bullish signal.
- The Real Estate sector's weighting slightly declined, but it is still higher than the benchmark. A trend indicator generated a new bearish reading.
- The Information Technology sector's allocation jumped by more than 400 bps to an above benchmark weighting. Overbought/oversold and short interest indicators produced new bullish signals. All of the sector's external indicators are bullish, but almost all of the internal indicators are bearish.



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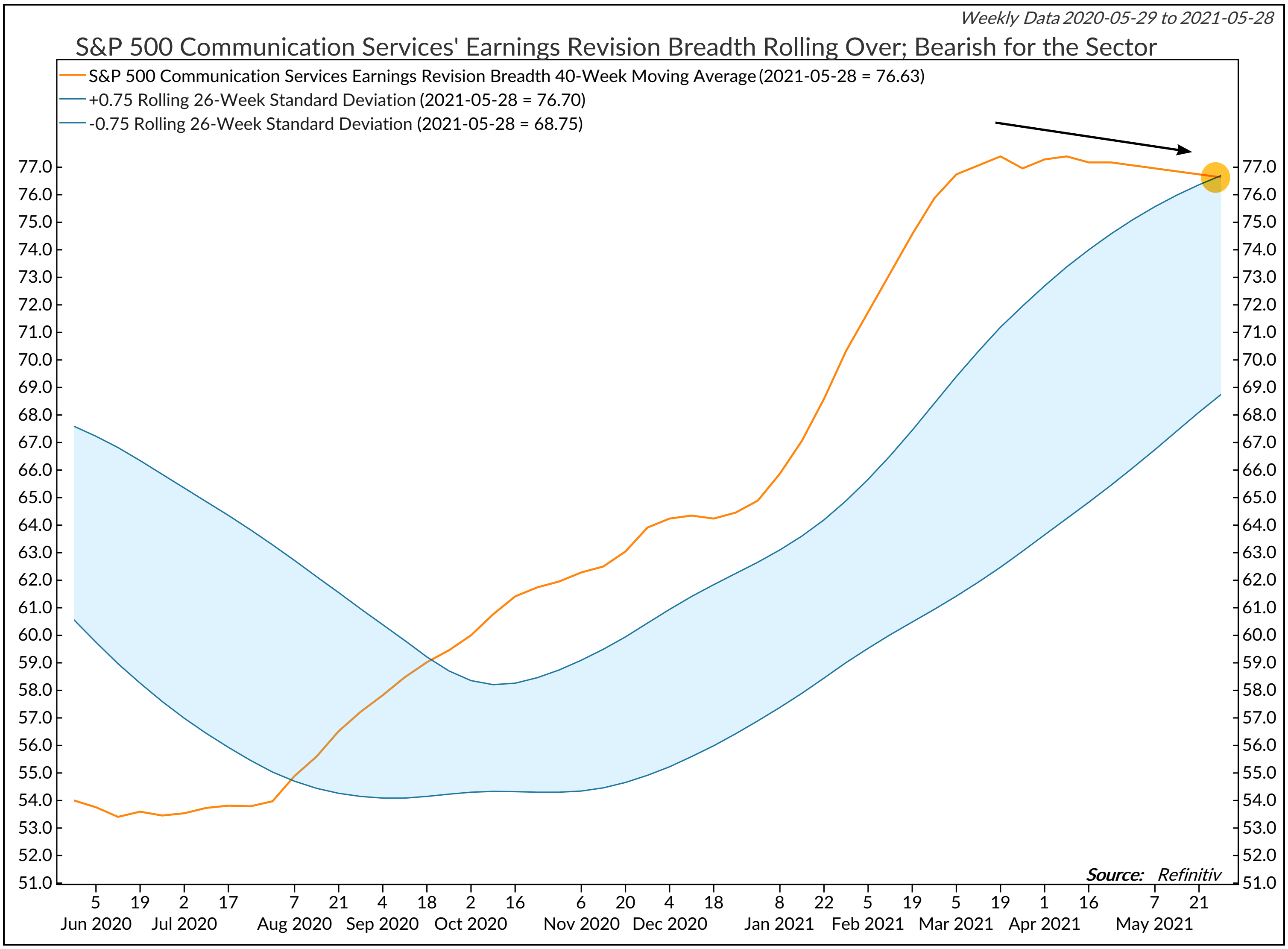
- The Utilities sector's weighting fell to below benchmark allocation. Trend, price reversal, and near-term overbought/oversold measures exited their bullish readings. Longer-term overbought/oversold and manufacturing indicators produced new bullish signals.
- The Consumer Staples sector's allocation continues to be about 100 bps below benchmark weighting. There were offsetting indicator changes as a new bullish reading from a Citi Economic Surprise indicator was countered by a bearish signal from a measure of food inflation.
- The Communication Services sector's allocation fell by more than 200 bps to below benchmark weighting. Earnings revisions breadth (chart, below) and overbought/oversold measures produced new bearish readings.
- Industrials' weighting jumped by almost 200 bps, but it is still below benchmark allocation. A volatility indicator flashed a bearish reading, but a price momentum measure generated a bullish signal.
- The Consumer Discretionary sector's allocation plummeted by more than 400 bps to significantly below benchmark weighting. Short-term trend, intermediate-term trend, and overbought/oversold indicators flipped from bullish to bearish. All but one of the internal indicators 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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