Smart Sector® Strategy

AUGUST 2021

U.S. Market Update

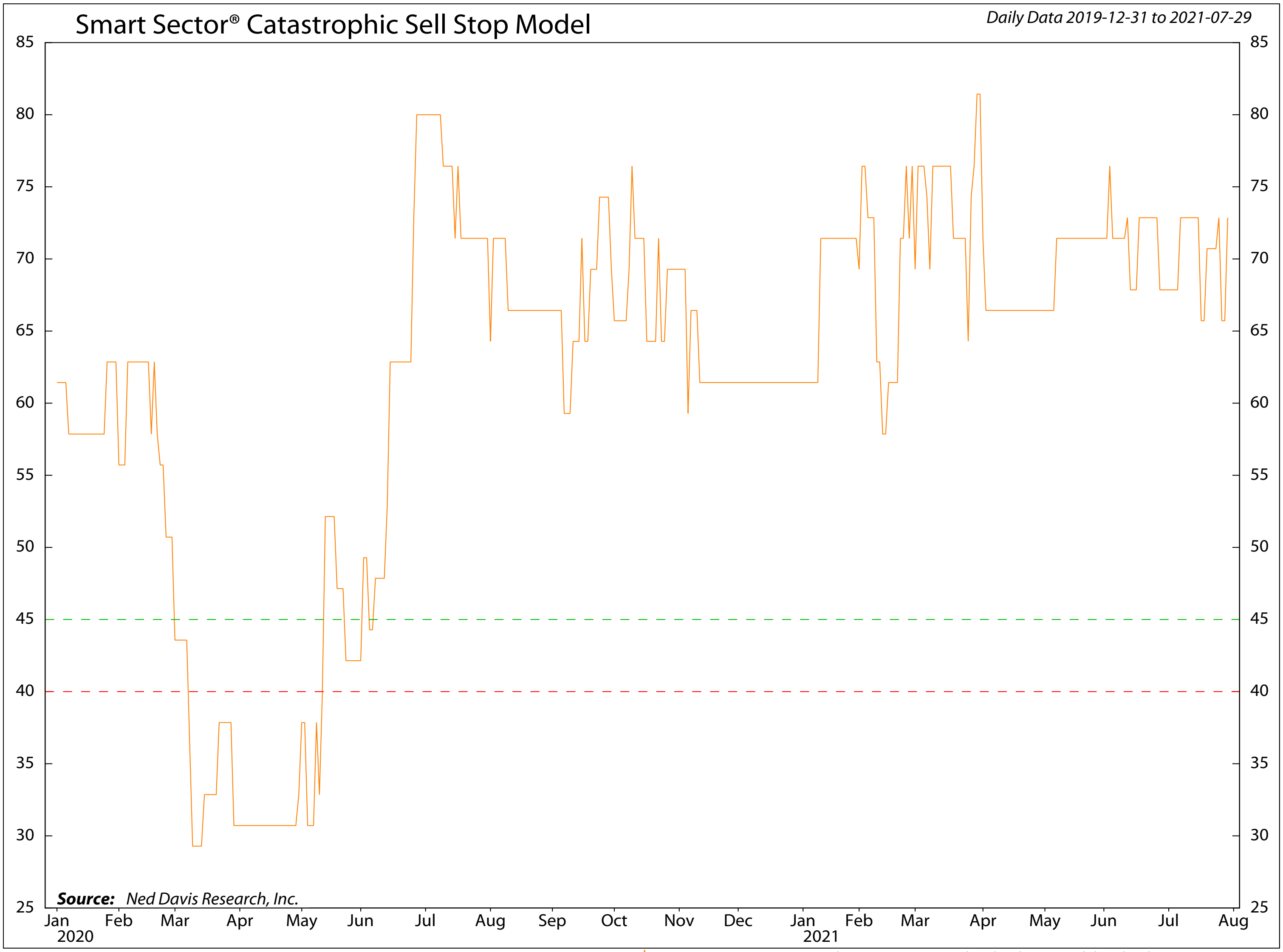
The S&P 500 Total Return Index grew by over 237 basis points (bps) last month. The market has risen for 13 of the last 16 months.

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 July. The yield curve continues to suggest headwinds for the market.

Equity market sentiment improved from an overly optimistic condition and is now neutral.

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

Health Care (XLV), Real Estate (XLRE), and Utilities (XLU) all increased by more than 400 basis points (bps) during July. It was XLV's best month since November. It broke a two-month losing streak for XLU. XLRE has risen for nine consecutive months.

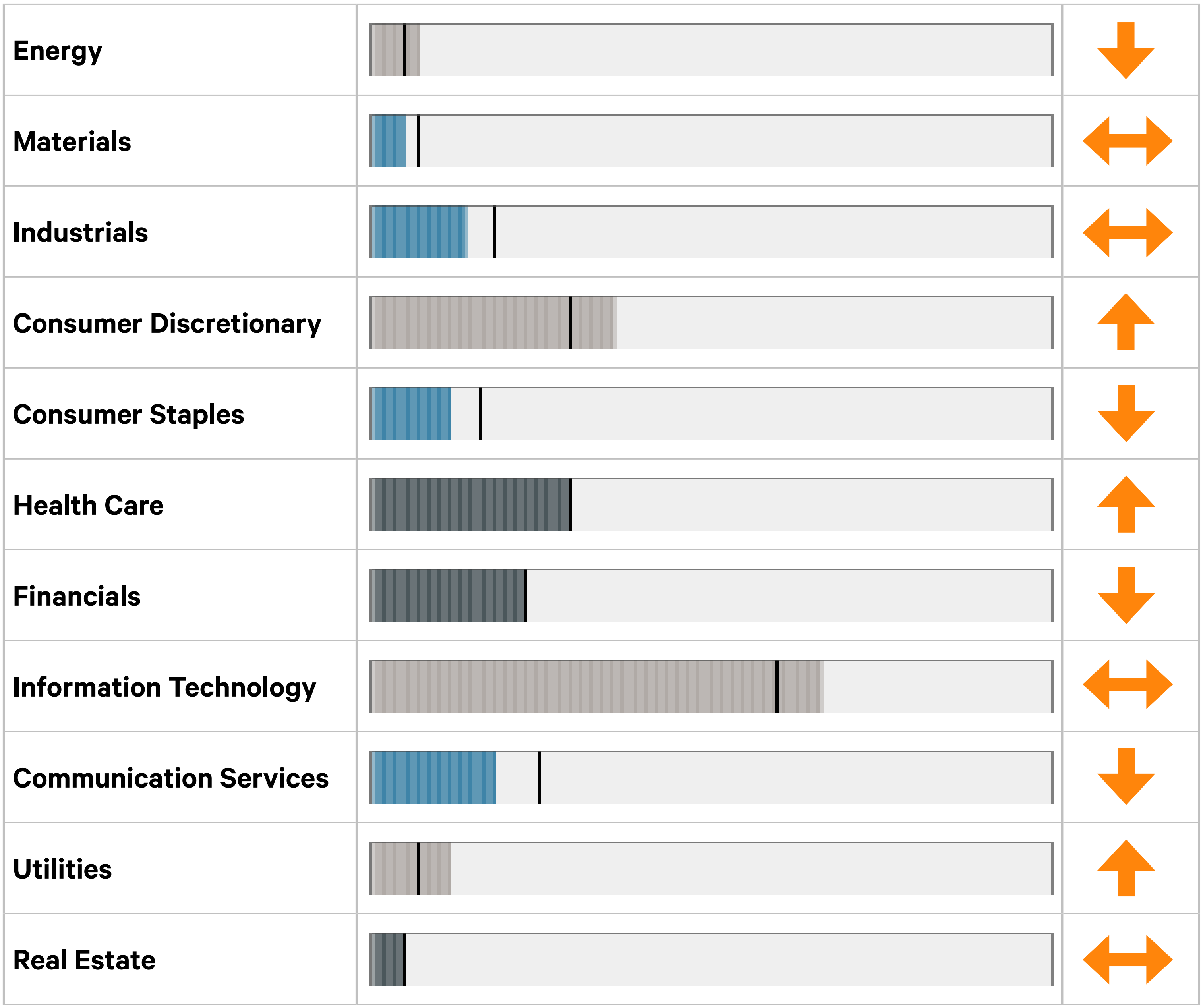
Information Technology (XLK) rose by more than 300 bps last month. XLK has gained over 300 bps for three of the last four months.

Consumer Staples (XLP) and Materials (XLB) each increased by over 200 bps last month. Both sectors have been higher for four of the last five months.

Consumer Discretionary (XLY), Communications Services (XLC), and Industrials (XLI) all gained more than 90 bps in July. XLC has increased for eight of the last nine months. XLI has risen for five of the last six months. XLY has jumped by more than 100 bps for four of the last five months.

Energy (XLE) and Financials (XLF) both declined last month. It was XLE's largest monthly decline since September 2020 and it broke an eight-month winning streak. XLF is the only sector to decline for each of the last two 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.

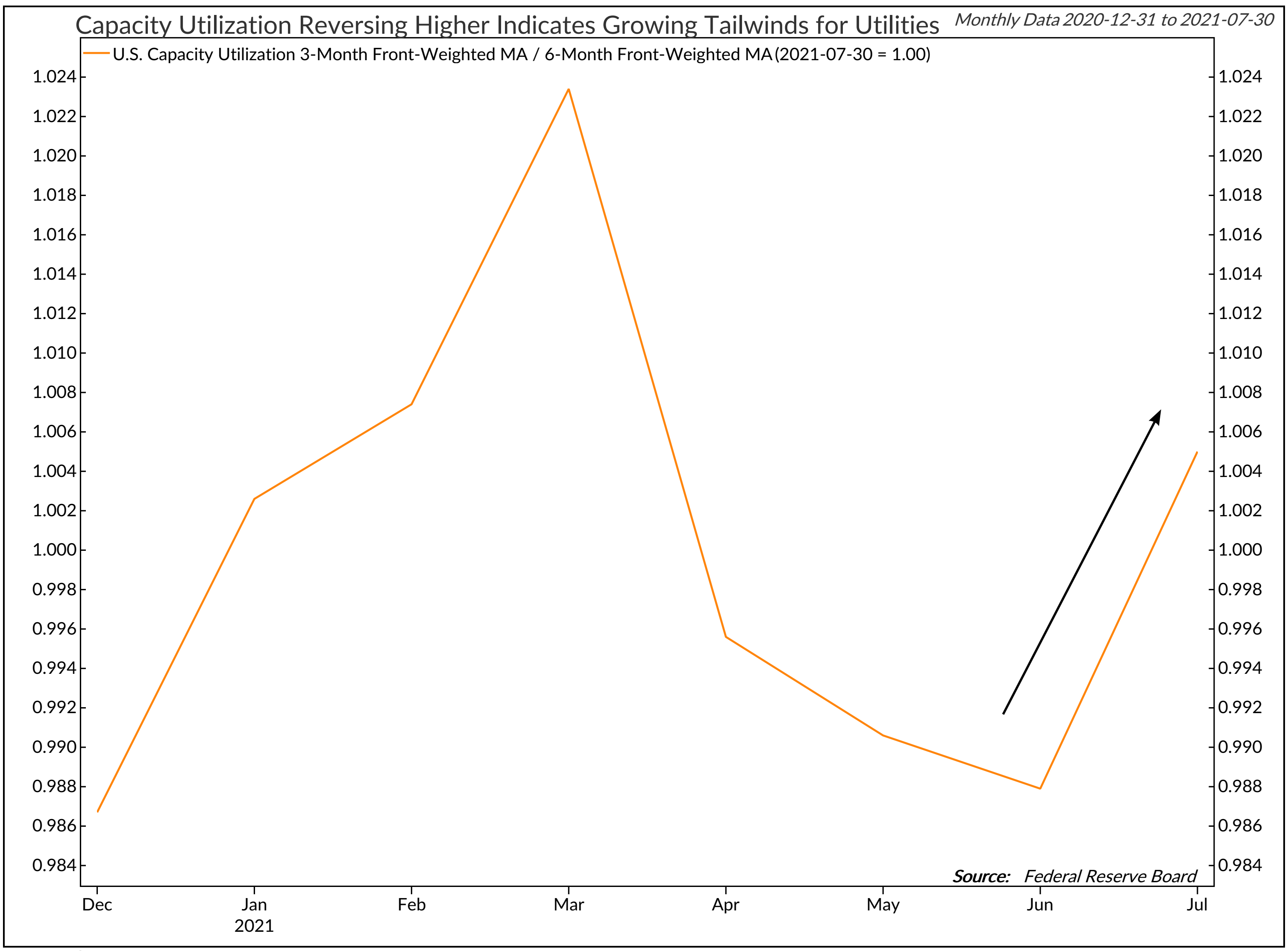
- The Information Technology sector's allocation continues to reside at overweight status. An overbought/oversold turned bearish, as it reversed from an overbought condition. However, near-term breadth and inflation expectations both produced bullish readings on the sector. All of the sector's macro, fundamental, and sentiment (external) indicators are bullish, but the majority of the price-based (internal) indicators are bearish.

- The Consumer Discretionary sector's allocation improved to above benchmark weighting. Relative price momentum and overbought/oversold indicators flipped from bearish to bullish on the sector.

- The Utilities sector's weighting jumped to overweight allocation. Six indicators (price reversal, overbought/oversold, trend, breadth, copper/gold ratio, and capacity utilization [chart, below]) produced new bullish signals. A crude oil measure exited its bullish reading. All but one of the sector's external indicators are bullish.

- The Energy sector's allocation declined, but it remains overweight. An overbought/oversold indicator exited its bullish signal. A strengthening USD is a headwind for the sector. Only one of the internal indicators is bearish.

- The Real Estate sector's weighting is in line with the benchmark. An overbought/oversold measure is now bullish as the sector reverses higher from an oversold reading. However, economic conditions and long-term Treasury yields indicate stronger headwinds.



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- The Health Care sector's allocation improved, but it remains below benchmark. Improving health care new construction was confirmed by the internals as price momentum, trend, and relative risk measures turned bullish. However, a breadth indicator turned bearish on the sector.

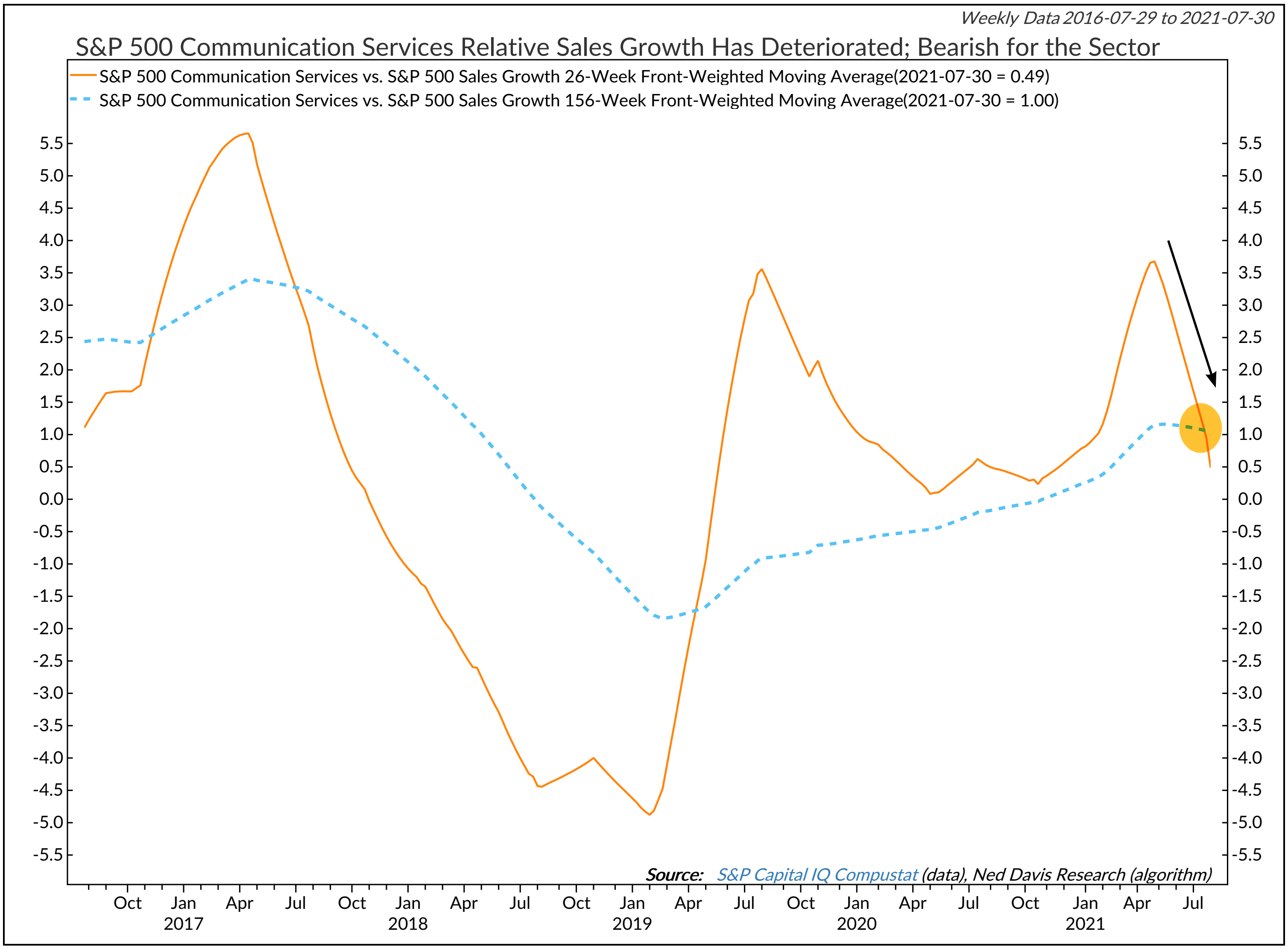
- The Financials sector's allocation dropped to below benchmark. Weakening trend was offset by an improving USD. Two-thirds of the sector's internal indicators are bullish.

- The Materials sector's allocation weakened and it remains at underweight status. Copper spot prices have improved and are bullish on the sector. However, the sector's trend has flipped from bullish to bearish.

- The Consumer Staples sector's weighting declined, and it remains below benchmark weighting. A price momentum indicator switched from bullish to bearish. However, an overbought/oversold measure produced a new bullish reading.

- Despite improving, Industrials' weighting is still significantly below benchmark allocation. Volatility decreased from elevated levels, which reflects an improving outlook for the sector.

- The Communication Services sector's allocation plummeted to underweight status. Price momentum, overbought/oversold, yield curve, and sales growth trend (chart, below) indicators all exited their bullish readings. Two-thirds of the external indicators are bullish.



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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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