DAY HAGAN
ASSET MANAGEMENT

NDR
NED DAVIS RESEARCH

Smart Sector® Strategy

FEBRUARY 2022

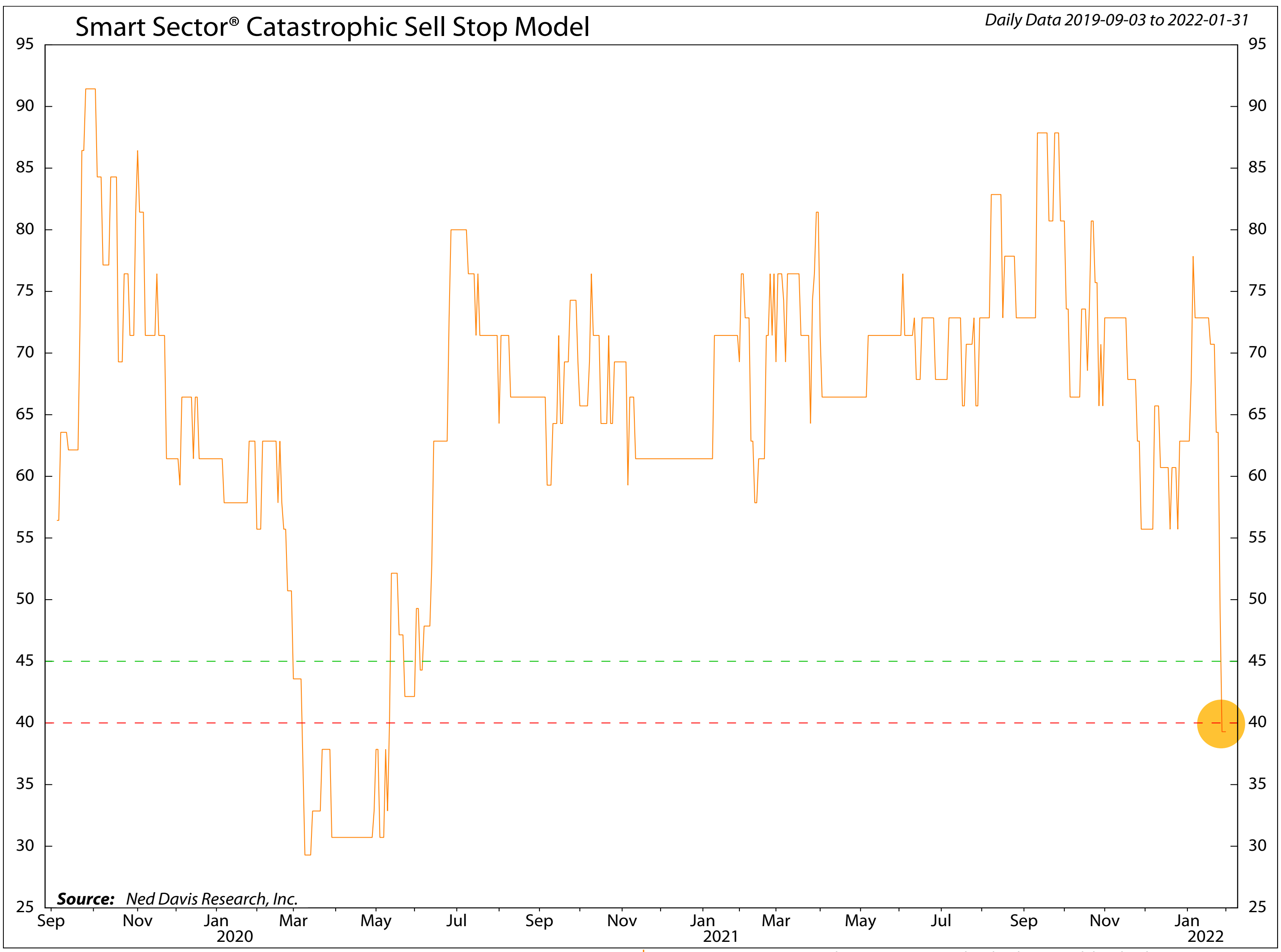
Catastrophic Stop Update

The Catastrophic Stop model (chart at bottom) has initiated a sell signal as of January 31. The Smart Sector® strategy now recommends shifting half of the strategy's assets into cash until a better opportunity presents itself.

Entering the year, global shipping rates were weakening and high yield option-adjusted spreads were widening. As the month progressed, the bond market exhibited further signs of weakness as the participation of high yield and Emerging Market bonds sectors in uptrends deteriorated.

Toward the end of the month, the equity market internals (price-based indicators) confirmed the externals' (macro, fundamental, and behavioral indicators) weakness. Measures of trend, relative strength, global equity market participation, and volume supply/demand all fired sell signals.

Indicator improvement is required for the Catastrophic Stop model to exit its current signal in this weight of the evidence approach.



Sector Performance Update

Value sectors provided the strongest returns to start 2022. Energy (XLE) and Financials (XLF) were the only sectors with positive returns in January. XLE and XLF have risen for the last two months. Up more than 18%, XLE had its best month since February 2021.

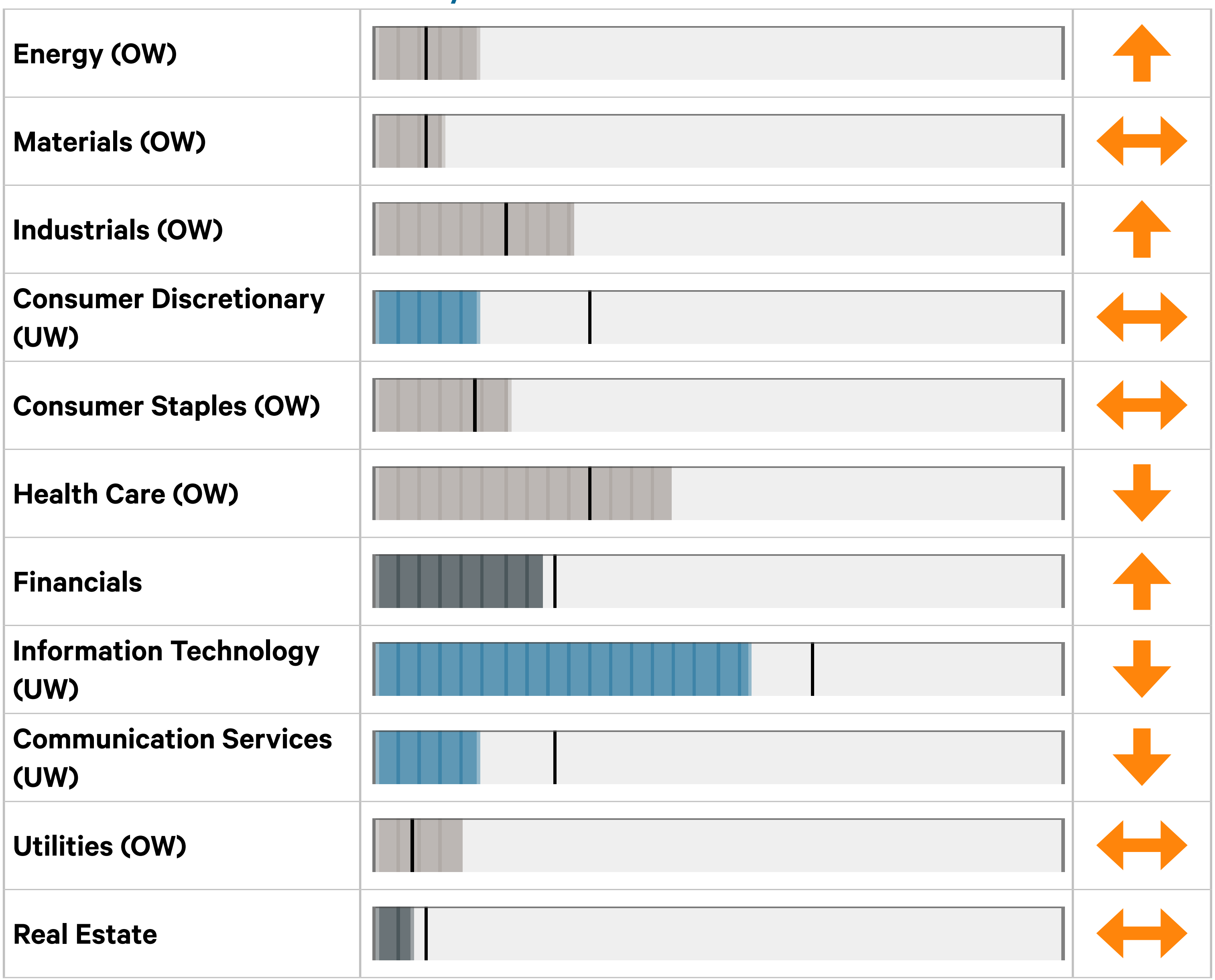
After having the best monthly return in its history during December, Consumer Staples (XLP) dropped by more than 100 basis points (bps) last month.

Utilities (XLU), Industrials (XLI), and Communications Services (XLC) each declined over 300 bps. All three sectors have oscillated between positive and negative returns each month since August.

Health Care (XLV), Materials (XLB), and Information Technology (XLK) all dropped by more than 600 bps last month. It was the worst month for XLV and XLK since the spring of 2020.

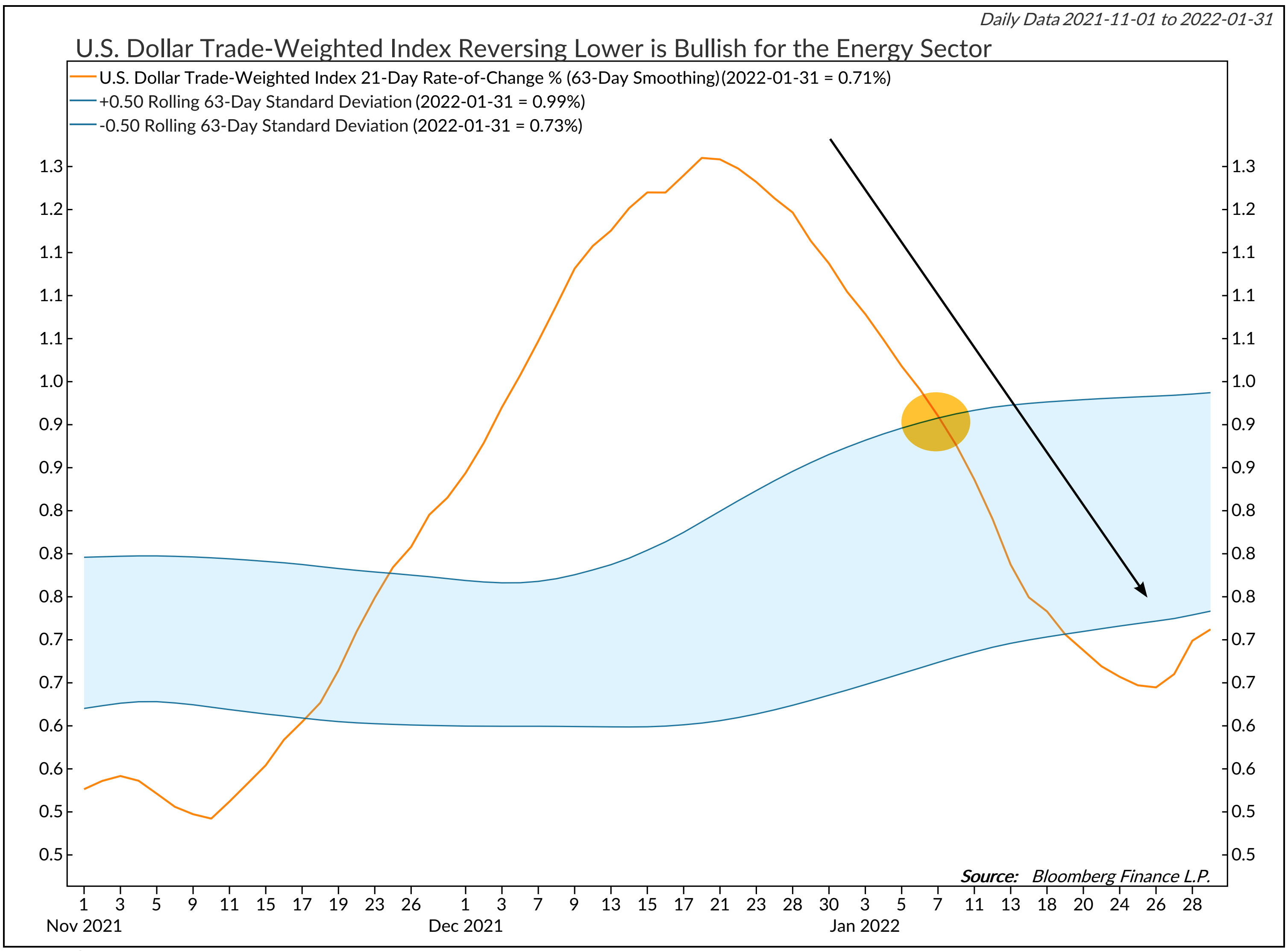
Real Estate (XLRE) and Consumer Discretionary (XLY) both plummeted over 800 bps. It was the worst month for both sectors since March 2020. However, XLY has risen for six of the last eight months.

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 [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's weighting fell, but the sector still has the largest overweight allocation. There was some price-based (internals) deterioration as trend and price momentum indicators turned bearish. There were offsetting external (macro, fundamental, and behavioral) indicator changes as high yield option-adjusted spreads widened, but health care personal expenditures rose. Only one of the sector's external indicators is bearish.
- Industrials improved to an overweight allocation. Although industrial production exited its bullish reading for the sector, there was strong technical improvement as price momentum strengthened and volatility receded.
- The Energy sector has moved further overweight relative to benchmark. A mean reversion indicator exited its overbought condition, crude oil sentiment returned to excessive pessimism, and the U.S. Dollar weakened (chart at bottom). Currently, the sector has no bearish indicators.
- The Utilities sector remains overweight. The sector has gotten overbought, and the trend has started to weaken. Only one from each of the Utilities' sectors internal and external measures is bearish.
- The Materials sector's allocation remains overweight. An Emerging Market/Developed Market relative strength indicator turned bullish on the sector.
- The Consumer Staples sector's weighting rose further above benchmark. No indicators changed signals this month. All but one of the sector's internal indicators is bullish.



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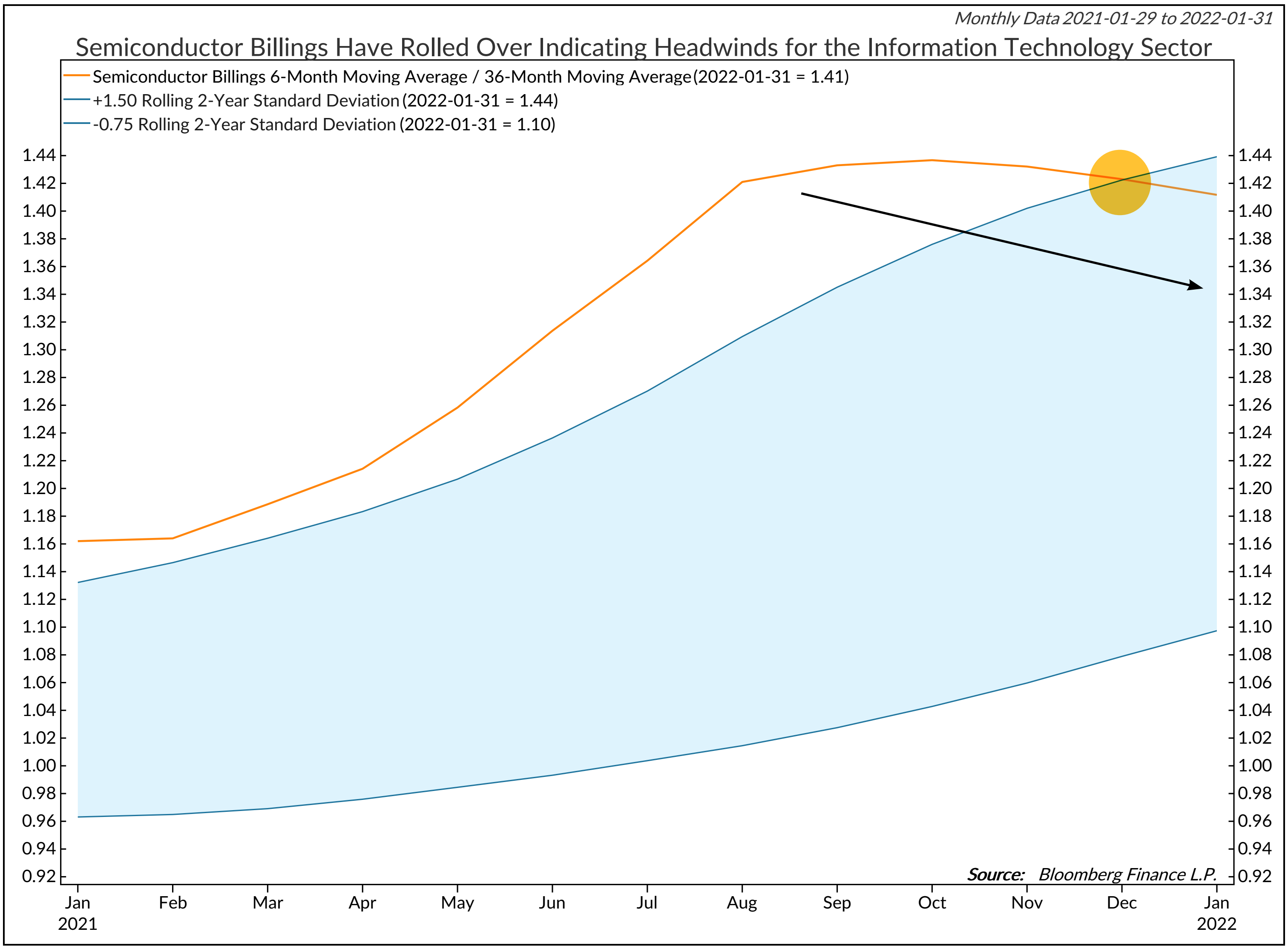
- The Real Estate sector's allocation is in line with benchmark. Long-term yields rolled over and the Citi Economic Surprise Index declined, which indicates potential economic weakness.
- The Financials sector's allocation rose to slightly below benchmark. A relative drawdown measure indicated less weakness in this sector relative to other areas. But that is the only bullish internal indicator for Financials.
- The Information Technology sector's allocation fell further below benchmark to underweight status. Semiconductor billings weakened (chart at bottom) and near-term breadth deteriorated. Only one internal indicator is bullish on the sector.
- The Communication Services sector remains significantly below benchmark. The sector's volatility increased, and option-adjusted spreads widened. Only one of the sector's indicators is bullish.
- The Consumer Discretionary sector continues to have the most underweight allocation. Intermediate-term breadth deteriorated. Only one external and internal indicator is 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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