Dynamic Allocation Strategy

JUNE 2021

Macro/Market Update

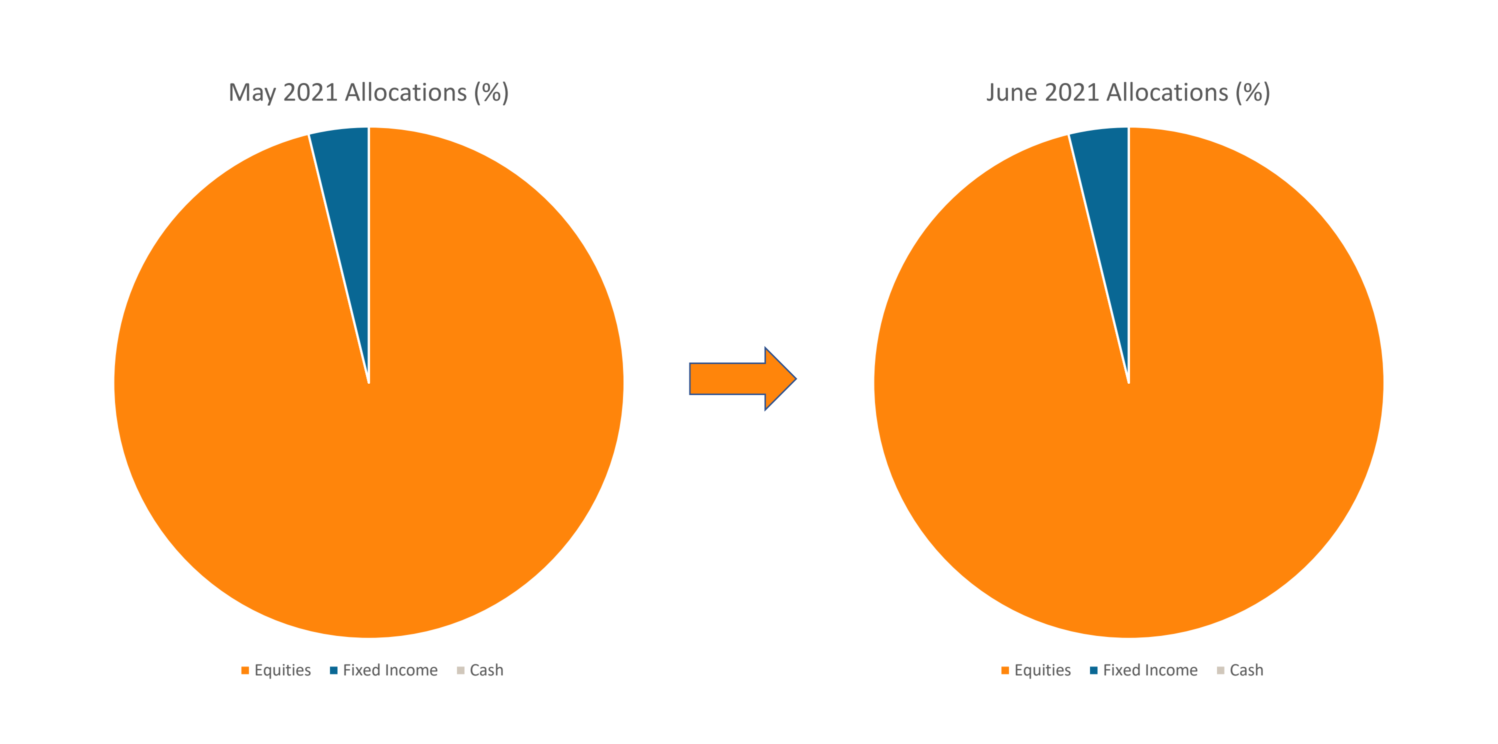
The global economy grew at its fastest pace in over a decade, according to the April global Purchasing Managers' Index (PMI) data. A reopening of economies, ongoing monetary and fiscal stimulus, and human resiliency and adaptability in the face of the virus have allowed the global economy to power ahead, even though the COVID pandemic persists.

The global composite PMI, which includes both the services and manufacturing sectors, rose for a third straight month in April, up 1.5 points to 56.3, its best level in 11 years. The latest reading is historically consistent with 5.0% annual global Gross Domestic Product (GDP) growth.

Rising demand and supply shortages, due to abrupt changes in preferences and supply chain disruptions, have led to the fastest price increases in over a decade. The input price index rose to its highest level since mid-2008, while output prices jumped at the quickest pace since data began in 2009. U.S. annual Consumer Price Index (CPI) growth surged 4.2%, the most since 2008, while the core rate accelerated to its highest level since 1996.

During May, the MSCI All Country World Index (ACWI) outperformed the Barclays Global Aggregate Bond Index by more than 75 basis points (bps). Stocks have outpaced bonds for twelve of the last fourteen months. Earnings have been beating expectations at an increasing pace. The year-to-year point change has never been higher for the ACWI beat rate. The strengthening earnings season has validated increased earnings optimism, encouraging investors to buy stocks. Although equities have gotten more expensive, the earnings outlook has yet to signal that overvaluation is an imminent danger.

Asset Allocation Summary



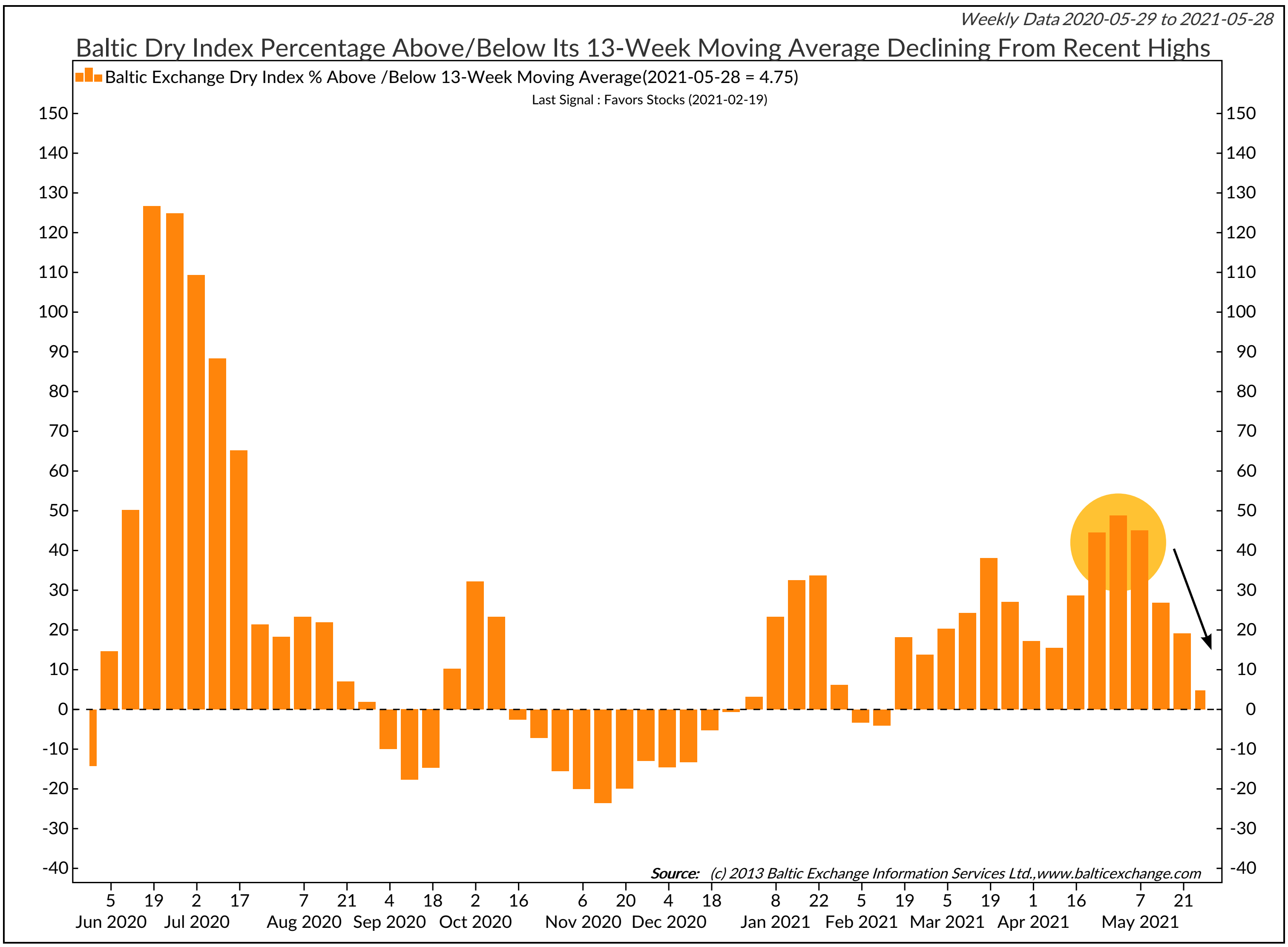
* See Equity Allocation Summary for how the equity allocation is distributed
** See Fixed Income Allocation Summary for how the fixed income allocation is distributed

- The model did not trade as the turnover-reduction algorithm did not breach its threshold for rebalancing.
- The equity allocation remains at more than 95%.
- The fixed income allocation continues to be under 5%.
- Cash has no weighting within the model.
- No indicators changed signals this month.
- All six top-level indicators favor equities over fixed income (table, below).
- Although all four top-level macro indicators favor stocks, the Baltic Dry Index and Purchasing Managers' Index (PMI) breadth indicators have deteriorated over recent weeks.

Top Level Factors

Indicator	Current Signal (Red = New Signal)	Comment
Equities/Fixed Income Relative Strength (indicator receives a heavier weighting)	Favors Equities	The relative strength ratio continues to be more than 15% above its one-year moving average, near the highest reading in the indicator's twenty-year history.
Global Market Breadth	Favors Equities	80% of global equity markets are trading above their 50-day moving average.
OECD Leading Indicator	Favors Equities	The four-week change in the OECD Composite Leading Indicator (CLI) is still positive after hitting an all-time high last August.
PMI Breadth Factor	Favors Equities	The four-week change in economies with expanding manufacturing industries has fallen to its key threshold. Any further decline would flip the signal to favoring bonds.
Baltic Exchange Dry Index	Favors Equities	At the end of April, the Baltic Dry Index was more than 48% above its 13-week moving average. The indicator now resides at less than 5% above its intermediate-term trend (chart, below).
Central Bank Policy	Favors Equities	In order to favor bonds, this indicator requires a significant drop in global short-term rates.

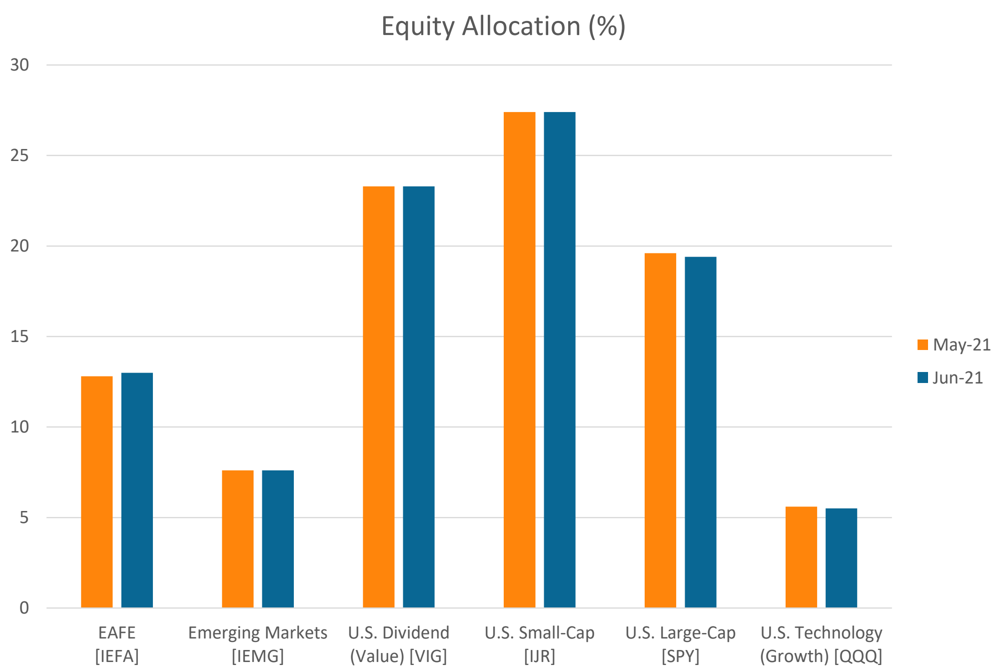
Ned Davis Research T_ETFM2021060111

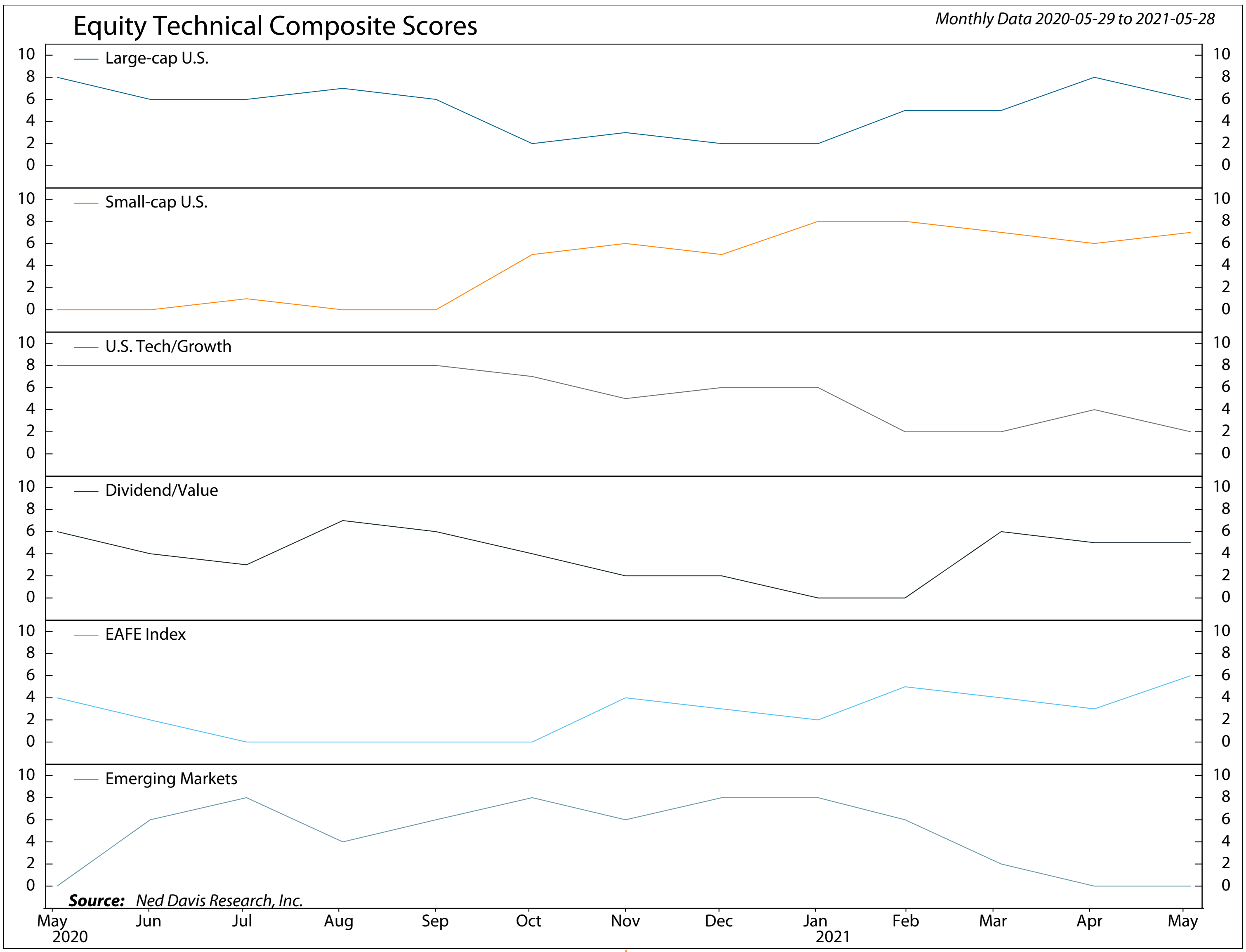


Customized version of ETF1000_15

Equity Allocation Summary

During May, Europe, Australasia, and the Far East [EAFE] (IEFA) was the top-performing area as it grew by more than 300 bps. IEFA has not had the best monthly return since April 2018. U.S. Small Caps (IJR) increased by more than 200 bps last month. IJR has risen for eight consecutive months. U.S. Value [Dividends] (VIG) and Emerging Markets (IEMG) gained more than 175 bps. U.S. Large Caps (SPY) rose by less than 100 bps, while U.S. Growth [Technology] (QQQ) declined. IJR, VIG, and SPY each received greater than 15% allocation for June due to their elevated technical composite scores. IEFA, QQQ, and IEMG all received more than 5% weighting.

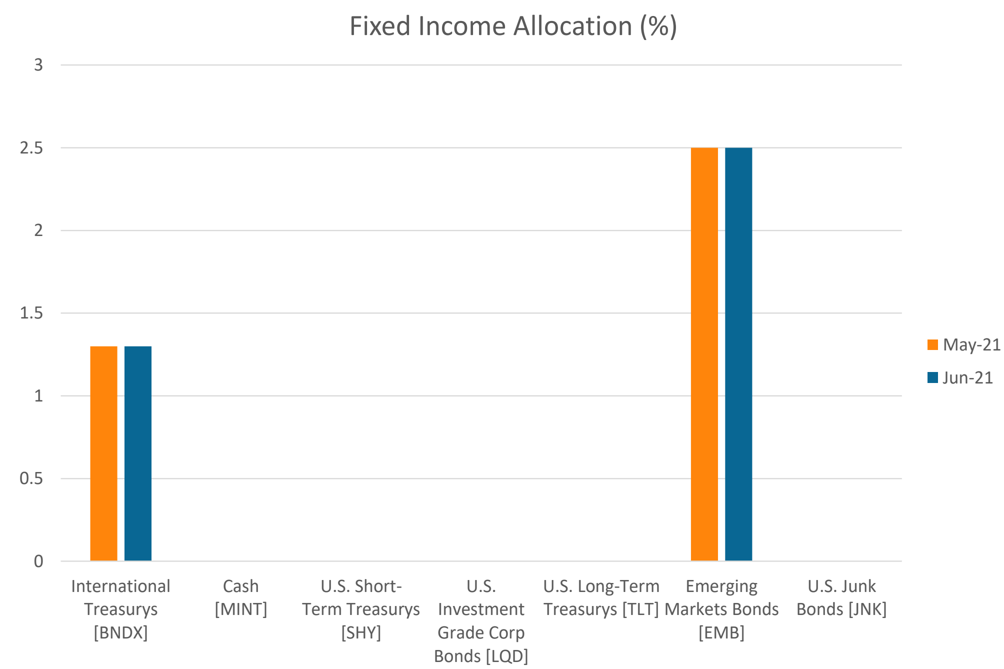


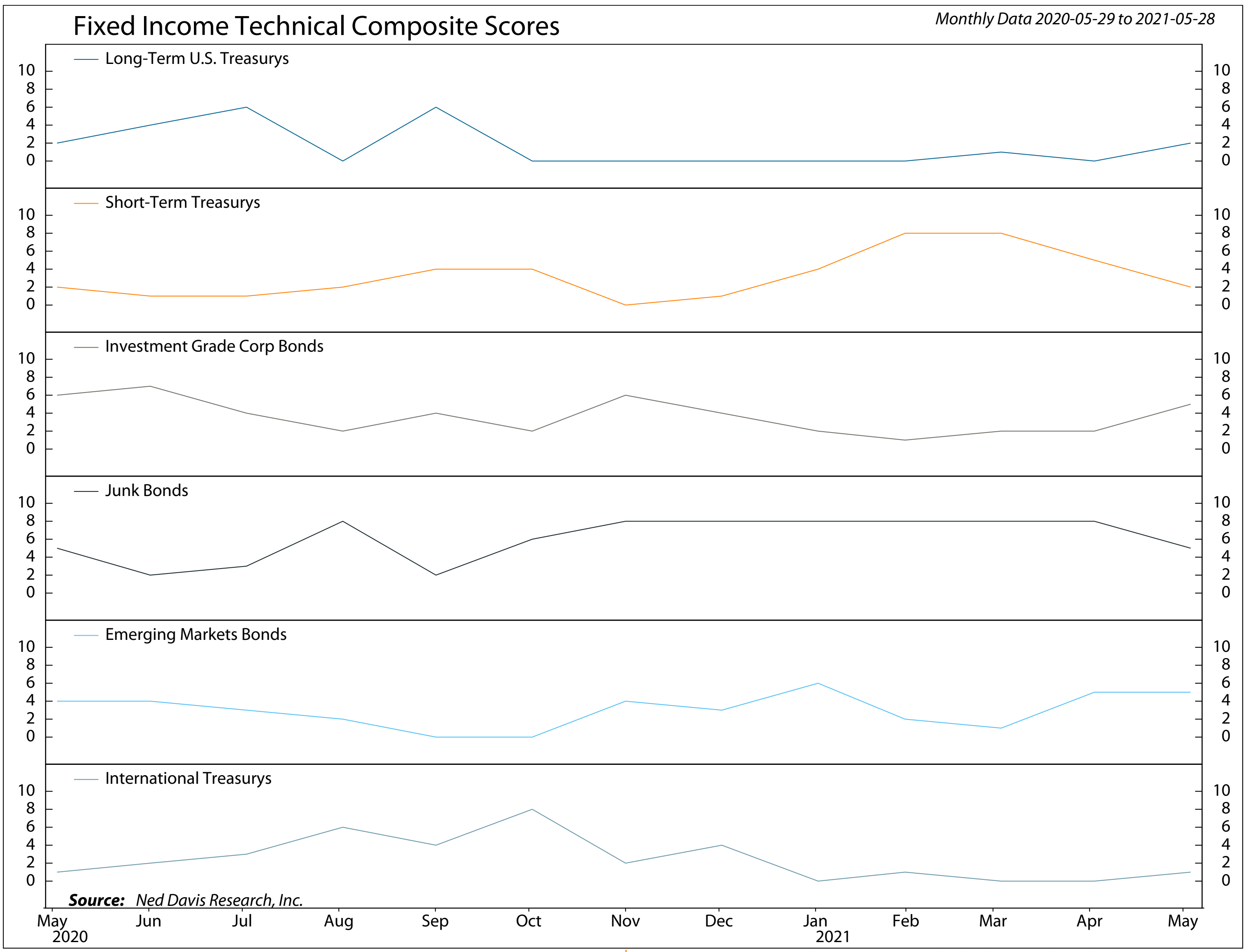


ETF1000_M_NDRIS

Fixed Income Allocation Summary

No area within fixed income gained more than 100 bps last month. Emerging Market bonds (EMB) and U.S. Investment Grade (LQD) each rose by more than 50 bps. EMB has been one of the top-performing fixed income areas for the last two months. U.S. Long-Term Treasurys (TLT), U.S. Short-Term Treasurys (SHY), Cash (MINT) and U.S. High Yield (JNK) all gained less than 10 bps. International Investment Grade Bonds (BNDX) was the only area to decline during May. BNDX has fallen for five consecutive months. EMB and BNDX each received less than 5% allocation.





ETF1000_M_NDRIS

Ned Davis Research Disclaimer:

The data and analysis contained within are provided "as is" and without warranty of any kind, either expressed or implied. The information is based on data believed to be reliable, but it is not guaranteed. NDR DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. All performance measures do not reflect tax consequences, execution, commissions, and other trading costs, and as such investors should consult their tax advisors before making investment decisions, as well as realize that the past performance and results of the model are not a guarantee of future results. The NDR Dynamic Allocation model is not intended to be the primary basis for investment decisions and the usage of the model does not address the suitability of any particular investment for any particular investor.

Using any graph, chart, formula, model, or other device to assist in deciding which securities to trade or when to trade them presents many difficulties and their effectiveness has significant limitations, including that prior patterns JUNE not repeat themselves continuously or on any particular occasion. In addition, market participants using such devices can impact the market in a way that changes the effectiveness of such devices. NDR believes no individual graph, chart, formula, model, or other device should be used as the sole basis for any investment decision and suggests that all market participants consider differing viewpoints and use a weight of the evidence approach that fits their investment needs.