OCTOBER 2022

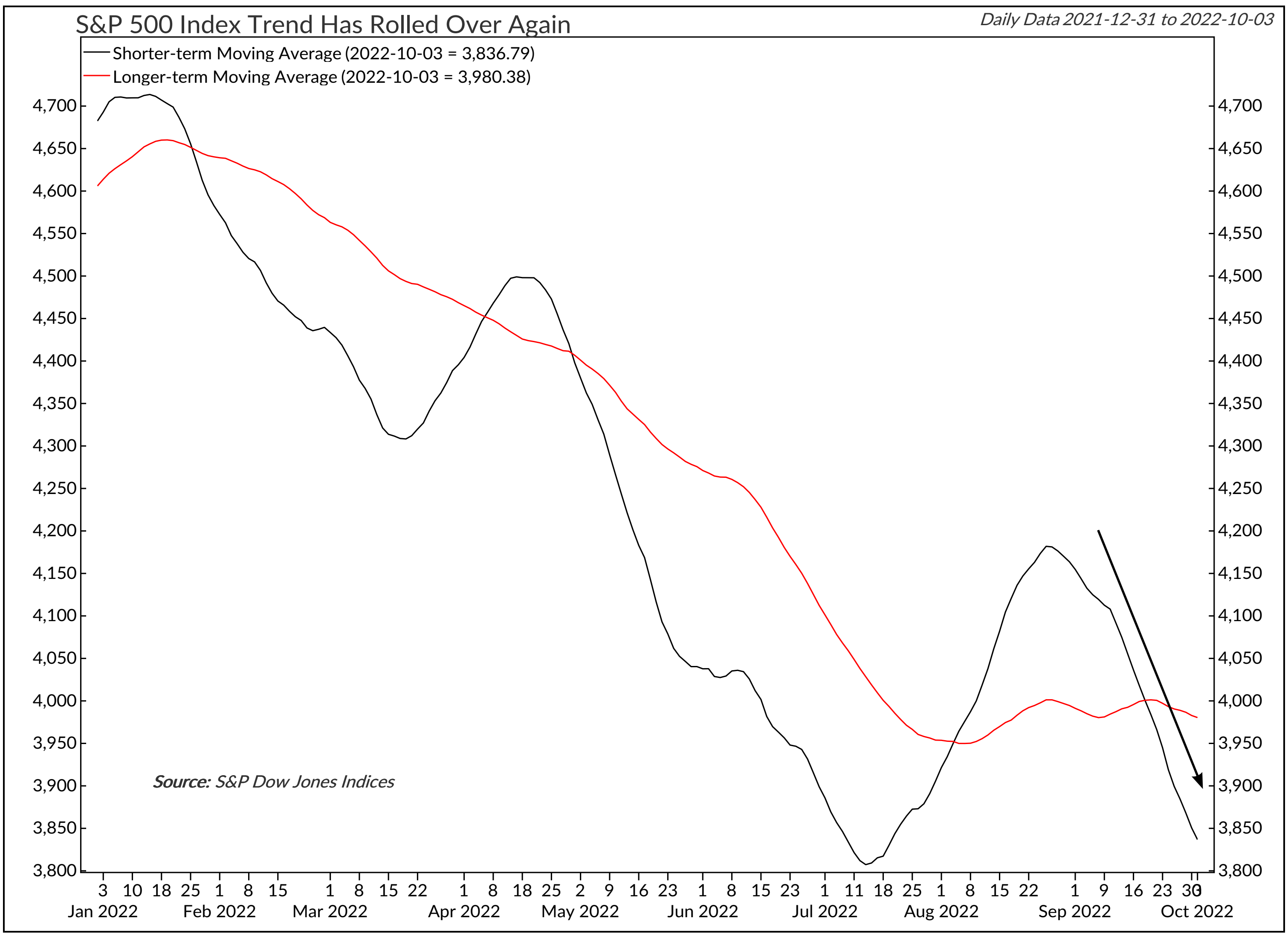
Smart Sector® Strategy

Catastrophic Stop Update

The S&P 500 Total Return Index declined by more than 900 basis points (bps) during September. It was the index's worst monthly decline since March 2020. The market has declined for six of the first nine months this year.

The Catastrophic Stop model recommends raising 50% cash at the start of October. The technicals deteriorated last month as both the absolute trend (chart, below) and relative strength of stock/bonds rolled over. This confirmed already bearish macro indicators such as widening high yield option-adjusted spreads and below trend global shipping activity.

For the Catastrophic Stop model to recommend a fully invested equity position would require improvement from the internal (price-based) and external (macro, fundamental, and sentiment) indicators in this weight-of-the-evidence approach.



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Sector Performance Update

There was no place to hide in September — all 11 U.S. large-cap sectors posted negative returns (five with double-digit declines), sending the S&P 500 to a new low for the year.

Health Care (XLV) was the best-performing sector, but it still dropped over 250 basis points (bps).

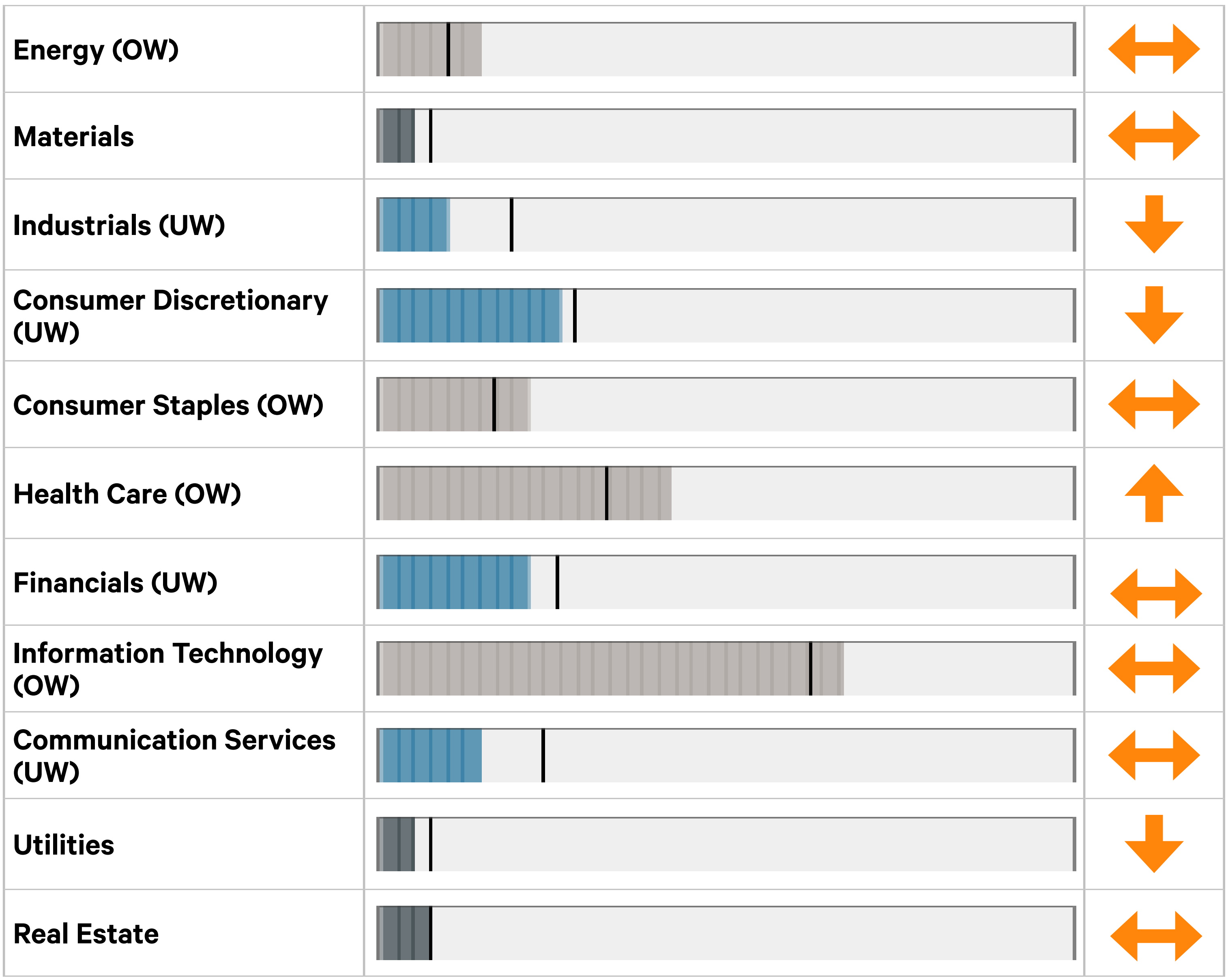
Financials (XLF), Consumer Discretionary (XLY), and Consumer Staples (XLP) were all down more than 750 bps in September.

Commodity sectors, Energy (XLE) and Materials (XLB), both dropped over 900 bps for the month. However, Energy is the only sector with positive gains year-to-date, up nearly 34%.

Industrials (XLI) was down more than 1000 bps for the month. XLI has only been up once in the past six months. Utilities (XLU) dropped by over 1100 bps.

Information Technology (XLK) continued to slide in September, dropping by nearly 1200 bps to a new low for the year. XLK has been down seven of the past 12 months. Communications Services (XLC) also dropped by nearly 1200 bps.

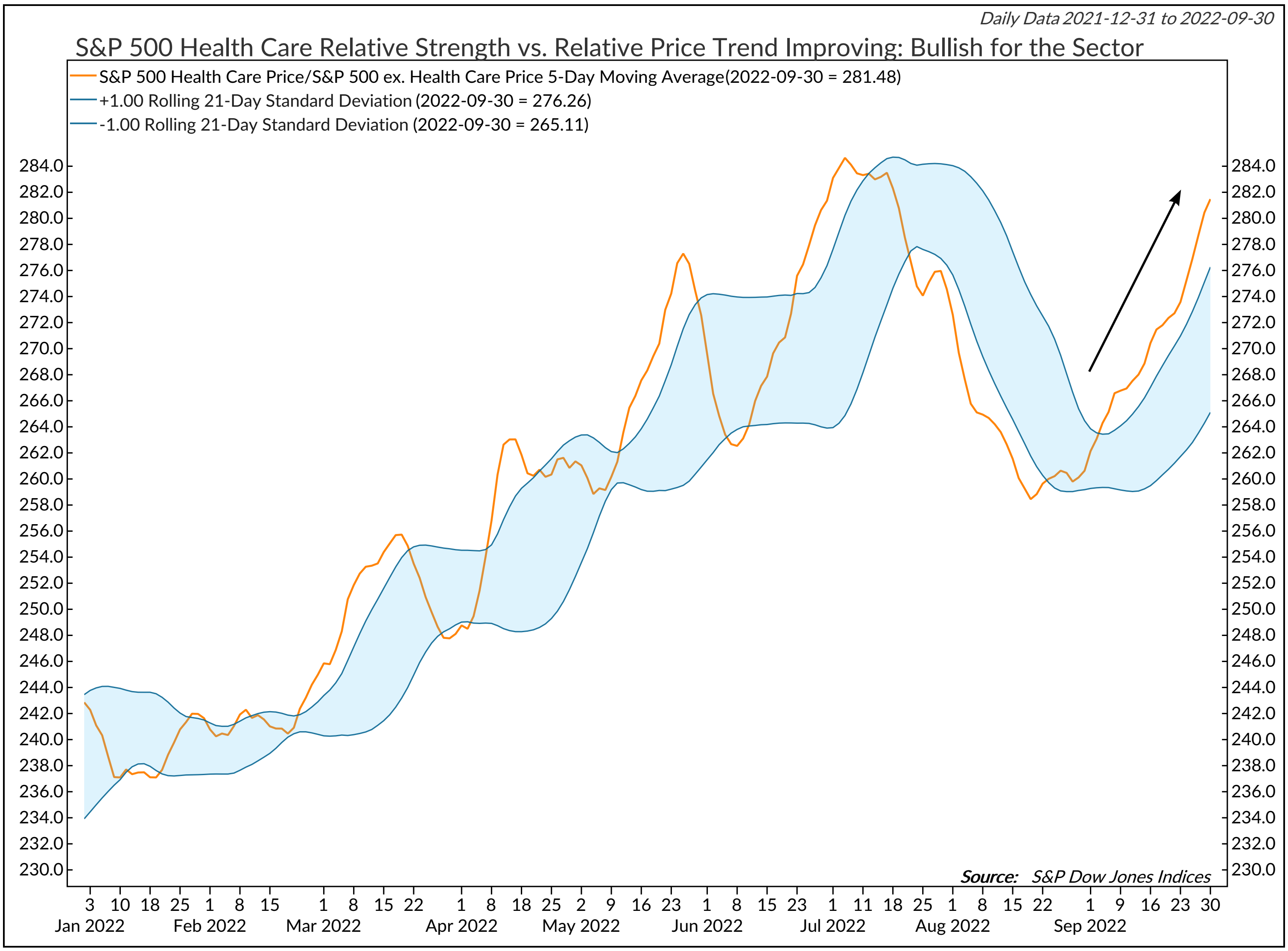
Sector Allocation Summary



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.

Real Estate (XLRE), the worst-performing sector, dropped by over 1300 bps for the month.

- The Health Care sector's allocation increased sharply to an overweight allocation. Five of the six technical indicators including relative price trend (chart below) turned bullish. Health care personal expenditures also improved and flipped bullish.
- The Energy sector continues to be overweight relative to benchmark. The sector's rolling 6-month volatility indicator moved bullish but was offset by the U.S. dollar trade-weighted index indicator which moved bearish. Nonetheless, eight of the 11 indicators are bullish.
- The Consumer Staples sector's weighting remains at an overweight allocation relative to benchmark. The relative overbought/oversold indicator and the 63-day net new highs indicator moved bullish, while the cyclical credit to food spread became bearish for the sector. Ten of the 13 indicators are bullish.
- The Information Technology sector's allocation remained steady in September but remains slightly above a benchmark position. After August's strong downward move, the sector got short-term oversold, which is bullish for the sector, but that was offset by 50-day net new highs moving bearish. Price-based and external indicators are mixed for the sector.
- The Real Estate sector's allocation rose modestly but remains close to benchmark. Improvement in the Citi economic surprise index indicator was offset by weakness in the business credit condition index indicator.



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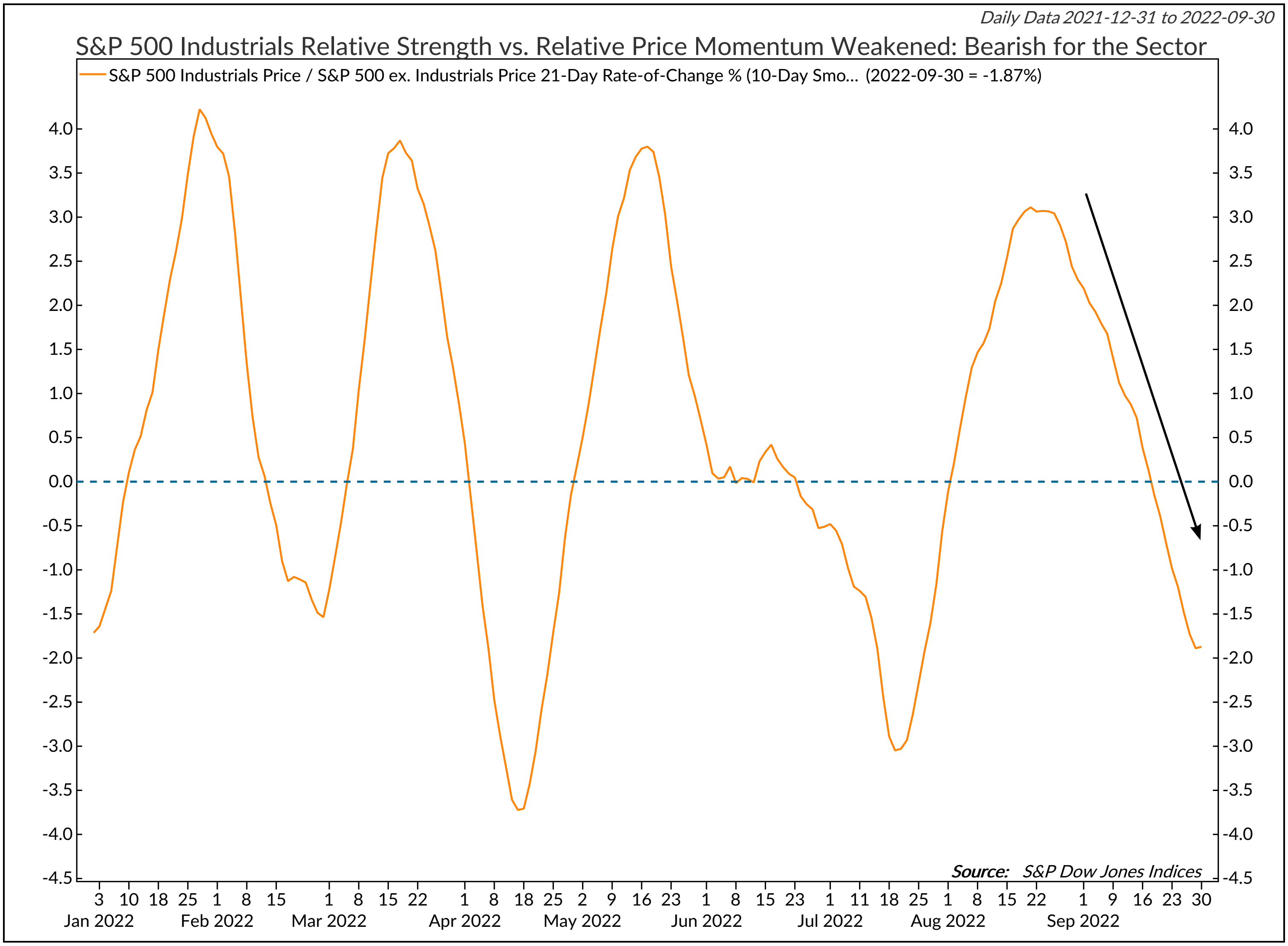
- The Financials sector's allocation continues to be below benchmark. There was only one indicator change this past month — the sector's relative moving average cross indicator improved to neutral. Eight of 13 indicators remain bearish.
- The Materials sector's allocation remains close to benchmark. There were no indicator changes for the sector — both price-based and external indicators remain mixed.
- The Utilities sector's weighting dropped sharply and is now at benchmark allocation. Four of the Utilities' sectors internal measures moved bearish—there's only one price-based indicator that's bullish.
- The Communication Services sector's allocation dropped further below benchmark allocation. Nine of 12 indicators remain bearish.
- Consumer Discretionary's allocation dropped to below benchmark allocation. Relative price deviation from trend and new earnings surprises moved bearish for the sector.
- Industrials' weighting dropped sharply to an underweight allocation, as two relative price momentum indicators moved bearish (chart below). Only one of the sector's external indicators is bullish.



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DAY HAGAN ASSET MANAGEMENT

NDR NED DAVIS RESEARCH

Smart Sector® Strategy

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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