Smart Sector® Strategy

DECEMBER 2021

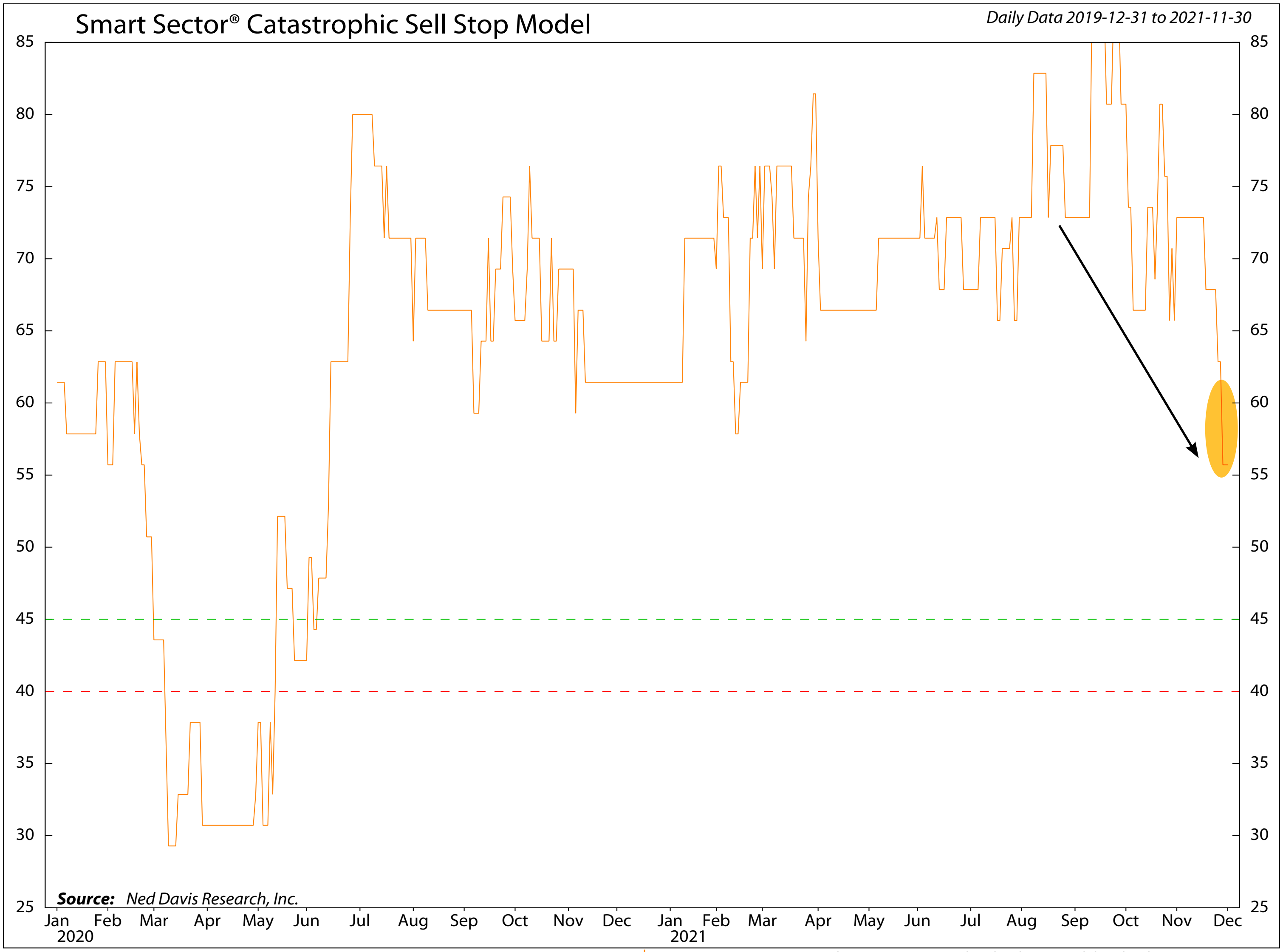
U.S. Market Update

During November, NDR's global risk-off composite outpaced its risk-on counterpart by more than 500 basis points (bps), it's largest one-month spread since March 2020. The growing risk-off appetite has been apparent in the Catastrophic Stop model (chart at bottom).

At the start of December, only one technical (internal) indicator was bearish. Global equity market upside participation (breadth) plummeted to its lowest levels in more than one year.

Two of the external (macro, fundamental, and behavioral) indicators were bearish at the end of November. High yield option-adjusted spreads (OAS) continued to widen last month, indicating an elevated risk outlook. Also, global shipping rates plummeted, which may reflect slowing global economic activity.

However, further deterioration from both price-based and macro-fundamental indicators is required for the Catastrophic Stop model to turn bearish. For now, the weight of the evidence recommends that the Smart Sector® strategy maintains full exposure.



Sector Performance Update

Only Consumer Discretionary (XLY) and Information Technology (XLK) produced positive returns during November. XLK jumped by more than 400 basis points (bps), while XLY increased by over 100 bps. XLK has gained more than 300 bps and XLY has risen over 100 bps for five of the last six months.

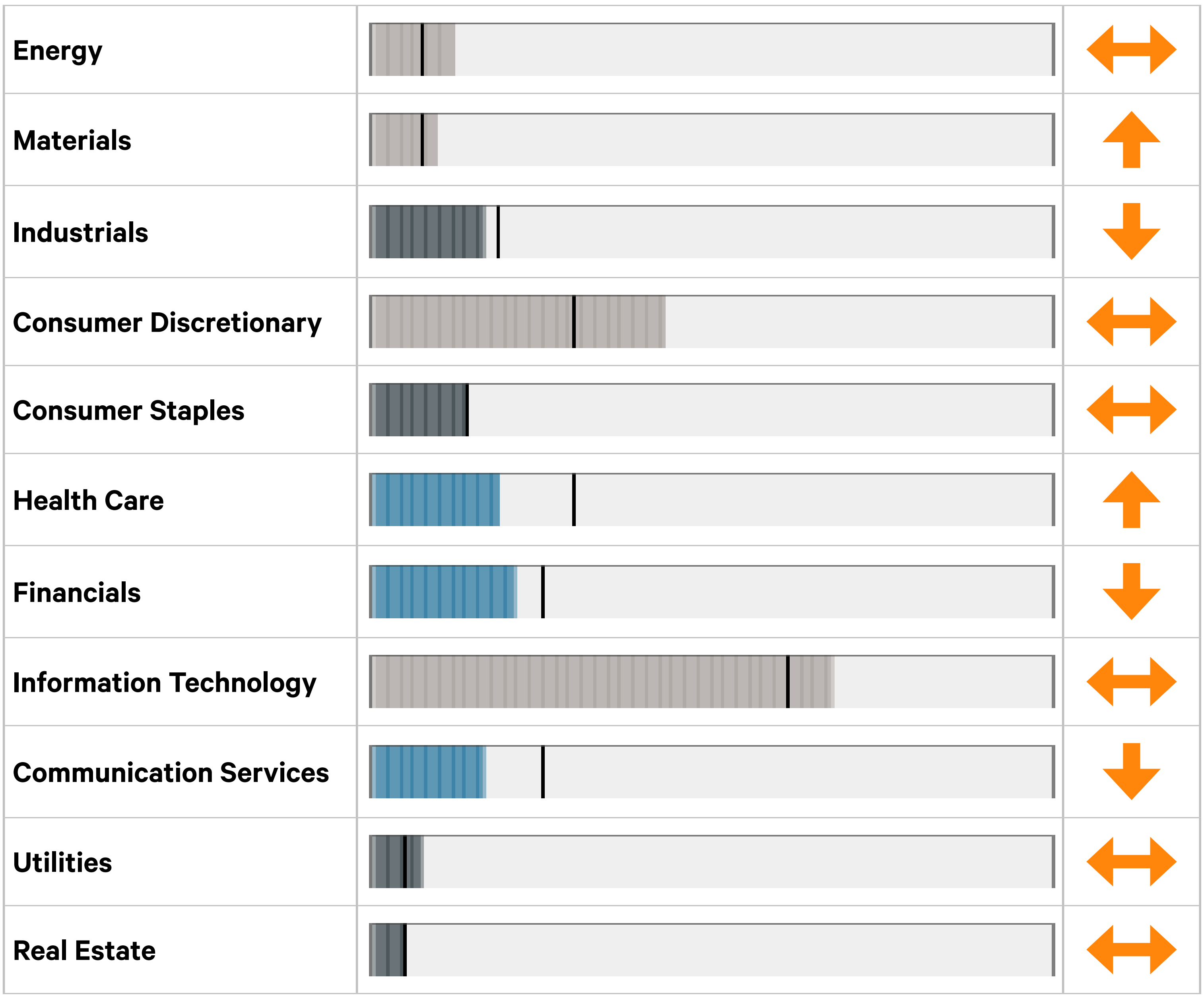
Materials (XLB) and Real Estate (XLRE) each declined by less than 100 bps. It was only the second monthly loss for XLRE this year. Over the last six months, XLB has had an equal number of up and down months.

Consumer Staples (XLP) and Utilities (XLU) fell by more than 100 bps. XLU has fallen more months in 2021 than it has risen. XLP has declined during three of the last six months.

Industrials (XLI) and Health Care (XLV) each declined by more than 300 bps. Both sectors have declined by over 300 bps for two of the last three months.

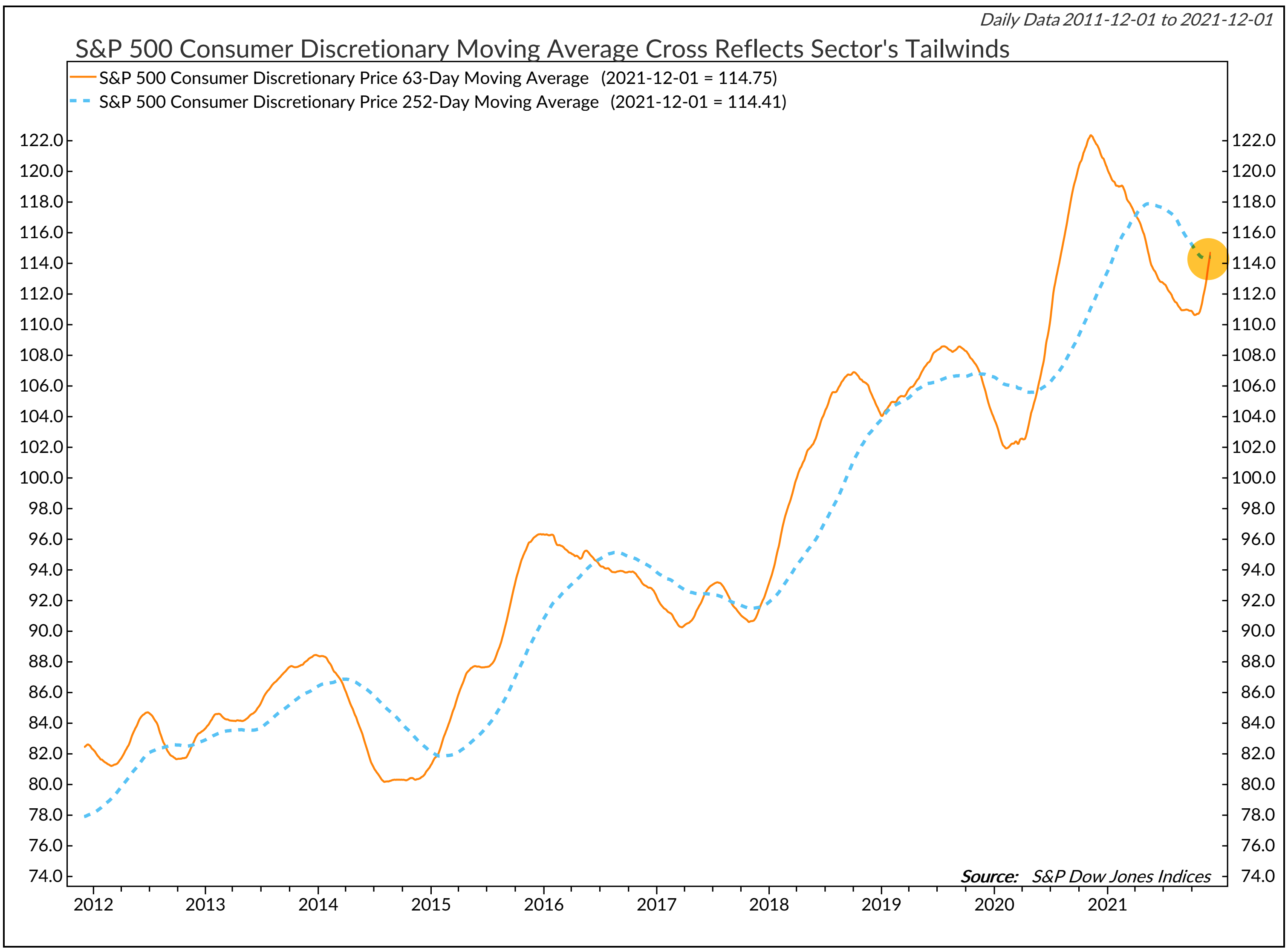
Financials (XLF), Communications Services (XLC), and Energy (XLE) all dropped by more than 500 bps.

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.

- The Consumer Discretionary sector continues to have the largest allocation above benchmark. The sector's trend has improved (chart at bottom) even though consumer credit conditions worsened. All the price-based (internals) indicators are bullish.
- The Energy sector's allocation remains overweight. The outlook is less bullish this month as the sector is reversing from an overbought condition and the U.S. Dollar has strengthened. Over 80% of the sector's internal and external (macro, fundamental, and behavioral) indicators are bullish.
- The Materials sector's allocation improved to overweight status. The sector's momentum and trend have improved. Two-thirds of the sector's internal indicators are bullish. There were offsetting external indicator changes. Although gold futures have improved, reflecting a favorable environment, the Emerging Markets relative strength versus Developed Markets deteriorated, which typically coincides with Materials sector underperformance.
- The Information Technology sector's allocation remains above the benchmark. Near-term participation in the sector is no longer bearish, but the sector is no longer reversing from an oversold condition. All but one of the external indicators are bullish.
- The Utilities sector is still greater than benchmark. Oil prices have weakened, and the sector's near-term trend is reversing lower. The intermediate-term price trend is now favorable, as it reverses from an oversold condition. Two-thirds of the sector's externals are bullish.



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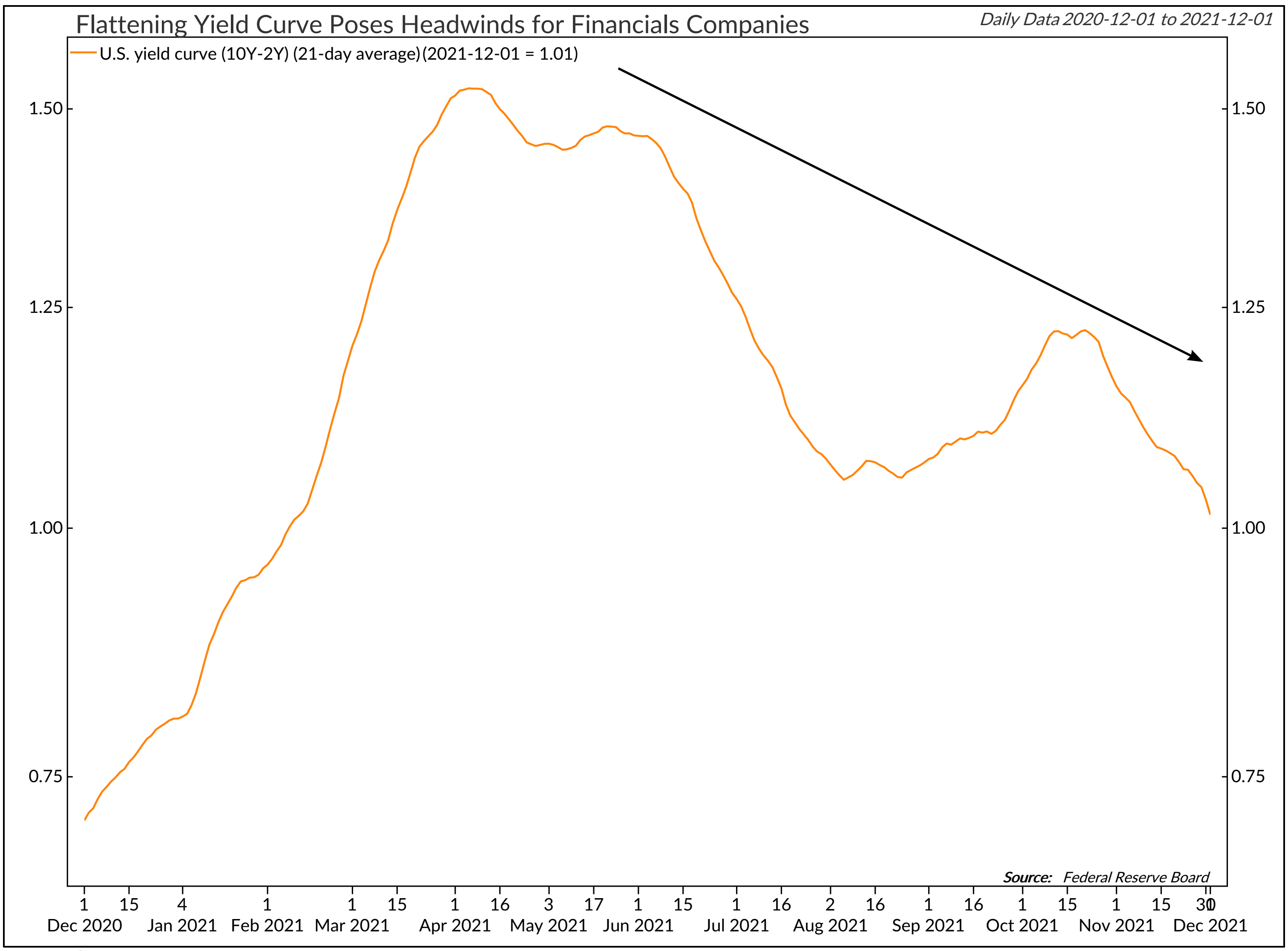
- The Real Estate sector's weighting is modestly below the benchmark. There were offsetting indicator changes. The sector's trend has weakened as it reverses from an overbought condition. However, the environment for real estate is improving as economic conditions strengthen and homebuilding stocks are rising.
- The Consumer Staples sector's weighting improved, but it is still below benchmark allocation. Intermediate-term breadth improved as food inflation has risen.
- Industrials' weighting has dropped below benchmark allocation. The U.S. Dollar Index strengthened, and sector volatility temporarily receded. However, both intermediate- and long-term price momentum declined, indicating headwinds for the sector.
- The Financials sector's allocation has dropped below benchmark. The sector's trend has deteriorated as relative risks rose and the yield curve flattened (chart at bottom). However, improving economic conditions are a tailwind for the sector.
- The Communication Services sector's allocation continues to be significantly below benchmark. Earnings revisions breadth has weakened, indicating an unfavorable outlook for the sector. All but one of the internal indicators are bearish.
- The Health Care sector's allocation remains strongly underweight. There are signs of improvement as the sector's trend strengthened and relative risks declined. Earnings revisions breadth no longer reflects the same headwinds as last month. Still, no external indicators are bullish on the sector.



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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.

For more information, please contact:

Day Hagan Asset Management

1000 S. Tamiami Trl

Sarasota, FL 34236

Toll Free: (800) 594-7930

Office Phone: (941) 330-1702

Website: https://dayhagan.com/ or https://dhfunds.com/

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