Smart Sector® Strategy

FEBRUARY 2021

U.S. Market Update

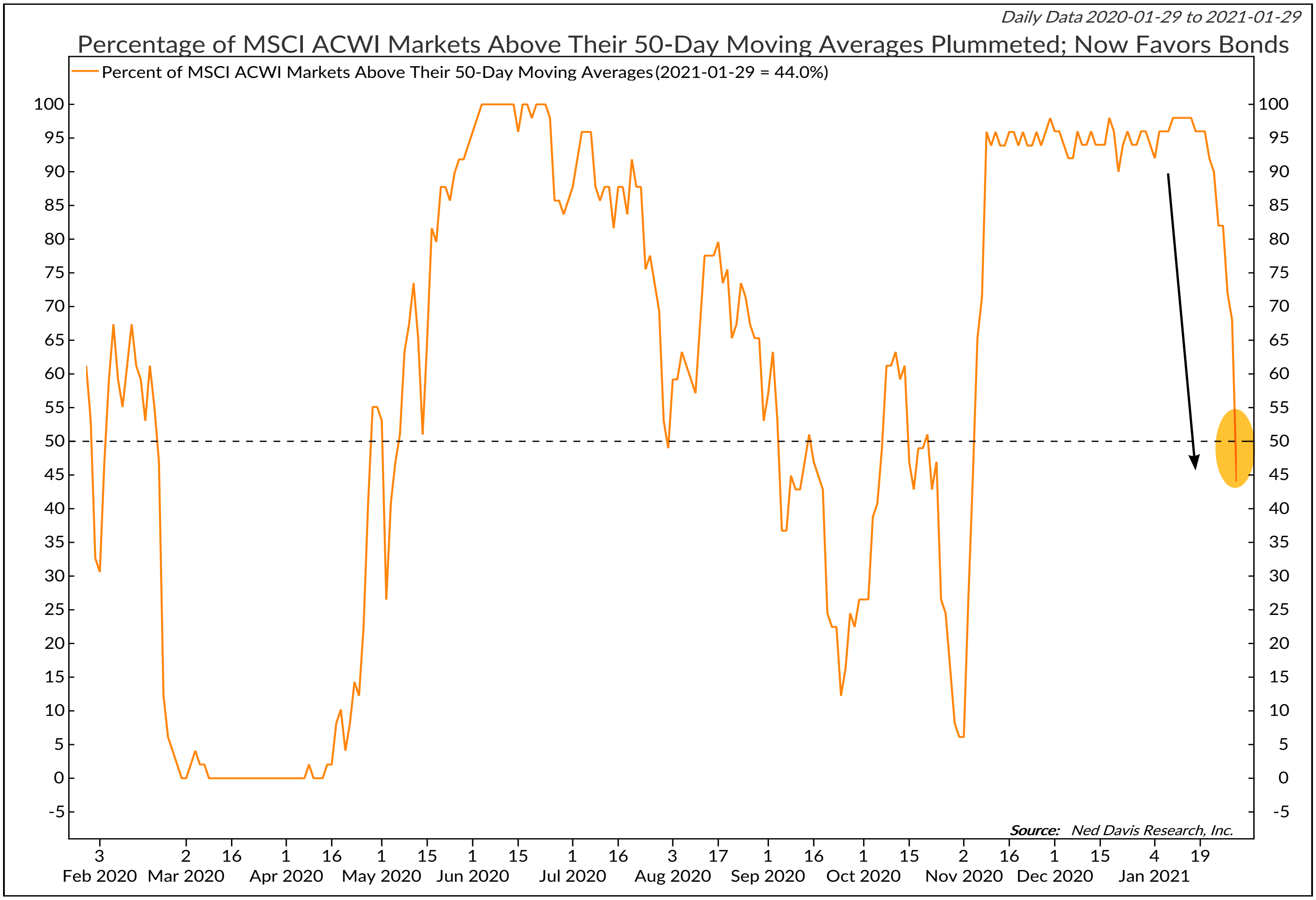
The S&P 500 Total Return Index dropped by more than 1% last month. Over the last 30 years, the market has risen 56% of the time during January with an average return of 0.40%.

The Catastrophic Stop model exited its March 10th sell signal on May 14th and continues to recommend a fully invested equity position. The overall model's composite reading has declined from its early-July highs, indicating increased risks, but the weight of the evidence remains supportive of equities.

At the start of the month, the technical (internal) composite had one neutral, one bearish, and five bullish indicators. The global equity market participation indicator (breadth) produced a new bearish signal (chart at bottom). This breadth measure fell from 98% of global equity markets trading above their 50-day moving average to only 44% meeting that criterion.

Only one external (macro, fundamental, and behavioral) indicator remains bearish at the start of February. The yield curve continues to suggest headwinds for the market. Market sentiment and global shipping rates indicators both exited their bearish signals on the equity market.

For the Catastrophic Stop model 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.



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Sector Performance Update

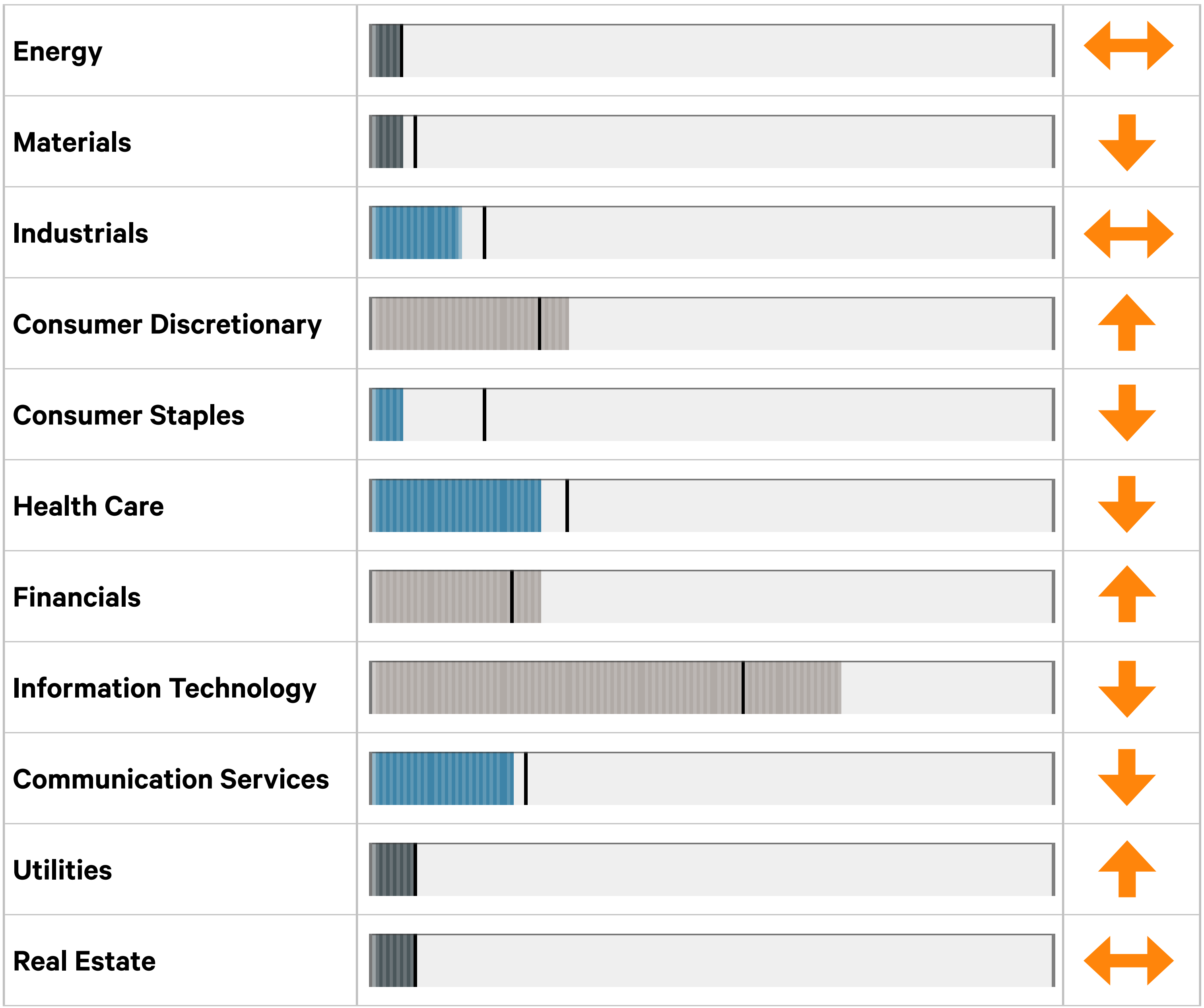
During January, four of the eleven sectors produced positive returns. Energy (XLE), Health Care (XLV), Consumer Discretionary (XLY), and Real Estate (XLRE) all have risen for three consecutive months. XLE has been one of the top-three performing sectors for each of the last three months.

Information Technology (XLK), Communications Services (XLC), and Utilities (XLU) all declined by less than 100 basis points (bps). This broke a four-month winning streak for XLU. All three sectors have risen for seven of the last ten months.

Financials (XLF) and Materials (XLB) both fell by more than 175 bps in January. It was only the second monthly decline for XLB since March 2020.

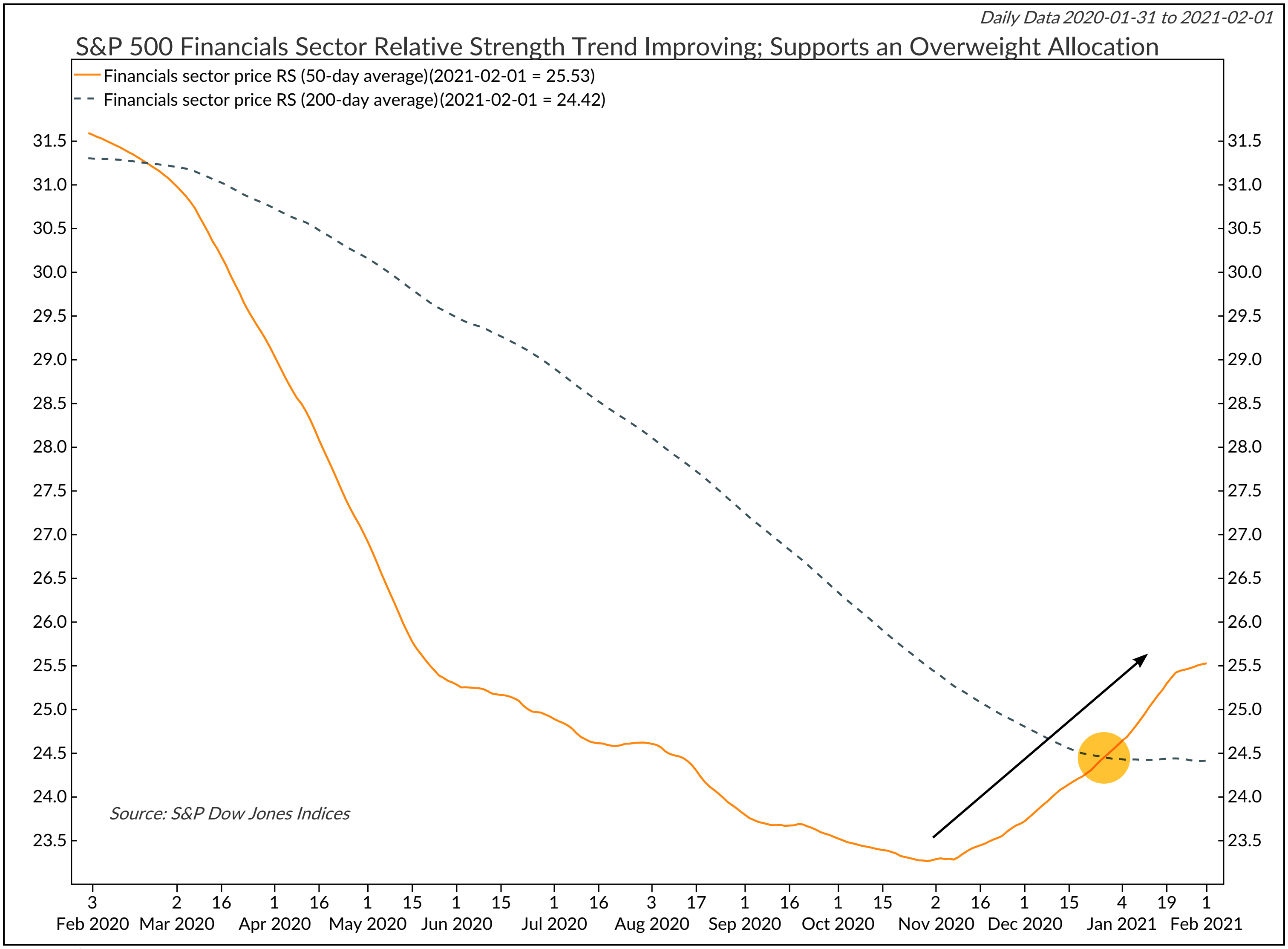
Industrials (XLI) and Consumer Staples (XLP) each sank by more than 425 bps last month. It was the worst month for XLI and XLP since March 2020. Both sectors have fallen for three of the last five months.

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 fell, but remains more than 700 bps above benchmark. All but one of the sector's technical indicators are positive as a relative price momentum measure flipped from bullish to bearish.
- The Financials sector's allocation improved to over 200 bps above benchmark. Although a Citi Economic Surprise indicator turned bearish, trend (chart at bottom) and volatility measures produced new bullish signals. A valuation indicator also exited its bearish reading.
- The Consumer Discretionary sector's allocation increased to greater than 200 bps above benchmark. Trend, momentum, and overbought/oversold indicators flashed new bullish signals. All of the sector's price-based indicators (internals) are bullish.
- The Real Estate sector's allocation is less than 100 bps above benchmark. No indicators changed signals this month. More than half of the macro, fundamental, and behavioral indicators (externals) are bullish.
- The Utilities sector received more than 300 bps in allocation this month. Six indicators (trend, momentum, breadth, mean reversion, reversal, and capacity utilization) flipped from bearish to bullish.



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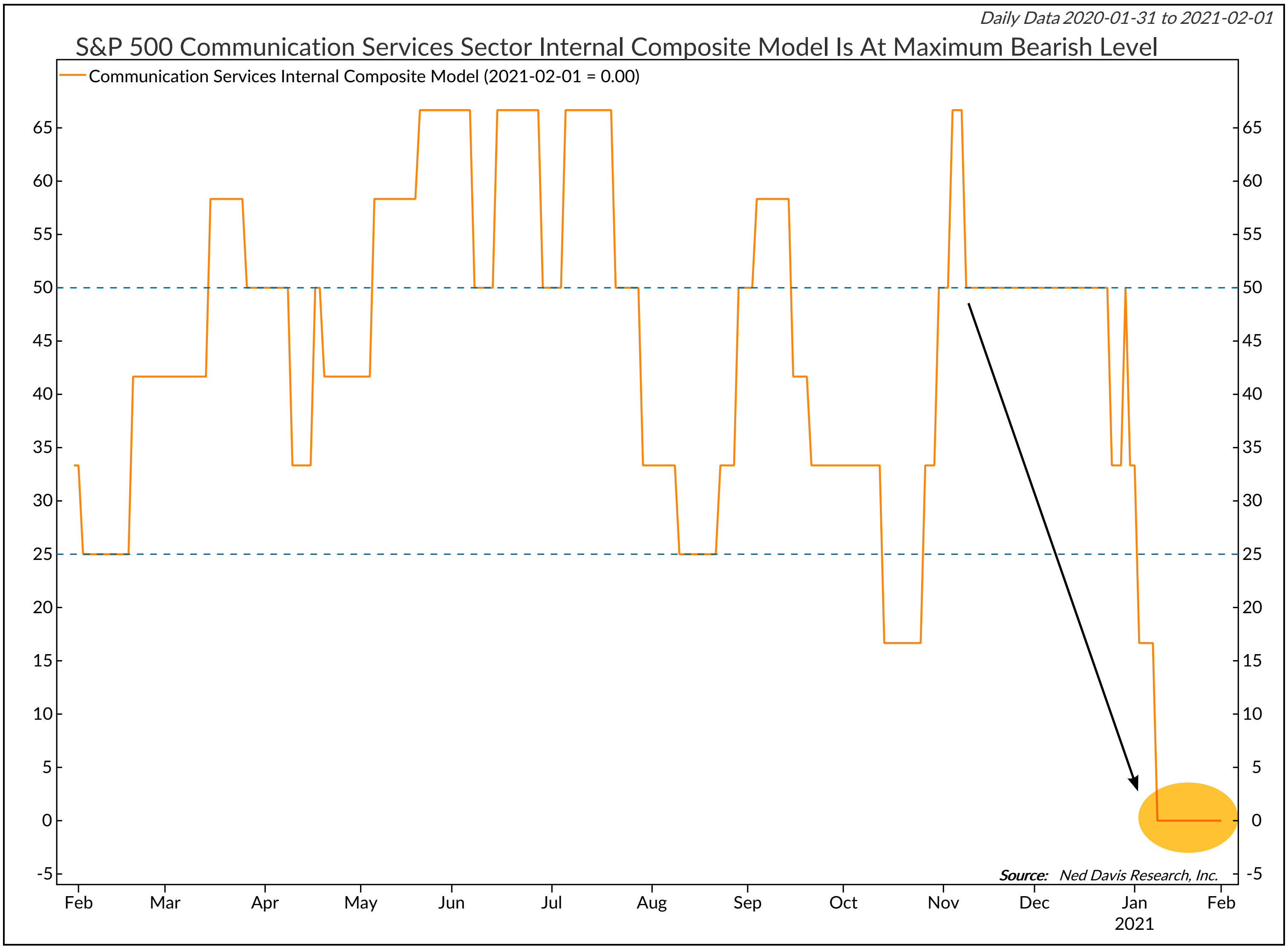
- The Materials sector fell to slightly below benchmark allocation. Both price momentum and copper spot momentum measures generated new bearish signals.
- The Energy sector is less than 100 bps below the benchmark. A relative price momentum indicator improved from bearish to bullish.
- The Communication Services sector's allocation declined to over 100 bps below benchmark allocation. Trend and overbought/oversold indicators flipped from bullish to bearish. None of the sector's external (macro, fundamental, and behavioral) indicators are bearish. However, all of the internals are bearish (chart at bottom).
- Industrials' weighting continues to be almost 200 bps beneath the benchmark. A bullish reading from a volatility indicator offset a bearish signal from a valuation measure.
- The Health Care sector's allocation dropped to over 200 bps below benchmark. Breadth and Health Care personal expenditure indicators exited their bullish readings. However, a price trend measure flipped from bearish to bullish.
- The Consumer Staples sector's allocation has fallen to more than 500 bps below benchmark weight. A credit conditions indicator switched from bullish to bearish. All of the sector's internal indicators are bearish.



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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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