Sabrient Commentary – July 2020 (as of 7/6/2020)

Scott Martindale, President & CEO, Sabrient Systems, LLC

This month's commentary covers these talking points:

1. Market conditions for much of the past 5 years (but especially the past 2 years) have been news-driven and unkind to most valuation-based strategies and the value factor, causing erratic/defensive corporate and investor sentiment and narrow leadership. To illustrate, the five famed mega-cap FAAAM stocks (Facebook, Apple, Amazon, Alphabet, Microsoft) as a group contributed +11.9% towards the S&P 500 return of +9.8% over the 6/20/19-7/6/20 timeframe of the June 2019 *Baker's Dozen*, which means that the other 500 stocks in the benchmark in aggregate *lost* -2.1%. And it was similar for the July 2019 portfolio.
2. Sabrient's longstanding GARP model was never tested in, nor developed for, such unusual market conditions in which sentiment was persistently misaligned with forward estimates. So, despite periods of notably strong performance, including during the 8/27/19-12/19/19 and 3/23/20-6/8/20 "risk-on" timeframes, Sabrient felt it had become untenable to stick with a process that was struggling to provide the consistently good results of the earlier years in this "new normal" of fickle investor sentiment.
3. This led to the development and recent implementation of some exciting enhancements that make Sabrient's quant model more "all-weather" by: (1) limiting downside volatility versus the S&P 500 benchmark, and (2) placing greater focus on companies with consistent and reliable earnings growth. On the second point, Sabrient's new Growth Quality Rank (GQR) allows some *secular growth* names (which tend to display more consistent and reliable earnings growth, albeit at higher valuations) to rank in our model on more competitive footing with the *cyclical growth* names (which tend to display more attractive valuations, albeit with more volatility in earnings growth). So, new portfolios strike a better balance between cyclical and secular growers.
4. The terminating June 2019 and July 2019 *Baker's Dozen* portfolios were created with the prior selection process. Relative to the benchmark, they launched with equal weights (vs. market cap weights), and significantly overweight allocations to small/mid-caps, cyclical sectors, and the value factor. *Each of these four tilts (position weightings, cap sizes, sectors, and growth/value) hurt relative performance versus the cap-weighted benchmark, which is dominated by mega-caps, the Technology sector, and the growth factor,* giving the benchmark an advantage over Sabrient's portfolios and most equal-weight, broad-market indexes.

Market Observations:

Stocks closed out the strongest Q2 in decades, as a record-setting selloff from the pandemic was quickly followed by a record-setting V-shaped market recovery. Nevertheless, after the S&P 500 peaked on 6/8/20, stocks spent much of the rest of June consolidating those gains, as investors watched a resurgence in COVID cases and massive social unrest on the streets. But as July gets underway, with Q2 earnings reporting season on deck, the Nasdaq has continued to hit new all-time highs, led by secular-growth mega-cap Technology companies – especially those that facilitate work-from-home and e-commerce. Moreover, speculative fervor and FOMO ("Fear of missing out") have reinforced a TINA ("There is no alternative!") mindset.

What's driving this mindset? Well, recall that just prior to the pandemic-induced economic shutdown, the US economy was considered the strongest of our lifetime with record high corporate profits, a 50-year low in unemployment, a 20-year high in household income, and strong consumer confidence. And to add fuel to that simmering foundation, we have ZIRP (zero interest rate policy) for the foreseeable future and nearly $10 trillion in monetary and fiscal stimulus, plus more stimulus in the works. So, with all hands on deck, it's no wonder that equity investors are eagerly positioning for a better future once the virus is reined in.

As I have often discussed, after 6-1/2 years (2009-1H2015) in which the *Baker's Dozen* portfolios consistently outperformed, mid-2015 marked the beginning of a change in market character to being predominately news-driven rather than fundamentals-driven, buffeted about by macro events like the rise of populism and protectionism, a highly polarized US electorate, shifting Federal Reserve monetary policies (starting with an intention to begin raising interest rates in 2015), China's unwieldy debt and slowing growth, a corporate preference for buybacks rather than capital spending, contraction in the manufacturing segment, trade wars and tariffs, and a global pandemic. And the past two years (since the China trade war escalated on 6/11/18) have been especially harsh on most diversified, value-oriented strategies. This has led to narrow leadership dominated by secular-growth, mega-cap Technology companies, giving cap-weighted broad-market indexes like the S&P 500 and Nasdaq a big advantage over most diversified, all-cap, equal-weight portfolios or indexes. Note that Technology stocks currently account for nearly 28% of market cap of the S&P 500 and 57% of the NASDAQ 100 Index.

Nevertheless, whenever the market has turned "risk-on" with some persistence (with strong breadth and leadership from smaller caps, the value factor, and cyclical sectors), as it did during the 8/27/19-12/19/19 and 3/23/20-6/8/20 timeframes, we note that equal-weight indexes and Sabrient's *Baker's Dozen* and *Forward Looking Value* portfolios have excelled. The table below shows how these Sabrient portfolios have performed both since their launches and since the pandemic selloff low on 3/23/20 (through 7/6/20).

Recovery of *Baker's Dozen* Portfolios
since COVID-19 selloff low (3/23/20)

Gross performance thru 7/6/2020:

	Portfolio	Launch Date	Portfolio Gross Return Since Launch	SPY Return Since Launch	EWMC Return Since Launch	Portfolio Gross Return Since 3/23/20	SPY Return Since 3/23/20	EWMC Return Since 3/23/20
	Jun 2019 BD	6/20/19	-20.6%	9.8%	-7.6%	62.4%	42.8%	51.4%
	2019 FLV	7/1/19	-22.6%	9.4%	-8.2%	58.0%	42.8%	51.4%
	Jul 2019 BD	7/19/19	-15.5%	8.8%	-7.3%	58.6%	42.8%	51.4%
	Aug 2019 BD	8/20/19	-15.0%	11.5%	-2.5%	47.2%	42.8%	51.4%
	Sep 2019 BD	9/20/19	-25.0%	7.9%	-7.1%	39.5%	42.8%	51.4%
↑	Oct 2019 BD	10/18/19	-17.9%	8.0%	-6.6%	55.3%	42.8%	51.4%
old process	Nov 2019 BD	11/20/19	-21.5%	3.6%	-9.1%	56.0%	42.8%	51.4%
new process	Dec 2019 BD	12/20/19	-17.2%	-0.1%	-12.8%	58.3%	42.8%	51.4%
↓	Q1 2020 BD-B	1/30/20	-3.0%	-2.2%	-11.1%	66.6%	42.8%	51.4%
	Q2 2020 BD	4/20/20	11.6%	13.1%	21.8%	N/A		

Past performance is no guarantee of future results. Refer to Disclaimer page for other important disclosures.

Sabrient's process enhancements:

Note that the table indicates "old process" versus "new process." In response to this persistent (over 5 years and counting) new normal of cautious, news-driven investor sentiment that favors mega-cap Tech juggernauts and secular growth industries, Sabrient has implemented two enhancements to our portfolio selection process that aim to *preserve the market-beating potential* investors have come to expect while improving all-weather performance and reducing downside volatility relative to the benchmark. The enhancements include new limitations on extreme sector "tilts" versus the benchmark's allocations and the addition of a newly developed, proprietary alpha factor in the quant model, which seeks to measure the consistency and predictability of a company's earnings and thus its likelihood of meeting estimates.

For example, the S&P 500 has a 2.7% allocation to the Materials sector and 4.5% to Energy, so we will not allow those sectors to reach the 30% overall maximum previously permitted (so, instead of a maximum of 4 out of 13 stocks from one of those sectors, we might only allow up to 2, or 15%). In addition, our new **Growth Quality Rank (GQR)** helps to put many *secular* growth companies that have displayed consistent and reliable earnings growth (but higher forward valuations) on more competitive footing in our rankings with the *cyclical* growth names that often display more attractive forward valuations (but greater volatility in sales and earnings). In fact, the addition of GQR helped make names like ADBE, ADSK, AMD, AMZN, CHTR, NVDA, and SEDG viable candidates in our process. Notably, ADBE was a top performer in the January 2016 *Baker's Dozen*, but subsequently did not qualify as its forward valuation rose (i.e., "bid up") – but with the new model enhancements, ADBE qualified for the Q1 2020 portfolio where it has been a solid performer. By the way, version 2.0 of the Sabrient/Gradient **Earnings Quality Rank (EQRv2)** has been completed and added to our GARP model, and testing shows it should add a few percentage points to average annual performance.

Unlike most of our previous portfolios, the new **Q2 2020 *Baker's Dozen*** has a large-cap bias, a growth tilt (rather than value), and several higher-P/E secular-growth names (ADSK, AMD, AMZN, CHTR, NBIX, NVDA, VRTX) to balance the cyclical growth and lower-P/E names (BMY, CACI, CAG, HII, RNR, VST). Part of the reason for these striking differences from prior portfolios, besides our recent process enhancements, is that many companies have withdrawn forward guidance given extreme macro uncertainty.

Furthermore, the new **2020 *Forward Looking Value*** portfolio (35 holdings) has a growth bias, approximately equal 1/3 allocations to large, mid, and small caps (versus the 2019 FLV portfolio having 50% small cap), and a 55% allocation to the Technology and Healthcare sectors (whereas the 2019 portfolio had 73% allocation to the cyclical Industrial, Materials, and Energy sectors and only 15% allocation to Technology and Healthcare) – a dramatic difference.

Comments on the terminating June 2019 and July 2019 *Baker's Dozen* portfolios:

The GARP strategy employed to select the stocks for the June 2019 and July 2019 *Baker's Dozen* portfolios (this was prior to the recent model enhancements) was (and still is) *forward-looking* in that it relies upon the consensus EPS growth estimates of the sell-side analyst community. It favored the value factor, small and mid-caps, and cyclical sectors (which historically tend to outperform in a growing economy), as the model indicated that the growth factor, large caps, non-cyclicals, and secular growth technology were already "bid up" to relatively high valuations.

However, an investor penchant for those highly valued market segments has persisted, and Sabrient's portfolios suffered. Of course, in a concentrated 13-stock portfolio, a few breakout winners can overcome a number of laggards, but the June 2019 and July 2019 portfolios have lagged the benchmark S&P 500 due to both a shortage of breakout stars and narrow market leadership during much of the subject timeframe, as investors continued to favor secular-growth mega-cap Tech, further expanding the historic *relative-*

valuation bubble. To further illustrate narrow market leadership, the five famed mega-cap FAAAM stocks (Facebook, Apple, Amazon, Alphabet, Microsoft – which are the largest holdings in the S&P 500) were among the top performers by contribution in the benchmark over the subject timeframe, and as a group they contributed +11.9% towards the S&P 500 return of +9.8% over the 6/20/19-7/6/20 timeframe of the June portfolio, which means that the other 500 stocks in the benchmark in aggregate *lost* -2.1%. Moreover, these five stocks contributed +11.4% towards the benchmark's return of +8.8% over the 7/19/19-7/6/20 timeframe of the July portfolio, which means the other 500 stocks in the benchmark in aggregate *lost* -2.6%.

Relative to the benchmark S&P 500, Sabrient's portfolios launched with equal weights (vs. market cap weights) on all positions, an overweight allocation to small and mid-caps, an overweight aggregate allocation to the highly cyclical sectors, and an overweight in travel & leisure industries (which saw outsized impact from the coronavirus pandemic). In addition, although Sabrient believes all of its stock selections have solid growth outlooks, our GARP (growth at a reasonable price) approach often leads to a value tilt, but the growth factor significantly outperformed the value factor over the life of the portfolio. ***Each of these four tilts (position weights, sectors, cap sizes, and value/growth) hurt the portfolio's relative performance versus the market-cap-weighted S&P 500 index***, which is dominated by the mega-caps, Technology sector, and growth factor preferred by cautious investors amid rancorous trade wars, impeachment, electioneering, pandemic, and social unrest. As such, the benchmark enjoyed a big advantage over the *Baker's Dozen* portfolios *as well as most equal-weight indexes* during this timeframe.

The aforementioned tilts represent areas in which an investor typically would want to be positioned in a growing economy and ahead of a convergence of the relative-valuation bubble. Nevertheless, our **newly enhanced process** is designed to: (1) place on more competitive footing in the model the consistent/reliable *secular* growers that have proven they can thrive in various market conditions, while (2) continuing to accommodate those undervalued *cyclical* names that are expected to show solid growth in the economic conditions anticipated over the next 18-24 months, and (3) softening downside volatility versus the benchmark.

Overall, the better performers generally either beat or came close to meeting EPS estimates, while the worst performers typically badly missed expectations, with the most obvious exception being NMIH, which has handily *beat* earnings expectations but still sold off given an uncertain housing outlook. (Note: NMIH was a top performer in previous portfolios.)

The **<u>June 2019 *Baker's Dozen*</u>** model portfolio launched in the midst of the protracted period (March 2018 – August 2019) of trade war uncertainty and investor defensive sentiment. Then, after gaining some ground during the 8/27/19-12/19/19 risk-on period, the COVID selloff was particularly painful given the aforementioned tilts. In aggregate, this portfolio has fallen far short of expected earnings, with only 5 of the 13 names having beat or come close to EPS estimates. Like many of our *Baker's Dozen* portfolios over the past two years, it was challenged by frequent and persistent defensive turns in investor sentiment. Nevertheless, it showed significant outperformance during the 8/27/19-12/19/19 period of sustained risk-on sentiment with **a total return of +23.7% versus the S&P 500 benchmark total return of +12.4%**, and more recently, during the 3/23/20-6/8/20 recovery rally, **it returned a robust +83.0% versus +45.1% for the S&P 500**. Still, this wasn't enough to overcome a shortage of breakout winners and unfavorable allocation "tilts."

The portfolio launched with a 46.2% allocation (vs. 16.6% allocation in the benchmark) to attractively valued "deep cyclical" sectors –Industrial (15.4% vs. 9.3%), Energy (15.4% vs. 4.6%), and Materials (15.4% vs. 2.7%) – which hurt relative performance over the period. Furthermore, it had a significant allocation (15.4%) in travel & leisure industries that have seen outsized impact from the coronavirus pandemic. Relative to the benchmark, the portfolio was underweight (7.7% vs. 27.5%) the Technology sector. Moreover, it had an 85% allocation to small-mid caps (vs. the S&P 500 benchmark being solely a large cap index), while large caps have greatly outperformed small-mid caps during the life of the portfolio. In addition, although we consider all our stock selections to have solid growth outlooks, our GARP portfolios typically have a Value tilt (primarily based on price/book), and indeed the portfolio carried only a 46.2% allocation to the Growth factor (vs. the benchmark's 59%, which is typical of a cap-weighted index), but the market's Growth factor greatly outperformed the Value factor. And again, the cap-weighted S&P 500 has greatly outperformed the equal-weight S&P 500 (and virtually all equal-weight, major-market indexes) over the full timeframe, again illustrating the dominance of mega-cap Technology on market performance.

Ticker	Company Name	Return	Fwd P/E at Launch	Current Fwd P/E	Est. NTM EPS Growth at Launch	Actual EPS Growth
PCRX	Pacira BioSciences, Inc.	24.2%	26.0	30.1	35.1%	59.7%
GDDY	GoDaddy Inc.	-2.8%	21.4	17.5	56.2%	29.5%
TKR	The Timken Company	-5.1%	9.1	17.3	19.7%	-3.5%
ANTM	Anthem, Inc.	-6.4%	14.3	11.8	23.3%	20.2%
STRA	Strategic Education, Inc.	-9.0%	27.2	20.8	32.0%	41.9%
VAC	Marriott Vacations Worldwide Corpo	-9.4%	12.0	54.1	36.1%	7.4%
AXTA	Axalta Coating Systems Ltd.	-23.9%	16.4	27.2	31.3%	30.1%
AMEX: LNG	Cheniere Energy, Inc.	-25.7%	21.0	21.8	143.7%	-172.4%
BYD	Boyd Gaming Corporation	-30.4%	15.1	NE	35.8%	-2.2%
CF	CF Industries Holdings, Inc.	-34.4%	20.3	21.2	91.6%	65.0%
ALK	Alaska Air Group, Inc.	-37.9%	10.7	NE	31.0%	21.2%
NYSE: SU	Suncor Energy Inc.	-44.5%	8.8	NE	26.0%	-35.0%
NMIH	NMI Holdings, Inc.	-48.6%	12.4	8.9	31.1%	48.9%
	Average	**-19.5%**	**16.5**	**23.1**	**45.6%**	**8.5%**
SPY	SPDR S&P 500 ETF Trust	9.8%				
RSP	S&P 500 equal-weighted index	-1.8%				
EWMC	S&P 400 equal-weighted index	-7.6%				
EWSC	S&P 600 equal-weighted index	-10.6%				

The **table to the left** shows the June 2019 model portfolio performance from 6/20/19 launch through Monday, 7/6/20. You can see that the average performance of the portfolio's positions is -19.5% versus the S&P 500 cap-weighted performance of +9.8%. But when you consider the S&P 500 equal-weight index at -1.8%, S&P MidCap 400 equal-weight index -7.6%, and S&P SmallCap 600 equal-weight index -10.6%, the relative performance picture is a bit different.

The best performer by far in the portfolio has been **Pacira BioSciences (PCRX)**, a specialty drug maker focused on non-opioid pain management and regenerative health solutions. Others that have held up relatively well include **GoDaddy (GDDY)**, a provider of cloud-based technology products, domain registration, and website hosting, **The Timken Company (TKR)**, which manufactures industrial tools like engineered bearings and power transmission products, and health benefits firm **Anthem (ANTM)**. But again, there was a lack of breakout performers.

Somewhat surprisingly, the worst performer in the portfolio has been private mortgage insurer **NMI Holdings (NMIH)**. While the worst performers typically badly missed expectations, NMIH has handily *beat* earnings expectations but still sold off given an uncertain housing outlook. (Note: NMIH was a top performer in previous portfolios.) Other laggards are from value-oriented energy, materials, and travel/leisure industries, including Canadian oil & gas company **Suncor Energy (SU)**, **Alaska Air Group (ALK)**, fertilizer maker **CF Industries (CF)**, casino operator **Boyd Gaming (BYD)**, and **Cheniere Energy (LNG)**, which transports liquefied natural gas.

As for the ***July 2019 Baker's Dozen*** model portfolio, it launched about five weeks before the end of the protracted period (March 2018 – August 2019) of trade war uncertainty and investor defensive sentiment, but the COVID selloff was painful. In aggregate, this portfolio has fallen far short of expected earnings, with only 6 of the 13 names having beat or come close to EPS estimates. Like many of our *Baker's Dozen* portfolios over the past two years, it was challenged by frequent and persistent defensive turns in investor sentiment. Nevertheless, it showed significant outperformance during the 8/27/19-12/19/19 period of sustained risk-on sentiment with **a total return of +17.0% versus the S&P 500 benchmark total return of +12.4%**, and more recently, during the 3/23/20-6/8/20 recovery rally, **it returned a robust +76.6% versus +45.1% for the S&P 500**. Still, this wasn't enough to overcome a lack of breakout winners and unfavorable allocation "tilts."

The portfolio launched with a 61% allocation (vs. 30% allocation in the benchmark) to attractively valued "deep cyclical" sectors – Financial (23.1% vs. 13.1%), Industrial (15.4% vs. 9.3%), Energy (0.0% vs. 4.6%), and Materials (23.1% vs. 2.7%) – which hurt relative performance over the period. Furthermore, it had a significant allocation (15.4%) in travel & leisure industries that have seen outsized impact from the pandemic. Relative to the benchmark, the portfolio was underweight (7.7% vs. 27.5%) the Technology sector. Moreover, it had an 85% allocation to small-mid caps (vs. the S&P 500 benchmark being solely a large cap index), while large caps have greatly outperformed small-mid caps during the life of the portfolio. In addition, although we consider all our stocks selections to have solid growth outlooks, our GARP portfolios typically have a Value tilt (primarily based on price/book), and indeed the portfolio carried only a 38.5% allocation to the Growth factor (vs. the benchmark's 59%, which is typical of a cap-weighted index), but the market's Growth factor greatly outperformed the Value factor. And again, the cap-weighted S&P 500 has greatly outperformed the equal-weight S&P 500 (and all other major market equal-weight indexes) over the full timeframe, again illustrating the dominance of mega-cap Technology on market performance.

Ticker	Company Name	Return	Fwd P/E at Launch	Current Fwd P/E	Est. NTM EPS Growth at Launch	Actual EPS Growth
PCRX	Pacira BioSciences, Inc.	36.1%	24.0	30.1	35.9%	59.7%
CI	Cigna Corporation	9.0%	10.3	10.1	21.5%	26.6%
TKR	The Timken Company	-0.2%	8.8	17.3	19.2%	-3.5%
GDDY	GoDaddy Inc.	-2.5%	21.9	17.5	56.2%	29.5%
RNR	RenaissanceRe Holdings Ltd.	-2.9%	12.9	14.1	50.6%	-32.2%
ANTM	Anthem, Inc.	-9.8%	15.0	11.8	22.9%	20.2%
BYD	Boyd Gaming Corporation	-23.7%	14.1	NE	35.0%	-2.2%
AXTA	Axalta Coating Systems Ltd.	-24.8%	17.3	27.2	29.4%	30.1%
NYSE: PVG	Pretium Resources Inc.	-25.0%	11.1	9.3	72.8%	32.7%
ATH	Athene Holding Ltd.	-25.6%	5.6	5.0	22.0%	-20.5%
CF	CF Industries Holdings, Inc.	-34.8%	21.6	21.2	81.6%	65.0%
NMIH	NMI Holdings, Inc.	-40.3%	11.1	8.9	30.9%	48.9%
ALK	Alaska Air Group, Inc.	-40.6%	10.3	NE	39.3%	21.2%
	Average	**-14.2%**	**14.2**	**15.7**	**39.8%**	**21.2%**
SPY	SPDR S&P 500 ETF Trust	8.8%				
RSP	S&P 500 equal-weighted index	-2.5%				
EWMC	S&P 400 equal-weighted index	-7.3%				
EWSC	S&P 600 equal-weighted index	-10.0%				

The **table to the left** shows the July 2019 model portfolio performance from 7/19/19 launch through Monday, 7/6/20. You can see that the average performance of the portfolio's positions is -14.2% versus the S&P 500 cap-weighted performance of +8.8%. But when you consider the S&P 500 equal-weight index -2.5%, S&P MidCap 400 equal-weight index -7.3%, and S&P SmallCap 600 equal-weight index -10.0%, the relative performance picture is a bit different.

Like the June portfolio, the best performer by far in the July portfolio has been **Pacira BioSciences (PCRX)**, a specialty drug maker focused on non-opioid pain management and regenerative health solutions. The only other one in the green is **Cigna Corp (CI)**, a provider of healthcare plans and insurance. Others that have held up relatively well include industrial tools maker **The Timken Company (TKR)**, cloud-based technology firm **GoDaddy (GDDY)**, and reinsurer **RenaissanceRe Holdings (RNR)**. But again, there was a lack of breakout performers.

Somewhat surprisingly, like the June portfolio, one of the worst performers has been private mortgage insurer **NMI Holdings (NMIH)**. While the worst performers typically badly missed expectations, NMIH has handily *beat* earnings expectations but still sold off given an uncertain housing outlook. Other laggards are from value-oriented energy, materials, and travel/leisure industries, including **Alaska Air Group (ALK)**, fertilizer maker **CF Industries (CF)**, retirement services firm **Athene Holding (ATH)**, precious metals miner **Pretium Resources (PVG)**, and specialty chemicals maker **Axalta Coating Systems (AXTA)**.

Final Thoughts:

Looking ahead, even as the economy reopens and corporate earnings begin to recover, I don't envision a full reopening and a return to "normalized" earnings until well after there is both a COVID-19 vaccine and an effective treatment, which could take years. Moreover, I expect the Fed will maintain low rates and accommodative policies until the *average* worker is seeing benefits – and there will be more stimulus to come if necessary.

Therefore, although the current forward P/E of the S&P 500 of 22x seems overvalued based on historical valuations, I think in today's unprecedented climate ("new normal") there is room for *further multiple expansion,* perhaps heading to 25x before earnings begin to catch up. This is due to: (1) massive global monetary and fiscal stimulus, (2) ultra-low interest rates (ZIRP and negative real rates) that favor long duration on a discounted cash flow basis, (3) a TINA ("There Is No Alternative") mindset, as investors position for a strong economic recovery phase, (4) technological breakthroughs that are rapidly revolutionizing our workplace and way of life, and (5) a growing allocation within broad-market cap-weighted indexes to the higher-multiple, secular-growth Technology sector.

However, I also expect volatility to remain elevated, with the CBOE Volatility Index (VIX) staying above 20, and I think gold and gold miners will continue to move higher along with other precious metals and cryptocurrencies – both as speculation on their continued strength and as hedges against inflation, dollar weakness, untethered Modern Monetary Theory (MMT), a Far Left takeover of government, a resurgence in COVID deaths, a protracted U-shaped recovery, or anything else that might hurt the recovery.

Regardless, we expect our new process enhancements to help boost all-weather performance by: (1) reducing relative volatility versus the benchmark, (2) improving the likelihood that selected stocks will meet their earnings estimates, and (3) allowing some secular growth companies to score more competitively in our model.

As a reminder, we post on our public website my commentaries and presentation slide deck on the Marketing Materials tab at **http://bakersdozen.sabrient.com**, which also includes performance information on all current and historical *Baker's Dozen* portfolios. In addition, I go into greater detail on market conditions and outlook in my monthly **Sector Detector newsletter** and blog post, which you can find (and subscribe to for free) on the **Sabrient.com** homepage.