Sabrient Systems

Baker's Dozen Commentary – April 2023 (updated)

April 20, 2023

Scott Martindale, President & CEO

Key talking points this month include:

1. Sabrient Systems and subsidiary Gradient Analytics form a **unique collaboration of engineers and forensic accountants** who leverage quantitative models, a **process-driven approach** (led by founder and former NASA engineer David Brown), and **expertise in financial statement analysis** (through subsidiary Gradient Analytics, led by Brent Miller, CFA).
2. Our portfolios displayed **consistently strong performance** in 2009–2014, but then the market became narrow & news-driven, dominated by mega caps and passive index investing, leading to **historic divergences** in Growth versus Value factors and Large versus Small caps, which was challenging for our value-oriented *Growth at a Reasonable Price* (aka GARP) portfolio strategies.
3. In December 2019, we implemented **process enhancements to make our approach more all-weather**, including proprietary new alpha factors *Earnings Quality Rank v2* and *Growth Quality Rank*. Our GARP portfolios now provide diversified exposure to Value & Growth factors, cyclical & secular growers, and across market caps, leading to **significant improvement in performance** relative to the benchmarks for all Sabrient's portfolios … *while maintaining the potential for significant outperformance*.
4. **15 of our 24 live and recently terminated portfolios are outperforming** or staying within 1% of their benchmarks (gross total return)—and *several are outperforming quite substantially*. Notably, the more recent portfolios are lagging early because they launched with overweights in Energy and Financials (and REITs for the Dividend portfolios), which have *pulled back significantly in the wake of the banking crisis and growing fears of a severe recession*—but we remain confident in their positioning.
5. Sabrient's portfolios currently in primary market include **Small Cap Growth 37, Dividend 43, and Q2 2023 *Baker's Dozen*** (which just launched today, 4/20).
6. Notably, our **Dividend portfolios** seek both capital appreciation and solid yield by employing a GARP + Income strategy that seeks quality companies selling at an attractive price and displaying a strong EPS growth forecast, a history of raising dividends, a solid coverage ratio, and an aggregate dividend yield of 4% or more. The **Dividend 43** portfolio launched 3/8 with overweights in Financials and REITs, and currently offers a robust **5.2 % dividend yield**.
7. The **Q1 2022 *Baker's Dozen*** terminated on 4/19, and it outperformed by a wide margin all relevant market benchmarks (including mid- and small-cap indexes, both cap-weight and equal-weight). It provided a gross total return of **+5.2% versus -5.4%** for the S&P 500, which indicates a ***+10.6% active return***.
8. **Inflation remains in a downtrend** as supply chains and labor markets recover; energy, commodity, and shipping prices stabilize; money supply falls; and the Fed raises rates—leading to curtailed consumer demand and perhaps a mild recession. In addition, bond yields resumed their downtrend due to the banking crisis and expectation that the Fed may soon pivot—although yields have climbed more recently on worries about the debt ceiling standoff.
9. **Valuation multiples on broad stock market indexes remain elevated** on renewed investor optimistic speculation, despite the hawkish Fed and concerns about war, geopolitical turmoil, recession, debt ceiling standoff, and corporate earnings. Forward P/Es for S&P 500 and S&P 600 small caps are 18.9x and 12.9x, as of 4/18.
10. The passive, mega-cap-dominated market indexes that were so hard to beat in the past now face slowing GDP growth, reduced earnings estimates, elevated valuations, and a low equity risk premium. Thus, **investors may be better served by active strategies** that exploit performance dispersion among individual stocks, which should continue to be *favorable for Sabrient's portfolios*—all of which combine Value, Quality, and Growth factors and provide exposure to both secular and cyclical growth trends.

Market commentary:

Q1 ended with a flourish of optimism. The rotation out of growth stocks into value stocks in 2022 was primarily driven by rising interest rates, energy prices, and recession fears. But January brought a risk-on "junk rally," led by lower quality stocks (primarily Tech) that had viciously sold off. And then after the market pullback into mid-March, stocks surged into quarter-end in a growth-driven rally, led by Tech stocks of course, with the Nasdaq 100 (QQQ) up +20% during Q1.

However, looking ahead, some market commentators, like JPMorgan, are expecting another value rotation on recession expectations for 2H 2023, while others see the Tech-driven rally as investors positioning for a further fall in inflation and a credit crunch from the banking crisis leading to a dovish Fed pivot and falling interest rates (which would support valuations). Indeed, bond yields and the US dollar have resumed their downtrends (while bitcoin has surged) due to the banking crisis and expectation that the Fed may have to temper its hawkish policies (and live with somewhat higher inflation than its 2% target) to ensure bank liquidity and a sufficient supply of dollars for global transactions, and to stop "exporting" inflation via the strong dollar—although yields climbed more recently on worries about the debt ceiling standoff.

Notably, the new Bank Term Funding Program (BTFP) for providing emergency liquidity to struggling banks reportedly added $500 billion to the Fed's balance sheet, which effectively reverses QT. The 10-year Treasury Note closed on 4/19 at 3.60%, while the 2-year closed at 4.25% (indicating a 65-bps inversion of the yield curve).

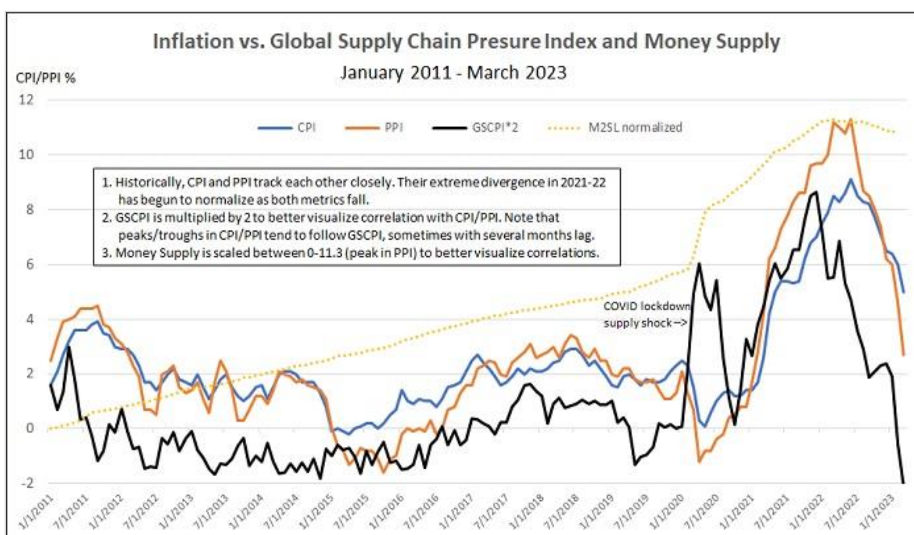
Economic growth forecasts are not particularly strong. Q4 2022 real GDP according to the BEA's final estimate was +2.6% (versus +3.2% in Q3 2022), and for Q1 2023, the Atlanta Fed's respected GDPNow model forecasts +2.5% growth (as of 4/18). ISM Manufacturing Index declined to 46.3 in March, which was below estimates, reflecting contraction.

As for equity valuations, they still stand near historically high levels despite still-elevated interest rates. Historically, there is a 90% correlation between economic growth and corporate profits. And according to FactSet, the bottom-up CY2023 EPS estimate for the S&P 500 has fallen to $221.50, which suggests a P/E of 18.7x at an index price of 4,154 (as of 4/19). Next 12-months (NTM) forward P/Es for S&P 500 and S&P 600 small caps are 18.9x and 12.9x—compared to 17.3x and 12.7x at the start of the year. Indeed, share prices have risen (particularly among large caps) even though earnings estimates fell.

So, stocks appear to be priced for both higher profits and further multiple expansion (and falling interest rates). For this bullish conviction to hold up, it will require a pivot to neutral or dovish Fed policy, an improved corporate earnings outlook, and lower market volatility, which is quite a set of hurdles to clear. Notably, the CBOE Volatility Index (VIX) reflects remarkable complacency at only 16.5 despite the many uncertainties.

No doubt, from macro, fundamental, and valuation standpoints, stocks have obstacles ahead. However, from a *technical* standpoint, the market is behaving quite well. The S&P broke above its 200-day moving average back in January and then stayed above it for the next 30 trading days, which historically has led to a new bull market. Moreover, a so-called "Super Golden Cross" was triggered in early February when the 50-day moving average, after staying below the 200-day MA for more than 9 months, crossed above the 200-day and stayed above it for more than 3 days (i.e., confirmation). Some might scoff that the market is simply pricing in a dovish pivot from the Fed over the next several months. But that doesn't erase the historically positive significance of the technicals.

Fortunately, inflation reports have been showing the *trends* that the Fed hoped to see, with CPI falling from 9.1% last June to the March reading of 5.0%, while PPI fell to 2.7% and PCE softened as well—and these metrics are *lagging* indicators. So, given the 12 encouraging signs I discussed in my March blog post, I believe the writing is on the wall for a continued inflation downtrend.



Indeed, commodity "reflation" in January subsided in February, and the New York Fed's Global Supply Chain Pressure Index (GSCPI), which measures the number of standard deviations from the historical average value (aka Z-score), continues to fall precipitously—from a lofty +4.31 in December 2021 to a *negative* March reading of -1.06.

The chart on the left shows GSCPI plotted against CPI, PPI, and M2 money supply. The peaks and troughs in inflation tend to follow those in GSCPI, sometimes with several

months lag. CPI, PPI, and GSCPI all surged when M2SL surged and COVID lockdowns were instituted, and all have fallen precipitously as M2SL has crested. As government stimulus checks and debt and rent forbearance end, the labor participation rate should rise and help limit wage inflation. And to close the gaping excess demand gap, aggregate demand simply had to be depressed just enough to *buy time* for supply chains to gradually mend. I suspect a return to modest money supply growth as supply chains continue to mend will allow continued moderation in inflation, although perhaps not down to the Fed's 2% target anytime soon without inducing recession (via additional rate hikes and QT).

Sabrient's SectorCast model no longer ranks Energy at the top due to significant analyst downward revisions to earnings estimates, in accordance with reduced economic growth estimates, as shown in the table below. Oil & gas stocks had fallen on a combination of a technical pullback (after an extraordinary year for the Energy sector last year) and the unusually warm winter depressing demand (especially for natural gas), along with rising supply as production was kicked up. However, the International Energy Agency forecasts that the energy market will swing into deficit during the H2 2023, largely due to an expected surge in oil demand in China. Estimates remain volatile, and in fact, OPEC+ recently cut oil production due to expectation of subdued demand, so oil prices and Energy stocks surged. So, earnings estimates in the Energy sector may soon be revised upwards once again—assuming re-pricing of oil, a Fed pause or pivot, and/or an improvement in the economic growth forecast.

Sabrient SectorCast ETF Rankings
(as of 4/18/2023)

Dow Jones U.S. Sector	Tracking ETF	Outlook Score
CONSUMER STAPLES	IYK	84
TECHNOLOGY	IYW	72
CONSUMER DISCRETIONARY	IYC	68
BASIC MATERIALS	IYM	59
INDUSTRIALS	IYJ	55
ENERGY	IYE	47
HEALTHCARE	IYH	42
FINANCIALS	IYF	15
TELECOMMUNICATIONS	IYZ	14
UTILITIES	IDU	4

Regarding the Fed, Marcel Kasumovich of One River Asset Management wrote in his latest post about the Fed's conundrum, *"Every crisis in the past thirty years has been met with lower lows in policy rates and central bank balance sheet expansion when rate cuts weren't enough…and instability in the banking system can be immediately cured by a sharp decline in bank funding costs – rate cuts."* The conundrum is that, as he noted, *"Financial [banks] and price stability [inflation] are competing objectives."*

DataTrek pointed out that the short-term (1-3 year) Treasury note volatility recently displayed a +2 standard deviation move in price, noting that, *"Every time that's happened since 2002, the FOMC has cut rates aggressively soon after."* MacroStrategy in London opined that, although real rates may seem low versus CPI, in fact they are "very high" when viewed "against trend" after accounting for "imbalances in the system." Thus, the Fed *"must set policy around the potential growth rate, which has been declining for decades. When viewed in this context, interest rates are clearly too high. The Fed is behind the curve and will need to pivot."*

Alpine Macro suggests overweight "early cyclicals," specifically banks, retailers, homebuilders, transports, and small caps, since these market segments "*…do not require economic improvement or better pricing power in their sector to outperform the broad market. All that is needed for outperformance are signs that the odds of monetary easing, and no existential crisis in their sector."* Furthermore, they believe that banks have higher beta and depressed valuations and will benefit from lower bond yields, while insurance companies have lower beta and elevated valuations, as well as lower operating leverage. In my view, the combination of falling yields and mortgage rates along with growing demand is a great setup for the housing market…and the scary headlines about 15-20% further downside in home prices are overblown. [Note: the iShares Home Construction ETF (ITB) has a solid Outlook score of 80 in our SectorCast model.]

Notably, the catchy acronyms of the past like FANG, FAAMG, or FANGMAT have gradually given way to just Microsoft and Apple, which together now compose over 13% of the S&P 500. I think it's apropos that the acronym is MA as it suggests "momma," who sustained each of us as babies. Likewise, the fortunes of passive investors are now tied to this two-headed surrogate momma—however, Q1 earnings estimates are unimpressive for both companies. So, today's elevated valuations on the cap-weighted broad-market indexes and relatively low equity risk premium (ERP) may hinder the broad indexes from making much headway. But I believe it enhances the opportunity for skilled active selection and strategic beta indexes that can exploit elevated dispersion among individual stocks to greatly outperform.

Likewise, Morgan Stanley's Michael Wilson said in an interview with Bloomberg Surveillance, *"We're looking for opportunities at the stock level, but at the index level, it does not look attractive to us."* In a client note, he wrote, *"Given the events of the past few weeks, we think guidance is looking more and more unrealistic, and equity markets are at greater risk of pricing in much lower estimates ahead of any hard data changes."* However, he believes some industries like Financials and Retailers have already largely repriced and may now offer investment opportunities.

Regardless, Sabrient continues to employ a portfolio selection approach that provides exposure to carefully selected high-quality companies from both value/cyclical growth and dividend payers (such as Energy, Materials, Consumer, Industrials, and Financials) on the one hand, and secular growers (primarily from Tech and Healthcare) on the other.

My expectation is that recovering supply chains (encompassing manufacturing, transportation, logistics, energy, labor) and *disinflationary* secular trends will continue to provide the restraint on wage and price inflation that the Fed seeks without having to double-down on its intervention/manipulation—and it's not just due to the sudden banking crisis magnifying fragility in our economy. Regardless, given the historical 90% correlation between economic growth and aggregate corporate profits, the passive broad-market mega-cap-dominated indexes that were so hard for active managers to beat in the past may well continue to see volatility, particularly in the face of slow GDP growth (well below inflation), reduced earnings estimates, elevated valuations, and a low equity risk premium. Nevertheless, many companies—particularly within the stronger sectors—will do quite well.

Thus, investors may be better served by strategic-beta and active strategies that can exploit the performance dispersion among individual stocks, which *should be favorable for Sabrient's portfolios*—including **Small Cap Growth 37, Dividend 43, and the new Q2 2023 *Baker's Dozen***—all of which combine value, quality, and growth factors while providing exposure to both longer-term secular growth trends and shorter-term cyclical growth and value-based opportunities. (Note that Dividend 43 offers both capital appreciation potential and a *current yield of 5.2%.*)

Quick plug for Sabrient's newest product, a stock and ETF screening and scoring tool called **SmartSheets**, which are available for free download for a limited time. SmartSheets comprise two simple downloadable spreadsheets that provide access to 9 of our proprietary quant scores. Prior to the sudden fall of SIVB, on a scale of 0-100 with 100 the "best," our rankings showed SIVB carried a low score in our proprietary Earnings Quality Rank of 35, a GARP (growth at a reasonable price) score of 37, and a BEAR score (relative performance in weak market conditions) of 13. Also worth mentioning, Lantheus Holdings (LNTH) was consistently ranked our #1 GARP stock for the first several months of the year before it knocked its earnings report out of the park on 2/23 and shot up over +20% in one day. (Note: you can find our full Baker's Dozen performance details **here**.) Feel free to download the latest weekly sheets using the link above—free of charge for now—and please send us your feedback!

Performance Update:

Sabrient's GARP model combines growth, value, and quality factors while searching across all market caps to find opportunities. Our portfolios include the quarterly *Baker's Dozen*, Dividend, and Small Cap Growth portfolios, and the annual Forward Looking Value portfolio. As I have explained in the past, market divergences in 2018-19 (especially due to the trade war with China) were different from anything we had seen in developing our longstanding high-performing model and portfolio selection process, and it severely impacted our performance as well as most other value-biased strategies.

In response, we implemented new process enhancements in December 2019 to produce portfolios displaying a better balance between cyclical and secular growth companies and across market caps, lower volatility relative to the benchmarks, and greater portfolio resiliency (i.e., "all weather"). Indeed, the enhanced process has improved relative performance across all our portfolios, as has the market's rotation away from speculative growth toward a preference for value and quality.

In fact, as shown in the table, **15 of our 24** live and recently terminated portfolios are outperforming or staying within 1% of their benchmarks (based on gross total return as of 4/19). Note that the more recent portfolios are lagging early because they launched with overweights in Energy and Financials (and REITs for the Dividend portfolios), all of which peaked and pulled back right around their launch dates due to fallout from the banking crisis and sudden fears of a severe recession—*but we remain confident in their positioning*. [Note: Benchmarks are the S&P 500 (SPY) and Russell 2000 (IWM). Gross total returns come from the ftportfolios.com website (without transactional sales charge).]

Notably, our **Sabrient Dividend Portfolio** is different from most high-yielding dividend products in that it seeks both capital appreciation and reliable income by identifying quality companies selling at an attractive price with a solid growth forecast, a history of raising dividends, a good coverage ratio, and a target yield of 4-5% or more.

Baker's Dozen & FLV - Gross return thru: 4/19/2023

Portfolio	Launch	Close	Gross Return (FTP website)	SPY Return	Active Return
Q4 2021 BD	10/20/21	1/20/23	9.1%	-10.8%	19.9%
Q1 2022 BD	1/20/22	4/19/23	5.2%	-5.4%	10.6%
Q2 2022 BD	4/20/22		7.2%	-5.3%	12.5%
FLV 10	7/15/22		15.4%	8.9%	6.5%
Q3 2022 BD	7/20/22		11.4%	6.2%	5.2%
Q4 2022 BD	10/20/22		0.3%	14.3%	-14.0%
Q1 2023 BD	1/20/23		-5.3%	5.0%	-10.3%

Sabrient Dividend - Gross return thru: 4/19/2023

Portfolio	Launch	Close	Gross Return	SPY Return	Active
Div 34	12/21/20	12/21/22	19.8%	8.1%	11.7%
Div 35	3/19/21	3/17/23	-3.3%	3.2%	-6.5%
Div 36	6/22/21		6.5%	0.5%	6.0%
Div 37	9/20/21		15.2%	-2.3%	17.5%
Div 38	12/20/21		9.2%	-7.1%	16.4%
Div 39	3/18/22		-5.6%	-5.2%	-0.3%
Div 40	6/15/22		-0.6%	11.1%	-11.7%
Div 41	9/12/22		-7.3%	2.1%	-9.4%
Div 42	12/9/22		-6.7%	6.2%	-12.9%
Div 43	3/8/23		-4.2%	4.2%	-8.4%

Small Cap Growth - Gross return thru: 4/19/2023

Portfolio	Launch	Close	Gross Return	IWM Return	Active
SCG 31	9/8/21	12/8/22	9.2%	-18.0%	27.1%
SCG 32	12/6/21	3/6/23	3.5%	-12.3%	15.8%
SCG 33	3/4/22		-2.1%	-8.8%	6.7%
SCG 34	6/1/22		4.7%	-1.8%	6.5%
SCG 35	8/29/22		-3.2%	-3.6%	0.4%
SCG 36	11/14/22		-7.5%	-2.9%	-4.6%
SCG 37	2/10/23		-10.7%	-6.1%	-4.6%

Update on the terminated Q1 2022 *Baker's Dozen* Portfolio:

The **Q1 2022 *Baker's Dozen*** just terminated on 4/19/2023 after 15 months life. Like all our portfolios, it was selected based on Sabrient's *forward-looking* GARP selection approach that relies upon the consensus EPS growth estimates of the sell-side analyst community. It launched on 1/20/2022 with an overweight in attractively valued "deep cyclical" sectors (Energy, Financials, Industrials, Materials), i.e., 6 positions out of 13, plus 1 from Consumer Discretionary. It was slightly underweight secular growth Technology and Healthcare (4 positions). As for Value vs. Growth exposure, the portfolio launched with 38% allocation (5 positions) to the Growth factor, versus the benchmark's 60% weight (as the cap-weighted index is dominated by mega-cap Growth stocks). Lastly, it had a small-mid cap bias relative to the S&P 500 large cap benchmark, with 4 large, 4 mid, and 5 small caps.

Q1 2022 Baker's Dozen Portfolio							
Ticker	Company Name	Sector	Return	Fwd P/E at Launch	Current Fwd P/E	Est. NTM EPS Growth at Launch	Actual EPS Growth
ACLS	Axcelis Technologies, Inc.	Information Technology	107.6%	16.8	21.2	64.7%	88.9%
ACGL	Arch Capital Group Ltd.	Financials	58.1%	11.0	12.4	45.1%	35.0%
DVN	Devon Energy Corporation	Energy	24.1%	9.3	8.1	146.5%	136.1%
TEX	Terex Corporation	Industrials	9.4%	12.1	9.3	30.9%	27.5%
TOL	Toll Brothers, Inc.	Consumer Discretionary	8.0%	5.9	7.4	53.2%	61.5%
ARCB	ArcBest Corporation	Industrials	8.0%	10.2	9.5	36.0%	63.0%
KLAC	KLA Corporation	Information Technology	-4.2%	18.0	19.9	35.5%	37.1%
AEL	American Equity Investment Life Holdir	Financials	-6.4%	9.2	7.4	51.0%	29.6%
DAR	Darling Ingredients Inc.	Consumer Staples	-10.3%	13.0	10.7	50.9%	21.1%
PFE	Pfizer Inc.	Health Care	-22.4%	9.1	11.9	56.2%	48.9%
HRI	Herc Holdings Inc.	Industrials	-26.9%	15.2	7.7	62.5%	50.2%
CHTR	Charter Communications, Inc.	Communication Services	-39.9%	19.4	10.1	37.3%	23.9%
WDC	Western Digital Corporation	Information Technology	-42.2%	7.4	NE	32.2%	-59.7%
	Average		**5.2%**	**12.0**	**11.3**	**54.0%**	**43.3%**
SPY	SPDR S&P 500 ETF Trust		-5.4%				
RSP	Invesco S&P 500 Equal Weight		-4.0%				
IWM	iShares Russell 2000 ETF		-9.6%				
MDY	SPDR S&P MidCap 400 ETF Trust		-3.1%				
EWMC	S&P 400 MidCap Equal-Weight		-2.3%				

As shown in the table, 9 of the 13 holdings have exceeded or come close to EPS estimates. Regardless, the overall portfolio outperformed *by a wide margin* all relevant large cap, mid-cap, and small-cap benchmarks (including both cap-weight and equal-weight).

Over the life of the portfolio (1/20/2022–4/19/2023), the gross total return of the model portfolio was **+5.2% versus -5.4%** for the S&P 500 index (i.e., **+10.6%** active return) and -9.6% for the Russell 2000, led by a diverse group from Technology, Financials, Energy, and Industrials sectors.

Top performers include specialty semiconductor maker **Axcelis Technologies (ACLS)**, insurer/reinsurer **Arch Capital Group (ACGL)**, oil & gas producer **Devon Energy (DVN)**, and construction equipment maker **Terex Corp (TEX)**. Laggards include data storage hardware maker **Western Digital (WDC)**, cable provider **Charter Communications (CHTR)**, equipment firm **Herc Holdings (HRI)**, and mega-pharma **Pfizer (PFE)**.

Introducing the new Q2 2023 *Baker's Dozen* Portfolio:

The **Q2 2023 *Baker's Dozen*** launched today, 4/20. Its 13 holdings are shown in table below, along with statistics on forward valuation, consensus next-12-months (NTM) EPS growth expectations, forward PEG ratio (P/E divided by EPS growth) and two key scores: Earnings Quality Rank (EQR, 1-5 scale, with 5 the best) and Growth Quality Rank (GQR, 1-10 scale, with 10 the best).

Ticker	Company Name	Sector	Industry	Mkt Cap ($B)	NTM EPS Growth	Fwd PE	Fwd PEG	Div Yield	EQR	GQR
ALB	Albemarle Corporation	Materials	Specialty Chemicals	23.9	25.5%	7.4	0.29	0.8%	5	10
BKNG	Booking Holdings Inc.	Consumer Discretionary	Hotels, Resorts and Cruise Lines	100.8	30.0%	20.4	0.68	0.0%	5	10
COOP	Mr. Cooper Group Inc.	Financials	Mortgage Finance	3.1	113.3%	8.8	0.08	0.0%	NA	9
CRWD	CrowdStrike Holdings, Inc.	Information Technology	Systems Software	31.3	49.4%	57.7	1.17	0.0%	5	10
DAL	Delta Air Lines Inc.	Industrials	Airlines	23.4	31.1%	5.9	0.19	0.0%	4	6
EVBG	Everbridge Inc.	Information Technology	Application Software	1.3	119.5%	21.2	0.18	0.0%	5	9
EXTR	Extreme Networks Inc.	Information Technology	Communications Equipment	2.1	48.9%	13.0	0.27	0.0%	5	9
HAL	Halliburton Company	Energy	Oil and Gas Equipment and Services	30.8	39.7%	11.3	0.29	1.9%	3	8
NEX	NexTier Oilfield Solutions Inc.	Energy	Oil and Gas Equipment and Services	1.9	56.0%	3.3	0.06	0.0%	3	9
PGR	The Progressive Corporation	Financials	Property & Casualty Insurance	81.3	93.3%	20.5	0.22	0.3%	4	8
RE	Everest Re Group, Ltd.	Financials	Reinsurance	14.7	72.5%	8.0	0.11	1.8%	5	7
URI	United Rentals, Inc.	Industrials	Trading Companies and Distributors	26.3	28.0%	9.1	0.32	1.5%	5	9
ZS	Zscaler, Inc.	Information Technology	Systems Software	14.9	63.5%	58.3	0.92	0.0%	5	10
			Average:	27.4	59.3%	18.9	0.32	0.5%	4.5	8.7

The portfolio has a diverse (but small-biased) mix across market caps, with 7 large caps, 2 mid-caps, and 4 small caps; a 6/7 split between value and growth stocks; and a 7/6 split between cyclical and secular growers. As for sectors, there are 4 from InfoTech, 3 Financials, 2 Energy, 2 Industrials, 1 Materials, and 1 from Consumer Discretionary.

Some of the constituents are familiar names, like **Delta Airlines (DAL)**, oil & gas services firm **Halliburton (HAL)**, and property & casualty insurer **The Progressive Corp (PGR)**. But most are relatively "under the radar" stocks, like small-cap oil & gas services firm **NextTier Oilfield Solutions (NEX)**, large-cap specialty chemicals firm (including lithium) **Albemarle (ALB)**, and small-cap mortgage servicer **Mr. Cooper Group (COOP)**. Four of the names were also in the previous *Q1 2023 Baker's Dozen* (DAL, EVBG, EXTR, NEX).

Final Comments:

You can find more detail on our latest *Baker's Dozen* portfolio by downloading the full Holdings report on the *Baker's Dozen* website: https://bakersdozen.sabrient.com/bakers-dozen-marketing-materials. The report describes each of the 13 stock picks in greater detail, including a brief description of each company and what makes them attractive. You also can download my latest slide deck and market commentary. In addition, I go into greater detail on market conditions and outlook in my periodic **Sector Detector newsletter** and blog post, which you can find (and subscribe to for free) on the **http://Sabrient.com** homepage.

As a reminder, Sabrient implemented **process enhancements** in December 2019 to our *Growth-at-a-Reasonable Price* (GARP) model and *"quantamental"* portfolio selection methodology (which uses the quantitative model as a prescreen and then uses a fundamental review and final selection approach that includes forensic accounting analysis by our Gradient Analytics subsidiary).

This has made our portfolios more "all weather" by reducing volatility relative to the benchmark and allowing companies that display *consistent and reliable earnings growth* to score more competitively in our value biased GARP model, even if they display somewhat higher valuations. The enhanced process seeks to provide exposure to both the *longer-term secular* growth trends and the *shorter-term cyclical* growth opportunities … *without sacrificing the potential for significant outperformance.*

Indeed, we believe Sabrient's portfolios—including the new **Q2 2023 *Baker's Dozen*** (launched today, 4/20), **Small Cap Growth 37** (launched on 2/10), **Sabrient Dividend 43** (launched on 3/8)—are well-positioned to outperform their passive benchmarks.

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