



Sabrient leverages a unique collaboration of engineers and forensic accountants and a process-driven methodology to build robust quantitative equity models and produce unbiased research, rankings, tools, strategies, portfolios, and indexes.

"Quantamental GARP approach with a forensic accounting overlay"

Baker's Dozen, Dividend, Small Cap Growth, Forward Looking Value

- 1. Market rotation to Quality & Value***
- 2. Description of enhanced selection process***
- 3. Performance review***
- 4. Introduction to the new Q2 2022 Baker's Dozen***
- 5. Market outlook***

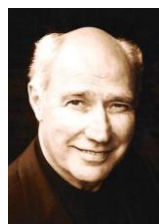
Updated 4/20/2022



Scott Martindale
President & CEO



Brent Miller, CFA
President of Gradient



David Brown
Founder & Chief Market Strategist

Sabrient Systems LLC
Quantitative equity research, rankings, strategies

Gradient Analytics LLC
Fundamental forensic accounting research

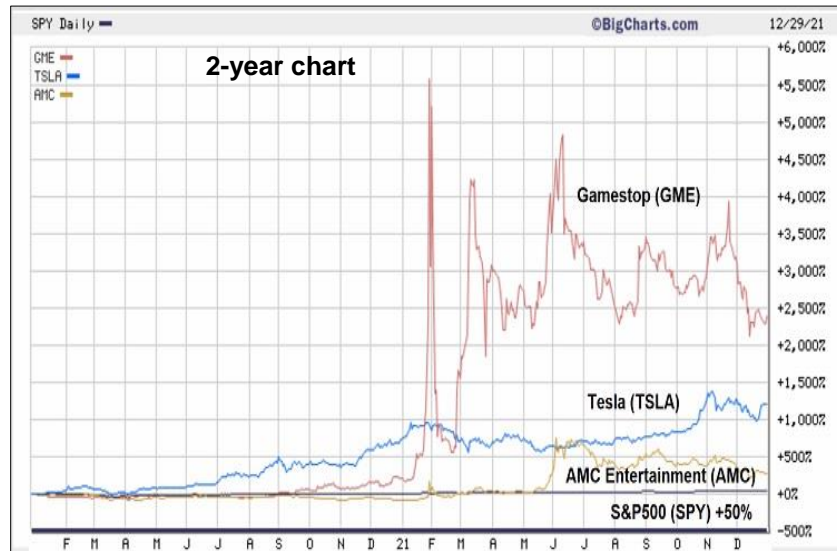
This presentation, including the gross historical performance shown in this presentation, pertains solely to the theoretical *model portfolios* published by Sabrient Systems, LLC. Sabrient is not responsible for the usage of such portfolios by any third party, including without limitation the *Baker's Dozen* UITs sponsored by First Trust. In addition, the performance numbers herein do not reflect the deduction of brokerage commissions, execution fees, or other expenses that may be paid by any third party making its own investment in the portfolios. First Trust UITs are subject to the imposition of fees, and to variation in the construction of the portfolios, which will over time reduce the performance of such UITs in comparison with the performance of Sabrient's model portfolios.

Summary Talking Points

1. Sabrient leverages a unique collaboration of engineers and forensic accountants, quantitative models, and a process-driven “*quantamental*” methodology (quantitative screen plus fundamental review & selection).
2. Consistently strong performance in 2009–2014 of our value & quality-oriented *Growth at a Reasonable Price (GARP)* strategy, but then the market became narrow & news-driven causing historic performance divergences in Growth vs. Value factors and Large vs. Small caps during 2015-2019.
3. Process enhancements have made our portfolios more all-weather, with balanced exposure to value and growth factors, cyclical and secular growth stocks, and across market caps.
=> Improved performance and lower volatility ... *and the potential for significant outperformance.*
4. Massive global liquidity injections led to speculation, asset inflation, and “malinvestments,” but now a rotation toward the Quality and Value factors appears to be underway.
5. This should be favorable for active selection, strategic beta, equal weighting, and Quality & Value factors ... and for Sabrient’s *Baker’s Dozen, Dividend, Small Cap Growth, and Forward Looking Value portfolios*
6. Q4 2020 *Baker’s Dozen* terminated 1/20/2022, and the model portfolio *outperformed* the S&P 500, +37.7% vs +32.4%. The Q1 2021 *Baker’s Dozen* terminated on 4/19/2022, and the model portfolio significantly *underperformed* the S&P 500, -0.2% vs +17.8%.
7. Since process enhancements were implemented in December 2019, 7 of 12 *Baker’s Dozen*, 7 of 9 Dividend, and 7 of 8 Small Cap Growth model portfolios have outperformed or stayed within 1% of their benchmarks.
8. The new **Q2 2022 Baker’s Dozen** launched on 4/20/2022.

Massive liquidity led to speculation, asset inflation, “malinvestments”

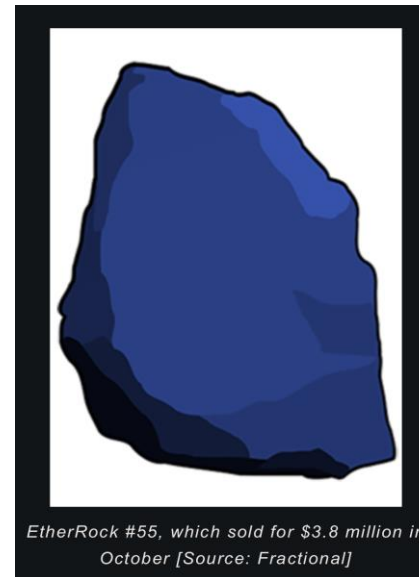
Meme stocks:



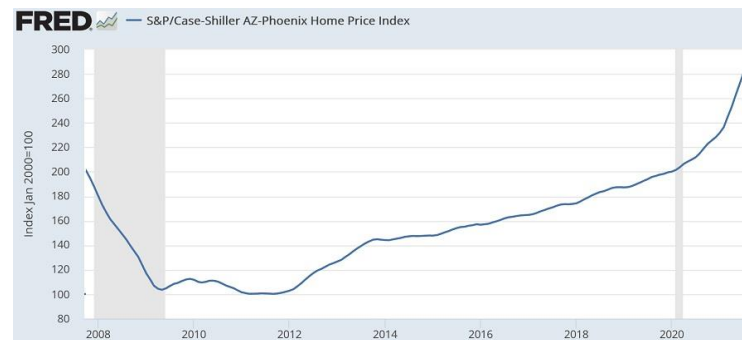
SPACs:

e.g.,
“Social Capital
Hedosophia IV” (IPOD)

NFTs:



Housing:



Cryptos



Dogecoin

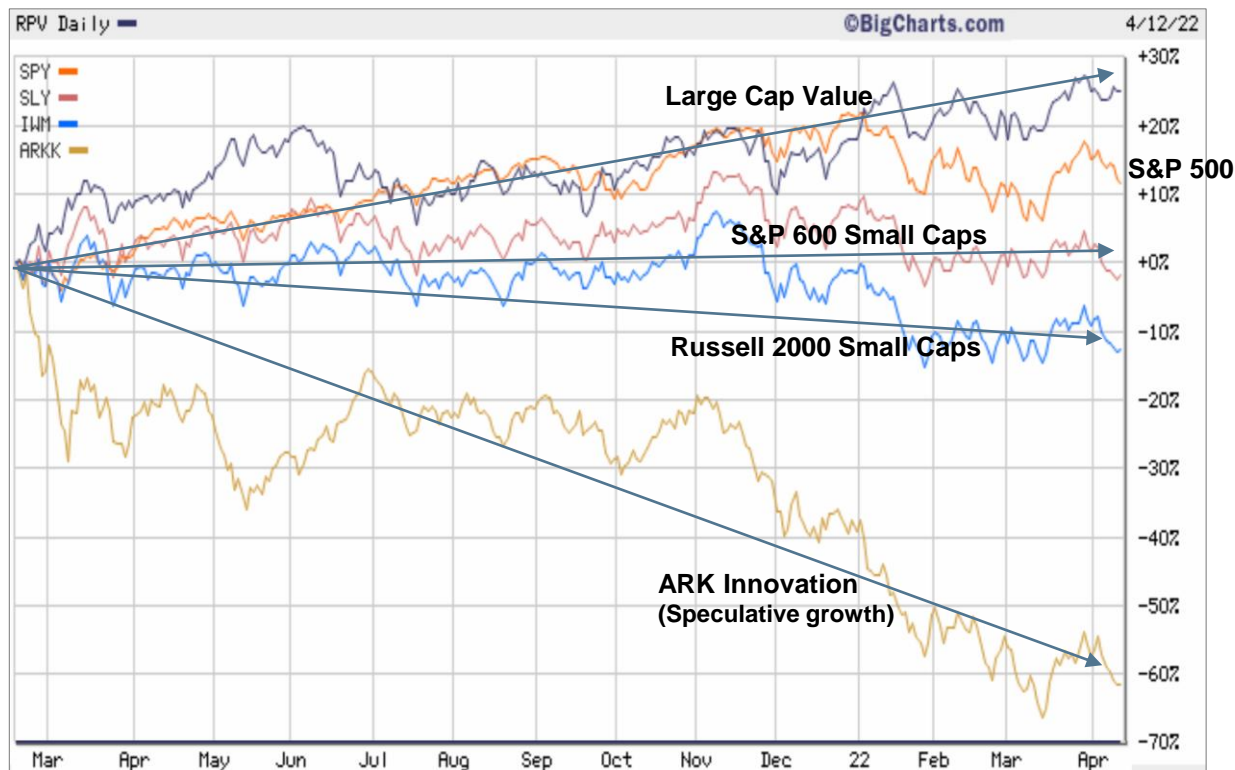
CryptoPunk #2338: \$4.4 Million



The First Tweet: \$2.9 Million



Rotation toward Quality and Value



Forward P/E (as of 4/12/2022):

RPV = 10.7 Large Cap Value (subset of S&P 500)
 SLY = 13.0 S&P 600 Small Caps (positive earnings requirement)
 IWM = 13.8 Russell 2000 Small Caps (no quality requirement)
 SPY = 18.8 S&P 500
 ARKK = 51.7 ARK Innovation (speculative growth)

Chart illustrates quality preference in small caps (SLY outperforming IWM) and preference for value over speculative growth, and large over small caps.

Sabrient SectorCast ETF Rankings (as of Tuesday 4/12/2022)

Dow Jones U.S. Sector	Tracking ETF	Outlook Score
BASIC MATERIALS	IYM	96
TECHNOLOGY	IYW	88
CONSUMER DISCRETIONARY	IYC	66
INDUSTRIALS	IYJ	59
ENERGY	IYE	46
FINANCIALS	IYF	45
TELECOMMUNICATIONS	IYZ	45
HEALTHCARE	IYH	37
CONSUMER STAPLES	IYK	13
UTILITIES	IDU	10

Current rankings favor cyclical sectors, while defensive sectors are at the bottom. This is bullish.

Company Overview

- **Sabrient Systems LLC** – founded in 2000 in Santa Barbara, CA
 - **Quantitative** fundamentals-based multifactor models
 - Diverse team of engineers/analysts/programmers, led by former **NASA** engineer (Apollo 11 moon landing) David Brown and former **Chevron** engineer Scott Martindale
 - Numbers-driven; Bottom-up rather than top-down
 - In 2009, introduced *quantamental* GARP approach for *Baker's Dozen* annual portfolio (13 top picks)

- **Gradient Analytics LLC** – founded in 1996 in Phoenix, AZ and acquired by Sabrient in 2011
 - **Fundamental** forensic accounting analysis (earnings quality)
 - Team of finance & accounting analysts, led by Brent Miller, CFA
 - Together we built proprietary **Earnings Quality Rank (EQR)**

- Combined team leverages a unique **collaboration of engineers and forensic accountants**:
 - Engineers bring **process-driven** methodology and **scientific** hypothesis-testing approach
 - Forensic accountants bring unique insights into **financial statement analysis**
 - Together we offer quantitative and fundamental equity research, datasets, rankings, tools, strategies
=> *including portfolios for UITs, indexes for ETFs, and insightful market commentaries*

“Quantamental” approach with a forensic accounting overlay

1. **Quantitative screen** to narrow large eligible universe (50-100 names)

Forward P/E, Forward EPS growth, recent dynamics of analyst consensus estimates, Earnings Quality Rank (EQR), and Growth Quality Rank (GQR)

2. **Fundamental analysis** to identify top candidates (~25 names)

Still mainly numbers-driven, but not algorithmic

3. **Forensic accounting review** of top candidates

Earnings quality, aggressive practices, insider selling, governance

4. **Final Stock Selection** (13 names)

Manual process, adhering to sector concentration limits

We believe a GARP strategy is “all-weather,” so what could go wrong? Two things:

- 1) Consensus EPS estimates are reduced after portfolio launch, or they fail to materialize.
- 2) Investor sentiment turns defensive, leading to narrow market breadth.

Note: This applies to Baker's Dozen selection, but we employ a similar approach for all portfolios (adjusted for appropriate universe or investment mandate).

Baker's Dozen – Model Portfolio Performance (rebalanced each January)

(1/1/2009 inception thru 3/31/2022, end-of-month data points)

Year	Portfolio	SPY
2009	38.6%	26.5%
2010	23.1%	15.1%
2011	7.4%	2.1%
2012	49.8%	16.0%
2013	60.9%	32.4%
2014	26.3%	13.7%
2015	-3.6%	1.4%
2016	5.0%	12.0%
2017	26.3%	21.8%
2018	-17.6%	-4.4%
2019	32.6%	31.2%
2020	21.2%	18.4%
2021	15.0%	28.7%
2022YTD	-7.9%	-4.6%

Gross Performance – 13½ years

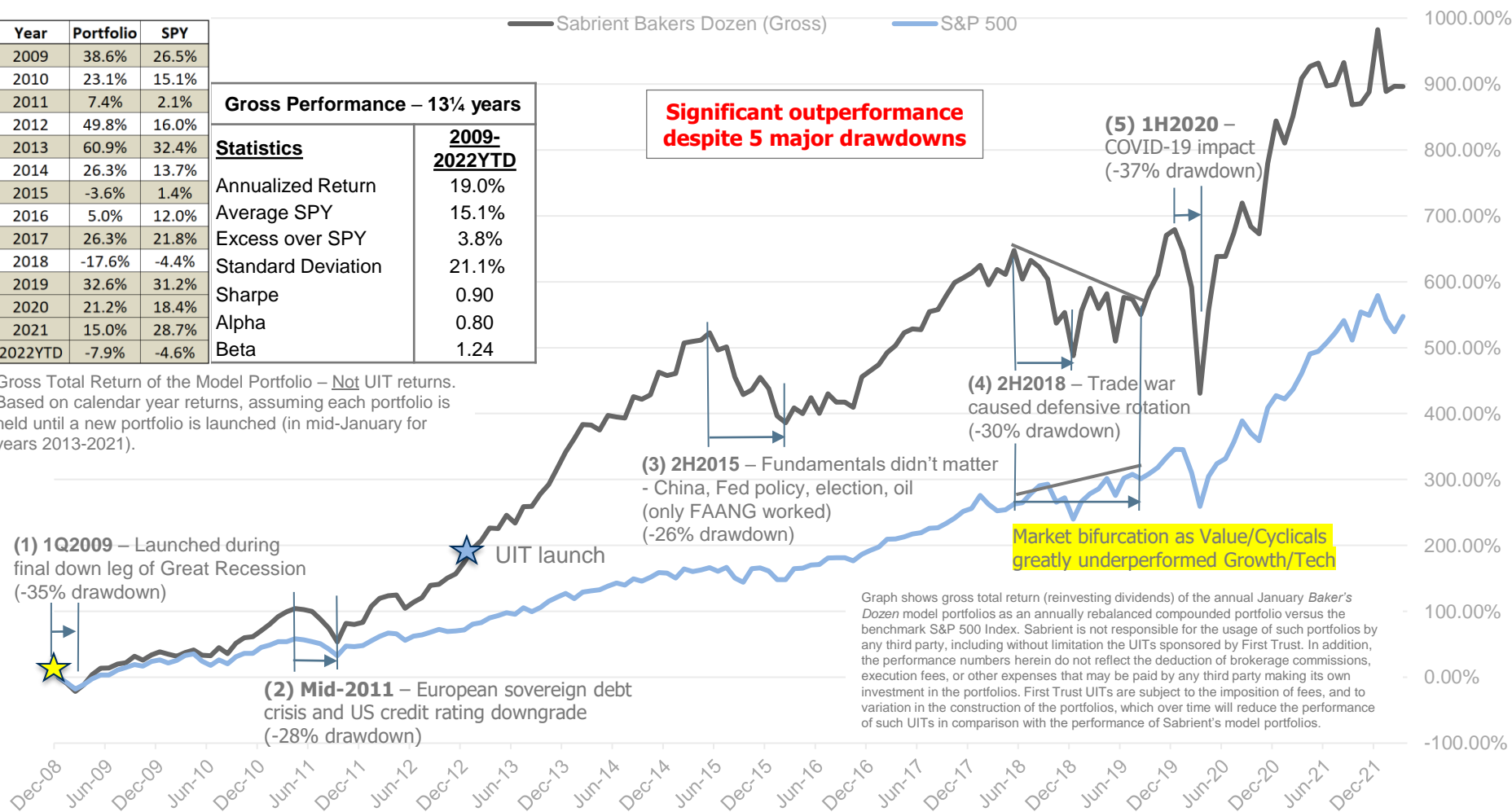
Statistics

Annualized Return
Average SPY
Excess over SPY
Standard Deviation
Sharpe
Alpha
Beta

2009-2022YTD

19.0%
15.1%
3.8%
21.1%
0.90
0.80
1.24

Gross Total Return of the Model Portfolio – Not UIT returns. Based on calendar year returns, assuming each portfolio is held until a new portfolio is launched (in mid-January for years 2013-2021).



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

Performance (following process enhancements in Dec 2019) – as of 4/19/2022

Baker's Dozen & FLV - Gross return thru: 4/19/2022

Portfolio	Launch	Close	MODEL PORTFOLIO Gross Return	Benchmark SPY Return	Diff
Dec 2019 BD	12/20/19	1/20/21	21.4%	21.9%	-0.5%
Q1 2020 BD	1/20/20	4/20/21	29.0%	26.9%	2.1%
Q2 2020 BD	4/20/20	7/20/21	29.9%	56.0%	-26.1%
2020 FLV	7/2/20	10/12/21	33.6%	41.4%	-7.8%
Q3 2020 BD	7/20/20	10/20/21	53.5%	42.0%	11.5%
Q4 2020 BD	10/20/20	1/20/22	37.7%	32.4%	5.3%
Q1 2021 BD	1/20/21		-1.8%	17.8%	-19.6%
Q2 2021 BD	4/20/21		-2.0%	9.4%	-11.3%
2021 FLV	7/7/21		1.8%	3.4%	-1.7%
Q3 2021 BD	7/20/21		6.4%	4.3%	2.2%
Q4 2021 BD	10/20/21		5.5%	-1.0%	6.4%
Q1 2022 BD	1/20/22		-0.8%	-0.1%	-0.7%

Sabrient Dividend - Gross return thru: 4/19/2022

Portfolio	Launch	Close	Gross Return	SPY Return	Diff
Div 30 *	1/3/20	1/3/22	29.0%	52.9%	-24.0%
Div 31	4/1/20	4/1/22	98.6%	89.4%	9.2%
Div 32	6/30/20		49.8%	47.9%	1.9%
Div 33	9/28/20		53.3%	35.9%	17.4%
Div 34	12/21/20		30.7%	23.0%	7.8%
Div 35	3/19/21		9.4%	15.8%	-6.4%
Div 36	6/22/21		13.6%	6.2%	7.4%
Div 37	9/20/21		20.5%	3.2%	17.3%
Div 38	12/20/21		13.5%	-1.9%	15.4%

Small Cap Growth - Gross return thru: 4/19/2022

Portfolio	Launch	Close	Gross Return	SLYG Return	Diff
SCG 26	3/11/20	6/11/21	108.9%	77.0%	31.9%
SCG 27	6/9/20	9/9/21	53.0%	51.6%	1.4%
SCG 28	9/4/20	12/6/21	64.2%	49.9%	14.3%
SCG 29	3/15/21		-7.7%	-8.1%	0.4%
SCG 30	6/11/21		-3.2%	-6.7%	3.4%
SCG 31	9/8/21		8.3%	-7.9%	16.2%
SCG 32	12/6/21		-1.4%	-8.7%	7.3%
SCG 33	3/4/22		-2.8%	-0.1%	-2.7%

* Dividend 30 outperformed SPY (+132% vs. +120%) since pandemic low on 3/23/20

All portfolios launched since December 2019 were created with our *enhanced* GARP model and selection process, which allows for a balance between secular and cyclical growth and across market caps. This appears to have helped boost relative performance versus benchmarks while striving for consistent “all-weather” performance ... *and the potential for significant outperformance.*

Portfolio returns are based on gross returns (without transactional sales charge) as displayed on the ftportfolios.com website for Sabrient UITs.

Notably, since process enhancements implemented in December 2019, 7 of 12 *Baker's Dozen*, 7 of 9 Dividend, and 7 of 8 Small Cap Growth model portfolios have outperformed or stayed even (within 1%) with their benchmarks.

The Dividend portfolio is a GARP + Income strategy that seeks quality stocks with a history of raising dividends, a solid coverage ratio, and an aggregate dividend yield approaching 4% or more.

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

Q4 2020 *Baker's Dozen* Model Portfolio – performance

Launch date (10/20/2020) compared to termination date (1/20/2022)

Q4 2020 Baker's Dozen Model Portfolio			Est. NTM EPS			
Ticker	Company Name	Return	Fwd P/E at Launch	Current Fwd P/E	Growth at Launch	Actual EPS Growth
VECO	Veeco Instruments Inc.	116.9%	13.8	17.9	88.8%	68.2%
BCC	Boise Cascade Company	85.8%	10.3	6.0	61.7%	275.2%
OMI	Owens & Minor, Inc.	77.9%	9.4	12.8	295.7%	90.9%
TPX	Tempur Sealy International, Inc.	73.1%	14.1	8.8	38.8%	67.0%
GTN	Gray Television, Inc.	68.9%	4.9	NE	43.9%	-70.9%
ABBV	AbbVie Inc.	67.2%	7.4	10.6	22.7%	20.8%
AMD	Advanced Micro Devices, Inc.	49.4%	58.1	28.0	64.3%	117.1%
APPS	Digital Turbine, Inc.	17.9%	78.1	22.8	66.7%	181.5%
MDC	M.D.C. Holdings, Inc.	11.4%	8.6	4.2	39.7%	57.9%
GDDY	GoDaddy Inc.	-5.3%	18.6	21.7	45.9%	-14.5%
CHTR	Charter Communications, Inc.	-5.9%	35.1	18.3	61.8%	56.6%
FDX	FedEx Corporation	-11.6%	18.3	9.9	36.5%	29.6%
QDEL	Quidel Corporation	-56.2%	10.2	6.9	426.6%	-10.8%
Average		37.7%	22.1	14.0	99.5%	66.8%
SPY	SPDR S&P 500 ETF Trust	32.4%				

Portfolio has several solid performers from various sectors. Overall, 8 of the 13 have exceeded or come close to meeting EPS estimates – several by a wide margin.

Q1 2021 Baker's Dozen Model Portfolio – performance

Launch date (1/20/2021) compared to termination date (4/19/2022)

Q1 2021 Baker's Dozen Portfolio			Est. NTM EPS			
Ticker	Company Name	Return	Fwd P/E at Launch	Current Fwd P/E	Growth at Launch	Actual EPS Growth
LPX	Louisiana-Pacific Corporation	64.1%	7.9	5.1	103.1%	219.4%
DE	Deere & Company	47.5%	22.5	18.1	50.8%	64.9%
NEM	Newmont Corporation	36.3%	15.2	26.3	95.2%	11.7%
RE	Everest Re Group, Ltd.	26.7%	11.1	8.9	78.1%	290.5%
DGX	Quest Diagnostics Incorporated	9.2%	10.5	15.1	44.4%	27.6%
KNX	Knight-Swift Transportation Holdings Inc.	9.0%	13.2	9.0	41.2%	72.3%
PHM	PulteGroup, Inc.	-5.1%	8.0	4.2	24.2%	53.1%
CHTR	Charter Communications, Inc.	-13.2%	33.0	18.0	44.7%	56.6%
WGO	Winnebago Industries, Inc.	-13.6%	11.8	5.4	64.0%	127.6%
MTSI	MACOM Technology Solutions Holdings, Inc.	-14.1%	38.4	18.8	69.0%	71.3%
NTGR	NETGEAR, Inc.	-42.9%	12.9	14.7	36.9%	-15.7%
COHU	Cohu, Inc.	-45.2%	18.4	9.6	505.3%	173.5%
EBS	Emergent BioSolutions Inc.	-61.8%	9.8	18.5	89.1%	-23.6%
Average		-0.2%	16.4	13.2	95.8%	86.9%
SPY	SPDR S&P 500 ETF Trust	17.8%				

Several solid performers from cyclical sectors Materials, Industrials, and Financials have been offset by 3 unfortunate laggards from secular growth Healthcare and InfoTech. Overall, 8 of the 13 have exceeded EPS estimates – several by a wide margin.

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

Latest Q2 2022 *Baker's Dozen* Portfolio – statistics upon launch

Launch date 4/20/2022 – terminates on 7/20/2023

Ticker	Company Name	Sector	Industry	Mkt Cap (\$B)	NTM EPS Growth	Fwd PE	Fwd PEG	Div Yield	EQR	GQR
AA	Alcoa	Materials	Aluminum	16.0	86.5%	6.8	0.08	0.4%	3	8
ACLS	Axcelis Technologies	Information Technology	Semiconductor Equipment	1.9	44.6%	13.9	0.31	0.0%	4	10
AVGO	Broadcom	Information Technology	Semiconductors	244.0	23.8%	16.2	0.68	2.8%	4	9
BOX	Box, Inc.	Information Technology	Application Software	4.6	33.6%	28.5	0.85	0.0%	5	10
CF	CF Industries Holdings	Materials	Fertilizers and Agricultural Chemicals	22.4	171.0%	6.5	0.04	1.1%	5	9
COP	ConocoPhillips	Energy	Oil and Gas Exploration and Production	131.6	123.2%	7.6	0.06	1.8%	3	10
DVN	Devon Energy	Energy	Oil and Gas Exploration and Production	41.8	108.0%	8.6	0.08	6.3%	5	9
MRC	MRC Global	Industrials	Trading Companies and Distributors	1.1	214.2%	15.4	0.07	0.0%	5	4
ON	ON Semiconductor	Information Technology	Semiconductors	24.4	41.4%	13.6	0.33	0.0%	5	10
PFE	Pfizer	Health Care	Pharmaceuticals	282.2	60.4%	7.1	0.12	3.1%	3	10
PHM	PulteGroup	Consumer Discretionary	Homebuilding	10.5	41.4%	4.2	0.10	1.4%	4	7
SAIA	Saia, Inc.	Industrials	Trucking	5.4	32.6%	16.7	0.51	0.0%	5	10
VLO	Valero Energy	Energy	Oil and Gas Refining and Marketing	44.1	278.4%	11.7	0.04	3.6%	5	8
Average:				63.9	96.8%	12.1	0.12	1.6%	4.3	8.8

- Diverse Large/Mid/Small cap mix of 5/5/3
- 6 Value and 7 Growth stocks
- 5 *secular* growth Tech/Healthcare/Comm Services/Staples companies
balanced with 8 *cyclical* growth Consumer/Industrials/Materials/Energy names

EQR has quintile scale of 1-5 (5 is best)
GQR has decile scale of 1-10 (10 is best)

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

Market Outlook - 1

1. Elevated volatility is likely to persist given ongoing supply chain disruptions, COVID mutations and new lockdowns, midterm elections, divergent global government policy responses, war in Ukraine, rising geopolitical tensions, persistent supply-driven inflation, and expected slower growth in China.
2. Despite new supply disruptions in China, Ukraine and Russia, inflation should begin to moderate in 2022 as supply chains (i.e., factories, transportation, logistics, energy, labor) gradually recover and disinflationary structural trends resume (e.g., aging demographics, globalization, technological disruption, automation, productivity).
3. The 10-year US Treasury yield has spiked due to a “taper tantrum” but should stabilize as investors increase duration exposure due to US dollar strength as global safe haven, lower rates in other developed markets, moderating inflation, high leverage and “financialization” of global economy, and regulatory or investor mandates for holding cash or equivalents.
4. Equity valuations have shrunk this year, and current multiples (e.g., P/E ratio) are mostly justified by strong earnings growth, earnings leverage, profit margins, abundant global liquidity, low interest rates, and a lack of good alternatives (“TINA”).

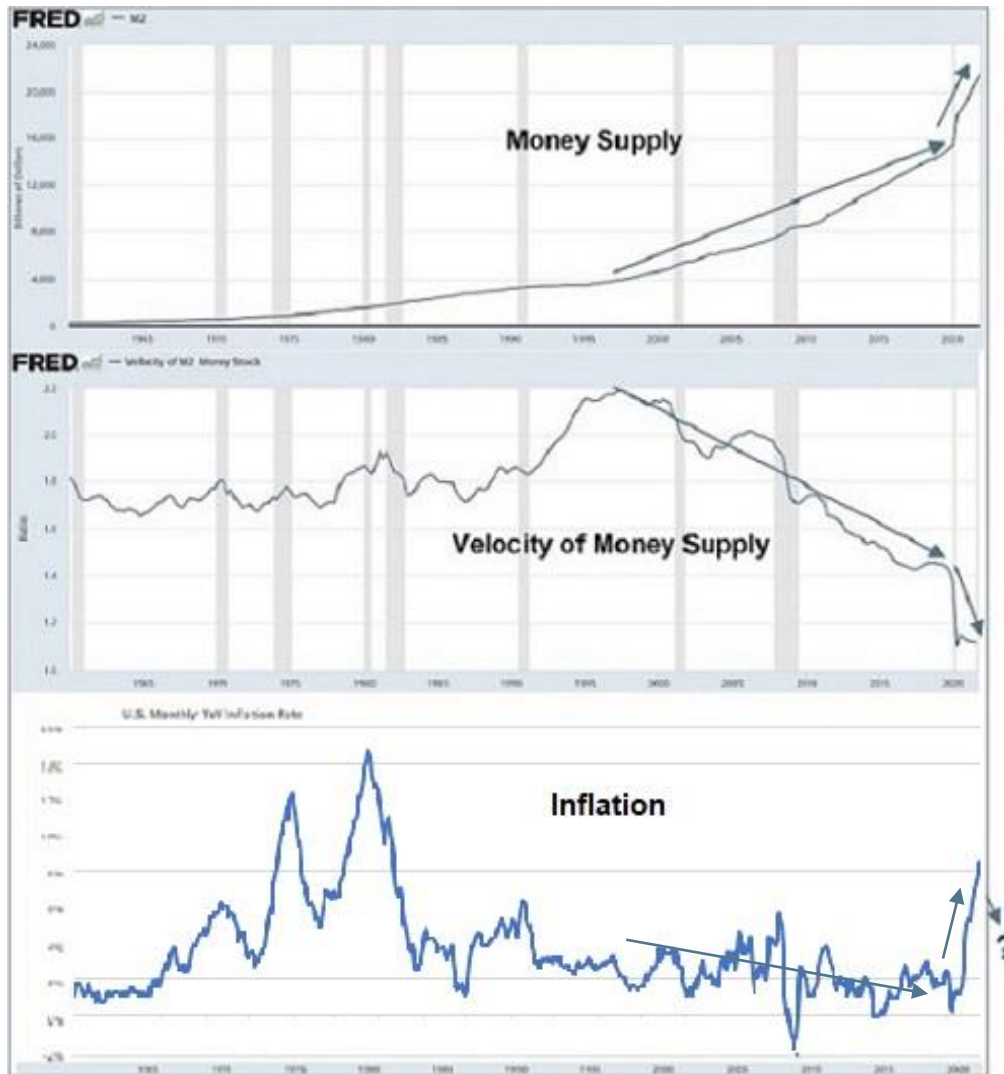
Market Outlook - 2

5. Broadening market leadership and performance reversion in Value/Growth and Small/Large and share price reliance on earnings growth rather than multiple expansion, which would be favorable for active selection, equal weighting, and the Quality factor.
6. Quality stocks outside of the Big Tech favorites may offer better opportunities for investors due to lower valuations and/or higher growth rates.
7. We suggest staying *long but hedged*, with a heightened emphasis on quality and a balance between 1) value/cyclicals and 2) high-quality secular growers & dividend payers.
8. We believe the market put in a bottom in March, so if the Fed refrains from a recessionary policy mistake, this may be a great buying opportunity for Sabrient portfolios.

➤ **Risks:**

- (1) Double-dip global recession from COVID lockdowns, prolonged war, and China slowdown
- (2) Persistent rise in inflation makes Fed turn overly hawkish
- (3) Corporate earnings growth falls short of justifying high valuations
- (4) Escalation in global financial/technological/military conflicts

Inflation is likely to slow later this year



Key Points:

1. Money supply has risen rapidly since late 1990's while *velocity* of money has fallen rapidly such that CPI inflation remained low.
2. Government policy response to the pandemic brought massive new liquidity injections that caused a big spike in money supply but a big fall in velocity.
3. Consumer demand quickly returned to pre-COVID levels while supply chains have been slow to recover, leading to CPI inflation due to excess demand (i.e., supply-driven inflation).
4. Inflation (both in asset values and CPI) is likely to slow (and keep long-duration bond rates in check) due to:
 - high YoY comparisons
 - Fed tapering/unwinding of QE
 - strong US dollar as global safe haven
 - low velocity of money supply
 - private sector savings greatly exceeds capital investment
 - capacity utilization remains under 80% threshold
 - gradual recovery in supply chains and labor markets
 - long-term disinflationary secular trends:
 - aging demographics
 - slowing global population growth
 - automation/robotics and productivity growth
 - relentless/unstoppable disruptive innovation

Proposal: Sabrient Quality Index Series (for ETF licensing)

Comprises 5 broad-market and 5 sector-specific, rules-based, quarterly rebalanced, strategic beta and thematic indexes for ETF licensing, as such:

1. **Sabrient Quality Plus Momentum 50 Index** (similar to *Baker's Dozen* quant prescreen)
2. **Sabrient SMID Quality Plus Momentum 50 Index** (similar to *Small Cap Growth* portfolio)
3. **Sabrient Earnings Quality Leaders Index** (focusing on Gradient's EQR model)
4. **Sabrient Quality Plus Income Index** (combines solid growth with high dividend yield)
5. **Sabrient Armageddon Portfolio** (for tumultuous market conditions)
6. **Sabrient Quality Plus Momentum Healthcare Index**
7. **Sabrient Quality Plus Momentum InfoTech Index**
8. **Sabrient Quality Plus Momentum Infrastructure Index**
9. **Sabrient Quality Energy Index**
10. **Sabrient Quality Legacy & Green Energy Index**

If you are interested in any of these concepts, please tell your favorite ETF wholesaler!

Bonus: **Sabrient Space Exploration & Sustainability Portfolio**, an actively managed strategy that leverages Sabrient founder David Brown's NASA (Apollo 11) pedigree

Resources

1. Quarterly *Baker's Dozen* “talking points” tear sheet

- Send email request to: support@Sabrient.com

2. Visit <http://BakersDozen.Sabrient.com>

- Latest performance info, slide deck, commentary, talking points sheet

3. *Sector Detector* newsletter / blog post

- Go to sign-up box on [**Sabrient.com**](http://Sabrient.com) home page

Disclaimer

© Copyright 2022 by Sabrient Systems LLC. Unauthorized reproduction or redistribution of this document in full or in part is strictly prohibited by law and a violation of the Copyright Act.

This information is neither a solicitation to buy nor an offer to sell securities, and it is not intended as investment advice. Information contained herein reflects our judgment or interpretation at the time of publication and is subject to change without notice.

The information contained herein is based on sources believed to be reliable, but no warranty or representation of any kind, expressed or implied, is made as to its accuracy, completeness, or correctness. This document is for information purposes only and should not be used as the basis for any investment decision. SABRIENT disclaims liability for damages of any sort (including lost profits) arising out of the use of or inability to use this document.

Back-tested, hypothetical, or simulated performance results have inherent limitations as they are based on retroactive application of a rules-based model designed with the benefit of hindsight. All figures shown are based on gross returns, without considering the impacts of trading costs, slippage, fees, or taxes. Hypothetical backtest results are neither an indicator nor a guarantee of future returns. Actual results will vary from the analysis.

References to market indexes, benchmarks or other measures of relative market performance over a specified period of time are provided for information only. Reference to an index does not imply that the SABRIENT model portfolio will achieve returns, volatility or other results similar to the index. The composition of a benchmark index may not reflect the manner in which a SABRIENT model portfolio is constructed in relation to expected or achieved returns, investment holdings, portfolio guidelines, restrictions, sectors, correlations, concentrations, volatility or tracking error targets, all of which are subject to change over time.

Past performance is no guarantee of future results. Investment returns will fluctuate, and principal value may either rise or fall.

The information contained herein reflects only the opinions of SABRIENT and includes forward-looking statements subject to a number of uncertainties that could cause actual results to differ materially from the statements made.