



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 Portfolios

- 1. Process Description***
- 2. Performance Review***
- 3. Baker's Dozen Overview***
- 4. Market Outlook***

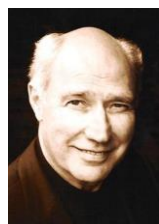
Updated 1/11/2022



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.

Talking Points - 1

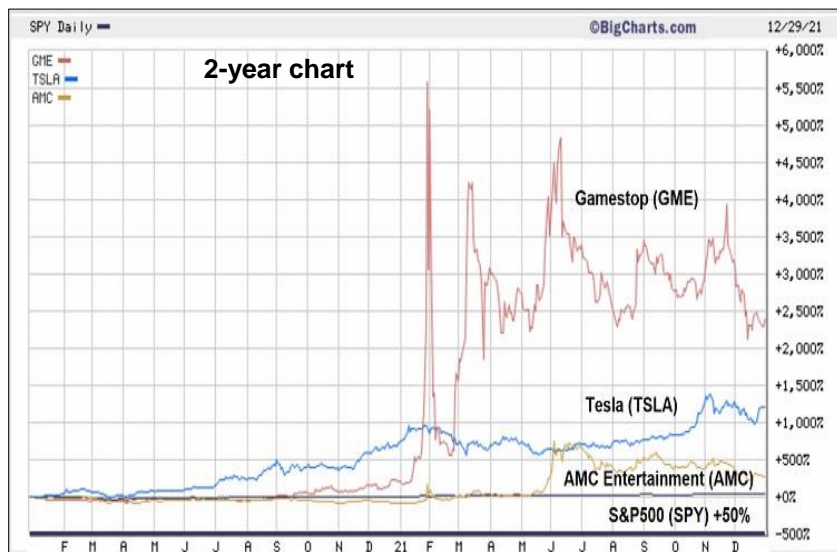
1. Sabrient leverages a unique collaboration of engineers and forensic accountants, quantitative models, and a process-driven methodology.
2. Consistently strong performance in 2009–2014, but then market became narrow/news-driven causing historic performance divergences in Growth/Value and Large/Small caps.
3. We continually implement process enhancements to make our ***Growth at a Reasonable Price*** (aka GARP) model more all-weather, including adding proprietary new alpha factors: *Earnings Quality Rank* (EQR) and the *Growth Quality Rank* (GQR).
4. Thus, Sabrient's newer GARP portfolios provide diversified exposure to Value & Growth, cyclical & secular growth, and across market caps.
5. We believe a GARP approach is “all-weather,” so what could go wrong? Two things:
 - 1) *consensus EPS estimates are cut after portfolio launch or fail to materialize*
 - 2) *investor sentiment turns defensive, leading to narrow market breadth*
6. We expect continued economic expansion, strong earnings growth/leverage, ongoing fiscal and monetary policy support, **lesser inflation**, and low interest rates in 2022.

Talking Points - 2

7. Given lofty stock valuations and pervasive “**malinvestments**” from massive liquidity, we expect broader leadership and performance reversion in Value/Growth and Small/Large, and share price reliance on earnings growth rather than multiple expansion
8. Elevated volatility is likely given slow recovery of supply chains, ongoing COVID impacts, divergent global government policies, geopolitical tensions, midterm elections, persistent inflationary pressures, and possible slowing growth in China.
=> *thus, we suggest staying long but hedged*
9. Active selection, strategic beta, equal weighting, and the Quality factor should thrive in this environment, which also should be favorable for Sabrient's GARP portfolios:
=> including **Baker's Dozen, Dividend, Small Cap Growth, Forward Looking Value**
10. New Q1 2022 *Baker's Dozen* launches on 1/20/2022

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

Meme stocks:

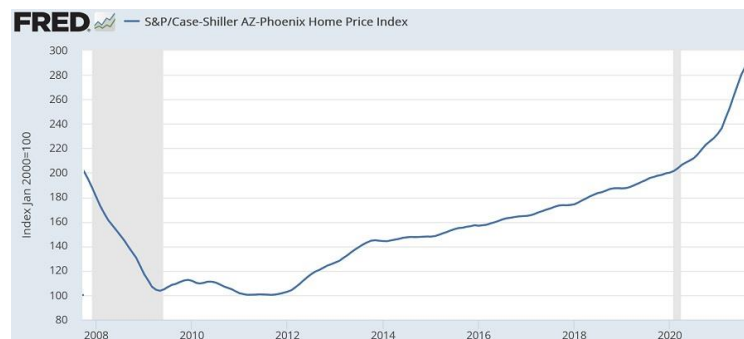


SPACs:

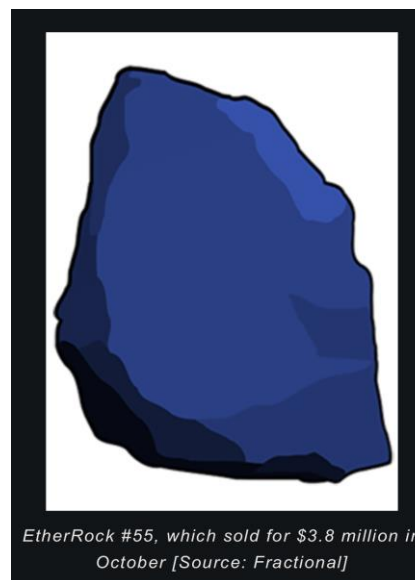
Social Capital Hedosophia IV or VI (NYSE: IPOD or IPOF)

IPOD and IPOF are the fourth and sixth of Charmath Palihapitya's growing series of SPACs and are currently trading at around \$10 per share.

Housing:



NFTs:

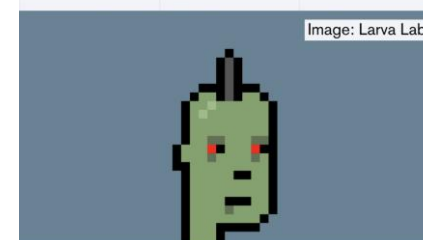


Cryptos



Dogecoin

CryptoPunk #2338: \$4.4 Million



The First Tweet: \$2.9 Million



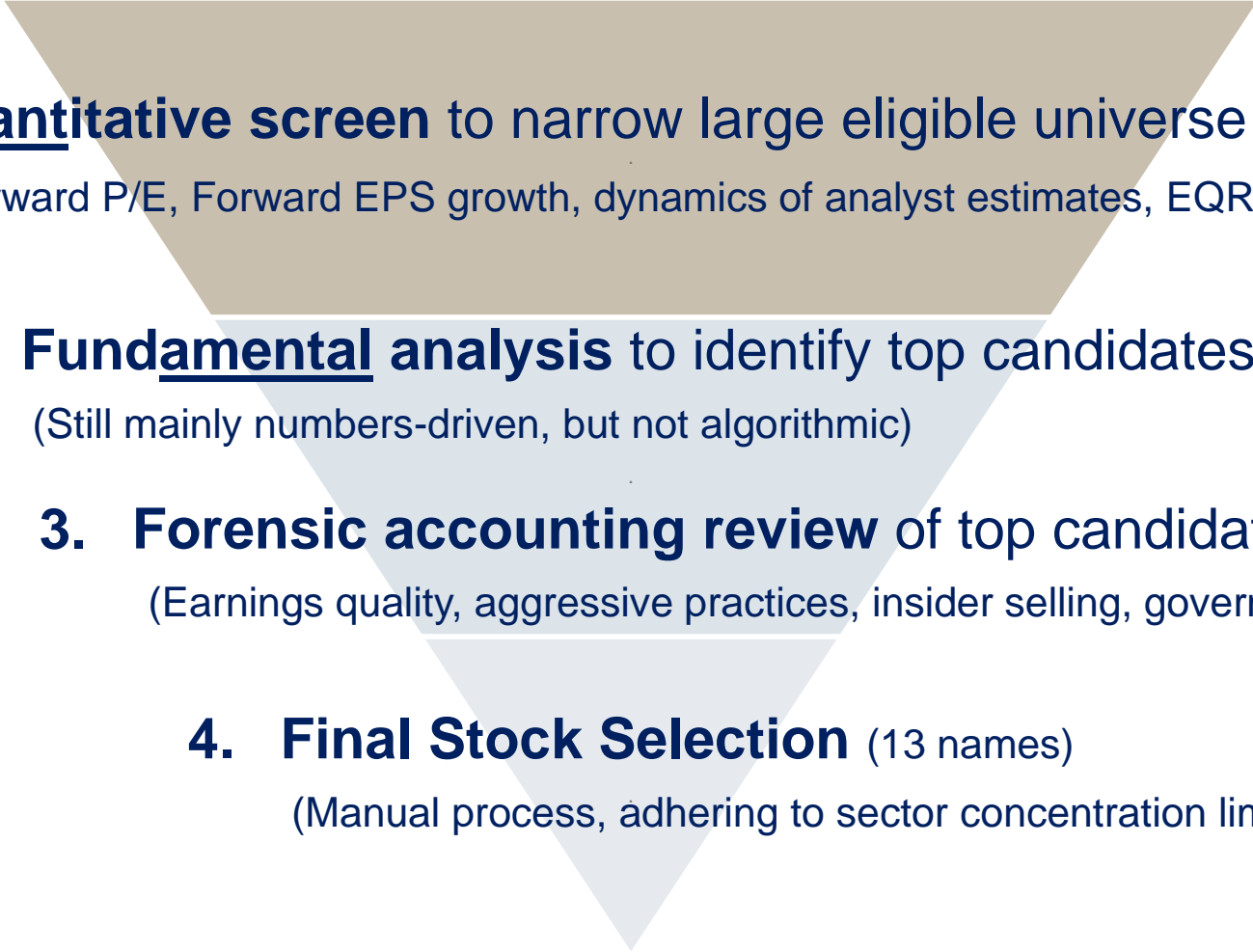
Company Overview

- **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

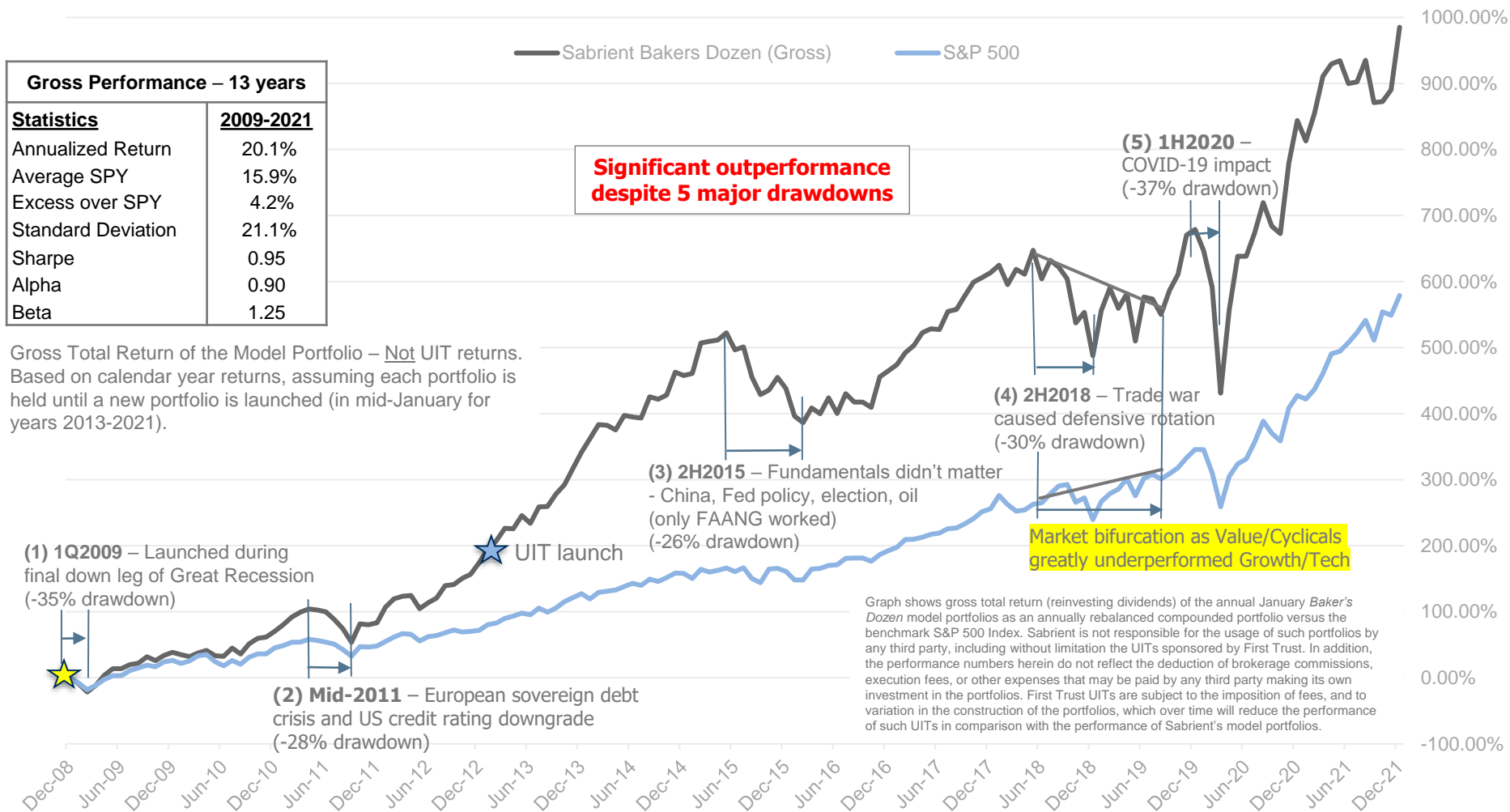
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1. **Quantitative screen** to narrow large eligible universe (50-100 names)
(Forward P/E, Forward EPS growth, dynamics of analyst estimates, EQR, GQR)
 2. **Fundamental analysis** to identify top candidates (~25 names)
(Still mainly numbers-driven, 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)

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

(1/1/2009 inception thru 12/31/2021, end-of-month data points)

Gross Performance – 13 years	
Statistics	2009-2021
Annualized Return	20.1%
Average SPY	15.9%
Excess over SPY	4.2%
Standard Deviation	21.1%
Sharpe	0.95
Alpha	0.90
Beta	1.25

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 12/31/2021

Baker's Dozen & FLV - Gross return thru: 12/31/2021

Portfolio	Launch	Close	MODEL PORTFOLIO Gross Return	SPY Return
Dec 2019 BD	12/20/19	1/20/21	21.4%	21.9%
Q1 2020 BD	1/20/20	4/20/21	29.0%	26.9%
Q2 2020 BD	4/20/20	7/20/21	29.9%	56.0%
2020 FLV	7/2/20	10/12/21	33.6%	41.4%
Q3 2020 BD	7/20/20	10/20/21	53.5%	42.0%
Q4 2020 BD	10/20/20		51.0%	40.8%
Q1 2021 BD	1/20/21		13.3%	25.4%
Q2 2021 BD	4/20/21		5.6%	16.4%
2021 FLV	7/7/21		15.3%	10.1%
Q3 2021 BD	7/20/21		25.1%	10.9%
Q4 2021 BD	10/20/21		6.0%	5.4%

All portfolios launched since December 2019 were created with the *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.*

Sabrient Dividend - Gross return thru: 12/31/2021

Portfolio	Launch	Close	Gross Return	SPYD Return
Div 30	1/3/20		28.0%	18.7%
Div 31	4/1/20		104.3%	97.5%
Div 32	6/30/20		54.1%	61.3%
Div 33	9/28/20		50.1%	61.4%
Div 34	12/21/20		28.9%	35.3%
Div 35	3/19/21		8.9%	12.1%
Div 36	6/22/21		6.4%	6.1%
Div 37	9/20/21		10.8%	9.4%

The cap-weighted and Technology-dominated SPDR S&P 500 (SPY) is not an ideal benchmark for the Dividend Portfolio, so the SPDR S&P 500 High Dividend ETF (SPYD) is shown for relevance.

Small Cap Growth - Gross return thru: 12/31/2021

Portfolio	Launch	Close	Gross Return	SLYG Return
SCG 26	3/11/20	6/11/21	108.9%	77.0%
SCG 27	6/9/20	9/9/21	53.0%	51.6%
SCG 28	9/4/20	12/6/21	64.2%	49.9%
SCG 29	3/15/21		10.5%	3.9%
SCG 30	6/11/21		11.7%	5.5%
SCG 31	9/8/21		11.9%	4.1%

Notably, all the Small Cap Growth Model Portfolios have outperformed the S&P SmallCap 600 Growth (SLYG) benchmark on a gross return basis.

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

Launch date (10/20/2020) compared to recent (12/31/2021) – terminates on 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.	125.6%	13.8	20.8	88.8%	97.0%
TPX	Tempur Sealy International, Inc.	106.7%	14.1	13.1	38.8%	88.3%
BCC	Boise Cascade Company	95.4%	10.3	9.2	61.7%	218.9%
AMD	Advanced Micro Devices, Inc.	76.4%	58.0	47.9	64.3%	120.2%
OMI	Owens & Minor, Inc.	69.6%	9.4	14.2	295.7%	249.6%
APPS	Digital Turbine, Inc.	68.9%	78.1	34.7	66.7%	226.3%
ABBV	AbbVie Inc.	68.4%	7.4	9.9	22.7%	25.6%
GTN	Gray Television, Inc.	63.7%	4.9	NE	43.9%	15.2%
MDC	M.D.C. Holdings, Inc.	26.4%	8.6	6.0	39.7%	75.1%
GDDY	GoDaddy Inc.	9.1%	18.6	26.1	32.3%	-15.3%
CHTR	Charter Communications, Inc.	7.2%	37.1	21.5	53.0%	64.8%
FDX	FedEx Corporation	-8.8%	18.3	11.5	36.5%	29.6%
QDEL	Quidel Corporation	-45.9%	10.2	14.6	426.6%	118.7%
Average		51.0%	22.2	19.1	97.7%	101.1%
SPY	SPDR S&P 500 ETF Trust	40.8%				

Portfolio has several solid performers from various sectors. Overall, 10 of the 13 have exceeded or come close to meeting EPS estimates – several by a wide margin.

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Latest Q4 2021 *Baker's Dozen* Portfolio – statistics upon launch

Launch date 10/20/2021 – terminates on 1/20/2023

Ticker	Company Name	Sector	Industry	Mkt Cap (\$B)	NTM EPS Growth	Fwd PE	Fwd PEG	Div Yield	EQR	GQR
ACGL	Arch Capital Group	Financials	Property and Casualty Insurance	16.6	38.8%	12.4	0.32	0.0%	5	10
AMAT	Applied Materials	Information Technology	Semiconductor Equipment	121.5	29.6%	16.8	0.57	0.7%	5	10
BLD	TopBuild	Consumer Discretionary	Homebuilding	7.2	31.6%	18.7	0.59	0.0%	5	10
DVN	Devon Energy	Energy	Oil and Gas Exploration and Production	27.3	321.3%	9.8	0.03	1.1%	5	7
FANG	Diamondback Energy	Energy	Oil and Gas Exploration and Production	20.1	120.1%	8.2	0.07	1.6%	3	6
HRI	Herc Holdings	Industrials	Trading Companies and Distributors	5.4	63.2%	20.7	0.33	1.1%	3	10
KLAC	KLA Corp	Information Technology	Semiconductor Equipment	50.5	33.7%	17.1	0.51	1.3%	4	10
MRNA	Moderna	Health Care	Biotechnology	134.7	452.6%	7.5	0.02	0.0%	5	7
NTR	Nutrien	Materials	Fertilizers and Agricultural Chemicals	41.0	140.0%	13.0	0.09	2.6%	4	7
TJX	The TJX Companies	Consumer Discretionary	Apparel Retail	76.8	41.5%	20.2	0.49	1.6%	4	8
TMHC	Taylor Morrison Home	Consumer Discretionary	Homebuilding	3.4	64.0%	4.6	0.07	0.0%	3	9
WLK	Westlake Chemical	Materials	Commodity Chemicals	12.9	75.7%	7.7	0.10	1.2%	5	8
WRK	WestRock	Materials	Paper Packaging	12.9	74.9%	9.6	0.13	2.0%	5	6
Average:				40.8	114.4%	12.8	0.11	1.0%	4.3	8.3

Notes:

- Diverse Large/Mid/Small cap mix of 5/6/2
- Balanced between 7 Value versus 6 Growth stocks
- 3 *secular* growth Tech/Healthcare companies balanced with 10 *cyclical* growth Consumer/Financials/Industrials/Materials/Energy names

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

**Model Portfolio gross return is +6.0%
vs. SPY at +5.4% (as of 12/31/2021)**

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Market Outlook - 1

1. We expect gradual recovery in supply chains (factories, transport, logistics, energy, labor) in 2022, although any hint of new obstacles will periodically push fidgety investors to hit the sell button. Thus, elevated volatility is likely in 2022.
2. Inflation should moderate in 2022 as supply chains recover and disinflationary structural trends resume (e.g., aging demographics, globalization, technological disruption, automation, productivity).
3. Interest rates should remain low in 2022, with the 10-year US Treasury yield likely staying below 2.0% due to USD strength as global safe haven, lower rates in most developed markets, moderating inflation, “financialization” of global economy, regulatory or investor mandates for holding “cash or cash equivalents.”
4. Equity valuations should moderate in 2022 – although elevated multiples (e.g., P/E ratio) are mostly justified by robust earnings growth, strong earnings leverage, abundant global liquidity, low interest rates, and a lack of good alternatives (“TINA”).

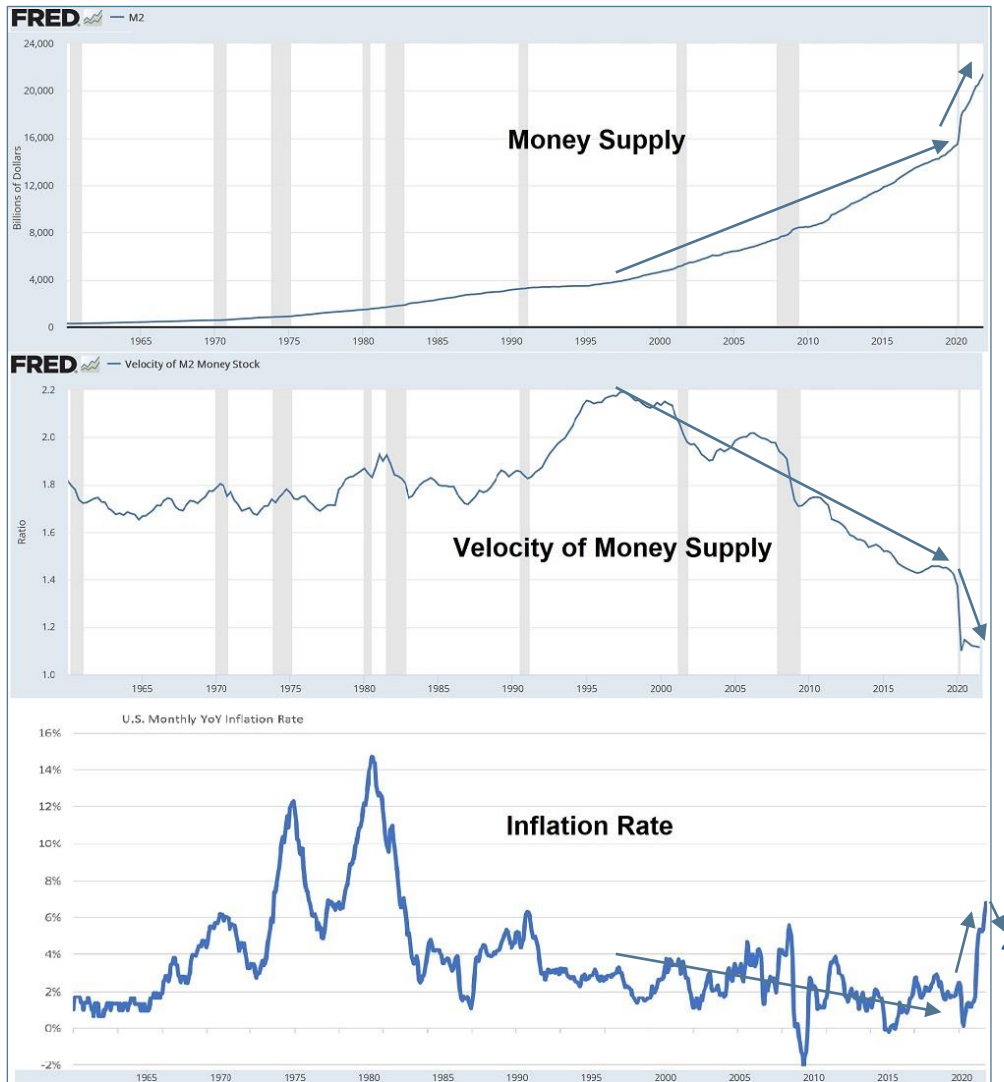
Market Outlook - 2

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. Many 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.

➤ **Risks:**

- (1) Double-dip global recession from COVID mutations or China crackdown/slowdown
- (2) Sustained surge in oil price and 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 likely to slow in 2022



Key Points:

1. Money supply has long been rising while velocity of money has been falling such that CPI inflation remained low – although asset inflation has been high.
2. Pandemic response brought massive 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.
4. Inflation (both asset and CPI) is likely to slow (and keep long-duration bond rates in check) due to:
 - Fed tapering of QE
 - strong US dollar as global safe haven
 - private sector savings greatly exceeds capital investment
 - capacity utilization remains under 80% threshold
 - recovering supply chains and labor markets
 - some factory onshoring and decentralized manufacturing
 - higher base-period comparison
 - long-term disinflationary secular trends:
 - aging demographics
 - slowing global population growth
 - automation and productivity growth
 - relentless/unstoppable disruptive innovation

Growth vs. Value factor and Large vs. Small cap



Sabrient SectorCast ETF Rankings				
Look forward 30-90 Days, as of Close on Friday 12/31/2021				
Dow Jones U.S. Sector Index	Tracking ETF	Bull Score	Bear Score	Outlook Score
BASIC MATERIALS	IYM	57	54	90
FINANCIALS	IYF	56	50	76
ENERGY	IYE	58	44	56
TECHNOLOGY	IYW	68	45	54
HEALTHCARE	IYH	53	64	50
TELECOMMUNICATIONS	IYZ	53	61	46
CONSUMER DISCRETIONARY	IYC	57	48	43
INDUSTRIALS	IYJ	60	52	41
CONSUMER STAPLES	IYK	51	69	36
UTILITIES	IDU	51	66	25

ETFs are ranked according to the **Outlook Score**, which employs a forward-looking fundamentals-based scoring algorithm to create a composite profile of the constituent stocks. **Bull Score** and **Bear Score** are based on price behavior of the underlying stocks on particularly strong and weak days over the prior 40 market days. High **Bull** indicates a tendency for outperformance in strong markets, and high **Bear** indicates a tendency for good relative performance in weak markets (i.e., safe havens). High for all scores is 100, and higher is better.

Rankings favor “deep cyclical” sectors, while defensive sectors are at the bottom

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**

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

Resources

Be sure to sign up for:

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

- 2-pager with details on each pick (e.g., EQR, GQR, forward P/E, EPS growth, forward PEG)
- Send email request to: **support@Sabrient.com**

2. Monthly *Sector Detector* newsletter

- Market commentary and SectorCast ETF rankings, written by Scott Martindale
- Go to sign-up box on **Sabrient.com** home page

Also, visit <http://BakersDozen.Sabrient.com> to find performance information and updated slide deck, commentary, and the latest portfolio tear sheet

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