Sabrient®

Sabrient leverages a team of engineers and analysts with a process-driven methodology to build robust quantitative models and produce actionable equity research, investor tools, stock & ETF rankings, stock portfolios, and rules-based indexes.

Portfolio Update and Market Outlook

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

1. ***Summary talking points for advisors and investors***
2. ***Market observations & outlook***
3. ***Company overview and our enhanced selection process***
4. ***Performance update***
5. ***Overview of the new Q3 2024 Baker's Dozen***

Updated 7/19/2024


Scott Martindale
President & CEO


David Brown
Founder & Chief Market Strategist

Summary Talking Points

1. Sabrient leverages a **process-driven methodology** developed by former engineers and forensic accountants to build quantitative, fundamentals-based, multifactor models and a "*quantamental*" (quantitative screen plus fundamental review & selection) approach.
2. The majority (37 of 60, or 62%) of Sabrient portfolios created **since major process enhancements** were implemented in December 2019 have outperformed or stayed close to their benchmarks (gross total return), despite narrow market breadth dominated by the Magnificent Seven (MAG-7) stocks that has made the cap-weighted S&P 500 (SPY) hard to beat. Sabrient portfolios include ***Baker's Dozen*****, Dividend, Small Cap Growth, and Forward Looking Value**. Small Cap Growth has a 72% win rate vs. the Russell 2000.
3. The new **Q3 2024 *Baker's Dozen*** launched 7/19/2024 with 13 concentrated positions and a large-cap bias (7 of 13) and some titans (NVDA, NFLX, and GM). It offers potential "rocket fuel" for outsized gains.
4. The annual **Forward Looking Value 12** launches on 7/31. FLV 11 launched last year on 7/24/2023 and was outperforming the SPY through Q1, but extreme Growth/Value performance divergence during Q2 set it back (but recent rotation has allowed some recovery).
5. The latest **Small Cap Growth 42 launched on 5/1/2024.** It provides an alpha-seeking alternative to a passive position in the Russell 2000 for small-cap exposure, as small caps may be poised to outperform.
6. The latest **Dividend 48 launched on 5/23/2024.** It employs a GARP & Income strategy that seeks capital appreciation from quality companies with a solid growth history and reliable dividends. It pays a **current yield of 3.5%**.
7. A key proprietary alpha factor is our Earnings Quality Rank (EQR), a pure accounting-based risk assessment signal used in all our portfolio strategies. It is also licensed to the **First Trust Long-Short ETF (FTLS)** as a prescreen.
8. Today, the stock market displays **extreme performance and valuation divergences** in Large over Small-Mid Caps, Growth over Value, and the Technology sector over all others. This suggests an imminent broadening into other market segments.
9. Rather than investing in the passive indexes, **investors may be better served by active stock selection** that seeks to identify under-the-radar and undervalued gems primed for strong performance. This should be favorable for Sabrient's portfolios, which provide exposure to Value, Quality, Growth, and Size factors and to both secular and cyclical growth trends.

Market Observations & Outlook - 1/2

1. Recessionary signals abound, and yet stocks keep going up. The Fed faces conflicting signals of sticky inflation offset by a tapped-out consumer, sluggish jobs and GDP growth (which have been propped up by massive federal deficit spending and hiring rather than organic growth), the impacts of a strong dollar on our trading partners, and surging federal debt (and the interest expense to service it). During H1 2024, the Conference Board Leading Economic Index fell by 1.9% following a 2.9% contraction in H2 2023.

2. Inflation should continue to recede as supply chain pressures and energy prices are subdued, money supply growth is stagnant, wage growth falls, and lag effects of QT dampen commerce. Services prices that reset in Q1 and the big lag in shelter cost are the main inflation drivers, but real-time rents are falling. Notably, real-time, blockchain-based "Truflation" metric recently hit a 52-week low at 1.81%, and Core PCE ex-shelter is already below 2.5%. We expect Core PCE to fall below 2.5% in Q3, and so the Fed might make its first rate cut sooner than most observers expect.

3. The Fed seems to *want* to cut interest rates to weaken the US dollar, avert a global currency crisis, and relieve the burden on our highly indebted federal government, consumers, businesses, and global economy. A terminal fed funds rate of 3.0-3.5% seems appropriate to relieve borrowers while providing a solid real yield to savers.

4. High valuations on the major cap-weighted indexes are primarily driven by a few mega-cap Tech names, e.g., the AI-oriented "Magnificent Seven" (MAG-7). Minus those, valuations across the broad market are more reasonable. To illustrate, forward P/E on cap-weighted QQQ is 27.5x and SPY is 22.4x, but equal-weighted S&P 500 (RSP) is 17.3x and S&P 600 small-cap SPSM is just 15.3x, as of 7/18. After high-flying Semiconductors, top performing market segments YTD include Bitcoin, Oil, Gold, Utilities, and Financials.

Market Observations & Outlook - 2/2

5. The April market correction was shallower than expected and still might have more downside. Although large-cap leadership should continue going forward, an improvement in market breadth into small caps, value, quality, high-dividend, and equal-weight would bode well for market health. And with several trillions of dollars still sitting defensively in money market funds, we are nowhere near "irrational exuberance" despite elevated valuations and the buzz around Gen AI. Stocks should be higher by year end, particularly after a dovish Fed policy pivot.

6. At the core of an equity portfolio should be US large caps, given their huge cash stores, free cash flow, margins, and wide "moats." But there may be better investment opportunities across large, mid, and small caps, and among sectors like energy, staples, industrials, transports, homebuilders, banks, insurers, and REITs.

7. Rather than investing in the passive cap-weighted indexes, which display high valuations and extreme divergences in performance and valuation from the broader market, investors may be better served by active stock selection that seeks to identify under-the-radar and undervalued gems primed for explosive growth. This should be favorable for Sabrient's portfolios, which provide exposure to Value, Quality, Growth, and Size factors and to both secular and cyclical growth trends.

=> *All of this is discussed in greater detail in our "Sector Detector" market commentaries*

Company Overview

- **Sabrient Systems LLC**
  - Independent equity research provider and SEC-registered RIA
  - Founded in 2000 in Santa Barbara, CA
  - Team of engineers and analysts, led by former **NASA** engineer (Apollo 11 moon landing) David Brown and former **Chevron** engineer Scott Martindale
  - Quantitative fundamentals-based multifactor models
  - Process-driven methodology leveraging a scientific hypothesis-testing approach to model development
  - Numbers-driven; bottom-up rather than top-down
  - Unlike most RIAs, we don't manage investor money directly but instead receive licensing/consulting fees

- **Products & Services:**
  - Quantitative equity research, models and data sets, rankings of stocks & ETFs, online investor tools, and insightful market commentaries
  - Portfolio strategies for various investing styles, stock portfolios for UITs and SMAs, rules-based equity indexes for ETFs
  - Best known for our ***Baker's Dozen*** franchise, a 13-stock portfolio first introduced in 2009 based on a proprietary Growth at a Reasonable Price (GARP) "quantamental" approach
  - *Baker's Dozen* and 3 other offshoot strategies offered as **UITs through First Trust Portfolios**
  - One key data set is our Earnings Quality Rank (EQR), which is a pure accounting-based risk assessment signal used in all our portfolio strategies. It is also licensed to the **First Trust Long-Short ETF (FTLS)** as a prescreen.

Our "Quantamental" Approach

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, consistency & reliability of earnings growth

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

   Still mainly numbers-driven, but not algorithmic

3. **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 the company fails to achieve them.
2) Investor sentiment turns defensive, leading to narrow market breadth and avoidance of lesser-known firms.

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

Sabrient Portfolios: leveraging the "quantamental" approach

- **Q3 2024 Baker's Dozen** (quarterly, 13 stocks) launched 7/19/2024
  - ⇒ ***Offers alpha-seeking opportunity thru a concentrated all-cap portfolio that balances value/cyclical growth with high-quality secular growers***
- **Small Cap Growth 42** (quarterly, 48 stocks) launched 5/1/2024
  - ⇒ ***Offers alpha-seeking alternative to Russell 2000 for small cap exposure***
  - ⇒ ***Poised to benefit from improving market breadth and shift to small-mid caps***
- **Dividend 48** (quarterly, 50 stocks) launched 5/23/2024
  - ⇒ ***High-quality GARP + Income portfolio; Current Yield of 3.8%*** **(as of 7/5/24)**
- **Forward Looking Value 12** (annual, 35 stocks) launches 7/31/2024
  - ⇒ ***Less concentrated and more value-oriented version of the Baker's Dozen***

Latest Q3 2024 *Baker's Dozen* Portfolio – statistics upon launch

Launch date: 7/19/2024

Ticker	Company Name	Sector	Industry	Mkt Cap ($B)	NTM EPS Growth	Fwd PE	Fwd PEG	Div Yield	EQR	GQR
ALL	Allstate	Financials	Property and Casualty Insurance	46.6	77.3%	13.6	0.18	2.2%	5	7
CRS	Carpenter Technology	Materials	Steel	5.9	50.2%	21.2	0.42	0.7%	4	7
FTI	TechnipFMC plc	Energy	Oil & Gas Equipment and Services	11.9	93.1%	21.4	0.23	0.7%	3	5
GM	General Motors	Consumer Discretionary	Automobile Manufacturers	56.6	19.5%	5.2	0.26	1.0%	4	9
HALO	Halozyme Therapeutics	Health Care	Biotechnology	6.9	37.5%	12.7	0.34	0.0%	5	10
LNW	Light & Wonder	Consumer Discretionary	Casinos and Gaming	9.1	79.3%	23.8	0.30	0.0%	4	6
MU	Micron Technology	Information Technology	Semiconductors	130.2	883.4%	15.3	0.02	0.4%	3	5
NFLX	Netflix	Communication Services	Movies and Entertainment	277.1	34.4%	33.2	0.96	0.0%	5	10
NVDA	NVIDIA	Information Technology	Semiconductors	2,980.7	62.4%	41.5	0.67	0.0%	3	10
PPC	Pilgrim's Pride	Consumer Staples	Packaged Foods and Meats	9.2	59.9%	10.5	0.17	0.0%	5	10
RCL	Royal Caribbean Cruises	Consumer Discretionary	Hotels, Resorts and Cruise Lines	42.3	32.7%	14.2	0.44	0.0%	4	8
SQ	Block, Inc	Financials	Transaction & Payment Processing	42.0	59.8%	19.0	0.32	0.0%	NA	7
USFD	US Foods Holding	Consumer Staples	Food Distributors	13.0	22.1%	16.2	0.73	0.0%	3	6
			Average:	279.4	116.3%	19.1	0.16	0.4%	4.0	7.7

Notes:

- Large/Mid/Small cap mix of 7/6/0 – no small caps this time
- 6 Value and 7 Growth stocks
- 8 *secular* growth from InfoTech, Comm Services, Insurance, Payments, Food balanced with 5 *cyclicals* from Travel, Oil & Gas, Steel, Casinos, Autos

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

***Baker's Dozen*: Performance of Annual Model Portfolio (rebalanced each January)**

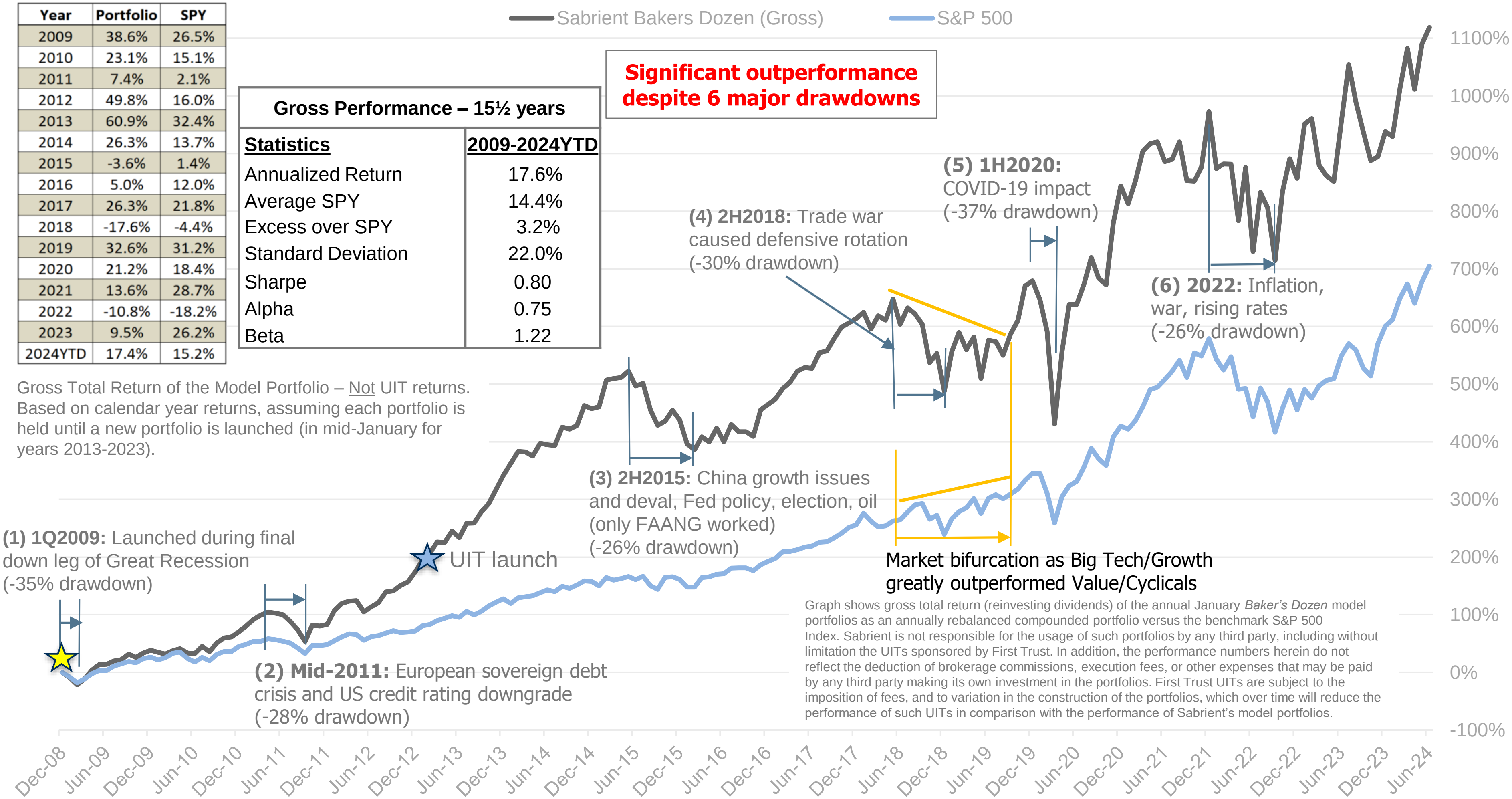
(1/1/2009 inception thru 6/30/2024, end-of-month data points, updated quarterly)

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	13.6%	28.7%
2022	-10.8%	-18.2%
2023	9.5%	26.2%
2024YTD	17.4%	15.2%

Gross Performance – 15½ years

Statistics	**2009-2024YTD**
Annualized Return	17.6%
Average SPY	14.4%
Excess over SPY	3.2%
Standard Deviation	22.0%
Sharpe	0.80
Alpha	0.75
Beta	1.22

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 2013-2023).



Graph shows gross total return (reinvesting dividends) of the annual January *Baker's Dozen* model portfolios as an annually rebalanced compounded portfolio versus the benchmark S&P 500 Index. Sabrient is not responsible for the usage of such portfolios by any third party, including without limitation the 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 over time will reduce the performance of such UITs in comparison with the performance of Sabrient's model portfolios.

Performance of live and recently terminated portfolios – as of 7/18/24

Baker's Dozen & FLV - Gross return thru: 7/18/2024

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	4/20/23	4.5%	-6.0%	10.5%
Q2 2022 BD	4/20/22	7/20/23	28.3%	3.8%	24.5%
Q3 2022 BD	7/20/22	10/20/23	15.8%	8.8%	7.0%
FLV 10	7/15/22	10/24/23	24.0%	12.2%	11.8%
Q4 2022 BD	10/20/22	1/22/24	-5.3%	34.9%	-40.2%
Q1 2023 BD	1/20/23	4/22/24	1.0%	28.5%	-27.6%
Q2 2023 BD	4/20/23		42.1%	36.6%	5.5%
Q3 2023 BD	7/20/23		24.0%	23.9%	0.0%
FLV 11	7/24/23		14.6%	23.4%	-8.8%
Q4 2023 BD	10/20/23		30.0%	32.6%	-2.6%
Q1 2024 BD	1/19/24		19.8%	15.3%	4.5%
Q2 2024 BD	4/19/24		7.0%	12.0%	-5.0%

Sabrient Dividend - Gross return thru: 7/18/2024

Portfolio	Launch	Close	Gross Return	SPYD Return	Active
Div 36	6/22/21	6/22/23	7.0%	-1.9%	8.9%
Div 37	9/20/21	9/20/23	21.3%	2.7%	18.6%
Div 38	12/20/21	12/20/23	15.3%	4.9%	10.4%
Div 39	3/18/22	3/18/24	5.0%	0.4%	4.6%
Div 40	6/15/22	6/14/24	21.3%	9.0%	12.4%
Div 41	9/12/22		12.2%	11.4%	0.8%
Div 42	12/9/22		13.0%	14.7%	-1.7%
Div 43	3/8/23		18.5%	15.4%	3.1%
Div 44	6/5/23		23.5%	25.0%	-1.5%
Div 45	9/1/23		16.1%	19.2%	-3.1%
Div 46	11/29/23		14.6%	21.0%	-6.4%
Div 47	2/26/24		7.2%	13.4%	-6.2%
Div 48	5/23/24		4.9%	7.1%	-2.2%

Small Cap Growth - Gross return thru: 7/18/2024

Portfolio	Launch	Close	Gross Return	IWM Return	Active
SCG 32	12/6/21	3/6/23	3.5%	-12.3%	15.8%
SCG 33	3/4/22	6/5/23	0.4%	-8.0%	8.3%
SCG 34	6/1/22	9/1/23	12.4%	5.5%	6.9%
SCG 35	8/29/22	11/29/23	5.0%	-2.4%	7.4%
SCG 36	11/14/22	2/14/24	2.8%	9.9%	-7.0%
SCG 37	2/10/23	5/10/24	3.5%	9.2%	-5.8%
SCG 38	5/8/23		31.3%	27.3%	4.0%
SCG 39	8/7/23		8.2%	13.7%	-5.6%
SCG 40	11/3/23		24.3%	26.0%	-1.7%
SCG 41	2/1/24		17.1%	12.1%	5.0%
SCG 42	5/1/24		5.9%	11.3%	-5.4%

All portfolios launched since December 2019 were created with our ***enhanced* GARP selection process**, which provides a balance between secular and cyclical growth and across market caps while striving for consistent “all-weather” performance … *and still maintaining the potential for significant outperformance.*

The **table** shows gross total returns (without transactional sales charge, as displayed on the ftportfolios.com website) versus a relevant benchmark for all the **live portfolios** plus those that recently terminated (in 2023-2024). [Note: We use S&P 500 High Dividend ETF (SPYD) as the appropriate Dividend benchmark here.]

Keep in mind, the narrow market leadership has made SPY tough to beat!

37 of the 60 (62%) of the portfolios created since enhancements were implemented in Dec 2019 have outperformed or stayed close to their benchmarks. In particular, Small Cap Growth has a 72% win rate vs. the Russell 2000 Index.

Worst performers were the Q4 2022 and Q1 2023 Baker’s Dozens, which greatly underperformed the S&P 500 mostly due to extreme sector “tilts” away from the benchmark allocations that didn’t pan out (*overweight* in Energy and *underweight* in Technology). Also, Forward Looking Value 11 was outperforming SPY through Q1 2024 until the extreme Growth/Value performance divergence during Q2 set back this value-oriented portfolio (although recent market rotation has allowed some recovery).

Notably, the **Dividend portfolio** is not purely yield-focused. Instead, it is a GARP+Income strategy that seeks *quality* stocks and a solid yield in the 4% range. (Dividend 48 has a current yield of *3.5%.*) As such, Dividend portfolios have been largely *uncorrelated* with either high-dividend SPYD or growth-oriented SPY—sometimes outperforming or underperforming one or both benchmarks. However, because Tech firms tend to pay little or no dividends, this portfolio is generally underweight Tech and thus it has not benefited from the Tech-led broad market rally.

Q2 2023 *Baker's Dozen* Model Portfolio – terminating on 7/22/24

Launch date (4/20/23) through current (7/18/24)

Q2 2023 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
CRWD	CrowdStrike Holdings, Inc.	Information Technology	164.1%	57.9	81.8	49.1%	91.1%
COOP	Mr. Cooper Group Inc.	Financials	99.5%	8.8	8.7	113.3%	231.2%
URI	United Rentals, Inc.	Industrials	94.0%	9.1	16.4	28.0%	20.7%
ZS	Zscaler, Inc.	Information Technology	89.4%	58.5	62.0	62.9%	112.2%
PGR	The Progressive Corporation	Financials	62.2%	20.5	18.6	93.3%	268.2%
BKNG	Booking Holdings Inc.	Consumer Discretionary	47.7%	20.4	22.1	30.0%	49.7%
DAL	Delta Air Lines, Inc.	Industrials	29.7%	5.9	7.3	31.1%	3.4%
EVBG	Everbridge, Inc.	Information Technology	15.2%				
HAL	Halliburton Company	Energy	7.6%	11.3	10.5	39.2%	25.7%
EG	Everest Group, Ltd.	Financials	6.5%	8.0	6.4	72.5%	152.8%
NEX/PTEN	NexTier Oilfield / Patterson Energy	Energy	1.6%				
EXTR	Extreme Networks, Inc.	Information Technology	-14.1%	13.0	21.9	48.9%	-19.8%
ALB	Albemarle Corporation	Materials	-51.4%	7.5	35.0	23.0%	-59.3%
		Average =	**41.1%**	**20.1**	**26.4**	**53.7%**	**79.6%**
SPY	SPDR S&P 500 ETF Trust		36.6%				
RSP	Invesco S&P 500 Equal Weight		19.5%				
MDY	SPDR S&P MidCap 400 ETF Trust		23.4%				
IWM	iShares Russell 2000 ETF		24.9%				

This portfolio is enjoying several big winners, which easily offset a few losers. Top performers are two stocks from cybersecurity and one each from mortgage servicing, construction equipment rentals, insurance, and tourism. Two firms were acquired.

Laggards included a specialty chemicals (lithium) firm, a networking communications firm, an insurance company, and 2 oil & gas services firms.

Overall, the portfolio has outperformed all relevant large cap, mid-cap, and small-cap benchmarks (including both cap-weight and equal-weight).

During this timeframe, you can see the massive outperformance of SPY vs. equal-weight RSP and the small-mid indexes, which makes it very tough to beat.

Q3 2023 *Baker's Dozen* Model Portfolio

Launch date (7/20/23) through current (7/18/24)

Q3 2023 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**
NVDA	NVIDIA Corporation	Information Technology	166.0%	51.1	41.4	201.2%	488.2%
WFRD	Weatherford International plc	Energy	75.7%	16.2	16.7	261.3%	393.5%
COOP	Mr. Cooper Group Inc.	Financials	61.4%	9.1	8.7	133.5%	231.2%
PSTG	Pure Storage, Inc.	Information Technology	58.7%	25.2	37.5	23.6%	33.9%
BKNG	Booking Holdings Inc.	Consumer Discretionary	34.7%	20.9	22.1	28.9%	49.7%
MET	MetLife, Inc.	Financials	23.7%	7.3	8.4	31.5%	20.5%
EVBG	Everbridge, Inc.	Information Technology	13.9%				
EG	Everest Group, Ltd.	Financials	9.6%	7.5	6.4	70.7%	152.8%
CSTM	Constellium SE	Materials	6.2%	10.1	9.5	53.2%	-12.6%
CHX	ChampionX Corporation	Energy	0.5%	17.0	16.2	44.0%	31.4%
DAL	Delta Air Lines, Inc.	Industrials	-7.7%	6.6	7.3	23.5%	3.4%
PCRX	Pacira BioSciences, Inc.	Health Care	-46.6%	10.0	6.7	48.9%	21.4%
EXTR	Extreme Networks, Inc.	Information Technology	-50.6%	19.9	21.9	53.0%	-19.8%
		Average =	**24.0%**	**16.7**	**16.9**	**81.1%**	**116.1%**
SPY	SPDR S&P 500 ETF Trust		23.9%				
RSP	Invesco S&P 500 Equal Weight		12.0%				
MDY	SPDR S&P MidCap 400 ETF Trust		13.4%				
IWM	iShares Russell 2000 ETF		13.3%				

This portfolio has benefited from holding MAG-7 AI-darling NVDA plus a few other big winners from data storage, oil & gas services, and mortgage servicing. Biggest laggards are a networking communications firm and a biotech.

So far, the portfolio has matched or outperformed most relevant large cap, mid-cap, and small-cap benchmarks (including both cap-weight and equal-weight).

During this timeframe, you can see the massive outperformance of SPY vs. equal-weight RSP and the small-mid indexes, which makes it very tough to beat.

Q4 2023 *Baker's Dozen* Model Portfolio

Launch date (10/20/23) through current (7/18/24)

Q4 2023 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**
NVDA	NVIDIA Corporation	Information Technology	192.6%	28.1	41.4	185.6%	312.6%
COOP	Mr. Cooper Group Inc.	Financials	65.0%	7.1	8.7	86.1%	126.6%
NFLX	Netflix, Inc.	Communication Services	60.4%	26.7	31.2	50.3%	72.0%
META	Meta Platforms, Inc.	Communication Services	54.2%	19.5	23.1	86.7%	123.0%
WFRD	Weatherford International plc	Energy	39.9%	18.6	16.7	101.1%	172.1%
TRV	The Travelers Companies, Inc.	Financials	36.5%	9.9	12.3	74.2%	84.4%
DTE	DTE Energy Company	Utilities	20.7%	14.1	16.7	31.6%	20.2%
EXEL	Exelixis, Inc.	Health Care	6.9%	18.5	14.8	50.3%	28.6%
CHX	ChampionX Corporation	Energy	2.4%	16.5	16.2	28.7%	13.3%
ALKS	Alkermes plc	Health Care	-8.8%	15.0	9.2	148.4%	177.2%
VC	Visteon Corporation	Consumer Discretionary	-10.4%	15.0	12.9	58.3%	257.8%
RPD	Rapid7, Inc.	Information Technology	-19.0%	29.8	18.6	106.8%	175.4%
EXTR	Extreme Networks, Inc.	Information Technology	-35.0%	13.7	21.9	42.0%	-51.7%
		Average =	**30.0%**	**17.9**	**18.7**	**80.8%**	**116.3%**
SPY	SPDR S&P 500 ETF Trust		32.6%				
RSP	Invesco S&P 500 Equal Weight		25.2%				
MDY	SPDR S&P MidCap 400 ETF Trust		28.0%				
IWM	iShares Russell 2000 ETF		32.1%				

This portfolio is enjoying several big winners, led by 3 of the mega-cap market darlings (NVDA, META, NFLX), easily some losers. Other top performers include a mortgage servicer and oil & gas servicer.

Laggards include a networking communications firm, an auto parts company, a cloud cybersecurity provider, and a biopharma.

Most of the companies have met or exceeded their EPS estimates—even the laggards.

So far, the portfolio is slightly underperforming SPY but beating the equal-weight large cap and the small-mid cap indexes.

Q1 2024 *Baker's Dozen* Model Portfolio

Launch date (1/19/24) through current (7/18/24)

Q1 2024 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
NVDA	NVIDIA Corporation	Information Technology	103.6%	30.4	41.4	125.0%	183.5%
APP	AppLovin Corporation	Information Technology	96.7%	10.8	19.6	114.0%	142.2%
NFLX	Netflix, Inc.	Communication Services	33.1%	31.9	31.2	51.0%	72.0%
PGR	The Progressive Corporation	Financials	32.1%	20.5	18.6	76.5%	156.1%
RCL	Royal Caribbean Cruises Ltd.	Consumer Discretionary	29.3%	14.3	14.2	105.1%	143.3%
AMZN	Amazon.com, Inc.	Consumer Discretionary	18.3%	46.6	38.5	72.7%	114.4%
WRB	W. R. Berkley Corporation	Financials	13.0%	13.4	14.3	20.9%	24.6%
TMUS	T-Mobile US, Inc.	Communication Services	11.2%	18.0	18.8	24.2%	16.0%
NE	Noble Corporation plc	Energy	9.3%	12.7	11.9	85.3%	25.2%
VC	Visteon Corporation	Consumer Discretionary	-2.5%	13.7	12.9	39.7%	209.3%
ALKS	Alkermes plc	Health Care	-11.6%	12.0	9.2	72.9%	57.2%
PVH	PVH Corp.	Consumer Discretionary	-15.9%	10.2	8.7	25.9%	22.8%
OTEX	Open Text Corporation	Information Technology	-23.9%	8.6	8.7	35.3%	11.6%
		Average =	**19.8%**	**18.7**	**19.1**	**65.3%**	**90.6%**
SPY	SPDR S&P 500 ETF Trust		15.3%				
RSP	Invesco S&P 500 Equal Weight		9.7%				
MDY	SPDR S&P MidCap 400 ETF Trust		11.5%				
IWM	iShares Russell 2000 ETF		13.9%				

This portfolio has been led by 2 big winners, including mega-cap market darling NVDA and a marketing software firm. Other solid winners include mega-cap darling NFLX plus a big-brand insurance company and cruise line.

They offset a few laggards from information management software, biopharma, retail apparel manufacturing, and auto parts.

So far, the portfolio is nicely outperforming all relevant large cap, mid-cap, and small-cap benchmarks (including both cap-weight and equal-weight), despite the narrow market leadership that makes SPY so tough to beat.

Q2 2024 *Baker's Dozen* Model Portfolio

Launch date (4/19/24) through current (7/18/24)

Q2 2024 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
NVDA	NVIDIA Corporation	Information Technology	58.9%	34.3	41.4	90.5%	109.4%
SQSP	Squarespace, Inc.	Information Technology	27.1%	29.3	36.6	62.9%	67.4%
GM	General Motors Company	Consumer Discretionary	17.5%	4.7	5.2	18.7%	26.0%
NFLX	Netflix, Inc.	Communication Services	15.9%	34.9	31.2	45.6%	57.7%
PPC	Pilgrim's Pride Corporation	Consumer Staples	11.3%	11.4	10.5	84.4%	128.6%
USFD	US Foods Holding Corp.	Consumer Staples	5.9%	16.0	16.2	18.5%	17.9%
AMZN	Amazon.com, Inc.	Consumer Discretionary	5.2%	43.3	38.5	42.8%	54.4%
WRB	W. R. Berkley Corporation	Financials	3.1%	13.6	14.3	20.8%	18.9%
NE	Noble Corporation plc	Energy	2.5%	14.3	11.9	72.8%	70.6%
JAMF	Jamf Holding Corp.	Information Technology	-2.3%	33.9	28.8	76.3%	88.2%
HMN	Horace Mann Educators Corporation	Financials	-2.9%	11.1	10.4	98.9%	88.2%
CE	Celanese Corporation	Materials	-6.7%	13.6	11.7	27.6%	24.8%
RPD	Rapid7, Inc.	Information Technology	-9.0%	20.4	18.6	38.8%	38.5%
		Average =	**7.0%**	**21.6**	**21.2**	**53.7%**	**60.8%**
SPY	SPDR S&P 500 ETF Trust		12.0%				
RSP	Invesco S&P 500 Equal Weight		6.5%				
MDY	SPDR S&P MidCap 400 ETF Trust		7.4%				
IWM	iShares Russell 2000 ETF		13.2%				

This new portfolio so far has been led by several solid winners, which offset a few modest losers. Top performers are powerhouse NVDA and names from software infrastructure (SQSP, which announced it will be taken private), an automaker, and mega-cap darling NFLX.

Laggards include firms from specialty chemicals, cloud cybersecurity infrastructure, and insurance.

During this timeframe, you can see the impact of the massive outperformance of Growth over Value, and of SPY vs. equal-weight RSP that makes it very tough to beat—although small caps have surged of late.

SectorCast Rankings and Top-ranked ETFs

Sabrient SectorCast Sector Rotation Strategy - As of 7/18/2024 **Suggested Top 3 Sector ETFs for Bullish, Neutral, or Defensive Outlooks** **Bullish/Neutral/Defensive bias based on SPY vs. 50/200 day moving averages; 30-90-day forward look**							
Sector	**ETF**	**Outlook Score**	**Bull Score**	**Bear Score**	**Net Score: Neutral Bias**	**Net Score: Bullish Bias**	**Net Score: Defensive Bias**
TECHNOLOGY	IYW	95	57	35	95	90.0	54.0
CONSUMER DISCRETIONARY	IYC	52	54	48	52	67.3	60.3
INDUSTRIALS	IDU	45	47	66	45	45.0	90.0
HEALTHCARE	IYH	44	47	56	44	44.7	71.5
CONSUMER STAPLES	IYK	37	47	64	37	42.4	83.2
INDUSTRIALS	IYJ	33	54	51	33	61.1	58.1
FINANCIALS	IYF	30	53	58	30	57.3	69.5
ENERGY	IYE	27	41	50	27	21.9	53.9
TELECOMMUNICATIONS	IYZ	18	46	56	18	33.3	61.1
BASIC MATERIALS	IYM	4	54	53	4	51.6	50.1

Sabrient's ***Outlook Score*** 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 relative strength in a strong market, and high Bear indicates a tendency for relative strength in a weak market (i.e., safe havens). High for all scores is 100, and higher is better.

Sabrient's SectorCast rankings reflect a neutral-to-defensive bias, as cyclicals and defensive sectors are mixed throughout, with many cyclical sectors in the bottom half. But Technology (dominated by the mega-cap MAG-7) is far above all other sectors, with most scoring below 50.

Despite a high forward P/E (29.9x), Technology stands alone firmly at the top, with rising EPS growth estimates at +18.6%, a reasonable forward PEG ratio of 1.61, solidly positive analyst earnings revisions, and by far the highest return ratios and the strongest insider sentiment (open market buying).

Our sector rotation model remains bullish (based on the market's technical strength) and suggests holding Technology (IYW), Consumer Discretionary (IYC), and Industrials (IYJ).

Top Ranked Nonleveraged Equity ETFs **(as of 7/18/2024)**		
Fund Name	**Tracking ETF**	**Outlook Score**
US Global Sea to Sky Cargo	**SEA**	**100**
Global X Social Media	**SOCL**	**100**
Innovator IBD 50	**FFTY**	**100**
AdvisorShares Hotel	**BEDZ**	**99**
Invesco Next Gen Media and Gaming	**GGME**	**99**
Fidelity Disruptive Communications	**FDCF**	**99**
PGIM Jennison Better Future	**PJBF**	**99**
iShares Global Tech	**IXN**	**99**
ERShares Entrepreneurs	**ENTR**	**98**
Hartford Large Cap Growth	**HFGO**	**98**
SP Funds S&P Global Technology	**SPTE**	**98**
Pacer US Small Cap Cash Cows Growth Leaders	**CAFG**	**97**
AdvisorShares Vice	**VICE**	**97**
Hartford Schroders Commodity Strategy	**HCOM**	**96**
QRAFT AI-Enhanced US Large Cap Momentum	**AMOM**	**96**
BNY Mellon Innovators	**BKIV**	**96**
Fidelity Crypto Industry & Digital Payments	**FDIG**	**95**
Nuveen Winslow Large-Cap Growth ESG	**NWLG**	**95**
ProShares Global Listed Private Equity	**PEX**	**94**
Invesco Dorsey Wright Consumer Cyclicals Mom	**PTH**	**94**

Extreme performance and valuation divergences

Narrow leadership from Big Tech has reasserted itself during the current bull run that began in October 2022.

The chart below shows the divergences between the cap-weighted (and Big Tech-dominated) S&P 500 (SPY), the equal-weight S&P 500 (RSP), small-cap Russell 2000 (IWM), and iShares 20+ Year Treasury Bond (TLT).

Ever since the pandemic recovery started, TLT has been falling (as interest rates rose) while SPY, RSP, and IWM all surged through 2020, but then large caps kept rising in 2021 while small caps flattened out. They all faltered in 2022.

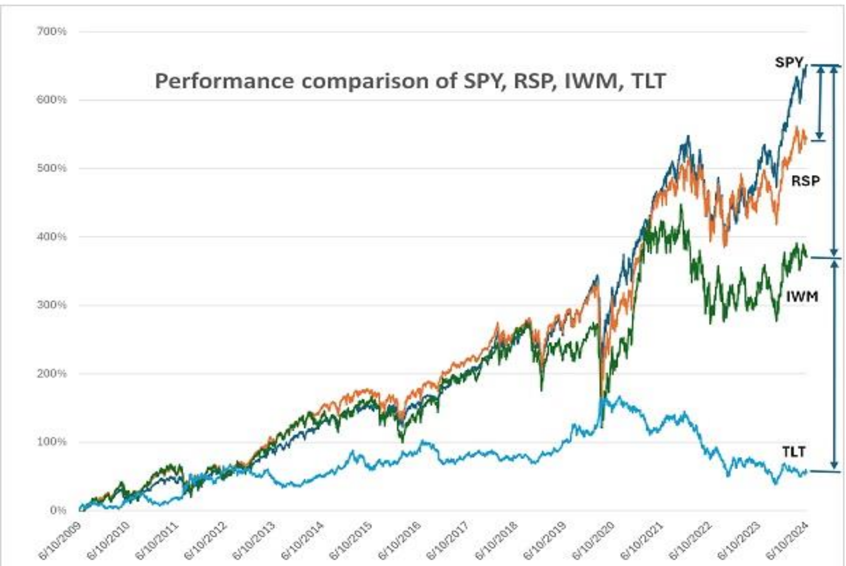
But SPY has surged once again to achieve several all-time highs while RSP and IWM have struggled for traction. Small-cap IWM is still -14% below its 2021 all-time high.

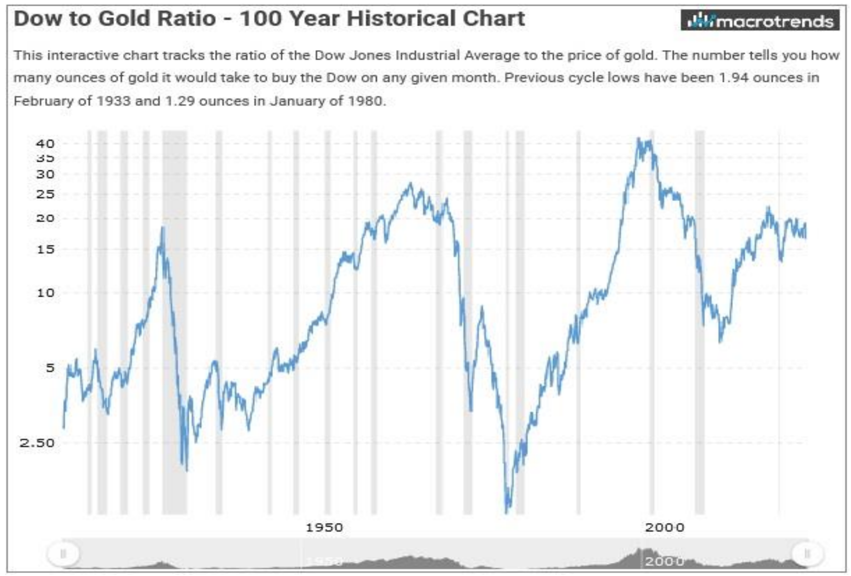
We believe US stocks and bonds (including TIPS) are good investments today, particularly as the Fed and other central banks restore rising liquidity.

Commodities also may be a good bet in this environment, including gold and crypto (as hedges against financial disruption or currency devaluation), as well as silver and copper (as industrial metals). As for crypto, a strong dollar will devalue relative to gold and bitcoin when liquidity rises.

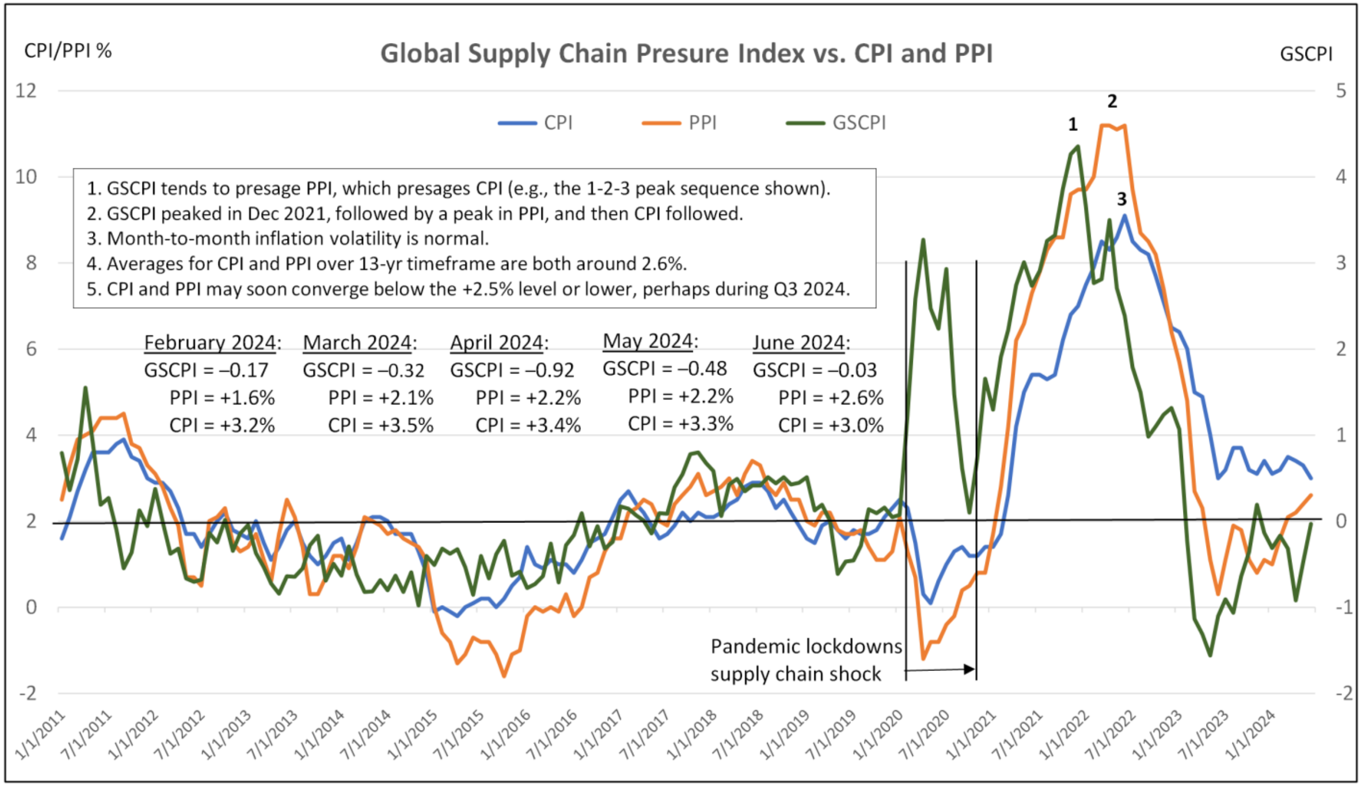
The chart below shows the ratio of the Dow Jones Industrial Average versus Gold (Dow/Gold). On an inflation-adjusted basis, stocks peaked in December 2021. But the Dow/Gold Ratio topped in August 1999—and it seems to be rolling over once again as gold surges.

All in all, the economy and stocks are not as rosy as they may seem so that the Fed likely wants to make a dovish pivot as soon as they have the data to justify it.





As supply chain pressures remain subdued, inflation should fall



Movement, peaks, and troughs in GSCPI tend to presage PPI, which in turn presages CPI, each with a slight lag. PPI, CPI, and GSCPI all surged when COVID lockdowns were instituted and M2 money supply surged, and all 3 fell precipitously once supply chains rapidly recovered while M2 crested and interest rates surged, creating increased supply and less demand.

GSCPI peaked in Dec 2021 (at an all-time high of +4.36), followed by M2, PPI, and CPI a few months later. It then plummeted to a deeply *negative* May 2023 level of -1.56.

Recently, GSCPI, CPI, and PPI have been consolidating. But GSCPI remains firmly below its long-term average, reflecting little in the way of supply chain pressure. So, inflation likely will continue to slide toward the Fed's 2% target, particularly as shelter costs (which have a significant lag in the calculation) manifest in the data. Also, the demand side remains constrained by stagnant money supply, elevated interest rates, and slowing wage growth.

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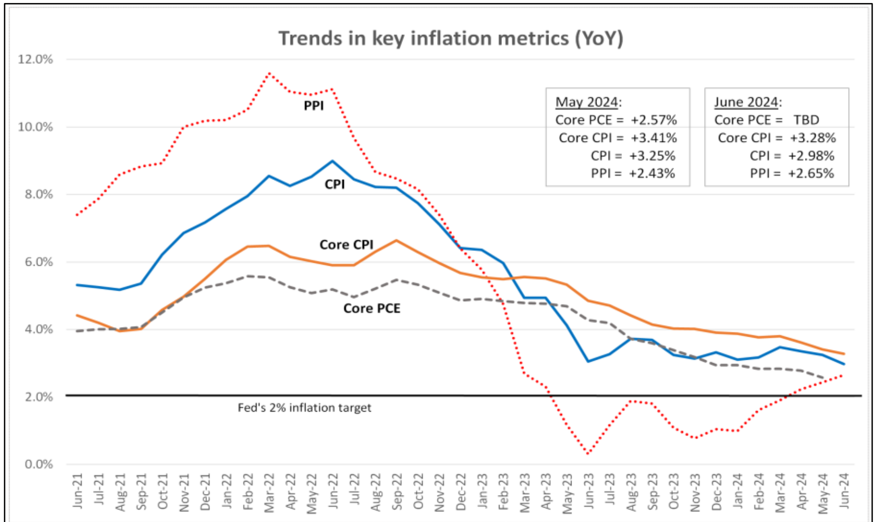
Trends in inflation metrics (down but choppy)

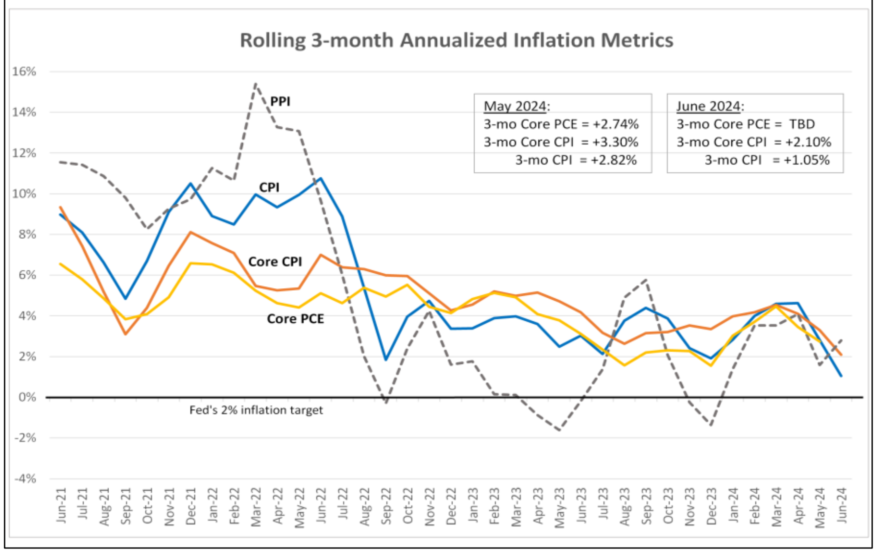
The upper chart compares PPI, CPI, Core CPI, and Core PCE. PPI has risen a bit over recent months, which is likely the reason CPI has flatlined while Core CPI and Core PCE have continued their gradual descent.

The Fed's preferred metric is Core PCE, and it seems destined to fall below 2.5% for June. Core PCE for May came in at just +0.08% month-over-month from April and **2.57%** YoY. But Core PCE ex-shelter is already below 2.5%, so as the lengthy lag in shelter cost metrics passes, Core PCE should fall below **2.5%** as well, perhaps as soon as the update for June on 7/26, which could give the FOMC the data it needs to cut, perhaps as soon as its 7/31 meeting.

The lower chart compares CPI, Core CPI, and Core PCE on a rolling 3-month annualized basis, which gives a better idea of the current inflation trend. All 3 metrics saw a slight surge this year but are now falling again. 3-month annualized Core PCE fell to **2.74%** in May.

By way of comparison, the real-time, blockchain-based "Truflation" metric, which is published daily and historically presages CPI by several months, recently hit a 52-week low of **1.83%.**





Resources

1. **Latest Baker's Dozen slide deck and holdings report**
   - Go to: bakersdozen.sabrient.com/bakers-dozen-marketing-materials
2. **Sector Detector newsletter/blog post**
   - Go to sign-up box at: sabrient.com home page => Please email me your comments!
3. **Quarterly Baker's Dozen mailing list**
   - Send email request to: support@Sabrient.com
4. **Scorecards for Stocks and ETFs** (screening/ranking tool)
   - Go to: sabrientsystems.com/sabrient-smartsheets => I'd love to hear your feedback!

Proposal: QES Quality Index Series (for ETF licensing)

The Quantitative Equity Solutions* (QES) Quality Index Series comprises 5 broad-market and 5 sector-specific, rules-based, quarterly rebalanced, strategic beta and thematic indexes for ETF licensing (the 5 timeliest are **highlighted**):

1. ***Sabrient High-Quality Growth Index*** (similar to *Baker's Dozen* quant prescreen)
2. ***Sabrient High-Quality Value Index*** (50 stocks)
3. ***Sabrient SMID Quality Plus Momentum Index*** (40 stocks)
4. ***Sabrient Quality Growth Plus Income Index*** (solid growth with high dividend yield of 4-5%, 25 stocks)
5. ***Sabrient Defensive Equity Portfolio*** (for tumultuous market conditions, 50 stocks)
6. ***Sabrient Earnings Quality Leaders Index*** (50 stocks)
7. ***Sabrient High-Quality Technology Index*** (aka Best of InfoTech, for a broadening market, 50 stocks)
8. ***Sabrient High-Quality Healthcare Index*** (aka Best of Healthcare, 25 stocks)
9. ***Sabrient High-Quality Energy Index*** (aka Best of Energy, 25 stocks)
10. ***Sabrient Quality Legacy & Green Energy Index*** (25 stocks)

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

Plus: ***Sabrient Space Exploration & Sustainability Portfolio*** (leverages Sabrient founder David Brown's NASA Apollo 11 pedigree, 30 stocks)

* Quantitative Equity Solutions is a proposed brand under the banner of Sabrient Systems LLC

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