



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***

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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 **Q2 2024 Baker’s Dozen** launched 4/19/2024 with 13 concentrated positions and a small-mid-cap bias (9 of 13) but also some titans (NVDA, AMZN, and NFLX). It offers potential “rocket fuel” for outsized gains. The new **Q3 2024 Baker’s Dozen** launches on 7/19.
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 2024, but the extreme performance divergence of Growth over Value during Q2 set it back, given its value bias.
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 3.7%**.
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).
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 1.83%, 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 28.0x and SPY is 21.9x, but equal-weighted S&P 500 (RSP) is 16.4x and S&P 600 small-cap SPSM is just 14.0x, as of 7/5. 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

- **Q2 2024 Baker’s Dozen** (quarterly, 13 stocks) launched 4/19/2024
 - ⇒ *Offers alpha-seeking opportunity thru a concentrated all-cap portfolio that balances value/cyclical growth with high-quality secular growers*
 - ⇒ *The new Q3 2024 Baker’s Dozen will launch on 7/19/2024*
- **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 Q2 2024 *Baker's Dozen* Portfolio – statistics upon launch

Launch date: 4/19/2024

Ticker	Company Name	Sector	Industry	Mkt Cap (\$B)	NTM EPS Growth	Fwd PE	Fwd PEG	Div Yield	EQR	GQR
AMZN	Amazon.com	Consumer Discretionary	Broadline Retail	1,863.9	45.0%	42.6	0.95	0.0%	5	10
CE	Celanese	Materials	Specialty Chemicals	17.2	27.5%	13.6	0.49	1.8%	4	8
GM	General Motors	Consumer Discretionary	Automobile Manufacturers	49.0	18.7%	4.7	0.25	1.1%	3	9
HMN	Horace Mann Educators	Financials	Multi-line Insurance	1.4	98.9%	11.1	0.11	3.9%	4	8
JAMF	Jamf Holding	Information Technology	Application Software	2.4	76.3%	33.9	0.44	0.0%	4	5
NE	Noble Corporation	Energy	Oil & Gas Drilling	6.4	72.8%	14.3	0.20	3.5%	4	7
NFLX	Netflix	Communication Services	Movies & Entertainment	264.5	45.6%	35.0	0.77	0.0%	5	10
NVDA	NVIDIA	Information Technology	Semiconductors	2,083.9	90.5%	34.3	0.38	0.0%	3	10
PPC	Pilgrim's Pride	Consumer Staples	Packaged Foods and Meats	8.4	84.4%	11.4	0.14	0.0%	5	7
RPD	Rapid7	Information Technology	Systems Software	2.7	38.8%	20.4	0.53	0.0%	5	10
SQSP	Squarespace	Information Technology	Internet Services and Infrastructure	4.7	62.9%	29.3	0.47	0.0%	5	8
USFD	US Foods Holding	Consumer Staples	Food Distributors	12.3	18.5%	16.0	0.87	0.0%	4	8
WRB	W. R. Berkley	Financials	Property & Casualty Insurance	20.8	20.8%	13.6	0.65	0.5%	5	10

Average:

333.7	53.9%	21.5	0.40	0.8%	4.3	8.5
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Notes:

- Diverse Large/Mid/Small cap mix of 4/5/4
- 7 Value and 6 Growth stocks
- 8 *secular* growth from InfoTech, Comm Services, eCommerce, Insurance balanced with 3 *cyclicals* from Oil & Gas, Chemicals, Auto and 2 *noncyclicals* from the Food industry

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.

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)

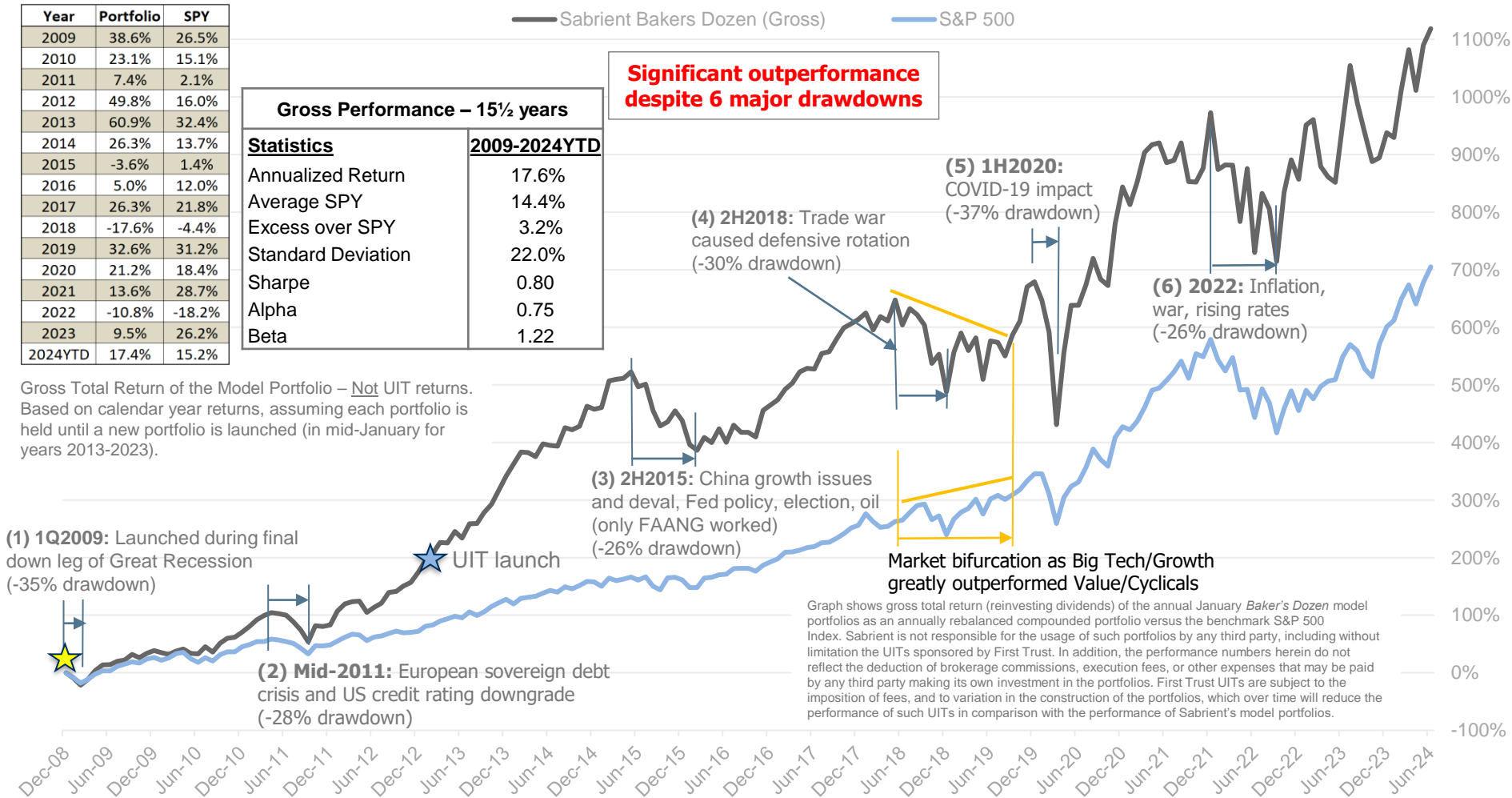
Year	Portfolio	SPY
2009	38.6%	26.5%
2010	23.1%	15.1%
2011	7.4%	2.1%
2012	49.8%	16.0%
2013	60.9%	32.4%
2014	26.3%	13.7%
2015	-3.6%	1.4%
2016	5.0%	12.0%
2017	26.3%	21.8%
2018	-17.6%	-4.4%
2019	32.6%	31.2%
2020	21.2%	18.4%
2021	13.6%	28.7%
2022	-10.8%	-18.2%
2023	9.5%	26.2%
2024YTD	17.4%	15.2%

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

**Significant outperformance
despite 6 major drawdowns**



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Performance of live and recently terminated portfolios – as of 7/5/24

Baker's Dozen & FLV - Gross return thru: 7/5/2024

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		39.4%	37.1%	2.3%
Q3 2023 BD	7/20/23		21.8%	24.4%	-2.5%
FLV 11	7/24/23		10.6%	23.8%	-13.2%
Q4 2023 BD	10/20/23		29.0%	33.1%	-4.1%
Q1 2024 BD	1/19/24		20.4%	15.7%	4.7%
Q2 2024 BD	4/19/24		6.5%	12.4%	-5.9%

Sabrient Dividend - Gross return thru: 7/5/2024

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		5.3%	4.7%	0.5%
Div 42	12/9/22		6.4%	7.8%	-1.4%
Div 43	3/8/23		11.9%	8.4%	3.4%
Div 44	6/5/23		16.8%	17.5%	-0.6%
Div 45	9/1/23		8.5%	12.0%	-3.5%
Div 46	11/29/23		8.5%	13.7%	-5.2%
Div 47	2/26/24		1.6%	6.6%	-5.0%
Div 48	5/23/24		-1.9%	0.6%	-2.5%

Small Cap Growth - Gross return thru: 7/5/2024

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		27.5%	17.3%	10.2%
SCG 39	8/7/23		2.4%	4.8%	-2.4%
SCG 40	11/3/23		18.4%	16.2%	2.2%
SCG 41	2/1/24		9.6%	3.3%	6.3%
SCG 42	5/1/24		-0.9%	2.6%	-3.5%

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 ftpportfolios.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!

36 of the 60 (60%) 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, but the extreme Growth/Value performance divergence during Q2 set back this value-oriented portfolio.

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 3.7%.) 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.

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

Launch date (4/20/23) through current (7/5/24)

Q2 2023 Baker's Dozen Portfolio				Est. NTM EPS			
Ticker	Company Name	Sector	Return	Fwd P/E at Launch	Current Fwd P/E	Growth at Launch	Actual EPS Growth
CRWD	CrowdStrike Holdings, Inc.	Information Technology	200.0%	57.9	93.2	49.1%	91.1%
ZS	Zscaler, Inc.	Information Technology	100.7%	58.5	65.8	62.9%	112.2%
COOP	Mr. Cooper Group Inc.	Financials	81.2%	8.8	7.8	113.3%	231.2%
URI	United Rentals, Inc.	Industrials	68.8%	9.1	14.3	28.0%	20.7%
PGR	The Progressive Corporation	Financials	51.9%	20.5	19.6	93.3%	164.9%
BKNG	Booking Holdings Inc.	Consumer Discretionary	47.7%	20.4	22.5	30.0%	49.7%
DAL	Delta Air Lines, Inc.	Industrials	32.9%	5.9	7.3	31.1%	37.6%
EVBG	Everbridge, Inc.	Information Technology	15.2%				
HAL	Halliburton Company	Energy	-2.3%	11.3	9.5	39.2%	25.7%
EG	Everest Group, Ltd.	Financials	-3.4%	8.0	5.9	72.5%	152.8%
NEX/PTEN	NexTier Oilfield / Patterson Energy	Energy	-6.0%				
EXTR	Extreme Networks, Inc.	Information Technology	-17.9%	13.0	21.4	48.9%	-19.8%
ALB	Albemarle Corporation	Materials	-49.1%	7.5	28.7	23.0%	-59.3%
Average =			39.4%	20.1	26.9	53.7%	73.3%
SPY	SPDR S&P 500 ETF Trust		37.1%				
RSP	Invesco S&P 500 Equal Weight		15.3%				
MDY	SPDR S&P MidCap 400 ETF Trust		17.7%				
IWM	iShares Russell 2000 ETF		15.2%				

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.

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Q3 2023 Baker's Dozen Model Portfolio

Launch date (7/20/23) through current (7/5/24)

Q3 2023 Baker's Dozen Portfolio				Est. NTM EPS			
Ticker	Company Name	Sector	Return	Fwd P/E at Launch	Current Fwd P/E	Growth at Launch	Actual EPS Growth
NVDA	NVIDIA Corporation	Information Technology	176.4%	51.1	44.0	201.2%	488.2%
PSTG	Pure Storage, Inc.	Information Technology	71.8%	25.2	40.9	23.6%	33.9%
WFRD	Weatherford International plc	Energy	64.6%	16.2	15.7	261.3%	393.5%
COOP	Mr. Cooper Group Inc.	Financials	46.6%	9.1	7.8	133.5%	231.2%
BKNG	Booking Holdings Inc.	Consumer Discretionary	34.7%	20.9	22.5	28.9%	49.7%
MET	MetLife, Inc.	Financials	14.0%	7.3	7.7	31.5%	20.5%
EVBG	Everbridge, Inc.	Information Technology	13.9%				
CSTM	Constellium SE	Materials	5.2%	10.1	8.8	53.2%	-12.6%
EG	Everest Group, Ltd.	Financials	-0.6%	7.5	5.9	70.7%	152.8%
DAL	Delta Air Lines, Inc.	Industrials	-5.5%	6.6	7.3	23.5%	3.6%
CHX	ChampionX Corporation	Energy	-5.6%	17.0	15.2	44.0%	31.4%
PCRX	Pacira BioSciences, Inc.	Health Care	-44.3%	10.0	6.9	48.9%	21.4%
EXTR	Extreme Networks, Inc.	Information Technology	-52.8%	19.9	21.4	53.0%	-19.8%
Average =			21.8%	16.7	17.0	81.1%	116.2%
SPY	SPDR S&P 500 ETF Trust		24.4%				
RSP	Invesco S&P 500 Equal Weight		8.1%				
MDY	SPDR S&P MidCap 400 ETF Trust		8.2%				
IWM	iShares Russell 2000 ETF		4.4%				

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.

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Q4 2023 Baker's Dozen Model Portfolio

Launch date (10/20/23) through current (7/5/24)

Q4 2023 Baker's Dozen Portfolio				Est. NTM EPS			
Ticker	Company Name	Sector	Return	Fwd P/E at Launch	Current Fwd P/E	Growth at Launch	Actual EPS Growth
NVDA	NVIDIA Corporation	Information Technology	204.0%	28.1	44.0	185.6%	312.1%
META	Meta Platforms, Inc.	Communication Services	74.9%	19.5	26.0	86.7%	122.7%
NFLX	Netflix, Inc.	Communication Services	72.2%	26.7	35.6	50.3%	68.6%
COOP	Mr. Cooper Group Inc.	Financials	49.9%	7.1	7.8	86.1%	127.4%
WFRD	Weatherford International plc	Energy	31.0%	18.6	15.7	101.1%	172.1%
TRV	The Travelers Companies, Inc.	Financials	24.9%	9.9	10.9	74.2%	93.0%
DTE	DTE Energy Company	Utilities	13.6%	14.1	15.7	31.6%	19.4%
EXEL	Exelixis, Inc.	Health Care	4.7%	18.5	14.1	50.3%	28.7%
CHX	ChampionX Corporation	Energy	-3.8%	16.5	15.2	28.7%	13.3%
ALKS	Alkermes plc	Health Care	-10.1%	15.0	9.1	148.4%	177.2%
VC	Visteon Corporation	Consumer Discretionary	-15.0%	15.0	12.0	58.3%	258.0%
RPD	Rapid7, Inc.	Information Technology	-15.7%	29.8	18.9	106.8%	175.4%
EXTR	Extreme Networks, Inc.	Information Technology	-37.9%	13.7	21.4	42.0%	-51.7%
Average =			29.0%	17.9	18.9	80.8%	116.6%
SPY	SPDR S&P 500 ETF Trust		33.1%				
RSP	Invesco S&P 500 Equal Weight		20.9%				
MDY	SPDR S&P MidCap 400 ETF Trust		22.1%				
IWM	iShares Russell 2000 ETF		21.8%				

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.

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.

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Q1 2024 Baker's Dozen Model Portfolio

Launch date (1/19/24) through current (7/5/24)

Q1 2024 Baker's Dozen Portfolio				Est. NTM EPS			
Ticker	Company Name	Sector	Return	Fwd P/E at Launch	Current Fwd P/E	Growth at Launch	Actual EPS Growth
NVDA	NVIDIA Corporation	Information Technology	111.5%	30.4	44.0	125.0%	183.1%
APP	AppLovin Corporation	Information Technology	111.0%	10.8	20.7	114.0%	142.2%
NFLX	Netflix, Inc.	Communication Services	43.0%	31.9	35.6	51.0%	68.6%
AMZN	Amazon.com, Inc.	Consumer Discretionary	28.7%	46.6	41.7	72.7%	114.3%
PGR	The Progressive Corporation	Financials	23.7%	20.5	19.6	76.5%	138.7%
RCL	Royal Caribbean Cruises Ltd.	Consumer Discretionary	23.4%	14.3	14.0	105.1%	142.7%
TMUS	T-Mobile US, Inc.	Communication Services	9.4%	18.0	18.9	24.2%	16.0%
WRB	W. R. Berkley Corporation	Financials	5.4%	13.4	13.3	20.9%	25.5%
NE	Noble Corporation plc	Energy	2.7%	12.7	11.2	85.3%	25.2%
VC	Visteon Corporation	Consumer Discretionary	-7.5%	13.7	12.0	39.7%	210.0%
ALKS	Alkermes plc	Health Care	-12.9%	12.0	9.1	72.9%	57.9%
PVH	PVH Corp.	Consumer Discretionary	-14.0%	10.2	9.2	25.9%	22.8%
OTEX	Open Text Corporation	Information Technology	-23.6%	8.6	8.7	35.3%	11.6%
Average =			20.4%	18.7	19.8	65.3%	89.1%
SPY	SPDR S&P 500 ETF Trust		15.7%				
RSP	Invesco S&P 500 Equal Weight		5.9%				
MDY	SPDR S&P MidCap 400 ETF Trust		6.3%				
IWM	iShares Russell 2000 ETF		4.9%				

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 darlings NFLX and AMZN 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.

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Q2 2024 Baker's Dozen Model Portfolio

Launch date (4/19/24) through current (7/5/24)

Q2 2024 Baker's Dozen Portfolio				Est. NTM EPS			
Ticker	Company Name	Sector	Return	Fwd P/E at Launch	Current Fwd P/E	Growth at Launch	Actual EPS Growth
NVDA	NVIDIA Corporation	Information Technology	65.1%	34.3	44.0	90.5%	109.3%
SQSP	Squarespace, Inc.	Information Technology	26.8%	29.3	36.5	62.9%	67.4%
NFLX	Netflix, Inc.	Communication Services	24.4%	34.9	35.6	45.6%	54.2%
AMZN	Amazon.com, Inc.	Consumer Discretionary	14.5%	43.3	41.7	42.8%	54.2%
GM	General Motors Company	Consumer Discretionary	10.1%	4.7	4.8	18.7%	26.2%
PPC	Pilgrim's Pride Corporation	Consumer Staples	6.4%	11.4	10.2	84.4%	126.0%
USFD	US Foods Holding Corp.	Consumer Staples	4.0%	16.0	15.8	18.5%	17.9%
NE	Noble Corporation plc	Energy	-3.7%	14.3	11.2	72.8%	70.6%
WRB	W. R. Berkley Corporation	Financials	-3.8%	13.6	13.3	20.8%	20.0%
RPD	Rapid7, Inc.	Information Technology	-5.3%	20.4	18.9	38.8%	38.5%
JAMF	Jamf Holding Corp.	Information Technology	-7.4%	33.9	27.2	76.3%	88.2%
HMN	Horace Mann Educators Corporation	Financials	-10.6%	11.1	9.5	98.9%	89.0%
CE	Celanese Corporation	Materials	-14.0%	13.6	10.7	27.6%	27.2%
Average =			6.5%	21.6	21.5	53.7%	60.7%
SPY	SPDR S&P 500 ETF Trust		12.4%				
RSP	Invesco S&P 500 Equal Weight		2.8%				
MDY	SPDR S&P MidCap 400 ETF Trust		2.4%				
IWM	iShares Russell 2000 ETF		4.3%				

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 just announced it will be taken private), and mega-cap darlings NFLX and AMZN.

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 and the small-mid indexes, which makes it very tough to beat.

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SectorCast Rankings and Top-ranked ETFs

Sabrient SectorCast Sector Rotation Strategy - As of 7/5/2024 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	99	63	43	99	90.0	54.4
HEALTHCARE	IYH	52	46	58	52	36.5	73.4
CONSUMER STAPLES	IYK	50	43	65	50	29.0	90.0
ENERGY	IYE	48	47	57	48	37.4	69.3
CONSUMER DISCRETIONARY	IYC	46	56	50	46	57.1	51.1
UTILITIES	IDU	36	50	64	36	40.3	82.0
INDUSTRIALS	IYJ	32	56	53	32	52.6	53.1
FINANCIALS	IYF	27	56	58	27	51.0	63.6
TELECOMMUNICATIONS	IYZ	13	48	55	13	28.4	50.6
BASIC MATERIALS	IYM	11	54	54	11	41.3	47.3

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 (31.3x), Technology stands alone firmly at the top, with rising EPS growth estimates at +18.2%, a reasonable forward PEG ratio of 1.72, 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 7/8/2024)		
Fund Name	Tracking ETF	Outlook Score
First Trust Natural Gas ETF	FCG	100
Fidelity Disruptive Communications	FDCF	99
Innovator IBD 50	FFTY	99
Invesco Next Gen Media and Gaming	GGME	99
iShares Global Tech	IXN	98
Invesco Dorsey Wright Consumer Cyclical Mom	PEZ	98
PGIM Jennison Better Future	PJBF	98
Roundhill Generative AI & Technology	CHAT	97
AdvisorShares Gerber Kawasaki	GK	97
iShares Expanded Tech Sector	IGM	97
Invesco Dorsey Wright Healthcare Momentum	PTH	97
Global X Social Media	SOCL	97
Pacer US Small Cap Cash Cows Growth Leaders	CAFG	96
Hartford Large Cap Growth	HFGO	96
iShares S&P 500 Growth	IVW	96
Global X MLP	MLPA	96
Nuveen Growth Opportunities	NUGO	96
Counterpoint Quantitative Equity	CPAI	95
ERShares Entrepreneurs	ENTR	95
WisdomTree US Quality Growth	QGRW	95
Amplify Emerging Markets FinTech	EMFQ	94
First Trust Innovation Leaders	ILDR	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.

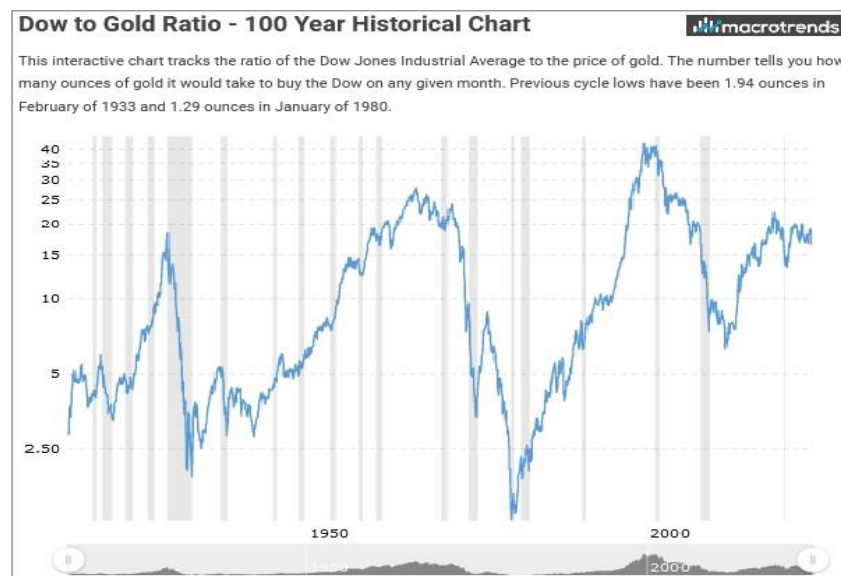


We believe US stocks and bonds (including TIPS) are good investments today, particularly as the Fed and other central banks restore rising liquidity.

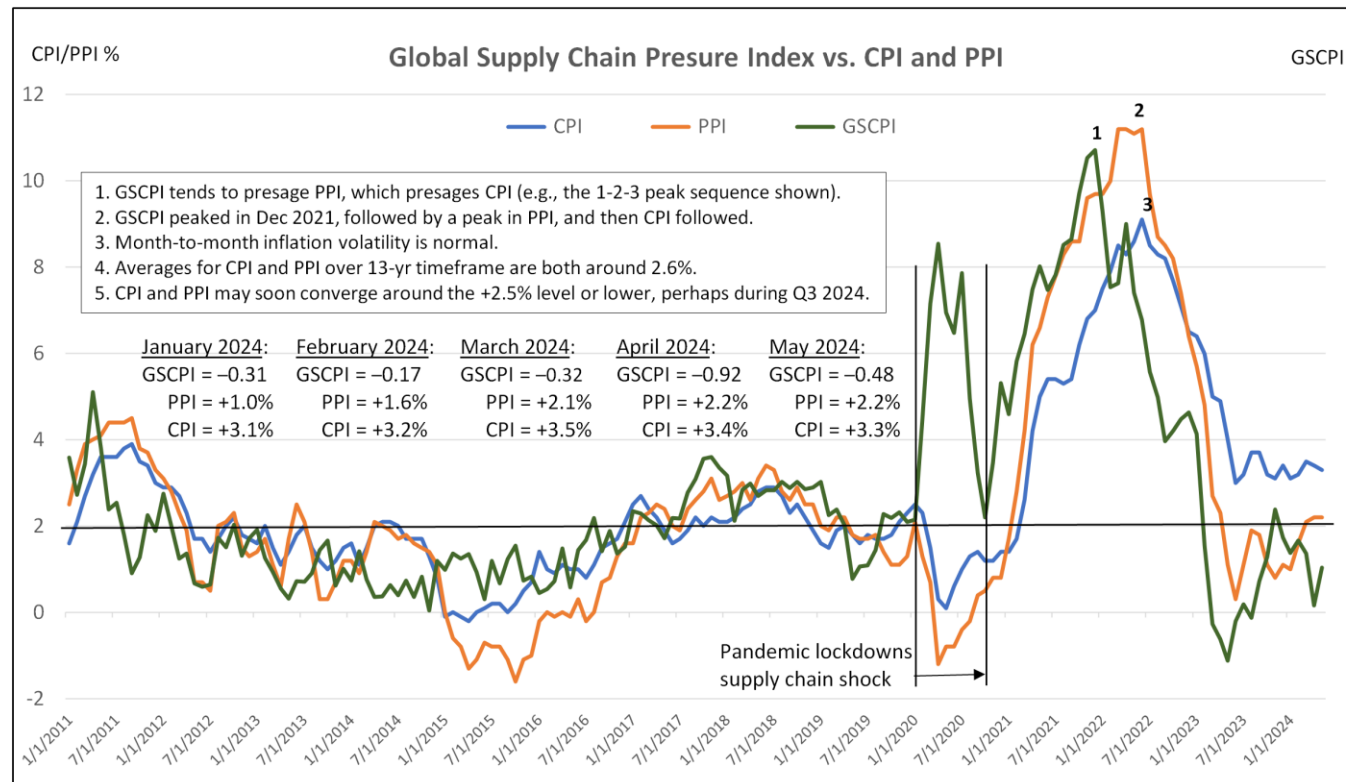
Commodities also may be a good bet in this environment, including gold and crypto (as hedges against financial disruption or currency devaluation), as well as silver and copper (as industrial metals). As for crypto, a strong dollar will devalue relative to gold and bitcoin when liquidity rises.

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.

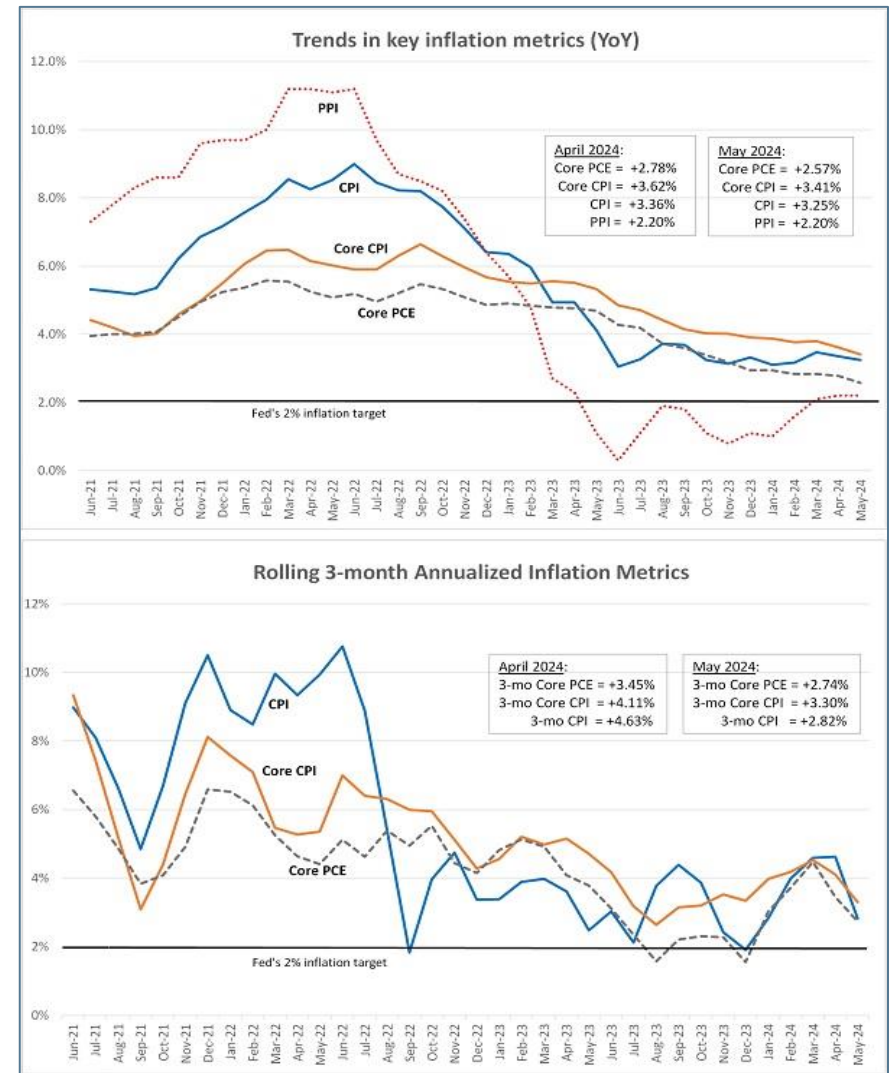
Trends in inflation metrics (down but choppy)

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)

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