



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

## **"Quantamental GARP approach with a forensic accounting overlay"**

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

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

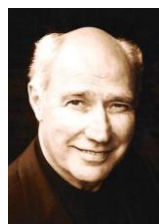
Updated 6/6/2022



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**Sabrient Systems LLC**  
*Quantitative equity research, rankings, strategies*

**Gradient Analytics LLC**  
*Fundamental forensic accounting research*

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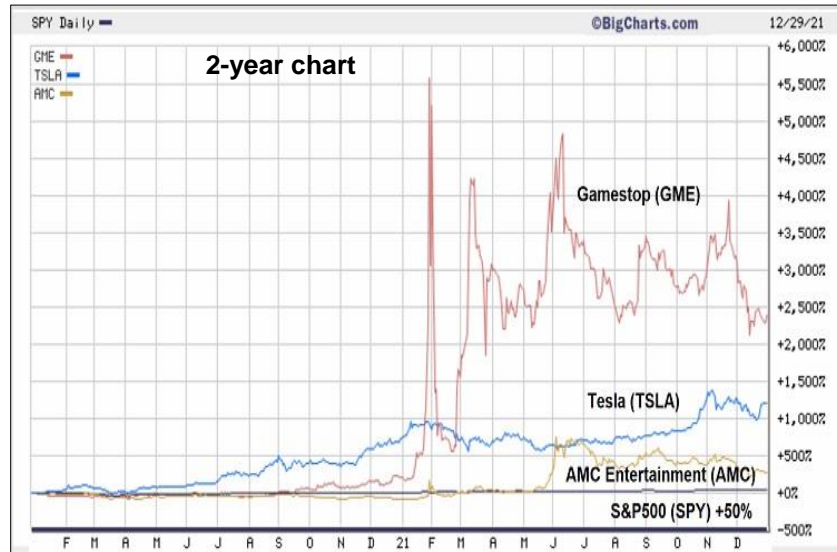
# Summary Talking Points

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1. Sabrient leverages a unique collaboration of engineers and forensic accountants, quantitative models, and a process-driven “*quantamental*” methodology (quantitative screen plus fundamental review & selection).
2. Consistently strong performance in 2009–2014 of our value & quality-oriented *Growth at a Reasonable Price (GARP)* strategy, but then the market became narrow & news-driven causing historic performance divergences in Growth vs. Value factors and Large vs. Small caps during 2015-2019.
3. Process enhancements have made our portfolios more all-weather, with balanced exposure to value and growth factors, cyclical and secular growth stocks, and across market caps.  
=> Improved performance and lower volatility ... *and the potential for significant outperformance.*
4. Massive global liquidity and QE led to speculation, asset inflation, and “malinvestments,” but more recently there has been a preference for the Quality and Value factors, which has been favorable for active selection, strategic beta, equal weighting ... and for Sabrient’s *Baker’s Dozen, Dividend, Small Cap Growth, and Forward Looking Value portfolios.*
5. Q4 2020 *Baker’s Dozen* terminated 1/20/2022, and model portfolio *outperformed* S&P 500 +37.7% vs +32.4%. Q1 2021 *Baker’s Dozen* terminated 4/19/2022, and model portfolio *underperformed* the S&P 500, -0.2% vs +17.8%. The soon-to-terminate Q2 2021 *Baker’s Dozen* is performing in-line with the benchmark.
6. Since process enhancements were implemented in December 2019, 8 of 13 *Baker’s Dozen*, 9 of 10 Dividend, and 8 of 9 Small Cap Growth model portfolios have outperformed or stayed within 1% of their benchmarks. Also, **18 of the 19 live portfolios are outperforming** their benchmarks
7. The new **Q2 2022 *Baker’s Dozen*** launched on 4/20/2022.

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

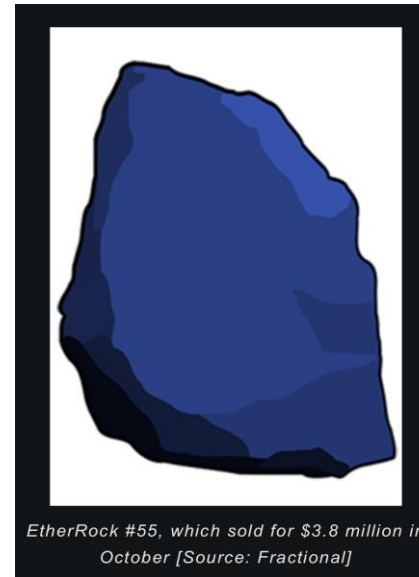
## Meme stocks:



## SPACs:

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

## NFTs:



## Cryptos

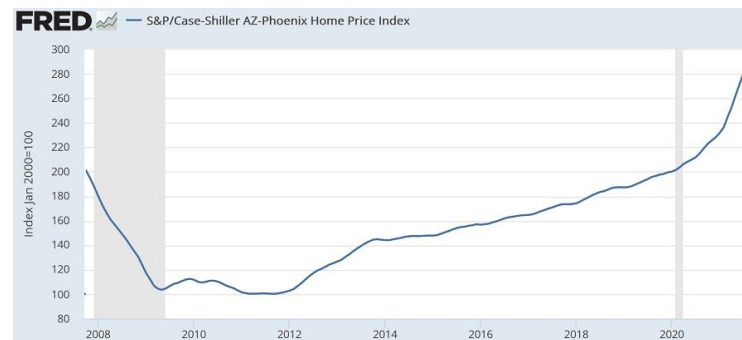


Dogecoin

CryptoPunk #2338: \$4.4 Million



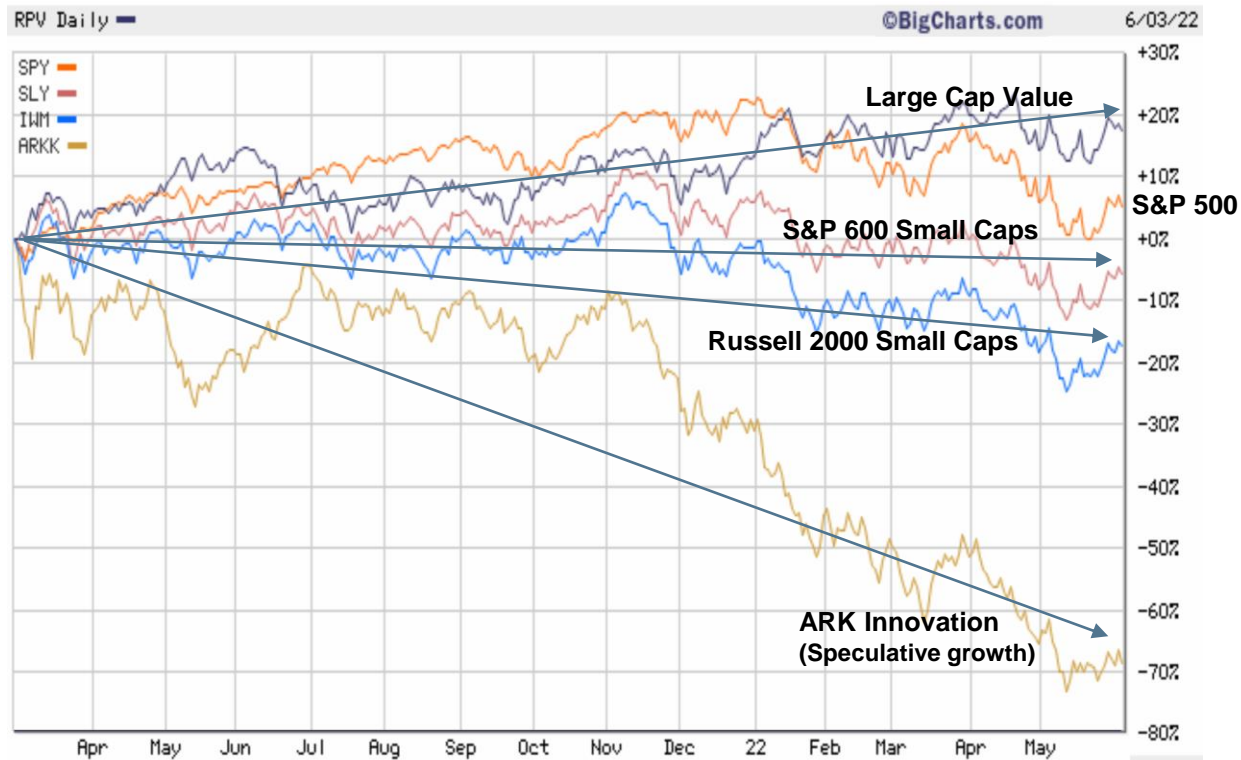
## Housing:



The First Tweet: \$2.9 Million



# Rotation toward Quality and Value



## Forward P/E (as of 6/3/2022):

RPV = 10.0 Large Cap Value (subset of S&P 500)  
 SLY = 12.6 S&P 600 Small Caps (positive earnings requirement)  
 IWM = 12.8 Russell 2000 Small Caps (no quality requirement)  
 SPY = 17.9 S&P 500  
 ARKK = 46.3 ARK Innovation (speculative growth)

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

## Sabrient SectorCast ETF Rankings (as of Friday 6/3/2022)

| Dow Jones U.S. Sector  | Tracking ETF | Outlook Score |
|------------------------|--------------|---------------|
| BASIC MATERIALS        | IYM          | 92            |
| TECHNOLOGY             | IYW          | 90            |
| ENERGY                 | IYE          | 72            |
| INDUSTRIALS            | IYJ          | 68            |
| HEALTHCARE             | IYH          | 57            |
| CONSUMER DISCRETIONARY | IYC          | 51            |
| CONSUMER STAPLES       | IYK          | 47            |
| TELECOMMUNICATIONS     | IYZ          | 21            |
| FINANCIALS             | IYF          | 13            |
| UTILITIES              | IDU          | 6             |

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

# Company Overview

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- **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, recent dynamics of analyst consensus estimates, Earnings Quality Rank (EQR), and Growth Quality Rank (GQR)

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

Still mainly numbers-driven, but not algorithmic

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

Earnings quality, aggressive practices, insider selling, governance

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

Manual process, adhering to sector concentration limits

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

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

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



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

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

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

## Gross Performance – 13½ years

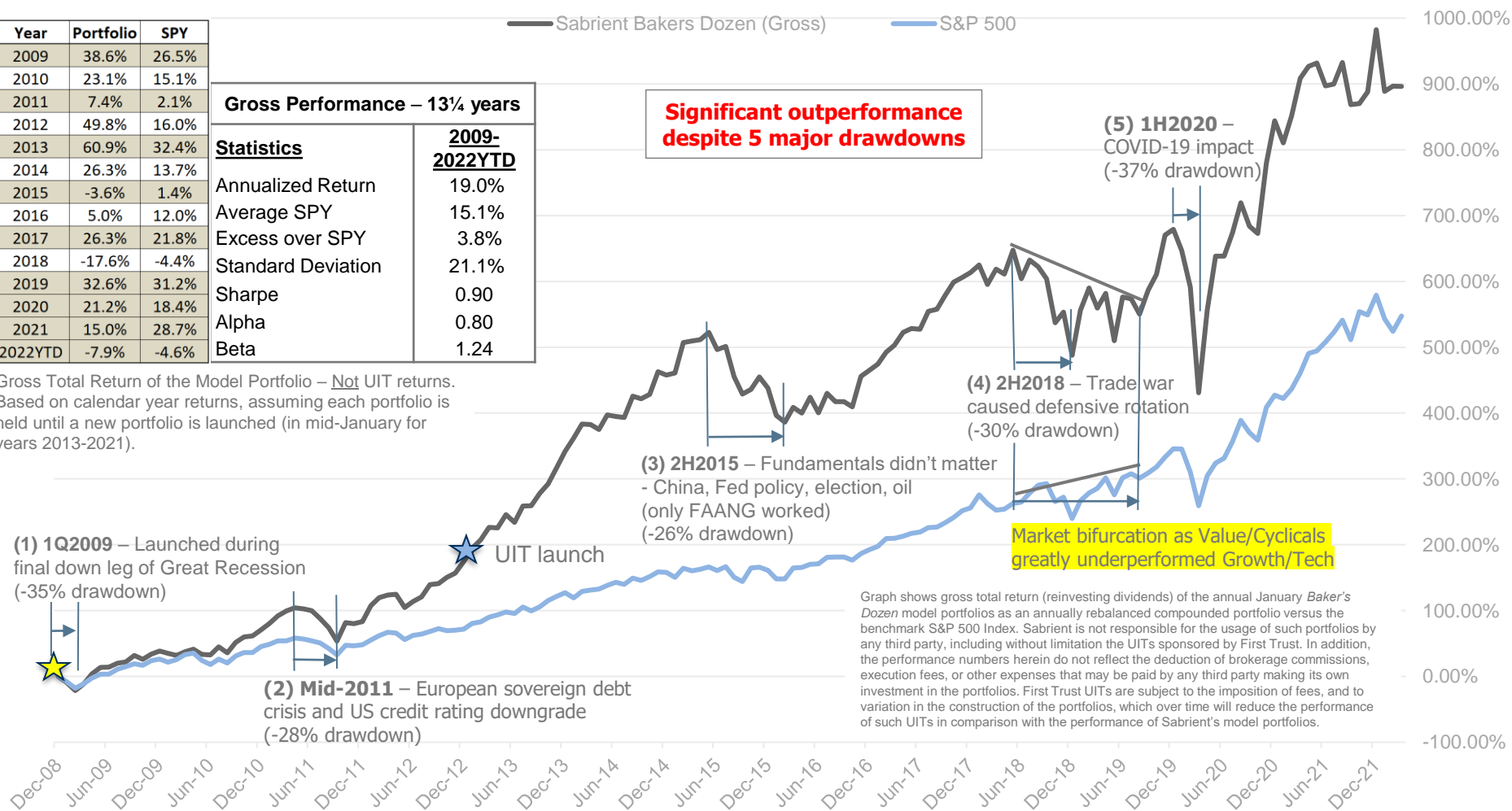
### Statistics

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

### 2009-2022YTD

19.0%  
15.1%  
3.8%  
21.1%  
0.90  
0.80  
1.24

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



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

# Performance of all live portfolios – as of 6/3/2022

## Baker's Dozen & FLV - Gross return thru: 6/3/2022

| Portfolio  | Launch   | Close | Gross Return (FTP website) | SPY Return | Diff  |
|------------|----------|-------|----------------------------|------------|-------|
| Q2 2021 BD | 4/20/21  |       | -0.4%                      | 0.9%       | -1.3% |
| 2021 FLV   | 7/7/21   |       | -0.4%                      | -4.6%      | 4.2%  |
| Q3 2021 BD | 7/20/21  |       | 6.1%                       | -3.8%      | 9.9%  |
| Q4 2021 BD | 10/20/21 |       | 6.1%                       | -8.7%      | 14.8% |
| Q1 2022 BD | 1/20/22  |       | 0.3%                       | -7.8%      | 8.1%  |
| Q2 2022 BD | 4/20/22  |       | -0.8%                      | -7.7%      | 6.9%  |

## Sabrient Dividend - Gross return thru: 6/3/2022

| Portfolio | Launch   | Close | Gross Return | SPY Return | Diff  |
|-----------|----------|-------|--------------|------------|-------|
| Div 32    | 6/30/20  |       | 42.9%        | 36.5%      | 6.5%  |
| Div 33    | 9/28/20  |       | 48.3%        | 25.4%      | 22.9% |
| Div 34    | 12/21/20 |       | 27.0%        | 13.4%      | 13.5% |
| Div 35    | 3/19/21  |       | 7.2%         | 6.8%       | 0.4%  |
| Div 36    | 6/22/21  |       | 11.6%        | -2.0%      | 13.6% |
| Div 37    | 9/20/21  |       | 19.3%        | -4.8%      | 24.0% |
| Div 38    | 12/20/21 |       | 13.3%        | -9.5%      | 22.8% |
| Div 39    | 3/18/22  |       | 2.8%         | -7.6%      | 10.4% |

## Small Cap Growth - Gross return thru: 6/3/2022

| Portfolio | Launch  | Close | Gross Return | IWM Return | Diff  |
|-----------|---------|-------|--------------|------------|-------|
| SCG 29    | 3/15/21 |       | -7.4%        | -19.3%     | 11.9% |
| SCG 30    | 6/11/21 |       | -4.1%        | -18.6%     | 14.5% |
| SCG 31    | 9/8/21  |       | 8.6%         | -15.8%     | 24.3% |
| SCG 32    | 12/6/21 |       | -4.0%        | -14.2%     | 10.2% |
| SCG 33    | 3/4/22  |       | -2.3%        | -5.7%      | 3.3%  |

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

The table shows all the portfolios that are currently live (i.e., not yet terminated). Returns are based on gross returns (without transactional sales charge) as displayed on the [ftpportfolios.com](http://ftpportfolios.com) website for Sabrient UITs.

Notably, **18 of the 19 live portfolios** have outperformed or stayed even (within 1%) with their benchmarks, as shown.

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



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

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

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

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

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# Q1 2021 Baker's Dozen Model Portfolio – performance

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

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

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

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## Q2 2021 *Baker's Dozen* Model Portfolio – performance

Launch date (4/20/2021) compared to current date (6/3/2022)

| Q2 2021 Baker's Dozen Portfolio |                                     |             | Est. NTM EPS      |                 |                  |                   |
|---------------------------------|-------------------------------------|-------------|-------------------|-----------------|------------------|-------------------|
| Ticker                          | Company Name                        | Return      | Fwd P/E at Launch | Current Fwd P/E | Growth at Launch | Actual EPS Growth |
| CTRA                            | Coterra Energy Inc.                 | 135.9%      | 11.2              | 7.4             | 173.2%           | 235.9%            |
| REGN                            | Regeneron Pharmaceuticals, Inc.     | 25.0%       | 10.8              | 15.0            | 46.8%            | 118.6%            |
| ACGL                            | Arch Capital Group Ltd.             | 19.1%       | 14.2              | 10.2            | 106.4%           | 177.7%            |
| KFY                             | Korn Ferry                          | -2.1%       | 19.8              | 10.5            | 69.9%            | 198.4%            |
| AMAT                            | Applied Materials, Inc.             | -9.8%       | 21.2              | 14.2            | 34.8%            | 42.2%             |
| DBX                             | Dropbox, Inc.                       | -11.3%      | 20.7              | 14.3            | 36.0%            | 40.5%             |
| TOL                             | Toll Brothers, Inc.                 | -13.3%      | 11.0              | 4.2             | 45.7%            | 89.1%             |
| AXTA                            | Axalta Coating Systems Ltd.         | -13.3%      | 16.8              | 14.0            | 42.0%            | -2.6%             |
| VSH                             | Vishay Intertechnology, Inc.        | -17.6%      | 14.3              | 8.3             | 96.4%            | 119.7%            |
| XPO/GXO                         | XPO Logistics / GXO Logistics       | -18.6%      |                   |                 |                  |                   |
| SEM                             | Select Medical Holdings Corporation | -27.3%      | 15.7              | 10.1            | 22.9%            | 8.6%              |
| nyse:MGA                        | Magna International Inc.            | -28.7%      | 12.5              | 11.8            | 91.4%            | -7.9%             |
| MBUU                            | Malibu Boats, Inc.                  | -28.8%      | 13.2              | 6.8             | 63.7%            | 60.2%             |
| <b>Average</b>                  |                                     | <b>0.7%</b> | <b>15.1</b>       | <b>10.6</b>     | <b>69.1%</b>     | <b>90.0%</b>      |
| SPY                             | SPDR S&P 500 ETF Trust              | 0.9%        |                   |                 |                  |                   |
| RSP                             | S&P 500 Equal-Weight                | 3.3%        |                   |                 |                  |                   |
| EWMC                            | S&P 400 MidCap Equal-Weight         | -3.4%       |                   |                 |                  |                   |
| EWSC                            | S&P 600 SmallCap Equal-Weight       | -3.9%       |                   |                 |                  |                   |

Three strong performers from Energy, Healthcare, and Financials have been offset by several unfortunate laggards from a variety of sectors, many of which have produced better-than-expected earnings. Overall, 9 of the 13 have exceeded EPS estimates – several by a wide margin.

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

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

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

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

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

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# Market Outlook - 1

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1. Elevated volatility is likely to persist given ongoing supply chain disruptions, COVID mutations and new lockdowns, midterm elections, divergent global government policy responses, war in Ukraine, rising geopolitical tensions, persistent supply-driven inflation, and expected slower growth in China.
2. Despite new supply disruptions in China, Ukraine and Russia, inflation is showing signs of peaking, as supply chains and labor markets recover, the US dollar remains strong, and Fed reduces monetary accommodation, thus reducing the gap in excess demand versus supply.
3. The 10-year US Treasury yield seems to be hitting a ceiling. For most of 2022, it was surging in a “taper tantrum.” But during May, it steadily dropped and is now consolidating, as income-hungry global investors and retirees seem to be scooping up elevated yields.
4. Equity valuations have shrunk this year, with the S&P 500 and S&P 600 small caps having fallen to a forward P/E of 17.5x and 12.6x, respectively, due to a combination of deleveraging and devaluation/repricing, as the Fed has “talked up” interest rates with hawkish rhetoric and share prices are now based more on earnings growth rather than multiple expansion.

## Market Outlook - 2

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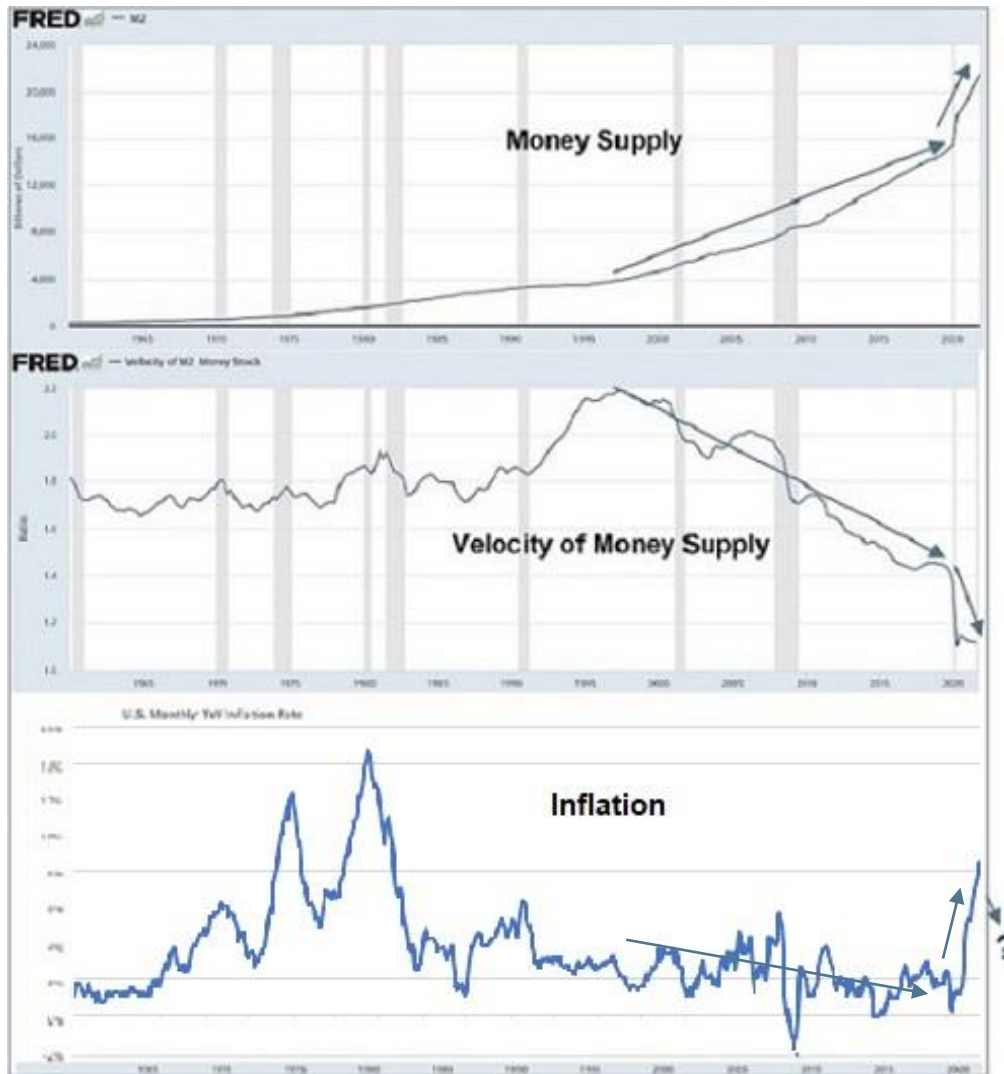
5. Quality stocks outside of the Big Tech favorites may offer better opportunities for investors due to lower valuations and/or higher growth rates.
6. We suggest staying *long but hedged*, with a heightened emphasis on quality and a balance between 1) value/cyclicals and 2) high-quality secular growers & dividend payers. Active selection, strategic beta, equal weighting, and the Quality factor should thrive, which should be favorable for Sabrient's portfolios
7. We believe the market has seen its lows for the year, so if the Fed refrains from a recessionary policy mistake, this may be a great buying opportunity for Sabrient portfolios.

➤ **Risks:**

- (1) Global recession from prolonged war/sanctions, new COVID lockdowns, China slowdown
- (2) Persistent rise in inflation makes Fed overly hawkish
- (3) Corporate earnings growth falls short expectations
- (4) Escalation in global financial/technological/military conflicts



# Inflation may be peaking...and ready to retreat



## Key Points:

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

## Proposal: Sabrient Quality Index Series (for ETF licensing)

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

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

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

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

## Resources

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

- Send email request to: [support@Sabrient.com](mailto:support@Sabrient.com)

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

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

### 3. *Sector Detector* newsletter / blog post

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

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

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