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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.

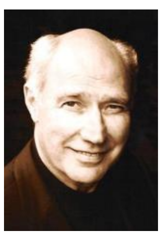
Portfolio Update and Market Outlook

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

1. *Summary talking points for advisors and investors*
2. *Company overview and our enhanced selection process*
3. *Performance update*
4. *Overview of the new Q1 2024 Baker's Dozen*
5. *Market observations & outlook*

Updated 3/3/2024


Scott Martindale
President & CEO


David Brown
Founder & Chief Market Strategist

Summary Talking Points

1. Sabrient leverages a process-driven methodology to build quantitative, fundamentals-based, multifactor models and a "*quantamental*" (quantitative screen plus fundamental review & selection) approach to portfolio selection.
2. Our portfolios displayed consistent outperformance in 2009–2014 of, but then the market became narrow & news-driven leading to historic performance divergences in Growth over Value factors. So, in December 2019 we implemented process enhancements to make our portfolios more all-weather—*while maintaining the potential for significant outperformance vs. benchmarks.*
3. **25 of 34** live and recently terminated portfolios (have outperformed or stayed within 1% of their benchmarks (gross total returns), as have **39 of 56** portfolios created since enhancements were implemented in Dec 2019). This is despite narrow market breadth dominated by the "Magnificent Seven" (MAG7). These portfolios include *Baker's Dozen*, Dividend, Small Cap Growth, and Forward Looking Value.
4. The 3 **worst performers** have been the Q4 2022 and Q1 2023 Baker's Dozens (primarily due to overweight in Energy and underweight in Technology relative to the S&P 500 benchmark that didn't pan out) and Small Cap Growth 37. Fortunately, these 3 have been **anomalies**.
5. **The new Q1 2024 Baker's Dozen launched 1/19/24** with 13 concentrated positions, a bias to small-mid caps (7 of 13), and growth vs. value bias similar to SPY. It offers potential "rocket fuel" for outsized gains. Already it is up +11.5% (vs. +6.3% for SPY as of 3/1/24).
6. **The new Small Cap Growth 41 launched on 2/1/24.** 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 as market breadth improves.
7. **The new Dividend 47 launched on 2/26/24.** It employs a GARP & Income strategy that seeks capital appreciation from quality companies with a solid growth history that distribute reliable dividends. It pays a *current yield of **3.8%*** (as of 3/1/24).
8. Inflation continues to recede (albeit in choppy fashion) as supply chain pressures are subdued, money supply growth is stagnant, wage growth falls, and the lag effects of elevated rates show increasing impact. So, the Fed is softening its hawkish tone, with rate cuts coming.
9. Elevated valuations on major indexes persist, primarily driven by MAG7. Minus those stocks, valuations across the broad market are more reasonable. Forward P/E on cap-weight SPY is 21.1x, but equal-weight RSP is only 17.0x and small-cap SPSM is just 14.2x, as of 3/1/24.
10. Investors may do better with active stock selection that identifies under-the-radar/undervalued gems primed for explosive growth—*which is what **Sabrient portfolios seek to do*** by combining Value, Quality, and Growth factors and exposure to cyclical and secular growers.

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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

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

- **Q1 2024 Baker's Dozen** (13 stocks) launched on 1/19/24
  - ⇒ ***Offers alpha-seeking opportunity thru a concentrated all-cap GARP portfolio that balances value/cyclical growth with high-quality secular growers***
- **Small Cap Growth 41** (45 stocks) launched on 2/1/24
  - ⇒ ***Offers alpha-seeking alternative to Russell 2000 for small cap exposure***
- **Dividend 47** (50 stocks) launched on 2/26/24
  - ⇒ ***High-quality GARP + Income portfolio; Current Yield of 3.8%*** **(as of 3/1/24)**
- **Forward Looking Value 11** (34 stocks) launched on 7/24/23
  - ⇒ ***Less concentrated and more value-biased version of the Baker's Dozen***

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

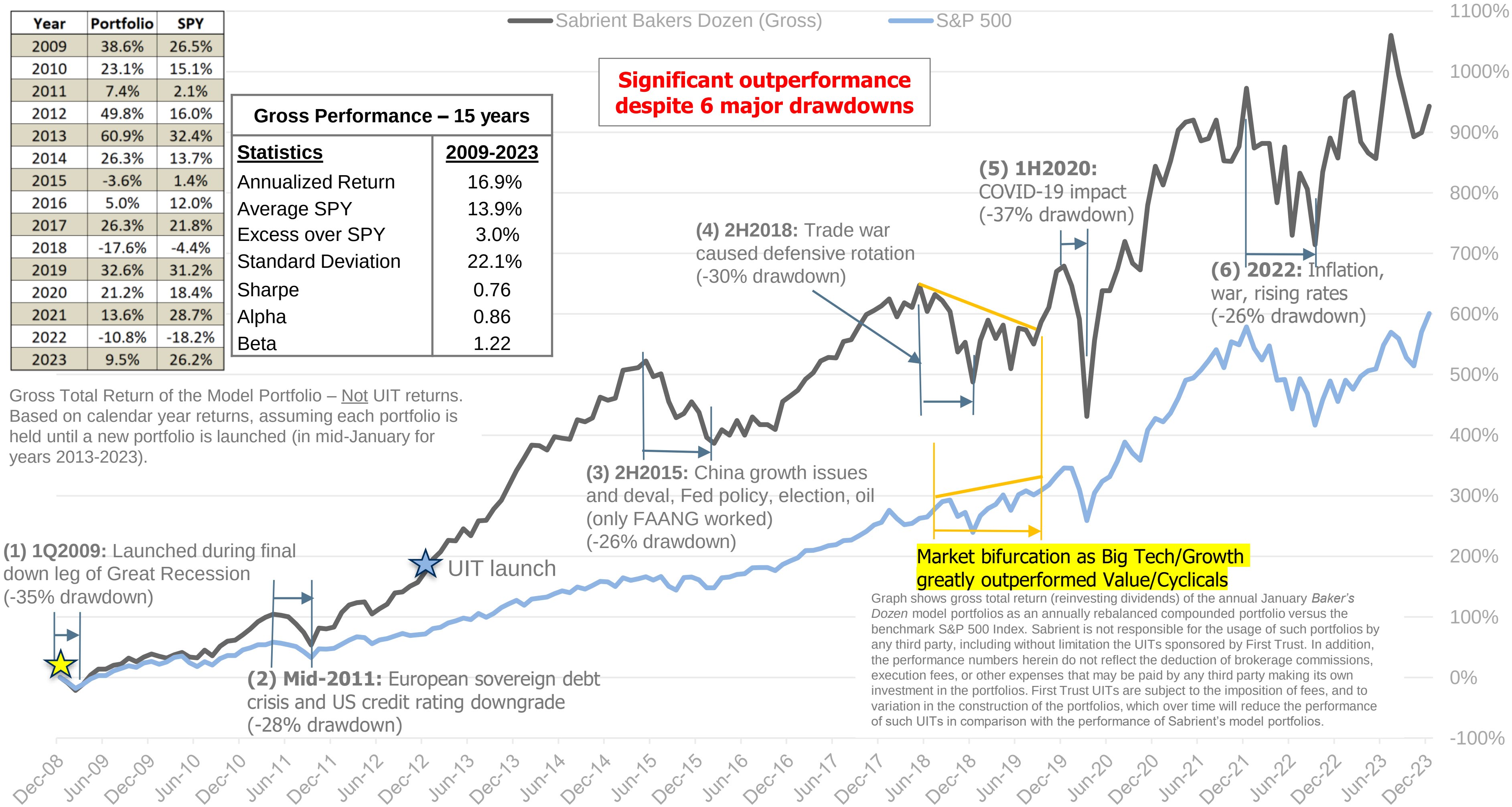
(1/1/2009 inception thru 12/31/2023, <u>end-of-month</u> data points, updated quarterly)

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%

Gross Performance – 15 years

Statistics	**2009-2023**
Annualized Return	16.9%
Average SPY	13.9%
Excess over SPY	3.0%
Standard Deviation	22.1%
Sharpe	0.76
Alpha	0.86
Beta	1.22

Gross Total Return of the Model Portfolio – <u>Not</u> 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.

Past performance is not a guarantee of future results. Refer to Disclaimer page for other important disclosures.

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Performance of live and recently terminated portfolios – as of 3/1/24

Baker's Dozen & FLV - Gross return thru: 3/1/2024

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		0.1%	31.5%	-31.5%
Q2 2023 BD	4/20/23		36.2%	25.9%	10.3%
Q3 2023 BD	7/20/23		10.7%	14.3%	-3.6%
FLV 11	7/24/23		14.1%	13.8%	0.4%
Q4 2023 BD	10/20/23		21.3%	22.3%	-1.0%
Q1 2024 BD	1/19/24		11.5%	6.3%	5.2%

Sabrient Dividend - Gross return thru: 3/1/2024

Portfolio	Launch	Close	Gross Return	SPYD Return	Active
Div 35	3/19/21	3/17/23	-3.3%	1.9%	-5.2%
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		2.2%	-1.1%	3.3%
Div 40	6/15/22		18.4%	4.7%	13.7%
Div 41	9/12/22		2.2%	-0.1%	2.3%
Div 42	12/9/22		3.0%	2.9%	0.2%
Div 43	3/8/23		9.2%	3.4%	5.8%
Div 44	6/5/23		12.6%	12.1%	0.6%
Div 45	9/1/23		3.1%	6.9%	-3.8%
Div 46	11/29/23		7.3%	8.5%	-1.2%
Div 47	2/26/24		NEW!		

Small Cap Growth - Gross return thru: 3/1/2024

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		-1.3%	9.8%	-11.1%
SCG 38	5/8/23		19.5%	19.6%	-0.1%
SCG 39	8/7/23		3.1%	6.9%	-3.8%
SCG 40	11/3/23		20.1%	18.4%	1.7%
SCG 41	2/1/24		7.8%	5.3%	2.5%

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 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.]

25 of the 34 (74%) live or recently terminated portfolios shown have outperformed or stayed within 1% of the benchmark despite narrow MAG7 leadership. Also **39 of the 56** (70%) portfolios created since enhancements were implemented in Dec 2019 have outperformed or stayed within 1% of the benchmark.

Worst performers have been Q4 2022 and Q1 2023 Baker's Dozen portfolios and Small Cap Growth 37. For the two Baker's Dozens, they have significantly underperformed the S&P 500 primarily due to extreme sector "tilts" away from the benchmark allocations that didn't pan out (*overweight* in Energy and *underweight* in Technology),

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 4-5% range. (**Dividend 47 has a current yield of *3.8%.***)

As such, Dividend portfolios have been mostly *uncorrelated* with either high-dividend SPYD or growth-oriented SPY—sometimes outperforming or underperforming one or both benchmarks.

Q3 2022 *Baker's Dozen* Model Portfolio – terminated 10/20/23

Launch date (7/20/22) through termination (10/20/23)

Q3 2022 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**
AVGO	Broadcom Inc.	Information Technology	72.7%	12.9	22.3	4.8%	12.2%
TMHC	Taylor Morrison Home Corporation	Consumer Discretionary	43.3%	3.0	8.1	4.2%	-2.4%
ON	ON Semiconductor Corporation	Information Technology	41.2%	12.4	16.3	-6.9%	2.5%
PGR	The Progressive Corporation	Financials	39.6%	19.5	19.7	81.4%	32.3%
MRO	Marathon Oil Corporation	Energy	26.6%	4.4	7.4	17.1%	-35.6%
VLO	Valero Energy Corporation	Energy	25.0%	5.7	8.2	-18.3%	27.2%
HRI	Herc Holdings Inc.	Industrials	7.6%	7.8	10.8	26.4%	21.2%
CHDN	Churchill Downs Incorporated	Consumer Discretionary	3.8%	16.7	22.3	57.7%	21.0%
CF	CF Industries Holdings, Inc.	Materials	-0.8%	5.3	11.7	-0.3%	-33.8%
LNTH	Lantheus Holdings, Inc.	Health Care	-6.1%	22.7	10.9	1.4%	88.7%
DVN	Devon Energy Corporation	Energy	-8.7%	5.7	7.5	24.2%	-26.0%
PLAB	Photronics, Inc.	Information Technology	-11.3%	9.9	12.6	5.4%	3.5%
BOX	Box, Inc.	Information Technology	-13.3%	22.2	15.2	16.0%	33.0%
		Average =	**+15.8%**	**11.4**	**13.3**	**16.4%**	**11.1%**
SPY	SPDR S&P 500 ETF Trust		8.8%				
RSP	Invesco S&P 500 Equal Weight		0.0%				
MDY	SPDR S&P MidCap 400 ETF Trust		1.6%				
IWM	iShares Russell 2000 ETF		-6.4%				

Strong performers led by two semiconductor makers, a homebuilder, and a P&C insurance company have offset laggards from medical diagnostics, software, and oil & gas.

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

It *beat* the S&P 500 by +7.0 pps (gross total return).

2022 Forward Looking Value 10 Model Portfolio – terminated 10/24/23

Launch date (7/15/22) through termination (10/24/23)

July 2022 Forward Looking Value 10 Portfolio							
Ticker	Company Name	Sector	Return	Fwd P/E at Launch	Current Fwd P/E	Est. NTM EPS Growth at Launch	Actual EPS Growth
US: CLS	Celestica Inc.	Information Technology	166.8%	5.4	10.6	-1.2%	24.6%
ACLS	Axcelis Technologies, Inc.	Information Technology	166.3%	11.7	14.6	-2.5%	45.6%
PHM	PulteGroup, Inc.	Consumer Discretionary	65.4%	4.1	8.9	21.2%	21.7%
FANG	Diamondback Energy, Inc.	Energy	60.3%	4.0	7.5	18.6%	-17.1%
OC	Owens Corning	Industrials	56.9%	7.3	10.6	-12.0%	6.6%
COP	ConocoPhillips	Energy	53.6%	5.4	11.7	15.3%	-30.3%
HEES	H&E Equipment Services, Inc.	Industrials	53.1%	9.2	10.3	0.5%	64.1%
ON	ON Semiconductor Corporation	Information Technology	51.8%	11.3	16.3	-6.3%	2.5%
TMHC	Taylor Morrison Home Corporation	Consumer Discretionary	48.9%	2.9	8.1	4.2%	-2.4%
TOL	Toll Brothers, Inc.	Consumer Discretionary	47.9%	4.2	8.0	1.7%	12.9%
HAL	Halliburton Company	Energy	47.4%	11.8	10.8	57.1%	66.7%
NPO	Enpro Inc.	Industrials	46.6%	11.2	21.1	-2.2%	-6.3%
MRO	Marathon Oil Corporation	Energy	37.5%	4.0	7.4	16.4%	-35.6%
VNT	Vontier Corporation	Information Technology	35.4%	6.8	10.9	1.8%	-7.1%
COLL	Collegium Pharmaceutical, Inc.	Health Care	31.6%	2.5	5.8	127.4%	65.0%
PDCE	PDC Energy, Inc. (acquired by CVX)	Energy	30.8%				
VLO	Valero Energy Corporation	Energy	28.2%	6.1	8.2	-29.5%	27.2%
TXT	Textron Inc.	Industrials	24.9%	13.4	13.5	13.9%	30.7%
HRI	Herc Holdings Inc.	Industrials	17.8%	7.0	10.8	40.6%	21.2%
CMI	Cummins Inc.	Industrials	15.5%	10.0	12.3	30.2%	34.0%
PLAB	Photronics, Inc.	Information Technology	-0.2%	9.1	12.6	5.4%	3.5%
DVN	Devon Energy Corporation	Energy	-1.8%	5.2	7.5	24.0%	-26.0%
CF	CF Industries Holdings, Inc.	Materials	-2.7%	4.9	11.7	0.1%	-33.8%
US: MGA	Magna International Inc.	Consumer Discretionary	-5.4%	9.1	8.9	32.8%	11.2%
FOXA	Fox Corporation	Communication Services	-7.6%	9.0	9.5	24.6%	17.3%
WRK	WestRock Company	Materials	-8.2%	6.7	17.5	21.9%	-37.0%
PTVE	Pactiv Evergreen Inc.	Materials	-12.1%	7.9	12.8	149.6%	106.7%
ST	Sensata Technologies Holding plc	Industrials	-12.4%	9.3	9.5	26.6%	12.9%
IP	International Paper Company	Materials	-15.5%	7.7	18.6	42.8%	-30.6%
QCOM	QUALCOMM Incorporated	Information Technology	-21.8%	10.9	14.8	4.1%	-32.9%
TROX	Tronox Holdings plc	Materials	-27.2%	4.2	24.1	35.9%	-97.7%
DAR	Darling Ingredients Inc.	Consumer Staples	-31.2%	9.1	11.5	36.9%	-1.5%
PFE	Pfizer Inc.	Health Care	-38.4%	10.6	19.5	-25.7%	-56.0%
LNC	Lincoln National Corporation	Financials	-49.4%	4.3	4.1	-319.9%	199.2%
		Average =	**+24.0%**	**7.5**	**11.8**	**10.7%**	**10.9%**
SPY	SPDR S&P 500 ETF Trust		12.2%				
RSP	Invesco S&P 500 Equal Weight		3.1%				
MDY	SPDR S&P MidCap 400 ETF Trust		5.4%				
IWM	iShares Russell 2000 ETF		-1.8%				

Strong performers led by a diverse group of semiconductor equipment makers, homebuilders, industrial equipment, and oil & gas firms offset laggards from insurance, pharma, and packaging materials.

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

It *beat* the S&P 500 by +11.8 pps (gross total return).

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Q4 2022 *Baker's Dozen* Model Portfolio – terminated on 1/22/24

Launch date (10/20/22) through termination (1/22/24)

Q4 2022 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**
PGR	The Progressive Corporation	Financials	44.4%	20.0	21.9	52.6%	55.0%
GPK	Graphic Packaging Holding Company	Materials	24.1%	8.8	9.6	2.7%	24.8%
EWBC	East West Bancorp, Inc.	Financials	17.6%	7.8	9.1	14.6%	8.1%
IMO	Imperial Oil Limited	Energy	15.0%	5.2	11.3	16.0%	-23.7%
HAL	Halliburton Company	Energy	11.1%	12.3	10.3	20.6%	45.4%
DE	Deere & Company	Industrials	6.9%	13.9	13.5	0.6%	31.2%
BOX	Box, Inc.	Information Technology	-3.1%	20.9	15.7	35.0%	33.0%
ALK	Alaska Air Group, Inc.	Industrials	-12.7%	9.7	9.1	0.2%	4.6%
MUR	Murphy Oil Corporation	Energy	-13.6%	5.7	9.5	42.3%	-19.3%
LNTH	Lantheus Holdings, Inc.	Health Care	-23.5%	18.5	10.4	-9.5%	47.6%
NTR	Nutrien Ltd.	Materials	-37.0%	7.1	16.6	20.9%	-66.7%
DVN	Devon Energy Corporation	Energy	-37.7%	7.3	8.3	41.3%	-26.0%
DAR	Darling Ingredients Inc.	Consumer Staples	-40.8%	11.5	11.3	52.7%	-1.5%
		Average =	**-5.3%**	**11.4**	**12.0**	**22.3%**	**8.7%**
SPY	SPDR S&P 500 ETF Trust		34.9%				
RSP	Invesco S&P 500 Equal Weight		23.2%				
MDY	SPDR S&P MidCap 400 ETF Trust		24.6%				
IWM	iShares Russell 2000 ETF		18.6%				

This portfolio has suffered from a lack of big winners, underweight in high-flying Tech sector and overweight in dormant Energy. Top performers were stocks from insurance, packaging, and 1 oil & gas firm. But they couldn't offset a host of market laggards, including those from packaged foods, fertilizer, oil & gas, and medical diagnostics industries. Many of the stocks badly missed their EPS estimates.

Notably, LNTH, BOX, DE, and HAL all met or beat EPS estimates but still took hits on share price and forward P/Es.

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

It *trailed the* S&P 500 by -40.2 pps (gross total return).

Q1 2023 *Baker's Dozen* Model Portfolio – terminating on 4/22/24

Launch date (1/20/23) through current (3/1/24)

Q1 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**
ACGL	Arch Capital Group Ltd.	Financials	39.6%	11.6	10.9	36.9%	73.9%
COLL	Collegium Pharmaceutical, Inc.	Health Care	34.7%	4.1	6.1	122.8%	27.7%
LNTH	Lantheus Holdings, Inc.	Health Care	21.0%	13.3	9.8	31.9%	47.6%
EVBG	Everbridge, Inc.	Information Technology	19.3%	23.7	19.5	401.2%	121.3%
EQT	EQT Corporation	Energy	9.0%	5.2	19.1	109.6%	-25.5%
MKL	Markel Corporation	Financials	8.2%	17.6	17.7	33.4%	-8.0%
DAL	Delta Air Lines, Inc.	Industrials	8.0%	7.5	6.5	60.4%	95.0%
PFBC	Preferred Bank	Financials	4.7%	7.3	7.7	8.8%	23.5%
NEX/PTEN	NexTier Oilfield / Patterson Energy	Energy	-0.6%				
ZION	Zions Bancorporation	Financials	-24.7%	7.6	9.0	26.2%	-15.0%
DAR	Darling Ingredients Inc.	Consumer Staples	-33.5%	9.9	12.4	42.8%	-13.6%
TALO	Talos Energy Inc.	Energy	-33.9%	4.9	26.8	28.1%	-92.5%
EXTR	Extreme Networks, Inc.	Information Technology	-34.0%	16.9	37.5	43.0%	45.8%
		Average =	**+0.1%**	**10.8**	**15.3**	**78.8%**	**23.4%**
SPY	SPDR S&P 500 ETF Trust		31.5%				
RSP	Invesco S&P 500 Equal Weight		13.1%				
MDY	SPDR S&P MidCap 400 ETF Trust		15.5%				
IWM	iShares Russell 2000 ETF		12.9%				

This portfolio has suffered from a lack of big winners, underweight in high-flying Tech sector and overweight in dormant Energy. Top performers are stocks from insurance, pharmaceuticals, and medical diagnostics. But they haven't offset a host of market laggards, including those from cloud networking, oil & gas, natural food ingredients, and a regional bank.

Some badly have missed their EPS estimates. Others like EXTR performed quite well for several months before faltering.

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

It *trails* the S&P 500 by -31.5 pps (gross total return) as of 3/1/24.

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

Launch date (4/20/23) through current (3/1/24)

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	142.2%	57.9	89.1	49.1%	91.8%
ZS	Zscaler, Inc.	Information Technology	118.2%	58.5	77.0	62.9%	136.1%
URI	United Rentals, Inc.	Industrials	86.6%	9.1	16.3	28.0%	25.2%
COOP	Mr. Cooper Group Inc.	Financials	62.4%	8.8	8.2	113.3%	215.8%
PGR	The Progressive Corporation	Financials	35.7%	20.5	21.0	93.3%	133.5%
BKNG	Booking Holdings Inc.	Consumer Discretionary	31.5%	20.4	19.9	30.0%	52.4%
DAL	Delta Air Lines, Inc.	Industrials	21.7%	5.9	6.5	31.1%	36.4%
EVBG	Everbridge, Inc.	Information Technology	17.1%	21.2	19.5	119.5%	121.3%
NEX/PTEN	NexTier Oilfield / Patterson Energy	Energy	10.6%				
HAL	Halliburton Company	Energy	5.2%	11.3	10.5	39.2%	45.4%
EG	Everest Group, Ltd.	Financials	-1.5%	8.0	6.0	72.5%	143.6%
EXTR	Extreme Networks, Inc.	Information Technology	-21.2%	13.0	37.5	48.9%	45.8%
ALB	Albemarle Corporation	Materials	-26.0%	7.5	33.2	23.0%	1.3%
		Average =	**+36.2%**	**20.2**	**28.7**	**59.2%**	**87.4%**
SPY	SPDR S&P 500 ETF Trust		25.9%				
RSP	Invesco S&P 500 Equal Weight		14.6%				
MDY	SPDR S&P MidCap 400 ETF Trust		17.7%				
IWM	iShares Russell 2000 ETF		17.4%				

This portfolio is enjoying four big winners, which easily offset a few losers. Top performers are stocks from insurance, pharmaceuticals, and medical diagnostics. But they couldn't offset a host of market laggards, including those from cloud networking, oil & gas, natural food ingredients, and a regional bank.

All but one (ALB) have met or greatly exceeded their EPS estimates.

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

It is *beating* the S&P 500 by +10.3 pps (gross total return) as of 3/1/24.

New *Q1 2024 Baker's Dozen* Portfolio – statistics upon launch

Launch date: 1/19/2024

Ticker	Company Name	Sector	Industry	Mkt Cap ($B)	NTM EPS Growth	Fwd PE	Fwd PEG	Div Yield	EQR	GQR
ALKS	Alkermes plc	Health Care	Biotechnology	4.6	72.9%	12.0	0.16	0.0%	4	10
AMZN	Amazon.com, Inc.	Consumer Discretionary	Broadline Retail	1586.3	73.7%	45.8	0.62	0.0%	5	10
APP	AppLovin Corporation	Information Technology	Application Software	14.5	114.0%	11.3	0.10	0.0%	3	6
NE	Noble Corporation plc	Energy	Oil & Gas Drilling	6.2	85.3%	12.8	0.15	3.7%	3	6
NFLX	Netflix, Inc.	Communication Services	Movies & Entertainment	212.4	50.7%	32.1	0.63	0.0%	5	9
NVDA	NVIDIA Corporation	Information Technology	Semiconductors	1410.5	124.2%	29.3	0.24	0.0%	3	10
OTEX	Open Text Corporation	Information Technology	Application Software	10.9	35.3%	8.5	0.24	2.5%	5	6
PGR	The Progressive Corporation	Financials	Property & Casualty Insurance	99.4	76.4%	20.5	0.27	0.2%	5	6
PVH	PVH Corp.	Consumer Discretionary	Apparel, Accessories & Luxury Goods	7.0	25.3%	10.0	0.40	0.1%	4	9
RCL	Royal Caribbean Cruises Ltd.	Consumer Discretionary	Hotels, Resorts & Cruise Lines	32.1	103.0%	14.3	0.14	0.0%	3	7
TMUS	T-Mobile US, Inc.	Communication Services	Wireless Telecommunication Services	190.7	24.2%	18.0	0.74	1.6%	5	10
VC	Visteon Corporation	Consumer Discretionary	Automotive Parts & Equipment	3.3	39.7%	13.8	0.35	0.0%	4	9
WRB	W. R. Berkley Corporation	Financials	Property & Casualty Insurance	19.2	20.9%	13.2	0.63	2.6%	5	10
			Average:	276.7	65.0%	18.6	0.29	0.8%	4.2	8.3

Notes:

- Diverse Large/Mid/Small cap mix of 6/6/1
- 5 Value and 8 Growth stocks
- 9 *secular* growth InfoTech, Biotech, Comm Services, Insurance balanced with 4 *cyclical* growth Energy, Apparel, Travel, and Auto Parts

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

NOTE: The portfolio is off to a great start. As of 3/1/24, it is up **+11.5% vs. +6.3%** for the S&P 500.

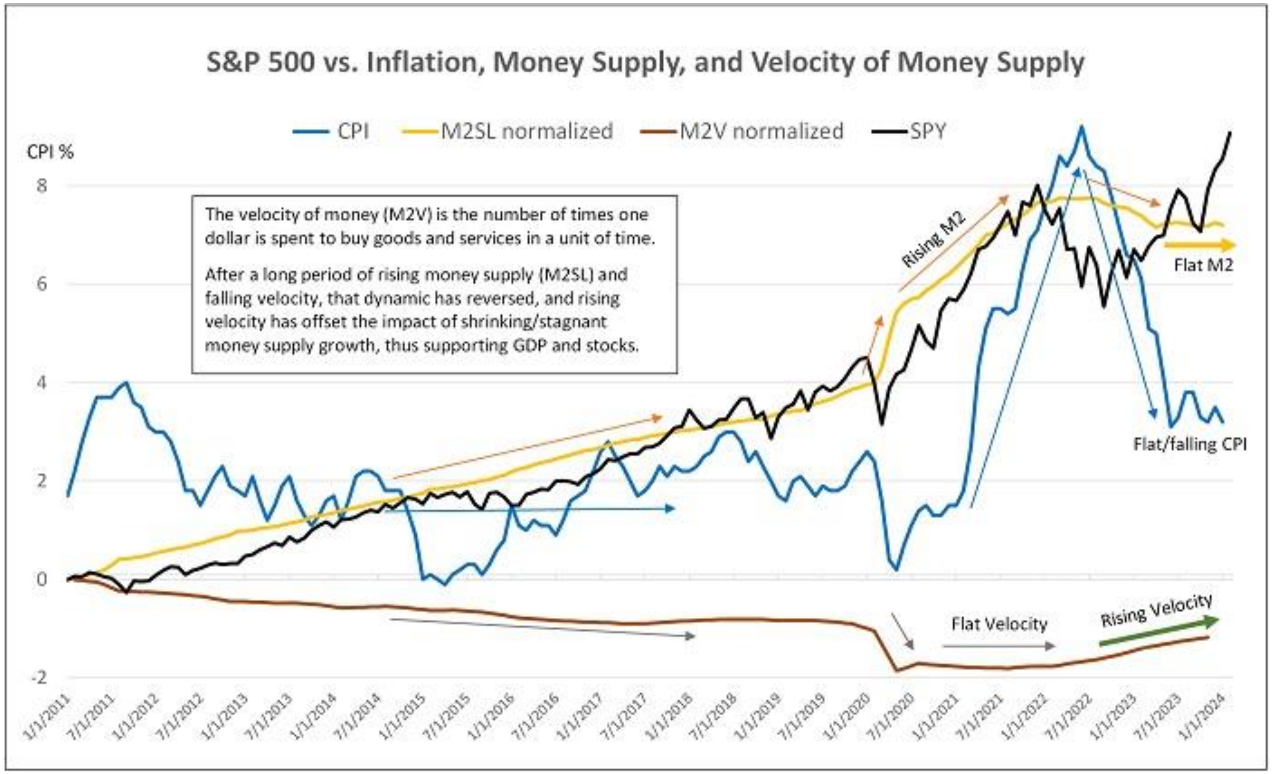
SectorCast Rankings and Top-ranked ETFs

Sabrient SectorCast ETF Rankings (as of 3/1/2024)		
Dow Jones U.S. Sector Index	**Tracking ETF**	**Outlook Score**
TECHNOLOGY	IYW	73
INDUSTRIALS	IYJ	56
FINANCIALS	IYF	53
CONSUMER STAPLES	IYK	50
CONSUMER DISCRETIONARY	IYC	48
UTILITIES	IDU	42
HEALTHCARE	IYH	40
TELECOMMUNICATIONS	IYZ	40
ENERGY	IYE	29
BASIC MATERIALS	IYM	2

Current rankings continue to lean bullish, with cyclicals and secular growth sectors generally rated higher than defensive sectors, with the notable exceptions of Materials and Energy at the bottom. Despite a high forward P/E (28.2x), Technology remains on top, with strong EPS growth estimates (17.5%), positive analyst earnings revisions, excellent return ratios, and strong insider sentiment (open market buying). Notably, Financials have risen substantially in the rankings over the past several months.

Top Ranked Nonleveraged Equity ETFs (as of 3/1/2024)		
Fund Name	**Tracking ETF**	**Outlook Score**
Invesco Building & Construction	PKB	100
Invesco Next Gen Media and Gaming	GGME	100
Alger 35	ATFV	100
Invesco Dorsey Wright Consumer Cyclicals Momentum	PEZ	99
Global X Social Media	SOCL	99
Innovator IBD 50	FFTY	99
First Trust Innovation Leaders	ILDR	99
Invesco S&P 500 Momentum	SPMO	98
Fidelity Disruptive Communications	FDCF	98
PGIM Jennison Better Future	PJBF	98
Pacer US Small Cap Cash Cows Growth Leaders	CAFG	97
Invesco S&P MidCap 400 Pure Growth	RFG	97
ProShares Pet Care	PAWZ	97
SEI Enhanced US Large Cap Momentum	SEIM	97
Pinnacle Focused Opportunities	FCUS	97
AdvisorShares Hotel	BEDZ	96
Invesco S&P 500 Pure Growth	RPG	96
Direxion Work From Home	WFH	96
Donoghue Forlines Innovation	DFNV	96
Clockwise Core Equity & Innovation	TIME	96
AdvisorShares Vice	VICE	95
iShares Factors US Growth Style	STLG	95
Fidelity Disruptive Technology	FDTX	95
PGIM Jennison International Opportunities	PJIO	95
First Trust Active Factor Small Cap	AFSM	94

Velocity of Money Supply offsets M2 growth and contraction



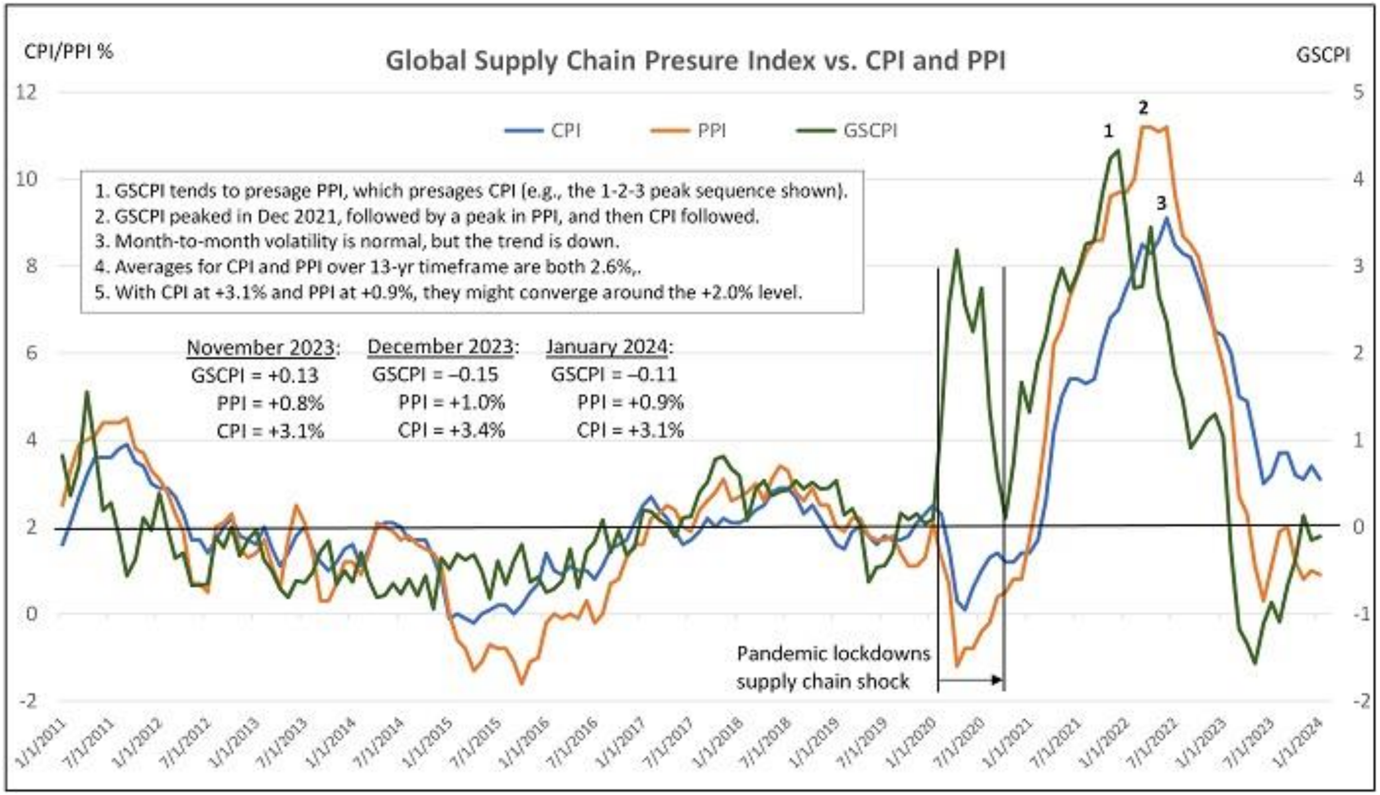
This chart compares movements in the S&P 500, inflation, M2 money supply, and the velocity of money supply since 2011. There was a close correlation between rising money supply and rising equity prices (aka asset inflation) until M2 peaked. Since then, the S&P 500 has round-tripped lower and then higher, back to where it was 2 years ago.

Meanwhile, CPI inflation seemed uncorrelated, oscillating in a trading range (0-4%) even while M2 rose, at least partly because velocity of M2 was falling, which largely offset the impact of M2 growth, even throughout the initial pandemic response when M2 surged and velocity plunged. Much of the new money was simply going into bank reserves and personal savings and investments.

But when velocity stabilized while M2 continued to surge higher, inflation soon followed M2 higher. You can see that stocks peaked right around the same time that money supply peaked, and then inflation peaked shortly thereafter.

As M2 has receded, velocity has increased, offsetting the negative effects of shrinking money supply so that GDP has avoided recession and stocks have recovered while inflation falls back towards its historical range. A return to modest money supply growth may be appropriate for balancing both economic growth and inflation moderation.

As supply chain pressures remain subdued, inflation shrinks

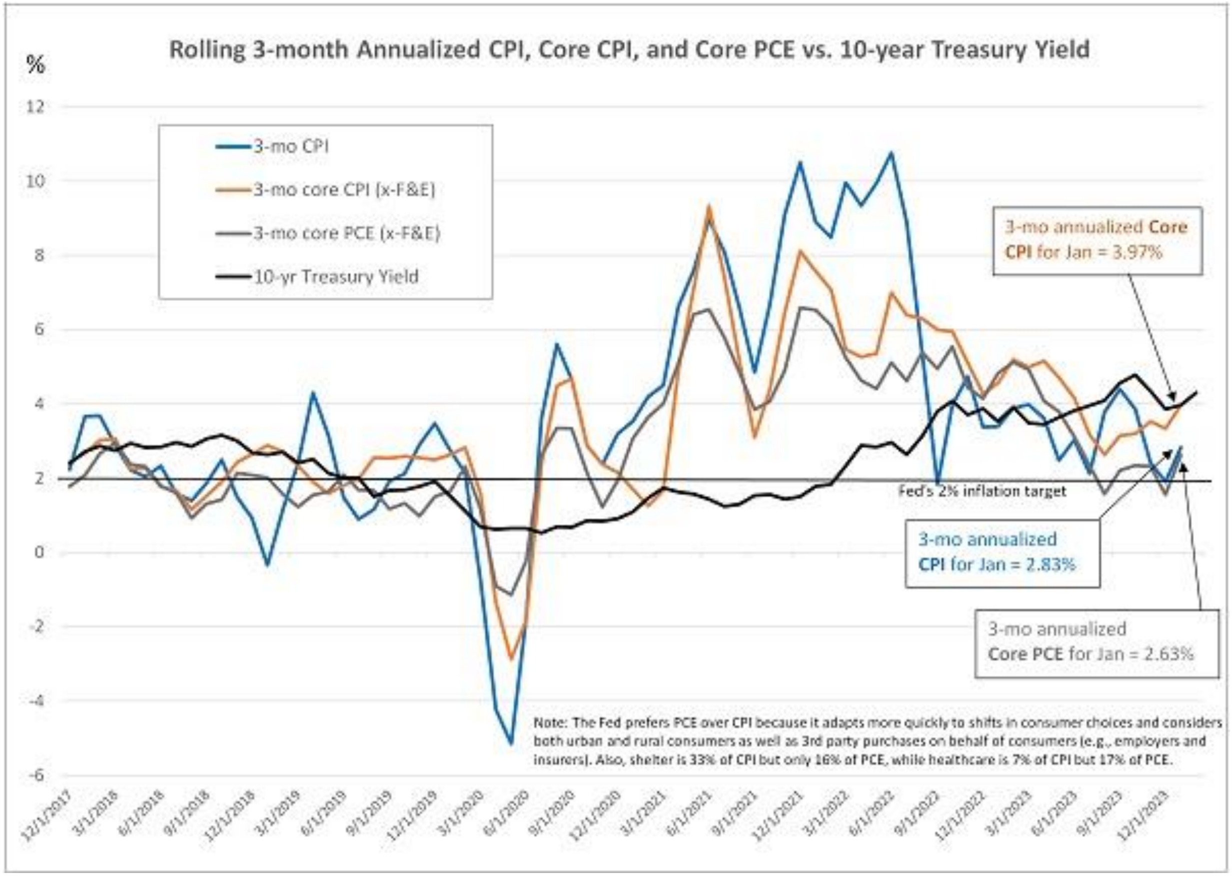


Movement, peaks, and troughs in GSCPI tend to presage PPI, which in turn presages CPI, each with a slight lag. PPI, CPI, and GSCPI all surged when COVID lockdowns were instituted and M2 money supply surged, and all 3 have fallen precipitously once supply chains rapidly recovered while M2 crested and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

GSCPI peaked in Dec 2021 (at an all-time high of +4.31), followed by M2, PPI, and CPI a few months later. It then plummeted to a deeply *negative* May 2023 level of -1.57. Recently, GSCPI, CPI, and PPI all ticked up slightly, but inflation likely will continue to slide toward the Fed's 2% target as long as GSCPI remains at or below its historical average (zero line). The December and January GSCPI readings were back to negative, which bodes well for subdued inflation metrics, particularly as the demand side remains constrained (stagnant money supply and elevated interest rates).

Current inflation trend based on 3-month annualized averages

Data through January 2024



Because the Fed can do little about energy and food prices, we think it is best to focus on <u>core</u> inflation (excluding food & energy). Also, we compute **3-month rolling annualized** since it better reflects the <u>current</u> trend. Core CPI and PCE have fallen precipitously while the 10-year Treasury yield has risen, lifting *real* yields (great for savers, bad for borrowers—and we are a hyper-financialized, highly indebted society).

As shown, 3-month annualized **headline CPI** fell to a post-pandemic-recovery low of +1.90% in July but has shown resurgence, mainly due to shelter costs (which account for 33% of CPI but only 17% of PCE). But there is a long lag between the shelter data used in CPI calculation and current prices.

In December, 3-month annualized **<u>Core</u> CPI** came in at only **+3.33%** and **headline CPI** (3-month annualized) at only **+1.79%**. Moreover, the Fed's preferred metric **Core PCE** showed a 3-month average annualized +**2.16%.**

Then in January, **3-mo Core CPI** upticked to **+3.97%**, 3-mo headline CPI to **+2.83%**, and 3-mo **Core PCE** to **+2.63%**. Year-over-year, Core PCE is +2.85%.

Nevertheless, inflation seems to be chopping around the 2% mark as money supply is stagnant and GSCPI (see prior slide) is subdued, which suggests that <u>no further rate hikes are necessary</u>.

Market Observations & Outlook

1. Inflation continues to recede as supply chain pressures are subdued, money supply growth is stagnant, interest rates remain elevated, and wage growth falls. We believe the Fed has been overly hawkish and now lag effects are manifesting, leading the Fed to soften its tone.

2. With the 2-year Treasury yield back to well below 5% (my “line in the sand”), the economy and stocks should be fine, and the extreme yield curve inversion should continue to revert.

3. Although a pullback seems likely given the long bull run, a broadening of market leadership into small caps, value, quality, high dividend, and equal-weight bodes well market health.

4. High valuations on major indexes were primarily driven by a few mega-cap Tech names, e.g., the AI-oriented “Magnificent Seven” (MAG7). Minus those, valuations across the broad market are more reasonable. To illustrate, forward P/E on QQQ is 26.5x and SPY is 21.1x, but equal-weight S&P 500 (RSP) is 17.0x and S&P 600 small caps (SPSM) is just 14.2x, as of 3/1/24.

5. The passive indexes, although still strong, may be nearing the point at which investors are 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, combining Value, Quality, and Growth factors and exposure to both secular and cyclical growth trends.

=> *I discuss all of this in greater detail in my market commentaries*

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. **SmartSheets 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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