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Baker's Dozen Portfolios

1. *Market Conditions & Performance Review*
2. *Process Overview & Recent Enhancements*
3. *Q2 2021 Baker's Dozen Overview*
4. *Market Outlook*

"Quantamental" GARP* approach with a forensic accounting overlay

This presentation, including the gross historical performance shown in this presentation, pertains solely to the theoretical *model portfolios* published by Sabrient Systems, LLC. Sabrient is not responsible for the usage of such portfolios by any third party, including without limitation the *Baker's Dozen* UITs sponsored by First Trust. In addition, the performance numbers herein do not reflect the deduction of brokerage commissions, execution fees, or other expenses that may be paid by any third party making its own investment in the portfolios. First Trust UITs are subject to the imposition of fees, and to variation in the construction of the portfolios, which will over time reduce the performance of such UITs in comparison with the performance of Sabrient's model portfolios.
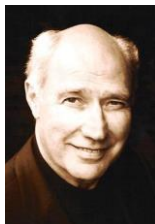
* GARP = growth at a reasonable price

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Quantitative equity research, rankings, strategies

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Talking Points Summary

➤ After 6½ years of strong performance from 2009 thru mid-2015 in Sabrient's *Baker's Dozen*, the market became narrow and news-driven leading to **stark divergences in Value vs. Growth factors and Small vs. Large caps** that have been quite harsh on most value and GARP strategies, including ours. Also, narrow leadership meant that a handful of stocks drove **cap-weighted indexes to greatly outperform equal-weight indexes**. Many of the best growth stocks were bid up to such high valuations that they did not score well in our quantitative rankings while most cyclical sectors sold off.

➤ This led Sabrient to develop and implement **process enhancements** to make its portfolios more "all weather" – primarily by adding a new Growth Quality Rank (GQR) to our quant model that rewards a history of earnings consistency & reliability, in addition to attractive forward valuations and earnings quality that the model has long favored – thus allowing for **exposure to both the long-term secular growth trends and the shorter-term cyclical growth opportunities**. (Also, we continue to have the forensic accounting team from subsidiary Gradient Analytics review every candidate for the portfolios.)

➤ Indeed, **Sabrient's newer portfolios since December 2019 have shown significantly improved performance** relative to the benchmark, with *some of them substantially outperforming* during quite a range of evolving market conditions. The only portfolio that is significantly trailing its benchmark (although still strongly positive) is the Q2 2020 *Baker's Dozen*; however, it was constructed during the depths of the pandemic in April 2020 when most companies had little or no forward visibility, which Sabrient's model depends upon.

➤ We expect Value/Growth and Small/Large performance divergences will continue to converge and leadership will broaden such that *active selection, strategic beta, and equal weighting should thrive*. **This should be favorable for growth at a reasonable price (GARP) strategy like Sabrient's**.

➤ Regardless, our new portfolios – including the Q2 2021 *Baker's Dozen* that launched on 4/20/21, Small Cap Growth that launched on 3/15/21, and Sabrient Dividend portfolio that launched on 3/19/21 – **reflect better balance** between cyclical and secular growth and across market caps.

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Baker's Dozen Long-term Performance
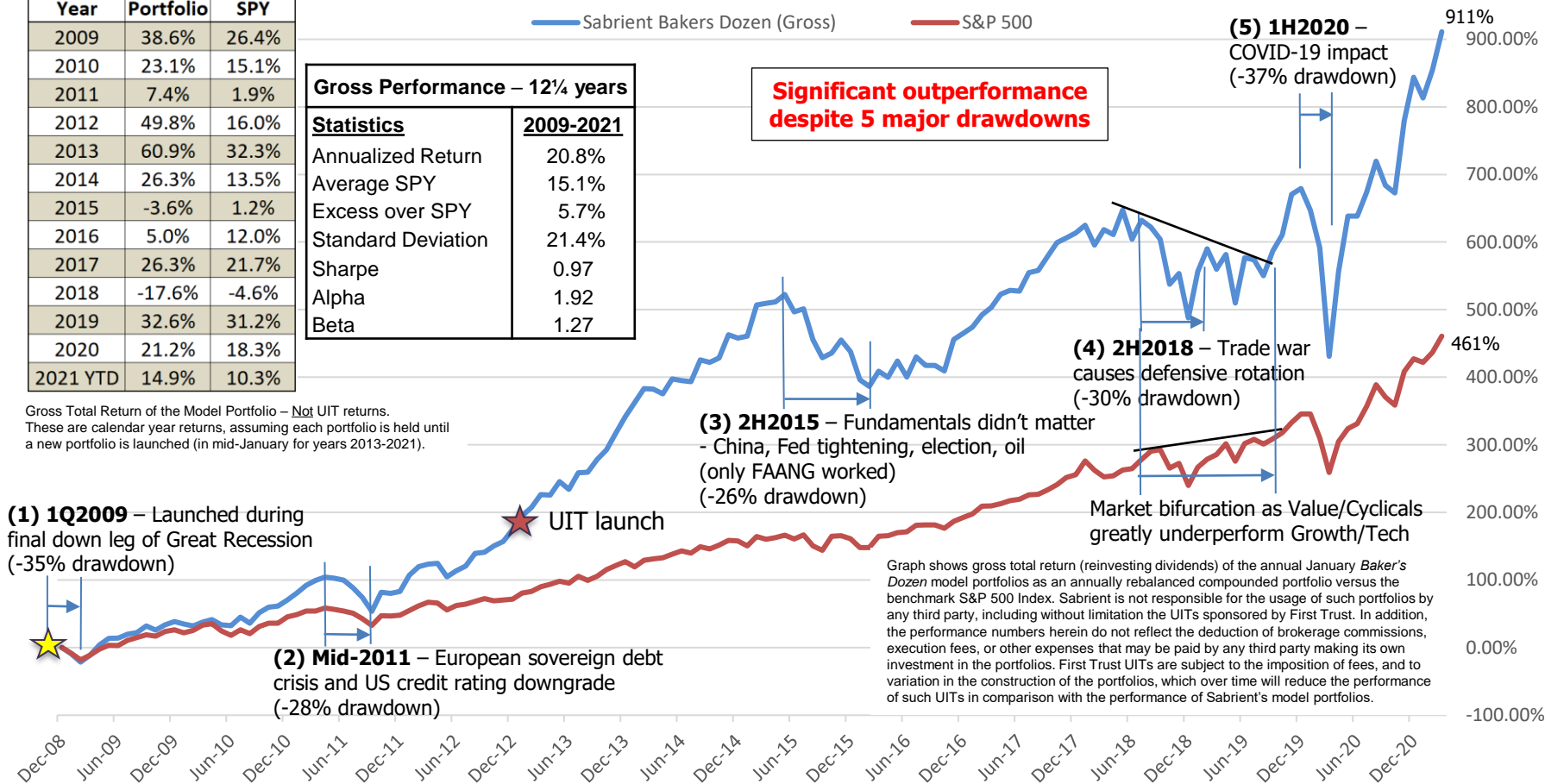
January Model Portfolio (gross total return) – rebalanced when new portfolio is published (1/1/2009 inception thru 3/31/2021, <u>end-of-month</u> data points)

Year	Portfolio	SPY
2009	38.6%	26.4%
2010	23.1%	15.1%
2011	7.4%	1.9%
2012	49.8%	16.0%
2013	60.9%	32.3%
2014	26.3%	13.5%
2015	-3.6%	1.2%
2016	5.0%	12.0%
2017	26.3%	21.7%
2018	-17.6%	-4.6%
2019	32.6%	31.2%
2020	21.2%	18.3%
2021 YTD	14.9%	10.3%

Gross Performance – 12¼ years	
Statistics	**2009-2021**
Annualized Return	20.8%
Average SPY	15.1%
Excess over SPY	5.7%
Standard Deviation	21.4%
Sharpe	0.97
Alpha	1.92
Beta	1.27

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

Significant outperformance despite 5 major drawdowns

Legend: Sabrient Bakers Dozen (Gross) — S&P 500

(5) 1H2020 – COVID-19 impact (-37% drawdown)

(4) 2H2018 – Trade war causes defensive rotation (-30% drawdown)

Market bifurcation as Value/Cyclicals greatly underperform Growth/Tech

(3) 2H2015 – Fundamentals didn't matter - China, Fed tightening, election, oil (only FAANG worked) (-26% drawdown)

UIT launch

(1) 1Q2009 – Launched during final down leg of Great Recession (-35% drawdown)

(2) Mid-2011 – European sovereign debt crisis and US credit rating downgrade (-28% drawdown)

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.

911%
461%

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Market Conditions: 2015—2016

- **1H2015** – market up, Sabrient outperformance streak hits 6-1/2 years

- **2H2015** – market suddenly driven by <u>news rather than fundamentals</u>

  - ✓ Election rhetoric, Populism, China devaluation, oil falls, Fed targets rate hikes

  - ✓ <u>Narrow breadth</u> & leadership, led by FAANGM stocks ("FANG" acronym is born)

  - ✓ Smart/rich/successful investors and HFs down double digits; Sabrient performance takes a hit

  - ✓ <u>"NEW NORMAL"</u> of defensive/cautious/news-driven market conditions begins

- **1H2016** – market up, but it's led by defensives (Utilities, Telecom, Staples)

- **2H2016** – risk-on rotation with all eyes on US presidential election

  - ✓ <u>Post-election rally</u> (as uncertainty is lifted), led by cyclicals

  - ✓ Greater market breadth, lower sector correlations

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Market Conditions: 2017—1H2018

- **2017** – risk-on "Trump Bump" driven by <u>fundamentals</u> (good for GARP)

    - ✓ Synchronized <u>global growth</u>, China strong, rising oil prices, Fed data-driven

    - ✓ New <u>fiscal stimulus</u> from deregulation and anticipation of tax reform

    - ✓ Strong breadth, record low volatility, <u>cyclicals and small caps lead</u>

    - ✓ Momentum factor dominates (versus Value, Quality, Low-Volatility factors)

    - ✓ P/E multiples <u>expand</u>

- **H1 2018** – market continues up, but sentiment turns <u>cautious</u>

    - ✓ Cyclicals and small caps still lead, but with <u>higher volatility</u>

    - ✓ With tax reform in place, investors watch for corporate behavior and capex

    - ✓ <u>Trade war rhetoric worsens</u>; investors turn cautious; P/E multiples <u>compress</u>

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Market Conditions: 2H2018—2019

➢ **H2 2018** – trade war rhetoric becomes reality; defensive rotation begins

    ✓ Rotation <u>out of risk-on</u> sectors (value, cyclicals, small caps, emerging markets)

    ✓ Rotation <u>into risk-off</u> defensive sectors (large cap Utilities, Healthcare, Staples, Telecom) and mega-cap Tech (AAPL, MSFT, AMZN) … until the <u>Q4 selloff</u>

➢ **Jan-Aug 2019** – stocks recover but historic market bifurcation persists

    ✓ China trade negotiations resume; FOMC dovish ("Fed put"); low interest rates

    ✓ P/E multiples expand despite persistent preference for risk-off momentum/low-volatility/bonds/defensive/mega-cap over risk-on value/cyclicals/small-mid caps

➢ **Sep-Dec 2019** – risk-on rotation emerges as optimism prevails

    ✓ Phase 1 deal with China leads to improved corporate visibility

    ✓ <u>Sustained risk-on rotation</u> into value/cyclicals/small-mid

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Market Conditions: 2020

- ➢ **H1 2020** – new highs, a COVID-19 selloff, and then historic recovery

  - ✓ Like H2 2018, market rises despite defensive rotation … until the historic selloff

  - ✓ Historic rebound off 3/23/20 low; first had strong breadth led by smaller caps & cyclical sectors, but ultimately narrowed to favor secular-growth mega-cap Tech

  - ✓ High dispersion among stocks in a K-shaped economic recovery, with big winners (e.g., among WFH Tech) and big losers (e.g., travel/hospitality/energy)

  - ✓ Little to no forward visibility for most cyclical/value firms stymied our model

- ➢ **H2 2020-H1 2021** – new highs and a sustained risk-on rotation

  - ✓ Continued market strength on vaccine optimism

  - ✓ November launches strong risk-on rally as market broadens with sustained rotation into value/cyclicals/small-mid caps

  - ✓ Uncertainties subside; optimism about reopening and more stimulus

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Market Bifurcation Continues to Converge

Historic divergences between Growth/Value and Large/Small shows sustained convergence
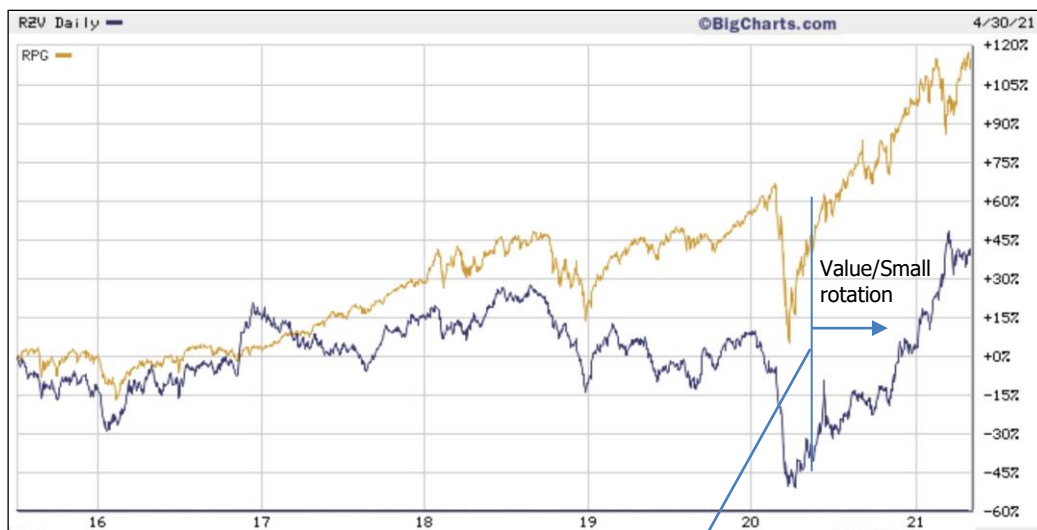
The 6-year chart shows stark divergence between both Growth/Value and Large/Small.

Notable market bifurcation followed escalation in China trade war in June 2018 and worsened from COVID-19 and economic lockdowns. RPG enjoyed a strong uptrend while RZV was mired in a strong downtrend. This also was hard on Sabrient's GARP portfolios.

RZV = S&P SmallCap 600 Pure Value ETF
RPG = S&P LargeCap 500 Pure Growth ETF

However, as noted in the top chart and magnified on the bottom chart, since 5/15/20 there has been an accelerating rotation into Small caps, Value factor, and Cyclical sectors – i.e., a promising attempt at convergence of the historic Growth/Value and Large/Small divergences. This has been beneficial to Sabrient's GARP portfolios.

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Performance of Sabrient's live GARP Portfolios
(Baker's Dozen, Forward Looking Value, Small Cap Growth, Dividend):
1. Since launch, and 2. Since the 2020 year-end value rotation commenced on 10/30/20

Baker's Dozen & FLV - Gross performance thru: 4/30/2021

Portfolio	Launch Date	Model Portfolio Gross Return Since Launch	SPY Return Since Launch	Portfolio Gross Return Since 10/30/20	SPY Return Since 10/30/20
Q2 2020 BD	4/20/20	24.7%	50.6%	11.5%	28.8%
2020 FLV	7/2/20	31.1%	35.2%	32.7%	28.8%
Q3 2020 BD	7/20/20	42.1%	30.2%	48.5%	28.8%
Q4 2020 BD	10/20/20	35.5%	22.4%	41.8%	28.8%
Q1 2021 BD	1/20/21	7.5%	9.1%	N/A	

Small Cap Growth - Gross performance thru: 4/30/2021

Portfolio	Launch Date	Model Portfolio Gross Return Since Launch	SLYG Return Since Launch	Portfolio Gross Return Since 10/30/20	SLYG Return Since 10/30/20
SCG 26	3/11/20	105.9%	74.7%	62.7%	46.3%
SCG 27	6/9/20	51.7%	47.9%	55.4%	46.3%
SCG 28	9/4/20	55.1%	44.7%	53.6%	46.3%

Sabrient Dividend - Gross performance thru: 4/30/2021

Portfolio	Launch Date	Model Portfolio Gross Return Since Launch	SPY Return Since Launch	Portfolio Gross Return Since 10/30/20	SPY Return Since 10/30/20
Div 28	7/12/19	21.0%	43.2%	55.6%	28.8%
Div 29	10/7/19	32.8%	46.2%	45.8%	28.8%
Div 30	1/3/20	16.1%	32.3%	45.5%	28.8%
Div 31	4/1/20	88.1%	72.2%	46.5%	28.8%
Div 32	6/30/20	38.5%	36.9%	39.3%	28.8%
Div 33	9/28/20	41.7%	25.8%	37.9%	28.8%
Div 34	12/21/20	21.7%	13.8%	N/A	

All Sabrient portfolios launched since December 2019 were created with the *enhanced* GARP model and selection process that allows for a balance between secular and cyclical growth and across large/mid/small market caps, helping to boost relative performance versus the benchmark while striving for consistent "all-weather" performance.

[As a reminder, the Q2 2020 *Baker's Dozen* portfolio was constructed during the depths of the pandemic when most companies had *little or no forward visibility*.]

The Sabrient Dividend portfolios have all outperformed since the value rotation commenced on 10/30/2020, but the earlier portfolios that did not employ the enhanced portfolio selection process are still underperforming the S&P 500 over the full life since launch.

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

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Process Enhancements
Starting with December 2019 *Baker's Dozen*

1. Add sector constraints relative to benchmark to reduce relative volatility

   - Still maintains the long-standing overall 30% sector maximum allocation

   - Limits extreme sector "tilts" away from S&P 500 allocations (15-30% range)

2. Add new proprietary **Growth Quality Rank (GQR)** to the model

   - Measures:
     a) *Consistency* of past and expected earnings growth
     b) Historical *reliability* of meeting forward estimates (i.e., "surprises")
     c) Probability that consensus earnings estimates will be achieved

   - Puts *secular* growth on more equal footing with *cyclical* growth in rankings
     a) Secular growth stocks tend to have higher valuations but more consistent EPS growth
     b) Cyclical growth stocks tend to have lower valuations but more volatile EPS growth

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- ➢ **Quantitative** fundamentals-based multifactor models since 2000

- ➢ Diverse team of engineers/analysts/programmers, led by former NASA engineer (Apollo 11 moon landing) **David Brown**

- ➢ Numbers-driven; Bottom-up rather than top-down

- ➢ Focused on *Growth At a Reasonable Price* (GARP)

- ➢ Relies on database of sell-side analyst estimates
    => Key metric: Forward PEG ratio (next 12 months)

- ➢ In 2009, introduced *quantamental* GARP approach to create the *Baker's Dozen* annual portfolio of 13 top picks

➢ **<u>Fundamental</u>** in-depth forensic accounting analysis since 2002

➢ Team of CFAs, CPAs – finance & accounting backgrounds, led by President & Director of Research **Brent Miller**, CFA

➢ Institutional clientele (mostly long/short hedge funds)

➢ Earnings quality and anomalous insider activity

➢ Acquired by Sabrient in 2011

  ➔ Long vetting helps to "play defense"

  ➔ Built **Earnings Quality Rank** (EQR) for use in GARP model
    [EQR is also licensed to hedge funds and to the ***First Trust Long-Short ETF (FTLS)***]

Gradient Vetting Process

➢ Identify aggressive accounting practices ("financial engineering")

➢ Examine 10-K, 10-Q, earnings releases, conference call transcripts

➢ Review accruals, working capital, cash flow, GAAP/non-GAAP adjustments

➢ Identify overstating assets & revenue, understating liabilities & expenses

➢ Corporate integrity and governance

➢ Insider behavior (anomalous buying/selling)

➢ Sell-side reports, regulatory review, any circulating short thesis

➢ Involves only *publicly available* information

Sabrient "Quantamental" Approach

1. Quantitative screen to narrow large eligible universe

(Forward P/E, Forward EPS growth, dynamics of analyst estimates, EQR, GQR)

2. Fundamental analysis to identify top candidates

(Still mainly numbers-driven, but not algorithmic)

3. Forensic accounting review of top candidates

4. Final Stock Selection, with sector limits

Various GARP Portfolios

1. **Baker's Dozen** – Sabrient's 13 top GARP picks (all caps), published quarterly

2. **Forward Looking Value** – mid-year GARP portfolio of 30-35 stocks (all caps)

3. **Dividend** – 50 stocks, GARP with solid dividends, <u>4-5% yield</u>, quarterly

4. **Small Cap Growth** – 50-stock GARP portfolio, all under $3.7B cap, quarterly

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Dec 2019–Q2 2020 *Baker's Dozens*

Risk-on optimism gives way to COVID selloff, then a strong but narrow recovery

[Comparisons also include Equal-Weight indexes for S&P 500 (RSP), S&P 400 mid caps (EWMC), and S&P 600 small caps (EWSC)]

December Bakers Dozen Model Portfolio Performance vs Benchmark
(As of 12/21/2020)
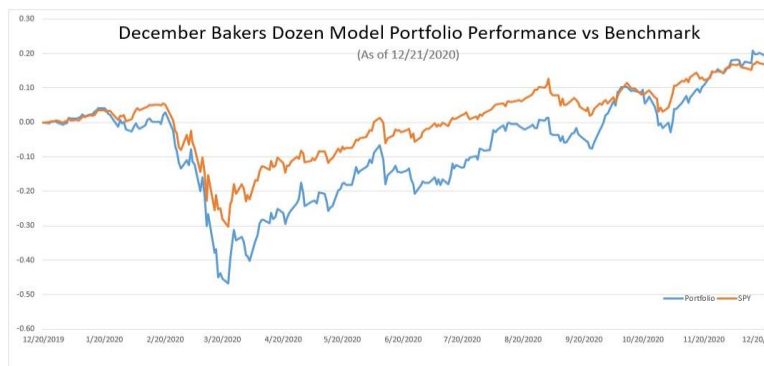
Total Returns Thru Current

Event	Date	Portfolio	SPY	RSP	EWMC	EWSC
Launc	12/20/2019	19.52%	16.82%	12.91%	15.37%	14.79%

Q1 2020 Bakers Dozen Model Portfolio Performance vs Benchmark
(As of 4/20/2021)
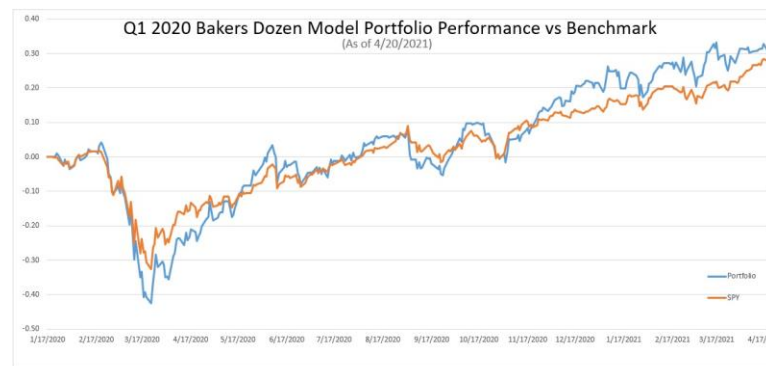
Total Returns Thru Current

Event	Date	Portfolio	SPY	RSP	EWMC	EWSC
Launch	1/17/2020	29.04%	26.93%	26.08%	35.46%	39.51%

Q2 2020 Bakers Dozen Model Portfolio Performance vs Benchmark
(As of 4/30/2021)
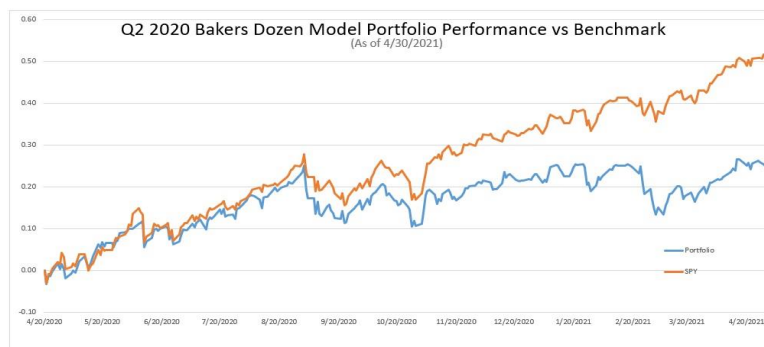
Total Returns Thru Current

Event	Date	Portfolio	SPY	RSP	EWMC	EWSC
Launch	4/20/2020	24.72%	50.64%	65.57%	94.38%	119.61%

Graphs display Gross Total Return of the Model Portfolios – <u>Not</u> UIT returns. For monthly portfolios, Sabrient tracks model performance from closing prices on launch date to closing prices 12 months + 1 day later, when the new portfolio launches. For quarterly portfolios, Sabrient tracks model performance from closing prices on launch date to closing prices 15 months later.
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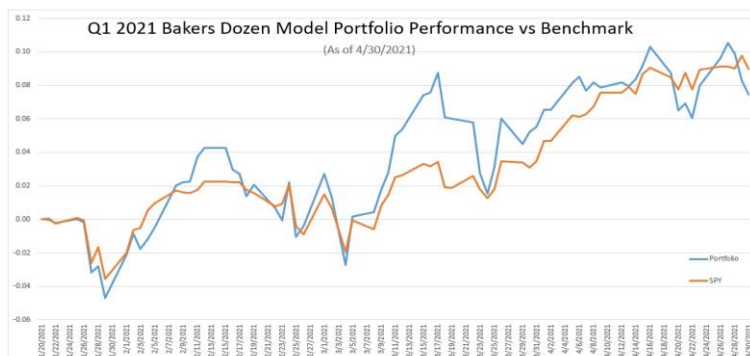
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Q3 2020–Q1 2021 *Baker's Dozens*

Risk-on optimism gives way to COVID selloff, then a strong but narrow recovery
[Comparisons also include Equal-Weight indexes for S&P 500 (RSP), S&P 400 mid caps (EWMC), and S&P 600 small caps (EWSC)]

Q3 2020 Bakers Dozen Model Portfolio Performance vs Benchmark (As of 4/30/2021)
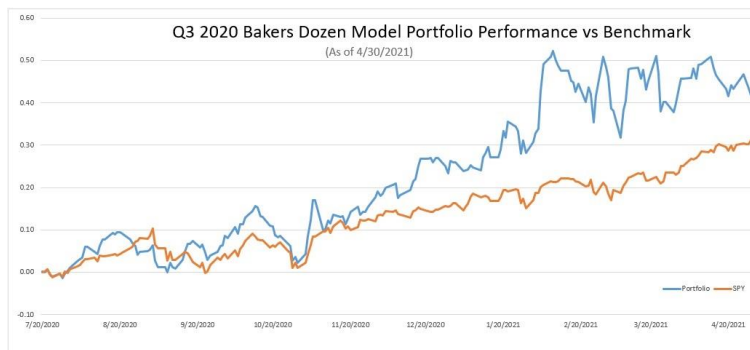
Total Returns Thru Current

Event	Date	Portfolio	SPY	RSP	EWMC	EWSC
Launch	7/20/2020	43.44%	30.16%	42.63%	57.73%	75.63%

Q4 2020 Bakers Dozen Model Portfolio Performance vs Benchmark (As of 4/30/2021)
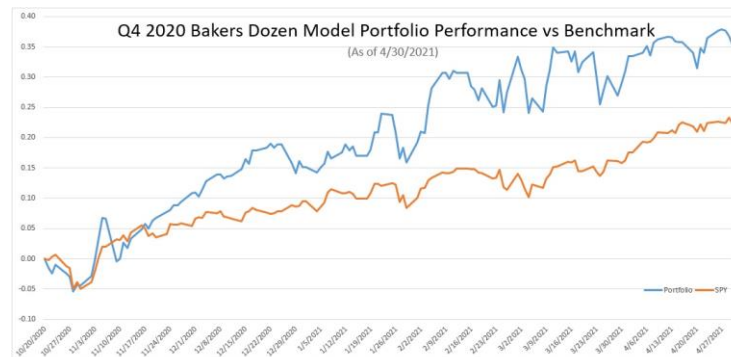
Total Returns Thru Current

Event	Date	Portfolio	SPY	RSP	EWMC	EWSC
Launch	10/20/2020	35.49%	22.42%	32.88%	44.12%	58.97%

Q1 2021 Bakers Dozen Model Portfolio Performance vs Benchmark (As of 4/30/2021)

Total Returns Thru Current

Event	Date	Portfolio	SPY	RSP	EWMC	EWSC
Launch	1/20/2021	7.47%	8.98%	12.28%	12.48%	13.88%

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Q1 2020 Baker's Dozen Model Portfolio

Launch date (1/17/2020) compared to termination (4/20/2021)

Ticker	Company Name	Return	Fwd P/E at Launch	Current Fwd P/E	Est. NTM EPS Growth at Launch	Actual EPS Growth
SEDG	SolarEdge Technologies, Inc.	132.8%	20.7	41.4	4.3%	-12.8%
ADSK	Autodesk, Inc.	48.1%	48.5	56.6	69.6%	44.6%
ADBE	Adobe Inc.	47.0%	35.2	40.8	24.5%	30.0%
WGO	Winnebago Industries, Inc.	37.6%	12.8	11.5	29.3%	44.7%
VAC	Marriott Vacations Worldwide Corpo	35.0%	14.3	39.5	30.1%	-133.4%
CHTR	Charter Communications, Inc.	29.8%	38.8	31.2	54.3%	113.2%
KBH	KB Home	29.5%	9.8	8.2	27.2%	8.7%
CIEN	Ciena Corporation	28.3%	16.5	19.0	23.9%	28.4%
ANTM	Anthem, Inc.	27.2%	13.4	14.9	14.4%	15.5%
BMY	Bristol-Myers Squibb Company	3.0%	10.9	8.3	16.1%	22.1%
ALK	Alaska Air Group, Inc.	1.0%	9.5	NE	28.7%	-335.8%
VLO	Valero Energy Corporation	-18.6%	9.4	25.6	79.5%	-195.2%
HII	Huntington Ingalls Industries, Inc.	-23.1%	15.1	17.4	25.6%	22.2%
	Average	**29.0%**	**19.6**	**26.2**	**32.9%**	**-26.8%**
SPY	SPDR S&P 500 ETF Trust	26.9%				

Portfolio was boosted initially by solid winners from technology & communications services and then more recently by recovery in travel & leisure. Biggest laggards were from industrial and energy.

Q2 2020 Baker's Dozen Model Portfolio

Launch date (4/20/2020) compared to recent (4/30/2021)

Ticker	Company Name	Return	Fwd P/E at Launch	Current Fwd P/E	Est. NTM EPS Growth at Launch	Actual EPS Growth
NVDA	NVIDIA Corporation	109.4%	38.4	42.7	31.4%	72.5%
ADSK	Autodesk, Inc.	64.1%	43.1	56.6	50.0%	44.6%
AMZN	Amazon.com, Inc.	44.9%	84.1	57.2	22.7%	151.1%
AMD	Advanced Micro Devices, Inc.	43.3%	51.5	36.7	71.7%	114.5%
CHTR	Charter Communications, Inc.	35.0%	37.2	31.2	76.0%	113.2%
CAG	Conagra Brands, Inc.	13.4%	13.9	15.1	28.2%	50.8%
HII	Huntington Ingalls Industries, Inc.	13.2%	9.5	17.4	47.9%	22.2%
RNR	RenaissanceRe Holdings Ltd.	10.9%	10.7	10.8	60.4%	-101.3%
CACI	CACI International Inc	6.8%	18.4	14.3	27.4%	49.8%
BMY	Bristol-Myers Squibb Company	4.4%	9.9	8.3	30.7%	22.1%
VST	Vistra Corp.	2.9%	7.6	8.7	108.2%	-220.2%
NBIX	Neurocrine Biosciences, Inc.	-7.0%	26.6	22.8	1029.0%	1148.5%
VRTX	Vertex Pharmaceuticals Incorporated	-20.1%	35.4	20.9	43.5%	59.1%
	Average	**24.7%**	**29.7**	**26.4**	**125.2%**	**117.5%**
SPY	SPDR S&P 500 ETF Trust	**50.6%**				

Portfolio has been boosted by strength in technology and ecommerce names but held back by weakness in biotechs despite exceeding EPS estimates. All told, 10 of the 13 either exceeded or came close to meeting estimates.

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Market Outlook

1. Continued resurgence in global growth, US corporate earnings, and CapEx

2. Rising inflation, but low interest rates persist as Fed continues to provide support

3. Massive monetary & fiscal stimulus continues unabated, plus likely infrastructure bill

4. Full economic reopening coming sooner than expected (perhaps this summer)

5. Equity valuations are elevated but justified by robust projected growth, massive liquidity, low interest rates, and a lack of good alternatives ("TINA")

6. Favors value/cyclicals/smaller-caps as market rotates/broadens, plus high-quality secular growers & dividend payers, active selection, and equal-weight indexes

➢ **Main Risks:**

(1) Double-dip global economic recession from resurgence or vaccine-resistant mutation of COVID-19
(2) A spike in inflation, a selloff in longer-term bonds, and fast-rising interest rates
(3) Escalation in financial/technological/military conflicts with China and global hegemony
(4) US dollar meltdown due to massive stimulus and loss of "safe haven" status *(longer-term issue)*
(5) Deleveraging a heavily-indebted global economy *(longer-term issue)*

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Q2 2021 Baker's Dozen Portfolio

Statistics upon launch on 4/20/21

Ticker	Company Name	Sector	Industry	Mkt Cap ($B)	NTM EPS Growth	Fwd PE	Fwd PEG	Div Yield	EQR	GQR
ACGL	Arch Capital Group	Financials	Property and Casualty Insurance	15.9	109.7%	14.0	0.13	0.0%	3	10
AMAT	Applied Materials	Information Technology	Semiconductor Equipment	120.1	34.8%	21.2	0.61	0.7%	4	9
AXTA	Axalta Coating Systems	Materials	Specialty Chemicals	7.4	42.0%	16.8	0.40	0.0%	5	9
DBX	Dropbox	Information Technology	Application Software	10.5	36.0%	20.7	0.57	0.0%	5	10
KFY	Korn Ferry	Industrials	HR and Employment Services	3.5	69.9%	19.8	0.28	0.6%	4	8
MBUU	Malibu Boats	Consumer Discretionary	Leisure Products	1.7	64.7%	13.1	0.20	0.0%	4	10
MGA	Magna International	Consumer Discretionary	Auto Parts and Equipment	28.8	91.2%	12.5	0.14	0.0%	5	6
REGN	Regeneron Pharmaceuticals	Health Care	Biotechnology	52.0	42.8%	11.1	0.26	0.0%	4	10
SEM	Select Medical Holdings	Health Care	Health Care Facilities	4.9	23.3%	15.6	0.67	0.0%	5	10
TOL	Toll Brothers	Consumer Discretionary	Homebuilding	7.5	45.7%	11.0	0.24	1.1%	3	9
VSH	Vishay Intertechnology	Information Technology	Electronic Components	3.7	96.4%	14.3	0.15	1.5%	3	8
XEC	Cimarex Energy	Energy	Oil & Gas Exploration/Production	6.2	344.3%	9.5	0.03	1.7%	3	5
XPO	XPO Logistics	Industrials	Air Freight and Logistics	15.1	192.3%	24.8	0.13	0.0%	4	7
			Average:	21.3	91.8%	15.7	0.17	0.4%	4.0	8.5
			Median:	7.5	64.7%	14.3	0.22			

➢ a large/mid/small cap mix of 3/6/4
➢ a value bias with 6 growth versus 7 value stocks
➢ 5 *secular* growth Tech/HC companies balanced with 8 *cyclical* growth Consumer/Industrial/Materials/Energy/Financial names

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

Talking Points Summary

➤ After 6½ years of strong performance from 2009 thru mid-2015 in Sabrient's *Baker's Dozen*, the market became narrow and news-driven leading to **stark divergences in Value vs. Growth factors and Small vs. Large caps** that have been quite harsh on most value and GARP strategies, including ours. Also, narrow leadership meant that a handful of stocks drove **cap-weighted indexes to greatly outperform equal-weight indexes**. Many of the best growth stocks were bid up to such high valuations that they did not score well in our quantitative rankings while most cyclical sectors sold off.

➤ This led Sabrient to develop and implement **process enhancements** to make its portfolios more "all weather" – primarily by adding a new Growth Quality Rank (GQR) to our quant model that rewards a history of earnings consistency & reliability, in addition to attractive forward valuations and earnings quality that the model has long favored – thus allowing for **exposure to both the long-term secular growth trends and the shorter-term cyclical growth opportunities**. (Also, we continue to have the forensic accounting team from subsidiary Gradient Analytics review every candidate for the portfolios.)

➤ Indeed, **Sabrient's newer portfolios since December 2019 have shown significantly improved performance** relative to the benchmark, with *some of them substantially outperforming* during quite a range of evolving market conditions. The only portfolio that is significantly trailing its benchmark (although still strongly positive) is the Q2 2020 *Baker's Dozen*; however, it was constructed during the depths of the pandemic in April 2020 when most companies had little or no forward visibility, which Sabrient's model depends upon.

➤ We expect Value/Growth and Small/Large performance divergences will continue to converge and leadership will broaden such that *active selection, strategic beta, and equal weighting should thrive*. **This should be favorable for growth at a reasonable price (GARP) strategy like Sabrient's**.

➤ Regardless, our new portfolios – including the Q2 2021 *Baker's Dozen* that launched on 4/20/21, Small Cap Growth that launched on 3/15/21, and Sabrient Dividend portfolio that launched on 3/19/21 – **reflect better balance** between cyclical and secular growth and across market caps.

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Resources

Be sure to sign up for:

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

   ➤ 2-pager with details on each pick (e.g., EQR, GQR, forward P/E, EPS growth, forward PEG)

   ➤ Send email request to: **support@Sabrient.com**

2. **Monthly *Sector Detector* newsletter**

   ➤ Market commentary and SectorCast ETF rankings, written by Scott Martindale

   ➤ Go to sign-up box on **Sabrient.com** home page

Also, visit http://BakersDozen.Sabrient.com to find performance information and (on Marketing Materials tab) an updated slide deck and commentary

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