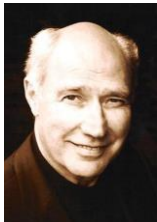# Sabrient®

Portfolio Update and Market Outlook

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

1. *Summary talking points for advisors and investors*
2. *Market observations & outlook*
3. *Company overview and our enhanced selection process*
4. *Performance update*

Updated 5/20/2024

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. The majority (37 of 58) of Sabrient portfolios created since enhancements were implemented in Dec 2019 have outperformed or stayed close to their benchmarks (gross total return), despite often narrow market breadth dominated by the "Magnificent Seven" (MAG7). These portfolios include ***Baker's Dozen*, Dividend, Small Cap Growth, and Forward Looking Value**. In particular, Small Cap Growth has an 80% win rate vs. the Russell 2000 Index.

4. The 2 worst performers were the Q4 2022 and Q1 2023 Baker's Dozens. The primary reason was "sector tilts"—including an overweight in the Energy sector and underweight in Technology relative to the S&P 500 benchmark that didn't pan out. **Fortunately, these 2 are anomalies**.

5. The latest **Q2 2024 Baker's Dozen** launched 4/19/24 with 13 concentrated positions and a bias to small-mid caps (9 of 13) but also a few titans (like NVDA, AMZN, and NFLX). It offers potential "rocket fuel" for outsized gains.

6. The latest **Small Cap Growth 42 launched on 5/1/24.** 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.

7. The latest **Dividend 47 launched on 2/26/24.** It employs a GARP & Income strategy that seeks capital appreciation from quality companies with solid growth history and reliable dividends. It pays a **current yield of 3.7%** and remains in primary market until 5/22. The new **Dividend 48** launches on 5/23/24.

Market Observations & Outlook - 1/2

1. The Fed faces conflicting signals from resurgent inflation, weakening jobs growth, tapped-out consumer, slowing GDP, and strong dollar impact on trading partners. But inflation should resume its fall as supply chain pressures and energy prices are subdued, money supply growth is stagnant, wage growth falls, and lag effects of QT dampen commerce. Services prices reset in Q1 and 6-mo lag in shelter cost are main inflation drivers, but real-time rents are falling. Notably, real-time, blockchain-based "Truflation" metric shows inflation at +2.2%, and studies that adjust CPI for real-time rents reflect similar view. Core PCE below 2.5% may arrive in Q3.

2. The Fed seems to want to cut rates and weaken the US dollar to avert a global currency crisis and to relieve the burden on highly indebted federal government, consumers, businesses, and the global economy — as well as address the mirage of strong jobs growth (which has been propped up by government hiring and big spending bills). A terminal fed funds rate of 3.0-3.5% would be appropriate to relieve borrowers while providing a solid *real* yield to savers.

3. High valuations on major indexes are 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 26.4x and SPY is 21.0x, but equal-weight S&P 500 (RSP) is 16.9x and S&P 600 small caps (SPSM) is just 14.5x, as of 5/17. Notably, other than semiconductors, top performing market segments YTD include bitcoin, gold, energy, and utilities.

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4. The April market correction was shallower than expected and still might have more to go. Although large-cap leadership should continue going forward, a continued broadening of market leadership into small caps, value, quality, high dividend, and equal-weight bodes well for market health. And with several trillions of dollars still sitting defensively in money market funds, we are nowhere near "irrational exuberance" despite somewhat elevated valuations and the ongoing buzz around Gen AI. Stocks should be higher by year end, particularly after a Q3 Fed policy pivot.

5. At the core of any equity portfolio should be US large cap exposure. But despite strong earnings momentum of the mega-cap Tech darlings (largely driven by cost-cutting and robust share buyback programs), there may be better investment opportunities across large, mid, and small caps, and among sectors like energy, staples, industrials, transports, homebuilders, financials, and REITs.

6. Rather than the passive indexes, investors may be better served by active stock selection that seeks to identify under-the-radar and undervalued gems primed for explosive growth. This should be **favorable for Sabrient's portfolios**, which provide exposure to Value, Quality, Growth, and Size factors and to both secular and cyclical growth trends.

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

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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

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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).

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Sabrient Portfolios: leveraging the "quantamental" approach

➢ **Q2 2024 Baker's Dozen** (13 stocks) launched 4/19/24

⇒ *Offers alpha-seeking opportunity thru a concentrated all-cap portfolio that balances value/cyclical growth with high-quality secular growers*

➢ **Small Cap Growth 42** (48 stocks) launched 5/1/24

⇒ *Offers alpha-seeking alternative to Russell 2000 for small cap exposure*

⇒ *Poised to benefit from improved market breadth and shift to small-mid caps*

➢ **Dividend 47** (50 stocks) launched 2/26/24

⇒ *High-quality GARP + Income portfolio; Current Yield of 3.7% (as of 5/17/24)*

⇒ *The new Dividend 48 will launch on 5/23/24*

➢ **Forward Looking Value 11** (annual, 34 stocks) launched 7/24/23

⇒ *Less concentrated and more value-biased version of the Baker's Dozen*

Latest Q2 2024 *Baker's Dozen* Portfolio – statistics upon launch

Launch date: 4/19/2024

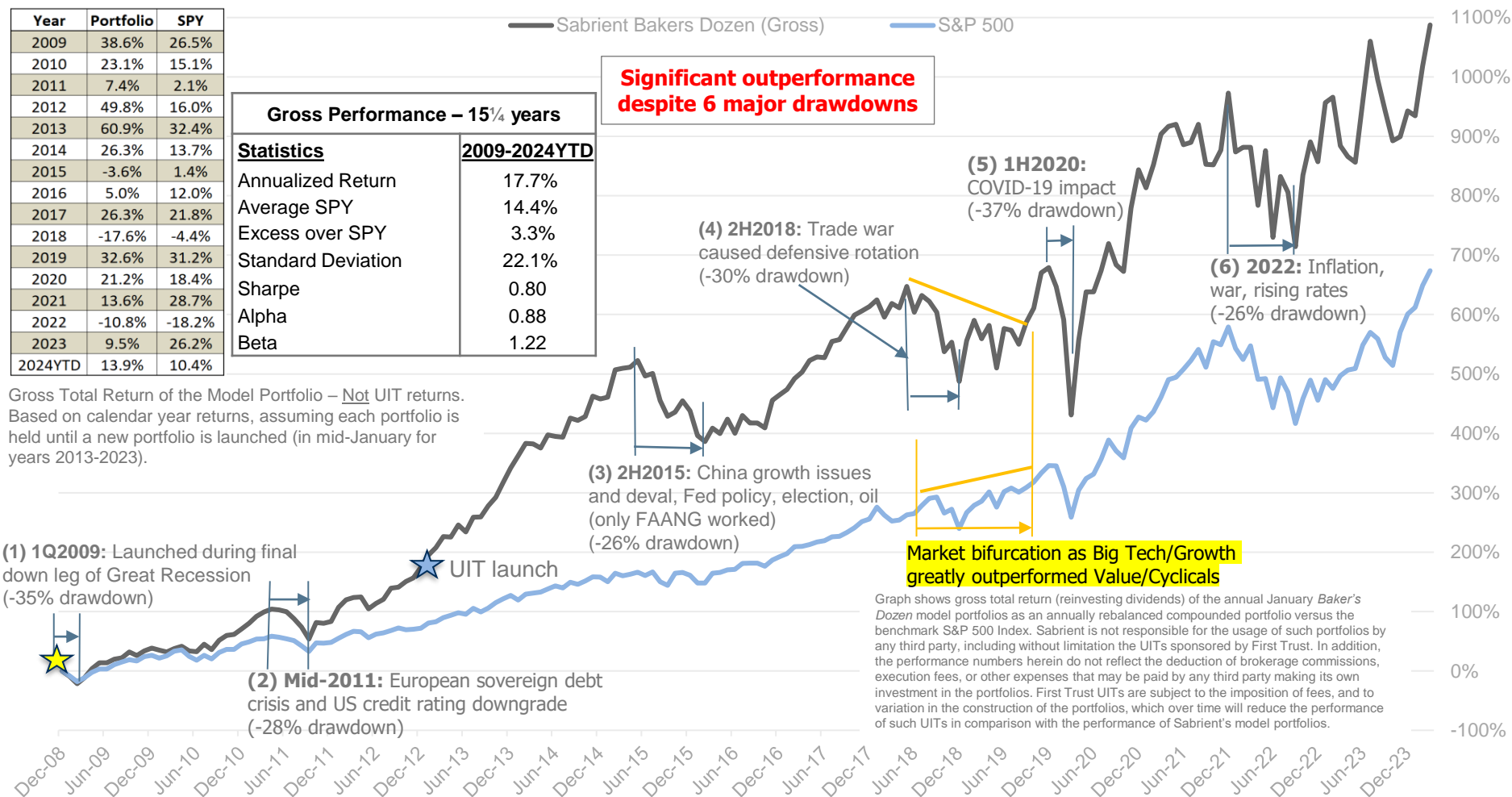| Ticker	Company Name	Sector	Industry	Mkt Cap ($B)	NTM EPS Growth	Fwd PE	Fwd PEG	Div Yield	EQR	GQR
AMZN	Amazon.com	Consumer Discretionary	Broadline Retail	1,863.9	45.0%	42.6	0.95	0.0%	5	10
CE	Celanese	Materials	Specialty Chemicals	17.2	27.5%	13.6	0.49	1.8%	4	8
GM	General Motors	Consumer Discretionary	Automobile Manufacturers	49.0	18.7%	4.7	0.25	1.1%	3	9
HMN	Horace Mann Educators	Financials	Multi-line Insurance	1.4	98.9%	11.1	0.11	3.9%	4	8
JAMF	Jamf Holding	Information Technology	Application Software	2.4	76.3%	33.9	0.44	0.0%	4	5
NE	Noble Corporation	Energy	Oil & Gas Drilling	6.4	72.8%	14.3	0.20	3.5%	4	7
NFLX	Netflix	Communication Services	Movies & Entertainment	264.5	45.6%	35.0	0.77	0.0%	5	10
NVDA	NVIDIA	Information Technology	Semiconductors	2,083.9	90.5%	34.3	0.38	0.0%	3	10
PPC	Pilgrim's Pride	Consumer Staples	Packaged Foods and Meats	8.4	84.4%	11.4	0.14	0.0%	5	7
RPD	Rapid7	Information Technology	Systems Software	2.7	38.8%	20.4	0.53	0.0%	5	10
SQSP	Squarespace	Information Technology	Internet Services and Infrastructure	4.7	62.9%	29.3	0.47	0.0%	5	8
USFD	US Foods Holding	Consumer Staples	Food Distributors	12.3	18.5%	16.0	0.87	0.0%	4	8
WRB	W. R. Berkley	Financials	Property & Casualty Insurance	20.8	20.8%	13.6	0.65	0.5%	5	10
			Average:	333.7	53.9%	21.5	0.40	0.8%	4.3	8.5

Notes:

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

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

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

(1/1/2009 inception thru 3/31/2024, end-of-month data points, updated quarterly)

Year	Portfolio	SPY
2009	38.6%	26.5%
2010	23.1%	15.1%
2011	7.4%	2.1%
2012	49.8%	16.0%
2013	60.9%	32.4%
2014	26.3%	13.7%
2015	-3.6%	1.4%
2016	5.0%	12.0%
2017	26.3%	21.8%
2018	-17.6%	-4.4%
2019	32.6%	31.2%
2020	21.2%	18.4%
2021	13.6%	28.7%
2022	-10.8%	-18.2%
2023	9.5%	26.2%
2024YTD	13.9%	10.4%

Gross Total Return of the Model Portfolio – Not UIT returns.
Based on calendar year returns, assuming each portfolio is
held until a new portfolio is launched (in mid-January for
years 2013-2023).

Gross Performance – 15¼ years	
Statistics	**2009-2024YTD**
Annualized Return	17.7%
Average SPY	14.4%
Excess over SPY	3.3%
Standard Deviation	22.1%
Sharpe	0.80
Alpha	0.88
Beta	1.22

Significant outperformance despite 6 major drawdowns

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

(4) 2H2018: Trade war caused defensive rotation (-30% drawdown)

(6) 2022: Inflation, war, rising rates (-26% drawdown)

(3) 2H2015: China growth issues and deval, Fed policy, election, oil (only FAANG worked) (-26% drawdown)

Market bifurcation as Big Tech/Growth greatly outperformed Value/Cyclicals

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

UIT launch

(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.

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Performance of live and recently terminated portfolios – as of 5/17/24

Baker's Dozen & FLV - Gross return thru: 5/17/2024

Portfolio	Launch	Close	Gross Return (FTP website)	SPY Return	Active Return
Q4 2021 BD	10/20/21	1/20/23	9.1%	-10.8%	19.9%
Q1 2022 BD	1/20/22	4/20/23	4.5%	-6.0%	10.5%
Q2 2022 BD	4/20/22	7/20/23	28.3%	3.8%	24.5%
Q3 2022 BD	7/20/22	10/20/23	15.8%	8.8%	7.0%
FLV 10	7/15/22	10/24/23	24.0%	12.2%	11.8%
Q4 2022 BD	10/20/22	1/22/24	-5.3%	34.9%	-40.2%
Q1 2023 BD	1/20/23	4/22/24	1.0%	28.5%	-27.6%
Q2 2023 BD	4/20/23		40.9%	30.4%	10.4%
Q3 2023 BD	7/20/23		20.8%	18.3%	2.5%
FLV 11	7/24/23		13.4%	17.8%	-4.4%
Q4 2023 BD	10/20/23		21.3%	26.6%	-5.3%
Q1 2024 BD	1/19/24		13.3%	10.1%	3.2%
Q2 2024 BD	4/19/24		4.1%	6.9%	-2.8%

Sabrient Dividend - Gross return thru: 5/17/2024

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	3/18/24	5.0%	0.4%	4.6%
Div 40	6/15/22		25.1%	12.4%	12.7%
Div 41	9/12/22		8.3%	7.3%	1.0%
Div 42	12/9/22		7.4%	10.4%	-3.0%
Div 43	3/8/23		14.1%	11.0%	3.1%
Div 44	6/5/23		21.2%	20.3%	0.9%
Div 45	9/1/23		10.6%	14.7%	-4.1%
Div 46	11/29/23		13.1%	16.5%	-3.4%
Div 47	2/26/24		7.1%	9.2%	-2.1%

Small Cap Growth - Gross return thru: 5/17/2024

Portfolio	Launch	Close	Gross Return	IWM Return	Active
SCG 32	12/6/21	3/6/23	3.5%	-12.3%	15.8%
SCG 33	3/4/22	6/5/23	0.4%	-8.0%	8.3%
SCG 34	6/1/22	9/1/23	12.4%	5.5%	6.9%
SCG 35	8/29/22	11/29/23	5.0%	-2.4%	7.4%
SCG 36	11/14/22	2/14/24	2.8%	9.9%	-7.0%
SCG 37	2/10/23	5/10/24	3.5%	9.2%	-5.8%
SCG 38	5/8/23		31.3%	21.2%	10.1%
SCG 39	8/7/23		5.5%	8.3%	-2.8%
SCG 40	11/3/23		23.0%	20.0%	3.0%
SCG 41	2/1/24		10.1%	6.7%	3.4%
SCG 42	5/1/24		NEW!		

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.]

37 of the 58 (64%) of the portfolios created since enhancements were implemented in Dec 2019 have outperformed or stayed close to their benchmarks. In particular, Small Cap Growth has an 80% win rate vs. the Russell 2000 Index (IWM).

Worst performers were the recent Q4 2022 and Q1 2023 Baker's Dozen portfolios, which significantly underperformed by the S&P 500 mostly due to extreme sector "tilts" away from the benchmark allocations that didn't pan out (*overweight* in Energy and *underweight* in Technology),

Notably, the **Dividend portfolio** is not purely yield-focused. Instead, it is a GARP+Income strategy that seeks *quality* stocks and a solid yield in the 4% range. (**Dividend 47 has a current yield of 3.7%.**)

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

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

Launch date (4/20/23) through current (5/17/24)

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	166.3%	57.9	88.6	49.1%	100.0%
COOP	Mr. Cooper Group Inc.	Financials	91.2%	8.8	8.3	113.3%	231.2%
URI	United Rentals, Inc.	Industrials	82.6%	9.1	15.4	28.0%	20.7%
ZS	Zscaler, Inc.	Information Technology	78.0%	58.5	62.8	62.9%	136.1%
DAL	Delta Air Lines, Inc.	Industrials	52.1%	5.9	8.4	31.1%	37.6%
PGR	The Progressive Corporation	Financials	51.2%	20.5	18.9	93.3%	164.9%
BKNG	Booking Holdings Inc.	Consumer Discretionary	39.4%	20.4	20.8	30.0%	49.7%
EVBG	Everbridge, Inc.	Information Technology	14.8%	21.2	19.1	119.5%	52.0%
HAL	Halliburton Company	Energy	11.9%	11.3	10.8	39.2%	25.7%
NEX/PTEN	NexTier Oilfield / Patterson Energy	Energy	6.5%				
EG	Everest Group, Ltd.	Financials	4.6%	8.0	6.2	72.5%	152.8%
EXTR	Extreme Networks, Inc.	Information Technology	-26.2%	13.0	18.8	48.9%	-19.8%
ALB	Albemarle Corporation	Materials	-32.1%	7.5	30.2	23.0%	-59.3%
		Average =	**+40.9%**	20.2	25.7	59.2%	74.3%
SPY	SPDR S&P 500 ETF Trust		30.4%				
RSP	Invesco S&P 500 Equal Weight		17.9%				
MDY	SPDR S&P MidCap 400 ETF Trust		22.4%				
IWM	iShares Russell 2000 ETF		19.0%				

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

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

Overall, the portfolio has significantly 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 +10.5 pps (gross total return).

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Q3 2023 *Baker's Dozen* Model Portfolio

Launch date (7/20/23) through current (5/17/24)

Q3 2023 Baker's Dozen Portfolio

Ticker	Company Name	Sector	Return	Fwd P/E at Launch	Current Fwd P/E	Est. NTM EPS Growth at Launch	Actual EPS Growth
NVDA	NVIDIA Corporation	Information Technology	103.2%	51.1	36.7	201.2%	470.6%
WFRD	Weatherford International plc	Energy	67.3%	16.2	16.0	261.3%	393.5%
PSTG	Pure Storage, Inc.	Information Technology	57.1%	25.2	38.1	23.6%	25.4%
COOP	Mr. Cooper Group Inc.	Financials	54.7%	9.1	8.3	133.5%	231.2%
BKNG	Booking Holdings Inc.	Consumer Discretionary	27.1%	20.9	20.8	28.9%	49.7%
MET	MetLife, Inc.	Financials	21.8%	7.3	8.2	31.5%	20.5%
CSTM	Constellium SE	Materials	17.1%	10.1	9.6	53.2%	-12.6%
EVBG	Everbridge, Inc.	Information Technology	13.5%	20.1	19.1	68.6%	52.0%
DAL	Delta Air Lines, Inc.	Industrials	8.2%	6.6	8.4	23.5%	3.6%
EG	Everest Group, Ltd.	Financials	7.6%	7.5	6.2	70.7%	152.8%
CHX	ChampionX Corporation	Energy	0.3%	17.0	16.3	44.0%	31.4%
PCRX	Pacira BioSciences, Inc.	Health Care	-18.5%	10.0	10.3	48.9%	21.4%
EXTR	Extreme Networks, Inc.	Information Technology	-57.5%	19.9	18.8	53.0%	-19.8%
		Average =	**+20.8%**	**17.0**	**16.7**	**80.1%**	**109.2%**
SPY	SPDR S&P 500 ETF Trust		18.3%				
RSP	Invesco S&P 500 Equal Weight		10.6%				
MDY	SPDR S&P MidCap 400 ETF Trust		12.5%				
IWM	iShares Russell 2000 ETF		7.8%				

This portfolio has benefited from holding MAG7 AI-darling NVDA plus a few other big winners from oil & gas services, mortgage servicing, and data storage. Laggards include a networking communications firm, a biotech, and an oil & gas services firm.

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

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 +2.5 pps (gross total return).

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

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Q4 2023 *Baker's Dozen* Model Portfolio

Launch date (10/20/23) through current (5/17/24)

	Q4 2023 Baker's Dozen Portfolio				Fwd P/E at Launch	Current Fwd P/E	Est. NTM EPS Growth at Launch	Actual EPS Growth
Ticker	Company Name	Sector	Return					
NVDA	NVIDIA Corporation	Information Technology	123.4%		28.1	36.7	185.6%	295.3%
COOP	Mr. Cooper Group Inc.	Financials	58.1%		7.1	8.3	86.1%	128.2%
NFLX	Netflix, Inc.	Communication Services	54.9%		26.7	32.3	50.3%	68.5%
META	Meta Platforms, Inc.	Communication Services	52.9%		19.5	23.2	86.7%	122.5%
TRV	The Travelers Companies, Inc.	Financials	36.0%		9.9	11.4	74.2%	98.9%
WFRD	Weatherford International plc	Energy	33.2%		18.6	16.0	101.1%	172.0%
DTE	DTE Energy Company	Utilities	20.6%		14.1	16.8	31.6%	19.6%
CHX	ChampionX Corporation	Energy	2.2%		16.5	16.3	28.7%	13.3%
EXEL	Exelixis, Inc.	Health Care	-0.9%		18.5	13.2	50.3%	28.7%
VC	Visteon Corporation	Consumer Discretionary	-9.9%		15.0	12.9	58.3%	257.6%
ALKS	Alkermes plc	Health Care	-10.6%		15.0	9.0	148.4%	177.2%
RPD	Rapid7, Inc.	Information Technology	-23.4%		29.8	17.5	106.8%	175.4%
EXTR	Extreme Networks, Inc.	Information Technology	-44.1%		13.7	18.8	42.0%	-51.7%
		Average =	+21.3%		17.9	17.9	80.8%	115.8%
SPY	SPDR S&P 500 ETF Trust		26.6%					
RSP	Invesco S&P 500 Equal Weight		23.6%					
MDY	SPDR S&P MidCap 400 ETF Trust		26.9%					
IWM	iShares Russell 2000 ETF		25.8%					

This portfolio so far is enjoying several big winners, including 3 of the mega-cap market darlings (NVDA, META, NFLX) that are its top performers, easily offsetting a few losers. Other top performers include a mortgage servicer and an insurance firm. Laggards include a networking communications firm, an auto parts company, and a cloud cybersecurity provider.

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

So far, although up nicely, the portfolio is slightly underperforming its relevant large cap, mid-cap, and small-cap benchmarks (including both cap-weight and equal-weight).

It is *trailing* the S&P 500 by -5.3% pps (gross total return).

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Q1 2024 *Baker's Dozen* Model Portfolio

Launch date (1/19/24) through current (5/17/24)

Q1 2024 Baker's Dozen Portfolio

Ticker	Company Name	Sector	Return	Fwd P/E at Launch	Current Fwd P/E	Est. NTM EPS Growth at Launch	Actual EPS Growth
APP	AppLovin Corporation	Information Technology	100.5%	10.8	19.8	114.0%	142.2%
NVDA	NVIDIA Corporation	Information Technology	55.5%	30.4	37.6	125.0%	168.0%
NFLX	Netflix, Inc.	Communication Services	28.6%	31.9	32.3	51.0%	68.5%
PGR	The Progressive Corporation	Financials	23.0%	20.5	18.9	76.5%	148.9%
AMZN	Amazon.com, Inc.	Consumer Discretionary	18.9%	46.6	39.2	72.7%	113.8%
RCL	Royal Caribbean Cruises Ltd.	Consumer Discretionary	11.7%	14.3	12.7	105.1%	142.3%
NE	Noble Corporation plc	Energy	10.3%	12.7	12.1	85.3%	24.2%
WRB	W. R. Berkley Corporation	Financials	5.4%	13.4	13.2	20.9%	26.1%
TMUS	T-Mobile US, Inc.	Communication Services	-0.3%	18.0	17.0	24.2%	16.1%
VC	Visteon Corporation	Consumer Discretionary	-1.9%	13.7	12.9	39.7%	209.9%
PVH	PVH Corp.	Consumer Discretionary	-5.5%	10.2	10.3	25.9%	19.5%
ALKS	Alkermes plc	Health Care	-13.4%	12.0	9.0	72.9%	57.9%
OTEX	Open Text Corporation	Information Technology	-25.5%	8.6	8.4	35.3%	12.7%
		Average =	+13.3%	18.7	18.7	65.3%	88.5%
SPY	SPDR S&P 500 ETF Trust		10.1%				
RSP	Invesco S&P 500 Equal Weight		8.3%				
MDY	SPDR S&P MidCap 400 ETF Trust		10.5%				
IWM	iShares Russell 2000 ETF		8.4%				

This portfolio so far has been led by several solid winners from marketing software, semiconductors, comm services (entertainment), and insurance, including mega-cap darlings NVDA and NFLX, offsetting laggards from information management software, biopharma, retail apparel manufacturing, and auto parts.

So far, the portfolio is outperforming 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 +3.2 pps (gross total return).

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Q2 2024 *Baker's Dozen* Model Portfolio

Launch date (4/19/24) through current (5/17/24)

Q2 2024 Baker's Dozen Portfolio

Ticker	Company Name	Sector	Return	Fwd P/E at Launch	Current Fwd P/E	Est. NTM EPS Growth at Launch	Actual EPS Growth
SQSP	Squarespace, Inc.	Information Technology	27.0%	29.3	36.7	62.9%	67.4%
NVDA	NVIDIA Corporation	Information Technology	21.4%	34.3	37.4	90.5%	94.4%
NFLX	Netflix, Inc.	Communication Services	11.9%	34.9	32.6	45.6%	54.1%
USFD	US Foods Holding Corp.	Consumer Staples	10.2%	16.0	17.0	18.5%	17.9%
GM	General Motors Company	Consumer Discretionary	8.0%	4.7	4.8	18.7%	25.6%
AMZN	Amazon.com, Inc.	Consumer Discretionary	5.8%	43.3	38.9	42.8%	53.6%
PPC	Pilgrim's Pride Corporation	Consumer Staples	4.4%	11.4	11.0	84.4%	112.0%
NE	Noble Corporation plc	Energy	3.4%	14.3	12.2	72.8%	68.4%
CE	Celanese Corporation	Materials	2.3%	13.6	12.5	27.6%	28.3%
JAMF	Jamf Holding Corp.	Information Technology	-3.2%	33.9	28.3	76.3%	88.2%
WRB	W. R. Berkley Corporation	Financials	-3.8%	13.6	13.1	20.8%	20.8%
HMN	Horace Mann Educators Corporation	Financials	-4.2%	11.1	10.0	98.9%	92.7%
RPD	Rapid7, Inc.	Information Technology	-14.0%	20.4	17.7	38.8%	38.5%
		Average =	**+4.1%**	**21.6**	**20.9**	**53.7%**	**58.6%**
SPY	SPDR S&P 500 ETF Trust		6.9%				
RSP	Invesco S&P 500 Equal Weight		5.1%				
MDY	SPDR S&P MidCap 400 ETF Trust		6.4%				
IWM	iShares Russell 2000 ETF		7.7%				

This new portfolio so far has been led by several solid winners which offset a few modest losers. Top performers are from software infrastructure (SQSP, which just announced it will be taken private), semiconductors, comm services (entertainment), and staples (food). Laggards include firms from cybersecurity infrastructure, software for Apple devices, and insurance.

So far, after one month, this 15-month portfolio is slightly *trailing* the S&P 500 by -2.8 pps (gross total return).

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SectorCast Rankings and Top-ranked ETFs

Sabrient SectorCast ETF Rankings
(as of 5/20/2024)

Dow Jones U.S. Sector Index	Tracking ETF	Outlook Score
TECHNOLOGY	IYW	98
CONSUMER STAPLES	IYK	60
HEALTHCARE	IYH	53
ENERGY	IYE	52
CONSUMER DISCRETIONARY	IYC	46
INDUSTRIALS	IYJ	46
FINANCIALS	IYF	40
UTILITIES	IDU	34
TELECOMMUNICATIONS	IYZ	15
BASIC MATERIALS	IYM	9

Sector rankings reflect a neutral bias, as cyclicals and defensive sectors are mixed throughout. Although topped by Technology defensive Consumer Staples and Healthcare are the next highest, followed by Energy (which benefits when energy prices rise, which increases inflation). Despite a high forward P/E (28.1x), Technology continues to remain firmly on top, with rising EPS growth estimates (now +18.5%), positive analyst earnings revisions, the highest return ratios, and strong insider sentiment (open market buying).

Top Ranked Nonleveraged Equity ETFs
(as of 5/20/2024)

Fund Name	Tracking ETF	Outlook Score
Global X MLP	MLPA	100
Invesco Next Gen Media and Gaming	GGME	100
BNY Mellon Innovators	BKIV	100
Innovator IBD Breakout Opportunities	BOUT	99
Global X Social Media	SOCL	99
AdvisorShares Gerber Kawasaki	GK	99
CastleArk Large Growth	CARK	99
iShares US Technology	IYW	98
First Trust Multi-Manager Large Growth	MMLG	98
First Trust Active Factor Small Cap	AFSM	97
Invesco Dorsey Wright Consumer Cyclicals Momentum	PEZ	97
ERShares Entrepreneurs	ENTR	97
Fidelity Disruptive Communications	FDCF	97
PGIM Jennison Better Future	PJBF	97
Invesco Building & Construction	PKB	96
Invesco S&P 500 Pure Growth	RPG	96
Nuveen Growth Opportunities	NUGO	96
WealthTrust DBS Long Term Growth	WLTG	96
AdvisorShares Vice	VICE	95
iShares Expanded Tech Sector	IGM	95
WisdomTree US Quality Growth	QGRW	95

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As supply chain pressures remain subdued, inflation should fall

The Fed faces conflicting signals from resurgent inflation metrics, weakening jobs growth (reliant on government hiring and spending), a tapped-out consumer, modest GDP growth, and the impact of a strong dollar on our trading partners' currencies and global economic stability.

CPI/PPI %

Global Supply Chain Presure Index vs. CPI and PPI

GSCPI

— CPI   — PPI   — GSCPI

1. GSCPI tends to presage PPI, which presages CPI (e.g., the 1-2-3 peak sequence shown).
2. GSCPI peaked in Dec 2021, followed by a peak in PPI, and then CPI followed.
3. Month-to-month inflation volatility is normal.
4. Averages for CPI and PPI over 13-yr timeframe are both around 2.6%.
5. CPI and PPI may soon converge around the +2.5% level or lower, perhaps during Q3 2024.

	January 2024:	February 2024:	March 2024:	April 2024:
GSCPI	= −0.25	= −0.13	= −0.30	= −0.85
PPI	= +1.0%	= +1.6%	= +2.1%	= +2.2%
CPI	= +3.1%	= +3.2%	= +3.5%	= +3.4%

Pandemic lockdowns supply chain shock

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

GSCPI peaked in Dec 2021 (at an all-time high of +4.31), 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 have been consolidating. But GSCPI is falling once again, so inflation likely will continue to slide toward the Fed's 2% target, particularly as shelter costs (which have a 6-month lag in the calculation) manifest in the data. Also, the demand side remains constrained by stagnant money supply, elevated interest rates, and slowing wage growth.

Long-term averages for both CPI and PPI are 2.6%. Current real-time blockchain-based "Truflation," which historically leads CPI by several months, is 2.49%.

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Resources

1. **Latest Baker's Dozen slide deck and holdings report**

    ➢ Go to: bakersdozen.sabrient.com/bakers-dozen-marketing-materials

2. **Sector Detector newsletter/blog post**

    ➢ Go to sign-up box at: sabrient.com home page => Please email me your comments!

3. **Quarterly Baker's Dozen mailing list**

    ➢ Send email request to: support@Sabrient.com

4. **Scorecards for Stocks and ETFs** (screening/ranking tool)

    ➢ Go to: sabrientsystems.com/sabrient-smartsheets => I'd love to hear your feedback!

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Proposal: QES Quality Index Series (for ETF licensing)

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

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

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

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

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

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