



Sabrient leverages a unique collaboration of engineers and forensic accountants and a process-driven methodology to build robust quantitative models and produce actionable equity research, 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. Market observations***
- 2. Description of Sabrient's enhanced selection process***
- 3. Performance update***
- 4. Overview of new Q4 2023 Baker's Dozen and FLV portfolios***
- 5. Market outlook***

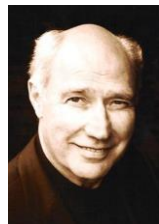
Updated 10/20/2023



Scott Martindale
President & CEO



Brent Miller, CFA
President of Gradient



David Brown
Founder & Chief Market Strategist

Sabrient Systems LLC
Quantitative equity research, rankings, strategies

Gradient Analytics LLC
Fundamental forensic accounting research

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.

Summary Talking Points

1. Sabrient leverages a unique collaboration of engineers and forensic accountants, quantitative models, and a process-driven “*quantamental*” methodology (quantitative screen plus fundamental review & selection).
2. 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. **23 out of 29** live and recently terminated portfolios have outperformed or stayed within 1% of their benchmarks. These include all *Baker’s Dozen*, Dividend, Small Cap Growth, and Forward Looking Value portfolios. *Q2 2022 Baker’s Dozen* terminated on 7/20 with a gross total return of **+28.3% vs. +3.8%** for S&P 500 (SPY). As of 10/19, the newly terminated *Q3 2022 Baker’s Dozen* is up **+17.6% vs. +10.2%** for SPY, and *Forward Looking Value 10* is up **+26.5% vs. +12.9%** for SPY.
4. The new **Q4 2023 Baker’s Dozen just launched on 10/20**. It holds 13 concentrated positions, a small-mid bias relative to the SPY benchmark, and a growth bias, which together offer the potential “rocket fuel” for outsized gains.
5. **Forward Looking Value 11** holds 34 stocks selected similarly to the Baker’s Dozen but with a greater value bias. Some investors prefer its greater diversification while still leveraging the Baker’s Dozen selection approach. **Primary market for FLV 11 ends on 11/4.**
6. **Dividend 45** 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 5.7% (as of 10/19).
7. **Small Cap Growth 39** 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.
8. Core inflation remains in a downtrend as supply chains firm up, money supply growth stagnates, interest rates rise, and wage growth slows. So, the Fed should end its rate hikes. Once the 2-year Treasury yield falls back below 5%, the economy and stocks should be fine.
9. Elevated valuations on major indexes primarily driven by Big Tech titans, i.e., the AI-oriented “Magnificent Seven” (MAG7). Minus those stocks, valuations across the broader market are much more reasonable. Forward P/E on SPY is 18.4x but equal-weight RSP is only 14.6x.
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.

Company Overview

- **Sabrient Systems LLC** – founded in 2000 in Santa Barbara, CA
 - Quantitative fundamentals-based multifactor models
 - Diverse team of engineers/analysts/programmers, led by former **NASA** engineer (Apollo 11 moon landing) David Brown and former **Chevron** engineer Scott Martindale
 - Numbers-driven; Bottom-up rather than top-down
 - In 2009, introduced *quantamental* GARP approach for *Baker's Dozen* annual portfolio (13 top picks)

- **Gradient Analytics LLC** – founded in 1996 in Phoenix, AZ and acquired by Sabrient in 2011
 - Fundamental forensic accounting analysis (earnings quality)
 - Team of finance & accounting analysts, led by Brent Miller, CFA
 - Together we built proprietary **Earnings Quality Rank (EQR)**

- Combined team leverages a unique **collaboration of engineers and forensic accountants**:
 - Engineers bring process-driven methodology and scientific hypothesis-testing approach
 - Forensic accountants bring unique insights into financial statement analysis
 - Together we offer quantitative and fundamental equity research, datasets, rankings, tools, strategies
=> *including portfolios for UITs, indexes for ETFs and TAMPs, and insightful market commentaries*

“Quantamental” approach with a forensic accounting overlay

1. **Quantitative screen** to narrow large eligible universe (50-100 names)

Forward P/E, Forward EPS growth, recent dynamics of analyst consensus estimates, Earnings Quality Rank (EQR), and Growth Quality Rank (GQR)

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

Still mainly numbers-driven, but not algorithmic

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

Earnings quality, aggressive practices, insider selling, governance

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

Manual process, adhering to sector concentration limits

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

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

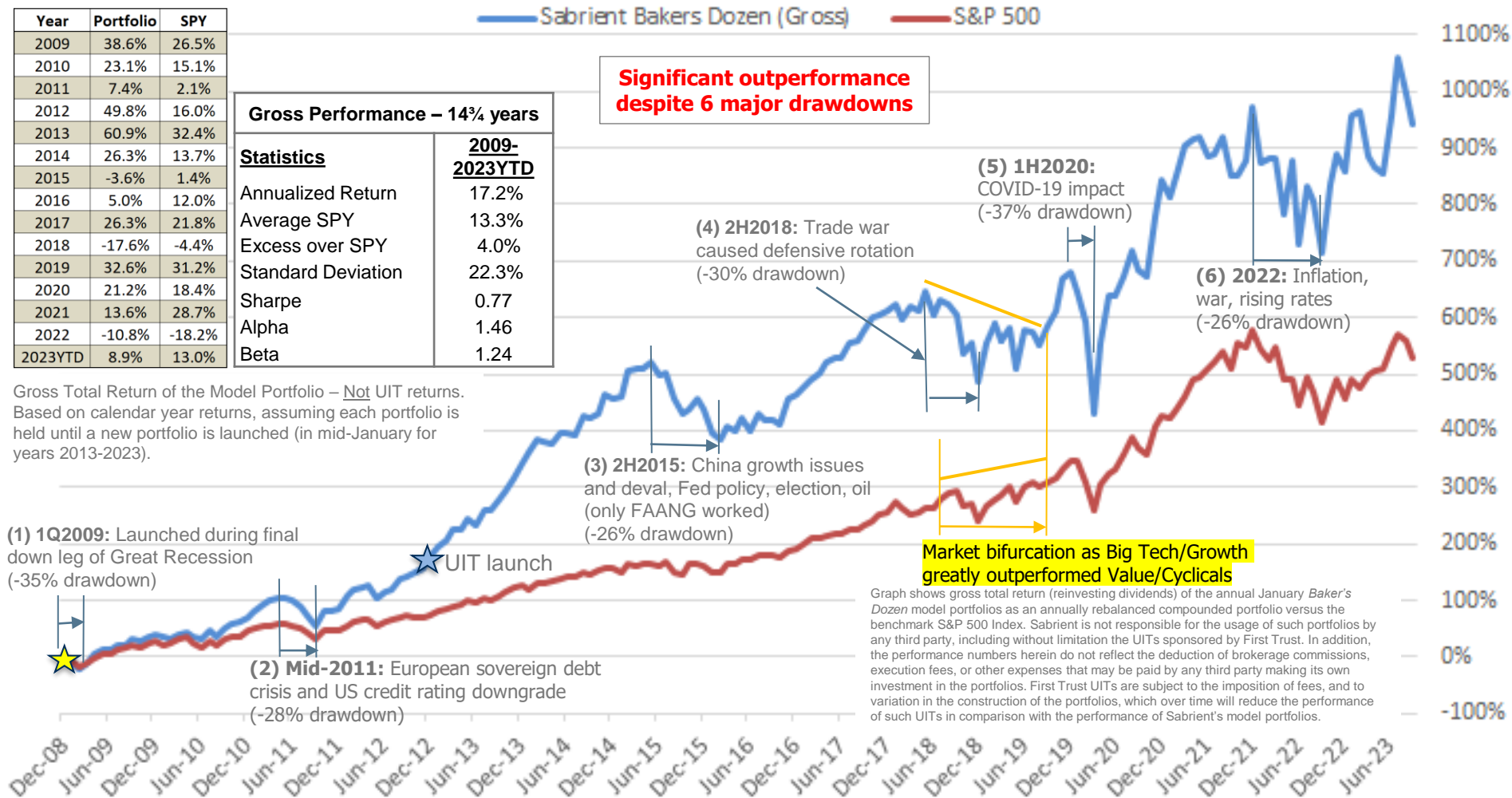
Note: This applies to Baker's Dozen selection, but we employ a similar approach for all portfolios (adjusted for appropriate universe or investment mandate).

Sabrient Portfolios: leveraging the “quantamental” approach

- **Q4 2023 Baker’s Dozen** (13 stocks) launched on 10/20
 - ⇒ *Offers alpha-seeking opportunity thru a concentrated all-cap GARP portfolio that balances value/cyclical growth with high-quality secular growers*
- **Forward Looking Value 11** (34 stocks) launched on 7/24
 - ⇒ *Less concentrated and more value-biased version of the Baker’s Dozen*
- **Small Cap Growth 39** (50 stocks) launched on 8/7
 - ⇒ *Offers alpha-seeking alternative to Russell 2000 for small cap exposure*
- **Dividend 45** (44 stocks) launched on 9/1
 - ⇒ *High-quality GARP + Income portfolio; Current Yield of 5.7% (as of 10/19)*

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

(1/1/2009 inception thru 9/30/2023, end-of-month data points, updated quarterly)



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

Performance of live and recently terminated portfolios – as of 10/19/2023

Baker's Dozen & FLV - Gross return thru: 10/19/2023

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	10/19/23	17.6%	10.2%	7.4%
FLV 10	7/15/22		26.5%	12.9%	13.5%
Q4 2022 BD	10/20/22		-3.4%	18.5%	-21.9%
Q1 2023 BD	1/20/23		-4.9%	8.9%	-13.8%
Q2 2023 BD	4/20/23		14.2%	4.3%	9.9%
Q3 2023 BD	7/20/23		-8.8%	-5.4%	-3.4%
FLV 11	7/24/23		-7.7%	-5.8%	-1.9%
Q4 2023 BD	10/20/23		NEW!		

Sabrient Dividend - Gross return thru: 10/19/2023

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		8.6%	-7.7%	16.3%
Div 39	3/18/22		-7.2%	-14.2%	7.0%
Div 40	6/15/22		-1.8%	-9.1%	7.3%
Div 41	9/12/22		-7.8%	-13.3%	5.5%
Div 42	12/9/22		-5.7%	-10.8%	5.1%
Div 43	3/8/23		-6.2%	-10.3%	4.1%
Div 44	6/5/23		1.2%	-2.8%	3.9%
Div 45	9/1/23		-7.3%	-7.3%	0.0%

Small Cap Growth - Gross return thru: 10/19/2023

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		2.8%	-8.0%	10.8%
SCG 36	11/14/22		-5.0%	-7.3%	2.3%
SCG 37	2/10/23		-13.5%	-10.4%	-3.1%
SCG 38	5/8/23		7.1%	-2.4%	9.5%
SCG 39	8/7/23		-13.6%	-12.8%	-0.8%

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.

This appears to have **boosted relative performance versus benchmarks** while striving for consistent “all-weather” performance...and the potential for significant outperformance.

The **table** shows gross total returns (without transactional sales charge, as displayed on the ftpportfolios.com website) versus a relevant benchmark for all the **currently live portfolios** (plus those that recently terminated in 2023).

23 of the 29 live or recently terminated portfolios have outperformed (using SPYD as the appropriate Dividend benchmark), despite turbulent market conditions and narrow MAG7 leadership.

Note that the Baker's Dozen portfolios that launched in Q4 and Q1 are lagging because they hold overweights in Energy and Financials, which pulled back significantly in Q1 due to the banking crisis and sudden fears of a severe recession.

Notably, the **Dividend portfolio** is not purely yield-focused. Instead, it is a GARP+Income strategy that seeks *quality* stocks and a solid yield of 4-5% (**Dividend 45 has a current yield of 5.7%**). Although our more recent Dividend portfolios are lagging the mega-cap-dominated S&P 500, *they are performing in line with or better than most dividend-oriented benchmarks, like the S&P 500 High Dividend ETF (SPYD), as shown.*

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

Q2 2022 Baker's Dozen Model Portfolio – terminated 7/20

Launch date (4/20/2022) through termination (7/20/2023)

Q2 2022 Baker's Dozen Portfolio				Est. NTM EPS			
Ticker	Company Name	Sector	Return	Fwd P/E at Launch	Current Fwd P/E	Growth at Launch	Actual EPS Growth
ACLS	Axcelis Technologies, Inc.	Information Technology	203.5%	13.9	25.7	44.6%	56.2%
SAIA	Saia, Inc.	Industrials	93.1%	16.6	32.3	32.9%	21.3%
PHM	PulteGroup, Inc.	Consumer Discretionary	79.3%	4.2	8.7	41.4%	44.7%
ON	ON Semiconductor Corporation	Information Technology	75.6%	13.6	20.1	41.2%	39.1%
AVGO	Broadcom Inc.	Information Technology	54.3%	16.2	20.7	23.8%	26.7%
VLO	Valero Energy Corporation	Energy	16.3%	11.7	7.5	278.4%	443.5%
COP	ConocoPhillips	Energy	15.8%	7.6	12.3	122.4%	46.9%
BOX	Box, Inc.	Information Technology	-4.4%	28.5	19.6	33.6%	42.2%
DVN	Devon Energy Corporation	Energy	-12.7%	8.6	9.2	108.0%	59.4%
MRC	MRC Global Inc.	Industrials	-17.1%	15.4	6.4	214.2%	160.8%
PFE	Pfizer Inc.	Health Care	-22.7%	7.1	12.9	60.4%	21.1%
CF	CF Industries Holdings, Inc.	Materials	-23.9%	6.5	11.5	171.0%	69.1%
AA	Alcoa Corporation	Materials	-62.0%	6.7	NE	42.0%	-115.7%
Average =			28.3%	12.1	15.6	93.4%	70.4%
SPY	SPDR S&P 500 ETF Trust		3.8%				
RSP	Invesco S&P 500 Equal Weight		-0.9%				
MDY	SPDR S&P MidCap 400 ETF Trust		2.2%				
IWM	iShares Russell 2000 ETF		-1.7%				
EWMC	S&P 400 MidCap Equal-Weight		4.0%				

Strong performers led by three semiconductor makers, a homebuilder, and a trucker offset a variety of laggards from Materials, Healthcare, and Energy.

Despite several double-digit losers, this portfolio benefited from a number of outstanding performers.

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

It had a gross total return of **+28.3% vs. +3.8%** for S&P 500, which is an active return of +24.5%.

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

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

Launch date (7/20/2022) through current (10/19/2023)

Q3 2022 Baker's Dozen Portfolio				Est. NTM EPS			
Ticker	Company Name	Sector	Return	Fwd P/E at Launch	Current Fwd P/E	Growth at Launch	Actual EPS Growth
AVGO	Broadcom Inc.	Information Technology	75.5%	12.9	19.4	22.4%	19.0%
TMHC	Taylor Morrison Home Corporation	Consumer Discretionary	45.3%	2.9	6.0	54.4%	31.4%
ON	ON Semiconductor Corporation	Information Technology	44.8%	12.2	15.8	26.2%	17.0%
PGR	The Progressive Corporation	Financials	42.3%	19.5	20.2	81.4%	-27.1%
MRO	Marathon Oil Corporation	Energy	29.7%	4.3	8.7	118.2%	-6.6%
VLO	Valero Energy Corporation	Energy	26.1%	4.6	6.8	261.9%	68.5%
HRI	Herc Holdings Inc.	Industrials	8.4%	8.2	7.6	46.8%	28.5%
CHDN	Churchill Downs Incorporated	Consumer Discretionary	5.1%	19.8	21.3	48.7%	19.6%
CF	CF Industries Holdings, Inc.	Materials	2.5%	4.9	13.3	86.2%	-13.0%
LNTH	Lantheus Holdings, Inc.	Health Care	-6.7%	24.3	12.3	108.2%	145.2%
DVN	Devon Energy Corporation	Energy	-6.9%	5.8	7.5	101.0%	-6.6%
PLAB	Photronics, Inc.	Information Technology	-10.0%	9.9	9.0	41.0%	19.9%
BOX	Box, Inc.	Information Technology	-11.2%	22.2	14.8	36.6%	40.2%
Average =			17.6%	11.7	12.5	79.5%	25.8%
SPY	SPDR S&P 500 ETF Trust		10.2%				
RSP	Invesco S&P 500 Equal Weight		1.3%				
MDY	SPDR S&P MidCap 400 ETF Trust		2.7%				
IWM	iShares Russell 2000 ETF		-5.1%				

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 *by a wide margin* all relevant large cap, mid-cap, and small-cap benchmarks (including both cap-weight and equal-weight).

As of 10/19, it shows a gross total return of **+17.4% vs. +10.2%** for S&P 500, which is an active return of +7.4%.

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

2022 Forward Looking Value 10 Model Portfolio – terminating 10/24

Launch date (7/15/2022) through current (10/19/2023)

July 2022 Forward Looking Value 10 Portfolio				Est. NTM EPS			
Ticker	Company Name	Sector	Return	Fwd P/E at Launch	Current Fwd P/E	Growth at Launch	Actual EPS Growth
US: CLS	Celestica Inc.	Information Technology	167.2%	5.6	10.7	16.2%	29.6%
ACLS	Axcelis Technologies, Inc.	Information Technology	159.6%	12.2	19.1	22.8%	41.1%
FANG	Diamondback Energy, Inc.	Energy	65.9%	4.0	8.0	90.1%	3.8%
PHM	PulteGroup, Inc.	Consumer Discretionary	61.9%	4.0	6.1	37.8%	31.3%
COP	ConocoPhillips	Energy	61.9%	5.3	12.8	78.4%	-6.1%
HEES	H&E Equipment Services, Inc.	Industrials	59.6%	9.6	9.1	27.8%	73.2%
HAL	Halliburton Company	Energy	58.5%	12.8	13.2	71.0%	89.9%
OC	Owens Corning	Industrials	56.3%	7.2	8.8	9.9%	11.3%
ON	ON Semiconductor Corporation	Information Technology	55.2%	11.2	15.8	27.0%	17.0%
TMHC	Taylor Morrison Home Corporation	Consumer Discretionary	48.5%	2.8	6.0	54.4%	31.4%
NPO	EnPro Industries, Inc.	Industrials	47.3%	11.5	17.1	15.3%	5.6%
TOL	Toll Brothers, Inc.	Consumer Discretionary	47.2%	4.2	5.9	41.1%	65.6%
MRO	Marathon Oil Corporation	Energy	42.6%	3.9	8.7	115.6%	-6.6%
VNT	Vontier Corporation	Information Technology	38.2%	6.7	10.1	9.1%	-1.0%
VLO	Valero Energy Corporation	Energy	31.8%	4.8	6.8	222.6%	68.5%
PDCE	PDC Energy, Inc. (acquired by CVX)	Energy	30.8%				
TXT	Textron Inc.	Industrials	28.8%	14.2	14.3	19.6%	26.4%
COLL	Collegium Pharmaceutical, Inc.	Health Care	28.2%	2.6	4.0	177.5%	75.6%
HRI	Herc Holdings Inc.	Industrials	20.5%	7.4	7.6	46.8%	28.5%
CMI	Cummins Inc.	Industrials	16.8%	10.5	11.8	27.7%	23.3%
CF	CF Industries Holdings, Inc.	Materials	3.7%	4.5	13.3	90.4%	-13.0%
DVN	Devon Energy Corporation	Energy	1.9%	5.2	7.5	99.8%	-6.6%
PLAB	Photronics, Inc.	Information Technology	0.7%	9.1	9.0	41.0%	19.9%
US: MGA	Magna International Inc.	Consumer Discretionary	-6.1%	10.5	8.8	14.3%	15.6%
FOXA	Fox Corporation	Communication Services	-6.3%	9.0	10.0	33.1%	25.8%
WRK	WestRock Company	Materials	-6.6%	6.7	14.3	42.9%	-20.7%
ST	Sensata Technologies Holding plc	Industrials	-11.0%	9.7	9.3	16.0%	10.4%
PTVE	Pactiv Evergreen Inc.	Materials	-11.4%	8.7	10.5	291.6%	-52.4%
IP	International Paper Company	Materials	-12.9%	8.0	17.6	31.5%	-27.4%
QCOM	QUALCOMM Incorporated	Information Technology	-20.4%	11.0	12.9	18.4%	-20.3%
TROX	Tronox Holdings plc	Materials	-24.8%	4.3	22.7	44.3%	-69.1%
DAR	Darling Ingredients Inc.	Consumer Staples	-25.9%	9.9	8.1	39.0%	15.8%
PFE	Pfizer Inc.	Health Care	-36.8%	7.7	25.7	30.0%	-20.7%
LNC	Lincoln National Corporation	Financials	-46.0%	4.6	3.1	22.9%	-180.9%
Average =			26.5%	7.6	11.2	58.4%	8.6%
SPY	SPDR S&P 500 ETF Trust		12.9%				
RSP	Invesco S&P 500 Equal Weight		4.4%				
MDY	SPDR S&P MidCap 400 ETF Trust		6.9%				
IWM	iShares Russell 2000 ETF		-0.5%				

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 by a wide margin all relevant large cap, mid-cap, and small-cap benchmarks (including both cap-weight and equal-weight).

As of 10/19, it shows a gross total return of **+26.5% vs. +12.9%** for S&P 500, which is an active return of **+13.6%**.

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

New! Q4 2023 Baker's Dozen Portfolio – statistics upon launch

Launch date: 10/20/2023

Ticker	Company Name	Sector	Industry	Mkt Cap (\$B)	NTM EPS Growth	Fwd PE	Fwd PEG	Div Yield	EQR	GQR
ALKS	Alkermes	Health Care	Biotechnology	4.5	146.8%	15.3	0.10	0.0%	4	9
CHX	ChampionX	Energy	Oil & Gas Equipment and Services	6.8	28.7%	16.7	0.58	1.0%	4	10
COOP	Mr. Cooper Group	Financials	Mortgage Finance	3.6	86.1%	7.3	0.08	0.0%	NA	6
DTE	DTE Energy	Utilities	Multi-Utilities	20.0	31.5%	14.1	0.45	3.9%	NA	10
EXEL	Exelixis	Health Care	Biotechnology	6.8	56.6%	18.2	0.32	0.0%	4	7
EXTR	Extreme Networks	Information Technology	Communications Equipment	2.9	42.0%	14.3	0.34	0.0%	5	9
META	Meta Platforms	Communication Services	Interactive Media & Services	815.6	86.2%	19.8	0.23	0.0%	3	9
NFLX	Netflix	Communication Services	Movies and Entertainment	154.2	48.9%	26.9	0.55	0.0%	4	8
NVDA	NVIDIA Corp	Information Technology	Semiconductors	1042.2	186.2%	28.1	0.15	0.0%	5	10
RPD	Rapid7	Information Technology	Systems Software	3.2	106.6%	30.3	0.28	0.0%	5	10
TRV	The Travelers Companies	Financials	Property and Casualty Insurance	38.4	73.6%	10.2	0.14	2.4%	5	10
VC	Visteon Corp	Consumer Discretionary	Automotive Parts and Equipment	3.6	59.5%	15.1	0.25	0.0%	5	9
WFRD	Weatherford International	Energy	Oil & Gas Equipment and Services	6.8	101.1%	18.7	0.19	0.0%	3	8
Average:				162.2	81.1%	18.1	0.22	0.6%	4.3	8.8

- Diverse Large/Mid/Small cap mix of 4/5/4
- 4 Value and 9 Growth stocks
- 8 *secular* growth InfoTech, BioTech, Utilities, Insurance, and AI/Media companies balanced with 5 *cyclical* growth Energy, Mortgage, entertainment and Auto Parts

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

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

New *Forward Looking Value* Portfolio (FLV 11) – 2023

Launch date 7/24/2023 – **primary market ends on 11/4**

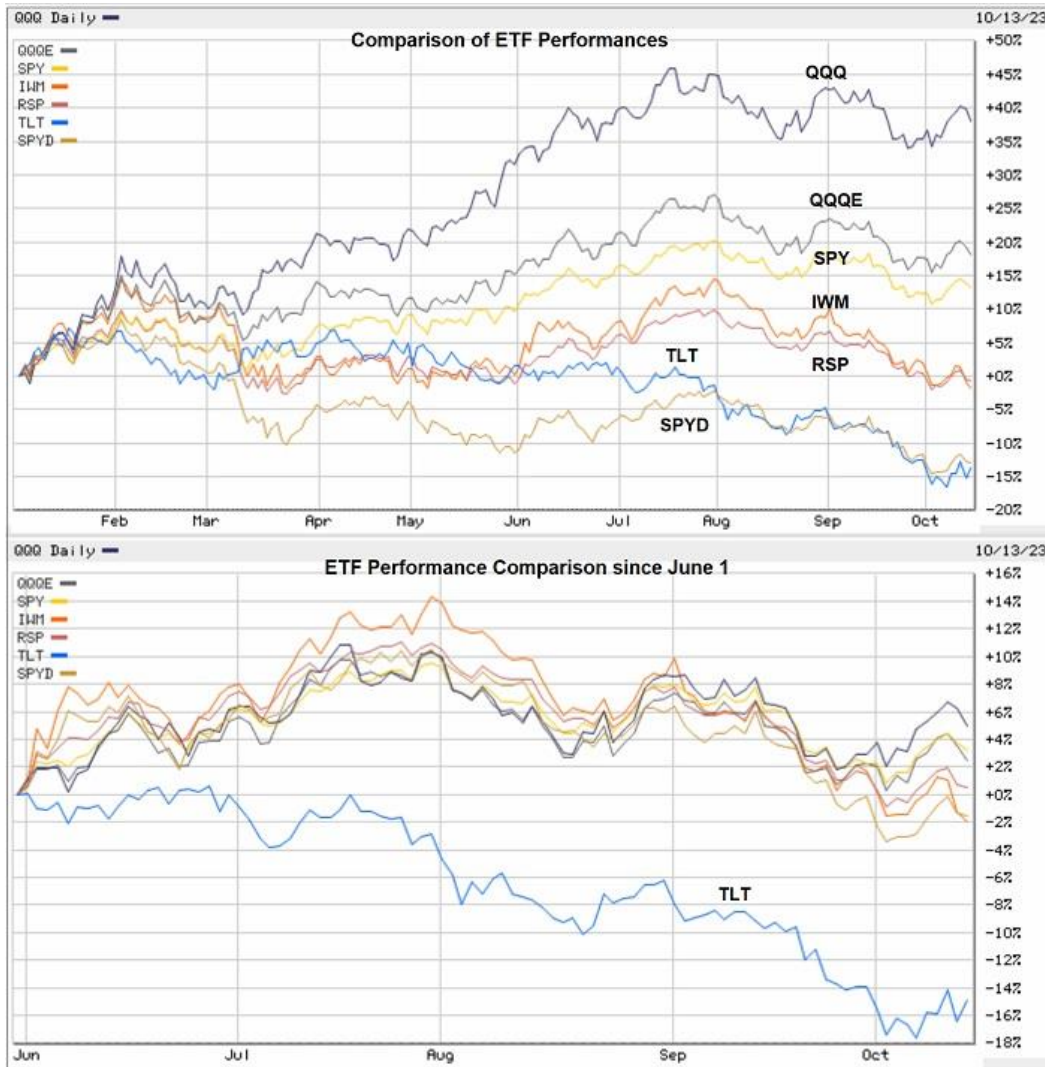
Ticker	Company Name	Sector	Ticker	Company Name	Sector
ADNT	Adient plc	Consumer Discretionary	INCY	Incyte Corporation	Health Care
ALSN	Allison Transmission Holdings, Inc.	Industrials	IVZ	Invesco Ltd.	Financials
AXS	AXIS Capital Holdings Limited	Financials	JAZZ	Jazz Pharmaceuticals plc	Health Care
BKNG	Booking Holdings Inc.	Consumer Discretionary	MET	MetLife, Inc.	Financials
CHX	ChampionX Corporation	Energy	MFC	Manulife Financial Corporation	Financials
CI	The Cigna Group	Health Care	PCRX	Pacira BioSciences, Inc.	Health Care
CINF	Cincinnati Financial Corporation	Financials	PRI	Primerica, Inc.	Financials
US: CLS	Celestica Inc.	Information Technology	PRU	Prudential Financial, Inc.	Financials
COLL	Collegium Pharmaceutical, Inc.	Health Care	PSTG	Pure Storage, Inc.	Information Technology
CRM	Salesforce, Inc.	Information Technology	SIGI	Selective Insurance Group, Inc.	Financials
DAL	Delta Air Lines, Inc.	Industrials	STNE	StoneCo Ltd.	Financials
ENS	EnerSys	Industrials	TDC	Teradata Corporation	Information Technology
EVBG	Everbridge, Inc.	Information Technology	TPR	Tapestry, Inc.	Consumer Discretionary
EXTR	Extreme Networks, Inc.	Information Technology	TRIP	Tripadvisor, Inc.	Communication Services
FFIV	F5, Inc.	Information Technology	TXT	Textron Inc.	Industrials
GL	Globe Life Inc.	Financials	UAL	United Airlines Holdings, Inc.	Industrials
HII	Huntington Ingalls Industries, Inc.	Industrials	WFRD	Weatherford International plc	Energy

Notes

- 34 Stocks
- Diverse Large/Mid/Small cap mix of 7/18/9
- Value-biased, with 20 Value and 14 Growth stocks
- 23% international exposure
- Sector breakdown: 10 Financials/Insurance, 7 InfoTech, 6 Industrials, 5 Healthcare, 3 Consumer Discretionary, 2 Energy, and 1 Comm Services

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

Tech-driven performance and valuation divergences



The MAG7-dominated QQQ and SPY have surged this year while equal-weight QQQE and RSP, along with small cap IWM and dividend-oriented SPYD, have trailed far behind—the exact opposite of 2022 performance.

But starting June 1, there has been **improving market breadth** and a mean-reversion rotation into cyclicals, smaller caps, and dividend payers, which is healthy for equity markets.

Bonds have continued to sell off, but they may be pounding out a bottom in October—which would be favorable for both bonds and stocks, as interest rates subside.

Forward P/Es (as of 10/19/2023):

SPYD = 11.2 SPDR S&P 500 High Dividend
 IWM = 13.6 Russell 2000 Small Caps
 RSP = 14.6 Equal Weight S&P 500
 SPY = 18.4 S&P 500
 QQQ = 23.9 Nasdaq 100 (secular growth, Tech-dominated)

Others for comparison:

RPV = 8.5 Large Cap Pure Value (subset of S&P 500)
 RZV = 9.5 Small Cap Pure Value (subset of S&P 600)
 XLE = 11.5 Energy Sector SPDR (subset of S&P 500)
 XLF = 12.6 Financial Sector SPDR (subset of S&P 500)
 MDY = 13.4 S&P 400 Mid Caps
 ARKK = 27.4 ARK Innovation (speculative Tech growth)

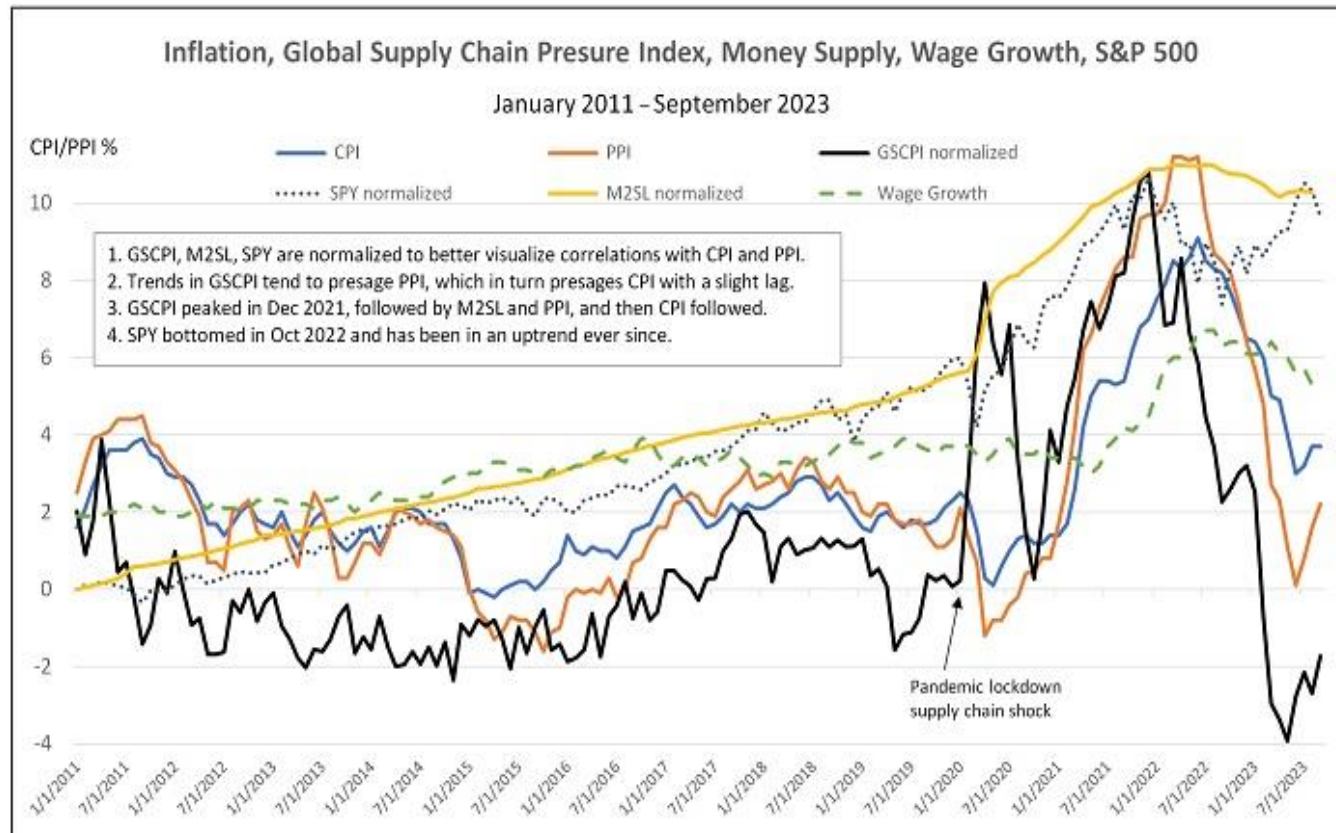
SectorCast Rankings and Top-ranked ETFs

Sabrient SectorCast ETF Rankings (as of 10/19/2023)		
Dow Jones U.S. Sector	Tracking ETF	Outlook Score
TECHNOLOGY	IYW	74
ENERGY	IYE	57
INDUSTRIALS	IYJ	54
CONSUMER DISCRETIONARY	IYC	52
TELECOMMUNICATIONS	IYZ	42
CONSUMER STAPLES	IYK	41
HEALTHCARE	IYH	40
UTILITIES	IDU	17
FINANCIALS	IYF	15
BASIC MATERIALS	IYM	4

Current rankings lean mostly bullish, with cyclical and secular growth sectors generally rated higher than defensives, with the notable exceptions of Materials and Financials mired at the bottom. Despite a high forward P/E (24.5x), Technology sits at the top, with strong EPS growth estimates (11.7%), improving earnings revisions from the analyst community, good return ratios, and strong insider sentiment (open market buying).

Top Ranked Nonleveraged Equity ETFs (as of 10/19/2023)		
Fund Name	Tracking ETF	Outlook Score
Alpha Architect US Quantitative Momentum	QMOM	100
First Trust International Equity Opportunities	FPXI	100
WealthTrust DBS Long Term Growth	WLTG	100
Invesco Building & Construction	PKB	99
Invesco Large Cap Growth	PWB	99
Alger 35	ATFV	99
Global X Metaverse	VR	99
Invesco Next Gen Media and Gaming	GGME	98
Innovator IBD Breakout Opportunities	BOUT	98
VanEck BDC Income	BIZD	97
Cambria Cannabis	TOKE	97
WBI BullBear Quality 3000	WBIL	97
QRAFT AI-Enhanced US Large Cap Momentum	AMOM	97
Donoghue Forlines Risk Managed Innovation	DFNV	97
First Trust Natural Gas	FCG	96
Global X Social Media	SOCL	96
SoFi Web 3.0	TWEB	96
Clough Select Equity	CBSE	95
Invesco Dorsey Wright Industrials Momentum	PRN	95
Nuveen Growth Opportunities	NUGO	95
VanEck Robotics	IBOT	95
Pacer US Small Cap Cash Cows Growth Leaders	CAFG	94
GraniteShares HIPS US High Income	HIPS	94
ETC 6 Meridian Quality Growth	SXQG	94

Inflation recedes as supply chains mend and money supply falls



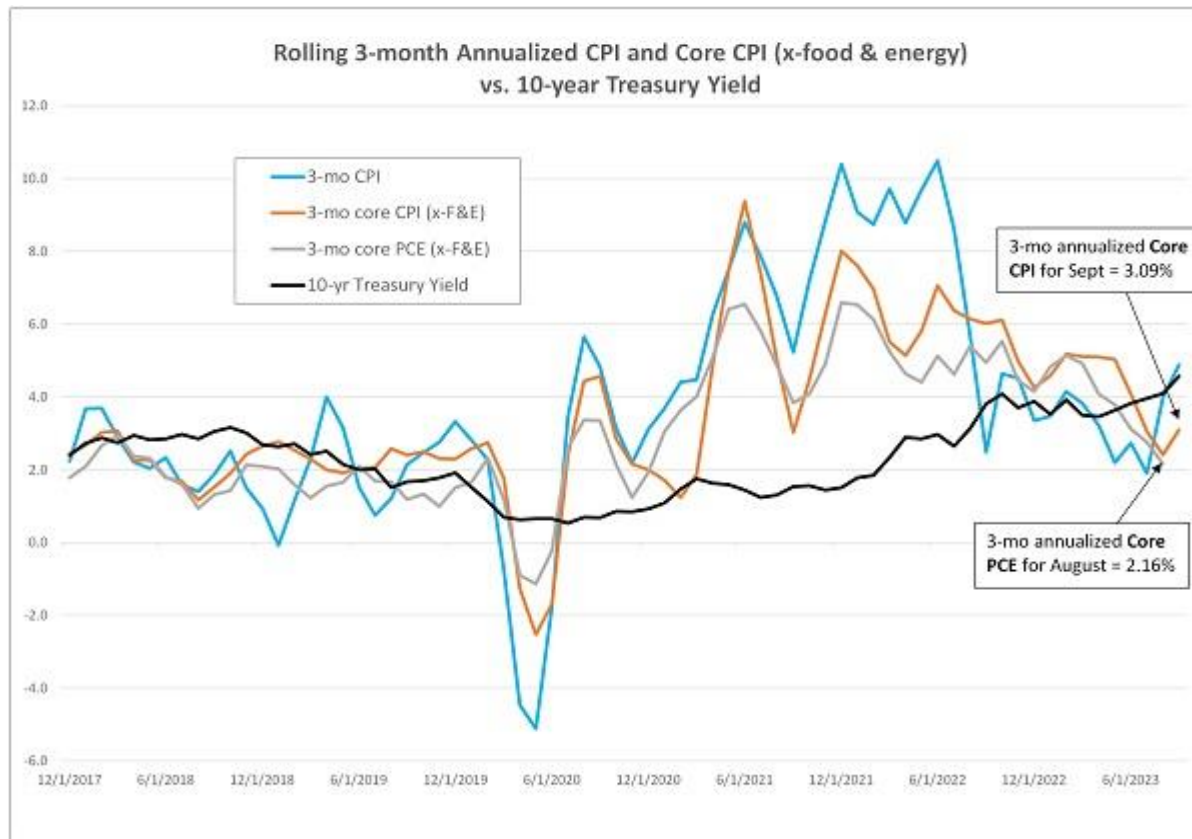
Peaks & troughs in GSCPI tend to presage PPI, which in turn presages CPI, each with a slight lag. PPI, CPI, and GSCPI all surged when COVID lockdowns were instituted and M2 money supply surged, and all 3 have fallen precipitously when M2 crested.

GSCPI and SPY both peaked in Dec 2021, followed by M2, PPI, and CPI a few months later. **SPY then bottomed in Oct 2022 and has been rising on optimism** about falling inflation, a Fed policy pivot, soft landing for the economy, and improving corporate earnings expectations.

GSCPI, CPI, and PPI have all ticked up slightly, but likely will return to trend.

A return to modest money supply growth while supply chains continue to improve may be appropriate for balancing both economic growth and inflation moderation.

Measuring inflation by annualizing 3-month averages



Because the Fed can do little about energy and food prices, we think it is best to focus on core inflation (excluding food & energy) and use rolling 3-month annualized since it better reflects current trends. Core CPI and PCE have fallen while the 10-year Treasury yield has risen, spiking real yields.

As shown, 3-month annualized headline CPI fell to a post-pandemic-recovery low of 1.90% in July but has since resurged in August (3.98%) and September (4.88%), mainly due to a spike in gasoline prices in August (driven by a supply shortage of oil) followed by a 7.2% YoY surge in shelter cost in September (which accounts for 40% of CPI). But there is a long lag between the data used in CPI calculation and current shelter prices, so actual inflation today is likely lower.

Nevertheless, the slight CPI uptick riled investors and the FOMC, leading to a surge in Treasury yields, a selloff in stocks. But core CPI (3-month annualized) is only at 3.09%.

The Fed's preferred metric core PCE showed August MoM reading of only 0.14%, which annualizes to 1.75% and the 3-month average annualized to 2.16%, which suggests that no further rate hikes are necessary. We have to wait until 10/27 for the September data.

Market Observations & Outlook

1. Core inflation remains in a downtrend as supply chains firm up, money supply growth stagnates, interest rates rise, and wage growth slows. So, the Fed should end its rate hikes.
2. Once the 2-year Treasury yield falls back below 5%, the economy and stocks should be fine, and the extreme yield curve inversion should begin to reverse.
3. Market breadth has improved since June 1, with small caps, value, quality, high dividend, and equal-weight performing well => bodes well for market health thru year end (and beyond).
4. Elevated valuations on the major indexes were primarily driven by a handful of mega-cap Tech names, e.g., the AI-oriented “Magnificent Seven” (MAG7). Minus those stocks, valuations across the broader market are much more reasonable. For example, forward P/E on SPY is 18.4x, but equal-weight S&P 500 (RSP) is 14.6x and Russell 2000 small cap (IWM) is 13.6x.
5. 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 continue to be favorable for Sabrient’s portfolios, which combine Value, Quality, and Growth factors and provide exposure to both secular and cyclical growth trends.

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

Resources

1. Latest Baker's Dozen commentary, slide deck, 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

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!

*Also, Sabrient has created several new indexes for ETF or TAMP licensing
=> If interested in learning more, contact me at SMartindale@Sabrient.com*

Proposal: Sabrient Quality Index Series (for ETF or TAMP licensing)

Comprises 5 broad-market and 5 sector-specific, rules-based, quarterly rebalanced, strategic beta and thematic indexes for ETF licensing (the timeliest are **highlighted**):

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

If you are interested in any of these concepts, please tell your favorite ETF wholesaler ... or contact me about TAMP access!

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

Disclaimer

© Copyright 2023 by Sabrient Systems LLC. Unauthorized reproduction or redistribution of this document in full or in part is strictly prohibited by law and a violation of the Copyright Act.

This information is neither a solicitation to buy nor an offer to sell securities, and it is not intended as investment advice. Information contained herein reflects our judgment or interpretation at the time of publication and is subject to change without notice.

The information contained herein is based on sources believed to be reliable, but no warranty or representation of any kind, expressed or implied, is made as to its accuracy, completeness, or correctness. This document is for information purposes only and should not be used as the basis for any investment decision. SABRIENT disclaims liability for damages of any sort (including lost profits) arising out of the use of or inability to use this document.

Back-tested, hypothetical, or simulated performance results have inherent limitations as they are based on retroactive application of a rules-based model designed with the benefit of hindsight. All figures shown are based on gross returns, without considering the impacts of trading costs, slippage, fees, or taxes. Hypothetical backtest results are neither an indicator nor a guarantee of future returns. Actual results will vary from the analysis.

References to market indexes, benchmarks or other measures of relative market performance over a specified period of time are provided for information only. Reference to an index does not imply that the SABRIENT model portfolio will achieve returns, volatility or other results similar to the index. The composition of a benchmark index may not reflect the manner in which a SABRIENT model portfolio is constructed in relation to expected or achieved returns, investment holdings, portfolio guidelines, restrictions, sectors, correlations, concentrations, volatility or tracking error targets, all of which are subject to change over time.

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

The information contained herein reflects only the opinions of SABRIENT and includes forward-looking statements subject to a number of uncertainties that could cause actual results to differ materially from the statements made.