

Baker's Dozen Portfolios

- 1. Process Overview & Recent Enhancements***
- 2. Market Conditions & Performance Review***
- 3. Q3 2021 Baker's Dozen Update***
- 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.

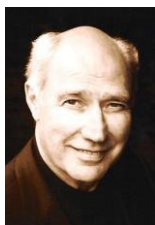
* GARP = growth at a reasonable price



Scott Martindale
President & CEO



Brent Miller
President of Gradient



David Brown
Founder & Chief Market Strategist

Sabrient Systems LLC

Quantitative equity research, rankings, strategies

Gradient Analytics LLC

Fundamental forensic accounting research

Talking Points

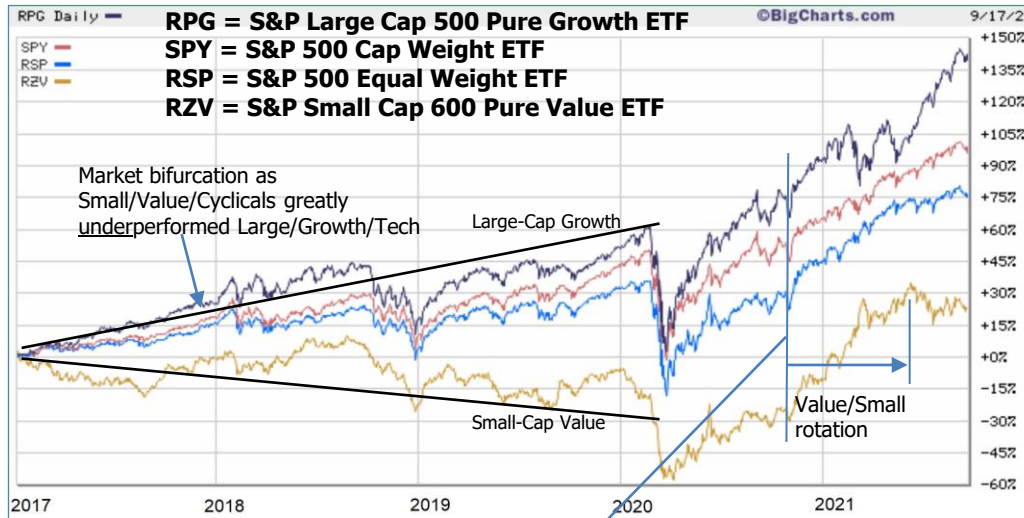
1. Sabrient & Gradient form a unique collaboration of engineers and forensic accountants who leverage quantitative models, a process-driven methodology, and expertise in financial statement analysis
2. Consistently strong performance 2009–2014, but then market became narrow/news-driven due to rancorous elections, Fed policy uncertainty, trade wars, and social unrest
3. Historic performance divergences formed in *Growth over Value* factors and *Large over Small* caps
4. We implemented process enhancements in Dec 2019 to make portfolios more “all-weather,” primarily by adding a Growth Quality Rank (GQR) to quant model that rewards consistent & reliable earnings history
5. Newer portfolios provide exposure to Value & Growth, secular & cyclical growth, and across market caps, resulting in improved performance and lower volatility – with some portfolios *substantially outperforming*
6. We expect continued economic expansion, strong earnings growth, fiscal and monetary policy support, and moderating inflation in 2022
7. Given lofty valuations, we expect broadening leadership and performance reversion in Value/Growth and Small/Large, and share price reliance on earnings growth rather than multiple expansion
8. Thus, active selection, strategic beta, equal weighting, and the Quality factor should thrive
9. This should be favorable for Sabrient’s GARP portfolios – including *Baker’s Dozen*, Small Cap Growth, Dividend, and Forward Looking Value.

Sabrient Overview

- **Sabrient Systems** was 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**
 - Numbers-driven; Bottom-up rather than top-down
 - In 2009, introduced *quantamental* GARP approach to create the *Baker's Dozen* annual portfolio of 13 top picks
- **Gradient Analytics** was founded in 1996 in Phoenix, AZ (acquired by Sabrient in 2011):
 - **Fundamental** forensic accounting analysis (earnings quality, anomalous insider behavior)
 - Team of finance & accounting analysts with CFA and CPA credentials
- The combined team leverages a unique collaboration of engineers and forensic accountants:
 - Engineers bring a process-driven methodology employing a scientific hypothesis-testing approach to build robust quantitative models
 - Forensic accountants bring unique insights into financial statement analysis to evaluate balance sheet strength, accounting practices and sustainability of earnings growth
 - Together we offer quantitative and fundamental equity research, reports, rankings, tools, strategies, portfolios, indexes, and market commentaries

Market Bifurcation Begins to Converge

Historic divergences between Growth/Value and Large/Small show sustained convergence



The 4.7-year chart shows the massive divergence between both Growth/Value and Large/Small.

After the initial "Trump Bump" that briefly boosted Value, Small, and Cyclicals, there was a stark market bifurcation primarily due to trade wars, which only worsened from COVID and economic lockdowns. RPG enjoyed a strong uptrend driven by mega-cap secular-growth Tech, while RZV was mired in a strong downtrend.

This also was *hard on Sabrient's GARP portfolios.*



However, as noted in the top chart and magnified on the bottom chart, there was a strong rotation into Small caps, Value factor, and Cyclical sectors from Nov 2020 thru June 2021 (8 months) – i.e., a significant convergence of the historic Growth/Value and Large/Small divergences.

This was *favorable for Sabrient's GARP portfolios.*

Since June, however, RZV and RSP have flatlined, while RPG has been resurging, as shown.

Enhancements to Sabrient's GARP process

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

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

(Performed by Sabrient subsidiary Gradient Analytics)

4. **Final Stock Selection**

(Manual process, adhering to sector concentration limits)

Baker's Dozen Long-term Performance

January Model Portfolio (gross total return) – rebalanced when new portfolio is published
(1/1/2009 inception thru 6/30/2021, end-of-month data points)

Sabrient Bakers Dozen (Gross)

S&P 500

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%	31.5%
2020	21.2%	18.4%
2021 YTD	5.9%	15.2%

Gross Performance – 12½ years

Statistics

	2009-2021YTD
Annualized Return	20.2%
Average SPY	15.5%
Excess over SPY	4.7%
Standard Deviation	21.3%
Sharpe	0.95
Alpha	1.12
Beta	1.26

Significant outperformance despite 5 major drawdowns

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

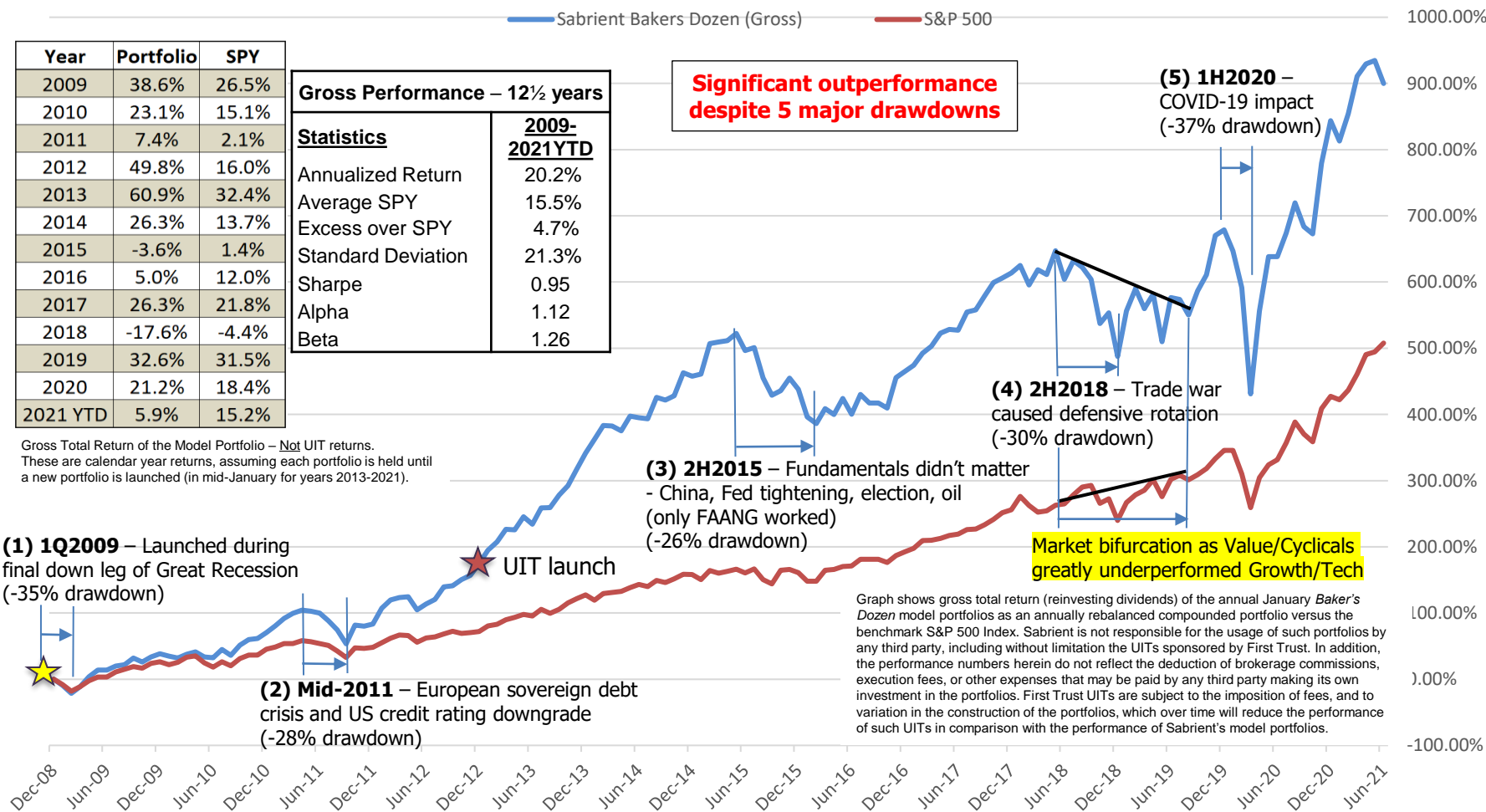
(4) 2H2018 – Trade war caused defensive rotation (-30% drawdown)

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

Market bifurcation as Value/Cyclicals greatly underperformed Growth/Tech

(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)



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

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, 4-5% yield, quarterly
4. **Small Cap Growth** – 50-stock GARP portfolio, all under \$3.7B cap, quarterly

Performance Since Process Enhanced in Dec 2019

1) Since launch, and 2) Since the 2020 year-end value rotation commenced on 11/1/20

Baker's Dozen & FLV - Gross performance thru: 9/17/2021

Portfolio	Launch Date	Close Date	Model Portfolio Gross Return Since Launch	SPY Return Since Launch	Model Portfolio Gross Return Since 11/1/20	SPY Return Since 11/1/20
Dec 2019 BD	12/20/19	1/20/21	21.4%	21.9%	23.6%	18.1%
Q1 2020 BD	1/20/20	4/20/21	29.0%	26.9%	29.2%	27.2%
Q2 2020 BD	4/20/20	7/20/21	29.9%	56.0%	17.4%	33.4%
2020 FLV	7/2/20		34.8%	43.9%	33.0%	37.1%
Q3 2020 BD	7/20/20		40.0%	38.6%	38.8%	37.1%
Q4 2020 BD	10/20/20		35.9%	30.4%	40.8%	37.1%
Q1 2021 BD	1/20/21		3.6%	16.1%	N/A	
Q2 2021 BD	4/20/21		4.5%	7.8%	N/A	
2021 FLV	7/7/21		4.1%	1.9%	N/A	
Q3 2021 BD	7/20/21		10.5%	2.7%	N/A	

Sabrient Dividend - Gross performance thru: 9/17/2021

Div 30	1/3/20		16.9%	40.8%	46.5%	37.1%
Div 31	4/1/20		86.9%	83.4%	45.6%	37.1%
Div 32	6/30/20		40.0%	45.7%	40.9%	37.1%
Div 33	9/28/20		38.4%	33.9%	34.6%	37.1%
Div 34	12/21/20		19.5%	21.2%	N/A	
Div 35	3/19/21		-0.2%	14.1%	N/A	
Div 36	6/22/21		-1.6%	4.7%	N/A	

Small Cap Growth - Gross performance thru: 9/17/2021

				SLYG Return Since Launch		SLYG Return Since 11/1/20
SCG 26	3/11/20	6/11/21	108.9%	77.0%	68.5%	48.2%
SCG 27	6/9/20	9/9/21	53.0%	51.6%	50.3%	48.7%
SCG 28	9/4/20		54.9%	47.0%	50.9%	48.7%
SCG 29	3/15/21		-0.6%	-1.2%	N/A	
SCG 30	6/11/21		-2.6%	0.3%	N/A	

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

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

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

Q3 2020 Baker's Dozen Model Portfolio

Launch date (7/20/2020) compared to recent (9/17/2021)

Ticker	Company Name	Return	Est. NTM EPS			
			Fwd P/E at Launch	Current Fwd P/E	Growth at Launch	Actual EPS Growth
APPS	Digital Turbine, Inc.	403.5%	33.9	36.5	88.3%	239.3%
NXST	Nexstar Media Group, Inc.	87.5%	6.7	7.7	70.7%	161.9%
CHTR	Charter Communications, Inc.	35.0%	40.8	29.3	63.0%	79.3%
EBAY	eBay Inc.	28.6%	16.1	17.3	23.5%	13.8%
CACI	CACI International Inc	25.0%	14.4	14.7	25.7%	45.7%
ABBV	AbbVie Inc.	13.6%	9.3	8.1	18.0%	27.0%
WGO	Winnebago Industries, Inc.	12.2%	16.6	8.1	73.8%	244.3%
GDDY	GoDaddy Inc.	1.6%	17.1	22.1	44.5%	-7.3%
SWX	Southwest Gas Holdings, Inc.	0.5%	17.6	15.1	24.1%	32.0%
CNC	Centene Corporation	-0.3%	12.0	11.5	41.8%	-7.1%
AZN	AstraZeneca PLC	-10.4%	22.4	31.8	12.0%	16.7%
SSRM	SSR Mining Inc.	-35.5%	11.6	8.6	90.6%	120.5%
QDEL	Quidel Corporation	-41.3%	28.6	35.2	184.6%	359.8%
Average		40.0%	19.0	18.9	58.5%	102.0%
SPY	SPDR S&P 500 ETF Trust	38.6%				

Portfolio boosted by two stellar performers from technology & consumer sectors but held back by seemingly unwarranted weakness in two healthcare names that beat earnings estimates, plus the gold miner (that also beat). Overall, 10 of the 13 have exceeded EPS estimates.

Q4 2020 Baker's Dozen Model Portfolio

Launch date (10/20/2020) compared to recent (9/17/2021)

Ticker	Company Name	Return	Est. NTM EPS			
			Fwd P/E at Launch	Current Fwd P/E	Growth at Launch	Actual EPS Growth
TPX	Tempur Sealy International, Inc.	108.7%	14.1	13.8	38.8%	141.8%
APPS	Digital Turbine, Inc.	85.2%	78.1	36.5	66.7%	239.3%
GTN	Gray Television, Inc.	76.0%	4.9	9.9	43.9%	134.5%
VECO	Veeco Instruments Inc.	75.4%	13.8	15.4	88.8%	128.6%
BCC	Boise Cascade Company	42.1%	10.3	7.8	61.7%	537.7%
OMI	Owens & Minor, Inc.	34.1%	9.4	11.6	295.7%	573.5%
ABBV	AbbVie Inc.	32.4%	7.4	8.1	22.7%	27.0%
AMD	Advanced Micro Devices, Inc.	27.4%	58.0	37.6	64.3%	141.9%
CHTR	Charter Communications, Inc.	25.5%	37.1	29.3	53.0%	79.3%
MDC	M.D.C. Holdings, Inc.	15.6%	8.6	5.1	39.7%	85.2%
GDDY	GoDaddy Inc.	-6.9%	18.6	22.1	32.3%	-7.3%
FDX	FedEx Corporation	-10.3%	18.3	11.8	36.5%	61.0%
QDEL	Quidel Corporation	-38.5%	10.2	35.2	426.6%	359.8%
Average		35.9%	22.2	18.8	97.7%	192.5%
SPY	SPDR S&P 500 ETF Trust	30.4%				

Portfolio enjoys several solid performers from various sectors. Overall, 11 of the 13 have exceeded EPS estimates.

Q3 2021 Baker's Dozen Portfolio

Statistics upon launch on 7/20/21

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	14.8	126.7%	11.0	0.09	0.0%	4	9
AMAT	Applied Materials	Information Technology	Semiconductor Equipment	117.6	35.1%	17.9	0.51	0.7%	4	9
BLD	TopBuild	Consumer Discretionary	Homebuilding	6.1	35.4%	17.1	0.48	0.0%	5	9
CNHI	CNH Industrial	Industrials	Agricultural and Farm Machinery	20.7	72.7%	13.4	0.18	0.8%	4	10
GEF	Greif	Materials	Metal and Glass Containers	2.8	63.0%	10.3	0.16	3.0%	5	9
HRI	Herc Holdings	Industrials	Trading Companies and Distributors	3.1	64.8%	15.9	0.25	0.0%	4	10
KLAC	KLA Corp	Information Technology	Semiconductor Equipment	45.1	30.4%	17.6	0.58	1.2%	5	10
ON	ON Semiconductor	Information Technology	Semiconductors	14.9	87.8%	17.0	0.19	0.0%	3	7
RE	Everest Re Group	Financials	Reinsurance	9.5	193.7%	8.2	0.04	2.5%	3	9
TEX	Terex Corp	Industrials	Construction Machinery and Heavy Trucks	3.0	174.6%	14.6	0.08	1.1%	4	8
TOL	Toll Brothers	Consumer Discretionary	Homebuilding	6.6	62.7%	7.8	0.12	1.3%	3	10
VSH	Vishay Intertechnology	Information Technology	Electronic Components	3.0	82.5%	9.7	0.12	1.8%	5	8
XPO	XPO Logistics	Industrials	Air Freight and Logistics	15.7	125.9%	21.2	0.17	0.0%	4	7

Average: 20.2 88.9% 14.0 0.16 1.0% 4.1 8.8

Slightly tilted toward Value/Cyclicals/SMID:

- SMID bias with a Large/Mid/Small cap mix of 2/7/4
- Value bias with 8 Value versus 5 Growth stocks
- 4 *secular* growth Tech companies balanced with 9 *cyclical* growth Consumer/Financials/Industrials/Materials names

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

Market Outlook

1. Continued resurgence in global growth, US corporate earnings, and CapEx.
2. Inflation moderates in 2022 as supply chains recover and bottlenecks resolve, while disinflationary structural trends resume (e.g., aging demographics, globalization, technological disruption, automation, productivity).
3. Monetary & fiscal support continues, low interest rates persist, central banks (including Fed) remain supportive, plus a likely infrastructure bill.
4. Equity valuations remain somewhat elevated but are justified by robust earnings growth, massive liquidity, low interest rates, and a lack of good alternatives.
5. We favor a balance between 1) value/cyclicals and 2) high-quality secular growers & dividend payers. Active selection, equal weight, strategic beta may outperform.

➤ **Main Risks:**

- (1) Double-dip global recession from vaccine-resistant COVID mutations or unbalanced labor markets
- (2) Sustained inflation surge, selloff in long-term bonds, and rising interest rates on high corporate leverage
- (3) Corporate earnings growth fails to achieve levels necessary to justify high valuations
- (4) Escalation in financial/technological/military conflicts with China and global hegemony
- (5) US dollar meltdown due to massive stimulus and loss of “safe haven” status (*longer-term issue*)
- (6) Deleveraging a heavily-indebted global economy (*longer-term issue*)

Talking Points

1. Sabrient & Gradient form a unique collaboration of engineers and forensic accountants who leverage quantitative models, a process-driven methodology, and expertise in financial statement analysis
2. Consistently strong performance 2009–2014, but then market became narrow/news-driven due to rancorous elections, Fed policy uncertainty, trade wars, and social unrest
3. Historic performance divergences formed in *Growth over Value* factors and *Large over Small* caps
4. We implemented process enhancements in Dec 2019 to make portfolios more “all-weather,” primarily by adding a Growth Quality Rank (GQR) to quant model that rewards consistent & reliable earnings history
5. Newer portfolios provide exposure to Value & Growth, secular & cyclical growth, and across market caps, resulting in improved performance and lower volatility – with some portfolios *substantially outperforming*
6. We expect continued economic expansion, strong earnings growth, fiscal and monetary policy support, and moderating inflation in 2022
7. Given lofty valuations, we expect broadening leadership and performance reversion in Value/Growth and Small/Large, and share price reliance on earnings growth rather than multiple expansion
8. Thus, active selection, strategic beta, equal weighting, and the Quality factor should thrive
9. This should be favorable for Sabrient’s GARP portfolios – including *Baker’s Dozen*, Small Cap Growth, Dividend, and Forward Looking Value.

Resources

Be sure to sign up for:

1. Quarterly *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) updated slide deck, commentary, and the latest portfolio tear sheet

Disclaimer

© Copyright 2021 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.

Information contained herein may not be reproduced in whole or in part, including photocopying of printed copy or e-mail forwarding, without the express written consent of Sabrient Systems LLC ("SABRIENT").

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.

This presentation, including the historical performance shown in this presentation, pertains solely to the 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 unit investment trusts (UITs) sponsored by First Trust. 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.

References to market indices, 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.