



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 latest Baker's Dozen and FLV portfolios***
- 5. Market outlook***

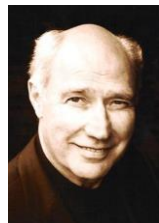
Updated 9/6/2023



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Quantitative equity research, rankings, strategies

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Fundamental forensic accounting research

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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 by combining Quality, Value, and Growth factors and balanced exposure to value and growth factors, cyclical and secular growth trends—*while maintaining the potential for significant outperformance vs. benchmarks*.
3. **22 out of 27** live and recently terminated portfolios have outperformed their benchmarks. These include *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 9/1, the next-to-terminate *Q3 2022 Baker’s Dozen* is up **+24.5% vs. +16.2%** for SPY, and *Forward Looking Value 10* is up **+37.4% vs. 19.1%** for SPY.
4. Inflation remains in a downtrend as supply chains recover, money supply falls or stabilizes, and consumer demand softens. As long as the 2-year Treasury yield stays below 5%, the economy and stocks should be fine, and the extreme yield curve inversion should reverse.
5. Elevated valuations on the major indexes were primarily driven by a handful of Big Tech names (e.g., the AI-oriented “Magnificent Seven”). Minus those stocks, valuations across the broader market are much more reasonable, so investors may be better served by active selection rather than the passive indexes—*which should continue to be favorable for Sabrient’s portfolios*.
6. Sabrient portfolios in primary market are *Q3 2023 Baker’s Dozen*, *Forward Looking Value 11*, *Dividend 45*, and *Small Cap Growth 39*.
7. **Q3 2023 Baker’s Dozen** 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.
8. **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.
9. **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 5.3%*.
10. **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.

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

- **Q3 2023 Baker’s Dozen** (13 stocks) launched on 7/20
 - ⇒ *Offers alpha-seeking opportunity thru a concentrated all-cap GARP portfolio that balances value/cyclical growth with high-quality secular growers*
- **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 5.3%*
- **Forward Looking Value 11** (34 stocks) launched on 7/24
 - ⇒ *Less concentrated and more value-biased version of the Baker’s Dozen*

Performance of live and recently terminated portfolios – as of 9/1/2023

Baker's Dozen & FLV - Gross return thru: 9/1/2023

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%
FLV 10	7/15/22		37.4%	19.1%	18.4%
Q3 2022 BD	7/20/22		24.5%	16.2%	8.3%
Q4 2022 BD	10/20/22		0.0%	25.0%	-25.0%
Q1 2023 BD	1/20/23		4.3%	14.8%	-10.5%
Q2 2023 BD	4/20/23		21.2%	10.0%	11.2%
Q3 2023 BD	7/20/23		0.8%	-0.2%	1.0%
FLV 11	7/24/23		-0.5%	-0.7%	0.1%

Sabrient Dividend - Gross return thru: 9/1/2023

Portfolio	Launch	Close	Gross Return	SPY Return	Active	SPYD Return	Active
Div 35	3/19/21	3/17/23	-3.3%	3.2%	-6.5%	1.9%	-5.2%
Div 36	6/22/21	6/22/23	7.0%	6.3%	0.6%	-1.9%	8.9%
Div 37	9/20/21		23.3%	6.8%	16.5%	4.5%	18.9%
Div 38	12/20/21		13.3%	1.5%	11.7%	-0.5%	13.7%
Div 39	3/18/22		-1.5%	3.6%	-5.1%	-7.5%	6.0%
Div 40	6/15/22		4.3%	21.5%	-17.1%	-2.0%	6.3%
Div 41	9/12/22		-3.0%	11.6%	-14.5%	-6.5%	3.6%
Div 42	12/9/22		-1.6%	16.1%	-17.7%	-3.7%	2.1%
Div 43	3/8/23		-1.1%	14.0%	-15.1%	-3.2%	2.1%
Div 44	6/5/23		7.3%	6.0%	1.2%	4.9%	2.4%
Div 45	9/1/23		NEW!				

Small Cap Growth - Gross return thru: 9/1/2023

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		10.6%	3.6%	7.0%
SCG 36	11/14/22		2.2%	4.4%	-2.2%
SCG 37	2/10/23		-6.6%	0.9%	-7.5%
SCG 38	5/8/23		13.9%	10.0%	3.9%
SCG 39	8/7/23		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.

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 ftportfolios.com website) versus a relevant benchmark for all the **currently live portfolios** (plus those that recently terminated in 2023).

22 of the 27 live or recently terminated portfolios have outperformed (using SPYD as the appropriate Dividend benchmark).

Note that the Baker's Dozen and SCG 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—but *we remain confident in their positioning. Indeed, those sectors have firmed up.*

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 5.3%**). Although our more recent Dividend portfolios are significantly 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.

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

(1/1/2009 inception thru 6/30/2023, 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	14.7%	28.7%
2022	-10.2%	-18.2%
2023YTD	10.6%	16.8%

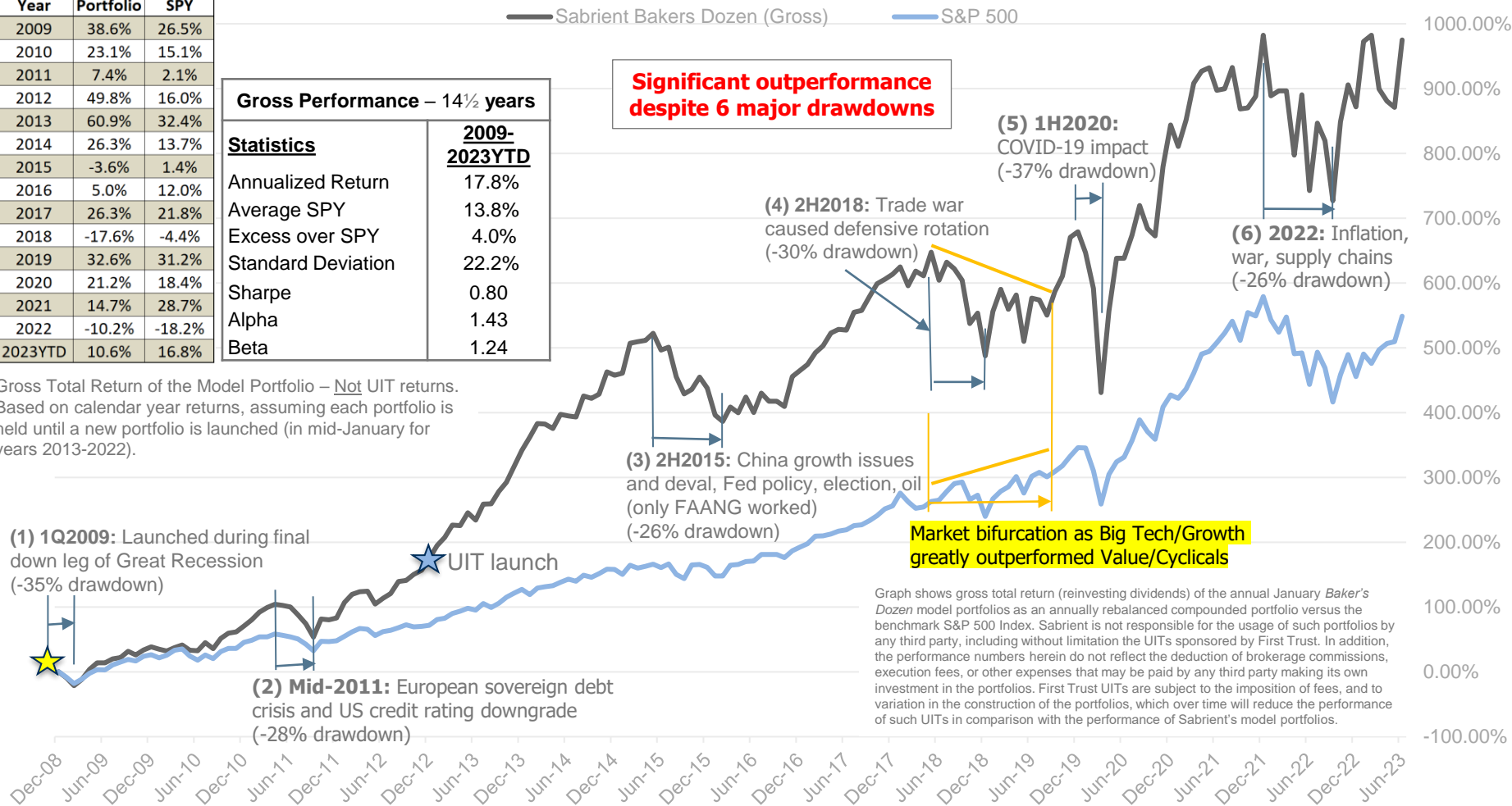
Gross Performance – 14½ years

Statistics

	2009-2023YTD
Annualized Return	17.8%
Average SPY	13.8%
Excess over SPY	4.0%
Standard Deviation	22.2%
Sharpe	0.80
Alpha	1.43
Beta	1.24

Significant outperformance despite 6 major drawdowns

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 2013-2022).



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Q2 2022 Baker's Dozen Model Portfolio – recently terminated

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%				
EWM	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 the S&P 500, which is an active return of +24.5%.

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Q3 2022 Baker's Dozen Model Portfolio – terminating in October

Launch date (7/20/2022) through current (9/1/2023)

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
TMHC	Taylor Morrison Home Corporation	Consumer Discretionary	79.5%	2.9	6.9	54.4%	31.4%
AVGO	Broadcom Inc.	Information Technology	75.5%	12.9	19.6	22.4%	19.0%
ON	ON Semiconductor Corporation	Information Technology	65.4%	12.2	18.3	26.2%	17.0%
HRI	Herc Holdings Inc.	Industrials	34.0%	8.2	9.1	46.8%	28.5%
VLO	Valero Energy Corporation	Energy	27.2%	4.6	7.2	261.9%	68.5%
PGR	The Progressive Corporation	Financials	22.1%	19.5	18.5	81.4%	-1.5%
MRO	Marathon Oil Corporation	Energy	20.4%	4.3	9.4	118.2%	-6.6%
CHDN	Churchill Downs Incorporated	Consumer Discretionary	18.1%	19.8	22.4	48.7%	19.6%
PLAB	Photronics, Inc.	Information Technology	12.2%	9.9	11.2	41.0%	38.5%
DVN	Devon Energy Corporation	Energy	-0.9%	5.8	8.8	101.0%	-6.6%
BOX	Box, Inc.	Information Technology	-4.1%	22.2	16.0	36.6%	40.2%
CF	CF Industries Holdings, Inc.	Materials	-5.3%	4.9	13.5	86.2%	-13.0%
LNTH	Lantheus Holdings, Inc.	Health Care	-9.3%	24.3	11.6	108.2%	145.2%
Average =			24.5%	11.7	13.3	79.5%	29.2%
SPY	SPDR S&P 500 ETF Trust		16.2%				
RSP	Invesco S&P 500 Equal Weight		9.4%				
MDY	SPDR S&P MidCap 400 ETF Trust		13.2%				
IWM	iShares Russell 2000 ETF		6.9%				

Strong performers led by a homebuilder, two semiconductor makers, and a construction equipment company have offset laggards from medical diagnostics, software, fertilizers, and oil & gas.

This portfolio has not suffered any double-digit losers.

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

It shows a gross total return of **+24.5% vs. +16.2%** for S&P 500, which is an active return of +8.3%.

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2022 FLV 10 Model Portfolio – terminating in October

Launch date (7/15/2022) through current (9/1/2023)

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
ACLS	Axcelis Technologies, Inc.	Information Technology	243.2%	12.2	25.1	22.8%	41.1%
US: CLS	Celestica Inc.	Information Technology	141.1%	5.6	9.7	16.2%	29.6%
PHM	PulteGroup, Inc.	Consumer Discretionary	90.3%	4.0	6.8	37.8%	31.3%
OC	Owens Corning	Industrials	85.9%	7.2	10.3	9.9%	11.3%
TMHC	Taylor Morrison Home Corporation	Consumer Discretionary	83.5%	2.8	6.8	54.4%	31.4%
HEES	H&E Equipment Services, Inc.	Industrials	77.7%	9.6	9.9	27.8%	73.2%
ON	ON Semiconductor Corporation	Information Technology	77.3%	11.2	18.2	27.0%	17.0%
TOL	Toll Brothers, Inc.	Consumer Discretionary	77.2%	4.2	6.9	41.1%	65.6%
NPO	EnPro Industries, Inc.	Industrials	71.0%	11.5	18.2	15.3%	5.6%
COP	ConocoPhillips	Energy	55.6%	5.3	13.4	78.4%	-6.1%
FANG	Diamondback Energy, Inc.	Energy	51.9%	4.0	8.0	90.1%	3.8%
HRI	Herc Holdings Inc.	Industrials	49.0%	7.4	9.1	46.8%	28.5%
HAL	Halliburton Company	Energy	45.3%	12.8	12.9	71.0%	89.9%
VNT	Vontier Corporation	Information Technology	45.0%	6.7	10.3	9.1%	-1.0%
COLL	Collegium Pharmaceutical, Inc.	Health Care	43.6%	2.6	4.1	177.5%	75.6%
VLO	Valero Energy Corporation	Energy	32.9%	4.8	7.2	222.6%	68.5%
MRO	Marathon Oil Corporation	Energy	32.4%	3.9	9.4	115.6%	-6.6%
PDCE	PDC Energy, Inc. (acquired by CVX)	Energy	30.8%				
TXT	Textron Inc.	Industrials	30.2%	14.2	14.1	19.6%	26.4%
PLAB	Photronics, Inc.	Information Technology	25.5%	9.1	11.2	41.0%	38.5%
CMI	Cummins Inc.	Industrials	24.7%	10.5	12.0	27.7%	23.3%
US: MGA	Magna International Inc.	Consumer Discretionary	9.7%	10.5	9.8	14.3%	15.6%
DVN	Devon Energy Corporation	Energy	8.4%	5.2	8.8	99.8%	-6.6%
DAR	Darling Ingredients Inc.	Consumer Staples	6.2%	9.9	10.3	39.0%	15.8%
TROX	Tronox Holdings plc	Materials	-4.0%	4.3	17.2	44.3%	-69.1%
CF	CF Industries Holdings, Inc.	Materials	-4.1%	4.5	13.5	90.4%	-13.0%
ST	Sensata Technologies Holding plc	Industrials	-5.4%	9.7	10.0	16.0%	10.4%
PTVE	Pactiv Evergreen Inc.	Materials	-5.6%	8.7	10.8	291.6%	-52.4%
FOXA	Fox Corporation	Communication Services	-5.9%	9.0	10.0	33.1%	25.8%
IP	International Paper Company	Materials	-10.6%	8.0	16.4	31.5%	-27.4%
WRK	WestRock Company	Materials	-13.2%	6.7	13.4	42.9%	-20.7%
QCOM	QUALCOMM Incorporated	Information Technology	-17.5%	11.0	13.7	18.4%	-20.3%
PFE	Pfizer Inc.	Health Care	-27.5%	7.7	11.6	30.0%	-20.7%
LNC	Lincoln National Corporation	Financials	-40.7%	4.6	3.5	22.9%	-180.9%
Average			37.4%	7.6	11.3	58.4%	9.2%
SPY	SPDR S&P 500 ETF Trust		19.1%				
RSP	Invesco S&P 500 Equal Weight		12.8%				
MDY	SPDR S&P MidCap 400 ETF Trust		17.8%				
IWM	iShares Russell 2000 ETF		12.1%				

Strong performers led by semiconductor makers, homebuilders, and industrial equipment firms offset a handful of 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).

It shows a gross total return of **+32.0%** vs. +19.3% for SPY (i.e., an active return of +12.7%).

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New Q3 2023 Baker's Dozen Portfolio – statistics upon launch

Launch date: 7/20/2023

Ticker	Company Name	Sector	Industry	Mkt Cap (\$B)	NTM EPS Growth	Fwd PE	Fwd PEG	Div Yield	EQR	GQR
BKNG	Booking Holdings	Consumer Discretionary	Hotels, Resorts and Cruise Lines	108.1	28.9%	20.9	0.73	0.0%	5	10
CHX	ChampionX Corp	Energy	Oil and Gas Equipment and Services	6.8	44.0%	17.0	0.39	1.0%	5	8
COOP	Mr. Cooper Group	Financials	Mortgage Finance	3.7	133.5%	9.1	0.07	0.0%	NA	9
CSTM	Constellium SE	Materials	Aluminum	2.6	68.7%	9.0	0.13	0.0%	4	9
DAL	Delta Air Lines	Industrials	Airlines	31.1	23.1%	6.7	0.29	0.8%	4	6
EG	Everest Group	Financials	Reinsurance	15.5	70.7%	7.5	0.11	1.8%	4	7
EVBG	Everbridge	Information Technology	Application Software	1.3	68.6%	20.1	0.29	0.0%	4	10
EXTR	Extreme Networks	Information Technology	Communications Equipment	3.6	53.0%	19.9	0.37	0.0%	5	9
MET	MetLife	Financials	Life and Health Insurance	46.1	31.5%	7.3	0.23	3.5%	3	8
NVDA	NVIDIA Corp	Information Technology	Semiconductors	1164.3	200.2%	51.2	0.26	0.0%	5	7
PCRX	Pacira BioSciences	Health Care	Pharmaceuticals	1.7	48.9%	10.0	0.20	0.0%	5	3
PSTG	Pure Storage	Information Technology	Technology Hardware and Storage	11.9	23.6%	25.2	1.07	0.0%	5	10
WFRD	Weatherford International	Energy	Oil and Gas Equipment and Services	5.3	102.3%	16.2	0.16	0.0%	3	7
Average:				107.8	69.0%	16.9	0.25	0.6%	4.3	7.9

Notes:

- Diverse Large/Mid/Small cap mix of 5/4/4
- 4 Value and 9 Growth stocks
- 7 secular growth Tech, Pharma, and Insurance companies balanced with 6 cyclical growth Energy, Materials, Mortgage, and Travel firms

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

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

Launch date 7/24/2023

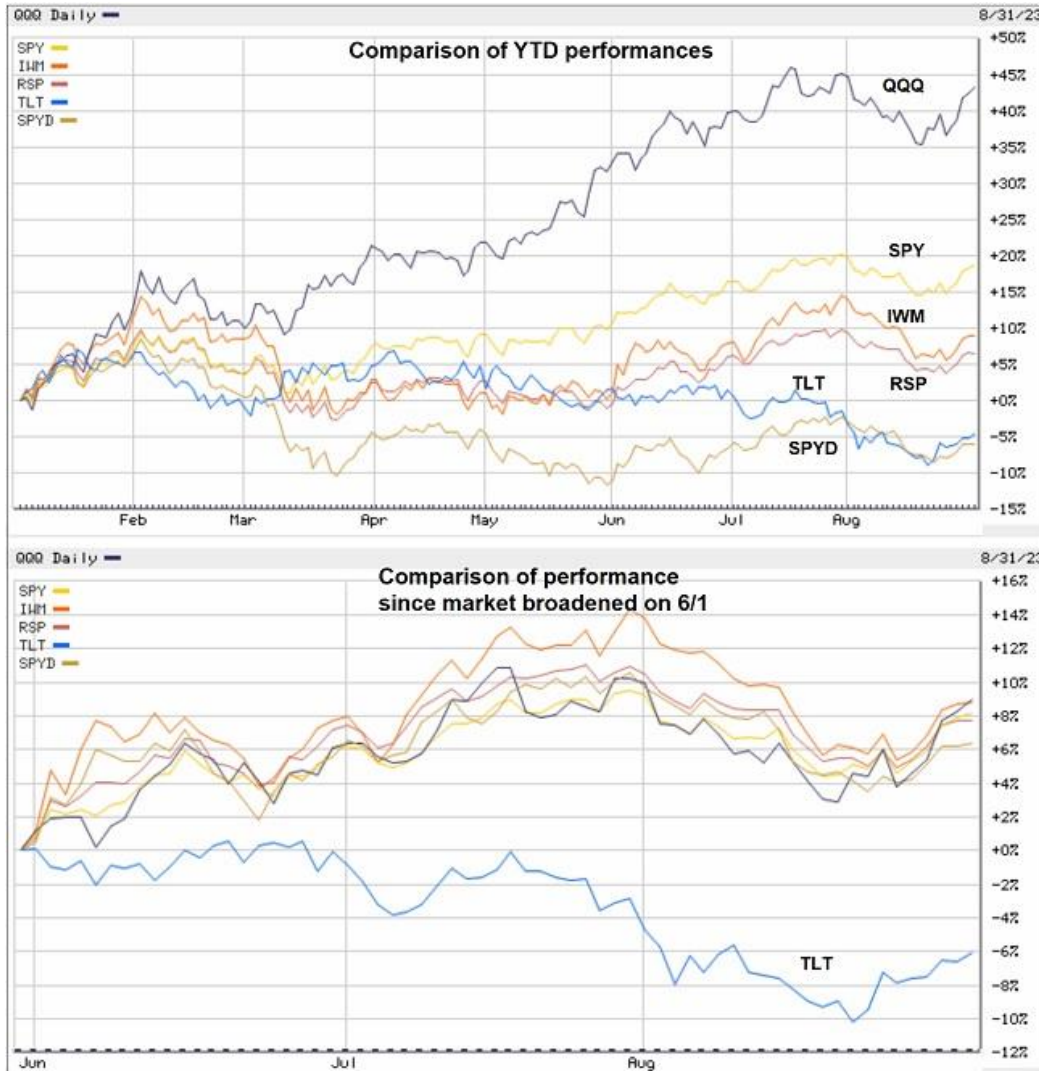
Ticker	Company Name	Sector	Ticker	Company Name	Sector
ADNT	Adient plc	Consumer Discretionary	INCY	Incyte Corporation	Health Care
ALSN	Allison Transmission Holdings, Inc.	Industrials	IVZ	Invesco Ltd.	Financials
AXS	AXIS Capital Holdings Limited	Financials	JAZZ	Jazz Pharmaceuticals plc	Health Care
BKNG	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



Mega-cap-dominated QQQ and SPY have surged this year while equal-weight RSP, IWM, and Dividend-oriented SPYD have largely languished—the exact opposite to 2022 performance.

But starting June 1, there has been **improving market breadth** and a mean-reversion rotation into cyclicals, smaller caps, and dividend payers, particularly as the valuation divergence of mega-cap secular growth has reached an extreme.

This broadening is **healthy** for the sustainability of the bull market.

Forward P/Es (as of 9/1/2023):

SPYD = 11.7 SPDR S&P 500 High Dividend
 IWM = 14.7 Russell 2000 Small Caps
 RSP = 15.5 Equal Weight S&P 500
 SPY = 19.2 S&P 500
 QQQ = 24.5 Nasdaq 100 (secular growth, Tech-dominated)

Others for comparison:

RPV = 8.8 Large Cap Pure Value (subset of S&P 500)
 RZV = 10.5 Small Cap Pure Value (subset of S&P 600)
 XLE = 12.1 Energy Sector SPDR (subset of S&P 500)
 XLF = 13.0 Financial Sector SPDR (subset of S&P 500)
 MDY = 14.7 S&P 400 Mid Caps
 ARKK = 33.8 ARK Innovation (speculative Tech growth)

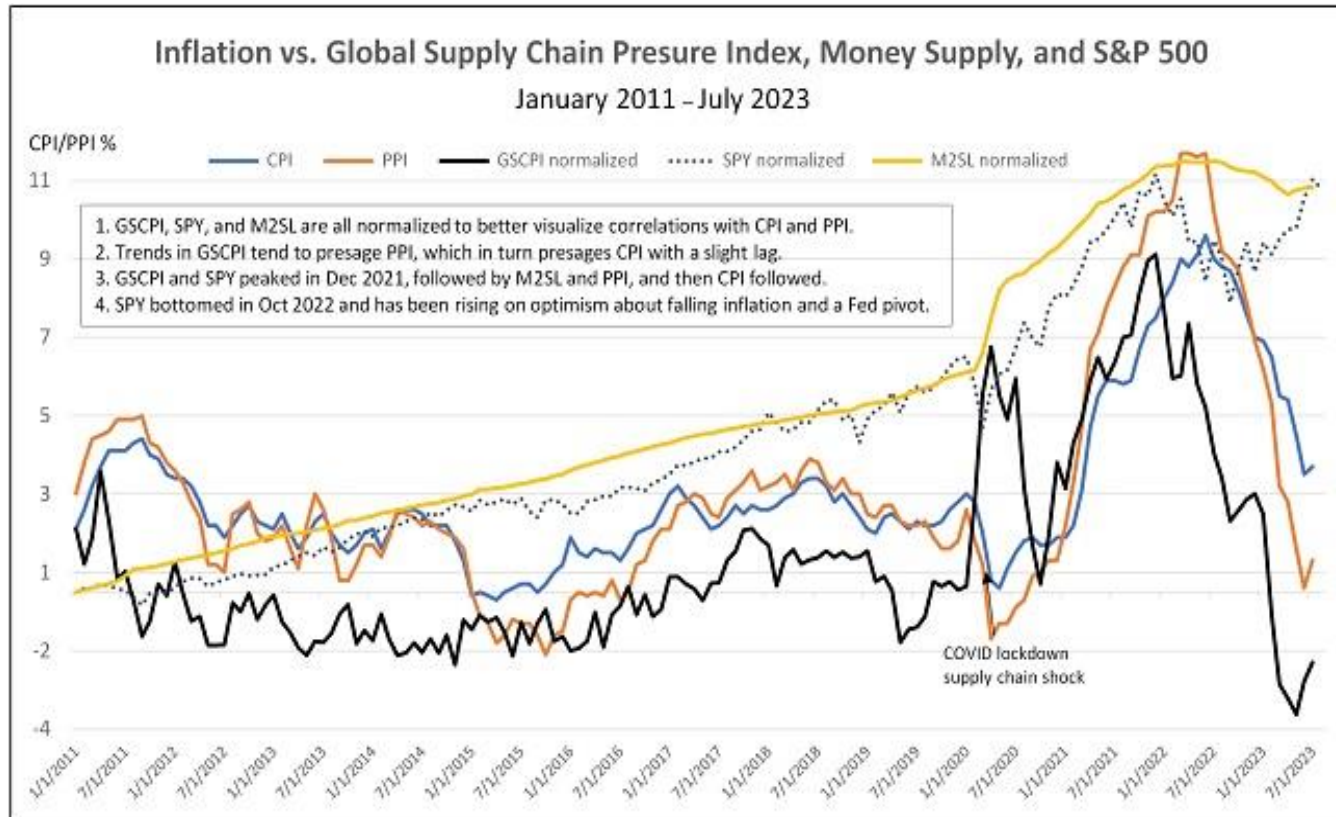
SectorCast Rankings and Top-ranked ETFs

Sabrient SectorCast ETF Rankings (as of 9/1/2023)		
Dow Jones U.S. Sector	Tracking ETF	Outlook Score
TECHNOLOGY	IYW	71
ENERGY	IYE	59
INDUSTRIALS	IYJ	55
CONSUMER DISCRETIONARY	IYC	54
CONSUMER STAPLES	IYK	49
TELECOMMUNICATIONS	IYZ	35
FINANCIALS	IYF	33
HEALTHCARE	IYH	30
UTILITIES	IDU	11
BASIC MATERIALS	IYM	6

Current rankings lean mostly bullish, with cyclical and secular growth sectors generally rated higher than defensives, with the notable exception of Materials mired at the bottom. Despite a high forward P/E (26.0x), Technology sits at the top, with strong EPS growth estimates (15.4%), improving earnings revisions from the analyst community, good return ratios, and strong insider sentiment (open market buying).

Top Ranked Nonleveraged Equity ETFs (as of 9/1/2023)		
Fund Name	Tracking ETF	Outlook Score
AdvisorShares Vice	VICE	100
Alger 35	ATFV	100
AdvisorShares Alpha DNA Equity Sentiment	SENT	100
WBI BullBear Quality 3000	WBIL	99
QRAFT AI-Enhanced US Large Cap Growth	AMOM	99
WisdomTree Growth Leaders	PLAT	99
Putnam Focused Large Cap Growth	PGRO	98
VanEck BCD Income	BIZD	97
Invesco Building & Construction	PKB	97
First Trust Expanded Technology	XPND	97
PGIM Jennison Focused Growth	PJFG	97
Defiance Hotel, Airline, and Cruise	CRUZ	96
Fidelity Disruptive Technology	FDTX	96
Harbor Long-Term Growers	WINN	96
Invesco Dorsey Wright Financial Momentum	PFI	95
Motley Fool 100 Index	TMFC	95
Inspire Fidelis Multi Factor	FDLS	94
First Trust Multi-Manager Large Growth	MMLG	94
T. Rowe Price Blue Chip Growth	TCHP	94
Alpha Dog	RUFF	93

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.

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

A return to modest money supply growth as supply chains continue to improve may be appropriate for balancing both economic growth and inflation moderation, although perhaps not down to the Fed's 2% target without inducing a recession (via additional rate hikes and QT).

Market Observations & Outlook

1. Inflation continues to decline as supply chains recover, money supply falls or stabilizes, interest rates remain elevated, consumer goods demand stays weak, and wage inflation slows. The Fed is (or should be) done raising rates, in our view.
2. As long as the 2-year Treasury yield stays below 5%, the economy and stocks should be fine, and the extreme yield curve inversion will 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”). Minus those stocks, valuations across the broader market are much more reasonable. For example, forward P/E on SPY is 19.2x, but equal-weight S&P 500 (RSP) is 15.5x and S&P 600 small cap (SPSM) is 13.9x.
5. Investors may be better served by active selection rather than the passive indexes, which 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

*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

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