

Baker's Dozen Portfolios **plus Small Cap Growth and Dividend Opportunity**

- 1. Process Overview & Latest Enhancements***
- 2. Performance Review***
- 3. Market Commentary & Outlook***

“Quantamental” GARP* approach with a forensic accounting overlay

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

* GARP = growth at a reasonable price



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Fundamental forensic accounting research

Talking Points Summary

- Model-driven, bottom-up, "*quantamental*" GARP selection process with forensic accounting review => Tends to outperform when fundamentals matter to investors
- 11.25-year outperformance despite 5 big drawdowns: 1Q2009, 2Q2011, 2H2015, 2H2018, 1Q2020
- After the first 6-1/2 years of Baker's Dozen outperformance (2009-1H2015), the rise of *Populism* starting in 2015 followed by *escalation in Trade Wars* in 2018 led to persistent risk-off investor preference for bonds, defensive sectors, and secular-growth Technology
- Market indexes still rose despite persistently cautious investor sentiment creating *historically large relative valuation divergence* favoring momentum/low-volatility/defensive/large cap over value/high-beta/cyclical/small-mid cap => Thus, passive *market-cap-weighted indexes* greatly *outperformed equal-weighted indexes* and actively selected portfolios
- Although EPS outlook initially held up while prices fell in cyclical sectors, corporate capital spending eventually slowed => many Industrial/Materials/Energy firms ultimately *missed estimates*
- But cyclicals showed intermittent readiness for recovery given dovish Fed, China trade progress, and US economic strength led by strong consumer; indeed 8/27/19-12/31/19 had risk-on rotation into small caps, value, and cyclicals => boosting Sabrient portfolios ... until COVID-19 took hold
- Nevertheless, **we have enhanced our selection process** by implementing:
 - (1) *Guardrails against extreme sector "tilts"* relative to the benchmark S&P 500's allocations
 - (2) Our new Growth Quality Rank (GQR) as enhancement to GARP model to boost *all-weather performance*
- **What can go wrong?**
 - (1) Consensus forward EPS estimates in our model are slashed (**COVID-19 has changed everything!!**)
 - (2) Fickle investors ignore the fundamentals on which we based our rankings

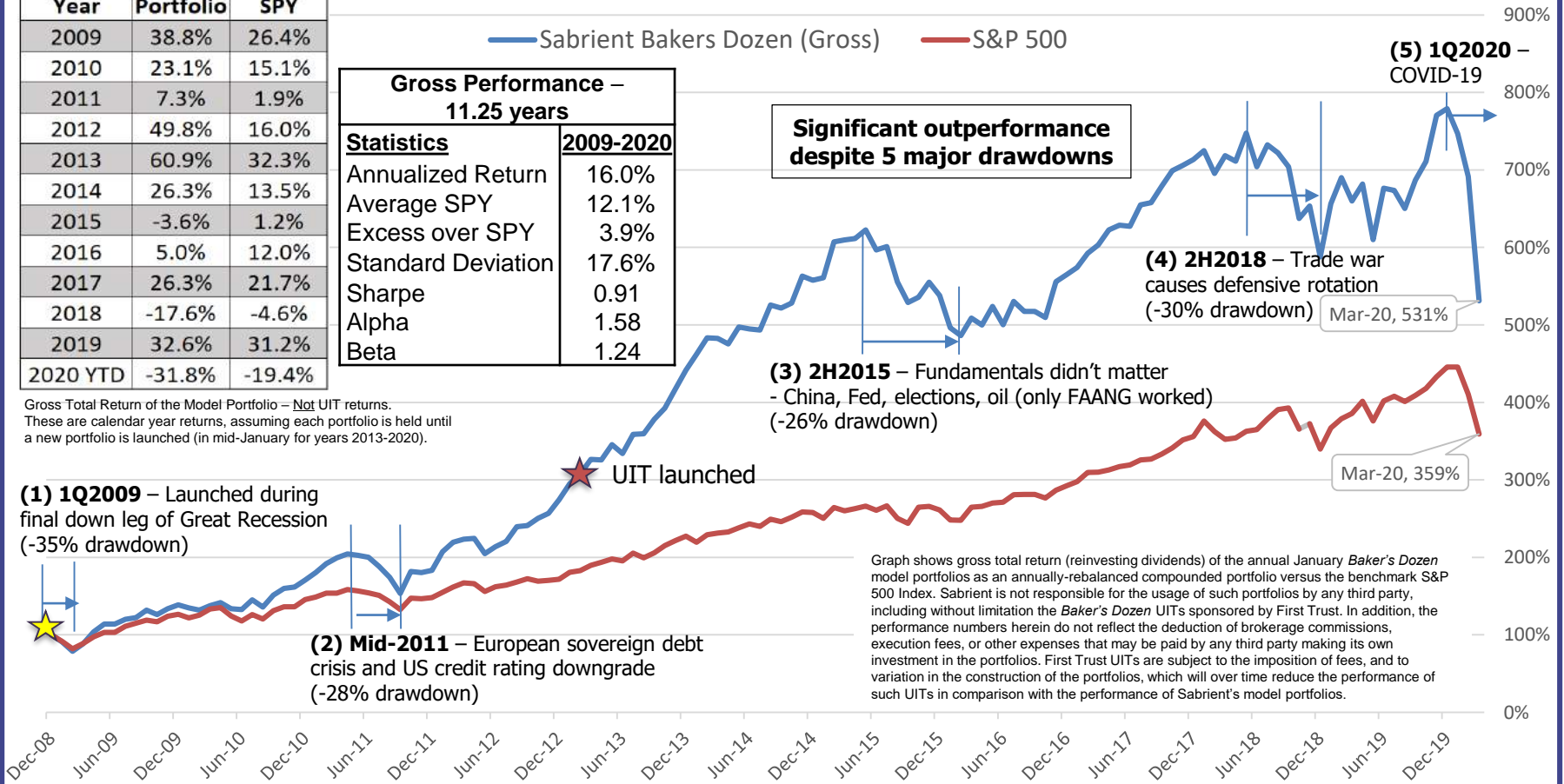
Baker's Dozen Long-term Performance

January Model Portfolio (gross total return) – rebalanced when new portfolio is published (1/1/2009 inception thru 3/31/2020, end-of-month data points)

Year	Portfolio	SPY
2009	38.8%	26.4%
2010	23.1%	15.1%
2011	7.3%	1.9%
2012	49.8%	16.0%
2013	60.9%	32.3%
2014	26.3%	13.5%
2015	-3.6%	1.2%
2016	5.0%	12.0%
2017	26.3%	21.7%
2018	-17.6%	-4.6%
2019	32.6%	31.2%
2020 YTD	-31.8%	-19.4%

Gross Performance – 11.25 years	
Statistics	2009-2020
Annualized Return	16.0%
Average SPY	12.1%
Excess over SPY	3.9%
Standard Deviation	17.6%
Sharpe	0.91
Alpha	1.58
Beta	1.24

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



Gross Total Return of the Model Portfolio – Not UIT returns. These are calendar year returns, assuming each portfolio is held until a new portfolio is launched (in mid-January for years 2013-2020).

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 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.

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Process Enhancements

Expected to improve model performance in a *post-pandemic economy*

1. New sector constraints relative to benchmark to reduce relative volatility
 - Still maintains the long-standing overall 30% sector maximum allocation
 - Adds limitations on extreme sector “tilts” away from S&P 500 allocations (15-30% range)

2. Developed and introduced a new **Growth Quality Rank (GQR)**
 - Seeks to improve model performance during periods of macro uncertainty or “irrational” defensive sentiment (despite solid economic outlook), without substantial performance degradation during “normal” conditions
 - Development of the model leveraged *Monte Carlo simulation* rather than relying solely on our normal scientific hypothesis testing
 - Puts *secular* growth stocks (which may have somewhat higher forward P/E) on more equal footing with *cyclical* growth (which tend to have lower forward P/E)
 - Evaluates:
 - 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

Comparison of Models

The January *Baker's Dozen* portfolios historically have been selected based on Sabrient's existing "GARP-Aggressive Model," and the volatility has been similar. However, the enhanced "New **GARP-GQR Model**" has much lower volatility and higher Sharpe, which bodes well as the basis for future *Baker's Dozen* portfolios.

|<- 50-stock algorithmic simulations ->|

	Theoretical Historical Rolling Annual January <i>Baker's Dozen</i> Model Portfolio	Previous GARP-Aggressive Simulation	New GARP-GQR Model Simulation	SPY
2009	38.78%	57.16%	25.03%	26.46%
2010	23.07%	20.20%	25.75%	15.06%
2011	7.30%	-6.40%	11.68%	2.11%
2012	49.82%	25.17%	19.42%	16.00%
2013	60.90%	61.65%	37.94%	32.39%
2014	26.28%	16.38%	13.09%	13.69%
2015	-3.56%	-7.71%	8.34%	1.38%
2016	5.00%	19.55%	12.90%	11.96%
2017	26.33%	17.62%	30.81%	21.83%
2018	-17.64%	-17.94%	-1.77%	-4.38%
2019	32.60%	40.96%	28.45%	31.49%
Cumulative Return	679.39%	524.89%	560.38%	351.04%
Avg Annual Return	20.52%	18.13%	18.72%	14.68%
Standard Deviation	16.50%	21.26%	15.17%	13.55%
Simple Sharpe Ratio	1.24	0.85	1.23	1.08

Note: Both the existing **GARP-Aggressive Model** and the **New GARP-GQR Model** performance are based on 100% rules-based back-test simulations, which may or may not be indicative of future performance. They employ 50-stock portfolios, rebalanced quarterly with sector concentration limits. On the other hand, the **Theoretical Rolling January Baker's Dozen** assumes end-of-day closing prices for the actual published 13-stock January portfolios, rebalanced annually. Refer to Disclaimer page for other important disclosures.

Sabrient[®]

- **Quantitative** fundamentals-based multifactor models since 2000
- Diverse team of engineers/analysts/programmers, led by former NASA engineer (Apollo 11 moon landing) **David Brown**
- Numbers-driven; Bottom-up rather than top-down
- Focused on ***Growth At a Reasonable Price*** (GARP)
- Relies on database of sell-side analyst estimates
=> Key metric: Forward PEG ratio (next 12 months)
- In 2009, introduced *quantamental* GARP approach to create the *Baker's Dozen* annual portfolio of 13 top picks



- **Fundamental** in-depth forensic accounting analysis since 2002
- Team of CFAs, CPAs – finance & accounting backgrounds, led by President & Director of Research **Brent Miller**, CFA
- Institutional clientele (mostly long/short hedge funds)
- Earnings quality and anomalous insider activity
- Acquired by Sabrient in 2011
 - ➔ Long vetting helps to “play defense”
 - ➔ Built **Earnings Quality Rank (EQR)** for use in GARP model
[EQR is also licensed to hedge funds and to the *First Trust Long-Short ETF (FTLS)*]

Gradient Vetting Process

- Identify aggressive accounting practices (“financial engineering”)
- Examine 10-K, 10-Q, earnings releases, conference call transcripts
- Review accruals, working capital, cash flow, GAAP/non-GAAP adjustments
- Identify overstating assets & revenue, understating liabilities & expenses
- Corporate integrity and governance
- Insider behavior (anomalous buying/selling)
- Sell-side reports, regulatory review, any circulating short thesis
- Involves only *publicly available* information

Sabrient “Quantamental” Approach

- 1. Quantitative screen** to narrow large eligible universe
(Forward P/E, Forward EPS growth, dynamics of analyst estimates, EQR)
- 2. Fundamental analysis** to identify top candidates
(Still mainly numbers-driven, but not algorithmic)
- 3. Forensic accounting review** of top candidates
- 4. Final Stock Selection**, with sector limits

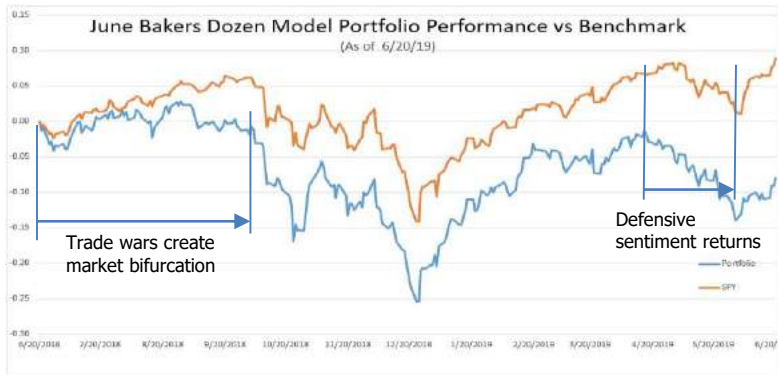
We target average Forward PEG of < 0.5, while S&P 500 is > 2.0

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

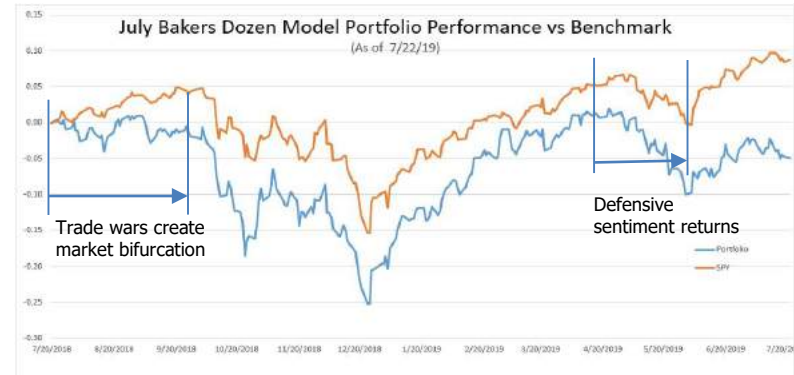
Jun–Aug 2018 *Baker's Dozens*

Performance hurt by two major risk-off rotations



Total Returns

Event	Date	Portfolio	SPY
Launch	6/20/2018	-8.01%	8.93%



Total Returns

Event	Date	Portfolio	SPY
Launch	7/20/2018	-4.90%	8.71%



Total Returns

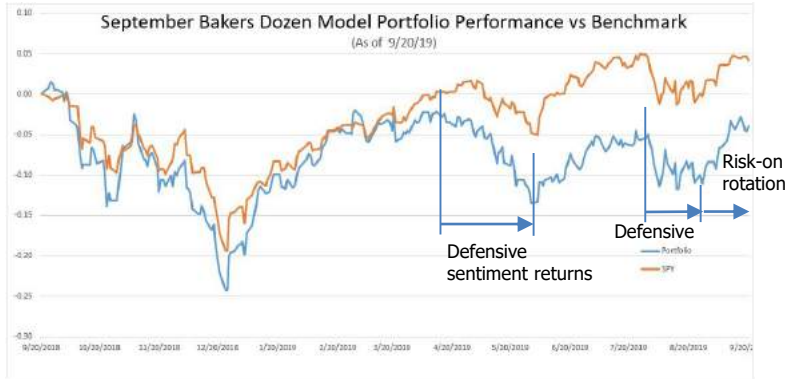
Event	Date	Portfolio	SPY
Launch	8/20/2018	-9.73%	3.60%

Graphs display Gross Total Return of the Model Portfolios – Not UIT returns. Sabrient tracks model performance from closing prices on launch date to closing prices 12 months + 1 day later, when the new portfolio launches. 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.

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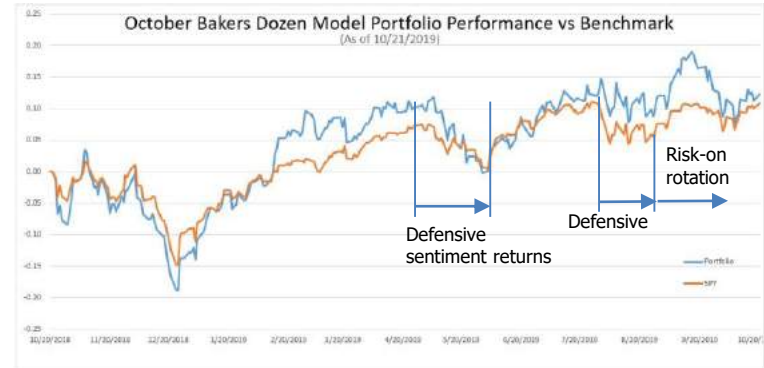
Sep–Nov 2018 *Baker's Dozens*

Defensive sentiment reigns, but with glimpses of risk-on optimism



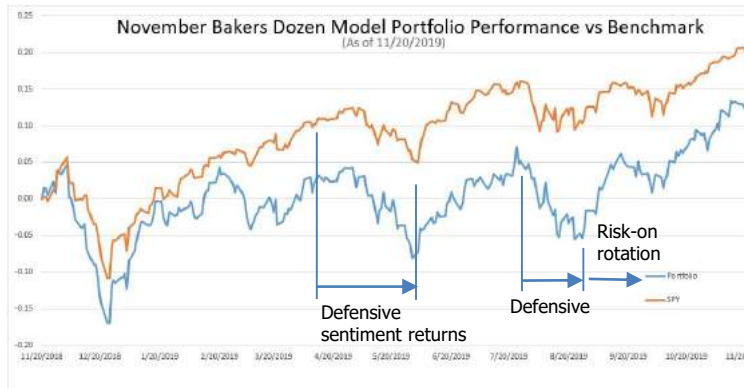
Total Returns

Event	Date	Portfolio	SPY
Launch	9/20/2018	-3.99%	4.19%



Total Returns

Event	Date	Portfolio	SPY
Launch	10/20/2018	12.28%	10.87%



Total Returns

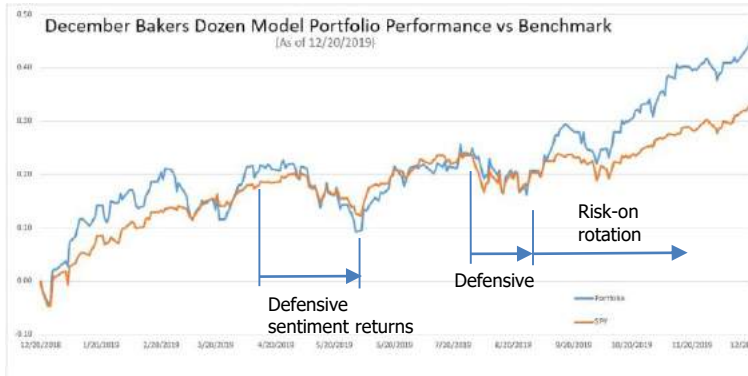
Event	Date	Portfolio	SPY
Launch	11/20/2018	11.89%	20.07%

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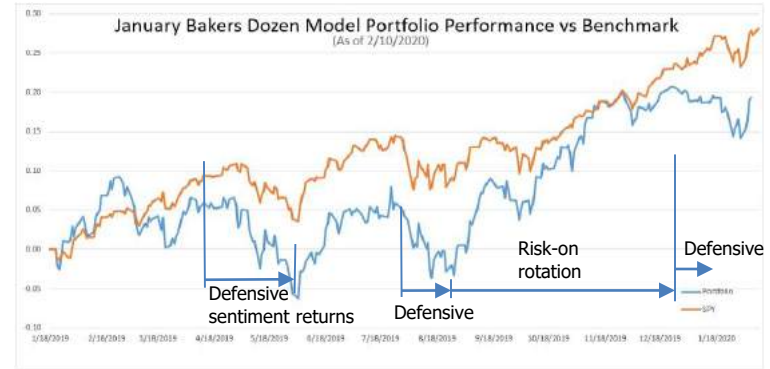
Dec 2018 –Feb 2019 *Baker's Dozens*

Defensive sentiment gives way to risk-on optimism, until COVID-19 rears its ugly head



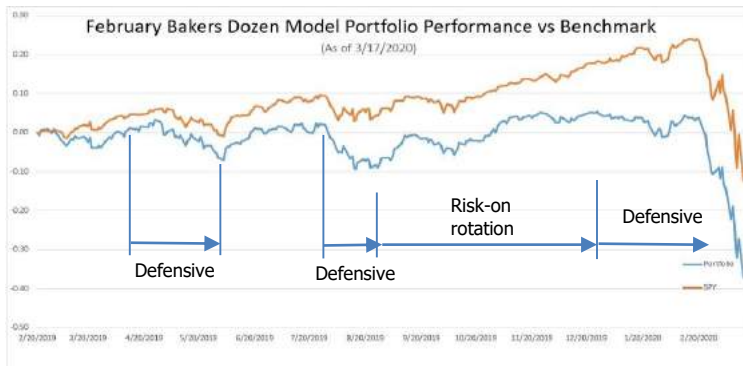
Total Returns

Event	Date	Portfolio	SPY
Launch	12/20/2018	45.41%	33.21%



Total Returns

Event	Date	Portfolio	SPY
Launch	1/18/2019	19.26%	27.88%



Total Returns

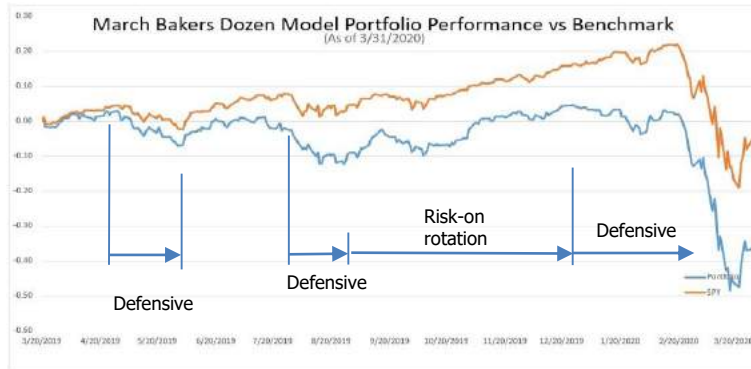
Event	Date	Portfolio	SPY	RSP	EWSC
Launch	2/20/2019	-35.11%	-7.20%	-17.94%	-38.46%

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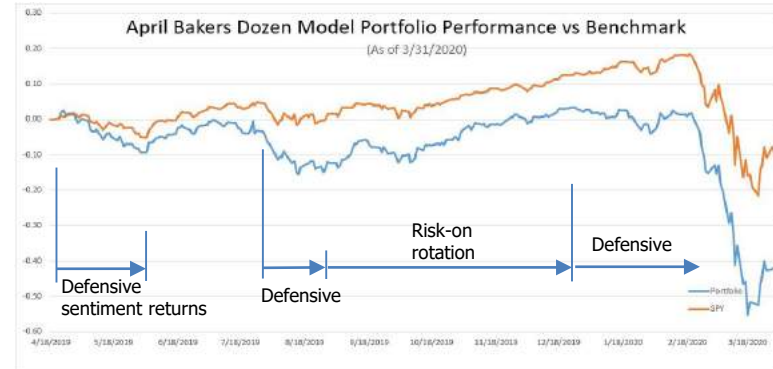
Mar–May 2019 *Baker's Dozens*

Defensive sentiment gives way to risk-on optimism, until COVID-19 rears its ugly head



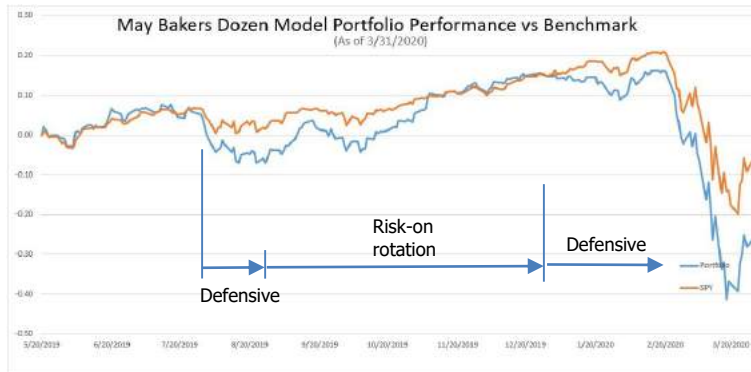
Total Returns Thru Current

Event	Date	Portfolio	SPY	RSP	EWSC
Launch	3/20/2019	-36.53%	-6.60%	-16.93%	-33.61%



Total Returns Thru Current

Event	Date	Portfolio	SPY	RSP	EWSC
Launch	4/18/2019	-41.76%	-9.33%	-19.73%	-34.51%



Total Returns Thru Current

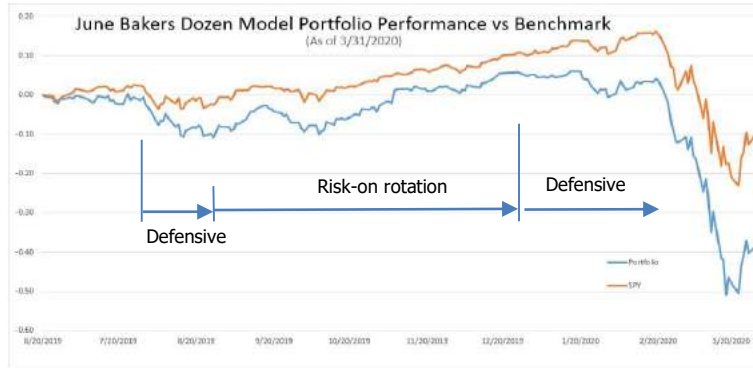
Event	Date	Portfolio	SPY	RSP	EWSC
Launch	5/20/2019	-26.50%	-7.43%	-17.36%	-31.56%

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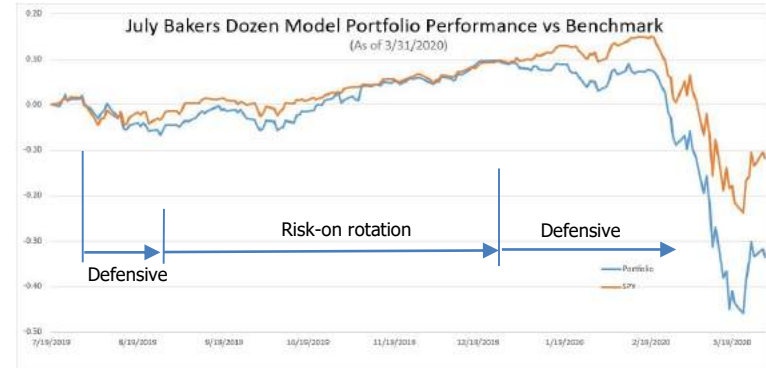
Jun–Aug 2019 *Baker's Dozens*

Defensive sentiment gives way to risk-on optimism, until COVID-19 rears its ugly head



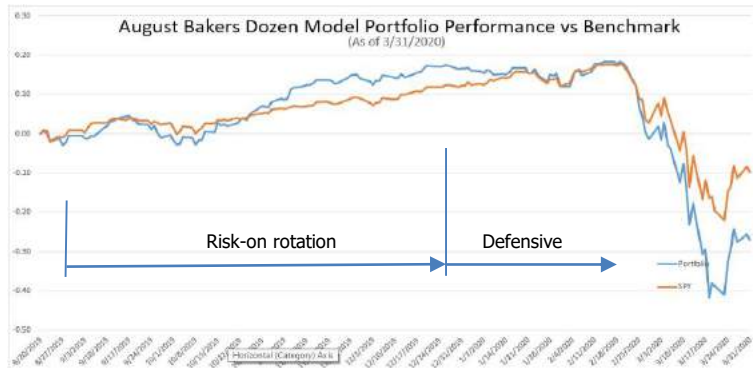
Total Returns Thru Current

Event	Date	Portfolio	SPY	RSP	EWSC
Launch	6/20/2019	-39.12%	-11.17%	-20.51%	-32.09%



Total Returns Thru Current

Event	Date	Portfolio	SPY	RSP	EWSC
Launch	7/19/2019	-33.51%	-11.95%	-21.09%	-31.64%



Total Returns Thru Current

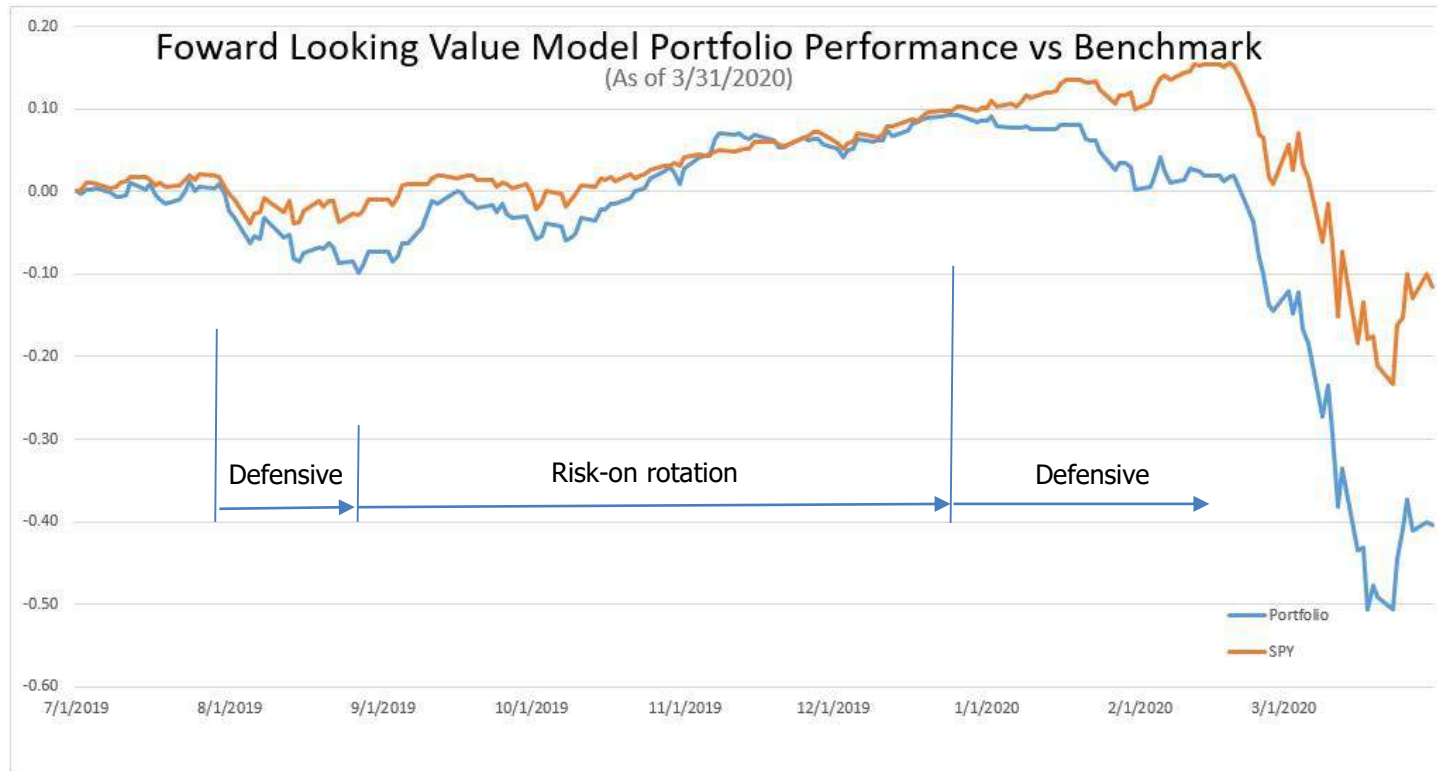
Event	Date	Portfolio	SPY	RSP	EWSC
Launch	8/20/2019	-27.01%	-9.82%	-18.04%	-29.30%

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June 2019 Forward Looking Value

Defensive sentiment gives way to risk-on optimism, until COVID-19 rears its ugly head



Graph display Gross Total Return of the Model Portfolios – Not UIT returns. Sabrient tracks model performance from closing prices on launch date to closing prices 12 months + 1 day later, when the new portfolio launches.

Total Returns Thru Current

Event	Date	Portfolio	SPY	RSP	EWSC
Launch	7/1/2019	-40.37%	-11.50%	-21.16%	-32.97%

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Market Conditions: 2017–1H2018

- **2017** – risk-on “Trump Bump” driven by fundamentals (good for GARP)
 - ✓ Synchronized global growth, China strong, rising oil prices, Fed data-driven
 - ✓ New fiscal stimulus from deregulation and anticipation of tax reform
 - ✓ Strong breadth, record low volatility, cyclicals and small caps lead
 - ✓ Momentum factor dominates (versus Value, Quality, Low-Volatility factors)
 - ✓ P/E multiples expand
- **H1 2018** – market continues up, but sentiment turns cautious
 - ✓ Cyclicals and small caps still lead, but with higher volatility
 - ✓ With tax reform in place, investors watch for corporate behavior and capex
 - ✓ Trade war rhetoric worsens; investors turn cautious; P/E multiples compress

Market Conditions: 2H2018—Current

- **H2 2018** – trade war rhetoric becomes reality; defensive rotation begins
 - ✓ Rotation out of risk-on sectors (value, cyclicals, small caps, emerging markets)
 - ✓ Rotation into risk-off defensive sectors (large cap Utilities, Healthcare, Staples, Telecom) and mega-cap Tech (AAPL, MSFT, AMZN) ... until the Q4 selloff
- **Jan-Aug 2019** – market recovers but still mostly defensive sentiment
 - ✓ China trade negotiations resume; FOMC dovish (“Fed put”); low interest rates
 - ✓ P/E multiples expand despite persistent preference for risk-off momentum/low-volatility/bonds/defensive/mega-cap over risk-on value/cyclicals/small-mid caps
- **Sep-Dec 2019** – sustained risk-on rotation into value/cyclical/small-mid
- **Q1 2020** – new highs and optimism are halted by COVID-19 pandemic
 - ✓ Like Q4 2018, market rises despite defensive rotation ... until the selloff

18 months of Sector Performance by Market Cap

Defensive sentiment prevailed after tariffs were announced 3/8/18 thru 8/26/19

(as published by First Trust Advisors)

Large-, Mid- & Small-Cap Cumulative Total Returns (3/8/18-8/26/19)

Category	S&P 500 Index	S&P MidCap 400 Index	S&P SmallCap 600 Index
Index	8.18%	-1.13%	-3.16%
Comm. Services	8.66%	10.56%	7.13%
Consumer Disc.	13.46%	-8.33%	-3.22%
Consumer Staples	15.99%	-0.31%	2.86%
Energy	-12.10%	-44.89%	-52.58%
Financials	-6.33%	-9.79%	-3.19%
Health Care	7.86%	11.20%	0.84%
Industrials	-1.10%	-1.51%	-2.98%
Info. Tech.	16.07%	7.59%	2.95%
Materials	-5.63%	-15.24%	-23.20%
Real Estate	33.44%	16.71%	16.63%
Utilities	32.95%	30.49%	34.19%

Source: Bloomberg. Past performance is no guarantee of future results.

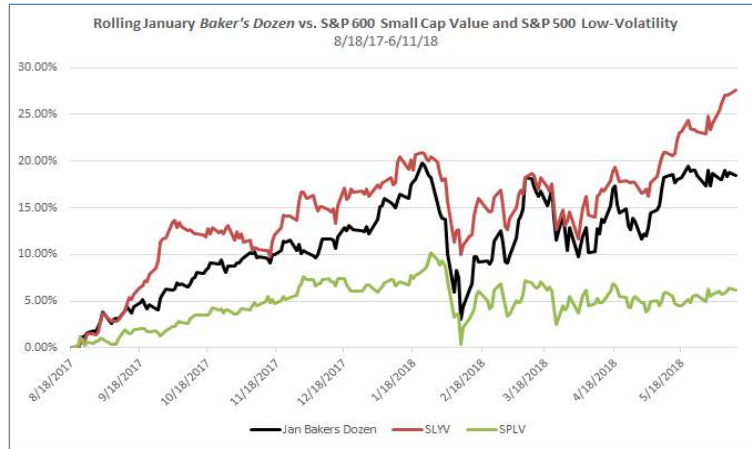
As of 9/28/18, the Global Industry Classification Standard (GICS) was reconstituted and the Telecommunications Services sector was renamed Communication Services. GICS sector information for periods prior to 9/28/18 may not necessarily be comparable to the reconstituted sectors.

Rotation to Value/Cyclicals/Small-cap

Bursting of Low-volatility/Defensive bubble began on 8/27/19 – until COVID-19 arose

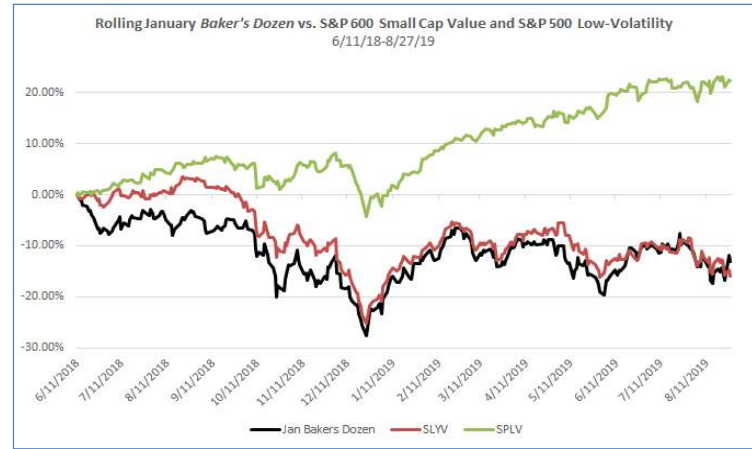
8/20/17 – 6/11/18:

Risk-on rotation in anticipation of fiscal stimulus bill (tax cuts) leads to outperformance of theoretical rolling January *Baker's Dozen* and Small-cap Value (SLYV) over risk-off/defensive Large-cap Low Volatility (SPLV)

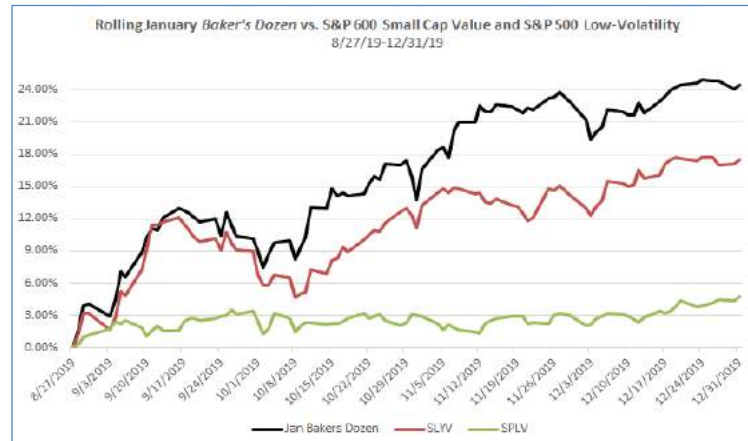


6/11/18 – 8/27/19:

Risk-off rotation from escalating trade war leads to big outperformance of defensive Large-cap Low Volatility (SPLV) over rolling January *Baker's Dozen* and Small-cap Value (SLYV) – creating an historic relative valuation bubble



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8/27/19 – 12/31/19:

Risk-on rotation leads to big outperformance of theoretical rolling January *Baker's Dozen* portfolio and Small-cap Value (SLYV) over Large-cap Low Volatility (SPLV)

Narrow Market Leadership

Cap-weighted S&P 500 greatly outperformed various Equal-weighted indexes



- SPY = Market-cap-weight S&P 500 large caps
- RSP = Equal-weight S&P 500 large caps
- EQAL = Equal-weight Russell 1000 large/mid caps
- ESMC = Equal-weight S&P 400 mid caps
- EWSC = Equal-weight S&P 600 small caps

March 2019 Baker's Dozen Model Portfolio

Launch date (3/20/2019) compared to current (3/31/2020)

Ticker	Company Name	Return	Est. NTM EPS			
			Fwd P/E at Launch	Current Fwd P/E	Growth at Launch	Actual EPS Growth
ZAYO	Zayo Group Holdings, Inc.	25.4%				
AME	AMETEK, Inc.	-10.3%	20.0	17.5	23.3%	27.4%
URI	United Rentals, Inc.	-11.4%	6.3	5.2	18.0%	20.2%
HLT	Hilton Worldwide Holdings Inc.	-19.1%	22.2	23.7	37.2%	39.1%
TRV	The Travelers Companies, Inc.	-22.5%	11.9	9.5	24.7%	7.4%
ANTM	Anthem, Inc.	-24.1%	16.1	9.2	20.1%	22.1%
SSNC	SS&C Technologies Holdings, Inc.	-28.9%	16.6	10.0	30.8%	32.5%
AGCO	AGCO Corporation	-29.8%	14.5	11.2	19.7%	14.1%
CF	CF Industries Holdings, Inc.	-32.8%	18.1	15.4	101.4%	66.6%
VST	Vistra Energy Corp.	-36.1%	11.9	6.7	211.9%	69.9%
BYD	Boyd Gaming Corporation	-47.4%	15.8	10.7	33.5%	34.8%
ATI	Allegheny Technologies Incorporated	-67.3%	13.8	9.8	24.8%	-19.9%
SAVE	Spirit Airlines, Inc.	-75.5%	8.1	NE	49.8%	15.7%
	Average	-29.2%	14.6	11.7	49.6%	27.5%
SPY	SPDR S&P 500 ETF Trust	-6.6%				
RSP	S&P 500 equal-weighted index	-16.9%				
EWSC	S&P 600 equal-weighted index	-33.6%				

April 2019 Baker's Dozen Model Portfolio

Launch date (4/18/2019) compared to current (3/31/2020)

Ticker	Company Name	Return	Est. NTM EPS			
			Fwd P/E at Launch	Current Fwd P/E	Growth at Launch	Actual EPS Growth
CMC	Commercial Metals Company	-8.5%	7.5	9.0	52.0%	72.3%
PCRX	Pacira BioSciences, Inc.	-8.9%	24.9	16.0	41.5%	60.6%
URI	United Rentals, Inc.	-24.3%	6.5	5.2	18.0%	20.2%
TRV	The Travelers Companies, Inc.	-26.8%	12.3	9.5	23.6%	7.4%
SSNC	SS&C Technologies Holdings, Inc.	-31.2%	16.9	10.0	30.9%	32.5%
CVLT	Commvault Systems, Inc.	-33.9%	27.7	25.1	37.7%	0.6%
CF	CF Industries Holdings, Inc.	-38.1%	20.1	15.4	92.1%	66.6%
VAC	Marriott Vacations Worldwide Corpo	-45.9%	13.6	6.7	30.7%	33.1%
BYD	Boyd Gaming Corporation	-51.2%	17.1	10.7	31.3%	34.8%
NMIH	NMI Holdings, Inc.	-56.2%	12.1	4.1	35.0%	57.2%
DIN	Dine Brands Global, Inc.	-65.2%	12.2	4.0	33.2%	29.2%
GLOG	GasLog Ltd.	-75.6%	17.3	12.4	64.8%	-49.1%
SAVE	Spirit Airlines, Inc.	-77.1%	9.1	NE	38.7%	15.7%
	Average	-41.8%	15.2	10.7	40.7%	29.3%
SPY	SPDR S&P 500 ETF Trust	-9.3%				
RSP	S&P 500 equal-weighted index	-19.7%				
EWSC	S&P 600 equal-weighted index	-34.5%				

Market Outlook (implicit in our rankings)

Assumptions prior to COVID-19 trumping everything...forecasts are paralyzed for now:

1. Global growth improves; Resurgent US corp earnings, buybacks, CapEx
2. Ongoing monetary & fiscal stimulus; trade war détente; no Socialist president
3. Ramp-up in capital spending, rising forward guidance, and improved earnings
4. Modest inflation and low interest rates persist; Supportive Federal Reserve
5. Valuations fine relative to interest rates (e.g., E/P or Dividends+Buybacks/P)
6. Cyclical and small-mid caps are most attractively valued
7. High-quality dividend payers also appealing, as interest rates stay low

➤ Major Risks:

- (1) Global economic slowdown due to COVID-19 pandemic (*dreaded Black Swan event*)
- (2) Escalation in China trade war (*Phase 1 deal reduced this risk*)
- (3) Military escalation with Iran (*low risk for now*)
- (4) US dollar meltdown due to dysfunctional repo market & deficit spending (*low risk for now*)
- (5) Election/political uncertainty: e.g., Socialism, new impeachment (*low risk*)
- (6) Deleveraging a heavily-indebted global economy (*a longer-term issue*)

Baker's Dozen Portfolio – 1Q2020

Statistics upon launch on 1/17/20

Ticker	Company Name	Industry	Mkt Cap (\$B)	NTM EPS Growth	Fwd PE	Fwd PEG	Div Yield
ADBE	Adobe	Application Software	166.6	24.5%	35.2	1.44	0.0%
ADSK	Autodesk	Application Software	42.4	69.6%	48.5	0.70	0.0%
ALK	Alaska Air Group	Airlines	8.2	20.1%	9.7	0.48	2.1%
ANTM	Anthem	Managed Health Care	77.3	22.8%	13.8	0.61	1.1%
BMJ	Bristol-Myers Squibb	Pharmaceuticals	156.5	25.3%	12.1	0.48	2.7%
CHTR	Charter Communications	Cable and Satellite	109.3	107.0%	44.5	0.42	0.0%
CIEN	Ciena	Communications Equipment	6.6	23.9%	16.5	0.69	0.0%
HII	Huntington Ingalls Industries	Aerospace and Defense	11.3	25.6%	15.1	0.59	1.5%
KBH	KB Home	Homebuilding	3.2	27.6%	9.8	0.36	1.0%
SEDG	SolarEdge Technologies	Semiconductor Equipment	5.0	43.0%	21.0	0.49	0.0%
VAC	Marriott Vacations Worldwide	Hotels, Resorts and Cruise Lines	5.4	30.1%	14.3	0.48	1.7%
VLO	Valero Energy	Oil and Gas Refining and Marketing	37.8	69.6%	9.9	0.14	3.9%
WGO	Winnebago Industries	Automobile Manufacturers	1.9	29.3%	12.8	0.44	0.8%
Average:			48.6	39.9%	20.3	0.51	1.1%

Talking Points Summary

- Model-driven, bottom-up, "*quantamental*" GARP selection process with forensic accounting review => Tends to outperform when fundamentals matter to investors
- 11.25-year outperformance despite 5 big drawdowns: 1Q2009, 2Q2011, 2H2015, 2H2018, 1Q2020
- After the first 6-1/2 years of Baker's Dozen outperformance (2009-1H2015), the rise of *Populism* starting in 2015 followed by *escalation in Trade Wars* in 2018 led to persistent risk-off investor preference for bonds, defensive sectors, and secular-growth Technology
- Market indexes still rose despite persistently cautious investor sentiment creating *historically large relative valuation divergence* favoring momentum/low-volatility/defensive/large cap over value/high-beta/cyclical/small-mid cap => Thus, passive *market-cap-weighted indexes* greatly *outperformed equal-weighted indexes* and actively selected portfolios
- Although EPS outlook initially held up while prices fell in cyclical sectors, corporate capital spending eventually slowed => many Industrial/Materials/Energy firms ultimately *missed estimates*
- But cyclicals showed intermittent readiness for recovery given dovish Fed, China trade progress, and US economic strength led by strong consumer; indeed 8/27/19-12/31/19 had risk-on rotation into small caps, value, and cyclicals => boosting Sabrient portfolios ... until COVID-19 took hold
- Nevertheless, **we have enhanced our selection process** by implementing:
 - (1) *Guardrails against extreme sector "tilts"* relative to the benchmark S&P 500's allocations
 - (2) Our new Growth Quality Rank (GQR) as enhancement to GARP model to boost *all-weather performance*
- **What can go wrong?**
 - (1) Consensus forward EPS estimates in our model are slashed (**COVID-19 has changed everything!!**)
 - (2) Fickle investors ignore the fundamentals on which we based our rankings

Resources

Be sure to sign up for:

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

- 2-pager with details on each pick (including fwd P/E, Growth Rate, fwd PEG)
- Send email request to: **support@Sabrient.com**

2. Monthly *Sector Detector* newsletter

- Market commentary and SectorCast ETF rankings, written by Scott Martindale
- Go to sign-up box on **Sabrient.com** home page

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

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