



Updated July 10, 2019

Baker's Dozen Monthly Portfolios

plus Small Cap Growth, Dividend, Defensive Equity, Rising Rate

***“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, Sabrient Systems
smartindale@sabrient.com

Sabrient Systems LLC
Quantitative equity research, rankings, strategies

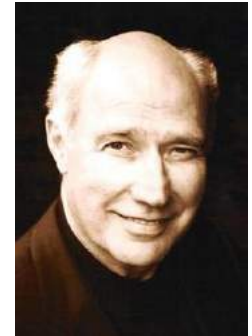
Gradient Analytics LLC
Fundamental forensic accounting research

Talking Points Summary

- Our model-driven, bottom-up, "*quantamental*" GARP* selection process with forensic accounting review => tends to outperform when fundamentals matter to investors
- 10-year outperformance (despite 4 news-driven drawdowns: 1Q2009, mid-2011, 2H2015, 2H2018)
- 6/11/2018 – escalating trade war with China and hawkish Fed led to risk-off rotation into defensive sectors and mega-caps despite little change in strong fundamental outlook
- Market bifurcated 6/11/18–9/20/18 as S&P 500 rose while cyclical sectors and small-mid caps fell, before the broad market ultimately sold off in 4Q2018
- But forward guidance *held up* while prices *fell* in risk-on segments, so valuations became more attractive => *Buying opportunity, in our view*
- Indeed, a risk-on recovery following the market capitulation on Christmas Eve was led by cyclical sectors => *Several of Sabrient's GARP portfolios have outperformed this year*
- 4/16/19–5/31/19 saw another risk-off rotation into Treasuries and defensives at the expense of cyclicals, but since 5/31 cyclicals are back in favor given dovish Fed and optimism over trade negotiations => *Should bode well for Sabrient's GARP portfolios*
- What can go wrong for Sabrient?
 - (1) Outlook for corporate earnings changes radically (*has not happened*)
 - (2) Investors ignore fundamentals (*has happened in news-driven climate*)

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

Baker's Dozen Long-term Performance

January Model Portfolio (gross total return) – rebalanced when new portfolio is published
(1/1/2009 inception thru 6/30/2019, end-of-month data points)

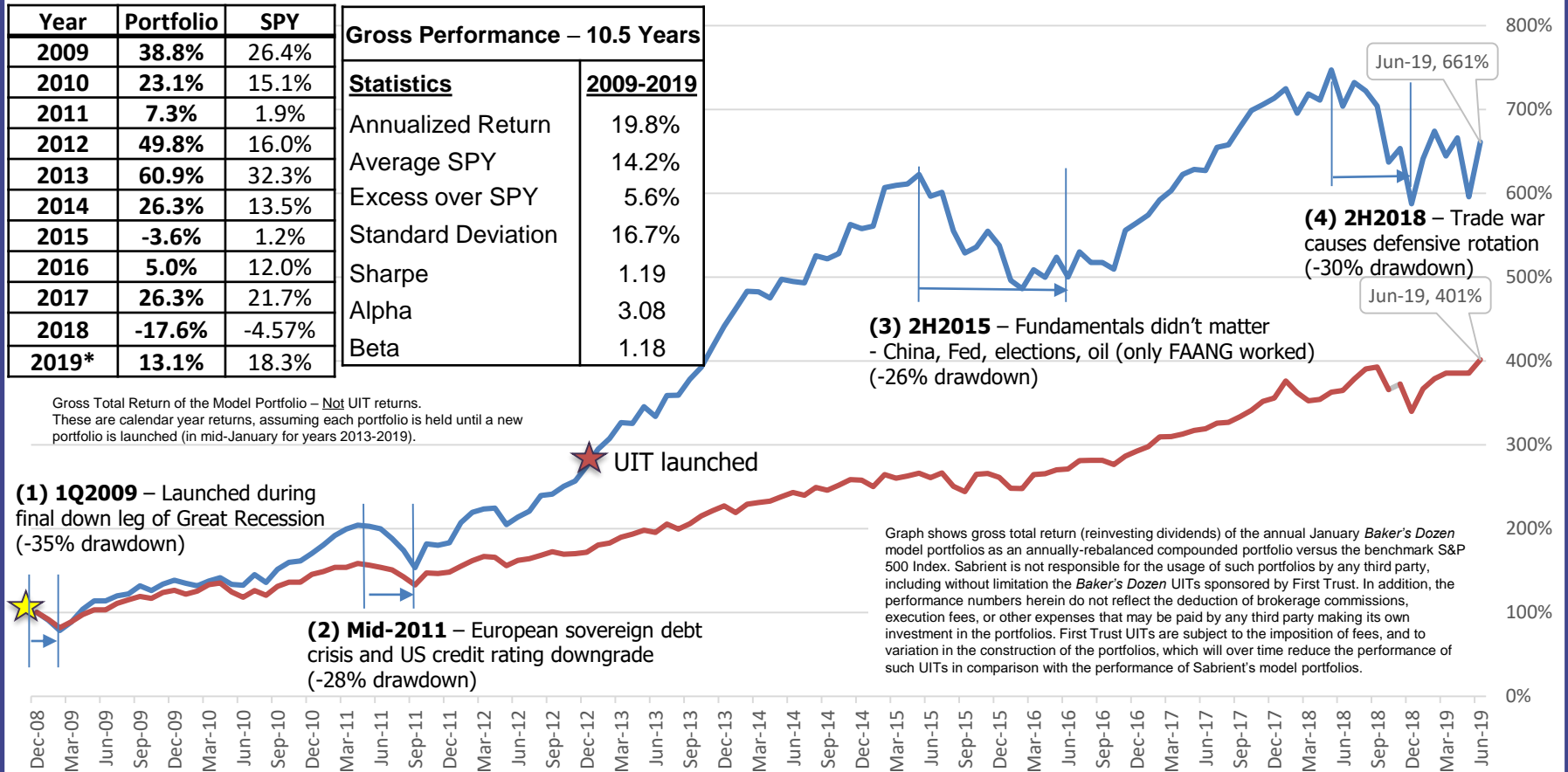
— Sabrient Bakers Dozen (Gross) — S&P 500

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%	-4.57%
2019*	13.1%	18.3%

Gross Performance – 10.5 Years

Statistics

	2009-2019
Annualized Return	19.8%
Average SPY	14.2%
Excess over SPY	5.6%
Standard Deviation	16.7%
Sharpe	1.19
Alpha	3.08
Beta	1.18



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 2013-2019).

(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)

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

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

Graph shows gross total return (reinvesting dividends) of the annual January Baker's Dozen model portfolios as an annually-rebalanced compounded portfolio versus the benchmark S&P 500 Index. Sabrient is not responsible for the usage of such portfolios by any third party, including without limitation the 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.

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

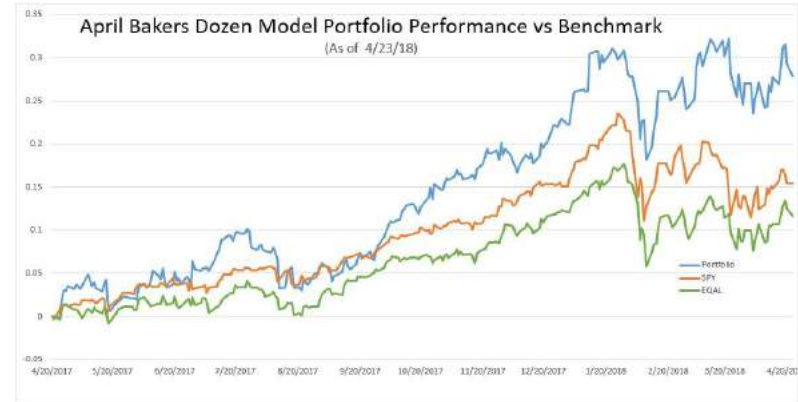
Jan–May 2017 *Baker's Dozens*

Outperformance for all portfolios that terminated before 6/11/2018



Total Returns Thru Current

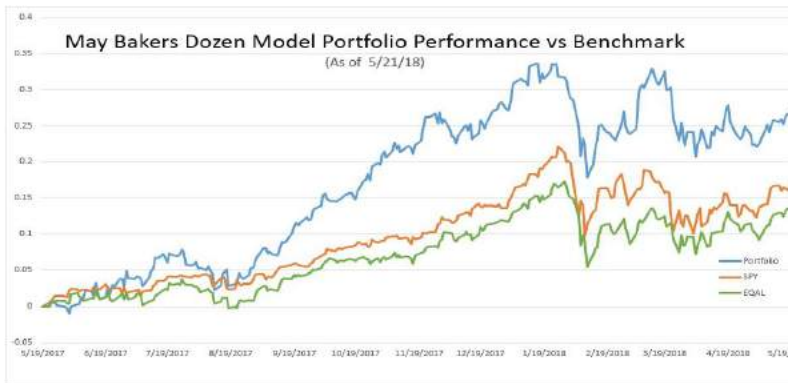
Event	Date	Portfolio	SPY	EQAL
Launch	1/17/2017	33.04%	25.78%	18.40%



Total Returns Thru Current

Event	Date	Portfolio	SPY	EQAL
Launch	4/20/2017	26.92%	15.43%	11.74%

Note: April 2017 was the first of the new monthly *Baker's Dozens*. No portfolios were published in February or March 2017.



Total Returns Thru Current

Event	Date	Portfolio	SPY	EQAL
Launch	5/19/2017	28.27%	16.90%	13.99%

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.

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

Jun–Aug 2017 *Baker's Dozens*

Outperformance begins to be impacted by June 2018 risk-off rotation



Total Returns Thru Current

Event	Date	Portfolio	SPY	EQAL
Launch	6/20/2017	21.00%	14.96%	14.08%



Total Returns Thru Current

Event	Date	Portfolio	SPY	EQAL
Launch	7/20/2017	13.95%	15.52%	13.01%



Total Returns Thru Current

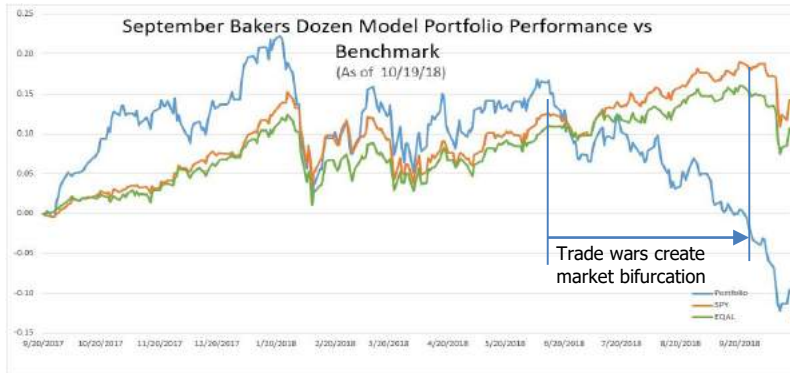
Event	Date	Portfolio	SPY	EQAL
Launch	8/18/2017	12.83%	19.90%	18.56%

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.

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

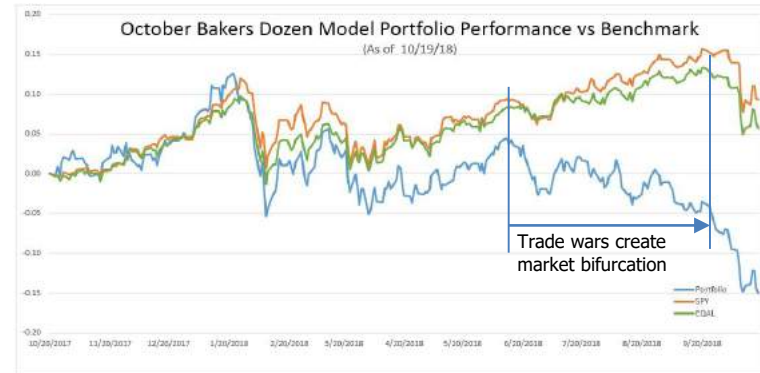
Sep–Nov 2017 *Baker's Dozens*

Performance hurt by June 2018 risk-off rotation



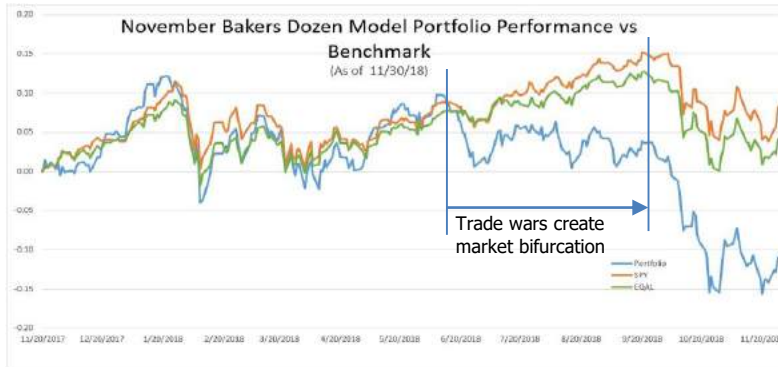
Total Returns Thru Current

Event	Date	Portfolio	SPY	EQAL
Launch	9/20/2017	-12.78%	12.49%	8.29%



Total Returns Thru Current

Event	Date	Portfolio	SPY	EQAL
Launch	10/20/2017	-14.98%	9.38%	5.79%



Total Returns Thru Current

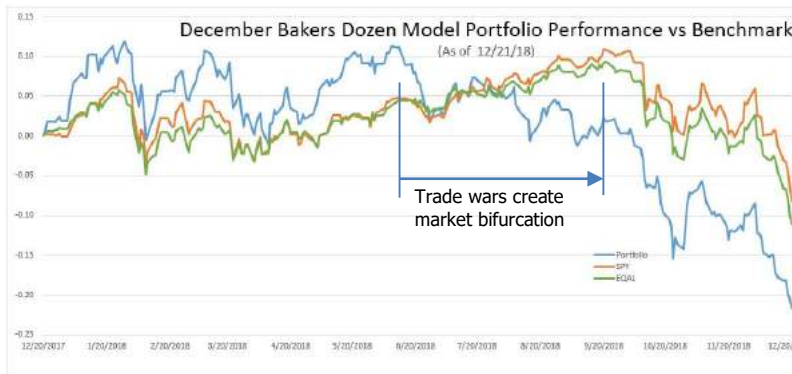
Event	Date	Portfolio	SPY	EQAL
Launch	11/20/2017	-10.58%	8.67%	4.62%

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.

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

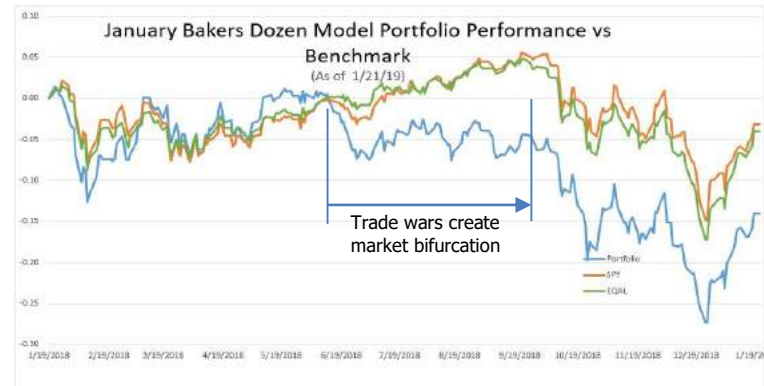
Dec 2017–Feb 2018 *Baker's Dozens*

Performance hurt by June 2018 risk-off rotation



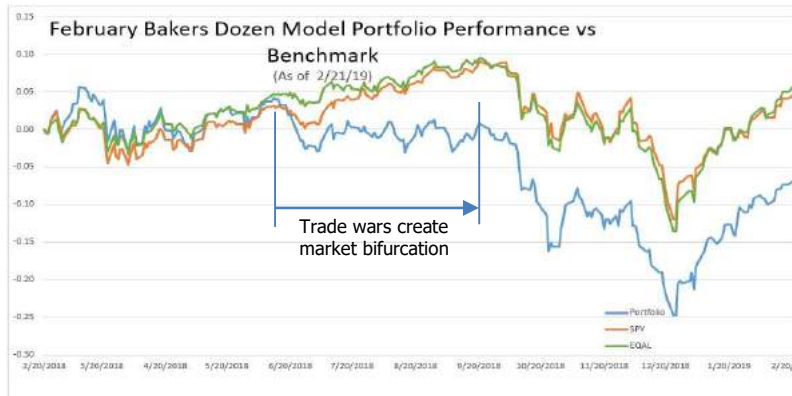
Total Returns Thru Current

Event	Date	Portfolio	SPY	EQAL
Launch	12/20/2017	-21.68%	-8.15%	-11.15%



Total Returns Thru Current

Event	Date	Portfolio	SPY	EQAL
Launch	1/19/2018	-14.10%	-3.17%	-4.03%



Total Returns Thru Current

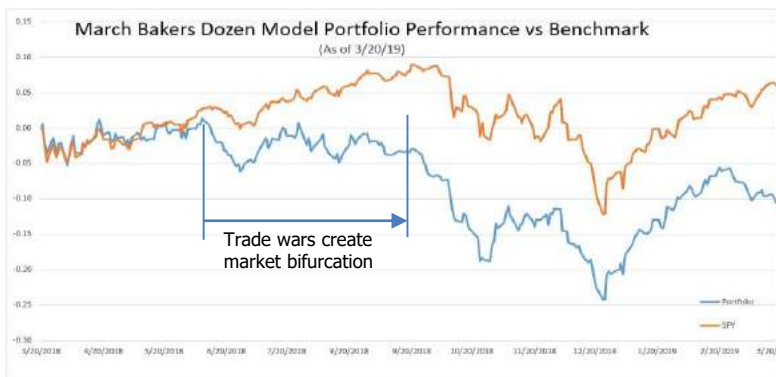
Event	Date	Portfolio	SPY	EQAL
Launch	2/20/2018	-7.10%	4.16%	5.26%

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.

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

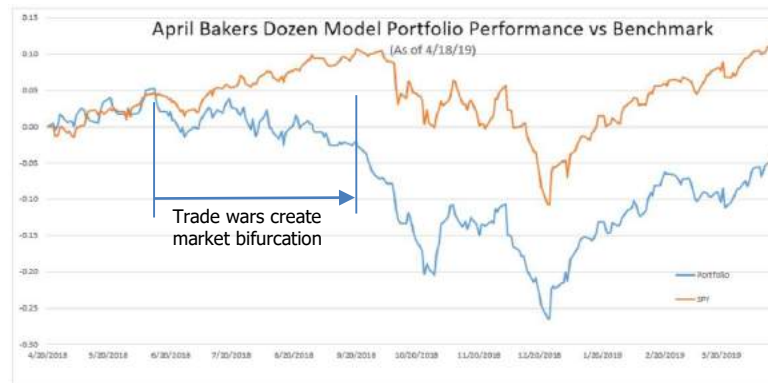
Mar–May 2018 *Baker's Dozens*

Performance hurt by June 2018 risk-off rotation



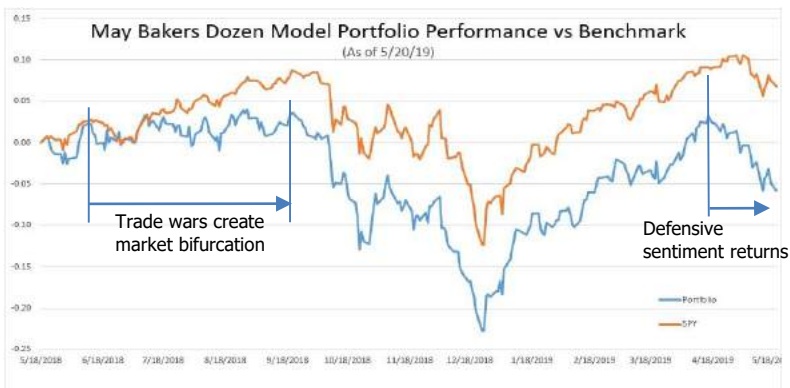
Total Returns Thru Current

Event	Date	Portfolio	SPY
Launch	3/20/2018	-10.49%	6.04%



Total Returns Thru Current

Event	Date	Portfolio	SPY
Launch	4/20/2018	-4.48%	10.99%



Total Returns Thru Current

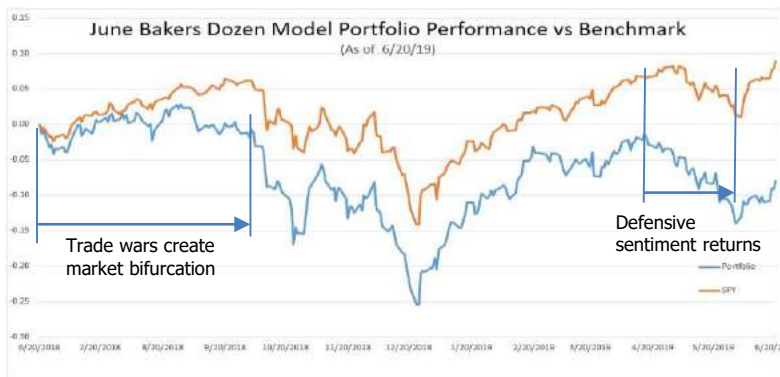
Event	Date	Portfolio	SPY
Launch	5/18/2018	-5.83%	6.80%

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.

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

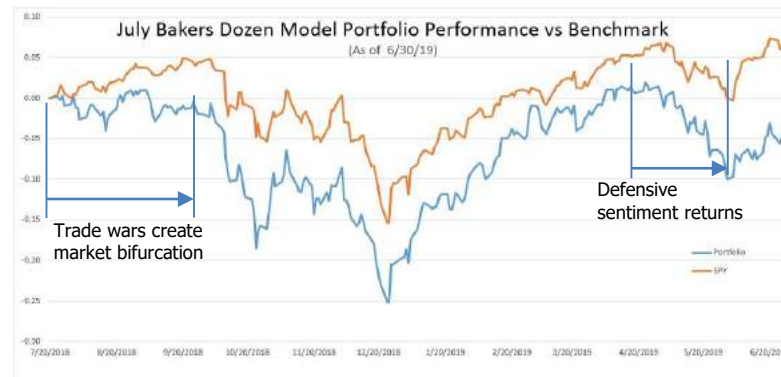
Jun–Aug 2018 *Baker's Dozens*

Performance hurt by two major risk-off rotations



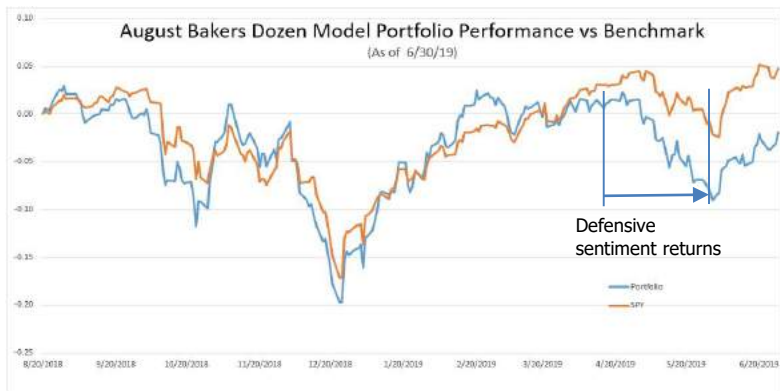
Total Returns Thru Current

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



Total Returns Thru Current

Event	Date	Portfolio	SPY
Launch	7/20/2018	-3.30%	7.02%



Total Returns Thru Current

Event	Date	Portfolio	SPY
Launch	8/20/2018	-1.92%	4.76%

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.

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

Sep–Dec 2018 *Baker's Dozens*



Total Returns Thru Current

Event	Date	Portfolio	SPY
Launch	9/20/2018	-7.13%	1.96%



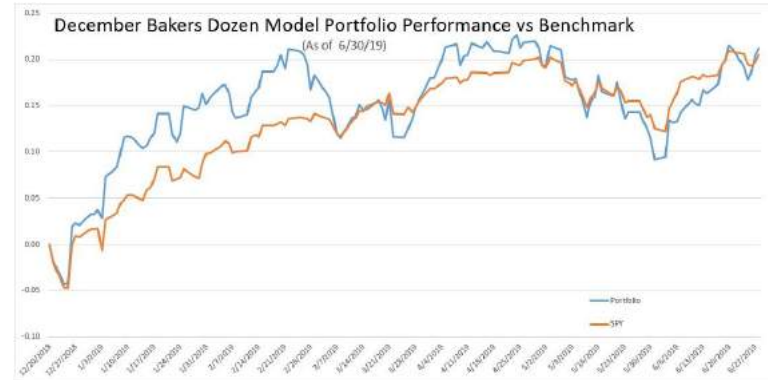
Total Returns Thru Current

Event	Date	Portfolio	SPY
Launch	10/20/2018	8.70%	7.83%



Total Returns Thru Current

Event	Date	Portfolio	SPY
Launch	11/20/2018	2.54%	12.75%



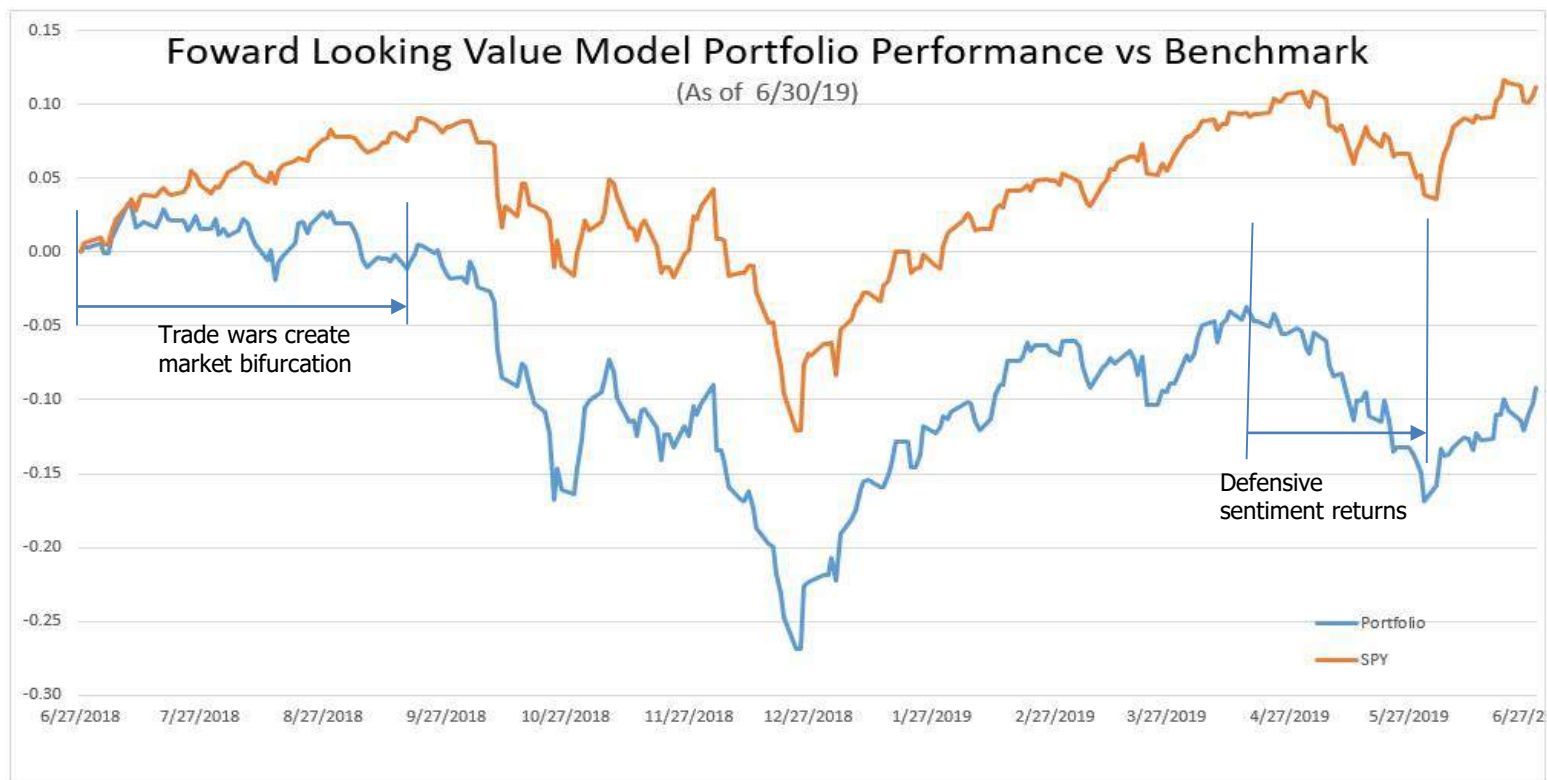
Total Returns Thru Current

Event	Date	Portfolio	SPY
Launch	12/20/2018	21.20%	20.49%

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

June 2018 *Forward Looking Value*

35 stocks; GARP with a value tilt; 15-month hold



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
Launch	6/27/2018	-9.19%	11.21%

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

Recovery of 2018 Monthly *Baker's Dozens* following Christmas Eve “capitulation day”

Baker's Dozen Monthly Portfolios	Gross Absolute Portfolio Return	Thru date	SPY Return
Jan-18 - Closed	26.4%	2/20/19	18.8%
Feb-18 - Closed	20.3%	3/20/19	20.7%
Mar-18 - Closed	25.7%	4/22/19	24.5%
Apr-18 - Closed	20.5%	5/20/19	21.8%
May-18 - Closed	22.8%	6/20/19	26.9%
Jun-18	24.5%	7/1/19	27.4%
Jul-18	30.7%	7/1/19	27.4%
Aug-18	22.9%	7/1/19	27.4%
Sep-18	24.3%	7/1/19	27.4%
Oct-18	36.2%	7/1/19	27.4%
Nov-18	23.8%	7/1/19	27.4%
Dec-18	26.1%	7/1/19	27.4%
Average:	25.4%		25.4%

YTD Performance of other Sabrient Portfolios

Portfolio	Launch Date	Portfolio Gross Return since launch	Benchmark Return: SLYG	Portfolio YTD Gross Return	Benchmark YTD Return: SLYG
SCG 19	6/29/19	-12.1%	-2.1%	21.4%	13.9%
SCG 20	9/26/19	-12.9%	-8.1%	25.3%	13.9%
SCG 21	12/21/19	25.4%	19.3%	20.0%	13.9%
			SPYD		SPYD
Dividend 20	8/14/17	13.4%	18.4%	14.2%	13.8%
Dividend 21	11/8/17	-2.1%	12.5%	12.4%	13.8%
Dividend 22	2/2/18	4.4%	9.5%	14.8%	13.8%
Dividend 23	4/27/18	0.4%	10.1%	13.3%	13.8%
Dividend 24	7/25/18	-2.3%	6.0%	14.4%	13.8%
Dividend 25	10/22/18	4.1%	7.7%	15.8%	13.8%
			SPY		SPY
FLV 6	6/27/18	-10.7%	12.1%	17.3%	19.5%
Def Equity 16	6/6/18	4.1%	9.2%	15.7%	19.5%
Def Equity 17	8/31/18	0.1%	3.9%	19.5%	19.5%
Def Equity 18	11/29/18	4.8%	9.6%	15.8%	19.5%
RR 6	8/25/17	12.5%	25.8%	15.5%	19.5%
RR 7	2/21/18	-13.7%	12.7%	17.0%	19.5%
RR 8	5/21/18	-12.3%	10.9%	9.5%	19.5%
RR 9	8/17/18	-10.6%	5.8%	18.0%	19.5%
RR 10	11/16/18	-2.8%	9.7%	14.9%	19.5%

Despite relative weakness in small caps, the **Small Cap Growth** portfolios have been significantly outperforming the S&P 600 small cap growth index (SLYG) so far this year

Although a GARP-orientation hurt them during a difficult 2H2018, 4 of the 6 **Dividend** portfolios that have been live since start of 2019 have outperformed the S&P 500 Dividend Index (SPYD) so far this year.

Forward Looking Value and **Defensive Equity** have more of a value-orientation than the other portfolios, and the value factor has badly trailed the growth factor most timeframes over the past several years.

Likewise, Rising Rate has a value bent given its high allocation to the Financials sector. Also, RR portfolios have been hindered given that rates stopped rising last October and have been falling ever since.

January 2018 Baker's Dozen

Prices fell even though EPS was better than expected

Ticker	Company Name	Original Fwd P/E at Launch	Current Fwd P/E	Est. NTM EPS Growth at Launch	Actual EPS Growth
CAT	Caterpillar Inc.	21.4	11.4	42.4%	94.8%
COG	Cabot Oil & Gas	34.4	13.4	95.5%	92.7%
CVX	Chevron	22.7	18.2	81.2%	113.8%
FMC	FMC Corp	19.0	15.6	75.7%	111.1%
IQV	IQVIA Holdings	19.4	22.2	37.7%	45.5%
LRCX	Lam Research	13.8	13.2	28.3%	53.3%
MPC	Marathon Petroleum	13.7	9.8	58.4%	54.1%
ON	ON Semiconductor	15.4	12.2	49.6%	69.9%
PGR	The Progressive	17.8	14.5	40.1%	99.2%
PHM	PulteGroup	11.9	8.7	39.7%	62.9%
WLK	Westlake Chemical	14.3	10.8	49.9%	66.8%
WYNN	Wynn Resorts	27.2	21.4	45.4%	55.6%
XPO	XPO Logistics	33.0	13.9	63.5%	69.4%
Average		20.3	14.3	54.4%	76.1%

<= Best performer from defensive Healthcare sector

<= Worst performer from cyclical Industrial sector

=> 40% better growth than expected, but P/E fell 30% (as of 2/26/2019)

February 2018 Baker's Dozen

Prices fell even though EPS was better than expected

Ticker	Company Name	Original Fwd P/E at Launch	Current Fwd P/E	Est. NTM EPS Growth at Launch	Actual EPS Growth
CMA	Comerica	15.0	10.5	38.4%	53.6%
COG	Cabot Oil & Gas	29.8	13.4	95.6%	92.7%
CVX	Chevron	16.7	18.2	81.2%	117.5%
FMC	FMC Corp	15.2	15.7	87.8%	115.4%
LUV	Southwest Airlines	11.6	10.5	43.0%	21.7%
ON	ON Semiconductor	9.6	12.2	48.0%	67.0%
PHM	PulteGroup	12.5	8.7	38.8%	61.4%
STLD	Steel Dynamics	16.8	9.0	49.0%	107.2%
STM	STMicroelectronics N.V.	13.0	14.9	42.4%	54.1%
TMUS	T-Mobile US	16.7	18.8	63.1%	53.6%
TRV	The Travelers Companies	13.1	12.0	48.5%	23.0%
URI	United Rentals	11.3	7.0	40.5%	54.0%
XPO	XPO Logistics	27.3	13.9	72.6%	64.9%
Average		16.0	12.7	57.6%	68.2%

<= Best performer from defensive Telecom sector

<= Worst performer from cyclical Industrial sector

=> 18% better growth than expected, but P/E fell 20% (as of 2/26/2019)

March 2018 Baker's Dozen

Prices fell even though EPS was within 5% of expectations

Ticker	Company Name	Original Fwd P/E at Launch	Current Fwd P/E	Est. NTM EPS Growth at Launch	Actual EPS Growth
ANDV	Andeavor (acquired)				
COG	Cabot Oil & Gas Corporation	21.5	13.8	114.2%	128.3%
EXTR	Extreme Networks, Inc.	11.6	13.7	88.5%	0.0%
HII	Huntington Ingalls Industries	14.7	14.4	42.4%	57.3%
LUV	Southwest Airlines Co.	12.1	11.0	42.6%	21.7%
OLN	Olin Corporation	14.3	13.1	124.8%	101.4%
ON	ON Semiconductor Corporation	14.7	12.3	48.1%	67.0%
PHM	PulteGroup, Inc.	9.4	9.1	39.5%	61.4%
RYAM	Rayonier Advanced Materials	10.4	11.4	104.5%	81.9%
STLD	Steel Dynamics, Inc.	11.3	9.0	52.5%	107.2%
TEX	Terex Corporation	15.2	8.6	82.5%	95.7%
TRV	The Travelers Companies, Inc.	13.0	12.2	48.5%	23.0%
USFD	US Foods Holding Corp.	16.8	16.0	48.7%	47.1%
Average		13.7	12.1	69.7%	66.0%

Best performer from
 <= Energy sector

<= Worst performer is
 from Technology sector

=> growth close to forecasts, but P/E fell 12% (as of 4/18/2019)

April 2018 Baker's Dozen

Ticker	Company Name	Original Fwd P/E at Launch	Current Fwd P/E	Est. NTM EPS Growth at Launch	Actual EPS Growth
BLDR	Builders FirstSource, Inc.	10.7	8.5	41.0%	50.4%
CMC	Commercial Metals Company	11.3	7.2	92.8%	55.2%
COG	Cabot Oil & Gas Corporation	21.1	13.4	110.3%	167.7%
CVX	Chevron Corporation	19.1	13.7	74.8%	74.4%
EXTR	Extreme Networks, Inc.	10.2	11.1	88.5%	-22.2%
NGHC	National General Holdings	11.5	9.5	120.2%	108.9%
OLN	Olin Corporation	14.7	10.4	121.6%	119.9%
PATK	Patrick Industries, Inc.	12.5	11.3	45.1%	29.8%
PHM	PulteGroup, Inc.	9.2	9.4	39.5%	43.4%
POST	Post Holdings, Inc.	16.3	21.7	62.5%	46.6%
RYAM	Rayonier Advanced Materials	11.5	11.6	102.9%	81.9%
TEX	Terex Corporation	15.7	8.1	81.6%	60.8%
USFD	US Foods Holding Corp.	16.6	16.7	49.4%	47.1%
Average		13.9	11.7	79.3%	66.5%

<= Worst performer from cyclical Technology sector

<= Best performer from defensive Consumer Staples

May 2018 Baker's Dozen

Ticker	Company Name	Original Fwd P/E at Launch	Current Fwd P/E	Est. NTM EPS Growth at Launch	Actual EPS Growth
CMC	Commercial Metals	12.5	6.4	94.4%	55.2%
COG	Cabot Oil & Gas	18.4	13.0	105.0%	167.7%
COP	ConocoPhillips	19.2	12.8	118.2%	167.8%
FMC	FMC Corporation	14.5	13.3	54.2%	49.8%
GTN	Gray Television, Inc.	6.3	11.3	53.2%	49.4%
OLN	Olin Corporation	13.9	11.8	158.7%	119.9%
PHM	PulteGroup, Inc.	8.9	9.6	33.9%	43.4%
POST	Post Holdings, Inc.	15.4	19.6	44.2%	31.3%
STLD	Steel Dynamics, Inc.	10.2	7.7	81.6%	95.0%
TEX	Terex Corporation	13.4	7.1	66.4%	60.8%
TRV	The Travelers Companies	11.9	13.1	44.7%	23.0%
WGO	Winnebago Industries	10.3	9.6	40.1%	27.8%
XPO	XPO Logistics	29.2	14.7	61.8%	37.8%
Average		14.2	11.5	73.6%	71.5%

<= Best performer from defensive Communications Services sector

<= Worst performer from cyclical Materials sector

June 2018 Baker's Dozen

Ticker	Company Name	Original Fwd P/E at Launch	Current Fwd P/E	Est. NTM EPS Growth at Launch	Actual EPS Growth
ARCB	ArcBest Corporation	16.7	7.8	52.2%	100.0%
CMA	Comerica Incorporated	13.4	8.5	35.1%	48.7%
CMC	Commercial Metals	12.2	6.4	96.5%	55.2%
COG	Cabot Oil & Gas	18.8	13.0	103.8%	167.7%
COP	ConocoPhillips	15.9	12.8	145.1%	167.8%
MRC	MRC Global Inc.	20.0	16.1	292.2%	128.9%
MU	Micron Technology	4.9	9.3	33.9%	27.5%
NGHC	National General	11.8	8.9	86.2%	80.8%
NMIH	NMI Holdings, Inc.	10.6	11.8	90.7%	118.6%
NXST	Nexstar Media Group	9.4	15.3	82.2%	104.2%
OLN	Olin Corporation	12.7	11.8	157.4%	119.9%
STLD	Steel Dynamics	8.6	7.7	98.2%	95.0%
TRV	The Travelers Companies	11.6	13.1	44.9%	23.0%
Average		12.8	11.0	101.4%	95.2%

<= Worst performer 1 from cyclical Industrials sector

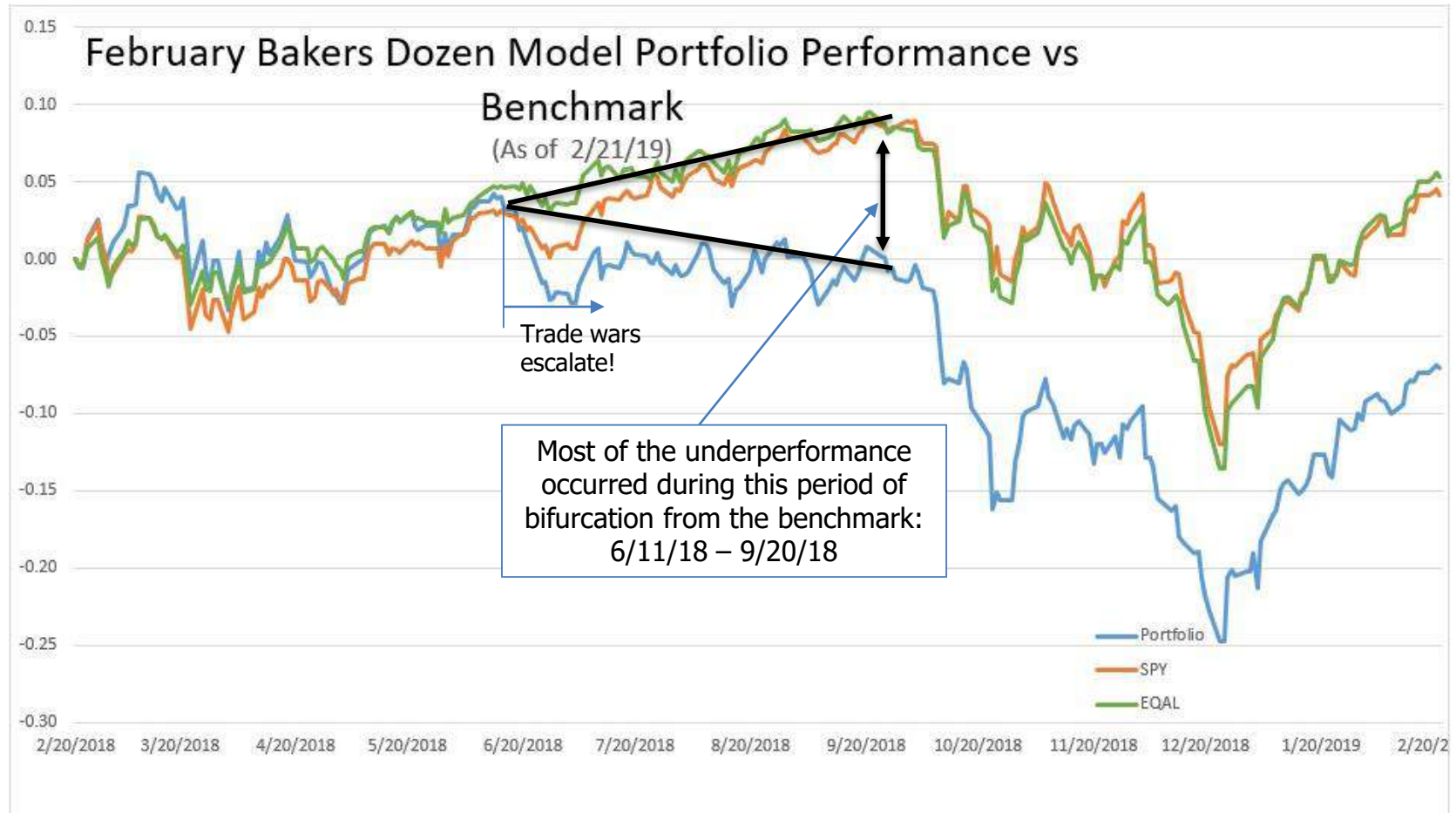
Worst performer 2 from cyclical <= Technology sector

<= Best performers <= from Financial & defensive Comm Serv

<= Worst performer 3 from cyclical Industrials sector

Performance Divergence Last Summer

Example (consistent across all portfolios):



Market Conditions: 2017—1H2018

- **2017** – risk-on continues, driven by fundamentals (good for GARP)
 - ✓ Synchronized global growth, China strong, rising oil prices, Fed data-driven
 - ✓ “Trump Bump” 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
- **1H 2018** – market up, but sentiment changes after Feb correction
 - ✓ Cyclicals and small caps still lead, but with higher volatility
 - ✓ With tax reform in place, investors watch corporate behavior and capex
 - ✓ Trade war rhetoric rises; P/E multiples start to contract

Market Conditions: 2H2018—1H2019

- **2H 2018** – trade war rhetoric becomes reality; defensive rotation begins
 - ✓ Tariffs and trade war with China escalate; FOMC on “autopilot” tightening
 - ✓ Rotation out of risk-on sectors (cyclicals, small caps, Intl, emerging markets)
 - ✓ Rotation into risk-off defensive sectors (large cap Utilities, Healthcare, Staples, Telecom) and mega-caps (AAPL, MSFT, AMZN) ... until the Q4 selloff

- **1H 2019** – recovery rally ensues after Christmas Eve “capitulation day”
 - ✓ China trade negotiations China resume; FOMC takes on dovish tone (“Fed put”)
 - ✓ Rotation into some risk-on sectors (Semiconductors, Industrials, Homebuilders, Financials, mega-cap Tech) – although small caps, Materials, Energy still lag
 - ✓ Brief period (4/16/19—5/31/19) of fear-driven risk-off rotation is shrugged off
 - ✓ P/E multiples expand (S&P 500 near 17x)

Sector Changes in P/E multiples: 2018

	Proxy ETF	Fwd P/E at start of 2018	Fwd P/E at start of 2019	Change	
Steel	SLX	14.2	6.4	-54.9%	8.7x as of 6/30/19
Telecom	IYZ	25.7	12.8	-50.2%	
Energy	XLE	23.8	15.3	-35.7%	
Consumer Discretionary	XLY	21.7	14.1	-35.0%	
Homebuilding	XHB	15.8	10.3	-34.8%	
Industrials	XLI	20.2	14.1	-30.2%	
Russell 2000 small caps	IWM	19.4	13.6	-29.9%	
Materials	XLB	18.8	13.3	-29.3%	
Financials	XLF	15.0	10.8	-28.0%	
Equal-weight S&P 500	RSP	18.0	13.1	-27.2%	
S&P 500 Index	SPY	18.5	14.5	-21.6%	17.2x as of 6/30/19
Semiconductors	SMH	14.6	12.2	-16.4%	18.4x as of 6/30/19
Consumer Staples	XLP	20.0	17.0	-15.0%	
Technology	XLK	17.6	15.8	-10.2%	
Healthcare	XLV	17.0	15.3	-10.0%	
Utilities	XLU	17.3	16.2	-6.4%	

Sector Performance: 6/11/18 thru 7/1/19

Risk-off: Market *hits new highs*, but led by mega-cap Tech & defensive sectors, as trade war sets in and Fed language hawkish

Sell-off: Market *sells off* as mega-cap Tech & cyclical sectors plummet, while defensive sectors hold up better

Risk-on: Market *recovers* with strong breadth, led by mega-cap Tech, cyclicals, & small caps, while defensive sectors lag

Risk-off: Broad market rotates into Treasuries, defensives, and dividend payers, as trade war escalates & 10-year T-note yield plummets

Risk-on: Market *resumes uptrend*, led by mega-cap Tech, cyclicals, while defensive sectors & *small caps* lag

6/11/18 - 9/20/18	
Apple	13.8%
Amazon	13.4%
Microsoft	13.1%
Healthcare	10.6%
Utilities	9.2%
Telecom	8.2%
Consumer Staples	7.4%
Consumer Discret	5.9%
S&P 500 Index	5.4%
Industrials	4.5%
Equal-wt S&P 500	4.2%
Technology	4.0%
Financials	2.6%
R2000 small caps	2.2%
Materials	-0.6%
Semiconductors	-2.5%
Energy	-2.9%
Homebuilding	-3.6%
Steel	-6.4%

9/20/18 - 12/24/18	
Utilities	-2.0%
Consumer Staples	-9.5%
Healthcare	-10.9%
Microsoft	-11.5%
Telecom	-14.1%
Equal-wt S&P 500	-17.0%
Consumer Discret	-17.3%
Technology	-18.7%
Materials	-18.9%
Financials	-19.5%
Homebuilding	-19.7%
S&P 500 Index	-20.2%
Semiconductors	-20.6%
Industrials	-20.9%
R2000 small caps	-23.0%
Steel	-23.8%
Energy	-23.9%
Amazon	-24.4%
Apple	-28.6%

12/24/18 - 4/16/19	
Semiconductors	43.1%
Amazon	38.6%
Apple	35.7%
Technology	33.9%
Homebuilding	32.8%
Consumer Discret	29.5%
Industrials	28.1%
Telecom	25.6%
Energy	25.6%
R2000 small caps	25.2%
Equal-wt S&P 500	24.7%
S&P 500 Index	23.8%
Microsoft	23.0%
Materials	22.8%
Financials	22.6%
Steel	20.3%
Consumer Staples	16.0%
Utilities	11.5%
Healthcare	9.4%

4/16/19 - 5/31/19	
Microsoft	2.4%
Utilities	1.3%
Healthcare	-1.2%
Consumer Staples	-1.6%
Amazon	-4.7%
Financials	-4.9%
S&P 500 Index	-5.1%
Homebuilding	-6.0%
Equal-wt S&P 500	-6.3%
Technology	-6.8%
Industrials	-6.8%
Consumer Discret	-6.8%
R2000 small caps	-7.4%
Materials	-9.2%
Telecom	-9.8%
Apple	-12.1%
Energy	-13.1%
Steel	-13.7%
Semiconductors	-15.2%

5/31/19 - 7/1/19	
Semiconductors	15.3%
Apple	15.1%
Steel	12.3%
Materials	11.8%
Technology	10.3%
Microsoft	9.7%
Homebuilding	9.5%
Energy	8.5%
Consumer Discret	8.4%
Amazon	8.3%
Equal-wt S&P 500	7.8%
Industrials	7.6%
Financials	7.4%
S&P 500 Index	7.4%
R2000 small caps	7.0%
Healthcare	6.7%
Telecom	5.4%
Consumer Staples	5.1%
Utilities	2.1%

=> Sabrient portfolios have been heavy in cyclicals & small caps, given the strong US economy

Historical Recoveries: January *Baker's Dozen*

18 months following trough of 25%+ drawdown

Drawdown Period	Max Drawdown	Drawdown Trough Date	18-month Subsequent Return	18-month SPY return
1Q 2009	-35%	3/9/2009	+104%	+63%
Mid-2011	-28%	10/3/2011	+103%	+41%
2H 2015	-26%	1/13/2016	+31%	+29%
2H 2018	-30%	12/24/2018	???	???

→ Note: So far, **+22.2%** thru 7/1/19

Market Outlook (implicit in our rankings)

1. Global growth intact; Solid US corporate earnings, buybacks, CapEx
2. Fiscal stimulus & deregulation; No protracted trade war
3. Ramp-up in capital spending & guidance once trade war is settled
4. Modest inflation and low interest rates persist; Supportive Federal Reserve
5. Valuations fine relative to interest rates (e.g., Fed Model; Divs+Buybacks)
6. Cyclical and small-mid caps are most attractively valued
7. High-quality dividend payers also attractive, as interest rates stay low

➤ Major Risks:

- (1) Tariffs and trade war escalation
- (2) Renewed tightening by Federal Reserve
- (3) Deleveraging a heavily-indebted global economy (*a longer-term issue*)

Baker's Dozen Portfolio – June 2019

Statistics upon launch on 6/20/19

Ticker	Company Name	Industry	Mkt Cap (\$B)	NTM EPS Growth	Fwd PE	Fwd PEG	Div Yield
ALK	Alaska Air Group	Airlines	7.8	30.5%	10.7	0.35	2.2%
ANTM	Anthem	Managed Health Care	74.9	23.3%	14.3	0.61	1.1%
AXTA	Axalta Coating Systems	Specialty Chemicals	6.9	31.3%	16.4	0.53	0.0%
BYD	Boyd Gaming	Casinos and Gaming	3.1	35.6%	15.1	0.42	1.0%
CF	CF Industries Holdings	Fertilizers and Agricultural Chemicals	10.3	91.6%	20.3	0.22	2.5%
GDDY	GoDaddy	Internet Services and Infrastructure	12.7	56.2%	21.4	0.38	0.0%
LNG	Cheniere Energy	Oil and Gas Storage and Transportation	17.2	153.8%	20.2	0.13	0.0%
NMIH	NMI Holdings	Thriffs and Mortgage Finance	2.1	31.1%	12.4	0.40	0.0%
PCRX	Pacira BioSciences	Pharmaceuticals	1.8	35.1%	26.0	0.74	0.0%
STRA	Strategic Education	Education Services	3.9	32.0%	27.2	0.85	1.1%
SU	Suncor Energy	Integrated Oil and Gas	65.3	24.5%	11.8	0.48	0.0%
TKR	The Timken Company	Industrial Machinery	3.7	19.7%	9.1	0.46	2.3%
VAC	Marriott Vacations Worldwide	Hotels, Resorts and Cruise Lines	4.3	36.1%	12.0	0.33	1.8%
Average:			16.5	46.2%	16.7	0.36	0.9%

Various GARP Portfolios

- 1. Baker's Dozen** – Sabrient's 13 top GARP picks (all caps), published monthly
- 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. Defensive Equity** – 50 stocks, GARP with defensive behavior, quarterly
- 5. Rising Rate** – 50 GARP stocks, tend to thrive when interest rates rise, quarterly
- 6. Small Cap Growth** – 50-stock GARP portfolio, all under \$3.7B cap, quarterly

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. *Sector Detector* periodic newsletter

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

Talking Points Summary

- Our model-driven, bottom-up, "*quantamental*" GARP* selection process with forensic accounting review => tends to outperform when fundamentals matter to investors
- 10-year outperformance (despite 4 news-driven drawdowns: 1Q2009, mid-2011, 2H2015, 2H2018)
- 6/11/2018 – escalating trade war with China and hawkish Fed led to risk-off rotation into defensive sectors and mega-caps despite little change in strong fundamental outlook
- Market bifurcated 6/11/18–9/20/18 as S&P 500 rose while cyclical sectors and small-mid caps fell, before the broad market ultimately sold off in 4Q2018
- But forward guidance *held up* while prices *fell* in risk-on segments, so valuations became more attractive => *Buying opportunity, in our view*
- Indeed, a risk-on recovery following the market capitulation on Christmas Eve was led by cyclical sectors => *Several of Sabrient's GARP portfolios have outperformed this year*
- 4/16/19–5/31/19 saw another risk-off rotation into Treasuries and defensives at the expense of cyclicals, but since 5/31 cyclicals are back in favor given dovish Fed and optimism over trade negotiations => *Should bode well for Sabrient's GARP portfolios*
- What can go wrong for Sabrient?
 - (1) Outlook for corporate earnings changes radically (*has not happened*)
 - (2) Investors ignore fundamentals (*has happened in news-driven climate*)

Disclaimer

© Copyright 2019 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.