

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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Quantitative equity research, rankings, strategies

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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-year outperformance (despite 4 big drawdowns: 1Q2009, mid-2011, 2H2015, 2H2018)
- 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
- Even as market indexes marched higher, cautious investor sentiment prevailed, creating historically large relative valuation divergence favoring risk-off segments momentum/low-volatility/defensive/large cap over risk-on segments value/high-beta/cyclical/small-mid cap
- Although EPS outlook initially held up while prices fell in cyclical sectors, corporate capital spending eventually slowed => many Industrial/Materials/Energy firms *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
- 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

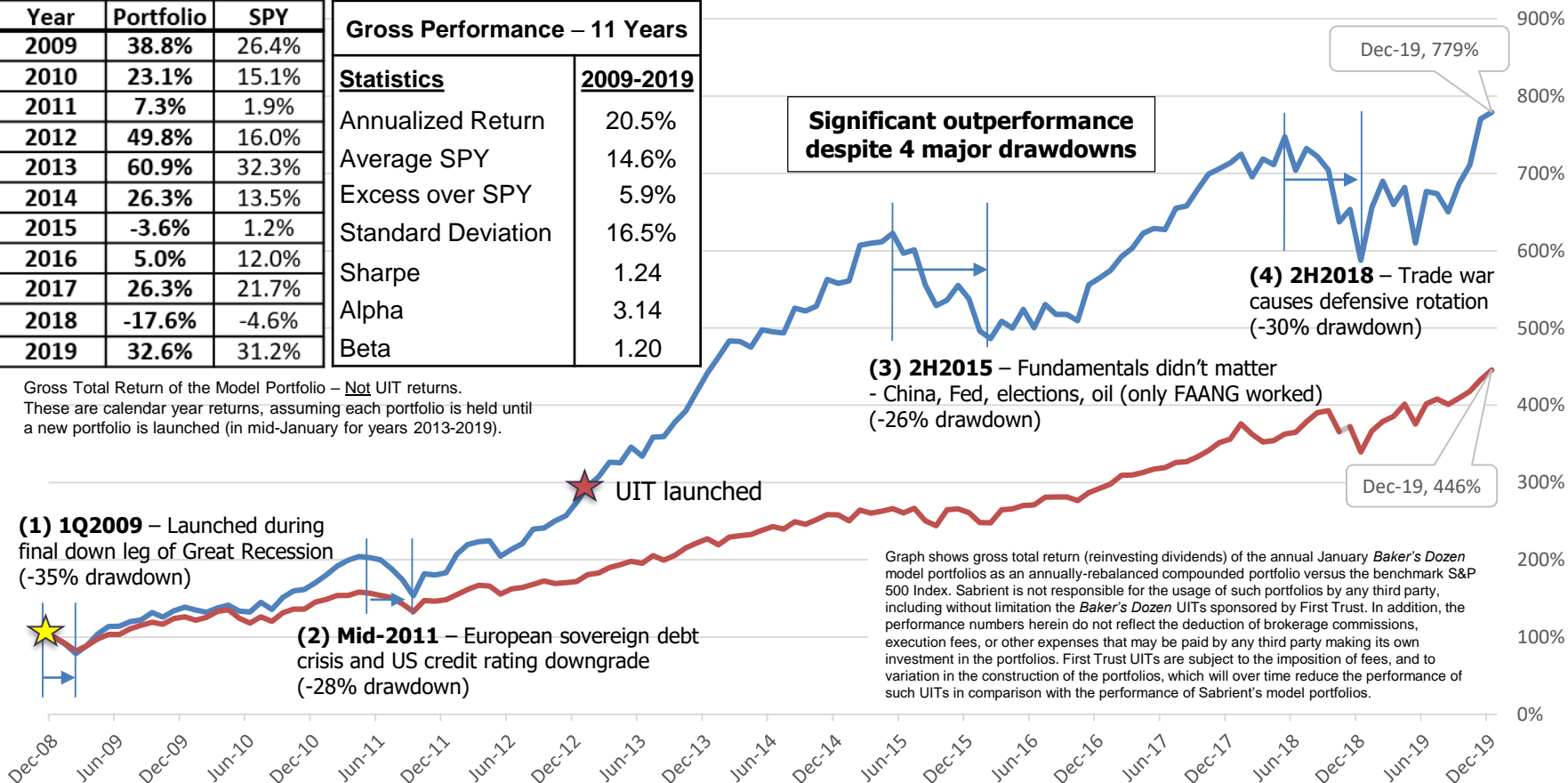
January Model Portfolio (gross total return) – rebalanced when new portfolio is published
1/1/2009 inception thru 12/31/2019, end-of-month data points – updated quarterly

— 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% | -4.6% |
| 2019 | 32.6% | 31.2% |

| Gross Performance – 11 Years | |
|------------------------------|-----------|
| Statistics | 2009-2019 |
| Annualized Return | 20.5% |
| Average SPY | 14.6% |
| Excess over SPY | 5.9% |
| Standard Deviation | 16.5% |
| Sharpe | 1.24 |
| Alpha | 3.14 |
| Beta | 1.20 |

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).



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

Process Enhancements

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

1. New sector constraints relative to the benchmark

- Limits large sector “tilts” away from S&P 500 allocations, to reduce relative volatility
- Still maintains the long-standing 30% sector and 15% industry max allocation limits

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
- Evaluates:
 - a) Consistency of earnings growth
 - b) Historical quality & predictability of forward estimates
 - 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.



- **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

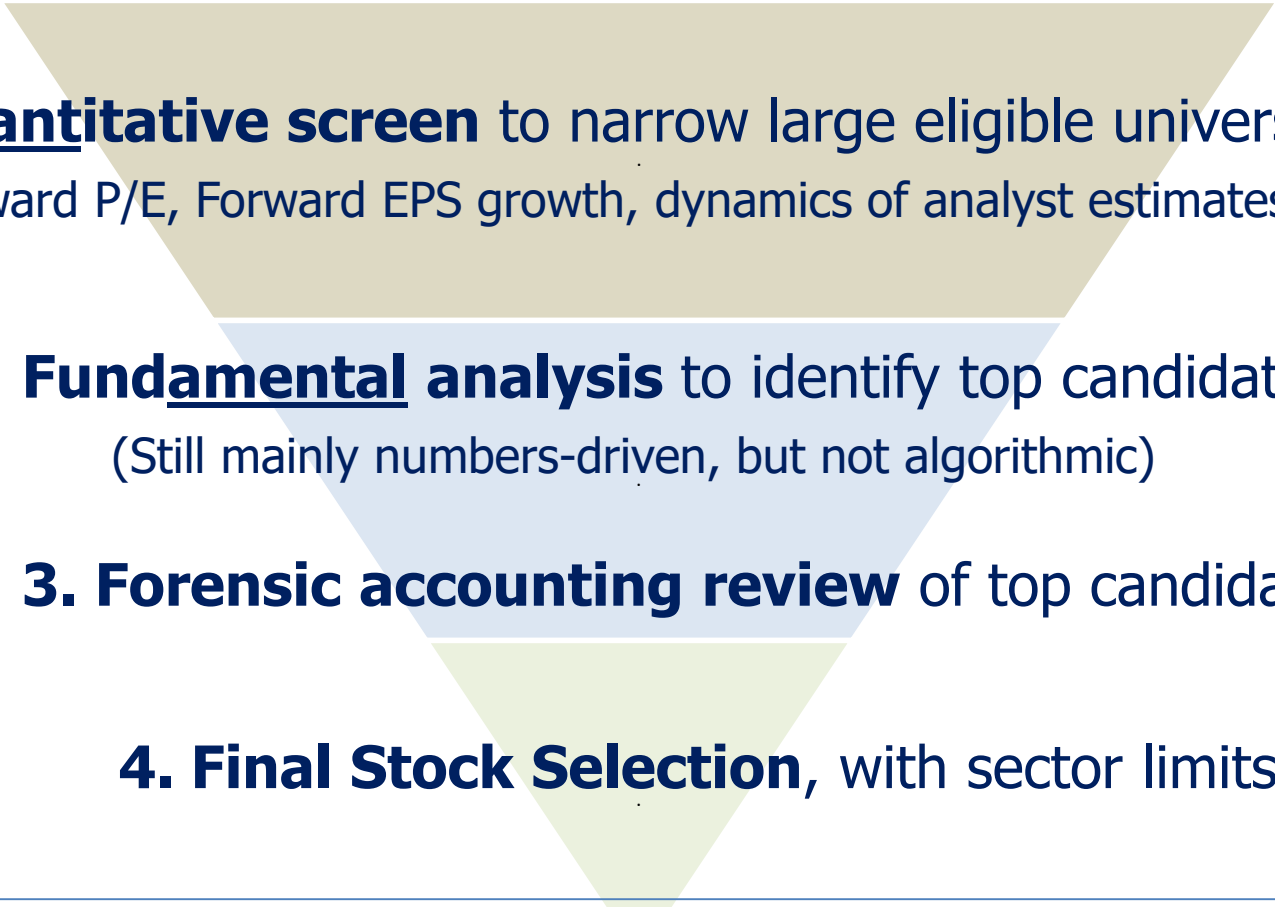


- **Fundamental** in-depth forensic accounting analysis since 2002
- Team of CFAs, CPAs – finance & accounting backgrounds, led by President & Director of Research **Brent Miller**, CFA
- Institutional clientele (mostly long/short hedge funds)
- Earnings quality and anomalous insider activity
- Acquired 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

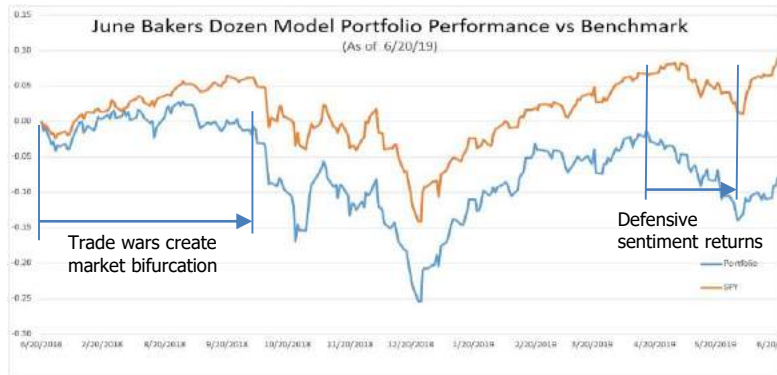
We target average Forward PEG of < 0.5 , while S&P 500 is > 2.0

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

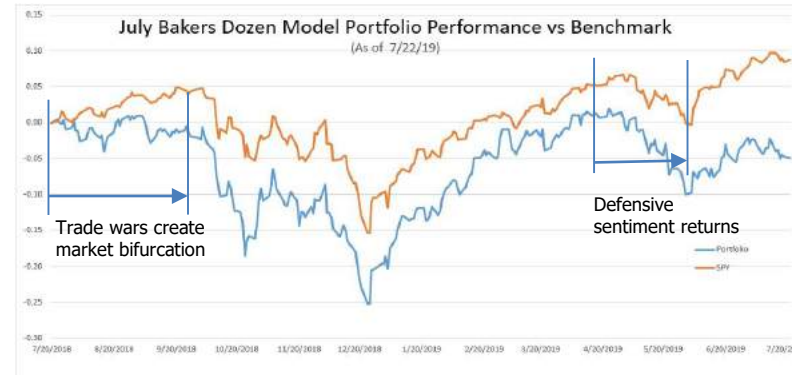
Jun–Aug 2018 *Baker's Dozens*

Performance hurt by two major risk-off rotations



Total Returns 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 | -4.90% | 8.71% |



Total Returns Thru Current

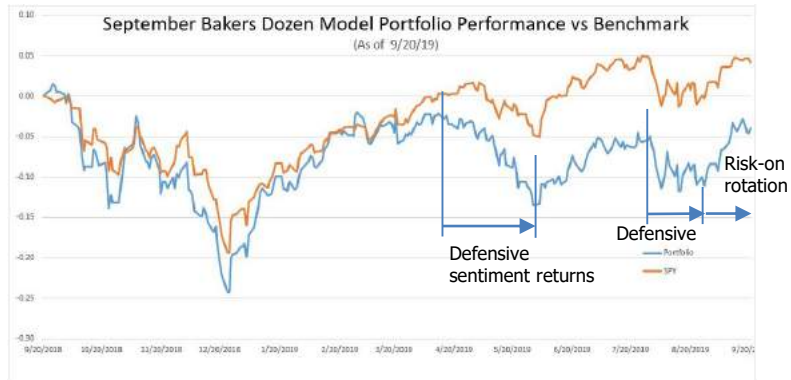
| Event | Date | Portfolio | SPY |
|--------|-----------|-----------|-------|
| Launch | 8/20/2018 | -9.73% | 3.60% |

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



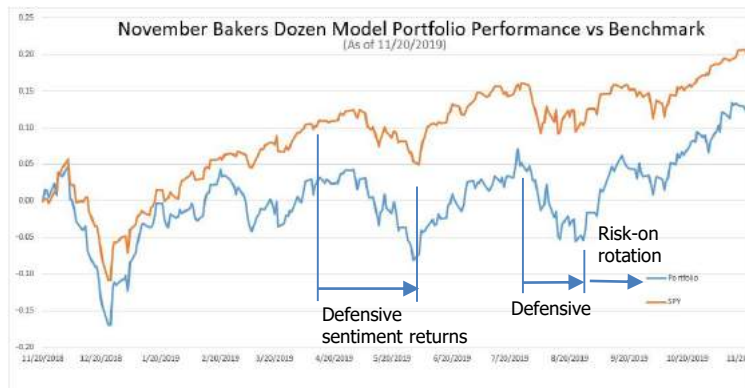
Total Returns Thru Current

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



Total Returns Thru Current

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



Total Returns Thru Current

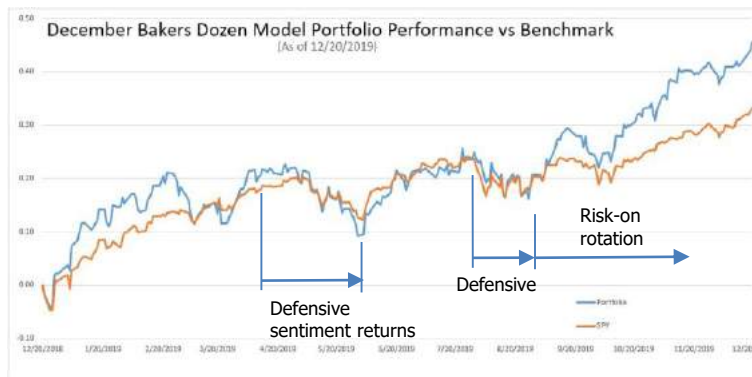
| Event | Date | Portfolio | SPY |
|--------|------------|-----------|--------|
| Launch | 11/20/2018 | 11.89% | 20.07% |

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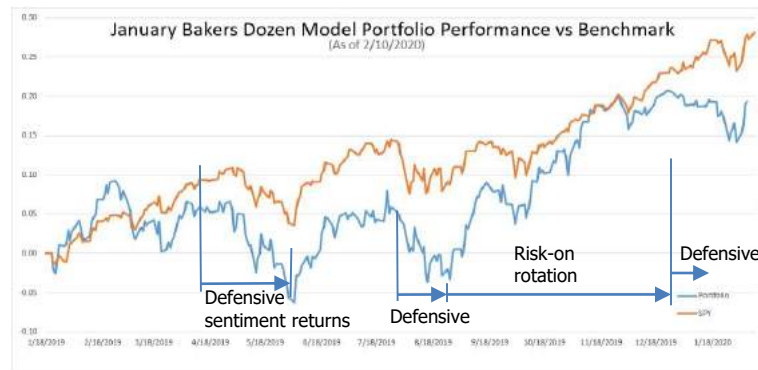
Dec 2018 –Feb 2019 *Baker's Dozens*

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



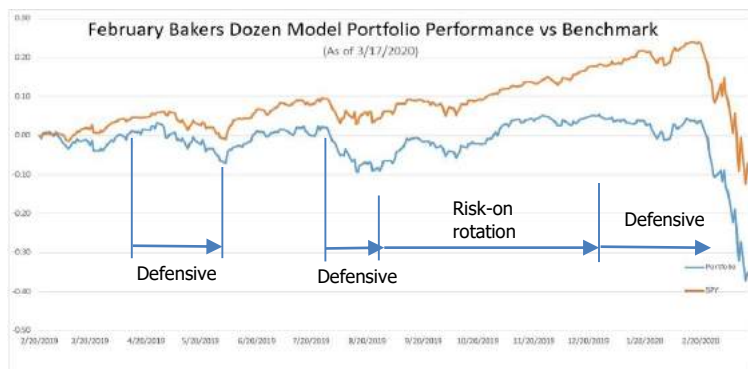
Total Returns Thru Current

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



Total Returns Thru Current

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



Total Returns Thru Current

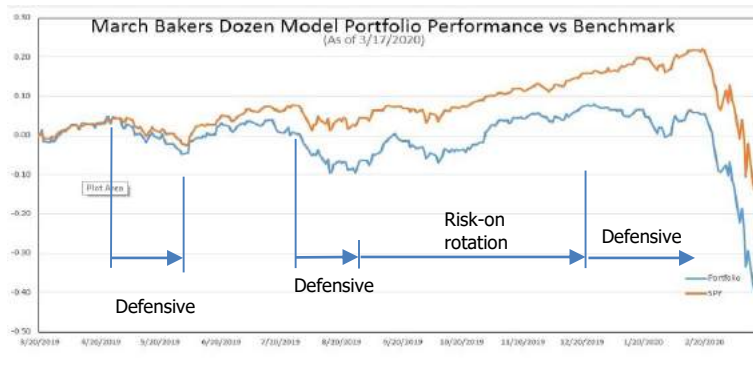
| Event | Date | Portfolio | SPY | RSP |
|--------|-----------|-----------|--------|---------|
| Launch | 2/20/2019 | -35.11% | -7.20% | -17.94% |

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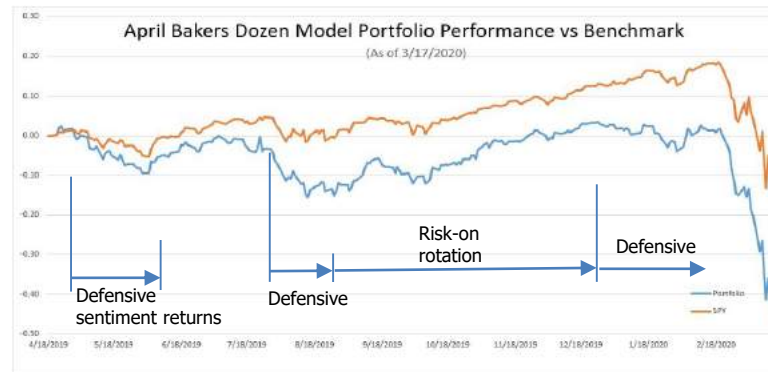
Mar–May 2019 *Baker's Dozens*

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



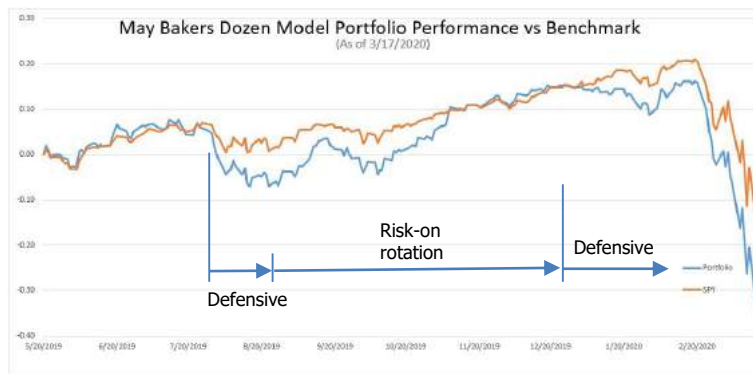
Total Returns Thru Current

| Event | Date | Portfolio | SPY | RSP |
|--------|-----------|-----------|--------|---------|
| Launch | 3/20/2019 | -38.53% | -8.67% | -17.62% |



Total Returns Thru Current

| Event | Date | Portfolio | SPY | RSP |
|--------|-----------|-----------|---------|---------|
| Launch | 4/18/2019 | -45.86% | -11.33% | -20.41% |



Total Returns Thru Current

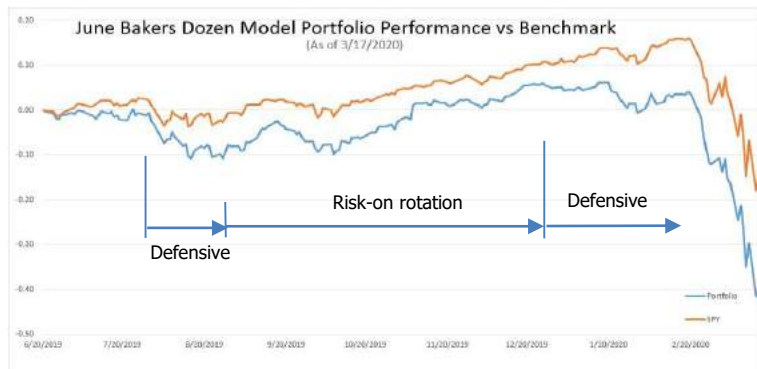
| Event | Date | Portfolio | SPY | RSP |
|--------|-----------|-----------|--------|---------|
| Launch | 5/20/2019 | -32.05% | -9.48% | -18.06% |

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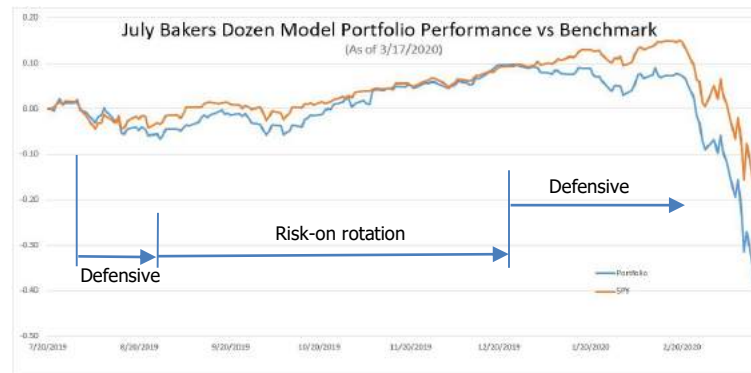
Jun–Aug 2019 *Baker's Dozens*

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



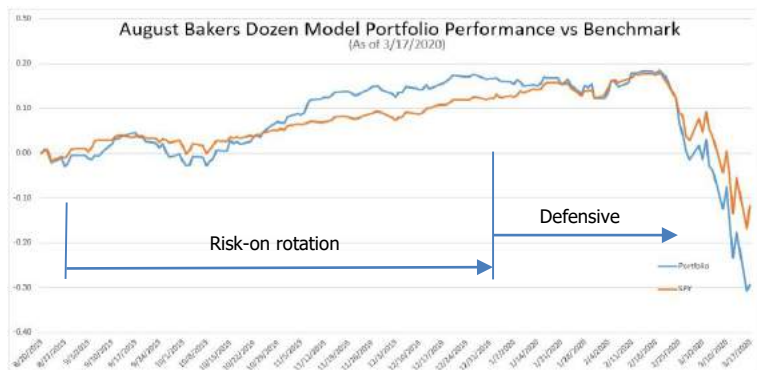
Total Returns Thru Current

| Event | Date | Portfolio | SPY | RSP |
|--------|-----------|-----------|---------|---------|
| Launch | 6/20/2019 | -41.82% | -13.13% | -21.18% |



Total Returns Thru Current

| Event | Date | Portfolio | SPY | RSP |
|--------|-----------|-----------|---------|---------|
| Launch | 7/20/2019 | -36.55% | -13.89% | -21.76% |



Total Returns Thru Current

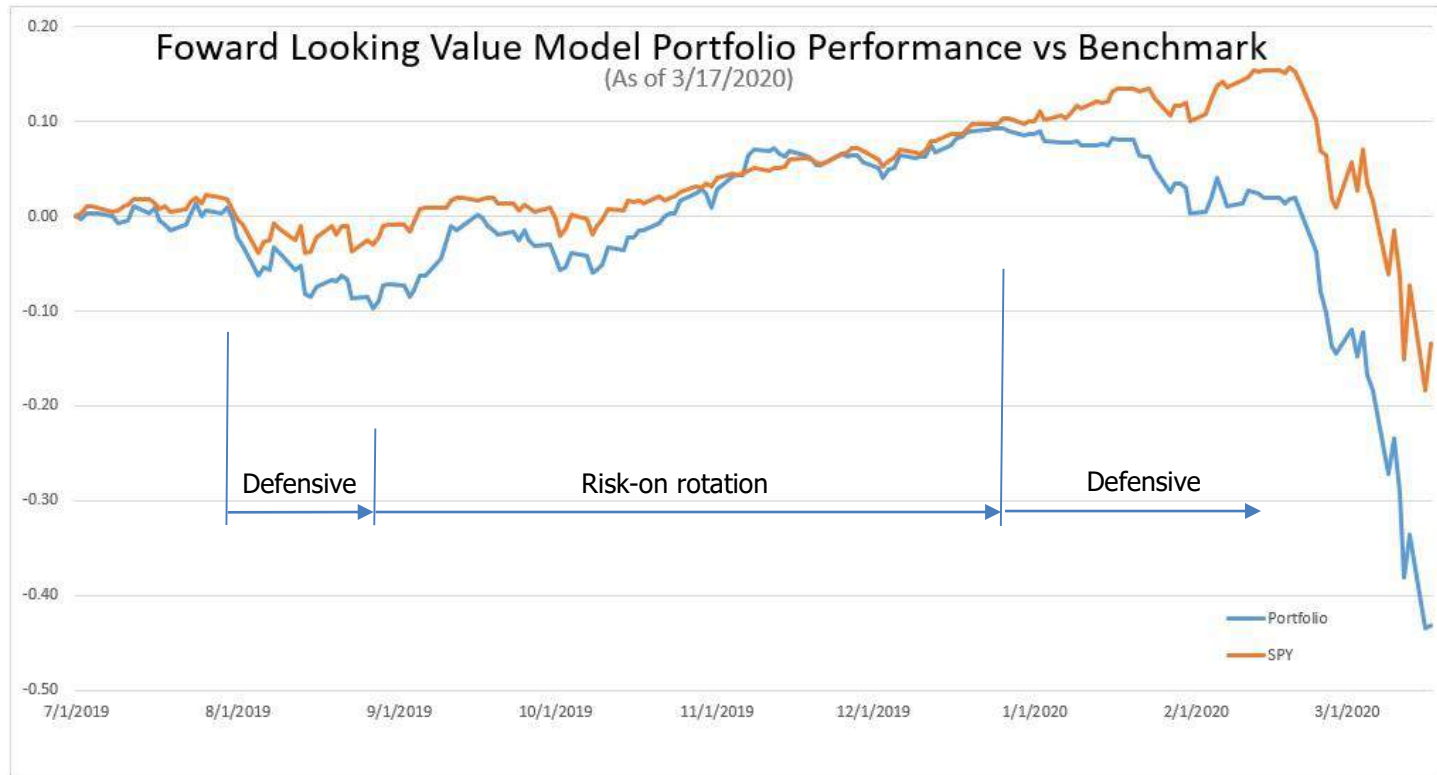
| Event | Date | Portfolio | SPY | RSP |
|--------|-----------|-----------|---------|---------|
| Launch | 8/20/2019 | -29.41% | -11.81% | -18.73% |

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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 |
|--------|----------|-----------|---------|---------|
| Launch | 7/1/2019 | -43.13% | -13.45% | -20.89% |

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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
- **1H 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

- **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 (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; some signs of risk-on readiness
 - ✓ 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
- **Early 2020** – market rises but defensive rotation from Coronavirus scare

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.

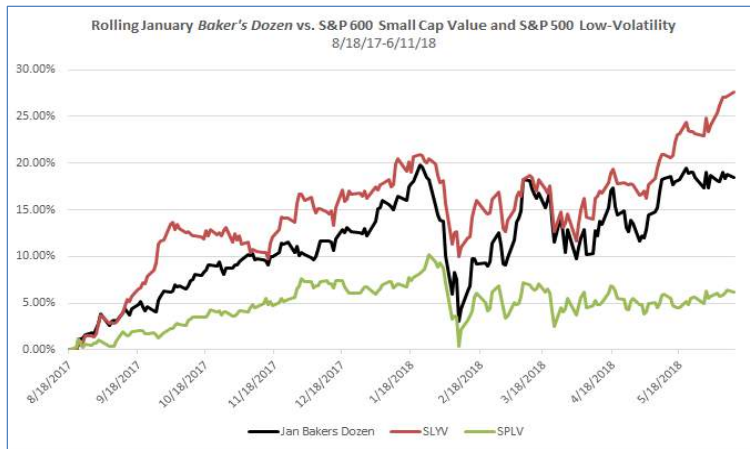
As of 9/28/18, the Global Industry Classification Standard (GICS) was reconstituted and the Telecommunications Services sector was renamed Communication Services. GICS sector information for periods prior to 9/28/18 may not necessarily be comparable to the reconstituted sectors.

Rotation to Value/Cyclicals/Small-cap

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

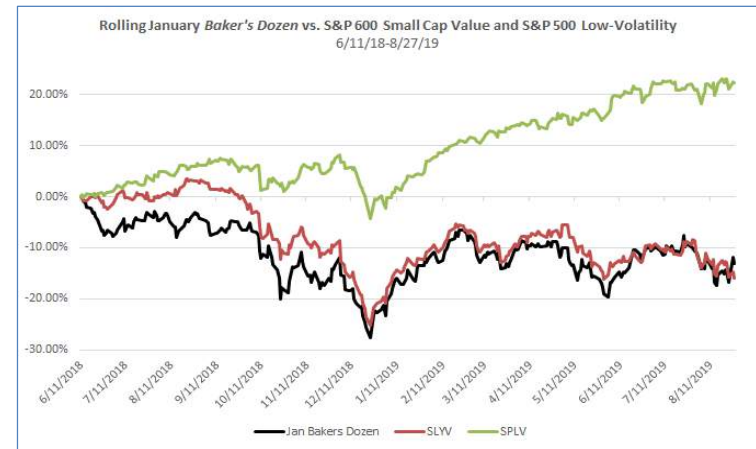
8/20/17 – 6/11/18:

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)

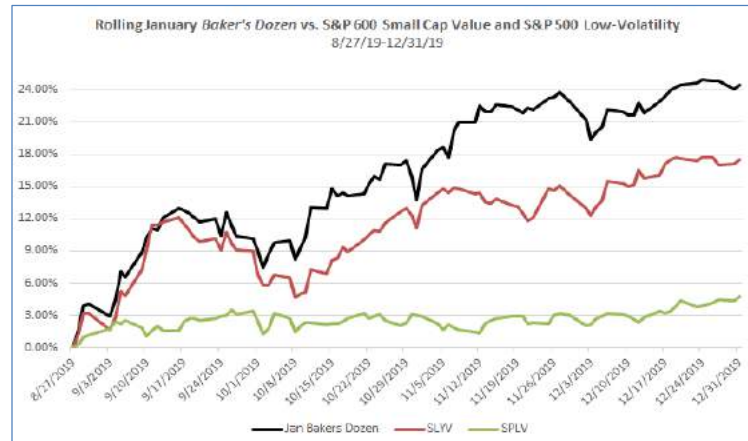


6/11/18 – 8/27/19:

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 over past 12 months

Cap-weighted S&P 500 greatly outperformed Equal-weighted large-small cap 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
EWSC = Equal-weight S&P 600 small caps

February 2019 Baker's Dozen Model Portfolio

Launch date (2/20/2019) compared to current (3/17/2020)

| 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. | 36.0% | | | | |
| MLNX | Mellanox Technologies, Ltd. | 6.5% | 16.4 | 14.7 | 23.9% | 42.8% |
| CNC | Centene Corporation | -11.2% | 15.2 | 12.3 | 19.1% | 23.8% |
| TRV | The Travelers Companies, Inc. | -25.7% | 11.6 | 9.3 | 24.3% | 7.4% |
| SSNC | SS&C Technologies Holdings, Inc. | -33.7% | 15.9 | 9.5 | 31.4% | 32.5% |
| URI | United Rentals, Inc. | -40.2% | 7.0 | 4.1 | 18.0% | 20.2% |
| SYF | Synchrony Financial | -45.1% | 7.3 | 4.4 | 16.4% | 14.4% |
| CF | CF Industries Holdings, Inc. | -45.8% | 17.9 | 12.7 | 102.7% | 66.6% |
| ALK | Alaska Air Group, Inc. | -48.6% | 9.6 | 6.5 | 50.1% | 44.2% |
| CVLT | Commvault Systems, Inc. | -55.3% | 30.7 | 18.5 | 38.7% | 0.6% |
| BYD | Boyd Gaming Corporation | -60.8% | 17.0 | 5.5 | 35.5% | 34.8% |
| BA | The Boeing Company | -70.6% | 20.6 | 29.9 | 26.0% | -122.1% |
| DK | Delek US Holdings, Inc. | -71.4% | 6.7 | 13.5 | 50.5% | -25.7% |
| | Average | -35.8% | 14.7 | 11.7 | 36.4% | 11.6% |
| SPY | S&P 500 cap-weighted index | -7.5% | | | | |
| RSP | S&P 500 equal-weighted index | -17.9% | | | | |

March 2019 Baker's Dozen Model Portfolio

Launch date (2/20/2019) compared to current (3/17/2020)

| 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. | -18.5% | 20.0 | 15.4 | 23.3% | 27.4% |
| ANTM | Anthem, Inc. | -21.3% | 16.1 | 10.6 | 20.1% | 22.1% |
| HLT | Hilton Worldwide Holdings Inc. | -23.7% | 22.2 | 15.3 | 37.2% | 39.1% |
| TRV | The Travelers Companies, Inc. | -26.6% | 11.9 | 9.3 | 24.7% | 7.4% |
| URI | United Rentals, Inc. | -29.9% | 6.3 | 4.1 | 18.0% | 20.2% |
| AGCO | AGCO Corporation | -33.0% | 14.5 | 9.2 | 19.7% | 14.1% |
| SSNC | SS&C Technologies Holdings, Inc. | -36.7% | 16.6 | 9.5 | 30.8% | 32.5% |
| CF | CF Industries Holdings, Inc. | -41.9% | 18.1 | 12.7 | 101.4% | 66.6% |
| VST | Vistra Energy Corp. | -49.6% | 11.9 | 5.5 | 211.9% | 69.9% |
| BYD | Boyd Gaming Corporation | -59.7% | 15.8 | 5.5 | 33.5% | 34.8% |
| ATI | Allegheny Technologies Incorporated | -67.0% | 13.8 | 10.5 | 24.8% | -19.9% |
| SAVE | Spirit Airlines, Inc. | -77.7% | 8.1 | 2.3 | 49.8% | 15.7% |
| | Average | -35.4% | 14.6 | 9.2 | 49.6% | 27.5% |
| SPY | SPDR S&P 500 ETF Trust | -8.9% | | | | |
| RSP | S&P 500 equal-weighted index | -17.6% | | | | |

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 risk*)
- (3) Military escalation with Iran (*risk low for now*)
- (4) US dollar meltdown due to dysfunctional repo market & deficit spending (*risk low for now*)
- (5) Election/political uncertainty: e.g., Socialism, new impeachment (*risk low*)
- (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-year outperformance (despite 4 big drawdowns: 1Q2009, mid-2011, 2H2015, 2H2018)
- 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
- Even as market indexes marched higher, cautious investor sentiment prevailed, creating historically large relative valuation divergence favoring risk-off segments momentum/low-volatility/defensive/large cap over risk-on segments value/high-beta/cyclical/small-mid cap
- Although EPS outlook initially held up while prices fell in cyclical sectors, corporate capital spending eventually slowed => many Industrial/Materials/Energy firms *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
- 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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