Sabrient®

Updated May 20, 2019

Baker's Dozen Monthly Portfolios

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

"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.

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Sabrient Systems LLC
Quantitative equity research, rankings, strategies

Gradient Analytics LLC
Fundamental forensic accounting research

Talking Points Summary

- Disciplined, model-driven, bottom-up, "*quantamental*" GARP* selection process with a forensic accounting review – tends to outperform when fundamentals matter
- 10-year outperformance (despite 4 notable news-driven drawdowns) — 1Q2009, mid-2011, 2H2015, 2H2018
- June 11 – escalating trade wars and hawkish Fed led to fear-based risk-off rotation into defensive sectors and mega-caps (AAPL, AMZN, MSFT) despite little change in strong outlook (based on sell-side analyst consensus estimates)
- Most of our 2018 underperformance occurred 6/11–9/20 as S&P 500 rose while cyclical sectors and small-mid caps fell, before the broad market ultimately sold off
- But forward guidance *improved* while prices *fell* in the cyclical sectors, so forward valuations are much more attractive today => *buying opportunity, in our view*
- Market strong since Christmas Eve capitulation day, led by cyclicals and smaller caps – and *most of 2018 Baker's Dozen portfolios have outperformed* (thru April)

* Note: **GARP** = "Growth At a Reasonable Price" (growth/value hybrid)

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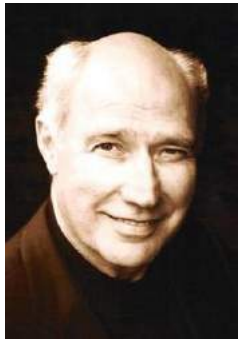
- **<u>Quantitative</u>** fundamentals-based multifactor models since 2000
- Diverse team of engineers/analysts/programmers, led by former NASA engineer (Apollo 11 moon landing) **David Brown**



- 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

GRADIENT analytics℠
a Sabrient Systems company

- **<u>Fundamental</u>** 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

    [Also, it is 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 > 1.5

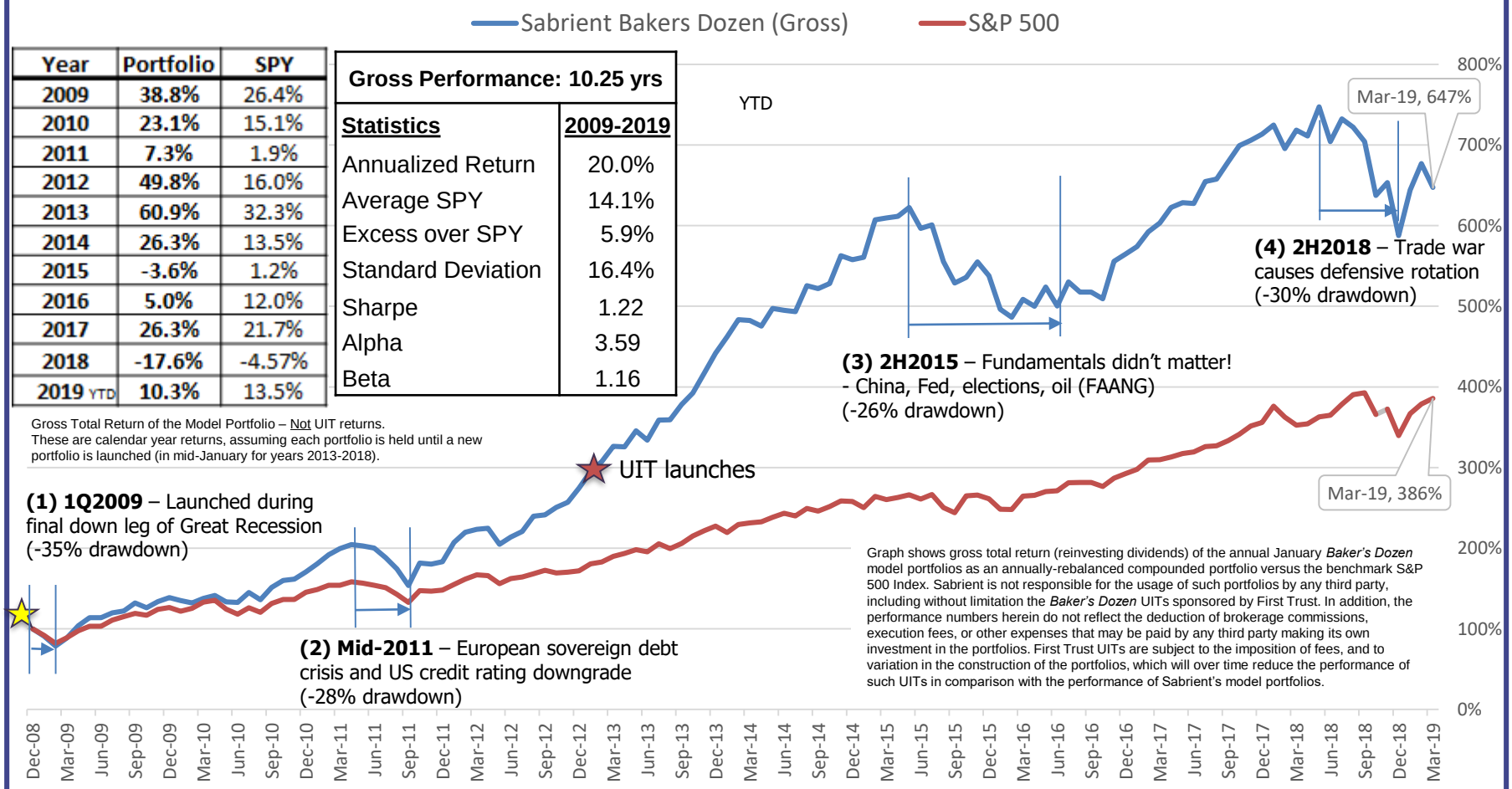
Baker's Dozen Long-term Performance

January Model Portfolio (gross total return) – rebalanced when new portfolio is published (1/1/2009 inception thru 3/31/2018, 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%	-4.57%
2019 YTD	10.3%	13.5%

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 2013-2018).

Gross Performance: 10.25 yrs	
Statistics	**2009-2019**
Annualized Return	20.0%
Average SPY	14.1%
Excess over SPY	5.9%
Standard Deviation	16.4%
Sharpe	1.22
Alpha	3.59
Beta	1.16



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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January–May 2017 *Baker's Dozens*

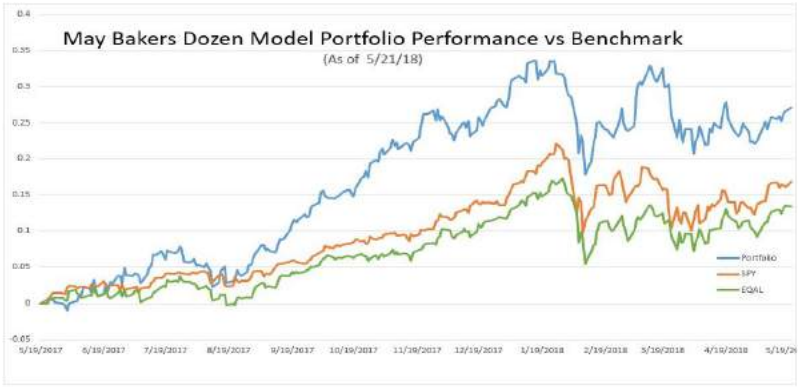
Outperformance for all portfolios that terminated before 6/11/2018

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%



Total Returns Thru Current

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

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

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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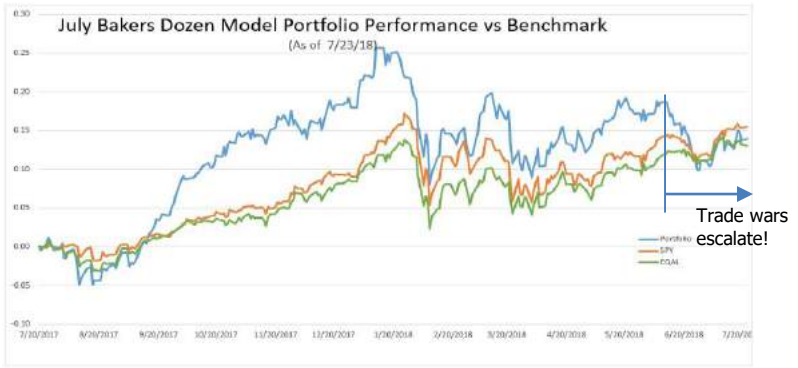
June–August 2017 *Baker's Dozens*

Outperformance begins to be impacted by summer 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%

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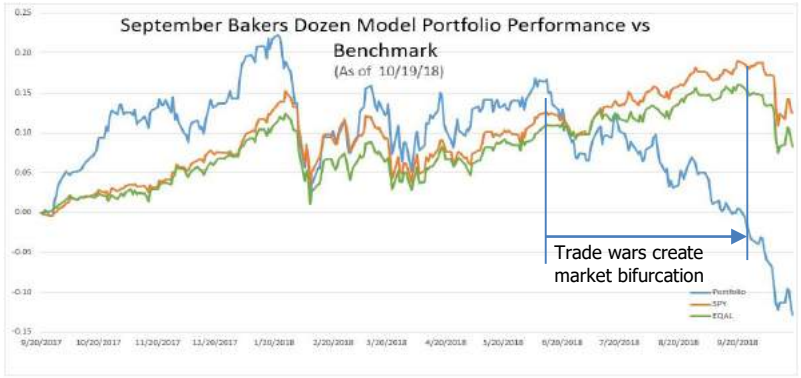
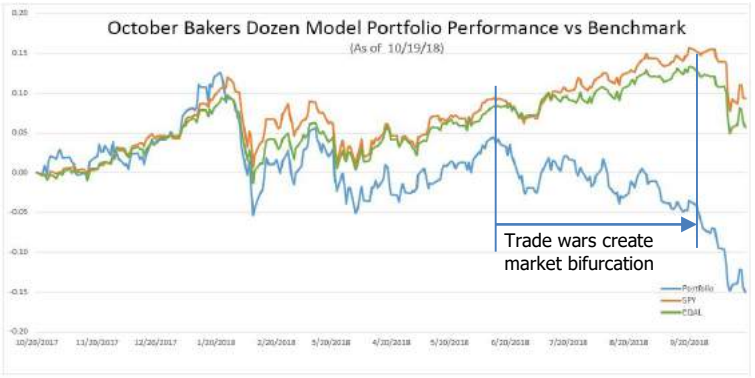
Sept–Nov 2017 *Baker's Dozens*

Performance severely impacted by summer risk-off rotation



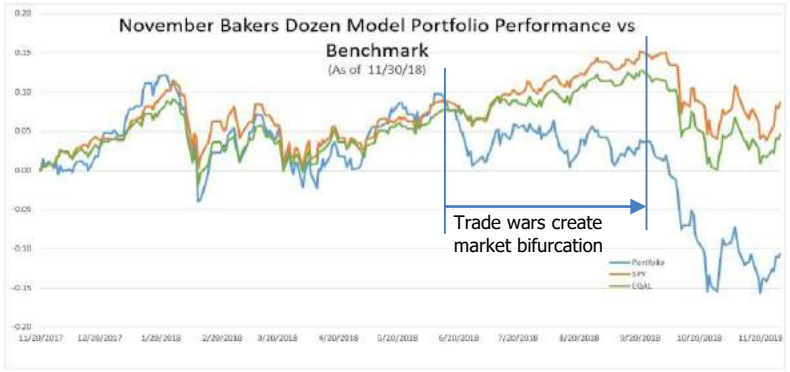
Total Returns Thru Current

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%

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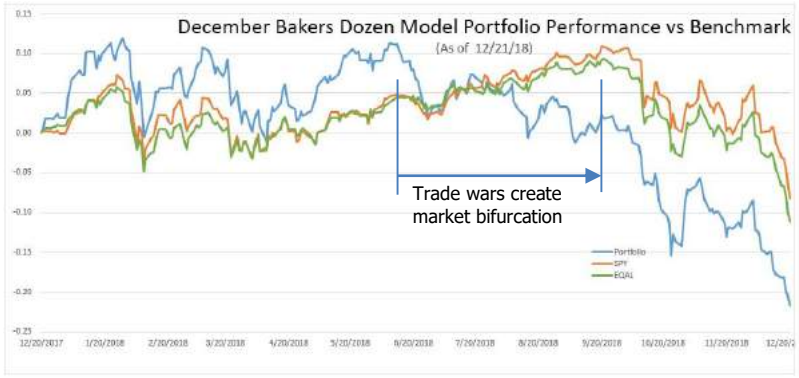
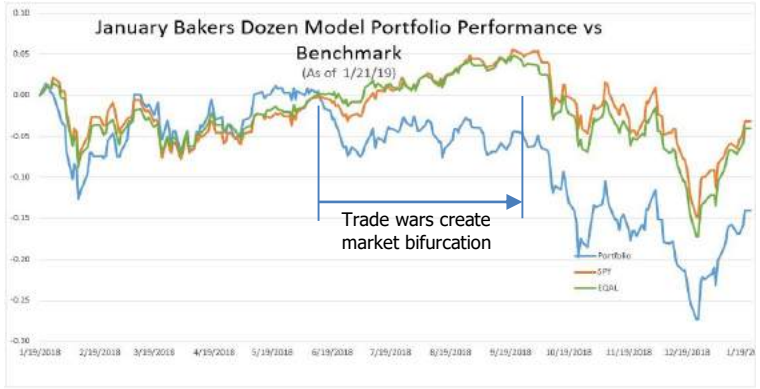
Dec 2017–Feb 2018 *Baker's Dozens*

Performance severely impacted by summer risk-off rotation, but recovering



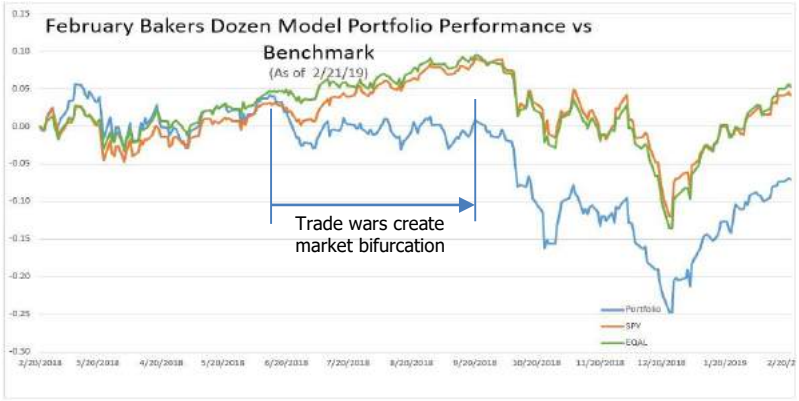
Total Returns Thru Current

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%

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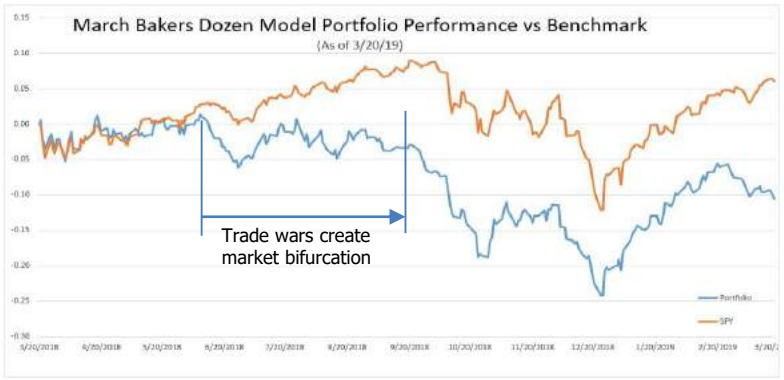
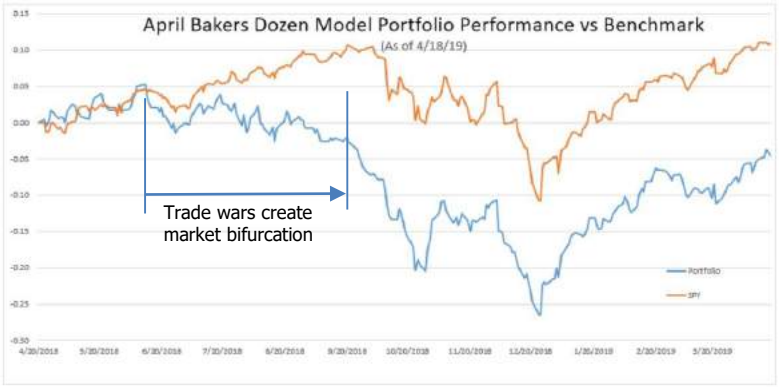
Mar–May 2018 *Baker's Dozens*

Performance severely impacted by summer risk-off rotation, but recovering



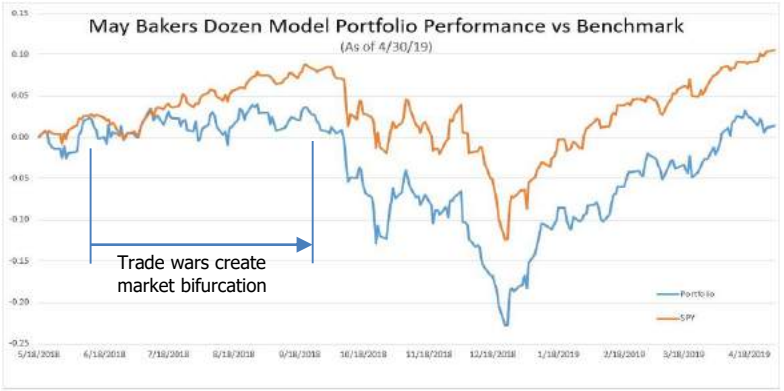
Total Returns Thru Current

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	1.40%	10.59%

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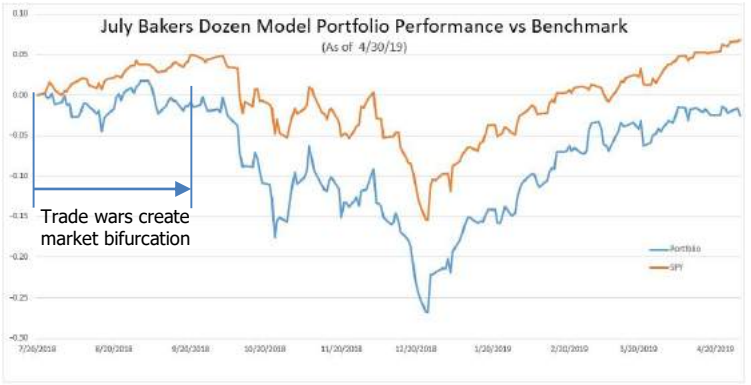
Jun–Aug 2018 *Baker's Dozens*

Performance impacted by summer risk-off rotation, but recovering

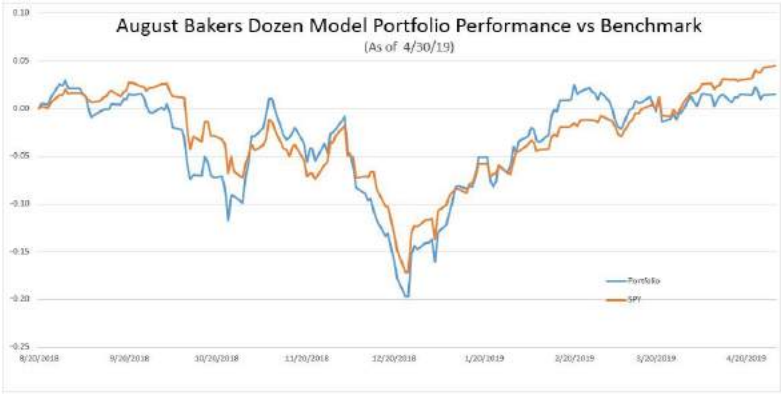
Total Returns Thru Current

Event	Date	Portfolio	SPY
Launch	6/20/2018	-4.05%	8.23%



Total Returns Thru Current

Event	Date	Portfolio	SPY
Launch	7/20/2018	-2.59%	6.76%



Total Returns Thru Current

Event	Date	Portfolio	SPY
Launch	8/20/2018	1.49%	4.51%

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Sep–Oct 2018 *Baker's Dozens*

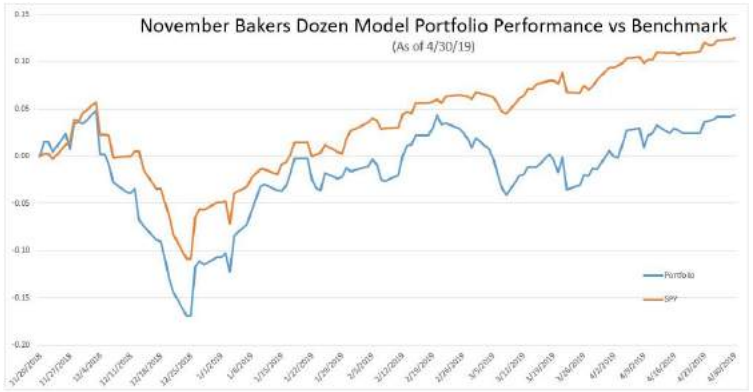
As markets rotate to risk-on, relative performance improves

Total Returns Thru Current

Event	Date	Portfolio	SPY
Launch	9/20/2018	-3.25%	1.71%

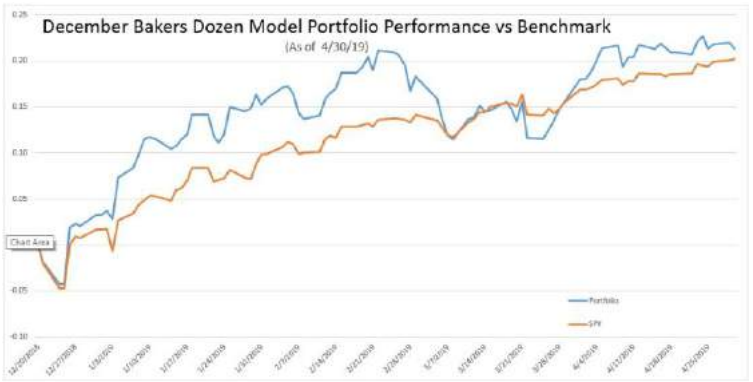
Total Returns Thru Current

Event	Date	Portfolio	SPY
Launch	10/20/2018	5.88%	3.38%



Total Returns Thru Current

Event	Date	Portfolio	SPY
Launch	11/20/2018	4.35%	12.47%



Total Returns Thru Current

Event	Date	Portfolio	SPY
Launch	12/20/2018	21.28%	20.20%

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2018 Monthly *Baker's Dozens*: Performance vs SPY

During post-selloff recovery: 12/24/18—4/30/19

Baker's Dozen Monthly Portfolios	Gross Absolute Portfolio Return	Thru date	SPY Return	Gross Excess Return vs. SPY
Jan-18 - Closed	**26.4%**	2/20/19	18.8%	**7.6%**
Feb-18 - Closed	**20.3%**	3/20/19	20.7%	**-0.4%**
Mar-18 - Closed	**25.7%**	4/22/19	24.5%	**1.2%**
Apr-18	**28.7%**	4/30/19	26.1%	**2.6%**
May-18	**31.2%**	4/30/19	26.1%	**5.1%**
Jun-18	**28.4%**	4/30/19	26.1%	**2.3%**
Jul-18	**34.6%**	4/30/19	26.1%	**8.5%**
Aug-18	**26.1%**	4/30/19	26.1%	**0.0%**
Sep-18	**27.7%**	4/30/19	26.1%	**1.6%**
Oct-18	**36.4%**	4/30/19	26.1%	**10.3%**
Nov-18	**25.9%**	4/30/19	26.1%	**-0.2%**
Dec-18	**25.9%**	4/30/19	26.1%	**-0.2%**

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%	<= Best performer is from Healthcare sector
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%	<= Worst performer is from Industrial sector
Average		**20.3**	**14.3**	**54.4%**	**76.1%**	

=> 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%	<= Best performer is from Telecom sector
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%	<= Worst performer is from Industrial sector
	Average	**16.0**	**12.7**	**57.6%**	**68.2%**	

=> 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 Corporatic	21.5	13.8	114.2%	128.3%
EXTR	Extreme Networks, Inc.	11.6	13.7	88.5%	0.0%
HII	Huntington Ingalls Industrie	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 Corpor	14.7	12.3	48.1%	67.0%
PHM	PulteGroup, Inc.	9.4	9.1	39.5%	61.4%
RYAM	Rayonier Advanced Materi	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, I	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 is from <= Energy sector

<= Worst performer is from Technology sector

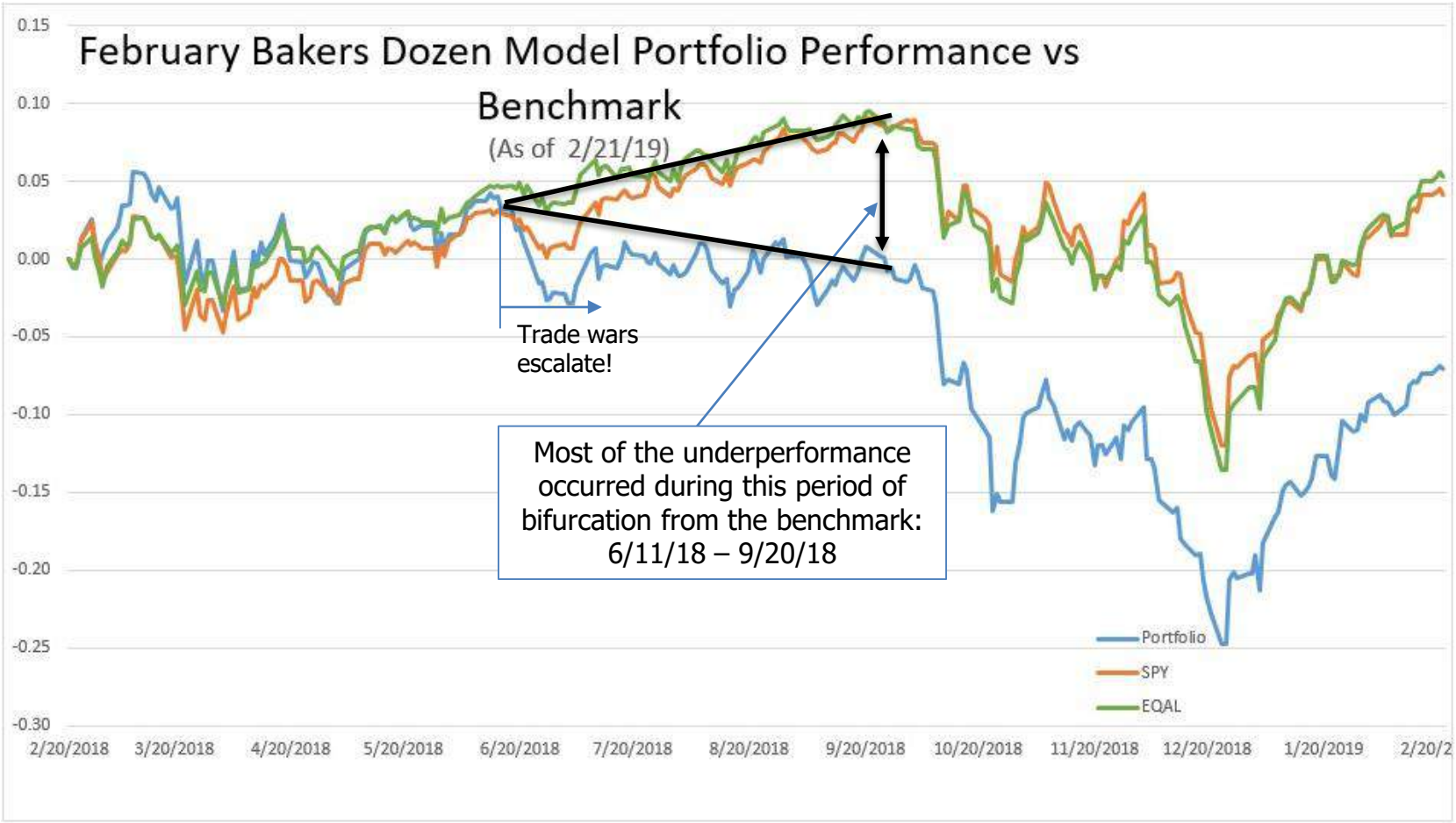
=> growth close to forecasts, but P/E fell 12% (as of 4/18/2019)

April 2018 Baker's Dozen

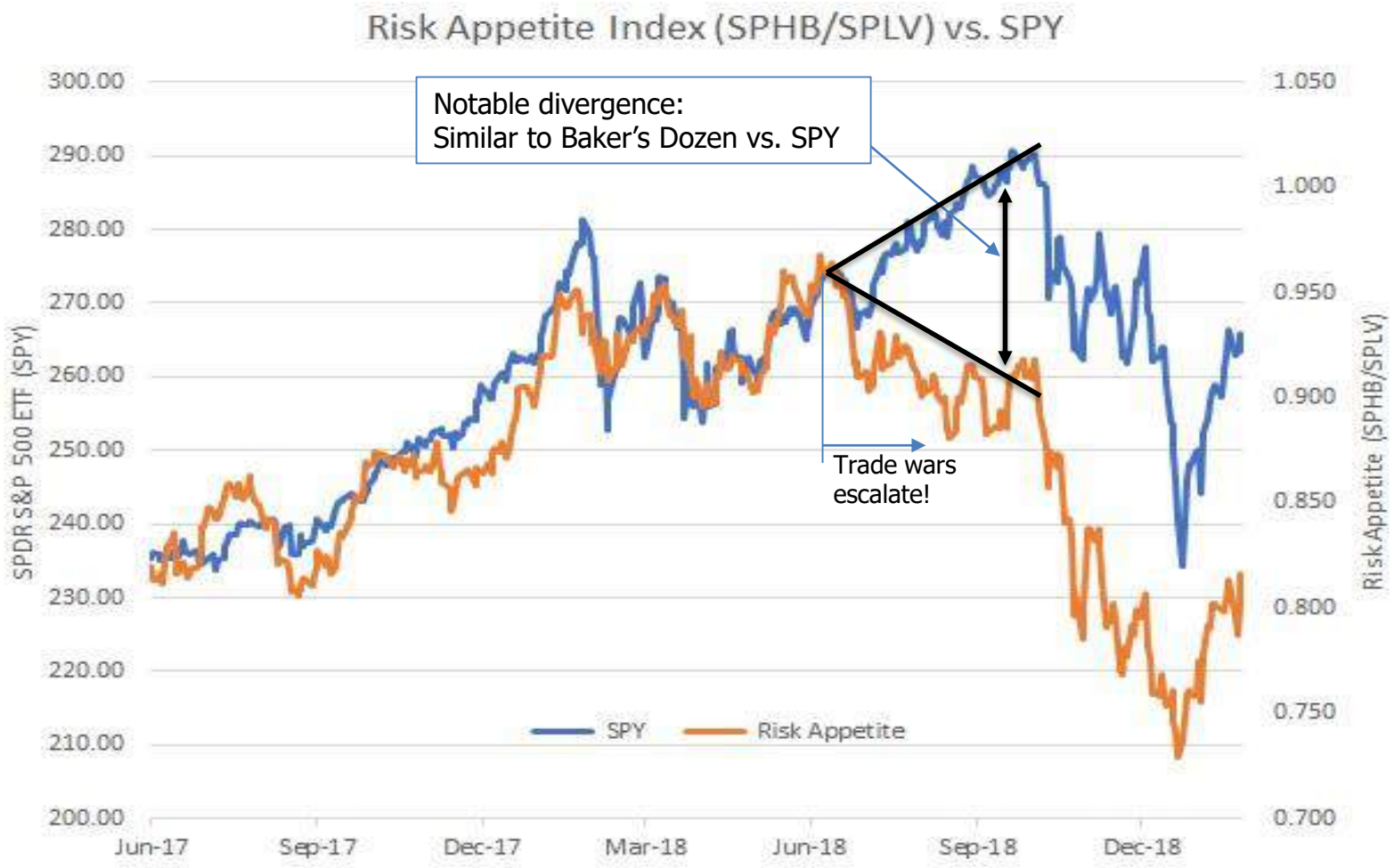
Ticker	Company Name	Original Fwd P/E at Launch	Current Fwd P/E	Est. NTM EPS Growth at Launch	Actual EPS Growth	
BLDR	Builders FirstSource, Inc.	10.7	8.5	41.0%	50.4%	
CMC	Commercial Metals Compa	11.3	7.2	92.8%	55.2%	
COG	Cabot Oil & Gas Corporatic	21.1	13.4	110.3%	167.7%	
CVX	Chevron Corporation	19.1	13.7	74.8%	74.4%	
EXTR	Extreme Networks, Inc.	10.2	11.1	88.5%	-22.2%	<= Worst performer is from Technology sector
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%	<= Best performer is from Consumer Staples
RYAM	Rayonier Advanced Materi	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%**	

Performance Divergence Last Summer

Example (consistent across all portfolios):



Risk Appetite Index



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 rhetoric gains traction; P/E multiples start to compress

Market Conditions: 2H2018

- **June 11** – 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
- S&P 500 was better able to hold up due to:
  1. High allocation tilt to Technology sector
  2. Exclusively large caps (which are more defensive)
  3. Cap-weighted (so, it's dominated by mega caps)
  4. Ability to retain capital while rotating into defensive sectors and mega-caps

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%
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%**
Semiconductors	SMH	14.6	12.2	-16.4%
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: 1/1/18 thru 4/30/19

Risk-on: Market *rises*, led by mega-caps, cyclicals, and small caps, while defensives lag ("normal" behavior)

1/1/18 - 6/11/18	
Amazon	45.3%
Microsoft	18.4%
Apple	13.6%
Technology	12.8%
Semiconductors	12.7%
Consumer Discretionary	12.4%
Russell 2000 small caps	9.9%
Steel	7.2%
Energy	6.2%
S&P 500 Index	**4.4%**
Equal-weight S&P 500	3.5%
Healthcare	3.0%
Industrials	1.1%
Materials	0.8%
Financials	0.1%
Telecom	-4.8%
Homebuilding	-5.4%
Utilities	-6.7%
Consumer Staples	-9.7%

Risk-off: Market *hits new highs*, but it's led by mega-caps & defensives as trade war with China escalates

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 Discretionary	5.9%
S&P 500 Index	**5.4%**
Industrials	4.5%
Equal-weight S&P 500	4.2%
Technology	4.0%
Financials	2.6%
Russell 2000 small caps	2.2%
Materials	-0.6%
Semiconductors	-2.5%
Energy	-2.9%
Homebuilding	-3.6%
Steel	-6.4%

Risk-off: Market *sells off* as mega-caps and cyclical sectors fall, while defensives hold up better

9/20/18 - 12/24/18	
Utilities	-2.0%
Consumer Staples	-9.5%
Healthcare	-10.9%
Microsoft	-11.5%
Telecom	-14.1%
Equal-weight S&P 500	-17.0%
Consumer Discretionary	-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%
Russell 2000 small caps	-23.0%
Steel	-23.8%
Energy	-23.9%
Amazon	-24.4%
Apple	-28.6%

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

12/24/18 - 4/30/19	
Semiconductors	44.3%
Amazon	43.3%
Microsoft	39.4%
Apple	37.3%
Technology	37.0%
Homebuilding	32.6%
Consumer Discretionary	31.0%
Industrials	30.0%
Telecom	26.2%
Russell 2000 small caps	26.1%
Equal-weight S&P 500	26.1%
S&P 500 Index	**26.0%**
Financials	24.5%
Energy	23.8%
Materials	21.9%
Consumer Staples	19.0%
Utilities	14.7%
Steel	14.0%
Healthcare	11.0%

=> Sabrient portfolios have been heavy in cyclicals & small caps, given the strong 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, **+22.7%** thru 4/30/19

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 bond yields persist; Supportive Federal Reserve
5. Valuations fine relative to interest rates (e.g., Fed Model; Divs+Buybacks)
6. Cyclicals and small-mid caps are most attractive
7. High-quality dividend payers attractive, as interest rates stay low

➢ **Major Risks:**

(1) Tariffs and trade war escalation with China *(but negotiations are promising)*
(2) Renewed tightening by Federal Reserve *(but recent comments have been dovish)*
(3) Deleveraging a heavily-indebted global economy *(this is a longer-term issue)*

Baker's Dozen Portfolio – May 2019

Statistics upon launch on 5/20/19

Ticker	Company Name	Industry	Mkt Cap ($B)	NTM EPS Growth	Fwd PE	Fwd PEG	Div Yield
AIZ	Assurant	Multi-line Insurance	5.9	44.3%	10.8	0.24	2.5%
ANTM	Anthem	Managed Health Care	67.9	23.3%	12.9	0.55	1.2%
AXTA	Axalta Coating Systems	Specialty Chemicals	6.0	31.1%	14.4	0.46	0.0%
BOOM	DMC Global	Oil and Gas Equipment and Services	1.1	37.8%	20.5	0.54	0.1%
BYD	Boyd Gaming	Casinos and Gaming	3.0	35.9%	14.5	0.40	0.9%
CMC	Commercial Metals	Steel	1.9	53.6%	6.8	0.13	2.9%
GDDY	GoDaddy	Internet Services and Infrastructure	13.4	56.2%	22.6	0.40	0.0%
MCY	Mercury General	Property and Casualty Insurance	3.1	42.6%	15.1	0.35	4.5%
NMIH	NMI Holdings	Thrifts and Mortgage Finance	1.8	31.1%	11.0	0.36	0.0%
PCRX	Pacira BioSciences	Pharmaceuticals	1.8	35.3%	26.5	0.75	0.0%
SSNC	SS&C Technologies	Application Software	15.0	19.8%	15.2	0.77	0.7%
URI	United Rentals	Trading Companies and Distributors	10.1	16.6%	6.6	0.39	0.0%
VAC	Marriott Vacations	Hotels, Resorts and Cruise Lines	4.4	35.3%	12.3	0.35	1.8%
		Average:	10.4	35.6%	14.5	0.41	1.1%

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

Talking Points Summary

- Disciplined, model-driven, bottom-up, "*quantamental*" GARP selection process with a forensic accounting review – tends to outperform when fundamentals matter
- 10-year outperformance (despite 4 notable news-driven drawdowns) — 1Q2009, mid-2011, 2H2015, 2H2018
- June 11 – escalating trade wars and hawkish Fed led to fear-based risk-off rotation into defensive sectors and mega-caps (AAPL, AMZN, MSFT) despite little change in strong outlook (based on sell-side analyst consensus estimates)
- Most of our 2018 underperformance occurred 6/11–9/20 as S&P 500 rose while cyclical sectors and small-mid caps fell, before the broad market ultimately sold off
- But forward guidance *improved* while prices *fell* in the cyclical sectors, so forward valuations are much more attractive today => *buying opportunity, in our view*
- Market strong since Christmas Eve capitulation day, led by cyclicals and smaller caps – and *most of 2018 Baker's Dozen portfolios have outperformed* (thru April)
- **What can go wrong?**
  - (1) Outlook for corporate earnings changes radically *(has not happened)*
  - (2) Fundamentals ignored *(did happen in 2H2018)*

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

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