

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

***“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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Sabrient Systems LLC
Quantitative equity research, rankings, strategies

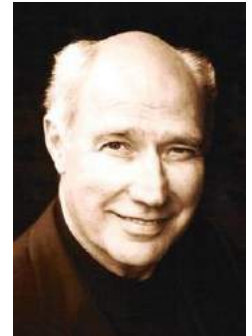
Gradient Analytics LLC
Fundamental forensic accounting research

Talking Points Summary

- Model-driven, bottom-up, "*quantamental*" GARP selection process with forensic accounting review => *Tends to outperform when fundamentals matter to investors*
- 10-year outperformance (despite 4 big drawdowns: 1Q2009, mid-2011, 2H2015, 2H2018)
- June 2018 – escalating trade war with China and hawkish Fed led to risk-off rotation into defensive sectors, low-volatility, momentum, and large caps at the expense of cyclical sectors, value, and small-mid caps that typically lead a rising market in a solid economy – ending in a 4Q2018 selloff
- But forward outlook has held up while prices fell in risk-on segments, so valuations became more attractive, leading to numerous attempts at risk-on recoveries
- May and August saw big risk-off rotations into Treasuries and "bond proxy" defensive sectors due to trade war uncertainty holding back capital spending => historic relative valuation divergence of low-volatility/defensive/large cap over value/cyclical/small-mid cap
- But cyclicals have shown readiness for recovery given dovish Fed, China trade talks, and US economic strength led by strong consumer => *Bodes well for Sabrient's portfolios*
- Since 8/27, there is a promising risk-on recovery in small caps, value, and cyclical sectors
- What can go wrong for Sabrient?
 - (1) Outlook for corporate sales & 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

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. Small Cap Growth** – 50-stock GARP portfolio, all under \$3.7B cap, quarterly

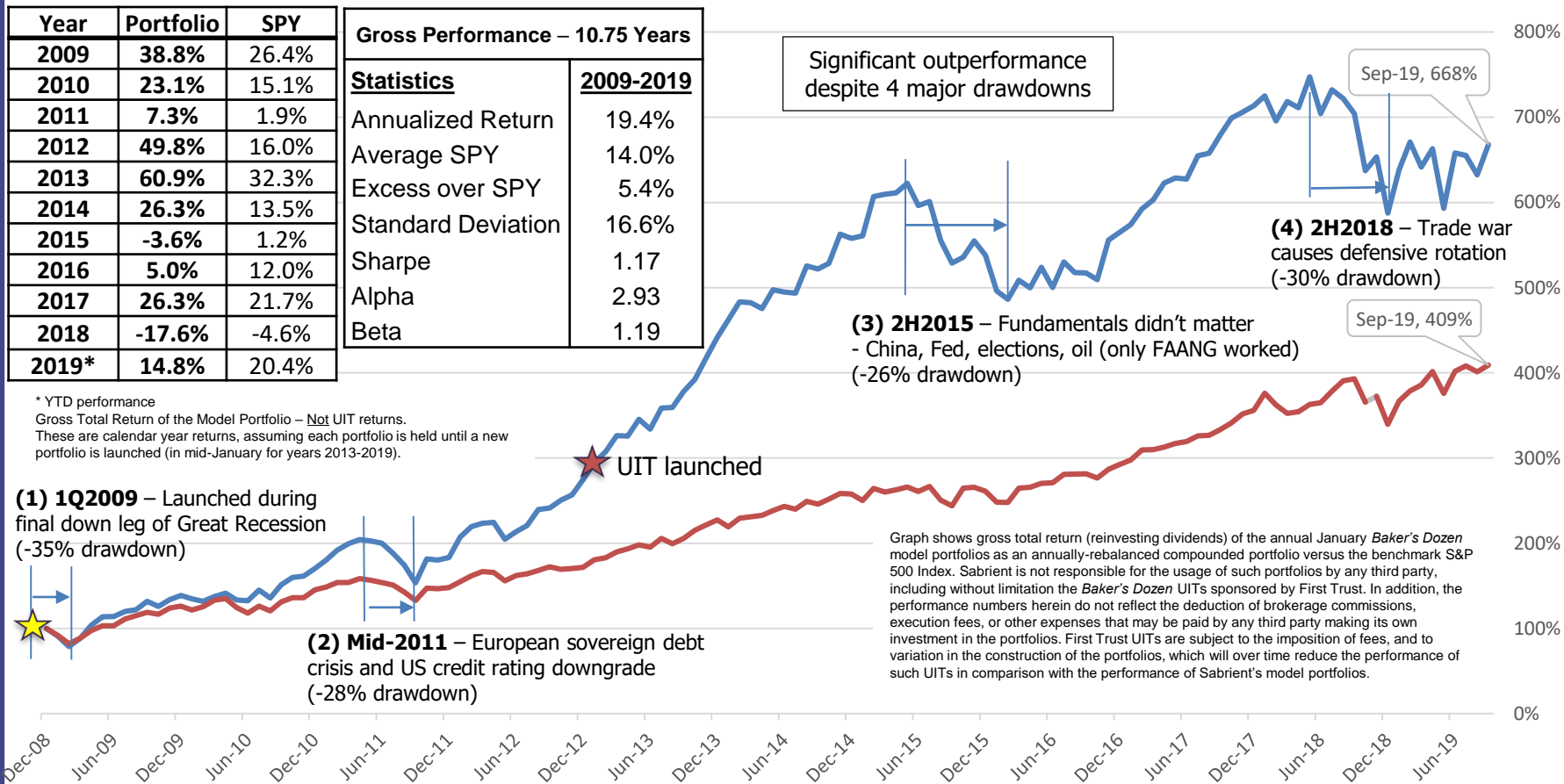
Baker's Dozen Long-term Performance

January Model Portfolio (gross total return) – rebalanced when new portfolio is published
(1/1/2009 inception thru 9/30/2019, 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%	-4.6%
2019*	14.8%	20.4%

Gross Performance – 10.75 Years	
Statistics	2009-2019
Annualized Return	19.4%
Average SPY	14.0%
Excess over SPY	5.4%
Standard Deviation	16.6%
Sharpe	1.17
Alpha	2.93
Beta	1.19



* YTD performance

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.

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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, **+29.2%** thru 10/15/19
 vs. +29.5% for SPY

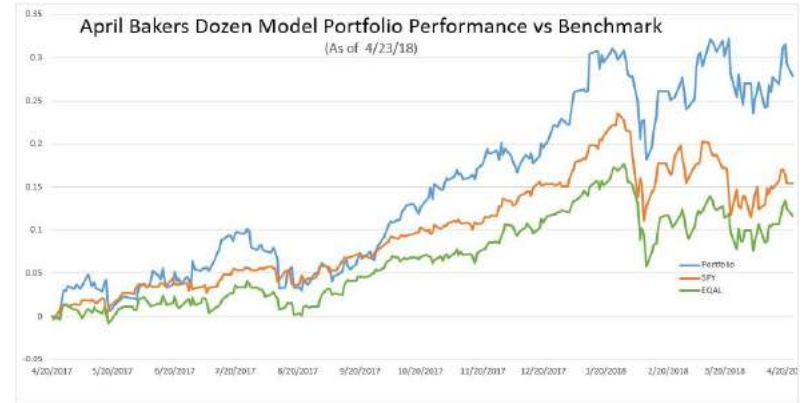
Jan–May 2017 *Baker's Dozens*

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



Total Returns Thru Current

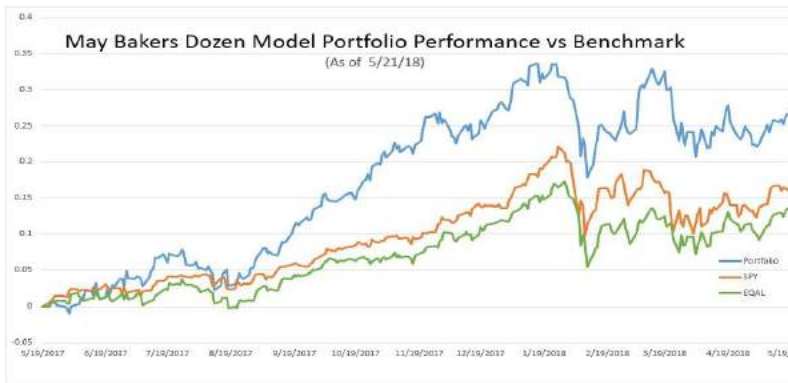
Event	Date	Portfolio	SPY	EQAL
Launch	1/17/2017	33.04%	25.78%	18.40%



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%

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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

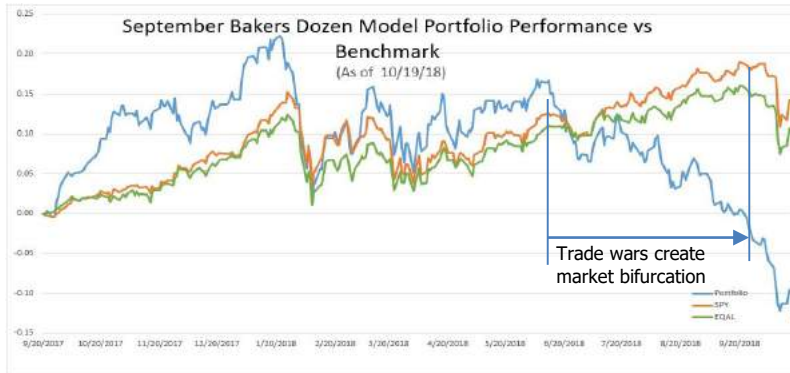
Event	Date	Portfolio	SPY	EQAL
Launch	8/18/2017	12.83%	19.90%	18.56%

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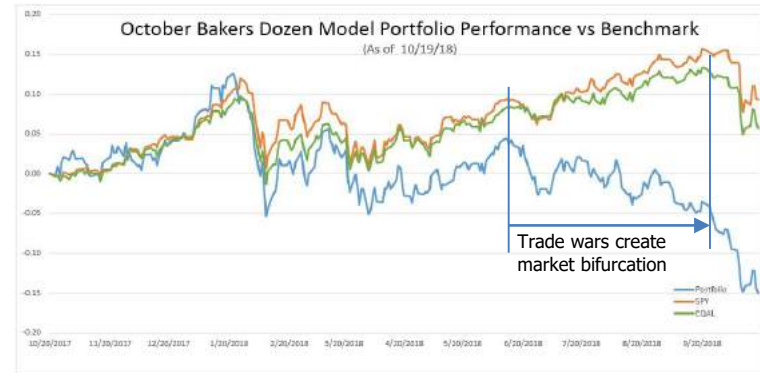
Sep–Nov 2017 *Baker's Dozens*

Performance hurt by June 2018 risk-off rotation



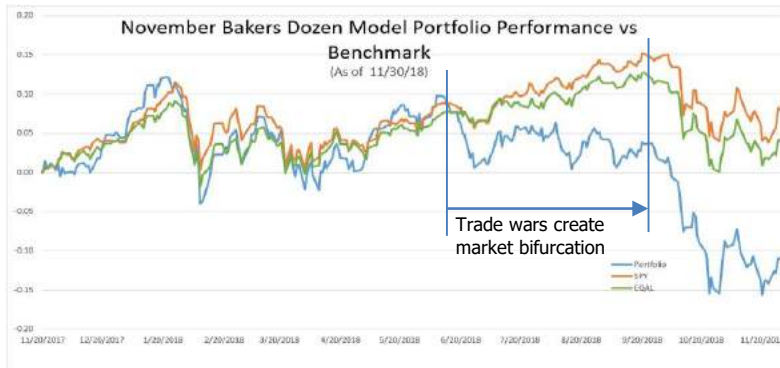
Total Returns Thru Current

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

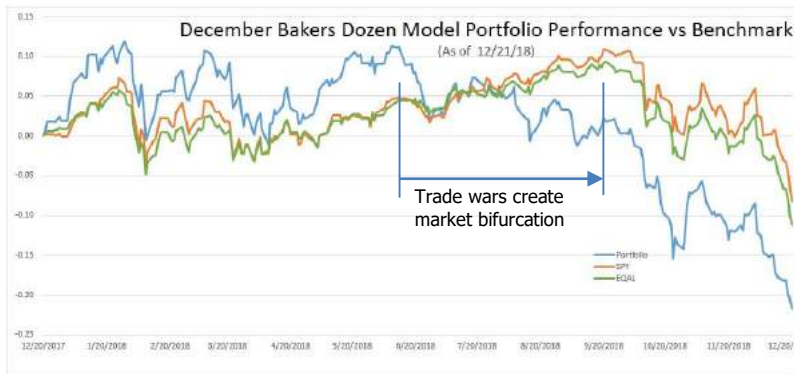
Event	Date	Portfolio	SPY	EQAL
Launch	11/20/2017	-10.58%	8.67%	4.62%

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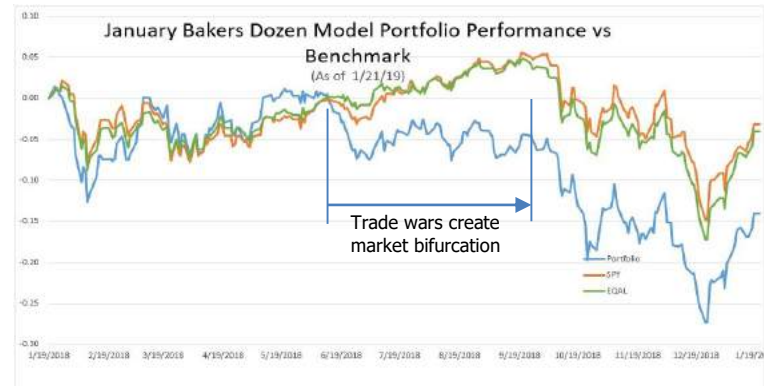
Dec 2017–Feb 2018 *Baker's Dozens*

Performance hurt by June 2018 risk-off rotation



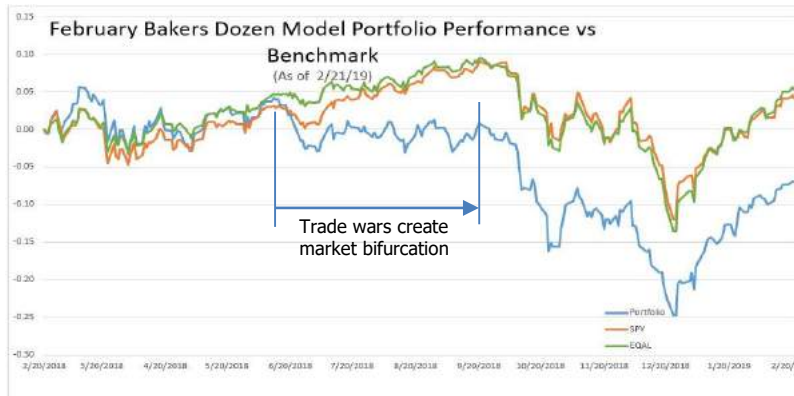
Total Returns Thru Current

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%

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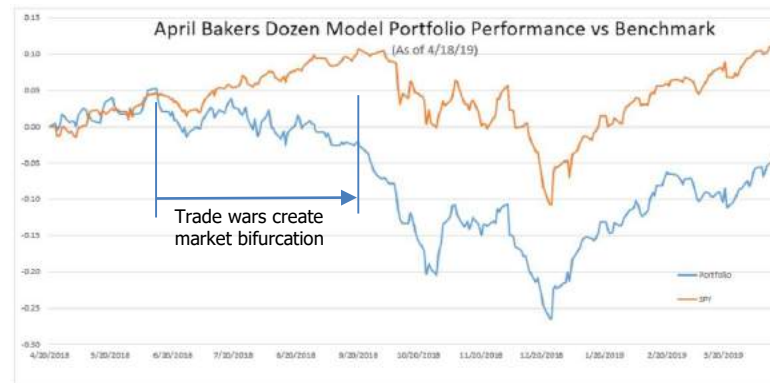
Mar–May 2018 *Baker's Dozens*

Performance hurt by June 2018 risk-off rotation



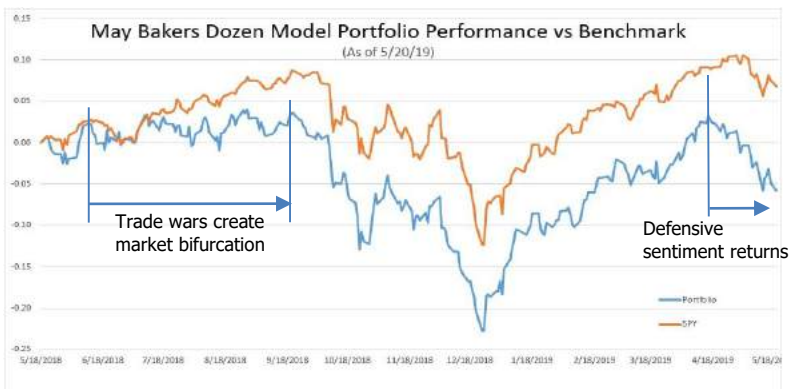
Total Returns Thru Current

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

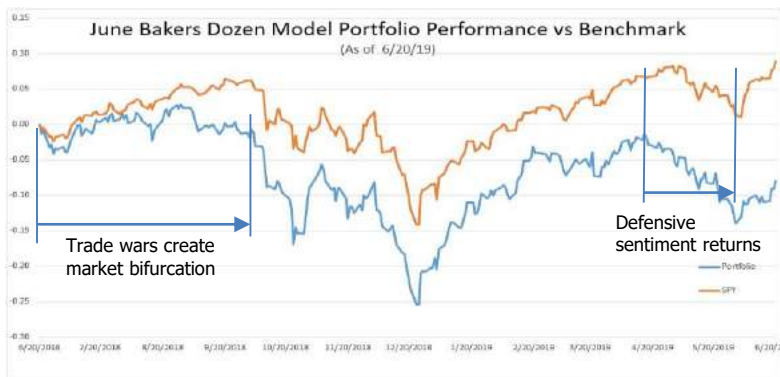
Event	Date	Portfolio	SPY
Launch	5/18/2018	-5.83%	6.80%

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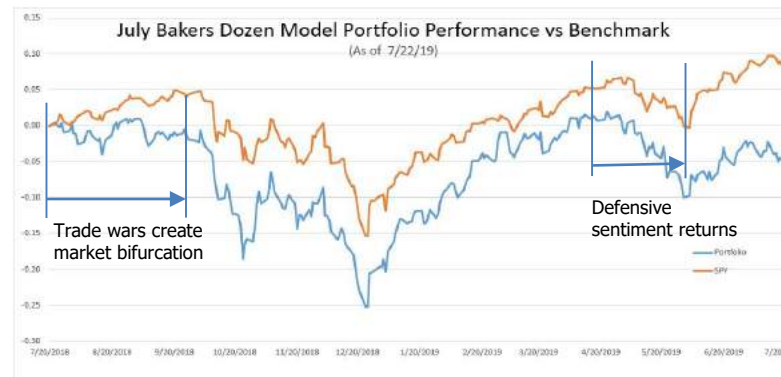
Jun–Aug 2018 *Baker's Dozens*

Performance hurt by two major risk-off rotations



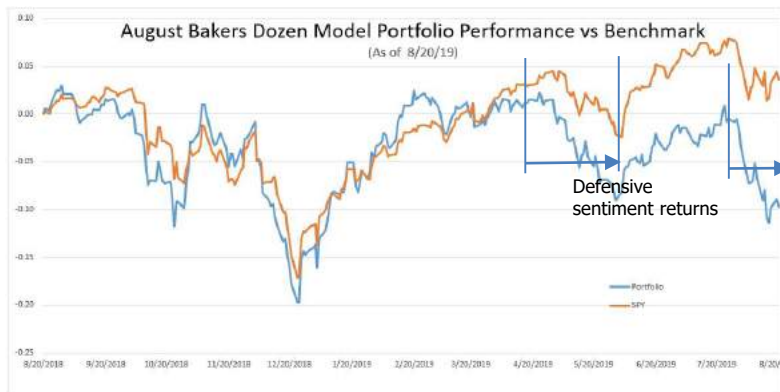
Total Returns Thru Current

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

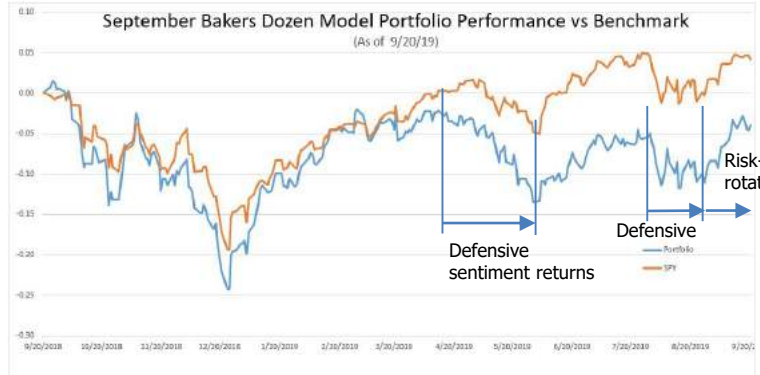
Event	Date	Portfolio	SPY
Launch	8/20/2018	-9.73%	3.60%

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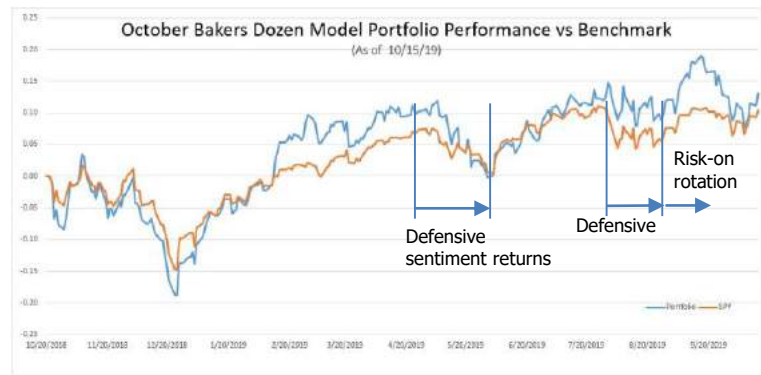
Sep–Dec 2018 Baker's Dozens

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



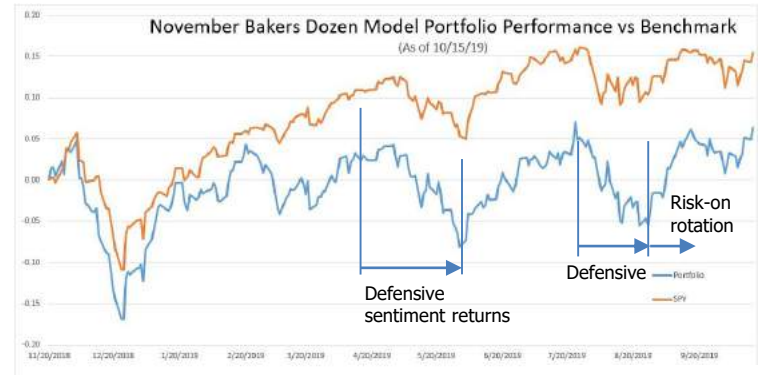
Total Returns Thru Current

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



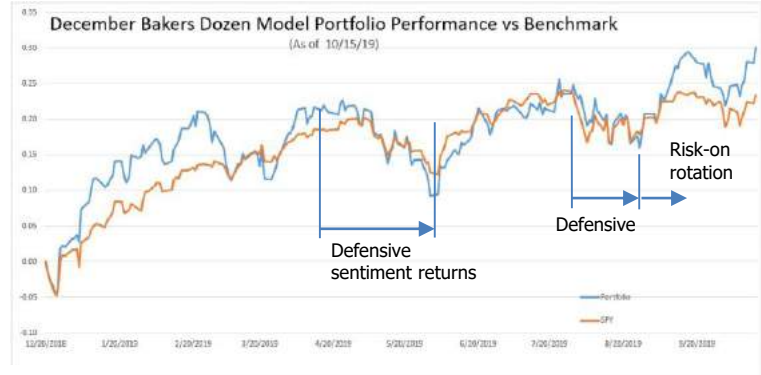
Total Returns Thru Current

Event	Date	Portfolio	SPY
Launch	10/20/2018	13.07%	10.44%



Total Returns Thru Current

Event	Date	Portfolio	SPY
Launch	11/20/2018	6.38%	15.48%



Total Returns Thru Current

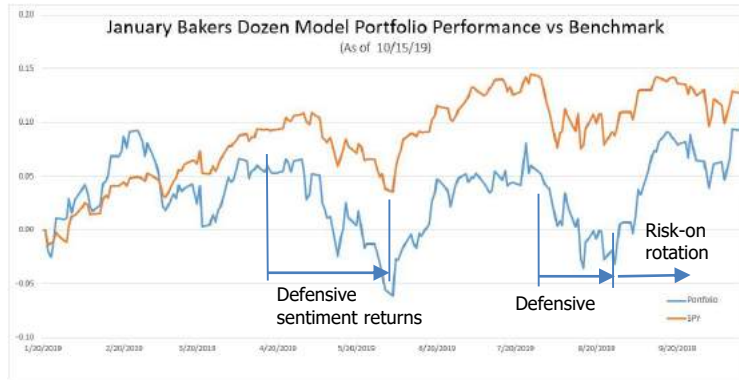
Event	Date	Portfolio	SPY
Launch	12/20/2018	30.02%	23.41%

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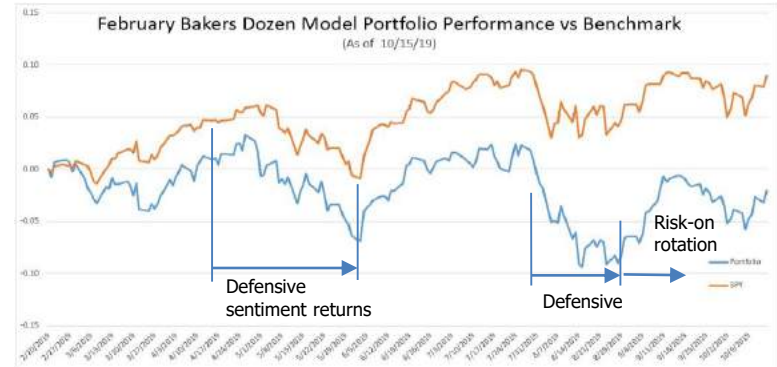
Jan–Mar 2019 *Baker's Dozens*

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



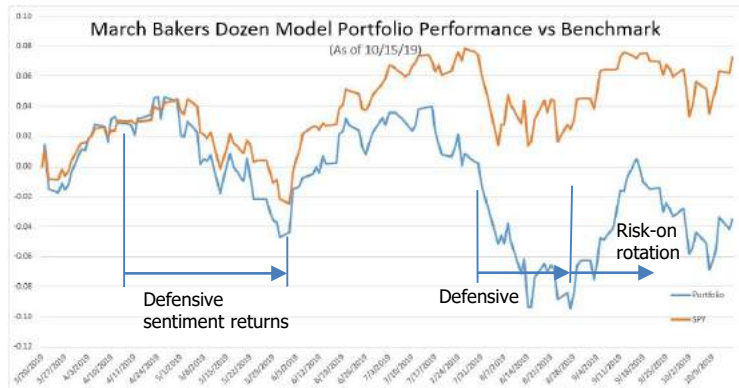
Total Returns Thru Current

Event	Date	Portfolio	SPY
Launch	1/20/2019	11.10%	13.86%



Total Returns Thru Current

Event	Date	Portfolio	SPY
Launch	2/20/2019	-2.09%	8.98%



Total Returns Thru Current

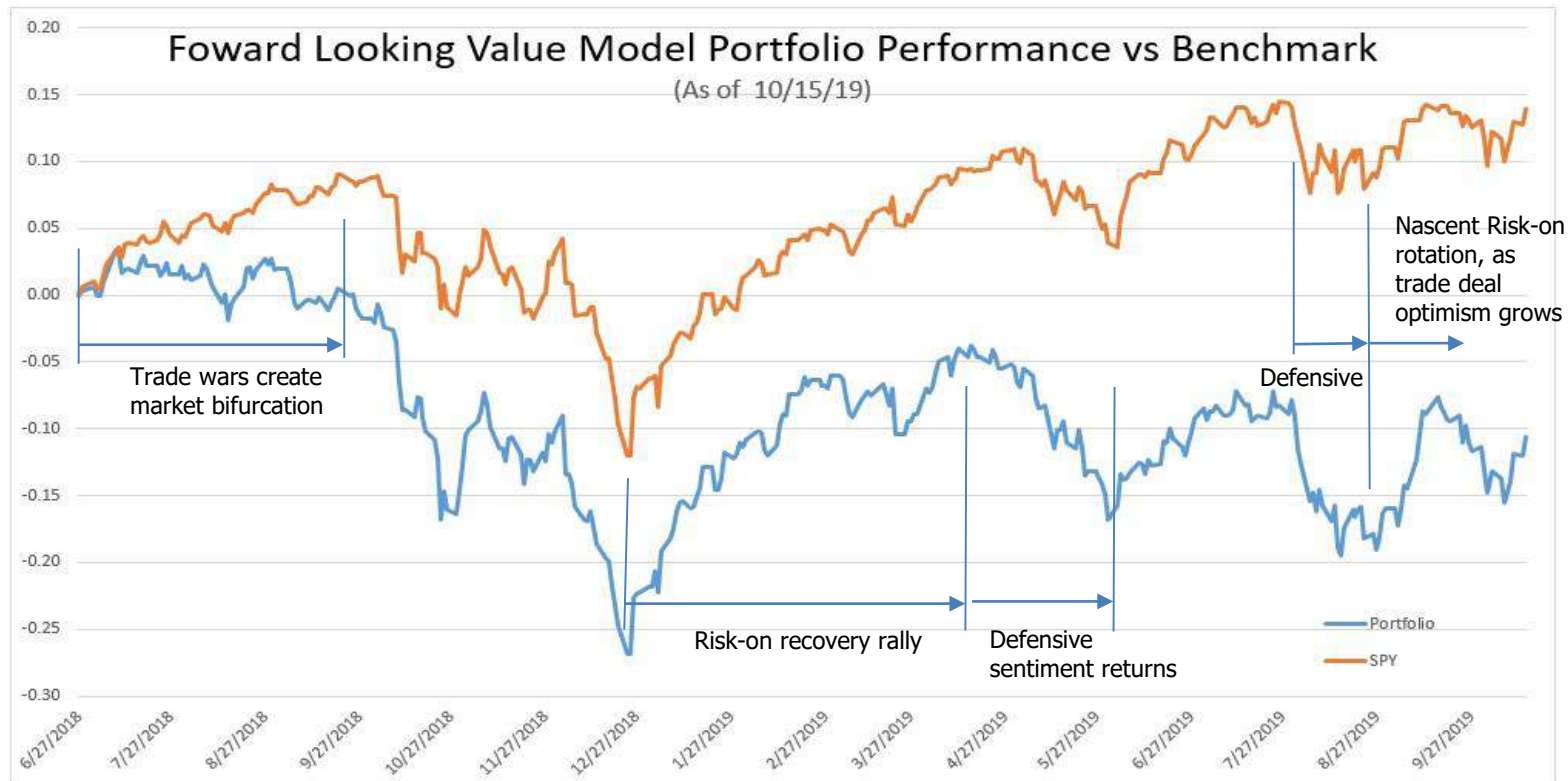
Event	Date	Portfolio	SPY
Launch	3/20/2019	-3.52%	7.26%

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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	-10.58%	13.90%

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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 contract

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 (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** – market recovers, with some flashes of readiness for risk-on
 - ✓ China trade negotiations resume; FOMC takes on dovish tone (“Fed put”)
 - ✓ P/E multiples expand (S&P 500 at 17x) amid persistent preference for momentum, growth, and low-volatility factors, Treasury bonds and “bond proxy” defensive sectors – over value, small-mid caps, and cyclical sectors
- **Sep-Oct 2019** – a promising risk-on rotation to value/cyclical/small-mid

18 months of Sector Performance by Market Cap

since tariffs were announced 3/8/18, as published by First Trust Advisors

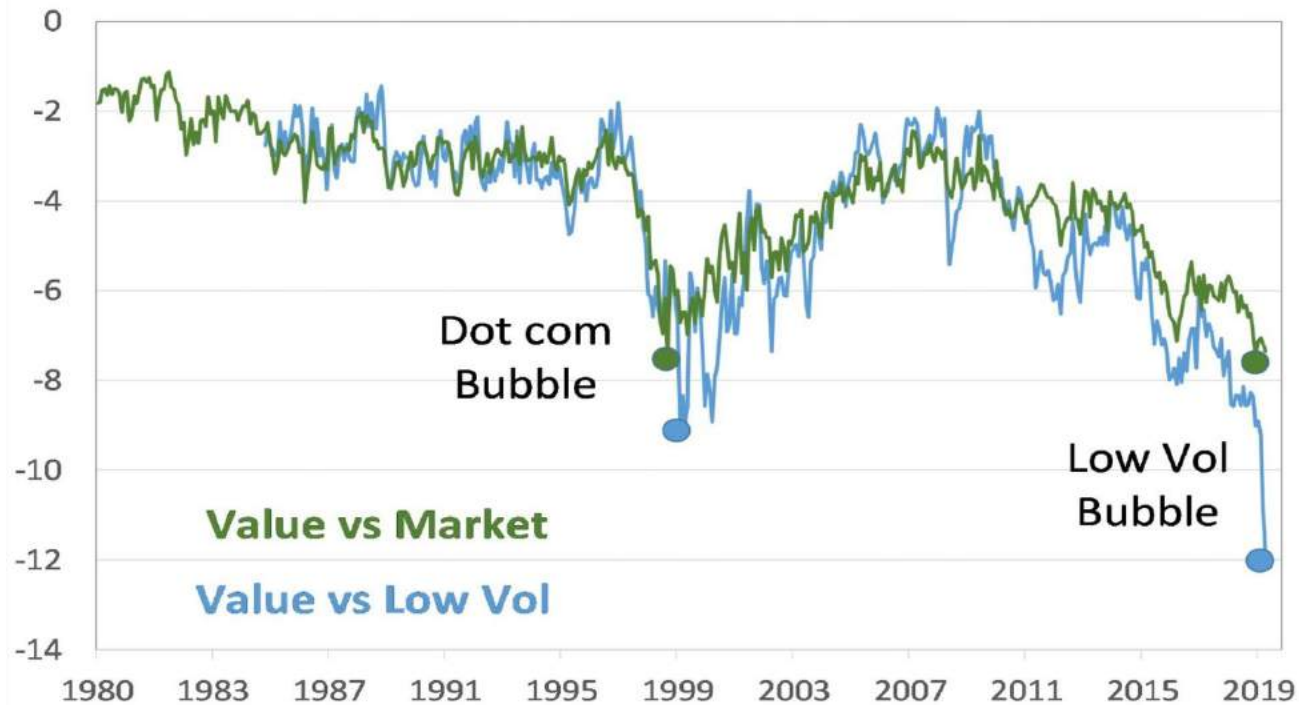
Large-, Mid- & Small-Cap Cumulative Total Returns (3/8/18-8/26/19)

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.

Historic “Bubble” in Relative Valuation



Source: JPMorgan

JP Morgan quant strategist Marko Kolanovic sees:

1. a “once in a decade opportunity” to position for convergence of the historic divergence between **value/cyclical** stocks and **low volatility/defensive** stocks, which is *more significant than any stock market relative valuation bubble in modern history*
2. The main beneficiaries of a re-convergence should be small caps, oil and gas, materials, and those with generally low P/E and P/B ratios

2018 Monthly *Baker's Dozen* Performance vs S&P500

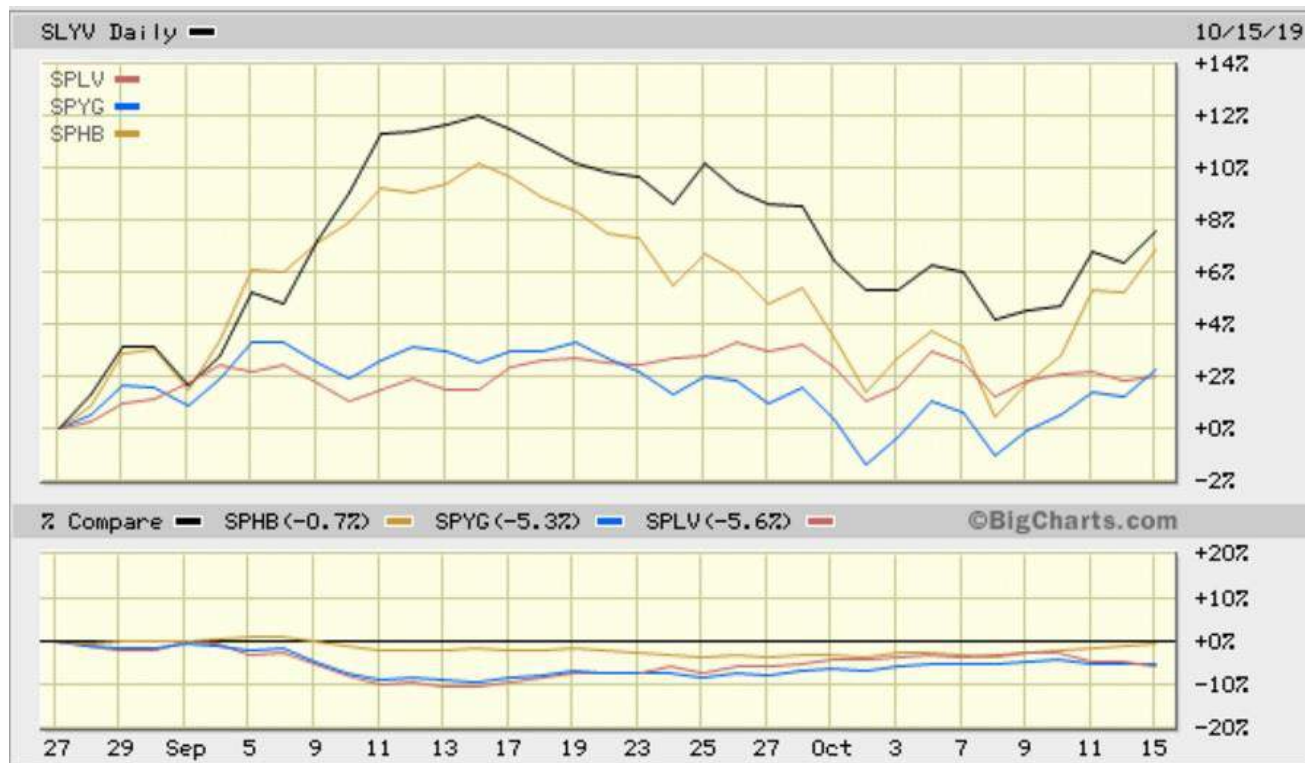
During post-selloff risk-on recovery: 12/24/18 thru 3/1/19
(May provide a hint as to investor preferences once a China trade deal is done)

Baker's Dozen Monthly Portfolio	Gross Absolute Portfolio Return	Gross Excess Return vs. SPY
Feb-18	22.9%	3.2%
Mar-18	25.1%	5.4%
Apr-18	26.2%	6.5%
May-18	26.7%	7.0%
Jun-18	28.4%	8.7%
Jul-18	32.5%	12.8%
Aug-18	26.5%	6.8%
Sep-18	29.3%	9.6%
Oct-18	35.1%	15.4%
Nov-18	23.0%	3.3%
Dec-18	22.8%	3.1%
Average:	27.1%	7.4%
SPY Return:	19.7%	

Sep-Oct Rotation to Value/Cyclicals/Small

Could this be signaling the bursting of Low-volatility/Defensive bubble?
8/27/19–10/15/19

Recent outperformance of Small-cap Value (SLYV) and High Beta (SPHB) over Large-cap Growth (SPYG) and Low Volatility (SPLV)



Monthly *Baker's Dozens*: Performance vs S&P500

During the latest risk-on emergence of value/cyclicals/small-mid caps
8/27/19–10/15/19 → Reasons for Optimism!

Baker's Dozen Monthly Portfolio	Gross Absolute Portfolio Return	Gross Excess Return vs. SPY
Sep-18	4.1%	-0.6%
Oct-18	3.7%	-0.9%
Nov-18	12.4%	7.7%
Dec-18	12.0%	7.3%
Jan-19	14.8%	10.1%
Feb-19	7.6%	2.9%
Mar-19	6.7%	2.0%
Apr-19	9.1%	4.4%
May-19	8.1%	3.4%
Jun-19	5.3%	0.6%
Jul-19	4.6%	-0.1%
Aug-19	5.0%	0.4%
Average:	7.8%	3.1%
SPY Return:	4.7%	

Performance of other Sabrient Portfolios

Gross performance thru 10/15/2019:

Portfolio	Launch Date	Portfolio Gross Return since launch	Benchmark Return	Portfolio YTD Gross Return	Benchmark YTD Return
			SLYG		SLYG
SCG 20	9/26/18	-12.9%	-10.0%	25.3%	11.5%
SCG 21	12/21/18	19.2%	16.8%	14.1%	11.5%
			SPYD		SPYD
Dividend 21	11/8/17	-0.4%	13.0%	14.3%	14.4%
Dividend 22	2/2/18	4.7%	10.0%	14.7%	14.4%
Dividend 23	4/27/18	2.6%	10.6%	15.3%	14.4%
Dividend 24	7/25/18	-1.1%	6.6%	15.8%	14.4%
Dividend 25	10/22/18	6.2%	8.2%	18.2%	14.4%
			SPY		SPY
Def Equity 17	8/31/18	-1.3%	5.6%	17.9%	21.4%
Def Equity 18	11/29/18	6.1%	11.4%	17.3%	21.4%
Rising Rate 7	2/21/18	-16.4%	14.6%	13.3%	21.4%
Rising Rate 8	5/21/18	-10.4%	12.7%	11.9%	21.4%
Rising Rate 9	8/17/18	-14.3%	7.6%	13.4%	21.4%
Rising Rate 10	11/16/18	-5.6%	11.5%	11.6%	21.4%

Despite relative weakness in small caps overall, the 2018 **Small Cap Growth** portfolios that have been live since 1/1/19 have been significantly outperforming the S&P 600 Growth ETF (SLYG) this year.

Although a GARP-orientation hurt them during a difficult 2H2018, the 2018 **Dividend** portfolios that have been live since 1/1/19 have kept pace with or outperformed the S&P 500 High Dividend ETF (SPYD) 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 over most timeframes during the past few years.

Likewise, **Rising Rate** has a value bent given its high allocation to the Financials sector, but these portfolios were doing well while rates were rising, but began to significantly underperform when rates reversed.

September 2018 Baker's Dozen

Ticker	Company Name	Return	Fwd P/E at Launch	Current Fwd P/E	Est. NTM EPS	
					Growth at Launch	Actual EPS Growth
HZNP	Horizon Therapeutics Public Limited	51.2%	9.6	15.4	85.1%	99.1%
NMIH	NMI Holdings, Inc.	22.5%	11.8	10.2	63.7%	78.4%
NXST	Nexstar Media Group, Inc.	19.7%	9.8	70.1	53.3%	59.8%
TRV	The Travelers Companies, Inc.	4.7%	12.1	12.7	46.4%	27.6%
POST	Post Holdings, Inc.	2.0%	18.9	20.8	34.4%	20.1%
AIR	AAR Corp.	-7.2%	16.4	15.5	61.3%	34.9%
ALSN	Allison Transmission Holdings, Inc.	-14.9%	9.4	8.2	43.4%	51.4%
HFC	HollyFrontier Corporation	-16.4%	9.6	11.3	68.7%	71.2%
COP	ConocoPhillips	-27.6%	16.0	16.0	77.5%	69.2%
IIVI	II-VI Incorporated	-32.7%	19.4	12.1	64.2%	70.7%
ARCB	ArcBest Corporation	-35.5%	14.0	11.3	38.0%	46.7%
UFS	Domtar Corporation	-36.1%	11.3	17.8	48.8%	59.9%
STLD	Steel Dynamics, Inc.	-38.1%	8.2	11.1	55.1%	-19.9%
Average		-8.3%	12.8	17.9	56.9%	51.5%
SPY	SPDR S&P 500 ETF Trust	4.4%				

Best performers from
Healthcare,
Consumer, Insurance

Worst performers
from cyclical sectors
Energy, Materials,
Industrial

Although the portfolio in aggregate has met its earnings expectations, share price has been impacted by lowered guidance in the cyclical sectors.

October 2018 Baker's Dozen

Ticker	Company Name	Return			Est. NTM	
			Fwd P/E at Launch	Current Fwd P/E	EPS Growth at Launch	Actual EPS Growth
LSCC	Lattice Semiconductor Corporation	158.2%	17.7	31.0	121.0%	125.0%
HZNP	Horizon Therapeutics Public Limited	47.9%	9.7	15.0	85.8%	99.1%
NMIH	NMI Holdings, Inc.	45.5%	10.4	10.1	64.0%	78.4%
NXST	Nexstar Media Group, Inc.	24.2%	9.5	69.4	53.3%	59.8%
TRV	The Travelers Companies, Inc.	13.7%	11.7	12.8	43.9%	27.6%
LTXB	LegacyTexas Financial Group, Inc.	8.2%	12.4	13.6	26.6%	6.9%
POST	Post Holdings, Inc.	4.8%	18.2	20.7	34.2%	20.1%
AIR	AAR Corp.	-6.5%	16.0	15.3	45.5%	34.9%
HFC	HollyFrontier Corporation	-13.4%	9.9	11.1	69.1%	71.2%
IIVI	II-VI Incorporated	-16.8%	16.2	12.1	64.2%	70.7%
SIVB	SVB Financial Group	-26.6%	15.0	10.5	39.5%	56.3%
MOS	The Mosaic Company	-39.2%	14.6	16.9	64.3%	38.0%
EOG	EOG Resources, Inc.	-41.1%	17.8	13.8	93.9%	59.6%
Average		12.2%	13.8	19.4	62.0%	57.5%
SPY	SPDR S&P 500 ETF Trust	10.5%				

Best performers from
Tech, Healthcare,
Consumer, Insurance

Worst performers
from cyclical sectors
Energy, Materials,
Financial

Although the portfolio in aggregate came close to meeting earnings expectations, share price has been impacted by lowered guidance in the cyclical sectors. Nevertheless, a few strong performers have allowed this portfolio to outperform.

Market Outlook (implicit in our rankings)

1. Global growth improves; Resurgent US corp earnings, buybacks, CapEx
2. Fiscal stimulus & deregulation; some resolution to 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 appealing, as interest rates stay low

➤ **Major Risks:**

- (1) Escalation in trade wars, tariffs, and protectionism (*rising risk*)
- (2) Quantitative tightening by Federal Reserve (*falling risk*)
- (3) Deleveraging a heavily-indebted global economy (*a longer-term issue*)

Baker's Dozen Portfolio – October 2019

Statistics upon launch on 10/18/19

Ticker	Company Name	Industry	Mkt Cap (\$B)	NTM EPS Growth	Fwd PE	Fwd PEG	Div Yield
ALK	Alaska Air	Airlines	8.3	33.3%	10.0	0.30	2.1%
ALL	Allstate	Property and Casualty Insurance	35.5	32.7%	10.6	0.32	1.9%
ANTM	Anthem	Managed Health Care	63.8	27.2%	11.6	0.43	1.3%
ARNC	Arconic	Aerospace and Defense	12.2	33.1%	12.5	0.38	0.3%
CF	CF Industries	Fertilizers and Agricultural Chemicals	10.6	54.8%	18.4	0.33	2.5%
CI	Cigna	Health Care Services	62.2	22.9%	9.2	0.40	0.0%
CMC	Commercial Metals	Steel	2.2	26.0%	8.1	0.31	2.5%
KBH	KB Home	Homebuilding	3.2	30.3%	11.1	0.36	1.0%
NMIH	NMI Holdings	Thriffs and Mortgage Finance	1.9	33.1%	10.2	0.31	0.0%
PPC	Pilgrim's Pride	Packaged Foods and Meats	7.2	58.3%	13.6	0.23	0.0%
RCII	Rent-A-Center	Computer and Electronics Retail	1.5	31.9%	11.0	0.34	3.8%
RNR	RenaissanceRe	Reinsurance	8.4	47.4%	14.4	0.30	0.7%
VAC	Marriott Vacations	Hotels, Resorts and Cruise Lines	4.8	33.7%	12.9	0.38	1.7%
Average:			17.0	35.8%	11.8	0.33	1.4%

Talking Points Summary

- 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 big drawdowns: 1Q2009, mid-2011, 2H2015, 2H2018)
- June 2018 – escalating trade war with China and hawkish Fed led to risk-off rotation into defensive sectors, low-volatility, momentum, and large caps at the expense of cyclical sectors, value, and small-mid caps that typically lead a rising market in a solid economy – ending in a 4Q2018 selloff
- But forward outlook has held up while prices fell in risk-on segments, so valuations became more attractive, leading to numerous attempts at risk-on recoveries
- May and August saw big risk-off rotations into Treasuries and "bond proxy" defensive sectors due to trade war uncertainty holding back capital spending => historic relative valuation divergence of low-volatility/defensive/large cap over value/cyclical/small-mid cap
- But cyclicals have shown readiness for recovery given dovish Fed, China trade talks, and US economic strength led by strong consumer => *Bodes well for Sabrient's portfolios*
- Since 8/27, there is a promising risk-on recovery in small caps, value, and cyclical sectors
- What can go wrong for Sabrient?
 - (1) Outlook for corporate sales & earnings changes radically (*has not happened*)
 - (2) Investors ignore fundamentals (*has happened in news-driven climate*)

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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