

Model Update

October, 2023

Market Review

The third quarter offered some reckoning after a robust rally in the first half. Global stocks declined on concerns about inflation, rising interest rates, economic slowdown, and the Chinese real estate crisis. EM equities outperformed the developed markets. Oil prices jumped by 20% as the OPEC+ countries cut production. Fixed income assets did not offer much diversification as they lost ground along with the equity markets amid higher bond yields.

U.S. economic data are mixed. The personal consumption and labor market continued to be resilient, though manufacturing activities contracted for eleven months in a row. The Nonfarm payrolls rose by 336K in September, much higher than expected, and the unemployment rate remained at 3.8%. Personal consumption expenditure rose again by 0.4% in August. The housing market also stabilized with the Case/Shiller House Price Index up by 0.9% in July. However, the ISM Manufacturing Index stayed below the expansion level and the annual growth rate of the Conference Board LEI remained negative, suggesting weaker future economic activity.

The headline inflation rates edged up in August due to higher energy prices, but the core inflation continued trending down. The personal consumption expenditure price index, an inflation indicator used by the Fed, rose 3.5% in August from a year earlier, 0.1% higher than the previous reading. The core PCE deflator rose by 3.9%, 0.4% lower than the previous reading. The headline CPI increased by 3.7% for the 12 months through August, higher than the previous reading, but the core CPI inflation decelerated to 4.3% YOY, lower than the previous month.

In its September meeting, the Federal Reserve held interest rates steady, while also indicating it still expects one more hike before the end of the year and fewer cuts than previously indicated next year. Along with the rate projections, the Fed also revised up its economic growth expectations for this year, with gross domestic product now expected to rise 2.1% this year.

Corporate earnings have been in decline, though most companies beat expectations. Among the S&P companies reporting Q2 earnings, 79% beat earnings estimates and 64% reported a positive revenue surprise. Blended earnings decreased by 4.1%, marking the third straight quarters of earnings declines since Q2 2020, according to FactSet. The forward 12-month PE ratio for the S&P 500 Index rose to 18.8, which is above both the 5-year average (18.7) and 10-year average (17.5).

The Eurozone economy experienced modest growth in the second quarter, but inflation remained high, coming in at 5.2% in August. This persistence has been eroding household purchasing power. The war in Ukraine is also weighing on economic activity through higher energy prices and supply chain disruptions. The European Central Bank (ECB) is expected to continue raising interest rates to combat inflation.

The Japanese economy continues to show resilience. The second quarter GDP grew by 1.2% QOQ driven by strong retail sales. Inflation has slowed down to 3.2% YOY in August. The unemployment

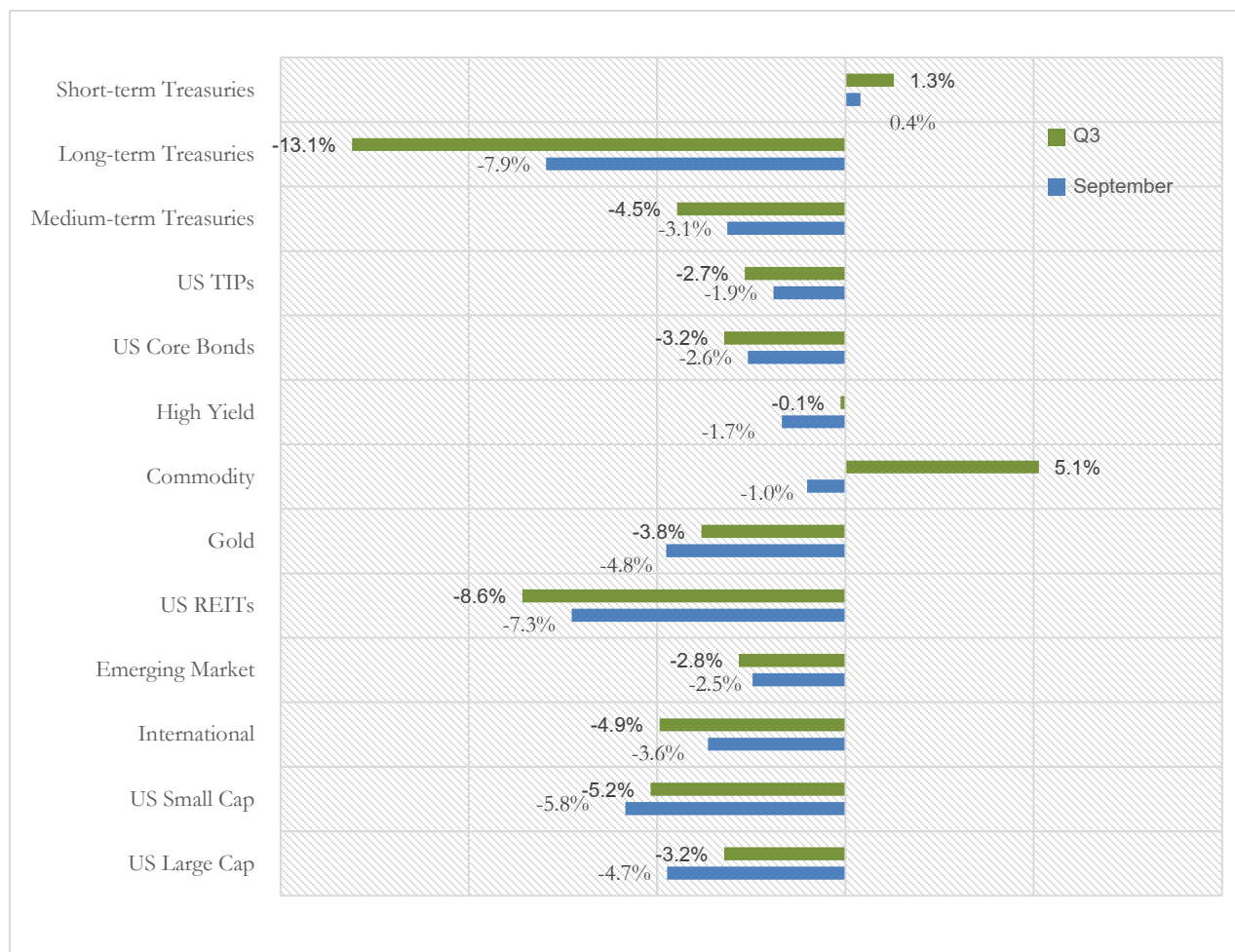


rate is low, at 2.7%, and the labor market is tight. The government is also implementing several policies to support economic growth, such as fiscal stimulus and monetary easing.

China's economic backdrop improved slightly. Both retail sales and industrial production growth reaccelerated while "deflation" proved to be short-lived. The headline inflation rate rose to 0.1% y/y in August. Moreover, the forward-looking manufacturing PMI returned to "expansion" territory in September (50.2). However, real estate distress remained in focus – notably, Evergrande remains a recurring concern. The company filed for bankruptcy protection more than two years after it defaulted on its debt.

In Q3, most asset classes had a negative performance. The SPDR S&P 500 ETF (SPY) dropped 3.2%, and EM equities outperformed. The commodities index was an exception, up by 5.1% because of the higher oil prices. Fixed income assets also declined as investors believed the interest rates will be "higher for longer." The long-term treasury bond ETF (TLT) tanked by 13.1% (See Figure 1 below for a full performance recap).

Figure 1: Asset Class ETF Performance – September and Q3 2023



Most sectors had a negative performance except for energy and communication services in the third quarter. Large cap stocks outperformed small cap. The energy sector, driven by higher oil prices, was the best performer. Utilities and real estate were the worst performers amid higher interest rates (See Figure 2 for a full US sector/style recap).

Internationally, all the country's ETFs had negative returns except for India whose economy growth has accelerated. Netherland was the worst performer amid weak economic data (see Figure 3).

MLPs and bank loans had positive returns, benefiting from higher oil prices and tightening credit spreads. Other equity income classes had negative returns as stocks moved lower (see Figure 4).

Figure 2: Equity Sector ETF Returns – September and Q3 2023

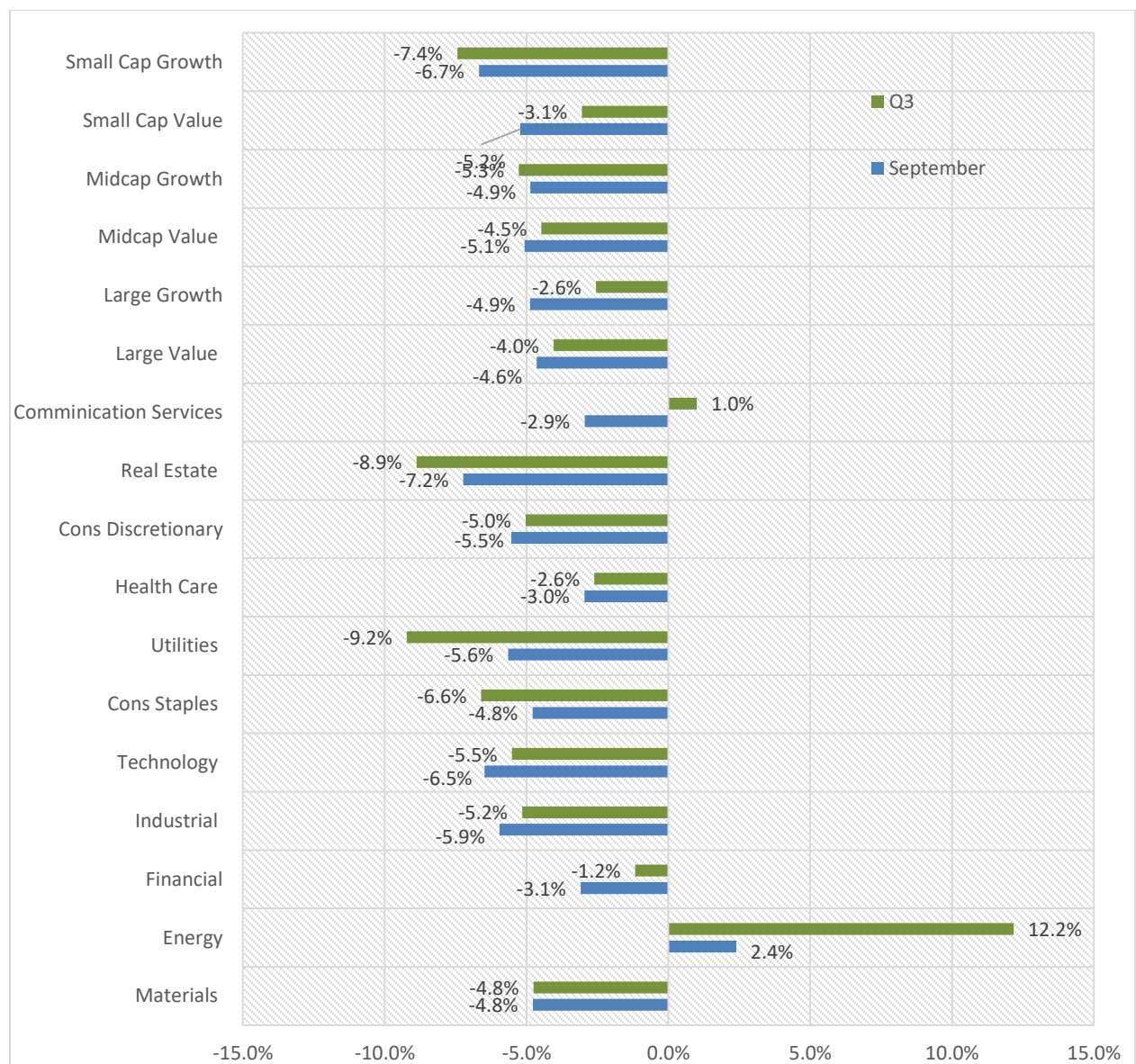


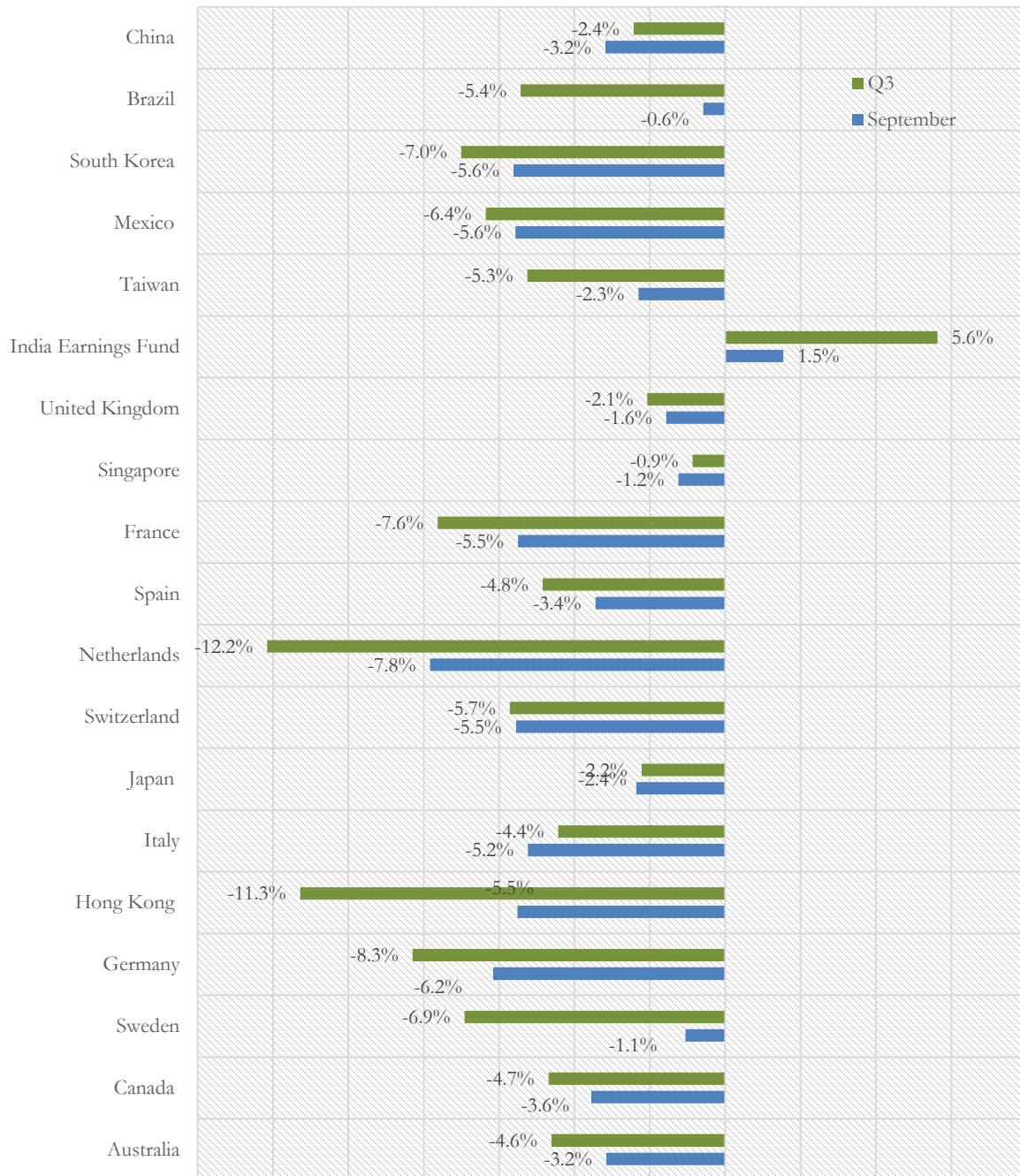
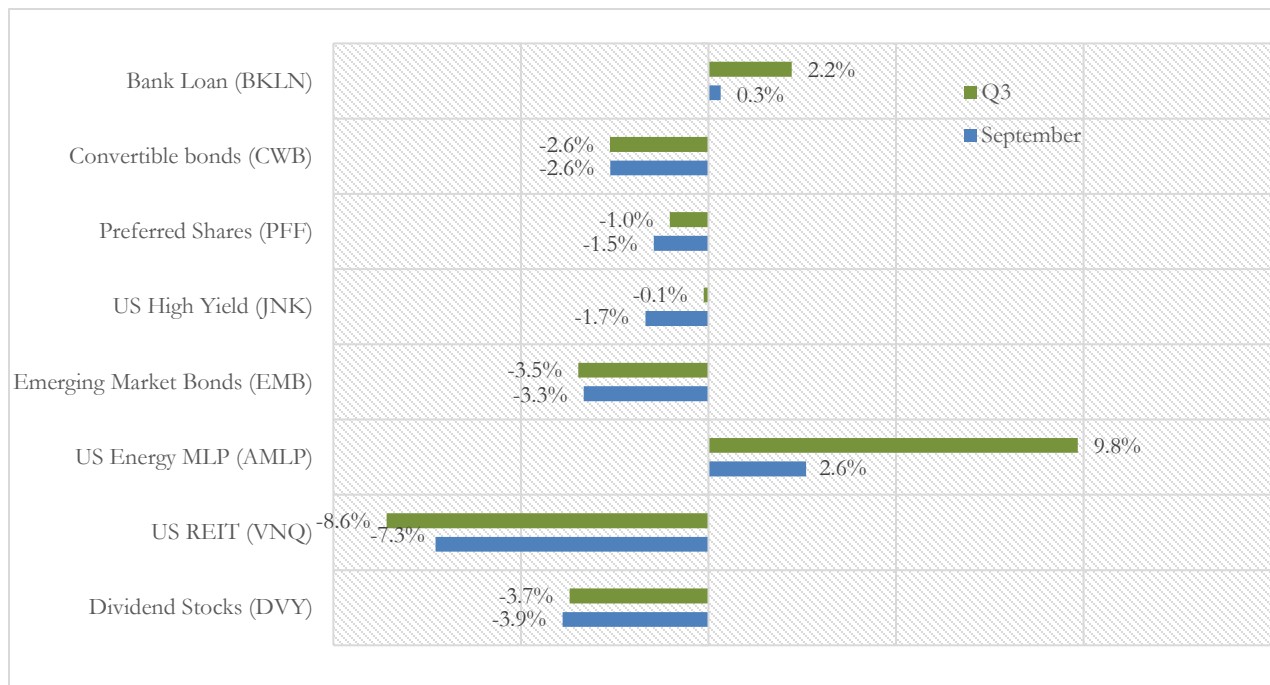
Figure 3: Equity Country ETF Returns – September and Q3 2023


Figure 4: High Income Asset Performance – September and Q3 2023


Data Sources: FactSet

October Model Changes:

❖ **Dynamic Series (see Table 1 for detailed positions)**

US Model (60% of the portfolio): Although the RiskSwitch™ remains partial risk on, many sectors have exhibited negative momentum. As a result, we will reduce the total equity exposure slightly. The US model will be 40% invested in equities and 60% invested in short-term securities.

The Julex RiskSwitch™, as determined by the model's long-term trend analysis and short-term market outlook, continues to point to a partial risk on position in October. Within the long-term model, the S&P 500 Index continues to trade above its long-term average, though currently trending toward it. Volatility has trended toward its long-term average but is still currently below it. Economic signals are mixed as the leading economic indicator improved in September, but the monthly PMI remains below expansion level. Liquidity conditions remain tight as the yield curve is inverted between the 3-month and 10-year periods. Overall, the positive market trend and lower volatility dominate other factors, and long-term trend analysis signal remains positive. Within the short-term model, the relative valuation between equities and bonds continues to favor bonds as bond yields moved higher. Lending conditions have remained tight but are improving. The model's economic variables were mixed as the leading economic indicator index is still below trend, while the labor market and consumer spending are resilient. The market reversal factor continued to be a negative contributor. Overall, the model's short-term outlook remained negative due to relative valuation and short-term reversal factors dominating other

variables.

International Model (40% of the portfolio): The international model continues to be 100% invested in country ETFs as they have exhibited strong momenta based on our measures.

❖ **Opportunistic 0-5 Years TAA (see Table 2 for detailed positions)**

The portfolio remains the same. As the model continues to be partial risk on, the portfolio will be 50% invested in bank loans and high yield bonds and 50% invested in Treasuries and mortgages.

❖ **Concentrated High Dividend (see Table 3 for detailed positions)**

The portfolio remains the same. The strategy selects 25 stocks with high and consistent dividends, good quality and strong momentum based on a multi-factor model. Table 3 shows the current portfolio positions.

❖ **Concentrated ESG (see Table 4 for detailed positions)**

The portfolio is updated. The strategy selects 25 undervalued and high-quality stocks with above-average ESG ratings. Tobacco and fossil fuels industries are excluded from the investment universe. Table 4 shows the current portfolio positions.

❖ **Concentrated Multi Cap Value (see Table 5 for detailed positions)**

Because the long-term trend of the value stock index has become negative, we will reduce the total equity exposure. As a result, the strategy will be 50% invested in 25 high-quality deep value stocks and 50% in short-term high yield and Treasuries bonds.

Table 1: Dynamic Series Model Portfolios (October 1, 2023)

ETF	Name	Years 21+	Years 16-20	Years 11-15	Years 6-10
XLB	Materials Select Sector SPDR Fund	-	-	-	-
XLE	Energy Select Sector SPDR Fund	8.00%	7.20%	6.40%	5.60%
XLF	Financial Select Sector SPDR Fund	-	-	-	-
XLI	Industrial Select Sector SPDR Fund	-	-	-	-
XLK	Technology Select Sector SPDR Fund	-	-	-	-
XLP	Consumer Staples Select Sector SPDR Fund	-	-	-	-
XLU	Utilities Select Sector SPDR Fund	-	-	-	-
XLV	Health Care Select Sector SPDR Fund	-	-	-	-
XLX	Consumer Discretionary Select Sector SPDR Fund	-	-	-	-
XLRE	Real Estate Select Sector SPDR Fund	-	-	-	-
XLC	Communication Services Select Sector SPDR Fund	8.00%	7.20%	6.40%	5.60%
IBB	iShares NASDAQ Biotechnology ETF	-	-	-	-
KBE	SPDR S&P Bank ETF	-	-	-	-
FDN	FT Internet	-	-	-	-
IGV	iShares Expanded Tech-Software Sector ETF	-	-	-	-
SOXX	iShares PHLX Semiconductor ETF	-	-	-	-
SPYV	SPDR Portfolio S&P 500 Value ETF	-	-	-	-
SPYG	SPDR Portfolio S&P 500 Growth ETF	-	-	-	-
IWS	iShares Russell Mid-Cap Value ETF	-	-	-	-
IWP	iShares Russell Mid-Cap Growth ETF	-	-	-	-
IWN	iShares Russell 2000 Value ETF	-	-	-	-
IWO	iShares Russell 2000 Growth ETF	-	-	-	-
SPY	SPDR S&P 500 ETF Trust	8.00%	7.20%	6.40%	5.60%
EWA	iShares MSCI Australia ETF	-	-	-	-
FLCA	Franklin FTSE Canada ETF	4.40%	3.96%	3.52%	3.08%
EWD	iShares MSCI Sweden ETF	-	-	-	-
EWG	iShares MSCI Germany ETF	-	-	-	-
EWH	iShares MSCI Hong Kong ETF	-	-	-	-
EWI	iShares MSCI Italy ETF	3.16%	2.84%	2.53%	2.21%
FLJP	Franklin FTSE Japan ETF	4.97%	4.47%	3.98%	3.48%
EWL	iShares MSCI Switzerland ETF	4.98%	4.48%	3.98%	3.48%
EWN	iShares MSCI Netherlands ETF	-	-	-	-
EWP	iShares MSCI Spain ETF	3.32%	2.99%	2.66%	2.33%
EWQ	iShares MSCI France ETF	4.00%	3.60%	3.20%	2.80%
EWS	iShares MSCI Singapore ETF	-	-	-	-
FLGB	Franklin FTSE United Kingdom ETF	-	-	-	-
DEM	WisdomTree Emerging Markets High Dividend Fund	8.23%	7.41%	6.58%	5.76%
EPI	WisdomTree India Earnings Fund	6.94%	6.25%	5.55%	4.86%
EWT	iShares MSCI Taiwan ETF	-	-	-	-
EWX	iShares MSCI Mexico ETF	-	-	-	-
EWY	iShares MSCI South Korea ETF	-	-	-	-
EWZ	iShares MSCI Brazil ETF	-	-	-	-
FXI	iShares China Large-Cap ETF	-	-	-	-
VWO	iShares MSCI Emerging Markets ETF	-	-	-	-
AGG	iShares Core U.S. Aggregate Bond ETF	-	5.00%	10.00%	15.00%
TIP	iShares TIPS Bond ETF	-	-	-	-
IEF	iShares 7-10 Year Treasury Bond ETF	-	5.00%	10.00%	15.00%
TLT	iShares 20+ Year Treasury Bond ETF	-	-	-	-
SHY	iShares 1-3 Year Treasury Bond ETF	-	-	-	-
SHV	iShares Short Treasury Bond ETF	36.00%	32.40%	28.80%	25.20%
LQD	iShares IBOXX Investment Grade Corp	-	-	-	-

Table 2: Opportunistic 0-5 Years TAA Model Portfolios

ETF	Name	10/1/2023	9/1/2023
JNK	SPDR Bloomberg Barclays High Yield Bond ETF	25.0%	25.0%
BKLN	Invesco Senior Loan ETF	12.5%	12.5%
GOVT	iShares U.S. Treasury Bond ETF		
SPMB	SPDR Portfolio Mortgage-Backed Bond ETF	25.0%	25.0%
IEF	iShares 7-10 Year Treasury Bond ETF	12.5%	12.5%
SPTI	SPDR Portfolio Intermediate Term Treasury ETF	12.5%	12.5%
SRLN	SPDR Blackstone Senior Loan ETF	12.5%	12.5%
BSV	Vanguard Short-Term Bond ETF		
SHV	iShares Short Treasury Bond ETF		
Total		100.0%	100.0%

Table 3: Concentrated High Dividend Model Portfolio

Current Holdings			3/6/2023		
Ticker	Name	Weight	Ticker	Name	Weight
MO	Altria Group, Inc.	3.9%	EOG	EOG Resources, Inc.	3.9%
PXD	Pioneer Natural Resources Company	3.9%	PM	Philip Morris International Inc.	3.9%
OKE	ONEOK, Inc.	3.9%	ABBV	AbbVie, Inc.	3.9%
PM	Philip Morris International Inc.	3.9%	OKE	ONEOK, Inc.	3.9%
GILD	Gilead Sciences, Inc.	3.9%	GILD	Gilead Sciences, Inc.	3.9%
AMGN	Amgen Inc.	3.9%	CSCO	Cisco Systems, Inc.	3.9%
PAYX	Paychex, Inc.	3.9%	PAYX	Paychex, Inc.	3.9%
CSCO	Cisco Systems, Inc.	3.9%	KMB	Kimberly-Clark Corporation	3.9%
JHG	Janus Henderson Group PLC	3.9%	WSO	Watsco, Inc.	3.9%
DRI	Darden Restaurants, Inc.	3.9%	NTAP	NetApp, Inc.	3.9%
CMI	Cummins Inc.	3.9%	GRMN	Garmin Ltd.	3.9%
GRMN	Garmin Ltd.	3.9%	PSX	Phillips 66	3.9%
DGX	Quest Diagnostics Incorporated	3.9%	PKG	Packaging Corporation of America	3.9%
VICI	VICI Properties Inc	3.9%	TXN	Texas Instruments Incorporated	3.9%
WSO	Watsco, Inc.	3.9%	ADP	Automatic Data Processing, Inc.	3.9%
AEM	Agnico Eagle Mines Limited	3.9%	UPS	United Parcel Service, Inc. Class B	3.9%
LMT	Lockheed Martin Corporation	3.9%	DGX	Quest Diagnostics Incorporated	3.9%
INFY	Infosys Limited Sponsored ADR	3.9%	ABT	Abbott Laboratories	3.9%
KMB	Kimberly-Clark Corporation	3.9%	HD	Home Depot, Inc.	3.9%
RHI	Robert Half Inc.	3.9%	LMT	Lockheed Martin Corporation	3.9%
TS	Tenaris S.A. Sponsored ADR	3.9%	EMR	Emerson Electric Co.	3.9%
ABT	Abbott Laboratories	3.9%	MAS	Masco Corporation	3.9%
NTAP	NetApp, Inc.	3.9%	NXST	Nexstar Media Group, Inc.	3.9%
DOX	Amdocs Limited	3.9%	MCD	McDonald's Corporation	3.9%
PKG	Packaging Corporation of America	3.9%	KO	Coca-Cola Company	3.9%
Cash		2.0%	Cash		2.0%

Table 4: TrueAlpha™ ESG Model Portfolio

Current Holdings			7/1/2023		
Ticker	Name	Weight	Ticker	Name	Weight
ADBE	Adobe Incorporated	3.9%	ABBV	AbbVie, Inc.	3.9%
ALK	Alaska Air Group, Inc.	3.9%	ADBE	Adobe Incorporated	3.9%
GOOGL	Alphabet Inc. Class A	3.9%	AMD	Advanced Micro Devices, Inc.	3.9%
BMJ	Bristol-Myers Squibb Company	3.9%	A	Agilent Technologies, Inc.	3.9%
CI	Cigna Group	3.9%	AKAM	Akamai Technologies, Inc.	3.9%
CMS	CMS Energy Corporation	3.9%	AMZN	Amazon.com, Inc.	3.9%
CAH	Cardinal Health, Inc.	3.9%	BAX	Baxter International Inc.	3.9%
CTSH	Cognizant Technology Solutions Corporation Class A	3.9%	CPB	Campbell Soup Company	3.9%
CAG	Conagra Brands, Inc.	3.9%	CLX	Clorox Company	3.9%
CPRT	Copart, Inc.	3.9%	DLTR	Dollar Tree, Inc.	3.9%
META	Meta Platforms Inc. Class A	3.9%	DOW	Dow, Inc.	3.9%
JKHY	Jack Henry & Associates, Inc.	3.9%	META	Meta Platforms Inc. Class A	3.9%
HSY	Hershey Company	3.9%	FDX	FedEx Corporation	3.9%
MTB	M&T Bank Corporation	3.9%	JBHT	J.B. Hunt Transport Services, Inc.	3.9%
MCK	McKesson Corporation	3.9%	EL	Estee Lauder Companies Inc. Class A	3.9%
NVDA	NVIDIA Corporation	3.9%	PFE	Pfizer Inc.	3.9%
OKE	ONEOK, Inc.	3.9%	TROW	T. Rowe Price Group	3.9%
PANW	Palo Alto Networks, Inc.	3.9%	PEG	Public Service Enterprise Group Inc	3.9%
PHM	PulteGroup, Inc.	3.9%	CRM	Salesforce, Inc.	3.9%
RHI	Robert Half Inc.	3.9%	SRE	Sempra Energy	3.9%
ROL	Rollins, Inc.	3.9%	NOW	ServiceNow, Inc.	3.9%
TPR	Tapestry, Inc.	3.9%	MMM	3M Company	3.9%
VTRS	Viatis, Inc.	3.9%	WM	Waste Management, Inc.	3.9%
AON	Aon Plc Class A	3.9%	RE	Everest Re Group, Ltd.	3.9%
EG	Everest Group, Ltd.	3.9%	IVZ	Invesco Ltd.	3.9%
Cash		2.0%	Cash		2.0%

Table 5: Concentrated Multi Cap Value Model Portfolio (updated September 5, 2023)

Current Holdings			6/1/2023		
Ticker	Name	Weight	Ticker	Name	Weight
ADM	Archer-Daniels-Midland Company	3.9%	ADM	Archer-Daniels-Midland Company	3.9%
AIG	American International Group, Inc.	3.9%	CTRA	Coterra Energy Inc.	3.9%
ANDE	Andersons, Inc.	3.9%	RS	Reliance Steel & Aluminum Co.	3.9%
BCC	Boise Cascade Co.	3.9%	BG	Bunge Limited	3.9%
BG	Bunge Limited	3.9%	PDCE	PDC Energy, Inc.	3.9%
CHRD	Chord Energy Corporation	3.9%	CHRD	Chord Energy Corporation	3.9%
CTRA	Coterra Energy Inc.	3.9%	SNA	Snap-on Incorporated	3.9%
CTSH	Cognizant Technology Solutions Corporation Class A	3.9%	GRMN	Garmin Ltd.	3.9%
ESNT	Essent Group Ltd.	3.9%	SMCI	Super Micro Computer, Inc.	3.9%
GRMN	Garmin Ltd.	3.9%	META	Meta Platforms Inc. Class A	3.9%
HCC	Warrior Met Coal, Inc.	3.9%	STLA	Stellantis N.V.	3.9%
JHG	Janus Henderson Group PLC	3.9%	LEN	Lennar Corporation Class A	3.9%
LEN	Lennar Corporation Class A	3.9%	OZK	Bank OZK	3.9%
MTH	Meritage Homes Corporation	3.9%	ORI	Old Republic International Corporation	3.9%
ORI	Old Republic International Corporation	3.9%	AIG	American International Group, Inc.	3.9%
SAND	Sandstorm Gold Ltd.	3.9%	UNM	Unum Group	3.9%
SMCI	Super Micro Computer, Inc.	3.9%	SAND	Sandstorm Gold Ltd.	3.9%
SNA	Snap-on Incorporated	3.9%	ANDE	Andersons, Inc.	3.9%
STLA	Stellantis N.V.	3.9%	HCC	Warrior Met Coal, Inc.	3.9%
SYF	Synchrony Financial	3.9%	BCC	Boise Cascade Co.	3.9%
TCN	Tricon Residential Inc	3.9%	WIRE	Encore Wire Corporation	3.9%
UNM	Unum Group	3.9%	MTH	Meritage Homes Corporation	3.9%
UTHR	United Therapeutics Corporation	3.9%	TCN	Tricon Residential Inc	3.9%
VLO	Valero Energy Corporation	3.9%	JHG	Janus Henderson Group PLC	3.9%
WIRE	Encore Wire Corporation	3.9%	ESNT	Essent Group Ltd.	3.9%
Cash		2.0%	Cash		2.0%

Disclosure

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