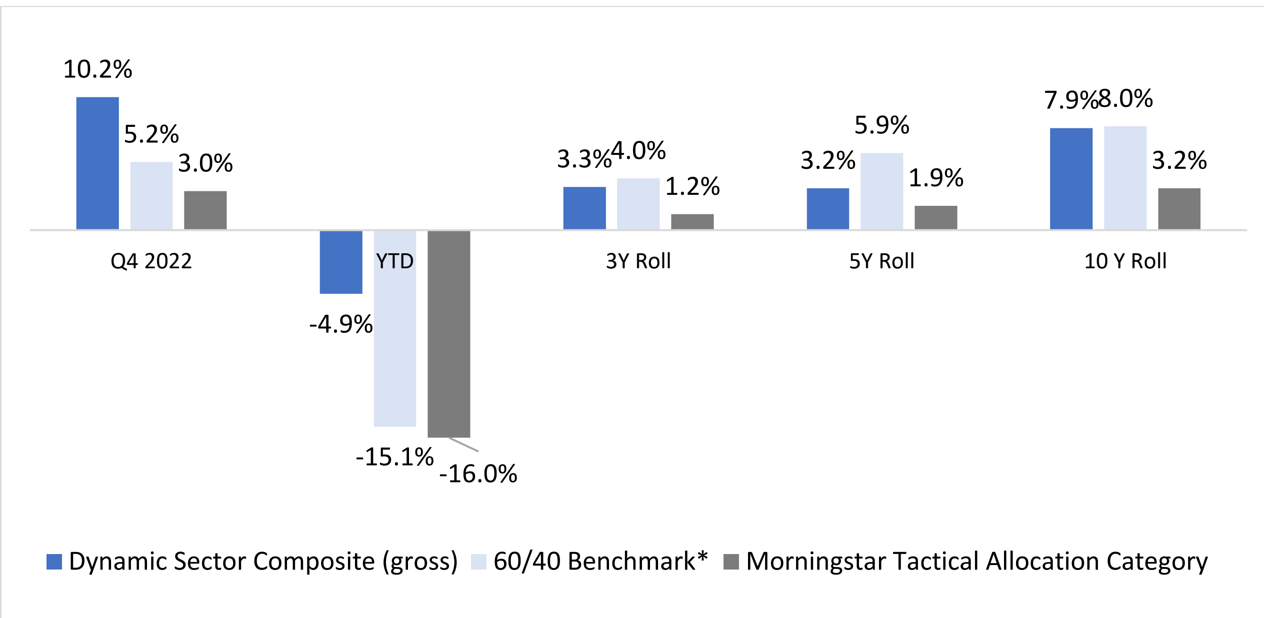
Julex Capital Q4/ FY 2022 Strategy Review

Dynamic Sector

Dynamic Sector 2022 Strategy Review

The Dynamic Sector strategy was defensively positioned for most of 2022, which was beneficial in a year that the S&P 500 was almost 20%. In Q4, the model moved from partial equity exposure to full equity exposure and then 100% defensive in December. For the quarter the strategy's composite outperformed its 60/40 benchmark by 5%, the broad large cap index by over 2.5% and it's peer group by over 7%. The strategy's composite returned -4.9% (gross) for the full year 2022 while the benchmark returned -15.1%, the S&P 500 returned -18.2%, and the Morningstar Tactical Allocation category returned -16.0%

Dynamic Sector Composite Performance



*Benchmark: 60% S&P 500 ETF (SPY), 35% AGG, 5% T-Bill

Please see your platform provider for a complete summary of performance.

The Julex Capital 'Risk Switch" has two top-down components to help determine 'risk' exposure, a long-term market analysis and a short-term market outlook. In addition to the top-down view, the model uses a bottom-up momentum-based analysis to determine the 'health' of the underlying ETFs. This year, model positioning was determined by both the top-down market view and the bottom-up momentum analysis. In combination, the strategy began the year fully invested in equity ETFs but moved defensive in March with 50% equity exposure and ended the year in 100% in cash/ cash equivalent exposure. Below is a full asset allocation recap.

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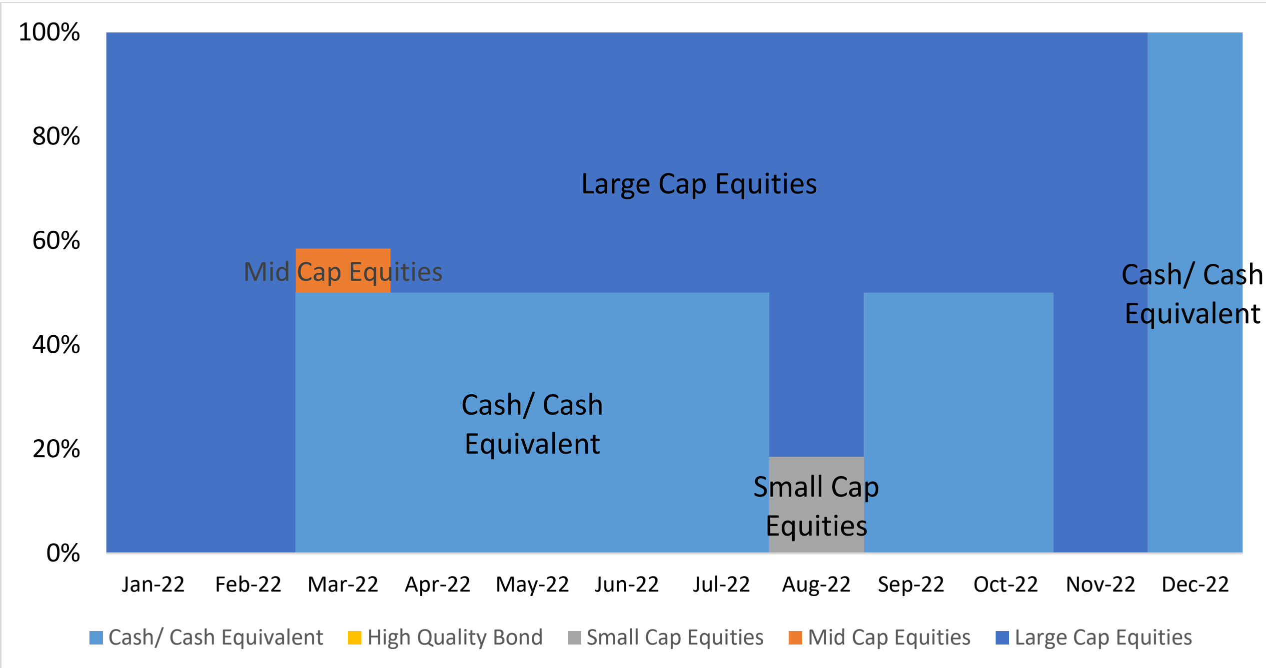
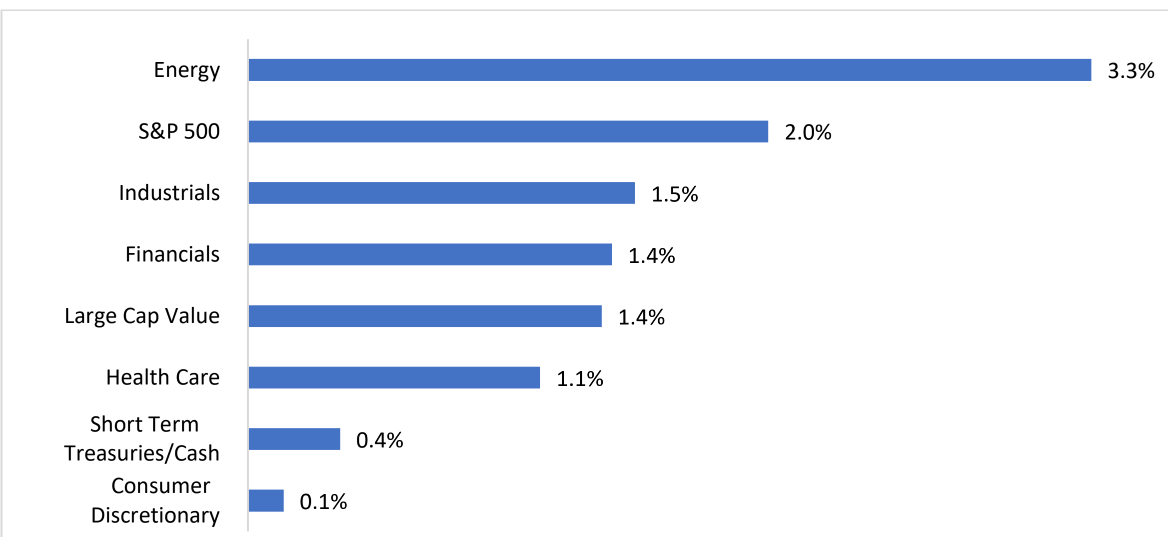
Asset Class Exposure – FY 2022
(Beginning Month Exposure)



Data Sources: Julex Capital

All equity positions held during Q4 were beneficial to the strategy's absolute performance. Exposure to energy in October and November was the greatest contributor to performance on an absolute basis, followed by a position in an S&P 500 Index ETF in October. A full contribution analysis is below

Contribution to Model Performance – Q4 2022



Data Sources: Julex Capital

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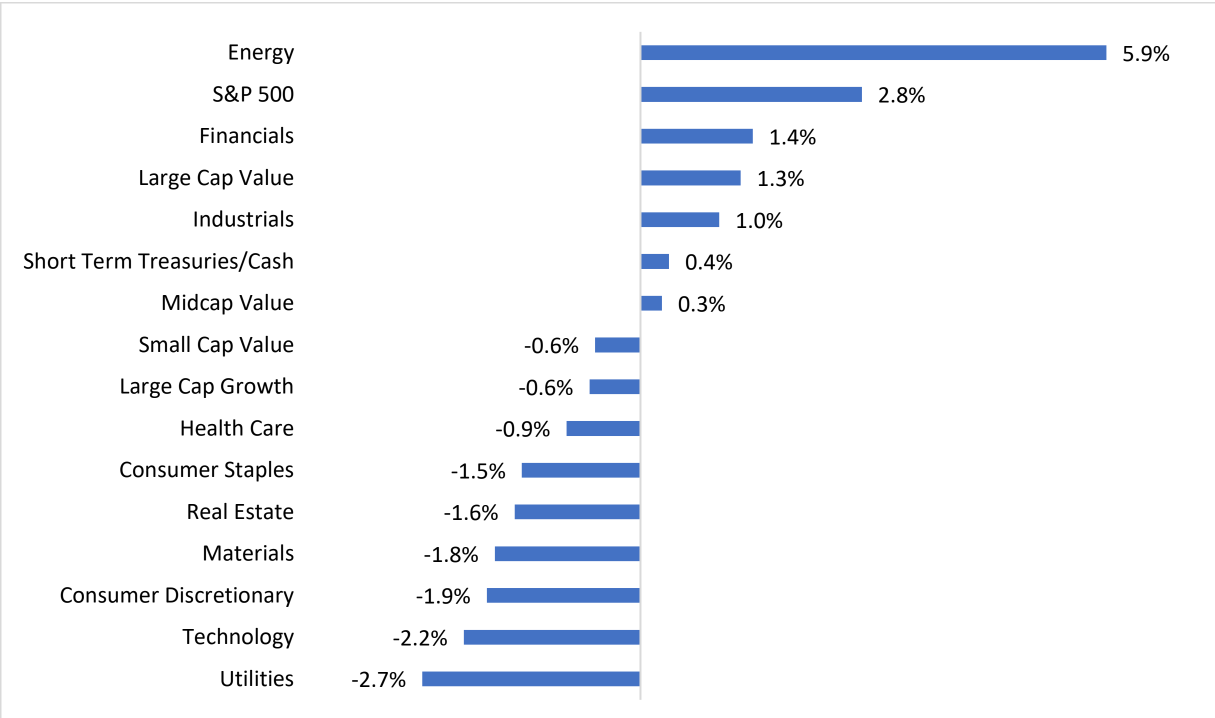
Over the full year exposure to the energy sector was the greatest contributor to the strategy's performance, again followed by exposure to an S&P 500 Index ETF. Exposure to utilities and technology earlier in the year were the greatest detractors from the strategy's performance. A recap of full year exposure contribution is below. You'll notice, the strategy did not hold any high-quality bond ETFs during the year due to their negative measured momentum.

Contribution to Model Performance – FY 2022



Data Sources: Julex Capital

January Model Update

The Julex RiskSwitch™, as determined by the model's long-term trend analysis and short-term market outlook, points to a partial risk on positioning for January.

❖ **Long-Term Signal: Negative**

Within the long-term model, leading economic indicators continues to be negative and manufacturing activities are expected to contract again in December. Liquidity factors have pointed to tightening monetary condition as the yield curve remains strongly inverted between 3-month and 10-year rates and the stock market is again trading below its long-term average after December's performance. The only positive indicator, marginally, in the model's long-term analysis is volatility, which measured by a turbulence index has trended slightly below its long-term average. Overall, the long-term trend analysis signal is negative.

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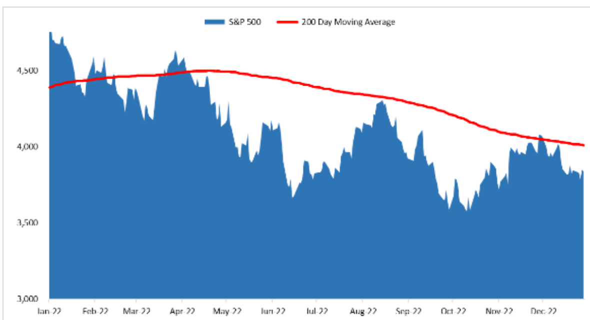
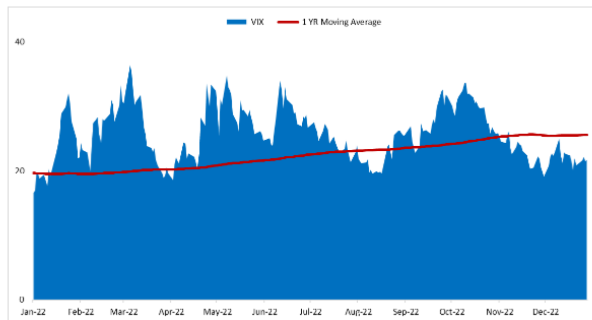
- The high-frequency economic indicators are pointing to economic contraction. The US manufacturing sector contracted again in December. The PMI Manufacturing Index had a negative reading of 48.4. The ECRI Leading Economic Index continues to be weak.
- The US equity market fell below its 9-month moving average after the market selloff in December.
- Market volatility measured by the VIX index rose to 21.7%, below its long-term average, and the realized volatility measured by a turbulence index is also below its long-term average.
- The yield curve, measured by the difference between 10-year and 3-month rates, continues to be strongly inverted.

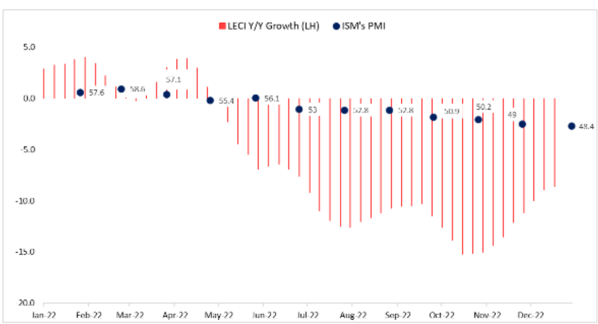
Long-Term Model Signals



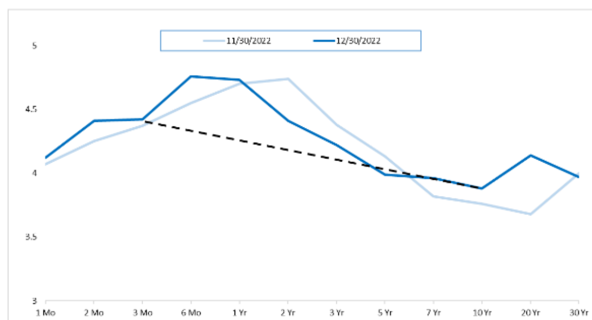
S&P tredning below its long term average



Implied volatility and realized volatility trending below long term average



Long term economic indicators and weekly indicators point to contaction



Yield curve maintains it's inversion

❖ Short-Term Signal: Positive

Within the short-term model, the relative valuation between equities and bonds continues to favor bonds. The model's economic variables were mixed with leading economic indicators and capacity utilization weakened, while consumer sector remains positive, and the unemployment rate stays low. A positive indicator is coming from the model market reversal analysis. The factor has indicated a short-term reversal after the market's selloff in December. Overall, the model's short-term outlook turned positive as the strength of the short-term reversal factor dominated other variables.

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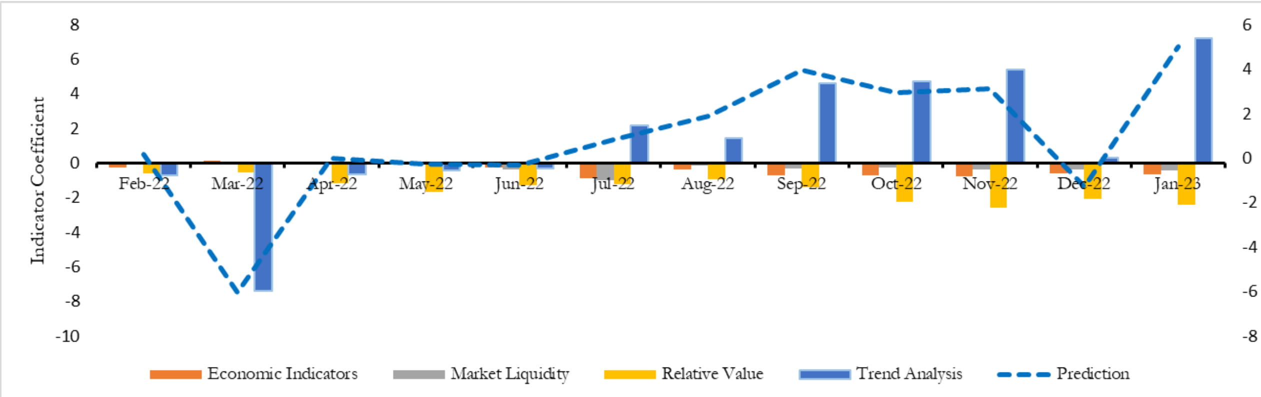
Short-Term Model Signals



Model Changes in January

As the RiskSwitch™ has turned to partial risk on, the model will move from 100% defensive in December to be 50% invested in equity ETFs and 50% in high quality bond ETFs in January. The model reduced it's cash/ cash equivalent position and add exposure to materials, energy, financial, industrial, consumer staples, utilities, healthcare, large cap value, mid cap value and small cap value as well as US bond aggregate and US Treasuries to the portfolio.

The January model portfolio will be positioned as follows:

Materials	4.2%	Large Cap Value	5.5%
Energy	2.8%	Mid Cap Value	4.8%
Financial	4.7%	Small Cap Value	4.4%
Industrials	4.4%	AGG	15.2%
Consumer Staples	7.1%	TIPS	13.0%
Utilities	5.5%	Intermediate Bond	13.5%
Health Care	6.5%	Cash/ Cash Equivalent	8.2%

Actual positions may vary due to rounding.

About the Dynamic Sector Strategy

Julex Capital's Sector strategy is a model driven tactical strategy the dynamically participates in US equity sectors, styles bonds and cash. The strategy aims to maximize upside potential during bull markets and limit downside participation in bear market environments. The strategy rebalances monthly.

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Disclosure

Julex Capital Management is a registered quantitative investment management firm specializing in tactical asset allocation strategies. The firm offers a variety of tactical unconstrained investment solutions aiming to provide downside risk management while maximizing the upside potentials using its unique Adaptive Investment Approach.

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