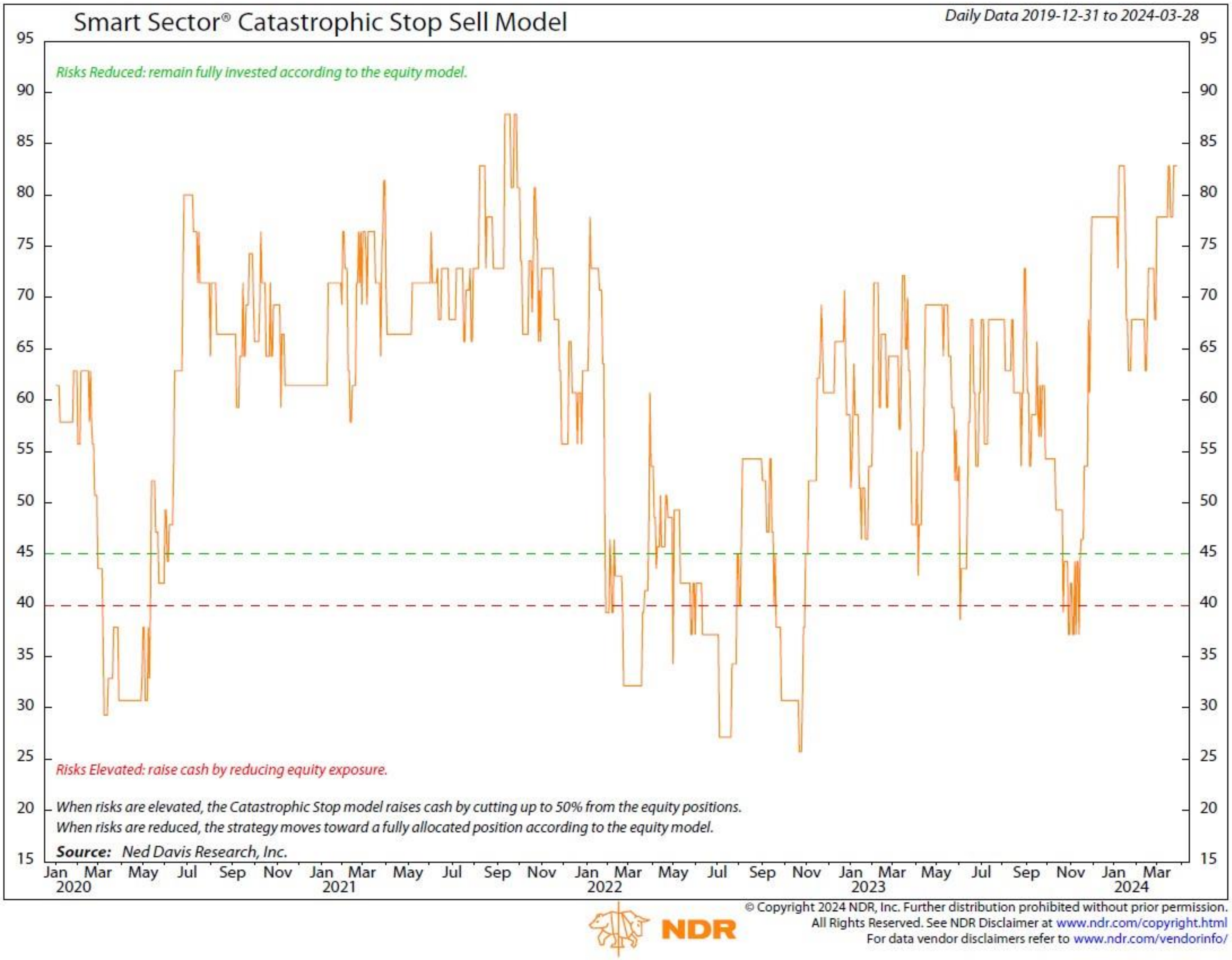
Smart Sector® Strategy

APRIL 2024

Catastrophic Stop Update

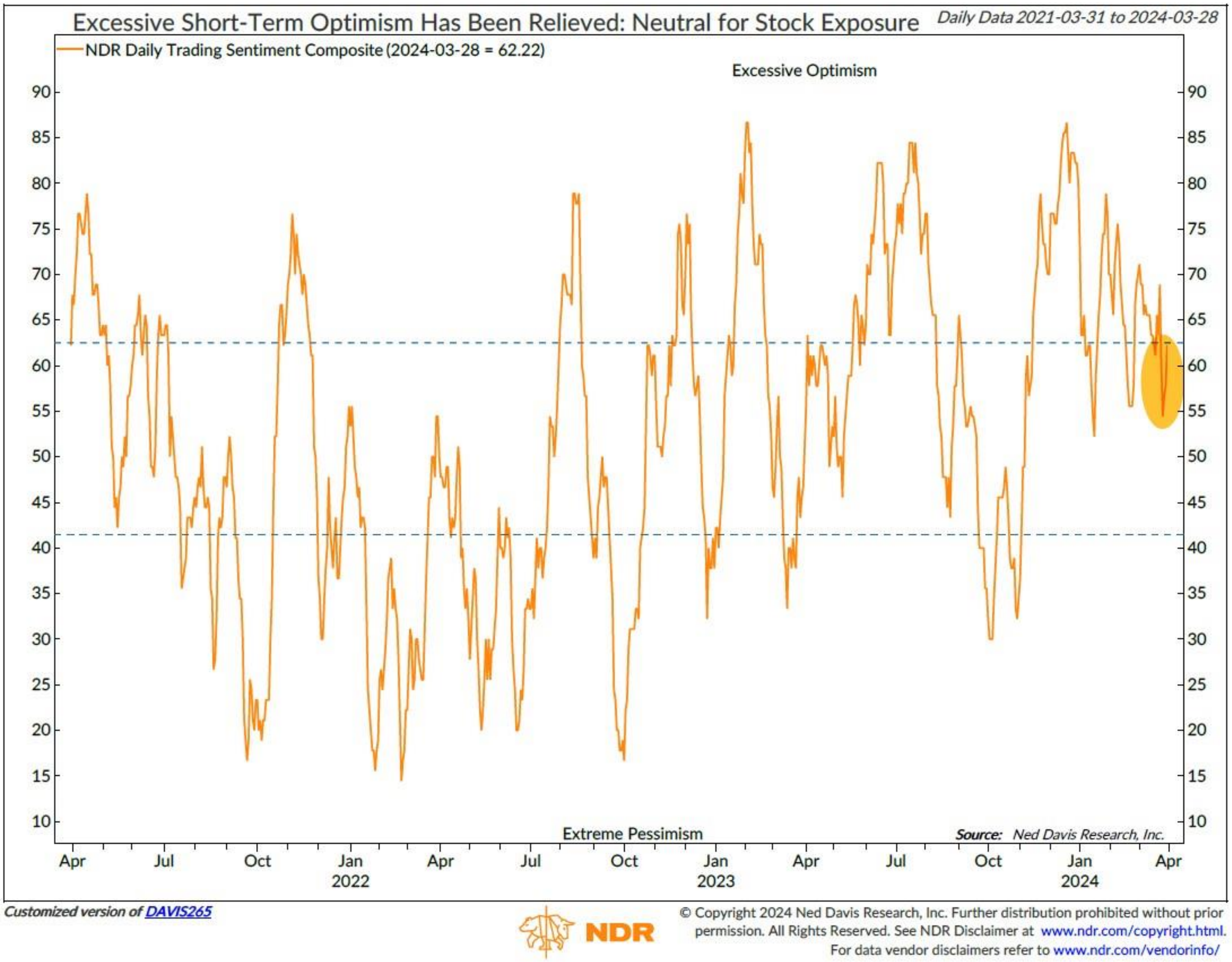
The NDR Catastrophic Stop Sell model combines time-tested, objective indicators designed to identify high-risk periods for the equity market. The model (Figure 1, below) improved during the month and entered April with a recommendation for fully invested equity allocation.

Figure 1: Smart Sector Catastrophic Stop Sell Model



The bullish reading from the model is driven by strong internals. Five of the seven price-based measures—including relative strength, trend, and breadth—remain bullish. External measures such as option-adjusted spreads, global trade, and high-yield and emerging market breadth remained bullish. Short-term sentiment—as measured by the NDR Daily Trading Sentiment Composite—moved back to neutral during the month (Figure 2, below). For now, the weight of the evidence recommends a fully invested allocation to equities according to the model.

Figure 2: Excessive Short-Term Optimism Has Been Relieved: Neutral for Stock Exposure



U.S. Market Update

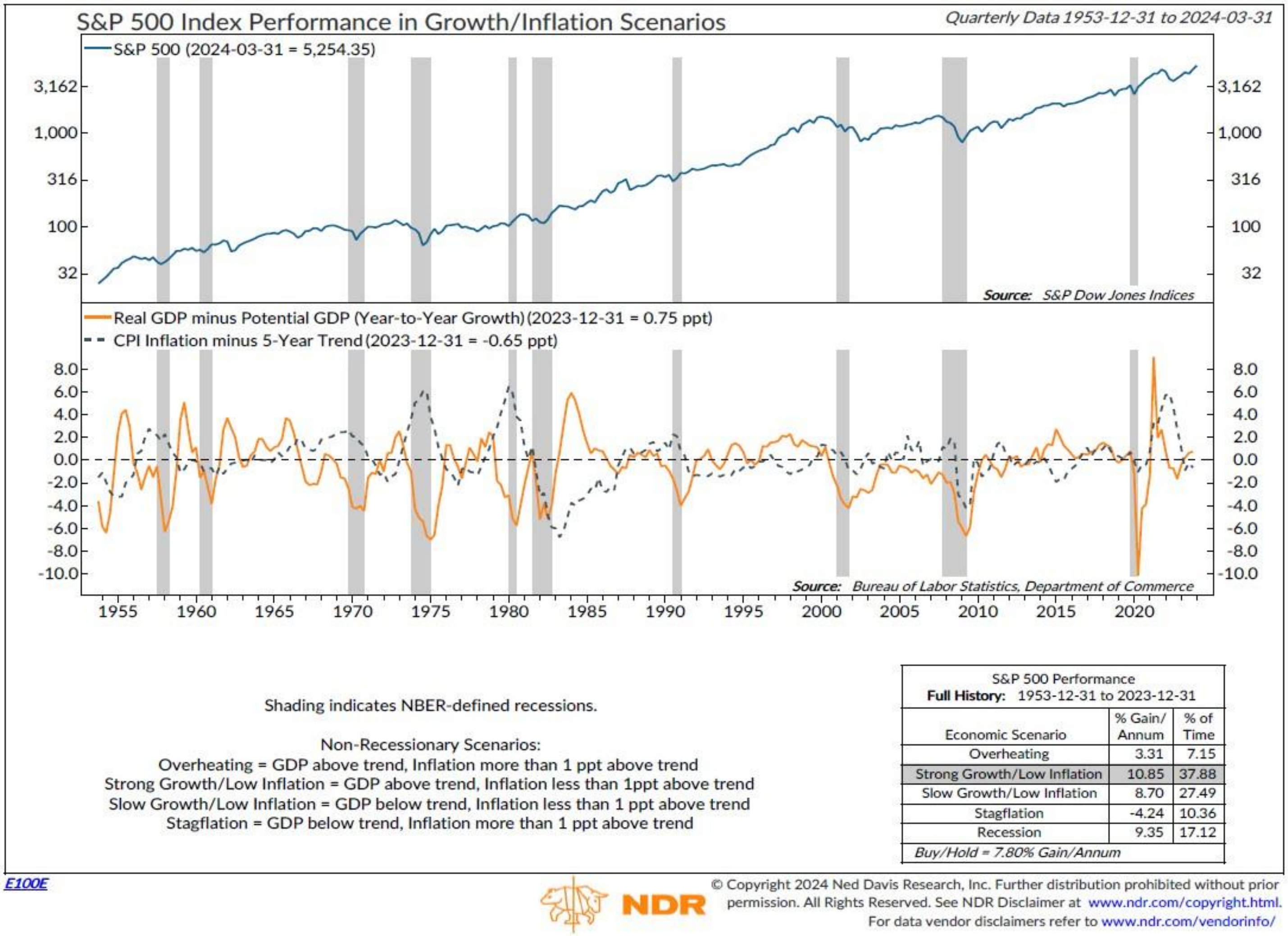
The S&P 500 Total Return Index continued its positive momentum into March with a gain of about 3.2%. Breadth remains bullish—10 of the 11 S&P 500 sectors posted positive price gains for the month. Energy was the standout, with a double-digit gain, while Consumer Discretionary was basically flat.

The U.S. economy has been experiencing strong growth and low inflation, a Goldilocks environment that has historically been the most bullish scenario for the S&P 500 (Figure 3, below). The environment favors large-caps over small-caps and Growth over Value. With the S&P 500 Total Return Index up 10.6% in Q1, the market has priced in this scenario.

The Fed is openly trying to engineer a soft landing, which could put the economy in the slow growth/low inflation scenario. If they ease too much, Fed officials risk overheating the economy, but if they stay too tight, they could trigger a recession like in 2001 and 2007. For the S&P 500, a downshift to slower growth but still low inflation (a soft landing in Fed-speak) has historically coincided with slightly above-average returns. Gains have been smaller in an overheating scenario, with growth and inflation above trend. Stagflation, or high inflation and low growth, has been the worst backdrop for stocks.

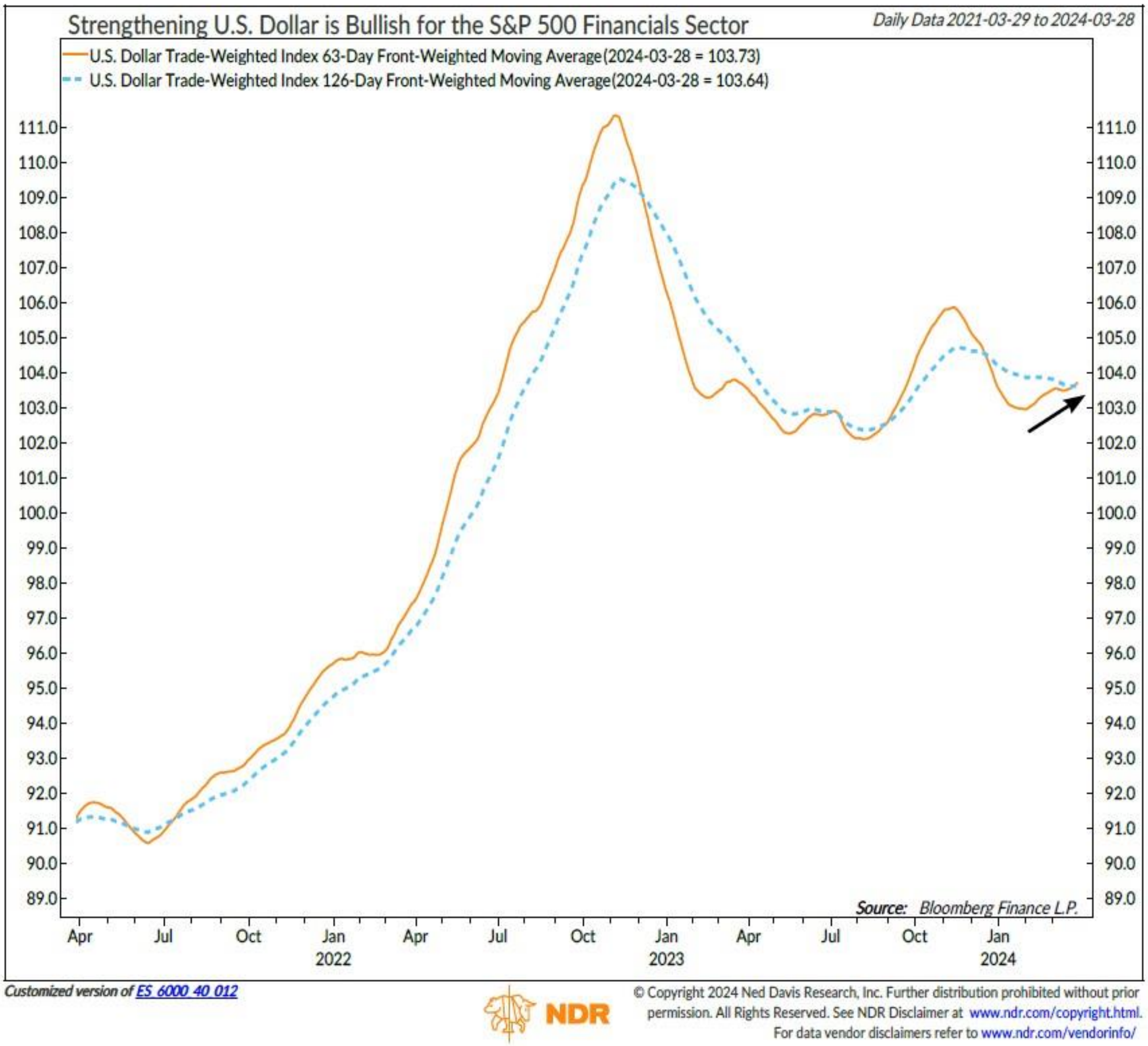
The sector model recommended mixed leadership this month. Entering April, Financials and Utilities are overweight. Communication Services and Real Estate are underweight. Materials, Energy, Industrials, Information Technology, Consumer Staples, Health Care, and Consumer Discretionary are all market-weight.

Figure 3: S&P 500 Index Performance in Growth/Inflation Scenarios



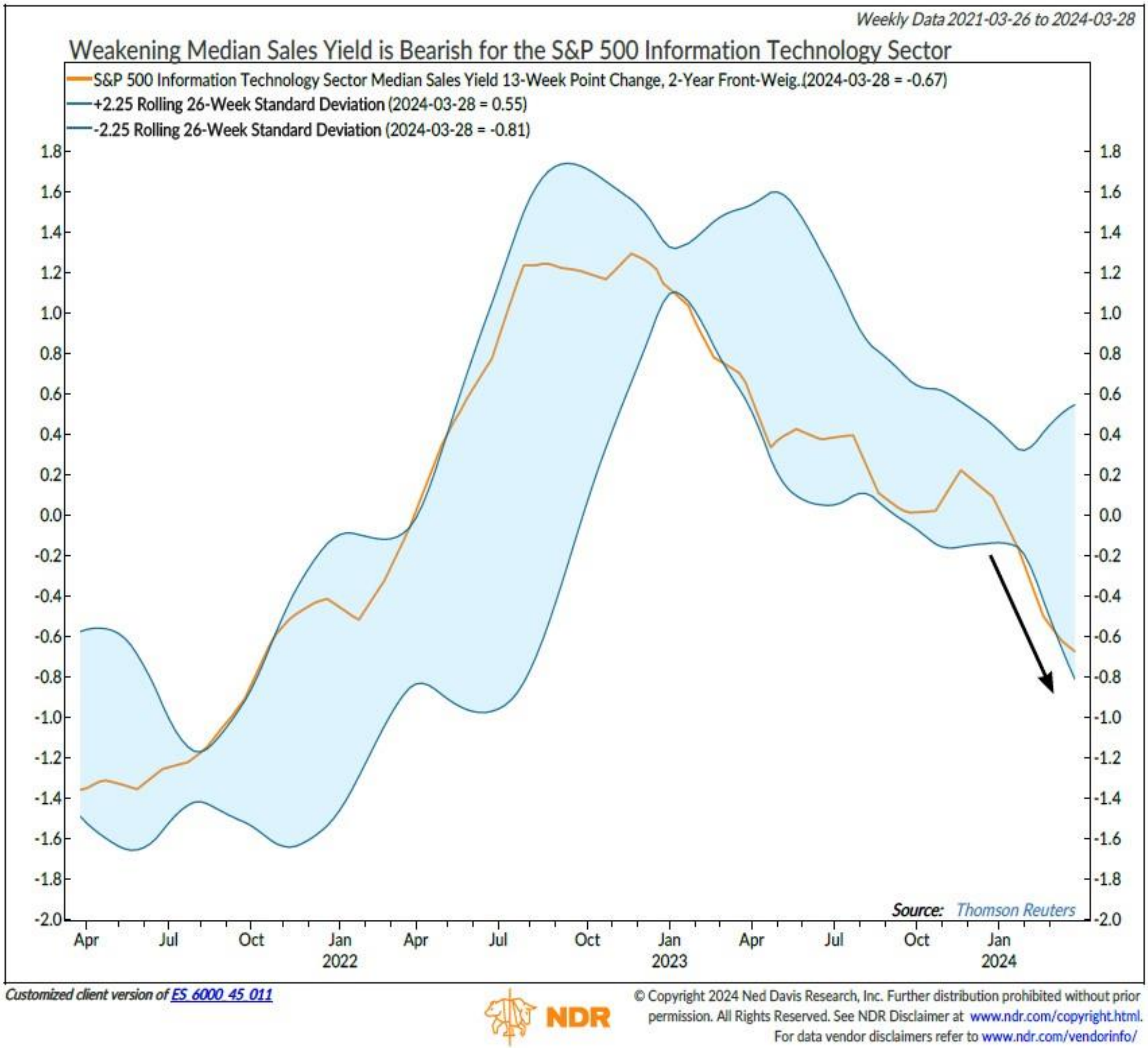
Financials' allocation remained overweight. On a fundamental basis, a strengthening U.S. Dollar Index (Figure 4, below) joined bullish readings from economic surprises, business credit conditions, and Financials' investment grade option-adjusted spreads. However, bank loan growth and the 10-2 yield curve remained bearish. Technicals are confirming with four of the six measures on bullish signals, including sector momentum, trend, volatility, and relative drawdown.

Figure 4: Strengthening U.S. Dollar is Bullish for the S&P 500 Financials Sector



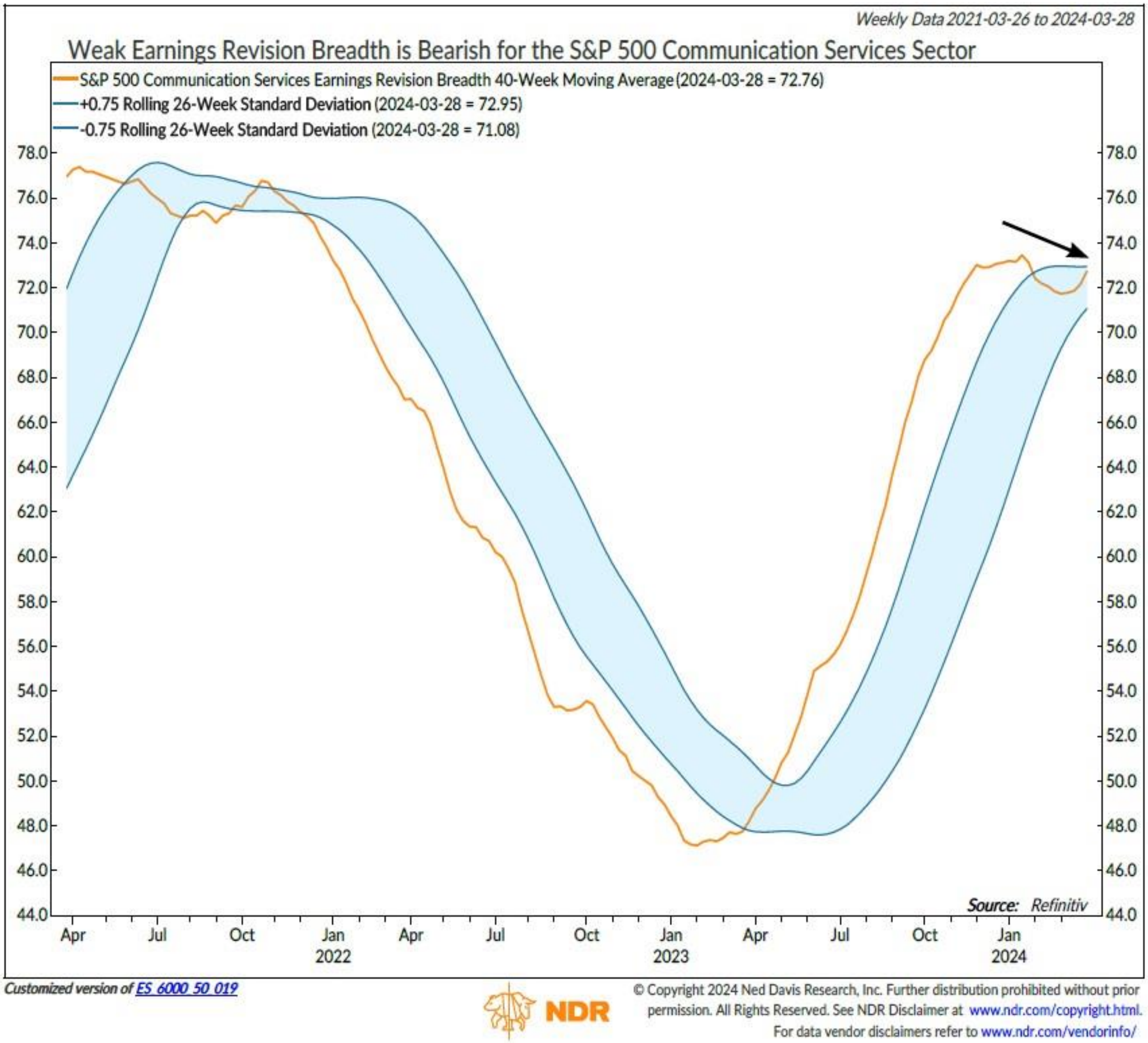
The Information Technology sector's allocation remained neutral. On a fundamental basis, indicators deteriorated—valuation and inflation expectations turned bearish during the month (Figure 5, below), joining relative short interest. While the majority of internal measures remain bullish, the 50-day net new highs indicator continued its bearish reading.

Figure 5: Weakening Median Sales Yield is Bearish for the S&P 500 Information Technology Sector



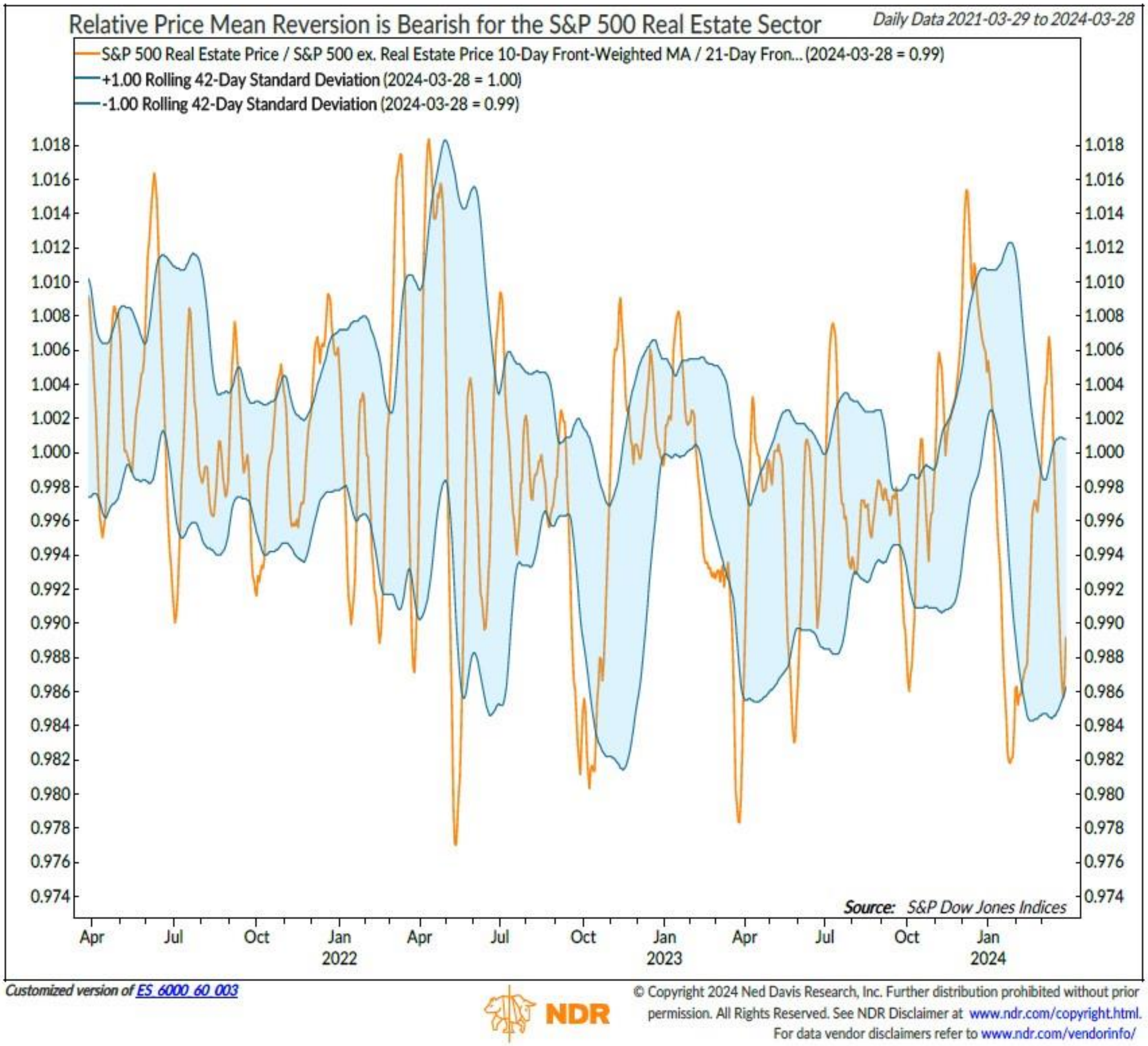
Communication Services' allocation remained at a significant underweight. On a fundamental basis, the 10-2 yield curve and sales growth trends remained bullish. However, earnings revision breadth (Figure 6, below), relative valuation, option-adjusted spreads, and internet vs. retail sales trends remain bearish. Technicals remained weak—four of the six measures are bearish for the sector.

Figure 6: Weak Earnings Revision Breadth is Bearish for the S&P 500 Communication Services Sector



The Real Estate sector's allocation remained underweight. On a fundamental basis, indicators improved slightly—the MBA Purchase Index joined the Homebuilders price index, business credit conditions, and economic surprises at a bullish reading during the month. However, unemployment, the 30-year yield, and industrial production of construction supplies remain headwinds for the sector. Furthermore, technicals weakened—all five measures are now negative for the sector—a short-term relative price mean reversion indicator moved bearish during the month (Figure 7, below).

Figure 7: Relative Price Mean Reversion is Bearish for the S&P 500 Real Estate Sector



Summary

The sector model recommended mixed leadership this month. Entering April, Financials and Utilities are overweight. Communication Services and Real Estate are underweight. Materials, Energy, Industrials, Information Technology, Consumer Staples, Health Care, and Consumer Discretionary are all market-weight.

Strategy Description

- The Smart Sector® with Catastrophic Stop strategy combines two Ned Davis Research quantitative investment strategies: The NDR Sector Allocation and the NDR Catastrophic Stop.

The process is based on the weight of the evidence

- The fund begins by overweighting and underweighting the S&P 500 sectors based on Ned Davis Research's proprietary sector models.
- Each of the sector models utilizes sector-specific, weight-of-the-evidence composites of fundamental, economic, technical, and behavioral indicators to determine each sector's probability of outperforming the S&P 500.
- Sectors are weighted relative to benchmark weightings.

When market risks become extraordinarily high — reduce your portfolio risk

- The model remains fully invested *unless the Ned Davis Research Catastrophic Sell Stop (CSS) model is triggered,* whereupon the equity-invested position may be trimmed by up to 50%.
- The NDR Catastrophic Sell Stop model combines time-tested, objective indicators designed to identify periods of high risk for the broad U.S. equity market. The model uses price-based, breadth, deviation from trend, fundamental, economic, interest rate, behavioral and volatility-based indicator composites.

When market risks return to normal — put your money back to work

- When the NDR CSS model moves back to bullish levels, indicating lower risk, the strategy will reverse toward being fully invested.

For more information, please contact us at:

Day Hagan Asset Management

1000 S. Tamiami Trl

Sarasota, FL 34236

Toll Free: (800) 594-7930

Office Phone: (941) 330-1702

Website: https://dayhagan.com/ or https://dhfunds.com/

Ned Davis Research Disclaimer:

The data and analysis contained within are provided "as is" and without warranty of any kind, either express or implied. The information is based on data believed to be reliable, but it is not guaranteed. NDR DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. All performance measures do

not reflect tax consequences, execution, commissions, and other trading costs, and as such investors should consult their tax advisors before making investment decisions, as well as realize that the past performance and results of the model are not a guarantee of future results. The Smart Sector® Strategy is not intended to be the primary basis for investment decisions and the usage of the model does not address the suitability of any particular investment for any particular investor.

Using any graph, chart, formula, model, or other device to assist in deciding which securities to trade or when to trade them presents many difficulties and their effectiveness has significant limitations, including that prior patterns may not repeat themselves continuously or on any particular occasion. In addition, market participants using such devices can impact the market in a way that changes the effectiveness of such devices. NDR believes no individual graph, chart, formula, model, or other device should be used as the sole basis for any investment decision and suggests that all market participants consider differing viewpoints and use a weight of the evidence approach that fits their investment needs.

DISCLOSURES

Past performance does not guarantee future results. No current or prospective client should assume future performance of any specific investment or strategy will be profitable or equal to past performance levels. All investment strategies have the potential for profit or loss. Changes in investment strategies, contributions or withdrawals and economic conditions may materially alter the performance of your portfolio. Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment or strategy will be suitable or profitable for a client's portfolio. Historical performance results for investment indexes and/or categories generally do not reflect the deduction of transaction and/or custodial charges or the deduction of an investment management fee, the incurrence of which would have the effect of decreasing historical performance results. There can be no assurances that a portfolio will match or outperform any particular benchmark.

Day Hagan Asset Management is registered as an investment adviser with the United States Securities and Exchange Commission. SEC registration does not constitute an endorsement of the firm by the Commission, nor does it indicate that the adviser has attained a particular level of skill or ability.

References to "NDR" throughout refer to Ned Davis Research, Inc. Clients engaging in this strategy will be advised by Day Hagan and will not have a contractual relationship with NDR. Day Hagan purchases signals from NDR, and Day Hagan is responsible for executing transactions on behalf of its clients and has discretion in how to implement the strategy.

NDR is a registered as an investment adviser with the Securities and Exchange Commission (SEC). NDR serves as the Signal Provider in connection with this strategy. The information provided here has not been approved or verified by the SEC or by any state or other authority. Additional information about NDR also is available on the SEC's website at https://www.adviserinfo.sec.gov/. This material is provided for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security or other financial instrument or to participate in any trading strategy. NDR's strategies, including the model discussed in this publication, are intended to be used only by sophisticated investment professionals.

There may be a potential tax implication with a rebalancing strategy. Re-balancing involves selling some positions and buying others, and this activity results in realized gains and losses for the positions that are sold. The performance calculations do not reflect the impact that paying taxes would have, and for taxable accounts, any taxable gains would reduce the performance on an after-tax basis. This reduction could be material to the overall performance of an actual trading account. NDR does not provide legal, tax or accounting advice. Please consult your tax advisor in connection with this material, before implementing such a strategy, and prior to any withdrawals that you make from your portfolio.

There is no guarantee that any investment strategy will achieve its objectives, generate dividends or avoid losses.