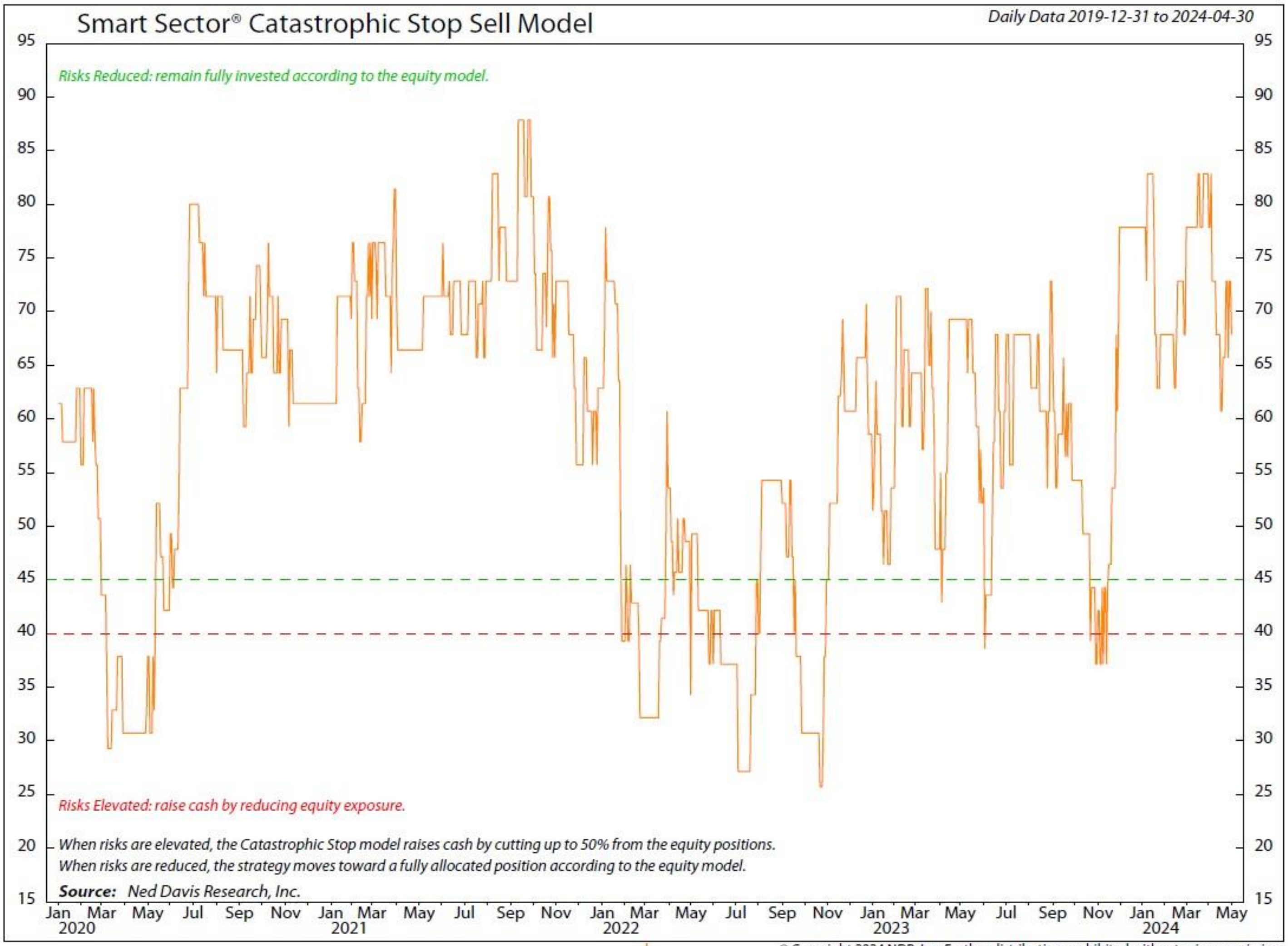
Smart Sector®
International Strategy

MAY 2024

Catastrophic Stop Update

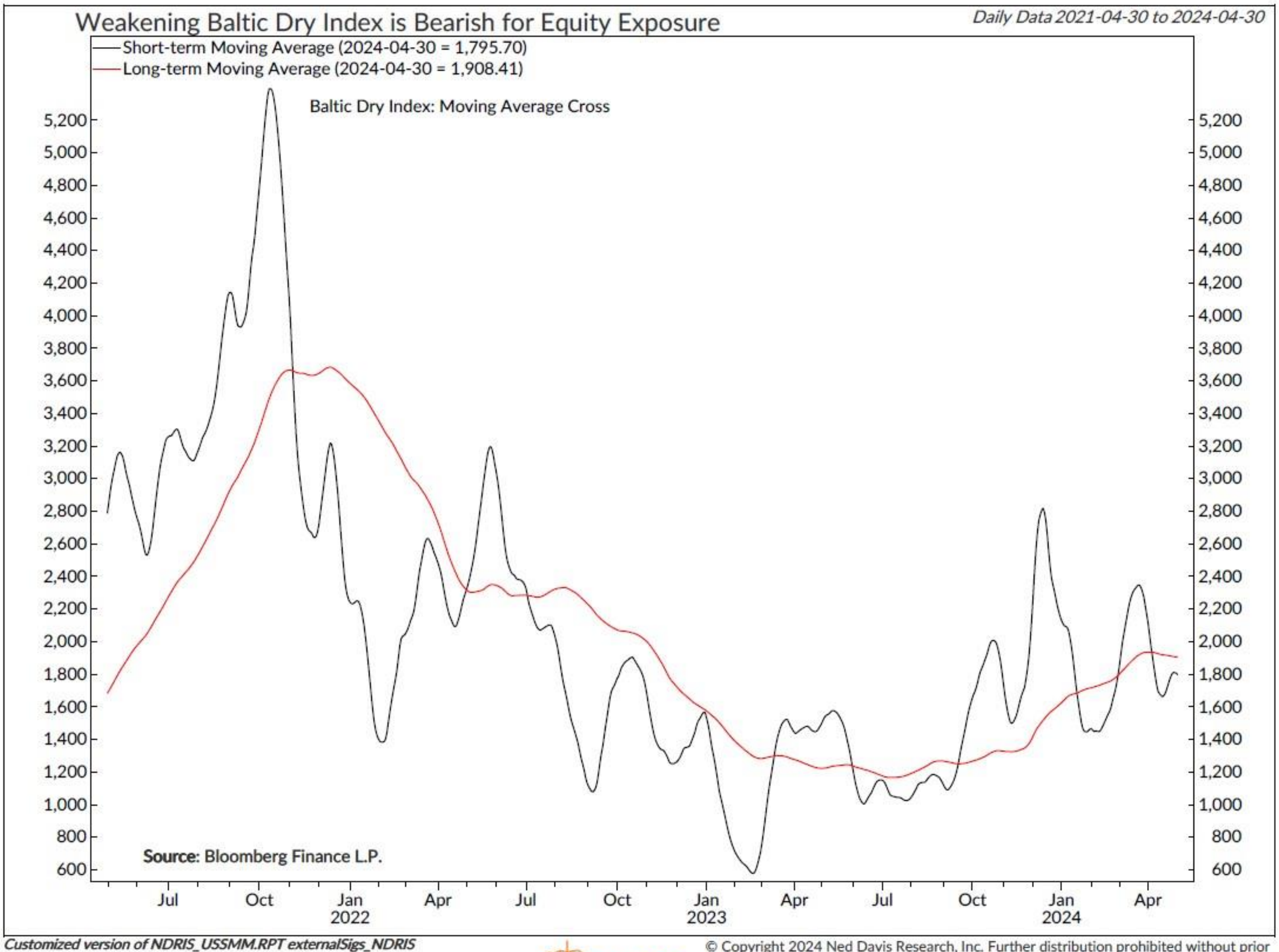
The NDR Catastrophic Stop Sell model combines time-tested, objective indicators designed to identify high-risk periods for the equity market. The model (Figure 1) deteriorated during the month but entered May with a fully invested equity allocation recommendation.

Figure 1: Smart Sector® Catastrophic Stop Sell Model



The model's bullish reading is driven by strong internals. Five of the seven price-based measures—including relative strength, trend, and breadth—remain bullish. However, two external measures deteriorated. High-yield and Emerging Market bond breadth weakened to neutral, while the Baltic Dry Index (a measure of global trade) flashed bearish during the month (Figure 2). According to the model, the weight of the evidence recommends a fully invested allocation to equities.

Figure 2: Weakening Baltic Dry Index is Bearish for Equity Exposure



Global Market Update

The ACWI ex U.S. Total Return Index declined over 170 basis points (bps) in April. However, the index has risen for four of the last six months. Among the strongest-performing markets were Turkey, Portugal, China, Hungary, and Hong Kong, while the largest underperformers included Egypt, Indonesia, Israel, the Philippines, and Switzerland.

According to the S&P Global Purchasing Managers' Index (PMI), the global economy finished the first quarter on a strong note. It was the fifth straight month of expansion and the strongest growth in nine months, but still below its long-term average.

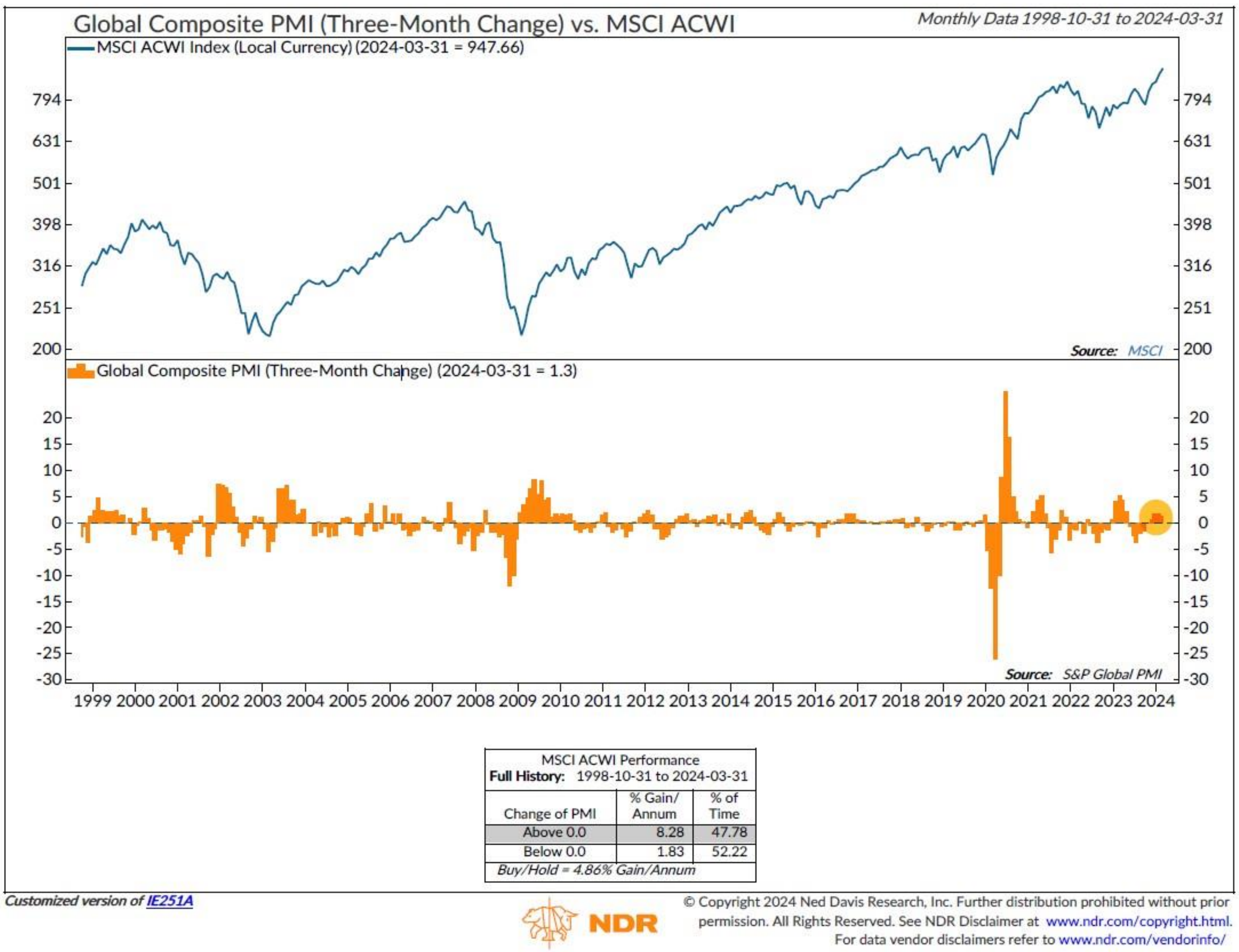
The composite continues to move further away from historically recessionary levels, indicating a diminishing risk of a sustained global slowdown. The eurozone, U.K., and Japan are no longer brushing with recession, while economic growth in the U.S., China, and India remains resilient.

Leading indicators, such as new orders and future output expectations, continue to move higher, suggesting further upside in the months ahead. Growth continued to broaden among sectors and economies. Global services grew at its fastest pace since June, while manufacturing expanded for the second straight month. Accelerating economic momentum is consistent with ongoing outperformance in global equities (Figure 3).

With the strong expansion came inflation, which has struggled to come down measurably over the past year due to stickiness in service prices. This will keep many of the world's central banks on hold in the near term.

Entering May, the non-U.S. equity Core model overweighted China, France, and Germany. Japan, the U.K., Canada, Switzerland, and Australia were below benchmark weighting. The Explore model favored Israel, Mexico, Malaysia, Netherlands, and Sweden.

Figure 3: Global Composite PMI (Three-Month Change) vs. MSCI ACWI



Core Allocations

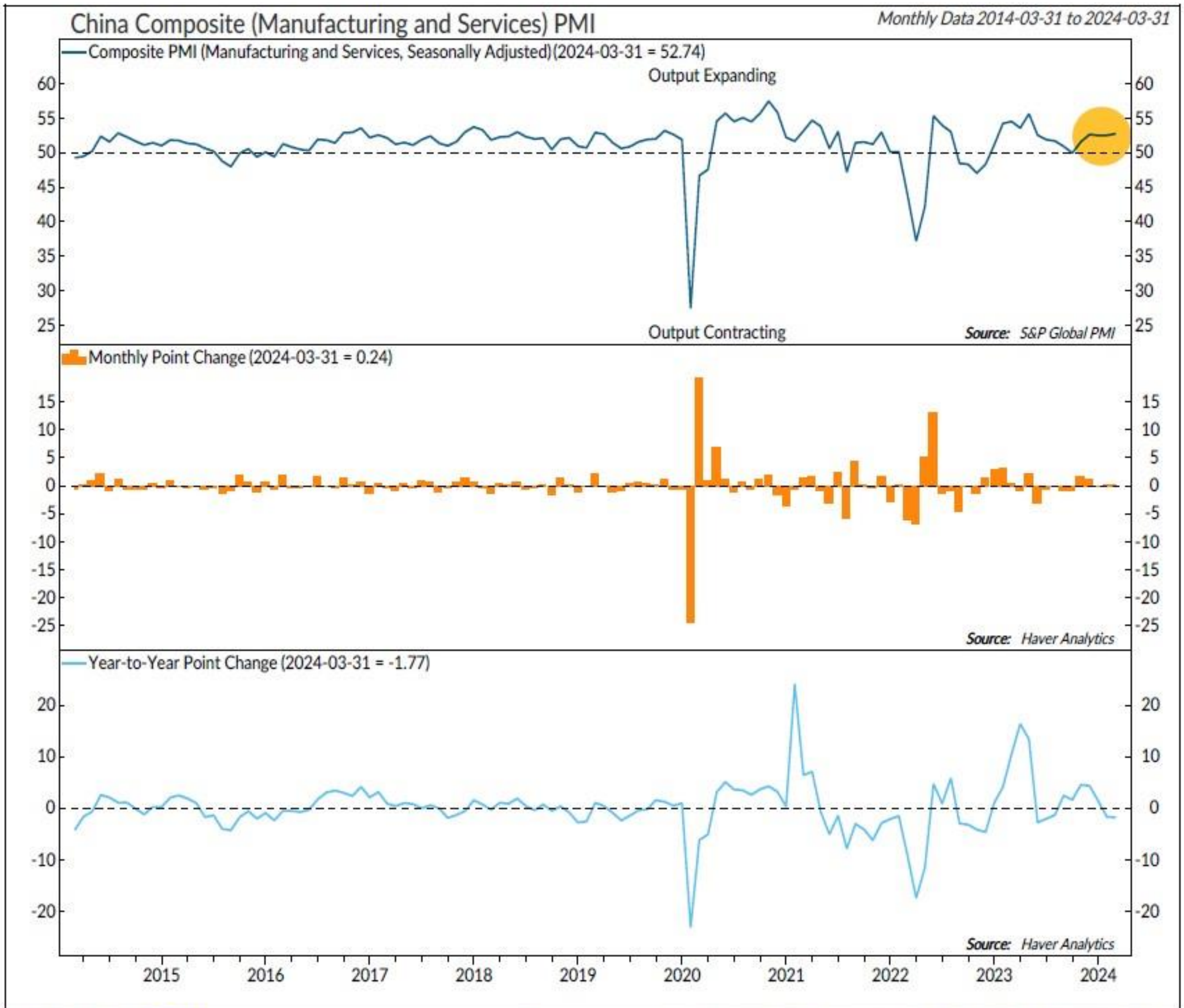
China has the largest overweight position for May. All seven of the China model's indicators are bullish. Trend and momentum are positive, economic sentiment is favorable, and high-yield option-adjusted spreads are narrowing.

The release of China's Q1 GDP showed that the economy is on the right path to reach the government's 5% goal. The March PMIs show that activity remained strong toward the end of the quarter.

The Caixin composite PMI edged up 0.2 points to 52.7, the highest in almost a year (Figure 4), as both manufacturing and services activity picked up. The composite PMI jumped 1.8 points to 52.7, a nine-month high, amid stronger services and manufacturing activity.

Leading indicators, such as the Logistics Prosperity Index and the OECD Leading Indicator, continue to move higher amid signs that the economy remains on solid footing.

Figure 4: China Composite (Manufacturing and Services) PMI



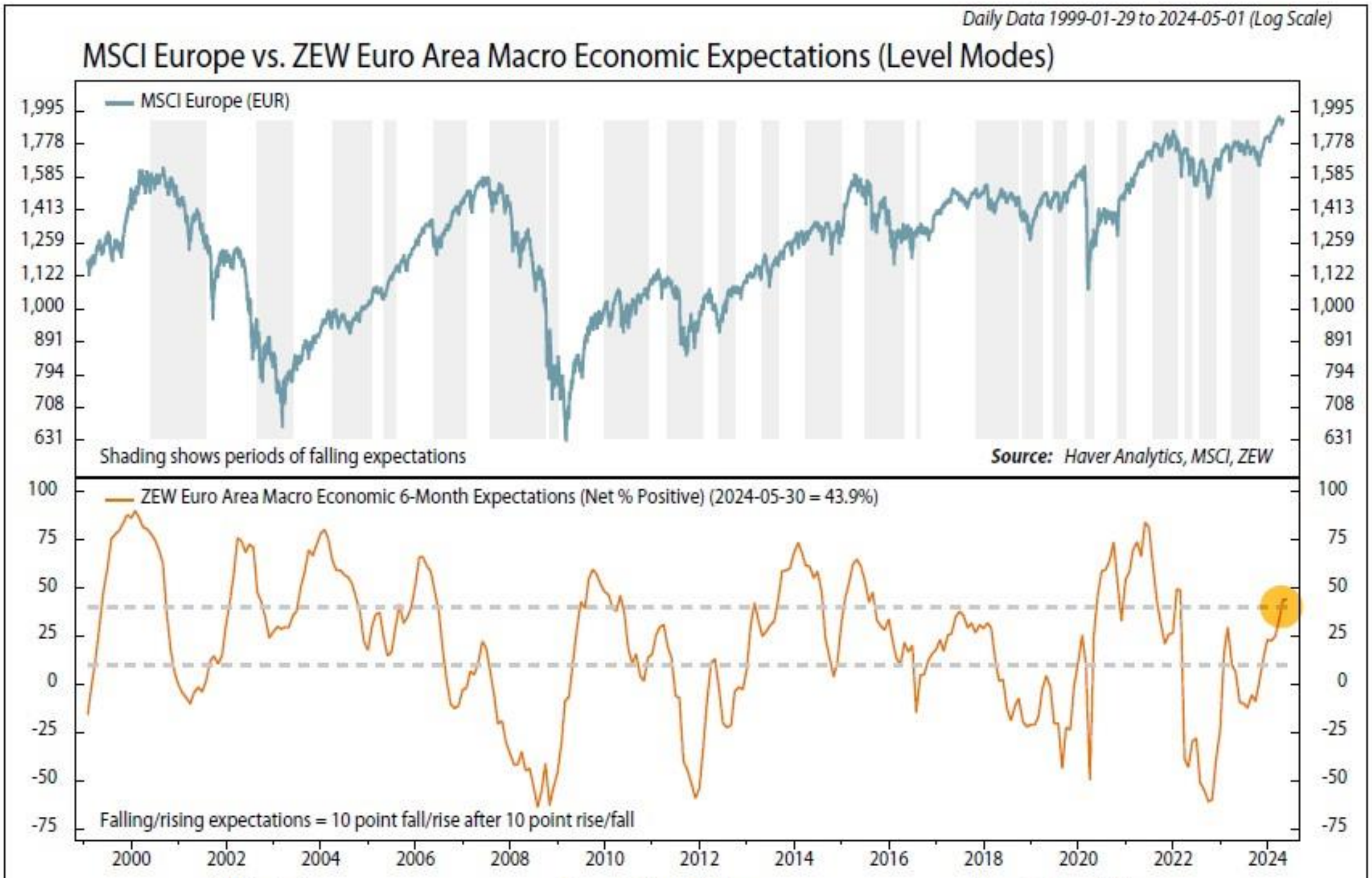
Germany and France have an overweight allocation this month. Out of the eight indicators within their respective market's models, Germany only has one bearish indicator, while France has two.

The OECD Composite Leading Indicator data showed European leading indicators continuing to rise at an accelerating rate, a historically bullish condition for European equities.

The ZEW survey showed a significant rise in eurozone economic expectations to their highest level in over two years (Figure 5).

Also, there were signs of improvement in both current conditions and expectations for German businesses, as measured by the IFO Business Climate Index.

Figure 5: MSCI Europe vs. ZEW Euro Area Macro Economic Expectations (Level Modes)



All Periods			Expectations Falling			Expectations Rising		
MSCI Europe (EUR) (1999-01-29 to 2024-05-02)			MSCI Europe (EUR) (1999-01-29 to 2024-05-02)			MSCI Europe (EUR) (1999-01-29 to 2024-05-02)		
Economic Expectations % Positive	% Gain/ Annum	% of Time	Economic Expectations % Positive	% Gain/ Annum	% of Time	Economic Expectations % Positive	% Gain/ Annum	% of Time
* Above 40%	7.12	30.96	Above 40%	-1.06	10.31	* Above 40%	10.99	21.47
10-40%	3.86	35.65	10-40%	-1.47	18.23	10-40%	8.91	18.80
Below 10%	-4.40	33.39	Below 10%	-7.12	24.98	Below 10%	1.83	9.96

EUR_ZEWMCR1

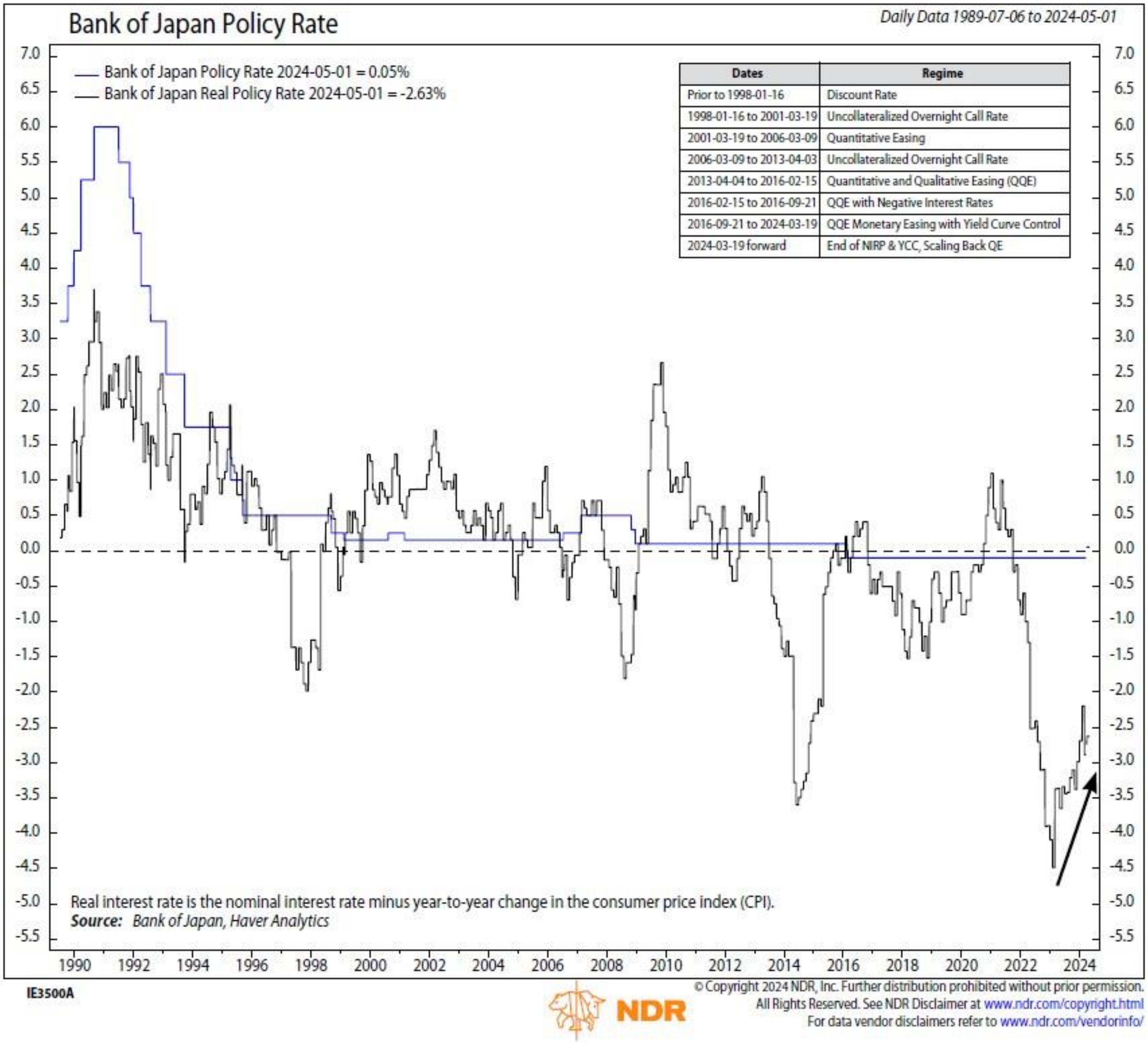
NDR

Japan's allocation dropped to underweight this month. Technical indicators (trend, momentum, breadth) deteriorated as the Bank of Japan (BoJ) raised interest rates for the first time in 17 years (Figure 6), effectively ending the Negative Interest Rate Policy (NIRP). The BoJ also abandoned its yield curve control policy and ceased purchasing ETFs and REITS.

Japan narrowly avoided recession in the second half of last year thanks to an upward revision to Q4 real GDP, which eked out an annualized gain of 0.4% following a 3.2% slump in Q3. Japan's economy contracts quite often. In fact, in 17 of the past 18 years, it has contracted at least one quarter per year.

Much of this stems from Japan's extremely low potential growth due to weak demographic and productivity trends. A major culprit behind Japan's fading potential is its demographic situation. Japan's total population peaked in 2010 and has been declining since then.

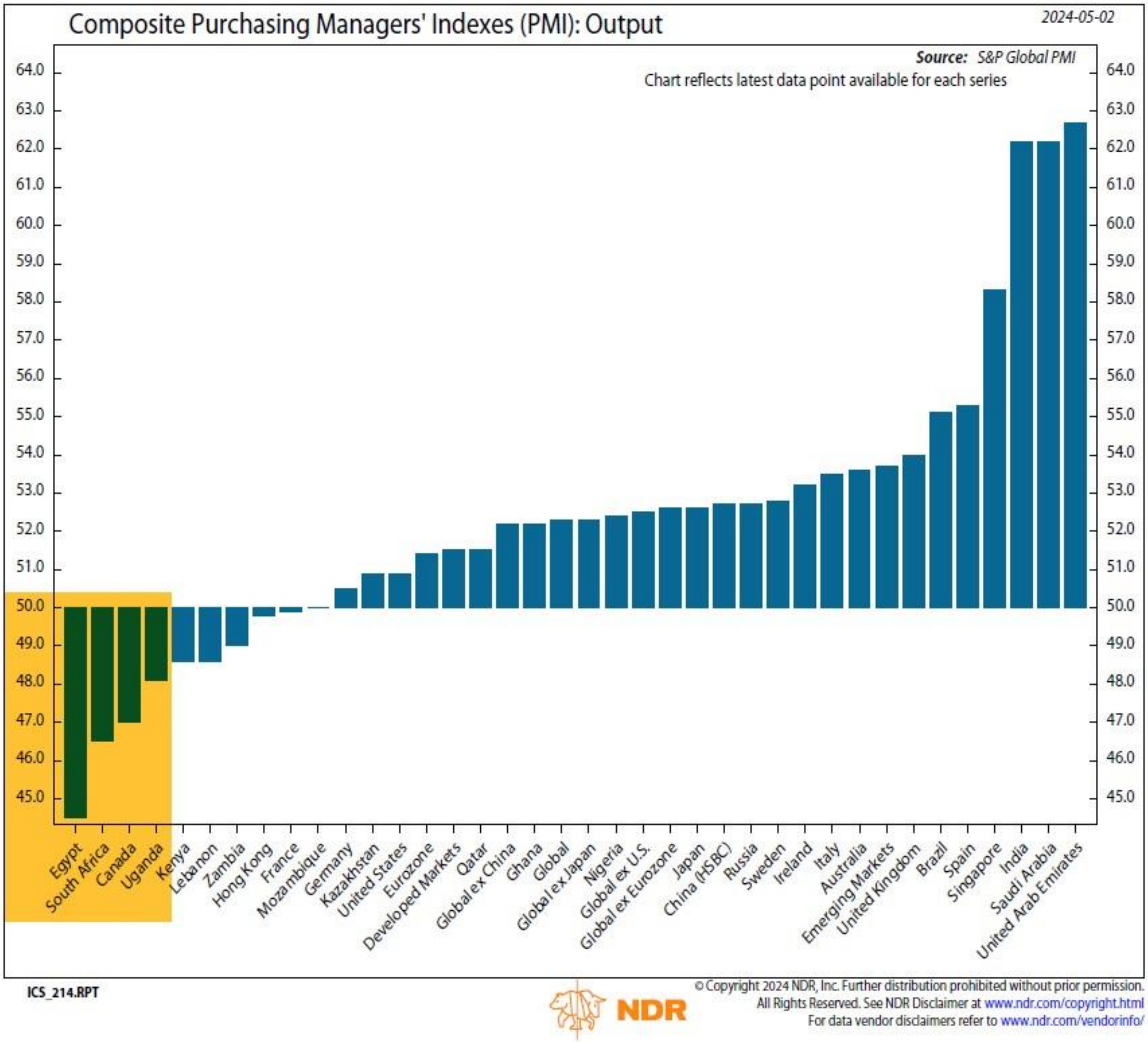
Figure 6: Bank of Japan Policy Rate



Canada remained underweight this month. Most technical indicators are bearish on the region. Canada has one of the worst PMI composite readings in the world (Figure 7) and remains within contractionary territory.

Preliminary data suggest gross domestic product was unchanged in March, and it was likely below the Bank of Canada's (BOC) forecast. Although this may give policymakers more ability to cut rates, the BOC may need to wait on the Federal Reserve to avoid depreciating the Canadian Dollar significantly versus the U.S. Dollar.

Figure 7: Composite Purchasing Managers' Indexes (PMI): Output



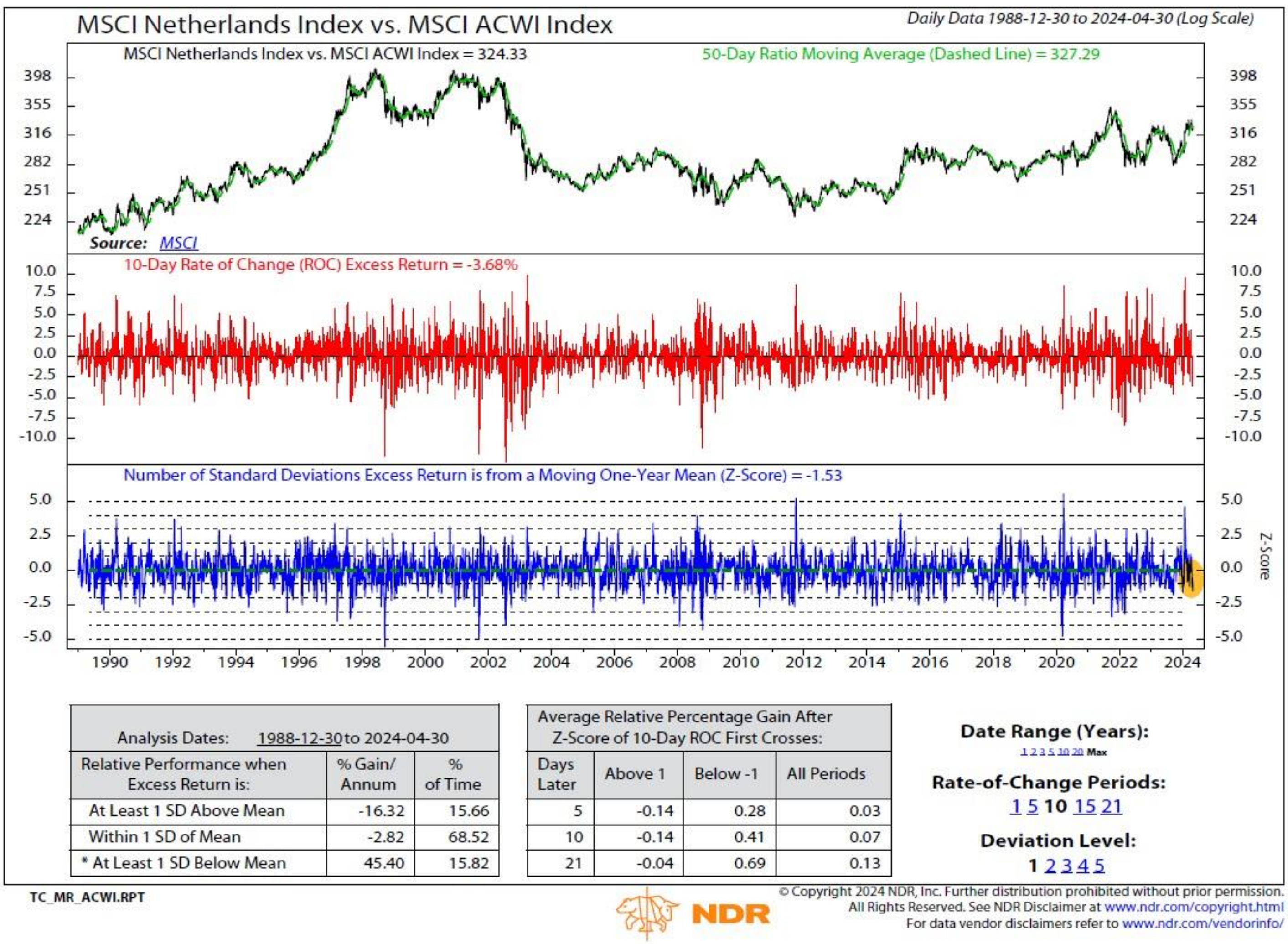
Explore Opportunities

Among the top-ranked Explore markets are Israel, Mexico, Malaysia, Netherlands, and Sweden.

- All markets have favorable price trends as their 50-day moving averages trade above their 200-day counterparts.
- Israel and Netherlands (Figure 8) are more than one standard deviation oversold. Such oversold conditions may provide a near-term bounce opportunity.

- Israel, Malaysia, and Mexico have low market capitalization-to-GDP ratios, which typically indicate a favorable valuation.
- Israel, Malaysia, Netherlands, and Sweden have positive relative valuation spreads between their respective earnings yields and 10-year government bond yields.
- Malaysia's cyclically adjusted price-to-earnings ratio is more than one standard deviation below its historical tendency.
- Israel, Mexico, Netherlands, and Sweden have manufacturing Purchasing Managers' Indices in expansionary territory.
- All markets have over 60% of stocks with positive earnings revisions from analysts.
- Malaysia and Mexico have double-digit forward earnings growth readings.

Figure 8: MSCI Netherlands Index vs. MSCI ACWI Index



Summary

Entering May, the non-U.S. equity Core model overweighted China, France, and Germany. Japan, the U.K., Canada, Switzerland, and Australia were below benchmark weighting. The Explore model favored Israel, Mexico, Malaysia, Netherlands, and Sweden.

The models combine macro, fundamental, technical, and sentiment indicators to determine opportunities and identify risks in an objective, weight-of-the-evidence approach.

Smart Sector® International Strategy

Strategy Description

- The Smart Sector® International strategy combines three Ned Davis Research quantitative investment strategies: The Core International, Explore International, and the NDR Catastrophic Stop.

The process is based on the weight of the evidence

Core Allocation

- The fund begins by overweighting and underweighting the largest non-U.S. equity markets based on Ned Davis Research's proprietary models.
- Each of the models utilize market-specific, weight-of-the-evidence composites of fundamental, economic, technical, and behavioral indicators to determine each area's probability of outperforming the ACWI ex. U.S. Markets are weighted accordingly relative to benchmark weightings.

Explore Allocation

- To select smaller markets, the fund uses a multi-factor technical ranking system to choose the top markets. The markets with the highest rankings split the non-Core model allocation equally.

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 in Fixed Income vestment 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.