Cloud-Based AI-Powered Digital Asset Management Technology™

Monthly Rebalancing Bulletin and Commentary

December 6, 2017

U.S. Domestic Composite

On December 6, 2017, the U.S. Domestic Composite ("ARUSDOM"- Bloomberg ticker) kept steady with its "risk on" posture by slightly upping its Equities allocation to 90% and reducing Fixed Income to 10%. Within Equities, the sectors are now all equally weighted at 10%.

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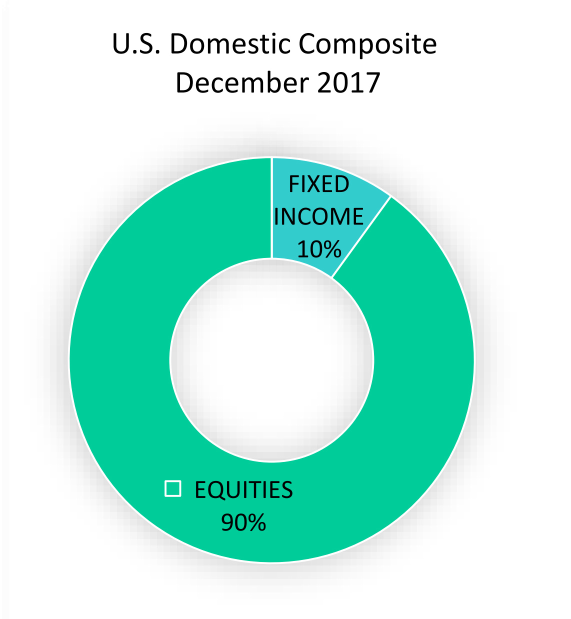
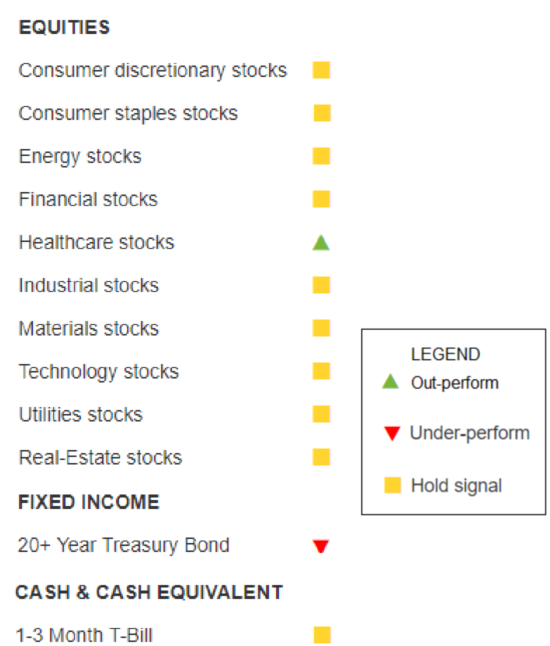
- U.S. indexes advanced for a thirteenth straight month as many stock indexes hovered near new highs. The S&P 500 gained 2.81%, while NADAQ stocks rose 2.17%. Revenue growth and U.S. Tax Reform helped move the market higher.
- The biggest gains were posted by Consumer Discretionary (+4.0%), Real Estate (+4.29%) and Consumer Staples (+3.20%). While material losses were seen in Financials (-2.17%), Industrials (-1.09%), and Materials (-1.07%).
- The economic positives were-
  - Third-quarter GDP from the Bureau of Economic Analysis was revised upwards 0.3% from the previous estimate to 3.3%.
  - Manufacturing sector continued to show positive momentum with the Supply Management's factory sector purchasing manager marking the fifteenth consecutive month of growth for manufacturing industries. The Consumer Confidence index 129.5 reading was 3.3 points higher than its October while the University of Michigan's gauge of consumer sentiment was close to a 13-year high.
  - Consumer inflation remained low. The Consumer Price Index was up merely 2.0% year-over-year through October, and the annualized advance in the core CPI was just 1.8%.
- While the negative economics were:
  - Consumer spending was revised down slightly to 2.3% from 2.4% in the quarter.
  - Continued tepid wage gains in spite of robust job market.
- The CBOE VIX increased to 10.81% from very low levels witnessed in previous months.
- Markets priced in the Fed's argument about raising rates in December despite persistently low inflation readings.
  - The Treasury curve flattened on the month with the 10-year yield up three basis points to 2.41% and the 30-year yield down five basis points to 2.83%.
  - Credit spreads widened slightly in November.



AllocateRite Model's Trending Indicators



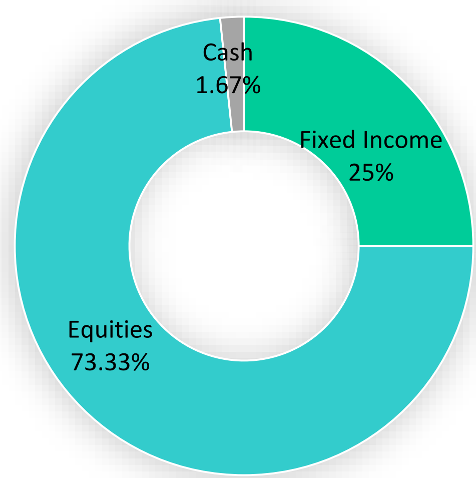
International & Dynamic Blend Composites

AllocateRite Diversified International Composite ("ARINTNL") and AllocateRite Global Dynamic Blend Composite ("ARDYBLD") strategies were added to include greater global diversification. ARINTNL strategy is comprised of five country ETFs (Japan, Brazil, China, India and Germany) plus a fixed income and cash component; and the ARDYBLD strategy is a dynamic blend of ARUSDOM and ARINTNL strategies.

The Diversified International model ("ARINTNL"- Bloomberg ticker) increased its allocation to risk assets from 64.29% to 73.33% with largest increases going to Germany (+6.30%) and India (+3.19%) versus a reduction to cash for December rebalancing.

- The MSCI EAFE returned 1.0% on the month with a bulk of the gains fueled by a weakening dollar. Strengthening currencies also drove gains in emerging markets.
- North Korea reignited geopolitical risk with a further long-range missile test and there remains no obvious signs of constructive dialogue.
- **E**urozone highlights-
  - European stocks struggled in November as headwinds were many, including a strengthening euro and political difficulties in forming a coalition government in Germany.
  - The region's jobless rate fell 0.1% in October to 8.8%, nearing a 9-year low and down a full percent from a year earlier.
  - The European Union (EU) and Britain are close to agreeing settlement terms of Britain's exit. The negotiations for determining prior obligations made by Britain before the vote to exit progressed when the EU established an overall price at around 50 billion euros. The bill's final amount will be determined sometime next year.
  - German stock market slid back, dropping 1.6%, while its ETF- EWG returned +0.5% due to a lower U.S. dollar in November.
- In Japan-
  - Japanese economy was enjoying its longest growth streak since 2001, having now expanded for seven quarters in a row.
  - Gross domestic product had expanded by 1.4% for the quarter ending in September. Increased demand for Japanese exports offsetting a slowdown in domestic demand. Also, GDP growth driven mainly by inventory accumulation and the external sector.
  - The recent pick-up in inflation virtually stalled last month.
  - There was a further weakening of the correlation between the equity market and the currency. The yen was generally stronger during the month.
  - Majority of companies again exceeding expectations and the positive cycle in earnings revisions was maintained.
  - Japanese yen rose about 1.5% versus the US dollar.
- China newsworthy items for November -
  - Chinese stocks finished the month up with the Hang Seng index adding 3.3%. The second half of the months witnessed a sell-off sparked by a spike in bond yields and concerns over deleveraging.
  - Tighter liquidity rules were also introduced over the month that saw banking regulators announce new restrictions.
- Brazilian stocks fell amid investor unease about the fate of a pension reform bill seen as key for shoring up the country's finances.

Diversified International Composite
December 2017



Japan	**EWJ**	**-3.0%**
Brazil	**EWZ**	**+0.5%**
China	**FXI**	**+2.1%**
India	**INDA**	**+3.2%**
Germany	**EWG**	**+6.3%**

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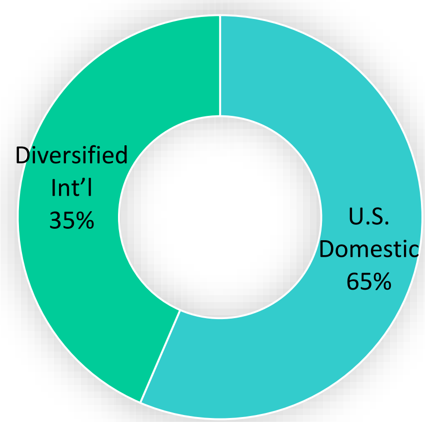
International & Dynamic Blend Composites

The optimal ratio for the Global Dynamic Blend Composite (ARDYBLD) was reweighted at 64.70% to U.S. Domestic and 35.30% to International as of the December rebalancing.

AR continued to move its allocations away from Diversified International exposure. Supporting this thesis were Brexit issues within Europe and destabilizing political issues in Asia with the North Korean situation. Also, growing positive sentiment in the U.S. for Tax Reform and growth in U.S. corporate earnings were tailwinds for the U.S. .

Dynamic Blend Composite
December 2017



- Positives-
  - Evidence of synchronized global growth to further drive demand for higher-risk assets. Data showing slowing yet still solid economic growth in China, rising commodity prices, and a corporate earnings recovery across the developing world.
  - European P/Es are slightly above average, and comparison to local bond yields further supports these risk assets.
  - The business climate indicator for the eurozone rose to 114.6 in November, its highest level since 2007, and the region's manufacturing PMI climbed to 60.1, the second highest reading since the survey began in 1997.
  - The Markit flash composite purchasing managers' index for the eurozone reached a 79-month high of 57.5, versus 56.0 in October. Markit's employment index also showed jobs being created at the fastest pace in 17 years.
- Negatives-
  - Signs in the U.S. of an increase in the pace of monetary tightening, a widening in credit spreads and an uptick in volatility.
  - Near-term risks include a rise in U.S. protectionism and a faster-than-expected pace of rate hikes by the Federal Reserve.
  - Declines in Chinese debt prompted by the possibility that Beijing may start tightening conditions to reduce risk in the financials sector after China's 19th Communist Party Congress ended in October.
- Justification for adding to Diversified International exposure over the longer term –
  - Europe and Emerging Markets remain far below their 2011 peaks. A long cyclical recovery in Europe and an improving banking system should lift European earnings while EM profits should rebound on firmer commodity prices.
  - EM Price-to-Book ratios remain cheaper than average.
  - Compared with developed markets, most emerging markets have more attractive demographics and a stronger tailwind from rising consumption.
  - Emerging markets' stocks remain attractively valued relative to developed markets stocks.