Cloud-Based AI-Powered Digital Asset Management Technology™

Monthly Rebalancing Bulletin and Commentary

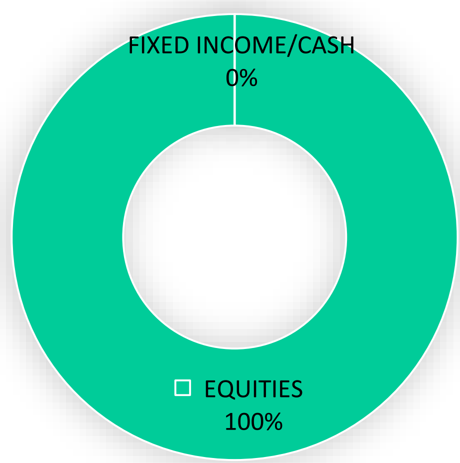
February 7, 2018

U.S. Domestic Composite

The February 7, 2018 U.S. Domestic Composite ("ARUSDOM"- Bloomberg ticker) rebalancing further added to its overall "risk on" position to now be allocated 100% to Equities.

- The S&P 500 rose to 2823.81, up 5.62% for January. Volatility remained static throughout January.
- Sector returns continued to vary significantly; the spread between the best and worst sector for the month was 12.34%.
- Consumer discretionary was the best sector, adding 9.24% for the month, as expectations rose for higher disposable income from lower income taxes. Consumer staples lagged the market due to continued pricing pressure, up 1.41%. Information technology rose on positive earnings adding 7.57%, and financials up 6.36% on expectations of higher interest rates. Health care added 6.56%, despite a sharp decline at month end due to concerns over a growing desire of companies to rein in healthcare costs. Utilities was the worst performer, down 3.10%, due to the expected increase in financing costs.
- Trump initiated plans to put additional tariffs on imported solar panels and washing machines, which some saw as the start of a trading war via "put America first."
- At the World Economic Forum in Davos, Switzerland, Trump proclaimed the U.S. was "open for business" and that trade must be fair. At the State of the Union Address, Trump noted plans for future economic gains in employment, infrastructure, and trade.
- The economic news was mixed-
    - U.S. exports have risen, but so have imports. While consumer spending has been on an upswing, many of the goods Americans bought are being produced abroad. A widening trade deficit subtracted more than a percentage point from growth in the fourth quarter. That came despite the tailwind of a weaker dollar.
    - In employment, the ADP Private Employment Report posted a net gain of 250,000, when a much lower 188,000 was expected, while 148,200 net new jobs were posted in December versus an expected 191,000. The unemployment rate was unchanged at 4.1%, and the participation rate was also unchanged, at 62.7%—both as expected.
    - There was no significant surprises across manufacturing and services numbers versus forecasted.
    - PPI and CPI/Core CPI reported in January were in line, as well.
- Rising hedging costs due to the moves in the U.S. yield curve and a weakening dollar have reduced the attractiveness of U.S. rates to foreign investors, potentially losing key sponsors of longer-dated treasuries. US 10-year rates were up from 2.41% to 2.72%, with five and two-year yields moving in tandem.

U.S. Domestic Composite
February 2018



AllocateRite Model's Trending Indicators

EQUITIES	
Consumer discretionary stocks	■
Consumer staples stocks	▲
Energy stocks	▲
Financial stocks	■
Healthcare stocks	■
Industrial stocks	■
Materials stocks	■
Technology stocks	■
Utilities stocks	■
Real-Estate stocks	■
FIXED INCOME	
20+ Year Treasury Bond	▼
CASH & CASH EQUIVALENT	
1-3 Month T-Bill	■

LEGEND
▲ Out-perform
▼ Under-perform
■ Hold signal

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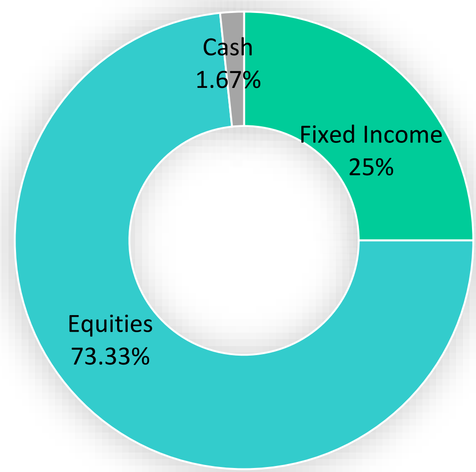
International & Dynamic Blend Composites

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 70.37% back to 73.33% by reducing cash -2.96%. Country risk was added across the board with the exception of Germany – reduced from 20.38% to 18.52%

- Outside the U.S., both Developed and Emerging Markets posted solid data indicating that the world's economy is picking up and showing growth that is both synchronized and multidimensional.
- Global government bond yields rose significantly over the month, reflecting higher growth and inflation expectations as macroeconomic data continued to surprise positively.
- The US dollar weakened amid continued strengthening economic activity outside the US and comments from US officials on trade and the dollar.
- **E**urozone highlights-
    - Eurozone equities registered gains in January with the MSCI EMU index returning 3.2%.
    - Strong data growth at 10 year highs, coupled with news of a breakthrough in coalition talks in Germany, helped the euro to reach a three-year high versus the dollar.
    - Eurozone recovery continued to strengthen with consumer confidence and the composite purchasing managers' index business survey close to record highs.
    - Governing Council has committed to continue asset purchases until September and not begin raising rates until "well after" the asset purchase program ends.
- In Japan-
    - Japanese market recorded a total return of 1.1%.
    - The yen strengthened against the US dollar.
    - Economic data released in January was generally in-line with improving expectations. Core inflation remained flat.
- China's economy grew slightly above consensus at 6.8% year on year. Retail sales disappointed slightly and industrial production was stable.
- India, which were already trading on high valuations, also lagged the index.
- Brazilian equities rallied sharply as former president, Luiz Inácio Lula da Silva, saw his criminal conviction upheld.

Diversified International Composite February 2018



Japan	**EWJ**	**+0.6%**
Brazil	**EWZ**	**+1.5%**
China	**FXI**	**+ 1.0%**
India	**INDA**	**+1.7%**
Germany	**EWG**	**-1.9%**

ALLOCATE RITE

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International & Dynamic Blend Composites

The optimal ratio for the Global Dynamic Blend Composite (ARDYBLD) was reweighted at 57.6% to U.S. Domestic and 42.4% to International for the February rebalancing.

AR allocation increased its exposure to the Diversified International Composite. Supporting this longer term view is continuing positive fundamentals across developed and emerging market countries versus the U.S..

- Positives-
  - US equities were stronger over the month after the latest batch of economic data indicated that momentum remained strong into year-end. Retail sales were robust and employment figures also remained healthy, with unemployment unaltered at 4.1%.
  - In Europe, the economies continue to move ahead, business sentiment and easier credit conditions keep improving.
  - Many emerging markets are seeing strong levels of coordinated growth.
- Negatives-
  - Expectations that the Federal Reserve would continue to tighten monetary policy at a greater pace in terms of reversing quantitative easing and interest rate increases.
- Continued justification for adding to Diversified International exposure over the longer term –
  - International stocks have better valuations than the U.S..
  - In the U.S. tax reform has provided a further justification for equity values, however increasing deficit projections, higher interest rates and political uncertainty around health care, etc. and concerns around the 2018 mid-term elections are challenging bonds and the dollar.
  - Synchronized global expansion is spurring an embrace of risk assets outside the U.S. and thereby making the case for better risk/reward opportunities. Transitioning of central bank policy is adding further reason for this change.
  - 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.

Dynamic Blend Composite
February 2018