ALLOCATE RITE | Cloud-Based AI-Powered Digital Asset Management Technology™

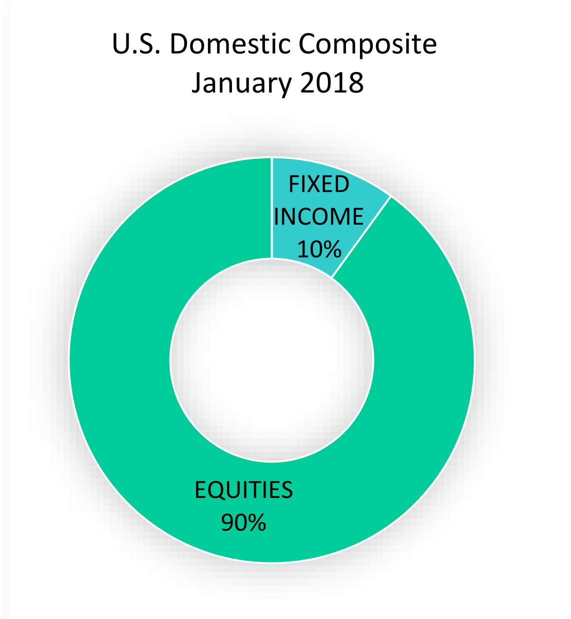
Monthly Rebalancing Bulletin and Commentary

January 3, 2018

U.S. Domestic Composite

The January 3, 2018 U.S. Domestic Composite ("ARUSDOM"- Bloomberg ticker) rebalancing left all allocations unchanged, thus retaining our overall "risk on" position.

- The S&P 500 rose 31 points in December to close at 2673, up 1.11%. Large caps were the winners, with the S&P 500 up 21.8% for the year, marking 14 consecutive months of gains.
- U.S. fixed income securities were positive across the board, with higher yielding credit preferred stock and high yield bonds as the winners.
- The Energy (+7.03%), Financials (+4.58%), and Industrials (+4.39%) sectors were the top performers. Other noteworthy gains were also posted by Consumer Discretionary (+3.68%) and Consumer Staples (+2.99%). While the Utilities sector was hit hard (-6.62%).
- Trump tax cuts, described as the biggest overhaul of the US tax system since 1986, have corporate tax rate falling from 35% to 21%.
- The dollar fell to its lowest in over three months against a basket of major currencies.
- The economic positives were-
    - Housing starts continued to point to a strong construction outlook. Existing home sales surged, although inventory tightened further. New home sales jumped to a fresh cycle-high.
    - The ISM manufacturing index for December remained in solid expansion territory, coming in at 59.7.
- Negative included:
    - December jobs report was somewhat softer than expected- adding 148,000 jobs. The jobless rate ended 2017 at 4.1 percent. Wage growth remains muted.
    - The 0.1 percent rise in core inflation was weaker than anticipated. Inflation remains below the Fed's target.
- U.S. Treasuries traded within a very narrow range last year – the 10-year ended 2016 at 2.445% and closed out 2017 at 2.406%.
- Oil closed the year on a high note, with American crude finishing 2017 above $60 a barrel for the first time since mid-June 2015.
- The CBOE VIX "the fear factor," closed the month at 11.04, down from last month's 11.30 close
- The Fed raised rates by a further 0.25% – the third rise in 2017.



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

International & Dynamic Blend Composites

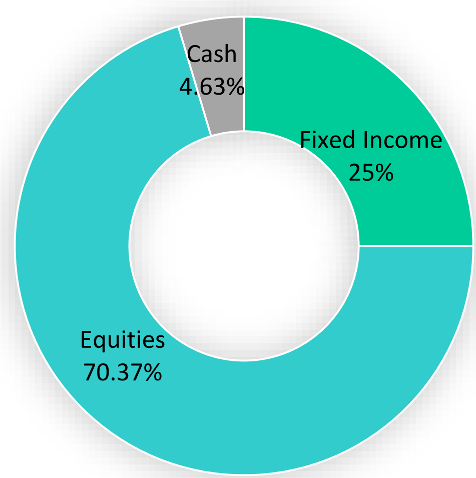
AllocateRite Diversified International Composite ("ARINTNL") and AllocateRite Global Dynamic Blend Composite ("ARDYBLD") strategies were added to include greater global diversification. ARINTNL strategy is comprised of five country ETFs (Japan, Brazil, China, India and Germany) plus a fixed income and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

The Diversified International model ("ARINTNL"- Bloomberg ticker) slightly decreased its allocation to risk assets from 73.33% to 70.37% primarily attributed to small downward adjustments to Japan and Germany versus an increase to cash of +2.96%.

- Global financial markets were little changed by the December 2017 interest rate increase.
- The euro's rally continued versus the U.S. dollar.
- German index drifted down 0.8% in the month, but overall they enjoyed a good year. The German DAX index was up 13% in 2017.
- Separatists won a majority in Catalonia's parliament.

- **E**urozone highlights-
    - Real GDP in the Eurozone rose 0.6 percent (2.4 percent at an annualized rate) Real consumer spending grew at an annualized rate of 1.3 percent, fixed investment spending rose 4.3 percent, real government consumption expenditures edged up 1.0 percent, and real exports climbed 4.7 percent.
    - German index drifted down 0.8% in the month, but overall they enjoyed a good year. The German DAX index was up 13% in 2017.
    - German IP growth remains positive on a year-ago basis, but growth clearly has been stronger in previous cycles. Real GDP in Germany was up 2.8 percent in Q3-2017, the strongest year-over-year growth rate since the economy was exiting recession in 2010-2011.
- In Japan-
    - Japanese growth remained robust in November; the average PMI reading at 52.8 represents one of the strongest performances seen in recent years and suggests GDP growth will remain robust, building on the upwardly-revised 0.6% gain seen in Q3. The manufacturing PMI was especially strong, showing the best expansion in over 3½ years during November, supported by rising exports.
- China's Caixin PMI rose from 51.0 in October to a three-month high of 51.6 in November, indicating modestly faster growth of business activity.
- India's hopes of a sustained recovery waned as the sales levy again hit demand for services. However, India showed solid improvement in manufacturing conditions, with output and new order growth both reaching the strongest since October 2016.
- Brazilian industrial production increased 0.2 percent in November and by a strong 4.7 percent versus a year earlier.

Diversified International Composite
January 2018



Japan	**EWJ**	**-2.1%**
Brazil	**EWZ**	**-0.1%**
China	**FXI**	**+ 0.0%**
India	**INDA**	**+0.8%**
Germany	**EWG**	**-1.6%**

ALLOCATE RITE | Cloud-Based AI-Powered Digital Asset Management Technology™

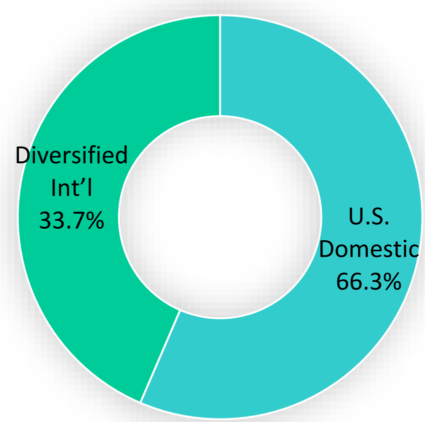
International & Dynamic Blend Composites

The optimal ratio for the Global Dynamic Blend Composite (ARDYBLD) was reweighted at 66.3% to U.S. Domestic and 33.7% to International for the January rebalancing.

AR continued to move its allocations away from Diversified International exposure due to technical short-term factors. Supporting this thesis were the passing of U.S. Tax Reform and growth in U.S. corporate earnings.

- Positives-
  - The U.S. economy is enjoying low unemployment, strengthening exports, higher levels of private investment and stronger levels of consumer and business confidence.
  - U.S. growth is starting to pick up modestly after years of trending around a 2% real growth rate.
  - In Europe, after nearly a decade of sluggish growth, the economy is picking up, due to a surge in business sentiment and easier credit conditions.
  - Many emerging markets are seeing strong levels of coordinated growth. Brazil has emerged from oil-related recessions and China continues to migrate toward a less investment-based economy.
- Negatives-
  - Japan remains troubled by soft wage growth and low consumer spending, but is still trying to boost its economy through stimulative measures.
  - Economists expect U.S. job growth this year to slow to well below the 2017 monthly average of 170,000 as the labor market hits full employment. Although, wage growth continues to remain low despite employment gains.
- Continued justification for adding to Diversified International exposure over the longer term –
  - U.S. stocks appear more fully valued than other regions
  - The United States also faces higher interest rates and political uncertainty around health care, etc. and concerns around the 2018 mid-term elections.
  - 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.

Dynamic Blend Composite
January 2018



ALLOCATE RITE | Cloud-Based AI-Powered Digital Asset Management Technology™

Review of 2017

- **Politics**
    - In 2017, we saw the effects of the rise of populism and the beginnings of a shift away from QE in global monetary policy. However, the fear factor associated with both themes has been muted by the appetite for yield and risk assets.
    - North Korea was the hot spot that created the headline risk. However, businesses' attention is primarily focused on trade. Also, other risks surfaced with the cancellation of TPP, evolving NAFTA negotiations as well as the Brexit talks in Europe.
- **Economy**
    - The Federal Reserve started shrinking its balance sheet, and the European Central Bank will halve its monthly purchases in January 2018, potentially reducing that to zero later in the year. Also, the Bank of Japan has been reducing its purchases of bonds as yields have now stabilized.
    - Jerome Powell, thought to be slightly dovish, was nominated as Fed chairman.
    - European Banks became much better capitalized (although there is still work to do), unemployment continues to fall and the elections remained relatively quiet, including Germany which was unable to form a new coalition government.
    - Emerging Markets were among the best performers in 2017, bolstered by a recovery in commodity prices and global trade as well helped by a weaker dollar. China remains the key driver of both growth and sentiment, and has once again defied the pundits. Although the country has high levels of debt, it owes little to the rest of the world, so is at limited risk of an exodus of funds.
- **Markets**
    - Global bond yields were contained by low inflation and central bank purchases in Europe and Japan draining supply of sovereign issuance, underscoring continued demand.
    - U.S. yields on the long end were unchanged due to inflation remaining below the Fed's target. With the short end moving up, the slope of the yield curve (two-year versus the 10-year Treasury) is flattish at 52 basis points. According to FactSet, the 10-year posted its narrowest annual trading range in a decade.
    - And the dollar struggled in 2017, dropping 10% against a basket of global currencies. According to the ICE U.S. Dollar Index, the dollar had its worst performance since 2003, and the first year it's been down since 2012, questioning the durability of a pickup in U.S. economic growth despite the tax overhaul.