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

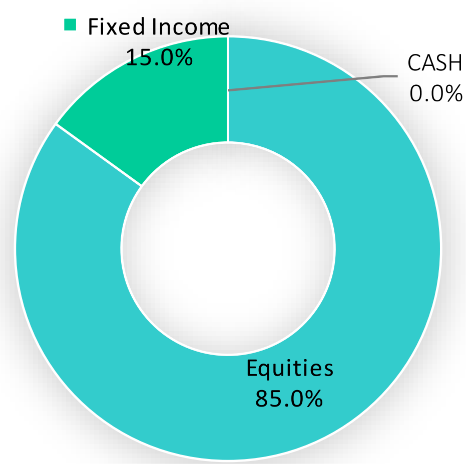
Monthly Rebalancing Bulletin and Commentary

July 5, 2018

U.S. Domestic Composite

On July 5, 2018 U.S. Domestic Composite ("ARUSDOM"- Bloomberg ticker) monthly rebalancing reduced its exposure to Equities from 95% to 85% and increased the fixed income allocation from 20% to 15%.

U.S. Domestic Composite
July 2018



- The S&P 500 Total Return Index gained +0.6% in June, even as market swings intensified.
- Overall, was a rotation towards more defensive and domestic sectors. Consumer staples (+4.48%), consumer discretionary (+3.59%) and real estate (+4.40%) were the best performing sectors in June. While industrials (-3.30%) and financials (-1.92%) sectors were the worst performers.
- June saw the historic U.S.-North Korea summit and escalating trade tensions between the U.S. and its major trading partners. U.S. equities managed a small gain for the month,
- The US is outperforming with activity further accelerating in Q2 from tax reform and a strong jobs market driving consumer and business spending and improved net incomes.
- The spread between the 10-year and 3-month rates dropped slightly last month, which was expected given the Fed rate increase.
- The 10-year U.S. Treasury yield began the quarter at 2.73 percent. It rose as high as 3.11 percent before ending the quarter at 2.85 percent.
- P/E valuations remain extremely high- close to the second-highest level of all time, exceeded only by the dot-com boom.
- Investment-grade bonds declined, hurt by rising U.S. interest rates and signs of higher inflation.
- U.S. dollar rose against the euro, the yen and most other currencies.
- The economic data showed ongoing strength-
    - Growth in the second quarter tracked a 4.0% annualized pace due to a strong rebound in household spending, business investment, and surprising strength in net exports.
    - The economy added 223,000 new jobs in May, beating expectations. The unemployment rate fell to an 18-year low of 3.8 percent, and the underemployment rate declined. Wage growth increased to 2.7 percent on an annual basis, close to the highest level since the crisis.
    - Business confidence bounced back reaching 59.1 for June, returning it close to peak levels.
    - Spending grew by 0.6 percent and retail sales was up 0.8-percent.
- Some less positive economic news-
    - Housing appears to have slowed.
    - Durable goods orders dropped by 0.7 percent, due in large part to a 7-percent decline in the transportation sector.
    - Consumer confidence moved down in June, from 128 to 126.4.

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 62.5% to 66.7%.

- The MSCI World ex USA declined by 1.06 percent during the month a decline of -2.39 percent for the quarter.
- The MSCI Emerging Markets Index declined by 4.09 percent for the month and by 7.73 percent for the quarter, on a rising dollar and growing policy concerns.
- Global trade issues escalated caused by growing U.S.-China trade tensions, talk of renegotiating the North American Free Trade Agreement and the United Kingdom's attempt to break away from the European Union.
- Dollar strength combined with the protectionist trade policies in the U.S. were a headwind for foreign equities, especially emerging markets, leading to significant losses for the month and quarter.
- Technical factors for international equities also weakened during June.
    - The MSCI EAFE Index spent the second half of the month below its 200-day moving average.
    - Emerging markets did even worse from a technical perspective; they spent almost the entire month beneath the trend line.

Eurozone:

- European Central Bank announced that it plans to end its stimulus programs and to hike rates within the next year.
- In spite of increased volatility, bonds ended the month relatively unchanged as central bank moves were largely in-line with consensus.
- Eurozone currency weakened. Political uncertainty in Italy, and for a while Chancellor Merkle's coalition difficulties in Germany, added further headwinds.
- Lending activity is picking up; household spending stays healthy, supported by a robust labor market and rising wages. The jobless rate continues to fall, now at 8.4% for the currency union, 5.2% in Germany.

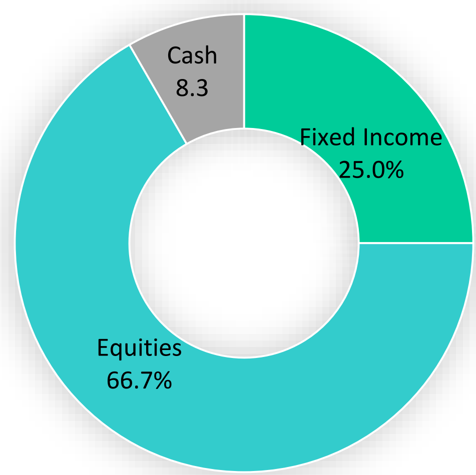
Japan:

- Prime Minister Abe's approval rating rose back above 50%, suggesting more structural reform in the works.
- Employment is at an all-time high- jobless rate 2.2%, a 25-year low.

China:

- A slowdown seen in monthly data of retail sales, industrial output and fixed asset investment. Tighter credit regulations weighed on business activity.
    - Second-quarter manufacturing slowdown with new export orders the worst since late 2016
- Brazilian assets tumbled, with stocks posting their worst quarterly decline since 2015. Worries over presidential election and progress on fiscal reforms.

Diversified International Composite
July 2018



Japan	**EWJ**	**+5.0%**
Brazil	**EWZ**	**-0.8%**
China	**FXI**	**+1.8%**
India	**INDA**	**+0.0%**
Germany	**EWG**	**-1.8%**

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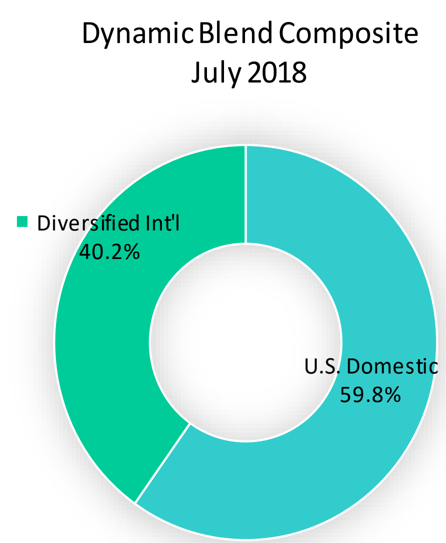
International & Dynamic Blend Composites

The optimal ratio for the Global Dynamic Blend Composite (ARDYBLD) was reweighted down to 46.7% for the U.S. Domestic allocation and up to 53.3% for the Diversified International as of the May rebalancing.

AR allocation again 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..

- U.S. market's positive growth environment moved allocation back up to previous higher levels-
  - Pro-growth deregulation, tax cuts, and increased government spending continue to be positive catalysts for equities.
  - The positive tailwinds from tax reform and the strong jobs market are driving consumer and business spending.
  - The US economy is growing and corporate profits are rising supporting higher stock prices.
  - Strong economic data indicating that growth should continue.
  - Longer term caution for the U.S market:
    - A divergence in the outlook for inflation between the US and the eurozone suggests that monetary policy will also continue to diverge.
      - 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.
    - Fears of an escalating trade war impacting the economy.



- Diversified International exposure decreased significantly–
  - Political issues and escalating retaliatory tariffs creating rationale for short-term caution as trade tensions are not likely to end soon.
  - European Central Bank announced that it plans to end its stimulus programs and to hike rates within the next year.
  - Positives still include:
    - International stocks have better valuations than the U.S. markets.
    - Synchronized global expansion is spurring an embrace of risk assets outside the U.S. and thereby making the case for better risk/reward opportunities.
    - More accommodative central banks' policy adding a further buffer.
    - Compared with developed markets, most emerging markets have more attractive demographics and benefits from rising consumption. Most developing countries have smaller current account deficits, larger foreign exchange reserves, and more flexible currencies.