ALLOCATERITE | Cloud-Based AI-Powered Digital Asset Management Technology™

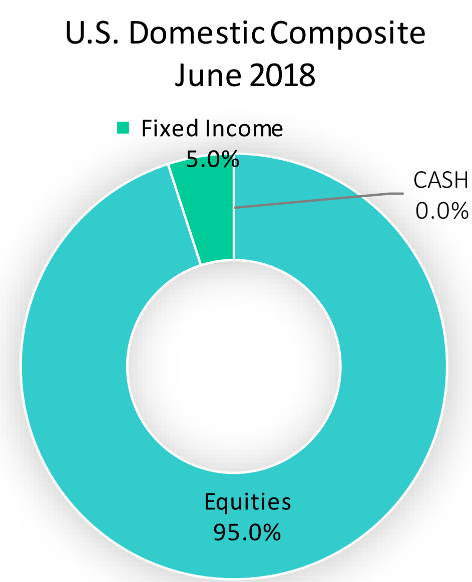
Monthly Rebalancing Bulletin and Commentary

June 6, 2018

U.S. Domestic Composite

On June 6, 2018 U.S. Domestic Composite ("ARUSDOM"- Bloomberg ticker) monthly rebalancing increased its exposure to Equities from 80% to 95% and reduced the fixed income allocation from 20% to 5%.

- The S&P 500 Total Return Index gained +2.41% promoted by strong earnings and stable economic data.
- The technology-heavy Nasdaq Composite Index and the smaller-cap benchmarks performing particularly well.
- Technology Sector was May's best performer +6.66%, followed by Energy +3.00% and Industrials +2.99%. The biggest loser was Consumer Staples -1.57% while Utilities -1.14% and Financials -0.91% lagged on interest rate moves. Overall, Cyclicals have been outperforming defensive stocks as the yield curve has flattened.
- The prospect of a trade war between U.S. and China presented volatility in the market during the month and remained a key concern .
- The yield of the benchmark 10-year Treasury note briefly hit a seven-year high, however Treasury yields would up finishing May generally lower in a volatile month; dipping to 2.83% at month-end.
- Three-month U.S. Treasury bill yield has climbed steadily in 2018 and finished May at 1.93%.
- The new U.S. trade policies and the developments in Italy are not completely unrelated. There continues to be a growing trend of nationalist, populist and fringe political parties outperforming in European elections which can translate into an escalation in trade tariffs and other trade related issues.
- WSJ noted the minutes suggested that Fed officials were not concerned that wages might push inflation higher in the foreseeable future. Also, the minutes reaffirmed Fed officials' belief that economic growth prospects remain strong.
- The economic data continued to show ongoing strength-
    - The unemployment rate continued its steady downward trend, from 4.1% to 3.9% – the lowest since December 2000.
    - A robust increase in industrial production also signaled an expanding economy, and inflation measures remained solid even with a milder-than-expected 2.1% print in core CPI.
    - Employers have added an average of 207,000 jobs per month through the first five months of 2018, up from an average of 182,000 per month last year.
    - While the labor market has tightened, wages are still rising modestly and inflation should remain close to the Fed's 2 percent target.
    - Consumer spending has picked up, with real outlays climbing 0.4 percent in April and on pace to rise at a 3.4 percent pace during the second quarter.



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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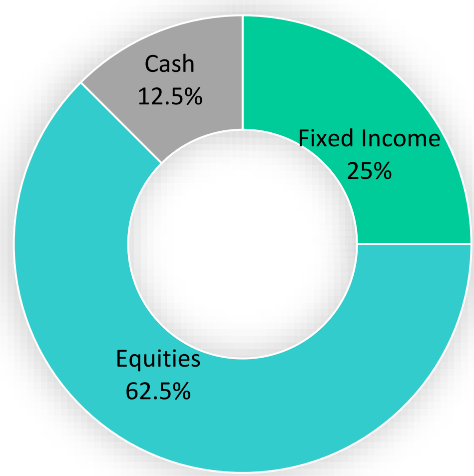
International & Dynamic Blend Composites

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) reduced its allocation to risk assets from 72.22% to 62.50%.

- Market returns were mixed in May as geopolitical uncertainty weighed on risk sentiment and contributed to some market volatility.
- Political tensions between the U.S. and its allies escalated after the U.S. announced a new round of sanctions on Iran and its official withdrawal from the Joint Group to curb Iran's nuclear program.
- Trade talks continued throughout the month between the U.S. and multiple trading partners, including China, Europe and NAFTA parties (Canada and Mexico), with limited progress.
- The euro tumbled against the dollar after Italian President Sergio Mattarella blocked the formation of a coalition.
- Germany's benchmark 10-year bond fell 22 basis points to end the month at 0.34%.
- Europe's growth trajectory appeared to soften on the margin; the region's composite PMI fell to 54.1, an 18-month low.
- Surging dollar and the potential for tighter U.S. monetary policy fueled declines in emerging markets.
- Most developed market yields fell as investors moved into traditional "safe-haven" assets such as U.S. Treasuries, German bunds and U.K. gilts.
- European equities rose only 0.1% in May hurt by political uncertainty in Italy.
- In Japan stocks declined 1.2% due to concerns over U.S. tariffs and broader "risk-off" sentiment.
- Japanese figures for the first quarter of 2018 showed that the economy had contracted by an annualized rate of 0.6%, worse than the expected contraction of 0.2%. This was the first quarter in two years that the Japanese economy did not grow. Domestic demand subtracted from growth for the second time in three quarters.
- Brazilian stocks dropped sharply -10.9% as the Central Bank of Brazil unexpectedly reversed its trend of monetary easing and domestic labor strikes rattled markets. Brazilian real fell 6% against the dollar.
- Chinese Hang Seng was down 1.1% after geopolitical concerns caused stocks to sell off later in the month.

Diversified International Composite
June 2018



Japan	**EWJ**	**+1.5%**
Brazil	**EWZ**	**-4.7%**
China	**FXI**	**-0.8%**
India	**INDA**	**-2.0%**
Germany	**EWG**	**-3.6%**

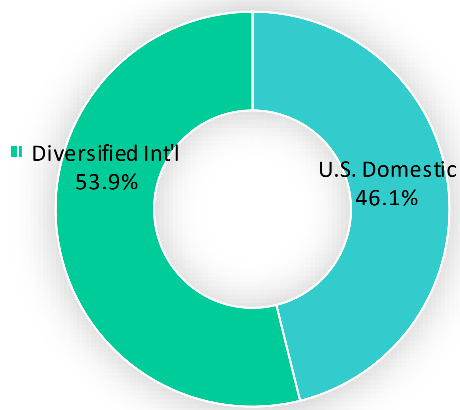
International & Dynamic Blend Composites

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 its longer term view of positive fundamentals across non-U.S. developed and emerging market countries. The recent geo-political sell-off combined with the strengthening of the dollar has further supported the relative value position of a balanced portfolio with exposure outside of the U.S. markets.

- U.S. markets -
  - Pro-growth deregulation, tax cuts, strong earnings momentum and increased government spending continue to be positive catalysts for equities.
  - 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.
  - Annual wage growth pressures and potential trade tariffs prompting potential for higher inflation.
  - Higher bond yields and short-term T-Bills and cash equivalent rates.
  - Fears of a trade war impacting the economy.
  - Capital is becoming more expensive, so multiples are going to compress as this is priced into market valuations.

Dynamic Blend Composite
June 2018



- Diversified International–
  - Despite recent weakness, as of May 31, the MSCI Europe Index was trading at a 13.9 PE, or 11% above its 23-year average. The S&P 500 forward PE, on the other hand, stood at 16.2 at month end, matching its post-1995 average (16.1).
  - European domestic economy continues to show strength.
  - The ECB's current guidance remains that it will continue with its asset purchases until September, and beyond if necessary.
  - Accommodative central banks' policy adding a economic 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.
  - Emerging markets stocks remain attractively valued relative to developed markets stocks and provide exposure to cyclical growth. However, higher U.S. Treasury yields could diminish the appeal of higher-risk assets .