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

Monthly Rebalancing Bulletin and Commentary

May 2, 2018

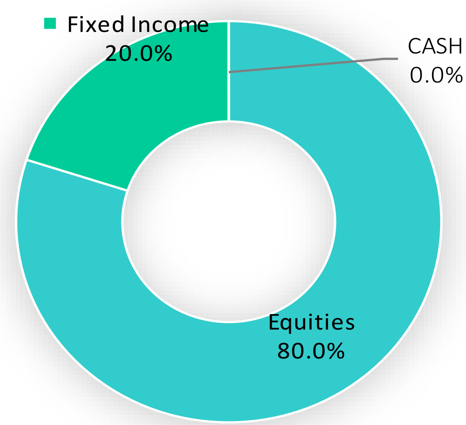
U.S. Domestic Composite

On May 2, 2018 U.S. Domestic Composite ("ARUSDOM"- Bloomberg ticker) monthly rebalancing reduced its exposure to Equities from 97.5 to 80%.

- The S&P 500 Total Return Index gained +0.38% in April.
- Year over year EPS growth in Q1 for the S&P 500 was registering nearly 24%, and revenue growth showing gains of 6%.
- A climb in oil prices to their highest levels since 2014 helped the energy sector to be the best performing sector +9.43%, while consumer staples -4.11% and industrials -2.80% incurred the largest declines.
- The 3 month London Interbank Overnight Rate (LIBOR) has now doubled over the last 12 months.
- Global currencies broadly weakened against the U.S. dollar, which enjoyed a strong performance due to rising Treasury yields. USD has appreciated around 2% relative to a number of developed market currencies.
- Volatility remained elevated during the month, with the S&P 500 seeing eight daily swings of over 1%.
- US Treasury yields resumed an upwards path, amid higher US inflation readings. Global corporate bonds declined but outperformed government bonds.
- The 10-year yield peaked at 3.03% on April 25 but finished the month at 2.95%, up from 2.74% at the end of March.
- The difference between 2- and 10-year Treasury yields reached 41 basis points, a 10-year low.
- The economic data showed ongoing strength-
    - Q1 GDP expanded at 2.3% pace. The March unemployment rate was steady at 4.1%.
    - The consumer confidence index climbed to 128.7 in April from 127 in March. Close to its high in February 130.80, when the index hit the highest level since the end of 2000.
    - Core CPI in the U.S. accelerated to 2.1% in April. The jobs market continues to tighten while wages are again rose, up 2.7% year over year.

U.S. Domestic Composite

May 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

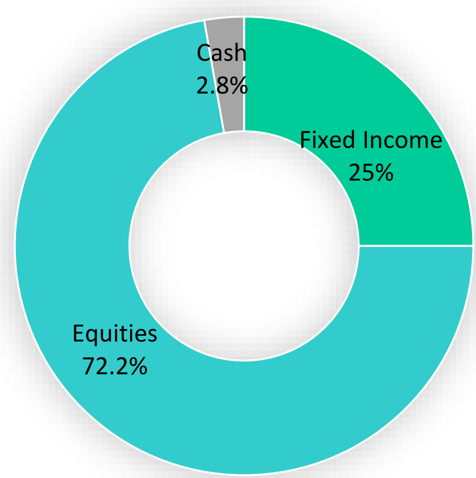
AllocateRite Diversified International Composite ("ARINTNL") and AllocateRite Global Dynamic Blend Composite ("ARDYBLD") strategies were added to include greater global diversification. ARINTNL strategy is comprised of five country ETFs (Japan, Brazil, China, India and Germany) plus a fixed income and 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 64.3% to 72.2%.

- Global equities made small gains in April, as protectionist rhetoric appeared to soften and the oil price rallied strongly on demand dynamics and tensions in the Middle East.
- Eurozone equities saw positive returns, led by the energy sector, although some forward-looking data pointed to slowing economic activity.
- The eurozone purchasing managers' index for April was unchanged from 55.2 in March, indicating that business activity continues to remain strong. However, the German (Ifo) business climate index fell to 102.1 in April from 103.3 in March
- A strong euro has eaten into export competitiveness, and trade war fears have weighed on German multinationals in particular.
- The European Central Bank announced it would leave interest rates unchanged, while inflation remained subdued and the pace of growth in the Eurozone showed signs it was starting to slow.
- Bund yields edged higher. Ten-year Bund yields were up from 0.50% to 0.56%
- In Japan, March data were mixed. Industrial output rose a monthly 1.2% to beat forecasts while the jobless rate held flat at 2.5% in line with expectations. The flash April manufacturing PMI improved. However, retail sales fell short of expectations.
- Stronger yen and worries about global trade – Japan was notably excluded from President Trump's exemptions on steel and aluminum tariffs.
- Overall, emerging markets stocks lost 0.4% in April due to concerns over trade tensions and appreciation of the U.S. Dollar.
- In Brazil, stocks gained 0.9% on the back of continued equity inflows to Latin America.
- Chinese equities fell 2.7% largely due to trade tension concerns.
- China's economy grow at 6.8% in the first quarter, ahead of the government's growth target for the year of 'around 6.5%.
- Indian stocks soared 6.6% on positive global earnings and growth optimism.

Diversified International Composite

May 2018



Japan	**EWJ**	**+2.6%**
Brazil	**EWZ**	**+0.6%**
China	**FXI**	**+1.5%**
India	**INDA**	**+1.7%**
Germany	**EWG**	**+1.6%**

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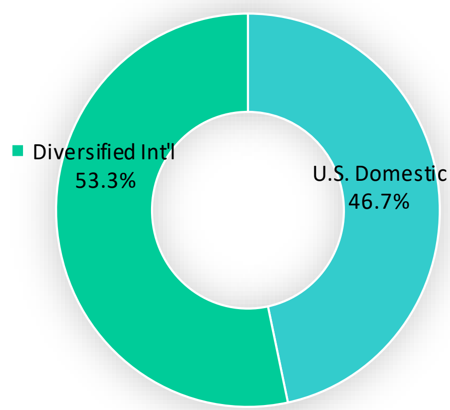
International & Dynamic Blend Composites

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..

Dynamic Blend Composite

May 2018



- U.S. markets -
  - Pro-growth deregulation, tax cuts, and increased government spending continue to be positive catalysts for equities.
  - 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.
  - Annual wage growth pressures prompting higher inflation.
  - Higher bond yields.
  - 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.

- Diversified International increased exposure–
  - International stocks have better valuations than the U.S. markets.
  - A strong euro has eaten into export competitiveness.
  - The ECB's current guidance remains that it will continue with its asset purchases until September, and beyond if necessary.
  - Synchronized global expansion is spurring an embrace of risk assets outside the U.S. and thereby making the case for better risk/reward opportunities. 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.
  - Emerging markets stocks remain attractively valued relative to developed markets stocks. However, higher U.S. Treasury yields could diminish the appeal of higher-risk assets .