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

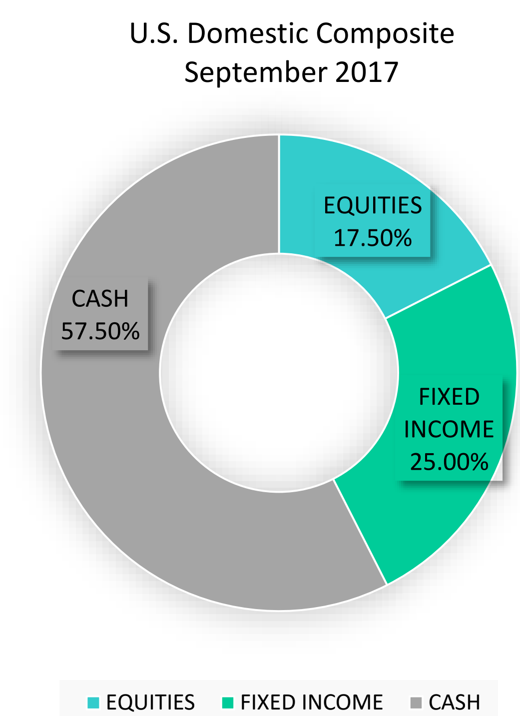
Monthly Rebalancing Bulletin and Commentary

September 6, 2017

U.S. Domestic Composite

On September 6, 2017, the U.S. Domestic Composite ("ARUSDOM"- Bloomberg ticker) reduced further its exposure to risk assets by decreasing its allocation to Equities (-5%) and moving it into Cash. Within Equities the emphasis shifted to safer, more conservative investments with increases in Consumer Staples (+5.0%) and Utilities (+2.5%). Materials; Financials, Industrials, Real Estate and Consumer Discretionary sectors were all adjusted down to a zero allocation based on technical factors seeing them as overbought. The economy continues to show no real signs of inflationary pressure and the Fed's measured approach on rates reinforces a lesser likelihood of any near term curve steepening.

- U.S. equities outperformed Europe in local currency terms, with slightly positive returns for August. Information technology was the best-performing sector, biotech companies also performed well on positive corporate news; utilities rallied in-line with falling long-term Treasury yields. The worst performance came from the energy sector as a result of hurricane related production disruptions.
- Speeches from central bank chiefs Janet Yellen and Mario Draghi at the Jackson Hole annual economic symposium both presented a lack of any hawkish sentiment.
- The economic positives were-
  - The upward revision to second quarter GDP was in part led by personal consumption.
  - Retail sales picked up to 4.2%, year on year, and the US consumer sentiment index for August beat estimates- returning to the peak it reached in January.
- Conversely, the negative economics were:
  - Institute for Supply Management's manufacturing index had moderated in July.
  - Inflation data remained sluggish
  - Federal Reserve's long awaited decision on the reversal of quantitative easing (QE) is beginning to inject a higher level of uncertainty into the markets around quantitative tightening (QT).
- Volatility hit equity markets in August caused by upsurge of political risk—led by mounting US-North Korea tensions and terrorist attacks in Spain. And further violence in Charlottesville helped to increase political disarray in the Trump administration.
  - The market flows moved to safe haven asset classes such as government bonds, utility stocks, and precious metals.
  - Government bonds moved higher over the month with the US Treasury 10-year yields narrowing from 2.29% to 2.12%.
  - Corporate bonds continued to perform well in absolute terms.
- The U.S. dollar was further challenged-
  - Drifted lower against the Euro
  - Breaking below 94(USD Index) for the first time in a year.



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

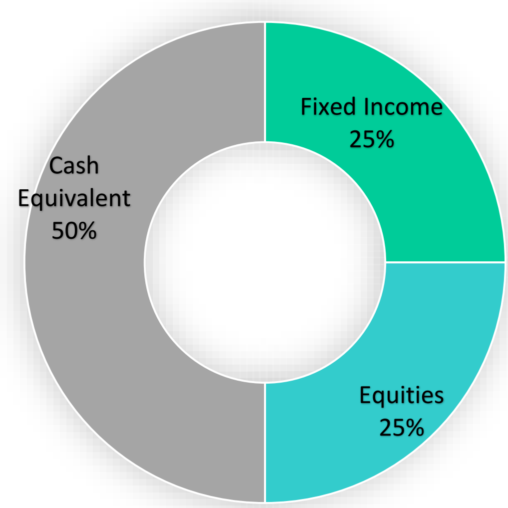
International & Dynamic Blend Composites

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 Dynamic International model ("ARINTNL"- Bloomberg ticker) increased its allocation to risk assets up from 15% to 25% with slight adjustments across country groups for the August rebalancing. Country exposure increases were across the board with the largest upward percentage movements in Japan (+3.7%) and Germany (+2.3%).

- **E**urozone highlights-
  - Eurozone equities declined on the back of a stronger euro.
  - European domestic economic indicators remained robust with GDP figures showing the European economy improving in the second quarter.
  - Despite an accelerating growth and a steadily declining unemployment, inflation has been persistently slow in moving towards the various developed market's target rates.
  - Euro-area economic confidence rose to the highest level in a decade, acting as tailwind for investment and consumption in the region.
  - Brexit continued to be in focus with both sides remaining very much at odds and disagreement over the UK's 'exit bill' in particular hindering progress.
  - Bund 10-year yields moved from 0.54% to 0.36%.
- In Japan-
  - Political risks offset positive corporate results and a strong economy.
  - Japan posted higher-than-expected GDP growth which represented the sixth consecutive quarter of positive growth in Japan. The GDP uptick was driven by firm private consumption and investment spending.
- Emerging market equities outperformed developed markets.
- China was a key outperforming market in August. The positive market catalysts included-
  - China's social financing report (a broader measure of financial activity, but which is also adjusted for local government debt swaps and foreign exchange purchases by the People's Bank of China) showed that it edged higher to 12.6% y/y for the corresponding period.
  - China's fiscal deficit continues to expand as government feeds infrastructure spending (fixed asset investment is currently growing at 8.3% y/y). suggesting that although a slowdown is anticipated in the second half of 2017, it is likely to be gradual. so-called "hard landing" in the medium term.
- Brazil was lifted by encouraging macroeconomic data releases– retail sales, industrial production and employment numbers all came in above median expectations.

Dynamic International Composite
September 2017



Japan	**EWJ**	**8.6%**
Brazil	**EWZ**	**3.0%**
China	**FXI**	**3.9%**
India	**INDA**	**4.4%**
German	**EWG**	**5.1%**

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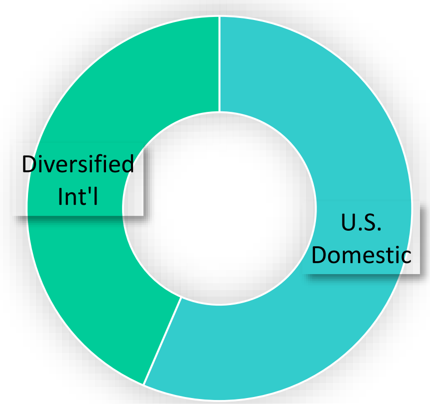
International & Dynamic Blend Composites

The optimal ratio of the Global Dynamic Blend Composite (ARDYBLD) was reweighted at 56.46% and 43.54%, respectively, as of the September rebalancing. Overall, the model increased its International exposure as the large upward move in the Euro versus the USD seemed to decelerate.

- The model continues to see Fundamentals driving these market prices over the longer-term.
- Valuations and economic growth look more attractive outside the U.S. and should be differentiators going forward.
- Currently, consumer confidence, employment and inflation appear to be lesser differentiators across these markets.
- For now, political news and geopolitical events appear as temporary reactions affecting the markets.
- Questionable finances of state and local governments in the U.S., the federal budget deficit and rising interest rates are all real concerns and should be watched closely.

- Globally, diversified international exposure still presents-
  - Better technicals and fundamentals
  - Relatively cheaper valuations
  - Better macroeconomic underpinning
  (as implied by relative economic growth between Asia, Europe and U.S.)

Dynamic Blend Composite
September 2017



As a result, AR's view continues to forecast a continued increase to its proportion of assets into the Diversified International within the Global Dynamic Blend Composite.