

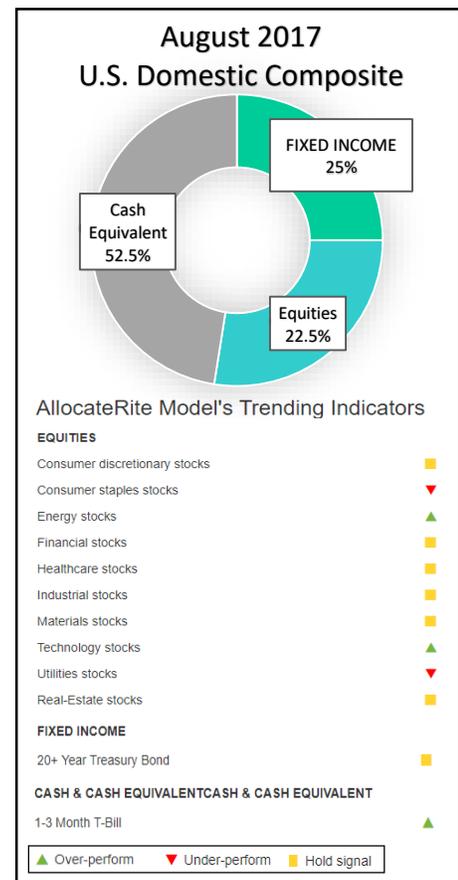
Monthly Rebalancing Bulletin and Commentary

August 2, 2017

U.S. Domestic Composite

On August 2, 2017, the U.S. Domestic Composite (“ARUSDOM”- Bloomberg ticker) continued to maintain its overall lower risk posture. The model moved to a slightly greater allocation to cash. Changes within the equity sector included reducing the Utility sector weighting from 7.5% to zero, and small adjustments to the Consumer Staples -2.5%, Energy +2.5% and Technology +2.5%. The model doesn’t see the curve steepening with longer term yields being bolstered by a seemingly dovish Fed comments. Technical factors are still showing the market being overbought in most sectors. AR’s model removed its over-weighting to Utilities in July, and is now fairly equal weighted across equity sectors.

- U.S. equities outperformed Europe in local currency terms in July, with technology outperforming despite rich valuations. US equities indices remained above their 200-day moving average. Fundamentals improved with earning growth above expectations. These gains were despite some mixed economic data and amid political uncertainty over the ability of the US administration to push through its fiscally expansive policies.
- Geo-political risks remained high and still the primary focus.
- Low financial volatility and robust risk appetite drove developed market stocks in July. In the U.S., equities returned 2.1% amid a strong start to the second quarter earnings season, led by technology and financial companies.
- The U.S. dollar was further challenged with the USD index breaking below 94 for the first time in a year.
- The 10-year Treasury yield remained stuck in a narrow range between 2.24% and 2.38% during the month.
- The economic positives worth noting were:
 - GDP growth, which rose to 2.6 percent annualized, was up from 1.4 percent in the first quarter.
 - Strong business sentiment remains a positive factor. The ISM Manufacturing and Nonmanufacturing indices increased more than expected for the month.
 - Consumer confidence Index rose in July and there was better-than-expected business investment figures.
 - Industrial production was up as well, by 0.4 percent, capping the strongest quarterly increase in three years. Growth was widespread, with mining, manufacturing, and utilities output all expanding in the second quarter. Continued strength from industrial production could help reinforce second-half growth.
- Conversely, the negative economics were:
 - Retail sales data for June was actually down by 0.2 percent, against expectations for modest growth. Although the level of decrease is small, however this is an important sector of the economy and bears monitoring.
 - Consumer price index rose 0.1% in July, less than consensus expectations. Over the past 12 months, prices have increased 1.7%, which is less than the Federal Reserve’s 2% inflation target.
 - Housing sales data was mixed. Existing home sales decreased slightly, while new home sales increased in line with expectations. More worrying is an ongoing decline in affordability, as price increases are outpacing wage gains.



U.S. Market Recap for July 2017

	Month	Year-to-Date
S&P 500	1.93%	10.14%
NASDAQ	3.38%	17.59%
Russell 1000	1.86%	10.02%
10-Year Treasury Notes	2.31%	-0.14%

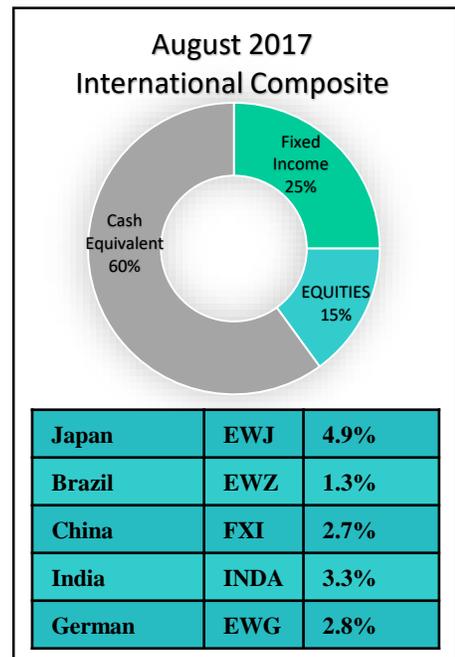
Yahoo Finance, July 31, 2017. The market indexes discussed are unmanaged and generally considered representative of their respective markets. Individuals cannot directly invest in unmanaged indexes. Past performance does not guarantee future results. U.S. Treasury Notes are guaranteed by the federal government as to the timely payment of principal and interest. However, if you sell a Treasury Note prior to maturity, it may be worth more or less than the original price paid.

International & Dynamic Blend Composites

AllocateRite's two new models include AllocateRite Diversified International Composite ("ARINTNL") and AllocateRite Global Dynamic Blend Composite ("ARDYBLD") strategies. 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 currently weighted at 59.94% and 40.06%, respectively.

The Diversified International Composite (ARINTNL) remained static in its allocation to risk assets at 15% with slight adjustments across country groups for the August rebalancing.

- Rising economic optimism in Europe propelled overseas markets higher; the MSCI-EAFE Index climbed 2.58 percent.
- The surge in the euro has triggered concerns that European exporters' earnings could suffer as a result, despite steady domestic economic fundamentals.
- European government bond market saw limited volatility in July.
- The ECB conveyed that stimulus will continue in the short term making a case for European equities. The European Central Bank remained on track with its asset purchase program with no view to how 2018 roll back would be orchestrated. This is all despite the better economic data.
- Asian equities continue their outperformance relative to developed markets, especially taking into account additional return from local currency appreciation against the U.S. dollar. Hong Kong, India and Singapore were strong performers in Asia.
- The Japanese market trended marginally upwards during July to end the month 0.4% higher this was despite the yen appreciating against the dollar in the second half of the month.
- Emerging markets were supported by positive currency and solid growth in China and India.
 - China recorded a strong return as second quarter (Q2) GDP increased 6.9% year-on-year, showing overall small impact from the authorities' moves to selectively tighten liquidity.
 - Recent acceleration in overseas economic growth and compelling valuations as compared to the U.S. is being reflected in international stock price outperformance.



The optimal ratio of the Global Dynamic Blend Composite (ARDYBLD) for the August rebalancing moved slightly back towards greater Domestic Composite exposure primarily for technical reasons attributed to the large upward currency moves versus the USD.

- We still see the following in place:
 - Better technicals and fundamentals
 - Relatively cheaper valuations
 - Better macroeconomic underpinning
(as implied by relative economic growth between Asia, Europe and U.S.)

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

