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

Monthly Rebalancing Bulletin and Commentary

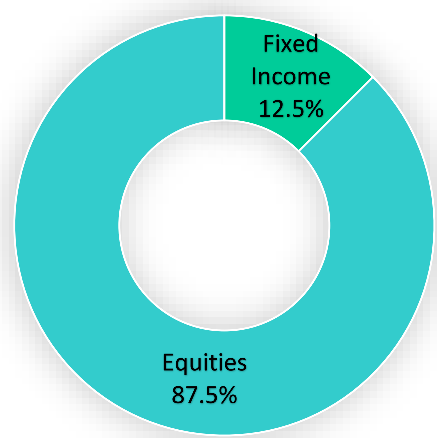
November 1, 2017

U.S. Domestic Composite

On November 1, 2017, the U.S. Domestic Composite ("ARUSDOM"- Bloomberg ticker) moved to a "risk on" posture by significantly increasing its allocation to Equities (+65%) while reducing the Cash allocation to zero. Within Equities, the sectors are effectively equally weighted at 10%. S&P 500 and global markets were up 20% since the November election.

- The S&P 500 posted new closing highs for half of the October trading days. The S&P 500 gained 2.33%, while U.S. small cap stocks rose 0.95%. Third quarter earnings reported as of Oct. 31st showed 74% beating estimates and reported sales beat 65% of the time with an expected 5.6% year-over-year gain. Current sales growth is a major driver to the market moving higher.
- Technology, Utilities, Materials and Financials were the best performing sectors. While Consumer Staples, Healthcare and Energy were losers. Information technology was the big winner, adding 7.67% for the month and up 35.69% YTD.
- The economic positives were-
    - A sharp rebound in productivity this year, the year-over-year change moved up to 1.5%; while it's running at a 3% annualized rate as of the third quarter.
    - Both US personal income and spending reports were strong in September. A 0.4% monthly increase in personal income, following an increase of 0.2% in August, was the largest in seven months.
    - Personal spending rose 1.0% on the month, the biggest gain since August 2009, driven by spending on autos and gasoline.
    - Housing remains strong as the Case- Shiller home price index recorded a three-year high on a year over year increase of 5.9%.
- While the negative economics were:
    - The savings rate declined from 3.6% to 3.1%, the lowest since December 2007.
    - September inflation rose another 0.5% over the month, pushing the y/y number to 2.2% from 1.9% in August. Core inflation remained flat on a y/y basis, rising 0.1% over the month and 1.7% y/y.
- VIX continues to hold at historic lows around 10. Dow has gone 51 straight trading days without an intraday swing of at least 1%
- The US yield curve remains flat as the market prices in a further increase in short-term rates and low inflation and lower growth in the longer term. Government bonds trended down over the month with the US Treasury 10-year yields widening from 2.33% to 2.38%.
    - The credit markets have become a broad market focus recently as spreads have begun to widen across both the investment grade and high-yield complexes.

U.S. Domestic Composite
November 2017



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	▼

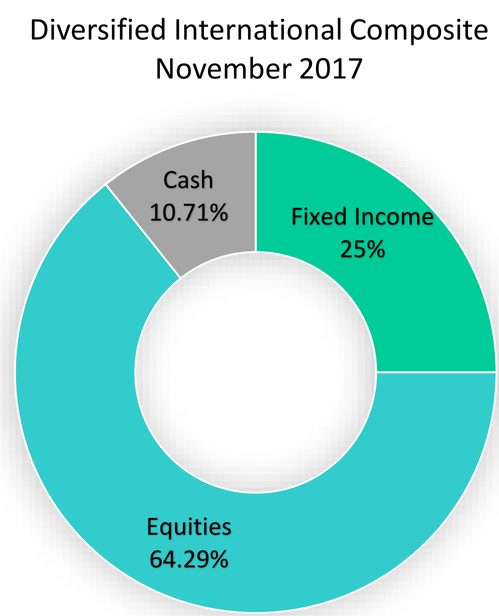
LEGEND
▲ Out-perform
▼ Under-perform
■ Hold signal

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 Diversified International model ("ARINTNL"- Bloomberg ticker) significantly increased its allocation to risk assets from 25% to 64.29% with large adjustments across all country groups for the November rebalancing. The largest allocation changes going to Japan and Germany.

- Outside the United States, emerging-market stocks returned +3.51% and developed-market stocks +1.52% (MSCI Emerging Markets and EAFE indices).
- The synchronized recovery in global growth is driving better earnings. This coupled with expectations that global liquidity conditions are to remain loose suggests a positive backdrop for equities.
- Improvement in Eurozones's macro data despite a stronger euro.
- Interest rates are expected to be kept on hold in the Eurozone and Japan.
- **E**urozone highlights-
    - The Eurozone Q3 2017 GDP growth came in at 2.5% (annualized) and the strongest quarter since Q1 of 2011.
    - GDP and manufacturing are expanding across the Eurozone, with the Markit manufacturing index showing the highest reading in 80 months. The services index also remains in solidly expansionary mode (Source: IHS Markit);
    - Unemployment has fallen to 8.9%, an 8-year low, and annualized inflation fell to 1.4%.
    - ECB President Mario Draghi "tapering" statement about quantitative easing in the Eurozone was considered dovish and well within the "lower for longer" category.
    - Bund 10-year yields moved from 0.47% to 0.37%.
- In Japan-
    - Japanese equities exhibited strong earnings growth and analysts are revising up their forward earnings expectations on this market.
    - Competitive margins of domestic corporates and solid growth momentum underpinning the economy.
    - Should benefit from an environment where the yen weakens, as a result of the BoJ retaining ultra-accommodative monetary policy
    - Japanese equities provide exposure to attractive valuations compared to history and other markets.
- China newsworthy items for October -
    - Chinese stocks reached a 26-month high supported by stronger economic data, stability in the Chinese yuan and a cut in the reserve ratio requirement (RRR) for banks.
    - China's Communist Party's 19th Party Congress that convened over the month had little impact the market as there were no surprises, only a foundation for some acceleration of reform.



Japan	EWJ	+16.8%
Brazil	EWZ	+4.6%
China	FXI	+5.0%
India	INDA	+6.4%
Germany	EWG	+11.5%

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International & Dynamic Blend Composites

The optimal ratio for the Global Dynamic Blend Composite (ARDYBLD) was reweighted at 60.00% to U.S. Domestic and 40.00% to International as of the November rebalancing.

AR continued to move slightly further away from Diversified International exposure within the Global Dynamic Blend Composite due to growing positive sentiment in the U.S. and growth in U.S. corporate earnings.

- Positives-
  - Increasing earnings growth, coupled with slowly rising interest rates, still make stocks look attractive in relative terms.
  - Possibility for upside surprises on the U.S. fiscal front, as investors have low expectations on the ability of the Trump administration to push through tax, infrastructure and regulatory policies.
- Negatives-
  - Normalization of monetary policy by the Fed will put a squeeze on corporate profit margins and earnings growth. The European Central Bank is assumed to begin to taper quantitative easing (QE) next year. This combined with the Fed reducing its balance sheet will challenge the overall market liquidity in 2018.
  - Emerging Markets expansionary economic policy is accompanied by growing imbalances, especially a high and increasing level of consumer debt and inflationary property prices. On the other hand, the negative effects of the US Dollar recently abated, as the cost of servicing the large number of Dollar-denominated loans decreased in local-currency terms.
  - Government bonds of developed countries still appear to be overpriced.

- Justification for adding to Diversified International exposure over the longer term –

  - Better than expected eurozone economic growth, with inflation slowing from an already low level.
  - Abe's win ensures the continuation of "Abenomics," which is credited with boosting the Japanese economy.
  - Equity market valuations while already high in the US, on average, they appear to be fair in Europe and attractive in the emerging markets.
  - Interest rates are expected to be kept on hold in the Eurozone and Japan.

Dynamic Blend Composite
November 2017