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

Monthly Rebalancing Bulletin and Commentary

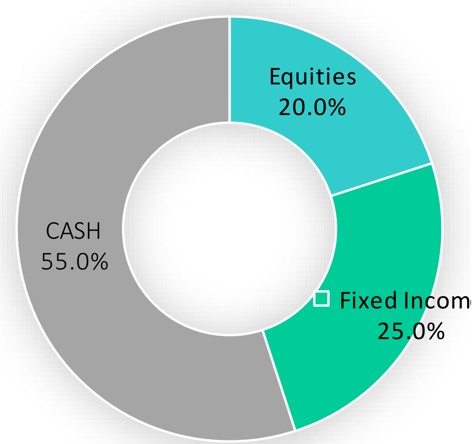
November 7, 2018

U.S. Domestic Composite

On November 7, 2018 U.S. Domestic Composite ("ARUSDOM"- Bloomberg ticker) made a dramatic rebalancing realignment to a "risk off" posture. Equities exposure was significantly reduced from 90% to 20%, while the Cash position jumped from 0% to 55%.

- The S&P 500 closed at 2,711.74, down -6.94%. All other equity markets also fell on the month. Value stocks outperformed growth.
- Performance was significantly negative across a number of sectors with the steepest losses hitting Energy (-11.87 percent) Industrials (-11.54 percent), Materials (-10.41 percent), and Technology (-10.14 percent). Utilities (+3.19 percent) and Consumer Staples (+2.97 percent) faired the best, while Real Estate was essentially flat -0.25%.
- Technical showed the S&P 500 making a lower low after a lower high and Relative Strength Index (RSI) has moved into the lower half of the range, possibly pushing the market from up-trend to down-trend.
- Momentum and breadth have yet to provide evidence that downside risks are waning.
- Increased volatility levels has allowed investor sentiment to drop out of the excessive optimism zone according to the New Davis Research (NDR) Crowd Sentiment Poll.
- The Fed's continued hawkish tilt, as seen in the recently-released Federal Open Market Committee (FOMC) minutes, has raised concerns about the Fed moving too quickly or too far—especially given still-subdued inflation.
- Earnings growth rates while still strong have been trending down this year, to an expected 24% in the third quarter.
- Long-duration fixed income assets moved lower with US yields moving higher. The 10-year Treasury increased 10bps to 3.14% and the 30-year Treasury increased 20bps to 3.39%.
- Headline consumer price index fell to 2.3% year on year in October. Wholesale inflation (PPI) surged in October, the fastest pace in six years.
- The Merrill Lynch MOVE Index, an indicator of bond market volatility, and corporate credit spreads have not showed the same elevated levels as the VIX.
- The economic data continued to show strength-
    - The PMI for manufacturing increased from 55.6 in September to 55.9 in October, a five-month high and a level consistent with strong growth of activity.
    - Output by the nation's factories, mines, and utilities rose 0.3 percent, the fourth-consecutive month industrial production has increased.
    - Retail sales rose 0.1 percent.
- Less positive economic news-
    - Housing starts declined 5.3% and existing homes sales fell 3.4% as rising borrowing costs and higher home prices dampened new construction.
    - The high level of debt throughout the economic system (i.e. pensions), have been left in abeyance by low interest rates and strong growth.

U.S. Domestic Composite
November 2018



AllocateRite Model's Trending Indicators

EQUITIES	
Consumer discretionary	▼
Consumer staples	▼
Energy	▼
Financial	▼
Healthcare	▼
Industrial	▼
Materials	▼
Technology	▼
Utilities	▼
Real-Estate	▼
Communications Services	▼
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) greatly reduced its overall risk assets allocation from 70.6% to 20.0%.

- The MSCI EAFE Index of developed markets slid 9.4% in October, while the MSCI Emerging Markets Index lost 8.71%. Both indices remained well below their 200-day moving averages.

Eurozone:
- EU rejected Italy's budget plan for 2019 which included a deficit of 2.4 percent. The projected deficit was three times greater than proposed by the previous Italian government.
- Italian economy grew by just 0.1% in the third quarter of the year.
- Chancellor Merkel said that she will now resign as chairman of her Christian Democrat party and not seek another term in office in 2021.
- The European Union (EU) reported considerable deceleration over the third quarter with real GDP slightly up (0.2%) from the previous quarter and up 1.7% from a year earlier.
- The latest purchasing managers' indices (PMIs) for the eurozone are at their lowest level in two years. Eurozone composite PMI fell to 52.7 in October.
- Euro government bonds remained flat on the month and Italian bonds fell 1.4%. German bunds rose by 0.6%.
- Loan growth to non-financial corporates for September picked up to 3.1% year on year – the highest since 2009.

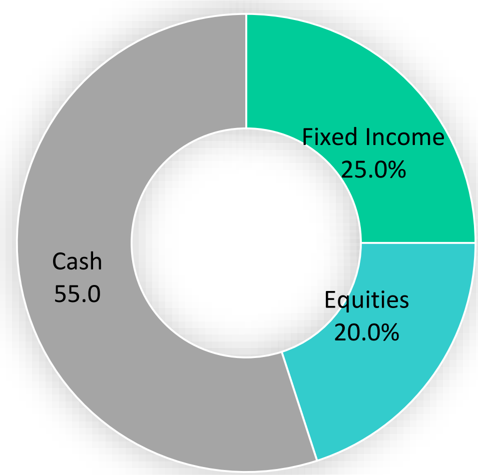
Japan:
- The PMI increased from 52.5 in September to 53.1 in October. Additionally, most major sub-indices indicated accelerating growth.
- Japanese equities fell 9.1%.
- Japanese yen rebounded for a 1% monthly gain as investors sought safe havens amid the market
- The Bank of Japan maintained negative short-term interest rates and held its target for annual government bond purchases at 80 trillion yen.

China:
- Chinese looked to push market confidence through policy measures to help Chinese companies, proposed tax cuts for individuals and increasing liquidity in the economy.
- China's economy grew 6.5% in the third quarter, the slowest pace since 2009.

Brazil:
- Right-wing, pro-business candidate Jair Bolsonaro won Brazil's presidential election.
- Brazilian stocks were up 18.0% in October.

India:
- Indian stocks declined 6.4%.
- The rupee remained near record lows against the dollar.
- Growing current account deficit and nonperforming loans contributed to weaker sentiment.

Diversified International Composite
November 2018



Change in Country Allocations:

Japan	**EWJ**	**-17.1%**
Brazil	**EWZ**	**-5.5%**
China	**FXI**	**-6.7%**
India	**INDA**	**-10.7%**
Germany	**EWG**	**-10.5%**

ALLOCATE RITE | Cloud-Based AI-Powered Digital Asset Management Technology™

International & Dynamic Blend Composites

The optimal ratio for the Global Dynamic Blend Composite (ARDYBLD) has been dramatically reduced for the U.S. Domestic allocation as of the November rebalancing to 54.4% and up for the Diversified International to 45.6%.

AR allocation reversed course significantly increasing its exposure to the Diversified International Composite. This moves the weighting closer to our longer-term view that the emerging and developed international economies have better fundamentals supporting it.

- U.S. market's positive growth and fiscal stimulus continues to support the slightly higher allocation-
  - U.S. economy continues to expand at an above-trend rate, buoyed by tax reform and deficit spending.
  - U.S. growth expectations outpaced those of Europe.
  - The strong jobs market is driving consumer and business spending.
  - The US economy is growing and corporate profits continue to rise.
  - Longer term caution for the U.S market:
    - 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. Also, Japan and China plan to participate less vigorously in Treasury auctions because of tariff issues.
    - Current valuations have fallen but remain above average.
    - Danger of extensive fiscal stimulus in a full employment economy could lead to overheating.
    - Yield curve flattening concerns
    - Cash equivalents yields becoming attractive.
    - Escalating trade war impacting the economy delaying investments.
- Diversified International exposure–
  - Monetary tightening in developed markets, political uncertainty, and concerns over global trade protectionism continue to weigh heavily on these markets even though underlying fundamentals remain supportive in most cases.
  - Current growth in the eurozone has slowed significantly.
  - Political differences within the European Union and the uncertainty surrounding the Brexit negotiations all have the potential to increase uncertainty and derail the EU recovery in the medium term.
  - Emerging market countries commodity exports have been hurt by falling commodity prices in recent months amid a stronger U.S. dollar.
  - Higher U.S. short-term rates mean renewed competition for capital as investors are able to get above-inflation returns in short-term "risk-free" debt with lower risk.
  - Positives still include:
    - International stocks have better valuations than the U.S. markets.
    - U.S. shares are trading at a greater premium to the MSCI All Country World Index based on the strength of growth prospects.
    - Lessening, but still more accommodative central banks' policy adding a further buffer.