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

Monthly Rebalancing Bulletin and Commentary

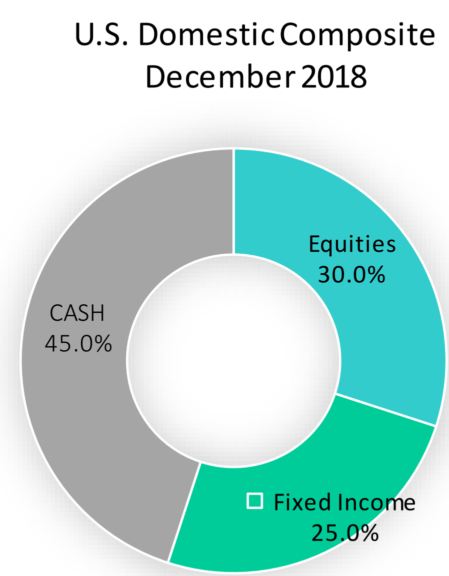
December 4, 2018

U.S. Domestic Composite

On December 4, 2018 U.S. Domestic Composite ("ARUSDOM"- Bloomberg ticker) the monthly rebalancing marginally increased its risk position, maintaining a "risk off" posture. Equities exposure increased to 30% from 20%, while the Cash position moved down from 55% to 45%.

- The S&P 500 closed at 2,760.17, up 1.79%. The index briefly touched correction mode, closing down 10.17% on Nov. 26, 201, however rallied later in the month on the view of a more dovish tone on rate hikes from U.S. Fed Chair Powell.
- Most sectors gained during the month. Healthcare was the top performing sector in November, up 6.8%. Other large gainers were Real Estate (+5.30%) and Consumer Discretionary (+3.47%). Energy was the worst performer in the S&P 500 (-11.33%), as WTI crude declined 22% in November to close at $50.93. However, Energy Select Sector SPDR ETF (XLE) weighted heavily to large caps was down much less (-1.64%).
- Earnings per share (EPS) grew in excess of 25% y/y.
- Midterm elections were broadly as markets expected. The Democrats now controlling the House, and the Republicans increasing their majority in the Senate. With a divided Congress, additional fiscal stimulus will be less likely.
- Volatility decreased but remained high, as 8 days posted 1% moves.
- Inflation continued to remain stable for now.
- The U.S. dollar remains strong making new 52-week highs in early November.
- The 10-year U.S. Treasury Bond closed the month at 2.99%, down from last month's 3.14%.
- Treasury yield curve showed five-year Treasury notes fell below two- and three-year Treasury yields. The more closely watched 2- to 10-year portion of the yield curve did not invert but was trading at its tightest level since 2007.
- The economic data continued to show strength-
    - The second estimate of 3Q U.S. GDP growth remained at 3.5% q/q.
    - Conference Board's index of leading economic indicators increased 0.1 percent in October and is up 5.9 percent from a year earlier, evidence of continued economic expansion.
    - University of Michigan's Consumer Sentiment Index for November was 97.5, down from October's 98.6.
    - ISM Manufacturing Index beat forecasts rising to 59.3% in November. The new orders index moved up to 62.1%, employment index rose to 58.4% and the production index rose to 60.6%.

  Less positive economic news-
    - The National Association of Homebuilder's index of builder confidence fell from 68 to 60, its lowest level in more than two years.
    - New home sales fell 8.9%, while existing homes fell 2.6% in October from September.
    - The advance report for orders for durable goods fell 4.4 percent in October from September, the biggest monthly drop since July of 2017, as defense spending plummeted 59.3 percent.



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

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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 overall risk assets allocation from 20.0% to 35.0%.

- The MSCI EAFE Index of developed markets slid 0.13% in November, while the MSCI Emerging Markets Index was up 4.12%. Both indices remain below their 200–day moving averages.
- A common denominator impacting global growth is the trade battles among the U.S., China and others. Tariffs have started to affect some businesses, and worries about further worsening is weighing on sentiment and decision making.
- MSCI World and MSCI EM indexes are now trading at forward multiples of 14.5 and 10.6 times respectively, compared to 17.0 and 12.4 a year ago.

Eurozone:

- Eurozone continued to show signs of weakness with geopolitical events dominating market moves over the course of month.
- Some progress was achieved on Brexit as a withdrawal agreement was agreed between the UK and the European Union (EU).
- The second estimate of GDP growth for the third quarter was disappointing with a growth rate that remained at 1.7% y/y.
- Consumer prices were up 2.0% in November versus a year earlier, down from 2.2% inflation in October. Core prices were up 1.0% versus a year earlier, well below the ECB's target of 2.0%.
- German GDP was down -0.2% q/q, a sharp decline in industrial production in the third quarter related primarily to new vehicle emission standards.
- The European Commission rejected the Italian budget law after no significant changes were made to the first spending proposal under the new government.
- Italy's 10-year government debt yield fell 8 bps to 3.41%. The spread between Italian and German 10-year government bond yields fell back below 300 bps.

Japan:

- Real third-quarter GDP growth contracted by 0.3% q/q.
- Japan's industrial production index rose 2.9% on the month (seasonally adjusted), well above the consensus forecast of 1.2%.
- Japan's Consumer Price Index (CPI) remained steady at 0.4% in October from a year ago.

China:

- October consumer spending in China at slowest pace in five months while bank lending fell. Retail sales growth slipped to 8.6% y/y from 9.2% in September.
- GDP growth slipped to 6.5% y/y in Q3 from 6.7% in Q2.
- China's CFLP Manufacturing PMI headline index fell from 50.2 in October to 50.0 in November, its lowest level since July 2016.

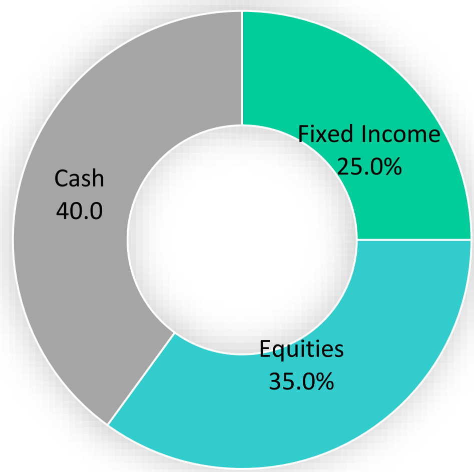
Brazil:

- Bovespa added 3.01%.The Brazilian economy expanded 0.8% q/q.

India:

- The Indian equity markets enjoyed their best month in the quarter.
- The rupee continued to strengthen against the US dollar.

Diversified International Composite
December 2018



Change in Country Allocations:

Japan	**EWJ**	**3.9%**
Brazil	**EWZ**	**2.5%**
China	**FXI**	**2.1%**
India	**INDA**	**3.2%**
Germany	**EWG**	**3.3%**

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International & Dynamic Blend Composites

The optimal ratio for the Global Dynamic Blend Composite (ARDYBLD) has further been reduced for the U.S. Domestic allocation as of the December rebalancing to 48.9% and up for the Diversified International to 51.1%.

AR allocation continued to increase its exposure to the Diversified International Composite supporting the longer-term view that the emerging and developed international economies have better fundamentals.

- U.S. Domestic allocation moved lower as signs of risks grow-
    - U.S. economy continues to expand, buoyed by tax reform and deficit spending adding further momentum to the US business cycle.
    - The strong jobs market is driving consumer and business spending.
    - Longer term cautionary view 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.
        - Slope of the US yield curve on cusp of inversion.
        - Current valuations lower, still high.
        - The SKEW index, which gauges the cost of insuring against large drops in stock prices, has increased sharply in recent months.
        - Inflation risks from extensive fiscal stimulus and full employment.
        - Escalating trade war hurting economy and delaying investments.
- Diversified International exposure increased above 50% allocation–
    - Positives:
        - Long-term growth prospects and cheap absolute and relative valuations support international equities.
        - Underlying fundamentals remain supportive in most cases.
    - Cautionary notes:
        - Monetary tightening in developed markets, political uncertainty, and concerns over global trade protectionism.
        - Euro area economy continues to grow and show improved banking sector resilience supporting the financial stability environment.
        - Political differences and policy uncertainty have increased within the European Union. The potential of these and issues surrounding Brexit pose a treat to derailing the EU recovery in the medium term.
        - Emerging market countries commodity exports are still being hurt by lower commodity prices in recent months amid a stronger U.S. dollar.
- Overall:
        - Higher U.S. short-term rates creating competition for capital as investors are able to get above-inflation returns in short-term “risk-free” debt with lower risk.
        - Vulnerabilities increasing amid pockets of high valuations and compressed global risk premia.
        - Renewed debt sustainability concerns.
        - Increasing liquidity strains on investment funds.
        - The valuation levels in the US and Europe have come down significantly. Japan and most of Asia ex Japan are trading below fair value.

Dynamic Blend Composite
December 2018