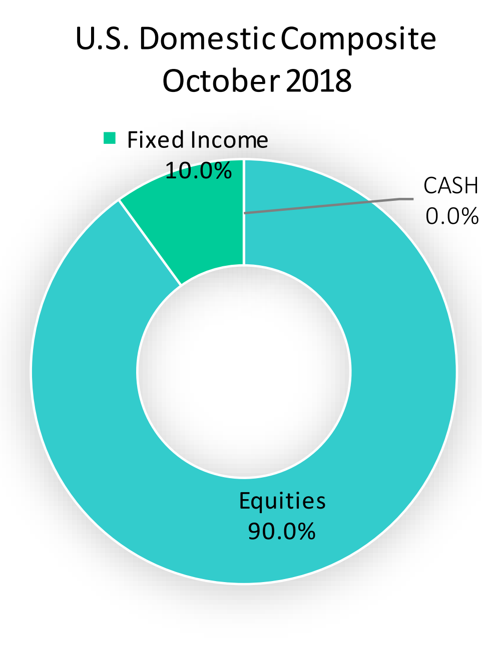
ALLOCATE RITE | Cloud-Based AI-Powered Digital Asset Management Technology™

Monthly Rebalancing Bulletin and Commentary

October 3, 2018

U.S. Domestic Composite

On October 3, 2018 U.S. Domestic Composite ("ARUSDOM"- Bloomberg ticker) monthly rebalancing left the asset allocations unchanged. However, within the Equities, adjustments were made to incorporate MSCI's new Communications Services sector. Also, there was an increase to Materials sector and a reduction to the Utilities sector.



- The S&P 500 closed at 2,913.98, up 0.43% (up 0.57% with dividends).
- Morgan Stanley Capital International created a new communication services sector ("XLC") that replaces the existing telecommunication services sector. The change took effect on September 28th. XLC is expanded to also include many of the companies that previously resided in the consumer discretionary sector, such as the traditional media and cable firms, as well companies currently in the technology sector. The technology sector is reduced from around 26% of the S&P index to roughly 21%.
- The best performer for September was the Communication Services, up 4.26%, and worst Real Estate, off 3.17%. Health Care continued to outperform, adding 2.80%. Energy increased 2.43%, as oil moved up (helped by OPEC not increasing production). Information Technology fell 0.39% in September.
- Following a prospective deal with Canada, trade issues between the U.S. and most of the world appear generally positive. U.S./China relationship is certainly deteriorating. Trump implemented another USD 200 billion in tariffs on China, effective Sept. 24, 2018, at a 10% rate, and increasing to 25% on Jan. 1, 2019. China has retaliated with tariffs on about $110 billion.
- Federal Reserve raised its target for the federal funds rate to a range of 2.00%-2.25%. The language in its statement and its economic projections was slightly more hawkish removing reference to monetary policy being 'accommodative'.
- The 10-year U.S. Treasury Bond closed the month at 3.06%, up from last month's 2.86%. The spread between two and ten years was static for month.
- The economic data again showed further strength-
    - Conference Board Consumer Confidence Index® increased to 138.4 in September, from 134.7 in August and near an 18-year high.
    - The ISM Manufacturing Index for September eased from a very strong 61.3 in August, to a still-strong reading of 59.8 in September, indicating very good conditions for U.S. manufacturers. The ISM non-manufacturing index hit a 21-year high in September, leaping 3.1 points to 61.6.
    - Durable goods orders rose 4.5% in August, helped by aircraft and defense orders.
- Some less positive economic news-
    - Total construction spending for August inched up by 0.1 percent following a 0.2 percent gain in July. New homes sales improved in August, up 3.5 percent to a 629,000 unit annual rate. The trend still looks soft.

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) slightly added to its overall risk assets allocation from 66.7% to 67.6%.

- The MSCI EAFE Index of developed markets gained 0.87% in September, while the MSCI Emerging Markets Index lost 0.50%. Both indices remained below their 200-day moving averages.
- Major central banks started to reduce their holdings of government debt.

Eurozone:

- Italy released a draft budget targeting a fiscal deficit of 2.4% for 2019 to 2021, higher than expected and much larger than EU limits.
- The euro weakened 0.8% on soft economic data and the fear of contagion from Turkey's crisis.
- Core inflation (excluding energy prices) rose to 1.1 percent. Overall inflation reached 2.1 percent above the ECB's target of 2%, but in line with expectations.
- German August Ifo Business Climate Index remained very positive at 103.9 while Purchasing Managers Index reading of 54.5 in September continue to signal fairly robust growth and continuing expansion.
- Consumer confidence has fallen steadily since the start of the year, with a particularly sharp decline in France.

Japan:

- Japanese equities increased 1.4% amid mixed economic data.
- Bank of Japan (BOJ) has once again left the benchmark interest rate unchanged.16
- The Japanese yen strengthened 0.8% over the month.
- Manufacturing PMI increased from 52.5 in August to 52.9 in September.
- Japan released some very strong core machine orders data for August.

China:

- China, faced with the external headwind of US tariffs, are now easing policy to support domestic growth, while maintaining regulatory pressure on shadow lending.
- China's central bank, left interest rates unchanged

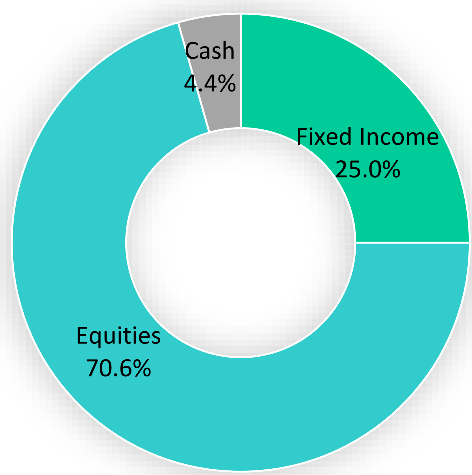
Brazil:

- The current account deficit in Brazil shrank to $0.7bn in August versus 4.4bn in July.
- Foreign Direct Investment was also better than expected at $10.6bn.

India:

- Fiscal deficit continued to widen in August to 3.7% of GDP due to weaker receipts.
- Reserve Bank of India (RBI) left its benchmark interest rate unchanged in September.

Diversified International Composite
October 2018



Change in Country Allocations:

Japan	**EWJ**	**+2.2%**
Brazil	**EWZ**	**+0.3%**
China	**FXI**	**+1.0%**
India	**INDA**	**-1.5%**
Germany	**EWG**	**+1.0%**

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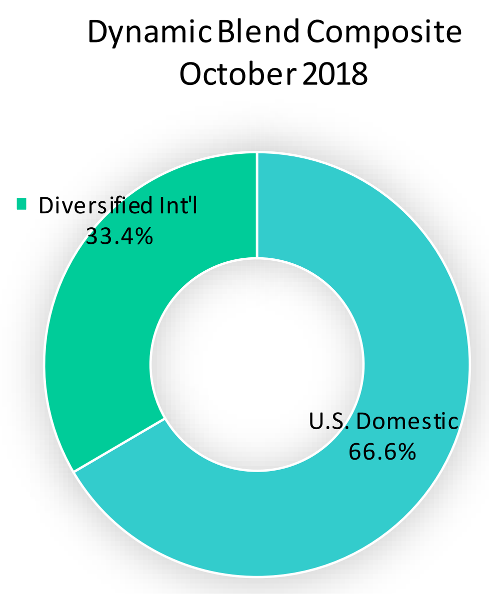
International & Dynamic Blend Composites

The optimal ratio for the Global Dynamic Blend Composite (ARDYBLD) has increased slightly to 66.6% for the U.S. Domestic allocation and down to 33.4% for the Diversified International as of the October rebalancing.

AR allocation again reduced its exposure to the Diversified International Composite. Supporting a shorter-term view that the U.S. economy continues to provide better prospects for growth and relative out-performance.



- U.S. market's positive growth and fiscal stimulus supports the increased 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.
    - 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.
    - Escalating trade war impacting the economy delaying investments.
- Diversified International exposure decreased significantly–
  - Monetary tightening in developed markets, political uncertainty, and concerns over global trade protectionism have weighed heavily on these markets even though underlying fundamentals remain supportive in most cases.
  - Current growth in the eurozone is mainly driven by a good performance of the labor market, translating to consumption growth.
  - 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 12% 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.