Cloud-Based AI-Powered Digital Asset Management Technology™

Monthly Rebalancing Bulletin and Commentary

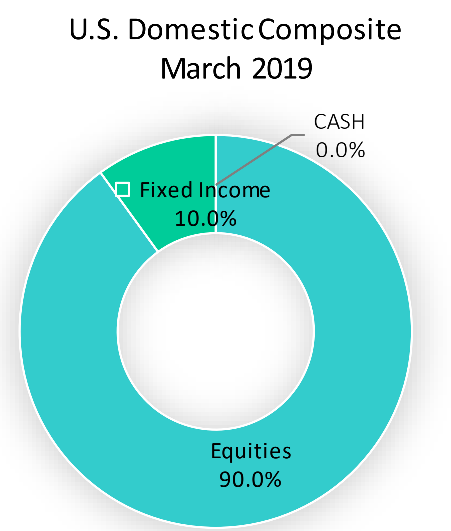
March 6, 2019

U.S. Domestic Composite

On March 6, 2019, the U.S. Domestic Composite's ("ARUSDOM"- Bloomberg ticker) maintained its "risk on" posture. Equities exposure remained at 90% and Fixed Income at 10%.

- The S&P 500 gained 2.97%, up year-to-date 11.1% (11.5% with dividends).
- The bull market will be 10 years old on March 9th; through February it is up 312%, up 407% with dividends.
- All sectors were again positive in February for the second consecutive month. The best performing sector- Technology was up 6.63%, followed by Industrials up another 6.06%, (18.11% YTD). Consumer Discretionary was the **worst performing sector up marginally** (+0.65%).
- S&P 500 earnings grew by about 13% in Q4, highlighted by sales growth up 1.8% over Q3 2018 and up 5.4% year-over-year.
- Congress and the White House reached an agreement early in February to end the U.S. government shutdown.
- Temporary resolution to the U.S.-China trade dispute helped boost market sentiment in February.
- Stronger-than-expected fourth-quarter GDP report eased some concerns about the state of the U.S. economy. Initial estimate of fourth-quarter growth: 2.6%, down from 3.4% in Q3.
- The minutes of the January FOMC meeting confirmed the dovish shift in thinking at the Federal Reserve, with "patience" remaining the operative word.
- CBOE Volatility Index (VIX) fell to multi-month lows.
- The U.S. dollar ended the month 0.6% stronger against its G10 counterparts.
- The 10-year U.S. Treasury Bond closed the month at 2.72%, up 8 bps; 2-year ended at 2.51%; overall the slope of the yield curve remained fairly static.
- Credit spreads broadly decreased in February; the Barclays U.S. High Yield Index gained 1.78%.
- U.S. economic data showed some better results –
    - The ISM Non-Manufacturing Index rose to 59.7 in February, vs. 56.7 in January. Growth in business activity and new orders rose significantly.
    - As the accompanying chart shows, U.S. GDP grew at 2.6% in the fourth quarter, after adjusting for seasonal variances.
    - The Conference Board's Leading Economic Index (LEI), rose 3.5% year over year in January, its 110th straight gain.
    - Both the PPI and CPI remained sedate gaining just 0.1% and 0.2% for the month and up 1.9% and 1.5% over the last 12 months, respectively.
    - Independent Business's Small Business Optimism Index was up slightly after five previous down months.

    On the negative side -
    - U.S. Trade Deficit widened to $59.8 billion in December.
    - Retail sales fell 1.2% in December, the largest drop in 10 years.



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) slightly adjusted down its overall Equities risk allocation from 70.8% to 69.0%.

- The MSCI World ex USA Index (developed markets) was up 2.36% net for the month, while the MSCI Emerging Markets Index (MSCI EM) increased marginally up 0.10%, gains were offset by a stronger US dollar.

Eurozone:

- The German DAX index rose 3.1% in the month helped by the thaw in relations between the US and China.
- The European Central Bank further lowered its 2019 growth forecast, announced it would keep interest rates on hold until at least the end of this year, and provide a new wave of cheap funding for European banks.
- The flash Eurozone composite PMI for February came in at 51.4, up from 51.0 in January, however the manufacturing component **fell to 49.2**, indicating contraction, its first downturn since mid-2013.
- February economic data confirmed that Italy had slipped into recession.
- The 10-year Italian BTP vs. German Bund spread declined to 254 basis points.
- EU unemployment rate fell 0.1% to **6.5%, the** lowest in nearly two decades.

Japan:

- Japanese stocks rose in local currency terms, but a 2% drop in the Japanese yen against the U.S. dollar offset the gains.
- Japanese real Q4 GDP growth rebounded **driven by consumption**, up to 1.4% Q- on- Q annualized (up from -2.6% in Q3). However, the latest manufacturing PMI fell to 48.5.
- Yield curve modestly flattened, with shorter-term yields unchanged and long-term yields edging lower – the Japanese 10-year yield fell three bps to 0.02%.
- Bank of Japan (BoJ) Governor Haruhiko Kuroda said that the central bank could still pursue further easing in its already ultra accommodative monetary policy.

China:

- MSCI China Index returned 3.5%.
- China's equity markets were supported by MSCI's announcement of a significant increase in the weights of China A-shares in its global indexes, outlook for trade talks and domestic stimulus measures.
- China's official NBS manufacturing PMI slipped to 49.2 in Feb., the weakest since Feb 2016.
- China's **National People's Congress** also lowered its 2019 target growth rate.

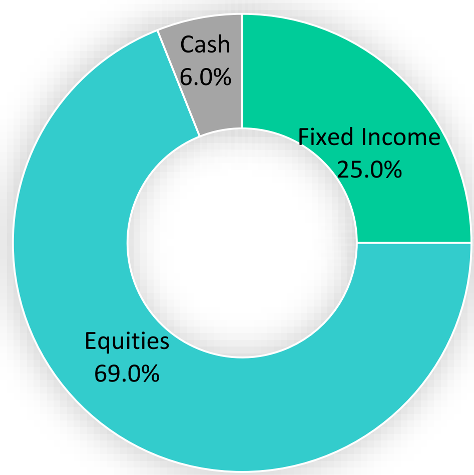
Brazil:

- **Bovespa fell 1.9%,**
- Brazilian central bank kept rates on hold.

India:

- India stocks fell 1.0%, weighed down by continued recovery in energy prices.
- In India, central bankers are talking about lowering interest rates.

Diversified International Composite
March 2019



Change in Country Allocations:

Japan	**EWJ**	**-1.1%**
Brazil	**EWZ**	**-1.9%**
China	**FXI**	**0.1%**
India	**INDA**	**-1.3%**
Germany	**EWG**	**1.9%**

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

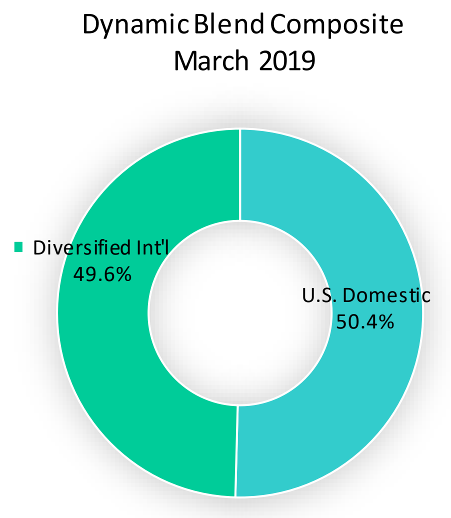
International & Dynamic Blend Composites

As of the March 6, 2019 rebalancing, the optimal ratio for the Global Dynamic Blend Composite (ARDYBLD) bounced back in favor of the U.S. Domestic Composite(increasing to 50.4% from 43.1%) and bringing the Diversified International allocation down to 49.6%.

- U.S. Domestic's increased allocation level was supported by the following-
    - S&P P/E ratio forward estimates relative to interest rate curve.
    - Improved outlook for trade negotiations with China.
    - Recent dovish Fed statements and solid earnings.
    - U.S. economy continues to expand, buoyed by tax reform and deficit spending adding further momentum to the US business cycle.
    - Strong jobs market and low unemployment is driving consumer and business spending.

    Concerns include:
        - The deficit to GDP ratio continues to rise. FY 2018 was 3.8%.
        - Inflation risks from extensive fiscal stimulus and full employment. Growth momentum expected to moderate.
        - US yield curve while stabilizing is still subject to policy risks.
- Diversified International exposure lowered due to:
        - Political uncertainty, and concerns over global trade protectionism.
        - Policy uncertainty has increased within the European Union. Issues surrounding Brexit still remain.
        - Slowing Chinese economy continue to impact many export dependent countries, Germany in particular.
        - Most countries continue to experience a softening in business activity, with the manufacturing sector particularly depressed.

    Favorable drivers:
        - Strong fundamentals buoyed by central banks for at least the near-term.
        - EM and World Indexes lower P/Es on a relative basis and at the lower range historically.



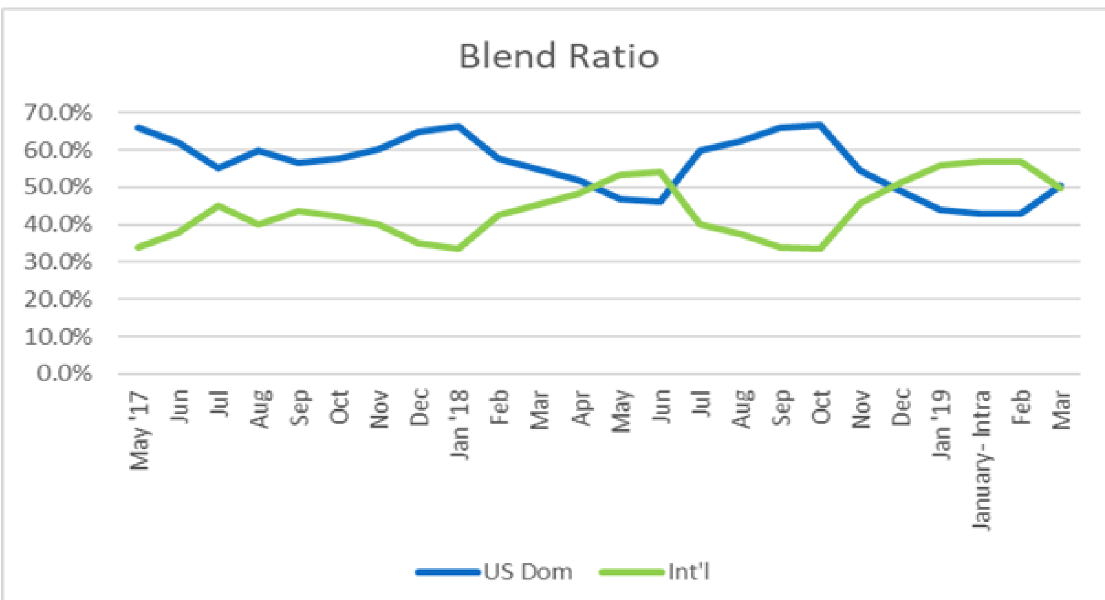
- Risk-on is back; longer term cautionary signs persist:
    - Global growth trend is moderating, continued uncertainty around global trade negotiations and geo-political issues resurfacing.
    - Yield curves broadly reflecting continued macro uncertainty.
    - Higher U.S. short-term rates creating competition for capital as investors access above-inflation returns in short-term "risk-free" debt with lower risk.

AR allocation blend reversed course adding greater exposure to the U.S. Domestic Composite supported by stronger economic indicators.

International & Dynamic Blend Composites

Risk-on is back; longer term cautionary signs persist (continued):

- Housing market softening and weakening vehicle sales.
- On-going weakness of world trade reflective of continued under-investment and excess saving, putting downward pressure real interest rates.
- Vulnerabilities increasing amid pockets of high valuations and compressed global risk premia.
- Debt sustainability concerns.
- Liquidity strains on investment funds.
- China's economy facing growing headwinds— from weakening household spending to declining industrial output.



Note: Actual Historic Blend Ratio chart above is generated monthly using AR's dynamic algorithmic allocation model. Actual allocations shown are for the period May 3, 2017 (inception) to present.