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

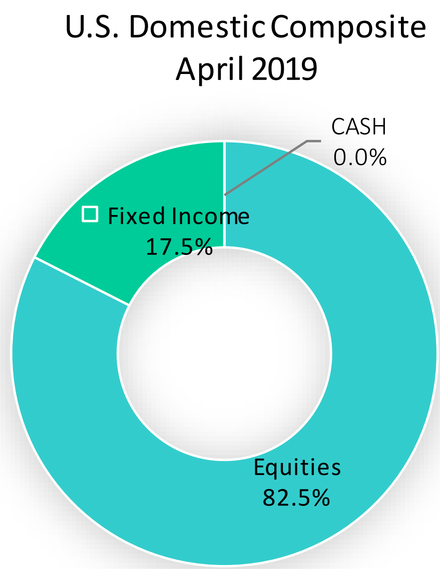
Monthly Rebalancing Bulletin and Commentary

April 3, 2019

U.S. Domestic Composite

On April 3, 2019, the U.S. Domestic Composite's ("ARUSDOM"- Bloomberg ticker) marginally reduced its risk position. Equities exposure was decreased from 90% to 82.5% and Fixed Income increased to 17.5%.

- The S&P 500 gained 1.94%, up year-to-date 13.65% including dividends.
- Most sectors were positive in March. The best performing sector- Real Estate was up 4.38%, followed by Technology up 3.42%. Financials impacted by lower rates expectations was the **worst performing sector down 3.32**%.
- Improved expectations for a positive U.S./China trade resolution and increasingly dovish turn in monetary policy helped stocks.
- The Fed kept interest rates unchanged at its March policy meeting. New "dot plot" revealed the majority of FOMC members expect no hikes in 2019 and one in 2020.
- Fed lowered its estimate of 2019 U.S. economic expansion to 2.1% from the prior 2.3%. Also, it now expects to end to its balance sheet reduction program (QT) by September 2019.
- The 10-year bond ended March at 2.41% down from a 12-month high of 3.24% on November 8, 2018; short term interest rates have remained high.
- The 10-year and 3-month Treasury yields inverted, first time in more than a decade.
- The main jobless rate fell 0.2% to 3.8%; the U-6 rate, including the underemployed, dropped 0.8% to 7.3%.
- Consumer Sentiment Index (UMich) rose to 98.4 from 93.8 the prior month.
- Average hourly earnings climbed 3.2% in March, just below the cycle-high growth of 3.4% reached in February.
- CBOE Volatility Index (VIX) remained at multi-month lows.
- U.S. economic data remained a bit soft in March –
  - Employment report showed just 20,000 net new hires in February.
  - IHS Markit final U.S. Manufacturing Purchasing Managers' Index™ (PMI™) posted 52.4 in March, down from 53.0 in February.
  - ISM's purchasing manager index for the factory sector fell from 56.6 in January to 54.2 in February.
  - Non-manufacturing sector March headline index was 56.1, the weakest reading since August 2017 and down from 59.7 in February.
  - Excluding automobiles and gasoline, retail sales slumped 0.4 percent (overall sales fell 0.2 percent), after a 1.4 percent advance the previous month.
  - Housing starts fell 8.7%; pending home sales dropped by 1%.
  - New home sales increased to a 11-month high in Feb, rising by 4.9%.
  - CPI and Core CPI rose 0.4% and 0.1%, up 1.9% and 2.0% in the last 12 months., respectively.
  - PPI rose 0.6%, up 2.2% in the last 12 months.
  - Real disposable personal income rose at 3.0% y-o-y.



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

- The MSCI World ex USA Index (developed markets) was up 0.68% net for the month, while the MSCI Emerging Markets Index (MSCI EM) increased marginally up 0.86%, lagging U.S. markets.

Eurozone:

- The German DAX index rose 1.4% for the month.
- European Central Bank (ECB) stated that rates would remain unchanged at least through the end of 2019 and lowered its 2019 growth forecast to 1.1% from 1.7%. Also, announced it would allow banks to borrow at the 0% refinancing rate for two years, helping to avert a credit squeeze.
- 10-year German bunds fell 25 bps and ended in negative territory at −0.07%.
- European manufacturing data continued to show weakness, with Germany Manufacturing PMI contracting to a multiyear low of 44.1.
- In Italy, service sector business activity expanded in March at the quickest rate since September helped by new order growth and faster job creation.
- Inflation in Germany slowed in March to 1.5% yoy.

Japan:

- Nikkei (Japan) was down -0.8% in March.
- Rates in Japan also declined as the 10-year moved 6 bps lower to -0.08%.
- Yen strengthened on the back of safe-haven buying.
- Ministry of Finance reported Japanese exports fell for a third month in February

China:

- Chinese equities continued to rally, rising 5.1%.
- In China, the private Caixin/Markit services purchasing managers' index rose to 54.5 in March, bouncing back from February's four-month low of 51.1.
- China is showing signs of improving, as consumer-focused stimulus, de-regulation and easing liquidity conditions filter through the economy.

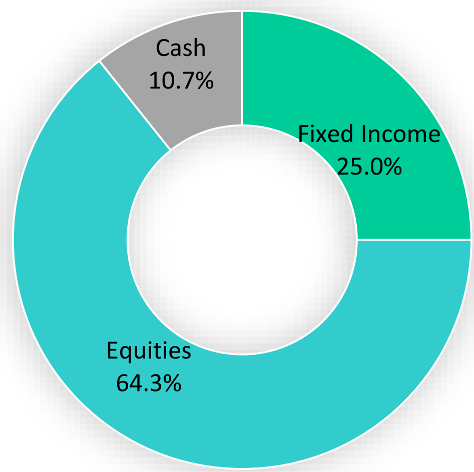
Brazil:

- Brazilian Bovespa fell -0.2% as industrial production data missed expectations and on-going government corruption probes derailed reform agenda.
- Brazil's central bank cut its 2019 economic growth forecast to 2.0% from a 2.4% estimate in December.
- Brazil's central bank kept its benchmark Selic interest rate at a record low 6.5% and signaled possible future rate cuts.

India:

- Indian SENSEX rallied 7.5% as military tensions with Pakistan eased and optimism of Prime Minister Narendra Modi would win reelection.

Diversified International Composite
April 2019

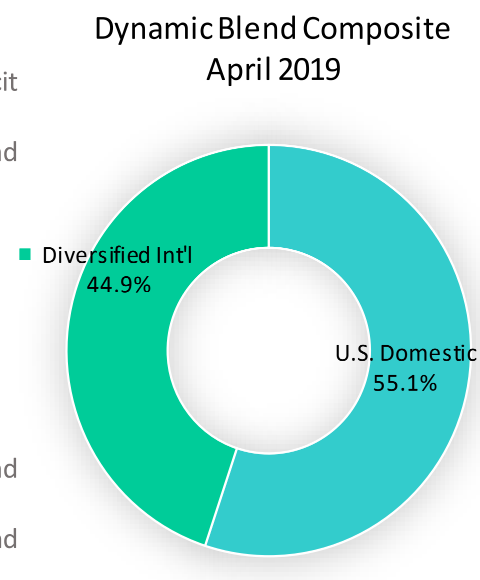


Change in Country Allocations:

Japan	**EWJ**	**1.3%**
Brazil	**EWZ**	**-1.9%**
China	**FXI**	**-2.2%**
India	**INDA**	**-2.3%**
Germany	**EWG**	**0.4%**

International & Dynamic Blend Composites

As of the April 3, 2019 rebalancing, the optimal ratio for the Global Dynamic Blend Composite (ARDYBLD) moved further in favor of the U.S. Domestic Composite(increasing to 55.1% from 50.4%) and bringing the Diversified International allocation down to 44.9%.



- U.S. Domestic's further allocation level was supported by the following-
  - S&P P/E ratio forward estimates relative to interest rate curve.
  - Positive outlook for trade negotiations with China.
  - Fed's strong dovish stance and interest rate outlook.
  - U.S. continued economic expansion, 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.
    - Inflation risks from extensive fiscal stimulus and full employment.
    - Moderating economic growth.
    - Potential issues finalizing China trade deal negotiations.
- Diversified International exposure further lowered due to:
    - Concerns over global trade protectionism.
    - Policy uncertainty has increased within the European Union and continuing issues surrounding Brexit.
    - China's economy still faces headwinds from weak property and automobile sectors along with slowing global demand.
    - Impact of China's slowdown to 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 very accommodative central banks.
    - EM and World Indexes provide lower P/Es on a relative basis and at the lower range historically.
    - Domestic demand in the euro area has been resilient and appears to be strengthening.

- Risk-on for now-
  - Low inflation, low interest rates combined with extremely accommodative global monetary and fiscal stimulus providing tailwind for risk assets.
  - Chinese current round of monetary and fiscal stimulus has potential to drive global growth.
- Longer term cautionary signs persist-
  - Global growth trend is moderating, continued uncertainty around global trade negotiations and geo-political issues resurfacing.
  - Rising popularity of anti-establishment and populist political parties.
  - 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.
  - Ongoing political and economic fall-out surrounding the Brexit process.

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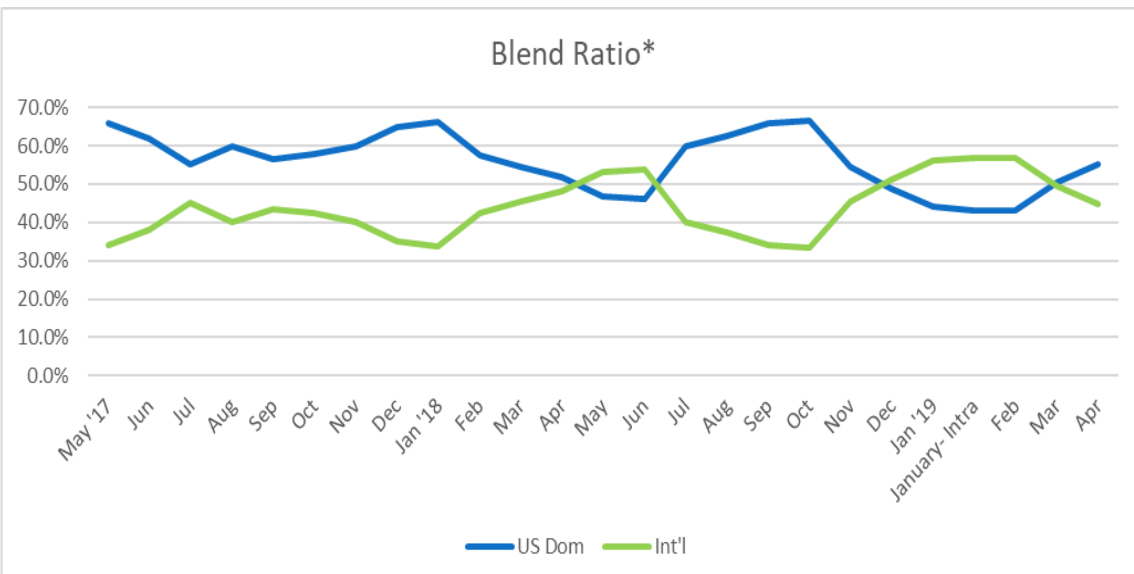
AR allocation blend reversed course adding greater exposure to the U.S. Domestic Composite supported by stronger economic indicators.

International & Dynamic Blend Composites

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

- Unresolved U.S.-China trade deal negotiations.
- Housing market softness.
- 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 growing headwinds— from weakening household spending to declining industrial output.
- Further falling government bond yields and potential resulting economic impact.



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.