

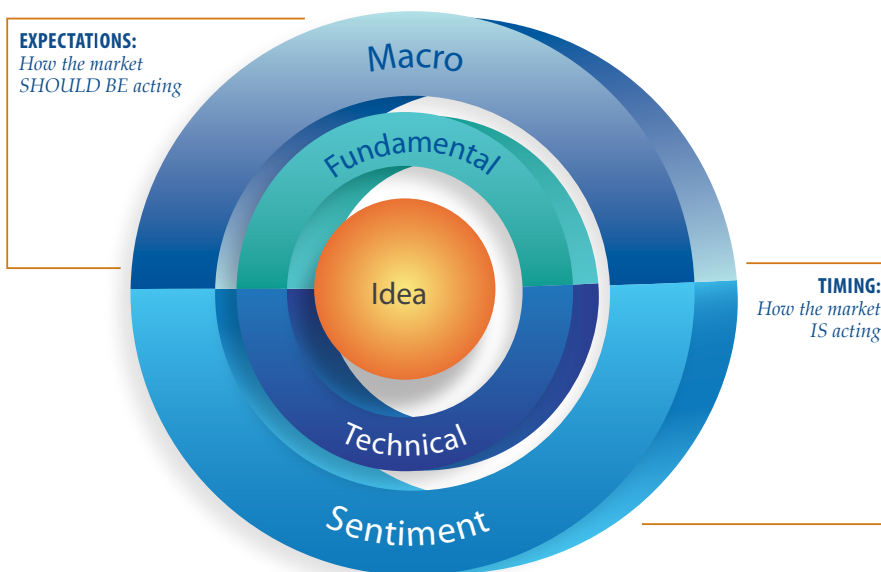
SECTOR RESEARCH APPROACH

At Ned Davis Research Group, we take a top-down multi-disciplinary 360° approach to our sector work, incorporating the macro and fundamental views of our strategists to form our expectations, while using technical and sentiment indicators to fine-tune our entry and exit points.

RECOMMENDATIONS

NDRG's U.S. Equity Sector Strategy recommendations are based on objective indicators and historical analysis. There are several steps to our approach:

- Define the current investment environment (i.e., regime or cycle) and form expectations for the coming months. We use our extensive database of market, economic, credit cycle, and company fundamental data to help determine this regime.
- Identify how sectors and industries have performed during similar historical periods, taking into account current cycle deviations, to form expectations for industry leadership. History doesn't repeat itself, but it does rhyme.



- Monitor trend and breadth (technical) indicators to confirm that industry leadership is conforming to our expectations, taking a “weight of the evidence” approach in making our overweight and underweight recommendations. We view the degree of overweighting or underweighting a certain position as a matter of risk tolerance, which is unique to each client.
- Watch sentiment indicators for signs of a stretched trade to help determine when an adjustment should be made to our recommendations. Markets trend on fundamentals, but trade off of sentiment.

Above all, our goal is to stay in harmony with industry leadership trends. We provide the fundamental rationale behind all of our position changes.

PERFORMANCE

Our sector recommendations are made on a relative basis, with performance measured relative to the S&P 500 Index benchmark. Our intra-sector or industry recommendations are made using cap-weighted indices, with the expectation of outperforming the respective sector. We assume our clients stay fully invested at all times.

HOLDING PERIOD

Our average recommendation holding period tends to span six months to one year, depending on the regime or cycle.