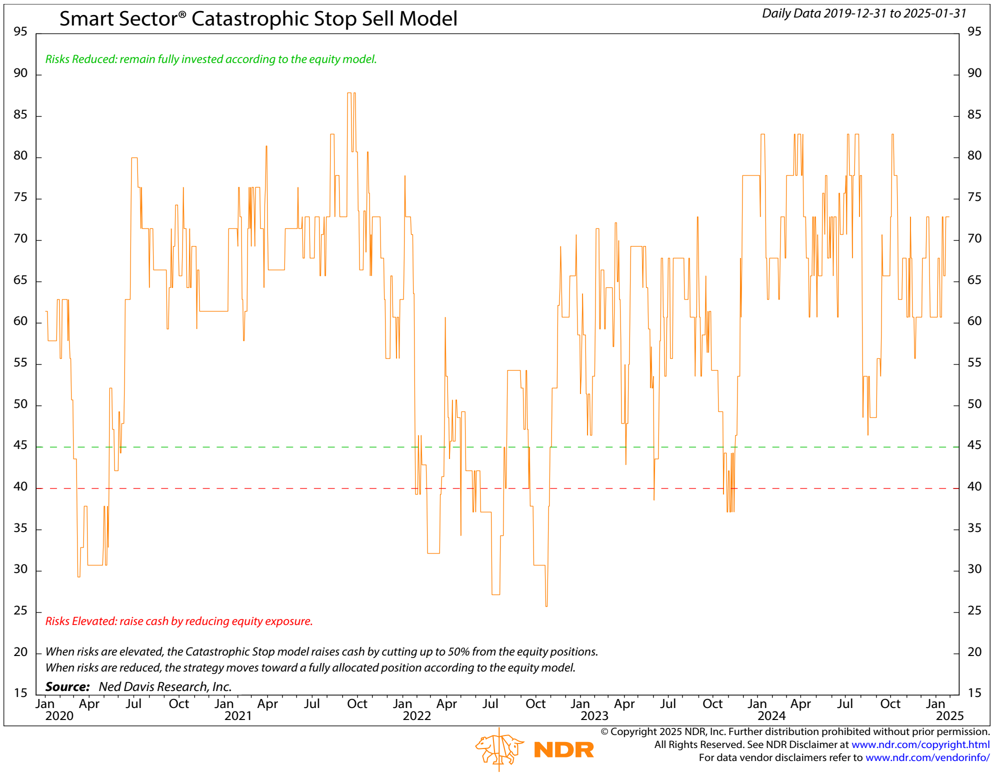
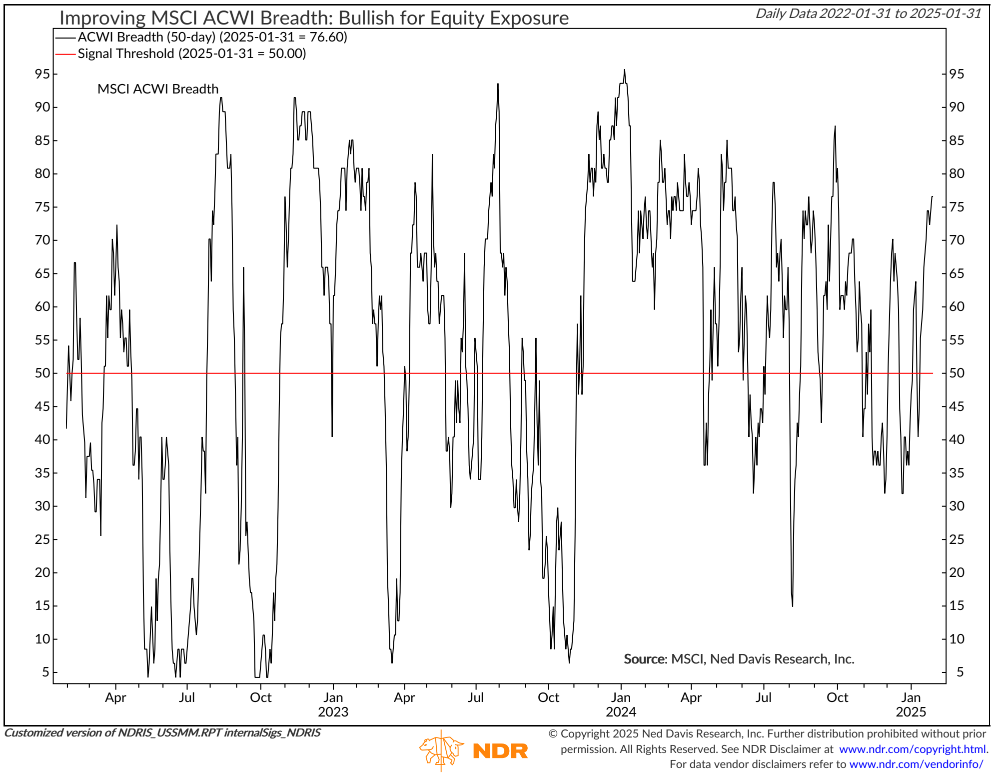
Smart Sector® Strategy

FEBRUARY 2025

Catastrophic Stop Update

The NDR Catastrophic Stop Sell model combines time-tested, objective indicators designed to identify high risk periods for the equity market. The model (chart right) improved during the month and entered February with a fully invested equity allocation recommendation.





The higher reading from the model was driven by improvements in both global equity market breadth (chart left) and high-yield and emerging market bond breadth. Five of the seven price-based measures are now bullish. While high-yield option adjusted spreads remain bullish, short-term stock market sentiment remains neutral, and the Baltic Dry Index remains bearish. For now, the weight-of-the-evidence recommends a fully invested allocation to equity sectors according to the model.

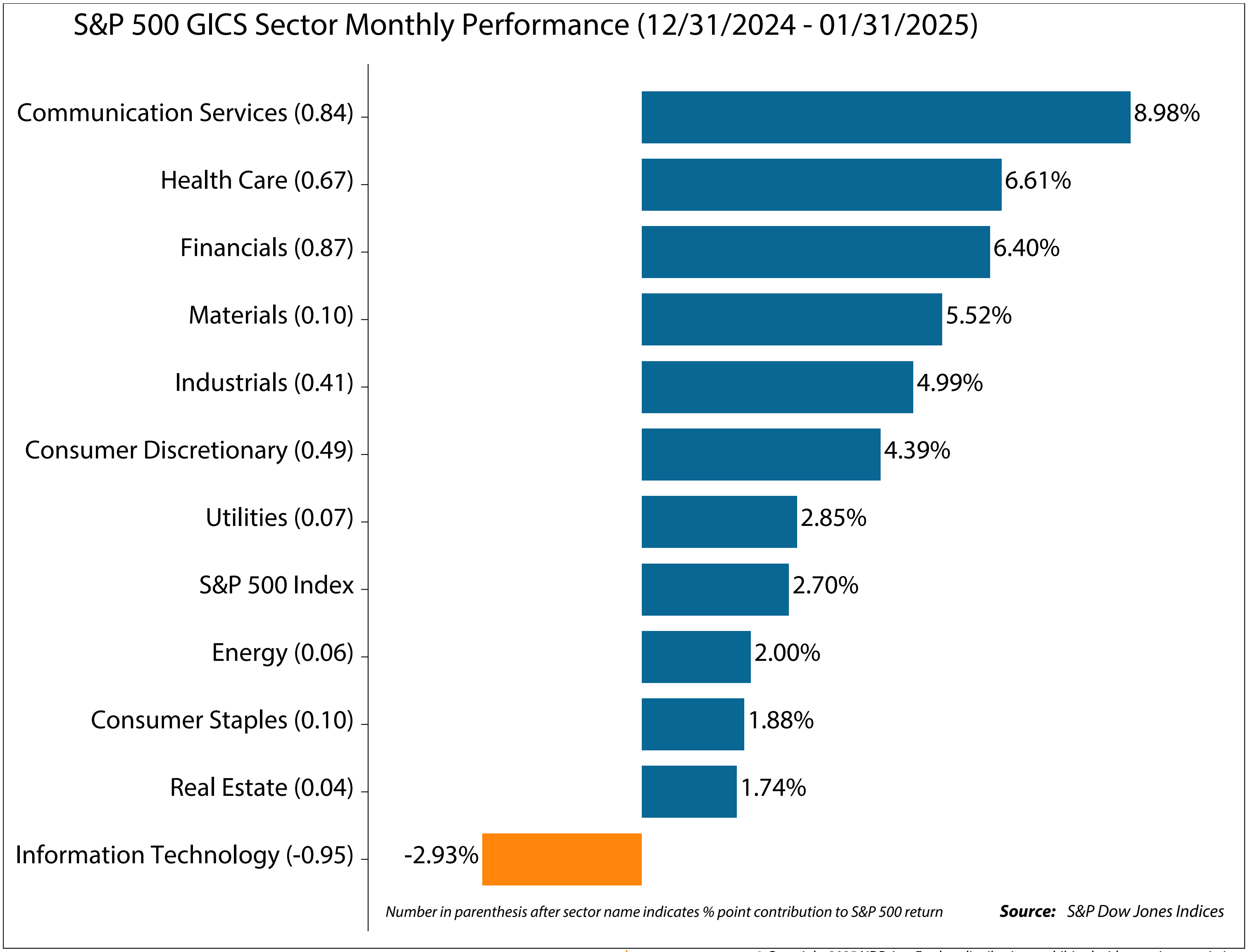
U.S. Market Update

After a small pullback in December, the S&P 500 Total Return Index rebounded about 2.8% in January. Sector breadth improved sharply—10 of the 11 S&P 500 sectors had positive returns during the month. Technology was the only sector to post a negative return (chart below), led by drops in Nvidia (NVDA) and Apple (AAPL).

The market's response to reports in late January that the Chinese company DeepSeek had engineered a cheaper AI solution was on some levels expected and on others less certain. Unsurprisingly, the potential for innovation to pierce the moats around multi-trillion-dollar stocks with sky-high valuations resulted in NVDA posting the single biggest dollar decline by a stock on record.

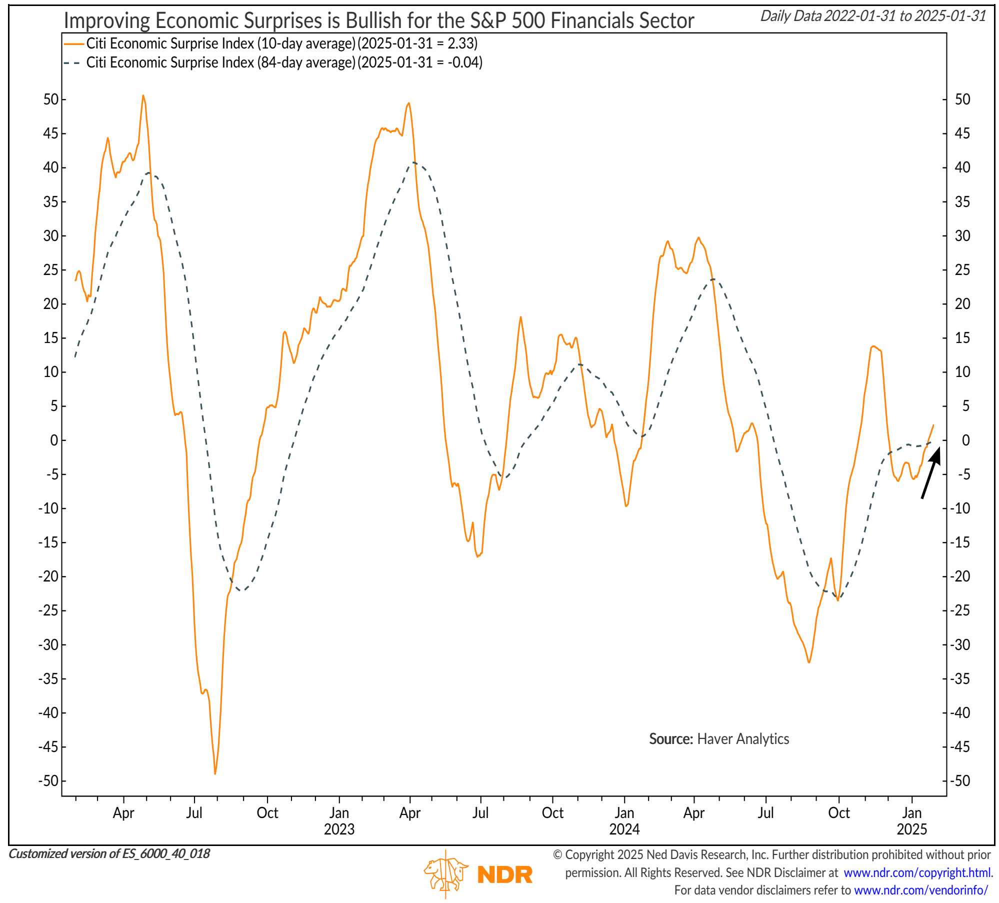
The S&P 500 fell 1.5% on Monday, January 27 but the NDR Multi-Cap Advance/Decline Line rose. The combination is rare. Only 11 times since 1980, the S&P 500 declined at least 1% on the same day the A/D Line rose. When this occurred, on average, the S&P 500 has posted above-average returns one month to one year later. Short-term breadth remains solid and is a sign of market strength. While tariffs and immigration are risks to the economy and stock market, the weight-of-the-evidence continues to favor an overweight to stocks.

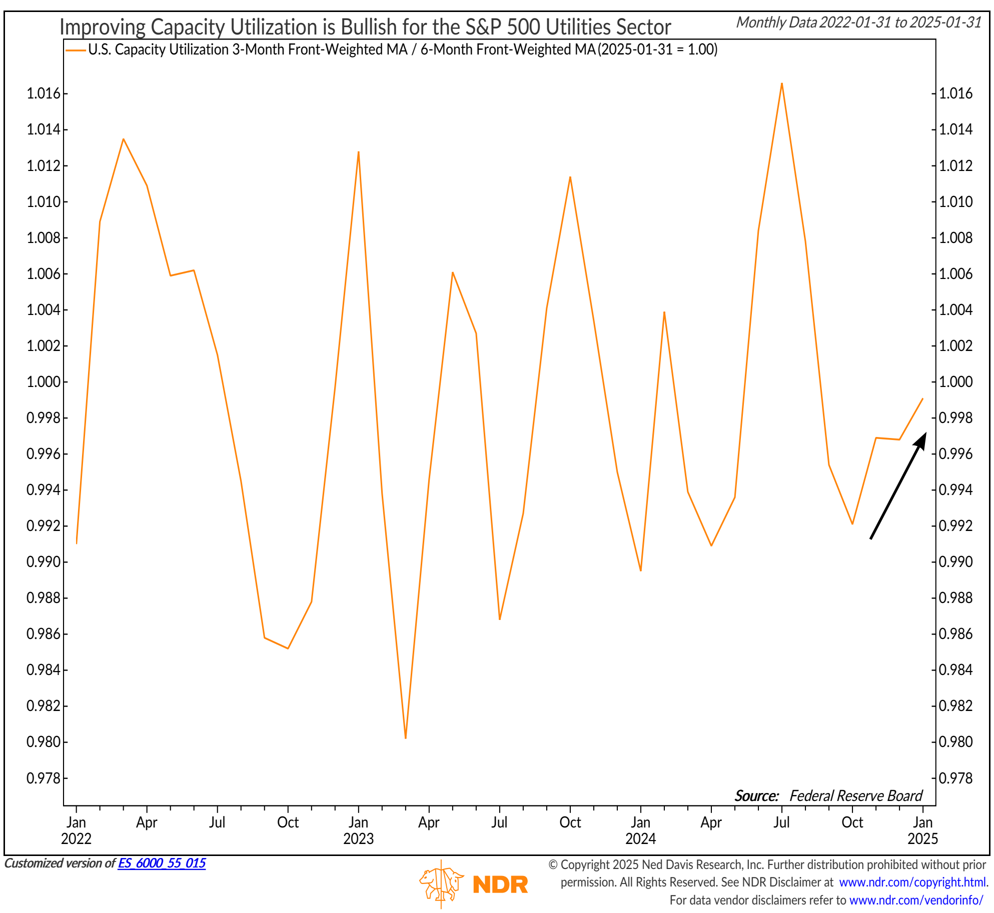
The sector model had some rotation this past month. Entering February, Financials, Health Care, Industrials, Consumer Discretionary, and Utilities are above benchmark weight. Energy improved to benchmark weight. Information Technology, Communication Services, Real Estate, Materials, and Consumer Staples are below benchmark weight.



BA552J

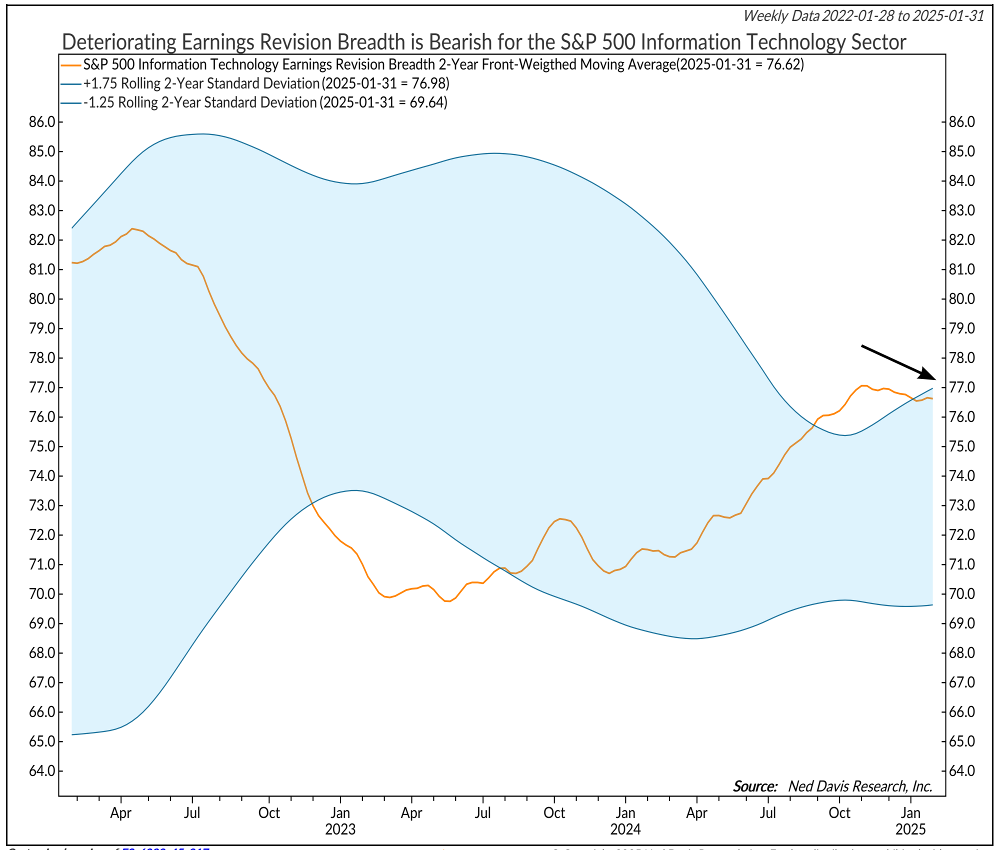
The Financials sector's allocation is above benchmark weight. On a fundamental basis, indicators have improved for the sector as economic surprises (chart right) joined bullish readings from the trade-weighted dollar, business credit conditions, and the 10-2 yield curve. Bank loan growth and financials' option-adjusted spreads remain bearish. Technicals are confirming with four of six indicators at positive readings for the sector. During the month, 21-day volatility joined bullish readings from trend and momentum.



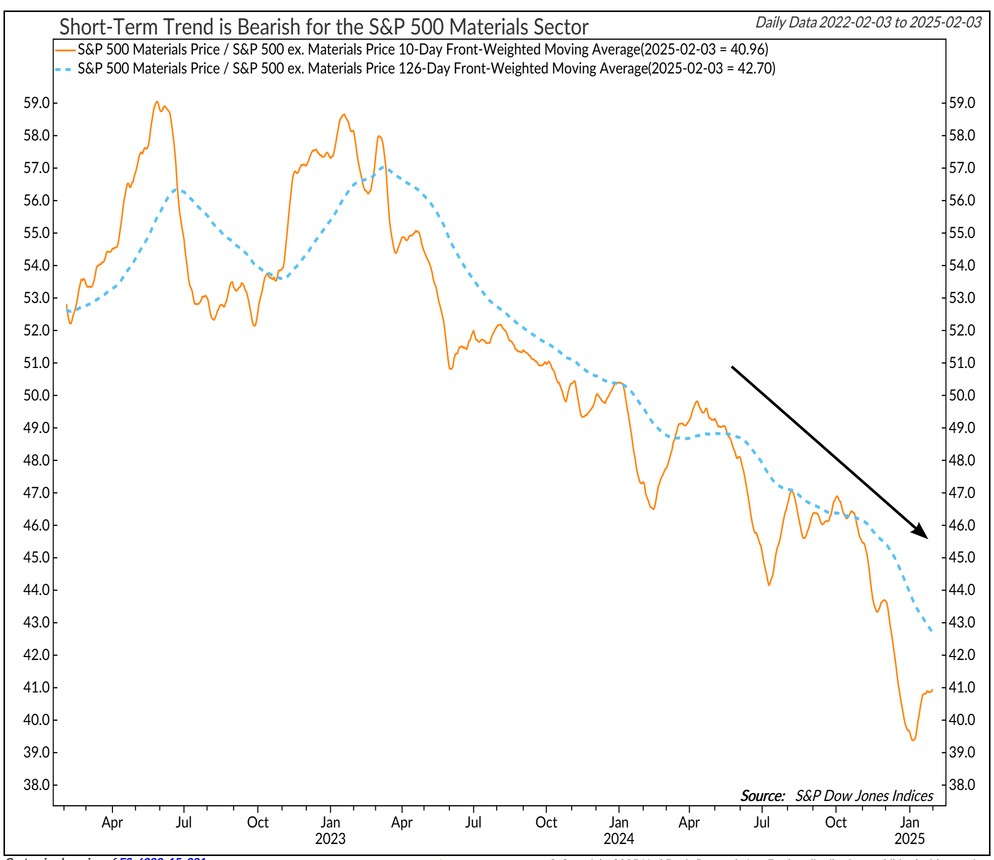


The Utilities sector's allocation is above benchmark weight. On a fundamental basis, indicators have improved for the sector as capacity utilization (chart left) joined bullish readings from the manufacturing PMI, yield on utilities, copper/gold ratio, and relative valuation (measured by the median earnings yield vs. the 10-year Treasury yield). Technicals are confirming with four of seven indicators at positive readings for the sector. During the month, short-term breadth joined bullish readings from momentum and reversal measures.

The Information Technology sector's allocation dropped and is well below benchmark weight. Fundamentals are mixed with only two out of five measures at bullish levels—valuation (median sales yield basis) and Emerging Asia equities. Earnings revision breadth deteriorated to a bearish level during the month (chart right), joining market-based inflation expectations. All five technical measures (momentum, overbought/oversold, and breadth) are bearish.



Customized version of ES_6000_45_017



Customized version of ES_6000_15_001

The Materials sector's allocation is well below benchmark weight. On a fundamental basis, indicators are bearish. Silver and gold price momentum, industrial production for materials, emerging vs. developed equity momentum, natural gas futures mean reversion, and valuation (based on median earnings yield and median sales yield) are all at negative readings for the sector. Only copper price momentum is on a bullish signal. While two price-based measures flashed bullish signals, the overall weight-of-the-evidence leans bearish with negative readings from short-term trend (chart left), intermediate-term trend, and 100-day volatility.

Summary

The sector model had some rotation this past month. Entering February, Financials, Health Care, Industrials, Consumer Discretionary, and Utilities are above benchmark weight. Energy improved to benchmark weight. Information Technology, Communication Services, Real Estate, Materials, and Consumer Staples are below benchmark weight.

Strategy description

- The Smart Sector® with Catastrophic Stop strategy combines two Ned Davis Research quantitative investment strategies: The NDR Sector Allocation and the NDR Catastrophic Stop.

The process is based on the weight of the evidence

- The fund begins by overweighting and underweighting the S&P 500 sectors based on Ned Davis Research's proprietary sector models.
- Each of the sector models utilize sector-specific, weight-of-the-evidence composites of fundamental, economic, technical, and behavioral indicators to determine each sector's probability of outperforming the S&P 500.
- Sectors are weighted accordingly relative to benchmark weightings.

When market risks become extraordinarily high — reduce your portfolio risk

- When risks are elevated, the NDR Catastrophic Stop Sell (CSS) model raises cash by up to 50% from the equity positions.
- The NDR CSS model combines time-tested, objective indicators designed to identify periods of high risk for the broad U.S. equity market. The model uses price-based, breadth, deviation from trend, fundamental, economic, interest rate, behavioral and volatility-based indicator composites.

When market risks return to normal — put your money back to work

- When risks are reduced, the strategy moves toward a fully allocated position, according to the NDR CSS model.

For more information, please contact:

Day Hagan Asset Management

1000 S. Tamiami Trl

Sarasota, FL 34236

Toll Free: (800) 594-7930

Office Phone: (941) 330-1702

Website: https://dayhagan.com/ or https://dhfunds.com/

Ned Davis Research Disclaimer:

The data and analysis contained within are provided "as is" and without warranty of any kind, either express or implied. The information is based on data believed to be reliable, but it is not guaranteed. NDR DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. All performance measures do not reflect tax consequences, execution, commissions, and other trading costs, and as such investors should consult their tax advisors before making investment decisions, as well as realize that the past performance and results of the model are not a guarantee of future results. The Smart Sector® Strategy is not intended to be the primary basis for investment decisions and the usage of the model does not address the suitability of any particular investment for any particular investor.

Using any graph, chart, formula, model, or other device to assist in deciding which securities to trade or when to trade them presents many difficulties and their effectiveness has significant limitations, including that prior patterns may not repeat themselves continuously or on any particular occasion. In addition, market participants using such devices can impact the market in a way that changes the effectiveness of such devices. NDR believes no individual graph, chart, formula, model, or other device should be used as the sole basis for any investment decision and suggests that all market participants consider differing viewpoints and use a weight of the evidence approach that fits their investment needs.

DISCLOSURES

Past performance does not guarantee future results. No current or prospective client should assume future performance of any specific investment or strategy will be profitable or equal to past performance levels. All investment strategies have the potential for profit or loss. Changes in investment strategies, contributions or withdrawals and economic conditions may materially alter the performance of your portfolio. Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment or strategy will be suitable or profitable for a client's portfolio. Historical performance results for investment indexes and/or categories generally do not reflect the deduction of transaction and/or custodial charges or the deduction of an investment management fee, the incurrence of which would have the effect of decreasing historical performance results. There can be no assurances that a portfolio will match or outperform any particular benchmark.

Day Hagan Asset Management is registered as an investment adviser with the United States Securities and Exchange Commission. SEC registration does not constitute an endorsement of the firm by the Commission nor does it indicate that the adviser has attained a particular level of skill or ability.

References to "NDR" throughout refer to Ned Davis Research, Inc. Clients engaging in this strategy will be advised by Day Hagan and will not have a contractual relationship with NDR. Day Hagan purchases signals from NDR, and Day Hagan is responsible for executing transactions on behalf of its clients and has discretion in how to implement the strategy.

NDR is a registered as an investment adviser with the Securities and Exchange Commission (SEC). NDR serves as the Signal Provider in connection with this strategy. The information provided here has not been approved or verified by the SEC or by any state or other authority. Additional information about NDR also is available on the SEC's website at https://www.adviserinfo.sec.gov/. This material is provided for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security or other financial instrument or to participate in any trading strategy. NDR's strategies, including the model discussed in this publication, are intended to be used only by sophisticated investment professionals.

There may be a potential tax implication with a rebalancing strategy. Re-balancing involves selling some positions and buying others, and this activity results in realized gains and losses for the positions that are sold. The performance calculations do not reflect the impact that paying taxes would have, and for taxable accounts, any taxable gains would reduce the performance on an after-tax basis. This reduction could be material to the overall performance of an actual trading account. NDR does not provide legal, tax or accounting advice. Please consult your tax advisor in connection with this material, before implementing such a strategy, and prior to any withdrawals that you make from your portfolio.

There is no guarantee that any investment strategy will achieve its objectives, generate dividends or avoid losses.