NDR
NED DAVIS RESEARCH

Sector Allocation Strategy

Strategy Description:

The NDR Sector Allocation strategy distributes assets across 11 liquid, U.S. large-cap sector ETFs based on an objective, weight-of-the-evidence model designed to produce long-term capital appreciation.

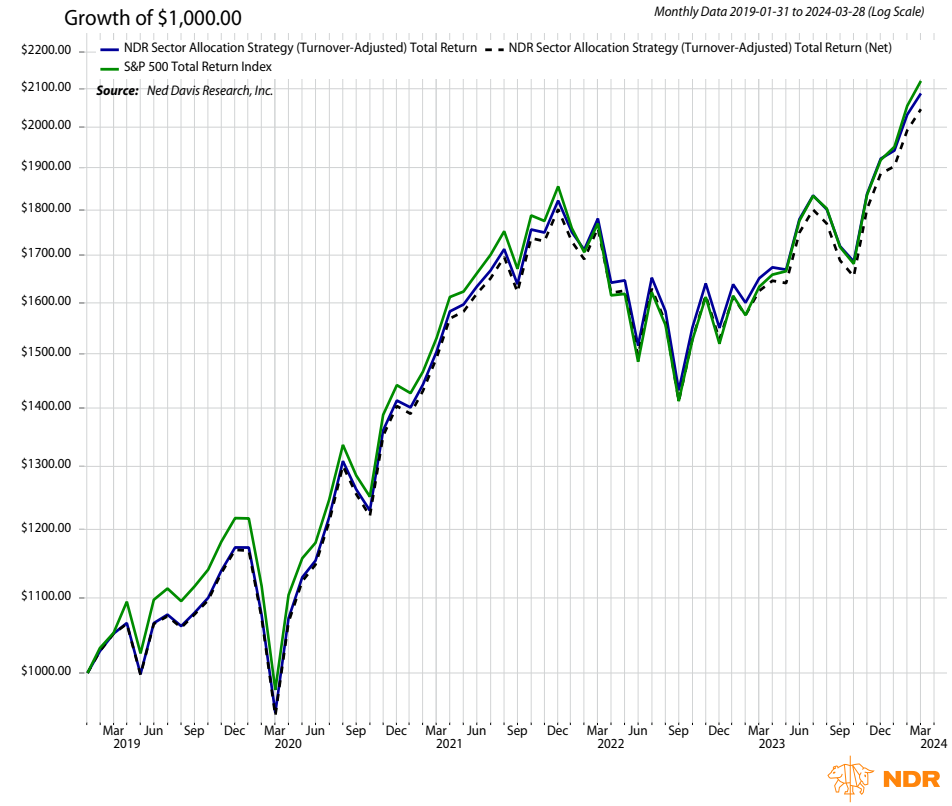
The strategy allocates across the following sectors: Energy, Materials, Industrials, Consumer Discretionary, Consumer Staples, Health Care, Financials, Information Technology, Communication Services, Utilities, and Real Estate.

Each month within each sector, the model combines sector-specific fundamental, macroeconomic, behavioral and technical indicators to:

- Evaluate the relative attractiveness of 11 U.S. large-cap sector ETFs
- Reallocate assets from sectors with unfavorable characteristics to areas providing the greatest opportunities
- Protect capital by favoring lower beta sectors during weak market environments

The official composite account commenced on February 1, 2019.

The strategy's benchmark is the S&P 500 Total Return Index.



Strategy Strengths:

1. Adapts to changing market conditions
2. Ability to move to lower beta sectors in bearish environments
3. Each sector uses unique indicators that have demonstrated favorable risk/reward characteristics over time

Performance Summary

	Gross (%)	Net of 0.4% Per Annum (%)	Benchmark (%)
Real-Time			
YTD Monthly (12/29/2023-03/28/2024)	8.65	8.54	10.56
1-mo Rolling (02/29/2024-03/28/2024)	2.73	2.73	3.22
3-mo Rolling (12/29/2023-03/28/2024)	8.65	8.54	10.56
1-yr Rolling (03/31/2023-03/28/2024)	26.63	26.12	30.07
1-yr Calendar (12/30/2022-12/29/2023)	24.04	23.54	26.37
3-yr Rolling (03/31/2021-03/28/2024)	11.57	11.12	11.52
5-yr Rolling (03/29/2019-03/28/2024)	14.70	14.24	15.04
Since Inception (01/31/2019-03/28/2024)	15.33	14.89	15.69
Backtest			
10-yr Rolling (03/31/2014-03/28/2024)	14.09	13.64	12.96

RISK STATISTICS (01/31/2019-03/28/2024)

	Gross (%)	Net of 0.4% Per Annum (%)	Benchmark (%)
Standard Deviation	17.53	17.50	18.08
Downside Deviation	10.78	10.81	11.29
Sharpe Ratio	0.76	0.73	0.75
Beta (Relative to Benchmark)	0.96	0.96	1.00
Upside Capture	95.10	94.17	100.00
Downside Capture	94.76	95.31	100.00
Max Drawdown	-21.41 (12/31/2021-09/30/2022)	-21.64 (12/31/2021-09/30/2022)	-23.87 (12/31/2021-09/30/2022)

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Sector Allocation Strategy

Definitions:

- Annualized Return: the rate of return which, compounded annually over a certain period of time, would produce a strategy's total return over that same period.

- Standard Deviation: A statistical measurement of dispersion about an average, which depicts how widely returns varied over a certain period of time. When a strategy has a high standard deviation, the predicted range of performance is wide, implying greater volatility.

- Downside Deviation: A statistical measurement of dispersion focused on downside risk. It is similar to standard deviation, but only uses negative returns.

- Sharpe Ratio: A risk-adjusted performance measure for a unit of risk. It is calculated by dividing the difference between a strategy's return and the risk-free rate (excess returns), by the standard deviation of the strategy's return.

- Beta: A relative measure of a strategy's risk against the benchmark. A beta greater than one means the strategy is theoretically more volatile than the benchmark, a beta of one indicates that the strategy moves with the benchmark, and a beta less than one implies that the strategy theoretically is less volatile than the benchmark.

- Upside Capture: measures whether the strategy has outperformed the benchmark during periods of benchmark strength. The ratio takes the strategy's monthly return during months when the benchmark had a positive return and divides it by the benchmark return during that same month. An upside capture ratio over 100 indicates that a strategy has generally outperformed the benchmark during periods of positive returns for the benchmark.

- Downside Capture: measures whether the strategy has outperformed the benchmark during periods of benchmark weakness. The ratio is calculated by taking the strategy's monthly return during the periods of negative benchmark performance and divides it by the benchmark return. A downside capture ratio of less than 100 indicates that a strategy has lost less than its benchmark in periods when the benchmark has been weak.

- Maximum Drawdown: The largest peak to trough decline during a specific record period of a strategy. It is usually quoted as the percentage between the peak to the trough.

- Log Scale: A logarithmic (log) scale shows two equivalent percentage changes in the plotted series by the same distance on the vertical axis. A logarithmic price scales tend to show less severe increases or decreases in a series than an arithmetic price scale.

- Benchmark: A benchmark is a standard against which the performance of the strategy is being measured. For the Sector Allocation Strategy, the benchmark is the S&P 500 Total Return Index.

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