



# Trade Rationale

JULY 2023

# Trend Level Element

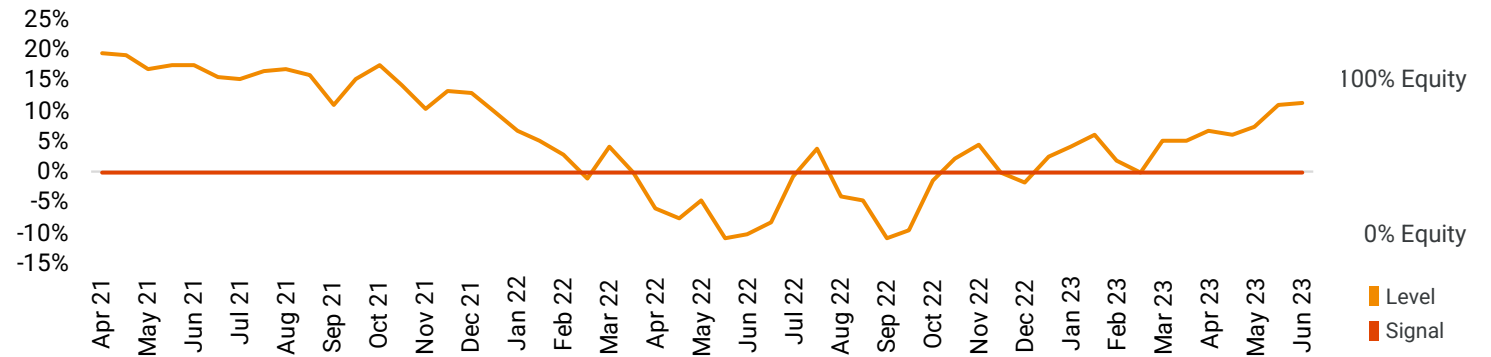


## TRADE RATIONALE

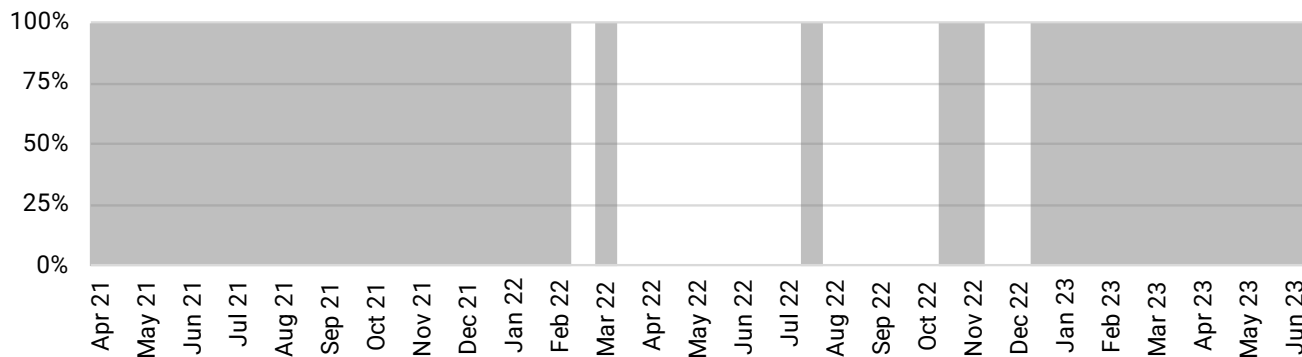
The Trend Element remains positive. The S&P 500 surged higher in June, maintaining and furthering the positive trends in equity markets throughout most of 2023 thus far. The glimmers of optimism that appeared earlier this year appear to have been sustained through the first half, despite a rocky end to the first quarter with bouts of banking concerns. Part of this may be due to hopes of productivity gains amid an artificial intelligence wave while improving economic data - although still mixed - has helped the equity market shrug of the Federal Reserve's increasingly hawkish messaging.



## SIGNAL



## HISTORICAL EXPOSURE



Source: Helios Quantitative Research, Bloomberg

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# Volatility Level Element

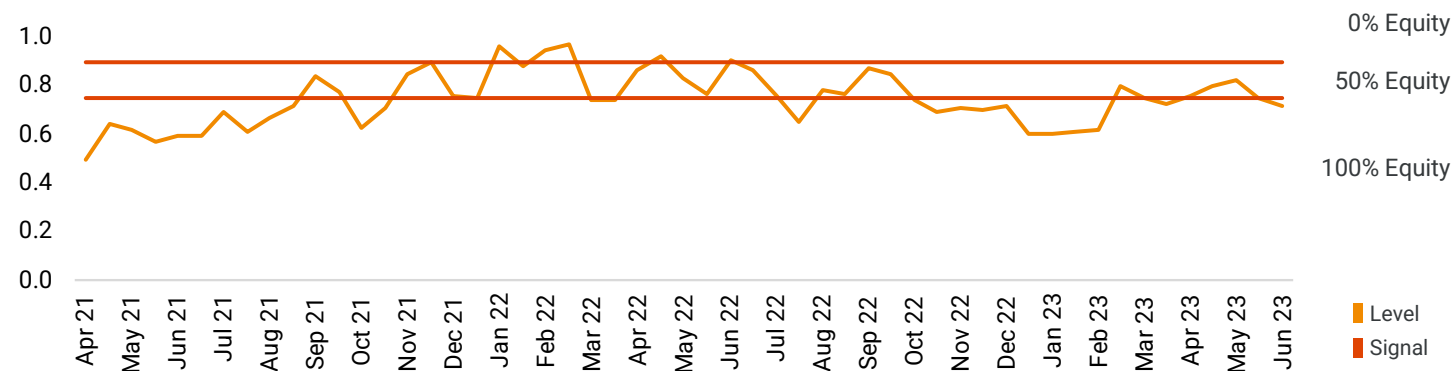


## TRADE RATIONALE

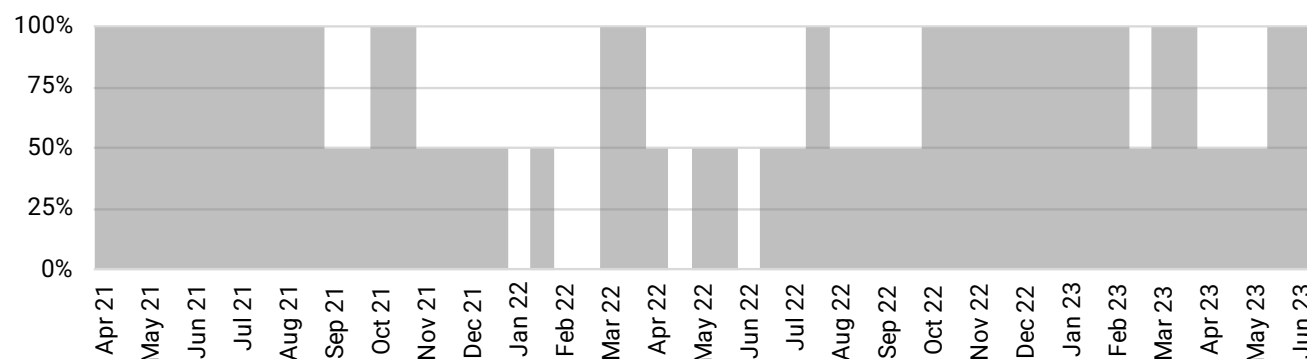
The Volatility Element maintains its positive stance on equities. The recent rally in equity markets has pushed down short-term volatility expectations, which are down to half the levels seen in mid-March. However, the health of corporate balance sheets continues to be a concern. Although credit spreads have come down from their recent peaks in March and May, the recent ebbs and flows in investor sentiment continues to be worth keeping an eye on as changes in credit spreads have implications across capital markets. This is especially true as the Federal Reserve attempts to adjust the market's rate expectations.



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# Economic Level Element

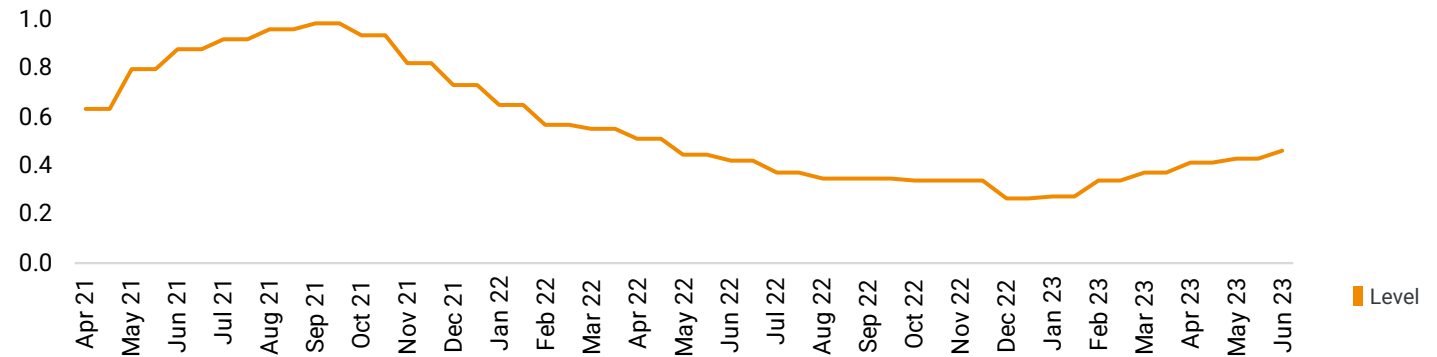


## TRADE RATIONALE

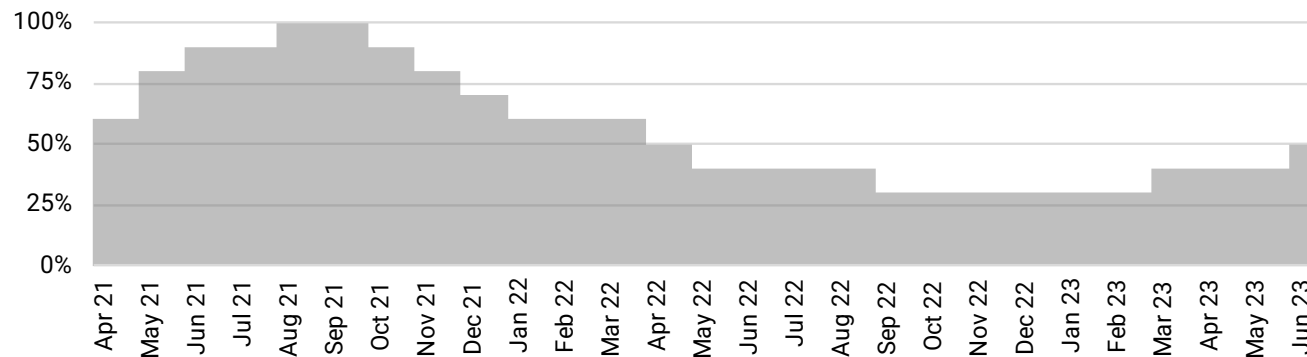
The Economic Element improved to a score of 50, indicating a benchmark weight in equity exposure. The overall economic picture remains mixed, but recent improvements in areas such as consumer sentiment and high-level economic conditions have outweighed continued weakness in services conditions and certain leading indicators, as well as slightly slipping data in overall orders and global output. We remain cautiously optimistic a "soft landing" is ahead of us, but for now the data indicates taking on a benchmark-level of risk between equities and fixed income.



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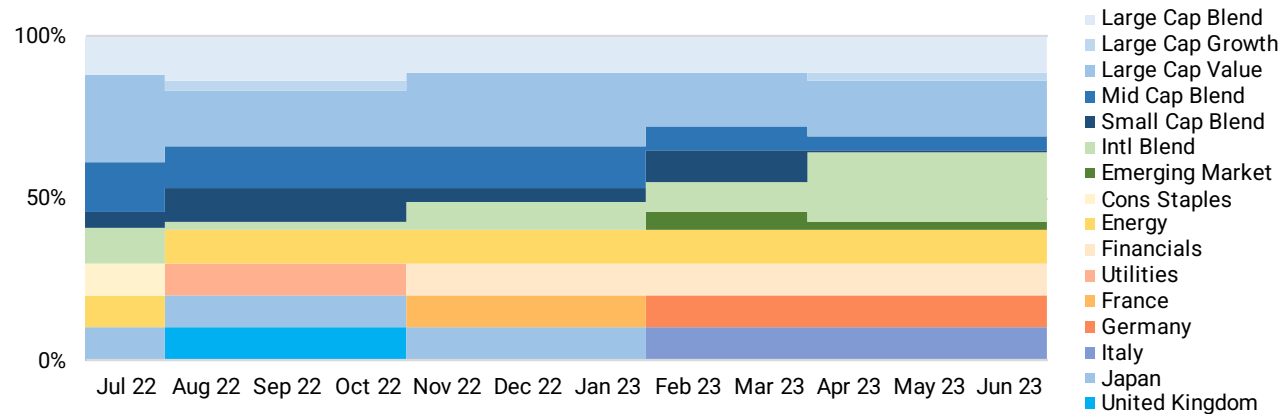
# Active+ Equity Style Element



## SIGNAL

Leading Economic Index	03/31/23	04/30/23	05/31/23	06/30/23	Trend	Position
US LEI Change	-0.03%	-0.06%	-0.05%	-0.05%		<b>Overweight International Stocks</b>
Global LEI Change	-0.04%	-0.01%	0.05%	0.05%		
US - Global	0.02%	-0.05%	-0.11%	-0.10%		
^						
Valuation Ratio	03/31/23	04/30/23	05/31/23	06/30/23	Trend	Position
Growth P/B Ratio	9.34	9.99	10.07	10.00		<b>Overweight Value Stocks</b>
Value P/B Ratio	2.41	2.39	2.43	2.27		
G-V Trend	-	-	-	-		
^						

## HISTORICAL EXPOSURE



## TRADE RATIONALE

Valuation trends within growth versus value stocks continue to favor value, despite the surge in growth and technology-related names over the last few months. Growth valuations grew significantly, and then fell significantly, over the course of the market's recovery in 2020 and 2021, and then fell again in 2022's decline. This behavior is forcing valuation trend calculations for growth stocks to be longer and/or stronger to become more attractive than value stocks. Leading economic indicators continue to be more attractive outside of the US, creating opportunities for exposure to international equities. Among countries, Germany and Italy continue to show stronger leading economic data relative to the other developed nations. Despite struggles over the last few months, Financials and Energy stocks continue to have relatively stable valuation ratios relative to other sectors, which have recently experienced negative valuation trends as prices have increased.



Source: Helios Quantitative Research, Bloomberg

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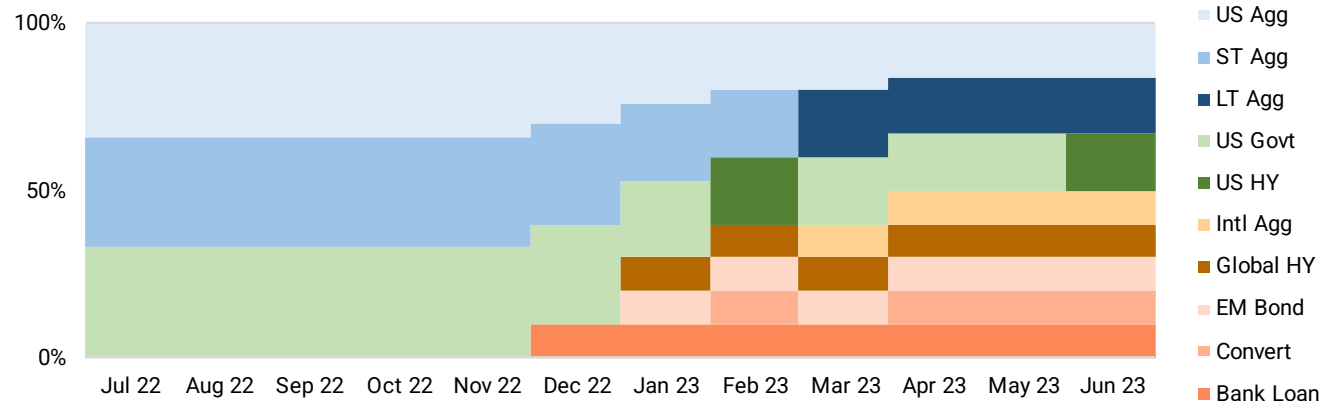
# Active+ Fixed Income Style Element



## SIGNAL

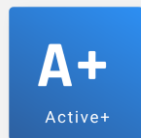
Indicator	03/31/23	04/30/23	05/31/23	06/30/23	Trend	Position
Inflation	5.60	5.50	5.30	5.30		<b>LONG DURATION</b>
2-Year Yield	4.03	4.01	4.40	4.90		
10-Year Yield	3.47	3.42	3.64	3.84		
Credit Spreads	5.02	5.06	5.15	4.75		
Intl Agg (BWX)	23.12	23.03	22.40	22.55		<b>HIGH YIELD</b>
Global HY (GHYG)	42.82	42.78	41.92	42.48		
EM Bond (EMB)	86.28	86.15	84.78	86.54		
Convert (CWB)	67.07	66.03	66.86	69.95		
Bank Loan (BKLN)	20.80	20.88	20.60	21.04		
						<b>10%</b>
						<b>10%</b>
						<b>10%</b>

## HISTORICAL EXPOSURE



## TRADE RATIONALE

The fallout from the Silicon Valley Bank (and other banks) failures increased credit spreads for several months. However, high yield market data has since improved, making high yield bonds more attractive relative to US Treasuries at this juncture. Despite recent hawkish comments from the Federal Reserve, continued trends in short- and intermediate-term government bonds maintain the bias toward longer-term bonds. Positive trends in other fixed income asset classes, such as international bonds, convertibles, global high yield, bank loans, and emerging market bonds, continue to make them attractive with potential upside opportunities.



Source: Helios Quantitative Research, Bloomberg

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# Model Changes



## Revo Turnkey

Rotated out of U. S. Treasuries into U.S. High Yield bonds. No Equity level changes.

## Revo Blend

Rotated out of U. S. Treasuries into U. S. High Yield. Increased Equity exposure in all Large Cap Categories for higher risk tolerant models reducing Fixed Income proportionally.

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# Definitions & Disclosures

METHODS, DEFINITIONS, AND MORE



# Definitions & Disclosures

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