



# Trade Rationale

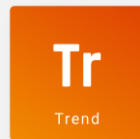
SEPTEMBER 2023

# Trend Level Element

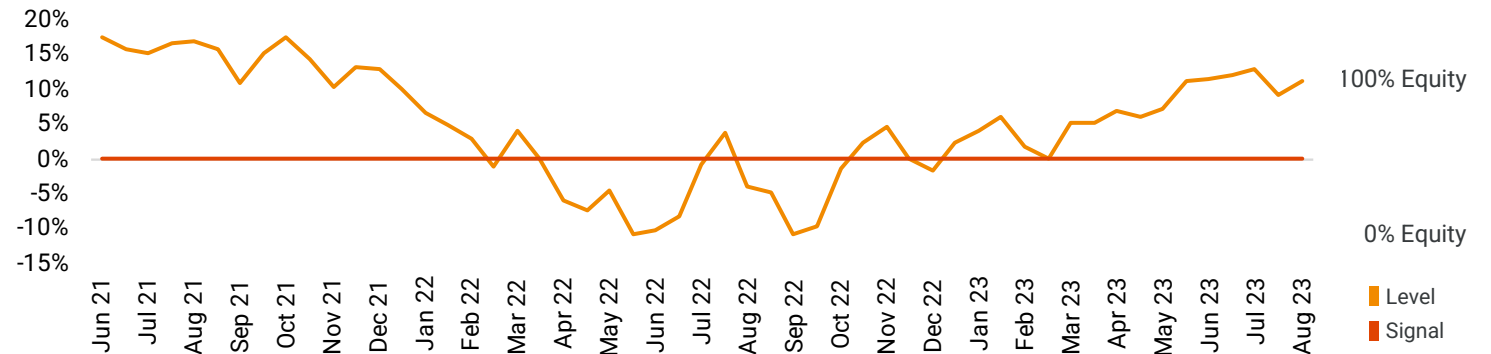


## TRADE RATIONALE

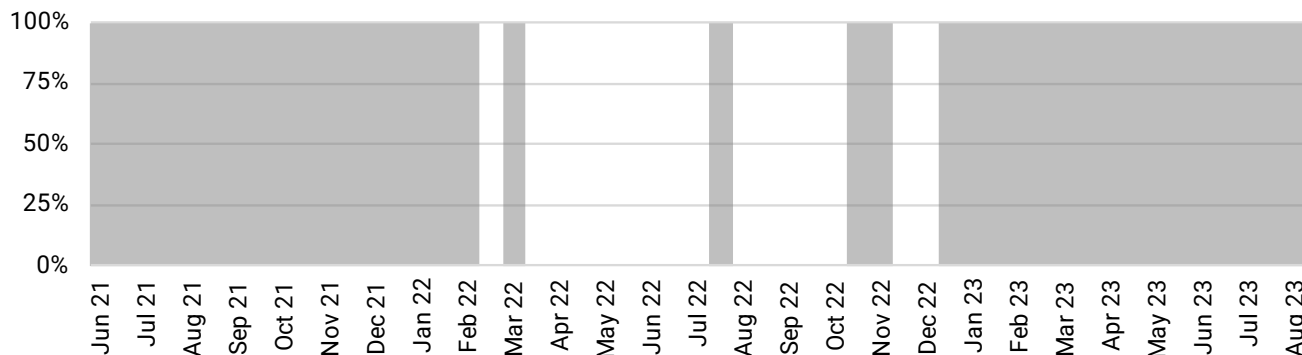
The Trend Element has a positive view on equity markets on the back of the rally so far this year, despite some volatility in August. While the second quarter earnings season was better than expected, an overall contraction in corporate earnings may have put a slight dampening on investors' moods and contributed to the volatility. That, combined with ratings downgrades of US Treasuries and a number of regional banks created unease amongst investors until the last week of the month. Economic risks and the Fed will remain front and center now that earnings season is over.



## SIGNAL



## HISTORICAL EXPOSURE



Source: Helios Quantitative Research, Bloomberg

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# Volatility Level Element

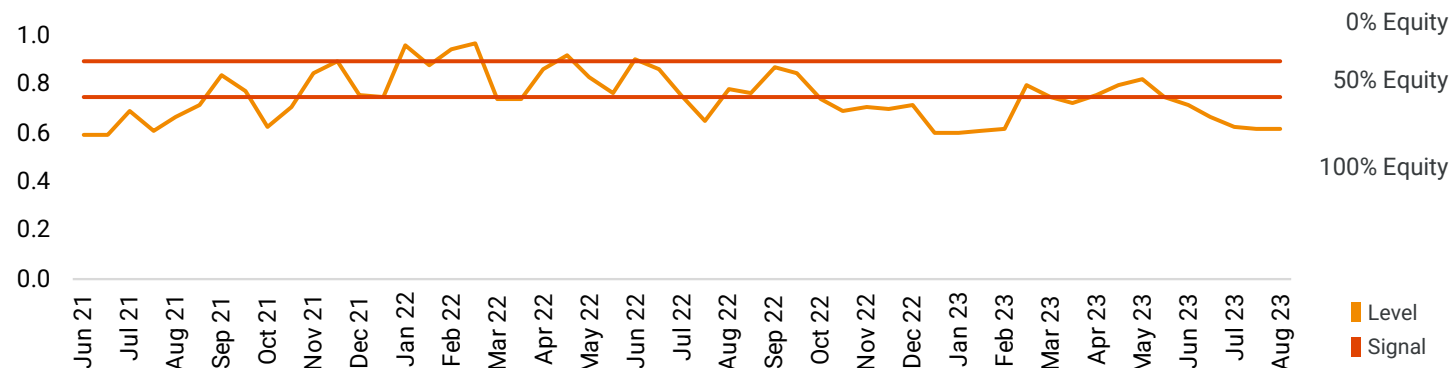


## TRADE RATIONALE

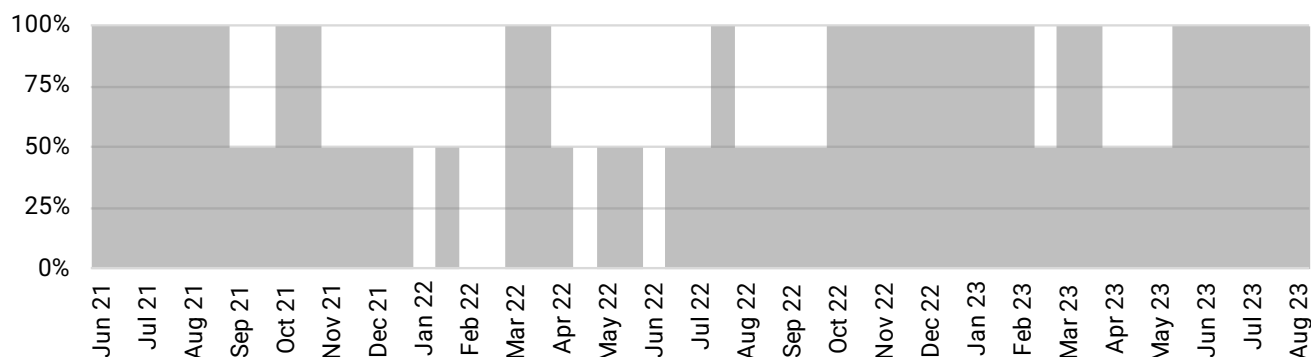
The Volatility Element has a positive view on equities. Shorter-term volatility expectations remain well below where the year began, despite a slight uptick across August. The health of corporate balance sheets continues to be an area of focus, though notable improvements since May have helped. Despite the improvement, credit spreads are elevated compared to their recent average. Inflation continues to move in the right direction, though if economic trends worsen, the market's view on upcoming risks could shift from today's cautiously optimistic levels.



## SIGNAL



## HISTORICAL EXPOSURE



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# Economic Level Element

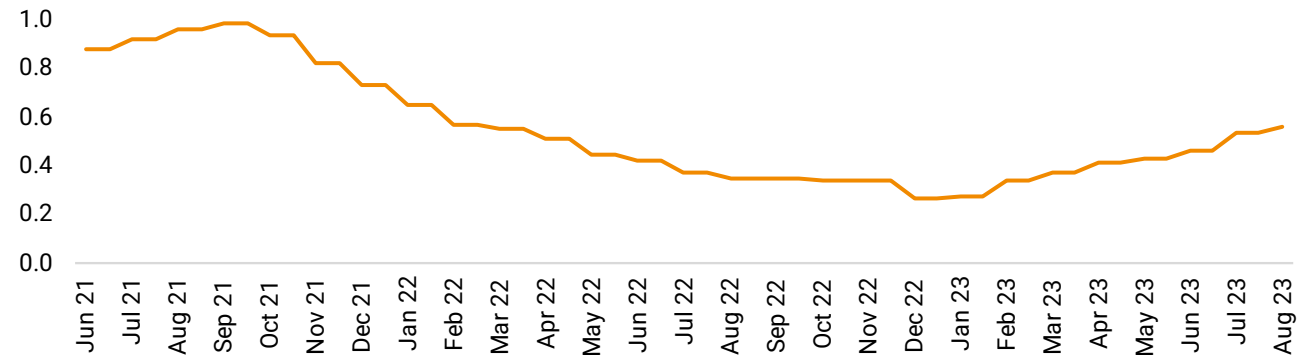


## TRADE RATIONALE

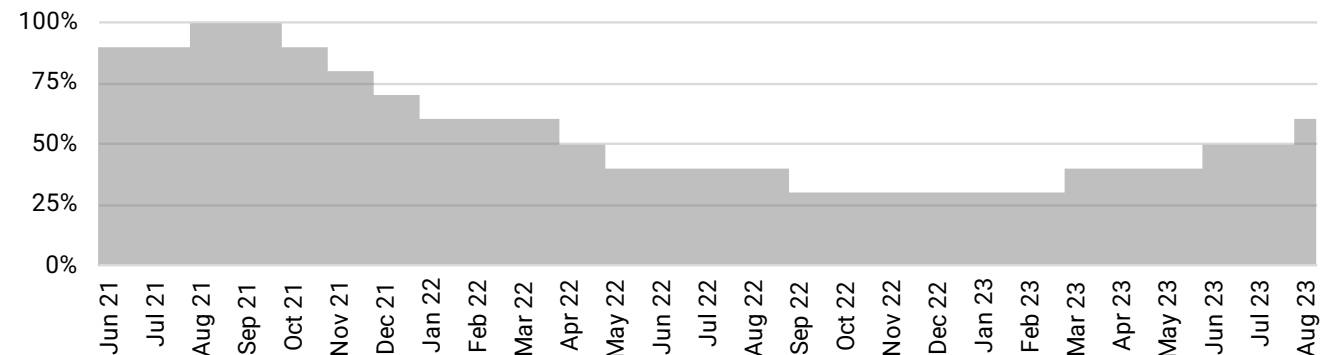
The Economic Element has a slightly positive view. The element has been seeing a gradual relative improvement in the economy since the start of the year, rising from December's recent low. Improvements across global output, leading indicators, as well as financial system stress have improved the overall viewpoint, helped by continued strength in employment and overall economic conditions. The areas of improvement helped offset some deterioration in economic activity as well as continued weakness in sales, services conditions, and production. While risks certainly remain, the year's improvements through August have provided some welcome, albeit cautious, optimism compared to last year's incessant headlines surrounding recession risks.



## SIGNAL



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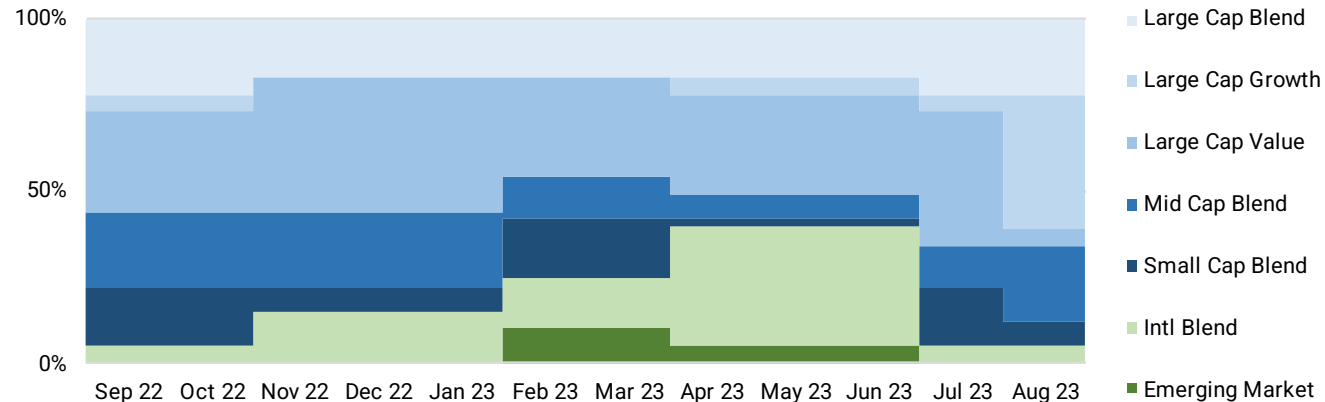
# Active Equity Style Element



## SIGNAL

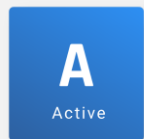
Leading Economic Index	05/31/23	06/30/23	07/31/23	08/31/23	Trend	Position
US LEI Change	-0.05%	-0.05%	0.08%	<b>0.12%</b>		<b>Overweight US Stocks</b>
Global LEI Change	0.05%	0.05%	0.08%	<b>0.11%</b>		
US - Global	-0.11%	-0.10%	0.01%	<b>0.01%</b>		
^						
Valuation Ratio					Trend	Position
Growth P/B Ratio	10.07	10.00	10.84	<b>11.20</b>		<b>Overweight Growth Stocks</b>
Value P/B Ratio	2.43	2.27	2.42	<b>2.50</b>		
G-V Trend	-	-	-	<b>+</b>		
^						

## HISTORICAL EXPOSURE



## TRADE RATIONALE

Leading economic indicators continue to point to the US being a more attractive environment than international equities. For more than a year, fundamental price-to-book value calculations have favored Value stocks, despite the narrow rally of some technology growth stocks in recent months. Finally, those calculations now favor Growth stocks after this earnings season has wrapped up. In addition, current market momentum calculations also favor Growth vs. Value stocks. The sharp upward trends in Growth stocks since March of this year have now offset the sharply negative trends in the Growth sector from last year. Across shorter-term technical indicators, US large cap growth, large cap value, and mid cap each show individual relative strength at this calculation point.



Source: Helios Quantitative Research, Bloomberg

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# Active+ Equity Style Element



## SIGNAL

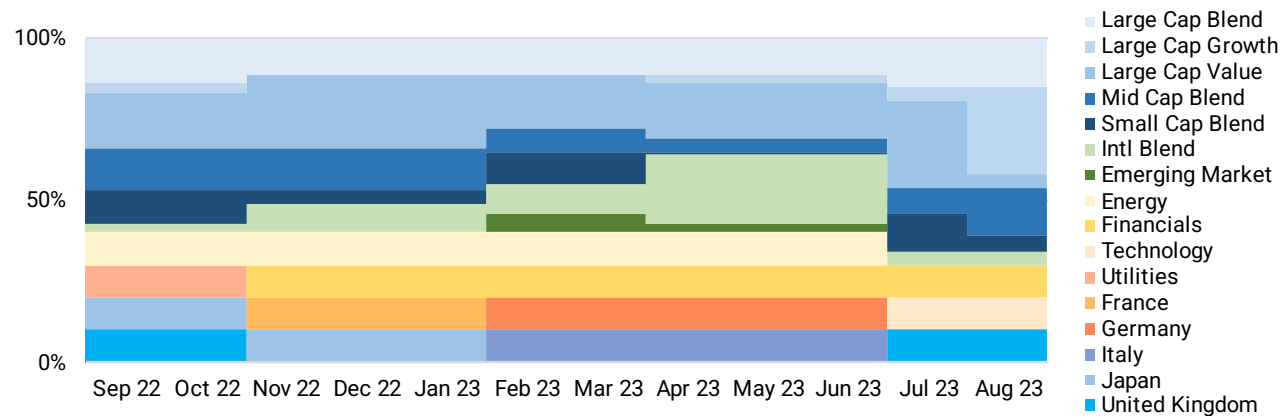
Leading Economic Index	05/31/23	06/30/23	07/31/23	08/31/23	Trend	Position
US LEI Change	-0.05%	-0.05%	0.08%	<b>0.12%</b>		<b>Overweight US Stocks</b>
Global LEI Change	0.05%	0.05%	0.08%	<b>0.11%</b>		
US - Global	-0.11%	-0.10%	0.01%	<b>0.01%</b>		

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Valuation Ratio	05/31/23	06/30/23	07/31/23	08/31/23	Trend	Position
Growth P/B Ratio	10.07	10.00	10.84	<b>11.20</b>		<b>Overweight Growth Stocks</b>
Value P/B Ratio	2.43	2.27	2.42	<b>2.50</b>		
G-V Trend	-	-	-	<b>+</b>		

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## HISTORICAL EXPOSURE



## TRADE RATIONALE

Leading economic indicators continue to point to the US being a more attractive environment than most international equities, though the United Kingdom is also attractive. For more than a year, fundamental price-to-book calculations favored Value stocks, despite the narrow rally of some technology growth stocks in recent months. Finally, those calculations now favor Growth stocks after earnings season wrapped up. The sharp upward trends in Growth stocks since March of this year have now offset the sharply negative trends in the Growth sector from last year. Across shorter-term technical indicators, US large cap growth, large cap value, and mid cap each show individual relative strength. Within major sectors, Technology and Financials are favored, though for different reasons. The continued upward valuation trends in Technology make them attractive while the relatively stable trends in Financials make them attractive relative to the swings in many other sectors.



Source: Helios Quantitative Research, Bloomberg

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# Active Fixed Income Style Element



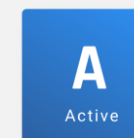
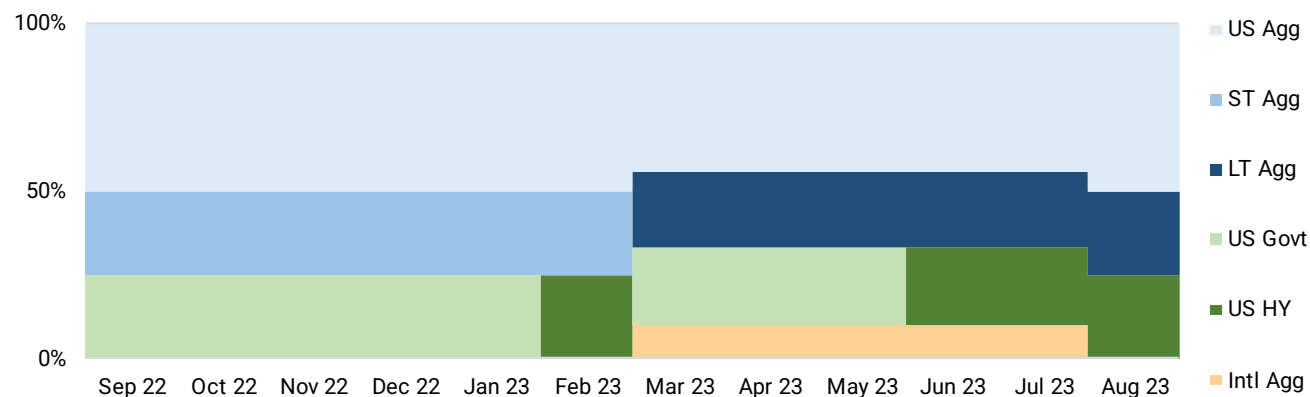
## SIGNAL

Indicator	05/31/23	05/31/23	06/30/23	07/31/23	Trend	Position
Inflation	5.50	5.30	4.80	<b>4.80</b>		LONG DURATION HIGH YIELD 0%
2-Year Yield	4.40	4.40	4.90	<b>4.88</b>		
10-Year Yield	3.64	3.64	3.84	<b>3.96</b>		
Credit Spreads	5.15	5.15	4.66	<b>4.34</b>		
Intl Agg (BWX)	22.40	22.55	22.74	<b>22.16</b>		

## TRADE RATIONALE

The current shape of the yield curve and continued improvement in credit spreads continue to keep the element's view that high yield bonds remain more attractive compared to Treasury bonds. Despite the Federal Reserve's continued aggressive tone towards the fight against inflation, trends in the yields on short- and intermediate-term government bonds and consistently falling inflation data maintains a bias toward longer-term bonds. Further, trends in international bonds have moved negative, reducing their attractiveness as an opportunistic holding.

## HISTORICAL EXPOSURE



Source: Helios Quantitative Research, Bloomberg

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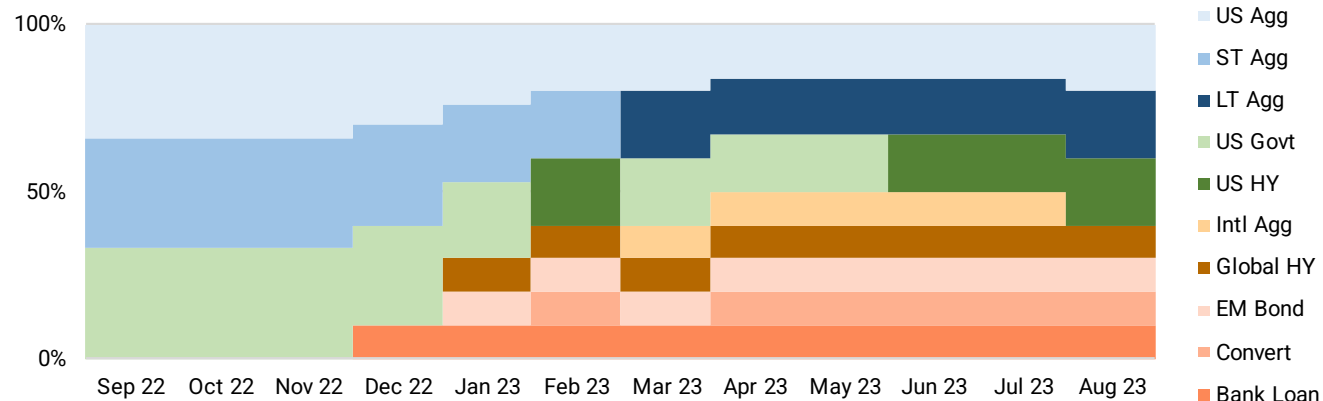
# Active+ Fixed Income Style Element



## SIGNAL

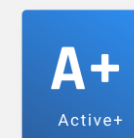
Indicator	05/31/23	06/30/23	07/31/23	08/31/23	Trend	Position
Inflation	5.30	4.80	4.70	<b>4.70</b>		<b>LONG DURATION</b>
2-Year Yield	4.40	4.90	4.88	<b>4.86</b>		
10-Year Yield	3.64	3.84	3.96	<b>4.11</b>		
Credit Spreads	5.15	4.66	4.34	<b>4.31</b>		
Intl Agg (BWX)	22.40	22.55	22.74	<b>22.16</b>		<b>HIGH YIELD</b>
Global HY (GHYG)	41.92	42.48	42.90	<b>42.53</b>		
EM Bond (EMB)	84.78	86.54	87.68	<b>85.72</b>		
Convert (CWB)	66.86	69.95	71.90	<b>69.78</b>		
Bank Loan (BKLN)	20.60	21.04	21.00	<b>21.09</b>		<b>10%</b>

## HISTORICAL EXPOSURE



## TRADE RATIONALE

The current shape of the yield curve and continued improvement in credit spreads continue to keep the element's view that high yield bonds remain more attractive compared to Treasury bonds. Despite the Federal Reserve's continued aggressive tone towards the fight against inflation, trends in the yields on short- and intermediate-term government bonds and consistently falling inflation data maintains a bias toward longer-term bonds. Positive trends in convertibles, global high yield, bank loans, and emerging market bonds have maintained their attractiveness while trends in international bonds have moved negative, reducing their attractiveness as an opportunistic holding.



Source: Helios Quantitative Research, Bloomberg

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# Model Changes



## Revo Turnkey Models

Increased Equity allocation due to Economic Level Indicator Signal.

Due to Style Element Signals, Rotated from Large Cap Value to Large Cap Growth and from Small Cap Blend to Large Cap Blend.

Reduced Fixed Income level proportionately by moving out of International Aggregate bonds and reducing US Agg and US High Yield.

## Revo Blend Models

Increased Equity allocation due to Economic Level Indicator Signal.

Due to Style Element Signals, Rotated from Large Cap Value to Large Cap Growth and from Small Cap Blend to Large Cap Blend.

Reduced Fixed Income level proportionately by moving out of International Aggregate bonds and reducing US Agg and US High Yield.

Source: Helios Quantitative Research, Bloomberg

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# Definitions & Disclosures

METHODS, DEFINITIONS, AND MORE

# Definitions & Disclosures

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