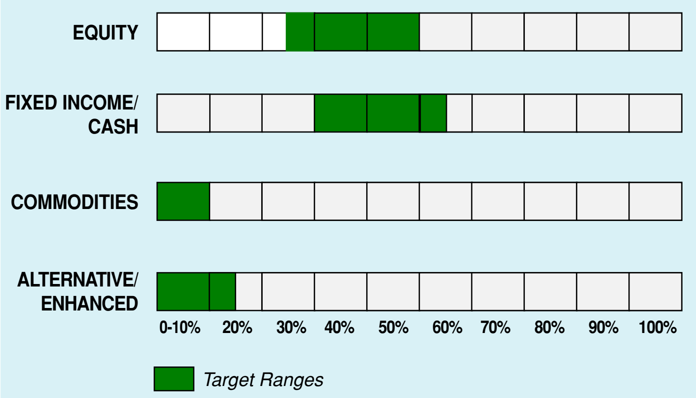
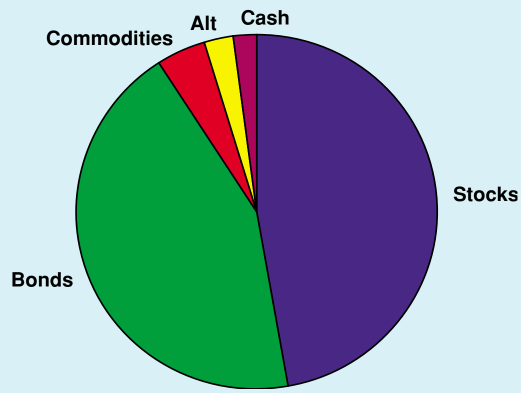
ARGUS CONSERVATIVE ETF PORTFOLIO UPDATE

April 2018

ASSET ALLOCATION RANGES



CURRENT ASSET ALLOCATION



TACTICAL STRATEGY

While first-quarter 2018 returns in the financial markets were negative, stocks outperformed bonds, large-caps topped small-caps, growth outperformed value and global stocks lagged compared to domestic stocks. For the quarter, the S&P 500 Index (ETF symbol SPY) declined 0.8% including dividends, while the primary fixed-income index, the Barclays U.S. Aggregate Bond Index (AGG), slipped 1.8%. Global stocks, according to the MSCI EAFE ETF (EFA), declined 0.9%.

Looking ahead, the recent pull-back in U.S. stocks has improved valuations, and we expect equities to once again benefit from economic and market trends which indicate core U.S. GDP is growing at a 2.5% rate, give or take 50 basis points; real interest rates will remain low on a historical basis into 2019; and corporate profits are on an upswing. As such, we are focused toward the high end of our asset allocation range to equities.

Risks to our outlook include uncertain economic conditions in key emerging markets, including China; the potential for a trade war and excessive tariffs on U.S. goods; the volatile price of oil; spikes in inflation or the dollar; moves by the Federal Reserve that are deemed too aggressive; negative interest rates in Europe and Japan; and the ongoing potential for geopolitical tensions in Russia, North Korea and the Mideast.

Concerning stock valuations, large-caps had a strong rally in 2017 but now appear somewhat overvalued compared to mid- and small-caps (based on our review of trends in P/E ratios, price/sales ratios and dividend yields). Our recommended exposure to small- and mid-caps is now 18%-20% of equity allocation, modestly above the benchmark weighting. Looking ahead, we expect accelerated earnings growth in 2018-19, which should continue to favor growth stocks over value. Internationally, we note that U.S. stocks have outperformed global stock indexes over the trailing five-year and 10-year periods. We expect this trend to continue over the long term, given volatile global economic and currency conditions — though we note favorable near-term valuations among international stocks, as well as higher dividend yields. We look for emerging markets to outperform in 2018, led by China, India and a recovery in Brazil.

In fixed income, we look for the 10-year U.S. government Treasury bond yield to fluctuate within a fundamental range of 2.50%-3.25% into 2018. The current long-bond yield is 2.80%, near the midpoint of the range. We expect the Fed to hike short-term rates at least two more times in 2018, while continuing to reduce its balance sheet to move into better position to tackle the next financial crisis.

In this environment, we are targeting the lower end of our range for bonds. We favor Corporate bonds, inflation-protected securities such as TIPs and shorter-duration Treasuries. We recommend steering clear of emerging market and foreign sovereign rates at this time, as any potential extra yield comes along with a substantially higher degree of risk.

Commodities as an asset class have started to recover after a five-year downtrend. Looking ahead, we expect weakness in the dollar to result in stability for commodities including oil, gold, metals and agriculture. We think commodities should constitute up to 3%-5% of a portfolio.

QUARTERLY RETURN NOTES

During 1Q18, the portfolio declined 0.7%. The S&P 500 dipped 0.8%, with dividends, while the MSCI EAFE fell 0.9% and the Bloomberg Barclays U.S. Aggregate Bond Index dropped 1.8%. A hypothetical 60/40 portfolio balanced between stocks and bonds would have declined approximately 1.2% in 1Q18.

On the risk side, the portfolio exhibited more-favorable risk characteristics than the equity benchmark. The average monthly return for the portfolio over the trailing 12 months was 0.6%, compared to an average monthly return of 1.1% for the S&P 500. The standard deviation of the monthly returns was 1.2 for the portfolio, compared to 2.5 for the S&P 500.

PERFORMANCE DRIVERS

The ETF holdings that were the top contributors to returns in 1Q18 were:

- **Vanguard Emerging Markets Stock Index ETF**
- **U.S. Commodity Index Fund ETF**

The ETF holdings that contributed the least or most negatively affected the model portfolio during the period were:

- **Schwab U.S. Dividend Equity ETF**
- **iShares U.S. Real Estate ETF**

TOP 5 ETF HOLDINGS IN PORTFOLIO

IShares Tips Bond ETF
PowerShares S&P 500 Low Volatility ETF
Vanguard Short-Tm Corp Bond Idx ETF
Schwab US Dividend Equity ETF
Vanguard Short-Term Bond ETF

PORTFOLIO CHANGES

Argus' Chief Investment Strategist, Peter Canelo, sees value in mid-caps and expects further momentum in emerging markets. Consequently, we are lowering our exposure to U.S. large-cap stocks and adding to mid-caps and emerging markets. We are also moving more assets into the Tips Bond ETF, in anticipation of rising inflation and as corporate/government bond spreads have narrowed.

BUYS:

6 shares of iShares Total Return Core S&P Midcap ETF (IJH)
(increasing the position by 30% to 4.2% of the portfolio)
20 shares of iShares Core Total U.S. Bond Market ETF (AGG)
(increasing the position by 27% to 8.5% of the portfolio)
8 shares of iShares Tips Bond ETF (TIP)
(increasing the position by 9% to 9.4% of the portfolio)

SELLS:

22 shares of PowerShares S&P 500 Low Volatility ETF (SPLV)
(9% of the position, reducing it to 8.1% of the portfolio)
30 shares of PIMCO 0-5 High Yield Corporate Bond Index ETF (HYS)
(50% of the position, reducing it to 2.6% of the portfolio)