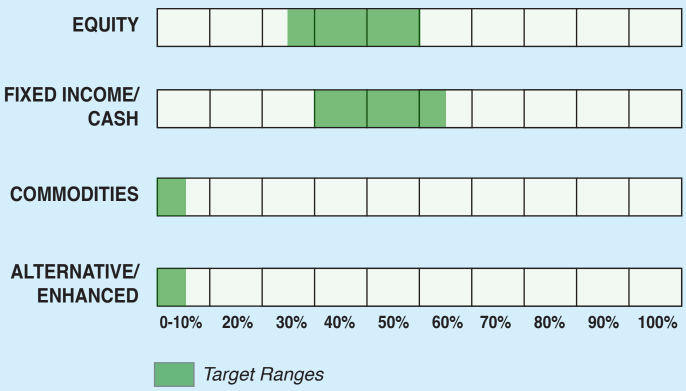
ARGUS CONSERVATIVE ETF PORTFOLIO UPDATE

July 2022

ASSET ALLOCATION RANGES



CURRENT ASSET ALLOCATION

Asset Category	Asset Type	Asset Class	
Fixed Income	Bonds	Core Fixed Income	20%
		Inflation-Indexed Bonds	6%
		Opportunistic Fixed Income	22%
	Cash	Cash	3%
Growth Assets	Equities	US Large Stocks	35%
		Intl Large Stocks	3%
		US Small Stocks	6%
		Emerging Markets Stocks	2%
	Alternatives	Commodities	2%
		Real Estate	2%
			100%

TACTICAL STRATEGY

Stocks resumed their 2022 downward trend in June, and finished the first half with their worst performance in 50 years. Bond prices slipped as well, and both asset classes remain lower year-to-date.

From an asset-allocation standpoint, our Stock-Bond Barometer model slightly favors bonds over stocks for long-term portfolios. In other words, these asset classes should be near their target weights in diversified portfolios, with a modest tilt toward fixed income. According to our model, U.S. stocks are now above fair value compared to earnings and interest rates, while bond prices are also above fair value given low yields. We think that diversified portfolios can benefit from trends that indicate core long-term U.S. GDP can grow at a 2.0% rate; real interest rates will remain low for the next year at least; and corporate profits will grow at a mid-single-digit pace for the next few quarters.

The primary risk to investors in the immediate term is the potential for persistent inflation and the likelihood that the Federal Reserve will over-react, raise interest rates too aggressively, and tip the economy into recession. Investors must also deal with the economic and market uncertainty caused by the coronavirus and its variants, as well as the volatile price of oil, and political and geopolitical tensions.

We are balanced on large- and small-caps. We favor large-caps for growth exposure and financial strength, while small-caps are selling at historical discounts relative to large-caps and offer value. Our recommended exposure to small- and mid-caps is now 15%-17% of equity allocation, in line with the benchmark weighting. Moving to the international arena, U.S. stocks have outperformed global stocks over the trailing one- and five-year periods. We expect this long-term trend to continue, given difficult-to-predict global economic, political, geopolitical, and currency conditions. That said, international stocks offer favorable near-term valuations, and we target 8%-10% of equity exposure to the group. In terms of growth and value, Value has taken an early lead in 2022 due to the negative impact of rising interest rates on growth valuations. Over the longer term, we anticipate that growth, led by Tech and Healthcare, will continue to top returns from value, led by Energy and Materials, due to favorable secular and demographic trends.

We look for the 10-year U.S. government Treasury bond yield to fluctuate within a range of 2.75%-4.0% through 2022. The current 10-year yield is around 2.90%, near the low end of this range and higher by 140 basis points already this year. The Federal Reserve has fallen behind the inflation curve, and we expect multiple rate hikes through the year in order to quell pricing pressures. On strategy, we typically break the fixed-income segment of a portfolio into four areas: Core, such as the industry benchmark ETF AGG or Treasuries; Inflation-Indexed; Opportunistic, such as securitized debt, corporate debt, high-yield or floating bonds; and Cash. We have been adding to the Inflation-Indexed segment. On duration, we recommend the intermediate-term. We would avoid foreign-government fixed-income securities, below-investment-grade securities and longer-duration securities in the current market environment.

Given an outlook for global growth of 4.0% in a recovery year in 2022, we think commodities will be in demand. In our view, commodities should constitute up to 3%-5% of portfolios, with gold, lumber, and copper having the most exposure.

In alternatives, we favor income-generating securities linked to the real estate industry, which is in recovery mode and expected to be a pillar for U.S. economic growth for several quarters. We think it is too early to be adding volatile Bitcoin-related securities to our models at this time. We will reconsider an exposure to cryptocurrencies once the sector approaches total market capitalization of $5 trillion, or the regulatory outlook becomes clearer.

JOHN EADE, Director of Portfolio Strategies | **KEVIN HEAL,** Senior Analyst

QUARTERLY RETURN NOTES

During 2Q22, the portfolio declined 8.2%. The S&P 500 fell 14.7%, with dividends, while the MSCI EAFE dropped 15.1% and the Bloomberg Barclays U.S. Aggregate Bond Index fell 5.1%.

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 -0.8%, compared to an average monthly decline of -0.8% for the S&P 500. The standard deviation of the monthly returns over the trailing 12 months was 2.5 for the portfolio, compared to 5.2 for the S&P 500. Over the trailing three-year period, the standard deviation was 2.5 for the portfolio, compared to 4.9 for the S&P 500.

PERFORMANCE DRIVERS

The ETF holdings that were the top contributors to returns during the quarter were:
*** iShares Gold Trust ETF**
*** iShares Floating Rate Bond ETF**

The ETF holdings that contributed the least or most negatively affected the model portfolio during the quarter were:
*** SPDR S&P 500 Trust ETF**
*** iShares MSCI KLD 400 SOC ETF**

PORTFOLIO CHANGES

In growth assets, we are adding a focused exposure to the Healthcare industry, which we think offers solid prospects of growth and income. In fixed income, we are shortening duration in our inflation-protected segment.

Note: Model trades were made on 7/13/2022, and prices and weights are accurate as of that date.

BUYS:

Vanguard Health Care Index Fund (VHT)
iShares 0-5 TIPS Bond ETF (STIP)

SELLS:

iShares TIPS Bond ETF (TIP)

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