Westwood®

Westwood Broadmark **Tactical Growth Portfolio**
Sub-Advised by Broadmark Asset Management LLC

Current Model

Effective Apr 19, 2024:
45% exposed (effectively) to the market:
- 30% RSP
- 15% SPY
- 54% BIL
- 1% cash

Previous Models

Effective Mar 22, 2024:
55% exposed (effectively) to the market:
- 40% RSP
- 15% SPY
- 44% BIL
- 1% cash

Effective Mar 6, 2024:
45% exposed (effectively) to the market:
- 30% RSP
- 15% SPY
- 54% BIL
- 1% cash

Effective Feb 22, 2024:
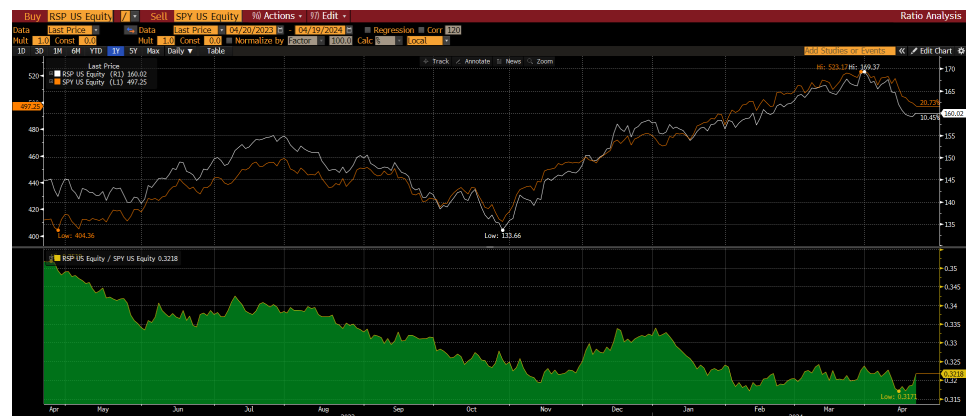35% exposed (effectively) to the market:
- 20% RSP
- 15% SPY
- 64% BIL
- 1% cash

Key

- BIL: SPDR Bloomberg 1-3 Month T-Bill ETF
- RSP: Invesco S&P 500 Equal Weight ETF
- SPY: SPDR S&P 500 ETF Trust

Model Change

April 19, 2024

The portfolio managers reduced net exposure 10% by reducing the RSP (Invesco S&P 500 Equal Weight ETF) position to 30% of the portfolio in response to deterioration in relative strength of RSP. The portfolio's model is currently effectively 45% exposed to the market: 30% RSP (Invesco S&P 500 Equal Weight ETF), 15% SPY (SPDR S&P 500 ETF Trust), 54% BIL (SPDR Bloomberg 1-3 Month T-Bill), and 1% cash.

Relative Strength

Source: Bloomberg, as of 04/19/2024. For illustrative purposes only. Past performance is not indicative of how the index will perform in the future. The index reflects the reinvestment of dividends and income and does not reflect deductions for fees, expenses or taxes. The index is unmanaged and is not available for direct investment.

Broadmark's Four Pillars

The portfolio management team takes a disciplined approach to their investment process that considers qualitative and quantitative factors but provides them discretion regarding how to position the strategy. There are four pillars of the investment process. The first three pillars—valuation, monetary policy and credit conditions, and investor sentiment—are qualitative in nature and indicate extreme market conditions while the final pillar—momentum—is a quantitative assessment of volume- and breadth-based momentum and confirms that a change in the market direction has taken place. The models utilized within these pillars provide key determinates in assessing optimal stock market exposure, including: entry points, the amount of exposure, the type of exposure and exit points.

VALUATION

The team looks for extremes in valuations to signal when to be cautious and when to be more optimistic about future returns. Historically, at high points in the stock market cycle, valuation levels are elevated and at low points in the cycle, valuations are low. Equity valuations must be assessed within the prevailing economic and interest rate environment.

MONETARY POLICY AND CREDIT CONDITIONS

Monetary policy and credit conditions are among the key factors in the determination of the long-term direction of the U.S. stock market. When the U.S. Federal Reserve (Fed) is easing monetary policy and credit conditions are accommodative, it provides a healthy environment for equities. A tightening of Fed policy and deteriorating credit conditions eventually create a poor environment for equities. Indicators of the actions of global central banks that could affect U.S. policy and the U.S. stock market are also important in this analysis.

INVESTOR SENTIMENT

Investor sentiment is analyzed from a contrarian point of view. Most classes of investors are wrong at market extremes. Extreme investor sentiment levels are seen as signals that market reversals may occur. When investors are very optimistic, it is usually the time to be cautious; when investors are selling heavily, it is usually time to increase market exposure.

MOMENTUM

Healthy markets are distinguished by a high percentage of stocks participating in the advance. During these times, measures of volume and market breadth confirm new highs in the major market indexes. As the stock market and economic cycle near a peak, there are usually decreasing levels of participation in terms of both breadth and volume, which creates negative divergences. The long-term momentum model is used to position the portfolio offensively, defensively or neutral to the market.