Donoghue Forlines

Markets in Motion™

May 27, 2021

Re-Affirming Our Macro View

This month, during our investment committee meeting, we made no changes to our global tactical portfolios. We believe these are our *best meetings* because it means our monthly process has built conviction in our *global macro view* and our current allocations. As we dive into summer, we wanted to re-affirm our strongest views, how they've adapted and how they're affecting our asset allocation.

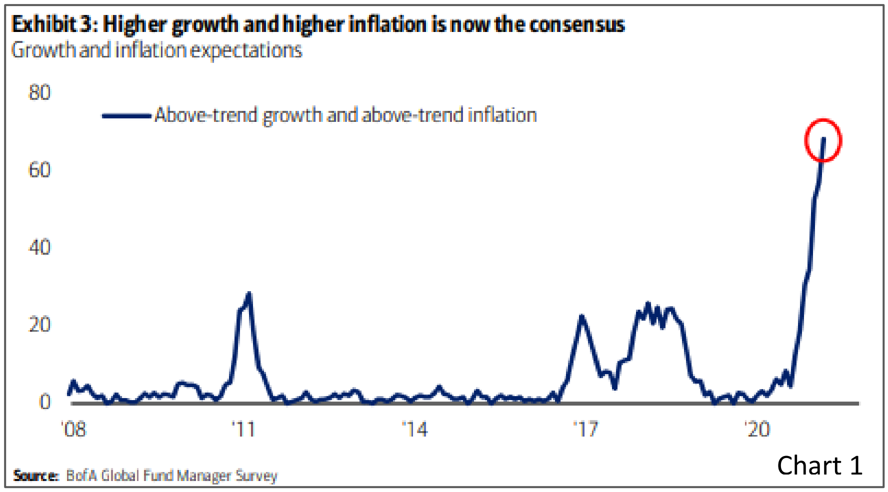


Chart 1

For some time, our view is that the economy is accelerating from the "covid-sized" hole created in 2020. As economies re-opened and activity began to surge, this view has now become consensus among investors, according to the Bank of America Fund Manager Survey (Chart 1).

But as the tailwind from stimulus fades and the vaccination campaign winds down, economic momentum has likely peaked with expectations. Historically, a slowdown in growth has been associated with lower overall equity returns. *But this is expected*: the next leg of the rally in risk assets will not have the strength of the past year. However, we believe there are reasons to expect this "slowdown" to be relatively benign and remain overweight risk assets (especially certain pockets).

First, US growth is slowing from exceptionally strong levels and will remain above-trend. The golden rule of investing is to stay bullish on risk assets unless one think's there is a recession around the corner (Chart 2). In our view, growth is highly unlikely to turn contractionary anytime soon.

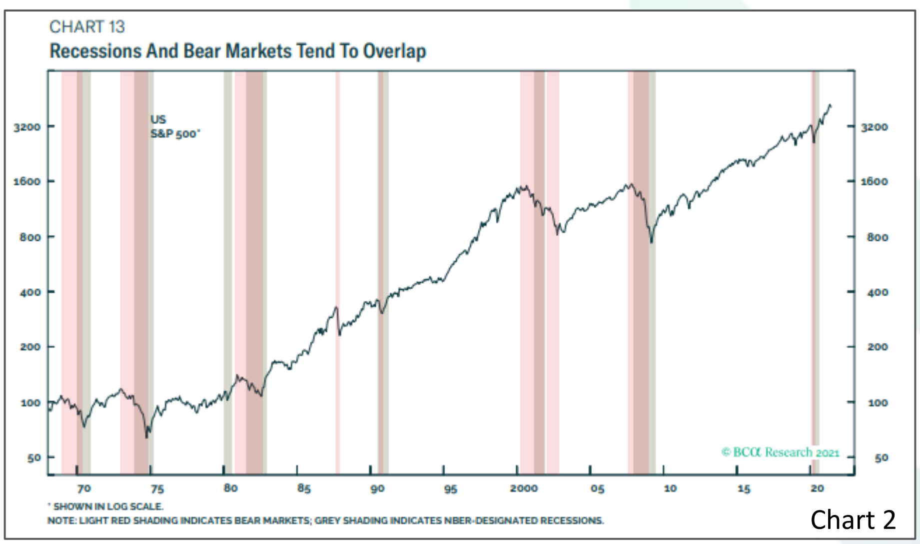


Chart 2

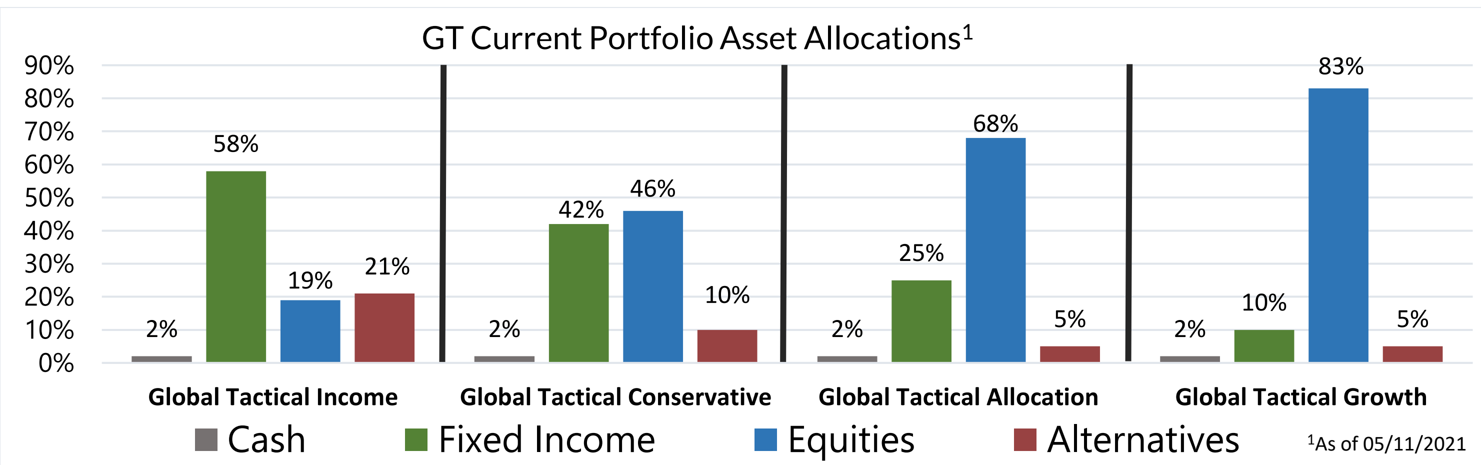
And most importantly, we expect that monetary policy will remain highly accommodative in the face of what is likely to be a transitory increase in inflation. In our last two Markets in Motion (March 2021, April 2021), we spoke at length on our view to fade inflationary fears over the next couple of years. With no structurally higher inflation, the Fed can afford to sustain exceptionally easy monetary policy, which should keep growth above-trend and continue to support equity valuations.

And if inflation fears recede, the economic environment will begin to change from a period of reflation to goldilocks (chart 3).

This would trigger rotations from cyclical/value exposures back into quality/growth exposures. The fuel for this rotation will come from one-sided positioning into the inflation trade. Tech funds have seen their largest outflows since December 2018, another short-term bottom for the sector. We have an overweight to stocks with these characteristics within our portfolios. In this environment, bonds will likely remain rangebound over a tactical timeframe. However, we will continue to avoid allocations to bonds, as it would be like picking up pennies in front of a bull dozer before yields continue their move higher. Therefore, we remain overweight stocks and credit, with a focus on quality/growth factors.

Chart 3

Finally, know that all our Strategies will adapt to fundamental or rules-based, not emotional influences. We seek opportunities for solid risk adjusted returns and to preserve capital in asset market downturns.



Recent Portfolio Changes

We made no portfolio changes this month.

GTA MONTHLY UPDATE

April 14, 2021		Current[1]	
Allocation	**Weight**	**Allocation**	**Weight**
Cash & Equivalents			
Money Market	2%	Money Market	2%
Total	**2%**		**2%**
Fixed Income (US)			
Preferred Stock	10%	Preferred Stock	10%
Tactical High Yield	15%	Tactical High Yield	15%
Long-Term Treasuries	0%	Long-Term Treasuries	0%
Total	**25%**		**25%**
Fixed Income (Int'l)			
Total	**0%**		**0%**
Equity (US)			
Free Cash Flow	15%	Free Cash Flow	15%
Risk-Managed Innovation	20%	Risk-Managed Innovation	20%
US Value ETF	5%	US Value ETF	5%
Free Cash Flow ETF	10%	Free Cash Flow ETF	10%
Total	**50%**		**50%**
Equity (Int'l)			
Emerging Market Equities	10%	Emerging Market Equities	10%
EM Min. Vol.	5%	EM Min. Vol.	5%
Clean Energy ETF	3%	Clean Energy ETF	3%
Total	**18%**		**18%**
Alternatives			
Gold	5%	Gold	5%
Total	**5%**		**5%**
Portfolio Allocations			
Cash	2%	Cash	2%
Fixed Income	25%	Fixed Income	25%
Equities	68%	Equities	68%
Alternatives	5%	Alternatives	5%

[1]Information as of 05/11/2021. Individual account allocations may differ slightly from model allocations.

You can get more information by calling (800) 642-4276 or by emailing AdvisorRelations@donoghueforlines.com. Also, visit our Sales Team Page to learn more about your territory coverage.

Best regards,

John A. Forlines III

Chief Investment Officer

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The Donoghue Forlines Global Tactical Allocation Portfolio composite was created July 1, 2009. The Donoghue Forlines Global Tactical Income Portfolio composite was created August 1, 2014. The Donoghue Forlines Global Tactical Growth Portfolio composite was created April 1, 2016. The Donoghue Forlines Global Tactical Conservative Portfolio composite was created January 1, 2018.

Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Individual portfolio returns are calculated monthly in U.S. dollars. These returns represent investors domiciled primarily in the United States. Past performance is not indicative of future results. Performance reflects the re-investment of dividends and other earnings.

Net returns are presented net of management fees and include the reinvestment of all income. Net of fee performance was calculated using a model fee of 1% representing an applicable wrap fee. The investment management fee schedule for the composite is: Client Assets = All Assets; Annual Fee % = 1.00%. Actual investment advisory fees incurred by clients may vary.

The Donoghue Forlines Global Tactical Allocation Benchmark is the HFRU Hedge Fund Composite. The HFRU Hedge Fund Composite USD Index is designed to be representative of the overall composition of the UCITS-Compliant hedge fund universe. It is comprised of all eligible hedge fund strategies; including, but not limited to equity hedge, event driven, macro, and relative value arbitrage. The Blended Benchmark Conservative is a benchmark comprised of 80% HFRU Hedge Fund Composite and 20% Bloomberg Barclays Global Aggregate, rebalanced monthly. The Blended Benchmark Growth is a benchmark comprised of 80% HFRU Hedge Fund Composite and 20% MSCI ACWI, rebalanced monthly. The Blended Benchmark Income is a benchmark comprised of 60% HFRU Hedge Fund Composite and 40% Bloomberg Barclays Global Aggregate, rebalanced monthly.

The MSCI ACWI Index is a free float adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The HFRU Hedge Fund Composite USD Index is designed to be representative of the overall composition of the UCITS-Compliant hedge fund universe. It is comprised of all eligible hedge fund strategies; including, but not limited to equity hedge, event driven, macro, and relative value arbitrage. The underlying constituents are equally weighted. The Bloomberg Barclays Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Index performance results are unmanaged, do not reflect the deduction of transaction and custodial charges or a management fee, the incurrence of which would have the effect of decreasing indicated historical performance results. You cannot invest directly in an Index. Economic factors, market conditions and investment strategies will affect the performance of any portfolio, and there are no assurances that it will match or outperform any particular benchmark.

Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. For a compliant presentation and/or the firm's list of composite descriptions, please contact 800-642-4276 or info@donoghueforlines.com.

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