What Will the Fed Do Next?

In 2024, we have seen US inflation repeatedly exceed expectations, gasoline prices creep higher, gold break out to all-time highs, feverish speculation in cryptocurrency and segments of the equity market, bonds sell off, and US corporate bond spreads remain tight. In short, over the past two and a half months the case for Federal Reserve rate cuts has taken on some serious water. Consequently, this leaves us an important question: *What will the Fed do next?* (Chart 1).

The Fed will have to decide if they will get ahead of the curve and beat back the expectations of imminent rate cuts that it raised in December or have to deliver the promised rate cuts. The macro backdrop is no longer very supportive of easier policy.

Their decision will have dramatic implications for asset prices and asset allocation decisions.

An added complication is the US presidential election. The Fed would not want to start a new cutting cycle around the build up to the election. Therefore, the clear window for the Fed to move forward with cuts would be June or December (unless a crisis forces its hand).

Initially, we believe the temptation will be to "do nothing" and attempt to gather more information. This itself will have asset market implications. With no excess liquidity pushed into markets, the easier policy trade could begin to unwind. Remember, liquidity is already contracting barring intervention. If the hope for cuts is removed, it could change animal spirits. (Chart 2).

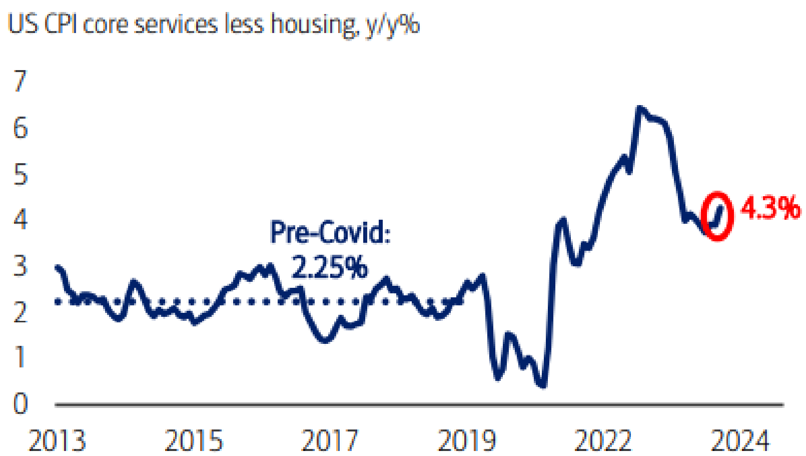
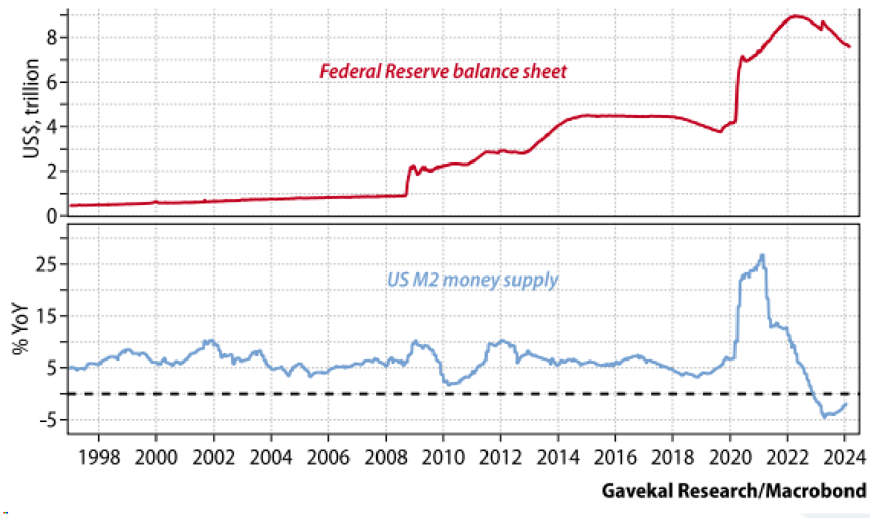


Chart 1 - Source: BofA Research Investment Committee, Bloomberg

Chart 2 - Source: Gakeval Research/Macrobond



Eventually, we believe big drops in stocks could prompt Fed cuts; and big rallies will further ease financial conditions and rekindle the very inflation that the Fed thought it had smothered. It is a recipe for a range-bound and volatile year, with asymmetric downside risk. Ultimately, strategic asset allocations will struggle in this new normal of higher inflation, more dramatic policy interventions, and reversing correlations. (Chart 3).

Chart 3 - Source: BofA Research Investment Committee, Global Financial Data.
Note: stocks = S&P500 total return, bonds – 10-year US Treasury bond.

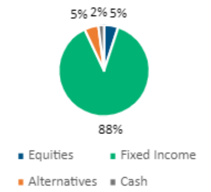
The aforementioned leads us back to our 2024 outlook for asset prices. Covid stimulus delayed the onset of a recession but did not cancel it. It is easy to get complacent when the market goes through a stretch like it's had over the last five to six months. However, we still believe risks will be skewed to the downside this year as the economy has yet to feel the brunt of the last two year's significant tightening. Since the beginning of the year, we have remained neutral in our risk exposures to take advantage of a blow off rally. We anticipate de-risking our portfolios but are waiting for tactical indicators to show the bull market is losing steam. The path of least resistance is still higher, and we do not want to dial back risk exposure too early. We acknowledge this view is further from consensus, but so was our pro-risk view last year when a record number of economists expected a recession. We believe this speaks to our robust and repeatable macro process.

Therefore, we continue to stress the importance of tactical management. In today's low-return environment, advisors are challenged to rethink foundational elements of investor portfolios – which means seeking out strategies that bolster the "core" going forward.

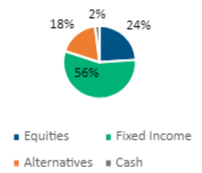
This month, we made minor changes to our risk bucket, moving more beta equity exposure into our alternative real asset fund, as a hedge to potential correlation risk.

Recent Portfolio Changes

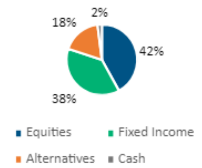
Global Tactical Income (GTI)



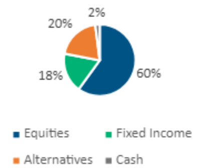
Global Tactical Conservative (GTC)



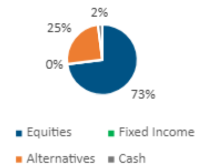
Global Tactical Allocation (GTA)



Global Tactical Growth (GTG)



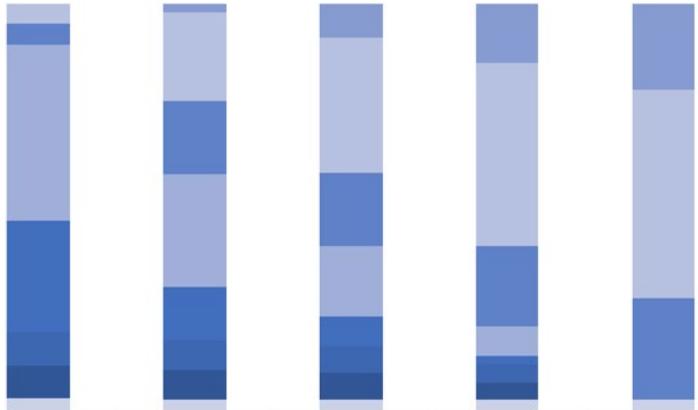
Global Tactical Equity (GTE)



Changes to Holdings 3/7/2024

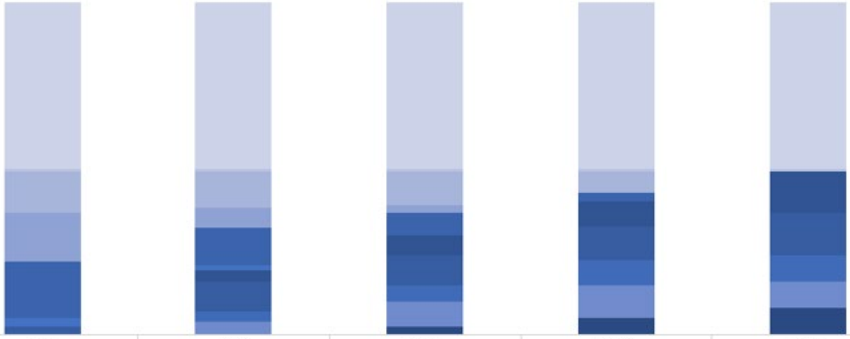
		GTI	Change (%)	GTC	Change (%)	GTA	Change (%)	GTG	Change (%)	GTE	Change (%)
Equities		**5%**		**24%**		**42%**		**60%**		**73%**	
DFNV	Donoghue Forlines Innovation ETF	0%	0%	8%	0%	15%	0%	20%	0%	16%	0%
TTAC	FCF US Quality ETF	0%	0%	7%	-3%	12%	-3%	15%	-5%	25%	-9%
TTAI	FCF International Quality ETF	0%	0%	0%	0%	5%	0%	10%	0%	16%	0%
PWDIX	Donoghue Forlines Dividend Fund	5%	0%	3%	0%	0%	0%	0%	0%	0%	0%
CLIA	Veridien Climate Action ETF	0%	0%	6%	0%	10%	0%	15%	0%	16%	0%
Fixed Income		**88%**		**56%**		**38%**		**18%**		**0%**	
FLOTX	Donoghue Forlines Risk Managed Income Fund	29%	0%	12%	0%	5%	0%	0%	0%	0%	0%
DFHY	Donoghue Forlines Tactical High Yield ETF	34%	0%	22%	0%	13%	0%	5%	0%	0%	0%
PWRIX	Donoghue Forlines Tactical Income Fund	25%	0%	22%	0%	20%	0%	13%	0%	0%	0%
Alternatives		**5%**		**18%**		**18%**		**20%**		**25%**	
DFRA	Donoghue Forlines Yield Enhanced Real Asset ETF	5%	0%	18%	3%	18%	3%	20%	5%	25%	9%
Cash		**2%**		**2%**		**2%**		**2%**		**2%**	
CASH-USD		2%	0%	2%	0%	2%	0%	2%	0%	2%	0%

Global Tactical Model Exposures as of 3/7/2024



	GTI	GTC	GTA	GTG	GTE
Intl Equity	0.00%	2.04%	8.31%	14.75%	21.04%
US Equity	4.95%	21.80%	33.33%	44.68%	51.15%
Alt Equity	4.98%	17.92%	17.92%	19.91%	24.88%
High Yield	43.33%	27.78%	17.20%	7.15%	0.00%
Bank Loan	27.38%	13.26%	7.33%	2.16%	0.00%
Aggregate Bond	8.12%	7.14%	6.49%	4.22%	0.00%
Long Treasury	0.00%	0.00%	0.00%	0.00%	0.00%
Intermediate Treasury	8.11%	7.13%	6.49%	4.22%	0.00%
Short Treasury	0.00%	0.00%	0.00%	0.00%	0.00%
Money Market	3.15%	2.92%	2.94%	2.92%	2.93%

Global Tactical Mode Allocations as of 3/7/2024



	GTI	GTC	GTA	GTG	GTE
Total	100.00%	100.00%	100.00%	100.00%	100.00%
Cash	2.00%	2.00%	2.00%	2.00%	2.00%
PWRIX	25.00%	22.00%	20.00%	13.00%	0.00%
FLOTX	29.00%	12.00%	5.00%	0.00%	0.00%
DFHY	34.00%	22.00%	13.00%	5.00%	0.00%
PWDIX	5.00%	3.00%	0.00%	0.00%	0.00%
TTAC	0.00%	7.00%	12.00%	15.00%	25.00%
DFRA	5.00%	18.00%	18.00%	20.00%	25.00%
CLIA	0.00%	6.00%	10.00%	15.00%	16.00%
DFNV	0.00%	8.00%	15.00%	20.00%	16.00%
TTAI	0.00%	0.00%	5.00%	10.00%	16.00%

Portfolio Performance as of February 29, 2024

Name	Model	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
Global Tactical Allocation (gross)	Moderate	1.80	16.49	3.76	4.74	4.93	6.25
Global Tactical Allocation (net of 3%)		1.04	12.95	0.68	1.63	1.83	3.10
DJ Moderately Conservative		0.37	8.38	-0.48	3.43	3.65	5.45
HFRU Hedge Fund Composite		1.07	4.49	1.87	2.73	2.66	2.78
Global Tactical Income (gross)	Income	0.86	8.66	1.69	1.49	—	1.07
Global Tactical Income (net of 3%)		0.11	5.46	-1.30	-1.50	—	-0.81
Bloomberg Global Aggregate		-2.62	3.10	-5.52	-1.03	—	-0.29
Blended Benchmark Income		-0.41	3.99	-1.09	1.26	—	1.46
Global Tactical Conservative (gross)	Conservative	1.35	13.16	3.11	3.93	—	2.84
Global Tactical Conservative (net of 3%)		0.60	9.83	0.08	0.87	—	-0.23
DJ Conservative		0.55	6.53	-1.99	1.20	—	1.26
Blended Benchmark Conservative		0.33	4.25	0.39	2.00	—	1.46
Global Tactical Growth (gross)	Growth	2.03	18.49	4.14	5.73	—	6.42
Global Tactical Growth (net of 3%)		1.27	15.01	1.08	2.61	—	3.25
DJ Moderate		1.30	11.37	1.49	5.61	—	6.30
Blended Benchmark Growth		1.83	8.10	2.99	4.39	—	4.46
Global Tactical Equity (gross)	Aggressive Growth	2.34	19.91	4.55	6.98	—	5.37
Global Tactical Equity (net of 3%)		1.57	16.38	1.47	3.83	—	2.22
MSCI ACWI		4.90	23.15	6.79	10.51	—	8.51
Blended Benchmark Equity		2.60	11.77	4.04	6.01	—	4.78

You can get more information by calling (800) 642-4276 or by emailing AdvisorRelations@donoghueforlines.com.

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. The Donoghue Forlines Global Tactical Equity 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 3% Returns
For all portfolios, net 3% returns are presented net of a hypothetical maximum fee of three percent (3%). Actual fees applicable to an individual investor's account will wary and no individual investor may incur a fee as high as 3%. Please consult your financial advisor for fees applicable to your account.

Fee Schedule
The investment management fee schedule for all portfolios is: Client Assets = All Assets; Annual Fee % = 0.00%. Actual investment advisory fees incurred may vary and should be confirmed with your financial advisor.

Each portfolio includes holdings on which Donoghue Forlines may receive management fees as the advisor and/or subadvisor or from separate revenue sharing agreements. Please see the prospectuses for additional disclosures.

The investment management fee schedule for the composites is: Client Assets = All Assets; Annual Fee % = 0.00%. Actual investment advisory fees incurred may vary and should be confirmed with your financial advisor.

The Donoghue Forlines Global Tactical Allocation Benchmark is the HFRU Hedge Fund Composite. The Blended Benchmark Conservative is a benchmark comprised of 80% HFRU Hedge Fund Composite and 20% Bloomberg 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 Global Aggregate, rebalanced monthly. The Blended Benchmark Equity is a benchmark comprised of 60% HFRU Hedge Fund Composite and 40% MSCI ACWI.

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 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. The DJ Moderately Conservative index measures the performance of returns on its total portfolios with a target risk level of Moderately Conservative-investor will take 40% of all stock portfolio risk. Its portfolios include three major asset classes: stocks, bonds and cash. The weightings are rebalanced monthly to maintain the target level. The index is subset of the global series of Dow Jones Relative Risk Indices. The DJ Conservative index measures the performance of returns on its total portfolios with a target risk level of Conservative-investor will take 20% of all stock portfolio risk. Its portfolios include three major asset classes: stocks, bonds and cash. The weightings are rebalanced monthly to maintain the target level. The index is subset of the global series of Dow Jones Relative Risk Indices. The DJ Moderate index measures the performance of returns on its total portfolios with a target risk level of Moderate investor will to take 60% of all stock portfolio risk. Its portfolios include three major asset classes: stocks, bonds and cash. The weightings are rebalanced monthly to maintain the target level. The index is subset of the global series of Dow Jones Relative Risk Indices.

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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