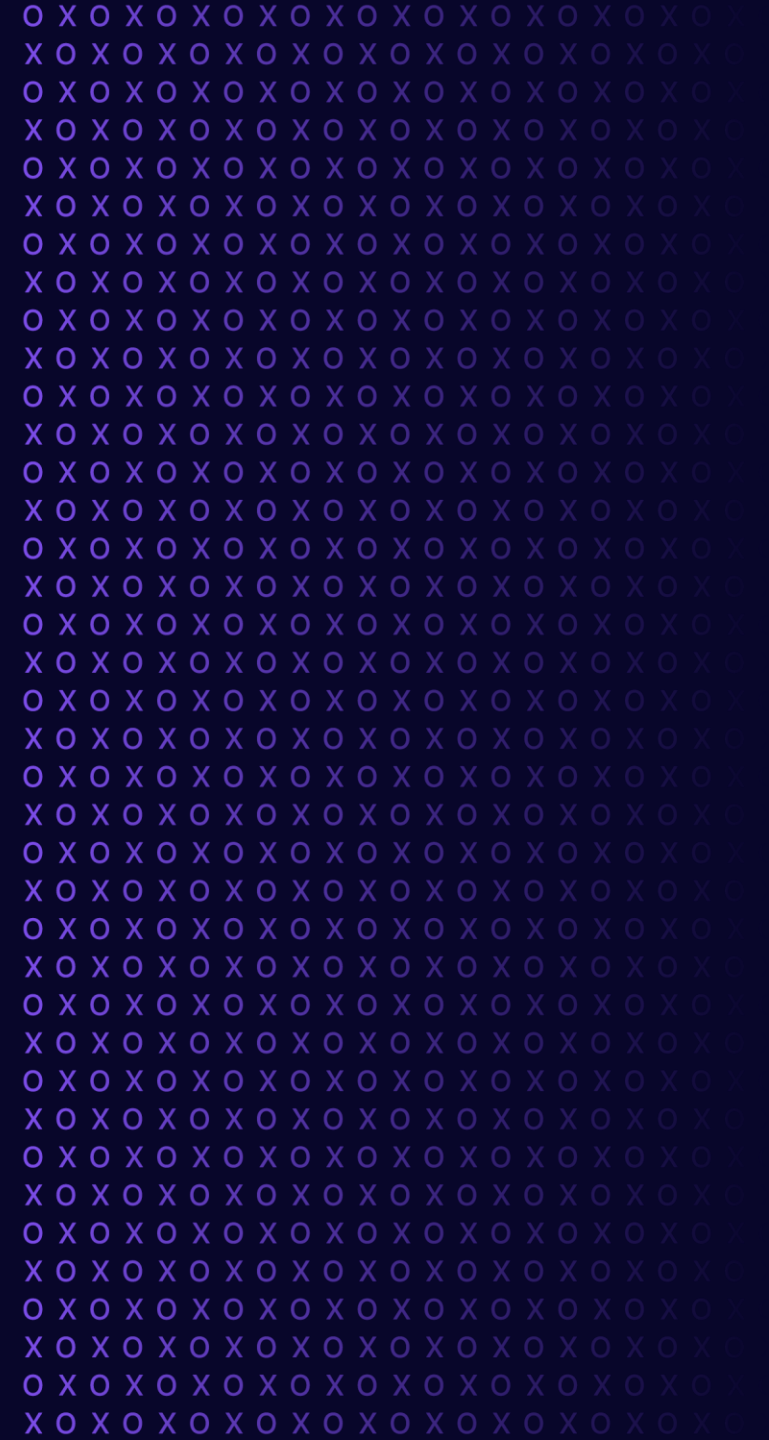




Nasdaq Dorsey Wright

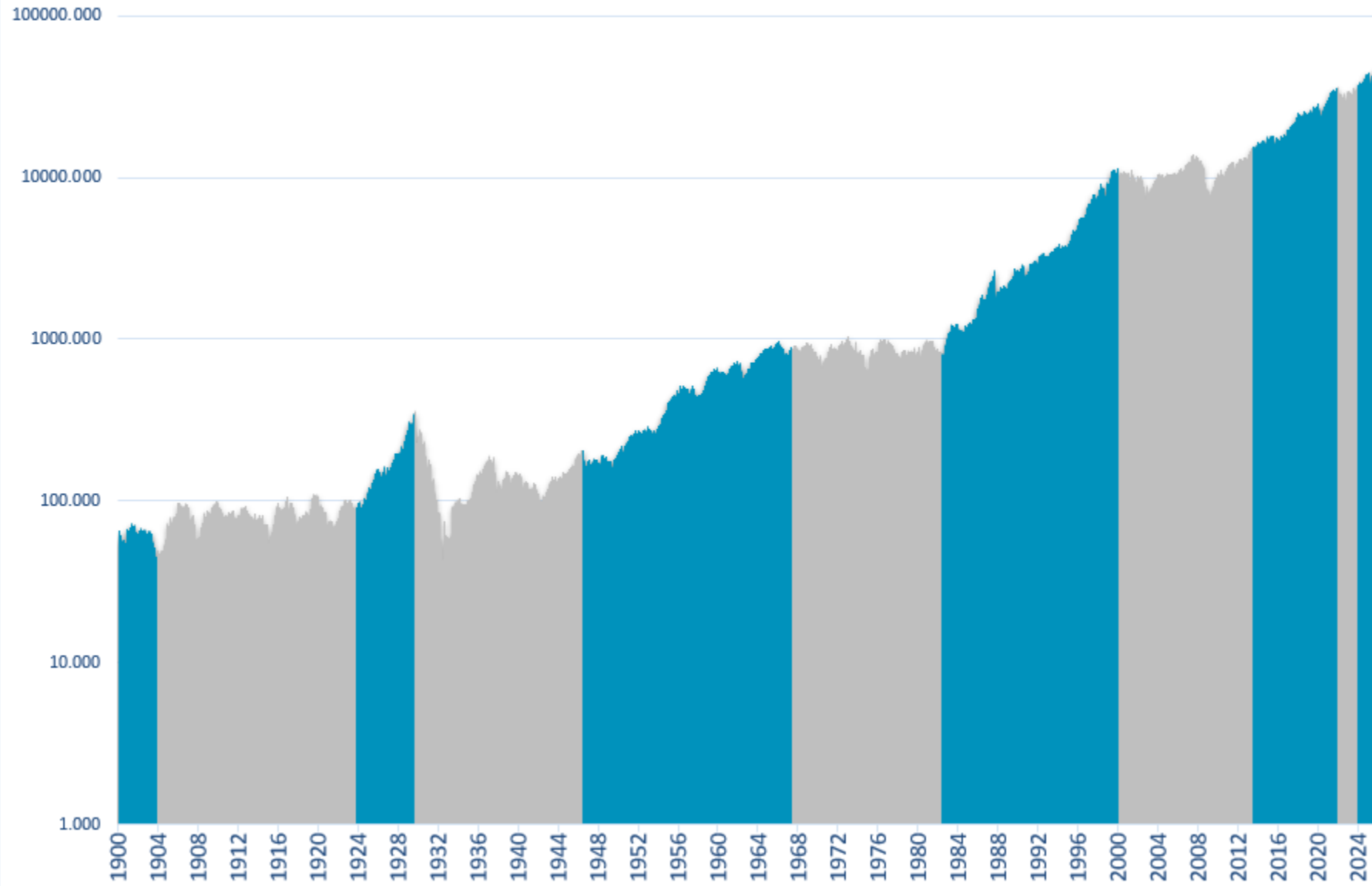
# An Introduction to Tactical Management

A Disciplined Approach to Investing in the Stock  
Market



# Structural Markets of the DJIA (log scale)

January 1900 through December 2025



# Fundamentals vs. Technicals

Product  
Acceptance

Company  
Management

Earnings  
Quality

Price to  
Earnings  
Ratio

What to Buy



Internal  
Strength

Trend  
Analysis

Relative  
Strength

Momentum

When to  
Buy/Sell

# It's Basic Economics



- ❖ We all understand the basic forces of supply and demand.
- ❖ The same forces that affect prices in the supermarket also affect prices in the stock market.
- ❖ Stocks, sectors, and asset classes move in and out of favor just like produce in the supermarket.



2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
UTIL 19.9%	FINL 28.8%	COND 43.1%	REAL 30.2%	COND 10.1%	ENRS 27.4%	INFT 38.8%	HLTH 6.5%	INFT 50.3%	INFT 43.9%	ENRS 54.6%	ENRS 65.7%	INFT 57.8%	TELS 40.2%	TELS 33.6%
CONS 14.0%	COND 23.9%	HLTH 41.5%	UTIL 29.0%	HLTH 6.9%	TELS 23.5%	MATR 23.8%	UTIL 4.1%	TELS 32.7%	COND 33.3%	REAL 46.2%	UTIL 1.6%	TELS 55.8%	INFT 36.6%	INFT 24.0%
HLTH 12.7%	REAL 19.7%	INDU 40.7%	HLTH 25.3%	CONS 6.6%	FINL 22.8%	COND 23.0%	COND 0.8%	FINL 32.1%	TELS 23.6%	FINL 35.0%	CONS -0.6%	COND 42.4%	FINL 30.6%	INDU 19.4%
REAL 11.4%	TELS 18.3%	FINL 35.6%	INFT 20.1%	INFT 5.9%	INDU 18.9%	FINL 22.2%	INFT -0.3%	S&P 31.5%	MATR 20.7%	INFT 34.5%	HLTH -2.0%	S&P 26.3%	COND 30.1%	S&P 17.9%
TELS 6.3%	HLTH 17.9%	S&P 32.4%	CONS 16.0%	REAL 4.7%	MATR 16.7%	HLTH 22.1%	REAL -2.2%	INDU 29.4%	S&P 18.4%	S&P 28.7%	INDU -5.5%	INDU 18.1%	S&P 25.0%	UTIL 16.0%
COND 6.1%	S&P 16.0%	INFT 28.4%	FINL 15.2%	TELS 3.4%	UTIL 16.3%	S&P 21.8%	S&P -4.4%	REAL 29.0%	HLTH 13.5%	MATR 27.3%	FINL -10.5%	MATR 12.6%	UTIL 23.4%	FINL 15.0%
ENRS 4.7%	INDU 15.4%	CONS 26.1%	S&P 13.7%	S&P 1.4%	INFT 13.9%	INDU 21.0%	CONS -8.4%	COND 27.9%	INDU 11.1%	HLTH 26.1%	MATR -12.3%	REAL 12.4%	INDU 17.5%	HLTH 14.6%
INFT 2.4%	MATR 15.0%	MATR 25.6%	INDU 9.8%	FINL -1.5%	S&P 12.0%	CONS 13.5%	TELS -12.5%	CONS 27.6%	CONS 10.8%	COND 24.4%	S&P -18.1%	FINL 12.2%	CONS 14.9%	MATR 10.5%
S&P 2.1%	INFT 14.8%	ENRS 25.1%	COND 9.7%	INDU -2.5%	COND 6.0%	UTIL 12.1%	FINL -13.0%	UTIL 26.4%	UTIL 0.5%	TELS 21.6%	REAL -26.1%	HLTH 2.1%	ENRS 5.7%	ENRS 8.7%
INDU -0.6%	CONS 10.8%	UTIL 13.2%	MATR 6.9%	UTIL -4.8%	CONS 5.4%	REAL 10.9%	INDU -13.3%	MATR 24.6%	FINL -1.7%	INDU 21.1%	INFT -28.2%	CONS 0.5%	REAL 5.2%	COND 6.0%
MATR -9.6%	ENRS 4.6%	TELS 11.5%	TELS 3.0%	MATR -8.4%	REAL 3.4%	ENRS -1.0%	MATR -14.7%	HLTH 20.8%	REAL -2.2%	CONS 18.6%	COND -37.0%	ENRS -1.3%	HLTH 2.6%	CONS 3.9%
FINL -17.1%	UTIL 1.3%	REAL 1.6%	ENRS -7.8%	ENRS -21.1%	HLTH -2.7%	TELS -1.3%	ENRS -18.1%	ENRS 11.8%	ENRS -33.7%	UTIL 17.7%	TELS -39.9%	UTIL -7.1%	MATR 0.0%	REAL 3.2%

Quilt by Novel Investor. YTD data as of 12/31/2025

Past performance is not indicative of future results. Potential for profits is accompanied by possibility of loss.



Abbr.	Sector Index	Annual	Best	Worst
<b>COND</b>	S&P 500 Consumer Discretionary Index	14.72%	43.1%	-37.0%
<b>CONS</b>	S&P 500 Consumer Staples Index	10.23%	27.6%	-8.4%
<b>ENRS</b>	S&P 500 Energy Index	5.45%	65.7%	-33.7%
<b>FINL</b>	S&P 500 Financials Index	12.26%	35.6%	-17.1%
<b>HLTH</b>	S&P 500 Health Care Index	13.26%	41.5%	-2.7%
<b>INDU</b>	S&P 500 Industrials Index	12.53%	40.7%	-13.3%
<b>INFT</b>	S&P 500 Information Technology Index	20.75%	57.8%	-28.2%
<b>MATR</b>	S&P 500 Materials Index	8.26%	27.3%	-14.7%
<b>REAL</b>	S&P 500 Real Estate Index	8.59%	46.2%	-26.1%
<b>TELS</b>	S&P 500 Communication Services Index	12.13%	55.8%	-39.9%
<b>UTIL</b>	S&P 500 Utilities Index	10.75%	29.0%	-7.1%
<b>S&amp;P</b>	S&P 500 Index	14.07%	32.4%	-18.1%

*Quilt by Novel Investor. Data as of 12/31/2025.*

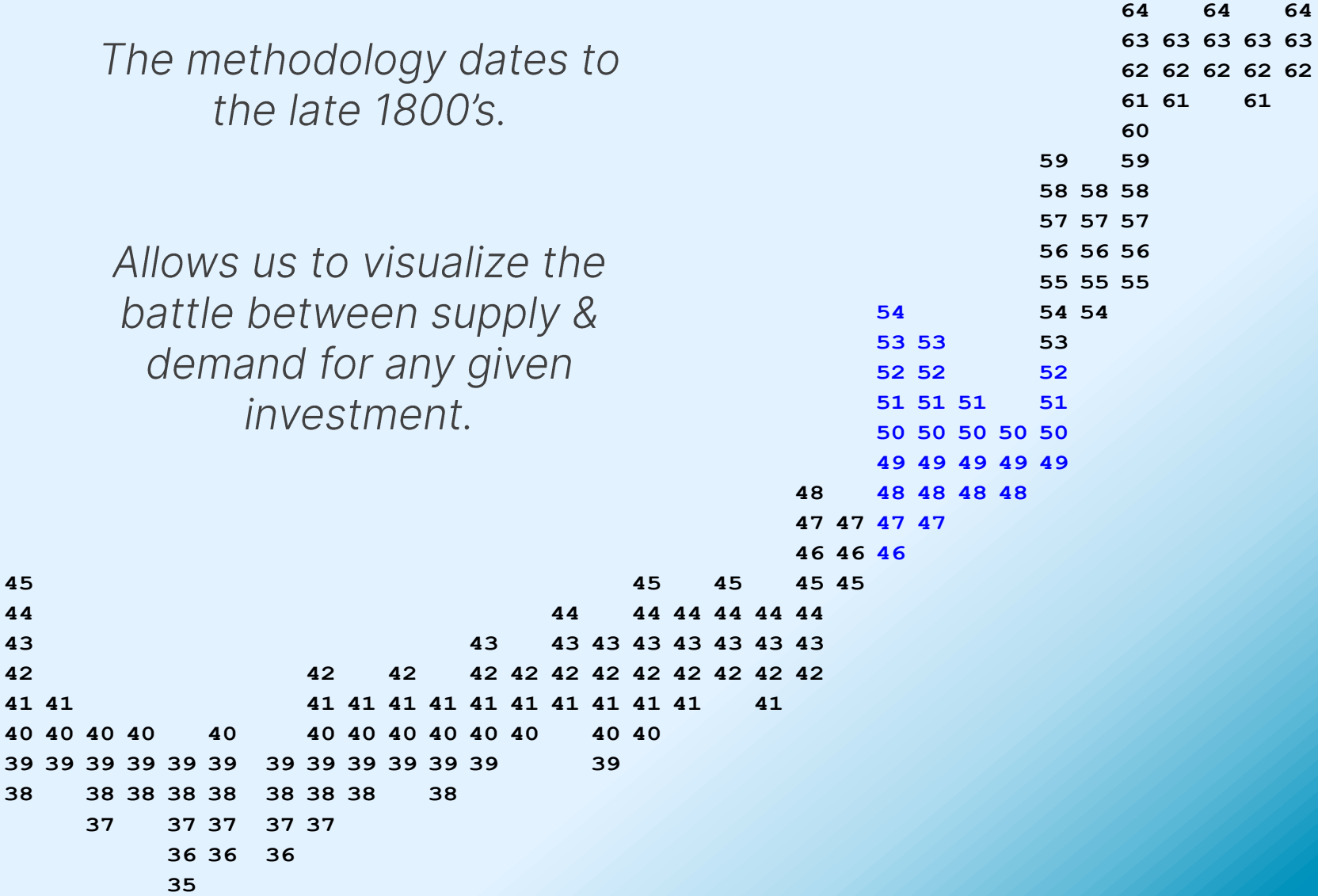
*Past performance does not guarantee future returns. The historical performance is meant to show changes in market trends across the different S&P 500 sectors over the past ten years. Returns represent total annual returns (reinvestment of all distributions) and does not include fees and expenses. The investments you choose should reflect your financial goals and risk tolerance. For assistance, talk to a financial professional. Data as of 12/31/2025.*



# Original Point & Figure Chart

*The methodology dates to the late 1800's.*

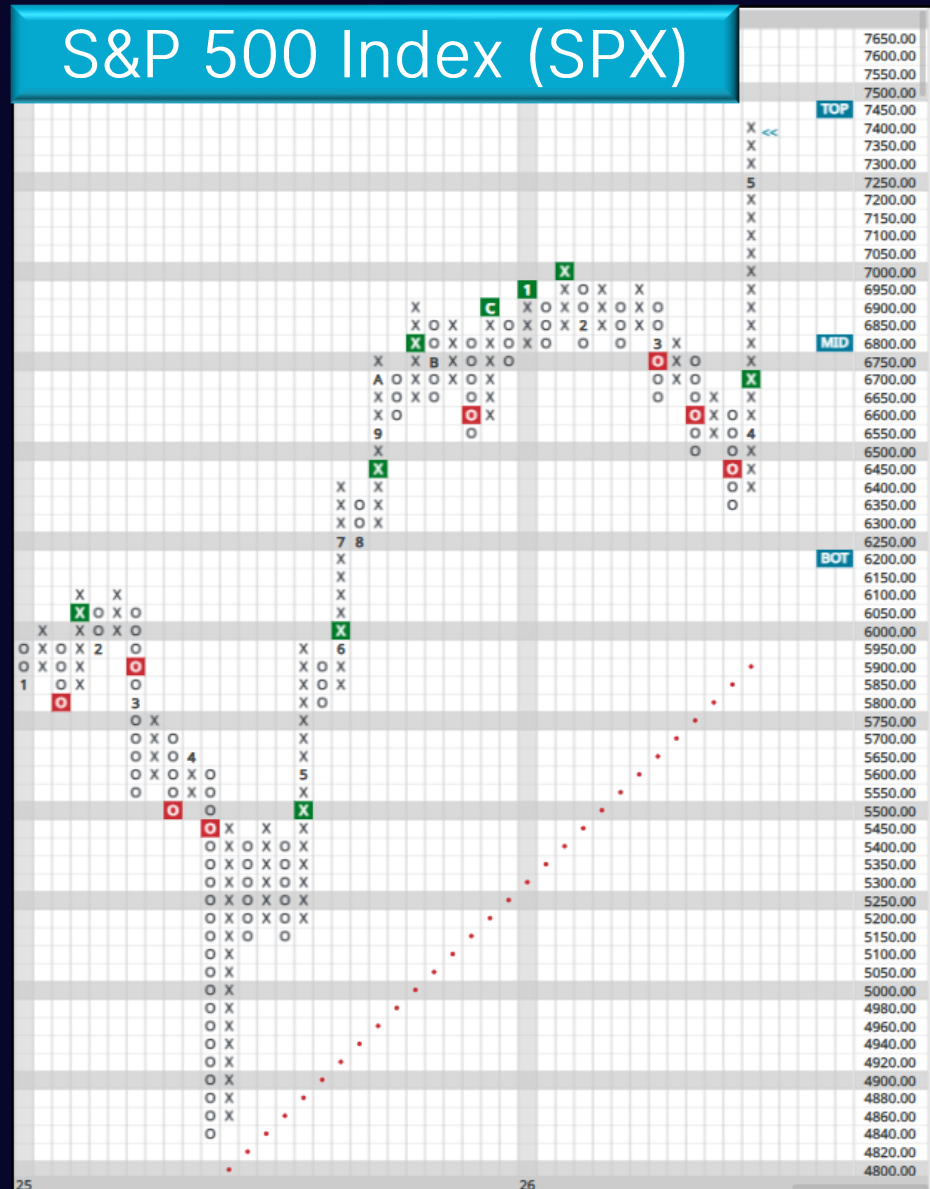
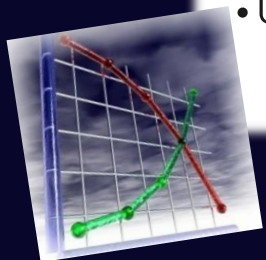
*Allows us to visualize the battle between supply & demand for any given investment.*



# Today's Point & Figure Chart

## Point & Figure Basics

- X's = Price is rising
- O's = Price is falling
- Alternate columns of X's and O's
- Minimum of 3 X's or O's in a column
- Time = First action in month use number (1 for January, etc.)
- Use daily high & low for charting price action



# Evaluating Positions – Set Portfolio Alerts

## The Most Basic Patterns

### Double Top

45			O				
			O				
			O				
			O				
			O			X	
40			O			X	
			O			X	
			O			X	
			O			X	
			O			X	
35			O			<b>B</b>	
			O	X		X	
			O	X	O	X	
			O	X	O	X	
			O		O		
30							

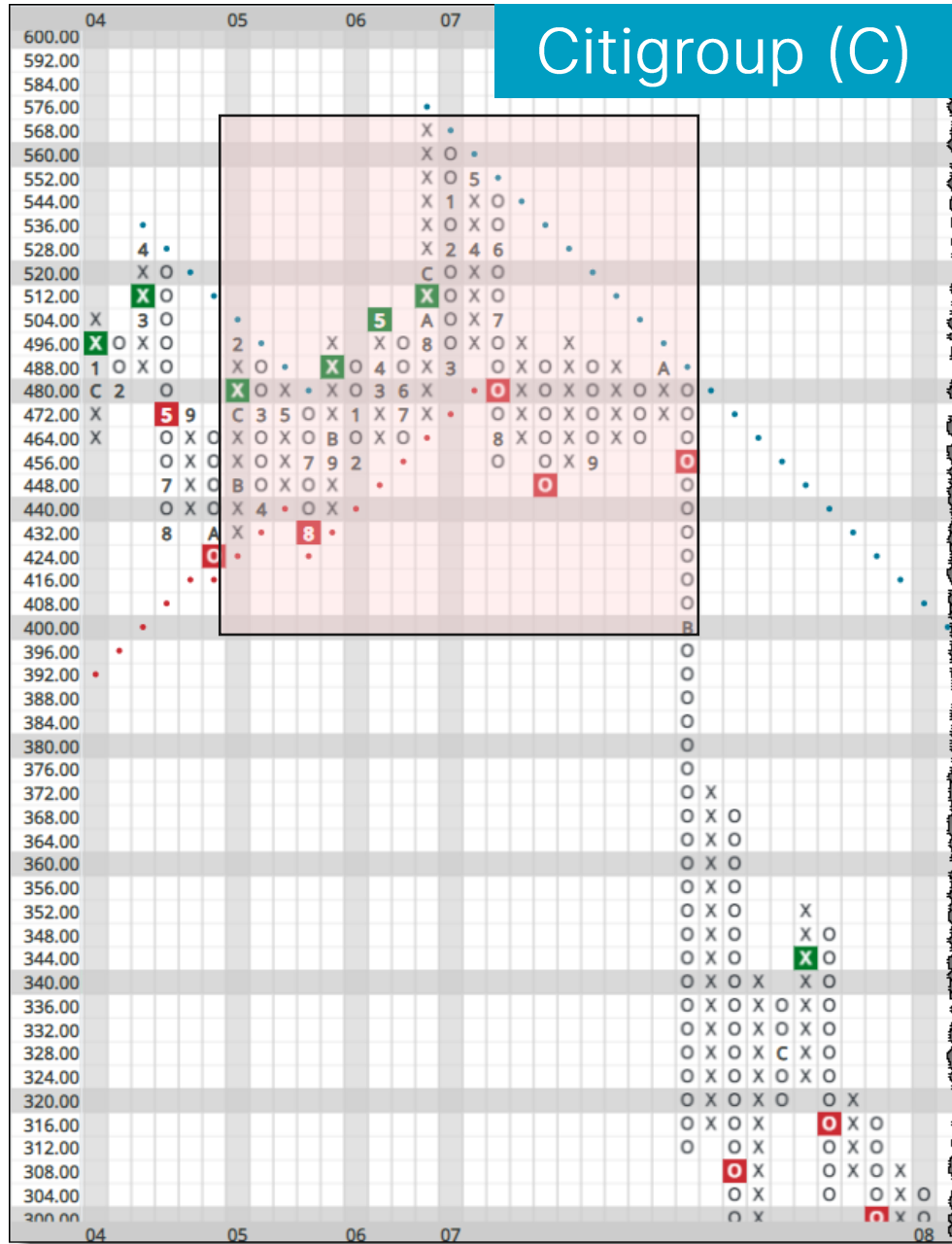
### Double Bottom

45		X		X			
		X	O	X	O		
		X	O	X	O		
		X	O		O		
		X			<b>S</b>		
40		X			O		
		X			O		
		X			O		
		X			O		
		X			O		
35		X			O		
		X					
		X					
		X					
		X					
30							





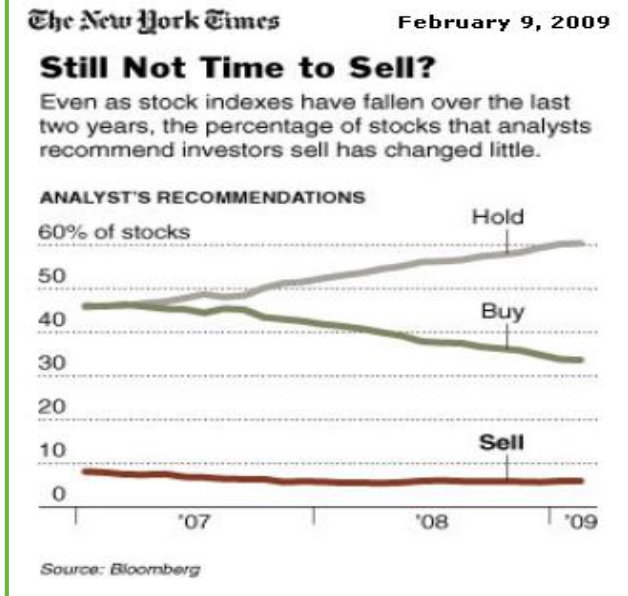
S  
U  
P  
P  
L  
Y



## Did the fundamental analysts learn from the 2000-2002 Technology Bubble?

The following is a quote from the February 9<sup>th</sup>, 2009 New York Times article, "Why Analysts Keep Telling Investors to Buy"

"At the top of the market, they urged investors to buy or hold onto stocks about 95 percent of the time. When stocks stumbled, they stayed optimistic. Even in November, when credit froze, the economy stalled and financial markets tumbled to their lowest levels in a decade, analysts as a group rarely said sell. And last month, as the Dow and S&P 500-stock index suffered their worst January ever, analysts put a sell rating on a mere 5.9 percent of stocks, according to Bloomberg data."

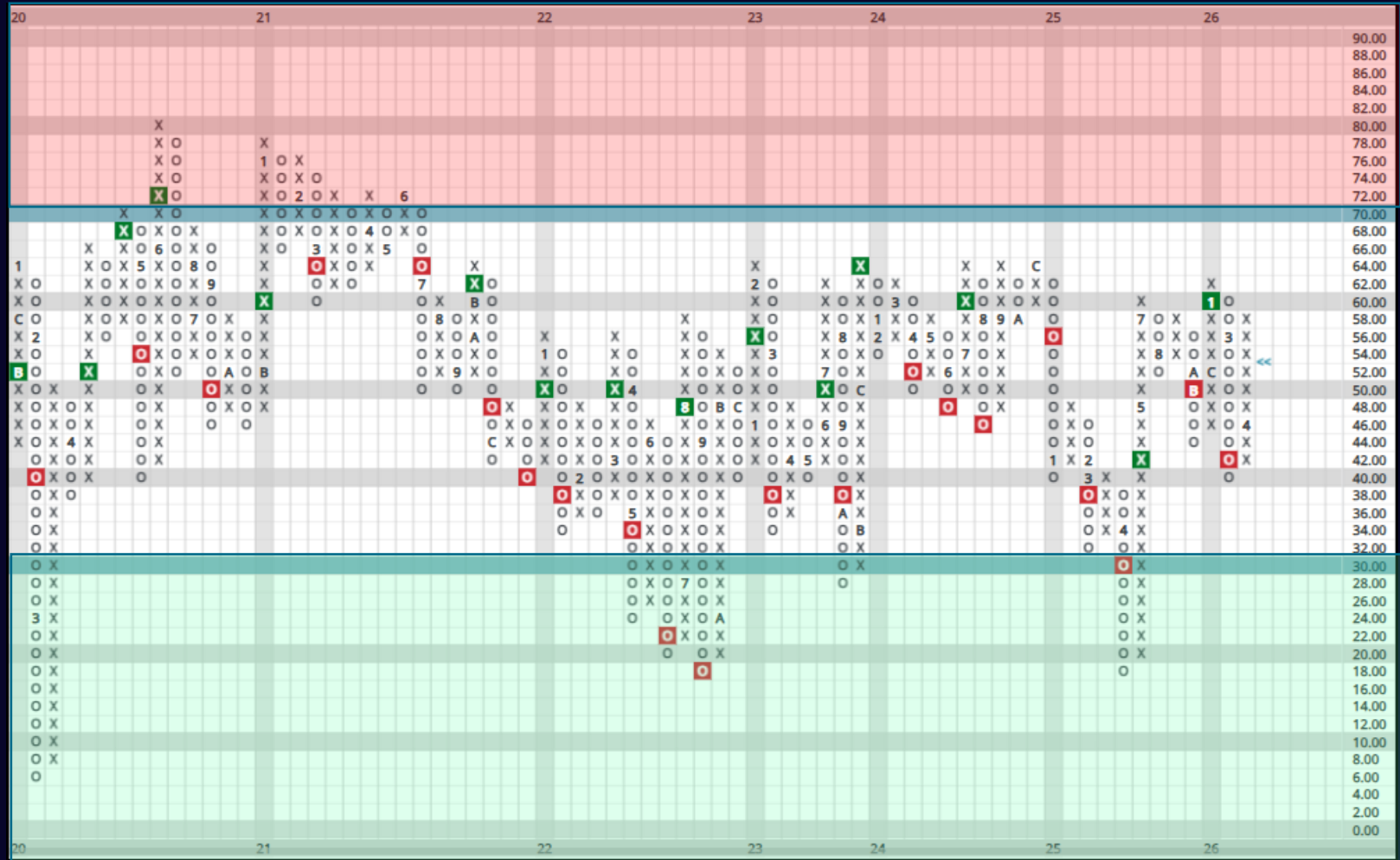


*This example is presented for illustrative purposes only and does not represent a past or present recommendation.*

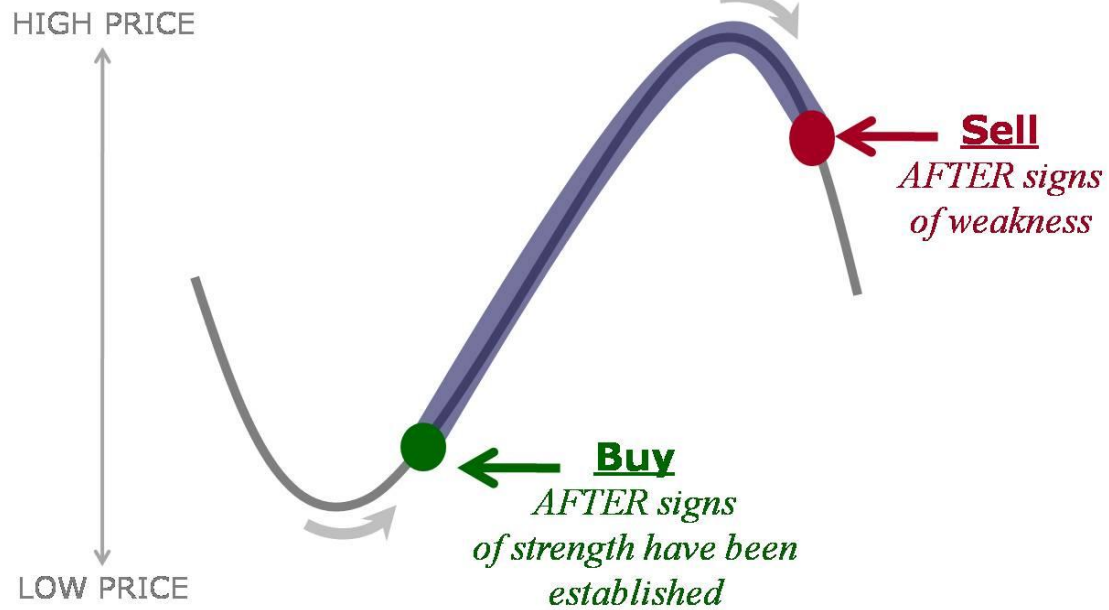
# NYSE Bullish Percent (BPNYSE)

## ABOUT THE INDICATOR:

- X's = Offense      O's = Defense
- A reading of **30%** or lower is considered the “green zone” – low risk territory
- A reading of **70%** or higher is considered the “red zone” – high risk territory.
- Below **30%** - approximately every 3-4 years
- Measure of participation in the market and thus risk in the market.
- A one stock = one vote indicator
- Does **not** measure where the major indices should go.
- Does **not** tell us the magnitude of movement
- Does **not** tell us how long we will be on offense or defense.



## Application of Trend Analysis



Lesson:  
Four "trends" can be better than one.



Track & Field  
400 meter World Record  
Wayde van Niekerk  
43.03 seconds  
  
4x100 meter World Record  
Team Jamaica  
36.84 seconds

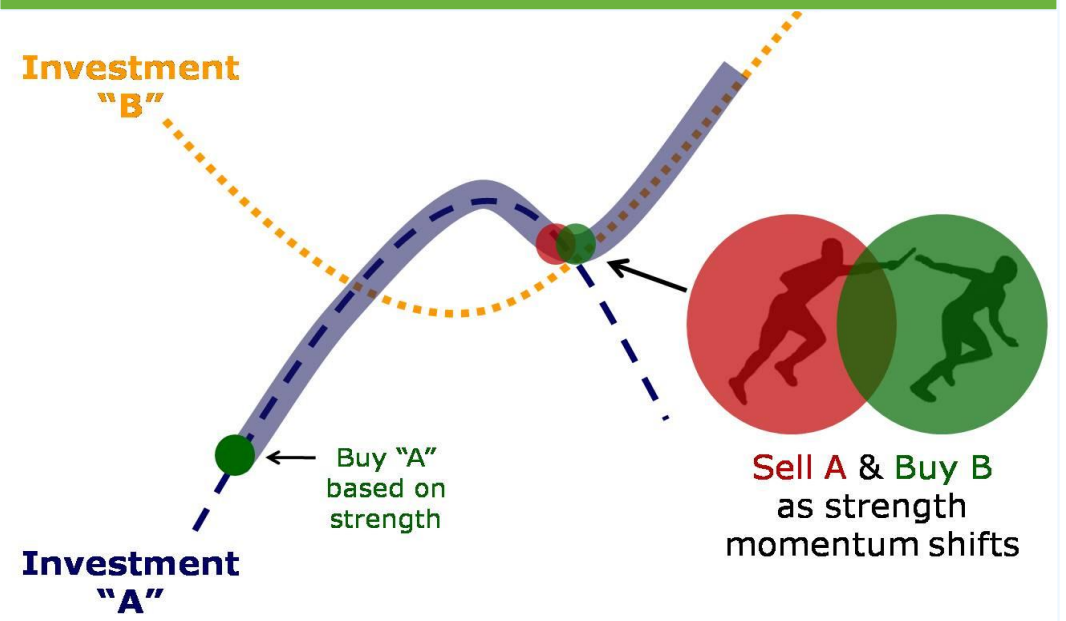
## Application of Relative Strength

Investment  
"B"

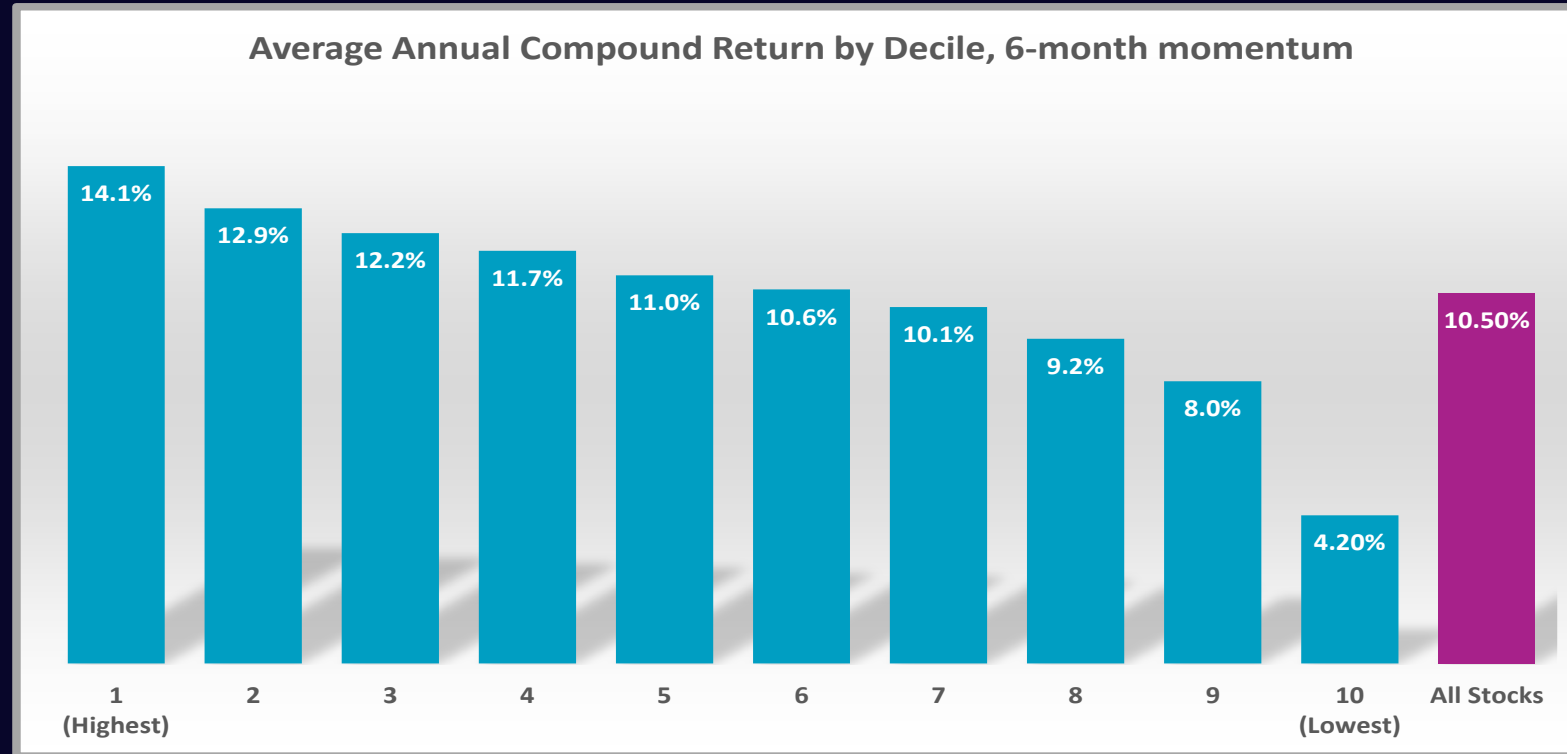
Investment  
"A"

Buy "A"  
based on  
strength

Sell A & Buy B  
as strength  
momentum shifts



# Why Relative Strength



Source: *What Works on Wall Street*, 4<sup>th</sup> Edition (Data from 1926 – 2009)

Based on data compiled by James O'Shaughnessy and published in the book *What Works on Wall Street*, stocks with better 6-month momentum, or good relative strength, tend to perform well over time, often outperforming the broad equity market and weaker performance buckets.

LJ1

*Relative Strength is NOT a guarantee. There may be times where all investments and strategies are unfavorable and depreciate in value. Relative Strength is a measure of price momentum based on historical price activity. Relative Strength is not predictive and there is no assurance that forecasts based on relative strength can be relied upon to be successful or outperform any index, asset, or strategy.*



# Evaluating Positions - Matrix

All major sports have a ranking system. The Point & Figure Relative Strength tool is the ranking system we use for stocks or ETFs.

Daily Calculation:

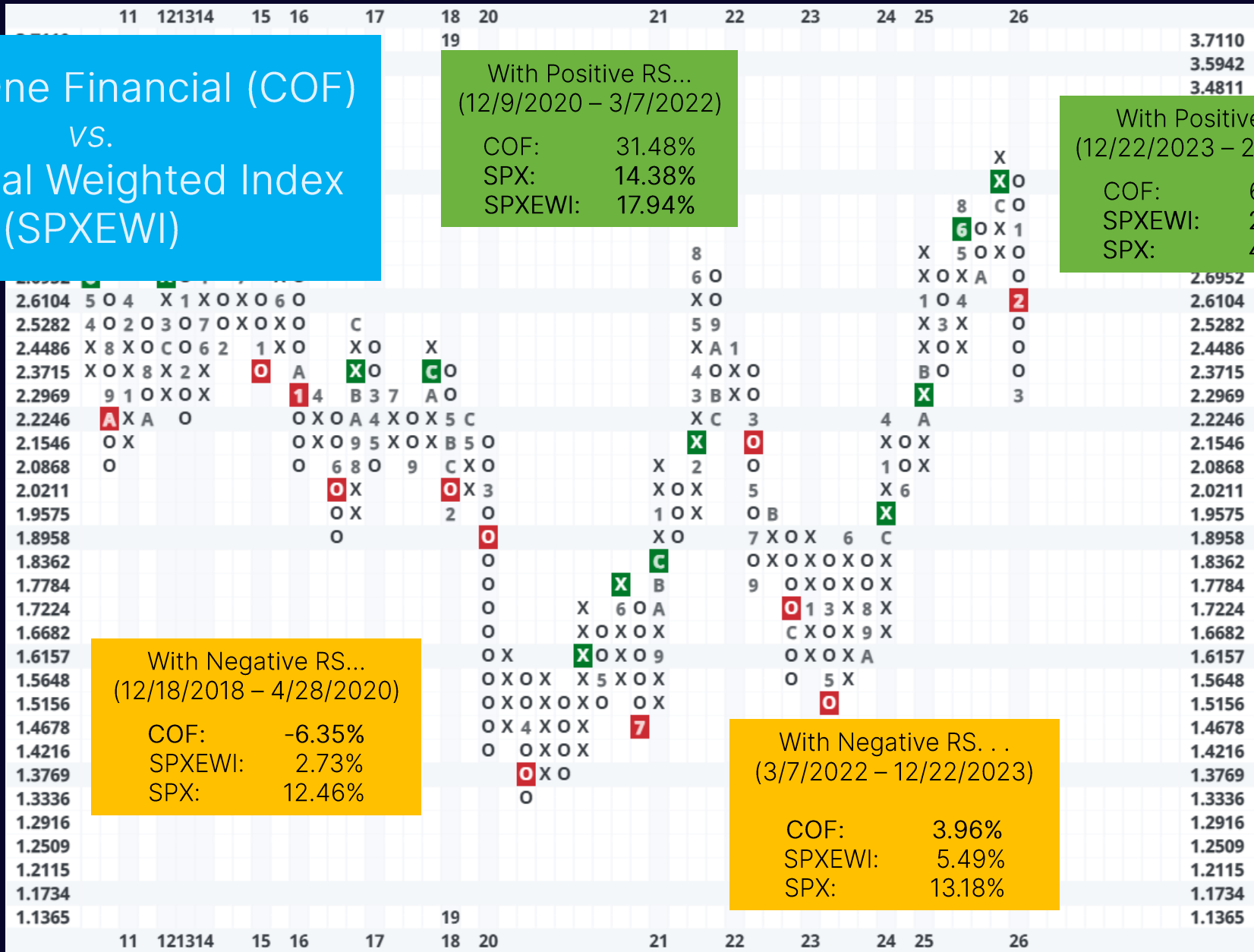
$$\frac{\text{Investment A}}{\text{Investment B}} \times 100 = \text{Relative Strength Rating}$$

This reading is plotted on a Point & Figure chart which then tells us whether we can expect that stock or ETF to outperform or underperform the base index.



# Relative Strength Chart Example

Capital One Financial (COF)  
vs.  
S&P Equal Weighted Index  
(SPXEWI)

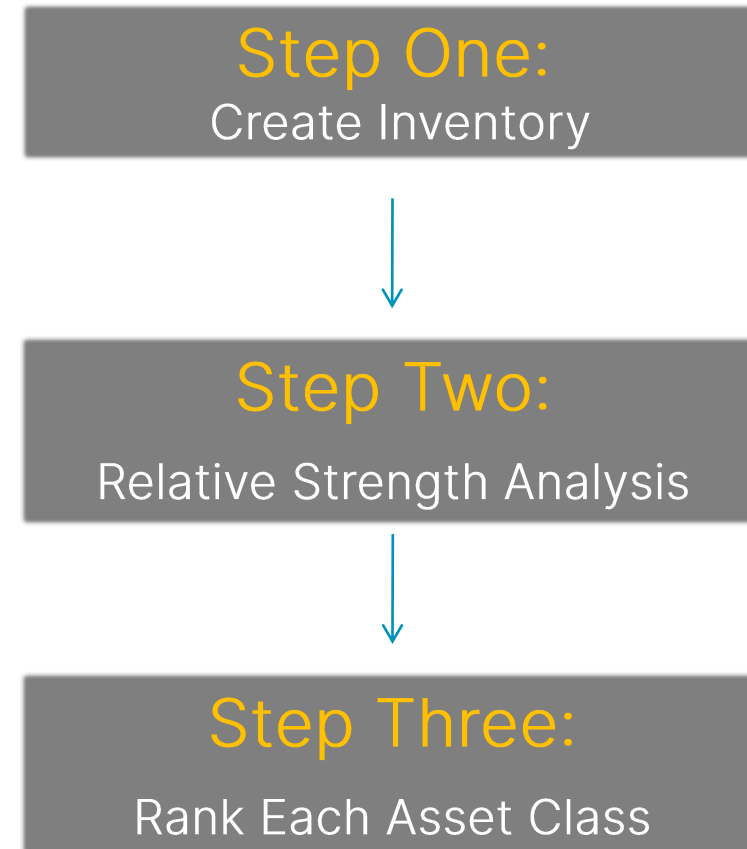
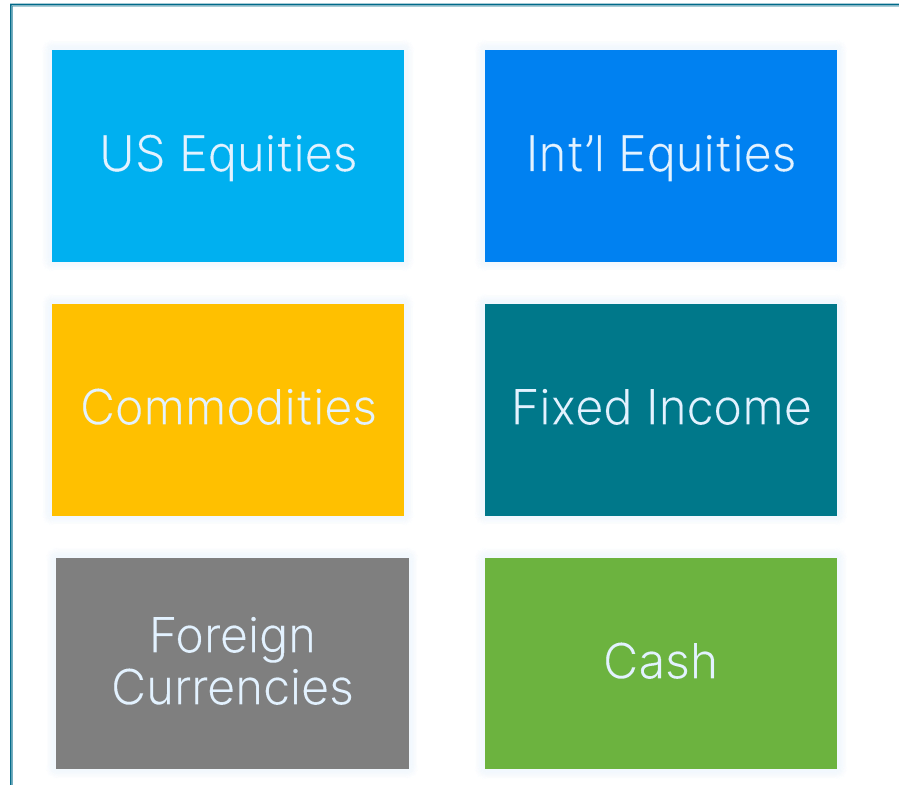


*This example is presented for illustrative purposes only and does not represent a past or present recommendation. The performance numbers are price returns, not inclusive of dividends, fees, or other expenses. Investors cannot invest directly in an Index like the SPX or SPXEWI. Indexes have no fees. Past performance is not indicative of future results. Potential for profits is accompanied by possibility of loss*



# Applying RS to Asset Allocation

Dorsey Wright's Dynamic Asset Level Investing Tool ("DALI") evaluates the supply and demand forces of asset classes and ranks them from strongest to weakest based on their relative strength score.



# DALI Guidance

International Equities	Domestic Equities	Commodities	Cash	Currencies	Fixed Income
290	278	226	118	96	80
26.7%	25.6%	20.8%	10.8%	8.8%	7.4%

*\*Data as of 5/11/2026*

*DALI ranks the asset classes from strongest to weakest based on relative strength. Strive to overweight the strongest asset classes, and underweight or avoid the weakest. U.S. Equities have maintained the top spot for an overwhelming majority of this decade, a testament to the bull market.*

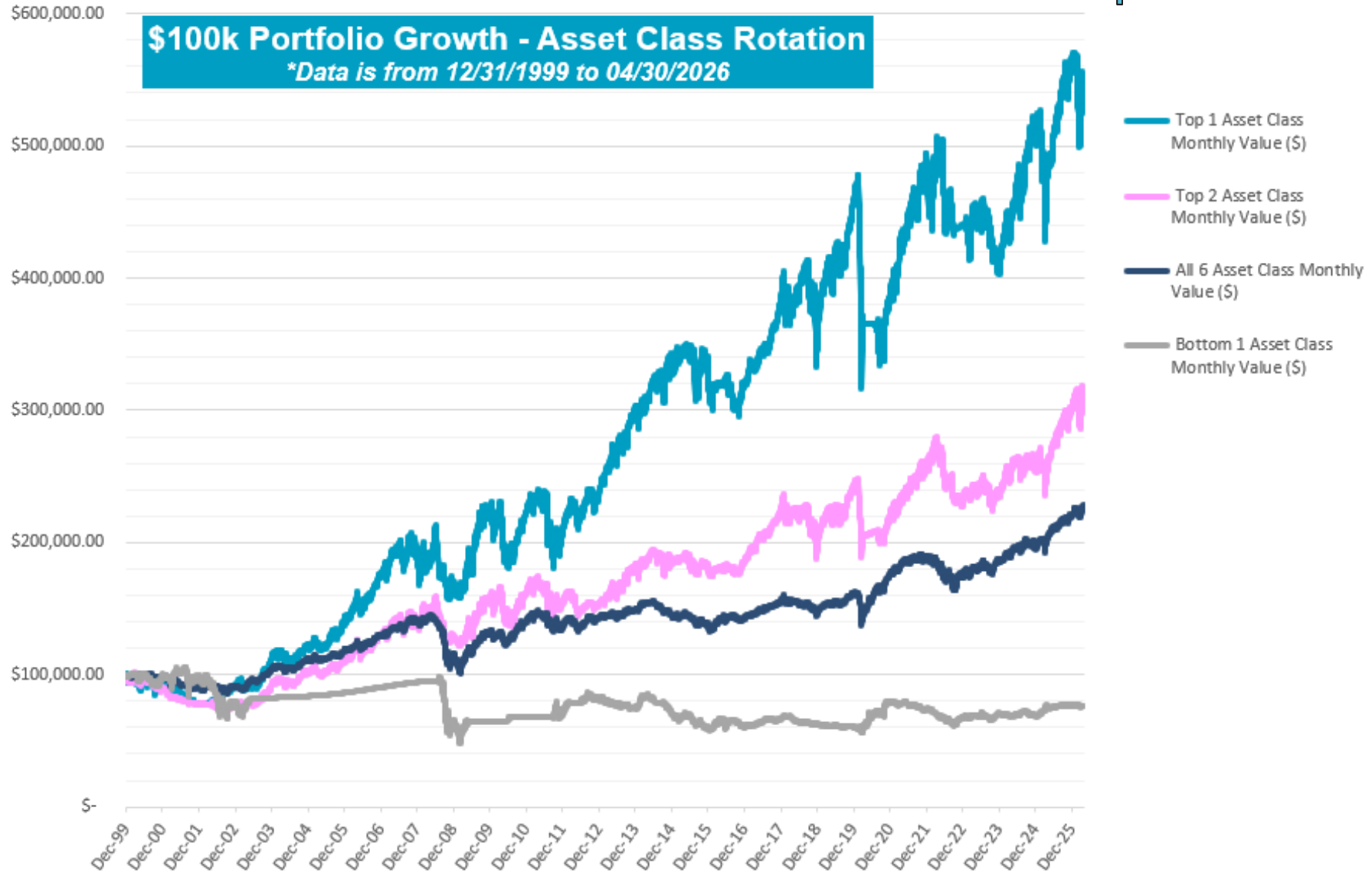
## Percent of Time Asset Class Was Ranked in the #1 Spot of D.A.L.I.

	Domestic Equity	Intl. Equity	Commodity	Cash	Currency	Fixed Income
1990s	76%	16%	2%	0%	4%	2%
2000s	4%	51%	33%	3%	6%	4%
2010s	89%	3%	3%	0%	0%	4%
2020s*	56%	24%	13%	2%	3%	3%

*\*Data through 5/11/2026.*



# The Power of #1 – Historical Perspective



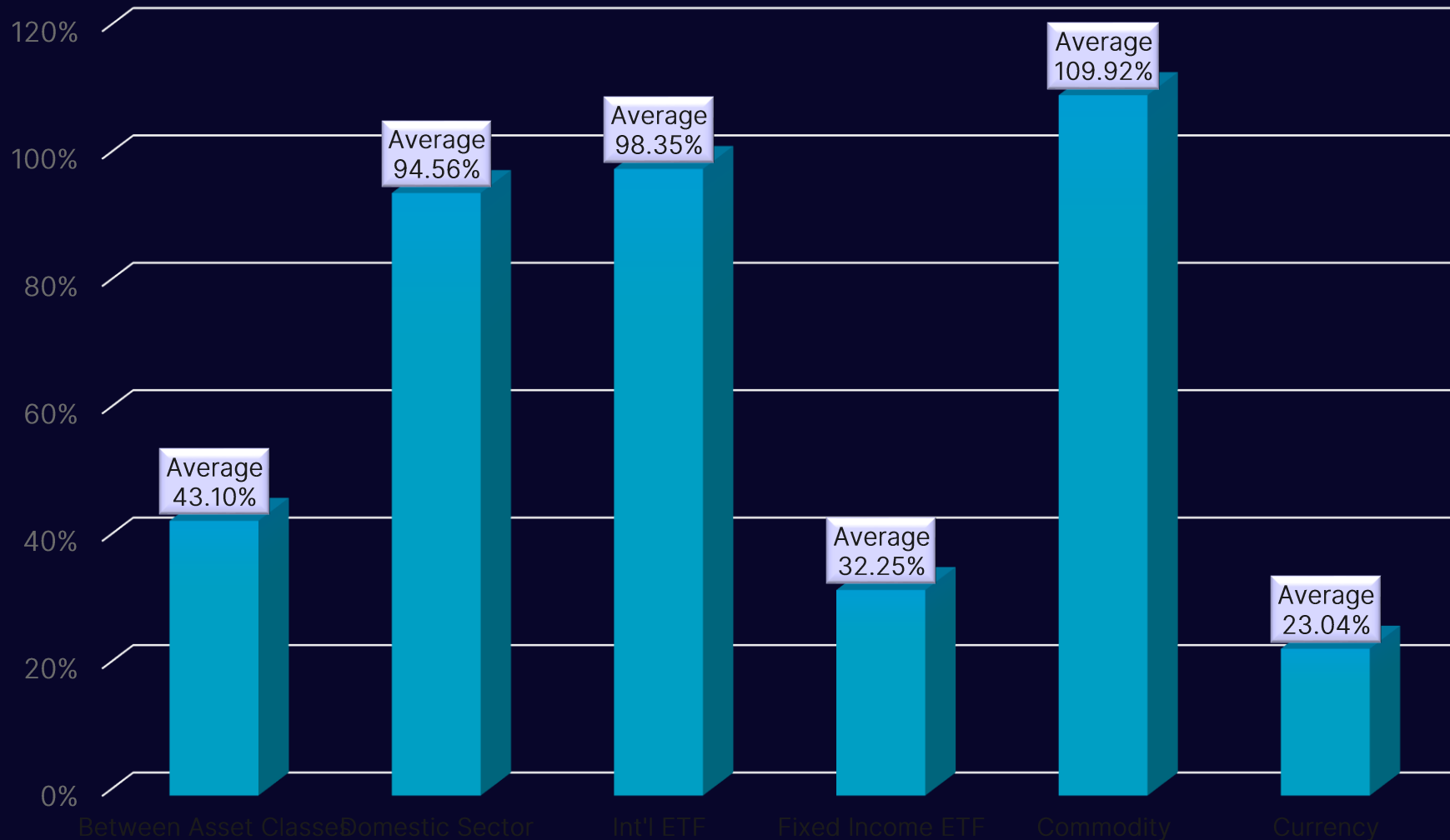
This example is presented for illustrative purposes only, and does not represent a past or present recommendation. The performance simulation above is the result of a back-test on internal Dorsey Wright indexes that are not available for direct investment. These indexes are calculated and maintained by Dorsey Wright. Back-tested performance results have certain limitations. Such results do not represent the impact of material economic and market factors might have on an investment advisor's decision-making process if the advisor were actually managing client money. Back-testing performance also differs from actual performance because it is achieved through retroactive application of a model investment methodology designed with the benefit of hindsight. The performance numbers above are pure price returns, not inclusive of dividends, fees, or all transaction costs. Investors cannot invest directly in an Index. Indexes have no fees. Past performance is not indicative of future results. Potential for profits is accompanied by possibility of loss.



# How RS Works: Return Dispersion

## ASSET CLASS DISPERSION AVERAGE ANNUAL PERFORMANCE DISPERSION

DATA: 12/31/1998 - 12/31/2025

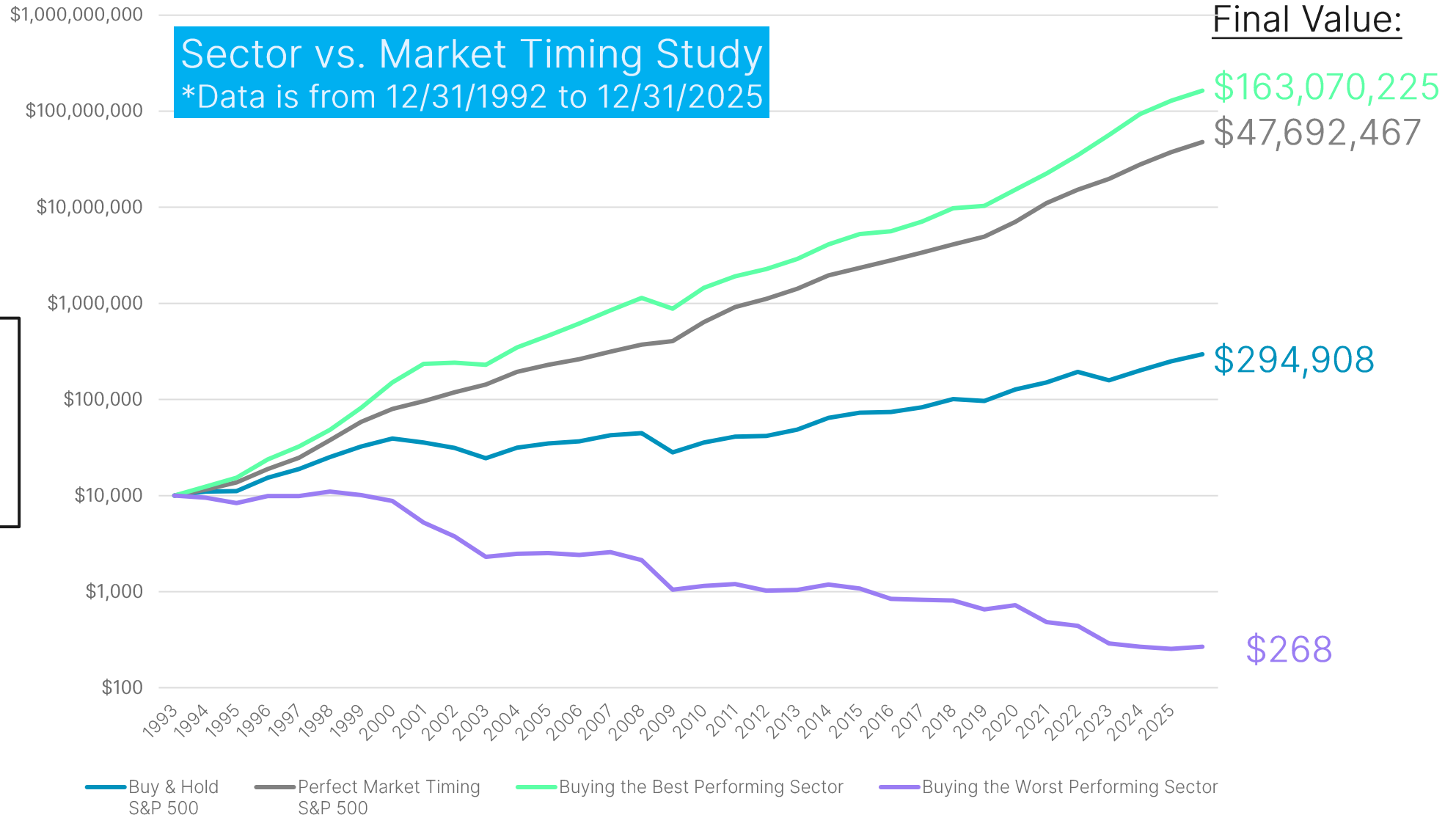


Large performance dispersions create greater opportunity for tactically-driven strategies.

Equities (Domestic and International) & Commodities tend to offer that dispersion most consistently.



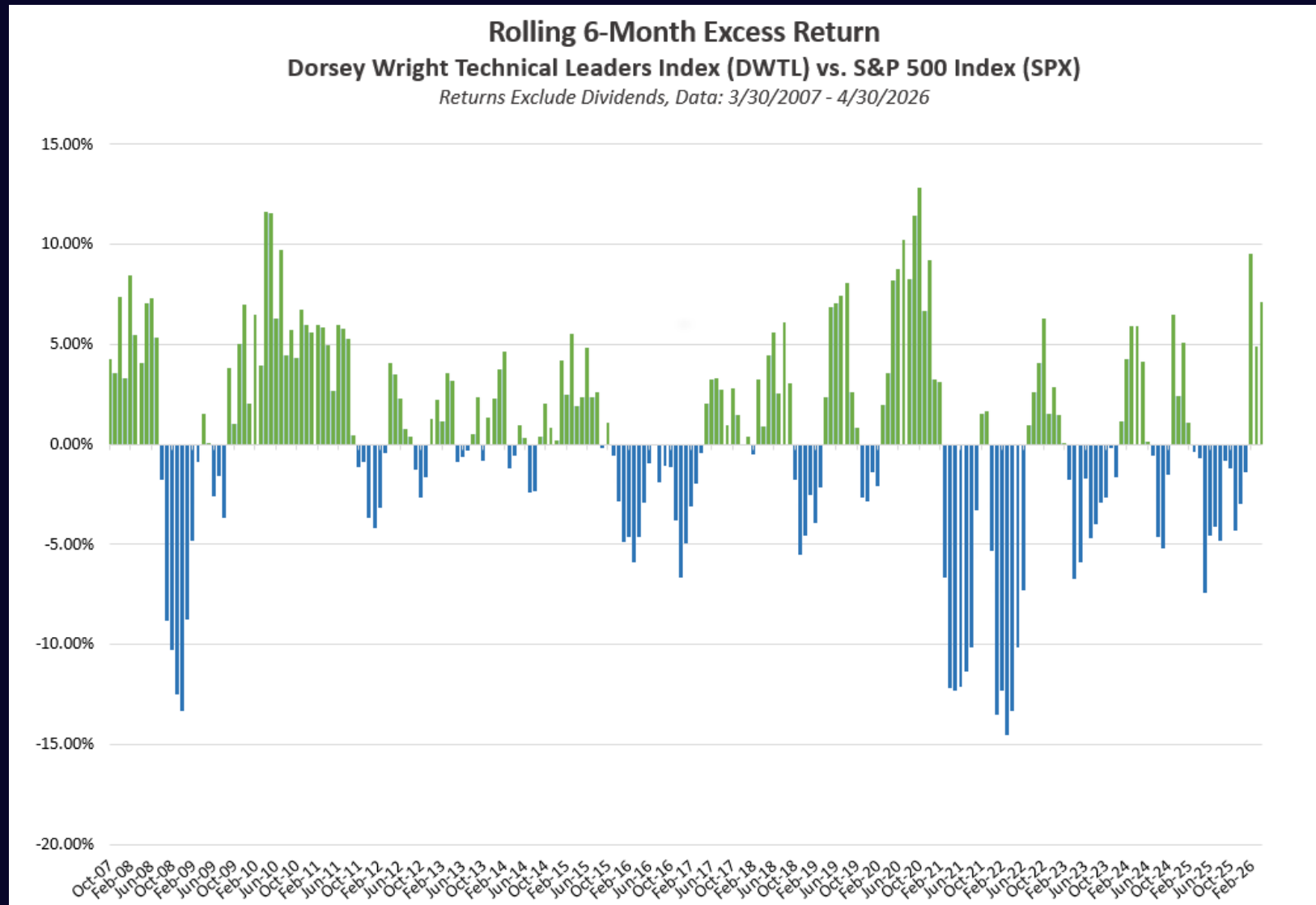
# The Value of Sector Rotation



All Performance numbers are based on the backtested performance of non-investable indexes from 12/31/1992 – 12/29/2023. Investors cannot invest directly in an index. Indexes have no fees. Examples presented on this slide are for illustrative purposes only and do not represent past or present recommendations. Past performance not indicative of future results. Potential for profits accompanied by possibility of loss. Please see the final slide for important information regarding hypothetical backtested returns.



# Relative Strength Cycles



*Returns exclude dividends and potential transaction costs. Investors cannot invest directly in an index. Indexes have no fees. Past performance is not indicative of future results. Potential for profits is accompanied by possibility of loss*



# Let's Talk Expectations

## What it is...

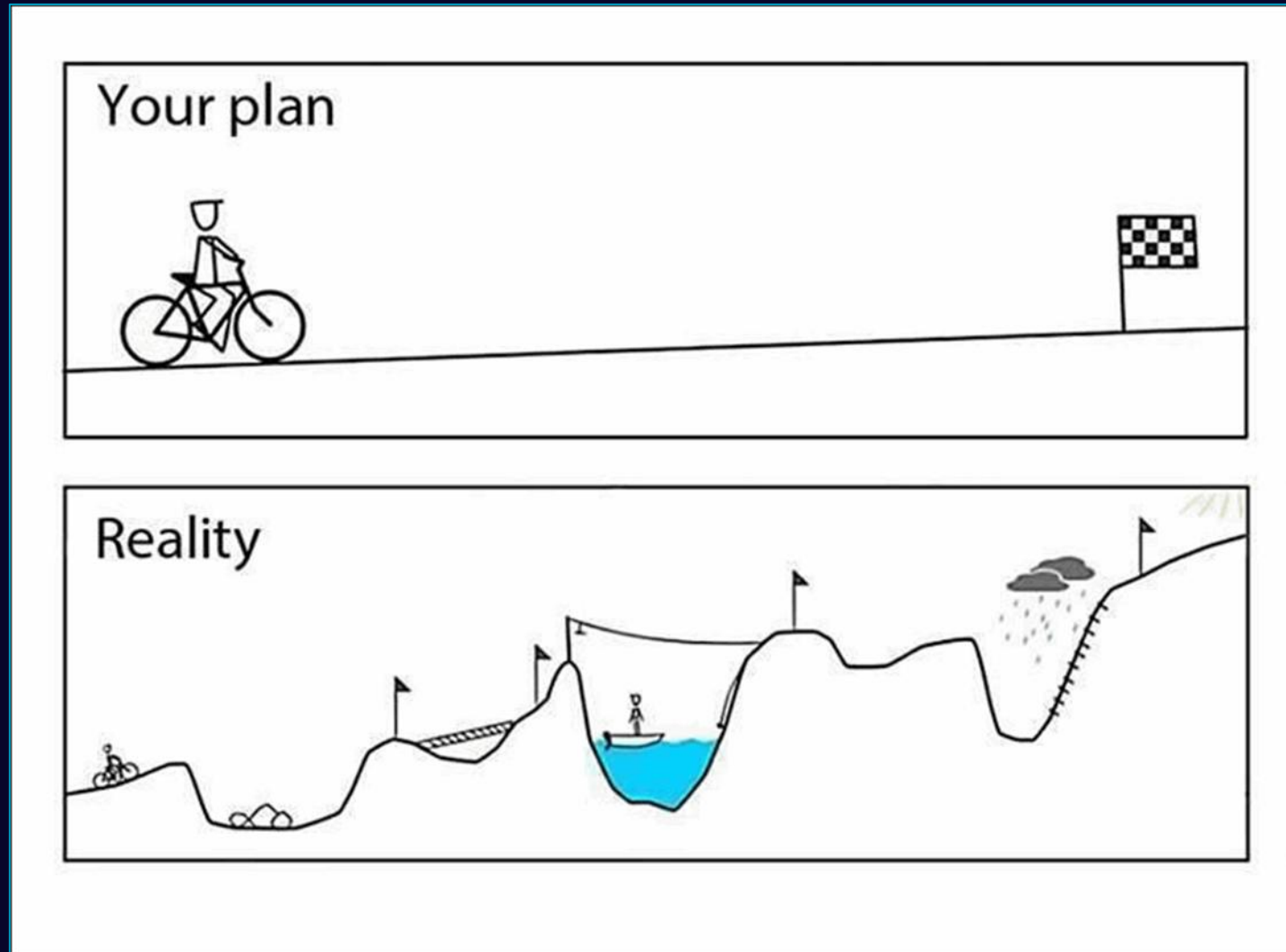
- A means for identifying market leadership
- An adaptive, tactical risk management tool
- Based upon objective inputs (i.e., price, supply & demand)
- Designed to participate in long-term themes of strength

## What it is NOT...

- A market forecasting “black box”
- A static, strategic indexing strategy
- Reliant upon subjective inputs (i.e., gut feel or manipulated valuations)
- Designed to target exact tops or bottoms in securities



# Adaptation is Paramount



Source: twitter account @ThinkingIP

# Disclosures

*Dorsey, Wright & Associates, LLC, a Nasdaq Company, is a registered investment advisory firm. Registration does not imply any level of skill or training.*

*Discussion of any investment products such as Exchange Traded Funds, mutual funds, equities, or fixed income securities are for information only. None of the information presented herein is an offer to sell or solicitation to buy any security nor is it a recommendation to engage in any transaction or strategy.*

**Hypothetical Performance:** These results include hypothetical performance results, including backtested, and model results. Hypothetical results are subject to inherent limitations, do not reflect actual results in any account, do not reflect the material changes to the conditions, objectives, or strategies of the model portfolio, may differ from the model (if any) which was in effect during the period displayed, and would differ materially from the actual results of portfolios which relied on this model. Backtested performance is calculated by applying present-day methodologies to historical market data. Backtested results are created with the benefit of hindsight and do not account for economic and market factors which may have had an impact on decision-making while managing actual client accounts. Model results include a representative "model" fee but do not include the effects of commissions, mutual fund exchange fees, custodial and execution fees and costs, or other fees which a client would have paid. These fees and costs would have a material effect on the performance of an actual portfolio over time. All investments have the potential for loss as well as profit. The model is chosen from an investment universe which may change over time according to the model rules. Model performance is calculated by (X methodology) which includes the effects of (model fees, commissions, breakdown of custodial costs, dividends and reinvestment of same) and assumes (execution timing and quality description). Where hypothetical performance is achieved by backtesting, some assets or indices currently in use may not have existed during the period displayed. We have substituted proxies for either the investment universe or for assets within it.

This strategy uses tactical rotation through Relative Strength. Relative strength attempts to minimize exposure to underperforming positions, while overweighting outperforming positions. The methodology is rules-based and objective, using calculations derived from price data alone. For a description of the model universe, see [DorseyWright.com](http://DorseyWright.com).

*Discussion of illustrative purposes does not represent performance of any recommendation past or present. Illustrations are generally not suitable for investment and do not consider fees, costs, or trade execution. The relative strength strategy is NOT a guarantee. There may be times where all investments and strategies are unfavorable and depreciate in value. Relative Strength is a measure of price momentum based on historical price activity. Relative Strength is not predictive and there is no assurance that forecasts based on relative strength can be relied upon to be successful or outperform any index, asset, or strategy.*

*Management and other expenses can have a material impact on performance when compounded over time. Past performance, hypothetical or actual, does not guarantee future results. In all securities trading there is a potential for loss as well as profit. It should not be assumed that recommendations made in the future will be profitable or will equal the performance as shown.*

*The information contained herein has been prepared without regard to any particular investor's investment objectives, financial situation, and needs. Accordingly, investors should not act on any information in this material without obtaining specific advice from their financial advisors and should not rely on information herein as the primary basis for their investment decisions. Information contained herein is based on data obtained from recognized statistical services, issuer reports or communications, or other sources believed to be reliable ("information providers"). However, such information has not been verified by DWA or the information provider and DWA and the information providers make no representations or warranties or take any responsibility as to the accuracy or completeness of any recommendation or information contained herein. DWA and the information provider accept no liability to the recipient whatsoever whether in contract, in tort, for negligence, or otherwise for any direct, indirect, consequential, or special loss of any kind arising out of the use of this document or its contents or of the recipient relying on any such recommendation or information (except insofar as any statutory liability cannot be excluded). Any statements nonfactual in nature constitute only current opinions, which are subject to change without notice. Neither the information nor any opinion expressed shall constitute an offer to sell or a solicitation or an offer to buy any securities, commodities or exchange traded products. This document does not purport to be complete description of the securities or commodities, markets or developments to which reference is made.*

*Each investor should carefully consider the investment objectives, risks and expenses of any Exchange-Traded Fund ("ETF") prior to investing. Before investing in an ETF investors should obtain and carefully read the relevant prospectus and documents the issuer has filed with the SEC. ETF's may result in the layering of fees as ETF's impose their own advisory and other fees. To obtain more complete information about the product the documents are publicly available for free via EDGAR on the SEC website (<http://www.sec.gov>).*

