Portfolio Update

As the U.S. elections approached, many investors, including WCM, were girding for substantial market volatility. After some initial panic during election night, investors reacted positively to Donald Trump's surprising victory and equity markets rallied significantly. President-Elect Trump took a conciliatory tone in his victory speech and has proceeded on a transition course, with limited bluster along the way. We have seen some rotation across market sectors as investors repositioned based on Mr. Trump's stated policy course and a Republican Congress, which is expected to support much of this agenda. Although there is some lingering dissent regarding the election outcome, there appears to be real optimism that Mr. Trump will act on his campaign rhetoric and enhance our country's growth trajectory. As the saying goes, "the proof is in the pudding" but for now investors seem confident enough to act on rhetoric. In contrast to equity markets, the bond market sold off post-election in anticipation of higher interest rates and inflation. The 10-year Treasury yield spiked by 50 bps to 2.35%, the highest level since July 2015. We have seen some moderation across markets over the last week as investors assess the probability of implementation and timing of Mr. Trump's agenda.

With greater clarity post-election, we have moved away from our defensive posture and added risk back into the portfolios, particularly on the equity side. Exposure to U.S. equity was increased by adding across sectors (where applicable), and introducing dedicated small and mid cap exposure. In recognition of Mr. Trump's focus on tax reform and fiscal stimulus, and with an eye to market technicals, we added new positions in the Consumer Discretionary and Energy sectors. Furthermore, we reduced exposure to Consumer Staples and Industrials, and sold out of Utilities and Telecommunications. Exposure to non-U.S. equity was increased substantially across select regions. Based on continuing support from Bank of Japan purchases, we have increased our exposure to Japan to an overweight relative to our benchmark. However, based on an expectation of near-term U.S. dollar strength, we have chosen to gain exposure through a currency-hedged vehicle. In regard to other developed markets, we have introduced dedicated positions in Canada and the U.K. to achieve market weights. The Canadian stock market is dominated by financial and energy companies, two sectors that we believe will strengthen based on market dynamics and central bank policy. We believe that the U.K. markets are somewhat oversold in U.S. dollar terms in reaction to the so-called Brexit referendum. However, consistent with our Japanese positioning, our exposure in the U.K. is through a currency-hedged instrument. Within emerging markets, we initiated a position in the Asia Pacific region based on relatively stronger economic growth. However, we are still assessing longer-term signals and remain slightly underweight across emerging markets and international markets overall.

On the fixed income side of the portfolios, we have made changes in order to reduce duration, increase credit exposure, and express our currency preferences. Like other market participants, we are confident that the Federal Reserve will increase interest rates in December and expect rates to trend upward from there. Based on those expectations and Mr. Trump's policy agenda, within U.S. fixed income, we sold our intermediate Treasury and corporate credit exposure, added short-term credit exposure, and added to our mortgage position. We also added dedicated positions to floating rate notes and short-term Treasury Inflation Protected

Securities (TIPS). Within the non-U.S. portion of the portfolio, to express our U.S. dollar strength thesis, we sold our existing positions and moved into a currency hedged broad market exchange traded fund.

In terms of overall positioning, we continue to orient portfolios towards the U.S. with lower exposure to international assets than our underlying benchmarks. We prefer the relative safety of the U.S. and U.S. dollar-denominated assets but do have a more favorable view of Asia and the emerging markets as compared to European asset classes. We continue to hold high cash positions in portfolios, mainly at the expense of European equities and non-U.S. bonds. Our bond allocations also favor the U.S. over the rest of the world with a preference for short duration corporate credit. We continue to be positioned with lower duration than the benchmark. We hold broad exposure to non-U.S. bonds at weights below our benchmark. We have no emerging market debt at this time.

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It is important to remember that there are risks inherent in any investment and that there is no assurance that any money manager, fund, asset class, style, index or strategy will provide positive performance over time.

Diversification and strategic asset allocation do not guarantee a profit nor protect against a loss in declining markets. All investments are subject to risk, including the loss of principal.

The information contained herein is based upon the data available as of the date of this document and is subject to change at any time without notice.

Portfolios that invest in fixed income securities are subject to several general risks, including interest rate risk, credit risk, the risk of issuer default, liquidity risk and market risk. These risks can affect a security's price and yield to varying degrees, depending upon the nature of the instrument, and may occur from fluctuations in interest rates, a change to an issuer's individual situation or industry, or events in the financial markets. In general, a bond's yield is inversely related to its price. Bonds can lose their value as interest rates rise and an investor can lose principal. If sold prior to maturity, fixed income securities are subject to gains/losses based on the level of interest rates, market conditions and the credit quality of the issuer.

Foreign investments are subject to risks not ordinarily associated with domestic investments, such as currency, economic and political risks, and may follow different accounting standards than domestic investments. Investments in emerging or developing markets involve exposure to economic structures that are generally less diverse and mature, and to political systems that can be expected to have less stability than those of more developed countries. These securities may be less liquid and more volatile than investments in U.S. and longer-established non-U.S. markets.

An investment in small/mid-capitalization companies involves greater risk and price volatility than an investment in securities of larger capitalization, more established companies. Such securities may have limited marketability and the firms may have more limited product lines, markets and financial resources than larger, more established companies.

Portfolios that invest in real estate investment trusts (REITs) are subject to many of the risks associated with direct real estate ownership and, as such, may be adversely affected by declines in real estate values and general and local economic conditions.

Portfolios that invest a significant portion of assets in one sector, issuer, geographical area or industry, or in related industries, may involve greater risks, including greater potential for volatility, than more diversified portfolios.

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ETFs included in portfolios may charge additional fees and expenses in addition to the advisory fee charged for the Selected Portfolio. These additional fees and expenses are disclosed in the respective fund/note prospectus. For complete details, please refer to the prospectus.

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