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**FOCUS – 2ND QUARTER 2017**

To no surprise, the second quarter of 2017 had no shortage of economic developments and political events that influenced market outcomes. One of the key tenets of our philosophy, both as a firm and as investors, is to provide transparency and accessibility regarding our approach to managing client assets. With that in mind, here are some of the top considerations that we focused on during the quarter (in no particular order):

1) **Complacency across global markets** – Despite a number of potential causes of market disruption including multiple acts of terrorism in England, Middle East tensions, political drama in the U.S. and alleged intrigue with Russia, global markets have been generally calm. The VIX, a commonly cited gauge of "investor fear" was at two decade lows for most of the quarter. This complacency may be attributed to a number of factors including low interest rates, vigilant central banks and the increasing market share of passive investing (i.e., exchange-traded funds). This type of market environment does not tend to last for long and many investors are waiting for market volatility to return (potentially resulting in a consolidation or contraction). The markets did experience some extreme moves in the last week of the quarter which could be a sign of things to come. As stewards of client capital, we will remain vigilant.

2) **Persistently low U.S. interest rates** – Despite consistent guidance and actions taken by the Federal Reserve regarding their intentions to raise short-term interest rates multiple times in 2017, longer-term rates remained flat to down for most of the quarter. Even with the Fed's transparency, many investors felt that the central bank would be gun shy at any sign of weakness in the U.S. economy. With the Fed Funds rate hike in June and consistent follow up commentary from several Fed officials, investors finally seemed convinced and rates began to rise significantly towards the end of the month.

3) **Growing optimism spreading in the Eurozone** – After several false starts, it appears that the Eurozone is moving toward a sustainable recovery. There is much to be optimistic about including meaningful economic and corporate earnings growth, economic and consumer confidence levels at decade highs, Emmanuel Macron's presidential victory in France and his focus on revitalization and reform, and ECB president Mario Draghi's careful approach to policy. Spain, recently facing dire economic circumstances is now experiencing accelerating employment among other key economic trends. The optimism is counterbalanced by the unknowns related to Britain's exit from the EU ("Brexit") and continuing economic difficulties in Italy. We have gradually increased our Eurozone exposure in our portfolios to benchmark weightings and will continue to evaluate opportunities relative to other regions.

4) **U.S. dollar weakness** – The U.S. dollar has been on a downward trajectory relative to other currencies since the beginning of 2017 (as measured by the Bloomberg Dollar Spot Index).

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With U.S. interest rates higher than in many other developed countries and expected to rise, this is somewhat surprising (Currency values relative to other currencies are heavily influenced by interest rates). This trend may be explained by a number of factors including doubts about the U.S. economy, currency “fatigue” after a strong rally since mid 2014, and concerns about the Federal Reserve’s interest rate policy actions (as discussed above). We do not expect this trend to persist and continue to favor dollar-denominated assets in our portfolios.

5) **Oil price weakness** – Since the major sell-off in late 2014, crude oil prices have struggled to regain their footing. While commodities are not a major focus of our investment practice, oil prices are top of mind for many investors and do influence other asset prices. With that in mind, we keep an eye on the oil market. Many investment banks predicted that oil would reach the $50 - $60 range this year. So far, that has not been the case. It has been a supply driven market and supply continues to be plentiful due to American shale oil (i.e., fracking) and increased production from Iran and Libya. It appears that the days of OPEC’s control and dominance are behind us. Furthermore, factors on the demand side are not supportive including the growing presence of electric cars and the improving economics of solar energy. We cannot profess to be experts in this market but it seems clear that the dynamics of the oil market have changed significantly.

The purpose of this newsletter is to provide some timely insights into what occupied our focus as we considered market opportunities and how to position portfolios. We hope we have accomplished that and welcome questions and comments from our clients.

## DISCLOSURES

Wilde Capital Management, LLC is a registered investment adviser. Information presented is for educational purposes only and does not intend to make an offer or solicitation for the sale or purchase of any specific securities, investments, or investment strategies. Investments involve risk and, unless otherwise stated, are not guaranteed. Be sure to first consult with a qualified financial adviser and/or tax professional before implementing any strategy discussed herein. Past performance is not indicative of future performance.

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.

**Important Disclosures: Exchange-Traded Funds**

Exchange-traded funds (ETFs) are investment vehicles that are legally classified as open-end investment companies or unit investment trusts (UITs), but differ from traditional open-end investment companies or UITs. ETF shares are bought and sold at market price (not net asset value) and are not individually redeemed from the fund. This can result in the fund trading at a premium or discount to its net asset value, which will affect an investor's value. Shares of certain ETFs have no or limited voting rights. ETFs are subject to risks similar to those of stocks.

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.

For additional information regarding advisory fees, please refer to the Fee Summary and/or Fee Detail pages (if included with this report) and the program sponsor's/each co-sponsor's Form ADV Part 2, Wrap Fee Brochure or other disclosure documents, which may be obtained through your advisor.

Certain ETFs have elected to be treated as partnerships for federal, state and local income tax purposes. Accordingly, investors in such ETFs will be taxed as a beneficial owner of an interest in a partnership. Tax information for such ETFs will be reported to investors on an IRS schedule K-1. Investors should consult with their tax advisors in determining the tax consequences of any investment, including the application of state, local or other tax laws and the possible effects of changes in federal or other tax laws.