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PORTFOLIO UPDATE – JANUARY 11, 2018

2018 has gotten off to a roaring start with equities and commodities rallying strongly. We were optimistic coming into this year (as discussed in our 2018 Outlook) but must admit some surprise at the immediate level of strength. We are not ones to look a gift horse in the mouth but remain vigilant for signs of investor fatigue as markets continue to reach new highs. With that as a backdrop, we continue to test our conviction across our tactical calls and seek out market opportunities. Japanese equities have performed well recently and we believe that trend will continue. We have increased our existing position to bring Japanese equity exposure to a neutral weight.

Over time, we have expressed significant concerns about Japan and its economy. With its citizenry aging, demographic trends are poor. Public debt is approx. 240% of the nation's GDP, which creates a major burden in terms of debt service. These conditions present real threats to the long-term health of the Japanese economy. However, there are multiple reasons for optimism in the near term. Japan's economy is enjoying its longest expansion since the 1990's and growth is expected to accelerate. Prime Minister Abe was re-elected in October 2017 with a strong mandate and remains focused on his "three arrows" economics strategy consisting of monetary policy, fiscal policy and structural reform. In support of Abenomics, the Bank of Japan maintains accommodative monetary policy. Fundamentals are attractive with earnings growth momentum and improving corporate governance. Furthermore, equity valuations remain attractive relative to both history and other global markets. With a belief that the Japanese Yen may weaken relative to the U.S. Dollar and just as importantly the Euro, we increased our exposure to Japanese equities by adding to our existing currency hedged position.

In terms of overall positioning, we continue to maintain a preference for the U.S. across equities and fixed income. We also have a favorable view of Asia ex-Japan and emerging market equities. Our overweights to these markets are primarily funded from non-U.S. bonds. Within fixed income, our exposure to U.S. corporate credit is substantially higher than our benchmark. Our portfolios maintain lower duration than the benchmark and 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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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.

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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.

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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.

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.

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