PORTFOLIO UPDATE – FEBRUARY 1, 2018

The strong rally across global markets appeared to come to an abrupt halt, or at least a dramatic pause, this week. While global growth and corporate earnings remain on track, market valuations appear stretched based on what many pundits have labelled "investor euphoria". With the S&P 500 returning 5.7% in just the first month of 2018, a near-term pullback is not surprising and could arguably help extend the longer-term rally. As we evaluate our positioning across portfolios, we have chosen to make a change within non-U.S. fixed income. With the recent weakness of the U.S. dollar and a belief that trend will persist, we sold out of a broad market currency hedged instrument and used the proceeds to buy a non-U.S. corporate bond instrument with local currency exposure. In an environment of persistently low sovereign yields, we believe corporate credit offers the best total return opportunities.

Our recent exposure to non-U.S. bonds through a currency hedged instrument was based on a belief that the dollar would strengthen. This belief was rooted in a number of factors: U.S. Treasury yield premiums relative to other developed countries (with expectations of further rate increases from the Federal Reserve), economic growth momentum, and President Trump's stated agenda focused on fiscal stimulus through tax reform and infrastructure investment. However, with economic growth taking hold across the globe and investors shaking off risk, the dollar declined by about 9% relative to other major currencies during 2017. The trend has continued in 2018 and the dollar has weakened against all major currencies. We believe the currency weakening could persist, particularly relative to the Euro. Economic momentum in Europe could accelerate the European Central Bank's unwinding of their aggressive monetary policy, which should boost the Euro as interest rates begin to normalize. Although it is admittedly early days, signs that U.S. tax reform will positively impact economic growth through offshore cash repatriation and accelerated capital expenditures have not slowed the dollar's descent. A review of market technical indicators reveals that the dollar could fall meaningfully further before hitting long-term support levels.

The weakening of the U.S. dollar is not all bad news. All else being equal, U.S. goods become more competitive in overseas markets and this should boost corporate earnings for larger cap, multi-national companies. However, in regard to our portfolios, we believe it is most beneficial for our clients to have local currency exposure in most non-U.S. markets.

In terms of overall positioning, we continue to maintain a preference for the U.S. across equities and fixed income. Within U.S. equities, we have a significant commitment to large cap stocks with a corresponding underweight to mid and small cap stocks. We also continue to 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 exposure to non-U.S. bonds at weights below our benchmark with a preference for investment grade corporate credit.

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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.

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.