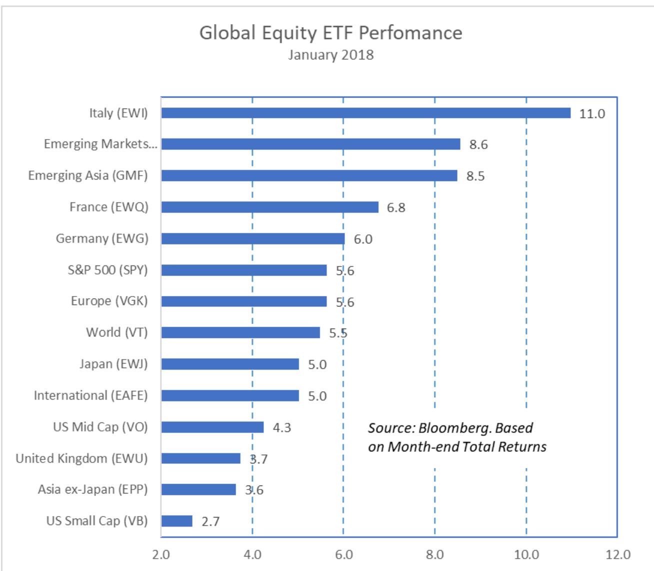
WILDE CAPITAL MANAGEMENT

JANUARY 2018 CAPITAL MARKET REVIEW

Global equities started off 2018 with one of the strongest monthly rallies in recent memory, rising some 5.5% in U.S. dollar terms. Key European and Asian markets led the way with Italy doubling the global advance. Equities overall are continuing to outpace bonds as improving economic conditions place upward pressure on interest rates. The rising rate environment caused most segments of U.S. fixed income to contract with the exception of convertible bonds and senior loans. Persistent dollar weakness during the month boosted returns in non-dollar bond markets.



Equity Markets*

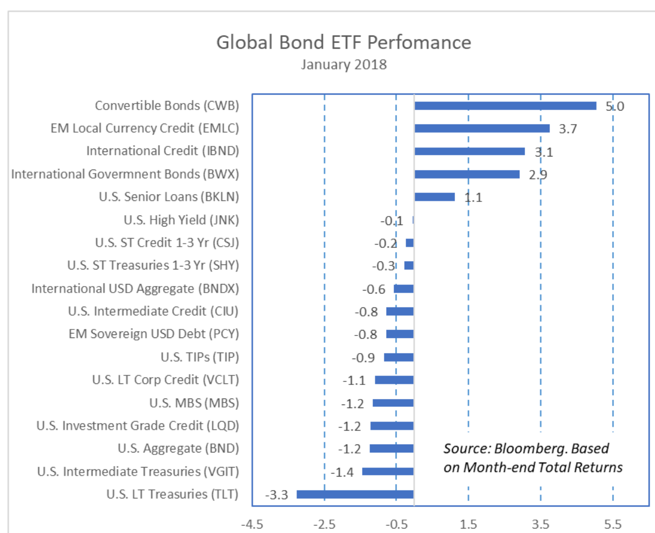
Stock markets around the globe welcomed the year with strong rallies in January. The strength of the Euro boosted dollar-based returns in key European markets –Italy, France and Germany. Emerging markets overall gained 8.6% with Emerging Asia delivering a robust 8.5% for the month.

U.S. Large Cap stocks outperformed the world markets by 0.1%, while Mid and Small Cap equities trailed in January. Japan and developed Asian markets, which had been leading global markets recently, lagged for the month yet still posted strong absolute returns.

Bond Markets*

U.S. convertible bonds rallied nearly as strongly as U.S. stocks in the month. The Bloomberg U.S. Dollar index fell 3.4% in January providing a tailwind for international bonds with Emerging Market Local Currency Debt, International Credit, and International Government bonds advancing 3.7%, 3.1%, and 2.9%, respectively.

In the U.S., most sectors contracted. U.S. long term treasuries fared the worst falling 3.3%, hampered by rising long-term interest rates – the yield on the 10-year Treasury bond rose 31 basis points from 2.40% to 2.71%.



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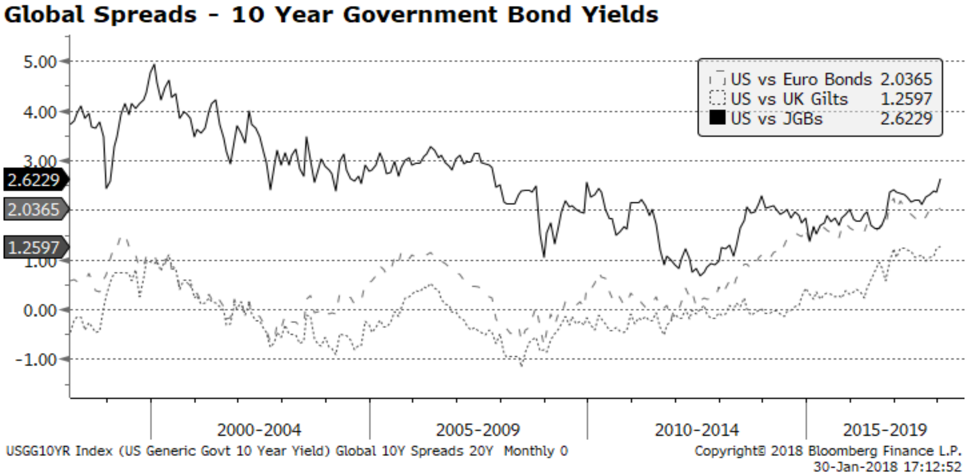
GLOBAL BOND SPREADS WIDENING: *"Something's got to give…"*

The yield on the 10 Year U.S. Treasury bond reached 2.71% by the end of January and has climbed over 65 basis points since early September 2017. This is not wholly unexpected given the strengthening of the U.S. and world economies that has been building over the past several quarters. What we find interesting is that global government bond spreads (the difference between yields in the U.S. and international markets) are staying persistently high, especially in the face of a weakening U.S. Dollar. The chart below shows spreads in the U.S. versus comparable yields in the Eurozone, the United Kingdom and Japan going back two decades. U.S. Treasury – Japanese Government Bond (JGBs) spreads have been historically wider, notably in the 2000s, while U.S. Treasury spreads versus the U.K. (Gilts) and European equivalents are near all-time highs and significantly above 1.0%, which served as an upper boundary.

It appears "*something's got to give*" – either the U.S. dollar strengthens, rates in the U.S. recede or yields in Europe rise, thus closing the gap with U.S. Treasury yields. We have our doubts that European economies can absorb materially higher rates even with welcomed improving economic trends. This relationship bears watching.



See the WCM website for more market commentary or contact us with any questions.

**The returns cited on the prior page reflect total return performance of exchange traded funds listed in the corresponding bar charts.*

> *"Global equities started off 2018 with one of the strongest monthly rallies in recent memory. Key European and Asian markets led the way. Equities overall continue to outpace bonds as improving economic conditions place upward pressure on interest rates. Persistent dollar weakness during the month boosted returns in non-dollar bond markets."*

PORTFOLIO POSITIONING

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. We have no emerging market debt at this time.

RISK OUTLOOK

Economic activity generally remains robust both home and abroad. Consumer and business sentiment indicators remain bullish, corporate earnings growth is robust, while inflation remains in check. Fiscal policy in the developed world will most likely continue to be expansionary and monetary policy, on balance, should remain accommodative. These conditions are generally constructive for global risk assets. The following are key risks we are monitoring:

- We remain confident that the Federal Reserve will continue to raise the Federal Funds rate at a measured pace throughout 2018. We also expect the Fed to be very cautious and highly transparent as they continue to shrink their $4.5BN balance sheet. Any misstep in these two key policy areas could have severe economic and market ramifications.
- The situation with North Korea appears to be contained for the time being. However, the rogue regime's actions are unpredictable and could lead to a military confrontation in the region. One trivial yet positive sign is the announcement that North and South Korea are marching and, in some cases, competing together in the upcoming Winter Olympics in PyeongChang.
- The Trump administration needs to continue to execute their policy initiatives. With tax reform now being implemented, the next initiatives – much needed infrastructure improvement and immigration reform – will likely prove to be just as politically heated. The outcome of the Mueller investigation could compromise any momentum the administration has gained with the passage of tax reform.

KEY EVENTS IN FEBRUARY

Week 1

- 2/2 U.S. Employment Surveys
- 2/2 U.S. Univ. of Michigan Sentiment Surveys
- 2/4 China Caixin Composite PMI
- 2/4 Japan Nikkei Composite PMI
- 2/5 U.S. Markit Composite PMI
- 2/5 U.K. Markit/CIPS Composite PMI
- 2/5 Eurozone Markit Composite PMI

Week 2

- 2/8 U.K. BOE Rate Targets
- 2/8 Eurozone ECB publishes economic bulletin
- 2/8 China Price Index Surveys
- 2/13 U.K. Price Index Surveys
- 2/14-2/15 U.S. Price Index Surveys

Week 3

- 2/16 U.S. Housing Surveys
- 2/20 Eurozone ZEW Expectations Survey
- 2/21 U.S. FOMC Meeting Minutes
- 2/21 U.K. Employment Surveys

Week 4

- 2/22 U.S. Conf. Board Leading Indicators
- 2/26 Japan Leading Indicators
- 2/27 U.S. Conf. Board Sentiment Surveys
- 2/27 U.K. GfK Consumer Confidence
- 2/27 Eurozone ECB Sentiment Surveys

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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.