WCM | WILDE CAPITAL MANAGEMENT

1st Quarter 2018 Focus

"Is the Party Coming to an End?"

Many overused quotes come to mind to describe the events of the first quarter ("it was the best of times, it was the worst of times" ultimately ended up in the wastebasket). Quite simply, it was a stomach-churning rollercoaster ride as market volatility came back with a vengeance. Over the last 18 months, it feels like we have been lulled into a false sense of security as risk-bearing assets appreciated and volatility fell to historic levels. But with history as a guide, this environment could not continue. After a strong January, with the S&P 500 Index up 5.7% on a total return basis, we retraced all of those gains by early February as investors reacted to signs of inflation and questioned the impact of a new Federal Reserve chairman.

As markets settled and resumed their upward trajectory, new worries arose as President Trump acted on his earlier rhetoric to address trade imbalances by imposing tariffs, setting off fears of a global trade war. Shortly after that, Facebook revealed that the personal information of 50 million members (later revised upward to 87 million) was inappropriately used for political purposes. Already showing signs of weakness, the Technology sector buckled under anxiety regarding privacy and the potential threat of greater regulation. As markets continue to gyrate, there has been few places to seek shelter – the S&P 500 Index and the Bloomberg Barclays U.S. Aggregate Bond Index, a proxy for domestic fixed income, were both down for the quarter. Understandably, it seems that there has been a shift in investor psychology – 2017's mantra of "buy the dip" has become "sell the rally" in 2018.

This chronology of events highlights one of the key challenges for investors: What could derail the markets? This question is always on our minds, particularly when markets are humming. There are always a number of potential stumbling blocks looming on the horizon – recent focuses include inflation, rising interest rates, valuations, geopolitical uncertainty, and investor fatigue from the extended bull market. But the reality is, in most instances, we cannot diagnose the cause of a sell-off until we are in the middle of it. And then of course it is too late. As asset allocators (and admittedly from somewhat of a self-serving perspective), we believe this reinforces the importance of portfolio diversification with a particular focus on non-correlated assets (assets that move in different directions over time). But that is a digression for another time.

Returning to the theme of derailment, are we in the midst of the "healthy correction" that many strategists have expected (and perhaps even hoped for)? Or is this the beginning of the end of the extended bull market that started in 2009? Those are million dollar questions, which we can not definitively answer until the story plays out. Many issues that

cause investor agita are fleeting and fade with the next news cycle. Investors should be most focused on and concerned about issues with real substance, persistence and impact across the economic landscape.

At WCM, we have largely stayed the course, maintaining meaningful overweights to equities (primarily through the U.S. and emerging markets) with offsetting underweights to fixed income. We are concerned about many of the issues discussed above and spend much of our time playing out scenarios and how the markets could react. The impact of many of today's headlines can be discounted. While President Trump's tariffs are causing a lot of bluster, they may play out as a negotiating tactic to bring global trading partners to the table. The Technology sector will remain under scrutiny to ensure user privacy is maintained and protected. But technology is pervasive, the resulting innovation fuels productivity and the subject companies will continue to be engines of growth. Our continuing conviction, and resulting positioning across risk assets, is based on economic growth, corporate earnings momentum and positive sentiment. Furthermore, with the market decline, valuations have become more attractive, falling back to longer term averages. We expect more near-term volatility as markets recover and investors assess further developments related to current stress points. Looking forward, corporate earnings results for the first quarter will be released shortly and will be key determinants of market trajectory.

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.

WCM | WILDE CAPITAL MANAGEMENT

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.