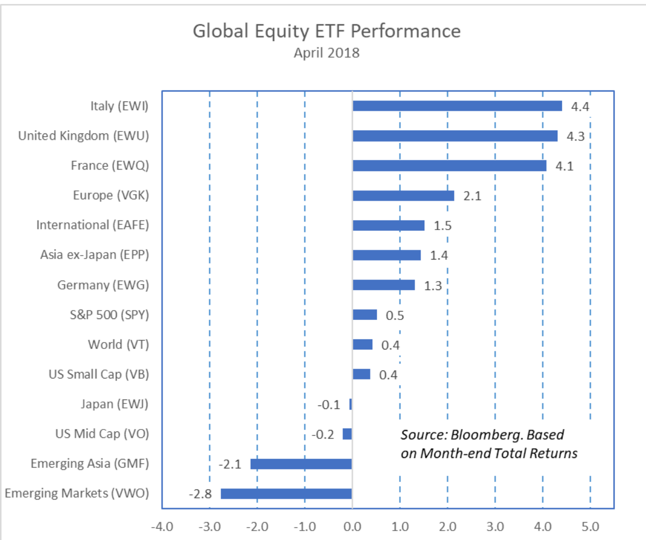
APRIL 2018 CAPITAL MARKET REVIEW

European equities led global capital markets in April while most segments of the fixed income market struggled. Higher interest rates in the U.S. served as a headwind across sectors while a stronger U.S. dollar led to falling prices in dollar-denominated international bond markets.



Equity Markets*

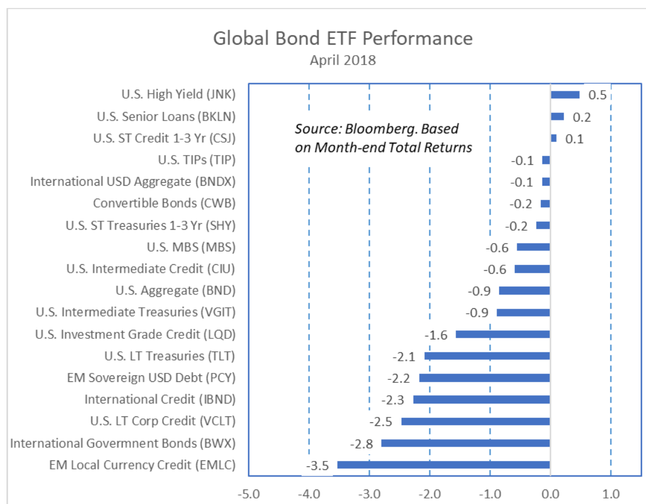
Overall, global equities posted a modest rally, climbing 0.4% in April. Several European markets, notably Italy, the U.K. and France, rebounded strongly—all rising over 4% in U.S. dollar terms. In the U.S., Large and Small Cap stocks rose while Mid Cap companies declined.

In Asia, Japanese equities contracted slightly by 0.1% in dollar terms yet are among global leaders on a year-to-date basis. Emerging Market equities disappointed by falling 2.8% overall while Emerging Asia contracted 2.1%.

Bond Markets*

Most segments of the U.S. bond market fell, particularly longer duration Treasuries and corporate credit, as the yield on the 10-year U.S. Treasury rose from 2.74% at the beginning of April to 2.95% by month end.

The dollar firmed against major currencies according to Bloomberg's U.S. dollar index, rising 1.8% for the month which was a headwind for non-dollar fixed income markets. International bonds in major economies as well as Emerging Market debt fared the worst as all fell more than 2%.



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

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INTEREST RATES ON THE RISE:

We have been highlighting developments in the U.S. bond market over the past several weeks as interest rates have begun to climb higher. We expect the ascent to continue due to improving economic conditions in the U.S. and abroad but most importantly as central banks embark on monetary policy normalization throughout the globe.

Lately, market participants have been focused on the benchmark 10-year U.S. Treasury interest rate because it is pressing up against 3.0% (it actually breached that level, reaching 3.02% on April 25th). The 3.0% threshold is arguably a more psychological barrier than anything but yields have not been this high since the end of 2013/ beginning of 2014. Taken in the context of the past decade, current interest rates should continue to move higher especially considering that in the aftermath of the financial crisis —a time when economic conditions were far more precarious— rates were materially higher than they are now.

U.S. 10 Year Government Bond Yields

Chart (c)2018 Bloomberg Finance LP

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

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PORTFOLIO POSITIONING

In terms of overall positioning, we maintain a preference for U.S. equities and cash. We also have a favorable view of Asia ex-Japan and the emerging markets. Our commitments to these equity markets are primarily funded from non-U.S. bonds. Within fixed income, we are underweight both the U.S. and non-U.S. bonds. Our portfolios maintain lower duration than the benchmark and broad exposure to non-U.S. bonds at weights below our benchmark. We are overweight cash at the expense of fixed income. 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 exceeding expectations, while inflationary pressures remain 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:

- Earnings season is underway in the United States and so far Corporate America has exceeded expectations by a favorable margin. According to Reuters, approximately two thirds of companies have reported results with average earnings growth of 27% compared with expectations of 18% just one month ago. The issue is that the stock market is not responding in kind, which may be related to upward interest rate pressures cited above.
- Global capital markets will continue to react to the Trump administration's policy initiatives. Fears of a "trade war" have receded for the time being with key trade partners granted relief by the administration. Trade negotiations remain in flux and will likely continue to cause volatility as markets and economies adjust to a new equilibrium.
- The ongoing investigation by Special Counsel Robert Mueller could also hinder further U.S. legislative progress in the near term.

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- The status of the Iran nuclear deal is another source of geopolitical risk. Recently, Israeli Prime Minister Benjamin Netanyahu presented detailed information to the global press that suggests Iran has violated the terms of the multi-lateral agreement. If true, this could be a destabilizing factor for capital markets.

KEY EVENTS IN MAY

Week 1

- 5/3 China Caixin Composite PMI
- 5/3 Eurozone Price Index Surveys (March)
- 5/3 U.K. Markit/CIPS Composite PMI
- 5/4 Eurozone Markit Composite PMI
- 5/4 U.S. Employment Surveys
- 5/7 Japan Household Spending
- 5/7 Eurozone Sentix Investor Confidence

Week 2

- 5/9 Japan Bank Lending
- 5/9 China Price Index Surveys
- 5/9-5/10 U.S. Price Index Surveys
- 5/11 Univ. of Mich. Consumer Sentiment
- 5/14 China Industrial Production

Week 3

- 5/15 U.S. Housing Surveys
- 5/15 Japan GDP
- 5/15 Eurozone ZEW Expectations Survey
- 5/16 Eurozone CPI
- 5/17 U.S. Conf. Board Leading Indicators
- 5/20 Japan Leading Indicators (Feb.)

Weeks 4&5

- 5/23 U.S. FOMC Minutes
- 5/23 Eurozone EC Consumer Confidence
- 5/25 U.S. Univ. of Mich. Sentiment Surveys
- 5/25 U.K. 1Q GDP
- 5/29 Eurozone M3 Money Supply
- 5/30 U.S. Federal Reserve Beige Book

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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.

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