WILDE CAPITAL MANAGEMENT

PORTFOLIO UPDATE – JUNE 18, 2018

It has been a challenging year for U.S. fixed income investors as rising interest rates signal that the 30+ year bond bull market may be coming to a conclusion. We have seen this movie before but with the Federal Reserve primed to raise rates multiple times, GDP growing at a healthy pace, and unemployment at 3.8% (according to the Bureau of Labor Statistics U-3 measure), it finally seems real. As asset allocators, we continue to believe that fixed income provides a diversification benefit but investors will need to be very selective in regard to exposures in the asset class. Within the U.S., we are positioned in lower duration and select sectors of the market including convertible bonds and preferred securities.

Outside of the U.S., we have maintained a long-standing underweight in fixed income because we do not see much fundamental value in the asset class. International bond yields remain at very low levels, and based on last week's policy announcements from the European Central Bank and the Bank of Japan, they will remain that way for the near future. The risk premium for participating in non-U.S. developed markets is gone, a result of central bank accommodative policy as well as market integration. Much of the recent returns in non-U.S. fixed income have been sourced from currency exposure – with strength in the U.S. Dollar, currency hedged instruments have eked out a positive gain this year. Market technical factors for the asset class as well as the Euro have degraded in recent weeks and trends point to further weakness. This is not surprising as European economic measures are indicating that growth levels have peaked. Furthermore, political risk within the European Union has escalated with the coalition collapse in Italy and ongoing instability within Angela Merkel's coalition in Germany. Based on these considerations, we have chosen to exit our dedicated position in non-U.S. fixed income.

In terms of overall positioning, we maintain a long-standing preference for the U.S. across equities and fixed income. Within U.S. equities, we have an overweight to large cap stocks with a corresponding underweight to mid and small cap stocks. We continue to have a favorable view of emerging Asia countries. Our overweights to these markets are primarily funded from non-U.S. bonds. Within fixed income, we remain underweight in the U.S. with a preference for corporate credit. With the changes discussed above, we no longer have any exposure to non-U.S. fixed income. Our portfolios maintain lower duration than the benchmark. Our cash position is overweight relative to our benchmark.

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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.

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