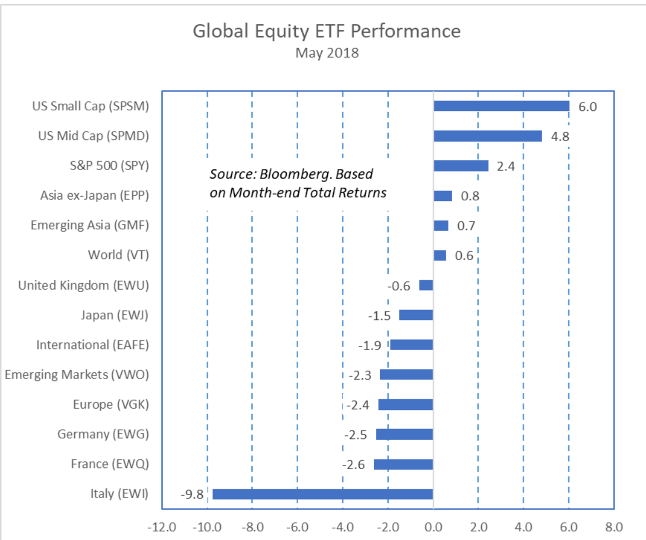
MAY 2018 CAPITAL MARKET REVIEW

U.S. equities led global capital markets in May while many international equity and fixed income markets contracted primarily due to continued strength in the U.S. dollar, weakening European economic readings, and political uncertainty in Italy.



Equity Markets*

Overall in May, global equities added a respectable 0.6% to the 0.4% gained in April. The U.S. led the way as Small Cap stocks rose an impressive 6.0% while Mid Cap companies advanced a robust 4.8% and U.S. Large Cap companies returned a solid 2.4%.

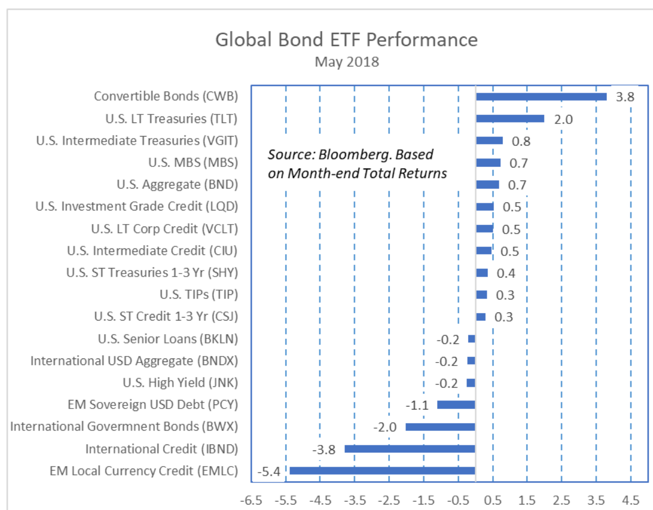
In Asia, Japanese equities disappointed, falling 1.5% in dollar terms. Developed Asia ex-Japan and Emerging Asia posted modest gains of 0.8% and 0.7%, respectively.

European markets stumbled, with the most damage concentrated in Italy which contracted 9.8% in May.

Bond Markets*

Many segments of the U.S. bond market rose, led by convertible bonds, longer duration Treasuries and corporate credit. The yield on the 10-year U.S. Treasury reached a multi-year high on May 11th but settled down to 2.85% by month end.

The U.S. dollar continued to strengthen against major currencies according to Bloomberg's U.S. dollar index, which rose 2.1% for the month. Non-dollar fixed income markets continued their slide. Emerging Market debt, particularly in local currency terms, again came under pressure from a combination of U.S. dollar strength, as well as fiscal and current account imbalances.



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

DEVELOPING WORLD CURRENCIES UNDER PRESSURE:

Several currencies in developing economies have been weakening against the U.S. dollar and not surprisingly volatility, depicted on the chart below, has been steadily rising. Part of the fallout is related to U.S. dollar strength, particularly against the Euro, Japanese Yen and British Pound, but rising interest rates in the U.S. are also a significant factor. External dollar-denominated debt issued by emerging economies in recent years has risen and repayment could be challenging if the dollar continues to strengthen. This bears monitoring. Our portfolios do not have any emerging market debt exposure at this time.

Emerging Market Currency Volatility

Source: JP Morgan, Bloomberg

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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 have recently increased our exposure to U.S. Small and Mid Cap companies. Within international equities, we have a favorable view of Asia ex-Japan and Emerging Asia. Our commitments to these equity markets are primarily funded from non-U.S. bonds. Within fixed income, we prefer the U.S. market but remain underweight both U.S. and non-U.S. bonds. Our portfolios maintain lower duration than the 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 at home and, to a lesser extent, the rest of the world. The European economy bears watching as indicators appear to be weakening. The following are key risks we are monitoring:

- Signs of an inverting yield curve have stoked fears of an approaching recession, but the U.S. economy continues to display signs of strength. By the end of May unemployment dropped to 3.8%, marking another recent low and, just as importantly, the jobless rate among African Americans and Hispanic Americans is now the lowest ever recorded. Wage gains grew by 2.7% annually, slightly beating expectations.
- Investors are concerned that increased pressure on wages and corresponding tight labor market conditions may lead the U.S. Federal Reserve to increase the pace of interest rate increases heading into the second half of the year. It is widely expected that the Fed will increase rates at the June FOMC meeting. As is often the case, the accompanying language explaining the basis for the increase could be a key indicator.
- Another Euro-related crisis may be lurking as Italy's populist coalition government consisting of the Five Star Movement and the far-right League parties have formed an administration. Although the parties have dropped some of their most alarming campaign rhetoric concerning exiting the Euro and EU, investors have re-focused on Italy's sovereign debt levels now surpassing 130% of GDP (well beyond EU budget rules) and the limitations that imposes on fiscal flexibility.
- Ongoing international trade disputes and the imposition of tariffs may continue to contribute to market uncertainty.

KEY EVENTS IN JUNE

Week 1

- 6/1 U.S. Payroll Surveys
- 6/4 Eurozone Sentix Investor Confidence
- 6/4 China Caixin Composite PMI
- 6/4 Japan Nikkei Composite PM
- 6/5 U.S. Markit Composite PMI
- 6/5 U.K. Markit/CIPS Composite PMI
- 6/5 Eurozone Markit Composite PMI
- 6/7 Q1 GDP (Eurozone, Japan)

Week 2

- 6/8 China Price Index Surveys
- 6/12 Eurozone ZEW Expectation Survey
- 6/12-6/13 U.S. Price Index Surveys
- 6/13 U.S. FOMC Rate Decision
- 6/13 U.K. Price Index Surveys
- 6/14-6/15 Japan BOJ Policy Targets

Week 3

- 6/19 U.S. Housing Surveys
- 6/21 U.S. Conf. Board Leading Indicators
- 6/21 U.K. BOE Policy Targets

Weeks 4&5

- 6/25 Japan Leading Indicators (April)
- 6/26 U.S. Conf. Board Sentiment Surveys
- 6/28 U.S. Q1 GDP
- 6/28 U.K. GfK Consumer Confidence
- 6/28 Eurozone EC publishes economic bulletin
- 6/28 Eurozone EC Confidence Surveys
- 6/29 U.S. Univ. of Mich. Sentiment Surveys
- 6/29 U.K. Q1 GDP

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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.