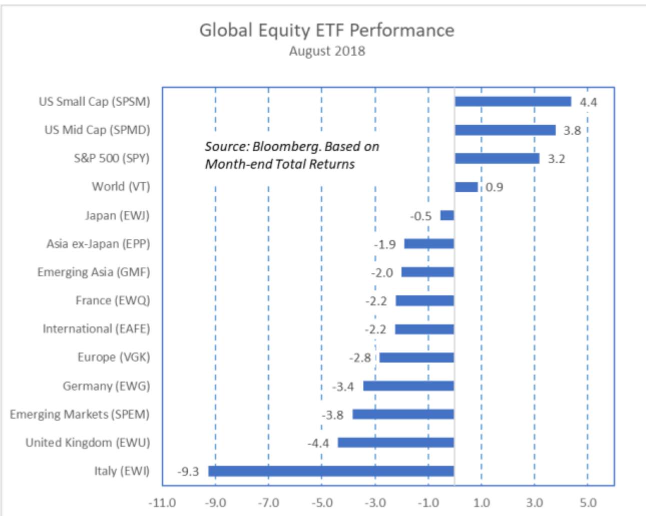
AUGUST 2018 CAPITAL MARKET REVIEW

U.S. stocks and bonds led global capital markets, posting positive returns in nearly all segments within each asset class. International capital markets generally contracted in U.S. dollar terms.



Equity Markets*

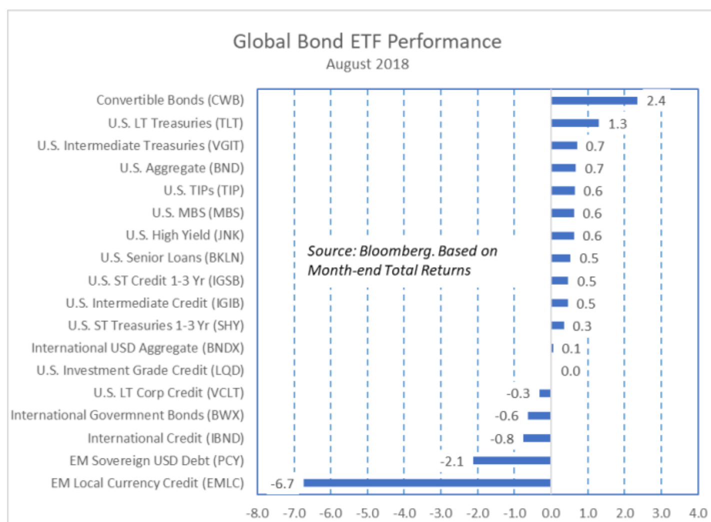
Many consider August to be a sleepy month but it was not for U.S. equities. Small Capitalization U.S. companies led all segments in our monitoring universe, advancing 4.4% for the month. U.S. Mid Caps were not far behind climbing 3.8% while U.S. Large Caps rose 3.2%.

In contrast, international equities were a disappointment with developed markets declining 2.2% for the month. Emerging markets also suffered, falling 3.8%. The pain was most acute in Italy, where equities fell over 9.0% as measured in U.S. dollar terms. Japan led international equities by only contracting 0.5%.

Bond Markets*

With the exception of Long-term Credit, U.S. bond market returns were positive during August. U.S. Convertible Bonds posted the strongest results, advancing 2.4%. Longer dated U.S. treasuries benefitted from yield compression as the benchmark 10-year Treasury bond yield fell from 2.96% to 2.86% by month end.

Emerging market debt, in U.S. dollar currency terms, contracted harshly in response to currency weakness in Argentina, Turkey, Indonesia and South Africa. The Bloomberg Dollar Index rose 0.66% during August proving a challenge for international fixed income overall.



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

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DEVELOPING ECONOMIES UNDER DURESS

The JP Morgan Emerging Market Currency Volatility Index remains elevated as concerns about currency stability appear to be spreading among several of the world's developing nations. The currency rout that began in Argentina, moved on to Turkey due to the country's double-digit inflation and sizeable current account deficit, has spread to Indonesia and now South Africa. Investors fear that the contagion will spread further throughout the developing world. The fundamental economic backdrop is not uniform across emerging markets–Asia is generally exhibiting admirable growth trends–yet in the near term, negative momentum may overtake fundamentals.

Emerging Market Currency Volatility

Source: JP Morgan, Bloomberg

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

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"The U.S. led global capital markets in August, posting positive returns across nearly all equity and fixed income sectors. In contrast, international capital markets generally contracted in U.S. dollar terms."

PORTFOLIO POSITIONING

In terms of overall positioning, we maintain a preference for U.S. equities and cash. Outside the U.S., we also 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. We are underweight Eurozone equities. Within fixed income, we are underweight the U.S. with a preference for specific sectors including convertible bonds and preferred securities. Our portfolios maintain lower duration than the benchmark. We eliminated our non-U.S. bond exposure earlier in the year. We are overweight cash at the expense of fixed income.

RISK OUTLOOK

Economic activity generally remains robust at home; however, much of the rest of the world appears to be slowing. The following are key risks we are monitoring:

- Strong payroll gains in the U.S. continued in August unexpectedly placing upward pressure on wages which rose at an annual rate of 2.9% for the month. The unemployment rate remained at 3.9% near lows last seen in the 1960s. The risk is that wage inflation may creep into the broader economy, forcing the U.S. Federal Reserve to heighten the pace of interest rate increases.
- Within European equities, we have growing concerns regarding the bank sector. The Italian debt situation is at the heart of the matter as interest rate spreads between Italian and German bonds have been widening. The rising risk premium demanded by investors is one indication of concern regarding the scale of the new Italian governing coalition's fiscal plans. The deteriorating value of Italian debt impairs bank balance sheets across the region. The interdependence of European banks and government debt has been problematic for some time and measures are being taken by regulators to address this relationship.
- Per this month's featured chart on Page 2, the risk of currency and economic contagion in the world's emerging markets is evolving but appears to be contained at the moment.
- Ongoing international trade disputes and tariffs among the U.S.'s closest allies, and critically China, may continue to contribute to market uncertainty.

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KEY EVENTS IN SEPTEMBER

Week 1

- 9/4 China: Caixin Composite PMI
- 9/4 Japan: Nikkei Composite PMI
- 9/5 U.K.: Markit/CIPS Composite PMI
- 9/5 Eurozone: Markit Composite PMI
- 9/6 U.S.: Market Composite PMI
- 9/7 U.S.: Payrolls Surveys
- 9/7 Eurozone: Q2 GDP (Final)

Week 2

- 9/9 China: Price Index Surveys
- 9/9 Japan: Q2 GDP (Final)
- 9/10 Eurozone: Sentix Investor Confidence
- 9/11 Eurozone: ZEW Expectations Survey
- 9/12-9/13 U.S.: Price Index Surveys
- 9/13 U.K.: BOE Policy Targets
- 9/13 Eurozone: ECB Policy Rates

Week 3

- 9/17 Eurozone: Price Index Surveys
- 9/18-9/19 Japan: BOJ Policy Targets
- 9/19 U.S.: Housing Surveys
- 9/19 U.K.: Price Index Surveys
- 9/20 U.S.: Conf. Board Leading Indicators
- 9/20 Eurozone: EC Consumer Confidence

Weeks 4&5

- 9/25 U.S.: Conf. Board Sentiment Surveys
- 9/25 Japan: Leading Indicators (July)
- 9/26 U.S.: FOMC Rate Decision
- 9/27 U.S.: Q2 GDP
- 9/27 U.K.: GfK Consumer Confidence
- 9/27 Eurozone: ECB publishes economic bulletin
- 9/27 Eurozone: EC Confidence Surveys
- 9/28 U.S.: Univ. of Michigan Sentiment Surveys
- 9/28 U.K.: Q2 GDP (Final)

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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.