WILDE CAPITAL MANAGEMENT

PORTFOLIO UPDATE – OCTOBER 26, 2018

Earlier this month, based on heightened volatility and a global market downdraft, we moved to a defensive posture across our portfolios by selling our equity positions in Asia ex-Japan and the Eurozone, and reducing our U.S. small cap holdings. Over the last two weeks, the markets have continued to trend downward based on fears of rising interest rates, trade skirmishes and concerns about peak earnings. While corporate fundamentals remain healthy, we have concerns that momentum and weakening sentiment could take markets down further. With that in mind, we chose to further de-risk by selling out of U.S. small and mid cap equities.

There are a number of current positive indicators to point to in the U.S. that typically boost investor confidence: corporate earnings have increased by over 20% for the third straight quarter, GDP growth is healthy, and unemployment is at levels we have not seen since the 1960s. But it is clear that investors are squarely focused on the future, and there are various points of concern. The Federal Reserve is discounting the market weakness and remains on a trajectory to raise rates into 2019. Tariffs appear to be having an effect as corporate executives point to higher input costs and weaker margins. 2019 earnings forecasts are being revised downward – not aggressively at this point but the direction is key. With a belief that negative sentiment could further fuel the selling momentum, we have chosen to increase cash holdings and patiently wait for market conditions to settle.

As with our earlier move, the elimination of U.S. small and mid cap exposure was primarily driven by a desire to reduce overall risk. These segments of the market may be more subject to momentum as investors seek safe havens.

In terms of overall positioning, we maintain a long-standing preference for the U.S. across equities and fixed income. Within U.S. equities, with the reduction in small and mid cap, we remain moderately overweight through our large cap exposure. We are significantly underweight non-U.S. equities with a neutral weighting to Japan. Our overweight to the U.S. is primarily funded from non-U.S. bonds. Within fixed income, we are overweight in the U.S. with a preference for corporate credit. We do not have any current exposure to non-U.S. fixed income. Our portfolios maintain lower duration than the benchmark. With a further reduction across equities, our cash position is now substantially 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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