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PORTFOLIO UPDATE – NOVEMBER 8, 2018

We have maintained a defensive posture across our portfolios over the past month due to concerns that the painful selloff across global markets would continue based on momentum and weakening sentiment. Investors remain focused on rising interest rates, trade conflicts and signs of peaking earnings growth. However, with the U.S. mid-term elections in the rearview mirror, and the outcome largely as expected (the Democrats regained the House while the Republicans held the Senate), this should bring more calm to the markets. With a strong economy, healthy corporate fundamentals, and more attractive valuations, we decided to re-assert our conviction in U.S. equities by adding back exposure to small cap and mid cap stocks and increasing our large cap exposure through the Healthcare sector.

We continue to believe that the U.S. offers the most attractive opportunities for investors. The market selloff has been dramatic but we believe that U.S. equities can appreciate from here for a number of reasons. The "gridlock" produced by the mid-term election results should be a net positive as it reintroduces checks and balances into the Federal government and should limit legislative action. Furthermore, if history is a guide, equities typically produce positive returns 12 months after a mid-term election cycle. Looking at the economy, unemployment is at decade lows, consumer spending remains strong, and inflation is under control. From a fundamental standpoint, the third quarter produced strong corporate earnings growth (that makes three consecutive quarters) and now that earnings season is over, corporations are free to resume buying back their shares, a big contributor to market appreciation in recent years.

Our re-entry to the Healthcare sector is based on a number of considerations. Per prior comments, the result of the elections is seen as a positive. With a divided Congress, there is less likelihood of new regulation in regard to drug pricing and other healthcare costs. Healthcare stocks have had a disappointing year but this has resulted in more attractive valuations. Finally, a review of market technical indicates that stocks in this sector may be bottoming, making for a good entry point.

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 re-deployment across market cap, we are now significantly overweight versus our benchmark. We are significantly underweight non-U.S. equities with our sole exposure being 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. Our cash position is now slightly overweight relative to our benchmark.

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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.

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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.

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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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