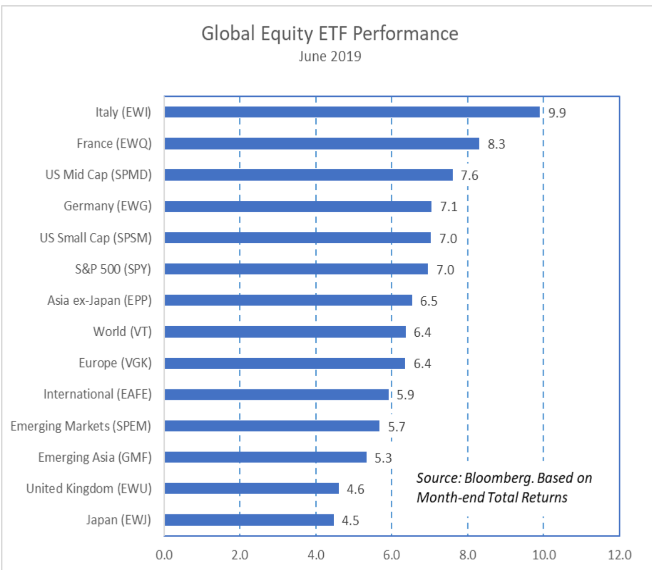
WILDE CAPITAL MANAGEMENT

JUNE 2019 CAPITAL MARKET REVIEW

June was a highly unusual month during which we witnessed all asset classes in our newsletter coverage universe advance. This followed a stressful May when nearly all riskier asset classes declined. The strongest performance for the month occurred in key European equity markets as well as the United States.



Equity Markets*

After May's rout, global equities rebounded strongly led by Italian equities which climbed nearly 10% and French equities over 8%. German stocks also outperformed, rallying over 7% for the month.

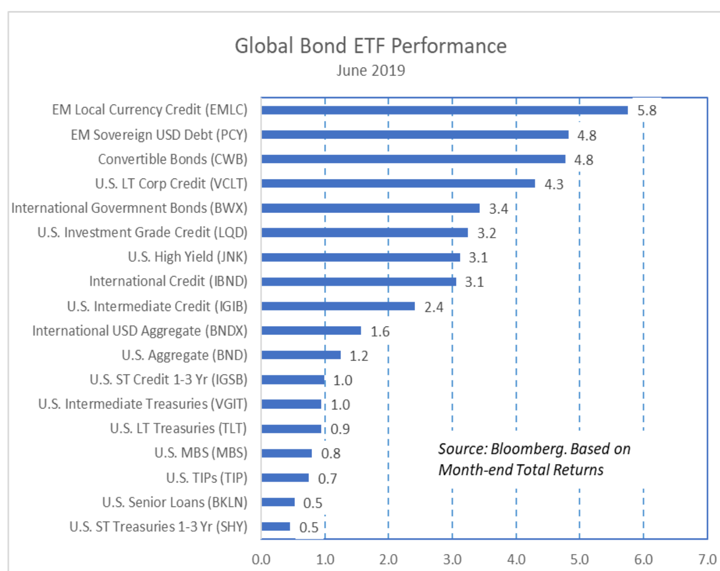
U.S. Large, Mid and Small companies outperformed their global counterparts rallying 7.0, 7.6 and 7.0%, respectively.

Japan, Great Britain and Emerging Markets lagged global stocks but posted positive returns nonetheless. Emerging Asia specifically underperformed, dragged down by China's strong presence in the region and the index.

Bond Markets*

Broad U.S. fixed income posted a respectable 1.2% total return during the month aided by a decline in the yield of the U.S. 10 year Treasury from 2.12% to 2.00%. The strongest returns were found in Emerging Market debt markets, both in local currency and U.S. dollar terms. Riskier segments of the U.S. bond market also rallied strongly with Convertibles, Corporate Credit and High Yield outperforming the overall market.

The U.S. dollar declined 1.6% for the month, as measured by the Bloomberg Dollar Spot Index, which helped boost returns in international fixed income instruments.



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

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Could the U.S. Dollar Materially Weaken Further?

The dollar has weakened considerably over the course of the past few weeks after having strengthened for much of the year. It has fallen below its long term trend (the 200-day moving average) which in the past has led to further weakness. The decline in U.S. interest rates and expectations for further reductions in policy rates by the Fed are likely behind the dollar's recent fall; yet it is difficult to make the case for the dollar's value to decline further against major currencies. Economic activity in the U.S. is stronger than all other major economies (with the exception of China, which is still slowing) and the yield on the 10-year U.S. Treasury is positive while comparable rates in much of the developed world are negative. Currency movements are notoriously challenging to predict but the dollar could decline despite U.S. economic strength as the other major currency values normalize to levels seen earlier in the decade.

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 remain modestly overweight U.S. equities and fixed income. Within U.S. equities, we are overweight across the market cap spectrum versus our benchmark. We continue to be significantly underweight non-U.S. equities; however, we maintain a sizeable position in Emerging Asia. Our overweight to U.S. is primarily funded from non-U.S. stocks and bonds. Within fixed income, we are overweight in the U.S. with a preference for mortgages. We have no exposure to non-U.S. fixed income. Our portfolios maintain lower duration than the benchmark. Our cash position is also underweight relative to our benchmark.

RISK OUTLOOK

Overall, the U.S. remains on firm footing with strong labor conditions, low inflation, solid economic growth, but the market is expecting further monetary stimulus in the form of a Fed interest rate reduction this month. If that rate reduction is not delivered, the recent rally in global stocks could be short lived. On a positive note, key U.S. stock indices remain fairly-priced, even in light of recently having posted all-time highs, so further gains could be reached.

China's economy appears to be slowing even with recent fiscal and monetary stimulus while European economies and markets continue to struggle. The following are key risks we see:

- The ongoing trade negotiations appear to be advancing for the time being. Mexico has avoided potential new tariffs proposed by the Trump administration by adding resources to address the immigration crisis on our southern border and their own porous southern border with Guatemala. China – U.S. trade discussions appear to be back on a positive track after the June G-20 meetings. Capital markets will likely overreact to any perceived slow down or protraction in these discussions.
- U.S. inflation continues to remain stubbornly below Federal Reserve targets with its key price metric – Personal Consumption Expenditures – expanding at a mere 1.6% annual rate. That has some investors concerned about deflationary pressures and the carry-on effects to domestic demand. With policy rates still at historically low levels, the Federal Reserve may not have a great deal of leverage to stimulate demand when the time arises.
- The appointment of Christine Lagarde as the new president of the European Central Bank could lead to much needed reform for the ECB and more broadly, the European Union. Lagarde's leadership at the helm of the International Monetary Fund was widely viewed as a success, but policy missteps could cause disruption.
- The slowdown in Chinese economic growth remains a concern. The Li Keqiang Index – a measure of the growth in bank lending, electricity consumption and rail freight – has been trending down since 2017 and now rests at 6.4%, equivalent to official estimates of China GDP growth.

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KEY EVENTS IN JULY

Week 1

- 7/1 U.S.: Markit Composite PMI
- 7/1 Eurozone: Markit Composite PMI
- 7/1 U.K.: Markit/CIPS Composite PMI
- 7/2 Eurozone: Price Index Surveys
- 7/2 China: Caixin Composite PMI
- 7/3 U.S.: Durable Goods Orders
- 7/3 Eurozone: PMIs
- 7/4 Japan: Household Spending
- 7/5 U.S.: Labor market statistics

Week 2

- 7/8 Eurozone: Sentix Investor Confidence
- 7/9 Japan: PPI
- 7/9 China: Price Index Surveys
- 7/10 U.K.: GDP & Industrial Production
- 7/10 U.S.: FOMC minutes
- 7/11-7/12 U.S.: Price Index Surveys
- 7/12 Eurozone: Industrial Production

Week 3

- 7/17 U.S.: Industrial Production
- 7/17 U.S.: Fed Beige Book Release
- 7/17 Eurozone: Consumer Price Index
- 7/17 U.K.: CPI, PPI & Retail Prices
- 7/18 Japan: CPI
- 7/19 U.S.: U. of Michigan Sentiment Reports

Weeks 4 & 5

- 7/23 Eurozone: EC Consumer Confidence
- 7/24 Eurozone: PMIs
- 7/24 Eurozone: Confidence Surveys
- 7/25 Eurozone: ECB Rate announcements
- 7/25 U.S.: Initial Jobless Claims
- 7/29 Japan: BoJ rate announcements
- 7/30 U.S.: Core PCE index releases
- 7/30 U.K.: Consumer Confidence
- 7/31 U.S.: Fed Rate Decision
- 7/31 Eurozone: GDP release

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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.

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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.

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