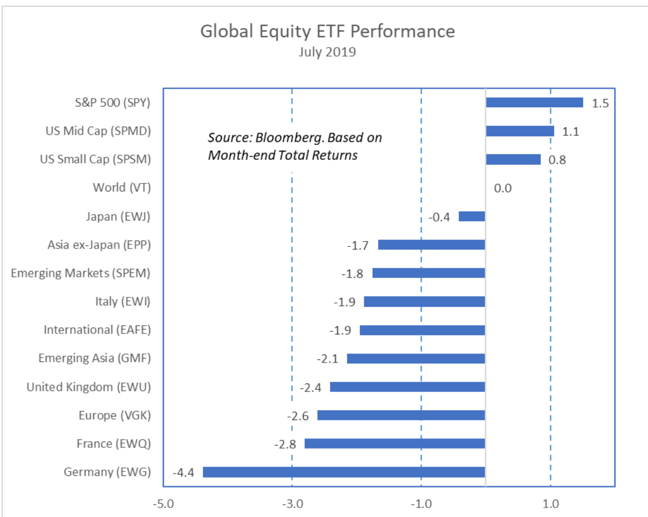
JULY 2019 CAPITAL MARKET REVIEW

Global equities were flat for the month of July while key U.S. stock and bond markets built upon June's advances. International stocks and bonds could not maintain last month's gains with <u>all</u> international stock markets contracting for the month.



Equity Markets*

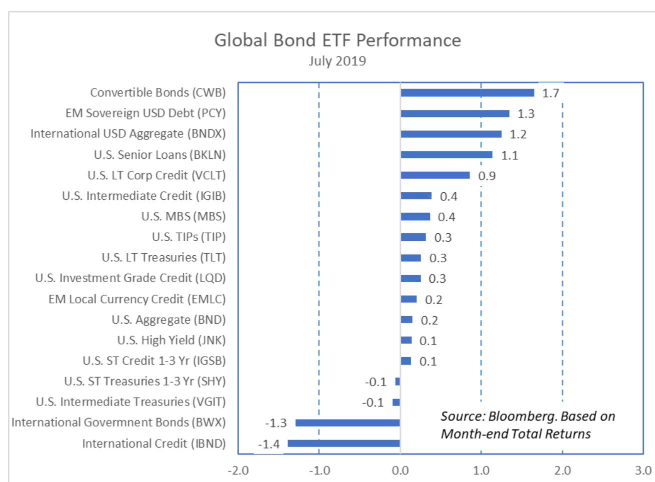
U.S. large, mid and small cap stocks rallied in July, with the S&P 500 leading global equities with a 1.5% gain for the month. Mid and Small companies also outperformed rallying 1.1 and 0.8 percent respectively.

Pain was widespread throughout international equities during July. European stocks fell in U.S. dollar terms with the most acute pain occurring in Germany, which contracted 4.4%. European markets have been plagued by a combination of slowing economic activity and Brexit uncertainty.

Bond Markets*

Most segments of U.S. fixed income posted positive returns during the month except for modest declines in Short and Intermediate Term U.S. Treasuries of -0.1%. Convertibles led the way advancing 1.7%, followed by dollar-denominated Emerging Market and International Bonds rallying 1.3% and 1.2% for the month.

The U.S. dollar strengthened 1.85% for the month as measured by the Bloomberg Dollar Spot Index which led to declines in non-dollar developed market international fixed income instruments.



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

WILDE CAPITAL MANAGEMENT, 60 MORRIS TURNPIKE, SUMMIT, NEW JERSEY, 07901 (866) 894-5332
WWW.WILDECAPITALMGMT.COM CONTACT@WILDECAPITALMGMT.COM

Hong Kong Stocks Struggling…

The Hong Kong equity market, and in particular its world-class financial sector, has been a critical gateway for foreign investors to participate in and fund Mainland China's economic expansion over the past several decades. Lately, the Hang Seng Index, Hong Kong's most recognized stock market gauge, has been selling off in response to pro-democracy and anti-extradition protests throughout the territory. Our concern is that Chinese President Xi Jingping will lose patience with the uprisings and respond in a manner consistent with the 1989 Tiananmen Square Massacre when military assaults resulted in the loss of life for thousands of protesters. This is a risk that could derail the upward trend in global stock prices since the beginning of the year.

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

While we observe positive trends in the U.S. -- strong labor conditions, low inflation, and solid economic growth -- the rest of the world continues losing economic momentum. The ongoing trade-related uncertainty stemming from on again off again U.S.-China trade negotiations and the "deal or no deal" dilemma related to Brexit all are likely major factors in the slowdown. In response, the U.S. Federal Reserve has lowered the key Target Funds rate and has signaled further monetary accommodation while other key central banks are indicating further monetary support.

The favorable monetary policy backdrop will likely continue to provide a supportive environment for capital markets. However, the following are key risks we are following:

- The China-U.S. trade discussions continue to ebb and flow and the capital markets appear to be reacting less to any progress made (or perceived setback) in these negotiations. That relative calm could be fleeting.
- The Federal Reserve lowered the Target Funds rate by 25 basis points at this month's meeting and included language that is perceived to be much more accommodative. The risk is that the market may ultimately demand even more from the Fed as has traditionally occurred.
- 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.

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KEY EVENTS IN AUGUST

Week 1

- 8/1 U.S.: Labor market statistics
- 8/1 U.S.: ISM Surveys
- 8/1 Eurozone: Markit Composite PMI
- 8/1 U.K.: Markit/CIPS Composite PMI
- 8/2 Eurozone: Price Index -PPI
- 8/4 China: Caixin Composite PMI
- 8/5 Japan: Household Spending

Week 2

- 8/5 U.S.: Markit Composite PMI
- 8/5 Eurozone: PMIs
- 8/6 Eurozone: German Factory Orders
- 8/8 Japan: GDP
- 8/8 China: Price Index Surveys
- 8/9 U.S.: PPIs
- 8/9 U.K.: GDP & Industrial Production

Week 3

- 8/13 U.S.: CPI
- 8/13 China: Retail Sales
- 8/14 Eurozone: Industrial Production/GDP
- 8/14 U.K.: CPI, PPI & Retail Prices
- 8/15 Japan: Industrial Production
- 8/16 U.S.: U of Michigan Sentiment Reports

Weeks 4 & 5

- 8/21 U.S.: FOMC Meeting Minutes
- 8/19 Eurozone: CPIs
- 8/22 Eurozone: PMIs
- 8/22 Japan: CPI
- 8/26 China: Industrial Profits
- 8/29-30 U.S.: Core PCE index releases
- 8/30 U.K.: Consumer Credit
- 8/29 Eurozone: Confidence Surveys

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WWW.WILDECAPITALMGMT.COM CONTACT@WILDECAPITALMGMT.COM

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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.

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.

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.

Wilde Capital Management, 60 Morris Turnpike, Summit, New Jersey, 07901 (866) 894-5332
www.wildecapitalmgmt.com contact@wildecapitalmgmt.com