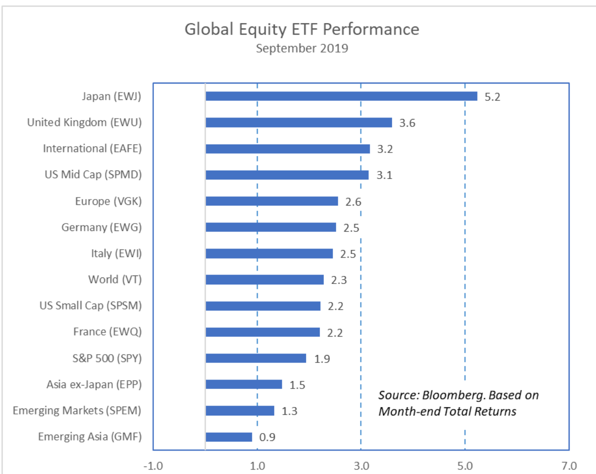
WILDE CAPITAL MANAGEMENT

# SEPTEMBER 2019 CAPITAL MARKET REVIEW

Global equities posted solid gains in September. International stocks in mature markets outperformed the rest of the world. Broad bond markets in the U.S. and internationally disappointed, contracting over the month.




## Equity Markets*

International stocks in the developed world outperformed in U.S. dollar terms rallying some 3.2% in September. Japanese equities led the globe by a significant margin gaining 5.2% versus 2.3% for global equities. The rest of Asia failed to keep pace likely due to slowing growth concerns in China.

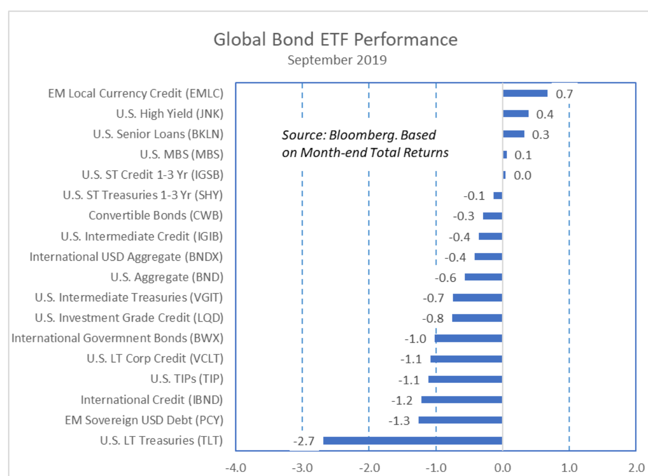
In the U.S., mid cap companies outperformed gaining 3.1% while small cap stocks slightly lagged, advancing 2.2%. The S&P 500 delivered a 1.9% gain for the month.

## Bond Markets*

Most segments of the U.S. fixed income markets and dollar-denominated international bonds posted negative returns during the month. U.S. Long Term Treasuries dropped 2.7% in September.

There was a meaningful amount of interest rate volatility throughout the month; the yield on the U.S. 10-year Treasury rose from 1.49% to 1.89% by mid-month and settled to 1.66% my month-end.

After weakening for much of September, the U.S. dollar modestly strengthened 0.18% as measured by the Bloomberg Dollar Spot Index.




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

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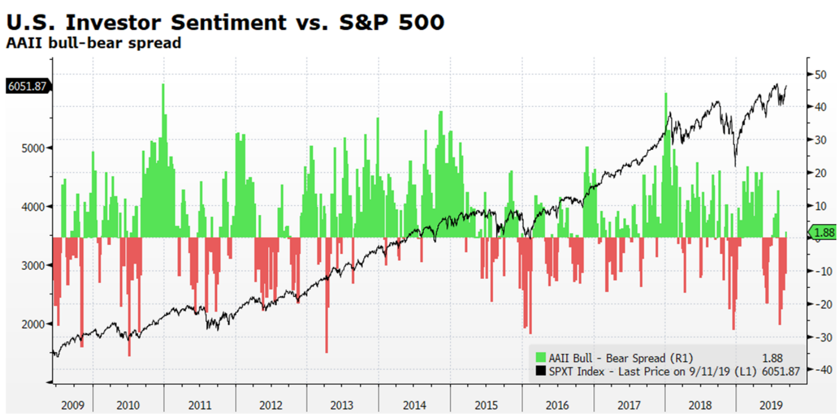
## U.S. Investor Sentiment Turns Positive

Large Cap stocks in the U.S., as measured by the S&P 500 total return index, have broken out and have approached all-time highs reached earlier in the summer.  The index spent the better part of August consolidating after peaking in late July.  The positive market movement has boosted investor morale as the American Association of Individual Investors Bull-Bear Spread has just turned modestly positive.

Improved investor sentiment and further market advances could persist from dovish signaling from the U.S. Federal Reserve, a positive shift in tone in U.S. – China trade discussions (for the time being), and Corporate fundamentals and equity market valuations that remain supportive.

Risks do still remain, in our view.  Mario Draghi's departure from the ECB leaves some uncertainty regarding the bank's future commitment to strong monetary support. The looming Brexit deadline also carries its own uncertainties, and the economic slowdown in China combined may be deepening while tensions rise in Hong Kong, their key economic gateway to the West.




*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 to U.S. equities and fixed income. Within U.S. equities, we are overweight Large Cap and Mid stocks versus our benchmark. We continue to be significantly underweight non-U.S. equities. 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 low or no exposure to non-U.S. fixed income depending on the model series. Our portfolios maintain lower duration than the benchmark, and our cash position is now significantly higher than the benchmark.

## RISK OUTLOOK

While positive trends in the U.S. such as strong labor conditions, low inflation, and solid economic growth persist, the rest of the world continues to lose 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 signaled further monetary accommodation while other key central banks are also providing 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. A new round of negotiations is set for October 10 and any disappointment could cause volatility.
- Recent weakening factory data has fueled investor speculation that the Federal Reserve is set to deliver another 25 basis point reduction to its target rate after the October meeting. The market may be disappointed if the Fed fails to deliver. Separately, the Fed announced that it will increase purchases of short-term Treasuries to alleviate stress in money markets, effectively re-expanding its balance sheet.
- The Brexit stalemate, with "no deal" currently under discussion, continues to be a source of uncertainty as the October 31 deadline looms. Hopes that a deal is reached at the EU Summit beginning on October 17 will likely prove to be overly optimistic. Further complicating matters, Prime Minister Boris Johnson has pledged to leave on October 31 while Parliament has passed a law requiring a request for a three-month extension.

# KEY EVENTS IN OCTOBER

**Week 1**

- 10/1 U.S.: ISM Surveys
- 10/2 Japan: PMIs
- 10/3 U.S.: Markit Composite PMI
- 10/3-4 U.S.: Labor market statistics
- 10/3 Eurozone: Markit Composite PMI
- 10/3 U.K.: Markit/CIPS Composite PMI
- 10/3 Eurozone: Price Index -PPI

**Week 2**

- 10/5 U.S.: Markit Composite PMI
- 10/7 Eurozone: Sentix Investor Confidence
- 10/7 China: Caixin Composite PMI
- 10/7 Japan: Household Spending
- 10/8 China: Money Supply Measures
- 10/8 U.S.: PPIs
- 10/9 U.S.: FOMC Meeting Minutes
- 10/10 U.S.: CPIs
- 10/10 U.K.: GDP & Industrial Production
- 10/11 U.S.: U of Michigan Sentiment Reports

**Week 3**

- 10/14 Eurozone: Industrial Production
- 10/14 China: Price Index Surveys
- 10/15 Japan: Industrial Production
- 10/16 U.S.: Beige Book Release
- 10/16 Eurozone: CPI
- 10/16 U.K.: CPI, PPI & Retail Prices
- 10/17 China: Retail Sales
- 10/17 U.S.: Industrial Production
- 10/19 Eurozone: CPIs

**Weeks 4 & 5**

- 10/24 U.S.: Markit PMIs
- 10/24 Eurozone: PMIs
- 10/25 U.S.: U of Michigan Sentiment Reports
- 10/26 China: Industrial Profits
- 10/28 Japan: CPI
- 10/29 U.K.: Consumer Credit
- 10/30 Eurozone: Confidence Surveys
- 10/30-31 U.S.: Core PCE index releases

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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.