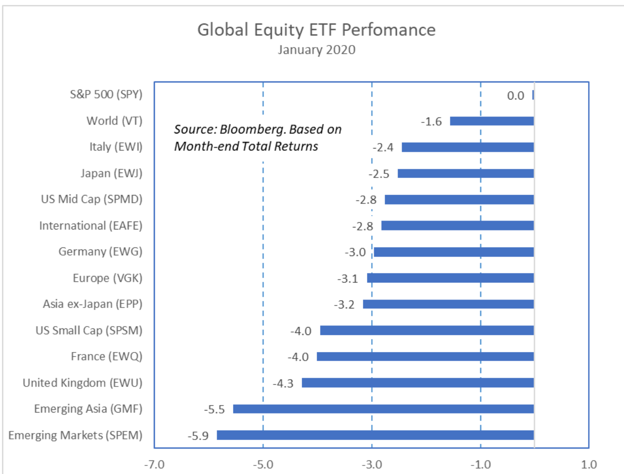
WILDE CAPITAL MANAGEMENT

JANUARY 2020 CAPITAL MARKET REVIEW

Global stocks began the year rallying some 2.5% though mid-January, only to give back those gains and more, settling down 1.6% for the month. At the same time, US bonds across many segments posted robust returns, especially longer duration issues.



Equity Markets*

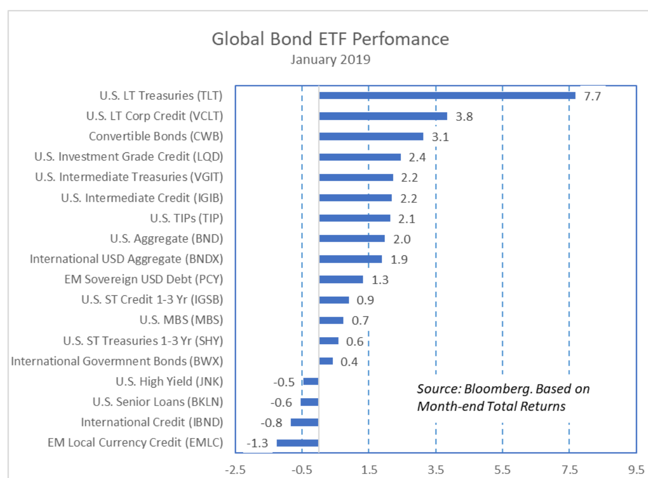
Global equities kicked off the year with impressive gains until mid-month, only to abruptly retreat with mounting evidence that the COVID-19 coronavirus was spreading within Mainland China and abroad.

US Large Cap stocks as measured by the S&P 500 were a relative safe haven and were essentially flat for the month. The most pain was felt in the Emerging Markets, particularly Emerging Asia, declining 5.9% and 5.5% respectively. European equities were also hit hard, falling 3.1%.

Bond Markets*

Long duration US fixed income rose impressively with long-term US Treasuries advancing 7.7% in January. Other key parts of the US corporate bond market built on Decembers gains with Convertible Bonds and Investment Grade Credit rallying 3.1% and 2.4%, respectively.

The US dollar gain 0.9% during January according to the Bloomberg Dollar Spot Index. Emerging Market local currency credit suffered from dollar strength and the flight to quality, declining 1.3% after leading global fixed income markets in December.



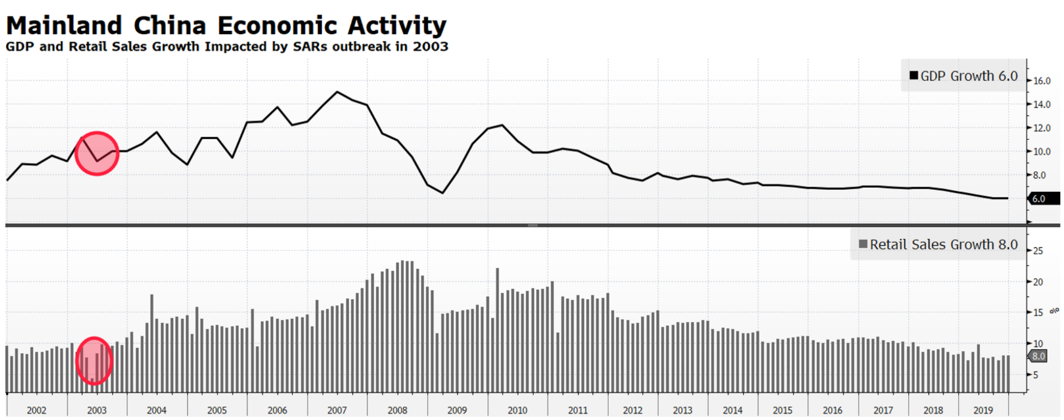
**The returns cited reflect total return performance of exchange traded funds listed in the corresponding bar charts*

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

The Coronavirus Likely a Challenge to Chinese Economic Growth

As the COVID-19 coronavirus spreads within China, and with what may ultimately be labeled a pandemic reaching foreign lands, investors have become concerned about its impact on the human condition and the global economy. During the SARS outbreak in 2003 Chinese economic activity was sharply impacted as GDP decelerated from 11.1% to 9.1% in the second quarter of 2003, and retail sales growth plummeted from 11.1% to 4.5% in the April to May months of that year. The SARS epidemic may, in contrast, look reasonably contained given what we are seeing regarding communicability, and what we may learn in the coming months about COVID-19.

From a global economic standpoint, COVID-19's impact is likely to be more severe given that China's economy in 2003 represented a much smaller share of the world and it was much less consumer-oriented then. Chinese officials have limited travel and quarantined large segments of their population in order to limit the spread of the virus. Those actions will likely lead to lower levels of consumption as retail sales now represent a larger share of China's economy. China's ability to manufacture and export is being impacted as well with mobility restrictions and quarantine zones, and international travel to the region has plummeted as well. The impact of an even slower growing China, now the 2nd largest economy in the world, will likely be a challenge for growth in the rest of the world. [GDP and Retail chart courtesy Bloomberg LP © 2020]



See the WCM website for more market commentary or contact us with any questions.

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

PORTFOLIO POSITIONING

In terms of overall positioning, we are overweight equities and underweight fixed income and cash. Within global equities, we are overweight the US, modestly overweight Developed Market equities (via the U.K.) and neutral Emerging Markets. We are overweight US Large Cap, Mid and Small Cap stocks versus our benchmark. Our overweight to US stocks is funded from international bonds and cash. Within fixed income, we are overweight in the US with a preference for mortgages. We have no exposure to non-US fixed income. Our portfolios maintain lower duration than the benchmark. Our cash position is lower than our benchmark.

RISK OUTLOOK

The US Federal Reserve will likely continue to be accommodative as economic growth is steady and inflation remains below its official target. The Fed has re-engaged in balance sheet expansion and has intimated that there is ample time before any change in policy rates, up or down, would be forthcoming. Several key central banks are expected to remain dovish due to sluggish or slowing economic activity, and this 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 unpredictable impact of COVID-19 that has spread worldwide from the Chinese city of Wuhan is a major concern for the human condition and for the global economy. The initial market reaction and the flight to safe assets appears to be reversing but there is likely to be a drag on global growth. Chinese authorities have injected significant funds into their capital markets in an effort to provide stability.
- Inflation remains elusive and may eventually become an issue as the Fed's key inflation gauge, personal consumption expenditures, continues to register below the 2% Fed target.   The risk is that extraordinary monetary policy ultimately fails to support the overall price level of goods and services, a predicament Japan has wrestled with for over two decades.
- US trade conditions have advanced with US MCA signed into law and Phase 1 of the China trade pact finalized. While these developments are widely viewed as positive, there remains some degree of implementation risk.

KEY EVENTS IN FEBRUARY

Week 1

- 1/1 China: Caixin Composite PMI
- 1/2 Eurozone: Markit Composite PMI
- 1/2 U.K.: Markit/CIPS Composite PMI
- 1/3 US: ISM Surveys
- 1/3 US: FOMC Meeting Minutes
- 1/3 Japan: PMIs

Week 2

- 1/6 Eurozone: Sentix Investor Confidence
- 1/6 Eurozone: Markit Composite PMI
- 1/6 US: Markit Composite PMI
- 1/7 US: Factory and Durable Goods
- 1/9 China: Money Supply Measures
- 1/9 Japan: Household Spending
- 1/9-10 US: Labor market statistics
- 1/12 US: PPIs
- 1/12 Japan: Industrial Production

Week 3

- 1/13 U.K.: GDP
- 1/13 U.K.: Industrial Production
- 1/14 US: CPIs
- 1/15 Eurozone: Industrial Production
- 1/15 U.K. CPI, PPI & Retail Prices
- 1/16 China: GDP
- 1/16 China: Retail Sales
- 1/17 US: U of Michigan Sentiment Reports
- 1/17 US: Industrial Production
- 1/17 Eurozone: CPI
- 1/19 Japan: Industrial Production

Week 4

- 1/23 Japan: National CPI
- 1/23 Eurozone: Consumer Confidence
- 1/24 US: Markit Composite PMI
- 1/26 Japan: Industrial Production YoY

Week 5

- 1/28 US: Consumer Confidence
- 1/30 Japan: Industrial Production YoY
- 1/30 China: PMIs
- 1/30 U.K. BOE Asset Purchase Target
- 1/30 US: FOMC Rate Decision
- 1/31 Eurozone GDP
- 1/31 US: PCE Core Deflator

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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 US and longer-established non-US 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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