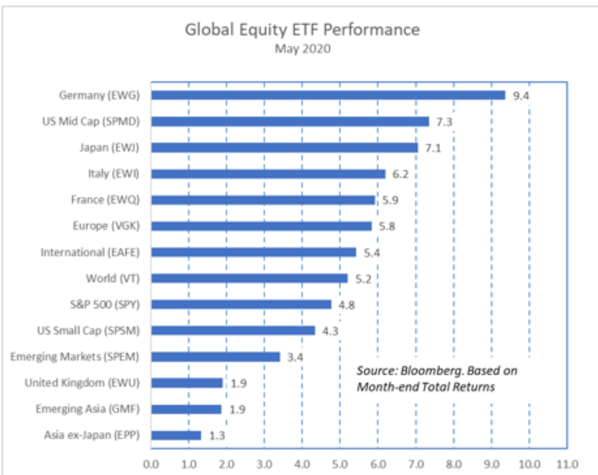
MAY 2020 CAPITAL MARKET REVIEW

Global stock markets continued to build on April's recovery, advancing over 5% for the month of May. Several segments of the global fixed income markets also posted gains with the exception of Short and Long-term US Treasuries.



Equity Markets*

Key European bourses led global stocks. Germany, Italy and France rallied 9.4%, 6.2% and 5.9% respectively. Japanese equities also outperformed, climbing 7.1% in May.

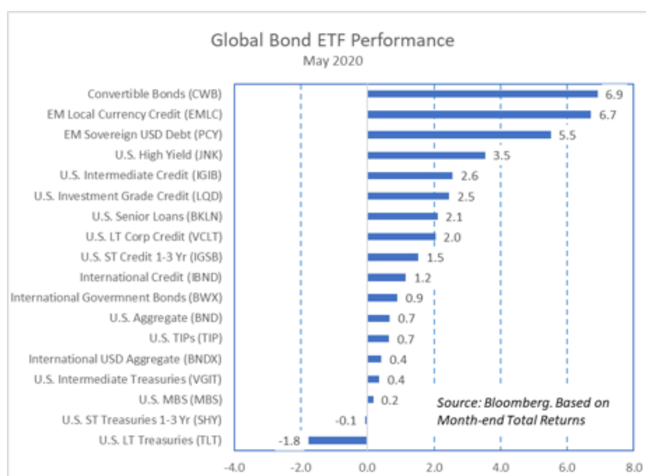
Performance in US stock markets was robust with Mid Cap companies leading the way, gaining more than 7% while Large and Small Cap posted solid gains of 4.8% and 4.3% for the month.

Emerging Markets and the United Kingdom trailed their global peers, but still posted positive returns as well.

Bond Markets*

May was another risk-on month in global bond markets. Convertible Bonds again led, advancing 6.9% with Emerging Market Local Currency Bonds not far behind. US credit markets broadly advanced as well, but US Treasuries lagged, with the intermediate portion of the Treasury curve gaining 0.4% while the short and long segments contracted 0.1% and 1.8% as the "flight to safety" trade receded.

The U.S. dollar contracted 1.16% in May according to the Bloomberg Dollar Spot Index. That weakness helped fuel gains in International Credit and Treasuries which rallied 1.2% and 0.9% for the month, modestly outperforming US aggregate bonds.



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

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A Key Contrarian Indicator Sustained Bullish Readings…

At least for the time being. The American Association of Individual Investor bull-bear spread survey continued to post negative readings, which is not surprising given the dire news on the U.S. economic front. The labor market alone showed initial jobless claims exceeding 40 million. Positive economic indicators are rare, yet US stocks continued to rebound, establishing higher highs and higher lows. Equity investors looked past day-to-day bad news and towards the recovery as the country re-opens. There are still risks as new consumption patterns emerge and the potential for a second wave of COVID-19 looms later in the year, but the repatriation of American manufacturing and key service functions will likely lead to higher median wages, greater sustainability, and stronger national security. These long-term trends, in our view, will continue to attract the marginal global investment dollar to the US capital markets. [Chart courtesy Bloomberg LP (c) 2020]

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 are maintaining a benchmark weight in equities and remain underweight fixed income. The balance is committed to a cash overweight. Within global equities, we are overweight the U.S. and Emerging Markets, and underweight across all developed international equity markets. Within fixed income, we are strongly overweight in the U.S. with a preference for mortgages. We have little to no exposure to non-U.S. fixed income depending on the portfolio series. The portfolios also continue our long-held commitment to lower duration fixed income than the benchmarks.

RISK OUTLOOK

- Economies around the globe are beginning to re-open, but it remains to be seen how long the economic (and health) fallout will linger. Probably the most critical risk is the sustainability of the U.S. economic and labor market recovery. Will the stimulus be enough, or will we be pushing on a string later in the year? Another major risk is the potential for a re-acceleration of virus cases -- the dreaded second wave perhaps arriving in the Fall, although there are early signs that previously spared regions already began seeing a rising case load as May ended.
- In the last week of May, the U.S. Labor Department announced continuing jobless claims of 2.11 million, a sobering figure, yet that was an improvement from April's 2.51 million and the consensus estimate of 2.57 million. Could the rate of deterioration in the labor market be abating or reversing?
- The U.S. Federal Reserve balance sheet continues to grow. It has expanded $2.9 trillion since March 4th to $7.2 trillion, an astounding amount and rate of increase in historical terms. The federal government's fiscal stimulus plan stands at $2.8 trillion. Taken together, we are approaching nearly $6 trillion of liquidity injected into the US economy. And, we are likely to see even more monetary and fiscal stimulus. It is also reasonable to expect that other parts of the world will likely follow a similar path.
- A major developing risk is Chinese Communist Party aggression across the Asia-Pacific region. Military tension along the border with India, Hong Kong suppression of free expression and democracy protests, and the lack of COVID-19 related contrition may all contribute to China-related backlash or retaliation. Nearly all Pacific nations have aligned with the U.S. against Chinese aggression. We find it odd that the CCP has chosen a hostile stance in a weakened economic condition when prudently they would need the rest of the world for their own recovery efforts.
- Permanent changes to consumer behavior and global supply chains are likely to evolve over coming months and years which could create further disruption but also opportunity as more sustainable and safe sources of goods and services emerge.

KEY EVENTS IN JUNE

Week 1

- 6/1 U.S.: Markit Composite PMI
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- 6/2 China: Caixin Composite PMI
- 6/3 U.S.: Factory and Durable Goods
- 6/3 U.K.: Markit/CIPS Composite PMIs
- 6/4 U.S.: Initial Jobless Claims
- 6/4 Eurozone: Markit Composite PMI
- 6/4 Japan: Household Spending
- 6/5 U.S.: Labor Market Statistics
- 6/7 Japan: GDP

Week 2

- 6/9 China: PPI & CPI
- 6/9 Japan: PPIs
- 6/10 U.S.: CPIs
- 6/10 U.K.: GDP & Industrial Production
- 6/11 U.S.: Initial Jobless Claims
- 6/12 Eurozone: Industrial Production
- 6/12 Japan: Industrial Production YoY
- 6/12 U.S.: U of Michigan Sentiment Reports

Week 3

- 6/14 China: Retail Sales
- 6/16 U.S.: Industrial Production
- 6/17 Eurozone: Construction Output
- 6/17 U.K. CPI, PPI & Retail Prices
- 6/18 Japan: National CPI
- 6/18 U.S.: Initial Jobless Claims

Week 4

- 6/23 U.K. PMIs
- 6/23 Eurozone: PMIs
- 6/23 U.S.: Markit Composite PMI
- 6/25 U.S.: Initial Jobless Claims
- 6/26 U.S.: PCE Core Deflator

Week 5

- 6/27 China: Industrial Profits
- 6/29 Eurozone Confidence Surveys
- 6/29 China: PMIs
- 6/30 U.S.: Consumer Confidence

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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.

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