WCM | WILDE CAPITAL MANAGEMENT

JULY 2020 MONTH-END COMMENTARY

Through the end of July, the US stock market as measured by the S&P 500 is up 34% from its pandemic low on March 25. That is a tremendous rebound in a short period that brings us to a quite attractive 12% return including dividends for the past twelve months. The US bond market as measured by the Bloomberg Barcap US Aggregate Index rallied over 10% over that same time. There appears to be a disconnect between the capital markets and the real economy. *Or is there?*

According to the Bureau of Economic Analysis (BEA), Q2 current-dollar GDP contracted 34.3% on a quarterly basis for the worst reading since World War II, but, personal spending in June expanded 5.6%, above expectations. Importantly, May's figure was also revised up to 8.5% from 8.2%. Manufacturing and new order surveys are signaling expansion *and* beating economists' forecasts.

The labor market is still in terrible shape and facing pandemic-related headwinds. But, employment is precisely where the Federal Reserve and the Federal Government are focused. The Fed has expanded its balance sheet by nearly $3 Trillion since the beginning of the crisis and broadened securities purchases to include investment grade and high yield debt. By widening their asset purchasing strategy, the Fed is further supporting corporations, and by extension jobs. It may prove to be a highly efficient use of government funds because, by supporting corporations and thus employees, the Fed is supporting economic activity, productivity, and tax revenue while collecting coupon payments from their corporate securities holdings, ultimately having capital returned to the Fed when bonds mature.

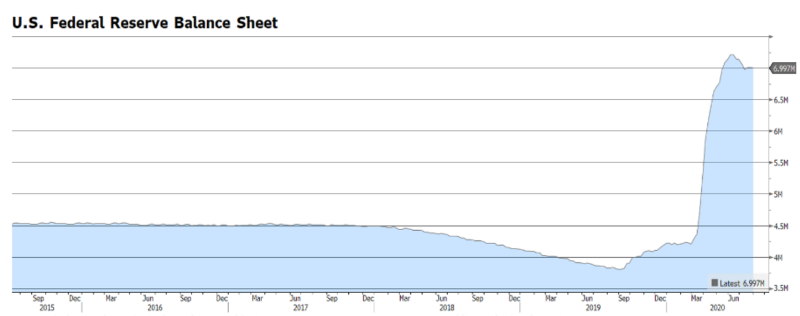


Figure 1 US Federal Reserve Balance Sheet - Chart Courtesy Bloomberg LP (c) 2020

The Federal Government is doing their part by earmarking some $2.2 trillion in stimulus with at least another $1 trillion (or more; It is Washington after all…) currently being negotiated. Taken together, monetary and fiscal stimulus will likely exceed $6 trillion. By contrast and as painful as it has been, US GDP has contracted $2.33 trillion so far this year through the end of Q2, according to the BEA. Taken in context, the amount of stimulus already put to work is over twice as much as the nominal contraction in GDP.

The capital markets have responded favorably to the excess liquidity being injected into the economy. Over the past few weeks corporate earnings across the globe have been showing signs of recovery. Citigroup's Global Earnings Revision Index has been climbing for three weeks in a row, which is encouraging given the economic challenges facing the world. This trend path will likely be unpredictable due to COVID-19-related shut down and re-openings in several key economies. The recovery in corporate earnings, if it persists, could alleviate the tragic stress in labor markets and help re-invigorate economic activity heading into 2021. Fiscal support is building momentum with the recent announcement of the European Union's 750 Billion Euro stimulus plan. That is the good news at least in the short term. Longer term, it remains to be seen if the enormous amount of spending, both fiscal and monetary, will have a lasting impact. Our sense is that until policy support is altered, further gains in the capital markets are ahead albeit less robust than the past few months. On the next page is a summary of our portfolio positioning and the major risks we are following.

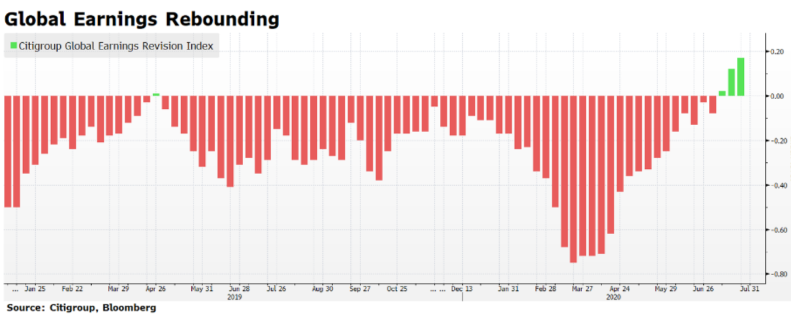


Figure 2 Citigroup Global Earnings Revision Index, Chart Courtesy Bloomberg LP (c) 2020 Citigroup and Bloomberg

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

PORTFOLIO POSITIONING

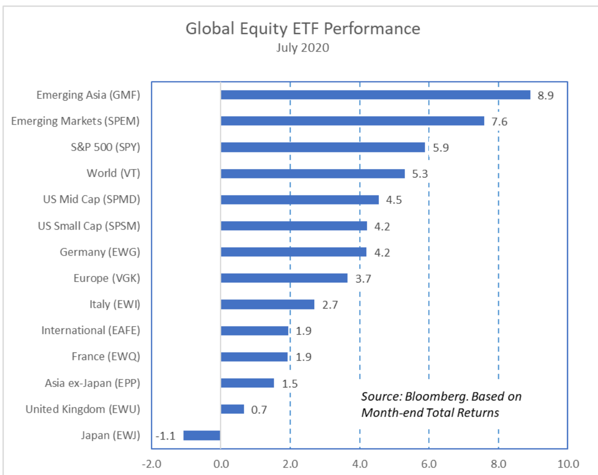
Arriving at month-end, we are overweight equities due in large part to upwardly-trending equity markets. In order to arrive at this exposure, we are underweight both broad fixed income as well as cash. Within global equities, we are overweight the US, Asia x-Japan and Emerging Markets. We are neutral with respect to Eurozone stocks after taking steps to increase participation, and remain underweight Japan. Within fixed income, we are overweight in the US with a preference for mortgages and investment grade corporate credit. Depending on the model series, we have little or no exposure to non-US fixed income. Although slightly moderated from earlier, our portfolios continue to maintain lower duration than the benchmark.

RISK OUTLOOK

- Economies around the globe are on the path to re-opening but it remains to be seen how long the fallout will linger. Probably the most critical risk is the sustainability of the US economic and labor market recovery. Will the stimulus be enough? We are seeing positive recovery trends in the US labor market, but the world is a long way from full employment. Our concern is *will we be pushing on a string later in the year and into 2021*?
- The potential for an acceleration of virus cases coincident with the traditional Fall return-to-work and return-to-school season along with cooler weather that brings people back indoors is of great concern. Some US states are experiencing their first wave of infections and others which got an early handle on transmission are seeing resurgences, but with some bright(er) spots like New York, New Jersey and Connecticut that are in markedly better shape than mid-Spring. The ebb and flow of the virus' toll on the human condition will likely weight on markets.
- Chinese Communist Party actions pose near and long-term risk. From aggression in the Asia-Pacific region to military tension along the border with India to suppression of Hong Kong citizens' rights and the lack of contrition for their early role in failing to stop COVID-19 in its tracks, all may contribute to China-directed backlash or retaliation. There does seem to be regional coherency in the response as nearly all Pacific nations have aligned with the US against Chinese aggression. We continue to find it odd that the CCP has chosen hostility when they arguably need the rest of the world for their own recovery efforts in their weakened economic condition. From lack of respect for intellectual property rights to involvement in global criminal drug trafficking to financial crimes and human rights abuses bordering on genocide, the country is finding it harder to get the global community to look the other way.
- Accelerating and likely permanent changes to consumer behavior and global supply chains that in many cases were already under way and have been amped up by CoV-2 are likely to create further near- and long-term disruption but also opportunity as more local, sustainable and safe sources of goods and services emerge.

JULY 2020 CAPITAL MARKET REVIEW

It was "risk on" once again in July with global equities rallying over 5% expressed in US dollar terms. US fixed income markets fared well, and international bonds posted impressive gains.



Equity Markets*

Emerging Asia as well as broad Emerging Markets led, rallying 8.9% and 7.6% respectively. US Large Caps also delivered, leaping to another 5.9% gain.

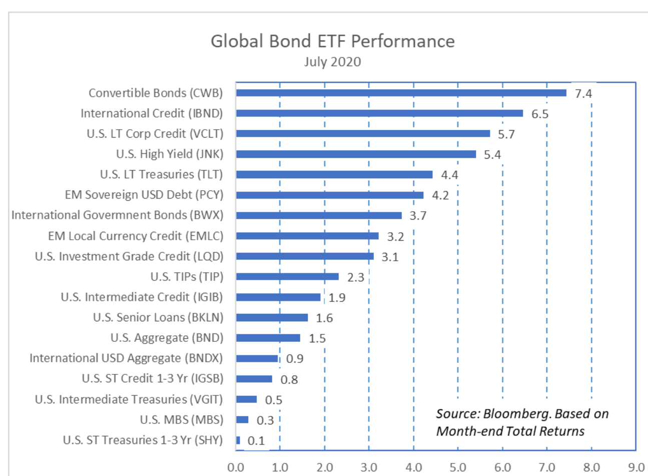
International Developed equities did not keep pace though, dragged down by Japan's negative 1.1% return and European bourses that registered half or less of US and EM returns.

The United Kingdom continues to drag, posting a slight gain of 0.7% in July, reflecting pandemic and Brexit-related complications.

Bond Markets*

US Convertible Bonds continued to show stock market-like gains, rallying 7.4% in July. International Credit and Government bonds posted impressive gains aided by currency strength in the Eurozone and United Kingdom.

The US Dollar continued its recent contraction, falling 3.34% in July, according to the Bloomberg Dollar Spot Index. We view recent US dollar weakness as primarily a reflection of receding fears that drove the pandemic-related flight to quality early in the crisis, boosting the value of the greenback and Japanese Yen in March.



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

DISCLOSURES

Wilde Capital Management, LLC is a registered investment adviser. Information presented is for educational purposes only and does not intend to make an offer or solicitation for the sale or purchase of any specific securities, investments, or investment strategies. Investments involve risk and, unless otherwise stated, are not guaranteed. Be sure to first consult with a qualified financial adviser and/or tax professional before implementing any strategy discussed herein. Past performance is not indicative of future performance.

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.

Important Disclosures: Exchange-Traded Funds

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.

SUMMIT, NEW JERSEY 07901 (866) 894-5332
WWW.WILDECAPITALMGMT.COM CONTACT@WILDECAPITALMGMT.COM