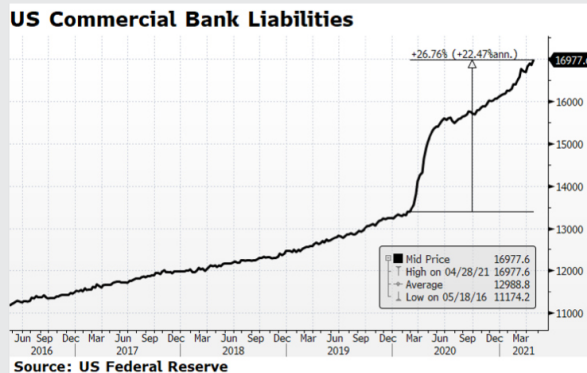


NEWSLETTER AND CAPITAL MARKETS REVIEW

APRIL - MAY 2021

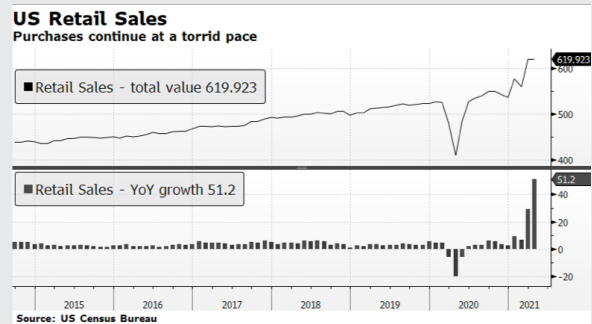
According to the US Federal Reserve, growth in the money supply, widely described as M2, peaked at nearly 27% at February’s month end reading and as of March it registered a 24% annual clip. To place those figures in context, the pre-pandemic average annual growth rate of M2 over the preceding 20 years [February 2000-February 2020] was 6.1% according to Fed data. The previous peaks in M2 growth never surpassed 10.3%. Put another way, the entire US money supply, from the birth of our nation to now, expanded by around 25% in the past year alone. [chart courtesy Bloomberg LP (c) 2021]



This tremendous amount of additional liquidity is tied to quantitative easing and the numerous fiscal stimulus plans that have delivered direct payments to individuals and families that, for the most part, landed in bank deposit accounts. Commercial Bank Liabilities, the equivalent of consumer deposits, have swelled some 26% since the beginning of the pandemic, indicating that stimulus recipients have fortified savings as opposed to increasing spending. The good news is that consumers are in better shape than they have been in several years. The bad news, if it can be considered that way, is that there is likely pent-up demand that could ultimately fuel inflationary concerns.

The most recent annual headline inflation figure (CPI) reported by the US Bureau of Labor Statistics for April was 4.2%, well above the consensus of 3.6% and over two times the Fed’s target rate. Our main concern is whether the recent upward trend in prices is reflationary or a more enduring inflationary trend. The Fed has stated that it considers current price conditions to be “transitory” and thus falling into the reflationary category.

The US Census Bureau’s latest survey of retail sales reported on May 14th was essentially unchanged from the previous month. Bloomberg’s survey of economists’ average forecast called for a 1.0% monthly gain. Still, the year-over-year gain was 51.2%, topping March’s robust 27.9% annual pace. April’s level of over \$619.9 billion in purchases is nearly 18% higher than the pre-pandemic level of \$525.8 billion of February 2020. Consumption, the most dominant portion of the economy, is clearly rebounding and could further stoke inflationary concerns. This is occurring as hundreds of billions of US fiscal stimulus dollars have yet to be deployed with potentially more on the way, commodity prices are climbing, building materials are in short supply and the labor force is still far from full employment levels. [chart courtesy Bloomberg LP (c) 2021]



The Fed is committed to QE, in effect managing the entire yield curve, and has publicly stated that it will tolerate higher inflation. But for how long? Market pressures may force the Fed to act sooner than they currently plan and that could be a major shock to the system.



Portfolio Positioning

Even with a few brief interruptions in areas like Tech equities, markets have continued to steadily grind higher as they digest ongoing government spending and central bank support. We maintain a small but growing overweight allocation to equities overall and modest overweight to fixed income, leaving cash underweight. Within global equities, we are overweight with respect to the US, modestly overweight to Asia x-Japan and neutral with respect to Emerging Markets. We are neutral with respect to Eurozone stocks and underweight Japan. Within fixed income, we are overweight in the US with a preference for mortgages and investment grade corporate credit. We have little to no exposure to non-US fixed income except through Green Bonds in our ESG series portfolios. All portfolios holding fixed income maintain lower duration than the benchmark.

Risk Outlook

- We have discussed the risk of quasi-regime change in Washington DC for several months, and are seeing it play out as expected so far. Any time government changes hands, even to successors within the same party, this introduces new uncertainties about legislative priorities, infrastructure, social programs, regulation and other areas influenced or outright controlled by government. One-party control of Washington might suggest a dramatic agenda, but the party advantage in the House narrowed, and Senate control rests only with the VP tie-breaker and two centrist Democrats flexing their parliamentary muscles. The American Rescue Plan was enacted through budget reconciliation, and there is a lack of desire to disrupt legislative tools like the filibuster to clear the road for other priorities like an infrastructure bill. There is an outside chance of a bipartisan plan, but markets do not seem to be handicapping a high likelihood of anything significant. Therefore, the risk of disappointment is low, but there might be a positive jolt if DC surprises everyone with a bipartisan infrastructure program. More generally, we continue to anticipate smaller changes at the margin, in some cases walking back Republican priorities and in others advancing Democratic ones. We expect the market to be satisfied with stimulus plus incrementalism, and the risks will be found in targeted areas of the

market and economy rather than at the headline level, although whiffs of inflation could change that calculus.

- Benign conditions do not always result in benign outcomes. As discussed elsewhere, even a slight normalization of the rate environment, which would reflect stabilizing economic conditions, could have profound effects in fixed income markets, severely dragging down assets like 30-year Treasury Bonds which are normally seen as safe harbors from risk. Wall Street has been cautioning about the risk of rising rates since the end of the Financial Crisis in 2009, but we have yet to actually have to live with those risks because a slow grind recovery followed by a series of crises including COVID have conspired to hold central bank policy where it has been – accommodative. Even a mild turn of phrase by the Fed Chair has resulted in temporary shocks in the bond and even equity markets, so we can anticipate that rising rates are not welcome in markets that have enjoyed easy money for more than a decade now. This compels us to think about risk in globally diversified portfolios differently, where the traditionally more conservative parts of asset allocations may actually represent more material risk in the nearer term.
- Big questions about the social contract will continue to play out in the months ahead. The ratio of constructive to destructive discourse and activism will weigh heavily on the impact to investors and the economy. Advancements in diversity, equity and inclusion, civil debate about justice reform, building back better and stronger as part of the COVID recovery, and improving participation in the US (and global) economy will be positive drivers. Putting that at risk, and with it capital formation and job creation, would be more violent and destructive actions that focus attention and resources away from serving and supporting the individuals and communities and their families, businesses and livelihoods who are struggling everywhere from the urban Northeast to the rural Southwest.



Risk Outlook [cont'd]

- As the “long, dark winter” as it has been variously described by public health officials comes to an end, we appear to have passed the transmission peak, albeit with signs of a coming fourth wave globally. Whether this is the byproduct of changing public policy, ramped up vaccine distribution, or personal behavioral adjustments, or likely some blend of all three, there is reason to believe the opportunity exists to begin thinking about a post peak-COVID world. We say “post peak” and not “post COVID” because we see a lack of certainty about the global community’s ability to put the coronavirus completely behind us as new variants circulate that are more transmissible and more infectious, such as the “UK” and “South Africa” strains which move more quickly and seem to beat social measures as well as the vaccines that are being deployed. At the same time, necessity being the mother of invention, businesses, schools, governments, and houses of worship are learning to function in the environment which is available to us, which means using a blend of immunization, public health programs, and behavioral adjustments like masks and social distancing to get to what may be a near-term “normal” where education, business, worship, entertainment and leisure can resume with strictures. We see the risk to achieving this near-term normal coming from strong resistance to participating in immunizations or simple lack of access to same, new and dangerous virus mutations, and other conditions which perpetuate the current Hobson’s choice of health and safety vs. education and a functioning economy.
- One of our long-term risk themes continues to be our focus on Chinese Communist Party actions which have not materially shifted for the better in the COVID era. From aggression in the Asia-Pacific region to military tension along the border with India to suppression of Hong Kong citizens’ rights and the interests of the Uighur population 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. 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. We view this as a risk to investment in China and investment in companies reliant on a Chinese supply chain, but likely bullish for other parts of the Asia Pacific interested in usurping China’s role as the manufacturing floor for the world.

- 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. 2020 has fundamentally reordered what it means for businesses to be resilient and what is required to operate reliably and efficiently under a variety of externalities. In main street terms, the “old ways” are not coming back and markets will need to process and reorient capital around the new order.



ESG Considerations

Employment and compensation are recurring themes in ESG-centric portfolios, and the pandemic period has exposed in graphic detail many of the reasons why that is the case. As with so many things in ESG, it is a question of access – in this case access to work, and after that access to fair compensation. Each access question is complex on its own, and is deeply entangled with other ESG considerations that both affect and are affected by them.

Through the worst of the pandemic slowdown/shutdown we saw how vulnerable the workforce was to an abrupt drop in economic activity. We also saw a new way to look at jobs, divided not necessarily by skilled vs. unskilled, or blue-collar vs. white-collar, or college-degreed vs. not. While there was an observable contraction in all types of work, working vs. not was most starkly divided into three categories – jobs that could be done in alternative work environments, jobs that were essential regardless of the safety parameters (emergency healthcare workers, law enforcement, supply chain support and logistics, grocery stores, etc), and jobs that were neither essential nor performable during the shut down.

Although the pandemic was an extraordinary and hopefully once-in-a-lifetime crisis, it exposed fragility that ESG managers have focused on for some time as well as weakness that will take some time to thoroughly comprehend. Thanks to technology and an evolving understanding of the workplace, quite a lot of skilled jobs were able to pivot online, from teaching school to scientific research to managing portfolios. These tended to be more highly compensated jobs requiring more education and experience. But, education and experience were not a COVID-proof guarantee of work. Most of the global entertainment industry shut down, idling actors, dancers, musicians, engineers, electricians, carpenters, and so on, jobs requiring talent and years of training, apprenticeship, and experience. Hospitals furloughed or outright dismissed doctors, nurses, technicians and others – in the middle of a pandemic no less – because the routine and elective care that drives an institution's P&L ground to a halt. Emergency COVID care does not pay the bills like cardiac care or plastic surgery, and people were staying home even for essential care out of caution or outright fear.

At the other end of the spectrum, we saw a crush of demand for workers in fulfillment centers for online retailers, for shoppers and drivers for online grocery,

food service and other delivery services, and personnel in slaughterhouse and foodpacking facilities, as frightened people shopped bare in-store and virtual shelves. Meanwhile, restaurant workers, custodians, workers for large and small retail, movie theatre employees, and many others saw work evaporate.

Some of the old rules no longer applied in the same way. Higher education was not an automatic guarantor of employment in some sectors, but in others assured security in an astonishing shift to working at home. Unskilled low-wage work proved resilient in several areas, but was utterly obliterated in others. With the idea of what work is and how it is compensated being redefined in real time, the pandemic cast the spotlight on major ESG factors driving access to work and wage.

Safety

We have discussed this at great length before, but it warrants repeating. There are jobs that we have always understood as inherently dangerous, including operating heavy machinery, mining and drilling, law enforcement, and hazardous waste handling. ESG managers could examine this type of work and assess to what extent the known risks are managed and mitigated through practices, training, investments in technology and equipment, and a culture of safety. The last year demands that we rethink what a safe job in a safe workplace is. COVID tore through slaughterhouse facilities in the United States and construction sites in Singapore. Being a checker or bagger at a grocery store meant accepting a health risk normally assigned to medical clinics and hospitals.

Education

Access to good stable work and fair compensation has very often been driven by education, whether in a classroom, vocationally, or on the job through training and apprenticeship. Therefore ESG managers have long understood that access to education drives access to work and to compensation. Now in thinking about a resilient and responsive workforce we have to think about investing in access to education for roles that are more crisis-proof. That is not to say that people should stop taking jobs that are vulnerable to a health, environmental or economic catastrophe, but that should be a choice and not a requirement.



ESG Considerations [cont'd]

Child care

Access to child care was severely tested through the pandemic. Except for cases where some level of prosperity made it possible for working families to maintain live-in care inside their COVID bubbles, child care became a pivotal issue in variety of ways. Numerous parents who had access to work outside the home but no access to child care were faced with an impossible choice. Even parents fortunate enough to have jobs that could pivot to a work-from-home arrangement had to juggle being employees, school teachers, and cooks. Many working families got to experience first-hand how difficult work is without access to adequate child care, exposing this as a structural and growing challenge for workers as well as employers.

Healthcare

After the year we have just had, it feels like stating the obvious, but access to health care is essential to a stable and productive workforce. Much like with child care, health issues for either the worker or the worker's family can be a barrier to workforce participation. We also have a much greater understanding now of the consequences of someone showing up for work sick because staying home is not an option.

Employment structure

The pandemic has given us a deeper look at the issues around employment vs. contracting as there is a surge in gig work for delivery companies while other workers were easily idled because there was no employer/employee commitment. In the "gig economy", we celebrate ultimate flexibility and ultimate control. Choose your work. Choose your hours. But, employers, or would-be employers if the definition was not being gamed, are able to offload a lot of risk and a lot of cost on their workforces with a 1099-NEC as opposed to a W-2. Day to day and week to week, contractors are often not certain how much work they might have and when, which makes it difficult not only to plan financially but also to coordinate other potential work to fill in the gaps. Contractors do not enjoy wage protections that ensure fair compensation for work done. Employers can

also shift payroll taxes (FICA, unemployment insurance, etc.) off their books and onto the backs of the workers, which could equate to another 7 – 10% hit.

There are numerous other intertwined considerations that would far exceed the limits of this newsletter, but consider this a survey of just a few ways that ESG-focused investors evaluate the meaning and structure of work, and appreciate the virtuous relationship between access to stable, well compensated work for healthy and safe, educated and trained workers and a thriving and inclusive economy, market and society.



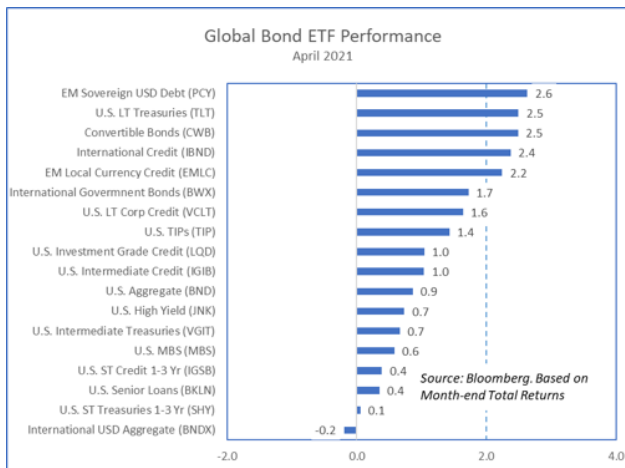
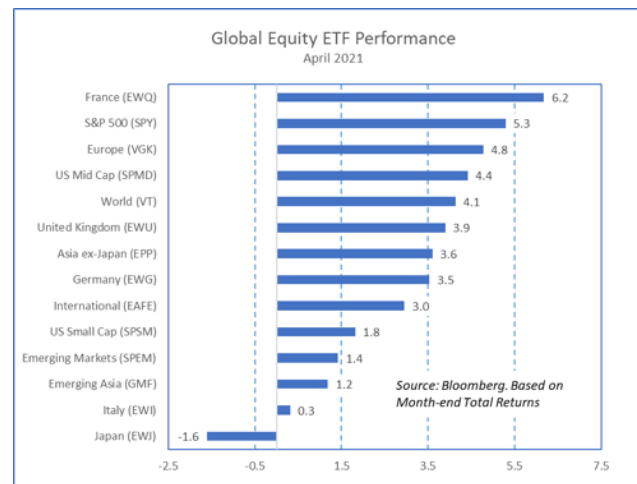
April 2021 Capital Market Review

Global stocks continued to rally in the month of April while many segments of the world's fixed income markets rebounded after a rough start to 2021.

Equity Markets

Global equities rallied 4.1% in April. French equities led the world, climbing 6.2% and helping broader European markets to outperform as well. US Large and Mid-cap stocks tacked on another 5.3% and 4.4% respectively, building on their stellar gains of Q1.

Japanese shares declined 1.6%, which was somewhat counterbalanced for American investors by Yen strength versus the US dollar.



Bond Markets

The yield on the bellweather 10-year US Treasury dropped 10 basis points during the month allowing a recovery of sorts in the broad US bond market. This comes on the heels of a challenging first quarter for the US Aggregate when it contracted 3.7%.

Meanwhile, the US Dollar gave up gains made in March, declining 1.66% according to the Bloomberg Dollar index.

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



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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 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.

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.



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