WILDE CAPITAL
MANAGEMENT

Portfolio Update

March 3, 2023

It has been a year and a few days since the last major tactical adjustment Wilde Capital made to our model portfolio suites. Since that time the forces that we predicted would weigh on markets played out – equities are lower, rates are higher, inflation is dug in. No significant new events or changes of policy came into play that changed our sentiment, so we held fast to our stance of lower-than-benchmark equity risk and lower-than-benchmark duration risk. We have held meaningful levels of cash, favored the US over other regions of the world, and tried to mitigate volatility in what used to be the safe(ish) harbor in bonds by avoiding a certain amount of rate risk. No news is not always good news, and we have now taken the step of further reducing market and rate risk by raising a significant additional amount of cash/ cash equivalents across all portfolios.

The forces we said would be transient proved to be so. Oil is now only marginally above its pre-pandemic price and a third lower than a year ago. Natural gas is almost half what it was when we made our last portfolio adjustments and a third of Summertime peaks in 2022. The Ukraine/ Russia conflict grinds on and does continue to weigh on international grain, material and energy markets, but not in the breathless world-ending way some were arguing this time a year ago.

Today we find ourselves in much the same position, perhaps better in some regards. Energy and materials prices are down, supply chain disruptions are declining, employment remains strong, inflation is slightly lower than it was. But, and there is always a 'but' when reading investment briefs, inflation may be lower but is entrenched. Rates are meaningfully higher and will continue to climb and the only debate is about how steeply and for how much longer. Therefore, the cost of capital is higher which is weighing on markets. The cost of sovereigns, including the US, financing national debt is climbing, even high quality companies similarly have to pay more to borrow, prices for inputs continue to rise, layoffs are rolling through Tech, and we see a re-rating of what companies are worth based on current conditions and a weaker outlook.

We have repositioned all the portfolios for an environment where both stock and bond markets are unlikely to reward risk in the short term. Similar to our 12-month outlook a year ago, we are situated for sideways markets with bouts of downward volatility, but with the expectation those downward moves are more likely, particularly over the next couple quarters.

We have reduced ownership of equities, both US and internationally, and similarly reduced bond holdings by an equivalent amount. There is good news in the rate environment though, in that for the first time in many years it is possible to get paid decently to hold cash in money market instruments. All proceeds from the sales, and a significant portion of the cash already being held, have been shifted into a money market fund vehicle to participate in the high yield offered while taking almost no credit, duration or liquidity risk.

For those utilizing our ESG series portfolios, there may be a question about our selection of money market option in the context of sustainability or even impact. Is it "ESG"? The short answer is no. But (there's that word again), there are virtually no ESG money market funds in existence, and the few that do exist are available in many cases only to clients of their sponsoring institutions. Up until just the last year the rate environment has been so poor for short term instruments like these that there has been no commercial case to even attempt to launch a true ESG money market solution. We expect this will change with time but not within the timeline of our tactical shift here.

As such we identified what could best be described as a benign solution, utilizing a government money market fund which owns principally Treasury and agency debt and repurchase agreements collateralized with similar securities. It is not unusual to find government agency and similar securities in ESG bond funds of longer duration. While it is in many cases an open question with ESG managers whether Treasury-specific bonds are admissible because of what the proceeds could potentially fund (Department of Defense for instance), there's a counter argument to be made that the proceeds also fund child welfare, housing, education, nutrition, environmental and other programs. To be clear, there is no ESG aspect integrated into the investment process of the money fund, but because of the limitations imposed on the types of holdings by prospectus on the strategy, we are satisfied that it is appropriate as a transient position to manage risk and seek return.

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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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