WILDE CAPITAL MANAGEMENT

Newsletter and Capital Markets Review

Q1 2023

The US Bureau of Labor Statistics (BLS) reports the annual percentage change of Unit Labor costs for Nonfarm Businesses on a quarterly basis, and for the past four quarters it has been persistently high. The most recent reading as of December 31, 2022 was 6.4% while the 40-year average has been 1.8% (coincidently, 1982 marked the last time it registered at the current level). Since 1982, the statistic has for the most part ranged from 0%-to-5% with the exception of the Dot-com bubble and Financial Crisis eras. Why is this important? This metric captures total labor compensation costs relative to real GDP at the national level and also serves as a gauge of labor force productivity. Labor costs have an obvious impact on corporate earnings since a major expense for every business is the cost of their workforce. The challenge for corporations is that wage gains tend to be “sticky” and generally do not fall without a major economic downturn.

Source: US Bureau of Labor Statistics

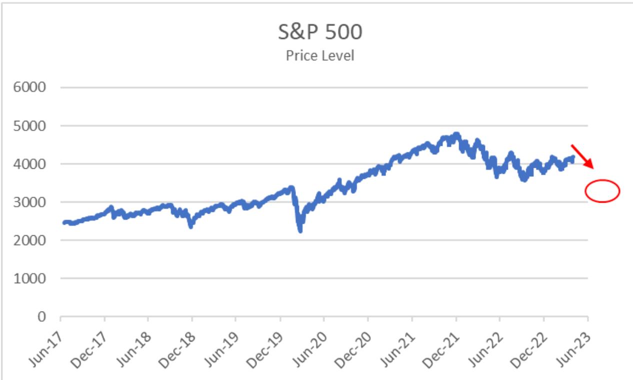
Source: US Commerce Dept - Bureau of Economic Analysis

After peaking in mid-2022, aggregate US corporate profits have begun to decline as reported by the US Commerce Department. There are clear signs that the US economy is slowing as Q1 Real GDP grew at an annualized 1.1% rate after expanding at a 2.6% clip the previous quarter. The growth trends are similar for S&P 500 earnings estimates, expected to decline 1.4% from $219 to $222 EPS on a 12-month forward basis. Many market participants expect a deeper earnings contraction for large cap US equites closer to $200 EPS over the coming year.

If a weaker economic and earnings environment plays out, which appears to be more likely by the day, both US and non-US equities will likely see further downside. The current trailing price-to-earnings multiple on the S&P 500 is approaching nearly 20x, which many believe to be fully valued. It is not unreasonable to envision S&P 500 EPS trending towards the aforementioned $200 over the coming quarters, particularly if more persistent and strong wages and inflation force sustained upward pressure on interest rates. Under that scenario, what would be an appropriate earnings multiple for the S&P 500? Our sense is that number would be closer to 15X EPS, placing the price index nearer to 3,000 rather than the quarter-ending level near 4,100, implying a price decline exceeding 20%.

[Charts by Wilde Capital Management LLC from data from US BLS, BEA (c)2023]

Market Review [cont'd]



[Chart by Wilde Capital Management LLC from data from S&P and Bloomberg LP (c)2023]

The US FOMC will announce its next rate decision on May 3rd and expectations for another 25 basis points increase are widespread, but the market will react based on the language of the meeting minutes and Chairman Powell's post-meeting briefing. It is unlikely, in our view, that the Fed will change course and become more dovish given current inflationary trends and levels. The most realistic near-to-intermediate economic outcome is sluggish growth with high, yet moderating inflation far from ideal for further stock market gains.

Portfolio Positioning

In early March we 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 fo 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.

This is an extension of our risk-off posture from the first half of 2022, when we took steps to reduce our exposure to equity risk as the capital markets digested their nearly unprecedented run-up since the pandemic nadir in March of 2020. This further reinforces our underweight allocation to equities overall as well as extending what was a modest underweight in fixed income, with cash/money markets now even more overweight. Within global equities, we materially lowered US exposure, kept an underweight in Emerging Markets, extended an underweight with respect to Eurozone stocks and continued an underweight in Japan. Within fixed income, we are overweight in the US with a reluctant and reduced 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 Review

We are continuing with our "dirty dozen" factors that continue to challenge the real economy as well as the capital markets. Some areas have evolved slightly, and we have adjusted our thoughts to recognize the pig working its way through the proverbial python.

Inflation – Energy, Commodities, Housing

Even with signs of moderation, mostly emanating from declining oil prices, inflation is locked in and it is global. When we first started talking about inflation during the pandemic, we saw it as localized around specific circumstances related to the pandemic from the now almost-cliché supply chain disruptions to worker shortages in service-related businesses to dislocations in very specific industries like the "crack spread" between lumber at the stump vs. milled and ready for use. These economic kinks did not have an opportunity to work themselves out before trillions of dollars of stimulus and new money were poured into the economy driving increased appetite, and as a result there is demand and price pressure exceeding a still-disrupted global economy's ability to satisfy from microchips to chicken. Add in the effect of the Russia-Ukraine war and related sanctions regime on gas, oil, grains, steel, etc. and we anticipate some extended inflationary pain until global economies can work off the pandemic spending that compounded latent problems with overly accommodative policy since the Financial Crisis. Supply chain issues are not what they were earlier in the pandemic cycle, but consumer price inflation is now baked in. We have seen energy markets adjust and housing is heading for a historically large setback while automobile and other inventories build, so watch this space.

Reduction in monetary expansion

The proverbial punchbowl has finally been taken away. Central banks are printing less, quantitative easing is giving way to neutrality or even quantitative tightening, and policy rates are rising. There is less money (M2) being created and the cost to borrow it is going up. Even though it can be credibly argued that central banks, and in particular the Federal Reserve, remained expansionary for too long and this is a healthy and necessary change, it is still a regime change that has consequences after a decade-and-a-half going the other direction, and the steepness of the rate of change is inflicting meaningful short-term pain, particularly for those closest to the economic fringe. More ideal would have been the Fed moving much sooner and more incrementally instead of having to slam hard on the proverbial brakes and bang everyone's foreheads on the dashboard. Or, as Professor Steve Hanke of Johns Hopkins University has repeatedly pointed out, if those with control of the presses had printed less new money from the beginning of this crisis, inflation would not now be the entrenched problem it is with the only real solution being an undershoot on money creation to bring us back to normal.

Rising interest rates

Which brings us to rates more specifically. To put the clamps on inflation the Fed and other central banks will continue to withdraw stimulus and raise rates. There is certainly a benefit to savers that, for the first time in nearly a generation, savings accounts, time deposits, CDs and money markets are paying decent rates rather than just providing stability and safekeeping. But, inflation is more than doubling those rates so real returns are still negative. At the same time, the cost of capital to individuals, businesses and governments is rising which will make debt service more expensive and slow new borrowing. That is the intended effect, slowing economic activity and cooling inflation. But, higher rates will filter down through the economy and make goods and services more expensive and put housing further out of reach for many families while making variable rate debt like credit cards more expensive and more likely to tip borrowers into default or bankruptcy. For those with greater wealth security, the idea of bonds as an investable safe harbor is sorely challenged and will force a change in ownership patterns. Collective vehicles like mutual funds and exchange traded funds investing in bonds will be treated as riskier because of price volatility when not holding individual issues inside the funds to maturity.

Risk Review [cont'd]

Widening US High Yield interest rate spreads

Low-quality debt (junk) issuers have enjoyed an extended period since 2017 of economic advantage where it has been fairly inexpensive to borrow as the market has not demanded a significant risk premium for lower-rated issuance. All of the many strains on economies and markets are forcing a re-rating of junk bonds and a return to a historical spread over investment grade corporate or Treasury bonds to pay for the additional risk. This will become more of a self-fulfilling prophecy as rates continue to climb and it becomes harder for risky enterprises to borrow at interest rates they can sustain without default. In some cases the environment will force companies to clean up their balance sheets to lower their cost of borrowing, and in other cases Warren Buffett's maxim "It's only when the tide goes out that you know who's been swimming naked" will be in effect.

Full, although declining, equity market valuations

As noted elsewhere in this newsletter, valuations are definitely below where they were when we described them as "full" previously, but conditions have also changed (see the 11 other risks) and based on today's macro outlook even priced at a lower valuation equities may still be characterized as full or even beyon. We believe business and market conditions are such that the market could reprice and reset a full and fair multiple as much as 25% lower than present levels.

Corporate earnings still growing but the pace is slowing

Corporations have been able to capitalize on various price dislocations from food and basic materials to oil, airlines and automobiles to keep the good times rolling even into the current challenging market conditions. But, 15+ years of cheap capital are over with easy Fed policy giving way to QT and rising rates, which combines with rising wages, supply chain costs and less liquidity for consumers to put margins under pressure. Companies, particularly in areas like food and other consumables, have had the ability to increase prices to maintain or expand margins in the last several quarters, but this period is drawing to a close. Quality will certainly matter more both in terms of how capital is obtained and deployed and how crisp business execution is in order to sustain and even grow earnings.

Negative real wage growth

Wages are rising which is a hard-won victory, but inflation is rising faster, erasing those gains in real terms at the kitchen table. That reality reverberates through the economy as purchasing power for those most likely to spend their paychecks – the middle class and the working poor – declines.

Consumer sentiment – lowest since August 2011

Declining sentiment tracks with inflation overriding wage gains. The various components of inflation as experienced by consumers further aggravates those negative sentiments. Even if a consumer commits personal capital to make purchases, goods have been harder to get and pricing power is currently vested with merchants over consumers, leaving a palpably bitter taste. Automobile supply, for instance, remains tight and has opened the door to almost predatory pricing on dealer lots as even very ordinary and utilitarian vehicles are being sold for thousands over MSRP. This kind of disempowerment of consumers is discouraging current purchasing behavior and is very likely to come back around in the next stage of the economic cycle as the proverbial shoe ends up on the other foot when supply chains catch up and the power is vested back in the hands of those same consumers.

Supply chain issues

We have seen graphic examples of how interdependent world economies and supply chains are and how fragile they were with just-in-time inventory management. While investors have extolled just-in-time inventory since Toyota popularized it, it introduced an inelasticity into global supply chains that was not capable of absorbing the blow of COVID. We liken this to everyone on the highway cruising at 70 MPH riding bumber-to-bumper and doorhandle-to-doorhandle. It works fine until somebody swerves or stamps on their brakes. This was further exacerbated by climate-related issues, international conflict, and ongoing concentrated lockdowns in China. The results were issues such as a microchip shortage affecting the ability of factories to finish automobiles for delivery. Many of these challenges are easing and even reversing, such as in Ukraine and Eastern Europe where food shortages have turned into food surpluses extreme enough that countries like Poland are essentially embargoing Ukrainian goods so as not to destroy their domestic ag market. In the meantime, as investors and market watchers, we are looking at the confluence of business practices that are not sustainable, resilient or adaptive and externalities like global health, territorial conflict and climate change which can and will disrupt businesses and markets again.

Risk Review [cont'd]

Slowing home sales

As we have been cautioning for some time, we see housing as ripe for a significant correction, compounded by the current state of affairs. This market cycle is unlike any previous one because we have what we would characterize as an unnatural market participant – private equity firms – not present in prior cycles. Where home ownership was concerned, financial products related to homes were largely derivatives of the actual dwelling, like mortgage portfolios. PE firms went a step further and rather than accepting the dwelling as collateral for a mortgage, they purchased the actual home, effectively "productizing" it. Now you have institutional-scale market players that are strictly governed by the economics of the assets (homes), and not the intangible value an individual or family derives. This introduces new opposing forces because an institutional owner is more likely to want to sell the asset when the market is under stress because of economic conditions, while a traditional homeowner is more likely to hunker down in place and use the home as an anchor of stability. At the same time, the pandemic accelerated what we see as five to ten years of outward migration by Millennials and others from the urban cores to suburbia into the two years of the pandemic, which converged with historically low mortgage rates to drive a bubble in home prices. While we do not expect the same kind of damage in housing as was left in the wake of the Financial Crisis, we do anticipate homeowners will be frozen in place because housing values will fall, destroying equity, and rising rates will make it very unappealing to obtain a new mortgage for a different home because the exact same mortgage amount would be substantially more expensive to finance in a new loan.

Waning fiscal stimulus

"Waning" might be too passive a term to describe conditions. The US Congress is likely done with major spending legislation for the foreseeable future, particularly with the House of Representatives changing hands for the new session. The Federal Reserve is aggressively drawing down QE and raising rates to reel in inflation and move us back to some semblance of a historical normal. Easy money for financial institutions, corporations, mortgagees, consumer borrowers and the US Government, States and municipalities is over. This regime change which combines the end of at least 15 years of stimulative support and more than 40 years of declining rates will change the growth dynamics in capital markets for the foreseeable future.

Geopolitical flashpoints

There are too many to count, but the Russia-Ukraine conflict is a leading example of the risks. As we have written previously, neither country is particularly large in terms of GDP when compared to greater Europe, North America, Japan or China. But, cutting off "Europe's breadbasket" and disrupting steel and other industrial materials flowing from Ukraine to Europe and beyond, combined with the consequences of the global sanctions regime against Russia, which is basically a petrostate, turbocharged inflation in food and fuel globally. China of course is still for the most part the world's manufacturing floor and their flexing over Hong Kong and Taiwan, both significant global economic engines in their own rights, poses military as well as economic risks globally. Looking to the future China's aggressive moves in Africa to secure access to natural resources may become the source of future contests as well. More regionalized but hardly less concerning, a reorienting of power dynamics in the Korean peninsula could change South Korea's (#13 largest economy by nominal GDP) relationship with the West at the same time North Korea rattles its sabre and threatens Japan (#3 behind the US and China).

ESG Considerations

What about the banks?

With several significant bank failures either in the books or imminent to close the quarter, there is certainly a good and reasonable question to be asked – Do ESG processes address these types of problems?

Let's start with the nature of the problem. At the heart of it all, these bank failures were the consequence of bad asset-liability management (read our blog "This is Not That" for more). Half that responsibility rests with each bank's investment teams. It was not that they bought poor-quality market investments for the balance sheet. They simply got their duration targets wrong, even with a full understanding of the Fed's plans for rates and the inevitable challenges those plans would pose for the current value of long-dated bonds. Not being good at your jobs is not expressly an ESG issue.

What was the other half of the responsibility?

A well-run bank is as disciplined with the liabilities it takes on as with its assets. These banks were not. They did not manage their business mix, and took on depository and transactional relationships that were outsized and highly concentrated in fewer clients and fewer industries than was prudent. This set up a mismatch between the kind of liquidity needs their clients might have in a stressed market environment, and the portfolios they built to back it all. From the outside, it looks like they were running different banks on each side of the ledger. Also a matter of incompetence.

So where would ESG have come in?

Looking back in history to the Financial Crisis, many ESG managers succeeded in avoiding a great deal of the banking carnage, but not because they had particular insight into the fragility of the mortgage-backed securities and incorrect risk models that collapsed. They got into the room through a side entrance, avoiding banks that were engaging in predatory banking and lending practices, particularly taking advantage of economically vulnerable families and giving them mortgages they could not afford. This turned out to be one of the practices that resulted in the creation of toxic mortgage securities that poisoned the well and killed a lot of banks. They could not have envisioned the magnitude of the potential damage at the structural level, but the ESG managers appreciated that this deeply unethical kind of business was something to be avoided.

Was there a predatory lending-type ESG indicator in 2023 that would similarly have been the canary in this proverbial coal mine?

The answer is no. These bank failures do not appear to be the consequence of rampant fraud like 2007-2008. No machine signatures and liars' loans. But, there is something in common between today and '08. Regulatory failure. Or for our purposes, "big" G Governance, and our 2023 story has its roots in 2008.

One of the primary reasons the banking sector nearly collapsed on itself, taking the markets with them, was because of the dismantling of Glass-Steagall, the early-20th century legislation that was created to erect barriers between investment and consumer banking and prevent another Great Depression. Through a cocktail of arrogance and greed, the banking lobbyists and the Clinton-era Executive and Legislative branches conspired to dismantle Glass-Steagall, and allow a significantly different level of risk-taking. Short version, the banks and insurance companies levered up their balance sheets around the fraudulent trash that the mortgage bankers were printing and nearly wiped out the global economy.

Coming out of the crisis, Dodd-Frank was enacted to reinstitute some discipline and controls to securities and banking, and install a regulatory framework to keep banks from taking inappropriately outsized risks that could jeopardize their institutions and the broader system. It also classified banks above a certain size as being systemically important and thus subject to more intense scrutiny because of their ability to wreck the broader system. This is where the G comes in to play.

Large, but not the largest, banks like Silicon Valley Bank (SVB) were chaffing under the regulatory blanket that Dodd-Frank laid on them. The reserve requirements and reporting and oversight were odious but necessary to prevent a repeat of the Crisis. The banks and their K Street lobbyists came up with a novel solution – change the threshold for what defines one of these systemically vital institutions. Now, we had multi-hundred billion dollar banks being regulated like small community banks following the argument that a SVB did not pose the kind of risk to the overall system that a JP Morgan does. That created the opportunity for incompetence to converge with market stress and a lack of oversight. Nothing was really being hidden, but the industry and these specific institutions had created a scenario where nobody in a position of knowledge and authority was looking at incompetence in action.

ESG Considerations [cont'd]

Good governance was in short supply, and so the conditions were set for a failure. Or as it turned out, multiple failures. And, this situation exposed the fallacy of too-big-to-fail. When an institution that is supposed to represent the ultimate in safety proves itself unsafe, no matter the size, it creates doubts about the safety of the entire system, and a run on one bank becomes a run on many banks. Fortunately the Fed and the FDIC stepped in, arguably well outside of their mandates, and asserted control over the situation. But that is a stop-gap, and not a solution. Their effective rescue creates moral hazard that can only be dissipated by reestablishing the level of regulatory oversight that got dismantled.

OK, but that still didn't answer the question. Would ESG investing practices catch that?

The answer is yes, ESG processes should, starting with looking severely at these banks' efforts to dismantle the regulatory regime around them. Major red flag. ESG strategies have become far too common in the market now to be able to say authoritatively whether that happened market-wide though. It seems safe to bet that at least some ESG managers, particularly index-based ones, may have been blind to the big-picture Governance clouds that were gathering, obfuscated by the fact these institutions were in many cases fairly ESG-forward in terms of everything from DEI to the kinds of innovative and progressive companies they banked and the relative cleanliness of their securities portfolios.

This is why we believe in a comprehensive approach to ESG. Which is to say, there must be a baseline level of ESG quality across the board according to whatever framework is most useful, whether it is the UN Sustainable Development Goals, or the Global Compact, or the Principles for Responsible Investment, or something else entirely. It is not sufficient to be high-performing on one or a few factors, like having a diverse and inclusive workforce, or good carbon practices. An ESG money manager has a responsibility to look at and assess all aspects, identify shortcomings, and make active decisions about those shortcomings. No investment is perfect, and portfolio construction is an exercise in tradeoffs. But those tradeoffs are calculated risks, and they should be understood and justified.

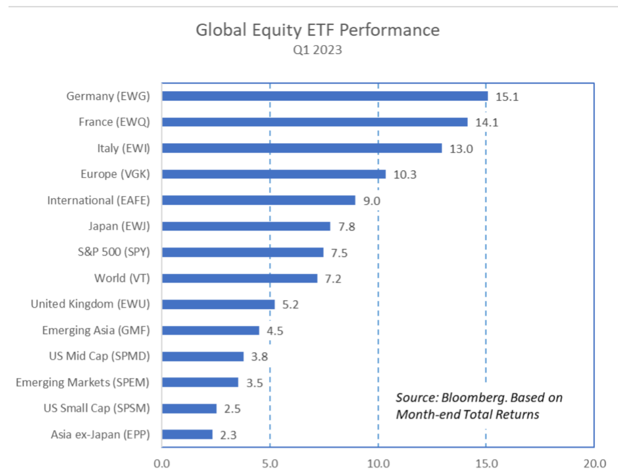
"I didn't know" is not an excuse for a bank manager or bank investment committee that got the asset-liability match wrong. It is not an excuse for the regulators, and it should not be an excuse for a portfolio manager either. That is absolutely fundamental to good governance in business and in capital markets. Our hope is that managers that did not see that risk have learned and have instituted the tools and processes to do better in the future, and managers that did see the risk but underrated its likelihood or impact similarly learn and recalibrate. Those that do neither perhaps are not as ESG-forward as they would like the market to believe.

First Quarter 2023 Capital Market Review

Performance charts tell a very different story about the markets from the drama which unfolded in the global banking sector. While not rising to systemic levels, we reached an inflection point where fragile and poorly-run institutions could no longer survive the grind of steadily rising rates, faltering economies and confusing markets. In close succession several banks failed, including Silicon Valley Bank which was pushed into the arms of First Citizens Bank by the Fed and the FDIC, and Credit Suisse effectively failed and was handed over to UBS in Switzerland by regulators there. Meanwhile, in the face of a wide variety of stresses including rising interest rates, both equities and bonds globally delivered a booming first quarter.

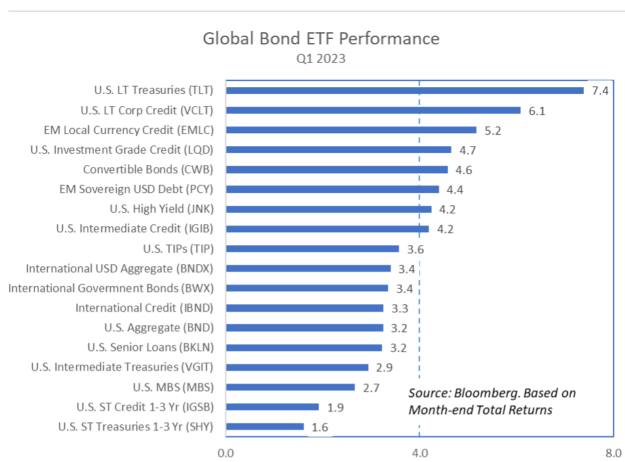
Equity Markets

In aggregate, equity returns for the quarter were impressive, but looking at the quarterly end point masks the considerable volatility for the period. Most, or in some cases more than all of the final return for the quarter was actually booked in January, only to have markets fall away in February and the first part of March before a strong rally in to quarter-end to recover most of the early-February highs. Industrial Europe delivered most strongly (EWG 15.1%, EWQ 14.1%, and EWI 13.0%) with blue chip US companies coming in at roughly half that return (SPY 7.5%) while mid- and small-cap US companies were half again as much (SPMD 3.8% and SPSM 2.5%), and Asian and Emerging markets bringing up the rear with still-positive returns (GMF 4.5%, SPEM 3.5%, and EPP 2.3%).



Fixed Income Markets

Similarly in fixed income markets, the quarter closed out roughly where we finished January. US long term debt, both corporate credit (VCLT 6.1%) and Treasuries (TLT 7.4%) held on to most of their January returns. Mortgages were positive but gave some ground back (MBS 2.7%) expressing the relative weakness we had previously discussed as that whole sector comes under pressure from the rate regime and broader pressures on wages, housing, etc. Quality led as well, but the advantage shrank later in the quarter with high yield US debt (JNK 4.2%) bringing in positive returns but behind investment grade (LQD 4.7%). Even with equities in general recovering their strength in the back half of the quarter Convertibles gave up some of their January high ground while still closing positive (CWB 4.6%). Not on the chart but of note, time deposits, money markets, and other highly liquid, safe, low duration options are now offering 3+% and 4+% annualized yields.



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

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 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.

WILDE CAPITAL MANAGEMENT

Summit, New Jersey, 07901

(866) 894-5332

www.wildecapitalmgmt.com

contact@wildecapitalmgmt.com