PARITAS
CAPITAL MANAGEMENT

Quarterly Investment Commentary: Q1 2018

The team at Paritas Capital Management has developed an intuitive, common sense approach to investing. The goal of the Global Wealth Strategy (GWS) is to protect capital during periods of declining markets while capitalizing during market appreciation periods.

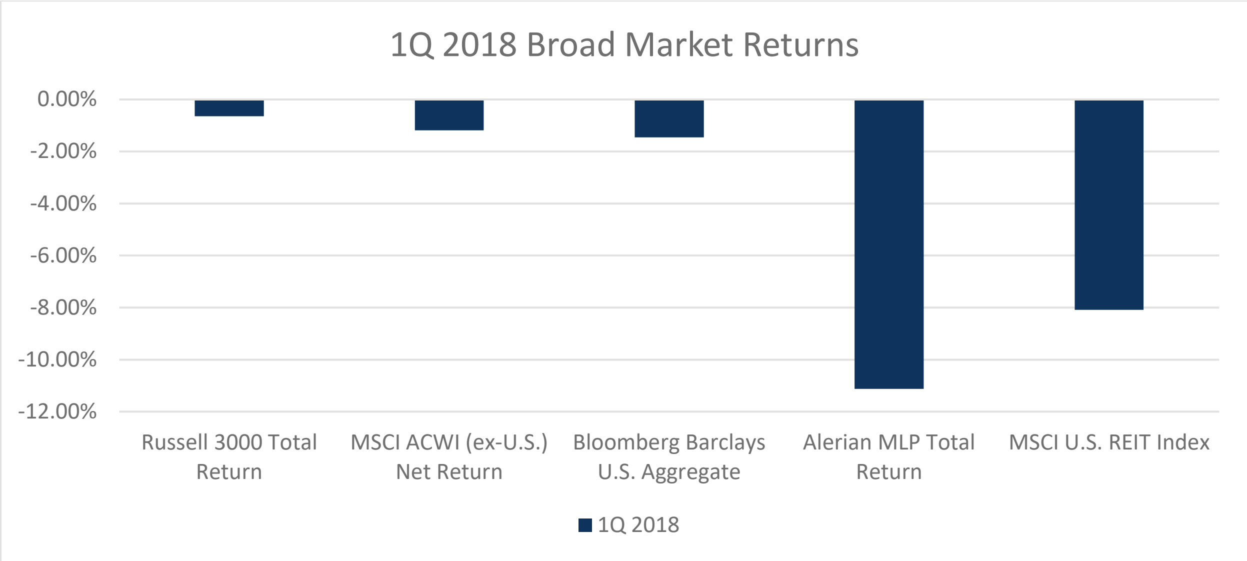
Our portfolio utilizes a proprietary, balanced risk, "all-weather" approach to increase the probability of producing consistent return streams over various market cycles. By systematically rebalancing using the risk metrics we analyze each month, the portfolio can adapt to changing market conditions to achieve the type of positive outcomes we are targeting over market cycles.

Market Recap

What an interesting quarter. January was a continuation of 2017, producing positive returns with relatively low volatility. U.S. and International Equities were up as much as 7% in January. The S&P 500 recorded only 6 down days, with only 1 day down slightly more than 1%.

February, however, was a different story. There were some significant moves of size we haven't seen in quite some time. The S&P 500 Index recorded a 2% decline on 2/2, 4% decline on 2/5, and a 3.7% decline on 2/8. Nine out of 19 trading days were down.

The trend continued in March, recording 12 down days, 5 of which were down greater than 1%. Volatility and large declines spread to the international markets as well. To illustrate what happened globally, we show five broad market indices below.



Source: FactSet. As of 03/31/18.

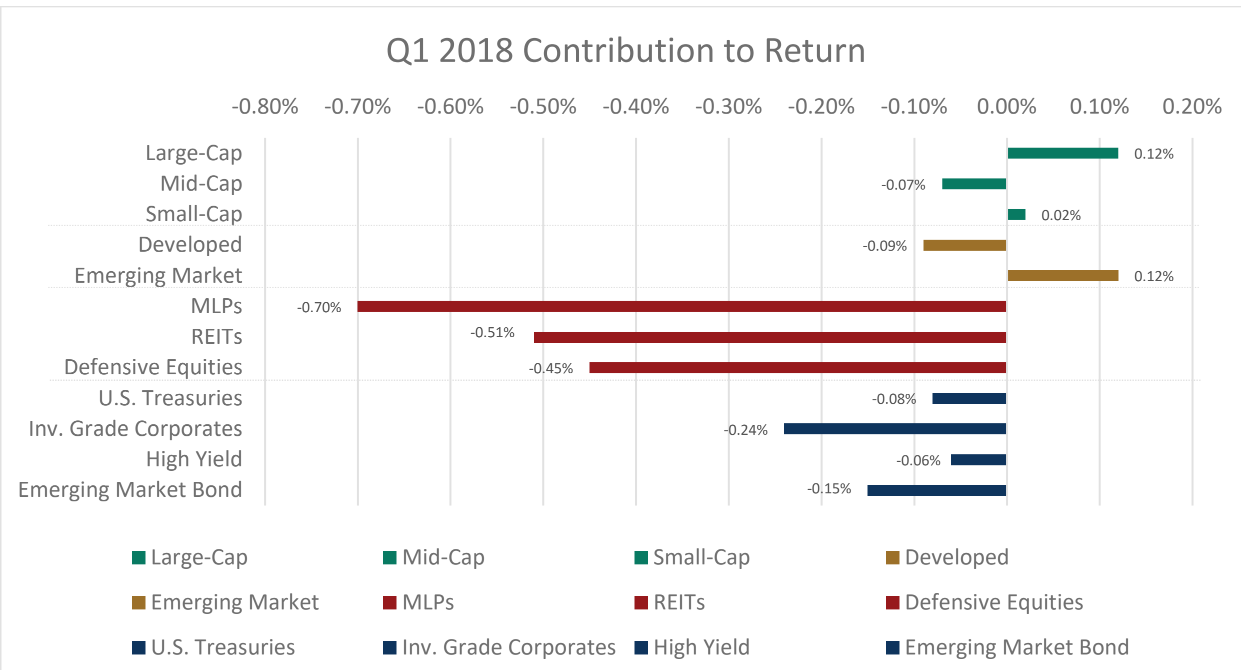
Interestingly, since GWS launched in July of 2015, this is the first quarter where these five broad market indices simultaneously produced a negative return as shown above. MLPs and REITs were hit the hardest down -11% and -8% respectively.

Reallocating Capital to Balance Risk

Asset Class	*January 2018*	*February 2018*	*March 2018*
U.S. Equities	26.56%	25.69%	21.69%
International Equities	22.46%	22.12%	24.11%
Inflation Hedge	22.09%	21.22%	16.11%
Fixed Income	28.89%	30.97%	38.09%

As a result of the increased risk, the portfolio became more defensive over the quarter. We increased our allocation to Fixed Income by 9%, of which, over 7% was to U.S. Treasuries.

The chart below shows the Q1 2018 return contribution for each asset segment in the GWS portfolio.



Source: FactSet. Contribution of Return calculated vs GWS Model for Q1 2018 and is as of 03/31/18.

Overall, it was a challenging quarter with 9 out of the 12 market segments detracting from GWS' performance.

A majority of the negative return contribution was derived from the Inflation Hedge asset class with MLPs and REITs detracting a combined -1.21%. It has been over a year since we have experienced such a significant divergence in return contribution among the asset segments that comprise GWS.

Final Thoughts

GWS produced a return of -1.92% while the benchmark finished the quarter with a return of -1.14%.

Although no one likes to see a negative return, it certainly is normal and to be expected. The last several years have been anything but normal. Positive returns have been too easy to come by which can bring about complacency and unrealistic expectations for future market returns.

Trying to predict the markets is very difficult, if not impossible. We believe it is critical to have a disciplined process that adapts to changes in market risk with no emotion or subjectivity.

Important Disclosures

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