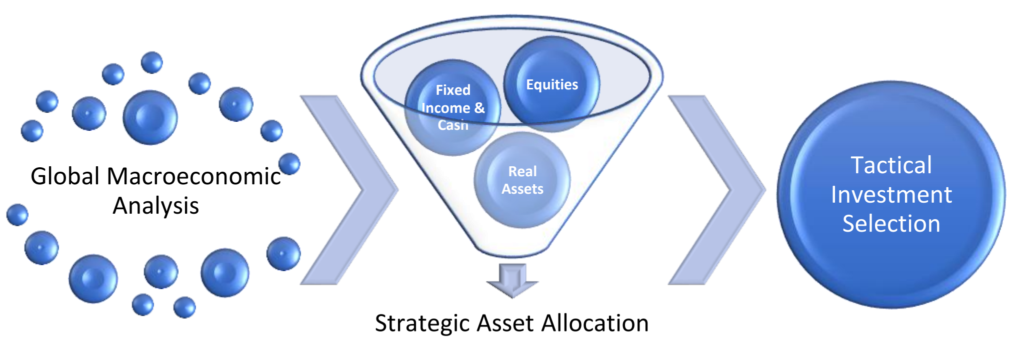
MONTHLY INVESTOR LETTER

July 6, 2018: ReDefine Wealth Management provides clients and business partners with a differentiated suite of services and products. This monthly letter encapsulates how our team is looking at the world and the practical implications of our approach. This letter is designed to illuminate the process behind the implementation of investment decisions within ReDefine Wealth Management portfolios.

REDEFINE WEALTH MANAGEMENT DYNAMIC INVESTMENT STRATEGY

Anecdotal and historical evidence suggest that mitigating portfolio drawdown has the greatest impact on portfolio success. *Quite simply, it is more efficient to grow wealth by not losing wealth.*

Our investment strategies are designed to protect and grow wealth through a top-down hierarchy consisting of **Global Macroeconomic Analysis, Strategic Asset Allocation,** and **Tactical Investment Selection.**



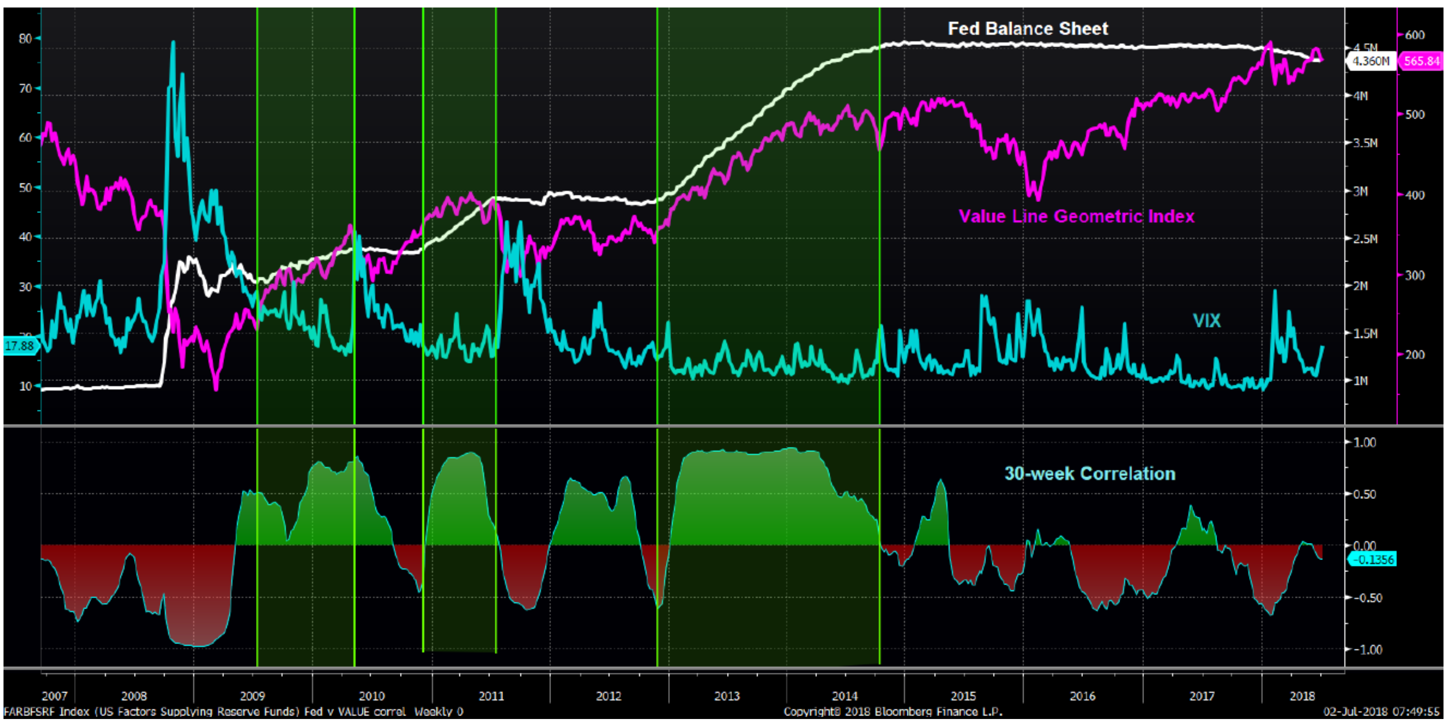
Our **GLOBAL MACROECONOMIC ANALYSIS** provides the basis for attractive reward versus risk global investment opportunities. The findings of our analysis help to inform our **STRATEGIC ASSET ALLOCATION**, wherein we divide assets between three primary portfolio components – *Equities, Fixed Income/Cash,* and *Real Assets* - then further divide the primary components into sub-components, for example Equities may be divided between disparate geographies and various capitalization sizes. Once the allocation is decided, we begin our **TACTICAL INVESTMENT SELECTION** to specifically choose the financial instruments we will use to implement our globally thematic strategic asset allocation.

Our process allows us to handpick and tactically manage investments in highly-liquid financial instruments, such as: *ETFs, Mutual Funds, Stocks, Bonds, SMAs, CEFs, and Options.* So, while we may hold similar "investments" as traditional portfolios, it is our approach and flexibility that allows for asymmetric returns relative to risk.

Fundamental Global Macroeconomic Backdrop

What's driving the current market environment? That is the trillion-dollar question. Answers abound and range from increasing trade tensions becoming full blown trade wars? Shifting alliances between countries? Technological change brought about by social media? Demographic trends? And of course, the global political theater? *We tend to believe that central bank activity, paired with governmental influence, remain the key drivers of market valuation and volatility.*

Below, is a graphical representation of global macroeconomic measures paired with representations of market price performance and volatility, provided to RWM by our good friends at MI2 Partners. We believe this information may help to illuminate the reasons behind our thought process and conviction.



Source: Macro Intelligence 2 Partners

At first blush, the chart is very busy. However, if you follow the ascent of the Fed's Balance Sheet (white line) and in comparison, with the ascent of the Value Line Geometric Index[1] (pink line) this information would suggest that central bank activity, especially the US Federal Reserve, has had an influence upon the rally within US Equity Markets since the Great Financial Crisis.

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[1] *The Value Line Geometric Index is a widely recognized broad-based North American Equity Market benchmark that assumes an equal dollar amount is invested in each and every stock covered in The Value Line Investment Survey, excluding the closed-end funds. The returns from doing so are averaged geometrically every day across all these stocks. It is intended to provide a rough approximation of how the median stock in the Value Line universe performed.*

Further, during the specific periods of Quantitative Easing (shaded green areas), the Fed Balance Sheet and the Value Line Geometric Index correlations become overtly positive.[2] Also noted is the rise in market volatility and price volatility in the periods not shaded in green, i.e. when the government spigot is turned off. We can glean how the near-decade of elevated Fed Balance Sheet activity has generally corresponded to a period of suppressed volatility as measured by the VIX (light blue line).

The opportunity: Charts and other supporting data help to explain market behavior thus far in 2018. When we consider the Fed's plan for balance sheet reduction in combination with a stronger dollar, potentially higher inflation, and the rise of global populist governmental policies, *we feel there is ample ammunition for continued asset price and market volatility.* Volatility creates a zero-sum game. There will be winners and losers, therefore opportunity.

Global Equities

As noted last month, *technology and small cap stocks continue to be the leaders* in what is proving to be a volatile year. Even these market leading groups are not immune to a pullback, as they each demonstrated over the last few weeks. While rallies in these sectors continue, we have some concerns around the lack of momentum at current prices. At present these sectors are the strongest and we will remain invested in the strongest performers until sector leadership changes.

The Dow Jones Industrial Average and S&P 500 have remained rangebound since April, yet they continue their advance from the lows in February 2016. Momentum has been muted in both indices since the selloff in February of this year and is providing no clear direction or catalyst at this time. As we know, markets can exist in this state for some time, and we would not be surprised - barring a geopolitical shock - if it continues into the autumn. Nevertheless, we continue to watch the signals closely, and *we are willing to take a position – in either direction - should an opportunity arise.*

Source: Bloomberg

[2] *Correlations are represented at the bottom of the chart with green being positive and red being negative correlation.*

International Equities, specifically Emerging Market Equities, are quite a different story. Emerging markets tend to be heavily influenced by the US dollar. As shown in the preceding chart, Emerging Market Equities (as represented by EEM) have shown signs of weakness since January of this year.

Currently the Global Equities sleeve of our portfolios remains roughly 50% of the overall Strategic Allocation, which represents a slight underweight from our target of 60%. Our core allocation to US Equities, is augmented by sector overweights within Technology and Energy Exploration and Producers. And we maintain our capitalization overweight to US Small Cap stocks.

Internationally we maintain a small defensive position in Developed Market equities and in harmony with our macro theme of a strengthening US Dollar, and as we are expecting further weakness, we created a short position in Emerging Market Equities within our portfolios in June.

GLOBAL FIXED INCOME & CASH

US rates, as measured by the yield of the benchmark 10-year US Treasury, continue to range between 2.80%-3.00%. Due to policy changes within the Federal Reserve and US government, increasing inflation, and overall economic data, *we believe that we have likely seen the lows in yields and that rates will continue to trend upward from their lows in 2016.*

Source: Bloomberg

Currently the Global Fixed Income & Cash sleeve of our portfolios remains roughly 40% of the overall Strategic Allocation, which represents an overweight from our (non-financial crisis) target of 30%. It's been almost 40 years since the bond market has faced a prolonged period of rising interest rates (1954-1981). While we are not prepared to declare that interest rates have returned to the 1950's, history has shown that even in a general rising rate environment extreme short-term volatility is likely in the bond markets, causing sharp declines in yields. A general "risk off" global scenario can cause a flood of buyers into US debt markets, as evidenced this spring due to the Italian elections. Seemingly any news surrounding potential tariffs or trade wars can have a similar affect.

Due to this outlook, we remain in a low duration stance within our fixed income investments, while we will continue to seek out select opportunities within credit and extremely opportunistic duration trades.

GLOBAL REAL ASSETS

Commodity markets are generally still guided by two overwhelming forces at present time: trade war speculation and the strength of the US dollar. Whichever way the tariff-wind blows on any given day seems to move the commodity markets a fair amount, leading to higher volatility in both directions. The gold market has begun to develop an interesting pattern. There are many headwinds in place, but if the aforementioned "risk off" environment were to truly take hold one could envision gold moving decisively upwards.

Currently we hold a 10% Strategic Allocation weighting in our Real Assets sleeve. This allocation is divided between our strong dollar trade and our opportunistic silver trade. As silver is historically cheap vs. the price of gold, we continue to hold a small position in the metal.

CONCLUSION

As we concluded last month, higher levels of volatility remain the norm across all markets. And 2018 has proven to be a volatile year. *It is more important than ever to be nimble with investing, and clients should expect to see more activity within their accounts than in the past* as we remain ever vigilant and watchful. We will invest where the markets lead us, rather than follow preconceived notions of the next year acting like the previous. Importantly, how the global central bank policies unfold will dictate how markets move forward, for better or worse.

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