AMGLOBAL

FAMILY INVESTMENT OFFICE

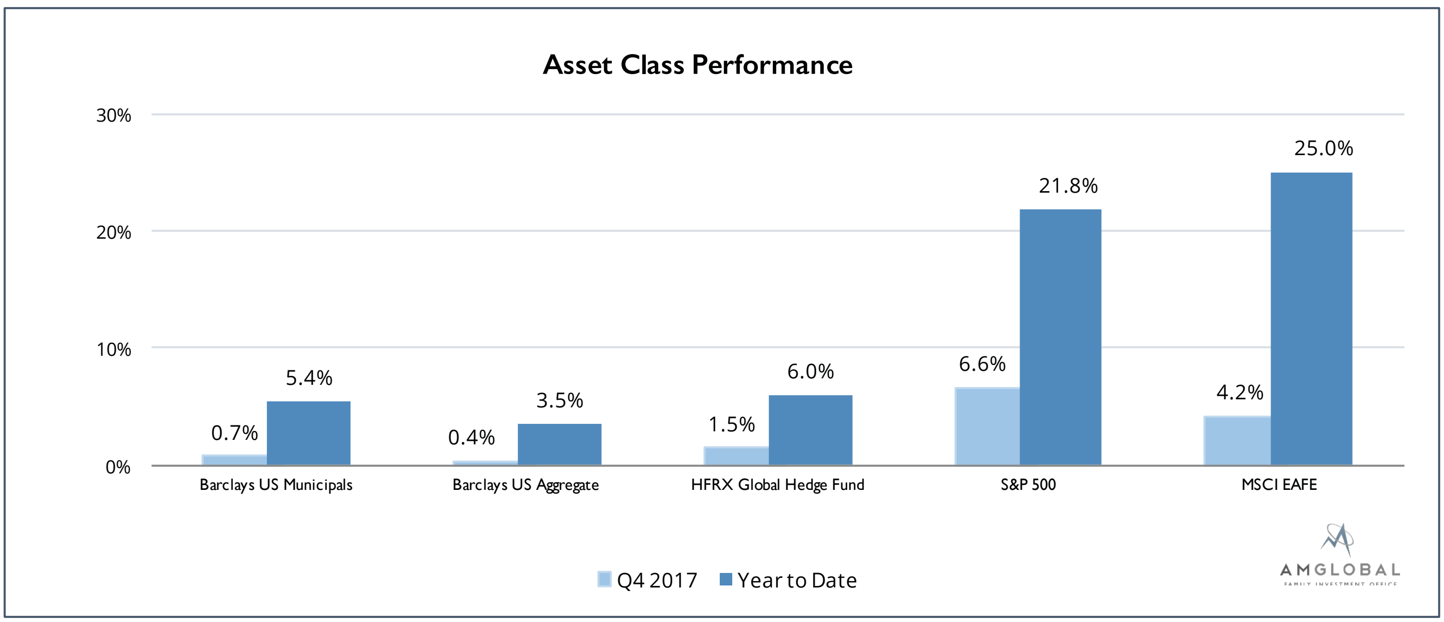
2017 REVIEW AND OUTLOOK
JANUARY 2018

- Global equity markets had very strong years, finishing at record highs, with US equities up +21.8% (S&P 500), International equities up +25.0% (MSCI EAFE), and Emerging market equities up +37.3% (MSCI EM).
- For the first time ever in a calendar year, the US equity market (S&P 500) did not have a single losing month.
- Bond markets provided more muted returns with taxable bonds up +3.5% (Barclays US Aggregate) and municipal bonds up +5.4% (Barclays US Municipal), considering the US Federal Reserve increased the Federal Funds Rate three times during the year.
- Marketable alternatives, represented by the AM Global Core Fund, delivered strong performance ending 2017 up +10.8%.
- Geopolitical events continued to make headlines throughout the year, yet market volatility remained at historic lows.

Market Commentary

Despite rising geopolitical tensions and changing global monetary policies, 2017 was a year of accelerating equity market returns due to stronger global growth, an upturn in corporate earnings growth and, in the US, the promise of lower taxes. Surprisingly, market volatility remained subdued despite political turmoil in the US and Europe, and stretched valuations globally. For much of the year, all eyes were on economic growth, corporate earnings, interest rates and inflation, which all found a way to spend the year in a collective "sweet spot": growth accelerated, corporate earnings grew, interest rates stayed low, and inflation was tame.

In comparison to equities, returns in the bond market and marketable alternative strategies were far more muted for the year. Not surprisingly, with interest rates rising (albeit slowly), taxable bonds delivered the lowest returns of all major asset classes up only +3.5% (Barclays US Aggregate), while municipal bonds delivered a bit more, rising +5.4% (Barclays US Municipals). Marketable alternatives did better than bonds, up +6.0% (HFRX Global Hedge Fund index), but still only a fraction of the outsized gains generated by equities.



Source: eVestment

AM Global portfolios had a very strong year as our allocations - underweight fixed income, neutral on global equity, and overweight marketable alternatives - provided a good backdrop to double digit returns with a very good risk exposure. This positioning and our underlying managers performing well in our US equity, International equity, and marketable alternatives allocations delivered very good results for AM Global clients in 2017.

While 2017 was a remarkable year and we are happy to have had the gains in our clients' portfolios, we are acutely focused on equity and credit risk. There are fundamental risks in the markets today that history says should not be ignored or discounted. Our primary concern today is with the credit market, particularly high yield corporate credit. Market valuations in high yield credit are at historic highs with current spreads of 351bp compared to the historical average of 525bp (source: FactSet, based on spread between ICE BofA ML US High Yield and US Treasury 10-year yield, date range 1/31/86 – 1/10/18). At the same time, momentum-based investment structures (ETFs) have grown substantially over the years, accounting for more than 14% of the total high yield retail fund at the start of 2017 (Source: JP Morgan). Like any investment strategy, ETF, index and passive investing is not immune to cycles, and if liquidity concerns or needs arise, those products could disproportionately come under pressure. In our opinion, these two facts heighten the risk of a negative market event in high yield credit, which would likely spill over into equity markets. The one thing we can be confident of is that something must give, one way or the other. Paul Singer of Elliott Management, one of the most successful professional investors of our time, said it well in his most recent letter to investors:

"The current "stability" is unsustainable!"

We will be vigilantly watching the credit markets for early signs of trouble.

What Worked and What Didn't

Equity Strategies

US Equity

US equity exposure and manager selection was strong throughout the year. We started and completed the year with four approved active US Equity managers (shown below). Three of the four managers substantially outperformed the S&P 500. The average of our active US Equity managers outperformance over the S&P 500 index was approximately +6.0% or an extra $60,000 of gains for every million dollars invested. A terrific result for our active US equity managers, even after fees and taxes. We mention this because over the past few years we have found ourselves arguing for active management (in US equities) while media and press have suggested that active managers are dead, and investors would be better off investing in passive products or ETFs. While performance in any one year can vary meaningfully, these managers have consistently outperformed over their entire histories.

Manager	Performance (Q4 - 2017)	Performance (2017)
Echo Street Good Co	8.0%	31.7%
AKRE Focus US Equity	7.0%	30.9%
Saratoga Quality Focus Composite*	9.6%	27.5%
Lyrical US Value	5.2%	21.3%
S&P 500 Index	6.6%	21.8%

**Based on performance for the overall composite strategy.*

Past performance is not indicative of future results. Performance values may be based upon estimates and subject to change.

Energy / MLPs

While the energy sector and midstream pipelines (MLPs) were one of the few sectors that were down substantially during the year, they finished December on a very positive note. The continued strength in crude oil helped the energy sector and most MLPs to post a strong month of December. During the fourth quarter, our MLP manager, AP Energy Infrastructure, was down -0.3% bringing year-to-date performance to -5.6%. This compares to the Alerian MLP index performance being down -0.9% in the fourth quarter and -6.5% during the year. Much of the poor performance in the second half of 2017 was driven by concern over changes to the US tax regime for MLPs. The concerns proved to be overdone and, once tax legislation became clear, there was a noticeable change in sentiment resulting in strong performance to finish the year.

As for the new tax law and MLPs, effective January 1, 2018, MLP investors will receive a 20% deduction on their individual tax rate for pass-through income from MLPs. This also pertains to ordinary income recapture when a security is sold, which is helpful for long term investors in MLPs. The tax bill, coupled with our ongoing bullish views for volume growth and energy demand, further improves our outlook for MLP and energy investments in 2018.

International Equity Strategies

We discussed in the third quarter letter that our growing exposure to Developed International equities and Emerging market equities had been a strong contributor to portfolio returns. International and Emerging market equities outperformed equities in the US when measuring based on the widely accepted indices. The MSCI EAFE was up +25.0% and the MSCI EM index was up +37.3%. Certain economies in Developed countries throughout Europe and Asia have been hitting on all cylinders and are much of the attribution to strong global growth. Our managers benefitted from strong performance in Financials, Information Technology, and Consumer related businesses. All the managers performed very well. However, you may note that Matthews Emerging Asia returned just half of what the Emerging market index did for the year. It is important to recognize that this fund, which is a new allocation for us, has very different holdings than most Emerging market equity funds, avoiding the BRIC countries (Brazil, Russia, India and China) to instead focus on "frontier markets" in Asia. We invest in this fund because we want these different geographical exposures which have a potential for high growth over the long term. The return of +18.7% is a satisfactory result.

Manager	Performance (Q4 - 2017)	Performance (2017)
DFA International Small Cap Value	3.8%	28.0%
Artisan International Value	2.7%	24.0%
MSCI EAFE (Int'l Equity)	4.2%	25.0%
DFA Emerging Market Small Cap	8.6%	35.3%
Matthews Emerging Asia	7.3%	18.7%
MSCI EM (Emerging Markets Equity)	7.4%	37.3%

Past performance is not indicative of future results. Performance values may be based upon estimates and subject to change. Excluded from the table are Volantis Catalyst Funds I and II which are approved International equity managers but are relatively illiquid due to their focus on micro-cap equities in the United Kingdom. Because of this, these funds are not considered core International equity strategies. These funds were up 20.3% (VC I) and up 1.7% (VC II) in 2017.

Fixed Income Strategies

Non-taxable Fixed Income

Our investment in a high yield municipal bond portfolio gained +1.0% during the fourth quarter to finish +8.3% for the calendar year. This compares to the Barclays Municipal Index's return of +0.7% in the fourth quarter and up +5.4% for the year. Our manager's portfolio of higher quality credit securities (over 70% of the portfolio is rated BBB or better) has consistently outperformed the benchmark and other municipal bond mutual fund managers during the year, while investing in higher quality credit risk relative to peers. We believe this manager has done an exceptional job in bond and municipality selection throughout the year. Early indications of supply and demand suggest that 2018 should start off well for municipal bonds.

Taxable Fixed Income

We remain underweight to fixed income investment strategies but, as we wrote about previously, our hedged/alternative credit investments are working very well. We remain biased to shorter duration investments and limit our exposure to unhedged credit and interest rate risk. The manager we use in this area of the market, Deer Park, generated substantial gains (net of their hedging costs) in senior loans, commercial mortgage backed securities, and subprime structured credit investments. The Deer Park STS hedge fund was up +19.3% for the year and the Deer Park Total Return mutual fund was up +9.9% while the Barclays US Aggregate Bond Index was up +3.5%.

Alternative Investment Strategies

The AM Global Core Fund advanced +1.8% during the fourth quarter and finished the year up +10.8% in 2017. The Fund's performance was led by a European equity long/short manager who was up +28.8%, a US equity long/short manager up +24.2%, and a quantitative strategy utilizing big data and systematic investment algorithms up +15.2%. These three leaders for the Core Fund are all very different in portfolio composition and strategy, and generated returns in very different ways. All the strategies within the Core Fund generated positive results. In total, the AM Global Core Fund was up +10.8% for the year, far outpacing the HFRX Global Hedge Fund Index, which finished up +6.0%.

What Should You Expect Going Forward?

AM Global Asset Allocation Review and Guidance

When we step back to reflect on markets, it seems clear that complacency has crept into investors' minds. While pundits publicly talk about risk, there is a cycle unknowingly underway of discounting such risks the longer they are talked about but fail to impact markets. This is a fundamental underestimation and distortion of risk and asset prices. Investors have become comfortable with (or numb to) the artificial influences on markets. The two culprits we worry about the most are two of the most talked about: central banks and passive investment structures. Central bank intervention has resulted in markets awash with money. Central banks themselves now own substantial portions of both credit and equity markets. For example, the Bank of Japan is estimated to own approximately 74% of the nation's ETF market (Source: Bloomberg). Such intervention has been occurring and talked about for so long that investors around the world have become comfortable with it. They have become complacent about it at a time when the "tide" is changing.

Not to be outdone by central banks, the investment industry has taken the good idea of passive/ETF strategies and parlayed it into a wide variety of "risk targeted" strategies that now make up significant segments of various credit and equity markets, many of which are pinned to the same underlying securities. To some degree or another, these products have contributed to the suppression of market volatility. However, when a market event occurs that drives volatility sustainably higher, these strategies will be forced to sell their underlying securities to adjust the risk level of their funds to the higher volatility environment. Such forced selling of securities, should it occur, would lead to higher market volatility and further "de-risking" (selling). More selling leads to higher volatility which leads to more selling, and so on. Just like in prior bull markets, investors have again assumed risks they may not fully understand. While we are not suggesting the market is ready to "pop," we must invest knowing that there is a risk that it is. Successful investing requires that the ever-present risk of substantial losses be constantly managed. Throughout history, it is often the times when investors are blinded by complacency that big risks rear their ugly heads.

Losing big is a risk we are continually trying to guard against. With complacency prevalent and growing, we have meaningful allocations across client portfolios to strategies that employ various risk management and hedging to mitigate the risk of losing big. Hedging is an attempt to create some protection to the equity and credit market exposures we have in underlying positions. Of course, hedging is not free. We accept that hedging will cost us some return during good times but with the expectation that portfolios will "win" by losing less in bad times. This speaks to the position we have taken for over 20 years working for families: we would rather apologize for underperforming in a strong equity market than apologize for losing big when the equity market does fall.

Entering 2018, coming off such a tremendous year in global equity and other related strategies, it is important for us and our clients to manage our animal spirits that tend to make us feel overconfident and fearless when making investments. Frankly, the prudent decision is often to do the opposite of what our emotions are telling us to do and counter to the overall market's momentum. Investor emotions at this stage in the equity bull market often lead investors to want to add to what has worked, which hindsight often reveals to have been the wrong thing to do.

We start the year positioned with a neutral allocation to cash. We were overweight cash in the second half of 2017, but put some cash to work in International and Emerging Market equities and a couple more opportunistic investments during the latter half of the year. Otherwise, we remain overweight marketable alternatives, neutral on global equities, including Emerging markets, and underweight fixed income. Global economic growth has picked up and corporate earnings are growing nicely across Developed and Emerging markets. If this continues, absent other market upheaval, then the equities in client portfolios should continue to perform very well and drive returns. Until we see more evidence that it is time to reduce overall equity exposure, we will maintain our allocations to equities in client portfolios. However, we must guard against the substantial risks that remain: high (though not extreme) valuations in both credit and equity markets, the potential for higher interest rates and inflation, and overly optimistic investor sentiment. Consequently, our guidance is to overweight marketable alternatives as a buffer against potential equity market turmoil. We also continue to underweight fixed income securities with interest rates and spreads at historical lows.

Asset Class	**Underweight**	**Neutral**	**Overweight**
Cash		✓	
Taxable Fixed Income	✓		
Non-Taxable Fixed Income	✓		
U.S. Equity		✓	
International Equity		✓	
Emerging Market Equity		✓	
Marketable Alternatives*			✓

**Marketable Alternatives includes alternative investment strategies such as Long/Short Equity, Market Neutral, Event Driven, Distressed, and Global Trading strategies.*

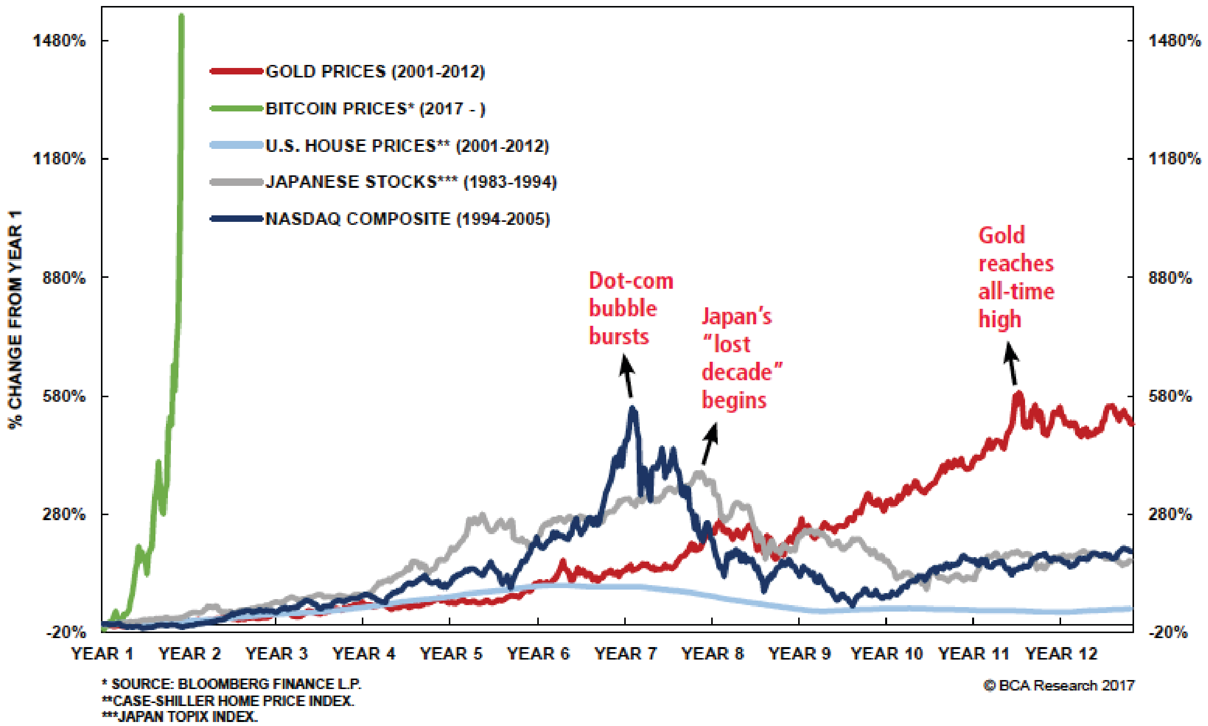
What Do We Make of the Bitcoin Craze?

I suppose it is time to address the topic of Bitcoin since my kids and their friends have started texting me charts and symbols of "winning" investments with the only requirement being that the company name has "Bitcoin," "crypto," or "blockchain" (or some derivative of those) in the company name or profile. In all seriousness, blockchain technology has meaningful applications to various industries and therefore it has made its way into our diligence process. Additionally, we have spent significant time educating and researching digital assets, such as Bitcoin, and the underlying blockchain technology.

Crypto-currencies and the blockchain technology behind the currency might transform how we transact and trade products and services in the future. The potential applications of this technology are numerous and represent major market opportunities. Often the case with exciting new technologies, there is a bit of mania that gets drawn into it. In this case, it is Bitcoin and other crypto-currencies. If we focus just on Bitcoin, even after dismissing the risks of fraud and government intervention, there might just be a little more mania than usual. As the chart below illustrates, the trajectory of the value of Bitcoin far surpasses that of any bubble in recent times. It will be interesting to see how this plays out.

CHART 5

Bitcoin In Comparison To Other Historically Huge Market Moves



Regardless, we will continue doing the work to figure out if and how to invest in this new world. We are well into our research, and actively speaking to experienced investors in this space. There will be more to come on this in the not-too-distant future.

What's New With AM Global?

We are very happy to have welcomed a new client family in the 4th quarter – a terrific family anchored in New York state. It was clear to us from the first meeting that they were a great fit for us, and we are glad they came to the same conclusion. We cannot emphasize enough how fortunate we feel to have the relationship that we do with our client families.

Inside the company, we are up and running with Addepar, our new investment reporting engine. We continue to test the system to ensure that all of our data matches what we reported in the past using our Advent system. While it is a tedious process, it is critical to ensure that we maintain an accurate performance record for all of our client accounts. We are looking forward to unveiling the new reports and capabilities Addepar provides us as we move into the year.

We are proud to announce that Sean Boner, one of our Investment Analysts, is now a CFA charter holder. The CFA is the Chartered Financial Analyst designation. Completing the CFA Institute's examinations and work requirement is very difficult and a high honor in the investment industry.

Lastly, we recently learned that we were listed by RIA Channel, an industry group, as a top emerging wealth manager in the US. We were also notified by Private Asset Management magazine and Family Wealth Report, two prominent industry publications, that we were shortlisted for six different awards for our firm's performance and the performance of our clients' portfolios in 2017. While we often look at such things sheepishly, it is nice to be noticed and we are proud of our progress and accomplishments.

Best regards,

Andrew Mehalko, CFA
Founder & Chief Investment Officer
319 Clematis Street, Suite 300 | West Palm Beach, FL 33401
PH 561.249.6826 | andrew@amglobalfio.com | www.amglobalfio.com

IMPORTANT DISCLOSURES

NEITHER THE INFORMATION PROVIDED NOR ANY OPINION EXPRESSED HEREIN CONSTITUTES AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OR SERVICES TO ANY PERSON. ANY SUCH OFFER OR SOLICITATION WILL BE MADE TO QUALIFIED INVESTORS ONLY BY MEANS OF A FINAL OFFERING MEMORANDUM AND ONLY IN THOSE JURISDICTIONS WHERE PERMITTED BY LAW.

THIS MATERIAL IS GENERAL INFORMATION ONLY AND IS NOT INTENDED TO BE USED AS THE BASIS FOR INVESTMENT DECISIONS AND IS NOT INTENDED TO ADDRESS THE PARTICULAR CIRCUMSTANCES OR NEEDS OF ANY SPECIFIC PERSON WHO MAY READ IT. PRIOR TO MAKING ANY INVESTMENT DECISION, YOU SHOULD INDEPENDENTLY EVALUATE THE RELEVANT RISKS INVOLVED AND ENSURE THAT SUCH INVESTMENT IS APPROPRIATE AND SUITABLE FOR YOU IN LIGHT OF YOUR INVESTMENT OBJECTIVES, TRADING EXPERIENCE, TIME HORIZON, FINANCIAL RESOURCES, AND OTHER RELEVANT CIRCUMSTANCES. INVESTMENT RISKS INCLUDE, WITHOUT LIMITATION, POLITICAL RISK, SOVEREIGN RISK, ECONOMIC RISK, CURRENCY RISK, CREDIT RISK, AND LIQUIDITY RISK. PAST PERFORMANCE SHOULD NOT BE CONSTRUED AS AN INDICATOR OF FUTURE PERFORMANCE.

THE INFORMATION CONTAINED IN THIS QUARTERLY REVIEW AND OUTLOOK HAS BEEN COMPILED FROM SOURCES BELIEVED TO BE RELIABLE, BUT NO REPRESENTATIONS OR WARRANTY, EXPRESS OR IMPLIED, IS MADE BY AM GLOBAL WEALTH MANAGEMENT (THE "COMPANY") OR ANY OTHER PERSON AS TO ITS ACCURACY, COMPLETENESS OR CORRECTNESS. ALL OPINIONS AND ESTIMATES CONTAINED HEREIN CONSTITUTE THE COMPANY'S JUDGMENT AS OF THE DATE OF THIS QUARTERLY REVIEW AND OUTLOOK AND ARE SUBJECT TO CHANGE WITHOUT NOTICE. . CERTAIN INFORMATION CONTAINED HEREIN IS ESTIMATED AND UNAUDITED AND MAY BE SUBJECT TO ADJUSTMENT.

Benchmarks and Indices: The valuation information shown for the various indices is available from public sources. The Company makes no representation as to its accuracy. An investor may not invest directly into an index. Comparisons between a composite and an index or benchmark are unreliable as performance indicators and should not be considered indicative of the actual performance to be achieved in a particular account.

- **Barclays Aggregate Bond:** Composed of U.S. investment grade fixed rate bond market, including government and credit securities, agency mortgage pass through securities, asset backed securities, and commercial mortgage based securities.

- **Barclays 5 year Municipal Bond:** Composed of state and local general obligation bonds, revenue bonds, and insured bonds.

- **Citigroup SB High Yield:** Covers much of the below investment grade U.S. corporate bond market. To be included in the index, an issue must be rated speculative (BB+/Ba1) by S&P or Moody's. An issue must miss a scheduled interest payment and allow the 30 day grace period to lapse before it is removed from the index.

- **Merrill Lynch 91 Day U.S. Treasury Bill Index:** Is comprised of a single issue purchased at the beginning of the month and held for a full month. At the end of the month, that issue is sold and rolled into a newly selected issue. The issue selected at each month-end is then re-balanced and becomes the outstanding Treasury Bill with the longest maturity. To qualify for selection, an issue must have settled on or before the re-balancing (month-end) date.

- **Morgan Stanley Capital International (MSCI) Europe, Australia, and the Far East (EAFE) Equity Index:** MSCI EAFE acts as a benchmark for 23 developed markets stock markets, approximately 1000 publicly traded companies. The average company has a market capitalization of over $3 billion. The index is presented with net dividends in US dollars.

- **S&P 500:** The S&P 500 consists of 500 widely held common stocks, consisting of four broad sectors (industrials, utilities, financial and transportation). It is a market- value weighted index (stock price times shares outstanding), with each stock affecting the index in proportion to its market value. This index is a total return index with dividends reinvested.

- **HFRI Hedge Fund Index:** HFR utilizes an objective, rules-based methodology that includes over 2000 hedge funds across four main strategies, each with multiple sub- strategies. The index seeks to combine and weight these strategies to provide a representation of the composition of the global hedge fund universe.

DEFINITIONS

Standard Deviation: Standard Deviation measures the dispersal or uncertainty in a random variable (in this case, investment returns). It measures the degree of variation of returns around the mean (average) return. The higher the volatility of the investment returns, the higher the standard deviation will be. For this reason, standard deviation is often used as a measure of investment risk.

Drawdown: any losing period during an investment record. It is defined as the percent retrenchment from an equity peak to an equity valley. A Drawdown is in effect from the time an equity retrenchment begins until a new equity high is reached. (i.e. In terms of time, a drawdown encompasses both the period from equity peak to equity valley (Length) and the time from the equity valley to a new equity high (Recovery).

Maximum Drawdown: The largest percentage Drawdown that has occurred in any investment data record.

Correlation: Correlation measures the extent of linear association of two variables. For example, how related the returns are between investments.

Quarterly Returns: Cumulative return for the specified quarter.

Trailing Twelve Month Return: Cumulative return for the latest twelve months.

Master Limited Partnership (MLP): A limited partnership that is publicly traded. MLP's produce income streams from activities related to the partnership and attributed to infrastructure, natural gas, energy, exploration and pipeline activities.

Real Estate Investment Trust (REIT): An exchanged traded security that invests in real estate activities and distributes cash to shareholders in a tax advantageous manner. There are three main types of REITs: Equity REITs, Hybrid REITs, and Mortgage REITS.

International Equity: Investments in public international companies that are non-US firms. International Equities tend to be domiciled in Developed ex-US countries.

Emerging Market: Investments in publicly traded emerging market countries, emerging market economies are economies that are progressing toward becoming advanced. Common examples of emerging market economies include Brazil, South Korea, and, but not limited to, India.

Long/Short Equity: Long exposure in equities and short exposure in equities. The net exposure of long positions minus short positions tends to have a positive bias to equity markets.

Multi-Strategy: Deploys its underlying investments with a variety of strategies and portfolio managers that are part of the same organization with a single layer of fees.

Global Trading: Strategies that include discretionary trading - using the judgment of human influences and systematic trading - using software and computer programs.

Event Driven: Diversified strategies that participate in opportunities in both corporate debt and equity securities, merger activity, and but not limited to debt defaults.

Special Situations: Broad sub strategy of special situations specific to a current theme. Special situations invest across different events and typically focus in equities.

Market Neutral: Typically establish both long and short positions that neutralize equity market risk and beta. Alpha can be targeted through security selection.