AMGLOBAL

FAMILY INVESTMENT OFFICE

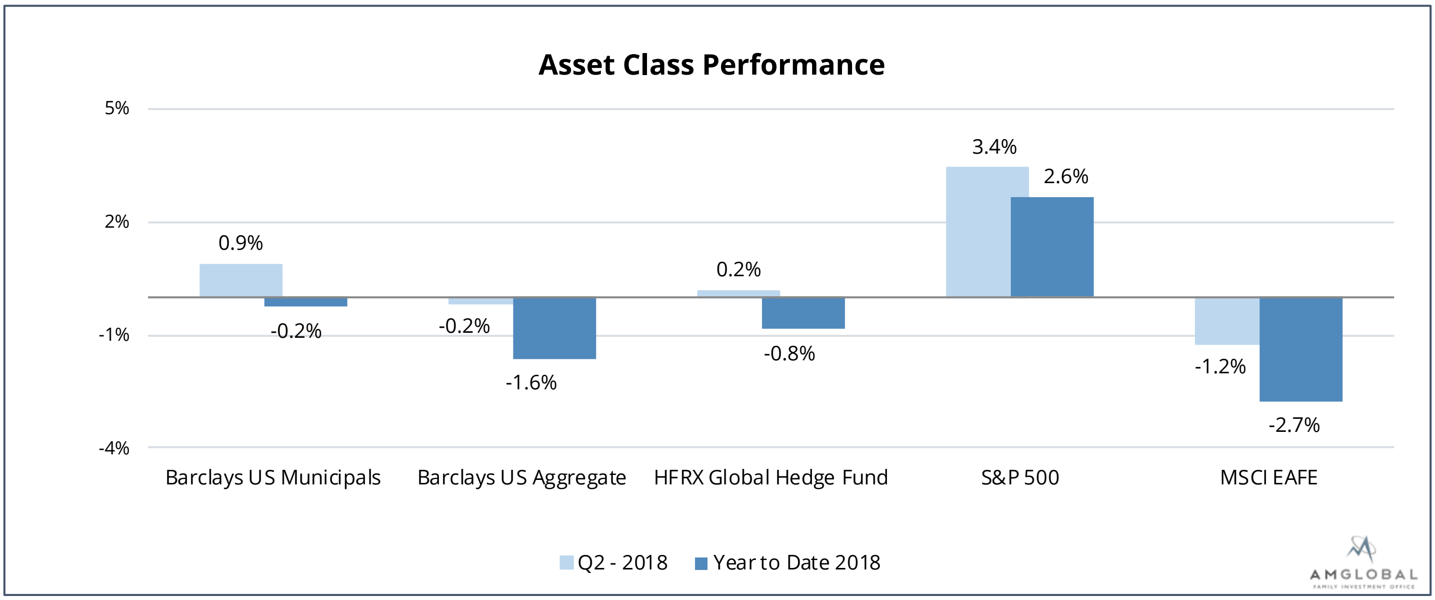
QUARTERLY REVIEW AND OUTLOOK
JULY 2018

- US equity markets finished the quarter up +3.4% (S&P 500) while non-US markets declined -1.2% (MSCI EAFE) as trade and currency fears rose through the quarter.
- The US Federal Reserve continued its path toward tighter monetary policy with another Federal Funds rate increase of 0.25% to a target rate range of 1.75% - 2.00%.
- Bond markets (taxable) finished their second consecutive quarter in negative territory as interest rates moved higher. The bond index was down -0.2% during the quarter (Barclays US Aggregate).
- Marketable alternatives, represented by the AM Global Core Fund (Class B up +0.4%), finished the quarter in positive territory helping to buffer the declines in bonds and international equities. This quarter marked the five-year anniversary of the AM Global Core Fund, and we highlight performance since inception in this letter.
- From a macro perspective, growth in the US economy is estimated to have accelerated from a 2% annualized growth rate in the first quarter to an annualized rate of nearly 4% in the second quarter.

Market Commentary

The second quarter started off on a positive note for global equities as investors priced in better corporate earnings, stronger economic growth, and accepted higher interest rates. As the quarter progressed, debate over trade policy and frequent threats across global trading partners swiftly took control of investor sentiment and triggered a repricing of global equities. As a result, US equities stalled in the second half of the quarter. Most US multinational companies were hurt though non-US equities felt the brunt of the repricing, finishing the quarter down -1.2% and now down -2.7% year-to-date through June (MSCI EAFE). Emerging market equities were impacted the most, down -8.0% (MSCI EM) during the quarter, as the combination of a stronger US Dollar and trade concerns between the US and China caused a steep sell-off. Staying out of the fray, domestic US companies, particularly small caps, offered strong positive returns.

The bond markets were laser-focused on monetary and interest rate policy in the US, pricing in indications that credit may be deteriorating. Taxable bonds and the corporate bond market, as represented by the Barclays US Aggregate Bond index, finished in negative territory for the quarter and year-to-date. However, municipal bonds fared better up +0.9% during the quarter.



Source: eVestment

AM Global portfolios performed well throughout the late volatility in the second quarter, though international equity exposures capped gains. Specifically, our US equity positions experienced strong outperformance relative to the S&P 500 while international and emerging market equity positions underperformed. With greater allocations to US equity, the net effect for client portfolios was a positive contribution overall from global equities. While the broad credit and marketable alternative indices declined during the period, our managers, in both credit and marketable alternatives (hedge funds), were mostly positive during the quarter, which added slightly to portfolio returns.

We expect that there will continue to be winners and losers across asset classes, geographies, and strategies in the quarters ahead. With interest rates rising, we continue to favor marketable alternatives over fixed income and expect that the combination of our investments in global equities and marketable alternatives will continue to cushion portfolios through volatile markets.

What Worked and What Didn't

Heading into the year and into the second quarter, our recommendations were unchanged: underweight fixed income strategies, overweight marketable alternatives and neutral on global equities and cash. This allocation strategy again proved prudent. Specifically, our preferences for US equities (over non-US equities) and hedge funds (over fixed income) drove positive returns. In both asset classes, manager selection provided incremental positive returns. While minimizing allocations to fixed income continues to be a good asset allocation decision, our investments in Deer Park (loans/bonds), Kayne Anderson (mortgage securities), and Wasmer Schroeder (high-yield municipal bonds) contributed positive returns. Overall, we have avoided the declining performance in fixed income markets and have generated strong positive performance in US equities this year though negative performance in foreign equities have partially offset returns. Marketable alternatives have delivered modest positive results year-to-date.

Equity Strategies

US Equity

Following a very volatile first quarter to the year, US equities, and specifically the S&P 500, bounced back with three consecutive positive months to finish the quarter up +3.4%. Our active managers were again able to generate meaningful outperformance over their indices and passive investment strategies with Echo Street Good Co, Fidelity ContraFund, and AKRE Focus US Equity generating strong outperformance and only Saratoga lagging.

Manager	Performance (Q2 - 2018)
Echo Street GoodCo Select	6.4%
Fidelity ContraFund*	6.3%
AKRE Focus US Equity	4.1%
Saratoga Quality Focus Composite**	1.5%
S&P 500 Index	*3.4%*

** Approved manager as of April 2018 Manager Matrix.*
***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

Our energy and MLP exposure suffered a drawdown during the first quarter, but the sector bounced back with a very strong recovery on the heels of improving commodity price fundamentals. WTI crude oil prices were up +14% during the quarter. Our MLP manager, AP Energy Infrastructure, was up +14.5% during the quarter, far outperforming the Alerian MLP index which was up +11.8%. The manager was able to deploy some capital during the volatile month of March, which paid off handsomely. Second quarter performance easily erased first quarter losses and the AP Energy Infrastructure Fund is now up +6.2% year-to-date while the Alerian MLP Index is down -0.6%.

International Equity Strategies

International equity exposure, particularly emerging markets, hurt portfolios during the second quarter. Concerns over trade wars and softening economic growth abroad led to widespread selling throughout the quarter. Not only did investing overseas hurt in the second quarter, but our manager selection suffered as well due to our tilt to value equities. During the quarter, we monitored manager performance closely and had meetings with portfolio managers to better understand the performance challenges. While many reports surfaced about economic growth challenges throughout the European region, our managers found the underlying businesses in their portfolios generating strong earnings growth. Consequently, we opportunistically added more international equity exposure to portfolios, where possible. While this quarter was a challenging one for these investments, they remain very attractive equity positions relative to other options at this time.

Manager	Performance (Q2 - 2018)
Artisan International Value	-2.6%
DFA International Small Cap Value	-3.5%
MSCI EAFE (Int'l Equity)	*-1.2%*
DFA Emerging Market Small Cap	-9.7%
Matthews Emerging Asia	-10.8%
MSCI EM (Emerging Markets Equity)	*-8.0%*

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 6.5% (VC I) and up 5.7% (VC II) in Q2 2018. The Catalyst I & II estimates are based on USD share class returns obtained from capital account statements.

Fixed Income Strategies

Non-taxable Fixed Income

Our high yield municipal bond fund gained +1.1% during the second quarter and is now up +0.3% year-to-date. The Barclays Municipal Index was up +0.9% in the second quarter but remains negative on the year (down -0.2% year-to-date). The relative outperformance of our higher yielding municipal bond portfolio is helpful given the challenging bond and credit markets this year. Coming into the year, we mentioned that supply and demand suggested this year should be a good year for municipal bond investors. While the first quarter did not agree with us, municipal bonds were able to recover and drive positive performance in the second quarter. We continue to find intermediate duration municipal bonds to be an attractive investment relative to other fixed income strategies.

Taxable Fixed Income

We continue to underweight fixed income allocations. We remain biased toward a few specific strategies where we believe competitive returns are attainable while limiting the risk to strategies that would overexpose us to directional credit and interest rate risk. In portfolios where the investment objectives are consistent with fixed income exposure, we have utilized three strategies with different risk and liquidity profiles. All three have delivered positive results this year while the broader fixed income market has declined. The total return strategy by Deer Park, which is mostly a portfolio of non-agency mortgage backed securities, continues to outperform other taxable fixed income strategies. This total return bond portfolio was up +1.6% during the quarter and is now up +2.4% for the year. Meanwhile, the Barclays US Aggregate bond index was negative for a second consecutive quarter, falling -0.2%, and is now down -1.6% for the year.

The less liquid fund we use in credit markets, Deer Park's STS fund, remains nearly fully hedged to credit risk and hedges a substantial amount of their interest rate risk. Net of these hedging costs in various structured credit markets, including commercial mortgage backed securities and subprime, the Deer Park STS hedge fund was up +0.7% for the second quarter and is now up +4.2% for the year.

The Kayne Anderson Real Estate Debt investments that we made continue to perform very well. The weighted average gross yield of the loans is approximately 12.4% and we project a 12.5% IRR on the investments. We look forward to future distributions from this investment as their remains 433 loans in the portfolio.

Alternative Investment Strategies

The AM Global Core Fund (Class B) advanced +0.4% during the second quarter and is up +0.5% for the year. Hedge fund and alternative investment returns varied widely during the second quarter, which collectively contributed to muted returns overall. The HFRX Global Hedge Fund index was up +0.2% during the quarter and is down -0.8% for the year. While our preference is for the AM Global Core Fund, we also utilize the Blackstone Alternative Investment mutual fund in accounts that require liquidity or are unable to hold limited partnerships. The objective and strategy exposures of the Blackstone Alternative Investment mutual fund are similar to the AM Global Core Fund, but with more liquid trading strategies. During the second quarter, the fund was down -0.7% and is now down -1.3% for the year. Ultimately, our prior recommendations to overweight alternatives and the AM Global Core Fund have protected capital well this year. The Core Fund's relative performance over peers and the hedge fund index as well as over the losses in fixed income and international equity markets has been helpful though, frankly, we would prefer higher absolute returns.

During the quarter, we have made some changes to our Global Trading allocations, including the decision to terminate a fund manager (Sandpointe All Seasons Fund). With the fund experiencing internal management changes, including shifting responsibilities on their investment team, amidst an increasingly volatile market, we determined that the risks in the manager were no longer acceptable. Our primary exposure to Global Trading continues to be through Abbey Capital's ACL Alternative Fund and FORT Global Contrarian. We use the two managers due to their historical performance being complementary and beneficial to portfolio construction. The second quarter validated the low correlation between the two global trading strategies with the ACL Alternative Fund falling -2.5% during the quarter but FORT Global Contrarian making +2.2% during the quarter.

What Should You Expect Going Forward?

AM Global Asset Allocation Review and Guidance

2018 marks the first time in the post global financial crisis era (inception 2009) that the 2-year Treasury bond yield is more than 30% greater than the S&P 500® Index dividend yield (See Figure 1). While this is not a sole catalyst to call an end to a strong equity market, it's one of several important factors that elevate our concerns. Recently, we have seen the yield curve flattening with the spread between 2-year and 10-year Treasury Bonds narrowing to under 0.30% (30 basis points). Historically, a flattening yield curve is an indicator of credit and equity deterioration (See Figure 2). We are also keenly tracking credit conditions for signs of weakness, including the yield spread between Treasury bonds and High Yield Corporate bonds; a widening spread would indicate potential credit issues. Companies have taken on more debt, banks are easing credit underwriting and investors have high return expectations, which is a confluence of events that typically occur in the later stages of equity bull markets.

Figure 1 (as of July 10, 2018)

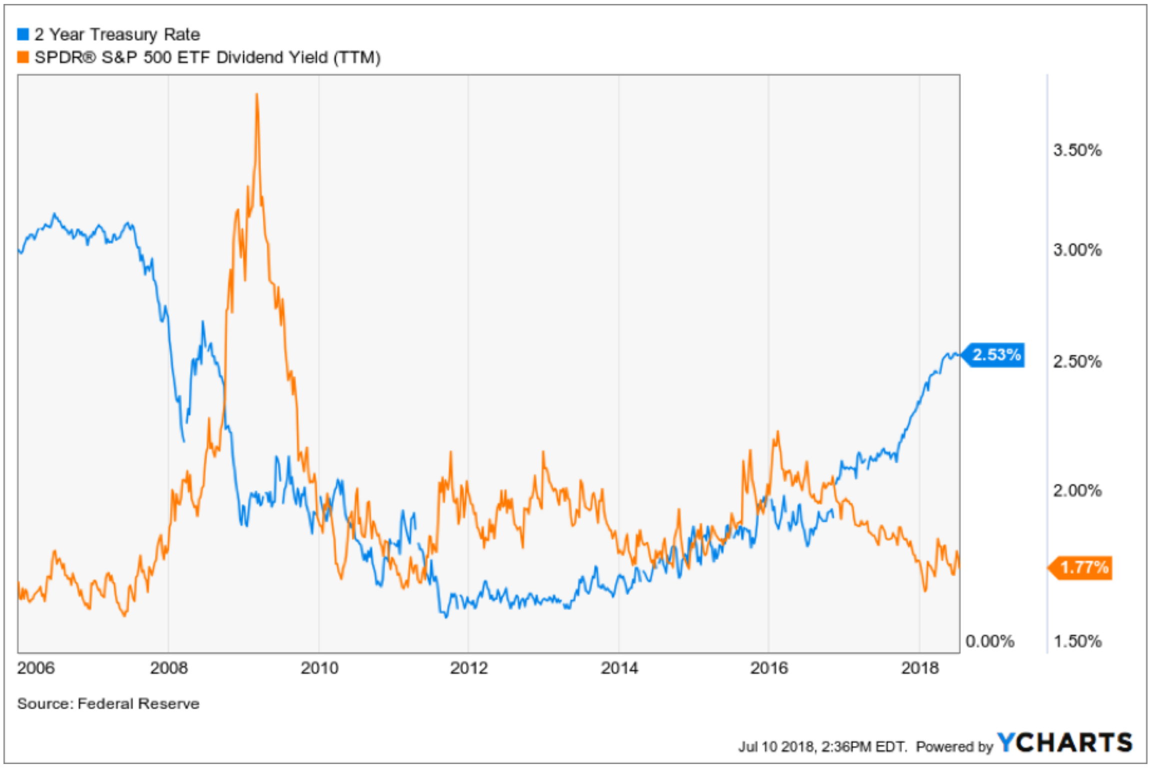
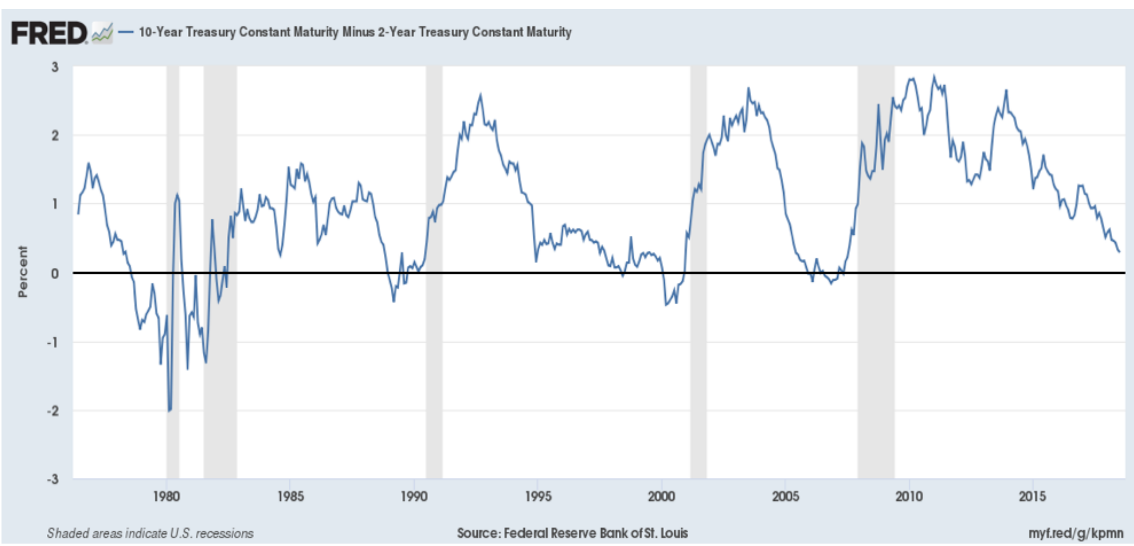


Figure 2 (as of July 9, 2018).



However, we are not recommending that investors sell equity positions today. It is simply important to acknowledge the heightened market risk that comes with these macro factors and to be vigilant.

AM Global Asset Allocation Guidance

July 2018

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

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

Entering the third quarter we continue to hold cash and global equities in a neutral allocation position, fixed income underweight, and market alternatives overweight. One area we are watching closely from an opportunistic perspective is emerging market equity.

As we referenced earlier, emerging markets are currently in a significant correction, down around -14% from their high. Emerging and Frontier market stocks continue to be priced down as both trade and currency concerns push short-term investors to sell. While our investments in emerging markets have detracted from portfolio returns this year, our current allocations are small, and we are interested in owning more of the asset class in portfolios over time. Uncomfortable periods are often the best time to make new investments. While we do not know if this is the "right time" in the short term, we believe valuations are attractive and will reward investors over the long term who are willing to accept the potential of more short-term pain.

AM Global Core Fund Five-Year Anniversary

The month of May marked the five-year anniversary of the AM Global Core Fund, and we thought it would be helpful to reflect on performance, review the objective of the fund in our portfolios, and provide some highlights over the course of the Fund's first five years. The table below provides a good perspective on how the fund performed relative to bonds, global equities, and the hedge fund universe. While we expect better than mid-single digit returns over a full market cycle, we do take some solace in the relative performance to the indices shown, the lower volatility, higher risk-adjusted return (Sharpe Ratio), and 26th percentile ranking among a diverse universe of 200 funds[1].

Statistic	AM Global: AM Global Core Fund (Class B)	HFRX Global Hedge Fund Index	Bloomberg Barclays US Aggregate	MSCI World
Returns	5.51%	1.16%	1.54%	9.08%
Standard Deviation	4.45%	3.61%	2.90%	9.98%
Sharpe Ratio	1.24	0.32	0.53	0.91
Monthly Returns from May 2013 to Jun 2018 displayed in US Dollar (USD)				

For purpose of this table, the Sharpe ratio calculation assumes a risk-free rate of 0% (i.e. is calculated as annualized return divided by annualized standard deviation).

Over the course of five years, marketable alternative strategies (those that use tools to manage risk and volatility) have not had a good trading environment. Of course, sustaining and growing portfolios is not about hitting home runs or even triples, but more about reducing the risks of large losses and improving the probability of generating attractive returns over full market cycles (net of fees and taxes). Despite this tough environment for the Core Fund's strategies, we are pleased with the risk-adjusted returns over this period relative to global equities and outperformance relative to bonds and the hedge fund universe.

The objective of the Core Fund is to provide a return stream to portfolios that is different than equity and bond market returns, thereby gaining important diversification benefits. We strongly believe this "third leg" of portfolios (along with stocks and bonds) is critical to delivering on our goal to generate competitive returns over time while actively managing the portfolio risk in order not to lose big during market turmoil. The combination of our manager selection, access to managers, and ability to proactively manage risk gives us confidence that we will continue to deliver on this objective.

[1] The universe ranking compares the Sharpe ratio of the AM Global Core Fund (Class B) against a custom universe which consists of all funds classified in eVestment's hedged universe "Fund of Funds – Multi-Strategy". The Core Fund (Class B) is manually added to this universe while the Class A Share Class is included in the universe as it is reported to eVestment's system. The Sharpe ratio for the first 5 years of the Core Funds inception (May 2013 to Apr 2018) is ranked and calculated as annualized return divided by standard deviation. Multiple share classes (i.e. currency or fee differences) and/or structures (i.e. onshore or offshore) of the same fund are included in the universe. The universe only ranks net of fee reported funds.

What's New With AM Global?

We are happy to report that we just wrapped up another AM Global Core Fund audit without issue and we will be sending out copies with second quarter reports. In addition, our investment team continues to be very active talking to managers we invest with as well as sourcing for compelling new investment opportunities. So far this year, we have performed in-person due diligence meetings with just shy of 70 funds/managers and look forward to discussing what we have learned during our upcoming quarterly portfolio reviews with each of you.

Otherwise, everyone here at AM Global is enjoying the World Cup and looking forward to summer family vacations. We hope you are too.

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

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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 US 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 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.