CAPITAL MANAGEMENT GROUP
of Wells Fargo Advisors

The Hefter Report – June 2018

Although global stock markets have stalled since February, certain themes have emerged with varying sectors performing better than others.

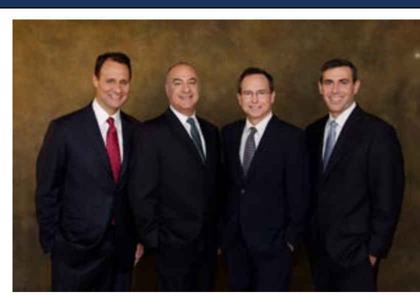
Across the globe, small cap stocks have outperformed large caps. This is probably due to trade uncertainties that affect larger multinational companies more than domestic oriented small cap companies. Furthermore, small caps have underperformed in recent years and may be playing catch up. Another theme is that the US dollar has reversed its recent decline against global currencies and has rallied. This is probably a result of the increased growth in the US, as opposed to other countries, and due to the stimulative effect of tax cuts. Not only has the dollar reacted favorably, but US stocks have outperformed. As the tax cuts push up earnings per share, PE multiples drop in the US and money has been flowing in resulting in the rise in the US dollar and US stock markets.

Another big positive for stocks is that the rally is broadening across many more sectors. What had been predominantly a growth and tech rally is now seeing movement in previously stalled sectors such as consumer staples, financials, health care, energy and other value areas. This gives us confidence that there is potential for more upside and we could see some robust new highs in the indices before the year is over.

Although the 10 year US treasury has increased in yield, it is off its recent high and remains range bound for now. With relatively low inflation, low interest rates, a rising dollar and rising earnings, equities remain our asset of choice. Most fixed income is down for 2018 and we are once again in a period where risk is being rewarded while conservative principal preservation is being penalized.

We have lightened up on international stocks and bonds are shifting more into small cap equities, regional banks and fixed income alternatives such as long short credit funds, floating rate senior loan ETFs, mortgage REITs and negative duration bond funds.

Hefter, Leshem, Margolis Capital Management Group
of Wells Fargo Advisors
1849 Green Bay Road
Suite 200
Highland Park, IL 60035
847 563-3400 phone
800 247-1541 toll-free
847 563-3420 fax
www.hlmcapital.com



Charlie Margolis, Ben Leshem, Steve Hefter, Micah Nathan
Managing Directors – Investments
Senior Vice President - Investments

<u>Disclosures</u>

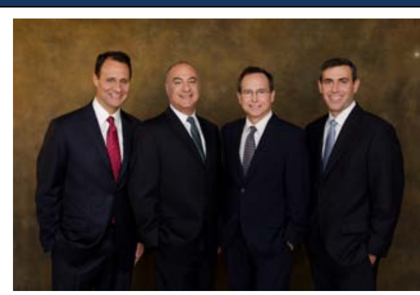
All investing involves some degree of risk, whether it is associated with market volatility, purchasing power or a specific security, including the possible loss of principal. Stocks offer long-term growth potential, but may fluctuate more and provide less current income than other investments. Investing in foreign securities presents certain risks not associated with domestic investments, such as currency fluctuation, political and economic instability, and different accounting standards. This may result in greater share price volatility. Investing in emerging markets accentuates these risks.

Investments in fixed-income securities are subject to market, interest rate, credit and other risks. Bond prices fluctuate inversely to changes in interest rates. Therefore, a general rise in interest rates can result in the decline in the bond's price. Credit risk is the risk that an issuer will default on payments of interest and/or principal. This risk is heightened in lower rated bonds. If sold prior to maturity, fixed income securities are subject to market risk. All fixed income investments may be worth less than their original cost upon redemption or maturity.

Past performance is not indicative of future results and there is no guarantee that any forward looking statements made in this report will be attained.

This and/or the accompanying statistical information was prepared by or obtained from sources that Wells Fargo Advisors believes to be reliable, but its accuracy is not guaranteed. The report herein is not a complete analysis of every material fact in respect to any company, industry or security. The opinions expressed here reflect the judgment of the author as of the date of the report and are subject to change without notice. Any market prices are only indications of market values and are subject to change. The material has been prepared or is distributed solely for information purposes and is not a solicitation or an offer to buy any security or instrument or to participate in any trading strategy. Additional information is available upon request.

Hefter, Leshem, Margolis Capital Management Group
of Wells Fargo Advisors
1849 Green Bay Road
Suite 200
Highland Park, IL 60035
847 563-3400 phone
800 247-1541 toll-free
847 563-3420 fax
www.hlmcapital.com



Charlie Margolis, Ben Leshem, Steve Hefter, Micah Nathan
Managing Directors – Investments
Senior Vice President - Investments