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THE WALL STREET TRANSCRIPT
Connecting Market Leaders with Investors

Active Investing with a Focus on Building Capital

MATT SCHREIBER is President and Chief Investment Strategist of WBI. He is responsible for the day-to-day oversight of WBI's business operations. As Chief Investment Strategist, Mr. Schreiber's responsibilities include market and economic analysis, portfolio strategy, and product design and development. He is an expert in investment product design, distribution, and sales at WBI. In 2014, Mr. Schreiber was an integral part in the debut of 10 actively managed exchange-traded funds by WBI, followed by an historic opening day billion-dollar asset raise. Mr. Schreiber is the host of a successful weekly podcast series, Bull | Bear Radio. He received a bachelor's degree in history and a Master of Education from the University of South Carolina.

SECTOR — GENERAL INVESTING

TWST: Could you please identify yourself?

Mr. Schreiber: Sure. My name is Matt Schreiber with WBI.

TWST: And what's your title there?

Mr. Schreiber: I am the President and Chief Investment Strategist here at WBI.

TWST: And could you tell me a little bit about the firm?

Mr. Schreiber: Sure. WBI has been in business since 1984. Our mission is to take an active approach to investing to achieve good returns relative to markets when markets are favorable, and when markets are not as favorable, we try to make sure that we manage risk to capital by limiting large losses as effectively as possible. And so, if we can do that, you lose less. We don't have to get quite as much return to start compounding on your capital base. Once again, we feel that to win at investing, it's really about capital and compounding on your capital that matters. Returns are a piece of that, but really your capital is what matters the most, and that's what we focus on here at WBI.

TWST: And is there a unique investment philosophy?

Mr. Schreiber: I think our philosophy is extremely unique in that we really aim to reduce correlation during down market periods. And, the way that we define active is, again, limiting losses on the downside, and that's pretty unique. We had a phenomenal 2008 relative to the markets, where our strategies were down midsingle digits to the low teens across the offerings that we had at the time. So that's unique. And, that's actual real client performance.

Our barometer for client success is truly losing less during a down market period while getting good upside, and the way that we approach that is through a very unique process to select securities that is quantitative, that takes a look at company fundamentals. So if the fundamentals are good, we'll buy; if the fundamentals are not good, there are some risk protections in that process, and we won't buy. Once we do buy, we manage the risk to owning each and every one of the stocks that we buy, utilizing a very unique, proprietary, dynamic trailing stop process. So I would say that our philosophy is extremely unique.

The execution of our approach is extremely unique — and the product wrappers that we have them in today. Traditionally, we distributed our product to investors through separate accounts, but we do have one of the largest, truly active ETF envelopes in the industry. Eleven of our 12 ETFs — have the ability to raise up to 100% cash. So they do not track an index like most ETFs do; the vast majority of ETFs are highly correlated to a benchmark.

TWST: And did you want to highlight a stock that you find interesting?

Mr. Schreiber: Well, I think there's a number of stocks that we find interesting. We're agnostic to where the opportunities are, whether they're small, mid or large-sized companies, but I think one place to be shopping is where you can find good value, trying to buy low and sell at a higher point, and a company that has good fundamentals. So despite popular belief and where the returns have mostly been in the last couple of years as people have been focused on growth and tech companies, I think one thing that we're starting to see is a resurgence of companies that are a good value that do pay a dividend.

I think a couple of companies that are interesting to us would include a company that was really out of favor at the beginning of the year that's making a great comeback like **Kohl's** (NYSE:KSS) or **Target** (NYSE:TGT), **Macy's** (NYSE:M) — some of these big-box stores that have been left for dead essentially — seem to have made a comeback in the second half of 2017. And it's kind of that time of the year where those companies should close the year relatively strong, and have great Q4 earnings and have an opportunity here to finish the year from a return standpoint strong, and begin 2018 strong. Some of the other companies that do have online presence like **L Brands** (NYSE:LB), which would include **Victoria's Secret**, is also interesting. They are tied to malls and had also been left for dead, but again, it's a company that I think will continue to do well.

TWST: And how would you separate out, let's say, a Kohl's from a Target or Macy's? What should investors know about their approach that might distinguish it from someplace like a Macy's?

Mr. Schreiber: Well, **Macy's** is just so diversified, and you pretty much can get anything you want at **Macy's**. **Kohl's**, they tailor their products and their offering to a segment of the population that's looking for value. They also do a good job at having specialized lines as well, that are very, very well-promoted with a lot of celebrities and such. So that gives them a leg up potentially over several of the other big-box stores because of their brand name recognition and those folks also that have been doing these specialty lines for them, make them maybe a little bit more attractive than some of the other big-box stores.

TWST: And with a store like Target — they sell a lot more than clothes — certainly Target sells a more diverse inventory. So maybe you could talk a little bit about why Target might be an interesting investment?

Mr. Schreiber: Target is interesting because a lot like **Amazon's** (NASDAQ:AMZN) acquisition of **Whole Foods**, **Target** has food. It has those consumer staples for everyday life, so not only do they have a lot of your housewares and home goods and electronics, but they also have a strong offering from a clothing perspective. And of course, you can do your grocery shopping there. So it's kind of a very nice one-stop shop. And I think that's what makes it a very interesting investment — you know, in the short term at least.

I think there's going to be a continued disruptive force that is **Amazon**, but I think a lot of the other companies are going to start to really try to compete as best they can. And one company that said they are up to the challenge recently is **Walmart** (NYSE:WMT), so I would expect someplace like **Target** to jump into the fray too. They have an extremely strong brand and increased — have an online presence. I think they've also been pretty smart in that the sizes of their stores are a good size compared to **Walmart**. So they've also got that under control from that perspective. They didn't go as big as the **Super Walmarts** did back in the day, so they've got a nice footprint, good locations, and I think that will make them competitive.

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TWST: It seems like with some of these retailers, the online sites can serve a few functions — people can just order from the online site, they can sort of do their pre-shopping and select out what they're interested in and then go into the store, or they might be able to pick up the goods that they ordered online and then the store gets the advantage of having them in the building. So it seems like the online presence of a lot of these stores serves several functions?

Mr. Schreiber: It definitely does, and those brands that continue to adapt to be able to have a strong online presence — consumers love to touch and feel things. So the fact that you cannot do that on the internet and there's not going to be an easy way to do that in the foreseeable future, allows the brick-and-mortar folks to adapt to this new environment where the online presence has been disruptive. But I think the model changes. I think small mom and pop is still strong. Big-box stores that can have the combination of the online presence and the touch and feel will also do well.

I think the next piece of that is going to be home delivery. The big-box retailers that can provide that extra level of service and are able to also control costs could have a leg up. Convenience is what people go to **Amazon** for. You can get items same day, next day or a couple of days from now, and you get that immediate satisfaction that it shows up at your doorstep. So someplace like a **Walmart**, who can control their costs extremely effectively and controls every aspect of the cost of the goods that are in their stores, and one of the biggest buyers in the world, if they really get with the times, they're upgrading their online presence as we speak. **Walmart** could actually come in and really be a disruptive force, a force to be reckoned with in retailing despite people not thinking that they might not be able to jump in and compete.

So I think we're in the early stages of technology as a disrupter — it's how these big-box companies either decide to try to play the game or not. If they don't adapt and change here, that's where some of them

Highlights

Matt Schreiber discusses WBI Investments' mission and strategy, which is to take an active approach to investing to achieve good returns relative to markets when markets are favorable. He says that to win at investing, it's really about capital and compounding on capital that matters. He says WBI's investment philosophy is extremely unique in that it aims to reduce correlation during down market periods and uses a process to select securities that is quantitative. He highlights a number of stocks he finds interesting in the retail and entertainment sectors.

Companies include: Kohl's Corporation (NYSE:KSS); Target Corporation (NYSE:TGT); Macy's (NYSE:M); L Brands (NYSE:LB); Amazon.com (NASDAQ:AMZN); Wal-Mart Stores (NYSE:WMT); AMC Entertainment Holdings (NYSE:AMC); Regal Entertainment Group (NYSE:RGC); Facebook (NASDAQ:FB) and Snap (NYSE:SNAP).

will die, but there's surely many of them that can jump in here and reestablish their presence. By the way, **Walmart** can use their square footage to their advantage. They're local too. They can use their stores as distribution centers to get goods to the consumer just as quick, quicker than **Amazon** possibly could.

1-Year Daily Chart of Kohl's Corporation

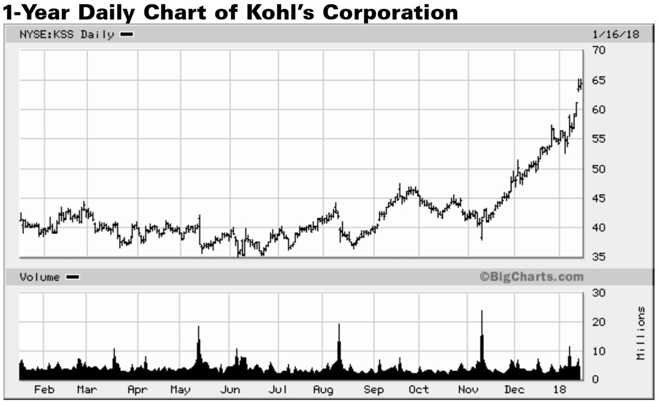

Chart provided by www.BigCharts.com

broader market. Some companies come with extremely high dividends, which can be very, very attractive to an aging population.

AMC (NYSE:AMC) is another interesting value at the moment along with **Regal Cinemas** (NYSE:RGC). There's a few blockbuster movies coming out this holiday season. While that has been segment of the marketplace that's also gotten beaten down — movie traffic is down because you can watch movies at home or on your phone and all that kind of stuff — I think they'll probably have a very good holiday season here and maybe even a good start to 2018.

And, I just read this morning that Saudi Arabia, which has not allowed folks to go to the cinema for nearly three decades, almost four decades, is going to open up 300 new cinema-plexes next year and 2,000 screens. So that also could be a boon for business, for Hollywood as well, because they've really been looking for some growth, and they got that in China a few years ago, but with the Middle East kind of opening up a little bit, it could be very interesting for American companies to have great growth there. And,some of the big-name brands could expand overseas or continue to expand overseas to places where they've never been before.

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TWST: And for the stores that are like the L Brands company, like a Victoria's Secret, and I believe they have Bath & Body Works too, this time of the year is probably pretty key for them, and investors are probably going to watch that carefully as we lead up to the winter holidays in terms of the amount of goods sold and the foot traffic that comes into the store and the number of people that shop online?

Mr. Schreiber: Absolutely. Consumer confidence has been very close to all-time highs in recent months. I think people, with this tax package coming, are feeling good about their situation; their home values are on the rise too. It kind of creates a perfect storm for people to spend pretty strongly, and we saw that on Black Friday and Cyber Monday. I think that trend continues throughout the course of this holiday season. I think people will be pretty forthcoming with getting the credit card out of their wallet and such. Or they can use their cellphone through Apple Pay or however they're doing it these days. I think that you'll see that consumer confidence is high, and I think they'll put their plastic where their mouth is, so to speak.

TWST: Do you think overall retail is going to be one of the sectors that people are going to watch carefully next year as potential investments?

Mr. Schreiber: Absolutely. I think the opportunity is here; these companies are really trading at extreme values. So as the market continues to be more and more fully valued, marching virtually every day to new all-time highs, I think a lot of investors are becoming cognizant of some companies being extremely overvalued and pricey relative to other companies. They know that some companies are trading at very, very good values relative to the

1-Year Daily Chart of AMC Entertainment Holdings

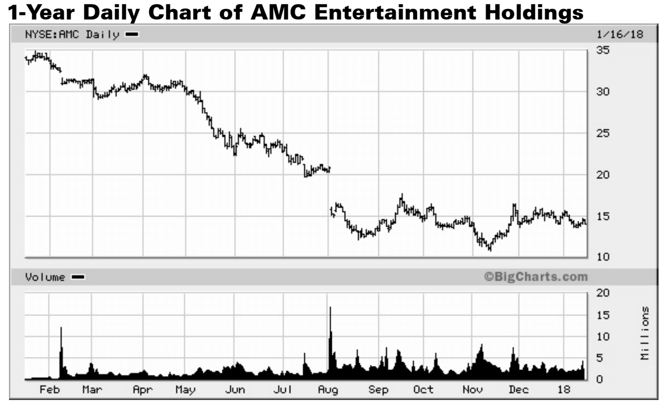

Chart provided by www.BigCharts.com

TWST: And with some of these theaters, you're also seeing basically entertainment for a few hours and maybe getting some food during the movie as opposed to in the past might have been just popcorn or whatever. And so there's more opportunities for the companies to provide an experience for customers?

Mr. Schreiber: Absolutely. That's where you also see some of those larger chains, in terms of restaurants here in the United States, looking for the next opportunity to expand. Again, there are a lot of companies that maybe slowing down or that growth is tapped out here in the United States. Many companies have had limited prospects for growth over the last couple of years and their fundamentals came under great scrutiny, where again they could expand very easily with a couple of these larger projects that are transpiring overseas. It could be a real home run for business, plus they are incentified too if we get a tax plan that allows them to bring some of that cash back onshore very easily. So this is in an environment that's very interesting from a growth perspective, from an individual-security-selection perspective.

I think that passive, while it's had its day in the sun the last couple of years, that run could be coming to an end in the next couple of years as some of these different opportunities, whether it's what we're speaking about here or otherwise, come to bear. And that's where you will start to see a deviation in return sets that could be very, very immaterial and very beneficial if you are investing in something other than a passive index, which obviously comes with symmetrical risk to the downside too. What goes up, will go down at some point. That could be devastating to investor capital.

TWST: And do you get a sense too that the Millennials might start to look at the stock market more seriously, especially if their incomes are a little more steady and they've got a lot of their early-life debt taken care of?

Mr. Schreiber: I do think so. I think the big thing that may cause Millennials to change from being very "me"-oriented in terms of they want to have experiences, and they want to travel a lot, and they buy things that excite them, is that when me turns to "we," and kids potentially enter the situation, then that's where you start to see some of the spending patterns, some of the attitudes in relation to work and money start to change. They will start to set aside money. They will want to buy a house. They end up moving from maybe the city or from the place that they live in the city to a place with more space, which will require obviously more money. So your attitudes and perceptions about life in general start to shift a little bit.

So I think you'll see that shift happen over the next three to five and 10 years, where that population goes from just entering the workforce and starting to make money to actually settling down and maybe getting married and having children, and then that kind of changes how you look at money and what you do with your money. And so I do think at one point Millennials will decide that investing and learning about investing and investing wisely will become something that they start to do.

I think they are initially changing the way people think about investing, but again, they're such a small segment of the overall investment landscape that while there have been some disruptive technologies and such, I do think they'll have more interest in stocks in general at some point, but again, they mostly say that they're scared because of the losses that their parents and their grandparents absorbed in 2008 and early 2009. So if that's the way they're feeling, I don't think passive indexing is the approach that they're looking for; therefore that would point more toward stocks and buying what they know: **Facebook** (NASDAQ:FB), **Snapchat** (NYSE:SNAP), etc. So I think some of these preferences will continue to change with age and a change in how you think about your life and the world in general.

TWST: On the other age group, the Baby Boomers, who are either in retirement or might be nearing retirement, do you think they're going to continue to invest in the stock market, in equities, even if interest rates start to go up a little bit?

Mr. Schreiber: Absolutely. We build retirement income solutions as one of the primary segments of our business. We do have a retirement income solution; we've been managing it since 1993. And so we take a balanced approach to owning stocks and bonds.

I think the only way to succeed as a retiree or Baby Boomer who is moving toward retirement or in retirement is to take a balanced approach to generate cash flow from their portfolio that supports their income need. Historically, the best way to do that is having bonds working to your advantage, that have a little bit higher cash flow, and then the only financial asset that keeps pace with inflation long term historically has been stocks. So you have to marry the two together.

We know that on average stocks over the last 100 years have gone down 10% every year, 15% every two years and 20% every three and a half years, and typically every six years 40% to 50% at least. So you have to collar some of that risk because you can't afford to lose half of your money every six years or so and, bonds have been in the 30-year bull market. So there is some risk there obviously.

I think the only way to succeed as a Baby Boomer marching toward retirement is to take a measured approach, one that is cash-flow-oriented from an investment perspective. Invest in things that have good cash flow to support your income need to try and get some return, so you can keep pace with inflation and have a growing income stream long term. That's the way we think you should invest if you're nearing or in retirement.

TWST: Thank you. (ES)

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