

High Yield Bond Wrap

TAXABLE FIXED INCOME STRATEGY

SEIX 
INVESTMENT
ADVISORS LLC®

Third Quarter 2018 Report

High yield bonds experienced their best quarter of the year as investors' appetite for risk assets remained. The ICE BofA Merrill Lynch U.S. High Yield Cash Pay Index returned 2.44%, and high yield once again managed to outperform every other major sector of fixed income: investment grade corporate bonds 0.97%, municipals -0.15%, collateralized mortgage-backed securities (CMBS) 0.55%, asset-backed securities (ABS) 0.49%, U.S. mortgage-backed securities (MBS) -0.12%, U.S. Treasury -0.59%, and U.S. agency -0.01%.

As has been the case for most of the year, CCC and lower-rated debt performed best (2.77%), outperforming Bs (2.32%) and BBs (2.32%) both by 0.45%. Year-to-date, lower quality has significantly outperformed the rest of the credit quality spectrum: CCCs returned 5.95%, Bs gained 3.36%, and BBs were up 0.50%. The story was a bit more mixed during the quarter, with BBs outperforming in August, as spreads experienced some brief widening—only to finish September 43 basis points (bps) tighter. The high yield option adjusted spread (OAS) over Treasuries ended the quarter at 325 bps, as rates continued to climb upward in the face of improving economic conditions. Ten-year Treasury rates closed out September 19 bps higher on the quarter (3.06%) and 8 bps flatter to the two-year. Pharmaceuticals, supermarkets, and cable & satellite delivered the best excess returns per industry, while retailers, home construction and autos were the worst performers.

Fundamentally, high yield companies continued to improve overall due to strong revenue and EBITDA growth, falling leverage ratios, and elevated coverage metrics. This continues to support a low expected default rate (2.0-2.5%) as we look to 2019. Based on economic growth, we believe the Federal Reserve (Fed) will continue to increase the fed funds rate target in December, and expect another two to three rate hikes in 2019.

Demand remained stable for the asset class, as third quarter flows continued to recover after seeing significant outflows in Q1 and modest outflows in Q2. More and more, we are seeing issuers access the leveraged loan market for borrowings, since investors are currently showing a preference for floating rate assets. This is a big part of why we are seeing high yield gross issuance down roughly 30% year-to-date, and why high yield spreads remain range-bound in the face of higher interest rates.

TOP 10 HOLDINGS

	% of Portfolio
Rowan Companies Inc.	1.99
MGIC Investment Corp.	1.87
Ally Financial Inc.	1.71
Envision Healthcare Corp.	1.06
CNX Resources Corp.	1.05
Ball Corp.	1.04
NRG Energy Inc.	1.04
Sprint Communications	1.03
Transocean Inc.	1.03
Southwestern Energy Co.	1.02

PORTFOLIO MANAGERS



George Goudelias
Head of Leveraged
Finance
Senior Portfolio Manager
Industry experience
since 1987
Joined Seix in 2001



Mike Kirkpatrick
Senior Portfolio
Manager
Industry experience
since 1991
Joined Seix in 2002



James FitzPatrick, CFA
Head of Leveraged
Finance Trading
Portfolio Manager
Industry experience
since 1996
Joined Seix in 1997

Holdings are subject to change. The top holdings are as of the period indicated. There is no assurance that any of the securities noted will remain in a portfolio at the time you receive this commentary. Actual holdings and percentage allocation in individual client portfolios may vary and are subject to change. It should not be assumed that any of the holdings were, or will prove to be, profitable, or that the investment recommendations or decisions we make in the future will be profitable. A list of all securities held in this strategy in the prior year is available upon request.

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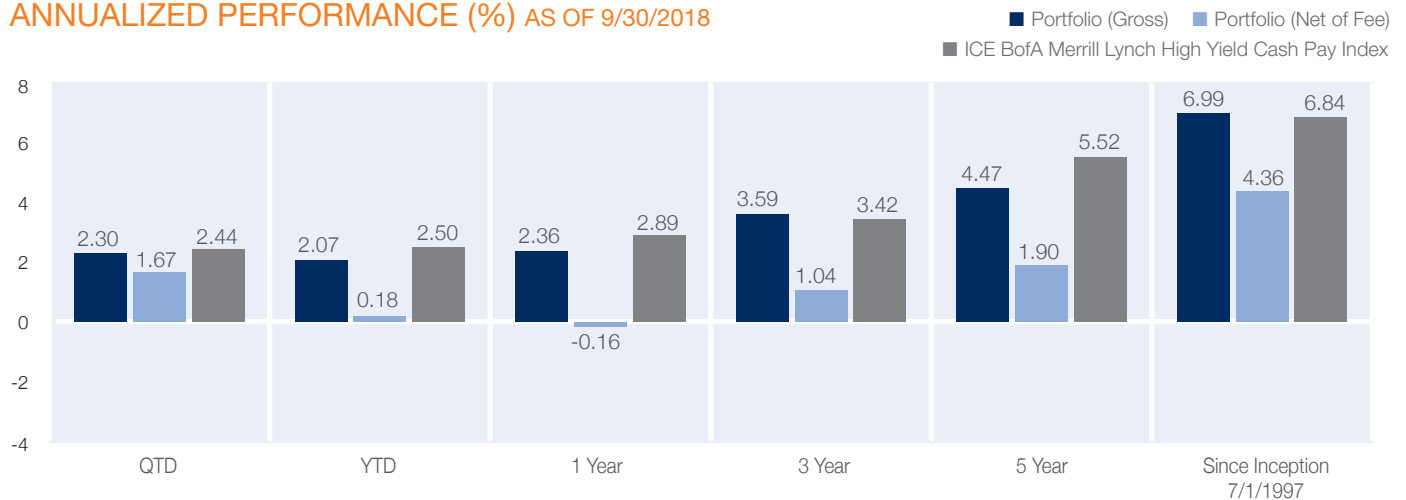


Outlook and Positioning

The Seix High Yield Bond Wrap portfolio posted a return of 2.30% in the third quarter. As expected, there was a slight lag versus the full market ICE BofA Merrill Lynch High Yield Cash Pay Index's return of 2.44%. The biggest detractors to performance were an underweight to healthcare, a modest cash position, and security selection in cable & satellite. Helping offset these factors was an overweight to energy.

Despite improving credit fundamentals on the year, the positioning in the portfolio remains up in quality given present valuations, being in the later stages in the credit cycle, and numerous geopolitical risks.

ANNUALIZED PERFORMANCE (%) AS OF 9/30/2018



Net returns are calculated by subtracting the highest applicable wrap fee (2.50% on an annual basis, or 0.21% monthly) on a monthly basis from the gross composite monthly return.

Past performance is not indicative of future results. The information shown above is supplemental information only and complements the fully compliant presentations. Periods greater than one year are annualized.

ICE BofA Merrill Lynch High Yield Cash Pay Index is an unmanaged index consisting of all domestic and Yankee high-yield bonds maturing over one year. The quality range is less than BBB-/Baa3 but not in default (DDD1 or less). The index does not reflect the deduction of expenses associated with a mutual fund, such as investment management and fund accounting fees. A fund's performance reflects the deduction of fees for these services. The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and is not available for direct investment.

High Yield Bond Wrap Composite Data

Year End	Total Firm	Composite Assets		Annual Performance and Standard Deviation					
	Assets (\$ mil)	US\$ (\$ mil)	# of Wrap Sponsors	Net Composite Return	Pure Gross Composite Return	Composite 3-Year Std. Dev.	ICE BofA Merrill Lynch High Yield Cash Pay Index	Index 3-Year Std. Dev.	Composite Dispersion
2017	24,843	2,013	9	2.91%	5.51%	4.11%	7.48%	5.58%	0.0%
2016	27,631	2,060	6	7.24%	9.93%	4.80%	17.34%	6.01%	0.2%
2015	25,698	1,527	6	-4.20%	-1.77%	4.93%	-4.55%	5.27%	0.1%
2014	30,989	1,482	6	1.52%	4.08%	4.23%	2.44%	4.42%	0.1%
2013	26,600	1,486	6	2.43%	5.02%	4.99%	7.38%	6.33%	0.1%
2012	26,141	1,535	6	9.91%	12.67%	5.44%	15.44%	6.93%	0.1%
2011	26,147	746	7	4.77%	7.41%	7.53%	4.50%	10.78%	0.2%
2010	25,855	682	8	8.67%	11.40%	-	15.24%	-	0.3%
2009	24,338	368	7	26.69%	29.83%	-	56.28%	-	0.6%
2008	17,375	111	6	-15.95%	-13.73%	-	-26.21%	-	0.3%

N/A - Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

Seix Investment Advisors LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Seix Investment Advisors LLC has been independently verified for the periods 1/1/1993 through 12/31/2016. The verification reports are available upon request.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

Seix Investment Advisors LLC is an SEC-registered investment adviser and wholly owned subsidiary of Virtus Investment Partners. The firm maintains a complete list and description of composites, which is available upon request.

The Seix High Yield Wrap composite consists of all High Yield Wrap Fee accounts managed by Seix in all participating Wrap Fee Sponsors' Programs. The minimum account size for inclusion in the composite is \$250,000. Prior to 6/1/2015, the account minimum was \$500,000. For comparison purposes, the composite is measured against the ICE BofA Merrill Lynch High Yield Cash Pay Index. The ICE BofA Merrill Lynch High Yield Cash Pay Index is an unmanaged index consisting of all domestic and Yankee high yield bonds maturing over one year. The quality range is less than BBB-/Baa3 but not in default. Index returns do not reflect the deduction of any fees.

The Seix High Yield Wrap Composite was created 1/1/2003, and has a performance inception date of 7/1/1997. Prior to 9/30/2017, the Seix High Yield Wrap Composite was named the Seix High Yield SMA Composite.

Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. The U.S. dollar is the currency used to express performance. Returns include the reinvestment of all income. The annual composite dispersion presented is an asset-weighted standard deviation calculated for the wrap sponsors in the composite the entire year.

Pure Gross returns are presented as supplemental information, do not reflect the deduction of any trading costs, fees or expenses and are presented for comparison purposes only. Net returns are calculated by subtracting on a monthly basis the highest assumed wrap fee (2.50% annually or 0.21% per month) from the gross composite monthly return. The assumed wrap fee includes all charges for portfolio management, trading costs, custody and other administrative fees.

Actual wrap fees vary by Program Sponsor. Please refer to the Program Sponsor's ADV 2A for a full disclosure of the fee schedule for wrap fees. Returns realized by clients will be reduced by the actual wrap fee rates and rates incurred by clients will vary.

Performance presented for the period prior to March 31, 2008 occurred while the Portfolio Management Team was a part of Seix Advisors, the Fixed Income division of Trusco Capital Management, Inc. ("Trusco") and the predecessor of Seix Investment Advisors LLC. Effective as of 3/31/2008, Seix Advisors began operating as a separate legal entity, named Seix Investment Advisors LLC ("Seix"), and Trusco was renamed as RidgeWorth Capital Management, Inc. Effective as of 5/23/2014, RidgeWorth Capital Management, Inc. became RidgeWorth Capital Management LLC, and Seix merged with StableRiver Capital Management LLC, a wholly owned subsidiary of RidgeWorth Capital Management LLC. Effective 6/1/2017, RidgeWorth Capital Management LLC was acquired by Virtus Investment Partners, Inc. ("Virtus"). Seix is an SEC-registered investment adviser and is a wholly owned subsidiary of Virtus Partners, Inc., a wholly owned subsidiary of Virtus.

Seix has retained the identical investment style since the inception of the composite. Seix also maintains the records necessary to support the performance of all composites and will provide these records upon request. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. **Past performance is not indicative of future results.**

IMPORTANT RISK CONSIDERATIONS

Credit & Interest: Debt securities are subject to various risks, the most prominent of which are credit and interest rate risk. The issuer of a debt security may fail to make interest and/or principal payments. Values of debt securities may rise or fall in response to changes in interest rates, and this risk may be enhanced with longer-term maturities. **High Yield-High Risk Fixed Income Securities:** There is a greater level of credit risk and price volatility involved with high yield securities than investment grade securities.

DEFINITIONS & DISCLOSURES

Bonds offer a relatively stable level of income, although bond prices will fluctuate providing the potential for principal gain or loss. Intermediate-term, higher quality bonds generally offer less risk than longer-term bonds and a lower rate of return. Generally, a Portfolio's fixed income securities will decrease in value if interest rates rise and vice versa. Although a Portfolio's yield may be higher than that of fixed income strategies that purchase higher rated securities, the potentially higher yield is a function of the greater risk of that strategy's underlying securities.

This information and general market-related projections are based on information available at the time, are subject to change without notice, are for informational purposes only, are not intended as individual or specific advice, may not represent the opinions of the entire firm, and may not be relied upon for individual investing purposes. Information provided is general and educational in nature, provided as general guidance on the subject covered, and is not intended to be authoritative. All information contained herein is believed to be correct, but accuracy cannot be guaranteed. This information may coincide or conflict with activities of the portfolio managers. It is not intended to be, and should not be construed as investment, legal, estate planning, or tax advice. Seix Investment Advisors does not provide legal, estate planning or tax advice. Investors are advised to consult with their investment professional about their specific financial needs and goals before making any investment decisions.

HOLDINGS DISCLOSURE The information provided in this report should not be considered a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this report or that securities sold have not been repurchased. The securities discussed do not represent an account's entire portfolio and in the aggregate may represent only a small percentage of an account's portfolio holdings. It should not be assumed that any of the securities transactions or holdings discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein.