High Yield Bond Wrap

TAXABLE FIXED INCOME STRATEGY

SEIX INVESTMENT ADVISORS
A VIRTUS INVESTMENT PARTNER

Market Review

Market moves in high yield during 3Q2023 mirrored much of 2023, albeit in a somewhat milder fashion. Overall spreads (+403) in high yield as measured by the ICE BofA US High Yield Index (H0A0) decreased by 2 basis points (bps) over the quarter. CCCs led the way, with spreads having compressed by 20 bps to +923 bps, while single-Bs tightened 9 bps to +419 bps and BBs widened by 11 bps over the quarter to +275 bps. Year-to-date, total return for CCCs is 12.71% versus 6.57% for single Bs and 4.37% for BBs. Though the economy has continued to support strong earnings and revenues, higher rates and the continued move of financially stronger rising stars out of high yield and into the investment grade sector have begun to drag down interest coverage ratios from their historical highs (in the 5.85x range for 3Q2022, per analysis provided by J.P. Morgan). While these numbers are softer (in the 5.25x range as of June 30, 2023), they are still comfortably above the historical average of the 4.48x range. Corporate management teams continue to prioritize balance sheet flexibility after having experienced issues during the 2008 Global Financial Crisis and the 2020 pandemic. Leverage overall remains low, at around 4.17x at the end of 2Q2023—off the lows of 3.92x in 1Q2023, but still at a healthy level.

We continue to position our portfolio with a defensive bias. Inflation, while off its highs, continues to negatively impact the average consumer as even staples are becoming more difficult to afford. Consumer debt has increased along with interest rates to create a negative spiraling effect on disposable income. Additionally, student loan payments will now be an issue as the nearly three-year deferment comes to an end. On a positive note, high yield defaults, as of August 31, 2023, sit at 2.4%, down 0.3% from the 2.7% at the end of 2Q2023. This comes off 0.8% from 2022 and 0.3% from 2021, according to J.P. Morgan, so given any unexpected financial crisis, we could end the year below our expected 3% rate for the space.

Performance

The Seix High Yield Wrap strategy that we manage decreased by -1.16% (net) and -0.54% (gross) for 3Q23 versus the ICE BofA US Cash Pay High Yield (J0A0) Index, which increased by 0.53%.

The largest driver of the underperformance in the portfolio was due to an overweight in BBs (H0A1) and BBBs (C0A4) and a void in CCCs (H0A3). From a sector perspective, the largest contributors to relative performance included transportation, automotive and aerospace, consumer/textiles/tobacco, and building construction. The largest detractors to relative performance included cable satellite, retailers, and diversified manufacturing & other industrial.

For the year-to-date period, the Seix High Yield Wrap strategy increased 1.63% (net) and 3.55% (gross) versus the ICE BofA US Cash Pay High Yield Index, which increased 5.90%.

The largest driver of the underperformance for the year-to-date period was also due to an overweight in BBs (H0A1) and BBBs (C0A4) and a void in CCCs (H0A3). From a sector perspective, the largest contributors to relative performance included telecommunications, consumer/textiles/tobacco, and services environmental. The largest detractors to relative performance included financials, gaming & leisure, and retailers.

TOP 10 HOLDINGS

	% of Portfolio
HILTON WORLDWIDE FIN LLC	2.03
CROWDSTRIKE HOLDINGS INC	1.56
CDW LLC/CDW FINANCE	1.39
BALL CORP	1.22
TRANSDIGM INC	1.22
TRI POINTE GROUP / HOMES	1.17
TRANSDIGM INC	1.16
DCP MIDSTREAM OPERATING	1.15
RADIAN GROUP INC	1.15
SM ENERGY CO	1.15

PORTFOLIO MANAGERS

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.

To obtain the top/bottom holdings calculation methodology, call 800-243-4361.

Seix Investment Advisors is a division of Virtus Fixed Income Advisers, LLC ("VFIA"), an SEC registered investment adviser.

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Our longer-term objective is to provide a smoother ride with outperformance through the full credit cycle and the strongest relative performance generated during periods of dislocation when the market is offering a plethora of attractively priced securities.

Current Strategy

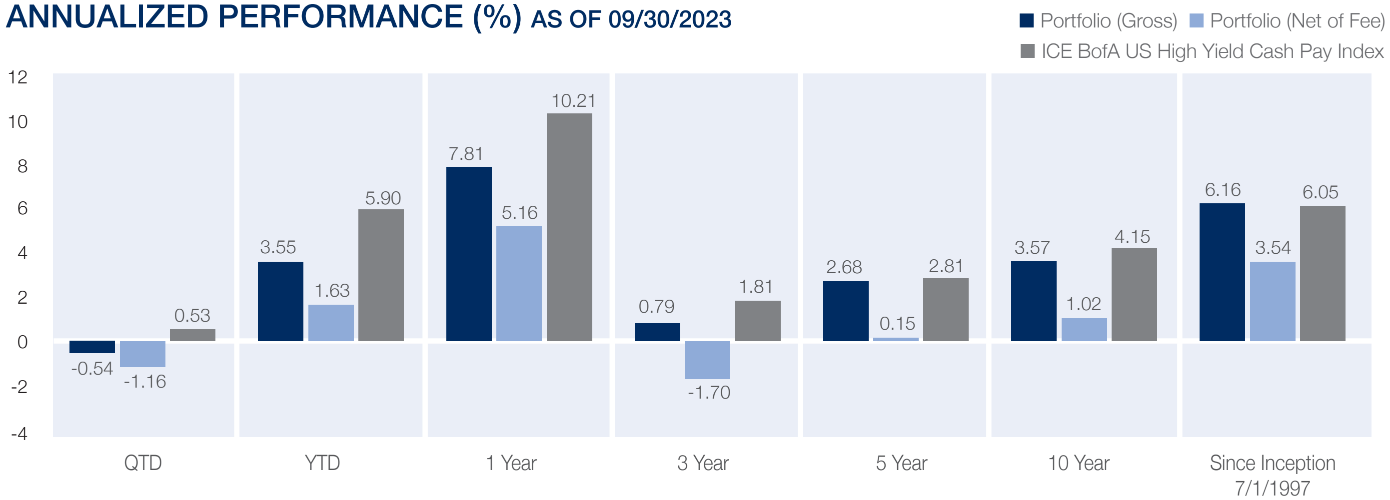
We continue to find value in the higher-quality part of the high yield market. Further, we continue to look for and find value in the following segments: fallen angels, orphan credits, small cap issuers, sectors that do not fit a traditional high yield analysis such as financials, and out-of-favor sectors and/or segments of the market.

We continue to maintain exposure to the higher-quality segments of the high yield market despite the underperformance. We continue to believe that this part of the market offers the best risk/reward profile as we progress through this period of uncertainty that includes the Federal Reserve continuing to maintain its hawkish bias in the face of increasing geopolitical tensions. We are favoring current income with fundamental downside protection given our view that while yields are attractive, spreads are not likely to materially tighten over the near term.

Outlook

Valuations are approaching attractive levels, with the high yield market now yielding in excess of 9% and BB yields approaching 8%. Consistent with our 2Q commentary, fundamentals have softened, but remain at healthy levels, and many corporate management teams have prioritized balance sheet flexibility consistent with the consensus view that a recession is on the horizon. Technicals remain solid largely due to relatively low issuance combined with a meaningful percentage of the high yield market having been upgraded to investment grade.

ANNUALIZED PERFORMANCE (%) AS OF 09/30/2023



Net returns are calculated by subtracting the highest applicable wrap fee (2.50% on an annual basis, or 0.21% 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 US 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.

ICE BofA US High Yield Index (H0A0) tracks the performance of US dollar denominated below investment grade rated corporate debt publicly issued in the US domestic market. To qualify for inclusion in the index, securities must have a below investment grade rating and an investment grade rated country of risk.

The ICE BofA BB US High Yield Index (H0A1) is a subset of the ICE BofA U.S. High Yield Master II Index and includes all securities with a given investment grade rating BB.

The ICE BofA BBB US Corporate Index (C0A4) is a subset of the ICE BofA U.S. Corporate Master Index tracking the performance of U.S. dollar denominated investment grade-rated corporate debt publicly issued in the U.S. domestic market. This subset includes all securities with a given investment grade rating BBB.

The ICE BofA CCC & Lower US High Yield Index (H0A3) subset includes all securities with a given investment grade rating CCC or below.

The ICE BofA Single-B US High Yield Index (H0A2) subset includes all securities with a given investment grade rating B.

The indexes are unmanaged, their returns do not reflect any fees, expenses, or sales charges, and are not available for direct investment.

High Yield Bond Wrap Composite Data

	Total Firm	Composite Assets			Annual Performance and Standard Deviation					
Year End	Assets ($ mil)	US$ ($ mil)	Percentage of Wrap-Fee Portfolios	# of Wrap Sponsors	Net Composite Return	Pure Gross Composite Return	Composite 3-Year Std. Dev.	ICE BofA US High Yield Cash Pay Index	Index 3-Year Std. Dev.	Composite Dispersion
2022	14,122	1,442	100	13	-11.90%	-9.65%	8.98%	-11.11%	11.08%	0.10%
2021	17,435	1,902	100	13	1.35%	3.91%	6.75%	5.29%	9.12%	0.00%
2020	17,721	1,742	100	13	5.57%	8.23%	6.94%	6.20%	9.36%	0.15%
2019	18,034	1,614	100	13	9.84%	12.60%	3.45%	14.40%	4.13%	0.05%
2018	21,160	1,414	100	13	-4.08%	-1.65%	3.08%	-2.26%	4.62%	0.00%
2017	24,843	2,020	100	9	2.91%	5.51%	4.11%	7.48%	5.58%	0.00%
2016	27,631	2,060	100	6	7.24%	9.94%	4.80%	17.34%	6.01%	0.20%
2015	25,698	1,527	100	6	-4.20%	-1.77%	4.93%	-4.55%	5.27%	0.10%
2014	30,989	1,482	100	6	1.52%	4.08%	4.23%	2.44%	4.42%	0.10%
2013	26,600	1,486	100	6	2.43%	5.02%	4.99%	7.38%	6.33%	0.10%

Seix Investment Advisors 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 has been independently verified for the periods January 1, 1993, through December 31, 2022. The verification reports are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedure for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.

Seix Investment Advisors ("Seix") provides investment management and advisory services primarily to segregated accounts of institutional clients, wrap accounts, and pooled funds. Seix operates as a division of Virtus Fixed Income Advisers, LLC ("VFIA"), an SEC registered investment adviser. For the purpose of complying with the GIPS standards, the firm is defined as Seix Investment Advisors, a division of VFIA and held out to the public as Seix Investment Advisors. Seix Investment Advisors was founded in 1992. In 2014 Seix merged with StableRiver Capital Management and became a subsidiary of RidgeWorth Capital Management LLC. In 2017, RidgeWorth Capital Management LLC was acquired by Virtus Investment Partners, Inc. ("Virtus"). Effective July 1st, 2022, Seix Investment Advisors became a division of VFIA, a subsidiary of Virtus.

The Seix High Yield Bond Wrap strategy seeks high income and capital appreciation. High Yield Bond Wrap accounts invest primarily in a diversified portfolio of higher yielding, BB-rated and B-rated income-producing debt instruments. The accounts may invest in U.S. dollar denominated debt obligations of U.S. and non-U.S. issuers.

For comparison purposes, the composite is measured against the ICE BofA US High Yield Cash Pay Index. The ICE BofA US 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 minimum account size for inclusion in the composite is $250,000. Prior to June 1, 2015, the account minimum was $500,000.

Prior to September 30, 2017, the Seix High Yield Bond Wrap Composite was named the Seix High Yield SMA Composite. The Seix High Yield Bond Wrap Composite was created January 1, 2003 and has a performance inception date of July 1, 1997.

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. 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. Past performance is not indicative of future results.

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.

The three-year annualized standard deviation measures the variability of the composite gross returns, and the benchmark returns over the preceding 36-month period.

The dispersion of annual returns is measured by the asset-weighted standard deviation of portfolio gross returns represented within the composite for the full year. No dispersion is reported for periods with five or fewer portfolios (shown as N/A).

Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. A list of all composite investment strategies offered by the firm, with a description of each strategy, is available upon request. The type of portfolios in which each strategy is available (segregated account, limited distribution pooled fund, or broad distribution pooled fund) is indicated in the description of each strategy.

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A basis point (bp) is equal to 0.01%.

IMPORTANT RISK CONSIDERATIONS

Credit & Interest: Debt instruments are subject to various risks, including credit and interest rate risk. The issuer of a debt security may fail to make interest and/or principal payments. Values of debt instruments may rise or fall in response to changes in interest rates, and this risk may be enhanced with longer-term maturities. **High Yield Fixed Income Securities:** There is a greater risk of issuer default, less liquidity, and increased price volatility related to high yield securities than investment grade securities. **Foreign Investing:** Investing in foreign securities subjects the portfolio to additional risks such as increased volatility, currency fluctuations, less liquidity, and political, regulatory, economic, and market risk. **Market Volatility:** The value of the securities in the portfolio may go up or down in response to the prospects of individual companies and/or general economic conditions. Local, regional, or global events such as war or military conflict, terrorism, pandemic, or recession could impact the portfolio, including hampering the ability of the portfolio's manager(s) to invest its assets as intended.

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.