Intermediate Bond Wrap
TAXABLE FIXED INCOME STRATEGY

Quarter Three—More of the Same

Coming into 2017, the expectation was that long term rates would rise, the yield curve would steepen, the monetary authorities would pass the baton to fiscal authorities, and great progress would be made on tax reform, the repeal and replacement of Obamacare, regulatory reform, and infrastructure spending. In a rising rate environment, volatility would pick up and the dollar would continue to rise. There was even talk of the euro going to parity versus the U.S. dollar. The consensus is generally wrong, but this year the miss is pretty remarkable.

For the third quarter, interest rates rose slightly with the yield curve modestly flatter. Spread sectors continue to benefit from the insatiable search for yield, producing positive excess returns across both the investment grade and sub-investment grade markets once again. Perhaps one of the most profitable trades this year was to sell volatility. Record low volatility was seen in both equities and fixed income as reflected by VIX on the equity side and MOVE on the bond side during the quarter. At the end of September, VIX was still under 10 and MOVE was just over 50. Commodity prices also rallied over the quarter led by oil and copper.

Second quarter Gross Domestic Product (GDP) came in at an annualized 3.1%. Adding that to first quarter's growth of 1.2% resulted in 2.15% for the first half of the year, just where growth has averaged since the recovery started in July of 2009. For the trailing four quarters, Gross Domestic Income (GDI) has come in at 2%, just slightly below the corresponding rate of 2.2% for GDP.

While the U.S. economy continues to muddle along, a narrative that has gained followers in the marketplace is about a global synchronized upturn in growth. Our own analysis does not concur with this narrative. This is not the first time such a narrative has emerged this cycle, and thus far has never come to fruition. The broad macroeconomic estimates are not consistent with a global synchronized upturn and a disconnect persists between the hard data and the soft data. The soft data indicates an economy that is very strong, as reflected by measures published by the ISM (Institute for Supply Management) and Markit (Purchasing Managers' Indices). These robust data points, however, have yet to manifest in hard data measures like industrial production, income and, inevitably, GDP.

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.

TOP 10 HOLDINGS

	% of Portfolio
American Tower Corp	1.16
FMC Technologies Inc	1.15
National Oilwell Varco Inc	1.11
Digital Realty Trust Lp	1.11
US Bancorp	1.10
Goldman Sachs Group Inc	1.06
Nvidia Corp	1.05
Morgan Stanley	0.97
General Motors Co	0.97
Oracle Corp	0.97

PORTFOLIO MANAGERS

Jim Keegan
CIO & Chairman
Industry experience since 1982
Joined Seix in 2008

Perry Troisi
Senior Portfolio Manager
Industry experience since 1986
Joined Seix in 1999

Michael Rieger
Senior Portfolio Manager
Industry experience since 1986
Joined Seix in 2007

Carlos Catoya
Portfolio Manager
Head of IG Credit Research
Industry experience since 1987
Joined Seix in 2001

Jon Yozzo
Portfolio Manager
Head of IG Corp Bond Trading
Industry experience since 1991
Joined Seix in 2000

Intermediate Bond Wrap

TAXABLE FIXED INCOME STRATEGY

Eyes on the Fed

The Federal Reserve Board (Fed) is in the spotlight for a number of reasons. First, the Fed will commence a balance sheet normalization process in October, i.e., shrinking its $4.5 trillion balance sheet that was built up in the aftermath of the Financial Crisis by not reinvesting all of the interest payments and prepayments that it receives. As the Fed has articulated the plan, it will start by letting $10 billion run-off monthly in the fourth quarter, $6 billion in Treasuries and $4 billion in mortgage-backed securities (MBS). The Fed will increase that monthly run-off pace by $10 billion every quarter, such that January will see $20 billion in run-off monthly ($12 billion in Treasuries and $8 billion in MBS). A year from now, the Fed will be at a $50 billion monthly run-off level for the quarter, according to the plan as it stands today.

The second key item relating to the Fed pertains to any future rate hikes. Though the Fed can change its mind, as it has in the past, December is likely to see the third rate hike this year, based on Chair Yellen's most recent press conference and subsequent statements by key Fed officials. The Fed has consistently described the decline in inflation as largely transitory. Even on the economic side, any weakness in third quarter growth will be attributed to the effects from the hurricanes. For the most part, the Fed does not seem too concerned about economic weakness. From our standpoint, the Fed continues to increase rates due largely to persistently loose financial conditions (that are actually looser now than they were before the first rate hike off zero in December 2015) and the financial stability risks that accompany such conditions. The Fed took rates too low, kept them too low for too long and now they're finally beginning to normalize this extraordinary accommodation of having rates close to zero for seven plus years. As such, it seems more appropriate to view this as an "un-loosening" cycle rather than as a "tightening" cycle. Finally, but not necessarily any less important, President Trump's selection of a nominee to chair the Fed looms closer with the expiration of current Chair Janet Yellen's term in February 2018.

The current Fed's "DOT plot" (a summary of where each sitting member of the Federal Open Market Committee (FOMC) forecasts the target rate going forward) indicates one more hike in December and three additional hikes in 2018. These forecasts are obviously predicated on the current composition of the FOMC and thus are subject to change as the composition of the Fed changes. Further, from a big picture standpoint, the effects from the Fed's unwinding of its balance sheet offers potential consequences well beyond just a changing of the guard at the FOMC. Rates have never been at zero in the U.S., nor historically have there been negative rates globally as there are now in some European countries and Japan. Hence, there are unintended consequences lurking globally as central bankers begin a process of normalization, albeit at a very slow rate.

Tracking President Trump's Agenda

While some of Trump's original agenda items (healthcare reform and infrastructure spending) are not likely to see any progress until fiscal year 2019 as mid-term elections stand in the way, tax reform is on the docket right now. The devil is in the details and a lot of heavy negotiation lies ahead, which leaves little to say about its impact at this point. The one area where Trump has made great strides is on the regulatory front. The Federal Register, the document where all federal regulations are published, and which serves as a proxy for federal regulation, shows that the number of pages has declined significantly through the first seven months of this year. In President Trump's first seven months in office, regulations have been cut by more than a third, using this Federal Register as a proxy for regulatory reform. One of the reasons the National Federation of Independent Business Optimism index remains nearly as high as when it spiked post Trump's election is because regulations that have stifled the formation and growth of small businesses are now being cut.

It's too early to tell whether there is any argument worth making for the resurrection of the reflation trade. Considering tax reform, for example, as previously stated, there is far too much negotiating to be done, and how much growth tax reform will produce is the critical, but unknown factor. Timing also is an issue, and meaningful progress by year end is aggressive. Infrastructure spending was another component of Trump's pro-growth legislative agenda. The public/private partnership that Trump advocated was ultimately deemed unworkable. The cost for basic repairs to existing infrastructure in the U.S. is immense and, as such, how it will be financed is a critical element against the backdrop of a Federal debt stock that already exceeds $20 trillion.

Intermediate Bond Wrap

TAXABLE FIXED INCOME STRATEGY

Expensing capital investment – 100% for the first five years after the tax bill is in effect – is a particular item people have been hanging their hats on to spur growth. But considering that excess global capacity is one of the secular structural forces sustaining disinflationary/deflationary pressure, the positive effects on growth of the capital investment write-off may be limited to a few quarters at best. Our view remains that the potential growth rate of the U.S. is between 1.5% and 2%. To achieve 3-4% growth on a sustainable basis would be a Herculean task and highly unlikely given that the long term drivers of economic growth are the growth of the labor force and the productivity of that labor force.

Our View

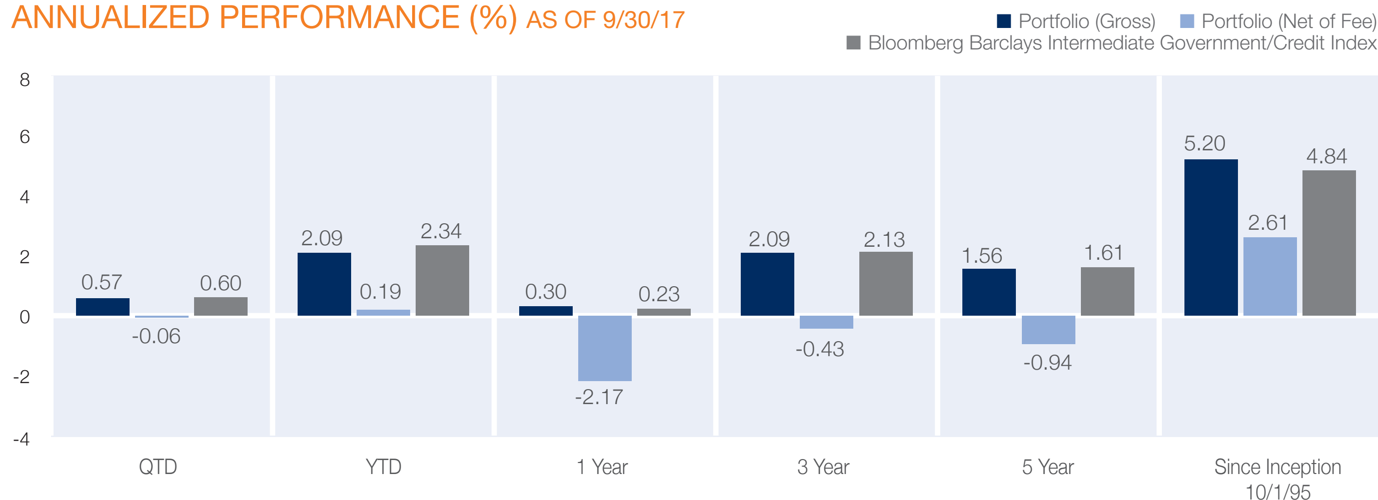
The amount of complacency in the investment environment, as demonstrated by historically low volatility, continues to confound us. No matter what happens in the world, be it a missile-firing by North Korea or unrest in Catalonia, markets do not seem to react at all. Therefore, one of the risks that is being mispriced is a popping of the complacency bubble, along with those in passive strategies and ETFs across the asset class spectrum. Our investment strategy of safe income at a reasonable price positions the portfolios under our stewardship well when volatility returns to the financial markets. Early is wrong until it is right and then it is usually VERY right.

Performance

The portfolio posted a return of 0.57% during the quarter, slightly underperforming the Bloomberg Barclays Intermediate Gov/Credit Index return of 0.60% for the same time period, resulting in a year-to-date return of 2.09% for your portfolio versus the benchmark's 2.34%.

As always, please let us know if you have any questions about the market or your portfolio. We thank you for your support of Seix Investment Advisors LLC.

ANNUALIZED PERFORMANCE (%) AS OF 9/30/17



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.

Bloomberg Barclays Intermediate Government/Credit Index is an unmanaged index composed of all bonds that are investment grade rated Baa or higher by Moody's or BBB or higher by S&P. The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and is not available for direct investment.

For information, contact:
Seix Investment Advisors LLC | 201.391.0300 | www.seixadvisors.com

Intermediate Bond Wrap Composite Data

	Total Firm	Composite Assets		Annual Performance and Standard Deviation					
Year End	Assets ($ mil)	US$ ($ mil)	# of Wrap Sponsors	Net Composite Return	Pure Gross Composite Return	Composite 3-Year Std. Dev.	Bloomberg Barclays Interm. Govt/Credit Bond Index	Index 3-Year Std. Dev.	Composite Dispersion
2016	27,631	19	5 or fewer	-0.04%	2.49%	2.20%	2.08%	2.22%	N/A
2015	25,698	27	5 or fewer	-1.77%	0.72%	2.05%	1.07%	2.10%	N/A
2014	30,989	38	5 or fewer	0.90%	3.45%	1.91%	3.13%	1.94%	N/A
2013	26,600	51	5 or fewer	-3.52%	-1.07%	2.20%	-0.86%	2.11%	N/A
2012	26,141	47	5 or fewer	0.47%	3.01%	2.30%	3.89%	2.16%	N/A
2011	26,147	59	5 or fewer	4.14%	6.76%	2.59%	5.79%	2.55%	N/A
2010	25,855	89	5 or fewer	3.60%	6.22%	-	5.89%	-	N/A
2009	24,338	79	5 or fewer	3.44%	6.05%	-	5.24%	-	N/A
2008	17,375	45	5 or fewer	3.46%	6.07%	-	5.07%	-	N/A
2007	21,534	42	5 or fewer	5.61%	8.27%	-	7.39%	-	N/A

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 1/1/93 through 12/31/16. 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 Intermediate Bond Wrap Composite consists of all Intermediate Bond Wrap Fee accounts managed by Seix in all participating Wrap Fee Sponsors' Programs. The minimum account size for inclusion in the composite is $500,000. For comparison purposes, the composite is measured against the Bloomberg Barclays Capital Intermediate Government/Credit Index. The Bloomberg Barclays Capital Intermediate Government/Credit Index is an unmanaged index consisting of Treasuries (i.e., public obligations of the U.S. Treasury), agencies (i.e., publicly issued debt of U.S. Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. Government), and publicly issued U.S. corporate and foreign debentures and secured notes that meet specified maturity, liquidity, and quality requirements. Securities must be rated investment-grade (Baa3/BBB- or higher) and must have a maturity from 1 up to (but not including) 10 years. Index returns do not reflect the deduction of any fees.

The Seix Intermediate Bond Wrap Composite returns for 2007 through 2012, and composite assets for 2008, have been restated to correct errors made in those time periods. In all cases the restatements resulted in an increase in returns or assets from previously reported results. All corrections have been made in accordance with Seix's Error Correction Policy which is available upon request.

The Seix Intermediate Bond Wrap Composite was created 7/1/01, and has a performance inception date of 10/1/95. Prior to 9/30/17, the Seix Intermediate Bond Wrap Composite was named the Seix Intermediate Bond 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 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 3/31/08 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 3/31/08, 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 5/23/14, 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 6/1/17, RidgeWorth Capital Management LLC was acquired by Virtus Investment Partners, Inc. ("Virtus") and was renamed Virtus Fund Advisers, LLC ("VFA"). Each of VFA and Seix is an SEC-registered investment adviser. Seix is a wholly owned subsidiary of VFA, which is an indirect, 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 presentation are available upon request. **Past performance is not indicative of future results.**

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 stategy'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.

 4055 10-17 ©2017 Seix Investment Advisors LLC