High Yield Bond Wrap

TAXABLE FIXED INCOME STRATEGY

SEIX INVESTMENT ADVISORS LLC®

May Summary: Strength Continues, But Time to Play a Little Defense

Market Review

The high yield market continued its strong trend in May that has generally been a characteristic of the market since the March 23 low. CCCs outperformed for the month—the first monthly outperformance for the rating class since December 2019. As we write this in early June, CCC bonds have continued their relative outperformance. It currently feels as though market participants are buying anything that has lagged and not obviously defaulting in the near-term. This trend seemed to be exacerbated following the better-than-expected jobs report on June 5. While that jobs number contributed to the belief that the downturn may not be as bad as most have feared, it wasn't as good as initially reported. Due to a "misclassification error," the Bureau of Labor Statistics said the "overall unemployment rate would have been about three percentage points higher than reported," meaning the unemployment rate would be about 16.3 percent for May. Against that backdrop, indiscriminate buying of lower-quality high yield bonds tends to be a headwind for relative performance for this strategy.

Performance

The high yield bond portfolio increased 3.12% in May—145 basis points (bps) less than the portfolio's benchmark, the ICE BofA US Cash Pay High Yield Index, which increased 4.58%. For the year-to-date period, the portfolio outperformed its benchmark by 379 bps.

The largest detractors to relative performance during the month was an underweight in the energy sector, partially offset by solid security selection. Relative performance was also hurt by an overweight in technology as well as poor security selection in media and entertainment, largely due to our more conservative positioning. Partially offsetting our negative relative performance was an underweight to the restaurant, food, beverage and supermarket sector, a slight underweight to the cable and satellite sector, and no allocation to consumer, textile and tobacco.

Seix actively managed these assets through this challenging year, providing downside protection in March and material recovery in April and May. Our 2020 outlook did not include a global pandemic, which shut down the global economy for two months. However, as we entered 2020, our deep industry and credit experience provided a less than average universe of attractive total return possibilities, which resulted in a more defensively positioned portfolio. During the market sell-off in March, our flexible, adaptable, value-oriented approach identified the potential for many attractive total return opportunities, and we acted accordingly. You should expect your portfolio to show the strongest relative performance during times of market distress like we saw through March. Our investment process has not changed since product inception more than 15 years ago, and we have consistently demonstrated strong relative performance during periods of market dislocation, and now the pandemic.

Months like May where CCC bonds outperform are a challenging backdrop for relative performance for this strategy. Having said that, we are working to capture as much of the upside as possible while remaining true to our investment process that favors higher-quality credits.

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

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Current Strategy

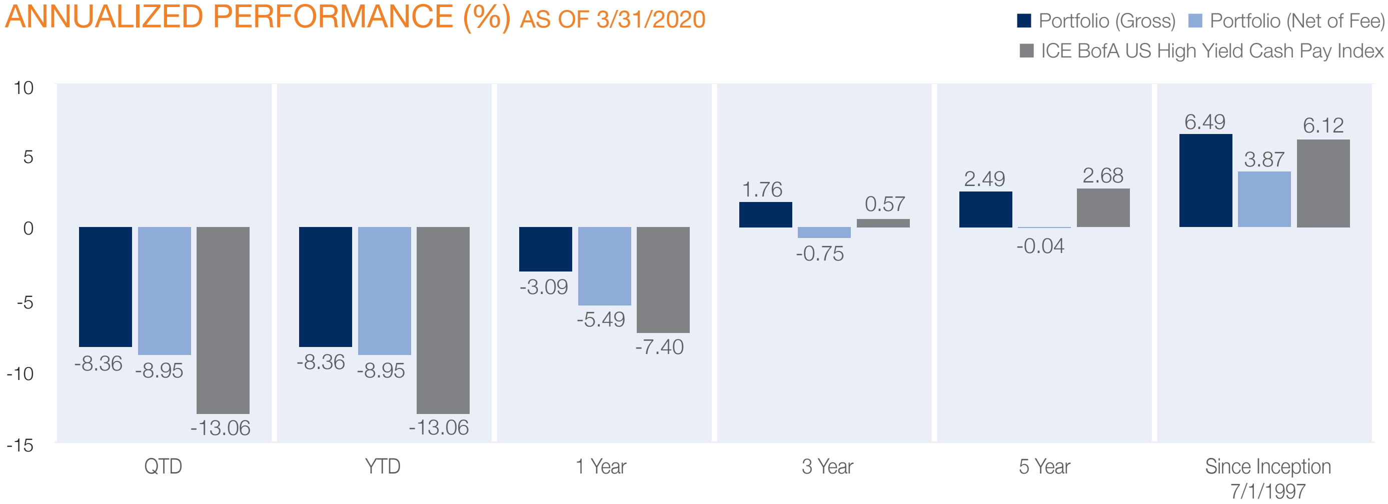
We continue to believe that fallen angels offer one of the more attractive potential opportunities in the high yield market, and our analysis suggests that the best time to invest in the fallen angels is when there is a large increase in the universe (i.e., we are seeing a lot of investment grade companies being downgraded into high yield). According to JPMorgan, the U.S. high yield market has seen an influx of $161 billion in fallen angels through April—the largest amount on record.

Outlook

On May 31, the ICE BofA US Cash Pay High Yield Index yielded 6.93% (about 150 bps more than year-end), with a spread of 654 bps (roughly 294 bps wider than year-end). A spread of 654 bps is still considerably wider than the long-term median spread of 482 bps. Further, the increase in fallen angels (that typically enter high yield as BB credits) as well as the increase in defaults for high yield companies (that cleanses the weakest credits from the index) are both working to upgrade the credit quality of the index. This will become more evident once we get to a more normalized environment.

The market has recovered materially since its lows, but we are still finding attractive potential opportunities. Having said that, we are beginning to play a little more defensive given several obstacles still in front of the market, namely the timing and likelihood of COVID-19 vaccines and therapeutics, the timing and trajectory of the full reopening, a potential second wave of the virus, presidential elections, central bank spending, and nearly 40 million "temporarily" unemployed Americans. We continue to find attractive potential opportunities in the fallen angel and prospective fallen angel universe (i.e., companies currently rated investment grade, but with high yield prices).

ANNUALIZED PERFORMANCE (%) AS OF 3/31/2020



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 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. 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

	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.	ICE BofA US High Yield Cash Pay Index	Index 3-Year Std. Dev.	Composite Dispersion
2019	18,071	1,614	13	9.84%	12.60%	3.45%	14.40%	4.13%	0.05%
2018	21,160	1,414	13	-4.08%	-1.65%	3.08%	-2.26%	4.62%	0.00%
2017	24,843	2,020	9	2.91%	5.51%	4.11%	7.48%	5.58%	0.00%
2016	27,631	2,060	6	7.24%	9.94%	4.80%	17.34%	6.01%	0.20%
2015	25,698	1,527	6	-4.20%	-1.77%	4.93%	-4.55%	5.27%	0.10%
2014	30,989	1,482	6	1.52%	4.08%	4.23%	2.44%	4.42%	0.10%
2013	26,600	1,486	6	2.43%	5.02%	4.99%	7.38%	6.33%	0.10%
2012	26,141	1,535	6	9.91%	12.67%	5.44%	15.44%	6.93%	0.10%
2011	26,147	746	7	4.77%	7.41%	7.53%	4.50%	10.78%	0.20%
2010	25,855	682	8	8.67%	11.40%	-	15.24%	-	0.30%

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 January 1, 1993 through December 31, 2018. 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 Bond Wrap composite consists of all High Yield Bond 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 June 1, 2015, the account minimum was $500,000. 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 Seix High Yield Bond Wrap Composite was created January 1, 2003, and has a performance inception date of July 1, 1997. Prior to September 30, 2017, the Seix High Yield Bond 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 March 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 May 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 June 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.**

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

Earnings before interest, taxes, depreciation, and amortization (EBITDA) is an accounting measure calculated using a company's earnings, before interest expenses, taxes, depreciation, and amortization are subtracted, as a proxy for a company's current operating profitability (i.e., how much profit it makes with its present assets and its operations on the products it produces and sells, as well as providing a proxy for cash flow).

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. **Market Volatility:** Local, regional or global events such as war, acts of terrorism, the spread of infectious illness or other public health issue, recessions, or other events could have a significant impact on the fund and its investments, including hampering the ability of the fund's portfolio manager(s) to invest the fund's 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.