Core Bond Wrap
TAXABLE FIXED INCOME STRATEGY

SEIX INVESTMENT ADVISORS LLC®

Fourth Quarter and Full-Year Performance

The dominant theme of the fourth quarter, as well as the year, was the flattening of the yield curve. The Federal Reserve (Fed) raised its target rate 25 basis points (bps) in December for the third time in 2017 and for the fifth time since the Fed embarked (December 2015) on what we refer to as the “unloosening” cycle. During the quarter, the spread between the two-year and 10-year Treasury flattened by 33 bps (+85 bps to +52 bps). For the full year, the curve flattened by 74 bps (+126 bps to +52 bps).

As a result of the flatter curve in the fourth quarter, longer-duration assets outperformed shorter-duration assets and investment grade credit outperformed high yield and bank loans. 30-year Treasuries were the only segment of the yield curve that was lower in yield over the quarter compared with all of the other primary points of the curve. The U.S. dollar continued to sell off, though not as much as earlier in the year. Volatility for both stocks and bonds plumbed to record lows. October, which historically is the most volatile month of the calendar year in the stock market, was the least volatile month in the stock market’s history, only to be eclipsed by November. Economic data came in better than expected during the quarter, as measured by the economic surprise indices. Finally, commodities performed well with oil prices up over 16% and copper up over 11%.

Given that the yield curve flattening was in force throughout the year, longer-duration assets also outperformed for all of 2017. Long Treasuries were up slightly more than 8.5%, while intermediate Treasuries were up just over 1%. Long corporates returned over 12%, outperforming intermediate corporates by more than 800 bps. The dollar fell 9.9% for the full year and copper was up almost 31%.

Total returns across most asset classes were more muted relative to the prior three quarters of 2017 given that rates rose primarily in the front and intermediate parts of the curve. With respect to spread sectors in the fourth quarter, the corporate sector delivered 1.17%, the best absolute total return in the investment grade space given its longer duration and fair amount of exposure on the long end of the curve. The overall shorter-duration residential mortgage-backed securities (RMBS) sector, on the other hand, only generated a total return of 0.15%. On an excess return basis, corporates again excelled, producing 99 bps of excess over the quarter compared to 24 bps for RMBS. Across spread sectors, the flatter curve drove returns based on the overall duration of the specific sector.

For the full year, high quality corporates once again had the best performance among investment grade spread sectors with an index total return of 6.42% and an excess return of 3.46%. On an industry sector level, there was a remarkable convergence in excess return as evidenced by the industrials, utilities, and financials producing excess returns of 349 bps, 341 bps, and 343 bps, respectively. The carry trade has clearly been at play and indiscriminate

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
Sabine Pass Liquefaction	1.33
JP Morgan Chase & Co.	1.21
FMC Technologies Inc.	1.19
National Oilwell Varco I	1.16
Citigroup Inc.	1.13
General Motors Co.	1.13
General Electric Co.	1.09
Bank of America Corp.	1.09
Thermo Fisher Scientific Inc.	1.07
Nvidia Corp.	1.05

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

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among sectors. RMBS, the other major spread sector in the investment grade arena, generated a total return of 2.47% for the year and 52 bps of excess return. The Fed has had an impact on valuations in the Agency RMBS sector, which for the most part explains why spreads in the sector have been exceptionally low and why excess returns have been low relative to corporate bonds.

The strength of the corporate investment grade sector in 2017 has been largely a result of the insatiable overseas demand for high quality spread product. Spreads between U.S. Treasuries and German bunds, for example, are near record levels. In the 10-year part of the yield curve, the spread is upwards of 200 bps; in the two-year maturity range, the differential is 250+ bps. To the extent that the Fed is tightening while other central banks remain actively engaged in expanding their balance sheets, foreign investors continue to look to the U.S. markets for yield in high quality spread assets.

	Q4 2017		Full Year 2017	
	% Total Return	% Excess Return	% Total Return	% Excess Return
U.S. Aggregate	0.39%	0.36%	3.54%	1.21%
Treasury	0.05%	0.00%	2.31%	0.00%
Agency	0.06%	0.21%	2.98%	1.48%
RMBS	0.15%	0.24%	2.47%	0.52%
ABS	-0.01%	0.24%	1.55%	0.92%
CMBS	0.35%	0.78%	3.35%	1.58%
Corporate – High Quality	1.17%	0.99%	6.42%	3.46%
Industrial	1.30%	1.02%	6.71%	3.49%
Utility	1.88%	1.23%	7.59%	3.41%
Finance	0.77%	0.86%	5.60%	3.43%

Data Source: Bloomberg Barclays. Past performance is not indicative of future results.

To sum up performance, investors that underweighted Treasuries and overweighted spread sectors were rewarded in 2017, the degree to which depended on their sector allocations.

Changes at the Fed

The Fed will undergo one of the most widely anticipated shifts in 2018 that has ever occurred. The U.S. Senate confirmed President Trump's nomination of Fed governor Jerome Powell to succeed Janet Yellen as Fed chair. In addition, the widely recognized "big three" members of the Federal Open Market Committee (FOMC) (Yellen, Stanley Fischer, and Bill Dudley) are either going or will be gone soon. Given that there were already two vacancies at the Fed before these members stepped down, President Trump will thus have the opportunity to appoint the entire Board of Governors with the exception of one. From what we already know about the annual voting rotation of Regional Fed Presidents on the FOMC, the shift in the composition of the voters on the FOMC appears overall to lean more hawkish versus 2017.

As a major revamp in Fed leadership is about to take place, we face a number of known unknowns including Powell's view on financial conditions, his monetary policy reaction function to a stock market selloff or general risk-off environment, and his view on financial stability risk. Powell will make his speaking debut at the semi-annual Humphrey Hawkins testimony before Congress in February, followed by his first press conference subsequent to the March 21st FOMC meeting, both instances where he will likely restrain his remarks. Unlike his predecessor, Powell may very well be tested by the market early on in his tenure, given current valuations, the late stage of the economic cycle, and the nearing end of quantitative easing by other global central banks.

The End Of Quantitative Easing?

Starting in January 2018, the European Central Bank (ECB) will reduce its bond purchases from €60 billion to €30 billion a month. At this point, the market anticipates that the ECB will likely taper to zero in the fourth quarter of 2018. The Bank of Japan (BOJ) is rumored to be reconsidering its "yield curve control" target. In conjunction with the Fed beginning to unwind its balance sheet, the aggregate global central bank balance sheet is projected to inflect sometime in the fourth quarter based on currently available information. While the situation may change, the likelihood is that the aggregate central bank balance sheet may actually start to shrink rather than increase, which would be the first time that has occurred since 2008.

Lower For Longer

We believe that the "lower for longer" thesis remains intact for interest rates, driven by the fact that structural forces continue to overwhelm cyclical responses. President Trump has rolled back a significant amount of regulations, which accounts for high business confidence. The recently passed tax legislation, in our view, is less tax reform than a tax cut that benefits the corporate sector. Add to this Trump's promise to roll out an infrastructure plan in the early months of 2018 and the risk of a reflation psychology trade rises, as it did immediately after the 2016 election. Even though the potential exists for long rates to rise as a result, we do not believe that higher long-term rates are sustainable given the amount of

Core Bond Wrap

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debt, both in the U.S. and globally. When we look at the potential for sustainably higher long-term rates, we focus on the structural forces of excessive debt/unfunded liabilities, aging demographics, excess global capacity, and low productivity growth – all of which cannot be alleviated by any tax legislation or infrastructure plan in the near term. We believe, in fact, that high rates could cause a significant selloff in risk assets, which would drive the already-high demand for high quality income-producing assets even higher. The secular low in interest rates may not be set until at least the next recession. In the short term, there is a risk for potentially higher long rates, which we would view as a potential buying opportunity because of their unsustainability.

Our View

We enter 2018 with many of the same risks as 2017. Foremost among them is the threat that the complacency bubble pops after another year of record-low volatility as the flow of global central bank liquidity abates. While risk continues to be well bid, volatility may pick up as we go through the course of the year and markets remain vulnerable to a sustained risk-off period. We will be watching the Fed closely as the new leadership navigates whatever challenges the markets may deliver.

Performance

The Core Bond Wrap SMA portfolio posted a return of 0.47% during the quarter, underperforming the Bloomberg Barclays Gov/Credit Index return of 0.49% for the same time period, resulting in a one year return of 3.67% for your portfolio versus the benchmark's 4.00%.

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 12/31/2017

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.

Benchmark: Bloomberg Barclays U.S. Government/Credit Index includes treasuries and agencies that represent the government portion of the index, and includes publically issued U.S. corporate and foreign debentures and secured notes that meet specified maturity, liquidity and quality requirements. The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and is not available for direct investment.

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Core 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 Govt/ Credit Index	Index 3-Year Std. Dev.	Composite Dispersion
2017	24,843	224	5 or fewer	1.11%	3.67%	3.26%	4.00%	3.28%	N/A
2016	27,631	208	5 or fewer	1.05%	3.61%	3.44%	3.05%	3.46%	N/A
2015	25,698	205	5 or fewer	-2.91%	-0.45%	3.16%	0.15%	3.25%	N/A
2014	30,989	186	5 or fewer	3.09%	5.69%	2.92%	6.01%	2.95%	N/A
2013	26,600	200	5 or fewer	-5.50%	-3.10%	3.38%	-2.35%	3.17%	N/A
2012	26,141	247	5 or fewer	0.78%	3.33%	3.30%	4.82%	2.96%	N/A
2011	26,147	218	6	6.79%	9.48%	3.52%	8.74%	3.42%	0.2%
2010	25,855	229	7	3.84%	6.46%	-	6.59%	-	N/A
2009	24,338	227	5 or fewer	2.69%	5.28%	-	4.52%	-	N/A
2008	17,375	179	5 or fewer	5.39%	8.04%	-	5.70%	-	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 1/1/1993 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 Core Bond Wrap Composite consists of all Core 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 Government/Credit Index. The Bloomberg Barclays Government/Credit Index is an unmanaged index consisting of Treasuries (i.e., public obligations of the U.S. Treasury that have remaining maturities of more than one year), 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). Index returns do not reflect the deduction of any fees.

The Seix Core Bond Wrap Composite was created 10/1/1998, and has a performance inception date of 7/1/1993. Prior to 9/30/2017, the Seix Core Bond Wrap Composite was named the Seix Core 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 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 3/31/2008 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.**

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.

