Core Bond Wrap

TAXABLE FIXED INCOME STRATEGY

SEIX INVESTMENT ADVISORS LLC®

Third Quarter 2018 Report

Rising interest rates dampened total returns in the investment grade taxable bond market in the third quarter as the yield curve continued to flatten. Volatility returned to global markets and is likely to remain, given tightening global liquidity conditions.

Performance

Bonds generally produced minimal nominal returns during the quarter as represented by the 0.02% total return generated by the Bloomberg Barclays Aggregate Bond Index. Generically, yield spreads compressed across most spread sectors, a reversal of sorts from the second quarter that saw wider spreads in many sectors.

For the quarter, Treasury yields rose, and while the yield curve experienced some flattening, it was more modest than in the second quarter. Within investment grade bonds, the corporate sector produced an excess return of 169 basis points (bps) over the quarter, helping to regain most of what it had lost earlier in the year. (Excess return is a metric that removes the influence of the duration of the asset by measuring returns relative to a duration-neutral risk-free asset.) Year-to-date, this sector had -11 bps of excess return. Nominal returns were positive despite higher rates as a result of the tightening in spreads and the positive excess return in Q3. For the quarter, the nominal return for investment grade corporate bonds was 0.97%.

In residential mortgage-backed securities (RMBS), returns were muted. Since this sector is still under the influence of the U.S. Federal Reserve (Fed), there is much less natural price discovery occurring, but the sector still generated 17 bps of excess return for the quarter, making it nearly flat for the year. The nominal return for RMBS was -0.12%. In the smaller securitized sectors, commercial mortgage-backed securities (CMBS) delivered 77 bps of excess return, while asset-backed securities (ABS) produced an excess return of 31 bps.

U.S. high yield saw relatively strong gains. The sector produced positive excess returns in all three months and was up 248 bps for the quarter, thereby generating a nominal total return of 2.40%. So, for the year, U.S. high yield is still easily outperforming the investment grade credit sector by over 300 bps in excess return terms.

Like high yield, leveraged loans also experienced a strong quarter, with the Credit Suisse Leveraged Loan Index up 1.93%. Year-to-date, the Index is ahead 4.36% in nominal terms. Emerging markets (EM) also outperformed over the quarter, generating an excess return of 210 bps. Despite this bounce back in the third quarter, however, EM has underperformed with -59 bps of excess return year-to-date.

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	1.36
FMC Technologies Inc	1.27
JPMorgan Chase & Co.	1.23
National Oilwell Varco I	1.22
Citigroup Inc.	1.14
Bank of America Corp.	1.09
AT&T Inc.	0.98
US Treasury N/B	0.96
Energy Transfer Partners	0.84
Lazard Group Llc	0.82

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

Core Bond Wrap

TAXABLE FIXED INCOME STRATEGY

SEIX INVESTMENT ADVISORS LLC®

With Liquidity Being Tightened, Volatility Has Re-Emerged

The main theme coming into 2018 in our view was a regime change in volatility. Although volatility in U.S. stocks has declined from levels seen in the first quarter, the global markets have experienced rolling spikes in volatility. Early in the year, volatility emerged in the form of a spike in the LIBOR-OIS spread, a measure of the health of the banking system, followed by the unwinding of volatility based strategies tied to the VIX Index. In May, volatility appeared in emerging markets, primarily via Argentina and Turkey. This coincided with turmoil resulting from Italy's election where a coalition of populist parties from both the left and right formed a government, thereby setting up the current disagreement with the European Union over its planned budget deficit in 2019. **In U.S. equities, despite volatility staying subdued for most of the third quarter, it has returned somewhat in early October, as the VIX Index wandered back up to 25 from around 12 at the end of September.**

	Q3 2018		1-Year	
	% Total Return	% Excess Return	% Total Return	% Excess Return
U.S. Aggregate	0.02%	0.53%	-1.60%	-0.01%
Treasury	-0.59%	0.00%	-1.67%	0.00%
Agency	0.28%	0.45%	-0.61%	0.23%
RMBS	-0.12%	0.17%	-1.07%	-0.07%
ABS	0.49%	0.31%	0.52%	0.29%
CMBS	0.46%	0.77%	-0.93%	0.70%
U.S. Corporate Investment Grade	0.97%	1.69%	-2.33%	-0.11%
U.S. Corporate High Yield	2.40%	2.48%	2.57%	3.27%
Leveraged Loans	1.93%	n/a	4.36%	n/a

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

This regime change in volatility is being driven by three factors: 1) declining central bank liquidity, 2) hawkishness by the Powell-led Fed, and 3) a reduction in the credit impulse in China. Major central banks in developed markets are reducing liquidity and/or moving increasingly in that direction. Our analysis of central bank projections indicates that the global central bank balance sheet is going to inflect sometime in the fourth quarter of 2018 or in the first quarter of 2019. **The punchline is that for the first time since 2008, the aggregate global central bank balance sheet will begin contracting.**

The Fed is not only raising rates, but the reaction function of the Powell-led Fed is very different and less reflexive. Unlike previous Fed chairs Ben Bernanke and Janet Yellen, chair Jerome Powell appears less likely to provide support in the event of a simple, garden variety market correction. Based on the Fed's lack of reaction to the 10%+ sell-off in February 2018, we believe it would take a sell-off of 15-20% over a relatively short period of time before the Powell-led Fed would react at least initially with verbal intervention. **With the market's expectation of the strike price of the so-called "Bernanke/Yellen put" moving lower under Powell, markets have become more volatile.**

While China has been a tremendous source of credit/liquidity in the past, it has clearly cut back on credit creation. As a percentage of its GDP, credit creation has been negative (on a year-over-year basis) since 2017 as China has sought to de-lever its highly leveraged economy. China's demand for commodities has softened, which has had repercussions for emerging market economies that rely on commodity exports to China.

The New Fed

When Jerome Powell took over as chair of the Fed in February, our base case was that contrary to market consensus that he would be Yellen 2.0, Powell would manage the Fed more CEO-like than the theoretical, model-driven academic approach of his two predecessors. Powell would conduct policy based more on financial conditions with an emphasis on financial stability risks. In our view, Powell is of a different mindset, seemingly very aware of the prior policy shortcomings and the imbalances that have been built up as a result of overly accommodative monetary policy. He will not shy away from raising rates to take some air out of the risk markets' sails. Having come from Wall Street and not academia, he understands the risk that asset prices that go up parabolically (S&P +36% since President Trump's election) can also go down parabolically. This is a high wire act and the degree of difficulty is probably a 13 on a scale of one to 10, but Powell most likely will endeavor to move the Fed away from the boom/bust liquidity playbook initiated by former chair Alan Greenspan starting as far back as 1987 and err on the side of being more aggressive as long as financial conditions remain loose.

Core Bond Wrap

TAXABLE FIXED INCOME STRATEGY

Data Source: Bloomberg

Broader financial conditions are also allowing for more hikes. **Despite the rate increases (200 bps) that began in December 2015, financial conditions as measured by the Goldman Sachs Financial Conditions Index are still looser than when the Fed started its rate hiking cycle, largely because of the rise in the stock market, tighter credit spreads, and a weaker dollar.** These looser conditions keep the tightening window wide open and allow the Powell-led Fed to maintain a bias toward raising rates.

In addition to a Fed chair focused more on financial stability risk, some governors and regional Fed presidents, who have historically been dovish, have recently become more hawkish. On the Board of Governors, for example, Lael Brainard, who was probably one of the more dovish members before 2018, has since taken a hawkish turn. Governor Brainard has even implied that the Fed may need to become restrictive, suggesting that rates **may be raised above 3%** (the rate the Fed currently believes to be neutral). That would imply that we could see four or five more hikes in this cycle.

Outlook

A number of risks are on the horizon. First, the China-U.S. trade conflict has a high probability of turning into an economic Cold War. This conflict is really about China's "Made in China 2025" strategy, the theft of intellectual property, and mandatory technology transfers. This is a much bigger issue than the markets seem to be discounting and, therefore, is not reflected in current risk asset prices.

Should China be successful with its "Made in China 2025" strategy and move up the technology value chain, it will buy less and less over time from U.S. companies such as Boeing and Intel, for example. So, corporations may be encouraging President Trump (privately) to take this tough stance with China, despite their more public admonishment of the Trump administration's trade war tactics.

Second, Italy's banks will continue to be a problem. This risk is significant, given the fact that Italy is the third-largest economy in Europe. Italian banks are the poster child for the sovereign debt "doom loop" phenomenon. European banks own a lot of their home country's sovereign debt, and in the case of Italy, that debt represents more than 100% of Italian banks' Tier 1 common equity. So, it's a serious issue not only for the Italian banking system, but also for the broader European Union.

Third, U.S. corporate earnings growth is likely to soften in 2019. Earnings this year benefited from the tax cut, which made comparisons to 2017 quite favorable. Next year, comparisons become much tougher due to base year effects. Additionally, trade tensions and higher tariffs will likely pressure margins, as the competitive backdrop will likely prevent these additional costs from being fully passed on to the consumer via higher prices.

The bottom line is there are many reasons to believe that the new volatility regime that has emerged will pressure risk asset prices. In the case of investment grade fixed income, spreads are vulnerable to widening against this backdrop. If this plays out, the Treasury market would likely be the beneficiary of a flight to quality, particularly as the end of the year approaches. In the short run, Treasuries still lack sponsorship as long-term technical levels have failed to support yields, higher currency hedging costs keep foreign market participants on the sidelines, and supply concerns persist amidst growing deficits. A range of 3% to 3.25% is likely to prevail until a broader risk re-pricing or fundamental economic slowdown incites an old-fashioned flight to quality bid again. That environment would push yields on the 10-year note back down to the 2.5-3% range. Should investors start to anticipate a full-blown recession, rates could go even lower. **Finally, it is worth noting that the death of the secular bond bull market is once again a popular narrative, but premature in our estimation.**

Core Bond Wrap

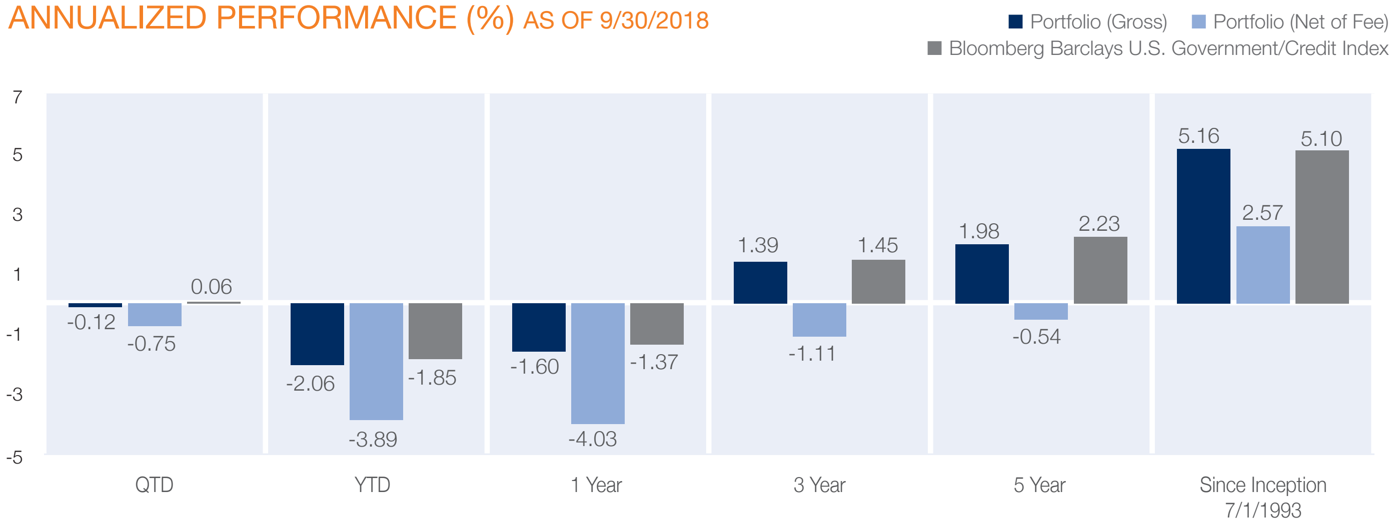
TAXABLE FIXED INCOME STRATEGY

SEIX INVESTMENT ADVISORS LLC®

Performance

The portfolio posted a return of -0.12% during the quarter, underperforming the Bloomberg Barclays Gov/Credit Index return of 0.06% for the same time period, resulting in a one-year return of -1.60% for the portfolio versus the benchmark's -1.37%.

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.

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.

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

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.**

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. **ABS/MBS:** Changes in interest rates can cause both extension and prepayment risks for asset- and mortgage-backed securities. These securities are also subject to risks associated with the repayment of underlying collateral. **Foreign & Emerging Markets:** Investing internationally, especially in emerging markets, involves additional risks such as currency, political, accounting, economic, and market risk.

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.