Commentary

High Yield SMA

Taxable Fixed Income Strategy

SEIX INVESTMENT ADVISORS LLC®

Top 10 Holdings

	% of Portfolio
Rowan Companies Inc	1.97
MGM Resorts Intl	1.67
Ally Financial Inc	1.51
MGIC Investment Corp	1.43
NRG Energy Inc	1.09
Southwestern Energy Co	1.09
Sabine Pass Liquefaction	1.08
Navient Corp	1.07
HCA Inc	1.06
CDW LLC/CDW Finance	1.06

Annualized Performance

	Portfolio		
6/30/2017	Gross	Net	Benchmark*
Quarter to Date	1.80%	1.17%	2.16%
Year to Date	3.43%	2.15%	4.92%
1 Year	7.37%	4.73%	12.75%
3 Year	3.53%	0.98%	4.48%
5 Year	5.37%	2.77%	6.87%
Since Inception	7.26%	4.62%	7.02%

* BofA Merrill Lynch High Yield Cash Pay

Portfolio Managers

George Goudelias
Head of Leveraged Finance
Senior Portfolio Manager
Industry experience since 1987
Joined Seix in 2001

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

Second Quarter 2017 Commentary

KEY TAKEAWAYS

Markets

Yields on high yield bonds continued to fall as a rally in intermediate and long term Treasuries combined with additional spread tightening led to a 2.16% return for the BofA Merrill US High Yield Cash Pay Index for the quarter.

Portfolio

The SMA's return lagged the benchmark but still registered a solid 1.80% absolute return. The energy sector contributed to the shortfall, but was also a source of opportunities.

Market Outlook

While high yield spreads are below long term averages, they remain approximately 45% above their all-time lows and reflect current relatively stable fundamentals.

Investment Environment

High yield delivered another solid return in the second quarter as the BofA Merrill Lynch US High Yield Cash Pay Index rose 2.16%. The favorable performance was the result of both a decrease in intermediate and long term Treasury yields and further spread tightening. Among the best performing sectors were finance and gaming while energy and retail lagged.

The Federal Reserve Board (Fed) increased its federal funds rate by 0.25% in June, marking its second increase year-to-date and the fourth since it began tightening in December 2015. We see these slow, well-telegraphed moves from 0% to 0.25% to the current 1.00% to 1.25% target range as less a typical "tightening cycle" by historical norms and more an "unloosening cycle" where the Fed is merely reducing the ultra-accommodative emergency measures put in place after the 2008 financial crisis. Further, the increases are not in reaction to the economy or inflation overheating, but are instead a response to the looser financial conditions that have evolved since the beginning of the year and even since the first Federal Open Market Committee rate hike at the end of 2015. Stock valuations have reached new highs, long Treasury yields are lower (curve has flattened), credit spreads have tightened significantly and the dollar is weaker (Q2 saw the dollar come under increased pressure to post its worst quarter since 2010). Meanwhile, U.S. growth for the first half of 2017 remains near its post crisis average around 2%, assuming tracking models calling for 2.5% GDP in Q2 are correct (Q1 GDP was 1.4%).

Performance

The SMA's 1.80% second quarter return lagged the 2.16% return of the BofA Merrill Lynch US High Yield Cash Pay Index by 36 basis points. The performance lag was due to the Fund's modest cash exposure in a rising market as well as unfavorable security selection in energy and finance. These negative factors were partially offset by being underweight CCC's in Energy and favorable security selection in diversified manufacturing. An overweighting in finance was also a positive contributor.

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Positioning

During the quarter, we took advantage of excess relative performance among specific issuers in the telecom, healthcare, service and retail industries to take profits and reduce exposure to companies that had reached our internal performance goals. The proceeds were reinvested in energy issues. The prices of certain oil- and gas-related bonds had fallen as oil prices retreated because of renewed worries about excess supply. Our analysis indicated that the higher yields on these bonds more than discounted the negative effects of a possible protracted period of reduced oil prices.

Outlook

While we expect some volatility in certain sectors, both revenue and earnings for high yield issuers again posted comfortable increases over 2016 in the first quarter. Energy prices reacted to concerns about excess supply and retail faces long term disruption because of structural changes. However, issuers in the majority of high yield industries are managing their businesses and balance sheets effectively through the low growth economic environment. We continue to expect defaults to remain below the historic average for the next eighteen months. Technical conditions are stable as modest demand is balanced by only slight increases in net new issuance. We view valuations as fair as spreads reflect currently relatively stable fundamentals. Although spreads are below their long term average, they are more than 45% wider than the historic low.

DEFINITIONS & DISCLOSURES

A Basis Point is equal to 0.01%.

Alpha is a measure of performance on a risk-adjusted basis.

Gross Domestic Product (GDP) refers to the market value of all final goods and services produced within a country in a given period. GDP per capita is often considered an indicator of a country's standard of living.

Standard & Poor's 500 Index is an unmanaged index of 500 selected common large capitalization stocks (most of which are listed on the New York Stock Exchange) that is often used as a measure of the U.S. stock market.

Yield Curve is a curve that shows the relationship between yields and maturity dates for a set of similar bonds, usually Treasuries, at any given point in time.

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.

Investors cannot invest directly in an index.

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.

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Composite Data

Total Firm		Composite Assets		Annual Performance and Standard Deviation					
Year End	Assets ($mil)	Assets ($mil)	Number of Sponsors	Net Composite Return	Gross Composite Return	Composite 3-Year Std. Dev.	BofA Merrill Lynch High Yield Cash Pay Index	Index 3-Year Std. Dev.	Composite Dispersion
2016	27,631	2,060	6	7.24%	9.93%	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	1,488	6	2.43%	5.02%	4.99%	7.38%	6.33%	0.10%
2012	26,141	1,535	6	9.93%	12.69%	5.44%	15.44%	6.93%	0.10%
2011	26,147	748	7	4.78%	7.42%	7.53%	4.50%	10.78%	0.20%
2010	25,855	580	7	8.65%	11.38%	-	15.24%	-	0.30%
2009	24,338	362	7	26.76%	29.91%	-	56.28%	-	0.10%
2008	17,375	111	6	-15.80%	-13.64%	-	-26.21%	-	0.40%
2007	21,534	198	6	-0.12%	2.40%	-	2.17%	-	N/A
2006	21,122	196	5 or fewer	4.01%	6.61%	-	11.64%	-	N/A
2005	24,230	277	5 or fewer	-0.20%	2.32%	-	2.83%	-	N/A
2004	21,913	395	5 or fewer	5.42%	8.05%	-	10.76%	-	N/A
2003	15,277	312	5 or fewer	13.60%	16.38%	-	27.22%	-	N/A
2002	11,465	9	5 or fewer	-	8.85%	-	-1.14%	-	N/A
2001	9,175	735	8	-	10.80%	-	6.20%	-	N/A
2000	7,413	470	5 or fewer	-	7.14%	-	-3.79%	-	N/A
1999	4,663	125	5 or fewer	-	3.48%	-	1.57%	-	N/A
1998	3,373	124	5 or fewer	-	7.71%	-	3.66%	-	N/A
1997*	1,797	69	5 or fewer	-	8.68%	-	6.60%	-	N/A

*Results shown for the year 1997 represent partial period performance from July 1, 1997 through December 31, 1997.

N/A - Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

From 7/1/97 to 9/30/02, the High Yield SMA Composite consists of all Institutional High Yield Bond accounts managed by Seix and does not include any Wrap Fee/SMA portfolios. From 1997 to 2001 the number of Wrap Sponsors refer to the number of High Yield Bond accounts managed by Seix. From 10/1/02 to present, the composite consist of all High Yield Wrap Fee/SMA accounts managed by Seix in all participating Wrap Plan Sponsors' Programs. For comparison purposes, the composite is measured against the BofA Merrill Lynch High Yield Cash Pay Index. The BofA Merrill Lynch 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. The minimum account size for inclusion in the composite is $500,000.

Seix Investment Advisors LLC is an SEC-registered investment adviser. The firm maintains a complete list and description of composites, which is available upon request.

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, 2004 through June 30, 2013 by Ashland Partners & Company LLP and January 1, 1993 through December 31, 2003 by a previous verifier.

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.

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. Policies for valuing policies, calculating performance, and preparing compliant presentations are available upon request. Past performance is not indicative of future results.

Pure Gross returns, presented as supplemental information, from 10/1/02 through 2014 do not reflect the deduction of any trading costs, fee or expenses and are presented for comparison purposes only. The wrap fee includes all charges for portfolio management, custody and other administrative fees. 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. The annual composite dispersion presented is an asset-weighted standard deviation calculated for the wrap sponsors in the composite the entire year.

The investment management fee schedule for the wrap programs vary between 1.25% and 2.50% Bundled fees may vary by Sponsor. The client is referred to the Program Sponsor's ADV 2A for a full disclosure of the fee schedule. As fees are deducted quarterly, the compounding effect will be to increase the impact of the fees by an amount directly related to the gross account performance.

The High Yield SMA Composite was created January 1, 2003. Performance presented for the period prior to May 29, 2004 occurred at Seix Investment Advisors, Inc. ("SIA") before SIA was acquired by SunTrust Banks, Inc. and its name changed to Seix Advisors. SIA was formerly registered as an investment adviser with the SEC. Performance presented for the period between May 29, 2004 and 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") 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.