Commentary

Intermediate Bond SMA

Taxable Fixed Income Strategy

SEIX INVESTMENT ADVISORS LLC®

Top 10 Holdings

	% of Portfolio
Newmont Mining Corp	1.19
American Tower Corp	1.17
FMC Technologies Inc	1.15
National Oilwell Varco I	1.12
Digital Realty Trust LP	1.11
US Bancorp	1.10
Qualcomm Inc	1.05
Goldman Sachs Group Inc/The	1.05
Nvidia Corp	1.05
Morgan Stanley	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
Industry experience since 1987
Joined Seix in 2001

Jon Yozzo
Portfolio Manager
Industry experience since 1991
Joined Seix in 2000

Second Quarter 2017 Commentary

KEY TAKEAWAYS

Markets

U.S. fixed income markets rose in the period, with lower-rated corporate credits leading gains. The Federal Reserve Board (Fed) again increased rates in the face of financial conditions continuing to loosen, with strong investor risk appetite that seemed to indicate central bank accommodative policy will continue unabated.

Market Outlook

High-quality U.S. fixed income demand should remain strong based on yield and quality advantages from a global relative value perspective, but given current valuations and the aging cycle, we remain focused on safe income at a reasonable price and expect to reduce credit exposure as spreads tighten from these historically rich levels.

Market Review

Broad U.S. fixed income markets rose in the second quarter, with the Bloomberg Barclays U.S. Aggregate Bond Index returning 1.45%. Corporate credits delivered solid excess returns, with lower-rated segments capturing the strongest gains. The Bloomberg Barclays U.S. Corporate Investment Grade Index climbed 2.54% with 112 basis points (bps) of excess return. The Bloomberg Barclays U.S. Corporate High Yield Bond Index rose 2.17% with 146 bps of excess. The Securitized sector performance was mixed. Residential mortgage-backed securities (RMBS) lagged marginally with -4 bps of excess while commercial mortgage-backed securities (CMBS) and asset-backed securities (ABS) gained 34 and 32 bps of excess, respectively.

The 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 ironically even since the first Federal Open Market Committee (FOMC) rate hike at the end of 2015 for that matter. 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 mired near its post crisis average of around 2%, assuming tracking models calling for 2.5% GDP in Q2 are correct (Q1 GDP was 1.4%).

Despite elevated macroeconomic risks, investor risk appetite continues to be strong, with mounting complacency and consequent market volatility drifting to new record lows. The reality is that asset valuations, rather than economic growth, have been the true beneficiaries of the unprecedented liquidity provided by the Fed and other central banks worldwide since 2009. Now, with the recovery cycle and corresponding bull run in risk assets recently passing the eight-year mark, the Fed finds itself in the challenging position of raising rates in what is increasingly likely to become an economic slowdown. Additionally, the Fed has also made clear its intent to begin tapering the reinvestment

Intermediate Bond SMA

Taxable Fixed Income Strategy

SEIX INVESTMENT ADVISORS LLC®

Commentary

rate of its balance sheet some time in 2017 (current consensus points to a formal September announcement). This will be the first attempt to actually reduce the size of the balance sheet since the inception of quantitative easing (QE) back in November 2008. In our view, these actions are more about financial stability concerns and the Fed's attempt to manage a potential valuation bubble that is the direct result of maintaining emergency monetary policy accommodation for far too long. The Fed also wants to continue hiking rates so that it can rely on traditional easing measures (rate cuts) when the next downturn arrives. Hence, rate hikes today are more about putting bullets back in the monetary policy gun for the FOMC to deploy in next economic downturn.

Outlook

Given current valuations and the age of the cycle, our investment strategy remains focused on safe income at a reasonable price. The risk/reward skew at this point appears very asymmetric as valuations fail to compensate investors for the risks assumed. Corporate leverage remains near its all-time high, which is atypical at the end of a cycle where corporate profits are also near a record high. U.S. growth remains sluggish at best and the narrative focused on a global synchronized upturn is difficult to reconcile with the "hard" economic data we analyze. Accordingly, we anticipate reducing credit exposure further, which will provide buying power for when spreads become more compelling.

Aggregate global bank balance sheets have played a major role in driving asset values higher across the board. While the pace will be slow, there is a change approaching that will see the end of the multi-year expansion of these balance sheets. This will have major implications for asset values going forward. The degree of intervention throughout this recovery has been unprecedented, as are the resulting balance sheets of the Fed, the Bank of Japan, the European Central Bank, and the Bank of England. Officials are desirous of a market that believes the reversal of such intervention can happen in the background with little disruption, but we find the prospect of such wishful thinking highly improbable as the taper accelerates.

In the U.S., the Fed has implied one more rate increase this year, but the market appears skeptical and a rebound in inflation over the second half will be necessary for the Fed to follow through with a third rate hike. Its balance sheet unwinding is likely to be announced at the September Fed meeting, with the reinvestment "taper" beginning in October. This should put pressure on the RMBS market as the Fed's sizable prepayment/coupon reinvestment has continued to support this sector. We expect the Fed to continue raising rates at a gradual and measured pace as long as overall financial conditions remain loose, but the timing and pace for even the balance of this year remains far from certain. The desire to embark on a "taper" as well as tighten further should ultimately spark volatility that the market has become accustomed to not having to deal with for the last year. It is the popping of this complacency bubble that will present the market with many formidable challenges. This pending transition period and higher volatility should give rise to many alpha opportunities for investors like us with dry powder to deploy. We stand ready take advantage of these developments over the next few quarters.

The political climate in D.C. remains very contentious, with the Trump administration's pro-business agenda largely stalled. Tax reform, infrastructure spending and regulatory/trade reform initiatives still seem far away at the moment, but any legislative progress could provide the market with a short-term boost. President Trump has finally made one nomination of three pending for the Board of Governors of the Fed so we are just starting to see the shape the Fed itself may take in the short term. Beyond the additional two vacancies on the Board, Fed leadership (Chair and Vice-Chair) terms also expire in the first half of 2018, setting up an even larger potential revamp of monetary policy in less than a year's time.

Performance

The Intermediate Bond SMA posted a return of 0.80% during the quarter, underperforming the Bloomberg Barclays Intermediate Gov/Credit Index return of 0.94% for the same time period. Sector allocation was the primary detractor to returns, as we had a slight underweight in corporates and an overweight in Treasuries.

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.

Intermediate Bond SMA

Taxable Fixed Income Strategy

SEIX INVESTMENT ADVISORS LLC®

Commentary

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.

Commentary

Intermediate Bond SMA

Taxable Fixed Income Strategy

SEIX INVESTMENT ADVISORS LLC®

Composite Data

Total Firm		Composite		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.	Bloomberg Barclays Intermediate Gov/Credit Index	Index 3-Year Std. Dev.	Composite Dispersion
2016	27,631	19	2	-0.04%	2.49%	2.20%	2.08%	2.22%	N/A
2015	25,698	27	2	-1.77%	0.72%	2.05%	1.07%	2.10%	N/A
2014	30,989	38	2	0.89%	3.44%	1.91%	3.13%	1.94%	N/A
2013	26,600	51	2	-3.50%	-1.05%	2.20%	-0.86%	2.11%	N/A
2012	26,141	46	3	0.11%	2.64%	2.30%	3.89%	2.16%	N/A
2011	26,147	59	3	3.81%	6.43%	2.59%	5.79%	2.55%	N/A
2010	25,855	85	4	3.23%	5.83%	-	5.89%	-	N/A
2009	24,338	78	3	3.69%	6.30%	-	5.24%	-	N/A
2008	17,375	34	2	2.49%	5.07%	-	5.07%	-	N/A
2007	21,534	40	2	4.62%	7.26%	-	7.39%	-	N/A
2006	21,122	51	2	0.94%	3.49%	-	4.08%	-	N/A
2005	24,230	48	2	-1.34%	1.15%	-	1.58%	-	N/A
2004	21,913	40	2	1.18%	3.74%	-	3.04%	-	N/A
2003	15,277	49	2	1.27%	3.83%	-	4.31%	-	N/A
2002	11,465	47	1	4.72%	7.22%	-	9.83%	-	N/A
2001	9,175	3	1	-	8.60%	-	8.98%	-	N/A
2000	7,413	480	27	-	10.42%	-	10.10%	-	0.50%
1999	4,663	455	28	-	1.13%	-	0.38%	-	0.50%
1998	3,373	263	16	-	8.01%	-	8.44%	-	0.80%
1997	1,797	147	9	-	8.35%	-	7.87%	-	N/A
1996	630	17	5 or fewer	-	5.02%	-	4.05%	-	N/A
1995*	336	10	5 or fewer	-	4.37%	-	3.51%	-	N/A

*Results shown for the year 1995 represent partial period performance from October 1, 1995 through December 31, 1995.

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

From 10/1/95 to 3/31/01, the Intermediate Bond SMA Composite consists of all Institutional Intermediate Bond accounts managed by Seix and does not include any Wrap Fee/SMA Portfolios. From 1995 to 2000 the number of Wrap Sponsors refer to the number of Intermediate Bond accounts managed by Seix. From 4/1/01 to present, the composite consist of all Intermediate Bond Wrap Fee/SMA accounts managed by Seix in all participating Wrap Plan Sponsors' Programs. For comparison purposes, the composite is measured against the Bloomberg Barclays Intermediate Government/Credit Index. The Bloomberg Barclays 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. 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 December 31, 2016 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 4/1/01 through 2016 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 Intermediate Bond SMA Composite was created July 1, 2001. 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.