3Q 2020 | Credit Select Risk-Managed Review

WST CAPITAL MANAGEMENT

PERFORMANCE & POSITIONING

The stabilization of fixed income markets persisted into the third quarter amid continued monetary stimulus supported by the Federal Reserve. Global risk assets continued their rally in the 3rd quarter as risk appetite proliferated market returns during the summer months. Although Credit Select Risk-Managed ("CSRM") began 3Q ~33% invested in high yield securities, these market conditions prompted the model to fully allocate to U.S. speculative grade debt on the quarter's third day of trading. At this time, CSRM exposures comprised ~33% in passive high yield securities with the remaining assets allocated to specialty high yield - including shorter duration high yield corporate bonds. This risk-on positioning held for the remainder of July and throughout August as momentum continued in both equity and high yield debt markets. Supportive of this trend was the continued tightening in high yield credit spreads from the most recent peak in March as the Fed has provided ample liquidity to fixed income markets. In addition, the announcement from the Fed in August regarding a major change to its inflation targeting framework provided further tailwinds to high yield markets. In combination with their "lower for longer" mantra, the Fed's shift to an average inflation target mitigates the market uncertainty of unexpected rate increases going forward. However bullish this new paradigm was perceived, increased volatility returned to capital markets during September as both equity and high yield indices suffered loses. Amid the uptick in volatility, credit spreads reversed course and began widening - triggering CSRM to leg out of the model's high yield positioning. A brief intra-month rotation back to fully invested occurred in mid-September before CSRM completely removed all high yield exposures in favor of U.S. treasuries, short-duration bonds and cash. To close out the quarter, the strategy was allocated evenly among core U.S. aggregate bonds, intermediate-term treasuries and short-duration fixed income. These rapid allocation changes experienced by CSRM in late September are a function of the tactical, rules-based model that drives allocation decisions within the strategy.

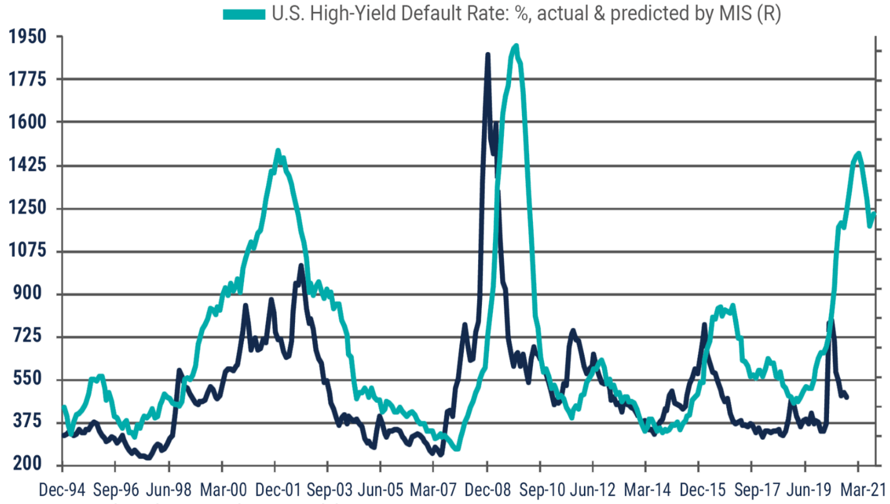
Annualized Returns
as of September 30, 2020

	3Q '20	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Incep
CSRM Strategy (Gross)	3.13	3.26	2.27	4.26	4.79	7.90
CSRM Strategy (Net)	2.88	2.29	1.30	3.25	3.52	6.50
BBg Barc US Corp HY Index	4.60	3.25	4.21	6.79	6.47	7.09
BBg Barc US Agg Bond Index	0.62	6.98	5.24	4.18	3.64	4.65

Risk Analysis
as of September 30, 2020 (annualized since inception)

	Annualized Return	Annualized Std Dev	Beta	Alpha	Sharpe Ratio	Max Draw-down
CSRM Strategy (Gross)	7.90	4.78	0.31	5.62	1.40	-4.90
CSRM Strategy (Net)	6.50	4.69	0.30	4.30	1.13	-5.40
BBg Barc US Corp HY Index	7.09	9.82	1.00	-	0.60	-33.31

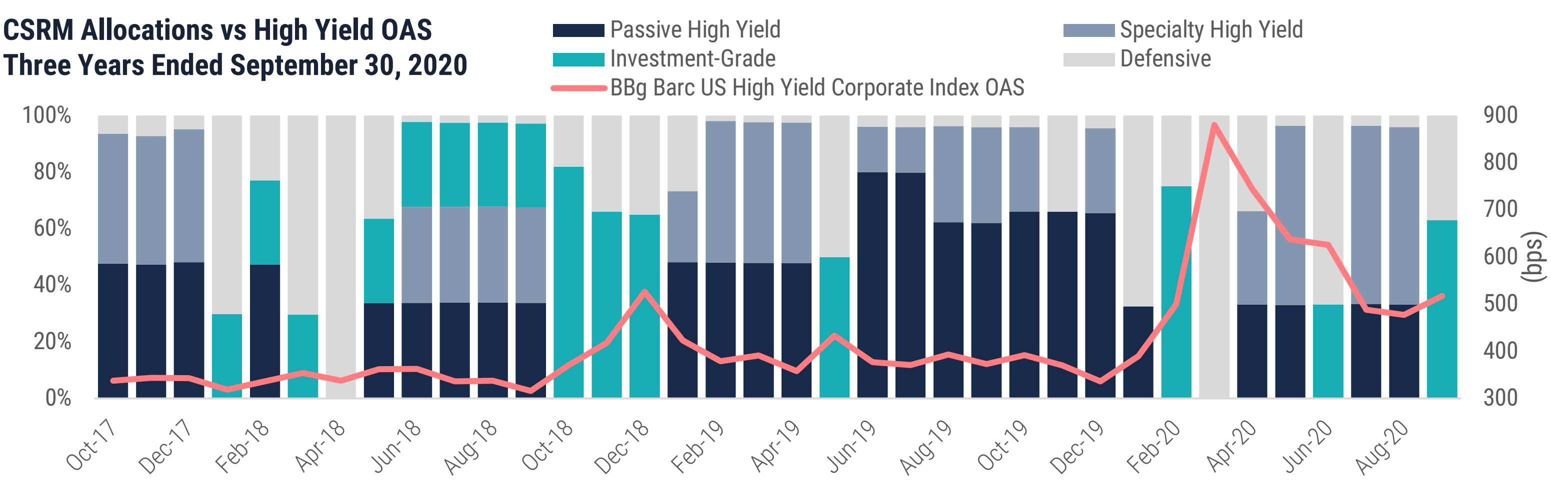
High Yield Credit Spreads and Default Rates



Source: Bloomberg/Barclays, Moody's Investors Service.

As fixed income investors look toward the fourth quarter, uncertainty still looms around the U.S. presidential election, fiscal relief packages and the expected default rates among corporate borrowers. As previously mentioned, high yield credit spreads have dramatically tightened, however, historically there has been a lag between the peaks in credit spreads and default rates. Moody's Analytics has reported rising defaults among high yield borrowers this year as the August 2020 high yield default rate was 8.7%. Although the rate dipped to 8.5% in September, Moody's expects high yield default rates to resume climbing to a 11.1% peak in March 2021.

CSRM Allocations vs High Yield OAS
Three Years Ended September 30, 2020



Source: WST, Factset. Monthly Credit Select Risk-Managed model allocations and the monthly option-adjusted spread over treasuries for the Bloomberg Barclays US High Yield Corporate index, for the period three years ended September 30, 2020.

Notes & Disclosures

Index Returns – all shown in US dollars

All returns shown trailing 9/30/2020 for the period indicated. "YTD" refers to the total return as of prior-year end, while the other returns are annualized. 3-month and annualized returns are shown for:

- The Barclay's US Aggregate Index, a broad-based unmanaged bond index that is generally considered to be representative of the performance of the investment grade, US dollar denominated, fixed-rate taxable bond market.
- The Bloomberg Barclay's US Corporate High Yield Index, which covers the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market.

An index is a portfolio of specific securities, the performance of which is often used as a benchmark in judging the relative performance to certain asset classes. Index performance used throughout is intended to illustrate historical market trends and performance. Indexes are managed and do not incur investment management fees. An investor is unable to invest in an index. Their performance does not reflect the expenses associated with the management of an actual portfolio. No strategy assures success or protects against loss. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk. All investing involves risk including loss of principal. Investing in stock includes numerous specific risks including: the fluctuation of dividend, loss of principal, and potential liquidity of the investment in a falling market. Past performance is no guarantee of future results.

Credit Select Risk-Managed: Strategy Definition & Disclosure

The Credit Select Risk-Managed Strategy has an inception date of March 31, 2006 and consists of fee-paying, fully discretionary accounts under active management at WST that adhere to the Credit Select Risk-Managed strategy. The strategy has the flexibility to invest in any combination of high yield bonds, intermediate U.S. Government securities, and short-term treasuries, or 100% in short-term treasuries. This strategy is generally implemented through the trading of mutual funds or exchange-traded funds. Prior to January 1, 2011 accounts that used exchange traded funds were excluded from the strategy group of accounts, only accounts that traded open end mutual funds were included. Beginning January 1, 2011, the strategy group of accounts includes accounts using open end mutual funds and exchange traded funds. Eligible accounts are included in the strategy group of accounts in the month following the month of account inception. Closed accounts are included through the completion of the last full month. Prior to December 31, 2016, the Credit Select Risk Managed strategy was known as WST Asset Manager – U.S. Bond. Prior to December, 2009, the Credit Select Risk-Managed Strategy was referred to by WST as the DAA High Yield Strategy, from December 2009 to December, 2012, it was referred to by WST as the WST Dynamic Total Return Strategy, and from December 2012 to May, 2013, as the Dynamic Portfolio Manager – Total Return Bond Strategy. Results portrayed reflect the reinvestment of dividends, capital gains and other earnings when appropriate. During the period(s) shown, there were no material market or economic conditions which affected the results portrayed. With the exception of several market corrections during the period(s), the overall market as measured by the S&P 500 was generally rising. If such trends are broken, the clients may experience real capital losses in their managed accounts. The performance results portrayed during the period: 3/31/2006 (strategy inception)-12/31/2010 relate only to a limited group of the adviser's clients selected based on suitability and risk tolerance. This factor would not have a material effect on performance but could lead to the termination of the strategy group of accounts in the event of significant outflows.

General Disclosure

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