4Q 2020 | Credit Select Risk-Managed Review

WST CAPITAL MANAGEMENT

PERFORMANCE & POSITIONING

Although headwinds remained, the risk-on sentiment continued to dominate markets throughout the final quarter of the year. Vaccine developments and clarity around the U.S. presidential election seemed to outweigh the uncertainties still looming for market participants. Fixed income assets saw robust performance in 4Q following the market pullback in September. As the "reach for yield" continued, the appetite for risk was in full effect over the quarter as the high yield credit market was among the top performing fixed income sectors during the period. Seemingly, investors have been rewarded for accepting the additional credit risk in portfolios as of late.

As volatility began to subside, Credit Select Risk-Managed ("CSRM") allocated away from its defensive positioning and towards high yield securities to begin the quarter. The risk-on exposure held till late October when high yield credit spreads began to increase and tick above 500 bps over treasuries. This move triggered the model to leg out of high yield credit in favor of treasuries and short duration fixed income. However, this credit spread trend quickly reversed course in early November while encouraging vaccine news and election outcomes bolstered investor optimism. Spreads began to tighten as market sentiment improved and the CSRM model reallocated to risk assets with ~95% of the portfolio in high yield securities. The strategy remained fully invested throughout the remainder of November and December as several tailwinds such as increasing positivity around economic growth, fiscal stimulus and accommodative monetary policy were supportive of this positioning.

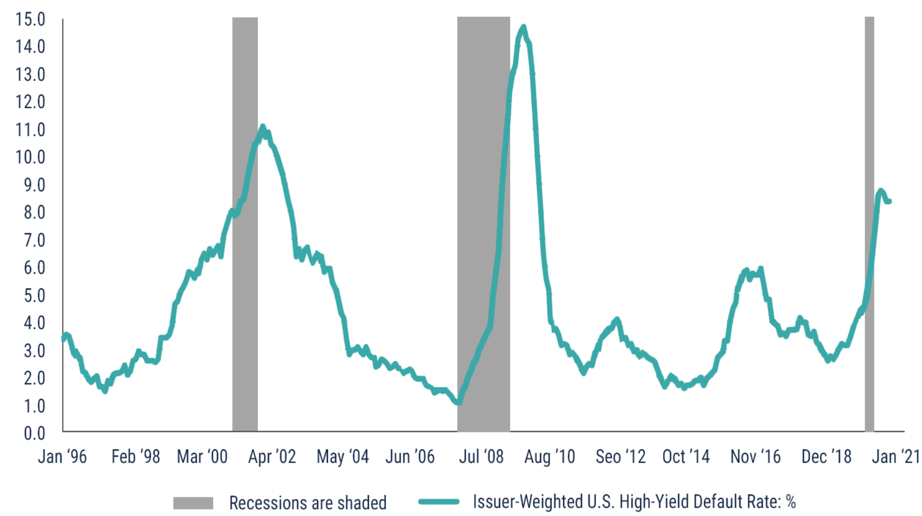
Annualized Returns
as of December 31, 2020

	4Q '20	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Incep
CSRM Strategy (Pure Gross)	5.24	7.48	4.13	5.37	4.88	8.13
CSRM Strategy (Net)	5.03	6.52	3.16	4.37	3.64	6.74
BBg Barc US Corp HY Index	6.45	7.11	6.24	8.59	6.80	7.42
BBg Barc US Agg Bond Index	0.67	7.51	5.34	4.44	3.84	4.61

Risk Analysis
as of December 31, 2020
(annualized since inception)

	Annualized Return	Annualized Std Dev	Beta	Alpha	Sharpe Ratio	Max Draw-down
CSRM Strategy (Pure Gross)	8.13	4.79	0.31	5.72	1.45	-4.90
CSRM Strategy (Net)	6.74	4.71	0.30	4.42	1.18	-5.40
BBg Barc US Corp HY Index	7.42	9.78	1.00	-	0.64	-33.31

U.S. High Yield Default Rates

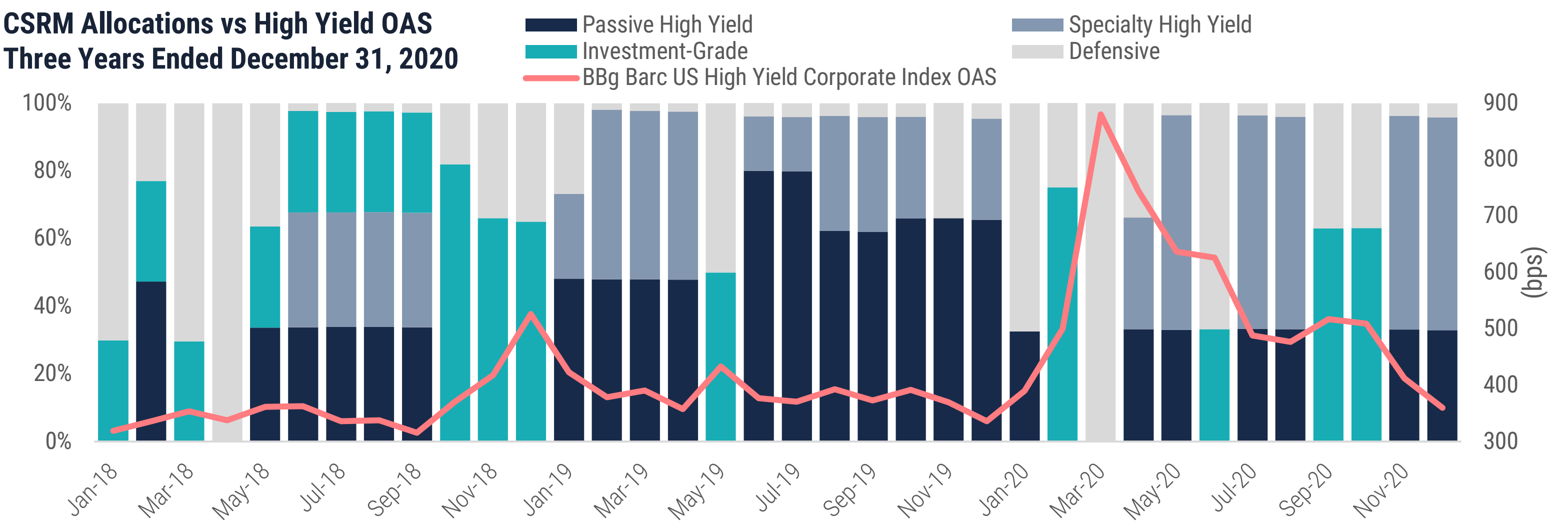


Source: Moody's Analytics.

With fixed income investors turning their attention to 2021, several important catalysts remain on the horizon. Although high yield credit spreads have returned to pre-pandemic levels, Moody's Analytics estimates the trailing 12-month high yield default rate at 8.4% as of December 2020. However, as corporations continue to issue debt with historically low borrowing costs, default rates are expected to improve by 2Q 2021. Additionally, the Fed's backstop and injections of liquidity could slow sometime this year as any tapering of Fed asset purchases could serve as an important driver for fixed income returns.

Although the first half of 2020 was a challenging year for fixed income investors, we feel that the risk management overlay used in the CSRM strategy performed very well on a risk-adjusted basis. Especially, when comparing CSRM's 2020 max drawdown of -3.27% versus the Bloomberg Barclays U.S. Corporate High Yield Index max drawdown of -14.03% on a monthly basis.

CSRM Allocations vs High Yield OAS
Three Years Ended December 31, 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 December 31, 2020.

Notes & Disclosures

Index Returns – all shown in US dollars

All returns shown trailing 12/31/2020 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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