WST Capital Management

NEXT GENERATION SOLUTIONS FOR TODAY'S INVESTORS

GLOBAL ALLOCATION RISK-MANAGED
1Q 2019 Commentary

1Q 2019 | Global Equity Markets Review

WILBANKS SMITH & THOMAS
Asset Management, LLC

Executive Summary

With spirits lifted by accommodative tones in everything from central bank pressers to trade discussions, investors put the 4Q meltdown in the rearview and sent global stocks up around 12.3% in the first quarter of 2019. Volatility crumbled during the quarter, with the VIX closing out at half the level reached at the end of 4Q.

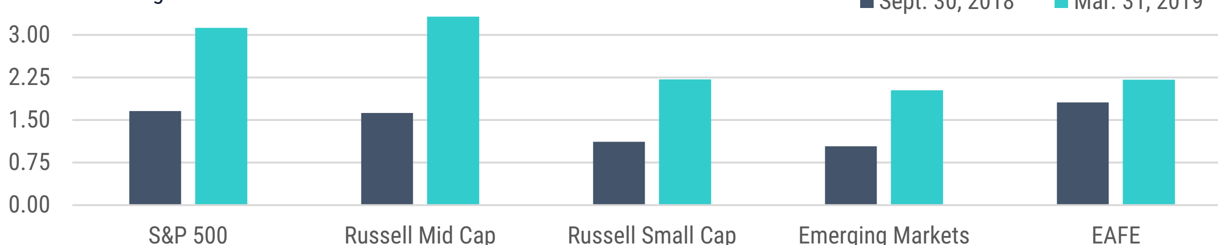
The S&P 500 led broad indices, adding 13.6% (as compared to a loss of 13.5% in the prior quarter) to land the trailing one-year return at 9.5%. Developed ex-US (+10.1%) and emerging markets (+10.0%) eked into double-digits for 1Q, with the ACWI ex-US adding 10.4%; both indices remain in the red for the trailing one-year period.

While US heavyweights such as Apple (+21%), Microsoft (+17%), Amazon (+19%), Facebook (+27%), Google (+13%) and Netflix (+33%) came ripping back and drove equity results overall, the rally was broad and deep. US mid-cap stocks (+16.5%) were the overall leaders. Small caps, which ended the quarter up 14.6%, were leading through February-end but retreated in March; short interest rose, with the forward P/E on the index at roughly 21.6x vs. 16.2x for the S&P. As shown in the figure below, with global equity indices at or nearing cyclical or all-time highs, PE/G ratios have expanded as the "G" (growth) moves in the other direction. Further to the capitalization trend, the S&P 500 Equal-Weight Index (+14.9%) outperformed the market-weight S&P. The S&P 500 Value outperformed in January as investors reloaded on US equity risk but the remainder of the quarter saw momentum slow relative to Growth. Value finished 1Q up 12.2% vs. 15.0% for Growth and lags by 700 basis points on a one-year basis.

4Q's fire-sale – which in hindsight may feel a bit overdone – of course set the stage for a rebound in price, but underlying the sentiment reversal were legitimate shifts in the most acute pains from 4Q. Outcomes in equity seemed to reflect investor focus on the so-called "Fed Put" and similar global central bank action as well as US-China trade negotiations that – while still not resolved to the positive – yielded enough progress to carry water in the relief rally. US investors found further relief in earnings, which receded in growth terms relative to a record-setting 3Q18 but were up year-over-year and, most importantly, beat estimates that had been drastically reduced. Global sector leadership reflected a mix of factors, with top-performing Technology (+19.3%) announcing the rebound in US giants and Energy (+14.5%) coming in second best as oil prices regrouped from a brutal 4Q.

Facing a cross-current of political messes and collapsing activity (the eurozone manufacturing data marked an outright contraction in February), Europe-driven EAFE participated in the rally but met resistance despite accommodative monetary policy and appealing valuation. Emerging markets' underperformance may speak more to currency impacts and country-specific hiccups than to the broad macro pressures weighing on developed international markets. Fed dovishness and the implied potential for a softening dollar has shored up appetite for emerging assets over the last several months, but even modest reversal in the currency dynamic underscores the lingering effects of inflation driven by dollar strength in recent history. Nonetheless, Chinese equities added 17.7% during 1Q, supported by constructive trade talks as well as fiscal and monetary stimulus aimed at countering deceleration in manufacturing and housing. India, meanwhile, is poised to surpass China from a GDP perspective and posted a 9% return in March for a gain of 7.2% 1Q. Russia added 12.2% and although Brazil gave back half of its 17.7% January return throughout February and March, it ended the quarter up 8.6%.

"PE/G" Ratios: 3Q 2018 vs. 1Q 2019
Price-to-Earnings vs. NTM Growth Estimates



Comparative Index Returns (%)	1 Mo.	3 Mo.	1 Yr.
S&P 500 Index	1.9	13.6	9.5
S&P 500 Equal-Weight Index	0.9	14.9	7.2
S&P 500 Growth Index	2.7	15.0	12.8
S&P 500 Value Index	1.1	12.2	5.9
Russell Mid Cap Index	0.9	16.5	6.5
Russell 2000 Index	-2.1	14.6	2.0
MSCI EAFE Index	0.7	10.1	-3.2
MSCI Emerging Markets Index	0.9	10.0	-7.1
MSCI All Country World Index	1.3	12.3	3.2
MSCI ACWI ex-US Index	0.7	10.4	-3.7
BBg Barc US Aggregate Bond Index	1.9	2.9	4.5
BBg Barc US Corporate High Yield Index	0.9	7.3	5.9
60% MSCI ACWI/ 40% BBg Barc US Agg Bond	1.6	8.5	3.9

S&P Global BMI Sector Returns (%)	1 Mo.	3 Mo.	1 Yr.
Consumer Discretionary	1.1	12.6	0.4
Consumer Staples	3.7	11.0	4.4
Energy	1.3	14.5	2.0
Financials	-2.2	8.2	-7.1
Health Care	0.9	9.2	10.6
Industrials	-0.6	13.0	-2.5
Information Technology	3.5	19.3	8.5
Materials	0.4	10.8	-4.5
Communication Services	2.0	11.7	0.8
Utilities	1.8	9.8	13.1
Global Property	3.9	14.5	10.3
MLP	3.0	14.4	15.3

Key Indicators	Current	3 Mo. Change	1 Yr. Change
US 10-Year Tsy Yield (%)/ bps	2.42%	-27	-32
SPDR Gold Trust Price ($)	$122	+$1	-$4
WTI ($/ bb)	$60	+$15	-$5
VIX (Level)/ % Change	13.71	-46%	-31%

Source: FactSet for all index and market data, with all index returns shown in US dollars in table as of March 31, 2019. For index and key indicators definitions, please see notes & disclosures. The chart at left shows the PE/G ratios for the S&P 500, Russell Mid Cap, Russell 2000, MSCI Emerging Markets & MSCI EAFE Indices as of the dates indicated. The information uses Price-to-Earnings Trailing 12 Months and EPS growth estimates for the next 12 Months.

1Q 2019 | Fixed Income Markets Review

WILBANKS SMITH & THOMAS
Asset Management, LLC

Executive Summary

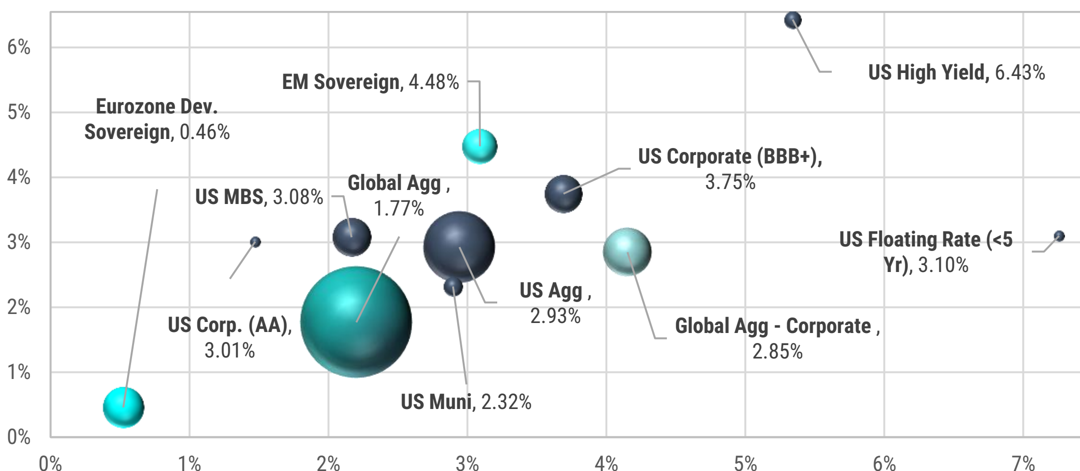
Bond investors in 1Q 2019 were treated to falling yields and an equity-like credit rally as central banks worked to keep the economic plates spinning. The Bloomberg Barclays Global Aggregate Bond Index posted a total return of 2.20%, driven by US aggregate bonds (+2.94%) that marked their best quarterly result in three years and their second-best since 3Q 2011.

While bond investors received peripheral encouragement from mild inflation and economic data that – while articulating a global growth slowdown – was less negative than feared, the Fed was the overall driver of results across capital markets in 1Q. In November the Fed futures market was predicting three rate increases in 2019; by the end of March it was pricing in a 30% probability of a rate cut by the end of 2019 and a 70% probability of an easing by the end of 2020. This dovish shift in global monetary policy put a spring in the step of capital markets overall. By February, in fact, global bond prices were partially retracing gains on the fear that the Fed might reconsider its "patient" strategy in light of the bounce-back in asset prices, economic data and consumer sentiment. By March, however, policy was pointed firmly towards accommodation and global yields were falling once again.

For most of 1Q the US 10-year yield was range-bound despite all of the activity in capital markets, but March saw the measure break below 2.5% to end at 2.42% - the lowest level since 1Q 2018. Credit spreads rose, but only as a function of the 30 bp decline in the 10-year. High yield put up 7.26% in 1Q and, at +5.93%, is notably on par with the S&P 500 Value trailing one year. AA-rated bonds (+3.69%) enjoyed their best quarter since 2010.

Outside the US, European sovereigns rallied (+1.52%) on the ECB's plans to defer tightening until at least next year and in the meantime consider measures to support the banking sector and counteract the drag of negative rates. England – while in decent shape from a labor and activity perspective – nonetheless saw its central bank defer action pending resolution on Brexit. Emerging sovereigns (+3.09%) enjoyed the impacts of easing both domestically and globally, continuing to find encouragement in the currency tailwind implied by Fed action.

Fixed Income Market by Comparative Size, Yield-to-Worst & YTD Total Return
Labels Indicate Category & YTW as of March 31, 2019



Source: FactSet for all index and market data, with all index returns shown in US dollars in table as of March 31, 2019. For index and key indicators definitions, please see notes & disclosures.

Index Total Returns (%)	1 Mo.	YTD	1 Yr.
BBg Barc Global Aggregate	1.25	2.20	-0.38
BBg Barc Global Aggregate ex-US	0.71	1.52	-4.13
BBg Barc US Aggregate	1.92	2.94	4.48
BBg Barc US Intermediate Aggregate	1.39	2.28	4.33
S&P Global Dev. Sovereign ex-US Bond Index	1.40	2.00	2.40
S&P Eurozone Dev. Sovereign Bond	0.26	0.52	-7.01
S&P Pan-Europe Dev. Sovereign Bond	0.43	1.52	-6.29
ICE BofAML Emerging Markets Sovereign Bond	0.61	3.09	-1.23
S&P U.S. Current 10-Year Treasury Bond Index	3.01	3.13	5.79
BBg Barc US Floating Rate Notes (<5 Yr)	0.36	1.47	2.86
S&P US Treasury TIPS	1.82	3.11	2.85
BBg Barc Municipal Bond Index	1.58	2.90	5.38
BBg Barc Global Aggregate - Corporate	1.63	4.15	1.28
BBg Barc US Corporate (AA)	2.00	3.69	5.08
BBg Barc US Corporate High Yield	0.94	7.26	5.93
S&P/LSTA Leveraged Loan	-0.48	5.13	2.99
BBg Barc Global Agg Securitized - US MBS	1.46	2.17	4.42
BBg Barc Global Agg Securitized - US ABS	0.72	1.48	3.68

Key Rates (%/ bps)	Current	1 Mo. Change	YTD Change	1 Yr. Change
US 3 Month	2.39	-4	-6	+67
US 2 Year	2.27	-24	-23	+0
US 5 Year	2.24	-26	-27	-32
US 10 Year	2.42	-30	-27	-32
US 30 Year	2.82	-26	-19	-15
1 Month USD LIBOR	2.49	+0	-1	+61
3 Month USD LIBOR	2.60	-2	-21	+29
6 Month USD LIBOR	2.66	-3	-22	+21
12 Month USD LIBOR	2.71	-15	-29	+5

Credit Spreads (bps)	Current	1 Mo. Change	YTD Change	1 Yr. Change
US Corporate OAS	60	+1	-23	-5
US Corporate High Yield OAS	391	+12	-135	+37

Key Indicators	Current	1 Mo. Change	YTD Change	1 Yr. Change
10 Yr-2-Yr Treasury Spread (bps)	15	-6	-3	-33
WTI ($/ bb)	$60.19	+$2.98	+$15.04	-$4.68
Core CPI	261	+.4	+1	+5
Breakeven Inflation: 5 Yr %/ bps	1.78%	-6	+27	-14
Breakeven Inflation: 10 Yr %/ bps	1.88%	-7	+17	-17

1Q 2019 | Strategy Commentary

International Select Risk-Managed (ISRM)

During 1Q 2019 the ISRM composite returned 4.33% gross (+4.15% net) versus an MSCI ACWI ex-US Index that rallied sharply to post a gain of 10.43%.

ISRM opened the quarter invested moderately, with approximately 50% in cash and international bonds and 50% in equity, split between a pair of low-volatility global sectors (Health Care and Utilities – these sector exposures held for the duration of 1Q). In early January, with US core fixed income outperforming in the context of a strong global bond rally overall, ISRM shifted the bond overweight to the US aggregate and held that position for several trading sessions before rolling back into ex-US bonds. By late January the model had transitioned half the international bond position into minimum-volatility emerging markets equity. As equity investors paused to catch their breath at the end of the month, ISRM briefly de-risked again to a 50/50 posture (favoring US aggregate bonds on the fixed side) before re-upping equity exposure with a third sector allocation – ex-US Real Estate. That sector was eliminated within several sessions in favor of emerging markets exposure, which the model traded between a 25% and 50% weight for the remainder of the quarter.

The strategy's underperformance relative to the MSCI ACWI ex-US was primarily a function of underweight equity exposure, which was itself a function of the 4Q equity meltdown. ISRM's moderate positioning was a headwind as markets rapidly re-risked (delivering half of the overall 1Q total return within the first two weeks of January). Within equity, security selection impacts were mixed, as the Global Utilities holding outperformed the index but the Health Care holding lagged and the minimum-volatility emerging exposure (with a lower-risk footprint) also trailed the broader index.

Diversified Income Risk-Managed (DIRM)

The DIRM composite returned 3.11% gross (+3.00% net) versus a gain of 10.97% for the NASDAQ Multi-Asset Diversified Income Index.

DIRM opened 1Q allocated conservatively, with roughly 80% in cash, short-term Treasurys and core ex-US bonds; the remaining 20% was held in US municipal high yield, a staple allocation alongside floating-rate in 2018's tricky fixed income environment. Late January saw the ex-US bond position trimmed to fund a 20% allocation to convertible securities, while the Treasury position rolled into a 48% weight in higher-duration US core bonds. This positioning held through quarter-end.

With bond markets coming off a constructive 4Q trend and participating in a broad-based capital markets rally, fixed income continued to offer appealing risk-adjusted momentum and the DIRM model declined to explore riskier assets within its allocation universe. As in prior quarters, positioning reflected the model's effort to find stability relative to its "all-weather" income objectives. In comparison to the benchmark (which has a significant equity, junk bond and MLP footprint), the strategy underperformed primarily due to lack of exposure to riskier income areas.

Source for all performance information: FactSet. Please see notes & disclosures.

Annualized Performance
As of March 31, 2019

	3 Mos.	1 Yr	3 Yrs	5 Yrs	Since Incep.
International Select RM Composite (Gross)	4.33	-5.44	7.37	3.82	4.10
International Select RM Composite (Net)	4.15	-6.12	6.61	3.09	3.34
MSCI ACWI ex-US Index	10.43	-3.74	8.61	3.05	3.76
Diversified Income RM Composite (Gross)	3.11	4.43	3.70	3.58	4.22
Diversified Income RM Composite (Net)	3.00	3.99	3.27	3.15	3.79
NASDAQ Multi-Asset Div. Income Index	10.97	9.71	6.62	3.98	4.61
Global Allocation RM Composite (Gross)	3.90	2.18	7.43	-	4.91
Global Allocation RM Composite (Net)	3.80	1.71	6.93	-	4.44
60% ACWI / 40% Agg Blended Benchmark	8.54	3.93	7.62	-	5.54

Source: FactSet. Composite inception dates are 6/30/2013, 9/30/2013 and 12/31/2014 for ISRM, DIRM & GARM, respectively. Benchmark "since inception" performance reflects those dates.

Global Allocation Risk-Managed (GARM)

GARM IS A TARGET 60/40 SOLUTION ALLOCATING BETWEEN VARIOUS SUB-MODELS INCLUDING ISRM; THE REMAINING EQUITY COMPONENTS ARE RISK-MANAGED US STYLE AND SIZE SEGMENT MODELS. DIRM SERVES AS THE MAIN INCOME ALLOCATION.

The GARM composite returned 3.90% gross (+3.80% net) during 1Q, lagging the blended benchmark return of 8.54%.

GARM opened 1Q just as it closed the tumultuous prior quarter: allocated defensively, at just 10% in equities by virtue of ISRM (the Health Care + Utilities sector pair), roughly 7% in municipal high yield (as with DIRM) and the remainder in core ex-US bonds and short-term Treasurys. In tandem with ISRM, GARM briefly extended duration in early January before rolling back into ex-US bonds. With the month-end hiccup in the global equity rally, the US core bond position resurfaced and settled at around 25% for the rest of 1Q, alongside gradually reduced short Treasury and ex-US bond allocations and a steady 15% footprint across municipal high yield and convertibles. GARM began to leg into US equity at the end of January, first with small-cap growth and minimum-volatility all-cap equity that gave way to momentum-based exposure at the end of February. The Portfolio tacked on modest allocations to large cap growth and income-weighted large cap in the back half of March. Within ex-US equity, trades mirrored ISRM – briefly introducing emerging equity in late January, incorporating Real Estate in February, and re-introducing emerging in March. Overall the Portfolio averaged just 30% in equity during 1Q.

As with its core sub-models, GARM as a whole underperformed due mainly to underweight exposure to the hyper-speed rally unfolding in capital markets. Within the income segment security selection was constructive relative to the US aggregate bond benchmark, while equity impacts were mixed on a security-by-security basis but positive within the US.

Observations & Outlook

1Q 2019 saw risk assets exhibit a resilience and haste that was interesting from a technical perspective and remarkable given cyclical and structural pressures on key market areas.

First, the speed and "shape" of the US equity rally were significant and differentiated factors with important implications for trend-following. Back in early February we analyzed the rally from a very basic technical perspective, measuring the difference in trailing 30-day momentum versus the 60 days leading up to that period, in order to identify the most significant positive reversals in S&P 500 momentum over the last twenty years. We then ranked these reversal events using that spread metric. Our analysis indicated that the January rally was the sixth-most intense since 1999; thus it was significant, but not record-breaking from a pure numbers perspective. More interesting, however, was that in 80% of the cases we evaluated, negative prior-period momentum accounted for the majority of the spread. In only one other Top 5 case was the momentum spread primarily a function of positive price trend – that case being the rally launched in March 2009, after markets found the bottom of the worst crash since the Great Depression. That event tipped off a bull market that hit ten years in 1Q 2019.

Momentum being a two-way street, however, the negative trend also demands inspection. Save for a couple of especially dramatic trading sessions (that perhaps dominate our perception of the market fallout), the trend in 4Q developed at an essentially gradual pace. At around roughly -5.8%, the 60-day price momentum heading into January was *only 30 bps below the average of all ~1900 negative observations in the entire 20-year sample set.* Rather than recovering gradually off a crash-type market event, the S&P 500 in January charted a vertical rebound off of a literally moderate negative trend. All said, January stood out as a momentum event, period, but was truly remarkable in that it flipped the script on the typical rally. We believe that taken together these observations yield a fairly intuitive explanation for why trend-following enjoyed relative success in 2018 but struggled during 1Q 2019. The first 2018 sell-off saw markets plummet abruptly but claw back gradually, allowing trend-following models to leg back into the recovery. The gradual deterioration in 4Q also afforded a discernible trend - allowing models to de-risk but also spreading the negative trend across key horizons. Then came a rocket-fueled rally, and by mid-January markets had delivered nearly half the quarter's total return for major indices. The recovery simply played out faster than our models could get comfortable with.

We often emphasize that our views do not impact our models and political, monetary, fiscal and market headlines affect the model only to the extent that they drive prices, which in turn drive momentum. That said, we do maintain those views and typically offer them as a matter of discussing risk and explaining model design. To quote our own 4Q 2018 commentary on the meltdown in December, "while there are plenty of long-term arguments for investment in US risk assets, it appears that in the short term these factors were essentially a house of cards that collapsed quickly along with investor confidence."

*Source: WST, using daily S&P 500 price data to develop a ranking on the basis of a simple calculation that considers the spread between momentum over the last 30 days versus momentum in the 60 days prior, for the 20-yr period ended 2/28/2019. | The above information represents opinions that are subject to change. Please see notes & disclosures.

1Q 2019 – or more specifically, the Fed in 1Q 2019 - dealt investors a completely new hand. With inflation muted, growth slowing and investors reeling, the Fed discovered and calmed markets with a newfound "patience and flexibility in terms of setting policy," and pivoted to a more gradual path toward policy normalization.

The Fed policy shift improved the backdrop for risk assets in the first quarter, but the path forward (or upward) for equity is unclear, while the risks are more obvious. With growth slowing there is significant downside risk to corporate earnings, and the persistent rally across the spectrum of asset classes despite the slowdown in global growth and earnings reflects a disconnect that could unsettle markets. Emerging markets offer attractive valuation and – thanks to the Fed – a more agreeable currency environment to pair with solid GDP growth, but in the short-term emerging stocks are likely to live and die by the same headlines driving the US and they may trade more on sentiment than the appealing long-term story. EAFE, meanwhile, was buoyed by the Fed but thanks to a messy political picture and anemic, if not contracting, activity, the region has little to offer outside of cheap valuation. That said, as with emerging markets, EAFE could trade on near-term sentiment.

As a result, WST's outlook currently can best be described as "cautious," with respect to equity in particular. We don't necessarily view risk as mispriced in the US relative to fundamental strength or credit quality, but we do believe investors may be measuring continued upside potential solely as a function of the Fed's willingness to get involved. We believe the Fed has been and can be very effective in certain scenarios, but see a risk that investors are overestimating the Fed's options and effectiveness in a wider variety of scenarios. For example, we are not sure that inflation is an especially well-considered risk in markets currently; between tight labor markets and capacity constraints, wage growth, fiscal stimulus and tariffs, inflation could creep upwards and eventually create upward pressure on rates, and investors seem indifferent to that possibility.

In the current environment, we see opportunity in terms of "investments" vs. "trades," and we see risk mainly in the idea that both stocks and bonds are trading on the same core theme. Across risk asset classes, we see a combination of stretched valuations paired with decelerating global growth and a reliance on central banks to keep the plates spinning.

In such markets, the ability to be agile and systematically overweight currently favored market areas and underweight currently disfavored market areas creates margin for tactical strategies to add value versus static allocations. Tactical investing is a framework both for managing risk while remaining globally diversified and for leaning into precise drivers of global equity upside, which we do think will be articulated more clearly in intermediate-term trends now that the monetary policy path is mostly mapped out on a global basis. From a multi-asset perspective we believe that allocation outside the US will be an especially valuable tool.

Ultimately our goal is to protect capital when necessary and when possible, systematically capture opportunity created by volatility. We believe the current environment continues to underscore the argument for rotational and risk-managed investing, and we appreciate your confidence in our strategy.

Asset Class Reviews Notes & disclosures

WST CAPITAL MANAGEMENT

Index Returns

All returns shown trailing 3/31/2019 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 S&P 500 index is comprised of large capitalized companies across many sectors and is generally regarded as representative of US stock market and is provided in this presentation in that regard only.
- The S&P 500® Equal Weight Index (EWI) is the equal-weight version of the widely-used S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance. The S&P 500 equal-weight index (S&P 500 EWI) series imposes equal weights on the index constituents included in the S&P 500 that are classified in the respective GICS® sector.
- The S&P 500 Growth Index is comprised of equities from the S&P 500 that exhibit strong growth characteristics and is weighted by market-capitalization.
- The S&P 500 Value Index is a market-capitalization weighted index comprising of equities from the S&P 500 that exhibit strong value characteristics such as book value to price ratio, cash flow to price ratio, sales to price ratio, and dividend yield.
- The Russell 3000 Index tracks the performance of 3000 U.S. corporations, determined by market-capitalization, and represents 98% of the investable equity market in the United States.
- The Russell Mid Cap Index measures the mid-cap segment performance of the U.S. equity market and is comprised of approximately 800 of the smallest securities based on current index membership and their market capitalization.
- The Russell Micro Cap Index is a market-capitalization weighted index that measures the performance of 2000 small-cap and mid-cap securities. The index was formulated to give investors an unbiased collection of the smallest tradable equities still meeting exchange listing requirements.
- The MSCI All Country World Index provides a measure of performance for the equity market throughout the world and is a free float-adjusted market capitalization weighted index.
- The MSCI EAFE Index is a market-capitalization weighted index and tracks the performance of small to large-cap equities in developed markets of Europe, Australasia, and the Far East.
- The MSCI Emerging Markets Index is a float-adjusted market-capitalization index that measures equity market performance in global emerging markets and cannot be purchased directly by investors.
- The S&P 500 Sector indices are into sectors as defined by the widely used Global Industry Classification Standards (GICS) classifications. Each sector index comprises those companies included in the S&P 500 that are classified as members of respective GICS® sector.
- 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 Bond Index (AA), which measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by US and non-US industrial, utility and financial issuers.
- Bloomberg Barclay's Global Aggregate Securitized- US Mortgage-Backed Securities, which is a component of the Bloomberg Barclay's US Aggregate Index and measures investment grade mortgage backed pass-through securities of GNMA, FNMA, and FHLMC.
- Bloomberg Barclay's Global Aggregate Securitized- US Asset-Backed Securities, which is a component of the Bloomberg Barclay's US Aggregate Index and includes the pass-throughs, bullets, and controlled amortization structures of only the senior class of ABS issues.
- The Blomberg Barclay's US Floating Rate Notes (<5 Yr) Index, measures the performance of U.S dollar-dominated, investment grade floating rate notes with maturities less than 5 years.
- The Bloomberg Barclay's Municipal Bond Index, which measures investment grade, tax-exempt bonds with a maturity of at least one year.
- The S&P/ LSTA Leveraged Loan Index is designed to reflect the performance of the largest facilities in the leveraged loan market.

Key Indicators & Rates

Key Indicators correspond to various macro-economic and rate-related data points that we consider impactful to equity markets.

- The US 10-Year Treasury Yield (%)/bps, is the return on investment for the U.S. government's 10-year debt obligation and serves as a signal for investor confidence.
- SPDR Gold Trust Price ($), is an investment fund that reflects the performance on the price of a gold bullion, less the Trust's expenses.
- West Texas Intermediate, which is an oil benchmark and the underlying asset in the New York Mercantile Exchange's oil futures contract.
- CBOE Volatility Index (Level)/% Change, which uses price options on the S&P 500 to estimate the market's expectation of 30-day volatility.

Key Rates are shown for US Treasurys and London Interbank Offered Rate (LIBOR), the interest rate at which banks offer to lend funds (wholesale money) to one another in the international interbank market. LIBOR is a key benchmark rate that reflects how much it costs banks to borrow from each other. "Current" refers to the percentage rate as of 3/31/2018, while the rates of change are stated in basis points.

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WST CAPITAL MANAGEMENT

Performance Commentary Disclosures

Performance observations relative to positioning are derived from analysis of representative accounts for each strategy. These accounts were selected on the basis of non-performance factors such as longevity, stability, minimal flows and adherence to the model. Performance attribution is an analytical process used to understand the factors contributing to a portfolio's relative performance. For equity portfolios, it dissects a portfolio's relative performance into sector weighting and security decisions. "Contribution" refers to contribution to total return. Discussions of asset class, equity sector, fixed income sector, commodity and cash holdings are generalized discussions of the portfolio's holding corresponding to those categories and may or may not constitute a comprehensive list of securities held during the performance period. Sector attribution and security contribution to return are calculated based on the gross-of-fees return of the representative account selected as described above, for a Measurement Period defined as the three-month period ended as of the date indicated. Returns, holdings and characteristics may differ between accounts managed according to the strategy. Available at request is information on calculation methodology and a list showing every holding's contribution to the overall account's performance during the measurement period. To request this information, please email info@wstam.com or contact the representative who provided this information.

Composite Information

The International Select Risk-Managed Composite has an inception date of September 30, 2013 and consists of all fee-paying, fully discretionary accounts under active management at WST that adhere to the International Select Risk-Managed strategy. The strategy utilizes a tactical approach built on a proprietary quantitative framework that is designed to achieve attractive risk-adjusted returns through capital appreciation and income. The International Select Risk-Managed strategy invests in a broad range of the International Equity market from Developed to Emerging. The strategy will take a focused approach to the International market by generally investing 50 to 100% of the portfolio in a broad international index and/or 25% each in two Global Sector indices. During less favorable environments or when attractive investment opportunities are limited, the strategy has the flexibility to invest in bonds or a money market fund. This strategy is generally implemented through the trading of mutual funds or exchange-traded funds. Prior to October 24, 2016, the International Select Risk-Managed strategy was referred to by WST as the WST Asset Manager – Focused International Equity strategy. The composite was created October 2016. 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. 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: 9/30/2013 (strategy inception)-present relate only to a limited group of the adviser's clients selected based on suitability and risk tolerance. This factor has not had a material effect on performance but could lead to the termination of the composite in the event of significant outflows. The composite is measured against the MSCI ACWI ex USA Index Gross Returns. The MSCI ACWI ex USA Index is designed to provide a broad measure of stock performance throughout the world, with the exception of U.S.-based companies.

The Diversified Income Risk-Managed Composite has an inception date of June 30, 2013 and consists of all fee-paying, fully discretionary accounts under active management at WST that adhere to the Diversified Income Risk-Managed strategy. The strategy utilizes a tactical approach built on a proprietary quantitative framework that is designed to achieve attractive risk-adjusted returns through capital appreciation and income. The strategy invests in exchange-traded funds covering a broad range of the corporate capital structure, debt to equity. In addition to a broad capital structure mandate, the strategy overlays a diverse asset class base such as Real Estate Investment Trusts ("REITs"), Master Limited Partnerships ("MLPs"), Dividend Strategies and High Yield Debt. During less favorable environments or when attractive investment opportunities are limited, the strategy has the flexibility to invest in an actively managed investment grade bond fund, treasuries or investment grade floating rate notes. This strategy is generally implemented through the trading of a limited universe of individual stocks or exchange-traded funds. Prior to October 24, 2016, the Diversified Income Risk-Managed strategy was referred to by WST as the WST Asset Manager – Diversified Income strategy. The composite was created October 2016. 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: 6/30/2013 (strategy inception)-present relate only to a limited group of the adviser's clients selected based on suitability and risk tolerance. This factor has not had a material effect on performance but could lead to the termination of the composite in the event of significant outflows. Comparison with Market Index - The market index displayed for comparison to the Diversified Income Risk-Managed Composite is the NASDAQ US Multi-Asset Diversified Income Index. The NASDAQ Multi-Asset Diversified Income Index. The NASDAQ US Multi-Asset Diversified Income Index is designed to provide exposure to multiple asset segments, each selected to result in a consistent and high yield for the index. The Index is comprised of securities classified as US equities, US Real-Estate Investment Trusts (REITs), US preferred securities, US master-limited partnerships (MLPs) and a high-yield corporate debt ETF. For comparison purposes, the benchmarks are fully invested and actual performance may vary. Market indices are unmanaged and do not reflect the deduction of fees or expenses. We consider an index to be a portfolio of securities whose composition and proportions are derived from a rules based model. See the appropriate disclosures regarding models, indices and the related performance.

The Global Allocation Risk-Managed Composite has an inception date of December 31, 2014 and consists of all fee-paying, fully discretionary accounts under active management at WST that adhere to the Global Allocation Risk-Managed strategy. The strategy utilizes a tactical approach built on a proprietary quantitative framework that is designed to achieve attractive risk-adjusted returns through capital appreciation and income. The strategy generally invests 65% of the portfolio in a diversified global equity portfolio and 35% in an income strategy focused on the broad range of the corporate capital structure, debt to equity. In addition to a broad capital structure mandate, the strategy overlays a diverse asset class base such as Real Estate Investment Trusts ("REITs"), Master Limited Partnerships ("MLPs"), Dividend Strategies and High Yield Debt. During less favorable environments or when attractive investment opportunities are limited, the strategy has the flexibility to invest in an actively managed investment grade bond fund, treasuries or investment grade floating rate notes. This strategy is generally implemented through the trading of a limited universe of individual stocks or exchange-traded funds. Prior to October 24, 2016, the Global Allocation Risk-Managed strategy was referred to by WST as the WST Asset Manager – Global Balanced strategy. The composite was created October 2016. 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. 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: 12/31/2014 (strategy inception)-6/30/2016 relate only to a limited group of the adviser's clients selected based on suitability and risk tolerance. This factor did not have a material effect on performance but could have led to the termination of the composite in the event of significant outflows.

Comparison with market indices- The composite is measured against a blended benchmark comprised of 60% of the MSCI ACWI Index Gross Returns and 40% of the Bloomberg Barclays U.S. Aggregate Bond Index. The blended benchmark is rebalanced monthly. The MSCI ACWI Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The Bloomberg Barclays U.S. Aggregate Bond Index covers the USD-denominated, investment-grade, fixed-rate, taxable bond market of SEC-registered securities. The index includes bonds from the Treasury, Government-Related, Corporate, MBS, ABS, and CMBS sectors.

Valuations are computed and performance is reported in U.S. dollars. Returns are presented gross and net of management fees and include the reinvestment of all income and dividends. Net of fee performance was calculated using actual management fees. Some accounts in the composite pay a "wrap fee" which is an all-inclusive or bundled fee based on a percentage of assets under management and may include investment management services, transaction costs/brokerage commissions, portfolio monitoring, consulting services, and custodial services. Gross performance results for wrap accounts in the composite are gross of the entire wrap fee information as transaction expenses have not been deducted. Past performance is not a guarantee of future results.

Investment advisory fees are described in Wilbanks Smith & Thomas Asset Management, LLC's Form ADV 2A. To illustrate the possible effect of fees on the total return of an account, what follows is an illustration: A client investing in the comparative index S&P 500 over the last 10 years (as of December 31, 2015) would have earned 7.31% return on an annualized basis. With the effect of fees at 2.00% per year, this client can then expect their net return to be 5.16% per year compounded over the same time period.