4Q 2020 | Global Strategies Review

WST CAPITAL MANAGEMENT

International Select RM (ISRM)

During 4Q 2020, the ISRM composite returned 1.85% gross (1.71% net) versus an MSCI ACWI ex-US Index that added 17.08%. Since inception, ISRM has added 4.73% gross (+3.98% net) underperforming the index return of 5.81%.

ISRM was underweight global equities going into 4Q as the model continued to take a defensive posture following the market pullback seen in September. The fixed income exposures were a staple in the portfolio during the quarter as ISRM held ~40% in short-term treasuries and ~25% in dollar-hedged international bonds. Shorter maturity bonds were favored by ISRM as the model sought to shorten duration and mitigate potential interest rate risk. The conservative positioning seen by the model throughout the quarter was a function of the increased uncertainty around the elevating virus cases, labor market stagnation and the U.S. presidential election outcome. The global equities allocation remained underweight for the remainder of the quarter – underpinned by the myriad of unknowns faced by market participants. The equity exposure by ISRM average ~25% during the period as the strategy positioned to protect against any further drawdowns as seen earlier in the year.

As a risk-managed strategy, ISRM would be expected to underperform when investors see abrupt reversals in equity markets, as was the case during the fourth quarter.

Annualized Returns *as of December 31, 2020*	4Q '20	YTD	1 Yr	3 Yrs	5 Yrs	Since Incep
International Select RM Composite (Gross)	1.85	2.28	2.28	2.33	7.66	4.73
International Select RM Composite (Net)	1.71	1.60	1.60	1.62	6.92	3.98
MSCI ACWI ex-US Index	17.08	11.13	11.13	5.38	9.44	5.81
Diversified Income RM Composite (Gross)	1.16	1.29	1.29	2.96	3.81	3.86
Diversified Income RM Composite (Net)	1.06	0.87	0.87	2.52	3.37	3.43
BBg Barclays Global Aggregate Index	3.28	9.20	9.20	4.85	4.79	3.01
NASDAQ Multi-Asset Div. Income Index	13.56	-13.99	-13.99	-0.98	2.93	2.42
Global Allocation RM Composite (Gross)	1.91	3.36	3.36	3.52	6.24	4.75
Global Allocation RM Composite (Net)	1.80	2.94	2.94	3.07	5.77	4.29
60% ACWI / 40% Agg Blended Benchmark	9.10	13.83	13.83	8.93	9.72	7.92
Global Bond RM Composite (Gross)	-0.87	-8.26	-8.26	-0.07	3.07	1.89
Global Bond RM Composite (Net)	-0.96	-8.69	-8.69	-0.48	2.58	1.40
BBg Barclays Global Aggregate Index	0.89	5.58	5.58	5.15	4.49	4.42
Emerging Markets RM Composite (Gross)	2.86	-2.29	-2.29	-0.83	3.32	3.32
Emerging Markets RM Composite (Net)	2.83	-2.39	-2.39	-0.91	3.27	3.27
50% EM Equity/ 50% Bond Benchmark Blend	11.35	14.55	14.55	6.13	9.26	9.26

Source: FactSet. Composite inception dates are 6/30/2013, 9/30/2013, 12/31/2014, 12/31/2014 and 12/31/2015 for ISRM, DIRM, GARM, GBRM & EMRM respectively; benchmark SI returns refer to those dates.

Diversified Income RM (DIRM)

The DIRM composite returned 1.16% gross (1.06% net) during 4Q, underperforming the Global Aggregate (+3.28%) and the NASDAQ Multi-Asset Diversified Income Index (+13.56%). Since inception, DIRM has added 3.86% gross (+3.43% net) outperforming the Global Aggregate (+3.01%) the NASDAQ Multi-Asset Diversified Income Index (+2.42%).

The strategy entered 4Q seeking to enhance total return through a combination of capital preservation and income generation. In conjunction with these objectives, DIRM sought to mitigate the effects of an additional drawdown as seen in the prior quarter. As a result, the strategy began 4Q allocated among a diversified set of fixed income exposures including ~20% to intermediate-term treasuries, ~20% to dollar-hedged emerging markets sovereign bonds and ~10% in short duration fixed income. The remaining portfolio assets were held in cash equivalents as DIRM sought opportunistic entry points within the strategy's investment universe. These allocations in the portfolio were held constant throughout the quarter as number of questions remained around capital markets and the economic recovery.

The defensive exposures held by DIRM during the period was the outcome of the rules-based model driving allocations decisions. As investment grade and high yield credit spreads have narrowed back to pre-pandemic levels, the model elected to not add corporate credit exposure over 4Q and mitigate credit risk in the portfolio. As previously mentioned, the model elected to shorten duration as fixed income investors saw an uptick in yields as well as a re-steepening of the yield curve.

Emerging Markets RM (EMRM)

A multi-asset portfolio targeting growth and income from emerging markets, the EMRM composite returned 2.86% gross (+2.83% net) in 4Q, underperforming the 50/50 emerging equity/ fixed income blend that added 11.35%.

To begin the quarter, EMRM held an overweight to emerging markets sovereign bonds at ~50% - positioning that has held since early 2Q. The remaining assets were allocated to long-dated treasuries at ~50% as volatility remained elevated following September. However, this exposure proved to be short lived as the model rotated away from treasuries in favor of cash equivalents early in the quarter. As the strategy sought to sidestep market drawdowns, the defensive positioning was held for the remainder of the period as allocations to emerging markets equities were absent over the quarter.

Global Bond RM (GBRM)

In 4Q, the GBRM composite lost -0.87% gross (-0.96% net), while the Bloomberg Barclays Global Aggregate Index added 0.89%. Since inception, GBRM has returned 1.89% gross (+1.40% net) versus the index return of 4.42%.

GBRM was conservatively positioned to open the quarter as allocations included ~58% long-dated treasuries and ~40% long USD. The strategy removed its treasuries position as yields began to rise later in the quarter. Shortly thereafter, the long USD exposure was replaced with short duration fixed income as the dollar showed signs of weakness against the basket of world currencies. The ~40% short duration bond position held for the remainder of the quarter as the model sought mitigate interest rate risk amid rising rates. Other notable holdings during the quarter included an additional long USD position. However, this was ultimately short-lived as GBRM allocated away from its long USD exposure while adding ~30% to short-term treasuries to close out the quarter.

Global Allocation RM (GARM)

The GARM composite returned 1.91% gross (+1.80% net), underperforming the 60/40 benchmark (+9.10%) in 4Q. The strategy has added 4.75% gross (+4.29% net) since inception, compared to the benchmark (+7.92%) on a gross basis.

Global equity exposure for GARM averaged 25% over 4Q while the strategy has averaged 19% over the course of a volatile 2020 calendar year. When examining the equity allocation granularly, international equity exposure averaged only 6% during the quarter while U.S. equity exposure averaged 19% during the same period. The fixed income allocations within the strategy averaged 65% during 4Q as the underweight to equities and overweight to fixed income were a function of the major uncertainty around vaccine rollouts, labor market stagnation and the presidential election outcome. The model's dynamic risk-budgeting between asset classes helps to drive allocation decisions and mitigate drawdowns leading to the conservative positioning over the quarter.

GARM opened the quarter with roughly 25% in equity, as both the international and U.S. equity sub-models were conservatively postured following the volatility in September. This underweight to equities was consistent during the period as was the overweight to fixed income securities. The defensive positioning of the strategy was a reflection of the three sub-models driving allocation decisions for GARM. Fixed income exposures held over 4Q comprised emerging markets sovereign debt, short duration fixed income and treasuries as the model sought diversified sources of income and capital preservation. GARM's positioning changes within fixed income included removing treasury bonds in favor of treasury notes as the strategy looked to shorten duration while yields moved higher. The emerging markets sovereign debt and short duration fixed income exposures remained a staple of the portfolio over the quarter. Other notable positions held by the strategy during the period included a long USD allocation although this holding was ultimately removed mid quarter.

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 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 Exchange-Traded Fund (ETF).
- The Bloomberg Barclays Global Aggregate Index, which measures global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.
- The MSCI ACWI ex USA Index captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 26 Emerging Markets (EM) countries

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.

General Disclosure

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