4Q 2020 | Sector Select Risk-Managed Review

WST CAPITAL MANAGEMENT

PERFORMANCE & POSITIONING

U.S. equity markets rallied during the fourth quarter following the market pullback seen by investors over the course of September. Although stocks across the capitalization spectrum rebounded in 4Q, uncertainty continued to weigh on the minds of investors surrounding vaccine rollouts, labor market stagnation and the presidential election outcome.

This confluence of factors resulted in Sector Select Risk-Managed ("SSRM") maintaining a defensive posture to begin 4Q carried over from the increase in market volatility during the previous quarter. The strategy held an underweight to U.S. equities with sector allocations to Consumer Staples and Healthcare comprising ~20% of assets. Markets were rattled in October as volatility spiked leading up to the presidential election prompting the model to maintain its conservative allocation. As the election outcome uncertainty remained for weeks, SSRM continued to favor underweighting U.S. equities – positioning that held for the remainder of the quarter. The Alternate Segment of the strategy was predominantly featured during 4Q while providing a structural hedge through allocations to treasuries and short-duration fixed income. In early November, the model allocated away from long-dated treasury bonds in favor of intermediate-term treasury notes as it sought to shorten duration. To finish the quarter, the strategy's fixed income positioning was ~35% short-duration bonds and ~25% treasuries. As previously mentioned, the strategy finished 2020 with ~20% sector exposure.

In 4Q 2020, the Sector Select Risk-Managed composite returned 1.38% gross (+1.12% net) versus a S&P 500 Index up 12.15% and a S&P 500 Trend Allocator Index returning 12.16%. The underperformance vs the benchmarks was a function of the strategy's underweight exposure to U.S. equities amid the strong upside seen in stocks during late 4Q.

Annualized Returns *as of December 31, 2020*	4Q '20	1 Yr	3 Yrs	5 Yrs	7 Yrs	Since Incep
SSRM Composite (Gross)	1.38	4.62	1.55	3.46	3.72	7.00
SSRM Composite (Net)	1.12	3.50	0.50	2.28	2.53	5.84
S&P 500 Index	12.15	18.40	14.18	15.22	12.92	15.14
S&P 500 Trend Allocator Index	12.16	-5.08	4.76	7.96	6.52	9.47

3 Yr Risk Analysis *as of December 31, 2020*	Annualized Std Dev	Beta	Alpha	Sharpe Ratio	Max Draw-down
SSRM Composite (Gross)	8.70	0.36	-3.44	0.00	-9.59
SSRM Composite (Net)	8.63	0.35	-4.36	-0.12	-10.71
S&P 500 Index	18.53	1.00	-	0.68	-19.60
S&P 500 Trend Allocator Index	16.77	0.74	-4.97	0.19	-22.90

Source: Factset, monthly data for the composite and indices shown.

S&P 500 Equal Weighted Sectors Returns *as of December 31, 2020*	4Q '20	1 Yr	3 Yrs	5 Yrs	7 Yrs	Since Incep
Consumer Discretionary	38.40	11.52	9.01	9.60	8.09	12.04
Consumer Staples	13.31	6.61	7.14	8.20	10.38	12.80
Energy	13.06	-32.35	-16.43	-5.40	-10.48	-6.18
Financials	30.75	5.75	5.78	12.35	10.75	14.28
Health Care	18.32	19.33	14.54	12.29	14.18	17.29
Industrials	32.79	18.48	11.38	15.82	11.80	15.29
Information Technology	28.48	30.75	23.03	24.36	20.46	23.24
Materials	38.23	23.06	9.88	15.34	10.60	12.79
Real Estate	13.93	-2.47	5.71	6.13	-	-
Communication Services	29.52	22.87	13.75	7.47	7.26	7.52
Utilities	12.01	-2.43	8.66	11.14	11.39	11.69

Source: FactSet for all index and market data, shown in USD as of December 31, 2020. The SSRM composite has an inception date of November 30. 2012. Source for strategy allocation information: WST, Orion.

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 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 Trend Allocator index is designed to track the performance of a systematic trend-dependent strategy allocating between the S&P 500 and cash, based on price trends

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.

Key Indicators
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.

Sector Select Risk-Managed: Composite Definition & Disclosure
The Sector Select Risk-Managed Composite has an inception date of November 30, 2012 and consists of all fee-paying, fully discretionary accounts under active management at WST that adhere to the Sector Select Risk-Managed strategy. The strategy seeks to deliver the returns of the WSTCM Sector Select Risk-Managed Index (WSTE – Bloomberg Symbol), a public index published by Bloomberg and calculated by Standard & Poor's Custom Indices. WSTE index is comprised of the "Sector Segment" made up of any combination of the primary sectors of the S&P 500® Index represented by the Guggenheim Equal Weighted S&P 500 sector ETF's and the "Alternate Segment" composed of U.S. Treasury Inflation Protected Notes, PIMCO Total Return (an actively managed bond fund), gold, and Investment Grade Floating Rate Notes. The portfolio may represent any combination of the two segments or 100% of the "Alternate Segment." This strategy is generally implemented through the trading of mutual funds or exchange-traded funds. Prior to December 31, 2016, the Sector Select Risk-Managed strategy was referred to by WST as the WST Asset Manager – U.S. Equity strategy. The composite was created October 2016. The composite is measured against the S&P 500 Index and has the S&P 500 Trend Allocator Index as a secondary benchmark. The S&P 500 Index is a market capitalization weighted index, including reinvestment of dividends and capital gains distributions that is generally considered representative of U.S. stock market. The S&P 500 Trend Allocator Index is designed to track the performance of a systematic trend-dependent strategy allocating between the S&P 500 and cash, based on price trends. If the S&P 500 is observed to be in a positive trend, then the index is allocated to the S&P 500, otherwise, it is allocated to cash.

General Disclosure
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