

EXECUTIVE SUMMARY

2Q was an up-and-down affair but ultimately the cavalry came for risk assets, with central banks responding to weak economic data with sweeping promises of further accommodation and monetary stimulus.

The quarter had opened positively – thanks to better-than-feared earnings and soothing tones from central banks – before US-China trade talks unraveled in May, sinking equities and rallying bond prices. Central banks were the only real story in the final weeks of the quarter; rarely have capital markets been as comprehensively positive as they were in June. There was a buyer for everything and as a result essentially all major asset classes, sectors, indices, commodities and sovereigns are firmly in the black year to date. Global stocks, as measured by the MSCI All Country World Index, in June clawed back May's losses and then some, adding 6.6% to round out a 3.8% quarterly gain, a 16.6% year-to-date move and again of 6.3% for the trailing 12-month period.

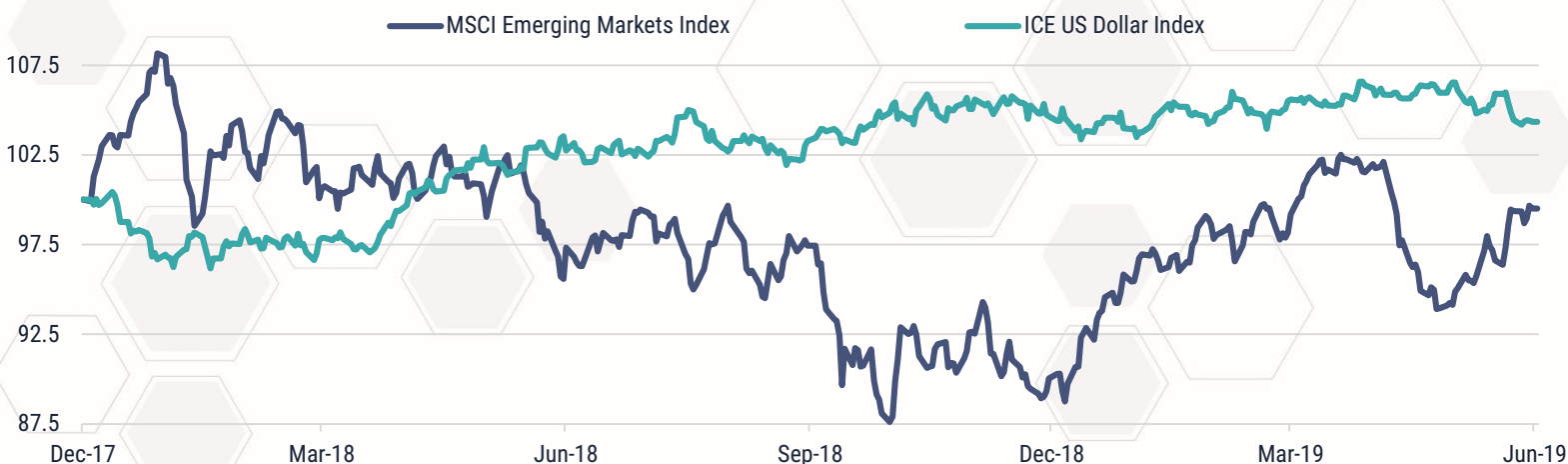
The US underperformed developed international in May but evened the score in June (+7.0% for the S&P 500) and ultimately maintains the pole-position globally for both the quarter (+4.3%) and year-to-date period (+18.5%). The breadth of the June rally was evident in both a 50-basis point advantage to equal-weight (vs. cap-weight), and in a nearly 200-basis point advantage to the S&P 500 Value over the Growth index (+8.1% vs. 6.2% for the month). Value does continue to lag materially over all recent periods and persists in underperforming during sell-off events. US mid caps modestly trailed in June and for the quarter but are the year-to-date US leaders, while small caps – which suffered mightily during sell-offs in 4Q '18 and May '19 – have kept up reasonably well year to date (+17.0%) but are still working back into the black for the one-year period.

The world ex-US gained 3.2% during 2Q and has advanced 14.0% in 2019 thus far. Across asset classes Europe enjoyed a particularly strong quarter, with equities modestly outperforming the US (+4.9%) and bonds posting a market-leading return as European Central Bank (ECB) president Mario Draghi made very clear the ECB's commitment to battling economic deterioration with aggressive policy.

Leveraged significantly (and unfavorably for most of the last 18 months) both to dollar strength and a variety of US trade policy moves, emerging markets brought up the rear for 2Q, adding just 0.7% and settling near 800 basis points behind the S&P year to date. EM struggled to find direction even as oil prices strengthened and monetary policy continued to stack up positively. China was the primary drag, as the country's June rally was inadequate to recover all of May's double-digit setback, and the overall result was a quarterly loss of 3.92% for the country. US tariffs leveled at Mexico and unclear economic prospects in Brazil have slowed momentum. Global growth uncertainty and political arm-twisting by the US has stifled would-be momentum for India (the fastest-growing major economy). Given strong data and subdued inflation, the most recent budget omitted hoped-for stimulus and thus Indian stocks sat out the quarter, skipping both rallies as well as the sell-off and adding just 50 basis points overall.

What's Eating Emerging Markets?

EM Equity vs. USD, Indexed for 18 Mo. Ended June 30, 2019



Source: FactSet for all index and market data, with all index returns shown in US dollars in table as of June 30, 2019. Please see notes & disclosures.

Comparative Index Returns (%)

	1 Mo.	3 Mo.	YTD	1 Yr.
S&P 500 Index	7.0	4.3	18.5	10.4
S&P 500 Equal-Weight Index	7.5	3.7	19.2	8.2
S&P 500 Growth Index	6.2	4.6	20.2	12.0
S&P 500 Value Index	8.1	4.0	16.7	8.7
Russell Mid Cap Index	6.9	4.1	21.3	7.8
Russell 2000 Index	7.1	2.1	17.0	-3.3
MSCI EAFE Index	6.0	4.0	14.5	1.6
MSCI Emerging Markets Index	6.3	0.7	10.8	1.6
MSCI All Country World Index	6.6	3.8	16.6	6.3
MSCI ACWI ex-US Index	6.1	3.2	14.0	1.8
BBg Barc US Aggregate Bond Index	1.3	3.1	6.1	7.9
BBg Barc US Corporate High Yield Index	2.3	2.5	9.9	7.5
60% MSCI ACWI/ 40% BBg Barc US Agg Bond	4.5	3.6	12.5	7.3

S&P Global BMI Sector Returns (%)

	1 Mo.	3 Mo.	YTD	1 Yr.
Consumer Discretionary	7.6	3.9	17.0	1.6
Consumer Staples	4.1	2.6	13.9	7.8
Energy	6.5	-1.5	12.7	-9.3
Financials	5.7	5.8	14.5	3.4
Health Care	6.7	1.3	10.6	8.7
Industrials	7.2	4.6	18.2	4.6
Information Technology	8.4	5.3	25.6	10.1
Materials	9.8	3.3	14.6	-1.4
Communication Services	4.3	3.2	15.2	8.0
Utilities	4.1	3.1	13.1	14.7
Global Property	2.4	0.4	15.0	7.9
MLP	2.1	1.6	16.2	10.1

Key Indicators

	Current	1 Mo. Change	3 Mo. Change	YTD Change	1 Yr. Change
US 10-Year Tsy Yield (%) / bps	2.00%	-14	-42	-69	-85
SPDR Gold Trust Price (\$)	\$133	+\$10	+\$11	+\$12	+\$15
WTI (\$/ bb)	\$58	+\$5	-\$2	+\$13	-\$16
VIX (Level) / % Change	15.08	-19%	+10%	-41%	-6%

PERFORMANCE & POSITIONING

In 2Q 2019 the Sector Select Risk-Managed (SSRM) composite returned -0.49% gross (-0.75% net) versus an S&P 500 Index that added 4.30% and a S&P 500 Trend Allocator Index that added 3.79%. For the trailing one-year period, SSRM has returned 2.60% gross (2.04% net) versus the S&P 500 up 18.54% and the S&P 500 Trend Allocator Index up 6.00%.

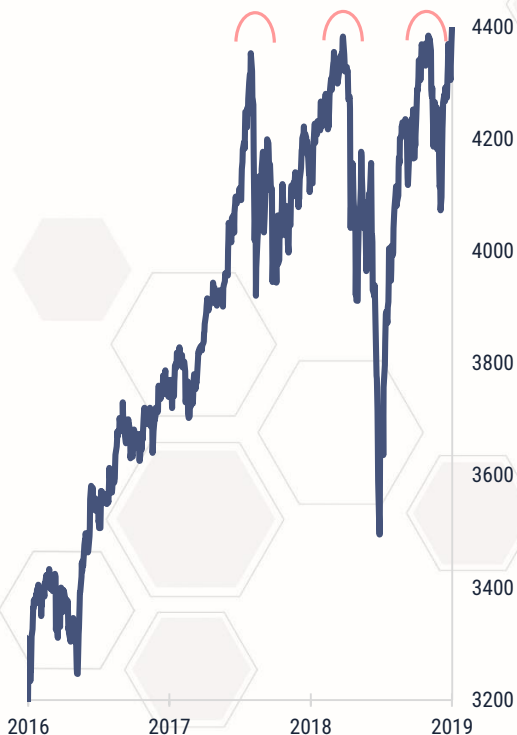
SSRM opened 2Q just as it closed the prior quarter – in a moderate-growth investment posture, with roughly 68% in equity and the balance in a mix of gold, short-term investment grade and Treasuries and intermediate Treasuries. The strategy's sector composition (a 48% overweight to Technology, with 10% each in Health Care and Consumer Discretionary) held until the end of May, at which point the model made a defensive rotation in response to deteriorating equity trends.

SSRM spent the first week of June invested just around 30% in equity (10% each in Utilities, Industrials and Health Care) with the fixed income allocation rounded out across existing exposure, leaning most heavily into short-term Treasuries. Within several sessions, however, the market rally had proved sufficient to reverse the short-term signal and the strategy rolled into a roughly 78% equity position through the addition of Consumer Staples at 48%.

Source: FactSet for all index and market data, shown in USD as of June 30, 2019. The Sector Select Risk-Managed Strategy has an inception date of November 30, 2012. Please see related notes and disclosures in following pages. Source for strategy allocation information: WST, Orion. Attribution information refers to a representative account chosen on the basis of non-performance factors.

S&P 500 Equal-Weight Index

Daily levels, 5 years ended June 30, 2019



Annualized Returns

as of June 30, 2019

	2Q '19	YTD	1 Yr	3 Yrs	5 Yrs	Since Incep
SSRM Composite (Gross)	-0.49	2.60	-3.89	3.67	2.82	7.52
SSRM Composite (Net)	-0.75	2.04	-4.84	2.52	1.61	6.35
S&P 500 Index	4.30	18.54	10.42	14.19	10.71	14.08
S&P 500 Trend Allocator Index	3.79	6.00	5.01	11.01	5.63	10.09

ATTRIBUTION

Versus the S&P 500, relative performance effects from SSRM's positioning – i.e., the impacts of asset class selection and sector selection, within equity – were mixed but overall negative. Security selection effects were negative due primarily to equal-weight exposure.

Positioning

The primary driver of relative performance was the strategy's asset class positioning – i.e., its underweight exposure to equity throughout the quarter but particularly in June. In April SSRM's equity holdings outperformed the market and – invested at around 68% – the portfolio overall kept up reasonably well. In May the portfolio's growth-oriented sector holdings underperformed the market but, given moderate positioning, the portfolio as a whole outperformed the S&P 500 as it sold off. Quarterly relative performance collapsed in June, however, as the so-called "Fed Put" rapidly reversed the market mood, while the model's defensive rotation saw the portfolio sit out the sharpest move in the month's rally.

Throughout the quarter, an average of 32% of assets were invested instead in the Alternate Segment, a risk-off allocation intended to provide a simple hedge against equity market movement, as it comprises assets that exhibit historically low or inverse correlation to the S&P 500. While contributions from this segment were positive the allocation overall detracted from relative results given the strong performance for equity markets.

Security Selection

Technology was the primary driver of performance overall, and security selection impacts were negative as equal-weight underperformed during the portfolio holding period (April-May); the same dynamic was true of Consumer Discretionary for the same period. The Consumer Staples position (the overweight for most of June) underperformed market-weight exposure and the market overall, but the other sector allocations (Utilities, Industrials and Health Care) outperformed their respective market-weight sectors during their holding periods.

Within the risk-off segment all holdings contributed positively on an absolute basis but ultimately underperformed equity markets.

OBSERVATIONS & OUTLOOK

Results in 2Q reflect the model's effort to navigate opportunity and manage risk in a market where any nascent or established trends have proven vulnerable to forces that manifest quickly, in tweets and press conferences. Lack of sustained trend is a challenge for trend-following in general and the "Fed put" has been particularly disorienting for tactical equity.

Year to date, even as the S&P has posted a nearly 20% return, the strategy has averaged just 50% in equity. Intra-month re-risking (such as occurred in June) is a relatively rare occurrence for the SSRM model and this situation captured one nuance of the strategy, whereby the model will exhibit increased sensitivity to short-term trends and may partially reconsider its month-end "risk-off" signal and re-allocate to equity through defensive or low-volatility sectors. Overall, model behavior speaks to the fits-and-starts nature of the market's advance and in particular the unusual, Fed-driven volatility patterns.

The current risk-asset run may yet have life in it given the apparent commitment of banks and policy-makers to extend the current economic cycle and revive growth through synchronized monetary easing and resolution of trade and political concerns. As shown in the chart at left, for the last 18 months the equal-weight S&P (which is used vs. market-weight in order to better capture breadth) has repeatedly met resistance – the Fed's most recent action seems to have shifted upward that range. In our view these developments, while encouraging in the short-term for investors, have contributed incremental promise as well as risk in capital markets.

We appreciate your confidence in our risk-managed philosophy and strategy and we welcome your questions.

Index Returns – all shown in US dollars

All returns shown trailing 6/30/2019 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 Global BMI 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 Global BMI that are classified as members of respective GICS® sector. The S&P Global BMI Indices were introduced to provide a comprehensive benchmarking system for global equity investors. The S&P Global BMI is comprised of the S&P Emerging BMI and the S&P Developed BMI. It covers approximately 10,000 companies in 46 countries. To be considered for inclusion in the index, all listed stocks within the constituent country must have a float market capitalization of at least \$100 million. For a country to be admitted, it must be politically stable and have legal property rights and procedures, among other criteria.
- 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.

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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