1Q 2021 | Credit Select Risk-Managed Review

WST CAPITAL MANAGEMENT

PERFORMANCE & POSITIONING

Fixed income investors faced challenges in the first quarter of 2021 as markets experienced weakness across a range of fixed income sectors. Although progress had been made on Covid-19 vaccine developments, several headwinds weighed on bond performance during the period. Inflation expectations have steadily increased since early 2020 supported by dovish Fed policy, aggressive fiscal policy and improving economic conditions. As markets anticipate rising inflation in the coming years, fixed income assets have experienced recent sell-offs as negative real yields have not adequately enticed investors to hold traditional fixed income. In addition, the increasing inflation expectations, coupled with the anticipation of strong real GDP growth, has driven long term nominal interest rates higher as investors have witnessed significant yield curve steepening. As a result, market participants have elected to sell longer dated bonds in favor of shorter-term fixed income to minimize investor's interest rate risk going forward.

The Credit Select Risk-Managed ("CSRM") strategy was fully invested in high yield securities to start 2021 as risk-on sentiment was in full effect to begin the year. This positioning held till early February when the model elected to trim exposure to specialty high yield as credit spreads remained historically tight. In late February, market volatility began to tick up as well as fixed income investors witnessing modest credit spread widening. These moves triggered the model to reduce portfolio risk by decreasing high yield exposure to 58% with the remaining assets allocated to intermediate term Treasuries and cash equivalents. Subsequently, the model eliminated high yield positioning as well as shortening duration through the allocations to U.S. Treasury notes. The risk-off positioning for Credit Select Risk-Managed was ultimately short lived as the model reallocated to high yield securities toward the end of March. To close out the quarter, the strategy was fully invested with ~96% exposure to passive and specialty high yield.

The narrowing of high yield credit spreads seen by investors has served as a catalyst for high yield bond issuance since the onset of the pandemic. High yield bond issuance reached historically high levels in 2020 as this trend continued into the new year. During the first quarter of 2021, high yield issuance totaled ~$151 billion and is currently on pace to surpass the record levels seen last year. Fixed income investors will continue to monitor further developments around issuance, changes in credit spreads and tapering of asset purchases by the Fed going forward.

Annualized Returns

as of March 31, 2021

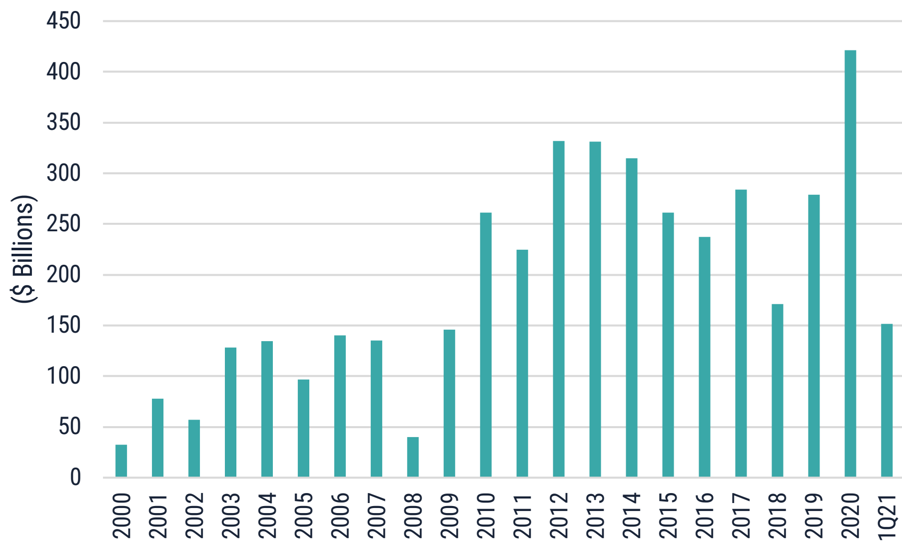
	1Q '20	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Incep
CSRM Strategy (Pure Gross)	0.20	9.14	4.29	4.57	4.48	8.01
CSRM Strategy (Net)	0.01	8.21	3.34	3.58	3.27	6.63
BBg Barc US Corp HY Index	0.85	23.72	6.84	8.06	6.48	7.36
BBg Barc US Agg Bond Index	-3.37	0.71	4.65	3.10	3.44	4.29

Risk Analysis

as of March 31, 2021 (annualized since inception)

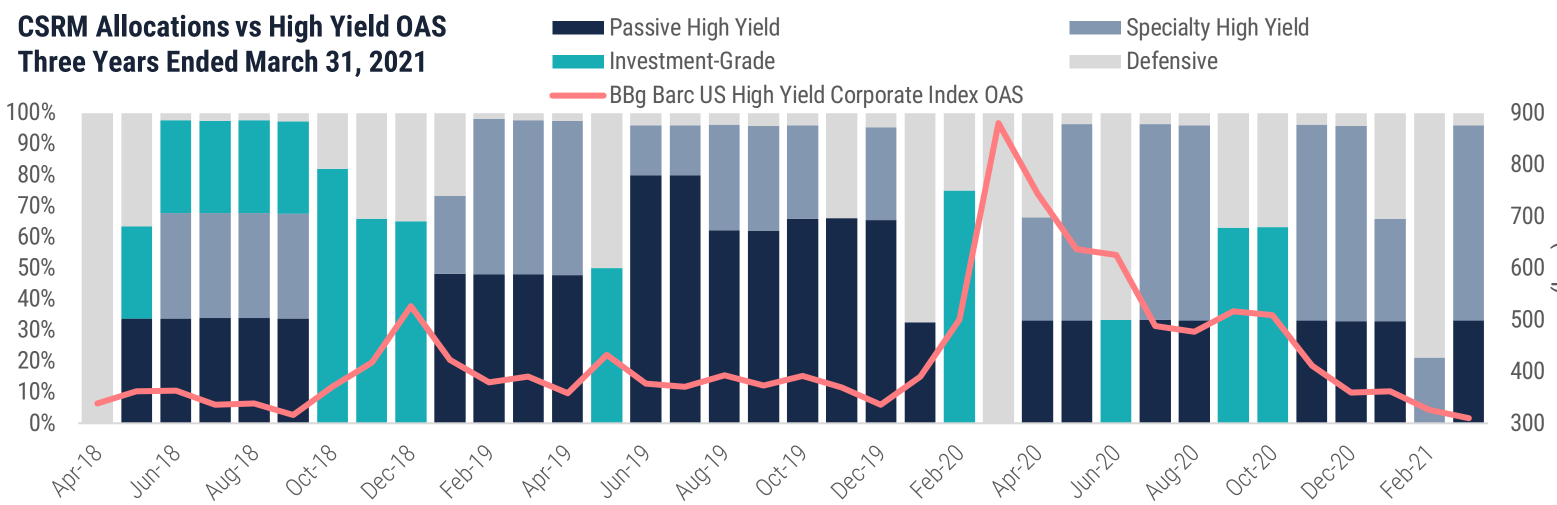
	Annualized Return	Annualized Std Dev	Beta	Alpha	Sharpe Ratio	Max Draw-down
CSRM Strategy (Pure Gross)	8.01	4.76	0.31	5.62	1.44	-4.90
CSRM Strategy (Net)	6.63	4.68	0.30	4.32	1.17	-5.40
BBg Barc US Corp HY Index	7.36	9.70	1.00	-	0.64	-33.31

U.S. High Yield Bond Issuance



Source: SIFMA. Total high yield bond issuance in billions for the periods listed.

CSRM Allocations vs High Yield OAS
Three Years Ended March 31, 2021



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 March 31, 2021.

Notes & Disclosures

Index Returns – all shown in US dollars

All returns shown trailing 3/31/2021 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

Wilbanks, Smith & Thomas Asset Management (WST) is an investment adviser registered under the Investment Advisers Act of 1940. Registration as an investment adviser does not imply any level of skill or training. The information presented in the material is general in nature and is not designed to address your investment objectives, financial situation or particular needs. Prior to making any investment decision, you should assess, or seek advice from a professional regarding whether any particular transaction is relevant or appropriate to your individual circumstances. This material is not intended to replace the advice of a qualified tax advisor, attorney, or accountant. Consultation with the appropriate professional should be done before any financial commitments regarding the issues related to the situation are made.

This document is intended for informational purposes only and should not be otherwise disseminated to other third parties. Past performance or results should not be taken as an indication or guarantee of future performance or results, and no representation or warranty, express or implied is made regarding future performance or results. This document does not constitute an offer to sell, or a solicitation of an offer to purchase, any security, future or other financial instrument or product. This material is proprietary and being provided on a confidential basis, and may not be reproduced, transferred or distributed in any form without prior written permission from WST. WST reserves the right at any time and without notice to change, amend, or cease publication of the information. The information contained herein includes information that has been obtained from third party sources and has not been independently verified. It is made available on an "as is" basis without warranty and does not represent the performance of any specific investment strategy.

Some of the information enclosed may represent opinions of WST and are subject to change from time to time and do not constitute a recommendation to purchase and sale any security nor to engage in any particular investment strategy. The information contained herein has been obtained from sources believed to be reliable but cannot be guaranteed for accuracy.