

PERFORMANCE & POSITIONING

U.S. equity markets continued their momentum into 2021 as stocks across the capitalization spectrum saw strong performance in the first quarter. Value stocks outperformed growth during the period as investors continue to anticipate a robust economic recovery resulting in cyclical sectors such as Financials, Industrials and Consumer Discretionary being among the top performers in 1Q. Although vaccine developments and the passage of an additional \$2 trillion in fiscal stimulus served to propel equity markets higher, investors remain concerned around rising virus cases internationally, stretched valuations and the market impacts of less accommodative policy by the Fed.

To begin the new year, the Sector Select Risk-Managed (“SSRM”) strategy was underweight U.S. equity exposure with allocations to Industrials, Consumer Staples, Materials and Technology. The strategy elected to attempt to minimize risk early in the period by removing sector exposures to Industrials and Technology while allocating toward cash equivalents as the model sought opportunistic entry back into U.S. equity sectors. Following the market pullback and increased levels of volatility in late January, Sector Select Risk-Managed took a more conservative stance in February while scaling back equity exposure to ~20% - comprising Consumer Staples and Utilities sectors. The model began to reallocate to sector exposures in early March as volatility subsided and markets ripped higher. Sector Select Risk-Managed added exposures to Consumer Discretionary, Industrials, Materials and Technology with allocations to U.S. sectors comprising ~60% of strategy assets. These sector exposures held for the remainder of the quarter as the model sought to navigate any additional bouts of volatility going forward. The Alternate Segment was primarily featured during the first quarter while providing a structural hedge to the Sector Segment of the portfolio. Allocations within the Alternate Segment included long-term Treasury bonds and short duration fixed income serving to mitigate any drawdowns seen in equities during 1Q. In addition, precious metals exposure over the quarter ranged ~7-12% providing the portfolio a diversified return stream. To close out the period, the Alternate Segment allocation totaled ~38% of the portfolio.

Annualized Returns as of March 31, 2021

	1Q '21	1 Yr	3 Yrs	5 Yrs	7 Yrs	Since Incep
SSRM Composite (Gross)	0.66	10.35	1.73	4.29	3.62	6.87
SSRM Composite (Net)	0.41	9.20	0.68	3.13	2.42	5.71
S&P 500 Index	6.17	56.35	16.78	16.29	13.59	15.49

3 Yr Risk Analysis as of March 31, 2021

	Annualized Std Dev	Beta	Alpha	Sharpe Ratio	Max Draw-down
SSRM Composite (Gross)	8.25	0.34	-3.72	0.03	-9.59
SSRM Composite (Net)	8.21	0.33	-4.66	-0.09	-10.71
S&P 500 Index	18.14	1.00	-	0.84	-19.60

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

S&P 500 Equal Weighted Sectors Returns as of March 31, 2021

	1Q '21	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

Rally in Value Stocks Has Driven Equal Weighted Index Outperformance



Source: FactSet. Daily performance of the S&P 500 Index and S&P 500 Equal Weighted Index indexed at 100 on 4/1/2020, for the period 4/1/2020 to 3/31/2021.

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 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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