Global Income Strategy

Portfolio and Economic Commentary – 3rd Quarter 2018

ALTRIUS
CAPITAL MANAGEMENT
INVEST LIKE AN AARDVARK

GLOBAL INCOME STRATEGY COMMENTARY

Our investment philosophy is predicated on a time-tested, three pronged approach providing solid risk adjusted returns to our investors for over two decades.

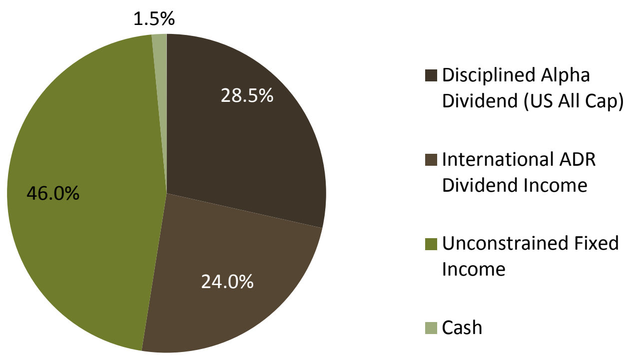
- We believe in the importance of getting paid immediately for the risks which are taken and focus on businesses which compensate our clients with **dividends and above average interest.** We believe this income stream, coupled with capital appreciation, is a vital aspect of total return.
- We dig deep for **value** often viewing crisis as an opportunity. We believe that fundamental research and patience are critical to long term success and that over time, the price of a company will rise to reflect the value of the underlying firm viewing each purchase as if were buying a piece of a business – not simply a stock certificate.
- We believe that **global revenue generation** is a key component to growth and sustainability and invest in companies with global growth opportunities. We are unafraid to take contrarian positions, but remain diligent about the risks of a global economy.

PERFORMANCE COMMENTARY

The Global Income strategy has posted a modest gain of 2.83% for the year versus a gain of 4.29% for the blended balanced benchmark. The annualized trailing returns for the strategy since our inception on January 1, 2003 are 7.18% versus 7.69% for the blended benchmark and 6.54% for Morningstar's US Fund Allocation – 50% to 70% Equity. The twelve month trailing yield for the Global Income strategy stands at 4.71% versus 1.71% for the Vanguard Balanced index fund (VBINX).

We remain underweight to a traditional 60% stock/40% bond portfolio due to the risks which remain and valuation metrics. That said, our portfolio maintains a reasonable 12.27 P/E (TTM) which is significantly lower than the broader market indices – most of which currently maintain multiples in excess of 20 times trailing earnings. Our focus continues to emphasize the importance of immediate income to our investors particularly in this volatile, low interest rate environment, which we believe will persist for longer than most economists. In the fixed income sector, our emphasis remains on high yield bonds, which we believe more adequately compensates our investors for credit risk, while providing better protection in a potentially rising interest rate environment. The following is an analysis of the independent strategies which comprise our flagship Global Income strategy in percentages indicated above.

Sector Allocation



Top Five Equity Holdings	Weight
Starbucks	1.38%
Apple	1.24%
Norfolk Southern	1.24%
Qualcomm	1.24%
Merck & Co.	1.18%

Top Five Fixed Income Holdings	Weight
Treehouse Foods	0.61%
Centurylink	0.59%
Tempur Sealy	0.59%
Quad/Graphics	0.59%
Lifepoint Health	0.58%

Disciplined Alpha Dividend Strategy Commentary

As value investors, we constantly focus on our duty to protect the principal of our investments even as we look for ways to grow them over time as well. As economists, we remain alert to trends taking place in the larger global economy. As analysts, we seek to invest in securities priced with a margin of safety in order to account for their near term volatility and our uncertainty about what the future holds. With this in mind, we look for opportunities in three specific categories: classic value, persistent earners, and distressed or contrarian.

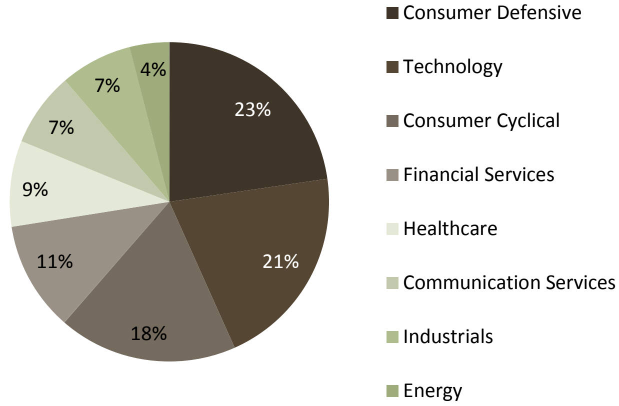
Classic value stocks sell at attractive valuations and provide above-average dividend yields and growth. Persistent earners are companies which have steady and predictable earnings and that are selling below their historic valuation. The distressed/contrarian category refers to stocks that are out of favor due to what we perceive to be temporary factors and are likely to appreciate substantially as the temporarily distressing factor recedes. Typically the distressed category is the smallest in the portfolio.

Performance Commentary

The Disciplined Alpha Dividend strategy has returned 6.52% year-to-date outperforming the Russell 3000 Value index which has gained 4.17% this year. The strategy has produced outstanding ten-year risk adjusted returns soundly besting its indices and large value peer group for the period earning a Morningstar 4-star overall and 10-year rating. The trailing annualized ten year returns were 11.11% for the strategy and 9.76% for the Russell 3000 Value index. Since inception on January 1, 2003, the strategy has returned 9.39% versus 9.44% for the Russell 3000 Value index and 9.85% for the Dow Jones US Select Dividend index.

Our sector allocation weighting and active return have added to relative performance for the year against the Russell 3000 Value index. The healthcare, technology and energy sectors have been our largest contributors to active return, while the financial services, materials, and communication services sectors were the largest detractors to performance. Though maintaining a focus on dividends and above average income generation, we believe the utility and real estate sectors remain overvalued and will perform poorly in a potentially rising interest rate environment. The top performers for the year have been DineEquity (50.2%), Apple (34.8%), Cisco Systems (29.8%), Merck (29.0%) and Norfolk Southern (26.3%). The bottom performers for the year have been Pitney Bowes (-32.8%), Ford (-22.1%), B&G Foods (-17.9%), General Motors (-15.4%), and Principal Financial (-14.8%).

Sector Allocation (Morningstar)



Top Ten Holdings	Weight
Starbucks	4.73%
Apple	4.39%
Norfolk Southern	4.27%
Qualcomm	4.24%
Merck & Co.	4.18%
Pfizer	4.15%
Cisco Systems	4.05%
Kimberly Clark	3.88%
Phillips 66	3.81%
Altria	3.79%

Disciplined Alpha Dividend Strategy Commentary

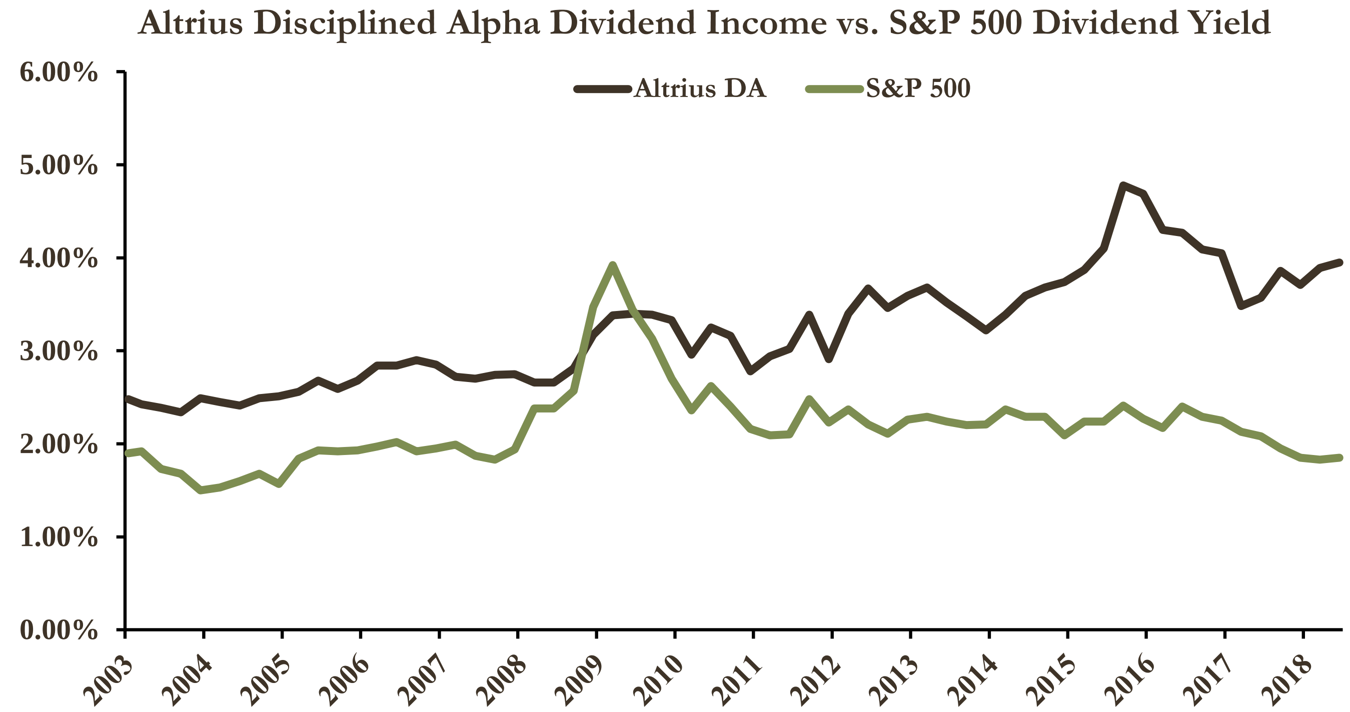
As one may recognize from the below chart, our firm has consistently provided a steady stream of income to our clients in the form of dividends. It is our assertion that this income stream has not only reduced the risk of our portfolio, but also provided a large part of the total return thereby leading to our performance success over this past tumultuous decade plus.

We believe that dividends allow our investors to "get paid to wait" while patiently working through volatile business and market cycles. This strategy provides emotional support during difficult cycles and enables investors to weather turbulent periods by utilizing dividend income for personal needs or to reinvest cash at lower valuations. Our strategy is not only grounded in psychological and behavioral finance concepts, but is also supported by empirical evidence outperforming in both negative and full market cycles.

Dividends also act to align the interests of corporations and shareholders in helping to eliminate the agency effect. Corporate boards have recognized the value of dividends in stabilizing their stock prices and encouraging investment during both high and lower tax regimes. In supporting and increasing dividends over time, managers are compelled to maintain a reliable stream of cash flows to shareholders rather than waste capital on those expenses adding little to corporate revenue including executive perks, pet projects, and ill-timed, unwise acquisitions. It appears a paradox; however, our experience and academic studies have displayed that sufficient investment for a good business can still occur in conjunction with dividends as managers are forced to invest cash flow more prudently and only in those capital investments in which they have the highest conviction in adding to corporate revenue, particularly since stock buybacks are often ill-timed.

Altrius: A Story of Consistent Dividends Over the Years

The strategy has consistently delivered an above average dividend yield versus the S&P 500 since its inception.



Source: Morningstar

International ADR Dividend Income Strategy Commentary

As value investors, we constantly focus on our duty to protect the principal of our investments even as we look for ways to grow them over time as well. As economists, we remain alert to trends taking place in the larger global economy. As analysts, we seek to invest in securities priced with a margin of safety in order to account for their near term volatility and our uncertainty about what the future holds. With this in mind, we look for opportunities in three specific categories: classic value, persistent earners, and distressed or contrarian.

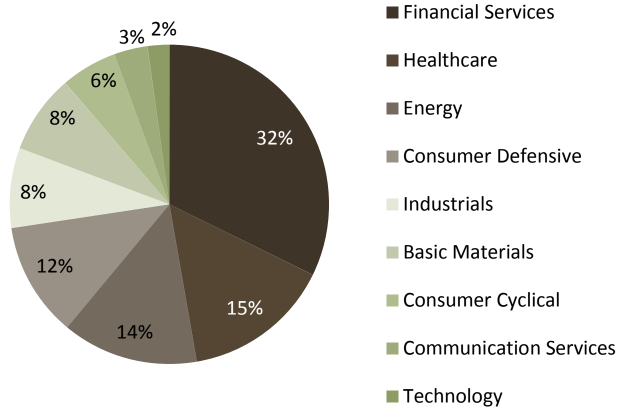
Classic value stocks sell at attractive valuations and provide above-average dividend yields and growth. Persistent earners are companies which have steady and predictable earnings and that are selling below their historic valuation. The distressed/contrarian category refers to stocks that are out of favor due to what we perceive to be temporary factors and are likely to appreciate substantially as the temporarily distressing factor recedes. Typically the distressed category is the smallest in the portfolio.

Performance Commentary

The International ADR Dividend Income strategy has declined 2.34% outpacing its indices for the year. The MSCI EAFE Value index was lower by 3.49% while the S&P Int'l Dividend Opportunities index lost 3.78%. Since its inception on June 1, 2010, the strategy has produced annualized returns of 6.04% versus 4.39% for the S&P Int'l Dividend Opportunities and 6.39% for the MSCI EAFE Value indices respectively. Since its inception, the strategy has produced alpha against the MSCI EAFE Value index due to its lower beta.

Our sector allocations and stock selection have had a positive impact on active return versus the MSCI EAFE Value index for the year. The energy, healthcare, and industrials sectors contributed the greatest portion to outperformance while the financial services, communication services and consumer cyclical sectors were the largest detractors to total return. Going forward, we believe we will find more value amongst international issues than U.S. companies while expecting the financial services, energy and basic materials sectors to be continued benefactors of global economic reflation. The top performers for the year have been Teva Pharmaceuticals (26.6%), Total (19.9%), Astrazeneca (18.6%), GlaxoSmithKline (17.8%) and ENI (15.6%) while the bottom performers have been British American Tobacco (-28.1%), Vodafone (-27.2%), ING Groep (-26.6%), Bayer (-25.9%) and Daimler (-22.3%).

Sector Allocation (Morningstar)



Top Ten Holdings	Weight
Astrazeneca	4.72%
HSBC Holdings	3.76%
Barclays	3.75%
Lloyds Banking Group	3.69%
Equinor	2.54%
Sasol	2.35%
BP PLC	2.30%
Total	2.29%
Eaton	2.27%
Taiwan Semiconductor	2.24%

INTERNATIONAL ADR DIVIDEND INCOME STRATEGY COMMENTARY

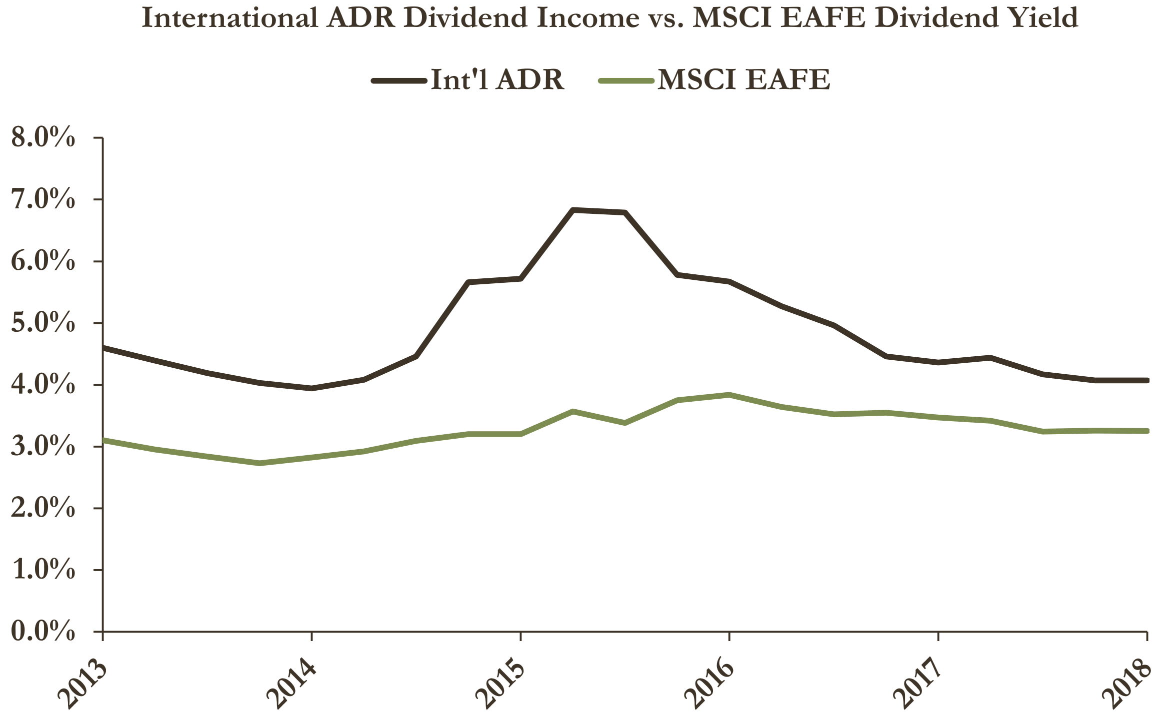
As one may recognize from the below chart, our firm has consistently provided a steady stream of income to our clients in the form of dividends. It is our assertion that this income stream has not only reduced the risk of our portfolio, but also provided a large part of the total return thereby leading to our performance success over this past tumultuous decade plus.

We believe that dividends allow our investors to "get paid to wait" while patiently working through volatile business and market cycles. This strategy provides emotional support during difficult cycles and enables investors to weather turbulent periods by utilizing dividend income for personal needs or to reinvest cash at lower valuations. Our strategy is not only grounded in psychological and behavioral finance concepts, but is also supported by empirical evidence outperforming in both negative and full market cycles.

Dividends also act to align the interests of corporations and shareholders in helping to eliminate the agency effect. Corporate boards have recognized the value of dividends in stabilizing their stock prices and encouraging investment during both high and lower tax regimes. In supporting and increasing dividends over time, managers are compelled to maintain a reliable stream of cash flows to shareholders rather than waste capital on those expenses adding little to corporate revenue including executive perks, pet projects, and ill-timed, unwise acquisitions. It appears a paradox; however, our experience and academic studies have displayed that sufficient investment for a good business can still occur in conjunction with dividends as managers are forced to invest cash flow more prudently and only in those capital investments in which they have the highest conviction in adding to corporate revenue, particularly since stock buybacks are often ill-timed.

ALTRIUS: A STORY OF CONSISTENT DIVIDENDS OVER THE YEARS

The strategy has consistently delivered a higher dividend yield than the MSCI EAFE index since its inception.



Source: Morningstar

UNCONSTRAINED FIXED INCOME STRATEGY COMMENTARY

Based on our macroeconomic outlook over a three to five year period and our cyclical views from quarter to quarter, we employ top-down strategies that focus on yield curve positioning, volatility, and sector rotation. We then utilize bottom-up analysis to drive our security selection process and facilitate the identification of undervalued securities with the potential for above average income. We invest in securities that operate across diversified sectors in the fixed income markets of the United States, primarily those in U.S. dollar denominated high yield and investment grade bonds, including government securities, corporate bonds, and mortgage- and asset-backed. Sources of added value:

Credit Analysis - We emphasize independent analysis and do not rely on credit agencies.

Duration Risk - We avoid long, extreme duration shifts generally operating within a moderate duration range typically between two and four years.

High Income - Our research attempts to identify issues paying above average income.

Risk Premium Management - We seek to attain an attractive yield/spread in relation to a five-year treasury within acceptable levels of portfolio risk.

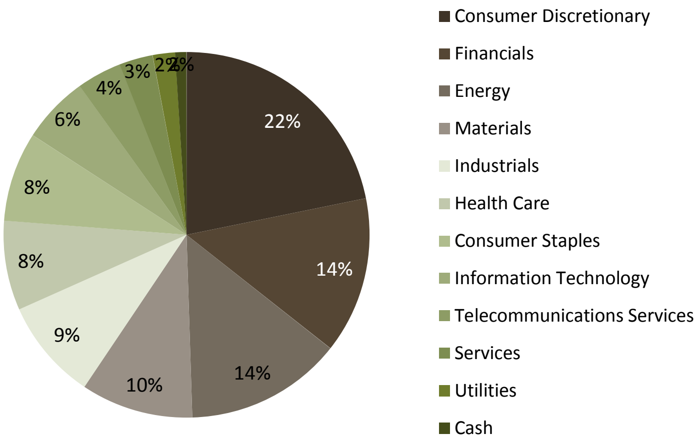
PERFORMANCE COMMENTARY

MARKET OVERVIEW

The broad based US fixed income market remained relatively flat during the third quarter of 2018 with the Barclays US Aggregate Bond index recording a mere +0.02% gain for the quarter. Corporate bonds, both investment grade and high yield, were the only segments of the US fixed income market to generate gains, with the latter outpacing the former by approximately 140bps by quarter-end. Year-to-date, the high yield corporate bond segment is the only area of the US taxable fixed income market in positive territory with the ICE Bank of America Merrill Lynch High Yield Total Return index up +2.52% on the year, outperforming mortgage-backed securities, the second best performing segment YTD which is down -1.02% as represented by the ICE Bank of America Merrill Lynch Total Return index.

In their September meeting the Federal Reserve raised its benchmark interest rate by 0.25% increasing the federal funds rate to a range of between 2.00% and 2.25%. This move marked the third rate increase to occur in 2018 and the eighth since late 2015. Citing low unemployment, rising wages, and inflation remaining in check at a level of approximately 2% as reasons justifying the hike, the Fed also removed the word ‘accommodative’ from its policy statement providing further validation that a fourth rate increase will most likely occur in December.

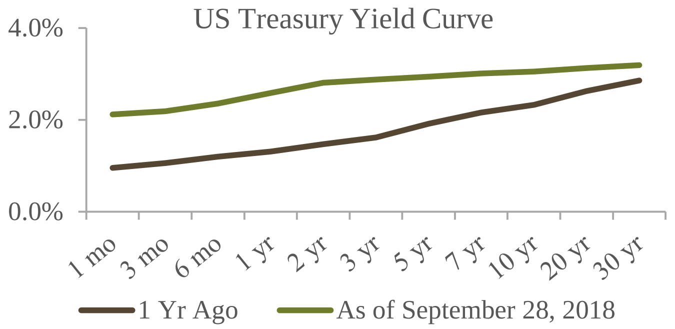
Sector Allocation



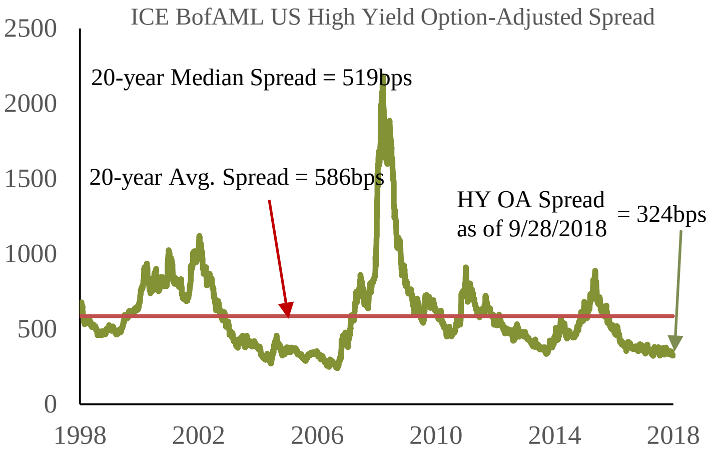
Top Ten Holdings	Weight
Tempur Sealy	1.28%
Centurylink	1.27%
Treehouse Foods	1.26%
Infor	1.25%
Quad/Graphics	1.25%
Oppenheimer	1.24%
Lifepoint Health	1.24%
Avis Budget	1.24%
Transocean	1.22%
AMC Entertainment	1.21%

Unconstrained Fixed Income Strategy Commentary

With the Federal Reserve signaling its conviction to maintaining the course on its planned gradual rate hike path, the US Treasury curve continued to flatten during the third quarter with yields rising across all maturities and the spread between the 2-year and 10-year compressing 9bps from Q2's final level to a differential of 24bps by quarter end. The yield on the 10-year, which started the year off at 2.46% and briefly rose above 3.00% in mid-May, expanded to a sustained level of 3.05% by the end of the quarter.



As previously mentioned, high yield corporate bonds, specifically the lowest rated issues within the segment (CCC+ and below), continued to be the best performing area in the US fixed income markets with the ICE Bank of America Merrill Lynch CCC & Lower High Yield index producing a returns of +2.85% for the third quarter and +6.92% YTD. Given rising interest rates associated with the strengthening economy, option-adjusted spreads for high yield bonds contracted approximately 35bps over the prior quarter's level dropping from 359bps at the beginning of the quarter to 324bps by the end of September.



Performance Summary

The Unconstrained Fixed Income strategy produced a gross return of +1.48% during the third quarter of 2018, and is currently up +3.48% YTD. Following two consecutive quarters of declines, the Barclays US Aggregate Bond index was essentially flat during the quarter generating a return of just +0.02%, and remains down -1.60% on the year. The ICE Bank of America Merrill Lynch High Yield Total Return index posted a return of +2.44% for the quarter, driven predominantly by strong returns produced by CCC+ and lower rated corporate issuers in the high yield segment. Through the first three quarters of 2018, the Unconstrained Fixed Income strategy has outpaced both the Barclays US Aggregate Bond and ICE Bank of America Merrill Lynch High Yield Total Return indices by 508bps and 96bps respectively on a gross basis.

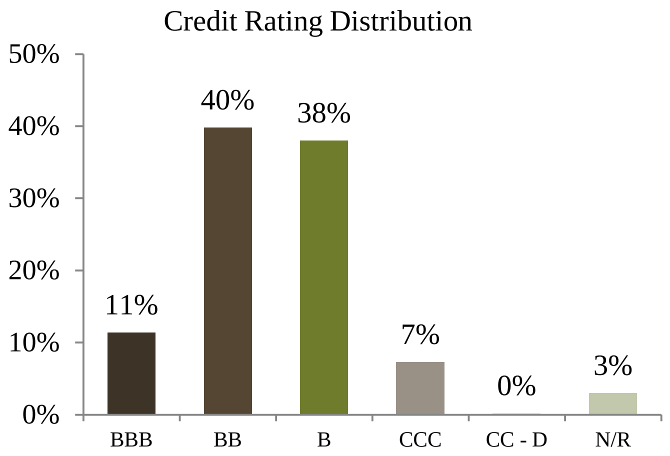
Strategy Characteristics

The strategy is primarily invested in the consumer discretionary, financial services, and energy sectors, with each accounting for approximately 22.2%, 13.5%, and 13.5% respectively of total strategy assets as measured by aggregate market value as of 09/28/2018. Exposure to the materials, industrials, and health care sectors is also robust with each accounting for approximately 10.0%, 9.0%, and 7.8% respectively. Despite the seemingly high degree of investment exposure to the aforementioned sectors, the strategy is always invested in an array of unaffiliated companies within each sector in order to provide broad diversification and help mitigate against issue specific credit risk.

Both the aggregate maturity and overall duration of the strategy continued to contract from the previous quarter's levels, ending the third quarter at 3.41 years and 2.94 respectively. Despite initiating a number positions in higher rated issues (B+ to BB) during the quarter, the strategy's overall credit quality remained

Unconstrained Fixed Income Strategy Commentary

unchanged from the prior quarter, and currently stands at 'B+'. The strategy's overall credit rating distribution is displayed in the following exhibit:



Strategy Outlook

With interest rates expected to continue to rise during the fourth quarter of 2018, shorter duration high yield corporate bonds are well positioned to benefit from the strengthening economy. The annual default rate in the high yield market has continued to trend downward over the past year and is currently around 2.0%, approximately 180bps below its 30-year average. Option-adjusted credit spreads of high yield bonds, albeit tight, have not compressed to the historically low levels experienced back in 2006. As we have mentioned in previous commentaries over the past year, call activity in the high yield market will most likely persist even in the face of rising interest rates. Any volatility that may arise in the equity markets will undoubtedly have a tangential impact on the corporate bond market creating buying opportunities for us to establish positions in new companies and increase our holdings of existing issues at more favorable levels. Despite the strong performance of the lowest rated high yield issues (CCC+ and below) over the past 12 – 15 months, we continue to prefer and find the most compelling investment opportunities at the higher end of the credit rating spectrum for non-investment grade corporate bonds (B+ above) as elevated corporate debt levels have led to the credit rating agencies 'downgrading' a number of otherwise 'investment grade' quality companies' bonds to junk status. Given the strong underlying fundamentals of the economy, the strategy's low overall duration exposure and broad issue diversification, should well position it to continue to deliver strong results in the final quarter of 2018 even if periods of episodic volatility arise in either or both the equity and fixed income markets in the final three months of the year.

Disclosures

This report includes candid statements and observations regarding investment strategies, individual securities, and economic and market conditions; however, there is no guarantee that these statements, opinions or forecasts will prove to be correct. These comments may also include the expression of opinions that are speculative in nature and should not be relied on as statements of fact. Altrius is committed to communicating with our investment partners as candidly as possible because we believe our investors benefit from understanding our investment philosophy and approach. Our views and opinions include "forward-looking statements" which may or may not be accurate over the long term. Forward-looking statements can be identified by words like "believe," "expect," "anticipate," or similar expressions. You should not place undue reliance on forward-looking statements, which are current as of the date of this report. We disclaim any obligation to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise. While we believe we have a reasonable basis for our appraisals and we have confidence in our opinions, actual results may differ materially from those we anticipate.

The information provided in this material should not be considered a recommendation to buy, sell or hold any particular security. The S&P 500® Index is an unmanaged index of 500 selected common stocks, most of which are listed on the New York Stock Exchange. The Index is adjusted for dividends, weighted towards stocks with large market capitalizations and represents approximately two-thirds of the total market value of all domestic common stocks. The Russell 3000 Value Index is an unmanaged index commonly used as a benchmark to measure value manager performance and characteristics. The Dow Jones U.S. Select Dividend Index is an unmanaged index commonly used as a benchmark to measure dividend manager performance and characteristics. The Russell 2000 Index, the Russell 2000 Growth Index, and the Russell 2000 Value Index are unmanaged indices commonly used as benchmarks to measure small cap manager performance and characteristics. The MSCI EAFE® Index is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the U.S. & Canada. The Bloomberg Barclays U.S. Aggregate Bond Index and Bank of America Merrill Lynch US High Yield Master II Total Return Index are unmanaged indices that are commonly used as benchmarks to measure fixed income performance and characteristics. Index performance returns do not reflect any management fees, transaction costs or expenses. Investments cannot be made directly in an index. **Investments made with Altrius Capital Management, Inc. are not deposits or obligations of any bank, are not guaranteed by any bank, are not insured by the FDIC or any other agency, and involve investment risks, including possible loss of the principal amount invested. Past performance is not a guarantee of future returns.**