

Unconstrained Fixed Income Strategy

Portfolio and Economic Commentary – 4th Quarter 2018





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.

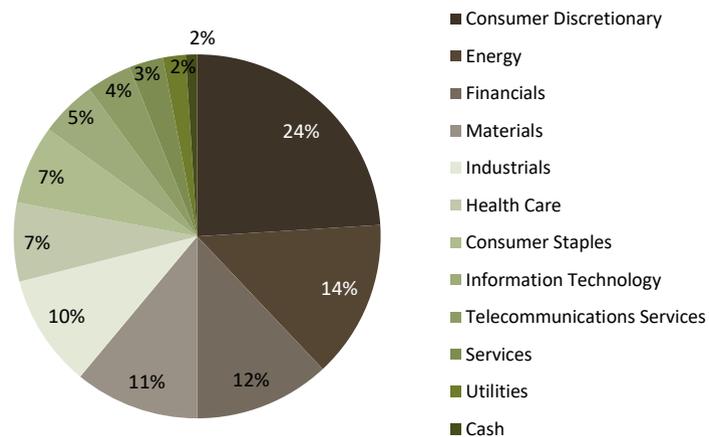
Risk Premium Management - We seek to attain an attractive yield/spread in relation to a five-year treasury within acceptable levels of portfolio risk.

PERFORMANCE COMMENTARY

The Unconstrained Fixed Income strategy declined 3.50%, gross of fees, in the fourth quarter of 2018 outpacing the ICE BofAML US High Yield index by 117 bps, but lagging the Barclays US Aggregate Bond index by 514 bps. The Barclays Aggregate Bond index, which declined 1.60% over the first three quarters of the year, produced a return of +1.64% in the fourth quarter to finish the year essentially flat at +0.01%. US Treasuries were the best performing segment in the US fixed income markets during the fourth quarter of 2018, with the Barclays Aggregate Bond Treasury index ending the quarter up +2.57%.

Despite the widespread volatility in the fixed income markets during the fourth quarter of 2018, the Unconstrained Fixed Income strategy finished the year as a whole down only 0.15%. While marginally lagging the Barclays US Aggregate Bond index for the year, the Unconstrained Fixed Income strategy significantly outperformed the greater high yield bond market in both the fourth quarter and 2018 as a whole with the ICE BofAML US High Yield bond index experiencing losses of 4.67% and 2.26% respectively. This outperformance of the aggregate high yield bond market in the quarter and for the year was due in large part to the strategy's concentration in higher rated non-investment grade corporate bonds with over 68% of strategy assets invested in bonds maintaining credit ratings of B+ or better.

Sector Allocation



Top Ten Holdings

Weight

Treehouse Foods	1.33%
Oppenheimer Holdings	1.31%
Tempur Sealy	1.30%
Ingles Markets	1.26%
NCR Corp	1.25%
Infor	1.25%
AMC Entertainment	1.25%
Avis Budget	1.24%
CenturyLink	1.23%
Quad/Graphics	1.22%



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