Asked & Answered: Multi Sector Income (MITX)

May 2019

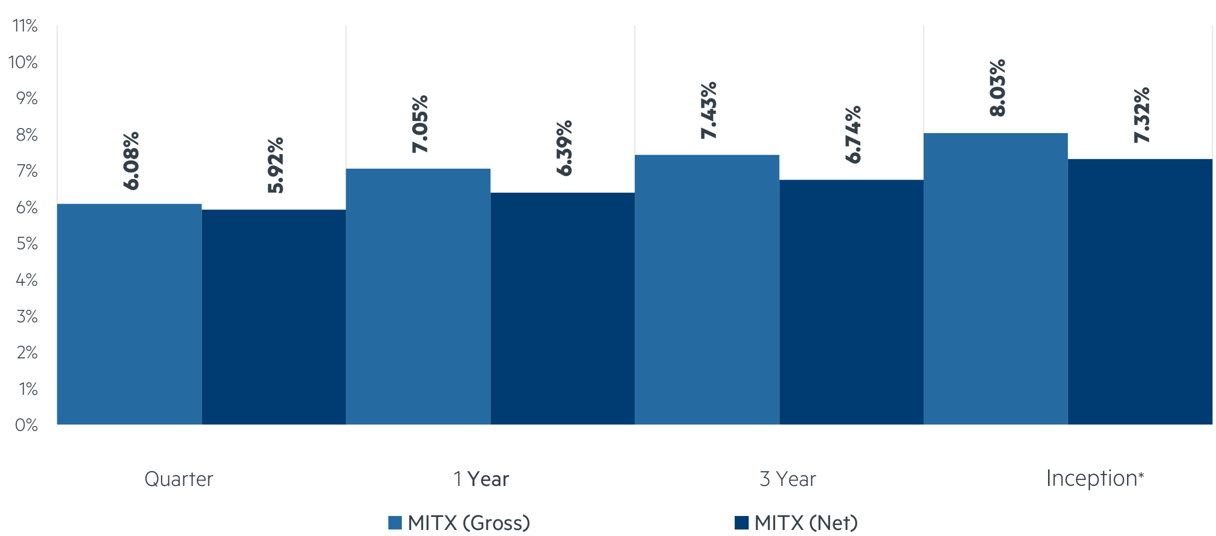
Generating a sustained, elevated level of income in this secular, low interest rate environment has been a challenge for our clients. To address this, Wasmer Schroeder (WS) Investment teams have spent considerable time and resources building on our core capabilities to focus on areas of the capital markets where additional yield can be attained. Our Multi Sector Income strategy (MITX) is a direct result of those efforts. The strategy combines our deep and varied research expertise with our ability to source high income opportunities across multiple market segments, using our relative value approach when selecting securities.

Given the relatively high level of taxable income generated, many advisors and individuals have found MITX to be an excellent solution in tax-deferred retirement accounts. The below commentary addresses many of the questions that we receive from investors who are considering the strategy.

Q: What are the general goals of the MITX strategy and how is your investment process designed to achieve them?

A: The strategy is designed to provide an elevated, durable source of income from multiple market segments in a diversified, balanced portfolio. While market conditions will vary, we typically seek to achieve a gross yield of 2.00% more than the yield of the 10-year US Treasury note. We intend to generate these results by investing primarily in higher yielding common and preferred stocks, and corporate and taxable municipal bonds. Our corporate research process serves as a base for our security selection in the common and preferred stock, and corporate bond universes. We tend to favor large, liquid issuers to express our views. Taxable municipal bonds are selected by our research team, based on our extensive experience in the low- and below-investment grade space in this market. Together, these sectors are expected to generate high levels of income within a disciplined, research-based, risk management process.

Performance History



*Inception date is 10/31/2015. Data as of 3/31/19

The returns shown above are annualized for periods greater than 1 year.

Q: What processes and techniques do you use to manage risk for individual issuers and for the overall portfolio?

A: This strategy, like all WS strategies, is research based. That is to say that every issuer—no matter the asset class—must go through a thorough vetting process, driven by an analyst who is proficient and knowledgeable in the market. Our analysts are supported by state-of-the-art technology and the oversight of our Credit Committee, so that the process promotes free thinking and an exchange of ideas, but also implements discipline. The same discipline exists at the portfolio level, where portfolio managers use a variety of qualitative and quantitative methods to assure proper diversification at both the sector and security levels. In this process, the portfolio is constructed so that individual sectors and securities act differently in varying markets—seeking to balance and offset each other's potential risks in any given environment while consistently generating high levels of income.

Q: Considering that you utilized equities and preferred stock in the portfolio, how has the strategy performed during periods of equity weakness?

A: As described above, there are benefits to using asset classes that behave differently. For example, quite often during times of equity volatility, interest rates will fall because of concerns about the broader economy. Bond prices rise when interest rates fall, so that the increased value in bonds may at least partially offset the price declines in the equity portion of the portfolio.

Since the strategy has been offered, its cumulative results have consistently ranged between those generated by the S&P 500 and the Bloomberg Barclays Aggregate Bond Index, as seen by the chart below. The last three months of 2018, in particular, highlight the value of structuring a portfolio with assets that can offset each other's potential risks. While the S&P 500 and S&P Preferred Indices were down 13.52% and 5.65%, respectively during 4Q 2018, MITX declined 2.74% net of management fees. In large part, the strategy's performance was cushioned by its bond exposure.

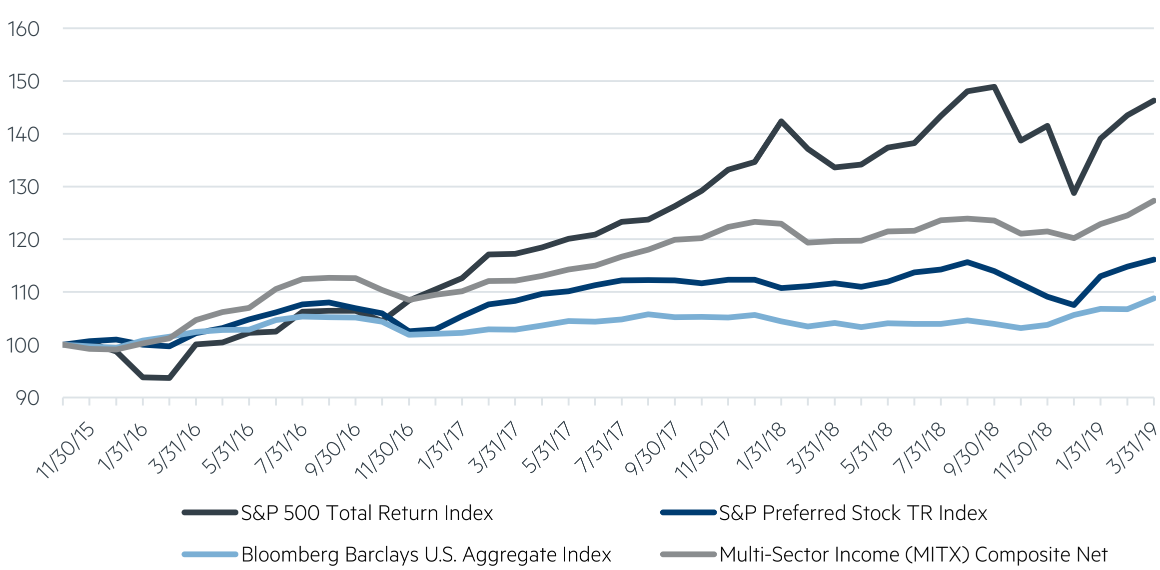
Q: For what kind of investor is this strategy appropriate?

A: Any investor who has a need or desire to generate high levels of income is a candidate for this strategy. As mentioned previously, it may be especially suitable—and important—for investors that are entering retirement or that have consistent cash liabilities to fund. One goal of having both equity and bond allocations is that the strategy represents a balanced view on the market, making it appropriate for a wide variety of investors across the risk tolerance spectrum.

Q: How is the strategy different than other products offered in the market?

A: The market contains many different alternatives that try to solve the need for income generation that many investors have. Some of these offerings are under the multi-sector umbrella and may contain foreign and domestic

Time-Weighted Return



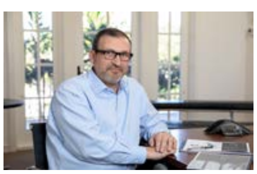
10/31/2015 - 3/31/2019; Source: Bloomberg Barclays equities, foreign and domestic bonds, derivative instruments, and other esoteric assets. There are also other strategies that can "go anywhere" or are "unconstrained." Again, these strategies can contain a number of different assets and can sometimes be very concentrated, depending on the manager's view of the markets. They can also have high levels of turnover, based on tactical trading strategies. By contrast, WS's MITX strategy is meant to have a low turnover, transparent style, and does not include derivatives or non-US dollar assets. It is designed to be balanced and diversified, but with a selection of investments that are intended to manage risk more than many unconstrained portfolios.

In Conclusion

The MITX strategy seeks to provide investors with a high level of income generation across a variety of market environments, using rigorous research-based processes to control risk. The result is a transparent and diversified portfolio that is made up of common and preferred stock, and corporate and taxable municipal bonds. It is a balanced approach that is especially suited to investors seeking strong income generation, such as those entering retirement or seeking to fund consistent cash liabilities.

Risk/Reward Analysis

10/31/2015 - 3/31/2019; Source: Bloomberg Barclays



JOHN MAJOROS
Director of Taxable Portfolio Management

John Majoros holds the positions of Managing Director, and the Director of Taxable Portfolio Management. He is responsible for the oversight of all taxable strategies at Wasmer Schroeder (WS).

Mr. Majoros earned his B.B.A. in Finance from Cleveland State University and his M.B.A. in Finance from Fordham University. He is a member of the firm's Executive, Investment, Credit and Portfolio Management Committees.

Multi-Sector Income - MITX

Year	MITX Total Return Gross of Fees (%)	MITX Total Return Net of Fees (%)	Number of Portfolios End of Period	Dispersion (%)	3 Yr. Ex-Post Standard Deviation Composite	Total Composite Assets End of Period ($ Millions)	Total Firm Assets End of Period ($ Millions)
2015*	-0.75	-0.87	2	N/A	N/A	2.9	5,645.8
2016	11.19	10.42	10	N/A	N/A	9.0	7,531.3
2017	13.38	12.66	27	0.25	N/A	22.3	8,252.2
2018	-1.93	-2.54	40	0.52	4.62	26.2	8,837.4

*2015 represents performance from the composite's inception 7/31/2015 to 12/31/2015.
As of 4/1/2019, the strategy and its composite name changed from Multi-Sector Fixed Income to Multi-Sector Income.

Disclosures

Wasmer Schroeder (WS) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. WS has been independently verified for the period 12/31/2000 – 12/31/2018. The verification report is available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

Firm Information: WS was founded in 1987, and has been an investment advisor registered with the US Securities and Exchange Commission since 1988. The firm works with advisors and clients to provide taxable and tax exempt fixed income portfolio solutions to meet their needs. Portfolios typically include a mix of cash and fixed income securities. The MITX fee schedule is as follows: 0.75% for first $1 million and 0.50% for over $1 million. Fees may be subject to negotiation where special circumstances warrant.

Composite Characteristics: The MITX composite was created on 10/31/2015. The strategy seeks to deliver a consistent, diversified stream of income across multiple asset classes. The strategy derives its income from investments in higher yielding common stocks, preferred stock, corporate and taxable municipals bonds. Below investment grade securities can be held but are not an integral component of the overall strategy. Investments that generate K-1's to investors are not included in the strategy. A complete list and description of all firm composites is available upon request. The minimum portfolio size for composite is $250,000. On 10/1/2017, the composite minimum changed from $500,000 to $250,000. There is currently not an appropriate benchmark to compare to this strategy due to the multiple asset classes and changing sector allocations.

Calculation Methodology: WS's performance calculations represent a size-weighted investment return associated with a composite of portfolios having similar investment objectives. Valuations and returns are computed and stated in U.S. dollars, and individual portfolios are revalued monthly. Composite returns are time-weighted and inclusive of cash. Gross of fees returns are calculated gross of management and custodial fees and net of transaction costs. Net of fees returns are calculated net of actual management fees and transaction costs and gross of custodian fees. The composite results portrayed reflect the reinvestment of income, gains, and other earnings when appropriate. Accruals for fixed income and equity securities are included in calculations. The dispersion measure represents the asset-weighted standard deviation of the gross performance of the accounts in the composite for the entire year. For those years when less than six portfolios were included in the composite for the full year, no dispersion measure is presented.

Credit Quality Disclosure: For periods prior to 10/1/2011, WS reports credit quality for individual issues based on the highest of the available credit ratings from the three primary rating agencies: Standard & Poor's, Moody's and Fitch. For periods 10/1/2011 and going forward, the rating shown is the middle rating ranked lowest to highest by the three primary rating agencies, if three ratings are available. If only two ratings are available, WS shows the lower of the two ratings. More information about the ratings assigned to the securities in the Portfolio by each ratings agency is available upon request. The ratings shown may not reflect the ratings as of the report date; ratings are updated periodically and are subject to change without notice. During periods of market volatility, ratings may change dramatically.

Other Disclosures: This performance report should not be construed as a recommendation to purchase or sell any particular securities held in composite accounts. Past performance does not guarantee future results. Market conditions can vary widely over time and can result in a loss of portfolio value. Beginning with the periods after 3/31/2004, portfolios with capital flows in excess of 10% of total market value are excluded from the composite. These accounts are reviewed on a monthly basis for composite inclusion following the excluded period. Beginning with periods after 2/28/2014, portfolios with capital flows are not excluded from the composite. New portfolios that meet the inclusion criteria for the composite are included at the end of the month following the management inception date. Total Firm Assets stated in the table above are discretionary assets only and they do not include assets in which WS acts in an advisory only capacity. As of 12/31/2019, WS had $56.73 million of advisory only assets under management. The combined total discretionary and advisory only assets as of 12/31/2019 were $8.9 billion. The total entity assets are presented as supplemental information to the compliant presentation. Additional information regarding treatment of significant cash flows and policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.