Unconstrained Fixed Income Strategy

Portfolio and Economic Commentary – 4th Quarter 2017

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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.

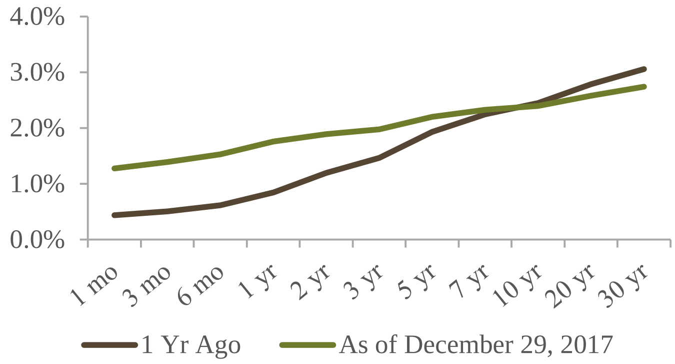
Performance Commentary

Market Overview

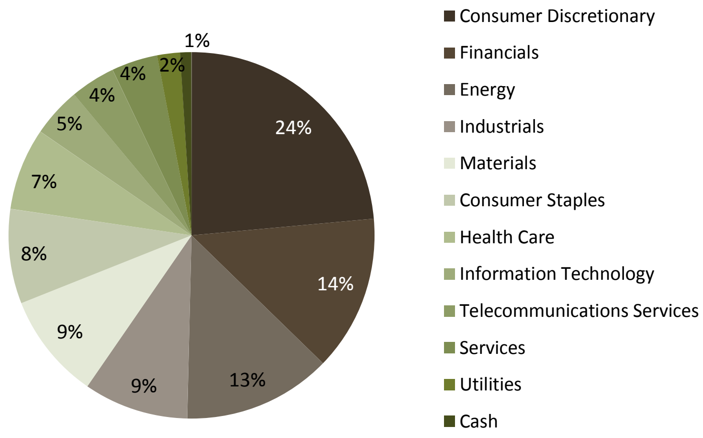
The broad-based US fixed income market produced varied results across sectors in the fourth quarter of 2017, but finished the year up +3.54% as measured by the Barclays US Aggregate Bond index. The 30-year US Treasury was the best performing market segment for the both the quarter and the year as a whole generating returns of +3.00% and +9.14% respectively. Shorter dated treasury notes suffered the most during the quarter, specifically the 2-year and 5-year, with each declining by -0.34% and -0.71% respectively. The aforementioned market dynamics resulting from rising short-term rates led to a pronounced flattening of the yield curve to a degree unseen since 2007.

In the corporate bond market, investment grade issues outperformed high yield bonds returning approximately

US Treasury Yield Curve



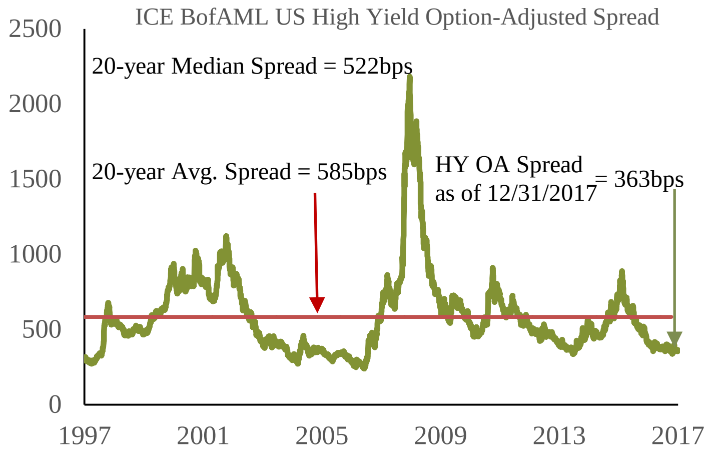
Sector Allocation



Top Ten Holdings	Weight
American Axle & Manufacturing	1.41%
Blue Cube Spinco	1.39%
Tempur Sealy	1.37%
Centurylink	1.36%
Western Digital	1.32%
Avis Budget Car Rental	1.31%
Credit Acceptance Corp	1.31%
The ADT Corporation	1.31%
Signet UK Finance	1.27%
Icahn Enterprises	1.26%

UNCONSTRAINED FIXED INCOME STRATEGY COMMENTARY

+1.10%, outpacing high yield by roughly 70bps. However, high yield bonds were the second best performing fixed income market segment for the year returning approximately +7.50%. Aggregate credit spreads for both high yield and investment grade corporate bonds exhibited a modest degree of expansion during the first half of the quarter, but tightened over the year as a whole to end 2017 at levels last exhibited in mid 2014.



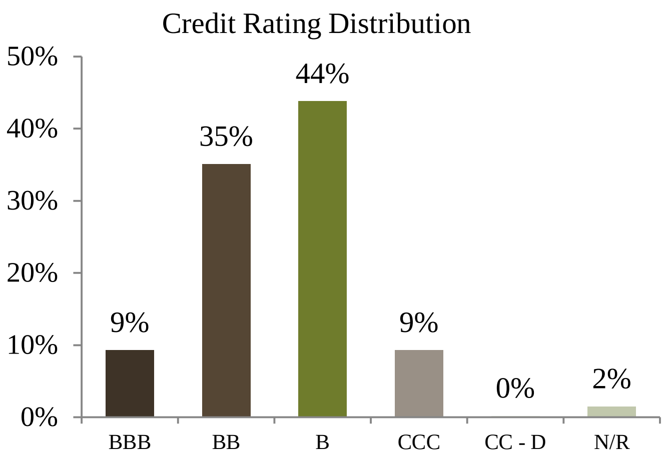
PERFORMANCE SUMMARY

The Unconstrained Fixed Income strategy generated a gross return of +0.73% for the fourth quarter of 2017, outpacing both the Barclays US Aggregate Bond and the ICE Bank of America Merrill Lynch High Yield Total Return indices, which each produced returns of +0.38 and +0.41 respectively. For the year as a whole, the Unconstrained Fixed Income strategy finished 2017 up +5.51% (gross of fees), outpacing the Barclays US Aggregate Bond index by 197bps, but trailing the ICE Bank of America Merrill Lynch High Yield Total Return index by the same margin of 197bps.

STRATEGY CHARACTERISTICS

The strategy is heavily invested in the consumer discretionary, financial services, and energy sectors, with each accounting for approximately 23.7%, 13.8%, and 13.2% respectively of total strategy assets as measured by aggregate market value as of 12/31/2017. Exposure to the materials, industrials, and consumer staples sectors is also robust with each accounting for 9.4%, 9.3%, and 8.4% 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 remained largely unchanged over Q3 levels, finishing 2017 at 3.57 years and 3.05 respectively.



The strategy's overall credit quality remained unchanged over the prior the quarter, and currently stands at 'B +'.

STRATEGY OUTLOOK

Despite the elevated valuations in the corporate bond market, it is our view that the high yield segment is primed to generate returns in the low to mid single digits for 2018 based on our outlook that economic growth will continue to persist at or above current levels, and inflation pressures will remain low. As oil prices have appeared to recover and stabilize over the prior year, the energy sector will most likely be an area of keen interest for us in 2018. The upper end of the high yield market (issues rated B+ to BB+) proved to be the best value in 2017, a theme we anticipate will persist in 2018. By our assessment, default risk within the strategy is low relative to recent years, and we believe the strategy is well positioned to perform in a rising rate environment.

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.

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