

Unconstrained Fixed Income Strategy

Portfolio and Economic Commentary – 2nd Quarter 2020





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.

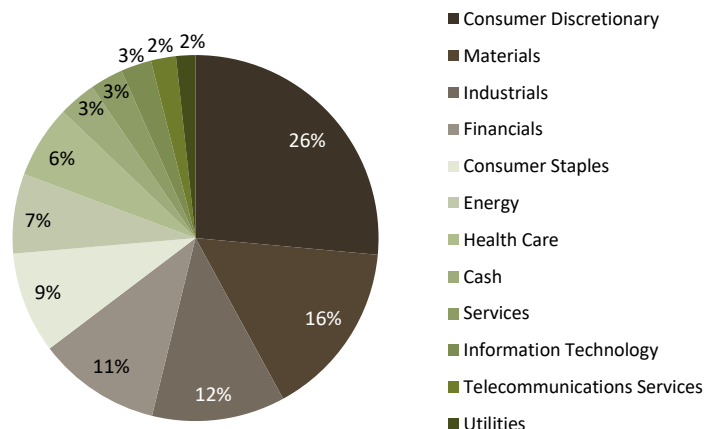
PERFORMANCE COMMENTARY

The broad based US fixed income markets experienced a surprise resurgence during the second quarter of 2020, with all major segments generating positive returns for Q2. Corporate bonds, both investment grade and high yield, were the two best performing market segments for the quarter, posting gains of 9.0% and 10.2% respectively. Treasuries and Agencies both lagged all other segments, with each only returning 0.5% over the quarter. However, year-to-date Treasuries and Agencies lead all other fixed income market segments up 8.7% and 8.6% respectively, while high yield corporate bonds remain the only segment still negative on the year, down roughly 3.9%.

The Fed left rates unchanged during the quarter, holding its benchmark interest rate to 0.00% - 0.25%, and stated in its June meeting that it expects to keep rates near zero through 2022. Following through on its commitment to stabilize the fixed income markets announced back in March, the Fed began its unprecedented policy of actively purchasing investment grade corporate bonds and fixed income ETFs in the secondary market in mid June. As of the close of Q2, the Fed had purchased close to \$430 million worth of individual corporate bonds and approximately \$6.8 billion in corporate bond ETFs, with the capacity and approval by way of the CARES Act to increase its exposure to the combined segments up to \$750 billion in total.

The yield curve remained predominantly unchanged from the prior quarter, with the yields on the 2-year and 10-year

Sector Allocation



Top Ten Holdings

Weight

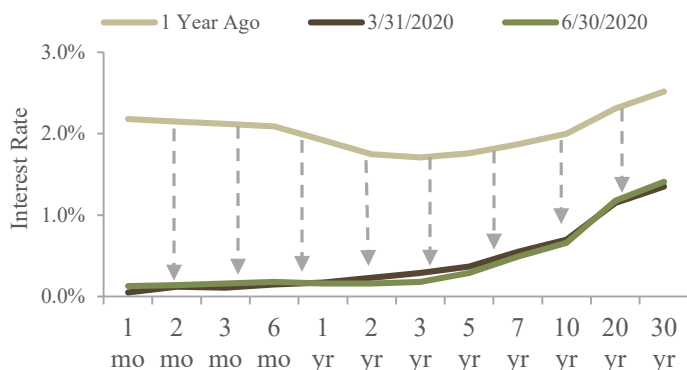
Wendy's International Inc. 7.000%	2.18%
Mercer Int'l Inc. 5.500%	1.98%
Oppenheimer Holdings Inc. 6.750%	1.80%
Clearwater Paper Corp. 4.500%	1.79%
Suburban Propane Partners 5.500%	1.77%
U.S. Concrete, Inc. 6.375%	1.74%
Coeur Mining Inc. 5.875%	1.71%
Allegheny Technologies Inc. 5.875%	1.64%
Owens & Minor Inc. 3.875%	1.60%
The Chemours Company 6.625%	1.59%



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Treasuries contracting approximately 13 bps and 4 bps respectively.

US TREASURY YIELD CURVE



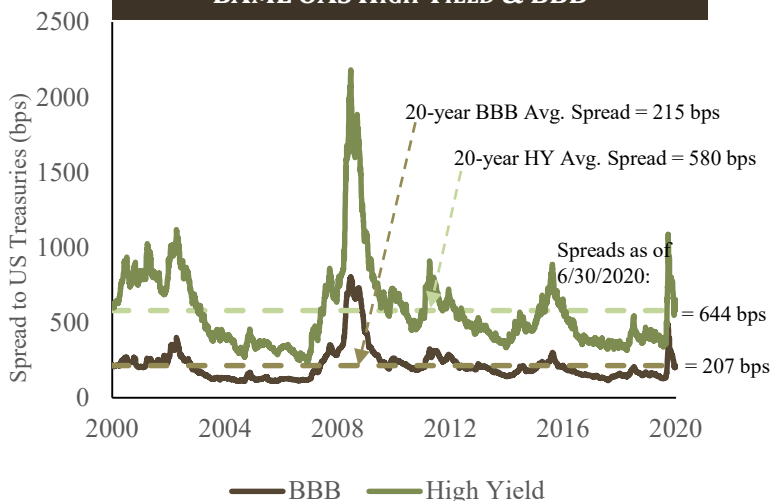
The Unconstrained Fixed Income strategy returned 6.49%, gross of fees, for Q2 2020, but remains down 11.17% year-to-date. Despite producing a return of 10.29% for the second quarter of 2020, the Morningstar US High Yield Bond index remains down 3.94% on the year. The Morningstar US Core Bond index, while generating more moderate returns of 2.82% during the second quarter of 2020, increased its gains on the year finishing up 6.11% through June.

The strategy's underperformance during the second quarter was due primarily to the negative returns and defaults in some of our retail positions. During the quarter, we purchased several new investment grade corporate issues while also increasing the strategy's exposure to a select number of existing higher rated (~BB) bond positions as opposed to investing more heavily and/or broadly in lower rated (below B) issuers. Although all purchases and newly established positions made within the strategy during the quarter experienced strong and quick price appreciations, said gains lagged those produced by the vast majority of lower rated junk bonds that recovered during the quarter from the distressed levels touched in late March. Despite the strong results for aggregate high yield bonds in Q2, there still remain large pockets of distress, primarily within the energy and consumer

discretionary sectors, as a number of companies from each either missed interest payments or began formal bankruptcy filings during the quarter. The most recent quarter's substantial increase in bankruptcy filings has already caused the annual percentage of Chapter 11 filings of sub-investment grade corporate bonds to approach close to 5%, well above the segments 30-year average of approximately 3.5%. What is also surprising is that the current recovery/pricing level of defaulted issuer's bonds 30-days after filing currently stands at an historically low rate of approximately \$0.16/\$1.00 - well below the 30-year average of \$0.40/\$1.00. In light of these developments and the growing 'J-factor risk' (the effect of a judge's ruling on a bankruptcy proceeding negatively impacting bond holders) currently persisting in the fixed income markets, we have had to make the tough decision to sell a number of our most distressed positions, primarily retailers and discretionary goods suppliers, at depressed prices, as we anticipate receiving little by way of recovery coming out of bankruptcy.

As a result of the Fed's unprecedented and aggressive policy of actively purchasing a vast array of investment grade corporate issues and a select number of major bond ETFs in order to provide stability to the US fixed income markets, the aggregate option-adjusted spread on all BBB rated issues is currently 8 bps below its 20-year average of 215 bps. This development has left little to

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no opportunity available to invest in the highest quality corporate bonds at reasonable price and duration exposure levels. With rates forecasted to remain at or near zero over the next 18-24 months, and the Fed's aforementioned corporate bond buying activity just beginning, we anticipate a wave of increased call activity to hit the secondary market and to persist for the foreseeable future leading to a high level of position turnover within the strategy. Given that rates are expected to stay low for much longer than anticipated prior to the inception of the COVID-19 pandemic, interest rate risk should remain low for the foreseeable future. As we anticipate lower inflation and rates, we will be purchasing longer dated maturities which will moderately raise the duration of the overall strategy. Despite the heightened level of volatility and pockets of distress in the high yield bond market, we believe it remains the most appealing fixed income market segment in which to find and capture adequate yield. Sector wise, we expect to find the best quality issues in the industrials, materials, and healthcare segments. We will continue to invest opportunistically in seeking to attain a sound risk adjusted return for our clients and will continue to invest in issues we believe offer attractive absolute returns in a low interest 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.

Past performance does not guarantee future results. The information provided in this material should not be considered an offer nor a recommendation to buy, sell or hold any particular security.

Performance Reporting

Altrius Capital Management, Inc. (Altrius) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Altrius has been independently verified for the periods January 31, 2001 – December 31, 2019 by ACA Performance Service, LLC. The verification reports are 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.

The Firm is defined as Altrius Capital Management, Inc. (Altrius), a registered investment advisor with the Securities and Exchange Commission. Altrius was founded in 1997 and manages equity, fixed income and balanced portfolios for high net worth individuals and families.

Composite Characteristics

The Unconstrained Fixed Income Strategy is a subaccount from the Altrius Global Income Composite. A complete list and description of firm composites is available upon request. The composite and subaccount were created in December 2010 with a performance inception date of December 31, 2002. The subaccount strategy is primarily invested in U.S. dollar-denominated investment grade and high yield bonds, including government securities, corporate bonds, and mortgage and asset-backed securities diversified across sectors. The strategy seeks to attain an attractive yield/spread relative to a five year Treasury within acceptable levels of portfolio risk.

Accounts are included on the last day of the month in which the account meets the composite definition. Accounts no longer under management are withdrawn from the composite on the first day of the month in which they are no longer under management. Closed account data is included in the composite as mandated by the standards in order to eliminate a survivorship bias.



DISCLOSURES

Benchmark

The benchmarks are the Morningstar US Core Bond and the Morningstar US High Yield. These benchmarks replaced the Barclays Capital Aggregate Bond Index, the Bank of America US High Yield Master II Trust, and the Morningstar US OE Nontraditional Bond Index as of 11/01/2019. Effective 01/01/2017, the Bank of America US High Yield Master Trust Index replaced the Barclays BB+ index. The change was made due to licensing fees being charged by the firms who own the indices. The volatility of the indices may be materially different from that of the performance composite. In addition, the composite's holdings may differ significantly from the securities that comprise the indices. The indices have not been selected to represent appropriate benchmarks to compare the composite's performance, but rather are disclosed to allow for comparison of the composite's performance to those of well-known and widely recognized indices.

Economic factors, market conditions, and investment strategies will affect the performance of any portfolio, and there are no assurances that it will match or outperform any particular benchmark.

Altrius Unconstrained Fixed Income Composite Performance

December 31, 2009 – December 31, 2019

Year	Gross Return %	Net Return %	Benchmark Return %	Composite 3-Yr St Dev %	Benchmark 3Yr St Dev %	# of Portfolios	Composite Dispersion %	Total Composite Assets	Percent of Firm Assets
2009	36.79	35.01	5.93	11.24	4.04	97	7.43	16,882,344	15.96
2010	10.12	8.84	6.54	11.40	4.12	103	2.09	16,857,352	14.11
2011	4.68	3.47	7.86	7.25	2.82	101	1.58	20,032,911	16.10
2012	12.81	11.47	4.22	4.75	2.41	105	1.17	31,263,431	23.16
2013	8.61	7.40	(2.02)	4.60	2.75	117	1.02	36,479,754	20.95
2014	(4.04)	(5.11)	5.97	4.69	2.62	128	0.71	45,562,658	24.09
2015	(10.55)	(11.56)	0.55	6.19	2.90	114	1.06	34,421,355	18.75
2016	22.06	20.68	2.65	7.91	3.01	137	2.39	59,949,560	22.43
2017	5.51	4.35	3.54	7.29	2.80	147	1.11	60,383,355	17.72
2018	(0.14)	(1.24)	0.01	5.70	2.89	154	0.32	73,471,882	22.14
2019	10.39	9.21	8.65	3.11	2.86	152	0.91	79,944,999	23.14



DISCLOSURES

Performance Calculations

Valuations and returns are computed and stated in U.S. dollars. Results reflect the reinvestment of dividends and other earnings.

Gross of fees return is net of transaction costs and gross of management and custodian fees. Net of fees returns are calculated using actual management fees that were paid and are presented before custodial fees and but after management fees and all trading expenses. Returns can be net or gross of withholding taxes, depending on how taxes are recorded at the custodian. Some accounts pay fees outside of their accounts; thus, we enter a non-cash transaction in the performance system such that we can calculate a net of fees return. Prior to 01/01/10, cash was allocated to carve-out segments on a pro-rata basis based on beginning of period market values. Beginning 01/01/10, carve-out segments are managed separately with their own cash balance. Carve-out accounts represent 100% of composite assets for periods prior to 01/01/10.

The standard management fee for the Altrius Unconstrained Fixed Income Strategy is 1.40% per annum on the first \$500,000 USD, 1.00% per annum on the next \$500,000 and 0.80% per annum thereafter. Additional information regarding Altrius Capital Management fees are included in its Part II Form ADV.

Internal dispersion is calculated using the asset-weighted standard deviation of all accounts included in the composite for the entire year; it is not presented for periods less than one year or when there were five or fewer portfolios in the composite for the entire year. The three-year annualized standard deviation measures the variability of the composite and the benchmark (Morningstar US Cord Bond) returns over the preceding 36-month period.

There are no non-fee paying accounts in our composites. When a security is purchased or sold, the principal amounts tied to the transaction are net of trading costs; therefore the calculation and market values represent amounts net of trading costs. Dispersion is calculated using asset-weighted standard deviation, gross of fees. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. A complete list and description of firm composites is available upon request.