



Unconstrained Fixed Income Strategy

4th Quarter 2017



Altrius Capital Management, Inc. was founded in 1997

Altrius is 100% employee owned

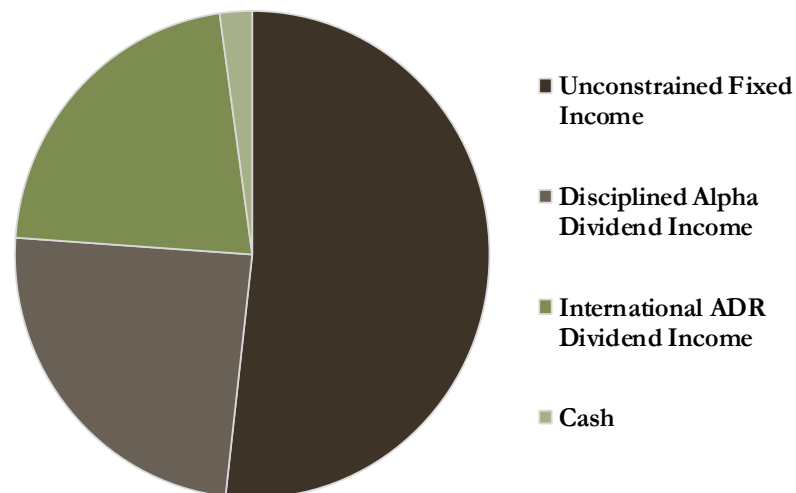
Altrius is an SEC registered investment advisor

The Firm currently manages approximately \$348mm in assets and offers both separately managed account and mutual fund solutions

Having managed client assets for almost two decades, Altrius claims compliance with Global Investment Performance Standards (GIPS®)

Altrius maintains a 15 year track record in the following strategies: Global Income, Disciplined Alpha Dividend Income and Unconstrained Fixed Income

AUM by Product



Data as of 12.31.2017



Altrius Organization

PORTFOLIO MANAGEMENT



James M. Russo
Chief Investment Strategist



Zachary Q. Smith, CFA
Portfolio Manager



Joy G. Woods
Trader



Rebecca A. Harmon
Trader

FINANCIAL ADVISORS



Christopher C. Rolf, CFA
Executive Vice President



Tara L. Hughes, CPA CGMA
Executive Vice President



Massimo Paone, AWMA
Executive Vice President

OPERATIONS



Andrea L. Aitken
Chief Compliance Officer



Rita A. Hendrick-Smith
Director of Operations



Darrin Mercer
Sr. Operations Analyst

GIPS Verification
ACA Verification Services

Compliance
National Compliance
Services

Trading
Moxy / Advent

Accounting
RSM McGladrey



Different by Design

An Unconstrained Approach To Fixed Income Driven By Three Key Principles

GLOBAL MACRO
DRIVES OUR
INVESTMENT ANALYSIS

Top down economics drive market cycles, market segments, and ultimately a company's opportunity for profitability.

TOTAL RETURN
DRIVES OUR
PORTFOLIO CONSTRUCTION

Total return matters; we seek an effective risk/reward trade off and will invest throughout the credit structure to take advantage of this trade off.

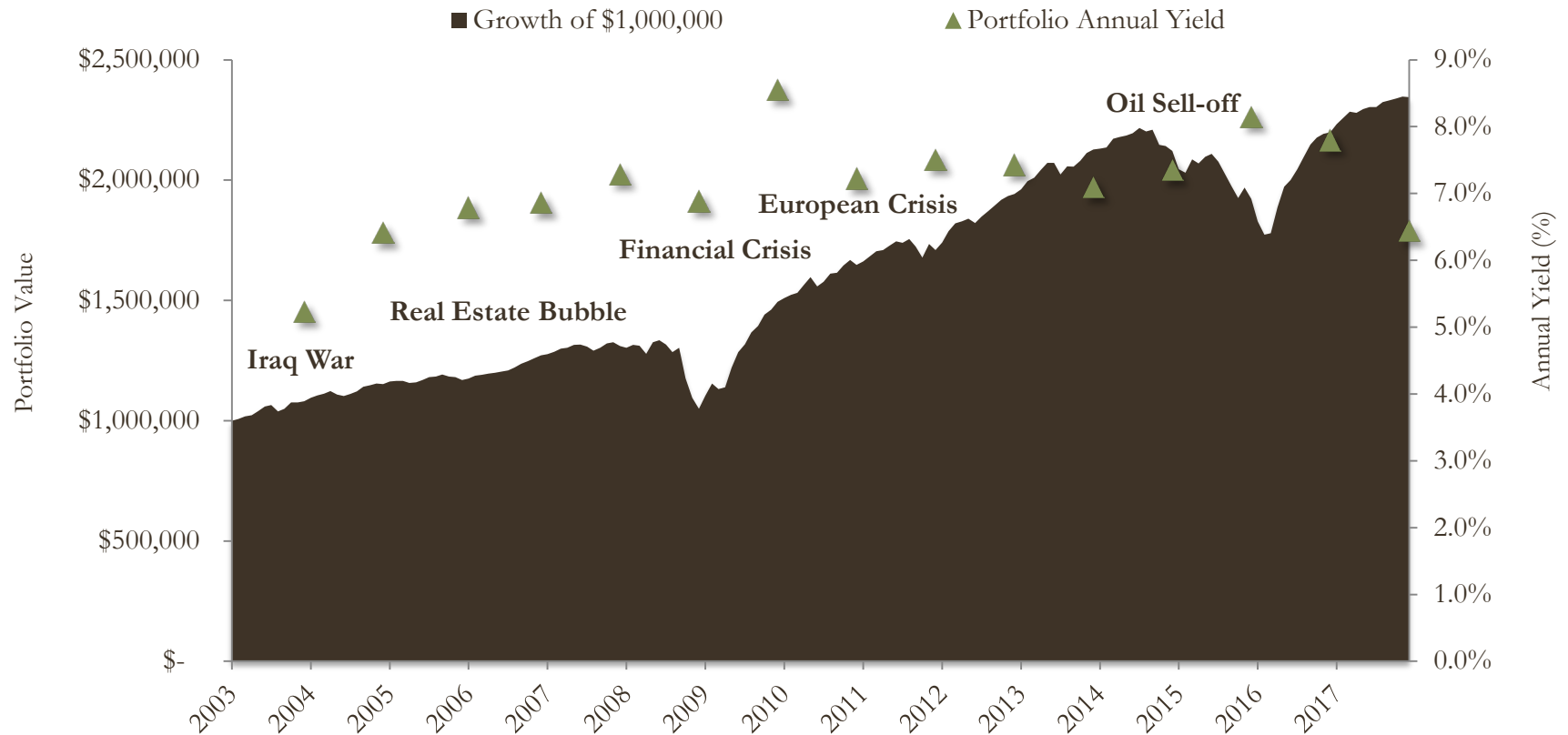
VALUE
DEFINES OUR
SECURITY SELECTION

Value is critical; we believe companies with strong income statements and cash flow offer the greatest value.



Altrius Value Proposition

Unconstrained Fixed Income Growth of \$1,000,000 and Interest Yield*

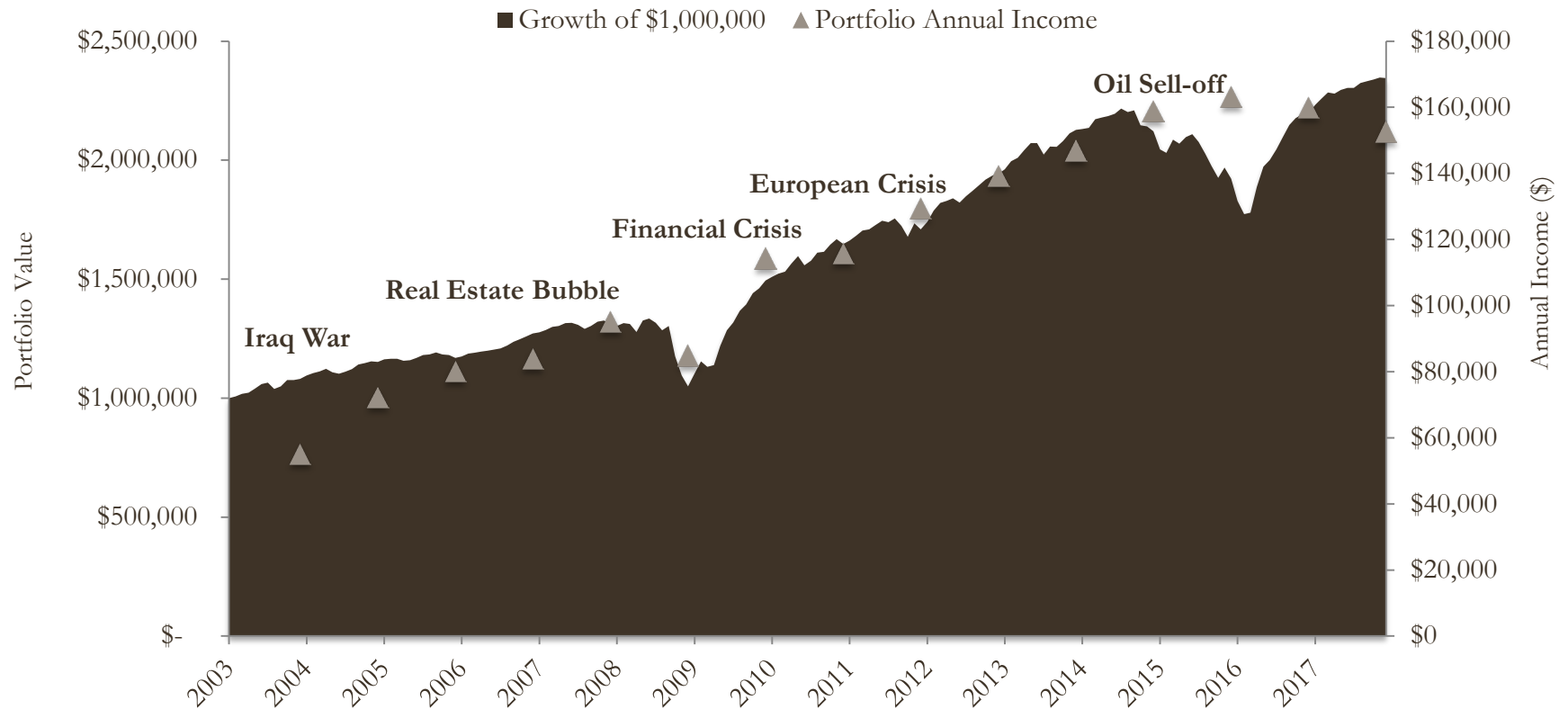


*Portfolio Growth of \$1,000,000 assumes reinvestment of all dividends since inception. All data represented is gross of fees.



Altrius Value Proposition

Unconstrained Fixed Income Growth of \$1,000,000 and Interest Income*



*Portfolio Growth of \$1,000,000 and Annual Income assume dividends reinvested since inception. All data represented is gross of fees.



Altrius Investment Philosophy

Global Perspective

Global macro conditions are the basis for investing; top down economics drive market cycles, market segments, and ultimately individual security prices.

Value Orientation

Value is critical; we will not pay more for a security than we believe it is worth, with full confidence that the market will reward the intrinsic value inherent in the security over time.

Unconstrained

Unconstrained; we maintain the ability to seek the best risk/reward trade off across the credit spectrum and yield curve while opportunistically investing in inefficient circumstances.

Total Return Focus

Total return is our focus; we are committed to total return on behalf of our investors, investing only in securities that provide a reasonable yield to compensate for the risks of inflation, rising interest rates and the potential loss of principal.

Risk Managed

Risk management is required to ensure long term preservation of capital.



Economic Scenario Analysis

At Altrius, we believe that global asset allocation valuations matter. Predicated on this belief, we maintain a series of three economic scenarios under which the economy may fall at any one time. By analyzing the valuations inherent in the current economic scenario, we are better positioned to identify securities at the sector, industry and individual company level that are best positioned to add significant value to our portfolio over time.

ECONOMIC SCENARIOS			
<i>*Our likely scenario</i>			
	Bear	Base	Bull
<i>S&P 500 at 2674, Barclays Aggregate yield at 2.7%, MSCI Europe Index at 1797, BofA ML High Yield Cash Pay Index at 5.8%.</i>			
Equities	Estimate	Estimate	Estimate
U.S. Equities	-8.5%	0.5%	7.6%
Developed Int'l – Europe	-8.5%	10.4%	17.6%
REITs	-4.7%	1.6%	4.7%
Fixed Income			
Investment-Grade Bonds	3.3%	1.9%	1.3%
High-Yield Bonds	1.7%	5.1%	5.4%
TIPS	2.3%	1.1%	-0.9%

Source: Advisor Intelligence/Altrius Capital



Unconstrained Fixed Income Objective

With a **global macro perspective** employed to identify the most compelling portfolio positioning and opportunity set as our backdrop, we seek to attain an **attractive yield/spread relative to a five year treasury** within **acceptable levels of portfolio risk** through investment in government securities, corporate bonds, mortgage backed and asset backed securities **diversified across sectors**.

Unconstrained Fixed Income Process

Top down strategy employed to identify the most compelling portfolio positioning and opportunity set:



GLOBAL MACRO
TOP DOWN PERSPECTIVE
DRIVES INITIAL UNIVERSE

Yield Curve Positioning

Sector Rotation

Duration

Credit Risk

Bottom up process seeks to identify companies selling below their intrinsic value:



VALUE
BOTTOM UP VALUE DRIVEN
INVESTMENT ANALYSIS
DRIVES SECURITY SELECTION

Income Statement Driven

Cash Flow Focused

Seeking Undervalued Securities

Seeking Above Average Income

Screening for Yield: Seeking
3-5% above the 5 yr treasury

Invest unconstrained primarily in U.S. dollar-denominated investment grade and high yield bonds:



TOTAL RETURN
FOCUSED ON ACHIEVING HIGHEST
TOTAL RETURN WITHIN
ACCEPTABLE LEVELS OF RISK

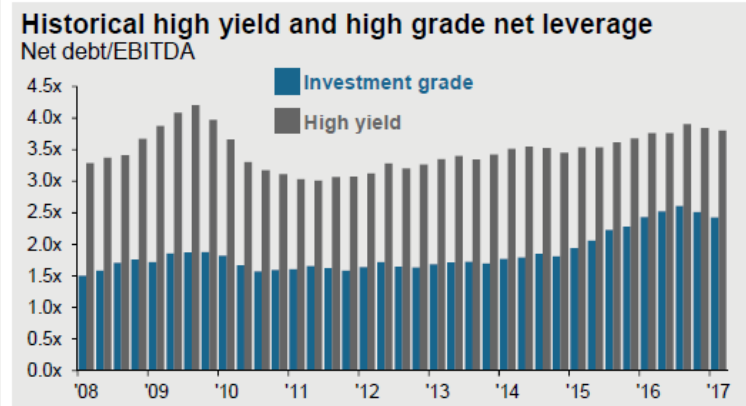
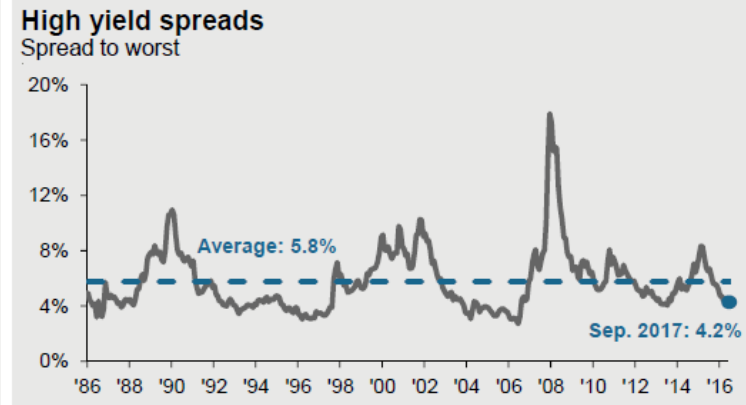
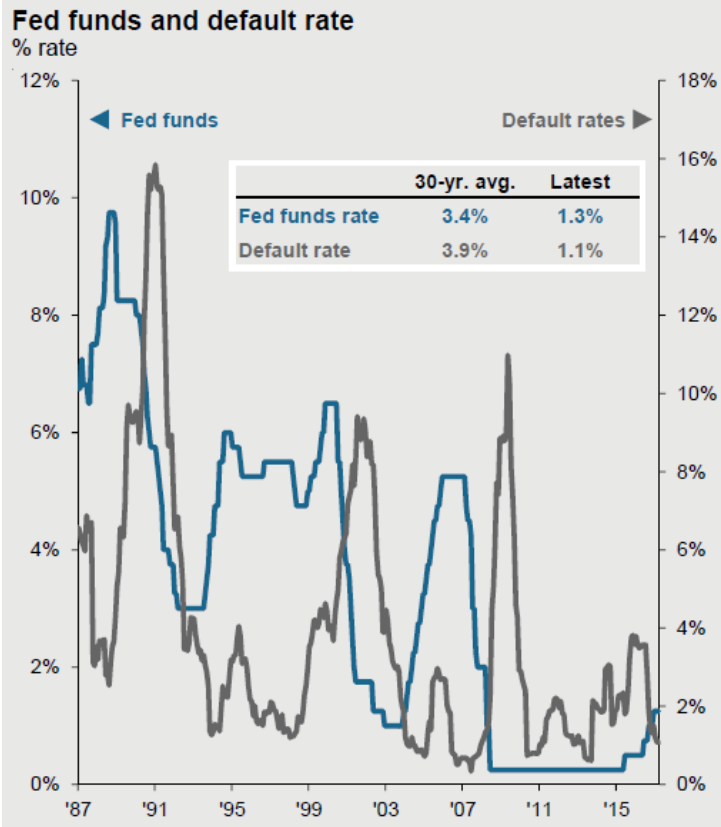
Invest in government securities, corporate bonds, mortgage backed and asset backed securities diversified across sectors.

Seek to attain an attractive yield/spread relative to a five year treasury within acceptable levels of portfolio risk.

We screen the market daily. Our process typically results in a consistent review list of 200 companies. This list is further reduced through our analysis process, resulting in a buy list of 20-30 securities at any one time. As the market often speaks before the rating agencies do, our buy and sell decisions are based on Altrius' criteria which includes a top down, global macro perspective, coupled with a bottom up, value driven security analysis.

Opportunity in High Yield

High yield spreads over treasuries remain attractive, while defaults remain low. Despite the volatility inherent in high yield investing, unconstrained investing can create tremendous opportunity.



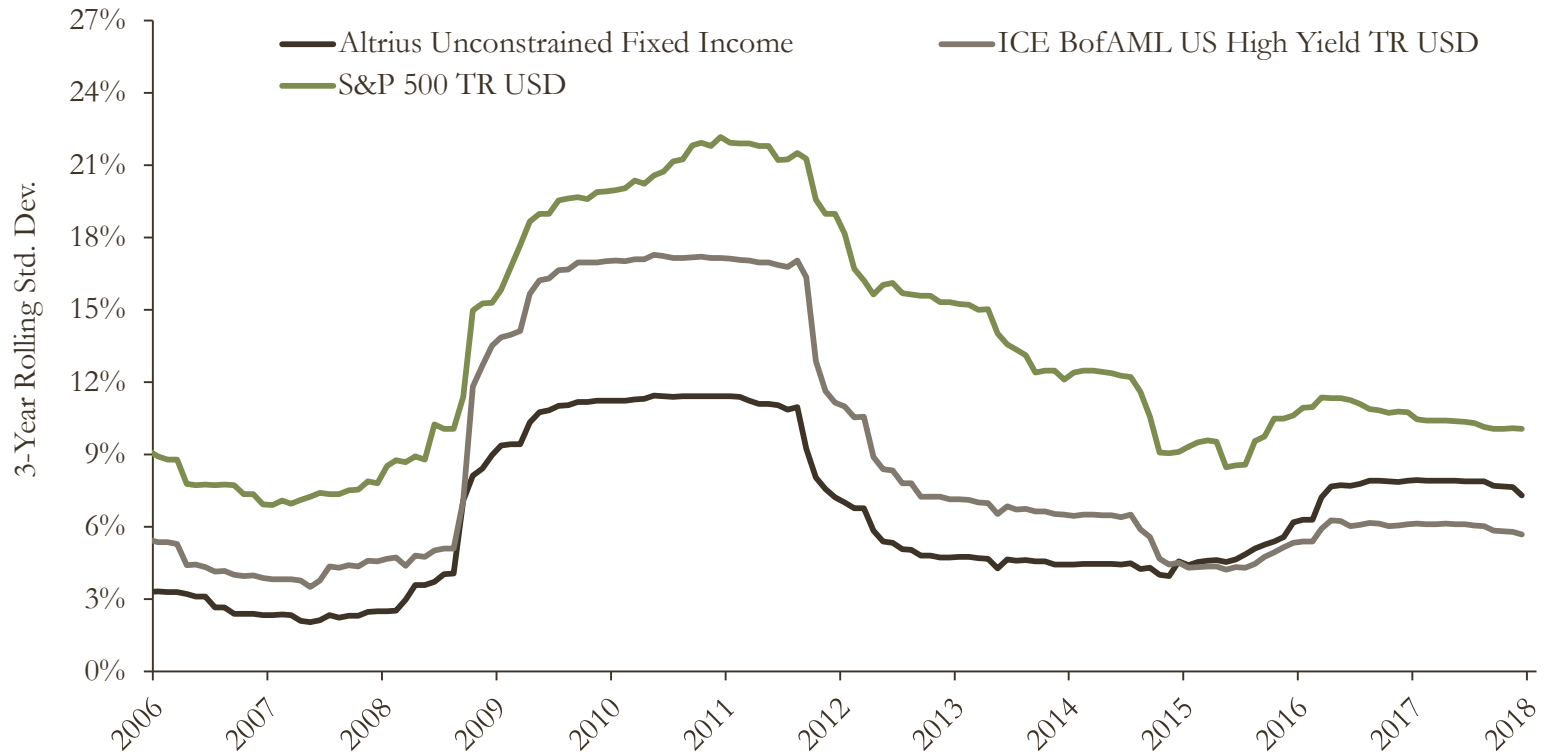
Source: J.P. Morgan Asset Management, (Left) Federal Reserve. Default rates are defined as the par value percentage of the total market trading at or below 50% of par value and include any Chapter 11 filing, prepackaged filing or missed interest payments. Spreads indicated are benchmark yield to worst less comparable maturity Treasury yields. Yield to worst is defined as the lowest potential yield that can be received on a bond without the issuer actually defaulting and reflects the possibility of the bond being called at an unfavorable time for the holder. High yield is represented by the J.P. Morgan Domestic HY Index. Investment grade is represented by the J.P. Morgan U.S. Liquid Index. – U.S. Data as of 09.30.2016

High Yield Bonds Have Been Less Volatile Than Equities



Since 2000, high yield bonds have experienced lower volatility than the S&P 500, as measured by standard deviation over monthly 3-year rolling periods.

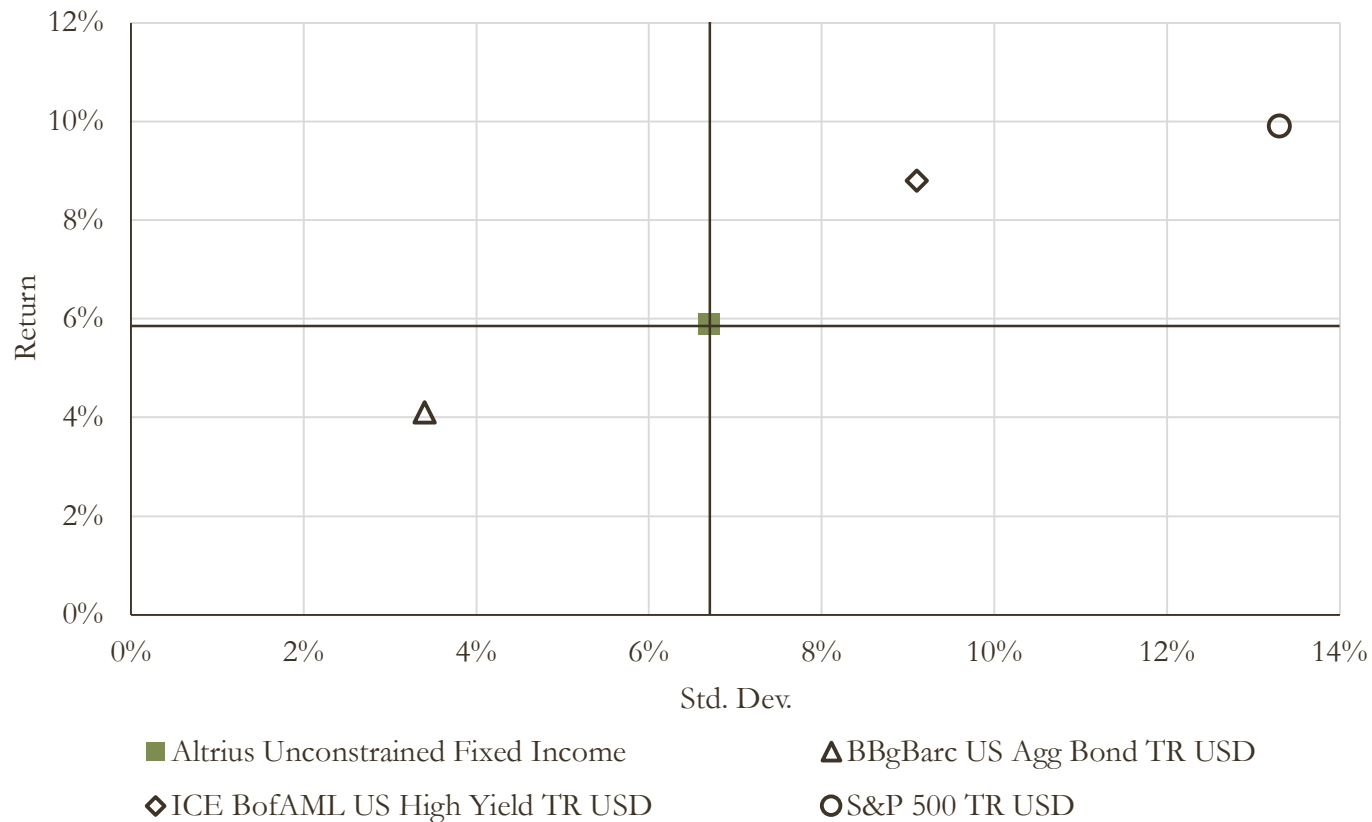
3-Year Rolling Annualized Volatility



As of 12.31.2017

High Yield Bonds Have Provided Equity-Like Risk-Adjusted Returns

Over the past 15 years, our high yield strategy has produced more than half the return of equities with only half the risk, as measured by standard deviation. This corresponds to a return per unit of risk (annualized return divided by annualized volatility) of 0.88 for the Unconstrained Fixed Income strategy, versus 0.74 for the S&P 500.



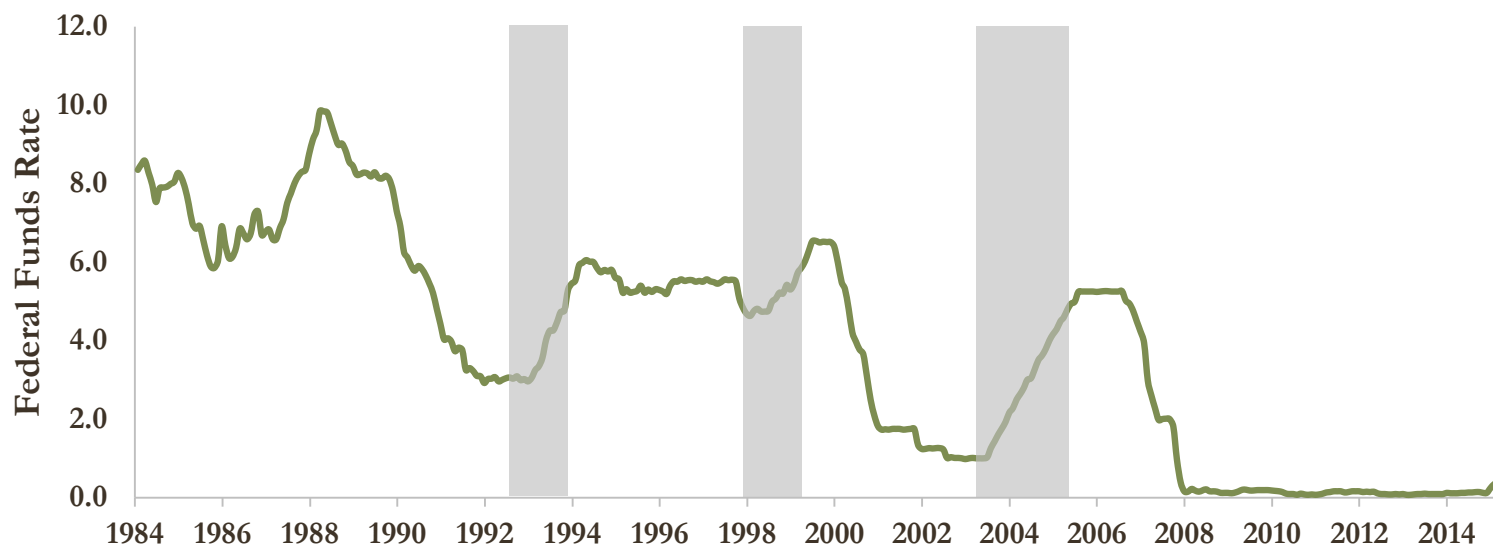
As of 12.31.2017

Bond Returns in Rising Interest Rate Environments

PROCESS



Short Term Interest Rates (1985-2016)



**Shaded areas are periods of rising short term interest rates*

	Annualized Returns		
	1992-1995	1999-2000	2003-2007
Credit Suisse HY Index	10.56%	1.77%	7.90%
Barclays US Agg Bond Index	6.06	3.52	4.06
Barclays US Treasury Index	6.08	3.02	3.90
Barclays US Gov/Credit 1-3 Yr Index	4.70	4.85	3.13

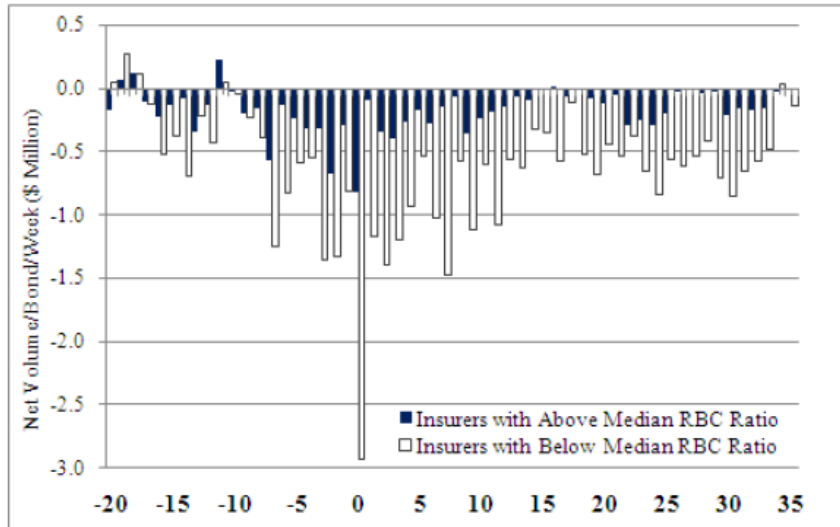
Source: Federal Reserve Bank of St. Louis; Morningstar Direct

Opportunity in Institutional Liquidations

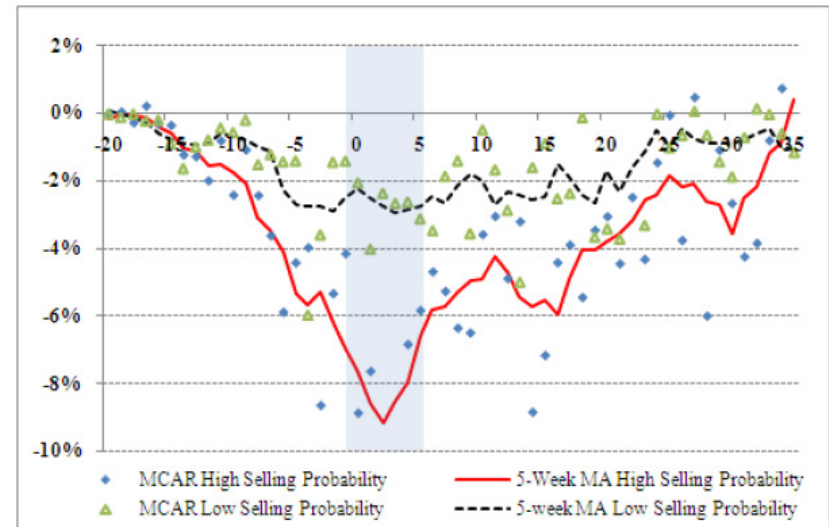


Insurance companies hold over one third of outstanding investment grade bonds, while at the same time they are subject to regulations prohibiting or imposing large capital requirements on high yield bonds. Downgrades can create opportunities to acquire assets at depressed prices.

Insurer Selling by Risk-Based Capital Requirements



Median Cumulative Abnormal Returns Around Credit Downgrade



Source: Regulatory Pressure and Fire Sales in the Corporate Bond Market, Andrew Ellul, Chotibhak Jotikasthira, and Christian T. Lundblad



Defining Value in Credit

Reasonable Yield

At Altrius, we invest only in securities that provide a reasonable yield to compensate for the risks of inflation, rising interest rates, and potential loss of principal.

Income & Cash Flow

We emphasize the role of income statements and cash flow metrics as well as management's character and credibility in analyzing the probability of a company's ability to service and pay back debt.

Rating Agnostic

We are committed to an unconstrained approach to fixed income management, moving throughout the credit structure to find the best value based on the market environment and the issue's credit risk/reward profile; we do not depend on ratings to determine intrinsic value and a credit's opportunity for success.

Grade Neutral

As companies are downgraded, and investment grade managers are forced to sell, we find tremendous opportunities.

Unconstrained

When considering intrinsic value and an issue's credit risk/reward profile, we find that BBB- through CCC+ credits often provide significant opportunities.

Total Return through Risk/Reward

Altrius Risk Premium Management

Bond Bottom Line

4 Key Questions That Drive
Our Risk/Reward Analysis

- Is the company at risk of bankruptcy?
- Is the company able to secure financing?
- Are you getting paid for the risk?
- Is the value proposition clear?

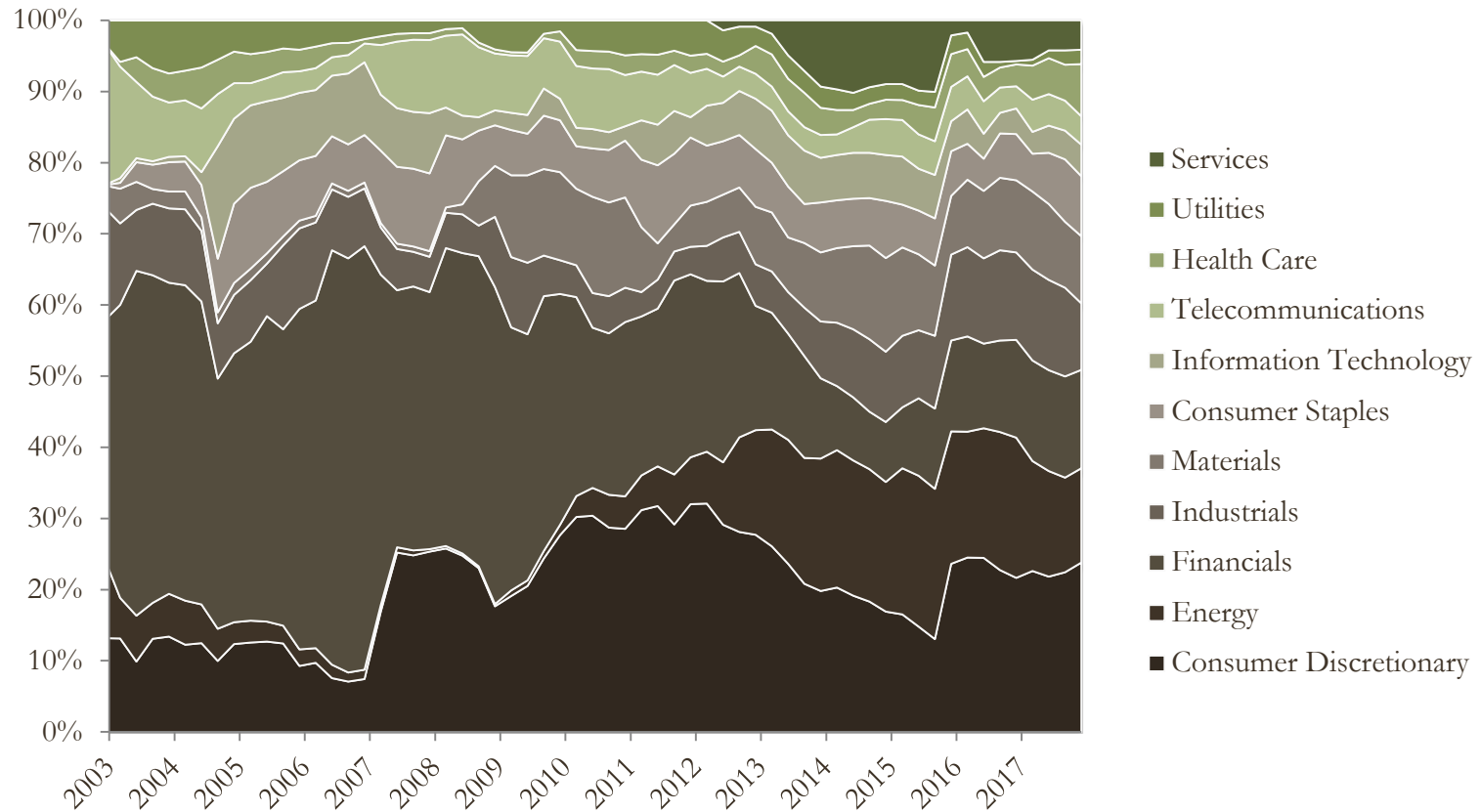
Bond Risk Scenario Analysis

Under a recession scenario with 30% defaults and below average recovery, the portfolio would still break even.

	Bear Case	Severe Bear Case
Assumed 4 Year Default Rate	30%	40%
Assumed Recovery Rate	\$0.30/\$1.00	\$0.25/\$1.00
Current YTM	6.14%	6.14%
Portfolio Annualized Return	0.20%	(2.36%)

Unconstrained Fixed Income

Dynamic Allocation to Maximize Potential Return While Managing Risk

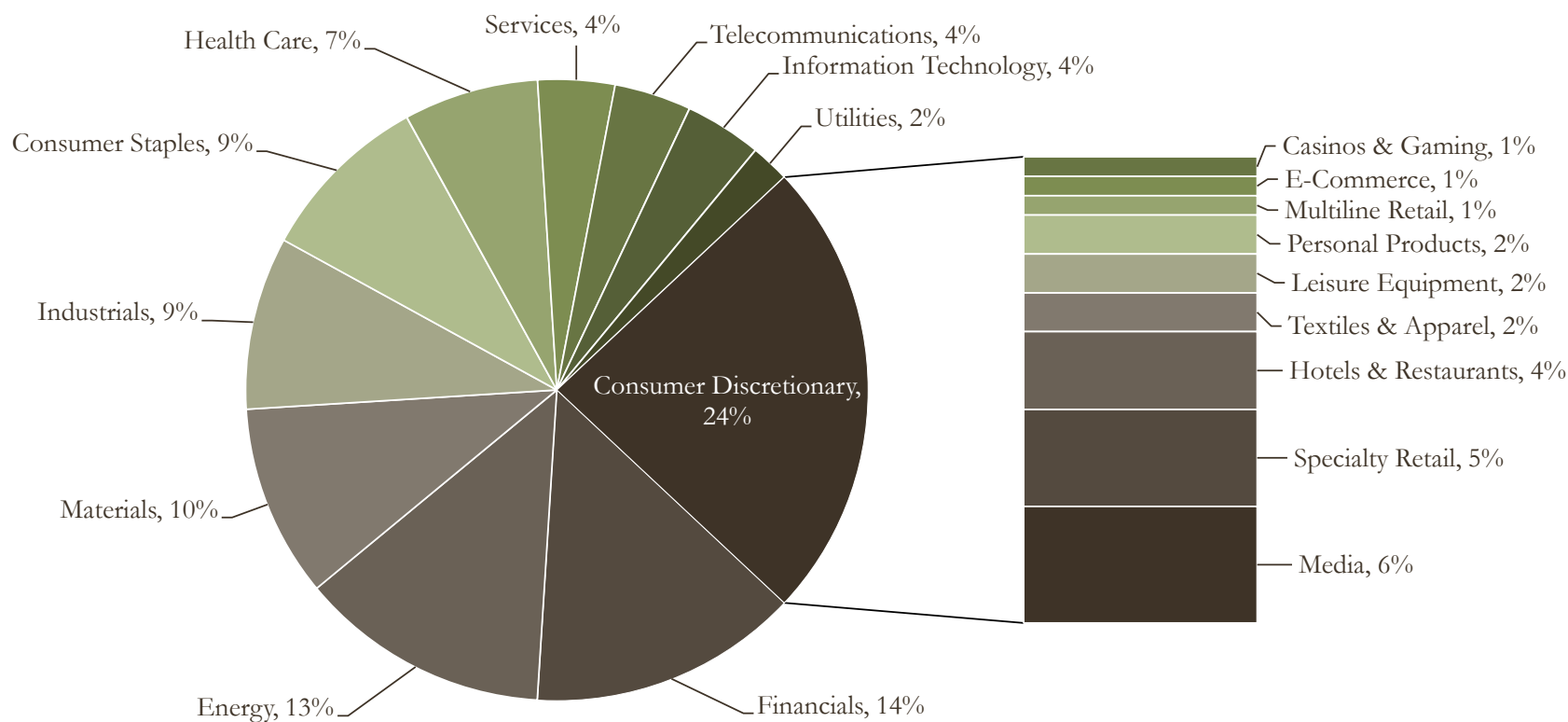


As of 12.31.2017



Unconstrained Fixed Income

Altrius Consumer Discretionary Sector Detail

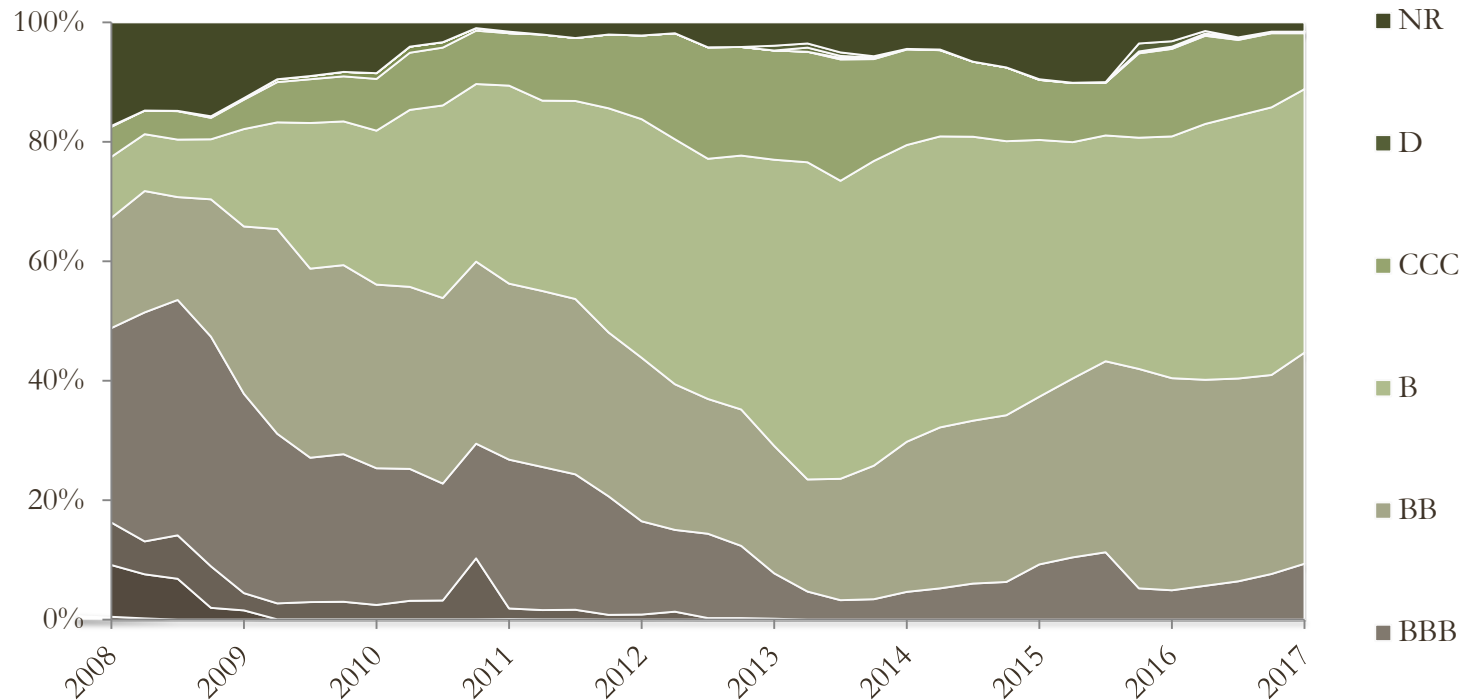


As of 12.31.2017



Unconstrained Fixed Income

Investing Based on Credit Opportunity **NOT** Credit Rating

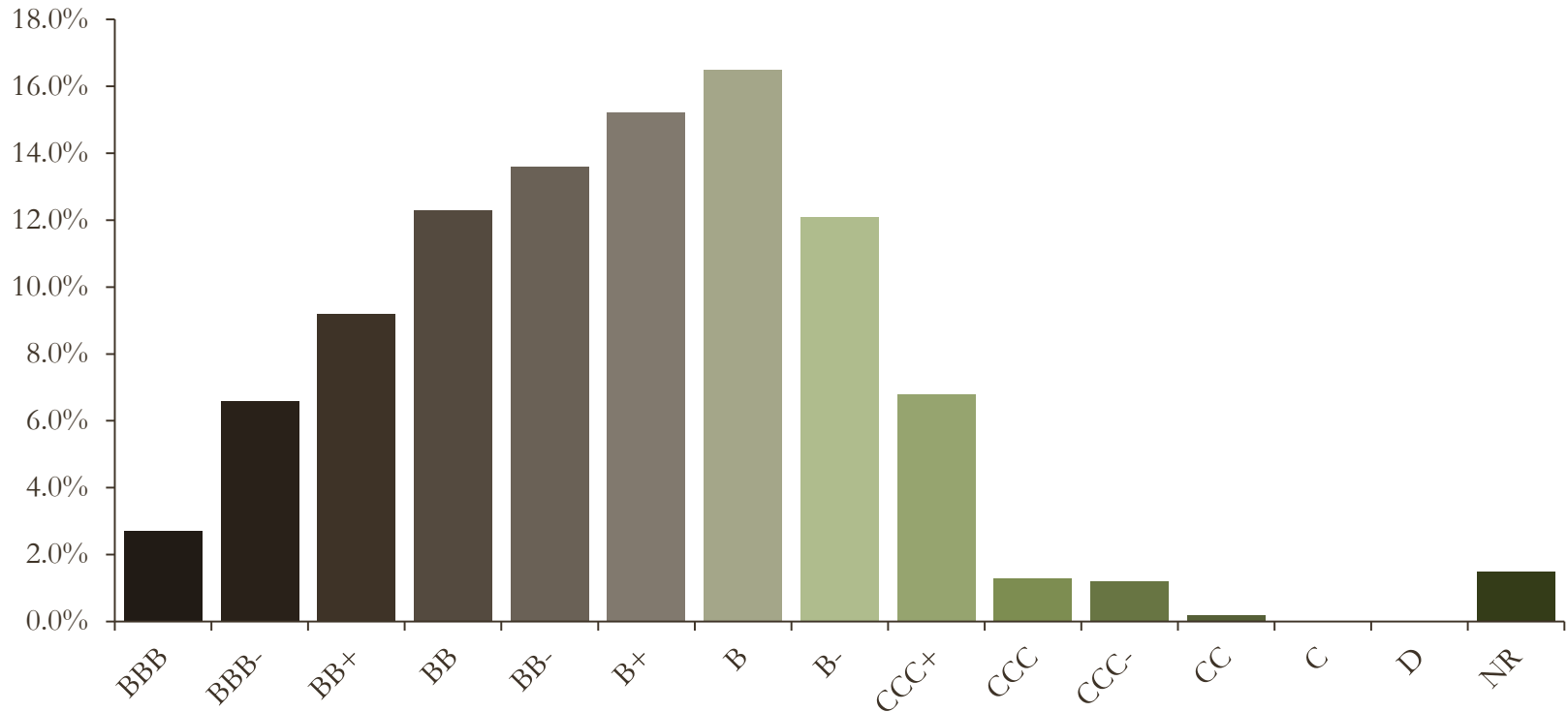


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Unconstrained Fixed Income

Current Portfolio Credit Exposure

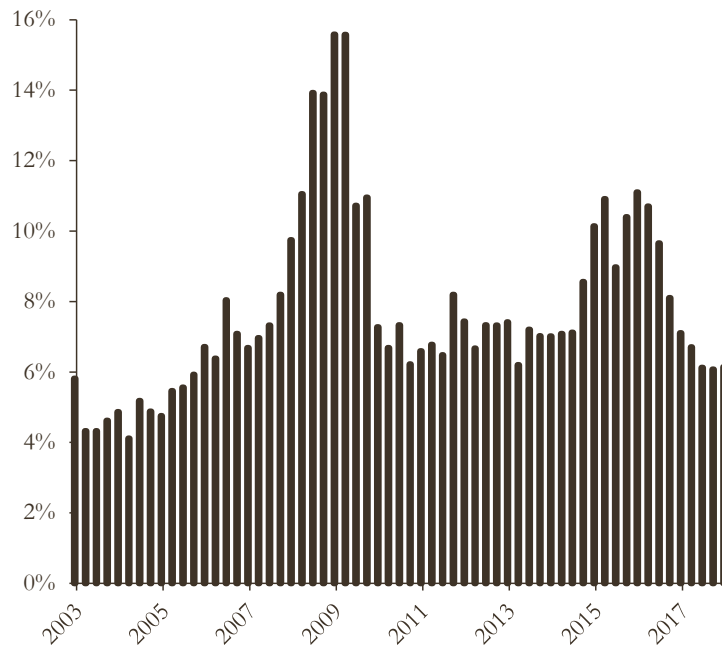


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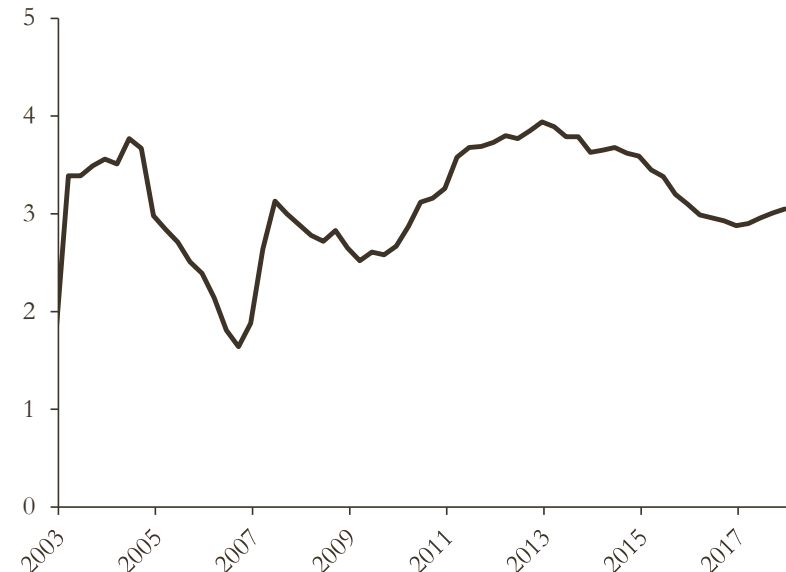
Unconstrained Fixed Income

Agility to Maximize Opportunity Over Time

Yield to Maturity



Duration



As of 12.31.2017



Unconstrained Fixed Income

Portfolio Analytics:

Benchmark	Various
Holdings	179*
Maximum Position Size	5.00%
Average Maturity	3.57 yrs
Average Duration	3.05 yrs
Average Coupon	6.56%
12 Month Yield	6.44%
Average Yield to Maturity	6.07%
Average Quality (S&P)	B+

**179 issues from 168 individual bond issuers*

As of 12.31.2017



Unconstrained Fixed Income

Portfolio Analytics vs. Barclays Aggregate Index*

Correlation	0.26
Standard Deviation	7.97
Alpha (annualized)	3.58
Beta	0.64
Sharpe Ratio (annualized)	1.09

*10 year statistics for the time
period: 10.01.2008 to 12.31.2017

- Domestic and global economic growth is expected to remain modest yet stable.
- Lower rated investment grade and higher rated high yield issues (BBB- to B+), which was the best performing segment of the US corporate bond market in 2017, will likely present the most attractive investment opportunities across several industry sectors.
- Despite the anticipation of several rate hikes in 2018, we expect call activity in the corporate bond space to continue at a relatively high frequency.
- With the stabilization of oil prices in the mid \$60/bbl range expected to be sustained, the energy sector (the second largest industry sector in the high yield bond market), will be an area of great interest and numerous opportunities.



Risk Management & Sell Discipline

RISK MANAGEMENT

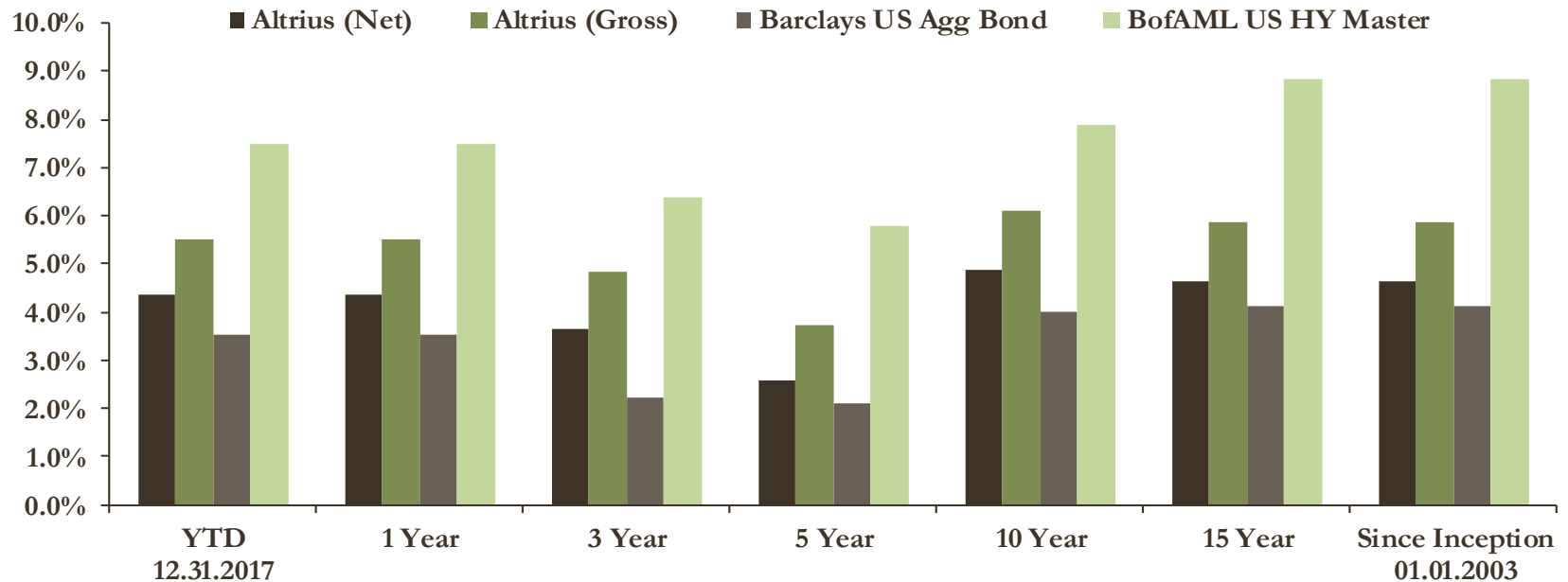
- We employ a structured risk management perspective throughout our security selection, monitoring, and sell process. By maintaining a **data driven, facts oriented investment management process**, we avoid the bias that may result in poor risk management decisions.
- We maintain a diversified portfolio of credits in order to **minimize single issue risk**.
- As long term investors, we believe it is an equally important risk management practice to avoid selling due to market sentiment; we believe in our investment management process and **make buy and sell decisions based on our analysis, not based on market response**.

SELL DISCIPLINE

- Credits are sold when we are **no longer getting paid for the risk** associated with them.
- Issues sold when prices appreciate to the point where the **yield advantage is gone**.
- Credits are sold when **fundamentals deteriorate** and risks outweigh return potential.
- Issues are sold when **their current prices** reflect valuations we believe are higher than post-bankruptcy levels.

Unconstrained Fixed Income

RESULTS

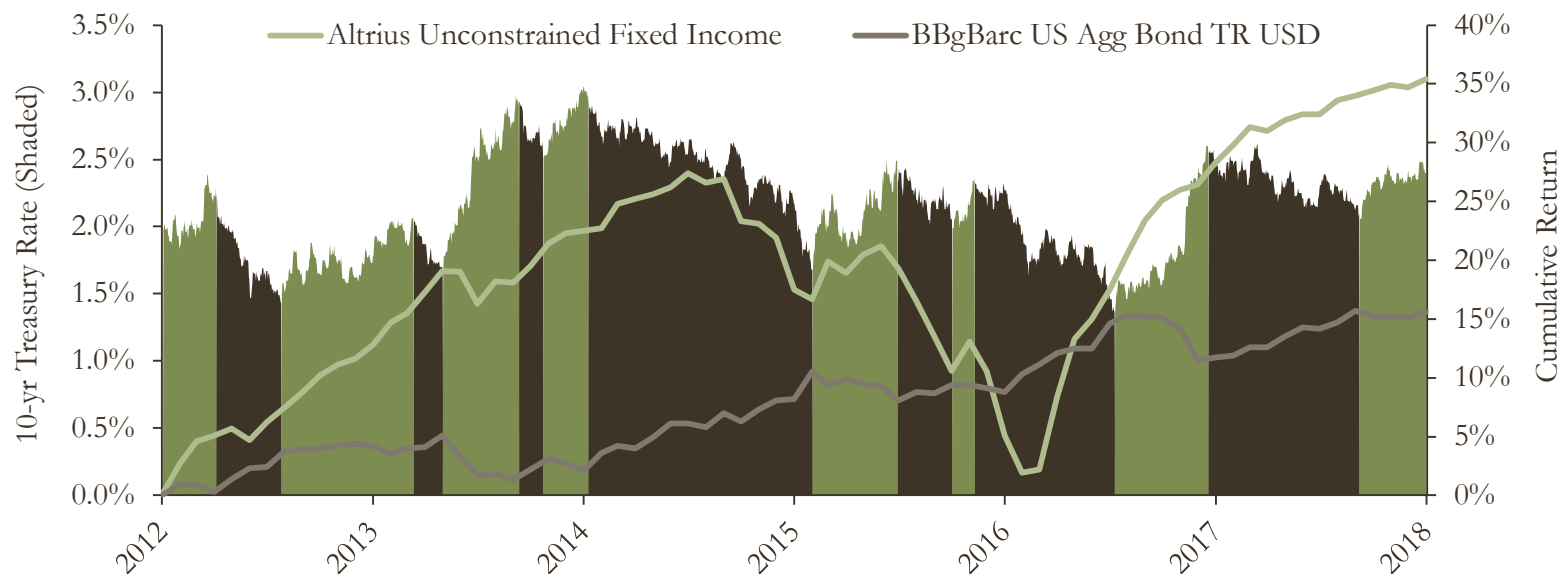


PERIOD	YTD 12.31.2017	1 YEAR	3 YEAR	5 YEAR	10 YEAR	15 YEAR	Since Inception
Altrius (Net)	4.35	4.35	3.65	2.56	4.86	4.65	4.65
Altrius (Gross)	5.51	5.51	4.83	3.72	6.10	5.88	5.88
Barclays US Agg Bond	3.54	3.54	2.24	2.10	4.01	4.14	4.14
ICE BofAML US HY	7.48	7.48	6.39	5.80	7.89	8.84	8.84

As of 12.31.2017

Unconstrained Fixed Income in a Rising Interest Rate Environment

PROCESS



PERIOD	INTEREST RATE INCREASE	RETURN		OUTPERFORMANCE
		ALTRIUS	BARCLAYS US AGG BOND	
Jan 2012-Mar 2012	0.33%	5.10%	0.30%	4.80%
Aug 2012-Feb 2013	0.62%	8.00%	0.20%	7.80%
May 2013-Aug 2013	1.30%	-1.00%	-3.80%	2.80%
Nov 2013-Dec 2013	0.50%	1.10%	-1.00%	2.10%
Feb 2015-Jun 2015	0.81%	2.60%	-2.40%	5.00%
Oct 2015	0.37%	2.50%	0.00%	2.50%
Jul 2016-Dec 2016	1.23%	10.80%	-2.90%	13.70%
Sep 2017-Dec 2017	0.35%	1.40%	-0.10%	1.50%



Management Fee Structure:

Account Format	Separately Managed Account
Institutional Account Minimum	\$1,000,000
Management Fee < \$25M	35 BP
Management Fee > \$25M	30 BP



Composite Overview

Altrius Unconstrained Fixed Income Composite Performance

December 31, 2002 – December 31, 2017

Year	Gross Return %	Net Return %	Benchmark Barclays Aggregate Return %	Composite 3-Yr St Dev %	Benchmark Barclays Aggregate 3Yr St Dev %	# of Portfolios	Composite Dispersion %	Total Composite Assets	Percent of Firm Assets
2003	9.51	8.05	4.10	N/A	N/A	16	1.38	2,436,010	9.75
2004	6.24	5.15	4.34	N/A	N/A	26	2.86	4,118,435	10.27
2005	0.97	(0.13)	2.43	3.29	4.12	41	1.48	5,585,123	10.20
2006	8.63	7.44	4.33	2.34	3.23	48	3.39	7,125,384	9.11
2007	2.15	0.87	6.97	2.48	2.82	64	2.26	10,675,163	11.14
2008	(15.34)	(16.38)	5.24	8.99	3.55	82	5.35	16,079,919	19.83
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	146	2.62	59,855,839	17.18

Q4 2017



Disclosure

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, 2016 by ACA Verification Services. 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), registered investment advisors 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 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 will be removed from the composite and subaccount at the beginning of the month in which they fall outside the asset allocation target range by more than 10%. 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.



Disclosure

Benchmarks

The benchmarks are the Barclays Capital Aggregate Bond Index, the Bank of America US High Yield Master II Trust, and the Morningstar US OE Nontraditional Bond Index. On 1/1/2017, the Bank of America US High Yield Master Trust Index replaced the Barclays BB+ index. 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 is 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.

Performance Calculations

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

Gross of fee 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 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 1/1/10, cash was allocated to carve-out segments on a pro-rata basis based on beginning of period market values. Beginning 1/1/10, carve-out segments are managed separately with their own cash balance. Carve-out accounts represent 100% of composite assets for periods prior to 1/1/10.

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 (Barclays Aggregate Bond Index) 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.

** **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.*



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