



While 2018 was a challenging year and the fourth quarter itself was very volatile across global equity markets (especially December), Small/Mid Cap-related names underperformed when compared to its larger cap peers, as the risk off mindset steadily gained momentum throughout the quarter. The S&P 1000 declined -18.2% in the quarter, with every sector generating declines. Against this backdrop, the Small/Mid Cap Core strategy slightly underperformed its benchmark for the quarter net of fees.

At quarter end, the portfolio contained 76 stocks, representing all of the eleven economic sectors comprising the S&P 1000 index. During the quarter, relative to sector weights in the S&P 1000, the portfolio was overweight the Information Technology, Industrials, and Consumer Discretionary sectors. The portfolio was underweight Energy, Real Estate, Communication Services (newly created at the close of the third quarter) and Materials and was essentially market weight in Utilities, Financials, HealthCare and Consumer Staples.

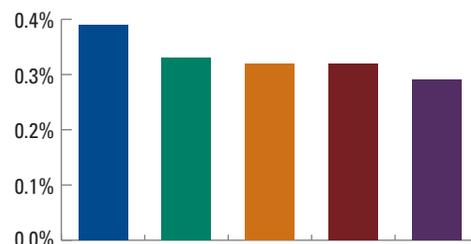
During the quarter we continued to trim certain Consumer Discretionary winners — lululemon, Tractor Supply and Deckers Outdoor — as we sought to lock-in gains embedded during the year. In addition, we pared back on Ansys, an application software play, to reduce our software overweight and Omnicell, a healthcare IT specialist, which

had rallied strongly after we added to the position on weakness earlier in the year. We reallocated the proceeds to several stocks we view as currently undervalued in the portfolio, such as LKQ, an auto parts recycler/distributor, and Cypress Semiconductor, a designer and manufacturer of semiconductor technology. We also added to the Hanover Insurance Group, a property & casualty provider, and LHC Group, a leader in home health, which have more defensive business models. In addition, we initiated a position in WW (formerly known as Weight Watchers). Under the leadership of new CEO Mindy Grossman, who previously served as CEO of HSN and led Nike's push into women's active-wear, WW has refocused as a global wellness brand. While the company still has a weight-loss program at its core, it is increasingly focusing on creating a community of members who work on eating well, staying active, and embracing mindfulness. The company had a sharp fall-off recently after its last earnings release. The company hit membership targets of 4.2 million members (25% higher than last year), but came up light on sales due in part to a shift to digital members, providing an opportunity to get involved.

Relative to the S&P 1000, the contribution from sector weighting was positive. The majority of the benefit was from our continued underweight in Energy — the benchmark sector declined -43% in the quarter. We also saw benefit from our continued overweight in Technology

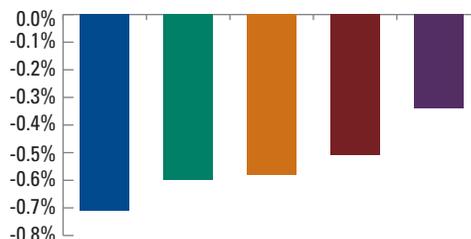
Top 5 Contributors (%)

	AVERAGE WEIGHT	PORTFOLIO RETURN	RELATIVE CONTRIBUTION
Deckers Outdoor Corporation	1.54	7.90	0.39
Hologic, Inc.	1.83	0.29	0.33
Hanover Insurance Group, Inc.	1.95	-4.83	0.32
Church & Dwight Co., Inc.	1.18	11.13	0.32
Reinsurance Group of America, Inc.	2.15	-2.59	0.29



Top 5 Detractors (%)

	AVERAGE WEIGHT	PORTFOLIO RETURN	RELATIVE CONTRIBUTION
Cambrex Corporation	2.06	-44.80	-0.71
United Natural Foods, Inc.	0.92	-64.64	-0.60
Core Laboratories NV	1.56	-48.22	-0.58
Superior Energy Services, Inc.	0.79	-65.61	-0.51
Blackbaud, Inc.	1.52	-37.91	-0.34



This information is not intended as investment advice or a recommendation to purchase or sell specific securities. Sector and stock performance included in portfolio commentary reflects a representative account as of 12/31/2018 and excludes cash. Actual holdings will vary for each client and there is no guarantee that a particular client's account will hold any or all of the securities/sectors listed. Additional information regarding the calculation methodology, as well as each holding's contribution to the strategy's performance is available on request.

and underweight in Materials, but this was offset some by the negative effect of our overweight to Industrials and underweight to Communication Services.

Overall, we saw a negative impact from stock selection in the quarter. The weakest selection was in Information Technology where the biggest detractor in the sector was software provider, Blackbaud (-38%). The stock significantly declined after the company negatively preannounced a 10% downward revision to 2019 earnings on subscription model weakness in international markets and lower payment revenue in the tuition business. We conclude that these factors are temporary and manageable going forward, and we expect the company to continue to execute on its growth strategy, including completing value added, tuck-in acquisitions. The biggest overall detractor was small cap healthcare pharmaceutical manufacturer, Cambrex (-45%). After being a top performer last quarter, the Company missed its third quarter operating goal and failed to provide forward guidance (which had historically been given). This uncertainty, at a time when investors were growing increasingly risk off, precipitated significant selling in the stock, which we believe was overdone. Two of our bottom performers were in the energy services group which was harshly punished as oil prices collapsed by 40% in the fourth quarter for a variety of reasons including geopolitics and unexpectedly strong domestic oil production leading to oversupply. The service companies don't have pricing power as demand for their services fall. Core Laboratories (-48%) and Superior Energy Services (-66%) both fell along with peers (-46%), despite having business models we had concluded would be more resilient. Natural food distributor, United Natural Foods (-65%), was again in the bottom performers. A negative update on the recently acquired SuperValu business combined with higher than anticipated financing costs in the face of rising interest rates, soured the sentiment further on an acquisition that was already viewed skeptically by investors.

On the positive side, we saw the best stock selection in Materials. Our overweight to packaging and specialty chemicals, versus the more commoditized industries (i.e. Metals & Mining), served us well this quarter. In terms of individual names, the top contributor to performance was

Deckers Outdoor (+8%), the footwear manufacturer of brands such as UGG, Teva and Hoka One. The Company's core boot business benefited from a cold start to the winter and more full priced selling which continued to aid profitability. Hologic (flat), the women's healthcare equipment manufacturer, held up better than its group given it recently provided a better than expected initial 2019 operating outlook. Two of our insurance names — Reinsurance Group of America (-3%) and Hanover Insurance Group (-5%) — were in our top performers given their more defensive nature. Reinsurance Group also benefited from recent merger premiums amongst its peers and Hanover Insurance Group benefited from a corporate structure action involving a special dividend. Last, rounding out the top five was Church and Dwight (+11%) whose more defensive household/personal care business and US-centric business model was sought out by investors.

As mentioned, 2018 was a volatile year for equities, and 2019 has started in a similar vein, so we seek to constantly separate meaningful market signals from "noise" (however relevant). Yet, we are aware that the headlines out of Washington (government shutdown, tariffs still under debate, etc.) are likely to fuel continued economic (and stock market) uncertainty, at least in the near term. As such, while we conclude that the US economic environment remains expansionary, we remain cognizant of quickly shifting sentiment. In this environment, our stock and ESG centric investment philosophy remains consistent as the strategy stays fairly close to our benchmark. And, as always, we will continue to monitor valuations; looking to monetize certain winners and reallocating the funds to Small/Mid Cap names that we feel have been overly penalized by this broader market volatility.

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The S&P Indices are widely recognized, unmanaged indices of common stock. It is not possible to invest directly in an index. The S&P 1000 combines the S&P MidCap 400 and the S&P SmallCap 600, to form a benchmark for the small-mid cap universe of the U.S. equity market.

Investments in smaller companies generally carry greater risk than is customarily associated with larger companies for various reasons, such as narrower markets, limited financial resources and less liquid stock.



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