All Cap Core

STRATEGY COMMENTARY
March 31, 2019 (1st Quarter)

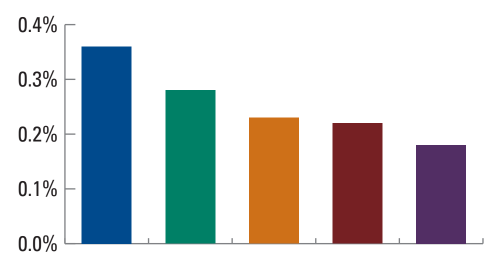
The All Cap Core strategy modestly under-performed its benchmark, the S&P 1500, net of fees, for the quarter. At quarter end, the portfolio contained 77 stocks, representing all 11 of the economic sectors comprising the S&P 1500 index. Our intention over the last 18 months has been to have sector allocations relatively close to the benchmark. However, our underweight to the FANG group of internet stocks left us significantly underweight to the new Communication Services sector, with little desire to reduce the underweight. We were correspondingly overweight Information Technology. All other sectors deviated less than a percent from the benchmark; Materials and traditional Energy were our next biggest over- and under-weights, respectively.

After a rocky end to 2018, the equity market rebounded strongly in the first quarter of 2019, with the benchmark S&P1500 up nearly 14% during the quarter. Many of the best performing stocks and sectors were those that had been hit the hardest previously during the fourth quarter of 2018, seeming to indicate that the strength was merely a reversal of last quarter's fear. However, most of the gains during the quarter came early, as the index largely stalled in March. And particularly at the end of the quarter, fear began to creep back into the equity markets, as the Fed's declaration of its intent for stable interest rates this year led to a flight to safety and quality in the bond and equity markets. We believe events this quarter were in line with our thesis of slowing growth domestically, as economic indicators continued to indicate moderating growth and prognostications for domestic GDP growth for the year ticked down.

Strategy trading this quarter continued to focus on quality and stability, including reducing the large underweight to Consumer Staples. To do this, we trimmed several names that had been successful and we believed were currently overvalued, including Starbucks, spice company McCormick, and semiconductor manufacturers Advanced Devices and Xilinx. Within semiconductors, we also closed our positon in Maxim and initiated a position in NXP, which operates in similar markets with strong technology and is trading at a deep valuation discount after a failed merger last year. In Industrials, we closed our positon in Swiss conglomerate ABB, after they announced intentions to divest their electric grid divisions. We initiated a position in sustainability leader Interface, a carpet tile manufacturer, and increased our position in train component manufacturer Wabtec. In Financials, we swapped positons in insurers, moving from Chubb to Travelers, seeking higher quality fundamentals. Finally, we initiated positions in packaged food company General Mills and potato product company Lamb Weston, both of which we feel are trading at reasonable valuations given their growth profiles. This set of trades did not appreciably change the portfolio's beta, while decreasing

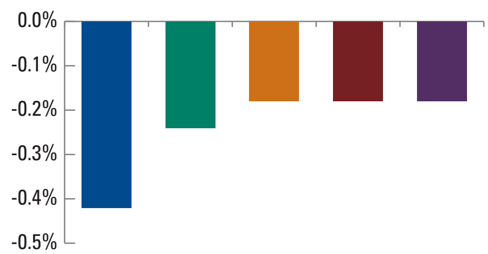
Top 5 Contributors (%)

	AVERAGE WEIGHT	PORTFOLIO RETURN	RELATIVE CONTRIBUTION
Xilinx, Inc.	1.29	49.35	0.36
Celgene Corporation	1.26	47.20	0.28
Waters Corporation	1.48	33.43	0.23
Palo Alto Networks, Inc.	1.65	28.95	0.22
ONEOK, Inc.	1.28	31.24	0.18



Top 5 Detractors (%)

	AVERAGE WEIGHT	PORTFOLIO RETURN	RELATIVE CONTRIBUTION
Cigna Corporation	1.70	-15.30	-0.42
International Flavors & Fragrances Inc.	1.44	-3.52	-0.24
Avangrid, Inc.	1.40	1.44	-0.18
Newell Brands Inc.	0.65	-16.33	-0.18
Omnicom Group Inc.	1.47	0.53	-0.18



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forward valuation and increasing long-term EPS growth estimates, both slightly.

Relative to the S&P 1500, the contribution from sector weighting was marginally positive, as our generally small sector deviations from the benchmark kept any sector allocation from contributing much to performance. We benefitted from our overweight to Technology, the benchmark's best performing sector, slightly offset by our smaller overweight to Health Care, the benchmark's worst performing sector.

Our performance this quarter was generated by stock selection, primarily in Information Technology and Health Care, as our top four contributors were split between those two sectors. On the other hand, stock selection in Communication Services was particularly weak, although as is frequently the case, this was also a matter of what we didn't own. Facebook, which isn't held in this strategy, rebounded strongly during the quarter and was a detractor. After a very strong performance in the fourth quarter, our holding in advertiser Omnicom Group was basically flat for the first quarter (+1%), and detracted from this sector's performance in the portfolio. This was due to the Company's lackluster organic growth domestically and a strong aversion to value names on the part of investors.

Overall across sectors, our biggest detractors during the quarter were Cigna and International Flavors & Fragrances. Health insurer Cigna (-15%) fell particularly mid-quarter as the House of Representatives began considering the concept of Medicare For All, potentially signaling challenges for the insurers' business model during the election season this year and next. IFF (-4%) reported a disappointing fourth quarter, the first to fully include recent acquisition Frutarom. The results were disappointing in terms of organic growth as well as margins; however, we believe the long-term thesis of growth and synergies is sound, as early results can often be uneven. Newell Brands (-16%) was our third detractor, as the company's turnaround continues to take longer than expected. Guidance provided by the new CFO was lower than expectations, and during the quarter, the company announced the CEO will be retiring next quarter as the company begins to lap the closure of Toys R Us stores.

On the positive side, as mentioned, our biggest contributors were in Tech and Health Care. Semiconductor stocks in general were strong performers in the first quarter, as results were generally better than the weakness investors had braced themselves for; Xilinx (+49%) was a particular standout with particular strength in data center and communications end markets leading to guidance ahead of expectations. Large biotech drug manufacturer Celgene (+47%) announced early in the quarter that it will be acquired by Bristol-Myers, sending the long suffering share price higher. Life science tools company Waters Corp (+33%) reported rebounding sales to biopharma customers and gave investors a surprisingly optimistic end market outlook for the year. Technology security provider Palo Alto Networks (+29%) also reported robust performance, with continued strong demand for network and data security products by the company's core target market.

For more than a year, we have noted our belief that the gradual tightening of monetary policy, underway since December 2015, would begin to slow the economy's growth. While both Wall Street and Main Street chatter about recession has continued to pick up over the past quarter, driven by the Fed's actions, we remain convinced by the economic data and leading indicators that we are not imminently headed for recession. However, as has been true for the last year, we remain watchful over the seeming lack of sustainable growth drivers and the feeling we are at or approaching a business cycle peak. Therefore, we have been positioned closely to our benchmark, neither aggressive nor defensive, and intend to stay that way. As always, we continue to remain focused on high-quality and sustainability growth companies selling at reasonable prices that can deliver improving earnings profiles independent of a more challenging macro environment.

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