



The Small/Mid Cap Core strategy returned 5.1% net of fees for the quarter ended December 31, 2019 vs the benchmark, the S&P 1000, which reported 7.4% for the quarter net of fees. For the calendar year 2019, the strategy returned 26.1% net of fees vs. 25.1% for the benchmark.

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, Consumer Staples, Consumer Discretionary and Utilities sectors. The portfolio was underweight Energy, Real Estate, Materials, and Financials. The portfolio was essentially market weight in Healthcare and Communication Services.

This quarter, investors seemed to digest decreasing trade tensions and the Fed's actions to lower interest rates by once again embracing larger and growth-oriented stocks, which outperformed smaller and value stocks. While the benchmark was up approximately 7% for the quarter, the Information Technology and Health Care sectors were each up approximately 11% in the benchmark, and safe haven sectors Real Estate and Utilities, (which are often considered defensive bond proxies) lagged, with +2% and -2% benchmark performance respectively. This past fall began with investor worries about recession, but the year

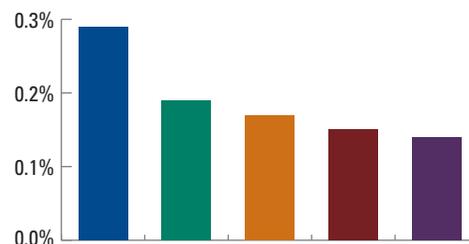
ended with the market at new highs and prognostications of smooth sailing.

With this in mind, we have begun to tilt the portfolio modestly toward more cyclical. For example, we trimmed reinsurer **Reinsurance Group of America** and added to more economically –sensitive regional bank **Silicon Valley Bank**. We sold out of gas utility **Atmos Energy**, to bring our Utility weight more in -line with the benchmark and added to Industrial names, **Lincoln Electric** (welding supplies) and **Xylem** (water infrastructure and technology). We initiated a new position in **LPL Financial**, the largest independent broker-dealer in the United States, with over \$700B in total brokerage and advisory assets across over 16,500 independent financial advisors. The Company's unique business model of providing technology, support and unbiased content and services is a competitive advantage in our view, with an exclusive focused on empowering their advisors to provide the highest level of service for end clients. In addition, we exited long time holding, **lululemon**, as continued growth in its market capitalization rendered the stock no longer appropriate for our SMID strategy.

Relative to the S&P 1000, the contribution from sector weighting was negative. The largest detractor was from our overweight to more-defensive Utilities and our underweight to Energy, given that sector saw a late Q4 snap back, though

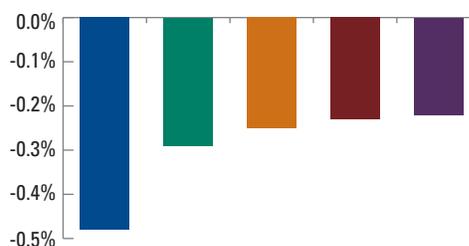
#### Top 5 Contributors (%)

	AVERAGE WEIGHT	PORTFOLIO RETURN	RELATIVE CONTRIBUTION
LHC Group, Inc.	2.40	21.31	0.29
Lamb Weston Holdings, Inc.	1.92	18.61	0.19
Paycom Software, Inc.	1.04	26.38	0.17
Jones Lang LaSalle Inc.	1.26	25.52	0.15
LogMeIn, Inc.	1.28	21.39	0.14



#### Top 5 Detractors (%)

	AVERAGE WEIGHT	PORTFOLIO RETURN	RELATIVE CONTRIBUTION
Hexcel Corp.	2.51	-10.54	-0.48
Blackbaud, Inc.	1.59	-11.76	-0.29
LTC Properties, Inc.	1.32	-11.54	-0.25
Middleby Corp.	1.69	-6.31	-0.23
Acadia Realty Trust	1.43	-8.24	-0.22



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 12/31/2019 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.

this underweight remained solidly positive for the calendar year. These were partially offset by our underweight to the more-defensive Real Estate sector.

Overall, we saw negative impact from stock selection in the quarter. The weakest stock selection was in Industrials and Information Technology. The bottom performer was **Hexcel**, an airplane component manufacturer, which fell 10.5% during the quarter as fears about when and if the Boeing 737 Max will return to production. Boeing is currently a large customer for the Company. Also in Industrials, long-term holding **Middleby** (-6%) was a laggard given its focus on food preparation equipment was not viewed favorably as investors were turning to more cyclically sensitive machinery names. The Company is continuing to see a healthy pipeline of projects and is focused on integrating recent acquisitions that should allow for cost savings and margin expansion. Within Technology, cloud software provider **Blackbaud** (-12%) was a weak performer in the quarter after it reported weaker margins that disappointed investors given aggressive additions to head count. We view these investments in human capital as necessary and continue to view **Blackbaud** favorably for its overall market opportunity and strong social giving approach. Rounding out the bottom 5 were two of our REIT names, **LTC Properties** (-12), a healthcare facility REIT, and **Acadia Realty** (-8%), a high-end retail strip center play. In the quarter, traditional REITs lagged as money flowed out of more defensive sectors. On the other end of the real estate spectrum, real estate property development company **Jones Lang LaSalle** (+26%), was a top portfolio performer given its more cyclical business profile.

Stock selection was strongest within Financials and Consumer Discretionary. Overall, the top performer in the portfolio was **LHC Group** (+21), the home health and hospice service provider, as a more favorable reimbursement ruling out of the U.S. **Center for Medicare and Medical Services** (CMS) bolstered investor and business sentiment. Another top performer was **Lamb Weston** (+19%), a leading global supplier of potato products to foodservice and retail, as

it continued to rally back as concerns about pricing pressure related to growth in industry-wide manufacturing capacity was mitigated by continued strong revenues and margins. Two other top contributors in the quarter were in the Technology sector; cloud-based payroll and human resource technology provider **Paycom** (+26) and remote access software provider, **LogMeIn** (+21%). **Paycom** benefited from excellent quarterly earnings that beat elevated Street expectations; we like this name as a disruptor and market share winner in the payroll processing space. **LogMeIn** jumped on the announcement that it would be acquired by a private equity group.

For more than a year, we have been positioned for moderating economic growth. This position is based on the lagged effects of the gradual global tightening of monetary policy in place from late 2015 to mid-2019. We were anticipating that this would begin to slow economic growth worldwide, and, indeed, U.S. GDP growth slowed from 3.2% year-over-year in the second quarter of 2018 to an expected 2.2% in the fourth quarter of 2019. Recently, global cyclical indicators, such as the global purchasing manager's index, have been stabilizing. As indicated above, during the fourth quarter we began to take steps to slightly increase the cyclical nature of the portfolio, without sacrificing either fundamental or ESG quality, as we believe that we will begin to see both corporate earnings and developed economies' economic growth accelerating in 2020. Nonetheless, we remain watchful over the seeming lack of sustainable growth drivers and the feeling that we are at or approaching a business cycle peak. Therefore, we are still close to our benchmark, and intend to stay that way until we see clearer signs of faster earnings growth.

## CONTACT INFORMATION

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Past performance is no guarantee of future results. Every investment carries the potential for both profit and loss.

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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