

Market Review and Positioning

Review

Equity Markets were reasonably strong with positive returns. (S&P +3.09%, NASDAQ +4.12%, Dow Jones + 3.95, Russell 2000 Growth +4.39%. Positive returns were driven by stabilizing commodities and synchronized global growth which provided a tailwind to the markets. Healthier industrial activity coupled with a weakening dollar, major emerging markets pulling out of a two year slump and the world's most powerful economies finally showing signs of escaping the remnants of the financial crisis have, at least temporarily, offset the deferral of the Trump administration's pro-growth strategies. We believe the prospects of lower taxes, less regulation and increased infrastructure spending still have the complacent equity markets buoying around all-time highs. It seems worrisome to reach new heights concurrent with 1) the Federal Reserve attempting to normalize monetary policy, 2) key indicators regarding the health of housing weakening, 3) automotive and retail sectors reflecting fatigue, and 4) a buildup of emerging-market debt. With the U.S. economic expansion approaching eight years we would anticipate more market volatility. Valuations seem to be at the upper end of historical ranges and a potential change in accommodative central bank policies worldwide seem to be turning.

Combining the uncertainty of Healthcare reform, tax policy changes, and infrastructure spending, along with continuing flow of money into passive equity, we believe the Small Cap portfolio's positioning has shifted to perform better in the growth-challenged environment that continues to persist. The trades made in the first two quarters of 2017, have slightly increased the market capitalization of the portfolio while exhibiting significantly higher sales and EPS growth profiles along with more relative strength. Even though we are enhancing the growth profile, we think we are also increasing the quality of the portfolio as measured by the higher pre-tax margins, ROA and ROE. With recent interest rates increases and more on the way, these changes also lower the Debt/Equity ratio of the portfolio, as well as providing a better Coverage of Interest Expense ratio. While these changes make the portfolio seem more expensive on an absolute basis, industry relative valuations have decreased slightly. The changing nature of the consumer has made reducing both consumer sectors a priority in the first half of the year. The search for growth led to the increase in the Healthcare and Information Technology sectors as well as related areas, including sector-exposed REITs.

Outlook

As we move into the second half of 2017, a lot of the anticipation of immediate change from the new administration has gradually dissipated. Infrastructure spending, deregulation, tax cuts and health care reform all remain possible, but they have gradually been discounted by the market for any meaningful impact in the near future. While the macro and political landscapes continue to swing, and leadership in the market reallocates between risk/risk-off and secular/cyclical growth, fundamentals have improved during the most recent quarter. Solid revenue growth and earnings growth (S&P Q1 earnings exhibited the strongest growth in almost six years) are emerging as key drivers of performance. Although we remain concerned about the narrowing of winners in this market and investor complacency as we enter the second half of 2017, we believe the economy will remain resilient as synchronized global growth typically provides a sustained moderate, but sturdy, advance. This, in turn, may allow for continued accommodative policies from central banks. There are still several risks highlight the challenging environment, such as 1) tight labor markets fueling wage inflation, 2) concern as to if (or when) higher sentiment and net worth translates into increased consumer spending, and 3) the impact of oil remaining below \$50 per barrel. We believe the length of this historic expansion still has some legs, and we will be monitoring the rise in inflation expectations and compensation growth as keys to heightened central bank actions. Coincidentally, growth must accelerate to support achievable earnings momentum, and we will apply our cycle-tested investment process to balance these market undercurrents with our long-term secular views.

Past performance is not indicative of future results. Inherent in any investment is the potential for loss. All information is as of June 30, 2017 unless otherwise noted. Please see Important Disclosures on page 3.

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Performance Review

The composite's return for the 2nd quarter 2017 was 1.49% gross and 1.24% net vs. the Russell 2000 Growth Index return of 4.39%.

Past performance is not indicative of future results. Inherent in any investment is the potential for loss. Gross performance results are presented before management fees, but after all trading commissions. Net performance is shown after the deduction of expenses and management fees of 1.00%. Actual investment advisory fees incurred by clients may vary. Performance results include the reinvestment of dividends and interest. Dividends received from ADRs are included net of foreign withholding taxes.

2nd Quarter Performance Drivers

LEADING CONTRIBUTORS

STOCK	AVERAGE WEIGHT	CONTRIBUTION TO PERFORMANCE
Medidata Solutions Inc	1.92	0.58
Akorn Inc	1.52	0.46
Icon PLC	2.01	0.42
Marriott Vacations Worldwide Corp	2.06	0.34
Chemed Corp	2.42	0.28
Momenta Pharmaceuticals Inc	0.94	0.22
CoreSite Realty Corp	1.40	0.20
ExlService Holdings Inc	1.22	0.20
TopBuild Corp	1.52	0.20
Cambrex Corp	2.27	0.20

LEADING DETRACTORS

STOCK	AVERAGE WEIGHT	CONTRIBUTION TO PERFORMANCE
Imax Corp	0.89	-0.37
Matrix Service Co	0.37	-0.36
Cooper Tire & Rubber Co	0.75	-0.30
Superior Energy Services Inc	0.69	-0.22
MKS Instruments Inc	0.73	-0.21
Financial Engines Inc	1.15	-0.20
Central Garden & Pet Co	0.66	-0.20
Evercore Partners Inc A	1.95	-0.19
Inspireity Inc	0.87	-0.19
Alder BioPharmaceuticals Inc	0.37	-0.18

The holdings identified do not represent all of the securities purchased, sold or recommended. Information on the calculation methodology and a listing of every holding's contribution to the strategy's performance during the period is available upon request.

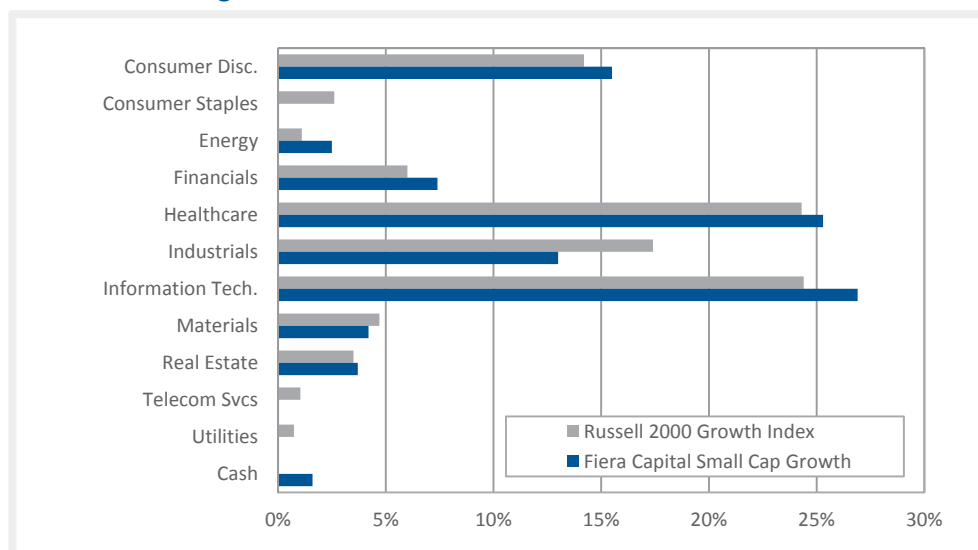
Positive Impacts

- Contributing to performance for the period was stock selection in Real Estate, the overweight in Health Care and the underweight in Consumer Staples.

Negative Impacts

- The largest detractors to relative performance came within Information Technology, Financials and Energy.

Sector Positioning



Please contact us or visit www.fierausa.com if you have any questions.
Please see Important Disclosures on page 3.

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Index Definition

The Russell 2000 Growth Index is constructed to provide a comprehensive and unbiased barometer of the small-cap growth market. Based on ongoing empirical research of investment manager behavior, the methodology used to determine growth probability approximates the aggregate small-cap growth manager's opportunity set. It includes those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 2000 Growth Index is constructed to provide a comprehensive and unbiased barometer for the small-cap growth segment. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set and that the represented companies continue to reflect growth characteristics. Typically, the Small Cap Growth portfolio is similar in composition to the benchmark except to the extent that Apex utilizes ADRs that are not included in the domestic index. Portfolios are generally comprised of individual stocks and cash equivalents. **It is not possible to invest directly in an index.** Investors pursuing a strategy similar to an index may experience higher or lower returns and will bear the cost of fees and expenses that will reduce returns.

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