Small/Mid Cap Growth
4th Quarter 2017

FIERA CAPITAL

Market Review and Positioning

2017 was a banner year for equity markets. For the first time ever, broader equity indices had a 100% batting average, having posted a positive total return every month. The previous closest "perfect" year was 1995 (every month in 1995 was positive except for October). The equity market return in 1996, following the almost perfect year was 23%. If history repeats, 2018 should be a decent year. Following is a brief review of each of the quarters in an amazing 2017.

The strong **first quarter** was driven by strength in a handful of stocks (almost 40% of S&P gains in Q1 were due to strength in technology – a handful of semiconductor stocks, internet related stocks and Apple. The strength of the equity markets was remarkable as markets faced headwinds in a variety of ways. Uncertainty from the White House and the failure to repeal and replace Obamacare bring into question the pace of success of the Trump agenda. Going into the quarter, the market had elevated expectations about $1 trillion in infrastructure spending, savings from healthcare reform and the expected growth spurt from a reduction in taxes.

For the **second quarter**, 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 pulled out of a two year slump and the world's most powerful economies finally showed signs of escaping the remnants of the financial crisis, all of which - at least temporarily - offset the deferral of the Trump administration's pro-growth strategies.

Portfolio Management Team

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For the **third quarter**, the strength in the markets was driven by continued strong earnings growth and a benign interest rate environment. Restrained capital spending growth had resulted in strong cash flow margins in corporate America, thus boosting earnings growth. At the end of Q2, earnings growth was 3-4x the growth of capital spending. This environment was very positive for Technology, Financials, Materials and Energy. In general, equity market volatility had been low with investors taking the TINA (There Is No Alternative) mindset. Good is considered good and until it changes, the market will stick with the status quo. Three months into governing, there were questions about the agenda of the current administration. A combination of benign interest rates, low inflation, strong earnings growth, restrained capital spending and a pro-business government seemed potent and continued the goldilocks equity environment.

Equity markets continued the upward trajectory in the **fourth quarter** with all major indices in the positive territory. The S&P 500 and Nasdaq returned 6.6% and were trounced by the Dow Jones at 10.9%. The Russell 2500 Growth Index returned 6.3% which was ahead of the Russell 2000 Growth Index at 4.6%. Clearly the larger market cap indices outperformed the smaller indices during the quarter. From a style perspective, Growth continued to outpace Value with Russell 1000 Growth returning 7.9% while the Russell 1000 Value returned 5.3%. The quarter was punctuated by optimism about the pro-growth policies embraced by the administration including lower taxes for corporations, a less onerous regulatory environment, a benign inflation outlook and, finally, a strong earnings picture.

We continue to maintain commitments to secular growth areas, most notably in overweights to Technology and Consumer Discretionary. No significant structural changes were made to the portfolio during the quarter.

Past performance is not indicative of future results. Inherent in any investment is the potential for loss. All information is as of December 31, 2017 unless otherwise noted. Please see Important Disclosures on page 4.

Outlook

We continue to believe the combination of synchronized global growth with limited signs of price inflation has some legs and that this historic expansion will benefit from a cyclical boost from tax reform into 2018. While we remain concerned about the narrowing of winners in this market and investor complacency, U.S. financial conditions have become dramatically more stimulating in 2017 with soaring stock prices, regulatory easing, and a lower dollar and continued low interest rates adding fuel to a resilient economy. Although valuations seem elevated, faith in the sustainability of the accelerating profit picture has been rewarded handsomely, especially in growth. Taking a step back from the quarter-to-quarter noise - globalization, automation and a low interest rate environment have resulted in elevated free cash flow margins. Overall, capital expenditures have been restrained and shareholder friendly management actions (stock-buybacks, dividend increases etc.) have been rewarded. Looking forward, the tax law changes are expected to accelerate the pick-up in sales which may result in the continued stimulation of the cap-ex cycle. Expectations are that companies will re-invest in growth initiatives and this dynamic will result in a pick-up of capital expenditures which will benefit a broader swath of the economy (mainly Industrials, Materials and Financials in addition to the already strong Technology sector).

A few things to watch out for in 2018:

- Potential for inflation to pick-up. With un-employment at 4.1% any hints of inflation (especially wage growth acceleration from the current 2.5%) could pick up the pace of rate hikes.
- Acceleration in European fundamentals (pick up in corporate profits) could impact ECB monetary policy with ripple effects across the world.
- Potential for volatility to pick up from the VIX (volatility index) showing lowest levels in a decade.
- Potential pullback in Tech stocks – Tech’s five biggest companies are part of a growth momentum cohort in the equity markets and total more than $3 trillion in market cap. Any sort of government/regulatory intervention to reduce the tech dominance could impact multiples across the growth universe.

Small/Mid Cap Growth

Performance Review

The composite's return for the 4th quarter 2017 was 8.96% gross and 8.70% net vs. the Russell 2500 Growth Index return of 6.35%.

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.

4th Quarter Performance Drivers

LEADING CONTRIBUTORS

STOCK	AVERAGE WEIGHT	CONTRIBUTION TO PERFORMANCE
Align Technology Inc	2.29	0.60
Arista Networks Inc	2.61	0.59
United Rentals Inc	2.43	0.56
GrubHub Inc	1.68	0.54
Nutanix Inc A	1.38	0.52
PulteGroup Inc	2.42	0.50
China Lodging Group Ltd ADR	2.16	0.47
Copart Inc	1.81	0.43
MercadoLibre Inc	1.95	0.42
Nordson Corp	1.77	0.41

LEADING DETRACTORS

STOCK	AVERAGE WEIGHT	CONTRIBUTION TO PERFORMANCE
Medidata Solutions Inc	1.43	-0.31
Tesaro Inc	0.49	-0.24
Advanced Energy Industries Inc	1.38	-0.24
Momenta Pharmaceuticals Inc	0.62	-0.22
CSRA Inc	1.47	-0.12
Navient Corp	0.93	-0.12
Liberty Formula One Group C	0.67	-0.12
Cambrex Corp	0.68	-0.10
Vail Resorts Inc	1.32	-0.08
Prestige Brands Holdings Inc	0.63	-0.08

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.

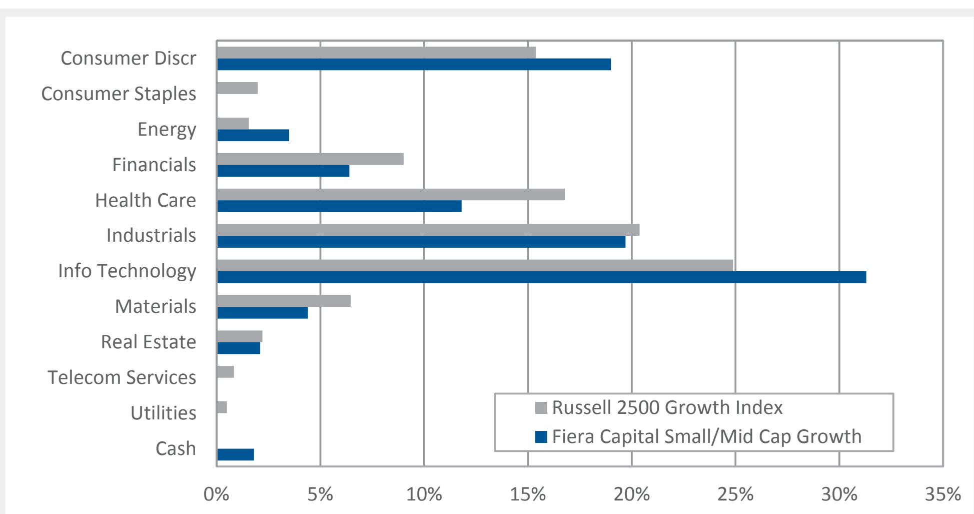
Positive Impacts

- Strong stock selection in Tech, Industrials, Energy, and Real Estate drove the portfolio's outperformance in the fourth quarter. Also contributing was the overweight to Consumer Discretionary and the underweight in Health Care, Real Estate and Telecommunication Services.

Negative Impacts

- Stock selection in Health Care, Consumer Discretionary and Financials negatively impacted performance.

Sector Positioning



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Disclosures

Important Disclosures

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Composite Description: The Small/Mid Cap Growth composite was created on April 1, 2000 and includes all portfolios invested in U.S. equities (including ADRs) with strong earnings and growth characteristics and mid to small capitalizations. The product is benchmarked against the Russell 2500 Growth Index. Typically, the Small/Mid Cap Growth portfolio is similar in composition to the benchmark except to the extent that the firm utilizes ADRs that are not included in the domestic index. Portfolios are generally comprised of individual stocks and cash equivalents.

Index Definition: The Russell 2500 Growth Index offers investors access to the small to mid-cap growth segment of the U.S. equity universe. The Russell 2500 Growth Index is constructed to provide a comprehensive and unbiased barometer of the small to mid-cap growth market. Based on ongoing empirical research of investment manager behavior, the methodology used to determine growth probability approximates the aggregate small to mid-cap growth manager's opportunity set. 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. 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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