

Market Review and Positioning

The US equity markets saw their multi-quarter winning streak come to an end in 1Q2018. The strong stock market-performance of 2017 carried over into the New Year, with the performance in January the best it had been in 20 years. While broader indices such as S&P500 and Russell 1000 all ended the quarter in negative territory for the first time since 2015 (-0.76% and -0.7% respectively), Small and Mid-Cap indices fared somewhat better. For instance, the Russell 2000 small-cap growth index finished the quarter up 2.30%, the Russell 2500 SMID growth index was up 2.38%, and the Russell Mid-Cap growth index was up 2.18%. Specialized indices such as NASDAQ and Russell 1000 Growth also posted small positive returns in Q1 (+2.59% in the case of the former, and +1.41% in the case of the latter). Concerns that tit for tat tariff impositions by the US and Chinese governments on each other's exports would escalate into a full-fledged trade-war and cause inflationary pressures (and therefore the need for accelerated tightening on the part of the Fed) weighed on market sentiment, as did worries that high-flying technology companies such as the so-called FANGs (i.e., Facebook, Amazon, Netflix, and Google) might increasingly find themselves in regulatory cross-hairs. The degree of volatility seen in the

quarter may not have been all that much greater than normal market gyrations, but it did come as a wake-up call to investors who in recent times (2016 and 2017 in particular) had grown used to unusually calm equity markets. For instance, there were only 8 trading days in all of 2017 in which the S&P500 traded up or down by 1%, whereas we have already seen four times that number just in the first quarter of 2018. Similarly, while we did not see even a day in which the S&P500 was off by 2% or more in 2017, we have already had three of them just in the first three months of this year.

Small Caps have steadily recovered ground versus Large Caps since the end of January. For the quarter, Growth outperformed Value and small-caps outperformed large-caps. Growth outperformed Value along all three cap-tiers in Q1, ranging from 416 basis points among large-caps, 467 basis points among mid-caps, and 494 basis points among small-caps.

We see nothing out there to suggest that a portfolio should be built with a recession in mind. However, given the pullback, increased market volatility, and the likelihood that the profit cycle may be peaking, the market will likely pay for visible growth in the quarters to come. Thus, on a tactical basis, we continue to favor Growth over Value. That being said, we would remain selective as valuations begin to matter. At a minimum, it is our view that chasing after high octane stocks without valuation support will remain a risky strategy. From the perspective of risk-mitigation, we would also have a preference for larger companies within the Small Cap universe.

Although the defensive sectors, Utilities, Consumer Staples, and Telecom may gain relative strength as the market moves through this risk-off period, we are reluctant to jump in with longer-term money. The sectors are experiencing more challenging fundamentals and are often negatively impacted if interest rates increase. Regarding size, small-cap stocks appear attractive because they are potentially less negatively impacted from trade battles than large caps.

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During the quarter, we initiated a new position in the Industrial sector (a beneficiary of increased defense spending), as well as two names in Technology, one of which is a beneficiary of an increased focus on process efficiency on the part of businesses, and the other of which is a beneficiary of the growth in e-commerce.

Among the positions eliminated in the quarter: an Industrials name (eliminated position as fundamentals began to deteriorate), a Technology name (the company became too big to be included in a small-cap mandate), and another Industrials company (eliminated position as the company's key markets began to get over-crowded and competitive).

Outlook

Overall, our view is that the environment for equities remains healthy. We have all the elements in place for this outcome: strong corporate earnings, subdued wage growth in spite of the economy being in a state of full employment, low inflation, favorable effects from the US tax bill that was enacted late last December, and a still-benign monetary environment. We believe the biggest risk to this scenario is clearly the potential for the so-far limited tariff action between the US and China to balloon into an all-out trade war with everything that that implies – sharply higher inflation, faster-than-anticipated tightening on the part of the Fed, and the ripple-effects on the broader US economy from a trade war-induced slow-down in certain industries and/or regions. However, since exports to China represent a very small percentage of the US economy (less than 1% of GDP in 2016, according to USTR data), we do not expect the economic fall-out to be too severe even if the current skirmish escalates into an all-out trade war. The adverse effects will likely be unevenly distributed, with certain sectors/industries feeling the impact more acutely than others. In addition, stock market valuations are also much more reasonable at present than they were even three months ago (the forward PE of the S&P500 index was 16.4x at the end of Q1, which is close to its 25-year average of 16.1x; vs. 18.2x at the end of December 2017).

Performance Review

The composite's return for the 1st quarter 2018 was 1.52% gross and 1.27% net vs. the Russell 2000 Growth Index return of 2.30%.

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.

1st Quarter Performance Drivers

LEADING CONTRIBUTORS

STOCK	AVERAGE WEIGHT	CONTRIB. TO PERFORMANCE
Nektar Therapeutics Inc.	1.38	0.80
GrubHub Inc.	2.22	0.77
Nutanix Inc. A	1.22	0.44
Paycom Software Inc.	1.09	0.32
Grand Canyon Education Inc.	1.79	0.29
Qualys Inc.	1.39	0.28
ICU Medical Inc.	1.55	0.25
Globus Medical Inc. Class A	1.11	0.21
Chemed Corp/	1.75	0.20
RealPage Inc.	1.27	0.19

LEADING DETRACTORS

STOCK	AVERAGE WEIGHT	CONTRIB. TO PERFORMANCE
Nutrisystem Inc.	0.56	-0.45
LCI Industries Inc.	1.65	-0.39
Rogers Corp.	0.94	-0.27
CareTrust REIT Inc.	1.11	-0.24
Natus Medical Inc.	0.57	-0.22
Beacon Roofing Supply Inc.	1.06	-0.20
Cirrus Logic Inc.	0.61	-0.19
Lithia Motors Inc. Class A	1.57	-0.18
MiMedx Motors Inc. Class A	0.34	-0.18
US Silica Holdings Inc.	0.73	-0.17

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.

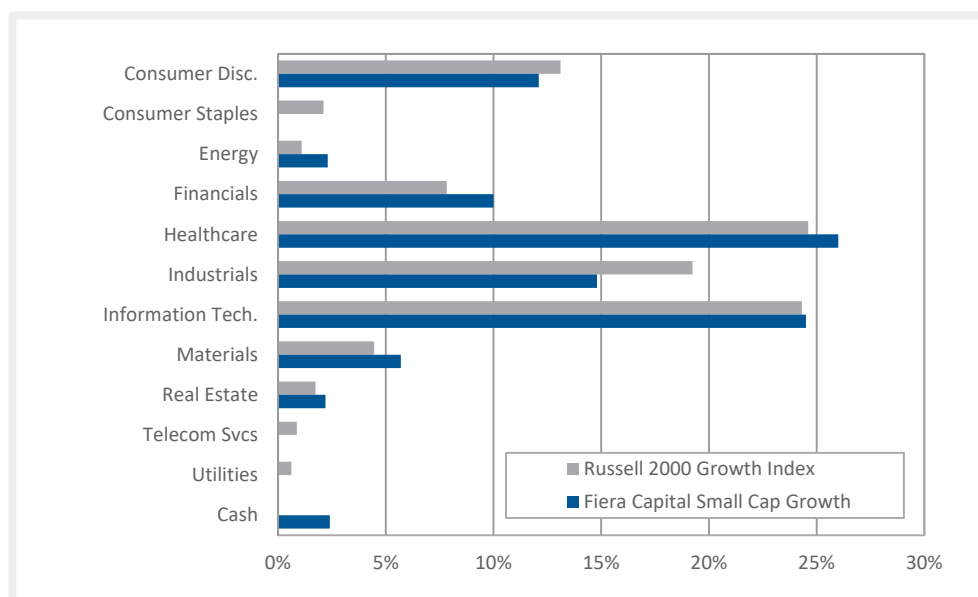
Positive Impacts

- The portfolios' largest contributors to performance were Health Care, Consumer Staples, Technology, and Industrials.

Negative Impacts

- The largest detractors for the first quarter were Consumer Discretionary, Energy, and Financial sectors.

Sector Positioning



Please contact us or visit www.fierausa.com if you have any questions.

Please see Important Disclosures on page 4.

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The Small Cap Growth composite was created on January 1, 2009 and includes all portfolios invested in U.S. equities (including ADRs) with strong earnings and growth characteristics and small capitalizations. The product is benchmarked against the Russell 2000 Growth Index. The Russell 2000 Growth Index offers investors access to the small-cap growth segment of the U.S. equity universe. 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. 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 the firm utilizes ADRs that are not included in the domestic index. Portfolios are generally comprised of individual stocks and cash equivalents. Portfolios may have dispersions based on the size of the account and timing of deposit and withdrawals of funds or transfers of stocks. **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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Significant Flows: Composite policy requires the temporary removal of any portfolio incurring a client initiated significant cash inflow or outflow of more than 20% of portfolio assets. The temporary removal of such an account occurs at the beginning of the month in which the significant cash flow occurs and the account re-enters the composite the month after the cash flow. The significant cash flow policy applies to all periods shown.