

Large Cap Growth

3rd Quarter 2018



Market Review And Positioning

U.S. equity markets continued their winning streak in Q3 even in the face of headwinds such as a strong dollar, on-going trade wars, the continuing emerging market weakness etc. Large Cap stocks did particularly well, as evidenced by the Dow (+9.6%), S&P 500 TRI (+7.7%), and the Nasdaq (+7.4%). Generally speaking, larger cap stocks outperformed their smaller cap peers during the quarter.

Stylistically, Growth continued to outpace Value across the market cap spectrum in Q3. For instance, the (large cap) Russell 1000 Growth index (+9.2%) handily outpaced Russell 1000 Value (+5.7%); while at the other end of the spectrum the small cap Russell 2000 Growth beat Russell 2000 Value +5.5% to +1.6%.

The Large Cap Growth portfolio underperformed the Russell 1000 Growth by 1.33% gross (1.59% net) in Q3. The Large Cap Russell 1000 Growth was a market leader up 9.17% for the quarter. Sector leadership continued in Technology, Consumer Discretionary and Healthcare along with Industrials bouncing back from trade war concerns. Energy and the newly created sector Communication Services were negative performers. Along with a cash drag of nearly 0.35% in this strong quarter, the biggest detractor was sector allocation detracting approximately 0.78%. Our overweight in Communication Services (impact on performance: -0.25%), Energy (-0.22%) and Financials (-0.44%) along with the underweight in Technology (-0.39%) had a significant impact on the quarterly performance. Stock selection was slightly negative (-0.17%) due mainly to negative selection in Consumer Discretionary offset by solid selection in Consumer Staples, Energy, Healthcare and Industrials. From a secular viewpoint, commitments to social media along with Chinese e-commerce were structural challenges for the quarter. We continue to evaluate the overweight and our conviction to Financials and believe that banks will get relief as the long end conviction to Financials and believe that banks will get relief as the long end of the yield curve rallies reflecting a growing economy, accelerating lending activity and valuations trading at a discount to the overall market. In spite of the China trade talks, we remain committed to our Chinese e-commerce holdings and believe they offer tremendous risk/reward long term. We are being selective in Technology with an underweight while maintaining an overweight in the new communication sector which houses many of our secular social media and e-commerce names. No significant structural changes were made during the quarter.

Outlook

Equity markets currently discount the impact of the strong dollar, the current pace of fed policy tightening, and emerging market weakness. They also seem to be largely ignoring escalating trade tensions, especially vis-à-vis China. Will that change going forward? That remains to be seen. It can be reasonably argued that an escalation in trade wars would depress corporate profits, especially in view of the interconnectedness of global supply chains. Manufacturers account for about 43% of S&P earnings and 41% of S&P growth. Their margins, which are at record levels (having doubled in the last 20 years), are potentially at risk from on-going trade tensions. While it is impossible to say what the collateral impact might be should tensions continue to ratchet upwards, we do believe that our emphasis on stability and growth would help us safely navigate this uncertain environment.

Portfolio Management Team

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Past performance is not indicative of future results. Inherent in any investment is the potential for loss. All information is as of September 30, 2018 unless otherwise noted. Please see Important Disclosures on page 3.

Performance Review

The composite's return for the 3rd quarter 2018 was 7.84% gross and 7.58% net vs. the Russell 1000 Growth Index return of 9.17%.

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.

3rd Quarter Performance Drivers

LEADING CONTRIBUTORS

STOCK	AVERAGE WEIGHT	CONTRIBUTION TO PERFORMANCE
Microsoft Corp	7.06	1.11
Apple Inc	4.45	0.94
AMAZON.COM INC COM	4.89	0.84
Match Group Inc	1.81	0.79
Visa Inc Class A	4.54	0.60
United Continental Holdings Inc	2.09	0.53
Illumina Inc	1.75	0.50
Costco Wholesale Corp	3.63	0.45
Thermo Fisher Scientific Inc	2.17	0.37
Honeywell International Inc	2.03	0.32

LEADING DETRACTORS

STOCK	AVERAGE WEIGHT	CONTRIBUTION TO PERFORMANCE
Twitter Inc	2.13	-0.97
Facebook Inc A	2.89	-0.50
Alibaba Group Holding Ltd ADR	2.87	-0.36
Aptiv PLC	1.24	-0.28
Baidu Inc ADR	0.17	-0.16
Tesla Inc	0.66	-0.15
BANK OF NEW YORK MELLON CORP C	2.14	-0.14
Moody's Corporation	2.23	-0.04
BorgWarner Inc	0.04	-0.03
Edwards Lifesciences Corp	0.14	-0.01

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.

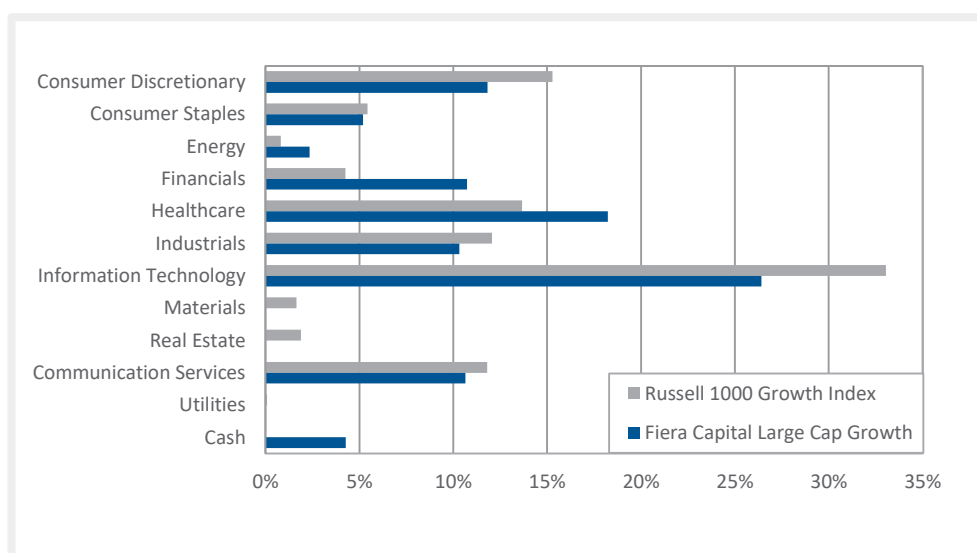
Positive Impacts

- Performance benefited from strong stock selection within Consumer Staples, Healthcare, and Industrials.

Negative Impacts

- Stock selection in Consumer Discretionary and Communication Services detracted from performance.

Sector Positioning



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Please see Important Disclosures on page 4.

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Composite Description: The Large Cap Growth Composite (renamed from “Equity Composite” in 2005) includes all portfolios invested in U.S. Equities (including ADR’s) with strong earnings and growth characteristics and large capitalizations. This product is benchmarked against the Russell 1000 Growth Index. The Russell 1000 Growth Index offers investors access to the large-cap growth segment of the U.S. equity universe. The Russell 1000 Growth Index is constructed to provide a comprehensive and unbiased barometer of the large-cap growth market. Based on ongoing empirical research of investment manager behavior, the methodology used to determine growth probability approximates the aggregate large-cap growth manager’s opportunity set. The Large Cap Growth composite was created January 1, 2000. Typically the Large Cap Growth portfolio is similar in composition to the benchmark except to the extent that the Firm utilizes ADR’s that are not included in the domestic index. Portfolios will be 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 costs of fees and expenses that will reduce returns.

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