

January 10, 2018

The Fiera Capital US equity strategy, while down in absolute performance, outperformed the S&P 500 Index over the quarter, on a net basis. Our relative outperformance was mainly driven by our security selection, which was particularly successful in the Information Technology and Financials sectors. Our lack of exposure to underperforming tech-giant Apple, positively contributed to the strategy's outperformance. Partially offsetting these positives was our lack of exposure to the outperforming Utilities sector, whose stocks saw a boost as investors turned towards more defensive sectors.

Among the top contributing stocks for the quarter were AutoZone and CME Group. AutoZone, the US auto parts retailer, reported strong results. The stock's outperformance was driven by AutoZone's Commercial business whose SSS accelerated for the 3rd quarter in a row. In contrast to the mild winters in 2016 and 2017 which had hurt AutoZone's business, the cold start to the winter has been favorable for the company, leading to increased auto parts demand.

CME Group, the largest futures exchange in the world, outperformed as the volatility in the markets continued to rise leading to increased demand for hedging. The company experienced higher trading volumes on futures contracts, particularly in Equity Indices. CME Group has been shown to be a great portfolio diversifier and risk-reducer during these volatile markets.

Among the leading detractors in Q4 were Tiffany's and United Technologies. Tiffany's reported weaker than anticipated results with a deceleration in SSS which was attributed to less spending by Chinese tourists in the Americas and Hong Kong region. Tiffany has been focusing on investing and addressing priorities of the company, including a complete renovation of the New York City flagship store, launching new products at a faster pace, improving visual displays of products and bringing omni-channel capabilities. The increased spending, while a short-term headwind, are being made to bring about long-term improvements.

As for United Technologies, the stock underperformed along with other cyclical companies and following the company's announcement of its intention to separate into three companies consisting of its aerospace, elevator, and air-conditioning businesses. While the stock reacted negatively on the announcement, we expect the decision to split the company to be value positive over the long run as it unlocks part of the conglomerate discount and optimizes the execution and capital allocation strategy for each entity.

Going into the first quarter of 2019, we remain underweight Information Technology, Energy, and Utilities as we continue to find more attractive individual investments in other sectors, including Health Care, Materials, and Financials. We remain confident that our bottom-up fundamental research, with a focus on very high quality companies, has the potential to continue to provide steady returns over the long term.

	4Q18	2018
US Equity Strategy Composite*		
Gross	-11.10%	0.73%
Net	-11.30%	-0.17%
S&P 500	-13.52%	-4.38%

Top Detractors	Avg. Contrib. Wt.	to Perf.
Moody's Corp.	6.52	-1.10
TJX Companies Inc.	4.40	-0.92
MasterCard Inc.	5.46	-0.88
United Technologies	3.38	-0.88
Tiffany & Co.	1.93	-0.87

Top Contributors		
CME Group Inc.	3.63	0.40
AutoZone Inc.	3.23	0.25
Praxair Inc.	0.84	0.07
Varian Med Sys Inc.	2.18	0.04
PepsiCo Inc.	4.45	0.00

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 composite's performance during the period is available upon request.

\*For information about the composite, see disclosures.

**Past performance is no guarantee of future results. Inherent in any investment is the potential for loss.** Please refer to Important Disclosures on the back of this performance overview regarding performance, the Participating Affiliate Arrangement, Index Comparisons and other important information.

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**S&P 500** – The S&P 500 is a stock market index made up of approximately 500 US large cap stocks. It is often used as a common benchmark for US stock funds. The index comprises a collection of stocks of 500 leading companies and captures 80% coverage of available market capitalization. Index results assume the reinvestment of all dividends and capital gains.