

Market Review And Positioning

The 2nd quarter essentially consisted of one bad month for the equity markets (May) sandwiched between two good months (April, June). In the end, all indices ended the quarter in positive territory. Within the Growth indices, the mid-cap asset class outperformed both large caps and small caps. Thus, the Russell Mid Cap Growth Index (+5.41%) handily outperformed both the Large Cap Russell 1000 Growth Index (+4.64%) and its small cap counterpart, the Russell 2000 Growth Index (+2.75%). Moreover, as has been the case in recent times, Growth continues to outperform Value across all equity asset classes.

While the US-China trade hostilities, marginally softer US economic data, and more cautious guidance by companies hurt equities in May, the pivot by the Federal Reserve in June (when they signaled a potential cut in rates) helped turn investor sentiment around. The big question now is whether the temporary truce that was declared over the last weekend in June in the US-China trade war would become permanent, and if so whether this could potentially cause the Fed to back away from its more accommodative stance.

The Large Cap portfolio returned +4.54% (gross of fees), and +4.33% (net) in Q2 vs. the Russell 1000 Growth Index (+4.64%) – a relative underperformance of -0.10% (gross) and -0.31% (net). Stock selection was positive (+0.15%) during the quarter. We were materially underweight the top two best performing sectors in the benchmark in the 2nd quarter, which also happen to be two largest sectors in the index – namely, Technology (a 33% weighting in the benchmark) and Consumer Discretionary (15%). Together those material underweights hurt us in the quarter. It did not help that our stock selection in both those sectors was also found wanting. The higher-than-normal cash balance within the portfolio (which averaged around 4%) hurt us as well. While we like to keep cash balances in the portfolio to less than 2% ordinarily, it sometimes happens that there is a lag between when a position is sold in the portfolio and the time those proceeds get redeployed. The 2nd quarter was one such occasion.

In Q2 we were overweight the Consumer Staples sector. Though the sector itself was not a major outperformer within the benchmark (it outperformed only marginally), it turned out to be the best performing sector in the portfolio by far thanks to positive stock selection. Strong stock selection also meant that Healthcare and Industrials – which were significant underperformers in the benchmark – were our second and third best performing sectors in the portfolio.

Portfolio Management Team

Nitin Kumbhani

Vice Chairman, Chief of Growth
Equity Strategies

Sunil Reddy, CFA

SVP, Portfolio Manager

Michael Kalbfleisch, CFA, CPA

SVP, Portfolio Manager

Amit Dugar, CFA

SVP, Portfolio Manager

David Cook, CFA

VP, Portfolio Manager

Bhavik Kothari, CFA

VP, Portfolio Manager

James Brown, CFA

AVP, Research Analyst

Audrey Le, PhD

AVP, Research Analyst

Outlook

On July 1, 2019 the US economy officially entered the longest period of expansion it has ever experienced in its history, having just registered the 121st consecutive month of expansion. This surpasses the next longest-ever period of economic expansion – namely, the 1991-2001 period – which lasted for 120 consecutive months.

However, we believe there are some worrying signs of economic softness in the US – among them: a decline in US (and global) PMI, a decline in new orders, company managements turning incrementally more cautious, and domestic inflationary expectations moderating. Offsetting those were much stronger-than-expected employment numbers that came out in early July. It remains to be seen what this somewhat muddled economic backdrop means for Fed policy, though recent comments by Jerome Powell seem to point in the direction of more easing. While a dovish Fed is usually positive for equity markets, question marks abound, such as whether the recently-announced truce in trade hostilities between the US and China will prove more enduring, and whether we would be blind-sided by the Administration then taking a decision to pivot to Europe. We also believe there to be a non-trivial risk that geopolitical factors may intrude (Iran?).

Most of these macro factors are beyond our control, but they would not be a new experience for us. As equity investors we have experienced many months of vastly different market environments since the end of the 3rd quarter of 2018 – a sharp retrenchment in the 4th quarter that was followed by a strong 1st quarter, and a choppy 2nd quarter thereafter that nevertheless ended on a strong note. Through it all, our approach – which has always been to invest in companies and industries that have a sustained trajectory of secular revenue and earnings growth ahead of them – has stayed intact, and will remain so going forward.

Performance Review

The composite's return for the 2nd Quarter 2019 was +4.54% gross and +4.33% net vs. the Russell 1000 Growth Index return of +4.64%.

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 and expenses, but after all trading commissions. See the "Performance and Fees" section in the final "Disclosures" slide for important information regarding net performance data. 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
Microsoft Corporation	7.67	1.01
Match Group, Inc.	2.31	0.39
Starbucks Corporation	2.93	0.39
Facebook, Inc. Class A	2.69	0.37
Visa Inc. Class A	3.24	0.36
Costco Wholesale Corporation	3.77	0.36
Illumina, Inc.	1.91	0.35
Charter Communications, Inc. Class A	2.41	0.32
PayPal Holdings Inc	2.80	0.27
Amazon.com, Inc.	4.49	0.26

LEADING DETRACTORS

STOCK	AVERAGE WEIGHT	CONTRIBUTION TO PERFORMANCE
Arista Networks, Inc.	2.65	-0.52
Baidu, Inc. Sponsored ADR Class A	1.12	-0.41
Bank of New York Mellon Corp.	1.98	-0.26
Alibaba Group Holding Ltd. ADR	2.78	-0.22
Alphabet Inc. Class A	2.49	-0.22
Allergan plc	1.28	-0.20
Alphabet Inc. Class C	1.70	-0.15
Rockwell Automation, Inc.	1.47	-0.09
ServiceNow, Inc.	0.14	-0.05
Edwards Lifesciences Corporation	1.46	-0.05

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.

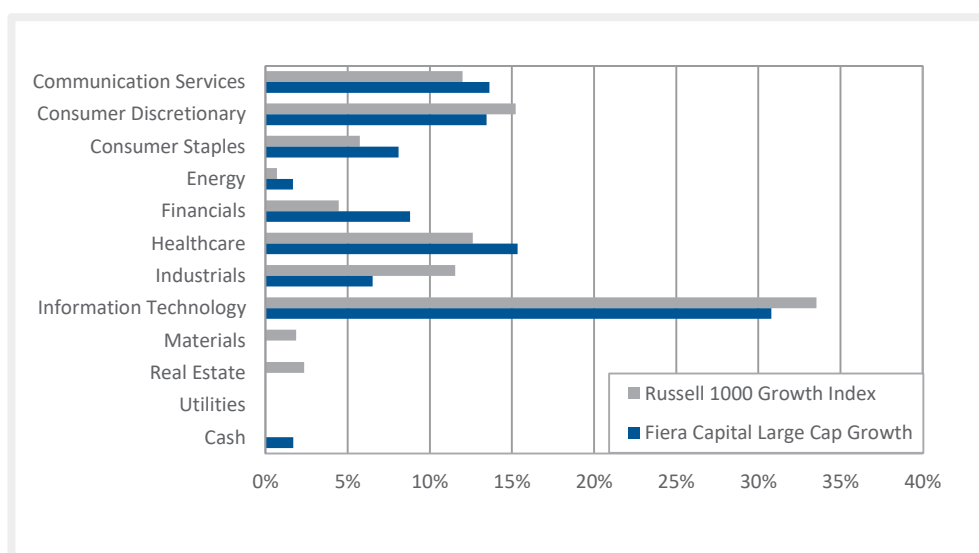
Positive Impacts

- Stock selection in Consumer Staples and Healthcare.

Negative Impacts

- Stock selection in Communication Services and Financials.

Sector Positioning



Please contact us or visit www.fieracapital.com if you have any questions. Please see Important Disclosures on the last page.

Performance and Fees

Past performance is no guarantee of future results. Inherent in any investment is the potential for loss. Net of fee performance prior to January 1, 2018 includes all fees and expenses except custody fees and was calculated using the highest applicable annual management fee of 1%, applied monthly. Thereafter, the highest applicable annual management fee is 0.80%.

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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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