Mid Cap Growth

3rd Quarter 2019

FIERA CAPITAL

Market Review and Positioning

After several quarters/years of underperformance, Value outperformed Growth in Q3 pretty much across the board, though the spread was much more pronounced at the lower end of the market cap spectrum than at the top. The spread was approximately 3.6% within the small cap space (-4.2% for Russell 2000 Growth vs. -0.6% for Russell 2000 Value), whereas it was negligible within the large cap Russell 1000 universe (+1.5% vs. +1.4%). Q3 also saw investors seek safety in large cap names, which had the effect of pressuring small cap stocks more broadly. For instance, the small cap Russell 2000 core index was down -2.4% in Q3, while the large cap Russell 1000 core index was up +1.4%. US stocks continued to outpace their International peers in Q3, with the MSCI All Country World Index ex-US down -1.7%, while the S&P 500 was up +1.7%.

Investor concerns continue to revolve around the US-China trade spat, the likely trajectory of Fed policy, a slowdown in the earnings picture (in the US and elsewhere), and continued sluggishness in Europe and Asia. Within the US, margins are holding up reasonably well and cash flow generation continues to be strong; though both appear to be the result of a retrenchment in capital spending, the globalization of supply chains, and an overall deflationary environment rather than anything fundamentally more positive. Obviously, margins were also positively impacted by low interest rates and lower tax rates. Housing in particular was a bright spot within the US economy, with the September housing starts data coming in at levels not seen since the 2008 Financial Crisis.

Portfolio Management Team

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The Mid Cap portfolio underperformed the Russell Mid Cap Growth Index in Q3 by approximately -5.0% (-5.7% vs. -0.7%) on a gross basis and -5.2% (-5.9% vs. 0.7%) on net basis. About -1.6% of that -5.0% came from negative sector allocation. Energy and Healthcare were the two worst performing sectors within the benchmark and our exposure to those sectors hurt us in the quarter. At the other end of the spectrum, Materials, Real Estate, and Consumer Staples were the three best performing sectors within the benchmark, and the portfolio was underweighted in Materials and zero-weighted in Consumer Staples and Real Estate. This too hurt the portfolio in Q3.

The political rhetoric surrounding Healthcare (mostly around drug price controls) weighed on sentiment in Q3. Investor focus has shifted from advances in science and innovation – the two primary areas of focus for biotech companies – to drug pricing and reimbursement. This shift in investor sentiment (magnified as it was within the portfolio by our exposure to biotech companies) explains much of the negative stock selection effect, not only on the healthcare sector but also on the portfolio as a whole. The fact that biotech companies tend to be smaller, and therefore more volatile, did not help much either.

It is important to highlight the fact that the decision to underweight or overweight a sector is typically more a function of the opportunity-set available to us based on our bottom-up work than on any top-down decision-making on our part. Our risk management process is then layered on to make sure that the portfolio is reasonably well-diversified across sectors and industries.

Outlook

Starting points matter. Given the strong double-digit returns posted by the market YTD (e.g. S&P 500: +20.6%, Nasdaq: +21.5%), we expect the market to tread water in the near term. A big wall of worry needs to be overcome before markets can be expected to post sustained positive performance. In the face of some of the headwinds described previously we expect to see more turbulence in the next quarter or two; and in this environment valuations will likely carry more weight. Headline-grabbing episodes such as the WeWork IPO, and the recent performance of other technology names have made investors come around to the view that growth at any price is unlikely to be rewarded for long in this environment. Given all this, our focus in the portfolio will be on companies with desirable characteristics, such as reasonable valuations, evidence of operating leverage etc.

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Performance Review

The composite's return for the 3rd quarter 2019 was -5.71% gross and -5.89% net vs. the Russell Mid Cap Growth Index return of -0.67%.

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. Net performance is shown after the deduction of expenses and management fee of 0.75%. 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
KLA Corporation	2.28	0.66
Lam Research Corporation	2.91	0.59
Chipotle Mexican Grill, Inc.	3.39	0.43
Twitter, Inc.	2.64	0.35
Nutanix, Inc. Class A	0.89	0.32
Verisk Analytics Inc	3.33	0.25
ANSYS, Inc.	1.83	0.15
Jack Henry & Associates, Inc.	1.47	0.13
IHS Markit Ltd.	2.23	0.11
IAA, Inc.	1.62	0.07

LEADING DETRACTORS

STOCK	AVERAGE WEIGHT	CONTRIBUTION TO PERFORMANCE
Wright Medical Group NV	1.91	-0.72
bluebird bio, Inc.	2.08	-0.69
Xilinx, Inc.	3.25	-0.61
Tractor Supply Company	3.19	-0.54
New Relic, Inc.	1.51	-0.53
BioMarin Pharmaceutical Inc.	2.35	-0.52
Molina Healthcare, Inc.	2.09	-0.49
SAGE Therapeutics, Inc.	1.99	-0.45
Workday, Inc. Class A	2.38	-0.40
Exelixis, Inc.	2.39	-0.37

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.

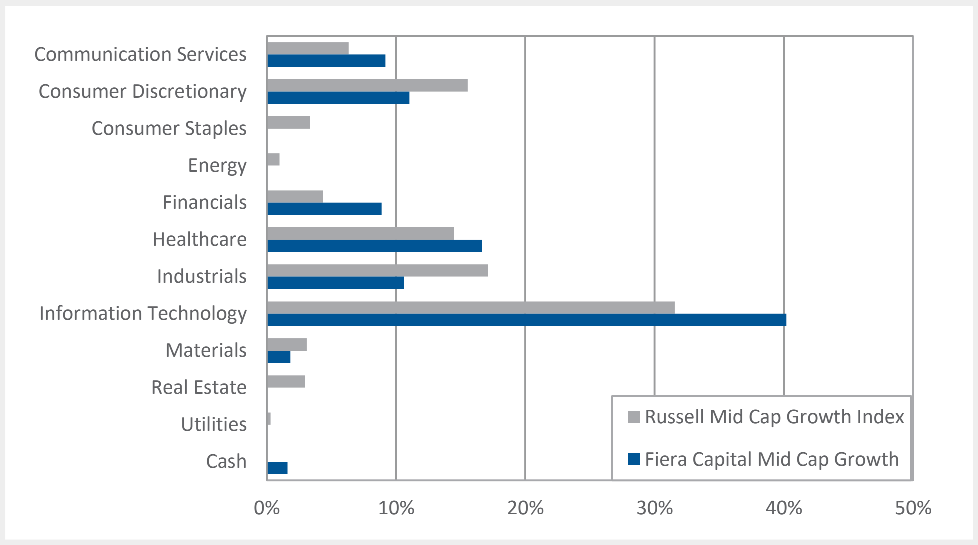
Positive Impacts

- Stock selection in Financials.

Negative Impacts

- Stock selection in Healthcare and Consumer Discretionary.

Sector Positioning



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The Mid Cap Growth composite was created on May 1, 2008 and includes all portfolios invested in U.S. equities (including ADRs) with strong earnings and growth characteristics and mid capitalizations. The product is benchmarked against the Russell Mid Cap Growth Index. The Russell Midcap Growth Index is a market capitalization weighted index representing the smallest 800 companies in the Russell 1000 Index. The average Russell Midcap Index member has a market cap of $8 billion to $10 billion, with a median value of $4 billion to $5 billion. The index is reconstituted annually so that stocks that have outgrown the index can be removed and new entries can be added. Typically, the 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. 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. FTSE (“Russell”) is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of FTSE Russell. Neither Russell nor its licensors accept any liability for any errors or omissions in the Russell Indexes and / or Russell ratings or underlying data and no party may rely on any Russell Indexes and / or Russell ratings and / or underlying data contained in this communication. No further distribution of Russell Data is permitted without Russell’s express written consent. Russell does not promote, sponsor or endorse the content of this communication.