

Large Cap Growth

4th Quarter 2020



Market Environment

US equity markets ended the year on a strong note, posting their best returns since 2017 in Q4 and registering a string of new record closes along the way. Small cap equity indices outperformed in the quarter, far outpacing all other US indices and the Nasdaq Composite.

Our benchmark (the Russell 1000 Growth Index) was up +11.39% in Q4, lagging its Small Cap counterpart (Russell 2000 Growth Index) by 18.21% (i.e. 11.39% vs. 29.60%).

Notably, for the first time in months the Russell 1000 Value Index strongly outpaced Growth across all market caps in the quarter (for instance, Russell 1000 Growth Index +11.39% vs. Russell 1000 Value Index +16.25%), though that was not true for the year as a whole.

The Large Cap portfolio delivered gross returns of +10.24% (gross) and +10.03% (net) and +39.50% (gross) and +38.42% (net) respectively in Q4 and over the full year 2020, in comparison to its benchmark the Russell 1000 Growth Index, which was up +11.39% and +38.49% respectively for the same periods. Both stock selection and sector allocation were slightly negative for the quarter, but stock selection was a big contributor over the course of the full year.

In Q4 the portfolio was overweight Communication Services, Financials, Consumer Staples, and Consumer Discretionary, and underweight all other sectors. Sector exposures are always a function of the bottom-up work that we do and the opportunity set that is available to us. In the event, our zero exposure to Materials, Real Estate, and Utilities all helped. In terms of total value-add, most sectors contributed positively, and stock selection was strong across most sectors with the notable exception of the Consumer Discretionary sector.

For the year as a whole, the primary drivers of performance were the Industrial and Consumer Staples sectors, with Technology, Materials, and Real Estate sectors also contributing. Stock selection was very strong and was the prime driver of value-add in 2020, which was especially gratifying to us as fundamental investors.

PORTFOLIO MANAGEMENT TEAM

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Outlook

The fourth quarter was when the financial markets began to fully accept the reality of a 2021 economic recovery. With good news emerging on the vaccine front as well as in respect of therapeutics, and with the Fed remaining accommodative, the market has entered a period of higher risk tolerance reminiscent of 4Q2019. The strength in Q4 came mostly from PE expansion (Healthcare being a notable exception), as consensus earnings growth expectations were taken down a notch in the quarter.

This pronounced shift in market sentiment has resulted in a risk-on trade that has led to a run up in stocks that had hitherto lagged. Value began to rally strongly in September which continued until mid-December. All asset classes gained in Q4. Among the reasons we believe to be optimistic going into 2021: the strong likelihood that fiscal and monetary policies will likely remain supportive. Many early indicators are also beginning to perk up, including cyclical leadership, earnings-breadth, and sector and industry trends, to name just a few.

We are pleased that our portfolios have held up well and outperformed in absolute and relative terms over the past year on a gross basis – both during the Q1 sell-off and subsequently. We expect that our disciplined investment process with its focus on secular growth, financial strength, and valuation, and our approach to building portfolios that judiciously combine stable growth and emerging growth companies would continue to serve us well in the future.

LEADING CONTRIBUTORS

STOCK	AVERAGE WEIGHT	CONTRIB. TO PERFORMANCE
Apple, Inc.	8.62	1.21
Match Group, Inc.	2.52	0.83
Lam Research Corporation	1.82	0.68
Qualcomm, Inc.	2.47	0.67
Alphabet, Inc. Class A	3.30	0.64
Microsoft Corporation	7.99	0.48
Tesla, Inc.	0.86	0.48
CrowdStrike Holdings, Inc. Class A	0.83	0.40
Starbucks Corporation	1.65	0.39
UnitedHealth Group, Inc.	2.48	0.34

LEADING DETRACTORS

STOCK	AVERAGE WEIGHT	CONTRIB. TO PERFORMANCE
Alibaba Group Holding Ltd.	2.88	-0.66
Astrazeneca PLC ADR	1.56	-0.14
NVIDIA Corporation	2.40	-0.08
O'Reilly Automotive, Inc.	0.73	-0.02
Merck & Co., Inc.	0.58	-0.01
U.S. Dollar	4.86	0.00
Moody's Corporation	1.75	0.01
Coca-Cola Company	0.02	0.01
Adobem, Inc.	1.64	0.03
Danaher Corporation	1.46	0.06

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.

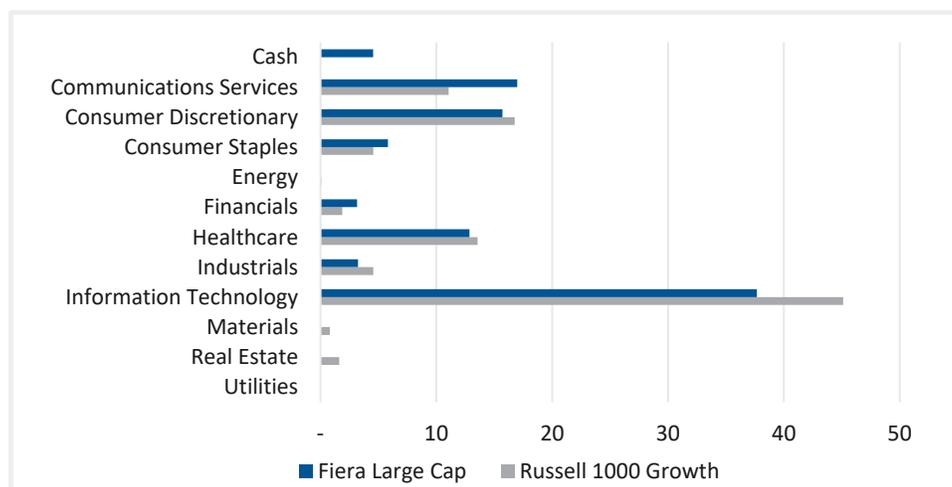
Positive Impacts

- ▶ Stock selection in Consumer Staples, underweight in Real Estate.

Negative Impacts

- ▶ Stock selection in Consumer Discretionary.

Sector Allocation



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%.

Charts and graphs herein are provided as illustrations only and are not meant to be guarantees of any return.

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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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