

Market Review and Positioning

The markets rebounded sharply in Q1 after a major sell-off in Q4. If the sell-off in Q4 was precipitated by concerns around tightening liquidity, China- US trade tensions, and an expected earnings-slowdown, the rebound in Q1 came about as all three concerns faded from view. The Fed did a sharp U-turn and signaled a pause in the tightening cycle at least until the end of 2019, the dreaded earnings slow-down did not materialize to the extent feared, and US-China trade talks resumed. In the meantime, the US economy continues to power on. Growth stocks resumed their outperformance over Value after a brief hiatus in Q4. The Russell 2500 Growth Index returned +19.0% in Q1, vs. +13.0% for the Russell 2500 Value Index, and this was replicated in varying degrees across the entire market cap spectrum.

Our portfolios outperformed their respective benchmarks in Q1.

The SMID Cap portfolio returned +19.1% gross and +18.8% net in Q1 vs. the Russell 2500 Growth Index (+19.0%) – a relative outperformance of approximately +0.1% and underperformance of -0.2%, respectively. Both stock selection and sector allocation contributed positively, with sector allocation contributing nearly +0.2%, and stock selection being essentially neutral. Our biggest sector overweight by far was in Communications Services (a 5.3% overweight), and that proved to be a net detractor for the quarter (from the perspectives of both sector allocation and stock selection). However, our overweight to Energy (2%) and Healthcare (1.7%) fared better, with Healthcare contributing the most to performance in the quarter (+1.7%), almost all of it from stock selection. While our 1.5% overweight in Technology paid off from a sector allocation perspective, stock selection was poor and that resulted in a net performance headwind of about -2.4%. The 1.9% cash balance that was in the portfolio also detracted – by about -0.2%. Fortunately, almost all other sectors fared well, and that was enough to more than offset these headwinds.

When the markets sold off in Q4 the “stable” growth names in our portfolio outperformed and added value (they were down -16.7% in Q4 vs. -20.1% for the benchmark). In Q1, when the markets rebounded sharply, it was the turn of the “emerging” growth companies in the portfolio to carry the burden and add value, which they did handsomely (+26.3% vs. +19.0% for the benchmark). This is a text book example of the way in which our “stable”/“emerging” approach is meant to work, and we believe that it would enable our clients to successfully navigate most market-conditions.

Portfolio Management Team

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Outlook

Though the current expansion is on the verge of becoming the longest uninterrupted one on record since 1860, current expectations are for continued positive earnings growth albeit at a slower pace than in 2018. US corporations are cash-rich, and there are no signs that household balance sheets are under much stress either. Employment growth remains robust, which also argues for continued strength in consumer spending. Equity valuations do not look overly stretched, and the US markets underwent a period of deleveraging in 2018. Though risks to the health of the market seem moderate, we believe we are quite well-positioned to take advantage should volatility pick up in Q2 and beyond.

Past performance is not indicative of future results. Inherent in any investment is the potential for loss. All information is as of March 31, 2019 unless otherwise noted. Please see Important Disclosures on the last page.

Performance Review

The composite's return for the 1st Quarter of 2019 was +19.1% gross and +18.8% net vs. the Russell 2500 Growth Index return of +19.0%.

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 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.

1st Quarter Performance Drivers

LEADING CONTRIBUTORS

STOCK	AVERAGE WEIGHT	CONTRIBUTION TO PERFORMANCE
MercadoLibre Inc	2.04	1.22
bluebird bio Inc	1.89	0.92
Live Nation Entertainment Inc	2.72	0.78
Sage Therapeutics Inc	1.69	0.77
Veeva Systems Inc Class A	1.92	0.72
The Ultimate Software Group	1.29	0.64
Copart Inc	2.33	0.63
Array BioPharma Inc	1.24	0.62
Huazhu Group Ltd ADR	1.45	0.60
Portola Pharmaceuticals Inc	1.32	0.59

LEADING DETRACTORS

STOCK	AVERAGE WEIGHT	CONTRIBUTION TO PERFORMANCE
Weibo Corp ADR Class A	0.42	-0.25
Genomic Health Inc	0.40	-0.12
GrubHub Inc	0.61	-0.09
Prestige Consumer Healthcare Inc	0.37	-0.09
TripAdvisor Inc	1.59	-0.09
Cognex Corp	0.34	-0.08
BeiGene Ltd ADR	1.11	-0.07
PGT Innovations Inc	0.51	-0.07
Semtech Corp	0.10	-0.05
FibroGen Inc	0.49	-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.

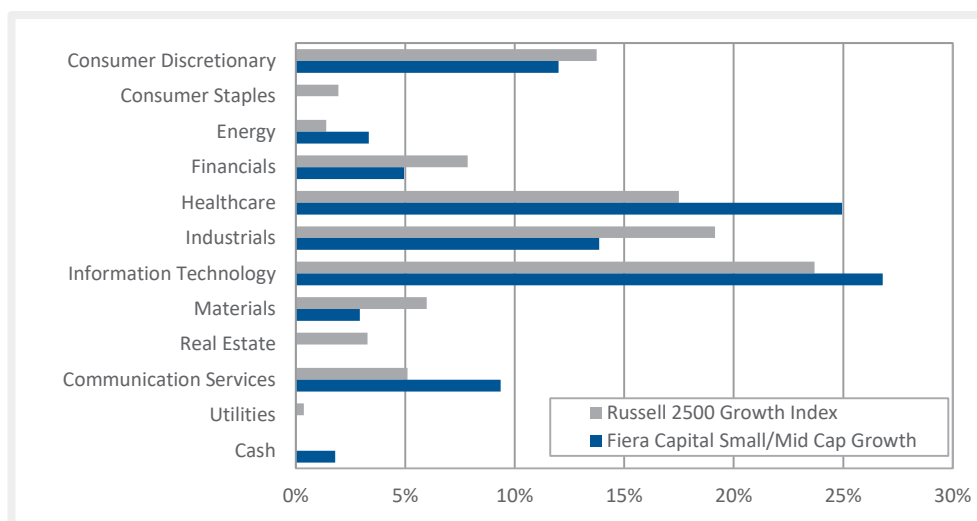
Positive Impacts

- Stock selection in Healthcare, sector allocation in Technology.

Negative Impacts

- Stock selection in Technology and Communication Services.

Sector Positioning



Please contact us or visit www.fieracapital.com if you have any questions.
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The Small/Mid Cap Growth composite was created on April 1, 2000 and includes all portfolios invested in U.S. equities (including ADRs) with strong earnings and growth characteristics and mid to small capitalizations. The product is benchmarked against the Russell 2500 Growth Index. The Russell 2500 Growth Index offers investors access to the small to mid-cap growth segment of the U.S. equity universe. The Russell 2500 Growth Index is constructed to provide a comprehensive and unbiased barometer of the small to mid-cap growth market. Based on ongoing empirical research of investment manager behavior, the methodology used to determine growth probability approximates the aggregate small to mid-cap growth manager's opportunity set. The Russell 2500 Growth Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set and that the represented companies continue to reflect growth characteristics. 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. Typically, the Small/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 costs of fees and expenses that will reduce returns.

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