SEIZERT CAPITAL PARTNERS

DIRECTIONS

A PERIODIC PUBLICATION OF STOCK MARKET INSIGHTS AND OBSERVATIONS

The fourth quarter of 2016 will forever be remembered for the rally in stock prices following the U.S. Presidential election in early November. This market surge also incorporated a rotation of capital to smaller equities and the continued sentiment shift in favor of fundamental and value-oriented investment strategies. All of these market developments are discussed below.

It is fascinating to juxtapose the transitional markets with the consistency of our investment process. As we have written in the past, we believe an investment manager should be evaluated by whether or not they have adhered strictly to their process equally during good times and bad times. It has been widely publicized that active equity managers have been in a challenging position over the past few years. Moreover, most value-oriented strategies have experienced negative performance comparisons as the market has focused on momentum and ETF-driven stocks. Seizert Capital Partners has experienced both of these trends. Fortunately, as our fundamentally-driven and value-oriented investment strategy has returned to favor, our absolute and relative performance has rebounded. We have posted positive results over the quarter and 2016, reinforcing the value of our approach of active management. We believe it was our conviction during the difficult times that helped facilitate the recent performance. Our willingness to be contrarian allowed us to remain opportunistic even when some stocks were out of favor. Please know that as the world is changing, our investment process will not - we will continue to diligently apply the investment process that you hired us for.

An overview of market returns over the past year is below:

Market Index	First Six Months 2016 Return	Third Quarter 2016 Return	Fourth Quarter 2016 Return	2016 Return
Russell 1000	3.74%	4.03%	3.83%	12.05%
Russell Midcap	5.50%	4.52%	3.21%	13.80%
Russell 2000	2.22%	9.05%	8.83%	21.31%
S&P 500	3.84%	3.85%	3.82%	11.96%

Source: Interactive Data Corporation

Post-Election Rally

From a stock market perspective, the Presidential election was a significant event for a number of reasons: 1) News sources and experts gave Donald Trump very little chance of winning, 2) Mr. Trump is considered pro-business and anti-regulation, and 3) The new President-Elect intends to promote U.S. competitiveness through tax reform. The market reaction to the election results indicated the significance of the results. At midnight on the day of the election, after Mr. Trump had a commanding lead, equity futures predicted a 5.75% decline at the following day's open. By 11:00 am, as the market absorbed the implications of the results, the market was nearly even with the previous day's close. By 4:00 pm, after the President-Elect's press conference, the market closed over 1% higher than the previous day's close. This is a drastic change in a short period of time that demonstrates how impactful the emotional reactions of market participants can be.

Investors responded to the election results by flocking to economically sensitive stocks in the Industrial and Material sectors that could benefit from the President-Elect's infrastructure focus. Financials experienced a strong uptick through the end of the year as investors assumed modifications to Dodd Frank, regulatory easing, the potential for stronger economic growth, and higher interest rates in the near future. In line with consensus predictions, the Federal Reserve (Fed) increased the Fed Funds Target Rate by 25 basis points and provided direct language about the inevitability of future increases, pushing investments in the Financials sector higher. There were sectors that did not fare as well post-election. On the campaign trail, political rhetoric focused on drug prices and the repeal of the Affordable Care Act presented an unknown for the Health Care sector.

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Small Cap Equity Surge

In addition to the sector trends, small cap equities saw a considerable rotation of capital as investors felt businesses with proportionally higher domestic revenue would benefit more than their larger peers from the proposed policies of the President-Elect. As such, most of the increases in the indices occurred in the last two months of the year.

Value Rotation Continues

As we have noted in past *Directions* newsletters, value strategies have underperformed other strategies for over two years, making it the longest style cycle in over three decades. Since the beginning of the year, value indices have outperformed their growth counterparts driven by the strong returns in the "bond proxies", high dividend sectors with significant correlation to the bond market. This style shift is a stark change from 2015, when the FANG stocks (Facebook, Amazon, Netflix, and Google) dominated the market, accounting for 140% of the S&P 500's performance during the year. In a low-growth environment with the prospect of higher interest rates, it seems that investor sentiment has shifted to companies with strong fundamentals and inexpensive valuations, which has favored depressed value strategies. Bond proxies have underperformed since June when interest rates hit their low, driven by concerns about global growth, the British exit from the European Union, and China.

As our firm looks to the future, Seizert Capital Partners is offering its investment strategies through collective investment trusts (CITs). CITs are comingled funds whereby the cost of administering the funds is distributed to all of the participating clients. CITs have many of the same benefits as mutual funds, such as daily net asset values (NAV), and can offer lower cost solutions to investors willing to invest in commingled funds. These fund vehicles represent Seizert Capital Partners commitment to extending its services to defined contribution plans and qualified defined benefit plans, presenting a low-cost active management solution to potential clients.

We thank you for your support and we truly appreciate the opportunity to serve you in the future.