

CONCENTRATED COMMENTARY

In the third quarter, the Concentrated Equity composite had a preliminary gross return of 9.13% (net of fees: 9.05%) compared to 7.42% for the Russell 1000 Index (“Index”).

Below you will find the portfolio’s best and worst performing stocks for the quarter.

<u>Best Securities</u>	<u>Average Weight</u>	<u>**Contribution to Portfolio Return</u>
Qualcomm	3.66%	+0.64%
Acuity Brands	1.73%	+0.40%
Assured Guaranty	3.86%	+0.39%
Discovery	4.93%	+0.39%
Pfizer	3.05%	+0.30%

<u>Worst Securities</u>	<u>Average Weight</u>	<u>**Contribution to Portfolio Return</u>
Western Digital	2.81%	-1.00%
Liberty SiriusXM	6.39%	-0.69%
Howard Hughes	3.83%	-0.52%
JM Smucker	3.34%	-0.35%
Liberty Formula One	3.71%	-0.29%

**Contribution calculation methodology is available upon request

The sectors that added to relative performance of the portfolio during the quarter were Financials [+1.10%], Industrials [+0.67%], Energy [+0.40%], Materials [+0.22%], Information Technology [+0.16%], Communication Services [+0.15%], and Utilities [+0.14%]. The sectors that detracted from relative performance during the quarter were Real Estate [-0.29%], Health Care [-0.23%], Consumer Staples [-0.22%], and Consumer Discretionary [-0.01%]. Over the quarter, we had no positions in the Consumer Discretionary, Energy, Materials and Utilities sectors.

Qualcomm (QCOM), in the Information Technology sector, was the strategy’s strongest performing company for the quarter. During the quarter, the company increased revenues and margins year over year (y/y). Further, it terminated its deal for NXP Semiconductors in mid-July and initiated a share repurchase program up to \$30B of its common stock. We believe this large buyback program is attractive. QCOM also has strong economic returns, reasonable leverage and net cash on its balance sheet. It has reduced its share count by 16% over the past 5 years with more expected.

Acuity Brands (AYI), in the Industrials sector, was another top performing stock in the quarter. For the quarterly results, the company grew revenues while increasing operating margins y/y. The company is currently facing a challenging lighting market but took actions to increase profitability. Overall, we believe AYI is attractively valued with high economic returns and minimal leverage. It has also reduced its share count by approximately 7% over the past 3 years.

Assured Guaranty (AGO), in the Financials sector, was another top performer for the quarter. The company closed the Syncora Guarantee transaction in June, which is now in the recent quarter. Revenues and margins were down y/y but continues to look attractive based on valuation and continues to be a leader in the financial guaranty industry.

Western Digital (WDC), in the Information Technology sector, was the strategy’s largest underperformer during the quarter. During the quarter, the company increased revenues and margins y/y. There is some pricing pressure on the solid state memory portion of their business. WDC trades at an attractive valuation, with strong capital deployment and high economic returns.



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Another underperformer was Liberty SiriusXM (LSXMK), in the Communication Services sector. For the quarter, SiriusXM grew revenues but margins decreased and cash flow increased y/y. The company recently announced the acquisition of Pandora (P) for \$3.5B. Pandora's product could be complementary to SiriusXM's products and help unlock more ad-based revenues. Overall, owning SiriusXM through Liberty SiriusXM presents us with what we believe is a large discount to the value.

Howard Hughes (HHC), in the Real Estate sector, was another underperformer for the quarter. Accounting changes related to the quarter hurt revenues y/y. Overall the company is continuing to deliver long-term value from its properties. It looks attractive on valuation with a strong management team and strong insider ownership.

Sector characteristics and security performance reflect information for a representative account from the Concentrated Equity composite over the time period. Results for accounts in the composite may vary over time, due to timing, cash flows, among others things. The information provided should not be considered a specific recommendation to purchase or sell any securities and is subject to change. Gross composite performance figures shown are based on time-weighted rates of return, and are net of transaction costs. The net composite performance figures shown reflect gross performance less investment management fees, net of transactions costs. Our advisory fees are disclosed in Form ADV, Part 2 A. All returns reflect the reinvestment of investment income (dividends and/or interest) and capital gains. At the time of publication, the highlighted holdings are "current" holdings of the composite. The holdings identified do not represent all securities purchased or sold for advisory clients during the relevant time periods. We make no representations that securities purchased, sold, or held in the composite or client accounts will be profitable or will equal the performance of the securities in this commentary. A complete list of holdings for the preceding 12-month period is available upon request. The securities mentioned are selected solely as the largest contributors and detractors to performance of the composite. Estimates and certain information contained in this commentary are based upon proprietary research and should not be considered as investment advice. The Russell 1000 Index measures the performance of the large-cap segment of the U.S. equity universe. The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower expected growth values. The S & P 500 Index is a widely recognized capitalization-weighted index that measures the performance of the large-capitalization sector of the U.S. stock market. The S&P 1500 Index is an investable U.S. equity benchmark, the S&P Composite 1500 combines three leading indices, the S&P 500, the S&P MidCap 400, and the S&P Small Cap 600 to cover approximately 90% of the U.S. market capitalization. Index performance information was furnished by ICE Data Pricing, Reference Data LLC, is deemed reliable, and is believed to be accurate, but not guaranteed and the information is subject to correction. Past performance does not guarantee future results.