



MID CAP COMMENTARY

In the third quarter, the Mid Cap composite had a preliminary gross return of 3.68% (net of fees: 3.54%) compared to 5.00% for the Russell Midcap 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>
Acuity Brands	2.78%	+0.67%
Discovery	5.33%	+0.56%
Assured Guaranty	4.61%	+0.56%
CH Robinson	3.39%	+0.36%
F5 Networks	2.95%	+0.28%

<u>Worst Securities</u>	<u>Average Weight</u>	<u>**Contribution to Portfolio Return</u>
Western Digital	2.89%	-0.87%
Liberty SiriusXM	6.54%	-0.56%
Howard Hughes	4.24%	-0.47%
Deluxe	2.02%	-0.41%
Edgewell	2.99%	-0.38%

**Contribution calculation methodology is available upon request

The sectors that added to relative performance of the portfolio during the quarter were Materials [+0.38%], Industrials [+0.25%], Communication Services [+0.23%], Consumer Discretionary [+0.22%], Energy [+0.20%], Utilities [+0.10%], and Financials [+0.07%]. The sectors that detracted from relative performance during the quarter were Information Technology [-1.81%], Health Care [-0.39%], Consumer Staples [-0.24%], and Real Estate [-0.09%]. Over the quarter, the portfolio had no positions in the Energy, Materials, Telecommunications or Utilities sectors.

Acuity Brands (AYI), in the Industrials sector, was the strategy’s strongest performing company for the quarter. For the quarterly results, the company grew revenues while increasing operating margins year over year (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.

Discovery (DISCK), in the Communication Services sector, was a top performing stock in the quarter as well. Discovery is still working on integrating the Scripps Networks acquisition, combining the two companies. Management believes Scripps is one of the best run media companies in the world with brands like HGTV, Food Network, and Travel Channel, among others. Discovery continues to be attractive based on valuation, high economic returns, buybacks, and a strong management team that we believe has made shareholder-friendly decisions over time.

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



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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.

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.

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

Sector characteristics and security performance reflect information for a representative account from the Mid Cap 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 Midcap Value Index measures the performance of the mid-cap value segment of the U.S. equity universe. It includes those Russell Midcap Index companies with lower price-to-book ratios and lower forecasted growth values. The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000 Index that includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. Index performance information was furnished by to ICE Data Pricing and Reference Data LLC and is deemed to be reliable, and is believed to be accurate, but not guaranteed and the information is subject to correction. **Past performance does not guarantee future results.**