



## LARGE CAP VALUE COMMENTARY

In the fourth quarter the Large Cap Value composite had a preliminary gross return of -14.73% (net of fees: -14.81%) compared to -11.72% for the Russell 1000 Value Index (“Index”).

Below you will find the portfolios best and worst performing stocks in the quarter.

<u>Best Securities</u>	<u>Average Weight</u>	<u>**Contribution to Portfolio Return</u>
Amgen	3.13%	+0.22%
Aetna	2.18%	+0.22%
Walmart	2.82%	+0.19%
Verizon	3.02%	+0.19%
Intel	2.69%	+0.13%

<u>Worst Securities</u>	<u>Average Weight</u>	<u>**Contribution to Portfolio Return</u>
Western Digital	2.15%	-0.60%
Apple	2.84%	-0.55%
Celgene	2.45%	-0.46%
Acuity Brands	2.85%	-0.40%
International Business Machines	0.75%	-0.39%

\*\*Contribution calculation methodology is available upon request

Stock selection in the Information Technology, Health Care, Communications Services, Financials, Consumer Staples and Industrials detracted from the relative performance of the strategy during the quarter. Our lack of exposure to Utilities and Real Estate also hurt the portfolio during the quarter. Our lack of exposure to Materials and Consumer Discretionary and underweight in Energy added to this quarter’s performance.

Western Digital (WDC), in the Information Technology sector, was the largest underperformer. Quarterly results were impacted by declines in flash selling prices with softening demand. Trade tensions with China continue to impact performance and the stock price. As a result, the company made a plan to reduce its output over the year to better align with the weak demand. Overall, WDC trades at an attractive valuation, with high economic returns and a reasonable balance sheet.

In the Health Care sector, Amgen (AMGN) was the largest contributor for the quarter and for the full year. The results were aided by the growth in product revenue with double digit growth coming from some of their newly launch products. Their growth has enabled them to consistently generate positive free cash flow while returning capital to shareholders through a dividend and share count reduction. During the June quarter in 2018 AMGN repurchased 56.4 million shares of common stock at a total cost of \$10.8 billion.

We remain focused on identifying companies with strong returns, attractive balance sheets, quality management teams that are attractively valued. The portfolio is overweight in Information Technology, Health Care, Industrials and Communication Services and it is underweight in Energy, Financials and Consumer Staples. The portfolio is also absent from investments in Materials, Utilities and Real Estate and Consumer Discretionary.

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



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Sector characteristics and security performance reflect information for a representative account from the Large Cap Value 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 transaction costs. Our advisory fees are disclosed in Form ADV, Part 2A. 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 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. Estimates and certain information contained in this commentary are based upon proprietary research and should not be considered as investment advice. Index performance information was furnished by 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.**