



MID CAP COMMENTARY

In the fourth quarter, the Mid Cap composite had a preliminary gross return of -14.56% (net of fees: -14.70%) compared to -15.37% 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>
Church & Dwight	4.31%	+1.02%
Graham Holdings	3.07%	+0.72%
Assured Guaranty	4.96%	+0.34%
H&R Block	2.61%	+0.33%
Cummins	3.81%	+0.27%

<u>Worst Securities</u>	<u>Average Weight</u>	<u>**Contribution to Portfolio Return</u>
Western Digital	2.72%	-0.65%
Deluxe	2.08%	-0.48%
PacWest	2.71%	-0.43%
Acuity Brands	2.68%	-0.32%
Discovery	5.42%	-0.28%

**Contribution calculation methodology is available upon request

The sectors that added to relative performance of the portfolio during the quarter were Consumer Discretionary [+1.16%], Energy [+1.04%], Consumer Staples [+0.82%], and Health Care [+0.05%]. The sectors that detracted from relative performance during the quarter were Real Estate [-1.01%], Utilities [-0.83%], Financials [-0.65%], Communication Services [-0.29%], Industrials [-0.10%], Information Technology [-0.09%], and Materials [-0.01%]. Over the quarter, the portfolio had no positions in the Energy, Materials, or Utilities sectors.

Church & Dwight (CHD), in the Consumer Staples sector, was the strategy’s strongest performing company for the quarter. For the quarterly results, the company grew revenues with strong price mix from couponing declines and lower promotional levels. Arm & Hammer and Batiste were the notable winners as they both continued to gain share in each of their respective markets. Overall, CHD has high economic returns, reasonable leverage, currently pays a 1.4% dividend yield and has reduced its share count by 11% over the past 5 years.

Graham Holdings (GHC), in the Consumer Discretionary sector, was a top performing stock in the quarter as well. Graham had a strong quarter as it increased revenues with growth at its television broadcasting and manufacturing businesses. Operating income increased as well. Overall, GHC has a very strong balance sheet with a net cash position, pays a small dividend at 0.8%, and has reduced its share count over the past 5 years by approximately 27%.

Assured Guaranty (AGO), in the Financials sector, was another top performer for the quarter. AGO reported strong results for the quarter and all of its financial businesses contributed positively. In Puerto Rico, the situation continues to progress there but, thus far, investors that hold the reinsured bonds have received all of their principal and interest on time. Overall, AGO continues to look attractive based on valuation, continues to be a leader in the financial guaranty industry and has reduced its share count by approximately 40% over the past 5 years.



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Western Digital (WDC), in the Information Technology sector, was the strategy's largest underperformer during the quarter. 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 weak demand. Overall, WDC trades at an attractive valuation, with high economic returns and a reasonable balance sheet.

Another underperformer was Deluxe (DLX), in the Industrials sector. For the quarter, DLX's revenues and margins declined around 1% year over year (y/y), mainly driven by results in its financial services division. The company implemented a cost saving initiative, directed to improve results. Overall, Deluxe has an attractive valuation, high economic returns and a strong balance sheet.

PacWest (PACW), in the Financials sector, was another underperformer for the quarter. For the quarter, tangible book value declined y/y, revenues grew and margins remained steady. Net charge-offs were lower year-to-date than the prior period as credit remained strong. Overall, PacWest is attractive on valuation, has strong economic returns, with a large and low-cost deposit base, and insiders recently purchased shares.

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 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.**