



In the first quarter, the Mid Cap composite had a preliminary gross return of 9.96% (net of fees: 9.83%) compared to 16.54% for the Russell Midcap Index.

Although our relative performance struggled this quarter, which has also impacted our medium-term results, we are confident in the portfolio of companies that we own through our investment process. This quarter, companies with cheaper valuations, high economic returns and strong accruals (both measures of quality) underperformed overall. Conversely, the best performing stocks had high volatility and high beta factor characteristics. We remain uncomfortable putting your capital in companies solely with those qualities and would rather invest in companies that are higher quality (high economic returns, strong earnings quality, strong balance sheets, and low leverage ratios, among others) with more attractive valuations. On valuation, our belief is that even if you buy high quality companies, there is always the risk of overpaying for any asset and that valuation truly matters in the end. We continue to focus on cash flow when measuring valuation because this most accurately reflects the profitability the company is generating and can be used for management's capital allocation decisions, another important part of our investment decision process. Even though the quarter and now some longer periods have had less than desirable relative performance, we continue to adhere to our investment process and are focused on value, quality and market reaction. We believe a portfolio of companies with these characteristics provides the foundation for long-term performance, which we have shown since the inception of this strategy.

Below you will find the portfolio's best and worst performing stocks in the quarter.

<b><u>Best Securities</u></b>	<b><u>Average Weight</u></b>	<b><u>**Contribution to Portfolio Return</u></b>
Liberty Broadband	5.31%	+0.46%
Western Digital	3.41%	+0.39%
Check Point Software	4.14%	+0.23%
Discover Financial	4.11%	+0.15%
Regions Financial	1.03%	+0.11%

<b><u>Worst Securities</u></b>	<b><u>Average Weight</u></b>	<b><u>**Contribution to Portfolio Return</u></b>
Amdocs	2.84%	-0.73%
Liberty SiriusXM	5.97%	-0.70%
F5 Networks	3.29%	-0.59%
H&R Block	2.74%	-0.57%
Citrix Systems	3.00%	-0.52%

\*\*Contribution calculation methodology is available upon request

The sectors that added to relative performance of the portfolio during the quarter were Utilities [+0.31%], Financials [+0.23%] and Materials [+0.11%]. The sectors that detracted from relative performance during the quarter were Information Technology [-2.67%], Consumer Discretionary [-1.09%], Industrials [-0.92%], Health Care [-0.91%], Communication Services [-0.38%], Energy [-0.21%], Real Estate [-0.16%], and Consumer Staples [-0.08%]. Over the quarter, the portfolio had no positions in the Energy, Materials, or Utilities sectors.

Liberty Broadband (LBRDK), in the Communication Services sector, was the strategy's strongest performing company for the quarter. For the quarterly results, the company grew revenues and customer relationships while completing its all-digital transition. We expect capital expenditures to decrease and, thereby, increase cash flow in the near future. Overall, we believe there is a discount by owning LBRDK versus Charter Communications (CHTR) directly, both management teams have been shareholder focused and successful at capital allocation.

Western Digital (WDC), in the Information Technology sector, was a top performing stock in the quarter as well. Quarterly results were impacted by declines in flash selling prices with softening demand along with trade tensions with China. The company is taking action to better align its cost and expense structure. The company issued positive guidance during the quarter, which has helped the stock. Overall, WDC continues to trade at an attractive valuation, with high economic returns and a reasonable balance sheet.

Check Point Software (CHKP), in the Information Technology sector, was another top performer for the quarter. For quarterly results, the company grew revenues and cash flow year over year (y/y) as it increased its security subscription business and



cloud security offering. Overall, CHKP repurchased shares over the year, has high economic returns, a balance sheet with a net cash position, and strong historical growth.

Amdocs (DOX), in the Information Technology sector, was the strategy's largest underperformer during the quarter. For quarterly results, DOX grew revenues but net income came down some mostly due to tax differences y/y. Overall, the valuation looks attractive, has a very strong balance sheet with a net cash position, has high economic returns on the business and pays around a 2.1% dividend yield.

Another underperformer was Liberty SiriusXM (LSXMK), in the Communication Services sector. The company owns approximately 71% ownership in SiriusXM (SIRI). SiriusXM continues to add new subscribers, now reaching 34 million users, with increases in its average revenue per user. Its acquisition of Pandora has weighed on the share price more recently but seems to be a comparable fit with their existing offerings and platform. Quarterly revenue growth and steady high margins are also attractive. Based on our analysis, there is a large discount in owning LSXMK over SIRI directly and expect this large gap to narrow over time. Both management teams are shareholder focused and successful at capital allocation.

F5 Networks (FFIV), in the Information Technology sector, was another underperformer for the quarter. Quarterly revenues and cash flow grew y/y, driven by its software solutions. During the quarter, the company announced the acquisition of NGINX Software on March 11, 2019 for \$670 million and is expected to be an all-cash deal. It also continued to repurchase shares during the quarter, reducing its share count approximately 3% over the past year, while announcing an incremental \$1B of repurchases to its share repurchase program. Overall, F5 has a reasonable valuation, high economic returns, and a very strong balance sheet with no debt and a net cash position.

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 an unaffiliated third party 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.**