



CHRISTOPHER A. BERRIER

Portfolio Manager



GEORGE SAKELLARIS, CFA

Associate Portfolio Manager

COMPOSITE PERFORMANCE(%)

	COMPOSITE GROSS OF FEES	COMPOSITE NET OF FEES	RUSSELL 2000® GROWTH INDEX
3 MOS.	1.83	1.66	4.59
1 YR.	18.84	18.05	22.17
3 YR.	12.96	12.23	10.28
5 YR.	15.82	15.09	15.21
10 YR.	10.52	9.77	9.19

The composite performance shown above reflects the Brown Advisory Small-Cap Growth Composite, managed by Brown Advisory Institutional. Brown Advisory Institutional is a division of Brown Advisory LLC, and Brown Advisory Institutional is a GIPS compliant firm. Please see the end of this for a GIPS compliant presentation.

REP. ACCOUNT CHARACTERISTICS

	SMALL-CAP GROWTH REP. ACCT.	RUSSELL 2000® GROWTH INDEX
P/E Ratio (FY2 Est.)	25.1x	20.8x
Earnings Growth (3-5 Yr. Est.)	15.1%	15.8%
Wtd. Avg. Market Cap.	\$5.7 B	\$2.6 B
Weighted Median Market Cap.	\$4.7 B	\$2.4 B
PEG Ratio	2.1x	2.6x
Portfolio Turnover (3 Yr. Avg.)	36.1%	--

REP. ACCOUNT TOP 10 PORTFOLIO HOLDINGS

SECURITY	% PORTFOLIO
Waste Connections Inc	4.9
Cash & Equivalents	4.1
BroadSoft, Inc.	3.4
Bright Horizons Family Solution, Inc.	3.4
Catalent, Inc.	2.9
Cavium, Inc.	2.9
Genpact Ltd.	2.7
Broadridge Financial Solutions, Inc.	2.7
Charles River Laboratories International, Inc.	2.5
Cogent Communications Group, Inc.	2.2
TOTAL	31.7

Review & Outlook

Our strategy has been very consistent over almost a dozen years. We strive to produce attractive risk-adjusted returns over a full market cycle through long-term security selection and mitigating downside risk through portfolio diversification, quality and valuation sensitivity.

Generally, we have found our path to be effective. At times, however, we have been challenged to keep pace with the most vigorous of “risk-on” trades by our primary benchmark, the Russell 2000® Growth Index, particularly when the drivers of these rallies lie away from our philosophical approach. If momentum, loss makers and/or more commodity-oriented businesses drive returns, we need near perfect stock selection as an offset. Unfortunately, this was the environment in which the portfolio found itself during the latter stages of 2017 and we were certainly nowhere near perfect.

Specifically in November, the strategy experienced a handful of lackluster 3Q17 earnings reports that arrested the momentum of the portfolio against a backdrop of increasing momentum in the market. Thus, a solid year of hanging around the benchmark—with lower beta and volatility—ended in disappointment. We finished the year with another round of what we believed to be solid absolute returns, but fell short of our relative bogey.

In sum, holding some cash and too little biotech, as well as a couple of disappointing stocks was too large a burden to overcome in the current market environment given our philosophical approach. We will strive to learn from the mistakes of the prior year, drive stronger relative results going forward and would expect that most changes in market leadership would be more neutral-to-positive to relative results than the recent headwinds faced.

We wanted to start a new segment discussing a portfolio company that we believe represents a great example of our process, but lies outside of the top contributors/detractors and is not included in the recent additions/deletions list. We hope that from this practice our clients have a better sense of our process and thinking. Additionally, we want to reinforce our discipline of spending as much time focusing on the companies out of the headlines as those in them.

Envestnet, Inc. (ENV) entered our new idea pipeline in January 2014. The company, which provides a fully integrated cloud-based software platform for financial and registered investment advisers, was benefiting from many secular tailwinds such as an increasing i) prevalence of independent advisers; ii) level of fee-based assets (as opposed to commission-based fees); and iii) technology spend by advisers to keep up with changing client preferences. These drivers pushed a rapid adoption of the ENV platform. Given these trends, our initial screening of the idea made it a philosophical fit with our 3G (Growth, Governance and Go-to-market) approach due to its large addressable market, consistent share gains and enviable economic model at scale.

After multiple due diligence calls and meetings with the management team, we felt we had a good grasp of the underlying economics and factors affecting the company. We then modeled out several fundamental scenarios to inform the construction of an appropriate valuation framework. We quickly realized, however, that the assumptions embedded in the stock price were simply way too aggressive. We chose to wait for expectations to decline to establish a position.

In August of 2015, estimates (along with the stock) started to come down to more tolerable levels. At this point, the company announced the acquisition of Yodlee in an attempt to build out its data aggregation and personal financial management capabilities. A combination of limited financial guidance and poor investor perception around deal rationale led to a large sell-off in the stock. The drawdown was substantial enough that we felt that at those prices, we were effectively getting the Yodlee business for free, which greatly reduced the execution risk on the transaction. Over the course of these events, we initiated, then increased a position the company.

Over the last couple years, a combination of record-setting fundamental performance and strong financial markets has propelled the stock to new highs. A perfect environment has once again potentially created unrealistic expectations for the stock. For this reason, we have lowered our position size.

Despite our recent trim due to our belief that the market environment being as good as it gets for ENV, we still believe that over the long term this is one of the most well-positioned asset management companies in the U.S. Thus, we continue to own a position in the stock. To reiterate, the market opportunity is large, the potential for share gains is sound and the management team has consistently pushed to drive innovation and differentiation in its solution set via both M&A and internal R&D. Our decision to trim is one based on risk/reward probabilities at current prices and an understanding of the market’s historical propensity to overreact to positive/negative news flow with regard to this stock. This is likely going to be a solid story over the very long term, but we are just executing against our discipline.

The wave that is today’s equity bull market has been building for a long time. As it approaches the shore, its momentum has accelerated and led to an impressive surge where the returns-to-investors surfing has been great, in our view. However, valuations now run high going into 2018.

Stock prices move on changes at the margin and, since the election of Donald Trump, the incremental macro- and micro-gratations have been positive. This development produced a lack of volatility in 2017 that was a surprise to many, including us. While we do not know if this period of calm will be interrupted in 2018, we will make sure we are prepared to act if it is.

Continued on next page

With valuations high, stocks will likely depend on global synchronized growth to carry consensus estimates and prices higher in the new year. History would suggest that market leadership may change as a world that has long suffered from a lack of growth now finds it in spades. We are thinking long and hard about our portfolio exposures as accelerating economic expansion may catalyze inflation and interest rates higher.

The strategy's calendar year could be summarized as one of robust absolute, but disappointing relative returns. A brief explanation for the latter would be holding a little cash, too little biotech and a couple of disappointing stock outcomes. Given our investment philosophy and approach, this was simply too much to overcome given the market environment in the short run.

We remain laser focused on generating attractive risk-adjusted returns over a full market cycle. As always, since we do not control outcomes, we work hard to strengthen our foundation (i.e. team), adhere to our philosophy and continuously improve our investment process—the three facets we can control and those that drive returns over the long term.

We greatly appreciate your support and interest in the strategy. Our philosophy is to harness the power of compounding, driving returns through stock selection and mitigating downside risk through diversification, quality and valuation sensitivity. We look forward to the year ahead and updating you on our progress. [B](#)

For further market and economic analysis, please reach out to your Brown Advisory relationship manager for an extended version of this commentary.

Sector Diversification

- The strategy is overweight producer durables, but this is partially offset by an underweight in energy and materials & processing. We have been mindful of how depressed energy is relative to nearly every other sector. Our challenge has been to find businesses that fit our philosophy. Therefore, we have been conscious to continue to own a couple of companies that have indirect exposure to rising oil prices.
- The portfolio is underweight health care, although less than stated as we believe a couple of our holdings are incorrectly allocated to other sectors. Furthermore, ~100% of our remaining underweight would be in the biopharma sub-segment, which had a decidedly negative impact on 2017 relative returns.
- Technology remains overweight; however, two of our positions were acquired in the fourth quarter, thus demonstrably lowering our beta-adjusted exposure.
- Consumer weighting in aggregate remains nearly in line with the benchmark.
- We are overweight financial services due to the addition of two bank holdings in the second half of 2017.

RUSSELL GLOBAL SECTORS	SMALL-CAP GROWTH REP. ACCOUNT (%)	RUSSELL 2000® GROWTH INDEX (%)	DIFFERENCE (%)	SMALL-CAP GROWTH REP. ACCOUNT (%)	
	Q4 '17	Q4 '17	Q4 '17	Q3 '17	Q4 '16
Consumer Discretionary	15.02	15.88	-0.86	17.73	16.84
Consumer Staples	3.11	2.38	0.73	3.47	3.43
Energy	--	1.23	-1.23	--	--
Financial Services	13.63	10.46	3.17	10.49	9.72
Health Care	17.05	23.63	-6.59	16.35	15.64
Materials & Processing	2.27	8.64	-6.37	2.47	2.52
Producer Durables	19.36	16.21	3.16	18.41	18.74
Technology	21.65	19.34	2.30	22.86	23.94
Utilities	2.31	2.21	0.10	2.86	3.92
Unassigned	5.60	0.01	5.60	5.36	5.25

Quarterly Attribution Detail by Sector

- Financial services and technology saw outperformance during the fourth quarter due to stock selection.
- The main drag on performance during the quarter was within the consumer discretionary and health care space. While biopharma weighed on our results in health care to a degree, a handful of lackluster third-quarter earnings reports impaired portfolio momentum across these two areas.

RUSSELL GLOBAL SECTORS	SMALL-CAP GROWTH REP. ACCOUNT		RUSSELL 2000® GROWTH INDEX		ATTRIBUTION ANALYSIS		
	AVERAGE WEIGHT (%)	RETURN (%)	AVERAGE WEIGHT (%)	RETURN (%)	ALLOCATION EFFECT (%)	SELECTION AND INTERACTION EFFECT (%)	TOTAL EFFECT (%)
Consumer Discretionary	16.41	-2.44	15.52	8.06	-0.03	-1.69	-1.72
Consumer Staples	3.30	-0.27	2.31	10.51	0.04	-0.33	-0.28
Energy	--	--	1.08	8.64	-0.05	--	-0.05
Financial Services	12.75	11.18	10.71	3.78	-0.05	0.87	0.82
Health Care	16.50	-4.81	23.17	3.37	0.09	-1.37	-1.28
Materials & Processing	2.37	7.94	8.60	6.95	-0.13	0.02	-0.12
Producer Durables	18.70	4.12	16.31	4.89	0.02	-0.16	-0.14
Technology	22.04	2.77	19.84	1.88	-0.06	0.17	0.11
Utilities	2.53	-6.40	2.29	1.38	0.00	-0.19	-0.19
Unassigned	5.40	3.90	0.15	9.94	0.30	-0.36	-0.05
Total	100.00	1.69	100.00	4.59	0.13	-3.03	-2.90

Quarterly Contribution to Return

- **Cavium, Inc.** is a provider of integrated semiconductor processors that enable intelligent processing for wired and wireless infrastructure and cloud networking, communications, storage and security applications. Its share price rose 27% in the fourth quarter after the company reported better-than-expected earnings and also raised guidance. Following earnings, the company was acquired in a cash and stock deal by Marvell at a healthy premium, particularly if the acquirer continues to rally on the proposed synergies of the transaction.
- **SiteOne Landscape Supply** rose on a positive long-term outlook despite a noisy, weather-induced third-quarter earnings report.
- **Broadridge** continued to post solid results and held a constructive analyst day where management announced positive three-year guidance and continues to display optimism surrounding the company's core regulatory and capital markets franchise. The company is also exploring opportunities for further penetration of the wealth management vertical.
- **BankUnited**, a recent portfolio addition, jumped higher after announcing that it expects to record a \$295 million dollar tax refund benefit in the fourth quarter.
- **BroadSoft** was acquired by Cisco during the fourth quarter in an all cash transaction valued at \$1.9 billion. The stock had risen prior to the announcement on speculation of a deal.
- **Liberty TripAdvisor Holdings** fell as Priceline, an advertising partner, surprisingly decided to raise its historical ROI metrics for its metasearch partners in 3Q17, which pressured revenue per shopper as the company's auction pricing suffered from the pullback of a large bidder.
- **MACOM Technology** released third-quarter earnings results and guidance that disappointed due to an abrupt and continued pause in Chinese demand.
- **Papa John's** shares fell after reporting disappointing third- and fourth-quarter outlooks, which the management team largely attributed to a meaningful drop in NFL viewership, a key advertising forum for the business.
- **Medidata** shares fell as 3Q revenues and 4Q revenue guidance were slightly below consensus; however, the market tends to react meaningfully to small direction changes in growth rates for this company due to some opacity in the underlying key revenue metrics.
- **Henry Schein** fell victim to rising concerns that Amazon was going to become a greater competitive threat to its profitable dental consumables franchise. While we believe there are multiple reasons why the perceived threat by Amazon is greater than the actual threat, the recent market pattern of companies facing competition from Amazon has been to remain weak until future results prove otherwise.

SMALL-CAP GROWTH REP. ACCOUNT TOP FIVE CONTRIBUTORS				
TICKER	NAME	AVG. WEIGHT (%)	RETURN (%)	CONTRIBUTION TO RETURN (%)
CAVM	Cavium, Inc.	2.77	27.13	0.66
SITE	SiteOne Landscape Supply, Inc.	1.42	32.01	0.39
BR	Broadridge Financial Solutions, Inc.	2.78	12.54	0.33
BKU	BankUnited, Inc.	1.38	19.34	0.31
BSFT	BroadSoft, Inc.	3.55	9.15	0.30
SMALL-CAP GROWTH REP. ACCOUNT BOTTOM FIVE CONTRIBUTORS				
LTRPA	Liberty TripAdvisor Holdings Inc Class A	2.06	-23.68	-0.69
MTSI	MACOM Technology Solutions Holdings, Inc.	1.27	-27.06	-0.44
PZZA	Papa John's International, Inc.	0.69	-22.98	-0.28
MDSO	Medidata Solutions, Inc.	1.28	-18.82	-0.26
HSIC	Henry Schein, Inc.	1.42	-14.77	-0.24

Portfolio Activity

- **Alarm.com** provides cloud-based software platform solutions for smart homes and businesses.
- **AnaptysBio** maintains a unique antibody discovery platform to develop monoclonal antibody drugs targeting initial key indications of atopic dermatitis, peanut allergy and asthma.
- **BankUnited** provides a range of banking services to small- to medium-sized businesses, and individual and corporate customers in the U.S.
- **Littelfuse** designs, manufactures and sells circuit protection devices. It operates through three segments: electronics, automotive and industrial.
- **Mercury Systems** is a Tier-2 defense electronics company that has transformed itself to a high-tech, commercially oriented subsystems provider to the prime contractors.
- **Welbilt** designs, manufactures and supplies food and beverage equipment for the global commercial foodservice market.
- **Carvana** was acquired on its IPO, but we sold the position as a key metric trailed our expectations and the stock had rallied.
- **DigitalGlobe** was acquired.
- We eliminated **KEYW** as the company showed signs that the integration of a large acquisition may be proving more difficult than anticipated.
- **Nutanix** was a small IPO position that we sold after a very strong rally in the shares.
- We sold **Papa John's** as we felt the retooling of its marketing program due to weakness in NFL ratings would prove challenging in 2018.
- We markedly reduced **SPS Commerce** a few quarters ago and completed the sale as our long-term growth concerns remained.
- We eliminated **TreeHouse Foods** prior to a very challenging 3Q17.

SMALL-CAP GROWTH REP. ACCOUNT PORTFOLIO ACTIVITY		
ADDITIONS		SECTOR
ALRM	Alarm.com Holdings, Inc.	Information Technology
ANAB	AnaptysBio, Inc.	Health Care
BKU	BankUnited, Inc.	Financials
LFUS	Littelfuse, Inc.	Information Technology
MRCY	Mercury Systems, Inc.	Industrials
WBT	Welbilt Inc	Industrials
DELETIONS		SECTOR
CVNA	Carvana Co. Class A	Consumer Discretionary
DGI	DigitalGlobe, Inc.	Consumer Discretionary
KEYW	KEYW Holding Corporation	Industrials
NTNX	Nutanix, Inc. Class A	Information Technology
PZZA	Papa John's International, Inc.	Consumer Discretionary
SPSC	SPS Commerce, Inc.	Information Technology
THS	TreeHouse Foods, Inc.	Consumer Staples

GLCS Sector Diversification

SECTOR	SMALL-CAP GROWTH REP. ACCOUNT (%)	RUSSELL 2000® GROWTH INDEX (%)	DIFFERENCE (%)	SMALL-CAP GROWTH REP. ACCOUNT (%)	
	Q4 '17	Q4 '17	Q4 '17	Q3 '17	Q4 '16
Consumer Discretionary	13.60	14.36	-0.76	17.23	17.46
Consumer Staples	2.64	2.76	-0.12	2.87	2.39
Energy	--	1.38	-1.38	--	--
Financials	6.50	6.08	0.42	3.47	2.96
Health Care	17.05	23.81	-6.77	16.35	15.98
Industrials	22.95	18.21	4.74	23.20	21.90
Information Technology	34.91	23.67	11.24	33.97	35.34
Materials	--	4.64	-4.64	--	--
Real Estate	--	3.35	-3.35	--	--
Telecommunication Services	2.31	1.01	1.30	2.86	3.92
Utilities	--	0.72	-0.72	--	--

GLCS Quarterly Attribution Detail by Sector

SECTOR	SMALL-CAP GROWTH REP. ACCOUNT		RUSSELL 2000® GROWTH INDEX		ATTRIBUTION ANALYSIS		
	AVERAGE WEIGHT (%)	RETURN (%)	AVERAGE WEIGHT (%)	RETURN (%)	ALLOCATION EFFECT (%)	SELECTION AND INTERACTION EFFECT (%)	TOTAL EFFECT (%)
Consumer Discretionary	14.97	-7.23	14.04	8.57	-0.04	-2.38	-2.42
Consumer Staples	2.75	-0.23	2.70	8.50	-0.01	-0.23	-0.24
Energy	--	--	1.22	8.98	-0.06	--	-0.06
Financials	5.45	10.74	6.18	5.91	-0.05	0.29	0.24
Health Care	16.49	-4.81	23.50	3.28	0.10	-1.35	-1.25
Industrials	22.90	3.69	17.97	7.10	0.13	-0.76	-0.63
Information Technology	34.87	7.23	24.39	1.55	-0.34	1.88	1.54
Materials	--	--	4.73	3.68	0.04	--	0.04
Real Estate	--	--	3.46	1.80	0.09	--	0.09
Telecommunication Services	2.53	-6.40	1.07	-1.86	-0.09	-0.11	-0.20
Utilities	--	--	0.73	6.06	-0.01	--	-0.01
Total	100.00	1.69	100.00	4.59	-0.23	-2.67	-2.90

Small-Cap Growth Equity Composite

Year	Composite Total Gross Returns (%)	Composite Total Net Returns (%)	Benchmark Returns (%)	Composite 3-Yr Annualized Standard Deviation (%)	Benchmark 3-Yr Annualized Standard Deviation (%)	Portfolios in Composite at End of Year	Composite Dispersion (%)	Composite Assets (\$USD Millions)	GIPS Firm Assets (\$USD Millions)
2016	11.4	10.7	11.3	14.0	16.7	30	0.3	1,797	30,417
2015	8.9	8.2	-1.4	13.1	15.0	32	0.4	1,311	43,746
2014	1.4	0.8	5.6	11.8	13.8	32	0.3	1,597	44,772
2013	42.6	41.8	43.3	15.4	17.3	44	0.7	1,830	40,739
2012	16.0	15.4	14.6	18.3	20.7	32	0.6	1,178	26,794
2011	-1.7	-2.4	-2.9	20.6	24.3	29	0.5	1,023	19,962
2010	30.8	29.8	29.1	27.1	27.7	25	0.1	993	16,859
2009	43.1	41.9	34.5	25.2	24.9	16	1.0	481	11,058
2008	-38.9	-39.4	-38.5	23.3	21.3	17	0.2	323	8,547
2007	17.2	16.1	7.0	14	14.2	16	0.5	411	7,385

Brown Advisory Institutional claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Brown Advisory Institutional has been independently verified for the periods from January 1, 1993 through December 31, 2016. The Verification reports are available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation. GIPS® is a registered trademark owned by CFA Institute.

- For the purpose of complying with the GIPS standards, the firm is defined as Brown Advisory Institutional, the Institutional and Balanced Institutional asset management divisions of Brown Advisory. As of July 1, 2016, the firm was redefined to exclude the Brown Advisory Private Client division, due to an evolution of the three distinct business lines.
- The Small-Cap Growth Equity Composite includes all discretionary portfolios invested in U.S. equities with strong earnings growth characteristics and small market capitalizations. This composite has been examined for the periods from January 1, 2006 through December 31, 2009. The examination reports are available upon request. The minimum account market value required for composite inclusion is \$1.5 million.
- This composite was created in 1997.
- The benchmark is the Russell 2000® Growth Index. The Russell 2000® Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000® Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell 2000® Growth Index is constructed to provide a comprehensive and unbiased barometer for the small-cap growth segment. The Index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect growth characteristics. The Russell 2000® Growth Index and Russell® are trademarks/service marks of the London Stock Exchange Group companies. An investor cannot invest directly into an index. Benchmark returns are not covered by the report of the independent verifiers.
- The dispersion of annual returns is measured by the equal weighted standard deviation of portfolio returns. Prior to 2003 the dispersion of annual returns is measured by the range between the high and low portfolio returns.
- Gross-of-fees performance returns are presented before management fees but after all trading commissions, and gross of foreign withholding taxes (if applicable). Net-of-fee performance returns reflect the deduction of actual management fees and all trading commissions. Other expenses can reduce returns to investors. The standard management fee schedule is as follows: The standard management fee schedule is as follows: 1.00% on the first \$25 million; 0.90% on the next \$25 million; 0.80% on the next \$50 million; and 0.70% on the balance over \$100 million. Further information regarding investment advisory fees is described in Part II A of the firm's form ADV. Actual fees paid by accounts in the composite may differ from the current fee schedule.
- The three-year annualized ex-post standard deviation measures the variability of the composite (using gross returns) and the benchmark for the 36-month period ended on December 31.
- Valuations and performance returns are computed and stated in U.S. Dollars. All returns reflect the reinvestment of income and other earnings.
- A complete list of composite descriptions, policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.
- Past performance does not indicate future results.
- This piece is provided for informational purposes only and should not be construed as a research report, a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell or hold any of the securities mentioned, including any mutual fund managed by Brown Advisory.

Disclosures

The views expressed are those of the author and Brown Advisory as of the date referenced and are subject to change at any time based on market or other conditions. These views are not intended to be and should not be relied upon as investment advice and are not intended to be a forecast of future events or a guarantee of future results. Past performance is not a guarantee of future performance and you may not get back the amount invested. The information provided in this material is not intended to be and should not be considered to be a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell, or hold any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. To the extent specific securities are mentioned, they have been selected by the author on an objective basis to illustrate views expressed in the commentary and do not represent all of the securities purchased, sold or recommended for advisory clients. The information contained herein has been prepared from sources believed reliable but is not guaranteed by us as to its timeliness or accuracy, and is not a complete summary or statement of all available data. This piece is intended solely for our clients and prospective clients, is for informational purposes only, and is not individually tailored for or directed to any particular client or prospective client.

Composite performance is based on the Brown Advisory Small-Cap Growth Composite and was obtained through FactSet®. All information and returns shown are as of 12/31/2017 for each period. Returns greater than one year are annualized. Past performance is not indicative of future results. Representative account characteristics and top 10 holdings were obtained through FactSet. This information is based on a representative Small-Cap Growth account and is provided as supplemental information. Account characteristics exclude cash and cash equivalents; top 10 holdings list includes cash and cash equivalents. FactSet® is a registered trademark of FactSet Research Systems, Inc.

Sector diversification, attribution, top and bottom five contributors and portfolio additions and deletions source: FactSet. The portfolio information provided is based on a representative Small-Cap Growth account and is provided as supplemental information. References to specific securities are for illustrative purposes only and do not represent all of the securities purchased, sold or recommended for advisory clients. The security returns listed represent the period of when the security was held during the quarter. Top five and bottom five contributors exclude cash and cash equivalents. Sector diversification and attribution excludes cash and cash equivalents. Total portfolio return figures provided above reflect the sum of the returns of the equity holdings in the representative account portfolio due to price movements and dividend payments or other sources of income, and exclude cash. Performance figures may vary from actual portfolio performance, as calculations are based on end-of-day security prices and do not incorporate the actual cost basis or sale price of individual securities. Sectors are based on the Russell Global Classification System and the Global Industry Classification Standard (GICS®) classification system. GICS® is a registered trademark of MSCI and Standard & Poor's Financial Services LLC. The individual amounts shown for top ten holdings, sector diversification and quarterly attribution may not sum to the total amount shown due to rounding.

Please see composite disclosure statements above for additional information.

Terms and Definitions for Representative Account Calculations

Price-Earnings Ratio (P/E Ratio) is the ratio of the share of a company's stock compared to its per-share earnings. P/E calculations presented use FY2 earnings estimates; FY1 estimates refer to the next unreported fiscal year, and FY2 estimates refer to the fiscal year following FY1. **Earnings Growth 3-5 Year Estimate** is the average predicted annual earnings growth over the next three to five years based on estimates provided to Factset by various outside brokerage firms, calculated according to each broker's methodology. **Market Capitalization** refers to the aggregate value of a company's publicly traded stock. Statistics are calculated as follows: **Weighted Average**: the average of each holding's market cap, weighted by its relative position size in the portfolio (in such a weighting scheme, larger positions have a greater influence on the calculation); **Weighted Median**: the value at which half the portfolio's market capitalization weight falls above and half falls below. **P/E / Growth Ratio**, or **PEG Ratio**, is the ratio of a portfolio's P/E Ratio divided by its Est. 3-5 Yr. EPS Growth rate. **Portfolio Turnover (3 yr. avg.)** is the ratio of the lesser of the portfolio's aggregate purchases or sales during a given period, divided by the average value of the portfolio during that period, calculated on a monthly basis. The **Average Weight** of a position or sector refers to the daily average for the period covered in this report of a stock's value as a percentage of the portfolio. The **Total Return** of an equity security is the sum of the return from price movement and the return due to dividend payments or other sources of income. The portfolio and benchmark returns provided reflect the sum of the returns of the equity holdings in the portfolio and the benchmark, respectively. The returns exclude cash. All of the above ratios for a portfolio are expressed as a weighted average of the relevant ratios of each portfolio holding, EXCEPT for P/E ratios, which are expressed as a weighted harmonic average. **Allocation Effect**: Measures the impact of the decision to allocate assets differently than those in the benchmark. **Selection and Interaction Effect**: Reflects the combination of selection effect and interaction effect. Selection effect measures the effect of choosing securities that may or may not outperform those of the benchmark. Interaction effect measures the effect of allocation and selection decisions, i.e. did we overweight the sectors in which we underperformed. **Total Effect** reflects the combination of Allocation, Selection and Interaction effects. **Contribution To Return** is calculated by multiplying a security's beginning weight as a percentage of a portfolio by that security's return for the period covered in the report. Totals may not equal due to rounding.