CONGRESS ASSET MANAGEMENT COMPANY

# Portfolio Commentary

2Q 2018

# Large Cap Growth

## Market Review

For much of the last ten years, the U.S. economic expansion has been notable for its lack of sizzle. Even the stock market, which has done well, has been unremarkable relative to other expansions. That is about to change. We have shed the "two steps forward, one step back" readings of economic data.

What's changed? The continued development of our job market. May's unemployment reading reached a new low for this cycle at 3.8%. We currently have more jobs available than workers to fill them. Like a ball rolling downhill, we've picked up steam.

The momentum caused some volatility in financial markets, especially for bonds. Interest rates rose with the ten-year U.S. Treasury yield broaching the psychologically important 3% yield mark before falling back. Many bond market indices remain negative for the year. In contrast, stocks quelled some of the first quarter unease as the S&P 500 returned close to 3% for the quarter. Small stocks fared even better returning close to 8%.

The momentum exhibited in the second quarter is well grounded and likely to continue. The trickle of growth has become a torrent and expanded beyond the affluent. Lower income Americans are finally benefitting from tight labor markets and lower taxes resulting in higher confidence. This is captured in May's retail sales increase of 5.9% over last year.

After some delay, the benefits of the expansion are spreading to millennials and younger demographic cohorts, who came of age during the financial crisis. Back then, weak job prospects and record student debt weighed on their confidence and ability to spend. Things are better now. Today, millennials are forming new households at a solid pace, bolstering spending on housing and other big-ticket items.

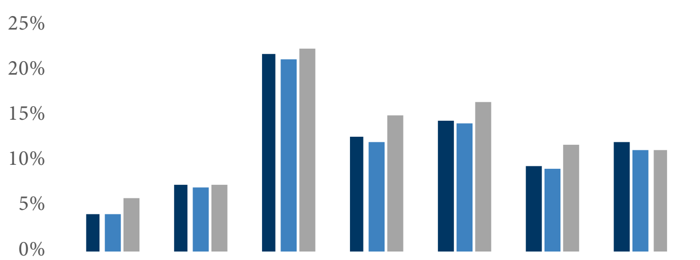
Corporate America continues to fare well. Record low interest rates, low inflation, tax cuts, and a large available work force resulted in strong 25% earnings growth in the first quarter. Small business trends are better now as optimism has risen with the improving profits outlook. To top it off, Federal spending was up 6% in May. This fiscal stimulus is sure to add fuel to the economic fire.

## Performance Overview

The Large Cap Growth Portfolio returned 4.16% (gross of fees) in the Second Quarter while the Russell 1000 Growth Index© returned 5.76%. Security selection within Health Care, Information Technology, and Consumer Staples benefited the Portfolio during the quarter.

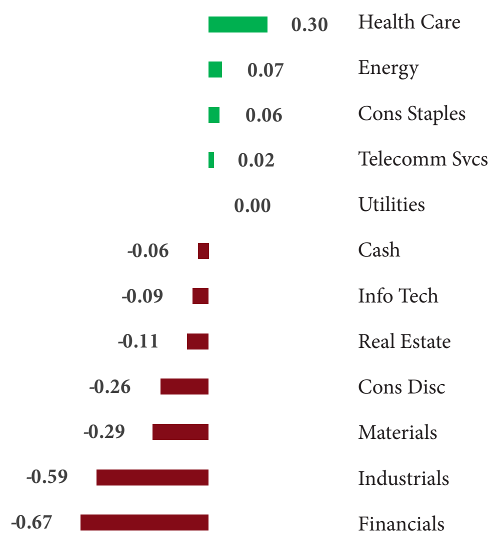
However, overweight allocations to Financials and Industrials and an underweight allocation to Information Technology each detracted from relative performance during the quarter. Finally, security selection within Materials detracted from relative performance.

### Average Annualized Performance % as of 6/30/2018




| | QTD | YTD | 1 Yr | 3 Yrs | 5 Yrs | 10 Yrs | Inception |
|---|---|---|---|---|---|---|---|
| Large Cap Growth (Gross) | 4.2 | 7.3 | 21.7 | 12.5 | 14.5 | 9.5 | 12.1 |
| Large Cap Growth (Net) | 4.0 | 7.1 | 21.1 | 11.9 | 14.0 | 9.0 | 11.2 |
| Russell 1000 Growth© | 5.8 | 7.3 | 22.5 | 15.0 | 16.4 | 11.8 | 11.1 |

### % Total Effect Portfolio vs. Index (3/31/2018 - 6/30/2018) (bps)




Information is as of 6/30/2018. Sources: Congress Asset Management, Factset, Russell Investments and Informa Investment Solutions. The information throughout this presentation is for illustrative purposes and is subject to change at any time. Holdings and sector weightings throughout this presentation are subject to change and should not be considered investment advice or a recommendation to buy or sell a particular security. Actual holdings may vary by client. Past performance does not guarantee future results. Gross performance shown does not reflect the deduction of investment management fees and certain transaction costs, which will reduce investment performance. This information is supplemental to the GIPS® presentation for the composite. Performance returns of less than one year are not annualized. Frank Russell Company ("Russell") is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Neither Russell nor its licensors accept any liability for any errors or omissions in the Russell Indexes and/or underlying data contained in this communication. No further distribution of Russell data is permitted without Russell's express written consent. Russell does not promote, sponsor or endorse the content of this communication.

## Q2 2018 Attribution Highlights

### Overall Contributors

- Security selection in Health Care, Information Technology & Consumer Staples

### Overall Detractors

- Allocation to Industrials, Information Technology & Financials
- Security selection in Materials

## Top 5 Stock Contributors and Detractors

**Contributors**

| Stock | Avg. Weight | Contribution |
|---|---|---|
| Amazon.com, Inc. | 3.35% | 0.53% |
| Facebook, Inc. Class A | 2.60% | 0.51% |
| Adobe Systems, Inc. | 3.72% | 0.47% |
| UnitedHealth Group, Inc. | 3.23% | 0.44% |
| TJX Companies, Inc. | 2.47% | 0.39% |

**Detractors**

| Stock | Avg. Weight | Detraction |
|---|---|---|
| Illinois Tool Works, Inc. | 2.50% | -0.30% |
| Northrop Grumman Co. | 2.49% | -0.30% |
| BorgWarner, Inc. | 2.04% | -0.27% |
| Charles Schwab Co. | 1.35% | -0.19% |
| Deere & Company | 1.39% | -0.16% |

**Amazon.com, Inc. (AMZN)** is the world's leading online retailer operating as both a direct seller of goods and as a platform for third-party sellers to distribute their products. The company also provides web infrastructure services to business customers through its Amazon Web Services (AWS). The stock posted solid returns as the company reported another strong quarter. Growth rates in AWS, Subscription Services (including Prime), and Other (including advertising) accelerated in the quarter.

**Facebook, Inc. Class A (FB)** is a social networking platform with about 2 billion active monthly users. Shares of the stock rose over the quarter as the company reported very strong results alleviating concerns of a possible slowdown in ad revenue. Engagement was up and impressions growth reaccelerated.

**Adobe Systems, Inc. (ADBE)** offers a line of software and services that help its customers create and deliver compelling content and web applications in a streamlined workflow as well as optimize those experiences for a greater return on investment. The company has seen growth accelerate across its Document and Experience Cloud segments as enterprise customers continue to adopt innovative services across digital mediums. In addition, ADBE maintained a 20% growth rate in its Creative Cloud segment.

**UnitedHealth Group, Inc. (UNH)** provides health care coverage, software, and data consultancy services through the following segments: UnitedHealthcare, OptumHealth, OptumInsight, and OptumRx. The company continues to post solid results driven by double digit earnings growth from UnitedHealthcare and Optum.

**TJX Companies, Inc. (TJX)** is the leading off-price apparel and home fashion retailer operating through the following segments: Marmaxx, HomeGoods, TJX Canada, and TJX Europe. After three quarters of weak same store sales growth in fiscal year 2018, the company reported 4% comparable stores growth from Marmaxx, giving the market confidence that it was back on track. In addition, execution issues that were plaguing the company in fiscal 3Q18 seem to have been rectified.

**Illinois Tool Works, Inc. (ITW)** manufactures industrial products and equipment. It operates through seven different segments: Automotive OEM, Test & Measurement and Electronics, Food Equipment, Polymers & Fluids, Welding, Construction Products, and Specialty Products. Weaker than expected organic growth in the quarter was predominantly driven by lower than expected auto builds in North America, and weak performance in the Specialty and Polymers & Fluids segments. Concerns about higher material costs and the ability to push through prices are ongoing.

**Northrup Grumman Co. (NOC)** is an American global aerospace and defense technology company. Despite a significant increase in fiscal 2018 defense appropriations and a fiscal 2019 top line budget for national security at $716 billion, the company did not raise its full year revenue guidance. In addition, NOC beat earnings estimates primarily due to lower tax rates and pension benefits.

**BorgWarner, Inc. (BWA)** produces automotive systems and components for powertrain applications. Its products help improve vehicle performance, fuel efficiency, stability, and air quality. The stock's weakness was primarily attributed to the European Commissioner's comments that diesel cars will completely disappear in several years. Separately, Nissan, one of BWA's larger clients, indicated that it would cut vehicle output in the U.S and Mexico this summer to reduce inventories.

**The Charles Schwab Corporation (SCHW)** engages in wealth management, securities brokerage, banking, asset management, custody, and financial advisory services. A flattening yield curve during the quarter was a strong headwind for many financial stocks including SCHW. The spread between the two and the ten-year US Treasury notes narrowed to a level not seen in more than a decade. The flattening yield spread reduced earnings expectations for SCHW.

**Deere & Company (DE)** is the leading manufacturer of agricultural and construction machinery. The company's financial results have been negatively impacted by higher raw material and freight costs. In addition, President Trump's trade tariff on China pressured the stock in the quarter.

Information is as of 6/30/2018. Sources: Congress Asset Management and Factset Research Systems. The information throughout this presentation is for illustrative purposes and is subject to change at any time. Holdings, sector weightings and securities identified as top contributors and detractors throughout this presentation are subject to change and should not be considered investment advice or a recommendation to buy or sell a particular security. Actual holdings may vary by client. The securities identified do not represent all the securities purchased, sold or recommended to clients. For information regarding the methodology used to select these holdings or to obtain a list showing the contribution of every holding in the strategy's composite account, which we believe is most representative to both a current and/or prospective client, please contact us at 1-800-234-4516. Gross performance shown does not reflect the deduction of investment management fees and certain transaction costs, which will reduce investment performance. Past performance does not guarantee future results.

## 2Q 2018 Transaction Summary

| Sector Allocation Changes | Purchased | Sold |
|---|---|---|
| • Increase in Health Care & Financials<br>• Decrease in Information Technology, Materials & Industrials | • Cisco Systems, Inc. (CSCO) - Information Technology | • Electronic Arts, Inc. (EA) - Information Technology |
| | • The Charles Schwab Corporation (SCHW) - Financials | • Check Point Software Technologies Ltd. (CHKP) - Information Technology |
| | • Intuitive Surgical, Inc. (ISRG) - Health Care | • PPG Industries, Inc. (PPG) - Materials |
| | • Vertex Pharmaceuticals, Inc. (VRTX) - Health Care | • Deere & Company (DE) - Industrials |

### Purchased

**Cisco Systems, Inc. (CSCO)** designs and sells a broad range of technologies across networking, security, collaboration, and the Cloud. The company is transitioning its business model – from a perpetual license to a SaaS model. Although it is still in the very early stages, management has executed well and is supported by a strong macro and enterprise spending environment.

**The Charles Schwab Corporation (SCHW)** engages in wealth management, securities brokerage, banking, asset management, custody, and financial advisory services. SCHW announced strong fourth quarter 2017 results with revenue increasing 14% and client assets increasing more than 20%. Net interest margin increased both sequentially and year over year. The Federal Reserve is likely to continue raising interest rates in 2018 and we expect SCHW's revenue and earnings to both grow accordingly along with some assistance from lower tax rates.

**Intuitive Surgical, Inc. (ISRG)** develops, manufacturers, and markets the da Vinci Surgical System along with related instruments and accessories used in minimally invasive surgery. Over 70% of the company's revenue is recurring, providing a steady growth stream. Growth in the volume of procedures using the company's technology is being driven by expanding adoption in general surgery. International markets should be a future growth driver with an estimated 1-2 million potential additional procedures annually.

**Vertex Pharmaceuticals, Inc. (VRTX)** focuses on developing and commercializing therapies used in the treatment of cystic fibrosis. The overall cystic fibrosis treatment market is expected to reach $13.9 billion by 2025. VRTX's growth will rely on development of drugs that work in combination with its market-leading medicine Kalydeco to treat other genetic subtypes of cystic fibrosis. The company's triple combination regimen (currently in Phase 3) could represent a breakthrough in treating this disease that would not only improve quality of life for patients but also extend their life span.

### Sold

**Electronic Arts, Inc. (EA)** develops, markets, publishes, and distributes video games, content, and services that can be played by consumers on various platforms. Concerns surrounding how the company handles microtransactions have hurt sales of new games. In addition, EA is experiencing short term disruption from popular free games such as Fortnite.

**Check Point Software Technologies Ltd. (CHKP)** engages in the development and marketing of software and hardware solutions used for IT security. Its products include threat prevention, next generation firewalls, mobile security, and security management. The company's financial results have been negatively impacted by a major U.S. salesforce structure overhaul. In addition, CHKP appears to be alienating its customers by pushing them to a multi-year contracts vs. annual renewals.

**PPG Industries, Inc. (PPG)** manufactures and distributes paints, coatings, and specialty materials. The company's growth has slowed across its portfolio, particularly in Performance Coatings (primarily paints for aerospace, architectural buildings and marine). The Committee feels that higher raw material and logistics costs will continue to negatively impact the company's financial results and weigh on the stock price.

**Deere & Company (DE)** is the leading manufacturer of agricultural and construction machinery. The company's financial results have been negatively impacted by higher raw material and freight costs. In addition, trade tariff concerns have dragged its stock price lower recently.

### Positioning

Investments are predicated on a company's future prospects rather than economic or market cycles. We seek companies with strong fundamentals, emphasizing earnings growth consistency, free cash flow, and solid balance sheet metrics. There were four purchases and four sales during the quarter, and they are reflective of this philosophy. These combined transactions essentially increased the Health Care and Financial sector weightings and reduced the Information Technology, Materials, and Industrial weightings.

### Outlook

Ironically, the fiscal stimulus should be considered one of the risks to our outlook. Fiscal stimulus in a period of strong economic growth often results in inflation as government competes with business for limited resources. Indeed, the Federal Reserve (Fed) raised short term rates in June and hinted at more increases both this year and next year. Even with inflation still below the Fed's preferred 2% rate, it has continued to decrease its bond holdings, effectively taking money out of the system. Often criticized for being behind, the Fed appears to be anticipating inflation.

While domestic growth continues unabated, Europe and many emerging markets have stalled. The synchronized global expansion is now relying mainly on the U.S. and China to propel the next leg of growth. In this vein, the nascent trade war with China takes on increased importance.

President Trump is clearly putting his stamp on our trade policies by

*Information is as of 6/30/2018*

implementing new tariffs. Over time, tariffs reduce trade and increase costs. Undoubtedly, Chinese actors continue to steal proprietary technologies and new protections in that realm are long overdue. As currently constructed, however, the new tariffs are as hurtful to Canada and Mexico as they are to China.

The tariffs themselves are not significant enough on their own to cause major concern but they do set a tone and act as a harbinger of what may come. As the U.S. has indicated more tariffs will follow, this has led to fears of a full-blown trade war.

The tailwind from lower corporate taxes enacted late last year are now being offset by these tariff concerns, resulting in companies delaying capital projects and taking a more conservative view of the future. This has been less of a concern for small companies that produce and sell in the domestic market. That could change, however, as investors recognize that even small companies are indirectly tied to global markets.

Other than trade policy, most of the potential negative economic stimuli have offsetting positives. For instance, the European Central Bank remains accommodative and has indicated it is likely to remain so throughout this year. Low European interest rates should help keep U.S. rates lower than they otherwise may be. Also, the Japanese economy appears to be stronger than it has been in decades and, along with China, provides meaningful opportunities for growth in Asia.

The U.S. economy enters the summer firing on all cylinders. The two primary risks in our view are: unforeseen inflation and a tariff induced slow down. The Fed is doing its part on inflation. As for tariffs, we believe cooler heads will prevail as the importance of global trade has been acknowledged by the administration even as the sabre rattling has intensified.

The foundation built over the last decade remains intact and strong enough to weather the current storm. An economy in full employment can withstand many challenges. That and accelerating growth keep us positively disposed to equities. Bond volatility may continue but the ten-year treasury at 3% appears attractive.

Congress Asset Management Co. Large Cap Growth Composite 1/1/1985 - 6/30/2018

| Year | Total Return Gross of Fees % | Total Return Net of Fees % | S&P 500 Return % (dividends reinvested) | Russell 1000 Growth Return % (dividends reinvested) | Composite Gross 3-Yr annualized ex-post St Dev (%) | S&P 500 3-Yr annualized ex-post St Dev (%) | Russell 1000 Growth 3-Yr St Dev (%) | Number of Portfolios | Gross Dispersion % | Total Composite Assets End of Period ($ millions) | Total Firm Discretionary Assets End of Period ($ millions) | Total Firm Assets End of Period # ($ millions) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| YTD | 7.3 | 7.1 | 2.7 | 7.3 | n/a | n/a | n/a | 87 | n/a | 162 | 7,444 | 10,862 |
| 2017 | 27.2 | 26.6 | 21.8 | 30.2 | 9.9 | 9.9 | 10.5 | 78 | 0.58 | 111 | 7,272 | 10,546 |
| 2016 | 5.6 | 5.1 | 12.0 | 7.1 | 10.7 | 10.6 | 11.2 | 81 | 0.43 | 98 | 5,693 | 8,139 |
| 2015 | 2.8 | 2.2 | 1.4 | 5.7 | 11.1 | 10.5 | 10.7 | 28 | 0.49 | 65 | 5,941 | 7,094 |
| 2014 | 10.1 | 9.5 | 13.7 | 13.1 | 10.1 | 9.0 | 9.6 | 30 | 0.47 | 89 | 6,328 | 7,449 |
| 2013 | 30.5 | 30.0 | 32.4 | 33.5 | 12.5 | 11.9 | 12.2 | 35 | 0.50 | 233 | 6,489 | 7,467 |
| 2012 | 11.9 | 11.5 | 16.0 | 15.3 | 15.2 | 15.1 | 15.7 | 39 | 0.40 | 302 | 6,755 | 7,498 |
| 2011 | 3.5 | 3.1 | 2.1 | 2.6 | 17.0 | 18.7 | 17.8 | 45 | 0.66 | 463 | 6,329 | 7,014 |
| 2010 | 11.8 | 11.3 | 15.1 | 16.7 | | | | 50 | 0.31 | 537 | 6,416 | 6,678 |
| 2009 | 28.0 | 27.4 | 26.5 | 37.2 | | | | 57 | 0.79 | 495 | 5,263 | 5,463 |
| 2008 | -34.3 | -34.6 | -37.0 | -38.4 | | | | 51 | 0.53 | 383 | 4,292 | 4,371 |
| 2007 | 12.4 | 11.9 | 5.5 | 11.8 | | | | 85 | 0.63 | 710 | 5,812 | 5,846 |
| 2006 | 9.1 | 8.1 | 15.8 | 9.1 | | | | 88 | 0.49 | 597 | 5,464 | 5,469 |
| 2005 | 6.4 | 5.3 | 4.9 | 5.3 | | | | 82 | 0.36 | 477 | 4,750 | 4,751 |
| 2004 | 14.2 | 13.1 | 10.9 | 6.3 | | | | 17 | 0.55 | 375 | 3,844 | 3,844 |
| 2003 | 19.5 | 18.3 | 28.7 | 29.8 | | | | 17 | 0.57 | 396 | 3,697 | 3,697 |
| 2002 | -17.3 | -18.1 | -22.1 | -27.9 | | | | 18 | 0.43 | 295 | 3,312 | 3,312 |
| 2001 | -14.5 | -15.3 | -11.9 | -20.4 | | | | 17 | 0.57 | 296 | 3,147 | 3,147 |
| 2000 | -5.5 | -6.4 | -9.1 | -22.4 | | | | 18 | 1.29 | 329 | 3,183 | 3,183 |
| 1999 | 25.8 | 24.6 | 21.1 | 33.2 | | | | 18 | 1.02 | 428 | 3,002 | 3,002 |
| 1998 | 26.3 | 25.0 | 28.6 | 38.7 | | | | 16 | 1.23 | 364 | 2,496 | 2,496 |
| 1997 | 31.8 | 30.5 | 33.4 | 30.5 | | | | 23 | 1.61 | 470 | 1,970 | 1,970 |
| 1996 | 25.5 | 24.2 | 23.0 | 23.1 | | | | 18 | 1.05 | 361 | 1,512 | 1,512 |
| 1995 | 35.0 | 33.7 | 37.6 | 37.2 | | | | 8 | 1.36 | 231 | 1,308 | 1,308 |
| 1994 | 2.9 | 1.9 | 1.3 | 2.7 | | | | 8 | 0.98 | 111 | 1,041 | 1,041 |
| 1993 | 6.8 | 5.8 | 10.1 | 2.9 | | | | 8 | 1.03 | 93 | 956 | 956 |
| 1992 | 5.4 | 4.3 | 7.6 | 5.0 | | | | ≤5 | n/a | 65 | 926 | 926 |
| 1991 | 34.1 | 32.9 | 30.5 | 41.2 | | | | ≤5 | n/a | 65 | 691 | 691 |
| 1990 | 5.3 | 4.3 | -3.1 | -0.3 | | | | ≤5 | n/a | 46 | 632 | 632 |
| 1989 | 36.7 | 35.5 | 31.7 | 35.9 | | | | ≤5 | n/a | 46 | 629 | 629 |
| 1988 | 7.0 | 6.0 | 16.6 | 11.3 | | | | ≤5 | n/a | 55 | 577 | 577 |
| 1987 | 8.0 | 6.9 | 5.3 | 5.3 | | | | ≤5 | n/a | 23 | 464 | 464 |
| 1986 | 22.8 | 21.7 | 18.7 | 15.4 | | | | ≤5 | n/a | 25 | 415 | 415 |
| 1985 | 49.1 | 47.7 | 31.7 | 32.9 | | | | ≤5 | n/a | 4 | 205 | 205 |

#The "Total Firm Assets" column is provided as supplemental information and also includes unified managed account (UMA) assets

Congress Asset Management claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Congress Asset Management has been independently verified for the periods 1/1/96 – 12/31/17. 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. The Large Cap Growth Composite has been examined for the periods 1/1/96 – 12/31/17. The verification and performance examination reports are available upon request.

Firm Information: Congress Asset Management Co. (CAM) is an investment advisor registered with the Securities and Exchange Commission under the Investment Advisors Act of 1940. Registration does not imply a certain level of skill or training. CAM manages a variety of public equity, private equity, fixed income and ETF managed portfolios for private and institutional clients. CAM acquired Prelude Asset Management, LLC on March 15, 2010. CAM merged with Congress Capital Partners, LLP on June 30, 2015. CAM acquired certain strategies of Century Capital Management, LLC on September 15, 2017.

Composite Characteristics: The Large Cap Growth Composite was created on January 1, 1993 and the inception date of the composite is January 1, 1985 which reflects the first full month in which an account was fully invested in the strategy and met the inclusion criteria. The composite includes all fully discretionary accounts with a value over $100 thousand (US dollars) managed in the large cap growth style for a minimum of one full month. The large cap growth strategy invests in the equity of high quality companies with market capitalizations greater than $5 billion exhibiting consistent earnings growth. The strategy may also invest from time to time in equity securities with capitalizations between $1 billion and $5 billion. Accounts with wrap commissions are excluded from the composite. Prior to January 1, 2016 the composite minimum was $500 thousand (US dollars). Prior to September 1, 2005 the composite did not include taxable accounts, private client accounts, or accounts with less than $1 million. The primary composite benchmark is the S&P 500 Index. The secondary benchmark is the Russell 1000 Growth Index. The benchmark returns are not covered by the report of independent verifiers. Closed account data is included in the composite as mandated by the standards in order to eliminate a survivorship bias. A complete list and description of all firm composites is available upon request.

Calculation Methodology: Valuations and returns are computed and stated in U.S. dollars. Monthly composite performance is calculated as an asset-weighted return using the aggregate method. This method aggregates market values and cash flows for all accounts and treats the composite as if it were one account. Monthly composite returns are geometrically linked to produce a time-weighted annual return. Beginning June 1, 2015, composites are valued daily. Prior to that date, the composite was re-valued on each date that a cash flow exceeded 10% of the total market value of the composite. Gross of fees returns are calculated gross of management and custodial fees and net of transaction costs. Prior to 2007 net of fees returns were calculated by reducing gross returns by the highest management fee in the Large Cap Growth composite, which was 1.00%. Effective January 1, 2007 net of fees returns are calculated using actual management fees. The composite results portrayed reflect the reinvestment of dividends, capital gains, and other earnings when appropriate. Accruals for equity securities are included in calculations. Internal dispersion is calculated using the asset-weighted standard deviation of annual gross-of-fees returns of those portfolios that were included in the composite for the entire year. For those years when less than six portfolios were included in the composite for the full year, no dispersion measure is presented. The three-year annualized ex-post standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. The standard deviation is not presented for 1985 through 2010 as it is not required for periods prior to 2011. Prior to January 1, 1998 the equity returns of eligible balanced accounts were carved out and included in composite returns. These carveout returns were calculated by splitting each balanced account, extracting the equities data along with a pro-rata share of each cash transaction. Prior to January 1, 1993 the composite is not in compliance with GIPS.

Fee Schedule: The firms' individual account fee schedule is as follows: 1.00% for first $1 million, 0.80% for next $4 million, 0.60% for next $5 million. Management fees for individual accounts with assets under management exceeding $10 million, and for institutional accounts are negotiated. The individual account fee schedule may be subject to negotiation where circumstances warrant. As fees are deducted quarterly, the compounding effect will increase the impact of the fees by an amount directly related to the gross account performance. For example, an account earning a 10% annual gross return with a 1% annual fee deducted quarterly would earn an 8.9% annual net return due to compounding.

Other Disclosures: Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Past performance does not guarantee future results. This performance report should not be construed as a recommendation to purchase or sell any particular securities held in composite accounts. Market conditions can vary widely over time and can result in a loss of portfolio value.