

GLOBAL MULTICAP

by Jeffrey P. Davis, CFA

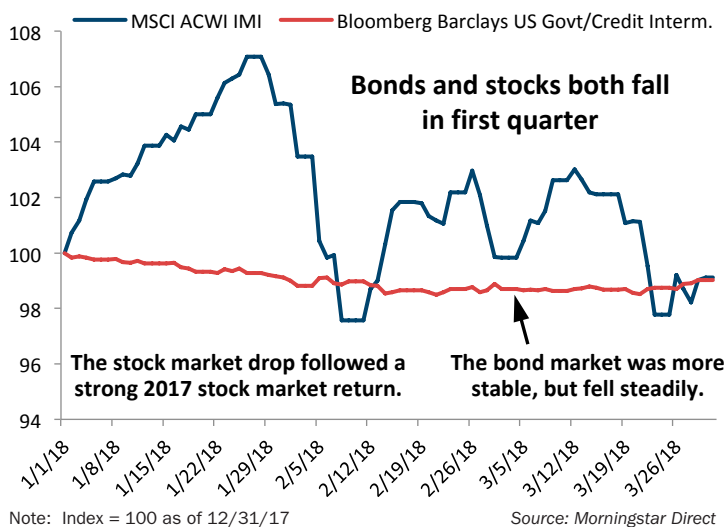
Strategy Overview

The LMCG Global MultiCap strategy is a diversified long-only global portfolio with exposure to US, developed and emerging international equity markets. Harnessing the investment acumen of a wide range of investment styles/approaches at LMCG Investments, the portfolio seeks to provide a broadly diversified, global portfolio, with multiple sources of potential alpha. The strategy attempts to add value versus the MSCI ACWI IMI Index through asset allocation and stock selection. The dynamic asset allocation process strives to position client portfolios in those regions and asset classes with the most favorable risk/return profiles. The Global MultiCap team, led by the firm's Chief Investment Officer Jeff Davis, CFA, monitors the global investment landscape looking for both areas of opportunity and potential stress points. Specifically, the team looks to mitigate downside risk by avoiding potential areas of weakness.

Global Equity Markets - First Quarter 2018 Review

The MSCI ACWI IMI benchmark for the LMCG Global MultiCap strategy fell -0.9% in the first quarter, as markets reversed strong gains in January. The Russell 1000 Index posted a -0.7% decline in the first quarter while smaller cap stocks surprised by outperforming large stocks as markets fell. The Russell 2000 Index was flat for the quarter while growth stocks led value stocks, but the quarter ended with a sizable sell-off of technology-related stocks, both large and small. Emerging markets once again led all major equity asset classes, but with a meager +1.3% gain for the first quarter.

Equities and Fixed Income - 1st Quarter 2018



The first quarter global equity returns were greatly influenced by US economic and trade policy, for better and for worse. Following a stock market surge in January in the wake of the passage of the "Tax Cuts and Jobs Act of 2017," the Trump administration

announced plans to use the threat of tariffs to protect the US steel and aluminum industries. Major market volatility ensued as a sizable and rapid sell-off was followed by a swift rebound. By quarter's end, markets fell sharply again as China retaliated against the US, targeting tariffs on imported US goods, and specifically among goods manufactured by states that had supported Trump during the elections. Technology shares were hit in late March when a serious data breach of Facebook accounts during the US election became public. President Trump then attacked Amazon for inadequate tax payments - leading to a sell-off of what has become known as the "FAANG" stocks, as investors became nervous about possible regulatory action.

- Evidence of robust global growth became widespread as US GDP forecasts rose. Earnings reports and leading economic indicators supported positive forecasts throughout the first quarter, even as the equity and fixed income markets retreated. Employment indicators in the US showed evidence of labor shortages, but also of new participants entering the workforce. New strength in capital expenditure planning provided strength for industrial stocks. Consumer stocks were divided as usually defensive staples sold off sharply while discretionary stocks maintained surprisingly strong performance carrying over from last year-end.
- The energy and real estate sectors posted poor returns after a strong January. While both sectors had been the beneficiary of strong synchronized global growth and low interest rates, the slowdown potential of protracted trade negotiations hurt prospects. Real estate shares became the biggest victims of higher interest rates prospects, although many feel the sell-off was overdone.

LMCG Global MultiCap Composite Performance

As of 3/31/2018, U.S. Dollar

	Annualized					
	Q1 2018	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception*
LMCG Global MultiCap (Gross)	-1.5	12.9	8.3	9.9	7.7	6.4
LMCG Global MultiCap (Net)	-1.9	11.2	6.7	8.3	6.1	4.8
MSCI ACWI IMI Index	-0.9	15.0	8.3	9.3	5.9	4.9

*Inception: September 2007.

Past performance is not indicative of future results. Gross performance returns presented above are net of transaction costs and include the reinvestment of dividends and other earnings but do not reflect the deduction of investment management fees which would reduce returns. Net returns are calculated by applying the investment management fee schedule noted in the composite disclosure to the gross returns of the accounts included in the composite. For information regarding the impact of investment management fees on performance, please refer to the attached composite disclosure.

GMC Performance Highlights

- The LMCG Global MultiCap strategy trailed the MSCI ACWI IMI index returns slightly in the first quarter. Nearly all equity and fixed income asset class returns were near zero or slightly negative. There were few places to hide during the decline in February and March, but our larger weights in US Small Cap stocks provided stability relative to the largest US and emerging markets companies that were sold off aggressively in March. We

had been tilting Global MultiCap’s US equity holdings more towards value stocks in hopes that they should provide defense in a sharp sell-off. We have also been increasing our quality bias for similar reasons, but so far, quality companies have declined along with companies with weak fundamentals. The US dollar was weaker against major currencies during the quarter as well, declining approximately 2%. This follows a decline of almost 10% in 2017.

- We addressed the issue of the FAANG stocks in our quarterly reports last year, and are comfortable in the manner in which we worked to limit exposure in the portfolio to last year’s levels. We feel that the steep sell-off that came at the end of the quarter in this “mega-cap” asset class is likely to be more than short-term profit taking. Global MultiCap does not own Facebook – our value orientation is largely responsible, but we do have exposure to Amazon, Apple, Microsoft, Alibaba, and Tencent.¹
- Banks in Europe and in the US had a flat quarter but were one of the major detractors to portfolio performance in February and March. Rising interest rates at year end and into January were boosting share prices in the sector – banks will tend to generate higher profits as interest rates rise from rock bottom, but a steepening yield curve typically follows if future growth expectations remain strong. That isn’t happening. As Jerome Powell took over from Janet Yellen in February as Chairman of the Federal Reserve, yields have fallen along with the US dollar in Europe and in the United States. At this point, tax cuts and fiscal stimulus may have pushed commodity prices higher, but not long-term inflation expectations, nor bank shares in 2018.
- Stock selection in the small and mid-cap area continued to hurt us while overall asset allocation was of some benefit. Stock selection has been plagued by individual earnings disappointments in most cases. The most fruitful investment activity has been profit taking in areas like Emerging Markets equities as well as re-balancing activity for clients between stocks and bonds in January.

GMC Asset Class Exposure	Relative Positioning*	Q1 2018 Index Performance ^Δ
US Large Cap (Russell 1000)	Underweight	-0.7%
US Small/Mid Value (Russell 2500 Value)	Overweight	-2.6%
US Small/Mid Growth (Russell 2500 Growth)	Overweight	+2.4%
Non-US Large Cap (MSCI EAFE)	Underweight	-1.6%
Non-US Small Cap (MSCI EAFE Small Cap)	Underweight	+0.1%
Emerging Markets (MSCI Emerging Markets)	Underweight	+1.3%

* Asset Allocation decisions in the Global MultiCap Strategy are subject to change over time. The relative positioning of the portfolio shown above is as of March 31, 2018.

^Δ Source: Bloomberg as of March 31, 2018.

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¹ References to portfolio holdings are not intended as investment advice. LMCg may have already bought or sold or may in the future buy or sell these securities on behalf of its clients.

Global MultiCap Outlook and Strategy – The Fog of Trade War

Valuation Breathing Room

When prices fall while revenue and earnings rise, good things happen to valuations. That means new buyers are paying less, and the conclusion from many history lessons on markets is that the chance of meeting return goals improves investing at lower valuations.

The US is still historically more expensive than non-US markets by a significant margin after the turmoil of the first quarter. Our allocation to non-US equities is similar to where it was before the market reversal in February. One issue has emerged in the past few days which could potentially change the US premium – a tariff war between the US and China.

Trade War – Business Cycle Ending or Foundation for New Growth?

Tariffs tend to harm economic growth in order to protect specific interests. However, few see damage done yet to the real economies, but stock markets are reactive with violent swings to news as we open the second quarter. At this stage, most analysts think tariffs will be short-lived and eliminated by negotiation before real damage is inflicted. Country and currency diversification should help defend the portfolio should this outlook turn out to be overly optimistic.

The Long-Term China Investment Question

China is growing in importance for investors, but not necessarily because of the hardball negotiations over trade. The Chinese equity market already dominates the major indexes for emerging markets equity investors. China represents nearly 30% of the MSCI Emerging Markets Index, the foundation of many of the largest passive funds, exchange traded funds, and institutional asset pools in the world. This weighting does not include the mainland Chinese “A” share market, and MSCI has opted for a gradualist approach to adding these shares over time. The A shares market poses many issues for foreign investors which are being addressed as a part of a long running negotiation between the major index publishers and the Chinese stock exchanges. When you add in the trade war threats, Chinese President Xi’s recent elimination of term limits, and the push for more Communist Party influence in foreign corporation joint ventures by Xi, one wonders about the future of shareholder rights.

For long-term investors, the right issue to consider is this – if an industry requires tariff protection to survive within the United States or within China, is that really an area with an attractive investment future? And after nearly 30 years of dislocation of industries from globalization – where we as global investors could benefit from improving productivity wherever it may locate itself – do we need to give up these benefits to re-locate these industries? Investors certainly have plenty of issues with China investments now in the wake of the political changes taking place in mainland China, and the disturbing increase in the presence of Communist Party members on boards of directors, let alone the true trade imbalances that do need addressing.

The biggest issue facing the US and China markets may turn out to be the security breach of Facebook and the possibility of regulatory action in its wake. The privacy issues that ‘face’ Facebook are likely to impact Chinese internet giants Tencent and Alibaba as well.

We continue to look for ways to play late economic cycle defense. Utilities seemed to be the one place to hide among equities during the market retreats in the first quarter, but they do not hold the promise of competitive total returns over long investment horizons.

Current Investment Positioning and Outlook

We are actively building a quality bias into our large cap US equity portfolio – we see this as our best defense for a true end of cycle bear market. We are targeting fundamentally stable names that generate healthy Free Cash Flow margins. We believe such firms have a lower probability of cutting their dividend in times of stress.

However, we are still fully invested in banks in the US and Europe (US and Canada 5.3%, Europe 5.5%, Rest of World 2%), which gives us the ability to keep up with a global economy that begins to overheat. We took profits in emerging markets in January reducing our position to approximately 10% of the portfolio while boosting active value strategies in US small and mid-cap stocks which have had an extended period of underperformance and should provide good defense with upside potential.

Global Balanced Update – If You Turn Up the Heat, Won't It Get Cooked Faster?

Which looks worse: stocks or bonds? Until last year, many asset allocators spent the decade with this pessimistic view during the 'unloved' bull market for stocks and bonds. Now, we believe, bonds

are looking worse. While the credit environment is still good, rates have been moving higher in the United States. Even a likely move to more normal valuations for credit risk will hurt bond prices even if rates moderate at current levels. This is, for the moment, good news for equities. Turning up the heat on the economy with tax cuts and deficit spending has led to negative returns in the first quarter for most categories of fixed income. Equity prices surged, but then reversed in February and March. This action made us wonder if too much heat had cooked the economy too quickly, but the fundamentals behind first quarter earnings, as well as leading economic indicators still favor equities looking out next year. We remain at a slight overweight in equities and underweight in fixed income.

	Economic Contraction			Neutral	Economic Recovery/ Boom		
Equity	50%	55%	60%	65%	70%	75%	80%
Fixed Income	50%	45%	40%	35%	30%	25%	20%

*Current Asset Allocation**

* The Global Balanced Strategy is subject to re-balancing. Asset allocation decisions, formulated by LMCG's Asset Allocation Committee, are subject to change over time and may fluctuate between 80% Equity / 20% Fixed Income and 50% Equity / 50% Fixed Income. The asset allocation of the portfolio shown above reflects the most current outlook as of 3/31/2018.

LMCG Global Balanced/Core Bond Composite Performance

As of 3/31/2018, U.S. Dollar

	Annualized				
	Q1 2018	1 Yr	3 Yrs	5 Yrs	Since Inception*
LMCG Global Balanced/ Core Bond (Gross)	-1.2	10.1	6.5	7.8	8.2
LMCG Global Balanced/ Core Bond (Net)	-1.6	8.6	5.0	6.3	6.7
65% MSCI ACWI IMI/ 35% Bloomberg Barclays Interm U.S. Gov't/Credit	-0.9	9.8	5.8	6.6	6.8

*Inception: March 2012.

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LMCG Global Balanced/Municipal Bond Composite Performance

As of 3/31/2018, U.S. Dollar

	Annualized				
	Q1 2018	1 Yr	3 Yrs	5 Yrs	Since Inception*
LMCG Global Balanced/ Municipal Bond (Gross)	-1.2	10.0	6.3	7.7	7.2
LMCG Global Balanced/ Municipal Bond (Net)	-1.5	8.5	4.9	6.3	5.7
65% MSCI ACWI IMI/ 35% Bloomberg Barclays 1-10 Yr. Municipal Bond	-0.8	10.1	6.0	6.8	6.2

*Inception: June 2011.

Past performance is not indicative of future results. Gross performance returns presented above are net of transaction costs and include the reinvestment of dividends and other earnings but do not reflect the deduction of investment management fees which would reduce returns. Net returns are calculated by applying the investment management fee schedule noted in the composite disclosure to the gross returns of the accounts included in the composite. For information regarding the impact of investment management fees on performance, please refer to the attached composite disclosure. The benchmark for the strategy is a blend of 65% MSCI ACWI IMI Index/35% Barclays Municipal Bond 1-10yr Index and is calculated internally by LMCG.

This publication is designed to provide general information about economics, asset classes and strategies. The opinions herein are those of LMCG portfolio management, are made as of the date of this material, and are subject to change without notice. There is no guarantee the views and opinions expressed in this communication will come to pass. It is for discussion purposes only, since the availability and effectiveness of any strategy depends on each client's facts and circumstances. The information in this commentary was obtained from sources believed to be accurate, but we do not guarantee that it is accurate or complete. It is provided for informational purposes only and was not issued in connection with any proposed offering of securities.

GLOBAL MULTICAP COMPOSITE

Schedule of Annual Returns

September 1, 2007 (date of inception)
through December 31, 2016

	Gross Returns (%)	Net Returns (%)	Benchmark Returns ¹ (%)	Dispersion ³ (bps)	Composite 3yr Ex Post Standard Deviation ⁴ (%)	Benchmark 3yr Ex Post Standard Deviation ⁴ (%)	Number of Accounts	Composite Assets at End of Period (\$ millions)	Total Firm Assets (\$ millions)
2016	11.0	9.4	8.4	38	11.5	11.1	310	254.3	7,367.5
2015	-1.6	-3.0	-2.2	24	10.7	10.7	327	242.0	6,786.9
2014	2.6	1.2	3.8	28	10.7	10.6	314	237.1	6,370.5
2013	26.6	24.8	23.6	55	14.3	14.1	255	199.8	5,831.5
2012	18.2	16.4	16.4	78	17.8	17.3	188	125.2	4,402.6
2011	-6.1	-7.4	-7.9	54	20.2	20.9	150	87.0	4,200.7
2010	15.6	14.0	14.4	82	23.1	24.9	95	61.8	4,412.7
2009	36.5	34.6	36.4	128	-	-	32	21.5	4,365.1
2008	-38.2	-39.1	-42.3	NA	-	-	11	6.0	2,527.4
2007 ²	3.5	3.0	3.0	NA	-	-	2	2.1	4,124.5

¹ Benchmark returns have been obtained from an independent source and have not been examined by independent accountants.

² Partial year return beginning September 1, 2007.

³ Not calculated in 2007 because partial year performance. Not statistically significant in 2008 because insufficient number of portfolios in the composite for the year.

⁴ The three-year annualized standard deviation is not presented from December 31, 2007 through December 31, 2009 because the composite did not have 36 monthly returns in that time period.

Global MultiCap Composite: Portfolios included in this composite are invested to achieve consistent returns above the benchmark over a full market cycle. Primary emphasis is placed on investing in financially strong small, mid-sized and large capitalization companies both domestic and international with above average earnings growth potential, strong balance sheets, improving profitability and attractive valuations. On July 1, 2011, the benchmark was changed from the MSCI-World Index to the MSCI All Country World Investable Market Index ("MSCI ACWI IMI"). The broader country and market cap universe of the MSCI ACWI IMI more closely aligns with the strategy than the previous index. Returns for the MSCI ACWI IMI are net of all foreign withholding taxes from a U.S. tax perspective. The composite was created in January 2008.

Royal Bank of Canada ("RBC") became LMCG's indirect majority owner in November 2015 when RBC acquired City National Corporation ("CNC"). Effective January 1, 2015, Lee Munder Capital Group, LLC is known as LMCG Investments, LLC ("LMCG"), an investment adviser registered with the Securities and Exchange Commission. In July 2009, the firm was reorganized as an affiliate of CNC and took the name of Lee Munder Capital Group, LLC., prior to which it was known as Lee Munder Investments Ltd. ("LMIL"), which itself was an investment adviser registered with the Securities and Exchange Commission. The firm maintains a complete list and description of composites, which is available upon request.

The investment management fee schedule is as follows: 1.50% on the first \$1 million, 1.47% on the next \$1 million, 1.32% on the next \$3 million, and 1.07% on assets above \$5 million. This is the maximum fee schedule applicable to the strategy. Actual investment advisory fees incurred by clients may vary.

Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. The U.S. Dollar is the currency used to express performance. Performance results are presented gross and net of management fees, include the reinvestment of income and are net of foreign withholding taxes. Net returns are calculated by applying the fee schedule disclosed above to the monthly gross returns of the accounts included in the composite. The annual composite dispersion presented is an asset weighted standard deviation calculated for the accounts in the composite the entire year. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

LMCG claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. LMCG has been independently verified for the periods October 1, 2000 through December 31, 2016. The verification report(s) is/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. Past performance is not indicative of future results.

GLOBAL BALANCED/ CORE BOND COMPOSITE

Schedule of Annual Returns

March 1, 2012 (date of inception)
through December 31, 2016

	Gross Returns (%)	Net Returns (%)	Benchmark Returns ¹ (%)	Dispersion ² (bps)	Composite 3yr Ex Post Standard Deviation ⁴ (%)	Benchmark 3yr Ex Post Standard Deviation ⁴ (%)	Number of Accounts	Composite Assets at End of Period (\$ millions)	Total Firm Assets (\$ millions)
2016	8.4	6.9	6.3	59	8.4	7.2	19	22.4	7,367.5
2015	-0.8	-2.2	-0.9	15	8.1	7.1	20	21.6	6,786.9
2014	2.8	1.4	3.7	11	-	-	18	20.2	6,370.5
2013	19.6	18.0	14.5	56	-	-	11	12.1	5,831.5
2012 ³	5.1	3.9	4.1	NA	-	-	3	3.4	4,402.6

¹ Benchmark returns have been obtained from an independent source and have not been examined by independent accountants.

² Not statistically significant due to insufficient number of accounts in the composite for the year.

³ Partial year performance for the period of March 1, 2012 through December 31, 2012.

⁴ The three-year annualized standard deviation is not presented from December 31, 2012 through December 31, 2014 because the composite did not have 36 monthly returns in that time period.

Global Balanced/Core Bond Composite consists of all accounts managed in the global balanced/core bond strategy. The global balanced strategy is an asset allocation strategy that seeks long term growth and capital preservation through investments in global equities and core bond (taxable) fixed income products. The allocation of assets may range from 80% equity/20% fixed income to 50% equity/50% fixed income. Asset allocation decisions are formulated by LMCG's Asset Allocation Committee and are subject to change. The fixed income portion of the portfolio will be invested in core fixed income securities. Fixed income allocations below \$1 million will be invested in core bond exchange traded funds and/or mutual funds. Returns for the strategy are measured against a blend of 65% MSCI ACWI IMI index and 35% Barclays Intermediate Government Credit Index for GBT. The composite was created in December 2012.

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Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Account performance is calculated on a total return basis including income and realized and unrealized gains and losses. Composite performance is presented gross and net of management fees. Net returns are calculated by applying the investment management fee schedule noted below to the gross returns of the accounts included in the composite. The annual composite dispersion presented is an asset weighted standard deviation calculated for the accounts in the composite the entire year. The U.S. Dollar is the currency used to express performance. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

The investment management fee schedule is as follows: 1.40% on the first \$1 million, 1.37% on the next \$1 million, 1.270% on the next \$3 million, and 1.02% on assets above \$5 million. This is the maximum fee schedule applicable to the strategy. Actual investment advisory fees incurred by clients may vary.

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GLOBAL BALANCED/ MUNICIPAL BOND COMPOSITE

Schedule of Annual Returns

June 1, 2011 (date of inception)
through December 31, 2016

	Gross Returns (%)	Net Returns (%)	Benchmark Returns ¹ (%)	Dispersion ² (bps)	Composite 3yr Ex Post Standard Deviation ⁴ (%)	Benchmark 3yr Ex Post Standard Deviation ⁴ (%)	Number of Accounts	Composite Assets at End of Period (\$ millions)	Total Firm Assets (\$ millions)
2016	7.6	6.1	5.5	46	8.3	7.1	28	31.1	7,367.5
2015	-0.5	-1.9	-0.4	21	8.1	7.1	29	31.1	6,786.9
2014	3.1	1.7	4.2	39	8.1	7.1	27	27.1	6,370.5
2013	19.6	17.9	14.7	30	-	-	23	22.3	5,831.5
2012	13.5	11.9	12.0	30	-	-	11	10.6	4,402.6
2011 ³	-7.5	-8.3	-7.2	NA	-	-	6	5.1	4,200.7

¹ Benchmark returns have been obtained from an independent source and have not been examined by independent accountants.

² Not statistically significant due to insufficient number of accounts in the composite for the year.

³ Partial year performance for the period of June 1, 2011 through December 31, 2011.

⁴ The three-year annualized standard deviation is not presented from December 31, 2011 through December 31, 2013 because the composite did not have 36 monthly returns in that time period.

Global Balanced/Municipal Bond Composite consists of all accounts managed in the global balanced/municipal bond strategy. The global balanced strategy is an asset allocation strategy that seeks long term growth and capital preservation through investments in global equities and tax-exempt fixed income products. The allocation of assets may range from 80% equity/20% fixed income to 50% equity/50% fixed income. Asset allocation decisions are formulated by LMCG's Asset Allocation Committee and are subject to change. The fixed income portion of the portfolio will be invested in tax-exempt fixed income securities. Fixed income allocations below \$1 million will be invested in tax-exempt exchange traded funds and/or mutual funds. Returns for the strategy are measured against a blend of 65% MSCI ACWI IMI index and 35% Barclays Capital 1-10 year Municipal Bond Index. The composite was created in January 2012.

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