International Small Cap

Q3 2018 REVIEW

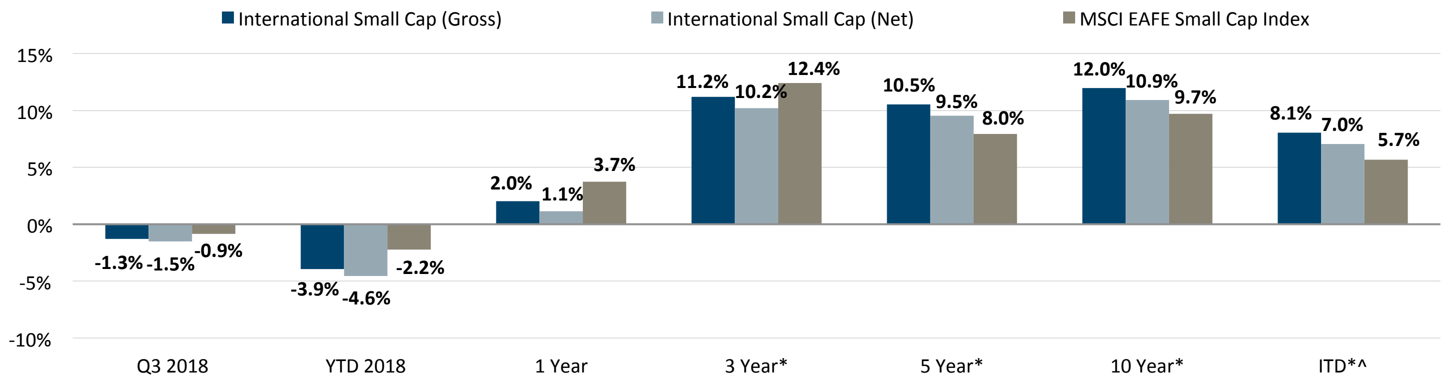
INVESTMENT RESULTS

The LMCG International Small Cap strategy returned -1.3% versus -0.9% for the MSCI EAFE Small Cap Index during the third quarter. Since its October 1, 2006 inception, the strategy has outperformed the benchmark with an annualized return of +8.1% versus +5.7% for the MSCI EAFE Small Cap Index.

The performance detail for the LMCG International Small Cap Composite is as follows:

COMPOSITE PERFORMANCE

As of 9/30/2018, U.S. Dollar

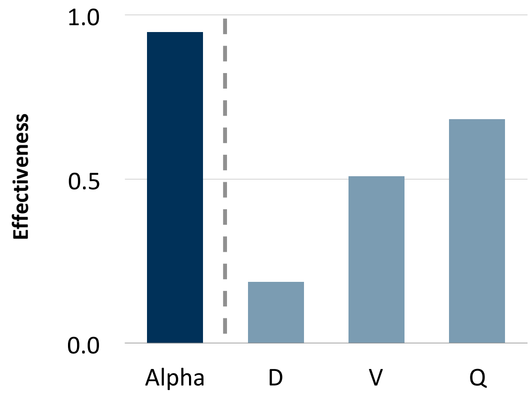


*Annualized. ^ Inception: October 1, 2006.

Past performance is not indicative of future results. Investment advisory fees are described in Part 2A of LMCG's Form ADV. 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. Shown as supplemental information only and complements the International Small Cap composite disclosure attached.

The LMCG International Small Cap Strategy underperformed its benchmark for the quarter. Performance was weak despite slightly positive results for the overall stock selection model (*Alpha*) as the effectiveness of the individual components, *Market Dynamics*, *Value* and *Earnings Quality* was positive on average but mixed from month to month (see Figure 1). *Earnings Quality* was the strongest of the three composite factors and worked quite well in August and September. *Value* worked on average but was only positive in two out of the three months. *Market Dynamics*, which includes *Earnings Revision* and *Price Momentum*, was the least effective of the three major factor components.

Figure 1: Factor Performance



D = Market Dynamics
V = Valuation
Q = Earnings Quality

Source: LMCG Investments

The market environment during the quarter was mixed. Riskier assets outperformed in July and our Value factors were very effective and high beta stocks outperformed low beta stocks. In August, the opposite was true. Investors were more risk averse and Value did not work and low beta stocks were favored over high beta stocks. September was a more neutral environment and our process worked better as more of our factors were working.

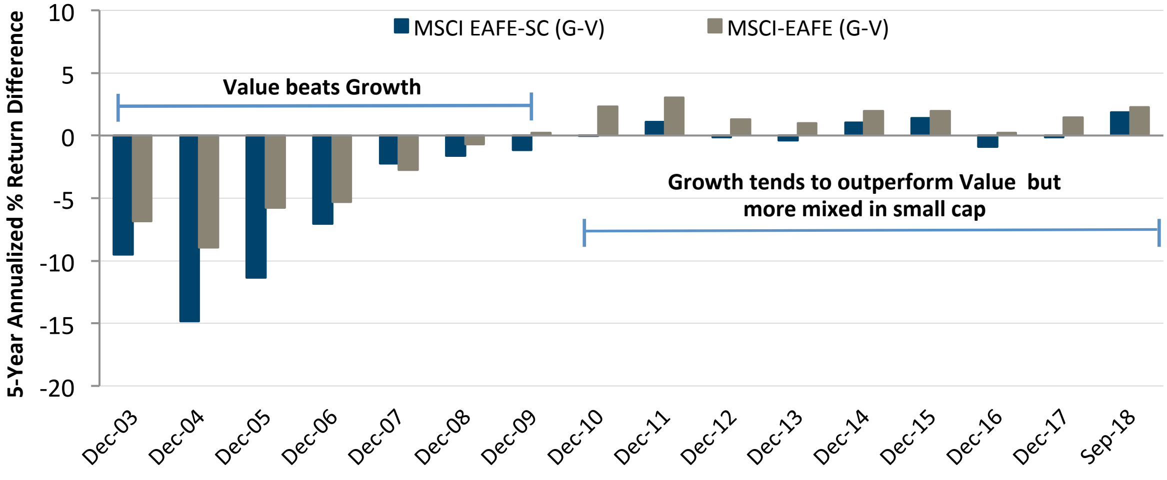
Stock selection within countries was slightly positive, led by selections in the UK, Germany and Japan. The worst stock selection was in Australia. Country allocation was a drag on performance and more than offset the positive contribution from stock selection. An underweight in Israel and an overweight in Korea detracted most. Within sectors, stock selection was negative led by selections in Financials. Allocation to sectors was also negative led by an underweight position in Energy.

MARKET REVIEW

Developed market small cap returns were modestly negative for the quarter, underperforming their U.S peers but ahead of their emerging market small caps. The MSCI EAFE Small Cap Index returned -0.9% versus +3.6% for the Russell 2000 and -4.2% for the MSCI Emerging Market Small Cap Index. The investing environment was less defensive than what we have seen so far this year. However, market volatility remained elevated on macro uncertainty related to trade discussions between the US and several countries.

For the last few years, our core investment style has had a difficult time outperforming as one of our key factor categories, Value, has not worked well. September 15, 2018 marked the 10th anniversary of Lehman Brothers' bankruptcy filing which set the global financial crisis in motion. Developed markets bottomed in March 2009 and the value style worked well immediately following the crash through the end of 2009. Since then, the growth investment style has been more dominant over most five-year rolling periods. The value style has worked intermittently but it has not been sustained for any length of time and the magnitude has been much smaller than what we saw in the five-year rolling periods ending in December 2003-2006 for MSCI EAFE-Small Cap (SC). Given the last several years of lackluster results, the efficacy of a value investment style has been challenged. As a proxy for these styles, we compare Value and Growth index performance for MSCI EAFE-SC compared to MSCI EAFE. We calculated five-year rolling returns starting from January 1, 1999 through September 30, 2018 in order to capture the tech bubble, the financial crisis and the aftermath. In Figure 2 below, the blue bars represent the five-year rolling returns for the MSCI EAFE-SC Growth Index minus the MSCI EAFE-SC Value Index. The gray bars show the same calculation for the MSCI EAFE Growth versus the MSCI EAFE Value Indexes. The MSCI EAFE-SC Value index beat the MSCI EAFE-SC Growth index in every rolling five-year period up until December 31, 2009 and until December 31, 2008 for MSCI EAFE. More recently, Growth indices have outperformed Value indices in large cap developed markets but it was less consistent in small cap. In 2018, there is a jump in the five-year rolling return difference between the Growth and Value indices in both small and large cap developed market stocks. We believe this larger spread between growth and value in the MSCI EAFE-SC has made it more difficult for our core approach, which combines elements of value and growth, to add value.

Figure 2: Annualized 5-Year Rolling Returns Ending December 2003 – September 2018 for Developed Market Small and Large Cap Growth vs. Value Indices



Index returns are published returns of MSCI.

Source: LMCG Investments and MSCI

OUTLOOK

We expect stock market volatility to remain elevated as negotiations on trade tariffs between the US and China continue. So far this year, investors in developed markets have been more focused on macro news events rather than company fundamentals, which is a difficult environment for an active strategy such as ours. In this environment, investors have preferred stocks that have positive earnings growth and good performance versus their peers compared to cheapness, which is considered more risky. Our more growth-oriented factors have worked better and have been able to partially offset our *Value* factors, which have not worked on average year-to-date. This quarter, *Value* did work a bit better and we are hopeful this trend will continue.

Despite the recent preference for the Growth style, we still believe that valuation has a place in our investment process and maintain that Value and Growth styles can have periods of outperformance or underperformance but eventually, they reverse or converge so that the return differences are not as large. We continue to employ a balanced approach with respect to our major stock selection components: *Value*, *Market Dynamics* and *Quality*. We believe it is important to invest in stocks with good valuations that also have a catalyst such as *Estimate Revision* or *Price Momentum*.

STRATEGY

Our investment philosophy is based on a bottom-up quantitative approach to investing. We believe inefficiencies in the market create opportunities and a quantitative process is well suited to capture these inefficiencies and outperform. Our stock selection model groups factors into three major categories: *Market Dynamics*, *Value* and *Quality*. Our *Market Dynamic* factors are designed to exploit short-term trends as we believe investors under-react in the short term. Our *Value* factors are intended to capture mean reversion as investors tend to overreact in the longer term. Our *Quality* factors incorporate information about the quality of earnings that investors tend to overlook. Over time, we believe this style of management will generate positive relative returns.

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.

INTERNATIONAL SMALL CAP COMPOSITE

Schedule of Annual Returns

January 1, 2008 through December 31, 2017

	Gross Returns (%)	Net Returns (%)	Benchmark Returns[1] (%)	Dispersion[2] (bps)	Composite 3yr Ex Post Standard Deviation[3] (%)	Benchmark 3yr Ex Post Standard Deviation[3] (%)	Number of Accounts	Composite Assets at End of Period ($ millions)	Total Firm Assets ($ millions)	Non-Fee Paying Assets (%)
2017	34.0	32.8	33.0	28	11.7	11.6	5	317.7	7,551.3	0
2016	0.4	-0.5	2.2	13	12.6	12.1	4	135.6	7,367.5	0
2015	13.4	12.4	9.6	16	11.7	11.3	4	123.5	6,786.9	0
2014	2.9	1.9	-5.0	16	14.0	13.3	4	109.9	6,370.5	0
2013	36.3	35.0	29.3	22	16.5	16.1	4	98.5	5,831.5	0
2012	22.2	21.0	20.0	29	20.7	19.8	4	81.2	4,402.6	0
2011	-14.2	-15.0	-15.9	16	24.7	23.0	4	77.2	4,200.7	0
2010	21.4	20.2	22.1	16	29.9	28.9	3	91.9	4,412.7	0
2009	44.0	42.6	46.8	20	27.4	26.3	3	69.9	4,365.1	0.2
2008	-44.3	-44.8	-47.0	NA	-	-	3	12.0	2,527.4	11

[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 entire year.

[3] The three-year annualized standard deviation is not presented for December 31, 2008 because the composite did not have 36 monthly returns in that time period.

International Small Cap Composite consists of accounts managed in the International Small Cap Equity strategy ("ISC"). ISC seeks to achieve long-term capital appreciation through investments in non-U.S. equity securities with market capitalizations that generally fall within the range of capitalizations of the MSCI EAFE Small Cap Index (net). For comparison purposes, the composite is measured against MSCI EAFE Small Cap Index (net). The MSCI EAFE Small Cap Index (net) calculates dividend reinvestment net of taxes from a U.S. perspective, which is similar to how the portfolios in the composite reinvest current income. The inception date of the composite is October 1, 2006. The composite was created in October 2006.

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.

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 and net of foreign withholding taxes. Performance results are 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. Actual returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. 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% on the first $25 million, 0.90% on the next $25 million, and 0.80% thereafter. Actual investment advisory fees incurred by clients may vary.

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, 2017. 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 International Small Cap Composite has been examined for the periods October 1, 2006 through December 31, 2017. The verification and performance examination reports are available upon request. Past performance is not indicative of future results.

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