

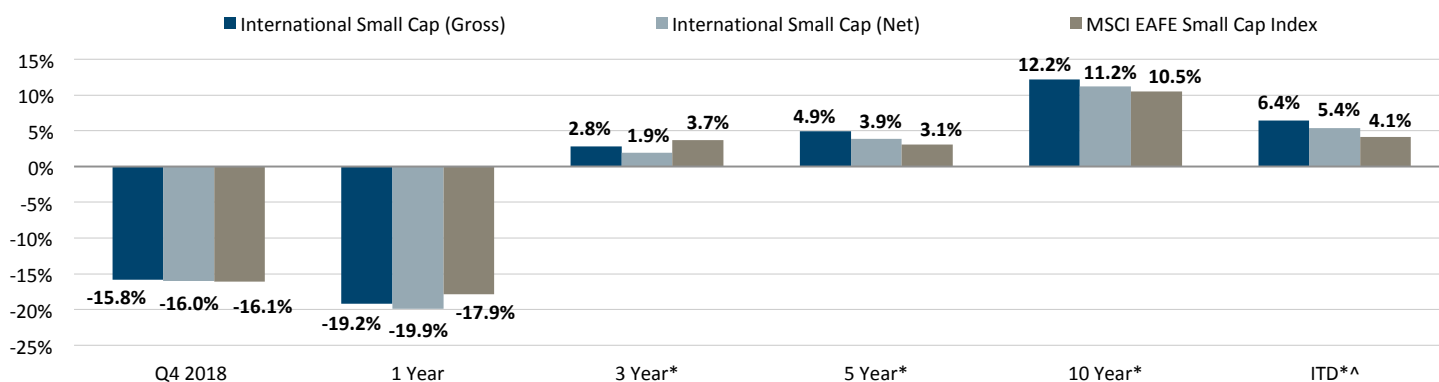
INVESTMENT RESULTS

The LMC International Small Cap strategy declined -15.8% versus -16.1% for the MSCI EAFE Small Cap Index during the fourth quarter and posted a -19.2% return for the year versus -17.9% for the Index. Since its October 1, 2006 inception, the strategy has outperformed the benchmark with an annualized return of +6.4% versus +4.1% for the MSCI EAFE Small Cap Index.

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

COMPOSITE PERFORMANCE

As of 12/31/2018, 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 LMC'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 LMC International Small Cap Strategy modestly outperformed its benchmark for the quarter, consistent with slightly positive results for the overall stock selection model (Alpha) as shown in Figure 1. *Earnings Quality* (Q) was the strongest of the three composite factors and worked particularly well in October and December. *Value* (V) worked on average but was volatile from month to month. It worked very well in October and December but was quite negative in November. *Market Dynamics* (D), which includes *Earnings Revision* and *Price Momentum*, was the least effective of the three major factor components and only contributed positively in December.

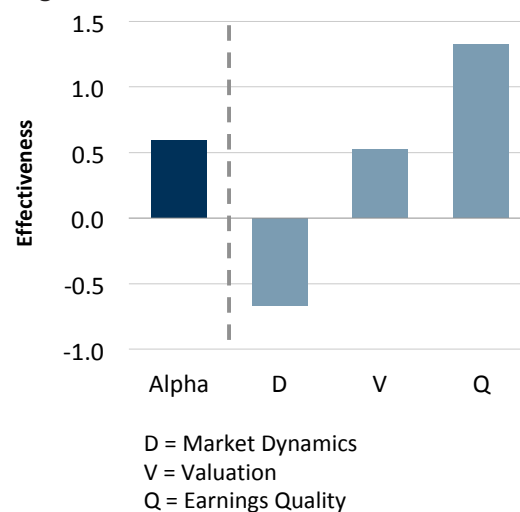
In October and November, investors embraced risk and higher beta stocks outperformed lower beta stocks. In December there was a dramatic shift away from risk as tariff discussions between the US and China heated back up and worries of a global economic slowdown dampened investor sentiment. Correlations among international small cap stocks spiked during the month and stocks traded more together. Despite this difficult environment where stocks were moving more on macro events than company fundamentals, our process was able to add modest performance above its benchmark as all three of our major factor components worked.

Stock selection within countries was slightly positive, led by selections in Norway, France and Japan. The worst stock selection was in Germany and Spain. Country allocation was a drag on performance led by underweight positions in New Zealand and Japan. Within sectors, stock selection was positive, led by selections in Energy and Financials that offset negative contributions from Materials and Industrials. Allocation to sectors was also modestly positive, led by an underweight position in Energy.

MARKET REVIEW

International developed market small cap returns continued their negative trend this quarter consistent with their US small cap peers. The MSCI EAFE Small Cap Index returned -16.1% versus -20.2% for the Russell 2000. Small caps in the emerging markets fared considerably better, with the MSCI EM Small Cap Index declining just 7.2%. The first three quarters of 2018

Figure 1: Factor Performance



Source: LMC Investments

were fairly calm in terms of market volatility. Correlations among small cap stocks in the developed market universe spiked in February but then drifted back down. In October, volatility picked up again and stock correlations rose on concerns over Brexit negotiations. Worries over trade talks between the US and China as well as fears over slowing economic growth only added to investor concerns.

We use a core approach to investing that combines value and growth characteristics. For the last couple of years, this approach has had a difficult time adding value as the performance of the value and growth styles have been extreme and often pulling in different directions. A core approach that has exposure to both styles struggled. For the first six months of 2018, the growth style outperformed with the MSCI EAFE Small Cap Growth Index returning +1.3% and the MSCI EAFE Small Cap Value Index returning -3.9%. Our core style struggled during this time. In the July through December 2018 period, the MSCI EAFE Small Cap Growth Index underperformed, returning -18.6% versus -14.9% for the MSCI EAFE Small Cap Value Index. In terms of our investment process, our *Value* factors also worked better during the latter part of the year but our *Market Dynamics* factors, which include some more growth-oriented characteristics, underperformed and offset positive contributions from *Value* factors, resulting in the strategy performing roughly in line with the benchmark.

Going into 2019, we are hopeful that developed international markets will outperform US markets and that the extreme performance differences between the Value and Growth styles will moderate. To evaluate the attractiveness of international small cap stocks versus US small cap equities, we compared valuation levels using the Price-to-Earnings ratio for the MSCI EAFE Small Cap Index and the Russell 2000 from December 2013–December 2018 (see Figure 2). While developed market small caps usually trade at a discount to US small caps, the average for the five-year period ending December 2017 was around 28%. This year, the discount widened and reached 49% by October 2018, the biggest we've seen in recent years. It seems to have bottomed in that month and developed small caps outperformed US small caps in November and December. In addition, during the last two months of the year the performance between the value and growth styles were more similar which should bode well for the strategy if the trend persists going forward.

Figure 2: Price-to-Earnings Comparison - MSCI EAFE-SC vs. Russell 2000

Month	Price-to-Earnings Ratio		MSCI EAFE-SC PE Discount to Russell 2000
	MSCI EAFE-SC	Russell 2000	
Dec-13	23.3 x	28.8 x	-19%
Dec-14	18.0	27.5	-35%
Dec-15	20.3	25.1	-19%
Dec-16	20.2	28.5	-29%
Dec-17	20.5	32.1	-36%
Oct-18	16.2	31.4	-49%
Nov-18	16.4	29.6	-45%
Dec-18	15.2	25.8	-41%

Source: LMCG Investments. Discount calculated as (P/E for MSCI EAFE-SC divided by P/E for Russell 2000) - 1.

OUTLOOK

Given the uncertainty related to trade negotiations between the US and China and concerns over global economic growth, we expect equity market volatility to remain elevated in the near-term. So far in January, we have seen this to be the case. When markets are jittery, we tend to see investors become more defensive and more risk averse. In the past, we have observed that investors also favor the growth style over value in this environment as cheapness is perceived as more risky. However, given the declines that we have already seen and the relative attractiveness of international markets, we are hopeful that much of the bad news is priced in and investors will start to look through the macro events and focus on company fundamentals again. As this happens, we would expect the value style to do well. We have designed the strategy to combine elements of value and growth so that it can do well in either of these environments as long as neither style is underperforming dramatically. 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.

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INTERNATIONAL SMALL CAP COMPOSITE

Schedule of Annual Returns

January 1, 2008 through December 31, 2017

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.

	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

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.

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.