Small/Mid Cap Growth

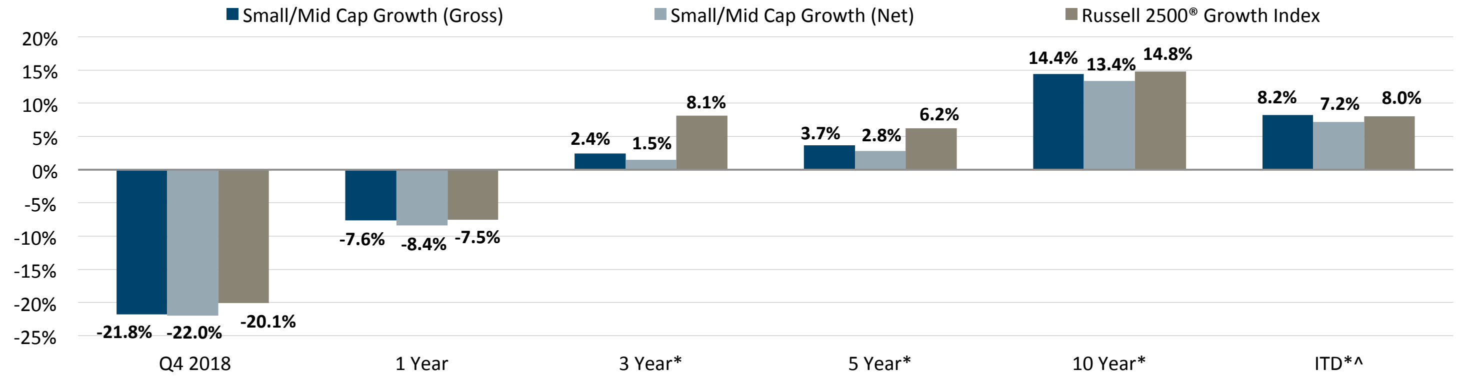
Q4 2018 REVIEW

PERFORMANCE SNAPSHOT

The LMCG Small/Mid Cap Growth strategy returned -21.8% in the fourth quarter of 2018, versus a -20.1% return for the Russell 2500 Growth Index. For the full year, the portfolio returned -7.6% versus the benchmark's return of -7.5%. Since its inception on January 1, 2008, the strategy has returned an annualized 8.2%, while the Russell 2500 Growth Index has gained 8.0%.

COMPOSITE PERFORMANCE

As of 12/31/2018, U.S. Dollar



* Annualized. ^ Inception: January 1, 2008.

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 composite disclosure shown below. Prior to January 1, 2012 performance for Small/Mid Cap Growth reflects a period of time when the team was affiliated with Crosswind Investments, LLC. LMCG acquired the strategy and the team in January 2012. Shown as supplemental information only and complements the Small/Mid Cap Growth composite disclosure attached.

MARKET REVIEW

Growth trailed Value within US small/mid-cap equities in the fourth quarter, though both indices were down significantly along with the broader market. The Russell 2500 Growth Index returned -20.1%, while the Value benchmark was down -17.1%. Growth finished the full year ahead of Value in the asset class, returning -7.5% versus -12.4% for Value. From a size perspective this quarter, returns down the cap spectrum were lower. The Russell 1000 Index finished at -13.8%, while the Russell Midcap Index returned -15.4% and the Russell 2000 Index returned -20.2%.

Before discussing the portfolio at the sector or individual stock level, it is worth considering several points about the overall Small/SMID Cap market given the extreme volatility witnessed in Q4, and specifically in December. In the last 20 years, there were only 7 months (2.9% of 240 months) with worse price performance for the Russell 2000 Growth Index, so the environment in December was as extreme as one would have thought. Perhaps just as important are the empirical observations about what, historically, happened next. Looking at the last 40 years of data, returns for the Russell 2000 (incepted in 1979, before the R2000G) for the 1, 3 and 5-year periods following a quarter of such negative magnitude have been very strong. According to Bloomberg data through the market bottom on December 24, 2018, the Q4-to-date return of -24% for the Russell 2000 would have ranked as the 4th worst quarter in the index's history. The bottom 10 quarters, with the sharpest declines, led to positive returns 9 out of 10 times in the ensuing 12 months – with an average return of +26.4% for the index. Since 2004, the Russell 2500 Growth Index and the Russell 2000 Growth Index have had a 99% correlation. We think this data is very convincing that prices for Small (and SMID) Cap stocks simply fell too far in Q4 and that this is an opportunity where investors should seriously consider Small and SMID Cap stocks.

INVESTMENT RESULTS

From a sector perspective in the quarter, the LMCG portfolio outperformed in the Health Care, Energy, Consumer Staples and Communication Services sectors. The portfolio underperformed in the Information Technology, Consumer Discretionary, Financials and Real Estate sectors. Industrials, Materials and Utilities were flat in the quarter.

Several of the top ten contributors to performance, including television broadcaster *Sinclair Broadcast Group*, home health services providers *LHC Group (LHCG)* and *Addus HomeCare*, and *Central Garden & Pet Company (CENTA)*, posted negative absolute returns for the period but held up better than other companies in their respective segments. The portfolio benefited from having larger positions than the benchmark in all of those names. That performance made sense, given that LHC Group, Addus and Sinclair had all recently beaten numbers and raised guidance, while Central Garden is a very stable business that was rewarded in the face of all of Q4's economic uncertainties.

Sinclair Broadcasting regained some ground in Q4 after a difficult Q3 when their Tribune deal broke. However, in early Q4 Sinclair reported very strong revenue and cash flow results, raised guidance and declared a $1 billion share buyback. The company is also expected to generate $500 million in free cash flow in the next year that will provide the optionality to attempt another, perhaps smaller, acquisition. Lastly, the local TV ad market continues to find its footing: all major companies beat their Q2 estimates and benefited from political ad spend before the November midterm elections.

LHCG proved to be a top contributor not only in Q4 but for the full year as well. LHCG followed up a strong first half of 2018 with Q2 results that beat EPS estimates again, and despite the dampening effects of Q4, finished the year up 53%. Going forward, LHCG expects growth in the home health markets and continued synergies related to a merger with a healthcare company.

Central Garden & Pet continues to grow market share supplying the garden and pet retail sectors. The pet segment has been the faster growing area, with both organic and acquisition-led growth. The stock declined earlier in the year when the company sold shares to raise funds for acquisitions, and shares traded down further in Q4 along with the broader market. However, CENTA proved to be a more defensive company in the volatility and was a top contributor to performance. CENTA has a successful track record of acquisitions, and we continue to believe that when the company is able to announce an accretive deal in the next 6-9 months, shares have the potential to rally +30%.

Other companies in our top ten contributors were *Apptio* and *Appian Corporation (APPN)* and financial technology provider *Euronet*. These companies finished the quarter in positive territory despite the market pullback and posted modest to high-single digit gains. Cloud computing companies Apptio and Appian are industry leaders in Technology Business Management (TBM) and Business Process Management (BPM) software, respectively. Apptio was the largest stock price movement intra-quarter as it sold off sharply with many other software stocks, dropping -30% in price before Vista Equity made an all cash offer to acquire the company for a +52% premium. We exited the name after the deal was announced.

Appian is an example of one of a handful of stocks that we had owned previously, that then sold off sharply in Q4, providing us with the opportunity to re-establish positions at much lower prices. Appian specifically moved from the mid $20’s in early May to $40 in mid-June, and we sold in the high-$30s. After the fall selloff in Tech stocks, we were able to start repurchasing APPN shares below $25. In that time, Appian had beaten revenue guidance twice and saw estimates rise +10%. Conversely, strength in our software companies was partially offset by weakness in *2U Inc.*, an educational technology company that helps to provide online degree programs for colleges and universities. 2U chose to increase spending in the face of rapid sales growth, given their opinion that they could have sold even more at attractive ROI’s.

On the negative side, the largest detractors in Q4 and for the full year were IT services company *GTT Communications (GTT)* and timeshare operator *Marriott Vacations Worldwide (VAC)*. GTT declined earlier in the year on concerns around foreign exchange and delays in synergy capture from a past deal. We believe that easier FX comparisons, cost savings coming to fruition on past deals and a return to smaller deals should allow the company to maintain its cash flow growth and allow margin expansion. VAC declined in Q4 as investors misperceived various aspects around a recent acquisition. The acquired company was a smaller timeshare operator that had a more seasonal business. When VAC reported their September quarter, some analysts did not recognize the different seasonality and thought perhaps operations had weakened. In fact, absent some minor hurricane disruption, new sales for VAC and the acquired company were in the low teens for growth – notably higher than longer-term trends of high single digit growth. Management has been personally buying stock recently and VAC’s board both raised the dividend and increased its share buyback as of December 5th. We continue to believe in the long-term potential of both companies. GTT and VAC were the third and fourth largest holdings in our portfolio, respectively, as of December 31, 2018.

Many of the largest detractors to performance in the portfolio in Q4 were names that had done well earlier in the year, like plan administrator *Health Insurance Innovations* and Wi-Fi provider *Boingo Wireless*. *Agios (AGIO)*, a biotech focused on anti-cancer therapeutics, weighed on relative returns as well. AGIO stock round-tripped some of its big move early in the year from $60 to $90, then fell in December with market weakness and concern around a new competitive drug in Leukemia from Abbvie. In the end, it seems likely that sales for AGIO’s first launched product in AML will grow nicely for years and longer term there may be a combination therapy with the Abbvie drug that makes sense. Health Insurance Innovations and Boingo Wireless, despite being caught in the Q4 sell-off, also did well enough earlier in the year to be positive overall contributors to performance for the full year.

OUTLOOK

Q4 2018 was one of the most volatile quarters in recent memory, as investors questioned the sustainability of continued economic growth and the plans of the Federal Reserve to raise interest rates. This seems to have evolved more recently with comments from the Fed being notably more flexible. Political news flow has also not abated and trade talks in China could act as something of a positive catalyst on sentiment should some progress be achieved. It’s helpful to look back to our market comments above as we discuss our outlook. As one would expect, small and SMID-cap stocks declined more in this sharp de-risking move than their large cap peers. However, as noted before, we believe these asset classes are poised for a rebound. To reiterate, we think the data is very convincing that prices for Small and SMID Cap stocks simply fell too far and that this is an opportunity where investors should seriously consider Small and SMID Cap stocks.

As we enter 2019, our portfolio is overweight the Health Care and Communication Services sectors. The portfolio is most underweight the Industrials sector. We continue to evaluate new opportunities and have found several new investments that should add to results in the future after we used market volatility to gain a position. These new stocks have come across multiple industry sectors. Our focus remains on unrecognized growth potential and the key drivers of growth in each stock across our holdings and we remain confident in our portfolio going forward.

STRATEGY – INVESTMENT APPROACH

The LMCG Small/Mid Cap Growth strategy seeks to achieve competitive returns by identifying unrecognized growth potential wherever it exists across all industry sectors. We seek to identify firms with high quality business models, distinct competitive advantages, proven management teams, and significant growth potential. Revenue growth, margin expansion, and the ability to positively surprise and revise estimates are key characteristics in our holdings. We want these firms to have duration and sustainability of these characteristics based on their competitive positions in the industry. Our success stems from the experience and focus of our investment team, who possess extensive knowledge of small cap companies and their key industry drivers.

Contributors	Average Weight	Security Contribution to Portfolio Return
Appian Corporation Class A	1.3	0.2
MasTec, Inc.	1.1	0.2
Apptio, Inc. Class A	0.9	0.2
Euronet Worldwide, Inc.	0.4	0.1
Gray Television, Inc.	1.6	0.0
Central Garden & Pet Co. Class A	2.6	0.0
Addus HomeCare Corporation	2.0	-0.1
Sinclair Broadcast Group, Inc. Class A	4.0	-0.1
LHC Group, Inc.	4.2	-0.3
Mimecast Limited	4.3	-0.5

Detractors	Average Weight	Security Contribution to Portfolio Return
GTT Communications, Inc.	4.6	-2.4
Marriott Vacations Worldwide Corp.	4.1	-1.5
Zayo Group Holdings, Inc.	4.0	-1.2
2U, Inc.	2.2	-0.9
Carbonite, Inc.	2.3	-0.7
Agios Pharmaceuticals, Inc.	1.3	-0.6
BJ's Restaurants, Inc.	1.6	-0.5
Ligand Pharmaceuticals Inc.	1.1	-0.5
Health Ins. Innovations, Inc. Class A	0.7	-0.5
Boingo Wireless, Inc.	1.1	-0.4

The holdings above represent the 10 best and 10 worst performing stocks for a representative account in the Small/Mid Cap Growth strategy as of 12/31/2018. A complete list of holdings and additional details on methodology for calculating performance and/or best/worst performers shown above is available upon request. Past performance is not a guarantee of future results. Shown as supplemental information only and complements the Small/Mid Cap Growth composite disclosure attached.

Securities Discussed	% of Portfolio as of December 31, 2018
Sinclair Broadcast Group, Inc. Class A	3.9
LHC Group, Inc.	4.2
Addus HomeCare Corporation	1.9
Central Garden & Pet Company Class A	4.2
Apptio, Inc. Class A	SOLD
Appian Corporation Class A	1.4
Euronet Worldwide, Inc.	SOLD
2U, Inc.	1.8
GTT Communications, Inc.	4.5
Marriott Vacations Worldwide Corporation	4.4
Health Insurance Innovations, Inc. Class A	1.1
Boingo Wireless, Inc.	2.1
Agios Pharmaceuticals, Inc.	0.9

The holdings above represent holdings of a Small/Mid Cap Growth representative account discussed in the commentary. Percentage of portfolio calculated internally by LMCG.

References to portfolio holdings above are not intended as investment advice. The holdings do not represent all of the securities purchased, sold or recommended for advisory clients. LMCG may have already bought or sold or may in the future buy or sell these securities on behalf of its clients.

Past performance is not a guarantee of future results. Shown as supplemental information only and complements the Small/Mid Cap Growth composite disclosure attached.

SMALL/MID CAP GROWTH COMPOSITE

Schedule of Annual Returns

January 1, 2008 (date of inception) 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	21.2	20.2	24.5	9	15.9	13.0	10	433.1	7,551.3	0
2016	-4.2	-5.0	9.7	12	16.9	14.7	10	468.7	7,367.5	0
2015	0.9	0.0	-0.2	7	13.9	13.3	10	474.0	6,786.9	0
2014	10.7	9.7	7.1	6	14.0	12.5	8	147.1	6,370.5	0
2013	43.6	42.2	40.7	14	19.9	16.5	8	45.8	5,831.5	0
2012	26.5	25.4	16.1	NA	23.7	19.8	6	46.0	4,402.6	0
2011	-13.5	-14.2	-1.6	NA	24.9	22.9	1	9.7	4,200.7	0
2010	33.9	32.7	28.9	NA	27.0	27.3	1	1.3	4,412.7	0
2009	51.9	50.5	41.7	NA	-	-	1	1.0	4,365.1	0
2008	-37.9	-38.5	-41.5	NA	-	-	1	0.6	2,527.4	100

[1] Benchmark returns have been obtained from an independent source and have not been examined by independent accountants.
[2] NA - 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 from December 31, 2008 through December 31, 2009 because the composite did not have 36 monthly returns in that time period.

Small/Mid Cap Growth Composite includes all institutional portfolios that invest in small and mid capitalization U.S. stocks, ADRs, REITs, and ETFs that the investment team considers to have unrecognized growth potential. Portfolios within this composite generally hold 45-65 stocks across diverse sectors with a weighted average market capitalization generally within 20% of the average market capitalization of the benchmark. Over the long term portfolios are typically fully invested with cash positions less than 5%. Inception and creation date for the composite is December 31, 2007. For comparison purposes, performance is measured versus the Russell 2500 Growth Index. Prior to January 31, 2012 performance for Small/Mid Cap Growth reflects a period of time when the team was affiliated with Crosswind Investments, LLC. LMCG acquired the strategy and the team in January 2012.

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. 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: 0.90% on the first $25 million, 0.80% on the next $25 million, and 0.70% 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 Small/Mid Cap Growth Composite has been examined for the periods January 1, 2012 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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