The View from Decatur

First Quarter 2017

Chart 1: DCM Large Cap Growth Composite Trailing Performance March 31, 2017

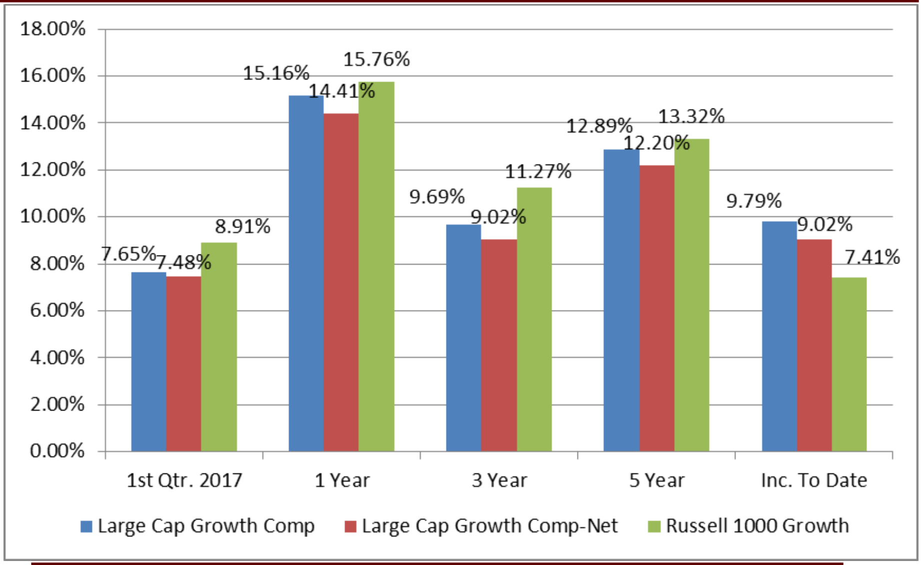


Chart 2: First Quarter 2017 Sector Attribution

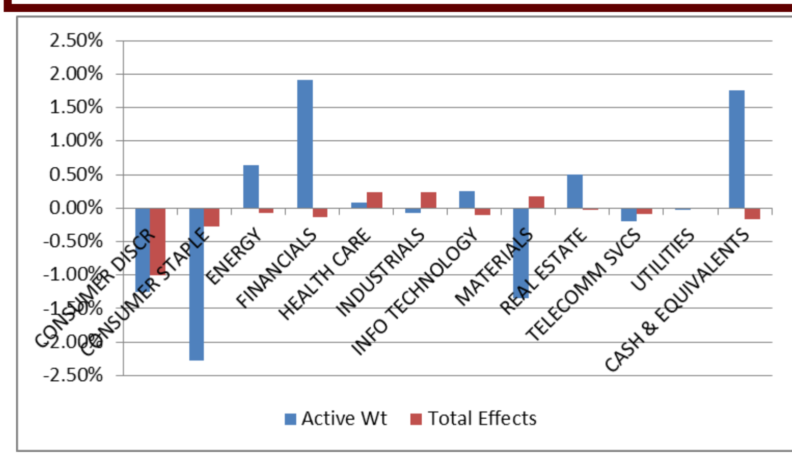
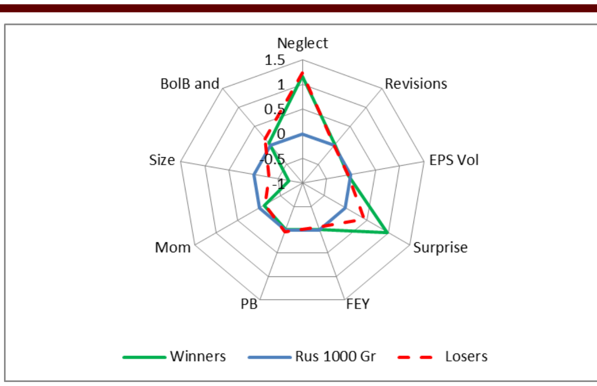


Chart 3: First Quarter Context Analysis



1. Large Cap Growth Composite is comprised of 40-60 equity securities with market capitalization of $5 Billion or more that pass our quantitative selection process and can be acquired at a reasonable price. The strategy focuses on growth of earnings and key valuation metrics. The benchmark is the Russell 1000 Growth Index. The Russell 1000 Growth Index represents the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. The minimum account size for this composite is $1,000,000.
2. Portfolio characteristics are similar to the benchmark, the Russell 1000 Growth index.
3. Returns are presented gross and net of management fees and include the reinvestment of all income. Performance prior to 7/31/12 is shown net of other fees including custody fees. Performance post October 2012 is shown gross of other fees. Net of fee performance was calculated using the highest management fee as noted in the composite fee schedule. Performance was calculated using a highest fee of 0.75% prior to July of 2011 and 0.60% as of July 2011.
4. The investment strategy of the composite has not changed during the investment period.
5. This table reflects weights in a representative portfolio, and actual client portfolios may have differing weights.
6. Past performance does not represent future results and current returns may be higher or lower than return data depicted.
7. The Large Cap Growth Composite was created on February 28, 2002.

DCM Strategy: U.S. Large Cap Growth

Decatur Capital's strategy is focused on finding companies whose earnings momentums are accelerating with positive EPS estimate revisions, accelerating EPS growth and consistent EPS surprises.

Portfolio Manager Commentary

Our performance for first quarter 2017, net-of-fees, U.S. Large Cap Growth Strategy was 7.48% (unaudited), compared to the Russell 1000 Growth Index return of 8.91%.

Sector Allocation Analysis

Chart 2 shows the active sector allocation decisions (blue) and the total return effects associated with those sectors (red).

Our biggest overweight during the quarter was in the financial sector. The financial sector allocation in the benchmark was approximately 2.88%, and we held approximately 4.80% in an insurance company, regional bank, and a capital markets firm. We identified several opportunities in the sector that our models indicated would perform well. In sum, the sector cost the portfolio 13 bps in performance – 5 bps from allocation and 8 bps from stock selection. While the sector did not result in positive performance, we continue to see positive upside to financials and are maintaining our slight overweight to the sector.

The consumer staples sector was our largest underweight; the consumer staples allocation in the benchmark is approximately 9.59%, and we held approximately 7.32% in several firms. The challenge during the quarter was identifying consumer staples companies to purchase. The underweight to the sector added 5 bps, while stock selection subtracted 33 bps.

Performance in the consumer discretionary sector caused the largest damage to the portfolio this quarter. Our underweighting of the consumer discretionary sector cost the portfolio 4bps; stock selection within this sector, though, cost 97 bps. In particular, our holding in a multi-line retail company significantly hurt performance. This retailer's revenues and earnings were being squeezed by not only online retailers, like Amazon (AMZN), but also by discount and specialty retailers. We exited the stock during the quarter.

Factor Analysis

Chart 3 is the first quarter's context analysis representing the portfolio's factor exposures relative to the benchmark. The green line represents the average factors exposures for those stocks that added positive performance during the quarter. The red dotted line shows the average factor exposure of those portfolio stocks that underperformed. The blue line represents the benchmark, Russell 1000 Growth.

During the quarter, the surprise factor had the largest difference between winning stocks and losing stocks. The surprise factor measures a stock's actual earnings to analysts' forecasts. While both our portfolio's losers and winners were higher than the benchmark, clearly winning stocks had the highest exposures to positive surprise. Historically, the surprise factor has been one of the most consistent significant factors within our process.

Size also played an important role during the quarter. Both losing and winning stocks exhibited lower average market caps than the benchmark. We note that the smaller size stocks (average size $77 B) performed better than the larger stocks in the portfolio (average size $108 B).

Outlook

We are forecasting that stocks with positive earnings surprise exposures and firms in the $20 B-$100 B size range will continue to generate positive returns. Also, we expect to see those firms with increasing earnings revisions outperform as analysts begin to fine tune their outlook of 2017.

Note: Returns are measured in U.S. dollars net of fees. Decatur Capital Management, Inc. (DCM) is a registered investment advisor specializing in quantitative growth oriented investment management. The benchmark is the Russell 1000 Growth which is designed to measure the large cap growth firms within the U.S.. The benchmark is market cap weighted. DCM claims compliance with the Global Investment Performance Standards (GIPS). Returns are measured in US dollars net of fees and includes the reinvestment of all income. To receive a list of composite descriptions of DCM and/or presentation that complies with the GIPS standards, contact Ralph J. Bryant, CPA at (404) 270-9838 or ralphb@decaturcapital.com or write to DCM, 250 E Ponce De Leon Avenue, Suite 325, Decatur, GA 30030.