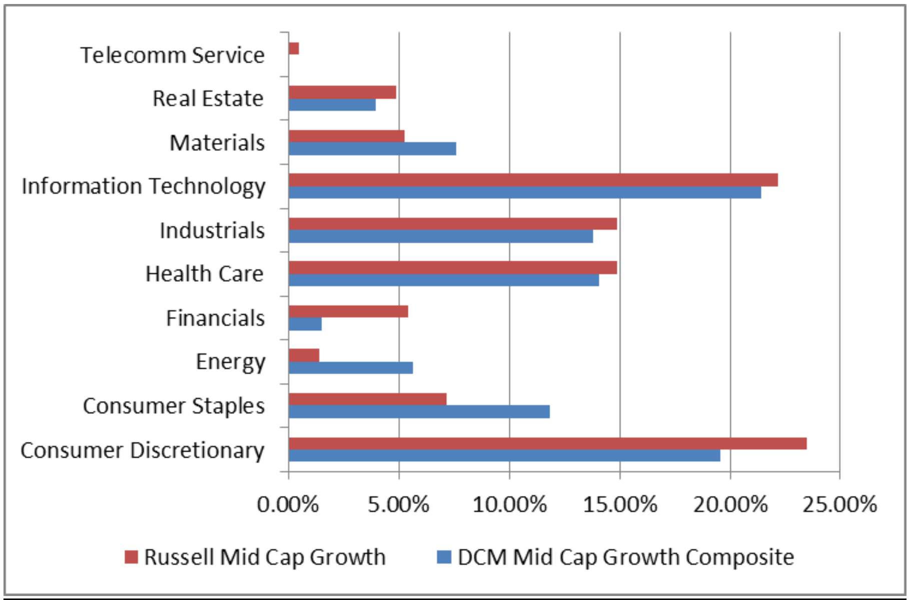
The View from Decatur - Mid-Cap Growth

January 2017

Portfolio Sector Allocation – January 2017



Mid-Cap Growth Performance (Composite Returns)

	MTD	QTD	1 Year	3 Year	Inception
DCM Mid-Cap Growth (Gross)	1.88%	1.88%	13.59%	5.07%	11.05%
DCM Mid-Cap Growth (Net)	1.81%	1.81%	12.67%	4.22%	10.16%
Russell Mid-Growth Index	3.33%	3.33%	19.99%	8.18%	13.69%

Decatur Capital Mid-Cap Growth - Top Ten Holdings

Company	Ticker	Weight
Zimmer Biomet Holdings	ZBH	4.5%
Edgewell Personal Care	EPC	4.1%
Cigna	CI	3.9%
ActivisionBlizzard	ATVI	3.7%
General Dynamics	GD	3.6%
Rite-Aid	RAD	3.3%
PayPal Holdings	PYPL	3.2%
Cabot Oil & Gas	COG	3.0%
Tegna	TGNA	2.9%
Gray Television	GTN	2.8%
Total		**34.7%**

Mid-Cap Growth Strategy

Decatur Capital's Mid-Cap Growth strategy focuses on stocks with positive EPS estimate revisions, accelerating EPS growth and EPS surprises. Portfolio holdings range between 40-60 stocks.

Portfolio Commentary

The Mid-Cap Growth Composite's gross TR was 1.88% compared to the Russell Mid-Cap Growth's TR of 3.33% in January 2017.

January was a month of mostly nip-n-tuck portfolio moves. We purchased a new position in biotech Biomarin Pharma (BMRN) and increased our weight in Illumina after it preannounced better earnings and new products earlier in the month. The biotech industry has stabilized, after an 18 month bear market which began in late summer 2015. Strategic M&A in the industry has recently picked up, which indicates that much of the froth in biotech valuations has been blown off. We also added to Perrigo (PRGO), where management missteps and fears about pricing in the relatively smaller generics business pushed valuations down to our PMV for its Consumer Healthcare (both Americas & International) business, leaving us a "free" call option on the Tsyabri royalty stream and pharmaceutical businesses. We sold NXP (NXPI) after we grew concerned that regulatory hostility in key countries would impede Qualcomm's (QCOM) ability to consummate the merger.

Scripps Networks (SNI), the owner of the Food Network, HGTV, DIY, Travel Channel and other cable channels, has made a success of its '15 deal to acquire TVN, the leading free-to-air (FTA) broadcaster and satellite TV provider in Poland. TVN controls 1/3rd. of Polish adspend with rich margins, and is the most widely-watched programmer in Poland's cities. Like SNI's core US network operations, TVN too produces original programming and gives SNI another international platform to distribute its US content such as HGTV. We were bullish on the TVN deal, since a savvy management team made "lemonade out of lemons" by arbitraging the strong dollar, tapping into cheap US dollar debt financing, and putting its balance sheet cash to work by buying profitable European media assets such as TVN. Satisfied with the quality of TVN's cashflow, we suffered through SNI's underperformance as fears around cord-cutting and the debt burden pressured SNI's multiple in the 12 months that followed the deal. SNI's *proforma* debt/EBITDA is still a tad high at 2.8x but we are confident that, even in an era of streaming, cord-cutting, skinny bundles and pressure on affiliate fees, SNI can use its cashflow to eventually purchase the remaining 30% of the Food Network that it doesn't own from Tribune Co.

Disclosures

1. Mid Cap Growth Composite is comprised of 40-60 equity securities with a minimum market capitalization of $1 Billion and a maximum portfolio average not to exceed 150% of the benchmark. The strategy focuses on growth of earnings and key valuation metrics. The benchmark is the Russell Mid Cap Growth Index. The Russell Mid Cap Growth Index represents the performance of those Russell Mid Cap companies with higher price-to-book ratios and higher forecasted growth values. As of November 2015, the minimum account size for this composite is $100,000. Prior to November 2015, the minimum account size for this composite is $1,000,000.
2. Portfolio characteristics are similar to the benchmark, the Russell Midcap Growth index.
3. Performance is presented gross and net of management fees. Net of fee performance was calculated using the highest management fee 0.80% as noted in the composite fee schedule.
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 Mid Cap Growth Composite was created on June 30, 2012.

Note: Returns are measured in U.S. dollars net of fees. Decatur Capital Management, Inc. (DCM) is a registered investment advisor specializing in growth oriented investment management. The benchmark is the Russell Mid Cap Growth which is designed to measure the mid 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.