

Young Wall Street Traders



The YWST program teaches high school students investment trading strategies during a three week program, which Decatur Capital is a sponsor. Shayne John, CFM, CMA serves on the YWST Board of Directors.

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 gross TR was -0.55% compared to the Russell Mid-Cap Growth's TR of -0.02% in June 2016.

We sold DepoMed (DEPO), FMC Technologies (FTI), Crown Castle (CCI), Old Republic (ORI), Hertz (HTZ) and Welltower (HCN) for valuation and fundamental reasons. We purchased new positions in Cooper Companies (COO), Norwegian Cruise (NCLH), Mallinckrodt (MNK), Maxim (MXIM), Skyworks (SWKS) and Dollar General (DG) during June.

VRSK, a position in the Industrial sector, started life as a data vendor for the Property & Casualty (P&C) insurance industry. Prior to its IPO in '09, VRSK was owned by a consortium of P&C companies who were key customers for the first 37 years of its existence. VRSK is the de facto underwriting utility for the 100 largest P&C insurers. VRSK's "statistical agent" status in all 50 states enables it to collect and report premium and loss data to regulators on behalf of its customers. Currently over 1,800 P&C insurers provide data to VRSK, with almost 3bn records submitted each year. VRSK has detailed information on 3.6mn commercial buildings and 6.4mn businesses, used by 90% of the P&C industry. No P&C customer is greater than 2% of revenues.

Investors are yet to warm up to VRSK's acquisition of the leading energy data analytics company, Wood Mackenzie for \$2.8bn (\$2bn in cash, \$800mn stock) in March '15. Investors were turned off because the slump in energy and mining was already evident by then but, in VRSK's defense, it was not an exorbitant price (17x trailing EBITDA) for a 47% EBITDA margin business that has a 98% renewal rate for its subscription services. WM has ~1,000 employees globally (HQ'ed in Edinburgh) and 800+ customers amongst the super-majors, independent E&P companies, and NOCs; no customer is over 4%. The WM deal increased the % of recurring revenues to 75% for the combined entity. In our view, the best way to look at WM is that VRSK investors have an embedded call option on the gradual recovery of the energy industry in the next 2-3 years.

VRSK is a cash-flow machine, generating \$996mn in EBITDA and \$488mn in FCF in '15, for a FCF conversion of ~45% and Debt/EBITDA of 3.2x. VRSK's capital allocation is rational with M&A of only comparable data analytics businesses that can be cross-sold, paying down debt, a small stock repo program, and no dividends.

Mid-Cap Growth Performance (Composite Returns)

	MTD	YTD	1 Year	3 Year	Inception
DCM Mid-Cap Growth (Gross)	-0.55%	1.23%	-7.23%	6.36%	11.01%
DCM Mid-Cap Growth (Net)	-0.62%	0.80%	-8.00%	5.50%	10.21%
Russell Mid-Growth Index	-0.02%	2.15%	-2.14%	10.52%	13.49%

Decatur Capital Mid-Cap Growth - Top Ten Holdings

Company	Ticker	Weight
Electronic Arts	EA	4.7%
Zimmer Biomet Holdings	ZBH	4.2%
Mead Johnson Nutrition	MJN	3.9%
Centene	CNC	3.8%
Tegna	TGNA	3.5%
Intuitive Surgical	ISRG	3.3%
Camden Property Trust	CPT	3.3%
Taubman Centers	TCO	3.2%
Edgewell Personal Care	EPC	3.2%
AmerisourceBergen	ABC	3.1%
Total		36.2%

Disclosures

1. Portfolio characteristics are similar to the benchmark, the Russell Midcap Growth index.
2. Portfolio results reflect the deduction of advisory fees, trading commissions and expenses that a client would have paid during the period.
3. The investment strategy of the composite has not changed during the investment period.
4. This table reflects weights in a representative portfolio, and actual client portfolios may have differing weights.
5. Past performance does not represent future results and current returns may be higher or lower than return data depicted.

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.