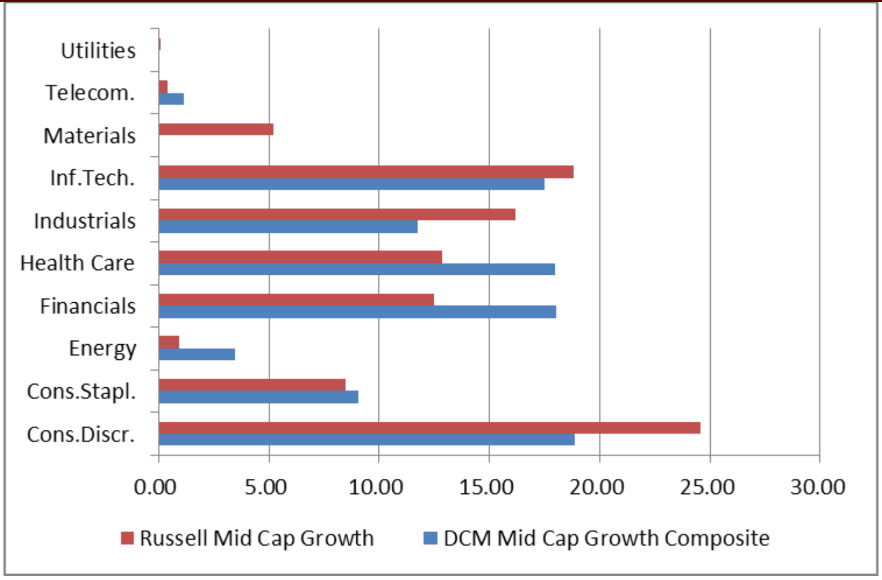
The View from Decatur - Mid-Cap Growth

May 2016

Portfolio Sector Allocation – May 2016



Mid-Cap Growth Performance (Composite Returns)

	MTD	YTD	1 Year	3 Year	Inception
DCM Mid-Cap Growth (Gross)	1.07%	1.79%	-8.54%	5.94%	11.50%
DCM Mid-Cap Growth (Net)	1.00%	1.43%	-9.30%	5.08 %	10.61%
Russell Mid-Growth Index	1.64%	2.17%	-3.17%	10.08%	13.79%

Decatur Capital Mid-Cap Growth - Top Ten Holdings

Company	Ticker	Weight
Electronic Arts	EA	4.7%
Zimmer Holdings	ZBH	4.3%
Synchrony Financial	SYF	3.5%
Tegna	TGNA	3.5%
Mead Johnson Nutrition	MJN	3.5%
Allergan	AGN	3.3%
Centene	CNC	3.3%
Paypal Holdings	PYPL	3.2%
Intuitive Surgical	ISRG	3.2%
Alliance Data Systems	ADS	3.2%
Total		**35.7%**

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.

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 1.07% compared to the Russell Mid-Cap Growth's TR of 1.64% in May 2016.

We sold Molson Coors (TAP), Jazz Pharma (JAZZ), KB Home (KBH), Hasbro (HAS), Advance Auto Parts (AAP) and Take Two Interactive (TTWO) for a variety of valuation and fundamental reasons. We purchased new positions in Incyte (INCY), Royal Caribbean (RCL), Taubman Centers (TCO), AmerisourceBergen (ABC) and FTI Consulting (FCN) during May.

Taubman Centers (TCO) is a REIT-operator of Class A retail malls, a niche it dominates along with Simon Property Group (SPG) and Westfield (WFD). While not immune, TCO is relatively better insulated from the inexorable depredations of Amazon. The multi-year shift in shopping patterns has been gutting Middle America's department stores (JC Penney, Sears, Kohls, Macys) and consequently, the Class B & C malls where these chains are anchor tenants, but Class A malls have been a safer haven in retail.

TCO's strategy is to own a handful of trophy properties – it only operates 24 malls and 91% of the portfolio is located in the top 50 metro areas. The singular focus on high value/traffic assets explains why it has an average rent of $60 psf and the highest psf sales in the Class A space - $800 psf compared to WFD's $726 psf and SPG's $620 psf.

The stock has been under pressure because of Fed hike fears, angst over Amazon's impact on brick-and-mortar retail and mall REITs, and the 2 JVs in China. Despite recent investor disquiet over all things Chinese, we like the economics of the JVs. TCO is a 1/3rd partner with strong developers & anchor tenants in both malls, and expects 6-6.5% ROI over time. TCO's JV with Shinsegae in Hanam, South Korea will yield an even more impressive 7-7.5% ROI.

As befits a multi-generation family owned company where the Taubman family owns 29% even after 24 years since its IPO, TCO maintains a balanced approach to capital returns and investing to create long-term asset value. TCO has been proactive in periodically culling the portfolio, and sold 7 less-productive malls to Starwood at a 6.6% cap rate in 2014. The capital was recycled into upgrading existing malls, funding an accretive (trading well below NAV) share repo program, and financing a foray into Asia. TCO is redeveloping 2 flagship properties, Beverly Center (LA) and Green Hills (Nashville), at a cost of $700mn. It also purchased a Kansas City mixed-use asset in a JV with Macerich this year, and will open a mall in Waikiki in August '16.