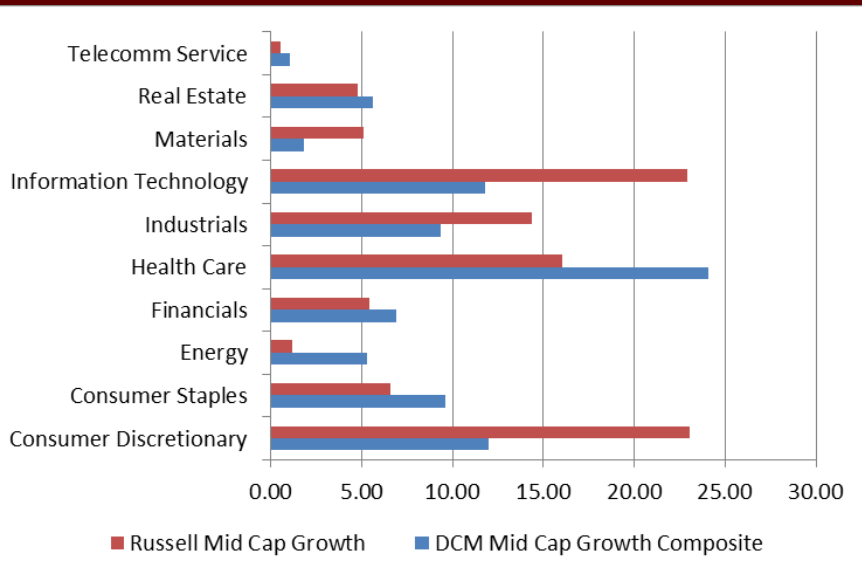


**Portfolio Sector Allocation – May 2017**



**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 0.61% compared to the Russell Mid-Cap Growth's TR of 2.39% in May 2017.

Trading activity increased in May as stronger earnings cycles pushed out weaker stocks in the portfolio. Several new Healthcare positions were purchased such as Healthsouth (HLS), Alexion Pharma (ALXN), Centene (CNC) and AmerisourceBergen (ABC). New positions in Technology include Leidos (LDOS), DST Systems (DST), Marvell (MRVL), Micron (MU) and NetApp (NTAP). However, we are concerned at the high valuations in the cyclical parts of the market, since we have low confidence that US GDP growth will accelerate into a 3%+ glidepath in the 2<sup>nd</sup> half of 2017 in the absence of tax cut legislation this year or meaningful wage-growth. Several predominantly cyclical stocks were sold for valuation reasons such as Sealed Air (SEE), Commercial Metals (CMC), Harsco (HSC), Southwestern Energy (SWN), WR Grace (GRA), Knowles (KN), Perrigo (PRGO), Taubman Centers (TCO) and Amerco (UHAL).

Centene (CNC) is a leading Medicaid insurer that diversified its subscriber exposure into Commercial and Complex Care segments with the 2016 acquisition of HealthNet (HNT). CNC's core (65%) business segment is still Medicaid, but it also has an array of ancillary services such as a PBM, specialty pharmacy, digital and behavioral health, vision and dental benefits etc. that allow it to compete effectively with bigger peers in larger addressable markets. This allows CNC a degree of revenue diversification - ~30% of revenues are from external clients.

The HNT deal fleshed out CNC's Medicare exposure, which is still small at ~4% but fast-growing. To better leverage its Medicaid experience, CNC is focusing on lower-income (in a band that's 4x the Federal Poverty Level) members in the Medicare market. CNC reported a strong 1Q, beating consensus by 8c, and F1 estimates have moved from \$4.69 to \$4.77.

**Mid-Cap Growth Performance (Composite Returns)**

	MTD	QTD	1 Year	3 Year	Inception
DCM Mid-Cap Growth (Gross)	0.61%	0.55%	7.71%	5.44%	10.72%
DCM Mid-Cap Growth (Net)	0.54%	0.42%	6.85%	4.58%	9.84%
Russell Mid-Growth Index	2.39%	3.91%	16.68%	8.83%	14.38%

**Decatur Capital Mid-Cap Growth - Top Ten Holdings**

Company	Ticker	Weight
Edgewell Personal Care	EPC	3.8%
Regeneron Pharmaceuticals	REGN	3.6%
Yum Brands	YUM	3.3%
AmerisourceBergen	ABC	3.1%
Kansas City Southern	KSU	3.0%
Cabot Oil & Gas	COG	3.0%
Molson Coors Brewing Co.	TAP	2.9%
Liberty Global Class A	LBTYA	2.5%
Baxter International	BAX	2.4%
Extra Space Storage	EXR	2.2%
<b>Total</b>		<b>29.7%</b>

**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.