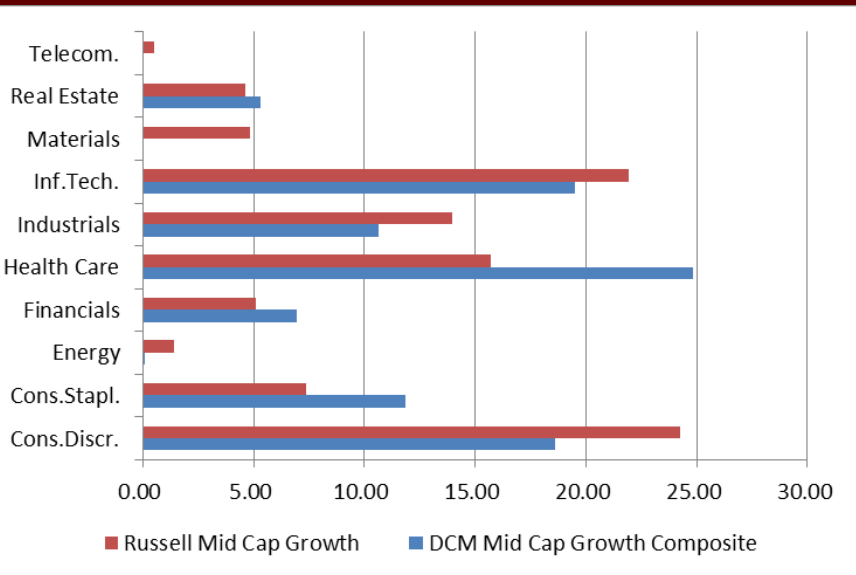


Portfolio Sector Allocation – October 2016



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 -3.84% compared to the Russell Mid-Cap Growth's TR of -4.06% in October 2016.

In terms of portfolio activity, we sold Alliance Data Systems (ADS) on credit deterioration in its private-label card portfolio, and Varian Medical (VAR) and Akamai (AKAM) on valuation. We sold Stazz (STRZA) after its merger partner Lions Gate (LGF) continued a streak of poor film grosses with Deepwater Horizon bombing at the box office. Since we could not hedge the LGF stock that we would have received for our STRZA shares in the cash-cum-stock merger, we opted to exit the STRZA position. In terms of new purchases, we built a position in Coach (COH), as reduced promotional selling increased ASPs for its iconic handbags and channel inventories improved, and NXP Semiconductor (NXPI). We also purchased new positions in self-storage operators Extra Space Storage (EXR) and Amerco (UHAL). We also added to existing positions in Allergan (AGN), CBOE Holdings (CBOE), and Tegna (TGNA) during October.

Amerco (UHAL) is the holding company for U-Haul, the country's largest self-moving and storage company, Amerco Real Estate, RepWest Insurance and Oxford Life Insurance. UHAL has an estimated 50% market share in the inter-city moving business, with 20k+ locations (139k trucks) compared to Budget's 1.5k locations and Penske's 2.3k locations. Many of UHAL's locations are franchisee businesses, with 11-12% of moving revenues reverting to UHAL as royalty revenues. Budget/Avis has been shrinking their network (reduced fleet size by 6k vehicles in the last 6 years) and may completely exit self-moving one day. Penske is showing no signs of aggressive competition, either in terms of expansion or pricing, since this has never been a core business for the Penske Group. While intra-city moving could be "Uber-ed" to some extent (using Zipcar or your friend's vehicles and muscles to move a couple of pieces of furniture), inter-city moving requires a proper moving truck. It may not be unreasonable to expect that UHAL may one day be the only national player in the self-moving industry.

UHAL's vastly more profitable business is the 25mn sq feet of self-storage (SS) space that the company operates, with ~70% EBIT margins compared to self-moving's ~14% EBIT margins. UHAL is the 5th largest operator in the SS industry. The SS industry is highly fragmented with UHAL + the 4 largest publicly traded SS REITs only controlling 15% of the 50k SS locations in the US. Self-moving and SS demand are reasonably recession resistant. During the last recession, self-moving revenues declined -1.8%/-0.1%/-1.9% in fiscal years ending March 2007/2008/2009. UHAL was EBITDA-profitable every quarter from September 2007 to December 2009, with self-moving + self-storage EBITDA margins troughing at 20.7% in FY 2009 (from 23.7% in FY 2006).

The balance sheet is reasonably well-financed for a capital intensive business such as UHAL. Against \$1.2bn in EBITDA, UHAL has ~\$2.8bn in gross debt (\$1.7bn of which represents mortgages), with \$400mn or less in maturities and amortization coming due annually through FY21 and ~\$1.1bn due thereafter.

Mid-Cap Growth Performance (Composite Returns)

	MTD	YTD	1 Year	3 Year	Inception
DCM Mid-Cap Growth (Gross)	-3.84%	0.64%	-2.08%	2.73%	10.05%
DCM Mid-Cap Growth (Net)	-3.90%	-0.05%	-2.90%	1.90%	9.20%
Russell Mid-Growth Index	-4.06%	2.50%	0.40%	6.48%	12.47%

Decatur Capital Mid-Cap Growth - Top Ten Holdings

Company	Ticker	Weight
CBOE Holdings	CBOE	4.1%
NXP Semiconductor	NXPI	4.1%
Tegna	TGNA	4.0%
Zimmer Biomet Holdings	ZBH	3.7%
PayPal Holdings	PYPL	3.6%
Kroger	KR	3.5%
AmerisourceBergen	ABC	3.5%
Activision Blizzard	ATVI	3.4%
Rite-Aid Corp	RAD	3.4%
Cigna	CI	3.3%
Total		36.6%

Disclosures

- 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.
- Portfolio characteristics are similar to the benchmark, the Russell Midcap Growth index.
- 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.
- The investment strategy of the composite has not changed during the investment period.
- This table reflects weights in a representative portfolio, and actual client portfolios may have differing weights.
- Past performance does not represent future results and current returns may be higher or lower than return data depicted.
- 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.