



# Mid Cap Growth Review

December 31, 2019

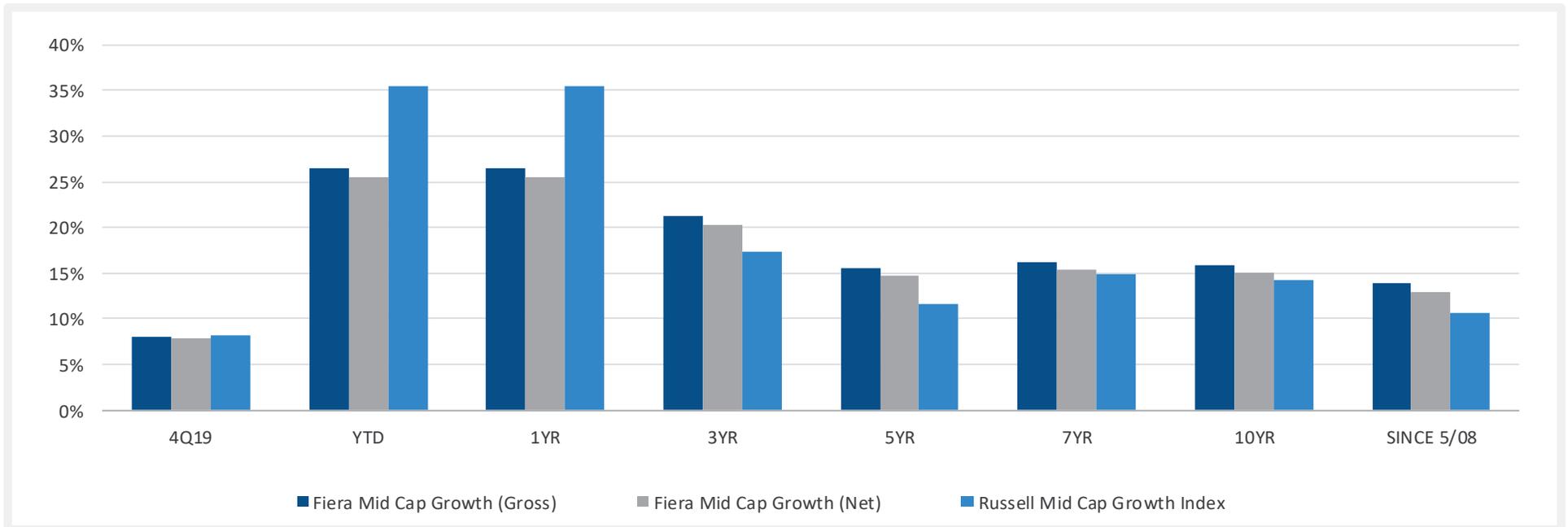
Quarterly Review- For existing clients only

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# Mid Cap Growth Composite Performance



## Annualized Performance



	4Q19	YTD	1YR	3YR	5YR	7YR	10YR	SINCE 5/08
<b>Fiera Mid Cap Growth (Gross)</b>	<b>7.97</b>	<b>26.49</b>	<b>26.49</b>	<b>21.20</b>	<b>15.58</b>	<b>16.20</b>	<b>15.85</b>	<b>13.82</b>
<b>Fiera Mid Cap Growth (Net)</b>	<b>7.77</b>	<b>25.56</b>	<b>25.56</b>	<b>20.31</b>	<b>14.73</b>	<b>15.35</b>	<b>14.99</b>	<b>12.98</b>
<b>Russell Mid Cap Growth Index</b>	<b>8.17</b>	<b>35.46</b>	<b>35.46</b>	<b>17.35</b>	<b>11.59</b>	<b>14.80</b>	<b>14.23</b>	<b>10.55</b>

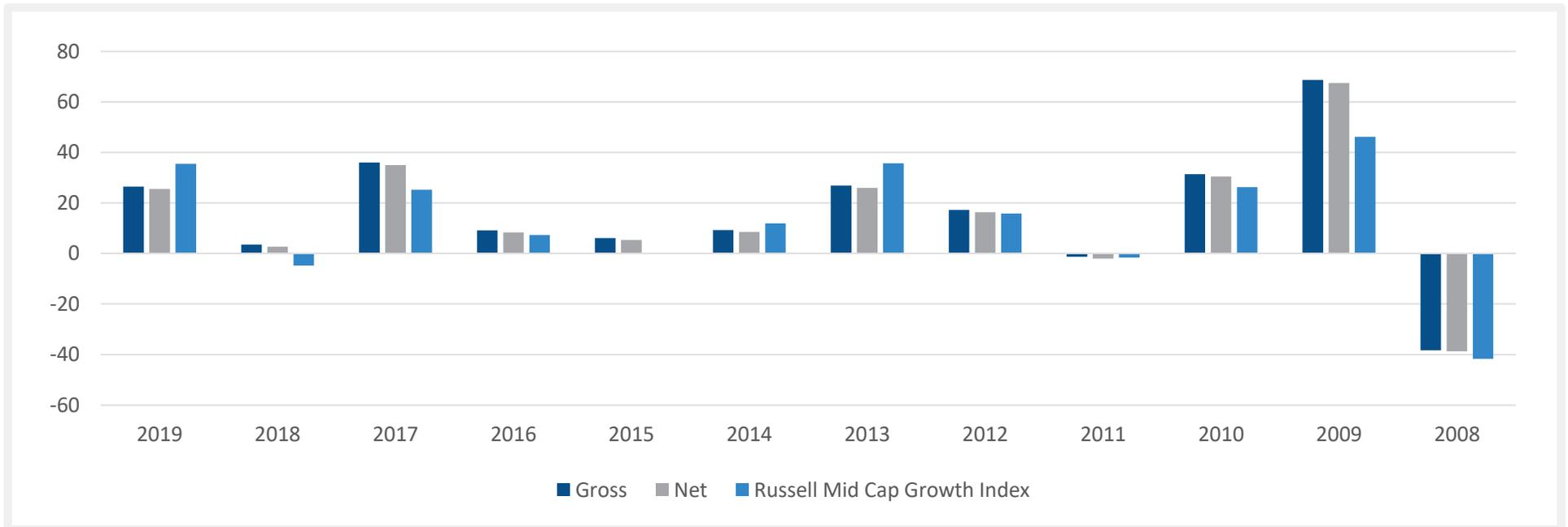
Source: Fiera Capital

**Past performance is no guarantee of future results. Inherent in any investment is the potential for loss.** Performance results include the reinvestment of dividends and interest. Dividends received from ADRs are included net of foreign withholding taxes. Trade date valuation is used for all portfolios within the composite. Use of time-weighted rates of return, valued monthly and geometrically linked. Gross performance results are presented before management fees, but after all trading commissions. Actual investor returns will vary and will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. See the "Performance and Fees" section in the final "Important Disclosures" slide for important information regarding net performance data.

# Mid Cap Growth Composite Performance



## Calendar Performance



	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Fiera Mid Cap Growth (Gross)</b>	26.49	3.52	35.98	9.17	6.11	9.31	26.91	17.25	-1.26	31.42	68.74	-38.35
<b>Fiera Mid Cap Growth (Net)</b>	25.56	2.75	34.99	8.36	5.33	8.50	25.98	16.39	-2.00	30.46	67.53	-38.68
<b>Russell Mid Cap Growth Index</b>	35.46	-4.76	25.26	7.30	-0.20	11.89	35.73	15.81	-1.65	26.33	46.22	-41.73

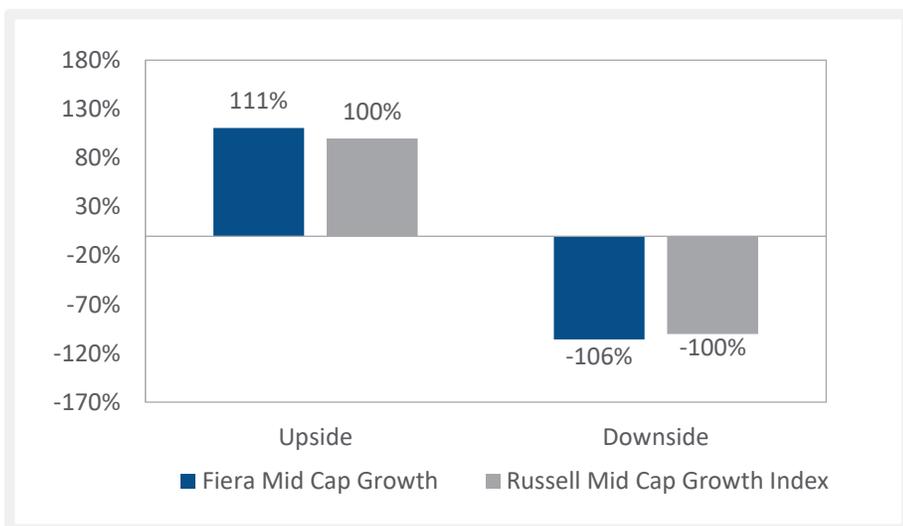
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# Mid Cap Growth Performance & Statistics



## Capture Ratios (10 Year)\*



## Performance Statistics (10 Year)\*

Alpha	-0.16
Information Ratio	0.29
R-squared	0.91
Correlation Coefficient	0.95
Sharpe Ratio	0.88

## Supplemental – Rep Portfolio Characteristics

	FIERA CAPITAL	RUSSELL MID CAP GROWTH INDEX
<b>GROWTH STATISTICS</b>		
Long Term future EPS growth (%)	15.2	16.1
5 year historic EPS growth (%)	17.6	17.3
PEG (PE/Growth)	1.8	2.0
ROE (%)	13.5	22.0
<b>VALUATION MEASURES</b>		
P/E	23.9	29.1
Price/Book	4.5	6.5
Price/Sales	3.0	2.8
Price/Cash Flow	14.3	20.0
Yield (%)	0.6	0.7
<b>MARKET CAP</b>		
Weighted average market cap	\$ 17.3 B	\$ 19.9 B

\*Based on gross performance.

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## REVIEW

2019 turned out to be a strong year for US equity markets, with major indices posting new all-time highs several times during the year. The S&P 500 and Nasdaq indices were up +31.1% and +36.7% respectively in 2019 – their biggest one-year gains since 2013. A year ago – i.e. at the end of 2018 – uncertainty prevailed amongst investors. They were faced with a US-China trade conflict that looked likely to escalate, a weakening Chinese economy, weakness in Europe, a tight monetary policy on the part of the Fed, and a weak US housing sector. The prevailing concern was that policy makers – from the Trump Administration and the Fed to the ECB – may miscalculate and unwittingly lead the global economy into recession.

Those fears proved unfounded, and a weak Q4 of 2018 for the equity markets gave way to one of the strongest first quarter performances for the US equity market that we have seen in a long time, and a sharp V-shaped recovery. A more muted (albeit still strong) Q2 followed. Mid-caps strongly outperformed all other equity asset classes in both Q1 and Q2.

Despite some sensationalist headlines and a weak macro backdrop, equities continued to do well in Q3, with the S&P 500 and Nasdaq up +0.72% and +0.2% respectively. This was followed by a strong Q4 to finish off the year, with most major equity indices posting high single digit returns for the quarter.

For a period of time in the second half of 2019 Growth underperformed Value for the first time in several quarters, though there is no evidence as yet that it might portend the beginning of a sustained period of Value outperformance.

In the fourth quarter the Mid Cap portfolio delivered a slight underperformance against the Russell Mid Cap Growth Index, by 0.20% (+7.97% vs. +8.17%) on a gross basis and 0.40% (+7.77% vs. +8.17%) on a net basis. Sector allocation was a strong positive.

In Q4 the benchmark itself was propelled higher predominantly by the outsized performance of two sectors – namely, Technology and Healthcare – though Financials was a marginal outperformer as well. After two quarters of severely lagging the index, Healthcare was up by a strong +14.1% in Q4, with Technology (which was up +11.1%) following in the #2 spot.

The Fiera Mid Cap Growth portfolio has long been materially overweight both sectors. For the past two quarters of 2019, Healthcare represented a significant headwind, but in Q4 our faith in Healthcare was vindicated, with the sector providing a strong boost to performance. Stock selection within both sectors was strongly positive as well.

In addition to Healthcare and Technology, the portfolio was overweight two other sectors – Financials and Communication Services (in that order). The former positively contributed to performance both in terms of sector allocation and stock selection. The portfolio also benefited from having no exposure at all to Real Estate, which was the second worst-performing sector within the benchmark, after Materials.

The Consumer Discretionary and Industrials sectors were the biggest detractors in Q4, albeit with just a handful of stocks across both sectors contributing negatively. Cash (3.25% of the portfolio) was a -32 basis point headwind.

Source: Fiera Capital

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## OUTLOOK

The consensus outlook for 2020 is for mid-to high single digit returns. Risks abound, including:

- The potential for long-term deterioration in the bilateral relationship between US and China
- The uncertainty created by Brexit, the US presidential election-cycle, and conflicts in the Middle East including the one with Iran (both in terms of armed conflict as well as a heightened risk of cyber warfare)
- The impact from the extraordinary monetary accommodation that we saw around the world over the last 10 years (at its peak, US\$17 trillion worth of paper carried negative yields, though at last print it is down to \$12 trillion). Central banks are in a no-win situation throughout the world as they grapple with the challenge of winding down quantitative easing (QE) in the face of weakening global growth.

Trade conflicts represented the dominant theme for most of 2018 and through September 2019. Since September 2019, the relative underperformance of value/cyclicals has eased with banks, industrial distributors and semiconductors leading the way. The interest-sensitive sectors have lagged on a relative basis as the equity markets have come to believe in “reacceleration.” Jitters around “Medicare for All” have subsided and this has positioned the Healthcare sector for both defensive and secular growth. We expect signs of “reflation” or “reacceleration” to drive equity returns in 2020. Analogous to what occurred in the 2016/2017 period, a potential for economic reacceleration could drive “cyclical” rotation. The valuation premium enjoyed by Growth relative to Value is at an extreme and a reversal to the long-term mean could help the “Stable Growth” (i.e. “GARP-ish”) names in the portfolio. In the last couple of months, Financials and Technology have been the best-performing cyclicals. If this theme persists, we believe there is a good chance that Industrials, Materials and even Energy may start outperforming. In this “cyclical reacceleration” scenario, we expect Utilities, Staples and Real Estate to have a tougher time adding value.

Geopolitical tensions have added to risk in the equity markets; though much would depend on the immediate Iranian response, the US response beyond that, and the potential for and the nature of such “tit for tat” actions. For example, would critical infrastructure be impacted? Could business disruptions ensue as a result of cyber-attacks? It is hard to predict how these things would pan out in the coming year, but one thing is to be expected, and that is increased volatility around the globe for most asset classes, including equities, oil, foreign exchange, and fixed income.

Source: Fiera Capital

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# Performance Disclosure



As of December 31, 2018

Year	ASSETS (USD-MILL)		NO. OF PORTFOLIOS	ANNUAL PERFORMANCE			ANN. 3-YR STD. DEV.		Percent of	
	% FIRM	COMPOSITE		COMPOSITE			RUSSELL MID CAP GROWTH INDEX	COMPOSITE GROSS	RUSSELL MID CAP GROWTH INDEX	NON FEE PAYING ACCOUNTS
				GROSS	NET	DISPERSION				
2009	0.4%	2.0	5	68.74%	67.53%	**	46.30%	n/a	n/a	10.70%
2010	0.5%	4.3	9	31.42%	30.46%	0.18%	26.39%	n/a	n/a	6.65%
2011	0.4%	3.3	9	-1.26%	-2.00%	0.15%	-1.67%	26.16%	20.82%	8.40%
2012	0.2%	2.7	7	17.25%	16.38%	0.06%	15.80%	21.24%	17.91%	8.80%
2013	0.1%	3.2	7	26.91%	25.97%	0.29%	35.76%	17.84%	14.62%	13.10%
2014	<0.1%	3.2	7	9.31%	8.50%	0.29%	11.92%	13.80%	10.87%	14.06%
2015	<0.1%	3.6	7	6.11%	5.32%	0.22%	-0.18%	12.79%	11.18%	13.52%
2016	<0.1%	3.9	7	9.17%	8.36%	0.16%	7.30%	16.30%	12.12%	13.58%
2017	<0.1%	8.1	13	35.98%	34.99%	0.68%	25.27%	15.40%	10.88%	33.78%
2018	<0.1%	14.35	26	3.52%	2.75%	0.16%	-4.75%	16.82%	12.82%	8.25%

\*\* Calculation not meaningful. There were fewer than five accounts in the composite for the entire year.

n/a= less than three full years since inception of composite

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**Compliance Statement:** Fiera Capital Inc. claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Fiera Capital Inc. has been independently verified for the periods January 1, 1997 through December 31, 2018. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Mid Cap Growth composite has been examined for the periods January 1, 2016 through December 31, 2018. The verification and performance examination reports are available upon request.

**Composite Description:** The Mid Cap Growth composite was created on May 1, 2008 and includes all portfolios invested in U.S. equities (including ADRs) with strong earnings and growth characteristics and mid capitalizations. The product is benchmarked against the Russell Mid Cap Growth Index. The Russell Midcap Growth Index is a market capitalization weighted index representing the smallest 800 companies in the Russell 1000 Index. The average Russell Midcap Index member has a market cap of \$8 billion to \$10 billion, with a median value of \$4 billion to \$5 billion. The index is reconstituted annually so that stocks that have outgrown the index can be removed and new entries can be added. Typically, the Mid Cap Growth portfolio is similar in composition to the benchmark except to the extent that the firm utilizes ADRs that are not included in the domestic index. Portfolios are generally comprised of individual stocks and cash equivalents. It is not possible to invest directly in an index. Investors pursuing a strategy similar to an index may experience higher or lower returns and will bear the cost of fees and expenses that will reduce returns. FTSE ("Russell") is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of FTSE Russell. Neither Russell nor its licensors accept any liability for any errors or omissions in the Russell Indexes and / or Russell ratings or underlying data and no party may rely on any Russell Indexes and / or Russell ratings and / or underlying data contained in this communication. No further distribution of Russell Data is permitted without Russell's express written consent. Russell does not promote, sponsor or endorse the content of this communication.

**Significant Flows:** Composite policy requires the temporary removal of any portfolio incurring a client initiated significant cash inflow or outflow of more than 20% of portfolio assets. The temporary removal of such an account occurs at the beginning of the month in which the significant cash flow occurs and the account re-enters the composite the month after the cash flow. The significant cash flow policy applies to all periods shown.

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The Firm's list of composite descriptions is available upon request, as well as policies for valuing portfolios, calculating performance, and preparing compliant presentations. Actual returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. Gross performance results are presented before management fees, but after all trading commissions. Net of fee performance is net of model management fees and is calculated by deducting the highest applicable annual management fee of 0.75% from the gross composite annual return on a monthly basis.

The minimum asset size, below which portfolios are excluded from the composite is \$100,000.

Dispersion is calculated using the asset-weighted standard deviation.

Fiera Capital Inc. has linked the composite's historical performance to the composite's ongoing performance based on the performance record portability guidance of the GIPS standards.

Valuations and returns are computed and stated in U.S. Dollars.

Prior to 2017, percentage of firm assets was calculated using the total of Apex Capital Management's assets

# Important Disclosures



## PERFORMANCE AND FEES

Past performance is no guarantee of future results. Inherent in any investment is the potential for loss. Net of fee performance prior to January 1, 2018 includes all fees and expenses except custody fees and was calculated using the highest applicable annual management fee of 1%, applied monthly. Thereafter, the highest applicable annual management fee is 0.80%.

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Certain information contained in this document may constitute "forward-looking statements," which can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "project," "estimate," "intend," "continue," or "believe" or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events or results or the actual performance of the strategy may differ materially from those reflected or contemplated in such forward- looking statements.

## ALLOCATIONS AND HOLDINGS

Portfolio details, holdings and allocations, and characteristics are as of the date noted and subject to change.

## REPRESENTATIVE PORTFOLIO

Representative portfolios are selected for being constructed most in line with the composite's guidelines.

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