AMI
ASSET MANAGEMENT

"Perseverance is not a long race; it is many short races one after the other." – Walter Elliot

Fourth Quarter 2018

Following a very strong third quarter, the S&P 500 fell 13.5% in the fourth quarter, the worst quarter for the stock market since 2011. The quarter was marked by increases in volatility, with a number of large intraday swings. Concerns over tariffs, rate hikes, a possible government shutdown, Brexit and global growth overwhelmed the positive sentiment that had driven a near 10-year bull market.

Interest rates moved sharply higher in early October, driven by healthy employment data and accelerating wage gains. The 10-year U.S. Treasury yield moved above 3.25% on October 9, an 80 bps increase since the beginning of 2018. Seemingly hawkish commentary from the Fed about the path of future rate hikes drove the initial leg down in equities. Higher interest rates began to have a negative impact on the housing market, widely seen as a bellwether for the economy.

Q3 earnings season was generally mixed, as companies began to feel the pinch of higher raw material and labor costs. Large tech companies, which had led much of the year's rally, also began to show signs of stress, and the sector bore the brunt of the selloff during the quarter. Stocks rebounded in November, driven by a more measured tone from the Federal Reserve. This rally was short-lived, as fears over slowing global economic growth, and a Fed that appeared to discount this risk, drove a marked December selloff.

Fears over growth were spurred as China, which is seen as a key source of growth for U.S. companies, began to show signs of distress under the weight of U.S. imposed tariffs. For the first three quarters, investors seemed to discount the impact of tariffs on global growth. However, certain major U.S. companies began to signal that tariffs could have a meaningful impact on earnings growth.

Historically, consumer staples and healthcare are seen as safe havens during times of growth concerns. While staples generally held up better during Q4, a ruling by a Federal judge in Texas that the Affordable Care Act was unconstitutional added to weakness in healthcare stocks throughout the month of December.

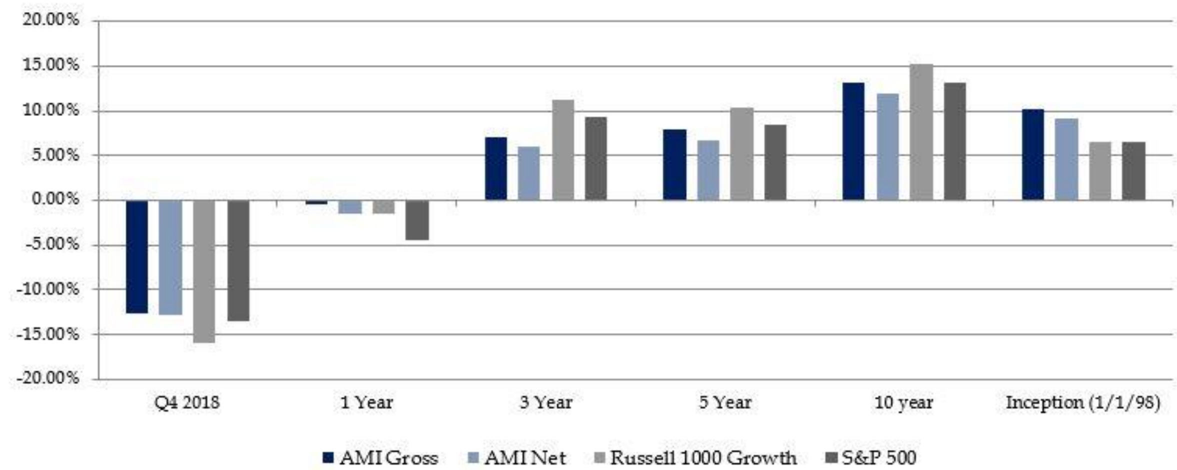
While the negative returns seen in Q4 were certainly painful, a correction in the context of the larger bull market since 2009 should be viewed as healthy as some investors had grown wary of the market's rapid rise. While risks remain, the U.S. economic data has generally been strong. The economy added 312K jobs in December, ahead of expectations, while unemployment remains historically low. Retail sales were strong during the holiday season, trade tensions with China have shown signs of abating, and indications are that the Fed will be less hawkish moving forward. As a reminder, AMI seeks to own high quality companies with business models that we believe will perform well in up as well as down markets.

AMI Large Cap Growth Strategy

In Q4, the AMI Large Cap Growth strategy outperformed the Russell 1000 Growth index by 3.31% on a gross basis (3.06% on a net basis). Asset allocation drove approximately 70% of this outperformance, with security selection contributing the balance. Being overweight Consumer Staples (which outperformed the index) and underweight Technology and Consumer Discretionary (which underperformed) was partially offset by being overweight Energy (which underperformed). Outperforming stock picks in Consumer Staples and Consumer Discretionary were partially offset by underperforming picks in Healthcare and Financials.

LARGE CAP GROWTH ANNUALIZED RETURNS

Growth Through Stability



	Q4 2018*	1 Year	3 Year	5 Year	10 year	Inception (1/1/98)
AMI Gross	**-12.58%**	**-0.52%**	**7.10%**	**7.84%**	**13.06%**	**10.24%**
AMI Net	**-12.83%**	**-1.52%**	**6.05%**	**6.78%**	**11.97%**	**9.17%**
Russell 1000 Growth	-15.89%	-1.51%	11.15%	10.40%	15.29%	6.45%
S&P 500	-13.52%	-4.38%	9.26%	8.49%	13.12%	6.61%

*Not annualized. As of 12/31/18. Net returns are based on the highest annual fee paid by AMI clients of 1.00%. The annual fee schedule for institutional accounts is as follows: 0.70% for the first $10 million, 0.60% on the next $15 million, 0.50% on the next $25 million and 0.40% on the balance. The above information is based on the Domestic Large Cap Growth Composite and clients accounts may vary and includes the reinvestment of dividends and other earnings. Past performance is not an indication of future returns. Please refer to important disclosures on last page. Source – AMI.

As seen in the table below, the top contributors to Q4 performance were Church & Dwight, Starbucks, McCormick, PepsiCo and Healthcare Services Group. The bottom contributors to Q4 performance were Broadridge, Aramark, LabCorp, FedEx and Apple.

Top Contributors in Q4

Company	Avg. Weight	Return	Contribution
Church & Dwight	5.60%	11.13%	0.54%
Starbucks	3.05%	13.91%	0.35%
McCormick & Co.	4.10%	6.52%	0.19%
PepsiCo	3.46%	-0.40%	-0.02%
Healthcare Services Group	2.05%	-0.65%	-0.02%

Bottom Contributors in Q4

Company	Avg. Weight	Return	Contribution
Broadridge	2.76%	-26.69%	-0.82%
Aramark	2.64%	-32.46%	-0.96%
LabCorp	3.39%	-27.25%	-0.97%
FedEx	3.21%	-32.78%	-1.13%
Apple	3.82%	-29.88%	-1.25%

Top Contributors

Church & Dwight (CHD) - Church & Dwight reported strong Q3 results, highlighted by accelerating organic growth in the company's domestic and international businesses. Importantly, this growth was equally balanced between volume and price. There had been some concern among investors that consumers would react negatively to increased prices in consumer goods, which has become necessary due to input cost inflation. Q3 allayed these concerns for Church, and we continue to view the company as a best-in-class operator within large cap consumer staples.

Starbucks (SBUX) - Starbucks executed well in the September quarter, with global same-store-sales growing 3%, ahead of estimates and the company's guidance. Same-store-sales in the U.S. grew 4%, the strongest domestic performance in six quarters. Later in the quarter, Starbucks used its December analyst day to reset investor expectations. Some of the company's issues over the past few quarters were due to unrealistic guidance, and we view the reset positively.

McCormick & Co. (MKC) - McCormick's solid quarterly results, as well as continued growth in Nielsen measured sales, drove the stock higher. The spice company continues to benefit from sales and cost synergies from last year's RB Foods acquisition of French's mustard and Frank's Red Hot sauce, as well as continued growth in the company's spices, seasonings and flavors was appealing in a volatile quarter.

PepsiCo (PEP) - PepsiCo reported mixed Q3 results, with an encouraging return to volume growth for the North American beverage segment. The Frito-Lay snacks business continued to grow nicely, with organic sales up 3%. Margins were below expectations however, which the company attributed to a timing mismatch between input cost inflation and price increases at retail. Pepsi performed well throughout the quarter due to the stability and diversity of its global food and beverage businesses.

Healthcare Services Group (HCSG) - Healthcare Services Group reported Q3 results that were in line with estimates. The company continues to make progress on its margin expansion and staffing goals to support growth. Assuming continued execution, the company should be able to grow revenue near 10% in 2019 driven by demographic tailwinds from an aging population.

<u>Bottom Contributors</u>

Broadridge (BR) - Broadridge reported a strong quarter with revenue and EPS both coming in ahead of estimates and fiscal 2019 guidance was in-line with expectations. The company's 2018 revenue was helped considerably by event-driven revenue (proxies and corporate actions), which is not recurring. This business is unlikely to exceed 2018's record level next year. Though this was expected by analysts, the stock declined from all-time highs at the end of the third quarter. The core recurring business is expected to grow nicely given the trend toward outsourcing of back office operations by financial institutions; thus, we like Broadridge's long-term growth prospects.

Aramark (ARMK) - Aramark reported decent quarterly results and the company hit its three-year margin expansion target. Much of Aramark's underperformance in 2018 has been due to investor skepticism over management guidance, which ultimately was unfounded. However, at the Analyst Day in December, the company gave revenue and earnings growth guidance that was below expectations. We continue to like Aramark's diverse and defensive business model and believe this new three-year guidance is achievable as the core business remains solid.

LabCorp. (LH) - LabCorp reported slightly weaker than expected Q4 revenue and EPS driven by a ransomware attack and Hurricane Florence, which weighed on the Diagnostics business. One month later, LabCorp, along with its main competitor, Quest Diagnostics, lowered 2018 guidance. This was due to soft diagnostic volumes, weakness in 23&Me genetic tests (LabCorp processes these tests) and a loss of exclusivity at certain United Healthcare sites. While weather was a short-term issue that should reverse given that these tests will be performed at some point, the stock reaction to the loss of exclusivity was unexpected as this change was known for some time. While 2019 growth will be somewhat below the historical trend, we continue to like LabCorp for its defensive-like characteristics.

FedEx (FDX) - FedEx reported disappointing results in December. While the Ground, Freight, and Domestic Express businesses remained strong, the International Express business was impacted by macroeconomic headwinds in Europe that quickly intensified during the latter half of the quarter. Due to the softness internationally, the company delayed its profit improvement goals. However, management remains confident in the ultimate benefits to be achieved from the TNT acquisition. Despite the near-term headwinds, we continue to like FedEx as best positioned to benefit from continued growth in e-commerce.

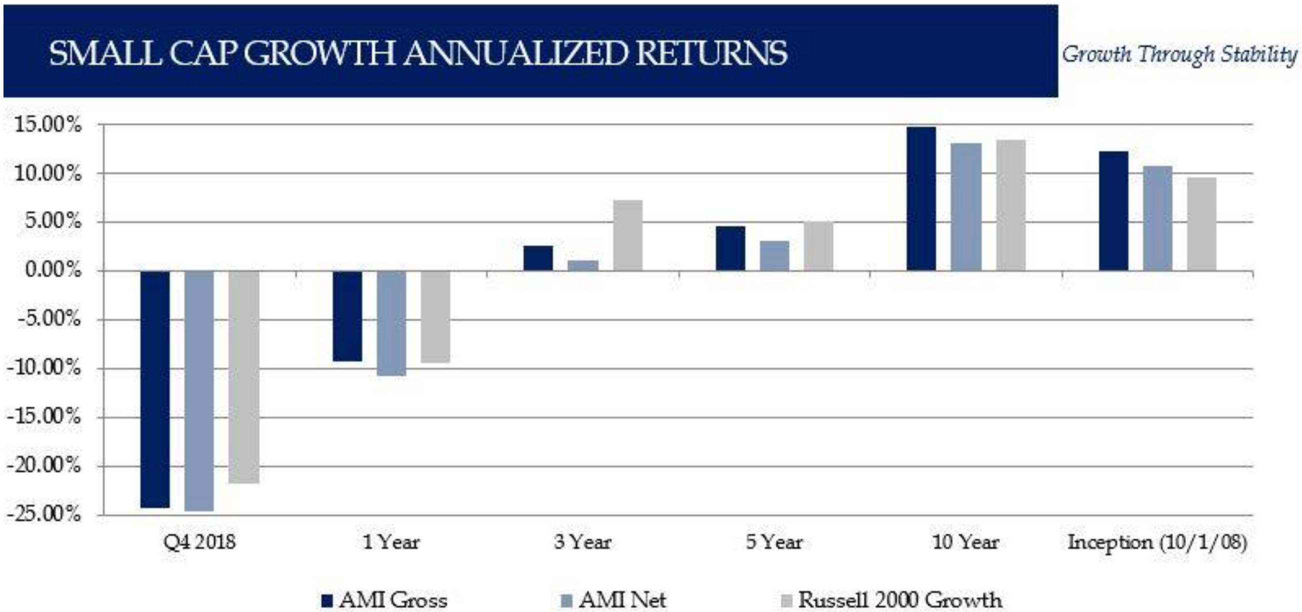
Apple (AAPL) - Despite reporting better-than-expected quarterly revenue and EPS, Apple's guidance indicated weakness in iPhone sales. Moreover, Apple decided that it would no longer report iPhone, iPad and Mac unit sales and this lack of transparency, combined with the lackluster guidance, drove shares lower throughout the quarter. Apple's services business continues to be a bright spot, however, this is also tied to the success of the iPhone. With upgrade rates becoming extended and recent difficulties in international markets such as China, we are watching to see if Apple management can do more in services to drive growth in the business. Apple has the financial resources to improve its efforts in services and in areas outside of hardware, and at current valuation levels we believe it is worth waiting to see if management is indeed willing to make the investments required to help lessen its reliance on iPhone sales.

Portfolio Additions and Deletions

There were no portfolio additions or deletions during Q4.

AMI Small Cap Growth Strategy

The AMI Small Cap Growth strategy underperformed the Russell 2000 Growth index in Q4 by 2.60% on a gross basis (2.98% on a net basis). The underperformance was entirely driven by security selection, with asset allocation a positive contributor to performance. Underperforming stock picks in Healthcare, Consumer Discretionary and Producer Durables were partially offset by outperforming picks in Consumer Staples and Financials. Being overweight Consumer Staples and Technology (which outperformed the market) was partially offset by being overweight Healthcare (which underperformed the market) and underweight Consumer Discretionary, Financials and Utilities (which outperformed).



	Q4 2018*	1 Year	3 Year	5 Year	10 Year	Inception (10/1/08)
AMI Gross	**-24.25%**	**-9.27%**	**2.68%**	**4.62%**	**14.73%**	**12.36%**
AMI Net	**-24.63%**	**-10.67%**	**1.15%**	**3.07%**	**13.07%**	**10.73%**
Russell 2000 Growth	-21.65%	-9.31%	7.24%	5.13%	13.52%	9.68%

*Not annualized. As of 12/31/18. Net returns are based on the highest annual fee paid by AMI clients of 1.50%. The annual fee schedule for institutional accounts is as follows: 0.90% for the first $10 million, 0.80% on the next $15 million, 0.70% on the next $25 million and 0.60% on the balance. The above information is based on the Domestic Small Cap Growth Composite and clients accounts may vary and includes the reinvestment of dividends and other earnings. Past performance is not an indication of future returns. Please refer to important disclosures on last page. Source – AMI.

As seen in the table below, the top contributors to Q4 performance were Healthcare Services Group, The Simply Food Foods Company, Corcept Therapeutics, Bright Horizons, and Performance Food Group. The bottom contributors to Q4 performance were Surgery Partners, PetIQ, Multi-Color Corp., Teligent Inc., and Ligand Pharmaceuticals.

Top Contributors in Q4

Company	Avg. Weight	Return	Contribution
Healthcare Services Group	3.82%	-0.65%	0.07%
Simply Food Foods	2.85%	-2.83%	-0.06%
Corcept Therapeutics	2.67%	-4.71%	-0.06%
Bright Horizons	2.18%	-3.79%	-0.07%
Performance Food Group	3.46%	-3.09%	-0.08%

Bottom Contributors in Q4

Company	Avg. Weight	Return	Contribution
Surgery Partners	2.93%	-40.67%	-1.32%
PetIQ Inc.	3.13%	-40.30%	-1.41%
Multi-Color Corp.	2.71%	-47.56%	-1.56%
Teligent Inc.	1.98%	-63.32%	-1.74%
Ligand Pharmaceuticals	3.55%	-50.56%	-2.15%

Top Contributors

Healthcare Services Group (HCSG) - Healthcare Services Group reported Q3 results that were in line with estimates. The company continues to make progress on its margin expansion and staffing goals to support growth. Assuming continued execution, the company should be able to grow revenue near 10% in 2019 driven by demographic tailwinds from an aging population.

Simply Good Foods Co. (SMPL) - Simply Good Foods reported fundamentally strong quarterly results, which were overshadowed by management commentary about production capacity that wouldn’t match current outsized demand. However, over the course of a volatile quarter, the company’s best-in-class revenue growth and stability drove outperformance.

Corcept Therapeutics (CORT) - Corcept Therapeutics reported a strong quarter with 51% revenue and 63% EPS growth. In addition, Corcept announced several positive pipeline events. In our view, each of these pipeline opportunities has sizable growth potential. Lastly, late in the quarter Corcept was awarded an additional patent on the company’s core product, Korlym, which strengthens its patent lawsuit pending against Teva Pharmaceuticals.

Bright Horizons (BFAM) - Bright Horizons reported in-line Q3 results, but the company benefited from its earnings visibility given the vital nature of childcare services. Bright Horizons also benefits from a tightening labor market, as companies seek to attract top talent by offering benefits like subsidized childcare. Bright Horizons became too large for the small cap portfolio and we sold the position during the quarter.

Performance Food Group (PFGC) - After a challenging prior quarter, Performance Food Group rebounded with better results. More importantly, management made positive comments about volumes improving and the overall health of the restaurant industry. Investments in the company's salesforce were a drag on margins earlier in the year, but this new salesforce has begun to contribute to growth.

<u>Bottom Contributors</u>

Surgery Partners (SGRY) - Surgery Partners reported solid revenue growth as the ambulatory surgical center operator focuses on more complex and higher revenue procedures. However, management lowered its 2018 EBITDA guidance slightly due to some uncertainty around the procedure and payer mix in Q4. Although we believe Surgery Partners is moving in the right direction, the guidance cut weighed on the stock. Nevertheless, we remain bullish due to the trend towards utilizing lower cost surgery centers over more expensive hospitals.

PetIQ (PETQ) - After significant outperformance in Q3, PetIQ issued equity in early October to help fund the expansion of its VIP Petcare clinics in Wal-Mart and other retailers, which pressured the stock. The company then reported a strong fiscal Q3 and raised 2018 guidance. However, some confusion over the company's messaging on the conference call overshadowed the solid results. We believe these issues are a function of growing pains for a small company expanding rapidly and we see substantial upside

Multi-Color Corp. (LABL) - In November, Multi-Color Corp. announced results that were below expectations. More importantly, management noted the outlook for the remainder of fiscal 2019 and fiscal 2020 had worsened. The company expects organic growth over the next year and a half to be impacted by lower pricing, and potentially lower volume, in upcoming contract renewals due to increased competition. We believe the organic growth pressures will remain a stock price headwind over the next several quarters and we exited our position.

Teligent (TLGT) - Teligent's stock was hit particularly hard during the market selloff in Q4 despite reporting good revenue growth, completing the construction of a new injectable drug facility, and receiving approval for and launching several new drugs. Given capacity constraints while the injectable facility is preparing for production, management delayed some drug launches to Q1, which contributed to the selloff which was likely further exacerbated by tax loss selling. However, we remain bullish on Teligent as we see new drug launches, particularly injectables, fueling growth in 2019 and beyond.

Ligand Pharmaceuticals (LGND) - Ligand Pharmaceuticals reported very good results with 37% revenue and 103% EPS growth, both beating estimates. Its two main royalty generating drugs, Kyprolis and Promacta, continue to grow nicely and the pipeline is progressing as expected with a new royalty generating drug (first post-partum depression approval) likely launching in mid-2019. The stock hit an all-time high at the end of Q3 and despite the good news in the quarter, the stock sold off substantially. Given that it hit a high market cap of ~$6 billion, there were likely small cap funds selling due to size. We remain bullish and believe the selloff is unwarranted.

Portfolio Additions and Deletions

In Q4, we added Frontdoor, National Vision and Quidel. We sold Bright Horizons and Multi-Color, as mentioned above.

Frontdoor (FTDR) - Frontdoor was spun off from ServiceMaster on October 1 and is comprised of the American Home Shield home warranty business. The company is the largest player in the home warranty business with 46% market share and a 75% retention rate. Frontdoor has significant geographic expansion opportunities, as well as the ability to offer additional services beyond appliance repair. The company should be able to grow organically in the high single digits with longer term margin expansion driven by more efficient service levels and improved retention.

National Vision (EYE) - National Vision operates approximately 1,000 value-oriented retail optometry stores nationwide under the America's Best and Eyeglass World banners. National Vision offers eye exams and eyeglasses at a significant discount relative to mass merchants, online players and independent chains. Given the non-discretionary nature of eyeglasses and contact lenses, the company has produced 66 consecutive quarters of positive same-store-sales. We believe National Vision should be able to grow same-store-sales in the mid-single digits while also growing units in the high single digits each year. This growth should be complemented by margin expansion from moving lens manufacturing to company-owned centralized labs.

Quidel (QDEL) - Quidel is a leading supplier of healthcare diagnostics, primarily rapid tests for infectious diseases, such as influenza, and tests to confirm heart attacks. The company is capitalizing on the trend towards healthcare providers needing rapid results to immediately begin treating a patient rather than sending samples to a central lab where results may take hours or days. Quidel substantially expanded its test lineup and reduced its seasonal exposure through the recent acquisition of Alere's Triage test business, which added cardiac testing. With a full pipeline of new tests, we believe Quidel will continue to expand its test offering and geographic reach, driving growth for many years.

AMI SMID Cap Growth Strategy

In Q4, the AMI SMID Cap Growth strategy underperformed the Russell 2500 Growth index by 1.36% on a gross basis (1.67% on a net basis). The underperformance was entirely driven by stock selection, with asset allocation a positive contributor to performance. Underperforming stock picks in Consumer Discretionary, Producer Durables, Healthcare and Financial Services were partially offset by outperforming stock picks in Technology and Consumer Staples. Being overweight Consumer Staples (which outperformed the market) was partially offset by being overweight Energy (which underperformed).

	Q4 2018*	1 Year	3 Year	5 Year	Inception (4/1/13)
AMI Gross	**-21.44%**	**-5.58%**	**5.45%**	**5.98%**	**9.80%**
AMI Net	**-21.75%**	**-6.78%**	**4.15%**	**4.67%**	**8.46%**
Russell 2500 Growth	-20.08%	-7.47%	8.11%	6.19%	9.58%

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Top Contributors in Q4

Company	Avg. Weight	Return	Contribution
Healthcare Services Group	3.74%	-0.65%	0.05%
Corcept Therapeutics	2.36%	-4.70%	-0.03%
Simply Good Foods	2.80%	-2.83%	-0.06%
Performance Food Group	3.27%	-3.09%	-0.07%
Bright Horizons	3.21%	-5.43%	-0.11%

Bottom Contributors in Q4

Company	Avg. Weight	Return	Contribution
Dave & Buster's	3.05%	-32.48%	-0.96%
American Renal Associates	1.90%	-46.79%	-1.01%
Aramark	3.47%	-32.45%	-1.20%
Multi-Color Corp.	2.63%	-47.56%	-1.54%
Ligand Pharmaceuticals	3.30%	-50.56%	-2.10%

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Bright Horizons (BFAM) - Bright Horizons reported in-line Q3 results, but the company benefited from its earnings visibility given the vital nature of childcare services. Bright Horizons also benefits from a tightening labor market, as companies seek to attract top talent by offering benefits like subsidized childcare. Bright Horizons became too large for the small cap portfolio and we sold the position during the quarter.

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Dave & Buster's (PLAY) - Dave & Buster's reported disappointing earnings and a mixed 2019 outlook in early December. The company's Amusements business has been reinvigorated by the rollout of a virtual reality game based on the Jurassic Park franchise, but the Food & Beverage business continues to struggle. We believe that the company is making the right changes to improve performance in this segment. The stock remains attractive due to the margin benefit from the Amusements business.

American Renal Associates (ARA) - American Renal Associates reported mixed results with revenue falling short of estimates due to delays in opening new dialysis clinics. This led to management lowering guidance for Q4. The company plans to alleviate these delays by utilizing private certifiers rather than Medicare, which should accelerate clinic openings in 2019. We continue to believe that American Renal is well positioned to capitalize on the growth in kidney disease and we remain encouraged by the long-term outlook.

Aramark (ARMK) - Aramark reported decent quarterly results and the company hit its three-year margin expansion target. Much of Aramark's underperformance in 2018 has been due to investor skepticism over management guidance, which ultimately was unfounded. However, at the Analyst Day in December, the company gave revenue and earnings growth guidance that was below expectations. We continue to like Aramark's diverse and defensive business model and believe this new three-year guidance is achievable as the core business remains solid.

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Sincerely,

Your AMI Investment Management Team

If at any time your current financial situation, investment needs or objectives change, please notify your portfolio manager promptly. You may call or write us to obtain the latest copy of our ADV Part 2, Privacy Notice and/or Proxy Voting Policies and Procedures. All attribution data is courtesy of Bloomberg.

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Past performance is not indicative of future returns. Composite returns are presented gross and net of management fees and include the reinvestment of all income. Gross returns are presented before management fees but after all trading expenses. Net returns for AMI's equity strategies are calculated by deducting the highest annual fee of any account included in the composite of 1.0% (Large Cap Growth Strategy) or 1.5% (Small Cap Growth Strategy) from the quarterly gross return. Please note that the annual fees for institutional accounts are lower than the 1.0% and 1.5% deducted from the gross returns (higher net returns), while certain retail accounts are subject to our minimum annual management fee requirement and therefore have higher fees (lower net returns). Therefore, individual account performance will vary. Net returns for AMI's fixed income strategies are calculated by deducting the highest annual fee of any account included in the composite of 0.60% (Core Taxable), 0.50% (Municipal), or 1.0% (High Yield) from the quarterly gross return. Additional information about AMI's management fees is included in its Form ADV Part 2. Index performance is provided as a point of reference only and does not imply that a Strategy will achieve returns, volatility, or other results similar to the index. The total returns for the index do not reflect the deduction of any fees or expenses which would reduce return