AMI
ASSET MANAGEMENT

"Quick-loving hearts… may quickly loathe." – Elizabeth Barrett Browning

First Quarter 2018

The S&P 500 ended the first quarter of 2018 down less than 1%. After a sanguine 2017, volatility returned in force in 2018. There were twenty-three days with moves of 1% or more in Q1 2018, compared to 8 in all of 2017 and a Q1 average of 13 since 1958. While the lesson is more that 2017 was a year of abnormally low volatility, the breakdown in correlations in 2018 should present opportunities for active investment managers that haven't existed the past few years.

The narrative for the start of the year was very similar to 2017, with large cap tech leadership driving stocks to an all-time high on January 26. However, the smooth ride came to an end, as a strong economy and concerns over inflation drove 10-year Treasury yields towards 3% in the early part of February. Compounding these issues was uncertainty over the interest rate path the new Fed Chair, Jerome Powell, would take in the face of strong economic data. As a result, yield sensitive sectors like utilities, real estate and consumer staples were hit hard during the month of February.

Volatility continued into March, however, for different reasons. President Trump began to make good on protectionist economic policies he had pushed during his campaign. The administration started by targeting steel and aluminum imports from a wide range of countries. Of greater significance were $50 billion in tariffs announced against Chinese goods. The Chinese threatened to retaliate in kind, and the prospect of a trade war rattled markets. While investors would respond positively to news that the proposed tariffs were simply a negotiating tactic, the rhetoric has only amplified in recent weeks and the prospect of a trade war does pose a significant risk to one of the most robust global economic recoveries in recent history.

Also in March, large cap technology market leadership began to break down. Facebook came under scrutiny due to allegations of data misuse by Cambridge Analytica and dragged large cap tech stocks lower as broader questions about data privacy came to the fore. Amazon was also in the administration's crosshairs towards the end of the quarter, as President Trump attacked the firm on Twitter for taking advantage of the U.S. Postal Service and paying too little in taxes.

The U.S. economy continued to perform well by most measures, with unemployment moving consistently lower and wages increasing throughout the quarter. As a result, the Federal Reserve raised interest rates by 25 bps to 1.50–1.75% in March, Jerome Powell's first FOMC meeting as Chairman. First quarter corporate earnings should be the strongest in many years, buoyed by tax cuts. But geopolitical and policy risks remain abundant, and at AMI we are focused on finding high quality companies that will grow earnings and cash flow in all economic cycles.

AMI Large Cap Growth Strategy

In Q1, the AMI Large Cap Growth strategy underperformed the Russell 1000 Growth index by 1.93% on a gross basis (2.18% on a net basis). This underperformance was mostly attributed to asset allocation, as a result of being overweight Consumer Staples (which underperformed the market) and underweight Technology and Consumer Discretionary (which outperformed the market). Security selection was negatively impacted by certain underperforming stock picks in Consumer Discretionary and Producer Durables but was partially offset by outperformers in Financials, Consumer Staples and Materials.

As seen in the table below, the top contributors to Q1 performance were Adobe Systems, Mastercard, Broadridge, Zoetis, and McCormick. The bottom contributors to Q1 performance were Aramark, West Pharmaceutical Services, PepsiCo, Biogen, and Healthcare Services Group.

Top Contributors in Q1

Company	Avg. Weight	Return	Contribution
Adobe Systems	3.04%	23.31%	0.61%
Mastercard Inc.	3.90%	15.91%	0.55%
Broadridge Financial	2.61%	21.51%	0.52%
Zoetis Inc.	3.40%	16.11%	0.50%
McCormick & Co.	3.08%	4.40%	0.13%

Bottom Contributors in Q1

Company	Avg. Weight	Return	Contribution
Aramark	3.06%	-7.21%	-0.28%
West Pharma	2.58%	-10.39%	-0.29%
PepsiCo	3.62%	-8.30%	-0.32%
Biogen	2.49%	-14.05%	-0.37%
Healthcare Services	2.46%	-17.21%	-0.46%

Top Contributors

Adobe's fiscal Q1 earnings report was a continuation of the very strong performance experienced throughout fiscal 2017. Both Adobe’s Digital Media and Creative Cloud businesses are growing at 35% as Adobe is seeing strong subscriber growth as well increases in the revenue it gets per subscriber. Adobe is also seeing strong growth in its marketing business, Experience Cloud, which allows enterprises to tie creative content with how it is used to market to consumers. Given these strong revenue trends and rising margins (now over 40%), we believe Adobe can continue to achieve double-digit earnings growth in fiscal 2018.

Mastercard reported a solid fourth quarter and raised its guidance for 2016-2018 as global electronic transactions continue to grow nicely. Global gross domestic volume grew a healthy 13% and the higher margin cross-border volume grew a very strong 17%. Margin expansion and share buybacks contributed to 25% earnings growth, which drove the stock higher.

Broadridge posted a very strong fiscal Q2 as the financial services technology firm’s Investor Communication (proxy services) business rose 14% while revenue at Global Technology and Operations (back office services) segment rose 10% y/y. As the company’s financial services clients look to improve the efficiency of their operations, they are increasingly using more of Broadridge's solutions to accomplish those goals. We believe Broadridge's growing backlog and its continued share gains vs. in-house solutions should help drive mid-teens earnings growth over the next few years.

Zoetis Q4 results beat estimates on continued strong revenue growth of 18% in the Companion Animal segment (mostly medications for dogs and cats), driven by Zoetis' new oral flea and tick medication, Simparica. In addition, geographic expansion of Apoquel for dermatitis in dogs was also a benefit. Zoetis' other main segment, Livestock, also performed well and management provided solid guidance for FY18, driving the stock higher despite already performing well in 2017.

McCormick produced strong Q4 results, leveraging the recent acquisition of Frank's Red Hot and French's Mustard to generate impressive mid-single digit organic growth. McCormick's Flavor Solutions business also benefited from large packaged food companies and restaurants looking to increase flavor in their products without using artificial ingredients. We continue to view McCormick as a best in class growth story within large cap packaged food and expect the company's brands to continue to perform well through 2018.

Bottom Contributors

Aramark reported mixed Q4 earnings, with a strong acceleration in organic growth from new contracts offset by a decline in margins due to costs associated with these contracts. Aramark laid out an aggressive plan for 100 bps of margin expansion through the end of FY18, and the Q4 results created questions about the viability of that target. We put more emphasis on the organic growth in the quarter and continue to believe that Aramark will be able to leverage new technology systems to improve labor and food procurement efficiencies to grow margins steadily over time.

West Pharmaceutical Services reported good results for Q4 and gave solid guidance for 2018. However, the syringe and vial component company has been de-emphasizing non-core plastic contract manufacturing, which will weigh on FY18 results somewhat. In addition, tax benefits in FY17 will not repeat at the same level in FY18 despite the new tax law. Nevertheless, we remain bullish on West as its products are used with nearly every new biologic treatment that comes to market and has strong positions in traditional pharmaceuticals and generic drugs.

PepsiCo reported disappointing Q4 earnings as the company's legacy soda business continues to shrink due to consumers shifting towards healthier drink options. While soda consumption continues to decline, PepsiCo has also been losing market share due to underinvestment in marketing behind brands like Gatorade, Pepsi-Cola and Mountain Dew. We believe that management is taking the right steps to improve beverage performance, and we also like the industry leading performance of Frito Lay, which continues to produce organic growth well ahead of the industry.

Biogen reported decent Q4 results and provided FY18 guidance that was above expectations, driving the stock to a new 52-week high. However, while speaking at a conference, management commented that the company was increasing the number of patients in its large phase 3 Alzheimer's treatment trial due to the results being more variable than originally planned. Although this does happen from time to time in drug trials, investors viewed it negatively and reduced the estimated probability of success. Given that every other Alzheimer's trial has failed, this trial should be viewed as high risk/high return. We remain bullish on Biogen due to continued moderate growth in in its core franchises with upside potential should the Alzheimer's trial be successful.

In February, Healthcare Services Group reported Q4 results that were largely in line with expectations. Top-line growth remained strong while margins continued to improve as the company optimizes a large influx of new business signed at the beginning of the year. However, the stock has been weak following management commentary that 2018 would return to a more normal growth trajectory of high-single/low-double digit growth versus the 20% growth in 2017. We continue to like Healthcare Services Group for its robust backlog of new business and view its only impediment to growth as its own ability to develop management candidates.

Portfolio Additions and Deletions

In Q1 we added SS&C Technologies and sold Facebook.

SS&C Technologies provides software and services to the asset management industry, such as fund administration, accounting, trading, reporting, and compliance. The company's software and services are high margin and largely recurring due to the substantial switching costs for its customers. Following the acquisition of Advent in 2015 and Citi Alternative Investor Services in 2016, SS&C has become the leader in fund administration with over $1.4 trillion in assets under administration. In January, SS&C announced that it would acquire DST Systems, which provides a similar set of software and services to wealth management customers. We believe the combined company's scale and management's ability to create shareholder value through acquisitions make it an attractive opportunity.

Despite posting strong Q4 earnings, reports surfaced in mid-March that Facebook inadvertently allowed data for 87 million users to be collected by third parties without explicit permission. Moreover, the data was allegedly used in the 2016 election and consequently the incident has received an enormous number of negative headlines and interest by politicians and regulatory authorities all over the globe. While we remain bullish on the prospects of digital advertising models, we believed it was prudent to take gains and move to the sidelines given the rising risks of lower user engagement and potential advertiser backlash in the near term.

AMI Small Cap Growth Strategy

The AMI Small Cap Growth strategy outperformed the Russell 2000 Growth index in Q4 by 2.06% on a gross basis (1.69% on a net basis). The outperformance was mainly driven by security selection. Outperforming stock picks in Financials, Healthcare and Consumer Staples were partially offset by underperforming picks in Technology and Consumer Discretionary. To a lesser degree, asset allocation also contributed to outperformance, as a result of being overweight Healthcare (which outperformed the market) and underweight Materials and Consumer Discretionary (which underperformed the market).

As seen in the table below, the top contributors to Q1 performance were Surgery Partners, Abaxis, ASGN Inc., Blackhawk Networks and Ligand Pharmaceuticals. The bottom contributors to performance were Multi-Color Corp., Performance Food Group, Healthcare Services Group, Syneos Health and Dave & Buster's Entertainment.

Top Contributors in Q1

Company	Avg. Weight	Return	Contribution
Surgery Partners	3.60%	41.74%	1.28%
Abaxis Inc.	2.12%	42.95%	1.05%
ASGN Inc.	3.69%	27.40%	0.88%
Blackhawk Networks	3.28%	25.53%	0.79%
Ligand Pharmaceuticals	4.14%	20.62%	0.77%

Bottom Contributors in Q1

Company	Avg. Weight	Return	Contribution
Multi-Color Corp.	2.83%	-11.69%	-0.32%
Performance Food Group	3.40%	-9.82%	-0.35%
Healthcare Services Group	2.75%	-17.21%	-0.55%
Syneos Health	3.20%	-18.58%	-0.59%
Dave & Buster’s Entertainment	2.41%	-24.34%	-0.71%

Top Contributors

After a difficult 2017 where the operator of outpatient surgical centers saw patients delaying surgical procedures, Surgery Partners reported solid Q4 results and provided encouraging guidance for 2018. In addition, a new management team announced aggressive plans to streamline and optimize operations, as well as expand the facility footprint through acquisitions. This is on top of closing a relatively large acquisition in August that boosted the surgery center count by nearly 25%.

Abaxis announced in early January that fiscal Q3 results would exceed expectations, driving the stock higher. The stock rose again after Abaxis reported earnings in late January and management provided bullish commentary for 2018. The supplier of blood testing devices is seeing good demand for its veterinary and human blood testing devices but the entry into the urine testing market for animals and forthcoming new veterinary rapid tests are driving investor optimism.

ASGN Inc (previously On Assignment Inc) reported a good Q4 that capped off a solid year. Revenue growth at the temp staffing firm was strong across all verticals (IT, Creative/Marketing, Life Sciences) and customer types (Enterprise, Small & Medium Sized Businesses). ASGN remains well positioned to continue capitalizing on the trend towards the use of temporary labor within its key verticals. Additionally, ASGN announced the acquisition of ECS Federal, a government IT services contractor. The acquisition appears attractive as it is expected to be immediately accretive and expands ASGN’s addressable market which should help mitigate future cyclical volatility.

Blackhawk Networks announced in early January that it would be acquired in a go-private transaction for a 24% premium.

Ligand Pharmaceuticals reported better-than-expected Q4 results due to continued solid growth of its two main royalty generating drugs, Kyprolis for myeloma and Promacta for platelet disorders. In addition, Ligand announced later in the quarter that it licensed its internally developed diabetes treatment to Roivant Sciences for a $20 million upfront payment, which was not included in management’s previous guidance, with the potential for up to $514 million in future milestone payments. This sizable upside opportunity propelled the stock higher.

Bottom Contributors

Multi-Color Corp reported a mixed fiscal Q3 highlighted by strong top-line growth offset by lower than expected profitability. Following the closing of the Constantia acquisition (a large European label company), gross margin fell due to capacity constraints driven by greater than expected organic volume growth. In addition, expected acquisition cost synergies developed more slowly than had been forecast. Management indicated that the issues have been resolved and that fiscal 2019 (ending next March) outlook remains fully within expectations. We continue to like Multi-Color for its strong organic growth across geographies and product lines and we believe the Constantia acquisition will provide meaningful upside.

Performance Food Group reported a mixed second quarter of fiscal 2018, with industry leading case growth offset by one-time costs related to new contracts at the company's Vistar subsidiary (distribution to customers like movie theaters). Combined with an ongoing concern over the health of chain restaurants, Performance Food Group underperformed throughout Q1. We continue to like the company as its diverse customer base of independent restaurants, movie theaters and e-commerce retailers should offset any weakness in chain restaurants. The company's high end private label offerings also create customer loyalty and should help Performance Food grow cases above the industry average while expanding margins even in an environment of input cost inflation.

In February, Healthcare Services Group reported Q4 results that were largely in line with expectations. Top-line growth remained strong while margins continued to improve as the company optimizes a large influx of new business signed at the beginning of the year. However, the stock has been weak following management commentary that 2018 would return to a more normal growth trajectory of high-single/low-double digit growth versus the 20% growth in 2017. We continue to like Healthcare Services Group for its robust backlog of new business and view its only impediment to growth as its own ability to develop management candidates.

Syneos Health's stock fell in February just prior to reporting Q4 results due to management's poor handling of a previously announced CFO transition and the subsequent unrelated departure of the company's General Counsel. Syneos named an interim CFO and reported mixed Q4 results but with decent 2018 guidance and the stock reacted positively. Syneos recently merged with inVentiv Health to create a broad-based pharmaceutical services outsourcing provider, which was viewed favorably by investors but recent client losses and the aforementioned management turnover is somewhat concerning. Nevertheless, we believe the long-term trend of outsourcing drug trials is intact and Syneos will be one of the leaders. Thus, we remain bullish despite the short-term issues.

Dave & Buster's Entertainment preannounced disappointing Q4 results in early January, as comparable store sales fell more than 5% during the holiday season due to a combination of unfavorable weather and the timing of new arcade offerings. We continue to believe that Dave & Buster's offers a differentiated experience to consumers that is unique within the restaurant space. The combination of improved service, better food and game offerings, as well as a tailwind from increased discretionary spending driven by tax cuts should help performance return to prior industry leading levels and drive the stock higher.

Portfolio Additions and Deletions

In Q1 we added RealPage, LogMeIn, The Simply Good Foods Company and Financial Engines; sold Barracuda Networks, BroadSoft, Blackhawk Networks and Snyder's-Lance.

RealPage provides software and services to the multifamily real estate industry. In addition to lease and property management software, RealPage's also offers tenant screening, accounting, budgeting, insurance and related tenant services. With a client base representing 13 million rental units using its software, RealPage also leverages data from its properties to improve apartment owner's decision-making. RealPage's business model is highly recurring with very high retention rates. We believe the company can sustain +20% earnings growth in the near term by growing its user base and selling additional value-added services and products.

LogMeIn provides applications for collaboration, remote computer access, technical support and monitoring to more than 10 million customers. The company's 2017 acquisition of the GoToMeeting business has further solidified its position in the marketplace and the recently acquired Jive Communications should give the company another attractive, high growth market to pursue in unified communications. LogMeIn allows companies to operate more efficiently by allowing employees to meet remotely; helping IT departments support employees from a central location; and improving customer satisfaction using interactive video and chat tools.

The Simply Good Foods Company manufactures and markets products under the Atkins brand, as well as the Simply Protein brand of snack bars. As the leader in low carb lifestyles, the Atkins brand has been able to leverage a shift towards healthier eating by attracting non-dieters with its better-for-you snack offerings and expanding distribution in the snack bar aisle. Organic growth for the Atkins brand has stayed in the mid-single digits, with management focused on adding scale through acquisitions of other healthy snacking brands, making the company one of the best growth stories in small cap consumer staples.

Financial Engines is an investment advisor focused on delivering advice to 401K plan participants. The company establishes relationships with 401K providers and companies and provides fee-based investment advice to client employees. The company has been growing rapidly as it gains new company clients and their employees and to a lesser degree, as the stock market appreciates. We see continued good growth as the 401K marketplace has become larger and more complicated over the years with most plans having numerous investment choices, driving the need for expert advice.

We sold Barracuda Networks, BroadSoft, BlackHawk Networks and Snyder's-Lance following acquisition announcements.

AMI SMID Cap Growth Strategy

In Q1, the AMI SMID Cap Growth strategy outperformed the Russell 2500 Growth index by 1.54% on a gross basis (1.23% on a net basis). The outperformance was evenly weighted between asset allocation and security selection. Asset allocation positively impacted performance through overweight positions in Healthcare (which outperformed the market) and underweight positions in Materials and Consumer Discretionary (which underperformed the market). Security selection positively impacted performance through good picks in Financials, Energy and Healthcare, partially offset by stock which underperformed in Consumer Discretionary and Producer Durables.

As seen in the table below, the top contributors to Q1 performance were Bioverativ, ASGN Inc., Broadridge Financial, SS&C Technologies and Ligand Pharmaceuticals. The bottom contributors to Q1 performance were Performance Food Group, West Pharmaceutical Services, Healthcare Services Group, Syneos Health and Dave & Buster's Entertainment.

Top Contributors in Q1

Company	Avg. Weight	Return	Contribution
Bioverativ	0.93%	91.21%	2.00%
ASGN Inc.	3.67%	27.40%	0.88%
Broadridge Financial	4.19%	21.51%	0.86%
SS&C Technologies	2.93%	32.70%	0.82%
Ligand Pharmaceuticals	4.14%	20.62%	0.77%

Bottom Contributors in Q1

Company	Avg. Weight	Return	Contribution
Performance Food Group	3.26%	-9.82%	-0.33%
West Pharmaceutical Services	3.00%	-10.39%	-0.33%
Healthcare Services Group	2.43%	-17.20%	-0.46%
Syneos Health	3.18%	-18.58%	-0.59%
Dave & Buster's Entertainment	2.26%	-24.34%	-0.67%

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Bioverativ was acquired by Sanofi for an 82% premium during Q1.

ASGN Inc (previously On Assignment Inc) reported a good Q4 that capped off a solid year. Revenue growth at the temp staffing firm was strong across all verticals (IT, Creative/Marketing, Life Sciences) and customer types (Enterprise, Small & Medium Sized Businesses). ASGN remains well positioned to continue capitalizing on the trend towards the use of temporary labor within its key verticals. Additionally, ASGN announced the acquisition of ECS Federal, a government IT services contractor. The acquisition appears attractive as it is expected to be immediately accretive and expands ASGN's addressable market which should help mitigate future cyclical volatility.

Broadridge posted a very strong fiscal Q2 as the financial services technology firm's Investor Communication (proxy services) business rose 14% while revenue at Global Technology and Operations (back office services) segment rose 10% y/y. As the company's financial services clients look to improve the efficiency of their operations, they are increasingly using more of Broadridge's solutions to accomplish those goals. We believe Broadridge's growing backlog and its continued share gains vs. in-house solutions should help drive mid-teens earnings growth over the next few years.

SS&C reported a solid Q4 with organic revenue growth of 5.5%, the strongest level since 2014 (total revenue growth was 9% y/y). Operating margins rose 190bps y/y, demonstrating the scale the company has in its software and fund administration business which is now over $1.4 trillion in assets under administration. Shares of SS&C also rose following the news in early January that the company was going to acquire DST Systems for more than $5 billion, which gives SS&C a strong foothold in the wealth management segment. Given SS&C's track record of successfully integrating and growing acquired businesses, we believe the combined company can continue to deliver strong earnings and cash flow growth.

Ligand Pharmaceuticals reported better-than-expected Q4 results due to continued solid growth of its two main royalty generating drugs, Kyprolis for myeloma and Promacta for platelet disorders. In addition, Ligand announced later in the quarter that it licensed its internally developed diabetes treatment to Roivant Sciences for a $20 million upfront payment, which was not included in management's previous guidance, with the potential for up to $514 million in future milestone payments. This sizable upside opportunity propelled the stock higher.

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Performance Food Group reported a mixed second quarter of fiscal 2018, with industry leading case growth offset by one-time costs related to new contracts at the company's Vistar subsidiary (distribution to customers like movie theaters). Combined with an ongoing concern over the health of chain restaurants, Performance Food Group underperformed throughout Q1. We continue to like the company as its diverse customer base of independent restaurants, movie theaters and e-commerce retailers should offset any weakness in chain restaurants. The company's high end private label offerings also create customer loyalty and should help Performance Food grow cases above the industry average while expanding margins even in an environment of input cost inflation.

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Syneos Health's stock fell in February just prior to reporting Q4 results due to management's poor handling of a previously announced CFO transition and the subsequent unrelated departure of the company's General Counsel. Syneos named an interim CFO and reported mixed Q4 results but with decent 2018 guidance and the stock reacted positively. Syneos recently merged with inVentiv Health to create a broad-based pharmaceutical services outsourcing provider, which was viewed favorably by investors but recent client losses and the aforementioned management turnover is somewhat concerning. Nevertheless, we believe the long-term trend of outsourcing drug trials is intact and Syneos will be one of the leaders. Thus, we remain bullish despite the short-term issues.

Dave & Buster's Entertainment preannounced disappointing Q4 results in early January, as comparable store sales fell more than 5% during the holiday season due to a combination of unfavorable weather and the timing of new arcade offerings. We continue to believe that Dave & Buster's offers a differentiated experience to consumers that is unique within the restaurant space. The combination of improved service, better food and game offerings, as well as a tailwind from increased discretionary spending driven by tax cuts should help performance return to prior industry leading levels and drive the stock higher.

Portfolio Additions and Deletions

In Q1 we added The Simply Good Foods Company, Financial Engines, American Renal Associates, and RealPage. We sold Snyder's-Lance, BlackHawk Networks, Bioverativ, Barracuda Networks, and BroadSoft.

The Simply Good Foods Company manufactures and markets products under the Atkins brand, as well as the Simply Protein brand of snack bars. As the leader in low carb lifestyles, the Atkins brand has been able to leverage a shift towards healthier eating by attracting non-dieters with its better-for-you snack offerings and expanding distribution in the snack bar aisle. Organic growth for the Atkins brand has stayed in the mid-single digits, with management focused on adding scale through acquisitions of other healthy snacking brands, making the company one of the best growth stories in small cap consumer staples.

Financial Engines is an investment advisor focused on delivering advice to 401K plan participants. The company establishes relationships with 401K providers and companies and provides fee-based investment advice to client employees. The company has been growing rapidly as it gains new company clients and their employees and to a lesser degree, as the stock market appreciates. We see continued good growth as the 401K marketplace has become larger and more complicated over the years with most plans having numerous investment choices, driving the need for expert advice.

American Renal Associates is a provider of dialysis treatments for patients with kidney failure. Unlike its larger competitors, American Renal operates as a partnership model along with the referring doctors. This model should generate a steady flow of referrals, as the doctors share in the economics, as well as allowing doctors to more closely control patient care, which is an attractive proposition in our view. We believe American Renal will continue to capitalize on an ageing population and the large diabetes problem in the U.S.

RealPage provides software and services to the multifamily real estate industry. In addition to lease and property management software, RealPage's also offers tenant screening, accounting, budgeting, insurance and related tenant services. With a client base representing 13 million rental units using its software, RealPage also leverages data from its properties to improve apartment owner's decision-making. RealPage's business model is highly recurring with very high retention rates. We believe the company can sustain +20% earnings growth in the near term by growing its user base and selling additional value-added services and products.

We sold Barracuda Networks, Bioverativ, BroadSoft, BlackHawk Networks and Snyder's-Lance following acquisition announcements.

Market Outlook

By most measures, the global economy appears to be improving nicely. Leading indicators and recent corporate earnings forecasts show no significant risk of an economic recession in the near term. Most risks to the equity markets appear to be centered around geopolitical events with perhaps a near term risk being rising tensions related to trade. Though interest rates are moving incrementally higher, economic optimism has improved and corporate earnings appear poised for solid growth, buoyed by improving fundamentals and a tailwind from tax reform. As always, AMI remains disciplined and continues to invest for the long run in companies that we believe will do well through all phases of the business cycle.

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 returns.