AMI ASSET MANAGEMENT

*"Growth is never by chance; it is the result of forces working together" – James Cash Penney*

**Second Quarter 2017**

Stocks ended the second quarter of 2017 on a strong note, with the S&P 500 rising 3.09% to a near record high. The S&P 500 is now up 9.34% for the first half of the year, highest since 2013, and the tech heavy NASDAQ's first-half return of 14.76% was the strongest since 2009. The second quarter rally in stocks occurred despite continued questions as to whether or not the Trump administration will be able to pass key aspects of its agenda, such as tax reform. Much of the near 15% rally since Election Day has been built upon the expectation that Congress will be able to lower tax rates, ease certain regulations, increase infrastructure spending, and allow companies to repatriate foreign cash. While regulatory reform is underway, investors have shrugged off the lack of progress on tax reform and infrastructure spending, perhaps due to an expectation that it will occur, eventually.

The second quarter was not without certain bouts of drama. The NASDAQ slid nearly 2% on June 9th, driven by concerns over recent outperformance of some of the largest U.S. technology companies. A research report from a Wall Street analyst made comparisons to the 2000 dot com era and, despite the report ultimately concluding that these companies are financially healthier than the leading technology firms from 17 years ago, investors used the reminder as an opportunity to take profits. A week later, Amazon announced that it was going to acquire Whole Foods Market, which sent shares of any company connected to grocery retail and packaged food sharply lower. Finally, the oil market was another area of second quarter volatility, with prices falling nearly 16% before rallying at the end of June to end down 9%. The biggest issue in the oil market has been excess supply from higher production in the U.S. as well as in Libya and Nigeria, which has offset cuts by OPEC and Russia. Despite the brief upticks in volatility caused by oil, retail and tech, overall market volatility remains historically low.

While equity markets are clearly expressing optimism about the future, bond markets are not as confident as yields remain low. Despite the differing views, economic data remains encouraging. The U.S. economy (GDP) increased at a 1.4% annual rate in Q1, ahead of expectations, driven by stronger consumer spending. The labor market remains healthy with June payrolls increasing 222K (vs. an expectation of 178K) and the unemployment rate remaining low at 4.4%. The positive macro data is also translating into corporate growth with S&P 500 companies recording nearly 8% revenue growth and 15% earnings growth during Q1. The nation's financial sector also got a boost as the Fed declared all 34 banks healthy enough to approve their dividend and share repurchase plans, the first year since 2011 that every bank received such approval. The positive economic and corporate data gave the Federal Reserve sufficient cause to continue its measured pace of rate hikes, increasing rates by another 0.25% (now in a range of 1.00% - 1.25%) with expectations for additional rate hikes in 2017 and 2018. Moreover, the Fed has indicated that it will also begin to unwind its quantitative easing program (QE), which might put some upward pressure on bond yields.

As Fed policy becomes less accommodative and equity indices reach all-time highs, investors may begin to question valuations and appropriate price-to-earnings (P/E) multiples. Thus far, strong underlying growth and the expectation of market-friendly legislation is enough to justify current levels. In early

June, value stocks began to outpace growth stocks for the first time this year; perhaps an indication that investors may be growing weary of some of the market's highest fliers and seeking more stable companies. At AMI, our mission is to not only find companies that have strong growth prospects, but ones that also have reasonable valuations. We believe this is the best way to achieve positive returns in all phases of the economic cycle.

## AMI Large Cap Growth Strategy

In Q2, the AMI Large Cap Growth strategy outperformed the Russell 1000 Growth index by 1.13% on a gross basis (0.88% on a net basis). The outperformance was attributed entirely to security selection, driven by strong stocks picks in Healthcare and Financial Services, partially offset by certain underperforming stock picks in Consumer Discretionary and Consumer Staples. Security selection was partially offset by asset allocation, primarily by being overweight Energy and Consumer Staples (which underperformed the market). This impact was partially offset by being underweight Consumer Discretionary (which underperformed the market) and by being overweight Healthcare (which outperformed the market).

As seen in the table below, the top contributors to Q2 performance were Akorn, C.R. Bard, Zoetis, PayPal, and FedEx. The bottom contributors to Q2 performance were Express Scripts, Walgreens, J.M. Smucker, Walt Disney, and Diamondback Energy.

**Top Contributors in Q2**

| Company | Avg. Weight | Return | Contribution |
|---|---|---|---|
| Akorn | 2.15% | 37.87% | 0.91% |
| C.R. Bard | 0.86% | 22.20% | 0.68% |
| Zoetis | 3.55% | 17.31% | 0.57% |
| PayPal | 2.47% | 24.76% | 0.55% |
| FedEx | 3.06% | 11.63% | 0.36% |

**Bottom Contributors in Q2**

| Company | Avg. Weight | Return | Contribution |
|---|---|---|---|
| Express Scripts | 0.72% | -6.84% | -0.17% |
| Walgreens | 3.18% | -5.29% | -0.17% |
| J.M. Smucker | 2.06% | -9.19% | -0.20% |
| Walt Disney | 3.20% | -6.30% | -0.21% |
| Diamondback Energy | 1.42% | -14.37% | -0.22% |

## Top Contributors

Akorn stock jumped nearly 30% in early Q2 on rumors of a buyout by Fresenius and the offer became official a couple of weeks later. We exited the positon shortly thereafter as we saw a low likelihood of a competing offer.

In conjunction with a solid earnings report, Bard announced it will be acquired by Becton Dickinson (also a portfolio company) for $317 per share in cash and stock, a 25% premium to the prior close. Given that Becton Dickinson was already a portfolio company, we sold the Bard position shortly after the announcement.

Zoetis reported better-than-expected Q1 results, driven by strength in companion animal healthcare (pets) and international growth, particularly emerging markets. The strong results drove the stock higher, aided by better sentiment in Healthcare as a whole.

PayPal had very good first quarter earnings as the company continues to report strong growth in transaction volume, revenue, and earnings per share. The company also raised its full-year 2017 guidance as management remains optimistic that consumers will increasingly use the PayPal network to conduct e-commerce. PayPal has also been successful in managing expenses which has allowed the company to steadily improve margins.

FedEx reported strong quarterly results in June. Revenue growth came in slightly better than expected as the company has had success increasing pricing while maintaining volume growth. In addition, the company delivered on its profitability guidance that it set out during its prior quarterly report and investors were encouraged by FedEx Ground margin improvement in particular. We continue to like the company for its prime positioning in the fast-growing e-commerce market and view the shares as undervalued.

**Bottom Contributors**

Express Scripts reported decent Q1 results with earnings growing 9%. However, management announced that its largest client, Anthem, informed the Company that it intends to move its business when the current contract expires in December 2019. While we knew this was a risk given comments from both companies, we felt it was not the most likely scenario and that any announcement would come closer to the 2019 expiration. Given the timing of the announcement, we believe that the stock will remain under pressure for the foreseeable future and we exited the position.

Walgreens reported quarterly earnings in early April, and while the company saw record prescription volume growth, weakness in front-of-store retail weighed on the stock. In addition, Walgreens was impacted throughout the quarter by issues that we view as peripheral to our broader thesis on the stock. In early June, there was speculation that Amazon might enter the pharmacy market. In addition, reports that the FTC was planning to block Walgreens' proposed acquisition of Rite-Aid pressured the stock. We continue to believe that Walgreens' focus on building partnerships with firms across the healthcare industry to increase prescription market share will drive shareholder value over the long term.

J.M. Smucker reported quarterly earnings that beat estimates, but investors responded negatively to disappointing FY 2018 guidance and management calling 2018 an "investment year". Despite recent weakness in pet food and coffee, Smucker's quality brands in these higher growth categories should perform well over the long term. We believe management is taking the right steps by investing behind those brands and making opportunistic acquisitions that should help reinvigorate top line growth. That said, we are actively monitoring the name for concrete evidence of progress in the near term.

Despite reporting better-than-expected quarterly earnings, Disney shares pulled back from all-time highs as concerns over the company's Media division re-emerged. Ratings at ABC and certain Disney channels remain soft and ESPN subscribers continue to decline as consumers "cut the cord" or choose cable packages that lack sports content. The company has been able to offset weakness in the Media division with strength in both Parks and the Studio division which continues to have success at the box office. We believe that the declines at ESPN are transitory as Disney pursues over-the-top options for Disney (Hulu, Sony Vue, etc.) and with sports programming costs peaking in 2017, the Media division will return to positive operating income trends in the second half of 2017 and through 2018.

Diamondback Energy reported strong Q1 results as production volume, expenses, and price realizations all came in better than anticipated. In addition, oil well results were strong across the board. However, despite the production beat, management maintained guidance, likely driven by the volatility in oil prices. While the stock initially reacted positively to the earnings report, the remainder of Q2 was characterized by sharply declining oil prices and Diamondback Energy's stock was pressured along with the rest of the group.

**Portfolio Additions and Deletions**

In Q2 we added Henry Schein and West Pharmaceutical Services. We sold C.R. Bard, Express Scripts and Akorn.

Henry Schein is one of the largest distributors of dental, veterinary, and medical products. We believe it will benefit from an ageing population, more specifically the need for dental care as a person gets older. We believe Schein will continue to grow revenue at mid-single digits with acquisitions providing upside potential. Earnings should grow at low double digits for the foreseeable future.

West Pharmaceutical Services supplies packaging components, such as vials, seals, stoppers, and syringes to pharmaceutical and biotech companies. The company's products are highly specialized so as to not react with a medication and are integrated into the drug approval process, leading to West being a sole supplier for many years for specific drugs. We believe the continued growth in biologics will drive demand for West's products, leading to sustainable double-digit earnings growth.

As previously mentioned, we sold Akorn and Bard due to buyouts and Express Scripts due to an unattractive stock outlook.

**AMI Small Cap Growth Strategy**

The AMI Small Cap Growth strategy outperformed the Russell 2000 Growth index in Q2 by 1.54% on a gross basis (1.17% on a net basis). The outperformance was driven entirely by security selection due to strong stock picks in Healthcare and Producer Durables, but was offset by certain underperforming stock picks in Technology and Financial Services. Asset allocation had no impact in the second quarter as negative contribution from being overweight Energy and being underweight Utilities (which underperformed the market) was offset by underweight positons in Materials (which underperformed the market) and overweight positions in Healthcare (which outperformed the market).

As seen in the table below, the top contributors to Q2 performance were Albany Molecular Research, INC Research Holdings, Merit Medical Systems, Teligent, and Innerworkings. The bottom contributors to performance were Callon Petroleum, Snyder's-Lance, Smart & Final Stores, Cardtronics, and Synchronoss Technologies.

**Top Contributors in Q2**

| Company | Avg. Weight | Return | Contribution |
|---|---|---|---|
| Albany Molecular Research | 4.21% | 54.67% | 1.91% |
| INC Research Holdings | 3.60% | 27.59% | 1.00% |
| Merit Medical Systems | 2.49% | 31.55% | 0.69% |
| Teligent | 3.75% | 17.16% | 0.62% |
| Innerworkings | 3.31% | 16.47% | 0.56% |

**Bottom Contributors in Q2**

| Company | Avg. Weight | Return | Contribution |
|---|---|---|---|
| Callon Petroleum | 1.70% | -19.38% | -0.38% |
| Snyders-Lance | 3.02% | -13.74% | -0.49% |
| Smart & Final Stores | 2.00% | -24.79% | -0.49% |
| Cardtronics | 2.95% | -29.71% | -1.14% |
| Synchronoss Technologies | 0.92% | -45.53% | -1.46% |

**<u>Top Contributors</u>**

Albany Molecular stock rose throughout Q2 as it was the subject of buyout rumors and a strong earnings report that showed the negative issues from Q4 were behind the company added to the stock's strength. Late in Q2, the rumors proved true and Albany Molecular announced it would be taken private by Caryle Group for $21.75 per share.

INC Research's Q1 results were weak as expected due to the backlog decline in Q4 that will impact 2017 revenue. However, the backlog grew sharply in Q1, up 19%, the highest in the company's history. In addition, INC announced it will merge with inVentiv Health, a supplier of services to the drug and biotech industries with a focus on post-approval services, such as real-world data collection, sales strategy services, and medication adherence. The merger will create a broad-based outsourced provider to the drug and biotech space and is expected to be highly accretive.

Merit Medical is a new addition to the portfolio and supplies catheters and other products used in cardiac procedures. Merit reported solid Q1 results, growing earnings by 47% and handily beating estimates, which helped propel the stock higher.

Teligent reported good quarterly results as recently approved generic drugs are contributing to strong revenue growth. In addition, the company is receiving approvals from the FDA for its generic applications at a nearly unheard of pace as a result of management's decision last year to focus on timely responses to FDA inquiries. We continue to believe Teligent will see additional approvals this year and the pipeline at the FDA remains attractive.

Innerworkings reported strong Q1 results in which gross margin expansion drove an earnings beat. The company continues to benefit from growth in its higher margin categories, such as on-site marketing displays. In addition, overall volume increases are driving purchasing scale. Management also announced that new business signed in Q1 exceeded the very strong Q1 last year, and the new business pipeline was characterized as very healthy. We continue to like Innerworkings as we believe management's focus on growing the business organically has been successful thus far and there remains a multi-year runway for growth.

## Bottom Contributors

Callon Petroleum reported a solid Q1 driven by in line production volume and better-than-expected expenses and price realization. Oil well results were also strong and the company announced a 2,600 net acre bolt-on acquisition in West Texas. Following the good results, the stock initially moved higher but was dragged down throughout the remainder of the quarter, along with other E&P names, as the price of oil declined sharply.

Snyder's-Lance pre-reported Q1 earnings in mid-April, announcing disappointing results and lowering guidance for 2017. The merger with Diamond Foods created synergies that were masking an inefficient cost structure that was exacerbated when the food industry slowed in February. Snyder's-Lance remains one of a select group of food companies with quality brands in growing categories. We believe the change in strategy, driven by the new CEO, should drive profitable growth moving forward.

Despite reporting solid Q1 results, Smart & Final's stock fell following the announcement of Amazon's acquisition of Whole Foods. We recognize that the grocery retail space is a highly competitive market, however, we don't believe that this acquisition will radically change the landscape or Smart & Final's market position. We believe that the food deflation that has negatively impacted the grocery retail space over the past 18 months is nearing an end and that the acquisition of Haggen stores will drive strong sales growth and profitability moving forward.

Cardtronics reported a weak Q1 driven by delays in upgrading its ATM's to utilize the new chip enabled cards and a software issue that resulted in excess ATM downtime. Although management maintained FY17 guidance and stated the worst of the issues were behind it, investors were concerned these issues could linger. We continue to believe that FY17 will be a transition year as Cardtronics begins decommissioning ATMs in 7-11 stores mid-year and are encouraged by management's ability to replace some of the lost 7-11 revenue through acquisitions.

Synchronoss' woes began last quarter following a series of corporate transactions that were designed to transform the company's business model from what was a slowing consumer-oriented company focused on smartphone activations to a higher growth enterprise security and collaboration business. In the second quarter, the newly hired CEO and CFO announced they were leaving the firm after only two months and the company delayed the release of its financials. Given the lack of information and suspicious management departures, we believed that it was appropriate to exit our position as we saw better opportunities elsewhere.

## Portfolio Additions and Deletions

In Q2, we added Barracuda Networks, Merit Medical Systems, SiteOne Landscape Supply, and Graphic Packaging. We sold PRA Group, Envision Healthcare, and Synchronoss Technologies.

Barracuda Networks provides cloud-driven security products and services to the small- and mid-sized business market. Barracuda's offering of email threat detection, archiving, next-generation firewalls and web application firewalls help its customers tackle the challenges associated with email security and the need to protect IT infrastructure in cloud-based architectures. We especially like Barracuda's scalable inside sales model and believe the company is well positioned to capitalize on the shift to cloud-based email (Microsoft 365) by corporations worldwide.

Merit Medical Systems is a supplier of disposable products used in cardiac procedures, such as catheters, guide wires, and inflation devices. Merit has been successful by focusing on smaller product markets where the larger players are not investing heavily. We believe the company will generate outsized growth through market share gains by developing or acquiring unique products that address specific physician requirements. The company is also expanding internationally, especially in emerging markets, and is converting international distributor relationships to direct sales models. In addition to our strong growth outlook, we believe there is a sizable margin expansion opportunity and that the stock is undervalued.

SiteOne Landscape Supply is the market leader and only national player in landscape supply distribution, selling more than 100,000 products to landscape contractors and maintenance companies. SiteOne has an attractive opportunity to grow organic revenue through deepening customer relationships while consolidating a highly fragmented industry. SiteOne's scale allows for lower procurement costs, and a push to improve distribution and sales efficiency should drive significant margin expansion. Landscape maintenance accounts for approximately 50% of revenue, providing stability and recurring revenue, while exposure to new residential & commercial construction and remodels creates upside in buoyant real estate markets.

Graphic Packaging is a leading integrated provider of paperboard and packaging services to consumer packaged goods companies. The company’s revenue should grow low- to mid-single digits driven by organic growth and the opportunity to acquire smaller packagers. The company has a successful track record of consolidation in the United States and should be able to continue to do so while applying its model internationally as well.

We exited PRA Group, a buyer and collector of defaulted debt, as we saw no immediate relief from the Trump administration of the still unsettled rules surrounding debt collectors. The uncertain rules have caused banks to limit the amount of debt they sell to collectors like PRA Group, which has weighed on revenue and earnings. We saw better opportunities in other stocks.

We exited a relatively small position in Envision Healthcare, which had become too large for the Small Cap portfolio following the merger of Amsurg and Envision.

As previously mentioned, we exited our position in Synchronoss Technologies.

## AMI SMID Cap Growth Strategy

In Q2, the AMI SMID Cap Growth strategy outperformed the Russell 2500 Growth index by 1.29% on a gross basis (0.98% on a net basis). The outperformance was driven entirely by security selection due to strong stock picks in Healthcare, Producer Durables, and Consumer Discretionary, partially offset by underperforming stock picks in Technology, Financial Services, and Consumer Staples. Asset allocation negatively contributed to performance during the quarter, driven by overweight positions in Energy and Consumer Staples (which underperformed the market), partially offset by overweight positions in Healthcare (which outperformed the market), and underweight positions in Consumer Discretionary and Materials (which underperformed the market).

As seen in the table below, the top contributors to Q2 performance were Akorn, INC Research Holdings, Merit Medical Systems, Ligand Pharmaceuticals, and Innerworkings. The bottom contributors to Q2 performance were Smart & Final Stores, Ryder System, Snyders-Lance, Cardtronics, and Synchronoss Technologies.

**Top Contributors in Q2**

| Company | Avg. Weight | Return | Contribution |
|---|---|---|---|
| Akorn | 2.25% | 37.87% | 1.45% |
| INC Research Holdings | 4.00% | 27.59% | 1.00% |
| Merit Medical Systems | 2.54% | 31.55% | 0.70% |
| Ligand Pharmaceuticals | 3.74% | 14.70% | 0.53% |
| Innerworkings | 3.20% | 16.47% | 0.51% |

**Bottom Contributors in Q2**

| Company | Avg. Weight | Return | Contribution |
|---|---|---|---|
| Smart & Final Stores | 1.34% | -24.79% | -0.33% |
| Ryder System | 1.41% | -13.39% | -0.43% |
| Snyders-Lance | 3.07% | -13.74% | -0.49% |
| Cardtronics | 2.40% | -29.71% | -0.92% |
| Synchronoss Technologies | 0.76% | -45.53% | -1.21% |

**Top Contributors**

Akorn stock jumped nearly 30% in early Q2 on rumors of a buyout by Fresenius and the offer became official a couple of weeks later. We exited the position shortly thereafter as we saw a low likelihood of a competing offer.

INC Research's Q1 results were weak as expected due to the backlog decline in Q4 that will impact 2017 revenue. However, the backlog grew sharply in Q1, up 19%, the highest in the company's history. In addition, INC announced it will merge with inVentiv Health, a supplier of services to the drug and biotech industries with a focus on post-approval services, such as real-world data collection, sales strategy services, and medication adherence. The merger will create a broad-based outsourced provider to the drug and biotech space and is expected to be highly accretive.

Merit Medical is a new addition to the portfolio and supplies catheters and other products used in cardiac procedures. Merit reported solid Q1 results, growing earnings by 47% and handily beating estimates, which helped propel the stock higher.

Ligand Pharmaceuticals reported decent quarterly results given that it was compared to a very strong quarter last year. Its two main royalty generating products, Kyprolis (Amgen - myeloma) and Promacta (Novartis - thrombocytopenia), continue to grow nicely and another recently launched product, Evomela (Spectrum Pharma – myeloma), is ramping nicely. The stock gained in Q2 as another product, Baxdela (Melinta Therapeutics - antibiotic), was approaching its FDA approval date and as optimism grows for Sage Therapeutics' treatment for seizures, which will also generate royalties for Ligand, if approved.

Innerworkings reported strong Q1 results in which gross margin expansion drove an earnings beat. The company continues to benefit from growth in its higher margin categories, such as on-site marketing displays. In addition, overall volume increases are driving purchasing scale. Management also announced that new business signed in Q1 exceeded the very strong Q1 last year, and the new business pipeline was characterized as very healthy. We continue to like Innerworkings as we believe management's focus on growing the business organically has been successful thus far and there remains a multi-year runway for growth.

**Bottom Contributors**

Despite reporting solid Q1 results, Smart & Final's stock fell following the announcement of Amazon's acquisition of Whole Foods. We recognize that the grocery retail space is a highly competitive market, however, we don't believe that this acquisition will radically change the landscape or Smart & Final's market position. We believe that the food deflation that has negatively impacted the grocery retail space over the past 18 months is nearing an end and that the acquisition of Haggen stores will drive strong sales growth and profitability moving forward.

Ryder Systems reported Q1 results that were below expectations as strength in the leasing businesses was more than offset by weakness in the used truck sales market. While the used truck market has been weak for some time, it appears management has little visibility into the market's direction and continued to miss expectations. We decided to exit our position as we saw better opportunities elsewhere.

Snyder's-Lance pre-reported Q1 earnings in mid-April, announcing disappointing results and lowering guidance for 2017. The merger with Diamond Foods created synergies that were masking an inefficient cost structure that was exacerbated when the food industry slowed in February. Snyder's-Lance remains one of a select group of food companies with quality brands in growing categories. We believe the change in strategy, driven by the new CEO, should drive profitable growth moving forward.

Cardtronics reported a weak Q1 driven by delays in upgrading its ATM's to utilize the new chip enabled cards and a software issue that resulted in excess ATM downtime. Although management maintained FY17 guidance and stated the worst of the issues were behind it, investors were concerned these issues could linger. We continue to believe that FY17 will be a transition year as Cardtronics begins decommissioning ATMs in 7-11 stores mid-year and are encouraged by management's ability to replace some of the lost 7-11 revenue through acquisitions.

Synchronoss' woes began last quarter following a series of corporate transactions that were designed to transform the company's business model from what was a slowing consumer-oriented company focused on smartphone activations to a higher growth enterprise security and collaboration business. In the second quarter, the newly hired CEO and CFO announced they were leaving the firm after only two months and the company delayed the release of its financials. Given the lack of information and suspicious management departures, we believed that it was appropriate to exit our position as we saw better opportunities elsewhere.

**Portfolio Additions and Deletions**

In Q2 we added Merit Medical Systems, On Assignment, and Graphic Packaging Holding. We sold PRA Group, Synchronoss Technologies, Ryder System, and Akorn.

Merit Medical Systems is a supplier of disposable products used in cardiac procedures, such as catheters, guide wires, and inflation devices. Merit has been successful by focusing on smaller product markets where the larger players are not investing heavily. We believe the company will generate outsized growth through market share gains by developing or acquiring unique products that address specific physician requirements. The company is also expanding internationally, especially in emerging markets, and is converting international distributor relationships to direct sales models. In addition to our strong growth outlook, we believe there is a sizable margin expansion opportunity and that the stock is undervalued.

On Assignment is a leading temporary and permanent staffing company providing highly skilled and hard-to-find professionals in the technology, life sciences and marketing sectors.  The company generates 95% of its revenue from its temporary staffing services and is vertically focused on employment sectors which are increasingly utilizing temporary employees as a greater percentage of their employee base.  On Assignment should be able to outgrow the broader temporary staffing industry due its focus on faster growing industries and its strong long-term relationships with its clients.

Graphic Packaging is a leading integrated provider of paperboard and packaging services to consumer packaged goods companies.  The company's revenue should grow low- to mid-single digits driven by organic growth and the opportunity to acquire smaller packagers.  The company has a successful track record of consolidation in the United States and should be able to continue to do so while applying its model internationally as well.

We exited PRA Group, a buyer and collector of defaulted debt, as we saw no immediate relief from the Trump administration of the still unsettled rules surrounding debt collectors.  The uncertain rules have caused banks to limit the amount of debt they sell to collectors like PRA Group, which has weighed on revenue and earnings.  We saw better opportunities in other stocks.

As previously mentioned, we exited our position in Akorn, Synchronoss Technologies and Ryder Systems.

**Market Outlook**

Although global economic data remains mixed and market volatility may increase in the future, we continue to believe the U.S. economy will generate sufficient growth to warrant equity exposure.  Though interest rates are moving incrementally higher, economic optimism has improved and corporate balance sheets are strong.  A recession, which would be the primary driver of a sustained drop in stock prices, does not appear to be imminent.  As always, AMI remains disciplined and continues to invest for the long run in companies that we believe will do well in both good and bad times.

Sincerely,

Your AMI Investment 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.*