The views presented in this document are those of the Geneva Capital Management Investment Team at the time of writing and may not be reflective of views any time thereafter.

KNOWLEDGE. SHARED

Economic and Investment Outlook

First Quarter 2019

Geneva
JANUS HENDERSON

FOR INSTITUTIONAL INVESTOR USE ONLY / NOT FOR PUBLIC VIEWING OR DISTRIBUTION

Economic Outlook

The 4th quarter of 2018 certainly exhibited a marked change in economic sentiment, which had been positively building throughout the year following the passage of tax reform legislation in December, 2017. Following impressive 4.2% gross domestic product (GDP) growth in Q2, and a resilient 3.4% for Q3, the 4th quarter exhibited weakness in the auto and housing sectors and moderating growth across a host of other economic statistics. Moreover, the deceleration appears to be partially self-inflicted from uncertainty related to rising tensions surrounding the ongoing trade disputes with China and the real economic impact the associated tariffs are causing, as well as concerns over a prolonged government shutdown, a seemingly aggressive Federal Reserve (Fed) and the resulting dollar strength. One assumption we have made throughout 2018 with respect to our forecasts is that the exogenous factors (trade wars, government shutdown, etc.) will have minimal impact as pragmatism should usurp irrationality. Perhaps it was foolish to make such an assumption given the unconventional nature of the administration, but as we are writing this piece, there appears to be positive developments afoot. The Fed, while raising rates 25bps in December, relaxed its posture on the cadence of future rate increases. Trade representatives from the US and China are currently having substantive conversations with respect to our disagreements, and given the economic discomfort both countries are beginning to experience, we feel a deal will be in place sooner rather than later. While such optimism could be (and has been) misplaced, we feel the current backdrop of strong job growth, low unemployment and wage growth, strong durable goods orders and industrial production supports our real GDP forecasts for 2018 and 2019 of 3.1% and 2.6% respectively. Unfortunately, only time will tell if these headwinds will abate, but our sense is any prolonged weakness will elicit a response from the Fed by holding rates steady to allow the economy to absorb its previous rate increases, as well as adjusting the speed by which they decrease their balance sheet. Our base case is for moderating growth, but we are monitoring the data closely to determine the probability of a recession in the next 12-18 months.

Businesses have admirably managed rising commodity costs (tariff induced in some instances) and wage inflation. We believe costs cannot be suppressed longer term if wages and commodities continue to rise, the slowing of the global economy should put a governor on the pace of inflation, which could be offset by a marginally looser Fed. Concurrent with these challenges, a reduction in US energy production should be expected as crude oil and natural gas prices continue to be challenged given the global slowdown and the likelihood OPEC production will ramp throughout 2019 to offset their deteriorating budgets. As such, our inflation expectation for 2019 is for CPI to edge up to 2.6% from our forecasted 2.4% 2018 expectation.

Clearly there is a plethora of evidence to support our moderating growth thesis, but one must not forget that credit markets remain vigorous, which when coupled with a historically low level of interest rates, allows companies to continue to term out their debt, grow inorganically by making acquisitions, and continue to buy back shares. 4th quarter earnings, which have just begun to be released, will be watched closely given the tumultuous environment we are experiencing. Our sense is company managements will not give heroic guidance for 2019 initially, but rather set the bar at a more conservative level until more clarity emerges. Given the opaque backdrop, we feel it prudent to moderate our previous corporate earnings forecast for the S&P 500® to $158 for 2018 and $170 for 2019.

Continued on next page

Janus Henderson is a trademark of Janus Henderson Group plc or one of its subsidiary entities. © Janus Henderson Group plc.

Economic Outlook

During 2018 the Fed's communications and intended actions were clear. They articulated their intentions to normalize rates while being data dependent. As they persisted on their path, the yield curve flattened, geopolitical pressures increased (i.e., tariff negotiations), the US government shutdown began, and a slowing global economy created some "crosswinds" to their policy, causing their vociferously hawkish commentary to appear more dovish. While the market may have assumed a continued cadence of increases throughout 2019, we believe communication by the Federal Open Market Committee (FOMC) provides assurance that future increases "are not on auto pilot". Predicting the shape of the yield curve has been extremely challenging in 2018, which is evidenced by the range of the 10-Year US Treasury with a high and low of 3.24% and 2.45%, respectively. At present, the yield curve remains relatively flat and spreads between the bench mark 2-year and 10-year Treasury have noticeably compressed (approximately 20bps).

We believe future rate increases will be at a measured pace and anticipate only a moderate upward movement in the yield curve from current levels. It will be some time before the FOMC increases the cadence of rate hikes given the low global interest rates of sovereign debt. U.S. Treasuries remain attractive from both a yield and credit standpoint given our country's relative economic stability. At year end 2018 the benchmark 10-Year and 30-Year Treasury closed at 2.68% and 3.01%, respectively. Reflecting moderation for the U.S. and global economies and cautious normalization by the Fed, our year end 2019 forecast for the benchmark 10-Year and 30-Year Treasury is 3.25% and 3.45%, respectively, down slightly from our prior forecast of 3.45% and 3.75%.

Our portrayal of the US economy elucidated above is certainly sanguine compared to previous quarterly outlooks, but appears prosperous when compared to other major economies. China's economy is clearly moderating as evidenced by slowing industrial production, retail sales, industrial profits and CPI. As we have written in previous quarters, the Chinese government has not been idle in combating these forces as they continue to provide various methods of stimulus to their economy (53 instances of easing in 6 months). Such easing is exactly the opposite of what they intended to implement just a few quarters ago as they professed their goal of reducing leverage in their economy. Their economy was already slowing prior to the escalation of the trade war with the US and this new wrinkle has clearly flummoxed their leadership in having to deal with an unpredictable President Trump. We have witnessed some concessions from China, which was expected as they have gained the reputation globally as a bad actor with respect to trade. Our base case is a trade deal is finalized in Q2, giving their economy a brief respite, which should also be supportive of Emerging Markets.

Europe is feeling the effects of a slowing China, uncertainty from the Brexit saga, a tightening ECB while continuing to be haunted by the specter of over leverage, most recently with Italy. Combined with social unrest and increased geopolitical tensions, one may conclude that Europe is heading for a recession. We don't believe that to be the case as we may be seeing some green shoots in Germany, France, and Italy where employment continues to be supportive, CPI is still at 2% and retail sales have surprised to the upside. Some clarity with respect to trade both in China and with the US would certainly give this regional economy a shot of adrenalin.

Japanese real GDP contracted slightly in the 3rd quarter as they fell victim to a triumvirate of natural calamities (heat wave, typhoon and earthquakes), which was economically disruptive. We do expect a rebound in 4th quarter and for that bounce to continue into 2019 as the Japan/EU trade agreements commence in February and there is a general pull forward of spending ahead of the new VAT tax set to be enacted in October. In addition, as Tokyo prepares to host the 2020 summer Olympic Games, we believe there should be one-time investments which also will be supportive of growth. If those predictions prove underwhelming, they will most likely double down with Abenomics and enact more stimulative measures.

Continued on next page

Economic Outlook

Longer Term

We often mention the myriad of opportunities which exist within our economy and articulate reasons one should be bullish, but clients continually ask us, what keeps us up at night. One area of concern we would be remiss not to mention is the mounting level of debt the United States is accumulating. Many point to Japan and proclaim our debt to GDP levels are nowhere near their levels, but we remain concerned nonetheless. If we are producing $1 trillion deficits when we are generating such impressive economic growth, what happens when the US is faced with a recession? In addition, the Fed has attempted to normalize rates, but historically needs the capacity of about 500bps to reduce rates to effectively combat said recession. We are currently at 2.5%, which implies the additional easing will need to be accommodated with an expanded Fed balance sheet. We entered the last recession with $700 billion on the balance sheet, emerged with $4.5 trillion and Chairman Powell has articulated that $3.6 trillion is the level to which he would like to moderate. Depending on the severity of the recession, we may be looking at a bloated balance sheet for generations, which begs the question: Can the Fed ever effectively extract itself to levels which would be considered historically normal? We are not trying to suggest the end is neigh, far from it, rather when navigating uncharted waters, potential dangers lie just below the surface. However, one can find solace in the fact that in the history of our democracy, when faced with what appears to be insurmountable challenges, we collectively rise to the occasion to overcome. We have experienced periods where leverage has been excessive in both the public and private sector and have found solutions to continue to expand our economy. Recessions, while feared by many, tend to create the balance necessary for sustainable long term stability.

Ergo, the Geneva Capital team has been unabashedly bullish over the last several quarters as our economy has experienced sustained growth not seen in over a decade. Our thesis has been the corporate tax reform legislation was a watershed event putting our tax rates on par with our developed peers, a level playing field we hadn't had the pleasure of competing on since 1990. In addition, President Trump's goal of eliminating tariffs on US goods abroad is an admirable policy given the US has one of the most open economies in the world with respect to trade. It is competitively unfair that our products have significant taxes placed on them in Europe and China, two of the largest economies in the world, while we don't reciprocate such penalties. American ingenuity and entrepreneurship has historically been able to overcome such obstacles, but as productivity remains lackluster, the basic premise of a world with fewer and lower tariffs resonated with us. We assumed, and have written, since prolonged trade wars tend to inflict pain on both parties and President Trump's proclivity to "do deals", such trade spats would conclude quickly and on the margin be slightly beneficial to US companies. At this point, we cannot surmise what the ultimate outcome will be, but do believe the clarity provided by any sort of resolution will provide a basic level of support for our economy. The question is at what cost? Not "cost" in terms of those imposed based on the nuances of the agreements, but rather our relationships with our trading partners. The more contentious and protracted these negotiations become, the more difficult future negotiations and collaboration with partners may be. Companies have already begun to review their supply chains, perhaps being less reliant on manufacturing in China and moving more production to the Philippines, Indonesia and Vietnam. European car manufacturers have begun to reconsider their strategy of manufacturing cars in the US when the end market is Europe. It is for these reasons we believe the status quo of being at odds with our largest trading partners will not persist. Once there is resolution, we feel companies will begin to adapt to the new trading framework and, assuming we aren't in a global recession, begin to deploy capital for investment more freely. This could lead to a reacceleration in economic growth through the 2020 election cycle, after which the economic policy agenda could change dramatically.

Economic Outlook

First Quarter 2019

Outlook	2015	2016	2017	2018E	2019E
Real GDP	2.4%	1.9%	2.6%	3.1%	2.7%
Inflation (Headline CPI) YoY change	0.7%	2.1%	2.1%	1.9%*	2.6%
Operating Earnings (S&P 500)	-3.2%	0.2%	13.1%	21.1%	5.6%
Annual housing starts in thousands	1,111	1,173	1,203	1,300	1,300
Gross private domestic investment fixed investment - non-residential	2.3%	-0.6%	4.7%	6.0%	7.5%
US auto sales domestically produced vehicles in millions	13.4	14.0	12.9	13.3	13.4
10-year Treasury (year-end)	2.27%	2.44%	2.41%	2.68%*	3.25%
30-year Treasury (year-end)	3.02%	3.07%	2.74%	3.01%*	3.45%

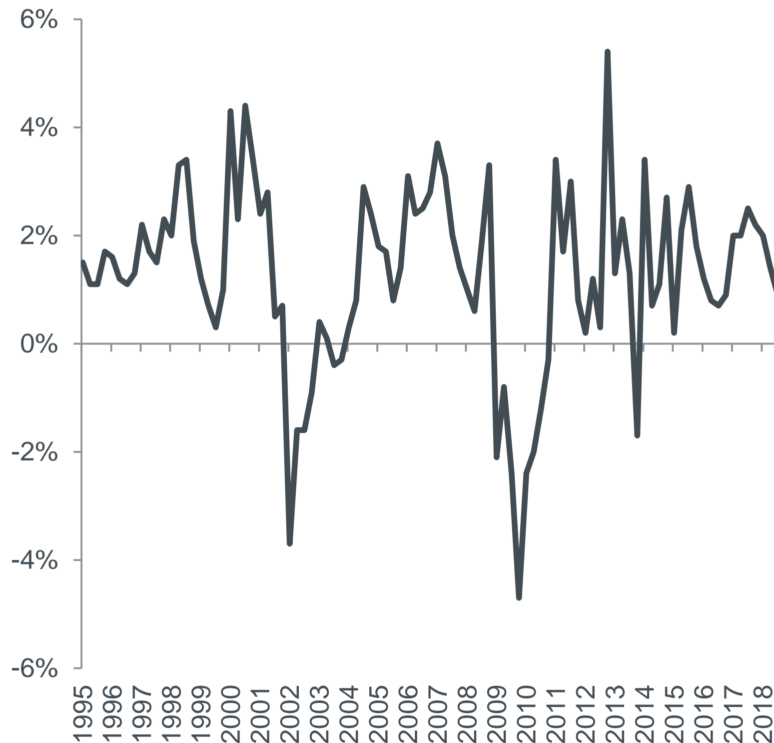
Source: Geneva Capital Management
Notes: Historical Data sourced from Bloomberg, US Federal Reserve, as of 12/18
* 2018E data points are actuals where available as of publish date

FOR INSTITUTIONAL INVESTOR USE ONLY / NOT FOR PUBLIC VIEWING OR DISTRIBUTION

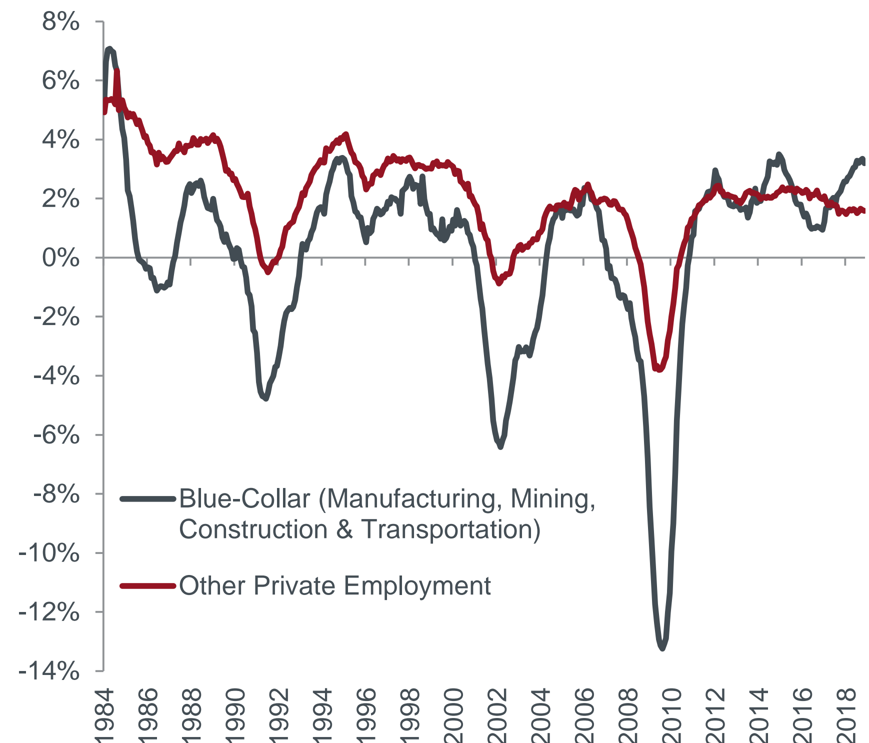
U.S. Labor Market

Restraining unit labor costs is a key to a long cycle and hiring in recent years has been particularly strong in low-wage industries.

Nonfarm Business Sector: Unit Labor Costs
% Change – Year to Year – SA



Private Sector Employment Growth
% Change – Year to Year



Sources: Bloomberg as of 12/18, Wells Fargo as of 11/18

FOR INSTITUTIONAL INVESTOR USE ONLY / NOT FOR PUBLIC VIEWING OR DISTRIBUTION

Business and Consumer Confidence

Business and consumer confidence remain healthy, but the recent softening has our attention.

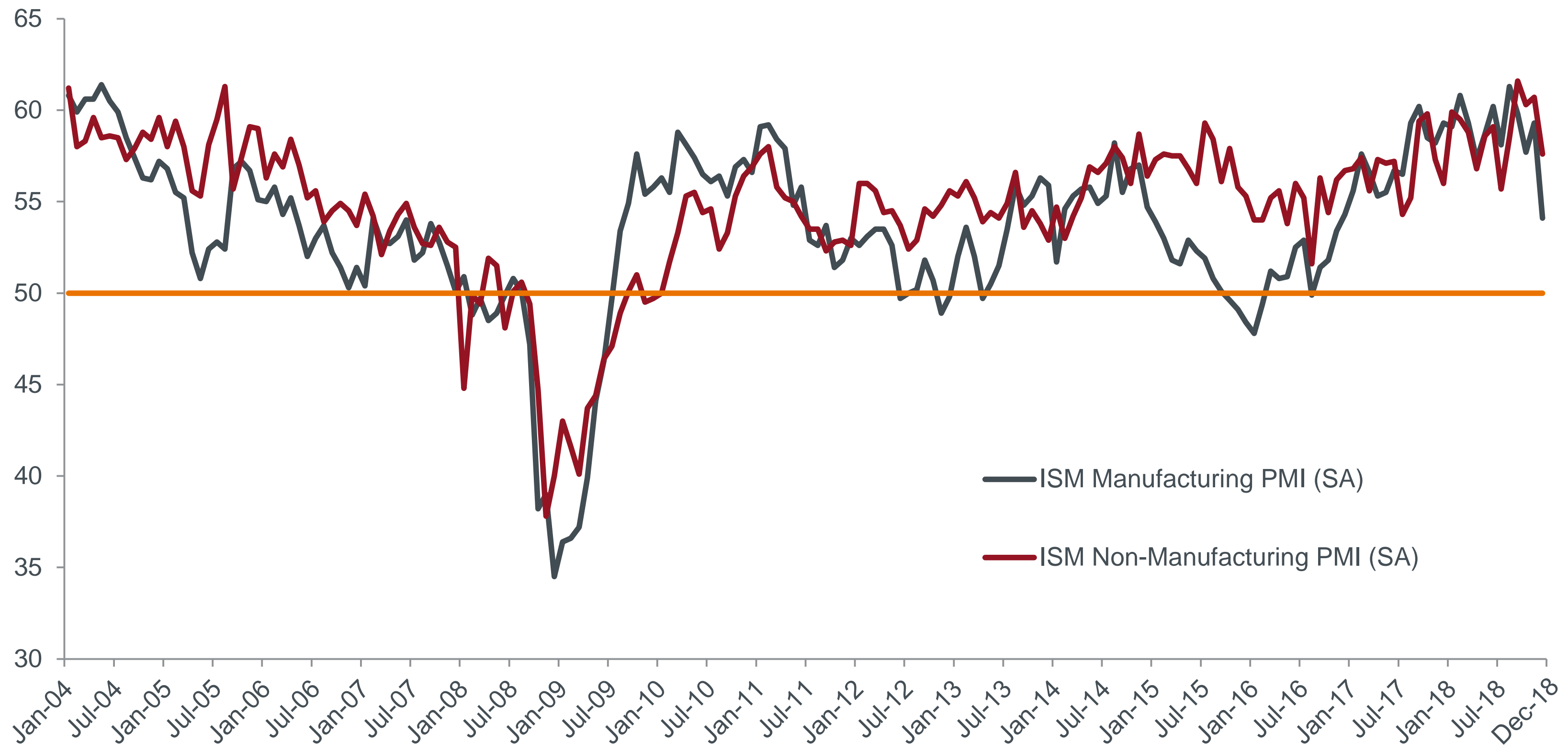
Source: Bloomberg as of 12/18

FOR INSTITUTIONAL INVESTOR USE ONLY / NOT FOR PUBLIC VIEWING OR DISTRIBUTION

Geneva
—JANUS HENDERSON—

Solid Manufacturing and Non-Manufacturing Activity, But Starting to Shown Signs of Deceleration

The ISM Manufacturing PMI and Non-Manufacturing PMI are still in expansion territory.



Source: Bloomberg as of 12/18

FOR INSTITUTIONAL INVESTOR USE ONLY / NOT FOR PUBLIC VIEWING OR DISTRIBUTION

Geneva
JANUS HENDERSON

Business Investment and Productivity

Deceleration in profits may lead to slower growth in capex. However, projects delayed because of tariff concerns may be reinstated if a China tariff policy is agreed upon, leading to a stronger 2019 climate for fixed investment.

Real Business Fixed Investment (% Change – Year to Year)

Productivity gains have remained weak throughout this expansion. More fixed investment following the new tax law may be needed to shift the growth in productivity to sustainably higher levels.

Nonfarm Productivity (Output per hour worked, % Change – Year to Year)

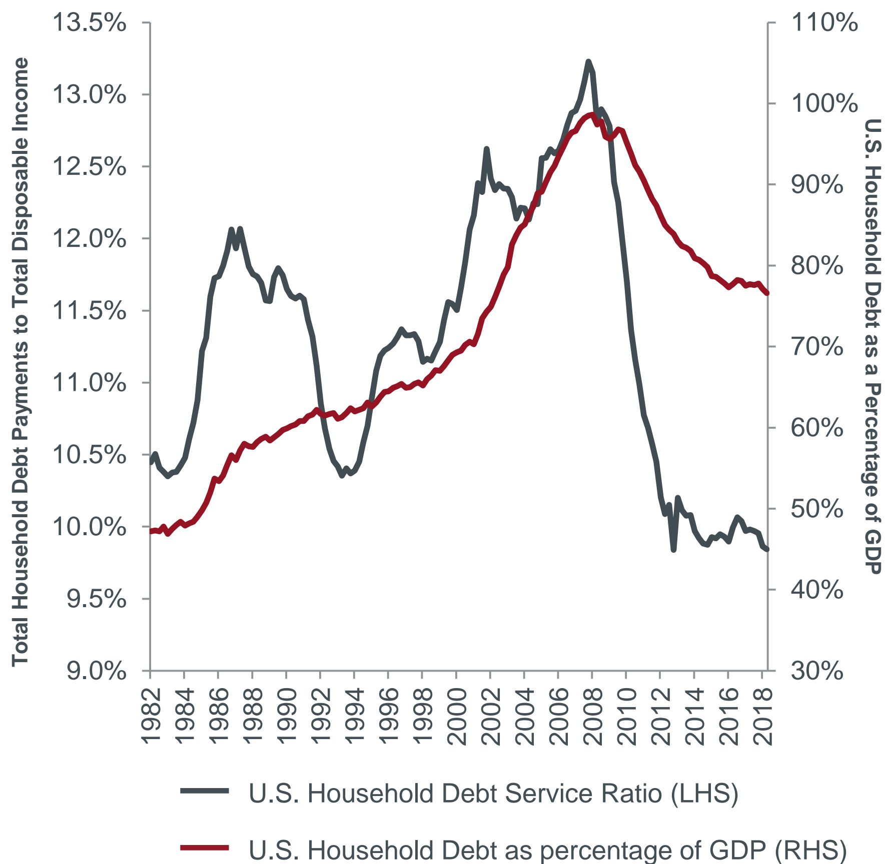
Source: Wells Fargo as of 9/18

Geneva
— JANUS HENDERSON —

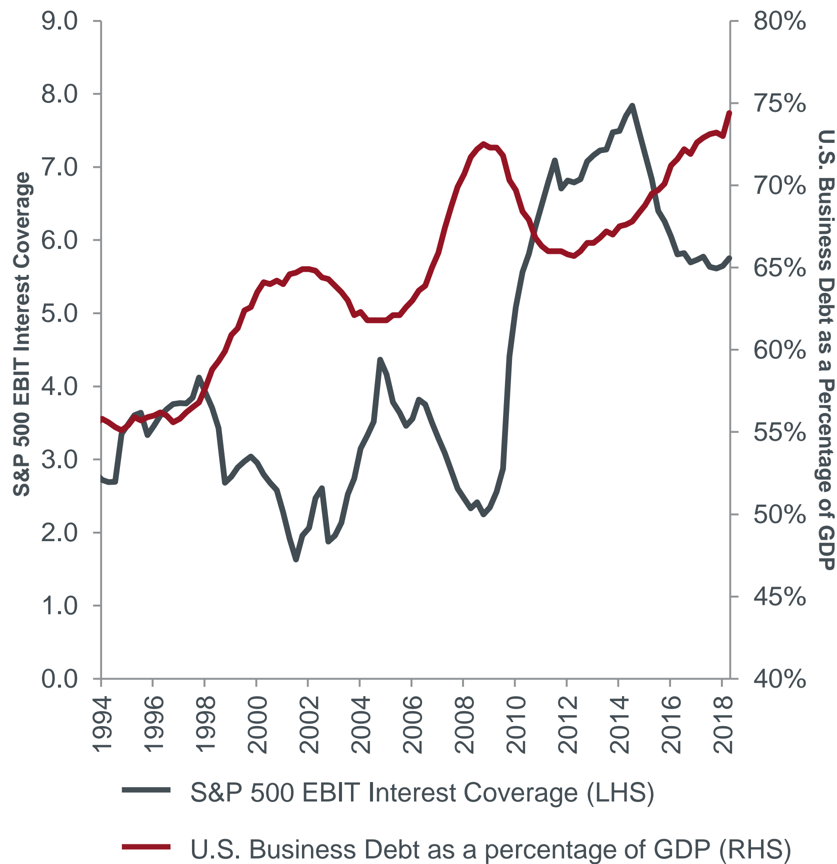
Household and Corporate Debt

Household debt appears quite manageable and corporate interest coverage ratios are well above pre-financial crisis levels despite higher debt levels relative to GDP. Higher interest rates remain worth monitoring going forward though, particularly if operating profit growth slows.

U.S. Household Debt



U.S. Corporate Debt



Sources: Bloomberg, Strategas, Wells Fargo as of 6/18

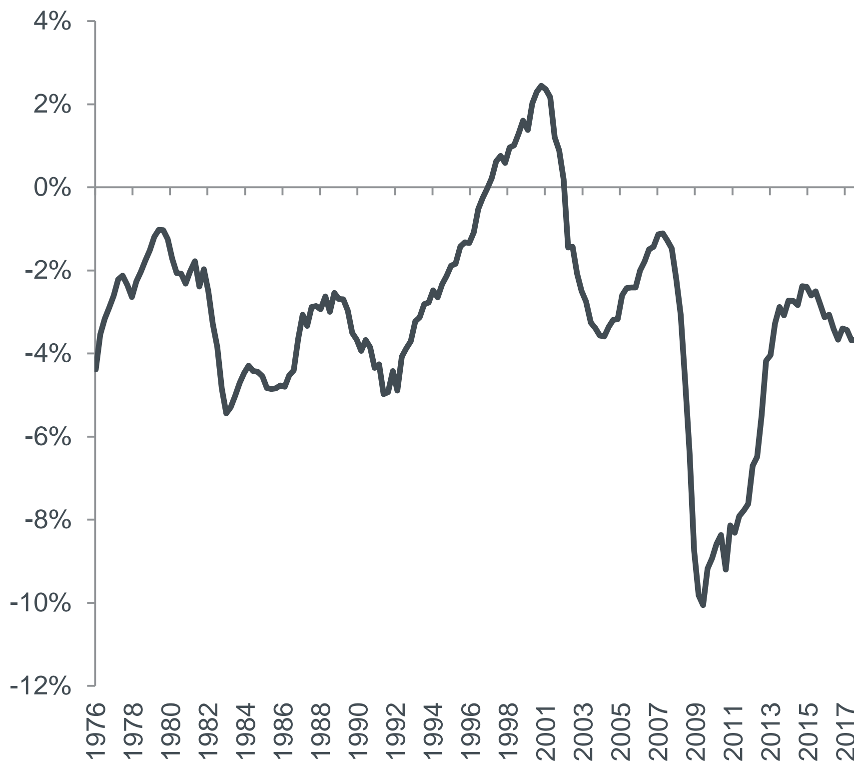
Geneva
—JANUS HENDERSON—

FOR INSTITUTIONAL INVESTOR USE ONLY / NOT FOR PUBLIC VIEWING OR DISTRIBUTION

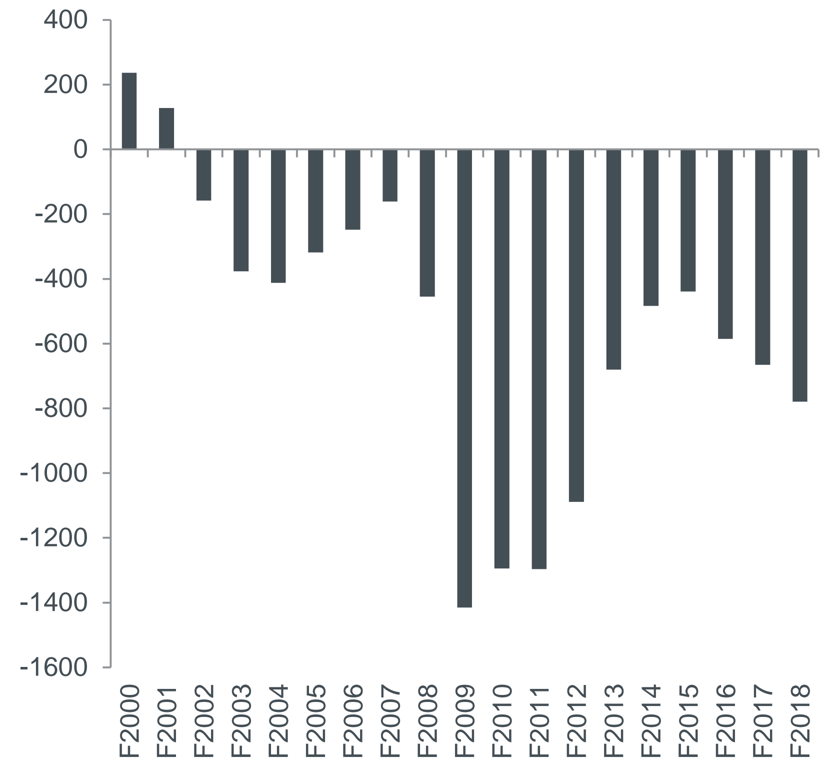
U.S. Federal Budget Balance

An expanding deficit during an expansion is historically atypical and may leave policymakers with limited tools during future downturns. The current large deficit argues against more tax cuts or infrastructure programs.

U.S. Federal Budget Balance: Deteriorating in an Expansion
4-Quarter Moving Sum, Percent of GDP



U.S. Federal Budget Balance
Billions of Dollars

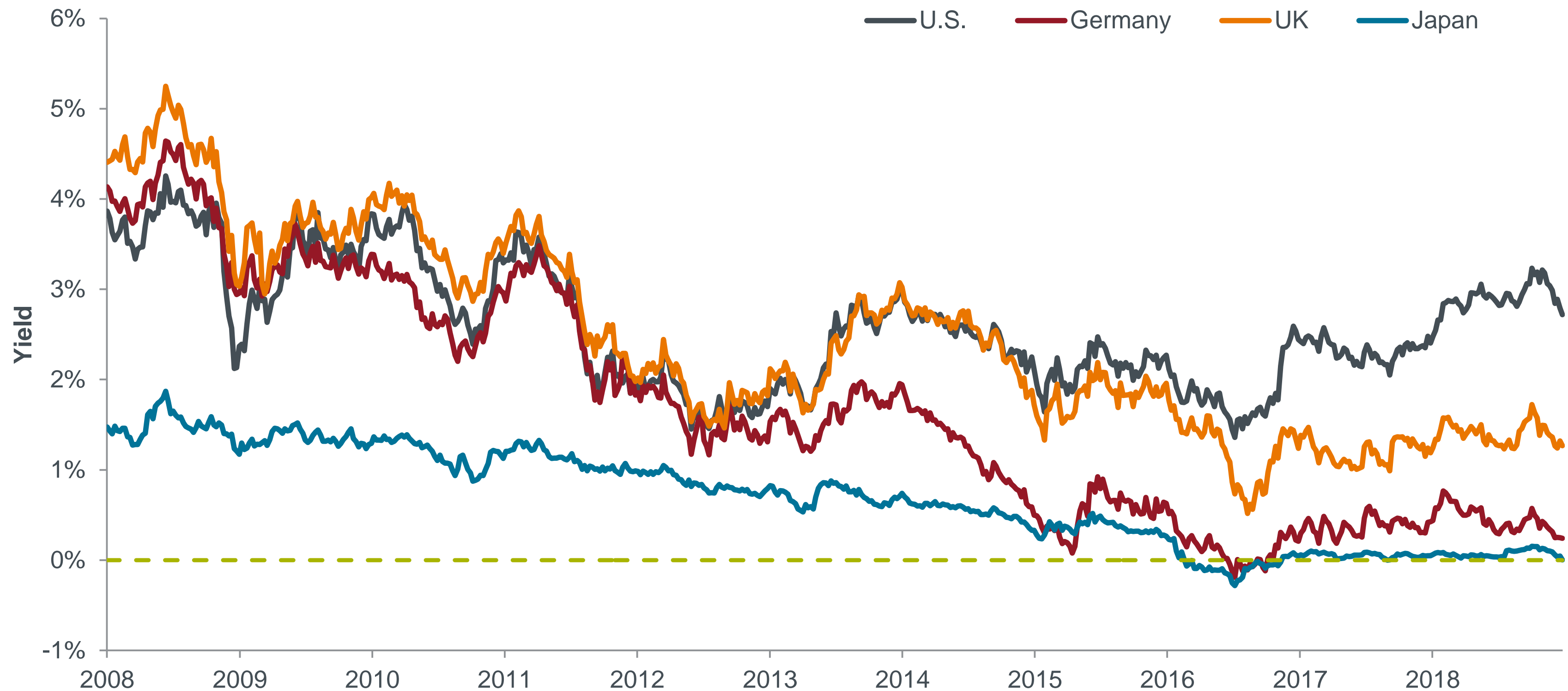


Source: Wells Fargo as of 9/18

FOR INSTITUTIONAL INVESTOR USE ONLY / NOT FOR PUBLIC VIEWING OR DISTRIBUTION

Yield on 10-Year Government Benchmarks

Major developed-market rates ex Japan have all risen, with U.S. still offering highest yields



Source: Bloomberg as of 12/18

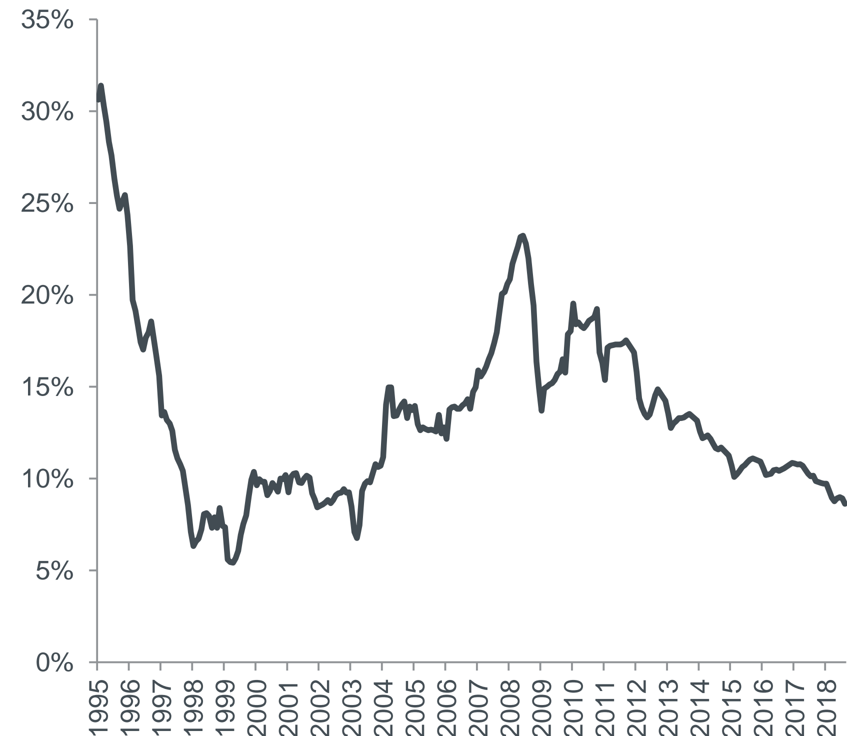
FOR INSTITUTIONAL INVESTOR USE ONLY / NOT FOR PUBLIC VIEWING OR DISTRIBUTION

Growth is Slowing in China

China's slowdown has been happening for some time. Tariffs are not helping the situation, but they are not the main reason behind its deceleration, and the Chinese government has engaged in policy to reverse the downward momentum.

China Industrial Production
Trailing 3-Month % Change – Year to Year – NSA

China Retail Sales
Trailing 3-Month % Change – Year to Year – NSA



Source: Strategas as of 11/18

Investment Outlook

The performance of US markets in the 4th quarter could be described as nothing less than brutal. In the immortal words of Austin Power's nemesis, Dr. Evil, "Where do I begin?" The quarter was the 14th poorest performing quarter going back to 1937, with most of pain coming in December. Investors are clearly concerned about the impact of rising rates, a slowdown in economic growth, political uncertainty in Washington and trade tensions. As we look out to next year, investors are trying to gauge the pace of rate hikes and the health of the US economy. At this point, the Fed has indicated their plan to take a hiatus in the pace of hikes and rely on the forthcoming economic data to take further action. A recent inversion of the yield curve (2yr and 5 yr) incited investor worry that a recession is on the horizon. While we don't believe that scenario carries a high probability at this time, we do concede economic growth will likely moderate in 2019 and it's prudent for the Fed to take a patient approach. A slowing economy doesn't necessarily lead to a fork in the road whereby we experience robust growth or a soul crushing recession. Contrary to popular contention, recessions do not promulgate bear markets. Stock market corrections like we just experienced are common and healthy. We have witnessed 8 such corrections since the great recession, this being one of the worst in terms of magnitude and velocity, but also the ferocity of the bounce. Clearly risks abound, such as the trade war with China, consumer sentiment numbers have come down off the recent highs, and housing data is beginning to soften, which could be a byproduct of higher rates. But offsetting those risks (at the moment) is the strong employment data, impressive wage growth, and weak energy prices. Coupled with this, is the fast approaching tax refunds which should provide a small boost to consumers. In summary, despite growth not being as robust as last year, we believe companies have the ability to grow earnings organically, through acquisition and via share buybacks. We believe, similar to 2018, there will be broad sector participation in this bull market and it is in these types of environments in which high quality active managers thrive.

High quality equities continued to outperform in the 4th quarter, with A+ rated companies declining 10.25% vs 28.09% for their C&D cohorts. More broadly, those rated B+ or better returned -12.43% versus -20.43% for those rated B or worse. Within the Russell 2000 Growth Index the data was more mixed as low beta stocks outperformed and non-earners underperformed, signaling a bias to high quality, but this was offset by the underperformance of high growth companies. The factor data in the Russell Midcap Growth Index was similarly mixed. Low beta companies outperformed, signaling high quality strength, but low ROE companies also outperformed, signaling a bias for low quality.

Continued on next page

Investment Outlook

Small Cap Growth

For the quarter ended December 31, 2018 the Geneva US Small Cap Growth strategy returned -20.04% (gross of fees) versus -21.65% for the Russell 2000 Growth Index, outperforming by 1.61%. Contributing to performance were consumer discretionary, energy and producer durables; these sectors contributed 1.57%, 0.96% and 0.31%, respectively. At the stock level the top contributors were MarketAxess Holdings (financial services), Dorman Products (consumer discretionary) and Vocera Communications (technology); these companies contributed 0.31%, 0.24% and 0.14%, respectively. MarketAxess Holdings was up 18.63% after reporting earnings exceeding market expectations on the back of strong volume growth, a lower tax rate and lower operating expenses. The company reported US high grade and US high yield debt volumes up 20% over the prior quarter and experienced very strong growth rates in their Open Trading (peer-to-peer) platform which creates stickiness in the software and differentiation versus peers. Dorman Products was strong throughout the quarter, up 17.03% on the back of a strong earnings report and outlook for 2019. The company's 3rd quarter earnings came in ahead of expectations and double-digit top line growth was a welcome surprise. The company noted their ability to fully offset any tariff headwinds and they feel much better about the business versus six months ago. Management noted the health of their customers has improved, sell-through of products has accelerated and new SKU introductions should drive growth in the coming year. Vocera Communications reported strong results this quarter driven by sales growth of 16%-17% (ex-ASC 606 impact) and improved gross margins. Software sales were up 8.6% y/y and recurring maintenance and support revenue was up 15.8% y/y. The company noted strong bookings in its federal business and highlighted the execution of several large deals and cross sales/expansions. Detracting from performance were technology and financial services; these sectors detracted 1.71% and 0.37%, respectively. At the stock level, the greatest detractors were Ligand Pharmaceuticals (health care), HealthEquity (health care) and Bottomline Technologies (technology); these stocks detracted 1.07%, 0.87% and 0.84% respectively. Ligand Pharmaceuticals was down 50.56% during the period but had a beat-and-raise Q3-18 report and in mid-December provided initial 2019 guidance ahead of expectations. That said the stock was weak amid slightly slower growth rates in Q3-18 for the key Promacta and Kyprolis drugs and broader pressures for high-multiple stocks. Shares of HealthEquity were down 36.82% during the quarter due to conservative guidance (which is typical for the company) although 3Q results were strong. Creating additional pressure was the falling interest rate environment which is a negative for the yield spread the company captures on customer balances. Shares of the company were up 100% at one point this year so an element of profit taking was also to blame. Shares of Bottomline Technologies fell 33.98% during the quarter after the company announced in-line earnings and weak bookings (down 21%). Management attributed this to typical quarter-to-quarter volatility as overall bookings continue to be strong on an annualized basis. Contributing to the weakness was the relative overvaluation of the stock, driven by 100% ascension prior to the pullback.

Continued on next page

Investment Outlook

Mid Cap Growth

For the quarter ended December 31, 2018 the Geneva US Mid Cap Growth strategy returned -15.47% versus -15.99% for the Russell Midcap Index, outperforming by 0.52%. Contributing to performance were consumer discretionary, financial services and energy; these sectors contributed 0.53%, 0.48% and 0.44%, respectively. At the stock level, the greatest contributors were Red Hat (technology), Church & Dwight (consumer staples) and Varian Medical Systems (health care). Red Hat was up almost 29% during the quarter due to its announced acquisition by IBM in late October. IBM agreed to acquire Red Hat for $190/share of cash, with the deal expected to close in the second half of 2019. Church & Dwight rose more than 11% due to a strong quarterly earnings report which surpassed estimates on all key metrics (revenue, organic growth, and EPS) and plans for price increases in Q4-18 and 2019 to offset inflationary headwinds. The company's fairly "defensive" business profile also likely helped its relative stock performance in a choppy market environment. Varian Medical Systems was slightly positive in the period as its quarterly report included revenue and Oncology Systems orders ahead of estimates, in addition to initial F2019 EPS guidance that seemingly was not as bad as feared amid plans to offset a majority of projected tariff headwinds (which previously had not be quantified). Detracting from performance were health care and materials & processing sectors, which detracted 1.54% and 0.01%, respectively. At the stock level, the greatest detractors were Ligand Pharmaceuticals (health care), Align Technology (health care) and Broadridge Financial Solutions (financial services). As stated in the commentary for the Small Cap Growth strategy, Ligand Pharmaceuticals had a beat-and-raise Q3-18 report and in mid-December raised its 2018 outlook and provided initial 2019 guidance ahead of expectations. That said, the stock was weak amid slightly slower growth rates in Q3-18 for the key Promacta and Kyprolis drugs and broader pressures for high-multiple stocks. Align Technology sold off during the quarter due to investors' concerns around lower average selling prices for Invisalign, which the company attributed to the mix of sales, promotional impacts, and foreign exchange headwinds, combined with a high valuation heading into the report. Although some of the pressures could remain in the near term, Invisalign case volume growth remains strong and the company appears on track to deliver 20-30% growth annually in upcoming years. Broadridge Financial Solutions reported quarterly revenue and EPS ahead of expectations, but full-year guidance was only reaffirmed (translating to a more tempered outlook for the remainder of the year) and there is some uncertainty about an SEC review of fund disclosures and processing fees charged by intermediaries like Broadridge. While the company remains positive about its longer-term growth opportunity, shares of the company were trading at a premium valuation coming into earnings and investors were not willing to give the company a pass in a difficult market environment.

Continued on next page

Investment Outlook

Longer Term

Given our base case for moderating global growth, due to the manifold of reasons illustrated in this publication, over the next six months we feel the volatility we have experienced could continue. To be candid, six months is rather arbitrary as we could certainly retest the lows of December in the first half of 2019, pushing off our recovery scenario a few months. However, beyond our hypothetical six months (6-24 months) we feel major regions around the world will find synchronization in growth and central bank policy, thereby providing the next leg to this bull market. In addition, the continued strength of the credit market and its investor's insatiable appetite for yield will continue to be supportive of equities as companies engage in M&A and stock buy backs, the latter of which hit sequential records throughout 2018. Feeding off this credit cycle is the private equity industry which currently has more than $3 trillion in dry powder to deploy. Applying a modicum of leverage to that sum can elucidate credit driven bubbles of yore. To be clear, we don't believe we are imminently nearing the end of the economic cycle, but rather facing a mid-cycle slowdown, prior to the crescendo of the next bull market and ultimate equity bubble. One question which persists in our collective mind is how the fed will respond to economic tumult and how our algorithmic driven markets may react, or rather over react to such actions. Not to imply such market participants create more upside or downside, but we believe usher in more volatility over time. Irrespective of the market environment, we feel investing in high quality growth companies provides investors with an enviable return profile without exposing them to the full extent of the aforementioned volatility. This philosophy has driven our investing process for over 32 years.

Investment Outlook

First quarter 2019

Geneva's forecast of capital markets total returns – 12 months forward					
	30-day commercial paper	2-year Treasury note	10-year Treasury note	30-year Treasury note	S&P 500 Index
12-month return potential*	2.70%	2.25%	-1.51%	-5.04%	9.98%
Level on 12/31/18	2.62%	2.49%	2.68%	3.01%	2,507

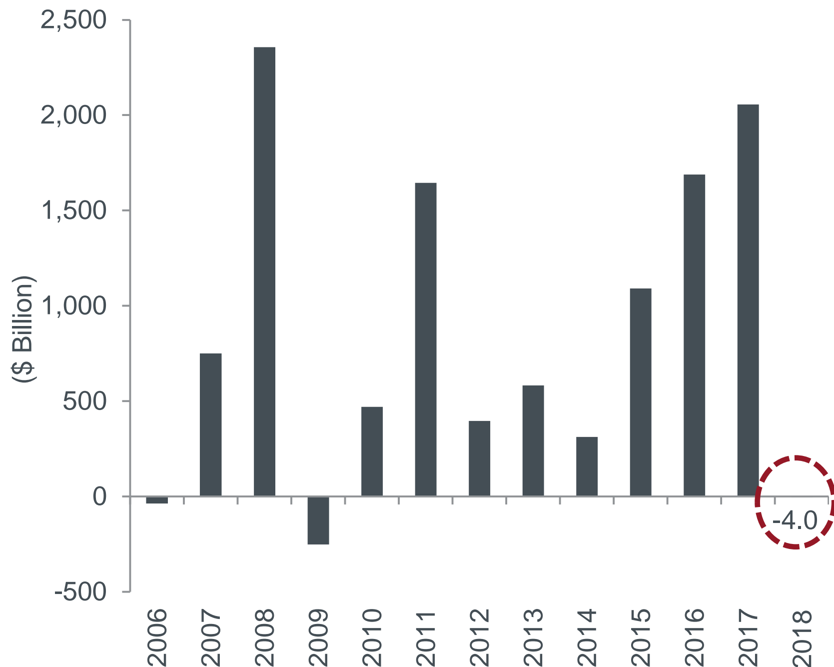
*These potential returns are based on the projected yields discussed or presented herein. Actual returns may be more or less than projections.

Sources: Geneva Capital Management, Bloomberg, as of 12/18

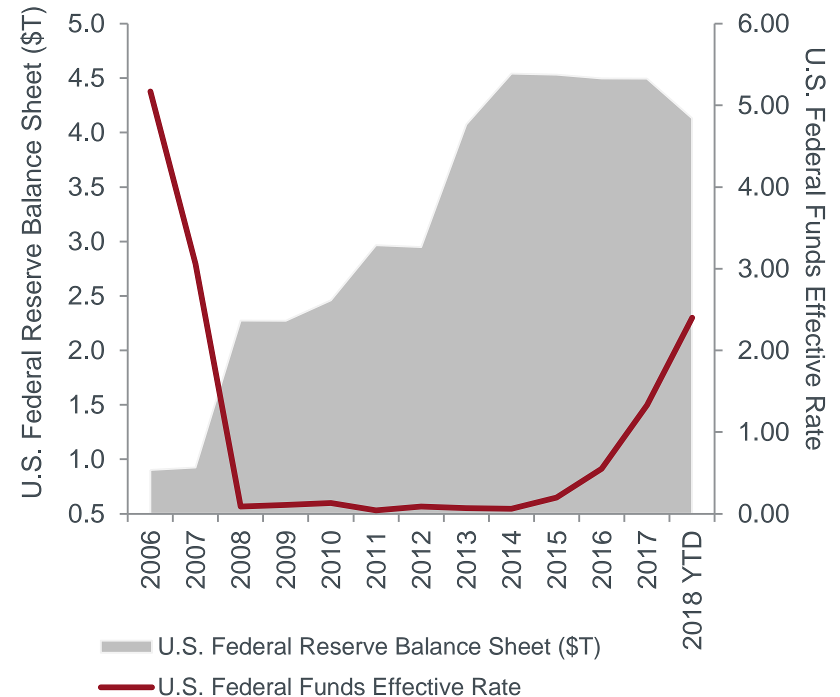
Monetary Policy: Tapering Has Begun

After eight years of expansion, G3 central bank balance sheets are now retreating, led by the Fed's normalization program. This move is long overdue, but investors need to be wary of the ECB and Bank of Japan concurrently tightening.

Change in G3 Central Bank Balance Sheets



Federal Reserve Balance Sheet vs. Federal Funds Rate



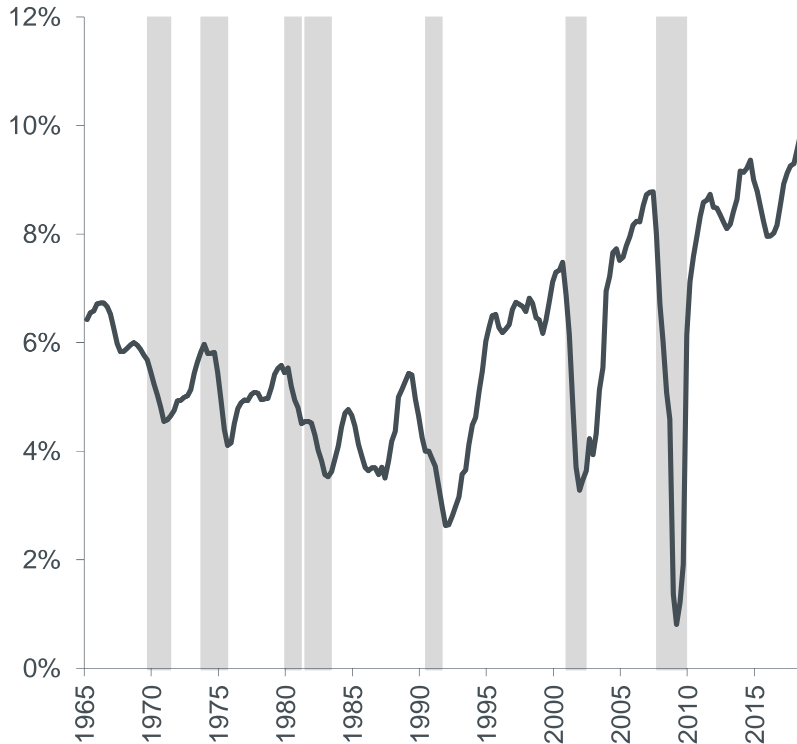
Source: Bloomberg as of 12/18

G3 central banks are the U.S. Federal Reserve, the Bank of Japan and the European Central Bank

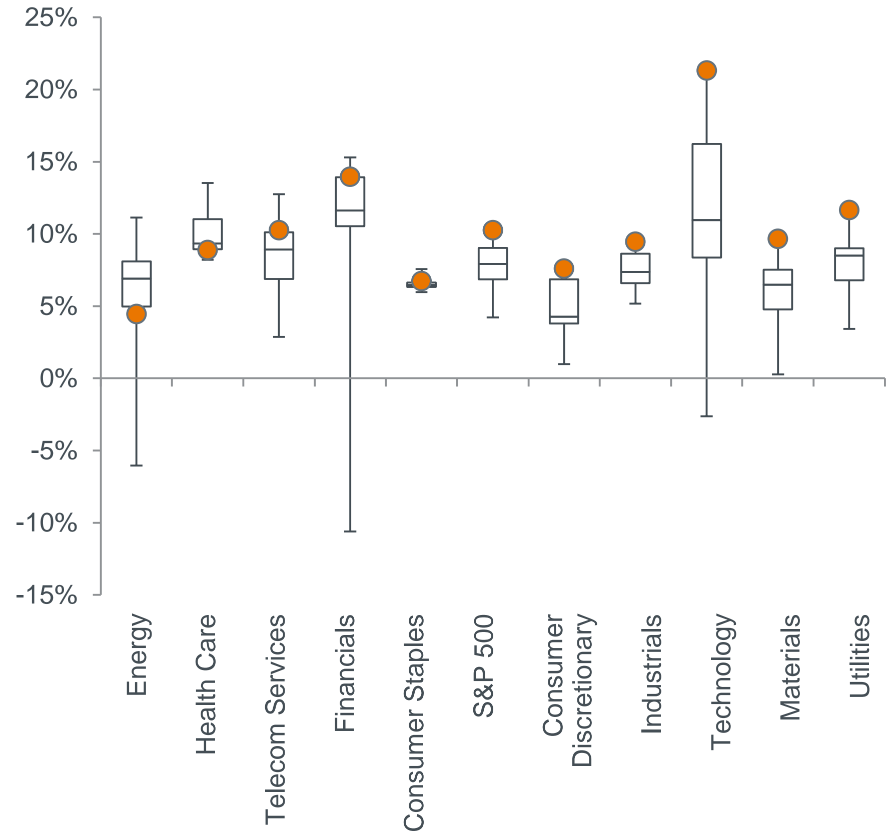
Keeping a Close Eye on Margins

We believe that tariff-related costs could be a headwind to margins in 2019.

S&P 500 Net Margins
4-Quarter Average through 9/30/18



S&P 500 Sector Margins
Historical* minimum, first quartile, median, third quartile, and maximum values. Dot indicates sector margin at 9/30/18



Source: Strategas as of 9/18
Note: * Historical data set 1990-present

Large Market Corrections Without Recessions Typically Lead to Outsized Forward Returns

S&P 500 % of Stocks Down -20% From 52-Week High
59% of S&P 500 stocks as of 12/31/18

Examples of Large Market Corrections Without Recession
1945 – Present

				S&P 500 Return*	
Start Date	**End Date**	**% Decline**	**Recession?**	**+ 6 Mo.**	**+ 12 Mo.**
5/20/2015	2/11/2016	-15.2%	No	+19.5%	+26.6%
5/2/2011	10/4/2011	-21.6%	No	+24.5%	+30.0%
7/20/1998	10/8/1998	-22.5%	No	+40.1%	+39.3%
8/25/1987	10/20/1987	-35.9%	No	+8.2%	+19.4%
9/21/1976	3/6/1978	-19.4%	No	+21.3%	+12.6%
2/9/1966	10/7/1966	-22.2%	No	+22.1%	+32.9%
12/12/1961	6/26/1962	-28.0%	No	+20.5%	+32.7%
5/29/1946	5/19/1947	-28.5%	No	+11.4%	+18.9%
			Average	**+21.0%**	**+26.6%**

*Returns calculated from decline end date

Sources: Strategas, Bloomberg as of 12/18

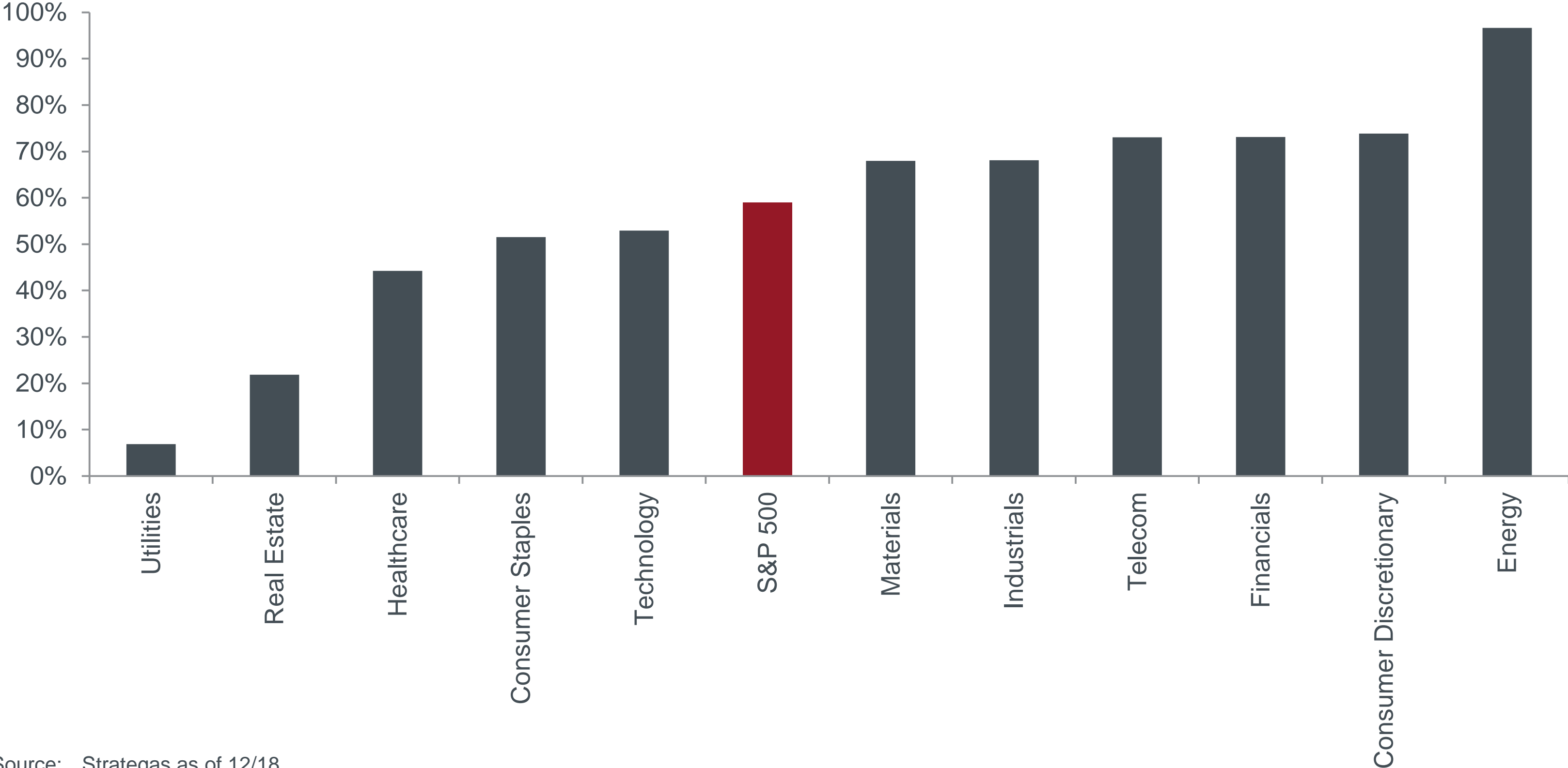
FOR INSTITUTIONAL INVESTOR USE ONLY / NOT FOR PUBLIC VIEWING OR DISTRIBUTION

Greater Than 50% of S&P 500 Down 20%

Not much has been spared. In such a broad-based decline, outperforming the relevant indices has been a challenge for active managers.

Percentage of Stock Down 20% from 52-Week High

S&P 500 Sectors as of 12/31/18

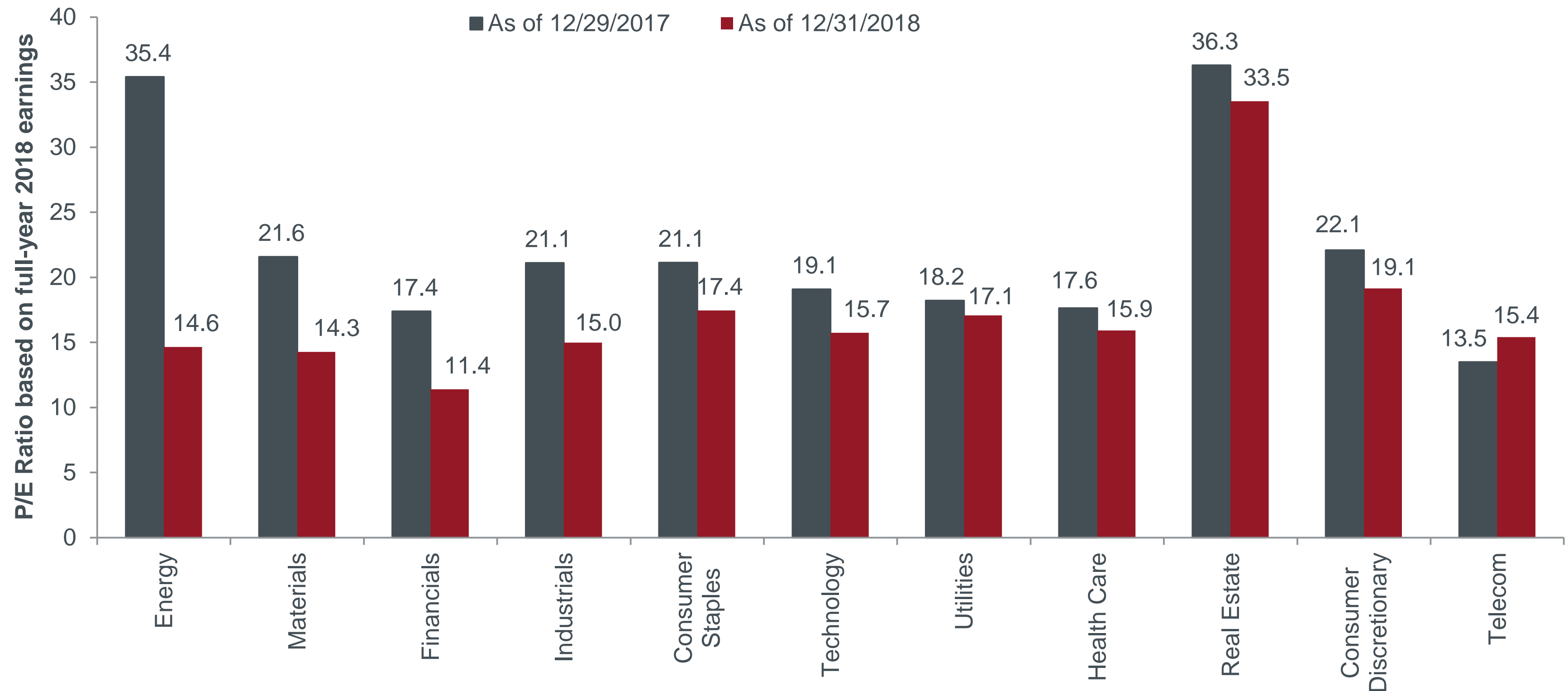


Source: Strategas as of 12/18

FOR INSTITUTIONAL INVESTOR USE ONLY / NOT FOR PUBLIC VIEWING OR DISTRIBUTION

Forward P/E Ratios by Sector – U.S. Stocks

Highly defensive sectors, along with consumer discretionary, were less vulnerable to 2018's downward pressure on valuations.



Source: Bloomberg as of 12/18

Note: Based on GICS sectors of S&P 500 Index

International Equities: The U.S. Market Has Outperformed Other Markets

EAFE vs. U.S.

Europe vs. U.S.

Japan vs. U.S.

Emerging Markets vs. U.S.

Source: Bloomberg, as of 12/18

Note: Price charts rebased to 100 on a five-year rolling basis and relative to the S&P 500 Index. Regional indices based on MSCI EAFE Index, MSCI Eurozone Index, MSCI Japan Index and MSCI Emerging Markets Index.

FOR INSTITUTIONAL INVESTOR USE ONLY / NOT FOR PUBLIC VIEWING OR DISTRIBUTION

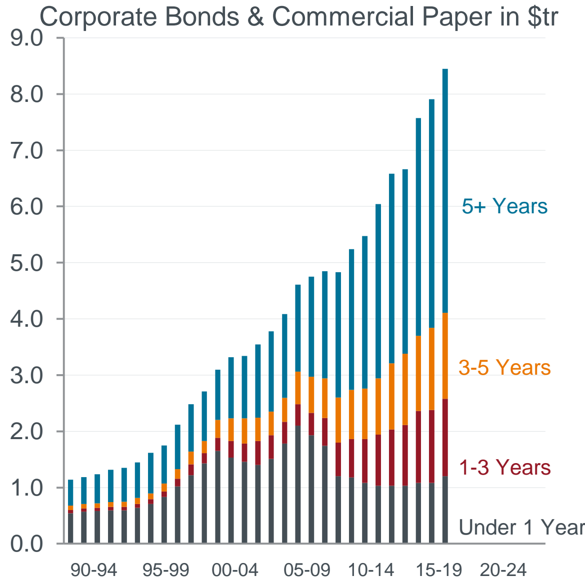
Credit Market Debt has Surged, Leveraging Up the Economy to Boost Stock Prices

Credit growth of $3.6 trillion since the financial crisis ended: <u>75% growth in credit vs. 34% nominal GDP growth</u>

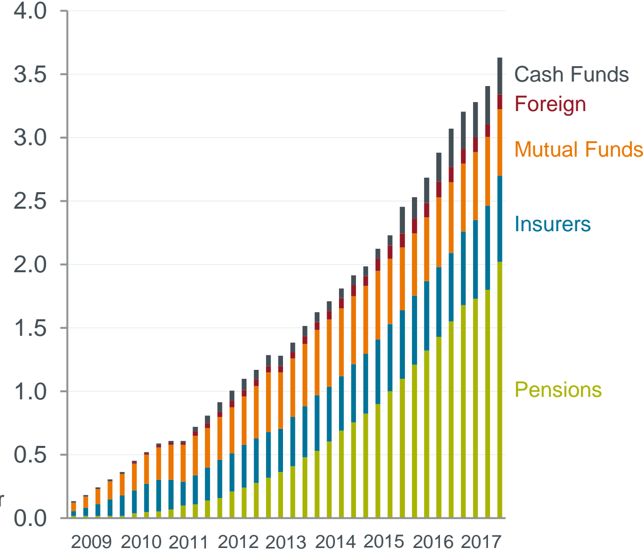
Pensions & insurers account for more than two-thirds of the $3.6 trillion credit growth since the financial crisis

The additional leverage is being used to boost stock prices

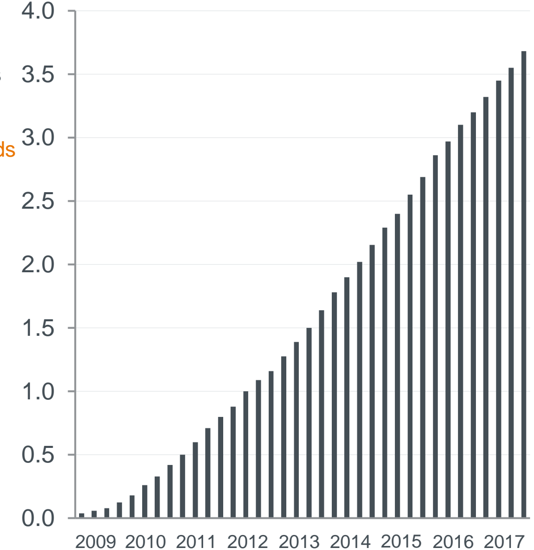
U.S. Credit Market Debt Outstanding by Maturity
Corporate Bonds & Commercial Paper in $tr



Cumulative U.S. Credit Flows by Investor Type
From 2008 in $tr



Cumulative Stock Buybacks
S&P 500 Gross Total Since 2008 in $tr

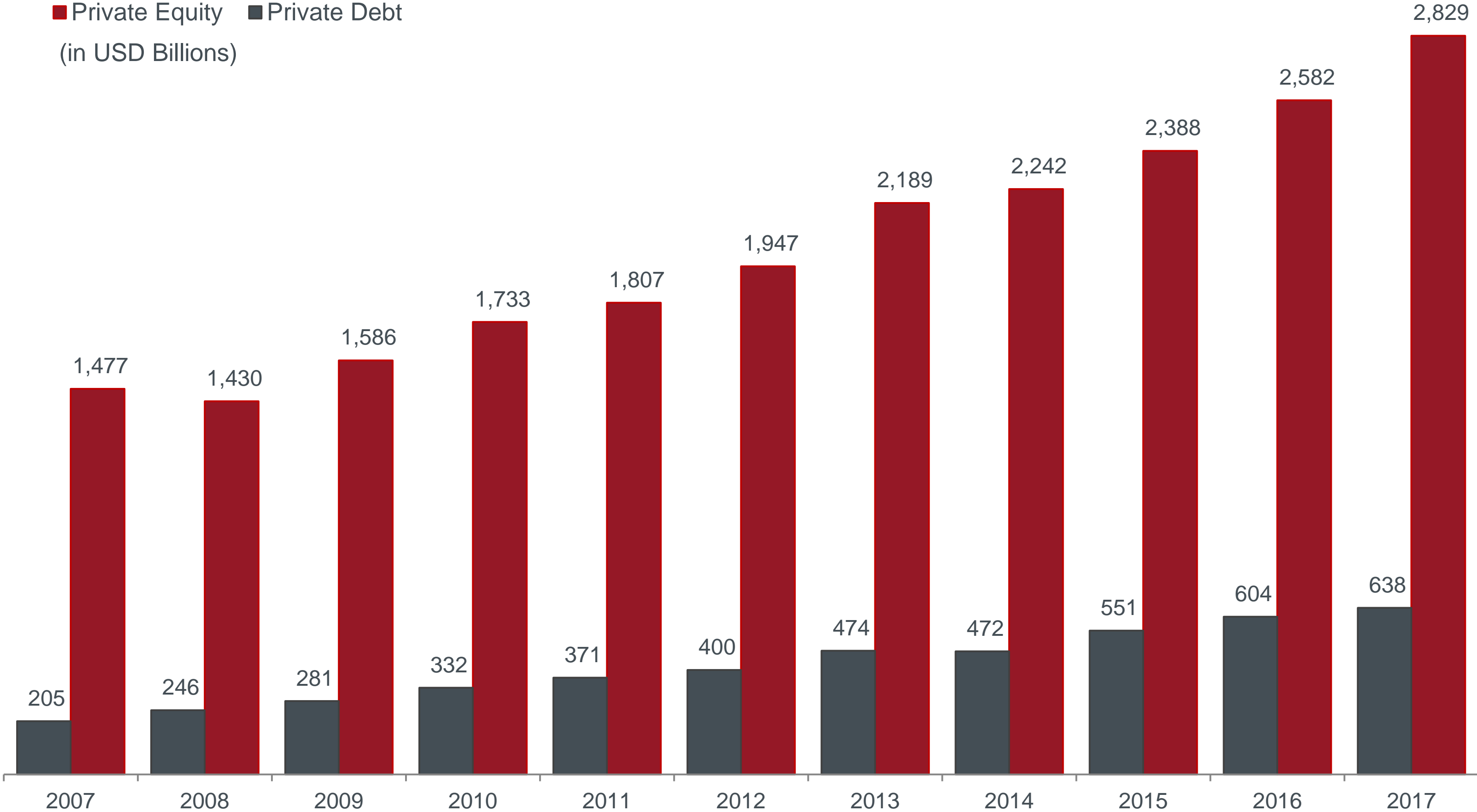


Source: Canaccord Genuity as of 12/18

FOR INSTITUTIONAL INVESTOR USE ONLY / NOT FOR PUBLIC VIEWING OR DISTRIBUTION

Geneva
—JANUS HENDERSON—

Size of the Market: Private Equity and Private Debt



Source: Preqin as of 1/17 – 6/17

FOR INSTITUTIONAL INVESTOR USE ONLY / NOT FOR PUBLIC VIEWING OR DISTRIBUTION

Annual Disclosure Presentation

US Small Cap Growth

				Annual Performance Results					3 Year Ex-Post Standard Deviation		
Year End	Total Firm Assets USD (millions)	Composite Assets USD (millions)	Number of Accounts	Composite Gross	Composite Net	Russell 2000® Growth	Russell 2000®	Composite Dispersion	Composite	Russell 2000® Growth	Russell 2000®
2017	5,202	2,007	37	23.48%	22.79%	22.17%	14.65%	0.2%	11.87%	14.59%	13.91%
2016	5,327	1,982	47	11.84%	11.17%	11.32%	21.31%	0.1%	13.08%	16.67%	15.76%
2015	4,682	1,101	36	11.66%	10.93%	-1.38%	-4.41%	0.2%	12.33%	14.95%	13.96%
2014	4,892	882	37	-1.77%	-2.41%	5.60%	4.89%	0.1%	11.40%	13.82%	13.12%
2013	6,695	1,011	36	45.18%	44.41%	43.30%	38.82%	0.4%	13.70%	17.27%	16.45%
2012	3,774	288	21	17.76%	17.15%	14.59%	16.35%	0.2%	17.39%	20.72%	20.20%
2011	2,609	173	14	1.44%	0.95%	-2.91%	-4.18%	0.2%	22.15%	24.31%	24.99%
2010	1,872	110	8	38.02%	37.39%	29.09%	26.85%	0.4%	3 Year Ex-Post Standard Deviation Not Required Prior to 2011		
2009	1,393	45	6	23.75%	23.22%	34.47%	27.17%	N.A.			
2008	979	28	Five or fewer	-33.18%	-33.49%	-38.54%	-33.79%	N.A.			
2007	1,579	9	Five or fewer	14.15%	13.69%	7.05%	-1.57%	N.A.			
2006	1,355	6	Five or fewer	6.31%	5.90%	13.35%	18.37%	N.A.			
2005	1,073	5	Five or fewer	15.85%	15.39%	4.15%	4.55%	N.A.			
2004	815	4	Five or fewer	22.72%	22.22%	14.31%	18.33%	N.A.			
2003	693	3	Five or fewer	33.43%	32.89%	48.54%	47.25%	N.A.			
2002	531	2	Five or fewer	-14.40%	-14.71%	-30.26%	-20.48%	N.A.			
2001	537	1	Five or fewer	4.15%	3.67%	-9.23%	2.49%	N.A.			
2000	514	1	Five or fewer	2.77%	2.30%	-22.43%	-3.02%	N.A.			
1999	470	1	Five or fewer	7.50%	7.13%	43.09%	21.26%	N.A.			

N.A. - Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

Compliance Statement

Geneva Capital Management claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Geneva Capital Management has been independently verified for the periods January 1, 1993 through September 30, 2018.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The US Small Cap Growth composite has been examined for the periods January 1, 1999 through September 30, 2018. The verification and performance examination reports are available upon request.

The Firm

Geneva Capital Management (formerly known as Henderson Geneva Capital Management) is a registered investment adviser and a wholly owned subsidiary of Janus Henderson Group PLC. On October 1, 2014 Henderson Global Investors Inc. acquired Geneva Capital Management LLC, and subsequently merged with Janus Capital Group Inc. on May 30, 2017 to form Janus Henderson Group PLC.

FOR INSTITUTIONAL INVESTOR USE ONLY / NOT FOR PUBLIC VIEWING OR DISTRIBUTION

Annual Disclosure Presentation

Composite Description

The US Small Cap Growth composite contains fully discretionary equity accounts invested in approximately 50-60 small capitalization growth securities whose market capitalization ranges generally fall between $500 million to $3 billion at the time of purchase. Securities are selected using a “bottom-up” fundamental analysis of the company and supplemented by “top-down” considerations of economic conditions. Prior to September 30, 2015, the composite was named Geneva Smallcap Composite. There is no minimum account size for this composite. Prior to January 1, 2006, the minimum account size was $500,000. From January 1, 2004 through December 31, 2005, accounts were removed from the composite if they fell more than 20% below the minimum account size. Beginning July 1, 2008, composite policy requires the temporary removal of any portfolio incurring a client initiated significant cash inflow or outflow of 30% portfolio assets or greater. The temporary removal of such an account occurs at the beginning of the month in which the significant cash flow occurs and the account re-enters the composite the last day of the month in which the cash flow takes place.

Composite Benchmark

For comparison purposes, the US Small Cap Growth composite is measured against the primary index Russell 2000® Growth Index and secondary Russell 2000® Index. The Russell 2000® Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000® Index companies with higher price-to-value ratios and higher forecasted growth values (Source: www.ftserussell.com). The Russell 2000® Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000® is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership (Source: www.ftserussell.com). Performance results in presentations prior to January 1, 2002 were measured against the S&P® 600 Index. From January 1, 2002 through January 1, 2008 performance results were primarily measured against the Russell 2000® Index. The benchmark was changed to be more representative of the composite strategy and style. Information regarding the S&P 600® Index is available upon request.

Fee Information

The annual fee schedule is 100 bps (1.00%) on the first $50 million, 90 bps (0.90%) on $50 to $100 million, and 80 bps (0.80%) on the balance over $100 million. Actual investment advisory fees incurred by clients may vary.

Basis of Returns

Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Returns are presented gross and net of management fees and include the reinvestment of all income. Net of fee performance was calculated using actual management fees. Prior to January 1, 2000, net returns were calculated using the highest fee per the fee schedule in the ADV which was 1.0%. Past performance is not indicative of future results.

Composite Dispersion

The annual composite dispersion presented is an asset-weighted standard deviation calculated for the accounts in the composite the entire year.

GIPS Policies and Procedures

The Firm maintains a complete list of composite descriptions, which is available upon request. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

Composite Creation Date

The US Small Cap Growth composite creation date is January 1, 1999.

Composite Currency

The U.S. Dollar is the currency used to express performance.

Geneva
JANUS HENDERSON
FOR INSTITUTIONAL INVESTOR USE ONLY / NOT FOR PUBLIC VIEWING OR DISTRIBUTION

Annual Disclosure Presentation

Important information
Advisory services provided by Geneva Capital Management LLC, an SEC registered investment adviser. Geneva Capital Management LLC is an indirect wholly owned subsidiary of Janus Henderson Group PLC, the ultimate parent of the global asset management group, Janus Henderson Investors.

All investments involve risk, including loss of principal. Past performance is no guarantee of future results. Institutional separate accounts are subject to applicable account minimums. The value of an investment and the income from it can fall as well as rise and you may not get back the amount originally invested. Geneva does not consider tax implications when making investment decisions, the strategy is generally tax efficient due to Geneva's low turnover rate. Geneva will take specific steps to achieve tax efficiency if directed by the client. Nothing in this document is intended to or should be construed as advice. This document is not a recommendation to sell or purchase any investment.

On occasion, we may utilize a broad-based, benchmark representatives ETF to gain exposure to a strategies market. We will do so in instances where we are managing the cadence of direct investment opportunities or during times of market volatility. Any ETF holding will not account for more than a 5% holding and we envision using ETFs only opportunistically and on a limited basis as investments in ETFs are subject to fund management fees.

Portfolio Management Changes
Effective July 10, 2017; Michelle Picard retired and left The Company. Jose Munoz has been promoted from Senior Analyst to Portfolio Manager.
Effective October 22, 2018; Amy Croen retired and left The Company.

Fees are billed or charged to the account in arrears, at one quarter of the annual rate, on a quarterly basis or as applicable based on the average month-end values for each of the three months comprising a quarter. Actual investment advisory fees incurred by clients may vary.

Annual Disclosure Presentation

US Mid Cap Growth

				Annual Performance Results					3 Year Ex-Post Standard Deviation		
Year End	Total Firm Assets USD (millions)	Composite Assets USD (millions)	Number of Accounts	Composite Gross	Composite Net	Russell Midcap® Growth	Russell Midcap®	Composite Dispersion	Composite	Russell Midcap® Growth	Russell Midcap®
2017	5,202	2,377	67	24.38%	23.82%	25.27%	18.52%	0.1%	10.61%	10.89%	10.36%
2016	5,327	2,299	108	3.08%	2.61%	7.33%	13.80%	0.2%	11.41%	12.18%	11.55%
2015	4,682	2,807	111	4.54%	4.08%	-0.20%	-2.44%	0.1%	11.13%	11.31%	10.85%
2014	4,892	3,247	128	5.90%	5.44%	11.90%	13.22%	0.2%	10.56%	10.87%	10.14%
2013	6,695	4,896	190	32.00%	31.46%	35.74%	34.76%	0.1%	13.69%	14.62%	14.03%
2012	3,774	2,860	168	11.51%	11.03%	15.81%	17.28%	0.2%	16.62%	17.91%	17.20%
2011	2,609	1,958	140	4.19%	3.73%	-1.65%	-1.55%	0.2%	18.86%	20.82%	21.55%
2010	1,872	1,297	119	30.83%	30.25%	26.38%	25.48%	0.4%	3 Year Ex-Post Standard Deviation Not Required Prior to 2011		
2009	1,393	928	96	36.89%	36.28%	46.29%	40.48%	0.4%			
2008	979	618	96	-35.54%	-35.86%	-44.32%	-41.46%	0.3%			
2007	1,579	1,061	92	17.00%	16.50%	11.43%	5.60%	0.2%			
2006	1,355	794	89	5.62%	5.15%	10.66%	15.26%	0.2%			
2005	1,073	581	70	15.84%	15.39%	12.10%	12.65%	0.4%			
2004	815	399	38	20.92%	20.47%	15.48%	20.22%	0.2%			
2003	693	340	34	26.55%	26.10%	42.71%	40.06%	0.3%			
2002	531	229	24	-14.05%	-14.36%	-27.41%	-16.19%	0.4%			
2001	537	244	24	-3.84%	-4.18%	-20.15%	-5.62%	0.3%			
2000	514	212	16	13.36%	13.00%	-11.75%	8.25%	0.6%			
1999	470	286	56	14.29%	13.19%	51.29%	18.23%	4.1%			
1998	380	206	53	28.77%	27.56%	17.86%	10.09%	1.9%			
1997	259	135	36	25.03%	23.85%	22.54%	29.01%	2.7%			
1996	214	90	34	27.40%	26.20%	17.48%	19.00%	1.7%			
1995	195	73	32	28.40%	27.20%	33.98%	34.45%	2.9%			
1994	133	53	28	-0.50%	-1.50%	-2.16%	-2.09%	1.3%			
1993	120	28	26	5.02%	3.99%	11.19%	14.30%	1.6%			

Page 1 of 3

FOR INSTITUTIONAL INVESTOR USE ONLY / NOT FOR PUBLIC VIEWING OR DISTRIBUTION

Annual Disclosure Presentation

Compliance Statement

Geneva Capital Management claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. Geneva Capital Management has been independently verified for the periods January 1, 1993 through September 30, 2018.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS® standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS® standards. The US Midcap Growth composite has been examined for the periods January 1, 1993 through September 30, 2018. The verification and performance examination reports are available upon request.

The Firm

Geneva Capital Management (formerly known as Henderson Geneva Capital Management) is a registered investment adviser and a wholly owned subsidiary of Janus Henderson Group PLC. On October 1, 2014 Henderson Global Investors Inc. acquired Geneva Capital Management LLC, and subsequently merged with Janus Capital Group Inc. on May 30, 2017 to form Janus Henderson Group PLC.

Composite Description

The US Mid Cap Growth composite contains fully discretionary equity accounts invested in approximately 50-60 mid capitalization growth securities whose market capitalization ranges generally fall between $2 billion to $15 billion at the time of purchase. Securities are selected using a "bottom-up" fundamental analysis of the company and supplemented by "top-down" considerations of economic conditions. Prior to January 1, 2006, the composite was named Geneva Growth. Between January 1, 2006 and September 30, 2015 the composite was named Geneva Midcap Growth Composite. The minimum account size for this composite is $500,000. As of January 1, 2004 accounts are removed annually if they fall more than 20% below the minimum account size. Beginning January 1, 2006, composite policy requires the temporary removal of any portfolio incurring a client initiated significant cash inflow or outflow of 30% portfolio assets or greater. The temporary removal of such an account occurs at the beginning of the month in which the significant cash flow occurs and the account re-enters the composite the last day of the month in which the cash flow takes place. Prior to January 1, 2000, balanced portfolio segments were included in this composite and performance reflects required total segment plus cash returns using a predetermined cash allocation percentage.

Composite Benchmark

For comparison purposes, the US Mid Cap Growth composite is measured against primary index Russell Midcap® Growth Index and secondary Russell Midcap® Index. The Russell Midcap® Growth Index measures the performance of the mid-cap growth segment of the U.S. equity universe. It includes those Russell Midcap® Index companies with higher price-to-book ratios and higher forecasted growth values (Source: www.ftserussell.com). The Russell Midcap® Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap® is a subset of the Russell 1000® Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap® represents approximately 31% of the total market capitalization of the Russell 1000® companies (Source: www.ftserussell.com). Performance results in presentations prior to January 1, 2002 were measured against the S&P® 400. From January 1, 2002 through January 1, 2008 performance results were primarily measured against the Russell Midcap® Index. The benchmark was changed to be more representative of the composite strategy and style. Information regarding the S&P 400® Index is available upon request.

Fee Information

The annual fee schedule for institutional clients is 75 bps (0.75%) on the first $100 million and 60 bps (0.60%) on the balance over $100 million. The annual fee schedule for retail clients is 100 bps (1.00%) on the first $1.5 million, 85 bps (0.85%) on the next $8.5 million, and 70 bps (0.70%) on the balance over $10 million. Actual investment advisory fees incurred by clients may vary.

Geneva
— JANUS HENDERSON —

FOR INSTITUTIONAL INVESTOR USE ONLY / NOT FOR PUBLIC VIEWING OR DISTRIBUTION

Annual Disclosure Presentation

Basis of Returns
Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Returns are presented gross and net of management fees and include the reinvestment of all income. Net of fee performance was calculated using actual management fees. Prior to January 1, 2000, net returns were calculated using the highest fee per the fee schedule in the ADV which was 1.0%. Past performance is not indicative of future results.

Composite Dispersion
The annual composite dispersion presented is an asset-weighted standard deviation calculated for the accounts in the composite the entire year.

GIPS Policies and Procedures
The Firm maintains a complete list of composite descriptions, which is available upon request. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

Composite Creation Date
The US Mid Cap Growth composite creation date is January 1, 1988.

Composite Currency
The U.S. Dollar is the currency used to express performance.

Important information
Advisory services provided by Geneva Capital Management LLC, an SEC registered investment adviser. Geneva Capital Management LLC is an indirect wholly owned subsidiary of Janus Henderson Group PLC, the ultimate parent of the global asset management group, Janus Henderson Investors.

All investments involve risk, including loss of principal. Past performance is no guarantee of future results. Institutional separate accounts are subject to applicable account minimums. The value of an investment and the income from it can fall as well as rise and you may not get back the amount originally invested. Geneva does not consider tax implications when making investment decisions, the strategy is generally tax efficient due to Geneva's low turnover rate. Geneva will take specific steps to achieve tax efficiency if directed by the client. Nothing in this document is intended to or should be construed as advice. This document is not a recommendation to sell or purchase any investment.

On occasion, we may utilize a broad-based, benchmark representatives ETF to gain exposure to a strategies market. We will do so in instances where we are managing the cadence of direct investment opportunities or during times of market volatility. Any ETF holding will not account for more than a 5% holding and we envision using ETFs only opportunistically and on a limited basis as investments in ETFs are subject to fund management fees.

Portfolio Management Changes
Effective July 10, 2017; Michelle Picard retired and left The Company. Jose Munoz has been promoted from Senior Analyst to Portfolio Manager.
Effective October 22, 2018; Amy Croen retired and left The Company.

Fees are billed or charged to the account in arrears, at one quarter of the annual rate, on a quarterly basis or as applicable based on the average month-end values for each of the three months comprising a quarter. Actual investment advisory fees incurred by clients may vary.

Economic and Investment Outlook

Statement of Purpose

Geneva Capital Management (or “Firm”) prepares an Economic and Investment Outlook (“EIO”) on a quarterly basis. The purpose of the EIO is to communicate the views and opinions held by the Firm’s Investment Team (“the Team") at a particular time regarding current and future economic and market trends. The views expressed in the EIO may change as new information becomes available to the Team. Clients and prospects of the Firm may receive the EIO as a reference for understanding the Firm’s intermediate and long-term outlook. This process has been in place since the inception of the Firm.

The EIO includes commentary, charts and graphs that are produced either internally or sourced from outside research organizations. The Firm carefully reviews all external source material used in the EIO and believes the information to be reliable; however, we cannot guarantee the accuracy or completeness of external data. Views expressed in the EIO should not be interpreted as a recommendation to buy or sell a particular security or type of securities and any forward looking views or statements may not come to pass. Current and prospective clients may obtain additional information about the Firm in our Form ADV brochure. A copy is available upon request.

Geneva Capital Management
100 E. Wisconsin Avenue
Suite 2550
Milwaukee, WI 53202
Telephone: (414) 224-6002
Fax: (414) 224-9503
www.genevacap.com

Important information
Advisory services provided by Geneva Capital Management LLC, an SEC registered investment adviser. Geneva Capital Management LLC is an indirect wholly owned subsidiary of Henderson Global Investors (North America) Inc. ("HGINA"), HGINA is an indirect wholly owned subsidiary of Janus Henderson Group plc, the ultimate parent of the global asset management group, Janus Henderson Investors.

All investments involve risk, including loss of principal. Past performance is no guarantee of future results. Institutional separate accounts are subject to applicable account minimums. The value of an investment and the income from it can fall as well as rise and you may not get back the amount originally invested. Geneva does not consider tax implications when making investment decisions, the strategy is generally tax efficient due to Geneva's low turnover rate. Geneva will take specific steps to achieve tax efficiency if directed by the client. Nothing in this document is intended to or should be construed as advice. This document is not a recommendation to sell or purchase any investment.

On occasion, we may utilize a broad-based, benchmark representatives ETF to gain exposure to a strategies market. We will do so in instances where we are managing the cadence of direct investment opportunities or during times of market volatility. Any ETF holding will not account for more than a 5% holding and we envision using ETFs only opportunistically and on a limited basis as investments in ETFs are subject to fund management fees.

C-0119-22052 04-30-19

699-44-411667 01-19