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Economic and Investment Outlook

Third Quarter 2019

Geneva
JANUS HENDERSON

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Economic Outlook

The US economy appears to be slowing when observing a myriad of economic statistics. The question we pose is by how much and for how long as dislocations resulting from continuing trade negotiations and sluggish global growth are creating a murky economic backdrop. Further opaqueness is coming from the Federal Reserve as their campaign of tightening which began with the first rate hike on 12/16/15 abruptly reversed course at the end of 2018, and while 2019 was predicted to experience 4 rate increases, we are now hearing chatter of multiple 50bps decreases. Given this uncertainty and the deceleration in industrial production, retail sales, capex, and the ISM index, we feel it prudent to maintain our 2019 US GDP forecast at 2.4% and introduce our 2020 US GDP forecast of 2.3%. As important as the actual number itself, is the path it follows, and in this forecast we see US GDP troughing in Q3 or Q4 2019 and reaccelerating into 2020. Driven by an easing Fed, strong US consumer, China stimulating their economy and continued structural reforms in Europe, we see GDP ending 2019 at an annualized rate of 2.7%.

Until only recently, inflation had been fleeting with many pundits suggesting low inflation is here to stay given disinflationary power of technology, globalization and the retirement of the baby boomers. In fact Chairman Powell suggested recently in congressional testimony that the Philips curve is broken. However, two recent hotter than expected readings of the CPI and PPI surprised the markets and further complicates the Fed's perceived plan to lower rates. Assuming that accommodative central banks and pro-growth fiscal policies (i.e. China) reaccelerate global growth that may further put stress on an already tight labor market in the United States, which is experiencing the lowest unemployment rates in 50 years. The only reason why we haven't seen wage inflation thus far is due to productivity growth, which has resulted in a deceleration of unit labor costs over the past several quarters. While the risk of a wage price spiral is minimal at this point, all else being equal we could see signs of such developments occur in late 2020. Businesses have done an admirable job in controlling costs and passing through the impact of tariffs onto their customers, but at some point, something must give. Either operating margins begin to contract or consumers and businesses reduce spending in response to higher prices. Liquidation of inventories from retail bankruptcies, which include 20,000 store closures over the past 2.5 years, may have some mitigating impact, but ultimately higher costs will work their way through the system in the form of a rise in consumer prices. Our forecast for 2019 headline CPI is unchanged at 2.2%, with a forecast of 2.3% in 2020.

Capital Expenditures continue to slow, clearly showcasing the impact of uncertainty related to the ongoing trade negotiations. Businesses have shown little appetite for large scale expansions when the rules of trade are so mercurial. If a manufacturer relies on imported parts or equipment and exports a sizeable percentage of its production, an inability to project the cost of imported parts and goods or confidently project the international demand for said goods in this new trade environment leads to an obvious business strategy: until the agreements are finalized and ground rules established, wait on all but essential capital expenditures. This is evident when analyzing the data as new orders of durable goods falling in the latest reading 3.2% vs growing double digits the year before and non-defense capital goods (ex-aircraft) decelerating to 1.7% y/y, and the ISM index sharply deteriorating from 60 in June of 2018 to 51.7 this year, with 50 being the demarcation of growth vs contraction. Unless there are material changes on the trade front, we fear capital expenditures will continue to be pressured in the coming quarters. Accordingly, we are reducing our projection for 2019 Gross Private Domestic investment to +2.5% (from 7.5% previously) and establishing a flat rate of growth for 2020.

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Economic Outlook

Mid-December 2018, the FOMC increased the Federal Funds Target Rate 25 basis points and the market widely expected the possibility of future increases. Since the last increase, the FOMC has met four times without action. The market is dissecting every statement of Federal Reserve Chairman Powell to gather hints of the timing of the now widely anticipated “rate cut”, which the market perceives is imminent. However, one must remember that the Fed is both independent and data dependent. We do not believe market information gives us definitive clarity as to the likelihood of the size and timing of the anticipated rate decreases. Recent statements from Fed members appear to be more accommodative and a reversal of a more hawkish tone from December, but we must also consider recent inflation data and strong employment into our long term outlook. The Fed’s reversal does not undermine our thesis that fundamentally the US economy remains resilient. This strength is evidenced by its ability to tolerate nine Fed Fund increases since 4Q 2015. Given the Fed’s reversal, low sovereign rates and ongoing trade negotiations, we have adjusted our rate estimates downward to reflect the current interest rate environment and our lower GDP forecast. Our year end 2019 forecast for the benchmark 10-Year and 30-Year Treasury is 2.10% and 2.50%. Our year end 2020 forecast for the benchmark 10-Year and 30-Year Treasury is 2.60% and 3.00%. The higher 2020 rates reflect nascent inflation forcing bond vigilantes to become active once again.

Looking at the world’s other large economies, the Eurozone continues to plod along, although there is justification for optimism. Following Spain’s example, France has implemented structural reforms which appear to be sowing the seeds for future growth. It is our contention that Germany will have to follow suit, boding well for the Eurozone economic growth rate into 2020. In addition, China (Germany’s largest trading partner) has taken 88 stimulative actions to revive their economy. Assuming they are successful in their reacceleration efforts, the second largest single economy should help propel both Europe and emerging markets. Obviously ongoing trade negotiations will be critical in shaping the potential longer term growth rate, but the fact that both parties are engaged in discussion should be viewed as a positive signal.

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Economic Outlook

Longer Term

While the short term economic backdrop appears precarious, we feel the longer term outlook is sanguine. As we articulated above there are some areas of concern in the short term, but unemployment is at record lows, business confidence is robust, and most sectors outside of manufacturing are growing. Not to belabor the impact of the various trade negotiations currently being held by various countries, but they will certainly have an impact on the global economy. Not just the direct costs of tariffs and the uncertainty created, but the new discussions they are forcing in corporate board rooms. There is a realization across the globe that many industries have become too China centric in their manufacturing strategy. We are already seeing companies move portions of their supply chain to other countries to reduce the business risk inherent in such concentration. This is a headwind to Chinese growth, which they recognize and are reacting by the aforementioned stimulative actions. In the end, this will create a healthier global economy, but there could be some disruptions in the short term.

One must also include the health of the credit markets when formulating a long term forecast, as bull markets are not ended by sentiment but rather by the deterioration of the credit markets. In an environment with over $12 trillion of sovereign debt yields currently in negative territory, it is difficult to surmise a scenario where US yields move significantly higher. The one exception would be a significant rise in inflation. Should we see central banks forced to reverse course once again and begin hiking rates in response to inflation manifesting more broadly across the economy, this would have a deleterious effect on corporate America. In an era of low interest rates comes the temptation for companies to load up on debt, buy back copious amounts of stock and engage in M&A to support their stock price.

Should rates move higher, forcing companies to roll debt into higher cost debt offerings, two things will occur: 1) Companies will be incented to pay down debt as interest expense rises, therefore leaving less for corporate investments (growth capital) and shareholders, and 2) Companies with too much debt will become distressed and credit spreads will widen, perhaps setting the stage for the next recession. The good news is we don't anticipate that scenario manifesting for at least the next few years.

It is also important to remember that "recession" isn't a bad word. By definition, it is a period of two successive quarters of negative GDP growth. This doesn't necessarily mean the next recession will be as severe as 2007-2009, which is top of mind for most investors, and also doesn't necessarily mean the market will correct significantly. Recessions are simply a natural mechanism by which the economy regains some semblance of balance in order to wipe out previous excess. Given we don't see much in the way of excess at the moment, a major recession feels unlikely over the next few years. We remain constructive on the US economy and its markets and as long term investors we view periodic episodes of slower growth as opportunities. There are certainly a plethora of reasons to be cautious and can't fault our colleagues in the industry for often enumerating such concerns. However, we believe the dynamism of the American economy will continue to defy skeptics as it has done for the past 10 years.

Economic Outlook

Third Quarter 2019

Outlook	2016	2017	2018	2019E	2020E
Real GDP	1.6%	2.2%	2.9%	2.4%	2.3%
Inflation (Headline CPI) Year over Year (YoY) change	2.1%	2.1%	1.9%	2.2%	2.3%
Operating Earnings (S&P 500)	0.6%	11.8%	23.7%	9.1%	5.9%
Annual housing starts in thousands	1,174	1,203	1,250	1,250	1,300
Gross private domestic investment fixed investment - non-residential	0.5%	5.3%	6.9%	2.5%	0.0%
U.S. auto sales domestically produced vehicles in millions	13.8	13.3	13.5	13.4	13.4
10-year Treasury (year-end)	2.44%	2.41%	2.68%	2.10%	2.60%
30-year Treasury (year-end)	3.07%	2.74%	3.01%	2.50%	3.00%

Source: Geneva Capital Management
Note: Historical Data sourced from Bloomberg, U.S. Federal Reserve, as of 6/30/19

PMIs Point to Moderating Growth

Markit Composite PMIs – U.S. vs. International

	June 2019	June 2018	June 2017	June 2016
U.S.	51.5	56.2	53.9	51.2
China	50.6	53.0	51.1	50.3
Japan	50.8	52.1	52.9	49.0
UK	49.7	55.1	53.9	53.6
Eurozone	52.2	54.9	56.3	53.1
France	52.7	55.0	56.6	49.6
Germany	52.6	54.8	56.4	54.4
Italy	50.1	53.9	54.5	52.6
Spain	52.1	54.8	57.7	55.7

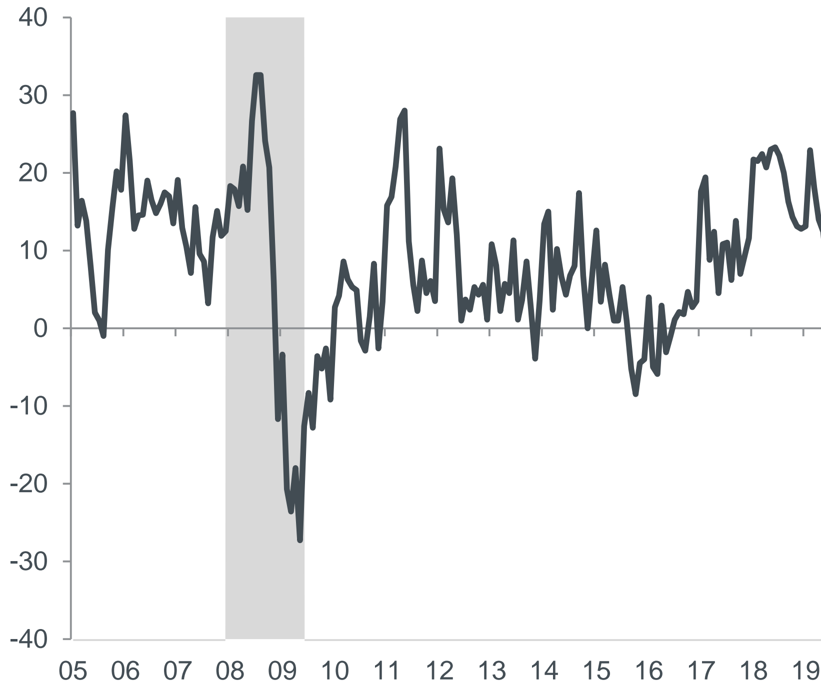
Expanding > 52 | **52 > Neutral > 50** | **Contracting < 50**

Source: Bloomberg, as of 7/2019

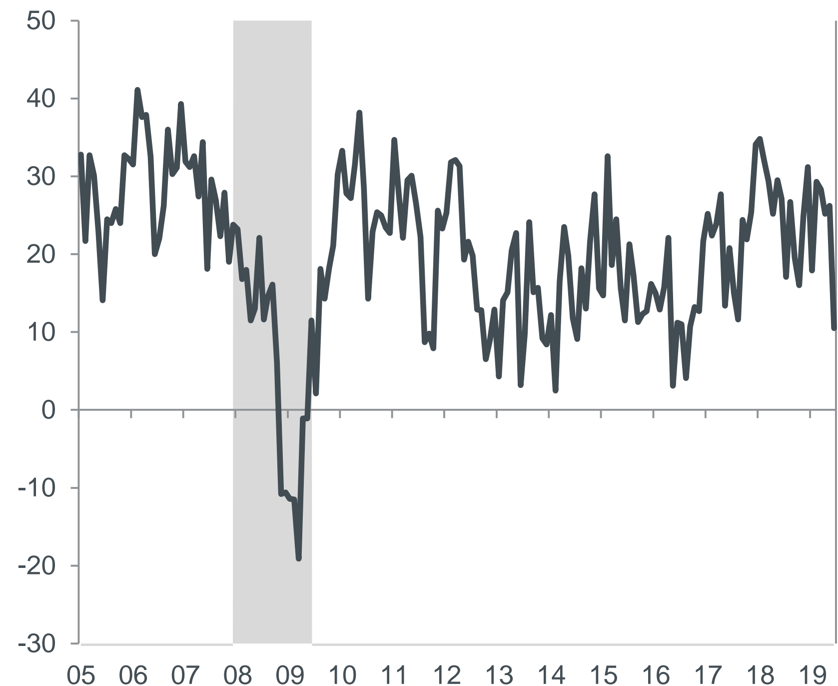
U.S. Manufacturers Under Pressure

Margins under pressure while business capital spending plans have plummeted, due, in part, to uncertainty over tariffs.

Empire State Manufacturing Survey: Prices Received
Diffusion index, seasonally-adjusted, %Bal



Empire State Manufacturing Survey: Capital Expenditures
6mo forward, Diffusion index, seasonally-adjusted, %Bal



Source: Federal Reserve Bank of St. Louis, as of 6/30/19

Note: Diffusion indexes measure the number of data points that have increased in the last period. Grey bars denote recession periods.
Current Prices Received reports the change in prices received over the previous month for the state of New York.
Future Capital Expenditures reports the likely direction of capital expenditures over the six months ahead for the state of New York.

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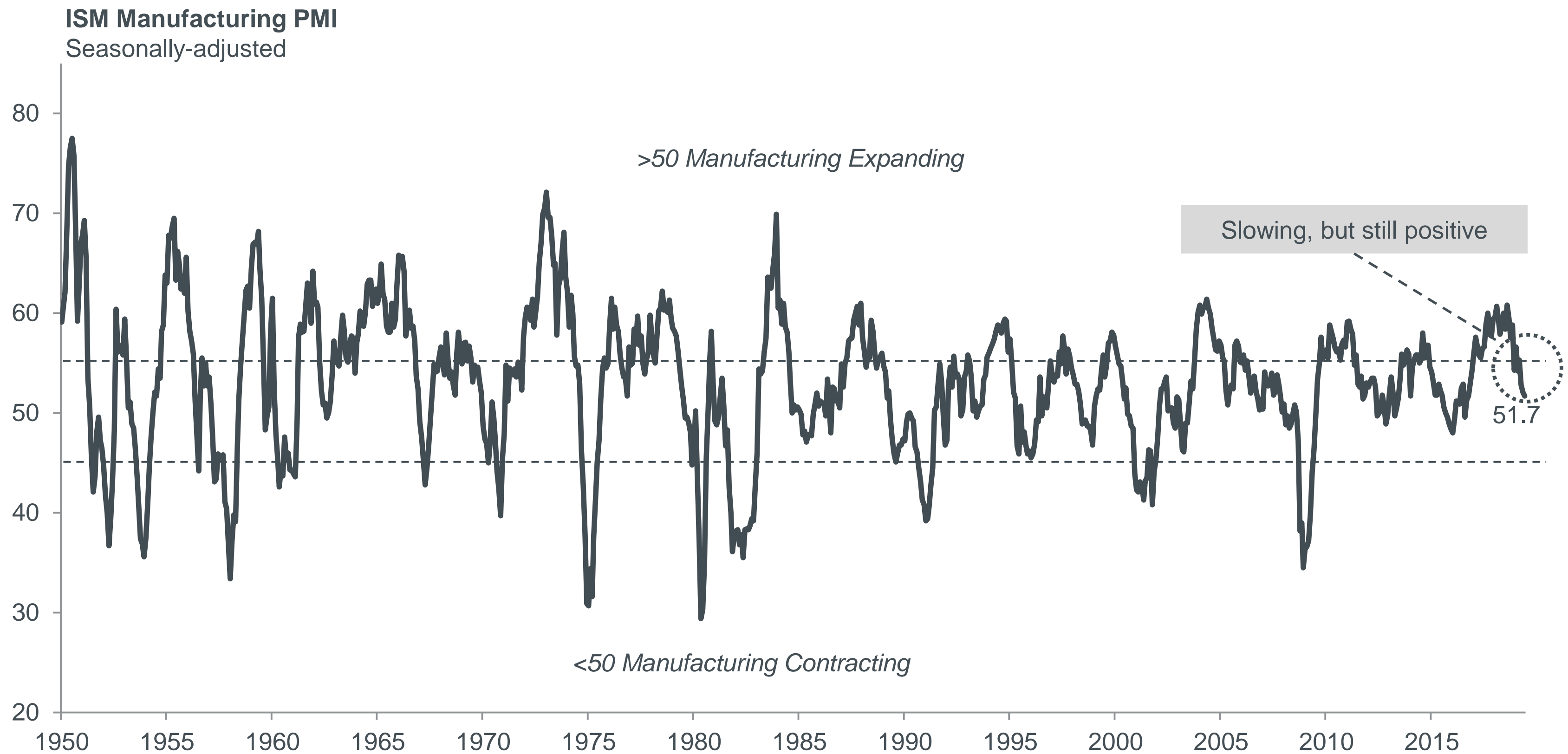
Trade Fear Clearly Impacting Manufacturing

While moving lower, a reading above 50 still suggests expansion. The data peaked in August, and the typical cycle high tends to lead U.S. recessions by 31.5 months.



Source: Bloomberg, as of 6/30/19

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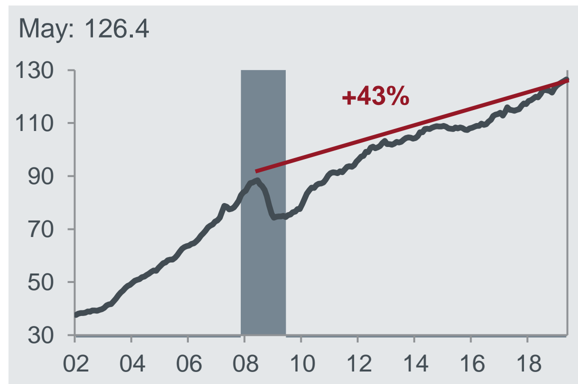
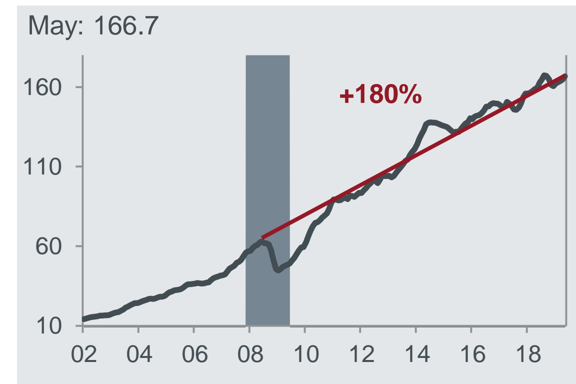
Technology Industrial Production Reflects Move to Cloud-Based Systems

Technology, especially software sales, is a driving force in U.S. equity markets.

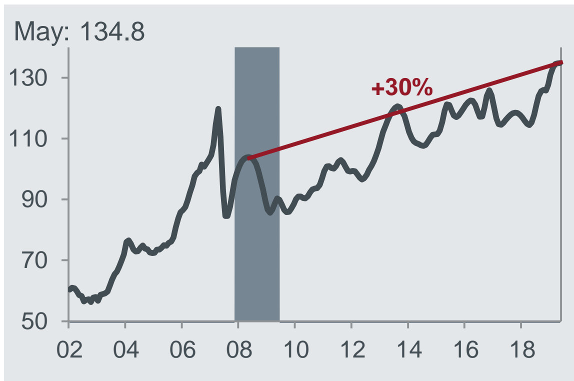
U.S. Industrial Production – Tech



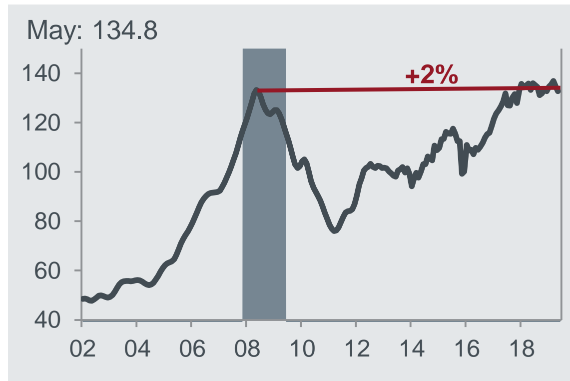
U.S. Industrial Production – Semiconductors



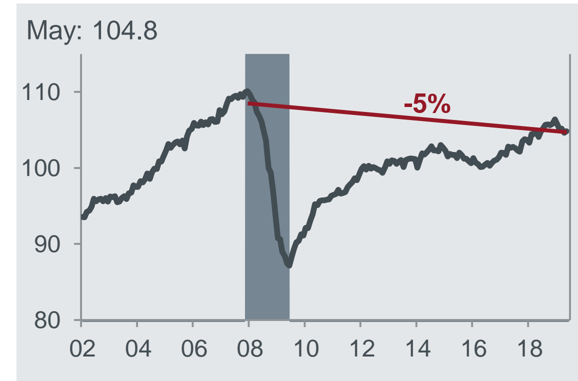
U.S. Industrial Production – Communications Equipment



U.S. Industrial Production – Computers & Peripheral Equipment



U.S. Industrial Production – Manufacturing



Source: Cornerstone Macro, as of 5/31/19

Note: Gray bars denote recession periods

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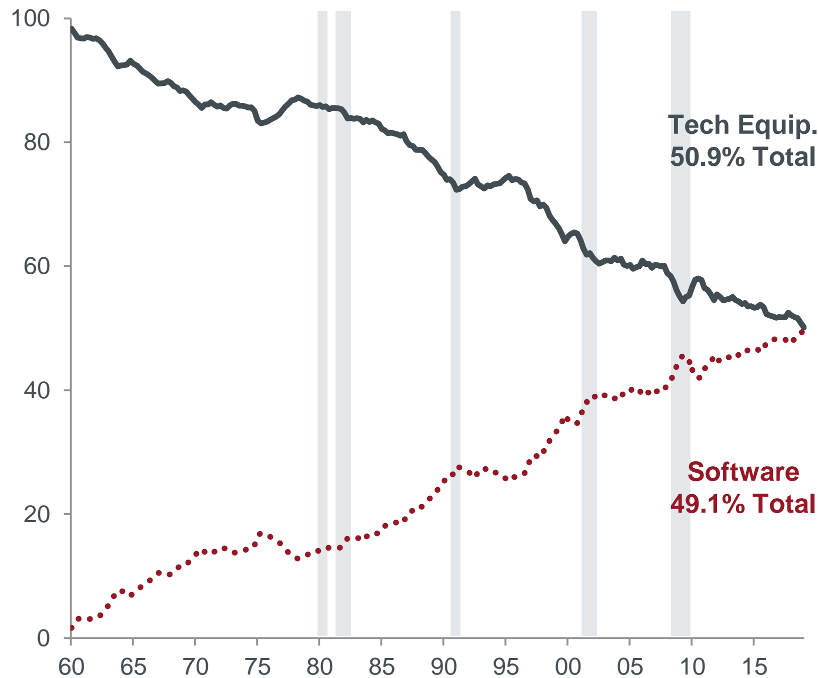
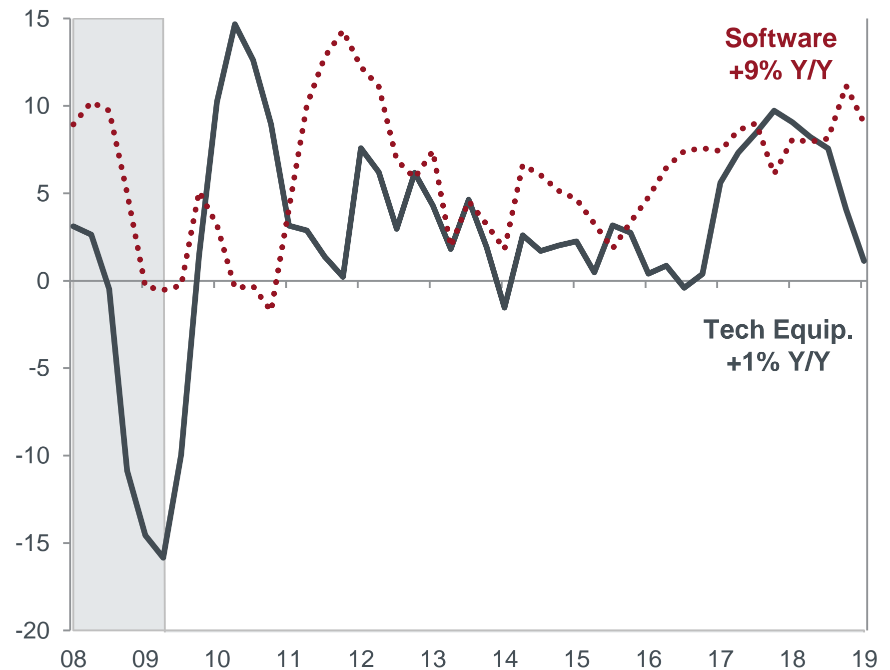
Software is Also CapEx

This is a key focus.

U.S. Nominal Tech CapEx
% of total



U.S. Nominal Tech CapEx
Y/Y%



Hardware Software

Source: Cornerstone Macro, as of 3/31/19
Note: Gray bars denote recession periods

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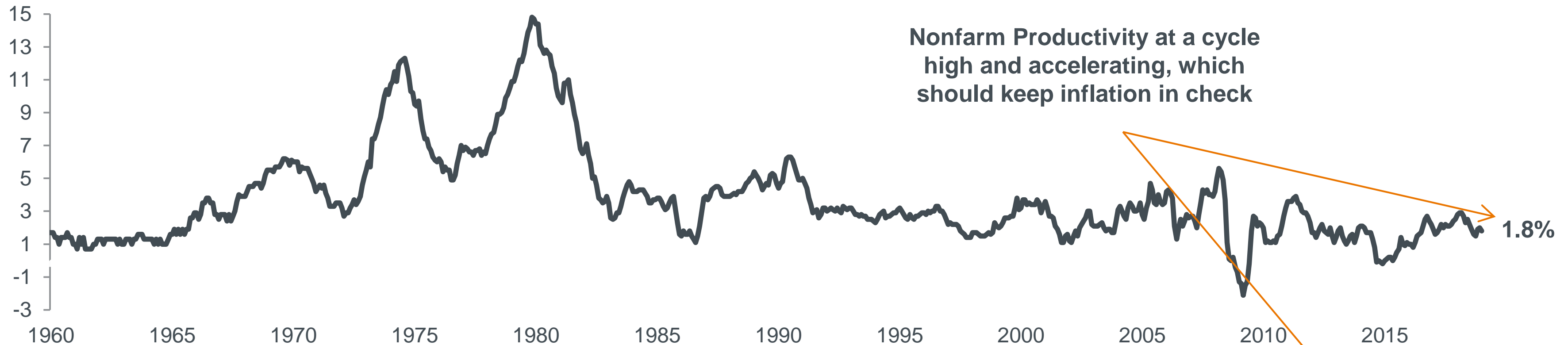
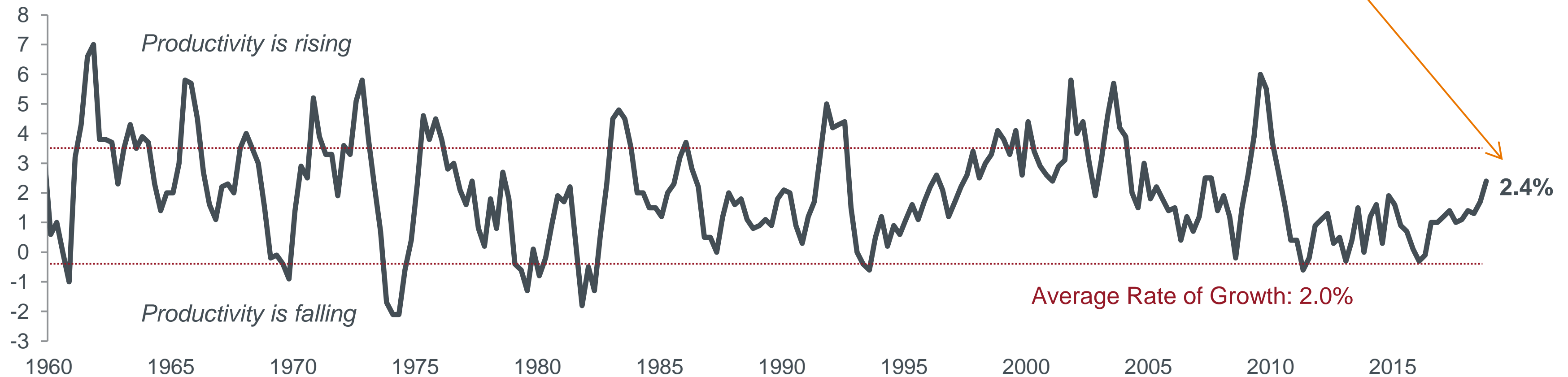
Nonfarm Productivity at Cycle High





Source: Bloomberg, as of 7/1/19

Note: U.S. Productivity is output per hour.

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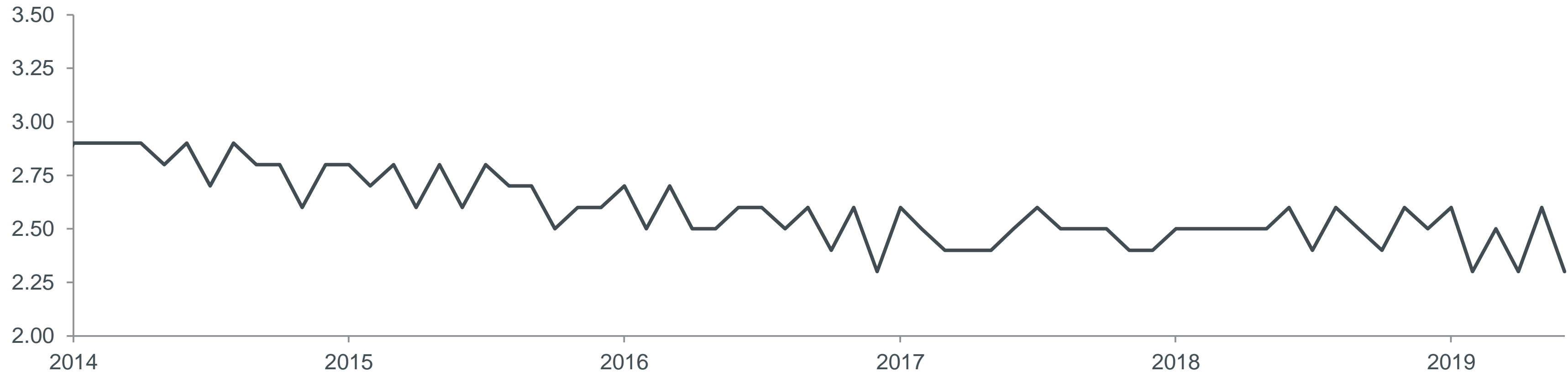
Inflation Expectations Remain Muted

Long Term University of Michigan Inflation Expectations – Expected change over next 5-10 years, percent



5 Year, 5 Year Forward Inflation Expectations – Estimated from 10 and 5 year TIPS

Source: Bloomberg, as of 6/30/19

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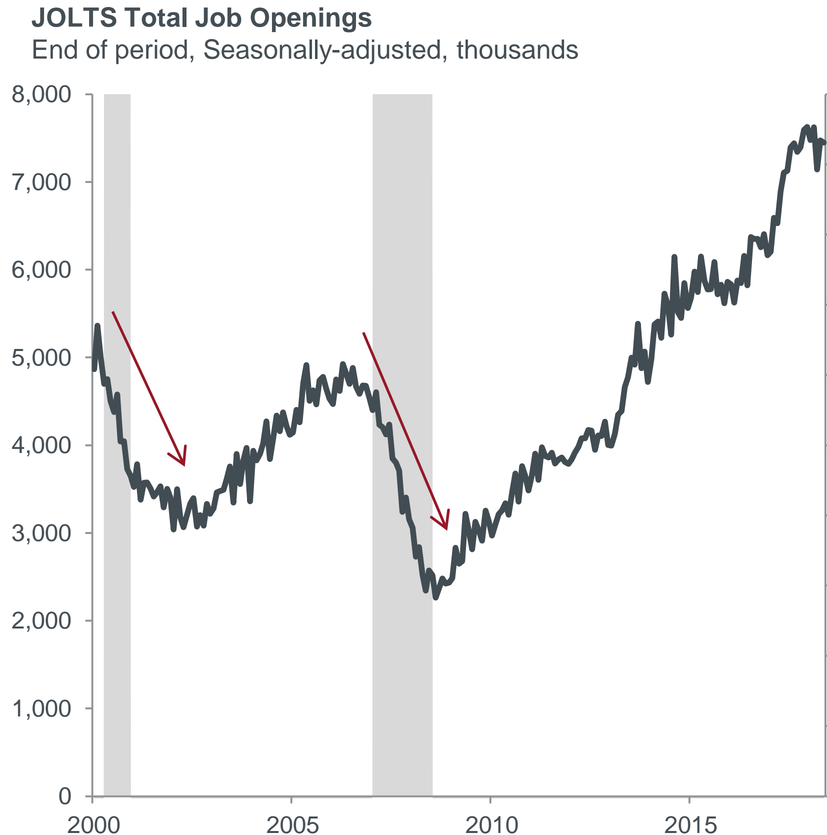
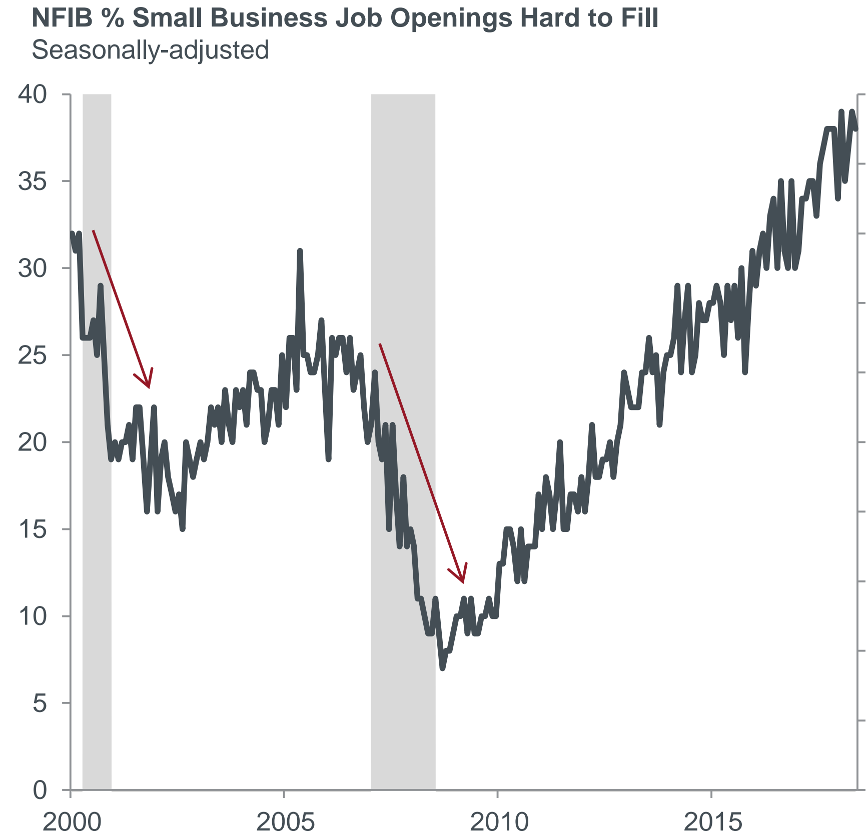
Labor Markets Continue to Be Tight

Look for labor costs to continue to rise at mid single digit rates in many industries.





Source: Bloomberg, as of 5/31/19
Note: Grey bars denote recession periods

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Investment Outlook

Had we posited at the outset of this year that markets would be up 25% at the end of Q2 after the excruciating 4th quarter we endured, one would have been justified in asking if we needed our head examined. However, with the Fed's policy reversal and broad based economic growth continuing, albeit at a slightly slower rate, that is indeed what we have experienced through June. Clearly, the question remains "can this rally last?" It seems the prognostications of the demise of this bull market have been incessant for literally years, and yet we are now usurping 3000 in the S&P 500. Credit markets remain robust, economic activity is lukewarm, and from a monetary and fiscal perspective, governments are accommodative. This backdrop does not in our opinion portend a bear market. We expect sharp corrections will continue to occur as we experienced in December, and more recently in May, but feel those sudden drops will ultimately recover in a timely fashion. At the risk of sounding like a broken record we expect this bull market to continue its ascent for much longer than many are anticipating. The major risk factors we consider are another reversal in Fed policy, a prolonged and escalating trade war or the usual geopolitical/exogenous events which change the market dynamics instantly. While there is still a bifurcation in the market with outperforming issues carrying exospheric multiples and at the other end of the spectrum value traps abound, we will continue to find high quality, profitable growth companies, with the financial flexibility to maneuver through any type of slow down. We will use these violent pullbacks to add to such positions in our portfolios or initiate new positions as we did in December as well as May.

The market environment provided a tailwind to performance as high quality equities (those rated B+ or better) outperformed low quality equities (those rated B or worse) by 3.38%*. Within the Russell 2000 Growth Index the factors driving performance were also higher quality as higher P/E, low debt-to-cap and companies with a share price over $20 all outperformed. The trends within the Russell Midcap growth Index were more mixed; indicating a bias towards high quality was the underperformance of nonearning companies and high beta but we also observed weak performance from low debt-to-cap and high ROE companies which signaled a bias towards low quality.

Note: *Stock ratings are provided by Standard & Poor's and Bank of America Merrill Lynch U.S. Quantitative Strategy. Stock rankings are assigned to all U.S. equity securities, which have the required 10 years of earnings and dividend history as required by Standard & Poor's.

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Investment Outlook

US Small Cap Growth

For the quarter ended June 30, 2019 the Geneva Small Cap Growth strategy returned 6.50% (gross) versus 2.75% for the Russell 2000 Growth Index, outperforming by 3.75%. At the sector level the greatest contributors were financial services, health care and materials & processing; these sectors contributed 1.84%, 1.03% and 0.93%, respectively. Stock selection in the portfolio was strong across sectors but the greatest contributors at a stock level were MarketAxess Holdings, RBC Bearings and Kinsale Capital Group; these stocks contributed 0.80%, 0.65% and 0.64%, respectively. MarketAxess Holdings was up 30.85% during the period as the company reported strong earnings at the end of April and then strong market share gains in May which drove shares. Fixed income trading volume continues to be strong and the company took market share in EM debt, Eurobond and US high yield. RBC Bearings was up 31.17% this quarter and delivered better than expected quarterly results and guidance. Industrial OEM sales rose 6%, aftermarket sales increased 7% and aerospace and defense rose over 10%. Operating margin was up 95bps and adjusted operating margin was up 124bps, both of which were above consensus. Nearly all of the company's end markets were strong and the company has expanded capacity by over 15% which sets up well for a strong 2020. Kinsale Capital Group was up 33.54% on the back of very strong earnings. The company reported EPS of $0.64 vs expectations for $0.50 with top line growth of 33% and improving margins. The company benefited from AIG and Lloyd's pulling back in the E&S market and this opportunity allowed Kinsale to take share and saw 16 of 17 business lines grow during the quarter. The greatest detractors were producer durables, utilities and consumer staples; these sectors detracted 0.49%, 0.07% and 0.01%, respectively. The greatest detractors were At Home Group, EPlus and Alarm.com Holdings, these stocks detracted 0.59%, 0.37% and 0.34%, respectively. HOME reported FQ1-20 results that were relatively in line with previously-lowered expectations but the company once again provided weak expectations for the forward-looking quarter and the current fiscal year overall. Comps for the quarter of -0.8% were below the flat to slightly positive guidance, with the shortfall attributed to unfavorable weather across 75% of the unit base. While weather is not controllable, the broader softer growth of the home furnishings space and the choppiness of HOME's comps performance in recent quarters has been a bit unnerving to investors. The margin outlook update was probably the most disappointing part of the report, as HOME reduced F2020 EBIT margin guidance by nearly 200 bps at the midpoint. While a softer sales outlook and freight inflation accounted for nearly half of this reduction, the causes of the other half of the reduction are somewhat concerning: higher markdowns and tariffs. Given the misexecution and negative outlook for the business we decided to move on from the position. EPlus shares were down 22.14% on the back of a disappointing quarter as they missed on EBITDA and revenue. The miss is explained somewhat by the revenue recognition with services, tough comps, and a less favorable mix. Services grew 23% in the quarter and this business has gross margins of 38-40% vs. 25% corporate average, as mix shifted more towards services that should result in a tailwind for the business. Shares of Alarm.com were down 17.54% during the quarter and most of the weakness occurred in May after the company reported earnings. The 1Q results were quite strong with total revenue up 21% y/y, SaaS revenue up 18% y/y and hardware grew 30% y/y. The reason for the weakness was the 2Q and FY SaaS revenue growth guidance of 14% at the midpoint; the company typically guides conservatively but given the valuation investors punished the stock. We believe the fundamentals remain intact and added to the position on weakness.

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Note: Discussion is based on performance gross of fees.
Sectors based on Russell Global Sectors classifications.

Investment Outlook

US Small Cap Growth (continued)

We have heard many refer to this environment as a joyless or unloved bull market. Using our initial projection of $180 of S&P 500 earnings in 2020, this key index is priced at 16x, which is roughly in line with the sixty year average PE ratio despite historically low interest rates and inflation, normally implying a TMF multiple of 18-19x. Clearly concerns over the future direction of the US and global economies, central bank behavior and trade disputes can and have caused periodic disruption in the markets ascent. These violent pullbacks coupled with the market bifurcation of performance (value vs growth) creates this melancholy attitude towards the markets. In what we believe to be a slowing US economy, investors appear willing to pay ever increasing price premiums for the strongest earnings growth stories. Given the Fed's dovish attitude, the desire for growth also manifests into a desire for risk with the highest beta stocks outperforming lowest beta by 1,300 bps YTD. For those professional managers who have perennially positioned their strategies for a big pullback have only had fleeting moments of vindication. With the drumbeat towards passive strategies continuing, the professional active managers at some point will capitulate and hop on the bull market train. We feel this is beginning to happen on a small scale and outside of an unforeseen exogenous event, continue to be biased to the upside with respect to our market forecast.

For additional information regarding performance and model portfolio holdings, please see page 28.

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Note: Discussion is based on performance gross of fees.
Sectors based on Russell Global Sectors classifications.

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Investment Outlook

US Mid Cap Growth

For the quarter ended June 30, 2019 the Geneva Mid Cap Growth strategy returned 6.64% (gross) versus 5.40% for the Russell Midcap Growth Index, outperforming by 1.16%. The greatest sector level contribution came from producer durables and health care which contributed 1.30% and 1.23%, respectively. The strong performance in both of these sectors was driven by strong stock selection and an overweight versus the benchmark. At the stock level the greatest contributors were Copart, CoStar Group and Idexx Laboratories, these companies contributed 0.61%, 0.58% and 0.57%, respectively. Copart shares were up 23.35% and contributed 0.61% to performance; shares of the company were up after management reported a quarterly beat and strong trends here in the US and in Germany. Revenue was up over 15% y/y and margins were up 100bps and benefited from lower G&A expenses. Shares of CoStar Group were up 18.79% and contributed 0.58% to performance; the shares were higher after the company reported a solid first quarter with outperformance in revenue, margins and EPS. Revenue grew 20% during the period and given the strong growth rate the FY guidance may prove to be conservative. Idexx Laboratories was up 23.14% and contributed 0.57% to performance; overall it was a strong quarter for the company as they continue to execute and show that veterinary and animal health trends remains strong. The margin upside in the quarter could translate into further upside throughout the year and competitive positioning remains strong. Detracting from performance at the sector level were technology, consumer discretionary and financial services; these sectors detracted 0.64%, 0.39% and 0.25%, respectively. At the stock level the greatest detractors were Texas Roadhouse, SS&C Technologies and Abiomed, these stocks detracted 0.22%, 0.19% and 0.18%, respectively. Texas Roadhouse was the greatest detractor from performance, down 13.22%; top-line momentum for the business continues to be solid but margins, specifically labor cost inflation, pulled down EPS and guidance. The company continues to do the right thing for the business longer term by maintaining strong investment levels in the labor structure of the business to sustain good sales, but investors seem to be getting increasingly frustrated by the continued negative earnings revisions. Shares of SS&C Technologies were down 9.38% after the company reported results which missed investors' expectations. Although the company was able to beat on earnings through better than expected expense management the company reported adjusted revenue growth that was below expectations and company guidance; the alternatives fund administration business grew 4.1% versus guidance for 5.9% and 2Q revenue guidance came in below expectations. Abiomed was down 8.79% after the company reported a disappointing quarter as the FDA RP letter issued in early February proved to be more disruptive than management initially anticipated. Management took responsibility for the poor execution and outlined a specific plan to enhance sales and clinical support efforts. So far the plan seems to be working and the company continues to invest in growth by growing sales and clinical support teams and investing in new products.

For additional information regarding performance and model portfolio holdings, please see page 29.

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Sectors based on Russell Global Sectors classifications.

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Investment Outlook

Longer Term

While this market ascension may seem long in the tooth, we would posit we are in the middle innings of this run. There are plenty of negative catalysts which could derail such a projection, such as a prolonged and protracted trade war with China, a tight central bank responding to unanticipated inflation, or just deteriorating company fundamentals based on slowing global growth. However, the data outside the manufacturing/industrial sector, is still reasonably strong, valuations for the market as a whole aren't particularly extended and the credit markets remain robust, supporting funding for corporations. Extending our baseball analogy, we think we could be in the sixth or seventh inning of this bull market. Apart from some concerns we have with leveraged loans and the structure of unregulated cash funds, whose build up appears nascent, there appear to be few excesses building in the economy. Typically at the end of the cycle most participants agree the euphoria can last forever, which is a tell-tale sign, the end is neigh. In our experience, the opposite is true today (and has been for most of this bull market), with market observers indicating their distaste for equities given a myriad of factors. The US has endured two horrific bear markets in the last 20 years and many are now conditioned to assume any type of correction will be catastrophic, which doesn't generate much enthusiasm for investing. It is our forecast that the S&P500 should be in the 4,000-5,000 range by 2022, which is against consensus putting it mildly. We feel it is quite achievable as we roll over difficult comps and annualize the tariff impacted earnings of cyclical industries (i.e. industrials, semiconductors, consumer discretionary), and see the expensive technology companies continue to grow earnings at a rapid rate, but perhaps give up some multiple over this time frame. It would entail seeing moderation or stagnation of multiple in the most expensive securities, and expansion in the large cadre of less expensive stocks who have not participated in this market of late. This backdrop would provide healthy support to continue making new market highs and make the ascent more durable. Given that companies are the largest purchasers of their own stocks and managements are incented to lift prices over time, companies will continue to issue debt, buy back stock, and engage in M&A. In addition, the private equity markets continue to take companies private faster than companies are opting to go public, creating a scarcity value in public securities, a phenomena which doesn't appear to be imminently waning. These forces will continue to lift the market with periodic corrections, which provide high quality investors like Geneva the opportunities we are seeking in dynamic growing businesses we can own for years to come.

Investment Outlook

Third quarter 2019

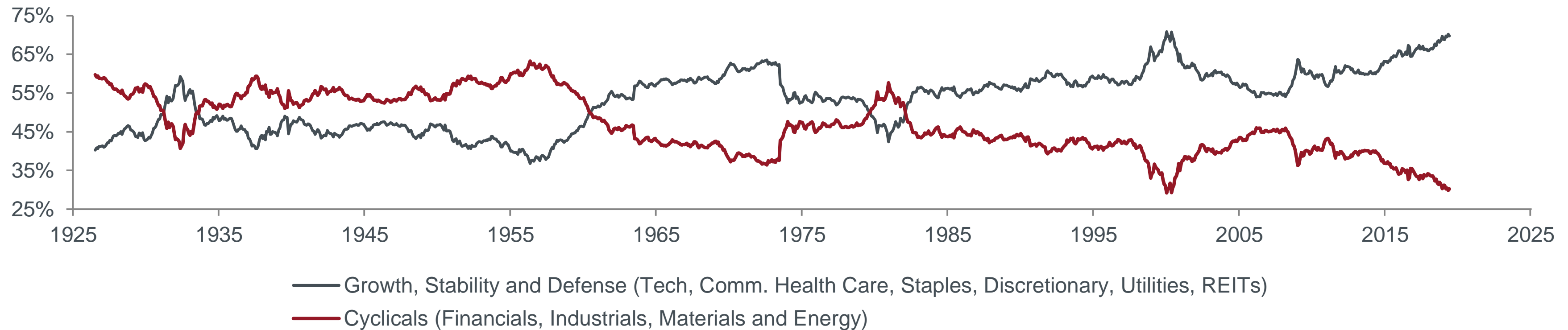
Geneva's forecast of capital markets total returns – 12 months forward					
	30-day commercial paper	2-year Treasury note	10-year Treasury note	30-year Treasury note	S&P 500 Index
12-month return potential*	2.45%	1.66%	0.10%	-2.26%	12.9%
Level on 6/30/19	2.37%	1.75%	2.01%	2.53%	2,942

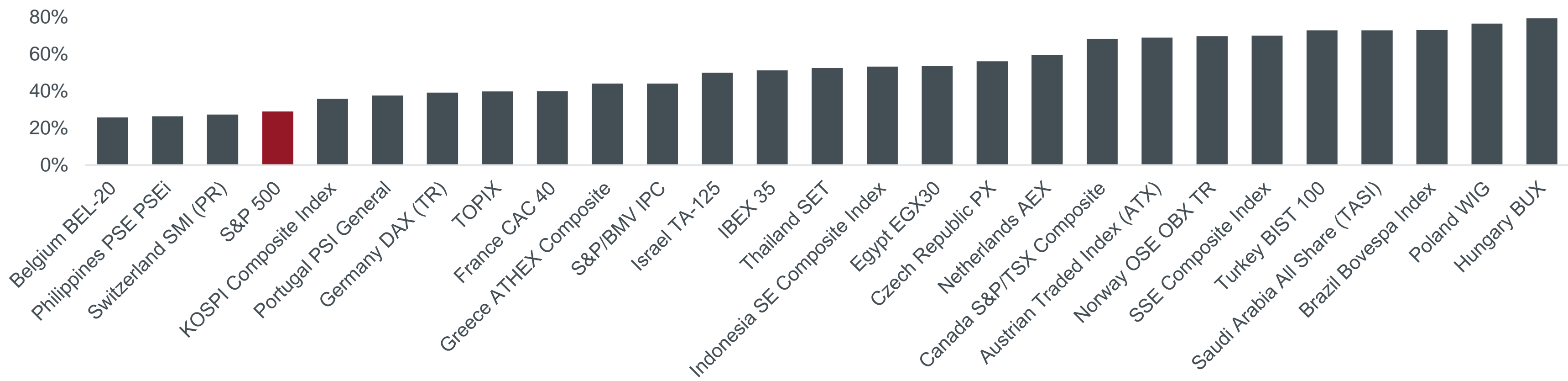
*These potential returns are based on the projected yields discussed or presented herein. Actual returns may be more or less than projections.

Source: Geneva Capital Management, Bloomberg, as of 6/30/19

The Market Composition Plays a Big Role on P/E Multiples

The U.S. has less cyclical exposure than almost every other region in the world. Given investors' willingness to pay for stability and growth, U.S. markets may warrant a higher multiple than foreign peers.





Source: Cornerstone Macro, as of 6/30/19

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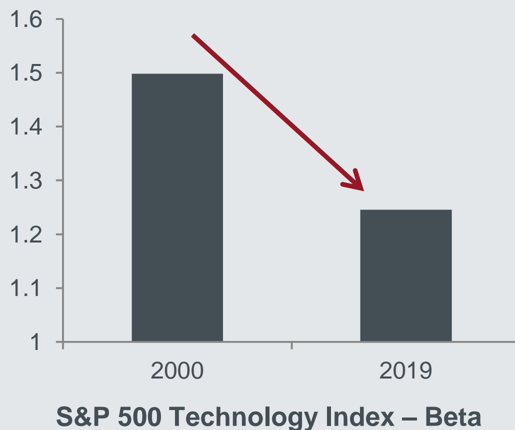
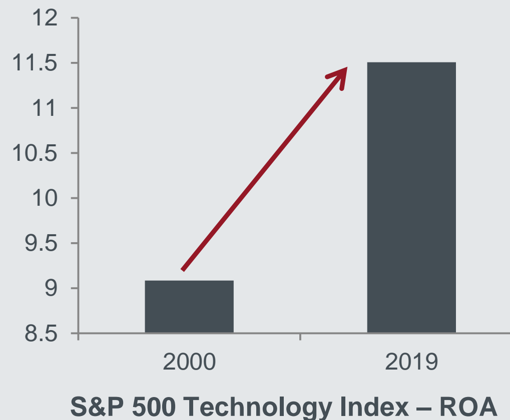
In a World of Slower Growth, Investors are Paying Up For Growth Stocks (i.e., Tech)

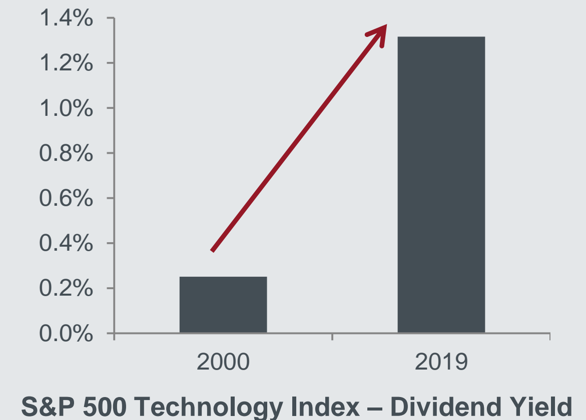
Tech Has Become More Stable and Profitable Than It Was Historically



S&P 500 Technology Index – Beta



S&P 500 Technology Index – ROA



S&P 500 Technology Index – Dividend Yield

Source: Cornerstone Macro

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Quality, Defense and Stability Typically Do Well During Fed Rate-Cut Cycles

Looking back at the last four Fed rate-cut cycles, there are consistent similarities among them: quality, stability and profitability outperformed.

12-Month Relative Returns After First Fed Rate Cut		Balance Sheet Accruals (High to Low)	EPS Variance (Low to High)	Interest Coverage (High to Low)	Gross Margin (High to Low)	ROE (High to Low)
	Sep. 2007	-11.5%	10.2%	12.9%	-0.2%	14.7%
	Jan. 2001	-5.0%	8.4%	3.4%	1.6%	8.8%
	Jul. 1995	-4.1%	11.3%	3.9%	10.7%	8.5%
	Jun. 1989	1.7%	-3.3%	17.6%	5.5%	20.4%
	Average	**-4.7%**	**6.6%**	**9.5%**	**4.4%**	**13.1%**

Low quality Underperforms (Balance Sheet Accruals)

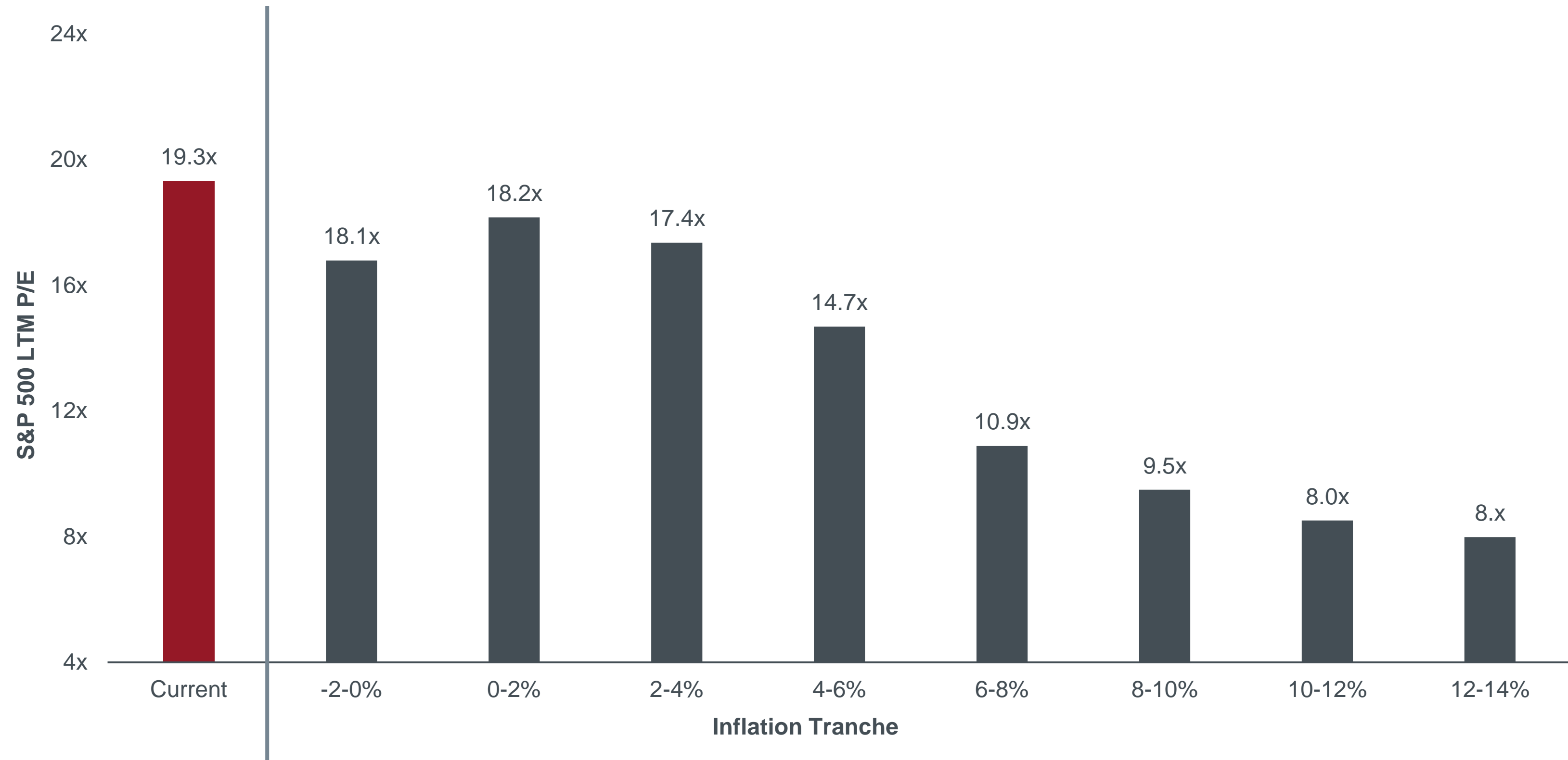
Stability/Financial Flexibility Outperforms (EPS Variance, Interest Coverage)

Profitability Outperforms (Gross Margin, ROE)

Source: Cornerstone Macro, as of 5/29/2019

Inflation May Keep Multiples in Check

Multiples may begin to contract if inflation picks up, but it is not yet overly worrisome.



Source: Strategas, as of 6/2019

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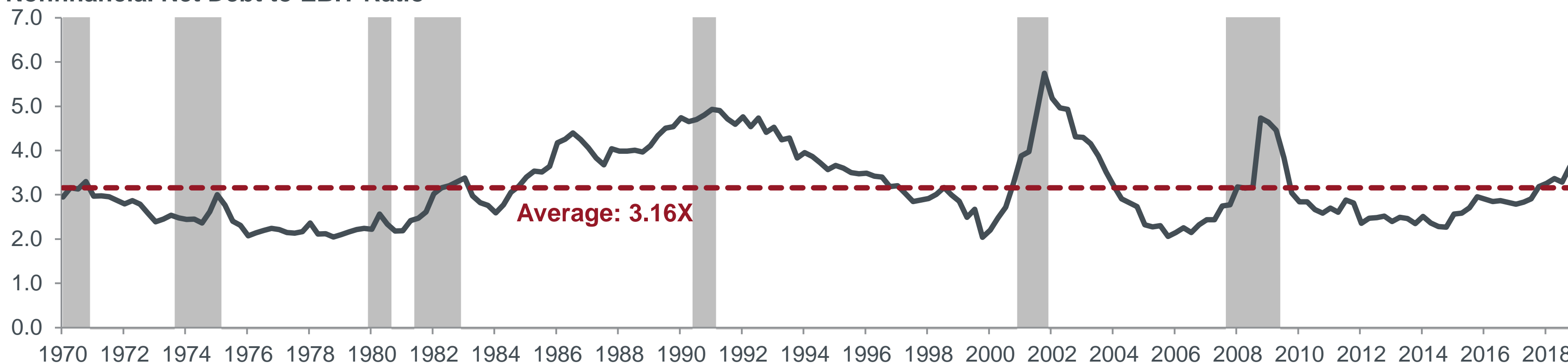
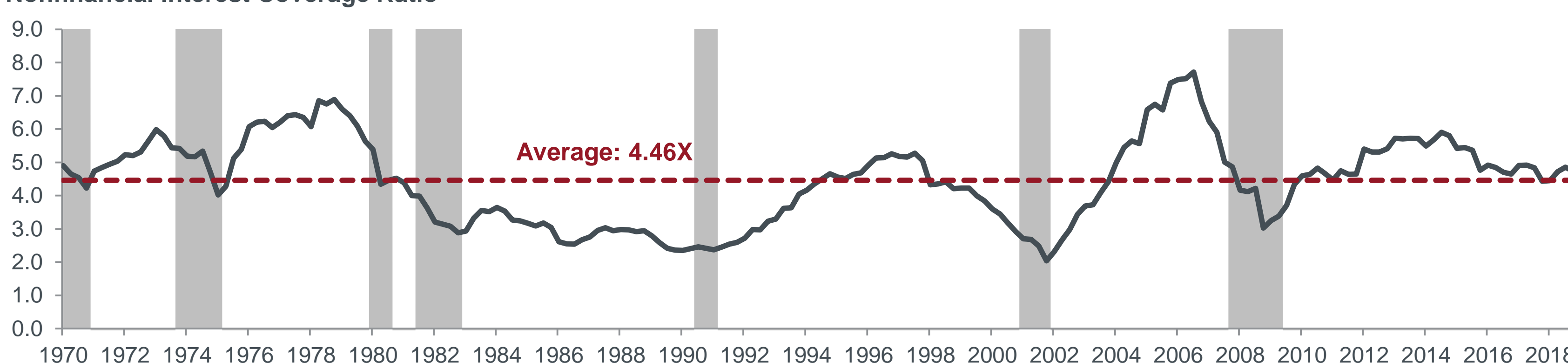
Corporate Leverage Appears Manageable

Although many worry there is too much corporate debt, it becomes a problem when it is unaffordable. Currently, non-financial companies' leverage levels and interest coverage suggest a manageable dynamic in the near term, particularly with recently lower interest rates.

Nonfinancial Net Debt to EBIT Ratio



Nonfinancial Interest Coverage Ratio



Source: U.S. Department of Commerce, Federal Reserve, as of 3/31/19
Note: Grey bars denote recession periods.

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What a Decade of Quantitative Easing has Brought – An Explosion of Non-Earners in the Popular Indices

The elevated levels of non-earners in the small cap indices is worth monitoring. While current levels are likely an unintended consequence of quantitative easing, it should be noted that high levels of non-earnings companies typically occur during recessions as opposed to periods like today.

Percent of Non-Earnings Companies			
	Current Reading	Long-Term Average	Highest Reading Since 1990
Russell 1000 Growth	10.1%	9.9%	33.5%
Russell 1000	10.9%	10.9%	28.4%
Russell 1000 Value	10.6%	12.2%	37.0%
Russell 2000 Growth	41.0%	27.3%	44.9%
Russell 2000	36.2%	25.8%	44.0%
Russell 2000 Value	31.1%	23.4%	46.2%

Source: Strategas, as of 6/30/2019

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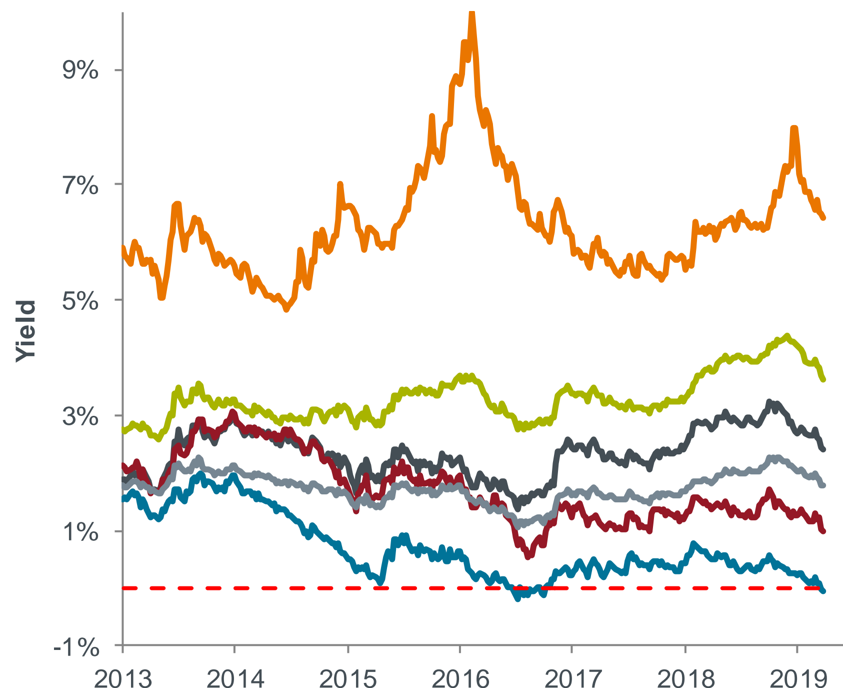
Global and Corporate Yields

Sovereign and corporate yields remain well below historical averages



	Current Yield	1986 – 2006 Average*
10-yr U.S. Treasuries	2.01%	6.32%
10-yr German Bunds	-0.33%	5.70%
10-yr UK Gilts	0..83%	6.84%
U.S. Investment Grade Corporates	3.16%	6.98%
U.S. High Yield Corporates	5.87%	10.30%
Global Aggregate Bond Index	1.48%	4.30%

Source: Bloomberg, as of 6/30/19.

Note: *German Bund yields average based on 1989-2006 range; Global Aggregate range based on 1991-2006 range.

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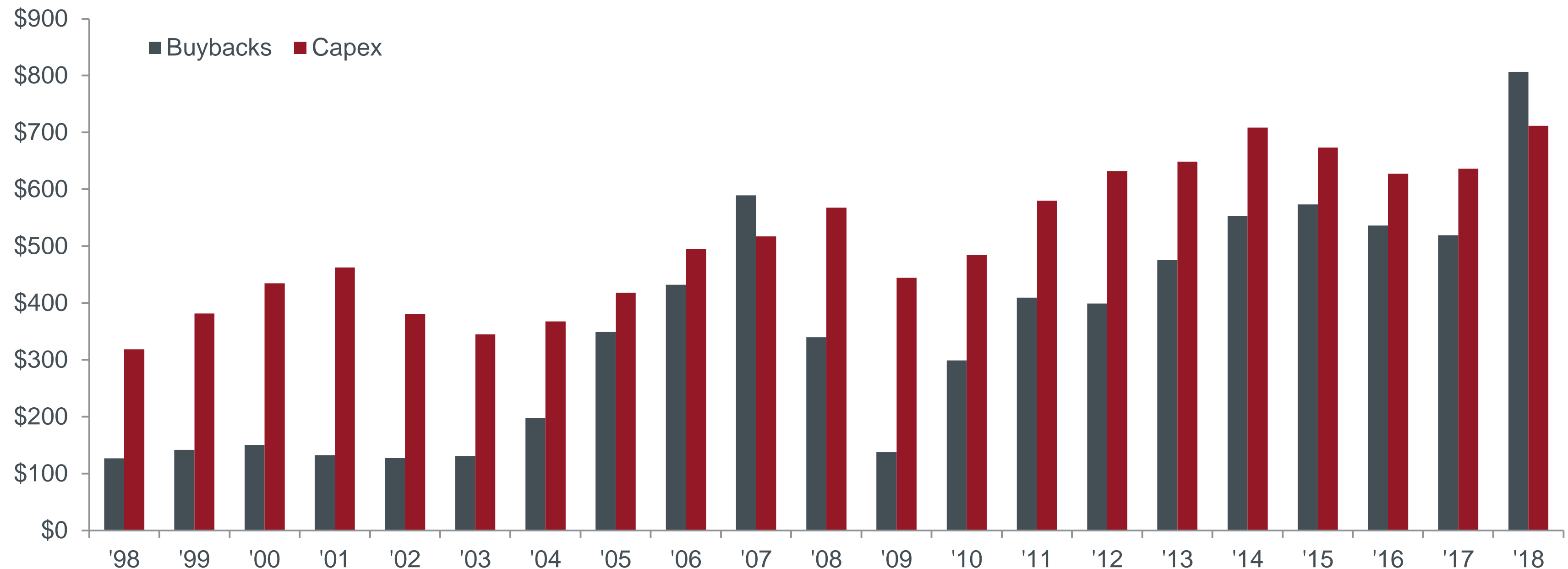
Since 1998, There Are Only Two Years Where Buybacks Exceeded Capital Expenditures for the S&P 500

Although the 2018 dynamic was more related to very robust buybacks amid tax law changes (buybacks increased 55% YoY) versus soft capex trends (capex increased 12% YoY), the enactment and threat of China, EU, and Mexico tariffs could continue to dampen capex spending.

S&P 500: Annual Capital Expenditures & Buybacks ($bn)



Source: Strategas, as of 12/31/18

Performance

US Small Cap Growth Model Strategy Top Contributors and Detractors for the Quarter Ended 6/30/19

Top Contributors	Average Weight (%)	Contribution (%)
MarketAxess Holdings, Inc.	2.83	+0.80
RBC Bearings, Inc.	2.26	+0.65
Kinsale Capital Group, Inc.	2.16	+0.64
Bright Horizons Family Solutions	3.02	+0.55
Medidata Solutions, Inc.	2.48	+0.51

Top Detractors	Average Weight (%)	Contribution (%)
At Home Group, Inc.	0.74	-0.59
ePlus, Inc.	1.52	-0.37
Alarm.com Holdings, Inc.	1.94	-0.34
Texas Roadhouse, Inc.	1.61	-0.24
Globus Medical, Inc.	1.40	-0.24

The holdings identified in this table, in compliance with Janus Henderson policy, do not represent all of the securities purchased, held or sold during the period. To obtain a list showing every holding as a percentage of the portfolio at the end of the most recent publicly available disclosure period, contact 800.668.0434.

Performance (%) as of 6/30/19	2Q 2019	YTD	1 Year	3 Year	5 Year	10 Year
Geneva US Small Cap Growth Composite (Gross)	6.50	23.35	9.72	18.31	14.49	18.03
Geneva US Small Cap Growth Composite (Net)	6.35	23.00	9.11	17.64	13.80	17.38
Russell 2000® Growth Index	2.75	20.36	-0.49	14.69	8.63	14.41
Difference (Gross vs. Bench)	**+3.75**	**+2.99**	**+10.21**	**+3.62**	**+5.86**	**+3.62**

Past performance cannot guarantee future results. Investing involves risk, including the possible loss of principal and fluctuation of value. Returns greater than one year are annualized. Please see pages 30-32 for additional performance information and important disclosures.

Information relating to portfolio holdings is based on the model strategy for the composite and may vary for accounts in the strategy due to asset size, client guidelines and other factors. The model strategy reflects the portfolio management style.

Security contribution to performance is measured by using an algorithm that multiplies the daily performance of each security with the previous day's ending weight in the portfolio and is gross of advisory fees. Fixed income securities and certain equity securities, such as private placements and some share classes of equity securities, are excluded.

As of 6/30/19 the top 10 portfolio holdings of the US Small Cap Growth Model Strategy are: Bright Horizons Family Solutions (3.30%), Fair Isaac Corp. (3.17%), Masimo Corp. (2.74%), Bio-Techne Corp. (2.66%), Fox Factory Holdings Corp. (2.65%), RBC Bearings, Inc. (2.59%), Omnicell, Inc. (2.55%), Exponent, Inc. (2.52%), Medidata Solutions, Inc. (2.49%) and Kinsale Capital Group, Inc. (2.41%). There are no assurances that any portfolio currently holds these securities or other securities mentioned.

Portfolio holdings are as of the date indicated, and are subject to change. This material should not be construed as a recommendation to buy or sell any security.

Performance

US Mid Cap Growth Model Strategy Top Contributors and Detractors for the Quarter Ended 6/30/19

Top Contributors	Average Weight (%)	Contribution (%)
Copart, Inc.	2.81	+0.61
CoStar Group, Inc.	3.25	+0.58
IDEXX Laboratories, Inc.	2.64	+0.57
Broadridge Financial Solutions	2.65	+0.56
Medidata Solutions, Inc.	2.26	+0.46

Top Detractors	Average Weight (%)	Contribution (%)
Texas Roadhouse, Inc.	1.47	-0.22
SS&C Technologies Holdings	1.89	-0.19
Abiomed, Inc.	1.92	-0.18
HealthEquity, Inc.	0.91	-0.13
JB Hunt Transport Services, Inc.	1.22	-0.13

The holdings identified in this table, in compliance with Janus Henderson policy, do not represent all of the securities purchased, held or sold during the period. To obtain a list showing every holding as a percentage of the portfolio at the end of the most recent publicly available disclosure period, contact 800.668.0434.

Performance (%) as of 6/30/19	2Q 2019	YTD	1 Year	3 Year	5 Year	10 Year
Geneva US Mid Cap Growth Composite (Gross)	6.64	24.24	12.45	14.99	11.72	15.51
Geneva US Mid Cap Growth Composite (Net)	6.53	23.97	11.95	14.48	11.22	15.01
Russell Midcap® Growth Index	5.40	26.08	13.94	16.49	11.10	16.02
Difference (Gross vs. Bench)	**+1.24**	**-1.84**	**-1.49**	**-1.50**	**+0.62**	**-0.51**

Past performance cannot guarantee future results. Investing involves risk, including the possible loss of principal and fluctuation of value. Returns greater than one year are annualized. Please see pages 33-35 for additional performance information and important disclosures.

Information relating to portfolio holdings is based on the model strategy for the composite and may vary for accounts in the strategy due to asset size, client guidelines and other factors. The model strategy reflects the portfolio management style.

Security contribution to performance is measured by using an algorithm that multiplies the daily performance of each security with the previous day's ending weight in the portfolio and is gross of advisory fees. Fixed income securities and certain equity securities, such as private placements and some share classes of equity securities, are excluded.

As of 6/30/19 the top 10 portfolio holdings of the US Mid Cap Growth Model Strategy are: CoStar Group, Inc. (3.43%), Intuit, Inc. (3.16%), Copart, Inc. (2.98%), IDEXX Laboratories, Inc. (2.87%), Fiserv, Inc. (2.74%), Broadridge Financial Solutions (2.74%), Amphenol Corp. (2.69%), Steris PLC (2.67%), Verisk Analytics, Inc. (2.59%) and Church & Dwight Co., Inc. (2.51%). There are no assurances that any portfolio currently holds these securities or other securities mentioned.

Portfolio holdings are as of the date indicated, and are subject to change. This material should not be construed as a recommendation to buy or sell any security.

Annual Disclosure Presentation

US Small Cap Growth

									3 Year Ex-Post Standard Deviation		
				Annual Performance Results							
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®
2018	4,577	2,006	44	0.01%	-0.55%	-9.31%	-11.01%	0.1%	15.43%	16.46%	15.79%
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 March 31, 2019.

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 March 31, 2019. The verification and performance examination reports are available upon request.

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Annual Disclosure Presentation

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 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. 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.

(continued on next page)

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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.

Important Information

All investments involve risk, including possible loss of principal. Past performance is no guarantee of future results. 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. 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.

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.

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®
2018	4,577	1,698	63	-1.92%	-2.35%	-4.75%	-9.06%	0.2%	12.59%	12.82%	11.98%
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%			
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%	3 Year Ex-Post Standard Deviation Not Required Prior to 2011		
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%			

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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 March 31, 2019.

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 March 31, 2019. 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. 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.

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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
All investments involve risk, including possible loss of principal. Past performance is no guarantee of future results. 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. 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.

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.

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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.

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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.

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.

Geneva Capital Management LLC is a subsidiary of Janus Henderson Group plc and serves as investment adviser on certain products.

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