INVESTMENT UPDATE: COLEMAN FOUNDATION ***Performance as of December 31, 2018***

To: Michael W. Hennessy (MH), Esther Barron (EB), & R. Michael Furlong (MF), Alison Fitzgerald (AF)

From: Daniel B. Wanzenberg (DW) & Trevor C. Davies (TD)

Re: **Market Update as of Dec. 31, 2018 with performance updates through 12/31/2018**

Allocation and Performance *(please see the asset allocation spreadsheet **as of 02/20/2019**, which is at the end of this report)*

The US and Global Markets were challenged in the 4th quarter as the promising returns that ended the 3rd quarter were swiftly erased. Through the 3rd quarter the S&P 500 was up 10.6% YTD, only to finish the year down -4.4%, with December's monthly return being -13.5%, its largest loss since the 4th quarter of 2008; we saw the MSCI ACWI ex US down -14.2% in December; Small Cap stocks returned 6.4% through the 3rd quarter only to lose -17.5% in the 4th quarter and end the year down -12.2%. The worst performing market was the Japan TOPIX which returned 1.6% through the 3rd quarter but ended the year down -16%, with a -17.6% loss in the 4th quarter. In terms of sectors, Energy took the biggest hit as the S&P 1500 Energy lost -19.3% for the year. Only 2 of the 11 GICS had positive performance in Health Care (6.7%) and Utilities (4.4%). From a style view, Growth stocks saw negative annual performance for the first time since 2011 as the MSCI World Growth lost -5.1% while Value lost -8.7%.

At the start of the 4th quarter, the US markets experienced increased volatility that eventually pressured all areas of the markets as the Fed Chair Powell commented that the US policy rate was still "a long way" from neutral, therefore implying that the Fed would continue to raise interest rates for the foreseeable future. Markets briefly popped in the beginning of November; however, as soon as 10-year US yields rose above 3.2% again, equity markets went sinking due to investors' fears of faster paced rate rises, inducing a sell-off. In Europe, the slowdown continued as less import/export with China along with political tensions for much of the year has weakened relations and production. In China, growth has slowed considerably as the Chinese money supply growth has decelerated along with a slowdown in the pace of retail sales growth and industrial production. China will look to stimulate their economy both monetarily and fiscally as they continue to engage in trade disputes with the US.

CFI Equity: (Current 71.7% vs. Target 70.0%)

CFI US Public Equity *(*review manager commentaries and additional attachments/performance attribution)

(-/-) Dana: *Large Cap* - performed in-line with the Russell 3000 index (-14.35% vs. -14.43%) for the fourth quarter. YTD: -8.64% vs. -5.76%

Small Cap **-** underperformed the Russell 2000 index (-22.28% vs. -20.29%) for the fourth quarter. YTD: -15.28% vs. -11.35%

(+) In-House Equities: As of 12-31-18, CFI owned 14 stocks in the In-House Equities, two stocks are small spinoffs from Honeywell, sold in 2019. In 2018 CFI sold shares in Procter & Gamble,

Well Fargo and AIG. The largest holdings in the account (in millions) are Mastercard ($2.5), Apple ($1.7) and 3M ($2.5). Our largest gainers over cost basis are Amazon (800%), Mastercard (600%) and Apple (465%). The best performing stocks YTD through 12-31-18 are Amazon (28%), Mastercard (25%) and Microsoft (19%). Over all the stocks held for all 2018 were up 1.59%

(=) Pinnacle Associates: Pinnacle performed in-line with the Russell 2500 index (-18.78% vs. -18.59%) during the fourth quarter. YTD: -10.77% vs. -10.40%

(-) Fuller & Thaler (F&T): The F&T Micro-cap portfolio underperformed the Russell Microcap index (-29.68% vs. -22.14%) for the fourth quarter. YTD: -23.98% vs. -13.08%

(-) LaSalle Street: The LaSalle Street Small Cap portfolio underperformed the Russell 2000 index (-22.19% vs. -20.29%) for the fourth quarter. YTD: -16.40% vs. -11.35%

CFI International Equity:

(=) Blackrock Passive (MSCI ACWI ex/US): The MSCI ACWI ex/US index returned -11.46% for the fourth quarter. YTD: -14.20%

(=) WCM Focused International Growth: WCM Focused Growth performed in-line with the MSCI ACWI ex US index (-12.18% vs. -11.46) for the fourth quarter. YTD: -6.41% vs. -14.20%

(=) WCM Focused International Value: WCM Focused Value performed in-line with the MSCI ACWI ex US index (-12.42% vs. -11.46%) for the fourth quarter. YTD: -13.44% vs. -14.20%

CFI Private Equity:

CFI now is invested in five funds managed by two different firms (Portfolio Advisors and Brickman) in the Private Equity space.

Portfolio Advisors: CFI started investing in these Funds in 2007 and 2008. All three Funds will no longer make any major new investments and any remaining commitments will be used as a reserve for existing investments and netted against distributions from each fund as needed. All of these Funds are in the process of liquidation of their Investments and returning the proceeds to Investors. The following is the current recap of Portfolio Advisors CFI's 12-31-18 Estimated Market Values (MV) and Proceeds Returned to CFI for the 2018:

Total Distributions for the YTD, 2018 from PA was $1,644,766. Down from the distributions of 2017 $1,838,373 or -10.53. For All Funds, Fund IV, Fund V and the Secondary Fund have returned all the original investment made to Date. Total MV PA Funds at 12-31-18 is $4,144,188 vs 12-31-17 MV $5,015,075, Down $870,887 or -17.36

Brickman Real Estate LP (Brickman Fund V and Fund VI and commitment to Fund VII) Fund V during 2018 called $0 for new investments and returned $86,998 Capital. Current Estimated MV of Fund V at 12-31-18 is $828,398. Fund V will no longer make any major investments in Buildings, only improvements to currently owned Buildings. Fund V is also in the process of liquidation of their Buildings over the next several years which will affect the Overall Performance of this Fund. During 2018 Fund VI also called $0 for new Investments and returned $ 216,450 Capital. Estimated MV of Fund VI at 12-31-18

is $5,016,222. During 2017, CFI made a committed $5 million to Brickman's Fund VII, no Funds have been called to date and the first call is anticipated in the first quarter of 2019. 2017 K-1 Loss was $17,324.

Hillcrest Credit and Income Fund II, LP: CFI has committed $5 million to this Fund, initial closing 7-28-16, which will target a market segment in subordinate debt and preferred equity in high quality real estate assets in top U.S. metropolitan markets. CFI is considering this to be a Fixed Income Investment with the Fund's Capital call in YTD of 2018 of $4,170,379. Estimated MV at 12-31-18 $4,102,755, less the K-1 losses from 2016 & 2017 of $67,624.

CFI Fixed Income: (Current 26.4% vs. Target 28.5%)

(=) Wasmer Schroeder (WS) Traditional: The Coleman Foundation Main account underperformed its primary benchmark, gross of management fees, for the 4th quarter. The account returned 1.49% against 1.65% for the index. For the year, the account has returned 0.95% vs 0.88% for the index.

(=) Wasmer Schroeder CMBS/Hybrid Account: The MITX account returned a positive 12 bps in the 4th quarter, for the year the account has returned 0.33%. The allocation at quarter-end was 21% preferred stock, 30% corporate bonds, 47% municipal bonds with the remainder in cash.

(-) **NorthCoast Tactical Income:** underperformed the Barclays Agg. 3-5 yr. index (-2.63% vs. 1.84%) for the fourth quarter. YTD: -3.24% vs. 1.14%

(=) Lord Abbett Short Duration Funds – Holder of cash until Capital Calls on investments. Current daily Yield 4%.

(+) **Goldman Sachs Broad Street Realty Fund:** annualized distributions are providing income at approximately 9% (income Return).

(+) **Hillcrest Realty Income:** just started with capital calls in January 2018 and started payout interest quarterly.

Daniel B. Wanzenberg

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Trevor C. Davies

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Dana Investment Advisors

Market Commentary:

After impressively powering through a wall of worry in Q3, equity markets abruptly began Q4 by falling sharply in October. The S&P 500 Index then oscillated to a slight gain in November, while December ushered in yet another round of sharp losses. Not only did a Santa Claus Rally fail to materialize, the S&P 500 Index produced its weakest Christmas Eve ever. However, the day after Christmas was far merrier for investors, with the S&P 500 Index generating its largest one-day gain since March 2009 and the Dow Jones Industrial Average posting its first ever 1,000 point up day. Despite this last-minute surge, the S&P 500 Index ended Q4 down -13.52%, making its 2018 total return of -4.38% the first negative calendar year total return since 2008. Mid-cap and small-cap indexes performed even worse for both the quarter and full year. While 7 of 11 GICS sectors had double-digit declines within the S&P 500 Index, only the Utilities sector produced a positive return in Q4.

Large Cap – Strategy Commentary

The Dana Large Cap Equity Strategy declined -14.35% during Q4. American Tower Corporation (AMT) led the Strategy with a strong positive return. Lack of exposure to Amazon.com, Inc. (AMZN) and NVIDIA Corporation (NVDA), as well as underexposure to Apple, Inc. (AAPL), helped the Strategy's performance in Q4 relative to the S&P 500 Index. In addition, the Strategy's Utilities holdings outperformed in the quarter's only positive sector. Weakness in the Strategy primarily came from individual holdings across multiple sectors. DXC Technology Company (DXC) was the Strategy's biggest absolute detractor, followed by Best Buy Company, Inc. (BBY). Many of the Strategy's largest detractors in Q4 tended to be inexpensive on traditional valuation metrics, which is consistent with the fact that value as an investment factor generally underperformed in 2018 and continued to do so during Q4's sell-off. While the Strategy maintains its persistent value tilt, Q4 rebalancing was able to capitalize on the market pull-back in order to emphasize the Strategy's quality and growth characteristics.

Sector Contributors

Industrials – while each sector holding was negative for the quarter, all 5 Strategy holdings performed better than the S&P 500 sector return, with Waste Management, Inc. (WM) exhibiting defensiveness in

Energy – a relatively defensive posture and good diversification helped the Strategy to outperform the sector return, as falling oil prices propelled Energy to be the weakest sector of the market

Sector Detractors

Consumer Discretionary – any cyclical exposure was punished during Q4 as the market corrected; Best Buy Company (BBY) was the deepest detractor within the sector

Materials – sub-par performance from the Strategy's sector holdings, particularly Steel Dynamics, Inc. (STLD), led to weaker relative performance in the Materials sector

Select Additions

Broadcom, Inc. (AVGO) – is a diversified semiconductor supply company that is a primary beneficiary of the strong secular trends driving datacenter and connectivity businesses, including cloud computing and 5G spectrum expansion; the Company augmented its primary wireless and connectivity exposures with high-end, custom-built chips for leading technology companies, such as Alphabet (Google) and Cisco; with the market's pullback, we were happy to add Broadcom to the Strategy at a strong relative valuation, 4.5% dividend, 10% free cash flow yield, and excellent growth prospects

Lululemon Athletica, Inc. (LULU) – this high-end retailer of Yoga-oriented and related lifestyle apparel is a category leader with limited competition; the runway for growth is long; international expansion and e-commerce are key drivers of future growth; again, market pullback provided a good entry point in a company with double-digit square footage growth, a 40% return on invested capital, 55% gross margins, and a strong employee culture

Select Deletions

DXC Technology Company (DXC) – recent revenue shortfalls put earnings and cash flow targets at elevated risk; executive turnover and weakening employee culture metrics are concerning; DXC's successful short-term cost cutting is overshadowed by an uncertain long-term market position

Target Corporation (TGT) – Target's most recent quarterly results disappointed the market; the company missed expectations for sales upside, while margins significantly underwhelmed; we believe that it will take longer than originally anticipated for Target to work its way through its omni-channel transition

Small Cap

Strategy Commentary

The Dana Small Cap Equity Strategy declined -22.28% during Q4. Mellanox Technologies, Ltd. (MLNX) delivered the highest positive return and contribution to the Strategy after reporting strong revenue growth. Also, defensive holdings such as AMN Healthcare Services, Inc. (AMN) and Horizon Pharma PLC (HZNP) held up well during the Q4 "risk-off" environment. Ligand Pharmaceuticals Incorporated (LGND) was the Strategy's weakest performing holding as biotechnology stocks sold off significantly this quarter. Cyclical companies also suffered, particularly those in the Consumer Discretionary sector. As this market pulled back, we selectively added stocks to the Strategy that offered very attractive relative valuations as well as quality growth characteristics.

Sector Contributors

Health Care – the Russell 2000 Index pharmaceutical industry fell 30% while Strategy holdings fared much better; Horizon Pharma PLC (HZNP) and Corcept Therapeutics, Inc. (CORT) were comparative rock stars in the quarter, falling less than 5% each, in an industry where many stocks lost more than 40% in Q4; HZNP climbed on strong earnings and guidance; CORT climbed on a short-squeeze following a positive FDA usage announcement in December

Information Technology – semiconductor holdings outperformed Index peers; Mellanox Technologies Ltd. (MLNX) climbed after reporting a good quarter and announcing that they have hired an advisor to consult on a potential sale; Five9, Inc. (FIVN), a cloud service provider, climbed on solid earnings

Sector Detractors

Consumer Discretionary – the market rotated dramatically in Q4 and priced in a harsher economic environment; Weight Watchers International, Inc. (WTW) reported a quarter that failed to match expectations but grew subscribers 25% year-over-year; Boot Barn Holdings, Inc. (BOOT) plunged in correlation to falling crude price as the company is linked to Texas economy and oil & gas employment

Financials – several small cap banks including Cadence Bancorporation (CADE), which is in the midst of a merger, Berkshire Hills Bancorp (BHLB) and Western Alliance Bancorp (WAL) significantly declined within a sector that experienced double-digit losses for Q4

Select Additions

Cabot Microelectronics Corporation (CCMP) – CCMP is market leader in polishing pads and slurries in integrated circuit manufacturing; recent acquisition of KMG Chemicals adds to consumables it sells into the channel; 2-3 year window for double-digit growth as industry shifts to 3D NAND and expand margins; potential for 6% free cash flow yield in 2019; 53% gross margin and 32% EBITDA

QuinStreet, Inc. (QNST) – this communication services company engages in online performance marketing with property & casualty insurance niche; provider of QuinStreet Media Platform is expanding from adjacent verticals; growth in all verticals is high double-digits; concern about single customer exposure abating as firm diversifies; free cash flow growth story with no long-term debt

Select Deletions

Berkshire Hills Bancorp, Inc. (BHLB) – longstanding and well-respected CEO stepped down unexpectedly in November 2018 leaving questions regarding effective leadership moving forward; following the CEO resignation, BHLB made a surprise $180m acquisition, and there was anticipation of a strategic pause to allow for executive transition

Patrick Industries, Inc. (PATK) – PATK reported a strong quarter ahead of estimates with sales and EPS beats, and increased buybacks, yet weakness in RV shipment data pressured shares; cyclical factors likely to remain headwind until channels reduce inventory

Pinnacle Associates

Strengths

1. Information Technology
2. Health Care
3. Industrials
4. Communication Services

Weaknesses

1. Energy
2. Consumer Discretionary
3. Financials

The Russell 2500 Growth Index returned -20.08%* in the fourth quarter and the Small/Mid Cap portfolio outperformed with a total return of -19.42%.

Markets sold off broadly and sharply in the fourth quarter of 2018 due to fears the Federal Reserve would raise interest rates too much in the face of slowing global growth. In addition, risk and uncertainty increased regarding a trade deal with China due to the arrest of the CFO of Huawei, China's largest telecom equipment company.

For the quarter, Technology, Health Care, Industrials and Communications sectors generated positive relative returns. In Technology, cable & telecom equipment supplier Arris International jumped 18% after it agreed to be acquired by Commscope for $31.75 per share cash. In another deal, optical equipment firm Finisar rose 13% when it agreed to merge with II-VI Inc. ('Two-Six') for a combination of cash and stock. II-VI is also held in the portfolio. Both II-VI and Finisar are emerging competitors in the 3D sense market which enables facial recognition on consumer devices. The deal will bring together each firm's 3D sense production capabilities. Semi-equipment test & measurement supplier Formfactor Inc. was +2% on a better than expected Q3 earnings report and outlook. Other technology holdings including Lam Research, FireEye, and Ambarella contributed as well with single digit declines during the quarter. In Healthcare, Ionis Pharmaceuticals rose 5% on strong sales of its spinal muscular atrophy drug Spinraza, partnered with Biogen. Ionis continues to have one of the deepest drug pipelines as its antisense research technology platform advances. Esperion Therapeutics rebounded 4% after reporting positive efficacy and safety results for its final phase 3 study of Bempedoic Acid, its oral cholesterol lowering drug. Esperion is expected to file for approval in Q1 2019. In Industrials, global power leader Cummins Inc. and flight simulator company CAE Inc. outperformed with declines of less than 10%. Cummins reported a solid third quarter with healthy market share in a strong class 8 trucking market. CAE Inc. with exposure to commercial aviation and defense markets reported better than expected revenues and earnings as well as a record backlog. In Communications, the portfolio's greater weighting in this outperforming sector aided performance. TV station owners EW Scripps Co. and Tegna Inc. led with single digit declines. Consolidation in this industry continues, as Tribune Broadcasting agreed to be acquired by Nexstar Media Group during Q4.

Negative impacts from the Energy, Consumer Discretionary and Financial sectors partially offset the positive performance noted above. In Energy, our higher weighting (3.02% vs 1.44%) hurt as Energy stocks were the worst performing sector during the quarter. In Consumer Discretionary, Travel & Leisure stocks underperformed. Royal Caribbean and SeaWorld Entertainment gave back some of their strong gains in Q3 while Boyd was pressured by a leveraged balance sheet at a time when the market was concerned about rising rates. Lastly in Financials, the portfolio's lower exposure to this

outperforming sector, together with somewhat worse stock selection caused a slight drag on performance.

During the quarter, we added to existing positions Aerovironment Inc., nLight Inc., and QEP Resources. We reduced weightings in Helmerich & Payne, Integrated Device Technology and World Wrestling Entertainment.

Fuller & Thaler

The fourth worst quarter in the history of the Russell Microcap Index put a capper on its third worst drawdown. It also transpired in much the same way as its predecessors – very rapidly – with less liquid stocks and Financials holding up best, while everything else was demolished.

The pattern of investors selling liquid assets first repeated itself. Financials tend to be among the least liquid and they performed significantly better (-19.0%) than more liquid sectors such as IT (-26.33%), Consumer Discretionary (-26.85%), Health Care (-30.29%) and Industrials (-25.73%).

Given our traditional underweights to Financials and less-liquid stocks, we would expect to underperform during periods like this drawdown. The magnitude of the underperformance (-29.68% vs. -22.14% for the Russell Microcap) was disappointing, however, as only Q4 of 2000 has ever been worse on a relative basis.

The flip side is our outperformance during the immediate recovery periods and beyond has historically been very strong. Hopefully some of the 12 new names purchased during the quarter will help perpetuate that trend.

Wasmer Schroeder

MAIN Account -

- The Coleman Foundation Main account underperformed its primary benchmark, gross of management fees, for the 4th quarter. The account returned 1.49% against 1.65% for the index. For the year, the account has returned 0.95% vs 0.88% for the index.
- The overweight to corporate bonds in the account was the primary driver of underperformance during the quarter. The strong rally in the Treasury market was accompanied by a sell-off in risk assets and the overweight to corporate bonds in the portfolio detracted from performance.
- Taxable municipal bonds were able to keep up with the rally in the Treasury market and performed similar to their benchmarks.
- Duration management of the portfolio was neutral to the benchmark from both an overall standpoint and yield curve placement.
- Sector allocation at quarter end was 53% corporate bonds, 42% taxable municipal bonds and a small allocation to securitized bonds with the remainder in cash.

MITX Account -

- The MITX account returned a positive 12 bps in the 4th quarter, for the year the account has returned 0.33%.
- The allocation at quarter-end was 21% preferred stock, 30% corporate bonds, 47% municipal bonds with the remainder in cash.

WCM

Focused International Growth

Performance Review

For 2018's 4th Quarter, the Focused Growth International ADR (FGI ADR) portfolio declined by −12.8%[1], underperforming the MSCI ACWI ex US index by ~−140 basis points (bps)[1]. For the trailing year, though, FGI ADR is ~+780 bps[1] ahead of that benchmark.

The major non-U.S. equity benchmarks (i.e., ACWI ex US, EAFE) were down double digits in Q4, capping the weakest year since the GFC. Despite the negative returns, the strength of "value" (which outdid "growth" for the second quarter in a row) was notable, as was the strength of EM. Sector-wise, ACWI ex US leadership was mixed, with a slight edge for the more cyclical sectors. Consequently, FGI ADR faced a headwind in Q4 and most of the underperformance was due to our bottom-up sector biases (toward "growthier" sectors). That stock selection was neutral in this tough environment (when it might have been much worse) is, we think, a testament to the value of positive moat trajectories during uncertain times.

Keeping an eye on the longer term, the three-year excess return relative to the benchmark now stands at ~+320 bps (annualized)[1], the five-year is ~+490 bps (annualized)[1], and the ten-year excess is ~+550 bps (annualized)[1].

Attribution

For 2018 Q4, our bottom-up sector biases hurt: sector-based attribution shows that both allocation and selection detracted. In contrast, regional allocation was neutral, so regional selection was the culprit in Q4.

Contributors:

The primary contributor vis-à-vis sector allocation was our underweight to Energy (benchmark's worst performer), though our underweight to Materials (4th worst) also helped. For selection, it was picks in Financials that helped the most, though selection in Communication Services, Discretionary, and Staples were also contributors. Regionally, selection in Asia/Pacific helped; allocation, though, was neutral

overall.

Detractors:

Our overweight to Tech (2nd worst benchmark performer) was the largest detractor, though our underweights to Utilities and Real Estate (best and 2nd best in benchmark) also hurt. Weak selection in Energy, Industrials, Tech, and Health Care was the detractor, offsetting the contributors mentioned above. Regional analysis did not expose any material detractor due to allocation; for selection, our picks in Europe were the major detractors, though picks in the Americas also hurt.

Other Factors:

In Q4, capitalization was a modest tailwind for FGI ADR. In contrast, quality (meaning higher ROEs) and "value" (over and against "growth", using MSCI's style indices as the proxy) were headwinds.

Comments:

A fairly common (and one might say obvious) theme among commentators is that equity valuations have substantially cheapened. Of course, we don't disagree. Even so, there is still no shortage of "frightening developments" for the worry-warts. One pundit we enjoy summarized things well—and effectively capsulized why we think macro ~~guesswork~~ analysis is a low return-on-time exercise—when he said, "There's so much uncertainty we can't even be certain what to be uncertain about."

We take that positively because, as we've said repeatedly, an uncertain backdrop tends to be favorable for our kinds of businesses: good growth, expanding moats, and strong FCF generation are often viewed as safe harbors in such a time as this. And whenever that backdrop gives us an opportunity, we'll upgrade the quality of the portfolio.

Portfolio Activity

Buy: ASML Holding NV

Netherlands-based ASML is the world's leading maker of photo-lithography systems for semiconductor manufacturing, particularly "Extreme Ultra Violet" (EUV) machines. EUV is critical to the production of cutting edge ICs, and ASML owns the EUV marketplace. They stand to benefit not only from the general proliferation of technology, but especially from the move to smaller chips with node sizes (7nm and below) for which EUV is the only feasible technology. As it matures into high-volume manufacturing, EUV will help solidify ASML's position at key customers' manufacturing facilities and widen its moat.

Buy: Geberit AG

Switzerland-based Geberit is a leader in plumbing systems (largely for toilets) and dominates its core markets in Central Europe. Its moat comes from its trusted brand, its sterling reputation for quality, and its strong relationships in the channel. We see a positive moat trajectory as the market slowly moves to more hidden-tank installations, where Geberit dominates. The business fits our "Influencer" moat typology: pricing for bathroom installations is opaque, with plumbers and key decision-makers having an inherent incentive to select Geberit's higher-priced products over those of competitors.

Buy: ResMed, Inc.

Australian ResMed is the only pure-play company levered to the growing sleep-apnea market, selling airflow devices and facemasks. The primary tailwind is rising awareness of the disease, and increasing evidence of co-morbidities (links to other chronic conditions). In addition to the durable tailwind and growth runway, ResMed's strategic decisions in integrating its portfolio with various technology platforms has positioned the company to expand its moat and growth trajectory.

Sell: FANUC Corp.

Not based on any company-specific issue, our decision to sell FANUC was driven by portfolio construction factors and our belief that Geberit has a more suitable opportunity / risk profile.

Sell: Sysmex Corp.

After multi-year gains, Sysmex is bumping up against 50% share in key markets, which we think limits further upside. At the same time, China is deliberately favoring local hematology equipment (such as Mindray). Additionally, Beckman Coulter is making noise in the U.S. with a new product-line rollout. With all that and more, the case for a positive moat trajectory is not as strong as we like, so we sold.

Buy and Manage:

We added to **Tencent Holdings Ltd.**, an opportunistic rounding to a fuller position. There were no trims in Q4.

Focused International Value

Performance Review

For 2018's 4th Quarter, the Focused International Value ("FIV") portfolio declined by –12.4%[1], underperforming the MSCI ACWI ex US index by ~-100 basis points (bps)[1]. For the Year to Date, FIV remained ahead of the benchmark by ~+40 bps[1].

The major, non-U.S. equity benchmarks (i.e., ACWI ex US, EAFE) were down double digits in Q4, capping the weakest year since the GFC. ACWI ex US sector leadership was "defensive" in nature during Q4. Utilities, Staples, and Telecoms outperformed; while Energy, Tech and Discretionary were the three worst. As a result, FIV's bottom-up sector biases presented a headwind during the quarter. Although the strategy's stock selection was positive during the quarter, it was not enough to overcome these sector headwinds, which ultimately led to the strategy's overall underperformance in Q4.

Keeping an eye on the longer term, the five-year excess return relative to the core benchmark now stands at ~+100 bps (annualized)[1], and since inception is ~+190 bps (annualized)[1].

Attribution

For 2018 Q4, sector-based attribution reveals that stock selection was slightly positive, and sector allocation detracted. From a country standpoint, attribution reveals that underperformance was roughly split between allocation and selection.

Contributors:

The primary sector-allocation contributor was our Energy underweight (worst benchmark sector). Our overweight to Financials also helped modestly. On the selection side, most of our outperformance came from our picks within Discretionary, Health Care, and Technology.

Geographically, our overweights to Brazil and South Africa helped, as did our underweight to France. Our selections within Germany, Canada, France, and Israel contributed positively as well.

Detractors:

The primary detractors from a sector-allocation perspective was our overweight to Technology (2nd worst in Benchmark), and our underweight to Utilities (best in the benchmark). For selection, the primary weak spot was Communication Services, followed by Industrials, Materials, and Financials.

Geographically, our overweight to Germany and Austria, as well as our underweight to India were the largest detractors. For selection, our picks in China and Brazil had the largest negative impact.

Other Factors:

In Q4, quality (as measured by ROE) was a headwind, while capitalization and "value" (using MSCI's style indicies as the proxy) were modest tailwinds for the portfolio. Additionally, Developed Markets outperformance over Emerging Markets, and the outperformance of Value over Growth, also benefitted the portfolio.

Comments:

We, like most observers, expect continued volatility around interest rates, macro, and geo-political / geo-economic rhetoric and events. Such an uncertain backdrop, though, tends to be favorable for our kinds of businesses: discounted valuations, strong fundamentals, expanding moats, and healthy FCF generation are often viewed as safe harbors in such a time as this. And whenever that backdrop gives us an opportunity, we'll upgrade the quality of the portfolio.

We remain optimistic that we can continue to find attractive opportunities in any market. Looking forward, we're maintaining our overweight in Tech and Discretionary, an allocation that, we think, best positions the portfolio to take advantage of long lasting tailwinds we're seeing around the world.

Portfolio Activity

Buy: Ingersoll-Rand PLC

Ireland-based Ingersoll-Rand offers a diversified portfolio of high-quality, industrial and consumer products including power-tools, HVAC units, and pneumatic devices. There's steady and growing international demand for their climate-control solutions of freight (Thermo King) and servicing needs (service revenue now ~40% of sales) for these products. Additionally, they have been an ongoing beneficiary of increasing demand for efficiency, sustainability, and lower emmissions within HVAC products – positioning itself as a global leader in this space.

Buy: Naspers Ltd.

South Africa-based Naspers offers local, digital media services alongside a robust investment arm focused primarily on new technologies. Naspers' investment arm has demonstrated its ability to identify, early-on, excellent investment opportunities in world-class Tech firms (including Tencent, Mail.ru and Delivery Hero). Naspers trades at a discount to the mark-to-market value of their investments, and the sell-off in some of their investments during the quarter (mainly Tencent) provided an attractive entry point.

Sell: YY Inc.

We bought YY primarily for the game streaming piece (HUYA), but after they spun that business out, and the remaining business began facing additional challenges, we exited the position in favor of better names.

Sell: Flex Ltd.

With an abrupt termination of a major contract with Nike and their CEO's departure, our Flex investment became much more uncertain, and we sold it in favor of names with higher conviction.

Sell: THK Co.

THK experienced pressure throughout the year related to Chinese trade/tariff issues, a cyclical downturn and increasing competition. We became less confident in THK's ability to navigate these headwinds, so we sold our position.

Buy and Manage:

There were no trims or additions in Q4.