GENEVA PERSPECTIVES

July 2017

Market Overview

Investor and consumer confidence remained optimistic in the second quarter as capital markets continued an upward advance and volatility remained dampened. The global economy continued to gain momentum as all the world's largest economies showed signs of growth while the U.S. consumer remained in good shape. Despite an encouraging backdrop there are some areas that continue to struggle such as traditional retail and energy, which we will continue to monitor as we construct our portfolios.

A vigorous debate over politics, economic policy and the path for sustainable growth continues, which supports a fundamental belief: a differentiated, active investment approach is key to navigating the next decade of capital markets. While the past several years of supportive monetary policy have rewarded a broad spectrum of companies with varying levels of fundamental merits, the future ought to be more discriminating where high quality, fundamentally sound companies outperform weaker companies.

Overview

- *Investor and consumer confidence remained optimistic in the second quarter as capital markets continued an upward advance and volatility remained dampened.*
- *Markets continued to reward those companies which dominate their markets, generate high free cash flows, and are led by superior management teams.*

Growth Company Commentary

High quality growth stocks continued to enjoy impressive returns in the second quarter. Markets continued to reward those companies which dominate their markets, generate high free cash flows, and are led by superior management teams.

One example of this type of company is SS&C Technologies. SS&C sells financial reporting software and offers outsourcing services to its financial services clients. For the last seven years, the company experienced earnings-per-share growth of 13-39% per year. As management has maintained a laser focus on profitability, free cash flow has grown at a high rate and the company now boasts sustainable profit margins that are among the best in its industry. The CEO and has a long history of creating shareholder value since he launched the company more than thirty years ago. We have met with the CEO this year and are confident that SS&C's organic growth rates will accelerate.

Tencent is another example of the type of business model we favor. This is a Chinese company offering social media, content, games, and e-commerce services. Having a powerful mobile

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ecosystem in China and a broad reach, it connects more people than Facebook, hosts a video platform like YouTube's, and produces entertainment content like Netflix. These business lines address a huge market and currently are benefitting from secular tailwinds. Tencent has just started monetizing their platforms, primarily through advertising, and we believe its efforts can drive strong and highly visible future earnings growth.

The companies we own in our growth strategies generally reported strong quarterly earnings and provided encouraging guidance about their outlook. We remain optimistic about quality growth stocks based on their reasonable valuations and improving earnings.

Dividend Growth Commentary

"We believe dividend-growth stocks remain more attractive than most high-dividend-yield stocks in the current environment."

Companies with strong dividend growth characteristics did well in the second quarter. Our equity income strategies invest in dividend-yielding equities, Master Limited Partnerships (MLPs), and Real Estate Investment Trusts (REITs), as we seek to generate strong returns with lower relative volatility.

The CME Group is an example of a company with an attractive and growing dividend. CME operates the world's leading and most diverse derivatives marketplace. Its business model yields significant cash flows thanks to high incremental profit margins and low capital requirements. Because of CME's pricing power, it has been able to increase prices approximately 2% annually. The company should also benefit from a rising rate environment that will make interest rate futures rise and options trading volumes accelerate. Finally, CME employs a shareholder-friendly approach and has committed to return the majority of free cash flow to its investors.

The second quarter was also strong for REITs, and we continue to find REITs with attractive fundamentals. For example, American Tower Corporation, one of the largest global REITs, operates roughly 147,000 cell towers across 14 countries. The company has an above average growth profile and the potential for accelerated growth as AT&T builds out the U.S. first responder cell network and 5G deployment. American Tower also has a robust business model with 99% of its revenues recurring annually. Additionally, 44% of its revenues originate outside the U.S. in relatively faster growing international markets, which provides an advantage over peers that rely on slower domestic growth.

We believe dividend-growth stocks remain more attractive than most high-dividend-yield stocks in the current environment.

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Fixed Income Commentary

Financial markets reacted to decreased volatility in the second quarter, and we saw declining Treasury yields, tightening credit spreads, and a flattening yield curve. In most sectors, fixed income markets delivered positive returns as market participants continued to be pessimistic about the stalled political agenda and its potential economic impact.

The Federal Reserve raised interest rates in June, as expected, and broadly detailed its plan for balance sheet normalization. They reiterated guidance to hike once more in 2017, highlighting the low and falling unemployment rate. We believe the emergence of disinflationary data may cause the Fed to re-evaluate any additional contemplated rate hikes.

We increased the overall credit quality of our portfolios during the period and maintained a shorter duration than our benchmarks. We also continue to own floating rate securities in various sectors that could benefit from an escalating interest rate environment. We believe our positioning here differentiates us in a world dominated by passive bond index investing.

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Looking Ahead

We are optimistic about the overall economy and the stock market, as economic data remain encouraging, interest rates remain low, and pro-growth fiscal policy remains a possibility.

There was an uptick in equity volatility at the end of the second quarter, particularly among technology stocks. We expect this trend to continue as investors adjust to yet another "new normal" in the capital markets. While increased volatility can be uncomfortable, it can create investment opportunities on which we will seek to capitalize on your behalf.

Corporate America continues to post strong earnings growth and the outlook for capital spending has improved. A recent survey conducted by Evercore ISI Research reported that 30% of companies plan on increasing capital spending in 2017, a substantial uptick from just 9% when the survey was conducted last November. This environment should be conducive to further gains for the equity markets.

We thank you all for your continued trust. Geneva's Principals, employees and families continue to be your partners, investing as you in the same strategies.

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