

Large Cap Value Dividend Select: Performance & Commentary

PERFORMANCE SUMMARY

The strategy returned 10.69% before fees in the first quarter, underperforming the Russell 100 Value Index's return of 11.93%.

Stock selection was the primary detractor from relative performance for the quarter, with holdings in the Health Care, Consumer Discretionary, and Industrials sectors experiencing a high level of underperformance. Positions in Consumer Staples, Energy, and Materials also disappointed in aggregate. Sector allocation was a positive contributor to relative performance, with over-weights to the cyclically sensitive Industrials, Information Technology, Energy, and Consumer Discretionary sectors adding relative value.

MARKET OUTLOOK

U.S. financial conditions remain fairly accommodative, and with core inflation failing to threaten the central bank's 2% target, the Federal Reserve ("Fed") can be patient to wait and see how the economy evolves in the coming months. Given the current absence of inflationary pressure, the aging American business expansion probably has at least several more quarters to run, but the Fed's reflationary stance could allow the economy to overheat and set the stage for a traditional recession driven by an ultimate Fed-tightening.

S&P 500 Index operating earnings appear to have grown by almost 22% year-over-year, resulting in an EPS of about \$151.60, but that growth rate is expected to slow for 2019 and leave S&P operating earnings at \$165.30, only a 9.0% increase from 2018. At quarter-end, the S&P 500 Index traded at 16.7x a \$165 one-year forward operating earnings estimate, well below the 18x average over the last 10 years.

Stocks rallied in the first quarter in large part due to the Fed's adoption of a more dovish tone and the anticipation of a trade deal with China. Further significant upside may prove more difficult over the near term and any disappointment in progress toward a trade deal with China could lead to more volatility. We have constructed our portfolios to benefit from an ongoing economic expansion, by holding more stocks with growing dividends in pro-cyclical sectors. However, we hold no large factor exposures beyond the higher dividend yield bias and have made no large sector bets, relying instead upon the alpha generation from individual stock selection.

STRATEGY OVERVIEW

Benchmark: Russell 1000 Value

Inception Date: July 1, 2004

STRATEGY SUMMARY

Large Cap Value Dividend Select invests in dividend paying stocks with market capitalization greater than \$1 billion. The portfolio is managed with the dual objectives of outperforming the Russell 1000 Value Index and also producing a higher current yield than the benchmark index. The portfolio is well-diversified, with representation across all eleven of the major sectors comprising the U.S. equity market. The bottom-up security selection process seeks to invest in dividend-paying stocks that provide attractive fundamental value and demonstrate high-quality earnings growth relative to their sector peers.

PERFORMANCE*

	MOST RECENT QUARTER	1 YEAR	3 YEAR	5 YEAR	10 YEAR
Gross	10.69%	4.71%	11.54%	8.63%	15.20%
Net	10.53%	4.09%	10.88%	7.98%	14.52%
Benchmark	11.93%	5.67%	10.45%	7.72%	14.52%

Returns are Estimated. Past performance is no guarantee of future results.

Benchmark: The benchmark is the Russell 1000 Value Index. Prior to January 1, 2008 the benchmark was the Dow Jones Equity Income 100 Index. It was changed to more accurately represent the investment strategy.

As of March 31, 2019. All benchmark returns presented are provided to represent the investment environment existing during the time periods shown. Actual investment performance will vary due to fees and expenses. For comparison purposes, the benchmarks include the reinvestment of income. The benchmarks are unmanaged and unavailable for direct investment. Indices are unmanaged, do not reflect fees and expenses, and are not available for direct investment. This information is supplemental to the GIPS performance presentation at the end of this document.

Large Cap Value Dividend Select: Most Recent Quarter Attribution

SECTOR ATTRIBUTION					
SECTOR	AVERAGE WEIGHT		ATTRIBUTION ANALYSIS		
	PORTFOLIO	BENCHMARK	ALLOCATION EFFECT	SELECTION EFFECT	TOTAL EFFECT
Communication Services	5.65%	7.10%	0.04%	0.02%	0.06%
Consumer Discretionary	6.57%	5.30%	0.02%	-0.37%	-0.35%
Consumer Staples	7.27%	7.76%	0.00%	-0.20%	-0.20%
Energy	10.74%	9.62%	0.06%	-0.17%	-0.11%
Financials	21.91%	22.51%	0.01%	0.05%	0.06%
Health Care	13.83%	15.17%	0.04%	-0.70%	-0.66%
Industrials	8.50%	7.66%	0.06%	-0.30%	-0.24%
Information Technology	10.67%	9.50%	0.07%	0.11%	0.18%
Materials	3.13%	4.03%	0.02%	-0.09%	-0.07%
Real Estate	4.35%	5.06%	-0.03%	0.00%	-0.03%
Utilities	7.39%	6.30%	0.01%	0.11%	0.12%
Total Portfolio	100.00%	100.00%	0.30%	-1.54%	-1.24%

Benchmark = Russell 1000 Value

As of March 31, 2019. The attribution analysis is based off a model portfolio, and does not include fees or expenses. Individual client results may vary. Total Effect includes sector allocation effect + stock selection effect. Past performance does not guarantee future results. The benchmarks are unmanaged and unavailable for direct investment. This model information is supplemental to the GIPS performance presentation at the end of this document.

Large Cap Value Dividend Select: Characteristics

STRATEGY OVERVIEW

Benchmark:	Russell 1000 Value
Holdings:	55-65 securities
Diversification:	On a security basis, won't overweight to the benchmark by >3%
Return Target:	Outperform the Russell 1000 Value Index by 1.75%
Risk Control:	Tracking Error target of 2.5% to 5.0% vs. Russell 1000 Value Index

TOP TEN HOLDINGS BY WEIGHT












	TICKER	PERCENT WEIGHT
Verizon Communications	VZ	3.7%
Wal-Mart Stores, Inc.	WMT	3.4%
Cisco Systems, Inc.	CSCO	3.4%
Exxon Mobil Corporation	XOM	3.3%
JPMorgan Chase & Co.	JPM	3.1%
Johnson & Johnson	JNJ	2.9%
BB&T Corporation	BBT	2.9%
Chevron Corporation	CVX	2.6%
Pfizer, Inc.	PFE	2.5%
PNC Financial Corporation	PNC	2.4%

CHARACTERISTICS

GENERAL MEASURES	ZCM	BENCHMARK
Number Of Stocks In Portfolio	61	722
Weighted Average Cap (\$ Mil)	150,366	125,685
Yield (%)	3.3	2.6
ROE (%)	17.9	15.0
Debt/Equity Ratio (%)	99.0	89.0
Beta	0.99	—
VALUE MEASURES	ZCM	BENCHMARK
Price/Earnings Ratio* (12-Month Trailing)	14.6	16.6
Price/Earnings Ratio* (Forecast FY)	13.4	14.9
Price/Book Value Ratio	2.3	2.2
Price/Cash Flow Ratio	8.8	9.6
Price/Sales Ratio	1.5	1.6
GROWTH MEASURES	ZCM	BENCHMARK
EPS 1-Year Growth Rate (%) (Forecast FY)	10.2	7.9
EPS 5-Year Growth Rate (%) (Trailing)	5.3	5.9
EPS Growth - Long-Term Forecast	8.6	9.3

As of March 31, 2019. *Price /Earnings ratios exclude stocks with zero or negative earnings. Data Source: CapIQ | Past performance does not guarantee future results. The benchmarks are unmanaged and unavailable for direct investment. Characteristics are based on a model portfolio and are supplemental to the GIPS performance presentation at the end of this document. Holdings are subject to change and are as of the date indicated. These holdings should not be considered a recommendation to purchase, hold, or sell any particular security. There is no assurance that any of the securities noted will remain in the portfolio at the time you receive this presentation. It should not be assumed that any of the holdings discussed were, or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable.

Large Cap Value Dividend Select: Sector Weights

SECTOR	ZCM	Russell 1000 Value	Difference	
Consumer Discretionary	6.8%	5.3%	1.5%	
Consumer Staples	7.3%	7.9%	-0.6%	
Energy	10.8%	9.7%	1.1%	
Financials	21.4%	21.7%	-0.3%	
Health Care	13.9%	15.3%	-1.3%	
Industrials	8.5%	7.8%	0.7%	
Information Technology	10.7%	9.8%	0.8%	
Materials	3.2%	4.0%	-0.8%	
Real Estate	4.6%	5.2%	-0.6%	
Communication Services	5.7%	6.9%	-1.2%	
Utilities	7.1%	6.5%	0.6%	

As of March 31, 2019. Based off a model portfolio, and does not include fees or expenses. Individual client results may vary. Past performance does not guarantee future results. Based on a model portfolio and are supplemental to the GIPS performance presentation at the end of this document. Indices are unmanaged, do not reflect fees and expenses, and are not available for direct investment.

Large Cap Value Dividend Select: Performance Disclosures

as of December 31, 2018

Year-End	Gross-of-Fees Return	Net-of-Fees Return	Benchmark Return	Composite 3 Yr. Ex Post Std. Dev.	Benchmark 3 Yr. Ex Post Std. Dev.	Number of Portfolios	% of Non-Fee Paying Assets	Internal Dispersion	Carve Out Percentage	Composite Assets (USD millions)	Strategy Assets (USD millions)	Firm AUM (USD millions)	Firm AUA (USD millions)
2005	6.9%	5.8%	1.4%	N.A.	N.A.	6	0.0%	N.A.	100%	\$4	\$18	\$3,199	N.A.
2006	23.0%	21.8%	24.4%	N.A.	N.A.	5	0.0%	N.A.	64%	\$17	\$53	\$3,428	N.A.
2007	0.6%	-0.4%	-3.7%	8.6%	10.4%	<6	0.0%	N.A.	26%	\$7	\$46	\$3,507	N.A.
2008	-33.7%	-34.4%	-36.9%	15.1%	16.2%	<6	0.0%	N.A.	41%	\$6	\$25	\$2,791	N.A.
2009	19.2%	18.6%	19.7%	19.8%	21.6%	<6	0.0%	N.A.	33%	\$6	\$25	\$2,540	N.A.
2010	18.2%	17.5%	15.5%	21.5%	23.5%	<6	0.0%	N.A.	0%	\$9	\$28	\$2,744	N.A.
2011	8.9%	8.3%	0.4%	18.4%	21.0%	<6	0.0%	N.A.	0%	\$8	\$35	\$3,545	\$78
2012	12.0%	11.4%	17.5%	13.4%	15.7%	8	0.0%	N.A.	0%	\$38	\$47	\$3,845	\$72
2013	30.6%	29.9%	32.5%	11.0%	12.9%	11	0.0%	0.1%	0%	\$213	\$227	\$4,321	\$162
2014	12.3%	11.6%	13.4%	8.9%	9.3%	10	0.0%	N.A.	0%	\$459	\$511	\$5,748	\$318
2015	-1.6%	-2.2%	-3.8%	10.2%	10.8%	9	0.0%	N.A.	0%	\$603	\$695	\$9,781	\$605
2016	14.0%	13.3%	17.3%	10.0%	10.9%	18	0.3%	N.A.	0%	\$882	\$1,000	\$10,651	\$1,170
2017	18.9%	18.2%	13.7%	9.4%	10.3%	17	0.4%	0.1%	0%	\$617	\$724	\$9,888	\$1,561
2018	-6.1%	-6.7%	-8.3%	10.7%	11.0%	16	0.3%	0.2%	0%	\$409	\$530	\$10,085	\$1,775

Ziegler Capital Management, LLC ("ZCM") claims compliance with the Global Investment Performance Standards ("GIPS") and has prepared and presented this report in compliance with the GIPS standards. ZCM has been independently verified for the periods 1/1/01 to 12/31/17. 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 Large Cap Value Dividend Select composite has been examined for the periods 7/1/04 to 12/31/17. The verification and performance examination reports are available upon request.

ZCM is a registered investment advisor with the Securities and Exchange Commission. From June 10, 2011 until November 30, 2013 ZCM was known as Ziegler Lotsoff Capital Management, LLC. ZCM is a wholly owned subsidiary of Stifel Financial Corp. ("Stifel") and was acquired by Stifel on November 30, 2013. ZCM was formed in 1991 and has grown significantly through strategic business combinations with experienced investment teams nationwide. Through these combinations, we have expanded our investment strategy offerings and broadened our portfolio management teams to best serve our expanding client base. Please refer to the firm's ADV Part 2 for additional disclosures regarding the firm and its practices. Our definition of the firm used to determine the total firm assets and firm-wide compliance includes all fee-paying and non-fee-paying discretionary and non-discretionary assets under management, including accrued income, in all strategies. Assets under advisement ("AUA"), in the form of model portfolios provided to other financial institutions, are excluded from our definition of the firm and are provided as supplemental information. Returns are calculated in U.S. dollars and reflect the reinvestment of dividends and other earnings. Past performance is no guarantee of future results. To obtain a compliant presentation or a list of our composite descriptions and/or policies for valuing portfolios, calculating performance, and preparing compliant presentations, please call (312) 368-1442 or send an e-mail to letters@zieglercap.com.

In addition to the information presented herein, we would like to make the following disclosures: (1) Large Cap Value Dividend Select is an actively managed equity strategy that seeks to provide above-average dividend yields and diversification across major sectors of the benchmark. From October 1, 2005 to September 30, 2010, the composite was named Value Equity Income. From October 1, 2010 to September 30, 2011 the composite name was Equity Income. (2) The benchmark is the Russell 1000 Value Index. Prior to January 1, 2008 the benchmark was the Dow Jones Equity Income 100 Index. It was changed to more accurately represent the investment strategy. (3) The composite creation date is July 1, 2004. (4) The composite was redefined on January 1, 2012 to include mutual funds utilizing the Large Cap Value Dividend Select strategy. (5) The minimum account size for this composite is \$100,000. From 1/1/06-12/31/12 the minimum account size was \$250,000. Prior to January 1, 2006, there was no minimum account size. (6) Beginning January 1, 2013, portfolios with significant cash flows are excluded from the composite. Cash flows of 10% or more are considered significant. Prior to January 1, 2006, cash flows of 5% or more were considered significant. (7) Strategy assets include all portfolios in the Large Cap Value Dividend Select strategy, even those portfolios that are excluded from the composite because of significant cash flows or for other reasons, and include non-wrap, wrap and UMA assets. This is presented as supplemental information. (8) The internal dispersion is measured by the standard deviation across asset-weighted portfolio returns represented within the composite for the period. If there are less than 6 portfolios in the composite for the entire year, the internal dispersion is not statistically meaningful and is presented as N.A. (9) Prior to January 1, 2010 balanced portfolio segments were included in this composite and performance reflects required total segment plus cash returns using a cash allocation based on target asset class percentages determined at the beginning of the period. (10) Gross-of-fees returns are presented after trading expenses and before management fees. Net-of-fees returns are presented after the highest applicable management fee applied on a monthly basis. Prior to 1/1/12, fees were applied on a quarterly basis. The highest applicable management fee is 0.60%. From January 1, 2009 to December 31, 2009 the highest applicable fee was 0.55%. From January 1, 2007 to December 31, 2008 the highest applicable fee was 0.92%. Prior to January 1, 2007, the highest applicable fee was 1.00%. Fees are calculated separately for each portfolio, and therefore, performance may differ from one portfolio to another. The effect of fees and expenses on performance will vary with the relative size of the fee and account performance. For example, if \$10 million were invested and experienced a 10% compounded annual return for ten years, its ending dollar value, without giving effect to the deduction of the advisory fee, would be \$25,937,425. If an advisory fee of 0.60% of average net assets per year for the ten-year period were deducted, the annual total return would be 9.37% and the ending dollar value would be \$24,489,624. The fee schedule is: 0.60% on the first \$25 million; 0.45% on the next \$25 million; and 0.30% on all additional assets.

Disclosures

This review is for institutional advisory clients of Ziegler Capital Management, LLC. The strategy review often expresses opinions about the direction of market, investment sector and other trends. The opinions should not be considered predictions of future results. The information contained in this report is based on sources believed to be reliable, but is not guaranteed and not necessarily complete.

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The Russell 1000 Value Index measures the performance of those Russell 1000 index companies with lower price-to-book ratios and lower forecasted growth values.

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CALL: (312) 368-1442 | EMAIL: LETTERS@ZIEGLERCAP.COM | VISIT: WWW.ZIEGLERCAP.COM

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