

Large Cap Core: Performance & Commentary

AS OF SEPTEMBER 30, 2018

PERFORMANCE SUMMARY

The strategy returned 8.42% before fees in the third quarter, outperforming the S&P 500 Index's return of 7.71%.

Sector allocation was a major contributor to relative performance, while stock selection was a marginal contributor. Underweighting the relatively poor performing Communication Service sector helped, but stock selection was a major detractor in the sector. An overweight to the Information Technology sector added value and stock selection in the sector was a strong contributor to relative performance. An underweight to the best performing Health Care sector hurt and was exacerbated by poor stock selection.

MARKET OUTLOOK

U.S. economic data remains strong going into 2019 and the current expansion is on track to become the longest on record. U.S. financial conditions remain fairly accommodative, despite the Federal Reserve's ("Fed") ongoing rate hikes. The favorable economic data should provide the Fed with more confidence to keep tightening toward their objective of a "soft landing" for the economy. The Fed signaled that another rate hike is likely in December and the potential for an additional three to four rate hikes in 2019.

S&P 500 Index companies reported an 80.0% rate of earnings estimates "beats" in 2Q'18 – the highest in the past 7 years. The favorable results have led many analysts to provide optimistic expectations for earnings growth over 2018 and 2019, but 2018 may prove to be a peak in the growth rate of corporate earnings. The S&P 500 Index closed September at 17.0 times its \$172 one-year forward operating earnings estimate, a level below its 20-year average of 18.8X and the beginning-of-year 18.3X level, as earnings estimate increases have outpaced the price increases of the Index.

Indicators reflect an ideal environment for the U.S. economy and it is becoming challenging to imagine how things can get much better. However, the growing disconnects between the strong U.S. and weaker global economy is a source of concern and a strengthening dollar can become a headwind for U.S. companies with significant foreign sales. Businesses are facing higher labor and transportation costs as margins hit record levels. These factors and other forces may serve to slow equity price appreciation and introduce more volatility in the latter part of the year.

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.

STRATEGY OVERVIEW

Benchmark:	S&P 500
Inception Date:	November 1, 2002

STRATEGY SUMMARY

The Large Cap Core Strategy seeks to produce superior long term, risk adjusted returns by combining quantitative screening with thorough fundamental analysis by industry focused analysts'. Our investment process is rooted in behavioral finance and we look to take advantage of mispricing opportunities caused by recognized investor biases. Investors tend to extrapolate historical data trends too far into the future and often under-react to new data that contradicts their initial opinions. Further, we focus on free cash flow rather than the more common earnings measures as we believe its ultimately free cash flow return on invested capital and growth rate of free cash flow that matters for stock returns.

PERFORMANCE*

	MOST RECENT QUARTER	1 YEAR	3 YEAR	5 YEAR	10 YEAR
	ANNUALIZED				
Gross	8.42%	21.23%	18.21%	14.01%	12.73%
Net	8.26%	20.51%	17.52%	13.34%	12.05%
Benchmark	7.71%	17.91%	17.31%	13.95%	11.96%

*Returns are estimated. Past performance is no guarantee of future results.

Large Cap Core: Most Recent Quarter Attribution

AS OF SEPTEMBER 30, 2018

SECTOR ATTRIBUTION					
SECTOR	AVERAGE WEIGHT		ATTRIBUTION ANALYSIS		
	PORTFOLIO	BENCHMARK	ALLOCATION EFFECT	SELECTION EFFECT	TOTAL EFFECT
Communication Services	5.77%	10.24%	0.30%	-0.46%	-0.16%
Consumer Discretionary	13.89%	10.07%	0.06%	0.17%	0.23%
Consumer Staples	5.06%	6.82%	0.04%	0.14%	0.18%
Energy	5.28%	6.01%	0.04%	-0.09%	-0.05%
Financials	13.82%	13.86%	0.00%	-0.05%	-0.05%
Health Care	12.93%	14.52%	-0.11%	-0.41%	-0.52%
Industrials	13.60%	9.67%	0.09%	0.22%	0.31%
Information Technology	24.59%	20.65%	0.18%	0.48%	0.66%
Materials	2.25%	2.53%	0.02%	-0.03%	-0.01%
Real Estate	1.19%	2.76%	0.11%	-0.04%	0.07%
Utilities	1.63%	2.88%	0.07%	-0.02%	0.05%
Total Portfolio	100.00%	100.00%	0.80%	-0.09%	0.71%

Benchmark = S&P 500

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 Core: Characteristics

AS OF SEPTEMBER 30, 2018

STRATEGY OVERVIEW

Benchmark:	S&P 500
Holdings:	55-65 securities
Diversification:	On a security basis, won't over/underweight to the benchmark by >5% On a sector basis, won't over/underweight to the benchmark by >5%
Return Target:	Outperform its benchmark by 1.50%
Risk Control:	Tracking Error target of 2%-5% vs. benchmark

TOP TEN HOLDINGS BY WEIGHT

	TICKER	PERCENT WEIGHT
Apple Computer, Inc.	AAPL	5.6%
Microsoft Corporation	MSFT	5.3%
Amazon, Inc.	AMZN	4.1%
Visa, Inc.	V	3.4%
Mastercard, Inc.	MA	3.3%
Bank of America Corporation	BAC	2.9%
Facebook, Inc.	FB	2.9%
Johnson & Johnson	JNJ	2.6%
Cisco Systems	CSCO	2.6%
Adobe Systems, Inc.	ADBE	2.6%












CHARACTERISTICS

GENERAL MEASURES	ZCM	BENCHMARK
Number Of Stocks In Portfolio	53	500
Weighted Average Cap (\$ Mil)	271,531	247,407
Yield (%)	1.7	1.9
ROE (%)	23.0	25.8
Debt/Equity Ratio (%)	70.9	89.8
Beta	0.97	-
VALUE MEASURES	ZCM	BENCHMARK
Price/Earnings Ratio* (12-Month Trailing)	21.3	21.6
Price/Earnings Ratio* (Forecast FY)	17.3	17.9
Price/Book Value Ratio	3.8	3.7
Price/Cash Flow Ratio	13.1	13.5
Price/Sales Ratio	2.5	2.3
GROWTH MEASURES	ZCM	BENCHMARK
EPS 1-Year Growth Rate (%) (Forecast FY)	30.5	39.9
EPS 5-Year Growth Rate (%) (Trailing)	17.7	14.0
EPS Growth - Long-Term Forecast	14.6	13.7

*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 Core: Sector Weights

AS OF SEPTEMBER 30, 2018

SECTOR	ZCM	S&P 500	Difference	
Consumer Discretionary	14.1%	10.3%	3.8%	
Consumer Staples	5.0%	6.7%	-1.7%	
Energy	5.2%	6.0%	-0.8%	
Financials	13.2%	13.3%	-0.1%	
Health Care	13.0%	15.0%	-2.0%	
Industrials	13.5%	9.7%	3.8%	
Information Technology	25.7%	21.0%	4.7%	
Materials	2.1%	2.4%	-0.3%	
Real Estate	1.2%	2.7%	-1.5%	
Communication Services	5.4%	10.0%	-4.7%	
Utilities	1.6%	2.8%	-1.2%	

Based off a model portfolio, and does not include fees or expenses. Individual client results may vary.

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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.

Information contained herein is for informational purposes only and is not a recommendation to buy or sell any security. Contribution to portfolio return is calculated by multiplying the total return for the security by its average weight in the portfolio. There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this report or that securities sold have not been repurchased. The securities discussed do not represent an account's entire portfolio and in the aggregate may represent only a small percentage of an account's portfolio holdings. A complete list of all holdings is available upon request. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities represented herein. Other factors may impact overall performance for different accounts including the execution and timing of trades and any wrap sponsor's policies.

All investments involve risk, including loss of principal, and there is no guarantee that investment objectives will be met. Equity securities are subject generally to market, market sector, market liquidity, issuer, and investment style risks, among other factors to varying degrees. Equity securities may rise and decline in value due to both real and perceived market and economic factors as well as general industry conditions. Small capitalization stocks are likely to be more volatile in price and carry a higher risk of failure than large capitalization stocks. Indices are unmanaged, do not reflect fees and expenses and are not available as direct investments.

NOT FDIC INSURED; NO BANK GUARANTEE; MAY LOSE VALUE

FOR MORE INFORMATION

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Large Cap Core Performance Disclosures

as of December 31, 2017



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	Internal Dispersion	Carve Out Percentage	Composite Assets (USD millions)	Strategy Assets (USD millions)	Firm AUM (USD millions)	Firm AUA (USD millions)
2002	N.A.	N.A.	N.A.	N.A.	N.A.	<5	N.A.	100%	\$2	\$7	\$1,748	N.A.
2003	25.8%	24.6%	28.7%	N.A.	N.A.	<5	N.A.	93%	\$6	\$22	\$2,361	N.A.
2004	13.4%	12.3%	10.9%	N.A.	N.A.	11	N.A.	86%	\$9	\$45	\$2,700	N.A.
2005	8.6%	7.5%	4.9%	8.5%	9.2%	16	0.1%	83%	\$31	\$56	\$3,199	N.A.
2006	19.7%	18.5%	15.8%	6.6%	6.9%	14	0.1%	84%	\$33	\$163	\$3,428	N.A.
2007	6.0%	5.0%	5.5%	8.2%	7.8%	15	0.2%	99%	\$39	\$118	\$3,507	N.A.
2008	-31.6%	-32.3%	-37.0%	14.5%	15.3%	26	0.5%	81%	\$37	\$116	\$2,791	N.A.
2009	25.9%	25.2%	26.4%	18.4%	19.9%	17	1.0%	70%	\$30	\$156	\$2,540	N.A.
2010	13.2%	12.6%	15.1%	20.9%	22.2%	12	N/A	0%	\$30	\$168	\$2,744	N.A.
2011	2.7%	2.1%	2.1%	19.0%	19.0%	11	0.2%	0%	\$12	\$174	\$3,545	\$78
2012	16.2%	15.5%	16.0%	16.3%	15.3%	8	0.1%	0%	\$11	\$180	\$3,845	\$72
2013	35.0%	34.3%	32.4%	12.9%	12.1%	5	N.A.	0%	\$7	\$474	\$4,321	\$162
2014	13.6%	12.9%	13.7%	9.3%	9.1%	<5	N.A.	0%	\$4	\$535	\$5,748	\$318
2015	0.2%	-0.4%	1.4%	11.1%	10.6%	<5	N.A.	0%	\$7	\$377	\$9,781	\$605
2016	11.7%	11.0%	12.0%	11.0%	10.7%	12	N.A.	0%	\$23	\$354	\$10,651	\$1,170
2017	23.0%	22.3%	21.8%	10.3%	10.1%	11	0.1%	0%	\$21	\$474	\$9,888	\$1,561

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 01/01/01 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 Core Select 60 composite has been examined for the periods 11/01/02 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 Core Select 60 is an actively managed equity strategy that applies a quantitative approach to identify neglected, attractive stocks. Portfolios typically hold less than 60 securities. (2) The benchmark is the S&P 500 Index. (3) The composite creation date is October 31, 2002. (4) 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. (5) 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. (6) Strategy assets include all portfolios in the Large Cap Core Select and Large Cap Core Select 60 strategies, even those portfolios that are excluded from the composites because of significant cash flows or for other reasons, and include non-wrap, wrap and UMA assets. This is presented as supplemental information. (7) 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. (8) 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. (9) Gross-of-fees returns are presented after trading expenses and before management fees. Net-of-fees returns are presented after the highest applicable model fee applied on a monthly basis. Prior to 1/1/12, fees were applied on a quarterly basis. The highest applicable model fee is 0.60%. From January 1, 2009 to December 31, 2009, the highest applicable model fee was 0.59%. From January 1, 2008 to December 31, 2008, the highest applicable model fee was 0.91%. Prior to January 1, 2008, the highest applicable model 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 experience 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.