

## Large Cap Equity Commentary—3rd Quarter 2015

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The Large Cap Equity strategy declined slightly during the third quarter as investor fears about a slowing global economy and the uncertain impact of a potential Federal Reserve interest rate increase intensified.

Relative underperformance was most pronounced in health care and financial shares but partially offset by better relative results in technology and consumer stocks.

Health care shares—biotechnology companies in particular—accounted for the single biggest drag on performance. The trigger for the sell-off in biotechnology was accusations that the drug industry is excessively raising prices, especially for some older off-patent drugs. We continue to view the drug industry to be a dynamic and promising area in which to invest.

The second weakest sector was financials. While an increase in the Federal Funds rate now appears to be more likely to occur in 2016 than 2015, the downturn in financial stocks more than discounts this risk.

On the positive side were shares of consumer discretionary and staples companies. With low unemployment, improvement in wages and low gas prices, American consumers are spending at a steady pace.

Among our recent purchases were Ingersoll-Rand, a diversified manufacturing company with end markets such as commercial and residential climate control that are in good condition. We also initiated a position in Skyworks, a semiconductor company that is an important supplier in the transition to 4G smartphones such as Apple. In addition, we exited two positions in the consumer discretionary sector: YUM! Brands (owner of Taco Bell, KFC and Pizza Hut) and Harman (audio and infotainment solutions).

We view the market sell-off in the third quarter as excessive. Pessimism has intensified. Many stocks have declined significantly more than the large-capitalization indices and valuations have improved. We remain underweighted in sectors such as energy, materials and cyclical industrial shares

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but believe opportunities are beginning to emerge in these depressed areas. We remain focused on investing in companies with well-established competitive advantages, strong earnings prospects, healthy balance sheets and reasonable valuations.

Opinions expressed are subject to change, are not guaranteed and should not be considered investment advice.

For a list of holdings current to the most recent quarter end, please [click here](#). Fund Holdings and sector weightings are subject to change at any time due to ongoing portfolio management. References to specific investments should not be construed as a recommendation of the fund or the Adviser to buy or sell securities and these investments may represent a small percentage of the Fund's portfolio. **Current and Future fund holdings are subject to risk.**

**Mutual fund investing involves risk. Principal loss is possible. Investment in IPO's can be volatile and can fluctuate considerably. IPO's can have a magnified impact on funds with a small asset base. Investments in foreign securities involve greater volatility and political, economic and currency risks and differences in accounting methods.**

**Earnings growth is the annual rate of growth of earnings from investments.**

The Standard & Poor's 500 Index (S&P 500®) is an American stock market index based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ. The S&P 500 index components and their weightings are determined by S&P Dow Jones Indices. The Russell 1000® Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. It is not possible to invest directly in an index.

**Diversification does not assure a profit or protect against loss in a declining market.**

Must be preceded or accompanied by the Large Cap Equity Fund prospectus.

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