SaratogaRIM

2019 Annual Report

January 10, 2020

Q4

Focus at Five

Market Statistics							
Source: FactSet (Dec. 31), Federal Reserve, * Spot prices (Dec. 31)							
Stocks		**Yields (%)**				**Commodities**	
DJIA	28,538.44	Fed Funds	1.75	US Tr. 3-Y	1.60	Baltic Dry Index	1,090
P/E ratio	18.87	Disc. Rate	2.25	US Tr. 5-Y	1.69	Gold ($/oz)	1,520
S&P 500	3,230.78	Libor 1-Mo	1.76	US Tr. 10-Y	1.92	Silver ($/oz)	18.05
P/E ratio	21.17	US Tr. 1-Y	1.57	US Tr. 30-Y	2.39	Crude ($/bbl)* (NYM Light Sweet Crude)	61.06

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Letter to Investors

Coming together is a beginning; keeping together is progress; working together is success.

– **Henry Ford**, founder, Ford Motor Company

The Toyota style is not to create results by working hard. It is a system that says there is no limit to people's creativity. People don't go to Toyota to 'work,' they go there to 'think.'

– **Taiichi Ohni**, creator of the Toyota Production System

In the waning days of last summer, our firm reached the first of several important milestones that mark our calendar over the course of the next year. At the close of trading on August 30th, we celebrated the fifth anniversary of the Focus version of our SaratogaRIM Large Cap Quality strategy. Soon thereafter, we passed $3 billion in total assets under advisement. Next spring, the flagship Quality version of our strategy will seal its 20-year track record, and next summer will mark the fifth year since we began providing research and model portfolios to other financial firms for use on their own investment platforms. Lastly, SaratogaRIM will celebrate its own silver anniversary in May.

In some ways it's hard to believe that a *generation* has passed since we first opened shop. Then again, I vividly remember stretches along the way that crawled past as if they took an eternity. I can tell you firsthand, it was a long, hard slog at times – especially through the early years. Looking back, I'm proud of the firm's many accomplishments, none more so than the team we have built. I've surrounded myself with hard-working, smart people that I like and trust implicitly. And I've tried as hard as I could to nurture and lead by example.

When I was a high school football coach, we used to talk about trying to get better every day. In football that mostly meant developing physical attributes like strength, speed and stamina. But there were mental elements, too. Players absolutely needed to understand their primary responsibilities as well as any adjustments they might have to make on the fly. They had to think on their feet and adapt to circumstances as they changed. In this business, it is more about building mental skill sets, but the general concept is the same – always try to get better.

In my leadership role at our firm, I think my most important jobs now are protecting our culture, ensuring that I have the right people working together on the right teams and encouraging my teammates to continue building new core competencies. I see this as expanding the boundary of their – and our firm's – potential. For some, that means working towards professional designations or academic credentials. For others, it's about striking the right work/life balance. But for everyone, beginning with me, I expect a commitment to life-long learning and continuous improvement. The Japanese word for this is *Kaizen*, or "becoming good through change."

Our business is not an easy one. We'll always face an uncertain and ever-changing future, and our work will perpetually be measured against that of the most brilliant and well-funded investors on the planet. Given this highly competitive environment, I'm proud to say that through market-cycle after market-cycle, we've more than held our own. But for me, the coolest part is that our team has accrued valuable experience working together. As each of us has continued to build new skill sets, it's been fun to watch my teammates get better with each passing year at the fundamentals – the blocking and tackling – of executing our processes firm-wide. *Kaizen*: ceaseless, incremental progress.

An irony in all of this (one that comes with age, I realize) is that back in the day I remember thinking, "I can't wait for *this*," or asking, "won't it be great when *that*?" Today, we have accomplished all those things but my brain screams, "Holy Cow! I can't believe it's already been five years since we launched Focus." Following this letter is a quantitative assessment of Focus's investment results and performance attributes over its first five years. It applies the same analytical framework as last quarter's analysis of Quality against both the S&P 500 TR and quality factor ETFs. Complete attribution analysis is available upon request for those who want to go even deeper.

We know you have choices when it comes to investing your money. Because you do, and despite the anxiety the math[1] may cause some people, we believe it's worth examining Focus over its first five years. It makes no sense to pay an active manager if you could achieve the same risk/return profile at a lower cost over the long term. It only makes sense to pay active management fees if your manager generates either a higher compound annual rate of return than an equally risky passive alternative or can achieve the same return with lower risk – over whole market cycles measured peak-to-peak or trough-to-trough. We're proud that Quality and Focus have exceeded both these goals. Over their respective lifetimes, net of all transaction costs and our management fees, both have generated superior returns vs. passive alternatives, with *significantly* less volatility. We believe these outcomes validate our value proposition.

Reviewing investment results for 2019 in isolation is somewhat problematic. A contextual issue stems from the market meltdown that occurred in the fourth quarter of 2018 in what we saw as a response to failed attempts by the Federal Reserve to normalize interest rates and reduce the size of its balance sheet. These efforts caused a nearly 20% peak-to-trough collapse in the S&P 500 TR that culminated late in December of 2018 and spooked Fed Chair Jerome Powell into a spectacularly dovish policy reversal/pivot that ended up providing the driving force for markets to surge in 2019. Clearly, much of last year's gains (especially Q1) should really be viewed as a recapture of Q4 2018 losses.

So, in addition to reviewing the annual performance (Fig. 1), we believe it makes sense to incorporate the fourth quarter of 2018 to also view the 5 trailing quarters that ended on December 31st on an annualized basis (Fig. 2). Over that time frame, the SaratogaRIM Large Cap Quality and Quality Focus composites net of fees earned annualized rates of returns of 7.36% and 10.88% respectively, while the S&P 500 Total Return index registered a still good but more realistic 10.81%, also on an annualized basis. Once again, past performance is no guarantee of future returns - see full disclosures at the end of this report.

As mentioned earlier, 2020 will be an eventful year for SaratogaRIM. In addition to our silver anniversary, we'll hit a number of other significant milestones as a firm. Individually, all of us will continue to develop new or existing skills, some with new academic or professional credentials. In doing so, we'll continue to mature and evolve as a team as we collectively work towards further protecting and developing our own culture and competitive advantages.

The second decade of the 21st century ended with drama on several fronts. While the economy inched forward and continued to create jobs, earnings growth slowed to a near halt in 2019. Suffice it to say that asset prices, elevated into the stratosphere by a decade of nearly-free money, begin the 2020s at historically rich valuations. That makes markets more vulnerable to shocks and increases the likelihood of muted returns from virtually all asset classes going forward. Volatility could surge from the impact of any number of potential catalysts – coming either completely out of left field or from the plethora of potentially market-moving events already visible on the horizon: impeachment, the 2020 presidential election, Brexit in Europe, and the on-and-off-again trade war, to name but a few. There's certainly no shortage of top-down or geopolitical tail risks to fret about.

With that, I'll end with a little nugget I picked up from legendary value investor Seth Klarman at the most recent Grant's conference in New York City. He said, "I worry from the top-down, but I invest from the bottom-up." We've also found solace in that approach over the years. For nearly a quarter century we've diligently executed our investment process from the bottom up. Through good times and bad, our commitment to continuous improvement in our execution of this process has served us well as we've remained focused on investing in wonderful businesses whenever we've believed we could do so at sensible prices.

Sincerely,

Kevin Tanner
Chairman, CEO & Chief Investment Officer

[1] In all of our writing we try to follow Albert Einstein's advice: "Keep it as simple as possible, but not simpler." In other words, we try to keep it simple without over simplifying. Sometimes we fail to do so and we sincerely apologize for any anxiety we might cause.

Trailing 12-Month & 15-Month Investment Results

Over the 12 months that ended December 31st, net of fees the SaratogaRIM Large Cap Quality and Large Cap Quality Focus composites earned 17.40% and 26.98% respectively. Over the same period, all major indices were in the green with the S&P 500 Total Return index surging 31.49%. While our results were largely consistent with what we would expect at this phase in the economic and market cycles, a little more perspective is due this year. As with any discussion of investment results, the SEC requires that we remind you that past performance is no guarantee of future returns. Please see full disclosures at the end of this report.

Fig. 1: SaratogaRIM Large Cap Quality & Focus vs. S&P 500 TR 12/31/18 - 12/31/19

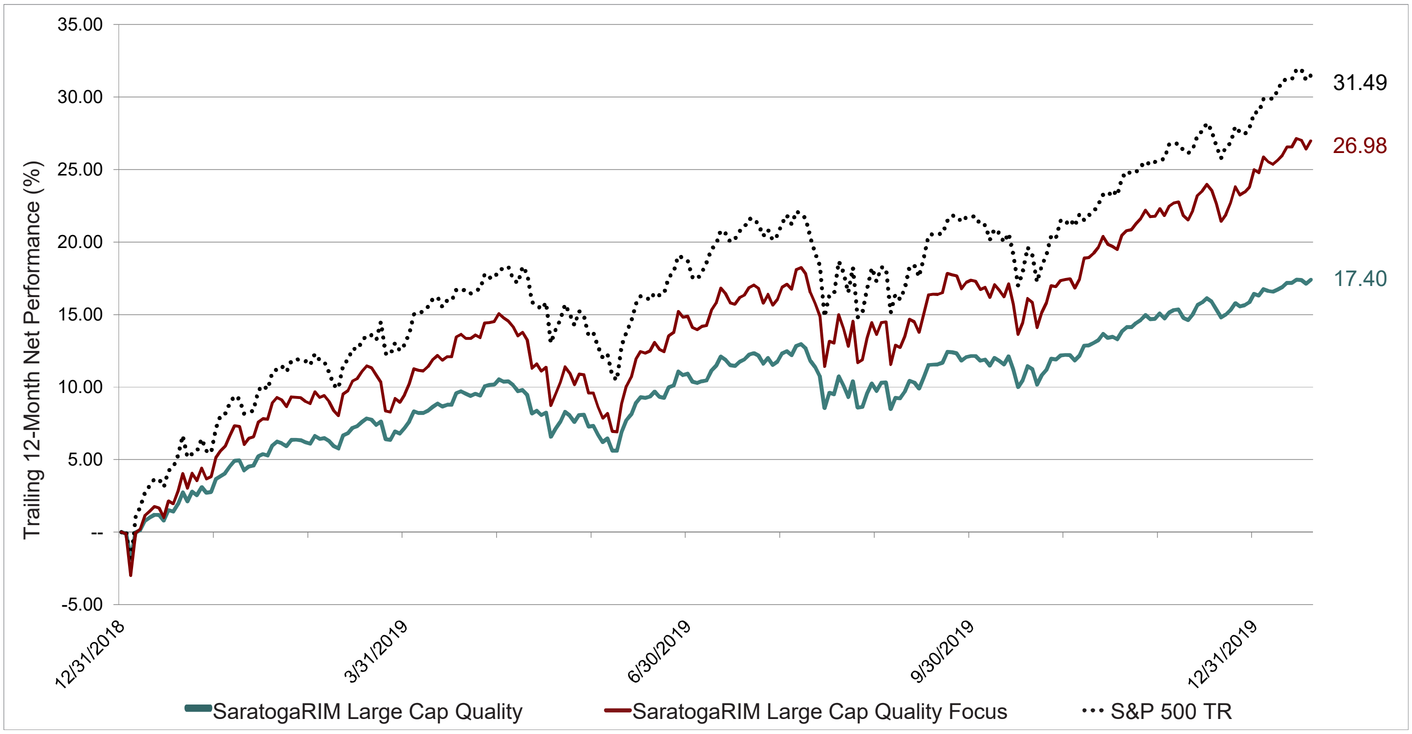
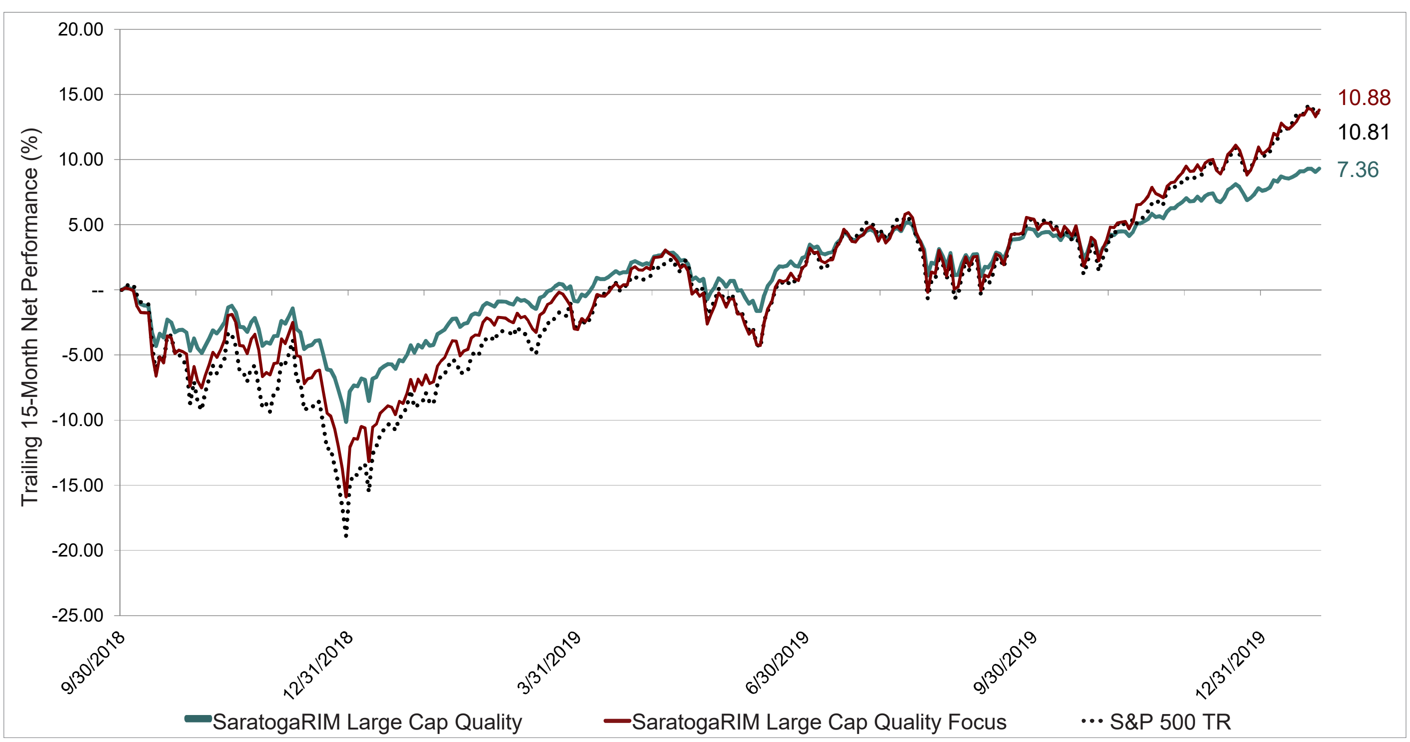


Fig. 2: SaratogaRIM Large Cap Quality & Focus vs. S&P 500 TR 9/30/18 - 12/31/19 (5 Trailing Quarters)

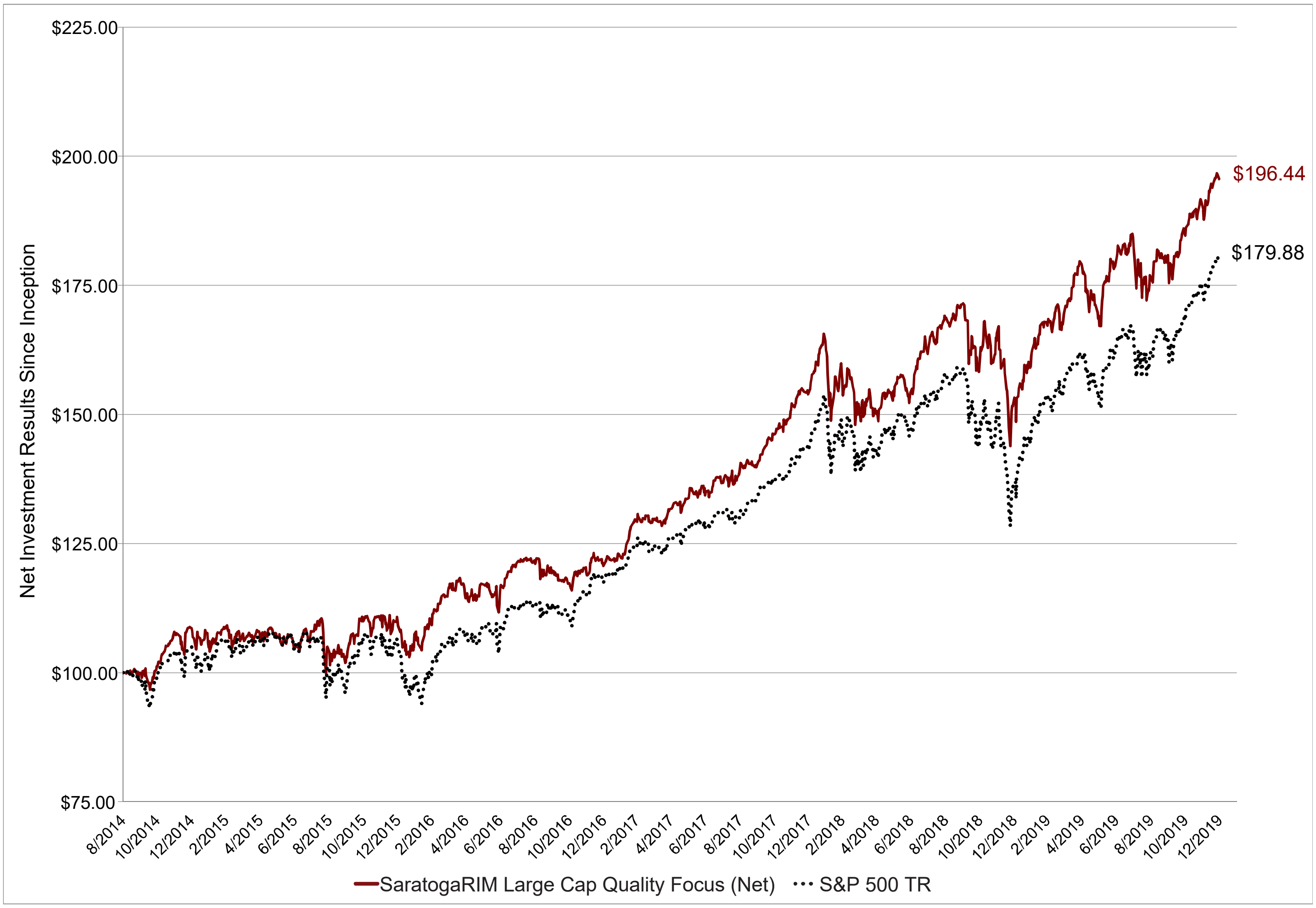


Source: FactSet, SaratogaRIM. Past investment results are not a guarantee of future results. See full disclosures at the end of this report.

Focus at Five: An Interim Review

By Phil Spencer

Fig. 3: SaratogaRIM Large Cap Quality Focus vs. S&P 500 TR 8/31/14 - 12/31/19



Source: FactSet, SaratogaRIM. Past investment results are not a guarantee of future results. See full disclosures at the end of this report.

On September 1st, 2014, we launched a fully-invested version of our Large Cap Quality investment strategy. Called Large Cap Quality Focus (Focus), its portfolios are constructed utilizing the same investment process we've been executing for more than 20 years but with greater concentration and a maximum 5% cash constraint. Why did we do this? We recognized Focus could serve the needs of those for whom a fully-invested strategy was more suitable. Without the cash buffer, Focus is clearly a riskier strategy. But like Quality, Focus is also designed to achieve asymmetrical[1] performance characteristics over full market cycles as it benefits from the same defensive attributes our investment process was specifically built to identify.

From the beginning we set a very high bar for ourselves. So far, we're pleased to report that Focus has delivered. Since its inception a little over five years ago, Focus generated a 13.49% annualized return net of fees, compared to 11.63% for the benchmark S&P 500 TR – which placed Focus in the top 25% of all Large Cap managers covered by Morningstar. Over that same period, Focus's standard deviation (academia's preferred measure of risk) was 10.74% compared to 11.69% for the S&P 500 TR, ranking it in the top 25% of all Large Cap managers for low portfolio volatility. In terms of Sharpe Ratio, which measures excess return per unit of risk taken, we're proud that after fees, Focus came in at 1.14, placing it in the top 5% of all Large Cap

[1] "Asymmetrical performance characteristics" refers to seeking exposure to risk and reward in such a way that you're poised to capture a greater portion of the market gains when it's rising than the extent to which you participate in losses when it's falling.

separate account managers covered by Morningstar. Focus has outperformed the overall market handily with significantly lower volatility since its inception. In other words, Focus has thus far delivered outstanding risk-adjusted investment results. (Past performance is no guarantee of future returns.)

Two caveats warrant prominent display. Despite the S&P 500's nearly 20% plunge during Q4 of 2018, Focus still hasn't existed through a full market cycle measured peak-to-peak or tough-to-trough. Also, Focus should be viewed not as a stand-alone investment approach but as a portfolio component – one designed specifically to be utilized as part of larger, diversified portfolios that can mitigate the risks inherent in a fully-invested product like Focus. Regardless, Focus at the five-year mark is worth examining both as a case study in how SaratogaRIM's investment team has grown and evolved over time and as reaffirmation of an investment process that both of our strategies share.

Our review includes much that hasn't changed, including SaratogaRIM's long-term investment philosophy, security selection, and valuation. But it also incorporates a discussion of concepts like portfolio concentration, conviction, and relative risk-reward. In addition, we examine the rationale for creating Focus, addressing nuanced differences in the execution of the two approaches. We end with a discussion of Focus's investment results over its first five years, including an assessment of performance asymmetry and a look at alpha generation for the strategy.

Sound Judgement

SaratogaRIM emerged as a nationally-recognized equity investor roughly ten years ago when our record for achieving asymmetrical exposure to risk and return began to attract the attention of other types of professional money managers. As we grew, we came across potential investors who appreciated our defensive approach and sought to hire us but couldn't because Quality's variable cash component clashed with their internal mandates or their desire to control their clients' asset allocations on their own. On occasions too numerous to count, we were asked to consider creating a new product that allowed professional investors to capitalize on SaratogaRIM's stock-picking abilities in a fully-invested form. Despite some deep reservations, we took this advice seriously and started thinking about structure.

The first step of our analysis was to look back at the history of Quality *Ex-Cash*[2] as a proxy to estimate the potential performance characteristics of a fully-invested strategy. Cash has certainly acted as a damper against drawdowns in Quality during periods of market duress and provided necessary liquidity to capitalize on attractive valuation environments. But even if you assume that Quality had never held any cash, the hypothetical stock portfolio that would have remained (Quality Ex-Cash) generated favorable investment results on its own. Over the nearly two decades between March 1st of 2000 and December 31st of 2019, Quality Ex-Cash produced a 10.27% compound annual rate of return – net of a realistic hypothetical fee structure – with a 12.91% standard deviation. This compares to a 6.49% return and a 14.50% standard deviation for the S&P 500 TR.

Over that same timespan, Quality Ex-Cash displayed clearly asymmetrical characteristics of its own. For example, it consistently protected during down markets while still participating meaningfully on the upside. To wit, Quality Ex-Cash generated a downside capture ratio of 70.2%, while still managing to capture 93.5% of the market's upside.

Focus is an offshoot of Quality in that the screening process, qualitative analysis, and valuation work are identical. Both draw from the same rarified investable universe, but unlike Quality with its dynamic cash component, Focus must restrict cash holdings to less than 5%. To accomplish this required either larger position sizing or a willingness to add more names to the portfolio. For us this was an easy choice. We decided to concentrate with larger position weightings in our ten

[2] All references in this essay to the performance of SaratogaRIM Quality Ex-Cash represent the hypothetical equity performance within the SaratogaRIM Quality strategy as if it had been available as a standalone strategy. This hypothetical performance does not reflect actual performance achieved by any SaratogaRIM client and does not reflect actual trading. The hypothetical performance results include the deduction of an annual 0.60% SaratogaRIM advisory fee and estimated transaction costs; it does not include custodial, taxes or other fees that may be incurred by an investor. The annual advisory fee represents the fee charged by SaratogaRIM when the strategy is utilized by a non-affiliated investment advisory firm for a client of that non-affiliated investment advisory firm. In addition to the annual advisory fee charged by SaratogaRIM, clients of non-affiliated investment advisory firms will also incur advisory fees charged by their non-affiliated investment advisory firm. If a client were to invest in the strategy directly through SaratogaRIM, the client would be subject to an annual advisory fee up to 1.20%. The hypothetical performance results represent the total return of the investments in the hypothetical strategy and include the reinvestment of dividends, interest, and capital gains. See full disclosures at the end of this report for important notes regarding SaratogaRIM Large Cap Quality Ex-Cash that are an integral part of this essay.

highest conviction candidates – our "best ideas." Conventional wisdom holds that concentration increases risk, though Warren Buffett has argued that the opposite could be true if it raises "both the intensity with which an investor thinks about a business and the comfort level he must feel with the economic characteristics before buying it." We agree, which is why we dive deep into studying the companies in our investable universe. We seek to maximize our understanding of their business models, the competitive dynamics of their industries, and the sustainable competitive advantages we expect them to capitalize on going forward. We believe the domain knowledge (the "circle of competence," as Buffett calls it) we've accumulated has been a key contributor to Focus's success thus far.

The ten best ideas that compose the core of our Focus strategy represent at least 50% of the portfolio. These are the companies with the attributes that best represent the characteristics we target. This doesn't necessarily mean that we expect that our best ideas are going to generate the greatest absolute returns over any particular time frame. It *does* mean that we have high conviction in the economics of their underlying business models (including a strong understanding of their competitive advantages) and the factors driving business outcomes. It also means that from current prices we're anticipating strong, risk-adjusted returns over time propelled by the quality and consistency of their underlying businesses.

The cash constraint adds an additional level of decision-making for the Focus strategy. Quality is structured for flexibility. Capital is deployed when individual investment opportunities are deemed attractive on an absolute basis and accumulates in portfolios when we think the opposite is true. Investment decisions are independent, meaning we don't have to sell or trim a position to initiate or expand another. Because Focus is essentially a fully-invested portfolio, capital must always be deployed and decisions can't be independent; buy decisions tend to necessitate sell decisions, and vice versa. This requires that we constantly engage in *relative* risk-reward analyses for companies within our investable universe.

We stress that the eligibility of *any* company for the Focus strategy remains fully dependent upon our investment process. Even with a cash constraint, we maintain a long time horizon with our primary goals in mind: avoiding permanent loss of capital and outperforming over full market cycles. Nevertheless, relative risk-reward analysis exists within that framework, influencing capital deployment in the strategy. We must consider factors like valuation, conviction, macroeconomics, industry dynamics, potential catalysts, and sources of uncertainty. The difference is that the scope is extended to consider these things *relative* to other investable candidates.

Focus didn't change the fundamentals of what we do so much as add a layer of analysis that demands additional time and effort. In our view, this has made us better investors. Investment theses are discussed – and challenged – more frequently; debates and devil's advocacy are common in our twice-weekly meetings. Relative risk-reward analysis forces analysts to reconsider assumptions and scenarios, which we believe improves our valuation modeling. As demands have increased, the investment team has also grown, compounding our efforts. Today, we have a larger investment team with focused coverage and a high degree of accountability. Importantly, the improvements to our analytical work apply directly to Quality, too.

Assessing Asymmetry

This review of Focus provides an informative look at our application of our investment process on a fully-invested basis. Earlier we mentioned that the Focus strategy has returned 13.49% per year net of fees versus 11.63% for the S&P 500 TR. While we're pleased with the excess return, it's important that outperformance is driven by asymmetry rather than simply taking more risk. Recall that our expectation when creating Focus was that security selection and portfolio construction would help deliver asymmetry *independent of cash*. Though we haven't officially been through a full market cycle, we believe the data available is sufficient to assess how we've performed relative to that expectation so far.

Encouragingly (and as expected), asymmetry is already clearly observable in the monthly data: Focus has captured 96.1% of the market's upside but just 77.0% of the downside. This behavior is similar to what we have observed historically with Quality Ex-Cash[3] in that Focus is capturing most of the gains when the market is rising while experiencing smaller losses when the market is falling.

[3] See full disclosures at the end of this report for important notes regarding SaratogaRIM Large Cap Quality Ex-Cash that are an integral part of this essay.

The overall capture ratio (upside/downside) of 1.25 for Focus is comparable to the historical overall capture ratio of Quality Ex-Cash at 1.33. In our view, these statistics are a clear indication that Focus is benefitting from the underlying attributes of our investment process that it was designed to capture.

Above we referenced the lower standard deviation of Focus's monthly return history. This is noteworthy considering *Focus is far more concentrated than the S&P 500.* This relationship has held in months where returns were both positive and negative; in both cases, Focus returns have experienced less variance. Relative to the market, the strategy has also been exposed to less market (i.e., "systematic") risk, which is reflected in Focus's Beta of 0.86 versus the S&P 500 TR. With a lower Beta and higher return, Focus has generated 3.1% annualized alpha versus the S&P 500 TR. The interpretation of this is that Focus strategy returns after fees have been 3.1% higher per year than would be predicted based on systematic risk exposure alone.

An Alpha Discussion and a Return to Regression

In our essay last quarter, we discussed factor investing and the significant differences between our approach to finding high quality investment candidates and the more simplistic approaches used by quality factor ETFs. We juxtaposed Large Cap Quality with the MSCI USA Quality index and argued for the superiority of our approach based on its philosophy and scope, and we supported our view with historical performance. We cited returns-based regression analysis to illustrate the sources of risk and return generated by our Quality strategy over time. This is highly relevant for our interpretation of Focus's performance as well.

As a continuation of last quarter's discussion, we repeated our analysis with the Focus strategy since its inception. Our analysis suggests that the Focus strategy, even over a shorter timeframe, has also demonstrated superior performance characteristics as measured by historical alpha generation. In other words, the Focus strategy has generated greater returns than our risk exposure would predict.

Understanding what we're talking about here requires us to get technical again. Alpha is generally interpreted as actual return minus expected return, where expected return is based on risk exposure. It is usually estimated with the Capital Asset Pricing Model (or "CAPM"), which is a simple regression model that calculates expected return by using market returns in excess of the risk-free rate (i.e., the systematic risk premium) and the strategy's systematic risk, parameterized by "Beta." For example, if a strategy has a Beta of 0.5, and the market returns 1% in excess of the risk-free rate, the CAPM would generate an expected return for the strategy of 0.5% in excess of the risk-free rate. If the actual return is better than the expected return, alpha is *positive*.

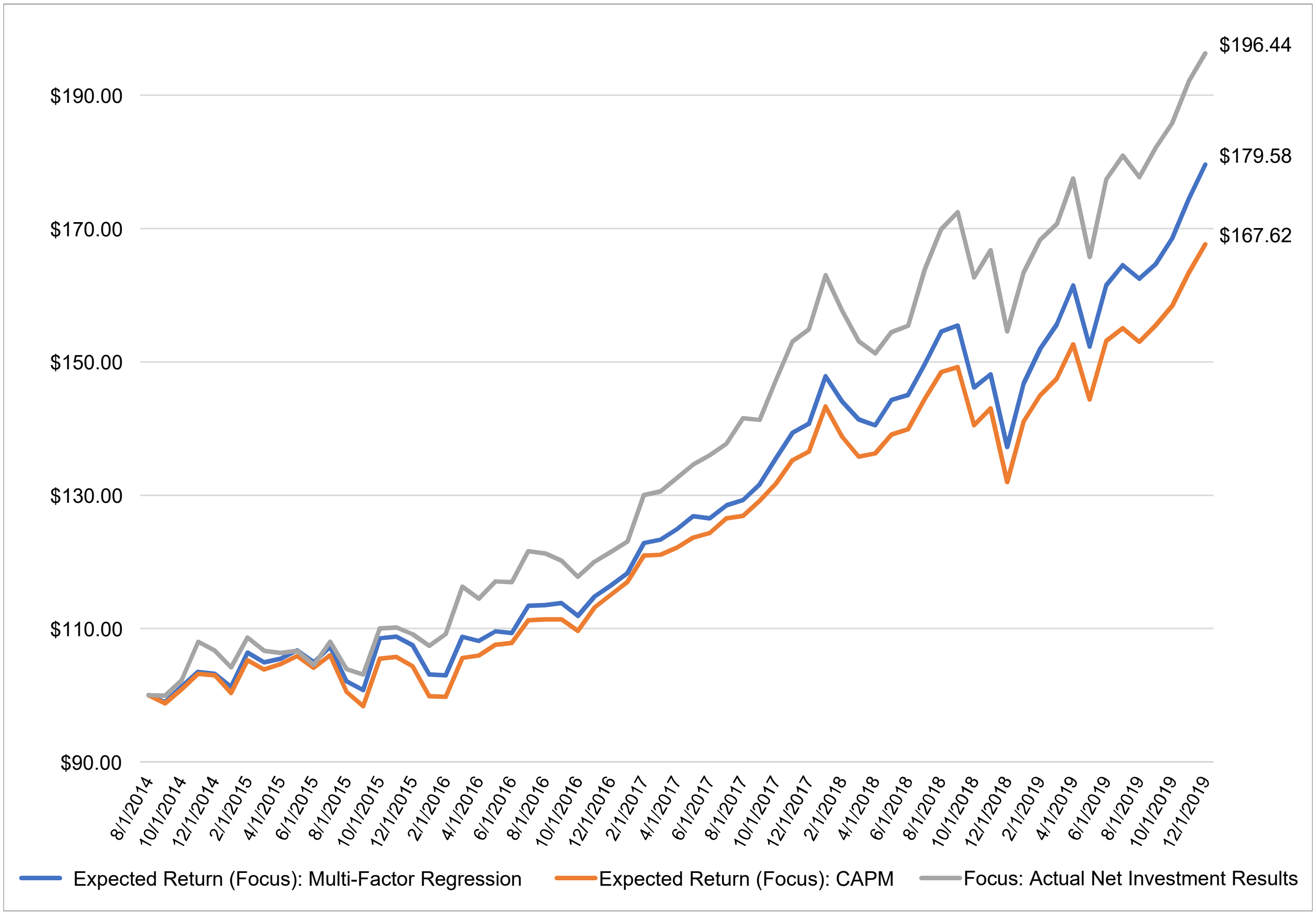
Net of fees, Focus has generated 0.25%[4] of monthly alpha within the CAPM framework[5] (which we call "$\text{alpha}_{\text{CAPM}}$"). However, the CAPM only considers the market risk premium and systematic risk (Beta) to determine expected return; this means other sources of identifiable risk – such as quality factor risk – are not captured. By building a *multiple* regression model that includes systematic risk *and* the quality factor risk premium, we can better explain the risk and return characteristics of the Focus strategy.

As with our analysis last quarter, we use S&P 500 TR monthly returns in excess of the risk-free rate to represent the systematic risk premium, and we calculate excess returns for the MSCI USA Quality index versus the S&P 500 TR to approximate the quality factor risk premium. Focus monthly returns are net of fees and are also reduced by the risk-free rate to isolate the effects of risk factor premia. We then fit a multiple regression model[6] to explain the relationship between the returns earned by the Focus strategy and its exposure to both systematic and quality factor risk. The model uses these risk exposures and Focus's actual returns to calculate a new measure of alpha, which we call "alpha_{MR}."

The beta coefficients for the multiple regression model, which represent the sensitivity of Focus returns to each risk factor, are 0.86 for systematic risk and 0.51 for quality factor risk; alpha_{MR} is 0.15%[7]. Alpha_{MR} reflects the portion of Focus's monthly performance that cannot be attributed to the risk exposures included in the multiple regres-

[4] $\text{Alpha}_{\text{CAPM}}$ has a p-value of 0.08 and a 95% confidence interval of [-0.03%, 0.54%].
[5] CAPM: $(r_{\text{Focus}} - r_{\text{Risk-Free}}) = \beta_1 \times (r_{\text{S\&P 500}} - r_{\text{Risk-Free}})$; $\alpha_{\text{CAPM}} = (r_{\text{Focus}} - r_{\text{Risk-Free}}) - \beta_1 \times (r_{\text{S\&P 500}} - r_{\text{Risk-Free}})$
[6] Multiple Regression: $(r_{\text{Focus}} - r_{\text{Risk-Free}}) = \alpha_{\text{MR}} + \beta_1 \times (r_{\text{S\&P 500}} - r_{\text{Risk-Free}}) + \beta_2 \times (r_{\text{MSCI Quality}} - r_{\text{S\&P 500}})$
[7] Alpha_{MR} has a p-value of 0.30 and a 95% confidence interval of [-0.13%, 0.42%].

Fig. 4: SaratogaRIM Large Cap Quality Focus Cumulative Alpha: Predicted vs. Actual Performance 8/31/14 - 12/31/2019



Source: Morningstar Direct, Advent Axys, SaratogaRIM. See full disclosures at the end of this report.

sion. In other words, this is the monthly return in excess of what would be predicted based on Focus's exposure to systematic risk and quality factor risk. Considering Focus's short track record of just 64 months, it's too early to ascribe statistical significance at a high confidence level to this outperformance. However, we're pleased with Focus's strong results over its first five years.

What does this mean in terms of total return since inception? The chart above highlights an after-fee comparison between actual Focus net investment results (in gray) and the expected returns based on both the CAPM (in orange) and our multiple regression model (in blue). The difference between Focus's actual net investment results and the CAPM prediction (grey minus orange) is cumulative alpha$_{CAPM}$; the narrower difference between actual investment results and our multiple regression model (grey minus blue) is cumulative alpha$_{MR}$.

The smaller magnitude of alpha$_{MR}$ compared to alpha$_{CAPM}$ shows that the multiple regression model provides a better explanation of Focus's return history than the CAPM does (i.e., the multiple regression model explains away some of Focus's alpha). Importantly, even after incorporating quality factor risk, Focus has still generated 1.75% annualized alpha net of fees over its history. We believe this is a testament to our investment process and a demonstration that Focus – like Quality – has generated value for our clients after fees.

A Tailored Option

What we set out to do with Focus was to provide a different flavor of our approach to meet the demand from investors seeking a fully invested version of our strategy. And despite the similarities in the investment process and security selection, we insist that Focus is best suited as a component within larger, multi asset-class diversified portfolios; it is not an apples-to-apples alternative to our flagship, Quality. The Quality strategy embeds flexibility and risk management that isn't replicable in Focus and has a risk profile more akin to traditional 60/40 balanced portfolios with 60% stocks and 40% bonds. This makes Quality a better standalone option or substantial core of an investment portfolio.

Focus, in contrast, was specifically introduced as an alternative to the S&P 500 TR, quality ETFs, or other active or passive equity strategies. We believe Focus best serves as a pure equity component in balanced portfolios where careful consideration about asset allocation and interaction can be used to manage total risk. And while Focus has performed its role dutifully and in line with the tenets of our investment philosophy, it is inherently riskier than Quality and as such could be inappropriate to serve as a core element the way Quality does.

The decision to invest in Quality versus Focus or vice versa should also depend on suitability. Investors should consider not just their financial ability to tolerate risk but also their psychological *willingness* to tolerate risk. It can be very difficult to ride out the kind of gut-wrenching volatility that a fully invested equity strategy can be subjected to during bear markets - even for more defensive approaches like our own. History is filled with examples of brutal investment environments where fear drove otherwise intelligent, reasonable people to panic out of the market at precisely the wrong time.

Regardless of which strategy is most suitable, Focus represents the progress we're making in the development of our firm and our investment team, which benefits both strategies. The addition of several members to the team over the last five years has had a positive and meaningful impact on our capabilities, including greater bandwidth for development of the research process, e.g., the ability to pursue additional projects and to perform even deeper research. It has also facilitated the pursuit of higher education for certain members of the investment team. Focus has been a catalyst for introspection and improvement that we expect to positively impact our capabilities as a firm.

Lastly, Kevin has spent the better part of the last decade developing our firm so that it will outlive him, and his efforts are apparent in the evolution of the investment team. Already, we have an aggregate 55 years of team member experience at SaratogaRIM, not counting Kevin's three and a half decades in the business and long tenure as the leader of our firm. The Focus strategy itself marks a major milestone in our firm's evolution, because it has truly been a team effort.

Over the first ten years of our firm's history, Kevin developed our investment process, was solely responsible for all investment decisions, and managed the Quality strategy on his own. He began building our investment team in 2006 and has been nurturing and developing it ever since. While he retains veto power on all investment decisions, Focus's track record represents a true multi-manager execution of our investment process by *the team* that Kevin built. The results we have achieved thus far reflect both the robustness of our process and our investment team's diligence in applying it consistently. ■

SaratogaRIM Large Cap Quality
Composite Statistics

Q4 2019

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Saratoga, CA 95070
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SaratogaRIM Large Cap Quality (LCQ) - Snapshot

Name	SaratogaRIM Large Cap Quality
Manager Name	Kevin Tanner
Inception Date	2/29/2000
Firm Total Assets	$ 2,333,609,000
Strategy Assets	$ 1,505,376,000
GIPS Compliance	Yes
GIPS Compliance Date	12/31/2018

Firm Overview: Saratoga Research & Investment Management, founded in 1995, is an SEC Registered Investment Advisor specializing in constructing and managing equity portfolios composed of high caliber businesses utilizing common sense investment principles for individual and institutional investors.

Composite Overview: The SaratogaRIM Large Cap Quality Composite (SaratogaRIM Equity Composite) invests strictly in long-only equity positions, including ETFs. The minimum requirement to establish a new account is $100,000. The minimum asset level is $50,000. Inception date: February 29, 2000. Creation date for GIPS: August 30, 2010.

Investment Results As of Date: 12/31/2019

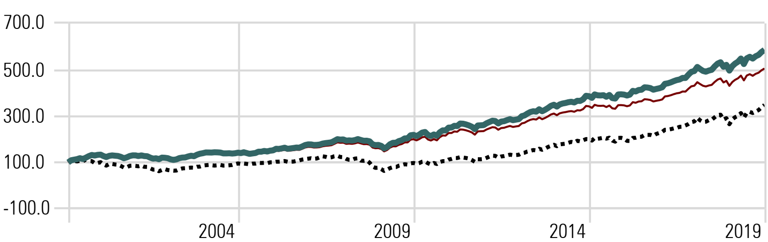
	1 year	3 years	5 years	10 years	Since Inception
SaratogaRIM LCQ (Gross)	18.02	11.73	8.70	10.34	9.32
SaratogaRIM LCQ (Net)	17.41	11.13	8.13	9.72	8.51
S&P 500 TR USD	31.49	15.27	11.70	13.56	6.49

Investment Growth Relative to Benchmark*

Time Period: 3/1/2000 to 12/31/2019

Source Data: Total Return

SaratogaRIM LCQ (Gross) SaratogaRIM LCQ (Net) S&P 500 TR USD

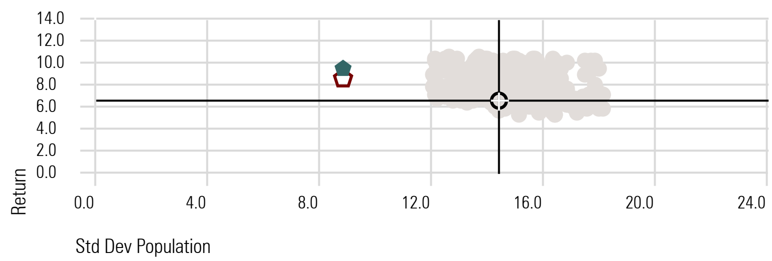


Standard Deviation vs. Annualized Rate of Return Relative to Benchmark & Peer Group*

Time Period: 3/1/2000 to 12/31/2019

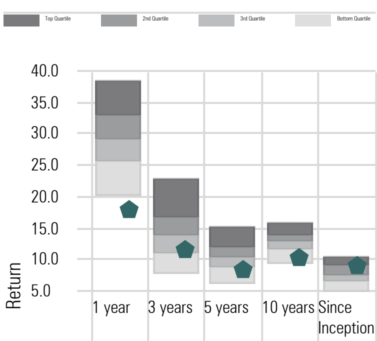
Source Data: Total Return

SaratogaRIM LCQ (Gross) SaratogaRIM LCQ (Net) S&P 500 TR USD

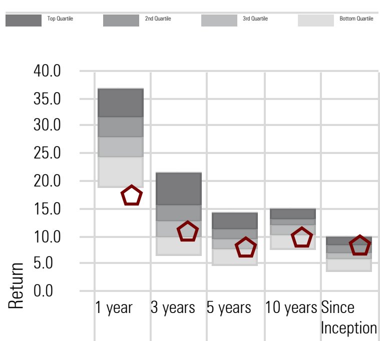


Investment Results Relative to Peer Group* As of Date: 12/31/2019

Peer Group (5-95%): Large Cap SA Source Data: Gross Return



Peer Group (5-95%): Large Cap SA Source Data: Net Return

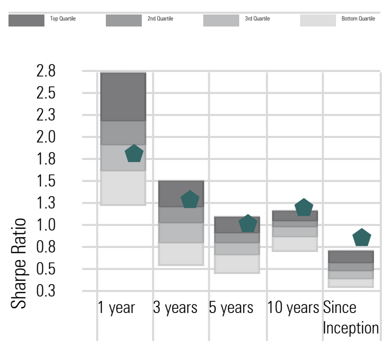


SaratogaRIM LCQ (Gross) SaratogaRIM LCQ (Net)

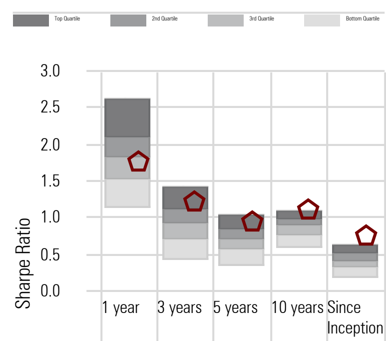
Gross Net	1 year		3 years		5 years		10 years		Since Inception	
SaratogaRIM LCQ	**18.02**	17.41	**11.73**	11.13	**8.70**	8.13	**10.34**	9.72	**9.32**	8.51
Median	**29.22**	28.07	**13.92**	12.81	**10.53**	9.51	**12.92**	11.92	**7.72**	6.93
Average	**29.13**	27.93	**14.28**	13.19	**10.51**	9.46	**12.77**	11.69	**7.92**	6.96
Count	**1,623**	1,623	**1,544**	1,544	**1,397**	1,398	**1,120**	1,123	**480**	484
Std Dev	**5.90**	5.99	**4.45**	4.50	**2.75**	2.88	**1.95**	2.20	**1.73**	1.89
5th Percentile	**38.23**	36.81	**22.68**	21.31	**15.14**	14.18	**15.86**	15.00	**10.58**	9.78
25th Percentile	**32.84**	31.75	**16.73**	15.84	**12.13**	11.34	**13.89**	13.17	**9.20**	8.41
50th Percentile	**29.22**	28.07	**13.92**	12.81	**10.53**	9.51	**12.92**	11.92	**7.72**	6.93
75th Percentile	**25.63**	24.41	**11.07**	9.96	**8.75**	7.67	**11.64**	10.42	**6.69**	5.81
95th Percentile	**20.35**	18.83	**8.06**	6.67	**6.28**	4.78	**9.57**	7.77	**5.22**	3.70

Sharpe Ratio Relative to Peer Group* As of Date: 12/31/2019

Peer Group (5-95%): Large Cap SA Source Data: Gross Return



Peer Group (5-95%): Large Cap SA Source Data: Net Return



SaratogaRIM LCQ (Gross) SaratogaRIM LCQ (Net)

Gross Net	1 year		3 years		5 years		10 years		Since Inception	
SaratogaRIM LCQ	**1.82**	1.76	**1.29**	1.22	**1.04**	0.96	**1.20**	1.13	**0.86**	0.77
Median	**1.91**	1.83	**1.02**	0.93	**0.80**	0.72	**0.97**	0.90	**0.47**	0.41
Average	**1.88**	1.81	**1.01**	0.93	**0.79**	0.71	**0.96**	0.88	**0.48**	0.42
Count	**1,623**	1,623	**1,544**	1,544	**1,397**	1,398	**1,120**	1,123	**480**	484
Std Dev	**0.86**	0.85	**0.30**	0.30	**0.20**	0.21	**0.14**	0.16	**0.13**	0.13
5th Percentile	**2.72**	2.61	**1.50**	1.43	**1.10**	1.03	**1.17**	1.10	**0.71**	0.64
25th Percentile	**2.18**	2.10	**1.20**	1.13	**0.92**	0.86	**1.05**	0.99	**0.57**	0.51
50th Percentile	**1.91**	1.83	**1.02**	0.93	**0.80**	0.72	**0.97**	0.90	**0.47**	0.41
75th Percentile	**1.61**	1.54	**0.79**	0.71	**0.66**	0.57	**0.87**	0.78	**0.40**	0.34
95th Percentile	**1.22**	1.14	**0.54**	0.44	**0.46**	0.35	**0.71**	0.61	**0.29**	0.21

Items with an asterisk (*) are presented as supplemental data from Morningstar & SaratogaRIM. Results of Morningstar's calculations may vary slightly from SaratogaRIM's own reported statistics due to rounding. The disclosures on the following page are a part of this presentation.

Sector Weightings - GICS*

Portfolio Date: 12/31/2019

	LCQ	S&P 500
Consumer Discretionary %	8.93	9.75
Consumer Staples %	11.91	7.20
Energy %	0.00	4.35
Financials %	6.10	12.95
Healthcare %	17.93	14.20
Industrials %	15.09	9.05
Information Technology %	32.39	23.20
Materials %	0.00	2.66
Communication Services %	7.66	10.39
Utilities %	0.00	3.32

Holding Fundamentals*

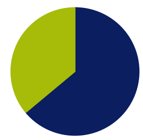
Dividend Yield	1.78
P/E Ratio (TTM)	21.96
P/CF Ratio (TTM)	16.30
P/B Ratio (TTM)	4.78
ROE % (TTM)	33.03
ROA % (TTM)	11.89
Net Margin %	16.37
Est. LT EPS Growth	8.17
Historical EPS Growth	8.19

Market Capitalization*

Average Market Cap (mil)	165,287.85
Market Cap Giant %	76.16
Market Cap Large %	13.63
Market Cap Mid %	10.21

Asset Allocation*

Portfolio Date: 12/31/2019

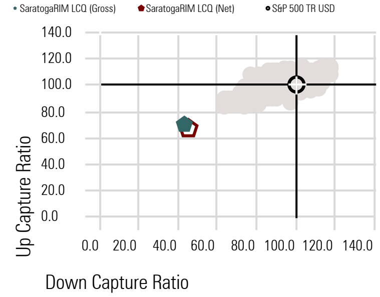


	%
•Stock	63.9
•Bond	0.0
•Cash	36.1
•Other	0.0
Total	**100.0**

Market Capture Relative to Benchmark & Peer Group*

Time Period: 3/1/2000 to 12/31/2019

Source Data: Total Return



Items with an asterisk (*) are presented as supplemental data from Morningstar & SaratogaRIM. Results of Morningstar's calculations may vary slightly from SaratogaRIM's own reported statistics due to rounding. Market Capitalization, Holding Fundamentals, and GICS Sector Weightings statistics reflect the weightings of the stock portion of the portfolio.

Composite Performance Statistics

						3 Yr Ann Standard Dev							
Year	Gross TWR	Net TWR	S&P 500 Total Return	Median TWR	Standard Deviation	Quality Composite	S&P 500 Total Return	# of Portfolios in Composite	% Non-Fee Paying Accts	End of Period Composite Assets	% of Firm Assets	# of Firm Portfolios*	End of Period Total Firm Assets
2000 (2/29)	32.49	31.45	-2.45	n/a	n/a	-	-	48	0.0%	14,909,737.56	55.76	62	26,739,561.04
2001	-1.62	-2.56	-11.93	-1.65	3.58	-	-	64	0.0%	30,514,646.98	82.74	72	36,880,627.71
2002	-9.37	-10.17	-22.06	-11.06	3.01	-	-	89	0.0%	34,000,857.47	86.67	102	39,231,009.50
2003	18.24	17.18	28.68	16.69	2.44	-	-	96	0.0%	43,183,465.08	82.41	120	52,403,457.10
2004	1.58	0.66	10.88	-0.29	2.96	-	-	103	0.2%	47,974,118.35	82.67	129	58,032,372.36
2005	7.11	6.13	4.91	5.54	2.39	-	-	105	0.2%	50,770,162.66	82.71	130	61,384,012.72
2006	16.94	15.87	15.80	14.48	2.82	-	-	99	0.2%	56,390,733.74	76.99	127	73,239,570.68
2007	12.06	11.02	5.49	10.29	3.31	-	-	99	0.2%	61,759,766.07	77.97	130	79,206,822.92
2008	-11.91	-12.74	-37.00	-12.32	4.20	-	-	126	0.5%	63,833,081.56	78.86	162	80,940,276.85
2009	24.77	23.65	26.46	23.89	2.18	-	-	259	0.4%	149,451,162.21	81.46	300	183,475,713.20
2010	14.27	13.43	15.06	13.89	0.76	-	-	494	0.3%	308,291,988.80	72.80	544	423,498,666.41
2011	4.31	3.69	2.11	3.27	0.53	11.86	18.71	1,176	0.4%	675,883,971.31	89.07	1,306	758,793,592.13
2012	9.93	9.30	16.00	9.33	0.61	9.98	15.09	1,539	0.4%	952,886,545.56	91.19	1,689	1,044,972,076.70
2013	21.65	20.98	32.39	21.10	1.63	7.85	11.94	1,823	0.3%	1,260,548,713.94	89.81	2,033	1,403,561,332.53
2014	10.58	9.98	13.69	10.37	0.94	6.30	8.97	1,912	0.7%	1,338,763,052.59	82.94	2,163	1,614,090,418.39
2015	1.77	1.22	1.38	1.07	1.00	6.96	10.47	1,989	1.6%	1,268,091,067.90	77.41	2,298	1,638,083,262.30
2016	6.94	6.36	11.96	6.32	0.89	6.48	10.59	2,194	1.8%	1,330,011,476.70	73.85	2,573	1,800,890,893.30
2017	17.71	17.08	21.83	16.93	1.52	6.15	9.92	2,380	2.0%	1,481,531,427.12	70.11	2,887	2,113,160,549.13
2018	0.41	-0.13	-4.38	-0.28	0.48	6.54	10.80	2,479	2.3%	1,402,520,781.74	69.65	2,987	2,013,567,458.02
2019	18.03	17.40	31.49	17.62	2.08	7.39	11.93	2,583	2.5%	1,505,375,555.14	64.51	3,097	2,333,608,905.18

Columns with an asterisk (*) are presented as supplemental data from SaratogaRIM.

Prior to March 7, 2007, Saratoga Research & Investment Management ("SaratogaRIM") was known as Tanner & Associates Asset Management. SaratogaRIM is an SEC Registered Investment Advisor. SEC Registration does not constitute an endorsement of the firm by the Commission nor does it indicate the advisor has attained a particular level of skill or ability. Advisory services are not made available in any jurisdiction in which SaratogaRIM is not registered or otherwise exempt from registration. SaratogaRIM's policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. **GIPS:** SaratogaRIM claims compliance with the Global Investment Performance Standards (GIPS®) and has presented this report in compliance with the GIPS standards. SaratogaRIM has been independently verified for the period of March 1, 2000, through December 31, 2018. The verification report is available upon request. 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. Verification does not ensure the accuracy of any specific composite presentation. To receive a completed list and description of composites and/or a presentation compliant with the GIPS standards, please contact Marc Crosby, President, at (408) 741-2332 or Marc@SaratogaRIM.com. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. **Disclosures:** Valuations are computed and performance reported in U.S. dollars based on trade dates as of month-end, net-of-fees, while accounting for dividend reinvestment. SaratogaRIM net-of-fees returns are calculated net of actual management fees and transaction costs and gross of custodian fees and external consultant or advisory fees. SaratogaRIM fee is normally 1% for the SaratogaRIM Large Cap Quality (Equity) Composite; may be negotiated, as warranted by special circumstances. SaratogaRIM gross-of-fees returns are calculated gross of management, custodial and external consultant or advisory fees and net of transaction costs. Composite returns are calculated using asset-weighted Time Weighted Rate ("TWR"), beginning market values, and external cash flows. Gross and Net TWRs are calculated based on the geometric linking of the monthly internal rate of return for portfolios present for the entire month. Daily reconciliation is performed between the firm's records and the custodian and broker records through Advent to verify client assets. Individual portfolios are revalued monthly; portfolios also are revalued intra-month when large external cash flows occur in excess of 10% of the portfolio's fair value. Results of the SaratogaRIM Large Cap Quality (Equity) Composite do not reflect the results of any one portfolio in the composite. Statistics are based off of the most recent quarterly portfolio unless otherwise noted. Statistics are based off of gross-of-fee and/or net-of-fee monthly performance data uploaded to Morningstar. The Peer Group contains U.S. Large Cap separate account managers that appear in the Morningstar database for the relevant periods shown. Performance figures are based on historical information and do not guarantee future results. Actual current performance may be higher or lower than the performance presented. All investing entails the risk of loss. This summary is for informational purposes only and does not constitute an offer to sell or a solicitation of an offer to buy any securities and may not be relied upon in connection with any offer or sale of securities. It is not intended to serve as a substitute for personalized investment advice. Prospective clients should recognize the limitations inherent in the composite strategy and should consider all information presented regarding the firm's investment management capabilities. The contents of this report are only a portion of the original material and research and should not be relied upon in making investment decisions. The information and statistical data contained herein have been obtained from sources that we believe to be reliable but in no way are warranted by us as to accuracy or completeness. **Definitions:** Excess Return measures the difference in return, cumulative or annualized, between the strategy and a benchmark. Standard Deviation measures the dispersion of a dataset relative to its mean. Sharpe Ratio is a risk-adjusted measure that is calculated by using excess return and standard deviation to determine reward per unit of risk. The higher the Sharpe Ratio, the better the portfolio's historical risk-adjusted performance. Market Capture Ratios measure the extent to which a strategy participates in market moves over time. Up (Down) Market Capture measures relative performance in months which the benchmark generates positive (negative) returns over time. The 3-year standard deviation (external dispersion) is based on net-of-fees returns. Dispersion is calculated as the asset-weighted standard deviation of annual net-of-fees portfolio returns around the median portfolio return in the composite. Dispersion is based only on portfolios that were in the composite for the full annual period, and is only shown for the annual periods where the composite had more than 5 portfolios for the full year. **Benchmark Disclosures:** Benchmarks are unmanaged and provided to represent the investment environment in existence during the time periods shown. The S&P 500® Total Return Index has been selected as the benchmark for comparison purposes. The S&P Total Return Index assumes that all dividends and distributions are reinvested. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization. Portfolios are managed according to their respective strategies which may differ significantly in terms of security holdings, industry weightings, and asset allocation from those of benchmarks. An index is not available for direct investment, and does not reflect any of the costs associated with buying and selling individual securities or any other fees, expenses, or charges. The S&P 500 Index is a product of S&P Dow Jones Indices LLC ("SPDJI"), and has been licensed for use by SaratogaRIM. Standard & Poor's®, S&P®, and S&P 500® are registered trademarks of Standard & Poor's Financial Services LLC ("S&P"); Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones"); and these trademarks have been licensed for use by SPDJI and sublicensed for certain purposes by SaratogaRIM. SaratogaRIM's products are not sponsored, endorsed, sold or promoted by SPDJI, Dow Jones, S&P, their respective affiliates, and none of such parties make any representation regarding the advisability of investing in such product(s) nor do they have any liability for any errors, omissions, or interruptions of the S&P 500 Index.

SaratogaRIM Large Cap Quality Focus

Composite Statistics

Q4 2019

Saratoga Research & Investment Management
Tel: (408) 741-2330
E-mail: Contact@SaratogaRIM.com

14471 Big Basin Way, Suite E
Saratoga, CA 95070
SaratogaRIM.com

SaratogaRIM Large Cap Quality Focus (LCQF) - Snapshot

Name	SaratogaRIM Large Cap Quality Focus
Manager Name	Kevin Tanner
Inception Date	8/29/2014
Firm Total Assets	$ 2,333,609,000
Strategy Assets	$ 533,439,000
GIPS Compliance	Yes
GIPS Compliance Date	12/31/2018

Firm Overview: Saratoga Research & Investment Management, founded in 1995, is an SEC Registered Investment Advisor specializing in constructing and managing equity portfolios composed of high caliber businesses utilizing common sense investment principles for individual and institutional investors.

Composite Overview: The SaratogaRIM Large Cap Quality Focus Composite invests strictly in long-only equity positions, including ETFs, with higher concentration, particularly in the top 10 positions; collectively, the top 10 positions make up at least 50% of the portfolio. This strategy will likely have a greater turnover ratio than other composites and typically will not hold more than 5% cash. The minimum requirement to establish a new account is $100,000 (reduced from $250,000, effective May 1, 2019). The minimum asset level is $75,000 (reduced from $225,000, effective May 1, 2019). Inception date: August 31, 2014. Creation date for GIPS: August 31, 2014.

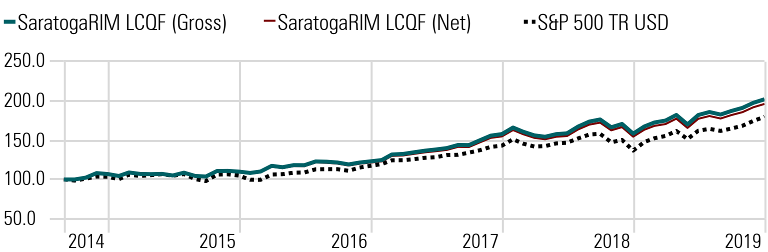
Investment Results As of Date: 12/31/2019

	1 year	3 years	5 Years	Since Inception
SaratogaRIM LCQF (Gross)	27.66	17.99	13.58	14.11
SaratogaRIM LCQF (Net)	26.98	17.34	12.96	13.48
S&P 500 TR USD	31.49	15.27	11.70	11.64

Investment Growth Relative to Benchmark*

Time Period: 9/1/2014 to 12/31/2019

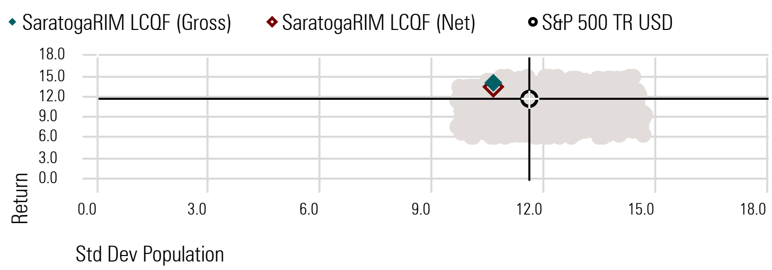
Source Data: Total Return



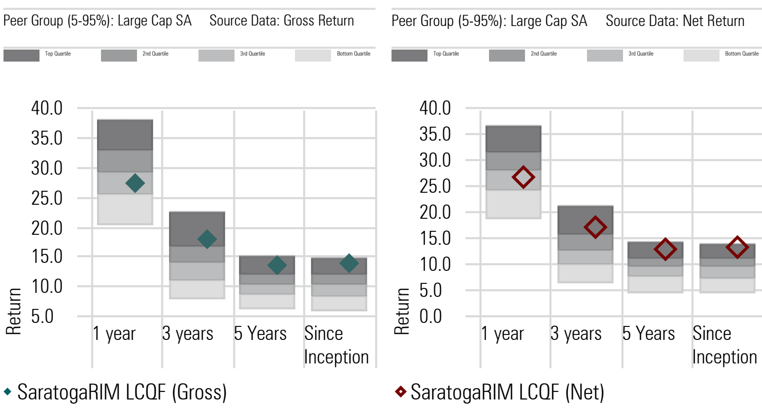
Standard Deviation vs. Annualized Rate of Return Relative to Benchmark & Peer Group*

Time Period: 9/1/2014 to 12/31/2019

Source Data: Total Return

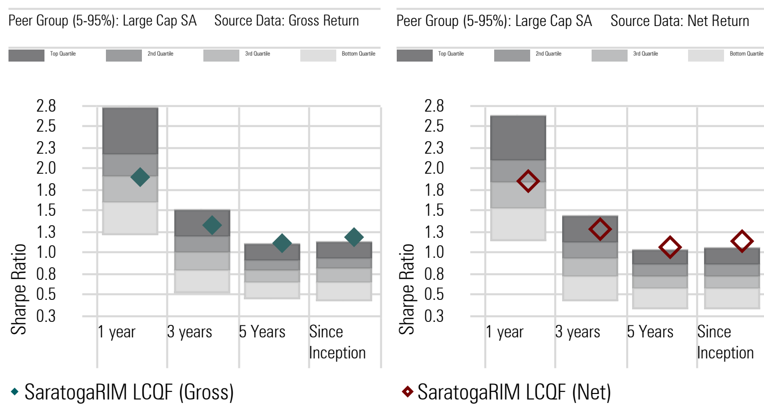


Investment Results Relative to Peer Group* As of Date: 12/31/2019



Gross Net	1 year		3 years		5 Years		Since Inception	
SaratogaRIM LCQF	**27.66**	26.98	**17.99**	17.34	**13.58**	12.96	**14.11**	13.48
Median	**29.22**	28.07	**13.92**	12.81	**10.53**	9.51	**10.45**	9.46
Average	**29.13**	27.93	**14.28**	13.19	**10.51**	9.46	**10.34**	9.29
Count	**1,623**	1,623	**1,544**	1,544	**1,397**	1,398	**1,371**	1,373
Std Dev	**5.90**	5.99	**4.45**	4.50	**2.75**	2.88	**2.81**	2.95
5th Percentile	**38.23**	36.81	**22.68**	21.31	**15.14**	14.18	**14.88**	13.93
25th Percentile	**32.84**	31.75	**16.73**	15.84	**12.13**	11.34	**12.02**	11.21
50th Percentile	**29.22**	28.07	**13.92**	12.81	**10.53**	9.51	**10.45**	9.46
75th Percentile	**25.63**	24.41	**11.07**	9.96	**8.75**	7.67	**8.51**	7.45
95th Percentile	**20.35**	18.83	**8.06**	6.67	**6.28**	4.78	**6.04**	4.48

Sharpe Ratio Relative to Peer Group* As of Date: 12/31/2019



Gross Net	1 year		3 years		5 Years		Since Inception	
SaratogaRIM LCQF	**1.91**	1.87	**1.34**	1.30	**1.13**	1.08	**1.19**	1.14
Median	**1.91**	1.83	**1.02**	0.93	**0.80**	0.72	**0.81**	0.73
Average	**1.88**	1.81	**1.01**	0.93	**0.79**	0.71	**0.80**	0.72
Count	**1,623**	1,623	**1,544**	1,544	**1,397**	1,398	**1,371**	1,373
Std Dev	**0.86**	0.85	**0.30**	0.30	**0.20**	0.21	**0.21**	0.22
5th Percentile	**2.72**	2.61	**1.50**	1.43	**1.10**	1.03	**1.13**	1.05
25th Percentile	**2.18**	2.10	**1.20**	1.13	**0.92**	0.86	**0.93**	0.87
50th Percentile	**1.91**	1.83	**1.02**	0.93	**0.80**	0.72	**0.81**	0.73
75th Percentile	**1.61**	1.54	**0.79**	0.71	**0.66**	0.57	**0.66**	0.57
95th Percentile	**1.22**	1.14	**0.54**	0.44	**0.46**	0.35	**0.44**	0.35

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Sector Weightings - GICS*

Portfolio Date: 12/31/2019

	LCQF	S&P 500
Consumer Discretionary %	7.53	9.75
Consumer Staples %	12.09	7.20
Energy %	0.00	4.35
Financials %	7.29	12.95
Healthcare %	17.60	14.20
Industrials %	16.16	9.05
Information Technology %	29.54	23.20
Materials %	0.00	2.66
Communication Services %	9.79	10.39
Utilities %	0.00	3.32

Holding Fundamentals*

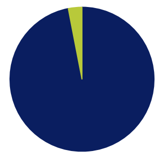
Dividend Yield	1.69
P/E Ratio (TTM)	21.58
P/CF Ratio (TTM)	16.19
P/B Ratio (TTM)	4.64
ROE % (TTM)	33.74
ROA % (TTM)	12.25
Net Margin %	17.21
Est. LT EPS Growth	8.22
Historical EPS Growth	8.00

Market Capitalization*

Average Market Cap (mil)	184,091.87
Market Cap Giant %	79.24
Market Cap Large %	12.33
Market Cap Mid %	8.44

Asset Allocation*

Portfolio Date: 12/31/2019

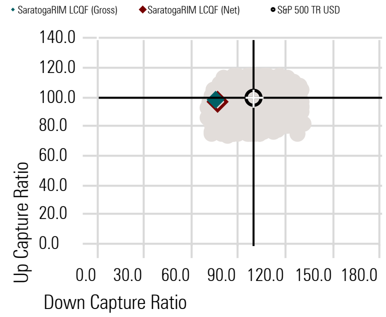


	%
•Stock	97.0
•Bond	0.0
•Cash	3.0
•Other	0.0
Total	**100.0**

Market Capture Relative to Benchmark & Peer Group*

Time Period: 9/1/2014 to 12/31/2019

Source Data: Total Return



Items with an asterisk (*) are presented as supplemental data from Morningstar & SaratogaRIM. Results of Morningstar's calculations may vary slightly from SaratogaRIM's own reported statistics due to rounding. GICS Sector Weightings, Holding Fundamentals, and Market Capitalization statistics reflect the weightings of the stock portion of the portfolio.

Composite Performance Statistics

						3 Yr Ann Standard Dev							
Year	Gross TWR	Net TWR	S&P 500 Total Return	Median TWR	Standard Deviation	Focus Composite	S&P 500 Total Return	# of Portfolios in Composite	% Non-Fee Paying Accts	End of Period Composite Assets	% of Firm Assets	# of Firm Portfolios*	End of Period Total Firm Assets
2014 (8/31)	6.95	6.71	3.46	n/a	n/a	-	-	31	0.0%	59,408,640.33	3.68	2,163	1,614,090,418.39
2015	2.84	2.28	1.38	2.70	0.25	-	-	88	0.0%	122,809,323.37	7.50	2,298	1,638,083,262.30
2016	11.93	11.33	11.96	11.18	0.63	-	-	151	0.0%	198,406,977.89	11.02	2,573	1,800,890,893.30
2017	28.21	27.49	21.83	27.49	0.55	8.70	9.92	287	0.1%	362,440,319.53	17.15	2,887	2,113,160,549.13
2018	0.35	-0.20	-4.38	-0.41	0.58	10.30	10.80	303	0.3%	316,630,422.08	15.72	2,987	2,013,567,458.02
2019	27.67	26.98	31.49	27.10	0.62	11.41	11.93	403	0.3%	533,438,674.16	22.86	3,097	2,333,608,905.18

Columns with an asterisk (*) are presented as supplemental data from SaratogaRIM.

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GIPS: SaratogaRIM claims compliance with the Global Investment Performance Standards (GIPS®) and has presented this report in compliance with the GIPS standards. SaratogaRIM has been independently verified for the period of March 1, 2000, through December 31, 2018. The verification report is available upon request. 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 SaratogaRIM Large Cap Quality Focus composite has been examined for the period of September 1, 2014, through December 31, 2018. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. To receive a completed list and description of composites and/or a presentation compliant with the GIPS standards, please contact Marc Crosby, President, at (408) 741-2332 or Marc@SaratogaRIM.com.

Disclosures: Valuations are computed and performance reported in U.S. dollars based on trade dates as of month-end, net-of-fees, while accounting for dividend reinvestment. SaratogaRIM net-of-fees returns are calculated net of actual management fees and transaction costs and gross of custodian fees and external consultant or advisory fees. SaratogaRIM fee is normally 1.2% for the SaratogaRIM Large Cap Quality Focus Composite; may be negotiated, as warranted by special circumstances. SaratogaRIM gross-of-fees returns are calculated gross of management, custodial and external consultant or advisory fees and net of transaction costs. Composite returns are calculated using asset-weighted Time Weighted Rate ("TWR"), beginning market values, and external cash flows. Gross and Net TWRs are calculated based on the geometric linking of the monthly internal rate of return for portfolios present for the entire month. Daily reconciliation is performed between the firm's records and the custodian and broker records through Advent to verify client assets. Individual portfolios are revalued monthly; portfolios also are revalued intra-month when large external cash flows occur in excess of 10% of the portfolio's fair value. Results of the SaratogaRIM Large Cap Quality (Equity) Composite do not reflect the results of any one portfolio in the composite. Statistics are based off of the most recent quarterly portfolio unless otherwise noted. Statistics are based off of gross-of-fee and/or net-of-fee monthly performance data uploaded to Morningstar. The Peer Group contains U.S. Large Cap separate account managers that appear in the Morningstar database for the relevant periods shown.

Performance figures are based on historical information and do not guarantee future results. Actual current performance may be higher or lower than the performance presented. All investing entails the risk of loss. This summary is for informational purposes only and does not constitute an offer to sell or a solicitation of an offer to buy any securities and may not be relied upon in connection with any offer or sale of securities. It is not intended to serve as a substitute for personalized investment advice. Prospective clients should recognize the limitations inherent in the composite strategy and should consider all information presented regarding the firm's investment management capabilities. The contents of this report are only a portion of the original material and research and should not be relied upon in making investment decisions. The information and statistical data contained herein have been obtained from sources that we believe to be reliable but in no way are warranted by us as to accuracy or completeness.

Definitions: Excess Return measures the difference in return, cumulative or annualized, between the strategy and a benchmark. Standard Deviation measures the dispersion of a dataset relative to its mean. Sharpe Ratio is a risk-adjusted measure that is calculated by using excess return and standard deviation to determine reward per unit of risk. The higher the Sharpe Ratio, the better the portfolio's historical risk-adjusted performance. Market Capture Ratios measure the extent to which a strategy participates in market moves over time. Up (Down) Market Capture measures relative performance in months which the benchmark generates positive (negative) returns over time. The 3-year standard deviation (external dispersion) is based on net-of-fees returns. Dispersion is calculated as the asset-weighted standard deviation of annual net-of-fees portfolio returns around the median portfolio return in the composite. Dispersion is based only on portfolios that were in the composite for the full annual period, and is only shown for the annual periods where the composite had more than 5 portfolios for the full year.

Benchmark Disclosures: Benchmarks are unmanaged and provided to represent the investment environment in existence during the time periods shown. The S&P 500® Total Return Index has been selected as the benchmark for comparison purposes. The S&P Total Return Index assumes that all dividends and distributions are reinvested. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization. Portfolios are managed according to their respective strategies which may differ significantly in terms of security holdings, industry weightings, and asset allocation from those of benchmarks. An index is not available for direct investment, and does not reflect any of the costs associated with buying and selling individual securities or any other fees, expenses, or charges.

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Disclosures

Saratoga Research & Investment Management ("SaratogaRIM" and "the Firm") is an SEC Registered Investment Advisor specializing in the construction and management of equity portfolios composed of high caliber businesses utilizing common sense investment principles. SEC Registration does not constitute an endorsement of the firm by the Commission nor does it indicate the advisor has attained a particular level of skill or ability. The Firm's investment process is designed to meet the long-term needs of conservative individual and institutional investors. Advisory services are not made available in any jurisdiction in which SaratogaRIM is not registered or otherwise exempt from registration. SaratogaRIM was founded in 1995; prior to March 7, 2007, Saratoga Research & Investment Management was known as Tanner & Associates Asset Management.

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SaratogaRIM Large Cap Quality Composite: SaratogaRIM claims compliance with the Global Investment Performance Standards (GIPS®) and has presented this report in compliance with the GIPS standards. SaratogaRIM has been independently verified for the period of March 1, 2000, through December 31, 2018. 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. Verification does not ensure the accuracy of any specific composite presentation.

SaratogaRIM Large Cap Quality Focus Composite: SaratogaRIM claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. SaratogaRIM has been independently verified for the period of March 1, 2000, through December 31, 2018. 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 SaratogaRIM Large Cap Quality Focus Composite has been examined for the period of September 1, 2014, through December 31, 2018. The verification and performance examination reports are available upon request.

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2019 Annual Report Charts: All charts within this report are supplemental and are created by SaratogaRIM. Past investment results are not a guarantee of future results. Figures 1, 2 and 3 illustrate cumulative daily return estimates calculated by FactSet utilizing month-end holdings data for the relevant periods shown and may differ from actual performance. Ending label data points on Figures 1-3 represent actual net performance. Figure 4 uses data from Morningstar Direct and Advent Axys to illustrate the cumulative alpha generated by the Focus strategy since inception by comparing actual Focus performance (net of fees) to the returns predicted by the two models we derived in the report, i.e., the Capital Asset Pricing Model and the multiple regression model. For further information or clarification regarding any of the charts or concepts within this report, please email your *specific* questions to sam@saratogarim.com.

The essay within this report references SaratogaRIM Large Cap Quality Ex-Cash. Following are limitations inherent in the presented hypothetical Quality Ex-Cash performance results:

- Hypothetical performance is derived from actual performance for the

SaratogaRIM Large Cap Quality strategy but differs from actual performance because it is achieved through the retroactive removal of all cash from the strategy, which isn't functionally realistic and fails to capture friction related to trading and rebalancing a fully-invested strategy, including the potential inability to execute trades when desired.

- Hypothetical results do not represent the impact that material economic and market factors might have on SaratogaRIM's decision-making process if they were actually managing client money in the Quality Ex-Cash strategy.

- Accordingly, the results may have over or under compensated for the impact, if any, of certain market factors such as lack of liquidity, money flow and other factors.

- Hypothetical returns are dependent on the market and economic conditions that existed during the period. Future market or economic conditions can adversely affect the returns.

- All of the securities used in the hypothetical Quality Ex-Cash results were available for purchase or sale during the time period presented and the markets were sufficiently liquid to permit the types of trading used. Trades for the hypothetical returns were actually executed, but not in a way that captured any client's actual portfolio. In actual trading, the prices attained may or may not be the same as the assumed order prices due to differences in the time the trades were executed and other factors.

- The actual performance achieved by a client account in any strategy may be affected by a variety of factors, including the initial balance of the account, the timing of additions and withdrawals from the account, modifications to the strategy to meet the specific investment needs or preferences of the client, the duration and timing of the investment, among other factors.

Explanations of key terms that are referenced within this report:

- Alpha is a measure of risk-adjusted excess performance based on volatility and return for the portfolio and the benchmark (the default benchmark in this report is S&P 500 TR).

- Asymmetry (Overall Capture) Ratio measures the ratio of Upside Capture to Downside Capture, with a higher measure reflecting more favorable asymmetry.

- Beta is a measure of relative volatility calculated by taking the covariance of the portfolio's returns with the benchmark's returns and dividing by the variance of the benchmark's returns.

- Capital Asset Pricing Model (or "CAPM") is a simple regression model that calculates expected return by using market returns in excess of the risk-free rate (i.e., the systematic risk premium) and the strategy's systematic risk, parameterized by "Beta."

    - Simple regression is a statistical method that shows the relationship between two continuous quantitative variables.

- Excess Return measures the difference in return, either cumulative or annualized, between the strategy and a benchmark.

- Sharpe Ratio is a risk-adjusted measure that is calculated by using excess return and standard deviation to determine reward per unit of risk. The higher the Sharpe Ratio, the better the portfolio's historical risk-adjusted performance.

- Standard Deviation measures the dispersion of a dataset relative to its mean.

Valuations are computed and performance reported in U.S. dollars based on trade dates as of month-end, net-of-fees, while accounting for dividend reinvestment. The 3-year standard deviation (external dispersion) is based on net-of-fees returns. Net-of-fees returns are calculated net of actual management fees and transaction costs and gross of custodian fees and external consultant or advisory fees. Gross-of-fees returns are calculated gross of management, custodial and external consultant or advisory fees and net of transaction costs.

Composite returns are calculated using asset-weighted TWR, beginning market values, and external cash flows. Gross and Net TWRs are calculated based on the geometric linking of the monthly internal rate of return for portfolios present for the entire month. Individual portfolios are revalued monthly; portfolios also are revalued intra-month when large external cash flows occur in excess of 10% of the portfolio's fair value. Dispersion is calculated as the asset-weighted standard deviation of annual net-of-fees portfolio returns around the median portfolio return in the composite. Dispersion is based only on portfolios that were in the composite for the full annual period, and is only shown for the annual periods where the composite had more than 5 portfolios for the full year. SaratogaRIM's policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

Daily reconciliation is performed between the firm's records and the custodian and broker records through Advent to verify client assets. SaratogaRIM fee is normally 1% for the SaratogaRIM Large Cap Quality (Equity) Composite & 1.2% for the SaratogaRIM Large Cap Quality Focus composite; may be negotiated, as warranted by special circumstances. Results of the SaratogaRIM Large Cap Quality (Equity) Composite & the SaratogaRIM Large Cap Quality Focus Composite do not reflect the results of any one portfolio in those composites.

Benchmarks are selected based upon similarity to the investment style of the Firm's composites and accepted norms within the industry. Benchmarks are provided for comparative purposes only and holdings of the Firm's clients' portfolios will differ from actual holdings of the benchmark indexes. Benchmarks are unmanaged and provided to represent the investment environment in existence during the time periods shown. The benchmarks presented were obtained from third-party sources deemed reliable but not guaranteed for accuracy or completeness. Indices are unmanaged, hypothetical portfolios of securities that are often used as a benchmark in evaluating the relative performance of a particular investment. An index should only be compared with a mandate that has a similar investment objective. An index is not available for direct investment, and does not reflect any of the costs associated with buying and selling individual securities or management fees.

The S&P 500 Total Return is the total return version of the S&P 500 Index, which has been widely regarded as the best single gauge of large-cap U.S. equities since 1957. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization. (Note: A total return index assumes that all dividends and distributions are reinvested.) The S&P 500 Index is a product of S&P Dow Jones Indices LLC ("SPDJI"), and has been licensed for use by SaratogaRIM. Standard & Poor's®, S&P® and S&P 500® are registered trademarks of Standard & Poor's Financial Services LLC ("S&P"); Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones"); and these trademarks have been licensed for use by SPDJI and sublicensed for certain purposes by SaratogaRIM. SaratogaRIM's products are not sponsored, endorsed, sold or promoted by SPDJI, Dow Jones, S&P, their respective affiliates, and none of such parties make any representation regarding the advisability of investing in such product(s) nor do they have any liability for any errors, omissions, or interruptions of the S&P 500 Index.

The MSCI USA Quality Index was launched on Dec 18, 2012. It is designed to measure the performance of the large and mid cap segments of the US market. With 637 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in the US. Data prior to the launch date is back-tested data (i.e. calculations of how the index might have performed over that time period had the index existed). There are frequently material differences between back-tested performance and actual results. Past performance—whether actual or back-tested—is no indication or guarantee of future performance.

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Happy New Year!

Cover page illustration & sketches throughout by Scott Pollack

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