Geneva

# Economic and Investment Outlook

## Fourth Quarter 2022

# Economic Outlook

The slowing of the US economy has become more pronounced, over recent months, but the economic data is conflicting with each release juxtaposed against the next. While the last two consecutive GDP prints were indeed negative (the traditional definition of a recession), the 3Q consensus estimate is +1.4%. This is not an acceleration but rather a comparison issue from 2021, masking a true deceleration. The unemployment rate dropped with the latest release from 3.7% to 3.5%, but layoff announcements are becoming more commonplace and job openings are shrinking along with backlogs and consumer sentiment. It is a very confusing situation for the Fed (and thus investors) to navigate as they attempt a soft landing, as improbable as that scenario may seem (although it has happened in ’65, ’84, and ’94). The Fed, while underestimating the severity of inflation last year, has been diligent as of late in their objective of curtailing the worst inflation spike in the United States since the 1970’s. Per Jerome Powell’s most recent presser, the Fed does not want to repeat the mistakes of the past, namely pivoting too soon only to reverse course when inflation proves to be perniciously stubborn. Concurrent with the headwinds of rising interest rates and price inflation, we are experiencing demand challenges as well, not just at home, but also abroad. Europe is in an incredibly precarious economic situation as they have been reliant on cheap Russian natural gas to power their economies. With the escalating conflict in the Ukraine and the prospect of having their gas shut off by Russia as winter approaches, the plummeting economic sentiment currently engulfing the region is logical. Germany, Italy, and France are already telegraphing the prospect of recessions next year, and given they comprise nearly two-thirds of the Eurozone’s collective GDP, which is the largest trading partner of the United States, the headwinds we face from the region show little signs of imminent abatement. China too has its own economic challenges emerging from its pandemic-related zero COVID policy, slowing global economic growth, and a residential property market which is rolling over. While US corporations have been navigating this tumultuous period admirably, we expect earnings, hiring, capex and investment to reflect these headwinds in the coming quarters, which has caused us to reassess our current outlook for GDP. We now expect Real GDP for 2022 to be 1.2%, continued slowing into 2023 to 1.0% and potential further downside bias potentially forthcoming. It is difficult to precisely predict exactly where our economy lands, but given the aforementioned factors, we would not be surprised to see further recessionary conditions emerge in the coming quarters.

The escalation of prices over the past year has created challenges for consumers and businesses alike. While businesses have been able to implement price increases to combat the growing cost pressures, it appears as though we are beginning to test the limits of the elasticity of such increases. Up until recently, demand was not the issue, but rather supply as manufacturing and logistical disruptions created kinks in the global supply chain, and consumers and business had excess savings and strong balance sheets to weather economic turbulence. However, backlogs are falling as inventories are being replenished concurrent with a slowing demand environment, which is causing some measures of CPI to soften. From housing to trucking to used car prices, we are starting to see some pricing/cost relief, which is a positive development in the medium term, but in the short term will be reflected in soft top- and bottom-line growth as many companies have locked in certain aspects of pricing through purchases of inventory or supply agreements. There will be a lag in the effect of price increases, which will need to work through the system and perhaps prolong the Fed’s inevitable pause in their quest to quash inflation. We may not reach the 2% inflation range anytime soon as wages take time to adjust based on most companies operating on annual wage increase cycle. Labor cost and availability is one of the big unknown variables plaguing businesses presently. While unemployment is falling to pre-pandemic levels, we are achieving this through a weak participation rate. In fact, excluding the pandemic it’s the lowest reading since September of 1977! As pandemic-related stimulus wanes and workers by necessity look for employment, we should start to see wage increases lessen and lead to another softening in a major CPI component.

# Economic Outlook

Thus, our forecast is for inflation to experience elevated levels not seen in 4 decades for 2022 and to soften gradually through 2023, translating into our CPI forecast of 7.3% for 2022 and 5.0% for 2023. Given inflation and interest rates are inextricably linked, we believe interest rates will continue to move higher on the short end of the curve in concert with Federal Reserve tightening actions and continue to see less movement on the long end, leading to a further inversion of yield curve. We expect credit spreads for corporate bonds to continue to widen as economic uncertainty pervades investors' psyche, leading to increased credit and refinancing costs for companies and consumers alike. As such, our forecast for the 10-year Treasury rate is 3.95% for 2022 and 3.90% for 2023. Our forecast for the 30-year is 3.95% for both 2022 and 2023.

Durable goods orders continue to trend positively as supply chain pressure and vendor and manufacturing lead times moderate to more constructive levels. There does seem to be a reasonable appetite for investment in equipment, namely for the labor saving/productivity enhancing variety, but given the economic clouds forming, we would expect this metric of economic health to begin to deteriorate over the course of the next few quarters. Higher raw material costs still working through the value chain and increasing equipment financing costs coupled with decelerating economic growth typically does not lead to a robust environment for capital investment. That said, business investment in this cycle is different than the last two recessions experienced in 2008-2009 and the COVID induced recession of 2020. Businesses today have much healthier balance sheets than in the Great Financial Crisis and 2020 was quite unique in that we incented demand with massive government transfer payments, while effectively curtailing industrial activity with the global lockdown and subsequent COVID work protocols. This cycle is different in that it is a central bank driven slowdown and while we have not observed much in the way of order cancellations, weakening business sentiment reflecting the deteriorating economic environment has led us to reduce our forecast for gross private domestic investment to 4% in 2022 and -1% in 2023.

The US consumer has clearly felt the impact of escalating prices, which is reflected in the plummeting consumer sentiment indices. The University of Michigan consumer sentiment surveys, arguably the most closely monitored, have fallen nearly 20% over the past year. It should not be a surprise that during the midterm election cycle, inflation has emerged as one of the key issues in which the voting public wants action. Food, energy, and housing inflation concerns are particularly acute as prices at the pump, grocery stores and rents have forced many consumers to cut spending in other areas. Mortgage applications and refinancing activities, including home equity loans, have fallen precipitously as mortgage rates ascended above 7%, a level not seen in the US in over 20 years. Over the past couple of years, low rates combined with increasing home values led to a robust home equity loan market, which allowed consumers to spend their gains on other forms of consumption. While this source of income has been significantly impaired by the current rate/housing dynamic, the consumer pocketbook has recently been supplemented by increasing wages. Because wage adjustments are typically given at the end of the calendar year and workers are in short supply and high demand, we would expect another round of wage increases to be forthcoming after year end, giving the struggling worker additional ammunition to battle this deleterious period of inflation in 2023. Wage increases however, are both a blessing and a curse as the increased cost of labor is one of the reasons why we are seeing escalating prices manifest across a host of products and services. Housing and autos, two of the largest acquisitions made by the consumer, have conflicting dynamics. In the case of housing, the increased acquisition and financing costs are being offset by low inventories. Since 1959, average annual housing starts averaged 1.44 million, peaking in 2006 at nearly 2.5 million. However, since the housing bubble burst in 2008-09, the US has been building below levels needed to keep up with population growth, not usurping the historical average until 2019. This pent-up demand should help minimize the recessionary damage in this sector and as input costs continue to ease and rates ultimately moderate, housing should recover within a reasonable timeframe.

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Our forecast is for housing starts to end 2022 at a similar level as 2021 at 1.6 million and ease slightly in 2023 to 1.5 million. The automotive sector is a similar tune with different lyrics. The pandemic-related shocks to both demand and the supply chain have caused inventory availability issues in a product that is a necessity for most Americans, but which also experiences a shrinking unit base due to accidents and mechanical failures. Hence, the astronomical sticker prices on used vehicles over the past few years as production dropped dramatically. This imbalance appears to be easing and as such we forecast US domestically produced autos to end 2022 at 11 million vehicles and expand to 12 million in 2023.

**Longer Term**

We do not believe it is hyperbole to state that the world is watching the Federal Reserve. Markets move in breathtaking fashion based on their choice of words in their press releases and speeches. As the central bank of the global reserve currency, their actions have a direct impact on how other currencies and sovereign debt are valued. It should not be surprising then that market observers and participants are eagerly awaiting the moment when the Fed pivots from their current hawkish stance to a more dovish posture. But it is important to distinguish between a Fed pivot and a Fed pause. The former suggests a return to easy money policies that frankly were a contributor to the current economic malaise we are experiencing today. The decade-long experiment of various forms of quantitative easing in ballooning the Fed's balance sheet from $900 billion before the Great Financial Crisis to nearly $9 trillion earlier this year, with the backdrop of near 0% interest rates, has Milton Freidman turning over in his grave. While it is difficult to solely attribute the current inflationary environment to these policies, it is probably safe to say they did not help, and the Fed is certainly guilty of making policy mistakes in the past. They pivoted too early in the late 1960's and again in the late 1970's, a mistake Chairman Powell has no desire to repeat. Therefore, a Fed pause is more likely, with a scenario of aggressive rate cuts being unlikely. We would posit this is not welcome news for the Europeans who are experiencing both inflationary and recessionary conditions, and would like the cover to ease alongside the Fed. Nor is it welcome news to US politicians who have an affinity for using fiscal policy to remedy economic ills. But with interest rates elevated and national debt having more than tripled since 2009 to $31 trillion, interest expense is consuming an increasing portion of the federal budget. Politicians would have to legislate new tax increases to offset such spending amid recessionary conditions, which would be counterproductive. We are collectively hoping for a soft landing where the Fed threads the needle between raising rates high enough and for a long enough duration to snuff out specters of inflation, but then moves with enough swiftness to ease and avoid a serious recession. As we mentioned above, this is not unprecedented, but each cycle presents new challenges. Different from previous cycles, we do not have the same degree of disinflation created through globalization. What we do have are higher embedded costs of education, new additional costs to battle climate change, and demographic challenges which will create headwinds to returning to a sustainable 2% annual inflation rate. Perhaps we should recalibrate our inflation expectations for something a bit higher, such as 3% as Volcker instituted as a goal when he took over as Chair of the Fed in 1979. In any scenario the Fed certainly is facing a daunting challenge, but the US economy and our people are no stranger to challenges. As long as we keep the engine of innovation running, allowing free markets to adjust this difficult period too shall pass. There is certainly reason for investors to be anxious with the prospect of an earnings recession on the horizon, which could compound the negative returns experienced thus far in 2022. However, this is a necessary adjustment after a period of exuberance on the back of extraordinarily easy monetary policy that went on for far too long. While this adjustment has been and could continue to be painful for some time, it is planting the seeds for a healthier backdrop comprised of higher economic growth and stable inflation that could last for years. Keeping with the historical analogies, this is exactly what happened in 1982, after the central bank's fight against inflation was ultimately won, giving way to a period of prosperity known as the Great Moderation.

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| Outlook | 2019 | 2020 | 2021 | 2022E | 2023E |
|---|---|---|---|---|---|
| Real GDP | 2.2% | -3.5% | 5.7% | 1.2% | 1.0% |
| Inflation (Headline CPI)<br>Year over Year (YoY) change | 2.3% | 1.4% | 7.0% | 7.3% | 5.0% |
| Operating Earnings (S&P 500 Index) | 1.0% | -13.1% | 43.6% | 6.0% | -4.5% |
| Annual housing starts (in thousands) | 1,290 | 1,380 | 1,600 | 1,600 | 1,400 |
| Gross private domestic investment, fixed investment – non-residential | 4.4% | -5.3% | 7.4% | 4.0% | -1.0% |
| U.S. auto sales, domestically produced vehicles (in millions) | 13.1 | 12.6 | 10.0 | 11.0 | 12.0 |
| 10-year Treasury (year-end) | 1.92% | 0.91% | 1.51% | 3.95% | 3.90% |
| 30-year Treasury (year-end) | 2.39% | 1.64% | 1.90% | 3.95% | 3.95% |

Source: 2022 and 2023 estimates data are Geneva estimates. Historical data, Bloomberg data and U.S. Federal Reserve data as of 9/30/2022



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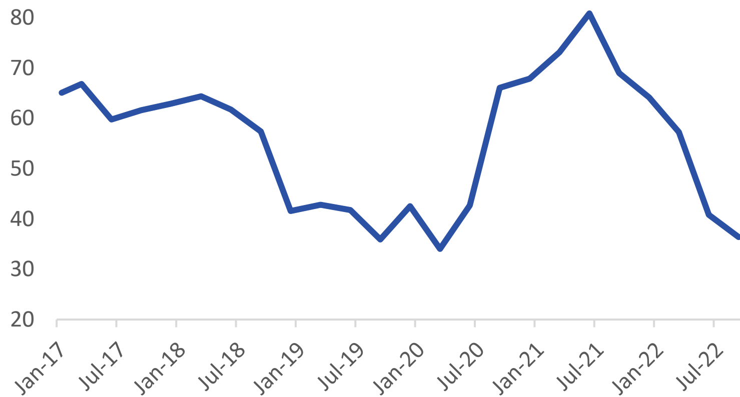
# Business Sentiment

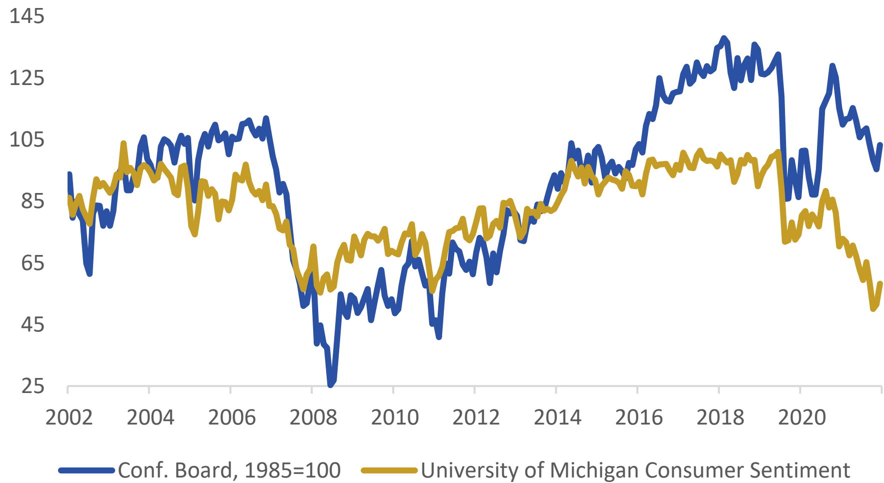
US business confidence and CEO confidence have both declined steeply over the past several months.

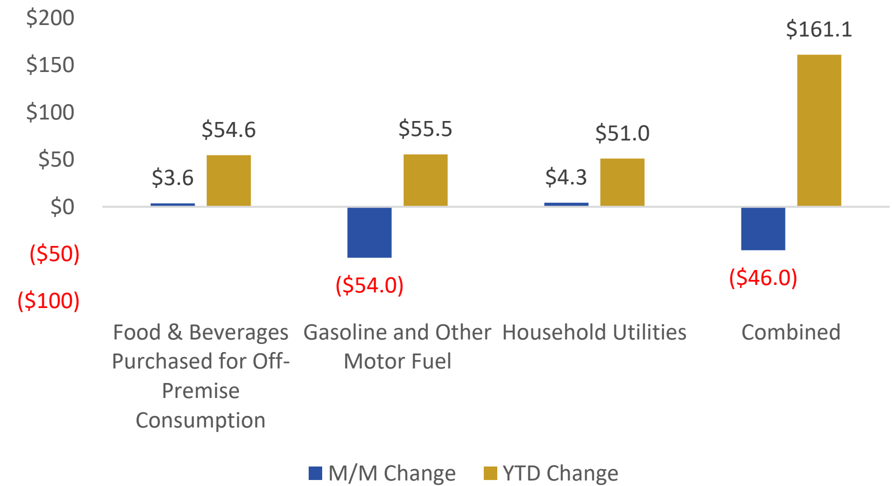


Source: Piper Sandler Cornerstone, 9/30/22 and FactSet, 9/21/22

# Consumer Indicators

US consumer confidence is also showing weakness as inflation in food and utility costs wears on households even as gas prices show signs of relief.



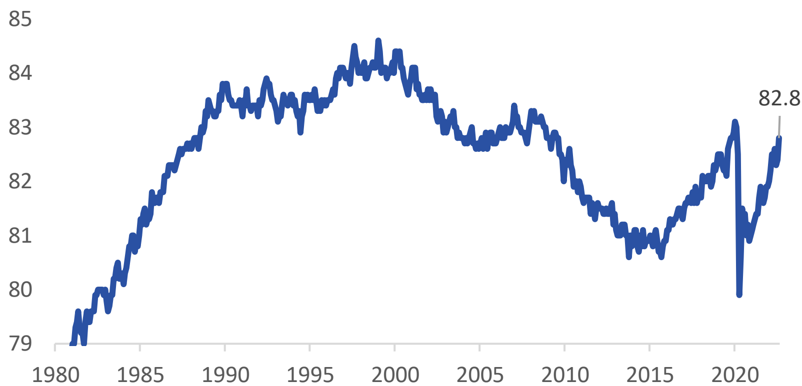



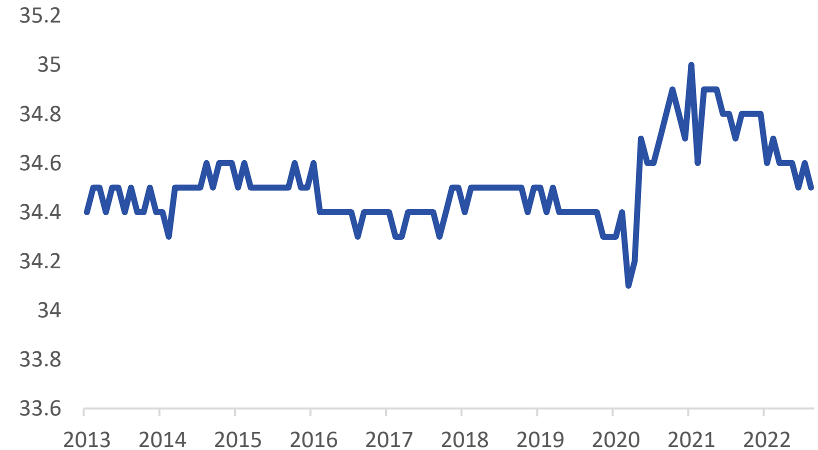

**Note: Data is presented through end of July 2022 so "M/M Change" represents change from June to July 2022.*

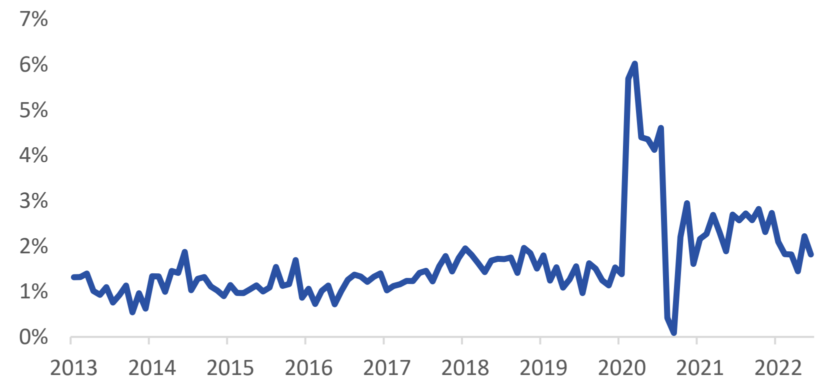
Source: Piper Sandler Cornerstone, 8/30/22 and Strategas, 9/1/22

# Employment

Prime age labor force participation is starting to see some greenshoots and with average weekly hours and earnings growth rates starting to slow, there is hope that inflation, while still too high, may start slowing soon.




Source: Federal Reserve Economic Data (FRED) and Bureau of Labor Statistics (BLS), 9/22/22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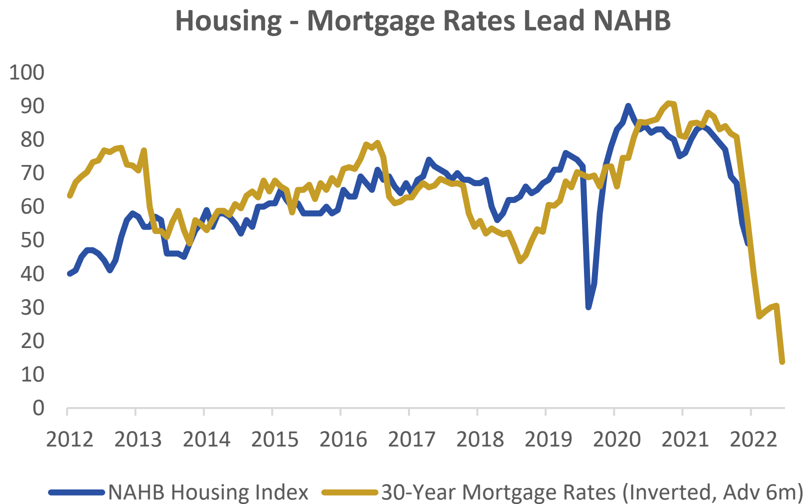
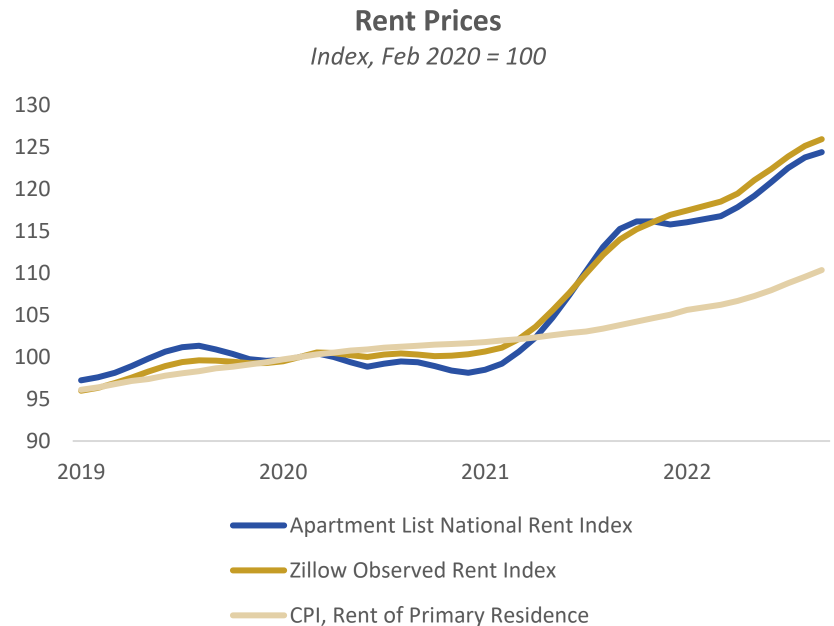
# Housing

NAHB housing numbers have started to decline as mortgage rates increase along with interest rates. As a corollary, rental prices have skyrocketed (sticky part of CPI) with households waiting longer to buy.




Source: FactSet, Apartment List and Zillow, 9/22/22

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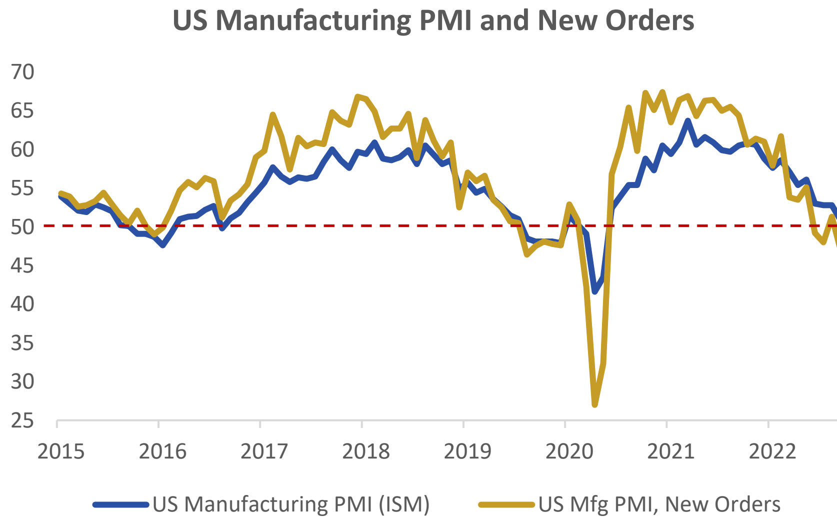
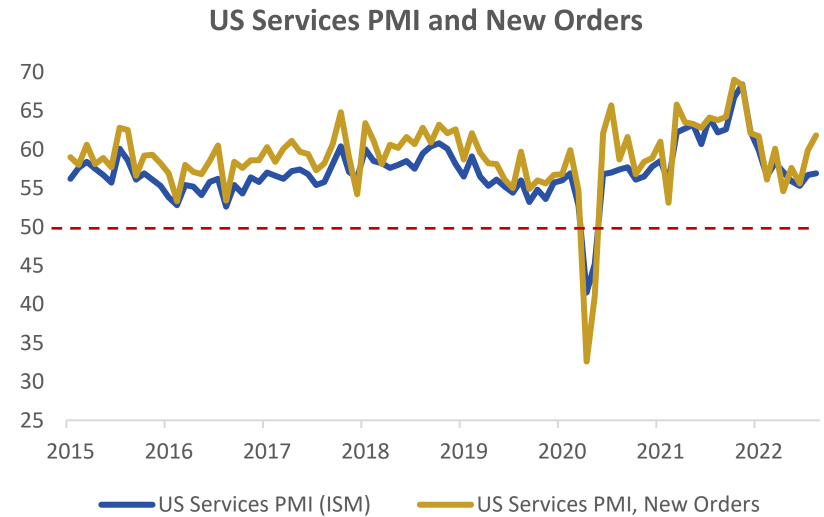
# Manufacturing

Manufacturing and Services PMIs (Purchasing Managers Indices) in the US have been on the decline with new orders hovering around contraction level (50) which reflects the slowing macro environment.

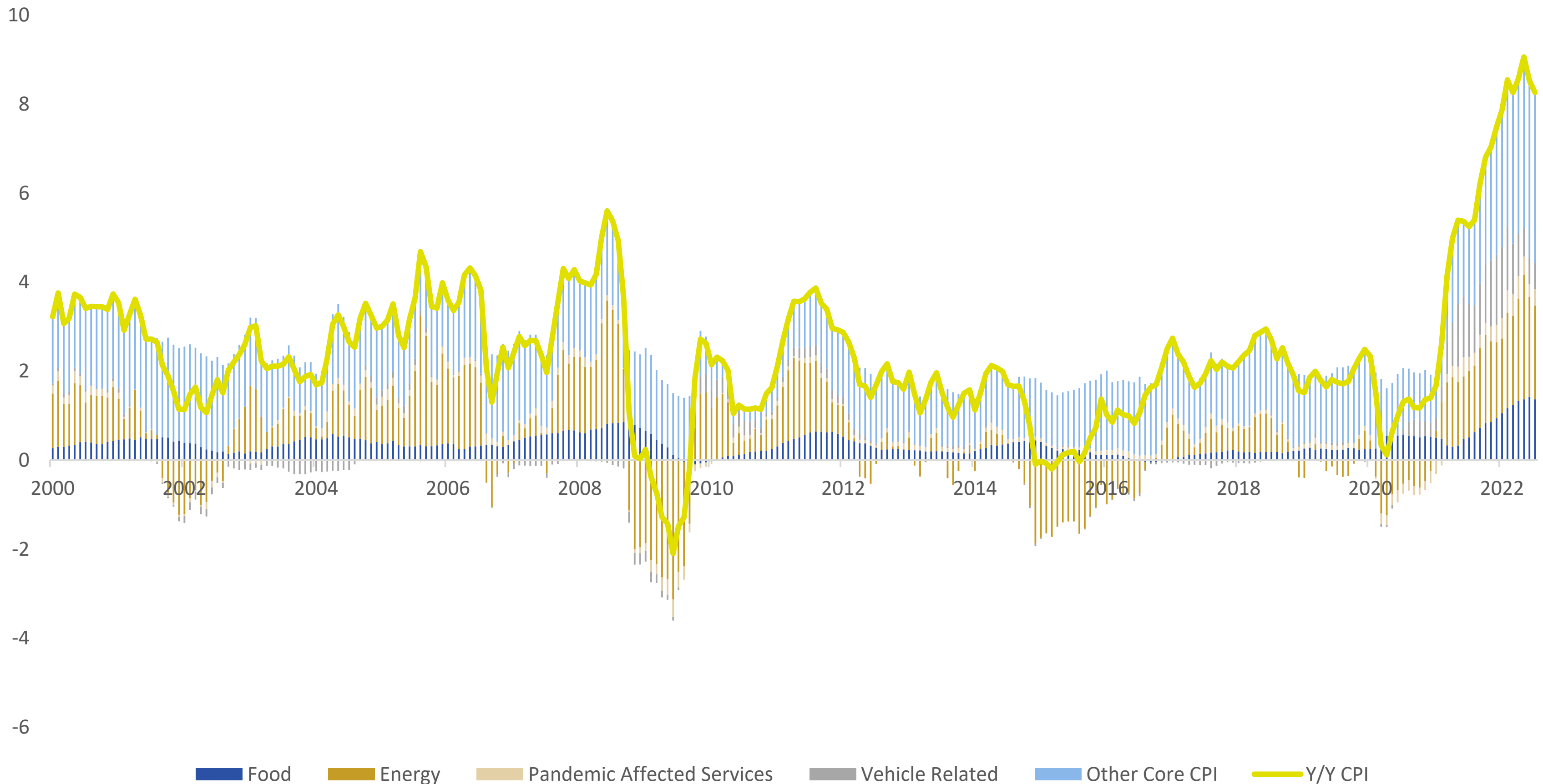



Source: FactSet, 9/30/22

# Inflation Becoming Sticky

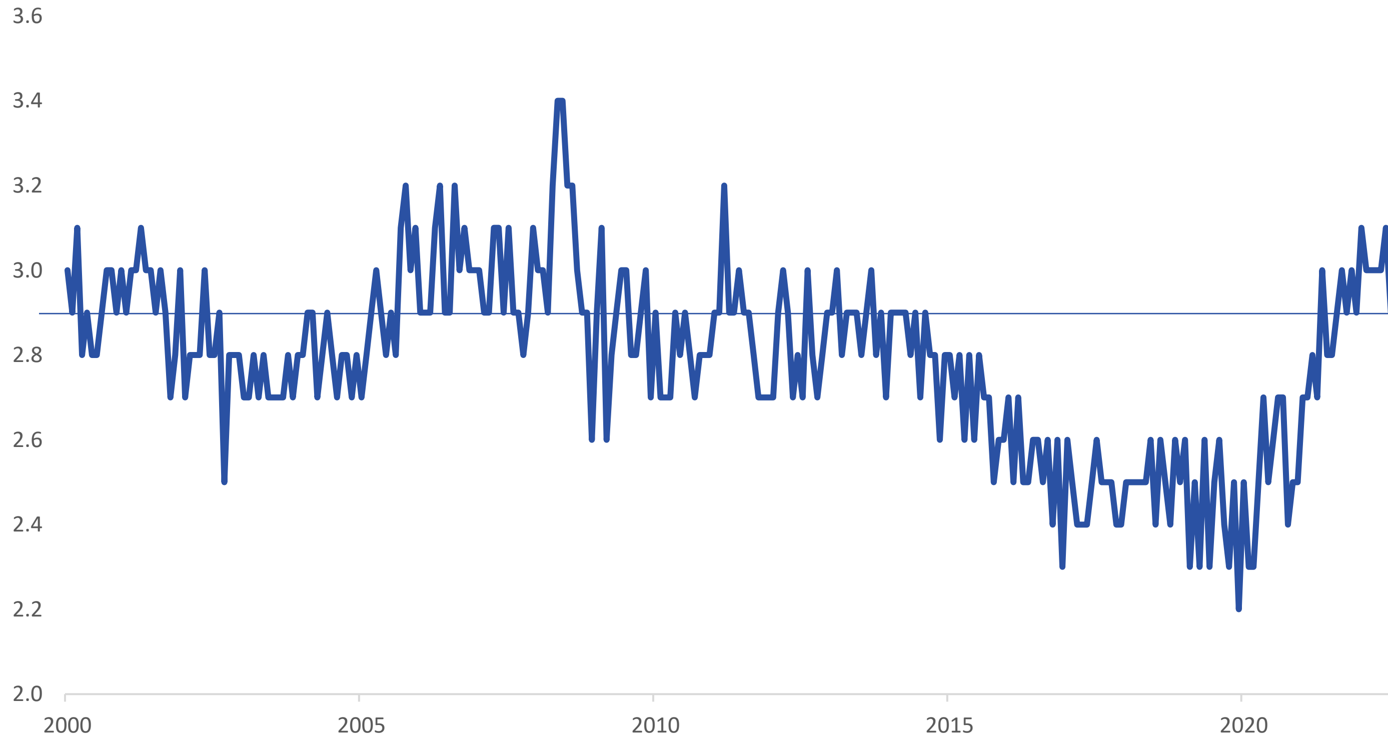
Inflation has clearly become "sticky" as we have seen elevated prices for most of the last 12 months in most parts of the economy (even outside of just energy) and expect some of this to continue into 2023.




Source: Strategas, 9/30/22

# But Inflation Is Not Yet Embedded

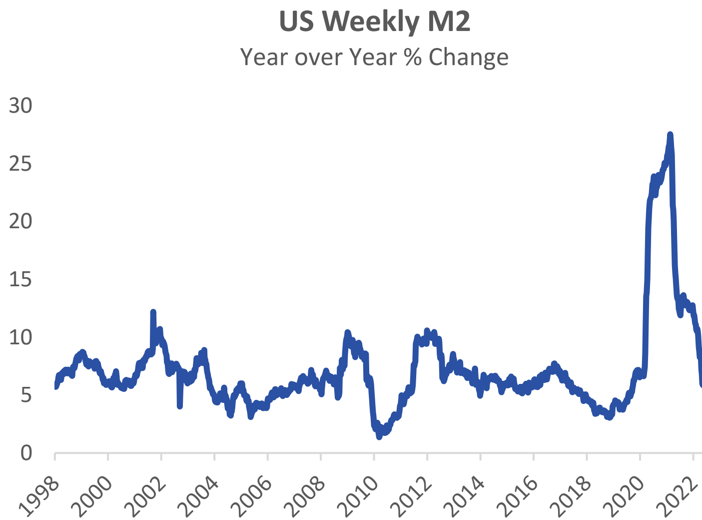
That said, inflation is not yet embedded fully as 5 year forward inflation expectations have dropped in recent months so there is hope that the current Fed tightening cycle can continue to make progress.

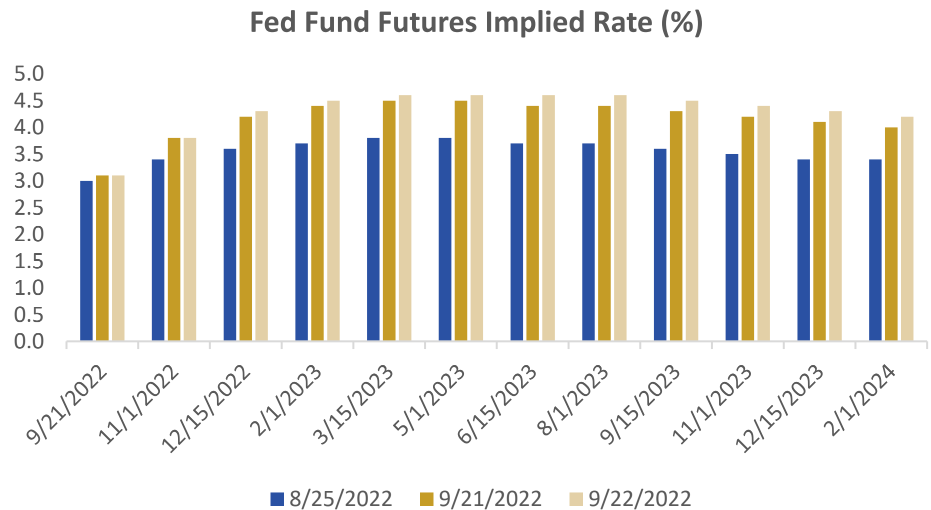



Source: University of Michigan, 9/22/22

# Monetary Policy

In response to inflation pervading the economy, the Federal Reserve has started aggressively conducting balance sheet reductions (using quantitative tightening to bring M2 growth down) and raising rates (which is getting further priced into Fed Fund futures).




*Note: M2 is a measure of the U.S. money stock that includes M1 (currency and coins held by the non-bank public, checkable deposits, and travelers' checks) plus savings deposits (including money market deposit accounts), small time deposits under $100,000, and shares in retail money market mutual funds.*

Source: Piper Sandler Cornerstone and Strategas, 8/30/22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Market performance in 2022 across a wide array of asset classes has been nothing short of poor, which admittedly is putting it mildly when observing the performance of domestic growth equities. While this performance is painful, one should reflect on the strong absolute performance we have experienced over the past year three years, which has been far in excess of historical averages. We would postulate rational investors looking back five years hence would not be surprised when observing the last four years of performance of the S&P 500, which generated 100% cumulative return (26% CAGR) in the first three years only to experience a pullback of 25% in year four. While gut-wrenching at times, the pullback is very consistent with previous bear markets, with the last 11 bear markets experiencing an average decline of 34% and ranging from -20% to -57%. This bear market thus far has been driven by collapsing earnings multiples, especially amongst the cohort of growth companies which experienced the strongest performance over the previous three years. What is a bit troubling is that companies' reported earnings and outlooks have not been impaired to a significant degree, even though we have been experiencing recessionary conditions from a RGDP perspective. It would therefore not be shocking to see earnings estimates reduced in forthcoming quarters as businesses battle the economic headwinds outlined in our economic outlook. The market most likely has already imputed some degree of earnings reductions, but the degree to which those reductions are revised will be determined by the length and depth of the global economic doldrums in which we find ourselves mired. Our belief is we will have two to three quarters of challenged earnings as the global economic slowdown unfolds, but it is important to realize that the market will begin to recover ahead of the eventual inflection. We believe it is prudent at this juncture to moderate our earnings expectations to reflect the growing economic challenges companies face. Therefore, our forecasts now call for S&P 500 earnings $220 (below consensus but unchanged from last quarter) for 2022 and $210 (reduced from $235) for 2023.

Developing earnings estimates is only half of the equation in forecasting market vectors, for we need to apply an appropriate multiple on our projections, and this can be influenced by a few factors. One factor would be the enthusiasm investors possess for an individual company's prospects. This reflects the strength of the general economy, its sector specific attributes, and idiosyncratic drivers that prompt investors to forecast robust earnings growth. The question then becomes, at what rate should future earnings be discounted, which is influenced by inflation and the prevailing interest rate environment. Given the high levels of inflation we are currently experiencing (8.2% YoY at the September reading), the appropriate market multiple based on historical data would be between 11-12x. However, as we have written in this publication, we are already seeing signs of relief on the pricing front and we believe the CPI will fall to between 4 and 6 % over the coming quarters, which would imply a multiple of 15-16x (slide 20). Taking our earnings estimate for 2023 of $210 multiplied by 15.5x gives us a level of 3250 for the S&P 500, which is roughly 10% below current levels. This also would imply a bear market correction similar in magnitude to the average of the last 11 dating back to 1956. We empathize that further potential downside is a disheartening notion, but as companies adapt to the changing business climate, costs will come down, investments will be made and high-quality growth companies will emerge stronger from where they entered the bear market, just as they have following every bear market in the past. This inflection most often comes when prospects for a market recovery appear abysmal, but it is always darkest before the dawn. We would anticipate continued market choppiness over the next 3-6 months, with a potential rebound occurring as we approach the middle of 2023, based on the economic data we are analyzing today.

**Strategy Commentary**

**Geneva Small Cap Growth**

For the quarter ended September 30th, 2022, the Geneva Small Cap Growth strategy composite returned −4.37% (gross of fees, −4.50% net of fees) vs

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0.24% for the Russell 2000® Growth Index, underperforming by 4.61% (gross of fees, 4.74% net of fees). The high-quality bias of the portfolio was a headwind to performance this quarter and cost the strategy approximately 1.75%, according to our risk models. We observe a similar headwind when looking at other quality factors. Stocks rated B+ or better (high quality) returned -4.82% in the quarter vs -1.80% for those rated B or worse (low quality). Within the Russell 2000® Index, nonearners returned 7.8% during the quarter and meaningfully outperformed the benchmark. We also observed the outperformance of low ROE stocks (up 7.7%) and high beta stocks (up 5.4%).

The greatest contributors at the industry level were financials, industrials, and real estate; these industries contributed 0.74%, 0.39% and 0.38%, respectively. The following stocks were the greatest contributors to relative performance: EVO Payments, Kinsale Capital and RBC Bearings; these stocks contributed 0.49%, 0.45% and 0.39%, respectively. Shares of EVO Payments were up over 40% in the quarter after the company announced it was being acquired by Global Payments (GPN). GPN will acquire EVOP in an all-cash transaction for $34.00/share. As of 7/29/22, this represented a premium of approximately 24% and 40% to EVOP's last closing price and to its 60-day average price, respectively. Kinsale Capital reported a strong quarter with results coming in ahead of expectations. Top line growth was strong aided by gross written premium growth of +43% YoY, beating expectations by 12%, and submission growth accelerated to 20% from high teens in Q1. Margins also improved nicely, with the combined ratio at 77%, improving 240 bps YoY and 200 bps sequentially. This was driven by strength in both the loss and expense ratio, which each contributed a 120bps YoY improvement. The loss ratio improved 120 bps YoY to 56.3%, and an expense ratio of 20.5% improved 120 bps YoY. Returns remain strong with annualized operating ROE of 27.3% and earnings of $1.92 beat the Street by 19%. RBC Bearings reported a bit of a noisy quarter. Revenues grew 127% YoY (13% organic) but missed consensus and adj. EPS of $1.19 missed consensus of $1.33. By segment, Industrial was up 17% organically (but missed consensus by ~1%) and Aerospace/Defense was up 10% YoY (but missed consensus by ~14%). That said, the backlog has grown nicely to $636M, up 51% YoY and up 5% sequentially. The revenue miss was due to their Shanghai, China plant being shut down and a $2-4M headwind from a forward freight partner "unusual misstep," which both seem like one-time anomalies. The company guided FQ2 revenue of $360M at the midpoint, which was slightly below consensus at $366M, but overall, it continues to maintain positive sentiment related to their backlog and integration of the Dodge acquisition, which is more recession-resilient than the legacy RBC business.

At the industry level, the greatest detractors from performance were healthcare, technology, and consumer discretionary; these industries detracted 2.83%, 1.92% and 1.11%, respectively. The significant underperformance in healthcare was the result of the portfolio's underweight to biotechnology, which was up 17% during the quarter and detracted 1.33% from performance. The portfolio is underweight biotechnology because these companies typically do not meet our quality criteria because they are typically not profitable and experience binary event risk (stocks are up or down 50%+ in a day based on early clinical trials). The greatest detractors at the stock level were Omnicell, Azenta and Perficient; these stocks detracted 0.63%, 0.59% and 0.58%, respectively. Omnicell quarterly results modestly missed estimates; revenue came in slightly below management's guidance range due to customer implementation delays related to a ransomware incident. Management has not seen a slippage in scheduling since and expects these implementations to be completed in the 2H. Overall, demand for medication management infrastructure remains resilient, especially for services that help customers automate workflows and mitigate pressures from labor shortages. Gross margin compressed, driven by the impact of inflationary costs, and management reiterated its FY outlook which calls for ~23.5% YoY revenue growth at the midpoint and adj. EBITDA margin of ~17.8% at the midpoint. Azenta quarterly revenue was in

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line with estimates and revenue grew 3% as reported, while organic revenue growth was 6%. The Life Sciences Products revenue (35% of total) declined 3% as reported but grew 16% ex-COVID-19 impacts. Life Sciences Services segment (65% of total) grew 6% as reported, with organic growth 8%. On the earnings call, management discussed the B Medical acquisition, which they believe positions the company well to help customers accelerate discovery, development, and delivery of lifesaving therapeutics. B Medical has relationships with key organizations and 80% of the revenue base is related to vaccine cold chain, where management sees opportunities to expand into other cold chain markets over time, develop purpose-built cold chain solutions beyond vaccine delivery, and leverage distribution "return trips" for biological sample collection and genomics testing. Perficient reported Q2-22 earnings results that missed on revenue but slightly beat EBITDA expectations. Revenue grew 21% y/y, driven by a 14.1% organic growth in services. The reason for the miss was twofold: 1) higher than normal project cancellations and 2) a higher mix of business coming from offshore. Management was adamant that the project cancelations were driven by idiosyncratic circumstances and that they were not related to any sort of macro weakness. Management emphasized the underlying health and demand in the business is very robust, as bookings were up +40% YoY, while the number of deals signed over $500k were 107 vs. 75 last year and the number of deals over $1M were 45 vs 28 last year.

**Geneva Mid Cap Growth**

For the quarter ended September 30th, 2022, the Geneva Mid Cap Growth strategy composite returned 0.92% (gross of fees, 0.80% net of fees) vs −0.65% for the Russell Midcap® Growth Index, outperforming by 1.57% (gross of fees, 1.45% net of fees). Stock selection during the period was strong and drove the relative outperformance. The strategy's high-quality bias was a slight headwind to performance this quarter; stocks rated B+ or better (high quality) returned −4.82% in the quarter vs −1.80% for those rated B or worse (low quality). Within the Russell Midcap® Growth Index, the lowest beta and lowest debt-to-capital stocks underperformed, which was a slight headwind to performance.

At the industry level, the greatest contributors to performance were industrials, technology, and real estate; these industries contributed 2.27%, 0.51% and 0.50%, respectively. The greatest contributors at the stock level were Advanced Drainage Systems, Axon Enterprise and O'Reilly Automotive; these stocks contributed 1.08%, 0.48% and 0.46%, respectively. Advanced Drainage Systems, a leading manufacturer of high-performance thermoplastic corrugated pipe and related products, delivered a strong quarterly report with significant revenue and adj. EBITDA upside. While volumes were flat YoY in the quarter, they improved throughout the period and into July. Management sounded quite bullish on demand, noting that all leading indicators are positive YoY and while the residential market is slowing a bit, they think the impact would not be felt until next year. Labor and transportation inflation continues, but resin prices have moderated from their peak to still-elevated levels and price/cost will remain a tailwind throughout the rest of F2023. Management raised F2023 revenue guidance by 5% and EBITDA guidance by 14% on better margin expansion. Axon Enterprise, a supplier of devices, electroshock weapons and apps to public safety agencies and personnel, delivered another solid quarterly beat and raised 2022 guidance. Demand continues to be broad-based across the entire business as the company's products/solutions continue to resonate with various customer bases, and its bundled subscriptions drive accessibility and adoption. Importantly, visibility to the business continues to improve with annual recurring revenue (ARR) growth of over 40% YoY and total future contracted revenue growth of over +60% YoY and crossing the $3B mark, with customers increasingly signing 10–12 year contracts. O'Reilly Automotive results missed consensus slightly and 2022 guidance was modestly lowered, both of which were expected by investors. The miss and guidance reduction were attributed to softer-than-expected DIY (do-it-

# Investment Outlook

yourself) trends as high fuel costs and persistent inflation pressure lower-income consumers. While this dynamic is likely to continue, ORLY continues to perform well from a DIFM (do-it-for-me) standpoint and in general the underlying demand backdrop appears healthy when considering very difficult multi-year comparisons.

The greatest detractors at the industry level were health care, energy, and consumer staples; these industries detracted 0.63%, 0.51% and 0.27%, respectively. The following stocks were the greatest detractors from relative performance: Catalent, Steris and Church & Dwight; these stocks detracted 0.84%, 0.49% and 0.38%, respectively. Catalent delivered mixed FQ4-22 results with revenue missing slightly and profitability/earnings beating slightly, and F2023 guidance missing expectations. The guidance softness was mainly driven by a lower COVID-19 revenue outlook and related impacts, as well as worse FX dynamics. Importantly, the non-COVID-19 business (i.e., the majority of the company and the key for the long-term) appears to be operating well and is projected to sustain strong growth in F2023. Investors can pick at the F2023 margin outlook and ongoing high capital intensity as the company builds out capacity, but in general we continue to have a high degree of confidence in the long-term growth opportunity and the company's ability to execute. Steris reported a disappointing quarter with revenue and earnings coming in below expectations due to FX and supply chain issues. Management reduced revenue and earnings guidance for FY23 due to incremental FX headwinds and weaker-than-expected procedural volumes. Despite these headwinds, the healthcare backlog increased 23% sequentially, reaching a new record. While demand for capital equipment appears robust, supply chain issues are hindering the company's ability to capitalize on this. Church & Dwight reported mixed Q2-22 results and lowered 2022 guidance based on FX and costs, as well as slightly lower revenue. The company has continued to gain domestic market share in many of its power brands and has been aided by improving fill rates, but it appears clear that a weakening economic environment and consumer is translating to some pressure on their business. Although 40% of their portfolio is value (specifically laundry), it is clear that some of the more discretionary acquisitions they have completed are not holding up as well in the current soft macro environment. Ongoing improvement in fill rates and marketing spending also should help to support sales, but cost inflation remains an ongoing issue as well.

# Investment Outlook

Fourth Quarter 2022

| Geneva's forecast of capital markets total returns – 12 months forward | | | | | |
|---|---|---|---|---|---|
| | 30-day commercial paper | 2-year Treasury note | 10-year Treasury note | 30-year Treasury note | S&P 500 Index |
| 12 month return potential* | 2.00% | -2.65% | -1.27% | 0.00% | -9.36% |
| Level on 9/30/2022 | 3.08% | 4.21% | 3.80% | 3.76% | 3,586 |

* These potential returns are based on the projected yields discussed or presented herein. Actual returns may be more or less than projections.

Source: Geneva Capital Management, Bloomberg, as of 9/30/2022


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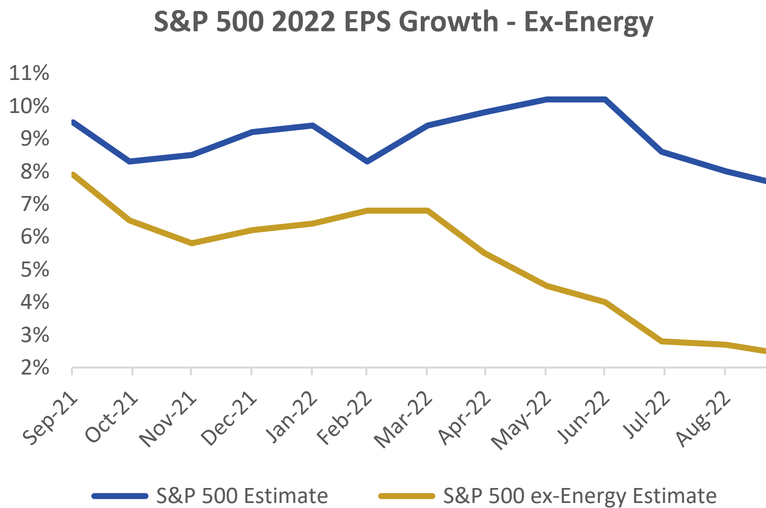
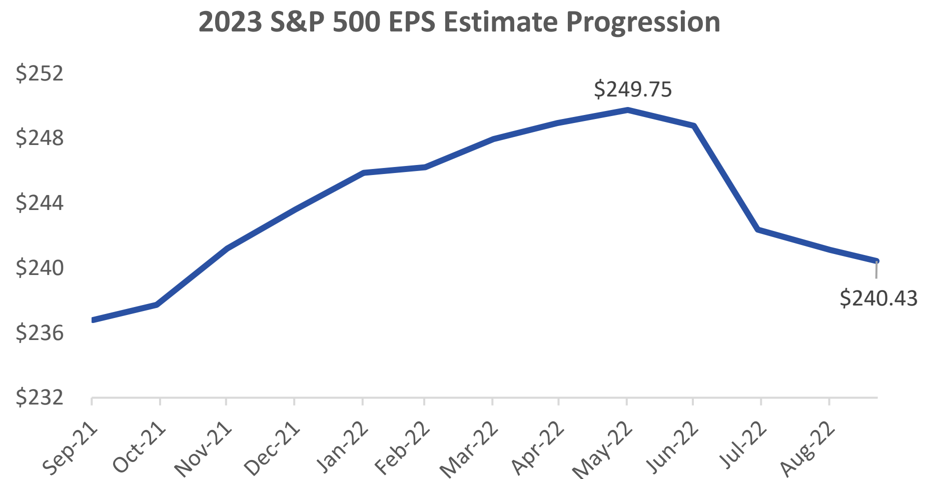
# S&P 500 2022 and 2023 Earnings Estimates

Earnings estimates have started to be revised lower in the S&P 500 universe (especially ex-energy) and are expected to continue to fall as companies face further macroeconomic headwinds. This aligns with Geneva's below consensus EPS forecasts for 2022 & 2023.




Source: RBC, 8/17/22 and FactSet, 9/30/22



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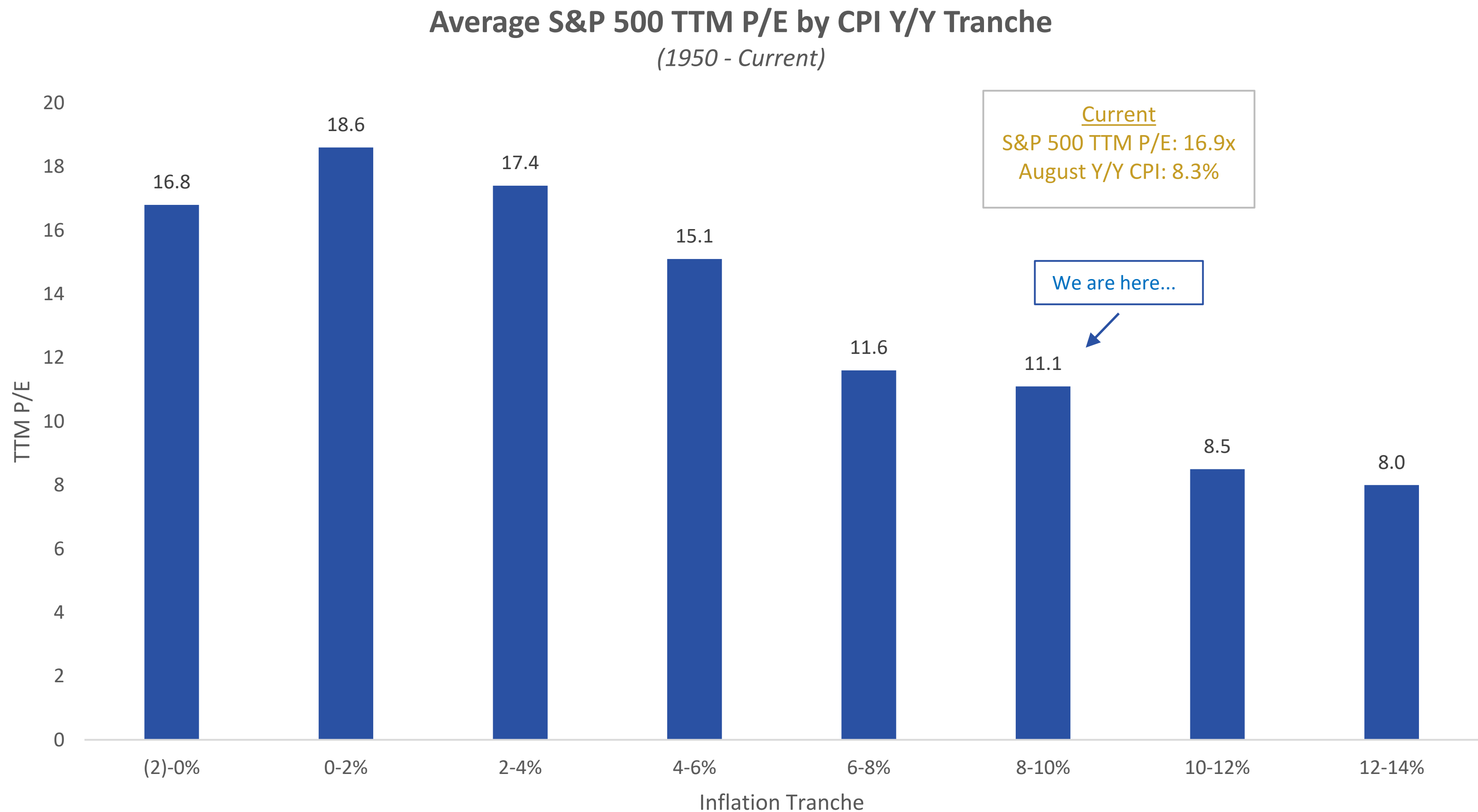
# S&P 500 Multiple by CPI Tranche

Given we have recently seen CPI in the 8-10% range, history argues that the S&P 500 price-to-earnings multiple still has downside from current levels.




Source: Strategas, 8/8/22

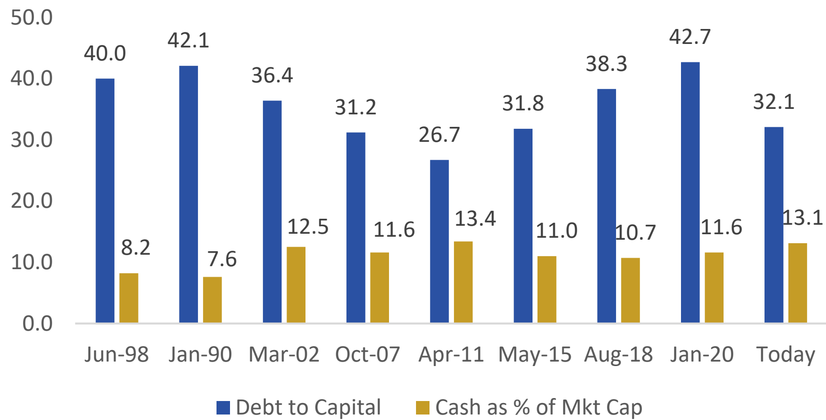
# S&P 500 Operating Margins

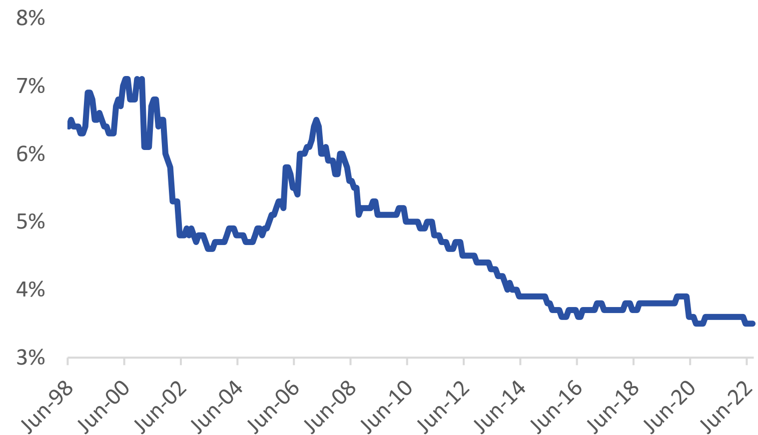
Due to higher costs companies are facing, S&P 500 company margins have turned downward yet have been holding near 17% in recent months. This remains an area to monitor moving forward.

Source: Strategas, 9/6/22

# Balance Sheets Stronger Today than Previous Bear Markets

One bright spot heading into this slowdown is that balance sheets are in better shape than they have been in previous bear markets with lower debt to capital, higher cash reserves and lower interest expenses.

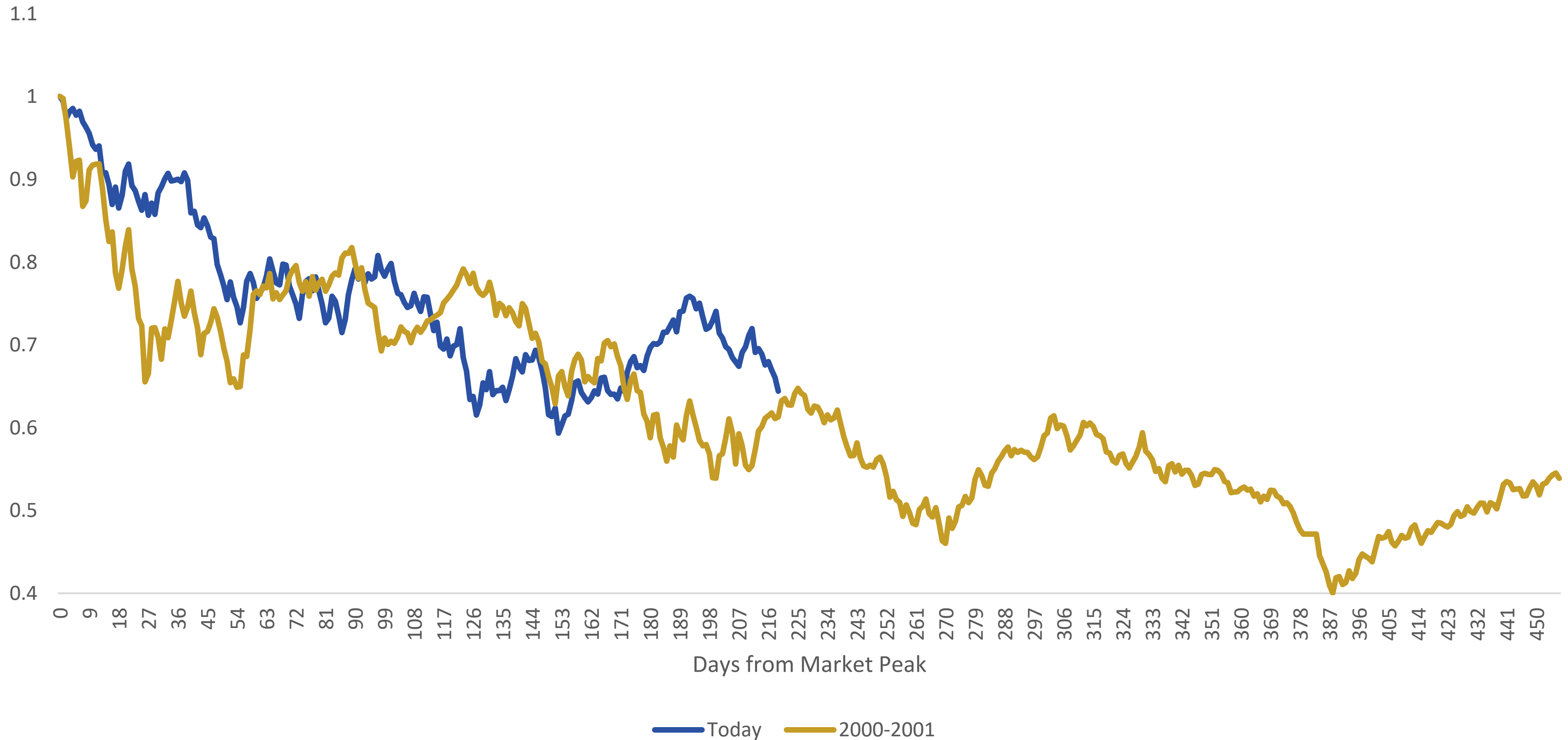



Source: Jefferies, 9/8/22 and Strategas, 9/30/22

# Small Caps and Analogy to 2000

The small cap pullback over the last 6+ months has some similarities to the 2000 bear market. If this analogy proves correct, a bottoming phase may take place over the coming months before a strong rebound.

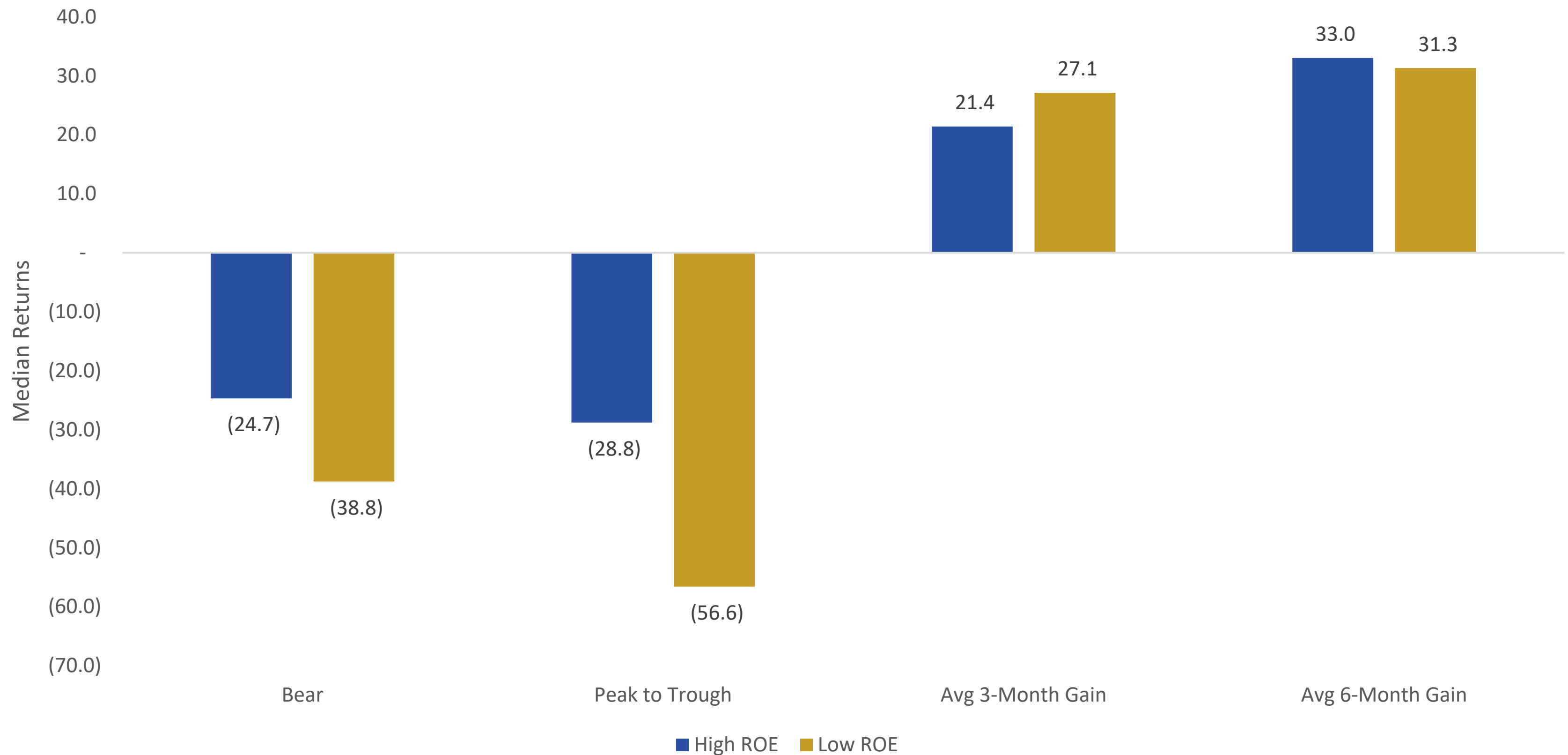



*Note: Using Russell 2000 Growth Index data*

Source: Jefferies, 9/8/22

# Bear Markets Favor High Quality Companies

Despite lower quality companies (defined here by return on equity, ROE) doing well in the immediate aftermath of a bear market, historically higher ROE stocks have held up better during the downturn and over longer time horizons (6+ months).




Source: Jefferies, 9/23/22

# Declining Earnings Environment – Quality Factors Outperform

Given the continued economic/earnings slowdown, the best performing factors historically are related to high-quality companies (ROA/ROE, net income margins and asset turnover) while the worst performing are negative earnings, beta, etc.

What To Own When EPS Estimates Decline:

| Peak In NTM EPS Start | Trough In NTM EPS End | ROA | Net Income Margin | ROE | Asset Turnover |
|---|---|---|---|---|---|
| Jan-86 | May-86 | 10.0% | 7.9% | 10.9% | 4.7% |
| Sep-89 | Apr-91 | 36.9% | 29.9% | 19.2% | 11.7% |
| Sep-00 | Nov-01 | 0.5% | 2.6% | 3.6% | 5.3% |
| Oct-07 | May-09 | 7.4% | 4.4% | 6.8% | 2.7% |
| Sep-14 | Mar-16 | 4.8% | 4.3% | 6.6% | 7.0% |
| Feb-20 | May-20 | 14.7% | 15.0% | 9.0% | 7.9% |
| | Avg | 12.4% | 10.7% | 9.3% | 6.6% |
| | Hit Rate | 100.0% | 100.0% | 100.0% | 100.0% |

What To Avoid When EPS Estimates Decline:

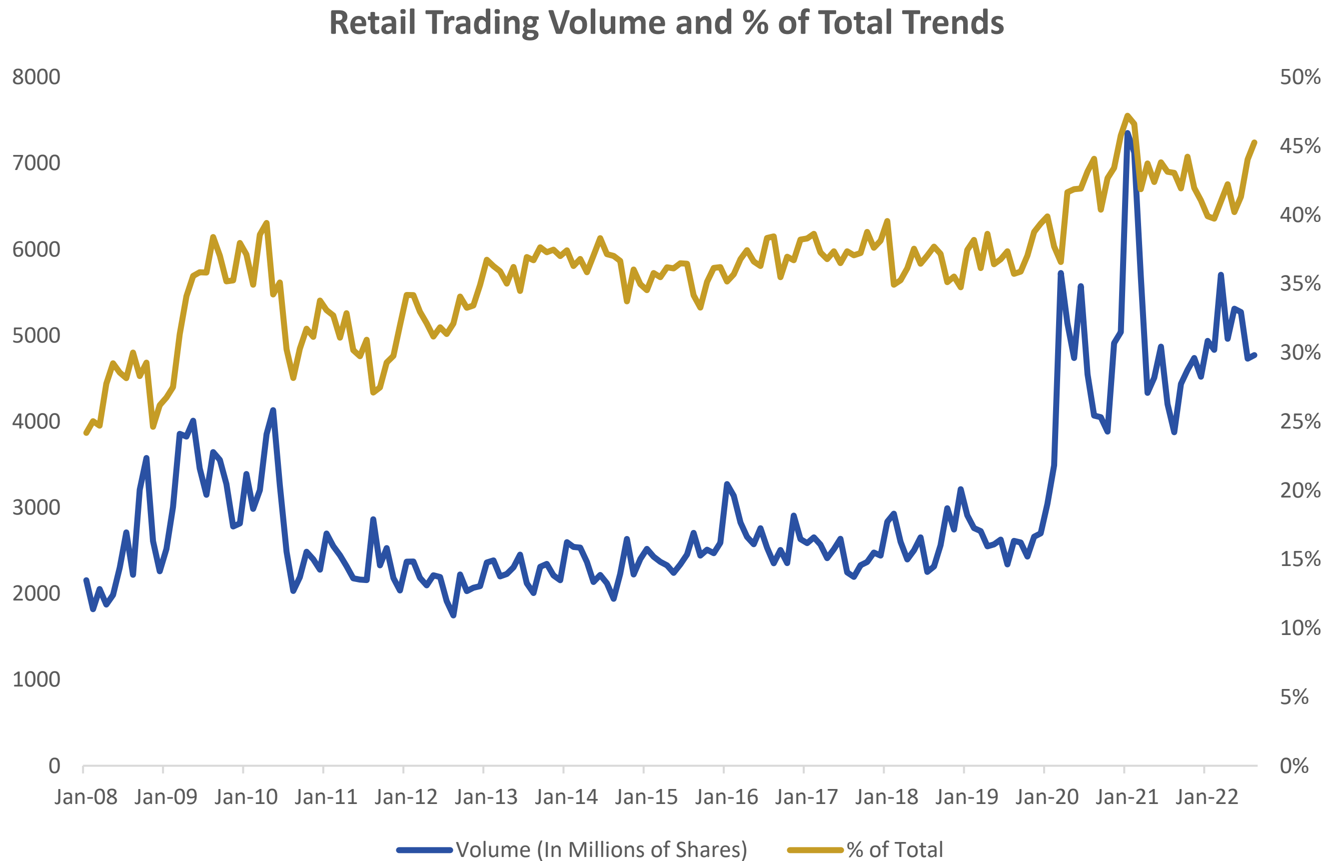
| Peak In NTM EPS Start | Trough In NTM EPS End | Beta | Sales Variance | Long Term Volatility | Negative Earnings |
|---|---|---|---|---|---|
| Jan-86 | May-86 | -5.0% | -1.7% | -3.8% | -10.3% |
| Sep-89 | Apr-91 | -2.7% | -8.7% | -16.7% | -17.2% |
| Sep-00 | Nov-01 | -19.5% | -15.8% | -24.7% | -10.0% |
| Oct-07 | May-09 | -4.1% | -19.5% | -10.8% | -16.6% |
| Sep-14 | Mar-16 | -19.6% | -20.1% | -20.1% | -27.9% |
| Feb-20 | May-20 | -5.4% | -1.1% | -4.7% | -11.3% |
| | Avg | -9.4% | -11.1% | -13.5% | -15.6% |
| | Hit Rate | 0.0% | 0.0% | 0.0% | 0.0% |

*Note: "Hit Rate" is defined as how many times that factor outperformed in the 6 instances of previous major EPS declines.*

Source: Piper Sandler Cornerstone, 9/7/22

# Retail Trading Now 45% of All Trading Volume

Retail trading remains near its all-time high and is now 45% of all trading volume despite the recent sell-off. Further weakness could put additional pressure on retail investors, helping form a bottom and leading to better opportunities for the long-term investor.




Source: Jefferies, 9/8/22

# Performance

## US Small Cap Growth model strategy top contributors and detractors for the quarter ended 9/30/2022

| Top Contributors | Strategy | |
|---|---|---|
| | Ending Weight (%) | Contribution (%) |
| Evo Payments Inc | 1.93 | 0.49 |
| Kinsale Capital Group Inc | 5.14 | 0.45 |
| RBC Bearings Inc | 3.53 | 0.39 |
| BioLife Solutions Inc | 1.05 | 0.36 |
| Texas Roadhouse Inc | 2.10 | 0.31 |

| Top Detractors | Strategy | |
|---|---|---|
| | Ending Weight (%) | Contribution (%) |
| Omnicell Inc | 2.55 | -0.63 |
| Azenta Inc | 0.96 | -0.59 |
| Perficient Inc | 1.85 | -0.58 |
| ePlus Inc | 1.91 | -0.46 |
| Neogen Corp | 0.68 | -0.44 |

The holdings identified in this table, in compliance with Geneva policy, do not represent all of the securities purchased, held or sold during the period. To obtain a list showing every holding as a percentage of the portfolio at the end of the most recent publicly available disclosure period, contact (414) 224-6002.

| Performance (%) | 3Q22 | 1 yr | 3 yr | 5 yr | 10 yr |
|---|---|---|---|---|---|
| Composite (gross) | -4.37 | -23.65 | 5.46 | 7.85 | 11.96 |
| Composite (net) | -4.50 | -24.08 | 4.88 | 7.25 | 11.32 |
| Russell 2000® Growth Index | 0.24 | -29.27 | 2.94 | 3.60 | 8.81 |

**Past performance cannot guarantee future results. Investing involves risk, including the possible loss of principal and fluctuation of value. This information is supplemental to the US Small Cap Growth composite GIPS Report found on pages 29-31 of this document, including information on net returns, additional performance information and important disclosures. Returns for periods greater than one year are annualized. One cannot invest directly in an index.**

Information relating to portfolio holdings is based on the model strategy for the composite and may vary for accounts in the strategy due to asset size, client guidelines and other factors. The model strategy reflects the portfolio management style.

Security contribution to performance is measured by using an algorithm that multiplies the daily performance of each security with the previous day's ending weight in the portfolio and is gross of advisory fees. Fixed income securities and certain equity securities, such as private placements and some share classes of equity securities, are excluded. As of 9/30/22 the top 10 portfolio holdings of the US Small Cap Growth Model Strategy are: Kinsale Capital Group Inc (5.14%), ExlService Holdings Inc (3.60%), Exponent Inc (3.59%), RBC Bearings Inc (3.53%), Fair Isaac Corp (3.22%), Descartes Systems Group Inc (2.71%), Fox Factory Holding Corp (2.65%), Balchem Corp (2.60%), Omnicell Inc (2.55%), Globus Medical Inc (2.51%). There are no assurances that any portfolio currently holds these securities or other securities mentioned. Portfolio holdings are as of the date indicated and are subject to change. This material should not be construed as a recommendation to buy or sell any security.

# Performance

## US Mid Cap Growth model strategy top contributors and detractors for the quarter ended 9/30/2022

| Top Contributors | Strategy | |
|---|---|---|
| | Ending Weight (%) | Contribution (%) |
| Advanced Drainage Systems Inc | 4.33 | 1.08 |
| Axon Enterprise Inc | 2.69 | 0.48 |
| O'Reilly Automotive Inc | 4.55 | 0.46 |
| Keysight Technologies Inc | 4.09 | 0.46 |
| EPAM Systems Inc | 2.68 | 0.43 |

| Top Detractors | Strategy | |
|---|---|---|
| | Ending Weight (%) | Contribution (%) |
| Catalent Inc | 1.87 | -0.84 |
| STERIS PLC | 2.24 | -0.49 |
| Church & Dwight Co Inc | 1.42 | -0.38 |
| Burlington Stores Inc | 1.46 | -0.30 |
| Signature Bank | 1.76 | -0.30 |

The holdings identified in this table, in compliance with Geneva policy, do not represent all of the securities purchased, held or sold during the period. To obtain a list showing every holding as a percentage of the portfolio at the end of the most recent publicly available disclosure period, contact (414) 224-6002.

| Performance (%) | 3Q22 | 1 yr | 3 yr | 5 yr | 10 yr |
|---|---|---|---|---|---|
| Composite (gross) | 0.92 | -26.73 | 6.10 | 9.03 | 10.43 |
| Composite (net) | 0.80 | -27.08 | 5.61 | 8.54 | 9.93 |
| Russell Midcap® Growth Index | -0.65 | -29.50 | 4.26 | 7.62 | 10.85 |

**Past performance cannot guarantee future results. Investing involves risk, including the possible loss of principal and fluctuation of value. This information is supplemental to the US Mid Cap Growth composite GIPS Report found on pages 32-34 of this document, including information on net returns, additional performance information and important disclosures. Returns for periods greater than one year are annualized. One cannot invest directly in an index.**

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# GIPS Report

## US Small Cap Growth

| | Annual Performance Results | | | | | | | | 3 Year Ex-Post Standard Deviation | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Year End | Total Firm Assets USD (millions) | Composite Assets USD (millions) | Number of Accounts | Composite Gross | Composite Net | Russell 2000® Growth | Russell 2000® | Composite Dispersion | Composite | Russell 2000® Growth | Russell 2000® |
| **2021** | 6,998 | 3,567 | 56 | 13.29% | 12.69% | 2.83% | 14.82% | 0.1% | 19.42% | 23.07% | 23.35% |
| **2020** | 6,679 | 3,469 | 52 | 34.03% | 33.29% | 34.63% | 19.96% | 0.2% | 22.22% | 25.10% | 25.27% |
| **2019** | 5,274 | 2,537 | 49 | 29.63% | 28.90% | 28.48% | 25.53% | 0.1% | 15.62% | 16.37% | 15.71% |
| **2018** | 4,577 | 2,006 | 44 | 0.01% | -0.55% | -9.31% | -11.01% | 0.1% | 15.43% | 16.46% | 15.79% |
| **2017** | 5,202 | 2,007 | 37 | 23.48% | 22.79% | 22.17% | 14.65% | 0.2% | 11.87% | 14.59% | 13.91% |
| **2016** | 5,327 | 1,982 | 47 | 11.84% | 11.17% | 11.32% | 21.31% | 0.1% | 13.08% | 16.67% | 15.76% |
| **2015** | 4,682 | 1,101 | 36 | 11.66% | 10.93% | -1.38% | -4.41% | 0.2% | 12.33% | 14.95% | 13.96% |
| **2014** | 4,892 | 882 | 37 | -1.77% | -2.41% | 5.60% | 4.89% | 0.1% | 11.40% | 13.82% | 13.12% |
| **2013** | 6,695 | 1,011 | 36 | 45.18% | 44.41% | 43.30% | 38.82% | 0.4% | 13.70% | 17.27% | 16.45% |
| **2012** | 3,774 | 288 | 21 | 17.76% | 17.15% | 14.59% | 16.35% | 0.2% | 17.39% | 20.72% | 20.20% |
| **2011** | 2,609 | 173 | 14 | 1.44% | 0.95% | -2.91% | -4.18% | 0.2% | 22.15% | 24.31% | 24.99% |
| **2010** | 1,872 | 110 | 8 | 38.02% | 37.39% | 29.09% | 26.85% | 0.4% | 3 Year Ex-Post Standard Deviation Not required Prior to 2011 | | |
| **2009** | 1,393 | 45 | 6 | 23.75% | 23.22% | 34.47% | 27.17% | N.A.* | | | |
| **2008** | 979 | 28 | Five or fewer | -33.18% | -33.49% | -38.54% | -33.79% | N.A.* | | | |
| **2007** | 1,579 | 9 | Five or fewer | 14.15% | 13.69% | 7.05% | -1.57% | N.A.* | | | |
| **2006** | 1,355 | 6 | Five or fewer | 6.31% | 5.90% | 13.35% | 18.37% | N.A.* | | | |
| **2005** | 1,073 | 5 | Five or fewer | 15.85% | 15.39% | 4.15% | 4.55% | N.A.* | | | |
| **2004** | 815 | 4 | Five or fewer | 22.72% | 22.22% | 14.31% | 18.33% | N.A.* | | | |
| **2003** | 693 | 3 | Five or fewer | 33.43% | 32.89% | 48.54% | 47.25% | N.A.* | | | |
| **2002** | 531 | 2 | Five or fewer | -14.40% | -14.71% | -30.26% | -20.48% | N.A.* | | | |
| **2001** | 537 | 1 | Five or fewer | 4.15% | 3.67% | -9.23% | 2.49% | N.A.* | | | |
| **2000** | 514 | 1 | Five or fewer | 2.77% | 2.30% | -22.43% | -3.02% | N.A.* | | | |
| **1999** | 470 | 1 | Five or fewer | 7.50% | 7.13% | 43.09% | 21.26% | N.A.* | | | |

*N.A. - Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

# GIPS Report

## US Small Cap Growth

**Compliance Statement**

Geneva Capital Management claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. Geneva Capital Management has been independently verified for the periods January 1, 1993 through December 31, 2021.

A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The US Small Cap Growth composite has had a performance examination for the periods January 1, 1999 through December 31, 2021. The verification and performance examination reports are available upon request.

**The Firm**

Geneva Capital Management LLC is a registered investment adviser. On October 1, 2014 Henderson Global Investors Inc. acquired Geneva Capital Management LLC, and subsequently merged with Janus Capital Group Inc. on May 30, 2017 to form Janus Henderson Group plc. After this merger, Geneva Capital Management was a wholly owned subsidiary of Janus Henderson Group plc. On March 17, 2020 certain members of Geneva's management team, along with a minority partner, Estancia Capital Management, LLC, acquired Geneva from Janus Henderson Group plc, making Geneva Capital Management an independent entity.

**Composite Description**

The US Small Cap Growth composite contains fully discretionary equity accounts invested in approximately 50-60 small-capitalization growth securities whose market capitalization ranges generally fall between $500 million to $3 billion at the time of purchase. Securities are selected using a "bottom-up" fundamental analysis of the company and supplemented by "top-down" considerations of economic conditions. Prior to September 30, 2015, the composite was named Geneva Smallcap Composite. There is no minimum account size for this composite. Prior to January 1, 2006, the minimum account size was $500,000. From January 1, 2004 through December 31, 2005, accounts were removed from the composite if they fell more than 20% below the minimum account size. Beginning July 1, 2008, composite policy requires the temporary removal of any portfolio incurring a client initiated significant cash inflow or outflow of 30% portfolio assets or greater. The temporary removal of such an account occurs at the beginning of the month in which the significant cash flow occurs and the account re-enters the composite the last day of the month in which the cash flow takes place.

**Composite Benchmark**

For comparison purposes, the US Small Cap Growth composite is measured against the primary index Russell 2000® Growth Index and secondary Russell 2000® Index. The Russell 2000® Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000® Index companies with higher price-to-value ratios and higher forecasted growth values (Source: http://www.ftserussell.com). The Russell 2000® Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000® is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership (Source: http://www.ftserussell.com). Performance results in presentations prior to January 1, 2002 were measured against the S&P® 600 Index. From January 1, 2002 through January 1, 2008 performance results were primarily measured against the Russell 2000® Index. The benchmark was changed to be more representative of the composite strategy and style. Information regarding the S&P 600® Index is available upon request.

**Fee Information**

The annual fee schedule is 100 bps (1.00%) on the first $50 million, 90 bps (0.90%) on $50 to $100 million, and 80 bps (0.80%) on the balance over $100 million. Fees are billed or charged to the account in arrears, at one quarter of the annual rate, on a quarterly basis - or as applicable based on the average month-end values for each of the three months comprising a quarter. Actual investment advisory fees incurred by clients will vary.

# GIPS Report

## US Small Cap Growth

**Basis of Returns**
Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Composite returns are net of transaction costs and reflect the reinvestment of dividends and other earnings. Gross composite returns do not reflect the deduction of investment advisory fees. Net composite returns reflect the deduction of actual investment advisory fees. Actual advisory fees vary among clients invested in the strategy. Actual performance results may differ from composite returns depending on the size of the account, investment guidelines and/or restrictions, fee schedules and other factors. Prior to January 1, 2000, net returns were calculated using the highest fee per the fee schedule in the ADV Part 2 which was 1.0%. Past performance is not indicative of future results.

**Composite Dispersion**
The annual composite dispersion presented is an asset-weighted standard deviation calculated for the accounts in the composite the entire year. Composite Dispersion is based on gross of fees performance.

**3-Year Ex-Post Standard Deviation**
The three year annualized standard deviation measures the variability of the composite gross return and the benchmark return over the preceding 36-month period.

**GIPS Policies and Procedures**
The Firm maintains a complete list of composite descriptions, which is available upon request. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.

**Composite Creation Date**
The US Small Cap Growth composite creation date is January 1, 1999.

**Composite Inception Date**
The US Small Cap Growth composite inception date is December 31, 1998.

**Composite Currency**
The U.S. Dollar is the currency used to express performance.

**GIPS Registered Trademark**
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.

**Important Information**
All investments involve risk, including possible loss of principal. **Past performance is no guarantee of future results.** The value of an investment and the income from it can fall as well as rise and you may not get back the amount originally invested. Nothing in this document is intended to or should be construed as advice. This document is not a recommendation to sell or purchase any investment.

**Portfolio Management Changes**
Effective July 10, 2017; Michelle Picard retired and left Geneva Capital Management and Jose Munoz was promoted from Senior Analyst to Portfolio Manager.
Effective October 22, 2018; Amy Croen retired and left Geneva Capital Management.

# GIPS Report

## US Mid Cap Growth

| | | Annual Performance Results | | | | | | | 3 Year Ex-Post Standard Deviation | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Year End | Total Firm Assets USD (millions) | Composite Assets USD (millions) | Number of Accounts | Composite Gross | Composite Net | Russell Midcap® Growth | Russell Midcap® | Composite Dispersion | Composite | Russell Midcap® Growth | Russell Midcap® |
| **2021** | 6,998 | 1,477 | 57 | 25.04% | 24.48% | 12.73% | 22.58% | 0.2% | 19.05% | 20.19% | 20.55% |
| **2020** | 6,679 | 1,518 | 60 | 32.44% | 31.81% | 35.59% | 17.10% | 0.5% | 20.36% | 21.45% | 21.82% |
| **2019** | 5,274 | 1,411 | 61 | 31.57% | 30.98% | 35.47% | 30.54% | 0.1% | 12.79% | 13.88% | 12.89% |
| **2018** | 4,577 | 1,698 | 63 | -1.92% | -2.35% | -4.75% | -9.06% | 0.2% | 12.59% | 12.82% | 11.98% |
| **2017** | 5,202 | 2,377 | 67 | 24.38% | 23.82% | 25.27% | 18.52% | 0.1% | 10.61% | 10.89% | 10.36% |
| **2016** | 5,327 | 2,299 | 108 | 3.08% | 2.61% | 7.33% | 13.80% | 0.2% | 11.41% | 12.18% | 11.55% |
| **2015** | 4,682 | 2,807 | 111 | 4.54% | 4.08% | -0.20% | -2.44% | 0.1% | 11.13% | 11.31% | 10.85% |
| **2014** | 4,892 | 3,247 | 128 | 5.90% | 5.44% | 11.90% | 13.22% | 0.2% | 10.56% | 10.87% | 10.14% |
| **2013** | 6,695 | 4,896 | 190 | 32.00% | 31.46% | 35.74% | 34.76% | 0.1% | 13.69% | 14.62% | 14.03% |
| **2012** | 3,774 | 2,860 | 168 | 11.51% | 11.03% | 15.81% | 17.28% | 0.2% | 16.62% | 17.91% | 17.20% |
| **2011** | 2,609 | 1,958 | 140 | 4.19% | 3.73% | -1.65% | -1.55% | 0.2% | 18.86% | 20.82% | 21.55% |
| **2010** | 1,872 | 1,297 | 119 | 30.83% | 30.25% | 26.38% | 25.48% | 0.4% | | | |
| **2009** | 1,393 | 928 | 96 | 36.89% | 36.28% | 46.29% | 40.48% | 0.4% | | | |
| **2008** | 979 | 618 | 96 | -35.54% | -35.86% | -44.32% | -41.46% | 0.3% | | | |
| **2007** | 1,579 | 1,061 | 92 | 17.00% | 16.50% | 11.43% | 5.60% | 0.2% | | | |
| **2006** | 1,355 | 794 | 89 | 5.62% | 5.15% | 10.66% | 15.26% | 0.2% | | | |
| **2005** | 1,073 | 581 | 70 | 15.84% | 15.39% | 12.10% | 12.65% | 0.4% | | | |
| **2004** | 815 | 399 | 38 | 20.92% | 20.47% | 15.48% | 20.22% | 0.2% | | | |
| **2003** | 693 | 340 | 34 | 26.55% | 26.10% | 42.71% | 40.06% | 0.3% | | 3 Year Ex-Post Standard Deviation Not required Prior to 2011 | |
| **2002** | 531 | 229 | 24 | -14.05% | -14.36% | -27.41% | -16.19% | 0.4% | | | |
| **2001** | 537 | 244 | 24 | -3.84% | -4.18% | -20.15% | -5.62% | 0.3% | | | |
| **2000** | 514 | 212 | 16 | 13.36% | 13.00% | -11.75% | 8.25% | 0.6% | | | |
| **1999** | 470 | 286 | 56 | 14.29% | 13.19% | 51.29% | 18.23% | 4.1% | | | |
| **1998** | 380 | 206 | 53 | 28.77% | 27.56% | 17.86% | 10.09% | 1.9% | | | |
| **1997** | 259 | 135 | 36 | 25.03% | 23.85% | 22.54% | 29.01% | 2.7% | | | |
| **1996** | 214 | 90 | 34 | 27.40% | 26.20% | 17.48% | 19.00% | 1.7% | | | |
| **1995** | 195 | 73 | 32 | 28.40% | 27.20% | 33.98% | 34.45% | 2.9% | | | |
| **1994** | 133 | 53 | 28 | -0.50% | -1.50% | -2.16% | -2.09% | 1.3% | | | |
| **1993** | 120 | 28 | 26 | 5.02% | 3.99% | 11.19% | 14.30% | 1.6% | | | |

# GIPS Report

## US Mid Cap Growth

**Compliance Statement**
Geneva Capital Management claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. Geneva Capital Management has been independently verified for the periods January 1, 1993 through December 31, 2021.

A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The US Mid Cap Growth composite has had a performance examination for the periods January 1, 1993 through December 31, 2021. The verification and performance examination reports are available upon request.

**The Firm**
Geneva Capital Management LLC is a registered investment adviser. On October 1, 2014 Henderson Global Investors Inc. acquired Geneva Capital Management LLC, and subsequently merged with Janus Capital Group Inc. on May 30, 2017 to form Janus Henderson Group plc. After this merger, Geneva Capital Management was a wholly owned subsidiary of Janus Henderson Group plc. On March 17, 2020 certain members of Geneva's management team, along with a minority partner, Estancia Capital Management, LLC, acquired Geneva from Janus Henderson Group plc, making Geneva Capital Management an independent entity.

**Composite Description**
The US Mid Cap Growth composite contains fully discretionary equity accounts invested in approximately 50-60 mid-capitalization growth securities whose market capitalization ranges generally fall between $2 billion to $15 billion at the time of purchase. Securities are selected using a "bottom-up" fundamental analysis of the company and supplemented by "top-down" considerations of economic conditions. Prior to January 1, 2006, the composite was named Geneva Growth. Between January 1, 2006 and September 30, 2015 the composite was named Geneva Midcap Growth Composite. The minimum account size for this composite is $500,000. As of January 1, 2004 accounts are removed annually if they fall more than 20% below the minimum account size. Beginning January 1, 2006, composite policy requires the temporary removal of any portfolio incurring a client initiated significant cash inflow or outflow of 30% portfolio assets or greater. The temporary removal of such an account occurs at the beginning of the month in which the significant cash flow occurs and the account re-enters the composite the last day of the month in which the cash flow takes place. Prior to January 1, 2000, balanced portfolio segments were included in this composite and performance reflects required total segment plus cash returns using a predetermined cash allocation percentage.

**Composite Benchmark**
For comparison purposes, the US Mid Cap Growth composite is measured against primary index Russell Midcap® Growth Index and secondary Russell Midcap® Index. The Russell Midcap® Growth Index measures the performance of the mid-cap growth segment of the U.S. equity universe. It includes those Russell Midcap® Index companies with higher price-to-book ratios and higher forecasted growth values (Source: http://www.ftserussell.com). The Russell Midcap® Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap® is a subset of the Russell 1000® Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap® represents approximately 31% of the total market capitalization of the Russell 1000® companies (Source: http://www.ftserussell.com). Performance results in presentations prior to January 1, 2002 were measured against the S&P 400® Index. From January 1, 2002 through January 1, 2008 performance results were primarily measured against the Russell Midcap® Index. The benchmark was changed to be more representative of the composite strategy and style. Information regarding the S&P 400® Index is available upon request.

**Fee Information**
The annual fee schedule for institutional clients is 75 bps (0.75%) on the first $100 million and 60 bps (0.60%) on the balance over $100 million. The annual fee schedule for retail clients is 100 bps (1.00%) on the first $1.5 million, 85 bps (0.85%) on the next $8.5 million, and 70 bps (0.70%) on the balance over $10 million. Fees are billed or charged to the account in arrears, at one quarter of the annual rate, on a quarterly basis - or as applicable based on the average month-end values for each of the three months comprising a quarter. Actual investment advisory fees incurred by clients will vary.

# GIPS Report

## US Mid Cap Growth

**Basis of Returns**
Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Composite returns are net of transaction costs and reflect the reinvestment of dividends and other earnings. Gross composite returns do not reflect the deduction of investment advisory fees. Net composite returns reflect the deduction of actual investment advisory fees. Actual advisory fees vary among clients invested in the strategy. Actual performance results may differ from composite returns depending on the size of the account, investment guidelines and/or restrictions, fee schedules and other factors. Prior to January 1, 2000, net returns were calculated using the highest fee per the fee schedule in the ADV Part 2 which was 1.0%. Past performance is not indicative of future results.

**Composite Dispersion**
The annual composite dispersion presented is an asset-weighted standard deviation calculated for the accounts in the composite the entire year. Composite Dispersion is based on gross of fees performance.

**3-Year Ex-Post Standard Deviation**
The three year annualized standard deviation measures the variability of the composite gross return and the benchmark return over the preceding 36-month period.

**GIPS Policies and Procedures**
The Firm maintains a complete list of composite descriptions, which is available upon request. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.

**Composite Creation Date**
The US Mid Cap Growth composite creation date is January 1, 1988.

**Composite Inception Date**
The US Mid Cap Growth composite inception date is December 31, 1987.

**Composite Currency**
The U.S. Dollar is the currency used to express performance.

**GIPS Registered Trademark**
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**Important Information**
All investments involve risk, including possible loss of principal. **Past performance is no guarantee of future results.** The value of an investment and the income from it can fall as well as rise and you may not get back the amount originally invested. Nothing in this document is intended to or should be construed as advice. This document is not a recommendation to sell or purchase any investment.

**Portfolio Management Changes**
Effective July 10, 2017; Michelle Picard retired and left Geneva Capital Management and Jose Munoz was promoted from Senior Analyst to Portfolio Manager.
Effective October 22, 2018; Amy Croen retired and left Geneva Capital Management.

# Economic and Investment Outlook

## Statement of Purpose

Geneva Capital Management (or "Firm") prepares an Economic and Investment Outlook ("EIO") on a quarterly basis. The purpose of the EIO is to communicate the views and opinions held by the Firm's Investment Team ("the Team") at a particular time regarding current and future economic and market trends. The views expressed in the EIO may change as new information becomes available to the Team. Clients and prospects of the Firm may receive the EIO as a reference for understanding the Firm's intermediate and long-term outlook. This process has been in place since the inception of the Firm.

The EIO includes commentary, charts and graphs that are produced either internally or sourced from outside research organizations. The Firm carefully reviews all external source material used in the EIO and believes the information to be reliable; however, we cannot guarantee the accuracy or completeness of external data. Views expressed in the EIO should not be interpreted as a recommendation to buy or sell a particular security or type of securities and any forward looking views or statements may not come to pass. Current and prospective clients may obtain additional information about the Firm in our Form ADV brochure. A copy is available upon request.

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Past performance is no guarantee of future results. Investing involves risk, including the possible loss of principal and fluctuation of value.

Geneva does not consider tax implications when making investment decisions, the strategy is generally tax efficient due to Geneva's low turnover rate. Geneva will take specific steps to achieve tax efficiency if directed by the client.