

**PORTFOLIO MANAGER: MARK WYNEGAR**
**FIRST QUARTER 2019**

	Quarter	Year To Date	1 Year	3 Years	Since Inception*
Tributary Capital Management (Gross of Fees)	12.0%	12.0%	5.8%	12.5%	8.8%
Tributary Capital Management (Net of Fees)	11.8%	11.8%	4.9%	11.5%	7.8%
S&P 500 Index	13.7%	13.7%	9.5%	13.5%	10.1%
Russell 3000 Index	14.0%	14.0%	8.8%	13.5%	9.7%
Russell 3000 Value Index	11.9%	11.9%	5.3%	10.5%	6.7%

\*Inception: 12/31/2014

## PORTFOLIO REVIEW

The S&P 500's total return of +13.7% in the first quarter of 2019 fell short of the broader Russell 3000 benchmark's total return of +14.0%. Small cap companies outperformed in the first quarter, with the Russell 2000 providing a total return of +14.6%. The value side of the market underperformed growth this quarter, with the Russell 3000 Value rising +11.9%, while the Russell 3000 Growth increased +16.2%. The equal-weight S&P 500 rose +14.9% in the quarter.<sup>1</sup>

Since the 2018 fourth quarter market low on December 24th, the S&P 500 has risen +21.2%, which is comparable to the +21.7% return for the Russell 3000. Both indexes still stand a bit below their level on September 20th, which was the peak for the S&P 500 before the year end sell-off. At the end of the first quarter, the S&P 500 is -2.3% below its September 20th level, and the Russell 3000 remains down -2.9%.<sup>1</sup>

The strongest Russell 3000 sector in the first quarter was information technology, which rose +21%. This was followed by real estate, energy, and industrials (all up +17%). Lagging sectors this quarter included healthcare (+8%), financials (+9%) and utilities (+11%).<sup>1</sup>

The All Cap Portfolio's first quarter total return of +12.0% fell short of both the S&P 500 and the Russell 3000. The market had a clear growth tilt in the quarter, as it recovered from the steep losses in the closing months of 2018, which provided a headwind for our more value-oriented and quality company driven investment approach. From an absolute return perspective, the portfolio's strongest sectors in the first quarter were industrials, information technology and energy. The portfolio's holdings in the industrial sector outpaced the Russell 3000 sector, while information technology and energy marginally underperformed. In addition, while the portfolio's consumer staples holdings provided a lower return in an absolute sense, they exceeded the return from the respective benchmark sector.<sup>1</sup>

Offsetting these results were lower absolute returns from portfolio holdings in the materials, healthcare, financials and consumer discretionary sectors. All four sectors underperformed their respective benchmark sectors as well. The portfolio ended the quarter with 7.7% in cash.

From an absolute return perspective, both the All Cap Portfolio and the market generated returns in the first quarter at a pace that will be difficult to maintain for the duration of the year. A more accommodative Fed was a key ingredient to the first quarter recovery, but as we look forward, we anticipate a heightened focus on the economic backdrop and corporate earnings growth.

## PORTFOLIO CHANGES

There were no portfolio additions during the first quarter. There were three eliminations during the quarter. *General Electric* was sold from the portfolio in January. Optimism surrounding the strategy of new CEO, Larry Culp, and a guarded belief that financial results may have bottomed, led to a rally in GE shares. Uncertainty regarding a long-term turnaround for GE remains, so we used the opportunity to sell the position. *Multi-Color Corporation* was sold from the portfolio in February. Following some recent operational struggles and a sizable acquisition, the producer of labels for consumer products received an all cash bid to be acquired by Platinum Equity Partners. *Schlumberger* was sold from the portfolio in March. The provider of global oilfield services has recently experienced weak demand in its international markets, and we felt more attractive risk/return opportunities existed in other energy holdings.

## TOP CONTRIBUTORS

**Multi-Color Corporation**, a producer of labels for consumer products companies, received an all cash bid to be acquired by Platinum Equity Partners. We subsequently sold the stock.

**MTS Systems**, a manufacturer of test systems and sensors, beat earnings per share expectations and posted record backlog.

**General Electric** rallied from recent lows due to optimism over new CEO Larry Culp's business plan. We subsequently sold the stock.

**Cisco Systems**, a provider of networking hardware and services, posted sales and earnings that beat expectations based on a favorable IT/networking environment. The company also provided guidance for next quarter that surpassed expectations.

**Target Corporation** reported strong fourth quarter same-store sales growth as its in-store and online initiatives continue to be well-received by consumers. Additionally, the company provided better-than-expected initial 2019 guidance.

## TOP DETRACTORS

**AMN Healthcare** is a provider of temporary healthcare workers and healthcare workforce management solutions. In late 2018, the stock performed well as the company reported strong travel nurse volumes and announced several new managed service provider contract awards. However, results released in February 2019 fell short of expectations due to IT system issues within their physician placement business and near term weakness from a large customer in

**PORTFOLIO MANAGER: MARK WYNEGAR****FIRST QUARTER 2019**

the temporary nurse business.

**Markel**, an underwriter of specialty insurance, has encountered issues with an insurance-linked securities subsidiary. These issues, related to loss reserving practices, resulted in Markel taking a full write-down of its goodwill associated with this business.

**Dorman Products**, a manufacturer of replacement parts and fasteners for cars, light trucks and heavy duty trucks, reported better-than-expected revenue and earnings, but 2019 guidance fell below expectations.

**DowDuPont** is involved in the chemicals, specialty materials and agricultural markets industries. Recent results and projections have been below expectations, as the company works toward breaking into three independent companies.

**Walt Disney Company** is completing its acquisition of certain assets of Twenty-First Century Fox and is investing heavily in a direct-to-consumer media platform that is expected to launch later this year.

<sup>1</sup> Factset Research Systems

*The performance numbers shown above are for the Tributary All Cap Equity Composite and are expressed in U.S. dollars. The composite includes all discretionary accounts with an initial market value of \$500,000 that are generally invested in the All Cap Equity Strategy. The inception date of the All Cap Equity Composite is December 31, 2014. S&P 500 is a basket of 500 stocks that is weighted by market value, and its performance is thought to be representative of the stock market as a whole. The Russell 3000 Index measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market. The Russell 3000 Value Index measures the performance of the broad market value segment of the U.S. equity market. The Russell 3000 Growth Index includes companies that display signs of above average growth. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. It is not possible to invest directly in the S&P 500, Russell 3000 Index, the Russell 2000 Index, the Russell 3000 Value Index, or the Russell 3000 Growth Index.*

*Net performance is reported using the standard management fee schedule and transaction costs. Capital gains and dividends are reinvested for performance calculations. It should not be assumed that an investment in securities identified was or will be profitable or that the investment decisions we make in the future will be profitable or will equal the performance of the securities discussed herein. Holdings are subject to change. The holdings identified do not represent all of the securities purchased, sold or recommended for the portfolio. The holdings listed should not be considered recommendations to purchase or sell a particular security. The "Top Contributors" and "Top Detractors" represented are based on contribution to portfolio return. To obtain the contribution calculation methodology and a complete list of every holding's contribution to the overall portfolio's performance during the quarter, please contact [clientservices@tributarycapital.com](mailto:clientservices@tributarycapital.com). Sector performance in commentary is stated gross of fees.*

*Tributary, an SEC Registered Investment Adviser, is the combined entity of the prior Tributary (formed Jan. 1, 2005) and First Investment Group (formerly a department of First National Bank of Omaha) which merged in May 2010. This event constituted a change in ownership only, as the investment strategies and personnel remained the same for each of the prior firms. Tributary is a wholly owned subsidiary of First National Bank, a wholly owned subsidiary of First National of Nebraska, Inc. and manages mutual funds and equity and balanced portfolios. Tributary Capital Management, LLC ("Tributary") claims compliance with the Global Investment Performance Standards (GIPS®). A fully compliant presentation can be requested by emailing [clientservices@tributarycapital.com](mailto:clientservices@tributarycapital.com).*

*Comments are provided as general market commentary and should not be considered investment advice or predictive of any future market performance.*

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