

Positive Stock Selection vs. the Benchmark

The Munder Multi-Capitalization Strategy generated a 1.07% total return (Gross) for the quarter, marginally below that of the Russell 3000® Index. While stock selection was strong, sector allocation and style factors dragged on relative performance. An underweight to defensive sectors (Utilities, Real Estate, and Consumer Staples) contributed most of the negative sector allocation effect. With regard to style factors, the Strategy's positive exposures to beta and momentum were the main detractors. Finally, it was strong returns in Consumer Discretionary and Energy that drove positive stock selection, overcoming some selection challenges in Industrials this quarter.

Top/Bottom Performing Sectors

We had broad-based outperformance within Consumer Discretionary this quarter, but an outsized portion of our positive excess return was generated by our position in Target Corp., the U.S.-based general merchandise retailer with ~1,800 stores nationally. The company is one of the few winners in an otherwise tough retail environment, recently posting a strong beat-and-raise quarter highlighted by strong same-store sales and double-digit EPS growth. In Energy, our positions within the refining industry drove most of our outperformance. Demand and prices for refined products have held up reasonably well in the United States, while cash flow and capital allocation stability also improve the attractiveness of the group relative to other Energy industries. At the same time, weakening global growth continues to weigh on the demand outlook for crude oil, and we have generally seen disappointing production results coupled with higher-than-expected capex spending within the exploration & production space.

Selection in Industrials was challenged this quarter, with most of our underperformance related to our position in Comfort Systems, a business services provider focused on HVAC, fire protection, electrical systems, and plumbing. The company reported a disappointing quarter and reset revenue and gross margin expectations. Given the challenging manufacturing backdrop (affecting the company's largest end market), coupled with weak Architecture Billings Index (ABI) readings, we believe business momentum will be challenged over the near term and exited our position.

Top/Bottom Performing Stocks

On an individual basis, the Strategy's top-performing stocks in the third quarter included Cabot Microelectronics, a leading global supplier of chemicals (polishing slurries) and equipment (CMP pads) used in chemical mechanical planarization (i.e., increasing the flatness or planarity of the surface of a semiconductor) during semiconductor manufacturing, and Target Corp., discussed earlier. Cabot shares traded higher (along with other semiconductor capital equipment names) as investors speculate on a reacceleration in semiconductor capex due to both technology transitions and cyclical factors (improving cloud/data center demand, normalized inventory levels).

Two of our weakest stocks this quarter were Comfort Systems, discussed earlier, and Medifast, Inc., a manufacturer and distributor of health products and programs including weight loss/weight management plan OPTAVIA. Despite reporting a beat-and-raise quarter, Medifast shares underperformed after management gave disappointing 3Q guidance. Importantly, we believe shares are being unduly punished as 1) full-year guidance was increased, and 2) third quarter margins are being impacted by higher convention spend (a reflection of business success) and temporary costs associated with an ERP implementation.

Positioning/Outlook

At quarter end, the Strategy had overweight allocations to the Technology, Consumer Discretionary, and Communication Services sectors. Within Technology, our largest active industry weights are in system software, distribution, and data processing. In Consumer Discretionary, our biggest active weights are in automotive retail, general merchandise retail, and housing. In Communication Services we have large overweights in interactive media and wireless telecommunications. We maintained underweight allocations to the Utilities, Health Care, Real Estate, and Materials sectors, as well as a more modest underweight in Financials. Overall, the style had positive exposure to growth, earnings yield, and highly profitable companies.

The Munder Multi-Capitalization Strategy continues to focus on companies that we believe have superior earnings growth, return on invested capital, and positive earnings/price momentum combined with a reasonable valuation over a wide spectrum of market capitalizations. We are confident that this combination of characteristics positions the Strategy for strong competitive performance. These are the characteristics that have historically contributed to the Strategy's successful long-term record, and we firmly believe they will continue to serve our investors well.

Top 5 Contributors (% Rep. Account)	
Apple Inc.	0.53
Target Corporation	0.37
Alphabet Inc. Class A	0.34
Asbury Automotive Group, Inc.	0.25
Home Depot, Inc.	0.22
Top 5 Detractors (% Rep. Account)	
Comfort Systems USA, Inc.	-0.27
Amazon.com, Inc.	-0.25
Anthem, Inc.	-0.24
Cisco Systems, Inc.	-0.21
Facebook, Inc. Class A	-0.20

Source: FactSet.

Top 10 Holdings (Rep. Account)	Sector
Microsoft Corporation	Information Technology
Apple Inc.	Information Technology
Alphabet Inc. Class A	Communication Services
Facebook, Inc. Class A	Communication Services
Amazon.com, Inc.	Consumer Discretionary
Comcast Corporation Class A	Communication Services
Lockheed Martin Corporation	Industrials
AbbVie, Inc.	Health Care
CVS Health Corporation	Health Care
CDW Corp.	Information Technology
Total % of Portfolio	28.17%

ANNUALIZED RETURNS

Investment Performance (%)	QTR	YTD	1-YR	3-YR	5-YR	10-YR	Since Inception
Multi-Capitalization Composite (Gross)	1.07	18.09	-0.23	11.75	9.59	14.30	10.76
Multi-Capitalization Composite (Net)	0.84	17.27	-1.17	10.70	8.61	13.43	9.96
Russell 3000® Index	1.16	20.09	2.92	12.83	10.44	13.08	9.49
Russell 3000® Growth Index	1.10	22.75	2.70	16.37	13.07	14.74	10.28

Source: Zephyr.

*Since inception results are as of July 1, 2003.

Past performance cannot guarantee future results. Investing involves risk, including the possible loss of principal and fluctuation of value. Returns greater than one year are annualized. Returns are expressed in U.S. dollars. Composite returns are net of transaction costs and gross of non-reclaimable withholding taxes, if any, and reflect the reinvestment of dividends and other earnings.

Gross-of-fees returns are presented before management and custodial fees but after all trading expenses. The composite net-of-fees returns shown reflect gross performance less actual investment management fees. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. The firm's fees are available on request and may be found on Part II of its Form ADV.

The Munder Multi-Capitalization Composite includes all fee-paying, non-wrap discretionary portfolios of \$100,000 or more that are managed according to the Munder Multi-Capitalization strategy. The strategy focuses on companies with above-average earnings growth and strong earnings momentum, combined with reasonable valuations and strong investor sentiment.

Characteristics, Top Ten Holdings and Sector Diversification source: FactSet Research Systems, Inc. The top ten holdings and sector diversification are presented to illustrate examples of the portfolio's investments and may not be representative of the portfolio's current or future investments.

Holdings are as of quarter end and may change at any time. This material should not be construed as a recommendation to buy or sell any security.

Information relating to portfolio holdings is based on the representative account in the composite and may vary for other accounts in the strategy due to asset size, client guidelines and other factors. The representative account is believed to most closely reflect the current portfolio management style.

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