SaratogaRIM

2020 Quarterly Report

July 10, 2020

Q2

Time Flies

Market Statistics						Source: FactSet (June 30), Federal Reserve, * Spot prices (June 30)	
Stocks		**Yields (%)**				**Commodities**	
DJIA	25,812.88	Fed Funds	0.25	US Tr. 3-Y	0.18	Baltic Dry Index	1,799
P/E ratio	18.34	Disc. Rate	0.25	US Tr. 5-Y	0.28	Gold ($/oz)	1,793
S&P 500	3,100.29	Libor 1-Mo	0.16	US Tr. 10-Y	0.65	Silver ($/oz)	17.85
P/E ratio	21.47	US Tr. 1-Y	0.17	US Tr. 30-Y	1.41	Crude ($/bbl)* (NYM Light Sweet Crude)	39.27

SARATOGA RESEARCH & INVESTMENT MANAGEMENT

EST. 1995

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Letter to Investors

Time flies. It's up to you to be the navigator.
– **Robert Orben**

These days everyone has the same data regarding the present and the same ignorance regarding the future. – **Howard Marks**

Friday, May 1st was our firm's 25th birthday. I (virtually) celebrated with my other 19 teammates through our computer screens – a 2020 social norm that we, like many others, quickly became accustomed to during the early stages of "shelter in place." While aspects of this year have certainly been unique, during our video call, I couldn't help but to reflect on the past. Almost since day one it's been a wild ride, featuring the rise of day-trading into the dot.com bubble and burst, the 2007-09 financial crisis, the longest bull market of all time, and two wicked bears that more than chopped the market in half, with lots of other twists and turns along the way. We've faced each challenge head-on and transparently. I can't say it's always been fun, but we've come out the back end of every downturn stronger than we entered them. I'm immensely proud of our accomplishments over our first quarter century, but even more so I'm energized by the future.

Having also just celebrated *my* 58th birthday while still sheltered in my basement, one thing that's recently occurred to me is that time flies, whether you're having fun or not. It seems like only yesterday that I was reading about young day-traders bidding profitless stocks up to the stratosphere and thinking to myself, "this is going to end badly." Oh, wait…that *was* yesterday.

And yet, central bankers, Jerome Powell front and center, must be looking at each other with satisfaction given the early evidence of their successes. Specifically, a tightening of credit spreads on junk bonds from a high of 1,100 basis points all the way down to 600 and a 40% (plus) rally in the S&P 500 off the March 23rd low, which elevated that index all the way back into the black for the year (at least momentarily) and to within 5% of the February 19th all-time high. Who would've thunk? Then again, given that the monetary response in the wake of COVID-19 was orders of magnitude larger than the palliatives administered during any previous crisis, maybe it's just par for the course.

Wall Street's cheerleaders like to coin clever names for whatever's working at the time, such as the Carry Trade and the Momentum Trade. In the wake of the last financial crisis, Risk-On and Risk-Off became popular. Now, the flavor of the day is the QE Trade – which translates to "buy everything regardless of valuation." And why not? It's certainly worked since March 23rd. Even better though has been the Deep Junk Trade. The logic there is to buy only those companies least likely to survive – the death row of the market, so to speak. In a June 17th S&P analysis from the March 23rd lows through June 8th, the stocks of a representative sample of 30 companies rated single B plus and below (read: the junkiest end of junk) posted average gains of 108.5%, besting the 74.6% gain in the stocks of double B plus to double B minus rated companies – the "quality" end of junk – if there is such a thing. Furthermore, four of these "death row" stocks tripled over that ten-week period and eleven more of them doubled. In the less junky group, only six doubled, and none tripled. Forgive me for going cross-eyed; I've seen a lot of crazy things in my time, but some of the things I'm seeing these days really take the cake.

Future Perfect

I've always said that the only thing I know for sure about the future is that I don't know for sure what's going to happen. Howard Marks also said something to the effect that while you may not know where you're going, you better know where you are. So, where are we?

Today we're dealing with a massively expensive market propped up more by leverage, policy stimulus, momentum and hope than anything truly fundamental. Looking beyond the spectacular stock market rally, the vistas still look very challenging: I see economic, financial, social and political problems that are far from being understood by the market or anyone else for that matter. On a global basis, over just the last couple months we've seen hits to employment, industrial production and supply chains around the world like nothing ever seen in history. Yes, parts of the economy seem to be bouncing back just as rapidly as they collapsed, but to what levels? It seems likely that disruptions in some sectors may cause prolonged, if not permanent, impairment to various types of businesses and sectors of our economy. The next phase could just as easily be defined by an avalanche of defaults, bankruptcies and second- or third-order economic effects as by the sharp and full recovery markets seem hell-bent on pricing in.

In February, our economy officially entered a recession. It could be sharp and short or long and deep; only time will tell. From my vantage, COVID-19 seems far from being behind us. Consequently, the odds of a full V-shaped recovery being ahead of us seem highly improbable. That this recession is already severe is, I think, understood by most. Yet, its potential magnitude and duration appear vastly underestimated to me. The catalyst for the recent turmoil – a novel coronavirus – exposed fragility, excesses and various other longer-term problems in our economic, financial and social systems that had accumulated below the surface over the last decade. Globally, total debt relative to economic output measured at the onset of the pandemic was more than twice where it had been going into the 2007-09 financial crisis. Entire industries (both cyclical and noncyclical) systematically incentivized to leverage up and buy back stock rather than investing in their businesses or saving for a rainy day came right to the brink of collapse before being rescued by the Federal Reserve.

Pre-pandemic stock market valuations were as expensive as they'd ever been. Today, the juxtaposition between job losses concentrated in lower-income sectors of the workforce and the breathtaking market rebound that has benefited wealthier Americans exposes wealth inequality now at a level historically correlated with social unrest. Coming into this mess, the median U.S. household had less than $400 saved up for emergencies, and more than 40% of all Americans were already living paycheck-to-paycheck. For the time being, at least, markets seem unconcerned about what could happen later when the economy eventually comes off life support.

As 2020 dawned, not a single economic or market forecaster projected anything close to our current mid-year reality. Remember, economic forecasting is often a fool's errand even in the best of times; with the fate of our economy now almost entirely dependent on how the pandemic evolves, predictions are meaningless.

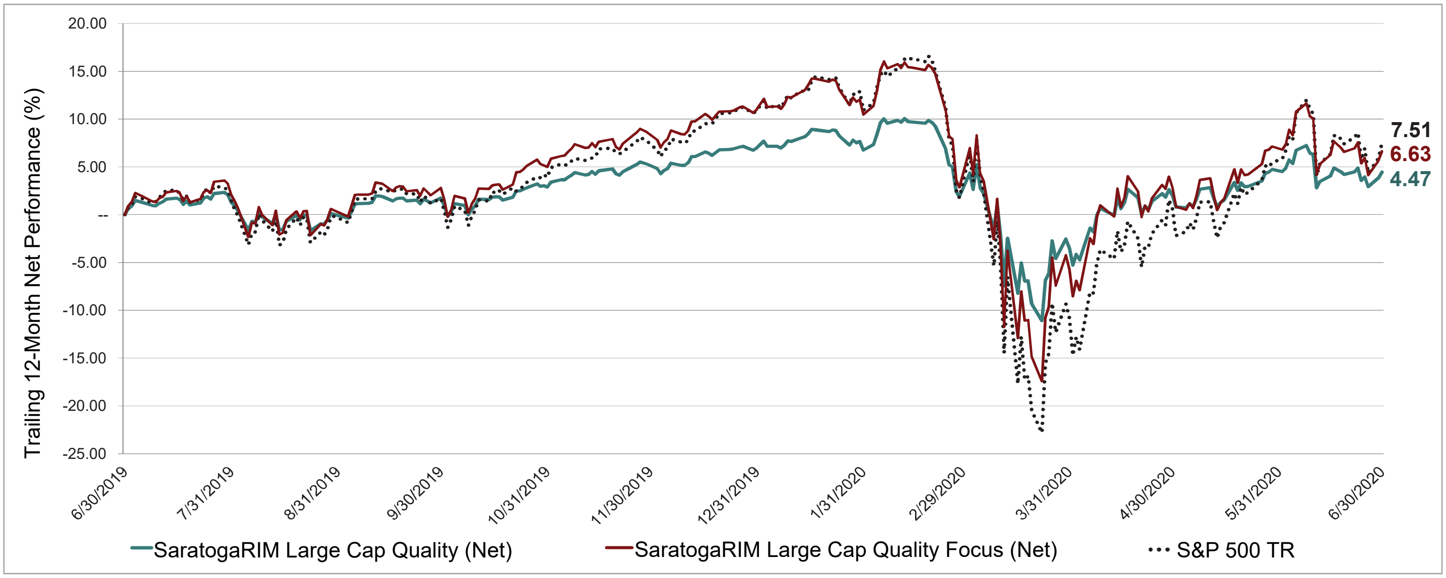
Unfortunately, one of the few things we can say definitively is that the probability of a very bad economic outcome, whether "W", "L", "K", reverse square root or any other shape heretofore unknown to finance or the alphabet, is much more material today than would normally be the case. Usually, we can think of true economic disasters as tail events. You recognize that they're highly improbable but can't entirely dismiss the potentiality. In normal times, most people usually feel pretty safe just assuming they won't happen. Given that today's reality is anything but normal, that's simply not a safe assumption.

Central banks acted with force and purpose to at least temporarily plug gaping holes in credit markets and prop up asset prices in their latest attempts to "save the world." I'm concerned that their interventions have resulted in a dangerous market environment where speculative instincts have been emboldened. Confidence in the infinite capabilities of the Fed's printing press, and willingness to use it as a backstop, has soared to new heights. Combined with a true "fear of missing out" and the absence of any attractive investment alternatives (TINA), the cumulative effect is that greed has replaced fear and future returns have once again been pulled forward into the present. How long the current state of affairs will persist is anyone's guess. Today's inflated market prices imply valuation levels likely to produce very low future returns by historical standards. In many cases, future expected returns seem wholly inadequate to compensate for the risks that will be required to earn them.

History's Prism

Completely ignoring any potential future inflationary ramifications, we're also asked to ignore questions of how massive fiscal and monetary excesses now being piled on top of those al-

Fig. 1: SaratogaRIM Large Cap Quality & Focus vs. S&P 500 TR Trailing 12-Months (6/30/19 - 6/30/20)



Source: FactSet, SaratogaRIM. Past investment results are not a guarantee of future results. All charts are presented as supplemental data. Data presented net-of-fees. See full disclosures at the end of this report.

Investment Results: *Over the 12 months that ended June 30th, net of fees, the SaratogaRIM Large Cap Quality and Large Cap Quality Focus composites gained 4.47% and 6.63% respectively. Over the same period, the S&P 500 Total Return Index rose 7.51%. Our results were consistent with what we would expect at this phase in the economic and market cycles. 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.*

ready built up over a decade of extraordinarily loose monetary policy will eventually be addressed. And we don't know whether that process might happen soon in the forms of austerity and/or tax hikes, or begin many years into the future as an increased burden we'll hand to younger generations. For now, just as a thought exercise, turn back the clock twelve months and ask yourself these questions: What is different today compared to twelve months ago? Has consumer behavior changed over the last year? Is the job market healthy, and are we still at 50-year lows in unemployment? Are supply chains intact? Have aggregate corporate earnings held up? Can future earnings still be expected to propel underlying intrinsic values along the past decade's growth track?

The answers are obvious. We're living in a vastly different world than the one we inhabited a year ago, and not for the better. Yet the market is currently behaving as if nothing noteworthy has changed, and as I write, market valuations are more expensive than ever. Take a look at the performance chart depicting how the S&P 500 has traded over the trailing twelve months (Fig. 1). I hope you find it hard to make sense of. I do. Nothing I've said, or am about to say, changes what we do or how we do it. My warning is simply that we are WAY down the rabbit hole here. Roughly six years ago, in Q1 2014, I wrote an essay comparing the world we were living in to *The Matrix*, where market prices had detached from underlying fundamental reality. Maybe I've just been stuck down in my basement for too long, but it's hard for me to look at that S&P 500 chart while thinking about our new economic reality – contrast it against market psychology – and not feel apprehensive. *Agents are coming*.

It's a fact that nothing has been "normal" on Wall Street for a long time. But today, our predicament seems outright abnormal. Never before has a pandemic forced entire economies around the world into simultaneous shut down; never before have we seen the type of cumulative monetary and fiscal responses that we have; never before has a recovery from a truly global recession been so dependent on overcoming a non-economic variable like a novel coronavirus. Consequently, expectations based on what happened last time or what might normally be expected to happen seem, at best, shortsighted. No one can be certain to what extent further coronavirus spread will hamper recovery efforts.

Viewed through the long prism of history, investors should caution against reading today's market rally as some sort of all clear signal. The secular bear market of the 1930s featured no less than six equally spectacular rallies, each of which were ultimately followed by new lows. It's worth noting that never once in history has the market fallen from a peak so deep into bear territory and not re-tested its lows after the first bounce – no matter how high it bounced! Could today's market be the exception? Of course it could; the future hasn't been written yet, and hope always springs eternal. But then again, hope has never been a reliable strategy.

In the following essay, our own Robert Meng reviews four metrics recently highlighted in a *Wall Street Journal* article examining how investment returns should be evaluated on a risk-adjusted basis. Spoiler Alert: SaratogaRIM's historical performance ranks near the top for each of the metrics emphasized (though past performance is no guarantee of future results). Robert touches on important pitfalls investors commonly make and how they can better factor risk into their evaluation of investment results.

Plain and simple, it's our job to protect the hard-earned savings that our clients have entrusted us with, and to deliver the downside performance characteristics they hired us for. My most important job at this point in my career is to never let my team forget that. So long as we never let our guard down and always take care of the downside first, the upside ultimately takes care of itself.

It's been my privilege to lead this firm through its first 25 years. Looking back, especially given the challenging environments we've faced, I'm very proud of our cumulative track record and I hope to extend it long into the future. By far, though, my greatest source of pride stems from watching my team progress every year; there's just nothing better than working with smart, highly motivated people who are eager to learn. I'm fortunate to have surrounded myself with a bunch of them.

– Kevin Tanner

Risk Metrics — Four Different Perspectives
By Robert Meng

Concerns about risk seem to proliferate when markets fall into disarray. The likely explanation is that most investors become complacent and pay too little attention to risk in the later stages of bull markets, then hyper-focus on it during shocks, downturns and crises. Call it short-termism, myopia, human nature – behavioral finance categorizes these traits under the recency bias. A younger version of Warren Buffett once advised against this type of thinking. "The most common cause of low prices is pessimism – sometimes pervasive, sometimes specific to a specific company or industry. We want to do business in such an environment," Buffett famously noted, "not because we like pessimism but because we like the prices it produces. It's optimism that is the enemy of the rational buyer." While there is never a bad time for investors to consider their risk exposure, it is best to do it after markets have risen sharply, not after they've crashed.

On May 3rd, the *Wall Street Journal* published an article on how investors can gauge investment risk more comprehensively. Entitled "4 Different Ways to Think about Investment Risk," it cites data overload and the tendency to fixate on recent returns as elements that undermine proper risk evaluation among investors. Author Suzanne McGee suggests four time-tested metrics to help "balance impressive historic returns against the risks these gains will evaporate" during upheavals like the current COVID-19 pandemic.

We appreciate Ms. McGee's premise, and more importantly, pride ourselves on always taking the risk-reward dynamic seriously. In this essay, we'll work through the four frameworks outlined in her article to illustrate how the Quality and Focus versions of our investment approach stack up against the broader market and our peers. Our philosophy rests on the understanding that long-term investment success, measured over full market cycles, demands an asymmetrical approach to risk versus reward. Our defense-first approach strives to minimize the types of risk we believe most destructive, and our yardstick for success is measured not by what Seth Klarman calls “the quarterly performance derby” but over years or decades of risk-adjusted returns. For two decades, we have ranked in the upper-most echelon of our peer group in the very risk-based performance measures McGee highlights.

To be sure, investors must factor in risks that come in various forms, and one methodology certainly does not fit all. In a recent memo, Oaktree Capital’s Howard Marks urged investors to consider the “twin risks: the risk of losing money and the risk of missing opportunity” when determining what their “normal balance” between offense and defense should be. For SaratogaRIM, our balance has always tilted towards defense. “Protect the downside and the upside will take care of itself” is a motto Kevin has instilled in the firm. Underpinning this is our view that participating in losses when markets fall to a significantly smaller extent than we participate in gains when markets rise leads to superior long-term, risk-adjusted returns. Our track record has demonstrated this to be the case. Marks, too, understands this dynamic. “The road to long-term investment success runs through risk control more than through aggressiveness,” he asserts.

The Risk-Reward Lexicon

Uncertainty is a constant: most great investors know what they don’t know – and make preparing for the unknown a foundation of their strategies. In part, that means working to disempower the innate human tendency to assume that the immediate future will probably look something like the recent past (COVID-19 has taken a wrecking ball to this heuristic, illustrating that even the fringiest of outlier events sometimes do happen). Investors are told time and again that past performance is no guarantee of future returns, yet how all of us contemplate (or anticipate) the future is still inevitably colored by the past. As Mark Twain put it, “History doesn’t repeat itself but it often rhymes.”

A useful tool to gauge the risk of future uncertainty is standard deviation. This measure is used to estimate a range of potential future outcomes with probabilities assigned based on the frequency of historical observation. Because historical data is easily available and measurable, standard deviation is academia’s preferred measure of risk, determined by quantifying the observed variance (volatility) of returns around an average. The higher the standard deviation, the wider the range of potential future outcomes (both positive and negative) that can be expected. By this measure, the more volatile returns are anticipated to be, the riskier an investment (or manager) is deemed to be.

Usually, the range of potential outcomes is assumed to be normally distributed along a bell-shaped curve, with higher probability outcomes clustered towards the middle of the bell and the lower probability outcomes scattered toward the curve's tails. Low probability negative (positive) outcomes are captured on the left (right) tail. It's important to note that as conditions change dramatically from normal environments on which standard deviation rests, the chances of extreme outcomes become more consequential, leading to fat tails forming. In his book *The Black Swan*, Nassim Nicholas Taleb illustrates these tail risks as being greater than implied by historical observation alone. Just because something didn't happen doesn't mean it couldn't have happened. To be sure, Taleb's “black swans” – the extremely rare, high impact events that are predictable only after the fact – indiscriminately expose all of us. Even so, certain risk-adjusted return measures can help assess how well managers have faced them.

Four Metrics

Many of you will be familiar with some of the risk methodologies used below. As in the *Wall Street Journal’s* analysis, they include the Sharpe and Sortino Ratios, Downside Capture, and Morningstar’s Rating system. These methodologies add value by providing different but helpful performance information on a risk-adjusted basis. We believe they should be viewed together over full market cycles, measured peak-to-peak or trough-to-trough. The more cycles observed, the better to determine a manager’s consistency over time through various different types of market environments. The winning track records that matter most are measured over decades, rather than months, quarters or even years.

In addition, we believe performance should be weighed based not only on whether a manager beats their benchmark on a long-term basis over full market cycles, but also by how well he or she stacks up against peers. Perhaps even more importantly, we think any manager's performance should be examined relative to the expectations they set for clients – which is really about honest, detailed communication before any investment is ever made. Lastly, strong emphasis should be placed on how well a manager protects capital during severe market downturns and periods of extreme volatility.

Below we summarize each methodology, explain how they are calculated and examine how our strategies have scored compared to their benchmark (the S&P 500) and their peer group (U.S. Large Cap separate account managers tracked by Morningstar) over their respective lifespans. Our strategies include SaratogaRIM Large Cap Quality (Quality), commenced on March 1, 2000, and SaratogaRIM Large Cap Quality Focus (Focus), launched on September 1, 2014.

SHARPE RATIO — Developed by William Sharpe, a Nobel Laureate in the field of economics, this metric depicts a manager's ability to generate incremental returns per additional unit of risk taken as measured by standard deviation. The ratio is calculated by using, in the numerator, returns in excess of the risk-free rate (commonly the interest rate on the 90-day U.S. Treasury bill), then dividing by the standard deviation of those returns. As you'll recall, standard deviation measures the variance of a manager's performance around its historical average over the period measured, usually calculated on a monthly basis. The higher the Sharpe ratio, the better the risk-adjusted returns.

Quality since inception has achieved one of the finest risk-adjusted returns in the industry. As a matter of fact, as of Q1 2020, over its 20-plus year history, Quality's Sharpe ratio of 0.78 ranked first for risk-adjusted return (gross of fees) out of all 487 U.S. Large Cap separate account managers in Morningstar's database with track records dating back to Quality's inception date. Net of fees, Quality ranked second out of 490 peers with a Sharpe ratio of 0.70. For comparison, the median Sharpe ratio for Quality's peer group was 0.38 gross of fees and 0.32 net of fees, while the S&P 500 gener-

Fig. 2a: Quality (LCQ) Sharpe Ratio: Standard Deviation vs. Annualized Excess Return Relative to Benchmark & Peer Group (3/1/2000 - 3/31/2020)

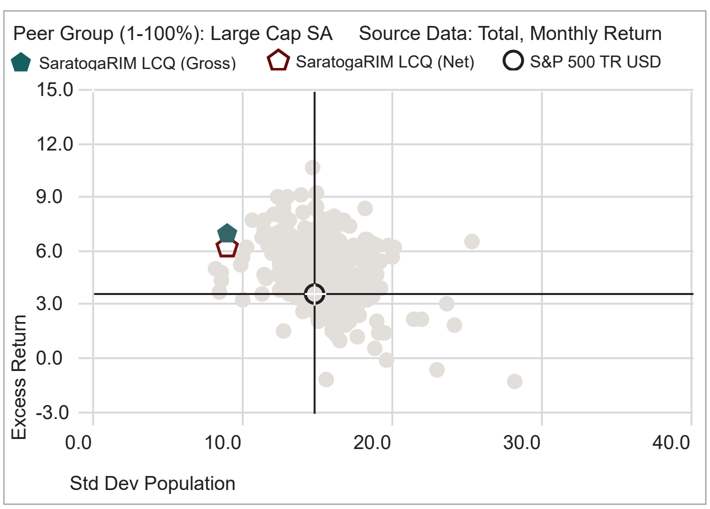
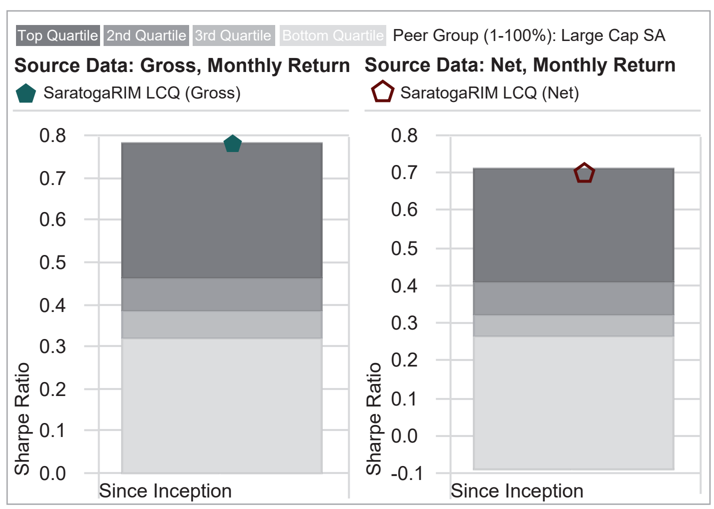


Fig. 2b: Quality (LCQ) Sharpe Ratio Relative to Peer Group (3/1/2000 - 3/31/2020)



Source: Morningstar, SaratogaRIM. Past investment results are not a guarantee of future results. All charts are presented as supplemental data. Results of Morningstar's calculations may vary slightly from SaratogaRIM's own reported statistics due to rounding. Peer group displays data reported to Morningstar by 7/7/2020. Time Period: 3/1/2000 - 3/31/2020; Gross Peer Group Count: 487; Net Peer Group Count: 490. Gross-of-fees returns are calculated gross of any management, custodial, external consultant or advisory fee but net of transaction costs. Application of management fees reduces gross performance. Net-of-fees returns are calculated net of actual management fees but still gross of any custodial, external consultant or advisory fees. Management fees vary by client type; composite returns presented on a net basis should not be interpreted as any one client's net returns. See full disclosures at the end of this report.

Fig. 2c: Focus (LCQF) Sharpe Ratio: Standard Deviation vs. Annualized Excess Return Relative to Benchmark & Peer Group (9/1/2014 - 3/31/2020)

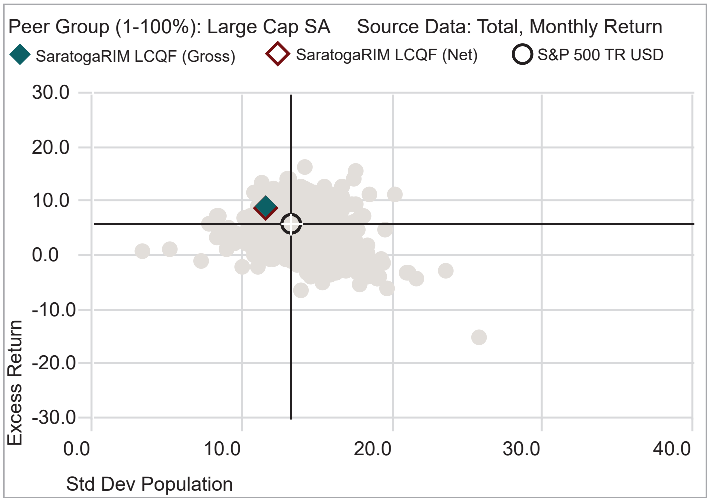
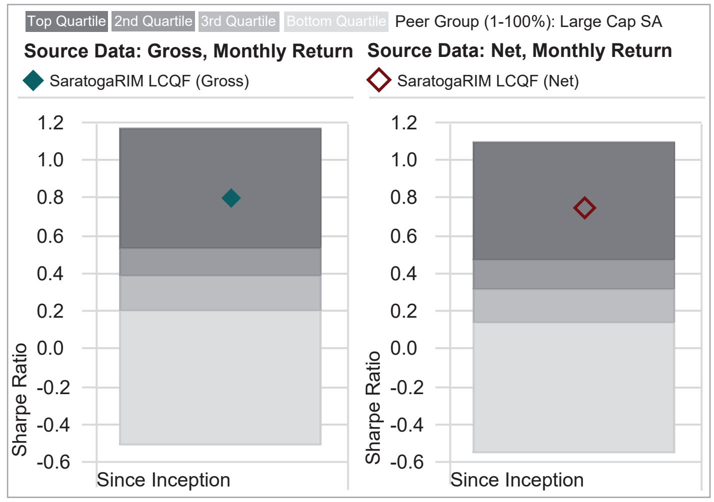


Fig. 2d: Focus (LCQF) Sharpe Ratio Relative to Peer Group (9/1/2014 - 3/31/2020)



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ated a Sharpe ratio of 0.31 over that same time period (See Fig 2a & 2b).

Since its inception, Focus has achieved a Sharpe ratio of 0.80 gross of fees, and 0.76 net of fees, placing Focus in the top 3% of its peer group which includes 1,398 U.S. Large Cap separate account managers in Morningstar's database with track records that go back at least to Focus's inception date on a gross of fees basis, and 1,400 managers on a net of fees basis. The median Sharpe ratio for Focus's peer group was 0.39 gross of fees and 0.31 net of fees compared to 0.49 for the S&P 500 index over that same period (See Fig. 2c & 2d. Full manager lists available upon request).

SORTINO RATIO — Named after economist and current managing director of the Pension Research Institute, Frank A. Sortino, this metric uses the same numerator as the Sharpe ratio (excess return, or the difference between a manager's actual returns and the risk-free rate). But instead of using standard deviation in the denominator, Sortino opted for downside deviation. Downside deviation captures all of the instances when a manager's returns fall into negative territory. A higher Sortino ratio equates to a manager having more success in delivering incremental returns for the additional *downside volatility* risk taken. In other words, it's excess return per unit of "downside volatility."

Since inception, Quality ranked #1 on a gross of fees basis with a Sortino ratio of 1.29, and #2 net of fees, with a ratio of 1.13. For comparison, the median ratio for Quality's peer group was 0.54 gross of fees and 0.45 net of fees, while the S&P 500 generated a Sortino ratio of 0.42 over the same time period (See Fig. 3a & 3b). Since its inception, Focus produced a Sortino ratio of 1.24 gross of fees and 1.16 net of fees, besting more than 97% of its peers. The S&P 500's Sortino ratio was 0.67 over that same period, while the median Sortino ratio for Focus's peer group was 0.53 gross of fees and 0.42 net of fees (See Fig. 3c & 3d).

DOWNSIDE CAPTURE — Downside capture is a key indicator for determining how well a manager protects assets in down markets. It is calculated by dividing a manager's monthly performance by the benchmark's return during all periods when the benchmark is in the red. A score of 100 means the manager is losing as much as its benchmark; scores *below* 100 indicate the manager is losing *less* than its benchmark, while scores above 100 indicate the manager is losing more relative to its benchmark during down markets.

Since inception, Quality had a downside capture ratio of 43.35 gross of fees, and 44.95, net of fees, placing it second in both categories of all managers in Morningstar's coverage universe with track records that go back that far.

Fig. 3a: Quality (LCQ) Sortino Ratio: Downside Deviation vs. Annualized Excess Return Relative to Benchmark & Peer Group (3/1/2000 - 3/31/2020)

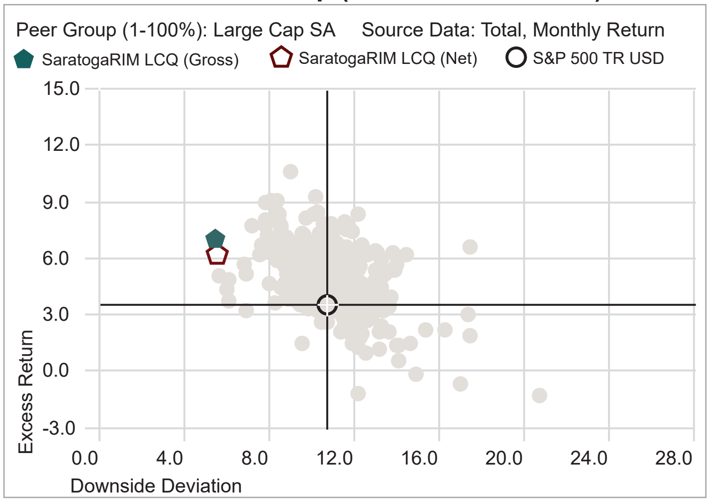

Fig. 3b: Quality (LCQ) Sortino Ratio Relative to Peer Group (3/1/2000 - 3/31/2020)

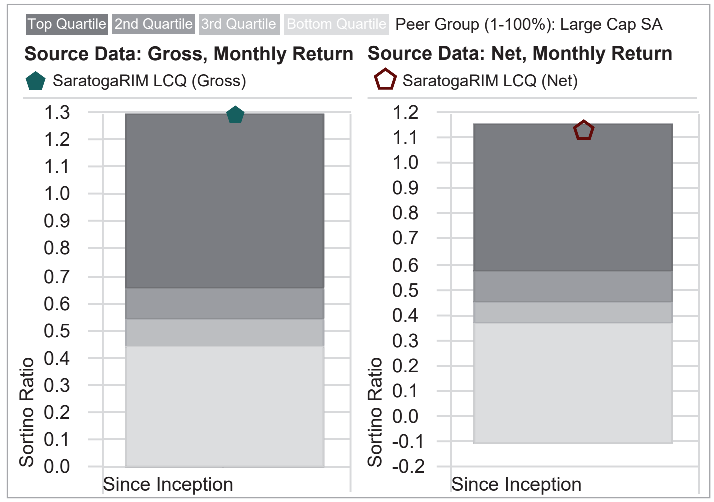

Fig. 3c: Focus (LCQF) Sortino Ratio: Downside Deviation vs. Annualized Excess Return Relative to Benchmark & Peer Group (9/1/2014 - 3/31/2020)

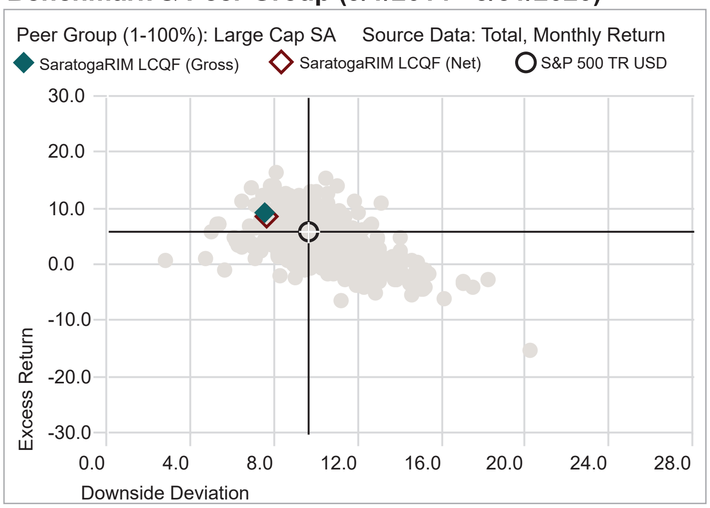

Fig. 3d: Focus (LCQF) Sortino Ratio Relative to Peer Group (9/1/2014 - 3/31/2020)

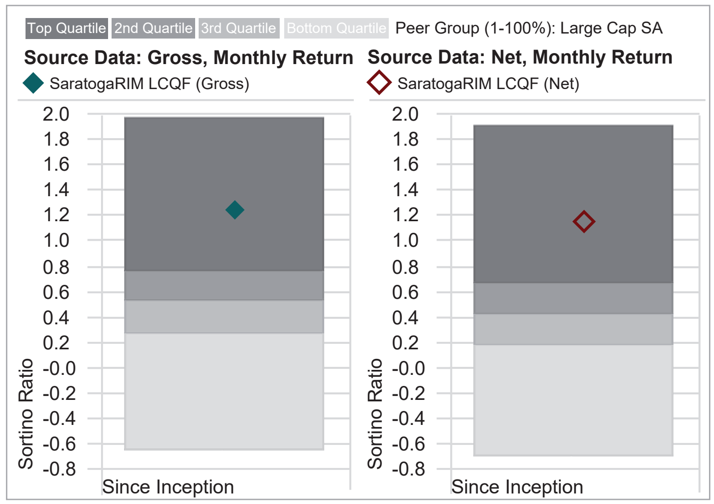

Fig. 4a: Quality (LCQ) Downside Capture: Market Capture Relative to Benchmark & Peer Group (3/1/2000 - 3/31/2020)

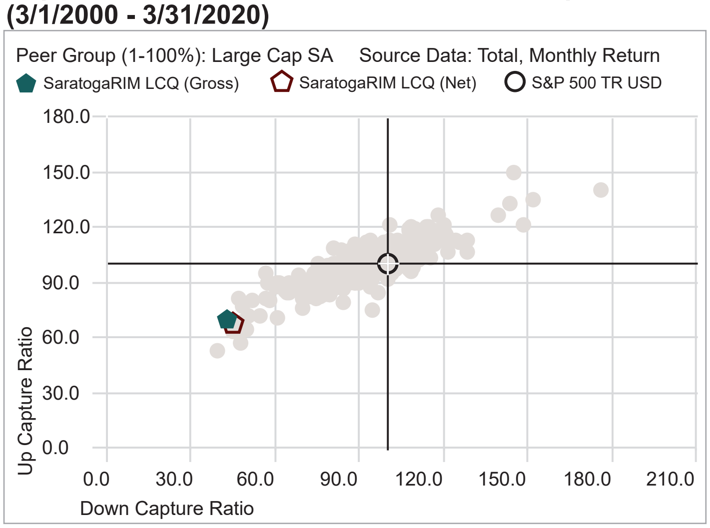

Fig. 4b: Quality (LCQ) Down Capture Ratio Relative to Peer Group (3/1/2000 - 3/31/2020)

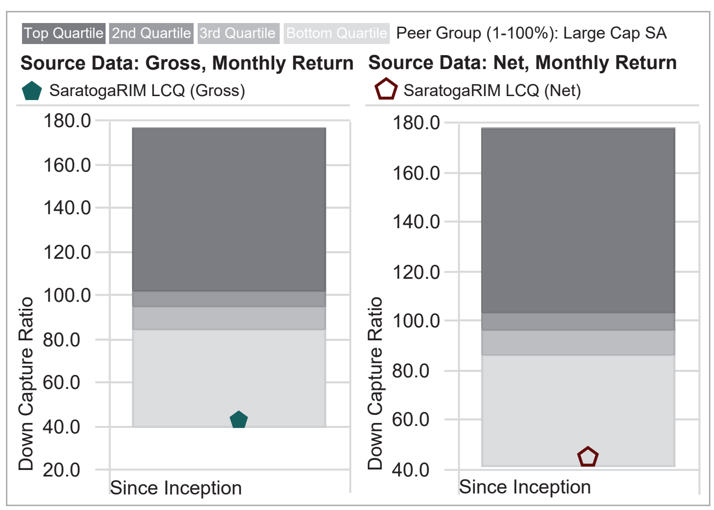

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Fig. 4c: Focus (LCQF) Downside Capture: Market Capture Relative to Benchmark & Peer Group (9/1/2014 - 3/31/2020)

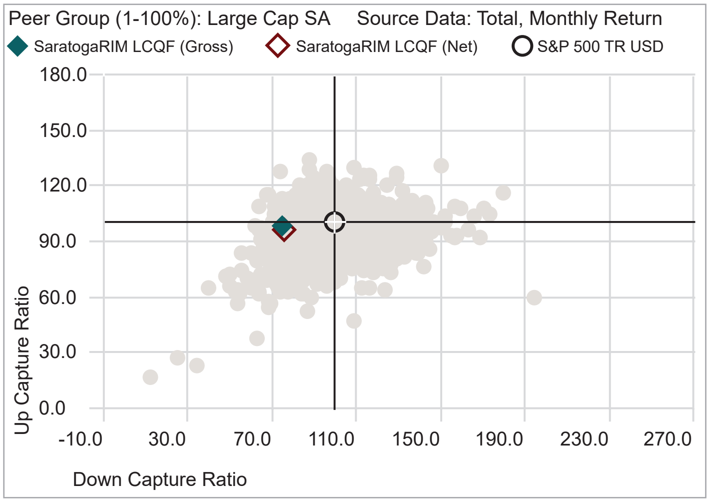
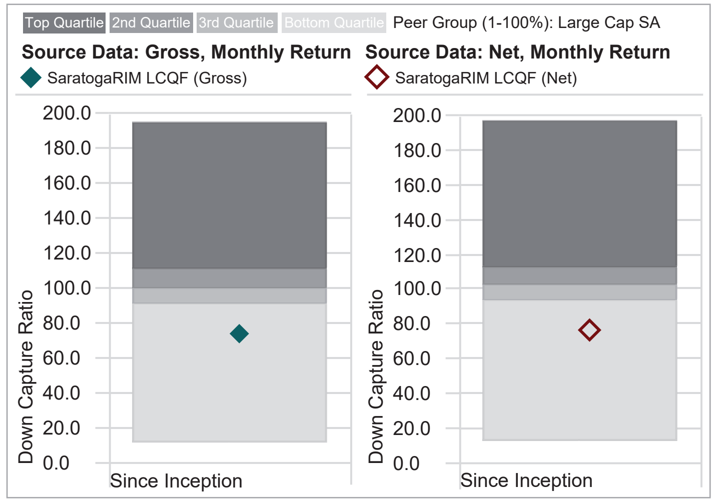


Fig. 4d: Focus (LCQF) Down Capture Ratio Relative to Peer Group (9/1/2014 - 3/31/2020)



Source: Morningstar, SaratogaRIM. Past investment results are not a guarantee of future results. All charts are presented as supplemental data. Results of Morningstar's calculations may vary slightly from SaratogaRIM's own reported statistics due to rounding. Peer group displays data reported to Morningstar by 7/7/2020. Time Period: 9/1/2014 - 3/31/2020; Gross Peer Group Count: 1,398; Net Peer Group Count: 1,400. Gross-of-fees returns are calculated gross of any management, custodial, external consultant or advisory fee but net of transaction costs. Application of management fees reduces gross performance. Net-of-fees returns are calculated net of actual management fees but still gross of any custodial, external consultant or advisory fees. Management fees vary by client type; composite returns presented on a net basis should not be interpreted as any one client's net returns. See full disclosures at the end of this report.

Over that same time frame, the median downside capture ratio for Quality's peer group was 94.42 gross of fees and 96.19 net of fees (See Fig. 4a & 4b). Over its lifetime, Focus had a downside capture ratio of 75.00 gross of fees, and 76.42 net of fees, placing it in the top 6% of its peer group on a gross of fees basis, and top 5% net of fees. The median downside capture ratio for Focus's peer group was 100.56 gross of fees and 102.27 net of fees (See Fig. 4c & 4d).

MORNINGSTAR RATING — Morningstar, a Chicago-based independent investment firm, provides fundamental research and ratings for an extensive universe of individual securities, investment funds and managers. Morningstar's Ratings measure how managers have performed on a risk-adjusted basis against their category peers. "*It is meant to be a starting point for investors to quickly and easily identify managers worthy of further research*," the firm says. Morningstar relies on its own risk methodology to calculate a fund's risk-adjusted return, "*based on expected utility theory, which recognizes that investors are generally risk-adverse and willing to give up a portion of expected return in exchange for greater certainty of return.*"

Morningstar calculates the Morningstar Risk-Adjusted Return based on a manager's total returns, adjusted for the risk-free rate and Morningstar's proprietary measure of risk. Essentially, Morningstar modifies the concept of standard deviation by placing more weight on downside variation and less on upside variation. A "risk penalty" is then subtracted from each manager's total return, based on these adjusted variation levels. The greater the variation, the larger the penalty.

Morningstar assigns each manager an overall star rating from 1-5 (5 being the best) as well as separate underlying performance and risk ratings so investors can better compare two strategies that may have the same overall rating. Morningstar's risk scores range from 1-5, the lowest being the best in terms of risk. Managers ranked 1 fall in the bottom 10% of their peer group and receive a designation of "low risk," 2 is the next 22.5% and receives "below average risk," 3 is the next 35% and receives "average risk," 4 is the next 22.5% and receives "above average risk," and 5 is the top 10% and receives "high risk." Performance ratings are in reverse order, with 1 being the worst and 5 being the best. Separate ratings are given for each 3-year, 5-year, 10-year return periods when applicable, and weighted averages are used for all overall ratings.

Quality received an overall 4-star rating (Fig. 5a), a risk score of 0.71 and a "low risk" rating

(Fig. 5b). Focus received an overall 5-star rating (Fig. 5c), a risk score of 1.70 and a “below average risk” rating (Fig. 5d).

(Essay continues on the following page.)

Fig. 5a: Morningstar Overall Star Rating - SaratogaRIM Large Cap Quality through 3/31/2020

Star	Percent	Rating	Overall	3-Year	5-Year	10-Year
5	Top 10%	High		5	5	
4	Next 22.5%	Above Average	4			
3	Next 35%	Average				3
2	Next 22.5%	Below Average				
1	Bottom 10%	Low				

Fig. 5b: Morningstar Risk Rating - SaratogaRIM Large Cap Quality through 3/31/2020

Score	Percent	Risk Rating	Overall	3-Year	5-Year	10-Year
1	Top 10%	Low Risk	0.71	0.77	0.63	0.73
2	Next 22.5%	Below Average Risk				
3	Next 35%	Average Risk				
4	Next 22.5%	Above Average Risk				
5	Bottom 10%	High Risk				

Source: Morningstar, SaratogaRIM. All tables are presented as supplemental data. Past investment results are not a guarantee of future results. Fig. 5a & Fig. 5b compare the SaratogaRIM Large Cap Quality strategy to other funds in Morningstar’s Large Cap Blend category, as of 3/31/2020. Overall Count: 555; 3-Year Count: 555; 5-Year Count: 486; 10-Year Count: 363. See full disclosures at the end of this report

Fig. 5c: Morningstar Overall Star Rating - SaratogaRIM Large Cap Quality Focus through 3/31/2020

Star	Percent	Rating	Overall	3-Year	5-Year
5	Top 10%	High	5	5	5
4	Next 22.5%	Above Average			
3	Next 35%	Average			
2	Next 22.5%	Below Average			
1	Bottom 10%	Low			

Fig. 5d: Morningstar Risk Rating - SaratogaRIM Large Cap Quality Focus through 3/31/2020

Score	Percent	Risk Rating	Overall	3-Year	5-Year
1	Top 10%	Low Risk			
2	Next 22.5%	Below Average Risk	1.70	1.94	1.54
3	Next 35%	Average Risk			
4	Next 22.5%	Above Average Risk			
5	Bottom 10%	High Risk			

Source: Morningstar, SaratogaRIM. All tables are presented as supplemental data. Past investment results are not a guarantee of future results. Fig. 5c & Fig. 5d compare the SaratogaRIM Large Cap Quality Focus strategy to other funds in Morningstar’s Large Cap Blend category, as of 3/31/2020. Overall Count: 555; 3-Year Count: 555; 5-Year Count: 486. See full disclosures at the end of this report.

Defensive by Design

Our investment process seeks to narrow the range of potential outcomes we experience as investors, especially as it pertains to the downside. While past performance doesn't guarantee future results, based on the above metrics, we believe our scorecard speaks for itself. In part, this outcome stems from how we protect on the downside against extreme left-tail risk. We've accomplished this by intentionally seeking to avoid the sources underpinning that risk: excessive leverage, business model risk, and valuation risk. Our quantitative analysis helps us avoid investing in the types of highly leveraged and capital-intensive businesses most vulnerable to extreme deflationary and inflationary environments, respectively. At the same time, our valuation work has helped us avoid paying too much when we buy and recognize when we should be reducing exposure to risk. In our opinion, these disciplines have helped us avoid the type of risk we're most concerned with – the risk of permanent loss of capital, precisely as our process was built to do.

We begin by only investing in what we deem to be the highest quality companies – by our definition. All constituents of our investable universe share a set of common characteristics we select for: stable business models, strong balance sheets, the propensity to generate persistently above-average profitability and robust cash flow over full market cycles. These are the businesses that can be best expected to weather financial storms and capitalize on what we believe are durable competitive advantages likely to perpetuate well into the future.

Valuation plays another critical role in our process. We build two models for every potential investment candidate: a discounted cash flow analysis using realistic ranges of assumptions and a risk-adjusted return analysis model, which provides a minimum acceptable risk-adjusted expected return or "hurdle rate." Together, these models guide our buy/sell decisions by establishing adequate margins of safety. We demand sufficient compensation for the risks we assume, and we won't compromise. In Quality, we'll allow cash to accumulate rather than chase yields or accept anticipated future returns that wouldn't adequately compensate for the risks. This also facilitates a reserve function and optionality as accumulated cash is readily deployable when future opportunities present themselves. In Focus, given its cash constraints, we set position sizes based on risk/reward profile with the most attractive candidates receiving the largest position size weightings. In all cases, we're mindful that even great businesses can prove lousy investments if you pay too much.

Our performance characteristics show reduced portfolio volatility and greater protection during market downturns. In return for this protection, we accept that we tend to underperform somewhat during up markets, particularly with our Quality strategy as cash will dilute underlying stock performance in rising markets. In a way, our process has natural hedging properties; by giving up some of the potential upside gains experienced by the overall market, we reduce our exposure to loss. In statistical terms, this is equivalent to cutting off the left and right tails of the curve. Over time, this has enabled us to maximize the powers of compounding. In doing so, it has also enabled us to generate highly favorable risk-adjusted returns over the long term.

In April, Berkshire Hathaway's Charlie Munger compared his company's founder, Warren Buffett, to the "captain of a ship when the worst typhoon that's ever happened comes." He said Buffett "wants to keep Berkshire safe for people who have 90% of their net worth invested in it." To achieve that, Munger continued, "We will be fairly conservative, and we'll emerge on the other side very strong." Kevin has always thought about our Quality strategy in the same way, and while Focus is essentially fully-invested by mandate, it still shares many of the characteristics that have helped us manage risk and protect our investors. Whether optimism or pessimism is the prevailing sentiment, we always take the risk-reward dynamic seriously and have studied history to help guide us. While the future is unknowable, we understand that "black swan" events can and do happen and when they do, can destroy years, even decades of accumulated wealth. That's why we strive to never let our guard down. ■

SaratogaRIM Large Cap Quality

Composite Statistics

Q2 2020

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 (LCQ) - Snapshot

Name	SaratogaRIM Large Cap Quality
Manager Name	Kevin Tanner
Inception Date	2/29/2000
Firm Total Assets	$ 2,328,382,000
Strategy Assets	$ 1,379,287,000
GIPS Compliance	Yes
GIPS Compliance Date	12/31/2019

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.

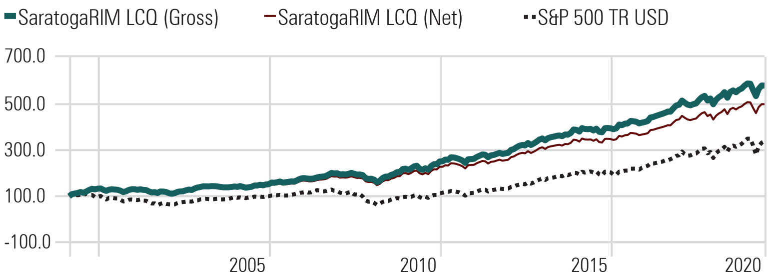
Investment Results As of Date: 6/30/2020

	1 Year	3 Years	5 Years	7 Years	10 Years	15 Years	Since Inception
SaratogaRIM LCQ (Gross)	5.03	8.21	8.52	8.84	10.44	9.88	9.00
SaratogaRIM LCQ (Net)	4.47	7.63	7.94	8.25	9.83	9.14	8.20
S&P 500 TR USD	7.51	10.73	10.73	12.13	13.99	8.83	6.16

Investment Growth Relative to Benchmark*

Time Period: 3/1/2000 to 6/30/2020

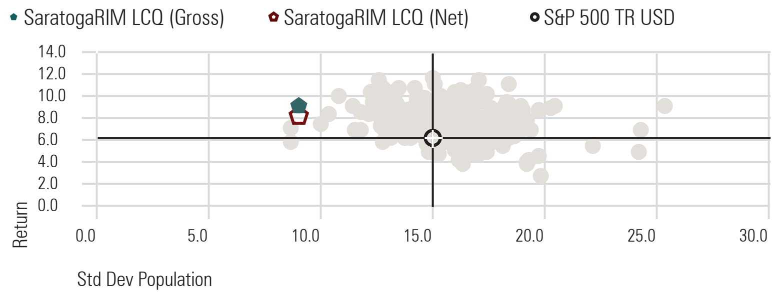
Source Data: Total Return



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

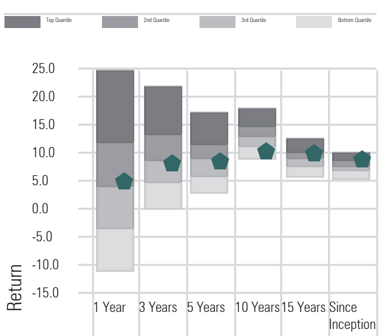
Time Period: 3/1/2000 to 6/30/2020

Peer Group (1-100%): Large Cap SA   Source Data: Total Return

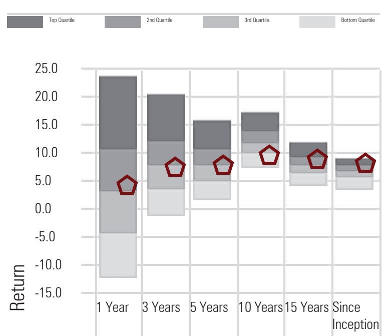


Investment Results Relative to Peer Group* As of Date: 6/30/2020

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



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

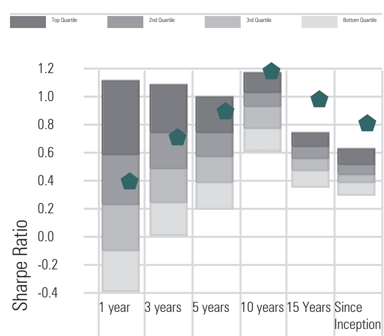


• SaratogaRIM LCQ (Gross)   • SaratogaRIM LCQ (Net)

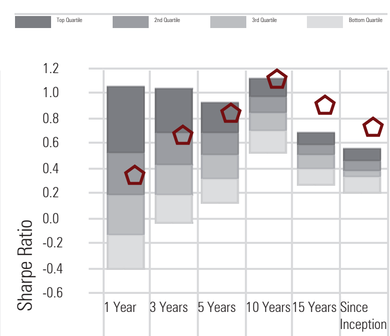
Gross Net	1 Year (Gross)	1 Year (Net)	3 Years (Gross)	3 Years (Net)	5 Years (Gross)	5 Years (Net)	10 Years (Gross)	10 Years (Net)	15 Years (Gross)	15 Years (Net)	Since Inception (Gross)	Since Inception (Net)
SaratogaRIM LCQ	**5.03**	4.47	**8.21**	7.63	**8.52**	7.94	**10.44**	9.83	**9.88**	9.14	**9.00**	8.20
Median	**4.11**	3.17	**8.67**	7.78	**8.82**	7.81	**12.96**	11.91	**8.88**	7.95	**7.52**	6.67
Average	**5.01**	4.05	**9.44**	8.43	**9.13**	8.11	**13.08**	12.04	**8.94**	7.92	**7.62**	6.65
Count	**1,314**	1,317	**1,251**	1,254	**1,129**	1,131	**896**	897	**682**	686	**373**	375
Std Dev	**11.63**	11.52	**6.71**	6.68	**4.33**	4.36	**2.84**	2.97	**2.06**	2.21	**1.41**	1.61
5th Percentile	**24.57**	23.48	**21.73**	20.40	**17.05**	15.82	**17.96**	17.21	**12.60**	11.76	**9.94**	8.99
25th Percentile	**11.71**	10.80	**13.23**	12.27	**11.54**	10.66	**14.70**	13.87	**10.20**	9.22	**8.69**	7.90
50th Percentile	**4.11**	3.17	**8.67**	7.78	**8.82**	7.81	**12.96**	11.91	**8.88**	7.95	**7.52**	6.67
75th Percentile	**-3.57**	-4.30	**4.59**	3.50	**5.90**	5.00	**10.98**	9.99	**7.56**	6.42	**6.70**	5.78
95th Percentile	**-10.98**	-11.91	**0.06**	-0.97	**3.08**	1.89	**8.88**	7.38	**5.81**	4.41	**5.47**	3.77

Sharpe Ratio Relative to Peer Group* As of Date: 6/30/2020

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 (Gross)	1 Year (Net)	3 Years (Gross)	3 Years (Net)	5 Years (Gross)	5 Years (Net)	10 Years (Gross)	10 Years (Net)	15 Years (Gross)	15 Years (Net)	Since Inception (Gross)	Since Inception (Net)
SaratogaRIM LCQ	**0.40**	0.35	**0.72**	0.66	**0.91**	0.84	**1.19**	1.12	**0.99**	0.91	**0.82**	0.73
Median	**0.23**	0.19	**0.49**	0.43	**0.58**	0.51	**0.92**	0.84	**0.56**	0.50	**0.44**	0.39
Average	**0.27**	0.23	**0.51**	0.45	**0.58**	0.51	**0.90**	0.84	**0.56**	0.49	**0.45**	0.39
Count	**1,314**	1,317	**1,251**	1,254	**1,129**	1,131	**896**	897	**682**	686	**373**	375
Std Dev	**0.47**	0.47	**0.33**	0.34	**0.25**	0.25	**0.17**	0.18	**0.12**	0.13	**0.10**	0.11
5th Percentile	**1.11**	1.06	**1.09**	1.04	**1.00**	0.93	**1.17**	1.12	**0.75**	0.69	**0.63**	0.56
25th Percentile	**0.58**	0.52	**0.74**	0.69	**0.75**	0.69	**1.03**	0.98	**0.64**	0.59	**0.52**	0.47
50th Percentile	**0.23**	0.19	**0.49**	0.43	**0.58**	0.51	**0.92**	0.84	**0.56**	0.50	**0.44**	0.39
75th Percentile	**-0.10**	-0.14	**0.25**	0.19	**0.38**	0.32	**0.77**	0.70	**0.47**	0.40	**0.39**	0.33
95th Percentile	**-0.38**	-0.41	**0.02**	-0.04	**0.20**	0.13	**0.61**	0.53	**0.36**	0.27	**0.30**	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: 6/30/2020

	LCQ	S&P 500
Consumer Discretionary %	7.25	10.83
Consumer Staples %	12.29	6.97
Energy %	0.00	2.83
Financials %	5.84	10.08
Healthcare %	19.41	14.63
Industrials %	15.47	7.99
Information Technology %	27.93	27.46
Materials %	1.82	2.52
Communication Services %	9.98	10.78
Utilities %	0.00	3.07

Holding Fundamentals*

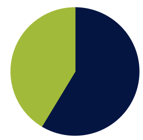
Dividend Yield	1.87
P/E Ratio (TTM)	23.21
P/CF Ratio (TTM)	16.44
P/B Ratio (TTM)	4.29
ROE % (TTM)	30.22
ROA % (TTM)	10.84
Net Margin %	14.59
Est. LT EPS Growth	7.86
Historical EPS Growth	20.35

Market Capitalization*

Average Market Cap (mil)	148,213.54
Market Cap Giant %	68.38
Market Cap Large %	20.55
Market Cap Mid %	11.07

Asset Allocation*

Portfolio Date: 6/30/2020

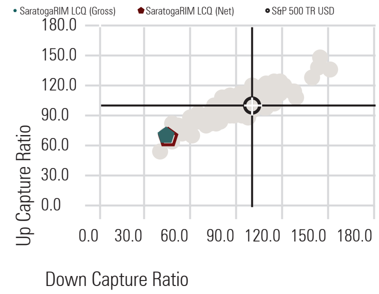


	%
•Stock	58.6
•Bond	0.0
•Cash	41.4
•Other	0.0
Total	**100.0**

Market Capture Relative to Benchmark & Peer Group*

Time Period: 3/1/2000 to 6/30/2020

Peer Group (1-100%): Large Cap SA   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

Year	Gross TWR	Net TWR	S&P 500 Total Return	Median TWR	Standard Deviation	3 Yr Ann Standard Dev Quality Composite	3 Yr Ann Standard Dev 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
06/30/20	-1.52	-1.78	-3.08	n/a	n/a	9.05	16.71	2,507	2.7%	1,379,286,670.19	59.24	3,172	2,328,382,068.74

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, 2019. 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. 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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. 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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

Q2 2020

Saratoga Research & Investment Management
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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	$ 2,328,382,000
Strategy Assets	$ 643,722,000
GIPS Compliance	Yes
GIPS Compliance Date	12/31/2019

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.

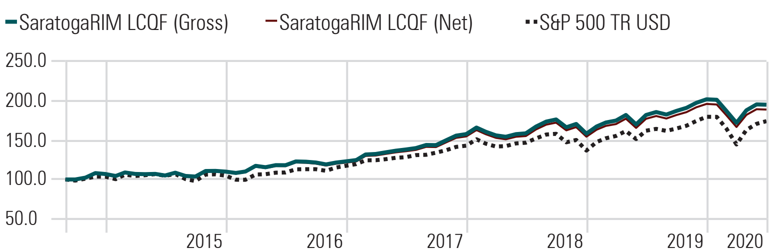
Investment Results As of Date: 6/30/2020

	1 Year	3 Years	5 Years	Since Inception
SaratogaRIM LCQF (Gross)	7.20	12.22	13.20	12.16
SaratogaRIM LCQF (Net)	6.64	11.62	12.58	11.54
S&P 500 TR USD	7.51	10.73	10.73	10.00

Investment Growth Relative to Benchmark*

Time Period: 9/1/2014 to 6/30/2020

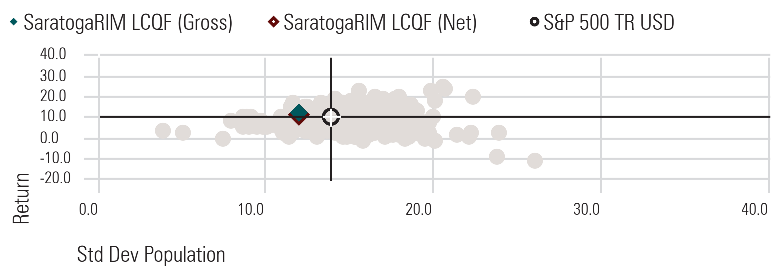
Source Data: Total Return



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

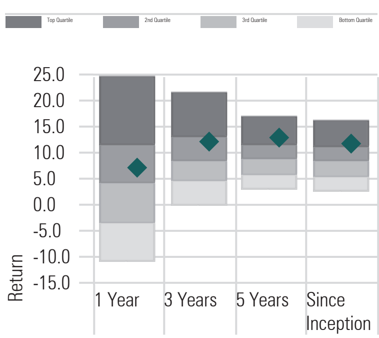
Time Period: 9/1/2014 to 6/30/2020

Peer Group (1-100%): Large Cap SA Source Data: Total Return

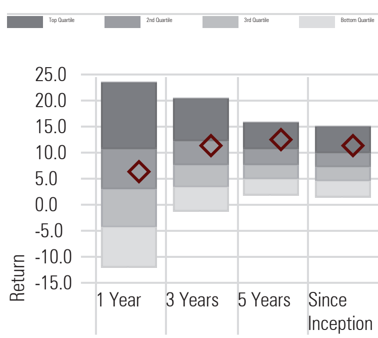


Investment Results Relative to Peer Group* As of Date: 6/30/2020

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



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

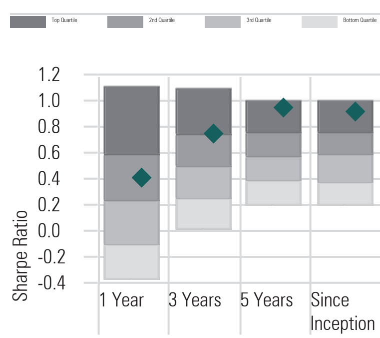


◆ SaratogaRIM LCQF (Gross) ◇ SaratogaRIM LCQF (Net)

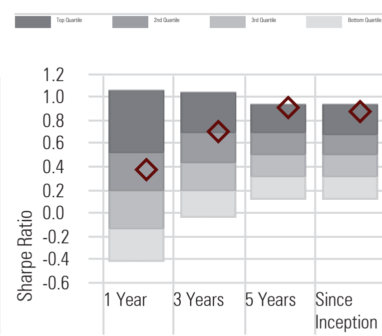
Gross Net	1 Year	3 Years	5 Years	Since Inception
SaratogaRIM LCQF	**7.20** 6.64	**12.22** 11.62	**13.20** 12.58	**12.16** 11.54
Median	**4.11** 3.17	**8.67** 7.78	**8.82** 7.81	**8.43** 7.48
Average	**5.01** 4.05	**9.44** 8.43	**9.13** 8.11	**8.68** 7.67
Count	**1,314** 1,317	**1,251** 1,254	**1,129** 1,131	**1,079** 1,081
Std Dev	**11.63** 11.52	**6.71** 6.68	**4.33** 4.36	**4.14** 4.19
5th Percentile	**24.57** 23.48	**21.73** 20.40	**17.05** 15.82	**16.11** 14.89
25th Percentile	**11.71** 10.80	**13.23** 12.27	**11.54** 10.66	**11.06** 10.13
50th Percentile	**4.11** 3.17	**8.67** 7.78	**8.82** 7.81	**8.43** 7.48
75th Percentile	**-3.57** -4.30	**4.59** 3.50	**5.90** 5.00	**5.59** 4.61
95th Percentile	**-10.98** -11.91	**0.06** -0.97	**3.08** 1.89	**2.85** 1.65

Sharpe Ratio Relative to Peer Group* As of Date: 6/30/2020

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



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



◆ SaratogaRIM LCQF (Gross) ◇ SaratogaRIM LCQF (Net)

Gross Net	1 Year	3 Years	5 Years	Since Inception
SaratogaRIM LCQF	**0.42** 0.39	**0.76** 0.72	**0.97** 0.92	**0.93** 0.89
Median	**0.23** 0.19	**0.49** 0.43	**0.58** 0.51	**0.58** 0.51
Average	**0.27** 0.23	**0.51** 0.45	**0.58** 0.51	**0.58** 0.51
Count	**1,314** 1,317	**1,251** 1,254	**1,129** 1,131	**1,079** 1,081
Std Dev	**0.47** 0.47	**0.33** 0.34	**0.25** 0.25	**0.25** 0.25
5th Percentile	**1.11** 1.06	**1.09** 1.04	**1.00** 0.93	**1.00** 0.94
25th Percentile	**0.58** 0.52	**0.74** 0.69	**0.75** 0.69	**0.75** 0.68
50th Percentile	**0.23** 0.19	**0.49** 0.43	**0.58** 0.51	**0.58** 0.51
75th Percentile	**-0.10** -0.14	**0.25** 0.19	**0.38** 0.32	**0.38** 0.31
95th Percentile	**-0.38** -0.41	**0.02** -0.04	**0.20** 0.13	**0.20** 0.12

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: 6/30/2020

	LCQF	S&P 500
Consumer Discretionary %	6.09	10.83
Consumer Staples %	13.08	6.97
Energy %	0.00	2.83
Financials %	6.45	10.08
Healthcare %	16.68	14.63
Industrials %	18.79	7.99
Information Technology %	26.89	27.46
Materials %	1.72	2.52
Communication Services %	10.29	10.78
Utilities %	0.00	3.07

Holding Fundamentals*

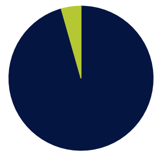
Dividend Yield	1.95
P/E Ratio (TTM)	22.46
P/CF Ratio (TTM)	15.68
P/B Ratio (TTM)	4.19
ROE % (TTM)	31.61
ROA % (TTM)	10.95
Net Margin %	15.26
Est. LT EPS Growth	7.71
Historical EPS Growth	19.31

Market Capitalization*

Average Market Cap (mil)	154,397.21
Market Cap Giant %	67.18
Market Cap Large %	22.47
Market Cap Mid %	10.36

Asset Allocation*

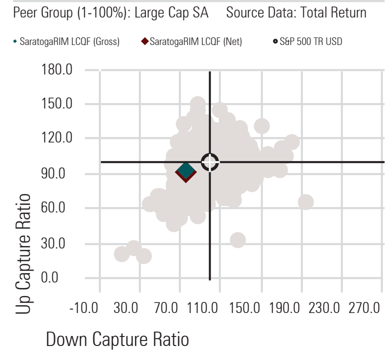
Portfolio Date: 6/30/2020



	%
•Stock	95.6
•Bond	0.0
•Cash	4.4
•Other	0.0
Total	**100.0**

Market Capture Relative to Benchmark & Peer Group*

Time Period: 9/1/2014 to 6/30/2020



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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
06/30/20	-3.41	-3.66	-3.08	n/a	n/a	14.17	16.71	555	0.5%	643,722,455.74	27.65	3,172	2,328,382,068.74

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

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Source: Morningstar Direct, Advent Axys, SaratogaRIM; 7/17/2020

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Figure 5: The Morningstar Rating™ for funds, or "star rating", is calculated for separate accounts with at least a three-year history. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The Morningstar Rating does not include any adjustment for sales loads. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/ 20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. Morningstar rates funds from one to five stars based on how well they've performed (after adjusting for risk) in comparison to similar funds. Within each Morningstar Category, the top 10% of funds receive five stars, the next 22.5% four stars, the middle 35% three stars, the next 22.5% two stars, and the bottom 10% receive one star. Funds are rated for up to three time periods— three-, five-, and 10 years—and these ratings are combined to produce an overall rating. Funds with less than three years of history are not rated. Ratings are objective, based entirely on a mathematical evaluation of past performance. They're a useful tool for identifying funds worthy of further research, but shouldn't be considered buy or sell recommendations. © 2020 Morningstar, Inc. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

For further information or clarification regarding any of the charts or concepts within this report, please email your *specific* questions to sam@saratogarim.com.

Definitions: 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. Sortino Ratio is the excess return over the risk-free rate divided by the downside semi-variance, and so it measures "bad" volatility (volatility caused by negative returns is considered bad or undesirable by an investor, while volatility caused by positive returns is good or acceptable. Up (Down) Market Capture measure relative performance in months which the benchmark generates positive (negative) returns over time. Asymmetry (Overall Capture) Ratio measures the Upside Capture or Downside Capture, with a higher measure reflecting more favorable asymmetry.

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. Gross-of-fees returns are calculated gross of any management, custodial, external consultant or advisory fee but net of transaction costs. Application of management fees reduces gross performance. Net-of-fees returns are calculated net of actual management fees but still gross of any custodial, external consultant or advisory fees. Management fees vary by client type; composite returns presented on a net basis should not be interpreted as any one client's net returns.

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.

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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.

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