

**PERFORMANCE** (AS OF 03/31/2019)

	1Q 2019	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Riverbridge All Cap Growth	<b>15.04%</b>	<b>15.04%</b>	<b>15.32%</b>	<b>17.70%</b>	<b>12.02%</b>	<b>17.42%</b>	<b>11.44%</b>
Russell 3000® Growth	16.18%	16.18%	12.06%	16.40%	13.10%	17.44%	9.27%
S&P 500®	13.65%	13.65%	9.50%	13.51%	10.91%	15.92%	9.44%

*Periods greater than one year are annualized; Performance is gross of fees; See p3 for net of fees; Inception Date: 9/30/1987*

**HIGHLIGHTS**

- Strategy advanced more than 15 percent but slightly lagged benchmark in strong 1Q in which all sectors generated positive returns.
- Our Industrials holdings detracted from relative performance; fundamentally, we believe our Industrials companies are strategically positioned to deliver enduring unit growth and sustainable high returns on invested capital.
- Respectable corporate earnings growth, modest inflation, and an accommodative Federal Reserve provide solid underpinnings for continued market advancement.

**MARKET COMMENTARY**

Equity investors could not have asked for a better start to 2019. All major equity indices appreciated more than ten percent in the opening quarter, and the Federal Reserve, after raising rates four times in 2018, indicated it is unlikely to raise rates at all in 2019. The paradox of market gains against a skeptical global economic backdrop is currently serving as the ideal elixir for market advancement. In the Russell 3000® Growth index, all sectors generated positive returns in the first quarter, led by the Information Technology sector. Returns in the Real Estate and Communication Services sectors also outpaced the broader index. Health Care was the market's worst performing sector, but still advanced nearly nine percent.

**PORTFOLIO COMMENTARY**

The Riverbridge All Cap Growth strategy generated a strong absolute return, advancing more than 15 percent. The strategy slightly lagged its primary benchmark, the Russell 3000® Growth, but outperformed the S&P 500®. After contributing meaningfully to relative performance in 4Q 2018, stock selection in the Industrials sector was a drag on relative performance in the first quarter. Information Technology was the strategy's best performing sector for both absolute and relative returns.

The past two quarters seem to have jolted investors out of a sense of complacency which settled in during a historically long and docile bull market. Despite the strong start to the year, investors do not appear to be overly optimistic; according to Lipper, equity investors made rather large redemptions during the first quarter of 2019. These short-term oriented investors missed the strong

start to the year while also failing to avoid the double-digit declines of the fourth quarter of 2018. In the face of volatility, investors with higher degrees of conviction and patience are generally rewarded. Riverbridge clients were well served by staying the course throughout the turbulence of the past six months.

Riverbridge's consistent performance patterns emanate from an unwavering commitment to investing in high quality companies that meet our timeless investment criteria. Our investment team seeks businesses delivering consistent and sustainable unit growth thanks to a strategic advantage in their marketplace. In our experience, such companies can build their earnings power and intrinsic value at above-average rates regardless of the broader economic environment. Over the course of a full market cycle, owning companies which grow their earnings power faster than their peers has proven to produce portfolios which generate impressive absolute and relative returns.

Equally as important as finding such businesses is remaining invested in them through short-term volatility. One example of this in the All Cap Growth portfolio is Healthcare Services Group, Inc. (HCSG), a provider of housekeeping and dining services to the skilled long-term care facility industry. HCSG carved out a dominant position in its industry as the only national service provider to these facilities. Through efficient labor practices and staffing levels, HCSG drives significant cost savings to its customers, positioning the business to grow sustainably as the long-term care industry continues to outsource non-core functions.

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Recently, HCSG's experienced management team encountered challenges impacting short-term results. First, HCSG grew faster than historical rates in 2017, resulting in decreased margins during 2018 as the company worked to normalize its labor costs at newly won customers. Second, several large HCSG customers encountered significant financial difficulties during 2018, requiring restructured payment terms with several customers and, in a few isolated cases, accounts receivable write-offs.

Despite these short-term challenges, Riverbridge remains confident in HCSG's long-term opportunity to serve an underpenetrated industry with its janitorial and dining expertise at meaningful cost savings to its customers. This is not the first time in the company's 40+ year history HCSG's customers have struggled financially or that a rapid growth in new business has caused short-term margin headwinds. We believe HCSG's deep, long-tenured management team will continue to strengthen the company's strategic position in its market and drive sustainable unit growth.

## OUTLOOK

Corporate profit growth is expected to decelerate in 2019. However, according to FactSet, profits should still grow mid-single digits for the full year. Though trade tensions remain, optimism does exist that the United States and China will ultimately reach some type of trade deal.

The Riverbridge investment team remains resolute in seeking differentiated companies with enduring strategic market positions. Given the tight labor markets, an area of strength is our business services companies. Many of our portfolio companies seek to enable their customers to operate more efficiently. From a customer perspective, this allows for continued growth even in challenging labor markets. These types of companies feature high degrees of recurring revenue and are difficult to displace. In general, our portfolio companies remain well positioned to thrive in the current global economic landscape.

From a broader perspective, the present mix of optimism and skepticism may continue to be a good balance for long-term investors. Investor skepticism serves to prevent equity valuations from becoming extreme and causing highly volatile market swings. Respectable corporate earnings growth, modest inflation and an accommodative Federal Reserve provide solid underpinnings for continued market advancement.

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You should not assume that any discussion or information contained in this commentary serves as the receipt of, or as a substitute for, personalized investment advice from Riverbridge. Performance related information provided in this document is presented as supplemental information to the compliant presentation included herein. A description of our services and fees is included in our Brochure, ADV Part 2, which is available upon request.

## ALL CAP GROWTH COMPOSITE

Year	Gross-of-Fee Return (%)	Net-of-Fee Return (%)	Russell 3000® Growth Return (%)	Portfolios	Dispersion (%)	Composite 3-Year Ex-Post Std. Dev.	Russell 3000® Growth 3-Year Ex-Post Std. Dev.	Composite Assets (\$ Millions)	Firm Assets (\$ Millions)
2018	5.12	4.30	-2.12	117	0.62	13.04	12.29	355.8	4,737.1
2017	25.73	24.78	29.59	96	0.69	10.21	10.62	357.7	5,047.9
2016	6.35	5.52	7.39	93	0.51	11.13	11.34	413.3	4,686.7
2015	5.52	4.68	5.09	89	0.53	10.54	10.80	379.9	5,030.8
2014	4.02	3.14	12.44	83	0.29	10.34	9.74	350.6	5,523.2
2013	37.98	36.86	34.23	68	0.46	11.52	12.49	302.1	5,718.3
2012	14.30	13.50	15.21	61	0.31	14.49	15.99	200.1	3,225.7
2011	4.30	3.33	2.18	59	0.72	17.37	18.17	180.1	2,558.0
2010	21.72	20.67	17.64	44	0.42			113.1	2,495.0
2009	34.60	33.49	37.01	49	1.10			107.4	1,737.1

**Firm Information:** Riverbridge Partners, LLC is a Minnesota based investment advisor registered with the Securities and Exchange Commission under the Investment Advisors Act of 1940. The firm provides investment management services to institutional and individual investors. The company offers growth-oriented investment services by investing in growth equity securities, which it believes will provide high returns over the long term. The firm's standard fee schedule is an annual 1%.

**Composite Characteristics:** The All Cap Growth Composite was created in October 1987. It is a diversified growth stock portfolio invested in growth companies of all market capitalization ranges. A complete list and description of all firm composites is available upon request. The composite benchmark is the Russell 3000® Growth Index. The Russell 3000® Growth Index includes the segment of securities within the Russell 3000® Index with higher price-to-book ratios and higher forecasted growth values. The Russell 3000® Index is an unmanaged index measuring the performance of the broad U.S. equity universe. Prior to 2008, the Russell 2500™ Growth, Russell 1000® Growth, Russell 2000® Growth, and S&P 500® indexes were also shown for general market comparison purposes. The composite minimum value is \$100,000.

**Calculation Methodology:** Valuations and returns are computed and stated in U.S. dollars. Individual portfolios are revalued daily starting 1/1/2009. Prior to that, individual portfolios were revalued monthly and intra-month when large cash flows (defined at 10%) occurred. Gross-of-fee returns are calculated net of transaction costs and gross of management fees. Until 12/31/2007, net performance was calculated by applying the maximum annual management fee of 1% to gross performance on a monthly basis. Starting 1/1/2008, net-of-fee returns are calculated net of actual investment management fees. Both gross-of-fee and net-of-fee returns are calculated gross of all withholding taxes on foreign dividends. Accruals are included in calculations. The dispersion measure is the equal-weighted standard deviation of accounts in the composite for the entire year. Additional information for valuing portfolios, calculating performance and preparing compliant presentations is available upon request.

**Other Disclosures:** Riverbridge Partners, LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Riverbridge Partners, LLC has been independently verified for the periods 12/31/1989 - 12/31/2018. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis, and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The All Cap Growth Composite has been examined for the periods 10/01/1987 - 12/31/2018. The verification and performance examination reports are available upon request. The benchmark returns are not covered by the report of the independent verifiers. Past performance does not guarantee future results. This performance report should not be construed as a recommendation to purchase or sell any particular securities held in composite accounts. Market conditions can vary widely and can result in a loss of portfolio value.

### Performance Disclosures:

- Returns presented within this document are presented for gross-of-fee performance figures, which do not reflect the deduction of investment advisory fees. A client's returns will be reduced by the advisory fees and other expenses incurred in the management of its account. For example, the deduction of a 1% advisory fee over a 10 year period would reduce a 10% gross return to an 8.9% net return. A description of Riverbridge Partners' advisory fees are disclosed on Part 2 of its Form ADV, a copy of which is available upon request.
- Past performance does not guarantee future results.
- Performance results do not reflect the impact of taxes.
- It should not be assumed that account holdings will correspond directly to any such comparative benchmark index.
- Comparative indices may be more or less volatile than Riverbridge portfolios.
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