

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

	1Q 2019	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Riverbridge Mid Cap Growth	18.66%	18.66%	11.16%	14.56%	N/A	N/A	9.27%
Russell Midcap® Growth	19.62%	19.62%	11.51%	15.06%	N/A	N/A	10.49%

*Periods greater than one year are annualized; Performance is gross of fees; See p3 for net of fees; Inception Date: 6/30/2014*

**HIGHLIGHTS**

- Strategy advanced nearly 19 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 Midcap® Growth index, all sectors generated positive returns during the first quarter, led by the Information Technology sector. Returns in the Real Estate sector also outpaced the broader index. Consumer Staples was the index's worst performing sector, but still advanced more than seven percent.

**PORTFOLIO COMMENTARY**

The Riverbridge Mid Cap Growth strategy generated a strong absolute return in the first quarter, advancing nearly 19 percent but slightly lagging its primary benchmark, the Russell Midcap® Growth. After contributing to relative performance in 4Q 2018, stock selection in the Industrials sectors was a drag on relative performance during the first quarter. Health Care was the strategy's best performing sector for 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.

Since inception, the Mid Cap Growth strategy has consistently held a diverse collection of high quality Industrials companies which are able to increase their earnings power in all types of economic environments. Generally, our portfolio companies are more likely to be business services companies or product companies serving persistent needs that are less susceptible to capital expenditure cycles.

One example in the Mid Cap Growth portfolio is A.O. Smith Corporation (AOS), a global manufacturer of residential and commercial water heaters. The company embodies our investment approach and criteria.

*Continued on next page...*

*Market Commentary continued...*

The North American residential water heater market is a stable oligopoly in which AOS owns a market-leading 40% share. Its unit growth is driven by predictable, steady replacement of existing units and modest price increases over time. In the U.S., AOS's competitive advantage is cemented through strong distribution partnerships and investments in branding and marketing that influence the decisions of contractors. During our peer review process, we consistently heard from distributors and contractors how well AOS managed its business and their view of AOS as a preferred vendor.

AOS is also strategically positioned in the historically higher-growth Chinese market. In contrast to the U.S., residential water heater sales in China are consumer-driven as opposed to contractor-driven. As such, AOS built a premium, reputation-driven brand which has attracted retailers and independent franchisees, many of whom are former AOS employees. Despite short-term headwinds due to a cautious consumer environment, the team is confident that AOS is well positioned over the long-term as the Chinese economy stabilizes and the water heater market continues to shift to a higher proportion of replacements.

## 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.

Past performance is not indicative of future results. Mention of companies/stocks herein is for illustrative purposes only and should not be interpreted as investment advice or recommended securities. The securities identified do not represent all of the securities purchased, sold or recommended and the reader should not assume that any listed security was or will be profitable. Due to various factors, including changing market conditions, the content may no longer be reflective of current opinions or positions. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by Riverbridge) or any other discussion made reference to directly or indirectly in this commentary will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful.

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.

## MID CAP GROWTH COMPOSITE

Year	Gross-of-Fee Return (%)	Net-of-Fee Return (%)	Russell Midcap® Growth Return (%)	Portfolios	Dispersion (%)	Composite 3-Year Ex-Post Std. Dev.	Russell Midcap® Growth 3-Year Ex-Post Std. Dev.	Composite Assets (\$ Millions)	Firm Assets (\$ Millions)
2018	-2.33	-2.82	-4.75	<5	N/A	13.66	12.82	0.06	4,737.1
2017	21.80	21.21	25.27	<5	N/A	10.66	10.89	0.07	5,047.9
2016	6.37	5.83	7.33	<5	N/A			0.05	4,686.7
2015	-3.88	-4.35	-0.20	<5	N/A			0.05	5,030.8
2014*	5.57	5.33	5.07	<5	N/A			0.05	5,523.2

\*Returns are for the period from 06/30/2014 through 12/31/2014.

**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 Mid Cap Growth Composite was created in June 2014. It is a diversified growth stock portfolio invested in 30-55 companies of mid market capitalization size. This strategy generally invests in companies with market capitalizations of \$3 billion to \$30 billion. A complete list and description of all firm composites is available upon request. The composite benchmark is the Russell Midcap® Growth Index. The Russell Midcap® Growth Index includes the segment of securities within the Russell Midcap® Index with higher price-to-book ratios and higher forecasted growth values. The Russell Midcap® Index is an unmanaged index measuring the performance of the mid-cap U.S. equity universe. Composite dispersion is not presented for years with 5 or fewer accounts. The composite minimum value is \$50,000. Prior to January 1, 2016, the composite minimum value was \$100,000.

**Calculation Methodology:** Valuations and returns are computed and stated in U.S. dollars. Individual portfolios are revalued daily. Gross-of-fee returns are calculated net of transaction costs and gross of management fees. 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. The three-year annualized standard deviation figure presented in 2017 is not presented for years prior as the composite did not have 36 monthly returns as of the specified date. 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 Mid Cap Growth Composite has been examined for the periods 07/01/2014 – 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 over time 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.
- Riverbridge performance results reflect the reinvestment of dividends and other account earnings, and are net of applicable account transaction charges.
- Information in this document is not intended to be used as investment advice.
- Mention of companies/stocks herein is for illustrative purposes only and should not be interpreted as investment advice.
- The holdings included in this document are for illustrative purposes only and should not be considered a recommendation to purchase or sell any particular security. There is no guarantee that the same or similar holdings will be purchased or held in accounts in the future.