May 2017

Dear Friends,

After outperforming the S&P 500 for the 22 months leading up to the U.S. Presidential election in November, Stralem's LCES trailed the benchmark in 4Q as a result of the "Trump Bump" – a sharp 5% rally into the year end – based on investor optimism that the businessman President's agenda would be very positive for the U.S. economy. However, in 1Q 2017, the LCES was able to outperform the S&P 500 (7.00% vs 6.07%) – despite the strong rally – as market volatility increased and investors watched the Trump administration struggle with its ambitious agenda. The market stalled at the end of 1Q (S&P 500 was +0.12% in March) leaving most investors grappling with the familiar challenges of lackluster economic growth and stretched stock valuations.

	Annualized Returns (%) as of 3/31/17							
	1 YR	3 YR	5 YR	7 YR	10 YR	15 YR	20 YR	10 YR Std. Dev.
Stralem Composite (Gross)	**13.77**	**8.54**	**11.01**	**11.42**	**8.05**	**8.03**	**10.88**	13.16
S&P 500	17.17	10.37	13.30	12.94	7.51	7.09	7.86	15.23
Difference	**-3.40**	**-1.83**	**-2.29**	**-1.52**	**0.54**	**0.94**	**3.02**	**-2.07**
Stralem Composite (Net)	13.05	7.82	10.27	10.67	7.31	7.07	9.81	13.16

From an industry perspective, those sectors that lagged post-election were once again ascendant, like technology (+12.6%), while sectors that led during that period cooled off, like financials (+2.5%). But Q1 still saw strength across the board, as every industry sector was positive, except for Energy (-6.7%) and Telecom (-4.0%).

However, the signs of reversion are mounting as investors become more skeptical and this would suggest that the market momentum that stemmed from bets on faster economic growth under President Trump have stalled. No longer will blind optimism about corporate tax cuts, fiscal stimulus, repeal of Obamacare, or wholesale deregulation be primary drivers of stock market gains. From this point forward, Trump will need to deliver real results that stimulate and support the economy in order to drive continued stock market returns.

In the meantime, investors await Q1 corporate earnings, more visibility on macroeconomic data, and signs of the Fed's next course of action before making additional investments. In the U.S., it appears we remain mired in a long, sluggish period of economic growth that looks likely to stay around 2% annually. And valuations currently skew expensive relative to history, even as earnings appear poised to increase in the first quarter.

At the portfolio level, the outperformance in Q1 was largely the result of strong stock selection in Technology and Healthcare – the two best performing industries. Adobe (+26.4%), Facebook (+23.5%), Oracle (+16.5%) and Visa (+14.1%) rallied back strongly in the quarter after being sold off for non-fundamental reasons into year-end. Technology companies were expected to be losers in a Trump Administration because many of the CEOs and Silicon Valley big shots were openly supportive of Hillary Clinton, thus drawing the ire of Mr. Trump. However, with exceptionally strong fundamentals, investors quickly returned when the stocks sold off into the year end and were considered relative "bargains" to start 2017.

In Healthcare, Abbott Labs (+16.4%) and Amgen (+13.0%) led the performance, but the entire sector remains volatile with so much confusion and uncertainty about the future of Obamacare and how the Congress will ultimately proceed. We remain strongly convinced that our healthcare holdings will continue to execute based on their strong business fundamentals regardless of all the noise surrounding the future of healthcare in America.

In Consumer, Phillip Morris (+24.5%) and Lowe's (+16.2%) were the leading performers in the quarter. Phillip Morris benefited from the reversal in the U.S. dollar (all revenue is non-U.S.) and continued investor enthusiasm in its new heated-tobacco 'reduced-risk product' – which is experiencing considerable success in markets where it has launched. Lowe's had an excellent Q4 earnings report with same-store-sales growth of 5.1%, more than double the street estimates, lending credence to the fact that consumers with growing disposal income have prioritized spending on home improvements – one of the few retail categories that cannot be easily replicated by Amazon.

Energy was the big drag on performance in the quarter as oil, which was +11.4% in Q4, rolled over and was down 5.8% in Q1. This impacted all four of our energy holdings (Exxon -8.3%, Chevron -7.9%, EOG Resources -3.4% and Schlumberger -6.4%) despite the fact that none of them are strongly correlated to the price of West Texas (WTI) crude. Oil has recovered strongly from its 2016 low price of $26, and now seems to have found some supply/demand equilibrium at $50-$55. With less price volatility expected, energy companies can start to make more definitive plans about exploration and production which should benefit all the companies we own.

Despite continuing policy and economic uncertainty, the good news is that many U.S. companies are still finding ways to generate solid earnings growth. With the Q1 2017 earnings season just kicking off, analysts' consensus estimates show anticipated sales growth of +5.8%

for S&P 500 companies, and +12.6% growth in operating earnings. This profit outlook is robust, and could drive further gains in the stock market. However, with the S&P 500 index's current P/E of 21.6x, well above historical averages, investors need to be mindful of what they own and the specific company risk.

The Stralem LCES is an 'all-weather' strategy that employs both components of growth and protection of capital, and has been shown to navigate changing market environments with superior compounded returns over time. Stralem's mantra has long been, and continues to be, 'Participation with Protection'.

Please feel free to contact us if you would like to receive a copy of our quarterly "West of the Hudson" communiqué or to be added to any update lists. We are also attaching our most recent Ashland GIPS report for your review. We appreciate your on-going interest in Stralem & Company and look forward to seeing you in the near future.

Sincerely,

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"PRIVATE AND CONFIDENTIAL"

Performance Notes

Stralem & Company ("Stralem") is an independent, SEC registered investment adviser established in 1966. The Large Cap Equity Strategy™ Composite ("LCES") consists of fully discretionary large capitalization equity accounts. The investment objective of the LCES is to deliver above market returns with less risk during both up and down markets. The investment philosophy of the Large Cap Equity Strategy is predicated on the belief that there are four types of market environments, two types of bull markets and two types of bear markets each characterized by momentum and valuation factors. Market environments affect portfolio structure so it is critical to identify and prepare for changing market environments. The Large Cap Equity Strategy adds value by purchasing a set of fundamentally solid growth companies along with a set of companies that deliver strong cash flow and adjusting the balance between these two groups depending on where we are in the market cycle. Stralem defines the LCES as a conservative growth strategy that also focuses on preserving capital during down markets.

For comparison purposes, the composite is measured against the S&P 500 Index. The S&P 500 Index is widely recognized as a leading indicator of the U.S. equity markets. Prior to 7/1/2014, the Russell 1000 Growth Index was presented in addition to the S&P 500 as an additional benchmark for the LCES composite.

Stralem claims compliance with the Global Investment Performance Standards (GIPS®)). Compliance with GIPS has been verified firm wide by Ashland Partners & Company LLP from January 1, 1992 through December 31, 2016. 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 verification and performance examination reports are available upon request. The firm maintains a complete list and description of composites, which is available upon request. To obtain a presentation that complies with the requirements of the GIPS standards and/or a list and description of all firm composites, contact Andrea Lustig at 212-888-8123 or ALustig@stralem.com.

The Large Cap Equity Strategy Composite was created July 1, 2002.

Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Past performance is not indicative of future results. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Standard Deviation measures the dispersion of returns of a portfolio, or the extent to which possible returns can vary from the arithmetic mean. It is a measure of the volatility or risk of a portfolio.

The U.S. Dollar is the currency used to express performance. Returns are presented both gross and net of management fees and include the reinvestment of all income. There are portfolios included in the composite which have directed brokerage arrangements and are not charged trading commissions by their broker. These portfolios represent approximately 4% of composite assets. Performance for these accounts do not include transaction costs, and it has been determined that there is no material impact on composite performance. Returns are presented gross of custodial fees and withholding taxes but net of all trading expenses. Gross returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. Actual investment advisory fees incurred by clients may vary. Net of fee performance is calculated using a weighted-average fee based on actual fees. From 2008 to 2015, net performance is calculated using a model fee of 0.70%. From 2006 to 2008, net performance is calculated using a weighted-average fee based on actual fees. Prior to 2006, net performance is calculated using the highest client's management fee in the composite. From 2000 - 2005 the highest fee was 1.50%. Prior to 2000 the highest fee was 1.00%. A fee schedule is an integral part of a complete presentation and is described in Part 2 of the firm's ADV, which is available upon request.