PORTFOLIO MANAGER COMMENTARY
Third Quarter 2017

STRALEM LARGE CAP EQUITY STRATEGY

SUMMARY

- *During the third quarter of 2017, the Stralem Large Cap Equity Strategy ("LCES") returned 2.97% gross of fees, versus the S&P500 index, which returned 4.48%, bringing year to date performance to 13.36% for the LCES versus 14.24% for the index.*

- *The biggest driver of relative underperformance during Q3 was the reassertion of the "Trump trade" that had prevailed during the months following last November's presidential election. In Q3, investor confidence was rekindled in the idea that the Trump administration's mix of policy initiatives, particularly tax reform, will not only pass Congress but also result in higher economic growth, higher rates and higher inflation. Cyclical sectors such as Energy, Materials and Financials (in which the LCES has a material underweight) fared well, while defensive sectors such as Consumer Staples and Utilities (in which the LCES has a material overweight) underperformed in the quarter.*

- *Stralem's view is that the recent reassertion of the "Trump trade" is a short-term phenomenon. As always, the devil is in the details, and getting a tax reform deal passed is hardly a foregone conclusion. Furthermore, there is widespread criticism that the proposed tax reform would further increase the federal government's deficits and does not address longer-term structural problems of the U.S. economy like low productivity.*

- *As always, Stralem continues to focus on large-cap, well-known companies with solid balance sheets, high cash flows, exposure to favorable secular growth trends, and companies that dispose of abundant operational and strategic levers that enable them to meet their growth targets. With the completion of the calendar Q2 earnings season, LCES companies have continued to make use of these levers and perform well, posting top-line growth of 8.8% and earnings growth of 14.5%, as compared to 5.3% top-line growth and 9.8% earnings growth for the S&P 500 index. So far in the calendar Q3 earnings season, while this hasn't driven outperformance, the LCES looks like it is continuing to outpace top- and bottom-line growth rates for the index. We continue to believe that research-driven stock selection within a time-tested portfolio structure leads to "participation with protection" and ultimately drives prudent wealth building.*

		Annualized Returns (9/30/17)							
	YTD 9/30/17	1 YR	2 YR	3 YR	5 YR	10 YR	15 YR	20 YR	10 YR Std. Dev.
Stralem Composite (Gross)	13.4%	14.5%	15.8%	9.5%	12.0%	7.7%	10.2%	9.9%	13.0%
S&P 500	14.2%	18.6%	17.0%	10.8%	14.2%	7.4%	10.0%	7.0%	15.1%
Difference	*-0.8%*	*-4.1%*	*-1.2%*	*-1.3%*	*-2.2%*	*0.3%*	*0.2%*	*2.9%*	*-2.1%*
Stralem Composite (Net)	12.8%	13.7%	15.0%	8.8%	11.3%	7.0%	9.3%	8.9%	13.0%

COMMENTARY

During the third quarter of 2017, the Stralem Large Cap Equity Strategy ("LCES") returned 2.97% gross of fees, versus the S&P500 index, which returned 4.48%, bringing year to date performance to 13.36% for the LCES versus 14.24% for the index. After stumbling in the first half, the U.S. economy is showing fresh signs of momentum. Corporate earnings have extended their recovery from last year's earnings recession, job growth has remained solid, consumer confidence has remained at its highest level in more than a decade, interest rates remain at/near the lows and inflation is firmly in check.

The market advanced significantly during the quarter rising 4.48%. Investors seem to continue to believe the Trump Administration will be able to produce "pro-growth" legislation through tax cuts or infrastructure spending. This drove Technology, Energy, Materials, certain Industrials and even Financial stocks higher. Oil prices rebounded from $42 to $52. The weakest sectors in the quarter were the "defensives" – Utilities, Staples, and Real Estate. These rate sensitive sectors were impacted by the gradual move higher in interest rates based on economic optimism. Staples represented the only sector with a negative return in the quarter as many of the branded Consumer Packaged Goods companies struggle with higher input costs and less ability to pass along pricing, especially as companies like Amazon push into the grocery space and apply more competition and pricing pressure. In addition, a series of potential mergers led by activist investors that had buoyed the stock prices seems to have fizzled, so these stocks lost some momentum.

This represents a reassertion of the "Trump trade" that had been experienced following the presidential election through the month of February, when "cyclical" industry sectors like Financials and Industrials found themselves at the top of the performance pack, and higher-yielding, more conservative sectors like Utilities and Consumer Staples lagged. Investor enthusiasm for the idea that the Trump administration's mix of policy initiatives would result in higher economic growth, higher rates and higher inflation was initially strong. However, since then, the administration's failure to pass health-care reform, rescind Obamacare, or rekindle the hoped-for growth/inflation scenario caused a retracement. In September, however, after the administration cut a surprise deal with the Democrats to raise the debt ceiling (taking that issue off the front burner for the time being), and the GOP budget blueprint incorporated a $1.5 trillion tax cut, investor enthusiasm for the Trump trade was rekindled--a tax deal and the resultant boost to corporate earnings seemed likely once again.

Stralem believes this reassertion of the Trump trade is likely a short-term phenomenon. Getting the deal passed is hardly a foregone conclusion given widespread criticism that the proposed tax reform would dramatically increase the federal government's deficits while ignoring longer-term structural problems of the economy such as low productivity.

As always, Stralem continues to focus on large-cap, well-known companies with solid balance sheets, high cash flows, exposure to favorable secular growth trends, and companies that dispose of abundant operational and strategic levers that enable them to meet their growth targets. With the completion of the calendar Q2 earnings season, LCES companies have continued to make use of these levers and perform well, posting top-line growth of 8.8% and earnings growth of 14.5%, as compared to 5.3% top-line growth and 9.8% earnings growth for the S&P 500 index. So far in the calendar Q3 earnings season, while this hasn't driven outperformance, the LCES looks like it is continuing to outpace top- and bottom-line growth rates for the index.

At present, S&P 500 valuations are extended and stock correlations are breaking down yet market volatility remains stubbornly low. There is much enthusiasm (and complacency) that the market can keep climbing and valuations can keep expanding, as the major global economies seem to have entered a period of "synchronized" growth, with Europe and Japan seeming to shake off their multi-year torpor, and emerging economies once again showing signs of life. This development is undeniably positive for company earnings growth, and it is also encouraging that the Fed has mapped out a very gradual approach to letting its balance sheet run off as its bond holdings mature. However, make no mistake – Quantitative Tightening ("QT"), marks a fundamental change in direction from the historically-unprecedented loose monetary policy conducted by central banks over the last 9 years. As we said in our most recent quarterly "West of the Hudson" letter to investors – to think that this development will not somehow affect asset valuations across the board is at best naïve, and at worse, reckless.

At Stralem, we believe our mantra "participation with protection" is among the most effective ways to build and sustain wealth. At present, the protection element does not appear relevant. However, given the state of the equity market, we firmly believe it is more important than ever. As we enter the historically volatile months of October and November, with more turmoil in Congress and from the White House, and concerns about the Fed not only raising rates but beginning to embark on Quantitative Tightening, we firmly believe that having a portion of the portfolio allocated to the Down Market will serve us well whenever market volatility inevitably resurfaces. However, we also recognize that trying to speculate as to when or what could be the catalyst that derails the market's almost-9-year bull run, are endeavors fraught with peril. So while we also continuously try to identify and invest in the most exciting secular growth opportunities that will provide participation in strong markets we will nonetheless continue to maintain a "Down-Market" component in the portfolio for protection if and when the market worsens.

PORTFOLIO PERFORMANCE & ACTIVITY

With the completion of the calendar Q2 earnings season, LCES stocks performed well, posting top-line growth of 8.8% and earnings growth of 14.5%, as compared to 5.3% top-line growth and 9.8% earnings growth for the S&P 500 index. So far in the calendar Q3 earnings season, while this hasn't driven outperformance, the LCES looks like it is continuing to outpace top- and bottom-line growth rates for the index.

Individual relative performance (gross of fees) drivers during Q3 included **Kraft Heinz** (-8.8%), **Starbucks** (-7.5%) and **Johnson Controls** (-6.5%) on the downside, and **Visa** (+12.4%), **Celgene** (+12.3%) and **Facebook** (+13.2%) on the upside.

Kraft Heinz (High Yield category within the Down Market sector) continues to rack up cost savings from the 2015 acquisition of Kraft Foods, but investors are eager to see another large acquisition to which the company can apply the same cost-savings playbook. The fact that such an acquisition has not come about, as well as the headwinds from the rotation out of defensives worked against Kraft Heinz during the quarter. However, the recent tough environment for packaged-food companies makes Kraft Heinz's strategy for cost savings and bargaining power even more relevant, in our view. Starbucks's (Dominant

Companies category within the Up Market sector) decline was driven by its fiscal Q3 earnings report, as its comp-store sales growth missed investors' expectations and it moved to close all 379 of its primarily mall-based Teavana stores. With Starbucks being somewhat a victim of its own recent success, Stralem believes that the company's +4% global comp-sales growth and its +5% U.S. comp-sales growth still represent an area of strength in the currently dismal landscape of brick-and-mortar retail. Furthermore, the company's move to buy out the remaining 50% of its China venture and its +7% comp-sales growth in China, will help boost Starbucks' numbers. Johnson Controls (Dominant Companies category within the Up Market sector), following its 2016 acquisition of Tyco International, has hit some speed bumps with the integration the two companies' operations, which caused Johnson Controls to guide down its organic sales outlook for full-year 2017. Stralem continues to believe that there is a compelling industrial logic to Johnson Conrols' aspiration to create a building-controls-focused multi-industry company, and that integration problems are short term in nature.

On the positive side of the ledger, Visa (Dominant Companies category within the Up Market sector) continues to ride the secular trend of the global shift from cash and checks to payment cards and mobile payments, and the company is also benefiting from better-than-expected earnings accretion from its 2016 acquisition of Visa Europe. During the quarter, Celgene benefited as investors continued to express confidence in the company's continued double-digit top-line growth and its strategy of aggressively investing in promising earlier-stage drug candidates, which has resulted in a formidable pipeline for future growth. For its part, Facebook continued to see momentum as a stellar Q2 earnings report showed sales growing at an incredible +45% rate to $9.3Bn and profit growing +90% to $3.9Bn. The company grew monthly average users on the Facebook platform +17% to 2 billion, and CEO Mark Zuckerberg expressed a new urgency to monetize the company's other platforms with large followings (Instagram, Messenger and WhatsApp).

During the quarter, oilfield services company, **Schlumberger**, was sold from the Dominant Companies category within the Up Market sector, and auto parts and equipment company **Delphi Automotive** was added to the same Dominant Companies category. While Stralem still views Schlumberger as the "best of breed" within the industry, the skew of its business mix towards international and offshore has meant that the company's earnings growth recovery has been pushed further out as oil prices remain historically low. For its part, Delphi Automotive was added to the portfolio as it is a forward-thinking auto parts supplier that through a series of portfolio moves is transitioning into a high-margin, high-growth electronic-architecture pure play, poised to benefit from the secular trends towards the electrification of vehicles and towards autonomous vehicles. As the company continues its transformation, we believe more investors will discover the "new Delphi" and its growth outlook and reward it with a higher P/E multiple.

ATTRIBUTION

From a GICS industry sector attribution standpoint, LCES saw the greatest detraction in Technology, Staples, and Consumer Discretionary and the greatest contribution in Healthcare and Materials. From a Stralem classification standpoint, the LCES saw detraction from the Dominant Companies category within the Up-Market sector, High Yield within the Down-Market sector, and then New Industries within the Up-Market sector. Relative outperformance from the New Products category within the Up-Market sector and the Low Price to Cash Flow category within the Down-Market sector partially offset the headwinds from the above categories.

For 50 years, Stralem and Company has brought a steady hand to asset and wealth management. We work with institutions and private clients to grow and guard their wealth through a disciplined, time-tested approach that balances growth and preservation of capital.

Our objective of “participation with protection” has paid off through dramatically different market conditions for our clients who understand that participating when markets advance and protecting capital when they decline constitutes one of the most effective ways to build long-term wealth.

Please feel free to contact us if you would like to receive a copy of our quarterly “West of the Hudson” letter or to be added to any update lists. We appreciate your on-going interest in Stralem & Company and look forward to seeing you in the near future.

Sincerely,

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GIPS Disclosure

Large Cap Equity Strategy Composite Annual Disclosure Presentation

Year End	Total Firm	Composite Assets		Annual Performance Results				3 Year Annualized Performance		3 Year Annualized Ex-Post Standard Deviation (based on monthly returns)	
				Composite							
	Assets (millions)	Assets (millions)	Number of Accounts	Gross	Net	S&P 500	Composite Dispersion	Composite	S&P 500	Composite	S&P 500
2016	958	838	51	9.14%	8.46%	11.96%	0.40%	6.65%	8.87%	9.79%	10.59%
2015	1,129	955	64	2.91%	2.19%	1.38%	0.40%	12.95%	15.13%	10.33%	10.48%
2014	2,297	2,089	140	8.01%	7.27%	13.69%	0.30%	15.03%	20.41%	8.50%	8.98%
2013	3,522	3,352	246	29.65%	28.76%	32.39%	0.60%	15.32%	16.18%	10.29%	11.94%
2012	3,434	3,283	278	8.69%	7.95%	16.00%	0.60%	9.44%	10.87%	12.35%	15.09%
2011	3,695	3,584	296	8.83%	8.06%	2.11%	0.60%	13.58%	14.11%	15.73%	18.70%
2010	3,292	3,059	306	10.82%	10.06%	15.06%	0.50%	-0.76%	-2.85%	18.89%	22.16%
2009	2,514	2,292	265	21.49%	20.65%	26.46%	0.70%	0.06%	-5.63%	17.30%	19.91%
2008	1,803	1,649	206	-27.41%	-27.93%	-37.00%	0.50%	-3.00%	-8.36%	13.36%	15.29%
2007	2,092	1,938	176	13.59%	12.74%	5.49%	0.40%	12.58%	8.62%	7.12%	7.79%
2006	1,631	1,472	152	10.68%	9.88%	15.79%	0.40%	13.83%	10.44%	6.62%	6.92%
2005	1,106	786	86	13.51%	11.85%	4.91%	0.70%	18.01%	14.39%	8.35%	9.17%
2004	644	387	38	17.42%	15.72%	10.88%	0.60%	5.15%	3.60%	11.30%	15.07%
2003	350	152	14	23.30%	21.50%	28.68%	1.70%	-0.02%	-4.05%	12.84%	18.33%
2002	234	76	6	-19.70%	-20.91%	-22.06%	N.A.	-4.95%	-14.55%	12.98%	18.81%
2001	267	93	Five or fewer	0.95%	-0.54%	-11.93%	N.A.	12.51%	-1.04%	12.87%	16.94%
2000	266	85	Five or fewer	5.93%	4.38%	-9.10%	N.A.	24.33%	12.26%	14.13%	17.66%
1999	326	33	Five or fewer	33.16%	31.88%	21.04%	N.A.	33.15%	27.56%	14.59%	16.76%
1998	288	25	Five or fewer	36.23%	34.91%	28.58%	N.A.	29.85%	28.23%	16.84%	16.24%
1997	260	29	Five or fewer	30.13%	28.86%	33.36%	N.A.	30.55%	31.15%	14.83%	11.30%
1996	230	24	Five or fewer	23.51%	22.31%	22.96%	N.A.	22.82%	19.68%	14.10%	9.72%
1995	121	23	Five or fewer	38.42%	37.08%	37.58%	N.A	15.38%	15.34%	11.00%	8.34%
1994	104	16	Five or fewer	8.37%	7.30%	1.32%	N.A	5.17%	6.27%	10.11%	8.06%
1993	106	14	Five or fewer	2.40%	1.40%	10.08%	N.A.				
1992	80	12	Five or fewer	4.82%	3.79%	7.62%	N.A.				

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®) and has prepared and presented this report in compliance with the GIPS standards. Stralem has been independently verified for the periods January 1, 1992 through June 30, 2017. 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 Large Cap Equity Strategy Composite has been examined for the periods January 1, 1992 through June 30, 2017. The verification and performance examination reports are available upon request.

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

The Large Cap Equity Strategy Composite has been examined by an independent third party verifier (ACA Performance Services LLC) for the quarter ended June 30, 2017 and an independent third party verifier (Ashland Partners & Company LLP) for all prior periods. The firm maintains a complete list and description of composites, which is available upon request. To receive a complete list and description of Stralem's composites contact Stralem at 212-888-8123.

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.

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. The annual composite dispersion presented is an asset-weighted standard deviation calculated for the accounts in the composite the entire year. The investment management fee schedule is as follows: 0.80% on the first $5 million, 0.70% on the next $20 million, and 0.50% on the remainder. Clients may have different fee arrangements than the above fee schedule with fees that are higher or lower depending on when the contract was entered into and the services provided. Accounts that require additional resources for administration, management and servicing may be charged an advisory fee of up to 1.25% per annum. Upon request, Stralem will also provide its clients with a fulcrum fee arrangement, which includes a lower, fixed advisory fee plus a performance based fee. Fulcrum fees arrangements may vary among clients. Prior to 1997, carve-outs are included in this composite and performance reflects required total segment plus cash returns. All cash not directly related to fixed income is included in the equity carve-out. 100% of composite assets were comprised of carve-out segments prior to 1997. There are no carve-out segments in the composite subsequent to 1996.