STRALEM
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Stralem & Company Incorporated
551 Madison Avenue, New York, NY 10022
Tel 212.888.8123 | Fax 212.888.8152
stralem.com

PORTFOLIO MANAGER COMMENTARY
Second Quarter 2018

STRALEM LARGE CAP EQUITY STRATEGY

SUMMARY

- *In Q2 of 2018, Stralem's Large Cap Equity Strategy ("LCES") returned 2.88% gross of fees, versus the S&P 500 index return of 3.43%, for a relative underperformance of 55 basis points.*

- *After a down quarter in Q1 (only the 2nd down quarter in 5 years), the S&P 500 index regained its footing in Q2, albeit with very poor breadth. 65% of the benchmark index's Q2 gain came from just 6 stocks, the "FAANGs" (Facebook, Apple, Amazon, Netflix and Google) and Microsoft. S&P 500 stocks benefitted from a bumper crop of earnings in Q1, due to the lowering of the corporate tax rate from 35% to 21% that was included in the tax-cut legislation passed late in 2017. However, despite the widespread boost to corporate earnings, and Q2 EPS expected growth of over 27%, the S&P 500's advance was underwhelming, as investors grapple with the lengthy bull market, rising interest rates, increasing inflation, extended valuations and threats of additional tariffs and trade wars.*

- *The second quarter relative underperformance of the LCES was largely attributable to owning a little too much of the defensive, high yield sectors of Staples, Telecommunications, and Utilities and not owning Amazon and Netflix. In addition, the rhetoric around trade wars is not positive for global industrials Fedex -5.2% and Boeing -6.7% despite their strong fundamental positioning. Defensive stocks typically struggle when the market is "risk-on", but AT&T (-8.7%) was also embroiled in a DOJ lawsuit surrounding its proposed acquisition of Time Warner. The judge ruled in AT&T's favor, but the market now needs to digest whether the combined company can execute as planned.*

- *Stralem continues to focus on large-cap, high-quality companies with solid balance sheets, high cash flows, exposure to favorable secular growth trends, and companies that have recourse to abundant operational and strategic levers that enable them to meet their growth targets.*

- *Volatility and the need for downside protection are likely to increase as two seminal shifts in the investment environment are underway: the Fed and global central banks are finally tightening monetary policy, and trade protectionism is shifting into high gear. Stralem will continue to identify and invest in the most exciting thematic secular growth opportunities to participate in up markets, but we will also continue to maintain the down-market component of the portfolio to provide protection if and when the market falls.*

Annualized Returns (6/30/2018)									
	QTD 6/30/2018	YTD 6/30/2018	1 YR	3 YR	5 YR	10 YR	15 YR	20 YR	10 YR STD. Dev.
Stralem Composite (Gross)	**2.9%**	**0.5%**	**7.1%**	**9.5%**	**10.6%**	**8.6%**	**9.7%**	**9.3%**	12.8%
S&P 500	3.4%	2.7%	14.4%	11.9%	13.4%	10.2%	9.3%	6.5%	14.7%
Difference	***-0.6%***	***-2.2%***	***-7.2%***	***-2.5%***	***-2.9%***	***-1.6%***	***0.4%***	***2.8%***	-1.8%
Stralem Composite (Net)	2.7%	0.1%	6.4%	8.8%	9.8%	7.8%	8.8%	8.2%	12.8%

MARKET COMMENTARY

After a down quarter in Q1 (only the 2nd down quarter in 5 years), the S&P 500 index regained its footing in Q2, albeit with very poor breadth. 65% of the benchmark index's Q2 gain came from just 6 stocks, the "FAANGs" and Microsoft. S&P 500 stocks benefitted from a bumper crop of earnings in Q1, due to the lowering of the corporate tax rate from 35% to 21% that was included in the tax-cut legislation passed late in 2017. However, despite the widespread boost to corporate earnings, and Q2 EPS expected growth of over 27%, the S&P 500's advance was underwhelming, as investors grapple with the lengthy bull market, rising interest rates, increasing inflation, extended valuations and threats of additional tariffs and trade wars.

Having received a fiscal boost from the tax-cut legislation, the U.S. economy in Q2 seems to be separating itself from the pack. Having only notched +2.0% growth in Q1, the consensus forecast for U.S. GDP in Q2 is for a robust +3.4% (as the tax cut anniversaries, that growth is forecast to come back down to the low- to mid-2% range in 2019). The U.S. economy continues to show signs of continued strength, particularly strong employment, increasing wages, and business capex spending and R&D investments continuing to ramp up. While the tonic of "synchronized" global growth was being enthusiastically talked up only a quarter or two ago, there are increasing signs of that economic growth ex-U.S. is slowing, particularly in Europe and some Emerging Market countries.

In calendar Q1, corporate earnings strength continued, with S&P 500 companies collectively growing their sales by 8.2%, and earnings by 23.7%, which represented another sequential acceleration. Company bottom lines of course received a large boost from the corporate tax cuts. Analysts forecast another robust quarter of top-line growth in Q2 with S&P 500 sales +8.4%, and EPS growth of +27%. While corporate profit margins still remain at historically high levels, companies are experiencing pressure on margins as costs for raw materials, labor and transportation are climbing and set to increase with additional tariffs filtering through global supply chains.

While both U.S. economic growth and corporate earnings growth appear strong and stable, there are two economic developments that represent paradigm shifts and may cause increased market volatility and the need (finally) for downside protection in portfolios: global central banks reversing monetary stimulus, and the increased likelihood of protracted and damaging trade wars.

The Federal Reserve is on track for two more increases in the federal funds rate after two hikes already in 2018. In addition, the Fed is reducing its balance sheet by not only ending the bond buying program (2015) but letting existing bonds expire at a rate of $40B per month (soon to be $50B). For its part, the ECB is scheduled to end quantitative easing by year-end, and according to Bloomberg, the BOJ has been opportunistically trimming its bond purchases. Collectively the balance sheet of these three major central banks has rolled over from a peak of $15 trillion to $14.5 trillion. Given the extent to which global liquidity has supported valuation of financial assets across the board, suppressed stock market volatility and kept

correlations among stocks at a sustained high level, the shift in central bank monetary policy direction represents a sea change for investors.

On the global trade front, trade war rhetoric and "tit-for-tat" tariff measures have quite quickly evolved into what is looking more like an all-out, protracted trade war. Given the rapid escalation and increasing animosity between the parties involved, there may be little room for any material de-escalation. It is increasingly likely therefore that trade war brings about uncertainty, a drag on global economic growth, an increase in inflation and the messy restructuring of global corporate supply chains. Given the economic growth and productivity benefits that have been gained from the globalization of trade since World War II would also represent an enormous paradigm change for companies and investors alike.

PORTFOLIO COMMENTARY

During the second quarter of 2018, the Stralem Large Cap Equity Strategy ("LCES") returned 2.88% gross of fees, versus the S&P 500 index which returned 3.43%, for a relative underperformance of -55 bps.

While the first quarter of 2018 saw a reversion to a set of more historically "normal" market conditions (volatility off of record low levels, two-way market action and down months), the second quarter was a return to the "risk-on" scenario that has been more prevalent over the past ten years. Leadership came from Energy +13.5%, Consumer Discretionary +8.2% and Information Technology +7.0%, but the breadth among stocks was narrow. Energy stocks followed the commodity which was up in the quarter from ~$61 to $74 as oil supply remains constrained and global demand stable and strong. Within Tech and Consumer Discretionary, the story remains the same as the large market cap, high growth cult stocks (FAANG) and Microsoft were responsible for much of the market's performance. While their fundamentals are outstanding, their returns are even more impressive: Facebook +21.6%, Amazon +17.4%, Apple +10.8%, Netflix +32.5%, Alphabet +8.9% and Microsoft +8.5%.

The second quarter relative underperformance of the LCES was largely attributable to owning a little too much of the defensive, high yield sectors of Staples, Telecommunications, and Utilities and not owning Amazon and Netflix. In addition, the rhetoric around trade wars is not positive for global industrials Fedex -5.2% and Boeing -6.7% despite their strong fundamental positioning. Defensive stocks typically struggle when the market is "risk-on", but AT&T (-8.7%) was also embroiled in a DOJ lawsuit surrounding its proposed acquisition of Time Warner. The judge ruled in AT&T's favor, but the market now needs to digest whether the combined company can execute as planned. We exited the Mondelez and Philip Morris positions in Q2, but their quarterly performance -5.8% and -20.9% (based on an earnings miss) proved to be drags on the quarter.

As always, Stralem continues to focus on large-cap, high-quality 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. In addition, we believe our mantra of "participation with protection" is among the most effective ways to build and sustain long-term wealth. In recent years, in what has effectively been a very strong one-way market with exceptionally low volatility, that protection element has appeared to many investors to have lost its relevance. However, despite the fact that the frenetic barrage of negative policy, political and geopolitical headlines has yet to seriously derail this bull market (entering its 10th year), two seminal shifts are underway which will heighten risk and volatility going forward: global central banks are finally tightening monetary policy, and trade protectionism is shifting into high gear. As the market continues to digest these risks, and volatility and

downside moves will likely be more prominent going forward. Therefore, we will continue to maintain a Down-Market component in the portfolio for protection if and when the market falls.

PORTFOLIO PERFORMANCE & ACTIVITY

While the portfolio has been stung by the Amazon and Netflix performance before, in Q2 it was responsible for nearly all the negative attribution (-55bps combined) as the rest of the portfolio performed quite well.

Outside of Amazon and Netflix, the negative attribution came from Philip Morris (-51bps), Mondelez (-30bps) and Carnival Cruise Lines (-30bps) which lost 8.3% in the quarter after its strong earnings guidance failed to reach the "whisper number" the street was expecting. We sold Mondelez and Philip Morris, but remain very excited about the measured and deliberate future growth potential of Carnival as they bring on new capacity and expand into Asia. Mostly offsetting these headwinds were continued solid performances from Tech names Facebook (+21.6%), Adobe (+12.8%), and Visa (+10.9%), Energy stocks EOG Resources (+18.4%) and Kinder Morgan (+18.8%), and automobile technology platform company Aptive (+8.1%). Collectively, these six companies were responsible for +139bps of attribution.

During the month of June, home improvement retailer Lowe's, packaged foods company Mondelez, coffee retailer Starbucks, international cigarette manufacturer Philip Morris, and energy and utility company PPL were sold from the LCES portfolio. These five positions were replaced by Boeing (aerospace manufacturer), Carnival (cruise line company) and D.R. Horton (homebuilder) within the Dominant Company category of the Up Market allocation and Down Market stocks Bank of New York Mellon (custody bank) within the Low Price to Cash Flow and American Electric Power (regulated utility) within the High Yield category.

While the overall home improvement category continues to be one of the best performers within Consumer Discretionary, Lowe's management just could not seem to consistently execute against their long term goals and targets. The industry tailwind seemed to benefit Home Depot far more favorably than Lowe's who was playing catch-up in its offering to Pro customers, e-commerce initiatives and overall merchandising. Activist investors are now involved and management changes are likely, but we lost our patience due to their lack of execution.

Stralem's thesis for Mondelez was centered around a 5-year margin-expansion program launched by CEO Irene Rosenfeld in 2013 based on rationalizing a cost structure bloated by acquisitions. After successfully combining and modernizing production facilities, streamlining its supply chain and distribution centers in Europe, and driving margins higher, future growth will be largely dependent on product innovations and additional market penetration. This has proven to be challenging as the company faces headwinds in North America from trends towards fresh and healthier offerings, and the aspirational demand from Emerging Markets that are less robust. With continued weak organic growth, and reaching the end of its margin expansion, Mondelez seems to lack a catalyst and we felt it was time to step aside.

Starbucks was purchased based on strong comparable store sales in existing markets driven by more/better food and drink options, e-commerce initiatives built around the company's Mobile Order and Pay, and rapid expansion in China. This thesis played out well for a couple years, but after some above average growth in North America, the company seems to be searching for additional innovation to drive traffic and attach to drinks. Visionary CEO Howard Schulz is stepping down, and the company has settled into a period of slower comp store sales growth. This past quarter's comp store sales growth was +2%, the 7th quarter in a row of comp sales below 5% after an incredible run of 25 quarters of 5%+. New CEO Kevin Johnson seems to be hunkering down to re-focus the company (selling the consumer products business to Nestle), and Starbucks

China operations surely represent strong future growth potential, but at this point we believe it is prudent to sell the stock.

Philip Morris International is the dominant global cigarette manufacturer, and it benefits from pricing power (due to inelastic demand) and from aspirational consumption (trading up) in emerging countries. The company is transitioning its focus to 'reduced-risk products', and was first to market with its IQOS heated-tobacco product, which initially saw very strong conversion rates. However, in Q1 the growth rate decelerated significantly and penetration in Japan seems to have plateaued far sooner than expected. The company didn't lower full year guidance, but we believe this is an early warning of trouble ahead and decided to exit the stock.

PPL has spent the last several years successfully transforming itself from a primarily non-regulated utility into an entirely regulated utility. PPL's UK Regulated electricity distribution business is just 3 years into an 8-year price-control period, and its excellent operational performance is leading to additional incentive revenues. Regulated rate base growth at its PA and KY segments is driving EPS and dividend growth. The issue with PPL is that its UK operations continue to play an outsize role not only in its overall profit generation, but have also heaped uncertainty onto what should be steady, unexciting, regulated utility operations. Brexit and PPL's UK sterling exposure was the main culprit for uncertainty starting in 2016, but that has now transitioned to the suddenly tumultuous regulatory situation in the UK where consumer advocates have been agitating about electricity and gas bill inflation. In late 2017, regulators decided to unexpectedly lower the allowed returns impacting profits and projecting uncertainty about future cash flows. Based on this, we decided the risk no longer warranted owning the stock and we sold it.

As a Dominant Company replacement, we purchased D.R. Horton, one of the largest homebuilders in America with a focus on more affordable first time homebuyers, and retirees trading down in the fastest growing markets in the Southeast, South Central and Southwest. While mortgage rates are ticking higher, pent up demand among Millennials (the largest generation) that are finally beginning to marry and start families (homeownership rates are the lowest in 50 years) and the retiring and downsizing of the Baby Boomers remain as two strong secular drivers for home purchase—especially at D.R. Horton's price points and in their primarily geographies.

Aerospace juggernaut Boeing was bought because it is in a cash flow sweet spot as it ramps up production of its improved fuel-efficient narrow-body 737 MAX and its wide-body 787 Dreamliner, and as unit costs come down for the 787 Dreamliner as that program has cleared the issues encountered at the time of its launch. The company is in the middle of a multi-decade increase in the global demand for air travel as emerging countries reach certain income thresholds and demand leisure travel. The company has a backlog of 5,800 aircraft valued at $486B, and while there is always a risk to this, the only real competitor, Airbus, has a 9+ year waiting list on planes as well – so the options for buyers remain limited. The company will generate a significant amount of annual free cash flow which will provide a bevy of options to the management team.

Carnival is the largest player in the cruise industry, an oligopoly with significant barriers to entry (new ships cost over $1B), measured supply growth, strong demand based on affordability, and significant new market expansion opportunities as middle-class consumerism spreads through Asia. Carnival had a strong 2017 but the stock is not overly expensive, the company generates solid and stable cash flow with good visibility into passenger counts and revenues. The company hedges fuel and foreign currency and pays almost no corporate income tax, enabling outsized margins and the ability to use cash flow for new supply or to return to shareholders. The risk to companies like Carnival are largely unpredictable and sudden—accidents, weather events, on-board illness, however they tend to be short-lived, create buying opportunities in the

stock, but do not seem to impact cruisers who continue to come back again and again.

Bank of NY Mellon is an attractive down market investment because of its range of steady fee-generating businesses under its Investment Services arm (custody, execution & clearing, asset servicing, treasury services, issuer services) and its Investment Management arm. The company's technology platforms represent a significant barrier to entry for competitors, it now has a firmly-entrenched cost-cutting and technology-oriented culture, and its new CEO, Charlie Scharf, will continue the technology transformation, just as he successfully engineered at Visa. Given the return of volatility to financial markets, the impending reshuffling of trade rules and of the various regulatory regimes governing financial institutions the world over, there is ever more need for trustworthy, dependable custodians. There is also a new urgency for cost-cutting in the asset management industry as a whole, which will lead to more mid- and back-office record-keeping functions being outsourced to firms like Bank of NY Mellon.

American Electric Power is a large regulated utility holding company whose service areas span much of the Midwest (11 states) and one that we ultimately found to be more attractive as an investment than PPL. The company operates the largest transmission network in the US (over 40,000 miles) and continues to invest heavily in its regulated transmission assets, propelling the growth of its regulated rate base. A major expansion in owned renewable capacity, the Wind Catcher project, stands to be a big boost for AEP's regulated rate base and a profit driver going forward.

AEP currently sports a solid dividend yield of 3.8%, and over the last 5 years has increased its dividend at an annual rate of nearly 5%. For comparison's sake, PPL's dividend has continued to grow over the same time period, but the annual growth rate has slowed to +2.2%. AEP's dividend payout ratio in 2017 was 61%, while PPL's payout ratio reached 96%. AEP also has a stronger credit rating on its long-term debt (A- from S&P).

ATTRIBUTION

From a GICS industry sector attribution standpoint, in Q2 Consumer Staples (-56bps) and Consumer Discretionary (-85bps) detracted the most from LCES performance while Financials (+65bps) and Information Technology (+34bps) contributed the most. In Stralem terms, for Q2 the High Yield category within the Down-Market (-76bps) and the New Industries category within the Up-Market (-31bps) detracted the most from performance, while the Low Price to Cash Flow category within the Down-Market (+49bps) provided the greatest boost to relative performance.

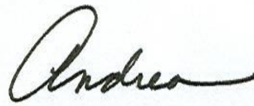
It was the aforementioned issues with Philip Morris that drove the relative underperformance attributable to the Consumer Staples within the GICS industry sector attribution and not owning Amazon in the LCES portfolio that hurt performance in Consumer Discretionary. Within the Stralem classifications, it was Philip Morris and AT&T (pending acquisition of Time Warner) that negatively impacted the High Yield category. While the absence of both Amazon and Apple in the LCES drove the relative underperformance attributable to the New Industries sector.

On the positive side of the ledger, Financials were the worst performing GICS sector in the quarter (-3.16%) and this benefited the LCES because it represents a long-standing underweight in the portfolio. Within the Information Technology sector, continued outstanding performance from Adobe, Facebook and Visa drove the majority of the positive attribution. These are stocks that we remain very supportive of and continue to expect strong returns into the future. From a Stralem classification perspective, the Low Price to Cash Flow sector performance was driven by EOG Resources and Kinder Morgan, two companies that are benefiting from the turnaround in energy pricing and the continued strong execution in their businesses.

While we recognize that our style may not result in the sexiest portfolio or the highest flying investment returns, our disciplined process is time-tested and proven over 50+ years of our history. We've managed through periods like this where the idea of any amount of portfolio protection seems foolish and weighs on results. Yet like any type of insurance, it's a payment one hates to make until something unexpected happens and one's prudence is rewarded. Markets are difficult to predict and rarely behave as expected, but one thing we at Stralem believe without question is that over time, "participation with protection" is the best way to achieve long term wealth creation. And this is why we too invest our money right alongside our clients.

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,



Adam Abelson
aabelson@stralem.com
+1-212-888-8124

Andrea Baumann Lustig
andrea.lustig@stralem.com
+1-212-888-8121

Erik Kleinbeck
erik.kleinbeck@stralem.com
+1 212-710-6077

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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)	
	Assets (millions)	Assets (millions)	Number of Accounts	Composite		S&P 500	Composite Dispersion	Composite	S&P 500	Composite	S&P 500
				Gross	Net						
2017	685	545	34	17.37 %	16.65%	21.83%	0.30%	9.65%	11.41%	9.18%	9.92%
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%	20.14%	8.50%	8.98%
2013	3,522	33,52	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%	16.73%	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	1,983	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	17.41 %	16.72%	10.88%	0.60%	5.15%	3.60%	11.30%	15.07%
2003	350	152	14	23.30 %	21.50%	28.68%	1.70%	-0.20%	-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	≤5	0.95%	-0.54%	-11.93%	n/a	12.51%	-1.04%	12.87%	16.94%
2000	266	85	≤5	5.93%	4.38%	-9.10%	n/a	12.51%	-1.04%	12.87%	16.94%
1999	326	33	≤5	33.16 %	31.88%	21.04%	n/a	33.15%	27.56%	14.59%	16.76%
1998	288	25	≤5	36.23 %	34.91%	28.58%	n/a	29.85%	28.23%	16.84%	16.24%
1997	260	29	≤5	30.13 %	28.86%	33.36%	n/a	30.55	31.15%	16.834%	16.24%
1996	230	24	≤5	23.15 %	22.31%	22.96%	n/a	22.82%	19.68%	14.10%	9.27%
1995	121	23	≤5	38.42 %	37.08%	37.58%	n/a	15.38%	15.34%	11.00%	8.34%
1994	104	16	≤5	8.37%	7.30%	1.32%	n/a	5.17%	6.27%	10.11%	8.06
1993	106	14	≤5	2.40%	1.40%	10.08%	n/a				
1992	80	12	≤5	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 December 31, 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 December 31, 2017. The verification and performance examination reports are available upon request.

The Large Cap Equity Strategy Composite was created July 1, 2002.
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 2% 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.

Definitions:

Standard Deviation is a measure of absolute volatility of returns.