STRALEM
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PORTFOLIO MANAGER COMMENTARY
Fourth Quarter 2018

STRALEM LARGE CAP EQUITY STRATEGY

SUMMARY

- *In Q4 of 2018, Stralem's Large Cap Equity Strategy ("LCES") returned -9.97% gross of fees, versus the S&P 500 index return of -13.52%, for a relative outperformance of 3.55%.*

- *The S&P 500 returned 10.6% through Q3 on the back of a 4.2% GDP print, record low unemployment, controlled inflation, rising wages, record corporate margins and corporate earnings growth that exceeded 25%!* However, in Q4, the market was forced to grapple with some serious headwinds, including a Federal Reserve intent on continued tightening, a U.S. President threatening a potentially dangerous trade war with China, previously imposed tariffs beginning to take hold, and the prospect of slowing global growth in 2019 across key developed and emerging markets.

- The fourth quarter also saw a resurgence of volatility in the equity markets. The S&P 500 was down 6.84% in October, rallied back up 2.04% in November, and then sold off hard -9.04% in December. This was only the 2nd quarter the S&P 500 was down more than 1% since 2012. More than 50% of the trading days in the 4th quarter saw swings of 2% or more – a level not seen since 2011. In addition, there has not been a double-digit negative quarter for the S&P 500 since Q3 of 2011.

- The fourth quarter relative outperformance was largely attributable to a) stock selection in the Technology sector, b) the portfolio's overweight to Utilities (the only positive return sector), and c) a very large overweight and strong stock selection in Healthcare. While it was a very strong relative period for the LCES, not owning any defensive Consumer Staples hurt performance, as did our stock selection in Consumer Discretionary.

- Analyzing the portfolio in Stralem terms, for Q4, the Dominant Companies category within the Up-Market (-49bps) and the new Products category within the Up-Market (-27bps) detracted from performance, while the New Industries category within the Up-Market (+179bps) and the High Yield category within the Down-Market (+181bps) provided the greatest boost to relative performance.

- Q418 is a great example of how the LCES portfolio is intended to perform when the equity market derails and volatility increases. Even though the bull market is 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.

	Annualized Returns (12/31/18)								
	QTD 12/31/18	YTD 12/31/18	1 YR	3 YR	5 YR	10 YR	15 YR	20 YR	10 YR Std. Dev.
Stralem Composite (Gross)	**-10.0%**	**-3.4%**	**-3.4%**	**7.4%**	**6.6%**	**11.0%**	**8.6%**	**8.2%**	12.0%
S&P 500	-13.5%	-4.4%	-4.4%	9.3%	8.5%	13.1%	7.8%	5.6%	13.6%
Difference	***3.6%***	***1.0%***	***1.0%***	***-1.9%***	***-1.9%***	***-2.1%***	***0.8%***	***2.6%***	*-1.6%*
Stralem Composite (Net)	-10.1%	-4.0%	-4.0%	6.7%	5.9%	10.3%	7.8%	7.2%	12.0%

MARKET COMMENTARY

The S&P 500 returned 10.6% through Q3 on the back of a 4.2% GDP print, record low unemployment, controlled inflation, rising wages, record corporate margins and corporate earnings growth that exceeded 25%! Despite the massive 428% return of the S&P 500 since the March 2009 low, the newly implemented Tax Cut and Jobs Act (TCJA) provided investors with yet another reason to be excited about owning equities, based on the higher earnings growth and newly lower P/E ratios. The inherent assumption was that companies would invest their new-found profits into creating new jobs, raising wages, accelerating capital investments, and ramping up R&D – all designed to meet the expected increase in demand and to drive future growth. Unfortunately, reality set in quickly as the market was forced to grapple with some serious headwinds -- a Federal Reserve intent on continued tightening, a U.S. President threatening a potentially dangerous trade war with China, previously imposed tariffs beginning to take hold, and the prospect of slowing global growth in 2019 across key developed and emerging markets.

Early in the fourth quarter, Ford Motor Company surprised the market with an announcement of meaningful layoffs based on weaker Chinese demand (trade war), weaker U.S. demand (higher interest rates) and increased costs negatively impacting margins and earnings (steel tariffs). At the same time, Apple announced that it was cutting its critical Q4 smartphone forecast because of a slowdown in China, its second largest market and the engine of growth for the past several years. This coupled with continued revelations of data and privacy breeches at the large social media advertisers (namely Facebook) sparked a sell-off in the widely-held, large cap Technology darlings affectionally known as the FAANG stocks. These seemingly invincible growth companies were finally met with some negative news and investors decided to "shoot first and ask questions later". In the quarter, Apple was down a whopping 29.9%, Facebook down 20.3%, Amazon down 25.0%, Netflix down 28.5% and Alphabet (Google) down 13.4%!

With legitimate concerns about tariffs and trade wars exacerbating the slowdown in global growth expected in 2019, the price of oil was another Q4 causality. After bottoming at $26 per barrel in early 2016, global oil markets cut back on production in order to let the price (and profits) float higher. Rig counts from the U.S. to Russia to Saudi Arabia came offline and the excess inventory was worked down. During this oil bear market, U.S. shale producers focused on reducing the costs/well so that when the price rebounded, they could profitably produce at lower levels. Likewise, the oil-dependent countries in the Middle East, as well as Russia, desperately needed a higher price to ramp up production and meet government budget demands. The market found equilibrium of ~$50 through 2017, but as optimism about a tax-cut driven resurgence in economic growth filtered into the market in early 2018, oil prices rallied to the mid-$70s. As the price rose, the shuddered rigs came back on-line and production accelerated. But in early Q4 when the trade war with China began to create real concerns about global growth, oil quickly sold off from ~$76 to $45 – and brought the energy sector (-23.8%) down with it.

Lastly, the fourth quarter saw a resurgence of volatility in the equity markets. The S&P 500 was down 6.84% in October, rallied back up 2.04% in November, and then sold off hard -9.04% in December. To put this into perspective, there were zero down months in all of 2017, and this was only the 2nd quarter the S&P 500 was down more than 1% since 2012. More than 50% of the trading days in the 4th quarter saw swings of 2% or more – a level not seen since 2011. In addition, there has not been a double-digit negative quarter for the S&P 500 since Q3 of 2011 when the U.S. Government was at risk for a credit rating downgrade. The explosion in volatility speaks not only to the uncertainty around economic growth and corporate earnings, but the fact that the bull market is approaching its 10th anniversary, and with Federal Reserve having raised interest rates 9 times over the past 3 years, perhaps fixed income yields are becoming more attractive and tempting investors to take some risk off and move some assets out of equities.

PORTFOLIO PERFORMANCE & COMMENTARY

During the fourth quarter of 2018, the Stralem Large Cap Equity Strategy ("LCES") returned -9.97% gross of fees, versus the S&P 500 index which returned -13.52%, for a relative outperformance of 3.55%.

The fourth quarter relative outperformance was largely attributable to a) stock selection in the Technology sector, b) our overweight to Utilities (the only positive return sector), c) a very large overweight and strong stock selection in Healthcare. While it was a very strong relative period for the LCES, not owning any defensive Consumer Staples hurt performance, as did our stock selection in Consumer Discretionary.

After Energy (-23.8%), Technology was the worst performing S&P 500 sector (-17.3%) in Q4. While we remain slightly underweight the group, not owning two of the hardest hit stocks, Apple (-29%) and Nvidia (-52%), but instead owning one of only three stocks in the sector with a positive return on the quarter, Broadcom (+4.2%), drove over 140bps of alpha.

One of the core principles of Stralem's "participation with protection" strategy is to maintain an allocation to down market stocks that investors flock to for capital preservation during periods of fear and uncertainty in markets. The fourth quarter was clearly one of these environments and thus it was not surprising that the only S&P sector to produce a positive return was Utilities (+1.4%). The portfolio's healthy overweight to Utilities was a benefit, but so too was owning the better performing Utilities: Duke Energy (+9.0%), American Electric Power (+6.4%), and Dominion Energy (+2.8%). The combination of the LCES overweight to the sector and the stock selection within the sector drove 127bps of alpha.

The last major contributor to the portfolio's relative outperformance was the overweight and stock selection in Healthcare. Often considered a stable and defensive sector, Healthcare is the LCES' largest overweight and since it was down only 8.5%, one of the S&P's best performing sectors. While our higher growth, biotechnology holdings, Celgene and Alexion Pharmaceuticals, were down over 20% in the quarter, our stable, dividend-paying large pharmaceuticals did relative well. Merck was up 8.5%, Abbvie was down 1.5%, and Pfizer was down 0.2%.

Please see below in **PORTFOLIO ATTRIBUTION & ACTIVITY** section for discussion of detractors from LCES performance. While the rhetoric around trade wars and tariffs, the Federal Reserve increasing rates, and inflation that is creeping higher remains concerns for global large-cap stocks, the fundamentals of the portfolio stocks remain strong and we remain confident these firms will navigate the volatility and continue to perform well.

As was demonstrated in Q4, when the equity market derails and volatility increases, the Stralem portfolio protects capital due to its unique and proven structure and strategy. Even though the bull market is 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 ATTRIBUTION & ACTIVITY

While the portfolio did perform relatively well in Q4, whenever there are steep and sudden sell-offs, some of the smaller market cap, growth-oriented, higher valuation names will underperform the market and this quarter was no exception.

The largest amount of negative attribution came from the Consumer Discretionary (-49bps) and Consumer Staples (-55bps) sectors. Like Utilities, Consumer Staples represent stable, slow growing, high dividend yielding stocks that do well in downturns, and it was the 2nd best performing sector, but one in which the portfolio has a zero weight. This lack of exposure hurt performance by -55bps. In Consumer Discretionary, the negative attribution was 49bps, largely due to Aptiv (-40bps) and Carnival Cruises (-25bps).

Aptiv has continued to produce strong results as it sells the electronic platform and architecture that enables all the "smart car" features found in new cars today. As the world slowly works its way to fully autonomous driving (level 5), the architecture of sensors and cameras and safety features must be built. Aptiv continues to win share as automobile platforms install more basic functions (level 2 and level 3). Unfortunately, as interest rates rise, the number of automobiles sold generally declines and buyers also trade down from function heavy cars to function lighter cars and that impacts Aptiv. We are still strong believers in the company's future and we are willing to tolerate some near-term volatility.

Carnival was an attractive investment because of the steadily increasing global demand for this fun and affordable vacation opportunity with a slow and contained supply increase, resulting in more cruisers at higher prices. While the secular growth story has not changed, the threat of trade wars and geopolitical turmoil caused a temporary slowdown in demand in 2H18 and Carnival was down 22% in Q4. We strongly believe in the secular growth story and expect the stock to rebound quickly.

Fedex is another company that was affected by the slowdown in global trade and the impact in corporate behavior as a result of tariff uncertainty. After increasing their guidance over the Summer based on strong global growth trends, Fedex missed its Q2 (November) earnings and discussed how the tariff overhang was impacting global trade and disrupting supply chains. Fedex founder and Chairman Fred Smith was quick to say that the issues the firm is dealing with were induced by "bad political choices". Obviously, trade wars and increased tariffs are not ideal for a company that relies on strong global commerce, but we believe this too will pass and Fedex's business model is built to flex up/down based on demand, so they should be able to make internal adjustments to hold margins.

As the price of oil plummeted in the quarter, it brought down the entire Energy sector (-23.8%) and had an outsized impact on the companies that are most exposed to energy prices – for the LCES portfolio that was EOG Resources. One of the low-cost shale oil providers in the country, EOG lost 31.5% in the quarter and will likely be forced to slow production until commodity prices rebound.

Lastly, Celgene (-28%) and Alexion Pharmaceuticals (-30%) suffered big losses as the market sold smaller, growthy biotechs and rotated into bigger, more stable, large pharmaceutical firms. Given that there was nothing fundamentally negative driving the Alexion sell-off (the company actually received approval for another indication for one of its key drugs), it is our firm belief it will bounce back strongly based on its execution and results. Similarly, there was no real negative fundamental news on Celgene and it not only bounced back, but on January 3, 2019 Bristol-Myers Squibb made a $102 cash and stock bid for Celegne, a 54% premium to the previous close.

On the positive side of the ledger, the portfolio's performance was driven by the Information Technology sector. Not owning one of the market's largest companies, Apple, which sold off (-29.9%) based on lower smartphone sales but instead holding the high cash-flowing Broadcom (+4.2%) contributed significantly to the portfolio's performance. Broadcom has been in the penalty box after investors questioned the strategic rationale for completing an acquisition of software company Computer Associates in July 2018. While the fit may have been in question, the high margins and steady cash-flow fit Broadcom's business model perfectly. It was this steady cash-flow that attracted investors in the Q4 downturn.

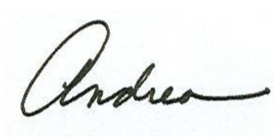
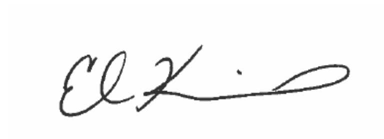
After the strong performance in Technology, the next best performing group of stocks were our Down-Market High Yield securities – specifically our Utilities and Large-cap pharmaceuticals. In the quarter, Duke Energy was up 9%, American Electric Power 6.4%, Dominion Energy 2.8%, Merck 8.5%, Abbvie -1.5% and Pfizer -0.2%. Collectively, these high yielding companies generated 265bps of positive attribution!

Analyzing the portfolio in Stralem terms, for Q4, the Dominant Companies category within the Up-Market (-49bps) and the new Products category within the Up-Market (-27bps) detracted from performance, while the New Industries category within the Up-Market (+179bps) and the High Yield category within the Down-Market (+181bps) provided the greatest boost to relative performance.

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 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,

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Note:
Portfolio securities discussed in this commentary should not be considered a recommendation to purchase or sell a particular security. There is no assurance that securities discussed in this commentary remain in the LCES portfolio. See performance notes

included in this commentary.

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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						
2018	292	181	19	-3.35	-3.96	-4.38	0.34%	7.37%	9.27%	9.88%	10.80%
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 less than 0.5% 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.