All Cap Quality Growth

ALTA
CAPITAL MANAGEMENT
A member of Guardian Capital Group Limited

Quarterly Performance Report

Period Ended December 31, 2019

Disciplined Process, Lower Volatility

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Objective: Long-term growth of capital with lower than market volatility.

Philosophy: Alta Capital Management believes companies with industry-leading profitability and high free cash flow growth yield superior investment returns with nominal risk.

Strategy: The essence of our investment process rests on three pillars: profitability, growth and valuation. These pillars define our search for ‘quality’. A quality company in an Alta portfolio is profitable throughout the economic cycle, has a deep competitive moat, exhibits financial flexibility and consistently grows its free cash flow, all while trading at an attractive valuation.

Portfolio: Concentrated portfolio of 30 to 35 stocks

High active share

Large, Mid and Small capitalized companies

Risk controls govern stock, sector and capitalization

Dedicated Team

ALTA CAPITAL MANAGEMENT

Investment Team

Michael O. Tempest
Managing Principal and Chief Investment Officer

Melanie H. Peche, CFA
Principal and Portfolio Manager

Casey D. Nelsen, CFA,
Principal and Portfolio Manager

Tyler A. Partridge, CFA
Principal and Portfolio Manager

Robert H. Cheney
Senior Investment Professional

Carter Allen
Research Analyst

Andrew H. Schaffernoth
Principal and Client Portfolio Manager

Nathan Rhees
Principal and Client Portfolio Manager

Trading

Todd Kearney
Director of Trading

Curtis Lingren
Trading Associate

Client Development & Service

Mark Woodruff
Senior Relationship Manager

Bob Leahy
Director, Northeast Region

Joe Reid
Director, Central Region

David Robinow
Director, Western Region

Keith Schwartz
Director, Southeastern Region

Zach Bitner
Client Services Leader

Administration

Haley Hammond
Chief Compliance Officer

Deborah Holmes
Senior Operations Associate

Donna Thygesen
Operations Associate

Cheryl Phippen
Administrative Associate

Nirvon Mahdavi
Controller

Alta Capital Provides a Unique Offering

ALTA CAPITAL MANAGEMENT

Boutique firm with a 39-year history

Concentrated, high active share, lower risk profile

Sustainability of earnings growth, profitability and competitive advantages drives future cash flow generation

Valuation consciousness

Quality factors promote client confidence

Market Commentary

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We are happy to report that 2019 was a spectacular year for the U.S. equity market. At the beginning of 2019, practically no one predicted that the equity market would produce one of the biggest yearly returns in the last twenty years. A year ago, investors had just come out of the worst fourth quarter the U.S. market had seen since the financial crisis of 2008 and the Federal Reserve was forecasting a number of interest rate increases for 2019. The combination of these unfolding events cast a heavy pall over investors' expectations for the new year. Nevertheless, as Mark Twain once stated, "I've had a lot of worries in my life, most of which never happened." These dreaded interest rate increases actually turned into interest rate cuts and the U.S. economy significantly outperformed low expectations in 2019. For the year, the benchmark S&P 500 index posted a robust return of 31.48% with dividends reinvested. Thanks to our disciplined investment style and philosophy, we were well positioned to take advantage of the strength in the equity markets.

Although we are pleased with the performance of Alta's portfolios in 2019, given the conservative nature of our investments and the speculative fever that is once again entering the stock market, a word of caution is in order. As we continue to discover undervalued companies, we cannot help but grow cautious about the high valuations for some companies and industries. Historically, when a company's earnings grow at roughly the same rate as the company's stock price, investors have a healthy investment that brings stability to the portfolio. Conversely, in markets like today's, when stock prices climb at a much faster rate than their earnings increase, these investments become less predictable and expose the shareholder to much more risk. Alta's current holdings are experiencing strong, predictable earnings growth, but their true valuation is not fully represented in the companies' stock price. Therefore, we feel strongly that our portfolios are uniquely positioned to take advantage of the volatility that will undoubtedly come from this unpredictable market.

We remain upbeat about the prospects for the stock market in 2020. The economy shows little sign of slowing down and unemployment and inflation remain very low. The upcoming presidential election will likely also help the markets. Since 1952, the stock market has averaged a return of 10.1% in presidential election years, as presidents attempt to stimulate the economy. To counterbalance our overall optimism, our biggest concern going into this new year is that many investors appear to have learned nothing from the last two stock market excesses (2000 and 2008) that resulted in painful bear markets. Many widely held stocks are trading near all-time high valuations and it is not uncommon to find mediocre companies with price-earnings ratios 3x their earnings growth rates. Another longer-term concern is the enormity of our country's exploding deficits and unfunded liabilities and the ramifications of ignoring them. Politicians on both sides of the aisle seem unwilling to address the issue of how to fund these huge programs. This issue, if not adequately addressed, could have a detrimental long-term impact on investment returns in this country. In spite of these concerns, we continue to remain cautiously optimistic about future investment returns for equities.

Alta All Cap Quality Growth

Performance Commentary

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The fourth quarter of 2019 continued to provide strong performance for the portfolio. The US-China trade dispute was still up in the air, but impeachment talks joined the news out of our nation's capital. The Federal Reserve lowered interest rates another quarter point in October, but held steady in December. Expectations are now that the federal funds target range will remain unchanged at 1.50% - 1.75% through 2020.

	Portfolio (Gross of fees)	Portfolio (Net of fees)	Russell 3000
1 Month	2.29%	2.29%	2.88%
Quarter	9.12%	8.87%	9.09%
YTD	34.57%	33.71%	31.01%

As of December 31, 2019. Net returns shown are net of actual composite fee. Please see attached Disclosure and Discussion. Past performance is no guarantee of future performance.

Top 5 Contributors

ALTA CAPITAL MANAGEMENT

Stock	Average Portfolio Weight	Portfolio Total Return	Contribution to Portfolio Return	Commentary
Apple Inc. (AAPL)	6.78%	31.50%	1.94%	Continued strength of wearables and rumors of a strong holiday season drove Apple shares to record highs in the quarter. Apple was largely considered the best performing stock of 2019 and demand for AirPods, Apple Watch, and new iPhones look to continue to drive growth.
Facebook Inc.(FB)	5.21%	15.26%	0.78%	Facebook outperformed on strong user growth metrics and increased user engagement. Daily active users at the end of last quarter rose to 2.45B, up nearly 200mm from the year ago quarter while engagement on the platform, measured by DAU/MAU, rose to 66.3%. Outside of core Facebook, Instagram and WhatsApp users continue to grow nicely.
Zebra Technologies Corp. (ZBRA)	3.07%	23.78%	0.67%	Zebra outperformed in the quarter on the back of results that outpaced expectations and a big contract win from USPS. Zebra's asset intelligence tracking and enterprise visibility technologies are increasingly important as companies seek to better manage the logistics and efficiency of all aspects of their organizations.
Alphabet Inc. Cl. A (GOOGL)	5.93%	9.68%	0.58%	Alphabet outperformed in the quarter on core search advertising growth continuing and increased optimism around the company's cloud offering. The announcement of Sundar Pichai taking over as Alphabet and Google CEO likely signals a focus on growth for the core business going forward.
NVIDIA Corp. (NVDA)	1.72%	35.27%	0.54%	Nvidia was one of our best performers in the fourth quarter as the company left the inventory and slow growth concern behind. The company's RTX chips are seeing increased adoption as gaming houses look to incorporate ray tracing into new games. The company is also seeing increased demand as conversational AI grows within the data center and cloud business and edge computing on 5G networks becomes more of a reality.

Bottom 5 Contributors

ALTA CAPITAL MANAGEMENT

Stock	Average Portfolio Weight	Portfolio Total Return	Contribution to Portfolio Return	Commentary
Dollar Tree Inc. (DLTR)	2.38%	-17.62%	-0.42%	Dollar Tree experienced some pressure in the quarter as tariff worries and lackluster earnings guidance hurt the stock price. DLTR reported a slight top line beat, with comps coming in largely in-line at +2.5%. The negative reaction to the earnings report was driven by the earnings miss and lowered EPS outlook for Q4 and a weaker FY19 guidance update. With the tariff reprieve, DLTR should be able to surpass these muted down expectations in the coming months.
Constellation Brands Inc. A (STZ)	2.44%	-8.10%	-0.26%	Constellation Brands reported lower than expected beer volume growth. Recent capital allocation decisions negatively influenced investor sentiment as well. We believe continued strength in Constellation's top beer brands, the portfolio optimization strategy, and Corona seltzer launch will help the company return to double-digit earnings growth in the near future.
Markel Corp. (MKL)	3.92%	-3.28%	-0.16%	Reported third quarter earnings beat expectations and forward consensus earnings estimates increased by 2%. However, the stock gave back some gains as insurance companies sold off generally from the Federal Reserve rate-cut and general commentary suggesting interest rates could be flat-to-down over the coming year.
Middleby Corp. (MIDD)	1.67%	-6.31%	-0.11%	MIDD's growth deceleration in its largest division, Commercial Food Service, is proving to be a lingering headwind. Restaurants have focused their investment into the front end and delivery/takeout services. Wage hikes have also put pressure on restaurants' ability to invest, however, we continue to believe that MIDD's automated equipment is a long-term solution. Now at 15x NTM earnings, well below its long run average of 20x, MIDD's quotation seems to fully reflect investor concerns. Expected growth improvement will fuel future outperformance.
Intuit Inc. (INTU)	2.52%	-1.31%	-0.04%	INTU delivered a solid earnings report during the quarter. However, valuation pressures created short term weakness in the stock. Concern arose around the company's free tax preparation program and its ability to convert users to paid filings customers. Historic conversion percentage rates are high. INTU is growing its small business offering alongside its tax prep service and both will benefit from its transformation into an AI-driven platform.

Holdings

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Energy	2.8
Phillips 66	2.8

Industrials	6.7
Fortune Brands Home & Security	2.6
Middleby Corp	1.5
Union Pacific	2.5

Communication Services	14.2
Alphabet Inc	5.9
Facebook Inc	5.3
Walt Disney Co	2.9

Consumer Staples	4.3
Constellation Brands	2.3
US Foods Holding Corp	2.0

Consumer Discretionary	16.6
Booking Holdings	4.8
Dollar Tree Stores	2.3
Lowes Companies	3.2
TJX Companies, Inc.	4.2
Ulta Beauty Inc	2.0

Information Technology	31.7
Amphenol Corp	3.2
Apple Inc	6.8
Broadridge Financial Solutions	3.1
Check Point Software	2.4
Fleetcor Technologies	2.6
Intuit Inc	2.4
Littelfuse Inc	2.1
Mastercard Inc	3.5
Nvidia Corp	1.8
Zebra Technologies	3.5

Health Care	9.4
Becton Dickinson & Co	2.7
CVS Health Corp	3.8
Thermo Fisher Scientific	2.8

Financials	10.9
Markel Corp	3.7
S&P Global Inc	2.3
Wells Fargo & Co	2.4
Western Alliance Bancorp	2.4

Materials	1.9
Sherwin Williams Co	1.9

Cash	1.1

Alta All Cap Quality Growth Portfolio as of December 31, 2019. Holdings are to be considered supplemental information. The securities identified and described do not represent all of the securities purchased, sold or recommended for client accounts. The reader should not assume that an investment in the securities identified was or will be profitable. Strategy holdings and sector allocations are subject to change and should not be considered a recommendation to buy or to sell any security. Past performance is not indicative of future results..

Top 5 Holdings

ALTA CAPITAL MANAGEMENT

Stock	Portfolio Weight %	Quality Growth Appraisal
Apple Inc. (AAPL)	6.8%	Over the past few years, Apple has developed one of the most valuable brands in the world and has plenty of room to grow as Macs, iPods, iPads and iPhones continue to impress consumers with new and convenient features and as they expand their brand to new markets around the world. Apple has become a diversified consumer technology company. Apple consistently generates large amounts of FCF while consistently delivering an ROIC above 20%.
Alphabet Inc. Cl. A (GOOGL)	5.9%	Alphabet is the holding company for Google and its many diverse businesses including YouTube and self-driving car startup Waymo. The core Google search advertising business is incredibly profitable and remains a strong grower. The company has delivered a FCF CAGR of 15% over the last five years with expected FCF in 2019 of over $30B.
Facebook Inc. (FB)	5.3%	Facebook is the world's leading social networking platform with a focus on continued user growth and platform expansion. The company also owns Instagram and WhatsApp. Recent concerns around privacy and security have been a headwind for profitability, but the company still generated a record ROIC of 28% in 2018.
Booking Holdings (BKNG)	4.8%	Booking Holdings is the global leader in the attractive online travel agency space and the best positioned for strong growth. The online travel agency (OTA) space is growing faster than the economy. BKNG's strong brands and an entrenched global network form a significant competitive moat and should help protect the company's high margins well into the future. BKNG enjoys a solid lead in the fast-growing emerging market travel space, particularly in China, underpinned by a growing middle class in these countries and rapidly growing aviation. The travel booking market, in general, is enormous at $1.2 trillion, while online penetration is low, around 40%, and BKNG has meaningful room to grow with still only a single-digit market share.
TJX Companies Inc. (TJX)	4.2%	TJX is a leading global discount retailer, operating seven chain concepts, including TJ Maxx, Marshalls and HomeGoods, in North America, Europe and Australia. Off-price retailing—offering brand-name merchandise at great values—is perfect for a value-conscious consumer and makes TJX one of the most compelling and enduring names in retail. TJX is well-positioned to benefit from ongoing secular migration to off-price retailers. TJX is being rewarded for its consistent EPS growth, high cash-flow yield and strong balance sheet. Its flexible business model has proven resilient over the cycle, as consumers who have overwhelming choice continue to flock to off-price clothing and home good stores in the U.S. and abroad. Its international presence and opportunity is a key differentiator with its main competition, ROST. As we witness significant disruption in brick-and-mortar retail, we continue to favor unique retailers like TJ Maxx, whose business model we view as better insulated from the threat of e-commerce.

Portfolio Changes

BUYS	
US Foods Holding Corp. (USFD)	US Foods Holding Corp. is the second largest food distributor in the United States. The company supplies ~250,000 customers nationwide with over 400,000 fresh, frozen, and dry food SKUs. Sales are about evenly split between independent restaurants, the healthcare/hospitality industry, and restaurant chains/other. Above average volume growth, a mix shift to private label brands, and operating leverage should drive 10-12% annual earnings growth at US Foods over the next three to five years. The company currently trades at a below-market multiple of 16x forward earnings, which we expect will expand as they execute on their high-growth strategy.

SELLS	
NONE	

Assessment

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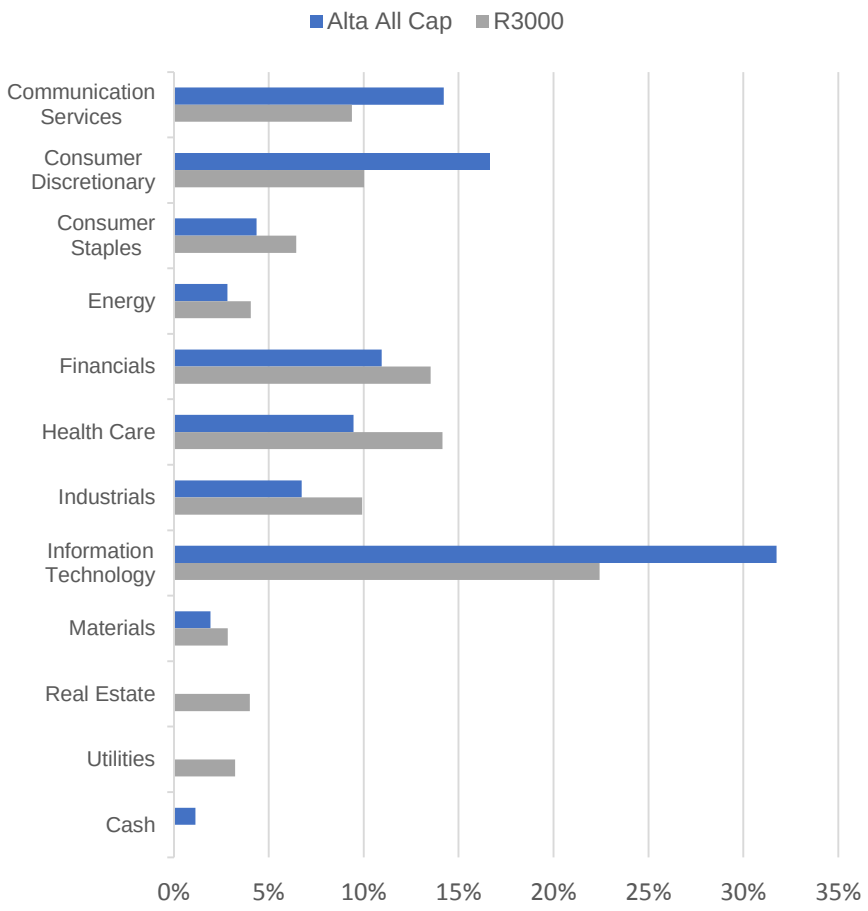
Sector Allocation



Top 10 Holdings	% of Portfolio
Apple Inc	6.8
Alphabet Inc	5.9
Facebook Inc	5.3
Booking Holdings	4.8
TJX Companies	4.2
CVS Health Corp	3.8
Markel Corp	3.7
Zebra Technologies	3.5
Mastercard Inc	3.5
Lowe's Companies	3.2

Capitalization Distribution	Portfolio	R3000
Mega Cap (> $126.3 B)	32.1	42.9
Large Cap ($31.9 B to $126.3 B)	37.0	26.3
Mid Cap ($3.8 B to $31.9 B)	30.9	24.9
Small Cap (< $3.8 B)	0.0	6.0

Characteristics and Capitalization Distribution data represents All Cap Quality Growth Portfolio as of December 31, 2019. Top Ten Holdings and Sector Allocation data represents All Cap Quality Growth Portfolio as of December 31, 2019. Data Source: Morningstar Direct and FactSet.

The Three Pillars of Alta: Profitability, Growth, Valuation

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	Characteristics	All Cap Quality Growth	Russell 3000
Active management...	Holdings	32	2992
	Dividend Yield	0.87	1.72
	Market Cap ($B)	239.5	249.0
	Active Share (%)	vs.	86.9
	Turnover (5 Yr. Avg. %)	21.3	-
Growth and profitability…	Est EPS Growth	7.7	4.7
	EPS Variability	33.2	40.4
	Net Margin	13.4	7.4
	Return on Invested Capital	15.4	9.5
	Return on Equity	22.8	9.5
At a sensible price...	P/E Ratio (12 mos forward)	19.8	18.7

All data represents Alta's All Cap Quality Growth portfolio as of December 31, 2019. Past performance is no guarantee of future performance. Alta Capital Management is a SEC registered investment adviser and claims compliance with the Global Investment Performance Standards (GIPS). Est EPS Growth for CY 1 and 2. All currency in US Dollars. Est EPS Growth shown is next two calendar years. Source: Morningstar Direct and BNY Mellon.

All Cap Quality Growth Composite Annual Disclosure

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Alta Capital Management, LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Alta Capital Management, LLC has been independently verified for the periods January 1, 1993 through December 31, 2016 by Ashland Partners & Company LLP and for the periods January 1, 2017 through December 31, 2018 by ACA Performance Services, LLC. The verification report is available upon request. 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. Verification does not ensure the accuracy of any specific composite presentation.

The GIPS firm is defined as Alta Capital Management, LLC which is an independent money management firm that focuses on identifying high quality growth companies through fundamental analysis and a sound valuation methodology. Alta's assets are managed under one discipline referred to as quality growth. The firm maintains a complete list and description of composites, which is available upon request. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

On January 2, 2018 Guardian Capital Group purchased a majority interest in Alta Capital Management.

Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Beginning July 1, 2006, composite policy requires the temporary removal of any portfolio incurring a client initiated significant cash inflow or outflow of at least 20% of portfolio assets. The temporary removal of such an account occurs at the beginning of the month in which the significant cash flow occurs and the account re-enters the composite the next month after the cash flow. Prior to June 30, 2006, accounts were removed for cash flows of 10% or larger, and between July 1, 2002 and September 30, 2003, they were removed for flows of 5% or larger. Additional information regarding the treatment of significant cash flows is available upon request. Past performance is not indicative of future results.

The U.S. Dollar is the currency used to express performance. Returns are presented gross and net of actual management fees and include the reinvestment of all income. Net of fee performance was calculated by accounting system based on below fee schedule. Net of fee performance was calculated using actual management fees and sub-advisor fees, where applicable. The annual composite dispersion is an asset-weighted standard deviation calculated for the accounts in the composite the entire year. Fee schedule is as follows: 1st $1 mm @ 1.00%, next $4 mm @ .90%, next $5 mm @ .80%, next $15 mm @ .70%, next $25 mm @ .60% and negotiable thereafter. Quarterly minimum fee $625. Institutional fee schedule is as follows: First $25 mm @ .60%, Next $25 mm @ .50%, next $25 mm @ .40%, More than $75 mm .35% flat. Minimum account size for this fee schedule is $5 million. Minimum quarterly fee $7,500/quarter. From 2000-2003, all account in the composite were fee-paying accounts. As of 12/31/04, 2% of the total assets in the composite were non-fee paying accounts. As of 12/31/05, 2% of the total assets in the composite were non-fee paying accounts. As of 12/31/06, 1% of the total assets in the composite were non-fee paying accounts. As of 12/31/07, 1% of the total assets in the composite were non-fee paying accounts. From 2008-2009, all account in the composite were fee-paying accounts. As of 12/31/10, 1% of the total assets in the composite were non-fee paying accounts. As of 12/31/11, 1.5% of the total assets in the composite were non-fee paying accounts. From 2012-2017, all account in the composite were fee-paying accounts. As of 12/31/18, 0.20% of the total assets in the composite were non-fee paying accounts.

The All Cap Quality Growth Composite was created June 30, 2000. Prior to October 1, 2007, the composite was named the All Cap GARP Equity Composite.

	Total Firm	Composite Assets		Annual Performance Results							
Year End	Assets (millions)	USD (millions)	Number of Accounts	Composite Gross	Composite Net	Russell 3000	Russell 3000 Growth	Composite Dispersion	Composite 3-yr Annualized Standard Deviation	Russ 3000 3-yr Annualized Standard Deviation	Russell 3000 Growth 3-yr Annualized Standard Deviation
2018	1,704	339	173	-5.39%	-5.82%	-5.24%	-2.11%	0.14%	11%	11%	12%
2017	1,845	428	195	23.61%	23.04%	21.13%	29.58%	0.46%	10%	10%	10%
2016	1,655	360	172	1.39%	0.67%	12.73%	7.39%	0.26%	10%	10%	11%
2015	1,454	84	130	2.23%	1.23%	0.47%	5.09%	0.49%	10%	10%	10%
2014	1,434	64	103	14.29%	13.20%	12.55%	12.44%	0.50%	9%	9%	9%
2013	1,105	40	55	42.10%	40.90%	33.55%	34.23%	0.82%	11%	12%	12%
2012	709	24	37	20.12%	19.14%	16.41%	15.20%	0.67%	14%	15%	15%
2011	610	19	28	1.10%	0.30%	1.02%	2.17%	0.75%	17%	19%	18%
2010	679	20	25	16.00%	15.05%	16.92%	17.64%	0.85%			
2009	635	22	26	35.03%	34.01%	28.34%	37.00%	0.80%			
2008	461	20	26	-36.80%	-37.32%	-37.30%	-38.44%	0.94%			
2007	660	37	35	14.57%	13.66%	5.14%	11.39%	0.71%			
2006	637	31	32	6.01%	5.20%	15.74%	9.45%	0.38%			
2005	586	14	17	4.56%	3.88%	6.11%	5.16%	1.33%			
2004	440	11	12	15.17%	14.32%	11.94%	6.92%	N.A.			
2003	370	<1	Five or Fewer	36.94%	36.14%	31.05%	30.97%	N.A.			
2002	272	<1	Five or Fewer	-18.83%	-19.31%	-21.54%	-28.05%	N.A.			
2001	243	<1	Five or fewer	9.86%	9.26%	-11.46%	-19.63%	N.A.			
2000	204	<1	Five or fewer								

N.A. - Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

All Cap Quality Growth Composite consists of discretionary accounts investing in equities with a capitalization of above $500 million. The composite is measured against the Russell 3000 and the Russell 3000 Growth indices. The Russell 3000 is an index measuring the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market. The Russell 3000 Growth is an index measuring the performance of the broad growth segment of the U.S. equity universe including companies with higher price-to-book ratios and higher forecasted growth rates. The minimum account size for this composite is $250 thousand. Prior to January 1, 2005, there was no account minimum.