

## APS Health Care Strategy

### Firm Overview

APS Labs, LLC (“APS”) specializes in the evaluation and monitoring of U.S. and International long only equity managers. Combining concentrated and highly focused areas of investment, which APS refers to as Mandates, from high-quality and experienced investment managers in providing a complete equity allocation with an objective to outperform the broad equity market over a full market cycle. APS employs a rigorous, proprietary due diligence process that balances qualitative and quantitative metrics, in order to identify outstanding people, firms, and strategies. APS uniquely identifies and isolates consistent pockets of alpha production from within existing strategies and then creates new sub-strategies (mandates) around those areas. By combining concentrated and differentiated mandates, APS believes that it is possible to outperform the broad market over a full market cycle. Each APS Strategy is differentiated by its combination of focus and concentration, and representing a completely long-only equity exposure with high transparency, ample liquidity, and a meaningful level of diversification, while remaining a truly actively-managed portfolio.

### Firm Investment Philosophy

- APS believes in active management: stock-pickers can add value in specific areas if they have demonstrated investment skill on a consistent, long-term basis.
- APS believes in concentration and diversification; at the mandate level, investing in concentrated sections of a manager’s portfolio should enhance an active manager’s ability to add value. Diversification by manager, at the overall Strategy level, enables the aggregate Strategy to have a high correlation and moderate tracking error, while maintaining a very high Active Share score.

Portfolio Composition			
	Name	GICS Industry	Market Cap (\$mm)
1	AMN Healthcare Services Inc	Health Care Providers and Services	2,207
2	Array BioPharma Inc	Biotechnology	5,320
3	Baxter International Inc	Health Care Equipment and Supplies	41,559
4	Bristol-Myers Squibb Company	Pharmaceuticals	77,895
5	FibroGen Inc	Biotechnology	4,650
6	Ionis Pharmaceuticals Inc	Biotechnology	11,234
7	MacroGenics Inc	Biotechnology	877
8	Merck & Co Inc	Pharmaceuticals	214,680
9	Pfizer Inc	Pharmaceuticals	235,785
10	Progenics Pharmaceuticals Inc	Biotechnology	392
11	Portola Pharmaceuticals Inc	Biotechnology	2,319
12	Regeneron Pharmaceuticals Inc	Biotechnology	44,871
13	Seattle Genetics Inc	Biotechnology	11,760
14	Stryker Corp	Health Care Equipment and Supplies	73,696
15	UnitedHealth Group Inc	Health Care Providers and Services	237,255
16	Wellcare Health Plans Inc	Health Care Providers and Services	13,569

### Strategy Overview

The APS Health Care Strategy utilizes managers by having them specialize in a particular industry(s) within Health Care, as opposed to employing their full strategy; managers are hired in the specialized area(s), where they have historically been able to create the most consistent alpha. Within the chosen Mandate(s), managers are unconstrained:

- Market Capitalization – holdings are All-Cap, both within mandates and at the aggregate Strategy level
- Holdings can be of any style within Health Care Industries
- The number of holdings by Mandate can be concentrated as a manager feels appropriate

Mapping: a high correlation to the broad U.S. Health Care Equity market:

- Health Care Select SPDR correlation is >95%
- Active Share is high at >85% to all major indices (best-fit or broad)

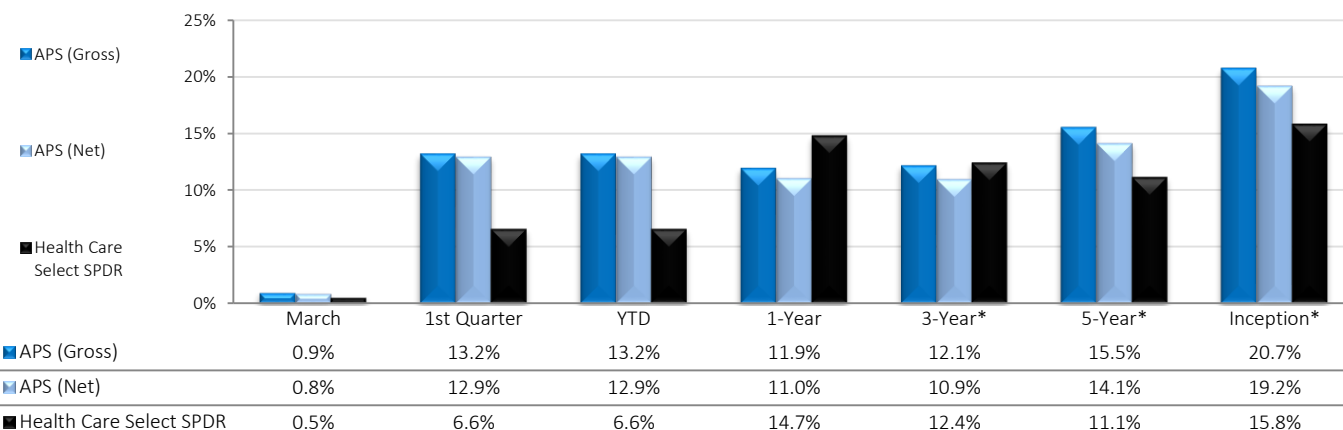
Mandates	
Sub-Adviser	Area of Investment
Pinnacle Associates	Biotechnology
Dana Investment Advisors	Pharmaceuticals/Equipment and Services
TimesSquare Capital Management	Medical Equipment/Pharmaceuticals/Biotechnology

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Calendar Year Performance			
	APS HC Strategy (Gross)	APS HC Strategy (Net)	Health Care Select SPDR
2019 YTD	13.2%	12.9%	6.6%
2018	2.6%	1.9%	6.3%
2017	17.5%	15.9%	21.7%
2016	-10.8%	-11.9%	-2.8%
2015	20.1%	18.4%	6.8%
2014	47.4%	45.4%	25.2%
2013	49.5%	47.4%	41.2%
2012	48.8%	46.7%	17.6%
2011	-1.5%	-2.9%	12.4%

Portfolio Characteristics <sup>1</sup>		
	APS HC Strategy	Health Care Select SPDR
Wtg. Avg. Market Cap as of 3/31/2019 (\$mm)	\$63,644	\$146,570
Beta	1.3	1.0
Alpha	1.3	0.0
Information Ratio	0.3	-
Standard Deviation	20.5	12.2
Sharpe Ratio	1.0	1.2
Active Share	85%	N/A

APS Health Care Strategy vs. Benchmark as of 3/31/2019



## Strategy Facts

<b>Strategy Objective</b>	Combining concentrated alpha-producing mandates from high-quality and experienced investment managers in order to provide a complete U.S. Health Care equity allocation and consistently outperform the broad U.S. Health Care equity market over a full market cycle.
<b>Investment Universe</b>	The Strategy only invests in U.S. Health Care market traded stocks and cash. The manager will not “short” stocks nor invest in illiquid securities or interests.
<b>Inception Date</b>	January 1, 2011
<b>Net Asset Value</b>	\$924,849
<b>Benchmark</b>	Health Care Select SPDR
<b>Number of Holdings</b>	16
<b>Holdings Per Mandate</b>	3-8

## Investment Terms

<b>Minimum Investment</b>	\$250,000
<b>Structure</b>	SMA
<b>Management Fees</b>	1.00%

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<sup>\*</sup>Annualized

<sup>1</sup> Alpha, Beta, R-Squared, Standard Deviation and Sharpe Ratio are Since Inception (1/1/2011) statistics. Alpha is a measure of a strategy's actual returns and expected performance, given its level of risk (as measured by beta). Beta reflects the sensitivity of the strategy's return to fluctuations in the market index. R-Squared indicates how much of a strategy's fluctuations are attributable to movements in the strategy's benchmark. Standard Deviation is a measure of how volatile a strategy's returns are. Sharpe Ratio is a measure of a strategy's risk-adjusted performance.

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<sup>2</sup> Active Share represents the fraction of portfolio holdings that differ from the benchmark index, thus emphasizing stock selection. Tracking error is the volatility of Strategy return in excess of the benchmark, so it emphasizes bets on systematic risk.” (K.J. Martijn Cremers, Antti Petajisto, How Active is Your Strategy Manager? A New Measure That Predicts Performance, Yale School of Management, October 3, 2007)

# APS Health Care Equity Strategy Disclaimers & Disclosures

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