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SECOND QUARTER 2017

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## Proceed With Caution

Another good quarter of performance in the market keeps us wary of over valuation. As we feel overall economic growth remains tepid.

Our largest concerns are continuing rate increases and balance sheet unwinding by the Federal Reserve and political risk surrounding the pending debt ceiling negotiations.

## Portfolio Analysis

The Triboro Socially Responsible All Cap Portfolio had a good quarter. The strategy was +3.74% (gross of fees) vs. +3.08% for the S&P 500. We continue to find few good ideas to add to the portfolio as more stocks have become overvalued.

So far this year growth stocks have outperformed value and large cap stocks have outperformed small cap stocks. We have been hurt by our lack of growth stocks but helped by our 50% weighting in large cap stocks.

## Positive & Negative Contributors to Performance

Technology and Health Care were again the strongest industry sectors in the S&P 500 this quarter. In Technology our strong stock selection contributed to performance although we were slightly underweight during the quarter. Our weakest sector was Consumer Staples where our stock selection will need to be evaluated in the coming quarter.

Best Buy Co. (BBY) operates 1600 consumer electronics stores. The stock increased 17% in Q1 as it beat earnings and revenue estimates. Since being added to the portfolio in January 2017, the stock has increased 31%.

CoreSite Realty (COR) owns and manages data centers. We established the position in September 2015. The

stock was up 15% in Q2 as it again beat estimates while guiding up earnings for 2017.

The worst performing stocks in Q2 were HD Supply Holdings Inc. (HDS -25.5%) and United Natural Foods (UNFI - 15.1%). HDS missed earnings guidance and guided down expectations for next quarter. As the damage was done at the time of the announcement, we will hold the stock until we have more clarity. UNFI lowered 2017 earnings guidance and will likely be sold in Q3.

Our heaviest overweight versus the index was in Financials where good stock selection helped performance. The largest sector underweight was again Energy. We continue to have no exposure to energy. We do not invest in fossil fuels and there are no clean energy companies that currently meet our criteria.

## Executive Summary

- As noted we feel that the current overvaluation in the market calls for increased caution. In Q3 we plan to reduce positions where business fundamentals are deteriorating.

- We reduced turnover in the first half of 2017 as compared to 2016 and we expect this trend to continue through the rest of the year as our process leads us to replace weaker names with new names that meet our criteria.

- We continue to use the same investment process that Triboro has used successfully for 14+ years while always searching for ways to improve our execution.

We appreciate your business and our team is always available to assist with questions or to explore a deeper conversation.

Regards,

Philip Mendelsohn, CFA

Portfolio Manager

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