Perspectives

Morris Capital Advisors, LLC

March, 2016 Volume 16 Issue 1

Money and Politics

A friend of mine does a weekly radio show that he calls “Money and Politics”. He invites guests from both the financial world and political sphere to discuss issues in their respective areas of expertise and has had me on the show numerous times to talk about the markets for the benefit (hopefully) of his faithful listeners. I have always thought that he picked money and politics because they were two of his favorite things, and while I could suggest some other topics to spice things up, I’m not sure that he would embrace them.

Money and politics have always been related to some extent, but it seems that nowadays the two are much more intertwined than ever. Government has exerted increasing influence over the economy, and the financial markets as a result, and the Fed has become much more political in its policy decisions. There are many, myself included, who believe that this increased politicization distorts important market relationships, potentially increasing the risk of market volatility.

If this heightened political influence is the “new normal”, it is a scary thought indeed. Even a casual look at the economic proposals of almost all of the presidential candidates should raise concerns. The lack of understanding of basic financial and economic reality is apparent in range of policy proposals that go from completely unworkable to outlandishly naive in terms of the cost and/or benefit for our economy. My confidence in the process has diminished as some of the candidates with the most unrealistic policy positions seem to be gaining momentum. Voters seem to be willing to be seduced by these grand plans even if it means suspending reality. It is often said that we get the politicians that we deserve.

The Fed has always been influenced by politics, to a extent, despite its stated “independence”. The Fed chair is appointed by the President and testifies regularly to Congressional committees. But over the past decade the Fed has aggressively expanded its role, increasingly emphasizing a dual mandate of full employment at the expense of its traditional role of inflation targeting, and adopting unprecedented policy measures that expanded Fed influence in our economy and financial markets. While the Fed has always had a certain amount of influence, it has gotten to the point where the Fed seems to dictate market activity while investors have become increasingly reliant on the Fed to step in during times of uncertainty.

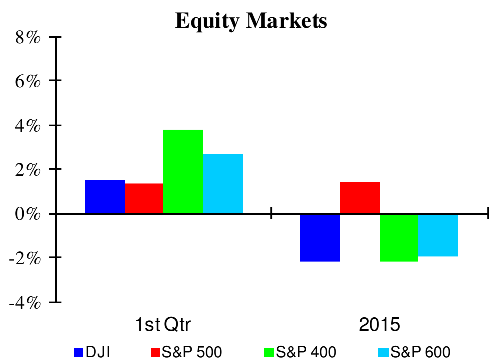
The Fed has also expanded its influence on a global scale by encouraging foreign central bankers to embrace many of the same expanded policy measures. Central bankers in Europe and Japan have expanded their balance sheets to intervene in their markets, creating a codependence in their economies and financial markets, as well. This global mirroring of policy moves by our Fed has, in many ways, contributed to the expanded influence of our Federal Reserve in the economies and financial markets around the world. It remains to be seen if this global experiment is a success or if the eventual unwind of these expanded policy initiatives become more painful than the problems that they were meant to solve.

Unfortunately, looking back on the past several years this “macro management” of the economy and financial markets has contributed to a sub-par recovery, anemic employment growth, stagnant middle class income growth, and persistently low interest rates. The Fed seems trapped by the apparent ineffectiveness of its radical policy initiatives, a hyper-sensitivity to the impact of any reversal of these policies, and the risk that any policy change could trigger a recession here at home or abroad. As the implications of Fed policy have become more widespread it is increasingly difficult to focus decisions on specific problems.

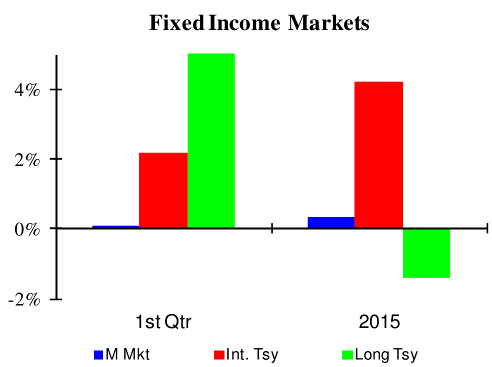
While we recognize that these political influences on the economy and the markets are greater than ever, we believe that is extremely difficult to incorporate political factors in a successful long-term investment approach. We believe that it is much more effective to search for companies that have the proper business strategy to manage the increasingly political nature of our economy and the ability to focus their attention on executing that strategy. Our analytical process is designed to identify companies that are attractively priced relative to their earnings potential and financial strength and invest when we believe that management has a strategic vision consistent with economic and political realities. As investors we know that if we cannot always shift with the political winds of change so we will continue to focus on the long term analytical process that has served us effectively over the years and enables us to “keep the politics out of our money”.

Sincerely,
Daniel A. Morris

Investment Markets



Volatility returned to the equity markets with a vengeance, to a degree not seen since the market collapse of 2008. At one point in mid-February, market indices were down in excess of 10% from end-of-year levels, mostly due to concerns about an increase in the federal funds rate of a mere 25 basis points. Commodity prices also declined, spurred by renewed fear that Chinese growth was grinding to a halt. Things turned around for equity investors after Fed commentary made it clear that policy makers would consider developments overseas in setting the path for interest rates. Markets worldwide rebounded, and US large-cap stocks managed to eke out small positive returns for the quarter, with yield-oriented stocks generally outperforming growth stocks.



Severe weakness in commodity prices, prompted by a continued slowdown in China and large inventories of oil and a wide variety of other commodities, also helped to drive down US Treasury yields in the early part of the quarter. Once it became clear the Federal Reserve was backing off from plans to raise rates several times this year, yields stabilized at levels last seen in early 2013. As a result, longer-term Treasuries generated total returns far in excess of equity markets for the quarter.

Morris Capital Advisors, LLC

Large-Cap Core Portfolio

As of 3/31/2016

Portfolio Review and Performance

During the 1st Quarter of 2016, the Fund was helped by strong performance from Amphenol Corp., Avery Dennison Corp., Signet Jewelers Limited, Carnival Corp., and AT&T, Inc. The shares of Amphenol declined early in the quarter as the market fell, but then surged later in the quarter after the company reported revenue and earnings above expectations. The company also raised revenue and earnings guidance for the fiscal year. The shares of Avery Dennison also rallied later in the quarter after an initial decline. The company reported earnings above expectations and reaffirmed earnings guidance for the fiscal year. Signet Jewelers was also a top performer in the portfolio, despite being a recent addition. The shares fell much more than the market early in the quarter, and then rebounded back when the market turned. Carnival Corp., another recent addition also performed well. As with Signet, the shares were down sharply in the market decline but then bounced back, recovering much of the loss. The contribution of Carnival to portfolio performance was partly due to a strong earnings report late in the quarter as well as the fortuitous timing of the purchase transaction. The company also announced a strong earnings report late in the quarter. The shares of AT&T rose steadily throughout the quarter. The company reported earnings in line with expectations and reaffirmed their long-term guidance. Performance of the stock may also reflect positive investor reaction to the completion of the DirecTV merger.

Notable laggards during the 1st Quarter of 2016 include Allergan, AmerisourceBergen, Valero Energy Corp., PNC Financial Services, and Mallinckrodt. It is interesting to note that three of the five weakest performers in the portfolio were companies in the healthcare sector, specifically in pharmaceutical manufacturing or distribution. The shares of Allergan performed well through much of the quarter. The company reported revenue and earnings better than expectations, as well as several new product announcements. The shares fell later in the quarter, along with many other pharmaceutical companies, when pricing issues became a major political issue. Around that same time a major competitor was forced to restate earnings, adding to the uncertainty. The shares of AmerisourceBergen, a pharmacy benefits manager for company health plans, fell early in the quarter and did not recover. The company was caught up in weakness throughout the industry and a positive earnings report from the company did little to help the shares. The shares of Valero Energy were pummeled early in the quarter as market weakness and rising oil prices took their toll. Investors were concerned that lower operating margins would hurt this refiner and marketer of energy products if oil prices continued to rebound. The shares of PNC Financial suffered along with the market early in the quarter, but then did not rebound when the market recovered. The shares remained depressed even after the company reported revenue and earnings above expectations. The shares of Mallinckrodt were weak throughout the quarter, despite a very strong earnings report. The company reported earnings well above expectations, strong revenue growth, and raised earnings expectations for the fiscal year. The operating results, however, were not enough to offset investor concerns about increased regulatory scrutiny regarding aggressive drug pricing on products recently acquired by the company.

Net Composite Investment Performance
As of 3/31/2016

	Core Portfolio	Lipper LC Core Funds	S&P 500 Index
1st Quarter	**0.66 %**	0.71 %	1.35 %
1-Year	**-4.53 %**	-0.80 %	1.80 %
3-Year Annualized	**10.05 %**	9.97 %	11.73 %
5-Year Annualized	**9.78 %**	10.00 %	11.52 %
10-Year Annualized	**5.81 %**	5.98 %	6.98 %
Annual since Incept. 12/31/1992	**7.56 %**	7.13 %	9.04 %

Performance quoted represents past performance which is no guarantee of future results. Current performance may be lower or higher than what is stated. Investment return and principal value will vary with market conditions. At redemption investment value may be more or less than the original cost.

The S&P 500 Index is an unmanaged index compiled by Standard & Poor's. It includes reinvestment of dividends.

The Lipper Large-Cap Core Index is an unmanaged index compiled by Lipper Analytical. It includes mutual funds holding large company stocks managed with a blend of growth and value.

One cannot invest in an index.

KEY MEASURES
3/31/2016

	Core Portfolio	Russell 1000 Index
Average Yield	**1.84 %**	2.45 %
PE on Expected Earnings	**29.91 x**	19.75 x
Expected Growth Rate	**10.44 %**	8.89 %
PEG Ratio	**2.86 x**	2.22 x
Debt to Capital	**40.61 %**	40.93 %
Price to Book	**5.34 x**	2.79 x

Computed from the weighted average of the underlying securities and are not a measure of future performance.

Average Yield: Annual dividends divided by the purchase price, excluding capital gains.

PE on Expected Earnings: Stock price divided by expected earnings-per-share over the next 12 months.

Expected Growth Rate: Compounded annual rate of growth of expected earnings over the next 3-5 years.

PEG Ratio: Ratio of price/earnings to growth that may indicate a stock's potential value. Lower PEG generally means that stock is more undervalued.

Debt to Capital: Debt divided by total capital. An insight into financial strength; a higher ratio than the industry average may show weaker financial strength.

Price to Book: Ratio of a stock's capitalization to its book value; compares the market's valuation of a company to that indicated on the company's financial statements. Generally the lower the ratio, the "less risky" the investment.

Past performance cannot guarantee future results. All investment strategies and investments involve risk of loss, including the possible loss of all amounts invested. Composites include all fully discretionary separate accounts over $100,000 and all commingled accounts over $500,000 managed by Morris Capital Advisors, LLC for a full quarter. A full list and description of all composites is available upon request. Composite creation date is 12/31/1992. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Portfolios are invested solely in US securities. Returns are time-weighted linked net total return including dividends, interest, realized and unrealized capital gains and losses, reduced by all costs and expenses such as commissions, other brokerage fees and transaction costs and actual advisory fees charged to clients. Advisory fees range from 100 to 125 basis points of assets under management and may be found in ADV Form 2A. Performance results presented in compliance with Global Investment Performance Standards (GIPS) of the CFA Institute. The CFA Institute has not been involved with the preparation or review of this report.

The benchmarks indices shown were selected due to their composite makeup and represent, based on the Adviser's experience, the best relative performance comparison. The indices are widely recognized and accepted, and consist of a managed or unmanaged pool of securities. The indices are rebalanced on a periodic basis, may or may not include the reinvestment of dividends, and typically are gross of any assumed trading costs, management fees, or other assumed expenses, which may cause returns to be less than stated. It is not possible to invest directly in a index and an index does not incur transaction costs, while the investment strategy does. Please note that there may be material differences between the benchmark index and the investment strategies in terms of their composition, including, but not limited to, the level of diversification, exposure, and amount of exposure to certain types of investments such as commodities or foreign equities; and their level of risk, as measured by volatility and/or other methods.

Morris Capital Advisors, LLC

Large-Cap Growth Portfolio

As of 3/31/2016

Portfolio Review and Performance

During the 1st Quarter of 2016 the Large-Cap Growth portfolio was helped by strong performance from Michael Kors holdings, Whirlpool Corporation, Sherwin Williams Co., Oracle Corporation, and Church & Dwight. It is interesting to note that many of the top performers in the portfolio this quarter are the shares of companies that were left behind in the market move during much of last year. The shares of Kors jumped early in the quarter after the company reported revenue and earnings above expectations. The stock continued to climb, reaching levels not seen since early last year. Investors reacted positively to the earnings report with the hope that sales would reaccelerate, reducing the pressure on margins that the company had experienced. The shares of Whirlpool rose sharply during the latter part of the quarter after the company reported earnings well above expectations and reaffirmed earnings guidance before a major investor conference. The shares of Sherwin-Williams declined early in the quarter before rebounding after the company reported earnings and revenue growth above expectations. The shares of Oracle followed a similar pattern, falling early in the quarter and then rallying. The stock move gained support from a positive earnings report and after the board authorized a $10 billion increase in share buybacks. The shares of Church & Dwight also fell early in the quarter and then rebounded. The company reported revenue and earnings above expectations, but reduced guidance. Investors seemed to look past the reduced earnings guidance and focused instead on estimates for revenue growth that were above expectations.

Weak holdings during the 1st Quarter of 2016 include Royal Caribbean Cruises, Express Scripts Holdings, Celgene Corp., Gilead Sciences, Inc., and Harmon International. Once again, three of these weak performers are in the healthcare sector: Express Scripts is a pharmacy benefits manager while Celgene and Gilead are biotech pharmaceutical companies. The shares of Royal Caribbean fell early in the quarter, pressured by concerns that an increase in oil prices would result in higher fuel costs, and concerns that slowing global growth would adversely impact demand. The shares improved later in the quarter, but not enough to offset the earlier decline. The shares of Express Scripts fell sharply early in the quarter on investor concerns about competition in the pharmacy benefits industry. This competition contributed to a contentious negotiating environment among providers and clients. These concerns were realized later in the quarter when Walgreens moved its business relationship to an Express Scripts competitor. The shares of Celgene were weak through much of the quarter. The company reported earnings below expectations and reduced guidance, news that was offset somewhat by the expectation that data from numerous phase III trials is expected from mid 2016 through mid-2018. The shares of Gilead were also weak despite an upbeat earnings report. The company announced revenue and earnings above expectations, a dividend increase, and a $12 billion increase in their share buyback authorization. The company also announced several positive results for expanded product labeling or expedited product review. The news flow, however, was not enough to offset concerns about increased regulatory pressure on drug pricing. The shares of Harman fell despite reporting earnings above expectations, strong revenue growth, and increasing gross margins. Investors were concerned that slowing global growth would reduce demand for higher end automobile entertainment systems, shifting instead to mid-priced SUV's where the company has a more limited product offering.

Net Composite Investment Performance
As of 3/31/2016

	Growth Portfolio	Lipper LC Growth Funds	Russell 1000 Growth Index
1st Quarter	**1.27 %**	-4.27 %	0.74 %
1-Year	**-1.77 %**	-2.20 %	2.51 %
3-Year Annualized	**13.55 %**	11.85 %	13.59 %
5-Year Annualized	**11.42 %**	10.12 %	12.36 %
10-Year Annualized	**7.00 %**	6.44 %	8.27 %
Annual since Incept. 6/30/93	**12.05 %**	6.07 %	8.57 %

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The Russell 1000 Growth Index is an unmanaged index compiled by Russell Analytics. It includes reinvestment of dividends.

The Lipper Large-Cap Core Index is an unmanaged index compiled by Lipper Analytical. It includes mutual funds holding large company stocks managed for growth.

One cannot invest in an index.

KEY MEASURES
3/31/2016

	Growth Portfolio	Russell 1000 Growth Index
Average Yield	**1.08 %**	2.20 %
PE on Expected Earnings	**17.38 x**	21.72 x
Expected Growth Rate	**13.52 %**	11.25 %
PEG Ratio	**1.29 x**	1.93 x
Debt to Capital	**34.73 %**	42.43 %
Price to Book	**5.90 x**	5.63 x

Computed from the weighted average of the underlying securities and are not a measure of future performance.

Average Yield: Annual dividends divided by the purchase price, excluding capital gains.

PE on Expected Earnings: Stock price divided by expected earnings-per-share over the next 12 months.

Expected Growth Rate: Compounded annual rate of growth of expected earnings over the next 3-5 years.

PEG Ratio: Ratio of price/earnings to growth that may indicate a stock's potential value. Lower PEG generally means that stock is more undervalued.

Debt to Capital: Debt divided by total capital. An insight into financial strength; a higher ratio than the industry average may show weaker financial strength.

Price to Book: Ratio of a stock's capitalization to its book value; compares the market's valuation of a company to that indicated on the company's financial statements. Generally the lower the ratio, the "less risky" the investment.

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Portfolio Review and Performance

During the 1st Quarter of 2016 the Small-Cap Growth portfolio was helped by strong performance by Coherent, Inc., Builders FirstSource, Inc., Super Micro Computer, Inc., Minerals Technologies, and Tenneco, Inc. The shares of Coherent jumped after the company reported earnings above expectations despite a decline in revenue. The company said they expected new bookings to set a record for the next quarter and additional momentum in the second half of the year. The shares of Builders FirstSource declined early in the quarter but then rebounded and moved steadily higher. The stock turned when the company pre-announced strong revenue growth and then gained momentum when the company exceeded these results in the official quarterly announcement. The shares of Super Micro Computer rose steadily throughout the quarter. This company also pre-announced revenue and earnings well above expectations and then managed to post results better than the pre-announcement when final results were reported. The shares of Minerals Technologies rebounded from the lows set early in the quarter after the company reported earnings above expectations, strong results in their specialty minerals and materials segments, and several new contracts. The shares of Tenneco also declined early in the quarter but then rebounded after the company reported earnings above expectations, solid revenue growth, and reaffirmed guidance for fiscal year 2016. The move higher in the stock gained momentum from several positive analyst upgrades.

Weak holdings during the 1st Quarter of 2016 include Lannett, Inc., Natus Medical, Inc., Aircastle, Ltd., Barrett Business Services, and AMN Healthcare Services. The shares of Lannett declined steadily throughout the quarter, extending a downtrend stretching back to the middle of last year. The company pre-announced quarterly results that were below expectations and also guided fiscal 2016 revenues below expectations. Lannett did manage to report final revenue and earnings that were better than the pre-announcement, but that did little to help the shares. The shares of Natus Medical fell early in the quarter when the company lowered revenue and earnings guidance for the current quarter and the next quarter, and also lowered earnings guidance for the fiscal year while raising revenue estimates. The stock improved somewhat through the end of the quarter but not enough to offset the earlier decline. Barrett Business Systems announced revenue and earnings in line with expectations, but the stock fell sharply later in the quarter when the company terminated tier CFO. At the same time the company announced that the previous CFO had made unsupported journal entries which overstated direct payroll costs and understated workers' compensation expenses, requiring a restatement of financial statements for 2012-14. The shares of American Healthcare fell early in the year as concerns about rising costs and declining margins raised concerns throughout the healthcare industry.

Net Composite Investment Performance
As of 3/31/2016

	Small-Cap Portfolio	Lipper SC Growth Funds	Russell 2000 Growth Index
1st Quarter	**1.66 %**	-2.85 %	-4.68 %
1-Year	**-6.26 %**	-9.23 %	-11.84 %
3-Year Annualized	**7.50 %**	6.57 %	7.90 %
5-Year Annualized	**7.05 %**	6.58 %	7.69 %
10-Year Annualized	**3.26 %**	4.92 %	6.00 %
Annual since Incept. 4/30/01	**6.76 %**	5.27 %	6.07 %

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The Lipper Small-Cap Growth Index is an unmanaged index compiled by Lipper Analytical. It includes mutual funds holding small company stocks managed for growth.

One cannot invest in an index.

KEY MEASURES
3/31/2016

	Small-Cap Portfolio	Russell 2000 Growth Index
Average Yield	**0.70 %**	1.72 %
PE on Expected Earnings	**15.91 x**	28.95 x
Expected Growth Rate	**0.16 %**	5.23 %
PEG Ratio	**1.00 x**	5.54 x
Debt to Capital	**28.87 %**	26.65 %
Price to Book	**3.13 x**	3.76 x

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