Perspectives

Morris Capital Advisors, LLC

September , 2015 Volume 15 Issue 3

The Ladies in London

My wife Anne, and daughters Elizabeth and Kathryn, had the opportunity to travel to England and Wales on a group bus tour recently. Dubbed the "Ladies in London" tour, it was a great opportunity to see and experience the many wonderful things that those countries have to offer. I remained stateside, but received daily text updates on the events and activities. It was interesting to read the different perspective that each of them had on what they did each day. It wasn't just them, there were always some people in the group who came away with a different reaction to Big Ben, the Tower of London, Stratford upon Avon, or the Liverpool Beatles tour.

The financial markets were again focused squarely on the prospect of Fed policy decisions this quarter, as they have been over the past several years. Since the Fed began its foray into near zero interest rate policy and the outright purchase of US government and mortgage debt, financial markets have focused on little else. Speculation on Fed actions have come to dominate price movements in the stock, bond, and currency markets around the world. But as this tour of Fed policy continues, investors, economists, and analysts are reacting differently to the potential impact of these untested Fed actions, and those reactions can be as varied as those of young millennials and octogenarians on a seven day European bus tour.

The problem is that these extreme policies have gone on too long, and the measurable economic impact has been too weak to promote confidence that we are on the right course. Inconsistent messaging from the Fed itself, compounded by conflicting public statements by individual Fed governors, have lead to a further loss of credibility in the decision process. While Fed chair Janet Yellen has a difficult task trying to normalize interest rates and the Fed balance sheet without spooking the markets, that task is complicated by an anemic domestic recovery, the apparent slowdown in global economic growth, and shifting guideposts for policy decisions.

It doesn't help that fellow travelers in the financial tour are more than willing to express their opinion. Economists like Paul Krugman, who has been vocal that the Fed should have done more from the outset, has frequently called for more stimulus, not less. Retired Fed chair Ben Bernanke contributed to the chatter through his memoir and book tour proclaiming his policies a success by saving the world financial system and generating lots of jobs. While the global financial system has recovered somewhat, it is awash in more debt than could ever be repaid and, as for his jobs claims, it is hard to see how all of the borrowed liquidity did anything for employment beyond those traders in the financial sector who were busy distributing it.

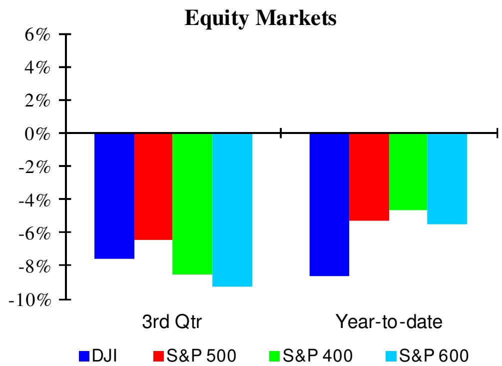
If the financial markets are the collective wisdom of all of the participants, then there are clearly conflicting views there, too. The stock market meandered through a lackluster earnings season as the Fed positioned investors for a rate increase, but then fell precipitously on concerns that a slowdown in China could accelerate if the Fed raised rates. The market rebounded when the Fed backed off, but fell again as several presidential candidates proposed increased business regulation. Markets don't like uncertainty and recently there has been plenty of it.

As frequent readers may know, we have been concerned for some time about the long term impact of Fed monetary and interest rate policy. The Fed has positioned itself as prescient and powerful, with the ability to adjust the policy levers to support both the markets and the economy. Their policies, however, have pushed interest rates and borrowing to unprecedented levels and have created mis-allocations of capital and resources in the private sector. The Fed is clearly concerned, as are we, that the reversal of this overly accommodative policy will be not be pretty.

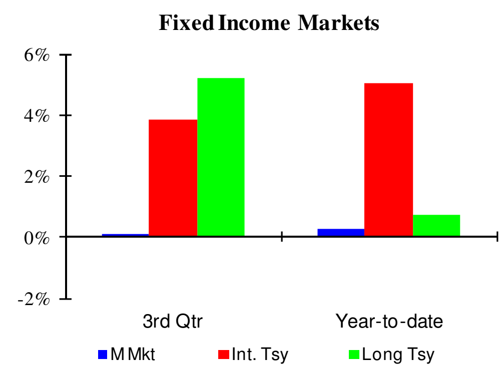
As investment managers we can only observe Fed policy moves and do our best to anticipate the reaction of other market participants. We can evaluate, draw our own conclusions, and invest accordingly to provide a reasonable return for clients while managing risk to acceptable levels. As always, we remain true to an investment process that has the demonstrated ability to identify companies with reasonable growth opportunities, strong balance sheets. and free cash flow. We will invest in companies with attractive valuations based on these factors and where management has a clear focus on executing throughout economic cycles. We believe that a consistent application of these time-proven measures will provide the best opportunity to balance risk and return for investors on the tour with us.

Sincerely,
Daniel A. Morris

Investment Markets



Equity markets began the summer quietly, trading in a narrow range until conditions deteriorated rapidly in mid-August. A long-overdue correction in Chinese equities was exacerbated by a botched attempt to prop up the markets by the Chinese government. Weakness in Chinese markets contributed to declines in commodities markets and fears of slowing international trade, while softness in U.S. economic indicators led the Federal Reserve to waffle on its intentions to begin raising interest rates. The increase in uncertainty proved too much for equity investors to handle, leading to sharp declines later in the quarter.



Turmoil in international currency and commodity markets, continued sloppy U.S. economic indicators, and renewed caution on the part of Fed policy makers all contributed to a bonanza for investors in longer duration Treasury paper. Yields declined along the yield curve, leading to very attractive price appreciation. Long maturity bonds sharply outperformed short-term bills.

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Portfolio Review and Performance

During the 3rd Quarter of 2015, the Large-Cap Core portfolio was helped by strong performance from Chubb Corporation, PepsiCo., Inc., Microsoft Corporation, Colgate-Palmolive Company, and Valero Energy Corporation. The shares of Chubb jumped when the company agreed to be acquired by ACE, Limited in a cash and stock deal with a substantial premium. The shares of PepsiCo rose after the company reported earnings above expectations, raised earnings guidance, and increased its revenue expectations on a constant currency basis. The shares of Microsoft rose after the company reported revenue and earnings above expectations. Microsoft generated strong revenue growth in the Computing and Gaming Hardware segment, driven primarily by the Xbox consoles and Xbox Live transactions, as well as substantial growth in Commercial Licensing cloud revenue. Colgate-Palmolive reported revenue and earnings in line with expectations. The position was among the top performers in the portfolio as the steady revenue and earnings of this consumer staples company dampened price volatility when the market declined. The shares of Valero Energy climbed after the company announced an increase in the share repurchase program and then later announced revenue and earnings above expectations. Income in the refining segment rose substantially as lower feedstock costs and higher throughput margin per barrel led to better results in gasoline and other products.

Notable laggards during the 3rd Quarter of 2015 include Mallinckrodt, PLC, Skyworks Solutions Inc., Pentair, PLC, Amphenol Corporation, and Walt Disney Company. The shares of Mallinckrodt, a global specialty pharmaceutical company, fell sharply when the company beat earnings estimates but reported revenue that missed expectations despite strong year-over-year growth. The stock experienced further weakness after the company announced the acquisition of Therakos, Inc., a distributor of drug delivery systems, and weak again later in the quarter as the entire specialty pharmaceutical industry experienced additional volatility when pharmaceutical pricing became a hot button political issue. The shares of Skyworks Solutions, a top performer last quarter, fell despite strong earnings report early in the quarter. The company beat both revenue and earnings expectations, generated strong revenue growth, and raised guidance for revenue and earnings for the next quarter. Weakness later in the quarter was attributed to poor results at a competitor in the smart phone component marketplace, and additional concerns about slowing smart phone growth in China. The shares of Pentair fell despite reporting revenue and earnings above expectations, and raising earnings guidance for the fiscal year. Weakness after the report in the shares of this manufacturer of industrial equipment for water and fluid control was attributable to management comments that several of their energy and industrial markets "remain challenged" and that they did not expect a recovery in the second half of the year. The shares of Amphenol were weak throughout the quarter despite reporting revenue and earnings in line with expectations and raising revenue and earnings guidance for the coming quarter. The stock rose initially on the report, but then declined later in the quarter on investor concerns that this manufacturer of electronic cables and connectors would be adversely impacted by slowing global growth. The shares of Walt Disney fell sharply despite reporting earnings above expectations and year-over-year revenue growth. The company also reported revenue and earnings growth in each of its divisions, Media Networks, Parks and Resorts, and Studio Entertainment. Investors instead focused on modest declines in Disney's ESPN cable unit and management comments that raised concerns about further deterioration of cable subscribers as consumers "cut the cord" or opt for small cable subscription packages.

Net Composite Investment Performance
As of 9/30/2015

	Core Portfolio	Lipper LC Core Funds	S&P 500 Index
3rd Quarter	**-10.91 %**	-7.10 %	-6.43 %
1-Year	**-4.61 %**	-2.33 %	-0.60 %
3-Year Annualized	**12.29 %**	11.52 %	12.32 %
5-Year Annualized	**11.23 %**	11.78 %	13.28 %
10-Year Annualized	**6.38 %**	6.26 %	6.77 %
Annual since Incept. 12/31/1992	**7.45 %**	6.98 %	8.86 %

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
9/30/2015

	Core Portfolio	Russell 1000 Index
Average Yield	**1.88 %**	2.20 %
PE on Expected Earnings	**19.21 x**	19.68 x
Expected Growth Rate	**10.71 %**	11.11 %
PEG Ratio	**1.79 x**	1.77 x
Debt to Capital	**37.39 %**	39.09 %
Price to Book	**6.78 x**	2.58 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 ration 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 ration, the "less risky" the investment.

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. Portfolios are invested solely in US securities. Returns are net total return including dividends, interest, realized and unrealized capital gains and losses, reduced by all costs and advisory fees. Morris Capital Advisors claims compliance with the Global Investment Performance Standards (GIPS) and has prepared and presented this report in compliance with the GIPS standards. Morris Capital Advisors has not been independently verified. Additional information regarding the firm's policies and procedures for calculating and reporting performance results is available upon request.

Portfolio Review and Performance

During the 3rd Quarter of 2015 the Fund was helped by strong performance from Precision CastParts Corp., Royal Caribbean Cruises, Southwest Airlines, Google, Inc., and Constellation Brands, Inc. The shares of Precision CastParts declined early in the quarter and then reported revenue and earnings that missed expectation. The shares jumped just three weeks later when the company accepted an acquisition offer from Berkshire Hathaway at a substantial premium. The shares of Royal Caribbean rose steadily throughout the quarter. The company reported revenue and earnings above expectations, raised earnings guidance, and increased their dividend. Company operations also benefited from the decline in oil prices which reduced fuel expenses. The shares of Southwest Airlines also rose throughout the quarter, reversing a downtrend that put this stock at the bottom of the portfolio last quarter. The company reported earnings better than expected and an increase in passenger traffic. The decline in oil prices also helped Southwest as fuel is a major expense for company operations. The shares of Google jumped after the company reported strong revenue growth and earnings above expectations. The bottom line results were driven by a combination of strong revenue and cost controls in their core business as well as continued growth in their mobile and desktop platforms. Later in the quarter the shares popped again when the company announced plans for a new operating structure, to replace the changes put in place just last year. Google will create a new company called Alphabet which will be the holding company for the multi-class structure that currently exists. Constellation Brands reported strong revenue growth, earnings above expectations, and raised earnings guidance for fiscal year 2016. While the shares reacted positively to the news, much of the performance premium was generated later in the quarter. Investors responded to the potential for further unit growth for the existing brands of this wine and beer distributor, and also the possibility that a new wave of consolidation in the beverage industry would create an opportunity for Constellation to expand its product portfolio at an attractive price as merging companies are forced to divest of overlapping product offerings.

Weak holdings during the 3rd Quarter of 2015 include Gilead Sciences, Inc., Time Warner, Inc., Affiliated Managers Group, Apple, Inc., and Harmon International Industries. Gilead Sciences reported revenue and earnings above expectations early in the quarter and also raised earnings guidance. Shares rose slightly after the news, but then fell late in the quarter as pharmaceutical pricing became a major hot button political issue. Gilead markets several high profile treatments for HIV and Hepatitis-C raising concerns that these treatments could be subjected to politically driven price controls. The shares of Time Warner fell sharply despite reporting year-over-year revenue growth, revenue and earnings above expectations, and raising earnings guidance for the fiscal year. The stock suffered from industry-wide selling pressure on investor concerns that changing consumer patterns will lead to continued erosion in cable subscribers as new media content delivery options continue to develop, an industry trend referred to as “cutting the cord”. The shares of Affiliated Managers Group fell after the company reported earnings above expectations but only a small growth in revenues. The stock decline accelerated as the stock market fell later in the quarter, raising concerns about further weakness in revenues as assets under management at the company’s investment management firms declined The shares of Apple declined after the company reported earnings better than expected on strong year-over-year revenue growth but lowered revenue guidance for the next quarter. Sales of iPhones, iPads, and Mac computers were better than expected, but investors focused on lowered revenue guidance by the company, which is typically conservative. The shares of Harmon International continued to trend lower, despite a positive earnings report. The company announced revenue and earnings that were above expectations and strong growth. Weakness in the shares reflect investor concern that weak economic growth and the prospect of a Fed interest rate increase could cause a decline in the auto industry and reduce demand for the audio systems supplied to automobile manufacturers.

Net Composite Investment Performance
As of 9/30/2015

	Growth Portfolio	Lipper LC Growth Funds	Russell 1000 Growth Index
3rd Quarter	**-5.89 %**	-6.50 %	-5.28 %
1-Year	**1.95 %**	2.16 %	3.17 %
3-Year Annualized	**14.26 %**	13.04 %	13.60 %
5-Year Annualized	**13.75 %**	12.93 %	14.46 %
10-Year Annualized	**7.07 %**	6.54 %	8.08 %
Annual since Incept. 6/30/93	**12.01 %**	6.04 %	8.39 %

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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
9/30/2015

	Growth Portfolio	Russell 1000 Growth Index
Average Yield	**1.07 %**	2.20 %
PE on Expected Earnings	**16.28 x**	19.68 x
Expected Growth Rate	**15.04 %**	11.11 %
PEG Ratio	**1.08 x**	1.77 x
Debt to Capital	**31.50 %**	39.09 %
Price to Book	**4.80 x**	2.58 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 ration 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 ration, the “less risky” the investment.

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. Portfolios are invested solely in US securities. Returns are net total return including dividends, interest, realized and unrealized capital gains and losses, reduced by all costs and advisory fees. Morris Capital Advisors claims compliance with the Global Investment Performance Standards (GIPS) and has prepared and presented this report in compliance with the GIPS standards. Morris Capital Advisors has not been independently verified. Additional information regarding the firm’s policies and procedures for calculating and reporting performance results is available upon request.

Portfolio Review and Performance

During the 2nd Quarter of 2015 the Small-Cap Growth strategy was helped by gains in Skechers USA, Inc., AMN Healthcare Services, Virtusa Corporation, Align Technology, Inc., and US Physical Therapy. The shares of Skechers jumped when the company reported revenue and earnings above expectations, and reaffirmed guidance. The results were driven by substantial sales growth year-over-year and contributed to a further rise in the stock over the balance of the quarter. The shares of AMN Healthcare continued the steady rise that stretches back through last year. The company reported revenue and earnings above expectations, and strong top-line revenue growth. Virtusa jumped after the company reported strong revenue growth and earnings above expectations. The company also raised revenue and earnings guidance for the quarter and fiscal year, contributing to a continued rise in the stock over the balance of the quarter. The shares of Align Technology rose after the company reported revenue and earnings above expectations, and strong revenue growth. The company also announced that it would accelerate its stock repurchase program. The shares of US Physical Therapy rose despite reporting earnings that missed expectations. Company management indicated that severe winter weather had contributed to cancellations and reduced patient visits. As the weather improved office visits and referrals increased leading to an improved view for the coming quarter.

The portfolio was constrained during the 2nd Quarter of 2015 by poor performance from Datalink Corporation, Greenbrier Company, Lannett, Inc., Belden, Inc., and Xcerra Corporation. The shares of Datalink fell sharply when the company reported revenue and earnings below expectations, a decline in gross margins, and reduced guidance for the next quarter. The disappointing results were due primarily to a rise in lower margin networking equipment and decline in higher margin storage equipment. Concerns about a continuation of this product trend put further pressure on the stock over the balance of the quarter. The shares of Greenbrier fell late in the quarter despite earlier reporting revenue and earnings above expectations, and an increase in revenue and earnings guidance for the fiscal year. The stock decline towards the end of the quarter occurred after a ratings analyst downgraded the stock due to concerns about declining industry demand for this railcar manufacturer. The shares of Lannett fell despite reporting earnings better than expected and reaffirming guidance. Investors were concerned that management outlook on the earnings conference call was not more upbeat for this generic drug manufacturer. The stock improved later in the quarter, but not enough to offset the previous decline. The shares of Belden declined early in the quarter when the company beat earnings expectations, but missed revenue expectations and lowered guidance for the next quarter. Xcerra shares dropped sharply when the company reported earnings above expectations but reduced guidance for the next quarter. Investors considered the lowered guidance for both revenue and earnings to be substantial, raising concerns about future growth for this semiconductor test equipment manufacturer.

During the quarter we reduced our position in Molina Healthcare to take profits, and sold ANN Inc., Monro Muffler, and RPC, Inc. ANN and Monro Muffler struggled to execute in the highly competitive woman's retail and auto service marketplaces, while RPC has suffered from a decline in energy exploration activity as oil prices declined. We used the proceeds from these transactions to purchase Blackhawk Network Holdings, CalAmp Corp., and Malibu Boats, Inc. Blackhawk Network is a prepaid payment network that facilitates consumer rewards programs, CalAmp is a global provider of wireless communications solutions, while Malibu Boats designs and manufactures performance sports boats.

Net Composite Investment Performance
As of 9/30/2015

	Small-Cap Portfolio	Lipper SC Growth Funds	Russell 2000 Growth Index
3rd Quarter	**-12.90 %**	-11.14 %	-13.06 %
1-Year	**5.48 %**	0.99 %	4.04 %
3-Year Annualized	**10.73 %**	10.35 %	12.85 %
5-Year Annualized	**11.79 %**	11.48 %	13.26 %
10-Year Annualized	**4.26 %**	6.23 %	7.66 %
Annual since Incept. 4/30/01	**6.67 %**	5.43 %	6.33 %

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KEY MEASURES
9/30/2015

	Small-Cap Portfolio	Russell 2000 Growth Index
Average Yield	**1.03 %**	0.76 %
PE on Expected Earnings	**16.56 x**	24.88 x
Expected Growth Rate	**15.32 %**	13.24 %
PEG Ratio	**1.08 x**	1.88 x
Debt to Capital	**22.92 %**	26.51 %
Price to Book	**2.91 x**	3.89 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.
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