Perspectives

Morris Capital Advisors, LLC

September, 2014 Volume 14 Issue 3

The Times They Are A-changin'

Bob Dylan was the voice of a generation of disaffected youth who wanted to change the world. The song referenced in the title above became an anthem for their efforts. Since many of those "revolutionaries" ended up being bankers and brokers, like their parents before them, I'm sure that it is appropriate to co-opt that Dylan song for use in my own capitalist commentary.

The financial markets spent much of the quarter readjusting to changes in many of the factors that have been so influential over the past several years. Since mid-year the dollar has risen 7% versus the Euro, oil prices have declined 18%, small cap stocks declined by 11% while large-cap stocks are down a modest 3%, and the yield of the 10-year treasury note is 10% lower after reversing a move higher in the first weeks of September. Contributing factors include changes in Fed policy, shifting economic growth expectations, subdued inflation, and geopolitical uncertainty.

The Fed continued to reduce security purchases under its Quantitative Easing program and began to openly discuss a time table for raising interest rates to more traditional levels. Fed policy makers believe that financial market participants (the banks) have been able to rebuild their balance sheets and that the financial markets have rebounded enough to survive without the flood of liquidity injections. The Fed policy statements also indicate that the Fed believes that moderate growth in the US economy will continue enough to allow a gradual rise in interest rates.

On the positive side, declining oil prices in the face of geopolitical uncertainty have helped business and consumers around the globe. The decline, driven by increased supply from the US and an unwillingness on the part of OPEC members to sacrifice market share, puts more money in the pockets of consumers to spend and helps companies reduce operating and transportation costs.

There are, however, some conflicting signals regarding growth prospects. Here at home rising job creation and falling unemployment rates are offset by declining workforce participation and consumer income that has not recovered to pre-recession levels, contributing to uneven economic growth and anemic retail spending. In Europe, policy makers have limited tools to deal with persistently high unemployment and burdensome social welfare spending, pushing several countries into recessions, or to the cusp of recession. In Asia concerns are growing that the growth engine of China is slowing and that the PBOC is unwilling to pursue additional stimulus, relying instead on protectionist measures to support domestic industries at the expense of their trading partners.

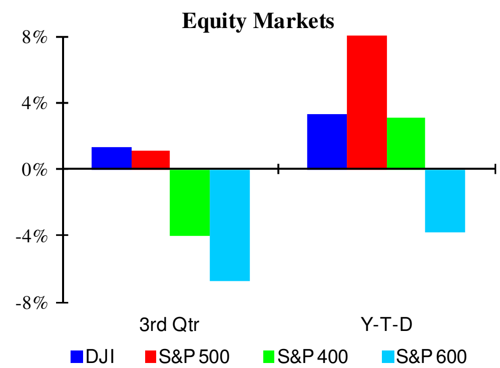
Domestically our stock market has also been supported by bottom line earnings growth generated by a combination of improved operations and share repurchases. This earnings management through share repurchases is not necessarily bad when financed by excess free cash flow, but as companies have become more aggressive, using debt to finance the buybacks, their leveraged balance sheets become more reliant on cheap financing that could evaporate as the Fed reduces liquidity and raises interest rates.

Janet Yellen and the Fed will need to manage any change in policy carefully given the interconnected nature of global economies and the financial markets. Her job is complicated by the delicate task of unwinding what has been years of unprecedented policy initiatives and the relative disconnect between US growth expectations and prospects in other major economic regions. If the Fed acts aggressively the dollar could rise further creating an additional hurdle for struggling export reliant economies. As a result, the revenue and earnings of many of our multinational corporations would be hurt, contributing to additional weakness in our stock market.

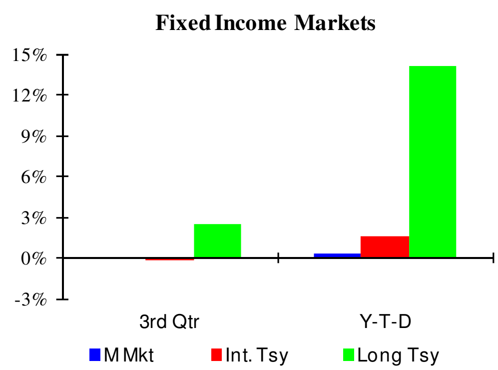
We believe that the complexities of these market forces will make it difficult to accurately predict macro trends. While recent weakness in the shares of retail and cyclical companies portend additional slowing, adjustments in Fed policy implementation could easily reverse that trend. We think that it is wise to avoid the temptation to try to predict Fed policy moves and their impact, and focus instead on opportunities created by individual companies. As further testament to this approach we have noted the recent decision by several major pension systems to reduce or eliminate their allocations to alternative investment strategies. Their decisions, prompted by poor risk-adjusted performance high fees and concerns about high volume trading strategies, portend a potential shift back to the type of traditional investing that we believe will best serve investors over market cycles. We will continue to search for companies with strong earnings, the capability to grow, and a sound financial structure to support that growth. We will seek to invest in companies that are attractively priced and manage our portfolios to achieve excellent long-term performance. We are pleased to see that others in our industry are recognizing the soundness of this approach once again.

Sincerely,
Daniel A. Morris

Investment Markets



The stock markets steady climb halted during the third quarter. Revenue and earnings prospects of US companies were challenged by an apparent slide into recession by many European economies, and a sharp slowdown in China. Deteriorating prospects overseas, combined with the prospect of tighter monetary policy on the part of the Federal Reserve led to sharp appreciation of the dollar against most major currencies. Investors recalibrated their earnings expectations, attempted to come to grips with the planned reduction in fed-supplied liquidity, and responded by selling stocks. Economically sensitive issues and smaller cap stocks came under the most pressure.



Yields on long term US treasury bonds continued to decline in the third quarter, leading to positive total returns. Investors reacted to increasing signs of economic weakness overseas by moving funds into secure dollar-denominated investments, and also by reallocating assets from stocks into bonds. However, yields on shorter maturities rose during the quarter, reflecting an ongoing reassessment of how soon the Federal Reserve is likely to raise money market interest rates from near-zero levels. As a result, the Treasury yield curve continued to flatten.

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Portfolio Review and Performance

During the 3rd Quarter of 2014, the Large-Cap Core portfolio was helped by strong performance from Microsoft Corporation, AmerisourceBergen Corp., Norfolk Southern Corporation, WellPoint, Inc., and Actavis, PLC. The shares of Microsoft jumped early in the quarter, despite reporting earnings that missed expectations, when the company announced an initiative to simplify its organizational structure and align its strategy for desktop and mobile devices. The changes could reduce the workforce for the company by as much as 18,000 positions over the next year. The shares rose again later in the quarter when the company announced that additional Nokia smart phones would be using the Windows operating platform. Investors viewed both announcements positively in the belief that the company was making important changes under new CEO Satya Nadella. AmerisourceBergen followed a top performance in the portfolio last quarter with another strong showing. The shares jumped after the company reported revenue and earnings above expectations, and raised both revenue and earnings guidance for the fiscal year. Norfolk Southern continued to perform well, as it has for most of this year. The company reported strong results for the quarter, with earnings above expectations and strong growth in each of its operating segments. The shares of Wellpoint also performed well this quarter, and year-to-date. The company reported earnings above expectations and increased earnings guidance for the fiscal year. The shares of Actavis performed well, despite weakness early in the quarter associated with the acquisition of Forest Labs. The stock rebounded after the company reported earnings above expectations, announced the approval of several new generic drug applications, and reaffirmed revenue and earnings guidance for the next fiscal year.

Notable laggards during the 3rd Quarter include BorgWarner, Inc., Baker Hughes, Inc., Johnson controls, Inc., BE Aerospace, Inc., and Avery Dennison Corporation. Three of these weak performers, BorgWarner, Johnson Controls, and Avery Dennison, are in economically sensitive sectors, and performed in line with their peers. All three began to decline early in September coincident with the recent rise in the dollar relative to other currencies. Borg Warner declined despite reporting earnings above expectations and raising earnings guidance. The company is a global supplier of automotive power train systems. Johnson Controls also declined despite reporting earnings above expectations and revenue in line with expectations. The company is a global supplier of temperature control systems for buildings and batteries for the automotive industry. Avery Dennison declined early in the quarter despite reporting earnings above expectations and reaffirming revenue and earnings guidance for the fiscal year. The company manufactures pressure sensitive materials, tags and labels for office and consumer products. The shares of Baker Hughes also declined despite reporting revenue and earnings above expectations, and projecting strong earnings growth. Management based their growth expectations on continued strong demand for energy exploration equipment as oil producers continued to push exploration activity into more remote and difficult operating environments around the globe. BE Aerospace also declined despite reporting revenue and earnings above expectations, and reaffirming earnings and revenue guidance for the fiscal year. The company also reported an increase in bookings and order backlog for the first six months of the year.

Net Composite Investment Performance
As of 9/30/2014

	Core Portfolio	Lipper LC Core Funds	S&P 500 Index
3rd Quarter	**-1.44 %**	0.31 %	1.13 %
1-Year	**21.12 %**	17.17 %	19.44 %
3-Year Annualized	**21.33 %**	21.74 %	22.87 %
5-Year Annualized	**14.67 %**	14.07 %	15.63 %
10-Year Annualized	**8.85 %**	7.43 %	8.07 %
Annual since Incept. 12/31/1992	**8.04 %**	7.43 %	9.31 %

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
9/30/2014

	Core Portfolio	S&P 500 Index
Average Yield	**1.72 %**	1.97 %
PE on Expected Earnings	**14.58 x**	21.32 x
Expected Growth Rate	**10.85 %**	11.03 %
PEG Ratio	**1.34 x**	1.93 x
Debt to Capital	**35.34 %**	32.80 %
Price to Book	**4.25 x**	4.48 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 2014 the Large-Cap Growth portfolio was helped by strong performance from Gilead Sciences, Inc., Southwest Airlines, Apple, Inc., Celgene Corporation, and Microsoft Corporation. The shares of Gilead Sciences rose after the company reported revenue and earnings above expectations and strong growth of its major new drug, Sovaldi, a treatment for Hepititis-C. The shares of Gilead rose again later in the quarter on news of additional successful drug studies and pricing agreements that would make Sovaldi available in developing nations. The shares of Southwest Airlines also performed well, continuing strong year-to-date performance. The company reported revenue and earnings above expectations as a result of strong operations and favorable fuel costs. Apple was a top performer again this quarter. The company reported earnings above expectations but missed on revenues and guided quarterly revenues lower. Investors focused instead on the potential for strong demand for the new iPhone models that were unveiled late in the quarter. The shares of Celgene, another top performer last quarter, rose after the company announced revenue and earnings slightly above expectations. The stock rose further after the company reported positive results in two clinical studies later in the quarter. The shares of Microsoft jumped early in the quarter, despite reporting earnings that missed expectations, when the company announced an initiative to simplify its organizational structure and align its strategy for desktop and mobile devices. The changes could reduce the workforce for the company by as much as 18,000 positions over the next year. The shares rose again later in the quarter when the company announced that additional Nokia smart phones would be using the Windows operating platform. Investors viewed both announcements positively in the belief that the company was making important changes under new CEO Satya Nadella.

Weak holdings during the 3rd Quarter of 2014 include Walgreen Company, Michael Kors Holdings, Trimble Navigation, Ltd., Southwestern Energy, and Schlumberger, Ltd. The shares of Walgreen dropped sharply when the company announced its plans to acquire the remaining 55% of Alliance Boots that it did not currently own. The decline was primarily due to the fact that the acquisition plans did not include a “tax inversion” which could have substantially reduced the taxation of future earnings. Investors remained concerned when an article in the Wall Street Journal later in the quarter indicated that the decision to replace the CFO of the company was due to a forecasting error that substantially overstated revenue projections for the pharmacy division of the company. The shares of Michael Kors declined despite reported revenue and earnings that were above expectations. The company did reduce guidance for the upcoming quarter but raised estimates for the fiscal year. Investors seemed more concerned about the potential for slower global growth and overlooked better gross margins and higher comparable store sales versus expectations. The shares of Trimble Navigation dropped early in the quarter when the company announced that revenue and earnings would be lower than expectations. Later in the quarter the company reported revenue and earnings above the revised guidance, but the report resulted in only a modest improvement in the stock. The announcement of a share repurchase program later in the quarter also boosted the shares, but not enough to overcome the initial pre-announcement of lower expectations. The shares of Southwestern Energy declined despite reporting revenue and earnings above expectations. The stock performance reflects investor concerns about declining energy prices in general and a continued supply glut in the natural gas industry. Schlumberger also declined despite reporting earnings above expectations. The stock peaked early in the quarter concurrent with the earnings announcement and then declined steadily. The weakness in the shares of this project manager for energy exploration suffered from concerns that lackluster economic growth would continue to weaken energy demand and reduce demand for energy exploration services.

Net Composite Investment Performance
As of 9/30/2014

	Growth Portfolio	Lipper LC Growth Funds	Russell 1000 Growth Index
3rd Quarter	**0.19 %**	1.39 %	1.48 %
1-Year	**19.80 %**	16.74 %	19.13 %
3-Year Annualized	**21.63 %**	21.48 %	22.42 %
5-Year Annualized	**16.84 %**	14.64 %	16.49 %
10-Year Annualized	**8.72 %**	7.87 %	8.93 %
Annual since Incept. 6/30/93	**12.51 %**	6.23 %	8.64 %

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 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
9/30/2014

	Growth Portfolio	Russell 1000 Growth Index
Average Yield	**0.91 %**	1.52 %
PE on Expected Earnings	**16.45 x**	21.48 x
Expected Growth Rate	**15.34 %**	13.88 %
PEG Ratio	**1.07 x**	1.55 %
Debt to Capital	**33.46 %**	36.97 %
Price to Book	**4.68 x**	5.13 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 2014 the Small-Cap Growth strategy was helped by gains in AMN Healthcare Services, Natus Medical, Inc., Trex Company, Inc., Super Micro Computer, Inc., and Lannett, Inc. The shares of AMN Healthcare Services, a staffing company for healthcare facilities, rose steadily throughout the quarter. The company reported revenue and earnings above expectations, and increased earnings guidance. This strong performance extended a rally in the shares that began in the middle of this year. The shares of Natus Medical, a provider of healthcare products for newborn care, rose after the company reported revenue and earnings above expectations. The announcement helped the stock break out of flat trading range that extended back to the beginning of the year. The shares of Trex Company jumped after the company reported earnings above expectations and raised revenue guidance for the next quarter. The news prompted a sharp reversal of a recent downtrend in the stock due to concerns about weak demand for specialized building materials produced by the company. The shares of Super Micro computer rose again during the quarter, continuing the strong year-to-date performance. This provider of "green energy solutions" for enterprise IT and datacenters reported revenue and earnings above expectations and raised earnings guidance for the next quarter. The shares of Lannett, a recent addition to the portfolio, rallied late in the quarter. This generic drug manufacturer reported earnings above expectations and raised revenue guidance. The shares received an added boost later in the quarter when the company announced a new product launch and reaffirmed the higher guidance numbers.

The portfolio was constrained during the 3rd Quarter of 2014 by poor performance from PDF Solutions, Inc., Furmanite Corporation, Chart Industries, Inc., Manitex International, Inc., and Fabrinet. The shares of PDF Solutions, a provider of integrated circuit design and manufacturing technologies, declined sharply at quarter-end when the company announced that two anticipated contracts would not be signed, reducing expectations for revenue growth from these clients. The shares of Furmanite, a provider of industrial plant turnaround and engineering services, declined steadily throughout the quarter. The company reported earnings below expectations, but reaffirmed revenue and earnings guidance. Weak share performance throughout the balance of the quarter was consistent with the weak stock performance of other economically sensitive companies. The shares of Chart Industries fell after the company reported revenue and earnings below expectations and reduced earnings guidance. Chart provides seismic services for the energy exploration industry and is suffering from concerns about reduced capital spending for energy exploration. The shares of Manitex International, a provider of boom trucks and cranes to a variety of industries, fell sharply after the company reported revenue and earnings below expectations. The stock declined later in the quarter together with many other economically sensitive companies. The shares of Fabrinet fell sharply when the company announced an audit committee investigation into accounting matters that would delay financial statements for the quarter and fiscal year.

Net Composite Investment Performance
As of 9/30/2014

	Small-Cap Portfolio	Lipper SC Growth Funds	Russell 2000 Growth Index
3rd Quarter	**-6.21 %**	-5.25 %	-6.13 %
1-Year	**1.18 %**	1.90 %	3.79 %
3-Year Annualized	**17.36 %**	19.72 %	21.89 %
5-Year Annualized	**11.35 %**	14.38 %	15.50 %
10-Year Annualized	**5.66 %**	8.02 %	9.02 %
Annual since Incept. 4/30/01	**6.76 %**	5.76 %	6.50 %

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One cannot invest in an index.

KEY MEASURES
9/30/2014

	Small-Cap Portfolio	Russell 2000 Growth Index
Average Yield	**0.93 %**	0.64 %
PE on Expected Earnings	**16.12 x**	24.54 x
Expected Growth Rate	**16.09 %**	17.00 %
PEG Ratio	**1.00 x**	1.44 x
Debt to Capital	**20.89 %**	24.31 %
Price to Book	**2.93 x**	3.86 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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