FUNDAMENTAL EQUITY

LARGE CAP VALUE

GREAT LAKES ADVISORS

A WINTRUST WEALTH MANAGEMENT COMPANY

MANAGER COMMENTARY

First Quarter 2019

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MARKET REVIEW

The Russell 1000 Value Index gained 11.9% in the first quarter of 2019, reversing almost all of its 11.7% fourth quarter 2018 decline. The broader market, represented by the S&P 500 Index, also recovered much of the prior quarter's 13.5% loss, gaining 13.6% in the quarter. Despite its precipitous sell-off late last year, the S&P now sits less than 4% from its all-time high (2940.91 points) set last September.

The yield on the 10-Year Treasury Note held firm through much of the quarter, but weakened in the latter half of March after the Federal Reserve downgraded its economic outlook and softened its message, signaling it was now less likely to raise short term interest rates in the near future. Having started the year at 2.68%, the Note yielded 2.40% at quarter's end.

Global markets also rallied. Both Developed and Emerging Market indices gained about 10%; China moved more than 13% higher. European banks gained more than 7% despite growing Brexit concerns and renewed fears surrounding the health of Italy's financial system. The U.S. dollar gained about 2% in value against a basket of currencies, the Chinese Yuan gained almost 4%, while the Japanese Yen lost about 1% and the Euro fell by about 2%.

Much like equities, crude oil prices recovered much of their 37% fourth quarter decline and closed the quarter up more than 30% at $60.20/barrel. Efforts by OPEC have supported higher prices, as have political turmoil in Venezuela and continuing U.S. economic sanctions imposed on Iran. Strength in energy and other industrial commodity prices persists despite signs of slowing in many global economies.

The Great Lakes Advisors Large Cap Value strategy gained 11.4% in value in the first quarter, slightly less than the benchmark return of 11.9%. More information describing those securities and other factors that helped and hurt our quarterly results follows.

FIRST QUARTER ATTRIBUTION

SECTOR	GLA WEIGHTING	GLA RETURN	R1000V WEIGHTING	R1000V RETURN	ACTIVE CONTRIBUTION
Financials	28.4%	11.7%	23.5%	8.4%	0.7%
Health Care	14.4%	-6.2%	15.2%	7.6%	-1.9%
Energy	13.7%	12.4%	9.6%	16.6%	-0.3%
Consumer Disc.	12.8%	8.0%	6.1%	12.3%	-0.5%
Industrials	8.7%	27.5%	7.7%	19.7%	0.6%
Consumer Stap.	7.3%	27.7%	7.8%	12.4%	1.0%
Technology	6.0%	21.6%	9.3%	17.8%	0.0%
Utilities	3.6%	10.3%	6.3%	11.5%	0.0%
Comm. Services	3.2%	13.3%	6.1%	9.4%	0.2%
Real Estate	0.0%	0.0%	4.1%	16.1%	-0.2%
Materials	0.0%	0.0%	4.1%	9.4%	0.1%
Cash	1.8%	0.5%	0.0%	0.0%	-0.1%
TOTAL	100.0%	11.4%	100.0%	11.9%	-0.6%

Significant underweight position relative to benchmark

Significant overweight position relative to benchmark

Source: GLA, Factset. Percentages may not add to 100% due to rounding. Performance numbers are Gross of Fees.

FIRST QUARTER ATTRIBUTION

A combination of sector allocation and stock selection accounted for the below benchmark performance. Underperformance in the Healthcare, Consumer Discretionary, and Energy sectors was only partially offset by positive results in the Consumer Staples, Industrials, and Financials sectors.

MARKET OUTLOOK

What a difference three months can make. Early in January investors were searching for reasons why markets had sold off 13% or more in December 2018, despite signs that the U.S. economy was in reasonable shape. Ninety days and 13+% later investors are asking what has changed. Clearly the shift in the Federal Reserve's outlook, from one of raising rates in an environment of continued economic growth to one of rate stability, or even easing in a less robust economy, has affected investors' perceptions.

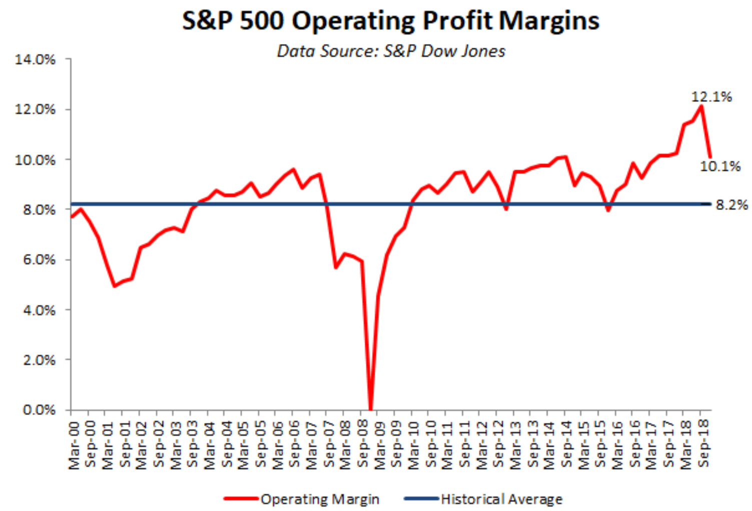
To recap briefly, the Fed raised interest rates by 100 basis points in 2018, most recently in December, marking the ninth such increase in three years and taking its benchmark federal funds rate to a target range of 2.25% to 2.5%. At its December meeting the Fed projected two additional hikes in 2019, citing "sustained expansion of economic activity, strong labor market conditions, and inflation near the Committee's symmetric 2 percent objective over the medium term." Lastly, the Fed reduced its GDP forecast for 2019 slightly, forecasting 2.3% growth for the economy.

Many were concerned that the Fed was tightening too far too fast, risking damage to a still fragile economic recovery in its tenth year. Forecasts of higher interest rates, a stronger dollar, and sluggish corporate earnings growth all led investors to sell equities in December.

Perhaps in response, and certainly after reviewing data supporting some slowdown in growth, the Fed in January "pivoted" and suggested it would take a more patient view toward rate increases in 2019, perhaps not raising rates at all. It continued along a more dovish path in March, downgrading its GDP growth estimate to 2.1%, confirming its expectation of no rate increases in 2019, and signaling an end to its balance sheet unwinding program, which has served to tighten money supply.

The Fed's words and actions of 2019, a sharp reversal from just three months ago, have all been taken as positive news by equity markets that may have grown overly dependent upon Fed easing to drive stock prices higher. However, there do exist several indications that the economy may be slowing at a more rapid pace than we understand, which could put recent equity gains at risk.

First, corporate profits are set to decline in the first quarter of 2019. If they do, it will be the first such decline in three years, suggesting that last year's corporate tax cuts have not provided the stimulus promised by the Trump Administration. As the graph illustrates, operating profit margins for the country's largest companies have declined in the last six months from recent highs and may continue to fall as wages and inflation creep higher.



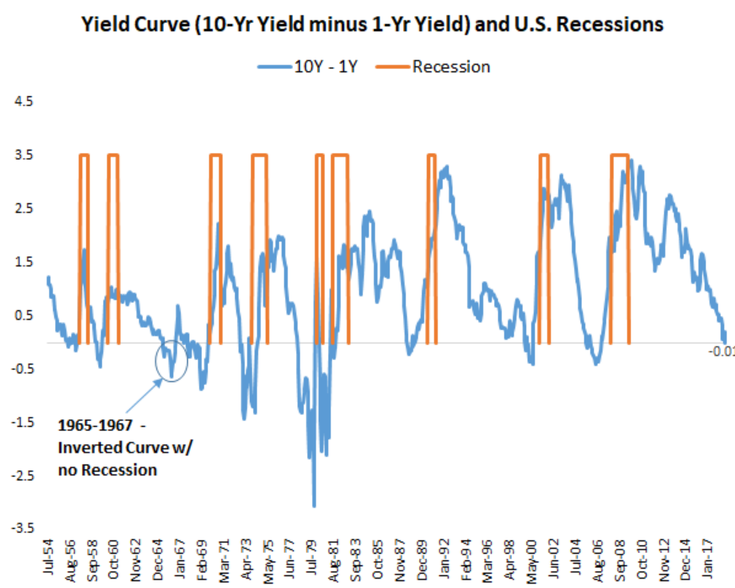
The most recent survey of business conditions published by the Federal Reserve Bank of Chicago also highlights that business activity, both in the manufacturing and service sectors of the economy, may be slowing. In fact, this indicator suggests that overall activity, sluggish since 2016, picked up only briefly in 2018 as a result of the Trump tax plan, and has now fallen below levels seen just prior to implementation of tax cuts. None of this data suggesting slower economic growth appears to be of much surprise to fixed income investors. Interest rates have been drifting lower since the Fed's January meeting, with the yield on the 10-Year Note hitting a year-to-date low of 2.38% shortly after the March meeting.

The possibility of an inverted yield curve – which represents an environment in which investors are willing to accept a lower rate of interest promised in the future than at present, due to anticipation of a weak economy (or recession) that will result in even lower, longer term rates in the future – stares us in the face today. According to Dave Rosenberg, an inverted yield curve has predicted U.S. economic recessions with about 85% accuracy.[1]

Other issues lurk which may lead to uncertainty and volatility in equity market levels. The path of economic growth in China remains unclear, with recent signs that conditions may be improving, albeit slightly. Of course, trade tensions between the U.S. and China remain quite high, which could have substantial impact on global growth depending on the outcome. The manner in which the United Kingdom/Britain may exit from the European Community is quite uncertain, posing additional risks. Lastly, as we have often discussed, the fiscal condition of the United States places the global economy at some peril. February's budget deficit of $234 billion was 9% higher than that of one year ago, and the

U.S. is on track to run a deficit for the full year of $1 trillion. Perhaps the rest of the world (including China, which recycles its trade surplus with the U.S.) will continue to fund these deficits; if they choose not to, we may see substantially higher interest rates, draconian budget cuts, or both.

As always, it is an interesting time to be an equity investor. We continue to rely upon our philosophy of investing in good businesses that are well-managed, well-capitalized, and well-positioned to generate solid earnings and free cash flow that justify higher future stock prices in the long run. We continue to have great faith in this process, and appreciate our investors' confidence in Great Lakes Advisors.



For more information, please contact us at:
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1. David A. Rosenberg, Weekly Buffet with Dave, Gluskin Sheff Research, March 29, 2019. Source for graphs is Charlie Bilello.

The data in the attribution table represent the returns for each sector and the gross returns for a representative composite account for one quarter ending the current calendar quarter. Individual account returns may vary.

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The index performance figures are calculated in U.S. dollars and reported on a gross basis. The index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income. Fees, including but not limited to the advisory fee, transaction and custody charges, would reduce the return. Investors cannot invest directly in an index. These indexes are not managed or sold by Great Lakes Advisors. Past performance is not indicative of future results. 19-6-0020.