MANAGER COMMENTARY

LARGE CAP VALUE

GREAT LAKES ADVISORS
A WINTRUST WEALTH MANAGEMENT COMPANY

FIRST QUARTER 2017

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Investment Results

The Russell 1000 Value Index gained 3.3% in the first quarter of 2017, primarily driven by strong performance in the healthcare and technology sectors, each of which rose more than 9%. The small cap Russell 2000 Index advanced 2.5%, and most major U.S. equity indices continue to trade at or very near all-time record levels.

International equities also fared well; the EAFE index gained almost 8%, emerging markets advanced more than 12%, and China's market advanced by 11%. Russian equities (-2.5%) were the only meaningful equity market to decline in the quarter.

Crude oil closed the quarter 9% lower at about $50.50/barrel, and natural gas lost almost 19% as temperatures were mild across much of the U.S. and the world. Metals prices continued to strengthen with gold gaining 8% and silver up more than 14%. Most agricultural prices were flat, though sugar prices did decline by 15%. The U.S. dollar was down slightly (-2%), while the Euro and British Pound both gained a bit more than 1% and the Yen appreciated by almost 5%.

The 10-year Treasury note closed the quarter little changed, with its yield declining 9 basis points to finish at 2.39%. As expected, the Federal Reserve raised the Federal Funds rate by 25 basis points in March, and clearly suggested that more rate hikes before year-end are in the offing.

Our Large Cap Value model portfolio appreciated 4.8% in the quarter, beating the index by 150 basis points. Much of the outperformance is attributed to our results in the Financial and Energy sectors. More detailed information related to those factors that helped and hurt our quarterly results follows.

Sector	GLA Weighting	GLA Return	R1000V Weighting	R1000V Return	Active Contribution
Financials	21.6%	4.7%	27.6%	2.1%	0.6%
Energy	11.7%	-3.5%	12.5%	-6.7%	0.5%
Health Care	16.3%	8.8%	10.6%	9.3%	0.3%
Technology	14.1%	8.7%	9.6%	9.9%	0.1%
Industrials	13.3%	6.8%	10.1%	3.8%	0.4%
Consumer Staples	10.5%	8.0%	8.2%	8.2%	0.1%
Utilities	3.5%	5.8%	6.3%	6.2%	-0.1%
Consumer Discretionary	6.0%	-5.8%	4.5%	2.6%	-0.5%
Real Estate	0.0%	0.0%	3.8%	1.9%	0.1%
Materials	0.3%	7.3%	3.0%	6.4%	0.0%
Telecom	0.0%	0.0%	3.8%	-2.1%	0.2%
Cash	2.7%	0.2%	0.0%	0.0%	0.0%
TOTAL	**100.0%**	**4.8%**	**100.0%**	**3.3%**	**1.5%**

Source: GLA, FactSet

First Quarter Attribution

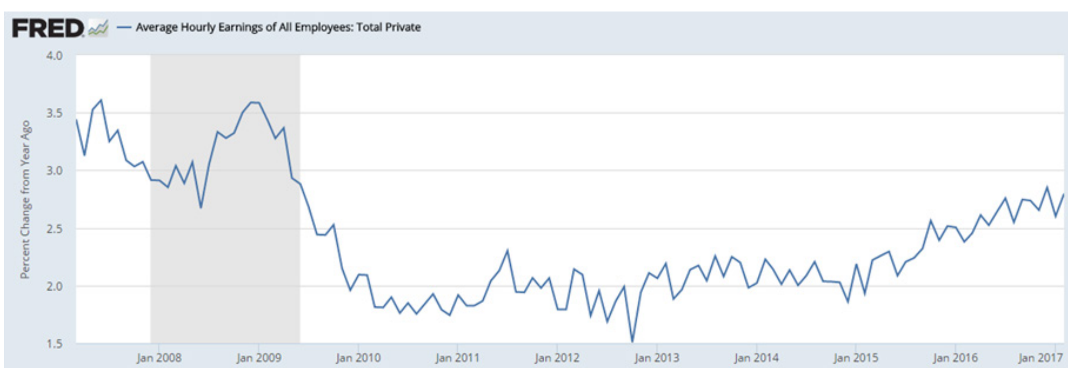
As stated, most of the portfolio's outperformance in the first quarter resulted from positive relative results in the Financial and Energy sectors, offsetting the negative impact resulting from one particular Consumer Discretionary holding.

- Financials provided the greatest relative contribution to performance this quarter, adding 61 basis points, much of which came from strong stock selection. One security gained 18% because of broad-based strong performance in their business units and positive capital redeployment. Additionally, its shares advanced on the expectation that the burden of the Department of Labor (DOL) fiduciary rule compliance is delayed or repealed. Another security also outperformed with a 7% return. Our investment thesis that the company can replace key business losses from last year, and has the capital strength to maintain its earnings power, has been demonstrated over the past couple of quarters. Our overall underweight position in Financials has shielded the strategy from the financial market pullback, as investors reevaluate the likelihood and magnitude of tax reform, growth initiatives and less regulation.

- Energy provided a positive relative return reflecting the strategy's modest negative returns of -3% relative to the sector's -7% return. One security generated strong returns of +7%, reflecting the increasing level of oil well drilling, particularly in the U.S..
- Healthcare positively contributed to performance mainly due to our large overweight in the pharmaceutical sector as two companies' share prices both rose in the mid-teens. These companies experienced some relief from investor concerns over drug pricing and merger risks, respectively, as these companies' earnings progress continue to meet expectations.
- Industrials once again generated a positive relative return reflecting our continued overweight in the sector and the substantial returns of 15% and 11% during the quarter.
- One holding in the Consumer Discretionary sector hindered overall results. A retailer was down 23% in the quarter as the firm reported poor results for the important holiday selling season. Although the company is making reasonable progress in e-commerce, management believes its pricing strategy was not as competitive as it needed to be, and its store format was not sufficiently enticing to shoppers. While we are disappointed with recent results, we believe the stock currently discounts a reasonable possibility that the firm's actions will improve results in the next several years and we plan to continue to hold the shares.

Outlook

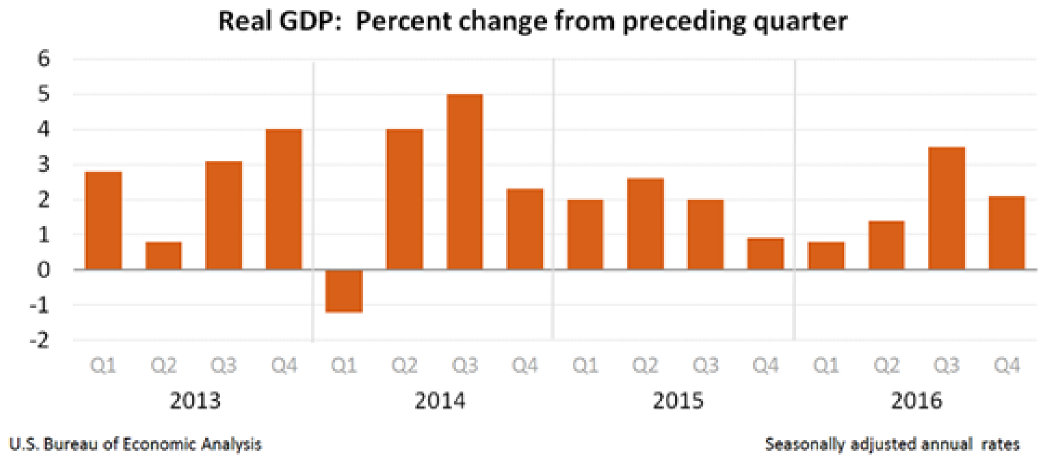
Economic conditions have not changed substantially in the first three months of 2017. Employment growth continues apace, with almost 200,000 new jobs created, on average, in each of the first three months of the year, and the unemployment rate dropped to 4.5%. Growth in average hourly earnings, however, remains sluggish, though push toward the 3% level. We continue to believe that any acceleration in U.S. economic growth will be driven by the expansion in both job creation and wage growth in excess of 3%.



Source: Federal Reserve Bank of St. Louis.

There may be some concern with the March jobs report, which suggests that only 89,000 new jobs were created in the month, far fewer than expected. However, we note that poor weather may have affected hiring in the month; for example, construction hiring was particularly anemic in March, reflecting the impact of bad weather. On the other hand, the continuing retrenchment in the retail sector continued, as store-based retailers eliminated almost 30,000 positions for the second month in a row. Many businesses across the economy also continue to use temporary workers at an increasing rate in lieu of permanent hiring, an indication of the tenuousness with which employers still approach hiring decisions.

Overall, the U.S. economy remains the most resilient in the world, but continues to plod along a somewhat meager but growth path of approximately 2% annually.



At this rate, inflation appears to be held in check, and the ten-year Treasury rate may remain stuck close to 2% for some time. All of this data would suggest that equities are close to fairly valued, and that any increase in long-term interest rates would suggest that equity prices might face downward pressure unless the rate of economic growth appears to be accelerating at the same time.

In the meantime, both political and exogenous risks must be considered, though they cannot be easily predicted. President Trump will celebrate his 100th day in office on April 28. That is the same day that the current bill funding the U.S. government is set to expire and Congress is set for a two-week recess just ahead of that deadline. The specter of a government shutdown looms large for Republicans, who are understandably leery of having the impacts of a shutdown pinned upon them again. Nonetheless, there is little prospect that Congress will be able to agree on a budget by that time, and the only realistic expectation is a series of continuing resolutions that do nothing to bolster investor or consumer confidence.

Much of the economic promise held out after the election of President Trump last November has been incorporated into U.S. equity prices, in our opinion. As a result, we are concerned that any substantial disruption in the implementation of his plans may have an adverse impact. The failure to "repeal" ACA and replace it with an alternative plan created some uncertainty relating to the Administration's ability to execute on its strategies. With tax relief, stimulus spending, and trade reforms all coming down the pike, any substantial deviation from expectations may upset equity markets, and more importantly have a negative impact on corporate earnings expectations, none of which would be positive for investors. Other potential hotspots include the upcoming French presidential elections, the implementation of Brexit, and concerns in Syria and North Korea, all of which could lead to greater uncertainty and market volatility.

We continue to absorb economic developments, changes in interest rates, and world events, and gauge the impact they may have on the long-term growth prospects of the companies that we follow. We are quite comfortable with the manner in which our portfolios are currently constructed and are carefully assessing new opportunities as they arise.