

Mid Cap Equity Commentary—1st Quarter 2017

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U.S. stocks extended their post-election rally in the first quarter of 2017, with the S&P 500 Index rising to 6.07%. However, style and sector leadership shifted. Traditional growth sectors including technology, health care and consumer discretionary led the equity market. Our growth-oriented Mid Cap Equity Fund, institutional shares, posted a strong return in the quarter at 5.89%, outperforming the Russell Midcap Index with 5.15% while slightly lagging the Russell Midcap Growth Index at 6.89%.

Benefiting from strong stock selection, technology was the best performing sector in the portfolio on a relative basis. The technology sector weighting in the portfolio increased during the quarter as we built our position in Marvell Technology Group, a designer of integrated circuits for communications markets. The Mid Cap portfolio remains overweight this sector due to attractive product cycles and strong relative earnings growth.

The consumer discretionary sector rebounded from a difficult year in 2016, contributing to the relative outperformance of the portfolio this quarter. The consumer discretionary sector weighting declined during the quarter as positions in apparel designers and retailers Carter's and PVH Corp. were sold. We believe the outlook for traditional consumer apparel and retail companies will remain challenged as e-commerce gains share and consumers continue to allocate more of their budgets to spending on health care and "experiences" such as travel and entertainment. The portfolio maintained an underweight position in consumer discretionary at the end of the period. After a weak 2016, the portfolio's health care sector outperformed on both an absolute and relative basis, gaining over 12% in the first quarter of 2017. VCA Inc., an operator of animal hospitals and diagnostic labs, was acquired by Mars. The portfolio took profits in this long held position and deployed the proceeds into Insulet

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Corporation, a developer of insulin infusion systems, and Hologic, a developer of medical products and diagnostics focused on the women's health market.

Although we remain constructive on the market in 2017, we expect consolidation as details of the new administration's plans for tax reform and infrastructure spending emerge. Politics may prove more challenging for tax reform than the market is anticipating. For 2017, we will maintain our focus on companies with strong relative earnings growth and competitive positioning.

Opinions expressed are subject to change, are not guaranteed and should not be considered investment advice.

For a list of the current quarter end top ten holdings, please [click here](#). Fund holdings and sector allocations are subject to change at any time and are not a recommendation to buy or sell any security. References to specific investments or other funds should not be construed as a recommendation of the Fund or the Adviser to buy or sell securities. **Current and future portfolio holdings are subject to risk.**

Mutual fund investing involves risk. Principal loss is possible. Medium-capitalization companies tend to have limited liquidity and greater price volatility than large-capitalization companies. Investment in IPOs can be volatile and can fluctuate considerably. IPOs can have a magnified impact on funds with a small asset base. Investments in foreign securities involve greater volatility and political, economic and currency risks and differences in accounting methods.

The Russell Midcap® Index is a subset of the Russell 1000® Index and includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap® Growth Index measures the performance of the mid-cap growth segment of the U.S. equity universe. It includes those Russell Midcap Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell Midcap® Value Index measures the performance of the mid-cap growth segment of the U.S. equity universe. It includes those Russell Midcap Index companies with lower price-to-book ratios and lower forecasted growth values. The Standard & Poor's 500 Index (S&P 500®) is an American stock market index based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ. The S&P 500 index components and their weightings are determined by S&P Dow Jones Indices. It is not possible to invest directly in an index.

Earnings growth is the annual rate of growth of earnings from investments.

Free cash flow (FCF) is a measure of how much cash a business generates after accounting for capital expenditures such as buildings or equipment. This cash can be used for expansion, dividends, reducing debt, or other purposes.

The Rainier Funds' investment objectives, risks, charges and expenses must be considered carefully before investing. The statutory and summary prospectus contain this and other important information about the Rainier Funds, and may be obtained by calling 800.248.6314 or visiting www.rainierfunds.com. Read carefully before investing.

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