JAG
CAPITAL MANAGEMENT LLC

Annual Shareholder Letter

September 30, 2017

Dear Shareholder:

Consistent with our longstanding investment philosophy and process, substantially all the Fund's assets are invested in a focused portfolio of companies which we believe possess strong growth characteristics, fundamental strength, and compelling long-term price appreciation potential.

During the Reporting Period, the Fund's Class A, C, and I shares generated cumulative total returns, without sales charges, of 25.66%, 24.68%, and 25.91%, respectively. These returns compare to the cumulative 21.94% total return of the Fund's benchmark, the Russell 1000 Growth Index.

The majority of the Fund's outperformance versus the benchmark was generated by our holdings in the Information Technology, Materials, and Consumer Discretionary sectors. Applied Materials (AMAT, 3.3% of the Fund), NVIDIA (NVDA, 2.7% of the Fund), Activision-Blizzard (ATVI, 4.4% of the Fund), and Electronic Arts (EA, 4.6% of the Fund) represented four of our top five performers, and all inhabit the Information Technology sector. Our single-best performer over the last year was Align Technologies (ALGN, 3.2% of the Fund), which produces clear tooth alignment devices and is a member of the Healthcare sector. Our stock selection was not as fortuitous in the Energy, Healthcare, and Industrial sectors. However, since our winners did quite well indeed and we were able to minimize the impact of our investment mistakes, the net effect was strong outperformance for the Fund compared to the Russell 1000 Growth Index.

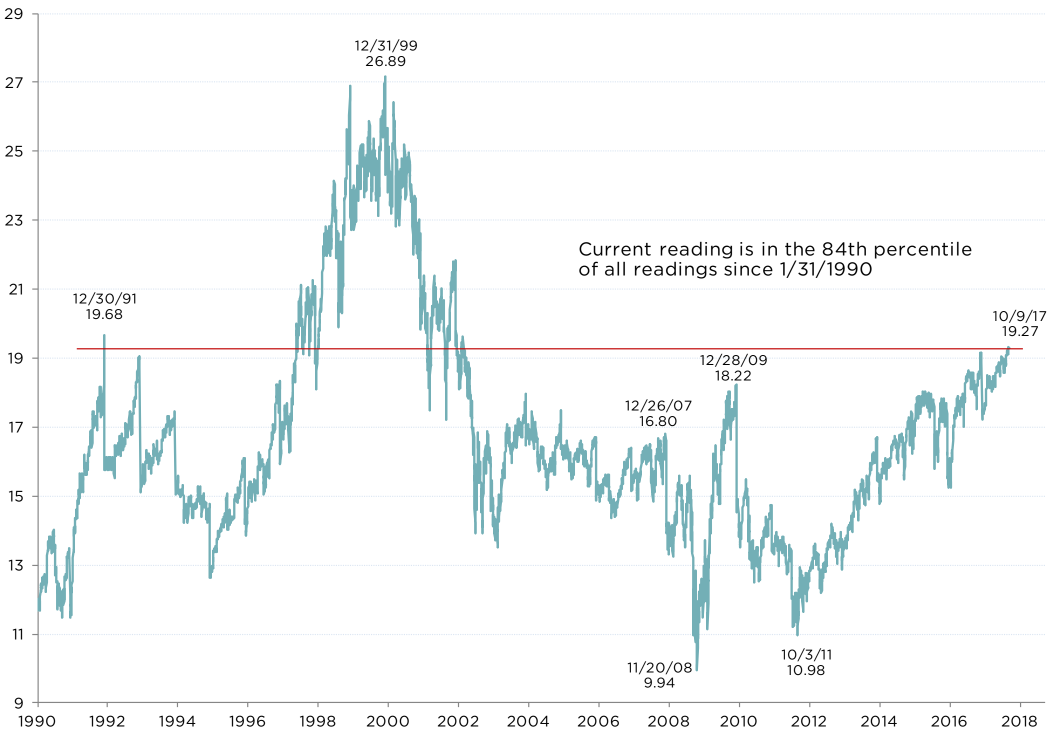
Passive investing is all the rage these days, and inflows into index fund vehicles have surpassed those into actively-managed strategies for the last several years. We will spare you our full-throated argument in favor of active management, but suffice it to say that certain portfolio managers who rely on research, discipline, conviction and focus have historically demonstrated the ability to outperform passive indexes for long periods of time. Moreover, the more popular passive investing becomes, the more likely it is that certain securities will become inefficiently priced. Mis-priced securities are the mother's milk of active management. Contrary to many in the business media, we expect more - not less - opportunities to be created for us by the enormous flood of capital into index funds.

Your Fund's managers employ an unabashedly active approach to portfolio management. We focus intently on our goal of delivering long-term excess returns, after all expenses, when compared to the Russell 1000 Growth Index and the S&P 500 Index. Far from mirroring the indexes, we seek to build a diversified but focused portfolio of 30-40 individual common stocks which we believe have the potential to reward shareholders with outsize returns over the intermediate and long term.

Our commitment to owning such a focused group of stocks dictates that we also employ strong risk management techniques. There are a lot of definitions of "risk" in our industry, but for us it is best defined as the potential for permanent loss of capital. Short-term price volatility - the daily, weekly, and monthly fluctuations in securities prices - is interesting and sometimes exciting, but these zigs and zags are ultimately meaningless to long term investors. We are willing to accept moderate amounts of volatility in the prices of our investment positions, but we work very hard to avoid exposing our investors to investment propositions which threaten permanent destruction of capital.

We have no special insight into the path the broader equity market will carve out in the coming months. Thankfully, neither does anyone else. We all look through a glass darkly when it comes to the future. That said, there are several arguments in favor of continued gains. The global economy is perking along nicely, inflation and interest rates remain low, and corporate earnings are generally healthy. We are not yet sure what the final version of tax reform will look like, but both parties seem to show interest in lowering corporate taxes and reducing the number of individual tax brackets and deductions. Our educated guess is that a bipartisan tax package of some sort will come to fruition by early 2018. These positive factors may not yet be fully "priced in" by stocks, which could leave room for a further rally.

S&P 500 P/E Ratio Blended Forward 12 Month



Source: Bloomberg, JAG Capital Management

On the other side of the coin, bears can point to elevated valuations, widespread investor complacency, and geopolitical concerns as reasons for caution. At 19.3x forward earnings, the S&P 500's valuation is more expensive than it has been since 2001 and is in the 84th percentile of all such values recorded since 1990. For stocks to continue to power higher in 2018, they would need to get even more expensive (as occurred between 1996 and early 2000), earnings would have to grow faster than expected, or some combination of both. But it is not fair to say that stocks are "cheap" by most measures. Investors may also be getting a little too comfortable with the false notion that stocks deliver unidirectional gains. Dating back to the first quarter of 2013, the S&P 500 has delivered gains in eighteen of the last nineteen quarters, a streak that has never occurred before since at least 1930. Markets have been so kind, for so long, that some investors may be forgetting how painful corrections can be. The political backdrop is a wildcard. Love him or hate him, President Trump is a unique politician in American history. His off-the-cuff comments, impulsive leadership style, and proclivity to be a gadfly could result in unexpected consequences domestically or with international relations. These are all valid concerns about the equity market, but as the old saying goes, "markets climb a wall of worry." Stocks have been doing just that since the spring of 2009. Only time will tell if they will continue to do so going forward.

We are comfortable with our portfolio's positioning in the current market environment. Our longstanding investment process results in a focused but diversified portfolio of companies with strong revenue and earnings growth characteristics. Information Technology remains our single favorite sector. Tech companies are driving transformational and disruptive innovation across the entire economy, and many are generating rapidly accelerating profit streams in the process. We have added to our exposure in the Healthcare sector via biotechnology-related companies, medical devices, and diagnostics. We think downside risks associated with health care reform are diminishing, while growth outlooks are improving, the cadence of FDA approvals is quickening, and valuations remain attractive.

Over the past several months, we have noted some nascent signs of inflation in wages, industrial prices, and a variety of commodities. This, combined with a bit of firmness in interest rates, makes us optimistic that some modest reflation could be afoot. Accordingly, we have been adding some more cyclically-oriented exposure to our portfolio within in the Financials, Industrials, and Materials sectors.

The ~~Good~~ Slow Old Days

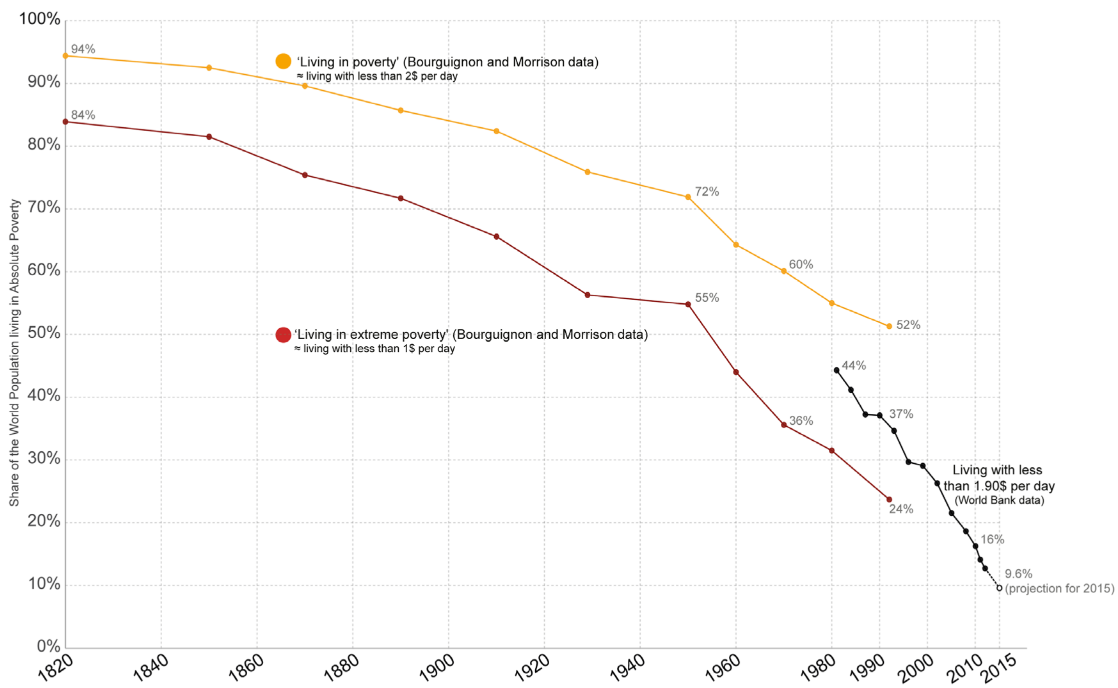
Many of us are lucky enough to have fond memories of times gone by, family members who have passed away, the street we grew up on, our school experiences, childhood friends, etc. However, as Mark Twain noted in The Innocents Abroad, we tend to view the past through rose-colored glasses. This is true of both our personal memories and of the way we think about history. An unvarnished and honest look at our collective past reveals that the “good old days” were never unblemished. In fact, virtually all aspects of human life are objectively better today than they were decades or centuries ago.

> “Schoolboy days are no happier than the days of afterlife, but we look back upon them regretfully because we have forgotten our punishments at school and how we grieved when our marbles were lost and our kites destroyed – because we have forgotten all the sorrows and privations of the canonized ethic and remember only its orchard robberies, its wooden-sword pageants, and its fishing holidays.”
>
> *Mark Twain, The Innocents Abroad*

Consider the amazing progress we have made in just the last 100 years. Life expectancy in the U.S. has increased from roughly 54 years in 1917 to more than 78 years. We still wrestle with ethnic and gender discrimination, but most of us would agree that civil and employment rights are vastly more equitable today than they were even 50 years ago. Voting rights in the developed world are now available to all adult citizens, not just members of privileged classes. Hunger and poverty are still too prevalent, but according to metadata collected by **OurWorldinData.org**, the percentage of the world’s population living in extreme poverty has declined from more than 65% to less than 10% in 2015. More broadly, there have been innumerable advances in our general quality of life since the early 1900s. These include radically better workplace safety conditions, the existence of a social safety net for the elderly and disabled among us, broad access to cheap and fast means of travel via automobiles and aircraft, and wide access to computers and information via the internet. Humans will never run out of problems to solve, but as a species we specialize in continuous improvement. Betting against the continuation of this trend is almost certainly a losing proposition.

Share Of The World Population Living In Absolute Poverty, 1820-2015

All data are adjusted for inflation over time and for price differences between countries (PPP adjustment)



Source: 1820-1992 Bourguignon and Morrison (2002). Inequality among World Citizens, In The American Economic Review; 1981-2015 World Bank (PovcalNet)
The interactive data visualization is available at OurWorldinData.org. There you will find the raw data and more visualizations on this topic.

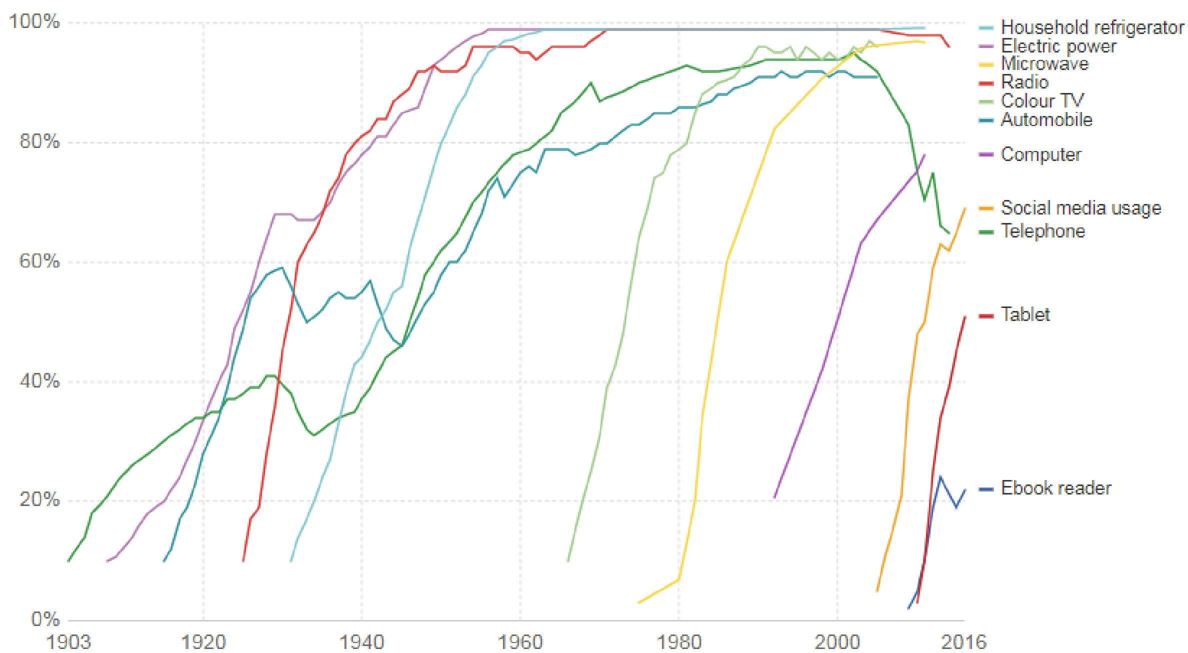
Number Of Years It Took For Each Product To Reach 50 Million Users

Source: Interactive Media via Twitter, September 2017

The "good old days" may or may not have been really great, but they were certainly slower. The speed with which new inventions become essential parts of our lives has accelerated dramatically over the past century. As the infographic below shows, it took more than six decades for automobiles to reach 50 million users. It is almost impossible for us to imagine modern life without the telephone or electricity, and yet it took each of those inventions more than 40 years to become commonplace. By way of contrast, the modern internet exploded to 50 million users in only seven years, and Facebook got there in only three years.

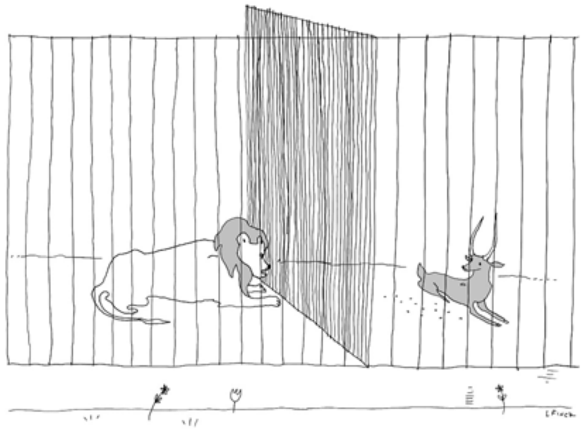
Technology Adoption by Households in the United States

Technology adoption rates, measured as the percentage of households in the United States owning, or the adoption rates of, a particular technology.



Source: Comin and Hobijn (2004) and others
OurWorldData.org/technology-adoption/ · CC BY-SA

Another way to look at the quickening pace of innovation is to consider the length of time it has historically taken for a new technology to be adopted by a large percentage of the population. The chart on page three does just that, on a time scale extending back to 1903. Notice how the colored lines become more vertical as the dates get closer to the present day. This means new technologies are growing from birth to mass scale more quickly today than they had in the past. The explosion of social media (i.e. Facebook, Twitter, Instagram, etc.) is a striking and recent case in point. Social media began with an essentially 0% adoption rate in the mid-2000's, but grew to be embraced by more than 60% of the U.S. population in less than a decade. Along its astonishingly short path from concept to commonplace, the industry has created hundreds of billions of dollars of shareholder wealth and hundreds of thousands of jobs.



"I miss when we were free, and I could eat you."

As famed Austrian-American economist Joseph Schumpeter once declared that "... the heart of capitalism is creative destruction." He elaborated on this statement by noting that "... Capitalist economy is not and cannot be stationary. Nor is it merely expanding in a steady manner. It is incessantly being revolutionized from within by new enterprise..." We think Schumpeter was dead-on, and we also believe that the process of creative destruction is happening faster today than ever before. Indeed, thanks to the power of technology, it appears to be accelerating.

The consumer is ultimately the big winner in the system Schumpeter described. Free market innovation forces companies to compete aggressively for our dollars, which ultimately pushes the market to provide us with better products and services at better prices. The picture is mixed for shareholders. Ever-faster cycles of creative destruction will allow some companies to create enormous wealth for their owners over shorter timeframes. On the other hand, many companies will be unable to compete effectively in this new world, leaving them and their shareholders by the wayside. Investors and their advisors should be aware of the shifting – and sometimes cruel – winds of innovation. We are not sure it has ever been advisable for investors to buy and hold a few individual stocks "forever," but it probably is not a good idea at all in 2017. We think stock investors should consider being more diversified – and nimbler – today than in the past.

Best regards,

Norm

Norman B. Conley III
Portfolio Manager

Dan F.

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Portfolio Manager

*The S&P 500® Index is an unmanaged composite of 500 large capitalization companies. This index is widely used by professional investors as a performance benchmark for large-cap stocks. You cannot invest directly in an index and unmanaged index returns do not reflect any fees, expenses or sales charges.

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Disclosures

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