

Q3

2018

QUARTERLY INVESTMENT REPORT

Fayez Sarofim & Co. Large Cap Equity

Separately Managed Accounts

MARKET SUMMARY

The S&P 500 Index (the "Index") powered ahead in the third quarter, setting five new record highs and logging its best quarterly performance since 2013. Continued earnings growth, progress on trade issues and a booming domestic economy supported the advance. The leading sectors of the index were health care and information technology, which were buoyed by particularly strong operating results, and industrials. Materials, energy and real estate were the weakest, although all 11 sectors of the index recorded gains for the quarter.

TOP 10 HOLDINGS AS OF 9/30/18

Company	Ticker Symbol	Portfolio
Apple	AAPL	6.35%
Microsoft	MSFT	5.96%
Facebook	FB	4.74%
Alphabet	GOOG	3.85%
Philip Morris International	PM	3.40%
JPMorgan Chase & Co.	JPM	3.24%
Visa	V	3.11%
ExxonMobil	XOM	3.01%
Comcast	CMCSA	2.88%
Amazon	AMZN	2.75%
Total		39.29%

Source: Fayez Sarofim & Co. Based on a Fayez Sarofim & Co. SMA model portfolio and subject to change; actual individual accounts may vary. There is no assurance that the securities will remain in the portfolio or that other securities have not been purchased. The holdings listed should not be considered recommendations to purchase or sell a particular security. It should not be assumed that securities bought or sold in the future will be profitable or will equal the performance of the securities in this list. Fayez Sarofim & Co. will provide a list of all securities purchased and sold during the past year upon request.

Not FDIC-insured. Not bank-guaranteed. May lose value.

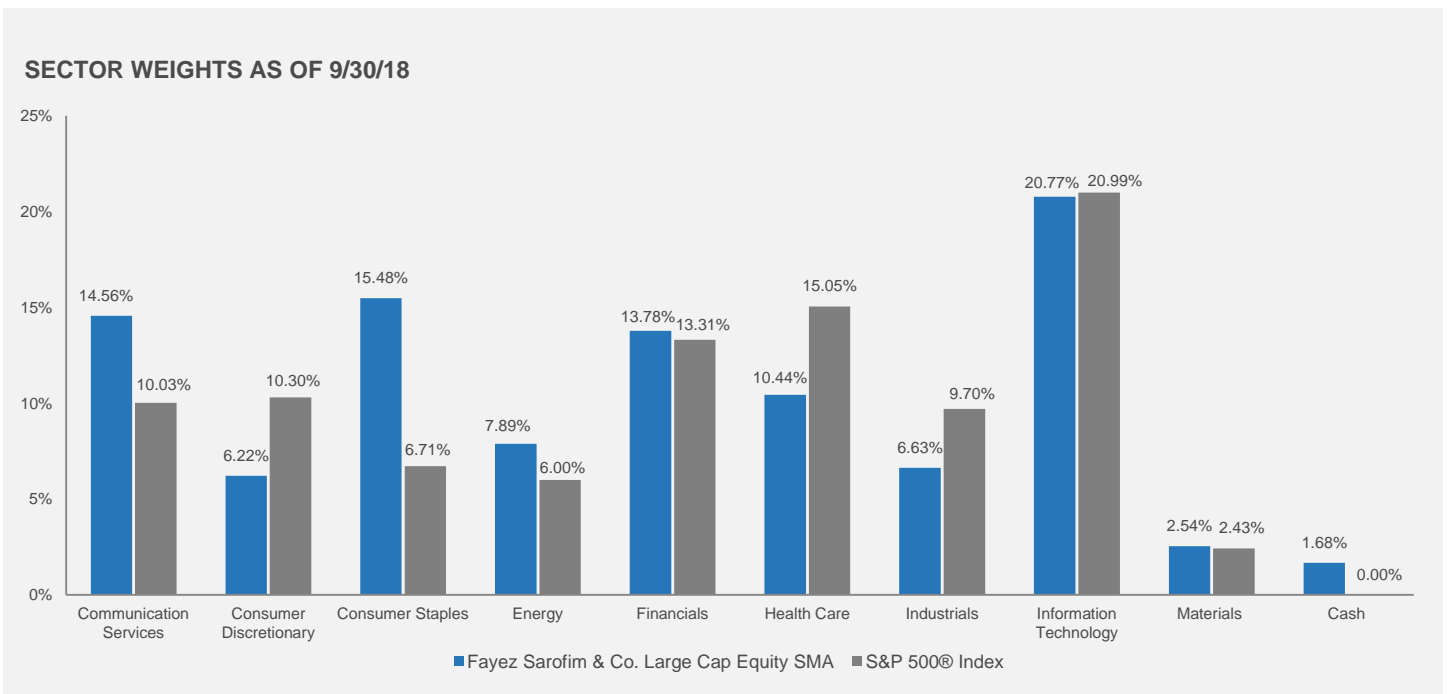
PORTFOLIO COMMENTARY

Fayez Sarofim & Co.'s portfolios registered a mid-single-digit gain for the quarter but trailed the Index on a gross-of-fee basis. The overweighted exposure to both the communication services and consumer staples sectors as well as weakness in key sector positions detracted from relative performance. The limited and selectively focused presence in the strong health care sector likewise penalized results compared to the benchmark. The positioning in the financials sector also weighed on relative returns. Factors that supported performance included the stock emphasis in industrials, with positive performances from holdings adding relative and absolute value. Correct stock focus in the energy sector and the avoidance of the more cyclical constituents supported relative results. The selection among materials and consumer discretionary issues and the lack of exposure to real estate and utilities, both of which lagged the broader average in the period, also proved advantageous.

INVESTMENT OUTLOOK

While trade frictions with China and rising interest rates have been fueling turbulence in international markets for several months now, U.S. stocks seemed to be comparatively insulated from these effects as investors instead focused on a domestic economic expansion that is showing few signs of slowing down. Data released in the July-September period show U.S. gross domestic product grew at a robust 4.2% annualized rate in the second quarter, with estimates pointing to an above-trend 3.1% pace for the year. The household sector remained very healthy with unemployment near its 20-year low and consumer confidence, as measured by the Conference Board's sentiment index, at its highest level since 2000. Second-quarter earnings results painted an equally rosy picture of the corporate sector. Boosted by solid demand conditions and the effects of last year's tax reform, S&P 500 companies posted nearly 25% earnings growth for the second quarter in a row.

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Source: Fayez Sarofim & Co. Based on a Fayez Sarofim & Co. SMA model portfolio and subject to change; actual individual accounts may vary. Sectors are defined according to the Global Industry Classification Standard (GICS). The S&P 500® Index also had a 2.65% sector weighting in Real Estate and 2.83% in Utilities.

INVESTMENT OUTLOOK

Despite the upbeat domestic backdrop, the S&P 500 Index has come under pressure in recent weeks as investors began to contemplate the shift away from central bank support amid growing global economic divergence. The Federal Reserve, which increased interest rates again in September and signaled further hikes ahead, is gradually trimming its balance sheet while the European Central Bank continues to wind down its asset-purchase program. In contrast with the solid conditions in the U.S., however, the euro area, along with much of the emerging world, has struggled to maintain momentum. Ebbing global liquidity and less synchronous growth abroad have raised fears of a peak in the economic cycle and earnings, which is driving volatility higher.

With global economic data pointing to continued, if less even, expansion, equity markets seem poised to recover from recent

weakness and finish out the year with further gains. However, bouts of volatility are likely to become more frequent as the withdrawal of monetary stimulus continues and geopolitical tensions ratchet higher. We believe the relative performance of higher-quality companies with sustainable earnings prospects and low leverage will continue to strengthen as macro uncertainty increases. Fayed Sarofim & Co.'s long-practiced investment strategy focuses on what we believe are such companies. The multinationals in our portfolios have strong balance sheets and ample financial resources that help them to invest prudently for sustained growth, even as the cost of capital rises. Furthermore, their commitment to enhancing long-term shareholder value through disciplined capital redeployment, dividend increases, and share repurchases offers a degree of downside protection against increased volatility.

PORTFOLIO CHARACTERISTICS AS OF 9/30/18

	Portfolio	S&P 500 Index
P/E Ratio (YE 2017)	24.58x	21.91x
Price/Book Ratio	4.08x	3.35x
5-Year EPS Growth Rate	13.00%	8.99%
Weighted Average Market Cap (\$ million)	326,167	218,905
Number of Holdings	46	505

Source: Fayed Sarofim & Co. Based on a Fayed Sarofim & Co. internal representative SMA account and subject to change; individual accounts may vary. The **Price/Earnings (P/E) Ratio** is a valuation ratio of a company's current share price to its per-share earnings. The **Price/Book Ratio** is calculated by dividing a stock's market price by the company's per-share book value. **Weighted Average Market Cap** is the average market capitalization of corporations in a fund or index, weighted by the percentage of the holding in the fund or index.

INVESTMENT TEAM**Fayez Sarofim****Chairman of the Board****Co-Chief Investment Officer**

Founded Fayez Sarofim & Co., August 1958

M.B.A., Harvard University

B.S., Food Technology, University of California

Chartered Investment Counselor

William Gentry Lee, Jr., CFA**CEO & Co-Chief Investment Officer**

Joined Fayez Sarofim & Co., July 1998

M.B.A., Harvard University

B.A., Economics, Vanderbilt University

Charles Sheedy, CFA**Senior Vice President**

Joined Fayez Sarofim & Co., June 1971

M.B.A., Harvard University

B.A., English Literature, University of Notre Dame

Chartered Investment Counselor

Catherine P. Crain, CFA**Vice President**

Joined Fayez Sarofim & Co., August 1993

M.B.A., University of Texas

B.A., Plan II Liberal Arts Honors Program,

University of Texas

LEARN MORE

For more information about **Fayez Sarofim & Co. Large Cap Equity** separately managed accounts, please call Dreyfus at **1-877-334-6899**.

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Equities are subject to market, market sector, market liquidity, issuer, and investment style risks, to varying degrees. Investing in **foreign denominated and/or domiciled securities** involves special risks, including changes in currency exchange rates, political, economic, and social instability, limited company information, differing auditing and legal standards, and less market liquidity. These risks generally are greater with emerging market countries.

The S&P 500 Index is a widely accepted, unmanaged index of U.S. stock market performance. An investor cannot invest directly in any index.

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