



DGHM Enhanced Value LP

Portfolio Managers: Bruce Geller, CFA and Douglas Chudy, CFA
April 30, 2017
Strategy Assets: \$55mm

DGHM's goal is to be a leading practitioner of fundamental analysis. Our long/short equity hedge fund seeks to capitalize on the intensive research performed by our experienced team of nine Sector Specialists. This diversified portfolio is constructed in a fashion to capture alpha between the longs and shorts in a framework wherein risk control—at the market, sector, capitalization, and individual security levels—is paramount.

FUND OBJECTIVES

- Above-average risk-adjusted returns
- Preservation of capital
- Below-average volatility
- Low correlation to the broad equity markets
- Minimize risks external to stock selection
- Tax efficiency

To preserve the integrity of this product, the strategy will close at \$500 million in assets under management.

COMPETITIVE EDGE

- Nine Sector Specialists with 27 years of experience on average
- Sector-focused fundamental analysis across the cap spectrum
- Proprietary valuation approach utilized since inception
- Superior expertise trading illiquid smallcap positions
- Vigilant risk management

ANNUALIZED RETURNS AND STATISTICS

	EV LP (Net)	HFRX*	S&P 500*
YTD Return	-0.6%	3.4%	7.2%
1-Year Return	10.8%	6.7%	17.9%
3-Year Return	3.1%	0.9%	10.5%
5-Year Return	7.3%	2.8%	13.7%
10-Year Return	4.1%	-1.3%	7.2%
Since Inception Return	5.7%	1.4%	7.1%
Alpha	—	5.0%	3.1%
Listed below benchmark			
Beta	—	0.67	0.37
Listed below benchmark			
Standard Deviation	8.1%	7.0%	14.3%
Information Ratio	—	0.62	-0.13
Listed below benchmark			
Sharpe Ratio**	0.56	0.02	0.41
Sortino Ratio**	0.84	0.03	0.59
Upside Capture	—	104%	45%
Listed below benchmark			
Downside Capture	—	55%	41%
Listed below benchmark			
R-Squared	—	34%	41%
Listed below benchmark			
% Positive Months	61%	57%	66%
Maximum Drawdown	-20.9%	-29.5%	-50.9%

DGHM Enhanced Value returns are since inception (4/2002). See the provided Explanation of Performance.

* The HFRX Equity Long/Short and S&P 500 are registered trademarks of Hedge Fund Research Inc. and Standard & Poor's, respectively.

** Sharpe and Sortino ratios are calculated using the Citigroup 3-Month T-Bill.

MONTHLY COMMENTARY

Enhanced Value LP (EV) declined by 1.6% in April. Our performance was below our peer group of long/short managers (as measured by the HFRX Equity Hedge index), which increased 0.7%. We also trailed the broader market benchmarks, with the S&P 500 and Russell 2000 advancing 1.0% and 1.1%, respectively. April's performance reflected some subpar stockpicking on both the long and short side. **On a year-to-date (YTD) basis EV's net return is down 0.6%**, coming in below the 3.4% gain for the HFRX. EV is also lagging the S&P 500 and Russell 2000, which have advanced 7.2% and 3.6%, respectively, YTD. Thus far in 2017, large-cap and growth have outperformed, which has resulted in some headwinds.

The long portfolio was down 0.4% during April, which was below the range of the aforementioned market indices. A couple of larger detractors included **Kennedy-Wilson Holdings** (real estate investment company) and **Analog Devices** (semiconductors). Kennedy-Wilson shares sold off late in the month after the company announced they will acquire the unowned portion of Kennedy Wilson Europe with shares. While the company will issue shares below net asset value, we believe the deal comes at a discount to the true value of the real estate. Moreover, the deal nearly doubles recurring net operating income to Kennedy-Wilson, strengthening their financial position and allowing them to pay higher recurring dividends (3.7% yield). Analog Devices was down on speculation of the potential for lost business and concerns on a slowing auto cycle for semiconductors. Our overall positive view on Analog Devices remains unchanged as we continue to like this high quality, diversified leader in analog chip production. A few positive offsets on the long side of the portfolio included **Teradyne** (test equipment) and **Invesco** (investment management), both of which reacted favorably to solid earnings results. We continue to hold all of the aforementioned stocks.

Our featured new position this month is **Dril-Quip Inc.** (DRQ—\$52), a vertically integrated offshore equipment company. DRQ manufactures, sells and services offshore drilling and production equipment used mostly in subsea development. The position reflects our longer-term positive view on energy markets. The company should benefit as E&P companies return to offshore drilling and field development and the offshore rig count inflects from depressed levels. DRQ has a strong balance sheet with a net cash position, and the company's margins are among the highest in the sector due to their vertical integration. Current valuation is attractive with the stock trading at less than 1.5x book value. A return to a more normalized 2.0x book level would result in approximately 35% upside potential from current levels.

The short portfolio declined by 1.7% during April. Our overall stockpicking on the short side was a bit soft during the month and was further challenged by the general market uptrend. A couple of negative outliers included **Wayfair** (online home goods retailer) and **CIRCOR International** (manufacturer of valves/controls). Wayfair was up due to excitement over potential consolidation in the ecommerce space given recent Walmart purchase activity. We remain short as the company is a long way from earning profits, and we believe that as the top line slows this will become a greater focus for investors. CIRCOR missed earnings expectations and guided down, but the stock was up due to a sell side upgrade and stronger orders. The order strength is relative to very depressed results, and we do not believe it justifies the company's lofty valuation. A couple of favorable offsets on the short side included healthcare stocks **Quorum Health** (hospital and outpatient healthcare) and **ResMed** (medical devices and software). We have taken profits on Quorum but maintain our short position in ResMed.

Portfolio exposures at month end are 121% long and 72% short, for a gross exposure of 192%, and a net exposure of 49%. Our net exposure is up roughly 10 points from last month due to a few new additions on the long side coupled with some short covering. Our gross exposure is relatively unchanged from last month.

While we are disappointed with April's results and our slow start to the year, we believe that the portfolio remains well positioned to generate attractive risk-adjusted returns. We continue to see inherent value in the tradeoff between our long and short positions, which we expect will pay-off over time.

DGHM Enhanced Value LP

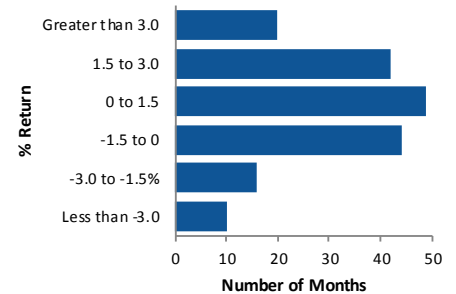
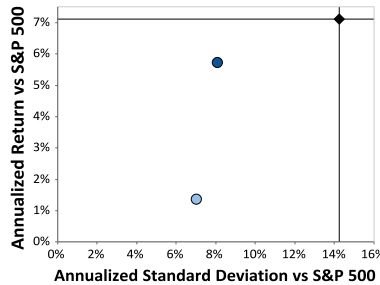
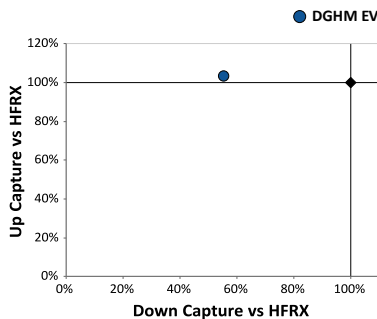
MONTHLY RETURNS (NET OF FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2017	-0.3%	0.2%	1.1%	-1.6%	—	—	—	—	—	—	—	—	-0.6%
2016	-1.4%	-0.3%	5.2%	3.0%	-0.4%	-1.4%	4.2%	0.8%	1.4%	0.5%	5.2%	0.8%	18.7%
2015	-2.7%	3.1%	2.4%	-0.7%	-0.2%	-0.3%	-0.6%	-2.6%	-3.6%	1.7%	-2.9%	-1.6%	-7.9%
2014	-1.0%	1.7%	0.8%	1.2%	0.4%	1.6%	-0.5%	0.3%	-0.6%	0.6%	-0.3%	-0.7%	3.6%
2013	2.5%	-1.4%	2.0%	0.1%	2.6%	0.3%	5.1%	-0.9%	1.7%	1.2%	1.4%	0.5%	16.0%
2012	2.0%	1.0%	2.1%	0.4%	-1.8%	3.5%	1.8%	1.9%	1.2%	-1.4%	1.7%	1.8%	15.0%
2011	-0.6%	-0.4%	0.0%	0.4%	-1.0%	1.6%	-0.7%	-2.7%	-5.4%	5.9%	-0.6%	0.5%	-3.4%
2010	0.4%	4.2%	4.1%	1.2%	-2.9%	-3.3%	0.6%	-7.6%	3.0%	1.7%	-1.9%	0.9%	-0.3%
2009	-3.5%	-3.4%	1.8%	3.4%	-0.9%	-0.8%	3.3%	0.2%	3.6%	-2.4%	1.1%	3.6%	5.7%
2008	-5.9%	-1.2%	-2.9%	1.6%	8.1%	0.9%	-1.4%	0.4%	-1.4%	-6.2%	-8.3%	1.1%	-15.1%
2007	-0.6%	-0.7%	1.8%	2.5%	2.0%	0.3%	0.7%	2.0%	3.3%	3.7%	-1.0%	3.0%	18.1%
2006	1.8%	5.5%	2.3%	0.4%	-2.9%	-0.2%	2.7%	-0.2%	-0.1%	1.3%	-0.3%	2.7%	13.6%
2005	-0.9%	1.7%	2.5%	-2.8%	-0.1%	1.4%	-0.2%	0.2%	2.0%	-1.3%	2.7%	1.1%	6.3%
2004	1.5%	1.5%	0.1%	-1.8%	2.1%	2.5%	1.3%	0.6%	-0.8%	-0.1%	1.5%	0.9%	9.5%
2003	-1.0%	-2.5%	-2.2%	1.6%	3.6%	0.1%	3.1%	2.9%	-1.3%	2.5%	-0.3%	2.8%	9.5%
2002	—	—	—	1.2%	2.3%	-1.4%	-3.5%	0.1%	1.1%	2.1%	1.5%	1.1%	4.5%

UP CAPTURE/DOWN CAPTURE

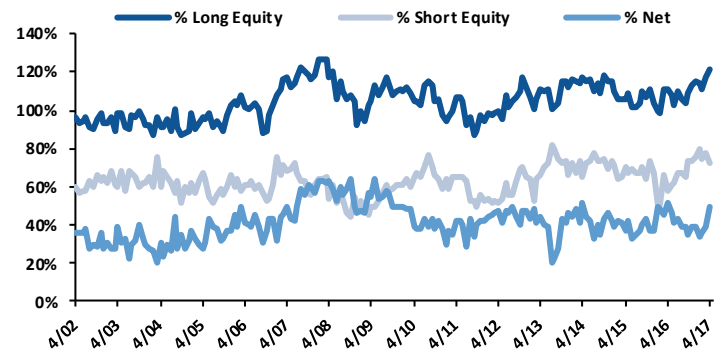
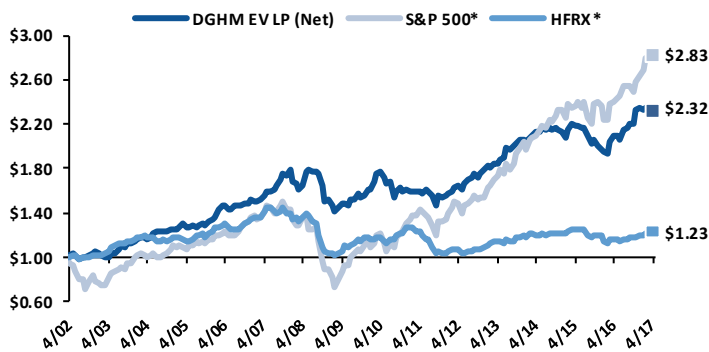
RETURN VS. VOLATILITY

MONTHLY RETURN DISTRIBUTION (NET)



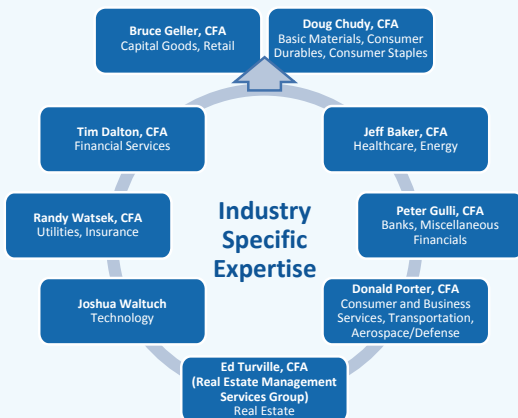
VALUE OF A DOLLAR

LONG/SHORT EXPOSURE



TEAM STRUCTURE

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NOTES: All monthly performance data herein are estimates. Annual financial statements are audited. Results may vary. Please refer to your statement for your individual returns.

- Past Performance of any DGHM Fund or investment vehicle is not indicative of future results. The performance data presented above represent the month-to-month and annual Total Return of an investment in the applicable DGHM Fund and describe results for the indicated Fund ONLY for the full period reported; results for specific capital accounts and separately managed accounts may vary due to the cash flows and timing of (a) investments made or withdrawn by the respective accounts and (b) fees paid to DGHM in accordance with applicable fee agreements between said investor(s) and DGHM.
- DGHM Monthly Reports are for informational purposes only and do not constitute an offering of securities unless accompanied by the complete Confidential Private Offering Memorandum for the DGHM Enhanced Value LP, together with the respective Limited Partnership and Subscription Agreements, Accredited Investor Questionnaire and the DGHM Form ADV, each as may be amended from time to time.
- The fund's summary of performance stated herein is internally prepared and results are unaudited.
- An investment in the fund is suitable only for qualified individuals that fully understand the risks of such a fund. An investor should review thoroughly with an advisor the fund's private offering memorandum.
- For the performance period measured herein, audit and legal fees were paid by the General Partner, DGHM Management LLC. The General Partner may or may not elect to pay these fees going forward which may adversely impact future performance of the fund.