



DGHM Enhanced Value LP

Portfolio Managers: Bruce Geller, CFA and Douglas Chudy, CFA

June 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 28 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	-0.7%	3.7%	9.3%
1-Year Return	12.7%	8.1%	17.9%
3-Year Return	2.4%	0.5%	9.6%
5-Year Return	6.9%	3.4%	14.6%
10-Year Return	3.8%	-1.5%	7.2%
Since Inception Return	5.7%	1.4%	7.2%
Alpha	—	4.9%	3.0%
Listed below benchmark			
Beta	—	0.67	0.36
Listed below benchmark			
Standard Deviation	8.1%	7.0%	14.2%
Information Ratio	—	0.62	-0.14
Listed below benchmark			
Sharpe Ratio**	0.55	0.02	0.42
Sortino Ratio**	0.83	0.03	0.60
Upside Capture	—	104%	45%
Listed below benchmark			
Downside Capture	—	56%	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) gained 0.9% in June, which was in line with our peer group of long/short hedge funds as measured by the HFRX Equity Hedge index (HFRX), which also returned 0.9%. Our performance was mixed versus the broader market indices, with the S&P up 0.6% while the Russell 2000 gained 3.5%. On a year-to-date (YTD) basis, EV is down 0.7%. Our YTD performance continues to trail the HFRX, which has increased 3.7%, as well as the broader markets, with the S&P and Russell 2000 up 9.3% and 5.0%, respectively.

Our longs increased 2.3% in June, which was within the range of the aforementioned market indices. A couple of leading contributors on the long side were **Sterling Construction** (civil construction firm) and **Invesco** (asset manager). Sterling has benefited from strong end-markets, a new, more disciplined management team and the migration into product adjacencies (like airports) that offer higher margin opportunities. Additionally, it was added to the Russell 3000 index. Invesco benefitted from a favorable market for asset management stocks during the month. Negative outliers during the month included **Teradyne** (semiconductor test equipment) and **Francesca's Holdings** (retail fashion boutiques). Teradyne gave back some of its YTD gains as the general tech/semiconductor market sold off a bit during the month. We remain bullish on the stock due to strong fundamentals. Francesca's was down after reporting disappointing sales. The stock remains challenged by a tough retail environment. However, with a proven track record of successfully growing square footage and industry leading profitability characteristics, we remain positive on the stock.

Our featured position this month is **Cooper Tire & Rubber Company** (CTB—\$37). CTB manufactures and markets tires with a focus on the U.S. replacement market. Cooper offers a strong value proposition with high quality tires priced 10-15% below Tier 1 offerings. An ongoing focus on productivity enhancements and a revamped international business positions the company well for future earnings growth. Recent declines in raw material prices should be beneficial to margins in the back half of the year and may provide some upside to current earnings expectations. CTB has a solid balance sheet, generates consistent FCF and has been opportunistic with stock buybacks. With the stock trading at less than 5.5x EV/EBITDA, we see CTB as a compelling risk/reward opportunity.

Our shorts detracted 2.3% during June, which was within the inverse of the aforementioned market indices. A couple of detractors on the short side included **Pzena Investment Management** (asset management) and **Insulet Corp** (medical devices). Pzena rebounded in June along with the asset management sector. Insulet benefited from a strong market for healthcare growth stocks as well as some potential positive developments on the competitive front. We maintain our short position in Pzena but have covered the short position in Insulet. A couple of positive offsets came from **Monro Muffler** (auto service/repair) and **Chipotle** (restaurant operator). We remain short both of these stocks given our bearish view on their fundamentals.

Portfolio exposures at month end are 118% long and 67% short, for a gross exposure of 185%, and a net exposure of 51%. Our exposure levels are up slightly from last month, while our overall sector exposure remains well diversified.

Performance in the first half of the year did not meet the high standards that we set for ourselves. However, we were encouraged by improved performance in June as some of the headwinds we've faced YTD (large/small and growth/value) subsided. We remain confident that the construct of our portfolio will prove effective in delivering superior risk-adjusted returns.

DGHM Enhanced Value LP

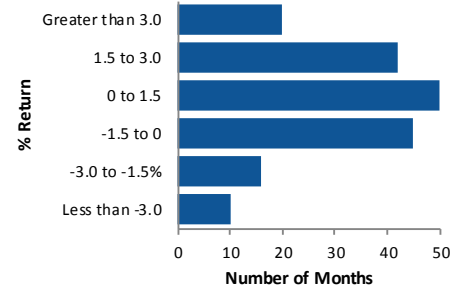
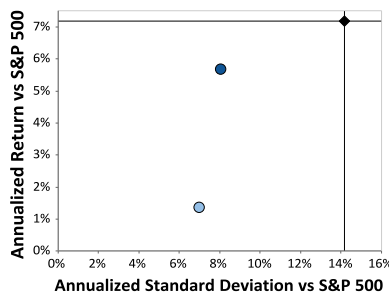
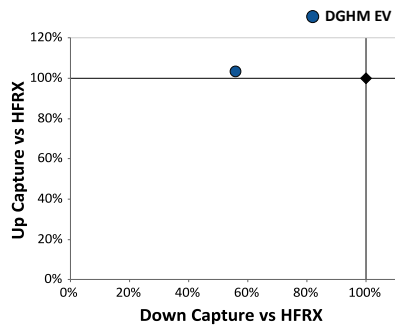
MONTHLY RETURNS (NET OF FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2017	-0.3%	0.2%	1.1%	-1.6%	-0.9%	0.9%	—	—	—	—	—	—	-0.7%
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

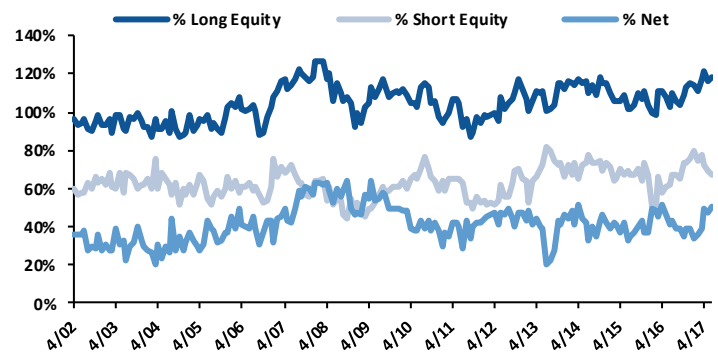
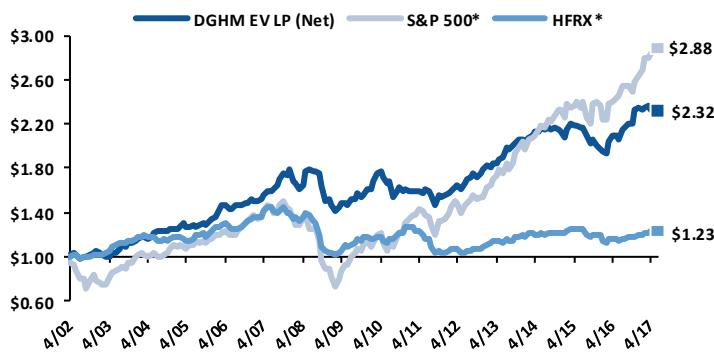
RETURN VS. VOLATILITY

MONTHLY RETURN DISTRIBUTION (NET)



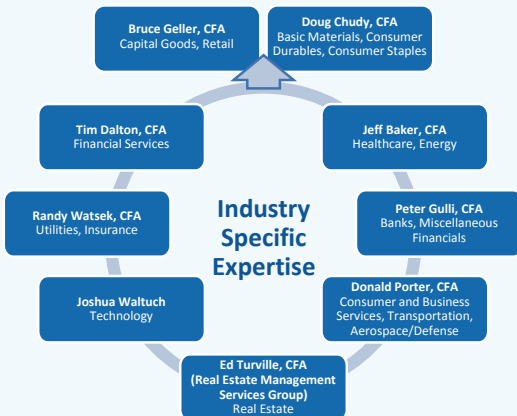
VALUE OF A DOLLAR

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.