



# DGHM AllCap Value ESG

Team Leader: Donald Porter, CFA  
Second Quarter 2017  
Assets: \$3mm

## THE FIRM

DGHM employs a fundamental, value-driven investment philosophy that focuses specifically on domestic equity across the market capitalization spectrum. Our team of Sector Specialists combines quantitative tools with rigorous fundamental analysis. These specialists are experts in their fields and utilize a time-tested, disciplined approach to purchase high quality companies at compelling valuations. We are committed to value creation over the long term. We strive for consistent alpha generation, yielding superior risk-adjusted results across our product line. Established in 1982, DGHM currently manages \$1.8 billion\* in assets.

## DGHM ALLCAP VALUE ESG PORTFOLIO

DGHM's AllCap Value ESG portfolio is modeled after the flagship DGHM AllCap Value strategy, introduced in 1983. The investment objective is long-term capital appreciation achieved through a diversified portfolio of US-listed equity securities. A parallel objective is to further optimize our focus on quality companies through ESG analysis. All investments are required to satisfy the rigorous quantitative and fundamental analysis applied to DGHM's legacy products. The fund eliminates businesses with negative social impacts, including tobacco, gaming, consumer firearms, adult entertainment, and alcohol-related stocks, while seeking to upgrade the portfolio's ESG weighted average score. The result is a portfolio of companies that meet both DGHM's ESG standards and its stringent valuation, financial strength, and profitability criteria. It is important to note that ESG factors alone will not make a company investable. The fund will comprise approximately 30 to 40 equity securities above \$1 billion in market capitalization with initial and maximum position sizes of 2.5% and 6% of assets, respectively. The fund will remain within a 75% to 125% band of the benchmark sector weight (Russell 3000 Value) and target cash to less than 3% of assets. Agnostic to market capitalization, the portfolio has the flexibility to invest in the most compelling small, mid, and large cap companies. Investors benefit from one relationship across the market capitalization spectrum.

## PERFORMANCE

	DGHM AllCap Value ESG	Russell 3000 Value**	MSCI USA ESG**
QTD	0.2%	1.3%	3.1%
YTD	1.8%	4.3%	8.5%
1YR	15.9%	16.2%	16.3%
Since Inception	6.3%	8.1%	8.0%

As of June 30, 2017

DGHM AllCap Value ESG returns are gross since inception (4/2015).

## FUND OBJECTIVES

- Achieve superior risk-adjusted returns versus the Russell 3000 Value Index, generating alpha through stock selection
- High-conviction portfolio; Active share above 90%
- Apply quantitative and fundamental ESG analysis to existing quality value style
- Will not invest in businesses with negative social impacts, including tobacco, gaming, consumer firearms, adult entertainment, and alcohol-related stocks

## QUARTERLY REVIEW

The DGHM AllCap Value ESG strategy returned 0.2% for the quarter, underperforming the MSCI USA ESG and Russell 3000 Value indices by 290 and 110 basis points, respectively.

Nine of 17 sectors outperformed in the quarter. Energy, Retail, and Staples were the fund's major detractors in the second quarter. The Energy sector was weak due to building oil inventories on increasing US production and a lack of discipline from OPEC. Our Energy names fared worse with weakness in: WPX Energy (E&P with Bakken, Permian and San Juan Shales) due to weak cash flows despite strong production growth, Precision Drilling (oil service) due to concerns over a pullback in their drilling activities, National Oilwell Varco (oil service) due to a weak offshore market and QEP Resources (E&P with Bakken, Permian and Haynesville Shales) due to missing its production guidance and cash flow estimates. We believe the case for higher oil prices is strong and that the fundamentals of our companies remain intact; therefore, we believe these shares offer compelling value. Retail has struggled as consumers' buying habits shift online. Bed, Bath & Beyond, having a strong franchise, continues to face declining revenues and rescinded their most recent guidance. We have since lost faith in management's ability to protect their franchise from competitive inroads and therefore have sold the name. Lastly, United Natural Foods, a food distributor, came under pressure after Amazon announced its acquisition of Whole Foods which is one of United Natural's largest customers. We have since sold this name on fears that Amazon may insource distribution.

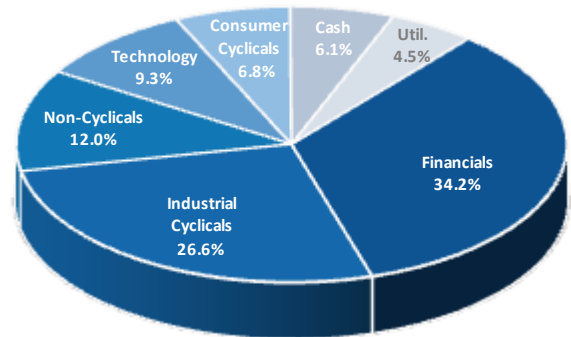
Our leading sectors of the quarter were Miscellaneous Financials, Healthcare and Capital Goods. Our Miscellaneous Financials benefited from Northern Trust Corporation which had solid net interest margin expansion on rising interest rates and good AUM growth. Healthcare benefited from Parexel International, a clinical research organization, which was taken-out by private equity for a 28% premium. Capital Goods outperformed due to strong performance from AGCO Corporation, a leading farm equipment manufacturer, on better than expected results in Latin America.

We purchased four stocks and sold five stocks to finish the quarter with 36 names with average and median market capitalizations of \$27 and \$15 billion, respectively. We purchased Allscripts Healthcare Solutions, a software solutions company focused on hospital electronic health records, population health and revenue cycle management systems. Allscripts also boasts a strong ESG score on its history and policies towards data protection and privacy policies. It receives high marks on effectively training its staff and has good corporate governance standards. We also purchased Edgewell Personal Care Co., a leading manufacturer of personal care products serving the wet shave, skin and feminine care markets. Lastly, we purchased Smith & Nephew PLC, a global orthopedic company. We favor the shares as pricing pressure in the wound care market and destocking in China seem to be moderating which should lead to a higher valuation. Lastly, we purchased EQT Corporation which is a play on improving natural gas prices. As discussed earlier, we sold both Bed Bath & Beyond and United Natural Foods. General Mills was sold due to deteriorating fundamentals and was replaced by Edgewell Personal Care. We also sold Antero Resources and Merck & Co. on weak fundamentals.

## PORTFOLIO CHARACTERISTICS

DGHM AllCap Value ESG	
Weighted Average Market Cap	\$27,032
Enterprise Value/EBITDA	10.7x
Free Cash Flow Yield	4.6%
2017 Estimated P/E	19.1x
5-Year EBITDA ROA (excluding cash)	12.6%
5-Year CAGR EBITDA/SHR	4.0%
Net Debt (Cash) / Total Cap %	29.1%

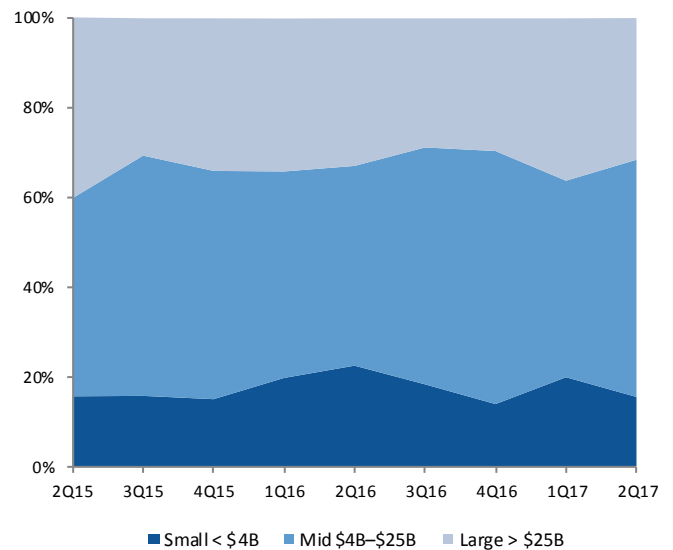
## ECONOMIC SECTOR ALLOCATION



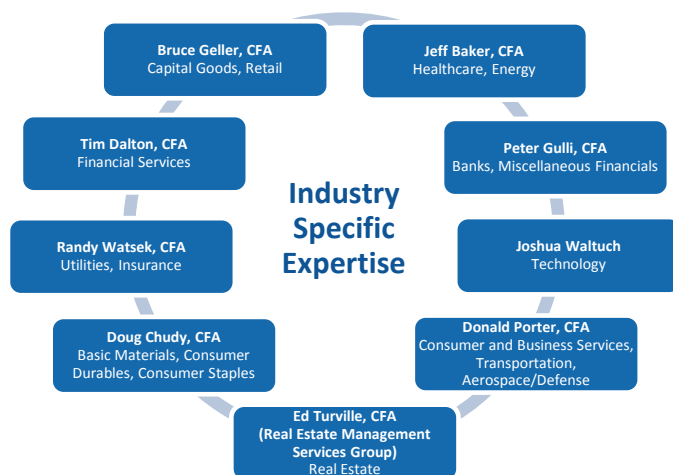
## TOP 10 HOLDINGS

Symbol	Company Name	Weight
NTRS	Northern Trust Corporation	4.2%
PRU	Prudential Financial, Inc.	3.8%
ABT	Abbott Laboratories	3.6%
SNN	Smith & Nephew PLC Sponsored ADI	3.4%
CHKP	Check Point Software Technologies	3.4%
EIG	Employers Holdings, Inc.	3.2%
CSCO	Cisco Systems, Inc.	3.0%
MET	MetLife, Inc.	3.0%
PNC	PNC Financial Services Group, Inc.	3.0%
STI	SunTrust Banks, Inc.	2.9%
<b>Total % of AllCap Value ESG portfolio</b>		<b>33.7%</b>

## ACTIVE SIZE MANAGEMENT



## TEAM STRUCTURE



## CONTACT INFORMATION

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## EXPLANATION OF PERFORMANCE

The DGHM All Cap Value ESG Composite is an actively managed, diversified portfolio of the equity securities of primarily U.S. based value companies spanning all capitalization ranges. The All Cap Value ESG composite was created in April 2015.

Dalton, Greiner, Hartman, Maher & Co., LLC ("DGHM") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. DGHM has been independently verified for the periods 12/31/92-12/31/16. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The DGHM All Cap Value ESG composite has been examined for the periods 4/01/15-12/31/16. The verification and performance examination reports are available upon request. The benchmark returns are not covered by the report of independent verifiers.

Period	DGHM Allcap Value ESG Gross Return	DGHM Allcap Value ESG Net Return	Russell 3000 Value Index	Composite Assets (\$mm)	# of Portfolios	% of Total Assets	% of Non-Fee Paying Assets	Composite Dispersion	Composite 3-year Annualized Std Deviation	Russell 3000 Value 3-year Annualized Std Deviation
2016	23.57%	22.66%	18.40%	\$3	1	0.22%	100%	NA	NA	NA
2015*	-8.77%	-9.27%	-3.64%	\$2	1	0.15%	100%	NA	NA	NA

\*Composite inception of April 1, 2015 through December 31, 2015.

### I. GIPS COMPLIANCE REQUIREMENTS:

- DGHM is an autonomous investment advisory firm organized as a Limited Liability Company (LLC). DGHM is 80% owned by Boston Private Financial Holdings, Inc., a bank holding company focusing on wealth management through private banking and investment services, and 20% owned by the following DGHM professionals; Tim Dalton, Ken Greiner, Bruce Geller, Jeffrey Baker, Peter Gulli, Joshua Waltuch, Randall Watsek, Michael Dunn, Dolores Casaletto, Kate O'Brien, Erika Donalds, Donald Porter, Douglas Chudy and Lisa Hurst. The Firm is registered with the Securities and Exchange Commission, which oversees its investment management activities. For GIPS purposes, the Firm is defined to exclude SMA (Wrap) and UMA relationships.
- Portfolio valuations are based on fair values and are expressed in U.S. Dollars.
- Performance is calculated using total return. Performance includes the reinvestment of dividends and other earnings.
- Rates of Return are time-weighted, with valuation on a daily basis with geometric linking of period returns.
- Individual portfolios are valued on a daily basis. Composite returns are calculated monthly with the creation of one performance file using the combined transaction history of all the portfolios in the composite. Monthly composite returns are geometrically linked to calculate performance for longer periods.
- DGHM's gross and net performance is reported after the deduction of brokerage and other transactions fees. Net performance is reported after the deduction of the highest management fee currently charged by DGHM for the particular product (0.75%). Custodial fees are not deducted. Management fees are more fully described in Part 2A of Form ADV which is available upon request. Withholding taxes are not included as an expense in the calculation of performance.

### II. MANDATORY DISCLOSURES:

- A complete list and description of DGHM's composites is available upon request.
- At 12/31/16, SMA model assets excluded from Firm assets totaled \$370 Million.
- Composite dispersion is calculated as the equal-weighted standard deviation of portfolio results.
- Composite dispersion is not shown for periods where five or fewer portfolios are in the composite for the entire year.
- The inception date of the composite is April 2015.
- The management tiered fee schedule is:

	Assets (MM's)	Fee (bps)
First \$25MM	<\$25	75
Next \$75MM	\$25-100	50
Portion >\$100MM	\$100+	35

### III. PERFORMANCE DISCLOSURES:

- Past performance is no guarantee of future results. No assurance can be given that an investor will not lose invested capital. The performance data presented in this report represent the quarter-to-quarter and annual Total Return of an investment in the applicable DGHM portfolio and describe results for the indicated portfolio ONLY for the full period reported; results for specific separately managed accounts may vary due to the cash flows and timing of (a) investment made or withdrawn by the respective account and (b) fees paid to DGHM in accordance with applicable fee agreements between said investor(s) and DGHM. These materials include the discussion of certain companies. These case studies are for information purposes only and should not be considered as investment recommendations. There can be no guaranty that the investment adviser continues to maintain its view of these companies or that the investment adviser continues to hold positions in the companies for its client's accounts. Upon request, DGHM will provide you with similar performance information for all of its investments held during the periods shown.

2. This report is for informational purposes only and does not constitute an offering of securities unless accompanied by the DGHM Form ADV and/ or Investment Management Agreement as the case may be for Separate Accounts. These documents may be amended from time to time.
3. The summary of performance stated herein is internally prepared and results are unaudited.
4. An investment in this product is suitable only for qualified individuals that fully understand the risks of such a portfolio. An investor should review thoroughly the Investment Management Agreement.
5. Additional information regarding policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

IV. INDEX DESCRIPTIONS:

The Russell 3000 All-Cap Index is composed of the 3,000 largest companies based on total market capitalization. The Russell 3000 All-Cap Value Index measures the performance of those Russell 3000 All-Cap companies with lower price-to-book ratios and lower forecasted growth values. The Lipper Multicap Value Index consists of the 30 largest funds tracked by Lipper, Inc. that are associated with “value” stocks. These indices are non-managed and do not accrue advisory or transactional expenses. Index performance data is sourced from Interactive Data Corporation and the Wall Street Journal, respectively.

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\* DGHM AUM includes third party platform assets for which DGHM does not have full conditional authority, and which have been excluded from the definition of the firm for GIPS purposes. The assets consist of direct wrap relationships of \$349 million and model portfolio relationships of \$30 million as of June 30, 2017.

\*\* References to the Russell 3000 Value and MSCI USA ESG are trademarked by Frank Russell Company and MSCI, Inc., respectively.