



# DGHM AllCap Value ESG

Team Leader: Donald Porter, CFA  
Third 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 \$1.9 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	3.2%	3.3%	4.6%
YTD	5.1%	7.7%	13.5%
1YR	13.0%	15.5%	16.8%
(4/2015)	7.0%	8.6%	9.1%

As of September 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 3.2% for the quarter, underperforming the MSCI USA ESG index by 140 basis points but was in-line with the Russell 3000 Value index.

Eight of 17 sectors outperformed in the quarter. Our best performing sectors for the quarter were Healthcare, Retail, and Technology. **Allscripts**, a medical software company, did well as they had a very strong bookings quarter. Retail benefited from our recent purchase of **Gap**, which delivered better than expected like-for-like sales and margins driving the stock higher. We continue to like the name given the stock's depressed valuation. **Analog Devices** had a beat and raise quarter as their industrial and automotive end-markets accelerated. It also benefited from realizing synergies on its recent acquisition.

Sectors that detracted from performance during the quarter were Miscellaneous Financials, Real Estate and Business Services. **Northern Trust** came under pressure due to net interest margin compression and higher expenses. We continue to hold the name as we find compelling value in this strong franchise. Real Estate was negatively impacted by **Brookdale Senior Living** which came under pressure due to a possible buy-out that failed to materialize as well as having soft fundamentals. We continue to hold the name as it trades at a discount to the value of its underlying properties. Business Services was weak due to **Omnicom**, a global advertising holding company that had decelerating fundamentals due to consumer packaged goods companies pulling back on marketing spending. We have since sold the name.

We purchased six stocks and sold seven, finishing the quarter with 35 names with average and median market capitalizations of \$28 billion and \$14 billion, respectively. We purchased **Brighthouse Financial** as shares were received from the MetLife spin-off. We plan on holding the name given its discount to our assessment of the company's fair value price. We also purchased **Gap**, which owns such brands as Old Navy, Gap, and Banana Republic; **HealthSouth Corporation**, which operates inpatient rehab facilities and home health; **J.M. Smucker Company**, which manufactures coffee, consumer foods and pet foods; and **Masco**, a leading manufacturer of architectural coatings, plumping products, cabinetry and windows. Lastly, we would like to highlight the purchase of **Williams-Sonoma**, an operator of 630 retail stores focused on the home including the eponymous Williams-Sonoma brand as well as the Pottery Barn, PB Kids, West Elm and Rejuvenation brands. We like this company's strong brands, high private label exposure and robust e-commerce presence. The company also receives strong environmental marks on its use of certified organic cotton in its manufacturing process as well as excellent scores for its corporate governance standards.

During the quarter we sold **American Eagle Outfitters** which we replaced with Williams-Sonoma. We sold **Invitation Homes** and **Thor Industries** as both names reached our price targets. **Omnicom**, **Precision Drilling** and **QEP Resources** were all sold due to poor fundamentals. Lastly, we sold **PAREXEL International** as the company was acquired.

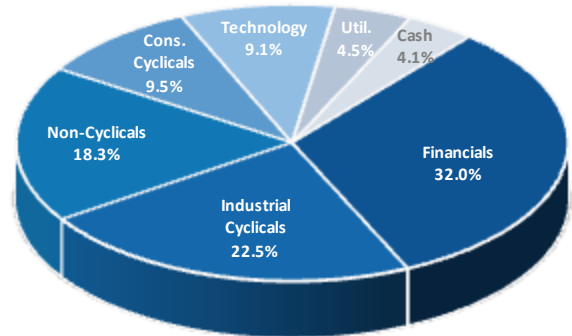


# DGHM AllCap Value ESG

## PORTFOLIO CHARACTERISTICS

DGHM AllCap Value ESG	
Weighted Average Market Cap	\$27,939
Enterprise Value/EBITDA	12.1x
Free Cash Flow Yield	4.9%
2017 Estimated P/E	22.3x
5-Year EBITDA ROA (excluding cash)	12.6%
5-Year CAGR EBITDA/SHR	5.1%
Net Debt (Cash) / Total Cap %	29.6%

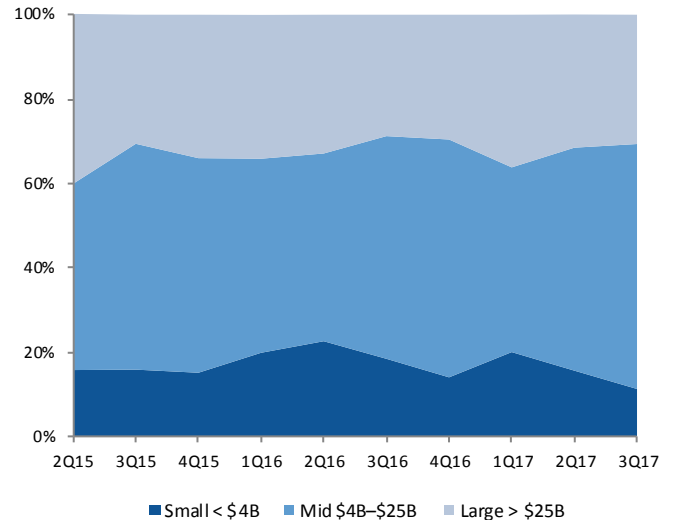
## ECONOMIC SECTOR ALLOCATION



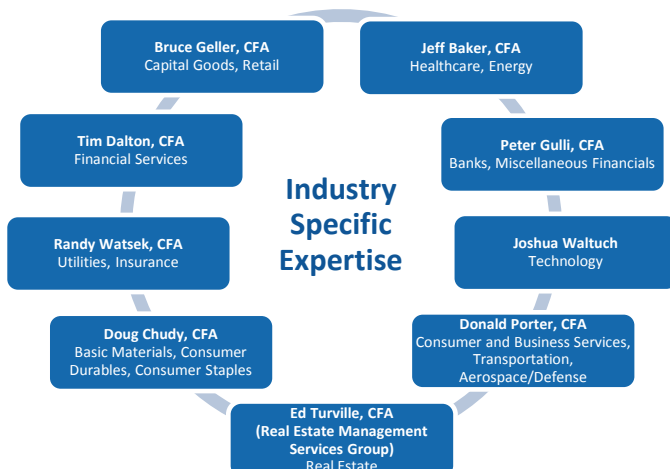
## TOP 10 HOLDINGS

Symbol	Company Name	Weight
NTRS	Northern Trust Corporation	4.1%
ABT	Abbott Laboratories	3.9%
PRU	Prudential Financial, Inc.	3.6%
WPX	WPX Energy, Inc. Class A	3.6%
SNN	Smith & Nephew PLC Sponsored ADR	3.5%
EIG	Employers Holdings, Inc.	3.3%
MDRX	Allscripts Healthcare Solutions, Inc.	3.2%
EQT	EQT Corporation	3.2%
CSCO	Cisco Systems, Inc.	3.1%
PNC	PNC Financial Services Group, Inc.	3.1%
<b>Total % of AllCap Value ESG portfolio</b>		<b>34.5%</b>

## ACTIVE SIZE MANAGEMENT



## TEAM STRUCTURE



## CONTACT INFORMATION

**Dalton, Greiner, Hartman, Maher & Co., LLC**  
 565 Fifth Avenue, Suite 2101  
 New York, NY 10017  
 Main: (212) 557-2445  
 www.dghm.com

**Michael S. Dunn**  
 Senior Vice President  
 Director of Sales and Marketing  
 Direct: (212) 400-2230 | Mobile: (917) 574-5283  
 Email: mdunn@dghm.com

**Giselle White**  
 Vice President  
 Sales and Client Relations  
 Direct: (212) 557-4996 | Mobile: (646) 398-2149  
 Email: gwhite@dghm.com

## 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.

---

\* 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 \$353 million and model portfolio relationships of \$32 million as of September 30, 2017.

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