



DGHM MicroCap Value

Team Leader: Donald Porter, CFA
 Third Quarter 2017
 Assets: \$153mm

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.

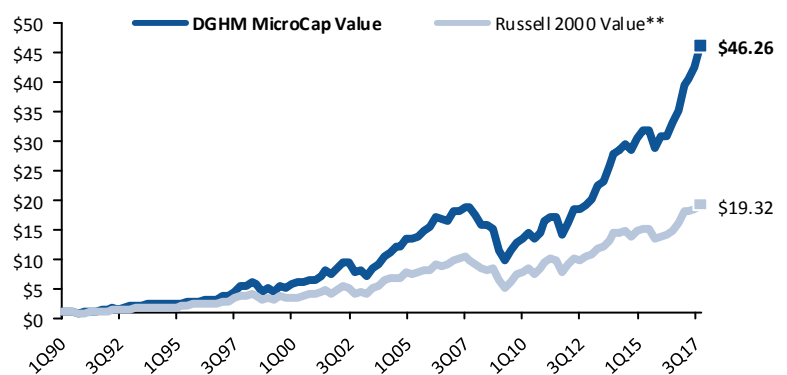
DGHM MICROCAP VALUE PORTFOLIO

DGHM has developed a particular expertise in the microcap universe. Through careful security selection and company due diligence, the portfolio has achieved an annualized return of 14.9% since its inception in 1990. The objective of the fund is long-term capital appreciation reached through a highly diversified portfolio of microcap US-listed equity securities. We define the universe as any stock between \$50 million and \$1.1 billion in market capitalization. The fund will comprise approximately 60 to 90 individual equity securities with an initial position size of 1% to 2% and a maximum position size of 4%. The fund will remain within a 75% to 125% band of the benchmark sector weight (Russell 2000 Value) and target cash to 3% of assets.

ANNUALIZED COMPOSITE PERFORMANCE

	DGHM MicroCap Value	Russell Microcap Value**	Russell 2000 Value**
YTD	16.7%	8.5%	5.7%
1YR	31.8%	26.2%	20.6%
3YR	17.7%	13.3%	12.1%
5YR	19.1%	14.5%	13.3%
10YR	9.4%	6.6%	7.1%
15YR	12.7%	11.0%	10.9%
20YR	11.4%	—	8.6%
25YR	14.1%	—	11.2%
Inception	14.9%	—	11.3%

VALUE OF A DOLLAR



DGHM MicroCap Value returns are gross since inception (2/1990). See the provided Explanation of Performance.

The Russell Microcap Value Index is excluded from the Value of a Dollar chart, as it was introduced in 2000, 10 years after the launch of the DGHM MicroCap Value product.

QUARTERLY REVIEW

The DGHM MicroCap Value portfolio returned a solid 8.6% for the quarter, outperforming the Russell Microcap Value and Russell 2000 Value indices by 220 and 350 basis points, respectively.

Sector breadth remained strong as 12 of 17 sectors outperformed during the quarter and 13 of 17 sectors outperformed for the year-to-date period. We derived the majority of our outperformance from stock selection, driven by strong results in the Industrials, Financials, and Technology sectors. The fund's strongest performer for both the quarter and year-to-date periods was **Cutera**, a medical device laser aesthetics company that successfully introduced a new body sculpting device which drove robust sales and incremental margins. Our Industrials benefited from **Preformed Line Products**, **Sterling Construction**, and **Newpark Resources**. Preformed, a manufacturer of electrical wire and cable, benefited from an acceleration in sales due to stronger infrastructure spending. Sterling, which is a western infrastructure play (the company builds roads and bridges), has benefited from an improvement in states' budgets, better project execution, and expansion into higher margin adjacencies. Both of these names stand to benefit from the recent storm activity affecting Texas and Florida. Newpark, an oil service company, experienced a strong quarter as they took share in drilling fluids while growing non-energy sales. Oil prices also rallied a bit during the quarter. Our Financials benefited from good performance among our Real Estate names, which have had a nice rebound after lagging for most the year. **Catchmark Timber**, which owns and manages timberland in the southeastern US, had strong core land sales which drove results. We also had good performance from **City Office**, a suburban office owner, which had a strong quarter and yields approximately 7%. Technology's outperformance was more broad-based, with **Kimball Electronics** eclipsing the rest. Kimball is a niche electronic manufacturer that had strong sales growth across most of its industrial and medical verticals in addition to increasing its buyback authorization.

Sectors of the portfolio that detracted were Retail/Apparel, Utilities, and Miscellaneous Financials. **Francesca's Holdings**, a vertically integrated fashion boutique, underperformed due to weak same-store sales, which were down about 3%. We continue to like the stock given its proven track record of successfully growing square footage, industry-leading profitability, and depressed valuation at 3x EBITDA. **Biglari Holdings**, a mini-conglomerate with restaurant exposure, had weak like-for-like sales in a tough environment. We like the valuation on a sum-of-the-parts basis. We own two utilities (**RGC Resources** and **Artesian Resources**), both of which were relatively flat and failed to keep pace with their benchmark. We remain underweight the Utilities sector given historically high valuations across the group. **Greenhill**, a boutique investment bank, was weak during the quarter due to softer global M&A volume. The stock rallied towards the end of the quarter as management is undergoing a leveraged recapitalization whereby it will repurchase up to 30% of its outstanding shares.

During the quarter, seven new ideas replaced the seven names we sold. The portfolio finished the quarter with 61 stocks with a median market capitalization of approximately \$600 million. Purchases included **Capital City Bank Group**, the oldest Florida-based publicly traded bank with 60 branches; **Community Trust Bancorp**, a high quality community bank in Kentucky with 81 branches; **Computer Programs and Systems**, a healthcare IT company serving the acute care hospital market; **iStar**, a diversified REIT; **Kimball International, Inc.**, a domestic office and hospitality furniture manufacturer; **SandRidge Energy**, an exploration and production company with proven oil and gas reserves in Oklahoma and Kansas; and **RLJ Lodging Trust**, a REIT that merged with FelCor Lodging Trust (which we owned). We sold **Collectors Universe** due to forthcoming tough comparisons and expensive valuation and **Huttig Building Products** due to a change in management strategy. The following four names exited the portfolio due to being acquired (although many of these announced the acquisition in prior quarters): **ARI Networks**, **NCI, Inc.**, **Nutraceutical International**, and **Tesco Corporation**.

RETURN CHARACTERISTICS: SINCE INCEPTION

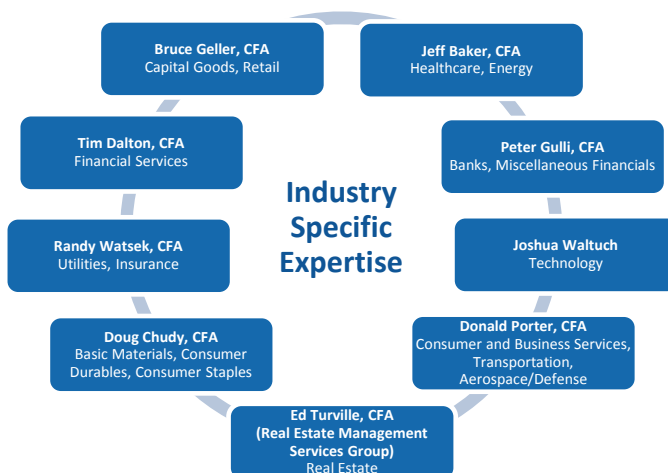
	DGHM MicroCap Value	Russell 2000 Value**
Annualized Return Since Inception	14.9%	11.3%
Alpha	4.8%	
Beta	0.89	
Standard Deviation	18.0%	18.8%
Information Ratio	0.55	
Sharpe Ratio***	0.67	0.44
Upside Capture	108%	
Downside Capture	82%	
Correlation to Benchmark (R ²)	86%	
Average Turnover	49%	
Tracking Error	7.0%	

DGHM MicroCap Value returns are gross since inception (2/1990). See the provided Explanation of Performance. The Russell 2000 Value Index is used for the Since Inception comparison above, as the Russell Microcap Value Index was introduced in 2000, 10 years after the launch of the DGHM MicroCap Value product.

PORTFOLIO CHARACTERISTICS

	DGHM MicroCap Value
Weighted Average Market Cap	\$721
Enterprise Value/EBITDA	10.6x
Free Cash Flow Yield	3.2%
2017 Estimated P/E	23.8x
5-Year EBITDA ROA (excluding cash)	12.8%
5-Year CAGR EBITDA/SHR	3.1%
Net Debt (Cash)/Total Cap %	23.5%
Active Share (vs. Russell Microcap Value)	93.4%

TEAM STRUCTURE

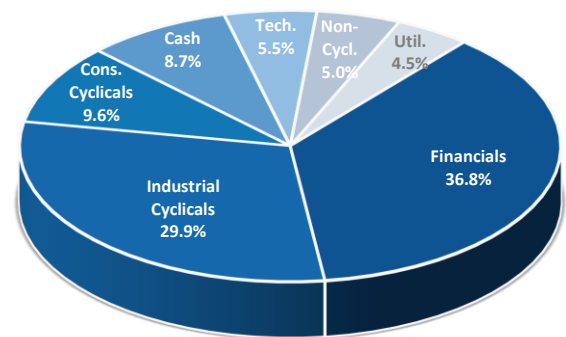


TOP 10 HOLDINGS

Symbol	Company Name	Weight
RGCO	RGC Resources, Inc.	2.6%
EIG	Employers Holdings, Inc.	2.5%
CTT	CatchMark Timber Trust, Inc. Class A	2.5%
CIO	City Office REIT, Inc.	2.3%
PLPC	Preformed Line Products Company	2.3%
NR	Newpark Resources, Inc.	2.2%
STRL	Sterling Construction Company, Inc.	2.2%
MRTN	Marten Transport, Ltd.	2.0%
SP	SP Plus Corporation	2.0%
TRNS	Transcat, Inc.	2.0%
Total % of MicroCap Value portfolio		22.6%

This is supplemental information.

ECONOMIC SECTOR ALLOCATION



This is supplemental information.

CONTACT INFORMATION

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EXPLANATION OF PERFORMANCE

The DGHM MicroCap Value composite is an actively managed, diversified portfolio of the equity securities of primarily U.S. based value companies at the microcap end of the market capitalization spectrum, currently defined by the firm as companies between \$50 million and \$1 billion. The Micro Cap Value composite was created in February 1990.

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 MicroCap Value composite has been examined for the periods 12/31/93-12/31/16. The verification and performance examination reports are available upon request. The benchmark returns are not covered by the report of independent verifiers.

Period	DGHM Microcap Value Gross Return	DGHM Microcap Value Net Return	Russell 2000 Value Index	Russell Micro Value Index	Composite Assets (\$mm)	# of Portfolios	% of Total Assets	% of Non-Fee Paying Assets	Composite Dispersion	Composite 3-year Annualized Std Deviation	Russell 2000 Value 3-year Annualized Std Deviation	Russell Micro Value 3-year Annualized Std Deviation
2016	28.85%	27.26%	31.74%	30.59%	\$94	11	7%	5%	0.14%	12.76%	15.51%	15.95%
2015	0.33%	-0.93%	-7.47%	-6.45%	\$69	10	5%	28%	0.09%	12.24%	13.46%	13.56%
2014	9.78%	8.43%	4.22%	3.15%	\$67	6	4%	28%	0.38%	11.52%	12.79%	13.41%
2013	38.29%	36.62%	34.52%	41.17%	\$64	6	4%	25%	0.26%	15.54%	15.82%	16.46%
2012	23.88%	22.38%	18.05%	22.81%	\$48	6	5%	25%	0.15%	18.36%	19.89%	21.32%
2011	-0.25%	-1.45%	-5.50%	-10.33%	\$97	8	8%	8%	0.32%	21.69%	26.04%	27.40%
2010	22.18%	20.70%	24.50%	28.35%	\$171	11	14%	5%	0.25%			
2009	15.90%	14.50%	20.57%	17.52%	\$214	18	23%	3%	0.56%			
2008	-34.29%	-35.20%	-28.92%	-34.93%	\$254	20	29%	N/A	0.40%			
2007	-2.47%	-3.69%	-9.79%	-13.13%	\$471	22	32%	N/A	0.37%			
2006	17.33%	15.92%	23.49%	21.81%	\$564	25	26%	N/A	0.96%			
2005	13.53%	12.16%	4.70%	3.15%	\$595	22	19%	N/A	0.66%			
2004	28.13%	26.87%	22.24%	20.92%	\$523	21	17%	N/A	1.02%			
2003	31.62%	30.08%	46.02%	63.46%	\$422	18	15%	N/A	0.66%			
2002	-6.34%	-7.53%	-11.43%	-5.79%	\$290	15	14%	N/A	0.13%			
2001	30.07%	28.52%	14.02%	27.53%	\$316	11	16%	N/A	0.70%			
2000	16.92%	15.52%	22.82%		\$311	12	25%	N/A	0.81%			
1999	11.35%	9.99%	-1.49%		\$245	10	33%	N/A	0.81%			
1998	-6.30%	-7.49%	-6.45%		\$297	10	30%	N/A	0.22%			
1997	45.16%	43.51%	31.78%		\$305	6	24%	N/A	0.50%			
1996	34.24%	32.69%	21.40%		\$209	5	13%	N/A	0.66%			
1995	13.56%	12.19%	25.75%		\$169	6	6%	N/A	1.05%			
1994	2.24%	0.98%	-1.55%		\$62	3	2%	N/A	N/A			
1993	21.80%	20.36%	23.85%		\$55	1	2%	N/A	N/A			

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.

5. 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.
6. 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 (1.25%). 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:

1. A complete list and description of DGHM's composites is available upon request.
2. At 12/31/16, SMA and model assets excluded from Firm assets totaled \$370 Million.
3. Composite dispersion is calculated as the equal-weighted standard deviation of portfolio results.
4. Composite dispersion is not shown for periods where five or fewer portfolios are in the composite for the entire year.
5. The inception date of the composite is February 1990.
6. The management flat fee is 125bps.

III. MANDATORY HISTORICAL DISCLOSURES:

1. Performance is presented since January 1, 1993.

IV. PERFORMANCE DISCLOSURES:

1. 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.

V. INDEX DESCRIPTIONS:

The Russell 2000 Value Index measures the performance of those Russell 2000* companies with lower price-to-book ratios and lower forecasted growth values. The Russell Microcap Index is composed of the 1,000 smallest companies in the Russell 2,000* plus the next 1,000 smallest companies. The Russell Microcap Value Index measures the performance of those Russell Microcap companies with lower price-to-book ratios and lower forecasted growth values. These three indices are non-managed and do not accrue advisory or transactional expenses. Index performance data is sourced from Interactive Data Corporation.

* 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 Microcap Value and Russell 2000 Value are trademarked by Frank Russell Company.

*** Sharpe Ratio calculated using Citigroup 3-Month T-Bill.