

## ORGANIZATION

- Founded in 1995
- Dallas-based
- \$3.3 billion in managed assets
- 100% Employee-owned
- 10 investment professionals averaging 10 years tenure and 22 years investment industry experience

## KEY POINTS

- Investment Universe: Generally < \$500MM in market cap
- Inefficient market
- Large dispersion of returns within universe
- Low correlation to market indices
- Limited capacity

## INVESTMENT OBJECTIVE

The strategy is focused on exploiting inefficiencies in the microcap area of the market which is often overlooked by investors due to less liquidity and perceived volatility. The strategy uses a proven investment process to generate strong absolute rates of return with half of the volatility of the Russell 2000 and little correlation to the overall market.

## STRATEGY INFORMATION

Strategy Inception	March 1, 2013	Strategy Assets	\$13MM
Management Fee	1.0%	Target Gross Exposure	150% - 200%
Incentive Fee	20%	Target Net Exposure	+/- 10%
High Water Mark	Yes	Investment Structures	Onshore 3C1, managed account

Net of Fee	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year to Date
<b>2013<sup>1</sup></b>			<b>2.1%</b>	<b>1.1%</b>	<b>0.4%</b>	<b>0.8%</b>	<b>0.6%</b>	<b>-1.5%</b>	<b>0.3%</b>	<b>-2.4%</b>	<b>2.1%</b>	<b>-2.5%</b>	<b>0.98%</b>
<b>2014<sup>1</sup></b>	<b>1.8%</b>	<b>1.9%</b>	<b>1.1%</b>	<b>1.0%</b>	<b>2.7%</b>	<b>-0.5%</b>	<b>1.4%</b>	<b>1.2%</b>	<b>0.1%</b>	<b>0.8%</b>	<b>1.3%</b>	<b>0.1%</b>	<b>13.47%</b>
<b>2015<sup>1</sup></b>	<b>0.8%</b>	<b>1.7%</b>	<b>2.3%</b>	<b>-1.1%</b>	<b>-3.1%</b>	<b>-0.1%</b>	<b>0.6%</b>	<b>1.4%</b>	<b>1.0%</b>	<b>1.6%</b>	<b>-0.8%</b>	<b>0.1%</b>	<b>4.20%</b>
<b>2016<sup>1</sup></b>	<b>3.6%</b>	<b>-2.0%</b>	<b>-1.6%</b>	<b>-0.3%</b>	<b>0.5%</b>	<b>1.5%</b>	<b>-3.8%</b>	<b>-0.5%</b>	<b>-0.8%</b>	<b>0.1%</b>	<b>1.1%</b>	<b>2.3%</b>	<b>0.03%</b>
<b>2017<sup>1</sup></b>	<b>-2.2%</b>	<b>0.2%</b>	<b>-1.5%</b>	<b>0.0%</b>	<b>-0.5%</b>	<b>-2.8%</b>	<b>-1.0%</b>	<b>0.1%</b>	<b>1.8%</b>	<b>2.9%</b>	<b>-1.4%</b>	<b>-2.4%</b>	<b>-6.87%</b>
<b>2018<sup>1</sup></b>	<b>7.0%</b>	<b>-3.1%</b>	<b>1.7%</b>	<b>-0.3%</b>	<b>-2.8%</b>	<b>-0.7%</b>	<b>0.1%</b>	<b>-1.20%</b>	<b>-1.4%</b>	<b>3.1%</b>			<b>2.03%</b>

## PORTFOLIO CHARACTERISTICS

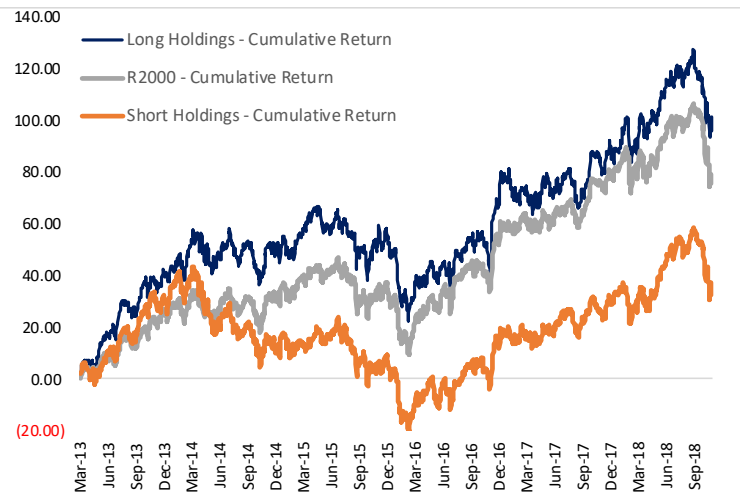
Fundamental	Long Holdings	Short Holdings	Risk Return Statistics <sup>1</sup>	1 Year	2 Years	Since Incpt.
# of Holdings	63	69	Annualized Returns	-1.8	-0.9	2.2
Weighted Avg. MCap	\$730MM	\$599MM	Standard Deviation	9.9	8.0	6.4
F12M P/E (excl'g neg.)	14.4x	16.6x	Sharpe Ratio	-0.2	-0.1	0.4
T12M EPS Growth	22.6%	6.6%	Beta (v. R2000)	-0.1	0.0	0.0
Price/Book	1.9x	1.5x	R-Squared (v. R2000)	0.0	0.0	0.0
Debt/Equity	1.1	1.1	Batting Average (v. US 3M T-Bill)	33%	42%	59%
Dividend Yield	1.4%	0.6%	Max Drawdown	-3.5%	-8.4%	-10.9%
Beta (v. R2000)	1.1	1.2				
Pct. of Net Equity	91%	89%				

Portfolio characteristics data as of Oct. 2018. Information presented is supplemental. Please see Performance and Firm Disclosures.

<sup>1</sup> Returns presented are actual results, net of transactions costs, management and incentive fees. Calculated monthly, Please see Performance and Firm Disclosures.

Performance Attribution— 1 Year Trailing<sup>2</sup>

	Long Contribution	Short Contribution	Total
Communication Services	(0.1)	0.4	0.5
Consumer Discretionary	3.4	(2.8)	0.0
Consumer Staples	2.0	0.2	2.4
Energy	1.8	0.7	3.0
Financials	1.7	0.5	2.4
Health Care	0.6	(2.7)	(1.8)
Industrials	(1.1)	(3.7)	(5.2)
Information Technology	0.0	(1.3)	(1.4)
Materials	0.1	0.4	0.2
<b>TOTAL</b>	<b>8.3</b>	<b>(8.3)</b>	<b>0.0</b>

Cumulative Returns<sup>3</sup>

Source: Smith Group  
Timeframe: Mar. 1, 2013 - Oct. 31, 2018  
Benchmark: Russell 2000 Index

<sup>2</sup> Timeframe: Oct. 1, 2016—Oct. 31, 2018; Returns presented are actual results, net of transactions costs, gross of management fees and incentive fees.

<sup>3</sup> Timeframe: Mar. 1, 2013—Oct. 31, 2018; Returns presented are actual results, net of transactions costs, gross of cash held in portfolio, gross of management fees and incentive fees.

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## Historical Returns and Composite Statistics

Period	YTD Gross (%)	YTD Net (%)	Composite 3-Yr St Dev (%)	Russell 2000 Index (%)	Russell 2000 Index St Dev (%)	S&P 500 Index (%)	S&P 500 Index 3-Yr St Dev (%)	Internal Dispersion (%)	Composite Assets (\$M)	Composite Accounts	Composite % Non Fee Paying	Composite % of Firm Assets	*Entity Product Assets (\$M)	*Entity Product Accounts	Total Firm Assets (\$M)	Total Firm Accounts	*Total Entity Bundled Fee Assets (\$M)	* Total Entity Assets (\$M)
2017	-5.9	-6.9	6.7	14.6	14.1	21.8	10.1	0.0	4.7	1	70.1	0.2	13.7	2	3,078.7	82	218.9	3,307.0
2016	1.0	0.1	6.4	21.3	15.8	12.0	10.6	0.0	6.1	1	71.0	0.2	23.0	3	3,283.8	80	290.8	3,511.3
2015	6.4	4.2	N/A	-4.4	N/A	1.4	N/A	0.0	5.8	1	0.0	0.2	11.3	2	3,239.7	74	282.2	3,521.9
2014	18.7	13.5	N/A	4.9	N/A	13.7	N/A	0.0	4.0	1	0.0	0.1	4.2	1	2,705.5	76	262.5	2,968.1
2013 (2/28-12/31)	1.9	0.9	N/A	29.2	N/A	24.2	N/A	N/A	3.0	1	0.0	0.1	2.9	1	2,485.9	77	241.0	2,726.9

\*Entity-wide assets includes Smith Group the Firm and Smith Group bundled fee assets and is presented as supplemental information.

**Absolute Return Strategy Composite:** The Absolute Return Strategy Composite is comprised of accounts whose primary objective is growth of principal by investing primarily in stocks of micro-capitalization U.S. companies, generally defined as companies with a market capitalization less than \$500 million. Accounts in this composite may utilize leverage and short selling; however, any accounts with leverage above the Reg. T level are excluded. Inclusion in this composite requires that accounts are not missing in excess of 5% of the firm's recommended portfolio. A portfolio manager will review for appropriateness of inclusion in the composite any account maintaining a cash position greater than 10%. The principal objective of the strategy is to outperform the return on three-month U.S. Treasury Bills through investing in long and short equity positions. The strategy uses a risk controlled quantitative screening and optimization process that invests at least 70% of the net asset value in long equity positions and at least 70% of the net asset value in short equity positions. The strategy seeks to dollar balance exposures between long and short positions so that broad market movements are neutralized. In certain market conditions, the investment process behind the strategy can give rise to unmatched sector, industry, market capitalization, and/or style bias exposures in the portfolio. The start date for the composite is Feb. 28, 2013. The creation date of the composite is Feb. 28, 2013. **Fee Schedule:** **Fixed Rate:** 1.0% of managed assets. Current fee waivers in place as of the date of this presentation.; **Performance:** 20% incentive fee on return. The strategy is subject to the deduction of a 1.0% management fee and a 20% incentive fee and "unrestricted" for purposes of new issue profits under FINRA Rule 5130 and 5131. The returns shown are net of actual fees and expenses charged to the Strategy that are in addition to management and incentive fees charged by Smith Asset Management Group. Such fees vary, but typically include certain administrative, custodial and investment expenses, such as research fees and expenses and transaction costs paid to custodians, brokers or any other third parties. **Performance Notes:** Gross of fee performance figures shown above do not reflect the deduction of investment advisory fees. Cash, cash equivalents, dividends and interest are included in results. **Actual client returns will include deductions for management and incentive fees. For further disclosure regarding our fees, refer to our Form ADV, Part II.** The S&P 500 index is an unmanaged index comprised of the shares of large U.S. corporations. It includes reinvested dividends and is presented gross of fees. The Russell 2000 Index is an unmanaged index of the shares of small U.S. corporations. It includes reinvested dividends and is presented gross of fees. The volatility of the indices shown (S&P 500 and Russell 2000) may be materially different from the individual performance attained by a specific investor. In addition, the Managed Account holdings may differ significantly from the securities that comprise such indices. The indices have not been selected to represent an appropriate benchmark to compare an investor's performance, but rather are disclosed to allow for comparison of the investor's performance to that of certain well-known and widely recognized indices.

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