

Investment Manager Information Request

September 30, 2024

Firm Overview

1. Please list the firm's full name.
Orchard Capital Management, LLC
2. Please provide:
 - a. address (main office) 400 N. Michigan Ave. Ste 560, Chicago IL 60611
 - b. phone number 312-628-6700
 - c. e-mail address info@orchardinvestments.com
 - d. web-site address www.orchardinvestments.com
3. Please provide the following information for all branch offices: N/A
 - a. address
 - b. phone numbers
 - c. e-mail address
 - d. primary function
 - e. inception of office
4. For Fund Evaluation Group's primary marketing contact, please provide:
 - a. name
 - b. title
 - c. address
 - d. phone number
 - e. e-mail address
 - f. tenure with firm
 - g. name of primary assistant
 - h. name of primary backup
5. RFP primary research contact:
 - a. Name – Ryan Hamilton
 - b. Title – Operations Manager
 - c. Address 400 N. Michigan Ave. Ste 560, Chicago IL 60611
 - d. phone number 312-628-6707
 - e. e-mail address rhamilton@orchardinvestments.com
 - f. tenure with firm 2022
 - g. name of primary assistant N/A
 - h. name of primary backup Blake Harper
6. Please provide an in-depth history of the firm.
Orchard Capital Management, founded in December 2014 as the holding company for a team, portfolio, and record that date back to 2001. OCM is a research driven intrinsic value investor with multiple equity investment strategies. We focus on small companies concentrated primarily in North America. Our team develop proprietary knowledge through bottom-up fundamental research and seek to invest in companies at significant discounts to our estimate of their intrinsic value. We seek excess returns through the consistent implementation of our disciplined and repeatable process. Orchard Capital Management is

100% employee and principal owned. Our senior investment team has deep experience in both the investment industry and in company strategy & operations. We draw from knowledge gained within operating companies, inside the boardroom and as investing principals in the public equity markets. The group shares a long history of value investing through years of volatility and changing market conditions. Each member of our investment team is an equity participant in our firm and our principals invest alongside our clients.

7. Please describe:
- a. the firm's ownership structure: Employees and Related Entities - Orchard Capital Management, LLC is 100% employee and principal owned.
 - b. the names of all owners: Joshua Fairbank, Blake Harper
 - c. each owner's equity stake: 47.5%, 47.5%
 - d. all silent or limited partners: 5%

8. Please list all affiliated organizations and subsidiaries:
- Sanctuary Investment Solutions, LLC
- a. Address: 400 N. Michigan Ave. Ste 560, Chicago IL 60611
 - b. phone number:
 - c. e-mail address:
 - d. web site address:
 - e. point of contact: Blake Harper, Joshua Fairbank
 - f. relationship between the firm and the affiliate: Joint Venture

9. Please discuss any structural changes of the firm that have occurred.
N/A - We have had a stable team and firm since founding in 2014.

10. Do you expect any structural changes to take place over the next year? Please discuss:
- a. new product introductions – NO
 - b. new equity owners - NO
 - c. possible merger and acquisition activity - NO
 - d. possible retirement of key individuals - NO
 - e. possible new hires – YES

11. Please provide the firm's succession plans for all key individuals.

<u>Position</u>	<u># of employees</u>
Portfolio manager	2
Research analyst	3
Trading	1
Economist	
Marketing	
Client Service	
Administration	1
Operations	1
Other	
Total – 5 total – Some employees serve dual functions	

13. Please provide an organizational chart (if available).

14. Please include biographies of all investment professionals, including:

Blake E. Harper

- 20+ years of investment management and advisory experience. Serves as Orchard's Chief Investment Officer and has been a member of the team's investment committee since 2008.
- Previously: analyst at PaineWebber/UBS, where he covered financial, multi-industry and aerospace/defense companies. Also, background at The Boston Consulting Group (BCG), where he advised large hedge funds, Fortune 1000 companies, and other financial and government institutions on strategy, corporate development and operations.
- MBA with honors from the University of Chicago, BA from Colgate University

Joshua P. Fairbank

- 25+ years of investment management and private equity experience
- Previously: Fairbank began his career as an analyst at Frank Russell and ran an investment office at Raymond James. He later co-founded and led the investment team at Orchard Ventures, a healthcare private equity fund. He is the co-founder of Akebia (NASDAQ:AKBA) a spin-out from Procter & Gamble and of Nymirum, a computational genetics firm.
- MBA from the University of Chicago, BA from Connecticut College
- Adjunct Professor (Finance) at the University of Chicago Booth School of Business

Michael Valencia, CFA

- Over 18 years of investment experience, 10 years with Orchard's team
- Previously at Northern Trust as an equity analyst and Associate Portfolio Manager on Small-Cap team
- MBA, Lake Forest Graduate School. BS, Illinois State University.

15. Is your firm represented by any third-party firm or individual whose purpose is marketing and/or gathering assets for the firm and are compensated as such? If so, list all relationships and their nature.

Yes. Orchard offers a UCITS fund in Europe, where our partner is Candoris. They are responsible for standard fundraising and marketing.

16. Please list any additions and departures of investment professionals including: N/A

- a. position acquired/held
None in last 3 years
- b. if departing, length of employment with firm
- c. if departing, reasons for leaving
- d. if joining the firm, reasons for their hire (i.e. replace departing analyst, new position created)

17. Please discuss, in depth, the firm's hiring/termination procedures.

We have a very stable team and a deliberate process. Our search for investment professionals is consultative and inclusive of all members of the senior investment team, as our team dynamic is one key element of our culture and success. Hiring for other personnel is accomplished by interviews with the senior partners and any staff that would have key, frequent interaction. If it is a key or control position, a background check is employed before an offer letter is distributed.

We employ an annual/semiannual review and documentation process for each employee. This feedback mechanism permits problems to be documented and corrective actions to be identified. If documented and reviewed problems are not rectified, then termination can occur.

18. Please provide in depth discussion regarding the firm's compensation structure for all investment professionals.

Portfolio Managers	Portfolio Managers and senior Investment Team personnel have salary and performance bonuses. Bonuses are tied to team and firm performance (both quantitative and qualitative but substantiated) and on qualitative (but documented, segmented and substantiated) review of their individual team contributions.
Analysts	Salary/Bonus/Profit Sharing
Team	Salary/Bonus

19. If a bonus structure is in place, please discuss how each of the criteria need to be met are evaluated and how the bonus is calculated.

We do employ a bonus structure. For non-investment team, it is based on granular scoring of qualitative factors and holistic overview, balanced up or down with the success of the firm. For the investment team, bonus and salary increase are a function of three factors – a research/team granular review which includes both individual & collaborative qualitative and security/coverage performance, the performance of the team and the performance of the firm. It is meant to drive behavior towards a culture of performance-aware teamwork.

20. Please discuss the firm's requirements to become eligible for ownership.

We are a small firm and already share ownership with each of the Senior investment team. Senior investment and key business roles will continue to be eligible for equity participation over time. While this is clearly a function of performance, our measure is over a longer time period and we rely on our long-tenured employees to serve as a signal for our openness to partnership for people with a long-term, performance-driven and collaborative nature.

21. What incentives does the firm provide to attract and maintain its key personnel?

We provide salary, bonus, and equity/profits participation. In addition, we support professional membership, and a culture of entrepreneurial freedom for collaborative self-starters.

22. Are any investment professionals under employment contracts? Explain.

We do not have our senior personnel under contract – Each key member is an equity participant with long tenure. Some or all of this equity would be subject to expiration or repurchase at a discount should they leave, providing some incentive to stay. As we grow, we do intend to consider contracts for non-equity personnel.

23. Please describe the extent to which the firm's employees invest in funds managed by your firm. Our principals and core employees all invest in one or more of our strategies. Our managing principals collectively have significant investments (multiple \$ millions and significant portions of their net worth) in our Separate Account strategies. We have invested heavily alongside our clients since our inception. We believe that this further aligns interests

between principals, employees and clients and serves as a clarifying lens. If you own it, you treat it with more respect.

24. Please provide a copy of, or discuss, the firm's business plan.

We spun our firm back out of a larger asset manager in 2014 in order to improve our marketing and distribution. Since then, we have formed partnerships with two firms for marketing and distribution of our two separate but complimentary business lines.

Traditional intrinsic value long-only asset management

Intrinsic value long-only is our legacy business, with a track record that dates back to 2001. Our main product and focus is the Orchard US Small Cap Value Fund, a European UCITS fund. Our partner for the UCITS fund is Candoris, which markets the fund in The Netherlands, Norway, Sweden, Finland, Denmark, Iceland, Germany, Austria, Switzerland, and Ireland. This fund and strategy mirror our separate account strategy that we offer in the US. Our unconstrained All Cap Value strategy is currently not marketed but has a similar track record dating back nearly 20 years; we plan to market this strategy once our small cap offering nears capacity.

Alternative asset advisory

Intrinsic value investment management lends itself equally well to private and/or illiquid investments. Our alternatives business applies our process to companies and investments outside of the traditional US equity markets. We formed a partnership with Sanctuary Wealth named Sanctuary Alternative Solutions, LLC to provide access to these investments to Sanctuary's clients.

25. Please discuss the growth of the firm including:

- a. projected growth of employees: 2 new analysts in the next 18 months
- b. target growth of assets - \$200 million in new assets in the next 12 months, \$1 billion total AUM within 3-5 years
- c. target growth in client relationships – we will continue to support our partners as they offer our products to their existing and new clients

26. Please list any strategies the firm has completely liquidated or merged with an existing strategy. Include the reason(s) why the strategy was liquidated/merged? N/A

27. Please list all types of insurance coverage maintained by the firm. Please include:

- E&O – \$1 million, Argonaut Insurance Company
- Worker's Compensation Insurance - \$1,000,000/accident, \$1,000,000 policy limit – Travelers
- General Liability – \$2 million each occurrence, General Aggregate \$4 million, Damage Rental Premises \$1 million – Hartford Insurance

28. Has the firm been involved, or currently involved, in any litigation or been sanctioned by the SEC? If yes, please describe in detail. No

29. Does the firm have any broker/dealer affiliations? If yes, please describe the relationship between the firm and its broker/dealer and whether the firm would utilize its services for this strategy? We have no financial revenue, profit sharing or joint venture affiliations or ownership with any Broker-Dealer aside from standard arms-length broker-client

relationships. We have brokerage and custody relationships with multiple providers as a normal course of business.

30. Please discuss the firm's compliance policies and procedures relating to:

- a. anti-fraud provisions
- b. insider trading -
- c. outside business activities (especially as it may to securities of advisory of firm's personnel)
- d. best execution and directed brokerage
- e. soft dollar arrangements
- f. ERISA concerns –

The firm has policies and procedures which include monitoring of the following: registration and licensing, investment advisory agreements/engagement contracts, disclosure statement procedures, code of ethics, personal securities transactions, material non-public information, trade allocation/aggregation/best execution, security valuation, regulatory reporting, proxy voting, advertising and marketing, gifts/gratuities/events, electronic communications, client correspondence, client complaints, regulated employee activities, political contributions, outside business activities, custody of assets, finance and accounting, recordkeeping, disaster recovery. Such monitoring is tailored to the specific activity. Generally, monitoring is performed on a daily, monthly, quarterly, and annual basis. This is in addition to the completion of a comprehensive annual risk assessment, forensic testing and review report prepared by the CCO.

Monitoring, depending on the activity, is performed daily, monthly, quarterly, or annually as outlined in the firm's compliance and operating procedures manual. A copy of the TOC is provided for your reference. Generally, any trading or portfolio function is done daily, reviews or employee trades are done on an as needed basis but no less frequently than quarterly, review of the critical vendors is done on an annual basis. Regulatory filings are done on an as required basis. The firm may employ ad hoc reviews depending on the issue and the level of risk a particular activity poses to the firm. The firm requires an annual certification disclosure from outside business activities. This is an addition to a review of the firm's disclosure documents and any employee level disclosure Form U4, etc.

Any personal trade that might be related to a holding of the fund must be cleared in advance with our CCO. The CCO reviews all personal statements on a monthly basis.

We will permit certain investors subject to ERISA and we will limit participation in pooled investments to less than 25%.

The firm does currently engage in soft dollar relationships following the SEC rules and regulations.

31. Who is the firm's current auditor? Has the firm changed auditors in the past five years? If so, please explain. The firm does not have an auditor (private firms US investment firms are not typically subject to audit), though we use Berkower LLC for audit and tax for any private investment vehicles, and FG MK as our accountant.

32. Please state the firm's ethics policy. Have there been any violations of this policy? How are violations of the firm's ethics policy handled? Please attach the firm's Code of Ethics.
See attached for the Code of Ethics. There have been no violations.
33. Please provide a copy of the firm's most recent ADV (part I and II).
Please see attached.
34. Please provide a representative client list.
N/A
35. Please provide three client references.
N/A

Performance

1. Is the firm in compliance with the GIPS standards? If not, please explain in what way the firm is not in compliance. Yes
2. Please provide an explanation for any noncompliance of performance periods, changes in name or ownership, or other exception to the GIPS standards. N/A
3. Do you regularly reconcile individual portfolio returns to the records of the custodian(s) or clients(s)? Please explain how often. Yes, daily reconciliation through Black Diamond and Eze Eclipse. A monthly review is performed through client statements, reconciliation, and performance validation.

Equity

(Please complete separately for each equity strategy requested)

1. Please provide an organizational chart with all investment professionals involved in the specific strategy.

Blake Harper
CIO / Senior Investment
Team Member

Joshua Fairbank
Senior Investment Team
Member

Michael Valencia
CIO / Senior Investment
Team Member

2. What is the inception date of this strategy?
6/30/2001

3. Please describe the firm's investment philosophy.

Orchard Capital Management believes that it is proprietary knowledge coupled with disciplined process, and not excess risk, that drives consistent, excess returns. We differentiate our investing by employing in-depth, fundamental research that provides us with proprietary knowledge which we use to invest in small-cap companies with value underappreciated or missed by the market. We are a fundamental value investor and adhere to that discipline. We view companies with a private market approach and consider each stock purchase as if we were buying an entire business on a pro rata basis. Investments are made in business trading at substantial discounts to our estimate of their intrinsic value. Our investment strategy is to drive excess returns by investing in small-cap companies having a share price that trades at a significant discount to our estimate of their intrinsic value. We believe that, particularly in small cap sector, original, in-depth fundamental research can produce proprietary knowledge that can be used to uncover companies with value unrecognized by the market. With a long-term investment horizon, we invest in companies trading at a substantial discount to our estimate of their intrinsic value and wait for the gap between price and value to contract.

4. Please discuss any changes made to the firm's investment philosophy or research process since inception. - None

5. Please provide an in-depth discussion as to the idea generation process. Be sure to include:

- a. composition of initial universe of stocks to be screened
- b. description of quantitative methods, or screens used to narrow the initial universe
- c. description of how these screening methods were created
- d. key inputs, or variables, for the screening methods
- e. how do these models relate to the firm's investment philosophy
- f. how often are the models revised
- g. who has responsibility for maintaining the models

We adhere to a disciplined and repeatable process of intrinsic value investing. Within our approach, value is a requirement that all stock ideas must meet. To determine value, we apply a long-term perspective to in-depth, bottom-up fundamental research. Our research team sources investment ideas from a variety of channels to produce our Analyst's Interest List. After a variety of qualitative and quantitative screens are applied to these companies, our analysts develop preliminary estimates of Intrinsic Value, Time Frame to Catalyst and Annualized Expected Return. Favorable stocks progress to our Farm Team of investment candidates. The heart and soul of our investment process is our Research

Cycle where Farm Team stocks move through a progression of activities we label as Group Dissection, Data Dive, Fundamental Research and Proprietary Knowledge. Applying the intellect, experience and knowledge of every team member to every idea, identified catalyst for value recognition. By applying a time frame to our intrinsic value estimate, an expected annual return is derived. To be candidates for purchase, stock must have expected annualized returns of at least 20%.

We use a variety of sources for idea generation across the team: 1) we do use screens on liquidation or asset values, cash flow and profitability and valuation 2) we frequently source our ideas from industry contacts or via events impacting other companies in our universe 3) we employ trade sources, periodicals and other industry or domain specific sourcing for interesting ideas 4) we maintain relationships with other buy side, private equity and sell side firms, though most of our idea generation (>95%) comes from somewhere besides the sell side.

6. Please provide an in-depth discussion of the fundamental research process. Be sure to include:

Please see our attached presentation, which articulates our research process. In addition, we have specifically answered several of the questions below.

- a. key information to be gathered from the fundamental research
We gather fundamental financials and internally model every opportunity. Our gathered information varies by opportunity and our research direction, but every investment must have
 1. A clearly defined and investment thesis
 2. An intrinsic value (to translate into a comparable expected return),
 3. One or more catalysts
- b. what external research sources do you use – We gather proprietary views on our potential universe and only use third party research sparingly and for a view of what the market already knows. Sources: primarily publicly available resources and some trade journals. Each analyst has a full Bloomberg license to facilitate research and information access.
- c. how does this key information relate to the firm’s investment philosophy
Rather than point to one source of information, the most distinctive element of our sources are that, for each opportunity, the importance of any one source type and the effort to gather incremental information differ greatly. This relates directly to our philosophy in that we value differentiated proprietary research. Our advantage derives from digging and assessing the mountains of public data for a differentiated view or a overlooked component and then finding the incremental research on the margins that will make a difference.
- d. how many professionals are dedicated to each this product and is this an important step in the research process
We have our 3 full time analyst/PMs dedicated to our small cap value process.
- e. are company visits an important component of the research process? Why?
Only occasionally and incrementally, though we frequently visit company locations, distribution points and do product/client inquiries. A company visit is frequently to HQ and planned. As investors, our job is to find the truth, which is frequently when we are not being marketed to. We will meet and speak with management in most cases, though only occasionally on site. We prioritize our activity depending on the importance of the answers that we seek for a security and investment thesis
- f. how often are company visits made

We will meet and speak with management in most cases, though only occasionally on site. We prioritize our activity depending on the importance of the answers that we seek for a security and investment thesis

- g. how often are visits made to a company's suppliers/competitors – as needed for a particular opportunity –

This is a normal occurrence for us, though we prioritize our activity depending on the importance of the answers that we seek for a security and investment thesis

- h. who makes these company's visits

One or more analysts as needed.

- i. do you set price targets for all purchases – Yes, in the form of an intrinsic value and an annualized expected return so that we have both a target and a way to compare our opportunities within and outside the portfolio.

- j. are ESG/SRI considerations incorporated into the research process? If so, please describe the criteria and level of impact these have on investment decisions.

Yes.

Orchard Capital Management LLC promoted environmental and social characteristics in accordance with Article 8 of SFDR through its investment selection process. The Investment Manager defines environmental and social characteristics as those environmental, social or governance criteria that have a positive environmental and/or social impact. In 2022 the fund began a ESG Outreach Campaign with all investments held in fund to discuss their ESG scores. Meetings with executives have been conducted with a focus on disclosure and improvement of ESG scoring. Orchard collaborated with Bloomberg (ESG Data Provider) to advocate for additional scoring and reporting to expand reach and influence.

To substitute for the limited (although improving) ESG data within our investment universe we incorporate our assessment of corporate governance policies, structure and culture to evaluate our investments, their catalysts and the probability of value realization. Impact and social impact are reviewed on a case-by-case basis.

Governance is an important part of our research process – it is a critical component for assessment of small companies, their future direction, and the protection of shareholders. We review management, the board, ownership in every case for shareholder considerations as it is a key component for many valuation and catalyst assessments.

We are a UNPRI signatory and follow the Norges Bank exclusion list. Our UCITS Fund is an Article 8 Fund under SFDR.

7. Please list all geographic locations of all offices that are involved and the roles each office takes on for the research process. 400 N. Michigan Ave, Ste 560 Chicago IL 60611 (all operations)
8. What is the evidence that similar strategies have been successful in the past?

Concentrated strategies have a history of long-term outperformance, especially in inefficient markets. Small cap strategies have also outperformed the Russell 2000 Value over the last 10 years and longer, partly due to information inefficiencies in this under-covered market.

We are also happy to point to our own history. Foundationally, our process was built from the early culture at Harris Associates, a firm that has had a long history of sustained long outperformance in multiple products (our early founder was the original DOR and partner at Harris).

9. What is distinctive about your research process relative to other investment managers?

We have successfully gathered differentiated knowledge on securities with sufficient discounts to their future market value and we have outperformed other managers in our category over multiple years and time periods.

We believe that this is partly due to our research process, though our most distinct difference is our culture, which differs distinctly in two ways. First, we have managed to create a culture that supports dissent and promotes discussion beyond the expertise of the initial analyst – our stable team and behavior in both good and bad times have solidified this asset. Second, we are truly collaborative. Both these aspects are critical if a generalist team is to create an advantaged research franchise and a productive decision-making body.

10. Please clearly define the roles of the investment professionals as they relate to the firm's research process. Are portfolio managers/analysts industry specialists or generalists?

Our Senior investment team serve as analyst/PMs. While each member has one or more areas of domain knowledge, the members are generalists and may bring an idea or current holding before the Team. Each member of the team is responsible for bringing ideas to the team. At the point that a “farm team” candidate is brought, the investment team member is the custodian of the process and follow up, but the team collaboratively attacks the problem, the incremental research direction and the portfolio decision-making. Research meetings are run weekly with all senior team members and as needed. Decision-making does not require consensus, but over 85% of decisions have historically had a consensus view. The CIO is responsible for facilitating the meeting and for delivering issues of concentration or risk to the group, but as with securities, any member may bring an issue to the group.

This process has stable since our inception.

11. Please provide an in-depth discussion on the decision making-process.

Be sure to discuss:

- a. steps in making a decision
- b. length of time from finding an investment idea to a decision being made
- c. how are final decisions made (i.e. star system, team discussion, committee decision)
- d. who is involved in the decision-making process
- e. steps involved in ongoing due diligence after a security is purchased
- f. the process used to determine the country, sector and security weightings
- g. who is responsible for determining country, sector and security weightings –

Orchard pairs an accomplished, stable and motivated investment team with a disciplined and repeatable process. Our focus on proprietary research and team-driven analysis identifies stocks that have significant discounts their intrinsic value. Investments that have undergone sufficient research make our investable universe from which the team selects candidates based upon expected return, conviction and the strength of our required thesis and catalysts.

The portfolio managers make all buy and sell decisions based on the work of the research team. We manage our portfolio using an expected return discipline that sets our portfolio and approved universe against an annualized expected return for each stock. Buy Discipline: We may buy a stock if it meets the following criteria. We have a strong thesis and a catalyst or catalysts that we believe will help unlock value. We have employed sufficient research so as to have a reliable estimate of intrinsic value (to calculate expected return). Our annualized expected return is above 20%. We have conviction in the name and the stock fits into the portfolio so as to support our risk considerations. Sell Discipline: We sell positions if any of the following occur. Thesis is realized; discovered by market. Thesis is challenged or broken; sell if investment thesis does not hold. Fundamentals change; expected return is diminished. Sub-par expected return (driven either by rising price or decrease intrinsic value). Expectations of catalysts dwindle or fail to hold; sell if insufficient value catalysts.

Using "majority rules" in group decision involving more than two investment professionals - 90% of all decisions end up as consensus or near consensus after team discussion
Votes taken in rare "close calls" - Senior PM (CIO) can serve as rare tie breaker
Sells are possible from any senior PM team member in emergencies (never utilized)

12. Please discuss all portfolio constraints and the rationale for these restraints. Be sure to discuss:

- a. cash limits
- b. sector limits
- c. individual security limits
- d. range of portfolio holdings
- e. ownership of companies (13-D or 13-G filings)

We will hold 30-45 positions in the portfolio. Our larger, high conviction positions will frequently range between 3 and 7%. We rarely maintain positions above the 8-10% range and only end up with a position of that size when we have had a significant positive event on a high conviction position).

We are US focused and firmly invested in North American Equities. Any exceptions would be stocks domiciled elsewhere but that have substantial markets and operations in the US.

13. Please discuss the firm's risk management policies and procedures relating to the product:

- a. dedicated risk management resources
- b. the monitoring of position limits, including systems and process, and whether the limits have ever been violated and why
- c. trading oversight, settlement, and reporting
- d. segregation of duties

The team selects a portfolio of our high expect return, high conviction stocks, balanced by disciplined portfolio construction and risk-awareness. We build the portfolio from our approved universe based upon expected return, conviction and the strength of our required thesis and catalysts. While we employ a bottom approach to portfolio construction, we remain aware on a "top down" and portfolio level through the use of regular concentration and portfolio reports used in our weekly portfolio meetings. Position, sector and industry concentrations are provided in every meeting and we run regular factor and specialized fundamental and credit-level risk reports regularly to remain aware of implicit risks in the portfolio.

We review our portfolio for concentration: security size, sector and industry and for other thematic concentrations if they are relevant. We also run risk and factor analytics on our portfolio periodically to determine our "implied" factor bets in the bottom-up portfolio. We use these reports for discussion in portfolio committee to determine changes in position size and to direct future research and idea generation.

We use Bloomberg factor analytics and Orion Telemet to review our concentrations, attribution and implied factor and risk bets. We also use internal proprietary models to review our securities, which often incorporate fundamental risks and sensitivity analysis.

We will generally not go above 6% concentration on purchase and 12% held for any given security. As a practice, we rarely have a security reach above 8% of the portfolio. Typically, we also will not usually go more than 2 times a given sector on purchase.

14. Typically, what percentage of the portfolio do the top ten holdings comprise?

Our top ten concentration is typically in the range of 34-50% of the portfolio.

15. Please provide an in-depth discussion regarding the sell discipline.

Sell Discipline: We sell positions if any of the following occur. Thesis is realized; discovered by market. Thesis is challenged or broken; sell if investment thesis does not hold.

Fundamentals change; expected return is diminished. Sub-par expected return (driven either by rising price or decrease intrinsic value). Expectations of catalysts dwindle or fail to hold; sell if insufficient value catalysts.

16. What is the historical turnover rate?

Our turnover is low. Typically, we will turnover 20-50% of the portfolio in any given year (on both a dollar and a position basis). This range has been stable over many years. Periods following very volatile markets may see modestly more turnover as we see some names work out and others present outsize opportunity, but even in the volatile markets of 2008-9 and 2013 in US Small caps, our turnover was low.

17. Are all portfolios managed in exactly the same way (except for client imposed restrictions)?

If no, please discuss why. What is the dispersion for each calendar year and how is dispersion between accounts minimized? Yes

18. Please discuss the firm's policies regarding the utilization of derivative instruments.

Our long-only Small Cap strategies do not employ hedges or derivatives. We have the capacity to manage to any separate account mandate and have the capability to hedge, but it is not the approach of this long only model.

19. Please discuss the firm's philosophy on closing products to new investor assets. We invest heavily in our own product and consider our ability to outperform an important part of who we are. As a result, we intend to cap our products at a scale where we can continue to manage our process and outperform. We must balance our relatively high concentration in the composite with our low turnover and long holding period. Our analysis indicates that our strategy is likely to have capacity of \$2Billion. However, at \$1Billion in strategy AUM, we

have committed to a review of the capacity of the strategy so as not to negatively impact returns.

20. Does the firm have a policy limiting assets under management for this strategy? If so, what is the stated level? If not, what do you think is the strategy’s capacity and why?

While we have not indicated a hard cap on the strategy, we have been very clear about our approach philosophy and range (see above).

21. Please discuss, in detail, the composition of the composite (number and types of clients).

The composite is composed of high net worth individuals and corporate clients. Composite Assets (Vehicle only) total \$5 million including both corporate and high net worth investors. Total Strategy Assets are \$313 million.

22. Please discuss the most appropriate benchmark and how the firm came to this conclusion.

We have chosen Russell 2000 Value as our benchmark for the small cap strategy since inception. We invest in small public companies, and we have a value-driven process, and the Russell 2000 is a consistently applied broad market index. Over time, this index has most closely tracked our composite (as compared to other Russell Indexes).

23. What is the expected alpha for this strategy over a full market cycle?

We have operated essentially the same strategy over several market cycles and believe, on a gross basis, we should be able to outperform our benchmark (the Russell 2000 Value) by 3-5% with less market risk and less fundamental risk over the same period (we have outperformed the Russell 2000 Value by .4% over the last 10 years and by 2.34% since June 1, 2001).

24. Please list other products that overlap with this strategy. How much in AUM do you manage in each of these products, and what percentage of the portfolios overlap?

Overlapping Strategy - \$18.6 million

25. Discuss any performance attribution models or methodologies the firm uses to analyze the source of portfolio returns and value added.

We have employed the two factor Brinson attribution model to our performance over time with security selection and sector allocation used as the two factors in a long only stock portfolio. Over multiple time periods and over multiple measurements, stock selection has been the dominant source of our outperformance (and underperformance at times). We will take meaningful positions (typically 2-5%) in stocks where we have research driven conviction that they will outperform, which is consistent with a high level of security selection attribution. We have outperformed or underperformed in our sector allocation decisions at different times (mostly aware implied decisions driven by individual security selection).

26. Please provide an attribution analysis of the single best and worst year of performance relative to the benchmark.

We most underperformed in the following two annual periods:

Year Ended	Gross Rate	Net Rate	Benchmark Return of Russell	Gross vs
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31-Dec	Of Return	Of Return	2000 Value	Benchmark	
2009	50.5%	49.0%	20.6%	29.9%	Most Outperformance
2003	29.6%	28.3%	46.0%	-16.5%	Most Underperformance

2003

In 2003 the composite returned 28.3% net, a high absolute return, but significant underperformance versus the index, which returned 46%. The Select Small Cap had outperformed significantly in a down market in 2002 and carried cash of 10.7% going into the beginning of the year. Cash served to drag some of the returns through the year, though we deployed 7% of the 10% by late February, with a purchase of Express Scripts. Our main sources of underperformance came from modest absolute positive returns in several stocks. Our greatest contributor to underperformance was Commerce Group, a Massachusetts-focused auto and home insurer, which rose 5% in the year and was 6% position. CBRL Group (Cracker Barrel) and Black Box Software were the next most impactful to our relative underperformance. In summary, there was no concentration or concentrations in industry or security that drove underperformance. 80% of our positions underperformed the benchmark's 46% return.

2009

2009 was a significant source of outperformance, returning 49% net vs 20% for the index. The performance was dominated by security selection. Nearly 40% of our positions returned 40% or more (double the index for the year) and 4 of our positions more than doubled. No industry or sector played a particular role in the outperformance. Our greatest contributor, Radian Group, returned 98% and the next, Office Depot, delivered 116%. Both were holdings in the prior year. In early 2009, we acquired shares in CBS (a newly minted small cap, temporarily) for what we believed was the value of its Showtime network alone and we purchased Patriot Coal in the face of crisis selling, but stable coal contract pricing – Both more than doubled. On the negative side, Coldwater Creek, which we held for the full year, was both a negative return and a negative contributor. Both Pool Corp and CompuCredit contributed to negative contribution – we sold both for better risk-adjusted options during the year. As indicated above both our contribution generally and our top contributors (both positive and negative) each came from a different industry.

Generally, while neither of these years was typical, they do indicate that, like many other years, our security selection, rather than factor or sector, is the dominant element in determining our relative returns. We certainly have had periods where two or three securities collectively played a significant role in our returns (usually for the positive), but, even in our relatively concentrated portfolios, some diversification and security selection activity broadly generally tends to overpower any other effect in most periods.

27. What elements of your strategy have had the greatest influence on returns relative to the benchmark?

Security selection has dominated as a source of positive attribution relative to the benchmark. We employ a high expected return, high conviction style of investment. When we take a position in a security, we take a position that, while risk managed, will matter toward our performance. Over time, our ability to have a strong provable or disprovable thesis on an investment that has a high annualized expected return and real catalysts has allowed us to benefit from significant, large skew events and security performance.

Our outperformance at a more granular level is not attributable to one area of domain expertise or set of sectors. Our team brings a mix of functional knowledge that allows us to interpret opportunities as they move across industries and domain knowledge in niches and industries.

Within each sector, we have had positive security selection over time in each of the major sector categories, Financials, Industrials, Consumer Discretionary, Consumer Staples, Health Care and Technology. Our outperformance has been most consistent in Industrials, Consumer and Financials, partly due to certain domain expertise of the team over time. However, that expertise is not limited to those areas (we have grown expertise in Health Care and have specific knowledge in Energy and Technology sub-industries).

28. Please explain (in no more than one page) what your competitive advantage is.

In addition to our domain and functional expertise (described above), our advantage resides in our ability to:

1. gather marginal proprietary knowledge ...
2. then determine whether that knowledge matters ...
3. and apply a process that reduces the probability that errors mitigate or eliminate that advantage.

We work in an area where our universe (small companies) that are not widely followed by investors and research analysts. The odds of finding and gathering a differentiate perspective or a piece of information that is not well understood or disseminated is material in Small Caps. Secondly, when bad news comes out (or perceived uncertainty), that knowledge vacuum can exacerbate security mispricings. Our strategy and our process are built to benefit from this.

We have been able to do this over time and over multiple cycles partly because we gather proprietary fundamental knowledge of companies where we believe they are significantly mispriced (where they have a 20%+ annualized return, most often over 3 years).

We look across industries and functional areas as strategists, operators and capital allocators for companies or assets within companies that are advantaged or resistant to negative events. We sift for companies that either are not fully valued for the quality of their assets or have been negatively impacted for a perceived threat to the business. Lastly, we will look for an event that may provide a change in awareness, clarity to our thesis or an outright capital event that values that company explicitly – a catalyst.

In short, with thousands of companies in our universe, we do not need to be the most knowledgeable on many of them. We collect enough differentiated knowledge to be either more intelligent or more certain than the marginal investor in a relatively small number of securities. We invest in some of those securities that have sufficient discounts and catalysts.

29. Is a mutual fund available that is managed in this style? If so, what is (are) the mutual fund(s), including all sub-advisory relationships? A mutual fund is not currently available.

30. Please indicate:

- a. the minimum amount of assets needed to open a separate account, commingled fund, and mutual fund SMA \$250,000, Mutual Fund varies by class (when offered).

- b. the fee schedule for a separate account, commingled fund, and mutual fund
Separate Account: Our fee Schedule for the Select Small Cap value is 1.5% on the first \$1 million; 1.25% on the next \$5 million; 1.00% on the next \$50 million; and .90% thereafter. Actual investment advisory fees incurred by clients may vary.

- 31. How long would it take to invest a new client allocation?
1-3 business days once the account is funded.
- 32. Can the strategy be managed with ESG/SRI considerations and restrictions? Does the firm currently manage accounts using this strategy with restrictions? Will your firm actively engage in constructive activism on ESG/SRI issues? Yes, as discussed previously.
- 33. Is the strategy available in a tax managed or SMA/UMA model capacity for taxable clients?
Yes SMA