

October 17, 2019

Dear Friends,

For the first nine months of 2019, our Small-Cap Dividend Equity composite rose 11.9%, net of fees, a return you could have predicted at the beginning of the year given the portfolio's 1.5% dividend yield and 9% forecasted revenue growth (for the record, the Russell 2000 Index is up 14.2% over the same time period).

The world, of course, has been anything but predictable. This time last year, the market was looking for the Federal Reserve to raise short-term rates; instead they have cut short-term rates. Long-term interest rates have also surprised many, declining significantly in 2019. At the beginning of 2019 the 10-year treasury yielded 2.7%. By the end of September it only yielded 1.7%. How are people and institutions going to achieve their investment return objectives over the next ten years?

Well, we are sure that most people and institutions are not going to be invested in a diversified portfolio of dividend-paying small-cap stocks. The universe of dividend-paying small-cap stocks is not large enough to handle a significant amount of the endowment or pension assets that might be looking for a higher return given the aforementioned decline in interest rates. But some will and we stand ready to help.

A dividend yield of 1.5% and forecasted revenue growth of 9% is FAR from a guarantee of a 10.5% return. The actual revenue growth might be less. Dividends might be cut. But a 1.7% 10-year treasury yield is as close to a guarantee as you are going to get and, in our opinion, it guarantees a return that is insufficient to meet the needs of most institutions.

Below you will find a list of our top five contributors and detractors for the quarter. Our REITs did particularly well as interest rates fell and some healthcare names did poorly as Joe Biden faded in the polls. This is one of the main reasons that we have a large portfolio and keep our sector allocation so close to the Russell 2000. We want to benefit from the growth of small companies while keeping individual security and industry risk reasonable.

#### 3Q19 Performance of Top 5 Contributors<sup>1</sup>

Company	Ticker	% Change
Insulet Corporation	PODD	38.2%
CyrusOne, Inc.	CONE	37.9%
Switch, Inc. Class A	SWCH	19.6%
Globus Medical Inc Class A	GMED	20.9%
Community Healthcare Trust, Inc CHCT		14.1%

#### 3Q19 Performance of Top 5 Detractors<sup>1</sup>

Company	Ticker	% Change
KLX Energy Services Holdings, Inc.	KLXE	-57.7%
Turning Point Brands Inc	TPB	-43.8%
Merit Medical Systems, Inc.	MMSI	-48.9%
Molina Healthcare, Inc.	MOH	-23.3%
Virtu Financial, Inc. Class A	VIRT	-23.9%

<sup>1</sup>Top contributors / detractors based on percent contribution to the portfolio's performance which is impacted by both the security's performance and position size (i.e. the top contributor may not have the best performance); if security was purchased/sold during the quarter, performance is calculated based on purchase/sale date

We are well aware of both the political uncertainty in the U.S. and the global uncertainty regarding trade, but we believe that it is no accident that the United States of America has 4 percent of the world's population and over 20% of the world's GDP. For a variety of cultural and geopolitical reasons, the United States has for many years provided a great environment for capital to grow, and we believe that will continue to be the case. We believe the Small-Cap Dividend Equity portfolio provides a great way to participate in that growth.

We invite you to call us to discuss whether this investment could make sense for you or your institution.

With all best wishes for a pleasant fall,



Manny Weintraub, CFA  
Founder and Principal