Pacific Income Advisers

AS OF DECEMBER 31, 2018

SMALL CAP CORE

INVESTMENT **OBJECTIVE**

PIA Small Cap Core seeks to outperform the Russell 2000 Index over a full market cycle by 1.00% per year net of investment management fees.

INVESTMENT **PHILOSOPHY**

We strongly believe positive earnings estimates lead to increases in stock prices over time. Our research shows that changes to analysts' earnings estimates catalyze equity price movements. Additionally, we have found that Wall Street analysts tend to "anchor" their estimates to the consensus rather than be an outlier. Given this bias, when positive changes emerge at a company, analysts tend to react by raising their earnings estimates. We believe the key to generating alpha is to identify those earnings revisions that are secular rather than one-time events. We employ in-depth fundamental analysis to understand how revisions in earnings estimates drive equity price movements which, in turn, produces attractive long-term performance.

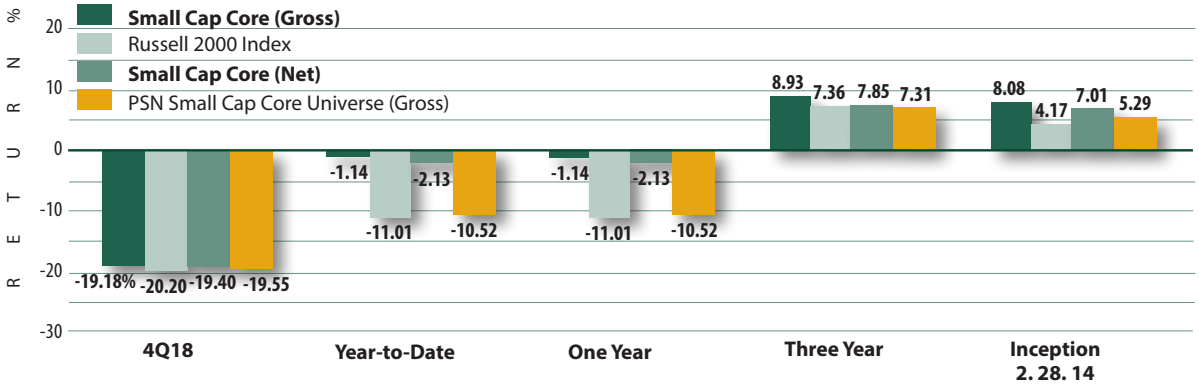
THE **FIRM**

Ownership	**Independent and Employee-owned**
Inception	**1986**
Location	**Santa Monica, California**
Employees	**30**
Firm Assets	**$7 billion**
GIPS Verified	**Yes**
Firm Verifier	**ACA Performance Services, LLC**

INVESTMENT **PROCESS**

- We focus on those companies in the Russell 2000 Index with a market capitalization between $100 million and $4 billion.
- We employ a consistent and repeatable investment discipline focused on the analysis of earnings estimate revisions, balance sheets, and cash flow dynamics.
- When we identify a company that meets our investment criteria, we perform detailed, independent and sometimes contrarian bottom-up research analysis. Our "holistic" security analysis includes an in-depth financial statement review, which is an integral part of the research process. We intimately understand the cause and effect relationship between the different statements and recognize the importance of analyzing financial statement footnotes. This attention to detail can uncover areas where issues are likely to occur and enables us to focus on analyzing the impact they can have on future profitability. Forensic accounting techniques are also used to conduct a "deep-dive" into a company when a unique development is identified.
- We construct well-diversified portfolios comprised of 60-110 small-cap stocks.
- We perform weekly portfolio reviews to help identify unintended risks, negative changes in company financials, evaluate current changes in earnings revisions as well as financial ratios to ensure the initial purchase thesis remains intact.

ANNUALIZED **PERFORMANCE**[1] as of 12.31.18



[1]*Periods less than one year are not annualized.*

Small Cap Core Composite consists of discretionary institutional portfolios that invest in comparable securities to their benchmark, the Russell 2000 Index. Performance presented from February 28, 2014 through Septmeber 30, 2017 was generated while the portfolio manager was affiliated with a prior firm. There is no account minimum.

Returns are presented gross and net of fees and include the reinvestment of all income. Gross and net of fee returns are net of all transaction costs. Past performance is not indicative of future results. The U.S. Dollar is the currency used to express performance. The Small Cap Core Composite was created in October 2017. The inception date is February28, 2014.

Net of fee performance was calculated using a 1.0% managment fee applied to the gross results on a monthly basis.

The PSN Small Cap Core Universe is comprised of 119 US equity products that choose small cap core as their primary style objective. The universe is available on both gross and net of fee basis. PIA does not pay a fee to participate in the PSN ranking, PIA pays a fee to receive the results of the peer group ranking.

The management fee schedule is as follows: 1.0% on the first $10 million, 0.80% on the next $40 million, and 0.70% on the balance. Actual investment advisory fees incurred by clients may vary.

SEE BACK SIDE

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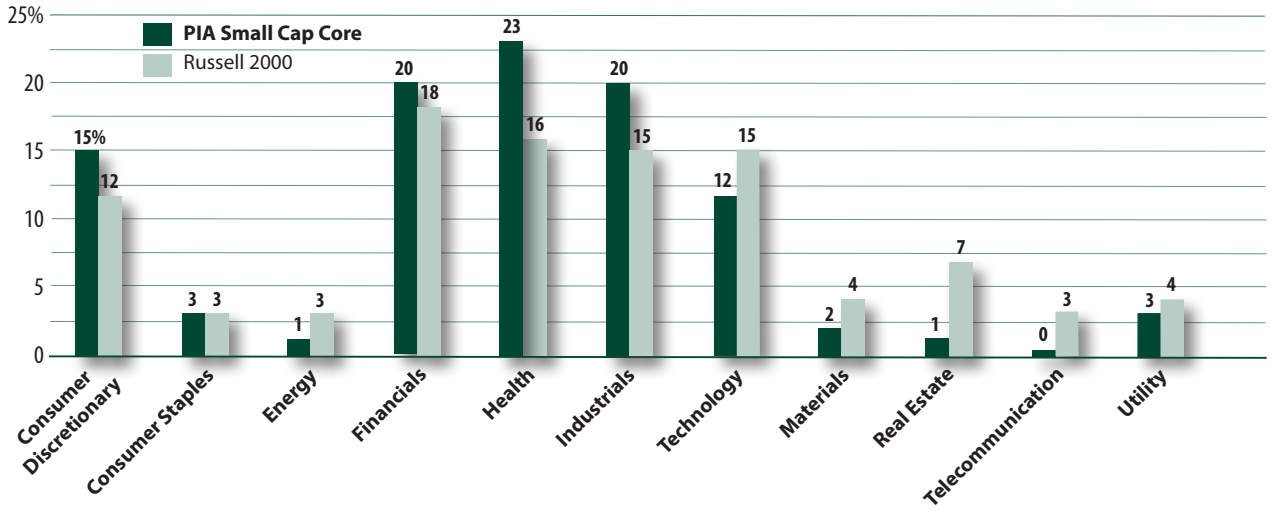
SECTOR **WEIGHTING**[1]



TOP TEN **HOLDINGS**[1,2]

Abiomed Inc.	6.7%
Green Dot Corp.	4.0
Semtech Corp.	3.7
Dorman Products	3.3
Burlington Stores	3.0
Trinet Group	2.8
MSA Safety Inc	2.7
Amedisys Inc	2.7
Exact Sciences	2.4
Weight Watchers International	2.3

PORTFOLIO **CHARACTERISTICS**[1]

	PIA	Russell 2000
P/E Ratio - F12M	**15.5**	12.6
Price/Book	**3.0**	1.8
Price/Cash Flow	**12.7**	7.6
Dividend Yield	**0.9**	1.6
EPS Growth - LT	**16.3**	12.3
Median Mkt Cap ($mm)	**1,953**	704
# of Holdings	**63**	2,023

PERFORMANCE **STATISTICS**[1,3]

	PIA	Russell 2000
Annualized Return	**8.93**	7.36
Alpha	**1.7**	0.0
Sharpe Ratio	**0.5**	0.4
Sortino Ratio	**0.4**	N/A
Information Ratio	**0.3**	0.0
Up Capture Ratio	**102**	100
Down Capture Ratio	**87**	100

Pacific Income Advisers, Inc. (PIA) is an autonomous investment management firm registered under the Investment Advisers Act of 1940. PIA manages a variety of fixed income, equity, and balanced assets for primarily United States clients.

PIA claims compliance with the Global Investment Performance Standards (GIPS®)

To receive a complete list and description of PIA's composites and or a presentation that adheres to the GIPS standards, contact Nicholas Parenti, at (310) 255-4427 or by email at nparenti@pacificincome.com.

[1]The portfolio characteristics shown above relate to a single account as of the date noted above, deemed by Pacific Income Advisers to be generally representative of its standard account. Not every client's account will have these exact characteristics. The actual characteristics with respect to any particular client account will vary based on a number of factors including but not limited to: (i) the size of the account; (ii) investment restrictions applicable to the account, if any; and (iii) market exigencies at the time of investment. Percentages shown may not total 100% due to rounding and/or incidental allocation to cash.

[2]The securities identified do not represent all of the securities purchased, sold or recommended for client accounts. The reader should not assume that an investment in the securities identified was or will be profitable.

[3]Statistics are based on the three year annualized gross returns calculated on a quarterly basis. Stats may differ should they be run on a monthly basis.

Data is obtained from Zacks Investment Research and Informa Investment Solutions systems and is assumed to be reliable.

The Russell 2000 index measures the performance of the 2,000 smallest companies in the Russell 3000 index. The Frank Russell Company created the index in 1984, and it was one of the first broad benchmarks of the U.S. equity market.

Pacific Income Advisers

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