

### US Small Cap July 2015

#### MARKET COMMENTARY

U.S. and global equity markets were generally positive in July, with the strongest gains in Europe. Chinese equities were the notable exception to the positive return narrative around the globe. During July, U.S. stocks, as measured by the S&P 500, were up +2.1% on a total return basis. Small-cap stocks were mixed with the Russell 2000 Index down -1.2%, the Russell 2000 Growth Index up+ 0.4%, and the Russell 2000 Value fell -2.8% during the month. Growth stocks topped value stocks across all market capitalizations.

#### Exhibit 1. Market Indices Performance (%)

Index Performance (%)	July 2015	YTD 2015
S&P 500 Index	2.10	3.35
Russell 1000 Index	1.93	3.67
Russell 1000 Growth	3.39	7.49
Russell 1000 Value	0.44	-0.18
Russell MidCap Index	0.74	3.11
Russell MidCap Growth	1.62	5.86
Russell MidCap Value	-0.14	0.27
Russell 2000 Index	-1.16	3.54
Russell 2000 Growth	0.41	9.18
Russell 2000 Value	-2.76	-2.02
BofA ML All US Convertible	-0.35	3.23
Barclays Aggregate Bond Index	0.70	0.59
Barclays US Corporate High Yield	-0.58	1.93
MSCI AC World Index	0.87	3.55
MSCI EAFE Index	3.52	12.65
MSCI EMF Index	-4.36	1.03

Source: eVestment, Ned Davis and Nicholas Investment Partners

Index returns are based on total returns. Past performance does not guarantee future results. See additional disclosure.

Treasury prices in the U.S. rose during the month with rates on the US 10 Year falling -17 basis points to end the month at 2.18%. Fixed income markets were generally positive with the Barclays Aggregate Bond Index in positive territory with a slight gain of +0.70% while high yield assets declined -0.58% , as measured by the Barclays High Yield Bond Index. Credit spreads also widened during the month, particularly within the energy sector and high yield segment.

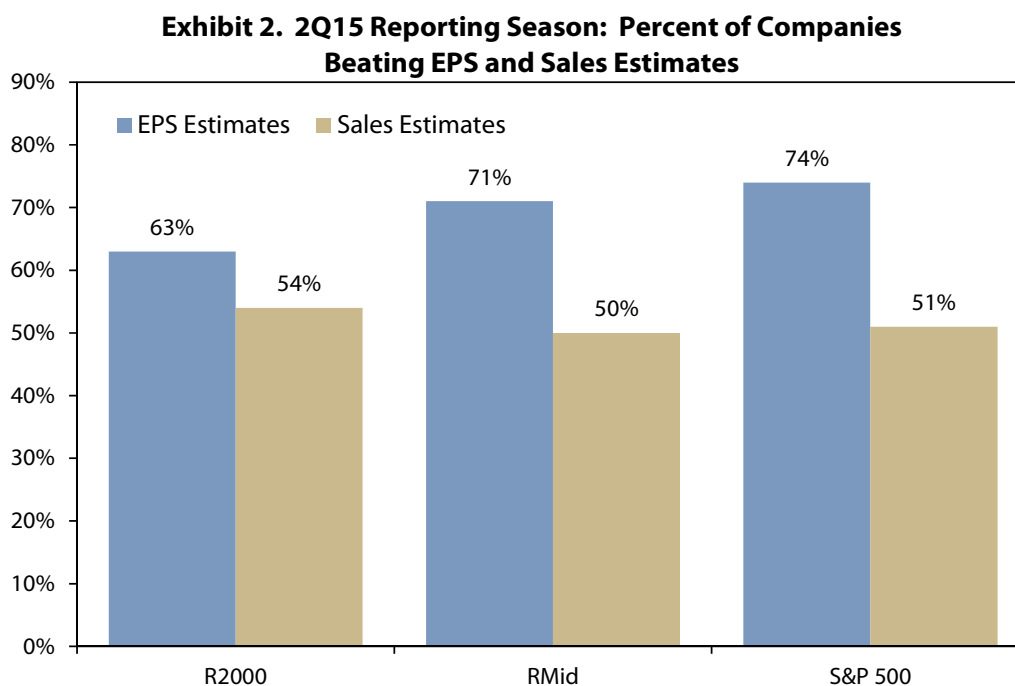
Volatility declined as the VIX ended July at 12.1; down from 18 from the prior month. The US Dollar rose during July from 94.8 to 97.3 and commodities were weak across the board with WTI Crude dropping \$12 during the month to end at \$47.

U.S. economic data during the month was mixed. Auto sales continued to show strength, running at above \$17 million annualized again in both June and July. However measures of both Retail Sales and

New Home Sales were lackluster. Job growth in June continued to run at a rate above 220,000, though disappointing higher expectations. Importantly, wage growth continues to be stubbornly muted. Finally, the first look at Q2 GDP growth came in at 2.3%, with Q1 revised upward to 0.6%. While the data in the U.S. was somewhat mixed, it is likely strong enough to give the Fed enough reasons to begin raising rates in the back half of the year. What will be important to the market will be the magnitude and pace of Fed moves.

As of this report, earnings season is in the final stretch with more than 82% of the S&P 500, 71% of mid-caps and 63% of small-caps reported thus far. Q2 EPS and revenue growth rates were stronger than Q1 across all these indices. Research indicates that margin expansion was a key driver of earnings surprises. Based on Credit Suisse Small Cap research, growth companies experienced the most improvement from Q1.

Profits for small-cap companies exceeded expectations with a Q2 average of +3.3%, ahead of the consensus forecast of -1.9%. There were also a greater number of positive earnings surprises than disappointments during this reporting season with 63% of small-cap companies posting better-than-expected EPS growth. Similarly 71% of mid-cap companies posted better-than-expected EPS growth. In addition, revenue trends were favorable with 54% of small-cap and 50% of mid-cap companies beating estimates, reversing the sharp decline in Q1 (Exhibit 2).

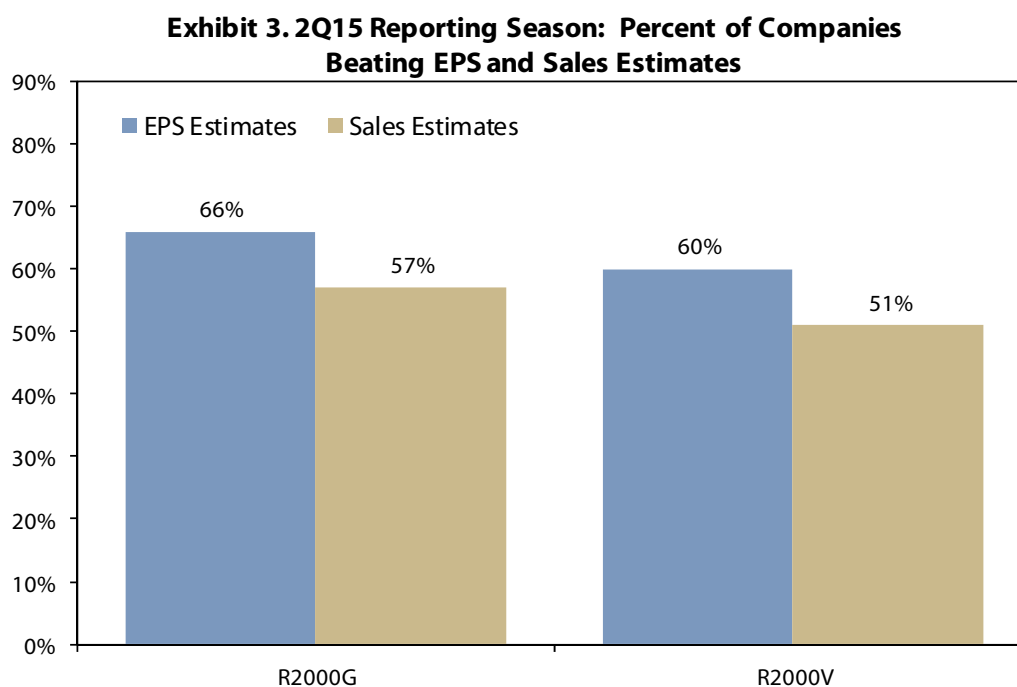


Source: CS US Equity Strategy/S&P Capital IQ/Clarifi, Russell, ThomasRueters/IBES, CIQ estimates, as of 8/5/2015

## SMALL CAP GROWTH ENVIRONMENT

July resulted in wide performance differences between growth and value among small-cap companies. As noted previously, the Russell 2000 Growth added +0.4% for the month while the Russell 2000 Value fell -2.8%. Underperformance of value companies had a greater drag on the core Russell 2000 benchmark, which slipped -1.2%. The deterioration of oil and commodity prices during the month had the largest negative impact across both style indices. Small-cap growth companies in particular, benefited from gains in utilities, financials and healthcare. At a factor level, companies with stronger price momentum, accelerating sales and higher sales and earnings growth recorded the best performance for the month, as measured by the Russell 2000 Growth Index. In contrast, those with the smallest market capitalization, highest betas and debt-to-capital ratios underperformed.

On the earnings front, small-cap growth stocks delivered a greater number of 2Q2015 positive upside earnings and sales reports compared to value companies, with 66% of the Russell 2000 Growth companies beating EPS estimates compared to 60% for Russell 2000 Value companies. Similarly, 57% of the small-cap growth companies topped sales expectations versus 51% of value companies (Exhibit 3).



Source: CS US Equity Strategy/S&P Capital IQ/Clarifi, Russell, Thomas Reuters/IBES, CIQ estimates, as of 8/5/2015

So

Healthcare companies posted the largest percentage of EPS beaters while energy companies recorded the greatest percentage of disappointments. Guidance trends remain conservative as earnings season winds down, with software services, healthcare equipment and services, and real estate companies issuing the strongest 3Q guidance.

## PORTFOLIO COMMENTARY

Performance for the US Small Cap portfolio was positive in July, adding +1.91%. In comparison, the Russell 2000 Growth Index gained a slight +0.41%. In absolute terms, gains were broadly diversified by sector. Healthcare, consumer discretionary and telecommunication holdings were the most additive to portfolio performance for the month. Examples of strong performing holdings in these sectors included Receptos, Vonage Holdings and Skechers.

Further deterioration in oil and commodity prices negatively impacted energy and materials holdings, which detracted from performance. Underperforming portfolio holdings included Matador Resources, Diamondback Energy and PolyOne Corporation.

Relative to the Russell 2000 Growth Index, both stock selection and the allocation effect were positive at +119 bps and +9 bps, respectively. Portfolio holdings in telecommunications, consumer discretionary and industrials delivered the strongest outperformance versus the Index while financials and energy positions underperformed the most.

At a security level the top three performing holdings included Receptos (healthcare), Sketchers (athletic fashion footwear) and Vonage Holdings (wireless communications). In the case of Receptos (immune therapy for MS and IBD), shares rallied on the news that Celgene made a \$7.2 B bid to acquire Receptos for \$232.00 per share in cash, approximately a 12% premium to Receptos' share price on the day of the announcement.

The three largest detractors to performance included Barracuda Networks (cyber security solutions), Esperion Therapeutics (cholesterol drug therapies) and Spectranetics (cardiovascular medical devices). In the case of Barracuda Networks, shares pulled back after the company reported better-than-expected EPS and sales growth, but with a shortfall in bookings. Growth in bookings scaled back due to a push-out attributed to a shift from physical storage to virtual storage, smaller sized deals and some FX headwinds. We continue to hold the position since our research confirms that this slippage is short-term in nature and that the company's two-tier distribution model should improve their sales capacity and pipeline.

As of month end, the US Small Cap strategy remained fully invested with a cash position of 1.2%. The US Small Cap portfolio's FY1/FY2 EPS Growth (wtd. avg.) is 21.3% while its P/E FY2 (wtd. harmonic avg.) is at 19.4. The Russell 2000 Growth Index's FY1/FY2 EPS Growth (wtd. avg.) is 19.5% with a P/E(FY2) of 18.2x. Relative to the Russell 2000 Growth Index, the US Small Cap strategy was overweight consumer discretionary, financials and technology through active industry weights in apparel, real estate development and internet software services. The portfolio's position in healthcare is slightly overweight as a whole, with an overweight specifically in pharmaceuticals. The portfolio was largely underweight in industrials, consumer staples and materials.

As always, do not hesitate to call us with any questions or comments you may have. We look forward to updating you next month and thank you for the opportunity to be of service.

## **DISCLOSURE**

*Nicholas Investment Partners, L.P. ("Nicholas") does not guarantee the success of any investment product. There are risks associated with all investments and returns will vary over time due to many factors such as changing market conditions, liquidity, economic and other factors. Investing in any strategy involves the risk of loss. Past performance is no guarantee of future results.*

*Nicholas used third party information in the preparation of the characteristics and market environment charts. Nicholas believes the third party information was obtained from sources that are reliable. However, Nicholas cannot guarantee the accuracy, adequacy or completeness of the information obtained from these sources.*

*Some material contains the current opinions of the author which are subject to change without notice. Statements concerning financial market trends are based on current market conditions, which may fluctuate significantly. Forecasts are inherently limited and should not be relied upon as an indicator or predictor of future results. References to specific securities, issuers and market sectors are for illustrative purposes only.*

*Although Nicholas attempts to limit portfolio risk, risk management does not imply low risk. All risk models are inherently limited and subject to changes in economic, political and market conditions, as well as changes in the strategies holdings, among other things, which could affect the risk profile of any portfolio managed by Nicholas.. All investments are subject to some degree of market and investment specific risk, among others. The value of investments can go down as well as up, and a loss of principal may occur. Small- and mid-cap stocks may be subject to a higher degree of risk than larger more established companies' securities. The liquidity of the markets for these small and mid-cap stocks may adversely affect the value of these investments.*

*Performance results are based on total returns, including the reinvestment of dividends, income and realized gains. Returns are reported in U.S. dollars. For periods exceeding one month, the monthly returns are geometrically linked and annualized for periods greater than one year. All returns are presented in U.S. dollars. Gross and net returns presented were calculated in U.S. dollars on a time-weighted, total return basis, including the recognition of dividends, interest and income, realized and unrealized gains or losses and are net of brokerage commissions, execution costs, and any applicable taxes. Accrual accounting was used for dividend income recognition. Securities transactions were accounted for on trade date. Cash and cash equivalents are included in the performance returns. The gross returns do not give effect to investment advisory fees. The deduction of investment advisory fees will reduce gross returns and are subject to compounding. As an example, the effect of an investment advisory fee on a \$1,000,000 portfolio assuming (a) a portfolio return of 5% per year for five years, and (b) a 1.00% annual advisory fee applied annually to the year-end value would be \$56,815 over the five years. The cumulative gross return would be 27.63% and the cumulative net return would be 21.37% for a return difference of 6.26%. Performance and incentive based fees will have similar, yet often larger, impacts to performance and account values than standard management fees. Please see Nicholas' ADV Part 2 for a complete description of investment advisory fees. Client's accounts may also be subject to additional fees unrelated to Nicholas such as custodial and administration fees.*

*FactSet performance contribution and attribution information is calculated using a holdings-based methodology utilizing end-of-day portfolio holdings and does not include transactional data and therefore the returns may not match actual portfolio returns. Performance attribution, top and bottom contributors, characteristics and risk statistics information is from a representative account for the strategy composite. The representative account was chosen based on non-performance criteria such as account size, cash flows and the level of account restrictions. While Nicholas believes the information is representative of other accounts in strategy, specific information for other accounts may differ from the representative account. A complete list of securities and their contribution to total return is available on request.*

*No part of this material may be copied or duplicated, or distributed to any third party without written consent.*

**Benchmark:** FTSE US TMI Mid And Small Cap**Currency:** USD**Investment Strategy**

We believe small-cap growth companies offer investors attractive opportunities to diversify and capture the appreciation potential of a less widely-followed market segment in the U.S. equity markets. Small-cap companies typically demonstrate higher growth potential than larger companies.

Invests in equity securities traded on U.S. exchanges generally within the market capitalization range of the Russell 2000 Growth Index at time of purchase. Fully invested and diversified portfolio with approximately 100 -125 holdings across a wide range of industries.

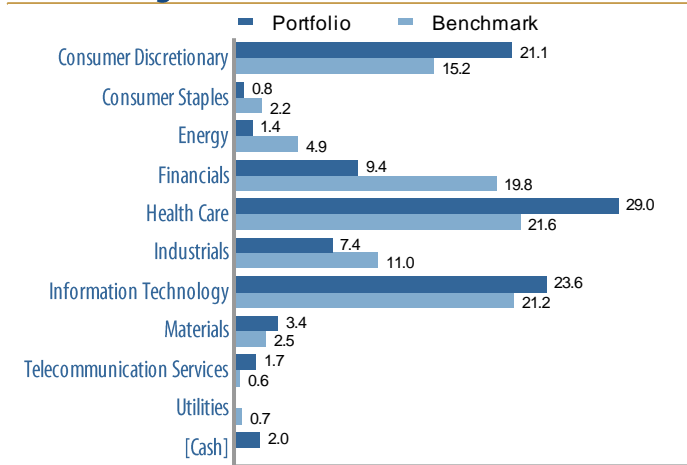
	Portfolio Weight (%)	Bench Weight (%)	GICS Sector
<b>Top 10 Positions</b>			
Horizon Pharma	2.57	0.00	Health Care
Bank of the Ozarks, Inc.	1.51	0.32	Financials
GTT Communications, Inc.	1.43	0.05	Information Technology
Howard Hughes Corporation	1.42	0.00	Financials
comScore, Inc.	1.41	0.19	Information Technology
Burlington Stores, Inc.	1.39	0.00	Consumer Discretionary
Columbia Sportswear Company	1.35	0.00	Consumer Discretionary
Acadia Healthcare Company, Inc.	1.31	0.00	Health Care
Air Lease Corporation	1.27	0.00	Industrials
Integrated Device Technology, Inc.	1.26	0.27	Information Technology
<b>Top 10 Total</b>	<b>14.92</b>	<b>0.83</b>	

**CONTACT NICHOLAS INVESTMENT PARTNERS****PHONE:** 858.381.8183**FAX:** 858.756.6542**EMAIL:** INFO@NICPARTNERS.COM**ADDRESS:** P.O. BOX 2828, DEL MAR, CA 92014**Composition**

	Portfolio	Benchmark
# of Holdings	131	1,320
Overlap Weight (%)	61.23	--
Off Benchmark Weight (%)	36.73	--
Active Share %	88.81	--
% Of Equity	97.96	99.94
% Of Cash	2.04	--
Top 10 Total Weight (%)	14.92	3.70

**Characteristics**

	Portfolio	Benchmark
Market Capitalization \$MM (wtd. avg.)	2,542	2,118
Market Capitalization \$MM (median)	1,836	1,081
EPS Growth FY1/FY2 (%) (wtd. avg.)	21.3	21.6
P/E FY1 (wtd. harmonic avg.)	22.3	21.0
P/E FY2 (wtd. harmonic avg.)	19.0x	17.8x
Price/Book (wtd. harmonic avg.)	3.6x	2.3x
ROE (median)	7.6	8.9
Dividend Yield (wtd. avg.)	0.31	0.65

**Sector Weights (%)**

as of July 31, 2015

## Strategy Commentary

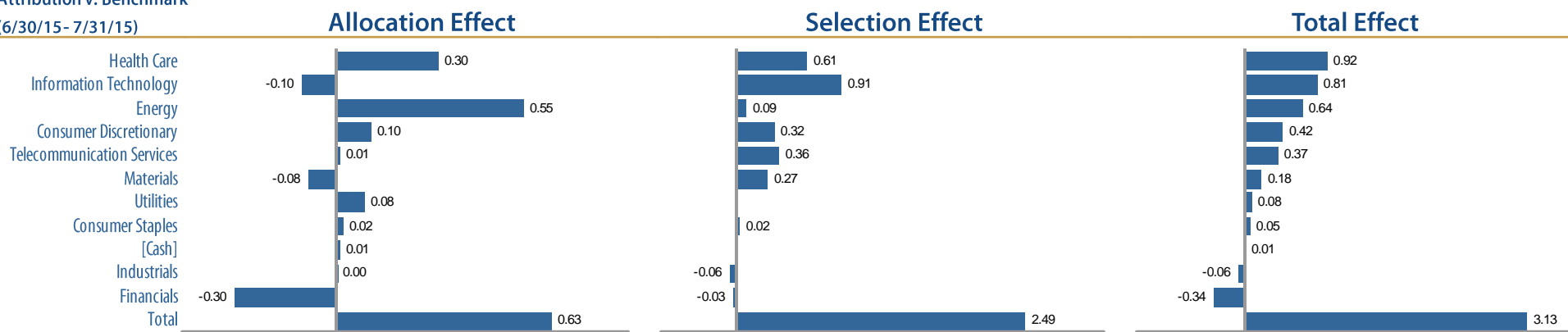
U.S. equity markets were generally positive in July. Small-cap stocks were mixed, the Russell 2000 Index returned -1.2%, while the Russell 2000 Growth Index was up+ 0.4% and the Russell 2000 Value fell -2.8% during the month. The CalPERS US Small Cap portfolio added +1.66%. In comparison, the FTSE Custom SMID Growth x-tobacco Index fell -1.73%. In absolute terms, gains were broadly diversified by sector. Healthcare, consumer discretionary and telecommunication holdings were the most additive to portfolio performance for the month while energy and materials holdings subtracted from performance. Relative to the benchmark, stock selection and allocation effect were positive, +249 bps and +63 bps respectively. Portfolio holdings in healthcare, technology and energy delivered the strongest outperformance versus the Index while financials and industrial positions underperformed the most.

		MTD	QTD	YTD	1YR	3YRS (Ann.)	5YRS (Ann.)	7YRS (Ann.)	ITD (Ann.)
US Small Cap	LEIA/CalPERS - Gross	1.66	1.66	16.36	27.20	24.85	20.58	--	20.54
Performance (%)	LEIA/CalPERS - Net	1.63	1.63	16.11	26.73	24.39	20.12	--	20.07
as of 7/31/15	CalPERS Blended	-1.73	-1.73	5.19	10.10	18.59	15.63	--	15.67

Inception Date: 7/30/2010

10 Largest Contributors (6/30/15 - 7/31/15)	GICS Sector	Portfolio Avg Wgt (%)	Contrib To Ret (bps)	Bench Avg Wgt (%)	10 Largest Detractors (6/30/15 - 7/31/15)	GICS Sector	Portfolio Avg Wgt (%)	Contrib To Ret (bps)	Bench Avg Wgt (%)
Receptos, Inc.	Health Care	1.32	0.43	--	Barracuda Networks, Inc.	Information Technology	0.69	-0.26	0.03
Skechers U.S.A., Inc.	Consumer Discretionary	1.02	0.32	--	Esperion Therapeutics, Inc.	Health Care	1.04	-0.25	0.10
Vonage Holdings Corp.	Telecommunication Services	0.74	0.22	--	Spectranetics Corporation	Health Care	0.78	-0.21	0.09
Columbia Sportswear Company	Consumer Discretionary	1.14	0.21	--	Integrated Device Technology	Information Technology	1.32	-0.17	0.29
Wix.com Ltd.	Information Technology	1.02	0.17	0.02	FormFactor, Inc.	Information Technology	0.38	-0.14	0.03
IGI Laboratories, Inc.	Health Care	0.47	0.17	0.02	Astronics Corporation	Industrials	0.99	-0.13	0.10
ABIOMED, Inc.	Health Care	0.99	0.17	0.24	Super Micro Computer, Inc.	Information Technology	1.04	-0.12	0.09
Eagle Pharmaceuticals, Inc.	Health Care	0.90	0.16	0.07	Matador Resources Company	Energy	0.75	-0.12	0.17
Dynavax Technologies Corporation	Health Care	0.71	0.15	0.07	Select Comfort Corporation	Consumer Discretionary	0.83	-0.11	0.14
Chimerix, Inc.	Health Care	0.96	0.15	0.15	MarineMax, Inc.	Consumer Discretionary	0.43	-0.11	0.05

### Attribution v. Benchmark (6/30/15 - 7/31/15)





*as of: July 31, 2015*

## Disclosures

Nicholas Investment Partners, L.P. (Nicholas) does not guarantee the success of any investment product. There are risks associated with all investments and returns will vary over time due to many factors such as changing market conditions, liquidity, economic and other factors. Nicholas used third party information in the preparation of the characteristics and market environment charts. Nicholas believes the third party information was obtained from sources that are reliable. However, Nicholas cannot guarantee the accuracy, adequacy or completeness of the information obtained from these sources.

Some material contains the current opinions of the author which are subject to change without notice. Statements concerning financial market trends are based on current market conditions, which may fluctuate significantly. Forecasts are inherently limited and should not be relied upon as an indicator or predictor of future results. References to specific securities, issuers and market sectors are for illustrative purposes only.

The client list presented does not include every client of the firm. The list includes all institutional clients that have given Nicholas permission to disclose their names in presentation materials and should not be considered an endorsement by any client on the list of Nicholas Investment Partners or its services.

Although Nicholas attempts to limit portfolio risk, risk management does not imply low risk. All risk models are inherently limited and subject to changes in economic, political and market conditions, as well as changes in the strategies' holdings, among other things, which could affect the risk profile of any portfolio managed by Nicholas. All investments are subject to some degree of market and investment specific risk, among others. The value of investments can go down as well as up, and a loss of principal may occur. Small- and mid-cap stocks may be subject to a higher degree of risk than larger more established companies' securities. The liquidity of the markets for these small and mid-cap stocks may adversely affect the value of these investments.

Performance results are based on total returns, including the reinvestment of dividends, income and realized gains. Unless otherwise noted the returns reflect the performance of the product composite. Returns are reported in U.S dollars. For periods exceeding one month, the monthly returns are geometrically linked and annualized for periods greater than one year. Gross and net returns presented were calculated in U.S. dollars on a time-weighted, total return basis, including the recognition of dividends, interest and income, realized and unrealized gains or losses and are net of brokerage commissions, execution costs, and any applicable taxes. Accrual accounting was used for dividend income recognition. Securities transactions were accounted for on trade date. Cash and cash equivalents are included in the performance returns. The gross returns do not give effect to investment advisory fees. The deduction of investment advisory fees will reduce gross returns and are subject to compounding. As an example, the effect of an investment advisory fee on a \$1,000,000 portfolio assuming (a) a portfolio return of 5% per year for five years, and (b) a 1.00% annual advisory fee applied annually to the year-end value would be \$56,815 over the five years. The cumulative gross return would be 27.63% and the cumulative net return would be 21.37% for a return difference of 6.26%. Performance and incentive based fees will have similar, yet often larger, impacts to performance and account values than standard management fees. Please see Nicholas' ADV Part 2 for a complete description of investment advisory fees. Net returns reflect the deduction of the standard investment management fee for each product, which is the highest fee charged. Actual fees charged may vary by portfolio due to various conditions such as account size, client relationship, complexity, etc. Standard fees are as follows: US Small Cap 1.00%, US Growth Equity 0.85%, Convertible 0.75%, Convertible Arbitrage 1.00%. Client's accounts may also be subject to additional fees unrelated to Nicholas such as custodial and administration fees.

FactSet performance contribution and attribution information is calculated using a holdings-based methodology utilizing end-of-day portfolio holdings and does not include transactional data and therefore the returns may not match actual portfolio returns. Performance attribution, top and bottom contributors, characteristics and risk statistics information is from a representative account for the strategy composite. The representative account was chosen based on non-performance criteria such as account size, cash flows and the level of account restrictions. While Nicholas believes the information is representative of other accounts in the strategy, specific information for other accounts may differ from the representative account. A complete list of securities and their contribution to total return is available upon request.



as of: July 31, 2015

Inception Date: 7/1/07

Fee Schedule 1.00% of assessed value:

						3 year Standard Deviation					
Year	Russell 2000 Growth <sup>1</sup>	Gross Returns	Net Returns	# of Accounts	Dispersion	Russell 2000 Growth <sup>1</sup>	Composite	% Assets Non Fee Paying	Assets in Composite (US \$M)	Firm AUM (US \$M)	Composite Assets as % of Total Firm AUM
2007 <sup>2</sup>	-2.09%	0.14%	-0.36%	1	n/a	n/a	n/a	100%	\$5.01	\$244.71	2.05%
2008	-38.53%	-48.52%	-49.07%	3	n/a	n/a	n/a	71%	\$13.47	\$159.64	8.44%
2009	34.48%	50.21%	48.76%	7	n/a	n/a	n/a	56%	\$51.01	\$271.85	18.76%
2010	29.09%	43.25%	41.86%	9	n/a	28.09%	30.71%	37%	\$108.95	\$474.07	22.98%
2011	-2.91%	-7.85%	-8.78%	11	0.37%	24.65%	27.20%	34%	\$114.15	\$490.93	23.25%
2012	14.59%	13.90%	12.78%	14	0.17%	21.01%	23.02%	25%	\$176.07	\$880.07	20.01%
2013	43.30%	58.99%	57.47%	18	0.64%	17.52%	19.61%	17%	\$331.30	\$1318.42	25.13%
2014	43.30%	58.99%	57.47%	18	0.64%	17.52%	19.61%	17%	\$331.30	\$1318.42	25.13%

1 The Russell 2000 Growth® Index returns, which does not reflect the deduction of investment advisory fees, have been provided for comparison purposes.

2 Partial period returns, July 1, 2007 through December 31, 2007 have not been annualized.

Only full calendar year standard deviation is presented.

**Nicholas Investment Partners, LP claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Nicholas Investment Partners, LP has been independently verified for the periods June 1, 2006 through December 31, 2013. 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 US Growth Equity composite has been examined for the periods July 1, 2007 through December 31, 2013. The verification and performance examination reports are available upon request.**

Nicholas Investment Partners, L.P. is an independent, registered investment adviser. The firm maintains a complete list and description of composites, which is available upon request. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Nicholas Investment Partners does not guarantee the success of any investment product. Inherent in any investment is the possibility of loss. There are risks associated with all investments and returns will vary over time due to various factors such as changing market conditions, liquidity, economic and other factors.

The US Small Cap Composite invests primarily in domestic growth equities within the market capitalization range of the Russell 2000 Growth Index. The objective of the strategy is to outperform the Russell 2000® Growth Index over a full market cycle.

The Russell 2000 Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 2000 Growth Index is constructed to provide a comprehensive and unbiased barometer for the small-cap growth segment. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set and that the represented companies continue to reflect growth characteristics. Index returns include the effect of dividends and income which are reinvested daily.

*as of: July 31, 2015*

Since the inception of the US Small Cap Composite (July 1, 2007) gross and net monthly and annual returns, presented within for the US Small Cap Composite were calculated in U.S. dollars on a time-weighted, total return basis, including reinvestment of all dividends, interest and income, realized and unrealized gains or losses and are net of brokerage commissions, execution costs, and any applicable taxes. Accrual accounting is used for dividend income recognition. Securities transactions are accounted for on trade date. Cash and cash equivalents are included in the performance returns. The gross returns do not give effect to investment advisory fees of 1%, which would reduce such returns. On July 1, 2008, Nicholas Investment Partners changed the benchmark from the Russell 2000 Index to the Russell 2000 Growth index which more closely resembles the growth characteristics of the strategy.

The US Small Cap composite results include all fully discretionary, fee paying US Small Cap accounts under management after one full calendar month that have substantially the same investment objectives, policies and restrictions. The asset weighted standard deviation method has been used to measure dispersion. For periods where there are five or fewer accounts in the composite dispersion, may not be meaningful and therefore not presented. Leverage and derivatives are not used. The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. There is no carve-out performance included in US Small Cap composite. The US Small Cap composite was created on July 1, 2007. Effective June 1, 2012 the firm instituted a new Significant Cash Flow Policy. Prior to June 1, 2012 the firm had no Significant Cash Flow Policy. The firm defines a Significant Cash Flow for this composite as any single cash flow that exceeds 25% of the accounts assets under management. Additional information regarding the policies for calculating and reporting returns is available upon request.

The standard investment management fee schedule for the composite is 1.0% annually, which is reflected in the net returns. Actual fees charged may vary by portfolio due to various conditions. Actual investment advisory fees incurred by clients may vary.

Past performance is not indicative of future results.