



## **Emerald Advisers, Inc. Small Capitalization Growth**

*Prepared for:*



*Data as of March 31, 2017*

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## Inception to Date Statement of Cashflow

Original Investment	\$4,841,219.58
Contributions	\$1,000,000.00
Withdrawals	-\$5,618,226.94
Management Fees	-\$639,977.31
1Q04	-\$1,499.47
2Q04	-\$10,496.24
3Q04	-\$4,804.83
4Q04	-\$10,840.63
1Q05	-\$10,406.50
2Q05	-\$10,663.78
3Q05	-\$11,314.23
4Q05	-\$11,689.52
1Q06	-\$13,377.49
2Q06	-\$12,840.88
3Q06	-\$12,400.84
4Q06	-\$12,973.99
1Q07	-\$13,372.71
2Q07	-\$12,999.35
3Q07	-\$11,334.91
4Q07	-\$10,462.07
1Q08	-\$9,129.24
2Q08	-\$9,499.07
3Q08	-\$9,102.94
4Q08	-\$7,072.70

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## Inception to Date Statement of Cashflow

Management Fees	
1Q09	-\$6,610.24
2Q09	-\$7,486.93
3Q09	-\$8,601.21
4Q09	-\$10,134.48
1Q10	-\$11,610.98
2Q10	-\$10,760.62
3Q10	-\$12,001.66
4Q10	-\$12,532.52
1Q11	-\$13,664.03
2Q11	-\$13,554.81
3Q11	-\$9,250.42
4Q11	-\$10,427.46
1Q12	-\$12,332.14
2Q12	-\$11,474.10
3Q12	-\$12,193.85
4Q12	-\$12,038.06
1Q13	-\$13,565.10
2Q13	-\$14,234.57
3Q13	-\$16,471.32
4Q13	-\$16,650.18
1Q14	-\$17,075.62
2Q14	-\$16,699.88
3Q14	-\$15,959.43

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## Inception to Date Statement of Cashflow

Management Fees		
4Q14		-\$17,095.17
1Q15		-\$17,115.17
2Q15		-\$18,215.70
3Q15		-\$14,566.22
4Q15		-\$14,228.14
1Q16		-\$12,347.47
2Q16		-\$12,482.11
3Q16		-\$13,613.33
4Q16		-\$14,044.61
1Q17		-\$14,658.39
Total Investment Earnings		\$7,568,124.67
Income	\$243,995.71	
Capital Appreciation/Depreciation	\$7,324,128.96	
<b>Total Assets as of March 31, 2017</b>		<b>\$7,151,140</b>
<b>Total Assets as of May 5, 2017</b>		<b>\$7,270,263</b>



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Corporate Profile

Parent Company: Emerald Asset Management, Inc.

- Incorporated November, 1991 • S-Corporation / 100% ESOP-Owned
- \$4.8 Billion Firm-Wide Assets Under Management as of March 31, 2017
- Driven by In-depth Fundamental, Bottom-up Research

## Emerald Asset Management

### *Emerald Advisers*

Small Cap Value  
Mid Cap Growth  
All Cap Growth  
Small Cap Growth<sup>1</sup>  
PA Small Cap Core

<sup>1</sup>Closed to new investors.

### *Emerald Mutual Fund Advisers Trust*

#### Mutual Funds

Emerald Growth Fund<sup>1</sup>  
Emerald Small Cap Value Fund  
Emerald Insights Fund  
Emerald Banking & Finance Fund

### *Affiliated Advisers:*

#### *EmStone Advisers LLC*

Traditional & Enhanced Fixed-Income Portfolios  
Marketplace Lending Collective Investment Fund

#### *Emerald Direct Lending Advisers LLC*

Reg D Limited Partnership Funds

## Partial Client List

### *Public*

Commonwealth of Pa.  
Contra Costa County (CA)  
State of Illinois Teachers'  
18 Pennsylvania Counties

### *Corporate*

Independence Blue Cross  
Carpenter Technology  
Shands Healthcare

### *Endowments*

Lower Susquehanna Synod of the ELCA  
Shippensburg University Foundation

### *Taft-Hartley*

UFCW Tri-State Pension Fund

### *Sub-Advisory Relationships*

Prudential Investments

*It is not known whether the clients approve or disapprove of Emerald services provided through its subsidiaries. Emerald did not use performance-based data to determine which clients are included on this list. Clients were selected based upon their general name recognition and as a representative sampling of the types of accounts managed. Performance-based data was not used to determine which clients are included on this list. Clients were selected based on a sampling of the types of accounts managed.*

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## Small Cap Growth Product Snapshot

**Objective: Long-term growth of capital by delivering alpha during both up and down markets. <sup>1</sup>**

<b>Product Inception:</b>	<b>October, 1992</b>
<b>Number of Holdings:</b>	<b>110 – 120</b>
<b>Average Position:</b>	<b>1/2 – 2%</b>
<b>Weighted Average Market Cap:</b>	<b>\$2.4 billion</b>
<b>3-5 Year Projected Growth Rate of Portfolio Holdings:</b>	<b>17.6%</b>

### Assets Under Management in Diversified SCG Strategy:

<b>Institutional Accounts:</b>	<b>\$2.2 billion</b>
<b>Emerald Growth Fund</b>	<b>\$1.0 billion</b>
<b>Sub-Advised:</b>	<b>\$727 million</b>

#### Institutional Accounts

<b>Public Plans / Government:</b>	<b>79%</b>
<b>Corporate</b>	<b>20%</b>
<b>Taft Hartley / Union:</b>	<b>1%</b>
<b>Endowment / Foundation:</b>	<b>1%</b>

<sup>1</sup> There can be no assurance that the Adviser will achieve its objective.

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The Emerald Advantage

Emerald demonstrates an ongoing commitment to “The Five P’s”  
- Embedded in its corporate culture since its founding in 1992

▪ **People**

- Portfolio management team has 82 years collective experience; together since 1994
- Teamwork Environment: 16 analysts with 12 years average tenure

▪ **Philosophy**

- Active management works to uncover opportunities in small-cap markets
- We work to maximize return and minimize risk by capitalizing on inherent inefficiencies

▪ **Process**

- Disciplined focus grounded by Emerald 10-Step Research Process
- Focused and consistent investment style adhering to growth and small-cap mandates
- Emerald’s entrepreneurial culture seeks to generate alpha by discovering and exploiting trends
- Demonstrated ability to invest (when risk/reward is appropriate) in the Biotech Industry (10%+ of index) and pre-profit companies (20%+ of index)

▪ **Persistence**

- Remaining true to our fundamental, bottom-up process irrespective of market cycles
- Demonstrated by a 20+ year record of portfolio attribution and performance

▪ **Performance**

- Emerald seeks to provide competitive long-term performance and upside/downside market capture

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### **Research-Driven Active Portfolio Management**

- Top line & bottom line growth drives stock values higher.
- Seek to maximize returns and minimize risks by capitalizing on the inefficiencies inherent in small-cap markets
  - Over 1,000 Russell 2000 stocks have five or fewer sell-side analysts, while over 340 stocks have two or fewer. *(Source: FactSet as of 4/17/17)*
- Dedicated to intense fundamental, bottom-up research designed to identify unrecognized, under-researched companies.
- In-house fundamental investment research is the key to outperforming benchmark market indices.
- Industry & scientific expertise across all sectors.



### Analysis of Sell-Side Analyst Coverage

April 17, 2017

	<b>S&amp;P 500</b>	<b>Russell Mid Cap</b>	<b>Russell 2000</b>
Average # of Sell-Side Analysts Per Stock	20.3	14.7	6.1
Stocks with >= 20 Sell-Side Analysts	253	181	24
<i>% of Total</i>	<i>50.10%</i>	<i>22.80%</i>	<i>1.23%</i>
Stocks with <= 5 Sell-Side Analysts	10	90	997
<i>% of Total</i>	<i>1.98%</i>	<i>11.34%</i>	<i>51.10%</i>
Stocks with <= 2 Sell-Side Analysts	1	24	342
<i>% of Total</i>	<i>0.20%</i>	<i>3.02%</i>	<i>17.53%</i>
Total # of Stocks	505	794	1,951

Source: FactSet Research Systems



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Emerald Advisers, Inc.

Equity Portfolio Managers / Analysts  
Coverage & Firm Tenure

**Team Emerald**

**16 Investment Professionals** ◆ **12 Yrs. Avg. Tenure** ◆ **22 Yrs. Avg. Industry Experience**



**Kenneth G. Mertz, CFA**  
Chief Investment Officer  
Port. Manager - SCG & Banking  
*Coverage:* Financial Services  
24 Yrs. Tenure



**Stacey L. Sears, MBA**  
Port. Manager - SCG  
*Coverage:* Consumer  
24 Yrs. Tenure



**David Volpe, CFA, MA**  
Deputy CIO  
Port. Manager - ACG & MCG  
*Coverage:* Energy  
17 Yrs. Tenure



**Joseph W. Garner, MBA**  
Director of Research  
Port. Manager - SCG  
*Coverage:* Consumer Goods /  
Technology / Transportation  
22 Yrs. Tenure



**Steven E. Russell, Esq., MBA**  
Port. Manager - SCV & Banking  
*Coverage:* Financial Services /  
Technology Communications  
16 Yrs. Tenure



**Stephen Amsterdam**  
Associate Manager - MCG  
*Coverage:* Semiconductors  
/ Technology / Gaming  
15 Yrs. Tenure



**Ori Elan, MBA**  
Port. Manager – SCV  
2 Yrs. Tenure



**Joseph Hovorka**  
Associate Manager - MCG  
*Coverage:* Consumer  
Discretionary  
Since July 2016



**Scott Blumenthal, MBA**  
Analyst  
*Coverage:* Basic Materials / Industrials Capital  
Goods / Engineering / Defense / Aerospace /  
Construction  
12 Yrs. Tenure



**Derek Fisher**  
Analyst  
*Coverage:* Technology /  
Professional Services .  
19 Yrs. Tenure



**Nishit Trivedi, PhD, MBBS, MBA**  
Analyst  
*Coverage:* Molecular Diagnostics/  
Hospitals / Medical Devices  
11 Yrs. Tenure



**Terry M. Smith, PhD, MBA**  
Analyst  
*Coverage:* Biotechnology /  
Drugs & Pharma. /Managed Care  
10 Yrs. Tenure



**Joseph A. Besecker, MD, FAAP**  
Research Associate  
*Coverage:* Biotechnology /  
Emerging Pharma / Medical  
Devices  
15 Yrs. Tenure



**Andrew Rohrer**  
Analyst  
*Coverage:* Agriculture /  
Automotive Transportation  
8 Yrs. Tenure



**Nathan R. Jones, PhD, MBA**  
Analyst  
*Coverage:* Technology  
3 Yrs. Tenure



**Anthony Carlucci**  
Research Associate  
*Coverage:* Consumer  
Discretionary/Staples  
Since February 2016



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## Investment Research Process

**Emerald's research team focuses on providing fundamental research and analysis of every investment opportunity, utilizing a proprietary process initiated in 1992.**

### 10-Step Process

**1. Review SEC Filings, Press Releases and News Stories**

The process includes monitoring relevant media sources such as industry press, financial press and popular press.

**2. Meet with Management**

Meet with management across the organization in areas such as executive management, marketing, product development, operations and finance. The Emerald Research Team conducts approximately 2,000 meetings per year on-site at the company, or off-site at conferences, trade shows or other locations.

**3. Interview Customers**

Interview customers to determine (1) the critical factors driving their buy decision, (2) what competitors or alternatives were considered, (3) level of satisfaction with the quality of the product or service, and (4) likelihood of generating repeat business.

**4. Interview Competitors**

Interview competitors to determine their strengths and weaknesses, as well the competitors' perception of the strengths and weaknesses of the company.

**5. Interview Suppliers**

Interview suppliers to determine their ability to supply the products/services required by the company. Also, assess the extent of potential supply chain bottlenecks.

**6. Interview Distributors**

Interview distributors to determine potential issues and opportunities in the company's distribution channel such as inventory levels, demand drivers and competitive pressures.

**7. Develop Financial and Valuation Models**

Develop a financial model to analyze financial performance and estimate future cash flows, earnings and financing needs. Use a valuation model to analyze relative and absolute valuation.

**8. Review Third-Party Research**

Review published research from sell-side analysts and industry research firms to compare our data points and financial estimates. Also, use third party research to assess security-specific and industry-specific sentiment.

**9. Publish an internal research report**

Publish an internal research report summarizing the company's business, competitive advantages, management strengths/weaknesses, growth drivers and risks, as well as stating investment conclusions and recommendations.

**10. Communicate, Communicate, Communicate**

The entire research team meets formally twice per week and informally on an ongoing basis with the portfolio management team to discuss the fundamentals of all current and potential holdings. Internal discussions are held throughout the process.





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## Small Cap Growth Portfolio Management Team



**Kenneth G. Mertz II, CFA**  
*Chief Investment Officer/  
Portfolio Manager*

**Stacey L. Sears**  
*Portfolio Manager /  
Analyst*

**Joseph W. Garner**  
*Portfolio Manager /  
Director of Research*

### Investment Experience

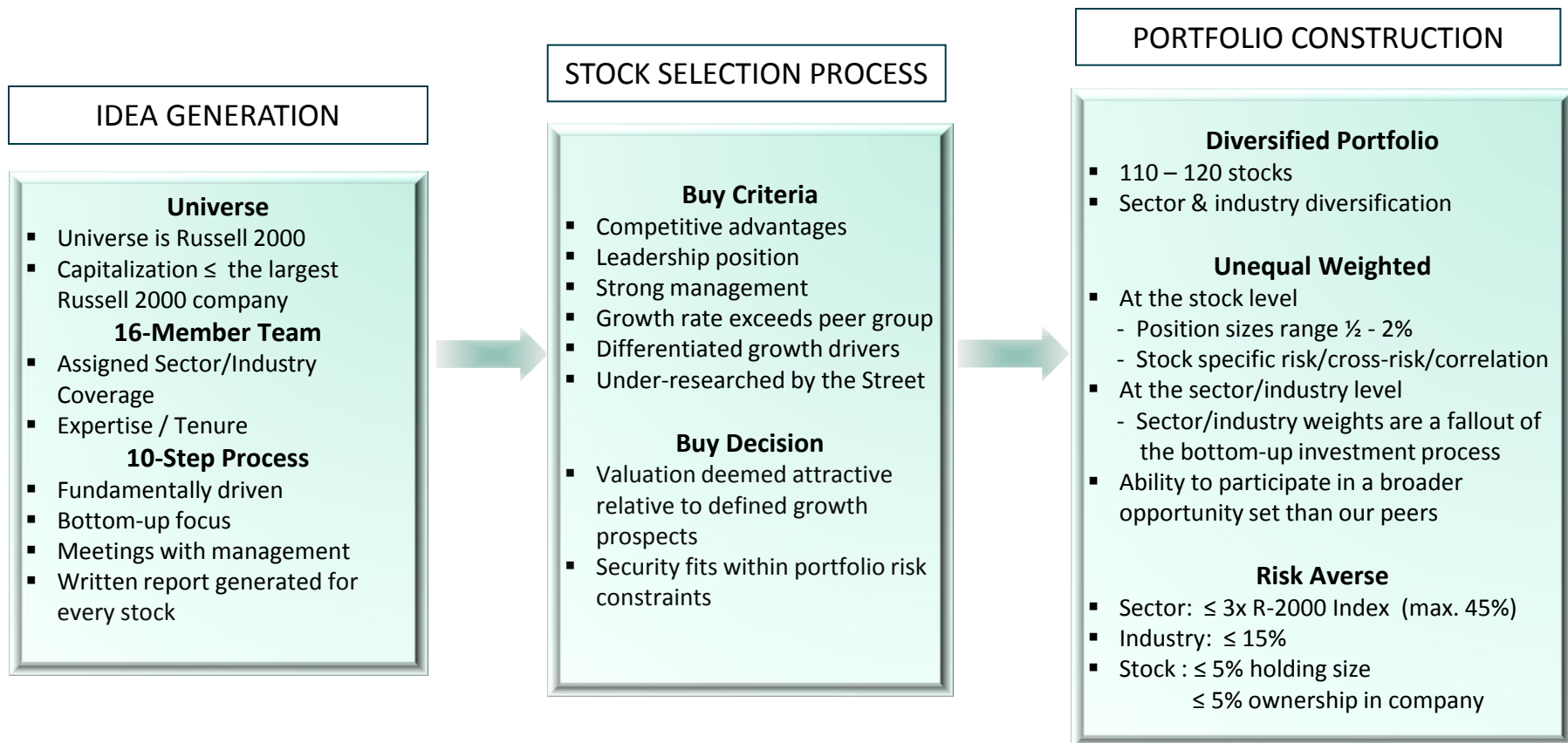
38 Yrs.

22 Yrs.

22 Yrs.



## Stock Selection is a Fundamentally Driven Process





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Performance  
as of March 31, 2017

RATE OF RETURN REPORTED GROSS

GROSS PERFORMANCE	QTD	YTD	1 Year*	3 Year*	5 Year*	Incept**
Portfolio	5.01	5.01	23.45	8.37	14.20	10.19
RUSSELL 2000G TOTAL RETURN	5.35	5.35	23.03	6.72	12.10	8.70

*\*Annualized \*\*Since Inception-Mar 17, 2004*

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Performance  
as of March 31, 2017

RATE OF RETURN REPORTED GROSS

## PERFORMANCE REVIEW

	MARKET VALUE (\$)	TOTAL	RUSSELL 2000G TOTAL RETURN
<b>Monthly</b>			
March	7,151,140	1.45	1.18
February	7,062,913	1.87	2.45
January	6,933,473	1.61	1.62
<b>Quarterly</b>			
1stQtr	7,151,140	5.01	5.35

## PERFORMANCE REVIEW

		MARKET VALUE (\$)	TOTAL	RUSSELL 2000G TOTAL RETURN
<b>Yearly</b>				
2017	YTD	7,151,140	5.01	5.35
2016		6,823,790	10.32	11.32
2015		6,921,673	4.91	-1.38
2014		7,733,365	8.29	5.60
2013		8,178,646	50.62	43.30
2012		5,753,631	18.54	14.59
2011		4,894,644	-0.23	-2.91
2010		5,870,649	29.73	29.09
2009		5,224,800	34.89	34.47
2008		3,105,499	-36.22	-38.54
2007		4,913,104	2.93	7.05
2006		6,252,795	13.01	13.35
2005		5,567,745	9.79	4.15
2004	YTD	5,114,889	6.05	8.26

Cumulative	254.48	184.21
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Annualized	10.19	8.70
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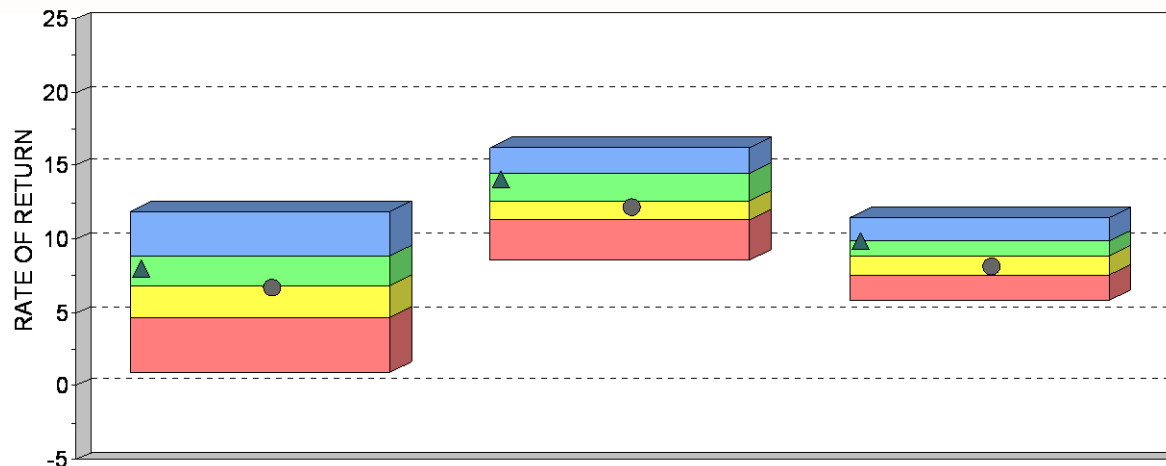
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# SCG Universe Comparison as of March 31, 2017

**RATE OF RETURN REPORTED GROSS**



	3 Years		5 Years		10 Years	
	VALUE	RANK	VALUE	RANK	VALUE	RANK
▲ Emerald Advisers Emerald Div. Sm.	8.00	33	13.98	30	9.82	24
● Russell 2000 Growth	6.72	52	12.10	61	8.06	68

	3 Years		5 Years		10 Years	
	VALUE	RANK	VALUE	RANK	VALUE	RANK
HIGH (0.05)	11.94		16.19		11.45	
FIRST QUARTILE	8.88		14.46		9.82	
MEDIAN	6.89		12.59		8.91	
THIRD QUARTILE	4.74		11.28		7.58	
LOW (0.95)	0.96		8.52		5.79	
MEAN	6.86		12.66		8.76	
VALID COUNT	119		114		93	

Source: PSN, Universe: Small Cap Growth, Inception: 10/1/92

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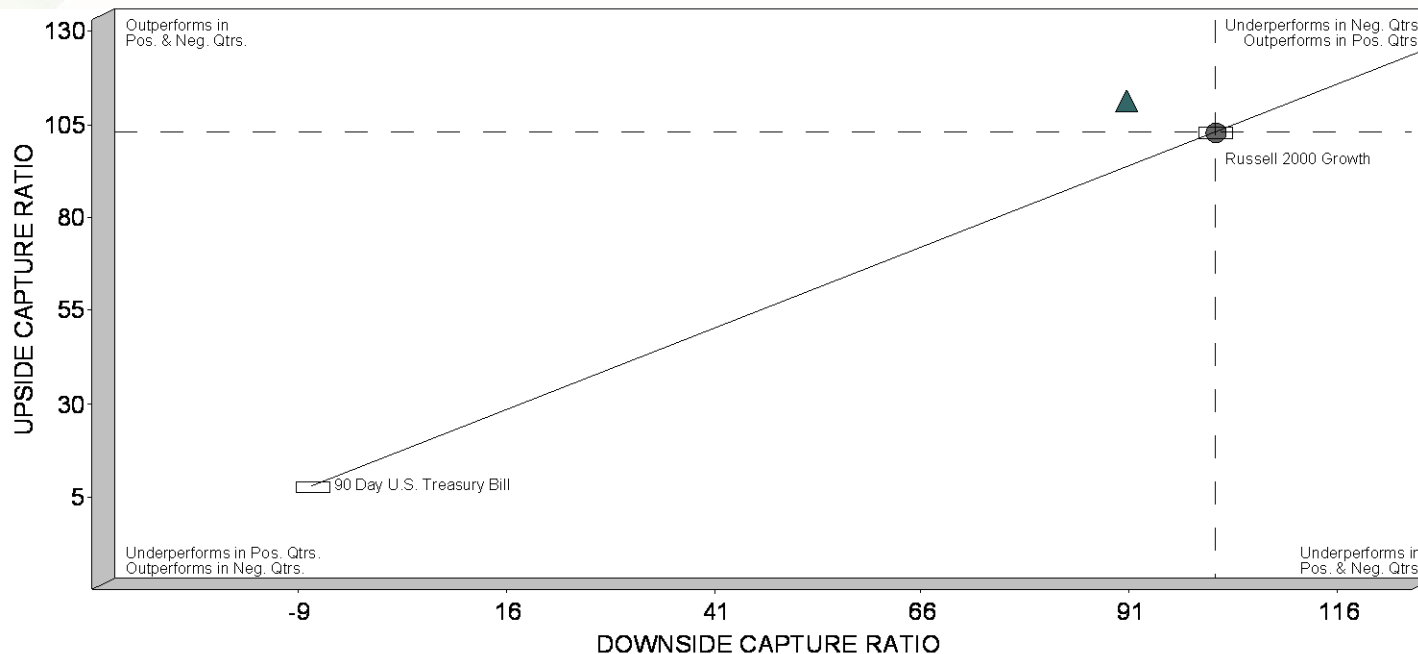
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# Market Capture Since Inception as of March 31, 2017

RATE OF RETURN REPORTED GROSS



	Up Mkt Capt Retrn	Up Cap Ratio	Dnside Cap Return	Dnside Cap Ratio	R-Squared
▲ Emerald Advisers Emerald Div. Sm.	45.67	108.10	-29.16	89.42	0.84
● Russell 2000 Growth	42.25	100.00	-32.61	100.00	1.00

Source: PSN, Inception: 10/1/92

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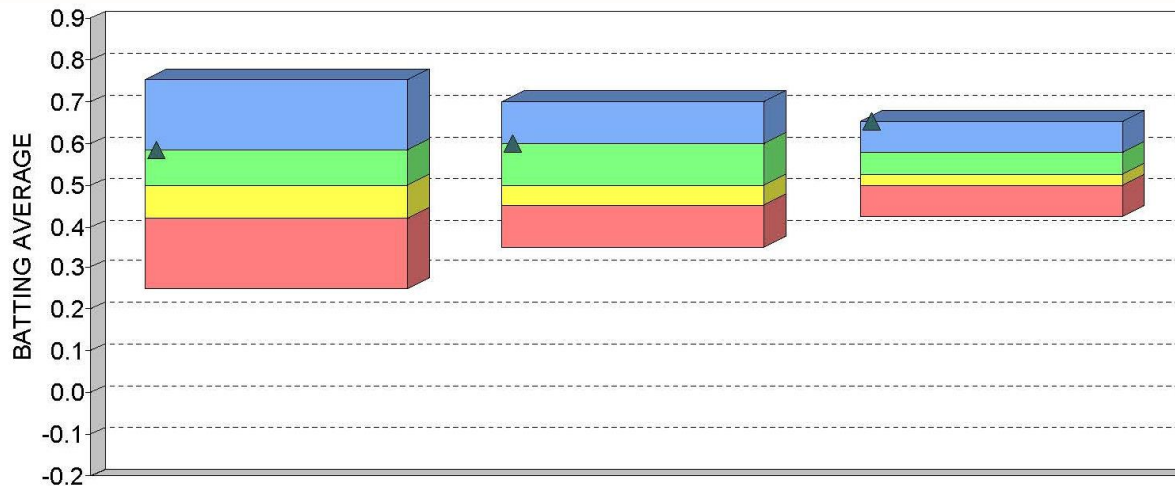
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# Batting Average as of March 31, 2017

**RATE OF RETURN REPORTED GROSS**



	3 Years	5 Years	10 Years
HIGH (0.05)	0.75	0.70	0.65
FIRST QUARTILE	0.58	0.60	0.57
MEDIAN	0.50	0.50	0.53
THIRD QUARTILE	0.42	0.45	0.50
LOW (0.95)	0.25	0.35	0.42
MEAN	0.51	0.52	0.53
VALID COUNT	119	114	93

	3 Years		5 Years		10 Years	
	VALUE	RANK	VALUE	RANK	VALUE	RANK
▲ Emerald Advisers Emerald Div. Sm.	0.58	17	0.60	11	0.65	1

Source: PSN, Universe: Small Cap Growth, Inception: 10/1/92

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- The broad based post-election market optimism that dominated the fourth quarter receded somewhat during the first quarter as domestic economic growth decelerated, the yield curve flattened and uncertainty grew regarding the timing and implementation of fiscal policy changes.
- Although the market continued to advance, the complexion of the first quarter market performance marked a fairly significant departure from that of the fourth quarter from a size and style perspective.
- Small capitalization stocks, after leading during the fourth quarter, have lagged large caps with the Russell 1000 gaining 6.02% and substantially outpacing the Russell 2000 which appreciated by 2.47%.
- From a style perspective, growth was able to recapture a portion of the last twelve months of underperformance with the Russell 2000 Growth gaining 5.35% and outpacing the Russell 2000 Value which returned -0.13% for the quarter.

<u>Index</u>	<u>q1 2017</u>	<u>Trailing 12 mo.</u>
Russell 2000 Growth	5.35%	23.03%
Russell 2000	2.47%	26.22%
Russell 2000 Value	-0.13%	29.37%
Russell 2500 Growth	6.25%	19.77%
Russell 2500	3.76%	21.53%
Russell 2500 Value	1.62%	23.13%
Russell 1000 Growth	8.91%	15.76%
Russell 1000 Value	3.27%	19.22%
Russell 3000 Growth	8.63%	16.27%
Russell 3000 Value	2.99%	19.97%

Source: Russell Investments

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- Within the Russell 2000 Growth, performance of the fastest-growing companies rebounded after a challenging fourth quarter and full year 2016. For reference, for all of 2016, the top quartile of companies based on sales growth posted a -0.98% return.

### Performance by Sales Growth – The biggest turn was faster growth outperforming slower

Sales Growth	First Quarter 2017								
	Russell 2000			Russell 2000 Growth			Russell 2000 Value		
	Absolute Contribution	Relative		Absolute Contribution	Relative		Absolute Contribution	Relative	
Q1 (Best)	7.60	1.42	5.13	10.93	2.00	5.57	4.22	0.74	4.36
Q2	3.49	0.72	1.02	6.96	1.48	1.61	-0.17	-0.05	-0.03
Q3	1.15	0.26	-1.31	3.94	0.94	-1.41	-1.14	-0.25	-1.00
Q4	-0.91	-0.19	-3.38	0.64	0.13	-4.72	-1.28	-0.26	-1.15
Q5 (Worst)	0.43	0.09	-2.03	3.60	0.50	-1.76	-2.35	-0.37	-2.21
N/A	11.68	0.17	9.21	12.82	0.30	7.47	8.10	0.05	8.24

Source: FactSet; FTSE Russell; Jefferies



- The rebound in “growth” was most apparent in the strong relative performance of the healthcare and technology sectors, which gained 13.23% and 7.03%, respectively. (Source: Russell Investments)

<u>Russell Sector</u>	<u>R2000 Growth</u>	<u>R2000</u>	<u>R2000 Value</u>
Technology	7.03%	6.85%	6.55%
Healthcare	13.23%	12.47%	9.14%
Consumer Discretionary	2.41%	1.44%	-0.01%
Consumer Staples	-5.17%	-4.62%	-3.96%
Energy	-11.59%	-10.91%	-10.77%
Materials & Processing	6.17%	4.63%	2.14%
Producer Durables	1.04%	0.62%	0.18%
Financial Services	2.89%	-0.92%	-1.93%
Utilities	1.45%	3.08%	3.58%

Source: Russell Investments



- Within the Russell 2000 Growth, outperformance of the non-earners is reflective of the relative strength of returns within the healthcare and technology sectors.

### Performance by P/E Quintile – The non-earners were strong in core and growth, cheaper better in value

P/E Quintile (FY1)	First Quarter 2017								
	Russell 2000			Russell 2000 Growth			Russell 2000 Value		
	Absolute	Contribution	Relative	Absolute	Contribution	Relative	Absolute	Contribution	Relative
Q1 (Lowest)	0.98	0.15	-1.49	2.09	0.31	-3.27	0.61	0.10	0.75
Q2	1.66	0.26	-0.81	3.97	0.65	-1.39	0.37	0.05	0.51
Q3	1.73	0.34	-0.74	4.13	0.72	-1.22	-0.52	-0.12	-0.38
Q4	1.24	0.23	-1.22	3.23	0.61	-2.13	-0.43	-0.10	-0.29
Q5 (Highest)	1.90	0.30	-0.57	3.99	0.62	-1.37	-0.93	-0.14	-0.79
Non	7.45	1.18	4.98	14.14	2.44	8.79	0.19	0.06	0.32

Source: FactSet; FTSE Russell; Jefferies



- The outperformance of size was not just a small capitalization/large capitalization phenomenon, this was true inside of the Russell 2000 as well with those companies with market capitalizations greater than \$1 billion materially outperforming their smaller market capitalization counterparts.

### Performance by Market Cap Group – Names over \$1 billion are leading the way

Market Cap Group	First Quarter 2017								
	Russell 2000			Russell 2000 Growth			Russell 2000 Value		
	Absolute Contribution	Relative		Absolute Contribution	Relative		Absolute Contribution	Relative	
>1 Billion	3.05	2.37	0.58	5.70	4.70	0.35	0.40	0.28	0.53
500M to 1 Billion	1.01	0.14	-1.46	4.81	0.56	-0.54	-1.59	-0.24	-1.45
<500M	-0.63	-0.05	-3.09	1.62	0.09	-3.74	-1.83	-0.17	-1.69

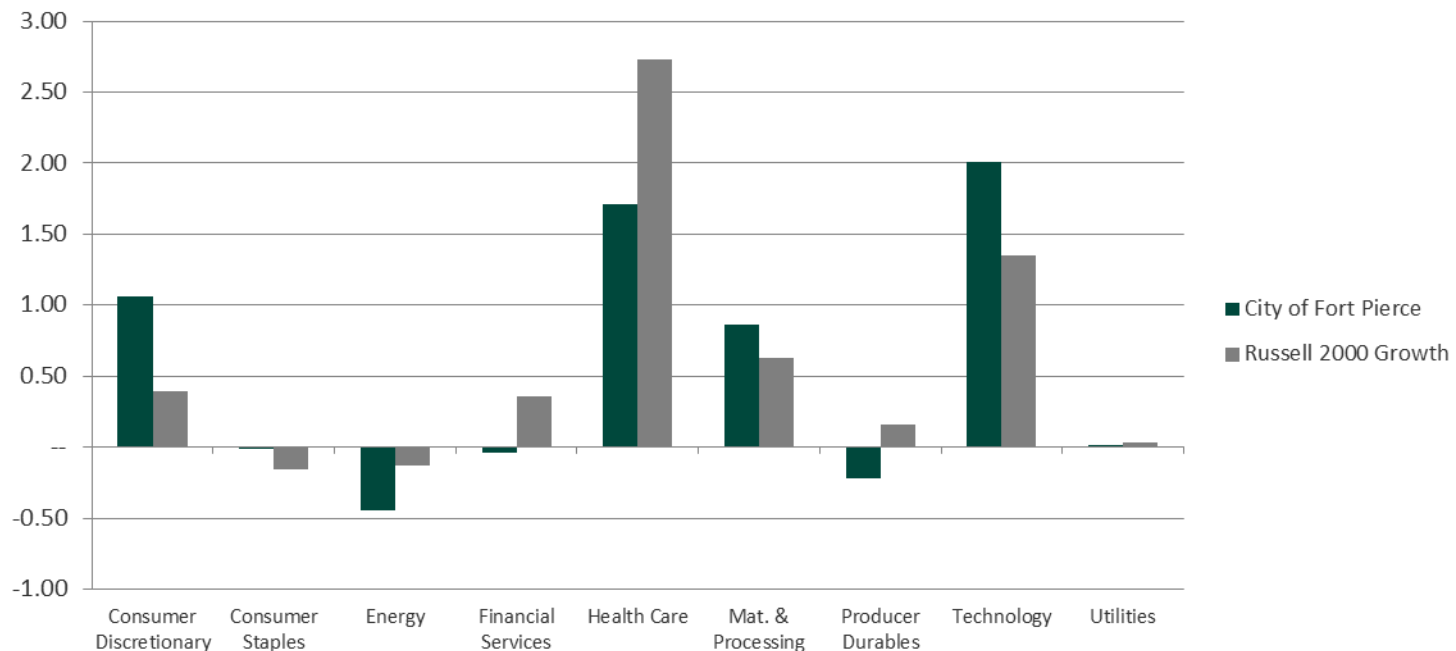
Source: FactSet; FTSE Russell; Jefferies



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1<sup>st</sup> Qtr. 2017 Perf. Attribution  
as of March 31, 2017

- On a relative basis, Emerald's performance slightly trailed that of the benchmark for the quarter, driven largely by allocation effect as stock selection was neutral. At the sector level, the most notable positive contributors to return included performance within the technology, consumer discretionary and materials sectors. These areas of positive contribution were more than offset by challenged relative performance within the healthcare, energy, financial services and producer durables sectors. The negative allocation effect in the quarter resulted from the portfolio's relative underweight position to the healthcare sector, which as a sector significantly outperformed the Russell 2000 Growth Index.



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## Portfolio Performance Summary

### Contributors

The technology sector served as the portfolio's greatest source of relative outperformance this quarter driven by stock selection within the software industry and the relative outperformance of optical communications suppliers.

Relative outperformance within the consumer discretionary and materials sectors also contributed positively to return, driven largely by stock selection within the consumer services and building materials industries.

### Top 5 Contributors to Return

Nutrisystem, Inc.

Applied Optoelectronics, Inc.

Veeva Systems, Inc.

Lumentum Holdings, Inc.

Exelexis, Inc.



## Portfolio Performance Summary

### Detractors

The healthcare sector was the largest detractor to return resulting from the portfolio's relative underweight position to the sector and specifically to the pharmaceutical, biotechnology and equipment industries as well as stock selection within the biotechnology industry.

The portfolio experienced modest relative underperformance within the energy and utilities sectors. Although there were no fundamental issues with the holdings in each of these sectors, stock selection proved to be a headwind to performance in each of the aforementioned, as the portfolio holdings within the oil: crude producers and telecommunications industries underperformed the benchmark.

### Top 5 Detractors to Return

Opus Bank

comScore, Inc.

Keane Group, Inc.

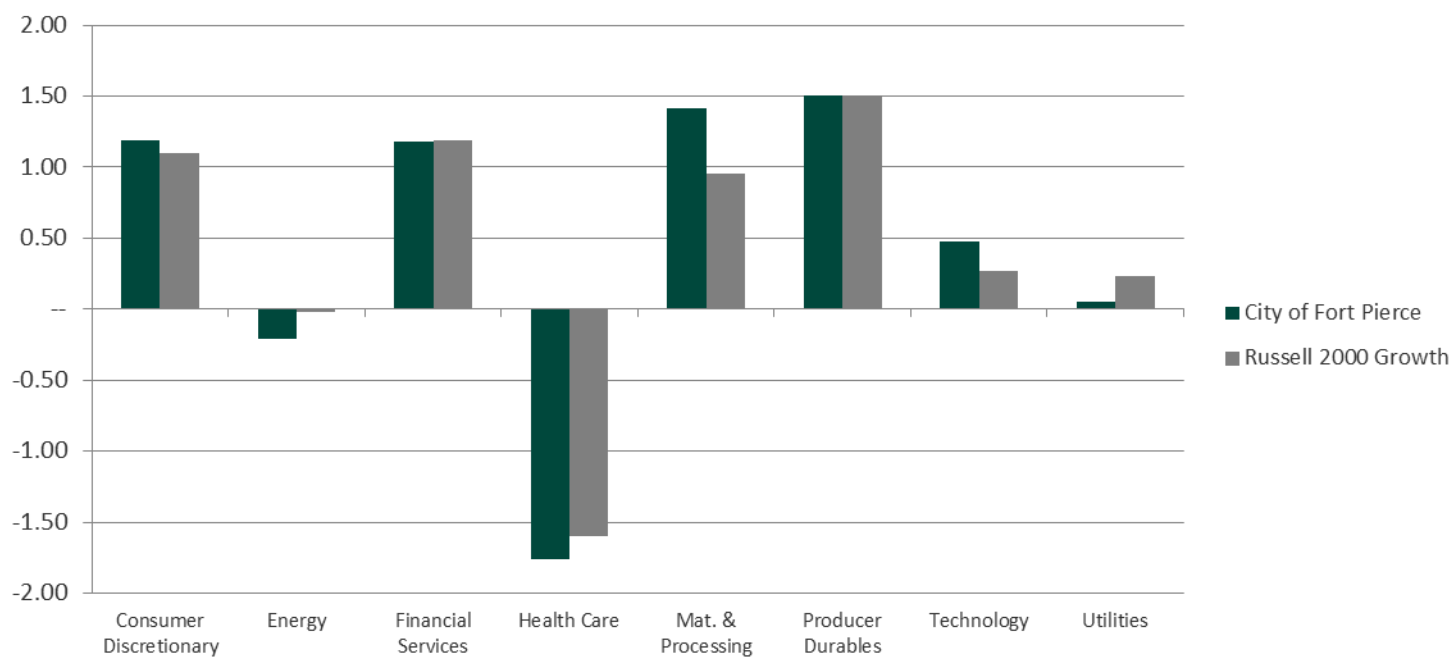
GTT Communications, Inc.

Cliffs Natural Resources, Inc.



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## 4<sup>th</sup> Quarter 2016 Perf. Attribution

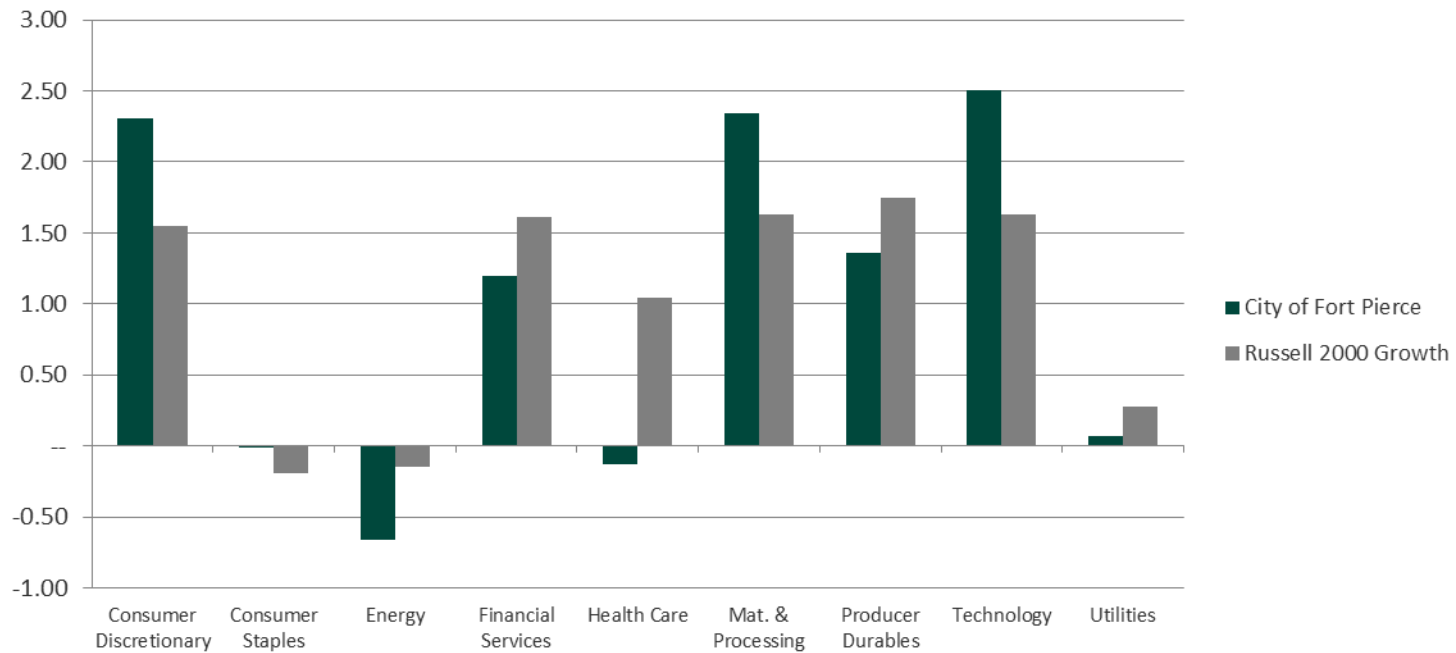


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6-Month Perf. Attribution  
as of March 31, 2017



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Portfolio  
as of March 31, 2017

### Portfolio Sector Allocation vs. Benchmark

Sector	Emerald	Russell 2000 Growth*	Russell 2000*
Consumer Discretionary ↓	15.7%	16.1%	13.0%
Consumer Staples	0.2%	2.7%	2.4%
Energy	1.4%	1.0%	3.2%
Financial Services ↓	13.1%	12.4%	27.8%
Health Care	15.0%	21.8%	13.0%
Materials & Processing ↑	11.5%	10.2%	7.9%
Producer Durables ↑	12.2%	14.0%	13.4%
Technology ↑	25.4%	19.6%	14.7%
Utilities	4.4%	2.3%	4.6%
Cash	1.1%	0.0%	0.0%

\* Source: Frank Russell Company – see full disclosure



Indicates weighting changed **0.5% or greater** from previous quarter.

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Portfolio  
as of March 31, 2017

### Top Ten Holdings

	<i>Company</i>	<i>Ticker</i>	<i>Sector</i>	<i>% Held</i>
1.	Veeva Systems, Inc.	VEEV	Healthcare	2.95
2.	Apogee Enterprises, Inc.	APOG	Materials & Processing	2.03
3.	Bank of the Ozarks, Inc.	OZRK	Financial Services	1.99
4.	LendingTree, Inc.	TREE	Financial Services	1.97
5.	Microsemi Corp.	MSCC	Technology	1.92
6.	Installed Building Products	IBP	Materials & Processing	1.82
7.	Dycom Industries, Inc.	DY	Producer Durables	1.78
8.	8x8, Inc.	EGHT	Utilities	1.70
9.	BOFI Holdings, Inc.	BOFI	Financial Services	1.67
10.	Vonage Holdings Corp.	VG	Utilities	1.66



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Portfolio  
as of March 31, 2017

### Portfolio Characteristics vs. Benchmark

Characteristic	Emerald SCG Model	Russell 2000 Growth*
Projected Growth Rate (3-5 Year)**	17.6%	15.7%
P/E Ratio***	20.8x	20.4x
R <sup>2</sup> vs. Russell 2000 Growth	0.96	1.00
Yield (%)	0.63	0.80
Price / Book Value***	3.4x	3.8x
Median Market Cap (By No. of Stocks)	\$1,621 mm	\$914 mm
Wgt. Average Market Cap	\$2,418 mm	\$2,376 mm
Turnover (Trailing 12 mos.)	58%	---

\* Source: Frank Russell Company – see full disclosure

\*\* Database estimate, Emerald's internal estimates are higher.

\*\*\* In order to better reflect Emerald's characteristics relative to the Russell Indices, Emerald is now calculating its P/E and Price/Book ratios based on a weighted harmonic average in line with Russell's calculation methodology.

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- **Portfolio positioning:**
  - Overweight positions: Technology, utilities and materials sectors
  - Underweight positions: Healthcare, consumer staples and producer durables sectors
  
- **The yield curve has been flattening and the market is growing increasingly concerned that there may be something larger at play as the gap between the increasingly optimistic surveys/sentiment data and the “hard economic data” is widening, raising fears that improving confidence isn’t translating into stronger economic growth.**
  
- **Case in point is the projection for first quarter domestic economic growth, which as measured by the Atlanta Fed’s GDPNOW forecast has been decelerating. The forecast had been projecting 2.7% GDP growth for the first quarter at its peak in early February and now sits at a much more modest gain of 0.6% for the first quarter.**
  
- **At this point, with first quarter GDP performance over the last several years showing little correlation to the direction of the economic growth for the year, the market is looking for a solid first quarter earnings season, optimistic forward-looking management commentary and a sequential acceleration in GDP growth as a confirmation that growth remains on track.**
  
- **Direction from Washington would be an added benefit, but given the challenges with the repeal of the Affordable Care Act there does not appear to be any visibility or certainty regarding the timeline to accomplish the initial fiscal policy objectives of the new administration.**



- **Given recent events in Syria, geopolitical uncertainty presents a new wrinkle and is something we believe the market will continue to monitor.**
- **The Federal Reserve is complicating the situation to some degree as it continues to progress on its path of policy normalization. Any further adjustment to the baseline expectation of three rate hikes in 2017 could add additional volatility to the market.**
- **If economic growth remains intact, as we believe it will, Emerald believes that small capitalization growth stocks remain relatively well positioned as growth and valuation relative to their value counterpart remains particularly attractive.**



- The Russell 2000 Growth continues to trade at discount to its long-term average when compared to the Russell 2000 Value.

**Table 8: Relative valuations of Russell 2000 Growth vs. Value**

Valuation Metric	Russell 2000 Growth vs. Value		
	Current	LT Avg	% Diff
Trailing P/E (Non Negative)	1.21	1.39	-12.6
Forward P/E	1.18	1.39	-15.6
Price to Book	1.96	2.45	-20.1
Price to Sales	1.30	1.57	-17.2
Price to Cash Flow*	1.31	1.81	-27.4
P/E to Growth	0.90	0.82	10.0

\*Price to cash flow started in 2002.

Note: From March 31, 2016 forward Jefferies estimates.

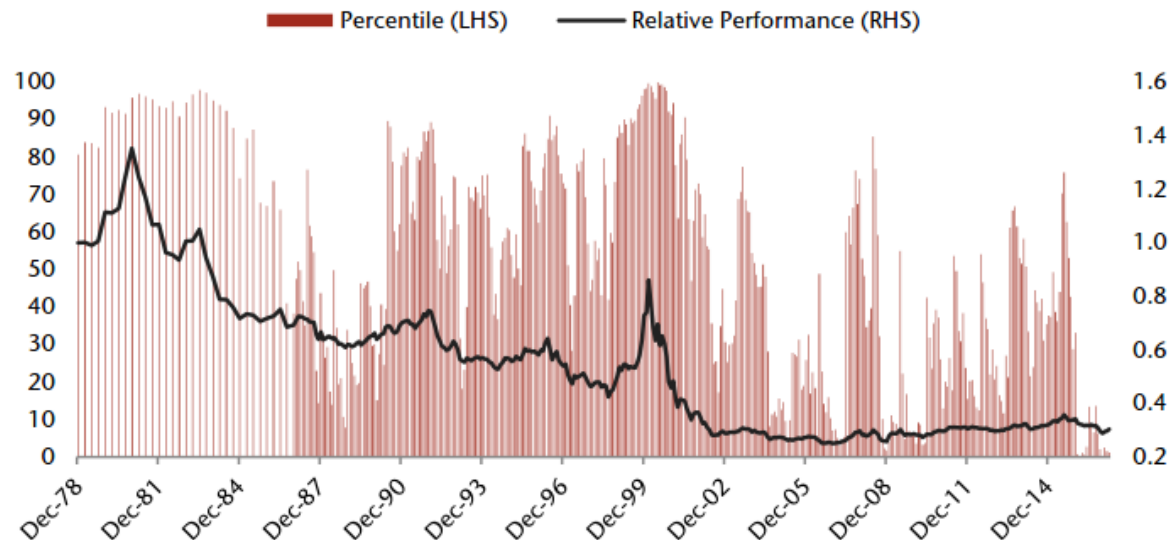
Source: FactSet; FTSE Russell; Jefferies



- “Applying our valuation model to style, we continue to find growth in the 1<sup>st</sup> percentile. When growth’s valuations have been where they are today, the style outperformed by 3.1% over the next 12 months.”

- Steve DeSanctis, CFA Equity Strategist, Jefferies – April 4, 2017

**Chart 30: Growth is extremely cheap versus value in small**



\*Price to cash flow started in 2002.

Note: From March 31, 2016 forward Jefferies estimates.

Source: FactSet; FTSE Russell; Jefferies

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### Theme #1: Growth over value – just starting to see the massive unwind between slowest and fastest growers

12-Month difference between fastest growers in the Russell 2000 Growth and the slowest growers in the Russell 2000 Value



Source: FactSet; FTSE Russell; Jefferies



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Portfolio Holdings  
as of March 31, 2017

## PORTFOLIO APPRAISAL

	Cost Basis		Market Value			Unrealized Gain/Loss	Current Yield	Estimated Annual Income	
	Quantity	Average Cost	Total Cost	Current Price	Total Value				% Portfolio
<b>Cash/Cash Equivalent</b>									
<b>LIQUID ASSETS</b>									
PRINCIPAL CASH			77,137.51		77,137.51	1.1	0.0	0.0	0.00
<b>TOTAL Cash/Cash Equivalent</b>			<b>77,137.51</b>		<b>77,137.51</b>	<b>1.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0</b>
<b>Equity</b>									
<b>CONSUMER DISCRETIONARY</b>			<b>910,233.43</b>		<b>1,120,272.55</b>	<b>15.7</b>	<b>210,039.1</b>	<b>0.7</b>	<b>7,505</b>
AMERICAN EAGLE OUTFITTERS INC.	2,324	16.28	37,825.53	14.03	32,605.72	0.5	-5,219.81	3.6	1,162.00
BURLINGTON STORES INC	750	51.94	38,954.50	97.29	72,967.50	1.0	34,013.00	0.0	0.00
CHURCHILL DOWNS INC	348	128.32	44,655.81	158.85	55,279.80	0.8	10,623.99	0.8	459.36
CHEGG INC	9,186	9.16	84,106.93	8.44	77,529.84	1.1	-6,577.09	0.0	0.00
CHUY'S HOLDINGS INC	1,409	27.13	38,230.22	29.80	41,988.20	0.6	3,757.98	0.0	0.00
CAMPING WORLD HOLDINGS INC	881	22.13	19,492.99	32.24	28,403.44	0.4	8,910.45	1.0	281.92
FIVE BELOW	1,502	35.17	52,818.22	43.31	65,051.62	0.9	12,233.40	0.0	0.00
JACK IN THE BOX INC	671	61.68	41,388.51	101.72	68,254.12	1.0	26,865.61	1.6	1,073.60
KATE SPADE & CO	1,207	23.32	28,151.99	23.23	28,038.61	0.4	-113.38	0.0	0.00
MATTHEWS INTL CORP CL A	1,189	50.72	60,309.34	67.65	80,435.85	1.1	20,126.51	1.0	808.52
MERITAGE CORP	1,210	36.52	44,187.32	36.80	44,528.00	0.6	340.68	0.0	0.00
NUTRI SYS INC NEW	1,940	28.29	54,891.15	55.50	107,670.00	1.5	52,778.85	1.3	1,358.00
NEXSTAR MEDIA GROUP INC	1,520	52.59	79,934.21	70.15	106,628.00	1.5	26,693.79	1.7	1,824.00
OLLIE'S BARGAIN OUTLET HOLDINGS	1,904	26.38	50,221.41	33.50	63,784.00	0.9	13,562.59	0.0	0.00
PENN NATL GAMING INC	970	13.92	13,501.68	18.43	17,877.10	0.2	4,375.42	0.0	0.00
DAVE & BUSTER'S ENTERTAINMENT INC.	652	29.50	19,234.00	61.09	39,830.68	0.6	20,596.68	0.0	0.00
PLANET FITNESS INC	2,510	16.96	42,561.66	19.27	48,367.70	0.7	5,806.04	0.0	0.00
RED ROBIN GOURMET BURGERS INC	216	57.73	12,469.31	58.45	12,625.20	0.2	155.89	0.0	0.00
MADDEN STEVEN LTD	1,331	37.67	50,134.70	38.55	51,310.05	0.7	1,175.35	0.0	0.00
SEQUENTIAL BRANDS GROUP INC	4,430	12.03	53,282.88	3.89	17,232.70	0.2	-36,050.18	0.0	0.00
TILLY'S INC-CLASS A SHRS	896	9.86	8,832.74	9.02	8,081.92	0.1	-750.82	0.0	0.00
TILE SHOP HLDGS INC	2,690	13.03	35,048.33	19.25	51,782.50	0.7	16,734.17	1.0	538.00
<b>CONSUMER STAPLES</b>			<b>11,973.17</b>		<b>11,660.00</b>	<b>0.2</b>	<b>-313.2</b>	<b>0.0</b>	<b>0</b>
FRESHPET INC	1,060	11.30	11,973.17	11.00	11,660.00	0.2	-313.17	0.0	0.00

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Portfolio Holdings  
as of March 31, 2017

## PORTFOLIO APPRAISAL

	Cost Basis			Market Value			Unrealized Gain/Loss	Current Yield	Estimated Annual Income
	Quantity	Average Cost	Total Cost	Current Price	Total Value	% Portfolio			
<b>Equity</b>									
<b>ENERGY</b>			<b>120,043.05</b>		<b>97,519.44</b>	<b>1.4</b>	<b>-22,523.6</b>	<b>0.0</b>	<b>0</b>
CALLON PETROLEUM CO	4,509	13.73	61,906.73	13.16	59,338.44	0.8	-2,568.29	0.0	0.00
KEANE GROUP INC	2,670	21.77	58,136.32	14.30	38,181.00	0.5	-19,955.32	0.0	0.00
<b>FINANCIAL SERVICES</b>			<b>657,390.66</b>		<b>937,253.38</b>	<b>13.1</b>	<b>279,862.7</b>	<b>1.3</b>	<b>11,985</b>
BOFI HLDG INC	4,528	23.49	106,348.50	26.13	118,316.64	1.7	11,968.14	0.0	0.00
CARETRUST REIT INC	3,630	12.64	45,890.85	16.82	61,056.60	0.9	15,165.75	4.4	2,686.20
CUSTOMERS BANCORP INC	1,906	23.70	45,170.09	31.53	60,096.18	0.8	14,926.09	0.0	0.00
FCB FINANCIAL HOLDINGS INC	1,586	25.70	40,767.79	49.55	78,586.30	1.1	37,818.51	0.0	0.00
GSV CAP CORP	4,006	7.89	31,589.72	4.48	17,946.88	0.3	-13,642.84	3.6	640.96
MOELIS & CO	1,470	33.05	48,582.67	38.50	56,595.00	0.8	8,012.33	3.8	2,175.60
OPUS BANK	2,512	29.81	74,870.47	20.15	50,616.80	0.7	-24,253.67	3.2	1,632.80
BANK OF THE OZARKS INC	2,703	18.92	51,140.92	52.01	140,583.03	2.0	89,442.11	1.3	1,838.04
PACIFIC PREMIER BANCORP	2,221	10.87	24,139.61	38.55	85,619.55	1.2	61,479.94	0.0	0.00
QTS REALTY TRUST INC	1,690	47.44	80,171.22	48.75	82,387.50	1.2	2,216.28	3.2	2,636.40
LENDINGTREE INC	1,110	56.91	63,169.91	125.35	139,138.50	1.9	75,968.59	0.0	0.00
WINTRUST FINANCIAL CORP	670	67.98	45,548.91	69.12	46,310.40	0.6	761.49	0.8	375.20
<b>HEALTH CARE</b>			<b>933,701.44</b>		<b>1,075,026.09</b>	<b>15.0</b>	<b>141,324.7</b>	<b>0.0</b>	<b>0</b>
ADAMAS PHARMACEUTICALS INC	1,788	16.93	30,266.98	17.50	31,290.00	0.4	1,023.02	0.0	0.00
AIMMUNE THERAPEUTICS INC	1,848	18.15	33,546.08	21.73	40,157.04	0.6	6,610.96	0.0	0.00
ALDER BIOPHARMACEUTICALS INC	1,755	28.49	50,003.60	20.80	36,504.00	0.5	-13,499.60	0.0	0.00
ALBANY MOLECULAR RESEARCH INC	2,002	15.20	30,436.28	14.03	28,088.06	0.4	-2,348.22	0.0	0.00
ATRICURE INC	1,941	21.71	42,146.70	19.15	37,170.15	0.5	-4,976.55	0.0	0.00
BLUEBIRD BIO INC	162	53.46	8,660.27	90.90	14,725.80	0.2	6,065.53	0.0	0.00
CLOVIS ONCOLOGY INC	650	69.14	44,940.96	63.67	41,385.50	0.6	-3,555.46	0.0	0.00
EXELIXIS INC	2,280	12.13	27,645.33	21.67	49,407.60	0.7	21,762.27	0.0	0.00
INSMED INC	3,334	15.58	51,931.88	17.51	58,378.34	0.8	6,446.46	0.0	0.00
INTEGER HOLDINGS CORP	1,638	32.17	52,692.48	40.20	65,847.60	0.9	13,155.12	0.0	0.00
K2M GROUP HOLDINGS INC	3,688	16.53	60,977.79	20.51	75,640.88	1.1	14,663.09	0.0	0.00
MACROGENICS INC	1,487	29.05	43,191.49	18.60	27,658.20	0.4	-15,533.29	0.0	0.00
NEUROCRINE BIOSCIENCES, INC	964	31.50	30,361.74	43.30	41,741.20	0.6	11,379.46	0.0	0.00

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Portfolio Holdings  
as of March 31, 2017

## PORTFOLIO APPRAISAL

	Cost Basis			Market Value			Estimated		
	Quantity	Average Cost	Total Cost	Current Price	Total Value	% Portfolio	Unrealized Gain/Loss	Current Yield	Annual Income
<b>Equity</b>									
<b>HEALTH CARE</b>			<b>933,701.44</b>		<b>1,075,026.09</b>	<b>15.0</b>	<b>141,324.7</b>	<b>0.0</b>	<b>0</b>
NEOGENOMICS INC	4,049	8.34	33,776.65	7.89	31,946.61	0.4	-1,830.04	0.0	0.00
NANTHEALTH INC	2,153	13.48	29,021.97	4.96	10,678.88	0.1	-18,343.09	0.0	0.00
PUMA BIOTECHNOLOGY INC	1,195	38.64	46,177.08	37.20	44,454.00	0.6	-1,723.08	0.0	0.00
PORTOLA PHARMACEUTICALS INC	931	29.29	27,270.01	39.19	36,485.89	0.5	9,215.88	0.0	0.00
REATA PHARMACEUTICALS INC	1,430	15.95	22,802.18	22.65	32,389.50	0.5	9,587.32	0.0	0.00
SAGE THERAPEUTICS INC	460	67.84	31,204.10	71.07	32,692.20	0.5	1,488.10	0.0	0.00
SAREPTA THERAPEUTICS INC	2,433	31.54	76,726.63	29.60	72,016.80	1.0	-4,709.83	0.0	0.00
TELADOC INC	1,610	20.27	32,638.10	25.00	40,250.00	0.6	7,611.90	0.0	0.00
TABULA RASA HEALTHCARE INC	1,280	12.88	16,492.33	13.48	17,254.40	0.2	762.07	0.0	0.00
VEEVA SYSTEMS INC	4,073	27.20	110,790.81	51.28	208,863.44	2.9	98,072.63	0.0	0.00
<b>MATERIALS &amp; PROCESSING</b>			<b>619,542.47</b>		<b>824,767.86</b>	<b>11.5</b>	<b>205,225.4</b>	<b>0.3</b>	<b>2,182</b>
APOGEE ENTERPRISES INC	2,412	35.46	85,525.74	59.61	143,779.32	2.0	58,253.58	0.9	1,350.72
CLIFFS NATURAL RESOURCES INC	5,312	10.79	57,316.48	8.21	43,611.52	0.6	-13,704.96	0.0	0.00
MASONITE INTERNATIONAL CORP	1,220	66.29	80,868.90	79.25	96,685.00	1.4	15,816.10	0.0	0.00
GMS INC	2,074	22.56	46,798.03	35.04	72,672.96	1.0	25,874.93	0.0	0.00
INSTALLED BUILDING PRODUCTS	2,443	23.46	57,319.55	52.75	128,868.25	1.8	71,548.70	0.0	0.00
INNOSPEC INC	950	69.15	65,694.14	64.75	61,512.50	0.9	-4,181.64	1.1	646.00
US SILICA HOLDINGS INC	740	56.32	41,679.97	47.99	35,512.60	0.5	-6,167.37	0.5	185.00
TIMKENSTEEL CORP	2,506	16.69	41,827.84	18.91	47,388.46	0.7	5,560.62	0.0	0.00
TREX INC	1,625	39.50	64,193.37	69.39	112,758.75	1.6	48,565.38	0.0	0.00
US CONCRETE INC	1,270	61.67	78,318.45	64.55	81,978.50	1.1	3,660.05	0.0	0.00
<b>PRODUCER DURABLES</b>			<b>810,708.01</b>		<b>872,566.24</b>	<b>12.2</b>	<b>61,858.2</b>	<b>0.5</b>	<b>4,505</b>
DYCOM INDUSTRIES INC	1,355	84.70	114,768.39	92.95	125,947.25	1.8	11,178.86	0.0	0.00
GENERAC HOLDINGS INC	1,288	36.89	47,517.62	37.28	48,016.64	0.7	499.02	0.0	0.00
KLX INC	1,620	40.59	65,752.30	44.70	72,414.00	1.0	6,661.70	0.0	0.00
KENNAMETAL INC	1,645	38.63	63,552.72	39.23	64,533.35	0.9	980.63	2.0	1,316.00
KNOLL INC	1,946	18.68	36,351.91	23.81	46,334.26	0.6	9,982.35	2.5	1,167.60
KRATOS DEFENSE AND SECURITY	6,570	7.08	46,540.64	7.78	51,114.60	0.7	4,573.96	0.0	0.00
MANITOWOC COMPANY	4,932	6.44	31,754.12	5.70	28,112.40	0.4	-3,641.72	0.0	0.00

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Portfolio Holdings  
as of March 31, 2017

## PORTFOLIO APPRAISAL

	Cost Basis			Market Value			Unrealized Gain/Loss	Current Yield	Estimated Annual Income
	Quantity	Average Cost	Total Cost	Current Price	Total Value	% Portfolio			
<b>Equity</b>									
<b>PRODUCER DURABLES</b>			<b>810,708.01</b>		<b>872,566.24</b>	<b>12.2</b>	<b>61,858.2</b>	<b>0.5</b>	<b>4,505</b>
NV5 GLOBAL INC	550	39.77	21,875.79	37.60	20,680.00	0.3	-1,195.79	0.0	0.00
PRIMORIS SERVICES CORP	2,802	24.96	69,935.75	23.22	65,062.44	0.9	-4,873.31	0.9	616.44
SPIRIT AIRLS INC	1,795	34.17	61,333.02	53.07	95,260.65	1.3	33,927.63	0.0	0.00
TEAM INC	800	34.14	27,315.69	27.05	21,640.00	0.3	-5,675.69	0.0	0.00
TENNANT CO	781	66.34	51,810.07	72.65	56,739.65	0.8	4,929.58	1.2	656.04
TUTOR PERINI CORPORATION	2,885	30.57	88,195.21	31.80	91,743.00	1.3	3,547.79	0.0	0.00
TETRA TECH INC	2,080	40.39	84,004.78	40.85	84,968.00	1.2	963.22	0.9	748.80
<b>TECHNOLOGY</b>			<b>1,317,503.78</b>		<b>1,819,466.73</b>	<b>25.4</b>	<b>501,963.0</b>	<b>0.0</b>	<b>0</b>
APPLIED OPTOELECTRONICS INC	1,020	16.19	16,512.92	56.15	57,273.00	0.8	40,760.08	0.0	0.00
ALARM.COM HOLDINGS INC	2,020	20.95	42,321.48	30.74	62,094.80	0.9	19,773.32	0.0	0.00
CAVIUM INC	1,401	40.54	56,793.23	71.66	100,395.66	1.4	43,602.43	0.0	0.00
CIENA CORP	3,290	22.38	73,635.47	23.61	77,676.90	1.1	4,041.43	0.0	0.00
COHERENT INC	182	194.04	35,314.40	205.64	37,426.48	0.5	2,112.08	0.0	0.00
CIRRUS LOGIC INC	740	59.17	43,787.12	60.69	44,910.60	0.6	1,123.48	0.0	0.00
CHANNELADVISOR CORP	3,209	24.86	79,780.46	11.15	35,780.35	0.5	-44,000.11	0.0	0.00
ELLIE MAE INC	297	94.74	28,138.27	100.27	29,780.19	0.4	1,641.92	0.0	0.00
EPAM SYSTEMS INC	1,499	37.15	55,681.41	75.52	113,204.48	1.6	57,523.07	0.0	0.00
GTT COMMUNICATIONS INC	4,494	12.79	57,457.88	24.35	109,428.90	1.5	51,971.02	0.0	0.00
GUIDEWIRE SOFTWARE INC	968	45.71	44,243.46	56.33	54,527.44	0.8	10,283.98	0.0	0.00
IMPERVA INC	2,019	38.58	77,895.63	41.05	82,879.95	1.2	4,984.32	0.0	0.00
IPG PHOTONICS CORP	498	72.40	36,055.32	120.70	60,108.60	0.8	24,053.28	0.0	0.00
INPHI CORP	581	12.13	7,049.21	48.82	28,364.42	0.4	21,315.21	0.0	0.00
LUMENTUM HOLDINGS INC	1,910	31.58	60,318.10	53.35	101,898.50	1.4	41,580.40	0.0	0.00
MODEL N INC	3,287	11.31	37,187.31	10.45	34,349.15	0.5	-2,838.16	0.0	0.00
MERCURY SYSTEMS INC	2,610	22.46	58,611.72	39.05	101,920.50	1.4	43,308.78	0.0	0.00
MICROSEMI CORP	2,635	26.79	70,591.29	51.53	135,781.55	1.9	65,190.26	0.0	0.00

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Portfolio Holdings  
as of March 31, 2017

## PORTFOLIO APPRAISAL

	Cost Basis			Market Value			Unrealized Gain/Loss	Current Yield	Estimated Annual Income
	Quantity	Average Cost	Total Cost	Current Price	Total Value	% Portfolio			
<b>Equity</b>									
<b>TECHNOLOGY</b>			<b>1,317,503.78</b>		<b>1,819,466.73</b>	<b>25.4</b>	<b>501,963.0</b>	<b>0.0</b>	<b>0</b>
MICROSTRATEGY INC	559	166.58	93,118.55	187.80	104,980.20	1.5	11,861.65	0.0	0.00
MACOM TECHNOLOGY SOLUTIONS	1,071	35.20	37,694.38	48.30	51,729.30	0.7	14,034.92	0.0	0.00
MAXLINEAR INC CLASS A	1,380	25.26	34,865.49	28.05	38,709.00	0.5	3,843.51	0.0	0.00
OCLARO INC	4,930	8.94	44,062.56	9.82	48,412.60	0.7	4,350.04	0.0	0.00
PROOFPOINT INC	1,200	36.39	43,670.68	74.36	89,232.00	1.2	45,561.32	0.0	0.00
TAKE TWO INTERACTIVE SOFTWARE	1,978	43.04	85,135.61	59.27	117,236.06	1.6	32,100.45	0.0	0.00
VARONIS SYSTEMS INC	2,230	29.18	65,074.78	31.80	70,914.00	1.0	5,839.22	0.0	0.00
XACTLY CORPORATION	2,559	12.70	32,507.05	11.90	30,452.10	0.4	-2,054.95	0.0	0.00
<b>UTILITIES</b>			<b>231,622.68</b>		<b>313,947.98</b>	<b>4.4</b>	<b>82,325.3</b>	<b>0.9</b>	<b>2,974</b>
COGENT COMMUNICATIONS HOLDINGS	1,770	40.08	70,949.14	43.05	76,198.50	1.1	5,249.36	3.9	2,973.60
8X8 INC NEW	7,876	8.81	69,398.18	15.25	120,109.00	1.7	50,710.82	0.0	0.00
VONAGE HOLDINGS CORP	18,614	4.90	91,275.36	6.32	117,640.48	1.6	26,365.12	0.0	0.00
<b>TOTAL Equity</b>			<b>5,612,718.69</b>		<b>7,072,480.27</b>	<b>98.9</b>	<b>1,459,761.6</b>	<b>0.4</b>	<b>29,151</b>
<b>TOTAL Dividend Accruals</b>					<b>1,522.26</b>	<b>0.0</b>			
<b>TOTAL MANAGED</b>			<b>5,689,856.20</b>		<b>7,151,140.04</b>	<b>100</b>	<b>1,459,761.6</b>	<b>0.4</b>	<b>29,151</b>

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Russell Disclosure

Notice:

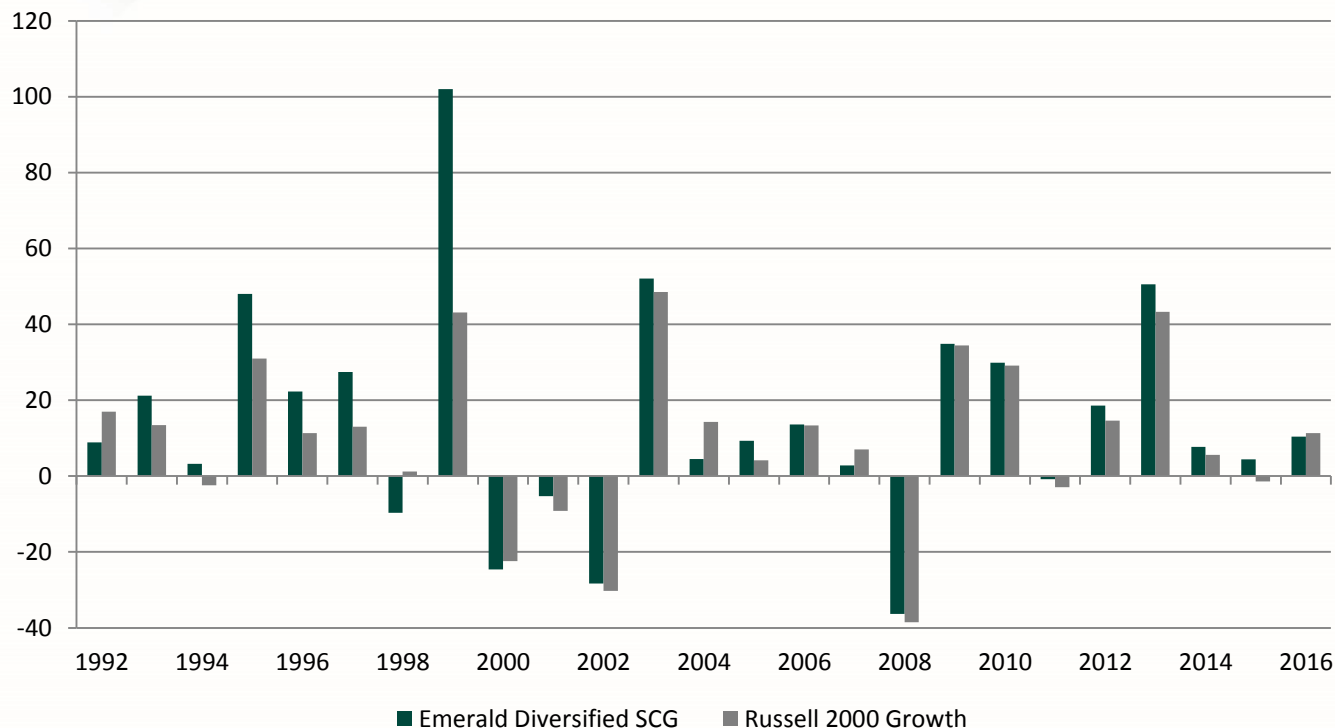
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## Div. Small Cap Growth Calendar Year Performance as of December 31, 2016 (Gross)

**RATE OF RETURN REPORTED GROSS**



Emerald has outperformed in 19 of the 24 full calendar years we have been in business.

Performance Disclaimer - The performance information reflected is approved for "One-on-One" client presentations only. The performance figures do not reflect the deduction of investment fees; the investment advisory fees are described in Part II of Emerald Advisers' Form ADV. For example, if a client placed \$100,000 under management and a hypothetical gross return of 10% were achieved, the investment assets before fees would have grown to \$259,374 in ten years. However, if an advisory fee of 1% of average net assets were charged, investment assets would have grown to \$234,573, or an annual compounded rate of 8.9%. This includes all reinvestment of dividends.

Information contained herein should be used for one-on-one presentations only and should be accompanied by this disclosure.



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# Growth of \$1,000,000 Investment (Gross)

10/01/1992 – 3/31/2017

RATE OF RETURN REPORTED GROSS



Performance Disclaimer - The performance information reflected is approved for "One-on-One" client presentations only. The performance figures do not reflect the deduction of investment fees; the investment advisory fees are described in Part II of Emerald Advisers' Form ADV. For example, if a client placed \$100,000 under management and a hypothetical gross return of 10% were achieved, the investment assets before fees would have grown to \$259,374 in ten years. However, if an advisory fee of 1% of average net assets were charged, investment assets would have grown to \$234,573, or an annual compounded rate of 8.9%. This includes all reinvestment of dividends.

Source: PSN from 9/30/92- 3/31/17, Inception Date: 10/1/92

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## Emerald Foundation

*We support the communities in which we live and work as well as initiatives throughout the country.*

Team Emerald continuously sustains its involvement with both local and national organizations committed to aiding various vital community needs and services. Because of Emerald's diverse group of investment products and extensive research commitments we recognize our obligation to be an involved member of the communities in which we work and live. Since its founding in 1991, Emerald has supported community initiatives, organizations and schools that provide much-needed services to area residents. In 2005, Emerald Asset Management was selected as the *Corporate Citizen of the Year* by the Central Penn Business Journal. The Emerald Foundation is a 501(c)3 nonprofit organization founded to help “give back” to the community. A partial list of organizations supported by the Foundation includes:

ALS	Children Deserve A Chance	Boys and Girls Club Foundation	
American Red Cross	Cal Ripken, Sr. Foundation	KeystoneCare	PA Breast Cancer Coalition
American Cancer Society	Cystic Fibrosis	Lititz Lions Club	St. Jude’s Research Hospital
Boy Scouts of America	Kimmel Cancer Center	Lancaster County CASA	No Greater Sacrifice

The Emerald Foundation joins hands with community and national charitable organizations devoted to encouraging initiatives focusing primarily on Youth, Education and Healthcare Research, both locally and throughout the country. To help meet the challenges facing communities the Foundation encourages initiatives by seeking meaningful collaboration among other nonprofits, local businesses and private individuals helping to promote and strengthen every individual’s commitment to community. In addition to the corporate sponsorships and participation in events, we encourage members of Team Emerald to actively work in their communities to make a difference. Emerald executives have held senior leadership positions in a number of philanthropic and charitable organizations including the Leukemia & Lymphoma Society, Boys Club, Millersville University Foundation, Pennsylvania State University Research Foundation, Berks Conservancy, and KeystoneCare.



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- ✓ In-House Research Orientation
- ✓ 10-Step Repeatable Process
- ✓ Skill Set of Research Analysts
- ✓ Team Approach to Rapidly Changing Sectors
  - Health Care Team
  - Technology Team
- ✓ 20 Years Average Institutional Research Knowledge
- ✓ Longevity of Research Team
- ✓ Always True to Growth and Cap Size Mandates



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Emerald Differentiators

- ✓ Ability to invest, analyze, evaluate and properly value pre-profit opportunities
- ✓ Ability to participate in various opportunities by using a portfolio of up to 120 stocks
- ✓ Examines the entire Russell 2000 universe for idea generation
- ✓ Over 20 years of working to generate alpha using the same Process, Philosophy & Portfolio Management
- ✓ Unequal weighted manager, base weightings on each company's fundamental outlook, company specific risk and risk structure of the existing portfolio
- ✓ Able to participate in all cap size opportunities
- ✓ Unique portfolio construction risk constraints



- ✓ ***Stability of Emerald***
  - ESOP-owned, 24 years as a growing boutique investment manager
  - Low turnover of investment professionals
- ✓ ***Experience***
  - 24 years average equity management investment experience
  - Experienced client services team dedicated to providing client support
- ✓ ***Collaborative Resources***
  - Collection of firm investment staff knowledge provides a blend of independent thinking
- ✓ ***Adherence to Philosophy / Process***
  - Former CIOs with deep understanding of plan sponsor needs
  - Managers remain true to style
  - Managers are invested in the product managed
  - Committed to company-wide culture of compliance
- ✓ ***Performance***
  - Competitive long-term, risk-adjusted returns