

# Small-Cap Fundamental Value

## QUARTERLY STRATEGY UPDATE

Second Quarter 2019

### COMPOSITE PERFORMANCE(%)

	COMPOSITE GROSS OF FEES	COMPOSITE NET OF FEES	RUSSELL 2000® VALUE INDEX
3 MOS.	2.06	1.86	1.38
YTD	15.08	14.62	13.47
1 YR.	-2.02	-2.83	-6.24
3 YR.	10.23	9.34	9.81
5 YR.	7.07	6.22	5.39
ITD (12/31/2008)	14.59	13.55	11.21

The composite performance shown above reflects the Brown Advisory Small-Cap Fundamental Value Composite, managed by Brown Advisory Institutional. Brown Advisory Institutional is a division of Brown Advisory LLC, and Brown Advisory Institutional is a GIPS compliant firm. Please see the end of this for a GIPS compliant presentation.

### REP. ACCOUNT CHARACTERISTICS

	SMALL-CAP FUND. VALUE REP. ACCT.	RUSSELL 2000® VALUE INDEX
Weighted Avg. Market Cap.	\$2.4B	\$2.2B
Weighted Median Market Cap.	\$1.8B	\$2.0B
Dividend Yield	2.0%	2.2%
Portfolio Turnover (3 YR Avg.)	35.4%	--

### REP. ACCOUNT TOP 10 PORTFOLIO HOLDINGS

SECURITY	% PORTFOLIO
Cash & Equivalents	4.8
Albany International Corp. Cl A	3.9
Extended Stay America, Inc.	3.3
Eagle Materials, Inc.	3.2
Nexstar Media Group, Inc.	2.9
Assurant, Inc.	2.6
Virtus Investment Partners, Inc.	2.4
McGrath RentCorp	2.4
GCI Liberty, Inc. Cl A	2.3
Washington Federal, Inc.	2.3
<b>TOTAL</b>	<b>30.1</b>



**J. DAVIDSCHUSTER**  
Portfolio Manager



**MICHAEL POGGI, CFA**  
Associate Portfolio Manager

## Review & Outlook

While small-cap shares posted another solid period of performance during the second quarter, they still materially trail the year-to-date performance of larger-cap companies. Sales growth has generally remained comparable, but earnings growth lagged for the group during the first quarter and is expected to be weak during the second quarter due to margin pressures. Among small-cap companies, growth company shares, led by technology, generally performed better than value. This only served to expand the material difference in year-to-date performance and relative valuation gap between growth and value. From a macro perspective, small-cap investors are focused on the potential relief from a trade deal with China benefiting cyclical as well as the potential impact from an interest rate cut for financials. Within the quarter, small-cap shares saw both a positive and a negative 5% monthly move, the Russell 2000® Index was down approximately 8% quarter and then rallied by 6% during June. This heightened volatility demonstrates the ongoing debate surrounding the macro environment and questions about a potential second half earnings rebound.

The Brown Advisory Small-Cap Fundamental Value strategy posted a decent quarter both on an absolute basis and relative to its benchmark, the Russell 2000® Value Index. Our strategy generated the bulk of the positive relative performance during April and, to a lesser extent, May, but trailed during the sharp June rally. Similar to last quarter, we were generally pleased with the operating performance of our companies.

Dispersion of performance for the Index across sectors was wide, with three sectors posting mid-single-digit positive performance and five posting mid-single-digit negative performance. Energy was the worst performing sector, and industrials were the strongest. Health care was weak, but technology was positive. Our strategy's relative performance was strongest within IT and financials but trailed in energy and consumer discretionary. **Smart Global** and **EchoStar** were the two best-performing stocks in the IT sector for the quarter. EchoStar announced an asset swap with DISH. Both EchoStar and Smart Global also benefited from low expectations for earnings coupled by low absolute levels of valuation, which drove the performance.

Within financials, both **Washington Federal** and **Assurant** posted solid results. Within energy, all four of our investments traded down under the pressure within the sector. We exited our investment in **Roan Resources**, which was part of the Linn Energy split late last year, after it became clear that operational missteps had materially impacted the cash flow profile. **Eagle Materials** completed its strategic review with an announcement that it would spin off its wallboard division and sell its oil and gas proppant business. This breakup, combined with a sizable buyback (20% of the outstanding shares), was well received by the market. **Magellan Health** continues its strategic review and was rumored to be in exclusive discussions with a private equity company. **Extended Stay's** strategic review also continues, but our expectation is that a final announcement will not end in a sale but a division between the property company and the management company. This should free the company to restart its buyback program. Finally, Roan announced that it had hired advisors to respond to potential interest; however, we decided to proceed with the sale of our investment.

New investment activity was strong during the quarter, with five new investments, although all of the positions were small due to liquidity and/or size, so the overall impact to the portfolio was muted. We made two investments in previously held companies: **Culp** and **Continental Building Products**. Both companies' shares had fallen meaningfully following our sales. We also made two new small investments in special purpose acquisition companies (SPACs). In the first case, **Capital Investment Corp.** announced a transaction with a specialty leasing company serving utility contractors. In the second, **South Mountain Merger Corp.** will be pursuing a transaction in the financial technology sector.

Our last investment was in **Viad Corp.**, a company focused on unique destination properties and conventions. As we were starting to build our position, the shares rapidly appreciated, so we paused our buying.

The market continues to consider the operating performance and the challenges that companies face from a potential recession, as well as the positive impacts that are hoped for in a rate cut and possible tariff relief. The diversion between the broader fixed income markets and the equity markets seem to be giving investors contradictory indications, and the rapid changes in high-yield spreads just further the confusion for market participants. Given such an environment, we remain steadfast that an opportunistic approach focused on cash flows, valuation and capital allocation will continue to produce attractive risk-adjusted returns for our investors. **B**

## Sector Diversification

- Our weighting in industrials increased as we built two new positions in Continental Building Products and Viad Corp.
- Our weighting in financials and information technology increased due to the positive performance of our holdings in the sector.

SECTOR	SMALL-CAP FUNDAMENTAL VALUE REP. ACCOUNT (%)	RUSSELL 2000® VALUE INDEX (%)	DIFFERENCE (%)	SMALL-CAP FUNDAMENTAL VALUE REP. ACCOUNT (%)	
	Q2 '19	Q2 '19	Q2 '19	Q1 '19	Q2 '18
Communication Services	6.63	2.93	3.70	7.86	7.79
Consumer Discretionary	14.88	8.51	6.37	16.62	12.42
Consumer Staples	1.75	2.37	-0.62	2.07	2.09
Energy	2.73	5.07	-2.35	3.77	6.12
Financials	32.06	29.55	2.51	30.01	30.18
Health Care	3.42	4.05	-0.63	3.18	3.28
Industrials	20.63	12.12	8.52	18.78	20.47
Information Technology	7.57	11.39	-3.82	7.08	7.14
Materials	3.79	4.23	-0.44	3.52	1.41
Real Estate	4.98	12.14	-7.16	6.30	8.43
Utilities	0.84	7.64	-6.80	0.82	0.68
Unassigned	0.72	--	0.72	--	--

## Quarterly Attribution Detail by Sector

- Information technology, materials and financials were the best-performing sectors for the strategy during the quarter.
- Energy and consumer discretionary were the worst performers for the period. Energy fell due to poor performance from Roan Resources, which we eliminated from the portfolio, while **Regis Corporation** weighed on our consumer discretionary sector performance.

SECTOR	SMALL-CAP FUNDAMENTAL VALUE REP. ACCOUNT		RUSSELL 2000® VALUE INDEX		ATTRIBUTION ANALYSIS		
	AVERAGE WEIGHT (%)	RETURN (%)	AVERAGE WEIGHT (%)	RETURN (%)	ALLOCATION EFFECT (%)	SELECTION AND INTERACTION EFFECT (%)	TOTAL EFFECT (%)
Communication Services	7.20	-0.62	3.16	-7.48	-0.34	0.51	0.16
Consumer Discretionary	15.43	-3.62	8.81	-4.79	-0.41	0.16	-0.25
Consumer Staples	2.12	-1.18	2.49	-8.17	0.05	0.19	0.23
Energy	3.36	-20.98	5.27	-8.65	0.20	-0.49	-0.29
Financials	31.53	6.42	29.23	5.32	0.08	0.31	0.38
Health Care	3.33	-2.62	4.01	-5.03	0.07	0.06	0.12
Industrials	19.78	3.71	11.66	7.70	0.51	-0.72	-0.21
Information Technology	7.21	8.82	11.59	0.88	0.05	0.52	0.57
Materials	3.60	9.65	4.15	-1.78	0.03	0.37	0.41
Real Estate	5.55	-0.56	12.23	1.30	0.03	-0.11	-0.08
Utilities	0.82	5.43	7.40	5.31	-0.23	--	-0.23
Unassigned	0.07	0.00	--	--	0.00	--	0.00
<b>Total</b>	<b>100.00</b>	<b>2.20</b>	<b>100.00</b>	<b>1.37</b>	<b>0.03</b>	<b>0.79</b>	<b>0.83</b>

Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions.

## Quarterly Contribution to Return

- **Albany International** was a top contributor to performance during the period after reporting strong first-quarter results. The company was able to leverage improving sales trends in each of its two business segments to drive over 200 basis points of earnings before interest, taxes, depreciation and amortization (EBITDA) margin expansion year over year. Management also reiterated its full-year 2019 guidance as well as its long-term guidance for its Engineered Composites segment.
- Washington Federal outperformed peers following a strong quarterly earnings release, which led to an increase in earnings estimates for current and out years.
- In May, EchoStar announced that it will transfer its satellite TV business to Dish Network in exchange for shares of DISH. After the transaction, EchoStar will primarily consist of the higher-growth Hughes broadband business.
- During the first quarter of 2019, news broke that a large activist hedge fund had purchased a 9% stake in Eagle Materials. In response to this news, in early April, Eagle's board of directors announced that it was conducting a strategic review of the business as well as authorizing a 10 million share buyback program (over 20% of the outstanding stock). At the end of May, Eagle's board announced the conclusion of its strategic review and has planned to separate the heavy materials business (cement and concrete and aggregates) from the light materials business (wallboard and paperboard) during the first half of 2020. We believe that this separation will unlock meaningful value going forward, and the newly separated businesses will become much more attractive to potential acquirers. In the meantime, the outlook for Eagle's businesses remains favorable, in our view, and management commented during its conference call in May that the construction season has gotten off to a great start this year.
- Assurant posted better-than-consensus results and continued to return significant capital back to its investors through a dividend and an ongoing share repurchase program. Assurant is also evaluating options for its Latin American protection/assistance minority investment.
- Roan Resources was a meaningful detractor to performance during the quarter after the company announced weaker-than-expected first-quarter 2019 results and lowered its production guidance for the full year. This was very disappointing, as it came just eight weeks after the company had reiterated its recently lowered guidance for 2019. Operationally, Roan has struggled over the last few months as recent well results came in below expectations due to improper spacing. The weaker-than-expected production growth and resulting EBITDA placed increased risk to free cash flow generation for the second half of the year, and thus we eliminated the remaining position.
- Regis Corporation shares declined after reporting quarterly results showed lower-than-expected EBITDA due to the company's transition from a company-owned store model to a franchise model. While the near-term results are disappointing, we continue to believe the asset-light franchise model is the right long-term strategy and will improve the company's free cash flow profile.
- **Providence Service Corporation** continues to work through transient cost pressures in its non-emergent patient transport business. Meanwhile, the consolidation of the holding company—that we believe will be a longer-term positive—proved more challenging to complete than management had anticipated. We expect margins to rebound in the second half of 2019 driven by visible rate increases and consolidation headwinds that should abate.
- **CRA International** stock fell meaningfully after the company reported earnings. While CRA did report a deceleration in revenue growth this quarter, the business is performing as we expected, and the new business pipeline continues at record levels.
- After meaningful price appreciation in the first three months of the year, **Nexstar Media Group's** stock traded down this quarter. The primary value drivers of Nexstar's shares are still ahead, with the anticipated closing of the Tribune transaction this fall, significant re-transmission renewals at year end and a highly contested 2020 political race.

SMALL-CAP FUNDAMENTAL VALUE REP. ACCOUNT TOP FIVE CONTRIBUTORS				
TICKER	NAME	AVG. WEIGHT (%)	RETURN (%)	CONTRIBUTION TO RETURN (%)
AIN	Albany International Corp. Class A	3.81	16.10	0.59
WAFD	Washington Federal, Inc.	2.20	21.65	0.43
SATS	EchoStar Corporation Class A	2.10	21.59	0.41
EXP	Eagle Materials Inc.	3.18	10.22	0.31
AIZ	Assurant, Inc.	2.49	12.75	0.31
SMALL-CAP FUNDAMENTAL VALUE REP. ACCOUNT BOTTOM FIVE CONTRIBUTORS				
ROAN	Roan Resources, Inc.	0.38	-78.89	-0.51
RGS	Regis Corporation	2.13	-15.61	-0.32
PRSC	Providence Service Corporation	1.90	-13.93	-0.28
CRAI	CRA International, Inc.	0.89	-23.77	-0.23
NXST	Nexstar Media Group, Inc. Class A	3.62	-6.42	-0.22

Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions.

## Portfolio Activity

- Capital Investment Corp IV is a leading specialty rental provider across the transmission and distribution, telecom, and rail end markets, with a fleet of over 4,000 units of specialty equipment. We believe the company is at an inflection point in growth due to (i) strong secular end market demand, and (ii) strengthened capital that should allow it to make a meaningful investment in its fleet to meet visible unmet demand.
- We reestablished a position in Continental Building Products (CPBX) after exiting our original investment in the third quarter of last year. At the time, we used the proceeds from the sale to build our initial position in Eagle Materials, after Eagle began trading at a discount to Continental for the first time in history. We did not view anything being fundamentally wrong with Continental's business but felt that that market was pricing in the majority of any potential upside at the time. Fast forward a few quarters, and market sentiment on CPBX has reversed. The stock has sold off significantly since we exited our position over housing concerns and a less robust wallboard pricing environment. While we do not disagree with these concerns, we think the market is more than pricing them in, with Continental currently trading at a near 10% free cash flow yield and only 7x EBITDA. We do think the market is overlooking the current tailwinds that CPBX has on the cost side with the recent collapse in old carbon container pricing and a weakening freight market, which should provide a strong boost to EBITDA even if volumes disappoint.
- We repurchased Culp after our exit last year. We continued to actively follow the company and believe the shares have been oversold due to concerns around tariffs and perceived mattress industry headwinds. The company continues to produce strong free cash flow, and we believe it will return to EBITDA growth this year.
- South Mountain Merger Corp. is SPAC formed by an executive team out of the payments industry to make an acquisition in the financial technology sector. The cash raised through the offering has been placed in a trust and invested in Treasury securities. Once an acquisition has been announced, we will have an opportunity to either vote in favor of the acquisition or redeem our investment at the IPO price and our pro rata share of interest from the Treasury securities. Management fronts both the underwriting commission for the IPO as well as the operating costs to identify, perform due diligence and negotiate a transaction. By participating in the IPO, we also have a third option to redeem our investment and hold on to a warrant in the acquired entity. We view our investment in the SPAC as a low-risk way of obtaining access to a potentially attractive transaction in the financial technology sector. \
- Viad (VVI) is a legacy conglomerate that has divested all but two remaining niche businesses: GES, a dominant player in the convention and exhibition services business, and Pursuit, a specialty travel lodge operator in national parks in the U.S. and Canada. Since the current CEO took over four years ago, VVI has invested substantially to refresh and grow the Pursuit business and has a number of projects coming online during 2019. As the capital requirements for these growth initiatives are completed, VVI's free cash flow is expected to increase to almost \$4.50 per share in 2020. While the overall business trades at 9.7x 2018 and 8.8x 2019 EBITDA, management believes that value could be unlocked through an outright spin of Pursuit as a stand-alone entity. In the meantime, management completed its first sizable buyback program and has already started on its second in order to return capital to shareholders.
- We sold our investment in **Lifetime Brands**, as we were concerned the projected cost savings and cash flow from an announced acquisition were not materializing. The company was unable to deliver organic growth from its legacy business, while also unable to filament the acquisition synergies and make the cost reductions we believed to be possible.
- We sold our small position in **PotlatchDeltic** due to weakening lumber prices and the potential for a dividend cut.
- Operationally, Roan Resources has struggled over the last few months as recent well results came in below expectations due to improper spacing. The weaker-than-expected production growth and resulting EBITDA placed increased risk to free cash flow generation for the second half of the year, and thus we eliminated the remaining position.

SMALL-CAP FUNDAMENTAL VALUE REP. ACCOUNT PORTFOLIO ACTIVITY		
ADDITIONS		SECTOR
CIC	Capitol Investment Corp. IV Class A	Financials
CBPX	Continental Building Products, Inc.	Industrials
CULP	Culp, Inc.	Consumer Discretionary
SMMCU	South Mountain Merger Corp Units Cons of 1 Sh + 1/2 Wt	Unassigned
VVI	Viad Corp	Industrials
DELETIONS		SECTOR
LCUT	Lifetime Brands, Inc.	Consumer Discretionary
PCH	PotlatchDeltic Corporation	Real Estate
ROAN	Roan Resources, Inc.	Energy

Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions.

# Small-Cap Fundamental Value Composite

Year	Composite Total Gross Returns(%)	Composite Total Net Returns (%)	Benchmark Returns(%)	Composite 3-Yr Annualized Standard Deviation(%)	Benchmark 3-Yr Annualized Standard Deviation(%)	Portfolios in Composite at End of Year	Composite Dispersion (%)	Composite Assets (\$USD Millions)	GIPS Firm Assets (\$USD Millions)
2018	-12.3	-13.1	-12.9	13.4	15.8	41	0.2	1,334	30,529
2017	13.3	12.4	7.8	12.2	14.0	48	0.3	1,808	33,155
2016	23.4	22.4	31.7	13.0	15.5	46	0.3	1,660	30,417
2015	-4.6	-5.3	-7.5	12.3	13.5	45	0.2	1,186	43,746
2014	7.1	6.3	4.2	10.7	12.8	41	0.4	1,002	44,772
2013	42.0	41.0	34.5	14.1	15.8	32	0.3	693	40,739
2012	23.0	21.9	18.1	17.7	19.9	13	0.1	269	26,794
2011	2.9	1.9	-5.5	20.6	26.1	9	0.6	190	19,962
2010	28.3	26.7	24.5	NA	NA	Five or fewer	N/A	61	16,859
2009	25.7	24.0	20.6	NA	NA	Five or fewer	N/A	30	11,058

Brown Advisory Institutional claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Brown Advisory Institutional has been independently verified for the periods from January 1, 1993 through December 31, 2018. The Verification reports are available upon request. 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. Verification does not ensure the accuracy of any specific composite presentation. GIPS® is a registered trademark owned by CFA Institute.

1. \*For the purpose of complying with the GIPS standards, the firm is defined as Brown Advisory Institutional, the Institutional and Balanced Institutional asset management divisions of Brown Advisory. As of July 1, 2016, the firm was redefined to exclude the Brown Advisory Private Client division, due to an evolution of the three distinct business lines.
2. The Small-Cap Fundamental Value Composite includes all discretionary portfolios invested in the Small Cap Fundamental Value Strategy. The strategy invests primarily in U.S. smaller market capitalization equities that generate high levels of free cash flow and are currently undervalued by the market. The minimum account market value required for composite inclusion is \$1.5 million.
3. This composite was created in 2009.
4. The benchmark is the Russell 2000® Value Index. The Russell 2000® Value Index measures the performance of the small-cap value segment of the U.S. equity universe. It includes those Russell 2000® Index companies with lower price-to-book ratios and lower forecasted growth values. The Russell 2000® Value Index is constructed to provide a comprehensive and unbiased barometer for the small-cap value segment. The Index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect value characteristics. The Russell 2000® Value Index and Russell® are trademarks/service marks of the London Stock Exchange Group companies. An investor cannot invest directly into an index. Benchmark returns are not covered by the report of the independent verifiers.
5. The dispersion of annual returns is measured by the equal weighted standard deviation of portfolio returns. The composite dispersion is not applicable (N/A) for periods where there were five or fewer accounts in the composite for the entire period.
6. Gross-of-fees performance returns are presented before management fees but after all trading commissions, and gross of foreign withholding taxes (if applicable). Net-of-fee performance returns reflect the deduction of actual management fees and all trading commissions. Other expenses can reduce returns to investors. The standard management fee schedule is as follows: 1.00% on the first \$25 million; 0.90% on the next \$25 million; 0.80% on the next \$50 million; and 0.70% on the balance over \$100 million. Further information regarding investment advisory fees is described in Part II A of the firm's form ADV. Actual fees paid by accounts in the composite may differ from the current fee schedule.
7. The three-year annualized ex-post standard deviation measures the variability of the composite (using gross returns) and the benchmark for the 36-month period ended on December 31. The 3 year annualized standard deviation is not presented as of December 31, 2009 and December 31, 2010 because 36 month returns for the composite were not available (NA).
8. Valuations and performance returns are computed and stated in U.S. Dollars. All returns reflect the reinvestment of income and other earnings.
9. A complete list of composite descriptions, policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.
10. Past performance is not indicative of future results.
11. This piece is provided for informational purposes only and should not be construed as a research report, a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell or hold any of the securities mentioned, including any mutual fund managed by Brown Advisory.

## Disclosures

The views expressed are those of the author and Brown Advisory as of the date referenced and are subject to change at any time based on market or other conditions. These views are not intended to be and should not be relied upon as investment advice and are not intended to be a forecast of future events or a guarantee of future results. Past performance is not a guarantee of future performance and you may not get back the amount invested. The information provided in this material is not intended to be and should not be considered to be a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell, or hold any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. To the extent specific securities are mentioned, they have been selected by the author on an objective basis to illustrate views expressed in the commentary and do not represent all of the securities purchased, sold or recommended for advisory clients. The information contained herein has been prepared from sources believed reliable but is not guaranteed by us as to its timeliness or accuracy, and is not a complete summary or statement of all available data. This piece is intended solely for our clients and prospective clients, is for informational purposes only, and is not individually tailored for or directed to any particular client or prospective client.

Composite performance is based on the Brown Advisory Small-Cap Fundamental Value Composite and was obtained through FactSet®. All information and returns shown are as of 6/30/2019 for each period. Returns greater than one year are annualized. Past performance is not indicative of future results. Representative account characteristics and top 10 holdings were obtained through FactSet. This information is based on a representative Small-Cap Fundamental Value account and is provided as supplemental information. Account characteristics exclude cash and cash equivalents; top 10 holdings list excludes cash and cash equivalents. FactSet® is a registered trademark of FactSet Research Systems, Inc.

Sector diversification, attribution, top and bottom five contributors and portfolio additions and deletions source: FactSet. The portfolio information provided is based on a representative Small-Cap Fundamental Value account and is provided as supplemental information. References to specific securities are for illustrative purposes only and do not represent all of the securities purchased, sold or recommended for advisory clients. The security returns listed represent the period of when the security was held during the quarter. Total portfolio return figures provided reflect the sum of the returns of the equity holdings in the representative account portfolio due to price movements and dividend payments or other sources of income, and exclude cash. Performance figures may vary from actual portfolio performance, as calculations are based on end-of-day security prices and do not incorporate the actual cost basis or sale price of individual securities. Top five and bottom five contributors exclude cash and cash equivalents. Sector diversification and attribution excludes cash and cash equivalents. Sectors are based on the Global Industry Classification Standard (GICS®) classification system. GICS® is a registered trademark of MSCI and Standard & Poor's Financial Services LLC. The individual amounts shown for top ten holdings, sector diversification and quarterly attribution may not sum to the total amount shown due to rounding. Please see composite disclosure statement above for additional information.

### Terms and Definitions for Representative Account Calculations

All financial statistics and ratios are calculated using information from FactSet as of the report date unless otherwise noted. **Market Capitalization** refers to the aggregate value of a company's publicly-traded stock. Statistics are calculated as follows: **Weighted Average**: equals the average of each holding's market cap, weighted by its relative position size in the portfolio (in such a weighting scheme, larger positions have a greater influence on the calculation). **Weighted Median**: the value at which half the portfolio's market capitalization weight falls above and half falls below. **Portfolio Turnover (3 yr. avg)** is the ratio of the lesser of the portfolio's aggregate purchases or sales during a given period, divided by the average value of the portfolio during that period, calculated on a monthly basis. **Dividend Yield** is the ratio of a stock's projected annual dividend payment per share for the fiscal year currently in progress, divided by the stock's price. The **Average Weight** of a position or sector refers to the daily average for the period covered in this report of a stock's value as a percentage of the portfolio. The **Total Return** of an equity security is the sum of the return from price movement and the return due to dividend payments or other sources of income. Standard benchmark-, sector- and portfolio-level returns are the sums of the weights of each security multiplied by its return, summed and calculated daily and summed over the period covered by the report or by an otherwise-noted period. All of the above ratios for a portfolio are expressed as a weighted average of the relevant ratios of each portfolio holding, EXCEPT for P/E ratios, which are expressed as a weighted harmonic average. **EBITDA** is the Earnings Before Interest, Taxes, Depreciation and Amortization. An approximate measure of a company's operating cash flow based on data from the company's income statement. **Allocation Effect** measures the impact of the decision to allocate assets differently than those in the benchmark. **Selection and Interaction Effect** reflects the combination of selection effect and interaction effect. Selection effect measures the effect of choosing securities that may or may not outperform those of the benchmark. Interaction effect measures the effect of allocation and selection decisions (i.e., did we overweight the sectors in which we underperformed). **Total Effect** reflects the combination of Allocation, Selection and Interaction effects. Totals may not equal due to rounding. **Contribution To Return** is calculated by multiplying a security's beginning weight as a percentage of a portfolio by that security's return for the period covered in the report. Numbers may not total due to rounding.