

# Small Cap Core Plus Strategy

## Equity Long/Short



September 2018

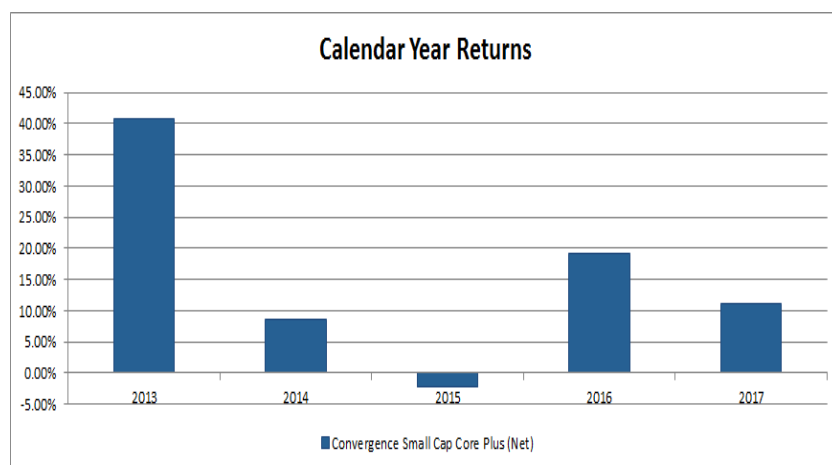
**Differentiated Long/Short Equity.** The Convergence Small Cap Core Plus Strategy seeks to add value over traditional long-only approaches by capturing the performance differential between its long and short holdings based on a proprietary, fundamental stock ranking process.

### Performance Summary (net of fees) Through September 30, 2018

	1 Month	YTD	Trailing 1 Year	Trailing 3 Year	Trailing 5 Year	Annualized Since Inception 5/01/2012
Convergence Small Cap Core Plus (Net)	-2.12%	5.27%	7.58%	12.88%	10.36%	13.60%
Morningstar Long-Short Equity	-0.03%	2.09%	5.66%	5.43%	3.97%	4.48%
HFRX Equity Hedge Index	-1.63%	-0.90%	1.79%	3.22%	2.40%	3.04%
Russell 2000	-2.41%	11.51%	15.24%	17.12%	11.07%	13.62%

### Periodic Returns (net of fees) May 2012 - September 2018

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
<b>Convergence Small Cap Core Plus Strategy (net)</b>													
2018	5.73	-8.34	1.39	-2.41	3.49	0.28	2.62	5.31	-2.12	-	-	-	5.27
2017	-0.46	-1.12	0.53	0.84	-2.41	3.54	1.80	-0.37	6.39	2.42	0.40	-0.61	11.19
2016	-5.85	0.03	8.12	-1.11	0.03	-0.83	6.61	-2.15	1.89	-2.16	10.09	4.26	19.23
2015	-1.83	4.47	2.39	-3.52	1.22	-0.16	0.30	-5.05	-2.74	7.50	1.04	-5.12	-2.27
2014	-2.37	3.33	0.54	0.24	0.84	1.49	-3.74	5.17	-5.61	5.72	2.15	1.07	8.52
2013	6.09	0.12	6.50	-1.52	5.47	-1.50	7.23	-3.13	5.84	6.28	4.49	-0.42	40.71
2012	-	-	-	-	-6.56	5.30	1.96	3.58	0.42	-0.51	1.87	2.91	8.84 <sup>1</sup>



### Portfolio Statistics (9/30/2018)

Sector Weight %	Convergence Small Cap Core Plus Strategy			Russell 2000
	Total Portfolio	Long	Short	
Communication Services	1.7	3.4	1.8	3.3
Consumer Discretionary	11.3	16.5	5.2	12.3
Consumer Staples	2.5	3.7	1.2	2.7
Energy	4.5	6.6	2.1	4.8
Financials	16.7	24.5	7.8	17.4
Health Care	15.4	22.7	7.4	16.5
Industrials	14.4	21.1	6.6	15.1
Information Technology	15.3	21.5	6.2	13.9
Materials	3.9	5.7	1.8	4.2
Real Estate	6.6	9.7	3.1	6.9
Utilities	3.0	4.4	1.4	3.1
<b>Total</b>	<b>95.2</b>	<b>140.0</b>	<b>44.7</b>	<b>100.0</b>
Price/Earnings Ratio	13.0	20.0	-152.2	47.4
Price to Book	2.28	2.11	1.84	2.11
Beta	1.17	1.15	0.96	1.03
Return on Assets	11.0%	6.4%	-3.6%	-0.3%
EPS Growth*	10.1%	8.5%	4.4%	7.5%
Capitalization (millions)	\$3,741	\$3,280	\$2,298	\$2,442
Number of Holdings	320	145	175	2038

\*5 year trailing. Earnings Growth is not a measure of future performance.

### Top Holdings (%)

Long		Short	
Unisys Corp	2.05	Colfax Corp	-0.41
Zions Bancorp	1.80	Workiva Inc	-0.41
Syntel Inc	1.79	Inphi Corp	-0.40
Insperty Inc	1.78	Lhc Group Inc	-0.40
Integer Hldgs Corp	1.75	Brinks Co	-0.39

Strategy holdings and sector allocations are as of 9/30/2018, are subject to change and should not be considered a recommendation to buy or sell any security.

**Past performance is not indicative of future results.**

# Convergence Small Cap Core Plus Strategy

## Appendix

### Convergence Small Cap Core Plus Composite (as of 6/30/18)

	Gross of Fees Return	Net of Fees Return	Benchmark Return (Russell 2000)	Composite Dispersion (Full Period)	Number of Separate Accounts (End of Period)	Total Composite Assets (End of Period)	Total Firm Assets (End of Period)	3 Year Annualized Standard Deviation (Composite)	3 Year Annualized Standard Deviation (Russell 2000 Index)
2012 (5/01/2012 - 12/31/2012)	9.53%	8.84%	5.10%	N/A*	1	\$1,631,918	\$217,790,421	N/A	N/A
2013	42.03%	40.71%	38.82%	N/A*	1	\$30,847,290	\$492,677,907	N/A	N/A
2014	9.63%	8.52%	4.89%	N/A*	1	\$72,769,307	\$553,692,556	N/A	N/A
2015	-1.30%	-2.27%	-4.41%	N/A*	1	\$76,858,907	\$444,781,578	13.21	14.16
2016	20.41%	19.23%	21.31%	N/A*	1	\$80,507,135	\$398,488,819	13.73	15.99
2017	12.26%	11.19%	14.65%	N/A*	1	\$67,199,604	\$409,273,927	12.92	14.11
2018 (as of 6/30/2018)	0.01%	-0.48%	7.66%	N/A*	1	\$40,755,259	\$405,037,351	13.98	14.06

\*N/A is shown because there were five or fewer portfolios in the composite for the full year.

## Disclosures

### Past performance is not indicative of future results.

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express performance returns and assets. Performance results are presented both net and gross of management fees and include the reinvestment of income. From the inception of each composite until 01/01/11, Time Weighted Return was compounded on a monthly basis. Beginning 01/01/11 through present, Time Weighted Return was compounded on a daily basis.

### Definition of the Firm

The firm is defined as Convergence Investment Partners, LLC ("Convergence Investment Partners"). Convergence Investment Partners is an investment adviser registered with the Securities and Exchange Commission. Registration does not imply a certain skill level or training. Convergence Investment Partners is an active equity manager dedicated to managing U.S. equity strategies. Convergence uses its proprietary process to select and rank investments, construct portfolios, and help manage risk in each of its products. Convergence strategies are based on corporate fundamentals supported by compelling empirical data applied within each industry group. The name, Convergence, communicates the firm's philosophy of a fundamental stock picking process that incorporates the intersection of sound investment theory executed in a disciplined environment utilizing advanced technology. The total firm assets will be defined as all discretionary and non-discretionary assets under management within Convergence Investment Partners. This includes primary investment management accounts and sub-advisory investment management accounts, as well as both fee-paying and non-fee paying assets.

### The Convergence Small Cap Core Plus Composite

The creation date of the composite is May 1, 2012. The objective of Convergence Small Cap Core Plus is to achieve long-term capital growth. The strategy seeks to achieve its investment objective by establishing long and short positions in equity securities of domestic and foreign companies. The strategy focuses primarily on companies with small to medium market capitalizations, although the strategy may establish long and short positions in companies of any market capitalization. The strategy will hold long (purchase) securities that the Adviser believes will outperform the market, and will sell short securities expected to underperform the market.

For comparison purposes, the Convergence Small Cap Core Plus Composite is measured against the Russell 2000® Index as a primary index. Morningstar Long-Short Equity and HFRX Equity Hedge Index are shown as secondary benchmarks. Individuals cannot invest directly in any index and index returns do not reflect fees and expenses. Comparison of the Composite to benchmarks is for illustrative purposes only and the volatility of the benchmarks may be materially different from the volatility of the Composite due to varying degrees of diversification and / or other factors.

Since Inception, Convergence Investment Partners has adopted the following Significant Cash Flow Policy for both composites. If a single or cumulative cash flow(s) are equal or greater than 20 percent of the total account value on the day the cash flow(s) is initiated. If these circumstances exist, the account will be removed from the composite and added back to the composite on the first day of the month following the date that the account is fully invested (defined as being within ten percent of the model portfolios cash target).

The three year annualized standard deviation is calculated using 36 monthly returns to end of period.

### Fees and Related

The full fee schedule for all Convergence Investment Partners products is available upon request. It should be noted that the collection of fees produces a compounding effect on the total rate of return net of management fees. Convergence Investment Partners Convergence Small Cap Core Plus Strategy charges 1.00% annually, and is assessed .0833% on a monthly basis. Convergence Investment Partners reserves the right to modify fee structures on an account by account basis at its discretion.

Gross of fee performance returns are presented before management Gross of fee performance returns are presented before management fees but after all trading expenses. No other fees or expenses are deducted for gross of fee performance. Net of fee performance returns are presented after actual standard management fees and all trading expenses. No other fees are deducted aside from trading and management fees for the calculation of net of fee performance. Valuations are net of all applicable withholding taxes. Portfolios are valued in accordance with GIPS® Valuation Hierarchy Principles. More information regarding standard investment management fees is available upon request.

### Additional Notes and Disclosures

The use of derivatives may be employed for purposes of currency hedging and or to equitize the cash position of the portfolios. Derivatives have not been used to date, and it is expected that any future use would be on a limited basis. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Full Calendar year dispersion is calculated using net-of-fee returns with an equal weighted standard deviation methodology.

The minimum account size for composite inclusion is \$5,000,000.

Current performance may be lower or higher than return data quoted herein. The money management firm can be contacted directly at 262-240-0117 or visit [www.investcip.com](http://www.investcip.com).

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