Fourth Quarter 2015

Small-Cap Portfolio Commentary

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We exited the year with fanfare, as our small-cap composite outperformed the Russell 2000 in the fourth quarter by 481 basis points, up 8.40% vs. 3.59%. We were ahead of the Index in all three months. This is notable, as the quarter included months when the market was up more than 5% and down more than 5%. We did consistently well in very different and changing market environments. Stock selection drove performance, and we overcame the 115 bps that REITs and Biotechnology stocks contributed to the Index. These are both industries where we have zero portfolio exposure.

Fourth Quarter Stock Performance Review

We had four stocks that were up 40% or more. Specialty pharmaceutical company Pacira Pharmaceuticals (PCRX) (+87%); diabetes pump manufacturer Insulet (PODD) (+46%); apparel and accessories retailer Francesca's Holdings (FRAN) (+42%); and organic foods manufacturer SunOpta (STKL) (+41%).

Fourth Quarter top three contributors

Ticker	*Company*	*Description*	*Contribution (%)*
PCRX	Pacira Pharmaceuticals	specialty pharmaceuticals	2.05
PODD	Insulet Corp.	diabetes pumps	0.94
BECN	Beacon Roofing	roofing materials	0.92
		Total	3.91%

All of this stock price appreciation translated into healthy contributions to performance from our big winners. Our top 3 stocks generated a total of 391 bps.

Pacira sold off late in third quarter over an FDA warning letter that hamstrung their marketing efforts, tighter spending controls from hospital pharmacists, and fears over the political response to perceived pharmaceutical price gouging.

Investors bid the stock up when sales trends started to accelerate, and the FDA withdrew its warning letter, giving investors confidence that sales momentum would continue.

Investors reacted favorably to Insulet's third quarter results, which showed a nice increase in new patient starts. Investments in marketing and sales have also been made to boost customer retention and to sign up other partners to use the OmniPod as a drug delivery vehicle.

Francesca's is showing a turn in same store sales as customers react favorably to new merchandise. Traffic is picking up both in the bricks and mortar stores and online.

SunOpta stock bounced back from the being hit hard late in the third quarter, when the need to finance a poorly understood acquisition right when credit markets seized up caused a sell-off. The company reported that its financing is now locked in, investors better understand the acquisition accretion, and management plans to deleverage aggressively.

As the synergies from Beacon Roofing's acquisition of Roofing Supply Group (RSG) became even greater than initially expected, investors bid up the stock.

Fourth Quarter

	Contribution (%)
Best	3.91
Worst	-1.09
Best Minus Worst	2.82
Rest of Portfolio	5.58
Total Daruma	8.40
Russell 2000	3.59
Return Difference	4.81

Year to Date

	Contribution (%)
Best	3.99
Worst	-5.36
Best Minus Worst	-1.37
Rest of Portfolio	-3.80
Total Daruma	-5.17
Russell 2000	-4.41
Return Difference	-0.76

Return by Sector for the Fourth Quarter (%)

Sector	*Daruma*	*R2000*	*Variation*
Consumer Staples	40.72	4.65	36.07
Consumer Discretionary	12.69	-2.65	15.34
Health Care	24.90	9.76	15.14
Energy	-2.74	-10.69	7.95
Materials & Processing	10.33	4.47	5.86
Producer Durables	7.50	2.85	4.65
Financial Services	-2.46	3.36	-5.82
Utilities	0.00	5.99	-5.99
Technology	-0.82	5.88	-6.70

Contribution by Sector for the Fourth Quarter (%)

Sector	*Daruma*	*R2000*	*Variation*
Consumer Discretionary	2.28	-0.35	2.63
Producer Durables	1.69	0.36	1.33
Health Care	2.68	1.43	1.25
Materials & Processing	1.10	0.26	0.84
Consumer Staples	0.79	0.14	0.65
Energy	-0.02	-0.22	0.20
Utilities	0.00	0.29	-0.29
Technology	-0.04	0.80	-0.84
Financial Services	-0.08	0.88	-0.96
Total	**8.40**	**3.59**	**4.81**

Source: FactSet

Fourth Quarter top three detractors

Ticker	*Company*	*Description*	*Contribution (%)*
DGI	DigitalGlobe	satellite imagery & analysis	-0.43
OXM	Oxford Industries	branded specialty apparel	-0.36
STNG	Scorpio Tankers	refined petroleum transportation	-0.30
		Total	-1.09%

In sharp contrast, we had three stocks that were down 10% or more: Satellite imagery and analysis provider DigitalGlobe (DGI) (-18%); branded specialty apparel retailer Oxford Industries (OXM) (-13%); and refined petroleum transportation company Scorpio Tankers (STNG) (-11%).

DigitalGlobe sold off on a weaker than expected third quarter report. Commercial revenues fell short, and the company is restructuring to go to market more cost effectively. Investors are also concerned that DGI will lose market share to small satellites -- fears we believe are overblown.

While Oxford delivered sturdy earnings results, investors punished it along with other apparel companies given the weak retail sales trends and abysmal mall traffic this holiday season. Tommy Bahama and Lilly Pulitzer are both Oxford brands that are managed well and are not overly dependent on holiday sales.

Despite a good third quarter report, Scorpio Tankers stock was dragged down along with other energy stocks.

Spot rates for refined petroleum product tankers are strong, and STNG's cash flows are rising, but investors didn't bother to make the distinction.

We met our goal of keeping losers small and letting our winners run.

The rest of the portfolio generated 558 bps, beating the Index, a sign of performance quality.

Fourth Quarter Portfolio Changes

We bought one new stock, MasTec (MTZ), an infrastructure construction company focused on telecommunications and pipelines. MTZ had a rough 2015 with project deferrals hurting sales profits while causing backlogs to balloon. We expect 2016 to return to a normal relationship between sales and backlog. The stock is cheap and insiders are bullish.

We sold digital marketing software provider Constant Contact (CTCT) after its acquisition by Endurance International Group was announced. We let managed care services provider Wellcare (WCG) go as price targets were hit and expected future growth is moderating.

2015 Annual Performance Review

We lagged the Russell 2000 by 76 bps, closing out the year down 5.17%.

It was a challenging year, which started off badly in the first quarter and bottomed on a relative basis in July, when we trailed by 837 bps points. Our recovery in the back half of the year was heartening, however.

The first quarter was hit hard, with a single stock costing us 223 bps -- by no means an everyday occurrence. Since 2002 only 2 stocks have detracted more (one in 2011 and one in 2002), if we exclude 2008, given that year's extreme 30%+ market meltdown.

While we trailed slightly in the second and third quarters as well, the portfolio started to behave a lot better relatively when the market regime shifted late in the summer.

Performance Highlights for the year

Our sizing skill (contribution of our adds and trims) was our second best in 15 years, turning positive after 5 consecutive negative years.* Better short-term blocking and tackling are the building blocks for long-term performance.

One notable example of the benefits of knowing our companies well: Pacira Pharmaceuticals was down 15% for 2015, yet was a *positive* contributor of 66 basis points for the year. Our adds and trims generating performance in such a volatile stock confirms our better execution this year.

In addition, our sell discipline, a usual source of alpha for us, once again contributed to performance. Our sell discipline has generated alpha in 10 out of the last 15 years.*

We weathered the period of underperformance by sticking to our discipline, remaining focused, and not compromising our investment process.

Our Best Stocks in 2015

Ticker	*Company*	*Description*	*Contribution (%)*
TRAK	Dealertrack Technologies	auto dealer software	1.53
BECN	Beacon Roofing Supply	roofing materials	1.41
ASGN	On Assignment	professional staffing	1.05
			Total 3.99%

Dealertrack was acquired in June at a substantial 58% premium. Beacon Roofing made a well received and highly accretive acquisition, pricing has recovered and demand remains robust. On Assignment has reported good results and made a smart acquisition of a high-growth digital creative and marketing agency.

Return by Sector for 2015 (%)

Sector	*Daruma*	*R2000*	*Variation*
Producer Durables	11.15	-13.31	24.46
Materials & Processing	-0.08	-15.26	15.18
Energy	-35.15	-43.38	8.23
Consumer Discretionary	-9.14	-10.22	1.08
Utilities	0.00	-1.00	1.00
Financial Services	-9.10	0.60	-9.70
Technology	-9.49	0.77	-10.26
Health Care	-4.15	8.12	-12.27
Consumer Staples	-45.50	0.41	-45.91

Contribution by Sector for 2015 (%)

Sector	*Daruma*	*R2000*	*Variation*
Producer Durables	1.48	-1.66	3.14
Materials & Processing	0.05	-0.89	0.94
Energy	-0.86	-1.46	0.60
Consumer Discretionary	-1.59	-1.61	0.02
Utilities	0.00	0.00	0.00
Financial Services	-0.46	0.08	-0.54
Consumer Staples	-1.16	0.01	-1.17
Health Care	-0.69	0.93	-1.62
Technology	-1.94	0.19	-2.13
Total	-5.17	-4.41	-0.76

Source: FactSet

** Source: Cabot Research*

Our Worst 3 Stocks in 2015

Ticker	*Company*	*Description*	*Contribution (%)*
LL	Lumber Liquidators Holdings	hardwood flooring retailer	-2.23
DGI	DigitalGlobe	satellite imagery & analysis	-1.97
STKL	SunOpta	organic foods	-1.16
			Total -5.36%

Despite the healthy contribution of our winners, our biggest detractors cost us more, a total of 536 bps. These price decliners were all due to very stock specific misses.

Lumber Liquidators was hit hard after a 60 Minutes episode aired questioning the safety of its products, which subsequently hurt sales. DigitalGlobe's sales have been disappointing all year, resulting in lower guidance. SunOpta continued to suffer from operational glitches, and from an ill-timed, though accretive acquisition.

The rest of the portfolio beat the Index, down 380 bps. vs. 441 bps. For most of the year, the portfolio struggled to beat the Index, so we are encouraged by this reversal.

2015 Portfolio Changes

We bought seven new positions in the year, and sold eight, two of which were acquired by other companies.

While it is typical for our holdings turnover to decline late in a market cycle, we remain committed to increasing the flow of new ideas, which is the lifeblood of our investment process. Our speed to closure has increased and the size of our idea funnel has widened, both of which are promising leading indicators.

Market Outlook

A high-growth, narrow, momentum market has morphed into one becoming increasingly buffeted by macro factors. Emerging markets weakness, geopolitical uncertainty, rising U.S. interest rates as well as a rising dollar are causing investors to rotate to more defensive industries and sectors. Absolute valuations still remain expensive, but small-caps look very cheap relative to large-caps, the cheapest they have looked since the tech bubble.

Though relatively more attractive, small-caps will be hurt more should investors aggressively adopt a "risk off" stance. Defensive groups are currently among the market's most expensive. When REITs, which we do not invest in, and other defensive and income producing industries like Utilities do well, we historically have had a tendency to lag.

We exit the year with lots of dry powder for new ideas, and plan to take advantage of market dislocations to get the portfolio further invested. Bad markets give us great opportunities to buy good businesses at great prices, and we relish the opportunity to do so.

Noteworthy Positions

Our Best Three Contributors

Company	Quarter End Position Size	Contribution
Pacira Pharmaceuticals	4.1%	2.05%
Insulet Corp.	3.0%	0.94%
Beacon Roofing	4.0%	0.92%
Total of Best Three		**3.91%**

Pacira Pharmaceuticals (PCRX) - specialty pharmaceuticals
Pacira stock had a wild ride in 2015. The first three quarters of 2015 seemed to be filled with negative catalysts. Among the negative catalysts were: the impact of regulatory headwinds (an FDA Warning Letter issued in September 2014 caused Pacira to change how it marketed its drug Exparel), pushback from hospital pharmacists who were trying to reduce their hospital's drug spend, and the "tweet heard round the [healthcare] world" (Hillary Clinton's tweet about pharma price gouging). We felt the selloff was way overdone (we added to our position near the bottom) and that there were several imminent positive catalysts for Pacira. First, Pacira took the highly unusual step of suing the FDA over the Warning Letter, which Pacira believed was unfounded based on all the data that was generated from the clinical trials for Exparel. And second, our checks suggested that sales of Exparel had turned the corner and evidence of re-acceleration would be shown when the company reported third quarter results in late October. Indeed, third quarter results and commentary about the fourth quarter were positive sending the stock up. Then, on December 15, Pacira announced a very favorable resolution of its dispute with the FDA, and that news also pushed Pacira stock up.

Insulet Corp. (PODD) - diabetes pumps
Insulet stock was up 46% in the quarter. The benefits of new management's investment in sales, marketing and training are taking hold. When the company reported third quarter results, management highlighted a sharp increase in new patient starts in the U.S., and expressed confidence that new patient starts would continue to be strong. In addition, management believes that the investments in sales, marketing and training could also help reduce attrition, which would benefit long term revenue growth. Lastly, Insulet is making strides at growing its drug delivery business, where other drug companies use Insulet's unique OmniPod to deliver their own drugs. Insulet has one such relationship with Amgen, but has signed development deals to explore drug delivery relationships with other drug companies.

Beacon Roofing (BECN) - roofing materials distributor
Beacon Roofing continued to build on this year's momentum and was up 26% in the quarter. BECN reported earnings that were the strongest EPS in the history of the company. Gross margin for the quarter improved over 180 basis points from a year ago with revenues increasing 8%, foreshadowing a favorable competitive and operational environment going forward. This quarter demonstrated a strong roofing distributor's environment, while further validating our thesis that BECN will be able to outperform its competitors. Additionally, management strengthened their conviction regarding future synergies with the Roofing Supply Group (RSG) acquisition while also highlighting the improving environment for future M&A.

Our Worst Three Detractors

Company	Quarter End Position Size	Contribution
DigitalGlobe	3.0%	-0.43%
Oxford Industries	2.8%	-0.36%
Scorpio Tankers	2.6%	-0.30%
Total of Worst Three		**-1.09%**

DigitalGlobe (DGI) - satellite imagery & analysis
DigitalGlobe reported weaker than expected results for the third quarter, lowered its full year guidance, and announced modifications to its operating strategy. Financial results continue to be impacted by weakness in DGI's commercial business – internet mapping companies have yet to buy DGI's latest products, and energy companies have decreased their spending. Management reduced full year guidance after determining approximately $45M in revenues was not going to come in this year. DGI is restructuring its operating segments, cutting costs, and changing the focus of its product offerings – based upon our research these changes make a lot of sense. Although the quarter was characterized by investors as a "tough" one, we note the bulk of DGI's revenues remain tied to contractual government spending and the company earned greater than 50% EBITDA margin. DGI has been unable to meet customer demand for imaging because of its government contracts – the other side of the sword. During 2016 DGI will launch a new satellite, WorldView4, which should lead to increased revenues and free cash flows. We continue to believe DGI offers a tremendous risk-reward scenario.

Oxford Industries (OXM) - branded specialty apparel
Oxford's two major brands reacted differently to the challenging retail environment this season. Lilly Pulitzer, 20% of revenues, beat expectations again, displaying resiliency and continued growth following Oxford's investments in the brand earlier this year. Tommy Bahama, 70% of revenues, was negatively impacted by the industry-wide reduction in traffic, mostly driven by the record-breaking warm Fall. While we believe the weather-related pressures on Tommy Bahama will continue into the winter season, we expect next Spring and Summer to be a turning point, as the new design team is set to complete Tommy Bahama's brand repositioning and Lilly Pulitzer will show continued strength.

Scorpio Tankers (STNG) - refined petroleum transportation
Scorpio Tankers reported a reasonably good third quarter, and provided fourth quarter guidance that was just slightly below street expectations. Fundamentals for product tankers and STNG specifically remain favorable: spot rates are generally strong, and STNG's cash flows are rising. But as we have seen, STNG's stock price is more affected by negative sentiment of oil prices and the energy sector than to product tanker fundamentals. So we attribute STNG stock's weakness in the fourth quarter to weakness in oil prices and the energy sector generally. STNG stock was down 11% in the quarter, versus WTI crude down 18% and the energy sector down 11%.

The information on these pages supplements the Small-Cap Equity Composite Presentation in the Appendix. The portfolio is actively managed, so the sectors and holdings mentioned in this book may not be current. They should not be considered recommendations to buy or sell any security. For a complete list of holdings as of 12/31/15, see the Portfolio Appraisal in the Appendix.

Noteworthy Positions

Our Best Three Contributors

Company	Year End Position Size	Contribution
Dealertrack Technologies	0.0%	1.53%
Beacon Roofing Supply	4.0%	1.41%
On Assignment	3.2%	1.05%
Total of Best Three		**3.99%**

Our Worst Three Detractors

Company	Year End Position Size	Contribution
Lumber Liquidators	0.0%	-2.23%
DigitalGlobe	3.0%	-1.97%
SunOpta	2.7%	-1.16%
Total of Worst Three		**-5.36%**

Dealertrack Technologies (TRAK) – auto dealer software
Dealertrack was our top performer, +43% this year, after the company announced plans to be acquired by Cox Automotive. Dealertrack's series of acquisitions, ongoing platform integrations and organic growth acceleration have positioned it as a disruptive force in auto retailing. While the market struggled at times to appreciate CEO Mark O'Neil's vision for the company, we have seen their platform evolve considerably since we purchased the shares in 2012. The stock more than doubled in value during our 3-year holding period.

Beacon Roofing (BECN) - roofing materials distributor
Beacon Roofing's strong steady performance in 2015 was driven by a transformative acquisition and a strengthening end market. With the acquisition of Roofing Supply Group (RSG), BECN increased its store count by almost 1/3, from 273 to 356. While demand for roofing products grew slightly from the previous year, BECN grew volumes at an above market rate by taking share from the competition. Additionally, BECN benefited from increases in gross margin, with gross margin driving tremendous operating leverage in the business. We believe that BECN has a significant opportunity to expand even further its gross margins due to the newly acquired RSG assets in 2016, providing an above market growth trajectory.

On Assignment (ASGN) - professional staffing
On Assignment had another strong year. The stock was up 25% during our one quarter holding period in 2014, and continued its strength with a 35% return in 2015. The IT staffing sector remains strong, and ASGN remains well positioned. During 2015, the company invested in internal recruiters, and the benefits are beginning to pay off. ASGN also benefited from the acquisition of Creative Circle in May 2015. Creative Circle is a leading digital/creative staffing firm, which is a fast growing area in the IT staffing space. Taken together, these factors helped drive an acceleration in organic revenue growth, leading to higher earnings estimates and higher valuation multiples. We think fundamentals remain strong at ASGN. IT staffing demand remains solid, the benefits of 2015 recruiter hiring should help drive performance in 2016, and ASGN is a partner to Cerner, Leidos and Accenture on what is believed to be the largest electronic health record system contract ever. This Department of Defense contract could begin benefitting On Assignment in 2016, and carry through to 2017 and perhaps beyond.

Lumber Liquidators (LL) - hardwood flooring retailer
Lumber Liquidators, a position we sold in Q1, remained the largest drag on performance this year. While our sale was a good one (the stock is ~50% lower than where we sold it), the position unfortunately experienced a sharp sell off due to a 60 Minutes segment concerning product safety issues on laminate flooring products imported from China. While we believed LL management was not one to cut corners to boost profits, it did not matter as brand damage and store traffic were negatively affected. Short interest doubled since the start of the year as hedge funds pounded the stock, smelling blood in the water.

DigitalGlobe (DGI) - satellite imagery & analysis
In 2015 investors lost confidence in the growth of both of DGI's business segments: the U.S. government division and private enterprise. The head of the National Geospatial-Intelligence Agency (NGA) spoke of large constellations of small satellites "darkening the skies" which the market interpreted (wrongly we believe) as future lost business for DGI. Since then, the NGA has reiterated that it cannot do its job without DGI and we expect continued annual contract renewals through 2020, and a new multi-year master contract to be announced well before then. The commercial stream was weak for three reasons: 1) internet mapping companies did not pay up for newly available higher resolution images; 2) low commodity prices hurt miners and drillers (who use DGI images to prospect); and 3) satellite capacity was not available to earn commercial revenues. Under the current contract the U.S. has preemptory rights to DGI capacity. A new satellite in 2016 will give DGI more capacity to address this market.

SunOpta (STKL) - organic foods
SunOpta experienced several types of pressures this year, mostly in the third quarter. A major customer's sudden loss of shelf-space resulted in unused capacity that SunOpta was not able to quickly fill – driving a shortfall of revenue and margin expectations. SunOpta had also been investing in plant expansions which temporarily forced customers to utilize third parties. Additionally, the drought in California resulted in higher fruit prices, which hurt margins. At the same time management announced a large acquisition and a capital raise, which in addition to all the aforementioned temporary pressures, pushed the stock price to levels divorced from SunOpta's fundamental value. We believe 2016 will bring several tailwinds, as plant investments are no longer a drag, capacity is fully utilized and the Sunrise acquisition is complete.

The information on these pages supplements the Small-Cap Equity Composite Presentation in the Appendix. The portfolio is actively managed, so the sectors and holdings mentioned in this book may not be current. They should not be considered recommendations to buy or sell any security. For a complete list of holdings as of 12/31/15, see the Portfolio Appraisal in the Appendix.

Snapshot of the Small-Cap Landscape

Ron Viener
Director of Research

A Tale of Two Cities

Choppy market conditions in the fourth quarter created a mixed bag of decile returns. Clearly it was a stock picker's market, as no broad themes emerged.

By year-end, investors punished high beta and heavily shorted stocks, mostly biotech and pharmaceutical companies. This was a stunning reversal for those biotech and pharmaceutical companies that were the market darlings in the first half of 2015.

Other areas investors shunned included popular, broken, or income generating stocks. Over-owned stocks and those with high dividend yields, mainly REITs, remained out of favor throughout 2015, showing some of the weakest decile readings. The weakest stocks in 2014, especially those in the energy sector, continued to get pounded all year.

Among the best performers were low beta stocks (specifically banks) which generated strong steady returns throughout the year.

Russell 2000 Performance (%) of Attributes by Decile

In these charts, the Russell 2000 is sorted into deciles of performance according to different characteristics, some fundamental and some sentiment-based. The percentage in each box is the performance of that attribute (e.g. beta) for that decile.

Fourth Quarter

	1	2	3	4	5	6	7	8	9	10
Market Cap Largest to smallest	8.8	7.8	7.9	8.3	2.6	6.2	8.0	4.8	-0.5	-15.3
P/E Ratio Lowest to highest[1]	-4.2	-0.8	3.2	5.9	7.1	7.5	8.4	-	-	4.0
Dividend Yield Highest to lowest[2]	-2.4	4.2	3.9	7.4	7.0	-	-	-	-	4.2
Short Interest Lowest to highest	6.9	5.0	3.5	5.2	5.7	0.4	3.2	5.6	4.0	-0.9
Beta Lowest to highest	4.9	2.6	5.2	5.0	2.9	4.5	3.3	3.8	5.8	0.5
Sales Growth Best to worst	3.5	7.2	7.0	6.6	5.3	2.9	2.0	1.7	-1.2	4.3
Analyst Ratings Best to worst	5.8	7.9	5.8	6.6	2.0	-0.2	2.4	1.7	4.2	4.1
Institutional Ownership Most to least[3]	2.1	3.0	5.5	3.2	7.1	3.7	3.0	6.0	1.4	3.5
% Change in 2014 Best to worst[4]	4.4	4.7	6.5	5.6	5.5	1.4	2.8	3.8	-5.6	-

2015

	1	2	3	4	5	6	7	8	9	10
Market Cap Largest to smallest	18.9	7.9	6.1	5.1	-3.5	-5.3	-2.4	-9.4	-13.1	-43.3
P/E Ratio Lowest to highest[1]	-22.0	-7.7	3.4	2.7	7.7	2.1	2.6	-	-	-8.4
Dividend Yield Highest to lowest[2]	-19.8	-0.2	2.2	5.4	17.6	-	-	-	-	-4.6
Short Interest Lowest to highest	3.0	1.4	0.7	0.6	1.0	-6.2	-2.3	-3.8	-11.0	-21.0
Beta Lowest to highest	9.9	6.6	9.2	3.8	-1.5	-2.1	-3.1	-13.0	-16.3	-29.4
Sales Growth Best to worst	9.9	10.1	5.4	7.7	-2.2	-5.4	-10.7	-18.8	-29.8	-22.0
Analyst Ratings Best to worst	5.2	14.2	0.3	5.2	-3.3	-19.2	-8.2	-13.5	-9.1	-20.0
Institutional Ownership Most to least[3]	-14.0	-3.1	0.7	-6.4	-0.2	-2.6	-5.4	-2.9	-1.1	-1.3
% Change in 2014 Best to worst[4]	-1.9	-3.3	-0.1	2.9	1.1	-7.9	-7.4	-12.1	-18.6	-

The red circle indicates the worst-performing decile for the category.

The green circle indicates the best-performing decile for the category.

1. Decile 10 of P/E Ratio category is made up of all stocks that have no P/E.

2. Decile 10 of Dividend Yield category is made up of all stocks that pay no dividend.

3. Institutional Ownership may be over or under stated due to timing of filings.

4. Decile 10 of % Change in 2014 is made up of stocks with no complete 2014 performance.

Sources: CornerStone Macro & Daruma Capital Management

Fourth Quarter 2015

General Disclosures

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Past performance is not a guarantee of future results. Many factors affect performance, including changes in market conditions and interest rates, as well as other economic, political and financial developments. Performance for 2015 is not yet audited and subject to change upon audit. You should not assume that investment decisions we make in the future will be profitable or will equal the investment performance of the past.

The portfolio is actively managed, so holdings, sector weightings and other portfolio characteristics may have changed since the date shown. They should not be considered recommendations to buy or sell any security or of a particular allocation. You should not presume that any holding or allocation shown has been or will be profitable. A list of the Top Ten holdings as of 09/30/15 is available on our website at http://www.darumanyc.com/portfolio/small-cap/.

The appropriate comparison benchmark for the Small-Cap Equity strategy is the Russell 2000. The Russell 2000 includes approximately 2000 of the smallest U.S. common stocks based on a combination of their market cap and current membership in the Russell 3000. The Russell 2000 Value Index includes those Russell 2000 Index companies with lower price-to-book ratios and lower forecasted growth values, while the Russell 2000 Growth Index includes those with higher price-to-value ratios and higher forecasted growth values.

The Small-Cap Equity strategy is a concentrated strategy that is not managed to a benchmark, so there are material differences in characteristics, such as the number of holdings and sector and industry weightings. In addition, benchmark performance does not include any fees or expenses. Because of these differences, benchmarks should not be considered a completely accurate comparison.

Several charts are included in the book to demonstrate certain information or conclusions. You should not make any investment decision relying only on these charts.

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