



July 12, 2019

Dear Investor:

Quarterly Market Commentary:

Stock market returns were positive in the second quarter of 2019. Adding to the gains of the first quarter, large cap stocks and large cap growth stocks in particular attained new highs. Small cap growth stocks have performed better than small cap value stocks, but small cap stocks have trailed large cap stocks and have not recovered to their prior high established last year.

Investor optimism was spurred by dovish comments from Federal Reserve Chairman Jerome Powell. Stock market returns usually are positive one year after the Federal Reserve reduces its benchmark Federal Funds Rate. In addition, solid employment and consumer spending is supporting economic growth in the United States despite slower business spending and lagging economic growth overseas.

Portfolio Update:

The Shaker Small Cap Growth Strategy (SCG) outperformed in the second quarter and has outperformed the Russell 2000 Growth Index in nine out of the last twelve quarters net of fees. Continued diligent efforts by our analysts to find growing companies that meet our rigorous stock selection criteria and improved discipline in our portfolio management continues to drive performance.

In the quarter, stock selection in Healthcare and Technology contributed the most to the performance. Long term Healthcare holdings Dexcom and Insulet along with Technology holding Globant were standouts. The Consumer Discretionary, Energy, and Consumer Staples sectors detracted from performance, with Stamps.com the single largest detractor to performance.

The following is a summary of returns for the Shaker Small Cap Growth strategy and selected indexes for the second quarter, trailing twelve months, and last three years:

	3 Months Ending 6/30/19	12 Months Ending 6/30/19	3 Year Annualized Returns
Shaker Small Cap Growth*	3.25%	0.32%	18.03%
Russell 2000 Growth Index	2.75%	-0.49%	14.69%
Russell 2000 Index	2.10%	-3.31%	12.30%

**returns are preliminary and net of expenses and 1% management fee.*

The top Q2 Performers:

- 1) Globant SA (GLOB) GLOB is a technology services provider with expertise in cloud computing, artificial intelligence, machine learning and mobile. GLOB operates in a wide range of industries and helps businesses improve cost efficiencies as well as drive revenue growth. We continue to like the company's long-term prospects but with the stock up 41.53% during the quarter we took some profits.
- 2) Dexcom (DXCM) produces a continuous glucose monitoring (CGM) system for diabetics that is recognized as best in class for accuracy. DXCM continues to be a core holding across all Shaker investment strategies. The stock was up 25.81% during 2Q.
- 3) Insulet (PODD) manufactures a wearable insulin delivery system for diabetics that reduces the burden of daily injections and complications related to noncompliance. The market for devices that can improve outcomes and quality of life for diabetics continues to grow and PODD remains a market leader in that space. The stock was up 25.54% during 2Q.

The Q2 Detractors:

- 1) Stamps.com (STMP) provides mailing and shipping solutions primarily for small businesses. STMP management announced a shift in the company's business model and lowered forward revenue guidance resulting in a drop in the stock. We had reduced our position size and after considering the new information presented by management, we determined that our original investment thesis had fundamentally changed and decided to liquidate the entire position.
- 2) Argan, Inc. (AGX) is an industrial engineering company whose primary business is building power plants that use natural gas to make electricity. We are attracted to AGX due to their large and growing backlog of power plant projects. An abundance of natural gas has lowered its price, making natural gas fed electric power plants very cost competitive. Current earnings are depressed as the company completes old projects and is not yet booking revenues from current projects. We took advantage of the pullback to add to our position.
- 3) Alarm.com Holdings, Inc. (ALRM) is a cloud-based security and monitoring company for homes and businesses. They averaged 23% revenue growth over the last year and we believe that growth will persist. With the fundamental characteristics intact we marginally increased our position.

Q2 Key Portfolio Changes:

We initiated new positions in LivePerson Inc. (LPSN) and Alamo Group (ALG).

LPSN provides a software based automated business-to-customer communications platform. LPSN recently launched a new version to better facilitate end customer communications based on the customer's preferred method of communicating. We believe LPSN is well situated to dominate this rapidly growing emerging industry.

ALG manufactures equipment for infrastructure maintenance and agriculture. We are attracted to ALG's management team, who has grown consistently through a number of successful acquisitions. Demand for the company's agricultural products, which are 23% of sales, is challenged by weak agricultural commodity prices, but demand for the company's industrial products, which are 59% of sales and European products, which are 17% of sales, is stronger. As a result, the company's backlog increased 10% in 2018.

In addition to STMP we liquidated our position in Cabot Microelectronics (CCMP) and M/I Homes, Inc. (MHO). CCMP was an industrial holding that had reached our price target. The decision to liquidate MHO was portfolio specific: we had too much exposure to homebuilders and MHO had the least compelling growth prospects compared to our other homebuilder names.

We are pleased with the portfolio's recent performance and will continue to work diligently at identifying the best small cap growth stocks to drive future performance. We look forward to providing an update next quarter.

Sincerely,

The Shaker Investments Team