



Small Cap Q2 2018 Commentary and Q3 2018 Outlook

For the quarter ended June 30, 2018, the Lisanti Small Cap Growth Strategy outperformed its benchmark, the Russell 2000 Growth Index, net of fees.

While the June quarter continued the trend towards heightened market volatility, within the small cap sector strong earnings momentum continued and resulted in strong performance from the small cap asset class relative to their larger cap counterparts in the Dow and S&P 500. To some extent, smaller companies benefitted from their domestic focus, as investors became more concerned about trade tariffs during the second quarter.

The major contributors for the second quarter of 2018 from a sector perspective were the Health Care, Technology and Consumer Discretionary sectors, while our top detractors were the Industrial and Energy sectors. Industrials in particular were weak given concerns about higher interest rates, a possible trade war with China and concerns that higher labor and materials cost inflation would hurt operating margins.

We continue to be constructive on small cap growth stocks. We believe that the new tax law and strong earnings are very positive for small cap growth stocks, and that the positive impact will be long-lasting, as opposed to short term in nature. For the first time in a very long time, one can make a multi-year case for outperformance of the asset class. As you know, our process is sector agnostic—we look for improvements in ROIC (return on invested capital) that are long lasting. They can be driven by secular changes, structural changes, or internal drivers. While we expect to see challenges throughout the year, we believe that 2018 will turn out to be another “stockpicker’s market.”

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Small Cap Q1 2018 Commentary and Q2 2018 Outlook

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Past performance is not indicative of future results. Investments in small companies carry greater risk than is customarily associated with larger companies for various reasons such as narrower markets, limited financial resources and less liquid stock. The views expressed reflect those of the portfolio manager as of the date noted. The portfolio manager's views are subject to change at any time based on market and other various conditions.

About Lisanti Capital Growth:

Lisanti Capital Growth, LLC (Lisanti), founded by Mary Lisanti, is a certified woman-owned and managed SEC registered investment advisor specializing in U.S. small- and small/mid-cap (SMID) equity growth investing. In September 2017, Dinosaur Group Holdings, LLC, the parent company of DCM Advisors, LLC (DCM), an affiliated registered investment advisor, acquired a minority interest in Lisanti. Lisanti manages separately managed accounts and is the investment adviser to the Lisanti Small Cap Growth Fund (ASCGX). DCM is an SEC registered investment advisory firm providing asset management and wealth advisory services to institutions, registered investment advisors, family offices and high net worth individuals.