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Following a sharp decline in July, small cap stocks rebounded in August. Despite global macro and geopolitical concerns garnering headlines throughout the month, equities rallied on improving U.S. economic data and solid earnings. Investor appetite for risk returned during the month with small cap stocks outperforming large cap stocks and growth stocks outpacing value stocks.

Not surprisingly given investor's preference for risky assets in August, the Bernzott Small Cap Value strategy lagged during the month. For August, the Small Cap Value strategy was up 3.46% (net) versus 4.35% and 4.43% for the Russell 2000 Value and Russell 2500 Value. Quarter to date, the strategy is up .14% (net). This compares favorably to the Russell 2000 Value and Russell 2500 Value which are down -1.96% and -.60%, respectively. Year to date, the strategy has returned 1.51% (net) versus 2.16% for the Russell 2000 Value and 7.22% for the Russell 2500 Value.

The Small Cap Value strategy experienced broad gains across the portfolio with all but six positions appreciating. Landauer (LDR) was the biggest detractor (-15%) during the period as the company delivered quarterly results that were below consensus estimates. The primary driver of the 3Q14 miss was a decline in revenue due to the timing of military orders. While the company reiterated full year guidance, investors elected to sell the stock. On the positive side, Dresser-Rand (DRC), Hillenbrand (HI), and SP Plus (SP) were the top contributors to performance. Dresser-Rand, the portfolio's best performer, rallied on rumors that it might be a target for acquisition.

While the quarter has yet to close, we can report that so far in September the Small Cap Value strategy has performed as expected, holding up extremely well in a difficult market. We look forward to sharing our results in the coming weeks.