Punch

Small Cap Commentary
Fourth Quarter, 2017

Overview

2017 was another strong year for small cap stocks, as the Russell 2000 Index advanced 14.7% on the heels of a 21.3% return in 2016. Growth stocks led the way in 2017 (up 22.1%) while value stocks lagged (up 7.8%), and performance was largely driven by the healthcare and technology sectors. In the growth-versus-value cycle, it is interesting to note that not since the dot-com bubble of the early 2000s have we seen such disparity in performance (see nearby chart; Source: Bloomberg LP). Momentum stocks have shined the past several years, and many value stocks, particularly of economically-sensitive companies, have lagged.

Our investment process is squarely focused on uncovering higher quality small cap companies that trade at compelling valuations for structural reasons. Many of these are considered "value" companies when we uncover them initially. These structural reasons can include low analyst coverage, investor apathy, concentrated ownership, and spin-off securities.

While we look for value-priced securities when funding an investment at the onset, we tend to hold onto our portfolio companies for three-to-five years or longer (composite portfolio turnover in 2017 was 20.9%). Ideally, over time these structural reasons for discounted valuations dissipate, and the longer a position stays in the portfolio the less it looks like a "value" stock and the more it looks like a "growth" stock. In 2017, we actively reduced positions with higher valuations and re-deployed capital into holdings with more compelling valuations. More detail follows.

Source: Bloomberg LP and Punch & Associates

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Portfolio Attribution

The Punch Small Cap Strategy had a total return (net of fees) of 12.0% in 2017, below the benchmark return of 14.7%. Roughly three-quarters of the underperformance came from sector allocation while individual stock selection was also a drag for the year. In a low-volatility market with strong returns, driven largely by momentum stocks, it isn't entirely unexpected that a disciplined, value-oriented strategy like ours would lag its benchmark.

From a sector perspective, we were hurt by being overweight to energy stocks (5.0% average weight vs 3.5% for the benchmark), which was the lone small cap sector to decline for the year (down 18.6%), and a continued underweight to healthcare (4.2% average weight vs 14.1%) and technology (15.3% vs 17.4). Healthcare was by far the best-performing index group for the year (up 35.5%), as well as for the past five- and ten-year periods.

Energy has been an area of increasing interest to us over the past year, and we have continued to add to this much-maligned area of the market. We believe signs are tentatively emerging that the energy sector is seeing a recovery in activity, and commodity prices are slowly climbing out of their multi-year funk. In addition, capital allocation discipline seems to be replacing a growth-at-any-cost philosophy for many management teams in the exploration and production space, which generally bodes well for shareholders over the long term.

Annualized Performance as of 12-31-2017 *(net of fees)*

	Q4 2017	1 Year	3 Years	5 Years	10 Years	Since Inception*
Punch Small Cap	1.0%	12.0%	10.2%	13.4%	8.6%	10.7%
Russell 2000 Index	3.3%	14.7%	10.0%	14.1%	8.7%	8.7%

**Inception date is 3-31-2002. Please see disclosures at the end of this commentary.*

Detractors from Performance in 2017

The largest detractor from the performance of the Punch Small Cap Strategy in 2017 was **Digi International (DGII, $265 million market cap)**, a maker of specialty networking equipment and components used in a variety of IoT (internet-of-things) applications, including NASA satellites, Doppler radars, and the international space station.

We initially took a position in Digi in mid-2015 after meeting the company's new management team, a CEO and CFO duo who had successful built and sold a previous IoT solutions company focused on the trucking industry. Impressed by their credentials, track record, and energy and passion for the business, we thought they were the right team to reinvigorate a company that had struggled under previous leadership.

A key component of our thesis for Digi was the fact that nearly half of the company's market capitalization was in cash (with no debt) and that the core business was relatively stable and producing free cash flow. With a stated focus on making the company more predictable and profitable, management articulated a vision of using excess capital to acquire a solutions business with a recurring service fee component.

Bottom Contributors: Year Ending 12/31/2017

Holding	Average Weight	Total Return	CTR** (bps)
Digi International	2.89%	-30.55%	-123
Ceco Environmental	1.22%	-62.82%	-121
Spok Holdings	2.91%	-22.34%	-81
Destination XL	0.72%	-51.76%	-77
LSC Communications	1.27%	-33.97%	-71

Top Contributors: Year Ending 12/31/2017

Holding	Average Weight	Total Return	CTR** (bps)
Lending Tree	1.54%	235.92%	210
Ferro Corporation	3.57%	64.62%	203
Novanta Inc.	1.76%	138.10%	168
Malibu Boats	2.53%	55.82%	130
Landauer Inc.	2.23%	42.00%	111

***CTR represents the contribution tot total attribution in basis points. Attribution data is reflective of a representative portfolio in the small cap strategy.*

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In the fourth quarter of 2017, the company finally announced a major acquisition of TempAlert, a large provider of temperature monitoring solutions with over 50,000 locations around the world, including at retailers such as Costco, CVS, and Wal-Mart. Founded in 2005 at MIT, the company installs sensors in coolers, display cases, and packaging and then monitors and analyzes temperatures for safety and compliance. We like the critical nature of the service, its recurring revenue model, and the way the acquisition was structured, with a $45 million up-front payment to the company's founders, who will stay onboard, but more significant earn-out payments if they can execute on aggressive growth targets.

Digi stock declined in 2017 on mixed results in its core legacy business and on delayed expectations of an acquisition, which finally came in the fourth quarter in the way of TempAlert. We think that, as investors better understand the growth potential in this new solutions segment, and as the core business stabilizes, we will see a re-rating of the company from the "old Digi" to the "new Digi".

The second largest detractor from performance was **CECO Environmental (CECE, $175 million market cap)**, a manufacturer of engineered pollution control equipment and specialty pumps.

One of our principal reasons for investing in CECO back in 2015 was the transformation of the company under its then-CEO, Jeff Lang. Mr. Lang had executed a series of successful acquisitions of niche industrial equipment companies and was on a path to making the company larger and more profitable when, in early 2017, he suddenly resigned from the company. Unsurprisingly, the following quarterly results were disappointing, and the stock reacted negatively. We met his replacement several times throughout the year, at both their offices and ours, and we were hopeful that they would continue down the path of integrating acquisitions, driving organic growth, and simplifying a complex company.

Unfortunately, several of the company's end markets (notably, refinery and power generation capital equipment) went into severe recession as the year progressed, and results continued to deteriorate. With industry giants GE and Siemens reporting similar end-market woes, we are of the opinion that the company's troubles are more exterior than interior at the moment, although management has so far not moved with sufficient alacrity to right the ship and stabilize both the balance sheet and the business. We are closely monitoring the company's progress, particularly with its stated objective of divesting certain segments in an effort to reduce leverage and re-invest during this downturn.

The third largest detractor from performance for the year was **LSC Communications (LKSD, $485 million market cap)**, one of the largest manufacturers of books and magazines in the country.

LSC Communications has several attributes that we normally look for in new investment ideas. First, the company was a spin-off security, having been separated from its parent in early 2017. Second, the stock had an overhang in the form of a large equity holding by its former parent that was liquidated at a distressed price around mid-year. Finally, the valuation was attractive in early 2017 with a 19% free cash flow yield and a 4.5% dividend yield (and a ~50% payout ratio).

While book and magazine publishing is not a growth business today, an experienced management team is consolidating the industry, shedding costs and closing capacity, and generating meaningful free cash flow. With only one significant competitor, industry competitive dynamics are also seemingly favorable and conducive to improving returns on capital.

While the first few quarters out of the gate as a standalone company have produced disappointing results for LSC, primarily in its book printing business, we believe that investors tend to overreact to poor results in businesses with secular challenges, often extrapolating recent results to extremes. While we fully acknowledge the impact that digitization is having on the print industry, we believe that LSC has a sensible, shareholder-oriented strategy of creating scale and efficiency while returning meaningful free cash flow to shareholders. While the company's strategy plays out, shareholders are receiving a 7% dividend yield that, we believe,has the potential to increase over time.

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Contributors to Performance in 2017

Our top contributors to performance in 2017 were largely growth-oriented companies that we have held for more than several years. We continue to use all three as sources of funds when initiating new positions in companies with more attractive valuations.

The largest contributor to performance in 2017 was **LendingTree (TREE, $4.5 billion market cap)**, an online marketing and lead generation service for financial institutions. Well-known among consumers for its catchy advertisements, LendingTree has benefited from a competitive and growing consumer lending market since the Great Recession. While roughly half of the business relates to mortgages, the company is seeing good growth in areas such as credit cards, personal loans, and home equity as well. LendingTree operates in a unique niche, and is benefitting from the movement towards online marketing in what has historically been a relationship business.

The Punch Small Cap Strategy has had a position in the stock since 2014, and we have been impressed by the leadership of CEO and Founder Doug Lebda, who is also the second largest shareholder (~13% ownership) after Liberty Media Corp. (~27% owner).

The second largest contributor to performance was **Ferro (FOE, $2.0 billion market cap)**, a specialty manufacturer or coatings and pigments. We have detailed the company in our quarterly commentary several times since initiating a position in mid-2016, and continue to think that the strategic direction of the company is undervalued and underappreciated by most investors.

The third largest contributor to performance for the Punch Small Cap Strategy in 2017 was **Novanta (NOVT, $2.0 billion market cap)**, a supplier of highly-engineered OEM components used in medical and industrial applications. Novanta is a longtime holding for the Punch Small Cap Strategy, dating back to 2011, shortly after the company exited bankruptcy under the name "GSI Group."

We routinely research companies that have gone through the bankruptcy restructuring process and re-emerged as public companies, as we think that the post-reorganization business is often mis-understood and stigmatized by investors. Additionally, the equity of such companies is usually held by pre-bankruptcy debt holders, which can contribute to forced selling pressure on shares.

Novanta is a good example of what we look for in a post-bankruptcy company, as its restructuring was largely because of a technical default, and the operations and reputation of the company among its customers remained seemingly intact. Under the leadership of then-CEO John Rousch, the company hived off non-core business units, made several strategic acquisitions in growth-oriented markets, and instituted lean operational processes that improved margins and free cash flow. Because the business was asset-light (most manufacturing was outsourced) and since the company's OEM component products were largely designed-in to customers' products and processes, we believed that the quality of the business was being underappreciated due to the stigma of bankruptcy.

In late 2016, CEO Rousch retired and was replaced by an insider who has largely continued along the same strategic trajectory for the company. While the company's valuation today is above average, only three sell-side analysts follow the company, and we believe growth opportunities remain.

New Positions

We added two new holdings to the strategy in the fourth quarter of 2017 and had no complete exits in the quarter, ending with a total of 48 positions. The two new additions to the portfolio are unique, niche businesses that we believe are undiscovered by the broader investment community and trade at compelling valuations.

Our first new addition to the strategy was **Farmer Brothers (FARM, $520 million market cap)**, a coffee roaster and distributor with national reach. Founded in 1912, the company was largely family-owned and managed for most of its life until 2012 when current CEO Mike Keown became the first external CEO in company history. Over one-third of shares are still held by members of the Farmer family, although this ownership has steadily decreased over the past several years.

With only three sell-side analysts covering the stock and only 55% institutional ownership, we believe the dramatic changes at the company under a new CEO and CFO are underappreciated. The company has significant assets, including one of the largest direct store distributor (DSD) coffee businesses in the country, long-term supply agreements with large customers like Target, McDonalds, and Wawa, and a brand-new high-capacity roasting facility and headquarters in Texas.

The coffee industry is obviously dominated by Starbucks, a juggernaut who has elevated the price, quality, and consumption levels of coffee around the world. As restaurants, hotels, convenience stores, and the like are forced to compete, many turn to specialty roasters like Farmer Brothers to provide high-quality, consistent coffee on a national basis. Farmer Brothers' Texas location, which we toured in November, is one of the newest and most modern high-capacity facility in the country (per management), and as the company continues to grow volumes and fill that capacity, we believe that operating leverage could drive earnings higher in the years to come. While the industry has grown coffee volume by 2-3% annually over the past five years, Farmer Brothers has grown at twice that rate.

Our second new addition to the strategy was **Addus HomeCare (ADUS, $425mn market cap)**, a provider of in-home personal care services to the elderly, chronically ill, and disabled. While we have generally had difficulty identifying profitable, attractively-priced healthcare companies in this market environment, Addus is the second healthcare company we added to the portfolio in 2017 (spun-off imaging equipment maker Varex was the first). We remain significantly underweight healthcare as a group (4.2% average weighting compared to 14.1% for the Russell 2000 benchmark).

Personal care and homecare is one of the fastest-growing sub-segments in the healthcare industry today, and it is an important service that helps defray medical costs, reduce time in skilled nursing facilities, and generally improve people's lives. It is also a highly fragmented and relatively unsophisticated industry, dominated by local and regional competitors.

Addus is a leader in this industry where scale is increasingly important to long-term success. Healthcare reform has brought increasing focus on patient outcomes, which often requires significant investment in systems, infrastructure, and personnel. Moreover, with roughly three-quarters of payments coming from Medicare and Medicaid, and one-quarter coming from managed care organizations, we believe that payors are increasingly looking for the highest-quality, lowest-cost option among homecare providers.

Industry veteran Dirk Allison took the reins as CEO of Addus in 2016 from the company's founder, and has set about investing in the operations of the company, accelerating organic growth, and more aggressively pursuing a consolidation of the industry. The company has no net debt today and is targeting over $200 million in acquired revenues over the next year, paying approximately 6-7x ebitda. The company is a unique business model among public healthcare companies, has four sell-side analysts covering the stock, and a large concentrated shareholder (32% ownership), all of which we believe has contributed to an attractive valuation and a misunderstood business model.

Conclusion

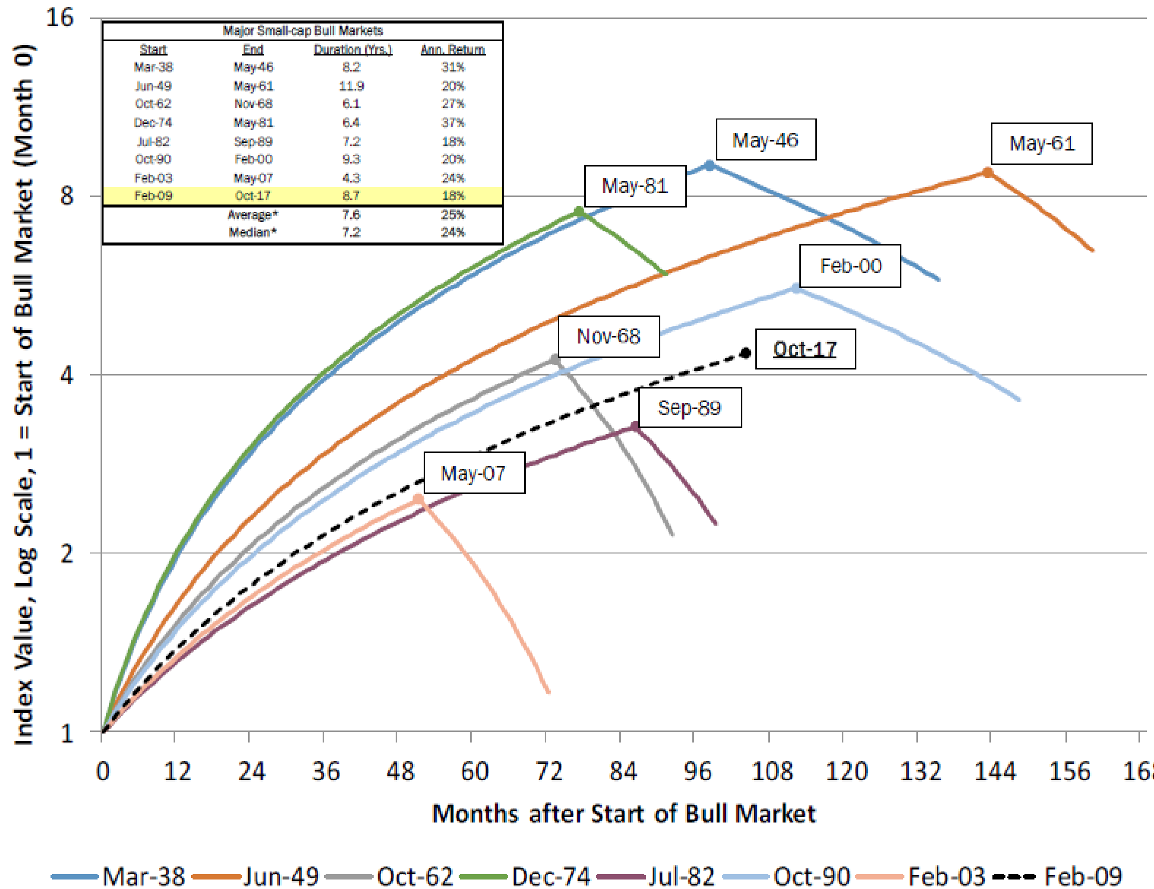
While the stock market recovery since 2009 has been one of the longest on record, for small cap stocks it has also been among the shallowest (see nearby chart, courtesy of Furey Research Partners). We find it interesting and compelling that, for the first in a long time, we are hearing increased optimism and confidence from our portfolio companies. In part, this is coming from tax and regulatory reform, which we are only now, in the opening weeks of 2018, beginning to get details on from individual companies. Preliminary estimates show that the average small cap company will see a 10-15% boost to earnings on an ongoing basis. Since nearly all our portfolio companies are profitable and pay taxes, we believe we will benefit as shareholders.

Should the value/growth cycle begin to turn, we also believe that our portfolios should benefit, particularly if sectors like healthcare and technology begin to lose some of their momentum. Tax reform will only benefit those companies that produce profits and pay taxes, so to the extent that money-losing companies in these industries do not benefit from tax reform, they could lag the broader market.

While we are largely avoiding the hotter areas of the market today, we are intensifying our research on the areas that we believe have been left behind. Besides the energy sector, we believe that many financials and cyclical companies look interesting, both from a valuation and a quality perspective. Many of these companies would also benefit from higher interest rates and a strengthening economy.

As always, we will continue to roll up our sleeves in an effort to unearth unique, higher quality businesses whose shares remain underappreciated, misunderstood, ignored, or avoided by most investors.

The Current Bull Run's Duration is Impressive,...
but not the Returns, which lag the Great Bulls



Source: Furey Research Partners

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Composite performance is shown net-of-fees and brokerage commissions paid by the underlying client accounts. Certain client accounts have directed us to reinvest income and dividends, while others have directed us to not reinvest such earnings. As such, performance data shown includes or excludes the reinvestment of income and dividends as appropriate, depending on whether the account has directed us to reinvest income and dividends. Past performance is no guarantee of future results, and investing in securities may result in a loss of principal.

Punch & Associates claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. Please refer to the attached Composite Profile and Schedule of Performance for information regarding Punch & Associates' compliance with GIPS® standards.

The reference to the top five and bottom five performers within the Punch Small Cap Equity Strategy portfolio is shown to demonstrate the effect of these securities on the strategy's return during the period identified. Punch & Associates calculated this attribution data using a representative institutional client account which: 1) imposed no material restrictions related to investments made; and 2) was fully invested in the Punch Small Cap Equity Strategy during the entire time period shown. The holdings identified do not represent all of the securities purchased, sold or recommended for advisory clients during the period of time shown. Past performance does not guarantee future results; therefore, it should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities in this list. Please contact Punch & Associates at andy@punchinvest.com or (952)224-4350 to obtain details regarding the calculation's methodology or to obtain a list showing every holding's contribution to the overall strategy's performance during the period of time shown.

Company specific information referenced in this commentary is compiled from a variety of sources including SEC filings, quarterly and annual reports, conference calls, conversations with management teams and Bloomberg LP.

Any benchmark indices shown are for illustrative and/or comparative purposes and have only been included to show the general trend in the markets in the periods indicated. Such indices have limitations when used for comparison or other purposes because they may have volatility, credit, or other material characteristics (such as number and types of securities or instruments represented) that are different from those of the Composite and/or any client account, and they do not reflect the Composite investment strategy or any other investment strategies generally employed by Punch & Associates.

For example, the Composite, or a particular client investment portfolio will generally hold substantially fewer securities than are contained in a particular index.
**Inception of the Punch Small Cap Equity Strategy was March 31, 2002. **CTR represents the contribution to total attribution.*

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Punch & Associates Investment Management, Inc.
Small Cap Composite
Composite Profile and Schedule of Performance
As of June 30, 2017

Year	Annual Performance History: Small Cap Gross of Fee	Small Cap Net of Fee	Benchmark[1]	Composite 3-Year Std Deviation (%)[2]	Benchmark 3-Year Std Deviation (%)[2]	Number of Portfolios	Year-End Composite Assets ($mil)	Year-End Firm Assets ($mil)	Percent of Total Firm Assets	Dispersion[2]
2002 (since 3/31)	-15.21 %	-15.85	-23.53 %	N/A	N/A	12	$ 5.1	$ 103.9	4.9 %	N/A
2003	55.64	54.21	47.25	N/A	N/A	29	12.9	167.3	7.7	6.8%
2004	21.93	20.68	18.32	N/A	N/A	52	21.0	206.2	10.2	4.8%
2005	13.02	11.80	4.55	N/A	N/A	67	23.8	258.7	9.2	3.3%
2006	22.83	21.75	18.37	N/A	N/A	98	38.8	335.0	11.6	3.3%
2007	3.65	2.65	-1.57	N/A	N/A	272	103.9	397.0	26.2	3.7%
2008	-33.54	-34.18	-33.80	N/A	N/A	243	65.5	261.5	25.0	2.1%
2009	32.65	31.41	27.20	N/A	N/A	257	85.2	340.4	25.0	3.3%
2010	18.87	17.77	26.85	N/A	N/A	283	108.4	395.6	27.4	1.0%
2011	0.81	-0.14	-4.18	20.7	25.3	284	113.6	475.6	23.9	0.7%
2012	20.07	19.04	16.34	17.4	20.5	292	152.4	613.6	24.8	0.8%
2013	42.63	41.52	38.82	13.6	16.7	320	266.1	832.7	32.0	0.9%
2014	-0.21	-0.91	4.89	12.8	13.3	328	265.0	905.7	29.3	0.7%
2015	0.51	-0.26	-5.11	15.7	14.2	330	254.7	938.1	27.2	0.8%
2016	20.95	19.93	20.35	17.6	16.0	350	307.4	1,101.0	27.9	1.2%
2017 (6/30)	2.51	2.08	5.00	N/A	N/A	374	324.5	1,161.0	28.0	N/A
Cumulative	420.91	353.69	237.41							

Period	Annualized Performance History: Small Cap Gross of Fee	Small Cap Net of Fee	Benchmark[1]
1 Year	23.60 %	22.58 %	24.61 %
3 Year	7.52	6.66	6.82
5 Year	14.69	13.79	13.35
Since Inception	12.28	11.19	8.91

Punch & Associates Investment Management, Inc. (Punch) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Punch has been independently verified for the periods from April 1, 2002 through June 30, 2017. Verification assesses whether (1) the Firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the Firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Small Cap Composite has been examined for the periods from April 1, 2002 through June 30, 2017. The verification and performance examination reports are available upon request.

The Composite creation date is December 31, 2005. The creation date is the date in which Punch started reporting returns at the strategy level while they had previously been reported at the account level.

[1]The Russell 2000 Index is the Composite's benchmark.
[2]See Note 7 for discussion of the composite dispersion and 3-year standard deviation calculation. N/A indicates statistics are not required to be presented for the time period pursuant to GIPS.

See Notes to Composite Profile and Schedule of Performance

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Punch & Associates Investment Management, Inc.
Small Cap Composite

Notes to Composite Profile and Schedule of Performance

Note 1. Organization and Nature of Business

Punch & Associates Investment Management, Inc. (Punch) is an investment adviser registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940. The term "Firm," as defined by Global Investment Performance Standards (GIPS©), represents Punch & Associates Investment Management, Inc.

The Punch Small Cap Strategy (Small Cap Composite) invests in U.S. listed public companies with market capitalizations between $250 million and $2 billion. Companies from the small cap universe are selected on the basis of economically attractive business models, accelerating fundamentals, cash flow characteristics, valuation relative to cash flow, and general investor recognition.

This description of products and services of the Small Cap Composite (the Composite) is not an offering. Past performance is not an indication or a guarantee of future results. Investments are subject to risk and may lose value. A list of our composite descriptions and our policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

Note 2. Performance Presentation Standards

This report includes all of GIPS' mandatory disclosures as well as additional disclosures deemed prudent by Punch's management. Investment philosophies did not change materially during the reporting periods or from period-to-period.

Note 3. Accounting Policies

All assets and liabilities in the Composite are reported on a fair value basis using U.S. Generally Accepted Accounting Principles. Investment transactions are recorded on a trade date basis. Dividends are reported on pay date basis. Punch's policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

Note 4. Valuation Methodologies

The Composite values all of its investments at fair value in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification 820 ("Fair Value Measurements") and the GIPS Valuation Principles. The Composite invests in Level 1 securities (i.e. marketable securities for which prices are readily available).

Note 5. Calculation of Rates of Return

The portfolio returns for the period are based in U.S. dollars and have been calculated using a time-weighted, monthly, geometrically linked rate of return formula to compute quarterly percentage returns. Each portfolio's monthly rate of return is the monthly percentage change in the market value, including earned interest and dividends, after allowing for the effects of cash flows.

The monthly composite rate of return calculation is weighted by beginning values. This results in an asset's size-weighted rate of return. Security transactions and any related gains or losses are recorded on a trade-date basis.

Note 6. The Composites

Punch has established composites for all fee-generating portfolios for which it has full discretionary investment decision-making authority. Punch's client base within the composites was comprised of institutional and individual investors with a minimum asset balance of $100,000. No alterations have been made to the composites as a result of changes in investment professionals. In addition, Punch is the investment adviser to transitory portfolios that were not eligible for inclusion in any composite because the portfolios are either new for the month first funded, or the portfolios had restructuring which took place during the month.

The Small Cap Composite is one of several composites managed by Punch. Punch's list is available upon request.

Performance is based on total assets in the portfolio, including cash and substitute securities. Generally, a portfolio will enter a composite on the first day of the first full month following its inception. A portfolio is removed from a composite as of the last day of its last full month. Historical performance results include the results of clients who are no longer clients of Punch. Each composite is comprised of separately managed portfolios.

The Composite is subject to Punch's large cash flow policy which defines a cash withdrawal of more than 10 percent of the portfolio's market value as a large cash flow which requires the Composite to be valued at the date of the withdrawal. This policy has been in effect for the periods from April 1, 2002 through June 30, 2017.

Note 7. Composite Dispersion

Composite dispersion measures represent the consistency of a firm's composite performance results with respect to an individual account's portfolio returns within a composite. Account dispersion is measured by the standard deviation from the central tendency (mean return).

The dispersion of the annual returns of the Composite is measured by the asset-weighted standard deviation method. Standard deviation attempts to measure how much exposure to volatility was taken historically by the implementation of an investment strategy. Only portfolios that have been managed for the full year have been included in the annual dispersion calculation of the Composite. Effective for the year ended December 31, 2011, GIPS requires the presentation of the three-year annualized standard deviation. This statistic measures the volatility of returns for the Composite and benchmark over the preceding 36-month period.

Note 8. Investment Management Fees

The net performance results set forth in the Schedule of Performance reflect the deduction of actual investment management fees. The standard fee structure is based on 1 percent of assets per annum on all discretionary assets unless otherwise specified. Prior to December 31, 2005, the fee structure was variable based on strategy and account size, not to exceed 1.5 percent per annum.

Account minimums and fees are negotiable on a case-by-case basis due to potential growth, size and services rendered.

Note 9. Comparison with Market Index

Punch compares its Small Cap Composite returns to a certain market index management believes has similar investment characteristics. The returns of this index do not include any transaction costs, management fees or other fees. This index is the Russell 2000 Index.