

SMALL CAP VALUE STRATEGY

December 31, 2017



PORTFOLIO MANAGEMENT TEAM AND INDUSTRY EXPERIENCE

Eric Miller – 24 yrs
Bill Nasgovitz – 49

Pursues long-term capital appreciation by investing in micro- and small-cap companies

HISTORICAL RETURNS (Annualized for Multi-Year Periods)

	Since Inception	Ten Years	Five Years	Three Years	One Year	Year-To-Date	4Q 2017
Heartland Small Cap Value Composite (Net of Advisory Fees) [†]	11.36%	2.92%	1.87%	-1.89%	-2.20%	-2.20%	-5.08%
Heartland Small Cap Value Composite (Net of Bundled Fees) [†]	9.62	2.05	1.14	-2.41	-2.49	-2.49	-5.15
Russell 2000 [®] Value Index ^{**}	10.88	8.17	13.01	9.55	7.84	7.84	2.05

The inception date for the Small Cap Value Strategy is 10/1/1988. Heartland Advisors, Inc. has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS[®]). [†]See Note 6 in Accompanying Notes on reverse side. ^{**}See Note 7 in the Accompanying Notes on reverse side.

PORTFOLIO CHARACTERISTICS (Equity Securities Only, Weighted Median Unless Otherwise Noted)[†]

	Small Cap Value Composite	Russell 2000 [®] Value Index
Price/Earnings ¹	15.4x ²	16.9x
Price/Book	1.5	1.7
Price/Cash Flow	12.1	12.0
Total Debt/Capital ²	31.6%	43.4%
Weighted Average Market Cap	\$1.4 bil.	\$2.1 bil.
Median Market Cap	\$430 mil.	\$737 mil.

PORTFOLIO 5-YEAR CHARACTERISTICS (Equity Securities Only)[†]

	Composite (Net of Advisory Fees) vs. Russell 2000 [®] Value Index
Annualized Alpha (%)	-8.49
Beta	0.90

TOP TEN HOLDINGS (Equity Securities Only)[†]

Company	% Composite	Industry
Lincoln Educational Services Corporation	5.13	Diversified Consumer Services
Hudson Global, Inc.	4.32	Professional Services
The Bancorp, Inc.	4.02	Commercial Banks
Centerra Gold Inc.	3.92	Metals & Mining
SRC Energy Inc.	3.91	Oil Gas & Consumable Fuels
MGIC Investment Corporation	3.62	Thriffs & Mortgage Finance
Accuray Incorporated	3.57	Health Care Equipment & Supplies
Barrett Business Services, Inc.	3.46	Professional Services
Acacia Research Corporation	3.44	Communications Equipment
United Bankshares, Inc.	3.41	Commercial Banks

SECTOR WEIGHTINGS (Equity Securities Only)[†]

	Small Cap Value Composite	Russell 2000 [®] Value Index
Consumer Discretionary	9.9%	10.9%
Consumer Staples	3.4	2.8
Energy	4.9	6.8
Financials	22.7	30.4
Health Care	7.7	6.2
Industrials	16.9	12.1
Information Technology	15.0	9.0
Materials	4.9	4.5
Real Estate	7.4	10.2
Telecommunication Services	0.0	0.5
Utilities	7.2	6.6
Total	100.0%	100.0%

Sector and Industry classifications as determined by Heartland Advisors may reference data from sources such as FactSet Research Systems, Inc. or the Global Industry Classification Codes (GICS) developed by Standard & Poor's and Morgan Stanley Capital International.

Data Source: Heartland Advisors, Inc., and Copyright 2018 FactSet Research Systems Inc, FactSet Fundamentals. All rights reserved. ¹Forward 2018 estimated earnings. ²Weighted average. Certain security valuations and forward estimates are based on Heartland Advisors' calculations. Any forecasts may not prove to be true. Economic predictions are based on estimates and are subject to change.

INVESTMENT STRATEGY

The Small Cap Value Strategy seeks long-term capital appreciation by investing in micro- and small-cap companies, generally with market capitalizations of less than \$2.5 billion at the time of purchase. The micro- and small-cap segment of the stock market is robust with thousands of publicly traded issues, many of which lack traditional Wall Street research coverage. Thus, we believe this market is often inefficient, mispricing businesses and offering opportunities for fundamental research-minded investors such as Heartland.

INVESTMENT PROCESS

The Strategy utilizes Heartland's 10 Principles of Value Investing[™] to identify companies with strong financial profiles and low prices relative to earnings, cash flows and book values. This process is driven by our disciplined and rigorous research efforts, based on generally more than 1,000 annual meetings with management teams. The approach provides both a potential margin of safety to limit downside risk and the opportunity for capital appreciation.

PORTFOLIO CONSTRUCTION

- Approximately 30-50 stocks
- Individual stocks usually represent less than 10% of the portfolio
- Industry weightings typically represent less than 25% of the portfolio
- Generally fully invested but may hold cash equivalents during atypical markets
- Target two to three year investment horizon

RISK MANAGEMENT

- Consistent discipline of Heartland's 10 Principles of Value Investing[™]
- Potential safety margin: Focus on low price-to-book value and strong balance sheets
- Liquidity analysis: Disciplined review of quantitative and qualitative factors, both at portfolio and individual position levels
- Analytical tools: Drawdown, upside/downside, risk/return, correlation, attribution, contribution
- Team approach and extensive collaboration

Our sell decisions may be driven by factors such as:

- Valuation targets achieved
- Change in investment thesis
- Deteriorating financial position
- Meeting fewer criteria of our 10 Principles of Value Investing[™]

NEW ACCOUNT MINIMUM: \$1,000,000



HEARTLAND ADVISORS
AMERICA'S VALUE INVESTOR[®]

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Past performance does not guarantee future results. Current performance may differ due to market volatility. Portfolio holdings are subject to change. [†]Shown as supplemental information. See important notes on reverse side.

SMALL CAP VALUE STRATEGY

December 31, 2017

SMALL CAP VALUE COMPOSITE

As of December 31	Number of Accounts	Market Value (\$ Millions)	Total Firm Assets (\$ Millions)	Firm Assets in Composite (%)	Composite Assets in Wrap Accounts (%)	Asset-Weighted Dispersion (%)	Annualized Turnover (%) ¹	3-Year Standard Deviation (%)		
								Composite	Russell 2000 [®] Index	Russell 2000 [®] Value Index
2017	11	42.1	1730.5	2.43	0.00	1.14	34.8	16.26	13.91	13.97
2016	16	74.0	1966.6	3.76	1.99	3.22	62.1	17.50	15.76	15.50
2015	16	97.6	2691.3	3.63	2.18	1.31	57.8	15.53	13.96	13.46
2014	20	122.7	5351.2	2.29	3.51	0.91	69.8	15.58	12.79	13.12
2013	23	169.9	6056.6	2.81	2.68	2.64	48.4	18.10	16.45	15.82
2012	24	194.7	5245.1	3.71	4.00	1.68	45.3	21.58	20.20	19.89
2011	27	188.4	4864.2	3.87	5.05	1.41	43.1	26.22	24.99	26.05
2010	26	229.9	4636.1	4.95	4.59	3.84	73.6	N/A	N/A	N/A
2009	26	212.0	3156.1	6.72	4.57	8.10	71.0	N/A	N/A	N/A
2008	25	132.5	2296.9	5.77	4.59	3.19	56.7	N/A	N/A	N/A

TOTAL RETURNS AS OF DECEMBER 31, 2017

Annualized Returns	Small Cap Value Composite (Net of advisory fees) [†]	Small Cap Value Composite (Net of bundled fees)**	Russell 2000 [®] Value Index***	Russell 2000 [®] Index***
Inception*	11.36%	9.62%	10.88%	9.87%
Ten	2.92	2.05	8.17	8.71
Five	1.87	1.14	13.01	14.12
Three	-1.89	-2.41	9.55	9.96
One	-2.20	-2.49	7.84	14.65

Cumulative Returns	Small Cap Value Composite (Net of advisory fees) [†]	Small Cap Value Composite (Net of bundled fees)**	Russell 2000 [®] Value Index***	Russell 2000 [®] Index***
Inception*	2225.58%	1372.53%	1950.29%	1471.10%
Ten	33.41	22.51	119.37	130.54
Five	9.72	5.86	84.29	93.58
Three	-5.56	-7.05	31.46	32.94
One	-2.20	-2.49	7.84	14.65

Annual Returns	Small Cap Value Composite (Net of advisory fees) [†]	Small Cap Value Composite (Net of bundled fees)**	Russell 2000 [®] Value Index***	Russell 2000 [®] Index***
2017	-2.20%	-2.49%	7.84%	14.65%
2016	11.51	11.19	31.74	21.31
2015	-13.41	-14.27	-7.47	-4.41
2014	-2.96	-3.92	4.22	4.89
2013	19.72	18.54	34.52	38.82
2012	6.51	5.45	18.05	16.35
2011	-4.32	-5.24	-5.50	-4.18
2010	23.56	22.34	24.50	26.85
2009	73.03	71.27	20.58	27.17
2008	-44.18	-44.72	-28.92	-33.79

[†]Shown as supplemental information. *10-1-88 **See Note 6 in Accompanying Notes. ***See Note 7 in Accompanying Notes. Data Source: FactSet Research Systems Inc., Russell[®] and Heartland Advisors, Inc.

The Small Cap Value Strategy invests in small companies selected on a value basis. Such securities generally are more volatile and less liquid than those of larger companies. Value investments are subject to the risk that their intrinsic values may not be recognized by the broad market.

Alpha is an annual measure of a portfolio's return in excess of the market return, both adjusted for risk. It is a measure of the manager's contribution to performance due to security selection. A positive annual Alpha indicates that the portfolio outperformed the market on a risk-adjusted basis, and a negative annual Alpha indicates the portfolio did worse than the market. **Beta** is a measure of the sensitivity of a portfolio's rates of return against those of the market. A Beta less than 1.00 indicates volatility less than that of the market. **Price/Book Value Ratio** is calculated by dividing the market price of its stock by the company's per-share book value. **Price/Cash Flow Ratio** represents the amount an investor is willing to pay for a dollar generated from a particular company's operations. It shows the ability of a business to generate cash and acts as a gauge of liquidity and solvency. **Price/Earnings Ratio** of a stock is calculated by dividing the current price of the stock by its trailing 12 months' earnings per share. **Real Estate Investment Trust (REIT)** is a security that sells like a stock on the major exchanges and invests in real estate directly, either through properties or mortgages. **Standard Deviation** is a measure of volatility of returns and is computed as the square root of the average squared deviation of the returns from the mean value of the return. **Total Debt/Total Capitalization Ratio** of a stock is calculated by dividing the short- and long-term debt obligations of the company by its total capital, which is represented by the company's debt and shareholders' equity, which includes common stock, preferred stock, minority interest and net debt.

Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indices. Russell[®] is a trademark of Russell Investment Group.

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ACCOMPANYING NOTES

- The Firm is a wholly owned subsidiary of Heartland Holdings, Inc. The Firm is registered with the Securities and Exchange Commission.
- The effective date of firm compliance is January 1, 1993.
- The Firm claims compliance with the Global Investment Performance Standards (GIPS[®]) and has prepared and presented this report in compliance with the GIPS Standards. The Firm has been independently verified from January 1, 1993 through December 31, 2016. 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 Value composite has been examined for the periods January 1, 1993 through December 31, 2016. The verification and performance examination reports are available upon request. Periods after December 31, 2016 have not yet been examined.
- This composite was created in 1993 and consists of fully discretionary equity portfolios primarily invested in companies with market capitalizations less than \$2.5 billion. Beginning January 1, 2007, the minimum account size for this composite is \$1,000,000. For the period January 1, 2004 through December 31, 2006, the minimum account size for this composite is \$500,000. For the period from January 1, 1999 through December 31, 2003, the minimum account size for the composite was \$1,000,000 and prior to January 1, 1999, the minimum account size for the account was \$500,000. Portfolios in the composite that later drop below the composite minimum due to market volatility are only removed from the composite when their market value falls below \$750,000.
- The investment management fee schedule for the composite is as follows: 1.00% per annum on the first \$5,000,000; and 0.85% per annum on the next \$10,000,000. Fees on accounts over \$15,000,000 are negotiable. Actual investment advisory fees incurred by clients may vary. Further information on the Firm's fees can be found in Part II of its Form ADV. Wrap accounts are included in the composite. In addition to the management fee, wrap accounts also pay an all-inclusive fee based on a percentage of assets under management. In lieu of brokerage commissions, this fee includes portfolio monitoring, consulting services and in some cases, custodial services.
- The US dollar is the currency used to express performance. Results are based on fully discretionary accounts under management, including those accounts no longer with the Firm and actual management fees incurred. Returns are presented net of advisory fees and net of bundled fees and include the reinvestment of all income. Returns net of bundled fees are presented net of all fees and transaction costs incurred, include the investment of all income, and are based on the maximum all-inclusive wrap fee paid by any of the accounts included in the composite. The returns net of bundled fees were calculated by subtracting the highest applicable sponsor portion of the separately managed wrap account fee from the net of advisory fees return. As of December 31, 2017 the highest applicable sponsor portion of the separately managed wrap account fee was 0.30%, which may differ significantly from fees in other wrap accounts included in this composite.
- For comparison purposes, the composite is measured against the Russell 2000[®] and Russell 2000 Value Indices. The Russell 2000[®] Index includes the 2000 firms from the Russell 3000[®] Index with the smallest market capitalizations. The Russell 2000[®] Value Index measures the performance of those Russell 2000[®] companies with lower price-to-book ratios and lower forecasted growth characteristics. All indices are unmanaged. It is not possible to invest directly in an index. The index performance was taken from published sources and is not covered by the report of independent accountants.
- Client portfolios included in the composite are managed by multiple portfolio managers whose investment management styles may differ. In addition, some client portfolios may be managed more or less conservatively, subject to individual client restrictions. As a result, performance differences between client portfolios in the same composite may occur. The annual composite dispersion is an asset-weighted standard deviation calculated for the accounts in the composite the entire year.
- As of October 2015, accounts with a flow greater than 20% of the portfolio market value are excluded for the month.
- A complete list and description of the Firm's composites and additional information regarding policies for valuing portfolios, calculating performance, and preparing compliance presentations are available upon request. Contact Institutional Sales at Heartland Advisors, Inc. 789 N. Water Street, Suite 500, Milwaukee, WI 53202 or call 888-505-5180.
- The presented 3 year annualized standard deviation for the composite and the benchmarks was updated to reflect the accurate statistic for the year 2015.