4th QUARTER 2018

SMALL CAP OPPORTUNITY STRATEGY COMMENTARY

MARKET OVERVIEW

President Trump caught himself in a Chinese finger trap of his own making. After riding high on tax cuts and fiscal stimulus, which the stock market celebrated throughout 2017, Trump parlayed his momentum into brinkmanship against China that appears intractable. What was once unlikely and unwise by Trump is now negatively affecting companies and investors around the globe. Companies anticipated rising tariff costs, so they front loaded purchases and inadvertently sent a false signal that demand could power through a global trade spat. Global supply chains have since recast to suboptimal levels, CEOs are implementing cost-cutting measures to offset tariff costs and aggregate demand by companies and consumers alike should reset lower. Not until the 4th quarter did investors see glaring evidence of the economic damage caused by a synchronized global slowdown partially caused by Trump's policy error. Not until the 4th quarter did investors see glaring evidence that Chinese consumers are boycotting American products. Not until December 1st did we see a prominent Chinese technology executive get arrested at the request of the United States. Since then, China has detained more than a dozen Canadian citizens.

Trump feverishly twisted his fingers as the market declined in December while several staffers quit his administration. Just before Christmas, the self-proclaimed "Tariff Man" turned his ire toward Fed Chief Powell as he threatened his head if he kept raising rates – as if that was the sole reason for the market decline. Sure, the Federal Reserve either miscommunicated future policy moves or they are intentionally shedding the resented "Fed Put." Both would understandably anger Trump. However, the Chinese trade war appears deflationary due to demand destruction. As such, lower global growth means lower inflation expectations and a Fed policy trapped by a flattening yield curve. Trump did not need to bully the Fed chief after all.

By Christmas Eve, the December stock market decline was shaping up to be the worst in 72 years. Treasury Secretary Mnuchin convened his "plunge protection team" on Christmas Eve, rattling markets just days before Trump shifted battle lines to the Mexican border. The U.S. government shutdown began after Christmas, and so closed the worst year for the small cap index since 2008. Policy errors throughout 2018 snatched defeat from the jaws of victory.

COMPOSITE PERFORMANCE

	4Q18	2018	3 Year	5 Year	10 Year	Inception*
Cortina Small Cap Opportunity (Gross)	**-21.49**	**-5.44**	**9.60**	**7.10**	**13.26**	**10.20**
Cortina Small Cap Opportunity (Net)	**-21.66**	**-6.20**	**8.72**	**6.21**	**12.31**	**9.23**
Russell 2000 Index	**-20.20**	**-11.01**	**7.36**	**4.41**	**11.97**	**7.28**

**Annualized return since June 30, 2004*

The rapid market descent during the 4th Quarter permitted no shelter for most portfolio holdings. The Cortina Small Cap Opportunity portfolio underperformed the small cap market during the quarter as investors found shelter in the defensive corners of the market. For example, Utilities only declined 2.8% in the quarter. The uncharacteristic underperformance in a declining quarter for the market halts our outperformance streak at four quarters. However, and most importantly, the strategy has outperformed in 12 of the last 16 quarters since Quantitative Easing ceased.

Two times since Cortina formed in 2004 has the small cap market declined by more than 20% in a single quarter. The Russell 2000 Index declined 26% in the 4th quarter of 2008 and then fell by 22% in the 3rd quarter of 2011. The first collapse was during the Great Recession and the second plunge came after Standard & Poor's downgraded America's credit rating for the first time. Recessionary relapse fears soared in 2011, similar to today. In both of these historic quarterly market declines, our portfolio outperformed. So why did the portfolio not preserve as much value during the 4th quarter meltdown of 2018? Part of the answer lies with the magnitude of outperformance in the preceding quarter. Our portfolio added 478 basis points of alpha in the 3rd quarter. That was the largest quarterly outperformance by our portfolio in a rising market since 2009. Not surprisingly, skittish investors looking to take profits targeted some of our best performing names. Rotation away from growth stocks was notable during the market sell-off when investors liquidated stocks for cash. Remarkable gains during the year faded toward respectable gains when valuation levels quickly reset lower. As fundamental company investors, we neither market time nor recycle capital into defensive corners of the market during heady times. Industry and sector valuations typically ebb and flow at varied times, so our capital preservation strategy encompasses trimming expensive stocks and then reallocating capital into more attractive companies within our preferred sources for alpha. But, like in early 2018, there are few places to play offense and defense at the same time. Importantly, we feel the short-term correction without a recession will support reasonably priced growth shares going forward. Late in a business cycle, investors typically gravitate toward high quality growth companies with advantaged revenue and cash flow generation visibility. Such investor caution often directs capital to companies that offer both offensive and defensive traits.

Importantly, the Cortina Small Cap Opportunity portfolio widely outperformed the Russell 2000 Index in 2018, as well as a large majority of our peer group. Jefferies research highlights that just 30% of small cap core managers beat the market in 2018 as the average portfolio lagged the market by 1.7%. Notably, the 11% small cap market decline was the 4th worst annual return since the Russell 2000 Index formation in 1984. Encouragingly, the small cap market has always surged higher after tumultuous years. There have been five prior instances with the Russell 2000 Index posting a total return loss of 7% or worse. The average recovery year gain is 35% for this cohort. Notably, the best recovery year gain was 47% and the worst bounce back annual return was 25%.

Outperforming the market by more than 5% in 2018 was solely attributable to stock selection, not sector weighting decisions. However, the unusual bear market downdraft led our 4th quarter underperformance to arise from both stock selection and sector positioning. The 20.2% market decline in the quarter punished growth stocks more than value stocks. This would portend two likely outcomes. First, our traditional growth investment sectors (Consumer Discretionary, Health Care, Technology and Financials) would experience the strongest selling pressure as recessionary fears mounted. Second, not owning bond proxies (Utilities, REITs) as portfolio ballasts would pressure relative performance. Separately, stock selection presented an approximate 75bp drag in the quarter while sector allocation detracted roughly 65bp. Cumulatively, the slight quarterly underperformance is not emblematic of fundamental operating issues across the portfolio.

The most concerning corner of the market during the 4th quarter was the cyclical arena – Energy, Materials and Industrials. While they collectively provided nearly 100bps of stock selection benefit, that was due to how truly awful the low quality laggards were in these areas. Each sector lagged the market. Energy plunged by 41% and Materials fell 26%. Our slight stock selection advantage did not derive from unearthing any gems, but rather from our traditional disinterest with highly levered business models. With credit spreads blowing out and financial leverage at concerning levels, many of the most operationally levered companies saw share price collapses that rivaled 2008. These CEOs, in particular, were riding high just six months ago and very supportive of the Trump Administration. Today, multiple industrial activity measures are revealing a synchronized global slowdown that has so far spared the United States more than in Asia and Europe. From a stock perspective though, the market has already discounted recessionary conditions at a much faster pace than contemplated six months ago.

PORTFOLIO POSITIONING & OUTLOOK

The Small Cap Opportunity portfolio is positioned for a broad-based market recovery in 2019 as greatly improved policy management unfolds. We expect both President Trump and Fed Chief Powell to learn from their mistakes – or at least move forward with stock market friendly behavior. Both will have self-preservation on their minds, though neither would admit it. We believe Trump can't stomach presiding over two consecutive years of equity market declines. Historically, the market rarely declines two years in a row. Practically, it would be an ignominious event ahead of a presumed re-election bid. We expect Trump to broker a truce with China in 2019 that saves face and accomplishes little, but desperately provides more economic certainty. Rarely is the time when the S&P 500 declines in a year while earnings growth exceeds 20%. As such, we look for Trump to ratchet down tariff concerns and return to a pro-growth, CEO friendly environment. President Trump likely promotes the "soft landing" tagline in the new year before the Fed can do so. In 2019, the Fed quietly stays on the sidelines until the bond market permits further hikes. If Trump and Powell play nice, and the yield curve doesn't invert, investors could shelve recessionary fears.

As Evercore ISI points out, there have been six market corrections during economic expansions since 1984. That is, corrections without recessions. Interestingly, all six traumatic periods ended with central bank easing. Not only did the recent 19% plunge in the S&P 500 exactly match the average correction in these six cases, but we are already seeing signs of central bank accommodation. China is explicitly easing monetary conditions. Domestically, the Powell's hawkish October tone has quickly turned dovish and clearly deferential to global market stability. The Fed "put" is intact, especially since Quantitative Tightening is a growth retardant set on autopilot. We would not be surprised to see the Fed moderate the balance sheet shrinkage rate as an alternative or addition to halting further rate hikes.

Moderating interest rates, lower gasoline prices and reduced political uncertainty should favor the American consumer in 2019. Current wage growth at 3.3% is at cycle highs and suggests deep spending ability by U.S. households. The Small Cap Opportunity portfolio has increased its Consumer Discretionary weight from 8% to nearly 15% in the last 18 months. Selective portfolio additions and relative market stability in a bear market drove this increase. The same is true for Consumer Staples, a sector that has increased its weight from 2% to over 6% in this same period. Several growth-oriented Consumer Staples stocks, such as Inter Parfums (profiled below), have provided additional exposure to favorable consumer spending trends. As it relates to potentially delayed IRS tax refunds due to the government shutdown, we find it extremely unlikely that Trump will anger financially dependent voters.

The most notable sector weight reduction over the course of 2018 occurred in Technology. We entered 2018 at 28% and finished the year under 19%. The 28% portfolio weight one year ago represented an 11% overweight versus the Russell 2000 Index. This exposure was also 11% larger than the next largest sector weight, Industrials. The portfolio's tech weight methodically declined throughout the first half of the year and has since moderately increased into year end. We grew increasingly uncomfortable with gently fading stock prices that foreshadowed today's global supply and demand imbalance. Too many tech stocks either failed to respond to good news while others faced worrisome growth results on a second derivative basis. A fading positive rate of change environment actually unfolded, and by year end, many semiconductor and semiconductor equipment companies found themselves in a cyclical downturn. Admittedly, our substantial sector trimming could have been even more fruitful. While many stocks were eliminated, others were only cut in half. Fortunately, the volatile market late in the year provided excellent opportunities to high-grade our tech holdings with more dynamic franchises. We expect to further high-grade certain tech positions as our new senior tech analyst, Jeff Nevins, further adjusts our holdings and increases our Technology sector weight. His extensive experience with Business Service stocks should foster even greater ownership of the high quality franchises that use technology to extend leadership positions and enviable cash flow margins.

INTER PARFUMS ($65.57 AS OF 12/31/2018):

Inter Parfums is a leading brand development and marketing company in the $28 billion global prestige fragrance industry. The company manages a portfolio of over 20 licensed and owned brands including Mont Blanc, Jimmy Choo, Lanvin and Coach. Instead of placing reliance on celebrity endorsements and one hit wonders, Inter Parfums focuses on building evergreen business via signature fragrance launches and extensions in timeless brands. The company works closely with each brand house to create fragrances that are unique but also in keeping with the core brand DNA. The company is a well-respected brand builder and partner that opens up opportunities to work with brands that chose not to be lost in the fray of larger fragrance houses.

Inter Parfums' claim to fame centers on its successful turnaround and sizeable growth of the Burberry brand in fragrance. Burberry fragrance was a paltry single digit million-dollar property at wholesale when Inter Parfums brought it into the fold in mid-1993. The brand peeked at over $300 million at wholesale, which is equivalent to $1 billion at retail, by the time Burberry Corp. bought Inter Parfums out of the license in 2012. The phenomenal success of Burberry fragrance caught the attention of other brands. That has opened many a door for the company. Moreover, the $240 million that Burberry paid Inter Parfums to exit the license positioned the balance sheet for future growth.

The fragrance industry is highly fragmented with the top 15 brands equating to 30 percent of the market. It is largely a licensed industry given the complexity and unique expertise needed to successfully create and market fragrances. This means brand houses (e.g., Georgio Armani and Calvin Klein) partner with companies like Inter Parfums to license and manage their names in the fragrance category. Importantly, licenses tend to be long-term in nature, thus adding predictability and stability to the portfolio.

The industry is dominated by a couple of larger fragrance houses including Coty and L'Oreal who, as one would expect, tend to spend the majority of their time on the biggest properties under management. Within this ecosystem, it is common for smaller brands to feel neglected. These smaller brands are perfect partners for Inter Parfums. To these smaller brands, Inter Parfums offers the best of both worlds with a successful record of accomplishment of high-touch brand building expertise and global distribution. In addition, given Inter Parfums relative size, these smaller brands can be meaningful needle movers to the company. We have seen this play out in Coty's jumbled acquisition of P&G's beauty business where Inter Parfums has thus far been able to sign an attractive deal with the likes of GUESS?

The Inter Parfums market strategy is seemingly simple but effective. On average, each brand launches a signature fragrance every two years and a fragrance extension or "flanker" in the off year. This strategy gives the signature fragrance time to reach full potential but also supports the brand with "news" in the off year in the form of a signature extension (similar DNA to the signature fragrance but with nuance). From a marketing perspective, this gives the brand fragrance family a marketing share of voice throughout every year, thus keeping it top of mind with both retailers and loyal consumers.

The fragrance industry is a low-single-digit growth industry. History shows Inter Parfums consistently outperforms the industry growth rate. In addition, Inter Parfums business is surprisingly resilient during downturns in the economy given its focus on timeless brands and a consistent market strategy. The industry produces an astonishing 1,200-1,300 new fragrance *per year* with a very high failure rate. In a strong economy, a rising tide lifts many boats, including Inter Parfums. During a slowdown, there are significantly fewer launches by fringe brands so there is less "clutter" in the industry to battle. Through it all, Inter Parfums creates desirable fragrances that consumers enjoy and are willing to open their wallet to purchase.

KEY TAKEAWAYS:

- Policy mistakes in Washington exacerbated the 4th quarter market meltdown:
  - President Trump's trade war with China is reducing global economic growth.
  - Fed Chair Powell's hawkish rate outlook suggested further domestic growth impediments.
- The Small Cap Opportunity outperformed by more than 5% in 2018, despite a weak 4th quarter.
- History strongly favors the odds of a small cap market rebound in 2019.
- The 2019 equity market should celebrate a Trump deal with China and predictable Federal Reserve interest rate moves.
- Technology and Consumer Discretionary are positioned for strong 2019 equity returns.

Top 5 Contributing Stocks[1,2]

Security	Weight	Contribution
Mellanox Technologies Ltd	1.14%	0.24%
Inter Parfums Inc	2.57%	0.10%
Argo Group International	0.92%	0.05%
Five9 Inc	0.24%	0.04%
Appian Corp	0.43%	0.04%

Top 5 Detracting Stocks[1,2]

Security	Weight	Contribution
Inogen Inc	1.78%	-1.08%
National Vision Holdings Inc	1.67%	-0.67%
Oceaneering Intl Inc	0.87%	-0.65%
Ollie's Bargain Outlet	1.90%	-0.59%
Tactile Systems Technology	1.50%	-0.58%

Contributing

Mellanox Technologies Ltd **Technology**

Mellanox sells semiconductors for computing, storage, and communication applications. Mellanox reported strong September quarter results and increased guidance for the year. In addition, media sources suggest that Mellanox has hired a financial advisor to seek potential sale after receiving takeover interest from at least two companies.

Inter Parfums Inc **Consumer Staples**

Inter Parfums is a leading brand development and marketing company in the $28 billion global prestige fragrance industry. The company continued to report solid quarterly earnings and sign attractive new license deals.

Argo Group International **Financials**

Argo is a global underwriter of property, liability, specialty and professional lines business. With two thirds of its business tied to U.S. accounts, the company has recently benefited from a strong Excess & Surplus environment. In addition, the company is finally starting to leverage its expensive operating platform.

Detracting

Inogen Inc **Health Care**

Inogen makes and markets portable oxygen concentrators (POCs), which are steadily making heavy oxygen tanks obsolete. The company has experienced outsized growth over the past few years resulting in a "growth stock earnings multiple." While third quarter results exceeded expectations it was not by enough to sustain the heady multiple. The company also lowered profit guidance for the year as it aggressively ramps the internal sales team. At roughly 10.5% penetrated into the oxygen market, we believe the investment will pay off handsomely over the next year.

National Vision Holdings Inc **Consumer Discretionary**

National Vision is a 1,000 store chain of value focused optical stores employing a true faster, cheaper, better model. Third quarter earnings were ahead of consensus, but annual profit guidance was at the low end of prior plan given investments to grow the business. A secondary offering by private equity sponsors created additional noise in the shares.

Oceaneering Intl Inc **Energy**

Oceaneering is the globally dominant provider of subsea Remotely Operated Vehicles that are used during exploration, development, production, and decommissioning of oil wells. The offshore down cycle took hold five years ago and recently started to show signs of major project spending in 2018 – until the Q4 plunge jettisoned offshore recovery hopes.

[1] Positions identified do not represent all the securities held, purchased or sold. Calculation methodology and a complete list of positions and contributions for the quarter are available upon request. [2] Past performance does not guarantee future results.

PERFORMANCE DISCLOSURES

1. Cortina Asset Management, LLC ("Cortina") is an independent investment management firm established in 2004. Cortina manages small cap equity assets in the U.S. The firm has no subsidiaries or related asset management firms.

2. The Cortina Small Cap Opportunity composite numbers consist of all fully discretionary, fee-paying accounts greater than $1 million invested in our Small Cap Opportunity Strategy. This composite was created in June of 2004. Prior to October 1, 2009 the minimum threshold for composite inclusion was $5 million. The decrease in account minimum explains the significant increase in the number of accounts in the Small Cap Opportunity composite for 2009.

3. Returns are calculated on a total return basis, including all dividends and interest, realized and unrealized gains or losses, and are net of all brokerage commissions, execution costs and without provision for federal and state income taxes. Securities transactions are accounted for on trade date. Cash and equivalents are included in performance returns. Composite returns are calculated daily. Quarterly returns are calculated by geometrically linking the daily returns for each day in the quarter and annual returns are calculated by geometrically linking the daily returns for each day in the year. All returns presented are calculated using U.S. Dollars.

4. Effective October 1, 2005, we remove portfolios from composites when significant cash flows occur. Significant cash flows are defined as a flow greater than 5% of the portfolio's beginning market value. The portfolios are subject to inclusion back into the composite at the beginning of the next full quarter the portfolio meets the composite definition. Additional information regarding the treatment of significant cash flows is available upon request.

5. Gross returns are presented before management and custodial fees and include dividends and interest, realized and unrealized gains or losses, and transaction costs. Net returns are presented after actual management fees, but include dividends and interest, realized and unrealized gains or losses, and transaction costs. A client's returns will be reduced by the management fees and other expenses it may incur in the management of the account. For example, an actively managed account of $20 million with an annual rate of return of 10% compounded over a 10-year period that was charged a management fee of 1%, would achieve a net-of-fee return of 136.7%; compared to a gross-of-fee return of 159.4% based on the same assumptions.

6. The benchmark for the Cortina Small Cap Opportunity Composite is the Russell 2000 Index. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000 Index is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set. Benchmark returns are not covered by the report of independent verifiers.

7. Cortina Small Cap Opportunity Strategy typically owns between 60-80 stocks. The Cortina Small Cap Opportunity Strategy may or may not invest in industries and sectors in the same weightings as the Russell 2000 Index. The Cortina Small Cap Opportunity Strategy includes stocks not included in the Russell 2000 Index.

8. The dispersion of annual returns is measured by the standard deviation across asset-weighted portfolio returns represented within the composite for the full year. The number of accounts in the composite are as of period end. Dispersion is not shown for periods less than a year or when there are five or fewer accounts in the composite for the entire year.

9. Cortina Asset Management claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Cortina has been independently verified for the periods 7/1/04-12/31/18. 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 Cortina Small Cap Opportunity composite has been examined for the periods 7/1/04-12/31/18. The verification and performance examination reports are available upon request.

10. A complete list and description of composites and additional information regarding policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

11. Past investment results are not necessarily indicative of future investment results.

12.

CORTINA ASSET MANAGEMENT, LLC
Small Cap Opportunity Strategy as of 12/31/2018

Year	Total Return Gross of Fees	Benchmark Return	Composite Accounts at End of Period	Composite Dispersion (%)	3-Year Annualized Composite	Standard Deviation Benchmark	Composite Assets at End of Period (millions)	Percentage of Firm's Assets	Total Firm Assets at End of Period (USD millions)
2004*	20.44%	10.84%	1	n/a	n/a	n/a	10.3	4.4%	232.1
2005	16.53%	4.55%	1	n/a	n/a	n/a	11.6	2.0%	583.1
2006	20.41%	18.37%	11	n/a	n/a	n/a	209.9	12.5%	1,676.4
2007	11.07%	-1.57%	22	0.23	n/a	n/a	471.6	32.1%	1,473.5
2008	-37.29%	-33.79%	22	0.17	n/a	n/a	340.3	33.6%	1,013.3
2009	36.05%	27.17%	39	0.50	n/a	n/a	538.6	39.4%	1,368.9
2010	24.79%	26.85%	59	0.07	n/a	n/a	1,106.8	58.6%	1,890.1
2011	0.55%	-4.18%	63	0.04	22.57%	24.99%	1,248.0	66.7%	1,871.7
2012	10.06%	16.35%	53	0.08	17.61%	20.20%	1,093.9	50.7%	2,157.8
2013	31.20%	38.82%	43	0.24	15.18%	16.45%	1,445.5	51.1%	2,830.3
2014	4.64%	4.89%	31	0.08	12.00%	13.12%	912.2	38.8%	2,349.5
2015	2.27%	-4.41%	28	0.14	12.51%	13.96%	1,041.4	45.1%	2,308.5
2016	21.33%	21.31%	23	0.09	13.60%	15.76%	728.6	29.4%	2,481.5
2017	14.77%	14.65%	24	0.07	12.04%	13.91%	1,088.0	46.7%	2,331.6
2018	-5.44%	-11.01%	21	0.08	15.21%	15.79%	453.0	26.8%	1,693.0

*Last 6 months performance in 2004

<u>Other Disclosures</u>:

1. The data provided about the portfolio characteristics relate to a representative account's portfolio holdings as of 12/31/18. While we believe the data accurately reflect the investment process, the holdings and portfolio characteristics will change from time to time.

2. This presentation includes stock profiles and other information about portfolio holdings. Information about portfolio holdings is as of 12/31/18 and will change without notice. It is not intended to represent or predict portfolio investment performance or as a recommendation of any individual security. The specific securities identified do not represent all the securities purchased for accounts and you should not assume these securities are or were profitable. For a complete copy of all investment recommendations made by Cortina within the past year, please contact Lori Hoch at 414-225-7365.

3. Additional information about Cortina is contained in the firm's Form ADV. Cortina will supply a copy of its Form ADV to any prospective client upon request.

4. Management fee schedule:
   0-$25 million 100 bps
   Next $25 million 90 bps
   On balance 80 bps