

# Small Cap Dividend Value

As of September 30, 2018

## Objective

Long-term capital appreciation through investments in small-cap, dividend paying equities.

## Philosophy

Typically, dividend paying stocks are only associated with larger-cap companies and the small cap companies are largely misunderstood or ignored. We believe the quality of the universe from which we generate investment ideas is inherently superior to the substantially broader universe of small cap stocks, an index, or an ETF which are cap-weighted with significant biases toward sectors and certain industries.

In addition, we believe that dividend payers offer an attractive risk-profile as they generally outperform non-dividend payers in periods where equity markets are down.

## Portfolio Construction

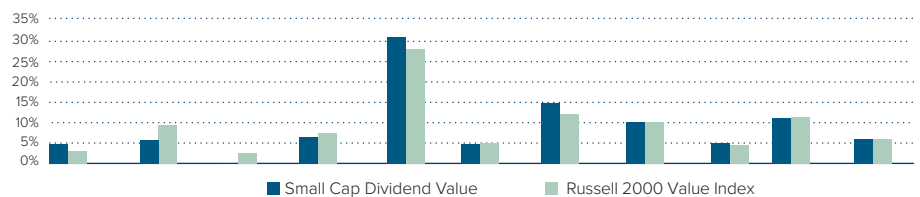
- 60 - 90 stocks
- Market capitalization: Generally <\$3.5 bil. at purchase
- Maximum sector weight: +/- 5% benchmark
- Initial position size: 0.5%
- Maximum position size: 5%

## Investment Highlights

In challenging investment environments, we believe the quality of our dividend-focused portfolio, coupled with our attention to valuation, will provide some degree of downside market protection. We believe that the universe of dividend-paying small cap companies have intrinsic value characterized by their ability to pay a dividend so early in their history.

### Relative Sector Weights

	Communication Services	Consumer Discretionary	Consumer Staples	Energy	Financials	Health Care	Industrials	Information Technology	Materials	Real Estate	Utilities
Small Cap Dividend	4.75%	5.69%	--	6.53%	30.97%	4.72%	14.92%	10.13%	4.98%	11.24%	6.07%
Russell 2000 Value	3.03%	9.51%	2.53%	7.51%	28.19%	5.02%	12.06%	10.26%	4.43%	11.49%	5.97%



### Strategy Characteristics

	Small Cap Dividend Value	Russell 2000 Value Index
Number of holdings	70	1,386
Cash Exposure	5.08%	--
Weighted Avg. Market Cap	\$2.5 Bil	\$2.1 Bil
Median Market Cap	\$2.2 Bil	\$810 Mil
Price/Earnings*	16.0x	14.9x
P/E Forecast (FY1)	15.2x	15.1x
Price/Book*	1.9x	1.5x
Price/Cash Flow*	11.6x	8.4x
Price/Sales*	1.6x	0.9x
Alpha**	0.61%	--
Beta***	0.90	1.00
Risk (Standard Deviation)****	12.49%	13.51%

### Top Ten Equity Holdings

Security Name	Weight
Ensign Group, Inc.	2.5%
Chemed Corporation	2.2%
Wintrust Financial Corporation	2.2%
BancorpSouth Bank	2.2%
KBR, Inc.	2.1%
Nexstar Media Group, Inc. Class A	2.1%
Mercer International Inc.	2.0%
Hackett Group, Inc.	2.0%
Sabra Health Care REIT, Inc.	2.0%
Altra Industrial Motion Corp.	2.0%
<b>Total</b>	<b>21.4%</b>

\* Last 12 Months, Weighted harmonic average.

\*\* Alpha is a measure of performance on a risk-adjusted basis. Number shown reflects the trailing five year alpha.

\*\*\* Beta is the current measure of a portfolio's risk in relation to the market or a benchmark. Number shown reflects the trailing five year beta.

\*\*\*\* Standard deviation is a statistical measurement of historical volatility and can be used to gauge the amount of expected volatility. Number shown reflects the trailing five year standard deviation.

The sector weights, characteristics, and top ten holdings shown are based on the model portfolio as of the date indicated.

Strategy Inception: July 31, 2009

# Small Cap Dividend Value

## Investment Process

We focus our research efforts across a broad array of dividend-paying stocks. In evaluating the overall quality of a company, we view the investment universe in four distinct areas. Depending on company-specific valuations - as well as the current macroeconomic environment, we categorize equities into each of these groups:

### Attractive

These stocks demonstrate attractive qualities independent from their dividends.

### Growers

We expect these companies to grow dividends faster than the market due to earnings growth and low payout ratio.

### Solid-Steady

These stocks offer average yields, and grow their dividends in-line with earnings.

### High-Yield

These stocks offer above-average yields that we believe are sustainable due to strong balance sheets and/or strong cash flows.

From these four categories, fundamental research helps our team assess the sustainability of a dividend by analyzing the company's cash flow, balance sheet and dividend history.

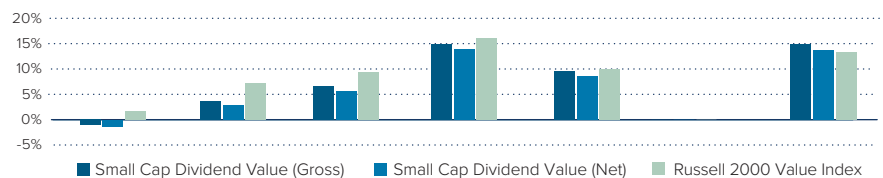
Keeley Teton Advisors, LLC is the registered investment adviser to this strategy and is a wholly owned subsidiary of Teton Advisors, Inc.

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## Performance as of September 30, 2018 (Composite)

	Average Annualized						
	Quarter	YTD	1-Year	3-Years	5-Years	10-Years	Since Inception
Small Cap Dividend (Gross)	-1.09%	3.59%	6.70%	14.94%	9.64%	--	14.87%
Small Cap Dividend (Net)	-1.33%	2.86%	5.68%	13.84%	8.54%	--	13.73%
Russell 2000 Value Index	1.60%	7.14%	9.33%	16.12%	9.91%	--	13.24%



## Calendar Year Performance (Composite)

Calendar Year	2009*	2010	2011	2012	2013	2014	2015	2016	2017
Small Cap Dividend Value (Gross)	13.65%	32.53%	5.21%	18.27%	31.28%	6.13%	-7.19%	31.03%	8.35%
Small Cap Dividend Value (Net)	13.20%	31.24%	4.19%	17.10%	30.02%	5.06%	-8.16%	29.73%	7.30%
Russell 2000 Value Index	13.97%	24.50%	-5.50%	18.05%	34.52%	4.22%	-7.47%	31.74%	7.84%

\*July 31, 2009 (inception) - December 31, 2009

## Portfolio Management Team



**Thomas P. Browne, Jr., CFA**  
Portfolio Manager  
32 years experience



**Brian P. Leonard, CFA**  
Portfolio Manager  
19 years experience

*Smaller and medium-sized company stocks are more volatile and less liquid than larger, more established company securities. Past performance does not guarantee future results. The performance data quoted represents past performance and current returns may be lower or higher. The investment return and principal will fluctuate so that an investor's portfolio, when redeemed, may be worth more or less than the original cost. Portfolio holdings will change, and should not be considered purchase recommendations. Top holdings and sector weights do not reflect cash, money markets or options/futures contracts holdings. The Russell 2000 Value Index measures the performance of the small-cap value segment of the U.S. equity value universe. It includes those Russell 2000 Index companies with lower price-to-book ratios and lower forecasted growth values. Since inception benchmark returns are from 7/19/09. The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property and a service mark of MSCI Inc. ("MSCI") and Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P") and is licensed for use by Keeley Teton Advisors, LLC.*

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