



peregrine small cap growth

PRESENTED BY:
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RuthAnn DeFrang
March 27, 2019



LCMS Foundation
TODAY | TOMORROW | FOREVER

Peregrine Overview

Peregrine contributes to our clients' success by providing:

- Continuity of highly experienced investment teams
- Consistent application of philosophy, style & process
- Independent teams with a focus on pure, specialty investment styles
- Outstanding investment management and service to a valued and limited client base

- Founded in 1984
- Employee-owned
- Located in Minneapolis, Minnesota
- \$3.9 Billion in assets under management

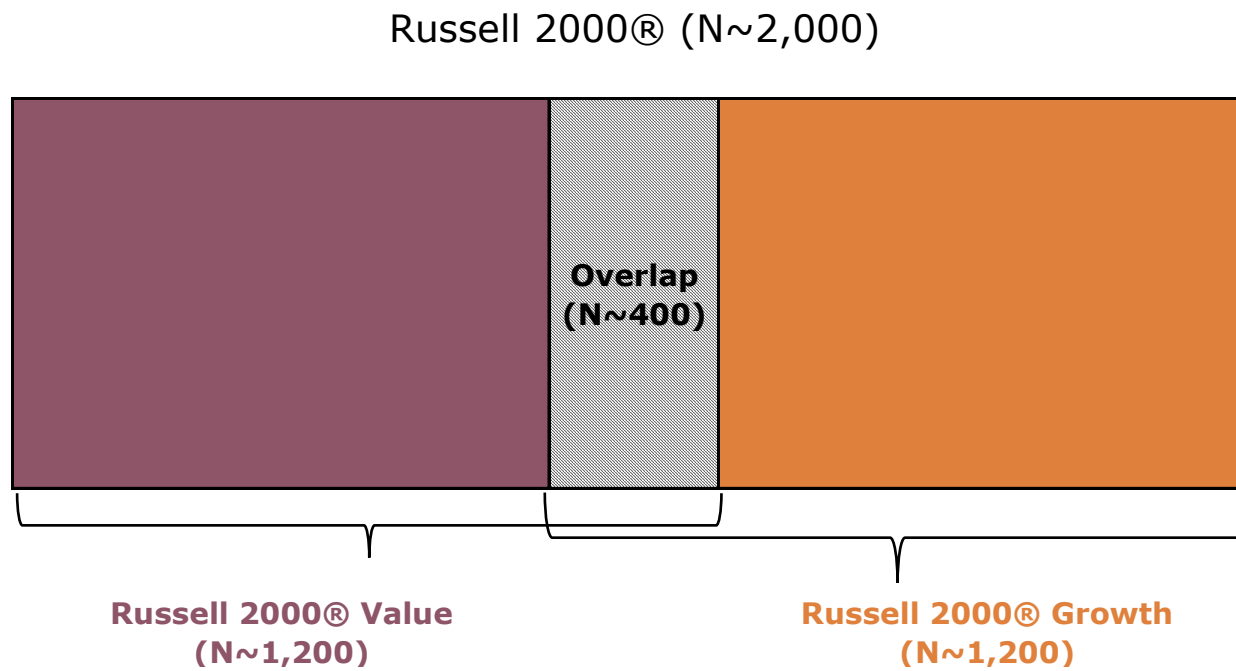


What is Small Cap Growth?



What is Small Cap Growth?

- Companies 1-1,000 — Russell 1000®, Large Cap
- Companies 1,001-3,000 — Russell 2000®, Small Cap



Russell 2000® Growth Characteristics

Russell 2000® Growth

6/22/18 Reconstitution	Minimum	Maximum	Weighted Average
Market Cap	\$108M	\$6.7B	\$2.5B

As of 3/6/19	Minimum	Maximum	Weighted Average
Market Cap	\$9M	\$8.4B	\$2.6B



Peregrine Style Overview



Performance Comparisons

As of February 28, 2019

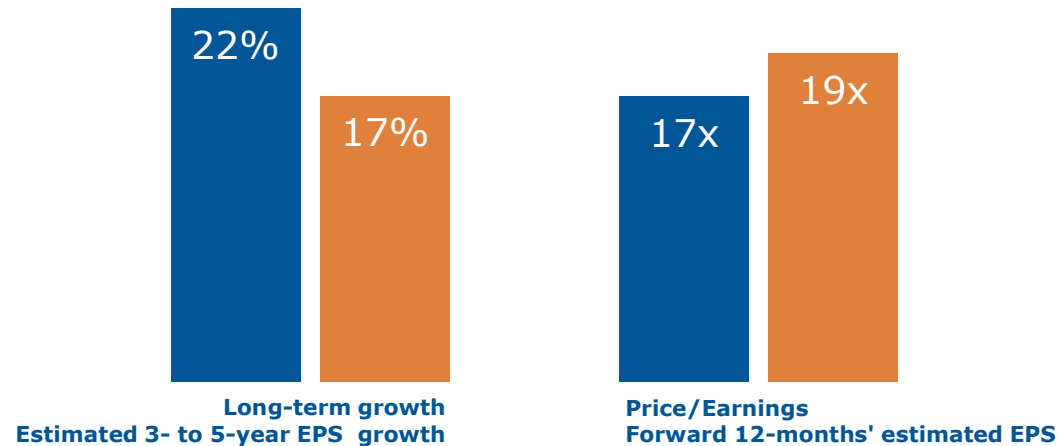
	Quarter- to-Date	<u>Annualized Returns as of 2/28/2019</u>				Since Inception
		1 Year	3 Years	5 Years	10 Years	1/1/1976
Peregrine Small Cap Growth						
Composite gross of fees (%)	17.7	9.6	20.4	9.0	20.1	14.6
Composite net of fees (%)	17.6	9.0	19.7	8.4	19.3	13.7
Russell 2000® Growth (%)	18.8	6.7	18.3	8.2	17.7	NA

The composite includes all fully discretionary portfolios invested in Peregrine's Small Cap Growth strategy. Net performance includes the effect of advisory or performance fees, while gross performance does not. Both gross and net performance reflects the reinvestment of dividends and interest, and the deduction of brokerage or other commissions, and any other expenses that a client would have paid or actually paid, other than custodial fees. Performance for the period 1/1/79 through 7/1/84 is for accounts managed by the Small Cap Growth team while they were employed by Peregrine's former parent company and managed the same strategy. The Small Cap Growth style inception is 1/1/76. The Russell 2000 Growth inception is 1/1/79. Past performance is no guarantee of future results. As with any investment there is always potential for gains as well as the possibility of losses.



Philosophy

Information Gap \ in•for•ma•tion gap \ *n.*:
a disconnect between stock price and fundamentals.



Peregrine vs. Russell 2000® Growth

Historical average as of December 31, 2018

Information gaps occur most frequently and are most attractive in small rapidly growing companies.



Information Gap

Characteristics Embedded in an Information Gap:

- High growth
- Fundamental dynamism
- Significant appreciation potential

Drives Closure of an Information Gap

DISCOVERY

- Sustainable superior growth
- 3-5 year EPS growth greater than 20%

REDISCOVERY

- Powerful near-term growth
- Forward EPS growth greater than 40%
- Acquisition candidates



Investment Process

IDENTIFY HIGH GROWTH

Focus on opportunities that have the potential to meet high growth criteria

-
- Internal research
 - External sources
 - Historical perspective, prior research work
-

CONDUCT FUNDAMENTAL RESEARCH

Conduct one-on-one meetings with company management teams

-
- Verify large growth opportunity
 - Evaluate company's ability to manufacture, market and sell
 - Analyze income statement and balance sheet quality and trends
 - Assess management credibility
-

SIZE INFORMATION GAP

Apply fundamental conclusions to valuation model

-
- Affirm differentiated perspective
 - Validate risk/reward opportunity
-

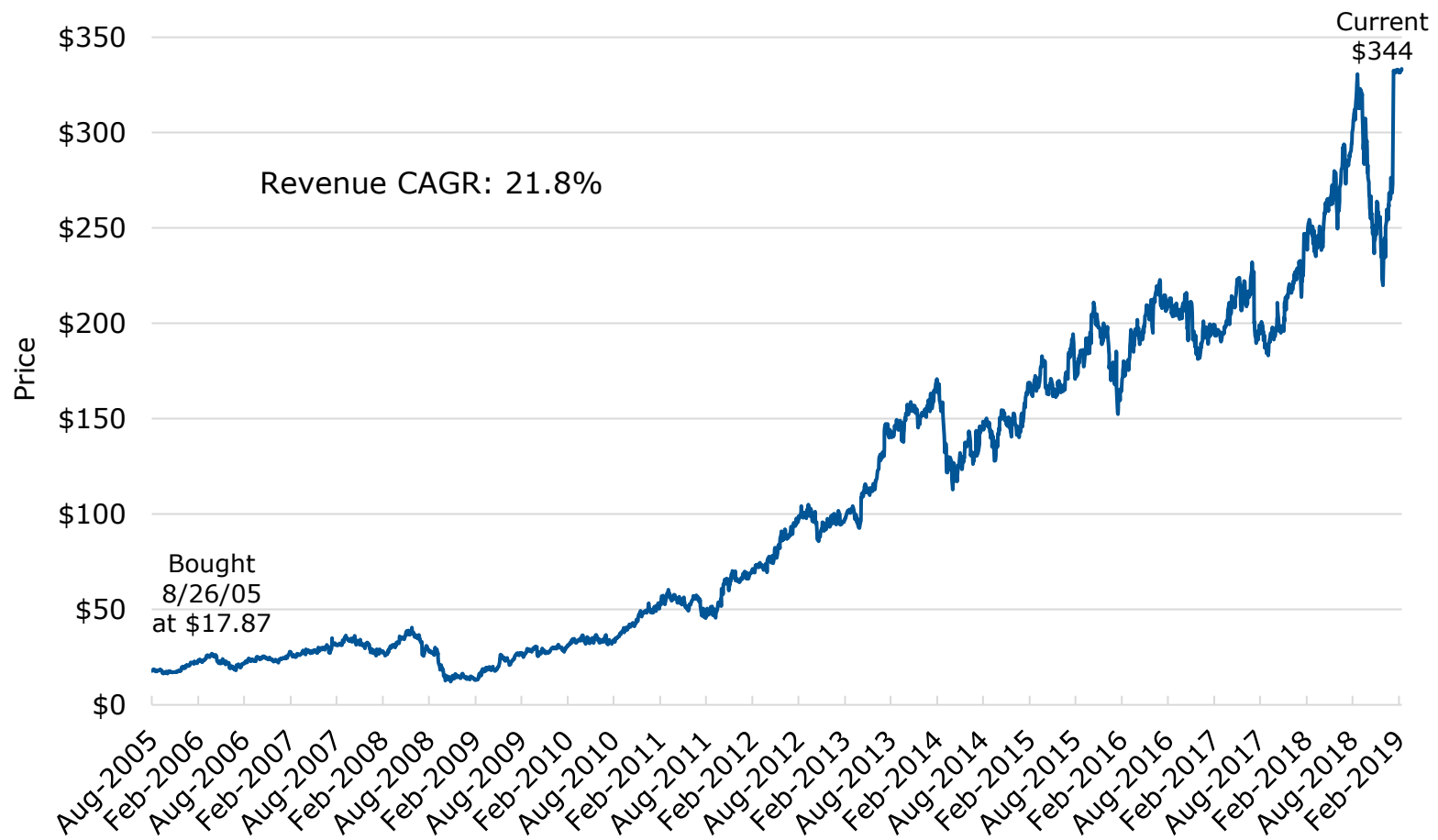
SMALL CAP GROWTH PORTFOLIO

-
- Team vetting
 - Portfolio construction discussion
-

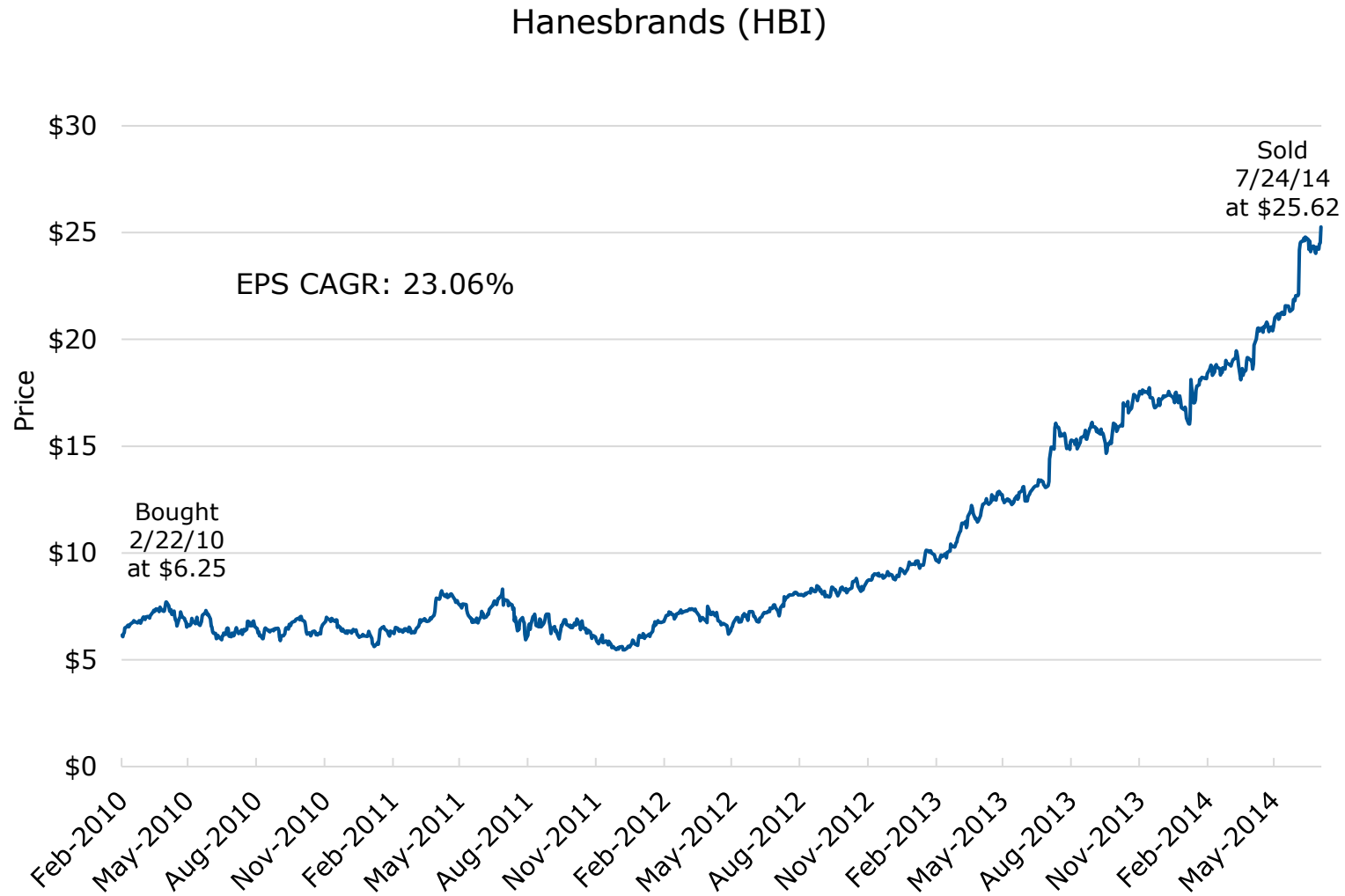


Stock Example

Ultimate Software (ULTI)



Stock Example

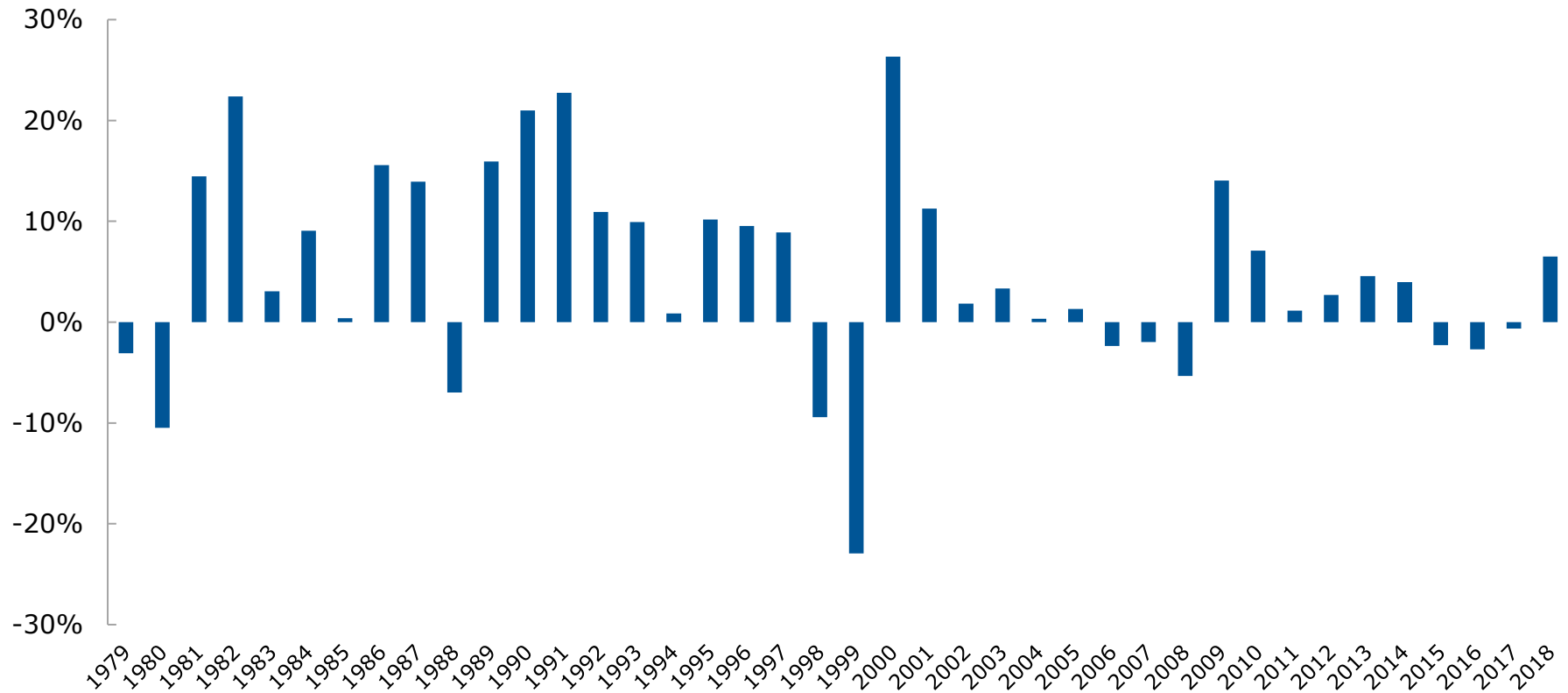


Consistent Outperformance

As of December 31, 2018

Peregrine Small Cap Growth has outperformed in 29 out of 40 years

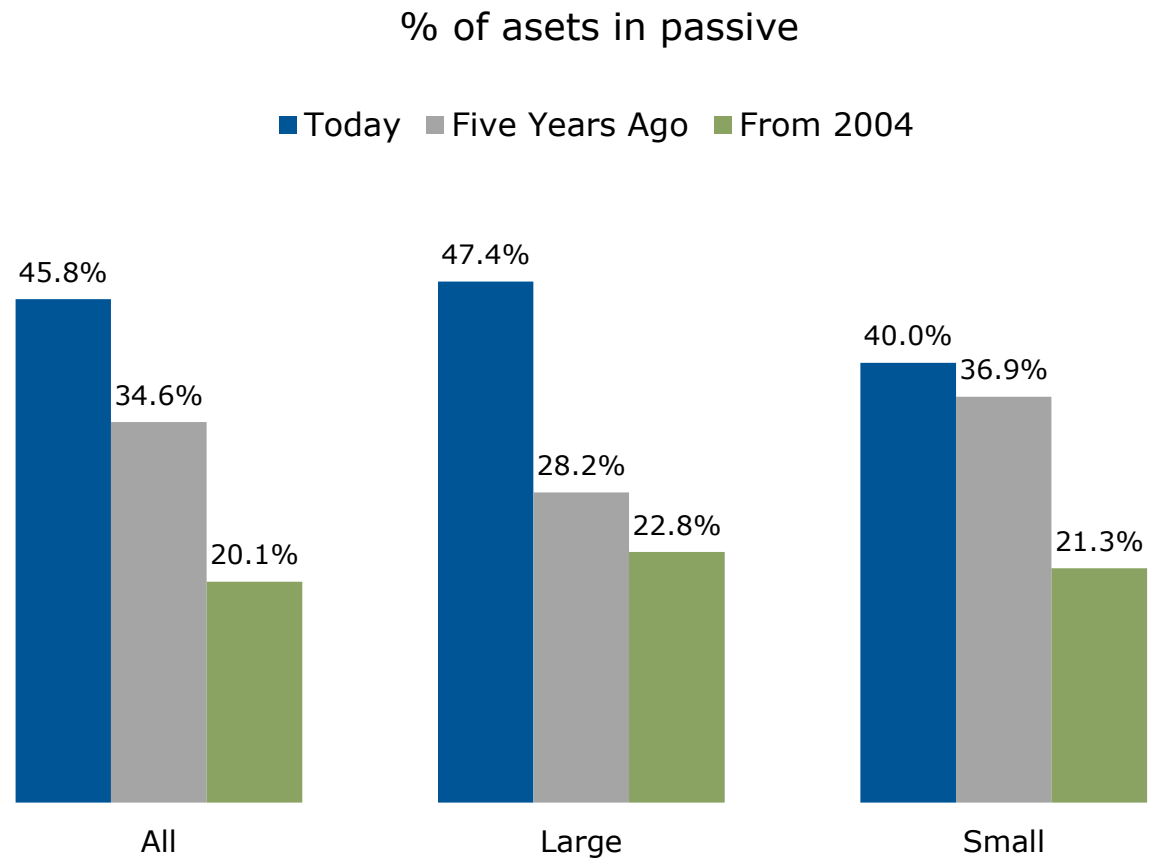
Peregrine vs. Russell 2000® Growth Index relative performance



Active vs. Passive



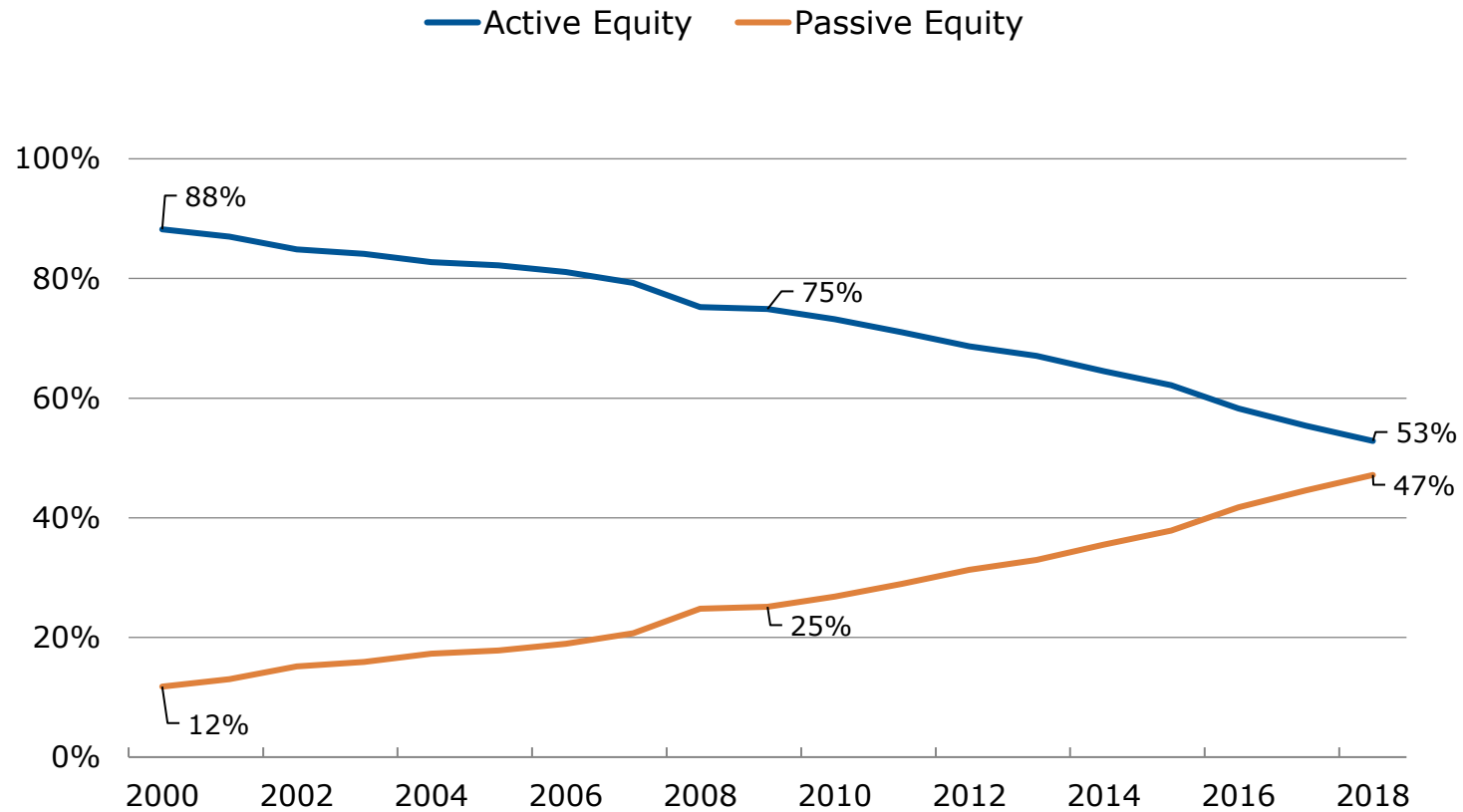
Getting closer to 50/50 passive versus active



Source: EPFR; Jefferies

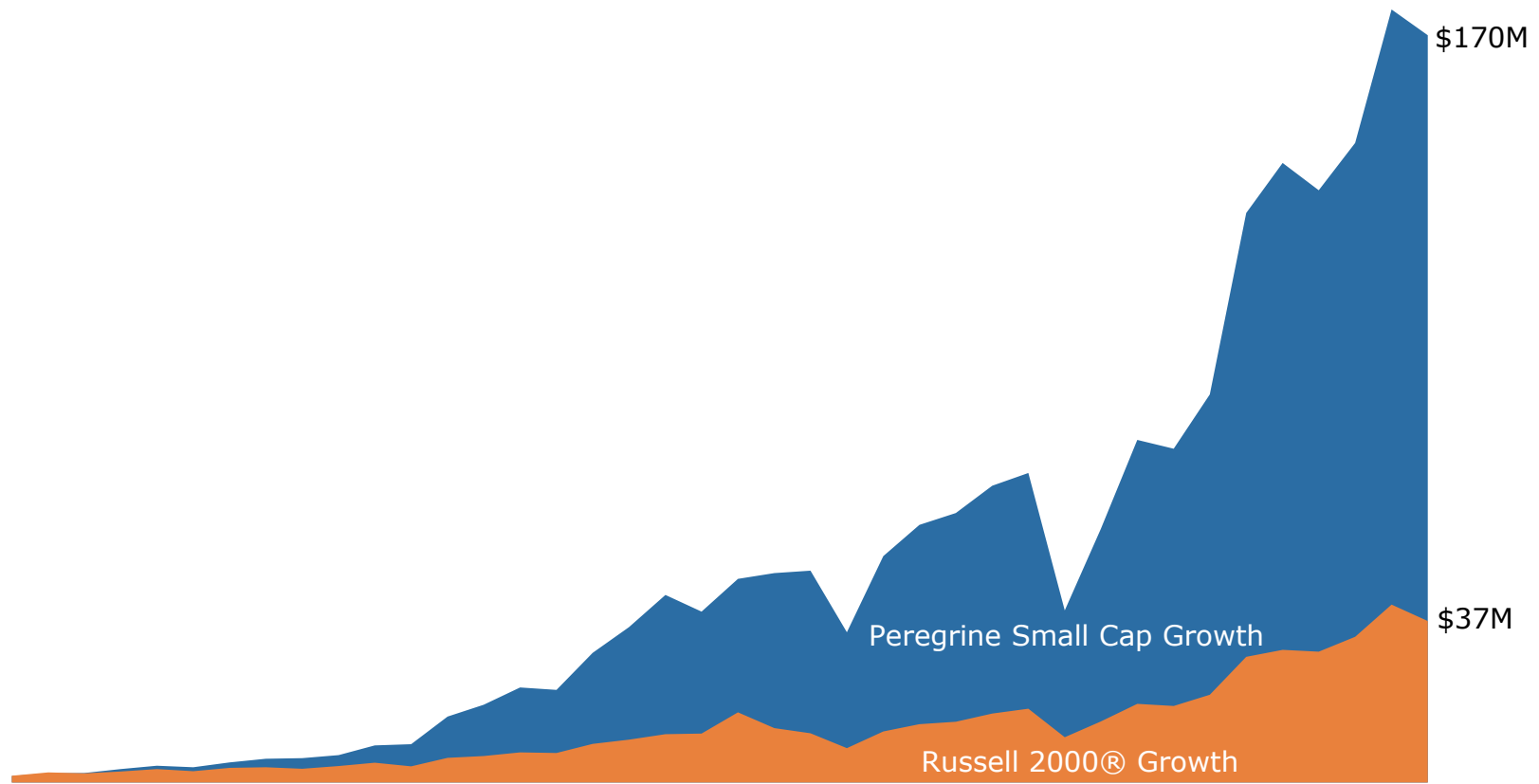


Passive equity AUM nears parity with active



Source: Morningstar; Jefferies
Note: Includes long-term mutual fund assets + ETF assets

Active Pays



Growth of \$1 million since Russell 2000® Growth Index inception (1/1/79 - 12/31/18)



Small Cap Growth Team



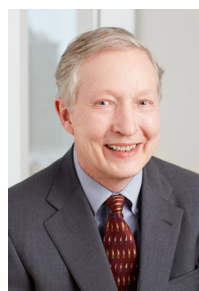
William A. Grierson, CFA
Portfolio Manager

2000 - Present Peregrine Capital Management
1993 - 2000 Kopp Investment Advisors
1992 - 1993 Northern Trust
B.A. Lawrence University



Daniel J. Hagen, CFA
Portfolio Manager

1996 - Present Peregrine Capital Management
1983 - 1996 Piper Jaffray
B.S. University of Minnesota



Paul E. von Kuster, CFA
Portfolio Manager

1984 - Present Peregrine Capital Management
1972 - 1984 Norwest Bank Minnesota, N.A.
A.B. Princeton University



Ryan H. Smith, CFA
Associate Portfolio Manager

2018 - Present Peregrine Capital Management
2007 - 2018 RBC Global Asset Management
2004 - 2007 William Blair & Company
1999 - 2004 Ernst & Young
M.S. University of Notre Dame
B.S. Lehigh University



Samuel D. Smith, CFA
Senior Analyst

2006 - Present Peregrine Capital Management
2005 - 2006 Deephaven Capital Management
B.A. University of St. Thomas

Other Key Executives



Robert B. Mersky, CFA
 Founder, Senior Advisor

1984 - Present Peregrine Capital Management
 1968 - 1984 Norwest Bank Minnesota, N.A.
 B.S. University of Minnesota



Hema Nealon
 Principal, Finance and Operations

2018 - Present Peregrine Capital Management
 2012 - 2018 Nuveen Investments
 2002 - 2012 Piper Jaffray, Inc.
 1999 - 2000 United Technologies Corporation
 1995 - 1999 HCL Corporation
 M.B.A. Harvard Business School
 B.S. University of Madras



Joan L. Bennett
 Chief Technology Officer

1999 - Present Peregrine Capital Management
 1995 - 1999 Advantus Capital Management
 M.B.A. University of Minnesota
 B.A. Northland College



Christine Mullady
 Chief Compliance Officer

2005 - Present Peregrine Capital Management
 2001 - 2005 Cargill Power and Gas Markets
 1996 - 2001 Wells Fargo Audit Services
 1993 - 1997 TCF Bank
 B.A. University of North Dakota



Paul R. Wurm
 Co-Manager of Equity Trading

1985 - Present Peregrine Capital Management
 1985 - 1985 First Investors Corporation
 B.A. University of Minnesota



Barbara K. McFadden
 Co-Manager of Equity Trading

1988 - Present Peregrine Capital Management
 1981 - 1988 Norwest Bank Minneapolis, N.A.
 B.A. Bucknell University

Client Service and Marketing Team



Stefanie M. Adams
Director of Client Service & Marketing

2003 - Present Peregrine Capital Management
2001 - 2003 NorthShore Advisors, LLC
2000 - 2001 Dain Rauscher Wessels
1994 - 2000 Insight Investment Management
1991 - 1994 Piper Capital Management, Inc.
B.S. Edmund A. Walsh School of
Foreign Service, Georgetown University



RuthAnn DeFrang
Client Service & Marketing

2007 - Present Peregrine Capital Management
1996 - 2006 Piper Jaffray
1992 - 1996 Varitronic Systems, Inc.
1991 - 1992 GE Capital
1990 - 1991 W.W. Grainger
1985 - 1990 ARA Refreshment Systems
M.B.A. University of Minnesota
B.B.A. University of Minnesota



Disclosure Information

Peregrine Capital Management
 Small Cap Growth Composite
 January 1, 2008 through December 31, 2017

Year End	Gross of Fees Return (%)	Net of Fees Return (%)	Benchmark Return (%)	Number of Portfolios	Asset-weighted Standard Deviation (%)	Total Composite Assets (US\$ Millions)	Total Firm Assets (US\$ Millions)
2017	21.54	20.86	22.17	27	0.27	2,924	4,422
2016	8.63	8.0	11.32	27	0.13	2,454	3,993
2015	-3.83	-4.42	-1.38	21	0.06	1,815	3,324
2014	9.54	8.78	5.60	11	0.18	959	2,475
2013	47.87	46.75	43.30	11	0.27	742	2,392
2012	17.28	16.31	14.59	10	0.29	559	2,330
2011	-1.78	-2.59	-2.91	9	0.17	551	2,362
2010	36.18	35.05	29.09	9	0.35	685	2,966
2009	48.51	47.29	34.47	10	0.49	634	3,634
2008	-43.89	-44.34	-38.54	10	0.17	518	3,262

Compliance Statement: Peregrine Capital Management ("Peregrine") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Peregrine has been independently verified for the periods 1/1/99-12/31/17. 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 Growth composite has been examined for the periods 1/1/99-12/31/17. The verification and performance examination reports are available upon request.

Definition of the Firm: Peregrine Capital Management is an employee-owned investment advisor registered under the Investment Advisers Act of 1940. Registration does not imply a certain level of skill or training.

Policies: Peregrine's policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.

Composite Description: The Small Cap Growth Composite includes all fee paying, discretionary accounts that hold U.S. traded securities considered to have a small market capitalization and potential for dramatic price appreciation (growth stocks) over a 6-18 month time horizon. The composite was created in January 1976.

List of Composites: A list of all composite descriptions is available upon request.

Disclosure Information

Benchmark: The benchmark is the Russell 2000® Growth Index. It measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 2000 Growth Index is constructed to provide a comprehensive and unbiased barometer for the small-cap growth segment. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set and that the represented companies continue to reflect growth characteristics.

The Russell 2000 Growth Index returns are provided to represent the investment environment existing during the time periods shown and are not covered by the report of independent verifiers. For comparison purposes, the index is fully invested and includes the reinvestment of capital gains and income. The returns for the index do not include any transaction costs, management fees or other costs.

Fees: Returns reflect the deduction of transaction costs and are net of non-reclaimable withholding taxes, and reflect the reinvestment of dividends and other earnings. Gross returns do not reflect the deduction of investment advisory fees or any other expenses that may be incurred in the management of the account. Net returns reflect the deduction of actual advisory fees, including performance fees if any. All returns are expressed in U.S. dollars. Past performance is not an indicator of future results.

Fee Schedule: The standard fee schedule currently in effect is as follows: 0.90% on the first \$50 million; 0.75% on the next \$50 million; 0.55% for amounts greater than \$100 million.

Significant Cash Flow: An account will be temporarily removed from the composite in the event that a single cash flow equals 10% or more of the account's market value. The account is returned to the composite following the first fully invested day.

Internal Dispersion: The dispersion of annual returns is measured by the asset-weighted standard deviation of account returns represented within the composite for the full year.

Ex-Post Standard Deviation: The three-year annualized ex-post standard deviation measures the variability of the composite (using gross returns) and the benchmark for the 36-month period ended as of each year end as follows:

Year	Composite 3-Yr St Dev (%)	Benchmark 3-Yr St Dev (%)
2017	14.85	14.59
2016	16.43	16.67
2015	14.42	14.95
2014	13.78	13.83
2013	18.19	17.28
2012	21.66	20.72
2011	24.17	24.31
2010	28.36	27.69

