PIER CAPITAL LLC
INSTITUTIONAL EQUITY MANAGEMENT
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U.S. SMALL-CAP GROWTH EQUITIES

First Quarter 2018 — *Quarterly Commentary*

STRATEGY MANAGERS

Alex Yakirevich, President & CIO

Jan Parsons, Chairman

STRATEGY DESCRIPTION

U.S. Small Cap Growth Stocks

Bench: Russell 2000 Growth Index

STRATEGY QUICK FACTS

Inception	July 1, 1987
Firm AUM	$598 mm
Strategy AUM	$562 mm

STRATEGY CHARACTERISTICS

Wtd. Avg. Market Cap (Millions)	$2,127 mm
Median Market Cap (Millions)	$2,179 mm
Debt to Total Cap	22.2%
Price/Earnings FTM	23.2x
Cash Weighting	2.3%

The above statistics are supplemental to the GIPS compliant disclosure on the last page.

Source: Factset

CONTACT INFORMATION

Pier Capital, LLC
Newport Office Center 1
111 Town Square Center
Jersey City, NJ 07310

Alex Yakirevich, President & CIO
201.792.2640

MARKETING CONTACT

Ross Hawkins
201-710-2998
ross.hawkins@piercap.com

RETURNS (Gross of Fees)

	First Quarter 2018
Pier Small Cap Growth*	4.58%
Russell 2000 Growth Index	2.30%
Russell 2000 Index	-0.08%
S&P 500 Index	-0.76%

PORTFOLIO REVIEW

- Last year's market optimism continued through most of January, however, most equity market segments pulled back significantly with some entering correction territory in February and once again in March.
- On the heels of a steady flow of contentious news coming out of Washington, investors seemingly uncomfortable with market valuations have pulled P/E's down to lower, more attractive levels.
- Pier's Small Cap Growth strategy weathered the downturn nicely, exceeding the Russell 2000 Growth Index in January, February and March posting an overall positive return for the quarter(*).

SUMMARY

Markets took a well deserved breather in the first quarter after posting significant gains in 2017. As we all know, markets are unlikely to rise exponentially for an extended period of time without taking pause from time to time. Corrections are not only expected and while uncomfortable to endure, are healthy for the market in the long-term.

While there has been plenty of political static since Donald Trump took office, investors (and of course every news outlet) shifted focus during the quarter from business and economic fundamentals to the President's extracurricular affairs and his voracious appetite for tweeting his thoughts at any given moment on subjects ranging from picking on individual companies such as Amazon to funding a Mexican border wall and DACA.

When coupled along with more recent concerns regarding interest rates, the impact of newly imposed tariffs by both the US and China, markets reacted to that news specifically, in isolation of the key market drivers that have fueled the bull market that last through January. Those drivers remain in place and in good health.

(*) Performance is reported gross of fees. Past performance is not indicative of future results. Please see full performance disclosure on the last page.

THE ECONOMY

Let us take an opportunity to renew our focus on economic fundamentals rather than on the short term market drivers of late.

At the core of what we do is to focus on those smaller businesses, enjoying above average rates of product or service adoption. To that end, it is worth noting that the February Index of Small Business Optimism published by the Federation of Independent Business© has reached levels nearing their all time high with a current read of 107.6, just shy of the all time high read of 108 reported in 1983. The chart below illustrates that most components of that index are still on the rise.

SMALL BUSINESS OPTIMISM INDEX COMPONENTS

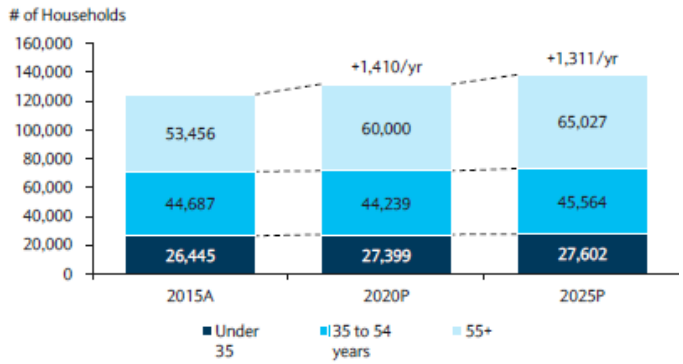
Index Component	Seasonally Adjusted Level	Change from Last Month	Contribution to Index Change
Plans to Increase Employment	18%	-2	*%
Plans to Make Capital Outlays	29%	0	*%
Plans to Increase Inventories	4%	1	*%
Expect Economy to Improve	43%	2	*%
Expect Real Sales Higher	28%	3	*%
Current Inventory	-3%	2	*%
Current Job Openings	34%	0	*%
Expected Credit Conditions	-3%	1	*%
Now a Good Time to Expand	32%	0	*%
Earnings Trends	-3%	1	*%
Total Change		8	100%

(Column 1 is the current reading; column 2 is the change from the prior month; column 3 the percent of the total change accounted for by each component; * is under 1 percent and not a meaningful calculation)

Next, we look to housing, a key contributor to the earnings of Russell 2000 constituents. We must now evaluate the impact of rising interest rates on the housing market. Our belief, one largely echoed by Wall Street, is that a gradual rise in interest rates is healthy. This will allow the Federal Reserve to once again normalize their policy and rearm for the next time that monetary policy assistance might be required.

We do acknowledge that the pace of the increases is important. If rates rise too quickly, the economy could cool prematurely. What we have witnessed to this point has been a gradual increase. On January 2nd, the 10-year Treasury bond was yielding 2.46% and at the time of this writing was at only 2.81%. It seems unlikely that a 35 basis point increase in rates would have a material impact on the housing market at this point given the forecasted rate of household formation. As Barclays illustrates below, it is likely that household formation continues to rise supporting the continued demand for both new and existing homes.

Demographic Trends Point to Accelerating Formations



Source: U.S. Census, Haver Analytics, Barclays Research Estimates based on Harvard JCHS Projections

THE ECONOMY (CONTINUED)

Finally, we observe that the prices of homes, on average remain within buyers reach. As noted by Barclays, while home prices are above the trailing 12 month average, the new home payment as a percentage of median income still remains below the long term average. As inventory shortages have been a common complaint, it is likely this coupled with the trends illustrated above will provide support to the housing market for the foreseeable future.

THE PORTFOLIO

Strategy

Continuing into 2018, we have several compelling themes in the portfolio. Two of these include robot process automation and data protection.

We own a handful of companies in the robot process automation space. We find this particular investment theme attractive due to the implementation of specialized web robots, or simply bots, to help companies automate high volume and low complexity tasks such as data re-entry in order to save both time and money. Banks for instance, have a large number of legacy back office systems that require large amounts of data entry. So processes such as payment transactions, again, high volume and low complexity, are a major application opportunity as these bots are significantly cheaper and faster than the manual option.

While bots can help speed things up with data, companies must take the measures necessary to protect that data. By this point everyone is aware of the issues companies face when it comes to protecting proprietary and customer information, with reports of major data hacks being reported at somewhat regular intervals. In addition, the European Union's General Data Protection Regulations (GDPR) take effect this May, driving European companies to implement more stringent technology data controls. As in many cases, this regulation is likely to spill into the US, in some form, at some point in the future as well. This is likely to remain a large theme for the remainder of 2018 and for next couple of years to come. Our portfolio holds a few names which provide data level security tools and are well positioned to help these companies gain the capabilities needed to be GDPR compliant. These contracts are likely to be sizable and recurring in nature.

Attribution

The largest contributors to performance in the benchmark were Health Care, Industrials and Technology. While still positive contributors for the quarter as all sectors yielded positive returns, Consumer Staples, Energy and Telecomm Services contributed the least to the benchmark.

What helped our performance in sector allocations:

Underweight: Materials, Consumer Discretionary
Overweight: Technology

In what sectors did our stock selection help us:

Consumer Discretionary, Technology, Energy, Healthcare, Industrials and Telecom

What hurt our performance in sector allocations:

Underweight: Healthcare
Overweight: Energy, Industrials, Financials

In what sectors did our stock selection hurt us:

Materials and Financials

As always, we have a detailed attribution report for our Small Cap Growth Composite available at your request. Please note that all attribution and sector and holdings data, comes from our attribution provider FactSet and might not directly compare to the internal reports that we provide you with.

THE PORTFOLIO *(continued)*

Holdings

The largest contributors in the first quarter where:

MuleSoft, Inc. (MULE)

MuleSoft is a leading developer of application programming interface (API) software. API is the mechanism that allows software developers to integrate, manage and secure information across all systems within the network. MULE has created a user friendly platform requiring little to no programming knowledge to effectively utilize it. As a result, MuleSoft was purchased in March by Salesforce.com in order to expand their capabilities into the large untapped API market, estimated at $10 billion. We trimmed the position and are currently evaluating the potential of a more attractive buyout offer.

Juno Therapeutics, Inc. (JUNO)

We owned this Biotechnology company based upon the success of their advancements in CarT immunoncology. CarT is a new class of medications proving transformational in the treatment in some forms of cancer. This approach to treatment has resulted in patient response rates approaching a staggering 80% versus the typical response rate of around 30%. We felt that Juno's product offering was an attractive alternative to those offered by competitors, given the treatment could offer increased levels of patient safety while offering similar, or perhaps even greater efficacy. At the time of our purchase, we believed the stock to be undervalued when compared to a peer that had recently been acquired. Our thesis was validated when Juno was purchased at a very substantial premium to its recent stock price.

Zendesk, Inc. (ZEN)

Zendesk offers companies a suite of customer relationship management tools which share a common user friendly and highly automatable interface. Their software is designed to enhance an organization's understanding and management of their customer relationships in order to provide both better service as well identify additional revenue opportunities. ZEN reported a very strong Q4 demonstrating significant traction in the enterprise space (100+ users) which is a new market for them. While their products have been widely accepted in the small- to medium-sized business space, the entrance into the enterprise market created considerable excitement around the name as it paves a long runway for continued growth. Additionally, ZEN is beginning to enjoy a recurring revenue stream generated by proprietary bots, as they are paid each time the bot is utilized. While we realized some profits in early April in light of recent appreciation, we continue to hold a position in Zendesk.

The largest detractors in the first quarter included:

Liberty Oilfield Services, Inc. (LBRT)

Liberty offers hydraulic fracturing services with exposure to onshore oil and natural gas exploration and production companies located in North America. LBRT enjoys some of the industry's highest operating margins as they are utilizing advanced data collection technologies to maximize their service process. Additionally, by design, they operate a very standardized fleet offering high levels of interchangeability and redundancy resulting in more effective and efficient deployment. Their results, as well as those of their peers, have been under some pressure recently largely due to extreme weather in Texas in the second half of 2017. With that now behind them, LBRT is well positioned and should enjoy operational improvements as 2018 unfolds. We added this company to our portfolio in Q1 and continue to maintain the position.

Rogers Corporation (ROG)

ROG is the leading engineered material and component manufacturer supplying materials into the paradigm shift taking place in the automobile industry. Cars are increasingly becoming jam packed with technologies including vehicle to vehicle communications, advanced driver assistance systems, internet of things and vehicle electrification driving demand for highly

THE PORTFOLIO *(continued)*

communications, advanced driver assistance systems, internet of things and vehicle electrification driving demand for highly engineered components through the roof. Also industrial companies are utilizing the internet of things to help collect data used to improve their operations and ROG makes materials found in those chips. During the most recent quarter ROG experienced several short term issues including higher copper prices, newly acquired facilities needing optimization, expedited charges and profit sharing accruals. These short term hurdles are likely to abate by the end of the second quarter. Additionally, the company beat top line growth estimates as expected and we believe the story remains intact. As of the end of the quarter, we continue to maintain position in this company.

Tower Semiconductor Ltd. (TSEM)

TSEM is a classic case of an old product enjoying a new market. While the majority of semiconductor manufacturers are focused on producing smaller, thinner and of course more expensive solutions, Tower's manufacturing operations remains focused on the 200 and 300 nanometer space (larger and cheaper) which are being frequently utilized in the same new automobile technologies that Rogers Corporation addresses. Automobiles have plenty of space to incorporate semiconductors, where as other semi manufacturers are predominantly focused on discreet size and power consumption for use in smaller hand held electronics such as smart phones. This leaves Tower relatively unchallenged in offering this older technology into this newer expanding vehicle technology market. Management recently guided the quarter lower, attributing seasonal weakness and weakness in the radio frequency and optical space. However, given the several new programs ramping up in 2018, we remain confident in their prospects and believe the current weakness should be short term in nature. As of the end of the quarter, we continue to maintain position in this company.

Final Words

Despite the market pullback and the concerns that inevitably accompany them, we would like to echo our observations regarding the health of the economy as housing remains quite strong, unemployment is at record low levels and consumers and businesses remain confident.

The largest tax cut in US history appears to have been largely forgotten, despite the positive impact expected as a result of increased resources available for business expansion and hiring accompanied by a consumer with a slightly fatter wallet. Factor in the largely anticipated $1.5 trillion/10 year infrastructure spending bill which has yet to be reflected in the market and we are left feeling that the upside risk to the market outweighs the downside risk at this juncture.

While we are not market prognosticators, we do take comfort in the economic data that we currently observe and feel that the current backdrop continues to favor both our process and investment style in general. Moreover, in light of the recent decline in stock valuations, we still believe there is a risk in becoming overly focused on broad market valuation; a recipe for missing attractive secular growth investment opportunities that remain plentiful.

DISCLOSURE

Total Assets		Composite Assets		Annual Performance Results			3 yr Annualized Standard Deviation	
Year End	Total Assets (Millions)	USD (Millions)	# of Accounts~	Composite Gross	Russell 2000 Growth Index	Comp. Dispersion	Composite	Russell 2000 Growth Index
2017	$602	$272	10	30.83%	22.17%	0.51%	14.05%	14.59%
2016	$559	$247	15	7.07%	11.32%	0.43%	16.49%	16.67%
2015	$600	$278	20	-0.26%	-1.38%	0.12%	15.11%	14.95%
2014	$707	$341	25	3.40%	5.60%	0.44%	14.18%	13.82%
2013	$766	$357	27	52.69%	43.30%	0.49%	17.77%	17.27%
2012	$536	$313	36	10.50%	14.59%	0.61%	20.32%	20.72%
2011	$752	$449	32	-6.03%	-2.91%	0.65%	23.39%	24.31%
2010	$925	$859	46	26.52%	29.09%	1.32%	26.28%	27.69%
2009	$703	$649	46	45.09%	34.47%	0.51%	24.12%	24.84%
2008	$505	$386	53	-37.93%	-38.54%	0.58%	21.24%	21.26%
2007	$758	$531	53	22.26%	7.05%	0.94%	14.09%	14.23%
2006	$653	$394	54	9.45%	13.35%	0.90%	15.59%	15.57%
2005	$742	$416	54	13.50%	4.15%	0.87%	16.07%	16.51%
2004	$695	$403	56	18.52%	14.31%	1.44%	21.61%	21.40%
2003†	$1,975	$485	53	51.07%	48.54%	1.32%	30.15%	27.00%
2002†	$1,789	$317	52	-32.02%	-30.26%	1.02%	44.49%	33.33%
2001†	$1,805	$508	55	-8.53%	-9.23%	1.48%	47.05%	33.58%
2000†	$1,777	$512	60	-24.24%	-22.43%	1.33%	44.58%	33.28%
1999†	$1,621	$565	41	117.41%	43.09%	3.11%	30.60%	26.31%
1998†	$1,213	$208	21	14.62%	1.23%	1.57%	27.94%	25.03%
1997†	$981	$119	15	14.69%	12.95%	0.75%	21.82%	18.27%
1996†	$773	$95	14	54.61%	11.26%	2.63%	18.72%	15.48%
1995†	$686	$59	12	47.51%	31.03%	1.72%	12.89%	12.43%
1994†	$534	$45	12	4.77%	-2.42%	0.86%	13.83%	14.25%
1993†	$516	$56	13	-1.04%	13.37%	1.34%	N.A. (2)	N.A. (2)
1992†	$575	$61	14	15.34%	7.77%	1.74%	N.A. (2)	N.A. (2)
1991†*	$509	$41	11	5.96%	8.28%	N.A. (1)	N.A. (2)	N.A. (2)

~From 2001 - 2010 the number of accounts figure includes separately managed accounts as well as the number of investors in the firm's pooled investment vehicle.

*Results shown for the year 1991 represent partial period performance from October 1, 1991 through December 31, 1991.

†Represents the assets of SEB Asset Management America Inc. prior to the manager buy-out September 15, 2004.

N.A.(1) Dispersion is not presented as there were an insignificant number of portfolios in the composite for the full year.

N.A.(2) 3-Year Annualized Standard Deviation is not presented as 36 months of performance is not available.

The Small Cap Growth Equity Composite consists of fully discretionary separately managed accounts invested in the Small Cap Growth strategy. The Composite primarily contains a diversified range of common stock publicly traded the US Exchanges and OTC-markets. Investments are made primarily, but not exclusively in stocks within the Russell 2000 Index market cap range. The strategy does not allow investments in derivative contracts or the use of leverage. The base currency of the Composite is U.S. Dollar. Investment results are measured against the Russell 2000 Growth Index.

For comparison purposes the composite is measured against the Russell 2000 Growth Index. The Russell 2000 Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 Index companies with higher price-to-value 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.

Pier Capital, LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Pier Capital, LLC has been independently verified for the periods from September 15, 2004 through December 31, 2017. The verification reports are available upon request. 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. Verification does not ensure the accuracy of any specific composite presentation. A third-party verification as set forth by the GIPS standards has been conducted by ACA Performance Services from April 1, 2017 and by Ashland Partners & Company LLP until March 31, 2017.

Pier Capital, LLC is a registered investment advisor. The Firm maintains a complete list and description of composites, which is available upon request. Results are based on fully discretionary accounts under management, including those accounts no longer with the Firm. Past performance is not indicative of future results.

The U.S. Dollar is the currency used to express performance. Returns are presented gross of management fees and include the reinvestment of all income including dividends, which are gross of any withholding tax. Returns will be reduced by management fee to calculate net return. Performance prior to 10/1/1991 is not in line with GIPS standards. The annual composite dispersion presented is an asset-weighted standard deviation calculated for the accounts in the composite the entire year. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

Beginning July 1, 2009, GIPS composite policy requires the temporary removal of any portfolio incurring a client initiated significant cash inflow or outflow of 50% of portfolio assets. The temporary removal of such an account occurs at the beginning of the month in which the significant cash flow occurs and the account re-enters the Composite the month after the cash flow. Additional information regarding the treatment of significant cash flows is available upon request. The Composite was redefined beginning January 1, 2011 to exclude pooled accounts which are managed distinctively from the rest of the separate accounts in this Composite.

The management fee schedule is as follows:

Asset Based Fee:
1.00% per annum on assets between $0 and $20 million
0.80% per annum on assets between $20 and $40 million
0.75% per annum on assets between $40 and $80 million
0.65% On Assets Greater than $80 million

Performance Based Fee:
0.500% per annum on assets between $0 and $10 million
0.400% per annum on assets in excess of $10 million
Plus: 20% of the excess return generated by the portfolio each calendar year above the benchmark (Russell 2000 Growth)

Actual investment advisory fees incurred by clients may vary. As an example, the effect of investment management fees on the total value of a client's portfolio assuming (a) quarterly fee assessment, (b) $1,000,000 investment, (c) portfolio return of 8% a year, and (d) 1.00% annual investment advisory fee would be $10,416 in the first year, and cumulative effects of $59,816 over five years and $143,430 over ten years.

Balanced portfolio segments are not included in this composite. Prior to April 1, 2004 balanced portfolio segments were in this composite, and performance reflects required total segment plus cash returns using a 3% cash allocation percentage, with the performance of cash equaling the Federal Funds Rate as of the beginning of each quarter. The Small Cap Growth Equity Composite was created July 1, 1987. Performance presented prior to September 15, 2004 occurred while the Portfolio Management Team was affiliated with SEB Asset Management America Inc. The investment decision makers and the support staff are now part of Pier Capital, LLC, the Firm established as a result of a management buy-out of the equity operations of SEB Asset Management America Inc.

Disclosure: Please contact us for a full list of recommendations made within the 12-month period preceding the date of this communication. It should not be assumed that the recommendations made in the future will be profitable or will equal the performance of the securities in this list.