PIER CAPITAL LLC
INSTITUTIONAL EQUITY MANAGEMENT

U.S. SMALL-CAP GROWTH EQUITIES

Proudly Serving Clients Since 1987

First Quarter 2019 | *Quarterly Commentary*

STRATEGY MANAGER

Alex Yakirevich, President & CIO

STRATEGY DESCRIPTION

U.S. Small Cap Growth Stocks

Bench: Russell 2000 Growth Index

STRATEGY QUICK FACTS

Inception	July 1, 1987
Firm AUM	$667 mm
Strategy AUM	$614 mm

STRATEGY CHARACTERISTICS

Wtd. Avg. Market Cap (Millions)	$2,994 mm
Median Market Cap (Millions)	$2,373 mm
Debt to Total Cap	31.8%
Price/Earnings FTM	22.9x
Cash Weighting	4.6%

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

Source: FactSet

CONTACT INFORMATION

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RETURNS (Gross of Fees)

	First Quarter 2019
Pier Small Cap Growth*	21.21%
Russell 2000 Growth Index	17.14%
Russell 2000 Index	14.58%
S&P 500 Index	13.65%

PORTFOLIO REVIEW

- Following the intense sell-off experienced in late 2018, equity prices rebounded nicely as fears surrounding the chance of a near-term recession abated.
- While it is difficult to ignore signs of slowing growth both here in the US and globally, there are several factors that could result in stabilization or even a reacceleration of growth.
- Pier's Small Cap Growth strategy outperformed the Russell 2000 Growth Index nicely in Q1 as valuations of growthier companies experienced a rebound during the quarter (*).

SUMMARY

As we mentioned in our year-end commentary, the prices of smaller company stocks were hit the hardest for the fourth quarter and 2018 as a whole and our portfolio certainly wasn't excluded. We went on to point out that valuations of small company stocks appeared more attractive than they had been in some time. January and February of 2019 did not disappoint as equity prices came roaring back, with emphasis on small caps, and more specifically growth-oriented names, affirming our take on valuations at that point.

As history has shown, as the fear abates or normalizes, investors once again develop an appetite for those smaller growth companies that can add that extra horsepower to their asset mix.

This scenario played out once again over Q3 2018 and Q1 2019 as the rotation both out of, and back into, growth stocks took place. The type of companies that we focus on, with higher than average growth rates driven by secular transitions, performed exceptionally well in Q1 allowing the portfolio to rebound nicely and outperform for the quarter.

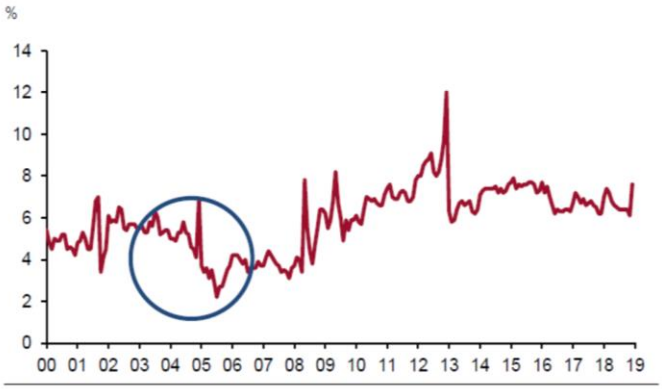
(*) Performance is reported gross of fees. Past performance is not indicative of future results. Please see full performance disclosure on the last page.

THE ECONOMY

While markets have enjoyed a substantial comeback in the first quarter, undoubtedly, they continue to focus on the factors that could impact economic growth both here in the US and abroad. We acknowledge there are signs of slowing creeping up here and there, the extended shutdown of the US government, coupled with some delayed tax returns likely contributed to some of those concerning metrics.

We do however find comfort in a handful of datapoints including healthy household balance sheets, which as noted by Credit Suisse below, are at levels well above those seen prior to the last recession. This level of savings provides a buffer which consumers can draw upon in the event that income levels erode.

Figure 8: Compared to the period before the last recession, the savings rate remains elevated and has room to fall



Source: Credit Suisse, BEA

Additionally, while automobile sales may have peaked for the time being, it is in fact much cheaper for consumers to drive their cars given low gasoline prices. Again, as noted by Credit Suisse, gasoline spending as a percentage of disposable income is down from levels that were around 4%, to current levels hovering in the 2% territory, leaving consumers with another source of incremental spending power. Additionally, consumers continue to enjoy historically very low borrowing rates (with mortgage rates falling meaningfully just recently) and are spending less on home and automobile interest than they have in years. Strong employment data is also likely to support consumer spending.

Coupled with what appears to be stabilization in China (PMI recently came in better than expected) and a resolution to the US / China trade spat, could also provide added horsepower to the GDP of both Europe and the US.

Strategy

While the future trajectory of the US economy might be somewhat fluid at this point, we continuously look to the outlooks for the individual businesses that we own. With several portfolio holdings leveraged towards cloud computing, the digital transformation, artificial intelligence and the massive associated data loads, it is worth pointing out that these themes are progressing virtually unscathed by concerns of a slowdown.

Quarterly earnings reports from the likes of Microsoft, Salesforce.com and WNS Holdings demonstrate the industry's resiliency despite economic uncertainty. Microsoft's Azure platform (business cloud services) experienced no deceleration in revenue growth in Q4 2018 and WNS Holdings, with significant European exposure continues to perform well. The spending environment inside of these growth themes remains positive and there is little reason to expect a material slowdown at this point. As noted by Marc Benioff, Chairman of Salesforce.com:

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> *"…European CEOs definitely have more anxiety, yet they are also continuing to invest aggressively. The reason why they're investing so dramatically in these areas is this is critical for their future growth. IT is not an optional area of investment for them. It is how they are going to achieve their future results…"*

As we have discussed in past newsletters the rise of big, unstructured data resulting from the proliferation of artificial intelligence, the internet of things and cloud computing is likely to continue as a major trend over the next decade. It is widely accepted that 90% of new data generated is semi- or unstructured data, and new data types and sources are growing exponentially. As a result, modern applications API, analytics, and database technology will be needed to achieve the scale necessary to handle these data loads.

Currently, companies like Alteryx (AYX), Elastic (ESTC), and Smartsheet (SMAR) appear well positioned to benefit from the monetization of their services within the new data frontier. AYX provides data visualization, ESTC provides analytics, search, performance management, and security, and SMAR provides collaboration and project management around various key business functions which help drive the value add of having all of this data. These are just a few examples of companies exposed to the big data environment and we will provide updates on exposure to this trend in future communications.

Q1 Attribution

The largest contributors to benchmark performance for the quarter were Health Care, Technology and Industrials. As the market enjoyed a broad-based rally, no sectors detracted from benchmark performance for the quarter.

What helped our performance in sector allocations:

Underweight: Consumer Staples, Industrials, Consumer Discretionary, Financials, Communication Services, Materials and Health Care
Overweight: Technology and Energy

What hurt our performance in sector allocations:

Underweight: Real Estate

In what sectors did our stock selection help us:

Consumer Discretionary, Technology, Financials, Materials, Energy, Real Estate and Communication Services

In what sectors did our stock selection hurt us:

Industrials, Consumer Staples and Health Care

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.

Holdings

The largest contributors in the first quarter were:

Roku (ROKU)

Fresh off the losers list from Q4 to the top of the winners list in Q1, Roku is an emerging advertising platform focused on over-the-top media streaming. After a mixed third quarter of 2018, we added to our position due to underlying strength in Roku's Platform segment and strategic position as the market leading aggregator for over-the-top streaming television content.

Our patience was rewarded as Roku's Platform segment re-accelerated to 77% year-over-year growth in 4Q18 and gross margins expanded to an impressive 72%. Platform margins are bout 7x higher than Player margins, thereby driving an ongoing inflection in

THE PORTFOLIO *(continued)*

Roku's financial model with Platform revenues eclipsing >50% of total revenues in 2018. We continue to view Roku as being in early stages of monetizing an enormous opportunity, as more advertising spending shifts from linear to over-the-top television. We continue to hold a position in ROKU.

Guardant Health (GH)

Guardant's product line helps doctors and patients address the early detection of various cancers through their proprietary blood and genetic tests, while leveraging their own data sets and analytics. GH continues to exceed published earnings estimates and recently guided revenue growth higher as additional diagnostic tests are now being covered by Medicare, as opposed to no reimbursement before a local coverage decision last summer.

The company remains attractively positioned for growth as coverage expands from primarily lung cancer, to most solid tumor types, following another recent Medicare reimbursement decision. Next year, the company could get Medicare national coverage as a pan-cancer companion diagnostic test which could provide for additional upside. While we did lock in some profits during the quarter, we do maintain a position in this company.

SmartSheet (SMAR)

SmartSheet offers customers a cloud-based platform providing both project management and collaboration tools utilized to track and organize workflow and several other business functions. SMAR gives us direct exposure to the data monetization theme. Their platform enables users to collaborate on a number of business processes, while integrating big data to assist in the performance of these tasks.

SMAR's use cases continues to grow, leading to greater upselling opportunities within their customer base resulting in industry leading renewal rates. At the same time, SMAR is seeing a continuation of high-growth within the larger enterprise space. This virtuous cycle of large new customer additions and upsells has fueled the stock as they execute on growth within a large addressable market. We maintain a position in this stock.

The largest detractors in the first quarter included:

Evolent Health (EVH)

Evolent offers healthcare providers a system (Identifi) utilized to assist them in the migration towards value-based care. Recently the company's earnings fell short of estimates and the guided estimates lower, based upon a few near-term hurdles. Firstly, a meaningful client in-sourced their efforts following their acquisition. Secondly, a few smaller clients wound down utilizing their services due to a lack of meaningful scale. They were small Medicare Advantage providers that also offered insurance plans. Finally, a large customer threatened bankruptcy following the state of Kentucky's proposal to cut rates, however this rate cut is likely to be reversed in the near term.

Despite recent volatility, EVH's acquisition of New Century (a company engaged in providing physicians and payers with tools, technology and clinical expertise) should bolster both revenues and EBITDA growth significantly this year and the long-term thesis for value-based payment remains intact. We maintain a position in this company.

Neuronetics (STIM)

We invested in this maker of devices for treatment of major depression, based on the attractive combination of a product with superior features, wealth of positive patient outcomes, deep bench of sales talent and large addressable market. Importantly, the

THE PORTFOLIO *(continued)*

company has more than 80 patents protecting its competitive position and with ~4 million patients in the US alone eligible for this therapy and fewer than 100k patients currently receiving treatment, we are early in this stock's growth story.

The stock came under pressure in later summer of 2018, as one of its competitors received FDA clearance to sell a system for treatment of OCD (obsessive compulsive disorder). This competitive concern intensified in late 2018, as one of STIM's key clients decided to use this competitive system for OCD treatments. On top of that, the reimbursement decision in Japan, one of STIM's key growth markets, has been pushed out into the second half of 2019. Despite the stock's underperformance in Q1, we find comfort as a key product, Neurostar, is getting good reviews from performance, length of treatment and workflow features as well as having other advantages over its competitors. We recently added to the position after the company received reimbursement in Japan earlier than expected. This could be an incremental catalyst for the shares near-term, as Japanese reimbursement was not included in their original guidance. We maintain a position in this company.

Eventbrite (EB)

What attracted us to the online ticketing platform for event creators was the large addressable market opportunity, fragmentation within this market, disruptive freemium model making onboarding of creators easier, as well as opportunities related to non-ticket revenues down the road. Moreover, EB was building a growth entertainment platform, while achieving profitability at the same time (a rare combo in the growth space). Finally, the presence of a giant like Live Nation Entertainment (LYV) (about 10x the current size of EB in market cap and more than 30x the size in revenues) in the high end of the market demonstrated the monetization possibilities in the space at scale.

EB ran into execution issues related to their acquisition of Ticketfly, specifically migrating creators on that platform to Eventbrite. That said, this appears to be a transitory issue partly dictated by the schedule of concerts and events. EB aimed to avoid disruptions to creators caused by migration, thereby pushing things out.

Clearly, the stock will be in the penalty box until they deliver a clean quarter, but in our view, the long-term thesis appears intact. As a result, we used the weakness in the stock price to add to the position.

Final Words

We are observing incremental signs of slowing in the US and global economies, but we look to the specific culprits driving these data points and observe that many of those factors that are now behind us (as mentioned earlier, the prolonged government shutdown and delayed tax refunds).

Investors find themselves largely in the same place they were last quarter, clouded by delayed outcomes on Brexit, global trade and the possibility the Fed could change course. Ultimately, these issues will have resolution, for better or for worse, and investors will enjoy increased clarity, which will allow a greater focus on micro v. macroeconomic drivers, which are the more important drivers of our performance.

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
2018	$520	$184	9	-3.08%	-9.31%	0.57%	17.53%	16.46%
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 management buy-out September 15, 2004.
†SEB claimed compliance with the Global Investment Performance Standards (GIPS®) and received a firm-wide verification for the period October 1991 through June 2004. The verification report is available upon request.
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 September 30, 2018. 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. Returns do not reflect the deduction of investment advisory fees. Investment advisory fees are described in Part 2 of the firm's Form ADV. 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. Firm's records, including third party records since inception to 2002 were destroyed by the record storage provider in error without authorization from the firm. The firm maintains certain records for this period but was not able to rebuild records from inception to 2002 in full.

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.