UNIPLAN
A BETTER ALTERNATIVE

"Someone, somewhere, is making a product that will make your product obsolete".
– Georges Doriot

Summary for 2019 Q4

For the year-to-date period ended December 31, 2019, the ***preliminary estimated*** investment results for the Uniplan micro cap portfolio are as follows:

As of December 31, 2019:	QTD	YTD
Uniplan Micro Cap Gross	9.74%	34.89%
Uniplan Micro Cap Net	9.15%	32.02%
Russell Micro Cap	13.45%	22.44%

We are pleased with the robust level of operating performance across our micro cap holdings which has translated into strong absolute portfolio returns and solid performance relative to our benchmarks for 2019.

What A Difference A Year Makes!

Conditions remain attractive for continued solid performance in the micro cap space; although, we would be surprised to see a repeat of 2019. After struggling to make any gains during 2018, and selling off sharply late in the year, micro caps rebounded in 2019 on the pivot in Fed policy early in the year.

In January 2019, Federal Reserve Chairman Jerome Powell, in a reversal of 2018 policy, said interest rates can remain on hold as the U.S. central bank waits to see how conditions abroad evolve, signaling that there would be a pause in rate hikes. Then in numerous subsequent statements by Powell and other Fed Governors, it was made clear that there would be no stated time limit to the Fed's pause. Asked what it would take for the Fed to move borrowing costs up or down, Powell said he and his colleagues will be looking at growth, job creation, wages and inflation domestically, and will keep an eye on China, Europe and events including Britain's ongoing exit negotiations with the European Union. As the year proceeded, inflation in the U.S. remained in check, the labor market remained firm and wages were stable. But the global outlook seemed to be slowing with an uncertain Brexit and decelerating economic data from China and the EU. With that backdrop, the Fed moved to cut rates by 25 bps in August, then again in September and finally one more drop at the end of October bringing the benchmark Fed Funds rate down from

2.25% to 1.50%. This accommodative Fed policy was like rocket fuel that ignited a risk-on market environment as the year progressed.

The China Shadow

The China trade situation was an irritant to the market for most of the year, overshadowing the market at times. The shadow seemed to subside a bit with the phase-one trade deal accomplished and executed early this year. But another shadow has arisen from China in the form of the 2019-nCoV epidemic, also known as the Wuhan coronavirus. At the moment, very little is known about the virus, but it is capable of human to human transmission with unexpectedly high efficiency. It appears to cause both mild flu-like symptoms and more serious pneumonia-like respiratory infections that require hospitalization. In the latter instance, if left untreated it is often fatal. Given the rapid global public health response to the outbreak, it's likely that the worst of the contagion will be contained in China. The effort in China to contain the outbreak has been a challenge for a relatively ill-equipped public health system. Experts agree that the likelihood of a widespread number of unreported cases in China is highly likely given 40% of the population lives in rural areas with little access to healthcare facilities or services and the origin of the virus likely stems from that community.

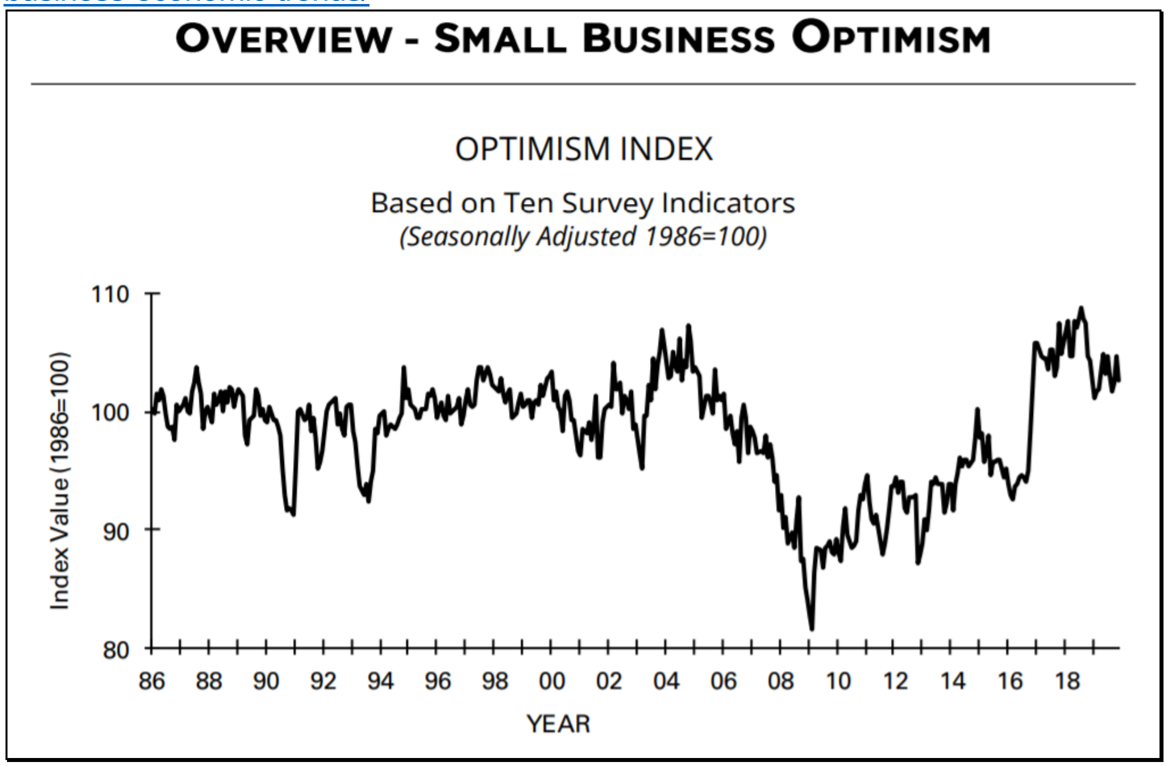
China's role in the global economy has grown over the last decade and it now stands as the world's second largest economy, representing 18% of global GDP. During the past three quarters China's economy has been slowing but expectations were for a stabilization given the settlement of a phase-one trade deal with the US. However, the coronavirus outbreak will have a notable impact on China growth. With 60 million people locked down from travel and consumption during the Lunar New Year holiday, it is estimated that the local impact alone will shave one full percentage point off China growth. Economic analysts have already lowered their forecast for China Q1 GDP to 4.0% y/y (from 5.6% previously) and to 5.4% (from 6.1%) for the full year. They have also marked down their forecasts for Hong Kong and Thailand, given that there are probably more knock-on effects that cannot easily be factored into economic models. The most notable of these effects, consumer sentiment, is likely to have a material impact on global GDP growth in 2020 and in turn create a drag on corporate profits as a result.

This may continue to cause uncertainty around the outlook for US global companies, but we see little of this situation having a material business impact on small companies like those that we own in our micro cap portfolio. In fact, 86% of the aggregate sales of the Uniplan micro cap portfolio holdings are within the United States. With regard to sourcing from China, there are four companies in the portfolio that source some content from China but in speaking with management, none use China to sole source any parts or materials, and all have alternative sourcing which is used as a normal supply channel. The key takeaway here is that the Uniplan micro cap holdings should not be materially impacted by any economic disruptions within

China. We would characterize the portfolio as "China resistant" from a business perspective. In addition, we would expect other global central banks, led by the China Central Bank, to provide liquidity and an accommodative monetary policy in the face of a slowing outlook for Asia given the situation in China. This would be another positive "risk on" signal to the global financial markets and likely good for micro caps in the long run.

Small Business Outlook

Small-business confidence hit a record high in 2018, and then retreated slightly during 2019. According to the National Federation of Independent Businesses latest index of small-business optimism as of December 31, 2019, "Small businesses ended another year taking full advantage strong consumer spending, and federal tax and regulatory relief. The economic expansion continues its historic run as it enters 2020." The NFIB's chief economist, Bill Dunkelberg, noted the increase in optimism on policy changes under President Donald Trump continue to have a positive result on business sentiment. The full report can be found at: www.nfib.com/surveys/small-business-economic-trends/



(Source: National Federation of Independent Businesses)

The NFIB survey is one of numerous sentiment readings, such as consumer confidence and manufacturer surveys from the various Federal Reserve branches that have remained strong over the past year. So far, that has contributed to a solid increase in consumer sentiment and a stable outlook for GDP growth. Given the overall levels of confidence, many economists are looking for stable to improved US growth during 2020 with a tilt toward an acceleration in the second half of the year.

Portfolio Comments

News flow at the company level can have a material impact on the performance of our holdings in both a positive and negative way. 2019 was a year of big news flow in our portfolio and on-balance it was mostly positive.

Our best performing holding for the year was Arrowhead Pharmaceuticals (ARWR) which was up a stunning 411% during 2019. ARWR is a biopharma company that develops medicines to treat intractable genetic diseases by silencing the genes that cause them which are characterized by the overproduction of one or more proteins. The potential here is that the company has a broad range of target opportunities because of the large number of diseases which are believed to be genetically related. This company fits into our thematic framework of a dozen identified secular trends that drive potential long-term growth. In this case, it is the growth of Genomic Medicine that we believe will revolutionize the way we understand and treat illness.

(StockCharts.com)

When we have the good fortune of benefitting from a company such as ARWR in the portfolio we often use risk management tools to capture return and protect alpha generated within the portfolio. Most often that is achieved by reducing position size as a company announces positive news. In the case of ARWR we trimmed the position twice during 2019, in Q2 and Q4, to lower our total position size relative to the overall portfolio.

We often have names that struggle in the portfolio too. One of the names that was on the top of the loser list for 2019 was Kushco Holdings (KSHB). The company manufactures and distributes packaging products and solutions to customers operating in the regulated medical and recreational cannabis industries. We viewed this as a lower risk “picks and shovels” way to benefit from the rapid growth of the cannabis industry while not taking direct exposure to the companies in the space. The company was down -70% in 2019.

(StockCharts.com)

We continue to hold the company in the micro cap portfolio as they are showing solid sales growth with revenue growing from $52 million in 2018 to $149 million in 2019 with margin improvement as the cannabis industry continues to expand in the US and Canada. As the US Federal government moves toward a regulatory framework that would clarify the business and regulatory issues around the recreational cannabis industry, we would expect these shares to rebound with that visibility.

Conclusion

History has shown that small companies have provided superior risk-adjusted returns compared to large companies. Other research has shown that this return premium is the result of the limited liquidity in smaller companies and the lack of research or analyst coverage on many of these companies. While micro cap stocks do tend to have greater volatility and higher trading costs (wider bid-ask spreads), they offer long-term investors an opportunity to capitalize on market inefficiencies that are not possible for large professional investors to exploit. In addition, micro cap stocks offer diversification benefits when added to a portfolio of larger-company stocks, since the two groups tend not to move in perfect unison. For these reasons, we believe micro cap stocks have a meaningful place in the portfolios of individual investors.

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Richard Imperiale
Chief Investment Officer

The Uniplan Micro Cap Portfolio is a low-turnover high-conviction micro cap strategy designed to offer investors a quality alternative to private equity having a similar unlevered return while providing daily liquidity. The core investment thesis is focused on companies trading at a low multiple of cash flow or EBITDA, with little or no balances sheet debt and having meaningful smart money activity in the form of insider buying, or 13G/13D activity along with identifiable macro or company level catalysts.

The index figures do not reflect any deduction for fees, expenses or taxes. 7. The dispersion of annual returns is measured by the standard deviation of asset-weighted portfolio returns represented within the composite for the full year. The standard deviation of the annual returns for the period August 1, 1999 to December 31, 2019 is 18.01% for the composite and 24.64% for the Wilshire Micro-Cap Index. 8. The composite does not have a minimum size criterion for composite membership. All fee-paying discretionary accounts with similar investment objectives are included. Leverage is not used in this composite as a means to generate higher returns. There may be non-fee paying portfolios in the composite. Individual account holdings may vary depending on numerous factors including the size of an account, cash flows, and account restrictions. 9. There have been no changes in the personnel responsible for the management of this composite. 10. The composite contains both traditional and wrap fee portfolios. Uniplan has a flexible and negotiable fee schedule reflecting the differences in size, composition and servicing needs of clients' accounts. A complete description of investment advisory fees is contained in Uniplan's Form ADV and is available upon request. 11. Uniplan Investment Counsel does not claim GIPS Compliance. Individual account performance may vary from the results shown because of differences in inception date, restrictions and other factors. 12. Investors should understand that micro-cap stocks are subject to a higher degree of risk than other equity investments due to the small size of the companies and the limited trading volume inherent in micro-cap stocks. 13. This information is not an offer to buy or sell a security nor does it constitute investment advice or an offer to provide investment advisory or other services. All information is subject to correction or change. **Past performance is no guarantee of future results. Investment involves a risk of loss.**

All investments carry a certain degree of risk, including possible loss of principal. REITs are subject to illiquidity, credit and interest rate risks, as well as risks associated with small and mid-cap investments. It is important to review your investment objectives; risk tolerance and liquidity needs before choosing an investment style. Value style investing presents the risk that the holdings or securities may never reach their full market value because the market fails to recognize what the portfolio management team considers the true business value or because the portfolio management team has misjudged those values. In addition, value style investing may fall out of favor and underperform growth or other style investing during given periods.

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