



SMALL CAP CORE EQUITIES

HISTORY AND INVESTMENT PHILOSOPHY

The Palisade's small cap core investment team's philosophy and process emphasizes a 'bottom-up' fundamental analysis and approach in the traditionally more inefficient small cap universe. Palisade follows a risk minimization approach, carefully focusing on portfolio weights of individual stocks and sector diversification. Investment decisions are made by the Portfolio Manager together with Palisade's Investment Committee, which meets regularly to discuss investment opportunities.

PROCESS

Palisade's small cap core portfolio focuses on the highest quality companies identified through intensive fundamental proprietary research. We meet with management teams and visit the companies on-site. The most important tenets to our process are a company's earnings, cash flow and fair valuations. We seek to find companies in which to invest by seeking characteristics of successful stocks. Those characteristics include:

- Consistency of earnings
- Dominant franchise or market niche
- Dependable stream of repetitive, recurring revenues from a broad customer base
- Superior and proven management team whose interests are aligned with shareholders
- Strong balance sheet
- Increasing return on equity and return on invested capital
- Preferably under-owned by institutions and under-followed by Wall Street analysts

Palisade's sell discipline is constructed on the following factors:

- Change in a company's fundamentals from the original investment case
- A valuation level that is unsustainable
- Deterioration in the quality of earnings
- Management decisions that are not in the best interests of shareholder