

NICHOLAS INVESTMENT PARTNERS

FIRM OVERVIEW – SEP 30 2018

About Us

Nicholas Investment Partners is an independent, employee-owned and majority women-owned investment boutique focused on investing in dynamic, less efficient markets such as US small- and mid-cap equities and convertible bonds. We are committed to providing actively-managed investment solutions to help our clients achieve their goals.

We believe our competitive advantage comes from investing in both equities and convertibles since it requires an understanding of the catalysts for a company's accelerating top- and bottom-line growth and the capital structure necessary to finance its future growth.

Nicholas portfolios are comprised of dynamic companies with accelerating revenue and/or earnings growth in which our research confirms the company's growth is sustainable and the company's stock is a timely investment.

Why Nicholas Investment Partners?

- **Focus:** specialize in dynamically growing small- and mid-cap companies
- **Insights:** invest in both equities and convertibles for a holistic view of company
- **Discipline:** combine breadth of quantitative tools with traditional fundamental equity and credit analysis
- **Alignment:** constrain capacity to add value and invest alongside clients
- **Experience:** principals have been managing portfolios for over 30 years

Our People

The firm is led by Managing Partner and CIO Catherine Nicholas with 14 employees averaging over 25 years of industry experience. With 9 of the firm's 14 employees, including six of its eight partners, having worked together at a prior firm, there's a mutual respect and shared understanding of the firm's investment philosophy and values.

Nicholas uses a team approach to identify, research and validate investment candidates meeting the firm's investment criteria of positive change, sustainability and timeliness.

Investment Team



Catherine Nicholas
Managing Partner/CIO
34 Years Experience



John Wylie
Partner/Portfolio Manager
37 Years Experience



Lisa Wheatley
Partner/Sr. Research Analyst
& Portfolio Manager
17 Years Experience



Emmy Sobieski, CFA
Sr. Research Analyst
23 Years Experience

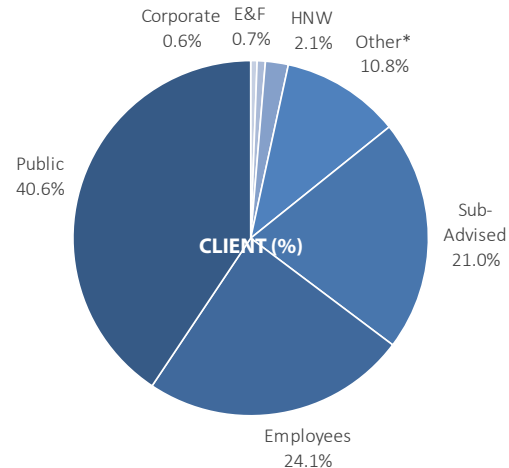
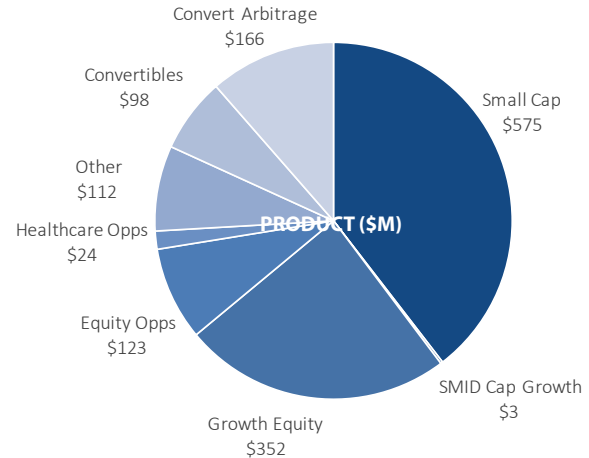


Tony Pata, CFA
Research Analyst
5 Years Experience



Alex Reison, CFA
Partner/Trader
12 Years Experience

Assets Under Management \$1.5 Billion

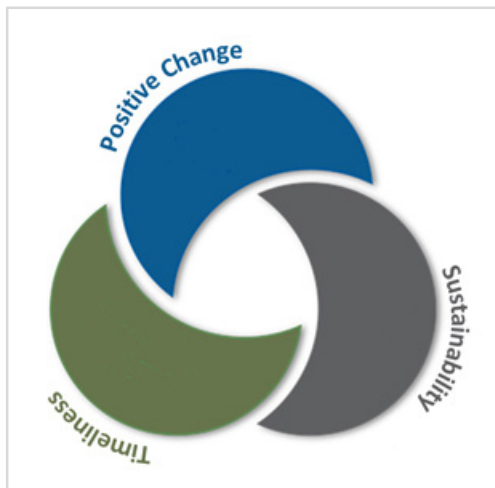


*Commingled pooled vehicles.

- 100% employee-owned
- Majority women-owned
- Founded in 2006
- Headquartered in San Diego, CA

Investment Philosophy

Nicholas Investment Partners believes long-term success in investing in dynamic, growing companies results from identifying companies meeting the following three criteria:



- **Positive Change:** Successful investments are typically growing companies that manage change advantageously and are poised to exceed expectations. Sources of positive change may include new products and services, competitive advantage, industry dynamics, regulatory change, a new business model or management change.
- **Sustainability:** Positive change leading to accelerating growth must also be sustainable and supported by the company's long-term revenue and earnings potential, financial strength and quality management.
- **Timeliness:** The timeliness of investment is confirmed by evaluating the relative price strength of the stock and industry, liquidity, institutional sponsorship, and market sentiment factors affecting the company.

Securities meeting the firm's investment philosophy are generally distinguished by revenue and/or earnings acceleration, upward earnings revisions, a well-executed business plan, favorable competitive positioning, increasing market share and a skilled management team.

Additionally, attractive convertible securities are those where the issuer's credit structure is sustainable and where the convertible security has an asymmetrical reward/risk profile. In the case of Convertible Arbitrage, we also look for mispricing opportunities due to change in credit spreads and/or volatility.

Multi-dimensional Research

Conviction in our investment thesis is integral to our disciplined, multi-dimensional research process. We combine the power of a proprietary multi-factor quantitative research engine with the fundamental insights of our experienced investment team as well as our extensive network of industry contacts. We encourage a vigorous exchange of ideas and insights to examine and challenge each investment candidate.

Disciplined Portfolio Construction

Portfolios are actively managed to continually drive to the strongest investment ideas. Position sizes are based on the conviction in the investment thesis of each company relative to other portfolio holdings and risk exposures. Early warnings signs that suggest deterioration in company fundamentals or earnings strength lead to timely sell decisions.

Thoughtful Risk Management

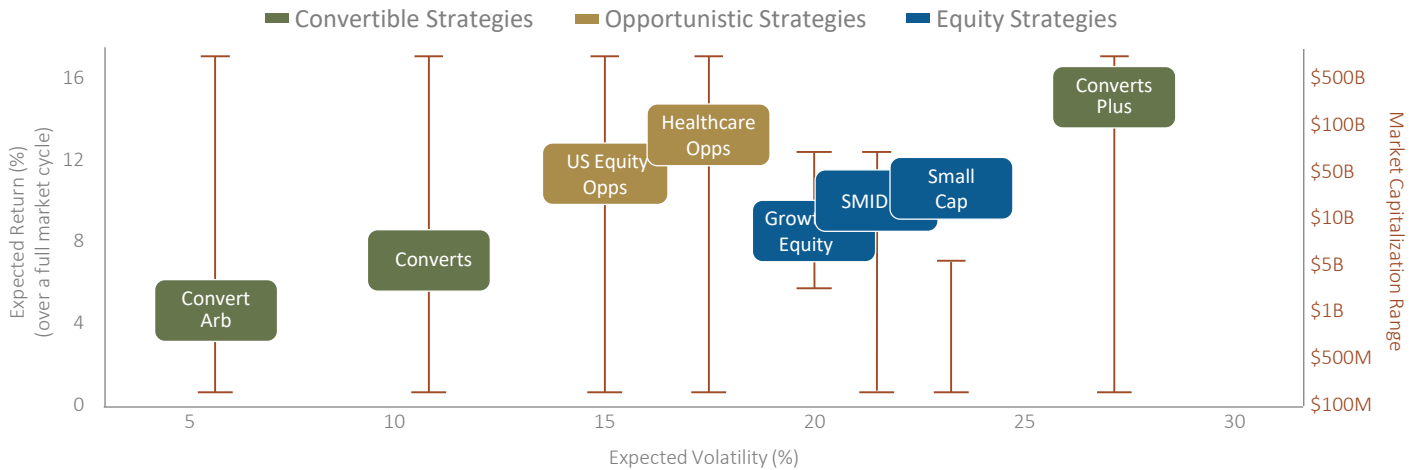
Risk analysis is essential to minimize uncertainties and enhance potential long-term gains for client portfolios. To understand intended and unintended sources of risk, our investment team leverages quantitative tools with the experience, judgment and deep knowledge of the holdings within a portfolio on a daily, weekly and monthly basis.

Dynamic Growth Investing: Capturing the positive impact of change



12- to 24-month time horizon

One Team. One Investment Philosophy



Different Portfolios to Suit a Variety of Investor Needs

Characteristics	Convertible Arbitrage	Convertibles	US Equity Opportunities	Healthcare Opportunities	US Growth Equity	US SMID Cap Growth	US Small Cap	Convertibles Plus (leveraged)
	Unlevered. Absolute return-oriented. Capitalizes on underlying fundamental attractiveness of convertibles. Actively manages hedges to take advantage of fundamentals and volatility.	Unlevered. Diversifies equity and/or fixed income exposure. Maximizes equity optionality and minimizes downside risk. Most issues are small- to mid-cap companies.	High-conviction all-cap portfolio. Best ideas across US equity market. Benchmark agnostic. Seeks long-term capital appreciation.	High-conviction portfolio of healthcare-related companies. May invest across capitalization spectrum. Typically significant exposure to small- and mid-cap companies, including biotech.	Diversified mid-cap equity exposure. Captures the small-cap "effect" while investing in mid-cap companies which have more experienced management and greater financial resources.	Diversified small- and mid-cap equity exposure. Captures the appreciation of small-cap companies who are successful in growing into mid-cap companies.	Diversified small-cap equity exposure. Captures higher earnings growth and appreciation potential of small-capitalization companies.	May be leveraged up to 2.5x. Diversifies equity and/or fixed income exposure. Maximizes equity optionality. Most issues are small- to mid-cap companies.
Inception Date	11/1/2002	1/1/2009	7/1/2014	1/1/2017	7/1/2007	1/1/2017	7/1/2007	1/1/2009
ITD Composite Return (gross)	5.16%	12.25%	13.53%	43.14%	10.60%	26.04%	9.96%	24.49%
ITD Composite Return (net)	4.12%	11.42%	12.57%	36.60%	9.68%	24.85%	8.87%	22.95%
ITD Standard Deviation	5.04%	10.25%	12.57%	16.78%	19.57%	9.45%	21.61%	24.34%
Mkt Cap–Wtd Avg (\$B)	NA	NA	\$113.7	\$11.6	\$15.7	\$7.0	\$3.2	NA
Mkt Cap–Median (\$B)	\$5.7	\$7.1	\$8.4	\$3.7	\$11.7	\$4.4	\$2.5	\$6.1
AUM (\$M)	\$166	\$16	\$123	\$24	\$352	\$3	\$575	\$82

As of September 30, 2018. Returns are annualized.

“We are proud of our heritage and have built our success with a forward-looking investment approach that focuses on change – where companies are going, not where they have been. We seek dynamic, innovative growth companies that offer products and services with distinct competitive advantages. In our view, the companies we own tend to be differentiated leaders in their industry, with the ability to create their own catalyst of growth through new product development, entering new markets, or innovating within existing markets. We continually reinvest in our people, research and technology as we aim to consistently deliver compelling long-term gains for our clients.”

–Catherine Nicholas, Managing Partner/CIO

Disclosures: Nicholas Investment Partners, L.P. (“Nicholas”) is an independent investment adviser registered with the SEC. Registration with the SEC does not imply a certain level of skill or training. The firm maintains a complete list and description of performance composites, which is available upon request. Policies for valuing portfolios, calculating performance, and preparing presentations are available upon request. **Past performance is no guarantee of future results. Current performance may be lower or higher than the performance presented. This information is intended for institutions, consultants and qualified investors only.** No part of this material may be copied or duplicated, or distributed to any third party without written consent.

Nicholas does not guarantee the success of any investment product. There are risks associated with all investments and returns will vary over time due to many factors such as changing market conditions, liquidity, economic and other factors. The value of investments can go down as well as up, and a loss of principal may occur. Although Nicholas attempts to limit various risks, risk management does not imply low risk. All risk models are inherently limited and subject to changes in economic, political and market conditions, as well as changes in the strategies’ holdings, among other things, which could affect the risk profile of any portfolio managed by Nicholas. Small- and mid-cap companies may be subject to a higher-degree of risk than larger more established companies’ securities. The liquidity of the markets for these small and mid-cap companies may adversely affect the value of these investments. Concentrated or sector strategies are expected to maintain higher exposures to a limited number of securities or sectors which could increase the volatility, market, liquidity and other risks of the strategy. The use of leverage in any investment strategy may significantly increase these risks.

Some information herein reflects general market commentary and the current opinions of the author which are subject to change without notice. It is provided for general informational purposes only and does not represent investment, legal, regulatory or tax advice and should not be construed as a recommendation of any security, strategy or investment product. There is no guarantee any opinion, forecast, or objective will be achieved in the future. The information, charts and reports contained herein are unaudited. Although some information contained herein was obtained from recognized and trusted sources believed to be reliable, its accuracy and completeness cannot be guaranteed. Unless otherwise noted, Nicholas is the source of illustrations. References to specific securities, issuers and market sectors are for illustrative purposes only. Nicholas does not undertake to keep the recipients of this report advised of future developments or of changes in any of the matters discussed in this report.

Market Capitalization information is from a representative account for the strategy composite. The representative account was chosen based on non-performance criteria such as account size, cash flows and the level of account restrictions. While Nicholas believes the information is representative of other accounts in the strategy, specific information for other accounts may differ from the representative account. Nicholas used third-party information in the preparation of the characteristics and/or market environment charts. While Nicholas believes the third-party information was obtained from reliable sources, we cannot guarantee the accuracy, adequacy or completeness of the information obtained from these sources.

Investors should consider comparing the performance of any potential investment to various benchmarks that are representative of their particular investment objectives, horizons and risk tolerances.

Gross and net returns, presented within were calculated in U.S. dollars on a time-weighted, total return basis, including reinvestment of all dividends, interest and income, realized and unrealized gains or losses and are net of brokerage commissions, execution costs, and any applicable foreign taxes. Accrual accounting was used for dividend income recognition. Securities transactions are accounted for on trade date. Cash and cash equivalents are included in the performance returns. The gross returns do not give effect to investment advisory fees which would reduce gross returns. The deduction of investment advisory fees will reduce gross returns and are subject to compounding. The composite results include all actual, fee paying fully discretionary accounts under management by Nicholas after one full calendar month that have substantially the same investment objectives, policies and restrictions. Unless otherwise noted the returns reflect the performance of the product composite. Performance and incentive based fees will have similar, yet often larger, impacts to performance and account values than standard management fees. Please see Nicholas’ ADV Part 2A for a complete description of investment advisory fees.

Net returns reflect the deduction of the highest investment management fee for the product. Standard fees at the highest tier breakpoint are as follows: US Small Cap 1.00%, US SMID Growth 0.95%, US Growth Equity 0.85% inception through 2016 and 0.80% thereafter, US Equity Opportunities 0.85%, Healthcare Opportunities 1.00% with a 10% performance fee, Convertibles 0.75%, Convertible Plus 1.25% and Convertible Arbitrage 1.00%. Actual fees charged may vary by portfolio due to various conditions such as account size, client relationship, complexity, etc. Client’s accounts may also be subject to additional fees unrelated to Nicholas such as custodial and administration fees, among others.

Prior to January 1, 2018, US Equity Opportunities was named Concentrated US Equity. The investment strategy has remained consistent since the inception of July 1, 2014.

The Convertible Arbitrage strategy objective is to achieve a positive rate of return. The performance of the Convertible Arbitrage Composite noted above includes an account managed by the portfolio manager while employed at his previous firm, CapitalWorks Investment Partners, LLC which became a client of Nicholas Investment Partners on December 1, 2007. The portfolio manager was the primary portfolio manager responsible for the trading activity of this strategy. Performance data from November 1, 2002 (inception) through November 30, 2007 reflects performance at the previous investment adviser. Performance data from December 1, 2007 forward is reflective of performance of the strategy managed by the portfolio manager as an employee of Nicholas Investment Partners.

The Convertible Arbitrage strategy objective is to achieve a positive rate of return. Due to the lack of a specific market index that is directly comparable to the Convertible Arbitrage strategy based on asset class, risk profile and the absolute return objective of the strategy, we include the return and risk information for the Bank of America/Merrill Lynch US 3 Month T-Bill Index (“3 Month T-Bill Index”) as the primary index comparison for informational purposes. The risk profile and return pattern of the Convertible Arbitrage strategy is significantly different from the risk profile and return pattern of the 3 Month T-Bill Index, which is generally considered a low risk investment represented by short-term government securities. The Convertible Arbitrage strategy invests in convertible bonds, convertible stock and common stock which are subject to various risks such as market, liquidity, credit, interest rate and conversion risk, among others. All investments are subject to some degree of market and investment specific risk, among others, and may limit the level of downside protection realized by the strategy.

Please see additional information regarding product returns at <https://www.nicpartners.com/our-approach/>

For further information

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