

## Independent Accountant's Verification and Performance Examination Report

Horizon Asset Management LLC:

We have examined whether (1) Horizon Asset Management Institutional (the "Firm") has complied with all the composite construction requirements of the Global Investment Performance Standards (GIPS® standards) on a firm-wide basis for the periods from January 1, 1996, to December 31, 2016, and (2) the Firm's policies and procedures are designed to calculate and present performance results in compliance with the GIPS standards as of December 31, 2016. We have also examined the accompanying performance presentation and Composite Disclosure Presentation of the Firm's **Small Cap - Institutional Composite** for the periods from January 1, 1998, to December 31, 2016. The Firm's management is responsible for compliance with the GIPS standards, the design of its policies and procedures and for the Quarterly Performance and Composite Disclosure Presentations. Our responsibility is to express an opinion based on our examination.

### Scope of Work

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Firm's compliance with the previously mentioned requirements; evaluating the design of the Firm's policies and procedures previously referred to; examining, on a test basis, evidence supporting the accompanying composite compliant presentation; and performing the procedures for a verification and performance examination required by the GIPS standards and such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

### Opinion

In our opinion, in all material respects,

- the Firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis for the periods from January 1, 1996, to December 31, 2016; and
- the Firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards as of December 31, 2016.

Also, in our opinion, in all material respects, the Firm has

- constructed the **Small Cap - Institutional Composite** and calculated the **Small Cap - Institutional Composite** performance for the periods from January 1, 1998, to December 31, 2016, in compliance with the GIPS standards; and
- prepared and presented the Composite Disclosure Presentation of the Firm's **Small Cap - Institutional Composite** for the periods from January 1, 1998, to December 31, 2016, in compliance with the GIPS standards.

This report does not contain an opinion on the accuracy of any composite presentation of the Firm other than the Composite Disclosure Presentation of the Firm's **Small Cap - Institutional Composite** for the periods from January 1, 1998, to December 31, 2016.



Ashland Partners & Company LLP  
April 24, 2017

**HORIZON ASSET MANAGEMENT INSTITUTIONAL  
SMALL CAP - INSTITUTIONAL COMPOSITE  
QUARTERLY PERFORMANCE PRESENTATION - PAGE 1 OF 2**

*Asset-Weighted Performance Gross and Net of Management Fees  
Results have been calculated in U.S. Dollars*

		1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Annual
2016	Gross	0.58%	3.56%	7.96%	5.73%	18.91%
	Net	0.33%	3.30%	7.69%	5.47%	17.72%
2015	Gross	6.22%	0.80%	(13.61%)	1.75%	(5.88%)
	Net	5.95%	0.54%	(13.83%)	1.50%	(6.82%)
2014	Gross	(0.52%)	2.89%	(2.03%)	(4.38%)	(4.13%)
	Net	(0.77%)	2.63%	(2.28%)	(4.62%)	(5.09%)
2013	Gross	17.27%	9.10%	10.93%	12.97%	60.34%
	Net	16.98%	8.83%	10.65%	12.69%	58.74%
2012	Gross	12.82%	(2.60%)	5.55%	5.56%	22.44%
	Net	12.54%	(2.85%)	5.29%	5.30%	21.21%
2011	Gross	7.15%	0.43%	(19.60%)	8.47%	(6.15%)
	Net	6.88%	0.17%	(19.80%)	8.20%	(7.09%)
2010	Gross	7.01%	(12.40%)	11.91%	10.95%	16.39%
	Net	6.74%	(12.62%)	11.63%	10.67%	15.23%
2009	Gross	(5.61%)	24.46%	17.01%	5.37%	44.85%
	Net	(5.85%)	24.15%	16.72%	5.11%	43.40%
2008	Gross	(14.94%)	1.83%	(14.69%)	(22.07%)	(42.42%)
	Net	(15.16%)	1.58%	(14.90%)	(22.27%)	(42.99%)
2007	Gross	10.73%	7.61%	0.60%	(2.21%)	17.22%
	Net	10.45%	7.34%	0.34%	(2.46%)	16.04%
2006	Gross	15.05%	(3.33%)	2.51%	18.83%	35.47%
	Net	14.76%	(3.58%)	2.26%	18.53%	34.12%

**HORIZON ASSET MANAGEMENT INSTITUTIONAL  
SMALL CAP - INSTITUTIONAL COMPOSITE  
QUARTERLY PERFORMANCE PRESENTATION - PAGE 2 OF 2**

*Asset-Weighted Performance Gross and Net of Management Fees  
Results have been calculated in U.S. Dollars*

		1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Annual
2005	Gross	(2.36%)	7.95%	11.49%	(4.24%)	12.52%
	Net	(2.61%)	7.68%	11.21%	(4.48%)	11.40%
2004	Gross	(0.38%)	1.94%	1.77%	16.45%	20.34%
	Net	(0.63%)	1.68%	1.51%	16.15%	19.14%
2003	Gross	(1.75%)	14.74%	7.13%	14.06%	37.74%
	Net	(2.00%)	14.45%	6.86%	13.77%	36.36%
2002	Gross	2.50%	(3.19%)	(5.58%)	3.38%	(3.14%)
	Net	2.25%	(3.43%)	(5.82%)	3.12%	(4.11%)
2001	Gross	(2.99%)	15.02%	(6.14%)	7.12%	12.19%
	Net	(3.24%)	14.73%	(6.37%)	6.85%	11.07%
2000	Gross	3.50%	(10.66%)	3.74%	(6.10%)	(9.93%)
	Net	3.24%	(10.89%)	3.48%	(6.34%)	(10.83%)
1999	Gross	15.87%	10.12%	(0.87%)	31.98%	66.93%
	Net	15.57%	9.85%	(1.12%)	31.65%	65.26%
1998	Gross	13.46%	26.97%	(12.72%)	9.60%	37.80%
	Net	13.17%	26.65%	(12.93%)	9.32%	36.42%

Past performance is not indicative of future results. The Independent Accountant's Verification and Performance Examination Report and the Composite Disclosure Presentation are an integral part of this presentation.

# Small Cap Institutional Composite

January 1, 1998 - December 31, 2016



	<b>Total Gross Return (%)</b>	<b>Total Net Return (%)</b>	<b>Benchmark Return (%)</b>	<b>Internal Dispersion-AW (%)</b>	<b>No. of Accounts</b>	<b>Composite Assets</b>	<b>Total Firm Assets</b>	<b>Composite 3-Yr St Dev</b>	<b>Benchmark 3-Yr St Dev (%)</b>
2016	18.91	17.72	26.56	2.73	86	184.1 mm	2,293mm	12.14	15.16
2015	-5.88	-6.82	-1.97	1.57	100	174.4mm	2,711mm	13.84	13.36
2014	-4.13	-5.09	5.76	0.61	104	197.5mm	3,176mm	12.89	12.53
2013	60.34	58.74	41.31	1.09	86	189.5mm	3,130mm	15.93	15.59
2012	22.44	21.21	16.32	0.80	74	163.6mm	2,507mm	17.46	19.23
2011	-6.15	-7.09	1.02	0.92	85	166.0mm	2,301mm	20.97	25.04
2010	16.39	15.23	26.31	1.51	100	64.2mm	2,448mm	26.28	27.70
2009	44.85	43.40	25.57	4.60	101	69.7mm	2,210mm	25.46	25.07
2008	-42.42	-42.99	-31.07	3.62	95	49.6mm	1,956mm	22.50	19.01
2007	17.22	16.04	-0.30	2.13	127	130.9mm	5,934mm	13.06	12.44
2006	35.47	34.12	15.12	2.00	81	73.9mm	3,625mm	11.48	12.86
2005	12.52	11.40	7.68	0.76	62	43.4mm	2,106mm	11.31	14.02
2004	20.34	19.14	22.65	1.80	54	35.2mm	1,182mm	9.91	17.23
2003	37.74	36.36	38.79	6.70	42	22.8mm	889mm	10.91	19.97
2002	-3.14	-4.11	-14.63	1.74	30	12.4mm	576mm	15.19	22.48
2001	12.19	11.07	6.54	1.76	14	8.2mm	535mm	19.13	21.18
2000	-9.93	-10.83	11.80	2.31	9	5.7mm	508mm	30.07	22.99
1999	66.93	65.26	12.41	6.62	8	5.9mm	482mm		
1998	37.80	36.42	-1.31	N/A <sup>(1)</sup>	1	0.3mm	401mm		
Since Inception <sup>(2)</sup>	14.36	13.21	9.54	N/A	86	184.1mm	2,293mm		

1) N/A. Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

2) Annualized

# Small Cap Institutional Composite



January 1, 1998 - December 31, 2016

## Disclosure Notes

Horizon Asset Management Institutional ("Horizon Institutional") is defined as the traditional long only separate accounts and private investment fund assets of Horizon Asset Management LLC. ("Horizon" or the "Firm"), an SEC-registered investment adviser. Horizon Institutional excludes separately managed, non-direct accounts, and other accounts that are either serviced by wrap/dual contract sponsors or utilize a wrap or bundled fee structure. The Firm maintains a complete list and description of composites, which is available upon request.

The Small Cap - Institutional Composite seeks above market long-term returns by investing primarily in a focused portfolio of small companies which are global issuers with long product life cycles and insulated business models that possess the ability to generate high, sustainable returns on invested capital. Generally, Horizon Institutional invests in such companies when they are trading at a discount to Horizon Institutional's estimates of their intrinsic values. Horizon Institutional seeks to avoid short-term investing and significant portfolio turnover. On February 01<sup>st</sup> 2017 the benchmark for the Small Cap - Institutional Composite was changed retroactively from the Russell 2000 index to the S&P SmallCap 600 Index due to the fact that the S&P 600 is more representative of the characteristics and style of the Strategy. The S&P 600 Index is a stock market index from Standard & Poors that covers roughly the small cap range of US stocks, using a capitalization-weighted index.

As of January 2015, the market capital of companies included in the S&P Small Cap 600 Index ranged from \$400 million to \$1.8 billion. These smallcap stocks cover a narrower range of capitalization than the companies covered by the Russell 2000 SmallCap Index which range from \$169 million to \$4 billion. The index was launched on October 28, 1994. Process: The strategy combines qualitative and quantitative financial measures to identify fundamentally superior businesses trading below intrinsic value. Returns are often created by distinguishing between permanent and transitory problems and having the patience to allow transitory issues to be resolved. The bottom-up process often leads to thematic exposures. However, careful attention is given to ensure that underlying earnings or sector concentrations are understood and limited. Positions may be sold when the research team identifies changes to the investment thesis. Portfolio Construction: Portfolio typically holds approximately 30-50 securities. A portfolio's cash position may vary depending on the availability of attractive opportunities. Horizon Institutional does not strictly follow a portfolio model and as a result dispersion among client portfolios may be experienced in the short run. Position turnover typically averages 20% per annum over time. Although the focus of the portfolio is equities, the portfolio may invest in other parts of the capital structure when the research process identifies opportunities that may offer superior risk/return. The portfolio manager also has discretion to utilize derivatives opportunistically when the research process identifies superior risk/return of such positions. The Small Cap - Institutional Composite may also opportunistically invest in countries outside of the benchmark. Horizon Institutional's opportunistic investment process is global in scope and requires thorough understanding of all parts of an investment's capital structure. Substantially all portfolios in the composite show performance net of foreign withholding taxes. A more consistent treatment of withholding taxes was not feasible due to fee coding from the custodian, and the difference on performance has not been identified to be material. Withholding taxes may vary according to the investor's domicile and the treatment of withholding taxes by a portfolio's custodians. The U.S. Dollar is the currency used to express performance.

The Small Cap - Institutional Composite was created on 1 Jan 98. Prior to January 2008, the composite was named the Special Equity Institutional composite. The composite includes all fully discretionary accounts under management, including accounts no longer with the Firm. Returns include the effect of foreign currency exchange rates. Past performance is not indicative of future returns. Returns are presented gross and net of management fees and include the reinvestment of all income. In addition to investment advisory fees, returns will be reduced by other expenses that may be incurred in the management of the account. Net of fee performance was calculated using the highest applicable annual management fee of 1% applied monthly. The investment management fee schedule for the composite is 1.00% on the First \$5 million, 0.95% on the Next \$5 million, 0.85% on the Next \$15 million, 0.75% on the Balance. Actual investment advisory fees incurred by clients may vary. The collection of fees produces a compounding effect on the total rate of return net of management fees. For example, a portfolio that earned 8% per annum for ten years would result in a cumulative return of 115.9% before investment management fees and 96.72% net of such fees, assuming a 100 basis point (1.0%) fee per year. The annual composite dispersion presented is an asset-weighted standard deviation of annual gross returns of those portfolios that were included in the composite for the entire year. The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. Composite returns represent investors domiciled primarily in the United States. Additional information regarding policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

•Horizon Institutional claims compliance with the Global Investment Performance Standards GIPS® and has prepared and presented this report in compliance with the GIPS standards. Horizon Institutional has been independently verified for the period January 1, 1996 through September 30, 2016.

•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. The Small Cap Institutional Composite has been examined for the periods January 1, 1998 through September 30, 2016. The verification and performance examination reports are available upon request.

•Horizon Institutional has retained the identical management team and investment style since the inception of the composite and maintains the records necessary to support the performance of all composites and will provide these records upon request.