SMID CAP CLIENT NEWSLETTER

First Quarter 2017

Cardinal Capital MANAGEMENT, L.L.C.

IN THIS ISSUE

- Market Commentary
- Performance Commentary
- Highlighted Investments:
  - *- New York REIT*
  - *- Lamb Weston*
- Market and Portfolio Outlook

Market Commentary

Small, smid and large cap indices, as represented by the Russell 2000, 2500 and 1000 indices, rose 2.5%, 3.8% and 6.0% respectively in the first quarter. Within the Russell 2500, the value index rose 1.6% while the growth index increased 6.3%. The value index lagged its growth counterpart due to its significantly larger weighting in poorly performing bank stocks, a smaller weighting in the better performing healthcare sector and a higher weighting in the poorly performing energy sector. From an economic perspective, the performance of small cap stocks during the quarter should be viewed as more defensive with strength in health care and information technology shares. In addition, larger market capitalization and higher quality equities provided the best returns. Following the post-election rally in small and smid cap stocks, returns were muted as the market tried to ascertain whether political platform promises would quickly lead to policy changes.

Despite post-election optimism that U.S. economic growth would pick up, GDP rose at a 2.1% annual rate in the fourth quarter, as a larger trade deficit mitigated a rebound in consumer spending. Although jobs data and consumer and business sentiment did improve in the first quarter, the unemployment rate and industrial production were essentially unchanged. Although modest, inflation was solidly above the Federal Reserve's 2% target level. As a result, the Federal Reserve increased short-term interest rates by 25 basis points during the quarter and reiterated their plan to raise rates twice more in 2017. Nonetheless, long-term government bond yields fell as investors became increasingly skeptical that meaningful fiscal stimulus would materialize given that House Republican leaders were forced to pull legislation to repeal the Affordable Care Act. In the fourth quarter, U.S. corporate profits rose 3.7% sequentially as the headwinds from lower commodity prices subsided. Equity valuations, although high on a historical basis, remain attractive relative to bonds.

SMID CAP CLIENT NEWSLETTER

First Quarter 2017

Cardinal Capital
MANAGEMENT, L.L.C.

FIRM OVERVIEW

- Experienced Value Investors
- 23+ Year Track Record
- Research-Driven Process
- FCF-Based Valuations
- Consensus Decisions
- Owned by Current & Former PMs
- $2.6 Billion Discretionary AUM

OBJECTIVES

- Superior Risk Adjusted Returns
- Preservation of Capital

HOW WE SEEK TO ADD VALUE

- Intensive fundamental research
- Detailed DCF-based valuation analysis
- Opportunistic stock selection balancing risk and return
- Aim to identify good businesses whose stocks are temporarily out-of-favor in structurally inefficient market niches
- Our annual return objective has always been 20%, making our valuations more conservative
- Our discipline is similar to that used by companies and private equity investors, resulting in more than 70 of our investments being acquired since 1995

Performance Commentary

Cardinal's relative performance improved in the first quarter as higher quality and less cyclical stocks came back into favor and specific events at several portfolio companies resulted in strong stock selection. The first quarter preliminary net of fee performance for Cardinal's SMID Cap Value Composite, at 4.3%, outpaced the 1.6% return of the Russell 2500 Value Index. The main contributors to our relative performance were stock selection broadly across most sectors, specifically the materials, industrials, real estate and health care sectors. The primary detractors were stock selection in the consumer discretionary sector and not owning utilities. In materials, the share price of FMC Corporation, an agricultural chemical and lithium supplier, rose significantly after the company announced it will acquire the crop protection business that DuPont had to divest in order to complete their merger with Dow. FMC is selling their health & nutrition business as part of the consideration. The acquisition is very accretive and will transform FMC into a world-class agricultural chemical company once they spin off the lithium business as a separate publicly-traded company after 2018. The stock price of Silgan Holdings also increased after the fabricator of metal and plastic packaging announced the acquisition of WestRock's closures and dispensing systems business. In industrials, the share price of defense contractor BWX Technologies rose on better than expected profit growth due to greater submarine-related business and other project wins. The stock price of Corporate Executive Board, a best practices and HR consulting specialist, increased after Gartner announced that they would acquire the company. In real estate, the share price of Colony Starwood Homes climbed following better than expected earnings and the completion of debt and equity offerings which allowed this lessor of single family homes to bring its capital structure in line with its peers and reduced the private equity overhang. In Health Care, the stock price of air ambulance services provider Air Methods was up sharply on the news that they were to be acquired by private equity firm, American Securities.

The annualized net return of Cardinal's SMID Cap Value Composite since inception (May 1, 2010) is 12.3% versus 11.6% for the Russell 2500 Value Index and 12.1% for the Russell 2500 Index. Cardinal managed $2.6 billion in micro, small and smid cap value discretionary assets as of March 31, 2017.

SMID CAP CLIENT NEWSLETTER

First Quarter 2017

Cardinal Capital MANAGEMENT, L.L.C.

PORTFOLIO TEAM

- Experienced and stable team of value investors
- Collaborative and dynamic process capitalizes on collective experience
- Consistency in team responsible for 23+ year track record
- Compensation based on portfolio

GENE FOX
MANAGING PARTNER
At Cardinal Since 1995

ROB KIRKPATRICK
MANAGING PARTNER
At Cardinal Since 2000

RACHEL MATTHEWS
PARTNER
At Cardinal Since 2001

BOB FIELDS
PARTNER
At Cardinal Since 2013

Highlighted Investments

At Cardinal, we focus on finding companies with solid fundamentals at opportunistic valuations. New York REIT is a real estate investment trust which owns a portfolio of institutional quality properties in New York City, including One Worldwide Plaza, their marquee and largest building. The company was formed in 2010 to opportunistically purchase income producing real estate following the Great Recession. New York REIT's properties have high occupancy levels, long-term leases and are located almost entirely in Manhattan. Last year, prior management had agreed to merge with JBG Companies in a transaction that would have been lucrative for them but not for shareholders who voted the deal down. Cardinal became interested when an entity associated with Michael Ashner, an experienced real estate executive with whom we had successfully invested when he liquidated Winthrop Realty Trust, began to publicly lobby shareholders to vote against the deal. These efforts ended in Ashner's company being hired to execute on a shareholder approved plan to sell the company's assets and settle its liabilities. It was at this point that Cardinal began to purchase shares. In addition to the $10 million dollars of New York REIT stock Ashner owns personally, his firm is entitled to receive 10% of any upside above $11 per share which aligns his interests with ours. In our experience, Ashner is a tough negotiator who seeks to maximize value for all owners of the company. Given recent institutional-quality commercial real estate transactions in Manhattan, we believe that this investment has limited downside and reasonable upside. Since most of the value lies in four assets, it is possible that much of the value will be realized in the next year.

Lamb Weston is a leading supplier of frozen potato and vegetable products to restaurants and retailers worldwide. The company operates in a disciplined market with few competitors in the U.S., where supply is limited and annual price increases are the norm. Cash operating margins are over 20% with solid free cash flow which is earmarked for growth opportunities in their core markets as well as consolidating the European frozen vegetable market. We believe that management will continue to leverage their infrastructure to improve profit margins with little execution risk. Cardinal began researching Lamb Weston when ConAgra Brands announced it would divest the business in a tax-free spinoff in November 2016. Given ConAgra's much larger market capitalization, the supply imbalance in Lamb Weston shares created by the spinoff allowed us to purchase this fundamentally attractive business at a relatively low valuation. At our purchase price, we believe the company's shares did not adequately reflect the stability of the business as the demand for french fries, in all their varieties, is relatively insensitive to the vagaries of the macro economy. Although Lamb Weston stock has appreciated significantly

FIRM OVERVIEW

- Experienced Value Investors
- 23+ Year Track Record
- Research-Driven Process
- FCF-Based Valuations
- Consensus Decisions
- Owned by Current & Former PMs
- $2.6 Billion Discretionary AUM

OBJECTIVES

- Superior Risk Adjusted Returns
- Preservation of Capital

HOW WE SEEK TO ADD VALUE

- Intensive fundamental research
- Detailed DCF-based valuation analysis
- Opportunistic stock selection balancing risk and return
- Aim to identify good businesses whose stocks are temporarily out-of-favor in structurally inefficient market niches
- Our annual return objective has always been 20%, making our valuations more conservative
- Our discipline is similar to that used by companies and private equity investors, resulting in 70 of our investments being acquired since 1995

Highlighted Investments Cont'd

in the short time that we have owned it, we believe there is still room for the company's valuation to increase as it becomes established as public company. Additionally, Lamb Weston is also an attractive acquisition candidate for a larger company in the consolidating food industry.

Market and Portfolio Outlook

Our near-term outlook for equities remains cautious as valuations are full and the domestic economy is forecast to grow only 2% in 2017. In addition, the odds of meaningful tax reform and infrastructure spending have fallen for both political and financial reasons. With inflation now above the Federal Reserve's target, short-term U.S. interest rates are likely to rise unless the U.S. economy slows. Nevertheless, the major global economies have stabilized and the U.S. dollar has likely peaked near term since Europe has started to improve despite challenges with Greece and Brexit and the risk of a big slowdown in China seems behind us. Given the improving global economic backdrop, the M&A market should remain active so long as capital remains available and inexpensive. Consistent with our investment discipline, our focus remains on the stocks of companies where business performance is generally less dependent on the growth rate of the U.S. economy. By attempting to limit macroeconomic risks and taking them only when we feel that we are being adequately compensated, we believe that we are reducing overall portfolio risk because tools under management's control are generally more dependable. Looking ahead, our portfolio companies continue to redeploy their free cash flow through share repurchases, dividends and opportunistic acquisitions which should bode well for future value creation.

Disclosures

Net performance reflects the deduction of advisory fees and expenses which reduce an investor's total return on investment. Returns presume investment for the entire period indicated and reinvestment of all interest income, capital gains, dividends and other distributions. Performance returns are unverified estimates and have been computed by Cardinal. Depending on the timing of an investor's investment in the strategy, net performance for such investor may vary from the net performance stated herein. Past performance is not indicative of future results.

The Russell 2500™ Index measures the performance of the small to mid-cap segment of the U.S. equity universe, commonly referred to as "smid" cap. The Russell 2500 Index is a subset of the Russell 3000® Index. It includes approximately 2500 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2500 Value Index measures the performance of small to mid-cap value segment of the U.S. equity universe and includes those Russell 2500 Index companies with lower price-to-book ratios and lower forecasted growth values. The Russell 2000 Index consists of the 2000 smallest stocks in the Russell 3000 Index that represent approximately 10% of the total market capitalization of that Index. The Russell 1000 Index consists of the 1000 largest stocks in the Russell 3000 Index that represent approximately 90% of the total market capitalization of that Index. The Russell 2000 Value Index measures the performance of the small-cap value segment of the U.S. equity universe and includes those Russell 2000 Index companies with lower price-to-book ratios and lower forecasted growth values. 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 companies with higher price-to-book ratios and higher forecasted growth values. These indices are included merely to show the general trend in the small-cap equity markets in the periods indicated and is not intended to imply that Cardinal's investments were comparable to the index either in comparison or element of risk. There is no guarantee that the performance of the strategy will meet or exceed any index. An investor cannot invest directly in an index.

The discussion of specific discrete investments in this newsletter (i) is included merely to illustrate certain investment processes and strategies utilized by Cardinal, (ii) is not intended to indicate overall performance that may be expected to be achieved by the Strategy, and (iii) should not be considered a recommendation to purchase or sell any particular security. The investments discussed herein are not a comprehensive list of securities or positions held by the Strategy. There is no assurance that any securities discussed herein will be or remain in the portfolio or, if sold, have not been or will not be repurchased.

Any projections, market outlooks or estimates in this newsletter are forward looking statements and are based upon certain assumptions. Other events which were not taken into account may occur and may significantly affect the returns or performance of the Strategy. Any projections, outlooks or assumptions should not be construed to be indicative of actual events which will occur.