

**PERFORMANCE** (AS OF 12/31/2019)

	4Q 2019	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Riverbridge Smid Cap Growth	5.71%	33.09%	33.09%	19.06%	12.96%	15.93%	12.41%
Russell 2500™ Growth	10.57%	32.65%	32.65%	15.17%	10.84%	14.01%	9.80%

*Periods greater than one year are annualized; Performance is gross of fees; See p3 for net of fees; Inception Date: 12/31/2006*

**HIGHLIGHTS**

- The Russell 2500™ Growth Index closed out 2019 and the decade with a flourish, advancing more than 10 percent in 4Q 2019 and 32 percent for the full year 2019
- Strategy slightly outperformed for the year but trailed the benchmark for the quarter; Health Care and Industrials were the primary performance detractors as Riverbridge's investment style was generally out of favor
- Investors begin 2020 with a renewed sense of optimism; we remain focused on identifying companies positioning themselves to excel over the context of the next decade

**MARKET COMMENTARY**

The fourth quarter of 2019 proved a fitting end to a remarkable decade for investors. The Russell 2500™ Growth Index advanced more than 10 percent and closed the year up more than 32 percent, consigning 2018's fourth quarter correction to a brief blip in what is now the longest-running bull market in history. The market's resilience reflected the resilience of the U.S. economy, which, powered by the American consumer, officially closed out its first decade on record without a recession. Asset prices were also supported by a more accommodative Federal Reserve, which cut rates three times in 2019 after recognizing it had tightened too aggressively the year before. Internationally, progress towards a trade pact with China as well as a possible resolution to the much-debated Brexit delivered some calm to two storm clouds that had stubbornly loomed over the markets.

**STRATEGY COMMENTARY**

The Riverbridge Smid Cap Growth strategy advanced nearly 6 percent during the fourth quarter of 2019 but trailed its primary benchmark, the Russell 2500™ Growth Index. For the full year 2019, the strategy outperformed its benchmark slightly. Throughout the year, our portfolio companies made positive fundamental progress while continuing to reinvest their capital in long-term growth opportunities. Though we view positively the investments being made by longtime holdings such as Verisk Analytics, Inc. (VRSK) and CoStar Group, Inc. (CSGP), the market's reaction to the announcements in the fourth quarter was less enthusiastic, as both companies were performance detractors. However, both companies were meaningful

contributors for the full year 2019.

In the fourth quarter, the strategy's Health Care and Industrials holdings were the primary detractors from performance as strong performance in more cyclical and speculative industries suggest that Riverbridge's investment style was generally out of favor. In the Health Care sector of the Russell 2500™ Growth, Biotechnology companies rose more than 26 percent, creating a relative performance headwind. Throughout our history, Riverbridge has not invested directly in biotechnology companies as they fail to meet several of our investment criteria, including consistent unit growth and internal financing. Moreover, in our quest to achieve superior risk-adjusted returns we opt not to own companies which are pre-revenue, have no customers, and are reliant on the success of a single compound.

Instead, our investment team remains focused on identifying businesses which control their own destiny. We seek nimble, adaptable companies with management teams who understand their strategic advantage and have earned the right to solve problems on behalf of their customers. We own companies we believe are capable of sustainably building earnings power using their own capital and without relying on a breakthrough discovery or the success of a single product.

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West Pharmaceutical Services, Inc. (WST), for example, illustrates the way Riverbridge invests in the Biotechnology industry without owning speculative, difficult to evaluate businesses. WST is the global leader in packaging components and delivery systems for injectable medical products. The company's unique capabilities have earned WST a position as a strategic partner for pharmaceutical and biotechnology companies worldwide. Given this strategic position, WST's products are typically designed in during the regulatory approval process, and once approved, WST participates in long duration product cycles resulting in consistent growth as the drug gains adoption. We believe WST is well positioned to continue delivering differentiated solutions to its customers as medical products become increasingly more complex and require increasingly more advanced containment solutions. Furthermore, WST participates in the secular growth trends in biotechnology and pharmaceuticals via a more well-established and stable business model.

## OUTLOOK

As we look ahead, many of the factors that propelled 2019 are still in place. Sometime in the first quarter, we should have the initial phase of a trade deal with China executed. The long-awaited removal of Britain from the Eurozone, known as Brexit, should be complete. Central banks around the world continue to take a stimulative posture. Investors also expect a resumption of corporate earnings growth. Unlike the beginning of last year, investors begin 2020 with a renewed sense of optimism.

While Riverbridge finds little value in attempting to forecast one-year returns, we will caution our readers that elevated market expectations are not always positive for investors. Regardless, we remain focused on identifying companies possessing the ability to excel over the context of the next decade. Our investment team searches for those companies possessing a competitive advantage that will persist over several years and growth prospects that are not dependent on macroeconomic strength. We are encouraged by the fundamental characteristics of our portfolio companies and are confident in their ability to compete effectively in their respective markets.

Past performance is not indicative of future results. Mention of companies/stocks herein is for illustrative purposes only and should not be interpreted as investment advice or recommended securities. The securities identified do not represent all of the securities purchased, sold or recommended and the reader should not assume that any listed security was or will be profitable. Due to various factors, including changing market conditions, the content may no longer be reflective of current opinions or positions. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by Riverbridge) or any other discussion made reference to directly or indirectly in this commentary will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful.

You should not assume that any discussion or information contained in this commentary serves as the receipt of, or as a substitute for, personalized investment advice from Riverbridge. Performance related information provided in this document is presented as supplemental information to the compliant presentation included herein. A description of our services and fees is included in our Brochure, ADV Part 2, which is available upon request.

## SMID CAP GROWTH COMPOSITE

Year	Gross-of-Fee Return (%)	Net-of-Fee Return (%)	Russell 2500™ Growth Return (%)	Portfolios	Dispersion (%)	Composite 3-Year Ex-Post Std. Dev.	Russell 2500™ Growth 3-Year Ex-Post Std. Dev.	Composite Assets (\$ Millions)	Firm Assets (\$ Millions)
2018	0.44	-0.34	-7.47	82	0.48	14.65	15.33	996.2	4,737.1
2017	26.27	25.33	24.46	85	1.12	11.97	13.04	1,187.4	5,047.9
2016	8.58	7.73	9.73	86	0.49	13.45	14.67	942.6	4,686.7
2015	0.37	-0.42	-0.19	90	0.48	12.24	13.29	850.3	5,030.8
2014	3.90	3.08	7.05	112	0.36	11.31	12.53	957.3	5,523.2
2013	35.98	35.00	40.65	101	0.72	11.78	16.48	911.9	5,718.3
2012	14.93	14.26	16.13	53	0.22	14.22	19.82	427.2	3,225.7
2011	12.25	11.41	-1.57	13	0.15	16.90	22.94	43.3	2,558.0
2010	30.83	29.61	28.86	<5	N/A			1.1	2,495.0
2009	31.38	30.61	41.66	<5	N/A			0.7	1,737.1

**Firm Information:** Riverbridge Partners, LLC is a Minnesota based investment advisor registered with the Securities and Exchange Commission under the Investment Advisors Act of 1940. The firm provides investment management services to institutional and individual investors. The company offers growth-oriented investment services by investing in growth equity securities, which it believes will provide high returns over the long term. The firm's standard fee schedule is an annual 1%.

**Composite Characteristics:** The SMID Cap Growth Composite was created in January 2007. It is a growth stock portfolio invested in small to medium sized growth companies. This strategy generally invests in companies with market capitalizations of less than \$15 billion. A complete list and description of all firm composites is available upon request. The composite benchmark is the Russell 2500™ Growth Index. The Russell 2500™ Growth Index includes the segment of securities within the Russell 2500™ Index with higher price-to-book ratios and higher forecasted growth values. The Russell 2500™ Index is an unmanaged index measuring the performance of the small to mid-cap U.S. equity universe. Prior to 2008, the Russell 2500™ Index was also shown for general market comparison purposes. Composite dispersion is not presented for years with 5 or fewer accounts. The composite minimum value is \$100,000. Prior to January 1, 2016, the composite minimum value was \$50,000.

**Calculation Methodology:** Valuations and returns are computed and stated in U.S. dollars. Individual portfolios are revalued daily starting 1/1/2009. Prior to that, individual portfolios were revalued monthly and intra-month when large cash flows (defined at 10%) occurred. Gross-of-fee returns are calculated net of transaction costs and gross of management fees. Until 12/31/2007, net performance was calculated by applying the maximum annual management fee of 1% to gross performance on a monthly basis. Starting 1/1/2008, net-of-fee returns are calculated net of actual investment management fees. Both gross-of-fee and net-of-fee returns are calculated gross of all withholding taxes on foreign dividends. Accruals are included in calculations. The dispersion measure is the equal-weighted standard deviation of accounts in the composite for the entire year. Additional information for valuing portfolios, calculating performance and preparing compliant presentations is available upon request.

**Other Disclosures:** Riverbridge Partners, LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Riverbridge Partners, LLC has been independently verified for the periods 12/31/1989 – 12/31/2018. 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 SMID Cap Growth Composite has been examined for the periods 01/01/2007 – 12/31/2018. The verification and performance examination reports are available upon request. The benchmark returns are not covered by the report of the independent verifiers. Past performance does not guarantee future results. This performance report should not be construed as a recommendation to purchase or sell any particular securities held in composite accounts. Market conditions can vary widely over time and can result in a loss of portfolio value.

### Performance Disclosures:

- Returns presented within this document are presented for gross-of-fee performance figures, which do not reflect the deduction of investment advisory fees. A client's returns will be reduced by the advisory fees and other expenses incurred in the management of its account. For example, the deduction of a 1% advisory fee over a 10 year period would reduce a 10% gross return to an 8.9% net return. A description of Riverbridge Partners' advisory fees are disclosed on Part 2 of its Form ADV, a copy of which is available upon request.
- Past performance does not guarantee future results.
- Performance results do not reflect the impact of taxes.
- It should not be assumed that account holdings will correspond directly to any such comparative benchmark index.
- Comparative indices may be more or less volatile than Riverbridge portfolios.
- Riverbridge performance results reflect the reinvestment of dividends and other account earnings, and are net of applicable account transaction charges.
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