

Peapod Lane Capital LLC

Investment Philosophy

At times, public markets price companies for less than the value of the assets they own.

Peapod Lane Capital LLC's ("Peapod") investment approach focuses on identifying and investing in those situations.

Our strategy most closely resembles traditional "net-net" investing, where the market value of a company may fall well below the value of its cash, working capital, or other tangible assets. We seek securities trading materially below the value of their tangible assets.

Peapod's Differentiating Factor and Approach

Peapod's approach results in a portfolio that may differ meaningfully from conventional equity allocations, both in terms of securities held and underlying drivers of return. An allocation to Peapod may enhance diversification within certain portfolios, depending on an investor's overall asset allocation.

While many investors focus primarily on earnings forecasts or discounted cash flow models, our analysis begins with the balance sheet. Peapod maintains a disciplined focus on balance-sheet value in segments of the market where pricing inefficiencies may occur.

Institutional investors may face constraints when investing in the types of smaller companies that Peapod focuses on due to liquidity requirements, position size limitations, and benchmark considerations. As a result, smaller companies may receive limited research coverage.

Behavioral factors can also contribute to mispricing. Securities may be sold following weak earnings, negative sentiment, or temporary operational setbacks.

Peapod seeks to invest in situations where these factors create meaningful gaps between market price and balance-sheet value. Periods of market dislocation and individual security neglect periodically create opportunities to purchase assets at discounts to their estimated value.

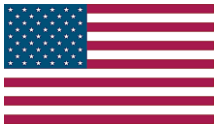
Investment Process

Our process begins with a simple question:

What securities may be sold for non-economic reasons or behavioral factors?

Markets are influenced by institutional constraints, short-term performance pressures, and investor sentiment. Securities may be sold because earnings declined, a business is cyclical, or the company has fallen out of favor with investors.

In these situations, markets may emphasize near-term earnings while placing less weight on underlying asset value.



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We therefore focus on businesses with:

- Tangible assets such as cash, working capital, or real estate
- Simple and understandable business models
- Low levels of debt
- Discounted valuations relative to asset value

Companies rarely trade below asset value without some reason. Our objective is to understand these dynamics and determine whether the market's pessimism may be excessive relative to underlying asset value.

Price discipline is central to our approach. We seek to purchase securities at prices that provide a meaningful margin of safety relative to our estimate of asset value.

We do not require a specific catalyst. Securities that meet our criteria are sometimes labeled "value traps," and the distinction between a value opportunity and a value trap often depends significantly on the price paid.

Example Investment

A typical investment may begin with a company trading at a significant discount to the value of its tangible assets. For example, a small-cap company may trade below the value of its cash, working capital, or real estate following a period of weak earnings or negative investor sentiment.

We estimate the economic value of tangible assets and evaluate both liquidation value and going-concern value, while assessing operating leverage and the risk that asset values could decline.

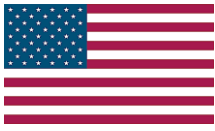
If the market price provides a sufficient margin of safety relative to our estimate of asset value, we may initiate a position. Over time, changes in sentiment, operating performance, or valuation metrics may influence how the market prices the security.

Investment Discipline

Our approach requires patience and a long-term perspective. Securities trading at discounts to asset value may remain out of favor for extended periods.

Because our analysis is anchored in balance-sheet value and margin of safety, we do not attempt to predict short-term market movements or rely on near-term catalysts. Instead, we seek situations where the gap between price and estimated asset value offers what we believe to be a favorable risk-reward profile.

When market prices approach our estimate of underlying value, we may reduce or exit positions and redeploy capital into more discounted opportunities.



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Idea Generation and Research

Peapod searches broadly for securities that are deeply out of favor. Common sources of ideas include:

- 52-week and multi-year price lows
- Busted IPOs or secondary offerings
- Companies with negative long-term stock returns
- Stocks trading at low price-to-book ratios
- Companies with low debt-to-equity ratios

Most securities identified through these screens are quickly eliminated. For remaining candidates, our research begins with the balance sheet.

We analyze tangible asset composition, estimate economic value, and consider both liquidation and going-concern scenarios. We then review income statements and cash flow profiles, with particular focus on operating leverage.

Our research emphasizes historical financial statements and management commentary to understand how the business has been operated over time. All research is conducted internally.

Market Focus

Our approach naturally leads us toward small and nano-capitalization companies, where pricing inefficiencies may be more common. These segments of the market often receive less research coverage than larger companies.

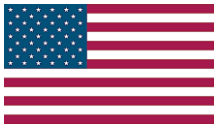
Portfolio Construction

The portfolio typically holds **40–75 securities**, providing diversification while maintaining exposure to multiple price dislocations.

The strategy is long-only and does not employ leverage.

Strategy Characteristics

- Peapod Lane Capital LLC (“Peapod”) is an SEC-registered investment adviser
- Investment in U.S.-listed securities
- Client assets managed through separately managed accounts
- Peapod maintains custody relationships with Schwab, Interactive Brokers, Northern Trust, and State Street



Peapod Lane Capital LLC

Investment Performance Disclosure

Past Performance Does Not Guarantee Future Performance

Past performance of actual portfolios or composites of actual portfolios does not guarantee future results. No assurances or guarantees can be given or implied concerning future investment results for Peapod Lane Capital LLC or any investment index. Future returns may differ significantly from the past due to materially different economic and market conditions and other factors. Investments within portfolios, and therefore, portfolios, involve risk and the possibility of loss, including a permanent loss of principal.

Investment Return Methodology

Actual returns for individual client portfolios managed by Peapod Lane Capital LLC may vary and do not necessarily coincide exactly with the returns for the performance group composite. Peapod Lane Capital LLC's returns shown are a composite of the fully managed portions (i.e. discretionary assets vs. non-discretionary supervised assets) of all client accounts that have substantially the same investment objectives, dividends, interest, mutual fund capital gains distributions and other earnings reinvested. Returns are presented gross and net of management fees and include the reinvestment of all income. Returns are calculated using a time weighted return and are gross of capital gains. Gross returns include transactions cost reduction. Net returns include management fees reduction. Net returns are calculated by monthly reducing 1/12th of the highest management fee of 1.5% from gross returns. Non-discretionary supervised assets held in clients' account are excluded from the calculation. All client accounts that met the composite criteria during the reporting period are included.

Peapod Lane Capital LLC launched on April 1st, 2010. The Peapod Contrarian Micro & Nano Cap Value Composite returns begin on February 1st, 2017. All performance figures are based on estimated and unaudited financial information and may be subject to change.

Peapod Contrarian Micro & Nano Cap Value will hold cash. It is expected that cash will be between 0% and 10% of the account value. There can be no assurance that cash will not exceed 10% at any time.

Benchmarks

The iShares Russell 2000 ETF seeks to track the investment results of an index composed of small-capitalization U.S. equities. The Russell 2000 Index measures the performance of the small-cap segment of the US equity universe. The Russell 2000 Index is a subset of the Russell 3000® Index which is designed to represent approximately 98% of the investable US equity market. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000 is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set. Peapod perceives the Russell 2000 as the most widely used small-cap index. Peapod does not attempt to replicate the index. Historically, the average market capitalization of securities within Peapod's portfolio has been smaller and the price/book valuation metric has been lower. There will be securities in Peapod's portfolio that are not in the Russell 2000 Index.

The iShares Micro-Cap ETF seeks to track the investment results of an index composed of micro-capitalization U.S. equities. The Russell Microcap Value Index measures the performance of the microcap value segment of the US equity market. It includes Russell Microcap companies with relatively lower price-to-book ratios, lower I/B/E/S forecast medium term (2 year) growth and lower sales per share historical growth (5 years). The Russell Microcap Value Index is constructed to provide a comprehensive and unbiased barometer for the microcap value segment of the market. The Index is completely reconstituted annually to ensure larger stocks do not distort performance and characteristics of the microcap opportunity set. Peapod invests with a value strategy in the microcap segment and believes that the Russell Microcap Value Index is the most widely used index in this segment. Peapod does not attempt to replicate the index. Historically, the average market capitalization of securities within Peapod's portfolio has been smaller and the price/book valuation metric has been lower. There will be securities in Peapod's portfolio that are not in the Russell Microcap Value Index.