



DGHM Enhanced Value LP

Portfolio Managers: Bruce Geller, CFA and Douglas Chudy, CFA
 September 30, 2018
 Strategy Assets: \$53mm

DGHM's goal is to be a leading practitioner of fundamental analysis. Our long/short equity hedge fund seeks to capitalize on the intensive research performed by our experienced team of nine Sector Specialists. This diversified portfolio is constructed in a fashion to capture alpha between the longs and shorts in a framework wherein risk control—at the market, sector, capitalization, and individual security levels—is paramount.

FUND OBJECTIVES

- Above-average risk-adjusted returns
- Preservation of capital
- Below-average volatility
- Low correlation to the broad equity markets
- Minimize risks external to stock selection
- Tax efficiency

To preserve the integrity of this product, the strategy will close at \$500 million in assets under management.

COMPETITIVE EDGE

- Nine Sector Specialists with 29 years of experience on average
- Sector-focused fundamental analysis across the cap spectrum
- Proprietary valuation approach utilized since inception
- Superior expertise trading illiquid smallcap positions
- Vigilant risk management

ANNUALIZED RETURNS AND STATISTICS

	EV LP (Net)	HFRX*	S&P 500*
YTD Return	-6.1%	-0.9%	10.6%
1-Year Return	-3.0%	1.8%	17.9%
3-Year Return	4.9%	3.2%	17.3%
5-Year Return	3.2%	2.4%	13.9%
10-Year Return	3.0%	0.8%	12.0%
Since Inception Return	5.3%	1.6%	8.0%
Alpha	—	4.4%	2.3%
Listed below benchmark			
Beta	—	0.67	0.36
Listed below benchmark			
Standard Deviation	8.1%	6.8%	13.9%
Information Ratio	—	0.53	-0.25
Listed below benchmark			
Sharpe Ratio**	0.50	0.05	0.49
Sortino Ratio**	0.75	0.06	0.70
Upside Capture	—	102%	43%
Listed below benchmark			
Downside Capture	—	60%	41%
Listed below benchmark			
R-Squared	—	33%	39%
Listed below benchmark			
% Positive Months	61%	57%	68%
Maximum Drawdown	-20.9%	-29.5%	-50.9%

DGHM Enhanced Value returns are since inception (4/2002). See the provided Explanation of Performance.

* The HFRX Equity Long/Short and S&P 500 are registered trademarks of Hedge Fund Research Inc. and Standard & Poor's, respectively.

** Sharpe and Sortino ratios are calculated using the Citigroup 3-Month T-Bill.

MONTHLY COMMENTARY

Enhanced Value LP (EV) was down 1.8% in September, which trailed the 1.6% decline of our peer group of long/short hedge funds as measured by the HFRX Equity Hedge index (HFRX). Our performance was mixed versus the broader market with the S&P 500 up 0.6% while the Russell 2000 was down 2.4%. Growth continued to outperform value during the month and large cap outperformed small cap, both headwinds to our investment style. **On a year-to-date (YTD) basis, EV is down 6.1%.** Our YTD performance continues to trail the HFRX (-0.9%), S&P 500 (+10.6%) and Russell 2000 (+11.5%).

Our long portfolio declined 1.4% during the month, which was within the range of the aforementioned market indices. A couple of detractors included **TTM Technologies** (printed circuit boards) and **Orion Engineered Carbons** (carbon black chemicals). The pullback in TTM Technologies likely reflected some concerns over the semiconductor cycle. We continue to like the stock and its more diversified revenue base. Orion was down after announcing the retirement of its CEO and likely some profit-taking that followed. We remain positive on Orion and expect a smooth management transition and continuation of the existing strategy. A couple of positive offsets included **MCBC Holdings** (boat manufacturer) and **Abbott Laboratories** (medical tech). MCBC posted strong sales and earnings growth and announced the acquisition of a pontoon boat manufacturer that is expected to be highly accretive to earnings. Abbott benefited from the release of positive clinical trial results for a device that treats heart valves.

Our featured position this month is **Foundation Building Materials** (FBM – \$12). FBM is a building products distributor of wallboard, suspended ceilings, metal framing and related products to both residential and non-residential end-markets. The company operates 220 branches and is the number one U.S. distributor in ceilings and has a number two market position in wallboard. We see potential for attractive mid-single digit organic growth led by accelerating wallboard pricing, greenfield expansion, market share gains and new product offerings. We see further growth opportunity from M&A as the market remains fairly fragmented. The company generates strong free cash flow, will benefit from lower interest expense following a debt refinancing and trades at a discount to peers. Additionally, we view FBM's recent announcement to monetize the mechanical insulation business positively, as it will further improve the balance sheet and margins.

Our short portfolio detracted 0.4%, which was within the inverse range of the aforementioned market indices. Leading detractors on the short side included **Pinduoduo Inc.** (Chinese ecommerce retailer) and **Supernus Pharmaceuticals** (specialty pharmaceuticals). Pinduoduo received a sell side upgrade that pushed it past our stop loss, and we have covered the position. There was no specific news driving Supernus during the period, but the stock likely benefited from a general rally in healthcare/biotech. A couple of positive offsets included **Smart & Final Stores** (food retailer) and **U.S. Silica** (frac sand). Smart & Final sold off as food retailers continue to come under pressure in a highly competitive space. U.S. Silica was down again on ongoing price concerns with new sand supply hitting the market.

Portfolio exposures at month end are 108% long and 63% short, for gross exposure of 171% and net exposure of 45%. Exposure levels are relatively unchanged from last month.

DGHM Enhanced Value LP

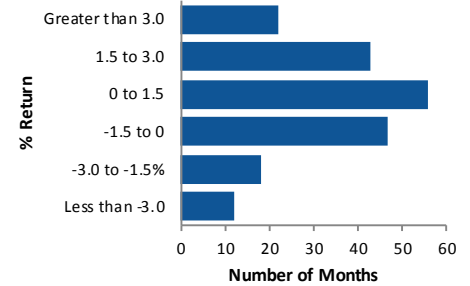
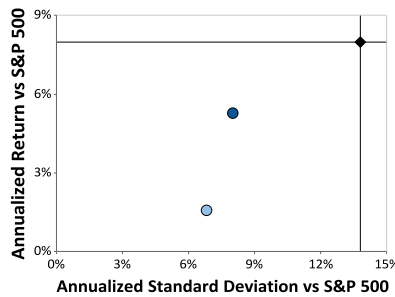
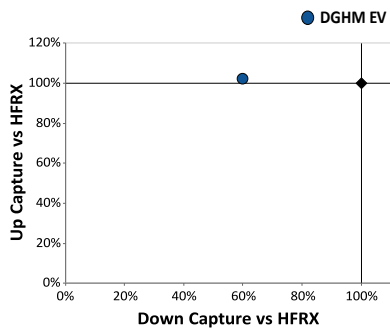
MONTHLY RETURNS (NET OF FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2018	0.6%	-3.3%	-0.6%	-4.8%	3.2%	0.6%	-1.8%	2.0%	-1.8%	0.9%	1.1%	1.3%	-6.1%
2017	-0.3%	0.2%	1.1%	-1.6%	-0.9%	0.9%	0.6%	-0.4%	3.7%	0.9%	1.1%	1.3%	6.6%
2016	-1.4%	-0.3%	5.2%	3.0%	-0.4%	-1.4%	4.2%	0.8%	1.4%	0.5%	5.2%	0.8%	18.7%
2015	-2.7%	3.1%	2.4%	-0.7%	-0.2%	-0.3%	-0.6%	-2.6%	-3.6%	1.7%	-2.9%	-1.6%	-7.9%
2014	-1.0%	1.7%	0.8%	1.2%	0.4%	1.6%	-0.5%	0.3%	-0.6%	0.6%	-0.3%	-0.7%	3.6%
2013	2.5%	-1.4%	2.0%	0.1%	2.6%	0.3%	5.1%	-0.9%	1.7%	1.2%	1.4%	0.5%	16.0%
2012	2.0%	1.0%	2.1%	0.4%	-1.8%	3.5%	1.8%	1.9%	1.2%	-1.4%	1.7%	1.8%	15.0%
2011	-0.6%	-0.4%	0.0%	0.4%	-1.0%	1.6%	-0.7%	-2.7%	-5.4%	5.9%	-0.6%	0.5%	-3.4%
2010	0.4%	4.2%	4.1%	1.2%	-2.9%	-3.3%	0.6%	-7.6%	3.0%	1.7%	-1.9%	0.9%	-0.3%
2009	-3.5%	-3.4%	1.8%	3.4%	-0.9%	-0.8%	3.3%	0.2%	3.6%	-2.4%	1.1%	3.6%	5.7%
2008	-5.9%	-1.2%	-2.9%	1.6%	8.1%	0.9%	-1.4%	0.4%	-1.4%	-6.2%	-8.3%	1.1%	-15.1%
2007	-0.6%	-0.7%	1.8%	2.5%	2.0%	0.3%	0.7%	2.0%	3.3%	3.7%	-1.0%	3.0%	18.1%
2006	1.8%	5.5%	2.3%	0.4%	-2.9%	-0.2%	2.7%	-0.2%	-0.1%	1.3%	-0.3%	2.7%	13.6%
2005	-0.9%	1.7%	2.5%	-2.8%	-0.1%	1.4%	-0.2%	0.2%	2.0%	-1.3%	2.7%	1.1%	6.3%
2004	1.5%	1.5%	0.1%	-1.8%	2.1%	2.5%	1.3%	0.6%	-0.8%	-0.1%	1.5%	0.9%	9.5%
2003	-1.0%	-2.5%	-2.2%	1.6%	3.6%	0.1%	3.1%	2.9%	-1.3%	2.5%	-0.3%	2.8%	9.5%
2002	—	—	—	1.2%	2.3%	-1.4%	-3.5%	0.1%	1.1%	2.1%	1.5%	1.1%	4.5%

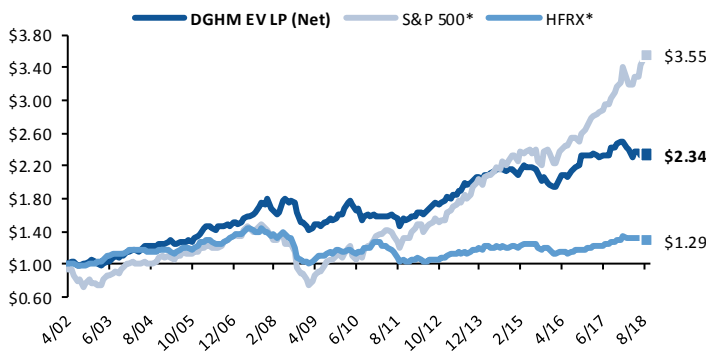
UP CAPTURE/DOWN CAPTURE

RETURN VS. VOLATILITY

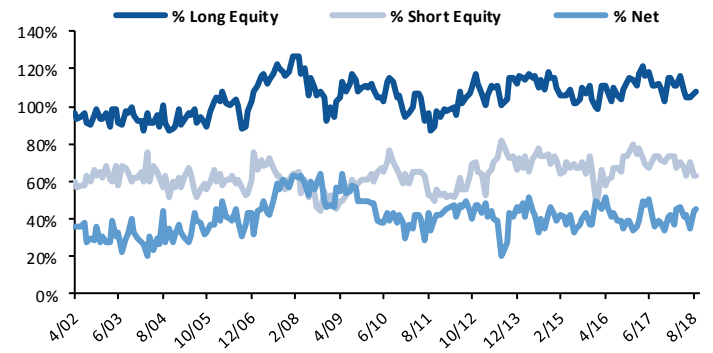
MONTHLY RETURN DISTRIBUTION (NET)



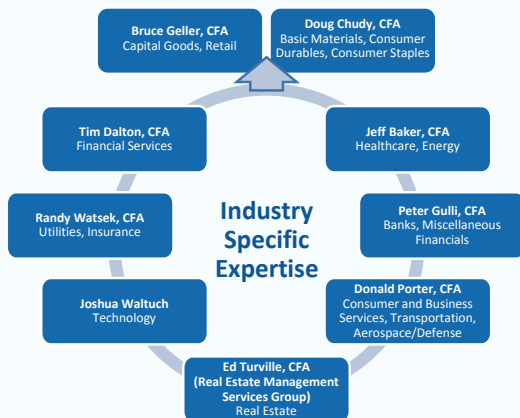
VALUE OF A DOLLAR



LONG/SHORT EXPOSURE



TEAM STRUCTURE



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NOTES: All monthly performance data herein are estimates. Annual financial statements are audited. Results may vary. Please refer to your statement for your individual returns.

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- The fund's summary of performance stated herein is internally prepared and results are unaudited.
- An investment in the fund is suitable only for qualified individuals that fully understand the risks of such a fund. An investor should review thoroughly with an advisor the fund's private offering memorandum.
- For the performance period measured herein, audit and legal fees were paid by the General Partner, DGHM Management LLC. The General Partner may or may not elect to pay these fees going forward which may adversely impact future performance of the fund.