



LYONS INVESTMENT MANAGEMENT

QUARTERLY NEWSLETTER**Q1 2020****CONTENTS**

Investment Outlook	Page 1
Fundamental Small Cap Value Strategy	Page 3
All Asian Strategy	Page 4
Quantitative Strategies	Page 7
Just the Numbers	Page 9

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MANAGEMENT**

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Before I review the damage of the first quarter, here are some key points regarding where I think we go from here.

1. The Coronavirus economic episode is most like a natural disaster on a grand and elongated scale, not a typical recession. This difference will matter.
2. I think that the twin weapons of social distancing and scientific solutions (mass testing, tracking, and eventually therapy and vaccination) will be effective enough to cause a sharp drop in cases and deaths. Based on the experience of the Asian countries, this will happen sooner than the conservative estimates predict. I think the trajectory is already clear.
3. As difficult as it is, businesses have a path forward now that government assistance is in place. This involves massive unemployment as workers are temporarily laid off (furloughed) and put onto state unemployment programs. The change to the unemployment rules is the most important part of the stimulus, guaranteeing huge unemployment statistics which are at the same time not comparable to past recessions.
4. I think the market low set on March 23rd is the low point for this decline, or at least close to it. As of this writing (April 17) we are significantly above those lows, however. It would not be unusual for the market to experience continued volatility and give up some or all of these gains. I do think it is likely that the second quarter will see a positive return.
5. There is still a lot of uncertainty regarding the duration of the economic lockdown, and what activity will look like as we go back to work. As long as that is present the market will be forced to discount negative outcomes.
6. There are large parts of the market where prices fell a lot further than the market averages. As you might expect, these are mostly in businesses more exposed to shutdowns and declining economic activity. I think there are some tremendous opportunities being created to buy businesses that will survive and bounce back at heavily discounted prices.

First, I'll go over why our losses were as large as they were and why we underperformed benchmarks across the board in our strategies. I understand that losses of this magnitude are hard to accept. Hopefully they will be only temporary. The major reason we were so exposed is that the types of companies that were earning a lot of money before the virus were the same companies that were very vulnerable once it hit. Going into this, our strategies predominantly owned cheap stocks of companies that were doing well, which is what our quantitative models and screens look for. At the beginning of the year, the global economy looked set to rebound as trade deals had been struck and both business and consumer spending looked strong. In the span of about a week the market figured out that events were taking the opposite direction, and more economically sensitive stocks were hit very hard. In six trading days beginning on March 6, the Russell 2000 lost about 28%, including 13% on a single day. The stocks that started out the cheapest did the worst in this decline, generally because they tend to be in sectors of the economy that are more exposed. For example, the lowest price to earnings quintile in our small cap universe had a return for the quarter that was about 15 percentage points worse than the Russell 2000 return, a very wide difference for a single quarter. I certainly wish that I had been faster (as in before March 6) to recognize that we would see an unprecedented economic lockdown. Instead, in the early days of the decline I was focused on how rapidly falling interest rates might benefit some of those same economically sensitive businesses. On the plus side, our models for picking stocks generally have penalties for riskiness and debt usage, so that helped us keep the bulk of our portfolio weight in highly profitable and conservatively managed businesses. These still went down a lot, because this decline punished companies with higher profitability and earnings. That result is due to a prediction of a longer term hit to company earnings across the board, which I don't agree with.

Regarding the recovery, we should start by understanding that the current situation is literally something we haven't seen before in the era of industrialized economies. It's a natural disaster affecting the entire planet (to varying degrees) and one which is lasting much longer. We're going to see probably the worst quarter in the history of recorded economic statistics,

because we've simply never gone full stop on half the economy before without something else (like a war) to replace it. But that statistic isn't the complete story. The key part of the natural disaster analogy is that recovery is usually very steady and predictable, because the root cause is in the past. This is distinctly different from periods like the Great Financial Crisis or the Great Depression, where the path of recovery was highly uncertain. While we have uncertainty about the timing and the shape of the post-coronavirus rebound, it will happen just as we have recovered from physical disasters.

The shape of the recovery does depend a lot on the financial aspects of the coronavirus damage, since modern economies run on money. This time, I think that central banks are well aware that credit availability has to be protected or we will turn this into a financial crisis as well. The Fed has taken some actions, like buying fallen angel corporate bonds (those which were investment grade prior to coronavirus) that it has never done before. The Fed responded to a rapid liquidity crisis in the bond market in March, and this helped put a brake on stock market declines too. There will be bankruptcies and losses, which are unavoidable in a downturn. The key is dealing with the bad debts in a way that loans are still available to fund new activity. We managed not to create zombie companies in 2009 and I think we'll succeed again. Patterns of behavior will be different after coronavirus but it's a safe bet that Americans at least are going to work and spend as soon as restrictions start to come off.

For a value investor, the current small cap environment is a land of opportunity. Sure, earnings for 2020 will be a sharp drop from 2019. Big deal. A business's value is based on how it can earn and reinvest over many years into the future. For strong, survivor companies this will be a temporary blip, yet many of them are priced at 50% off. Pre-corona, value stocks were already dirt cheap. This reflected the market's ongoing fear since 2018 that we were at the end of an economic cycle. Well, coronavirus was the economic shock that made that prediction true. I think that pre-coronavirus prices already reflected a downturn at least partially. So, my efforts right now are focused on how we can take risk in efficient and disciplined ways to capitalize on the current period of volatility and the eventual recovery.



Lyons Investment Management

Fundamental Small Cap Value Strategy

Q1
2020

PERFORMANCE As of 3/31/2020

	QTR	YTD
Small Cap Value	-36.25%	-36.25%
Russell 2000	-30.62%	-30.62%

PORTFOLIO STATS AS OF 3/31/2020¹

	SCV	S&P 500
Number of Holdings:	45	500
Mkt Cap Mill.:	\$1,879	\$288,386
P/E (TTM):	14.5	16.5
P/B:	1.8	2.8
ROE (Median):	14.2%	15.2%

TOP 5 HOLDINGS AS OF 3/31/2020²

SNX	Synnex Corp.
MDC	MDC Holdings
ZBRA	Zebra Technologies
PRGS	Progress Software
MLHR	Herman Miller

LARGEST CONTRIBUTORS Q1 2020³

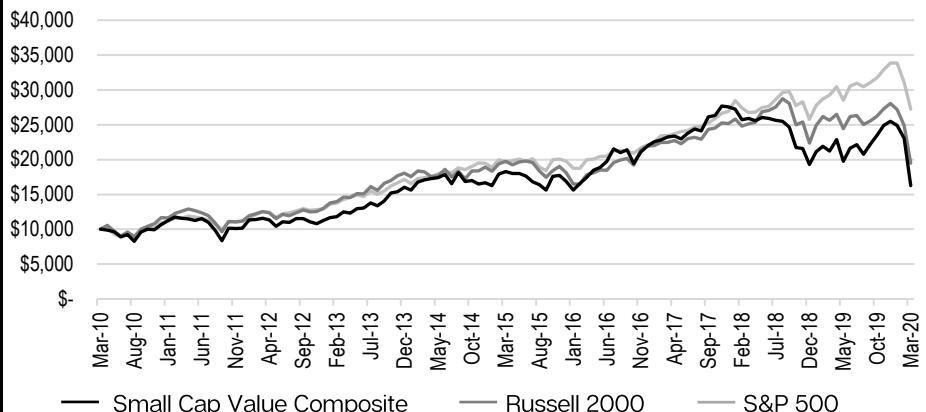
		Impact
MHH	Mastech Digital	0.64%
GNRC	Generac Holdings	0.17%
UFPI	UFP Industries	0.10%
SPAR	Spartan Motors	0.07%
OESX	Orion Energy Sys.	0.06%

LARGEST DETRACTORS Q1 2020³

		Impact
SNX	Synnex Corp	-2.97%
TA CT	TransAct Tech	-1.98%
PVAC	Penn Virginia	-1.95%
NMRK	Newmark Group	-1.78%
CRMT	America's Car-Mart	-1.64%

GROWTH OF HYPOTHETICAL \$10,000

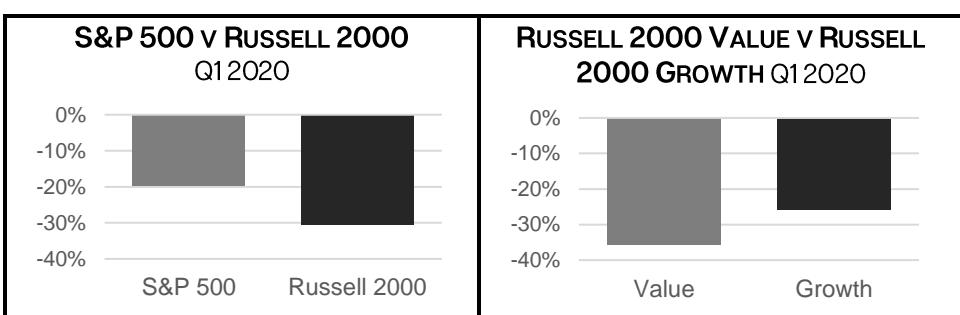
(APRIL 1, 2010 – MARCH 31, 2020)



This chart illustrates the performance of a hypothetical \$10,000 investment made in the strategies ten years ago or on commencement of operations (whichever is later). Figures include reinvestment of capital gains and dividends. These charts are not intended to imply any future performance.

SECTOR WEIGHTS AS OF 3/31/2020

Energy	0.00%	Financials	12.48%
Materials	2.48%	Real Estate	2.17%
Industrials	24.68%	Technology	25.02%
Consumer Discretionary	21.84%	Telecommunications Services	0.00%
Consumer Staples	2.74%	Utilities	0.00%
Healthcare	1.85%	Cash	6.74%
		Total	100%



Past performance is no guarantee of future results. An index is unmanaged and is not available for direct investment. Allocations, holdings, sector weightings, and performance contributors and detractors are subject to change and should not be considered as investment recommendations. It should not be assumed that an investment in any of these securities will be profitable. This is supplemental information. Please refer to the end of this document for important disclosures. Portfolio information is derived from a representative account managed against the index noted and included in the composite. The representative account was selected based on objective criteria, including, but not limited to, the nature of the client, the client's benchmark, and the ability for the mandate to be implemented without material restrictions or limitations.

- ¹ Statistics in this table are weighted averages except where otherwise noted.
- ² Top 5 Holdings: The securities identified are based on the largest positions in the representative account, as a percentage of assets, and do not represent all of the securities purchased, sold, or held in the account.
- ³ Largest Contributors and Largest Detractors: The securities identified are the largest performance contributors and detractors in the representative account, and do not represent all of the securities purchased, sold, held or recommended for advisory clients. In order to obtain the calculation methodology and/or a list showing every holding's contribution to the representative account's performance during the quarter, please contact us at info@lyonsinvest.com.



COMMENTARY BY VAIDAS PETRAUSKAS

Needless to say, the first quarter of 2020 was terrible for stock investors. It didn't matter in which countries one invested. All the markets we follow fell more than 20% in the first quarter. The coronavirus brought the global economy to a halt. Most countries went into full lockdown, businesses were forced to close and people are staying in their homes. This reads like a script from a science fiction movie but it is the reality of 2020.

It is interesting to observe how different countries reacted to and fought the spread of the virus. Asian countries were better prepared after their experience with the SARS virus. Masks were not uncommon to see in the streets of Asian cities even before coronavirus. Therefore, Asia was able to handle the situation relatively well and avoided full lockdowns. But it is too early to declare victory. The virus situation in Thailand, Singapore, and Japan is still unstable. Japan went into "partial lockdown" with schools closed but most businesses open. Prime Minister Shinzo Abe understands very well the economic cost of lockdowns. South Korea, many believe, managed the coronavirus situation best. Through extensive testing they managed keep the economy going with little interruption to economic and everyday life.

Europe and the US were less prepared for what was coming and are suffering greater loss of life and greater economic damage due to lockdowns. There is a big debate and a great balancing act between saving lives and saving the economy, and it is not a simple choice between lives and money. Recessions kill people too through loss of employment and health. Many countries in Europe chose the safest option – full lockdown. But one bucked the trend. Sweden did not go into lockdown. Restaurants, schools, shops are still open in Sweden. This does not mean that Sweden is doing nothing to fight the virus. They are doing it by paying closer attention to high-risk individuals and recommendations against mass gatherings, rather than forced closures of businesses. There are slightly more deaths in Sweden than in neighboring countries, but the spread of virus is under control. Sweden will avoid an economic catastrophe as a result. The UK tried to follow the same strategy as Sweden, but the spread of virus got out of hand, and even the UK Prime Minister Boris Johnson ended up in intensive care with coronavirus.

So the same strategy does not work everywhere and there are still many unknowns about how the virus spreads. What seems to work is social distancing and interrupting the spread of the virus at an early stage. Italy and Spain are the best examples of what can happen when the spread of virus is not contained early on.

Governments around the world did the right thing by supporting companies and workers during this difficult time but the economic cost of shutdowns will be huge. Central banks undertook another round of massive quantitative easing, to the point where the US Fed is now allowed to buy corporate junk bonds and municipal bonds and hence finance corporations directly. This appears to have stopped another big financial crisis, which was a very real possibility. Central banks' balance sheets will expand to a new record level as a result. I'm afraid we will pay the price of shutdowns for a decade to come.

In addition to the coronavirus pandemic, in March we had a fall-out between the OPEC+ partners Saudi Arabia and Russia. Russia refused to cut production in response to lower oil demand brought by the coronavirus, so Saudi Arabia went into a price war, flooding the market with oil at a time when demand shrunk significantly because planes are grounded, factories are shut, and people are not driving cars as much. It is easy to predict what happens to a price of commodity when supply is greatly increased at a time when there is a big reduction in demand. The collapse of OPEC+ drove the price of a barrel of oil from \$50 to \$20.

In the first quarter of 2020 we saw a flock of black swans. Our efforts to pick the best stocks in times like these seem futile. But, unfortunately, such external shocks happen all the time and we have to deal with the consequences.

Turning to stocks, Asian stock markets dropped more than 20% in the first quarter, which is on par with US and European markets. We were additionally hurt by a strong dollar. It gained 9.3% against the Thai Baht and 5.6% against the Singapore dollar. Only the Japanese yen held its own against the dollar as can be expected during a panic.

Our Thai stocks fared better than the indices because we don't own the hardest hit sectors – energy, banks, tourism and leisure. But really, there was nowhere to hide.

It is interesting to observe different behavior between Asian and Western companies during this crisis. When shutdowns came into effect in March, Western companies followed a very similar plan of action – cancel guidance, suspend dividend, furlough some employees, and cut salaries for all remaining employees. In Asia I did not see that. What I saw surprised me – quite a few of our Japanese and Thai companies announced stock buyback plans in March. Of course, the difference between US and Japanese companies is that Japanese companies have balance sheets loaded with cash while US companies are more likely to have balance sheets loaded with debt. Japanese managers were ridiculed for many years (by me included) for being very conservative, holding huge and unnecessary cash balances and not focusing on ROE. Well, now Japanese managers have a very good argument why a conservative balance sheet makes sense. Instead of cutting shareholder payouts, like Western companies did, some Japanese companies took advantage of the sell-off and bought back their own shares at depressed prices. I didn't see any such announcements among our US companies. I don't think it is a coincidence that our Japanese stocks held up relatively well during the March sell-off. They fell less than the rest. Still, Japanese stocks in the first 3 months of 2020 gave up all of last year's gains.

As for the outlook, there is no question that companies will have a big earnings drop this year. Maybe earnings will be cut in half. Many businesses will be permanently impaired or will see reduced demand for years to come (aerospace suppliers come to mind). Even Asian countries, which did not go into a full lockdown will not avoid big economic damage because Asian companies are dependent on exports and export markets are shut.

So, earnings will fall off a cliff this year. But they will recover. It may take two years to get back to 2019-level of profits, but for the market in general profits always recover after a big drop. What about stock prices? Of course, that is hard to say. We could definitely see another big sell-off, especially if we are forced to experience rolling lockdowns this year. But stocks are valued based on a full stream of future cash flows far into the future, not just on any one year's depressed earnings. So, companies are worth less than three months ago, but stocks will not be valued on depressed 2020 earnings because the market knows that profits will recover. Admittedly, there are many unknowns at this point. How will consumers behave after this? Will they keep spending money like before or start saving more? I do not believe we'll have a "V" shaped recovery. Too much damage has been done and the longer the shutdowns last the bigger the damage to the economy will be.

However, we are at a point of maximum uncertainty at the moment and the market is pricing realistic bad outcomes. This is a better environment for investing than three months ago when the market could see no wrong.



PORTFOLIO STATS AS OF 3/31/2020¹

	AA	S&P 500
Number of Holdings:	60	500
Mkt Cap Mill.:	\$175	\$288,386
P/E (TTM):	7.7	16.5
P/B:	1.1	2.8
ROE (Median):	13.4%	15.2%
Dividend Yield	4.0%	2.3%

TOP 5 HOLDINGS AS OF 3/31/2020²

Information Planning Co. (Japan)
Sankyo Frontier Co. (Japan)
UBIS Asia PCL (Thailand)
Togami Electric Mfg Co. (Japan)
MCJ Co. (Japan)

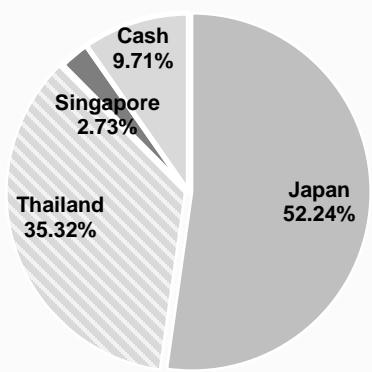
LARGEST CONTRIBUTOR Q1 2020³

	Impact
G-7 Holdings Inc. (Japan)	0.28%
Newtech Co. (Japan)	0.04%
Murakami Corp. (Japan)	-0.02%
Startia Holdings, Inc. (Japan)	-0.03%
Yotai Refractories Co. (Japan)	-0.08%

LARGEST DETRACTORS Q1 2020³

	Impact
Halcyon Tech. PCL (Thai)	-1.23%
Estic Co. (Japan)	-1.22%
Somboon Adv. Tech. (Thai)	-1.12%
AJIS Co. (Japan)	-0.92%
Southern Concrete PCL (Thai)	-0.87%

COUNTRY ALLOCATIONS
AS OF MARCH 31, 2020

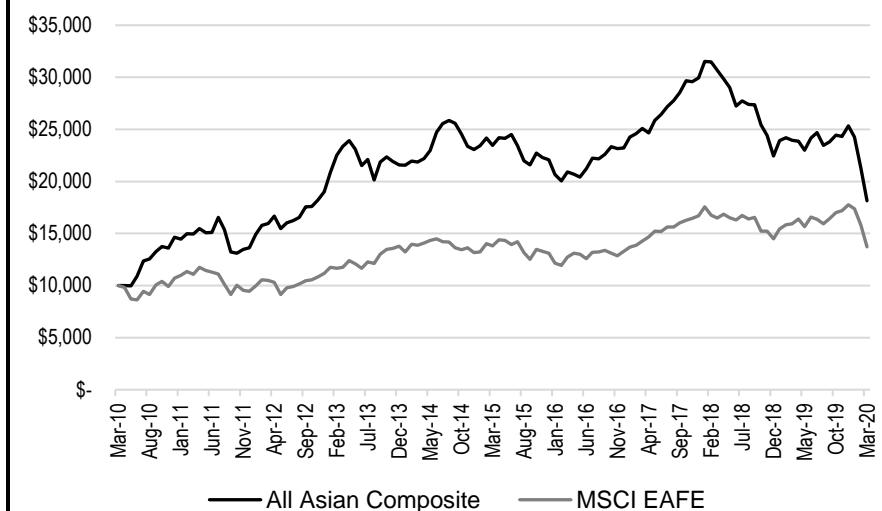


PERFORMANCE AS OF 3/31/2020

	Quarter	YTD
All Asian	-28.35%	-28.35%
MSCI EAFE	-22.72%	-22.72%
Nikkei 225	-20.04%	-20.04%
Thai Set Index	-27.95%	-27.95%
Singapore FTSE All Share	-23.74%	-23.74%
Japanese Yen vs USD	-0.13%	-0.13%
Thai Baht vs USD	-9.25%	-9.25%
Singapore Dollar vs USD	-5.64%	-5.64%

GROWTH OF HYPOTHETICAL \$10,000

(APRIL 1, 2010 – MARCH 31, 2020)



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³ Largest Contributors and Largest Detractors: The securities identified are the largest performance contributors and detractors in the representative account, and do not represent all of the securities purchased, sold, held or recommended for advisory clients. In order to obtain the calculation methodology and/or a list showing every holding's contribution to the representative account's performance during the quarter, please contact us at info@lyonsinvest.com.



COMMENTARY BY MARK ZAVANELLI

Microcap stocks generally fell more than larger companies did in the first quarter's decline, with the average microcap stock losing -31.86%. This trailed the Russell 2000, which fell by -30.61%, and the S&P 500, which fell -19.60%. Company size was an important factor in the market decline as a whole, but this mostly was the performance between the largest companies and everything else. In fact, the smallest 100 companies in the S&P 500 index actually fell -39.38% on average, more than the average microcap did. The largest 100 companies in the S&P 500 fell by -18.18% on average, driving the outperformance of the S&P 500 versus the rest of the market.

The most powerful quantitative force during the decline was growth over value. This showed up in every measurement of a company that includes price or market value as part of the calculation. For example, the two most influential factors in our Microcap universe for the quarter were Price to Sales Ratio and Cash Flow to Market Cap Ratio. Both of these saw expensive companies (whether measured by sales or total cash flow) outperforming by significant margins. For Price to Sales, the cheapest quintile fell by -47.93%, and for Cash Flow to Market Cap that figure was -51.16%. Both of these statistics exclude banks (because they don't report sales or cash flow) by ranking them neutrally. Price to Earnings Ratio, which does include banks, saw the cheapest quintile decline by -41.29%.

Reviewing our quant strategies performance for the quarter, we were very disappointed that Volume Value and especially Volume Winners did not provide the level of downside protection that we had expected. Since volume is a marker for institutional and index fund ownership, we typically expect low volume companies to show less price volatility. This is due to lower participation in the investment flows that are typically responsible for that volatility. In this decline, however, low volume stocks in our Microcap universe declined just as much as high volume ones did. Oddly, this was not true of other parts of the market, where low volume stocks did generally do better. So, what was wrong with the microcap low volume stocks? I think the most likely explanation is that the population of low volume stocks within our Microcap universe skews more heavily towards cheap valuation than in other universes. This would make sense given the heavy population of small community banks in the Microcap Universe, as these companies typically trade at a discount to the average stock. As discussed above, this was a very poor performing factor group in the decline this quarter. The particularly bad value performance in this case acted to neutralize the volatility benefit from low volume.



Lyons Investment Management

Quantitative Strategies

Q1
2020

PERFORMANCE AS OF 3/31/2020

	Quarter	YTD
Volume Value	-34.87%	-34.87%
Volume Winners	-30.87%	-30.87%
Russell 2000	-30.62%	-30.62%

PORTFOLIO STATS AS OF 3/31/2020¹

	Volume Value	S&P 500
Number of Holdings:	39	500
Mkt Cap Mill.:	\$203	\$288,386
P/E (TTM):	6.1	16.5
P/B:	0.8	2.8
ROE (Median):	11.0%	15.2%

	Volume Winners	S&P 500
Number of Holdings:	33	500
Mkt Cap Mill.:	\$126	\$288,386
P/E (TTM):	13.2	16.5
P/B:	1.3	2.8
ROE (Median):	9.6%	15.2%

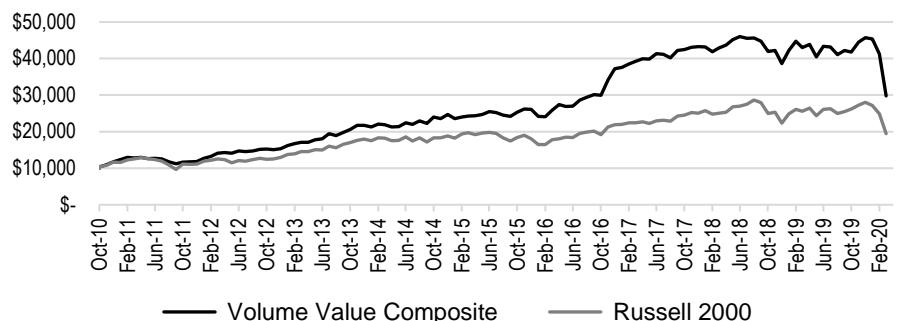
MICROCAP FACTOR PERFORMANCE

AS OF 3/31/2020²

	Quintile	QTR	YTD
Beta	High	-34.61%	-34.61%
	Low	-26.95%	-26.95%
Forecast P/E	High	-26.36%	-26.36%
	Low	-41.29%	-41.29%
Return on Equity	High	-32.88%	-32.88%
	Low	-24.76%	-24.76%
Exp. Growth	High	-26.94%	-26.94%
	Low	-32.46%	-32.46%
Volume	High	-32.20%	-32.20%
	Low	-32.86%	-32.86%
Momentum	High	-31.45%	-31.45%
	Low	-38.03%	-38.03%

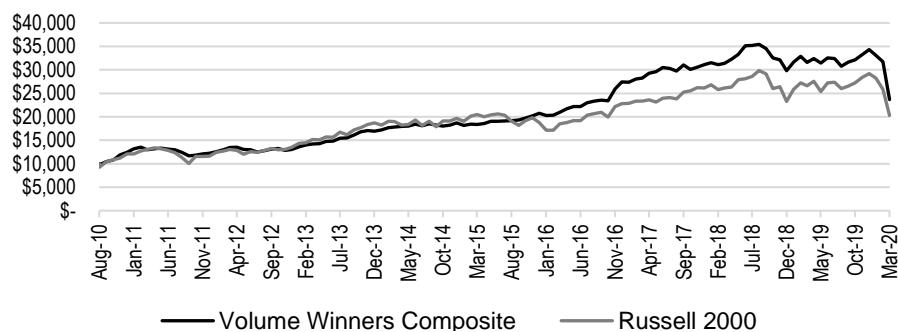
VOLUME VALUE – GROWTH OF HYPOTHETICAL \$10,000

(OCTOBER 1, 2010 – MARCH 31, 2020)



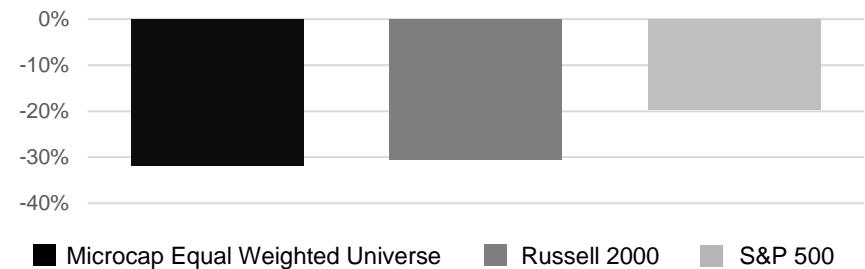
VOLUME WINNERS – GROWTH OF HYPOTHETICAL \$10,000

(AUGUST 1, 2010 – MARCH 31, 2020)



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Q1 2020 RETURNS (YTD 2020 RETURNS ARE THE SAME)



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¹ Statistics in these tables are weighted averages except where otherwise noted.

² Microcap factor performance is presented for informative purposes only, to illustrate market themes during the period. It does not represent the results of any actual portfolio or any recommendations of the firm.



	PERIOD ENDING 3/31/20					
	This Quarter	YTD	1 Year	3 Year Annualized	5 Year Annualized	10 Year Annualized
Composites Names in Bold <i>Benchmarks in italics</i>						
Fundamental Small Cap Value	-36.25%	-36.25%	-23.40%	-11.26%	-2.35%	4.97%
Volume Winners	-30.87%	-30.87%	-24.93%	-5.69%	5.28%	NA
Volume Value	-34.87%	-34.87%	-29.23%	-8.15%	4.61%	NA
Volume Momentum	-30.99%	-30.99%	-29.22%	-11.85%	-2.82%	NA
<i>Russell 2000</i>	-30.62%	-30.62%	-23.99%	-4.64%	-0.25%	6.90%
<i>S&P 500</i>	-19.60%	-19.60%	-6.98%	5.11%	6.73%	10.53%
Global Equity	-31.56%	-31.56%	-24.61%	-10.79%	-4.33%	5.28%
<i>MSCI ACWI</i>	-21.26%	-21.26%	-10.78%	2.05%	3.42%	6.45%
All Asian	-28.35%	-28.35%	-24.21%	-10.25%	-5.02%	6.14%
<i>MSCI EAFE</i>	-22.72%	-22.72%	-13.93%	-1.32%	-0.13%	3.22%
All Thai Equity	-32.08%	-32.08%	-41.35%	-19.80%	-9.64%	NA
<i>Thai Set Index</i>	-27.95%	-27.95%	-28.97%	-7.68%	-2.59%	NA

Composite returns are presented net of management fees and trading expenses and include the reinvestment of dividends and other income. All returns are in US dollars except for the Thai Set Index, which is presented in Thai Baht.

Past performance does not guarantee future results. The table above reflects (1) performance of the Lyons Investment Management composites named in bold in the first column, (2) performance of the benchmark which reflects the composite's investment mandate, objective, or strategy, and (3) performance of the S&P 500 Index, which is provided for overall comparison and informational purposes. Please see the reverse for important information about composite and benchmark descriptions, how to receive more complete information about the composites, and disclosures regarding the calculation of performance, among other matters. Subsequent markets may perform better or worse than for the periods shown, which will cause the actual results of a portfolio to be better or worse than shown. Lyons Investment Management does not guarantee or offer any assurance that any portfolio or account will be profitable, meet a client's stated objectives, or prevent or reduce losses. **A client may lose money by investing in a portfolio.**

All composites include fully discretionary, management fee-paying and, beginning on January 1, 2011, non-management fee-paying accounts, including those accounts no longer with the firm. The U.S. Dollar is the currency used to express performance, except for the foreign indexes which are reported in their local currencies. Returns are presented net of management fees and include all trading expenses and the reinvestment of all income. Net of fee performance was calculated using actual management fees, except in the case of non-fee-paying accounts where model fees have been imputed. Actual advisory fees and transaction fees will vary depending on, among other things, the portfolio, account size, and activity. Fees are described in LIM's ADV Part 2A.

The benchmark and other data provided was obtained from publicly available reports, including internally derived databases and other resources available to Lyons Investment Management. LIM believes such data to be reliable but does not audit, verify, or guarantee its accuracy or completeness. When comparing the performance results to a benchmark, clients should keep in mind that: 1) Indexes are unmanaged and unavailable for direct investment. 2) Benchmark returns include reinvestment of income, but do not reflect taxes, or investment advisory or other fees that would reduce performance. 3) Performance information of benchmark indexes is included for comparison purposes only.

Composite and Benchmark Descriptions:

The S&P 500 and Russell 2000 are market cap weighted indices of large company and small company US stocks, respectively.

The Fundamental Small Cap Value Composite consists of accounts that hold U.S. small cap stocks selected by using LIM Investment Management Fundamental Analysis. This analysis identifies undervalued companies using LIM's GRAPES valuation model and also applies other selection criteria relating to a company's business prospects, management quality, and capital structure. The benchmark for the composite is the Russell 2000 Index, presented in U.S. Dollars. In the past the composite has displayed higher volatility than its benchmark.

The Volume Winners Composite consists of accounts that hold U.S. micro cap stocks selected by using LIM Volume Winners Analysis. This analysis is a quantitative evaluation system incorporating volume, momentum and valuation measures. The benchmark for the composite is the Russell 2000 Index, presented in U.S. Dollars. In the past the composite has displayed lower sensitivity to market returns than its benchmark, which would cause it to underperform in a strongly rising market.

The Volume Value Composite consists of accounts that hold U.S. micro cap stocks selected by using LIM Volume Value Analysis. This analysis is a quantitative evaluation system incorporating volume and valuation measures. The benchmark for the composite is the Russell 2000 Index, presented in U.S. Dollars.

The Volume Momentum Composite consists of accounts that hold U.S. micro cap stocks selected by using LIM Volume Momentum Analysis. This analysis combines two quantitative evaluation techniques; LIM's price and earnings momentum measure SuperMo, and LIM's volume, momentum and value system Volume Winners. The benchmark for the composite is the Russell 2000 Index presented in U.S. Dollars.

The Global Equity Composite consists of accounts that hold both U.S. and International stocks selected by LIM Fundamental Analysis. This analysis identifies undervalued companies using LIM's GRAPES valuation model and also applies other selection criteria relating to a company's business prospects, management quality, and capital structure. The benchmark for the composite is the MSCI All Country World (Gross) Index, presented in US Dollars. MSCI ACWI is a market capitalization weighted index comprised of equities from developed and emerging markets, including the US. The composite has historically held small cap stocks from a limited set of countries while the benchmark weighting is primarily composed of larger companies spread across many countries. This is likely to cause the composite to have greater volatility than its benchmark. The composite includes the performance of accounts that may occasionally use margin; however, the use of margin is not part of the overall strategy of the composite.

Lyons Investment Management All Asian Composite consists of accounts that hold Asian stocks selected by using LIM's Fundamental Analysis. This analysis identifies undervalued companies using LIM's GRAPES valuation model and also applies other selection criteria relating to a company's business prospects, management quality, and capital structure. The benchmark for the composite is the MSCI EAFE Index, which is comprised of equities from developed markets around the world, excluding the US and Canada. MSCI EAFE is presented in U.S. Dollars. The composite has historically held small cap stocks from a limited set of countries, including emerging markets, while the benchmark weighting is primarily composed of larger companies from developed countries. This is likely to cause the composite to have greater sensitivity to the returns of countries where it invests, and overall greater volatility than its benchmark.

The LIM All Thai Equity Strategy consists of accounts that hold Thai stocks selected using LIM's Fundamental Analysis. This analysis identifies undervalued companies using LIM's GRAPES valuation model and also applies other selection criteria relating to a company's business prospects, management quality, and capital structure. The benchmark for the composite is the Thai Set (TRI) Index, a market capitalization weighted index of securities listed on the Stock Exchange of Thailand and presented in Thai Baht. The composite has historically held small cap stocks while the benchmark weighting is primarily composed of large companies. This is likely to cause the composite to have greater volatility than its benchmark.