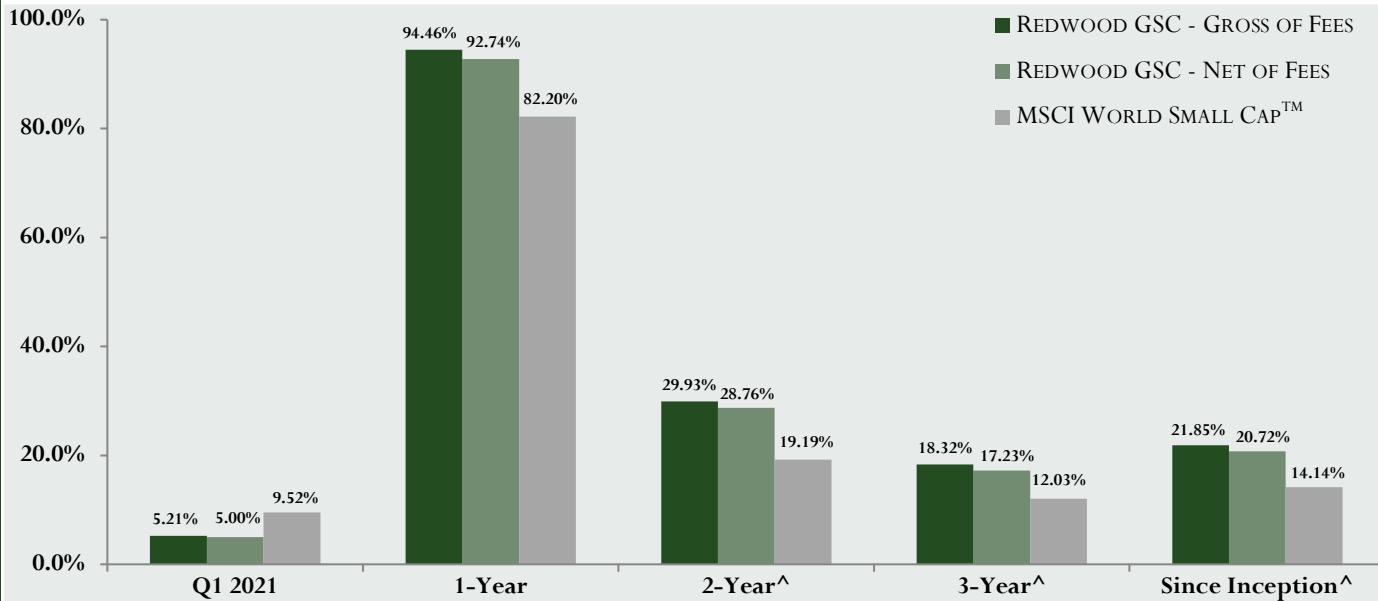


# REDWOOD GLOBAL SMALL CAP

QUARTERLY LETTER, Q1 2021



## REDWOOD GLOBAL SMALL CAP EQUITY COMPOSITE PERFORMANCE



All data as of: 3/31/2021; ^ denotes annualized performance. Past performance is no guarantee of future results.

### MARKET REVIEW

Global equities were broadly rewarded in the first quarter of 2021 with progress towards an end to the pandemic, clarity around the U.S. Presidential and Senate elections, and improving economic indicators fueling the recovery. Within the U.S., COVID-19 inoculations and additional stimulus from the newly seated government provided further support for risk assets with U.S. based assets faring better than their non-U.S. counterparts. Overseas, although smaller company stocks were rewarded over larger caps, ongoing lockdowns in Europe and less progress on vaccinations internationally weighed on performance in these markets. Over the quarter, the MSCI World Small Cap Index climbed +9.52%, outperforming the MSCI World Index which rose +5.04%. With more strength in the underlying economy and increase in yields in the U.S., investors saw a rotation to Value that carried over to the non-U.S. markets. Specifically, in the small cap universe, where the MSCI World Small Cap Growth Index rose +5.8% in the quarter, the MSCI World Small Cap Value Index rose +13.2%. At the country level, Hong Kong, the Netherlands, Ireland, the U.S., and Austrian markets outperformed the overall index return while Thailand, Russia and New Zealand all had negative returns. With general exuberance about a global reopening of the economy, investors saw this in the leadership of economically sensitive sectors within the MSCI World Small Cap index over the quarter: Energy (+28.6%), Consumer Discretionary (+17.5%), Financials (16.8%) and Industrials (+11.3%).

### PORTFOLIO REVIEW

The Redwood Global Small Cap Composite (Gross) returned +5.2% in the first quarter versus the MSCI World Small Cap Index which returned +9.52%, rising on speculation about the global reopening with sights to an end on the COVID-19 pandemic. Within the index, the Energy, Consumer Discretionary, Financials and Industrials sectors outperformed the MSCI World Small Cap index while the Healthcare sector had the weakest return of +0.15%.

# REDWOOD GLOBAL SMALL CAP

## QUARTERLY REVIEW (CONTINUED)



This translated into a style headwind for the strategy as nearly all the sectors within the Redwood Small Cap Growth strategy showed a negative contribution to absolute return with the exception of Healthcare and Materials. In terms of relative contribution to return over the quarter, stock selection in the Healthcare and Information Technology sectors was most additive to the strategy.

Despite the style headwind, there was a mix of sectors represented in the top ten individual contributors including Information Technology, Healthcare, Consumer Discretionary, Materials, and Industrials. The top five contributors were all U.S. based companies. Within the Information Technology sector, we have been investing in semiconductor and related companies for some time due to their growing applications across industries – e.g., electric vehicles, home appliances, computers, mobile phones. The pandemic has further created a significant shortage of supply while accelerating economic activity has increased demand, creating an unprecedented imbalance. Synaptics, Inc. designs and develops innovative semiconductors specializing in human interface for computer laptops and cell phones such as touchpads, display and biometrics as well as interconnects for IoT, video, home automation, and automobiles. This was the top individual contributor to relative return over the quarter. The company owns more than 2,000 patents and appears to have a series of new proprietary products addressing high growth markets such as edge computing, AI and next generation consumer applications such as eBikes, drones and golf balls. The business appears to have tailwinds with strong laptop sales, 5G phone growth, video demand and adoption connected devices. During the fourth quarter of 2020, Synaptics reported better than consensus FYQ1 2021 earnings with an upside surprise propelled by better than expected sales and higher gross margins driven by mix. The IoT business segment was a primary driver of improved revenue mix, up ~31% year over year. The company continued to see new design wins in the mobile segment particularly from a new OLED touch controller design in iPhones. Within the same sector, Advanced Energy Industries, Inc. is a pure play provider of power conversion equipment (grid to precision) for mission critical applications with highly engineered solutions for power electronics. The company is the market leader with exposure to key growth drivers such as fabless semi -spend, biotechnology, food inspection, safety, OLED, 5G and data center growth. The company also rose during the first quarter, falling among the top five contributors to relative return.

Healthcare company, Inovalon Holdings, Inc. had been among the leading detractors in the prior quarter, but recovered and outperformed during the first quarter of 2021. Inovalon engages in the development of cloud-based data analytics platforms for the healthcare industry. In the fourth quarter of 2020, the company reported a third quarter miss on revenue with guidance for the year and 2021 below consensus expectations. We held the stock as we believed the disruption to the business from COVID-19 would be temporary. In January of 2021, the company pre-announced solid earnings beat and accelerating new contracts, reconfirming guidance for FY 2021.

Within the Consumer Discretionary sector, the portfolio benefited from its positions in Texas Roadhouse, Inc. and Lithia Motors, Inc.. Texas Roadhouse, Inc. is a full-service restaurant company offering a casual environment for southern style food and beverages. Founded in 1993, Texas Roadhouse opened its first doors in Clarksville, Indiana. Today, it operates 610 restaurants throughout 49 states and 10 foreign countries. It owns roughly 30% of the locations and provides administrative and licensing support for the remaining company restaurants under franchised leased agreements. During the first quarter, Texas Roadhouse announced stronger than expected sales volumes in the fourth quarter of 2020 on the heels of easing COVID-19 restrictions and pent up demand for consumer experiences – including dining, travel, and retail spending. We expect margins to be strong as sales volumes continue to build in a post-COVID environment with the steady reopening of the U.S. economy, particularly due to

# REDWOOD GLOBAL SMALL CAP

## QUARTERLY REVIEW (CONTINUED)



the company's strong physical presence in the South/Southeastern states which have more broadly re-opened. Lithia Motors, Inc. is the third largest auto dealer group in the U.S. The new and used markets are approximately \$1+ trillion with ~17M new and ~40M used vehicles sold annually. Both markets are very fragmented and this company has been an active consolidator, adding underperforming dealers with strong brands in favorable geographies. Fourth quarter 2020 results were positive for the longer-term outlook. Earnings beat consensus numbers to close 2020 with acquisition activity being a key growth driver as the company continues to fold in dealer acquisitions under its driverway.com digital platform. Although new and used same store unit sales declined in the quarter, they have started to recover in early 2021 with relatively easy comparable sales from the prior year. We continue to own this company which we believe should do well as the consumer comes back to the auto market.

On the downside, although underperformance was more a factor of what we did not own that rallied in the strong rotation to Value in the quarter, there were some stocks that moved lower in the quarter and detracted from overall relative return. For example, the Financials sector rallied in the index as yields steepened over the quarter, which was beneficial for banks. The portfolio was less exposed to the banking segment versus the index which detracted from overall return.

At the stock specific level, two Consumers Staples sector stocks detracted from overall relative return: Zur Rose Group and FANCL Corp. Zur Rose is an online and mail-order pharmacy home delivery of prescriptions and it fulfills doctors' practices directly. It also operates the leading marketplace in southern Europe for consumer health, beauty and personal care products commonly sold in pharmacies. During the quarter, the stock initially sold off in the Growth to Value rotation then released strong revenue results but with weaker margins due to growth-related investments. We continue to hold the position. We had begun to reduce some of the weight in the Consumer Staples sector over the quarter in anticipation of the recovery in the consumer for more leisure activities resulting in more opportunity in the Consumer Discretionary segment. FANCL Corp. is a manufacturer and seller of cosmetics and nutritional supplements in Japan. The company is well positioned to gain meaningful market share in the fragmented Chinese supplements business. The company has invested in luxury branding and a partnership with China Sinopharm which should support regulatory approval for FANCL to sell its products through e-commerce as well as brick and mortar retailers where there is no competition. The stock, which fell within top five detractors, underperformed in the quarter, but we continue to own it.

Within the Information Technology segment, several of the software stocks owned in the portfolio sold off in the quarter, but we took advantage where possible to add to our high conviction positions. For example, LivePerson, Inc. and Everbridge, Inc. were among the bottom five contributors to relative return over the quarter. Although LivePerson, Inc., a provider of mobile and online messaging solutions, announced a strong set of fourth quarter 2020 results and gave guidance on 2021 revenues ahead of consensus, the stock sold off with the software group. Everbridge, Inc. develops software solutions for critical event management and enterprise safety applications. The company reported strong fourth quarter results with a solid deal pipeline that included the acquisition of key new customer, Salesforce, in the period. Concerns over billings resulting from COVID-19 lockdowns and the inability to manage on-site implementations had weighed on the stock earlier, but held the position as we believe the thesis will play out in 2021.

# REDWOOD GLOBAL SMALL CAP

## QUARTERLY REVIEW (CONTINUED)



Industrials sector company, Grace Technology, Inc., also underperformed in the quarter. The company is the leader and sole player in outsourced end to end manual creation. It provides consulting services as well as manual writing, formatting, translation and other services for industrial machinery. In a limited competition environment and with the recently acquired cloud storage business, we believe the company remains well positioned for future growth.

### **OUTLOOK**

As the powerful small cap market rally continues, we remain on the hunt for high quality businesses that can grow revenues above consensus expectations over a multi-year period with attractive valuations. Broad COVID-19 vaccination campaigns are in place in most major economies, and we expect a cascading positive effect of unwinding social distancing protocols and restrictions put in place during the height of the pandemic. Economic data, consumer surveys, and discussions with management teams suggest there is pent up demand for a return to leisure travel and vacations, dining, and other recreational activities. Over the near and medium term, we remain optimistic as consumer confidence builds, and economic indicators accelerate. Given those catalysts, we have continued to own more growth cyclical exposure within the Industrials and Consumer sectors while remaining underweight undifferentiated commodity-driven businesses which do not meet our quality hurdle. Given the variability in the economic impact of the pandemic and divergences in the pace and success of national vaccination campaigns, we are mindful of the uncertainties that could result from this prolonged pandemic era. As such, we will continue to build the portfolio from a bottom up, stock by stock process to identify attractively valued companies with durable competitive advantages which position them to benefit from the normalization of the economy, and to be resilient to any setbacks.

# REDWOOD GLOBAL SMALL CAP

## PORTFOLIO ATTRIBUTION, Q1 2021



| Top 10 Contributors              | Average Weight | Total Return | Relative Contribution           |
|----------------------------------|----------------|--------------|---------------------------------|
| Synaptics Incorporated           | 3.48%          | 40.48%       | 1.20%                           |
| Inovalon Holdings, Inc. Class A  | 2.29%          | 58.39%       | 0.82%                           |
| Texas Roadhouse, Inc.            | 3.20%          | 22.75%       | 0.69%                           |
| Lithia Motors, Inc. Class A      | 2.40%          | 33.36%       | 0.64%                           |
| Advanced Energy Industries, Inc. | 3.31%          | 12.65%       | 0.44%                           |
| Wienerberger AG                  | 2.74%          | 14.91%       | 0.39%                           |
| Signify NV                       | 1.88%          | 22.29%       | 0.38%                           |
| Deckers Outdoor Corporation      | 2.69%          | 15.22%       | 0.38%                           |
| Tetra Tech, Inc.                 | 2.26%          | 17.32%       | 0.35%                           |
| flatexDEGIRO AG                  | 2.00%          | 19.50%       | 0.33%                           |
| <b>Total</b>                     | <b>26.25%</b>  |              | <b>5.62%</b>                    |
| Bottom 10 Contributors           | Average Weight | Total Return | Relative Contribution           |
| Zur Rose Group AG                | 1.06%          | -27.23%      | -0.44%                          |
| LivePerson, Inc.                 | 2.49%          | -15.25%      | -0.35%                          |
| Everbridge, Inc.                 | 1.61%          | -18.71%      | -0.33%                          |
| Grace Technology, Inc.           | 1.61%          | -13.39%      | -0.32%                          |
| Fanci Corporation                | 1.75%          | -14.86%      | -0.30%                          |
| Arco Platform Ltd. Class A       | 0.99%          | -28.60%      | -0.29%                          |
| NagaCorp Ltd.                    | 2.21%          | -9.89%       | -0.26%                          |
| KATITAS CO. LTD.                 | 1.60%          | -12.85%      | -0.24%                          |
| PT Bank BTPN Syariah Tbk         | 2.03%          | -10.23%      | -0.23%                          |
| CTS Eventim AG & Co. KGaA        | 0.52%          | -10.95%      | -0.22%                          |
| <b>Total</b>                     | <b>15.87%</b>  |              | <b>-2.98%</b>                   |
| Sector Attribution               | Average Weight | Total Return | Contribution to Relative Return |
| Communication Services           | 4.7%           | 4.34%        | Selection                       |
| Consumer Discretionary           | 19.8%          | 12.81%       | Allocation                      |
| Consumer Staples                 | 5.9%           | -6.78%       | Selection                       |
| Energy                           | 0.0%           | 0.00%        | Allocation                      |
| Financials                       | 9.8%           | 0.34%        | Selection                       |
| Health Care                      | 11.7%          | 4.76%        | Selection                       |
| Industrials                      | 17.7%          | 5.26%        | Selection                       |
| Information Technology           | 21.0%          | 3.39%        | Allocation                      |
| Materials                        | 2.7%           | 14.91%       | Selection                       |
| Real Estate                      | 3.6%           | -5.66%       | Selection                       |
| Utilities                        | 1.7%           | -1.48%       | Allocation                      |

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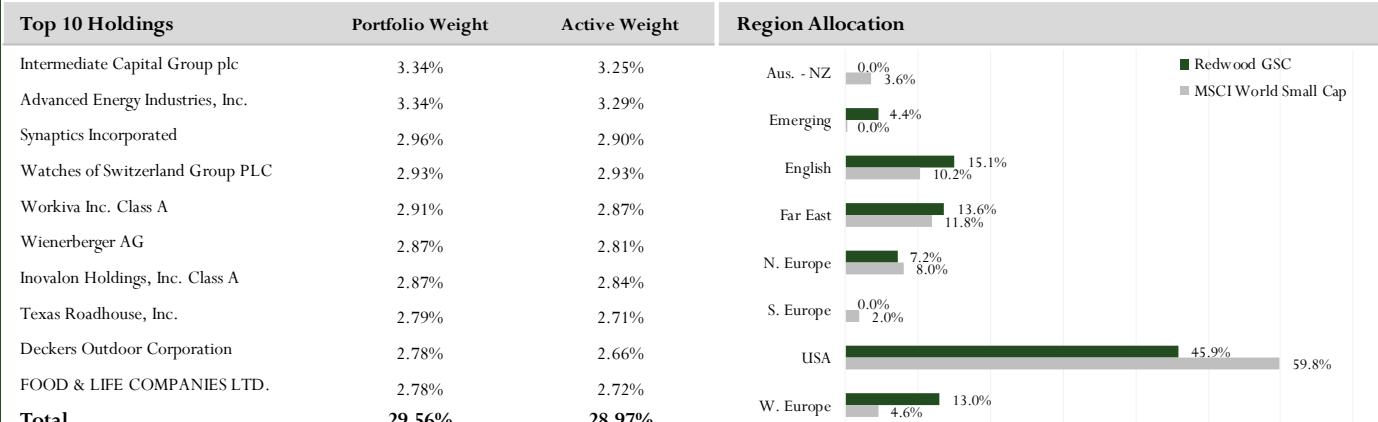
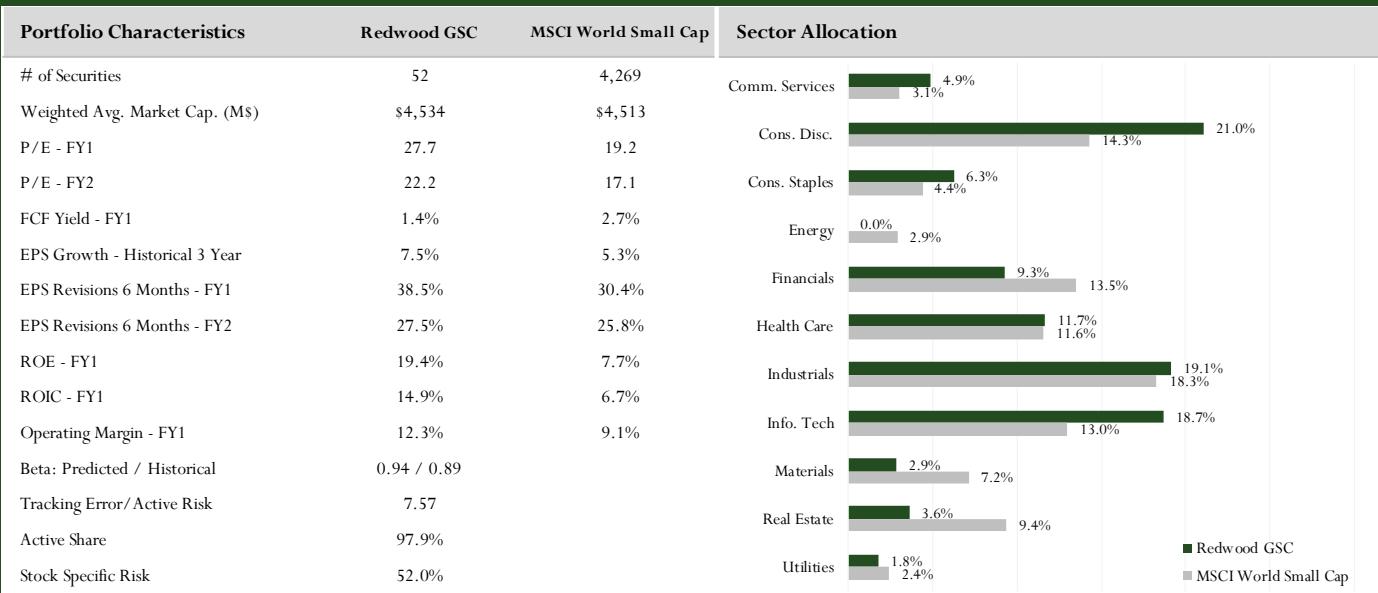
| Region Attribution      | Average Weight | Total Return | Contribution to Relative Return |
|-------------------------|----------------|--------------|---------------------------------|
| Australia - New Zealand | 0.0%           | 0.00%        | Allocation                      |
| Emerging Market         | 4.8%           | -7.81%       | Selection                       |
| English                 | 13.8%          | 8.43%        | Selection                       |
| Far East                | 13.0%          | -5.97%       | Selection                       |
| Northern Europe         | 8.3%           | -4.97%       | Selection                       |
| Southern Europe         | 0.0%           | 0.00%        | Allocation                      |
| United States           | 48.6%          | 8.63%        | Selection                       |
| Western Europe          | 10.3%          | 8.03%        | Selection                       |

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The data presented on this slide is based on a representative account. The characteristics, asset size, composition, and risk characteristics of the proposed account may differ from the composite depicted in the presentation. Therefore, it cannot be assumed that another account would have the same performance or holdings even if following the same strategy. This representative account was chosen as its inception date coincides with the inception date of the strategy and therefore in our view, it is the account within the strategy which most comprehensively reflects the portfolio management style of the strategy for the entire time period. Recommendations made in the last 12 months are available upon request. Past performance does not guarantee future results. Please refer to the Disclosure Statements at the end of this presentation for additional information.

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PORTFOLIO POSITIONING AS OF 3/31/2021



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Reference to the Performance Table on Page 1 of this quarterly letter: The Global Small Cap Composite includes all fee paying discretionary portfolios invested in U.S and non-U.S. small capitalization securities across the growth, blend, and value styles. The strategy allows for equity exposure ranging between 90-100%. The account minimum for the composite is \$150,000. The benchmark for the Global Small Cap Composite is the MSCI World Small Cap Index, Gross. The MSCI World Small Cap Index captures small cap representation across 23 Developed Markets countries. With 4,332 constituents, the index covers approximately 14% of the free float-adjusted market capitalization in each country. This Index has been selected for comparison purposes only. Client account holdings may differ significantly from the securities in the indices and the volatility of the index may be materially different from client account performance. You cannot invest directly in an index. The Global Small Cap Composite was created on April 1, 2016.

# REDWOOD GLOBAL SMALL CAP

## COMPOSITE PERFORMANCE AND GIPS DISCLOSURES



### REDWOOD INVESTMENTS GLOBAL SMALL CAP EQUITY COMPOSITE

| Year  | Gross of Fees | Net of Fees | MSCI World Small Cap | Number of Portfolios | Composite Dispersion | Total Composite Assets (Thousands) | Total Firm Assets (Thousands) | 3 Year Standard Deviation | Benchmark 3 Yr. Standard Deviation |
|-------|---------------|-------------|----------------------|----------------------|----------------------|------------------------------------|-------------------------------|---------------------------|------------------------------------|
| 2019  | 23.67         | 22.52       | 26.79                | 3                    | NA                   | \$2,813                            | \$1,982,217                   | 14.83                     | 12.93                              |
| 2018  | -13.22        | -14.06      | -13.47               | 5 or fewer           | NA                   | \$2,142                            | \$1,802,650                   | NA                        | NA                                 |
| 2017  | 42.23         | 40.94       | 23.00                | 5 or fewer           | NA                   | \$1,504                            | \$2,208,766                   | NA                        | NA                                 |
| 2016^ | 12.09         | 11.26       | 12.35                | 5 or fewer           | NA                   | \$226                              | \$1,254,124                   | NA                        | NA                                 |

NA – Information is not statistically meaningful due to insignificant number of portfolios in the composite. Standard deviation is not required for composites that contain 5 or fewer portfolios.

<sup>^</sup> denotes period from April 1, 2016 to December 31, 2016. \*2020 GIPS data is currently in verification process.

**Redwood Investments, LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Redwood Investments, LLC has been independently verified for the periods 1 January 2005 through 31 December 2019. The verification report is available upon request. 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. Verification does not ensure the accuracy of any specific composite presentation. GIPS® is a registered trademark owned by CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. To obtain GIPS® compliant performance information for the firm's strategies and products, please contact Redwood Investments, LLC at (617) 467-3000.**

Notes:

1. Redwood Investments, LLC is an investment manager that invests in U.S. and International securities. Redwood Investments, LLC is defined as an independent investment management firm that is not affiliated with any parent organization. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.
2. Composites:  
Redwood Global Small Cap: The Global Small Cap Composite includes all fee paying discretionary portfolios invested in U.S and non-U.S. small capitalization securities across the growth, blend, and value styles. The strategy allows for equity exposure ranging between 90-100%. The account minimum for the composite is \$150,000. The benchmark for the Global Small Cap Composite is the MSCI World Small Cap Index, Gross. The MSCI World Small Cap Index captures small cap representation across 23 Developed Markets countries. With 4,332 constituents, the index covers approximately 14% of the free float-adjusted market capitalization in each country. This Index has been selected for comparison purposes only. Client account holdings may differ significantly from the securities in the indices and the volatility of the index may be materially different from client account performance. You cannot invest directly in an index. The Global Small Cap Composite was created on April 1, 2016.
3. Valuations are computed and performance is reported in U.S. dollars.
4. Gross-of-fees returns are presented before management and custodial fees but after all trading expenses. Composite and benchmark returns are presented net of non-reclaimable withholding taxes. Net-of-fees returns are calculated by deducting actual management fees from the gross composite return. The standard management fee schedule is as follows: 1.00% on the first \$5 million, 0.85% on the next \$5 million, and 0.75% on the remainder above \$10 million. Fees are negotiable.
5. A complete list of composite descriptions is available upon request.
6. Dispersion is measured by the equal-weighted standard deviation of annual gross returns of those portfolios that were included in the composite for the entire year. For periods prior to January 1, 2018, dispersion presented is measured by the asset-weighted standard deviation of annual gross returns of those portfolios that were included in the composite for the entire year.
7. The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. The standard deviation is not presented for periods marked "NA" because the composite does not have 36 monthly returns available.

#### IMPORTANT EXPLANATORY INFORMATION

The information contained in this presentation should not be construed as investment advice. The views expressed in this material are subject to change with market conditions. This material is not intended to be a determination that a particular product or service is suitable for any individual or institutional investor. Past performance may not be indicative of future results. Therefore, no current or prospective client should assume that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Redwood) referenced directly or indirectly by Redwood on its website or within this presentation, or indirectly via a link to an unaffiliated third party web site, will be profitable or equal the corresponding indicated performance level(s). Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment will either be suitable or profitable for a client or prospective client's investment portfolio. Historical performance results for investment indices and/or categories do not reflect the deduction of transaction and/or custodial charges, the deduction of an investment management fee, nor the impact of taxes, the incurrence of which would have the effect of decreasing historical performance results. Performance figures are presented as Gross of Fees (before the deduction of investment management fees) and Net of Fees (after the deduction of investment management fees), and net of trading costs and custodial costs. The performance figures reflect the performance of the referenced composite; a composite is a collection of fully discretionary, equity only separate accounts including cash. A client's actual performance return will be reduced by investment management fees and any other fees. A detailed description of Redwood's investment management fees is described in our Form ADV Part II, and is available upon request. Specific securities identified and described do not represent all of the securities purchased, sold, or recommended for advisory clients, and the reader should not assume that investments in the securities identified and discussed were or will be profitable. The companies listed represent a sample of the companies that Redwood employees have researched in the past 18 months. There is no assurance that any securities discussed in this presentation will remain in the portfolio at the time you receive or read this presentation, or that securities sold have not been repurchased. A complete list of recommendations for the last 12 months is available upon request. The 'Contribution' to portfolio performance of a security is calculated by multiplying its portfolio weight by its price change. A 'Detractor' is defined as having a negative contribution, while a 'Contributor' will have a positive contribution.