

## Falcon Point's Micro Cap and Small Cap Growth Strategies both ranked in Barron's top ten performers for the second quarter.

Falcon Point Capital is pleased to announce that both our Micro Cap Growth and Small Cap Growth Strategies made the top ten best performers list in Barron's for the second quarter of 2013.

The Micro Cap Growth strategy rose 11.9% gross (11.7% net) in the second quarter of 2013, placing it as the second best separate account in the top ten funds in Barron's institutional rankings. The strategy was launched in June of 2011 and through June has returned 37.5% gross (36.2% net) since inception, 1610 basis point above its Russell Microcap Growth benchmark. The Small Cap Growth Strategy was ranked 9<sup>th</sup> with a 9.4% gross (8.4% net) return in the quarter. The link to the online Barron's listing is [http://online.barrons.com/public/page/9\\_0210-sepacctwinners.html](http://online.barrons.com/public/page/9_0210-sepacctwinners.html)

James Bitzer, Senior Managing Director and Director of Research said, "We were pleased with the strong start to 2013 and the excellent returns in both strategies since inception. Small Capitalization stocks are one of the least efficient areas of the equity markets and a fertile place for Falcon Point to deploy our disciplined investment process." Michael Thomas, another portfolio manager at Falcon Point, said "both strategies utilize Falcon Point Capital's time-tested, disciplined and fundamental investment process which has produced excellent returns over the years."

Similar to Falcon Point Capital's other strategies, the team uses a focused approach to constructing a portfolio, selecting the most attractive securities, typically 30-50 stocks across all sectors. The Micro Cap Strategy has over \$80 million of AUM today and will likely be closed once it reaches \$350 million. The Small Cap Growth Strategy has an AUM of over \$200 million today. Both are separate account structures and open to institutional investors or family offices with an initial investment of \$3 million or more.

For any additional information on the strategy or the firm, please contact Mariah Brooks at 415.782.9642 or [mbrooks@fptcap.com](mailto:mbrooks@fptcap.com).



### Separate Accounts & Collective Investment Trusts

#### Second-Quarter Winners<sup>1</sup>

##### Institutional<sup>2</sup>

Name	Assets (bil)	Gross Return			Net Return 1-Yr	Morning Star Rating <sup>4</sup>	Fee Range	Min Inv (thou)
		Otr	1-Yr	3-Yr <sup>3</sup>				
NorthPointe Capital Micro Cap Value	\$0.01	12.17%	37.71%	27.51%	36.44%	*****	1.25-1.25%	\$5,000
Falcon Point Micro Cap Growth Strategy	0.09	11.87	29.68	N/A	29.07	N/R	1.25-1.50	3,000
O'Shaughnessy Micro Cap	0.00	11.82	38.09	25.33	37.27	***	1.00-1.00	250
Cupps Capital Concentrated Growth	0.01	11.27	24.66	23.72	24.02	*****	0.80-0.90	5,000
Tieton Small Cap Value	0.15	10.82	43.35	22.63	42.26	***	1.00-1.00	2,000
Wellington All Cap Opportunities	1.47	10.42	44.73	18.03	43.48	*	0.90-0.90	25,000
Pacific Ridge Capital Partners Sm Cp Val	0.05	10.27	30.98	N/A	29.25	N/R	1.00-1.00	3,000
Pacific Ridge Capital Ptnrs Micro Cp Val	0.06	9.89	35.52	23.77	33.69	*****	1.50-1.50	3,000
Falcon Point Small Cap Growth	0.19	9.41	18.24	21.55	17.05	***	0.85-1.00	3,000
Harris Assoc. Global Concentrated Comp	2.22	9.12	42.68	20.48	41.60	*****	0.55-0.78	100,000

<sup>1</sup> Ranked by three-month returns <sup>2</sup> Open only to institutions

<sup>3</sup> Annualized

<sup>4</sup> Overall Rating. Five Stars is the top rating. Not all strategies are rated by Morningstar

N/R means not rated by Morningstar

<sup>5</sup> Open to retail investor, but also may be open to institutions

Source: Morningstar

**Fees and Costs.** The results portrayed may reflect the reinvestment of dividends and other earnings and the deduction of costs and the management fees and performance fees and allocations charged. Performance results have been compiled, reviewed and audited by an independent accountant.

**No Indication of Future Performance.** Falcon Point Capital believes that the performance shown above was generated with an investment philosophy and methodology similar to that described herein, which it would expect to use for the future investments in the strategy. Future investments, however, will be made under different economic conditions and in different securities and using different investment strategies than were used by the strategy during the time discussed herein. Furthermore, the performance discussed herein reflects investment for a limited period of time and does not reflect performance in all different economic or market cycles. It should not be assumed that future investors will experience returns, if any, comparable to those discussed herein. The information given is historic and should not be taken as any indication of future performance. The results are based on the period as a whole, but the results for individual months within the period have been less favorable or more favorable than the average, as the case may be.

**Indices.** Falcon Point believes that the comparison of the strategy's performance to a single market index is inappropriate because such indices are highly diversified and represent only unmanaged results of long investment in equities, while the strategy's portfolios may contain both equity and fixed income investments, short sales of securities, foreign securities, option and margin trading, and are not as diversified as the market indices shown. Due to the differences among Falcon Point's investment strategies and the performance of the equity market indices shown, Falcon Point believes that no such index is directly comparable to the investment strategy.

**Russell 2000 Index Description.** The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000 Index 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.

**Russell 2000 Growth Index Description.** The Russell 2000 Growth Index contains the Russell 2000 Index companies with higher price-to-book ratios and higher forecasted growth values.

**Russell Micro Cap Growth Index Description.** The Russell Microcap Growth Index measures the performance of the microcap growth segment of the U.S. Equity market. It includes those Russell Microcap Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell Microcap Growth Index is constructed to provide a comprehensive and unbiased barometer of the microcap growth market. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the microcap growth market.

**S&P 500 Index Description.** The S&P 500 Index includes 500 leading companies in leading industries of the U.S. economy. Although the S&P 500 focuses on the large cap segment of the market, with approximately 75% coverage of U.S. equities, it is also an ideal proxy for the total market. S&P 500 is part of a series of S&P U.S. indices that can be used as building blocks for portfolio construction.

**Merrill Lynch Convertible Bond Index** The Merrill Lynch Convertible Bond Index contains all U.S. corporate convertible issues except those with a mandatory conversion to equity stipulation and broadly represents the domestic convertible securities market.

**Barclays High Yield Credit Bond Index** The U.S. Corporate High-Yield Index covers the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. The index excludes Emerging Markets debt. The index was created in 1986, with index history backfilled to January 1, 1983. The U.S. Corporate High-Yield Index is part of the U.S. Universal and Global High-Yield Indices.

**NASDAQ Composite Index** The Nasdaq Composite Index measures all Nasdaq domestic and international based common type stocks listed on The Nasdaq Stock Market. The Nasdaq Composite includes over 4,000 companies, more than most other stock market indices.

**Hedge Fund Research, Inc. Indices HFRX Equity Hedge Index** Equity Hedge, also known as long/short equity, combines core long holdings of equities with short sales of stock or stock index options. Equity hedge portfolios may be anywhere from net long to net short depending on market conditions. Equity hedge managers generally increase net long exposure in bull markets and decrease net long exposure or even are net short in a bear market. Generally, the short exposure is intended to generate an ongoing positive return in addition to acting as a hedge against a general stock market decline. Stock index put options are also often used as a hedge against market risk. Profits are made when long positions appreciate and stocks sold short depreciate. Conversely, losses are incurred when long positions depreciate and/or the value of stocks sold short appreciates. Equity hedge managers' source of return is similar to that of traditional stock pickers on the upside, but they use short selling and hedging to attempt to outperform the market on the downside.

**HFR Technology Index** Sector: Technology funds emphasize investment in securities of the technology arena. Some of the sub-sectors include multimedia, networking, PC producers, retailers, semiconductors, software, and telecommunications.

**Dow Jones Credit Suisse Core Long/Short Equity Hedge Fund Index** The Dow Jones Credit Suisse Core Long/Short Equity Hedge Fund Index is a subset of the Dow Jones Credit Suisse Core Hedge Fund Index that seeks to measure the aggregate performance of long/short equity funds. These funds typically invest in both long and short sides of equity markets, often with a specific focus on certain sectors, regions or market capitalizations. Managers typically have the flexibility to shift investment styles, such as from value to growth, from small to medium to large capitalization stocks, and from net long to net short. Managers can trade equity futures and options as well as equity-related securities and debt. They can also build portfolios that are more concentrated than traditional long-only equity funds. [Only used since January 1, 2011 when index was launched.]

**No Offer to Sell Securities.** This document is not intended as and does not constitute an offer to sell any securities to any person or a solicitation of any person of any offer to purchase any securities. Such an offer or solicitation can only be made by the confidential offering document of the partnership or company. This information omits most of the information material to a decision whether to invest in the partnership or company. No person should rely on any information in this document, but should rely exclusively on the offering document in considering whether to invest. Falcon Point Capital believes that any performance illustrated herein was generated with an investment philosophy and methodology similar to that which it expects to use for future investments. Future investments, however, will be made under different economic conditions and in different securities than were used by Falcon Point during the period displayed. Furthermore, the performance reflects investment for a limited period of time and does not reflect performance in all different economic or market cycles. It should not be assumed that future investment returns, if any, will be comparable to those illustrated herein, or that recommendations of specific securities made in the future will be profitable or will equal the performance of the securities discussed in this document. The information given is historic and should not be taken as any indication of future performance.

**Investment Risks.** Of course, investment in securities, especially securities issued by growth companies, entails substantial risk of loss. Those risks must be accepted by an investor and include: general investment risks; securities portfolios can dramatically decrease in value; concentration of portfolio in one sector; risks of short sales and other hedging strategies; and concentration of portfolio in relatively few securities.

**Disclosure Regarding Barron's Ranking:** Thank you for your interest in our recent communication. In answer to questions we've received, please be aware that The Barron's rankings are for Falcon Point Capital, LLC's ("FPC") Micro Cap and Small Cap Growth strategies. FPC Micro Cap Growth strategy was ranked second out of 490 managers, and FPC's Small Cap Growth strategy was ranked ninth out of 490 managers in Barron's Institutional Separate Accounts & Collective Investment Trusts Ranking for Q2 2013. The rankings may not be representative of any one client's experience because the rankings reflect the composite performance of each FPC strategy. The rankings are not indicative of future performance. FPC does not pay a fee to participate in the Barron's ranking surveys, and does not purchase reprints from Barron's.