

ICM SMALL COMPANY PORTFOLIO

FOURTH QUARTER 2019

JANUARY 15, 2020

What a difference a year makes. This time last year the U.S. stock market had just suffered its worst quarterly decline since 2008, triggered then by a slowing economy, rising trade tensions with China and a flattening yield curve. Due in large measure to an abrupt course correction by the Federal Reserve, which included three cuts to the Fed Funds rate, the market staged an impressive rally in 2019, climbing 31.4%, as measured by the Russell 1000® Index. The year was capped off by an exceptionally strong 9.0% advance in the Russell 1000® Index in the fourth quarter as the U.S. and China reached a Phase One trade deal and fears of an imminent recession faded into the background.

In line with the pattern of the last decade, growth-oriented equities outpaced value stocks in the fourth quarter. While it comfortably outperformed the Russell 2000® Value Index (the “Benchmark”), for all of 2019, the Fund’s fourth quarter gain of 6.7% trailed the 8.5% return for the Benchmark.

TOTAL RETURN (%)												
PERIODS ENDING 12/31/19												
	2019 1Q	2019 2Q	2019 3Q	4th Quarter 2019			2019 4Q	2019 Year	Periods Ending 12/31/19 Annualized			
				Oct	Nov	Dec			3 Yrs	5 Yrs	10 Yrs	Since Inception*
ICM Small Co. Portfolio ¹	14.12	2.85	0.74	1.84	2.88	1.85	6.70	26.16	7.09	9.32	11.56	12.14
Russell 2000® Value Index	11.93	1.37	-0.57	2.42	2.34	3.50	8.49	22.39	4.77	6.99	10.56	10.19
Russell 2000® Index	14.58	2.10	-2.40	2.63	4.12	2.88	9.94	25.53	8.59	8.23	11.83	9.40
Russell 2000® Growth Index	17.14	2.75	-4.17	2.85	5.89	2.29	11.39	28.48	12.49	9.34	13.01	8.19
Russell 1000® Index	14.00	4.25	1.42	2.12	3.78	2.89	9.04	31.43	15.05	11.48	13.54	10.39

¹ The returns shown for the ICM Small Company Portfolio are net of all fees and expenses.

*ICM Small Co. Portfolio inception date is 4/19/1989. Russell data starts on 4/30/1989.

Total annual Fund operating expenses are 0.93%.

Total returns assume reinvestment of all dividends and capital gains.

The performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares when redeemed, may be worth more or less than their original cost and current performance may be lower or higher than the performance quoted. For performance data current to the most recent month end, please call 1-866-234-5426 or visit our website at www.icomd.com.

Additional disclosures can be found on page 2-3 of this letter.

Entering the fourth quarter, the Fund was positioned well from an economic sector standpoint, with below Benchmark weightings in the more defensive and interest rate sensitive Real Estate Investment Trust (REIT) and Utility sectors, and an overweighting in the more economically sensitive Producer Durables, Materials and Processing and Technology sectors, all of which performed well. Unfortunately, the fourth quarter rally favored stocks on the lower end of the quality spectrum, as small cap stocks with the lowest returns on equity and those with negative earnings (i.e. money losers) outperformed. This was particularly true in December when heavy flows into ETFs seemed to impact the small cap sector. As a result, the Portfolio’s holdings in 6 of the 9 Russell economic sectors underperformed their Benchmark counterparts.

One of the bright spots for the Fund this quarter was the substantial outperformance of its REIT investments, which gained 7.0% compared to a smaller 3.2% return for the peers in the Benchmark. A number of holdings that traded at a sharp discount to their private market value finally attracted investor interest, including shopping center owner Kite Realty, which climbed 23.0%. In 2019 the company successfully executed on a shareholder friendly plan to sell assets and deleverage the balance sheet, leaving the company in a position to return to growth.

The Portfolio’s Financial Services holdings also delivered solid relative performance, advancing 9.5% versus the 7.7% gain for the Benchmark constituents. Much of this outperformance came from the strong 12.2% return for the Fund’s regional bank stocks, which benefitted from a continued recovery in the shares of more asset sensitive banks as the yield curve steepened in the quarter. This is in stark contrast to the last quarter of 2018 when recession fears gripped the market.

On the negative side, although the Fund's Healthcare holdings outperformed for all of 2019, they were the biggest drag to relative performance in the fourth quarter, falling 1.0% compared to the 17.9% surge in the Benchmark constituents. As discussed above, stocks of money losing companies were strong performers over the last three months of the year. No corner of the equity market exemplifies this more than the Biotechnology, and to a lesser extent, Pharmaceutical subsectors, which combined constitute 60% of the Russell 2000® Value Healthcare sector and climbed 20.3% and 39.4% respectively. The Portfolio's much smaller weighting to these subsectors was the main source of the relative weakness. In addition, generic drug manufacturer ANI Pharmaceuticals, which gained 37.0% for the year, fell 15.4% in the quarter as a few of its offerings experienced increased competition earlier than expected.

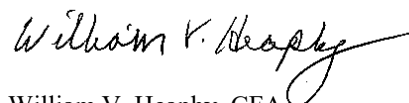
The Technology sector of the Russell 2000® Value Index, which soared 22.1%, was another area where the Fund's holdings could not keep pace with the Benchmark. Many of the previously underperforming communications technology stocks, where we lacked exposure, rebounded sharply as the U.S. reached a trade agreement with China and hopes were raised that these companies will regain access to the growing Chinese telecommunications equipment market. The Portfolio also suffered from a 23.9% decline in wireless router manufacturer Netgear, which is experiencing a lull in orders as customers wait for the next generation equipment. While we clearly were premature in our investment in the shares, the current valuation is even more attractive, and we added to the position in the quarter.

As we enter a new year—the eleventh of the current economic expansion—we have a positive but muted view of the economy and the equity market. Our base case is for slow GDP growth of approximately 2.0% coupled with modest inflation. Underpinning this view is a continued healthy U.S. consumer whose spending has been the main engine of growth the past year. If the recent détente with China holds and spurs increased business confidence and spending, this would provide upside to our outlook. A major wildcard in 2020 will be the Presidential election in November which could create volatility as the campaigning heats up. We are comforted somewhat by historical performance of the market which advances 70% of the time in election years. Of course, very little about the current political climate feels normal.

After the strong gains of 2019, the market, as measured by the Russell 1000® Value Index, trades at 18.0 times 2020 earnings projections, a level that is above historical averages and suggests a degree of complacency in the markets and more modest returns going forward. On the other hand, small cap value shares still trade at an historically below average 13.7 times this year's earnings estimates, providing a more compelling potential return profile than the market as a whole.

As always, we appreciate your business. Please feel free to contact us with any questions or concerns.

Sincerely,



William V. Heaphy, CFA
Principal

This material must be preceded or accompanied by a current prospectus. Please read it carefully before you invest or send money.

**The Russell 2000® Index is an unmanaged index composed of the 2,000 smallest stocks in the Russell 3000®, a market value weighted index of the 3,000 largest U.S. publicly-traded companies. The Russell 1000 Index is an unmanaged index composed of the 1,000 largest stocks in the Russell 3000 index. The Russell 2000® Growth and Value Indexes are created by sorting the universe of Russell 2000® companies by book/price ratio and separately by I/B/E/S growth rate. (Reported book value is adjusted to reflect FAS 106 and 109 write-offs by adding back the unamortized portion of the charge.) Each of the sorted series is normalized and combined to arrive at a composite rank for each company. The composite rank is used to generate the probability that a stock is either growth or*

value. About 30% of the stocks in the Russell 2000® appear in both the growth and value indexes in different proportions based on the probability calculated; the sum of the shares in each index is the total number of shares floating. The remaining 70% of the companies are in one style index only. Please note that one cannot directly invest into an unmanaged index.

The ICM Small Company Portfolio is distributed by SEI Investments Distribution Co., which is not affiliated with Investment Counselors of Maryland (ICM) or its affiliates. The material represents the manager's assessment of the portfolio and market environment at a specific point in time and should not be relied upon by the reader as research or investment advice regarding any stock. Neither this material nor any accompanying oral presentation or remarks by a representative is intended to constitute a recommendation of the Fund or a determination of suitability.

Portfolio holdings are subject to change and should not be considered investment advice or a recommendation to buy securities.

There are risks involved with investing in mutual funds, including loss of principal. In addition to the normal risks involved with investing in mutual funds, including loss of principal, investments in smaller companies typically exhibit higher volatility. Current and future holdings are subject to risk.

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Top Ten Equity Holdings as of December 31, 2019:

<u> Holding </u>	<u> % of Portfolio </u>
Methode Electronics, Inc.	1.70
Verint Systems Inc.	1.57
QTS Realty Trust, Inc. Class A	1.56
Advanced Energy Industries, Inc.	1.54
Kite Realty Group Trust	1.50
TRI Pointe Group Inc	1.46
M.D.C. Holdings, Inc.	1.35
Orion Engineered Carbons SA	1.30
ICF International, Inc.	1.28
Simmons First National Corporation Class A	1.23