



Hillcrest Asset Management, LLC.

2805 Dallas Parkway

Suite 250

Dallas, TX 75093

469-666-6455

469-666-6475 (fax)

www.hillcrestasset.com

March 31, 2017

This brochure provides information about the qualification and business practices of Hillcrest Asset Management, LLC. If you have any questions about the contents of this brochure, please contact Deborah Trask at 469-666-6455, or by email at dtrask@hillcrestasset.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

Hillcrest Asset Management is an investment advisor registered with the SEC. Additional information about Hillcrest Asset Management, LLC is available on the SEC's website at www.adviserinfo.sec.gov. To search the SEC website, please use the Firm's unique identifying number, CRD number 145078. Registration with the SEC does not imply any certain level of skill or training.

MATERIAL CHANGES**Annual Update**

Hillcrest Asset Management, LLC is providing this information as part of our annual updating amendment which contains material changes from our last annual update. This section discusses only material changes since the last annual update which most recently occurred on March 31, 2017.

Material Changes since the Last Update

The language of several answers has been edited and the standard fee schedule for the Mid Cap strategy has been revised but there have been no material changes since the last update.

Full Brochure Availability

The Firm Brochure for Hillcrest Asset Management, LLC is available by contacting Deborah Trask, Chief Operating Officer, at:

Hillcrest Asset Management, LLC.
2805 Dallas Parkway
Suite 250
Plano, TX 75093
469-666-6456
469-453-3342
dtrask@hillcrestasset.com

TABLE OF CONTENTS

MATERIAL CHANGES	2
ANNUAL UPDATE	2
MATERIAL CHANGES SINCE THE LAST UPDATE	2
FULL BROCHURE AVAILABILITY.....	2
ADVISORY BUSINESS	5
FIRM DESCRIPTION.....	5
PRINCIPAL OWNERS	5
TYPES OF ADVISORY SERVICES	5
TAILORED RELATIONSHIPS.....	5
WRAP FEE PROGRAMS	5
CLIENT ASSETS	6
FEES AND COMPENSATION	7
DESCRIPTION	7
FEE BILLING	8
OTHER FEES.....	8
PERFORMANCE-BASED FEES & SIDE-BY-SIDE MANAGEMENT	9
SHARING OF CAPITAL GAINS OR CAPITAL APPRECIATION	9
TYPES OF CLIENTS	10
DESCRIPTION	10
ACCOUNT MINIMUMS	10
METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	11
METHODS OF ANALYSIS	11
INVESTMENT STRATEGIES	13
RISK OF LOSS	13
DISCIPLINARY INFORMATION	14
OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS.....	15
AFFILIATIONS.....	15
CODE OF ETHICS AND PERSONAL TRADING.....	16
CODE OF ETHICS	16
INVEST IN SAME SECURITIES RECOMMENDED TO CLIENTS AND PERSONAL TRADING POLICIES	17
BROKERAGE PRACTICES	18
SELECTING BROKERAGE FIRMS.....	18
RESEARCH AND SOFT DOLLARS	18
BROKERAGE FOR CLIENT REFERRALS	18
DIRECTED BROKERAGE	18
ORDER AGGREGATION	18
REVIEW OF ACCOUNTS.....	19
PERIODIC REVIEWS.....	19
REVIEW TRIGGERS.....	19
REGULAR REPORTS.....	19
CLIENT REFERRALS AND OTHER COMPENSATION	20
THIRD PARTY SOLICITORS	20
WRITTEN AGREEMENT	20
DISQUALIFICATION OF SOLICITORS.....	20
CLIENT DISCLOSURES	20
PROHIBITIONS	20
AMOUNT PAID BY CLIENTS	20
RECORD KEEPING REQUIREMENTS.....	21
CUSTODY	22

CUSTODY	20
ACCOUNT STATEMENTS	20
INVESTMENT DISCRETION	23
DISCRETIONARY AUTHORITY FOR TRADING.....	23
LIMITED POWER OF ATTORNEY.....	23
VOTING CLIENT SECURITIES.....	24
PROXY VOTING.....	24
FINANCIAL INFORMATION	25
FINANCIAL CONDITION.....	25
PRINCIPAL EXECUTIVE OFFICERS AND MANAGEMENT PERSON	26
DESCRIBE BUSINESS OTHER THAN INVESTMENT ADVICE	27

ADVISORY BUSINESS

Firm Description

Hillcrest Asset Management, LLC (“Hillcrest”) is an SEC-registered investment advisor with its principal office and place of business at 2805 Dallas Parkway, Suite 250, Plano, Texas, 75067. Hillcrest has been conducting business since 2007. Hillcrest is an investment advisor utilizing behavioral finance principles engaged providing investment advisory services.

Principal Owners

The majority of the firm (51%) is employee-owned through Hillcrest Holdings, LLC. Brian Bruce, CEO, is the majority owner of Hillcrest Asset Management through Hillcrest Holdings, LLC. 24% of Hillcrest Asset Management is owned by Grail Partners through the Chalice Fund, 19% is owned by CHJ Capital Management and 6% is owned by other minority investors.

Types of Advisory Services

We offer advice on exchange-traded, over-the-counter and foreign-issued equity securities through our three products: Small Cap Core, Mid Cap and Small Cap Value in accordance with those methods as described in the *Methods of Analysis, Investment Strategies and Risks of Loss* section. We provide these services as separately managed account management, sub-advisory services, model-only services and wrap programs.

Tailored Relationships

Hillcrest has discretionary authority to buy and sell securities in the quantities that it deems fit without first obtaining consent of the client. However, limitations or restrictions with respect to the exercise of this investment discretion can be established by the client in writing at the commencement of the advisory relationship or thereafter. Clients do have the right to impose restrictions on type or class of securities that are transacted for the account however, they will be informed that this could have a marked effect on Hillcrest’s ability to trade their account in the same manner as other accounts of the same strategy and in turn this could affect the overall performance of the account.

Wrap Fee Programs

Hillcrest currently participates in programs with UBS Financial Services Inc. (“UBS”) (ACCESS and SWP) and Merrill Lynch, Pierce, Fenner and Smith Incorporated and Managed Account Advisors LLC (collectively, “Merrill Lynch”), (UMA, Consults, Investment Advisory Program).

Client Assets

As of December 31, 2016, discretionary assets under management totaled \$ 544,906,871.

FEES AND COMPENSATION**Description**

Investment Advisory Services fees are charged as a percentage of account assets. Fees are quoted on an annual basis. The fee charged typically follows the schedules outlined below.

The standard advisory fees for the Small Cap Core product are as follows:

0.90% annually on the first	\$10 Million of Portfolio Value
0.85% annually on the next	\$40 Million of Portfolio Value
0.80% annually on amounts over	\$50 Million of Portfolio Value

Minimum Annual Fee of \$50,000

The standard advisory fees for the Small Cap Value product are as follows:

0.90% annually on the first	\$10 Million of Portfolio Value
0.85% annually on the next	\$40 Million of Portfolio Value
0.80% annually on amounts over	\$50 Million of Portfolio Value

Minimum Annual Fee of \$50,000

The standard advisory fees for the Mid Cap product are as follows:

0.70% annually on the first	\$10 Million of Portfolio Value
0.65% annually on amounts over	\$10 Million of Portfolio Value

Minimum Annual Fee of \$50,000

All assets in any form are considered in the computation of fees. Money invested in cash balances, money market assets, client-directed assets or notes will be included. If trades are unsettled and pending, the trade date balance will be used.

In computing the market value of any investment of a client's account, each security listed on national securities exchanges shall be valued at the last quoted sales price on the valuation date of the principal exchange on which such security is traded. Any other security or asset shall be valued in a manner determined in good faith by Hillcrest to reflect its fair market value.

Our fees are generally negotiable; and, fees charged to any given client may be higher or lower than the stated fees or the fees charged to other clients with accounts of comparable size and investment objectives, based on the client circumstances or investment guidelines.

Fee Billing

Account fees are computed and generally billed quarterly in advance. The initial fee shall be based on the Account's market value at the inception of the Advisor's management and prorated for the number of days the Account was managed during the initial quarter. Subsequent quarterly fees shall be based on the Account's market value as of the close of business on the last business day of the quarter preceding the quarter for which the fee is due. Clients are billed quarterly in accordance with the terms set forth in the client's investment management agreement.

Either Hillcrest or the client may terminate an advisory contract at any time by giving the other party 30 days written notice. Advisory fees paid in advance will be prorated to the date of termination and any unearned portion will be refunded to the client.

Clients may choose to have fees deducted from their account or to be billed. The deduction of fees or billing of clients is done on a quarterly basis on the 10th of the first month following quarter end.

Other Fees

Client shall be responsible for all commissions and other transaction charges, and any charge relating to the custody of securities for their account. The fee charged by Hillcrest covers only the investment management services provided by the Hillcrest and does not include brokerage commissions, mark-ups and mark-downs, dealer spreads or other costs associated with the purchase and sale of securities, custodian fees, interest, taxes, or other Account expenses.

PERFORMANCE-BASED FEES & SIDE-BY-SIDE MANAGEMENT

Sharing of Capital Gains or Capital Appreciation

Neither Hillcrest nor any of its employees accepts performance-based fees, that is, fees based on a share of capital gains on or capital appreciation of the assets of a client.

TYPES OF CLIENTS

Description

Current clients consist of high net worth individuals, investment companies, pooled funds, municipalities, foundations and retirement and savings plans.

Account Minimums

Hillcrest does not have a minimum account size requirement; however, as noted in the *Fee and Compensation* section above, we have a minimum annual fee of \$50,000.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Methods of Analysis

Hillcrest understands that every stock follows the same behavioral cycle of greed and fear that the stock market follows. We know that stocks almost never trade at fair value. They trade below fair value generally in reaction to poor economics in the firm and trade above fair value when good things are happening at a company and they are experiencing a growth phase. Hillcrest utilizes this cycle and buys when stocks are attractively valued with good growth prospects.

We believe stocks deviate from their fair value due to behavioral biases. Hillcrest understands and exploits these biases to consistently add value relative to the benchmark.

Our investment philosophy is firmly rooted in our expertise in Behavioral Finance.

- We understand and follow the behavioral cycle of stock movements.
- We believe biases like expert overconfidence and the base-rate effect are common traps for active managers and that behavioral approaches can offer a better way to determine stock valuations and future growth prospects.
- Our portfolio managers built the first global behavioral model in 1991 at State Street Global Advisors to determine analyst sentiment and we continue to be a thought leader in the development of behavioral sentiment models.
- We combine model-driven behavioral analysis with traditional fundamental research to build on the strengths of both approaches. Our goal is to add value equally through both behavioral and fundamental stock selection.
- We avoid the framing effect by understanding where risk is incurred in portfolios and by not using portfolio optimizers.

We describe our process as “Quantimental.” We have found that a mixture of quantitative processing and fundamental analysis is the best method for outperforming the market and finding undervalued securities. When using a quantitative process, it is important to find quality investments using a consistent methodology on all stocks in the universe. However, quantitative processes are poor at analyzing qualitative data or information that is unique to the company or sector. Therefore, it is necessary to use a fundamental final analysis on the top 10% of companies that are screened.

We break our research into two area: 1) Quantitative and 2) Fundamental.

The Quantitative research focuses on finding areas where our expertise in behavioral finance finds opportunities to find profitable companies across the entire universe of potential investments. The Fundamental research is ongoing and focuses on companies already in the portfolio, and those companies that are attractive in the quantitative process. The Fundamental research focuses on specific

companies looking for data items that cannot be accurately measured by the quantitative process and a determination of the true growth possibilities of the firm.

The members of Hillcrest's investment team that have been doing quantitative research for over 20 years, and have found that many of the basic ratios and factors have been arbitrated past the point of being profitable. We thus focus most of our energy on finding new ways to look at investment ideas. We call these adaptive factors. The adaptive factors start with basic value, growth or sentiment factors and then "adapt" them to more accurately reflect a behavioral change or market principal. The adaptive changes are usually combining multiple factors to create one adaptive factor, or using only the portions of the data (usually the tails of a distribution) that have predictive powers.

Our investment team meets on a regular basis. Prior to the meeting, each team member is provided with a list of companies in the portfolio that are poorly ranked by our quantitative process or have been underperforming their sectors. The investment team is also provided with a comparison of our portfolio to the benchmark to ascertain variations between sector weights and stocks outside of risk boundaries.

The investment team reviews these data and discusses potential sales and purchases. The sector expert in each sector leads the discussion of that particular sector. The sector specialist is responsible for an in-depth analysis of potential sales and potential buy replacements.

Hillcrest's expertise in behavioral finance and quantitative modeling gives it distinct advantages over our competition:

- Our focus on behavioral finance allows us to see areas where investors make mistakes that can be exploited for potential gain. For example, investors have a very short collective memory (recency bias) and ignore older data. We take advantage of this by looking at longer time frames (up to 8 years) to get a better idea of the true potential of a company.
- We have created an array of "Adapted" factors that analyze data in a method that is different from traditional managers. Some adapted factors incorporate additional data that is relevant such as older data to confirm recent data, and some use multiple factors to judge using a mosaic approach.
- Using behavioral models and processes allows us to avoid some of the errors of other managers and allow our insight to flow through to the portfolio. For example, managers have a tendency to fall in love with certain holdings and allow the portfolio strategy to drift usually to a higher growth bias. We use processes to ensure these behavioral errors do not occur.
- Our expertise in technology allows us to analyze "Big Data" factors unavailable to less sophisticated managers. Our Management Sentiment Indicator reads all of the available Earnings Call Transcripts in the strategy universe and analyzes the words and phrases used by the management to determine the sentiment within the company; is the management team optimistic or pessimistic. The Earnings Call Transcripts is one of the few opportunities to peer inside the company and get a clear view of the sentiment of the people within.

The universe is screened for appropriate market capitalization and for liquidity which yields the investable universe. These securities are ranked by our proprietary quantitative model driven by a security's fundamental measures of value, growth prospects and sentiment indicators. The top 20% of stocks by expected return rank are then further analyzed using fundamental techniques and the final stocks are chosen. The portfolio is then constrained by specific industry/sector and company limitations to achieve diversification. The process produces a buy list with portfolio weights ranging from 0.5% to 1%. As market action changes the weight composition of securities in the portfolio, stock positions that have appreciated to exceed 1.5% of the portfolio will be scaled back.

Investment Strategies

The significant strategies employed by Hillcrest are small cap core, small cap value and mid cap. The method of analysis and the risks are the same for all of them. The difference is the universe of stocks and the benchmark. For small cap core the universe and benchmark is the Russell 2000 Index. For small cap value the universe and benchmark is the Russell 2000 Value Index. For mid cap the universe and benchmark is the S&P MidCap 400 Index.

Risk of Loss

Investing in securities involves risk of loss that clients should be prepared to bear.

Hillcrest invests in U.S. equity securities. We do not invest in options or futures. There is market risk or the risk that stock prices and/or the implied volatility will change. Hillcrest has a risk control process that controls for residual benchmark risk while maximizing the expected return of the portfolio. Stocks generally fluctuate in value more than bonds and may decline significantly over short time periods. There is the chance that stock prices over-all will decline because stock markets tend to move in cycles, with periods of rising and falling prices. Individual investments may decline due to general weakness in the markets, or due to the specific factors affecting company returns or a particular industry.

Investments in small-sized companies pose greater risks than those typically associated with larger, more established companies such as increased volatility of earnings and prospects, higher failure rates, and limited markets, product lines or financial resources.

DISCIPLINARY INFORMATION

Advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Hillcrest or the integrity of our management. Hillcrest and our management personnel are not currently, nor have they ever been, a party to any such legal or disciplinary action.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Affiliations

Neither Hillcrest nor any of its employees has any relationships or industry related activities that are material to their advisory business or clients.

CODE OF ETHICS AND PERSONAL TRADING

Code of Ethics

Pursuant to Rule 204 under the Investment Advisers Act of 1940, as amended and Rule 17j-1 under the investment Company Act, Hillcrest has adopted the a Code of Ethics ("Code"). This Code covers all employees of Hillcrest Employees and shall be reviewed at least annually for adequacy and effectiveness. Employees are required to acknowledge in writing receipt of this Code and any amendments to this Code on an annual basis.

Hillcrest maintains the highest standards of ethics and conduct in all of its business relationships with its clients. This Code covers a wide range of business practices and procedures and applies to Employees in their conduct of Hillcrest's business and affairs. This Code has been adopted with the objectives of deterring wrongdoing and promoting:

- Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- The interests of clients before Employees' own personal interest;
- Full, fair, accurate, timely and understandable disclosure in reports and documents filed with the United States Securities and Exchange Commission ("SEC") and in other public communications;
- Compliance with applicable federal and state securities laws, rules and regulations;
- Prompt internal reporting of violations of this Code;
- Accountability for adherence to this Code; and
- Hillcrest's fiduciary duty to clients, including a duty of care, loyalty, honesty and good faith.

Employees are expected to comply with all laws, rules and regulations applicable to Hillcrest's operations and business. Hillcrest is subject to regulation by the SEC, and compliance with federal laws and regulations. Hillcrest also is subject to the laws and regulations of the various states in which it conducts business. Hillcrest insists on strict compliance with all such laws and regulations.

Employees are not permitted to:

- Defraud clients in any manner;
- Mislead clients, including by making a statement that omits material facts;
- Engage in any act, practice or course of conduct which operates or would operate as a fraud or deceit upon clients;
- Engage in manipulative practice with respect to clients; or
- Engage in any manipulative practice with respect to securities, including price manipulation.

As a fiduciary, Hillcrest has an affirmative duty of care, loyalty, honesty and good faith to act in the best interests of its clients. To that end, the code:

- Requires disclosure of any potential conflict of interest;
- Prohibits insider trading;

- Restricts trading in securities being traded for client accounts;
- Requires preclearance of certain types of securities;
- Restricts the acceptance or giving of gifts to or from business acquaintances;
- Imposes an expectation of confidentiality.

All officers and employees are required to sign an annual statement acknowledging receipt, compliance with and understanding of Hillcrest's Code of Ethics. A detailed copy of Hillcrest's Code of Ethics is available to clients or prospective clients upon request by contacting Deborah Trask at 469-666-6455, or by email at dtrask@hillcrestasset.com.

Hillcrest has also adopted Compliance Policies which are designed to prevent violations of the Investment Advisers Act of 1940 in accordance with the Compliance Program Rule, Rule 206(4)-7. A detailed copy of Hillcrest's Compliance Manual is available to clients or prospective clients by contacting Deborah Trask at 469-666-6455, or by email at dtrask@hillcrestasset.com.

Invest in Same Securities Recommended to Clients and Personal Trading Policies

All Hillcrest employees are restricted from engaging in any practices that would operate as a fraud or deceit upon Hillcrest or any of its clients. Hillcrest employees are not permitted to invest in securities held in the universes traded for client accounts. Any employees owning any of these securities at the time the procedure changed were not required to sell them but any future sales require preclearance. Employees wanting to invest in Hillcrest's strategies can open their own separate accounts which will be managed along with the other accounts in the strategy.

BROKERAGE PRACTICES

Selecting Brokerage Firms

Hillcrest seeks to obtain "best execution" for our clients through cost of execution as well as the quality of the execution. The determining factor is not the lowest possible commission cost but whether the transaction represents the best qualitative execution. In seeking best execution and in selecting a broker through which to purchase and sell securities, Hillcrest will consider a range of factors, including price and commissions, execution ability, clearance procedures, custodial and reporting services, and other brokerage services provided by the broker-dealer. Hillcrest also obtains FINRA BrokerCheck reports for review before adding a broker to the approved list.

Research and Soft Dollars

Hillcrest does not use soft dollars and as such, research is not a factor in choosing a broker-dealer.

Brokerage for Client Referrals

Hillcrest does not receive client referrals from any broker or third parties in return for broker selection.

Directed Brokerage

Hillcrest does not currently have any directed brokerage relationships.

Order Aggregation

Transactions for each client account generally will be effected independently unless Hillcrest decides to purchase or sell the same securities for several clients at approximately the same time. Hillcrest may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and transaction costs and will be allocated among the Advisor's clients in proportion to the purchase and sale orders placed for each client account on any given day. When Hillcrest cannot buy or sell the full amount of securities needed at one time, we allocate the order among participating accounts on a pro rata basis.

REVIEW OF ACCOUNTS

Periodic Reviews

Certain members of the firm act as portfolio managers for client accounts. Each client portfolio is formally reviewed on a quarterly basis by a portfolio manager. In addition, portfolios are monitored daily for price performance and news.

Review Triggers

Triggering factors (buy/sell a new security, risk control parameters, sell discipline) will compel portfolio managers to review accounts on a more frequent basis. Excess market movements, strategy changes by the account or a request from the client will trigger a more immediate review of the account.

Regular Reports

Hillcrest provides clients with quarterly reporting which includes an appraisal of holdings, purchase and sale activity and account performance.

CLIENT REFERRALS AND OTHER COMPENSATION

Third Party Solicitors

Hillcrest directly compensates South Avenue Investment Partners LLC, (“South Avenue”) and Cedar Partners, LTD, (“Cedar”) registered investment advisers, for third party marketing services.

Written Agreement

Both South Avenue and Cedar are unaffiliated with Hillcrest Asset Management and have no relationship with Hillcrest other than a contractual relationship. South Avenue and Cedar have entered into written agreements with Hillcrest, which require them to provide client relationship and marketing services to Hillcrest, including the introduction of prospective advisory clients to Hillcrest. Hillcrest has agreed to compensate South Avenue and Cedar for its sales and marketing services and for the introduction of advisory clients to Hillcrest. Hillcrest will make a reasonable effort to ensure the solicitor has complied with the provisions of the agreement.

Disqualification of Solicitors

South Avenue and Cedar have represented and warranted that they are not subject to any of the disqualifications described in SEC Rule 206(4)-3 for investment advisors. Furthermore, they represent and warrant that they are not subject to any contractual obligations or restrictions that preclude a solicitation agreement with Hillcrest.

Client Disclosures

South Avenue and Cedar are required, at the time of the solicitation, to make the disclosures to the client required by SEC Rule 206(4)-3 for investment advisors.

Prohibitions

Hillcrest will not engage in the following practices with respect to solicitation arrangements:

1. Hillcrest will not enter into solicitation arrangements where Hillcrest is required to pay the solicitor non-cash referral fees, such as directed brokerage arrangements.
2. Hillcrest will not knowingly pay referral fees to a fiduciary of an ERISA plan in exchange for securing investment management services for such plan, unless the solicitation arrangement is structured to comply with applicable ERISA regulations.

Amounts Paid by Clients

Hillcrest does not charge any additional amounts to clients who were marketed by South Avenue or Cedar to cover the amounts Hillcrest pays to South Avenue or Cedar.

Record Keeping Requirements

Hillcrest will maintain a record of written agreements and client disclosures related to this policy. See our Record Keeping Policy for more information regarding our record keeping requirements.

CUSTODY

Custody

Hillcrest does not take possession of client assets or act as custodian for any of their clients. We do not have authorization to debit management fees from client accounts. Our clients' assets are housed in nationally recognized banks or brokerage firms, otherwise known as custodians. Clients select and contract with the custodian of their choice. Hillcrest has a limited power of attorney to place trades on the client's behalf.

Account Statements

The client will receive account statements directly from their qualified custodian. Hillcrest urges the client to compare the statement the client receives from the qualified custodian with the statement the client receives from Hillcrest. See the *Review of Accounts* section for more information on the types of reports you will receive from Hillcrest.

INVESTMENT DISCRETION

Discretionary Authority for Trading

Hillcrest has discretionary authority to buy and sell securities in the quantities that it deems fit without first obtaining consent of the client. Hillcrest determines which securities to buy or sell, the total amount of securities to buy or sell, the broker or dealer through which the securities will be bought or sold (unless directed by the client) and the commission rates at which the transactions are executed. Any limitations or restrictions with respect to the exercise of this investment discretion will be those established by the client in writing at the commencement of the advisory relationship or thereafter.

Limited Power of Attorney

Before assuming discretionary authority, Hillcrest requires the client to execute a power of attorney. This is to confirm the appointment of Hillcrest as investment advisor for the account with discretionary authority as agent and attorney-in-fact on behalf of the account. It specifies that power is within all restraints and limitations as specified in client's account guidelines, (a) to buy, sell, exchange, convert and otherwise trade in any security or investment of every kind and description including money market instruments as Advisor may select, and (b) to place orders for the execution of such securities or investment transactions with or through such brokers, dealers, or issuers as Advisor may select, and (c) to establish, transfer, and terminate accounts in clients name with either executing or custodial investment or financial institutions.

It is also understood that Hillcrest may deliver to any securities or investment brokerage firm executing transactions on behalf of the account, a copy of power of attorney as evidence of the authority to Hillcrest to act for account to include voting of proxies and other related shareholder activities in the client's best interest.

VOTING CLIENT SECURITIES**Proxy Voting**

When requested by the client, Hillcrest will take appropriate action and/or render advice with respect to the voting of client proxy statements. Hillcrest will vote all client proxy statements with management as we believe that to be in the best interest of our clients. If a client wishes us to vote proxies on their behalf but they would like to dictate the manner in which they should be voted, they may provide that information in writing and Hillcrest will vote their proxies accordingly. If the client chooses to retain their proxy voting rights, that is acceptable to Hillcrest. Clients will stipulate in their management agreement with Hillcrest who will be voting proxies. For those proxies to be voted by Hillcrest, client will inform their custodian that proxies are to be sent directly to Hillcrest. In those instances where the client chooses to retain the right to vote their proxies, they will receive all proxy material directly from their custodian. . Clients may request information on how Hillcrest voted their proxies by contacting Hillcrest in writing. Requests should be addressed to:

Compliance Officer
Hillcrest Asset Management
2805 Dallas Parkway
Suite 250
Plano, TX 75093

FINANCIAL INFORMATION

Financial Condition

Hillcrest does not have any financial condition which is reasonably likely to impair our ability to meet contractual commitments to clients.

PRINCIPAL EXECUTIVE OFFICERS AND MANAGEMENT PERSONS

Brian Bruce, CEO and President. Brian, born October 22, 1955, received his M.B.A. from the University of Chicago, M.S. in Computer Science from DePaul University, and a B.S. in Business Administration from Illinois State University. He is a member of the Illinois State University College of Business Hall of Fame and is winner of the University of Chicago Graduate School of Business CEO Award. Brian is a professor at Southern Methodist University's Cox School of Business teaching both undergraduate and MBA classes which manage over \$6 million of the SMU endowment. Brian served as Chief Investment Officer in charge of equity management and research at PanAgora Asset Management, a \$23 billion institutional manager. Prior to joining PanAgora, he was a full time professor at Southern Methodist University and President and Chief Investment Officer of InterCoast Capital, a Dallas based subsidiary of a fortune 500 energy company. He previously worked at State Street Global Advisors, the Northern Trust Company and Stein Roe & Farnham. Brian has published numerous scholarly articles and books including *Analysts, Lies, and Statistics* which he co-authored with Harvard Business School professor Mark Bradshaw. He is also the Editor-in-Chief of Institutional Investor's Journal of Investing, Editor of the Journal of Behavioral Finance and Editor of the Journal of Trading. Brian frequently appears in the media including NBC, ABC, CNBC, Wall Street Journal, Bloomberg, Washington Post, New York Times, Associated Press, Reuters, Financial Times and Business Week. Brian also serves on many boards of directors including The Center for Investment Research, the CM Family of Mutual Funds and the Institute of Behavioral Finance.

Douglas E. Stark, Managing Director, Portfolio Management and Research. Douglas, born December 22, 1960, received his BA from Arizona State University and his MBA in finance and international business from Columbia University, where he graduated with honors. He is a CFA charter holder. Prior to Hillcrest, he was Partner, Senior Vice President, and Director of Research at Martingale Asset Management. Prior to joining Martingale, Douglas was a Senior Vice President and Portfolio Manager at InterCoast Capital Company where he developed a stock selection strategy and created a risk management process for an active U.S. equity portfolio active international portfolio, and emerging markets portfolio. Douglas started his career at State Street Global Advisors in 1990, where he was a Vice President and management international stock portfolios and active currency overlays.

Brandon Troegle, Managing Director, Fundamental Research and Portfolio Management. Brandon, born July 28, 1979, received his M.B.A. from Southern Methodist University's Cox School of Business and his B.A. in Business Administration and History from Austin College. Brandon is a CFA charterholder. Before joining Hillcrest, Brandon was an equity analyst at Morningstar. Previously, he worked for Luther King Capital Management and Bank of America.

Deborah Trask, Managing Director and Chief Operating Officer. Deborah, born January 5, 1956, received her BA in Business from Northeastern University and her MBA from the University of Texas at Dallas. Prior to joining Hillcrest Asset Management, Deborah did operations and trading for RPF Equity Advisors. From June 1999 until she joined RPF Equity Advisors, Deborah was the Operations Manager and Office Manager for Dana Investment Advisors responsible for all of the trading and operations for its equity strategies. Previously, she was Senior Vice President in charge of operations for InterCoast Capital in Dallas, Texas. Before joining InterCoast, she was a member of the executive committee and responsible for operations of \$15 billion of domestic and international equities at State Street Global Advisors. She was a co-founder in charge of operations at India Wharf Associates. She is Managing Editor for the *Journal of Investing*, the *Journal of Trading* and the *Journal of Behavioral Finance*.

Describe Business Other Than Investment Advice

Hillcrest does not engage in any other business activities besides providing investment advice.