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Nirvana
Rick Lane, CFA

A state of perfect happiness. An idyllic state. The final goal of Buddhism. In our opinion, this is a pretty fair description of investors' current view of U.S. equity market, and the U.S. economy as well. Tax reform has passed, lowering corporate tax rates by a third. A business-friendly Administration is lowering regulatory hurdles and talking about an infrastructure bill. Corporations are announcing bonuses and raising wages. Consumer financing rates are low. Unemployment rates are low. Energy prices are relatively low. Inflation is low. All the above is reflected in the Consumer Confidence Index reaching its highest level since 2000.

On the business front, sales are strong and profit margins are high. Corporate income tax rates are set to fall substantially this year. Capital spending can be immediately expensed, which means businesses should increase spending which has been a missing element thus far in the cycle. What I find most amazing is the economy is accelerating ten years into this cycle!

Nirvana! The final goal of the bull market! But perhaps this is as good as it gets? This is an important question as we enter the ninth year of this bull market.

So, what are the risks to this seemingly perfect environment? The economy is running close to full employment and full capacity. In our view, rising wages and interest rates are likely this year. Both factors are likely to present challenges to the current high level of equity valuations. So where does that leave us?

Our position has not changed. We believe we are likely in the later innings of a very long market cycle. Indeed, by measure of the S&P 500®, the current bull market which started March 9, 2009, has lasted 3,219 days as of December 31, 2107, second only to the 4,494-day bull market of 1987-2000! Equity valuations are high, but we believe earnings are strong and poised to accelerate this year. The world itself appears to be in a synchronized upturn.

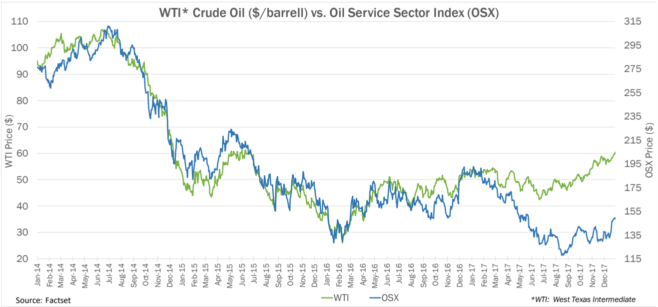
It seems we are in a bit of a battle between benefits of strong earnings and the risks posed by rising inflation and interest rates, against the backdrop of expensive valuations and being late in the cycle. We anticipate the need for caution sometime this year as the end of a very long cycle may become evident.

While we view the general market as expensive, there are certain sectors where we believe we are finding solid value and that is reflected in our relatively low cash position. As we progress through the year, it would not be surprising to see cash levels build as we monetize investments and struggle to find replacements in an expensive market.

Energy Sector Review and Outlook
Rick Lane, CFA

We believe we are in the early stages of an upturn in energy. The synchronized worldwide economic upturn has spurred strong demand for fossil fuels. On the supply side, we are still feeling the effects of the enormous cuts in capital spending in 2015 and 2016 resulting from the last energy bust. The significant oil and refined product inventory issue has largely passed, resulting in rising commodity prices. The chart below says it all!

Commodity prices have risen meaningfully, yet energy stocks have not reflected the improvement. We believe this apparent disconnect reflects the combination of two issues. First, investors were burned so badly in the last energy downturn they are reluctant to come back. Second, the bull market has led



investors to opportunities in other sectors without the risks in energy stocks. Plainly speaking, we believe many investors do not feel compelled to have representation in the energy sector.

We believe that all of the above explain the disconnect between commodity prices and the underlying energy stocks. In our opinion, this is a big opportunity. We have bought new positions and added to existing energy holdings. Please note that we are bullish on oil and energy services companies while less so on natural gas, which continues to suffer from supply and demand imbalances.

Technology Sector Review and Outlook

Faraz Farzam, CFA

2017 was a frustrating year for Broadview's technology sector holdings. Most of the strategy's investments delivered solid gains for the year, however terrible execution by the management team at Veeco Instruments Inc. (VECO) battered performance. During the first half of 2017, Veeco's prospects seemed rather bright. Their main competitor, Aixtron SE (AIXA-DE), had inferior technology resulting in a large order cancellation. Following a prolonged trough, Veeco was poised to gain significant market share. Veeco completed the acquisition of Ultratech, Inc. (previously UTEK) on May 26, 2017. Ultratech is the dominant vendor in the growing semiconductor advanced packaging market with promise of earnings and revenue synergies.

Veeco's stock delivered positive results in the first two quarters of 2017 and grew to one of Broadview's biggest positions. However, the wheels began to come off after the second quarter report when Veeco reported delays in orders for the Ultratech advanced packaging business and the first signs of pricing pressure in China. The pricing pressure in China came from a new competitor, Advanced Micro-Fabrication Equipment, Inc. (AMEC) (25% owned by the Chinese government), that had over the years stolen Veeco's intellectual property (IP) in the metalorganic chemical vapor deposition (MOCVD) tool market. Veeco responded. Attempting to protect their IP, they sought protection from the U.S. patent courts by blocking shipments of a critical subcomponent to AMEC. AMEC retaliated in December 2017 by having a Chinese court block the sale of Veeco's tools in China. The stock cratered on this news. Although we understand the company's instinctive desire to protect the IP, we question the wisdom of going toe-to-toe effectively with the Chinese government.

While painful, we scaled back our investment in Veeco. We believe management's track record as stewards of capital is embarrassing. Their once mighty balance sheet has evaporated as capital has been flushed down the drain on two abysmal and costly acquisitions. Shareholders are left holding a very cheap stock in a raging bull market. We have learned from this mistake the importance of competent management to delivering on an investment thesis.

During 2017 we sold semiconductor equipment vendor MKSI Instruments, Inc. (MKSI) and network security company Fortinet, Inc. (FTNT). We continue to be bullish on both industries and added new positions, Ichor Holdings, Ltd. (ICHR) and FireEye, Inc. (FEYE) and added to existing positions in security software provider Imperva, Inc. (IMPV) and semiconductor maker Marvell Technology, Group Ltd. (MRVL).

Ichor manufactures gas and chemical subsystems and boasts semiconductor equipment industry giants Applied Materials, Inc. (AMAT) and Lam Research Corp. (LRCX) as top customers. We believe their scale advantage will lead to continuing share gains with those two customers. The broader semiconductor market is being driven by several technology themes including cloud computing, industrial automotive electrification and artificial intelligence, and augmented reality. Applied Materials and Lam Research should benefit from these trends which, in our opinion, is good for Ichor.

FireEye and Imperva are turnaround plays with new management teams focused on improving profitability. We believe that both companies have solid balance sheets. They were former "high flyers" but in our opinion, are currently very attractively valued in strategically important security end markets. We believe FireEye has provided four quarters of solid execution. Meanwhile, the new management team at Imperva is hand-picked by an activist investor with a history of value creation.

New management at Marvell has completed a turnaround. In our opinion, profitability is up dramatically, and the business is focused after divestitures in three strategic areas: data storage, networking and wireless. Late in November 2017, Marvell announced their intent to acquire Cavium, Inc. (CAVM, adding significant scale to their networking segment. We believe, after cost savings, this transformative acquisition will dramatic improve the company's profitability with further upside if the combination can accelerate growth.

Consumer Sector Review and Outlook

Faraz Farzam, CFA

We have written extensively about the travails of the consumer discretionary sector this year. The fourth calendar quarter of 2017 saw a bounce in the most beaten up retailers as winter finally came after two years of unseasonably warm weather. This is driving modest traffic to retailers for cold weather goods, like winter jackets, hats and gloves which are high profit margin goods. While the rally was furious, retail is still a secularly challenged industry.

Last quarter, we wrote about our shift in capital allocation to consumer staples names that do not depend on four walls and a cash register like Freshpet Inc. (FRPT and Boston Beer Company, Inc. (SAM. We continue to focus our research efforts on opportunities like these. One such opportunity is B&G Foods, Inc. (BGS. B&G Foods is a packaged food company boasting well-known brands like Green Giant, Ortega, and Mrs. Dash. The company acquired the Green Giant frozen food business in 2015, an orphan of the foods goliath General Mills Inc. (GIS). Green Giant received much needed investment and innovation from B&G Foods. Since September, IRI (a market research company which provides clients with consumer, shopper, and retail market intelligence and analysis based on what is being scanned at store registers) has shown encouraging data for Green Giant frozen food. We are excited about the prospects for Green Giant going forward as innovation should allow it to regain shelf space lost at many retailers. We believe B&G Foods has a very attractive dividend yield, a testament to its free cash flow generating power. After a very difficult 2016, we are optimistic about our consumer investments.

Healthcare Sector Review and Outlook

Aaron Garcia, CFA

Healthcare remains one of the more perplexing sectors for 2018. For the calendar year ended December 31, 2017, the Healthcare sector of the Russell 2000® Index returned 37%, the best performing sector by a wide margin. A truly remarkable feat considering the fundamental challenges in the space. The sector shook off the potential repeal of the Affordable Care Act (ACA), investor panic over potential Amazon competition, a deceleration of healthcare admissions, the destabilization of the healthcare exchanges, a tough private payer reimbursement environment, and flat prescription volumes. Thus, as one might surmise, most of the sector appreciation was driven through earnings multiple expansion as earnings generally disappointed in 2017. The sector finished the year strong, as many of the companies appear to be outsized beneficiaries from the new tax law.

For our part, we had anticipated a difficult 2017 for healthcare given the regulatory backdrop and the further "consumerization" of healthcare. As U.S. companies continue to shift to higher deductible plans and health savings account (HSA) plans, people are rationing care more than ever. The poor health of the exchanges, exacerbates this issue, as exchange plans offer an increasingly narrow network with little ability to manage rising healthcare costs.

We believed that Broadview's healthcare investments would have to be very targeted in this environment. Thus, we allocated capital to companies that we believed had an underappreciated organic growth opportunity, such as K2M Group Holdings, Inc.'s (KTWO) differentiated spinal solutions. Additionally, we took positions in companies that we believed the market was unfairly penalizing for a weak volume environment such as Acadia Healthcare Company, Inc. (ACHC).

Acadia Healthcare hit a snag in the fourth quarter of 2017 and the stock retreated significantly. Premier Inc. Cl A (PINC), which we discussed last quarter, continued to struggle and has not performed to expectations thus far. K2M Group remains an exciting growth opportunity in our view, but management needs to execute on their growth plan for 2018.

Looking forward, we still see the regulatory risk in the sector as high, and would not be surprised to see Congress return to the issue of repealing and replacing the Affordable Care Act. Entitlement reform remains the largest opportunity to offset the cost of the tax cuts. On the private side, reimbursement for surgical procedures and prescriptions will remain difficult as payers grapple with higher costs and less revenue.

In the year ended December 31, 2017, we saw a marked decline in surgical volumes as health plans pushed back on authorizations and reimbursements for treatments using new technologies. The rationing of care that has persisted over the last several years will have a breaking point, unfortunately. Patients are seeking treatment later and thus are sicker. Complications are more common, and comorbidities are on the rise. Hospitals put capital spending on hold in 2017, due to all this uncertainty. We believe there is some pent-up demand for capital investment that could be attractive given the incentives in the new tax law.

We would not be surprised if 2018 turns out to be a tough year for healthcare, as many of the issues in 2017 have not abated, in our view. That being said, we added several new ideas to the portfolio in the back half of 2017 that we believe are attractively positioned in this environment. We continue to favor companies that help the industry control costs and we continue to like the organic growth opportunities in medical devices and drug development. The regulatory agencies are definitely more business friendly and interested in speeding the delivery of new technologies and pharmaceuticals to the market.

Regional Banks Update

Sam Koehler, CFA

The regional banking industry began 2017 with heightened investor sentiment, with many considering "blue sky" estimates including tax cuts, rising interest rates, strong economic growth, and regulatory relief. Those optimistic scenarios largely played out in 2017, yet the KBW NASDAQ Regional Banking Index (KRX) underperformed the broader market after a big run in the fourth quarter of 2016. The tax reform package passed, the Federal Reserve increased rates three times, economic growth was healthy, and regulatory relief for banks is expected early in 2018. In 2017, the market focused, not unfairly, on concerns of spotty loan growth and the yield curve flattening and banks relatively underperformed after a strong 2016. Lower tax rates have brought forward-earnings multiples lower while the rest of the market has gone up. This has increased the relative valuation for regional banks.

Many regional banks have been high tax payers and will see notable tax benefits from the recently passed tax reform bill. This is on top of any benefits from improved economic growth that the bill might encourage. If the economy continues to thrive, the Federal Reserve is expected to continue raising the federal funds rate. While this is positive for banks, the steepness of the yield curve is also important, and long-term interest rates have been stubborn to rise. Many banks have shifted toward floating rate loans dependent on the short end of the curve, but a flatter curve is still a hindrance to a healthy banking environment.

Despite a strong economy, loan growth has been inconsistent for banks. Several bank executives have dialed back loan growth expectations. They have noted even weaker pricing and terms on loans as bank and non-bank competitors continue to "steal" lending relationships, a trend that has been happening for years, but seems to have accelerated. Many banks cite non-bank competitors, including large insurance companies, as a significant source of this competition. Notwithstanding these concerns, current bank loan losses have remained subdued.

The U.S. Senate Banking Committee is moving a bipartisan bill through Congress that would scale back large portions of the Dodd-Frank Act. This would be meaningful to our regional bank stocks. The potential raising of the SIFI (Systemically Important Financial Institution) threshold above the current $50 billion mark will be an important part of these changes. While Zions Bancorporation (ZION) is our only investment with assets over the current threshold, many of our banks are growing closer and will be forced to make substantial regulatory and operational investments as they approach $50 billion. A potentially greater implication is that the rising of this threshold could allow bank mergers and acquisitions to rebound in a consequential way. We believe that after a year of lower than market returns, regional banks are trading at an even more attractive relative valuation.

MGIC Investment Corp. (MTG) Update
Rick Lane, CFA

MGIC remains our largest investment position in the Financial sector and the strategy overall. In the years following the Great Recession (2009), we believe MGIC has written some of the highest quality annual books of business in the history of the company. This is evidenced through the extremely low loss rates in these books. The first-time home buyer market remains strong and the improving regulatory environment is a significant benefit for private mortgage insurers. Regulators are now favoring private market approaches to mortgage insurance, particularly for high FICO score borrowers, over government approaches, like Federal Housing Administration (FHA loans. This drives growth in a low credit loss segment for MGIC. Government-Sponsored Enterprise (GSE reform, which would impact Federal National Mortgage Association (Fannie Mae and Federal Home Loan Mortgage Corporation (Freddie Mac, is finally being discussed, with an eye toward favoring private market solutions. This focus on limiting FHA growth and possible GSE reform has the potential to significantly expand the private mortgage insurance total addressable market. We believe MGIC continues to trade at an attractive valuation with an improving profitability profile and an emphasis on returning capital to shareholders.

U.S. Silica Holdings, Inc. (SLCA)
Aaron Garcia, CFA

In the context of our bullish energy thesis, we revisit one of our more controversial energy positions, U.S. Silica. This company has two main business segments: Oil & Gas and Industrial & Specialty Products. This company mines sand through locations primarily in the upper Midwest and Texas, although it has a national footprint. This sand is then used in oil and gas drilling as proppant (to keep an induced hydraulic fracture open), or it is refined and treated into a silica powder that is then sold into a variety of industrial applications.

In the oil and gas industry, sand, water and chemicals are pumped downhole to fill the fractures in the rock and allow the resource to flow into the wellbore. Volumes in the company's Oil & Gas segment have been growing as the recovery in oil prices has spurred an increase in oil well completions. Energy companies are also increasing the amount of sand they use per completion due to longer laterals and more sand per lateral foot. In unconventional (horizontal completion, companies have been increasing the volume of sand per linear foot of well to improve the well production. Sand volume in some places has grown from 800 pounds per linear foot to as much as 2,000 pounds per linear foot. These trends of increased completion activity, longer drilled laterals, and more sand per lateral foot all combine to result in a large amount of sand demand in the energy industry.

The company's Industrial & Specialty products business generally provides solutions that are more specialized and hold higher margins. In our opinion, the company has done an admirable job of expanding its silica powder product portfolio through research and development investment. We believe this business segment is somewhat overlooked by investors since much of U.S. Silica's sand is sold as proppant for completions.

We believe U.S. Silica has one of the more impressive competitive positions in this industry with some of the most advantaged mining assets. In the upper Midwest, its mines are located very close to rails for more efficient transportation. In the Permian Basin, which is in western Texas and southeastern New Mexico, they provide sand to the fast-growing mining operations. However, many analysts are concerned about the expansion of capacity in the Permian. Other companies are also aggressively expanding sand supply in this area in anticipation of increased completion activity. Estimates vary, but the Permian is the growth engine of the country's energy industry with an expected oil supply growth of 700 thousand barrels per day in 2018.

Sand proppant is largely a commodity, although logistics and reliability matter to the customers. We believe that the expansion of sand capacity in the Permian is a real concern; however, we remain skeptical that all announced capacity will be added. Simply put, capital employed must earn a return, and if the basin becomes oversupplied, the price of sand will fall, and U.S. Silica's returns will disappoint. Much of the capacity announced is by operators already in the basin. We think operators will be reluctant to incrementally add if oil prices begin to fall. Further, we believe U.S. Silica has some of the better located assets in the Permian. Logistics and transportation is becoming more difficult in the basin due to the increased drilling and completion activity.

U.S. Silica has the expertise and infrastructure to support customers in this difficult environment. Due to this expertise, the company has been able to contract volumes with customers for 2018 and 2019. The company also has a very profitable sand delivery solution, Sand Box, that has been taking share in recent years. Sand Box crews generate between $1 million and $1.25 million in cash flow per year and the company is actively expanding these crews in 2018. We believe this business is a nice compliment to the sand proppant business and increases the value that U.S. Silica brings to its customers. It also provides some downside protection to the segment if sand prices decline.

While we believe that sand pricing will not collapse in the next several years, we acknowledge that proppant sand is a commodity. U.S. Silica's business may face pricing declines that offset volume growth. Cyclical businesses can surprise or disappoint in spectacular fashion and so an investment in Oil & Gas sand proppant carries a larger amount of risk. We like that U.S. Silica's Industrial & Specialty business has lower volatility and strong returns. When Oil & Gas sand pricing collapsed in 2015, the Industrial & Specialty business remained profitable. Finally, we believe U.S. Silica's balance sheet is healthy and the company has below average liquidity risk. The company raised equity in 2016 to fund growth initiatives and pay down debt, which provides the flexibility to acquire assets if the industry enters another downturn. Our valuation work suggests that the Oil & Gas business is undervalued when you consider reasonable valuation multiples for the Industrial & Specialty business and Sand Box. In conclusion, while U.S. Silica remains an investment not without controversy, we are optimistic that it will be a strong outperformer in 2018.

Welbilt Inc. (WBT)
Rick Whiting

Investors may not immediately recognize the name Welbilt, but it is a company with which we have had a long history, although by another name. Welbilt was formerly Manitowoc Food Service (MFS), a division of The Manitowoc Company, Inc. (MTW). It was spun out from Manitowoc in the first quarter of 2016 and renamed Welbilt. When it was part of Manitowoc, it largely functioned as an undermanaged cash machine that served as a buffer to the deeply cyclical tides of the crane business for which Manitowoc was primarily known.

Debuting as an independent public company came with some hurdles. Having chronically underperformed from a profit margin standpoint, there needed to be a review of the business plan and a change in culture. The company began life shackled by its prorated share of the debt load accumulated by The Manitowoc Company. Clearly, Welbit started life as a public company as a classic "show me" story with ankle weights.

Enter Hubertus Muehlhaeuser, CEO, and his team. His priority would be to build from the historically low-double-digit operating margin hovering around 12%, to an industry standard in the 20%-plus range. This is an aggressive goal, but with a very credible template. And indeed, we are not home yet, but we are pleased with the progress and applaud a management team that lays out clear metrics by which to judge performance. The business plan has several moving parts including improved manufacturing efficiency and footprint, reducing the number of products, eliminating marginally profitable offerings and inventory, and taking a sharp pencil to selling, general and administrative expenses.

The effort to improve operating margins is not simply a blocking and tackling exercise in manufacturing efficiency. The more profound changes will be in the approach to the market and culture. Previously Welbilt, or MFS, had been viewed as a price taker, ever ready to discount pricing to never lose a sale. Their mission was to generate cash flow to support a crane business. No longer. Profitless prosperity is anathema to Mr. Muehlhaeuser, and while top line revenue may have suffered at the hand of product reductions and pricing discipline, profitability has improved measurably. This is the cultural change – to create a product with true innovation and value and then garner an appropriate price in the market.

The second change is the way Welbilt is evolving its approach to the kitchen market of Quick Serve and Fast Casual restaurants. Historically, MFS and its competitors largely sold individual kitchen components into the market: an oven, a fryer, an ice machine, a beverage dispenser. Welbilt is at the forefront of engineered solutions, where a single team can help teach a franchise to think of its kitchen as a manufacturing footprint. The concept is called "Fitkitchen." It is essentially the digitalization of an integrated kitchen and then capturing the analytics that flow from that data.

Consider for a moment the challenges faced by Welbilt's restaurant customers. They face rising labor costs, rising energy costs, rising real estate costs and must manage food waste. If one employs manufacturing discipline to the concept of storing, preparing and plating food via an integrated system of kitchen components, it is possible to dramatically raise efficiency while reducing the footprint. It successfully touches on all the cost-related hot buttons with which their customers wrestle. The analytics generated by the concept then foster an iterative process of continuous improvement and provide preventative service to maintain "up time." Welbilt's sales and engineering teams are well suited and trained to offer this sort of soup-to-nuts solution.

In summary, we believe we have invested in a management team with a long-term vision that is improving the day-to-day efficiency of running a business. We believe they will continue to gain market share and improve profitability. Welbilt has done a lot of heavy lifting already, and there is more to come. Legacy debt remains an issue, although a portion of cash flow is being devoted to bringing leverage down. The company has $128 million of cash overseas that may be used for bolt-on acquisitions or repatriated. Finally, the Quick Serve and Fast Casual restaurant businesses are enormously competitive which we believe will continue to drive menu innovation and a high sensitivity to operating cost. We think all of this will accrue to the benefit of Welbilt's profits and valuation.