

We are taking this opportunity to provide you with an update to our capacity limits. By way of context, the following table lists the market constraints as they were in September 2010 and today.

	Russell 2000 Value		Russell Microcap Value	
	Avg. Market Cap	PRCP Capacity	Avg. Market Cap	PRCP Capacity
September 30, 2010	\$573 million	\$1.6 billion to \$2.0 billion	\$174 million	\$400 million to \$600 million
June 30, 2021	\$1.5 billion	\$2.2 billion to \$2.9 billion	\$450 million	\$600 million to \$800 million

When setting the capacity for our strategies, we take into account several factors, including historical trading liquidity, median market cap of our universe and sector level data. That data is measured against the following formula to calculate the capacity ranges:

$$\text{Average market cap of a typical holding} \times \text{Average holding position size} \times \text{Average number of holdings}$$

From there, we set soft close limits whereby existing clients can expect two years of expected returns without requiring a return of assets.

Given the market inflation since 2010, we have revised our static capacity limits. All other aspects of our strategies, including their investment philosophies, remain unchanged. Based on our updated modeling, we have set the revised Pacific Ridge capacity limits for our strategies as follows:

- Small Cap Value strategy - \$2.2 billion soft close and \$2.9 billion hard close
- Micro Cap Value strategy - \$600 million soft close and \$800 million hard close

Please contact us should you have any questions.

Sincerely,

Pacific Ridge Capital Partners