

# FUNDAMENTAL INTERNATIONAL SMALL CAP

FACT SHEET | June 30, 2019

## Top Ten Holdings<sup>2,3</sup>

Constellation Software Inc.	5.4
Keywords Studios plc	5.1
Webjet Limited	4.6
CANCOM SE	4.5
Fortnox AB	4.3
Boyd Group Income Fund	3.6
ZIGEXN Co., Ltd.	3.4
Azimut Holding Spa	3.1
Fu Shou Yuan International Group Ltd.	3.1
MTY Food Group Inc.	3.0
<b>Total (% of portfolio)</b>	<b>40.1%</b>

## Performance<sup>1</sup>

Periods Ended 6/30/19 (%)	QTD	YTD	Annualized Returns			
			1 Year	3 Years	5 Years	10 Years
Fundamental International Small Cap (gross)	10.16	33.88	3.15	13.07	4.84	12.34
Fundamental International Small Cap (net)	10.03	33.46	2.15	11.78	3.60	11.01
MSCI ACWI ex-USA Small-Cap Index-Net <sup>4</sup>	1.21	11.60	-5.94	7.76	2.77	8.48
Calendar Year (%)	2018	2017	2016	2015	2014	2013
Fundamental International Small Cap (gross)	-22.10	36.05	1.70	2.96	-17.07	24.23
Fundamental International Small Cap (net)	-23.09	34.40	0.44	1.68	-18.12	22.70
MSCI ACWI ex-USA Small-Cap Index-Net <sup>4</sup>	-18.20	31.65	3.91	2.60	-4.03	19.73

## Portfolio Characteristics<sup>2,4</sup>

	Fundamental International Small-Cap	MSCI ACWI ex-USA Small-Cap <sup>4</sup>
Weighted Average Market Capitalization (\$ Mil)	\$2,836	\$2,236
EPS Growth (3-5 year forecast)	18.1%	11.9%
Price/Earnings (1 year forecast)	21.4x	14.3x
Dividend Yield (1 year trailing)	1.3%	2.8%
Beta (3 Years)	1.13	-
Standard Deviation (3 Years) <sup>1,5</sup>	15.35%	11.87%
Tracking Error (3 Years) <sup>1,5</sup>	7.56%	-
Turnover (3 year average)	45%	-
Number of Holdings	40	4,227

## Regional Allocation<sup>2</sup>

	Fundamental International Small-Cap	MSCI ACWI ex-USA Small-Cap <sup>4</sup>	Relative Weights
United Kingdom	15.9	12.9	3.0
Europe	24.4	28.4	-4.0
Japan	19.2	21.5	-2.3
Asia (excluding Japan)	14.1	9.1	5.0
Emerging Markets/Other	14.2	21.3	-7.1
North America	12.2	6.8	5.4

<sup>1</sup>Data is based on firm's Fundamental International Small Cap composite. Past performance does not guarantee future results and future performance may be lower or higher than the performance presented. See Performance Disclosure for additional performance information.

<sup>2</sup>Information presented is for a representative portfolio which is an account in the composite that we believe most closely reflects current portfolio management style for the strategy. Performance is not a consideration in the selection of the representative portfolio. The information of the representative portfolio shown may differ from that of the composite and of the other accounts in the composite. Information on this page is considered supplemental information to the Performance Disclosure.

<sup>3</sup>The specific securities and/or countries identified and described do not represent all the securities or all of the countries purchased, sold or recommended for clients in the composite and no assumption should be made that such securities or future recommendations will be profitable in the future.

<sup>4</sup>Source: eVestment Alliance.

<sup>5</sup>Source: FactSet.

<sup>6</sup>Standard Deviation, Beta and Tracking Error statistics based on monthly data. Three years. Source: eVestment Alliance.

## Market Overview

The second quarter of 2019 was a volatile one, with almost every major equity market rising through April, falling in May, and rebounding in June. A catalyst for this was the U.S. decision in May to raise tariffs on \$200 billion of Chinese imports, prompting China to retaliate with tariffs on \$60 billion of U.S. goods. Towards the end of the quarter, hopes for a trade deal were rekindled as Presidents Trump and Xi restarted talks at the G20. Simultaneously, optimism in the U.S. market was buoyed by signs that the U.S. Federal Reserve would cut rates, while Chinese economic indicators improved as the government ramped up stimulus. Japan's Nikkei ended the quarter where it began, as Japanese growth remained stable if sluggish. European equities rose moderately on mixed news. Lackluster economic performance, including disappointing manufacturing data from Germany, was balanced by budding signs of recovery and by the European Central Bank and Bank of England maintaining a dovish stance. Ongoing uncertainty surrounding Brexit and Italy's political instability was tempered by a fading Italian bond crisis. Emerging markets struggled this quarter, marked by a decline in Indian GDP growth, a missed GDP growth target in Indonesia, and post-electoral tensions in Turkey.

## Strategy Performance

The Segall Bryant & Hamill Fundamental International Small Cap strategy returned 10.2%\* for the second quarter, compared to the 1.2% return posted by its benchmark, the MSCI ACWI ex USA Small Cap Index. Year to date through June, the strategy returned 33.9%\* versus 11.6% for its benchmark.

Strong stock selection in Ireland, Japan, and Sweden contributed to the strategy's outperformance relative to its benchmark while selection in Australia and Israel detracted from relative results.

## Contributors to Return

During the second quarter, Ireland-based Keywords Studios plc reported a strong result for 2018, growing revenues by 66%. Keywords is the world's largest provider of outsourced technical services to video game developers, with services spanning areas such as content localization, art creation, and game testing. The company continues to achieve double-digit organic growth by growing the breadth and scale of its service offerings while executing on its acquisition strategy of consolidating other outsourcers.

Fortnox AB, a provider of enterprise resource planning software based in Sweden, also performed well during the quarter. Revenue increased 39% in the first quarter, with the company adding 16,000 new customers during the quarter and continuing to grow average monthly revenue per customer. We continue to have a positive outlook for Fortnox due to its long growth runway, recurring revenue business model, and loyal customers.

## Detractors from Return

Japanese restaurant operator Yossix Co., Ltd. was the strategy's most significant detractor in the second quarter. Yossix owns a variety of restaurant brands that offer different price points in order to maintain flexibility in the face of changes in consumer behavior or macroeconomic developments. During the quarter, the company's growth was pressured by a tight labor supply, weak consumer sentiment, and a competitive industry environment. However, we remain confident in the company's growth opportunity, which we believe is attractive relative to its current valuation.

Another detractor during the quarter was Autohome, Inc., China's leading online automobile portal. Although the company has consistently delivered superior results, growing revenue by 25.1% last quarter, a sharp downturn in China's auto market has battered short-term investor expectations. Our view is that Autohome's business model of charging dealerships subscription fees and charging automakers advertising fees out of their annual budgets limits its exposure to an industry slump.

## Outlook and Positioning

Global investors continue to face significant uncertainty, including concerns over the longevity of U.S. growth, the U.S.-China trade war, protracted economic weakness in Europe, Brexit, and a new value-added tax hike in Japan. We believe our focus on holdings with reasonable valuations supported by strong fundamentals such as high cash generation and low indebtedness will position the strategy well for the future.

\*Preliminary return. Unless otherwise noted, all returns are shown in U.S. dollar terms.

## Top Contributors/Detractors (By Stock)<sup>2,6</sup>

Top 5 Contributors	Average Weight	Absolute Contribution to Return	Top 5 Detractors	Average Weight	Absolute Contribution to Return
Keywords Studios plc	5.58	2.48	JUST EAT plc	1.56	-0.34
Fortnox AB	4.44	1.90	Webjet Limited	5.52	-0.36
ZIGExN Co., Ltd.	2.90	1.07	Autohome, Inc. Sponsored ADR Class A	3.20	-0.61
MarkLines Co.Ltd.	3.47	1.04	Citadel Group Ltd.	1.40	-0.71
CANCOM SE	5.02	0.86	Yossix Co., Ltd.	2.01	-0.79

<sup>4</sup>The securities identified on this chart were determined after consistently calculating the weight of each holding in the representative account multiplied by the rate of return for that holding during the period. The securities identified do not represent all of the securities purchased, sold or recommended for advisory clients. You may obtain a complete list showing the contribution of each holding in the representative account to the overall account performance during the period presented by calling (303) 312-5000.

The performance data quoted represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance data quoted. Investment return and principal value will vary, and initial investments may be worth more or less than their original investment. To obtain current performance as of the most recent month-end and for important performance disclosures, please see the strategy's composite performance at [www.sbhic.com](http://www.sbhic.com)

The Manager Commentaries contain certain forward-looking statements about the factors that may affect future performance. These statements are based on portfolio management's predictions and expectations concerning certain future events and their expected impact on the strategy, such as performance of the economy as a whole and of specific industry sectors, changes in the levels of interest rates, the impact of developing world events, and other factors that may influence the future performance of the strategy. Portfolio management believes these forward-looking statements to be reasonable, although they are inherently uncertain and difficult to predict. Actual events may cause adjustments in portfolio management strategies from those currently expected to be employed.

## Performance Disclosure: Fundamental International Small Cap Composite

Year	— Composite Assets —			Composite Gross of Fees Annual Return (%)	Composite Net of Fees Annual Return (%)	Russell Midcap® Value Index (%)	Composite 3 Year Standard Deviation (%)	Index 3 Year Standard Deviation (%)	Composite Dispersion (%)	Total Firm Assets (Incl. Model Portfolios)* (\$Bil)	Total Firm Assets (\$Bil)
	Dollars (\$ millions)	% of Firm Assets	Composite Accounts								
2018	56	<1.0	2	-22.10	-23.09	-18.02	14.70	12.52	-	18.627	18.401
2017	104	1.5	2	36.05	34.40	31.65	13.01	11.69	0.35	7.284	6.995
2016	151	2.1	2	1.70	0.44	3.91	14.04	12.31	0.03	7.476	7.169
2015	282	3.8	3	2.96	1.68	2.60	13.60	11.49	0.44	7.606	7.382
2014	507	5.4	3	-17.07	-18.12	-4.95	14.08	13.51	1.30	9.596	9.373
2013	686	7.0	3	24.23	22.70	29.30	15.65	16.37	1.70	10.009	9.794
2012	354	3.8	2	26.78	25.17	20.00	18.74	20.12	-	9.565	9.343
2011	134	1.5	1	-4.26	-5.45	-15.94	20.95	23.33	-	9.389	9.101
2010	61	1.0	1	37.30	35.87	22.04	-	-	-	8.989	8.711
2009	32	<1.0	1	66.53	64.96	46.78	-	-	-	8.038	7.837

\*Number includes a portion of assets where Segall Bryant & Hamill does not have discretionary trading authority. This information is supplemental to fully compliant presentation.

- 1) Segall Bryant & Hamill is a Registered Investment Adviser, established in 1994. SBH provides fee-based management of fixed income and equity portfolios for institutional clients and high net worth individuals. Denver Investment Advisors LLC (aka Denver Investments) was acquired by Segall Bryant & Hamill on April 30, 2018. Prior to this date, performance results were achieved through the legacy firm, Denver Investments.
- 2) This composite was created in July 2006. Accounts in the composite include all fee paying, discretionary actively managed equity accounts that are managed to the MSCI ACWI ex USA Small Cap Index - Net and an investment mandate of Fundamental International Small Cap. The MSCI ACWI ex USA Small Cap Index captures small cap representation across 22 of 23 Developed Market countries (excluding the U.S.) and 23 Emerging Market countries. The index covers approximately 14% of the global equity opportunity set outside the U.S. Prior to 1/1/2015 the MSCI EAFE Small-Cap Index-Net was used. MSCI is the source and owner of the MSCI Index data contained in this material and all trademarks and copyrights related thereto. Any further dissemination or redistribution is strictly prohibited. MSCI is not responsible for the formatting or configuration of this material or for any inaccuracy in Segall Bryant & Hamill's presentation thereof. Index returns are not covered by the report of the independent verifiers.
- 3) The team may use forward contracts to achieve currency exposure comparable to the benchmark in order to minimize tracking error caused by currency movements.
- 4) Gross of fee returns are calculated gross of management and custodial fees, and net of transaction costs. Net of fee returns are calculated net of management fees and transaction costs, and gross of custodian fees. As of 1/1/15, net of fee returns were calculated by deducting the maximum applicable advisory fee in effect, pro-rated on a monthly basis. From 1/1/08 to 12/31/14, net of fee returns were calculated by deducting the maximum applicable advisory fee in effect, pro-rated on a quarterly basis. Prior to this date, net of fees returns were calculated using actual annual client fees, pro-rated on a quarterly basis. Effective October 1, 2012, for the composite, any cash flow which exceeds \$10 million and 25% of the account value prior to the cash flow will result in the account transferring to the restricted composite for the month of the cash flow and then return to the unrestricted composite in the month following the cash flow.
- 5) The dispersion of annual returns is measured by the standard deviation across unweighted portfolio gross returns represented within the composite for the full year. Dispersion is not shown for years in which only one account is present for the entire year.
- 6) Valuations and returns are computed and stated in U.S. dollars. Performance is calculated net of withholding taxes on foreign dividends and interest. Dividend income is recorded on the ex-dividend date and interest income is recorded on the accrual basis. Total returns for accounts are presented using the accrual basis of accounting for all fixed income and equity investments and on a cash basis for all cash equivalents.
- 7) Segall Bryant & Hamill claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Segall Bryant & Hamill has been independently verified for the periods 1/1/84 – 12/31/16. Verification assesses whether the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Fundamental International Small Cap composite has been examined for the periods 7/1/06 – 12/31/16. The verification and performance examination reports are available upon request. A complete list and description of all firm composites is available upon request.
- 8) Prior to Segall Bryant & Hamill's acquisition of Denver Investment Advisors LLC, Denver Investments was verified from the period 1/1/84 through 12/31/16. The Fundamental International Small Cap composite has been examined for the periods 7/1/06 – 12/31/16.
- 9) The maximum fee rate is 1.25%. Please reference Segall Bryant & Hamill's ADV for full fee schedule.
- 10) Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.
- 11) Past performance does not guarantee future results and future performance may be lower or higher than the performance presented.