

# MICRO CAP

FACT SHEET | June 30, 2019

## STRATEGY

- Focus on micro-cap companies with less than \$500 million market capitalization
- Multi-factor sector-specific quantitative models developed in conjunction with fundamental analyst team
- Emphasize strict adherence to style and risk control measures
- Mathematical approach allows for repeatability within the process

## Top Ten Holdings<sup>2,3</sup> (%)

Perficient, Inc.	1.5
NeoGenomics, Inc.	1.3
Anika Therapeutics, Inc.	1.2
Financial Institutions, Inc.	1.2
Amphastar Pharmaceuticals Inc	1.2
Southern National Bancorp of Virginia, Inc.	1.2
ANI Pharmaceuticals, Inc.	1.2
KEMET Corporation	1.2
Lantheus Holdings Inc	1.2
First Choice Bancorp	1.1
<b>Total (% of portfolio)</b>	<b>12.3%</b>

## Performance<sup>1</sup>

Periods Ended 6/30/19 (%)	QTD	YTD	Annualized Returns			
			1 Year	3 Years	5 Years	10 Years
Micro Cap (gross)	-0.08	10.65	-9.28	9.79	5.66	13.62
Micro Cap (net)	-0.08	10.65	-9.86	8.66	4.48	12.28
Russell Microcap <sup>®</sup> Index <sup>4</sup>	0.92	14.15	-10.39	11.19	5.52	12.54
Calendar Year (%)	2018	2017	2016	2015	2014	2013
Micro Cap (gross)	-11.13	6.83	26.05	-3.72	3.86	48.06
Micro Cap (net)	-12.24	5.51	24.51	-4.92	2.57	46.46
Russell Microcap <sup>®</sup> Index <sup>4</sup>	-13.08	13.17	20.37	-5.16	3.65	45.62

Segall Bryant & Hamill acquired Denver Investment Advisors LLC on 4/30/2018. Performance results before this date reflect returns generated by the portfolio managers at Denver Investment Advisors LLC.

## Portfolio Characteristics<sup>2,5</sup>

	Micro Cap	Russell Microcap <sup>®</sup> Index <sup>4</sup>
Weighted Average Market Capitalization (\$ Mil)	\$623	\$714
Median Market Capitalization (\$ Mil)	\$330	\$218
Price/Book Value	1.3x	1.8x
Return on Assets	5.0%	-4.8%
Long-Term Debt/Capital	21.9%	26.9%
Dividend Yield (1 year trailing)	2.1%	1.2%
Turnover (3 year average)	81%	-
Number of Holdings	194	1,519

## Sector Allocation<sup>2</sup>

	Micro Cap	Russell Microcap <sup>®</sup> Index <sup>4</sup>	Relative Weights
Communication Services	3.0	3.2	-0.2
Consumer Discretionary	10.8	10.0	0.8
Consumer Staples	1.9	2.1	-0.2
Energy	3.8	3.9	-0.1
Financials	23.8	24.2	-0.4
Health Care	27.1	26.7	0.4
Industrials	11.2	10.6	0.6
Information Technology	9.9	10.3	-0.4
Materials	2.5	2.8	-0.3
Real Estate	4.7	4.9	-0.2
Utilities	1.2	1.4	-0.2
Cash	0.2	0.0	0.2

<sup>1</sup>Data is based on firm's Micro 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. Weights may not sum to 100% due to rounding.

<sup>3</sup>The specific securities identified and described do not represent all the securities 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: FactSet

<sup>5</sup>Tracking error, Standard deviation and Beta statistics based on monthly data. Three years. Source: eVestment Alliance.

## Market Overview

Following a double-digit increase in the first quarter, U.S. microcap equities slowed in the second quarter, posting a 0.93% gain as measured by the Russell Microcap® Index. A quiet April was followed by a sell-off in May after additional tariffs were placed on Chinese goods, stoking fears that the trade war would intensify. Stocks rallied in June to erase the prior month's losses following dovish comments from the Fed on interest rates and signals from U.S. officials that a trade deal with China was closer. Sector performance within the benchmark was mixed. Real Estate (+7.6%), Utilities (+7.2%), and Financials (+5.2%) were the best performers but their positive results were offset by losses in Energy (-10.1%), Communication Services (-7.0%), and Consumer Discretionary (-4.5%).

## Strategy Performance

The Segall Bryant & Hamill Micro Cap strategy posted a -0.08% return\* for the second quarter of 2019 compared to a return of 0.93% for its benchmark, the Russell Microcap® Index. On an absolute basis, our holdings in the Utilities (+20.1%) and Industrials (+8.5%) sectors were our best performers, while stocks in the Energy (-16.1%) and Consumer Discretionary (-10.1%) sectors were the weakest. On a relative basis, stock selection was additive in five sectors with Industrials and Health Care providing the most support. Selection was negative in the other six sectors with Consumer Discretionary and Real Estate ending up as the largest relative detractors. Effects due to sector allocation were negligible as the strategy seeks to remain sector neutral and focus solely on bottom-up stock selection. The performance of our model's factors ended the quarter mixed as valuation, the largest component, underperformed, while the profitability and momentum factors outperformed.

## Outlook and Positioning

Our outlook for the remainder of 2019 is positive. The economy appears to remain on solid footing with low unemployment, decent wage growth, and strong consumer confidence. Recent Fed comments have shown that the Fed is willing to adjust monetary policy if it sees signs of stress in the economy. The key downside risk remains an escalation of trade tensions between the U.S. and China as the markets hinge on every news item about the subject. The most recent reports on the matter have been positive with U.S. officials signaling a deal is getting closer, although that has been said before.

Our strategy of buying strong companies with reasonable valuations has faced headwinds so far this year in the U.S. microcap space due to the market's appetite to pay up for expensively valued companies, as evidenced by the outperformance of the Russell Microcap® Growth Index (+16.5%) over the Russell Microcap® Value Index (+12.0%) this year (through June). However, we believe the strategy of buying increasingly expensive stocks cannot go on forever and we are confident in the strategy's positioning for the market environment ahead.

\*Preliminary return.

## Top 5 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
Vectrus Inc	0.45	0.56	Ashford Inc.	0.30	-0.27
Repligen Corporation	1.04	0.41	Midstates Petroleum Co Inc (New)	0.62	-0.28
Zix Corporation	1.06	0.34	Harvard Bioscience, Inc.	0.40	-0.30
Anika Therapeutics, Inc.	1.10	0.33	Assertio Therapeutics, Inc.	0.78	-0.31
Perficient, Inc.	1.33	0.31	Meridian Bioscience, Inc.	0.91	-0.40

<sup>6</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: Micro Cap Composite

Year	— Composite Assets—			Composite Gross of Fees Annual Return (%)	Composite Net of Fees Annual Return (%)	Russell Microcap® 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	4	<1.0	1	-11.13	-12.24	-13.08	15.17	17.26	-	18.627	18.401
2017	14	<1.0	1	6.83	5.51	13.17	13.30	15.53	-	7.284	6.995
2016	13	<1.0	1	26.05	24.51	20.37	15.18	17.08	-	7.476	7.169
2015	21	<1.0	1	-3.72	-4.92	-5.16	14.61	15.04	-	7.606	7.382
2014	37	<1.0	1	3.86	2.57	3.65	14.83	14.51	-	9.596	9.373
2013	21	<1.0	1	48.06	46.46	45.62	17.17	17.33	-	10.009	9.794
2012	3	<1.0	1	17.11	15.94	19.75	20.53	21.50	-	9.565	9.343
2011	2	<1.0	1	-2.26	-3.25	-9.27	25.38	26.47	-	9.389	9.101
2010	2	<1.0	1	35.23	33.50	28.89	-	-	-	8.989	8.711
2009	2	<1.0	1	17.07	15.55	27.48	-	-	-	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 an independent investment advisor registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940. Segall Bryant & Hamill provides fundamental investment management services to various institutional and private investors and mutual funds. 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 2008. The composite is defined to include all fee paying, discretionary, actively-managed equity accounts that are managed to the Russell Microcap® Index. The composite primarily invests in the stocks of micro-cap companies that appear to be undervalued. The Russell Microcap® Index measures the performance of the microcap segment of the U.S. equity market. It makes up less than 3% of the U.S. equity market. It includes 1,000 of the smallest securities in the small-cap Russell 2000® Index based on a combination of their market capitalization and current index membership and it includes the next 1,000 securities. FTSE Russell is the source and owner of the Russell Index data contained in this material and all trademarks and copyrights related thereto. Any further dissemination or redistribution is strictly prohibited. FTSE Russell 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) 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.
- 4) 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.
- 5) 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.
- 6) 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 Micro-Cap composite has been examined for the periods 7/1/08 – 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.
- 7) The maximum fee rate is 1.25%. Please reference Segall Bryant & Hamill's ADV for full fee schedule.
- 8) Policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.
- 9) Past performance does not guarantee future results and future performance may be lower or higher than the performance presented.