

# SMALL CAP GROWTH

FACT SHEET | June 30, 2019

## STRATEGY

- Seek to invest in growth companies with enduring competitive advantages, improving fundamentals and potential for positive earnings revisions
- Use proprietary fundamental research to identify and understand key value-creating drivers
- Employ bottom-up decision-making process

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

Bright Horizons Family Solutions, Inc.	2.5
EPAM Systems, Inc.	2.4
Hexcel Corporation	2.3
Everbridge, Inc.	2.2
Investnet, Inc.	2.2
Generac Holdings Inc.	2.2
Goosehead Insurance, Inc. Class A	2.1
Grand Canyon Education, Inc.	2.1
Catalent Inc	2.0
MAXIMUS, Inc.	1.9
<b>Total (% of portfolio)</b>	<b>21.9%</b>

<sup>1</sup>Data is based on firm's Small Cap Growth 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>Standard Deviation, Beta and Tracking Error statistics based on monthly data. Three years. Source: eVestment Alliance.

## Performance<sup>1</sup>

Periods Ended 6/30/19 (%)	QTD	YTD	Annualized Returns			
			1 Year	3 Years	5 Years	10 Years
Small Cap Growth (gross)	4.45	23.29	10.08	24.33	13.13	-
Small Cap Growth (net)	4.39	23.02	9.27	23.23	12.08	-
Russell 2000 <sup>®</sup> Growth Index <sup>4</sup>	2.75	20.36	-0.49	14.69	8.63	-
Calendar Year (%)	2018	2017	2016	2015	2014	2013
Small Cap Growth (gross)	4.33	28.74	9.81	-3.45	5.23	53.21
Small Cap Growth (net)	3.29	27.48	8.72	-4.41	4.18	51.74
Russell 2000 <sup>®</sup> Growth Index <sup>4</sup>	-9.31	22.17	11.32	-1.38	5.60	43.30

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>

	Small Cap Growth	Russell 2000 <sup>®</sup> Growth <sup>4</sup>
Weighted Average Market Capitalization (\$ Mil)	\$4,000	\$2,917
EPS Growth (3-5 year forecast)	17.7%	16.8%
Price/Earnings (1 year forecast)	25.7x	20.2x
Dividend Yield (1 year trailing)	0.5%	0.7%
Beta (3 Years)	0.95	-
Standard Deviation (3 Years) <sup>1,5</sup>	17.17%	17.44%
Tracking Error (3 Years) <sup>1,5</sup>	4.31%	-
Turnover (3 year average)	48%	-
Number of Holdings	75	1,228

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

	Small Cap Growth	Russell 2000 <sup>®</sup> Growth <sup>4</sup>	Relative Weights
Communication Services	4.7	3.1	1.6
Consumer Discretionary	9.7	14.6	-4.9
Consumer Staples	2.6	2.9	-0.3
Energy	1.5	1.7	-0.2
Financials	10.7	7.1	3.6
Health Care	22.6	26.4	-3.8
Industrials	13.9	18.5	-4.6
Information Technology	25.5	18.5	7.0
Materials	3.3	3.4	-0.1
Real Estate	1.7	3.2	-1.5
Utilities	0.0	0.0	0.0
Cash	3.8	0.0	3.8

### Market Overview

The small cap growth segment of the equity markets continued higher in the second quarter with the Russell 2000® Growth Index returning 2.8%, which pushed the year to date return to over 20%. As has been the case throughout this bull market, the Federal Reserve seems willing to provide ample liquidity to the economy at the hint of any slowdown. Thus, while economic growth appears to be slowing, the equity markets have remained resilient.

### Portfolio Performance

For the second quarter of 2019, the Segall Bryant & Hamill Small Cap Growth portfolio outperformed its benchmark, returning 4.5%\* compared to 2.8% for the Russell 2000® Growth Index. Year to date, the portfolio was up 23.3%\*, outperforming its benchmark by approximately 3%.

### Contributors to Return

The three sectors that contributed most to the portfolio's performance relative to its benchmark in the quarter were Financials, Consumer Discretionary, and Health Care. Array BioPharma Inc. (ARRY), a biotechnology company developing products for various cancers, was the portfolio's best performing stock in the quarter after Pfizer announced its intention to acquire the company. Goosehead Insurance, Inc. (GSHD), a leading independent insurance agency platform, was also a significant contributor in the quarter as it continued to experience strong growth in its franchise and individual channels. The opportunity for disruption in this industry remains large and Goosehead has developed a differentiated platform for its agents by separating the sales and service function and executing well on both. We remain optimistic about the company's future agent growth and cash flow generation prospects. Generac Holdings, Inc. (GNRC), a leader in backup power generation products for the residential and commercial markets, outperformed in the quarter as customer demand remained strong due to numerous power outages over the prior 24 months and the evolution of its power management strategy. Looking forward, we believe the work the company is doing to integrate its systems and create a more holistic power solution will drive growth for the foreseeable future and improve the value proposition to the customer. In addition, there are multiple levers of growth for the company, driven by both economic and regulatory factors in power backup, storage and monitoring.

### Detractors from Return

The three sectors that detracted most from the portfolio's performance relative to its benchmark in the quarter were Industrials, Communication Services and Materials. The portfolio's worst performing stock in the quarter was 2U, Inc. (TWOU), a leading platform provider for online education delivery. The company lowered its growth expectations, citing tighter admissions standards at a number of its larger university partners. We have exited the position as we believe this problem raises questions about the long-term growth opportunity within its core degree programs. Globus Medical, Inc. (GMED), a medical device company focused on products for patients with musculoskeletal disorders, underperformed in the second quarter. Sales of the company's Excelsius360 spine surgery robotics platform slowed in the quarter as a result of customers delaying purchasing decisions while they evaluated several new competitive launches. We remain confident that Globus has the best platform and growth will reaccelerate going forward. Focus Financial Partners, Inc. (FOCS), a leader in registered investment advisor aggregation and platform development, also underperformed in the quarter driven by a temporary slowdown in organic growth and increased competitive concerns. One of Focus' peers was acquired by a large investment bank, thus creating concerns that the acquisition market will become more competitive and Focus will have to pay up for future partner deals. We remain confident in the company's ability to leverage its extensive relationship network to source future partner targets and believe the organic growth rate of the company will reaccelerate given recent strength in financial markets.

### Outlook and Positioning

As of the end of the second quarter of 2019, the portfolio was overweight primarily in the Information Technology and Financials sectors and underweight primarily in the Consumer Discretionary and Industrials sectors.

The largest headwind from the trade wars has manifested in the Information Technology sector, in which a number of semiconductor companies have lowered expectations due to supply chain disruptions and the stop-and-start restrictions of supplying Huawei. Our semiconductor holdings have managed this issue particularly well, in our opinion, and remain attractively valued given their long-term growth profiles. Additionally, our positioning in the Information Technology sector is largely balanced across software, services and chip companies with broader global growth opportunities. Moreover, the portfolio has relatively low exposure to the macroeconomic implications of a U.S. trade war with China as we focus, as always, on finding companies across all sectors that can generate consistent, stable growth and cash flow generation over time due to strong product and service offerings that are largely unaffected by the ebbs and flows of macroeconomic volatility.

\*Preliminary return.

### Top 5 Contributors/Detractors(By Stock)<sup>2,6</sup>

Top 5 Contributors	Average Weight	Absolute Contribution to Return
Goosehead Insurance, Inc. Class A	1.59	0.93
Array BioPharma Inc.	1.09	0.91
Globant SA	1.67	0.59
Generac Holdings Inc.	1.80	0.58
Catalent Inc	1.72	0.53

Top 5 Detractors	Average Weight	Absolute Contribution to Return
Focus Financial Partners, Inc. Class A	1.01	-0.27
Inogen, Inc.	0.78	-0.31
Globus Medical Inc Class A	1.92	-0.32
LivaNova Plc	1.08	-0.38
2U, Inc.	0.94	-0.82

<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: Small Cap Growth Composite

Year	— Composite Assets—			Composite Gross of Fees Annual Return (%)	Composite Net of Fees Annual Return (%)	Russell 2000® Growth 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	70	<1.0	3	4.33	3.29	-9.31	16.50	16.69	-	18.627	18.401
2017	52	<1.0	3	28.74	27.48	22.17	14.60	14.80	0.19	7.284	6.995
2016	10	<1.0	2	9.81	8.72	11.32	17.39	16.91	0.13	7.476	7.169
2015	13	<1.0	3	-3.45	-4.41	-1.38	15.96	15.16	0.05	7.606	7.382
2014	10	<1.0	2	5.23	4.18	5.60	15.31	14.02	0.15	9.596	9.373
2013	2	<1.0	2	53.21	51.74	43.30	18.04	17.52	-	10.009	9.794
2012	0.5	<1.0	1	12.09	11.00	14.59	-	-	-	9.565	9.343
2011	0.5	<1.0	1	-1.80	-2.74	-2.91	-	-	-	9.389	9.101

\*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 January 2011. There was one non-fee paying account in the composite which represented 38.3% of total composite assets as of December 31, 2013.
- 3) All returns are computed using a time-weighted total rate of return. The composite is defined to include all fee-paying, discretionary accounts that are managed according to the Small Cap Growth strategy. The composite includes actively managed equity accounts that are managed to the Russell 2000® Growth Index and primarily invest in select small-capitalization U.S. growth equities. The Russell 2000® Growth benchmark is an unmanaged, market-capitalization weighted index of those firms in the Russell 2000 with higher price-to-book ratios and higher forecasted growth values than the threshold determined by FTSE Russell. 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.
- 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.
- 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; nor is it shown for periods where 36 months of returns are not available.
- 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 period 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 Small Cap Growth composite has been examined for the periods 1/1/11 – 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) The maximum fee rate is 1.00%. Please reference Segall Bryant & Hamill's ADV for full fee schedule.
- 9) Policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.
- 10) Past performance does not guarantee future results and future performance may be lower or higher than the performance presented.