

# SMID CAP VALUE DIVIDEND

**FACT SHEET** | June 30, 2019

## STRATEGY

- Seek to invest in small- and mid-cap companies generating positive free cash flow and improving returns
- Use integrated investment approach that combines proprietary quantitative screen and original fundamental research
- Employ bottom-up, team-based stock selection process
- Emphasize strict adherence to our style and risk control measures

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

TTEC Holdings, Inc.	2.9
Sun Communities, Inc.	2.5
Oshkosh Corp	2.4
Ensign Group, Inc.	2.2
Kansas City Southern	2.2
Primoris Services Corporation	2.1
Independent Bank Corp.	2.1
InterDigital, Inc.	2.1
Axis Capital Holdings Limited	2.1
Investors Bancorp Inc	2.1
<b>Total (% of portfolio)</b>	<b>22.7%</b>

## Performance<sup>1</sup>

Periods Ended 6/30/19 (%)	QTD	YTD	Annualized Returns			
			1 Year	3 Years	5 Years	10 Years
Smid Cap Value Dividend (gross)	3.75	17.68	1.02	9.30	7.21	13.29
Smid Cap Value Dividend (net)	3.70	17.55	0.47	8.49	6.37	12.37
Russell 2500™ Value Index <sup>4</sup>	1.89	15.26	-1.92	8.98	5.55	13.28
Calendar Year (%)	2018	2017	2016	2015	2014	2013
Smid Cap Value Dividend (gross)	-12.27	2.59	33.17	-4.65	11.61	34.47
Smid Cap Value Dividend (net)	-12.96	1.72	32.07	-5.46	10.67	33.37
Russell 2500™ Value Index <sup>4</sup>	-12.36	10.36	25.20	-5.49	7.11	33.32

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>

	Smid Cap Value Dividend	Russell 2500™ Value <sup>4</sup>
Weighted Average Market Capitalization (\$ Mil)	\$6,407	\$5,164
Median Market Capitalization (\$ Mil)	\$4,692	\$1,048
Price/Book Value	2.0x	1.5x
Return on Assets	7.2%	4.1%
Long-Term Debt/Capital	35.8%	36.8%
Dividend Yield (1 year trailing)	2.4%	2.3%
Beta (3 Years)	1.00	-
Standard Deviation (3 Years)	15.60%	15.10%
Tracking Error (3 Years)	3.80%	-
Turnover (3 year average)	83%	-
Number of Holdings	64	1,701

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

	Smid Cap Value Dividend	Russell 2500™ Value <sup>4</sup>	Relative Weights
Communication Services	3.3	3.2	0.1
Consumer Discretionary	8.2	7.7	0.5
Consumer Staples	1.8	3.0	-1.2
Energy	5.8	4.4	1.4
Financials	23.5	23.3	0.2
Health Care	5.5	5.3	0.2
Industrials	13.4	14.2	-0.8
Information Technology	8.2	10.0	-1.8
Materials	4.6	5.8	-1.2
Real Estate	16.1	16.3	-0.2
Utilities	7.7	6.9	0.8
Cash	1.9	0.0	1.9

<sup>1</sup>Data is based on firm's Smid Cap Value Dividend 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.

## Market Overview

In the second quarter of 2019, the market was on a roller-coaster ride, struggling to process trade issues, Federal Reserve (Fed) commentary and slowing economic growth to find a support level. The drawdown in May was followed by a solid rebound in June, resulting in a strong finish to the quarter, albeit with heightened volatility.

## Portfolio Performance

The Segall Bryant & Hamill Smid Cap Value Dividend portfolio appreciated 3.7%\* for the second quarter, ahead of the 1.9% return of the Russell 2500™ Value Index. Stocks with more defensive attributes such as low leverage, less volatile earnings and higher operating returns outperformed the benchmark, providing a tailwind for our strategy. Although value remained out of favor as growth continued its multi-quarter trend of outperformance, the portfolio bested the benchmark for the quarter, due to Selection effect.

## Contributors to Performance

Sectors that contributed most to relative performance in the quarter were Real Estate, Consumer Discretionary and Financials. The most meaningful contributor from an individual stock perspective was TTEC Holdings, Inc. (TTEC), a technology and service company that is successfully transitioning from a call center operator into a digital, cloud and customer acquisition focused company. The outperformance was driven by better than expected sales and profit growth guidance. Ensign Group, Inc. (ENSG), an operator of skilled nursing and assisted living facilities, was another top performer in the quarter. The company has continued to execute on its strategy of acquiring underperforming skilled nursing facilities and applying its management expertise to improve their performance.

## Detractors from Performance

Sectors that detracted most from relative performance in the quarter were Materials, Utilities and Industrials. Utility holding Vistra Energy Corp. (VST), a gas and coal fired power generator that operates in Texas and the Northeast, was the biggest detractor in the Utility sector. The underperformance was caused by worsening sentiment for merchant power producers in the second quarter, driven by a pullback in power price futures. Consumer Discretionary holding American Eagle Outfitters, Inc. (AEO), a retailer of apparel and accessories for men and women, was the biggest individual detractor in the quarter despite reporting strong results. The stock retreated in reaction to slightly lower second quarter guidance as the company anticipated a more promotional environment, a result of weak first quarter performance by competitors.

## Outlook and Positioning

The market has struggled to make progress since the fall of last year as slowing growth, heightened trade tensions and an extended economic cycle have kept a lid on earnings growth and multiple expansion. The market ended on a high note in the second quarter, driven by the expectation that central banks will intervene to prevent a market correction. If so, the portfolio is well positioned as small- and mid-cap dividend-paying stocks have historically outperformed when the Fed has cut interest rates. Our focus on quality dividend-paying stocks that are attractively valued has served clients well in periods of heightened uncertainty such as this, and we believe it will continue to do so in the future.

\*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
TTEC Holdings, Inc.	2.40	0.67	Enerplus Corporation	2.01	-0.22
CAE Inc.	1.73	0.35	TiVo Corp.	0.67	-0.25
CVR Energy, Inc.	1.38	0.32	Vistra Energy Corp.	1.94	-0.26
GEO Group Inc	1.14	0.31	Schneider National, Inc. Class B	0.98	-0.28
Radian Group Inc.	2.28	0.31	American Eagle Outfitters, Inc.	1.28	-0.33

<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: Smid Cap Value Dividend Composite

Year	— Composite Assets—			Composite	Composite	Russell	Composite	Index	Composite	Total Firm	Total Firm
	Dollars (\$ millions)	% of Firm Assets	Composite Accounts	Gross of Fees Annual Return (%)	Net of Fees Annual Return (%)	2500™ Value Index (%)	3 Year Standard Deviation (%)	3 Year Standard Deviation (%)			
2018	23	<1.0	9	-12.27	-12.96	-12.36	14.40	13.77	3.15	18.627	18.401
2017	19	<1.0	10	2.59	1.72	10.36	13.07	11.98	0.15	7.284	6.995
2016	15	<1.0	10	33.17	32.07	25.20	13.43	13.36	0.50	7.476	7.169
2015	10	<1.0	7	-4.65	-5.46	-5.49	11.40	12.19	0.10	7.606	7.382
2014	10	<1.0	6	11.61	10.67	7.11	9.74	11.41	0.18	9.596	9.373
2013	9	<1.0	6	34.47	33.37	33.32	12.63	15.29	0.35	10.009	9.794
2012	7	<1.0	6	14.57	13.60	19.21	15.25	18.67	0.32	9.565	9.343
2011	7	<1.0	7	1.71	0.84	-3.36	20.45	24.57	0.18	9.389	9.101
2010	8	<1.0	9	22.34	21.30	24.82	-	-	0.48	8.989	8.711
2009	7	<1.0	10	24.80	23.77	27.68	-	-	0.29	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 April 2005 (style inception was 4/1/2005). All returns are computed using a time-weighted total rate of return. The composite is defined to include all fee-paying, discretionary accounts managed according to the Smid Cap Value Dividend strategy. The composite includes all actively managed equity accounts that are managed to the Russell 2500™ Value Index and primarily invest in small- and mid-capitalization U.S. value equities. The Russell 2500™ Value Index is an unmanaged index measuring the small- to mid-cap value segment of the U.S. equity universe that is constructed to provide a comprehensive and unbiased barometer of the small- to mid-cap value market. 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.
- 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 Smid Cap Value Dividend composite has been examined for the periods 4/1/05 – 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 0.85%. 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.