MARKET COMMENTARY

Market Overview

In the third quarter of 2021, international small cap stocks, as measured by the MSCI EAFE Small Cap Index, posted their sixth consecutive quarter of gains with a modest 0.90% return, the smallest increase during the current streak. Global investors grew more concerned during the period about global inflation, the Delta variant of the coronavirus, and regulatory crackdowns by the Chinese government. The MSCI EAFE Small Cap Index did better in local terms, ending 2.61% higher, as investors looked for safety in dollar-denominated assets and the U.S. dollar strengthened versus the euro, pound, and yen. Regional performance was mixed as Japan, the U.K., and Europe rose 3.42%, 0.29%, and 0.13%, respectively, while the Far East fell 2.04%. Japanese stocks benefited from higher PMI data and rising vaccination rates while in the U.K., labor market data on employment and job vacancies improved. In the Far East, Hong Kong fell 13.38%, ending as the worst performer in the benchmark this quarter, as fears that slowing growth in China as well as a major Chinese property developer with debt issues possibly going bankrupt sent stocks in the region lower. Seven of 11 sectors ended the quarter in positive territory. The top performer was Energy, which rose 5.90% as coal and natural gas prices have been on the rise as economies recover from the pandemic and countries vie to secure supplies for the winter.

After outperforming for the first two quarters of 2021, the SBH International Small Cap strategy trailed its benchmark index in the third quarter by 1.96%, ending with a -1.06%* return. The first half of the year saw investors looking to buy undervalued, higher quality stocks over the more expensively valued growth stocks, which benefitted our strategy. That trend reversed course in the third quarter as the MSCI EAFE Small Cap Growth Index (+1.64%) outperformed the MSCI EAFE Small Cap Value Index (+0.14%) by 1.50% as investors weighed some of the negative news mentioned above and sought safety in growth names. Stock selection at the regional level detracted from relative returns in Europe, Japan, and the Far East but had little impact in the U.K. Within Europe, positive selection in Norway and Italy was offset by selection in Sweden, Spain, and the Netherlands, while in the Far East, our holdings in Hong Kong outperformed but our Australian names underperformed. At the sector level, stock selection in Financials and Health Care aided relative performance, while selection in Industrials, Materials, and Real Estate detracted. Within our multifactor model, price momentum, earnings momentum, and profitability all ended the quarter higher, but valuation underperformed.

Outlook and Positioning

In our view, there will be one key driver of relative returns in international small cap for years to come. This driver may well be relevant for most other asset classes and geographies too, as the effect has been global. The key is the discrepancy in relative valuation between the most expensive companies (commonly found in the growth index) and everything else. Measurements of this discrepancy are best illustrated by the differences in the MSCI EAFE Small Cap Growth and Value indices. By construction, the value index will trade at a cheaper multiple than the growth index. This differential will vary over time but has in recent years expanded to extreme levels. The gap had gradually grown over most of 2017-2019 but blew out to record levels in 2020 with the onset of the COVID-19 pandemic. For example, over the past 20 years the value index has typically traded at a 27% discount to the growth index on Price to Earnings ratio, yet the current discount has expanded to 49%. Similar expanded discounts are observed for Price to Book (60% current vs 50% median) and Price to Cash Earnings (50% vs 31% median). Yet the profitability gap between the two (as measured by ROE), which typically favors the growth index, has actually contracted with growth stocks delivering smaller than normal excess profitability (29% vs 52% median). Just as there were justifications during similar manias, theories abound for why the expensive companies are viewed as being worth higher and higher prices. These justifications have referenced ideas from slowing global growth to Artificial Intelligence to Web-based platforms, but the most crucial component in our view, the price being paid, is rarely if ever mentioned. Expensive growth companies typically do grow their earnings faster than the market, but even with this fundamental advantage they are long-term underperformers specifically because of the high initial price paid for them. Growth, real or expected, is typically chased by investors to the point where the valuations require levels and consistency of compound growth which are very difficult to achieve although somewhat easier to forecast. Some companies may succeed over the longer-term in meeting or beating the expectations built into these prices, but most do not. Yet the given justification has failed to materialize in actual earnings, and thus the price climbs of these growth stocks have simply expanded the divergence in valuation ratios further and further.

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

(Continued on next page)

MARKET COMMENTARY

Outlook and Positioning (continued)

By contrast, the high quality companies trading at reasonable valuations that we focus on typically need no improvement to their fundamental story. They are often priced for prospects below what they are achieving and need only not fulfill those worst fears. We believe this is a much more achievable proposition than continually outgrowing every other company in perpetuity, although we will admit the story is much less exciting! In our view, there is no catalyst needed for the gap to close – the enormous size of the valuation discount is enough. Catalysts have historically been difficult to predict or identify as they are occurring and are often not even visible after the fact. Yet, historically, from these levels, the relative valuation gap has narrowed, although that narrowing does not always proceed in a straight line. Spreads widened this quarter from renewed worries of the Delta variant, which makes the valuation case even more compelling. The starting absolute valuation of our companies provides comfort as well, as they are trading at much lower multiples which could provide protection in the case of a market downturn. An historic opportunity exists, and we believe our strategy is extremely well positioned to profit from it. We remain focused on maintaining our exposures and hope to reward our investors for their continued support over the coming quarters and years.

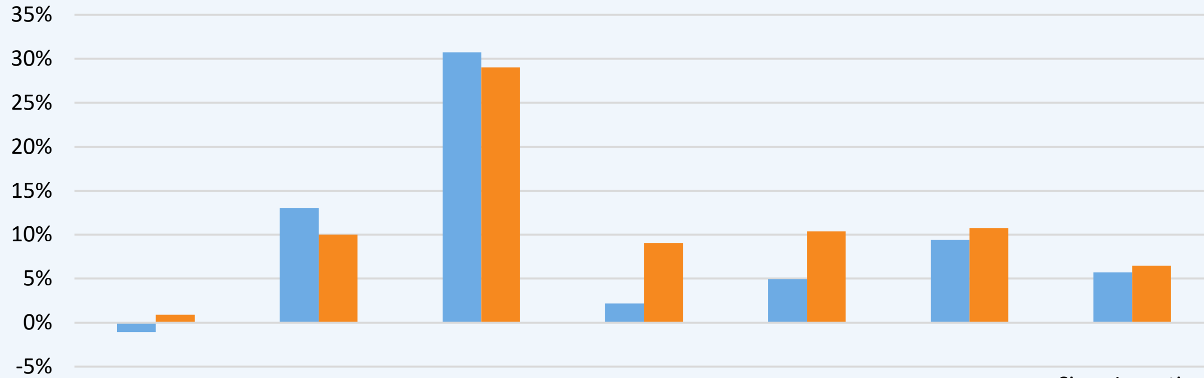
Scott Decatur, Ph.D.
Director of Quantitative International Strategies

Nicholas Fedako, CFA
Senior Portfolio Manager

PERFORMANCE

Quantitative International Small Cap vs. MSCI EAFE Small Cap Index

GROSS RETURNS*¹ (as of 9/30/21)



	Quarter	YTD	1 Year	3 Years	5 Years	10 Year	Since Inception (5/1/08)
SBH Gross	-1.06%	13.04%	30.75%	2.16%	4.93%	9.44%	5.70%
MSCI EAFE Small Cap Index	0.90%	10.02%	29.02%	9.05%	10.38%	10.73%	6.46%

** Preliminary. Periods greater than one year are annualized. Historical performance cannot guarantee future results. See specific performance disclosures at the end of the presentation.*

[1] SBH Composite

SBH QUANTITATIVE INTERNATIONAL SMALL CAP COMPOSITE PERFORMANCE*

International Small Cap Equity

Quarterly & Annual Returns

Period Ending: 9/30/2021

Annualized Cumulative Returns

Annualized	SBH Gross (%)	SBH Net (%)	MSCI EAFE Small Cap (%)
1 Year	30.75	29.85	29.02
3 Years	2.16	1.40	9.05
5 Years	4.93	4.17	10.38
10 Years	9.44	8.78	10.73

3 Year Ex-Post Standard Deviation

	SBH (%)	MSCI EAFE Small Cap (%)
2011	24.51	23.01
2012	20.05	19.84
2013	16.07	16.14
2014	13.39	13.32
2015	11.25	11.26
2016	12.35	12.11
2017	11.90	11.60
2018	13.59	12.86
2019	12.97	11.89
2020	22.03	20.27
2021	22.21	20.22

Period		1Q (%)	2Q (%)	3Q (%)	4Q (%)	YTD (%)	# of Accounts	Std Dev. (%)	Composite Market Value ($ mil)	Total Firm Market Value
2011	Gross of Fee	3.90	1.11	-17.13	-0.10	-13.02	2	nm	$15.0	$7,866.5
	Net of Fee	3.80	1.02	-17.21	-0.20	-13.36				
	MSCI EAFE Small Cap	2.96	0.85	-18.59	-0.56	-15.95				
2012	Gross of Fee	16.14	-6.88	7.21	7.65	24.81	2	nm	$31.7	$8,936.6
	Net of Fee	16.02	-6.98	7.10	7.53	24.28				
	MSCI EAFE Small Cap	14.86	-8.65	7.89	6.01	20.00				
2013	Gross of Fee	9.82	-3.00	15.87	8.74	34.22	2	nm	$79.5	$9,468.1
	Net of Fee	9.71	-3.10	15.74	8.62	33.64				
	MSCI EAFE Small Cap	8.42	-2.52	15.52	5.91	29.30				
2014	Gross of Fee	6.04	2.02	-6.89	-2.18	-1.47	3	nm	$184.2	$9,729.0
	Net of Fee	5.93	1.91	-6.99	-2.30	-1.90				
	MSCI EAFE Small Cap	3.36	2.08	-7.82	-2.27	-4.95				
2015	Gross of Fee	6.39	3.68	-6.38	5.61	9.06	3	nm	$165.3	$9,592.2
	Net of Fee	6.26	3.54	-6.51	5.45	8.47				
	MSCI EAFE Small Cap	5.56	4.34	-6.83	6.79	9.59				
2016	Gross of Fee	-0.20	-2.19	10.42	-1.24	6.45	5	0.77%	$401.9	$11,171.6
	Net of Fee	-0.37	-2.37	10.23	-1.41	5.71				
	MSCI EAFE Small Cap	-0.59	-2.60	8.64	-2.85	2.19				
2017	Gross of Fee	8.13	6.74	9.27	3.77	30.87	5	1.32%	$1,329.3	$12,466.3
	Net of Fee	7.97	6.56	9.08	3.59	30.01				
	MSCI EAFE Small Cap	7.97	8.10	7.46	6.05	33.01				
2018	Gross of Fee	-1.46	-5.03	-1.37	-17.53	-23.87	5	0.91%	$1,329.1	$18,587.0
	Net of Fee	-1.64	-5.21	-1.55	-17.68	-24.44				
	MSCI EAFE Small Cap	0.24	-1.57	-0.88	-16.05	-17.89				
2019	Gross of Fee	8.58	-1.49	-1.05	12.29	18.85	5	0.54%	$1,523.2	$19,522.9
	Net of Fee	8.38	-1.68	-1.24	12.08	17.94				
	MSCI EAFE Small Cap	10.65	1.71	-0.44	11.52	24.96				
2020	Gross of Fee	-33.80	16.07	8.27	15.69	-3.75	4	0.89%	$1,134.6	$22,890.8
	Net of Fee	-33.94	15.85	8.06	15.47	-4.50				
	MSCI EAFE Small Cap	-27.52	19.88	10.25	17.27	12.34				
2021	Gross of Fee	8.15	5.64	-1.06		13.04	3	nm	$921.6	$24,860.2
	Net of Fee	7.98	5.47	-1.23		12.49				
	MSCI EAFE Small Cap	4.50	4.34	0.90		10.02				

nm: composite held three or fewer accounts for the entire year. Internal dispersion (standard deviation) is not presented for this period.

** Preliminary. Periods greater than one year are annualized. Historical performance cannot guarantee future results.*

SBH QUANTITATIVE INTERNATIONAL SMALL CAP COMPOSITE PERFORMANCE

Segall Bryant & Hamill (SBH) 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. On June 30, 2015, SBH acquired Philadelphia International Advisors (PIA). Prior to the acquisition, PIA was a privately held investment management firm whose sole focus was the management of international equities. The group that was formerly PIA manages all SBH's international composites which have been a part of SBH since the acquisition. On May 1, 2018, SBH acquired Denver Investment Advisors LLC (aka Denver Investments). As a result of the Denver Investments acquisition, SBH added several new Portfolio Managers and composites to the overall firm. The International Small Cap Equity composite was created in May 2008. The composite's performance inception date is April 1, 2008. The International Small Cap Equity composite has the ability to invest in approximately 2,200 companies in 21 developed non-US markets with market capitalizations generally less than approximately $3.5 billion. The International Small Cap Equity composite is benchmarked against the MSCI EAFE Small Cap Index. The MSCI EAFE Small Cap Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of small cap companies in developed markets across Europe, Australasia, and the Far East. The index is a total return index net of foreign withholding taxes on dividends. The benchmark income is net of taxes from a Luxembourg tax perspective. The International Small Cap Equity composite is comprised of all fee paying, discretionary accounts managed to this investment approach which have assets greater than $1 million. New accounts are added to the composite beginning the month following their inception date. Beginning November 1, 2011, a policy on the use of Temporary Accounts was used in dealing with significant cash flows, defined as any cash flow greater than 5% of the market value on the previous valuation date. Gross results are shown net of trading costs and include the reinvestment of all dividends and interest. Net results are shown net of management fees as well as trading costs and include the reinvestment of all dividends and interest. Net results reflect actual fees paid. The current fee schedule applicable to the International Small Cap Equity accounts is 0.80% on the first $50 million of assets, 0.70% on the next $50 million of assets and 0.65% over $100 million of assets. Actual fees will vary. Prior to June 2015, performance results reflect returns generated by the investment manager using this investment strategy at another firm. The composite is presented in US dollars. Dispersion of returns is measured by an equal weighted standard deviation of all the accounts in the composite for a full year period. Composite dispersion and three year standard deviation are calculated using gross returns. Dispersion of year-to-date returns are calculated as of January 1. The standard deviation characteristic is calculated beginning at the first full quarter of returns (July 1, 2008). The worst 4 quarter statistic is calculated based off full 3-month quarters and excludes the initial partial quarter. Neither the composite nor the benchmark returns reflect the withholding of any taxes for ordinary income or capital gains. 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 January 1, 2000 through December 31, 2020. The verification report is available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. It should be noted that principal risk is taken and that historical performance can not guarantee future results. A complete list and description of the firm's composites and pooled funds, as well as additional information regarding policies for valuing investments, calculating performance and preparing GIPS Reports, is available upon request from SBH. GIPS® is a registered trademark of the CFA Institute. The CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.