SEGALL BRYANT & HAMILL

# SEGALL BRYANT & HAMILL SMALL CAP VALUE DIVIDEND FUND

**FACT SHEET** | September 30, 2018

## FUND INFORMATION

| Class | Retail | Institutional |
|---|---|---|
| Ticker | WTSVX | WISVX |
| Cusip | 81580H704 | 81580H787 |
| Fund Inception | 12/13/2004 | 9/28/2007 |
| Strategy Inception | 7/1/1999 | |

Also available in SMA and separate account vehicles offered by Segall Bryant & Hamill.

*Investing in small-cap funds generally will be more volatile and loss of principal could be greater than investing in large-cap funds. Dividends are not guaranteed. A company's future abilities to pay dividends may be limited and a company may cease paying dividends at any time.*

## PORTFOLIO MANAGEMENT

Derek R. Anguilm, CFA
Mark M. Adelmann, CFA, CPA
Lisa Z. Ramirez, CFA
Alex A. Ruehle, CFA

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## Top Ten Holdings[3] (%)

| | |
|---|---|
| Enerplus Corp | 4.4 |
| GEO Group Inc/The | 2.8 |
| Umpqua Holdings Corp | 2.7 |
| Ensign Group Inc/The | 2.7 |
| TiVo Corp | 2.6 |
| Primoris Services Corp | 2.5 |
| Silicon Motion Technology Corp | 2.5 |
| Radian Group Inc | 2.3 |
| FNB Corp/PA | 2.3 |
| Phibro Animal Health Corp | 2.2 |
| **Total** (% of portfolio) | 27.1% |

*[3]Top ten holdings do not include any cash or cash equivalents and are subject to change. There are no guarantees that the Fund will continue to remain invested in any particular company or holding and current and future portfolio holdings are subject to risk. For a complete list of holdings, please visit www.sbhfunds.com.*

## Performance[1,2]

| | | | Annualized Returns | | | | |
|---|---|---|---|---|---|---|---|
| **Periods Ended 9/30/18 (%)** | **QTD** | **YTD** | **1 Year** | **3 Years** | **5 Years** | **10 Years** | **Since Inception** |
| Retail Class | 0.98 | 6.27 | 6.36 | 11.05 | 7.20 | 8.25 | 7.04 |
| Institutional Class | 1.06 | 6.45 | 6.54 | 11.24 | 7.40 | 8.41 | 7.16 |
| Russell 2000® Value Index | 1.60 | 7.14 | 9.33 | 16.12 | 9.91 | 9.52 | 7.74 |
| **Calendar Year (%)** | **2017** | **2016** | **2015** | **2014** | **2013** | **2012** | **2011** |
| Retail Class | -1.84 | 29.72 | -8.13 | 6.46 | 36.49 | 9.69 | -0.31 |
| Institutional Class | -1.67 | 29.98 | -7.98 | 6.62 | 36.86 | 9.78 | -0.31 |
| Russell 2000® Value Index | 7.84 | 31.74 | -7.47 | 4.22 | 34.52 | 18.05 | -5.50 |

**Retail Class Annual Expense Ratio[2]: *1.47% Gross, 1.31% Net***
**Institutional Class Annual Expense Ratio[2]: *1.27% Gross, 1.13% Net***

**Performance results shown for the year 2013 represent partial period performance from December 20, 2013 through December 31, 2013.*

***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.***

***[1]Performance data quoted represents past performance and does not guarantee future results. Performance information for the institutional class shares prior to their inception is based on the performance of the retail class. Current performance may be lower or higher than the performance quoted. To obtain current performance as of the most recent month-end, visit www.sbhfunds.com. Average annual total returns reflect the reinvestment of dividends, capital gains distributions, all fee waivers and expense reimbursements. Without the fee waivers and expense reimbursements, total return figures would have been lower. Investment return and principal value will vary, and shares, when redeemed, may be worth more or less than their original cost.** Segall Bryant & Hamill fund shares are not insured by the FDIC, the Federal Reserve Board or any other agency and are subject to investment risk.*

*[2]Segall Bryant & Hamill (the "Adviser") has contractually agreed to waive certain investment advisory and/or administration fees and/or to reimburse other expenses from May 1, 2018 until at least April 30, 2020. The first waiver/reimbursement applies so that the ratio of expenses to average net assets, as reported in the Fund's Financial Highlights, will be no more than a fixed percentage for the Fund's Retail Class for such period. Please see the Fund's Prospectus for more information. From May 1, 2018 until at least April 30, 2020, for the Fund's Institutional Class, the Adviser has contractually agreed to waive the investment advisory and/or administration fees and/or to reimburse other expenses in the same proportion as the Retail Class waivers/reimbursements described above and also to waive or reimburse Institutional Class-specific Other Expenses, but only to the extent that after applying the waiver/reimbursements described in this sentence, the excess of the net Retail Class expense ratio over the net Institutional Class expense ratio does not exceed 25 basis points. If after applying the waivers/reimbursements discussed above, the excess of the net Retail Class expense ratio over the net Institutional Class expense ratio is less than 15 basis points, then the Adviser agrees to waive/reimburse such that the excess equals 15 basis points. This agreement may not be terminated or modified by the Adviser prior to April 30, 2020 without the approval of the Board of Trustees.*

## Sector Allocation[4] (%)

| | Small Cap Value Dividend | Russell 2000® Value | Relative Weights |
|---|---|---|---|
| Communication Services | 0.0 | 3.0 | -3.0 |
| Consumer Discretionary | 9.8 | 9.5 | 0.3 |
| Consumer Staples | 1.4 | 2.5 | -1.1 |
| Energy | 8.3 | 7.5 | 0.8 |
| Financials | 28.5 | 28.2 | 0.3 |
| Health Care | 4.9 | 5.0 | -0.1 |
| Industrials | 12.7 | 12.0 | 0.7 |
| Information Technology | 12.8 | 10.3 | 2.5 |
| Materials | 4.0 | 4.4 | -0.4 |
| Real Estate | 10.6 | 11.5 | -0.9 |
| Utilities | 5.6 | 6.0 | -0.4 |
| Cash & Cash Equivalents | 1.5 | 0.0 | 1.5 |

*[4]Sector classifications presented are based on the GICS methodology.*

## Portfolio Characteristics[5]

| | Small Cap Value Dividend | Russell 2000® Value |
|---|---|---|
| Total Fund Assets ($ Mil) | $100.4 | - |
| Weighted Average Market Capitalization ($ Mil) | $2,724 | $2,120 |
| Median Market Capitalization ($ Mil) | $2,485 | $799 |
| Discount to Intrinsic Value | 27.9% | - |
| Price/Cash Flow (1 year trailing) | 11.3x | 12.3x |
| Price/Book Value | 2.2x | 1.8x |
| Price/Earnings (1 year trailing) | 18.7x | 14.8x |
| Return on Assets | 4.9% | 3.3% |
| Long-Term Debt/Capital | 33.3% | 33.3% |
| Beta (3 Years) | 0.95 | - |
| Standard Deviation (3 Years) | 13.30% | 13.58% |
| Tracking Error (3 Years) | 3.42% | - |
| Turnover (12 month trailing) | 99.66% | - |
| Number of Holdings | 61 | |

*[5]Standard Deviation, Beta and Tracking Error statistics versus the Russell 2000® Value Index and based on monthly data. Three years. Source: eVestment Alliance.*

## Morningstar Ratings[7]

| | Morningstar Ratings™ As of 9/30/18 Retail Class | Institutional Class | Number of Funds in Small Value Category |
|---|---|---|---|
| Overall | ★★ | ★★ | 362 |
| 3 Year | ★★ | ★★ | 362 |
| 5 Year | ★★ | ★★ | 317 |
| 10 Year | ★★ | ★★ | 226 |

*[7]Morningstar proprietary ratings reflect historical risk-adjusted performance as of 9/30/18 and are subject to change every month.*

## Stock Performance[6] (%)

| Top 5 Stocks (3 Months Ended 9/30/18) | Average Weight | Contribution to Return |
|---|---|---|
| Radian Group Inc. | 2.14 | 0.50 |
| Bio-Techne Corporation | 0.91 | 0.32 |
| Glacier Bancorp, Inc. | 2.61 | 0.31 |
| Americold Realty Trust | 1.65 | 0.22 |
| ITT, Inc. | 1.21 | 0.22 |

| Bottom 5 Stocks (3 Months Ended 9/30/18) | Average Weight | Contribution to Return |
|---|---|---|
| Schneider National, Inc. Class B | 1.52 | -0.18 |
| Umpqua Holdings Corporation | 2.37 | -0.18 |
| TiVo Corp. | 2.69 | -0.19 |
| TTEC Holdings, Inc. | 0.92 | -0.24 |
| GEO Group Inc | 2.91 | -0.25 |

*[6]Past performance does not guarantee future results. These stocks do not represent all of the securities purchased, sold or recommended by the Funds' Adviser. The methodology used to construct this chart took into account the weighting of every holding in the Fund that contributed to the Fund's performance during the measurement period. The contribution of each Fund holding was consistently determined by calculating the weight of each holding multiplied by the rate of return for that holding during the measurement period. To request a complete list of the contribution of each Fund holding to overall Fund performance, please call (800) 392-2673 or email invest@sbhfunds.com.*

## Manager Commentary for the quarter ended 9/30/18

**Market Overview**

In the third quarter of 2018, investors focused on positive fundamentals, including strong earnings and accelerating gross domestic product (GDP) growth. This resulted in further U.S. equity market appreciation, and in August, the current bull market became the longest on record. Accelerating economic growth has been driven both by increased consumer spending and business investment following tax reform. The markets have largely ignored trade tensions, rising labor and material costs, and the gradual interest rate increases being implemented by the U.S. Federal Reserve (Fed), which could indicate that investors believe economic growth can continue at this higher rate for longer.

**Fund Performance***

The Segall Bryant & Hamill Small Cap Value Dividend Fund returned 0.98% for the third quarter, trailing the 1.60% return of its benchmark, the Russell 2000® Value Index. U.S. equity markets were led by more volatile, non-dividend paying stocks—particularly non-earners—which created a headwind for our strategy. The Fund focuses on dividend-paying companies that we believe are undervalued. These characteristics generally lead us to companies with lower volatility profiles. While non-dividend-paying and non-earning stocks were exceptional performers in the quarter, we were able to offset a good portion of the headwinds we faced in the quarter through effective stock selection.

**Contributors to Return**

The sectors that contributed most to the Fund's return relative to its benchmark in the quarter were Financials and Energy. Financials sector holding Radian Group Inc. (RDN), a leading mortgage insurer and mortgage market data provider, was the Fund's top performer in the quarter. RDN's shares moved higher after the company reported strong quarterly earnings, near-record new business written and attractive financial returns, all while maintaining yields and continued strong credit. RDN grew the number of its active and current insurance policies 10% year over year through new business wins, which then led the company to raise its annual new business expectations by 10%. We believe its services business is moving toward profitability and that its capital levels indicate strong positioning ahead of new capital rules going into place in 2019. RDN's business is now 95% home-purchase related and we believe it is priced for strong returns. We remain optimistic that its stock will reach the intrinsic value we are forecasting. Glacier Bancorp Inc. (GBCI) a Montana-based community bank with operations throughout the Mountain West, was another strong performer in the Financials sector. Much of its outperformance has been due to consistent execution of the bank's growth strategy, stronger-than-expected loan growth and continued pricing power translating to expansion in net interest margin. We see GBCI as a best-in-class institution and view its strategy of acquiring local community banks with significant in-market share as well suited to the western U.S. footprint in which the company operates. Although we trimmed the Fund's position in GBCI following the strong run in its stock price, GBCI remained a core bank holding in the Fund as of quarter end.

**Detractors from Return**

The Fund's weakest sectors relative to its benchmark were Information Technology, Communication Services and Materials. TTEC Holdings Inc. (TTEC), a customer-experience focused business process outsourcing (BPO) company that provides call center support, digital and internet cloud support, and customer acquisition services, was the Fund's largest detractor in the Information Technology sector. The company reported disappointing results in its call center business due to wage pressure, primarily related to two large customers, as well as higher-than-expected costs related to new business wins. We believe TTEC's long-term growth and margins are still on track as new bookings flow into revenues and price adjustments offset higher costs. Additionally, TTEC's newer digital and customer acquisition businesses, which have much higher operating margins, reported strong growth and are expected to become a larger component of the business over time. Another poor performer within the Information Technology sector was TiVo Corp. (TIVO), a provider of entertainment technology, software and services. The company's stock pulled back early in the quarter after the recently appointed CEO announced his resignation to pursue a more lucrative opportunity with a larger entity. While this was not expected, a strategic review by the company's board is well underway, and we believe this will result in value-creating potential for investors. TIVO's stock recovered until late September when Comcast Corp. announced its intention to purchase Sky plc. Comcast is currently in litigation with TIVO and therefore is not paying TIVO, while Sky is currently a paying TIVO customer in the UK. The acquisition announcement led to investor concern that TIVO may lose Sky as a paying customer as well. In our view, this may provide a catalyst for TIVO and Comcast to reach an agreement as it may allow Comcast to negotiate paying the higher U.S. rate while paying a reduced rate in the UK for Sky.

**Outlook and Positioning**

In a market environment that has been rewarding companies that are not profitable, our strategy faced headwinds. We continue to focus on fundamentally sound businesses that generate consistent cash flows and pay dividends, a strategy that has historically delivered strong results over market cycles and that we believe will do so in the future. With markets focused on momentum and short-term execution, we are discovering more companies with what we believe are strong fundamentals that are trading at attractive valuations. We believe the intrinsic value of these businesses will be recognized and rewarded over time.

*As of September 28, 2018, a number of changes were implemented to the Global Industry Classification Standard (GICS®), which is used by a number of index providers to classify stocks, structure market indexes and help provide attribution on portfolio performance and positioning. The most significant change was the introduction of a new sector called Communication Services. This new sector includes all stocks that were formerly in the Telecommunications sector, as well as numerous stocks previously in the Information Technology and Consumer Discretionary sectors. The Telecommunications sector will not exist going forward. Please be aware that the timing of the sector re-classification late in the third quarter may impact sector allocation attribution for the full quarter.

**Past performance does not guarantee future results.**

*The Manager Commentaries contain certain forward-looking statements about the factors that may affect the performance of the Funds in the future. These statements are based on Fund management's predictions and expectations concerning certain future events and their expected impact on the Funds, 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 Funds. 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.*

*Source for Russell 2000® Value Index data, FactSet.*

*The **Russell 2000® Value Index** is a market-weighted total return index that measures the performance of companies within the Russell 2000 Index having lower price-to-book ratios and lower forecasted growth values than the threshold determined by Frank Russell Company. Investors cannot invest directly in the index.*

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***DEFINITION OF TERMS***

***Beta:*** *A measure of a fund's sensitivity to market movements. The beta of the market is 1.00 by definition. A beta above 1 is more volatile than the overall market, while a beta below 1 is less volatile.*

***Long-Term Debt/Capital:*** *A measurement of a company's financial leverage, calculated as the company's debt divided by its total capital.*

***Market Capitalization:*** *Represents the total value of a company or stock.*

***Price/Book Value:*** *Used to compare a company's book value to its current market price.*

***Price/Cash Flow:*** *A measure of a firm's stock price relative to its financial performance.*

***Price/Earnings:*** *A stock's per share price divided by its per share earnings over a 12-month period.*

***Return on Assets:*** *A measure of a company's profitability relative to its total assets.*

***Standard Deviation:*** *A statistical measure of the historical volatility of a fund.*

***Tracking Error:*** *A measure of how closely a fund follows the index to which it is benchmarked.*

***Discount to Est. Intrinsic Value:*** *The measure of a portfolio's estimated value.*

FOR MORE INFORMATION ABOUT SEGALL BRYANT & HAMILL FUNDS, PLEASE CONTACT:

Segall Bryant & Hamill Funds | 1290 Broadway, Suite 1100 | Denver, Colorado 80203

Individual Investors: (800) 392-2673 | Financial Advisors: (800) 734-9378 | www.sbhfunds.com

**An investor should consider investment objectives, risks, charges and expenses of the Fund(s) carefully before investing. To obtain a prospectus, which contains this and other important information about the Fund(s), please call (800) 392-2673 or visit www.sbhfunds.com. Please read the prospectus carefully before investing.**

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