

# SEGALL BRYANT & HAMILL SMID CAP VALUE DIVIDEND FUND

FACT SHEET | September 30, 2018

## FUND INFORMATION

Class	Retail	Institutional
Ticker	WTSDX	WISDX
Cusip	81580H720	81580H712
Fund Inception	12/16/2016	12/16/2016
Strategy Inception	4/1/2005	

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

*Investing in small- and mid-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

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

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

Enerplus Corp	3.0
GEO Group Inc/The	2.8
TiVo Corp	2.5
OGE Energy Corp	2.4
Radian Group Inc	2.4
Investors Bancorp Inc	2.3
Range Resources Corp	2.2
MDC Holdings Inc	2.2
Glacier Bancorp Inc	2.2
Southwest Gas Holdings Inc	2.2
<b>Total</b> (% of portfolio)	<b>24.1%</b>

<sup>3</sup>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.sbhffunds.com](http://www.sbhffunds.com).

## Performance<sup>1,2</sup>

Periods Ended 9/30/18 (%)	Annualized Returns						
	QTD	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
Retail Class	0.89	2.42	4.52	-	-	-	1.81
Institutional Class	1.00	2.53	4.64	-	-	-	1.99
Russell 2500™ Value Index	2.67	5.75	10.24	-	-	-	8.95
<b>Calendar Year (%)*</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Retail Class	1.54	0.70	-	-	-	-	-
Institutional Class	1.75	0.70	-	-	-	-	-
Russell 2500™ Value Index	10.36	0.13	-	-	-	-	-

Retail Class Annual Expense Ratio<sup>2</sup>: 10.57% Gross, 1.21% Net

Institutional Class Annual Expense Ratio<sup>2</sup>: 10.41% Gross, 1.06% Net

\*Performance results shown for the year 2016 represent partial period performance from December 17, 2016 through December 31, 2016.

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.

<sup>1</sup>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.sbhffunds.com](http://www.sbhffunds.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.

<sup>2</sup>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<sup>4</sup> (%)

	Smid Cap Value Dividend	Russell 2500™ Value	Relative Weights
Communication Services	2.0	3.1	-1.1
Consumer Discretionary	8.5	8.5	0.0
Consumer Staples	2.6	3.3	-0.7
Energy	6.4	7.3	-0.9
Financials	22.8	22.5	0.3
Health Care	6.3	5.4	0.9
Industrials	12.3	14.0	-1.7
Information Technology	9.8	8.8	1.0
Materials	4.4	6.1	-1.7
Real Estate	13.3	14.8	-1.5
Utilities	7.7	6.1	1.6
Cash & Cash Equivalents	3.9	0.0	3.9

<sup>4</sup>Sector classifications presented are based on the GICS methodology.

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

	Smid Cap Value Dividend	Russell 2500™ Value
Total Fund Assets (\$ Mil)	<\$1	-
Weighted Average Market Capitalization (\$ Mil)	\$5,279	\$4,916
Median Market Capitalization (\$ Mil)	\$3,655	\$1,170
Discount to Intrinsic Value	29.8%	-
Price/Cash Flow (1 year trailing)	11.0x	13.1x
Price/Book Value	2.1x	2.1x
Price/Earnings (1 year trailing)	17.8x	16.3x
Return on Assets	5.2%	4.0%
Long-Term Debt/Capital	39.2%	36.2%
Turnover (12 month trailing)	90.56%	-
Number of Holdings	59	-

## Stock Performance<sup>6</sup> (%)

Top 5 Stocks (3 Months Ended 9/30/18)	Average Weight	Contribution to Return
Radian Group Inc.	2.17	0.51
Glacier Bancorp, Inc.	2.19	0.24
Mosaic Company	1.58	0.23
SM Energy Company	1.10	0.23
Viacom Inc. Class B	1.71	0.21

  

Bottom 5 Stocks (3 Months Ended 9/30/18)	Average Weight	Contribution to Return
Primoris Services Corporation	1.74	-0.15
TiVo Corp.	2.26	-0.16
Schweitzer-Mauduit International, Inc.	1.50	-0.18
GEO Group Inc	2.81	-0.21
TTEC Holdings, Inc.	1.40	-0.35

<sup>6</sup>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](mailto:invest@sbhfunds.com).

### 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 Smid Cap Value Dividend Fund returned 0.89% for the third quarter, trailing the 2.67% return of its benchmark, the Russell 2500TM Value Index. U.S. equity markets were led by larger market capitalization, non-dividend paying companies with more volatile stock prices, which created a headwind for our strategy. The Fund generally has a lower weighted average market capitalization than its benchmark, and focuses on undervalued, fundamentally sound, dividend-paying companies. These characteristics generally lead us to companies with lower volatility profiles.

At the end of September, index providers MSCI Inc. and S&P Dow Jones Indices updated their widely used Global Industry Classification Standard (GICS) industry classification system to reflect the evolution of business models in today's global economy. 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 other stocks that had previously been classified as either Information Technology or Consumer Discretionary. The Telecommunications sector will not exist going forward. These changes do not impact our investment process because the stocks that were reclassified had already been covered by our analysts, and the same analysts will continue covering them going forward.

### Contributors to Return

The sectors that contributed most to the Fund's return relative to its benchmark in the quarter were Financials, Real Estate 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 priced for strong returns. We remain optimistic that its stock will reach the intrinsic value we are forecasting. The Fund's top performer in the Energy sector was SM Energy Co. (SM). The company's stock outperformed oil prices and peers in the quarter as its Midland Basin oil wells continued to surpass expectations. SM's stock had been heavily discounted relative to the industry at the start of 2018, partly due to the higher-than-average level of debt on the company's balance sheet. Although SM's execution has been improving, we have reduced the Fund's exposure in recent months as the stock approaches our estimate of its intrinsic value. Viacom Inc. (VIAB), a global media and entertainment company, was the top performer in the Communication Services sector after the company reported better-than-expected quarterly earnings. Its results were driven by cost-cutting initiatives, which supported profit margins, and a turnaround in VIAB's film entertainment business, Paramount Pictures. We believe the company's new management team will continue to make progress toward improving content and ratings, while controlling costs.

### Detractors from Return

The Fund's weakest sectors relative to its benchmark were Industrials, Information Technology and Health Care. Industrials sector holding Primoris Services Corp. (PRIM), an engineering and construction firm, was a detractor in the third quarter. Investors reacted as construction of a large, East Coast pipeline was halted by a court in early August. The order was reversed in late September, and work has resumed on the pipeline. We added to the Fund's position following the weakness in its stock as we believed the issue was transitory. 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.

### 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 2500™ Value Index data, FactSet.

The **Russell 2500™ Value Index** measures the performance of the small- to mid-cap segment of the U.S. equity universe. It includes those Russell 2500™ Index companies with lower price-to-book ratios and lower forecasted growth values.

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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:

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Individual Investors: (800) 392-2673 | Financial Advisors: (800) 734-9378 | [www.sbhffunds.com](http://www.sbhffunds.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.sbhffunds.com](http://www.sbhffunds.com). Please read the prospectus carefully before investing.**

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