

# SEGALL BRYANT & HAMILL MUNICIPAL OPPORTUNITIES FUND

**FACT SHEET** | December 31, 2018

## FUND INFORMATION

Class	Retail	Institutional
Ticker	WTTAX	WITAX
Cusip	81580H845	81580H696
Fund Inception	12/16/2016	12/16/2016
Strategy Inception	7/1/1991	

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

Municipal bond fund income may be subject to state and local income taxes and the alternative minimum tax. Capital gains, if any, will be subject to capital gains tax.

Investments in municipal bonds are subject to interest rate risk, or the risk that the bonds will decline in value because of changes in market interest rates.

## PORTFOLIO MANAGEMENT

Kenneth A. Harris, CFA  
Nicholas J. Foley

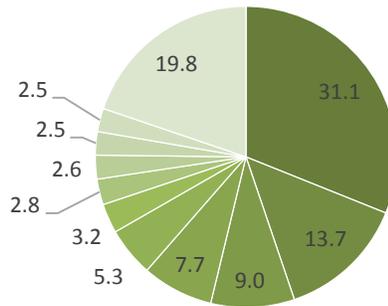
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### Top Ten Issuers<sup>2</sup> (%)

LBJ Infrastructure Group LLC	7.4
Capital City Urban Development LLC	6.1
Southwest Airlines Co	4.9
North Texas Tollway System	3.8
Denver Transit Partners LLC	3.6
Catholic Health Initiatives	3.4
Evangelical Lutheran Good Samaritan Obligated Group	3.4
Mid-Bay Bridge Authority	3.1
Ohio Turnpike & Infrastructure Commission	2.6
Provident Group - EMU Properties LLC	2.6
<b>Total</b> (% of portfolio)	<b>40.9%</b>

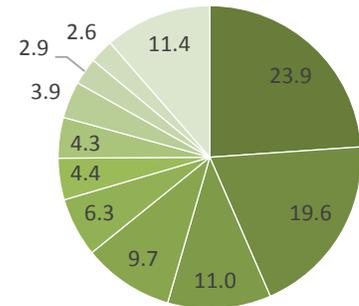
<sup>2</sup>Percentages represent the Fund's aggregate holdings in the same corporate issuer and its affiliates. Top ten corporate credit exposures do not include any cash or cash equivalents and are subject to change. There are no guarantees that the Fund will continue to remain invested in any particular security or issuer and current and future holdings are subject to risk. For a complete list of holdings, please visit [www.sbhffunds.com](http://www.sbhffunds.com).

### State Distribution<sup>1</sup> (%)



- Texas
- Virginia
- Pennsylvania
- Alabama
- Colorado
- Washington
- Arizona
- Other
- Florida
- Ohio
- Illinois

### Revenue Exposure<sup>1</sup> (%)



- Highway Revenue Tolls
- Industrial Revenue
- AD Valorem Property Tax
- Sales Tax Revenue
- PRT, Airprt & Marina Rev.
- Other
- HLTH, HOSP, NURSHOME REV.
- College & Univ. Rev.
- Appropriations
- Elec. Pwr. & Lt. Revs.
- Auto Parking Revenue

As a percentage of total net assets. Top 10 states and revenue exposure may not be representative of the fund's current or future investments and may change at any time. Depository receipts are normally combined with the underlying security.

### Ratings Allocation<sup>3</sup> (%)

% of securities	Municipal Opportunities
AAA	5.2
AA	18.4
A	27.0
BBB	38.6
BB & Below	1.4
Not Rated	9.4

### Asset Allocation (%)

% of securities	Municipal Opportunities
Tax Exempt Bonds	80.6
Taxable Bonds	17.6
Treasuries	0.0
Investment Grade Corporates	2.6
High Yield Corporates	0.0
Taxable Municipal Bonds	15.0
Closed End Municipal Funds	0.0
Cash	1.8

<sup>3</sup>The ratings allocation reflects the Standard & Poor's equivalent ratings category for the higher credit quality rating assigned by either Standard & Poor's or Moody's. Credit quality does not remove market risk.

### Portfolio Characteristics<sup>4</sup>

	Municipal Opportunities
Total Fund Assets (\$ Mil)	\$41.5
Average Duration	4.9 years
Average Maturity	17.0 years
Turnover (10 month trailing)	187.7%

## Performance (%)<sup>5, 6</sup>

Periods Ended 12/31/18 (%)	Annualized Returns						
	QTD	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
Retail Class	0.85	1.32	1.32	—	—	—	5.44
Institutional Class	0.79	1.46	1.46	—	—	—	5.62
BBgBarc U.S. 1-15 Year Municipal Bond Index	1.71	1.58	1.58	—	—	—	3.24
Calendar Year (%)	2018	2017	2016*	2015	2014	2013	2012
Retail Class	1.32	8.34	1.50	—	—	—	—
Institutional Class	1.46	8.58	1.50	—	—	—	—
BBgBarc U.S. 1-15 Year Municipal Bond Index	1.58	4.33	0.70	—	—	—	—

\*2016 calendar year returns for the Fund and benchmark are for the period 12/16/2016 through 12/31/2016.

Retail Class 30-Day SEC Yield: With Fee/Expense Waivers: 2.72%; Without Fee/Expense Waivers: 2.12%  
 Institutional Class 30-Day SEC Yield: With Fee/Expense Waivers: 2.87%; Without Fee/Expense Waivers: 2.33%

Retail Class Annual Expense Ratio<sup>6</sup>: 2.12% Gross, 0.67% Net  
 Institutional Class Annual Expense Ratio<sup>6</sup>: 1.98% Gross, 0.52% Net

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>5</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>6</sup>The Fund's advisor (the "Adviser") has contractually agreed to waive the investment advisory and/or administration fees and/or to reimburse other expenses from May 1, 2018 until at least April 30, 2020, so that the ratio of expenses to average net assets as reported in the Fund's Financial Highlights will be no more than 0.65% for the Fund's Retail Class for such period. 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 as 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.

## 30-Day SEC Tax-Adjusted Yields (%)<sup>7</sup>



<sup>7</sup>Based on federal income tax rate above. Tax equivalent yields do not reflect tax credits, exemptions, and itemized deduction phaseouts or the impact of federal and/or state alternative minimum taxes. Tax-adjusted yields are for illustrative purposes as portfolio changes can shift the mix of taxable and tax exempt bonds, thereby effecting the after tax yields. Please consult your tax advisor for further details.

## Maturity Distribution (%)

% of securities	Municipal Opportunities
0 - 1 year	4.1
1 - 3 years	2.5
3 - 5 years	3.1
5 - 10 years	7.6
10 - 20 years	46.2
20+ years	36.5
Other	0.0

## Duration Distribution (%)

% of securities	Municipal Opportunities
0 - 1 year	10.9
1 - 3 years	23.5
3 - 4 years	5.8
4 - 6 years	21.5
6 - 8 years	18.8
8+ years	19.5
Other	0.0

### Market Overview

Over the last month and half of 2018, municipal bonds rallied as market sentiment became decidedly “risk off.” After hitting lows in early November, municipal bond performance pushed quickly back into positive territory. That being said, the municipal market was not without challenges in 2018. The year ended with \$338 billion of municipal bond issuance, which is 25% lower than the previous year. For 2018, the municipal bond market shrunk by \$45 billion, as more debt was called or matured than was issued. Although this would seem positive from a technical standpoint, the full picture is more complex. Tax cuts enacted at the beginning of 2018 reduced corporate tax rates, which made municipal bonds much less attractive for insurance companies and banks, who had been large municipal bond buyers over the past decade. Insurance companies and banks became net sellers of the asset class, a trend that will likely continue into 2019, which has challenged liquidity in the market, especially in long maturity municipals.

Net flows from investment grade mutual funds finished the year at negative \$3 billion, the first year of outflows since 2013. High yield municipal bonds fared significantly better than their taxable counterparts in 2019 and ended the year with inflows of \$1.7 billion. This is the first time since 2004 that high yield municipal bond flows were positive while investment grade bond flows were negative. We believe that the high yield space looks vulnerable to price volatility, with buyers likely to be scarcer if fund flows turn meaningfully negative.

**Rates & Valuations:** The 10-year AAA rated municipal bond yield ended the fourth quarter at 2.29%. A yield of 2.29% from 10-year AAA rated municipal bonds is 86.3% of the yield offered by the 10-year U.S. Treasury, and is in line with the 85.5% ratio at the end of the third quarter of 2018.

### Fund Performance

The Segall Bryant & Hamill Municipal Opportunities Fund returned 0.85% for the fourth quarter of 2018. This compares to a return of 1.71% by its benchmark, the Bloomberg Barclays U.S. 1-15 Year Municipal Bond Index.

The Fund gave up a significant amount of outperformance in the last few weeks of the year. Our more conservative duration positioning did not allow the Fund to fully participate in the large “rates rally” that took place in the last month and a half of 2018. We believe the Fund’s barbell structure, with short- and long-term holdings, but a limited weighting in intermediate-term bonds, positions it well over the long term. However, intermediate-term maturity issues, specifically those with five- to-10-year maturities, were strong outperformers in December.

### Outlook and Positioning

As we head into 2019, we find ourselves in an interesting environment in terms of interest rates. In December, the U.S. Treasury yield curve partially inverted for the first time since early 2007, with one-year U.S. Treasury Notes offering higher yields than those with two-, three- and even five-year maturities. Intermediate-maturity interest rates fell sharply even as the U.S. Federal Reserve (Fed) continued to raise short-term rates. As of December 31, the difference in yield between a two-year U.S. Treasury Note and 10-year Treasury Note was only 19 basis points (bps).

As stated above, we still believe a barbell structure positions the Fund well over the long term. We have maintained the Fund’s overweight position in A and BBB credits versus the benchmark, as we believe they should hold up through market cycles and offer higher income.

We continue to believe that we are in the latter innings of the current credit cycle. While we do not see a recession as imminent, for some time it has seemed to us that credit risk is not being priced correctly. Additionally, the performance of high yield municipal bonds is somewhat concerning to us. While the taxable high yield market underwent repricing in the last few months, tax-exempt high yield has thus far been unaffected. This trend seems unsustainable to us long term, and we believe that when a price correction does occur, it will likely be more significant.

**Duration:** The Fund’s effective duration as of December 31, 2018 was 4.87 and its average maturity was 10.38 years.

### 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 Bloomberg Barclays U.S. 1-15 Year Municipal Bond Index data, CMS Bond Edge.

The **Bloomberg Barclays U.S. 1-15 Year Municipal Bond Index** measures the performance of investment grade (Moody's Investor Services Aaa to Baa, Standard and Poor's Corporation AAA to BBB) general obligation and revenue bonds with maturities ranging from 1 to 17 years. It is a broad index that is representative of the tax-exempt bond market.

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#### DEFINITION OF TERMS

**Credit Quality:** The credit quality of the investments in the Fund's portfolio does not apply to the safety and stability of the Fund and are subject to change. Ratings are assigned by one or more Nationally Recognized Statistical Rating Organizations (NRSRO), such as Standard & Poor's, and typically range from AAA (highest) to D (lowest). When ratings from two NRSROs are available, the lowest rating is used. Bonds not rated by an NRSRO are included in the Not Rated category, which does not necessarily indicate low quality.

**Average Maturity:** The date on which a bond, other debt or security is due to be repaid.

**Average Duration:** A measure of price sensitivity resulting from changes in the yield of a bond.

**REIT:** A REIT is a real estate investment trust. REITs are securities that sell like a stock on a major exchange. REITs invest directly in real estate, either through properties or mortgages.

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

#### BOND RATING CATEGORIES

**AAA:** An obligation rated "AAA" (Aaa) has the highest rating assigned by Standard & Poor's (Moody's). The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

**AA:** An obligation rated "AA" (Aa) differs from the highest rated obligations only in small degree. The obligor's capacity to meet its financial commitment is very strong.

**A:** An obligation rated "A" (A) is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

**BBB:** An obligation rated "BBB" (Baa) exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

**Below BBB:** Obligations rated "BB" (Ba), "B" (B), "CCC" (Caa), "CC" (Ca) and "C" (C) are regarded as having significant speculative characteristics. "BB" (Ba) indicates the least degree of speculation and "C" (C) the highest. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.

**Non-Rated:** These bonds are not rated.

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.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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