

Segall Bryant & Hamill Small Cap Value (SBHVX)

Fund Snapshot

Investment Philosophy & Process

Co-portfolio managers Dickherber and Nicholson seek to identify small-cap companies that have the potential for significant improvement in return on invested capital (ROIC). Armed with segment-level return data, they seek to identify companies with low embedded market expectations and company-specific return-improving catalysts. They do not buy stocks simply because they are cheap. Management teams must be (1) ROIC-focused, (2) financially incentivized to improve returns through appropriate capital allocation, and (3) able to articulate an appropriate returns-based strategy to improve profitability.

Dickherber and Nicholson emphasize reward-to-risk ratios and require a 3:1 upside/downside. On an absolute basis, they require at least 60% upside based on their belief that small caps are inherently riskier and can unexpectedly decline 20%. This upside/downside framework requires them to form a firm view of the market expectations that are baked into the stock price.

This strategy attempts to get the most out of the positions that meet the team's requirements while remaining diversified. Initial position sizes range between 70 and 100 basis points, a function of the co-managers' confidence in managements' ability to successfully execute return-improving catalysts and, to a lesser extent, valuation. As management demonstrates changes that appropriately improve returns, the team will add to its position.

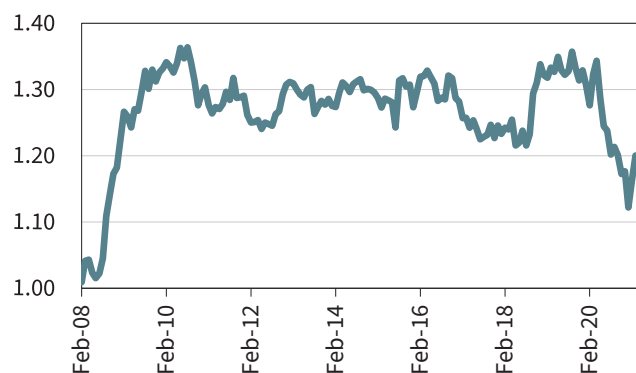
Dickherber and Nicholson will sell for a number of reasons: management deviating from their strategy by making a return-diminishing capital-allocation decision such as an acquisition of a lower-returning business, management not being able to execute their strategy to improve returns, a management change that negatively impacts a returns-based culture, company-specific returns-improving catalysts having played out, or the co-managers' estimation that the risk/reward has become unattractive.

Analysis & Opinion

What differentiates the SBH Small Cap Value team is its clear focus on identifying positive change with respect to corporate management's capital allocation, which is often a precursor to improved and sustained profitability. Dickherber and Nicholson pride themselves on identifying the building blocks of higher profitability before it is recognized by the market. We think the co-managers have developed a strong partnership, based on mutual respect and trust. Our sense is they enjoy working with one another, each bringing something different to the table, and we believe they will have a long working relationship.

The fund is *Recommended*, indicating our confidence that the fund will outperform the small-cap value benchmark over time. Investors should keep in mind that the managers are benchmark agnostic, and there may be periods when the fund is out of sync with the value benchmark. That said, we also expect the fund to outperform the blend benchmark over a market cycle.

Relative Strength: SBH Small Cap Value vs. Russell 2000 Index



Source: Litman Gregory Analytics. The relative strength chart above displays the relative performance of the fund compared to this benchmark. A rising line indicates outperformance.

Asset Class Category	Smaller-Cap Value
Managers	Mark T. Dickherber, Shaun P. Nicholson
Min. Initial Investment	\$2,500
Expense Ratio	0.99%

Performance as of 6/30/21

	SBH Small Cap Value	Russell 2000 Index
YTD	14.98%	17.54%
2020	6.22%	19.96%
2019	24.62%	25.52%
2018	-4.38%	-11.01%
2017	10.94%	14.65%
2016	22.64%	21.31%
One-Year	49.84%	62.03%
Three-Year	11.34%	13.52%
Five-Year	13.51%	16.47%
10-Year	11.17%	12.33%
Since Start of Record	11.57%	10.03%

Source: Litman Gregory Analytics. Start of record January 1, 2008. Prior to the fund's inception, we use the managers' separate-account record adjusted for 1.20% expenses annually.

For discretionary use by investment professionals. This research report is provided for informational purposes only and on the condition that it will not form the sole basis for any investment decision. The fund's prospectus contains its investment objectives, risks, charges, expenses and other important information and should be read and considered carefully before investing. Past performance is no guarantee of future results. Any reference to a market index is included for illustrative purposes only, as it is not possible to directly invest in an index. Indices are unmanaged, hypothetical vehicles that serve as market indicators and do not account for the deduction of management fees or transaction costs generally associated with investable products, which otherwise have the effect of reducing the performance of an actual investment portfolio.