

# FUNDAMENTAL INTERNATIONAL SMALL CAP

FACT SHEET | December 31, 2018

## Top Ten Holdings<sup>2,3</sup>

<b>Keywords Studios PLC</b>	4.9
United Kingdom	
<b>Webjet Ltd</b>	4.7
Australia	
<b>CANCOM SE</b>	4.2
Germany	
<b>Fortnox AB</b>	3.6
Sweden	
<b>Fu Shou Yuan International Group Ltd</b>	3.4
Japan	
<b>Yihai International Holding Ltd</b>	3.4
China	
<b>Autohome Inc</b>	3.3
China	
<b>Amaysim Australia Ltd</b>	3.2
Australia	
<b>Corporate Travel Management Ltd</b>	3.1
Australia	
<b>Sanne Group PLC</b>	3.1
United Kingdom	
<b>Total (% of portfolio)</b>	36.9%

## Performance<sup>1</sup>

Periods Ended 12/31/18 (%)	QTD	YTD	Annualized Returns			
			1 Year	3 Years	5 Years	10 Years
Fundamental International Small Cap (gross)	-20.36	-22.10	-22.10	2.53	-1.65	12.25
Fundamental International Small Cap (net)	-20.63	-23.09	-23.09	1.26	-2.87	10.89
MSCI ACWI ex-USA Small-Cap Index-Net <sup>4</sup>	-14.43	-18.20	-18.20	3.82	1.96	10.02
Calendar Year (%)	2018	2017	2016	2015	2014	2013
Fundamental International Small Cap (gross)	-22.10	36.05	1.70	2.96	-17.07	24.23
Fundamental International Small Cap (net)	-23.09	34.40	0.44	1.68	-18.12	22.70
MSCI ACWI ex-USA Small-Cap Index-Net <sup>4</sup>	-18.20	31.65	3.91	2.60	-4.03	19.73

## Portfolio Characteristics<sup>2,4</sup>

	Fundamental International Small-Cap	MSCI ACWI ex-USA Small-Cap <sup>4</sup>
Weighted Average Market Capitalization (\$ Mil)	\$1,685	\$2,010
EPS Growth (3-5 year forecast)	13.3%	8.9%
Price/Earnings (1 year forecast)	21.4x	17.2x
Dividend Yield (1 year trailing)	1.9%	2.8%
Beta (3 Years)	1.06	-
Standard Deviation (3 Years) <sup>1,5</sup>	14.70%	12.52%
Tracking Error (3 Years) <sup>1,5</sup>	6.25%	-
Turnover (3 year average)	50%	-
Number of Holdings	42	-

## Regional Allocation<sup>2</sup>

	Fundamental International Small-Cap	MSCI ACWI ex-USA Small-Cap <sup>4</sup>	Relative Weights
United Kingdom	13.4	13.1	0.3%
Europe	24.1	27.9	-3.8%
Japan	18.1	22.8	-4.7%
Asia (excluding Japan)	20.1	8.7	11.4%
Emerging Markets/Other	16.5	20.8	-4.3%
North America	7.8	6.6	1.2%

<sup>1</sup>Data is based on firm's Fundamental International Small Cap composite. Past performance does not guarantee future results and future performance may be lower or higher than the performance presented. See Performance Disclosure for additional performance information.

<sup>2</sup>Information presented is for a representative portfolio which is an account in the composite that we believe most closely reflects current portfolio management style for the strategy. Performance is not a consideration in the selection of the representative portfolio. The information of the representative portfolio shown may differ from that of the composite and of the other accounts in the composite. Information on this page is considered supplemental information to the Performance Disclosure.

<sup>3</sup>The specific securities and/or countries identified and described do not represent all the securities or all of the countries purchased, sold or recommended for clients in the composite and no assumption should be made that such securities or future recommendations will be profitable in the future.

<sup>4</sup>Source: eVestment Alliance.

<sup>5</sup>Source: FactSet.

<sup>6</sup>Standard Deviation, Beta and Tracking Error statistics based on monthly data. Three years. Source: eVestment Alliance.

## Market Overview

U.S. equities capped off a trying fourth quarter of 2018, posting their worst December returns since 1931. Markets were battered by rate hikes from the U.S. Federal Reserve (Fed), fears that the United States may be entering a late stage in its economic cycle, and anticipation of fading fiscal stimulus. In China, sentiment remained bearish, as a lack of significant stimulus measures exacerbated weak economic data and continued uncertainty over the trade war with the United States. Other emerging markets saw mixed results. Brazilian equities rallied after the election of Jair Bolsonaro as president. Turkish and Indian markets, however, experienced ongoing stagnation and equities in Russia fell under the specter of sanctions. Japanese equity markets also fell as confidence soured due to a decline in exports amid trade tensions between the country's two largest trading partners, the United States and China. Europe continued to be wracked with concerns over Brexit and Italy's budget crisis, as well as civil unrest in France.

## Portfolio Performance

International markets continued to decline in the fourth quarter, falling alongside U.S. equity indexes. This challenging environment for global equities led to international indexes posting primarily negative returns for the quarter and for the year. Amidst this landscape, the Segall Bryant & Hamill Fundamental International Small Cap portfolio underperformed the -14.43% return posted by its benchmark, the MSCI ACWI ex USA Small Cap Index.

As in the previous quarter, the portfolio's holdings in Canada performed relatively well compared to the benchmark's Canadian holdings. Holdings in Japan, Ireland and Australia detracted from the portfolio's performance relative to its benchmark.

## Contributors to Return

Hong Kong-traded Yihai International Holding Ltd. contributed positively to the portfolio's fourth quarter return, as it weathered the decreased expectations in China better than most. Yihai is the sole manufacturer of hot pot condiments for the rapidly growing hot pot chain Haidilao, which enjoys strong brand loyalty and has continued to open new locations in China and globally. Yihai has delivered exceptional operational performance, growing revenues by 73% and operating profit by 110% year-over-year for the first half of 2018. Japan-based Arcland Service Holdings Co. Ltd. is another restaurant operator that performed well in the fourth quarter. Arcland is Japan's largest operator of franchised restaurants and specializes in tonkatsu (fried pork) and katsudon (pork cutlet bowl) dishes. The company is known for its low prices, which make its meals an attractive lunch option. The chain has been rolling out new locations rapidly, which drove growth and bolstered the stock price. In the third quarter of 2018, Arcland grew revenues by 15% year over year, driven by location growth of 11%.

## Detractors from Return

Keywords Studios plc was one of the portfolio's most significant detractors in the fourth quarter. This provider of outsourced services to the video game industry was affected by weakness in the industry. Gaming was impacted by several factors, including the popularity of new game formats and a tough regulatory environment in China. Nonetheless, Keywords has continued to perform well operationally, continuing its acquisition strategy and maintaining guidance roughly in line with expectations. Webjet Ltd. was another detractor in the quarter, although it has continued to deliver on expectations operationally. This Australian online travel bookings company acquired business-to-business travel company Destinations of the World in November. We believe the market has not yet given the stock credit for this acquisition.

## Outlook and Positioning

Although geopolitical concerns, including the U.S.-China trade war and Brexit, are resulting in continued uncertainty, we believe markets may have already priced in these risks. We believe our focus on holdings with reasonable valuations supported by strong fundamentals, such as strong cash generation and low indebtedness, will position the portfolio well for 2019.

## Top Contributors/Detractors (By Stock)<sup>2,6</sup>

Top 5 Contributors	Average Weight	Absolute Contribution to Return	Top 5 Detractors	Average Weight	Absolute Contribution to Return
Yihai International Holding Ltd.	3.29	0.14	Momo Inc Sponsored ADR Class A	2.04	-1.07
Mitula Group Ltd.	2.06	0.12	TATERU, Inc.	1.53	-1.17
Arcland Service Holdings Co., Ltd.	2.54	0.11	BWX Ltd.	1.71	-1.27
Autohome, Inc. Sponsored ADR Class A	2.93	0.07	Webjet Limited	4.60	-1.40
Appen Ltd.	1.91	0.05	Keywords Studios plc	4.67	-2.39

<sup>4</sup>The securities identified on this chart were determined after consistently calculating the weight of each holding in the representative account multiplied by the rate of return for that holding during the period. The securities identified do not represent all of the securities purchased, sold or recommended for advisory clients. You may obtain a complete list showing the contribution of each holding in the representative account to the overall account performance during the period presented by calling (303) 312-5000.

The performance data quoted represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance data quoted. Investment return and principal value will vary, and initial investments may be worth more or less than their original investment. To obtain current performance as of the most recent month-end and for important performance disclosures, please see the strategy's composite performance at [www.sbhic.com](http://www.sbhic.com)

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

Performance Disclosure: Fundamental International Small Cap Composite

Year	— Composite Assets—			Composite Gross of Fees Annual Return (%)	Composite Net of Fees Annual Return (%)	Russell Midcap® Value Index (%)	Composite 3 Year Standard Deviation (%)	Index 3 Year Standard Deviation (%)	Composite Dispersion (%)	Total Firm Assets (Incl. Model Portfolios)* (\$Bil)	Total Firm Assets (\$Bil)
	Dollars (\$ millions)	% of Firm Assets	Composite Accounts								
2017	104	1.5	2	36.05	34.40	31.65	13.01	11.69	0.35	7.284	6.995
2016	151	2.1	2	1.70	0.44	3.91	14.04	12.31	0.03	7.476	7.169
2015	282	3.8	3	2.96	1.68	2.60	13.60	11.49	0.44	7.606	7.382
2014	507	5.4	3	-17.07	-18.12	-4.95	14.08	13.51	1.30	9.596	9.373
2013	686	7.0	3	24.23	22.70	29.30	15.65	16.37	1.70	10.009	9.794
2012	354	3.8	2	26.78	25.17	20.00	18.74	20.12	-	9.565	9.343
2011	134	1.5	1	-4.26	-5.45	-15.94	20.95	23.33	-	9.389	9.101
2010	61	1.0	1	37.30	35.87	22.04	-	-	-	8.989	8.711
2009	32	<1.0	1	66.53	64.96	46.78	-	-	-	8.038	7.837
2008	18	<1.0	1	-48.04	-48.59	-47.01	-	-	-	7.008	6.867

\*Number includes a portion of assets where Segall Bryant & Hamill does not have discretionary trading authority. This information is supplemental to fully compliant presentation.

- 1) Segall Bryant & Hamill 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. Denver Investment Advisors LLC (aka Denver Investments) was acquired by Segall Bryant & Hamill on April 30, 2018. Prior to this date, performance results were achieved through the legacy firm, Denver Investments.
- 2) This composite was created in July 2006. Accounts in the composite include all fee paying, discretionary actively managed equity accounts that are managed to the MSCI ACWI ex USA Small Cap Index - Net and an investment mandate of Fundamental International Small Cap. The MSCI ACWI ex USA Small Cap Index captures small cap representation across 22 of 23 Developed Market countries (excluding the U.S.) and 23 Emerging Market countries. The index covers approximately 14% of the global equity opportunity set outside the U.S. Prior to 1/1/2015 the MSCI EAFE Small-Cap Index-Net was used. MSCI is the source and owner of the MSCI Index data contained in this material and all trademarks and copyrights related thereto. Any further dissemination or redistribution is strictly prohibited. MSCI is not responsible for the formatting or configuration of this material or for any inaccuracy in Segall Bryant & Hamill's presentation thereof. Index returns are not covered by the report of the independent verifiers.
- 3) The team may use forward contracts to achieve currency exposure comparable to the benchmark in order to minimize tracking error caused by currency movements.
- 4) Gross of fee returns are calculated gross of management and custodial fees, and net of transaction costs. Net of fee returns are calculated net of management fees and transaction costs, and gross of custodian fees. As of 1/1/15, net of fee returns were calculated by deducting the maximum applicable advisory fee in effect, pro-rated on a monthly basis. From 1/1/08 to 12/31/14, net of fee returns were calculated by deducting the maximum applicable advisory fee in effect, pro-rated on a quarterly basis. Prior to this date, net of fees returns were calculated using actual annual client fees, pro-rated on a quarterly basis. Effective October 1, 2012, for the composite, any cash flow which exceeds \$10 million and 25% of the account value prior to the cash flow will result in the account transferring to the restricted composite for the month of the cash flow and then return to the unrestricted composite in the month following the cash flow.
- 5) The dispersion of annual returns is measured by the standard deviation across unweighted portfolio gross returns represented within the composite for the full year. Dispersion is not shown for years in which only one account is present for the entire year.
- 6) Valuations and returns are computed and stated in U.S. dollars. Performance is calculated net of withholding taxes on foreign dividends and interest. Dividend income is recorded on the ex-dividend date and interest income is recorded on the accrual basis. Total returns for accounts are presented using the accrual basis of accounting for all fixed income and equity investments and on a cash basis for all cash equivalents.
- 7) 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 1/1/84 – 12/31/16. Verification assesses whether the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Fundamental International Small Cap composite has been examined for the periods 7/1/06 – 12/31/16. The verification and performance examination reports are available upon request. A complete list and description of all firm composites is available upon request.
- 8) Prior to Segall Bryant & Hamill's acquisition of Denver Investment Advisors LLC, Denver Investments was verified from the period 1/1/84 through 12/31/16. The Fundamental International Small Cap composite has been examined for the periods 7/1/06 – 12/31/16.
- 9) The maximum fee rate is 1.25%. Please reference Segall Bryant & Hamill's ADV for full fee schedule.
- 10) Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.
- 11) Past performance does not guarantee future results and future performance may be lower or higher than the performance presented.