



SMID Cap Equity Strategy

Third Quarter 2020

RHJ's **SMID Cap Equity** offers a risk-aware application of sustainable growth investing, seeking to uncover and capitalize on smaller, growing, undervalued companies that stand to offer higher return potential. The SMID Cap Equity portfolio is comprised of reasonably priced, less-visible companies with unique business concepts or niche products that we believe are ripe for growth but also well-positioned and sound enough to mitigate downside compared to higher-profile growth peers. Our bottom-up, fundamental stock selection process singles out companies with a market capitalization ranging between \$1.5 billion and \$12.0 billion.¹

STRATEGY OVERVIEW

September 30, 2020

Inception Date:	January 1, 1997
Benchmark:	Russell 2500 Growth
Strategy Assets:	\$7 million
Avg. Composition:	35 - 45 stocks
Management:	Team-managed

VALUE PROPOSITION

Depth of experience, continuity of process

Seasoned team of small/mid cap specialists averaging 29 years' professional experience and many years practicing this philosophy together at RHJ

Small size and entrepreneurial culture

Focused organizational structure promotes strict, collaborative focus on investment management

Disciplined investment strategy

The RHJ philosophy has been applied in and endured various market cycles and environments over its twenty-year track record

INVESTMENT PHILOSOPHY

Per our philosophy, the optimal investment solution avoids market extremes and relies on fundamental, bottom-up research to deliver favorable risk-adjusted returns over the long-term. Through a fundamentally based valuation framework, we exercise the following beliefs:

- Growth stocks are attractive only when purchased at a reasonable price
- Investment in high-quality companies with sustainable earnings growth can deliver greater potential for positive alpha
- Valuation inefficiencies are captured over the long term – typically 12 to 24 months
- Superior returns are a function of the impact of a catalyst on a stock's price; an effective active manager should be able to produce and successfully trade on a more insightful view of these catalysts relative to peers or the market

COMPOSITE PERFORMANCE

As of September 30, 2020
Calculated in U.S. Dollars

	3Q20	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception
SMID Cap Equity [Gross]	2.56%	(15.12%)	(9.51%)	0.82%	4.30%	4.62%	7.13%	8.38%
SMID Cap Equity [Net]	2.35%	(15.64%)	(10.24%)	0.01%	3.42%	3.68%	6.17%	7.59%
Russell 2500 Growth Index	9.37%	11.58%	23.37%	13.36%	14.19%	11.69%	14.06%	8.84%

Past performance does not guarantee future results. For performance calculation purposes, the composite contains all fully discretionary, tax-exempt institutional and high net worth portfolios invested in the SMID Cap Equity strategy. Indices are provided for comparative purposes only. An investor cannot invest directly in an index.

INVESTMENT PROCESS

At RHJ, organizational structure, entrepreneurial spirit and collaborative culture maximize the latitude for our Portfolio Managers/Analysts to explore unconventional ideas, identify potential catalysts, and ultimately develop the investment case during the idea generation phase.

Once a Portfolio Manager/Analyst emerges with his or her investment recommendation, the Portfolio Construction process begins with the senior team reviewing and voting to approve each new idea brought forward; the process incorporates various risk controls designed to ensure that each holding honors our investment criteria. Throughout the holding period, the team routinely assesses whether or to what extent the case is materializing; risk/reward outcomes and changes to outlook are monitored closely throughout the holding period.

IDEA GENERATION/ INVESTMENT CRITERIA

Growth

- Projected growth rate generally 15% - 30%
- Emphasis on both top-line and bottom-line growth

Valuation

- P/E Ratio < 3-year Future Earnings Growth Rate
- Inefficient pricing—alpha capture through both upside participation and downside protection

"Why Now" – Positive Fundamental Change

- Must be clearly identifiable, defined, and poised to realize investment upside within 2 years
- Recognition of catalyst should lead to investor awareness and price appreciation

Reward/Risk

- Target of 50-100% appreciation within 2 years; targets set, monitored during holding period
- Minimum 3:1 Reward-to-Risk ratio; risk/reward profile and conviction inform position size

RISK CONTROLS

- 3:1 Reward-to-Risk Ratio – strict implications for sell discipline, position size and holding period
- "Dead Wood Removal" – freedom to challenge or flag any holding for re-evaluation
- Price Targets - monitored closely, drive strict sell discipline and decisions to trim positions
- Downside mitigation through strict adherence to 3:1 up/down criterion

¹The selection universe is tied to the capitalization range of the Russell 2500™ Index each year at the time of reconstitution. Please refer to additional disclosures at the end of this document.



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FIRM HIGHLIGHTS

September 30, 2020

Research-driven firm founded in 1974

Firm assets under management + Firm assets under advisement: \$2.9 billion

Ownership

- Independent and 100% employee-owned
- RHJ is focused solely on investment management with no other lines of business

Personnel

- 32 employees, including 11 owners averaging 28 years of industry experience and 20 years with Rice Hall James
- Stable, long-term leadership emphasizing retention of talent, preservation of culture

RHJ Clients

- Clients include leading Foundations/Endowments, Corporations, Multi-Employers, Public Funds, Hospitals and Financial Institutions

PORTFOLIO CHARACTERISTICS

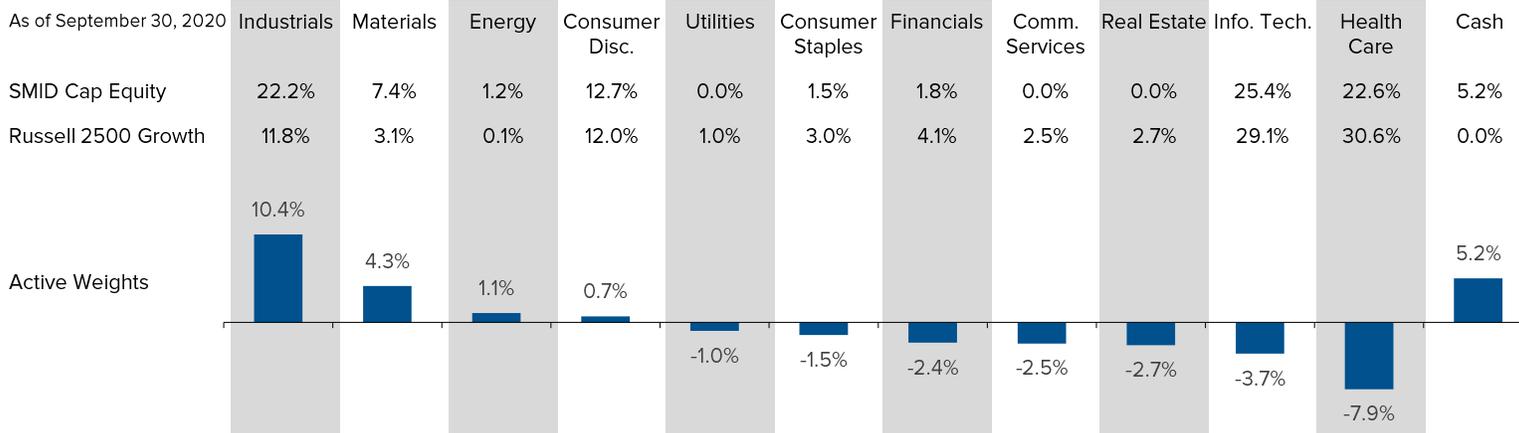
As of September 30, 2020

	RHJ SMID Cap Equity	Russell 2500 Growth Index
Number of Holdings	46	1,291
Portfolio Turnover (3 year annual average)	40%	-
Long-Term Earnings Growth Forecast	11.8%	16.9%
P/E - 1 Year Forecast ¹	19.0	24.0
Return on Equity (5 years)	18.2%	-7.5%
Weighted Median Market Cap (billion)	\$6.67	\$4.82
Weighted Average Market Cap (billion)	\$8.86	\$6.06
Alpha (5 years)	-7.5%	-
Beta (5 years)	0.90	-
Standard Deviation (5 years)	21.7%	22.4%
Sharpe Ratio (5 years)	0.17	-
Active Share	96.6%	-

¹P/E Ratio calculation excludes companies with negative earnings.

Portfolio characteristics are sourced by eVestment Analytics & FactSet and based on a representative account.

PORTFOLIO SECTOR WEIGHTING



Sector Weightings Sources: FactSet; GICS Sector Classification

Sector weightings may not add up to 100% due to rounding. Sector allocations are subject to change and are not a recommendation to buy or sell any security. A representative account is used for portfolio sector weights.



Disclosures

This piece is being provided for informational purposes only and should not be considered investment advice or a recommendation to buy or sell any types of securities, and no investment decision should be made solely on the information provided herein. All investments involve risk, including loss of principal invested. Past performance does not guarantee future results. Individual client accounts may vary. The strategy and investments referenced may not be suitable for all investors as the appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. Founded in 1974, Rice Hall James & Associates, LLC is an SEC registered investment adviser however, such registration does not imply a certain level of skill or training and no inference to the contrary should be made. The firm is 100% employee owned. Composite returns are annualized for periods greater than one year. Performance figures include reinvestment of dividends and other earnings. The U.S. Dollar is the currency used to express performance. For performance calculation purposes, the composite's inception date is January 1, 1997, and includes all fully discretionary, tax-exempt, intentional and high net worth portfolios invested in the SMID Cap Equity strategy. Rice Hall James & Associates, LLC claims compliance with the Global Investment Performance Standards (GIPS®). GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. A GIPS Composite report is available upon request at the following address: 600 West Broadway, Suite 1000, San Diego, California 92101.

For periods shown prior to April 1, 2015, the Russell Midcap Growth and Russell Midcap indices were used for comparison purposes. The benchmark was changed to more accurately reflect the strategy of the composite. Comparisons have limitations because indices may have volatility, investment and other characteristics that may differ from an investment account strategy to which it is compared. Indices are unmanaged, include the reinvestment of dividends and do not reflect transaction costs, management or other fees. Indices are provided for comparative purposes only. An investor cannot invest directly in an index. Russell 2500™ Growth Index-Constructed to provide a comprehensive and unbiased barometer of the small to mid-cap growth market. It includes those Russell 2500 companies with higher growth earning potential as defined by Russell's leading style methodology. Russell 2500™ Index-Constructed to provide a comprehensive and unbiased barometer of the small to mid-cap segment and includes the smallest 2500 securities in the Russell 3000® Index.

Index Definition Source: FTSE Russell

Risk - The market value of stocks will fluctuate with market conditions, and smaller cap stock prices generally will move up and down more than large cap stock prices. Smaller cap stocks may be subject to a higher degree of risk than more established (large cap) companies' securities. Past performance does not guarantee future results.

GICS Sector Classification - The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property and a service mark of MSCI Inc. ("MSCI") and Standard & Poor's Financial Services LLC ("S&P") and is licensed for use by Rice Hall James & Associates, LLC. Neither MSCI, S&P, nor any other party involved in making or compiling the GICS or any GICS classifications makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability and fitness for a particular purpose with respect to any of such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, S&P, any of their affiliates or any third party involved in making or compiling the GICS or any GICS classification have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

Source: GICS Sector Classification

Glossary

Active Share - This is a measure of the percentage of stock holdings in the portfolio that differs from the benchmark index. Active Share is calculated by taking the sum of the absolute value of the differences of the weight of each holding in the portfolio versus the weight of each holding in the benchmark index and dividing by two.

Alpha - The incremental return of a manager when the market is stationary. In other words, it is the extra return due to nonmarket factors. This risk-adjusted factor takes into account both the performance of the market as a whole and the volatility of the manager. A positive alpha indicates that a manager has produced returns above the expected level at that risk level, and vice versa for a negative alpha. Alpha is the Y intercept of the regression line.

Beta - This is a measure of a portfolio's volatility. Statistically, beta is the covariance of the portfolio in relation to the market. A beta of 1.00 implies perfect historical correlation of movement with the market. A higher beta manager will rise and fall more rapidly than the market, whereas a lower beta manager will rise and fall slower. For example, 1.10 beta portfolio has historically been 10% more volatile than the market.

Long-Term Earnings Growth Forecast - Long Term Growth [LTG] is the annual EPS growth that the company can sustain over the next 3 or 5 years.

P/E Ratio - 1 Year Forecast - A forward-looking valuation measure of a company's common stock, excluding negative earnings. It encapsulates the amount of earnings estimated for next year per dollar of current share price. For the portfolio, the individual P/E stock ratios are then weighted by their respective portfolio market values in order to calculate a weighted average representative of the portfolio as a whole.

Return on Equity - This statistic reflects the amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested. Net income is for the full fiscal year (before dividends paid to common stock holders but after dividends to preferred stock.)

Sharpe Ratio - A measure of a fund's return relative to its risk. The return (numerator) is defined as the fund's incremental average return over the risk-free rate. The risk (denominator) is defined as the standard deviation of the fund's returns, and can be calculated by subtracting the risk-free rate from the average period return and dividing this number by the standard deviation for the period. In relative terms, a higher Sharpe ratio tends to indicate higher reward for risk.

Standard Deviation - This is a measure of the average deviations of a return series from its mean; often used as a risk measure. A large standard deviation implies that there have been large swings or volatility in the manager's return series.

Glossary Sources: eVestment Analytics & FactSet