



SMID Cap Opportunities Strategy

First Quarter 2021

RHJ's **SMID Cap Opportunities** Strategy employs a fundamental, bottom-up analytical process to identify companies that meet three primary criteria: high earnings growth, high or improving return-on-invested capital (ROIC), and sustainable competitive advantages. Our philosophy is rooted in historical analysis indicating the high relative return potential of these factors in combination. We believe that superior results can be achieved by owning companies that exhibit not only high earnings growth, but also the ability to sustainably generate high ROIC over long periods of time. Our investment universe consists of companies with market capitalizations between \$250 million and \$14 billion at the time of purchase.¹

STRATEGY OVERVIEW

March 31, 2021

Inception Date: January 1, 2016

Benchmark: Russell 2500 Growth

Strategy Assets: \$808 million²

Avg. Composition: 50-70 stocks

Management: **Lou Holtz, CFA**
29 yrs industry experience

Yossi Lipsker, CFA
26 yrs industry experience

VALUE PROPOSITION

LONG TERM-ORIENTED

Long-term focus affords time and opportunity to develop an **informational edge** on companies and their management teams

QUALITY-FOCUSED

We invest in companies that generate **high or improving return-on-invested capital** in addition to having what we consider **sustainable competitive advantages**

RISK-CONTROLLED

Seek to structure portfolio weightings on a risk-adjusted basis in our **highest-conviction ideas**

COMPOSITE PERFORMANCE

As of March 31, 2021
Calculated in U.S. Dollars

	1Q21	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception January 1, 2016
SMID Cap Opportunities [Gross]	4.44%	83.99%	10.57%	15.68%	-	-	14.60%
SMID Cap Opportunities [Net]	4.34%	83.32%	10.05%	15.15%	-	-	14.10%
Russell 2500 Growth Index	2.49%	87.50%	19.96%	19.91%	-	-	18.28%

Past performance does not guarantee future results. Composite returns are shown both gross and net of fees in U.S. dollars. Rice Hall James & Associates, LLC's compliance with the GIPS standards has been verified for the period January 1, 1993 through December 31, 2019. RHJ's GIPS Report is located at the end of this presentation as well as other important disclosure information regarding the returns and indices shown above.

INVESTMENT PROCESS

The heart of our process is bottom-up analysis at the company level. The portfolio managers conduct fundamental research on every company held in the portfolio. As generalists each with over twenty years of investment experience, both bring to bear extensive knowledge of the companies they own or follow, understanding of industries, and general expertise on the small cap landscape in various market environments.

Cornerstones of our bottom-up fundamental investment process include:

- Clear understanding of a firm's competitive context and advantages
- Assessment of the sustainability characteristics of the underlying business
- Emphasis on high or improving ROIC; a clear sense of the future direction of ROIC
- Estimation of ability to generate and grow free cash flow over life of the investment
- Valuation that we believe affords a reasonable return over investment horizon
- Scrutiny of company management, ability to identify/execute on the right plan

¹The selection universe consists of companies with market capitalizations between \$250 million and \$14 billion. This range is re-evaluated each year at the time of reconstitution of the Russell 2500 Growth Index. Please refer to additional disclosures at the end of this document.

²Strategy assets include assets under management and assets under advisement.



FIRM HIGHLIGHTS

March 31, 2021

Research-driven firm founded in 1974

Firm AUM + AUA: \$3.6 billion¹

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 21 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 March 31, 2021

Number of Holdings	64	Russell 2500 Growth Index	1,353
Portfolio Turnover (3 year annual average)	21%		-
Long-Term Earnings Growth Forecast	15.4%		18.6%
P/E - 1 Year Forecast ¹	22.0		26.8
Return on Equity (5 years)	6.8%		-5.4%
Weighted Median Market Cap (billion)	\$5.32		\$5.80
Weighted Average Market Cap (billion)	\$8.82		\$7.58
Alpha (5 years)	-4.06		-
Beta (5 years)	1.04		-
Standard Deviation (5 years)	21.08		19.53
Information Ratio (5 years)	-0.77		-
Active Share	93.2%		-

RHJ SMID Cap Opportunities	Russell 2500 Growth Index
64	1,353
21%	-
15.4%	18.6%
22.0	26.8
6.8%	-5.4%
\$5.32	\$5.80
\$8.82	\$7.58
-4.06	-
1.04	-
21.08	19.53
-0.77	-
93.2%	-

Sources: eVestment & FactSet

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

The information above is based on a representative account. Please see important disclosure information at the end of this presentation regarding the indices shown above.

PORTFOLIO SECTOR WEIGHTING

As of March 31, 2021	Consumer Disc.	Info. Tech.	Energy	Financials	Comm. Services	Industrials	Utilities	Consumer Staples	Materials	Real Estate	Health Care	Cash
SMID Cap Opportunities	16.8%	32.4%	0.0%	3.4%	1.8%	12.4%	0.0%	1.8%	1.8%	0.0%	25.6%	3.9%
Russell 2500 Growth	13.1%	29.0%	0.1%	3.9%	2.4%	13.4%	1.0%	2.9%	3.1%	2.6%	28.5%	0.0%
Active Weights	3.7%	3.4%	-0.1%	-0.5%	-0.6%	-1.0%	-1.0%	-1.1%	-1.3%	-2.6%	-2.9%	3.9%

Sector Weightings Sources: FactSet & GICS Sector Classification

The information above is based on a representative account. Sector weightings may not add up to 100% due to rounding. Please see important disclosure information at the end of this presentation regarding the indices and sector classification shown above.

¹Asset include assets under management and assets under advisement.



Disclosures

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Indices are provided for comparative purposes only. An investor cannot invest directly in an index. 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—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 small cap and micro cap stock prices generally will move up and down more than large cap stock prices. Small cap and micro cap stocks may be subject to a higher degree of risk than more established (large cap) companies' securities. The illiquidity of the small cap and micro cap market may adversely affect the value of client investments. 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 trademark of S&P and MSCI. Neither MSCI, S&P nor any other party involved in making or compiling 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 or 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 any GICS classifications 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: S&P Dow Jones Indices LLC

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.*

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.)*

Glossary Source: FactSet