



RHJ's **International Small Cap** strategy's investment philosophy is centered on investing in businesses with sustainable profitability, strong competitive moats, and sound capital allocation strategies, whose valuations imply overly pessimistic future profitability. Our investment universe consists of companies with market capitalizations ranging between \$30 million and \$9 billion.¹

STRATEGY OVERVIEW

June 30, 2021

Inception Date: April 1, 2015

Benchmark: MSCI EAFE Small Cap

Avg. Composition: 50 - 70

Management: **Eric Fuhrman, CFA**
18 yrs industry experience

Andrew Rothstein, CFA
15 yrs industry experience

VALUE PROPOSITION

LONG TERM-ORIENTED

Investment opportunities are created by pervasive short-termism and the overuse of simple accounting statement based ratios.

Short-termism, which stems from hardwired human emotion, provides us with a constant pipeline of opportunity to methodically uncover undervalued, high quality businesses.

QUALITY-FOCUSED

Screen for companies that have sustained above cost of capital CFROI generation through a market cycle.

Identify businesses with sustainable profitability, strong competitive moats, and sound capital allocation strategies.

RISK-CONTROLLED

Mitigate risk by investing in securities with predictable financial statements and valuations that imply a margin of safety.

Monitor risk by identifying changes in corporate performance and by understanding and managing exposures created by our bottom-up investment process.

COMPOSITE PERFORMANCE

As of June 30, 2021
Calculated in U.S. Dollars

	2Q21	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception April 1, 2015
International Small Cap [Gross]	7.95%	45.15%	8.91%	13.34%	-	-	10.62%
International Small Cap [Net]	7.95%	45.15%	8.72%	12.87%	-	-	10.07%
MSCI EAFE Small Cap Index	4.34%	40.98%	8.40%	12.03%	-	-	9.60%

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, 2020. 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

Our process utilizes a combination of quantitative screening and fundamental analysis. This process is designed to minimize behavioral biases and identify sustainable businesses with competitive advantages whose valuations imply a reasonable bear case scenario, providing us with a significant potential for return and an adequate margin of safety.

Cornerstones of our investment process include:

Quantitative Screening

- Sustained CFROI generation through a market cycle
- Manageable leverage
- Low market implied valuation

Fundamental Analysis

- Competitive Position: Does the business have a sustainable competitive moat?
- Capital Allocation: Is management creating shareholder wealth?
- Behavioral: Why is the stock cheap/inexpensive?
- Risk Assessment: What could go wrong with this investment?

Valuation

- Reverse DCF: Determine what future profitably is priced in
- Margin of Safety: If things go wrong can we still earn a return?
- Skewed Reward/Risk: Invest when market applies a bear case scenario

Risk Management

- Employ a proprietary weekly risk report
- Monitor factor exposures
- Measure performance against a custom benchmark

¹The selection universe is tied to the capitalization range of the MSCI EAFE Small Cap Index and can change each May and November with MSCI's semi-annual reconstitution. Please refer to additional disclosures at the end of this document.



International Small Cap Strategy

Second Quarter 2021

FIRM HIGHLIGHTS

June 30, 2021

Research-driven firm founded in 1974

Firm AUM + AUA: \$3.3 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 June 30, 2021

Descriptive

Number of Holdings
Weighted Average Market Cap
Dividend Yield
Active Share

Traditional Metrics

P/E Ratio - 1 Year Forecast¹
Price-to-Book
EV/EBITDA
Operating Margin
ROE
ROIC
Debt/Capital

HOLT Metrics

Economic P/E
HOLT P/B
CFROI LFY
CFROI 5 Year Median
Fixed Charge Coverage Ratio
Probability of Default

	RHJ International Small Cap	MSCI EAFE Small Cap Index
Number of Holdings	61	2,389
Weighted Average Market Cap	\$3.85 billion	\$3.28 billion
Dividend Yield	1.9%	1.9%
Active Share	96.0%	-
P/E Ratio - 1 Year Forecast ¹	16.1	17.5
Price-to-Book	3.6	4.6
EV/EBITDA	15.8	24.1
Operating Margin	13.0%	14.3%
ROE	11.2%	7.1%
ROIC	6.0%	5.2%
Debt/Capital	27.4%	60.4%
Economic P/E	25.4	30.4
HOLT P/B	2.8	3.6
CFROI LFY	9.2%	7.9%
CFROI 5 Year Median	12.1%	9.9%
Fixed Charge Coverage Ratio	1.5	1.3
Probability of Default	0.5%	1.6%

Sources: FactSet & Credit Suisse HOLT®

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.

GICS SECTOR & REGIONAL WEIGHTINGS

As of June 30, 2021

GICS Sector Weightings

	Industrials	Consumer Disc.	Materials	Info. Tech.	Energy	Consumer Staples	Financials	Utilities	Real Estate	Health Care	Comm. Services	Cash
International Small Cap	32.3%	18.7%	10.1%	9.7%	1.6%	4.4%	8.5%	0.0%	8.1%	2.7%	0.0%	4.0%
MSCI EAFE Small Cap Index	23.4%	13.4%	9.0%	10.0%	1.6%	5.7%	10.5%	2.9%	11.7%	7.4%	4.5%	0.0%
Active Weights	8.9%	5.3%	1.1%	-0.3%	0.0%	-1.3%	-2.0%	-2.9%	-3.6%	-4.7%	-4.5%	4.0%

Regional Weightings

	Eurozone	Britain	Europe Ex Euro	Japan	Non Japan Asia	Other	Cash
International Small Cap	24.8%	18.3%	15.2%	26.2%	11.5%	0.0%	4.0%
MSCI EAFE Small Cap Index	20.7%	17.5%	16.7%	28.0%	13.9%	3.2%	0.0%
Active Weights	4.1%	0.7%	-1.5%	-1.8%	-2.4%	-3.2%	4.0%

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.

¹Firm assets include assets under management and assets under advisement.



Disclosures

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.

CFROI® - CFROI is an approximation of the economic return, or an estimate of the average real internal rate of return, earned by a firm on the portfolio of projects that constitute its operating assets.

CFROI® 5 Year Median - The median of Credit Suisse HOLT's CFROI® for the last five reported fiscal years. As sorting and screening variables, median CFROIs are used to rank and identify companies by their typical CFROI level over a specified number of years. Medians are used because CFROI levels can change substantially year-to-year and thus any single CFROI could be non-representative of the firm's profitability. At least 4 observations must be available to calculate the median value.

Debt/Capital - This is calculated as Total Debt divided by total capital.

Dividend Yield - Dividend yield based on the indicated dividend or the annualized last paid dividend and the most recent closing price.

Economic P/E - HOLT Economic PE is comparable to traditional price to earnings. When scoring on economic PE, a lower multiple should get a higher score. Typically, an early life-cycle company with high growth but with modest returns, would display a higher economic P/E multiple in the same way higher traditional PEs might be seen in those same growth sectors. Economic PE is calculated as HOLT Value/Cost ratio divided by the forecast CFROI comparable to a traditional price/book divided by ROE.

EV/EBITDA - EV (Enterprise Value) is given by: $EV = \text{Market Cap} + \text{LT Debt} + \max(\text{ST Debt} - \text{Cash}, 0)$, where LT (ST) stands for long (short) term. The Enterprise Value to EBITDA ratio is the current Enterprise Value divided by the Earnings Before Interest, Taxes, Depreciation, and Amortization.

Fixed Charge Coverage Ratio - A measure of a firm's financial health, the ratio takes into account all cash outflows for expenses and for shareholders indicating the safety of equity cash flows, such as dividends. The HOLT fixed charge ratio is calculated by taking gross cash flow divided by fixed charges: rent, research and development expenses, adjusted interest expense, common dividends, and capital expenditures. Companies with a higher ratio can absorb adverse economic events before jeopardizing its ability to meet its fixed charges. A firm's liquidity can be threatened if this ratio is negative over several years.

HOLT P/B - The sum of the market values of debt and equity, including the value of minority interest divided by the current inflation-adjusted net assets plus the market value of investments for the current fiscal year. HOLT Value to Cost is comparable to a traditional Price to Book Ratio.

Operating Margin - Operating margins represents underlying operating profitability. Calculated as net sales less cost of goods sold and SG&A plus other income, stock option expense, R&D, and operating lease expense as a percentage of net sales for the last fiscal year.

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.

Price-to-Book - The Price to Book value ratio is the current price divided by the latest quarterly Book Value Per Share. The Book Value Per Share is lagged 45 days by default for the formula.

Probability of Default - The Probability of Default (PoD) represents the likelihood that the firm will default on its debt. Results indicate that PoD is a valuable risk factor that can be used for risk analysis/optimization to complement traditional HOLT alpha factors.

ROE - Returns the market weighted average of the Return on Equity Percent for the securities in the holder's portfolio for a FactSet Global Ownership holder identifier.

ROIC - Represents the return on average invested capital.

Sources: Credit Suisse HOLT®, FactSet



RICE HALL JAMES & ASSOCIATES, LLC

GIPS Report

RHJ International Small Cap Composite

Year End	Annual Performance Results				3-Year Annualized Standard Deviation	
	Composite Gross Returns	Composite Net Returns	MSCI EAFE Small Cap Index	Composite Dispersion Gross Returns	Composite Gross Returns	MSCI EAFE Small Cap Index
2020	6.29%	6.28%	12.34%	N/A ¹	21.32%	20.27%
2019	26.74%	26.74%	24.96%	N/A ¹	13.19%	11.89%
2018	-18.69%	-19.35%	-17.89%	N/A ¹	13.33%	12.86%
2017	37.31%	36.24%	33.00%	N/A ¹		
2016	4.25%	3.41%	2.18%	N/A ¹		
2015*	4.98%	4.35%	3.81%	N/A ¹		

N/A¹ - Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire calendar year (five or fewer).

*Results shown for the year 2015 represent partial period performance from April 1 through December 31, 2015.

Year End	Composite Assets		Firm Assets (\$ M)			Strategy Assets (\$ M)
	Number of Accounts	USD (\$ M)	Total Assets Under Management	Total Advisory-Only Assets	Total Assets Under Management + Advisory-Only Assets*	Total Assets Under Management
2020	Five or fewer	0.1	3,120	205	3,325	0.1
2019	Five or fewer	0.1	3,359	207	3,566	0.1
2018	Five or fewer	0.3	N/A ¹	N/A ¹	N/A ¹	N/A ¹
2017	Five or fewer	0.4	N/A ¹	N/A ¹	N/A ¹	N/A ¹
2016	Five or fewer	0.3	N/A ¹	N/A ¹	N/A ¹	N/A ¹
2015	Five or fewer	0.3	N/A ¹	N/A ¹	N/A ¹	N/A ¹

N/A¹ - Performance presented prior to March 16, 2019, occurred while the portfolio management team was affiliated with another firm. Firm and strategy assets prior to 2019 are not presented because the composite was not part of the firm.

*Assets Under Management + Advisory-Only Assets totals may differ from Total Assets Under Management and Total Advisory-Only Assets due to rounding.



RICE HALL JAMES & ASSOCIATES, LLC

GIPS Report

RHJ International Small Cap Composite

The RHJ International Small Cap Composite contains all fully discretionary portfolios invested in international small cap companies that have three primary characteristics: sustainable profitability, strong competitive moats, and sound capital allocation strategies whose valuations imply overly pessimistic future profitability. The composite creation and inception date is April 1, 2015. The performance presented prior to March 16, 2019, represents that of a prior firm. The portfolio management team members were the only individuals responsible for selecting securities to buy and sell. The minimum account size to enter this composite is \$90,000. Prior to March 16, 2019, the minimum account size was \$100,000. For comparison purposes the composite is measured against the MSCI EAFE Small Cap Index.

Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Past performance is not indicative of future results.

Founded in 1974, Rice Hall James & Associates, LLC is an SEC registered investment adviser. The firm is 100% employee owned.

The U.S. Dollar is the currency used to express performance. Returns are presented gross and net of management fees, and include the reinvestment of all income. The annual composite dispersion presented is an asset-weighted standard deviation calculated for the gross returns of accounts in the composite the entire year. Additional information regarding policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. The firm maintains a complete list of pooled funds and composite descriptions, which is available upon request.

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. The MSCI EAFE Small Cap Index is an equity index which captures small cap representation across Developed Markets countries around the world including Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the UK; excluding the U.S. and Canada.

The management fee schedule is 1%. Actual investment advisory fees incurred by clients may vary. Prior to January 1, 2019, net returns were computed using the model management fee of 0.80%. After January 1, 2019, net returns were calculated using actual management fees. This composite contains non-fee paying accounts, which represent 100% of the composite. Each year-end since inception, this composite was comprised of 100% non-fee paying accounts.

Rice Hall James & Associates, LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Rice Hall James & Associates, LLC has been independently verified for the periods January 1, 1993 through December 31, 2020. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The RHJ International Small Cap Composite has had a performance examination for the periods March 17, 2019 through December 31, 2020. The verification and performance examination reports are available upon request at the following address: 600 West Broadway, Suite 1000, San Diego, California 92101.

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Index Definition Source: *MSCI Inc.*