



RICE HALL JAMES & ASSOCIATES, LLC

Micro Cap Equity Strategy

Second Quarter 2022

RHJ's **Micro 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 Micro 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 \$50 million and \$1.4 billion.¹

STRATEGY OVERVIEW

June 30, 2022

Inception Date: July 1, 1994

Benchmark: Russell Microcap Growth

Strategy Assets: \$230 million²

Avg. Composition: 65 - 80 stocks

Management: Team-managed

VALUE PROPOSITION

Depth of experience, continuity of process

Seasoned team of small 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 June 30, 2022
Calculated in U.S. Dollars

	2022	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception July 1, 1994
Micro Cap Equity [Gross]	-13.29%	-20.49%	6.75%	8.26%	8.75%	11.54%	12.29%
Micro Cap Equity [Net]	-13.42%	-21.07%	5.99%	7.44%	7.86%	10.55%	11.08%
Russell Microcap Growth Index	-22.40%	-43.98%	0.07%	1.58%	1.13%	7.02%	--
Russell 2000 Growth Index	-19.25%	-33.43%	1.40%	4.80%	4.96%	9.30%	7.45%

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, 2021.

INVESTMENT PROCESS

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

The Micro Cap Equity strategy is team-managed; each PM/A is responsible for a "sleeve" of the portfolio. When a PM/A emerges with a new idea, he or she initiates the purchase for all suitable portfolios. Throughout the holding period, the senior investment team members routinely assesses whether or to what extent the case is materializing for each position; 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
- 1.5% maximum position at purchase, ownership limited to 5% of company's total market cap

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

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



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FIRM HIGHLIGHTS

June 30, 2022

Research-driven firm founded in 1974

Firm AUM + AUA: \$2.4 billion¹

Ownership

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

Personnel

- 30 employees, including 12 owners averaging 29 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, 2022

Number of Holdings	73	Russell Microcap Growth Index	1,015	Russell 2000 Growth Index	1,136
Portfolio Turnover (3 year annual average)	52%	-	-	-	-
Long-Term Earnings Growth Forecast	22.5%	19.5%	17.0%		
P/E - 1 Year Forecast ¹	15.3	11.9	13.2		
Return on Equity (5 years)	8.9%	-27.8%	-1.4%		
Weighted Median Market Cap (million)	\$796	\$559	\$2,746		
Weighted Average Market Cap (million)	\$1,058	\$590	\$2,856		
Alpha (5 years)*	6.75	-	-		
Beta (5 years)*	0.76	-	-		
Standard Deviation (5 years)*	21.7%	26.0%	22.7%		
Sharpe Ratio (5 years)*	0.33	-	-		
Active Share vs. Russell Microcap Growth Index	91.0%	-	-		
Active Share vs. Russell 2000 Growth Index	96.1%	-	-		

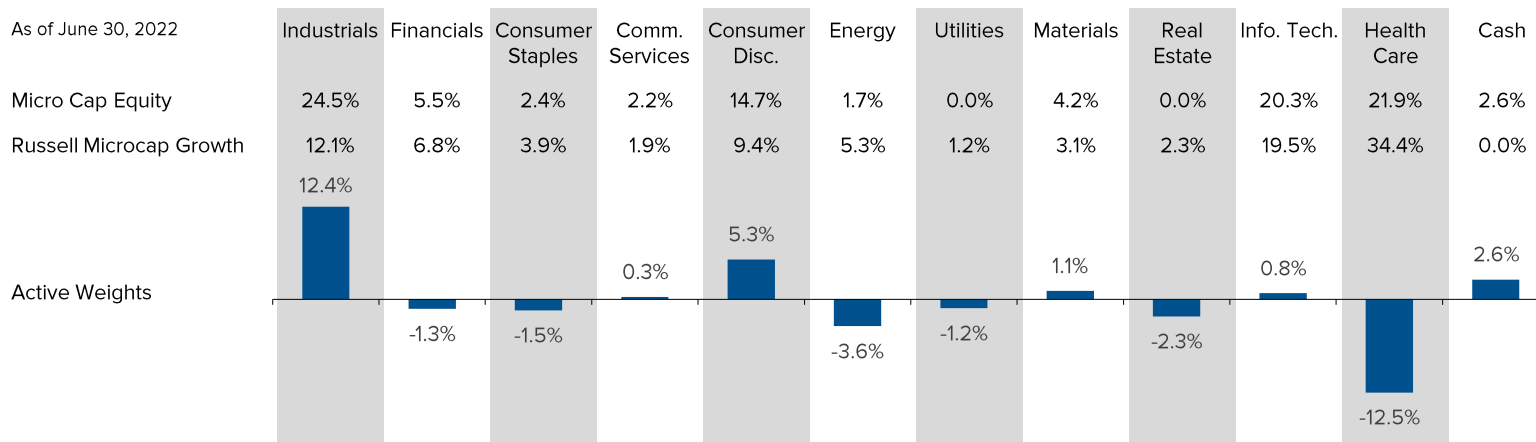
*Characteristics shown against Russell Microcap Growth Index
Sources: eVestment Analytics & FactSet

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 June 30, 2022



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.

¹Assets include assets under management and assets under advisement.



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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.

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. See below for a description of each index used in this presentation.

The Russell® Microcap Growth Index measures the performance of the microcap growth segment of the U.S. Equity market. It includes those Russell Microcap Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell Microcap Growth Index is constructed to provide a comprehensive and unbiased barometer of the microcap growth market. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the microcap growth market.

The Russell 2000® Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 companies with higher price-to-value ratios and higher forecasted growth values. The Russell 2000 Growth Index is constructed to provide a comprehensive and unbiased barometer for the small-cap growth segment. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set and that the represented companies continue to reflect growth characteristics.

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.

Sources: S&P Dow Jones Indices LLC, FTSE Russell

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