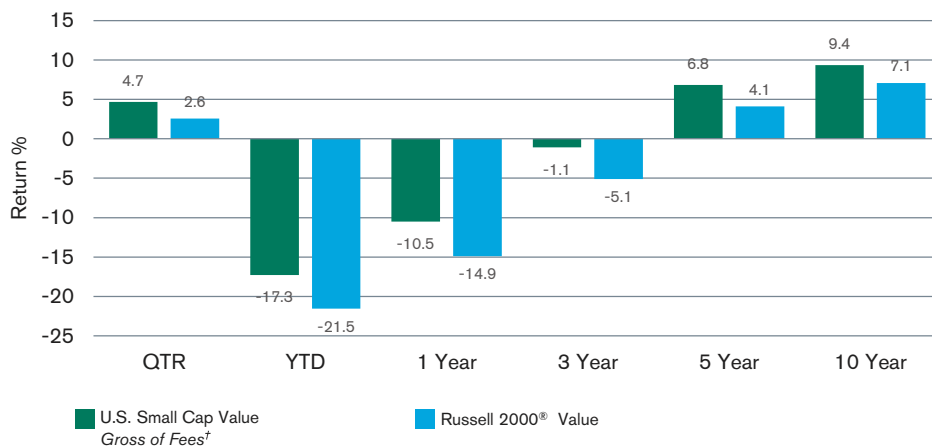


## Quarterly Review

## Composite Performance

Periods Ending 30 September 2020



Source: FactSet

Returns calculated in U.S. Dollars. The value of investments can fluctuate. Data assumes reinvestment of dividends and capital gains. Data reflects past performance. Past performance does not guarantee future results.

Periods greater than one year have been annualized.

## At a Glance

**Inception:** 1 September 1998**Benchmark:** Russell 2000® Value**AUM:** \$2.63 billion USD

## Portfolio Management Team

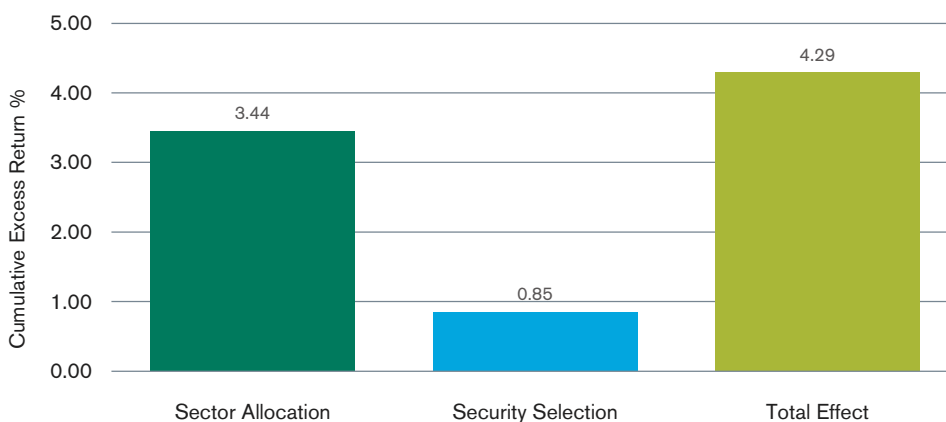
Name	Start Date	
	Industry	Firm
Jeff John, CFA	1991	2008
Ryan Cope, CFA	2009	2009

## Quarterly Top Relative Contributors and Detractors

Contributor	(%)	Detractor	(%)
Spectrum Brands Holdings Inc	0.59	Signature Bank/New York NY	-0.52
Donnelley Financial Solutions Inc	0.57	Coherent Inc	-0.25
Penske Automotive Group Inc	0.37	Il-VI Inc	-0.23
Timken Co/The	0.30	Valley National Bancorp	-0.22
EVERTEC Inc	0.28	Brink's Co/The	-0.21

## Attribution Analysis

One Year Ending 30 September 2020



Source: FactSet

## Investment Philosophy

- Classic value strategy
- Belief that leading businesses selling at a discount to fair value have the potential to generate excess returns
- Focus on stocks offering a high probability of modest outperformance rather than a low probability of high outperformance

## Investment Process

### U.S. Stock Universe

- Market cap: \$200 million to \$5 billion
- Liquidity: avg. daily volume > \$1 million

### Idea Generation

- 1
  - Watch lists
  - Due Diligence
  - Quantitative quality and valuation screening tools

### Fundamental Research

- 2
  - Full analysis of fundamentals, management, business quality and competitive position
  - Assign total quality scorecard methodology
  - Team discussion to review buy or pass decision

### Portfolio Construction

- 3
  - Bottom-up security selection
  - Dynamic position sizing matrix
  - Disciplined sell process

## Portfolio

## Goal

Seeks to outperform the Russell 2000 Value Index by 2% to 4% annualized over a market cycle.

## Risk Guidelines

Sector allocation: +/- 10% relative to the benchmark

Security allocation: +/- 3% relative to the benchmark

Portfolio concentration: Top 10 holdings typically represent 15% to 25% of portfolio

Non-U.S. exposure: < 10%

Cash exposure: < 3%

There are no guarantees that objectives or targets will be achieved. Risk management does not imply low risk.

## Portfolio Characteristics

Characteristics	Portfolio	Benchmark
Weighted Average Market Capitalization	\$2.2 B	\$1.9 B
Median Market Capitalization	\$1.6 B	\$0.6 B
Price to Cash Flow Ratio, Historical 1-Year	7.4 x	5.2 x
P/E Ratio, Historical 1-Year	16.6 x	13.3 x
Price to Book Ratio	1.3 x	1.1 x
Dividend Yield	2.49%	2.91%
% in Cash and Cash Equivalents	1.1%	0.0%
Turnover, 1-Year	65%	22%
Number of Holdings	105	1459

Source: FactSet

Forecasts are not a reliable indicator of future performance.

## Top 10 Holdings

Holding	Industry	Assets (%)
Compass Diversified Holdings	Diversified Financial Services	3.00
Spectrum Brands Holdings Inc	Household Products	2.81
Teradata Corp	Software	2.51
Graphic Packaging Holding Co	Containers & Packaging	2.48
Home BancShares Inc/AR	Banks	2.40
Axis Capital Holdings Ltd	Insurance	2.28
UMB Financial Corp	Banks	2.03
Penske Automotive Group Inc	Specialty Retail	1.96
Minerals Technologies Inc	Chemicals	1.90
Brink's Co/The	Commercial Services & Supplies	1.81
<b>Total</b>		<b>23.18%</b>

Source: FactSet

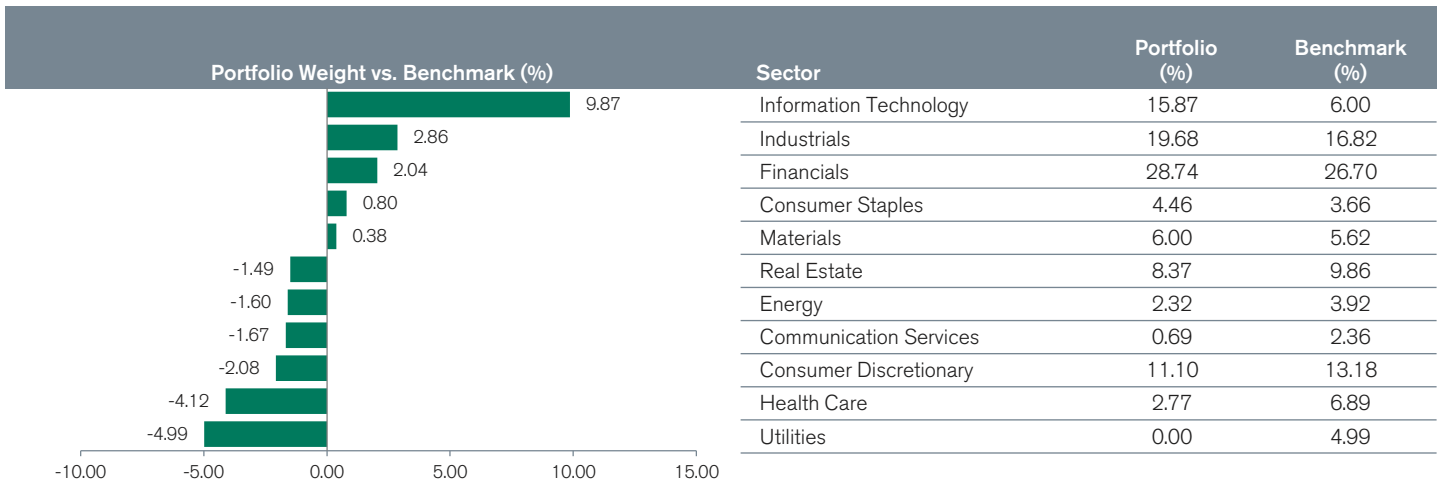
## Top 10 Overweights

Holding	Portfolio Weight (%)	Benchmark Weight (%)	Overweight (%)
Compass Diversified Holdings	3.00	0.00	3.00
Spectrum Brands Holdings Inc	2.81	0.00	2.81
Teradata Corp	2.51	0.00	2.51
Graphic Packaging Holding Co	2.48	0.00	2.48
Axis Capital Holdings Ltd	2.28	0.00	2.28
Home BancShares Inc/AR	2.40	0.26	2.14
Penske Automotive Group Inc	1.96	0.00	1.96
Brink's Co/The	1.81	0.00	1.81
UMB Financial Corp	2.03	0.24	1.79
Avnet Inc	1.71	0.00	1.71

Source: FactSet

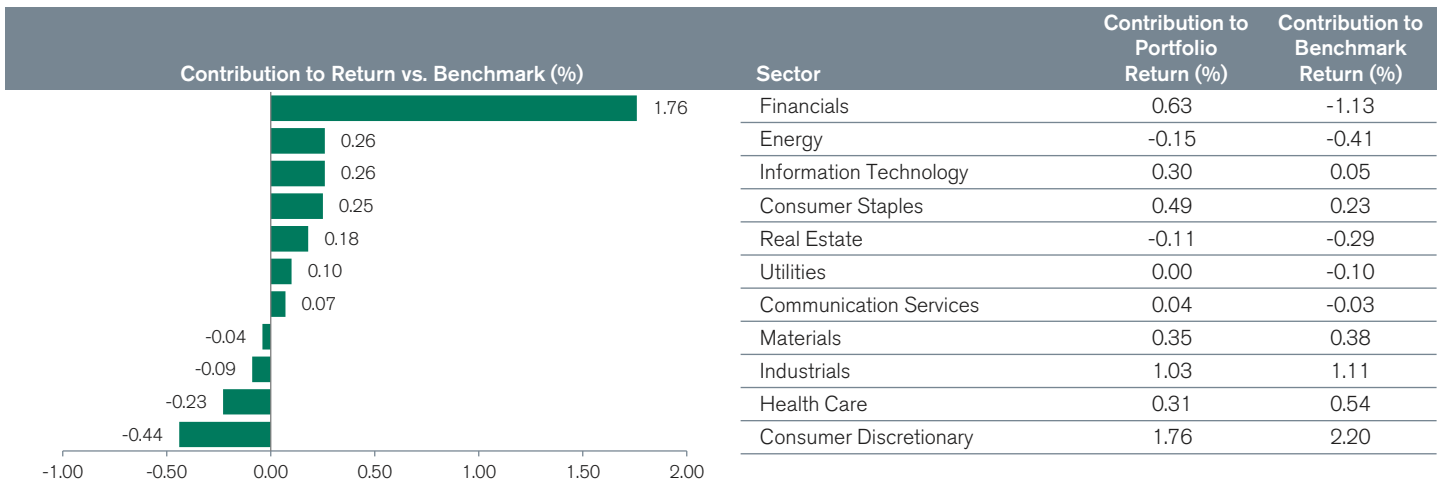
The holdings listed should not be considered recommendations to purchase or sell a particular security. Equity holdings are grouped to include common shares, depository receipts, rights and warrants issued by the same company. Portfolio holdings subject to change without notice.

### Sector Allocation



Source: FactSet

### Quarterly Sector Performance

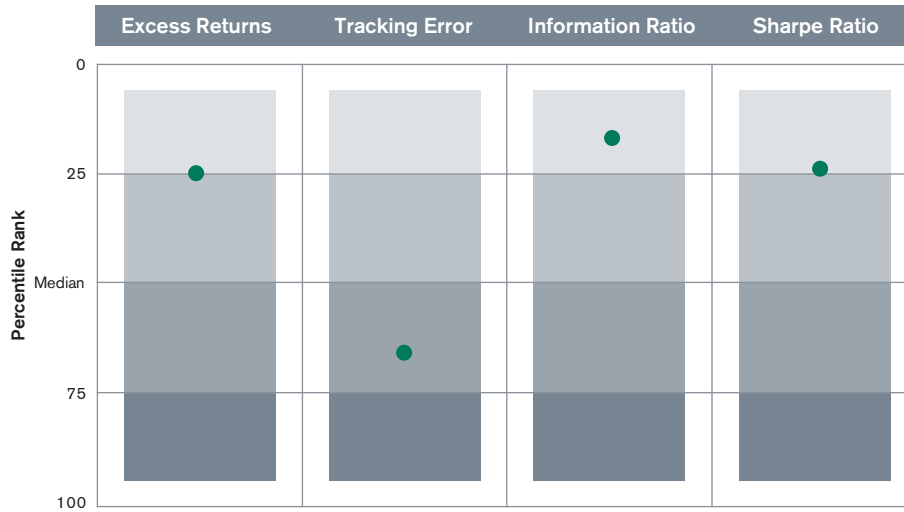


Source: FactSet

When shown, "Diversified" includes portfolio holdings that cannot be attributed to a specific GICS sector.

### Risk-Adjusted Performance

Three-Year Risk-Adjusted Performance vs. eVestment US Small Cap Value Equity vs. Russell 2000 Value, Citigroup 3-Month T-Bill



● American Century Investments U.S. Small Cap Value

	Excess Returns	Tracking Error	Information Ratio	Sharpe Ratio
<b>Manager</b>	4.04	4.49	0.90	-0.11
<b>Percentile Rank</b>	25	66	17	24
<b>Median</b>	1.41	5.48	0.27	-0.22

Source: eVestment Analytics  
 Excess returns are gross of fees.  
 Number of products in the universe was 234.

## Quarterly Commentary

### Portfolio Review

**Equity markets rose.** Broad U.S. equity markets rose during the quarter, supported by stronger-than-expected economic and earnings growth and hopes for a COVID-19 vaccine breakthrough. Data released for the third quarter continued to support the economic rebound, with notable strength in the housing market and durable goods orders. Initial unemployment claims have trended lower but remain elevated on a historic basis, and the unemployment rate continued to edge lower. Congress and the White House failed to reach an agreement on another coronavirus relief package, which led to heightened market volatility at quarter-end. Against this backdrop, small-cap stocks underperformed large- and mid-cap stocks.

**Consumer discretionary outperformed.** The continued reopening of the economy led to strong gains for many consumer discretionary stocks. On the other hand, the energy sector declined due to concerns about potential falling demand for oil coupled with oversupply over the long term.

**Value and quality lagged.** Value stocks underperformed growth stocks across the market-capitalization spectrum. Within the mid-cap and small-cap universe, higher-quality stocks underperformed lower-quality stocks.

**Financials selection was beneficial.** While increased credit risk and low interest rates pressured most bank stocks, the portfolio's bank holdings were a notable area of relative strength. Top contributors included Independent Bank Group, Hilltop Holdings and BankUnited. In the capital markets industry, Donnelley Financial Solutions benefited from a dramatic uptick in IPO and capital markets activity.

**Energy underweight contributed.** The majority of business models in the energy sector do not meet our quality standards, and our underweight as well as positive stock selection helped relative performance.

**Consumer discretionary underweight detracted.** The portfolio's underweight position in the consumer discretionary sector detracted from performance, as consumer discretionary was among the market's strongest-performing sectors.

**Large weight in financials.** We continue to hold an overweight in financials. Within the sector, we reduced our insurance weight on outperformance and purchased names with better risk/reward profiles elsewhere. We also maintained an overweight in banks. According to our metrics, valuations for our bank holdings remain attractive.

### Key Contributors

**Spectrum Brands.** The company's portfolio of consumer household brands benefited from the stay-at-home phenomenon borne of the COVID-19 crisis. As a result, revenue and cash flow results were better than expected, driving Spectrum's share price higher.

**Donnelley Financial Solutions.** Given the pandemic's initial impact on capital markets activity, investor sentiment had grown pessimistic on Donnelley's fundamentals. The stock rebounded on strong quarterly earnings and the rapid acceleration of capital markets activity in the third quarter, particularly in IPOs.

**Penske Automotive Group.** This diversified transportation services company operates automobile dealerships in the U.S. and Europe, operates commercial truck dealerships in the U.S. and has a stake in a large truck leasing business. Penske recovered quickly from the COVID-19 crisis, driven by a snapback in demand for new and used automobiles and related services.

### Key Detractors

**Signature Bank.** Continued concerns about credit issues in New York City commercial real estate and the potential need to raise capital resulted in Signature Bank's underperformance. While we slightly reduced our weight (shifting to other, more geographically diverse banks), we remain confident in this higher-quality bank.

**Coherent.** While the company recently announced solid quarterly results, investors bid the stock lower on concerns about the lack of new orders for Coherent's organic light-emitting diode-related lasers. We view this as a temporary delay. Coherent has dominant market share in a specific laser that is part of the manufacturing process for mobile phone screens.

**II-VI.** This engineered materials company develops building block elements for technologies such as 5G and electric vehicles. Due to its connection to optical communications, II-VI suffered negative investor sentiment as further Huawei trade restrictions were released by the U.S. Department of Commerce. II-VI has a diverse customer base providing many revenue sources, so we view this sentiment as undue.

### Notable Trades

**Pactiv Evergreen.** We initiated a position in Pactiv Evergreen, the largest producer of fresh food and beverage packaging in North America. We initially purchased the stock when it debuted in its IPO at a discount to its publicly traded peers and have continued to build the position.

**Barrett Business Services.** We initiated a position in this professional employer organization. The stock has been pressured due to Barrett's significant exposure to small- and medium-sized businesses, which have been disproportionately affected by the pandemic. Our analysis shows that Barrett offers an inexpensive valuation, a strong balance sheet and a niche competitive position.

**Lithia Motors.** We exited our position in Lithia Motors in the quarter following strong outperformance. The stock of this higher-quality, diversified car dealership operator rose as shelter-in-place policies began to lift.

**Acuity Brands.** We exited our position in this lighting company following strong outperformance off very depressed levels in May. We believe the stock's risk/reward profile looked less attractive after the increase in valuation, particularly given the risks of greater competition and commoditization of lighting products.

### Positioning for the Future

The portfolio seeks to invest in companies where we believe the valuation does not reflect the quality and normal earnings power of the company. Our process is based on individual security selection, but broad themes have emerged.

**Attractive valuations in information technology.** Our large overweight in this sector is partly driven by the annual Russell reconstitution that saw many information technology names leave the benchmark. Our portfolio holds stocks that have been driven down to attractive valuations due to cyclical reasons, trade war fears or operational miscues. We also believe we are invested in attractive businesses, particularly in the software and electronic equipment, instruments and components industries.

**Stock-specific opportunities in industrials.** We continue to find higher-quality industrials names (machinery, distribution, commercial services) such as The Timken Co., a leading manufacturer of industrials bearings, transmissions, gearboxes, belts, chains, lubrication systems, couplings and related products. In our view, Timken continues to manage the business extremely well during these challenging times.

**Opportunities in consumer discretionary.** Many companies in the consumer discretionary sector do not meet our quality criteria. This has historically led to an underweight to the sector. However, the massive market dislocation fueled by the COVID-19 crisis created an opportunity for us to increase the portfolio's exposure to higher-quality companies in the sector.

**No exposure to utilities.** After a long stretch where we viewed utilities as extremely overvalued, recent underperformance has begun to bring this sector back toward fair value, in our opinion. We will continue to evaluate opportunities in this sector as valuations begin to look more attractive.

**Health care underweight.** We decreased our weight in the health care sector by paring back positions in a few names that had significantly outperformed.

## Available Vehicles

<b>Separate Account</b>	Available in U.S. and certain non-U.S. countries
<b>Collective Investment Fund</b>	Available only in U.S.
<b>Small Cap Value Fund</b>	
<b>I Share Class - ACVIX</b>	Available only in U.S.
<b>Investor Share Class - ASVIX</b>	Available only in U.S.
<b>A Share Class - ACSCX</b>	Available only in U.S.
<b>C Share Class - ASVNX</b>	Available only in U.S.
<b>R Share Class - ASVRX</b>	Available only in U.S.
<b>R5 Share Class - ASVGX</b>	Available only in U.S.
<b>R6 Share Class - ASVDX</b>	Available only in U.S.
<b>Y Share Class - ASVYX</b>	Available only in U.S.

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To receive a complete list of composite descriptions and/or a GIPS® compliant presentation, contact:

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