

# Westwood SmallCap Value

Investing at the Intersection of **Quality** and **Value**

## Quality & Value

We believe investing in undervalued, high-quality businesses can generate a return premium resulting in lower absolute downside risk and superior risk-adjusted returns.

## Asymmetric Return Focus

Strong emphasis on loss limitation by quantifying the absolute downside risk for every security throughout the process.

## High Conviction

Differentiated investment performance with historically high active share for “true active” management. Number of holdings typically ranges between 50-70.

## Strategy | 3Q21

**Objective:** We seek to outperform the Russell 2000 Value over a full market cycle while delivering an asymmetric outcome for our clients.

**Strategy:** Actively managed, utilizing a team based, fundamental bottom-up approach to identify high quality companies with undervalued earnings potential.

**Benchmark:** Russell 2000 Value

**Beta:** 0.92

**Current Yield:** 1.5%

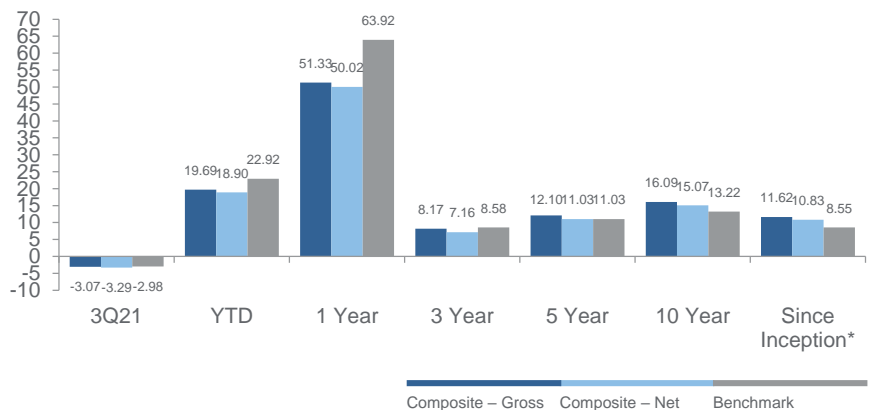
**Number of Holdings:** 64

**Active Share:** 94%

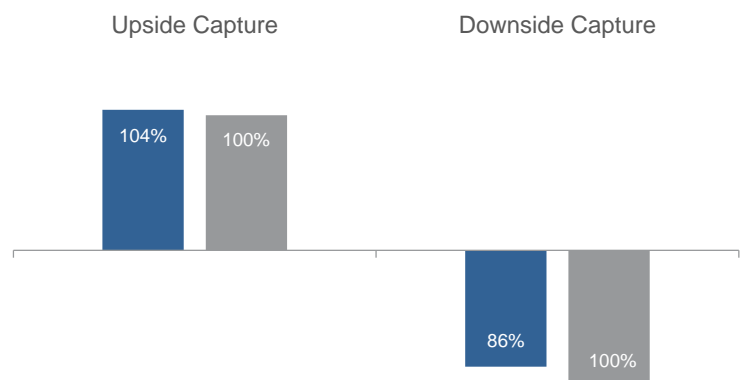
**Team:** Our U.S. Value team includes 12 investment professionals with an average of 20 years’ industry experience and 10 years’ tenure supporting the Portfolio Team.

**Inception Date:** January 1, 2004

## Performance (%)



## Upside-Downside Market Capture



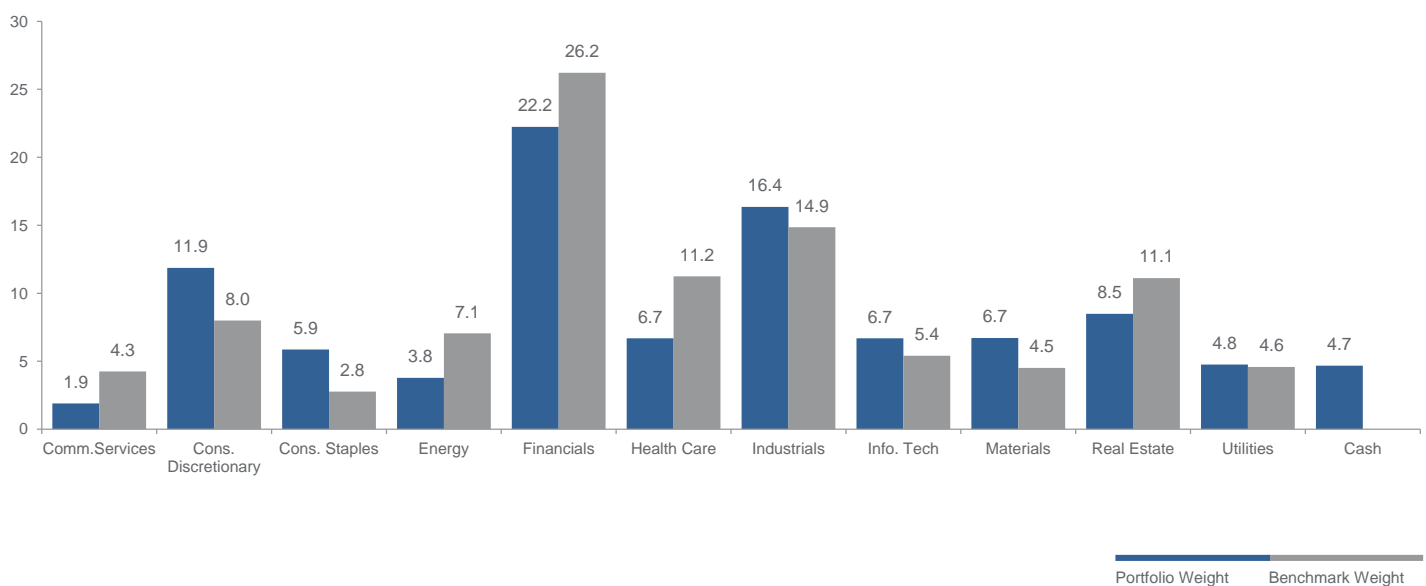
Inception date: January 1, 2004. All data as of September 30, 2021 unless otherwise noted. **Past performance is not indicative of future results.** Returns are calculated in U.S. Dollars and include reinvestment of dividends.

## Westwood SmallCap Value

Characteristics	Portfolio	Benchmark	Top 10 Holdings	(%)
Free Cash Flow Margin*	6.0%	3.0%	J & J Snack Foods Corp.	2.03
Free Cash Flow Yield*	4.6%	1.0%	Jack in the Box Inc.	2.03
Dividend Payout	24%	22%	Stepan Co.	1.99
Return on Equity	11%	5%	Hostess Brands Inc.	1.96
Net Debt/EBITDA	2.4x	4.2x	Century Communities Inc.	1.96
Average Market Cap (Weighted)	\$2.6B	\$2.9B	Avista Corp.	1.96
Median Market Cap	\$2.2B	\$1.1B	Avient Corp.	1.96
Turnover**	30%	N/A	UFP Industries Inc.	1.95
Westwood Forecasted Growth Rate	14.2%	4.1%	Monro Inc.	1.95
Westwood Forward P/E Ratio	14.1x	15.9x	NorthWestern Corp.	1.95
Westwood P/E to Growth	1.0x	3.9x		

Note: Portfolio forecasted growth rate and P/E reflect Westwood's analysts' estimates. There is no guarantee that these forecasts and estimates will be accurate, or even approximately accurate, and the performance of the portfolio versus the benchmark may not correlate with the financial results of constituent investments. \*Portfolio and index free cash flow excludes financial services and REITs due to cash flow statement calculation method within the sector. Free cash flow metrics are equally weighted. \*\*Portfolio Turnover is on a trailing 12-month, name-in/name-out basis. Data Source: © 2021 FactSet Research Systems Inc.

### Sector Weight Distribution



## Westwood SmallCap Value

Risk/Reward Statistics	Portfolio	Benchmark
Alpha	3.54	N/A
Beta	0.92	1.00
R-Squared	0.94	1.00
Standard Deviation	20.51	21.70
Tracking Error	5.27	N/A
Information Ratio	0.58	N/A
Sharpe Ratio	0.51	0.34

Data Set: January 1, 2004 – September 30, 2021 (Quarterly)  
 Risk Free Proxy: FTSE (3 M) Treasury Bill (LOC)  
 Market Proxy: Russell 2000 Value - Total Return

### Investment Team

Westwood believes that team management creates a sense of ownership, accountability, and consistency in the investment process. Westwood's U.S. Value team includes 12 investment professionals conducting cross capitalization research of specific sectors/industries.

The SmallCap Value team members are:

Name	Industry Experience	Firm Tenure
Bill Costello, CFA	34 years	2010
Matt Lockridge	20 years	2010
Fred Rowsey, CFA	12 years	2010

### Disclosures

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The SmallCap Value composite includes all taxable and tax-exempt, fee-paying fully discretionary accounts whose main objective is to invest primarily in equity securities with market capitalizations between \$100 million and \$2 billion at purchase and having comparable objectives. The minimum portfolio size for inclusion in the SmallCap Value Composite is \$5 million beginning January 1, 2006. The Russell 2000 Value Index is an unmanaged index that measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

†"Top 10 Holdings(%)" represent the ten largest portfolio positions by market value in the representative account of the strategy as of the period end date. Each quarter, Westwood uses this same objective, non-performance based criteria to select the ten largest holdings. References to specific securities and their characteristics are examples of securities held in the portfolio and are not intended to be, and should not be interpreted as, an offer, solicitation or recommendation to purchase or sell any securities mentioned.

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