

Small Cap Select

Marketing communication | As of 30 Sep 2024

Strategy description

Small Cap Select is a diversified, small-cap stock portfolio that buys companies trading at a discount to their intrinsic value only when a forthcoming catalyst is apparent.

At-a-glance

Benchmark	Russell 2000® Index
Number of positions range	80 – 100
Position size	Typically less than 3%
Sectors	+/- 5% vs. Russell 2000® Index
Tracking error range (%)	3 – 8
Expected turnover (%)	60 – 90

Investment process

Integrated research platform combines fundamental and quantitative analysis to rate companies with attractive fundamentals, valuations and catalysts. Companies are assessed across value, core and growth styles and the portfolio will opportunistically allocate to each. Constructing the portfolio with this investment strategy seeks to provide consistent performance throughout market cycles.

Average annualized total returns (%)

	Inception date	QTD	YTD	1 year	3 years	5 years	10 years	Since inception
Gross	01 Jan 01	7.51	14.22	27.55	4.67	12.29	10.79	9.88
Net	01 Jan 01	6.73	11.71	23.85	1.58	8.99	7.53	6.64
Benchmark		9.27	11.17	26.76	1.84	9.39	8.78	8.09

Performance data shown represents past performance and does not predict or guarantee future results. Performance shown is based on the composite. The value of the portfolio will fluctuate based on the value of the underlying securities. Individual returns may vary based on factors such as the account type, market value, cash flows and fees. Current performance is preliminary and may be higher or lower than the performance shown. Final numbers are available upon request. Total returns for a period of less than one year are cumulative.

Portfolio management

Gregory J. Ryan, CFA | 26 years industry experience

Jon A. Loth, CFA | 30 years industry experience

Portfolio statistics

	Portfolio	Benchmark
Number of positions	85	1,977
Weighted average market cap (\$B)	\$4.9	\$3.5
Return on equity (%)	9.2	4.2
Long-term debt-to-capital (%)	38.0	35.6
Historical 5 year EPS growth (%)	10.7	12.9
Estimated 3-5 year EPS growth (%)	13.5	13.3
P/E ratio (trailing 1 year)	20.7	17.5
P/E ratio (forward 1 year)	18.0	16.4
Price/book ratio	2.4	2.1

Negative P/Es are excluded in the calculation of the P/E ratio.

Top ten positions (%)

	Portfolio
Evercore Inc. Class A	2.4
Piper Sandler Companies	2.3
Wintrust Financial Corporation	2.2
SouthState Corporation	1.8
FirstCash Holdings, Inc.	1.8
Northern Oil and Gas, Inc.	1.7
SPX Technologies, Inc.	1.7
Primo Water Corporation	1.7
Banner Corporation	1.6
ESCO Technologies Inc.	1.6

Sector allocation (%)

	Portfolio	Benchmark
Industrials	19.5	17.0
Financials	18.9	18.1
Health Care	15.8	17.5
Information Technology	13.9	12.8
Consumer Discretionary	9.3	10.0
Materials	5.5	4.5
Energy	4.1	5.3
Real Estate	3.6	6.4
Consumer Staples	3.1	2.8
Communication Services	2.4	2.7
Utilities	2.2	2.8

Data source: FactSet. All characteristics are based on a model portfolio deemed appropriate. Specific securities described do not represent all of the securities purchased, sold or recommended over the past year and you should not assume that securities identified were or will be profitable.

Small Cap Select

Year	Calendar year total return (net of fees) (%)	Calendar year total return (gross of fees) (%)	Benchmark return (%)	Composite 3-year standard deviation (%)	Benchmark 3-year standard deviation (%)	Number of accounts	Composite dispersion (%)	Composite assets at period end (\$ millions)	Firm assets at period end (\$ billions)
2023	14.40	17.84	16.93	19.88	21.11	34	0.59	16.3	237.6
2022	-21.83	-19.40	-20.44	25.73	26.02	38	0.38	14.7	247.0
2021	20.80	24.42	14.82	23.69	23.35	40	N/A	22.4	296.1
2020	16.31	19.83	19.96	25.63	25.27	</= 5	N/A	109.0	239.7
2019	26.55	30.33	25.52	16.66	15.71	</= 5	N/A	97.7	209.1
2018	-12.87	-10.18	-11.01	17.03	15.79	</= 5	N/A	92.3	176.2
2017	7.88	11.14	14.65	15.01	13.91	</= 5	N/A	126.1	174.0
2016	19.51	23.09	21.31	16.42	15.76	</= 5	N/A	137.0	155.4
2015	-3.56	-0.61	-4.41	13.97	13.96	</= 5	N/A	149.3	140.7
2014	3.78	6.93	4.89	13.19	13.12	</= 5	N/A	247.6	134.6

Current benchmark: Russell 2000® Index. Prior to July 2004, the benchmark was the S&P SmallCap 600 Index.

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- Effective as of December 31, 2021, the investment teams and strategies of NWQ Investment Management Company, LLC (NWQ) and Santa Barbara Asset Management, LLC are now part of affiliate, NAM, pursuant to an internal reorganization.
- To receive a list of composite descriptions, pooled fund descriptions for limited distribution pooled funds, and broad distribution pooled funds, please contact the GIPS Compliance Team at DL_PerfTeam@tiaa.org.
- Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.
- Gross-of-fees performance results include the cost of brokerage commissions, but exclude management and custodial fees and the impact of income taxes. When shown, net-of-fees results are calculated by taking the highest fee an account would be charged based on the current and, if applicable, historical fee schedule, and deducting one-twelfth of this annual fee from each monthly gross return.
- All returns represent the reinvestment of income.
- The composite internal dispersion is the asset-weighted standard deviation of gross annual returns for portfolios in the composite the entire year. The number of accounts represents the number in the composite at year end. Composite dispersion is reported as N/A when information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.
- Composite performance results are that of the Small Cap Select composite. The Small Cap Select composite is comprised of fully discretionary, fee-paying institutional accounts and partially bundled fee accounts. Effective 1/1/2021 the composite no longer has a market value account minimum greater than \$1 million and was also redefined to include dual contract accounts. The Small Cap Select Equity team invests in the stocks of small-sized companies that it believes will exhibit growth based on, among other factors, above average growth in revenue and earnings, a strong competitive position, strong management, and sound financial condition. Companies in which the style invests are generally valued under \$2 billion.
- The composite inception date is 01 Jan 2001; the composite creation date is 01 Mar 2002.
- Prior to 01 Jan 2011, the Small Cap Select SMA composite performance was achieved at FAF Advisors, Inc. Historical performance is linked due to the consistency of portfolio management personnel and investment process, as well as the transfer of substantially all of the assets.
- The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000 is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set.
- The current benchmark is the Russell 2000 Index.
- Effective 01 Jan 2021, the composite does not have an account minimum. Beginning 01 Apr 2009, the minimum account size for this composite is \$1 million. Prior to 01 Apr 2009, the minimum account size was \$5 million.
- The composite net of fees returns are calculated by deducting 1/12th of a model fee of 3.00%, which NAM reasonably believes is the maximum applicable fee, from the monthly "pure" gross of fee returns.
- Results are calculated in U.S. dollars. Investments in smaller companies are subject to greater volatility than those of larger companies. Non-U.S. investments involve risks such as currency fluctuation, political and economic instability, and lack of liquidity.
- The three-year annualized standard deviation measures the variability of the composite and the benchmark over the preceding 36-month period and is calculated using gross returns.
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Minimum investment is \$100,000.

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