

Scout Small Cap Equity Strategy

Performance Summary (USD)

	Scout Small Cap Equity Composite Gross	Scout Small Cap Equity Composite Net	Russell 2000 Growth* Index
Quarter	5.62%	5.40%	7.16%
YTD	1.46%	0.81%	3.88%
1 Year	8.28%	7.37%	15.71%
3 Year	8.09%	7.18%	8.18%
5 Year	14.10%	13.15%	11.42%
10 Year	13.96%	13.01%	12.34%
Since Inception	10.26%	9.36%	7.94%

Key Portfolio Takeaways

Top Contributors:

- Stock selection in information technology (specifically, IT services and software)
- Stock selection in consumer staples (specifically, food and staples retailing)
- Overweight allocation to industrials and underweight allocation to communication services and utilities

Bottom Contributors:

- Stock selection in consumer discretionary (specifically, specialty retail) and in financials (specifically, capital markets)
- Stock selection in industrials (specifically, electrical equipment) and in materials (specifically, metals and mining)
- Overweight allocation to information technology and underweight allocation to consumer discretionary

Positioning and Rationale:

- The team continues its focus on company-specific research and identifying quality companies, with solid growth prospects at attractive valuations. As such, sector allocations are a by-product of the investment process.
- During the quarter, the management team added four names and eliminated six positions from the portfolio.
- The portfolio remains fully invested with very little cash exposure.

PORTFOLIO REVIEW

What was the investment environment during the quarter?

Small-cap growth stocks continued to advance, although at a slower pace, during the quarter. The Russell 2000[®] Growth Index closed the quarter up slightly more than 7%. Stocks with lower-quality characteristics (e.g., priced under \$10 per share, low return on invested capital (ROIC), and non-earners) outperformed higher-quality stocks during the past three months. In addition, companies with low debt underperformed their higher-levered peers. Finally, investors continued to favor growth over value as small-cap growth outperformed small-cap value by close to 4.6% during the quarter.

The summer months provided some encouragement as the number of new COVID-19 cases stabilized and economic activity was able to rebound from very low levels. While new jobless claims remain elevated, many businesses cautiously re-opened. In addition, equity markets responded favorably to the Federal Reserve adopting a policy of “average inflation targeting.” Many commodity prices continued to advance during the quarter with oil prices gaining about 1.6% while gold also increased by nearly 6%.

How did the portfolio perform?

While providing an overall positive return, Scout Small Cap Equity portfolios underperformed their benchmark, the Russell 2000[®] Growth Index, during the third quarter of 2020. Holdings in information technology and healthcare provided the greatest positive contribution to return, while holdings in financials and energy contributed a slight negative return. In terms of relative performance, stock selection within information technology provided the greatest positive effect, while stock selection within industrials, financials, and consumer discretionary disappointed. An underweight allocation in communication services and utilities provided a positive effect on relative performance, while an overweight in information technology was a drag on relative performance.

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Returns for periods less than one year are not annualized.

Inception date is July 31, 2001.

Performance data quoted represents past performance; it does not guarantee future results. Performance figures are in U.S. Dollars and assume reinvested income for the entire period. Performance figures stated gross of fees do not reflect the deduction of management fees. Performance results of clients would be reduced by the firm's management fees. For example, an account with a compounded annual total return of 10% would have increased by 159% over 10 years. Assuming an annual management fee of .30%, this increase would be 152%. The firm's management fees are detailed in its Form ADV Part 2.

Please see the back page for further information.

Top Contributors	Average Weight (%)	Contribution to Return (%)	Top Detractors	Average Weight (%)	Contribution to Return (%)
Installed Building Products	1.91	0.76	Cohen & Steers	2.02	-0.40
Chart Industries	1.86	0.66	Monro	1.45	-0.39
LHC Group	3.01	0.61	HMS Holdings	1.14	-0.33
LGI Homes	1.99	0.55	Integer Holdings	1.33	-0.30
Pegasystems	2.32	0.55	II-VI	1.71	-0.26

Top contributors and top detractors are based on a representative account. Such data may vary for each client in the strategy due to asset size, market conditions, and client guidelines. Portfolio holdings are subject to change without notice. The portfolio holdings presented represent securities held as of the period indicated and may not be representative of current or future investments. No assumption should be made that the securities identified as being profitable will continue to be profitable. To obtain a list of every holding as a percentage of the portfolio at the end of the most recent publicly available disclosure period, please call 816.391.4102.

Top Five Contributors

Installed Building Products is a leading installer of insulation products in residential and commercial construction projects. The company has continued to benefit from a strong rebound in the housing market and continued improvement in the company's margins.

Chart Industries makes engineered cryogenic equipment for the energy and industrial gas industries. The company reported strong new customer orders and aggressive cost reductions to appropriately size its workforce for the opportunities ahead. Additionally, investors have begun to embrace the opportunities Chart is seeing in the hydrogen market.

LHC Group provides post-acute health care assistance including home health, hospice, and facility-based services. The company has benefited from an aging demographic and shifting demand to keep people in their residences and out of hospitals or nursing homes.

LGI Homes is a homebuilder focused on entry-level homes in multiple fast-growing states and is the 10th largest residential builder in the U.S. Low interest rates, limited inventory, and strong demand have created favorable conditions in the new-home market. Work from home and millennials entering home ownership also helped drive results.

Pegasystems is a software company that provides customer relationship management and business process automation software. The company reported good results as the need for digital transformation has become a top priority for many businesses during the COVID-19 work from home period.

Top Five Detractors

Cohen & Steers manages real estate investments for investors. While relative performance remained strong and the company reported earnings slightly above analyst expectations, the stock traded down in the quarter following a period of very strong recent performance.

Monro operates more than 1,200 tire and auto service stores in the eastern and southern United States with recent expansion in to the west. Earnings outperformed expectations, but the company continues to see weak store volumes as customers have significantly decreased their miles driven.

HMS Holdings is a provider of cost containment and analytical solutions in the health care marketplace. The company missed estimates and guided its expectations down during the quarter. The disappointing earnings announcement was driven by COVID-related operating pressure.

Integer Holdings is a medical device outsourcer serving the cardiac, neuromodulation, orthopedics, vascular, advanced surgical, and portable medical markets. Current and expected lower procedural volume trends are negatively impacting results, although the company believes July represented the trough for its sales.

II-VI designs and manufactures optical and optoelectronic devices for a variety of electronic, communication and industrial end markets. The company continues to see strong, broad demand, but the stock reacted negatively to higher expected corporate expenses and a higher tax rate. Additionally, a weak outlook from a competitor has brought the entire optical industry under pressure.

Outlook

The strength of the economic recovery, our ability to control the pandemic, and the upcoming U.S. presidential election have added to the uncertainty influencing the equity markets. Based on the year so far, the final three months of 2020 will most likely be interesting and eventful. Facing this backdrop, the management team will continue to invest in companies that exhibit higher-quality characteristics and stand to benefit from long-term secular growth trends. Sector allocations remain a by-product of the investment process as the management team primarily evaluates companies on their own merits.

During the quarter, the management team added four new holdings and eliminated six positions from the portfolio. With very little cash, the portfolio remains fully invested.

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The Scout Small Cap Equity Composite includes portfolios that invest in companies with market capitalizations, at the time of purchase, similar to companies in the Russell 2000® Growth Index. The Russell 2000® Growth Index is a non-managed index that is generally considered to approximate movements in U.S. small-capitalization stocks with high growth characteristics. The Index does not reflect management fees or transaction costs. It is not possible to invest directly in an unmanaged index. The Russell 2000® Value Index is a non-managed index that is generally considered to approximate movements in U.S. small-capitalization stocks with high value characteristics.

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