

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	-15.12%	-15.31%	-19.25%
YTD	-24.34%	-24.68%	-29.45%
1 Year	-25.54%	-26.18%	-33.43%
3 Year	4.86%	3.98%	1.40%
5 Year	8.86%	7.94%	4.80%
10 Year	12.94%	12.00%	9.30%
Since Inception	9.96%	9.07%	6.94%

Key Portfolio Takeaways

Top Contributors:

- Stock selection in healthcare (specifically, healthcare providers and services)
- Stock selection in industrials (specifically, trading companies & distributors and machinery)
- Stock selection in information technology (specifically, software)
- Stock selection in consumer discretionary (specifically, household durables)

Bottom Contributors:

- Underweight allocation and stock selection in consumer staples
- Stock selection in financials (specifically, capital markets)
- Stock selection in energy (specifically, energy equipment & services)
- Overweight allocation in information technology and underweight allocation in materials and energy

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 three names and eliminated four positions from the portfolio.
- The portfolio remains fully invested with very little cash exposure.

PORTFOLIO REVIEW

What was the investment environment during the quarter?

Equity markets tumbled into bear market territory as investors reacted negatively to decades-high inflation levels and concerns that aggressive U.S. Federal Reserve (Fed) action could result in a recession. In addition, the war in Ukraine continues to impact oil supply and prices. Facing these strong headwinds, small-cap growth stocks, represented by the Russell 2000® Growth Index, continued to decline and ended the second quarter down significantly. Over that time, small-cap stocks with market capitalizations greater than \$1 billion, higher returns on equity, higher stock prices, and lower leverage outperformed their counterparts, while lower-quality non-earners underperformed. Finally, investors continued to favor value stocks over growth stocks as small-cap value outperformed small-cap growth by nearly 4 percentage points during the quarter: a market environment that historically has been favorable for the Scout Small Cap Equity Strategy.

The U.S. economy contracted during the second quarter of 2022 with gross domestic product declining at a 1.6% annualized rate. With inflation reaching levels last seen in the early 1980s, the Federal Reserve increased its target rate by 0.75% and indicated another 75-basis point increase was on the table for July. Crude oil prices continued to rise, increasing more than 11% during the quarter, while gold, which some view as a hedge against inflation, declined more than 6%.

How did the portfolio perform?

The Scout Small Cap Equity Strategy outperformed its benchmark, the Russell 2000® Growth Index, on a gross and net basis during the second quarter. Sectors having large positive attribution included healthcare and industrials while consumer staples and financials had the largest negative attribution. Stock selection in healthcare, industrials, information technology, and consumer discretionary were the primary drivers of outperformance. This was offset somewhat with weaker stock selection in energy, financials, and consumer staples, along with a relative underweight in consumer staples and a relative overweight in information technology.

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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 (%)
Halozyme Therapeutics	2.13	0.19	Vericel	1.72	-0.68
AdaptHealth	1.10	0.15	II-VI	1.96	-0.64
U.S. Physical Therapy	1.61	0.14	Ambarella	1.45	-0.64
AMN Healthcare Services	2.28	0.13	Cohen & Steers	1.92	-0.51
Global Industrial	1.30	0.07	Coherus BioSciences	0.87	-0.50

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

Halozyme Therapeutics is a biopharma technology platform company focused on facilitating the delivery of injected drugs and fluids. The company has an attractive model and recently completed its acquisition of Antares Pharma for its auto-injector business.

AdaptHealth provides home medical equipment, medical supplies, including diabetic supplies, and related services for sleep apnea. The company continues to consolidate the industry and completed six acquisitions during the quarter.

U.S. Physical Therapy operates in two business segments: outpatient physical therapy and industrial injury prevention services. A highly fragmented market creates an opportunity for the company to continuing consolidating operators into its business operations.

AMN Healthcare Services operates as a temporary healthcare staffing company that includes the placement of travel nurses. The company announced continued strong results during the quarter, but the results may have potentially reached their peak. Current business levels are surpassing pre-pandemic highs.

Global Industrial is a value-added distributor of industrial equipment and maintenance, repair and operations (MRO) products to a broad range of customers throughout North America. The company reported healthy results as it met strong customer demand, fulfilled back orders, and successfully passed through rising costs.

Top Five Detractors

Vericel develops products for tissue replacement including the MACI cartilage and Epicel skin replacement products. The stock was down after management provided soft second-quarter guidance for the MACI product on the first-quarter earnings call.

II-VI designs and manufactures optical and optoelectronic devices for a variety of electronic, communication, and industrial end markets. The company continues to face headwinds within its supply chain but is maintaining a strong outlook and backlog growth for the year ahead. Additionally, the stock remains under some pressure from uncertainty related to its recent acquisition of a global provider of lasers and related technology.

Ambarella is a leading supplier of video processing and computer vision chips used in the security and automotive markets. The company continues to face supply headwinds as well as some disruptions among its customers in China related to COVID lockdowns.

Cohen & Steers manages real estate investments for investors. The stock traded down in the quarter despite reporting good quarterly results and gathering additional assets. The broader universe of investment management firms was weak in the quarter as global stock markets declined.

Coherus BioSciences produces biosimilar therapies. The stock struggled in a market where biotech stocks underperformed. The company continues to work toward approval of several important new biosimilars.

Outlook

Heading into the summer months, the ongoing war in Ukraine, inflation, economic slowdown, monetary tightening, and supply chain issues continue to provide high levels of uncertainty for the markets. Domestically, the economy is trying to absorb the large pandemic stimulus while a divided Congress enters the mid-term election season. 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 merit.

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

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Return on equity (ROE) is a measure of financial performance calculated by dividing net income by shareholders' equity.

Growth investing is a stock-buying strategy that focuses on companies expected to grow at an above average rate compared to their industry or the market.

Value investing is an investment strategy that involves picking stocks that appear to be trading for less than their intrinsic or book value.

Basis points (bps) are measurements used in discussions of interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01%.

Secular stocks are characterized by having consistent earnings over the long term constant regardless of other trends in the market. Secular companies often have a primary business related to consumer staples most households consistently use whether the larger economy is good or bad.

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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