

Small Cap Value Equity strategy review

After doubling from their COVID-induced lows in 2020, small cap equity markets have been range-bound over the past six months. Some investors would characterize this period as the pause that refreshes while others foresee the recent stall as an indication of more troubling times ahead. Whether you view the glass as half-empty or half-full is a matter of perspective, however, there's enough fodder in both camps to draw a rational conclusion for either scenario.

Despite the significant outperformance of 1H21 earnings versus prior expectations, equity markets found it difficult to gain traction as the acceleration of new COVID cases driven by the Delta variant, increased inflation fears and the ongoing delays in passing the administration's infrastructure package created increased uncertainty. Although 1H21 earnings were robust, the prospects for 2H21 growth were dampened by COVID concerns and fears that rising input costs and supply-chain issues will lead to a deterioration in profit margins. Additionally, there is a rising concern that the FED, while momentarily supportive, may move more aggressively to remove excess liquidity, particularly, if inflation expectation prove to be more than transitory. With this backdrop, small cap equity markets produced modest losses as the Russell 2000 Value Index declined 3.0% lowering the gains for the year to 22.9%.

During the quarter, market leadership was cyclically mixed as Energy, which benefited from higher prices, along with Financials and Real Estate, which were less exposed to supply-chain issues, were the best performing sectors. Energy and Financials were the only sectors to produce positive results for the quarter. Conversely, Communication Services, Consumer Discretionary, and Healthcare were the worst performing sectors as slowing marginal growth and lower margin expectations impacted these groups.

Fiscal and monetary support along with a highly vaccinated population continue to provide stability for the economy and confidence that growth can continue above baseline levels. Additional support provided by \$1.9T of COVID relief in early 2021 bolstered consumer balance sheets and created excess savings. This excess savings along with increased demand as economies have re-opened has pressured pent-up demand even higher. At the same time, supply-chain disruptions are producing considerable price spikes in various segments of the economy which is likely to produce some earnings hiccups during the September quarter. As inventories return to normal, we expect prices to moderate, however, the longer-term implications for inflation remain unknown. Furthermore, we expect incremental fiscal stimulus related to infrastructure and social spending to serve as additional fuel for increased economic growth over the next 18 months.

We remain mindful that an eventual FED tightening cycle, rising input prices, lower margins, disparities in the recovery for small businesses, and potentially higher taxes are risks that could cause continued oscillation in equity prices. Given the market's current valuation, we believe persistent economic and earnings growth is needed to justify further gains and to serve as a cushion for the impending impact of higher inflation and interest rates.

COMPOSITE PERFORMANCE (9.30.2021)

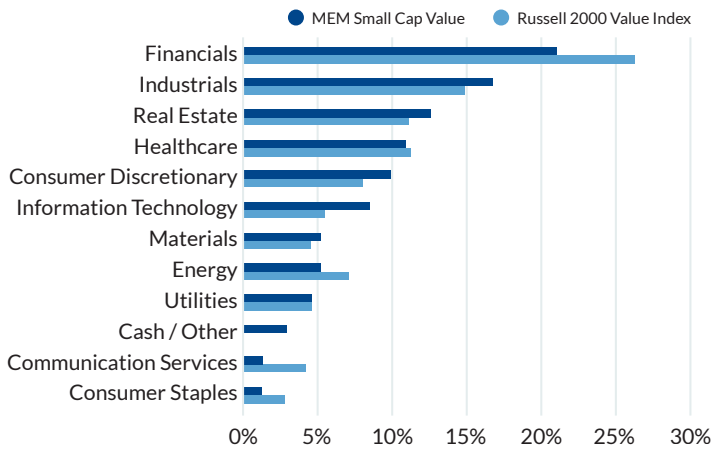
Total return (%)	QTD	YTD	1 yr	3 yr	5 yr	10 yr	15 yr
MEM Small Cap Value (gross)	-3.0	22.6	59.7	10.2	12.3	13.5	9.0
MEM Small Cap Value (net)	-3.1	22.1	58.9	9.7	11.7	12.9	8.4
Russell 2000 Value Index	-3.0	22.9	63.9	8.6	11.0	13.2	7.5

Performance is preliminary and includes reinvestment of all income. Returns greater than one year are annualized. Past performance is not indicative of future results. Please see the following page for additional, important disclosure information.

PORTFOLIO CHARACTERISTICS (9.30.2021)

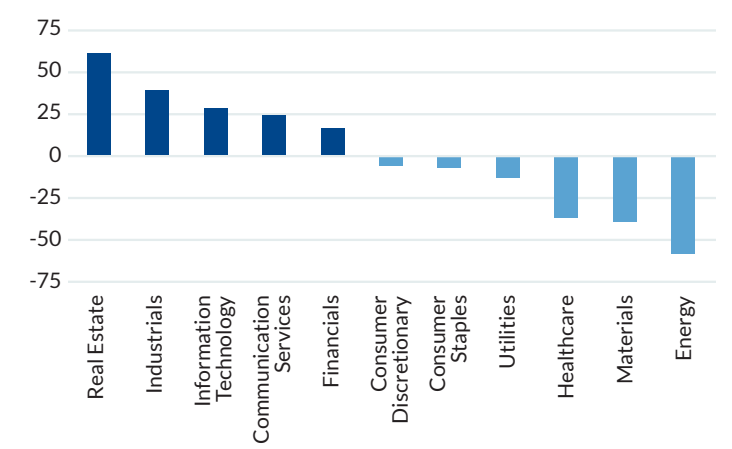
	MEM Small Cap Value	R2000 Value
Number of holdings	76	1,429
Forward price/earnings (median)	15.0x	16.5x
Year 2 EPS growth	9.9%	6.0%
5-year return-on-equity	9.0%	7.7%
Weighted median market cap	\$3.0 B	\$2.5 B
% of portfolio in top 10	17.9%	5.3%

SECTOR WEIGHTS (9.30.2021)



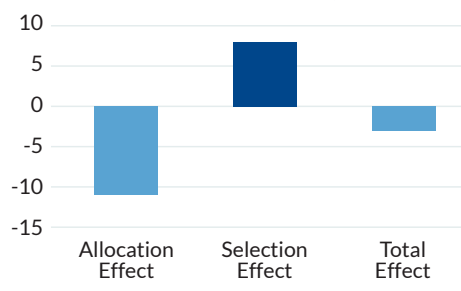
Sector weights and portfolio characteristics are calculated from a representative account invested in the MEM Small Cap Value Equity strategy.

RELATIVE STOCK SELECTION - YTD¹ (BPS)



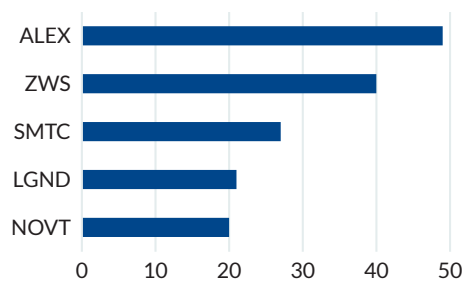
Source: Bloomberg, As of 9.30.2021.

ATTRIBUTION - YTD¹ (BPS)



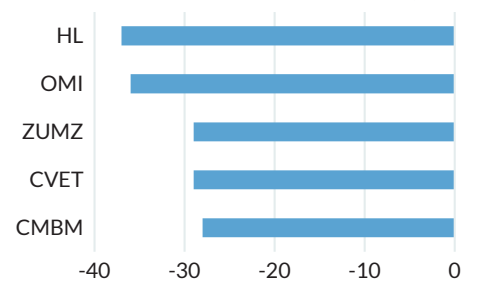
Source: Bloomberg, As of 9.30.2021.

POSITIVE CONTRIBUTION (BPS)



Source: Bloomberg, As of 9.30.2021.

NEGATIVE CONTRIBUTION (BPS)



Source: Bloomberg, As of 9.30.2021.

MEM SMALL CAP VALUE VS. RUSSELL 2000 VALUE INDEX

- Market leadership was mostly cyclical
 - Energy was a significant outperformer
 - Financials and Real Estate also outperformed
 - Communication Services was a significant underperformer
 - Consumer Discretionary and Health Care were also leading underperformers
- SCV Portfolio slightly underperformed the Russell 2000 Value Index
- The market exhibited a slight high-quality bias at the extremes during the period
 - No material trends were observed based on quality
 - Loss-making companies (mostly Biotech) underperformed
- Value outperformed Growth

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To learn more, visit mesirow.com or contact Eric Welt at 312.595.2281 or eric.welt@mesirow.com.

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The performance presented herein represents past performance and is no guarantee of future results. Performance is measured against the primary benchmark represented by the Russell 2000 Value Index, with the Russell 2000 Index being presented as additional information. MEM and benchmark performance reflect the reinvestment of dividends and interest income, expressed in US dollars. Performance greater than one year is annualized. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. MEM’s small cap value accounts invest in stocks with market capitalizations within the range of the small-cap universe, defined by the Russell 2000 Index. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000® Index.

Mesirow Financial Investment Management, Inc. claims compliance with the Global Investment Performance Standards (GIPS®). To receive a complete list and description of MEM composites and/or presentations that adhere to the GIPS standards, contact Eric Welt at 312. 595.2281 (eric.welt@mesirow.com) or write Mesirow Equity Management, 353 North Clark Street, Chicago, IL 60654.