

## U.S. SMALL-CAP LOW VOLATILITY EQUITY



## MARKET COMMENTARY

During the first quarter, equity markets were generally weak and volatile. Emerging markets stocks (MSCI Emerging Markets Index<sup>®</sup>) were the only group with positive total returns, they returned 1.47%. Non-U.S. large cap stocks (MSCI EAFE Index<sup>®</sup>) were the worst performing group returning -1.41%. U.S. large cap stocks (S&P 500 Index<sup>®</sup>) returned -0.76% while U.S. small cap stocks (Russell 2000 Index<sup>®</sup>) were nearly flat with total return of -0.08%. Growth stocks, as a style, significantly outperformed value stocks across all market caps.

The U.S. economy is expected to grow 2.8% during the first half of 2018 according to the Federal Reserve Leading Index. We do not see significant signs of a recession in the near term. Even after six rate hikes since December 2015, the futures market implies a 61% probability of more than one 0.25% increase in the Fed Funds rate to occur during 2018.

Consumers are clearly feeling good with generational low unemployment, a new high of \$98.7 trillion in household net worth, and the lowest household debt service ratio, 10.3% in the past 30 years. The Consumer Sentiment Index remained near its highest level in 17 years and the US Leading Index rose +6.4% from a year ago.

Both U.S. and non-U.S. valuations are near their 10-year peaks. Although equity market valuations are clearly stretched, we're still finding attractively valued companies in which to invest. We're grateful to you for entrusting us with your investments.

Performance	March	1Q18	1 Year	3 Years
S&P 500 Total Return	-2.54%	-0.76%	12.95%	9.89%
MSCI EAFE (USD)	-1.70%	-1.41%	17.05%	5.38%
MSCI EAFE Small-cap (USD)	-1.06%	0.32%	24.19%	11.91%
MSCI Emerging Markets (USD)	-1.83%	1.47%	26.06%	8.44%
MSCI ACWI (USD)	-2.08%	-0.84%	15.51%	7.92%
MSCI USA SC Min Vol	2.39%	0.09%	10.17%	12.18%
Barclays Aggregate (ETF: AGG)	0.62%	-1.49%	1.01%	1.25%
Barclays High Yield 2% Issuer Cap	-0.60%	-0.86%	3.27%	4.85%
Barclays Global Aggregate ex US	1.43%	3.62%	11.09%	3.78%
Gold (ETF: IAU)	0.44%	2.05%	4.74%	2.60%
Oil (ETF: USO)	5.62%	8.42%	13.11%	-10.26%
USD Trade Weighted (ETF: UUP)	-0.25%	-1.55%	-8.79%	-2.03%

## PERFORMANCE CONTRIBUTORS

The **Information Technology** sector outperformed during the quarter despite very poor performance during the month of March.

The **Momentum** factor was the best performing factor during the quarter despite very poor performance during the month of March.

Interest rate sensitive sectors, **Utilities and Real Estate**, underperformed during the quarter but provided protection when volatility spiked in both February and March periods.

**On Assignment (ASGN)** appreciated 27.85% as Q4 EPS and revenue beat estimates. The company continues to benefit from the ongoing improvement in federal IT spending growth.

**Orbotech (ORBK)** appreciated 23.62% as Q4 EPS & revenue beat estimates, driven by strong performance in its printed circuit board business and semiconductor devices.

**Korn/Ferry International (KFY)** appreciated 23.19% driven by positive growth commentary as companies step up senior level hiring amid an improving global environment.

## PERFORMANCE DETRACTORS

The **Consumer Staples** sector underperformed during the quarter but provided protection when volatility spiked in March.

**Value stocks** significantly underperformed during the quarter by failing to participate in the January rally and subsequently underperforming in March.

Economically sensitive sectors, such as **Energy**, underperformed throughout the quarter by failing to participate in the January rally and subsequently underperforming in March.

**TTEC Holdings (TTEC)** declined 24.57% as the street was disappointed with the company's full year revenue forecast which was barely in line with estimates.

**Prestige Brands (PBH)** declined 24.33% as the management guided for retailer inventory reduction headwinds and increased freight and warehousing expenses in the next quarter.

**Tupperware Brands (TUP)** declined 21.90% as the management issued a disappointing revenue outlook for 2018, citing weak demand in Indonesia, India and North America.

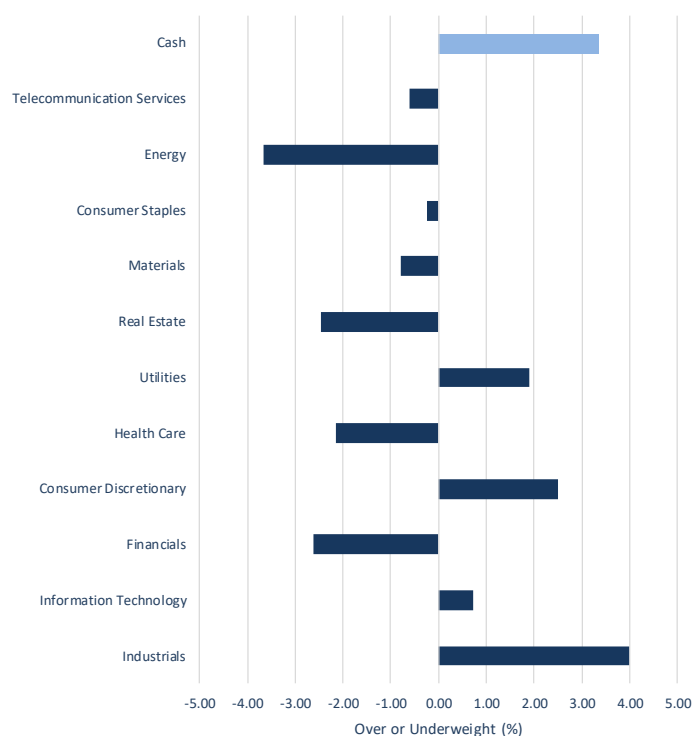


# U.S. SMALL-CAP LOW VOLATILITY EQUITY

## MARKET OUTLOOK

U.S. economic growth will remain modest as the probability of a recession remains low. The Federal Reserve will likely increase the Fed Funds rate by 0.25% increments at least twice during 2018. Globally, central bank balance sheets will start to decline in aggregate as debt matures, creating a headwind for stocks. Market valuations will remain elevated according to numerous valuation metrics. Unemployment rates will remain at generational lows. After over nine years of an equity bull market, we believe it is time for investors to be proactively prudent by lowering equity market risk using our risk managed approach.

Relative Sector Weights to the Russell 2000



Top 10 Holdings	Weight
Argo Group Intl Hldgs	1.18%
Stoneridge Inc	1.12%
NuVasive Inc	1.10%
SPS Comm Inc	1.10%
Orbotech Ltd	1.09%
PriceSmart Inc	1.07%
Emergent Biosolutions Inc	1.07%
Phibro Animal Health Corp	1.07%
HealthEquity Inc	1.06%
Biospecifics Technologies Corp	1.06%

Characteristics	Portfolio	Russell 2000***
Number of Securities	101	1982
Beta*	0.58	1.00
Standard Deviation*	9.68	13.88
Market Capitalization (\$B)**	1.58	2.19
Dividend Yield**	1.12%	1.32%
Price/Book**	2.87	2.58
Price/Sales**	2.02	2.47
Price/Earnings**	21.73	22.90
Price/Cash Flow**	15.23	13.95
Return on Equity**	11.1%	8.3%

\*36 Month \*\*Weighted Median \*\*\*Proxied via IWM; iShares Russell 2000 ETF

We believe investing in a low volatility equity portfolio provides more consistent returns with smaller drawdowns along with increased diversification benefits. Prudent disciplined investing is exactly what Summit Global Investments practices. We are honored that you have entrusted us with your investments.

*This marketing document is provided to you solely as an informational piece. It does not constitute an offer, a solicitation of an offer, advice, or a recommendation to invest with Summit Global Investments and may not be construed as such. This informational piece should not serve as the only basis of any investment decision. This document is intended exclusively for the use of those to whom it was delivered. Please refer to the Summit Global Investments ADV Part 2 for information regarding fees. Past performance is no guarantee of future results. Your actual returns may vary. Factors which will impact returns include, but are not limited to, the advisory fee charged by SGI, directed brokerage costs and fees charged by the Custodian. Other factors which may affect the return of your investment include, but are not limited to, the custodian selected, additional fees on transactions, timing of your investment, timing of trades placed with the custodian and when advisory fees are taken out of your account. See SGI's ADV for additional information regarding this strategy. Before investing, consider the investment objectives, risks, charges, and expenses of the strategy's various investment options. See [www.summitglobalinvestments.com](http://www.summitglobalinvestments.com) for a fund prospectus and statement of additional information. Please read carefully.*