



# U.S. SMALL CAP LOW VOLATILITY EQUITY

SGI Performance	4Q18	1 Yr	3 Yrs
Small-Cap Low Volatility Gross	-19.61%	-8.80%	9.85%
Small-Cap Low Volatility Net	-19.77%	-9.43%	9.26%
Russell 2000 Total Return	-20.21%	-11.03%	7.34%

Volatility returned with a vengeance in the 4th quarter as stocks declined globally. Stock market volatility, as measured by the CBOE VIX Index skyrocketed from 12.1 at the end of September to a quarter end value of 25.4, representing a gain of 109.7%. The SGI Small-cap Low Volatility strategy outperformed its benchmark, the Russell 2000, but still fell 19.6%.

Since the first of October it has mostly been all about the Federal Reserve. The Federal Reserve increased the U.S. Federal Funds rate again in December. This was the ninth 0.25% fed funds increase since December 2015, to an upper target of 2.50%. The Federal Reserve is projecting 2 increases in 2019, but the market is forecasting a potential for a rate cut! Another key driver during the quarter was the drop in oil prices. Oil, as defined by the WTI Crude Oil spot price, declined 38.0% from \$73.25 to \$45.41. Oil is driven by supply and demand, and the markets view both drivers as bearish for black gold. Oversupply put downward pressure

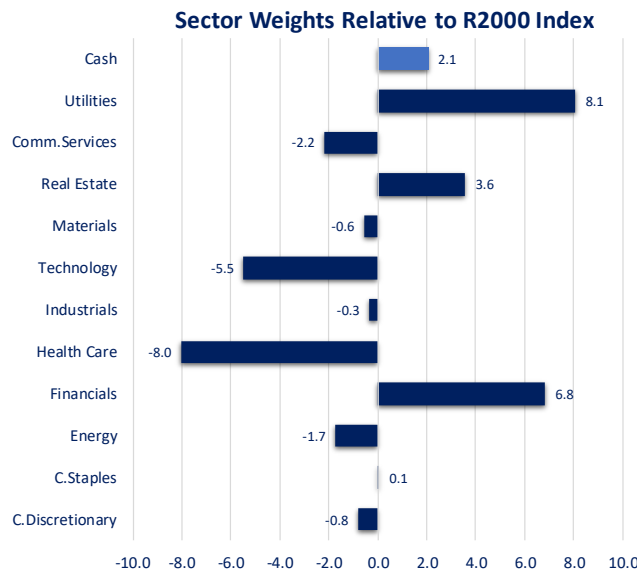
on oil whereas the increase in a potential economic slowdown also reduced future demand estimates.

The three best performing companies were:

- **PNM Resources (PNM)** up 4.16% as earnings beat estimates and the company raised its full year guidance.
- **Willdan Group (WLDN)** up 3.00% as earnings beat estimates and the company raised its full year guidance.
- **Ensign Group (ENSG)** up 2.29% as earnings beat estimates and the company raised its full year guidance.

The three worst performing companies were:

- **Manitowoc (MTW)** declined -38.43% as investors expressed negative sentiment post sector leader Caterpillar's slowing construction industry orders.
- **Boise Cascade (BCC)** declined -35.19% as analysts cut their estimates for earnings, citing significant product price decline amid rising containerboard supply.
- **C&J Energy Services (CJ)** declined -35.10% amid a broader selloff in oilfield equipment stocks, driven by the sharp fall in crude oil prices.



Characteristics*	Portfolio	R2000
Strategy Assets (millions)	\$63.3	
# of Holdings	98	2031
Beta(36M)	0.76	1.00
Standard Deviation (36M)	13.3%	15.8%
Market Capitalization (\$B)	0.9	1.9
P/E	15.5	18.4
P/CF	10.1	11.8
P/B	1.7	2.1
EV/S	2.4	2.6
Debt/Assets (%)	24.7	22.0
Dividend Yield (%)	3.66	1.68
ROE (%)	10.3	9.3

\*Weighted Median; Beta and Dividend Yield Weighted Average

Top 10 Holdings	Ticker	Position
Playa Hotels & Resorts Nv	PLYA	1.2%
Chimera Investment Corp	CIM	1.2%
Orthofix Medical Inc	OFIX	1.2%
Cherry Hill Mortgage Investm	CHMI	1.2%
Pennymac Mortgage Investment	PMT	1.1%
America'S Car-Mart Inc	CRMT	1.1%
Tpg Re Finance Trust Inc	TRTX	1.1%
Forrester Research Inc	FORR	1.1%
White Mountains Insurance Gp	WTM	1.1%
Sp Plus Corp	SP	1.1%

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