

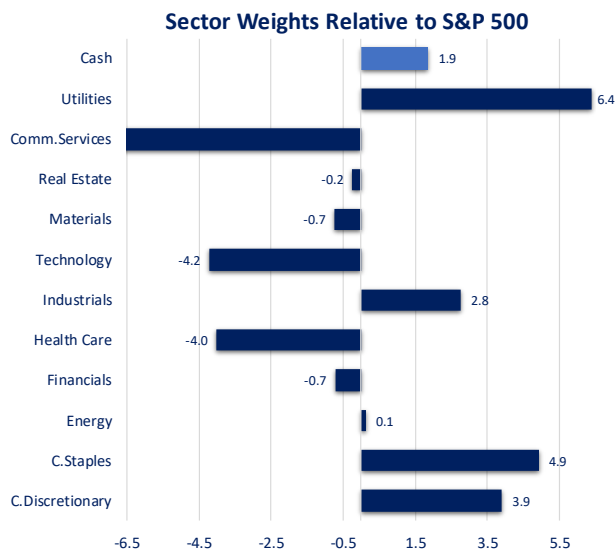


U.S. LARGE CAP LOW VOLATILITY EQUITY

S&P Performance	4Q18	1 Yr	3 Yrs	5 Yrs
US Low Volatility Gross	-12.93%	1.13%	9.39%	9.70%
US Low Volatility Net	-13.12%	0.36%	8.66%	8.83%
S&P 500 Total Return	-13.52%	-4.39%	9.25%	8.49%

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 US Low Volatility strategy outperformed its benchmark, the S&P 500 Index, but still fell 12.9%.

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:

- **Starbucks (SBUX)** up 13.30% as earnings beat estimates and gave an encouraging outlook for its China business.
- **Procter & Gamble (PG)** up 10.44% as earnings beat estimates and had its biggest organic sales growth in 5 years.
- **American Tower (AMT)** up 8.87% as adjusted EBITDA forecast and organic growth guidance for the full year beat estimates.

The three worst performing companies were:

- **Valero Energy (VLO)** declined -34.09% as analysts expressed concerns over its significant exposure to Venezuela's worsening economic and political crisis. VLO is the largest US crude importer of from Venezuela.
- **Tapestry (TPR)** declined -32.86% as investors expressed concerns over the downturn in the handbag & accessories market post weak results from Tapestry's direct peer, Michael Kors.
- **EOG Resources (EOG)** declined -31.64% amid a broader selloff in upstream energy stocks after Saudi Arabia reiterated plans to raise output.

Characteristics	Portfolio	S&P 500
Strategy Assets	\$515.3	
# of Holdings	101	500
Beta(36M)	0.86	1.00
Standard Deviation (36M)	10.1%	10.8%
Market Capitalization (\$B)	25.2	98.1
P/E	19.6	18.6
P/CF	13.5	14.3
P/B	4.8	4.3
EV/S	3.1	3.4
Debt/Assets (%)	22.1	28.6
Dividend Yield (%)	2.06	2.15
ROE (%)	21.5	18.8

*Weighted Median; Beta and Dividend Yield Weighted Average

Top 10 Holdings	Ticker	Position
S&P Global Inc	SPGI	3.4%
Walmart Inc	WMT	3.3%
Robert Half Intl Inc	RHI	2.8%
Nvr Inc	NVR	2.8%
Eli Lilly & Co	LLY	2.8%
F5 Networks Inc	FFIV	2.2%
Tjx Companies Inc	TJX	2.2%
Evergy Inc	EVERG	2.2%
Pepsico Inc	PEP	2.1%
Bristol-Myers Squibb Co	BMJ	2.1%

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