



GLOBAL LOW VOLATILITY EQUITY

SGI Performance	4Q18	1 Yr	3 Yrs	5 Yrs
Global Low Volatility Gross	-8.79%	-2.15%	9.59%	8.84%
Global Low Volatility Net	-8.94%	-2.79%	9.12%	8.55%
MSCI ACWI Total Return	-12.67%	-8.95%	7.20%	4.85%

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 Global Low Volatility strategy outperformed its benchmark, the MSCI ACWI, but still fell 8.8%.

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

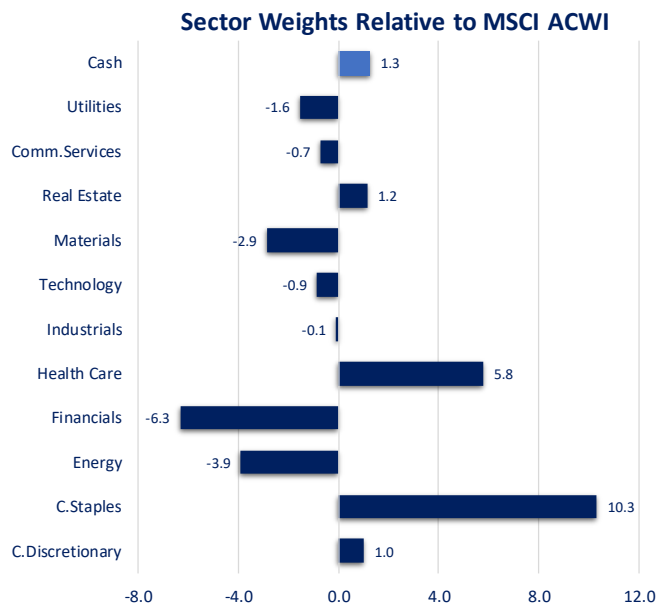
on oil whereas the increase in a potential economic slowdown also reduced future demand estimates.

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.
- **Eli Lilly (LLY)** up 7.84% as earnings beat estimates and raised its full year guidance.

The three worst performing companies were:

- **Apple (AAPL)** declined -30.12% as investors expressed concerns over the company's growth prospects in China and falling market share for iPhones in India.
- **Raytheon (RTN)** declined -25.80% as the resignation of Defense Secretary James Mattis could undermine the legitimacy of higher defense budget spend requests.
- **General Dynamics (GD)** declined -23.21% as the resignation of Defense Secretary James Mattis could undermine the legitimacy of higher defense budget spend requests.



Characteristics	Portfolio	ACWI
Strategy Assets (millions)	\$32.8	
# of Holdings	50	1384
Beta(36M)	0.70	1.00
Standard Deviation (36M)	9.0%	10.5%
Market Capitalization (\$B)	59.3	52.5
P/E	20.1	17.3
P/CF	15.9	12.5
P/B	4.5	2.7
EV/S	3.7	3.0
Debt/Assets (%)	27.9	24.7
Dividend Yield (%)	2.45	2.71
ROE (%)	20.6	15.4

*Weighted Median; Beta and Dividend Yield Weighted Average

Top 10 Holdings	Ticker	Position
Roche Holdings Ltd-Spons Adr	RHHBY	2.5%
Resmed Inc	RMD	2.4%
Eli Lilly & Co	LLY	2.3%
Smith & Nephew Plc -Spon Adr	SNN	2.3%
Starbucks Corp	SBUX	2.3%
Sanofi-Adr	SNY	2.3%
Crown Castle Intl Corp	CCI	2.3%
Clorox Company	CLX	2.3%
Chubb Ltd	CB	2.2%
Berkshire Hathaway Inc-CI B	BRK/B	2.2%

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