



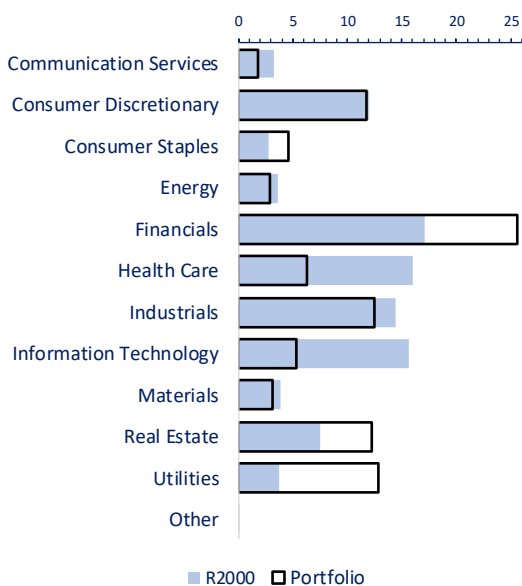
# U.S. SMALL CAP LOW VOLATILITY EQUITY

SGI Performance	1Q19	1 Yr	3 Yrs	5 Yrs
Small-Cap Low Volatility Gross	11.37%	2.54%	11.59%	11.21%
Small-Cap Low Volatility Net	11.17%	1.80%	10.92%	10.81%
Russell 2000 Total Return	14.57%	2.01%	12.90%	7.04%

The equity markets came roaring back from a weak 2018. In fact, 1<sup>st</sup> quarter 2019 was the best returning quarter in over twenty years. All the major equity indices posted strong returns. Although the SGI Small Cap Low Volatility strategy returned a solid 11.37% on a gross basis, it underperformed both the Morningstar Small Blend Category average return by 2.40% and the Russell 2000 Index by 3.20% but it took significantly lower overall portfolio risk.

The global equity markets euphoria was not due to underlying economic strength. The previous quarter GDP was revised down to 2.2%. The central bank feared that both a slowing global economy combined with restrictive monetary policy could push the economy into recession. The Federal Reserve announced a dramatic reversal in monetary policy, eliminating further short-term interest rate increases for the remainder of 2019 and ending quantitative tightening by halting its balance sheet reduction by September. In fact, the futures markets have already priced in an interest rate cut by first quarter of 2020.

Portfolio sector weights are shown below:



The three best performing companies were:

- **CatchMark Timber Trust (CTT)** up 38.31% amid bullish sentiment for timber REITs as mortgage rates dipped, boosting housing affordability.
- **Triple-S Management Corp (GTS)** up 31.22% as earnings and revenue beat estimates and the company raised its full year revenue guidance.
- **Fidus Investment Corp (FDUS)** up 31.14% as earnings beat estimates, driven by robust growth in interest and fee income.

The three worst performing companies were:

- **Sprouts Farmers Market (SFM)** declined -8.38% as investors expressed negative sentiment post Amazon's price cut on hundreds of items at Whole Foods stores.
- **iStar (STAR)** declined -7.23% as the company reported a loss owing to a significant impairment on its legacy real estate assets.
- **InterDigital (IDCC)** declined -0.17% on the back of a soft revenue guidance for the next quarter.

Characteristics	Portfolio	R2000
Strategy Assets (\$ Million)	63.3	-
Number of Holdings	100	2,000
Beta*	0.76	1.00
Standard Deviation*	13.5%	16.0%
Market Cap. (\$ Billion)	0.96	2.17
Price to Trailing Earnings	18.1	20.6
Price to Cash Flow	9.9	12.6
Price to Book	1.5	2.4
Enterprise Value to Sales	2.2	3.0
Debt as % of Assets	29.4	22.9
Dividend Yield (%)**	3.38	1.49
Return on Equity (%)	8.7	9.6

\* Beta & Standard Deviation 36 months

\*\* Dividend Yield weighted average, all other data weighted median

Top 10 Holdings	Ticker	Position
MATERION CORP	MTRN	1.3%
UNIVERSAL ELECTRONICS INC	UEIC	1.2%
MONOTYPE IMAGING HOLDIN	TYPE	1.2%
TRIPLE-S MANAGEMENT CORP	GTS	1.2%
AMERICA'S CAR-MART INC	CRMT	1.2%
TRUEBLUE INC	TBI	1.1%
MOVADO GROUP INC	MOV	1.1%
HEALTHSTREAM INC	HSTM	1.1%
SKYWEST INC	SKYW	1.1%
ARES COMMERCIAL REAL ESTA	ACRE	1.1%

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