Summit Global Investments

In our continued efforts to keep our clients and partners aware of what is going on with the markets and the portfolios we are managing on their behalf, we want to keep you abreast of what is happening and where we feel the market is headed.

Summary

- Everyone at SGI is 100% committed to doing everything we can to ensure your investments perform as designed to their respective expectations and risk tolerance.

- I know everyone, especially clients, can get scared, nervous and question everything. But as Peter Lynch once said, "the key to making money in stocks is NOT getting scared out of them." When fear peaks, invest!

- SGI's U.S. Large Cap, U.S. Small Cap and Global strategies take a managed risk approach and are defensive in nature and continue to perform as expected.

- The U.S. Large Cap strategy is in the top decile of returns and top decile of risk (meaning lower risk) consistently over the long term; YTD, 3 month, 1 year, 3 years and 5 years. It's a 5-star fund for a reason. Yes, our downside capture has risen over the past 4 trading days, as the Market Update explains in more detail.

- During corrections there are often, albeit smaller, shifts and turns, trades and interplays with sectors and companies. As you look at the market returns over the past few days, one may think all is lost! But remember it is only the bottom of the 3rd inning. All is certainly not lost! Let's not call the ball game yet.

This is clearly a unique time, and SGI will continue to do everything within our power to preemptively manage portfolios during this time and keep our clients abreast as best as possible.

Sincerely,

David Harden

Market Update - Let's examine each inning:

The 1st Inning:

The U.S. Large Cap strategy from January 1st, 2020 through the peak on February 18th, 2020 returned 5.5% (net of fees) compared to the S&P 500 Index® up 4.56% (total return). The steep sell-off began and from February 21st through March 6th the S&P 500 Index® was down -10.87% (total return) compared to our large cap strategy down -7.67% (net of fees). We captured 120% of the upside leading into the COVID-19 crisis and, primarily from removing energy, airlines, cruise ships, and high COVID-19 exposed equities, we only captured 70% of the downside.

Top of the 2nd Inning:

By March 6th, Year to date (YTD) our large cap strategy returned -3.34% (net of fees) compared to the S&P 500 Index® of -7.68% (total return). That is only 43% of the downside capture. This is ideal as our strategies are designed to provide protection during down markets.

Bottom of the 2nd Inning:

From March 6th through March 12th the market turned hard to the downside, returning -16.51% (total return). We held up, but still captured more of the downside as capitulation started to occur. Our US large cap strategy was down -14.38% (net of fees). That's 87% of the downside capture. The problem here was the capitulation was different. Unlike March 9th, 2009 when Congress had passed a stimulus bill (though it took them 4 months and -40% returns before they did!) it was still in-front of us, yet to occur. The Federal Reserve market actions were in-front of us. The infection rate in the U.S. was still rising sharply and though China was reporting improving numbers, the infection rate in Europe was increasing at hyperbolic proportions. As such, the market continued to fall and by March 17th the S&P 500 Index® was down -21.38% compared to our U.S. Large Cap strategy down -15.36% or 71.8% downside capture.

This paints the picture that the market simply trades one dimensional. During market corrections* there are often, albeit smaller, shifts and turns, trades and interplays with sectors and companies. *One is NOT going to bat 1000%. There will be times when you hit the ball hard directly at opposing players or you simply strike out.

3rd Inning:

From March 17th through March 23rd, 4 trading days the market sold off -11.51%. But this decline was different. The market sold off companies that provided protection and bought companies that had been down significantly. For example, Wendy's was down -68% from 2/21 – 3/18 and rallied up 50%+. Airline stocks were down -60.39%, as measured by the S&P 500 Airlines Sub Industry GICS level 4 Index, and have rallied since, up 27%+. In the mean-time staple stocks like Walmart, Kroger, CVS, Walgreens, etc.. have been in a free fall down -5.85%+, as measured by the S&P 500 Consumer Staples Sector GICS Level 1 Index.

Now ask yourself these questions; Are you traveling? Have you booked your summer cruise? Have you eaten out at a nice restaurant in the past week? Have you used Opentable to book a restaurant in the near future? Are you going to a hotel? Our research suggests your answer is similar to 95% of American's – No.

Yes, energy, industrials, materials are up big over the last 4 trading days. Beaten-down cruise companies (Norwegian, Royal Caribbean, Carnival), restaurants, hotels, are surging about 25% or more, while the safe grocers like Walmart are in the red. For now, we can't chase these companies returns or worse chase these companies into bankruptcy.

Again, it's the 3rd inning. ***The game is not over.*** Swinging at any pitch is not our process. Chasing returns or pitches is not the answer. All you can do in a down market is follow your processes. Processes that have experienced other declines and market corrections. If you look at the past 7+ years our process is designed to be consistent and has been effective. Our U.S. Large Cap strategy is in Morningstar's largest category with over 1400 investment vehicles. The U.S. Large Cap strategy is in the top decile of returns and top decile of risk (meaning lower risk) consistently. True for YTD, 3 Month, 1 Year, 3 years and 5 years. It's a 5-star fund for a reason. Yes, our downside capture has risen over the past 4 trading days. I would ask for patience as I believe it's still a virtue.

I experienced days/weeks during the 2008 Great Financial Crisis (GFC) where risk-on prevailed and made one shutter to the core; wondering if you were ever going to get a good pitch.

SGI has looked to take advantage of what the market provides; opportunities to sell specific companies on big up days and buy the companies we like on big down days. Repositioning our portfolios by design, with pudence and experience.

SGI's U.S. Large Cap, U.S. Small Cap and Global strategies take a managed risk approach and are defensive in nature; however, we are also quite cognizant of the fact that having a portfolio of utilities, REITS and consumer staples still wouldn't protect us as much as we'd like. Going to really high cash levels makes little sense too, since we never know what tomorrow will bring.

I know everyone, especially clients, can get scared, nervous and question everything. But as Peter Lynch once said, "the key to making money in stocks is NOT getting scared out of them."

In future innings we will see how much unemployment rises. We will know more about the stimulus plan, more about the ever-increasing infection rate. We will watch how this affects small business and how much goes out of business in big business. There is much more game to be played.

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The continual delivery of critical financial services is the focus and foundational basis of our strategic planning. We will continue to provide financial services to our customers at the highest service levels. If you have not already done so, we encourage you to utilize our website at www.sgiam.com. Here you will be able to login, create a profile, review your returns and continue to interact with SGI. You may also call us directly at 888-251-4847 or email works great too.

This is clearly a unique time, and SGI will do everything within our power to continue to preemptively manage portfolios with our award-winning strategies and amazing staff. If you have any questions, please don't hesitate to call or email us.

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