

Summit Global Investments

A Managed Risk Approach
2020 COVID-19 Market Update

March 27th, 2020



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Executive Summary

- SGI's Managed Risk Approach with Multi-Factor Investing & Active ESG Downside management continued to perform with lower volatility & absolute returns.
- The passive low volatility factor* was a disappointment. Returns were mediocre, but more concerning was how the **strategy exhibited higher volatility** than the S&P 500 Index®.
- Multi factor investing** was also a disappointment. Returns lagged in this environment. Its diversification did allow it to have lower volatility than the passive low volatility factor
- 2020 has been marked by 3 very distinct periods with starkly different market drivers in terms of factors, sectors, risk and the macro environment.
- Fundamental research into companies with high COVID-19 exposure became critical. SGI began exiting companies due to COVID-19 exposure in January.

All analysis is conducted on gross returns

*Passive low volatility factor defined by ticker SPLV (S&P 500 Low Volatility), Note, this strategy distinctly invests in the least volatile stocks in the S&P 500

** Multi factor investing as defined by ticker SCIU (Global X Scientific Beta), This strategy blends multi factors and invests in S&P 500 stocks.

2020 a Tale of 3 Periods

		S&P 500	
		Return	Daily Volatility
1	12/31/19 through Market Peak (2/18/20)	5.08%	0.71%
2	2/19/20 through 3/18/20	-29.05%	5.35%
3	3/19/20 through 3/25/20	3.27%	5.34%

1: 12/31/19 –
2/18/20

- Market continued its risk on trade from the 4Q19 despite China battling the Coronavirus
- This was defined by solid returns and ultra low volatility.
- SGI reduced exposure to COVID-19 exposed companies such as Starbucks, McDonalds, Yum Brands, VFC Corp and Apple. SGI as reduced exposure to hard hit industries such as hotels, travel, and energy.

2: 2/19/20 –
3/18/20

- The Coronavirus begins impacting the U.S. markets with an unprecedented decline.
- Defensive sectors (Utilities, Staples, Health Care) do well.
- Saudi and Russia (OPEC) talks break down and oil plummets bringing down the energy sector.
- SGI de-risks its overall portfolio by selling more Coronavirus exposed stocks as the virus spreads.
- 3/18/20, while not the low, marks when appetite towards different sectors, factors, and stocks begin.

3: 3/19/20 –
3/25/20

- A rally begins. Airlines, cruise lines, hotels & oversold highly volatility stocks skyrocket, e.g., up 50%, 60%, 80%+.
- Defensive sectors such as Utilities, Staples, and Health Care lag. Low volatility as a factor underperforms.
- Stimulus and Fed accommodation reduce some fear.
- Infection Rate in the U.S. begins to climb.
- SGI continues to take a Managed Risk Approach, with Multi-Factor Investing & Active ESG downside management.

On 3/26 the market continued higher, but defensive sectors led the way.... The 4th period has started. 4

The SGI Multifactor Process

A Dynamic Flexible Process

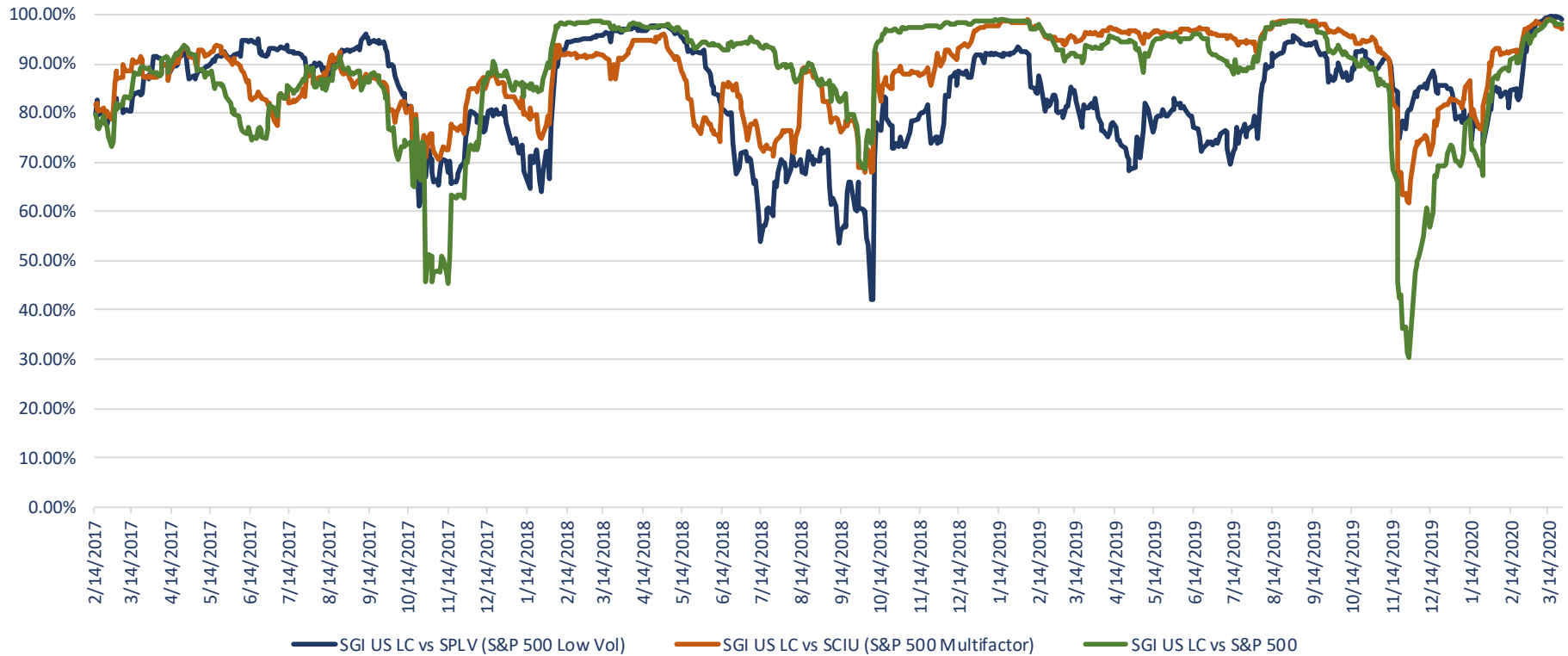


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S&P 500 Utilizes a Dynamic Flexible Process



Rolling 30 Day Correlations Between SGI US LC to Low Volatility, Multifactor, and the S&P 500



- SGI US Large Cap Equity attempts to outperform the S&P 500 Index[®] with lower risk
- This approach has led SGI to have varying correlations to the low volatility factor, multi factor, and to the S&P 500 Index[®].
- Since 2017 the average 30-day correlation for SGI US Large Cap Equity to:
 - Low Volatility Factor: 83.3%
 - Multi-factor: 88.2%
 - S&P 500 Index[®]: 87.8%
- SGI is designed to be a dynamic - Dynamic risk targeting and multi-factor exposure & Active ESG Downside Management

Record S&P 500 Volatility

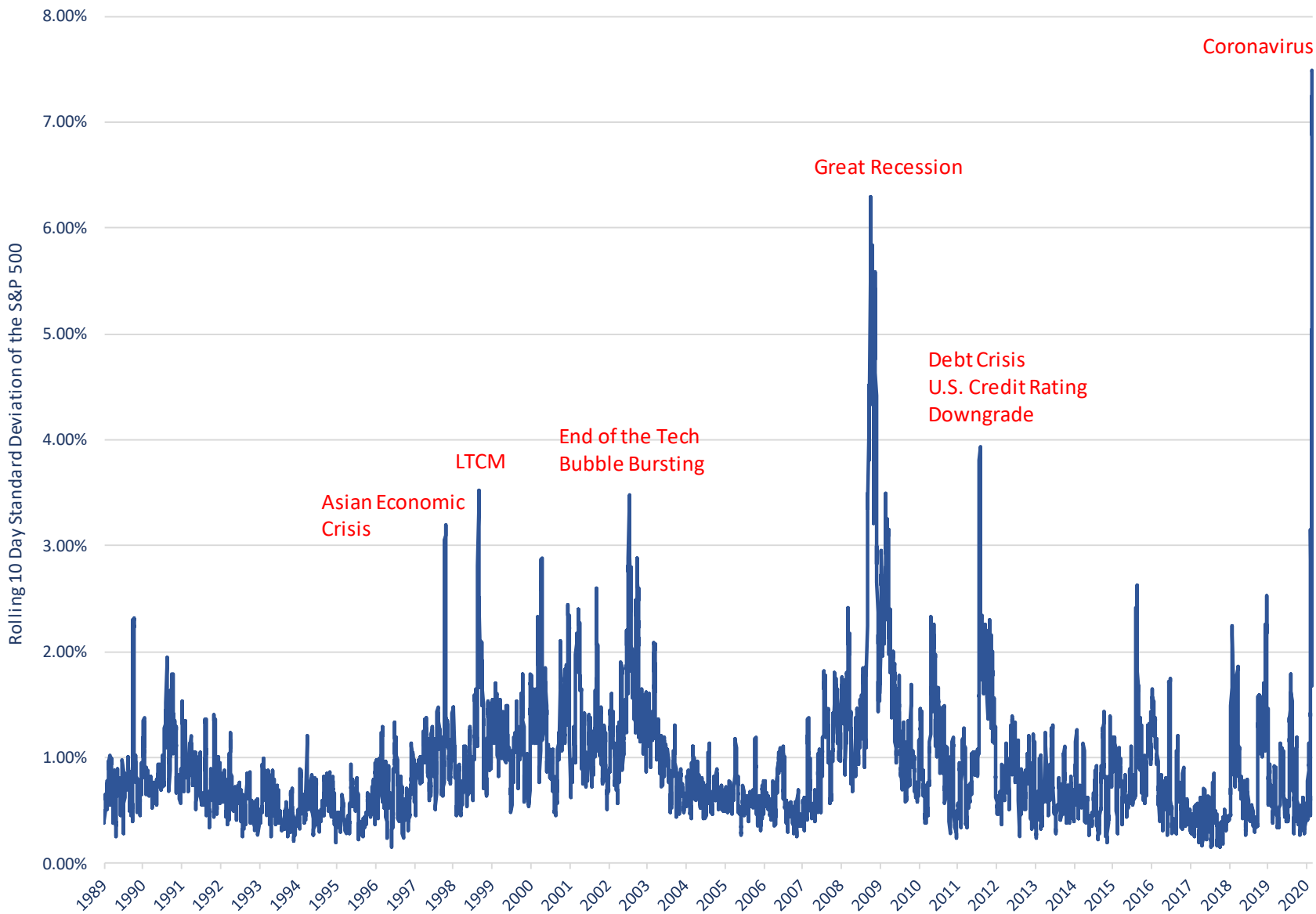


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Record Volatility



Rolling 10 Day S&P 500 Risk: Highest Since 1989





A Tale of 3 Periods



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Period 1: 12/31/19 - 2/18/20 (Peak)

12/31/19 through Market Peak (2/18/20)

	Return	Daily Volatility
S&P 500	5.08%	0.713%
S&P 500 Low Volatility (SPLV)	5.84%	0.499%
Global X Scientific Beta (SCIU)	4.18%	0.600%
S&P 500	5.08%	0.713%

12/31/19 through Market Peak (2/18/20)

	Return	Daily Volatility
S&P 500 Index	5.08%	0.713%
S&P 500 Communication Services	6.51%	0.763%
S&P 500 Consumer Staples	2.56%	0.502%
S&P 500 Consumer Discretionary	6.40%	0.710%
S&P 500 Energy	-8.92%	1.288%
S&P 500 Financials	1.09%	0.875%
S&P 500 Health Care	2.10%	0.812%
S&P 500 Industrials	3.25%	0.914%
S&P 500 Information Technology	12.08%	1.125%
S&P 500 Materials	-1.49%	1.036%
S&P 500 Real Estate	6.61%	0.800%
S&P 500 Utilities	8.59%	0.611%

- SGI performed well during this period as low volatility was in favor.
- SGI's quantitative models had positioned the strategy to lean more towards the low volatility factor than usual.
- As expected, both SGI and the low volatility factor had significantly lower risk than the benchmark.
- Technology and Utilities were the leading sectors.

Period 2: 2/19/20 – 3/18/20

- COVID-19 begins to wreak havoc in the U.S.
- This wave was marked by a steep decline in oil and drop in yields.
- Defensive sectors did quite well as utilities, staples, and health care led the way.
- Early in this period SGI began to get more defensive, which resulted in SGI having significantly lower volatility than the market and the low volatility factor.
- This is when we begin to see the low volatility factor not showing reduced risk, and the benefits of active management shine.

2/19/20 through 3/18/20		
	Return	Daily Volatility
S&P 500	-29.05%	5.346%
S&P 500 Low Volatility (SPLV)	-26.38%	5.376%
Global X Scientific Beta (SCIU)	-32.61%	5.163%
S&P 500	-29.05%	5.346%

2/19/20 through 3/18/20		
	Return	Daily Volatility
S&P 500 Index	-29.05%	5.346%
S&P 500 Communication Services	-26.05%	4.722%
S&P 500 Consumer Staples	-13.87%	4.705%
S&P 500 Consumer Discretionary	-32.37%	4.769%
S&P 500 Energy	-56.19%	7.018%
S&P 500 Financials	-38.55%	6.568%
S&P 500 Health Care	-19.40%	4.541%
S&P 500 Industrials	-35.92%	5.263%
S&P 500 Information Technology	-28.06%	6.170%
S&P 500 Materials	-31.84%	5.200%
S&P 500 Real Estate	-29.30%	6.000%
S&P 500 Utilities	-21.70%	5.650%

Period 3: 3/19/20 – 3/25/20



3/19/20 through 3/25/20		
	Return	Daily Volatility
S&P 500	3.27%	5.343%
S&P 500 Low Volatility (SPLV)	-2.07%	6.508%
Global X Scientific Beta (SCIU)	5.13%	5.585%
S&P 500	3.27%	5.343%

3/19/20 through 3/25/20		
	Return	Daily Volatility
S&P 500 Index	3.27%	5.343%
S&P 500 Communication Services	0.57%	3.891%
S&P 500 Consumer Staples	-7.60%	4.229%
S&P 500 Consumer Discretionary	10.88%	4.234%
S&P 500 Energy	22.29%	8.383%
S&P 500 Financials	7.51%	7.230%
S&P 500 Health Care	-2.54%	5.079%
S&P 500 Industrials	8.02%	7.428%
S&P 500 Information Technology	5.29%	5.507%
S&P 500 Materials	6.99%	6.521%
S&P 500 Real Estate	-0.06%	6.234%
S&P 500 Utilities	-6.21%	7.861%

- There was an abrupt rotation out of those safer sectors and back into the beaten down areas of the market.
- Energy, despite oil still trading in the low 20's, gained 22%. SGI maintains little to no energy exposure.
- Utilities, staples and health care decline in this period.
- SGI underperforms as its defensive posture in risk and in sectors detracts.
- The low volatility factor underperforms the S&P 500 with heightened risk.
- SGI, due to its multi factor approach and holistic management of risk, continues to provide lower risk.

Entire Market Decline: 2/19/20 – 3/25/20



- As we put the entire market decline in perspective it is clear that a passive low volatility exposure would have been a disappointment.
- The Low volatility underperformed while exhibiting higher risk than the benchmark. In fact, the multi factor approach also underperformed.
- However, despite these headwinds SGI was able to outperform due to its multi factor process combined with targeted risk management.
- Even more impressively, SGI was able to maintain its low risk mandate in this market environment.

Peak (2/19/20) to Current (3/25/20)		
	Return	Daily Volatility
S&P 500	-26.74%	5.318%
S&P 500 Low Volatility (SPLV)	-27.90%	5.491%
Global X Scientific Beta (SCIU)	-29.15%	5.268%
S&P 500	-26.74%	5.318%

Peak (2/19/20) to Current (3/25/20)		
	Return	Daily Volatility
S&P 500 Index	-26.74%	5.318%
S&P 500 Communication Services	-25.63%	4.537%
S&P 500 Consumer Staples	-20.42%	4.542%
S&P 500 Consumer Discretionary	-25.01%	4.861%
S&P 500 Energy	-46.43%	7.862%
S&P 500 Financials	-33.93%	6.734%
S&P 500 Health Care	-21.45%	4.547%
S&P 500 Industrials	-30.77%	5.794%
S&P 500 Information Technology	-24.26%	6.027%
S&P 500 Materials	-27.07%	5.505%
S&P 500 Real Estate	-29.35%	5.954%
S&P 500 Utilities	-26.57%	5.965%

YTD: 12/31/19 – 3/25/20



YTD through 3/25/20		
	Return	Daily Volatility
S&P 500	-23.01%	3.548%
S&P 500 Low Volatility (SPLV)	-23.69%	3.643%
Global X Scientific Beta (SCIU)	-26.19%	3.514%
S&P 500	-23.01%	3.548%

YTD through 3/25/20		
	Return	Daily Volatility
S&P 500 Index	-23.01%	3.548%
S&P 500 Communication Services	-20.79%	3.066%
S&P 500 Consumer Staples	-18.38%	3.004%
S&P 500 Consumer Discretionary	-20.22%	3.257%
S&P 500 Energy	-51.21%	5.277%
S&P 500 Financials	-33.21%	4.478%
S&P 500 Health Care	-19.80%	3.048%
S&P 500 Industrials	-28.52%	3.885%
S&P 500 Information Technology	-15.11%	4.052%
S&P 500 Materials	-28.16%	3.694%
S&P 500 Real Estate	-24.68%	3.972%
S&P 500 Utilities	-20.26%	3.952%

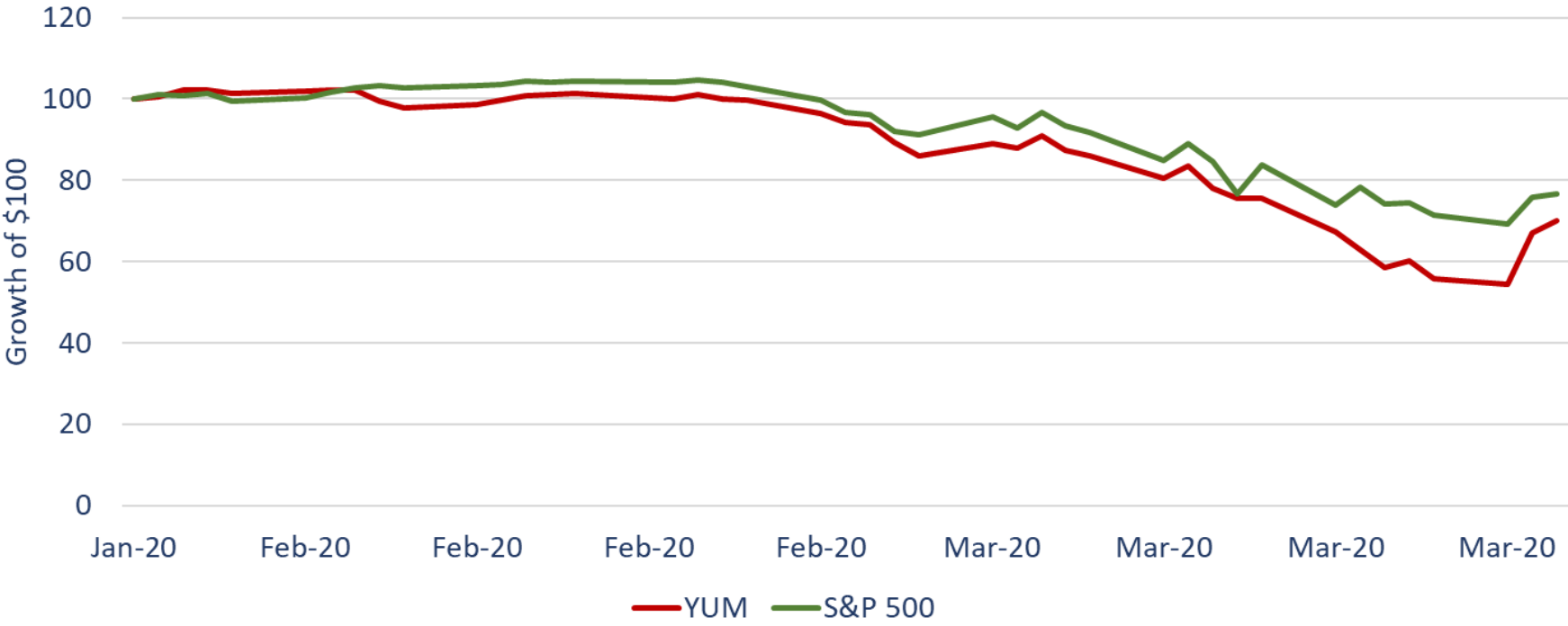
Active Fundamental Coronavirus Risk Management



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Coronavirus Fundamental Sells

Yum Brands (YUM) vs S&P 500



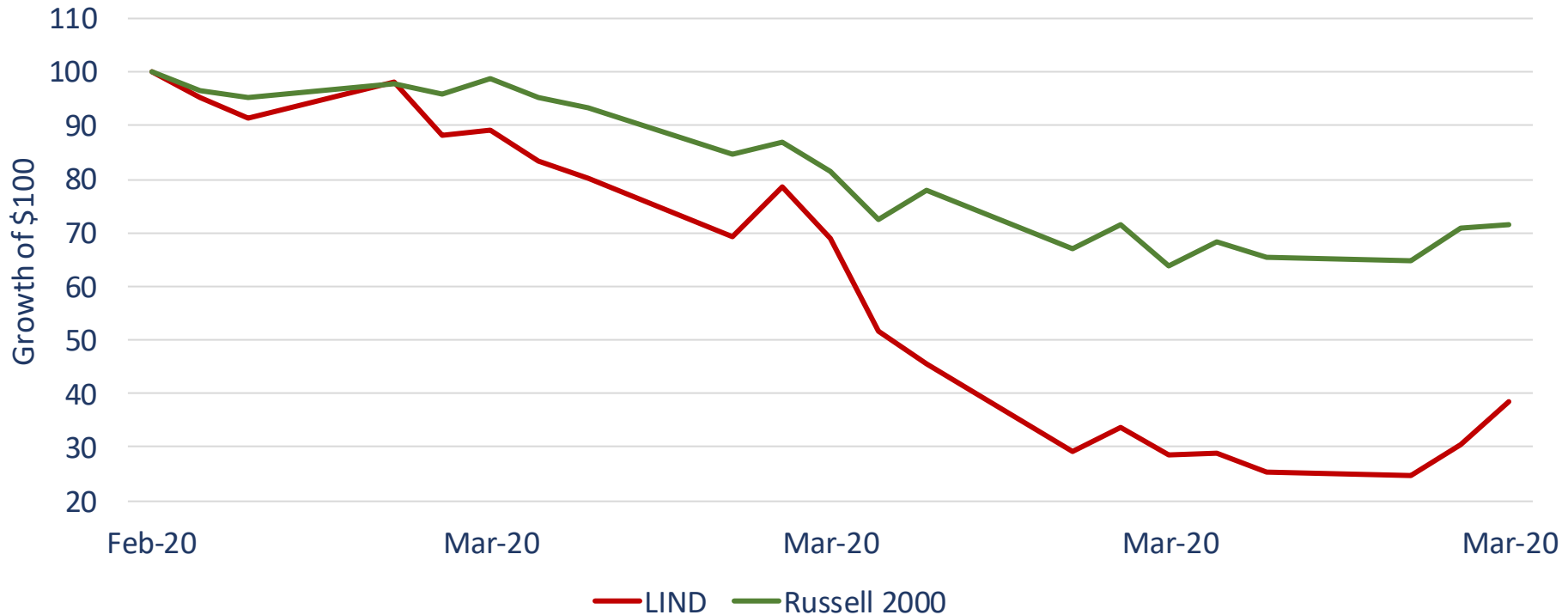
Yum, which operates primarily a portfolio of fast food, was identified as a company with increased Coronavirus risk due to its revenue exposure in China.

YUM was rated a “Sell” on 1/27/2020.

	Total Return	Daily Volatility
Yum Brands	-29.9%	5.07%
S&P 500	-23.4%	4.15%

Coronavirus Fundamental Sells

Lindblad Expeditions (LIND) vs the Russell 2000



Lindblad Expeditions
Russell 2000

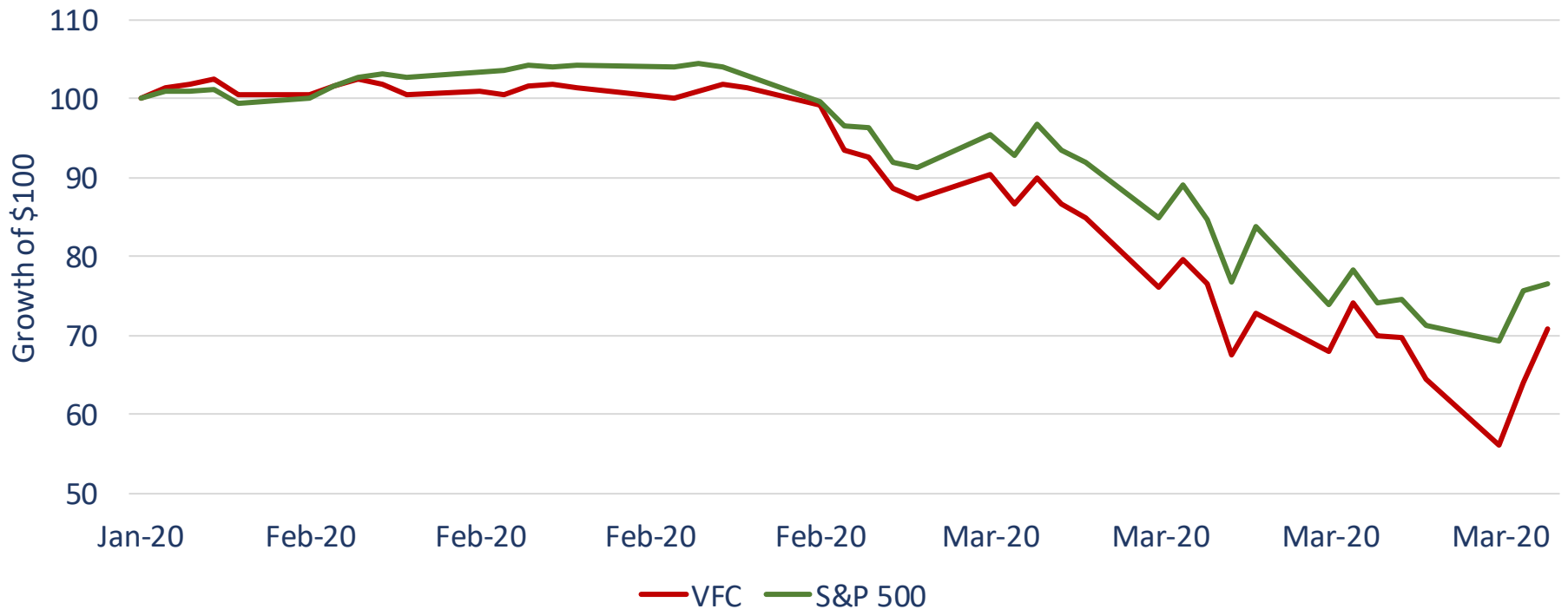
	Total Return	Daily Volatility
Lindblad Expeditions	-61.6%	14.84%
Russell 2000	-28.4%	6.50%

This company owns and operates cruise ships.

LIND was rated a "Sell" on 2/26/2020.

Coronavirus Fundamental Sells

VF Corp (VFC) vs S&P 500



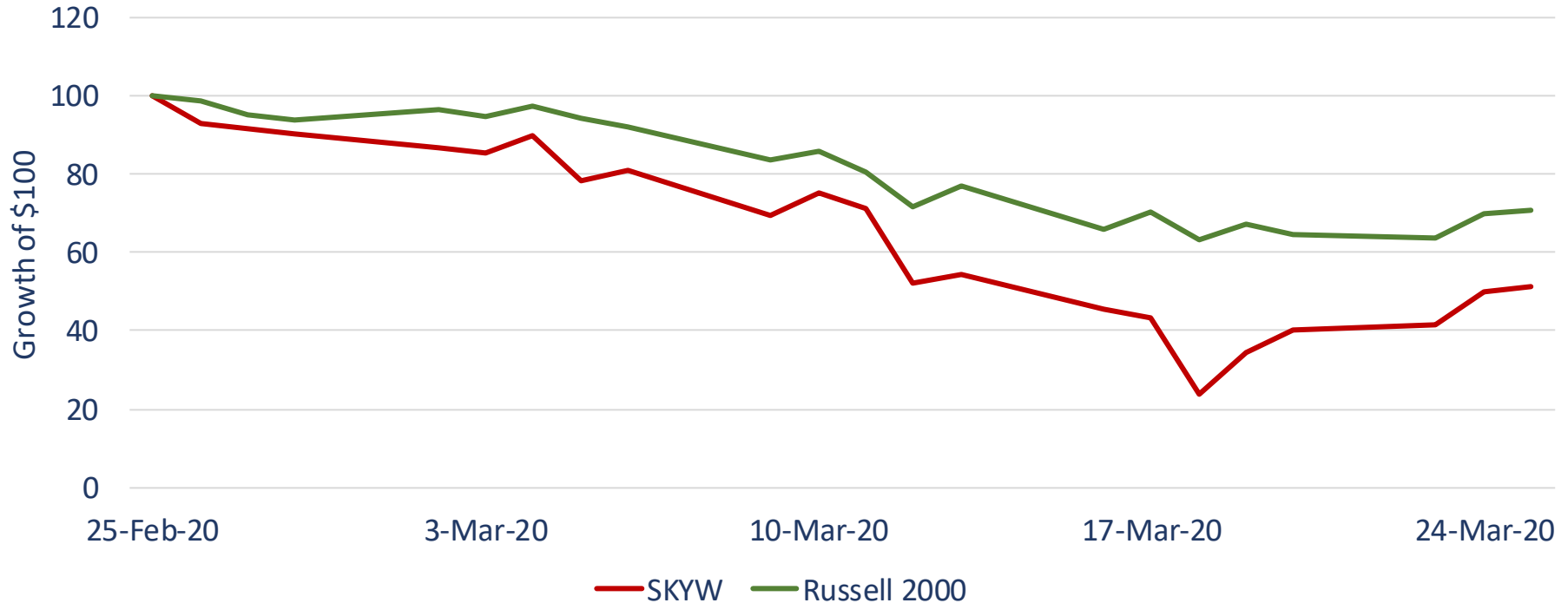
VF Corp is an apparel retailer with a strong portfolio of brands. VFC has a significant portion of their revenue in China and their stores were shutting down.

VFC was rated a “Sell” on 1/27/2020.

	Total Return	Daily Volatility
VF Corp	-29.1%	5.27%
S&P 500	-23.4%	4.15%

Coronavirus Fundamental Sells

Skywest (SKYW) vs the Russell 2000



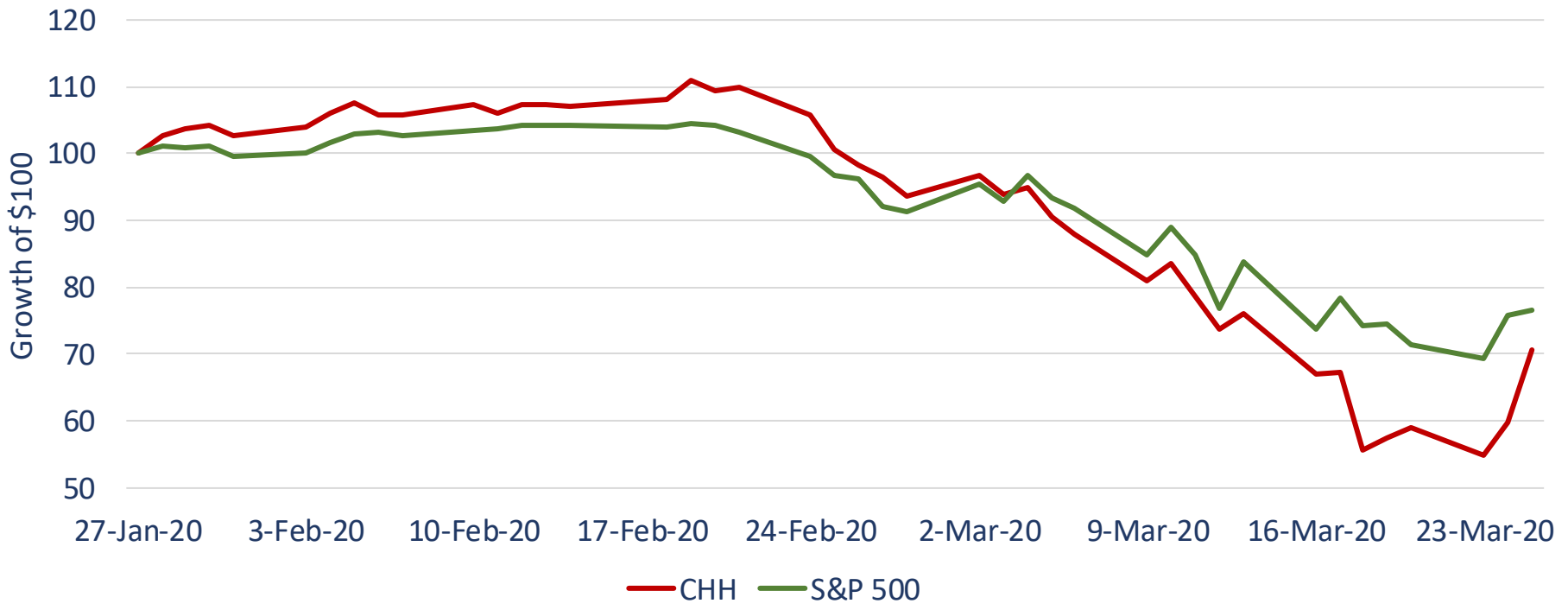
	Total Return	Daily Volatility
Skywest	-48.6%	17.17%
Russell 2000	-29.2%	6.34%

Skywest is an airline operating primarily in the United States, Canada, Mexico, and the Caribbean.

SKYW was rated a "Sell" on 2/25/2020.

Coronavirus Fundamental Sells

Choice Hotels (CHH) vs S&P 500



Choice Hotels franchises hotel properties worldwide.

CHH was rated a "Sell" on 1/27/2020.

	Total Return	Daily Volatility
Choice Hotels	-29.4%	5.37%
S&P 500	-23.4%	4.15%

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