

## U.S. SMALL CAP EQUITY

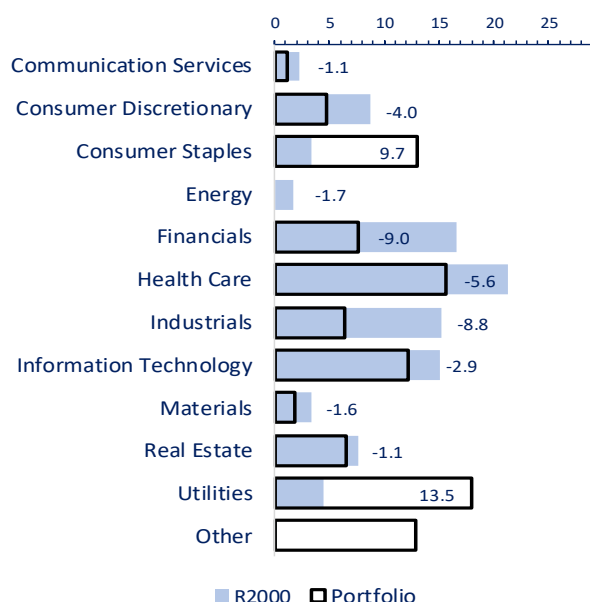


SGI Performance	1Q20	1 Yr	3 Yrs	5 Yrs
US Small Cap Gross	-30.84%	-24.06%	-4.88%	2.19%
US Small Cap Net	-30.99%	-24.66%	-5.55%	1.66%
Russell 2000 Total Return	-30.62%	-24.01%	-4.66%	-0.27%

The first quarter of 2020 brought about stunning changes in the markets and the global economy. A global pandemic and oil price shock created conditions for a severe recession. On a gross basis, the SGI US Small Cap equity strategy underperformed its benchmark, the Russell 2000 Index, by 0.22%. All SGI equity strategies maintain lower overall portfolio risk than their respective benchmarks.

In response to the coronavirus, many governments mandated lockdowns or stay-at-home policies for nearly everyone except essential workers. The global economy came to an abrupt halt creating tremendous damage. Initial jobless claims exceeded 16.7 million in the U.S. in the three-week period ending April 3, 2020. The federal government and the Fed acted quickly with economic stimulus packages and a litany of programs to support the financial markets and the banking system. Many companies pulled their guidance due to lack of visibility of future demand. The degree of economic contraction will be highly dependent on the world effectively dealing with the coronavirus.

Portfolio sector weights are shown below:



The three best contributing companies were:

- **Grocery Outlet Holding (GO)** returned 18.17% as the company enjoyed a demand surge and strong same-store sales.
- **Freshpet (FRPT)** returned 21.66% as the company enjoyed a demand surge for its pet food products from families amid increased pet adoption nationwide.
- **Teledoc Health (TDOC)** returned 11.01% as telemedicine became the modality of choice for many patients nationwide during the lockdown.

The three worst contributing companies were:

- **Exantas Capital Corporation (XAN)** declined -71.80% amid recession fears and concerns for the potential credit losses in its commercial mortgage portfolio.
- **Select Interior Concepts (SIC)** declined -77.49% amid prospects of a significant demand drop in the US housing market.
- **Western Asset Mortgage Capital (WMC)** returned -64.18% amid concerns for the potential credit losses in its residential and commercial mortgage portfolio.

Characteristics	Portfolio	R2000
Strategy Assets (\$ Million)	63.3	-
Number of Holdings	83	1,977
Beta*	0.91	1.00
Standard Deviation*	19.5%	20.9%
Market Cap. (\$ Billion)	1.4	1.7
Price to Trailing Earnings	19.4	17.2
Price to Cash Flow	11.2	10.3
Price to Book	2.0	2.1
Enterprise Value to Sales	2.3	2.7
Debt as % of Assets	28.7	24.9
Dividend Yield (%)**	2.24	2.12
Return on Equity (%)	11.0	8.8

\* Beta & Standard Deviation 36 months

\*\* Dividend Yield index method, all other data weighted median

Top 10 Holdings	Ticker	Position
TELADOC HEALTH INC	TDOC	1.5%
MIDDLESEX WATER	MSEX	1.5%
HEALTHSTREAM INC	HSTM	1.5%
GROCERY OUTLET	GO	1.5%
SIMULATIONS PLUS	SLP	1.4%
SOUTHWEST GAS HOLDINGS	SWX	1.4%
MANTECH INTL-A	MANT	1.4%
B&G FOODS INC	BGS	1.4%
PNM RESOURCES	PNM	1.4%
ICF INTERNATIONAL	ICFI	1.3%

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