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SGI Equity Strategies 1st Quarter Summary

The first quarter of 2020 brought about stunning changes in the markets and the global economy. Absolute returns were the worst in decades, but it was a mixed period of relative performance for the firm. All three of the equity strategies posted negative returns, but several outperformed their respective benchmarks. Here are some highlights:

- The U.S. Large Cap equity strategy returned -17.25% for the quarter, outperforming the S&P 500 Index on a gross basis by 2.35% for the quarter, while maintaining significantly lower overall portfolio risk.
- The U.S. Small Cap equity strategy returned -30.84% for the quarter, while slightly underperforming the Russell 2000 Index on a gross basis 0.22% for the quarter, while maintaining lower overall portfolio risk.
- The Global equity strategy returned -19.28% for the quarter, outperforming the MSCI ACWI Index on a gross basis by 1.99% for the quarter, while maintaining lower overall portfolio risk.

Please review our separate one-page commentaries covering each strategy for additional details about portfolio positioning and attribution.

SGI Performance	1Q20	1 Yr	3 Yrs	5 Yrs
US Large Cap Gross	-17.25%	-6.70%	6.73%	7.47%
US Large Cap Net	-17.41%	-7.45%	5.94%	6.67%
S&P 500 Total Return	-19.60%	-6.99%	5.09%	6.72%
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%
Global Large Cap Gross	-19.28%	-9.52%	3.91%	5.83%
Global Large Cap Net	-19.46%	-10.19%	3.22%	5.38%
MSCI ACWI Total Return	-21.27%	-10.80%	2.05%	3.43%

All SGI equity strategies implement a managed risk approach to equity investing. This managed risk focus has historically allowed investors to enjoy **competitive equity returns** while taking **meaningfully less overall portfolio risk**. For example, historically, our large cap strategy averaged 10-20% less return volatility than the S&P 500 Index (trailing 5 years monthly as of 3/31/2020).

MARKET COMMENTARY

Pandemic

The global spread of the coronavirus named Covid-19 dominated headlines and affected nearly every aspect of human activity. In response, many governments mandated lockdowns or stay-at-home policies for nearly everyone except essential workers. As the number of infections and deaths began increasing exponentially, the healthcare system in most countries mobilized to fight the infection and save lives. Simultaneously, nearly all but essential economic activities ceased or were reduced significantly. National emergencies were declared in most countries. Unemployment claims skyrocketed to levels unimaginable several months ago. Once the financial markets internalized the severity of the pandemic globally they plunged to the worst declines in several generations.

Oil

The markets were also negatively affected by a supply shock as both Saudi Arabia and Russia, two of the largest oil producers, could not agree on the level of production cuts to be imposed on OPEC members to reduce global oil supply. Oil prices quickly plunged to below $20 per barrel, levels not seen in over thirty years. Furthermore, the supply glut was exacerbated by a global plunge in demand as countries were locked down due to the pandemic. Significant damage was done to the global oil industry and Energy became the worst performing sector of stock markets.

Economy

Initial jobless claims exceeded 16.7 million in the U.S. in the three-week period ending April 3, 2020. The economic damage has been tremendous and sudden. Most economic indicators have or are expected to plunge to historically low levels. The closing of schools, restaurants, hotels, airlines, resorts, businesses, manufacturing, transportation, and services of all types has put the global economy on a path towards, at least, a severe recession. Governments have reacted quickly trying to respond to the crisis and limit the degree of economic damage.

A VIEW FROM THE SUMMIT

SUMMIT GLOBAL INVESTMENTS

The Federal Reserve

While the federal government quickly passed the $2.1 Trillion CARES Act to support businesses and the unemployed, the Fed was even more forceful. Jerome Powell, the Fed Chairman, announced a return to zero interest rates and litany of programs designed to help preserve the banking system and backstop numerous financial instruments from losses, including for the first time, corporate bonds. During the last week of the quarter both the stock and bond markets reversed course and began a significant rally based upon the Fed's pledge to print nearly unlimited amounts of money and inject liquidity into the global financial system.

Levels	4Q19	1Q20	Change
Russell 1000 Index	10359.42	8264.66	-20.22%
Russell 2000 Index	8437.98	5854.71	-30.61%
MSCI EAFE	8644.84	6680.92	-22.72%
MSCI Emerging Markets	2571.14	1965.16	-23.57%
U.S. Aggregate*	2.31%	1.59%	-31.21%
US High Yield 2% Cap*	5.19%	9.46%	82.25%
U.S. Federal Funds Rate**	1.55%	0.08%	-94.84%
U.S. 10 Year Treasury**	1.92%	0.67%	-65.09%
U.S. Dollar Index	96.39	99.05	2.76%
WTI Crude Oil Spot	61.06	20.48	-66.46%

*Yield to Worst **Interest Rate

Stock market volatility has spiked to levels last seen in 2008 during the Great Financial Crisis. Many companies have pulled their quarterly and annual guidance because they have no visibility for future demand. The length of the crisis and the likely economic devastation is highly dependent on the ability of the world to find effective treatments and vaccines. This pandemic has resulted in disruptions to lives and the global economy not seen since World War II.

SGI Outlook

- The U.S. economy will enter the most severe recession experienced since the Great Depression.
- Many highly indebted companies and industries, especially those that cannot access bailout funds, will file for bankruptcy.
- The Federal Reserve will expand its balance sheet (print money) to support the economy to previously unimaginable levels.
- Financial market volatility will remain elevated until resolution of the pandemic is visible and certain.
- The economic recovery is unlikely to be a "V" shaped recovery because demand for certain goods and services will recover at varying rates.
- Although difficult times lay ahead, there is light at the end of the tunnel. In fact, some countries such as South Korea have "flattened the curve" and are slowly but surely rebuilding their economies.

We continue to adhere to our disciplined, managed-risk, multi-factor investment process. Over a full market cycle, this approach has historically limited downside risks and allowed for participation in market rallies. We are grateful for the opportunity to help steward your investments.

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