



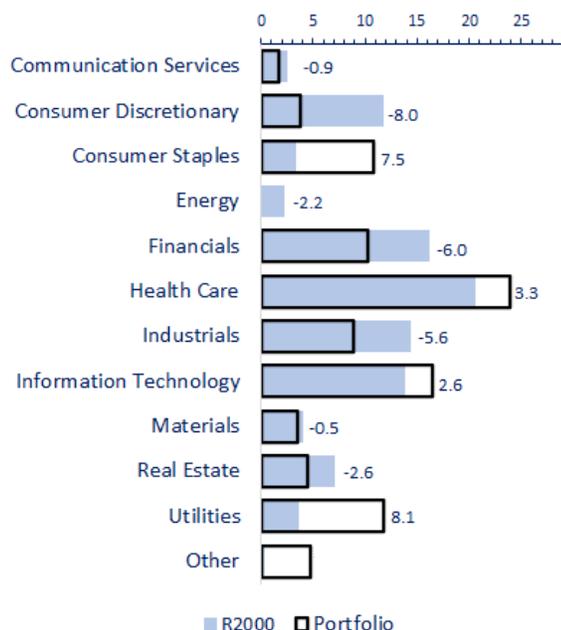
# U.S. SMALL CAP EQUITY

S&P Performance	2Q20	1 Yr	3 Yrs	5 Yrs
US Small Cap Gross	11.58%	-17.16%	-2.83%	4.62%
US Small Cap Net	11.34%	-17.83%	-3.54%	4.04%
Russell 2000 Total Return	25.42%	-6.65%	1.98%	4.27%

The second quarter of 2020 brought about a stunning reversal in the markets, but the global economy deteriorated. On a gross basis, the SGI US Small Cap equity strategy underperformed its benchmark, the Russell 2000 Index, by 13.84%. All SGI equity strategies maintain lower overall portfolio risk than their respective benchmarks.

Due to the pandemic, many governments mandated lockdowns or stay-at-home policies for nearly everyone except essential workers. Still growing COVID-19 cases surpassed 11.7 million globally and 2.9 million in the U.S. Deaths now exceed 540 thousand globally and 131 thousand in the U.S. Most companies pulled their guidance due to lack of visibility of future demand. The Fed and government responded with massive stimulus and liquidity support through a litany of actions. Fundamentals of businesses and the economy continued to deteriorate with many industries seeing demand down 50%-80% even after reopening. Full economic recovery will likely be lengthy and dependent on the development of a vaccine and effective treatments.

Portfolio sector weights are shown below:



The three best contributing companies were:

- **Rent-A-Center (RCII)** returned 93.65% as analysts upgraded the stock due to greater demand for furniture and appliances.
- **Simulations Plus (SLP)** returned 71.55% as the company received a 3-year grant from the FDA to develop ocular drug delivery systems. It was also included into the S&P SmallCap 600 Index.
- **Logitech International (LOGI)** returned 51.92% as demand for its work-from-home products accelerated.

The three worst contributing companies were:

- **FBL Financial Group (FFG)** declined -22.01% as the company missed both Q1 revenue and EPS estimates.
- **Flushing Financial Corporation (FFIC)** declined -18.49% as the company missed Q1 revenue and EPS estimates and analysts cited prospects of a dividend cut.
- **Hawaiian Electric Industries (HE)** returned -15.50% as the utility incurred higher bad debt expense from customers impacted by the pandemic slowdown.

Characteristics	Portfolio	R2000
Strategy Assets (\$ Million)	76.2	-
Number of Holdings	90	2,000
Beta*	0.85	1.00
Standard Deviation*	19.9%	22.6%
Market Cap. (\$ Billion)	3.0	1.9
Price to Trailing Earnings	21.4	19.2
Price to Cash Flow	15.2	11.2
Price to Book	3.2	2.4
Enterprise Value to Sales	3.1	2.9
Debt as % of Assets	20.7	30.2
Dividend Yield (%)**	1.53	2.98
Return on Equity (%)	11.9	6.8

\* Beta & Standard Deviation 36 months

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

Top 10 Holdings	Ticker	Position
LOGITECH INTERNATIONAL-REG	LOGI	2.3%
PC CONNECTION INC	CNXN	2.3%
GROCERY OUTLET HOLDING CORP	GO	2.2%
TELADOC HEALTH INC	TDOC	2.2%
SIMULATIONS PLUS INC	SLP	2.1%
FTI CONSULTING INC	FCN	2.0%
INGLES MARKETS INC-CLASS A	IMKTA	1.9%
FLOWERS FOODS INC	FLO	1.9%
HEALTHSTREAM INC	HSTM	1.9%
AMEDISYS INC	AMED	1.9%

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