



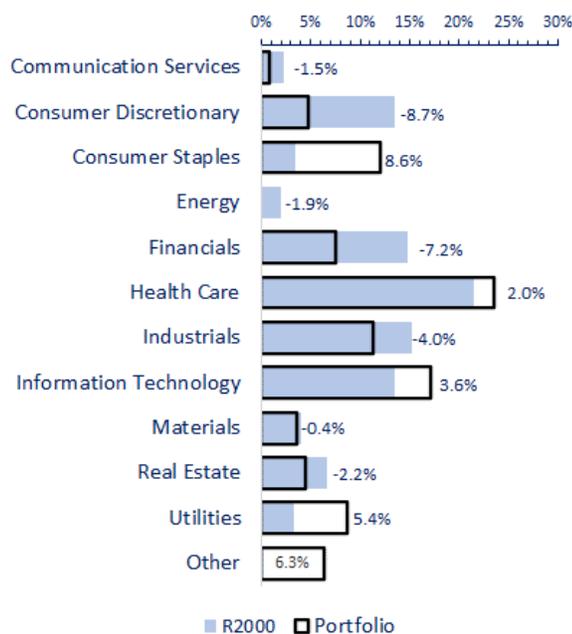
# U.S. SMALL CAP EQUITY

SGI Performance	3Q20	1 Yr	3 Yrs	5 Yrs
US Small Cap Gross	2.66%	-17.14%	-3.71%	5.96%
US Small Cap Net	2.45%	-17.84%	-4.43%	5.32%
Russell 2000 Total Return	4.93%	0.37%	1.75%	7.98%

The third quarter of 2020 brought about new all-time highs in the stock market, but the global economy continued to struggle. On a gross basis, the SGI US Small Cap equity strategy underperformed its benchmark, the Russell 2000 Index, by 2.27%. All SGI equity strategies maintain lower overall portfolio risk than their respective benchmarks.

The number of Covid-19 cases continues to rise with worldwide cases exceeding 38 million and U.S. cases representing 7.8 million. Previous quarter GDP fell the most on record down 31.7% following a first quarter drop of 5%. Unemployment remains high at 8.4%. High-yield bond defaults 5.7% are the highest in 10-years and increasing. The Federal Reserve's and government response with massive stimulus and market support has driven financial markets to new highs. The entire U.S. Treasury yield curve currently exhibits negative inflation adjusted yields. However, not all is bleak: the housing market continues to do well, schools have partially reopened, major sports leagues continued their seasons, work from home companies are doing well, and there is hope for a vaccine.

Portfolio sector weights are shown below:



The three best contributing companies were:

- **National General Holdings (NGHC)** returned 56.59% as the company was acquired by Allstate Corporation for \$4 billion in an all cash deal.
- **Emergent BioSolutions (EBS)** returned 30.67% as the company beat Q2 revenue and EPS estimates and raised its full year revenue guidance.
- **Simulations Plus (SLP)** returned 26.09% as analysts upgraded the stock, citing strong growth prospects for the bioinformatics software industry.

The three worst contributing companies were:

- **HMS Holdings (HMSY)** declined -26.06% as the company missed Q2 revenue and EPS estimates and lowered its full year revenue guidance.
- **Amphastar Pharmaceuticals (AMPH)** declined -16.52% as the company missed Q2 revenue estimates and analysts downgraded the stock, citing expensive valuations.
- **PC Connection (CNXN)** declined -11.43% as many of the company's small and mid-sized clients cut back on their IT spending budgets amid the COVID-19 pandemic.

Characteristics	Portfolio	R2000
Strategy Assets (\$ Million)	79.5	-
Number of Holdings	97	2,022
Beta*	0.84	1.00
Standard Deviation*	19.9%	22.7%
Market Cap. (\$ Billion)	3.6	2.1
Price to Trailing Earnings	26.3	21.4
Price to Cash Flow	16.8	11.0
Price to Book	3.6	2.7
Enterprise Value to Sales	3.3	3.1
Debt as % of Assets	18.8	29.5
Dividend Yield (%)**	1.32	1.72
Return on Equity (%)	11.7	4.9

\* Beta & Standard Deviation 36 months

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

Top 10 Holdings	Ticker	Position
LOGITECH INTERNATIONAL-REG	LOGI	2.8%
REPLIGEN CORP	RGEN	2.6%
SIMULATIONS PLUS INC	SLP	2.5%
FIVE9 INC	FIVN	2.4%
FLOWERS FOODS INC	FLO	2.4%
AMEDISYS INC	AMED	2.1%
WERNER ENTERPRISES INC	WERN	2.0%
FTI CONSULTING INC	FCN	2.0%
ERIE INDEMNITY COMPANY-CL A	ERIE	2.0%
PC CONNECTION INC	CNXN	1.9%

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