

U.S. SMALL CAP EQUITY

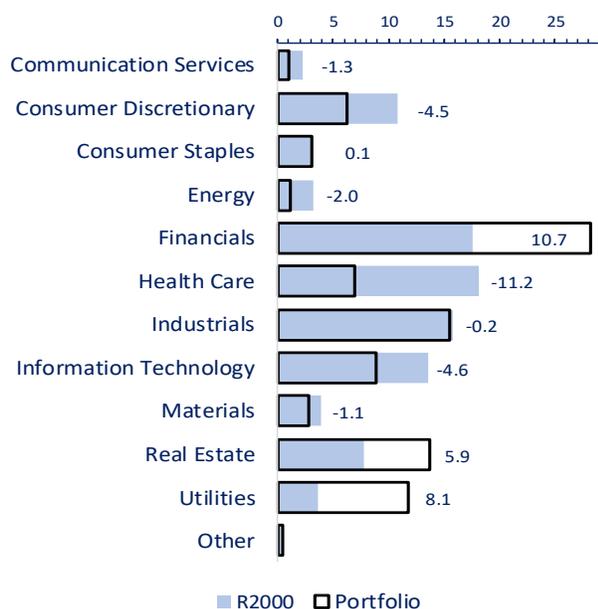


SGI Performance	4Q19	1 Yr	3 Yrs	5 Yrs
US Small Cap Gross	4.59%	22.29%	7.05%	10.71%
US Small Cap Net	4.38%	21.37%	6.32%	10.19%
Russell 2000 Total Return	9.93%	25.49%	8.57%	8.21%

The equity markets had a very strong 4th quarter and full year. On a gross basis, the SGI US Small Cap equity strategy underperformed its benchmark, the Russell 2000 Index, by 3.20% for the year all of it coming during the 4th quarter 5.34% underperformance. All SGI equity strategies maintain lower overall portfolio risk than their respective benchmarks.

During December the House of Representatives impeached President Trump. The Senate trial is unlikely to remove him from office. A “phase one” trade deal has been agreed upon by the U.S. and China. The economy continues its modest growth averaging 2.1% during the previous quarter. Industrial production and manufacturing have been weak, but consumer and services sectors continue to grow modestly. Although the effective Fed funds rate fell from 2.40% to 1.55% during the year, the futures markets have already priced in a 96.3% probability of at least another 25 basis point cut during 2020.

Portfolio sector weights are shown below:



The three best performing companies were:

- **Photronics (PLAB)** up 44.85% as Q4 revenue beat estimates and the company issued strong revenue and EPS guidance for Q1 2020.
- **PC Connection (CNXN)** up 28.45% as Q2 EPS and revenue beat estimates and the company announced a special dividend for shareholders.
- **Vectrus (VEC)** up 26.10% as Q2 EPS and revenue beat estimates and the company issued FY 2019 EPS guidance of \$3.06-\$3.29 which was above consensus of \$2.98.

The three worst performing companies were:

- **Southwest Gas (SWX)** declined -15.96% as Q3 EPS and revenue missed estimates.
- **Taylor Morrison (TMHC)** declined -15.73% as Q3 revenue missed estimates and the company announced the acquisition of William Lyon Homes in a cash and stock transaction for \$810 million.
- **The Marcus Corporation (MCS)** declined -13.72% amid analyst downgrades for movie theater operators, driven by weak box office trends projected until mid-2020.

Characteristics	Portfolio	R2000
Strategy Assets (\$ Million)	87.0	-
Number of Holdings	104	1,996
Beta*	0.85	1.00
Standard Deviation*	14.0%	15.7%
Market Cap. (\$ Billion)	1.0	2.3
Price to Trailing Earnings	19.7	21.6
Price to Cash Flow	12.5	13.7
Price to Book	1.8	2.6
Enterprise Value to Sales	2.8	2.9
Debt as % of Assets	29.8	27.9
Dividend Yield (%)**	2.79	1.43
Return on Equity (%)	9.1	8.8

* Beta & Standard Deviation 36 months

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

Top 10 Holdings	Ticker	Position
ARCHROCK INC	AROC	1.2%
INGLES MARKETS INC-CLASS A	IMKTA	1.1%
ITURAN LOCATION AND CONTROL	ITRN	1.1%
STEELCASE INC-CL A	SCS	1.1%
BIOSPECIFICS TECHNOLOGIES	BSTC	1.1%
PC CONNECTION INC	CNXN	1.1%
MEDPACE HOLDINGS INC	MEDP	1.1%
ALLETE INC	ALE	1.1%
SOUTHWEST GAS HOLDINGS INC	SWX	1.1%
PNM RESOURCES INC	PNM	1.0%

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