



1st Quarter 2020 Newsletter

Uncertainty Drives Market Lower

In the first quarter, global equity markets retraced several years of gains and declined to levels not seen since the end of 2016. Global volatility is likely to remain elevated despite large and coordinated global fiscal and monetary stimulus packages. The world is battling a health crisis that cannot be quickly resolved with the same liquidity and credit policies that have traditionally been the solution for an economic crisis.

The sudden shock to global economic activity has added stress to highly leveraged sectors that are most sensitive to consumer demand. The OECD estimates that the outstanding volume of global non-financial corporate bonds reached \$13.5 trillion at the end of 2019, which is more than twice the amount outstanding in December 2008. Bond rating agencies believe defaults in corporate debt will rise as business activity slows. In this environment of heightened risk and volatility, SGA's investment process remains unchanged. Within each fundamental review, analysts incorporate liquidity risks including debt maturity schedules, balance sheet strength, and prospects for free cash flow. The systematic model incorporates factors that measure a company's financial strength, ability to convert net income to cash, and attractive returns on capital. While short-term disruptions are uncomfortable, a disciplined and systematic investment process can help reduce the possibility of succumbing to behavioral investor errors.

[Click here for SGA's complete market overview and outlook.](#)

SGA Research: Interesting Times

"May you live in interesting times" is an English expression often attributed to be an old Chinese curse. Though no Chinese saying to this effect has ever been traced, whatever its origin, the words are certainly apropos today. This letter explores a few of the implications of the current health crisis and details our thinking with respect to the management of SGA's strategies.

[Click here for SGA's Interesting Times Letter](#)

Strategy Update

International Equity Inception Date: 11/30/2005	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 YTD
SGA (Gross)	12.47%	-6.39%	19.97%	26.39%	2.59%	2.11%	0.43%	25.28%	-15.34%	19.76%	-22.63%
SGA (Net)	11.36%	-7.32%	18.80%	25.16%	1.57%	1.10%	-0.57%	24.13%	-15.98%	18.88%	-22.79%
MSCI EAFE (Net)	7.75%	-12.14%	17.32%	22.78%	-4.90%	-0.81%	1.00%	25.03%	-13.79%	22.01%	-22.83%
SGA Excess (Gross)	4.72%	5.75%	2.65%	3.61%	7.49%	2.92%	-0.57%	0.25%	-1.55%	-2.25%	0.20%

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International ADR Equity Inception Date: 6/30/2006	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 YTD
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SGA (Gross)	9.79%	-8.54%	24.50%	24.38%	0.67%	4.67%	0.72%	23.69%	-14.33%	22.46%	-21.38%
SGA (Net)	8.76%	-9.41%	23.34%	23.22%	-0.28%	3.68%	-0.23%	22.60%	-14.98%	21.56%	-21.54%
MSCI EAFE (Net)	7.75%	-12.14%	17.32%	22.78%	-4.90%	-0.81%	1.00%	25.03%	-13.79%	22.01%	-22.83%
SGA Excess (Gross)	2.04%	3.60%	7.18%	1.60%	5.57%	5.48%	-0.28%	-1.34%	-0.54%	0.45%	1.45%

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International ACWI ex-U.S. Equity Inception Date: 6/30/2015	2015*	2016	2017	2018	2019	2020 YTD
SGA (Gross)	-6.97%	1.61%	29.59%	-14.72%	22.08%	-22.14%
SGA (Net)	-7.44%	0.60%	28.38%	-15.45%	21.06%	-22.32%
MSCI ACWI ex USA (Net)	-9.32%	4.50%	27.19%	-14.20%	21.51%	-23.36%
SGA Excess (Gross)	2.35%	-2.89%	2.40%	-0.52%	0.57%	1.22%

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*2015 represents partial year return starting from inception on June 30, 2015.

International Small Cap Equity Inception Date: 3/31/2010	2010*	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 YTD
SGA (Gross)	18.95%	-5.09%	20.15%	37.17%	-3.43%	11.95%	2.40%	38.54%	-21.57%	22.58%	-29.88%
SGA (Net)	17.64%	-6.51%	18.39%	35.18%	-4.87%	10.30%	0.88%	36.73%	-22.29%	21.50%	-30.06%
MSCI World ex USA Small Cap (Net)	18.12%	-15.81%	17.48%	25.55%	-5.35%	5.46%	4.32%	31.04%	-18.07%	25.41%	-28.39%
SGA Excess (Gross)	0.83%	10.72%	2.67%	11.62%	1.92%	6.49%	-1.92%	7.50%	-3.50%	-2.83%	-1.49%

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*2010 represents partial year return starting from inception on March 31, 2010.

International All Cap Equity Inception Date: 4/30/2008	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 YTD
SGA (Gross)	13.95%	-8.76%	21.00%	26.63%	1.01%	4.47%	1.30%	30.07%	-16.78%	23.22%	-23.54%
SGA (Net)	12.82%	-9.68%	19.81%	25.40%	0.01%	3.43%	0.30%	28.85%	-17.50%	22.19%	-23.72%
MSCI World ex USA IMI (Net)	10.66%	-12.66%	16.55%	21.57%	-4.46%	-1.95%	2.95%	25.17%	-14.68%	22.91%	-24.00%
SGA Excess (Gross)	3.29%	3.90%	4.45%	5.06%	5.47%	6.42%	-1.65%	4.90%	-2.10%	0.31%	0.46%

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International SMID Cap Equity Inception Date: 9/30/2006	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 YTD
SGA (Gross)	20.37%	-5.38%	20.55%	34.20%	0.48%	11.71%	2.51%	38.33%	-17.84%	20.20%	-27.85%
SGA (Net)	18.60%	-6.80%	18.78%	32.25%	-1.01%	10.06%	0.98%	36.52%	-18.59%	19.14%	-28.03%
MSCI EAFE SMID Cap (Net)	17.37%	-14.91%	18.96%	26.48%	-3.31%	6.61%	1.32%	30.78%	-16.95%	24.37%	-26.38%
SGA Excess (Gross)	3.00%	9.53%	1.59%	7.72%	3.79%	5.10%	1.19%	7.55%	-0.89%	-4.17%	-1.47%

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Global Equity Inception Date: 10/31/2013	2013*	2014	2015	2016	2017	2018	2019	2020 YTD
SGA (Gross)	6.64%	12.81%	0.86%	5.16%	26.46%	-11.77%	25.85%	-21.61%
SGA (Net)	6.46%	11.70%	-0.15%	4.12%	25.30%	-12.44%	24.92%	-21.77%
MSCI World (Net)	3.93%	4.94%	-0.87%	7.51%	22.40%	-8.71%	27.67%	-21.05%
SGA Excess (Gross)	2.71%	7.87%	1.73%	-2.35%	4.06%	-3.06%	-1.82%	-0.56%

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*2013 represents partial year return starting from inception on October 31, 2013.

U.S. Large Cap Equity Inception Date: 6/30/2007	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 YTD
SGA (Gross)	18.87%	5.85%	16.02%	36.54%	14.12%	0.88%	9.44%	27.42%	-8.03%	29.99%	-20.64%
SGA (Net)	18.00%	5.06%	15.16%	35.54%	13.28%	0.12%	8.63%	26.55%	-8.54%	29.29%	-20.75%
Russell 1000 (Gross)	16.10%	1.50%	16.42%	33.11%	13.24%	0.92%	12.05%	21.69%	-4.78%	31.43%	-20.22%
SGA Excess (Gross)	2.77%	4.35%	-0.40%	3.43%	0.88%	-0.04%	-2.61%	5.73%	-3.25%	-1.44%	-0.42%

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