

A globally applied fundamental process that integrates proprietary quantitative and fundamental research

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# 4<sup>th</sup> Quarter 2019 Newsletter

## Decade Long Growth Rally Brings Record Highs and Value Woes

In the fourth quarter, markets successfully navigated events including a U.S.-China trade deal and a clearer Brexit outcome. A broad-based rally contributed to the MSCI World Net Index delivering its highest annual return within the past decade. A strong focus on valuation has always been integral to SGA's investment process, and at the end of 2018, we viewed the substantial de-rating in global equity valuations as a healthy adjustment to expectations rather than an imminent indication that the global economy would enter a recession. As the year progressed, the global economy maintained positive momentum which reduced valuations and created an opportunity for global equity markets to rebound. Despite our constructive economic outlook for 2020, the rise in valuation levels will likely prove more challenging for global equities to match 2019's performance. However, SGA believes the environment for global equities will offer opportunities to actively identify stocks that have not already fully appreciated to their fair value.

Looking forward, geopolitical events including Brexit, the 2020 U.S. elections, and new developments regarding trade could be potential sources of short term volatility. SGA's view is that actively selecting high quality stocks with attractive valuations will become even more important in times of uncertainty, as we believe that companies with strong fundamentals will be rewarded in the long-run.

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

## Strategy Update

The SGA equity strategies highlighted below have all outperformed their respective benchmarks since inception as of December 31, 2019.

International Equity	4Q-19	1 Yr	3 Yrs*	5 Yrs*	Since Inception* (11/30/05)
SGA (Gross)	7.25%	19.76%	8.30%	5.43%	6.30%
SGA (Net)	7.05%	18.88%	7.43%	4.50%	5.29%
MSCI EAFE (Net)	8.17%	22.01%	9.56%	5.67%	4.56%
SGA Excess (Gross)	-0.92%	-2.25%	-1.26%	-0.24%	1.74%

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International ADR Equity	4Q-19	1 Yr	3 Yrs*	5 Yrs*	Since Inception* (6/30/06)
SGA (Gross)	8.69%	22.46%	9.07%	6.47%	5.29%
SGA (Net)	8.49%	21.56%	8.21%	5.56%	4.37%

MSCI EAFE (Net)	8.17%	22.01%	9.56%	5.67%	3.66%
SGA Excess (Gross)	0.52%	0.45%	-0.49%	0.80%	1.63%
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International ACWI ex-U.S. Equity	4Q-19	1 Yr	3 Yrs*	5 Yrs*	Since Inception* (6/30/15)
SGA (Gross)	8.22%	22.08%	10.50%	-	5.55%
SGA (Net)	7.99%	21.06%	9.53%	-	4.58%
MSCI ACWI ex USA (Net)	8.92%	21.51%	9.86%	-	5.20%
SGA Excess (Gross)	-0.70%	0.57%	0.64%	-	0.35%
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International Small Cap Equity	4Q-19	1 Yr	3 Yrs*	5 Yrs*	Since Inception* (3/31/10)
SGA (Gross)	10.87%	22.58%	10.02%	8.83%	10.90%
SGA (Net)	10.63%	21.50%	8.89%	7.51%	9.41%
MSCI World ex USA Small Cap (Net)	11.40%	25.41%	10.42%	8.17%	7.67%
SGA Excess (Gross)	-0.53%	-2.83%	-0.40%	0.66%	3.23%
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International All Cap Equity	4Q-19	1 Yr	3 Yrs*	5 Yrs*	Since Inception* (4/30/08)
SGA (Gross)	9.09%	23.22%	10.07%	7.14%	5.07%
SGA (Net)	8.87%	22.19%	9.11%	6.15%	4.05%
MSCI World ex USA IMI (Net)	8.36%	22.91%	9.49%	5.79%	2.70%
SGA Excess (Gross)	0.73%	0.31%	0.58%	1.35%	2.37%
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International SMID Cap Equity	4Q-19	1 Yr	3 Yrs*	5 Yrs*	Since Inception* (9/30/06)
SGA (Gross)	9.85%	20.20%	10.96%	9.36%	6.72%
SGA (Net)	9.61%	19.14%	9.81%	8.03%	5.24%
MSCI EAFE SMID Cap (Net)	10.48%	24.37%	10.54%	7.85%	4.82%
SGA Excess (Gross)	-0.63%	-4.17%	0.42%	1.51%	1.90%
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Global Equity	4Q-19	1 Yr	3 Yrs*	5 Yrs*	Since Inception* (10/31/13)
SGA (Gross)	8.59%	25.85%	11.98%	8.29%	9.91%

<b>SGA (Net)</b>	<b>8.39%</b>	<b>24.92%</b>	<b>11.08%</b>	<b>7.34%</b>	<b>8.92%</b>
<b>MSCI World (Net)</b>	<b>8.56%</b>	<b>27.67%</b>	<b>12.57%</b>	<b>8.74%</b>	<b>8.54%</b>
<b>SGA Excess (Gross)</b>	<b>0.03%</b>	<b>-1.82%</b>	<b>-0.59%</b>	<b>-0.45%</b>	<b>1.37%</b>
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<b>U.S. Large Cap Equity</b>	<b>4Q-19</b>	<b>1 Yr</b>	<b>3 Yrs*</b>	<b>5 Yrs*</b>	<b>Since Inception* (6/30/07)</b>
<b>SGA (Gross)</b>	<b>7.80%</b>	<b>29.99%</b>	<b>15.06%</b>	<b>10.96%</b>	<b>9.12%</b>
<b>SGA (Net)</b>	<b>7.65%</b>	<b>29.29%</b>	<b>14.38%</b>	<b>10.23%</b>	<b>8.35%</b>
<b>Russell 1000 (Gross)</b>	<b>9.04%</b>	<b>31.43%</b>	<b>15.05%</b>	<b>11.48%</b>	<b>8.63%</b>
<b>SGA Excess (Gross)</b>	<b>-1.24%</b>	<b>-1.44%</b>	<b>0.01%</b>	<b>-0.52%</b>	<b>0.49%</b>
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\*Denotes an annualized return.

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