

Quarterly Update

Here Comes the Sun?

Global equity markets responded positively this quarter to encouraging economic data, continued stimulus, lack of negative geopolitical events, and a growing consensus that global GDP growth will accelerate. The IMF kept global GDP estimates unchanged, expecting it to accelerate by 0.3% in 2017 to 3.4%, driven by emerging markets. This includes several commodity-sensitive countries that are expected to exit recessions, namely Argentina, Brazil, and Russia.

In the US, a Border Adjustment Tax or other protectionist measures appear increasingly unlikely, with the administration likely to shift attention to tax reform and regulatory rollbacks. Europe avoided separatist shocks in several countries: Italian elections were delayed until 2018; the French Nationalist Front party is now polling well behind in the second round of elections; and the Netherlands' Freedom Party will be excluded from the ruling coalition after finishing a close second. The UK economy continues to defy overly pessimistic analyst expectations as it enters the multi-year run-up to Brexit, though some economists caution the potential of downside shocks.

Although geopolitical events can result in sharp short-term swings, we believe company-specific fundamentals will drive long-term value and stock prices. We continue to focus our research on selecting companies with an attractive combination of valuation, growth, investor sentiment and earnings quality.

Strategy Update

Two of the three SGA international equity strategies highlighted below outperformed their respective benchmarks in the first quarter of 2017 and all three strategies had positive excess returns for the three and five-year periods ending March 31, 2017.

International Equity	Q1-17	1-Year	3-Yrs*
SGA (Gross)	6.80%	11.17%	3.45%
SGA (Net)	6.54%	10.09%	2.43%
MSCI EAFE (Net)	7.24%	11.67%	0.49%
SGA Excess (Gross)	-0.44%	-0.50%	2.96%

International All Cap Equity	Q1-17	1-Year	3-Yrs*
SGA (Gross)	8.76%	12.71%	4.46%
SGA (Net)	8.51%	11.60%	3.42%
MSCI World ex-US IMI (Net)	6.92%	11.86%	0.66%
SGA Excess (Gross)	1.84%	0.85%	3.80%

International Small Cap Equity	Q1-17	1-Year	3-Yrs*
SGA (Gross)	10.86%	15.31%	5.90%
SGA (Net)	10.47%	13.62%	4.34%
MSCI World Ex-US Small Cap (Net)	7.61%	11.58%	2.70%
SGA Excess (Gross)	3.25%	3.73%	3.20%

*annualized

[Click here for a full update and additional disclosures on SGA's Strategies](#)

Please feel free to contact us with any questions.
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