

# Manager Announcement

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## Coho Partners Brings Stability-Oriented Focus on Consistent Earnings Growth to SGMF U.S. Large Companies Fund

Coho Partners, Ltd. (Coho) has been added to the SGMF U.S. Large Companies Fund as at 5 April 2017.

### Addition of Coho Partners

#### What They Do

Coho's well-articulated and mathematically sound stability-oriented investment philosophy focuses on capital preservation. The investment team believes that, over the long term, stock prices are driven by a company's earnings trajectory. Accordingly, the team seeks to purchase shareholder-friendly companies with consistent earnings growth over multiple market cycles, as it believes such companies will generate competitive returns with less volatility.

#### How They Do It

Coho's investment process begins with the creation of its investable universe, known as the Coho 250. The investment team uses a combination of quantitative screening and qualitative analysis to build the Coho 250, concentrating on stability, growth, profitability, quality and shareholder focus when choosing stocks.

Coho categorizes stocks into two groups: economically sensitive (companies that have stable business models and that provide a competitive upside in rising markets) and demand-defensive (companies that have the most predictable earnings growth and that significantly outperform in down markets). Economically sensitive companies generally comprise 20% to 60% of the portfolio, while demand-defensive companies comprise 40% to 80% of the portfolio.

The resultant portfolio is comprised of 25 to 30 companies with position sizes ranging from two to six percent weight. As the team gains conviction in its selections, it adds to the stock in 100 basis-point increments.

#### About Coho

Coho Partners, Ltd. is an employee-owned boutique investment firm that was founded in 1999 by Chief Investment Officer Peter Thompson and located in Berwyn, Pennsylvania. As at 31 December 2016, the firm's combined assets including model advisement, discretionary and non-discretionary totalled \$5.8 billion.

#### Why We Chose Them

- **Consistently executed, highly focused investment process:** The Coho 250 represents a superior starting point for the firm's investment process and has endured rigorous scrutiny. We believe that the front-end consistency in Coho's stock selection process ultimately leads to a higher level of repeatability at the portfolio level.
- **Commitment to investment philosophy:** Coho acts in a conservative and capital-aware manner in all areas of managing its business. Unlike some of its peers, the firm is unencumbered by near-term performance pressures that can hinder the application of a long-term investment philosophy.
- **Pattern recognition and investment experience:** The experienced investment team recognizes market patterns and has a history of applying the same investment process over multiple market cycles, giving Coho a competitive edge.

**Glossary of Financial Terms:**

- **Defensive:** Defensive sectors or stocks are less sensitive to movements in the broad market and therefore tend to have more stable performance.
- **Qualitative:** Qualitative refers to security analysis based on analyst research and subjective views.
- **Quantitative:** Quantitative analysis is based on computer-driven models.

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