

# Manager Announcement

December 2016

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## Rice Hall James Brings “All-Weather” Growth Approach to the SGMF U.S. Small Companies Fund

Rice Hall James & Associates, LLC (Rice Hall James) has been added to the SGMF U.S. Small Companies Fund, as at 30 November 2016.

### Addition of Rice Hall James

#### What They Do

The investment team believes that superior long-term risk-adjusted returns are generated by building a portfolio with three primary characteristics: high earnings growth, high or improving returns on invested capital, and better sustainability characteristics than the portfolio's benchmark. The team takes a long-term approach based on the premise that companies exhibiting these qualities outperform over time.

#### How They Do It

The team seeks to create an “all-weather” growth portfolio by diversifying across different types of growth companies with market capitalizations between \$250 million to \$10 billion.

Key to the investment process is the establishment of guideposts, which are factors that can be measured and monitored in an effort to identify deteriorating fundamentals before they are reflected in a company's earnings or valuation. The investment team collaborates closely and engages in robust devil's advocacy, although ultimate investment decisions do not require consensus.

The team's sell discipline takes into consideration changes in fundamentals or competitive advantages, violations of guideposts, and changes in management or valuation. If doubt surrounding any of these characteristics increases, so does the team's motivation to sell.

#### About Rice Hall James

Founded in 1974 and headquartered in San Diego, California, Rice Hall James is a 100% employee-owned investment management firm that focuses on investing in companies market capitalizations of \$50 million to \$10 billion. As at 31 March 2016, the firm had 25 employees and over \$2 billion in assets under management.

#### Why We Chose Them

- **Multi-bucket growth approach:** Rice Hall James' investment team focuses on growth sustainability over absolute growth rates and invests within a multi-bucket framework in an effort to create an all-weather “core” growth portfolio.
- **Business-owner mentality:** The team focuses on long-term growth sustainability more than most managers we have evaluated in the growth space. Their valuation discipline helps prevent them from chasing names that are desirable but overpriced.
- **Portfolio manager synergy:** The portfolio's two co-managers are experienced investors in the small-company space and have worked together for 16 years. They are on the same page regarding investment philosophy, and each brings unique talents to the table.

## Glossary of Financial Terms:

- **Fundamentals:** Fundamentals refers to data that can be used to assess a country or company's financial health such as amount of debt, level of profitability, cash-flow, inventory size, etc.
- **Market capitalization:** Market capitalization refers to the market value of a company's outstanding shares.

*When a manager is removed from the manager line-up in one of SEI's Funds, a letter is sent to the affected manager announcing this action. In order to protect market-sensitive information, SEI will not communicate a manager removal to clients until all trades have been finalised. This may mean that there is a delay between SEI legally notifying a manager of their removal from the line-up of a Fund and a manager change memo being issued to our clients. In the meantime, all SEI deliverables and communications will continue to show this manager in the line-up of the Fund until the next regularly scheduled update. Communications will not be retroactively amended. The "effective date" date quoted in the manager change memo reflects the effective date quoted in the termination letter sent to the manager by SEI.*

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