

# Manager Announcement

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## Towle Brings Deep-Value Focus to SGMF Global Equity Fund

Towle & Co. (Towle) has been added to the SGMF Global Equity Fund (the Fund) as at 14 March 2017.

### Addition of Towle

#### What They Do

Towle seeks to invest in out-of-favour and underappreciated businesses. The investment team describes its approach similarly to the way a private-equity buyer would evaluate a company. The team wants to purchase companies significantly below their private-market net worth.

Towle's valuation requirement is demanding and tends to lead the team to smaller-capitalisation companies, which is an area of the market that it believes is more inefficient and presents greater opportunity. To Towle, obtaining a high level of economic activity for a low price is an attractive value proposition. Towle's investment horizon is three years; the team believes that a company needs time to improve its situation and be recognized by the market.

#### How They Do It

Towle's investment process can best be described as a collaborative effort using an all-hands-on-deck attitude. All team members contribute to idea generation; however, the majority of ideas originate with quantitative screening. The team first looks at data for the entire U.S. equity market, narrowing the number of portfolio positions to between 30 and 45. The final holdings are subject to extensive future valuation modelling, using a three-year investment horizon and conservative assumptions.

#### About Towle

Founded in 1981 and headquartered in St. Louis, Missouri, Towle & Co. specializes in a long-term, deep-value investment discipline that seeks to uncover significant discrepancies between stock-market prices and underlying company values. As at 31 December 2016, the firm had eight employees and approximately \$700 million in assets under management.

#### Why We Chose Them

- **Dedication to deep-value philosophy:** Towle only offers one product: its flagship deep-value strategy. The investment team eats, sleeps and breathes the deep-value philosophy — its members simply do not pursue any other investment strategies. Its conservative fair-value modelling leads to a demanding definition of value, which we believe is critical to the success of value managers.
- **Strong firm culture:** The Towles treat their employees as family and the team seems to enjoy working together. We believe this culture and environment creates stability within the firm; there have been no departures since its founding in 1981.
- **Stable, client-focused foundation:** The Towle family has about \$100 million invested in its deep-value portfolio, which strongly aligns the firm with its clients' interests. This deters the investment team from style drift and from the distraction of short-term performance.

**Glossary of Financial Terms:**

- **Market capitalisation:** Market capitalisation refers to the total value of a company or stock exchange. OR The total value of a company's outstanding shares. Small-capitalisation companies generally tend to have a market capitalisation of between \$300 million and \$2 billion.
- **Quantitative:** Quantitative analysis is based on computer-driven models.
- **Value:** Value stocks are those that are considered to be cheap and are trading for less than they are worth.

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