

Investment Announcement

December 2017

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Rice Hall James Brings Sustainable-Growth Focus 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 (the Fund) as at 19 December 2017.

Addition of Rice Hall James

What They Do

The Rice Hall James investment team believes that superior long-term risk-adjusted returns can be 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 a resilient portfolio by diversifying across different types of growth companies with market capitalisations (market cap) from \$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, Rice Hall James is a 100% employee-owned investment management firm that focuses on micro-, small- and small/mid-cap investing. As at 15 May 2017, the firm had over \$2 billion in assets under management.

Glossary

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.

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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 a resilient 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 prevents them from chasing names that are desirable but overpriced.
- **Portfolio manager synergy:** The portfolio's two co-managers are experienced investors in the small-cap 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.

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