

International Small Cap Equity Manager Analysis
June 30, 2019

Washoe County 457 & 401a Plans



Purpose for this Manager Evaluation Report

The search was designed to evaluate potential alternatives to the current international small cap option.

Investment Options for this Manager Evaluation Report

Firm Name	Strategy Name	Vehicle	Management Fee	Investment Minimum
Goldman Sachs Asset Management	Goldman Sachs International Small Cap Insights I (GICIX)	MF	0.87%	\$1,000,000
Victory Capital Management	Victory Trivalent International Small-Cap I (MISIX)	MF	0.99%	\$2,000,000 (waived)
Dimensional Fund Advisors	DFA International Small Cap Value I (DISVX)	MF	0.68%	No Minimum

Definition and Characteristics

The International Small Cap Equity asset class is typically defined as the small-cap companies in markets of all developed countries, excluding the US and Canada. The category blends both value and growth companies. The most often used benchmarks for the category are the MSCI EAFE Small Cap Index and the MSCI ACWI Ex USA Small Cap. The EAFE index covers only developed markets in Europe, Asia and Australia and is made up of over 2,000 companies with an average market cap of \$1.1 billion USD. The ACWI Ex US index includes both developed and emerging markets and contains over 4,000 companies. In both indices, Japan holds the largest weight of any country followed by the United Kingdom. Both indexes are well diversified by sector with Industrials, Consumer Discretionary, Financials, Information Technology, and Real Estate all accounting for over 10% by market cap.

Role within a Portfolio

International Equity provides the portfolio with exposure to equity markets across the world, but is typically tilted toward the largest multinational names with global businesses. International Small Cap Equity allows investors to shift that allocation away from the largest companies and put greater weight on the smaller cap names that tend to be more exposed to their respective local economies, thus improving diversification at the overall portfolio level. International Small Cap Equity also tends to have a slightly lower correlation to US equity markets. It is less followed by large sell-side banking analysts and is generally considered less efficient with higher expected risk and greater growth potential than domestic equities.

As a whole, International Small Cap Equity represents only about 14% of the global equity opportunity set outside the US.

Benchmark and Peer Group

This International Small Cap Equity search report will use the following benchmark and peer group:

Index – MSCI ACWI ex USA Small Cap NR USD Index: The MSCI ACWI ex USA Small Cap NR USD Index captures small cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 24 Emerging Markets (EM) countries. With 4,349 constituents, the index covers approximately 14% of the global equity opportunity set outside the US.

Morningstar Category – Foreign Small/Mid-Blend: Foreign small/mid-blend portfolios invest in a variety of international stocks that are smaller. These portfolios primarily invest in stocks that fall in the bottom 30% of each economically integrated market (such as Europe or Asia ex-Japan). The blend style is assigned to portfolios where neither growth nor value characteristics predominate. These portfolios typically will have less than 20% of assets invested in U.S. stocks.

Investment Option Comparison

Goldman
Sachs
Intl
Sm Cp
Insghts
InstlVictory
Trivalent
International
Sm-Cp I**Firm Information**

Year Founded	1/1/1900	1/1/1900
US Headquarters Location	New York, NY	Brooklyn, OH
Number of Major Global Offices	31	6
Year Began Managing Ext. Funds	1/1/1981	1/1/1912
Firm AUM (\$ M)	1,257,664	58,997
Ownership Type	Publicly Traded	Independent
Largest Owner (%)	6	57
Largest Owner (Name)	Vanguard	Crestview Partners II
Employee Ownership (%)	5	27
Qualify as Emerging Manager?	No	No

Strategy Information

Inception Date	11/1/2005	3/1/2000
Open/Closed	Open	Open
Primary Benchmark	MSCI EAFE Small Cap	S&P Developed Ex-US SmallCap
Secondary Benchmark	None	MSCI World Ex-US Small Cap
Peer Universe	International Small Cap Equity	International Small Cap Equity
Outperformance Estimate (%)	2	2.5-3.5
Tracking Error Estimate (%)	2-4	2-5
Strategy AUM (\$ M)	3,332	2,035
Estimated Capacity (\$ M)	5,000	3,000
Strategy AUM as % Firm Assets	0	3
Investment Approach - Primary	Bottom-up	Bottom-up
Investment Approach - Secondary	Quantitative	Hybrid

The source of data and figures provided is generally the respective managers. Certain data represents AndCo's view and could differ from the manager's interpretation. The most current AUM of each strategy may therefore differ from what is currently stated.

Goldman
Sachs
Intl
Sm Cp
Insghts
Instl

Victory
Trivalent
International
Sm-Cp I

Team Information

Decision Making Structure	Team	PM-Led
Number of Decision Makers	3	2
Names of Decision Makers	O. Ali, L. Ioffe, T. Suwabe	D. LeVan, J. Evers
Date Began Managing Strategy	2013, 2007, 2013	1996
Date Began with Firm	2005, 1996, 2009	2007
Number of Products Managed by Team	25	3
Number of Investment Analysts	24	6
Investment Analyst Team Structure	Generalists	Sector/Industry Specialists

Portfolio Construction Information

Broad Style Category	Core	Core
Style Bias	Flexible	Flexible
Country/Region Constraint Type	Benchmark Relative	Benchmark Relative
Typical Country Constraints (%)	+/-3	+/-2
Typical Region Constraints (%)	None	None
Typical Countries/Regions Overweight	None	Europe
Typical Countries/Regions Underweight	None	Japan
Maximum Emerging Market Exposure (%)	0	South Korea only
Sector Constraint Type	Benchmark Relative	Benchmark Relative
Sector Constraints (%)	+/-2	+/-2
Typical Sector/s Overweight	None	Healthcare
Typical Sector/s Underweight	None	Energy
Typical Number of Holdings	200-500	180-230
Average Full Position Size (%)	0.3	0.3-1.5
Maximum Position Size (%)	index + 2	+3 relative
Annual Typical Asset Turnover (%)	150	40-80
Annual Typical Name Turnover (%)	N/A	40-80
Maximum Cash Allocation (%)	5	5
Currency Hedged?	No	No

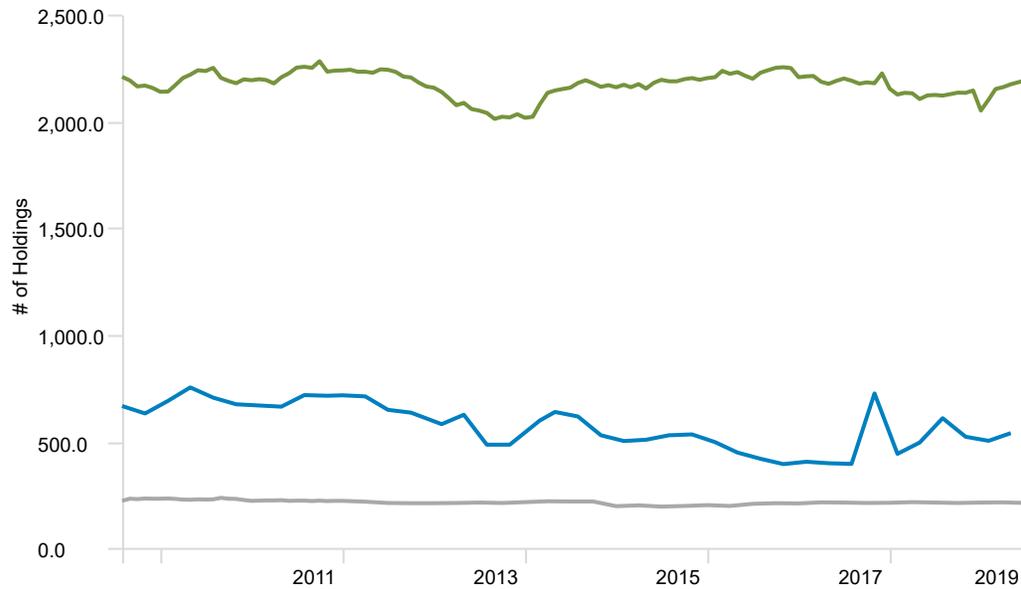
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As of 6/30/2019

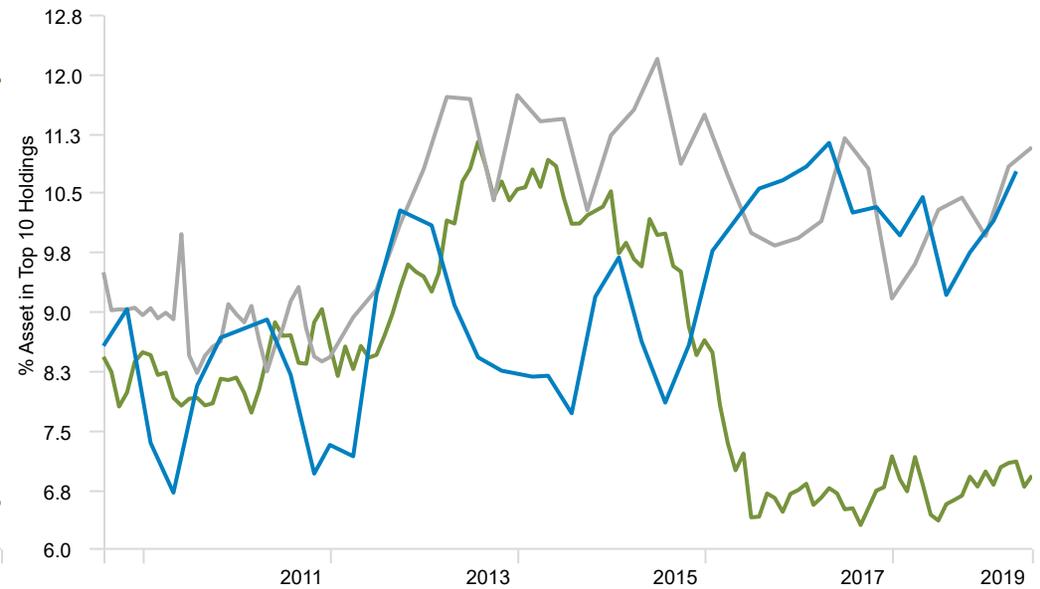
	Goldman Sachs Intl Sm Cp Insghts Instl	Victory Trivalent International Sm-Cp I	DFA International Small Cap Value I	MSCI ACWI Ex USA Small NR USD
COMPOSITION				
# of Holdings	545	218	2,198	4,197
% Asset in Top 10 Holdings	10.78	11.08	6.94	2.00
Asset Alloc Cash %	2.94	1.66	0.88	0.00
Asset Alloc Equity %	99.11	98.34	98.92	99.57
Asset Alloc Bond %	0.00	0.00	0.00	0.00
Asset Alloc Other %	0.22	0.00	0.20	0.43
CHARACTERISTICS				
Average Market Cap (mil)	2,455.23	3,073.31	1,252.44	1,711.12
P/E Ratio (TTM)	14.43	14.55	11.11	13.98
P/B Ratio (TTM)	1.58	1.77	0.77	1.38
LT Earn Growth	10.50	10.64	11.81	13.10
Dividend Yield	3.69	2.54	3.64	3.16
ROE % (TTM)	17.62	16.36	6.25	11.90
GICS SECTORS %				
Energy %	1.90	3.61	6.93	3.42
Materials %	6.53	9.00	16.43	10.27
Industrials %	21.37	21.21	24.04	19.26
Consumer Discretionary %	12.87	11.64	14.19	12.41
Consumer Staples %	7.48	5.61	4.80	6.22
Healthcare %	9.87	8.65	2.11	7.48
Financials %	9.78	10.90	19.19	10.42
Information Technology %	12.74	12.21	4.26	10.48
Communication Services %	4.73	4.82	2.59	4.70
Utilities %	2.49	1.74	1.93	3.46
Real Estate %	10.23	10.62	3.53	11.88
MARKET CAPITALIZATION				
Market Cap Giant %	0.67	0.15	0.00	0.00
Market Cap Large %	0.56	3.95	0.01	0.82
Market Cap Mid %	58.25	64.94	28.82	53.16
Market Cap Small %	36.11	28.04	52.78	39.67
Market Cap Micro %	1.33	1.25	17.00	5.57



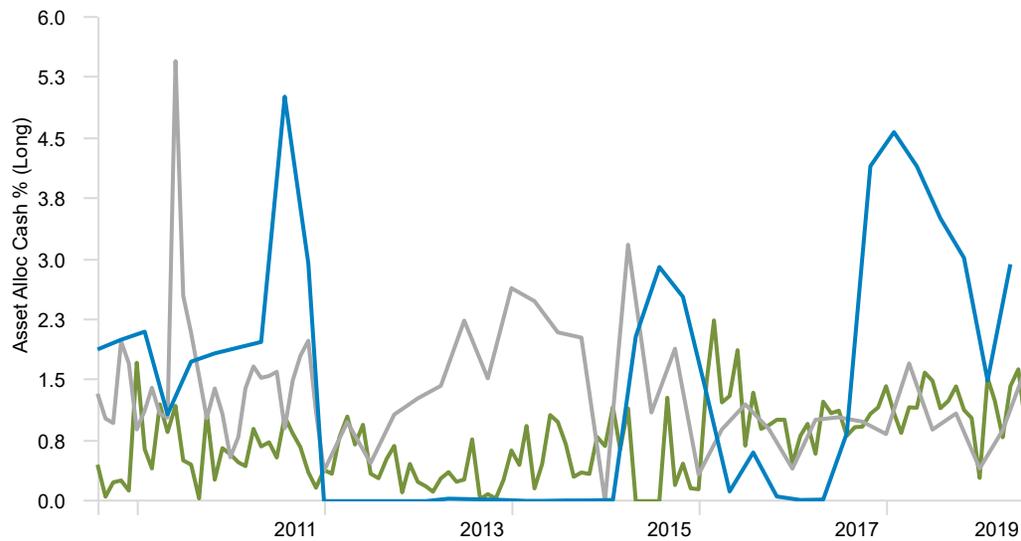
Historical Number of Holdings



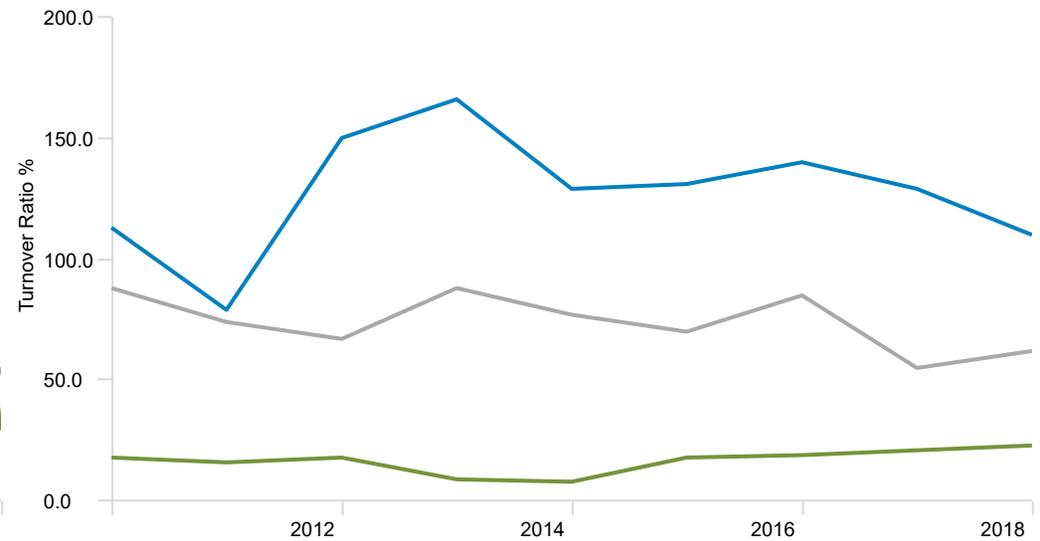
Historical Percentage of Assets in Top 10 Holdings



Historical Cash Allocation



Historical Portfolio Turnover



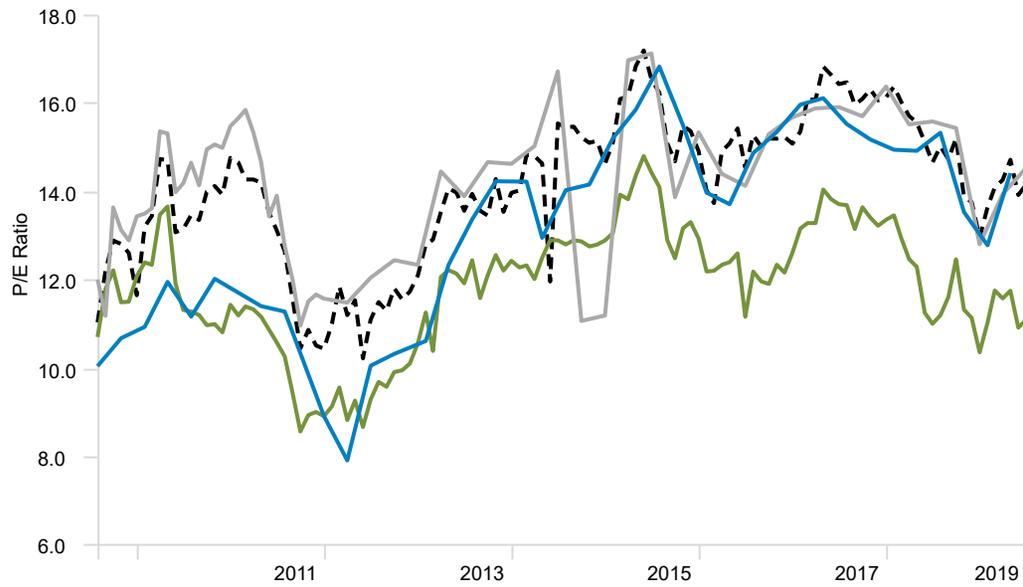
— Goldman Sachs Intl Sm Cp Insights Instl

— Victory Trivalent International Sm-Cp I

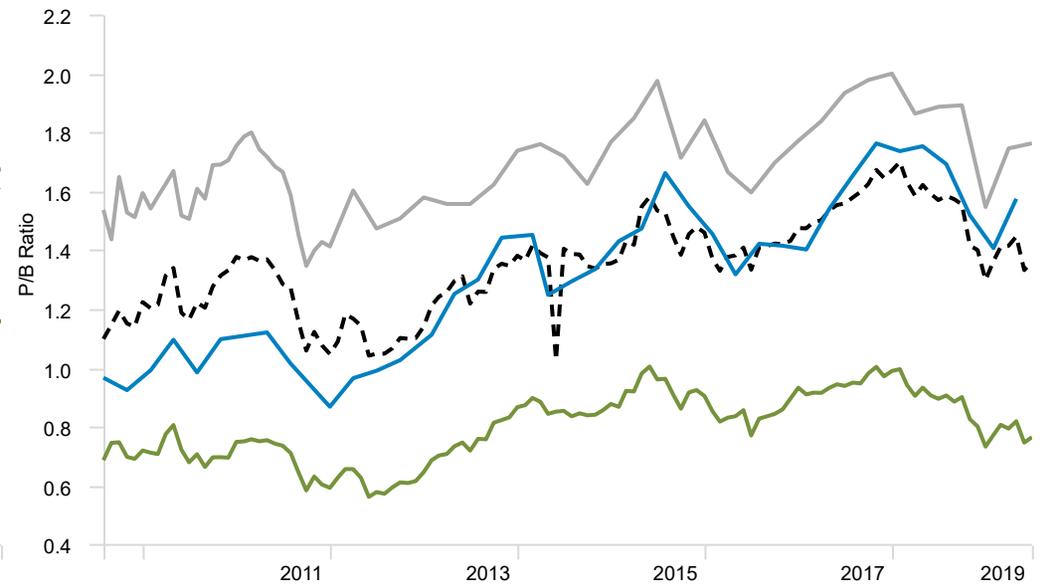
— DFA International Small Cap Value I



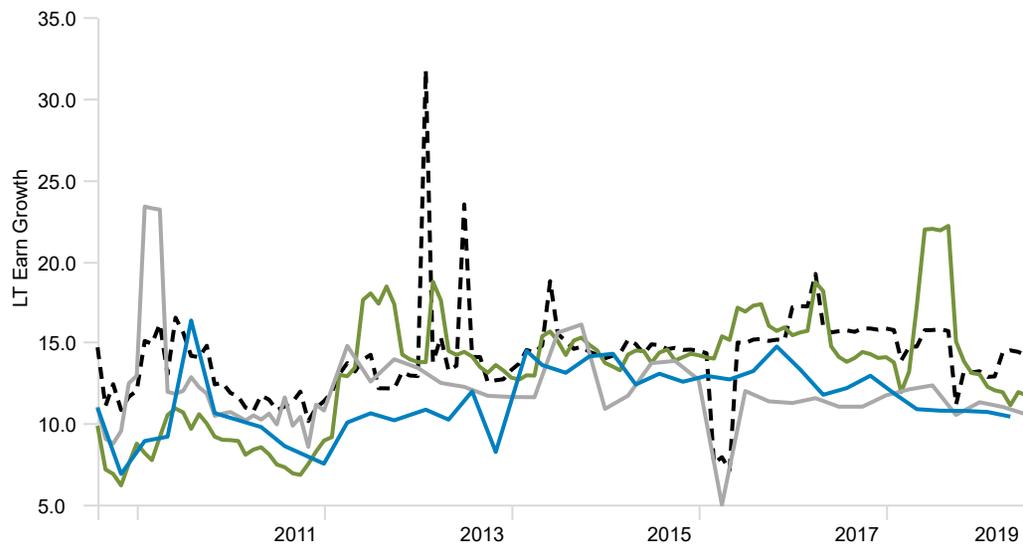
Historical P/E Ratio



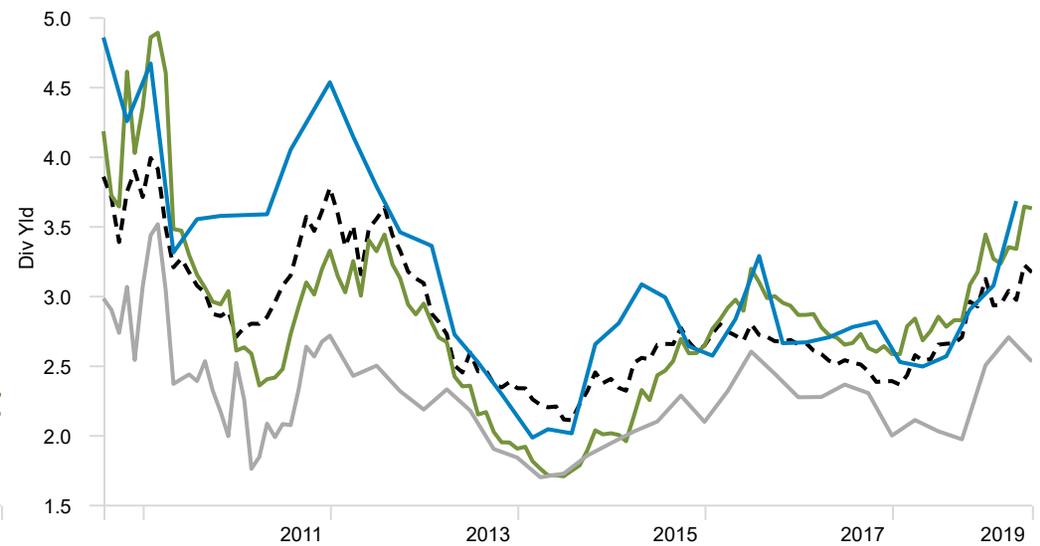
Historical P/B Ratio



Historical Earnings Growth



Historical Dividend Yield



— Goldman Sachs Intl Sm Cp Insights Instl

— Victory Trivalent International Sm-Cp I

— DFA International Small Cap Value I

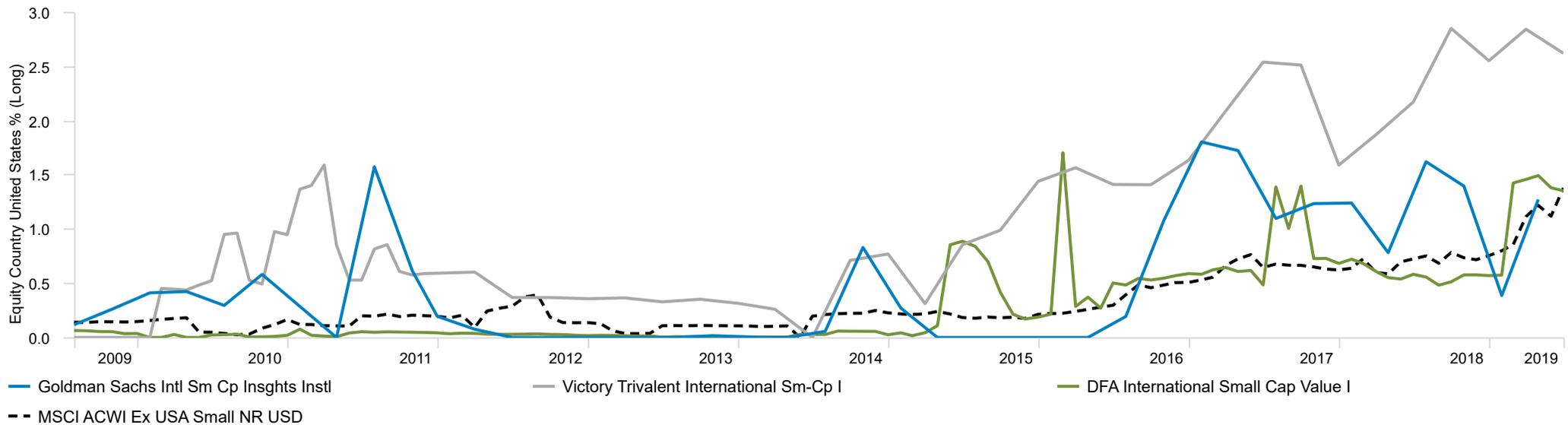
- - MSCI ACWI Ex USA Small NR USD



Current Portfolio Region Allocation

	Goldman Sachs Intl Sm Cp Insghs Instl	Victory Trivalent International Sm-Cp I	DFA International Small Cap Value I	MSCI ACWI Ex USA Small NR USD
Portfolio Date	4/30/2019	6/30/2019	6/30/2019	6/30/2019
Equity Country United States %	1.30	2.67	1.37	1.39
Equity Region North America %	1.30	10.54	9.63	8.03
Equity Region Latin America %	0.00	0.00	0.94	2.95
Equity Region United Kingdom %	16.21	15.39	15.53	12.19
Equity Region Europe dev %	39.39	39.57	35.30	26.50
Equity Region Europe emrg %	0.00	0.00	0.21	0.79
Equity Region Japan %	32.41	21.95	25.16	21.62
Equity Region Australasia %	8.97	6.68	7.84	6.35
Equity Region Asia dev %	1.27	4.85	3.62	10.04
Equity Region Asia emrg %	0.05	0.66	0.50	8.36
Equity Region Africa/Middle East %	0.41	0.35	1.27	3.17
Equity Region Developed %	99.96	99.33	97.89	86.23
Equity Region Emerging %	0.05	0.67	2.12	13.77

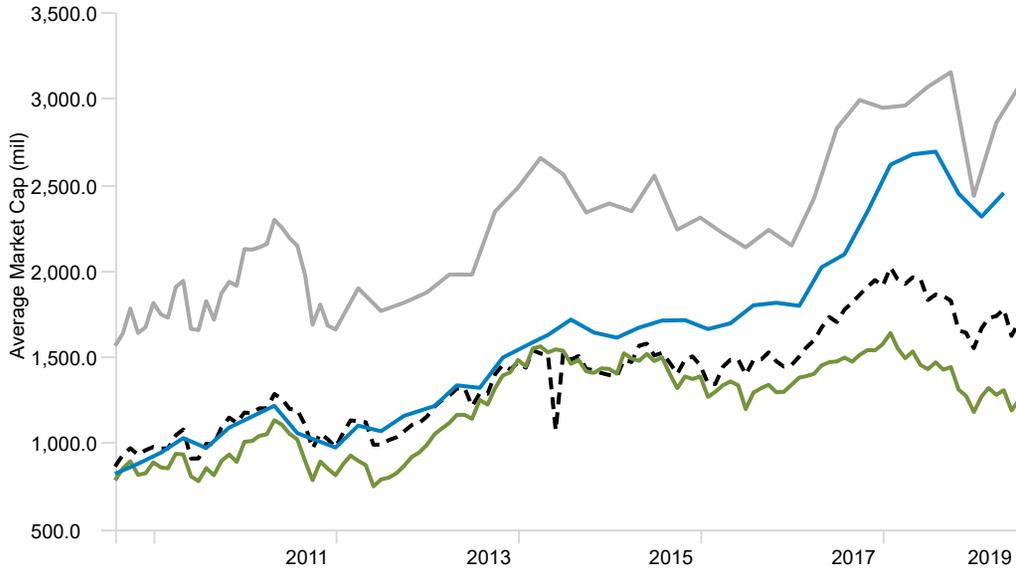
Historical US Portfolio Exposure



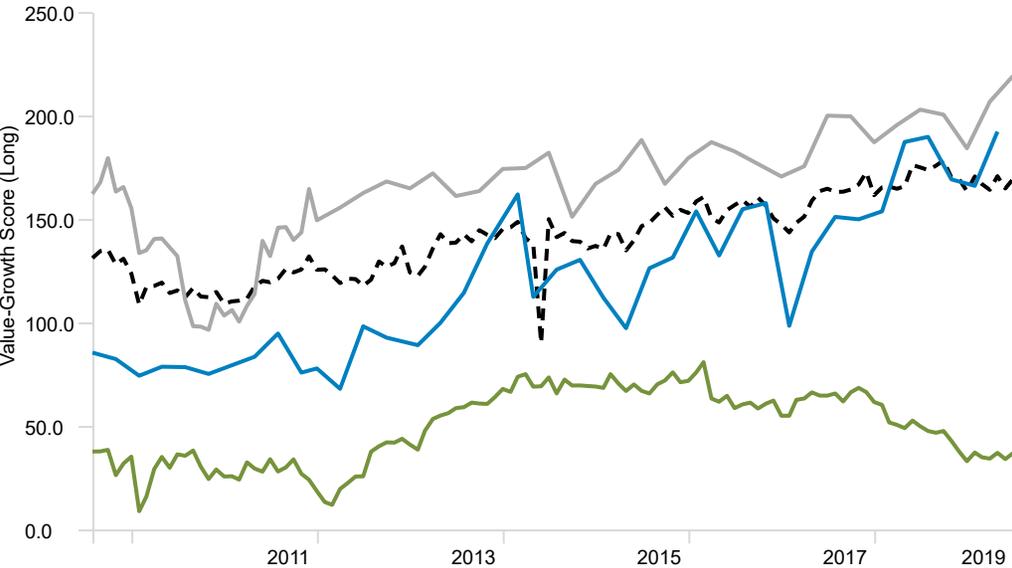
Style Allocation

	Goldman Sachs Intl Sm Cp Insights Instl	Victory Trivalent International Sm-Cp I	DFA International Small Cap Value I	MSCI ACWI Ex USA Small NR USD
Portfolio Date	4/30/2019	6/30/2019	6/30/2019	6/30/2019
Equity Style Large Value %	0.37	0.10	0.01	0.17
Equity Style Large Core %	0.31	1.71	0.00	0.23
Equity Style Large Growth %	0.56	2.30	0.00	0.26
Equity Style Mid Value %	15.89	9.52	15.73	14.81
Equity Style Mid Core %	20.09	24.71	10.62	17.38
Equity Style Mid Growth %	22.26	29.41	2.43	20.05
Equity Style Small Value %	10.28	7.82	44.13	16.56
Equity Style Small Core %	15.15	10.93	18.74	13.96
Equity Style Small Growth %	11.49	10.12	6.18	13.84

Historical Average Market Capitalization



Historical Value - Growth Score



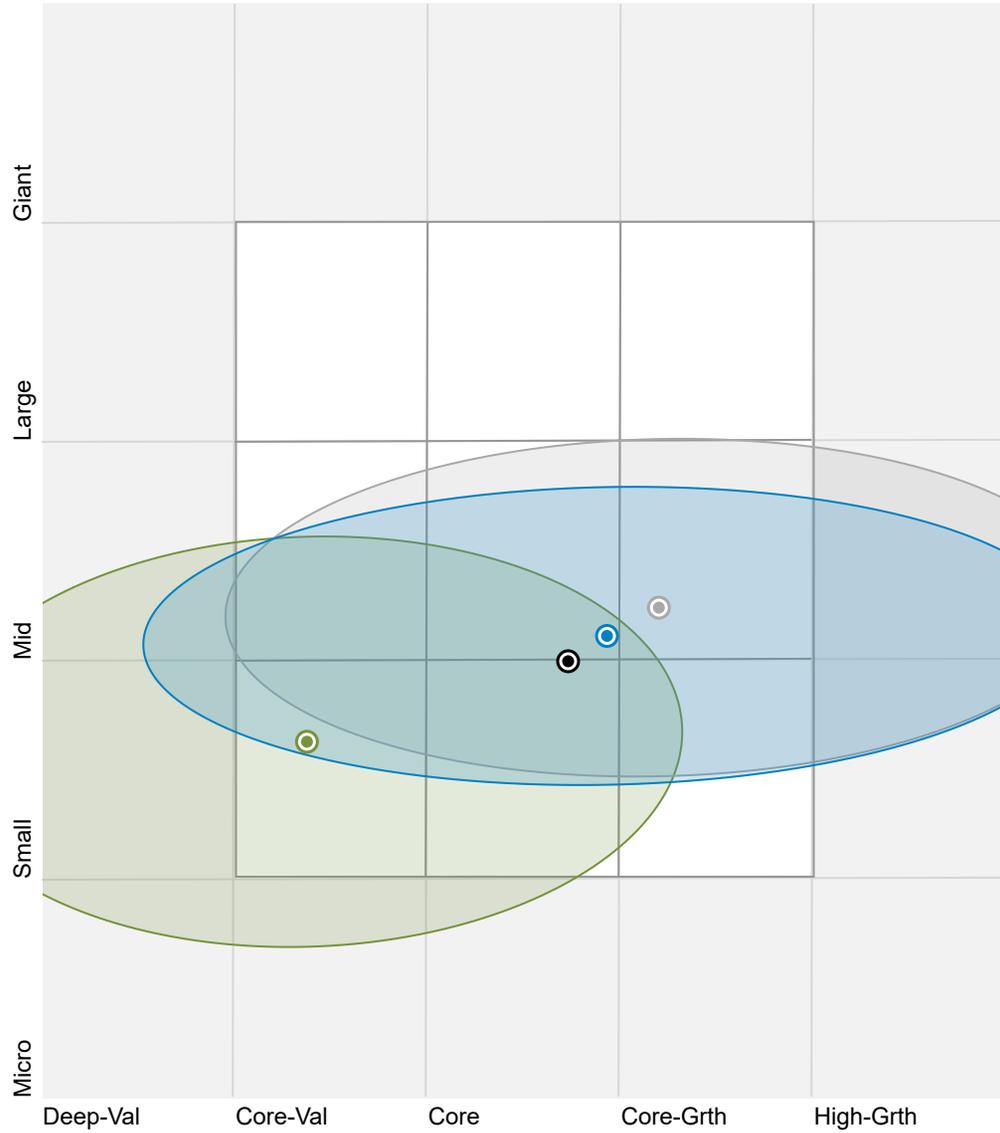
— Goldman Sachs Intl Sm Cp Insights Instl
 - - MSCI ACWI Ex USA Small NR USD

— Victory Trivalent International Sm-Cp I

— DFA International Small Cap Value I

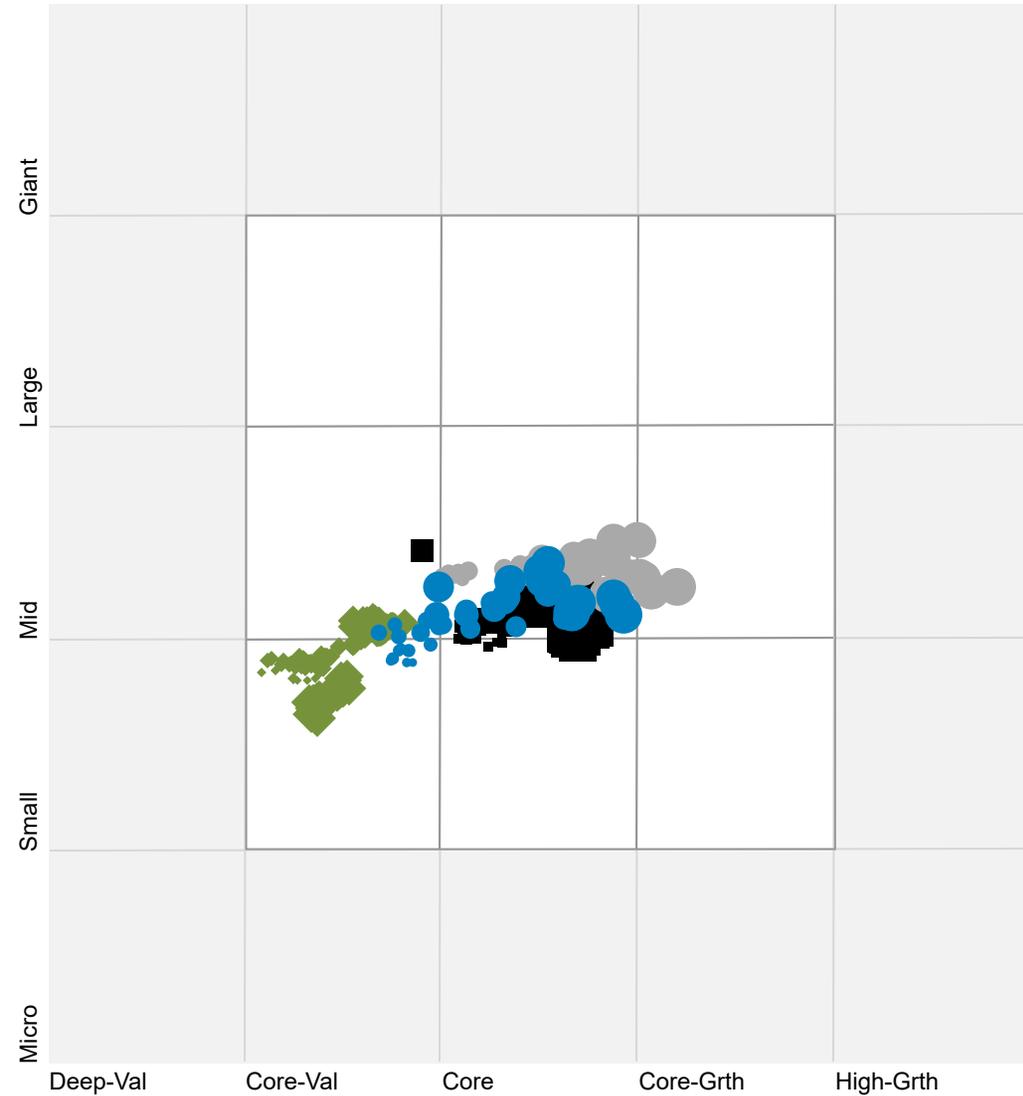


Current Portfolio Holdings-Style Map



Historical Holdings-Based Style Trail

Time Period: 7/31/2009 to 6/30/2019



● Goldman Sachs Intl Sm Cp Insights Instl

● Victory Trivalent International Sm-Cp I

◆ DFA International Small Cap Value I

■ MSCI ACWI Ex USA Small NR USD



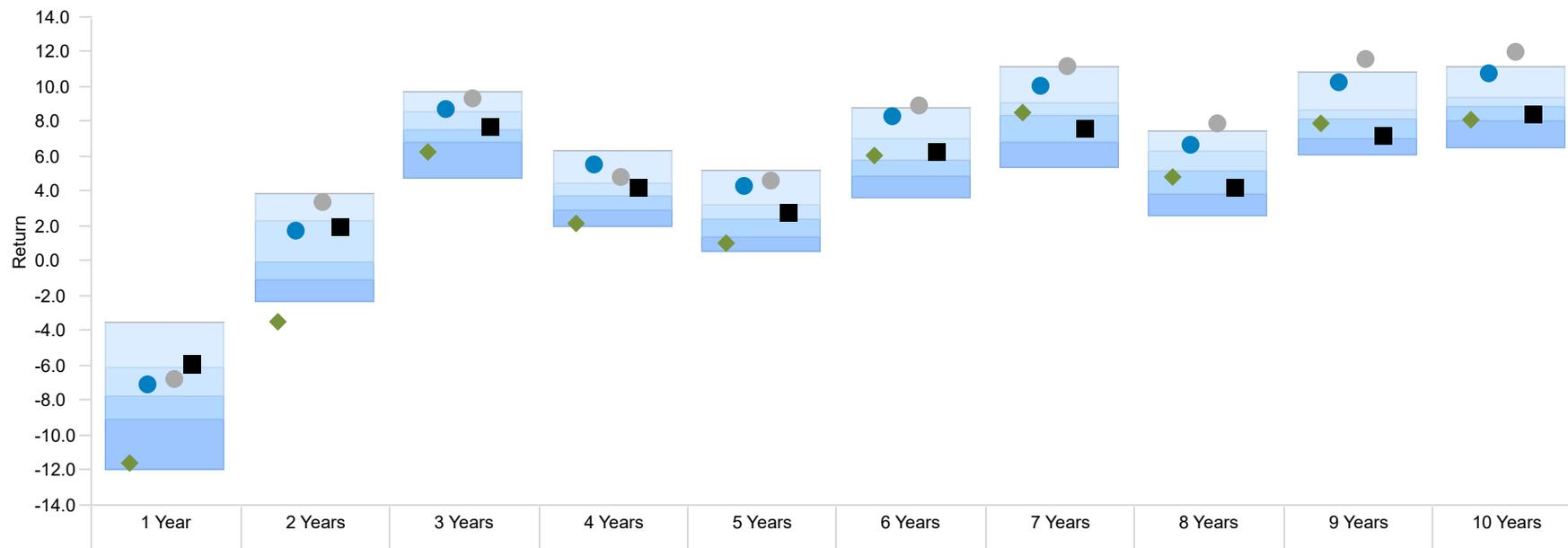
Quantitative Review

Returns are Net of Fees.

Performance data shown prior to fund's inception date represents extended performance of an older share class of the same strategy.



Peer Group (5-95%): Open End Funds - U.S. - Foreign Small/Mid Blend



	1 Year	Rank	2 Years	Rank	3 Years	Rank	4 Years	Rank	5 Years	Rank	6 Years	Rank	7 Years	Rank	8 Years	Rank	9 Years	Rank	10 Years	Rank
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Goldman Sachs Intl Sm Cp Insights Instl	-7.02	37	1.79	32	8.76	22	5.54	13	4.32	17	8.31	14	10.08	15	6.73	14	10.29	14	10.87	9
Victory Trivalent International Sm-Cp I	-6.69	31	3.41	12	9.40	10	4.84	21	4.70	7	8.92	1	11.23	1	7.96	1	11.69	1	12.03	1
DFA International Small Cap Value I	-11.54	91	-3.44	100	6.29	84	2.16	92	1.05	81	6.15	46	8.54	45	4.88	59	7.97	53	8.17	71
MSCI ACWI Ex USA Small NR USD	-5.94	23	1.98	29	7.76	44	4.29	29	2.77	39	6.34	38	7.66	63	4.30	70	7.27	71	8.48	59

● Goldman Sachs Intl Sm Cp Insights Instl

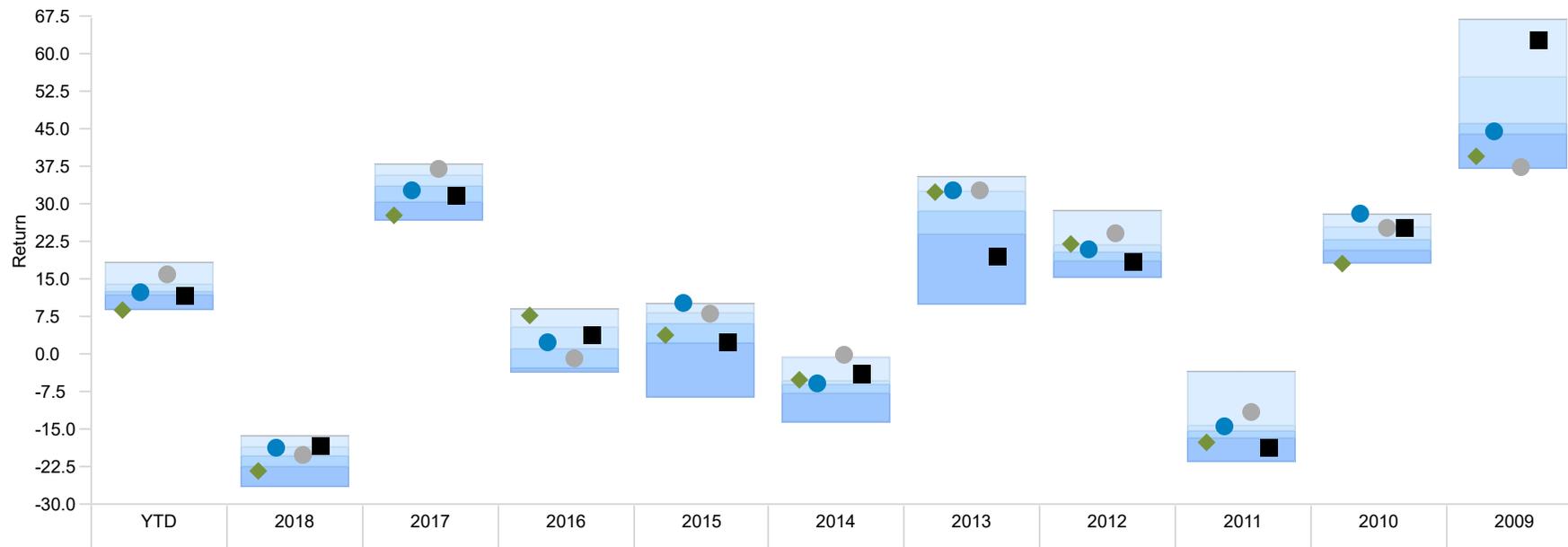
● Victory Trivalent International Sm-Cp I

◆ DFA International Small Cap Value I

■ MSCI ACWI Ex USA Small NR USD



Peer Group (5-95%): Open End Funds - U.S. - Foreign Small/Mid Blend



	YTD	Rank	2018	Rank	2017	Rank	2016	Rank	2015	Rank	2014	Rank	2013	Rank	2012	Rank	2011	Rank	2010	Rank	2009	Rank
Goldman Sachs Intl Sm Cp Insights Instl	12.57	43	-18.77	26	33.02	55	2.32	41	10.23	2	-5.78	34	32.73	18	21.15	30	-14.14	22	28.30	1	44.57	65
Victory Trivalent International Sm-Cp I	15.99	14	-20.21	47	37.13	11	-0.70	59	8.20	23	-0.20	1	32.98	15	24.32	10	-11.55	13	25.49	15	37.58	90
DFA International Small Cap Value I	8.82	96	-23.31	78	27.98	92	8.00	10	3.99	63	-4.99	21	32.39	27	22.26	22	-17.46	81	18.10	94	39.51	87
MSCI ACWI Ex USA Small NR USD	11.60	80	-18.20	19	31.65	70	3.91	38	2.60	67	-4.03	12	19.73	82	18.52	76	-18.50	86	25.21	24	62.91	13

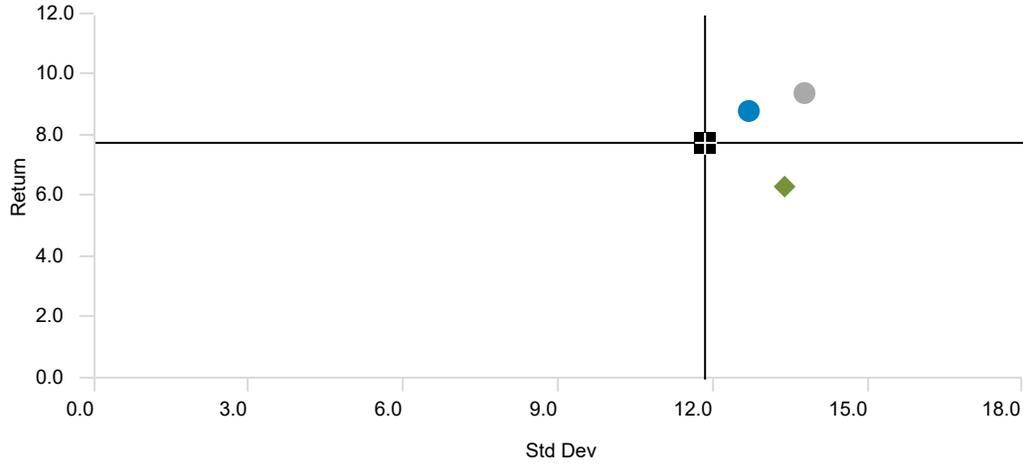
- Goldman Sachs Intl Sm Cp Insights Instl
- Victory Trivalent International Sm-Cp I
- ◆ DFA International Small Cap Value I
- MSCI ACWI Ex USA Small NR USD



Risk-Reward: 3-Year

Time Period: 7/1/2016 to 6/30/2019

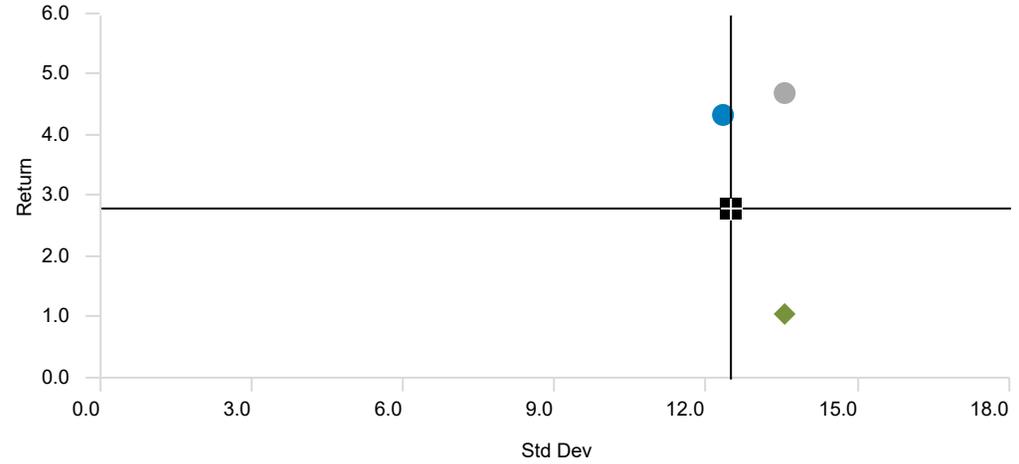
Calculation Benchmark: MSCI ACWI Ex USA Small NR USD



Risk-Reward: 5-Year

Time Period: 7/1/2014 to 6/30/2019

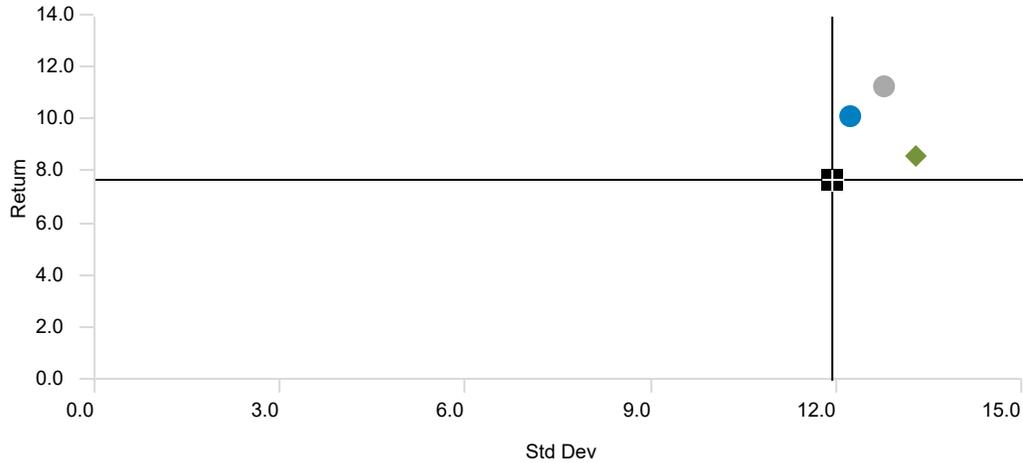
Calculation Benchmark: MSCI ACWI Ex USA Small NR USD



Risk-Reward: 7-Year

Time Period: 7/1/2012 to 6/30/2019

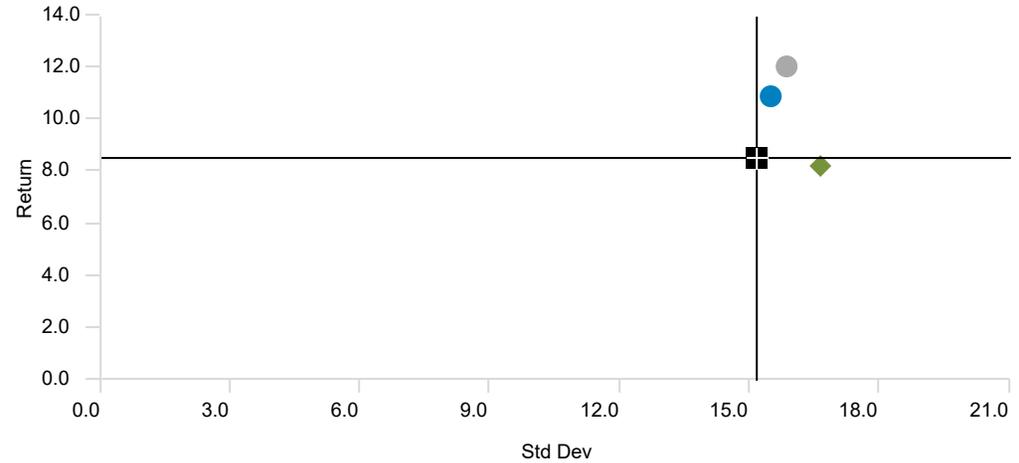
Calculation Benchmark: MSCI ACWI Ex USA Small NR USD



Risk-Reward: 10-Year

Time Period: 7/1/2009 to 6/30/2019

Calculation Benchmark: MSCI ACWI Ex USA Small NR USD



● Goldman Sachs Intl Sm Cp Insights Instl

● Victory Trivalent International Sm-Cp I

◆ DFA International Small Cap Value I

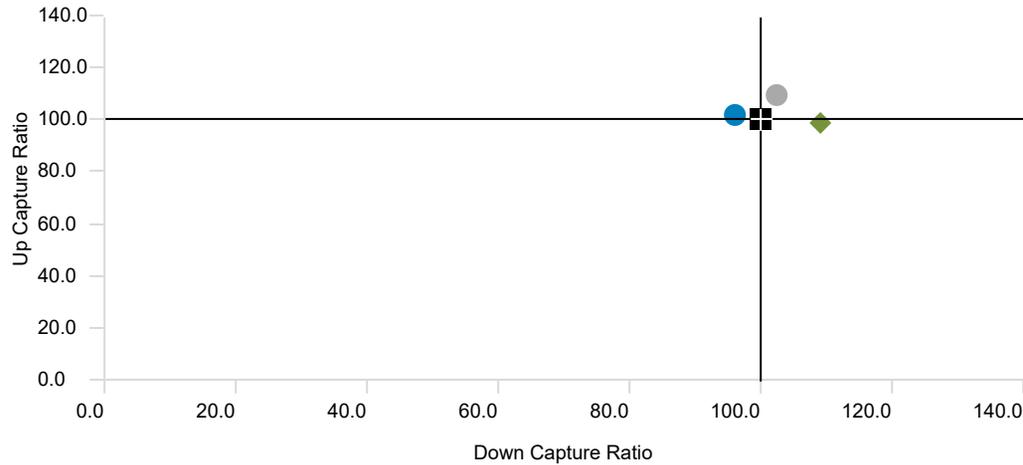
■ MSCI ACWI Ex USA Small NR USD



Up and Down Market Capture: 3-Year

Time Period: 7/1/2016 to 6/30/2019

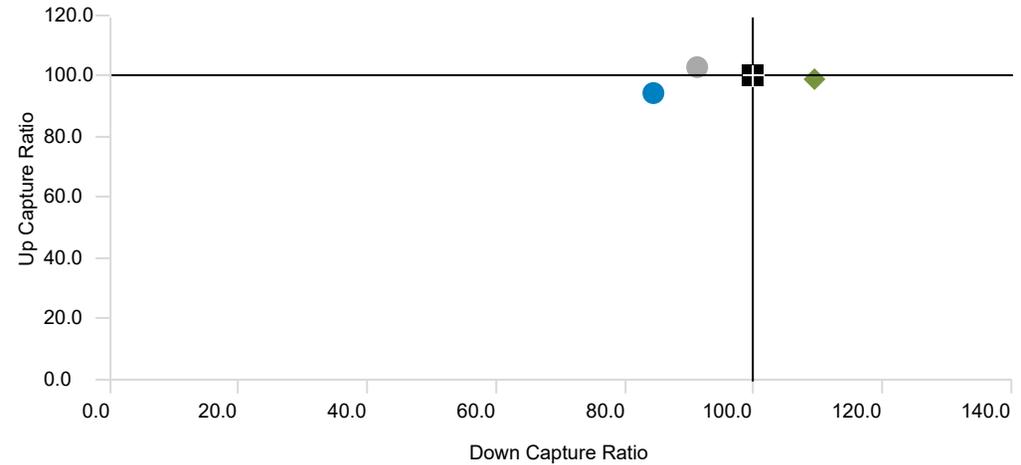
Calculation Benchmark: MSCI ACWI Ex USA Small NR USD



Up and Down Market Capture: 5-Year

Time Period: 7/1/2014 to 6/30/2019

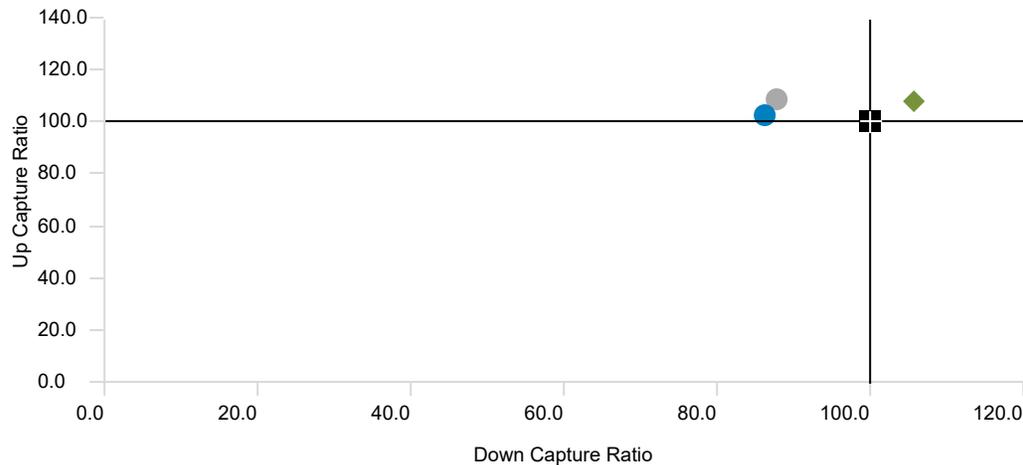
Calculation Benchmark: MSCI ACWI Ex USA Small NR USD



Up and Down Market Capture: 7-Year

Time Period: 7/1/2012 to 6/30/2019

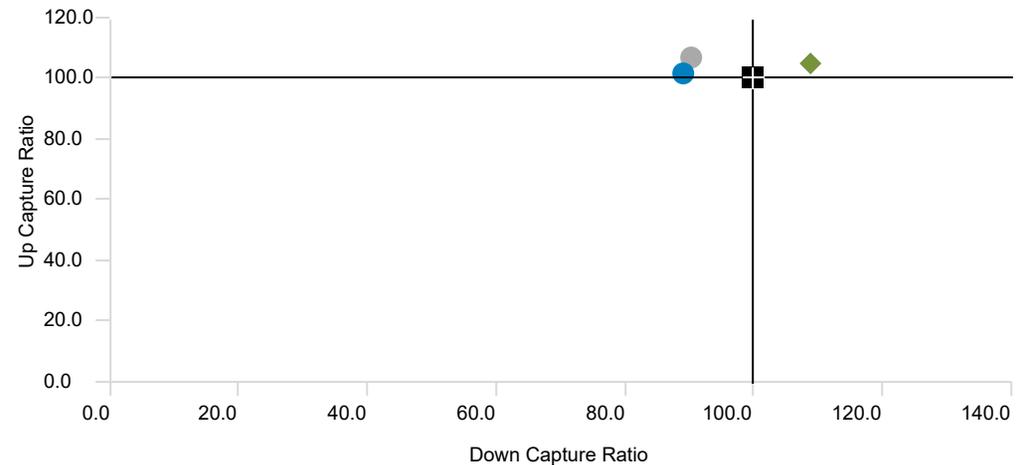
Calculation Benchmark: MSCI ACWI Ex USA Small NR USD



Up and Down Market Capture: 10-Year

Time Period: 7/1/2009 to 6/30/2019

Calculation Benchmark: MSCI ACWI Ex USA Small NR USD



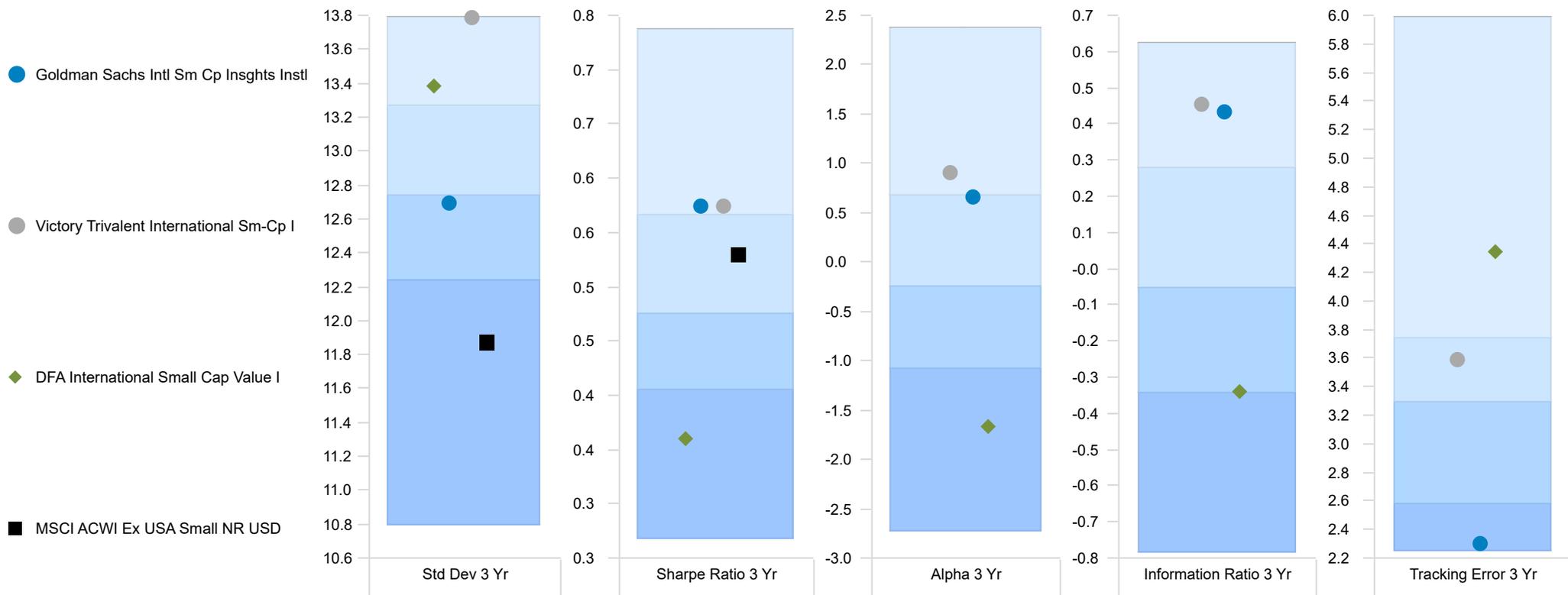
● Goldman Sachs Intl Sm Cp Insights Instl

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◆ DFA International Small Cap Value I

■ MSCI ACWI Ex USA Small NR USD

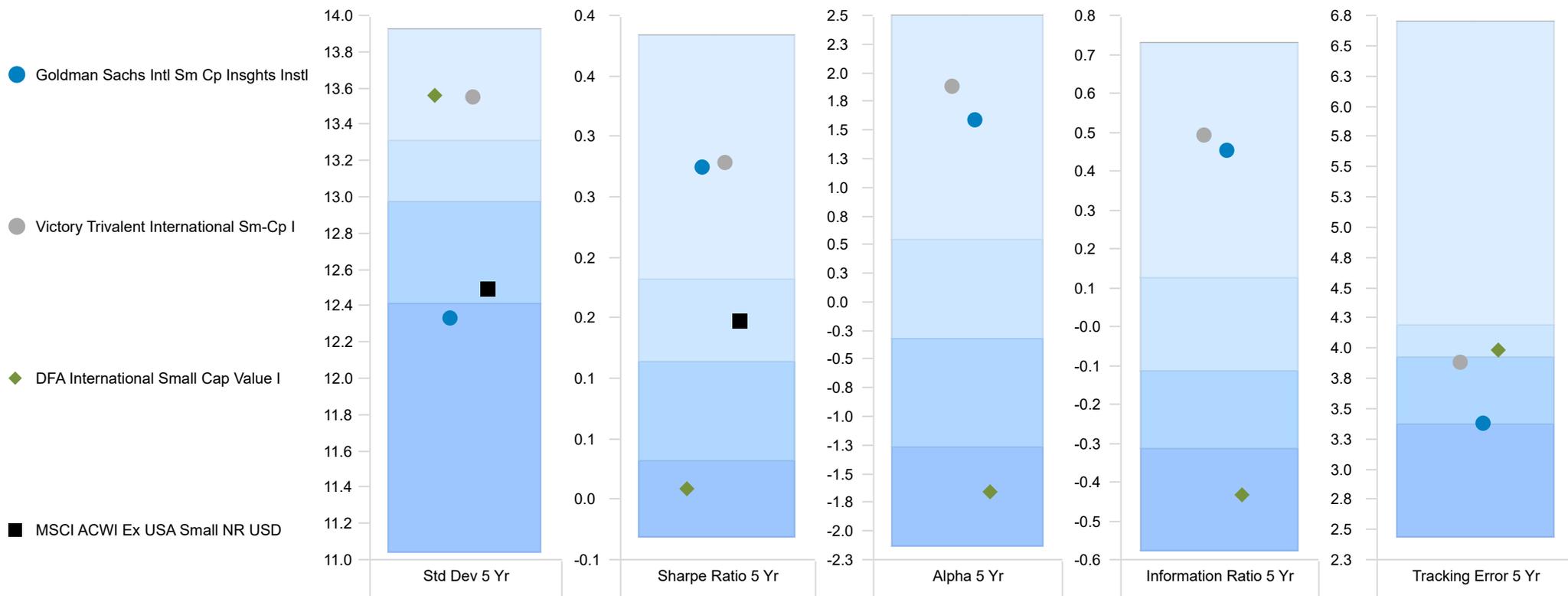




Time Period: 7/1/2016 to 6/30/2019

	Std Dev	Rank	Sharpe Ratio	Rank	Alpha	Rank	Information Ratio	Rank	Tracking Error	Rank
Goldman Sachs Intl Sm Cp Insghts Instl	12.69	53	0.57	21	0.67	26	0.43	15	2.31	85
Victory Trivalent International Sm-Cp I	13.79	5	0.58	20	0.92	19	0.46	13	3.59	30
DFA International Small Cap Value I	13.38	22	0.36	87	-1.66	83	-0.34	74	4.35	21
MSCI ACWI Ex USA Small NR USD	11.87	82	0.53	32	0.00	43	0.00		0.00	100

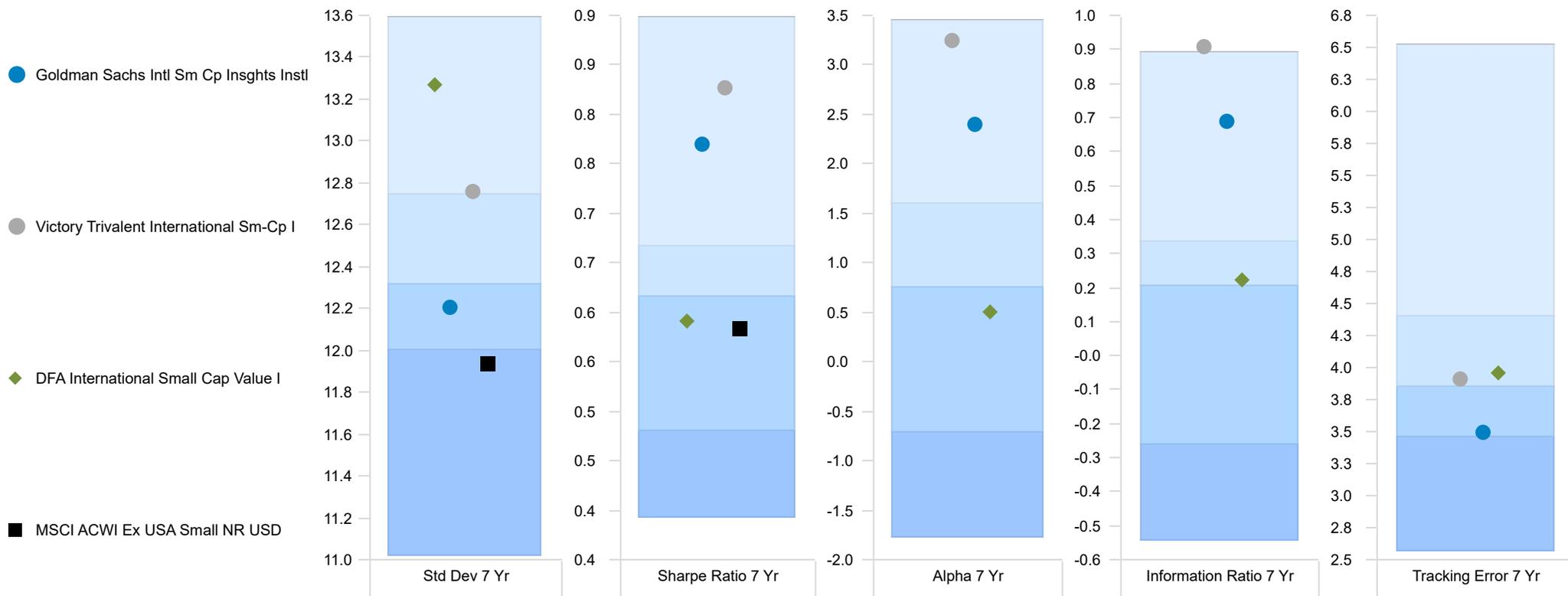




Time Period: 7/1/2014 to 6/30/2019

	Std Dev	Rank	Sharpe Ratio	Rank	Alpha	Rank	Information Ratio	Rank	Tracking Error	Rank
Goldman Sachs Intl Sm Cp Insghts Instl	12.34	82	0.28	13	1.60	17	0.46	13	3.38	73
Victory Trivalent International Sm-Cp I	13.55	12	0.28	12	1.89	8	0.49	8	3.89	57
DFA International Small Cap Value I	13.56	12	0.01	81	-1.65	86	-0.43	82	3.99	35
MSCI ACWI Ex USA Small NR USD	12.50	70	0.15	35	0.00	41	0.00		0.00	100

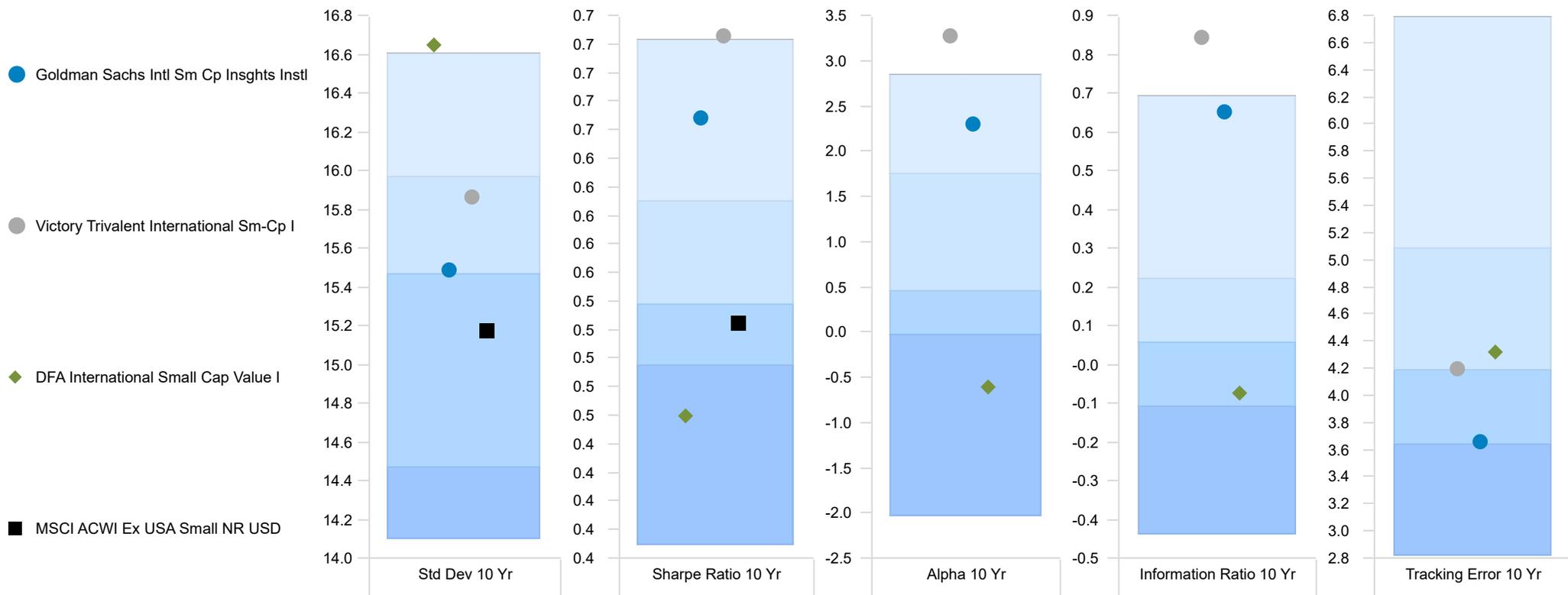




Time Period: 7/1/2012 to 6/30/2019

	Std Dev	Rank	Sharpe Ratio	Rank	Alpha	Rank	Information Ratio	Rank	Tracking Error	Rank
Goldman Sachs Intl Sm Cp Insghts Instl	12.21	59	0.77	15	2.41	15	0.69	15	3.50	70
Victory Trivalent International Sm-Cp I	12.76	18	0.83	9	3.26	7	0.91	5	3.92	44
DFA International Small Cap Value I	13.28	13	0.59	58	0.51	61	0.22	45	3.96	43
MSCI ACWI Ex USA Small NR USD	11.94	83	0.58	61	0.00	66			0.00	100





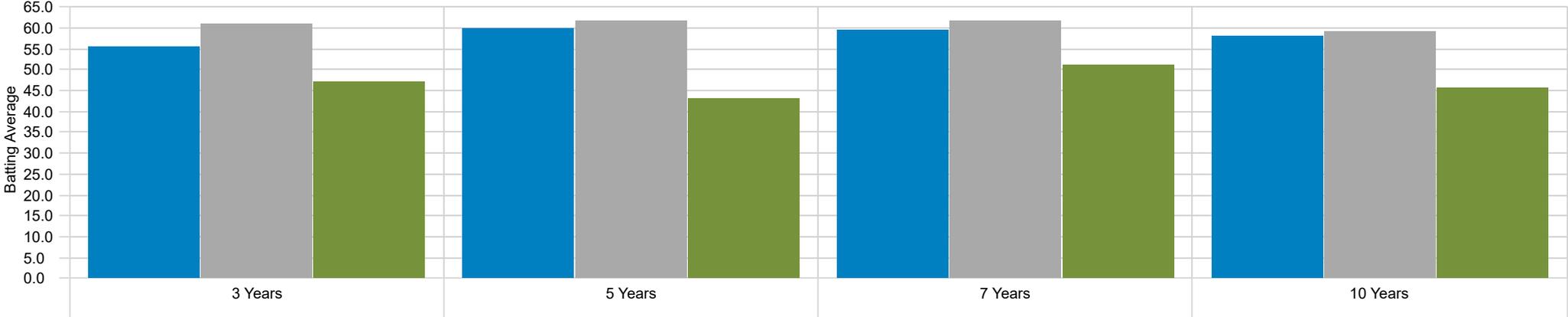
Time Period: 7/1/2009 to 6/30/2019

	Std Dev	Rank	Sharpe Ratio	Rank	Alpha	Rank	Information Ratio	Rank	Tracking Error	Rank
Goldman Sachs Intl Sm Cp Insghts Instl	15.49	45	0.67	14	2.30	13	0.65	9	3.66	71
Victory Trivalent International Sm-Cp I	15.87	31	0.73	5	3.28	1	0.85	1	4.20	47
DFA International Small Cap Value I	16.65	1	0.46	87	-0.60	83	-0.07	71	4.32	28
MSCI ACWI Ex USA Small NR USD	15.18	59	0.53	55	0.00	72	0.00		0.00	100



Batting Average

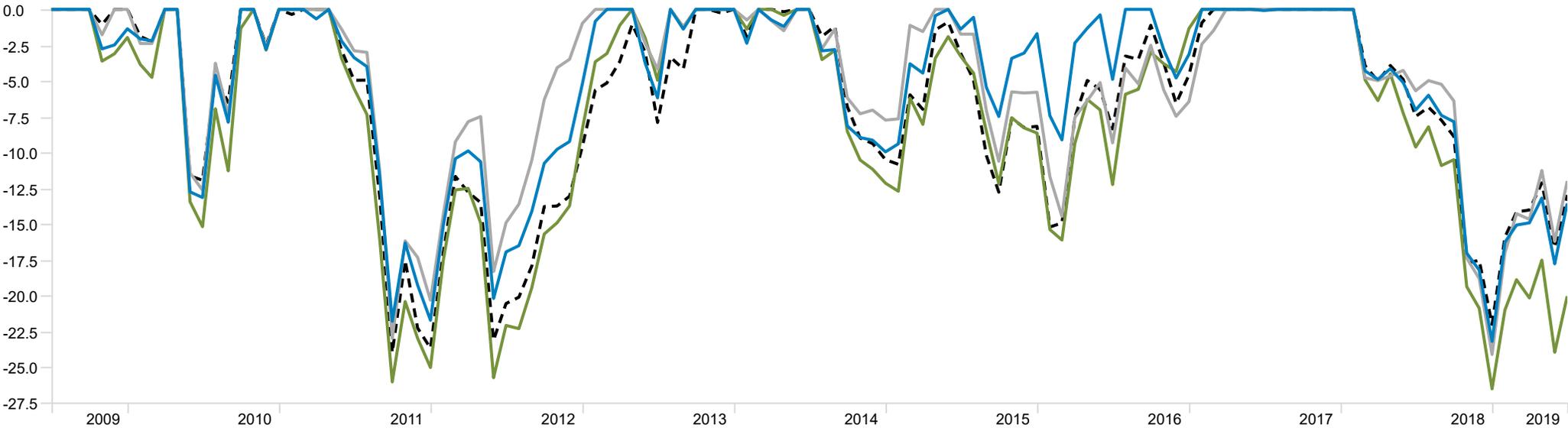
Source Data: Monthly Return Calculation Benchmark: MSCI ACWI Ex USA Small NR USD



Drawdown

Time Period: 7/1/2009 to 6/30/2019

Source Data: Monthly Return



— Goldman Sachs Intl Sm Cp Insights Instl — Victory Trivalent International Sm-Cp I — DFA International Small Cap Value I
 - - MSCI ACWI Ex USA Small NR USD



Investment Option Narratives

Firm Overview

Founded in 1869 and headquartered in New York, Goldman Sachs is operates four business segments: Investment Banking, Institutional Client Services, Investing & Lending, and Investment Management. In 1981, Goldman Sachs became a registered investment adviser under the Investment Advisers Act of 1940 and began managing external clients. In 1999, Goldman Sachs Group became a publicly traded company (Ticker: GS). The firm's Managing Directors own approximately 5% of the company. Goldman Sachs Asset Management (GSAM), part of Goldman Investment Management unit, oversees more than \$600 billion in assets across several asset categories including equity, fixed income and alternatives strategies. Goldman maintains offices in all major financial centers around the world.

Team Overview

The strategy is managed by the firm's Equity Insights (EI) team within GSAM's Quantitative Investment Strategies (QIS) group. Armen Avanesians, CIO of QIS, oversees the team. He joined the firm in 1994 and transitioned to the QIS group in 2011. All 14 GSAM Insights strategies are managed by Len Ioffe, Osman Ali, Takashi Suwabe and Dennis Walsh, who joined the team in 1996, 2005, 2009 and 2009, respectively. Ioffe heads up portfolio construction and implementation, while Ali heads portfolio and client strategy. Suwabe and Walsh co-head EI research, with Suwabe focused on international strategies and Walsh focused on the U.S and EM mandates. The EI PM team is supported by 20 researchers and portfolio construction professionals. The researchers are organized by technical specialty (e.g. natural language processing), as opposed to sector expertise. QIS also has close to 40 dedicated technology professionals, that develop and maintain data infrastructure and portfolio management tools, as well as 20 strategists, responsible for developing and implementing data analytics tools (e.g. backtesting engines).

Strategy Overview

GSAM's Equity Insights team seeks to exploit market inefficiencies through a quantitative, risk-managed investment approach. The team forecasts expected returns of 2,200 stocks in the MSCI EAFE Small Cap Index within the four major categories, Quality (25 factors, 10-20% weight), Value (20 factors 10-20%), Trends (15 factors, 30-40%) and Sentiment (10 factors, 20-30%). While the strategy continues to utilize traditional factors as part of its alpha score, alternative data factors, many of which capture "big data", currently comprise about 60% of the model between Trends and Sentiment categories. Examples of alternative data factors utilized include: web traffic, credit card data, cross-stock linkages, natural language processing and geographic data. Model weightings differ by regions and valuation metrics are customized by industry. In addition, the team creates non-traditional valuation metrics unique to each industry. For example, within biotechnology stocks, they look at the number of patents, references to new patents, time since patents were files, etc. Research drives continuous evolution in the model, such that every six months it formally considers 20-30 new data sets, with approximately 2-6 being added to the model.

The proprietary optimizer seeks to balance expected alpha, risks, costs and constraints by harnessing both the traditional and alternative data. The portfolio will hold 200-500 holdings with sector weightings kept within 2% and country weightings kept within 3% of their weights in the Index. The portfolio targets a beta of 1.0 and tracking error of approximately 225 basis points. The strategy maintains a valuation tilt relative to its benchmark. The portfolios are rebalanced every three days, with annual turnover expected to range between 100-150%.

Expectations

The strategy's performance goal is consistent outperformance of the MSCI EAFE Small Cap Index. However, medium-term momentum is historically one of the strategy's largest factor weights relative to its index so reversals in market leadership can be challenging relative performance periods. Inflection points and changing market sentiment (risk-on/risk-off) tend to be more difficult for quantitatively-based strategies to navigate. The strategy also tends to maintain a modest overweight to value and dividend yield factors relative to index. This is a function of the portfolio's willingness to invest in any stock that ranks highly in the alpha model across the entire universe. As such, the portfolio may lag in strong market environments where there is meaningful outperformance by more expensive, growth oriented stocks. One of the defining characteristics of the strategy is consistent alpha and low tracking error. GSAM manages to TE of 2% to 4%, though it has been close to 2% post 2009. In addition, the batting average is very attractive, average above 60% for most multi-year periods.

Points to Consider

The strategy incepted in November 2005. However, prior to the arrival of Avanesians and Ron Hua in the fall of 2011, the investment process for Equity Insights strategies was mostly dependent on traditional quantitative measures. Avanesians and Hua spearheaded the team's investment in non-traditional and big data measures and the senior portfolios now look at more than 150 data points across the Equity Insights product suite. We consider the beginning of 2012 as a more appropriate starting point for evaluating the merits of the strategy's current approach.

GSAM soft closed the strategy in November 2018 as assets eclipsed the \$5 billion stated capacity. The firm has communicated to us that they will continue to accept smaller retirement accounts from AndCo however.

The strategy will not invest in emerging equities. This is a pure play international developed small cap portfolio indexed to the MSCI EAFE Small Cap Index.

Former Equity Insights CIO Ron Hua, who joined the team in 2011 from PanAgora Asset Management, retired from Goldman at the end of 2016.

Recommendation Summary

The Research Group recommends Goldman Sachs International Small Cap Equity Insights for clients looking to diversify their international equity portfolios beyond an all or large cap developed international equity strategy. Given the diversified core style, it is appropriate as a sole international small cap allocation. GSAM's meaningful investment in non-traditional factors (approximately 60% of the model) differentiates this strategy versus most of its quantitative peers. The Equity Insights team spends several million dollars on external data each year, in addition to leveraging a large amount of publicly available data as a part of being within Goldman Sachs (e.g. internal tick data). The team is supported by 20 researchers organized by technical expertise, in addition to 40 technology platform professionals and 20 strategists committed to enhancing portfolio management analytical tools. The QIS group maintains a proprietary risk model that is updated daily, with a greater emphasis on the most recent information, as opposed to the external models that are often dependent on monthly data. We believe GSAM's significant resources, as well as early investment in big data analytics and continuous research in non-traditional data points, provides a competitive edge. However, we are cognizant that this advantage may erode over time as other quantitative managers increase adoption.

Firm Overview

Victory Capital is an independent SEC-registered investment advisor that focuses on active investment management delivered through a multi-boutique structure of autonomous investment franchises that manage domestic and international equities, fixed income and convertibles. Through predecessor firms, Victory Capital was organized in 1894 and began managing tax-exempt assets in 1912. Victory Capital's SEC registration date is February 22, 1972. The current name was established on May 1, 2001. Victory is headquartered in Brooklyn, OH with multiple offices nationwide. Integrity Asset Management ("Integrity") was established in 2003 and is based in Rocky River, OH. On October 31, 2014, Integrity became part of Victory Capital. Previously, Integrity was a wholly owned subsidiary of Munder Capital Management, which was acquired by Victory.

Victory Capital was a wholly owned subsidiary of KeyCorp until July 31, 2013, when the employees of Victory Capital teamed with Crestview Partners, a leading private equity firm, to acquire all of KeyCorp's interest in Victory Capital. Upon completion of the transaction, Victory Capital became an independent firm. A majority of the interest in the firm is owned by Crestview Partners with the remaining portion owned by Victory Capital employees and a limited number of outside investors.

Team Overview

Trivalent's International Equity team is led by CIO Dan LeVan. LeVan also holds the Lead PM title for the international small cap strategy. He and his Co-PM, John Evers, have worked together for almost two decades. The two are supported by two senior PMs and two senior equity analysts. All are shareholders of VCM and have a large amount of capital invested in the strategies they manage. Stock research coverage is divided up by sectors among the six: LeVan covers Technology, Evers covers Financials/Real Estate, Carpenter covers Consumer Discretionary & Industrials, Cerow covers Health Care, Telecom, & Services, Sullivan covers Consumer Staples & Materials, and Ryan covers Energy & Utilities. While the investment process is collegial given the team's extensive tenure, LeVan has formal and final decision-making authority on all buys and sells.

Strategy Overview

The team's investment philosophy stems from a belief that superior risk-adjusted performance can be achieved over time through a combination of rigorous fundamental analysis and disciplined risk management. It is implemented by purchasing high-quality companies exhibiting positive business momentum at attractive valuations relative to sector/peer groups and by minimizing risk associated with relative country and sector allocation.

The process begins with an initial screening of a universe of approximately 4,500 stocks. Only stocks that meet the following criteria move on to the next step (typically about 2,200 companies): 1) the smallest 15% by market cap in each country; 2) minimum trading of at least \$500,000 per day on average over the past 90 days; and 3) sell-side coverage by at least three analysts. The next step is for the proprietary multi-factor model to score each stock on key return drivers divided into Quality (Return on Invested Capital and Piotroski F-score), Valuation (forward P/E, forward EV/EBITDA, and Price/Book), and Business Momentum (Net Revisions and Change in Average EPS Forecast). The model ranks relative attractiveness on a sector/peer-relative basis, and helps identify which securities warrant additional review for purchase or sale. The next step involves the analyst digging deeper into specific drivers of a company's success and whether they are sustainable and repeatable.

The final portfolio typically holds between 180 to 230 stocks. Country and sector exposure is +/- 2% relative to the S&P Developed Ex-US Small-Cap Index. Individual positions are limited to a maximum of +3% relative to the index weight. Annual portfolio turnover averages between 40% and 80%.

Expectations

The strategy's performance goal is consistent outperformance of the S&P Developed Ex-US Small-Cap Index. The core nature of the approach, focusing on both valuations and improving business momentum, has helped it perform well in most growth- and value-oriented markets.

Relative performance is expected to struggle during periods where investors are focused on something other than bottom-up fundamentals (both growth and value measures), whether it is significant macro influences, narrow market leadership, or extreme market volatility. Ideal market conditions for relative performance are when company fundamentals/earnings are front and center for investors.

Points to Consider

VCM estimates ultimate capacity for the strategy to be approximately \$3 billion. This was determined through liquidity analysis and experience of the team at their prior firm where they closed at similar level. With current assets under management for the strategy at just over \$2 billion, we would anticipate a soft close within the next two years given the strong search activity being reported by the team.

The team utilizes the S&P Developed Ex-US Small-Cap Index as its primary benchmark. S&P categorizes South Korea as a developed market (as opposed to MSCI, who categorizes it as emerging). Beyond a +/-2% relative weighting in South Korea, this strategy does not invest in emerging markets.

Strategy may tilt smid cap given the initial screen on the bottom 15% of market cap companies by country. The most recent portfolio weighted average market cap was \$4 billion versus just under \$3 billion for the index.

The strategy may hold index ETFs at times to handle large cash flows (equitize cash).

Recommendation Summary

The Research Group recommends Victory Trivalent International Small Cap Equity for clients looking to diversify their international equity portfolios beyond an all or large cap developed international equity strategy. Given the diversified core style, it is appropriate as a sole international small cap allocation.

The experienced team has been managing international small cap equity portfolios together for two decades. Investment team incentives are strongly aligned with those of clients via direct equity participation and significant personal capital invested in the products they manage. The process combines the discipline of a front-end quantitative screen with the deeper fundamental knowledge of sector experts' company analysis. The disciplined sell-driven process differentiates the Trivalent team from peers and focuses the team on bottom-up stock selection. With the exception of the underperformance in 2008-2009, the strategy has demonstrated a consistent and attractive pattern of relative performance. The longer-term annualized returns that do not include 2008 have beaten the index handily. We believe the team learned from the mistakes made during the Global Financial Crisis and has effectively implemented enhancements to the model and the fundamental review process to avoid similar mishaps.

Alpha - A measure of the difference between a portfolio's actual returns and its expected performance, given its level of risk as measured by beta.

Batting Average – A measure of a manager's ability to consistently beat the market. It is calculated by dividing the number of months in which the manager beat or matched an index by the total number of months in the period.

Best Quarter- This is the highest quarterly (3 month) return of the investment since its inception.

Beta - A measure of the sensitivity of a portfolio to the movements in the market. It is a measure of the portfolio's systematic risk.

Down Period Percent - Number of months below 0 divided by the total number of months.

Downmarket Capture Ratio - The ratio of average portfolio performance over the designated benchmark during periods of negative returns. A lower value indicates better product performance.

Downside Std Dev - This measures only deviations below a specified benchmark.

Excess Return- This is a measure of an investment's return in excess of a benchmark.

Information Ratio - This calculates the value-added contribution of the manager and is derived by dividing the excess rate of return of the portfolio by the tracking error. The higher the Information Ratio, the more the manager has added value to the portfolio.

Longest Down-Streak Return - Return for the longest series of negative monthly returns.

Longest Down-Streak # of Periods - Longest series of negative monthly returns.

Longest Up-Streak Return - Return for the longest series of positive monthly returns.

Longest Up-Streak - Longest series of positive monthly returns.

Kurtosis - Kurtosis indicates the peakedness of a distribution. For normal distribution, Kurtosis is 3.

Max Drawdown - The peak to trough decline during a specific record period of an investment or fund. It is usually quoted as the percentage between the peak to the trough.

Max Drawdown # of Periods - This is the number of months that encompasses the max drawdown for an investment.

R-Squared - The percentage of a portfolio's performance that can be explained by the behavior of the appropriate benchmark. A high R-Squared means the portfolio's performance has historically moved in the same direction as the appropriate benchmark.

Return - Compounded rate of return for the period.

Sharpe Ratio - Represents the excess rate of return over the risk free return divided by the standard deviation of the excess return. The result is an absolute rate of return per unit of risk. A higher value demonstrates better historical risk-adjusted performance.

Skewness - Skewness reflects the degree of asymmetry of a distribution. If the distribution has a longer left tail, the function has negative skewness. Otherwise, it has positive skewness. A normal distribution

is symmetric with skewness 0.

Sortino Ratio - The Sortino Ratio is similar to Sharpe Ratio except it uses downside risk (Downside Deviation) in the denominator. It was developed in early 1980's by Frank Sortino. Since upside variability is not necessarily a bad thing, Sortino ratio is sometimes more preferable than Sharpe ratio.

Standard Deviation - A statistical measure of the range of a portfolio's performance. It represents the variability of returns around the average return over a specified time period.

Tracking Error - This is a measure of the standard deviation of a portfolio's excess returns versus its designated market benchmark.

Treynor Ratio - Similar to Sharpe Ratio, Treynor Ratio is a measurement of efficiency utilizing the relationship between annualized risk-adjusted return and risk. Unlike Sharpe Ratio, Treynor Ratio utilizes "market" risk (beta) instead of total risk (standard deviation). Good performance efficiency is measured by a high ratio.

Up period Percent - Number of months above 0 divided by the total number of months.

Upmarket Capture Ratio - The ratio of average portfolio performance over the designated benchmark during periods of positive returns. A higher value indicates better product performance.

Value-Growth Score - Morningstar assigns an Overall Value score and an Overall Growth score to each stock within a fund. Morningstar then calculates a net value-core-growth score for each stock by subtracting the stock's Overall Value score from its Overall Growth score. Once this is done, these raw scores are rescaled to range between -100 to 400 in order to fit within the Morningstar Style Box. Scores below 67 are classified as value, scores above 233 are classified as growth, and scores between 67 and 233 fit within the core boundaries.

Worst Quarter - This is the lowest quarterly (3 month) return of the investment since its inception.

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As presented in this report, although investing in international equities can be beneficial, it is also important to consider the associated risks. Investing in international equities may not be suitable for all investors. Prospective investors should be aware of the risks in investing in non-U.S. securities. Securities of issuers domiciled outside of the U.S. may lose value because of adverse political, social and economic factors in those countries. Non-U.S. securities carry special risks such as less developed or less efficient trading markets, political instability and differing auditing and legal standards. Additionally, international equities experience emerging market risk. Emerging market countries can generally have economic structures that are less diverse and mature, and political systems that are less stable, than those of developed countries. The primary other risk factors which affect international equities include, but are not limited to: market risk, issuer risk, foreign currency risk and liquidity risk. Depending on the specific strategy, there many additional considerations such as the risks associated with equity investing.

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