

Manager Announcement

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SEI New ways.
New answers.®

Hillsdale Brings Quantitative Focus on Momentum to the SEI Canadian Small Company Equity Fund

Hillsdale Investment Management Inc. (Hillsdale) has been added to the SEI Canadian Small Company Equity Fund (the Fund).

Hillsdale emerged as high-conviction relative to its peers and is a sub-adviser with whom we are familiar through other SEI implementations. This small-cap strategy, unlike the Fund's three other mandates, is an off-the-shelf product that has been live since 1996. It is managed by Chris Guthrie, the driving force behind the firm. The strategy exhibits a significant tilt toward momentum, with smaller tilts to stability and value.

Addition of Hillsdale

What They Do

The underpinnings of Hillsdale's investment philosophy are both traditional and scientific, applying quantitative tools and techniques to fundamental equity research. Hillsdale embraces the best of both quantitative and fundamental ideologies. The investment team has been committed to this approach through multiple market cycles. Fundamental equity research allows the team to hypothesize about individual stock-return drivers, while quantitative tools and disciplines rigorously test these hypotheses.

How They Do It

Primarily focused on the variance of outcomes around a defined investment objective, Hillsdale's process is more a best-of-breed research and implementation engine than a single model. The firm attempts to mitigate some of the worst pitfalls of quantitative investing in the form of revised data, look-ahead bias, data-snooping and signal decay.

About Hillsdale

Headquartered in Toronto and founded in 1996, Hillsdale is an employee-owned firm focused on Canadian and global small-cap equities. The firm had a total of CAD\$2.2 billion in assets under management as of March 31, 2018.

Why We Chose Them

- **Data sources:** Hillsdale acquires data elements from over 30 vendors. Its rigor in scrubbing, transforming and validating data elements is far greater than many other quantitative shops. The cost of replicating the depth and quality of data is a high barrier for many investment firms, and is an undeniable asset for Hillsdale.
- **Research efforts:** The firm operates in a hypothesis driven culture. Data architecture is structured in an open-source data platform to integrate new insights quickly and seamlessly. Factors are researched over a multitude of frequencies to determine consistency and robustness in all market conditions.
- **Implementation evaluation:** All strategies are evaluated on the basis of how well the model transfers to buy-and-sell constraints in real-world portfolios. Portfolio managers evaluate and reconcile performance between the two return streams semi-annually to ensure an ongoing tight link between model and live performance.

Glossary of Financial Terms

Momentum: Momentum refers to assets that trend in price as perception changes directionally and serially with incoming data as a result of investor under reaction due to anchoring.

Quantitative: Quantitative refers to quantitative analysis which is based on computer-driven models.

Stability: Stability refers to assets that benefit from the power of long-term compounding as a result of investors' tendency to misprice lower risk due to too-short time horizon and overconfidence in forecasts, which lead to preference for lottery-like outcomes.

Value: Value refers to stocks are those that are considered to be cheap and are trading for less than they are worth.

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