

# 2Q 2019

## SCHAFER CULLEN CAPITAL MANAGEMENT

### FIRM PROFILE

Independent & Registered  
Investment Advisor

35 Years of Experience as a Value  
Investment Management Firm

Approx. \$20.9 Billion<sup>1</sup>  
Assets Under Advisement

**63 Employees**  
18 Investment  
23 Client Service  
22 Operational

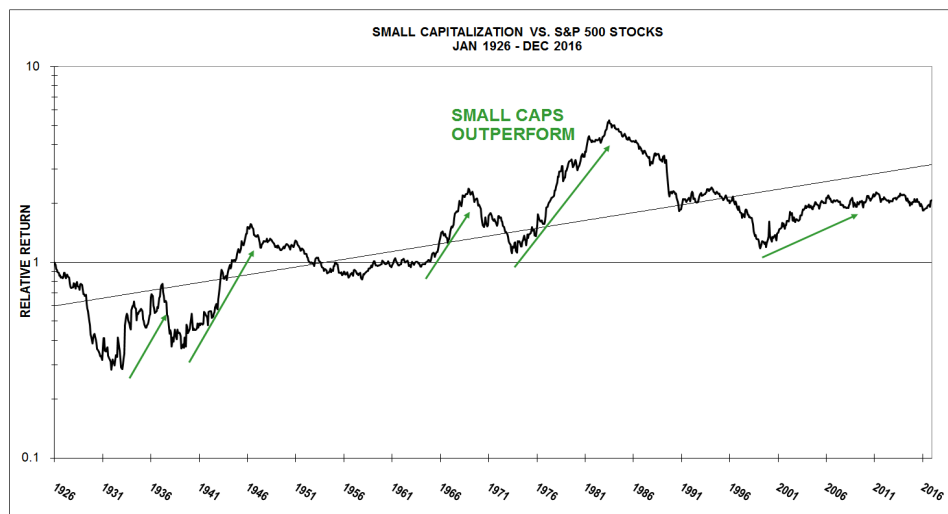
### Small Cap Value Equity

#### STRATEGY OVERVIEW

Historical studies show that a disciplined value strategy of selecting stocks at low valuation multiples holds the potential of better than average market performance over time.

The Schafer Cullen Small Cap Value Equity strategy focuses this low multiple discipline on stocks that generally have a market capitalization below \$5 billion. Small cap stocks have also demonstrated above average price performance over time, according to historical studies.

#### Small Capitalization vs. S&P 500 Stocks January 1926 - December 2016



Source: SCCM / Standard & Poor's / Russell Investments

In addition to market cap and valuation criteria, portfolio securities must also meet quality standards related to their return on capital, cash flow generation and balance sheet strength. Time horizon is critical. Schafer Cullen invests in companies that will benefit from specific catalysts that will drive their fundamental performance and stock price over 3-5 years.

An extensive research effort is crucial in analyzing small-cap companies, because they are relatively underfollowed. We find that meetings with company management are more productive with smaller companies. We also emphasize making calls away from Wall Street to outside industry experts, suppliers and customers to gain perspective.

### STRATEGIES

▶ **Small Cap  
Value Equity**

High Dividend Value Equity

Value Equity

International High Dividend  
Value Equity

### STYLE

Small Cap Value

### BENCHMARK

Russell 2500 Value

### OBJECTIVE

Maximize Long Term  
Capital Appreciation

# Small Cap Value Equity

## INVESTMENT DECISION PROCESS

### INITIAL SCREEN:

Bottom-up approach to security selection which begins with a universe of 2,500 stocks (2,000 U.S. and 500 overseas) with a market capitalization below \$5 billion.

### SCREEN FOR VALUE:

- Price to earnings ratio in the bottom 20%
- Above average long-term return on capital

### FUNDAMENTAL RESEARCH:

- High and/or improving long-term return on capital profile
- Strong liquidity and balance sheet, including amount and maturity schedule of debt
- Dominant or leading position in industries with stable market shares
- Management commitment to enhancing shareholder value with strong Board governance
- Turnaround situations where potentially disposable or improvable segments can highlight value
- On-site meetings and discussions with management, industry experts, suppliers, customers and competitors

### PORTFOLIO CONSTRUCTION:

- Diversification across approximately 25-35 stocks with equal weighting at cost
- No more than 5% invested in any one stock at cost
- Diversification across 15-20 industries
- No more than 15% invested in any one industry at cost
- Up to 30% invested in foreign securities (ADRs)
- Generally fully invested

### SELL DISCIPLINE:

- Make room for other investment(s) with higher risk-adjusted return potential
- Valuation objective reached
- Earnings growth does not meet initial expectations
- Deteriorating fundamentals or negative change in business trend

ANNUALIZED RETURNS (%) as of June 30, 2019	QTD	YTD	1 yr	3 yr	5 yr	7 yr	10 yr	Since Inception June-92
Small Cap Value (Net)	2.8	14.2	-2.5	7.7	-0.5	5.0	8.3	10.5
Russell 2500 Value Index	1.9	15.3	-1.9	9.0	5.6	11.0	13.3	10.9
Russell 2000 Index	2.1	17.0	-3.3	12.3	7.1	11.6	13.5	9.4
S&P 500 Index	4.3	18.5	10.4	14.2	10.7	14.0	14.7	6.7

Returns over 1 year are annualized.

ANNUAL RETURNS (%) period ending December 31	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Small Cap Value (Gross)	-9.5	1.9	18.7	-7.8	-11.3	37.9	9.7	-3.7	29.2	37.4	-34.9	12.0	18.7	17.3	31.0
Small Cap Value (Net)	-10.2	1.3	17.8	-8.5	-12.0	37.1	9.0	-4.3	28.5	36.8	-35.4	11.5	18.1	16.6	29.8
Russell 2500 Value Index	-12.4	10.4	25.2	-5.5	7.1	33.3	19.2	-3.4	24.8	27.7	-32.0	-7.3	20.2	7.7	21.6
Russell 2000 Index	-11.0	14.7	21.3	-4.4	4.9	38.8	16.4	-4.2	26.9	27.2	-33.8	-1.6	18.4	4.6	18.3
S&P 500 Index	-4.4	21.8	12.0	1.4	13.7	32.4	16.0	2.1	15.1	26.5	-37.0	5.5	15.8	4.9	10.9

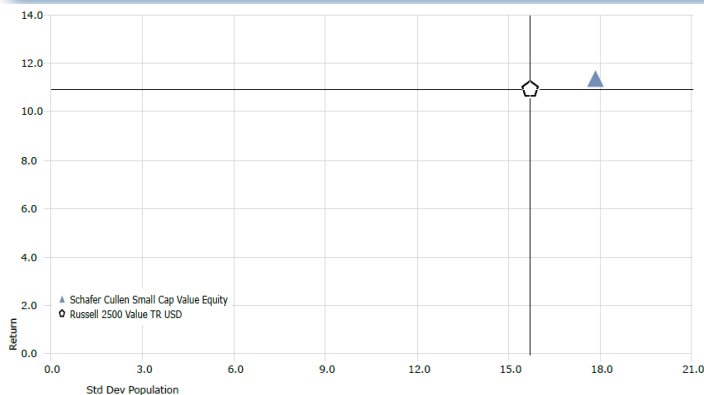
SECTOR WEIGHTS * (%)	Small Cap Value	Russell 2500 Value
Communication Services	0.0	3.2
Consumer Discretionary	9.1	7.7
Consumer Staples	10.7	3.0
Energy	2.2	4.4
Financials	19.8	23.4
Health Care	6.5	5.3
Industrials	19.7	14.2
Information Technology	7.4	10.0
Materials	13.5	5.8
Real Estate	0.0	16.3
Utilities	3.8	6.9
Cash & Equiv.	7.2	0.0
Total	100.0	100.0

PORTFOLIO CHARACTERISTICS *	Small Cap Value	Russell 2500 Value
P/E Ratio (Forward)	10.8	15.6
P/B Value Ratio	1.7	2.1
Dividend Yield	1.4	2.3
LT Debt to Capital	29.7	35.7
Weighted Average Market Cap. (\$B)	2.3	5.0

Source: Bloomberg 06/30/2019

TOP TEN HOLDINGS * (%) AS OF 06/30/2019	
Magellan Health	5.6
Loma Negra	4.6
Weis Markets	4.3
Assured Guaranty	4.1
Quanta Services	4.1
United Insurance Holdings	4.0
Team	3.9
REV Group	3.9
Utilities Select Sector SPDR Fund	3.8
Copa Holdings	3.8

**SMALL CAP VALUE  
SINCE INCEPTION RISK-REWARD  
ENDING 06/30/2019  
RUSSELL 2500 VALUE INDEX \***



## INVESTMENT TEAM

**JAMES P. CULLEN**  
CEO / CHAIRMAN / PORTFOLIO MANAGER  
55 YEARS INVESTMENT EXPERIENCE

**BRIAN DRUBETSKY**  
VICE PRESIDENT / PORTFOLIO MANAGER  
17 YEARS INVESTMENT EXPERIENCE

**RAHUL SHARMA**  
EXECUTIVE DIRECTOR / ANALYST  
19 YEARS INVESTMENT EXPERIENCE

**MATTHEW DODDS**  
VICE PRESIDENT / ANALYST  
49 YEARS INVESTMENT EXPERIENCE

**PRAVIR SINGH**  
MANAGING DIRECTOR / DIRECTOR OF RESEARCH  
14 YEARS INVESTMENT EXPERIENCE

**STEPHEN O'NEIL**  
EXECUTIVE DIRECTOR / ANALYST  
34 YEARS INVESTMENT EXPERIENCE

**KAREN RAMLOGAN**  
MANAGING DIRECTOR / INVESTMENT OPERATIONS  
17 YEARS TRADING/OPERATIONS EXPERIENCE

**KRITI JAIN, CFA**  
VICE PRESIDENT / ANALYST  
5 YEARS INVESTMENT EXPERIENCE

**ERIK NORGAARD**  
ANALYST  
1 YEAR INVESTMENT EXPERIENCE

**BROOKS CULLEN, CFA**  
EXECUTIVE DIRECTOR / VICE CHAIRMAN  
29 YEARS INVESTMENT EXPERIENCE

**JENNIFER CHANG**  
EXECUTIVE DIRECTOR / ANALYST  
20 YEARS INVESTMENT EXPERIENCE

**TIMOTHY A. CORDLE**  
MANAGING DIRECTOR / ANALYST  
26 YEARS INVESTMENT EXPERIENCE

**MICHAEL KELLY, CFA**  
VICE PRESIDENT / DIRECTOR OF RESEARCH  
15 YEARS INVESTMENT EXPERIENCE

**MICHEAL GALLANT, CFA**  
VICE PRESIDENT / DIRECTOR OF RESEARCH  
16 YEARS INVESTMENT EXPERIENCE

**ANUCA LAUDAT, CFA**  
SR. VICE PRESIDENT / ANALYST  
7 YEARS INVESTMENT EXPERIENCE

**ERIK SCHAFFER**  
ASSISTANT VICE PRESIDENT / ANALYST  
12 YEARS INVESTMENT EXPERIENCE

**JASON STEINBERG**  
ANALYST  
2 YEARS INVESTMENT EXPERIENCE

**WILL BRUCE**  
ANALYST  
1 YEAR INVESTMENT EXPERIENCE

### FOOTNOTES:

<sup>1</sup>Includes model program assets of \$10.4 billion as of 06/30/2019. SCCM provides models on the following SMA strategies: High Dividend, International High Dividend, Value Equity, and Global High Dividend.

### DISCLOSURE:

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The primary benchmarks used for comparison purposes are the total return indices for the S&P 500 Index and the Russell 2000 Value Index. The S&P 500 Index is the commonly used measure of the broad U.S. stock market. The Russell 2000 Value Index measures the performance of large-cap U.S. value stocks. The Russell 2500 Value Index measures the performance of small-cap US value stocks and is used for comparison purposes. Please refer to performance disclosure included with this presentation.

Returns are expressed in US dollars. Gross of fee performance is calculated gross of management fees and custodian fees and net of transaction costs. Net of fee performance is calculated net of actual management fees and transaction costs but gross of custodian fees. Past performance does not guarantee future results. Individual account performance will not match the composite and will depend upon various factors including market condition at the time of investment. Returns reflect the reinvestment of dividends and other earnings. It should not be assumed that recommendations made in the future will be as profitable or surpass the historical performance of the securities in the composite.

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