

# 4Q 2019

# SCHAFFER | CULLEN

CAPITAL MANAGEMENT

## FIRM PROFILE

Independent & Registered  
Investment Advisor

36 Years of Experience as a Value  
Investment Management Firm

Approx. \$22.0 Billion<sup>1</sup>  
Assets Under Advisement

**64 Employees**  
18 Investment  
23 Client Service  
23 Operational

## STRATEGIES

### ► Value Equity

International High Dividend  
Value Equity

High Dividend Value Equity

## STYLE

Value

## BENCHMARKS

Russell 1000 Value

S&P 500 Index

## OBJECTIVE

Capital Appreciation

## Value Equity

### STRATEGY OVERVIEW

The value investment philosophy of Schafer Cullen Capital Management was formulated in 1983 when we began managing our first investment portfolio. Fundamental to our philosophy is the belief that buying stocks at a low price relative to their earnings produces higher returns over time. The Value Equity strategy has always had a large cap bias; however, the flexibility of the multi-cap structure has provided a positive impact on performance.

History shows that a disciplined value strategy of selecting stocks at low prices relative to their earnings holds the promise of better than average market performance over time. For instance, a strategy of buying stocks with low Price/Earnings multiples has substantially outperformed the S&P 500 Index.

Low P/E Investing: Total Return (1968-2013)	Compound Annualized Return
S&P 500 (Bottom 20% by P/E Annual Rebalancing)	14.8%
S&P 500 Index	10.0%

Past performance does not guarantee future results Source: Standard & Poor's Corp.

The stocks selected for our clients' portfolios generally have P/E ratios which are less than the P/E multiple for the S&P 500 Index. The long-term earnings growth prospects for these companies will generally be superior to the earnings growth prospects of the S&P 500 Index. In addition to the low P/E and high earnings growth characteristics, portfolio securities must collectively meet quality standards related to their cash flow, debt to capitalization, price to book and return on equity. After identifying these companies, SCCM invests in those that will benefit from specific catalysts that will drive earnings growth and P/E multiple expansion.

Properly implemented on a highly disciplined and fully invested basis, this strategy has provided above average performance in rising markets, some measure of downside price protection in falling markets and substantially better than average results over a full stock market cycle.

# Value Equity

## INVESTMENT DECISION PROCESS

### INITIAL SCREEN:

Bottom up approach to security selection which begins with a universe of 3,000 stocks with a market capitalization over \$3 billion. Sector and industry inflection points.

### SCREEN FOR VALUE:

- Price to earnings ratio which is less than the multiple for the S&P 500
- Long-term earnings prospects that are greater than those of the S&P 500

### FUNDAMENTAL RESEARCH:

- Strong balance sheets and high standards with regard to cash flow, debt to capitalization, price to book and return on equity levels
- Leading market share or favorable prospects that are not recognized by the market
- Turnaround situations due to a potentially disposable or improvable business segment
- Meetings and discussions with management, industry analysts, suppliers and customers
- Management commitment to enhancing shareholder value

### PORTFOLIO CONSTRUCTION:

- Diversification across approximately 30-45 stocks with equal weighting
- Diversification across 15-20 industries
- No more than 30% invested in any one sector at cost
- No more than 15% invested in any one industry at cost
- No more than 5% invested in any one stock at cost
- Up to 25% of the portfolio may be invested in ADR's
- Low cash balances

### SELL DISCIPLINE:

- Price objective reached
- Earnings growth does not meet initial expectations
- Deteriorating fundamentals or negative change in business trend
- Variations not justified by long-term earning growth projections

ANNUALIZED RETURNS (%) as of December 31, 2019	QTD	YTD	1 yr	3 yr	5 yr	7 yr	10 yr	Since Inception January-89
Value Equity (Gross)	8.1	24.8	24.8	13.9	10.4	13.2	12.0	10.7
Value Equity (Net)	7.9	24.2	24.2	13.4	9.9	12.6	11.4	10.0
S&P 500 Index	9.1	31.5	31.5	15.3	11.7	14.7	13.6	10.6
Russell 1000 Value Index	7.4	26.6	26.6	9.7	8.3	12.2	11.8	10.3

Past performance does not guarantee future results.

Returns over 1 year are annualized.

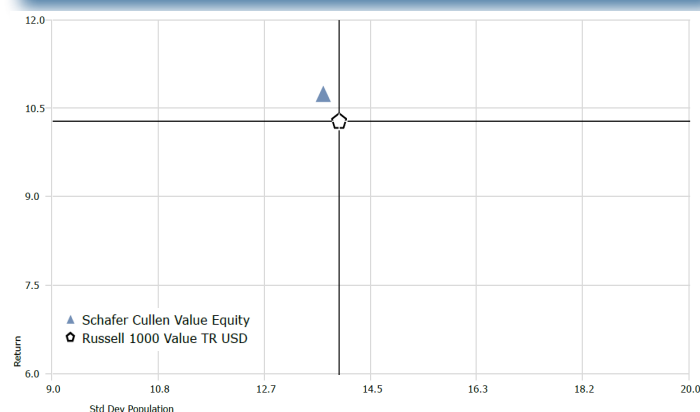
ANNUAL RETURNS (%) period ending 12/31	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Value Equity (Gross)	24.8	-2.8	22.0	12.0	-0.9	10.3	31.9	13.8	1.4	12.6	22.1	-32.0	10.7	20.6	11.0	15.3
Value Equity (Net)	24.2	-3.2	21.5	11.5	-1.5	9.5	31.1	13.2	0.8	11.9	21.2	-32.4	9.9	19.9	10.2	14.4
S&P 500 Index	31.5	-4.4	21.8	12.0	1.4	13.5	32.4	16.0	2.1	15.1	26.5	-37.0	5.5	15.8	4.9	10.9
Russell 1000 Value	26.6	-8.3	13.7	17.3	-3.8	13.5	32.5	17.5	0.4	15.5	19.7	-36.9	-0.2	22.3	7.1	16.5

SECTOR WEIGHTS * (%)	Value Equity	Russell 1000 Value
Communication Services	8.0	8.2
Consumer Discretionary	1.2	5.9
Consumer Staples	5.7	8.9
Energy	5.2	8.2
Financials	26.3	23.9
Health Care	24.2	13.0
Industrials	14.9	9.7
Information Technology	11.1	6.3
Materials	1.4	4.3
Real Estate	0.0	5.2
Utilities	0.0	6.6
Cash	1.9	0.0
Total	100.0	100.0

PORTFOLIO * CHARACTERISTICS	Value Equity	Russell 1000 Value
P/E Ratio (Forward)	15.2	17.8
P/B Value Ratio	3.4	2.6
Dividend Yield	2.6	2.5
LT Debt to Capital	36.1	36.8
Weighted Average Market Cap. (\$Bn)	187.7	131.0
Median Market Cap. (\$B)	126.5	9.9

Source: Bloomberg, 12/31/2019

**VALUE EQUITY  
SINCE INCEPTION RISK RETURN  
ENDING 12/31/2019  
VS. RUSSELL 1000 VALUE \***



TOP TEN HOLDINGS * (%) AS OF 12/31/2019	
JP Morgan Chase	4.1
Bristol-Myers Squibb	3.7
Cisco Systems	3.6
Bank of America	3.5
Merck	3.5
AT&T	3.4
Medtronic	3.3
Raytheon	3.1
Siemens	3.1
Thermo Fisher Scientific	3.1

Since Inception Capture Ratio:	Up-Market ↑	Down-Market ↓
Value Equity	95.92	90.44
Russell 1000 Value	100.0	100.0

## INVESTMENT TEAM

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

**BROOKS CULLEN**  
EXECUTIVE DIRECTOR / VICE CHAIRMAN  
30 YEARS INVESTMENT EXPERIENCE

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

**PRAVIR SINGH, CFA**  
MANAGING DIRECTOR / DIRECTOR OF RESEARCH  
15 YEARS INVESTMENT EXPERIENCE

**BRIAN DRUBETSKY**  
VICE PRESIDENT / ANALYST  
18 YEARS INVESTMENT EXPERIENCE

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

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

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

**ERIK NORGAARD**  
ANALYST  
1 YEAR INVESTMENT EXPERIENCE

**JENNIFER CHANG, CFA**  
EXECUTIVE DIRECTOR / PORTFOLIO MANAGER  
21 YEARS INVESTMENT EXPERIENCE

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

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

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

**MICHAEL GALLANT, CFA**  
VICE PRESIDENT / ANALYST  
17 YEARS INVESTMENT EXPERIENCE

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

**ERIK SCHAFER**  
ASSISTANT VICE PRESIDENT  
13 YEARS INVESTMENT EXPERIENCE

**JASON STEINBERG**  
ANALYST  
2 YEARS INVESTMENT EXPERIENCE

**WILL BRUCE**  
ANALYST  
1 YEAR INVESTMENT EXPERIENCE

<sup>1</sup>Includes model program assets of \$11.4 billion as of 12/31/2019. SCCM provides models on the following SMA strategies: High Dividend, International High Dividend, Value Equity and Global High Dividend.

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