

# 2Q 2020

# SCHAFFER | CULLEN

CAPITAL MANAGEMENT

## FIRM PROFILE

Independent & Registered  
Investment Advisor

36 Years of Experience as a Value  
Investment Management Firm

Approx. \$17 Billion<sup>1</sup>  
Assets Under Advisement

**63 Employees**  
18 Investment  
25 Client Service  
20 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 (1969-2019)	Compound Annualized Return
S&P 500 (Bottom 20% by P/E Annual Rebalancing)	14.7%
S&P 500 Index	10.1%

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 should benefit from specific catalysts that will drive earnings growth and P/E multiple expansion.

Properly implemented on a highly disciplined and fully invested basis, the strategy's competitive, risk-adjusted returns over full market cycles are driven by its strong upmarket capture and consistent down-market protection.

# 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 June 30, 2020	MTD	QTD	YTD	1 YR	3 YR	5 YR	7 YR	10 YR	Since Inception January 1994
Value Equity (Gross)	0.4	14.3	-14.2	-6.5	4.6	6.7	8.8	11.4	10.0
Value Equity (Net)	0.4	14.1	-14.4	-6.9	4.1	6.2	8.3	10.8	9.3
Russell 1000 Value	-0.7	14.3	-16.3	-8.8	1.8	4.6	7.1	10.4	9.5
S&P 500 Index	2.0	20.5	-3.1	7.5	10.7	10.7	12.1	14.0	10.3

\*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
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
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

Past performance is no guarantee of future results.

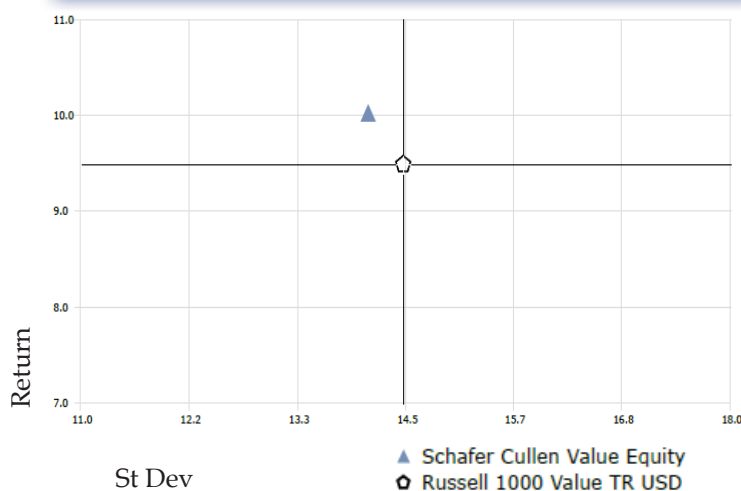
SECTOR WEIGHTS * (%)	Value Equity	Russell 1000 Value
Communication Services	6.0	9.3
Consumer Discretionary	3.8	7.0
Consumer Staples	6.1	8.1
Energy	4.8	5.3
Financials	20.6	18.5
Health Care	25.4	14.1
Industrials	18.1	12.3
Information Technology	10.9	10.2
Materials	1.9	4.5
Real Estate	0.0	4.7
Utilities	0.0	5.9
Cash	2.2	0.0
Total	100.0	100.0

PORTFOLIO * CHARACTERISTICS	Value Equity	Russell 1000 Value
P/E Ratio (Forward)	16.3	19.7
P/B Value Ratio	3.5	2.3
Dividend Yield	3.1	2.8
LT Debt to Capital	36.0	37.8
Weighted Average Mkt Cap. (\$B)	154.9	115.9
Median Market Cap. (\$B)	104.2	9.1

Source: SCCM, Bloomberg 6/30/2020

TOP TEN HOLDINGS * (%)	
Morgan Stanley	3.8
Cisco Systems Inc.	3.8
Merck & Co. Inc.	3.8
Siemens AG (ADR)	3.8
Bristol-Myers Squibb Co.	3.7
Chubb Ltd.	3.3
Thermo Fisher Scientific Inc.	3.3
The Travelers Companies Inc.	3.1
The Allstate Corp.	3.0
JP Morgan Chase & Co.	3.0

**VALUE EQUITY  
SINCE INCEPTION RISK-REWARD  
ENDING 6/30/2020  
RUSSELL 1000 VALUE INDEX \***



Since Inception Capture Ratio:	Up-Market ↑	Down-Market ↓
Value Equity	95.85	90.36
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

**JASON STEINBERG**  
ANALYST  
2 YEARS 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 / DIRECTOR OF RESEARCH  
17 YEARS INVESTMENT EXPERIENCE

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

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

**VAISHALI LARA KATHURIA**  
ASSISTANT VICE PRESIDENT / ANALYST  
4 YEARS INVESTMENT EXPERIENCE

**ERIK NORGAARD**  
ANALYST  
1 YEAR INVESTMENT EXPERIENCE

<sup>1</sup>Includes model program assets of \$9 billion as of 6/30/2020. SCCM provides models on the following SMA strategies: High Dividend, International High Dividend, Value Equity and Global High Dividend.<sup>2</sup>Source: Capital IQ, Standard & Poors, SCCM Research, June 30, 2019.

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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 1000 Value Index. S&P 500 is commonly used measure of broad US stock market and Russell 1000 Value measures the performance of large-cap US Cap Value stocks.

Returns are expressed in U.S. 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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To receive additional information, please contact us at:

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