



Investment Process Overview & Portfolio Characteristics

Valuation - BI&R implements Barksdale’s interpretation of business valuation ideas expressed by Warren Buffett in his 1976 article entitled “How Inflation Swindles the Equity Investor.” We determine the value of ownership in a business given its ability to a) earn a high return on invested capital, b) reinvest those earnings productively for growth, and c) do so for an extended period. Unlike conventional investment approaches that try to predict future earnings and ignore the value of growth, BI&R focuses on the long-term value of a business’s economic structure. In doing so, BI&R’s robust valuation approach tries to overcome the failings of conventional valuation tools, such as price/earnings, price/book, and dividend yield.

Avoiding “Cheap Companies” Unlikely To Grow - BI&R seeks to avoid companies that appear cheap using common financial measures, but which are unlikely to resume or sustain growth. In doing so, BI&R looks for markers of companies with poor structural or managerial health.

Diversification - BI&R model portfolios are typically diversified relatively evenly over 35-40 firms, with sector limits to prevent over-betting of beliefs. Typical position sizes are 2%-4%, with a maximum of 6%.

Portfolio Characteristics

Barksdale’s portfolio holdings have exhibited consistent characteristics over time, namely, above-average returns on assets, long-term growth, and low levels of debt. These characteristics provide confidence that our holdings are better equipped than most to survive difficult times, protecting against permanent loss of capital.

Key Characteristics 12/31/2019 ¹		
	BI&R	R1000V
Market Cap Size	180	131
Forward P/E (Est)	13.4	18.1
Dividend Yield	2.2%	2.5%
Dividend Growth ²	11.6%	8.8%
Net Debt / EBITDA ³	2.30	2.90
Return on Capital	12.5%	5.0%
Return on Assets	8.2%	5.0%

¹See Disclosures
²Last 10 Years
³Net Debt After Cash & Investments

BI&R portfolios typically reflect:

- ◀ Above-market long-term Growth
- ◀ Below-market Debt, and
- ◀ Above-market Return on Capital

¹Barksdale Investment & Research publishes model portfolios, does not tailor holdings to individual circumstances, and is not a Registered Investment Advisor with the SEC or any State Securities Administrator. Characteristics reflect BI&R’s U.S. Equity Value Model Portfolio (EVMP) as of December 31, 2019. Differences in portfolio implementation by individual subscribers may result in portfolios with different characteristics and risk profiles. To reduce the effects of large numbers, all figures are medians. The above statistics are only a subset of the metrics evaluated during the investment research process.

BI&R’s EVMP holdings and weights are detailed on the reverse side of sheet. Sectors are assigned using Standard & Poor’s Primary Industry GIC’s classification. Sums may not equal 100% due to rounding. R1000V refers to iShares Russell 1000 Value ETF (TICK: IWD), intellectual property of BlackRock Asset Management. Any comparison with the R1000V ETF is for information purposes only, and BI&R portfolios may include securities outside of the R1000V. All of BI&R’s EVMP holdings are also owned by BI&R principals. Models are updated daily, and are subject to change. Investments in any security, including individual stocks and ETFs, are not insured and involve risk.

BI&R U.S. Equity Value Model Portfolio¹

December 31, 2019

	% Model	R1000V	Over / Under		% Model	R1000V	Over / Under
Financials	27.4%	23.9%	3.5%	Communication Services	15.5%	8.2%	7.3%
American Express	3.7%			BT Group	2.3%		
Franklin Resources	1.1%			Facebook	3.7%		
Eaton Vance	2.6%			Alphabet	4.1%		
KeyCorp	1.6%			ViacomCBS	3.2%		
PNC Financial	2.1%			WPP	2.2%		
Truist Banks	1.7%						
State Street Corporation	2.9%			Consumer Staples	7.7%	8.9%	-1.2%
T. Rowe Price Group	3.9%			Ingredion	2.2%		
The Travelers Companies	1.4%			Kroger	4.3%		
U.S. Bancorp	3.6%			Molson Coors Brewing	1.2%		
Wells Fargo & Company	2.8%						
				Industrials	7.6%	9.7%	-2.1%
Information Technology	18.2%	6.3%	11.9%	ManpowerGroup	2.2%		
Cognizant Technology	2.4%			MSC Industrial Direct	2.7%		
Apple	3.1%			United Parcel Service	2.7%		
Infosys Limited	3.3%						
Intel	3.6%			Health Care	8.2%	13.0%	-4.8%
IPG Photonics	2.5%			Cigna	3.4%		
QUALCOMM	1.8%			McKesson	1.4%		
Taiwan Semiconductor	1.5%			CVS Health	3.4%		
Consumer Discretionary	2.5%	5.9%	-3.4%	Energy	0.0%	8.2%	-8.2%
Booking Holdings	2.5%			Materials	0.0%	4.3%	-4.3%
				Real Estate	0.0%	5.2%	-5.2%
				Cash	13.0%	0.0%	13.0%

BI&R Value Model Portfolio Sector % Versus R1000 Value ETF¹

