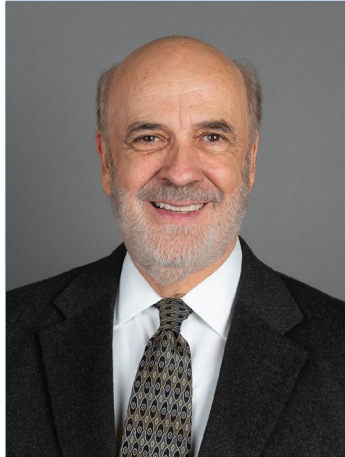




**BARKSDALE INVESTMENT & RESEARCH**  
*Valuing Growth | Growing Values*

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### **James F. Barksdale – President & Founder**

- MBA in Finance - Wharton School of Finance
- Influenced by Buffett’s 1977 article “How Inflation Swindles the Equity Investor”<sup>1</sup>
- Founder, CIO, President of Equity Investment Corporation (1/1/1986 to 9/30/2016)
- Managed 7 strategies over different periods. Each outpaced passive benchmark



### **Joyce Michels – Director - Operations**

- BS in Mathematics - SUNY Stony Brook
- Computer analyst in aerospace industry.
- EIC’s first employee – 28-year tenure
- Headed EIC’s operations, trading, compliance, accounting & business management



### **Jessica Griner – Director - Corporate Accountability**

- BS in Environmental Studies - Emory University.
- Developed EIC’s Environmental, Catholic, Protestant, and Human Rights screening criteria
- Managed the proxy voting for socially responsible accounts



## Philosophy

- 1. Growth is Essential For Value – Buffett Reinvestment Privilege**
- 2. Alpha Lies in Time Horizon – Structure Outlasts Information**
- 3. Protect Against Permanent Loss – Inflation & Insolvency**



## Process

### 1. Valuation

- Value a business as a long-term owner
- Value driven by business ability to
  - a. Earn a high return on invested capital
  - b. Reinvest earnings productively for growth
  - c. Over an extended time period

### 2. Value-Trap Avoidance

- Graphical financial analysis
- Highlight footprints of poor structural or managerial health

### 3. Diversification

- 35-40 stocks
- 6% max position size
- 20% sector limit



## Portfolio Characteristics

Key Characteristics <sup>2</sup>		
December 31, 2020		
	<u>BI&amp;R</u>	<u>R1000 Value</u>
Market Cap (\$, Bil.)	110.3	133.8
Active Share	92%	-
Forward P/E	14.3X	22.6X
Dividend Yield	2.0%	2.2%
Dividend Growth (10 Yr.) <sup>A</sup>	12.7%	11.6%
Net Debt / EBITDA Multiple <sup>B</sup>	2.5X	3.4X
Return on Assets (5 Yr. Avg)	6.9%	5.4%

<sup>A</sup> Last 10 years  
<sup>B</sup> Net debt after cash and investments  
 Source: Capital IQ Portfolio Analytics

- More Growth
- Less Debt
- High ROA & ROIC

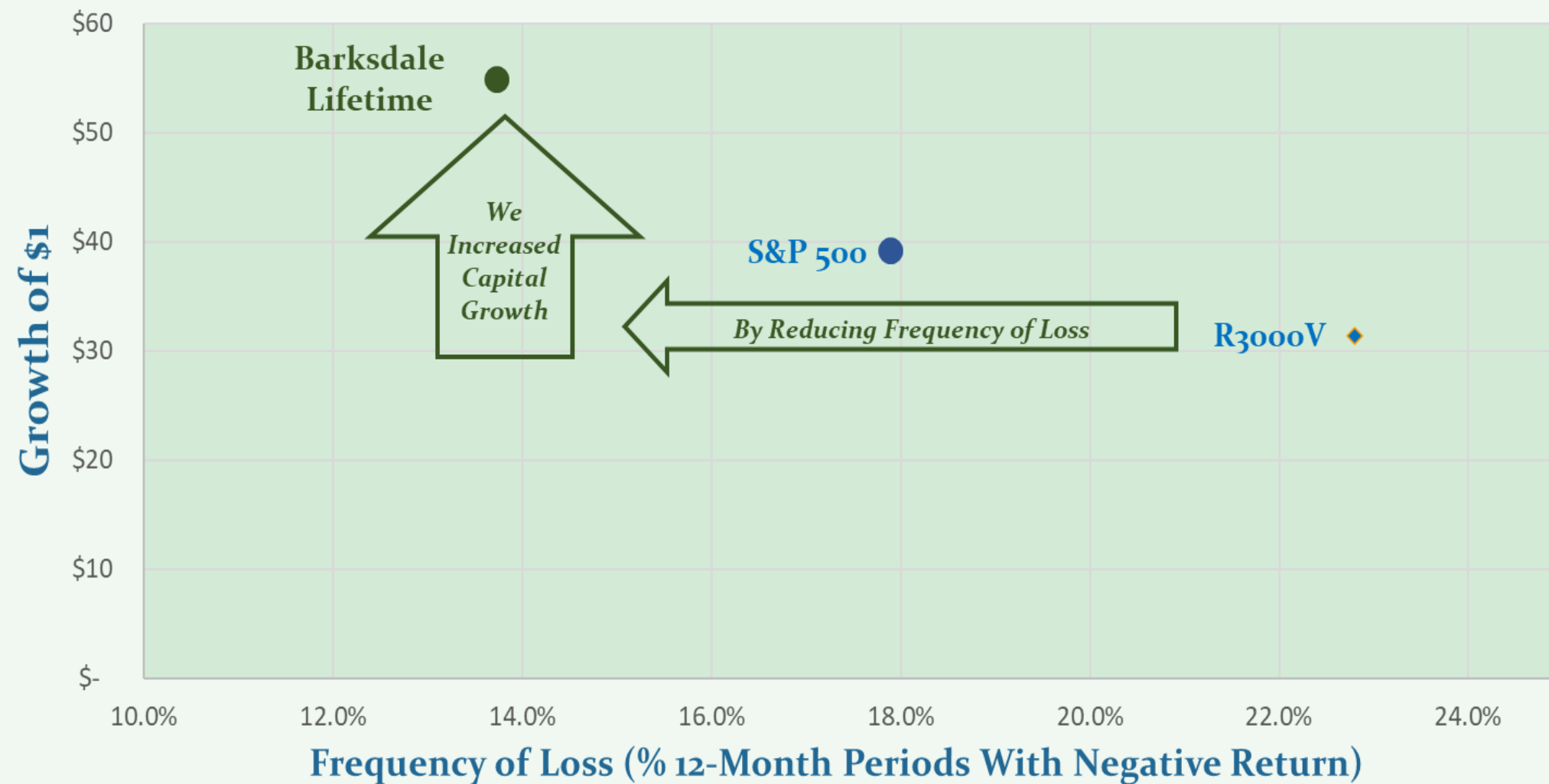


## Performance

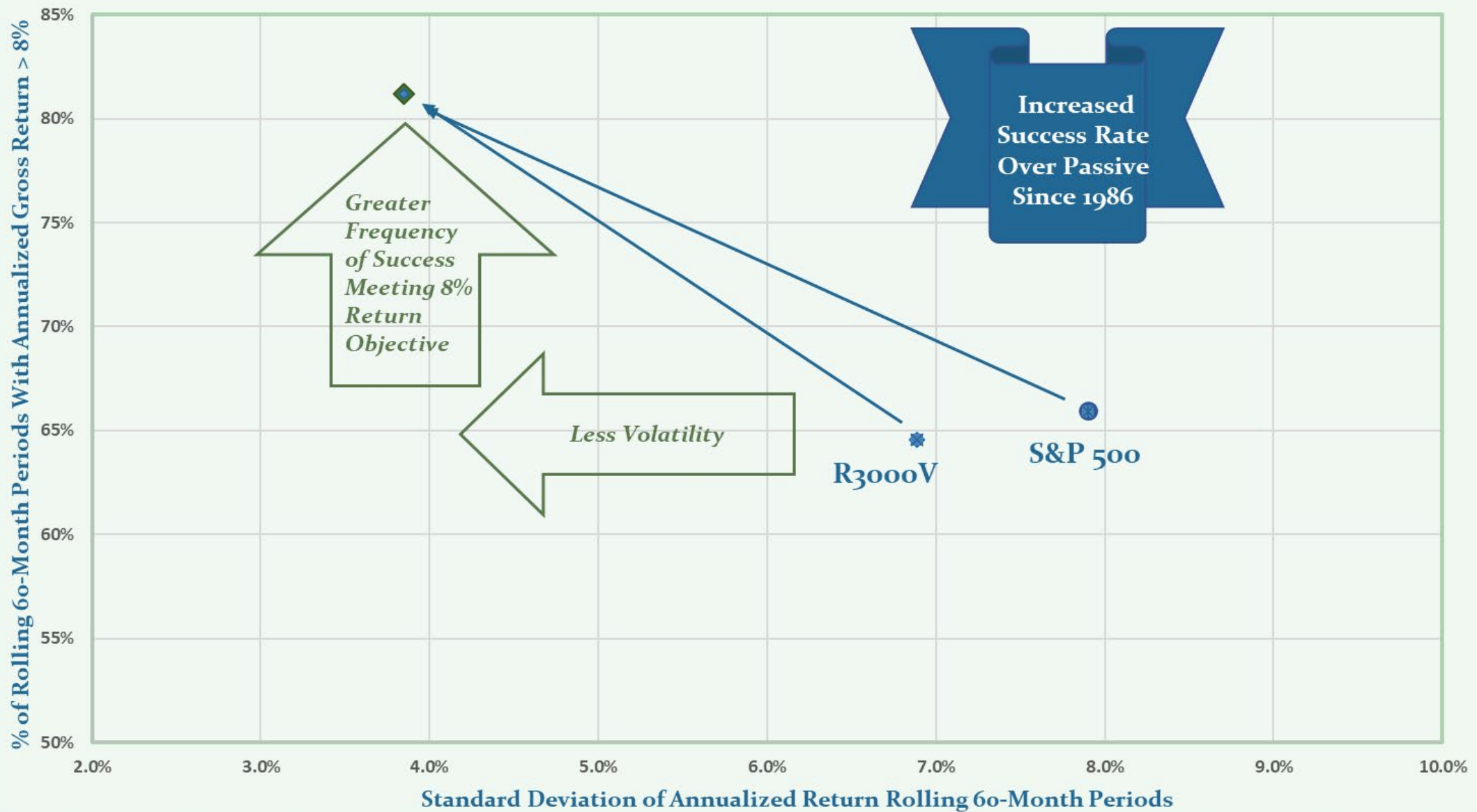
<b>Barksdale-Managed Portfolio Returns Since 1986 <sup>3</sup></b>			
<b>(Gross of Fees)</b>			
	<u>Barksdale</u>	<u>R3000V</u>	<u>S&amp;P 500</u>
<b><u>ACV At 1986-EIC (January 1, 1986 - September 30, 2016)</u></b>			
<b>Cumulative</b>	<b>3030.8%</b>	<b>2073.9%</b>	<b>1980.0%</b>
<b>Annualized</b>	<b>11.9%</b>	<b>10.5%</b>	<b>10.4%</b>
<b><u>Since October 1, 2016</u></b>			
<b>Q4 2016</b>	8.0%	7.2%	3.8%
<b>2017</b>	17.6%	13.2%	21.8%
<b>2018</b>	-7.6%	-8.6%	-4.4%
<b>2019</b>	29.6%	26.3%	31.5%
<b>2020</b>	<u>15.3%</u>	<u>2.9%</u>	<u>18.4%</u>
<b>Cumulative</b>	<b>75.4%</b>	<b>44.2%</b>	<b>88.3%</b>
<b>Annualized</b>	<b>14.1%</b>	<b>9.0%</b>	<b>16.1%</b>
<b><u>Barksdale All-Cap Value Since 1986</u></b>			
<b>Cumulative</b>	<b>5389.9%</b>	<b>3034.3%</b>	<b>3817.5%</b>
<b>Annualized</b>	<b>12.1%</b>	<b>10.3%</b>	<b>11.0%</b>



### Growth Vs. Frequency of Loss <sup>4</sup> (January 1, 1986 - December 31, 2020)



**Frequency of Success Meeting 8% Return Objective <sup>5</sup>**  
**All-Cap Value Results (Gross) Over Rolling 60-Month Periods**  
**(January 1, 1986 - December 31, 2020)**







## Potential Model Delivery Pathways

1. Discretionary Advisors
2. Corporate Platform Models
3. Approved SMA Managers



BI&R U.S. All-Cap Value Model Portfolio							
December 31, 2020							
	BI&R	R1000 V	+/-		BI&R	R1000 V	+/-
<b>FINANCIALS</b>	<b>32.0%</b>	<b>19.6%</b>	<b>12.5%</b>	<b>INFORMATION TECHNOLOGY</b>	<b>9.5%</b>	<b>9.7%</b>	<b>(0.2%)</b>
<u><b>Banks</b></u>	<b>7.5%</b>	<b>7.7%</b>		Arista Networks	2.5%		
PNC Financial Services	2.5%			Intel Corporation	2.5%		
U.S. Bancorp	2.5%			Cognizant Technology Solution:	2.0%		
Wells Fargo & Company	2.5%			Cisco Systems	2.5%		
<u><b>Insurance</b></u>	<b>8.0%</b>	<b>3.5%</b>		<b>HEALTH CARE</b>	<b>12.8%</b>	<b>13.4%</b>	<b>(0.7%)</b>
Aflac, Inc.	3.5%			Cigna Corporation	3.5%		
Globe Life Inc.	2.5%			CVS Health Corporation	3.5%		
The Travelers Companies, Inc.	2.0%			McKesson Corporation	3.5%		
<u><b>Capital Markets</b></u>	<b>15.5%</b>	<b>4.3%</b>		Laboratory Corp. of America	2.3%		
Federated Hermes, Inc.	3.0%			<b>INDUSTRIALS</b>	<b>12.3%</b>	<b>13.4%</b>	<b>(1.2%)</b>
Invesco	3.0%			United Parcel Service, Inc.	1.0%		
Northern Trust	2.0%			MSC Industrial Direct Co., Inc.	3.0%		
Raymond James Financial, Inc.	2.5%			3M Company	2.5%		
State Street Corporation	2.5%			WESCO International, Inc.	2.8%		
T. Rowe Price Group, Inc.	2.5%			General Dynamics	3.0%		
<u><b>Consumer Finance</b></u>				<b>COMMUNICATION SERVICES</b>	<b>13.3%</b>	<b>9.6%</b>	<b>3.6%</b>
American Express Company	1.0%	1.2%		Facebook, Inc.	2.8%		
<b>CONSUMER DISCRETIONARY</b>	<b>7.8%</b>	<b>7.6%</b>	<b>0.1%</b>	Alphabet Inc.	3.0%		
BorgWarner Inc.	2.8%			AMC Networks	2.5%		
Alibaba Group Holding Limited	2.5%			Discovery, Inc.	2.5%		
Mohawk Industries	2.5%			ViacomCBS Inc.	2.5%		
<b>CONSUMER STAPLES</b>	<b>9.0%</b>	<b>7.6%</b>	<b>1.4%</b>	<b>ENERGY</b>	<b>2.8%</b>	<b>4.4%</b>	<b>-1.6%</b>
Altria	3.3%			Marathon Petroleum Corporatio	2.8%		
Kroger	3.8%			<b>UTILITIES</b>	<b>0.0%</b>	<b>5.5%</b>	<b>-5.5%</b>
Molson Coors Beverage Company	2.0%			<b>MATERIALS</b>	<b>0.0%</b>	<b>4.8%</b>	<b>-4.8%</b>
<b>CASH</b>	<b>0.8%</b>	<b>0.0%</b>	<b>0.8%</b>	<b>REAL ESTATE</b>	<b>0.0%</b>	<b>4.4%</b>	<b>-4.4%</b>

Source: S&P Capital IQ, as of December 31, 2020



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## Disclosures

<sup>1</sup> Warren Buffett, "How Inflation Swindles the Equity Investor," Fortune Magazine, May 1977, <https://fortune.com/2011/06/12/buffett-how-inflation-swindles-the-equity-investor-fortune-classics-1977/>

<sup>2</sup> Source: Standard & Poor's Capital IQ - Characteristics reflect BI&R's U.S. All-Cap Value Model Portfolio (ACV) as of December 31, 2020. Differences in portfolio implementation by individual subscribers may result in portfolios with different characteristics and risk profiles. The above statistics are only a subset of the metrics evaluated during the investment research process.

<sup>3</sup> **BI&R only advertises results for strategies and periods in which Jim Barksdale was Controlling Manager.** In the Horizon Asset Management LLC SEC No-Action letter (available September 13, 1996, (<https://www.sec.gov/divisions/investment/noaction/1996/horizonasset091396.pdf>)), the Controlling Manager is the individual who holds final authority for investment decisions for a firm or strategy. When one firm wishes to advertise the performance achieved at another, but the investment committee changes, this guidance requires continuity of the investment decision-making authority across firms to prevent violations of the SEC Rule 206(4)-1(a)(5) (The Advertising Rule). The Horizon letter explains that continuity of all investment committee members between firms is not necessary so long as there is continuity of the individual who held final decision-making authority in a team setting where a consensus of committee members was not required for investment decisions, that is, the Controlling Manager.

Jim Barksdale was Controlling Manager at the original Equity Investment Corporation (1986-EIC) - from January 1, 1985, through September 30, 2016, holding and exercising sole veto and decision authority over investment decisions for all of 1986-EIC's investment strategies. The firm was formed and registered (CRD # 108510 / SEC # 801-27781) in 1986. During this time, the firm's All-Cap Value strategy earned 11.9% per year versus 10.5% and 10.4%, respectively, for the benchmark Russell 3000<sup>®</sup> Value and S&P 500<sup>®</sup> indices, based on monthly gross returns reported to Morningstar.

Barksdale was assisted by three additional investment team members who joined 1986-EIC in 1999, 2003, and 2005. These individuals formed and registered BZI Partners (CRD# 283930/SEC#: 801-107945) in May 2016. Subsequent name changes led to it being renamed Equity Investment Corporation on October 4, 2016 (2016-EIC). Barksdale was not on 2016-EIC's investment team for unrestricted strategies (All-Cap Value, Large-Cap Value, and Mid-Cap Value) nor involved in subsequent investment decisions for these strategies. However, Barksdale continued as Controlling Manager for four socially responsible restricted strategies (Environmental, Human Rights, Catholic, and Protestant).

## Disclosures

<sup>3</sup> (cont'd) BI&R advertises results from the least-restrictive of these strategies (Protestant Value) from October 1, 2016, until December 31, 2018. During this period, 2016-EIC's composites for the Environmental, Human Rights, Catholic, and Protestant strategies increased 17.0%, 14.6%, 16.9%, and 17.6%, respectively, versus 11.3% for the Russell 1000 Value index. The Protestant Value portfolio included in BI&R's results earned 17.3%, slightly less than 2016-EIC's Protestant Value composite.

Since January 1, 2019, the results are those of a separately managed account whose holdings and weightings follow BI&R's recommended U.S. All-Cap Value Model Portfolio. **BI&R's results since October 1, 2016, have been independently certified following a review by The Spaulding Group to ensure the firm's policies, procedures, and performance results follow industry advertising guidelines and best practices. A copy of their review and certification is available upon request.**

All figures are time-weighted returns, gross of management, or administrative expenses. Cumulative results include reinvestment of dividends. Past results do not imply nor guarantee future results. Barksdale Investment & Research publishes model portfolios, does not tailor investments to client circumstances, and is not a Registered Investment Advisor. Subscriber results may vary depending on the individual implementation of published model portfolios. All investing involves risk, including the risk of loss.

<sup>4</sup> Growth of \$1 illustrates the growth in an initial investment of \$1, including reinvestment of dividends and distributions, gross of management fees. Frequency of loss is based on 408 rolling 12-month periods since December 31, 1985 <sup>3</sup>.

<sup>5</sup> Frequency of earning an annualized return greater than 8% (gross) is based on 361 rolling 60-month periods since December 31, 1985 <sup>1</sup>. Standard deviation is a measure of volatility, with a higher figure denoting wider variation in outcomes and greater risk.