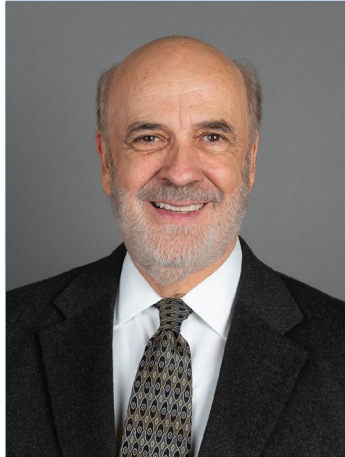




**BARKSDALE INVESTMENT & RESEARCH**  
*Valuing Growth | Growing Values*

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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

<b>Key Characteristics <sup>2</sup></b>		
September 30, 2020		
	<b>BI&amp;R</b>	<b>R1000 Value</b>
Market Cap (\$,Bil.)	121.7	122.2
Active Share	92%	-
Forward P/E	11.8	21.6
Dividend Yield	2.2%	2.5%
Dividend Growth (10 Yr.) <sup>A</sup>	13.0%	11.7%
Net Debt / EBITDA Multiple <sup>B</sup>	2.3	3.2
Return on Assets (5 Yr. Avg)	6.9%	5.7%
<sup>A</sup> Last 10 years		
<sup>B</sup> Net debt after cash and investments		

**More Growth**  
**Less Debt**  
**High ROA & ROIC**



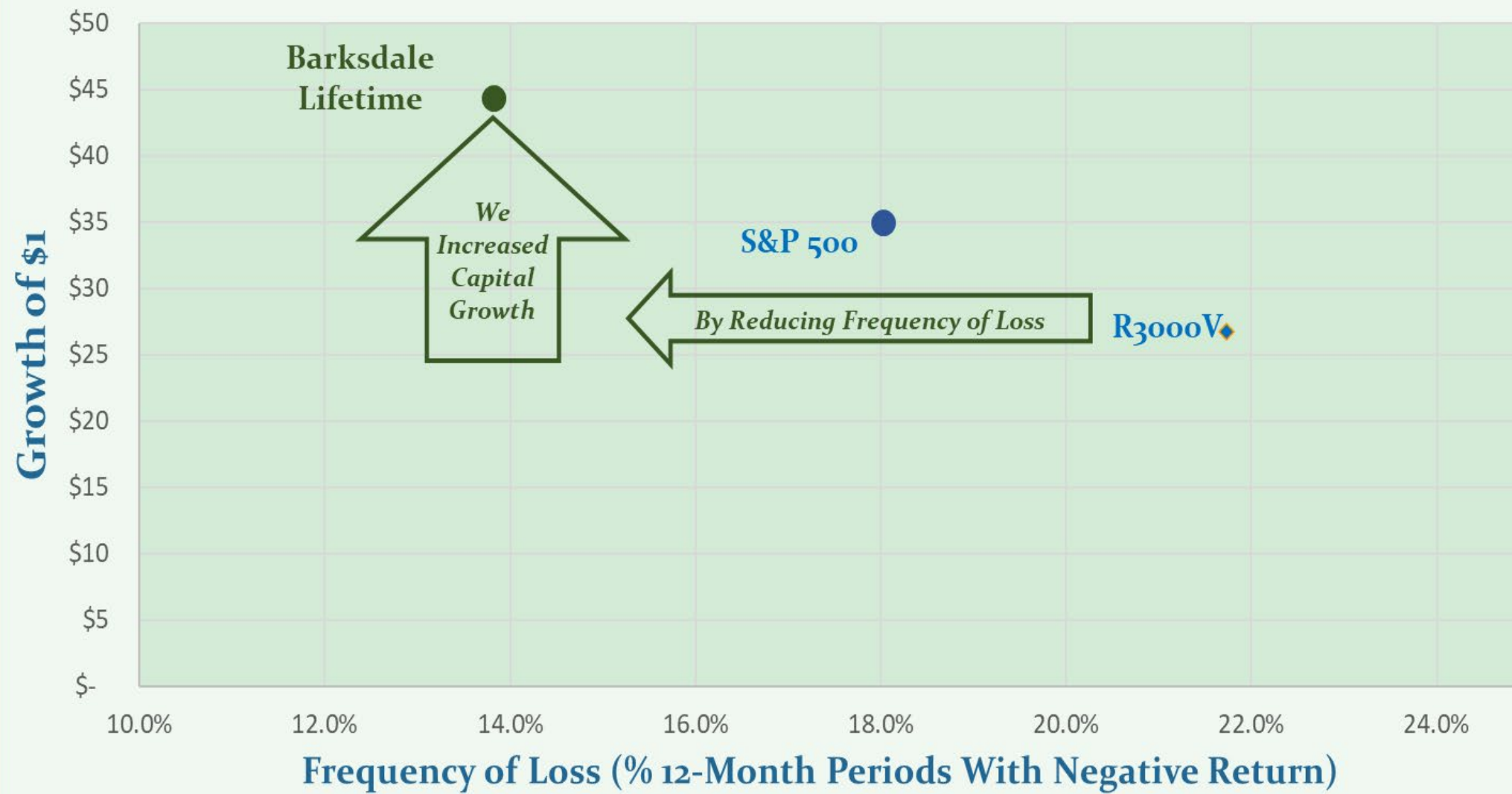
## Performance

(Gross of Fees)\*

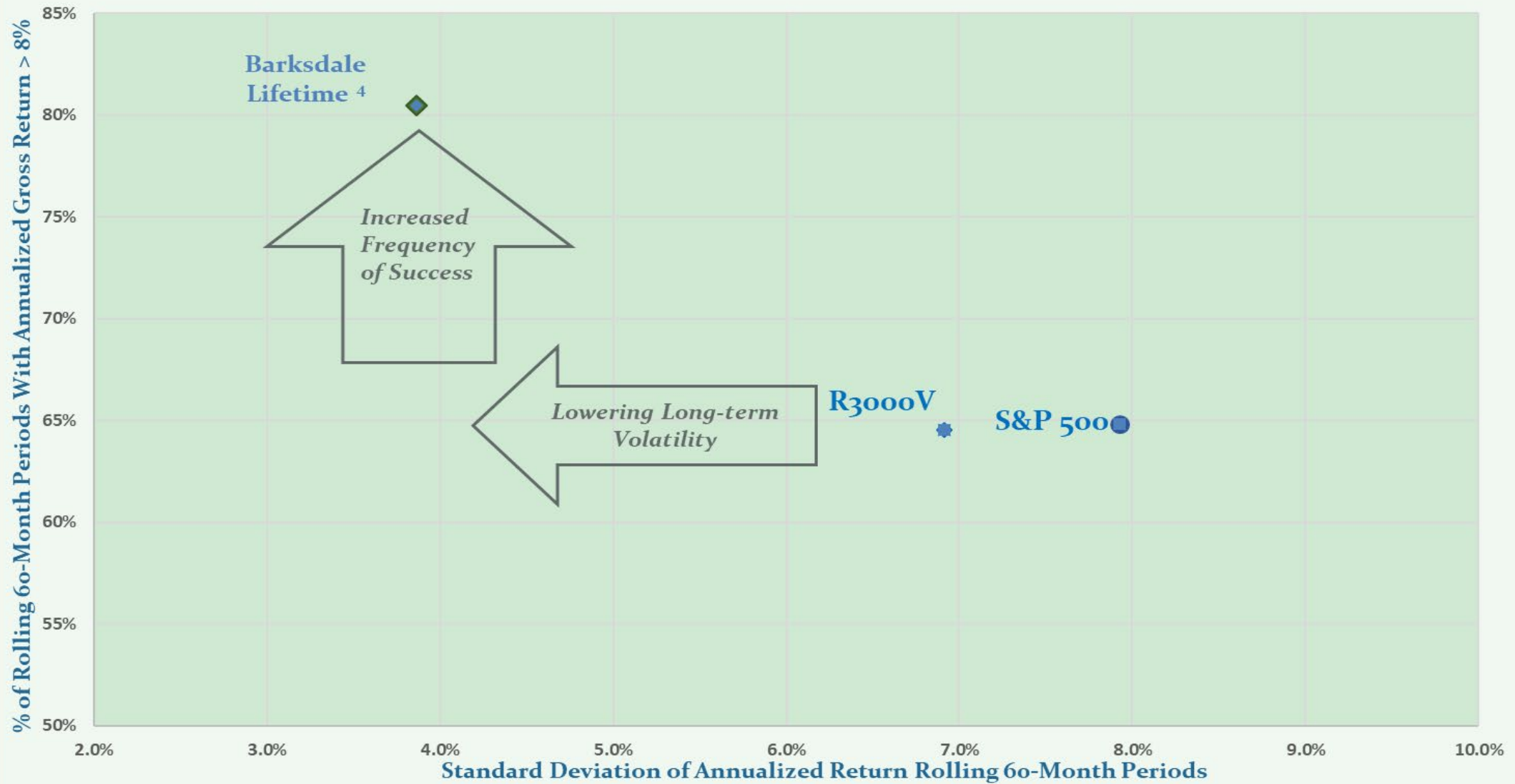
<b>Barksdale Gross Returns Since 1986</b>				
	<u>Barksdale</u>	<u>R3000V</u>	<u>S&amp;P 500</u>	
<b>As EIC CIO</b>	<u>EIC All-Cap Value During Barksdale Tenure as "Controlling Manager" <sup>4</sup></u>			
	<b>(January 1, 1986 - September 30, 2016)</b>			
	<b>Cumulative</b>	<b>3030.8%</b>	<b>2073.9%</b>	<b>1980.0%</b>
	<b>Annualized</b>	<b>11.9%</b>	<b>10.5%</b>	<b>10.4%</b>
<b>Since Change in EIC's Investment Team:</b>	<u>Barksdale Managed Portfolios Since October 1, 2016</u>			
	<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 Q1</b>	-26.1%	-27.3%	-19.6%
	<b>Q2</b>	20.2%	14.6%	20.5%
	<b>Q3</b>	<u>4.9%</u>	<u>5.4%</u>	<u>8.9%</u>
	<b>YTD</b>	<b>-6.9%</b>	<b>-12.2%</b>	<b>5.6%</b>
		<b>Cumulative</b>	<b>41.6%</b>	<b>23.0%</b>
	<b>Annualized</b>	<b>9.1%</b>	<b>5.3%</b>	<b>13.8%</b>
<b>Barksdale Lifetime</b>	<u>Barksdale Lifetime As "Controlling Manager" <sup>4</sup></u>			
	<b>Cumulative</b>	<b>4333.9%</b>	<b>2573.8%</b>	<b>3393.2%</b>
	<b>Annualized</b>	<b>11.5%</b>	<b>9.8%</b>	<b>10.7%</b>

\* Actual results, gross of fees, see disclosures 3 & 4

**Growth Vs. Frequency of Loss <sup>4,5</sup>**  
**(January 1, 1986 - September 30, 2020)**



**Lowering Volatility Increases Frequency of Successful Outcome\***  
 (\* >8% Annual Return Over Rolling 60-Month Periods <sup>6)</sup>  
 (January 1, 1986 - September 30, 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

September 30, 2020

	BI&R	R1000 V	+ / -		BI&R	R1000 V	+ / -
<b>FINANCIALS</b>	<b>34.1%</b>	<b>18.5%</b>	<b>15.6%</b>	<b>INFORMATION TECHNOLOGY</b>	<b>9.0%</b>	<b>10.2%</b>	<b>(1.2%)</b>
<u><b>Banks</b></u>	7.5%	7.1%		Infosys Limited	2.0%		
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>	7.0%	3.5%		<b>HEALTH CARE</b>	<b>12.8%</b>	<b>14.1%</b>	<b>(1.4%)</b>
Globe Life Inc.	2.5%			Cigna Corporation	3.5%		
The Travelers Companies, Inc.	2.0%			CVS Health Corporation	3.5%		
Aflac, Inc.	2.5%			McKesson Corporation	3.5%		
<u><b>Capital Markets</b></u>	<b>18.5%</b>	<b>4.1%</b>		Laboratory Corp. of America	2.3%		
Eaton Vance Corp.	3.0%			<b>INDUSTRIALS</b>	<b>13.3%</b>	<b>12.3%</b>	<b>1.0%</b>
Federated Hermes, Inc.	3.0%			United Parcel Service, Inc.	2.0%		
Invesco	3.0%			MSC Industrial Direct Co., Inc.	3.0%		
Northern Trust	2.0%			3M Company	2.5%		
Raymond James Financial, Inc.	2.5%			WESCO International, Inc.	2.8%		
State Street Corporation	2.5%			General Dynamics	3.0%		
T. Rowe Price Group, Inc.	2.5%			<b>COMMUNICATION SERVICES</b>	<b>9.8%</b>	<b>9.3%</b>	<b>0.4%</b>
<u><b>Consumer Finance</b></u>				Facebook, Inc.	2.8%		
American Express Company	1.1%	1.0%		Alphabet Inc.	3.0%		
<b>CONSUMER DISCRETIONARY</b>	<b>7.8%</b>	<b>7.0%</b>	<b>0.8%</b>	AMC Networks	2.0%		
BorgWarner Inc.	2.8%			ViacomCBS Inc.	2.0%		
Genuine Parts Company	0.0%			<b>ENERGY</b>	<b>2.8%</b>	<b>5.3%</b>	<b>-2.6%</b>
Alibaba Group Holding Limited	2.5%			Marathon Petroleum Corporation	2.8%		
Mohawk Industries	2.5%			<b>UTILITIES</b>	<b>0.0%</b>	<b>5.9%</b>	<b>-5.9%</b>
<b>CONSUMER STAPLES</b>	<b>5.0%</b>	<b>8.1%</b>	<b>(3.1%)</b>	<b>MATERIALS</b>	<b>0.0%</b>	<b>4.5%</b>	<b>-4.5%</b>
Kroger	3.0%			<b>REAL ESTATE</b>	<b>0.0%</b>	<b>4.8%</b>	<b>-4.8%</b>
Molson Coors Beverage Company	2.0%			<b>CASH</b>	<b>5.6%</b>	<b>0.0%</b>	<b>5.6%</b>

<sup>1</sup> Source: S&P Capital IQ, as of September 30, 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. Equity Value Model Portfolio (EVMP) as of September 30, 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> Jim Barksdale was "Controlling Manager", holding and exercising sole veto and decision authority over all investment decisions at original-Equity Investment Corporation (registered 1986) from January 1, 1985, through September 30, 2016. 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 Value and S&P 500 indices based on monthly gross returns reported to Morningstar. He was assisted by three additional investment team members who joined original-EIC in 1999, 2003, and 2005. Beginning October 1, 2016, original-EIC's accounts were assigned to a newly registered RIA (BZI Partners, now named Equity Investment Corporation, registered 2016). Barksdale was not on the new firm's investment team for unrestricted strategies (All-Cap Value, Large-Cap Value, and Mid-Cap Value) nor involved in these investment decisions. However, Barksdale continued as Controlling Manager (sole decision authority) over investments for four socially responsible (restricted) strategies (Environmental, Human Rights, Catholic, and Protestant). BI&R advertises results from the least-restrictive of these strategies (Protestant Value). From October 1, 2016, until December 31, 2018, composites at EIC (registered 2016) for its 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. During this period the Protestant Value portfolio that BI&R advertises increased by 17.3%. From January 1, 2019, until September 30, 2020, the results are those of a separately managed account whose holdings and weightings follow BI&R's recommended U.S. Equity All-Cap Value Model Portfolio.

## Disclosures

<sup>3</sup> (cont'd) 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> Barksdale Lifetime links the returns for strategies and periods where Barksdale served as the “Controlling Manager”, consistent with SEC No-Action Letter [Horizon Asset Management \(available September 13, 1996\)](#). The SEC concluded that Horizon Asset’s “Controlling Manager” could advertise results from a predecessor firm even when different team members participated in decisions “if the Controlling Manager is the person actually responsible for making the investment decisions, and those decisions need not be made with the consensus of the other members of the committee.” Barksdale was the “Controlling Manager” over all investment decisions at original-EIC (registered and founded in 1986), and over four socially responsible strategies at today’s-EIC (registered and founded in 2016), and at BI&R (founded 2019).

<sup>5</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 405 rolling 12-month periods since December 31, 1985.

<sup>6</sup> Frequency of annualized return greater than 8% (gross) is based on 358 rolling 60-month periods since December 31, 1985. Standard deviation is a measure of volatility, with a higher figure denoting wider variation in outcomes, or greater risk.