2020 Year-End Quarter Commentary
U.S. All-Cap Value Model Portfolio
January 19, 2021

"You can trust your history" is a phrase of assurance to say: "you've made it through past challenges, you will get through this one too…" 2020's COVID-dominated market was the fourth such challenge navigated since I began investment operations, preceded by the 2008-9 credit collapse, the 2000-2 large-cap/technology bubble, and the 1987 Crash. During each fear created opportunities for active managers, which is why 2020 was our best year of outperformance since 2008-9. Our All-Cap Value (ACV) model increased 23.8% (gross of fees) last quarter [1] versus 17.2% for the Russell 3000® Value benchmark (R3000V). For the year, our ACV model rose 15.3% (gross of fees) versus 2.9% for the R3000V or 12.4% above the benchmark [1]. The similarity to previous crisis markets shows "you can trust our history."

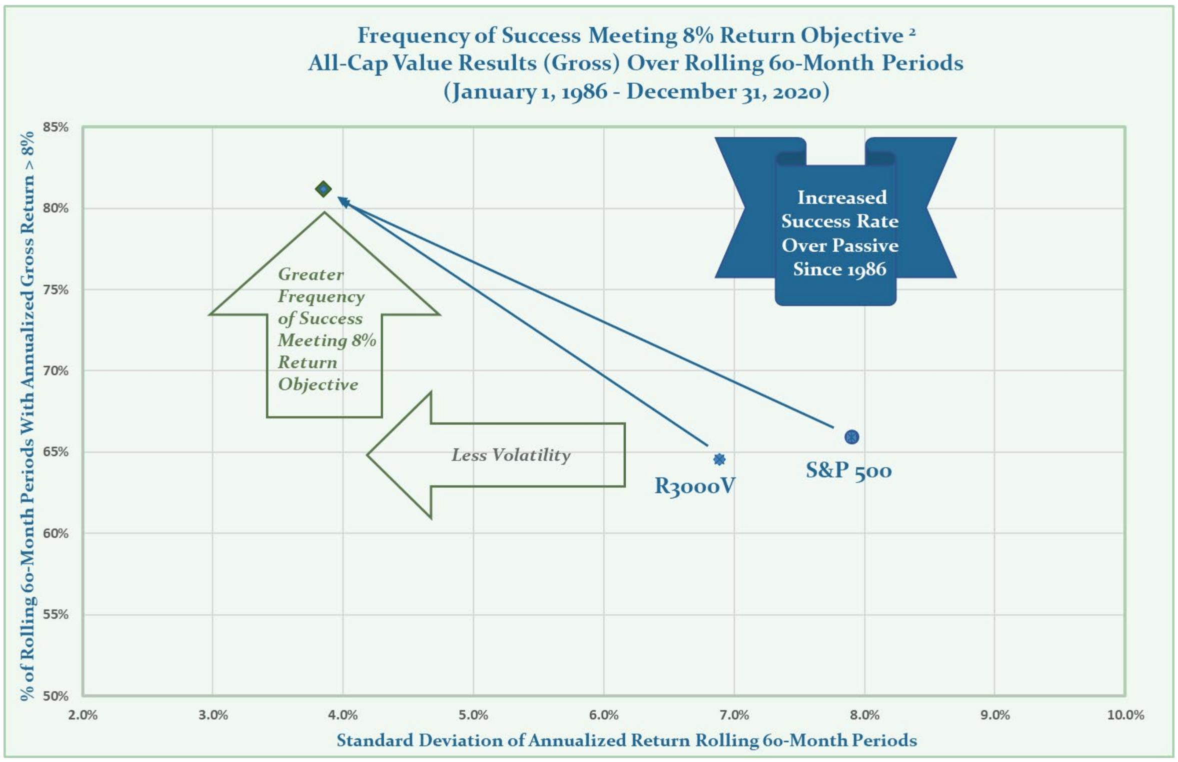
Crisis Navigation History Since 1986 (Gross of Fees) [1]		
Key Event	**Outperformance Vs. R3000V**	
October Crash & Quick Recovery	1987	10.7%
Technology, Internet, & Large-Cap Bubble	2000	10.6%
	2001	21.2%
	2002	11.2%
Housing Bubble & Credit Market Collapse	2008	13.4%
	2009	7.1%
COVID Lockdowns	2020	12.4%

While the value of active management is often questioned, each of the seven investment strategies I have managed since 1986 (including four socially-restricted strategies) outperformed its passive value benchmark during my management. The table below shows the record for the longest-running approach (ACV), divided into my 30 ¾ year period managing original-Equity Investment Corporation's All-Cap Value strategy, and since my role for that strategy ended on October 1, 2016.

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

Our excess return since 1986 over a risk-free rate adjusted for volatility (i.e., "alpha") has been 3.3% and 3.1% per year, respectively, over the R3000V and S&P 500 indices. This has been driven by above-market returns combined with below-market volatility. For example, our annual volatility has been 84% and 80% as much, respectively, as that experienced by passive investors in the R3000V and S&P 500 indices.

Strong returns combined with below-market volatility improves client retention because it increases the odds of success in meeting long-term investment objectives. For example, our approach has provided clients with at least an 8% annualized return (gross of fees) in 81.2% of the 361 rolling 60-month periods since 1986 versus only 64.5% and 65.9% frequency of success if their funds had been invested in the passive R3000V or S&P 500 indices. Thus, while few active managers deliver value versus passive strategies, our approach has significantly improved client success rates in meeting long-term objectives.



Following Growth, Value & Cash Flow During COVID Crisis

2020 provided an excellent example of how business prospects can change with time and how active management can add value. Grocers, technology, shipping, and communications saw dramatically improved prospects, while retailers, restaurants, hospitality, and airlines encountered existential threats. These changes, plus stop-gap government policies to provide economic support, make it particularly difficult to assess normalized earnings power, long-term growth, and value. Amid the many opportunities presented during 2020, we focused on organic growth, cash flow coverage of debt during downturns, and value.

For example, we increased our weighting in the communications sector last quarter, adding to our model weights in AMC Networks and ViacomCBS and starting a new position in Discovery Communications. Reduced advertising and concerns about trends toward streaming sent these firms' stock prices dramatically lower. However, each demonstrated continued positive cash flow while adapting to market changes by introducing streaming access to their content.

We also added a new position in Arista Networks while selling our Infosys position after its price rose 51% during 2020. As a result, our technology exposure remained virtually unchanged from the prior quarter at 9.5%. Arista Networks has no debt and almost $3 billion of cash on hand. While it experienced some order delays due to COVID, its leadership position serving major cloud providers and its roll-out of 400GB internet switch technology should return the firm to double-digit growth.

Finally, we added a new position in Altria and increased our model weights in Aflac and Kroger. Each firm offers modest growth, stable cash flow, and a low stock price versus long-term prospects.

We sold our Eaton Vance position, whose price increased 41% from the year's start partly due to an acquisition agreement with Morgan Stanley. Nonetheless, our 15.5% allocation to the capital markets sector remains one of our largest overweights. Capital-market firms' stock prices were hit hard during the crisis, but their businesses have flexible costs and can remain cash flow positive during downturns. Also, they do not have the credit default risks that are inherent in banks and insurance companies.

Finally, we reduced our weight in UPS, whose stock price had risen 55% during 2020. Our year-end model portfolio appears below.

BI&R U.S. All-Cap Value Model Portfolio

December 31, 2020

	BI&R	R1000 V	+ / -		BI&R	R1000 V	+ / -
FINANCIALS	32.0%	19.6%	12.5%	**INFORMATION TECHNOLOGY**	9.5%	9.7%	(0.2%)
Banks	7.5%	7.7%		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%		
Insurance	8.0%	3.5%		**HEALTH CARE**	12.8%	13.4%	(0.7%)
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%		
				Laboratory Corp. of America	2.3%		
Capital Markets	15.5%	4.3%					
Federated Hermes, Inc.	3.0%			**INDUSTRIALS**	12.3%	13.4%	(1.2%)
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%		
Consumer Finance				**COMMUNICATION SERVICES**	13.3%	9.6%	3.6%
American Express Company	1.0%	1.2%		Facebook, Inc.	2.8%		
				Alphabet Inc.	3.0%		
CONSUMER DISCRETIONARY	7.8%	7.6%	0.1%	AMC Networks	2.5%		
BorgWarner Inc.	2.8%			Discovery, Inc.	2.5%		
Alibaba Group Holding Limited	2.5%			ViacomCBS Inc.	2.5%		
Mohawk Industries	2.5%						
				ENERGY	2.8%	4.4%	-1.6%
CONSUMER STAPLES	9.0%	7.6%	1.4%	Marathon Petroleum Corporatio	2.8%		
Altria	3.3%						
Kroger	3.8%						
Molson Coors Beverage Company	2.0%			**UTILITIES**	0.0%	5.5%	-5.5%
				MATERIALS	0.0%	4.8%	-4.8%
CASH	0.8%	0.0%	0.8%	**REAL ESTATE**	0.0%	4.4%	-4.4%

2020 illustrated how our investment approach differs from many value managers, which stems directly from the Warren Buffett 1977 article [3] that inspired it. To summarize, we seek to determine the value to an owner of a business's long-tailed growth. This is driven by its ability to earn a high return on capital while reinvesting earnings at a high return as it sustains growth. The longer this reinvestment process can continue, the greater the value, and hence our focus on structural health and staying power. Businesses with these favorable economics typically generate more cash than they need for growth, reducing their debt needs. Thus, our portfolios are generally underweight in commodity and capital intensive sectors (e.g., energy, materials, heavy industrials, REITs, and utilities) that often dominate more traditional value portfolios.

Ownership of businesses with favorable economics and staying power, purchased at reasonable prices versus the value of their long-tailed growth, is the primary reason our approach has outperformed passive index strategies and led to more successful outcomes for clients since 1986. ***BI&R offers continuity of this investment approach and decision-making. I hope you will help me in returning these to your platform and clients via BI&R's model portfolios.***

Jim Barksdale
Founder, President, & Chief Investment Officer
Equity Investment Corporation (12/31/85 to 9/30/16)
Barksdale Investment & Research (8/1/19 to present)

Disclosures

[1] **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)-l(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® Value and S&P 500® 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).

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 that BI&R advertises earned slightly less, that is, 17.3%.

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.

[2] This graph links the returns for portfolios where Jim Barksdale served as Controlling Manager since 1986, as discussed above[1]. All figures are gross of management fees. The frequency of achieving an annualized return greater than 8% (gross) is based on 361 rolling 60-month periods since December 31, 1985. Standard deviation is a measure of volatility, with a higher figure denoting wider variation in outcomes and greater risk.

[3] 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/