



## STRATEGY PROFILE

# U.S. All Cap Value

FIRST QUARTER 2019

**SEEKS SUPERIOR TOTAL AND RISK-ADJUSTED RETURNS BY INVESTING IN U.S. COMPANIES ACROSS THE MARKET-CAP SPECTRUM****AT A GLANCE**

Our U.S. All Cap Value strategy pursues long-term capital appreciation by investing in a portfolio of 50-60 stocks across a broad range of market capitalizations. As fundamental investors with a long-term orientation, we select companies based on their ability to generate free cash flow and allocate it intelligently for the benefit of shareholders. Our bottom-up security selection process is balanced with diversification and risk control measures that should result in below-average portfolio volatility.

**THE U.S. ALL CAP VALUE OPPORTUNITY**

- Latitude to invest across the market capitalization spectrum to take advantage of evolving valuation opportunities
- Investments in companies with strong free cash flow and intelligent capital allocation policies
- Active management by an experienced investment team
- Risk management integrated with the investment process to minimize unintended risks and reduce volatility
- Record of strong relative and risk-adjusted returns since inception
- Cash-flow-oriented approach and relatively low correlation with benchmark complements other managers within an overall asset allocation plan

**EPOCH'S DISTINCT INVESTMENT PHILOSOPHY AND APPROACH**

The bedrock of our philosophy is that the growth and applications of free cash flow represent the best predictor of long-term shareholder return. As a result, our security selection process is focused on free-cash-flow metrics and capital allocation as opposed to traditional accounting-based metrics such as price-to-book and price-to-earnings.

We look for a consistent, straightforward ability to generate free cash flow and to allocate it effectively among internal reinvestment

opportunities, acquisitions, dividends, share repurchases and debt pay downs. An essential factor is the evaluation of each company's management team to confirm their commitment to transparency and building shareholder value. The companies uncovered by this process have inherently less volatility due to their ability to generate cash flow.

The U.S. All Cap Value strategy incorporates qualitative and quantitative analysis to identify potential investments, taking into consideration factors that can lead to growing cash flow. Stocks are then subject to rigorous fundamental research. We develop an investment thesis as we assess the sources of the company's long-term value creation and management's ability to nurture it. We scrutinize management's track record of allocating capital, looking for those with the discipline to use free cash flow to maximize return on investment, thereby creating shareholder value. Once a stock has been purchased, we regularly revisit our thesis and typically sell the stock if our price target is reached, our thesis changes or we see another investment with a better risk-reward profile.

While the portfolio is constructed from the bottom up, decisions are made with consideration of the macro context. Epoch's Investment Policy Group, composed of senior members of our different strategy groups, provides insight and guidance on the global market environment and macroeconomic and industry trends.

We analyze risk as part of the portfolio construction process to monitor portfolio volatility and better ensure the delivery of the strategy's goals. A senior member of the Quantitative Research and Risk Management team is a co-portfolio manager on every strategy managed by Epoch so that portfolio managers are aware of unintended biases and the effect individual securities may have on the portfolio. The portfolio is diversified across sectors and the sizes of individual positions are limited.

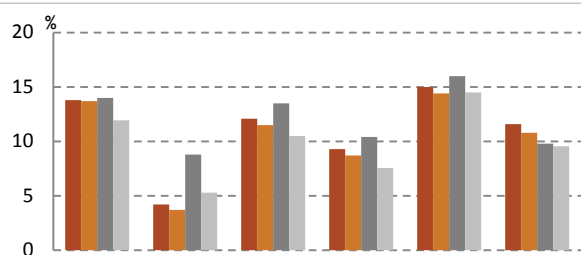
**EXPERIENCED PORTFOLIO MANAGER TEAM**

|   | Joined Epoch | Industry Experience |
|---|--------------|---------------------|
| <b>David Pearl</b>  | 2004         | 35                  |
| <b>Mike Welhoelter, CFA</b>   | 2005         | 33                  |
| <b>Bill Priest, CFA</b>   | 2004         | 54                  |
| <b>Justin Howell, CFA</b>   | 2012         | 16                  |
| Supported by a team of analysts with an average of over 20 years experience |              |                     |

**RISK/RETURN PROFILE**

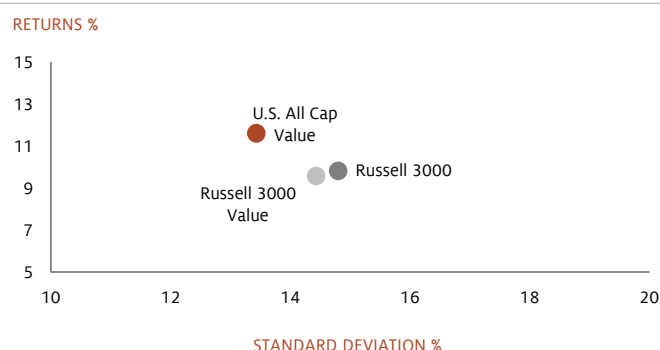
| Annualized Excess Return |           |              |                    |
|--------------------------|-----------|--------------|--------------------|
| vs. Russell 3000         |           |              | 1.8%               |
| vs. Russell 3000 Value   |           |              | 2.0%               |
| Risk Metrics             | Portfolio | Russell 3000 | Russell 3000 Value |
| Standard Deviation       | 13.4      | 14.8         | 14.4               |
| Sharpe Ratio             | 0.68      | 0.50         | 0.49               |

## U.S. ALL CAP VALUE RESULTS



|                    | QTR  | 1 Year | 3 Year | 5 Year | 10 Year | Since Incp. |
|--------------------|------|--------|--------|--------|---------|-------------|
| Portfolio (Gross)  | 13.8 | 4.2    | 12.1   | 9.3    | 15.0    | 11.6        |
| Portfolio (Net)    | 13.7 | 3.7    | 11.5   | 8.7    | 14.4    | 10.8        |
| Russell 3000       | 14.0 | 8.8    | 13.5   | 10.4   | 16.0    | 9.8         |
| Russell 3000 Value | 11.9 | 5.3    | 10.5   | 7.6    | 14.5    | 9.6         |

## RISK/RETURN PROFILE



## RISK AND ACTIVE METRICS

| Portfolio vs.      | Info. Ratio | Alpha | Beta | R <sup>2</sup> | Active Share |
|--------------------|-------------|-------|------|----------------|--------------|
| Russell 3000       | 0.27        | 3.43  | 0.81 | 0.81           | 79.7         |
| Russell 3000 Value | 0.31        | 3.53  | 0.83 | 0.79           | 88.9         |

## CHARACTERISTICS

|                            | Portfolio | Russell 3000 | Russell 3000 Value |
|----------------------------|-----------|--------------|--------------------|
| Weighted Avg Mkt Cap (\$M) | 190,212   | 194,611      | 117,376            |
| Weighted Med Mkt Cap (\$M) | 49,610    | 73,951       | 56,306             |
| Number of Equity Positions | 56        | 2,973        | 2,085              |
| 12 Month turnover          | 32%       |              |                    |

|      | Portfolio (Gross) | Portfolio (Net) | Russell 3000 | Russell 3000 Value |
|------|-------------------|-----------------|--------------|--------------------|
| 2018 | -10.0             | -10.5           | -5.2         | -8.6               |
| 2017 | 23.8              | 23.2            | 21.1         | 13.2               |
| 2016 | 9.9               | 9.4             | 12.7         | 18.4               |
| 2015 | -1.6              | -2.1            | 0.5          | -4.1               |
| 2014 | 14.6              | 14.0            | 12.6         | 12.7               |
| 2013 | 37.3              | 36.6            | 33.6         | 32.7               |
| 2012 | 12.0              | 11.4            | 16.4         | 17.6               |
| 2011 | 1.4               | 0.9             | 1.0          | -0.1               |
| 2010 | 17.2              | 16.6            | 16.9         | 16.2               |
| 2009 | 29.6              | 29.0            | 28.3         | 19.8               |

## PORTFOLIO COMPOSITION

### 10 LARGEST HOLDINGS

|                       | Portfolio % |
|-----------------------|-------------|
| Microsoft Corporation | 5.7         |
| Apple Inc.            | 4.2         |
| Alphabet Inc. Class C | 3.6         |
| UnitedHealth Group    | 2.9         |
| Bank of America Corp  | 2.7         |
| Boeing Company        | 2.7         |
| Pfizer Inc.           | 2.4         |
| Costco Wholesale      | 2.3         |
| Visa Inc. Class A     | 2.3         |
| Ingersoll-Rand Plc    | 2.1         |
| <b>Total</b>          | <b>30.9</b> |

### SECTOR WEIGHTS

|                        | Portfolio %  | Russell 3000 % | Russell 3000 Value % |
|------------------------|--------------|----------------|----------------------|
| Communication Services | 5.8          | 9.1            | 6.7                  |
| Consumer Discretionary | 10.2         | 10.3           | 5.6                  |
| Consumer Staples       | 3.3          | 6.5            | 7.6                  |
| Energy                 | 4.0          | 5.0            | 9.4                  |
| Financials             | 15.5         | 13.1           | 22.1                 |
| Health Care            | 14.4         | 14.3           | 14.4                 |
| Industrials            | 12.8         | 10.1           | 8.0                  |
| Information Technology | 24.6         | 21.0           | 9.9                  |
| Materials              | 6.5          | 2.9            | 4.0                  |
| Real Estate            | 0            | 4.0            | 5.7                  |
| Utilities              | 1.2          | 3.2            | 6.4                  |
| [Unassigned]           | 0            | 0.3            | 0.3                  |
| [Cash]                 | 1.7          | 0              | 0                    |
| <b>Total</b>           | <b>100.0</b> | <b>100.0</b>   | <b>100.0</b>         |

### ADDITIONAL INFORMATION

|                                  |                 |
|----------------------------------|-----------------|
| Composite Inception              | July 31, 1994   |
| Strategy Assets                  | \$1,987 million |
| <b>Availability</b>              | <b>Minimum</b>  |
| Separate Account                 | \$25 million    |
| Mutual Fund                      |                 |
| Mainstay Epoch U.S. All Cap Fund |                 |
| Ticker: MATIX (1 Share)          | \$5 million     |
| Collective Investment Trust      | N/A             |

All data as of 03/31/2019 unless otherwise noted. Source: FactSet Research Systems, Inc.; Frank Russell Company ("Russell"), Totals may not add due to rounding. Excess return is the difference between annualized return since inception for the Epoch U.S. All Cap Composite Gross and the Russell 3000 and 3000 Value Indexes. Since Inception - July 31, 1994. Performance for the most recent quarter is preliminary and subject to change. The risk statistics are shown for informational purposes only and are not indicative of future results. Past performance is no guarantee of future results. Information presented prior to June 21, 2004 pertains to portfolios managed by the Portfolio Management Team while affiliated with prior firms. Valuations are computed and performance is reported in U.S. dollars. Composite returns are presented gross and net of management fees and include the reinvestment of all income. Gross-of-fees returns are presented before management fees but after all trading expenses. Net performance reflects the gross-of-fees return reduced by the investment management fee and performance-based fee (where applicable) incurred. Effective 1/2008, net performance is calculated by deducting the actual investment management fee incurred by each portfolio in the composite. Prior to 1/2008, net-of-fee returns reflect the deduction of the highest annual management fee, calculated on a monthly basis. Returns include the effect of foreign currency exchange rates. The statements expressed herein are informed opinions, are as of the date noted, and are subject to change at any time based on market or other conditions. International investments involve special risks including currency fluctuation, long liquidity and different accounting methods and economical and political systems. Securities of smaller companies tend to be more volatile and less liquid than that of large companies. Information about indices allows for the comparison of an investment strategy's results to that of a widely recognized broad market index. There is no representation that such index is an appropriate benchmark for such comparison. Results for an index do not reflect trading commissions and costs. Index volatility may be materially different from a strategy's volatility and portfolio holdings may differ significantly from the securities comprising an index. This information is intended to highlight issues and not to be comprehensive or to provide advice only. Any reproduction, modification, distribution, transmission or republication of the information, in part or in full, is prohibited.