

# Mondrian U.S. Large Cap Equity

## U.S. Large Cap Equity Strategy at a Glance

- Product Inception: January 2006
- Active value-oriented defensive strategy
- Consistent application of income oriented valuation approach
- History of outperformance versus the benchmark, with lower volatility
- Portfolios contain 25-35 securities
- Annual turnover is generally 20-35%

## Our Organization

- Founded in 1990, with 30 years of stable, consistent leadership
- Approximately USD 60 billion under management and advisement
- Mondrian is employee owned; approximately half of employees are partners today
- Consistent, income-oriented value discipline has been applied to all products since the firm's inception
- Highly experienced team of 58 investment professionals in London

## Performance Summary

Composite	Composite Gross (%)	Composite Net (%)	Russell 1000 (Value) (%)	Net Relative to Russell 1000 (Value) (%)
<b>Cumulative</b>				
Q1 2021	9.52	9.40	11.26	-1.67
<b>Annualized</b>				
1 Year	43.90	43.26	56.09	-8.22
3 Years	13.35	12.84	10.96	1.69
5 Years	13.79	13.28	11.74	1.38
<b>SI Jan 1, 2006</b>	<b>9.26</b>	<b>8.78</b>	<b>7.97</b>	<b>0.75</b>

## Philosophy

We invest in stocks where rigorous dividend discount analysis isolates value in terms of the long-term flow of dividends. Dividend yield and future real growth play a central role in our decision making process and over time the dividend component is expected to be a meaningful portion of expected total return.

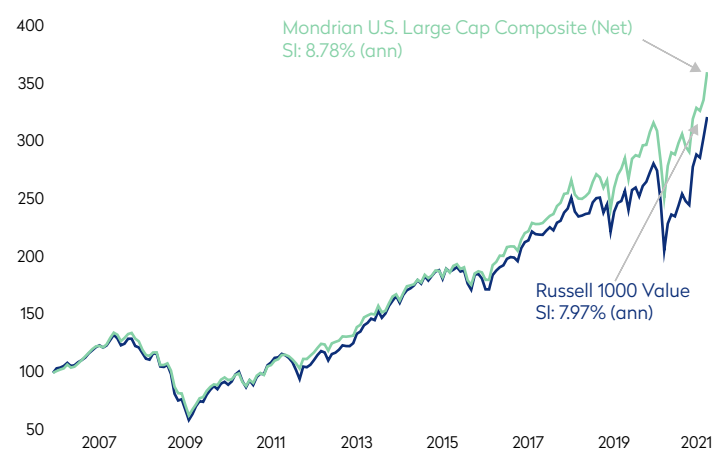
## Benefits of Our Approach

Mondrian's approach focuses on providing a rate of return meaningfully greater than the client's domestic rate of inflation. Our portfolios seek to preserve capital during protracted market declines. Additionally, our portfolio performance has historically been less volatile than the applicable benchmarks and competing managers.

## Investment Process

- A value-oriented, dividend discount methodology designed to identify value.
- Rigorous bottom-up, fundamental research is strongly emphasized. An extensive program of company visits is used in conjunction with proprietary internal research to support the decision making process.

## Cumulative Returns (USD) January 2006 = 100



## Return Summary

	Composite Gross Return	Composite Net Return	Russell 1000 Value	Russell 1000 Value Relative to Net
Quarter 1, 2021	9.52%	9.40%	11.26%	-1.67%

## Market Background

### Global markets moved higher as the US Congress passed a historic fiscal stimulus package

2021 got off to a turbulent start as two Democrats won the Senate runoff election in Georgia. This result provided the Democratic Party a slim technical control of the Senate, giving Joe Biden's party sway over both houses of Congress. President Biden put this control to good use in March as he got approval for his \$1.9tn COVID-19 relief bill, delivering on his top policy priority. However, in an ominous sign for bipartisanship, the stimulus package was passed without a single Republican voting in favor of the bill. Joe Biden's Treasury Secretary, Janet Yellen, urged G20 finance officials to "go big" on stimulus spending in order to shore up the global economy. The quarter ended with President Biden unveiling a new \$2 trillion infrastructure and economic recovery package that looks to build on his campaign promise to "build back better". The plan will be funded by a rise in corporation tax and additional measures to prevent corporations from offshoring profits. The US market largely shrugged off the news of the tax rise with the S&P 500 ending the period at a new all-time high. With an unprecedented amount of fiscal stimulus about to hit the US economy it has led to widespread concerns about rising inflation. The 10 year breakeven inflation rate, a proxy for the market's inflation expectation, continued to move higher throughout the quarter. Despite this, the Federal Reserve reaffirmed no rate rises until at least 2024 despite significantly upgrading its outlook for US economic growth. The Fed now expects the US economy will grow 6.5% in 2021, compared with 4.2% in its December forecast. The upgrade was driven by the size of the recently approved fiscal stimulus and the success and promising outlook for the vaccine rollout.

Overall the net composite performed very strongly in absolute terms, returning 9.4%. However, it struggled to keep up with the benchmark which appreciated 11.3% in the quarter.

## Performance Attribution for Q1 2021

### Sector positioning detracted from relative returns

The portfolio's overweight positions in the defensive consumer staples, utilities and health care sectors detracted from relative returns. This was only partly offset by an underweight position in the weaker materials and real estate sectors.

### Stock selection was a positive for relative returns

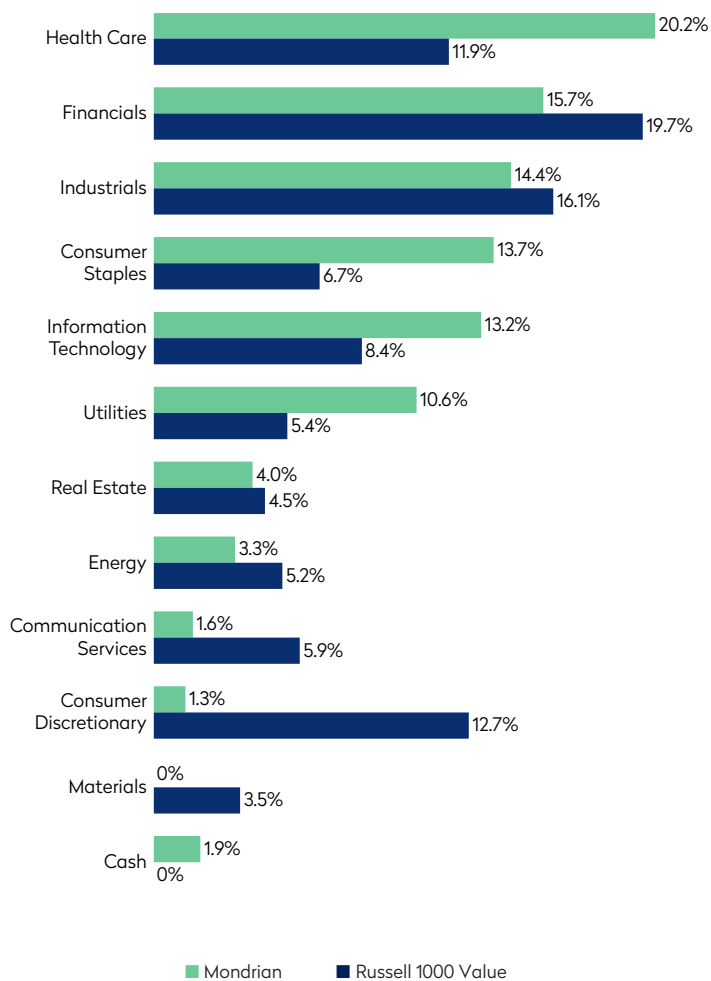
Stock selection was again strong within health care, more than offsetting negative sector allocation. HCA and Waters continued to perform well. Selections in consumer staples and industrials were less positive in the quarter.

## Investment Strategy

The main highlights of the strategy being adopted for the accounts are:

- A focus on well managed companies with robust balance sheets and attractive valuations.
- Overweight positions in selected sectors (consumer staples and utilities), according to valuations.
- Preference for businesses with high recurring revenue streams that offer greater earnings visibility.

## Sector Weightings



## Characteristics

	Mondrian	Russell 1000 Value
Weighted Average P/E (Trailing 12 months)	29.8x	31.2x
Weighted Average P/B	3.2x	2.7x
Weighted Average Dividend Yield	2.2%	2.1%
Number of Holdings	31	860
Weighted Average Market Cap	\$192.3 billion	\$147.3 billion
Median Market Cap	\$71.0 billion	\$12.5 billion

## Portfolio Managers

### Aileen Gan

Chief Investment Officer – Global Equities  
Managing Partner

### Clive Gillmore

Chief Executive Officer  
and Group Chief Investment Officer  
Founding Partner

### Jonathan Spread

Senior Portfolio Manager  
Partner

### James Francken

Portfolio Manager  
Partner

### Charlie Hill

Portfolio Manager  
Partner

### Paul Thompson

Portfolio Manager  
Partner

Mondrian utilizes a team approach to making investment decisions at the strategy level, with input from across the Global Equity team.

See Important Notes & Disclosures on page 4.

## Important Notes and Disclosures

1. Mondrian claims compliance with the Global Investment Performance Standards (GIPS®). Mondrian is a value-oriented defensive manager seeking to achieve high real returns for its clients. All products utilize an income-oriented value discipline. Mondrian's methodology is applied consistently to individual securities, both bonds and equities. The U.S. Large Cap Equity Composite includes US dollar based discretionary fee paying portfolios, measured against the Russell 1000 Value gross of US withholding taxes. To receive a complete list and description of composites and/or a presentation that adheres to the GIPS standards, contact Mondrian Investment Partners (U.S.), Inc at 215-825-4500.  
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Data sources: Mondrian and FactSet. Russell 1000 Value characteristics calculated by Mondrian using generally accepted industry standard.

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