

Smead Capital Appreciation Strategy

U.S. Large Cap Equity
As of September 30, 2019

www.smeadcap.com

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Smead Capital Management Overview

“Investing is the only sphere of life where victory, security and success is always to the minority and never to the majority.”

-John Maynard Keynes

> **A contrarian approach**

- Founded in 2007
- Headquartered in Seattle, WA
- Assets under management as of September 30, 2019: \$2.1 billion

Smead Capital Management is a Seattle-based investment firm that manages a high quality, U.S. large-cap value portfolio with boringly dry turnover. The company was formed to allow investors to benefit from long-term ownership of common stocks meeting the firm’s eight proprietary investment criteria.

The strategy seeks long-term capital appreciation through concentrated positions and therefore will maintain approximately 25-30 companies in its portfolio. The strategy is managed by Lead Portfolio Manager Bill Smead and Co-Portfolio Managers Tony Scherrer, CFA and Cole Smead, CFA.

Investment Team Bios



William Smead – CEO/CIO

Whitman College, B.A. Economics 1980

William is the founder of Smead Capital Management, where he oversees the firm. As Chief Investment Officer he is responsible for all investment and portfolio decisions and reviewing the implementation of those decisions. Prior to starting Smead Capital Management he was Portfolio Manager of the Smead Investment Group of Wachovia Securities. He has over 38 years of experience in the investment industry.



Tony Scherrer, CFA – Director of Research/Portfolio Manager

Seattle Pacific University, B.A. Finance, 1994

Tony brings more than 24 years of professional investment experience in the financial services industry. Tony administrates the investment process from the investment committee's idea creation to the forensic note taking for strategy research. Prior to joining Smead Capital Management in 2008, Tony was a Vice President and Senior Portfolio Manager at U.S. Trust and Harris Private Bank. He has been involved with this strategy since joining the firm in 2008.



Cole Smead, CFA – Managing Director/Portfolio Manager

Whitman College, B.A. Economics/History 2006

Cole is a member of the investment committee that oversees the management of the firm's separate accounts and mutual funds. He has been with the firm since its founding in 2007. Prior to joining Smead Capital Management in 2007, Cole was a Financial Advisor with Wachovia Securities in Scottsdale, AZ.

Investment Philosophy and Portfolio Traits

Our Investment Philosophy

1. Valuation matters dearly to investment success
2. We are business owners on behalf of our clients and shareholders
3. We seek out high-quality businesses to focus our research

Portfolio Traits

- > Generally U.S. domiciled
- > Typically 25-30 securities
- > Typically 40-50% of portfolio in top ten holdings
- > Portfolio weightings driven by:
 - Our Eight Investment Criteria
 - Stock performance
- > Low turnover (~15-25%)
- > Time frame:
 - Buy criteria assumes a 3- to 5-year holding period
 - Desired holding periods are 5+ years

Eight Investment Criteria

Our portfolio managers evaluate and purchase stocks based on the following Eight Investment Criteria:

> **Required over entire holding period**

1. Meets an economic need
2. Strong competitive advantage (wide moats or barriers to entry)
3. Long history of profitability and strong operating metrics
4. Generates high levels of free cash flow
5. Available at a low price in relation to intrinsic value

> **Favored, but not required**

6. Management's history of shareholder friendliness
7. Strong balance sheet
8. Strong insider ownership (preferably with recent purchases)

Every company we own must satisfy the required criteria. For companies that do not also meet the favored criteria, we believe these short-term conditions will be ultimately corrected or overwhelmed by the required criteria.

Sell Discipline

Risk Management

- > Successful investments likely to be trimmed if weighting becomes outsized (in the 8-10% range)

Change in Thesis

- > Company fundamentals violate our Eight Investment Criteria
- > Maniacal pricing

Downside Protection

- > When a security falls 15-20% from our purchase price or relative to a peer group, the portfolio managers execute a formal, intensified review

Portfolio Holdings

As of September 30, 2019

	Ticker	Weighting %	S&P GICS Sector
NVR Inc	NVR	7.82	Consumer Discretionary
Target Corp	TGT	6.65	Consumer Discretionary
American Express Co	AXP	5.95	Financials
Amgen Inc	AMGN	5.78	Health Care
Discovery Inc Class A	DISCA	5.60	Communication Services
The Home Depot Inc	HD	4.65	Consumer Discretionary
Occidental Petroleum Corp	OXY	4.58	Energy
JPMorgan Chase & Co	JPM	4.53	Financials
Bank of America Corporation	BAC	4.09	Financials
The Walt Disney Co	DIS	3.97	Communication Services
Lennar Corp	LEN	3.89	Consumer Discretionary
Aflac Inc	AFL	3.88	Financials
Berkshire Hathaway Inc B	BRK.B	3.74	Financials
Walgreens Boots Alliance Inc	WBA	3.70	Consumer Staples
Merck & Co Inc	MRK	3.67	Health Care
Wells Fargo & Co	WFC	3.33	Financials
Comcast Corp Class A	CMCSA	3.33	Communication Services
Accenture PLC Class A	ACN	2.97	Information Technology
Macerich Co	MAC	2.94	Real Estate
eBay Inc	EBAY	2.76	Consumer Discretionary
Qualcomm Inc	QCOM	2.70	Information Technology
Pfizer Inc	PFE	2.59	Health Care
Starbucks Corp	SBUX	1.24	Consumer Discretionary
PayPal Holdings Inc	PYPL	1.12	Information Technology
Booking Holdings Inc	BKNG	1.06	Consumer Discretionary
Cummins Inc	CMI	1.00	Industrials
Cash		2.46	

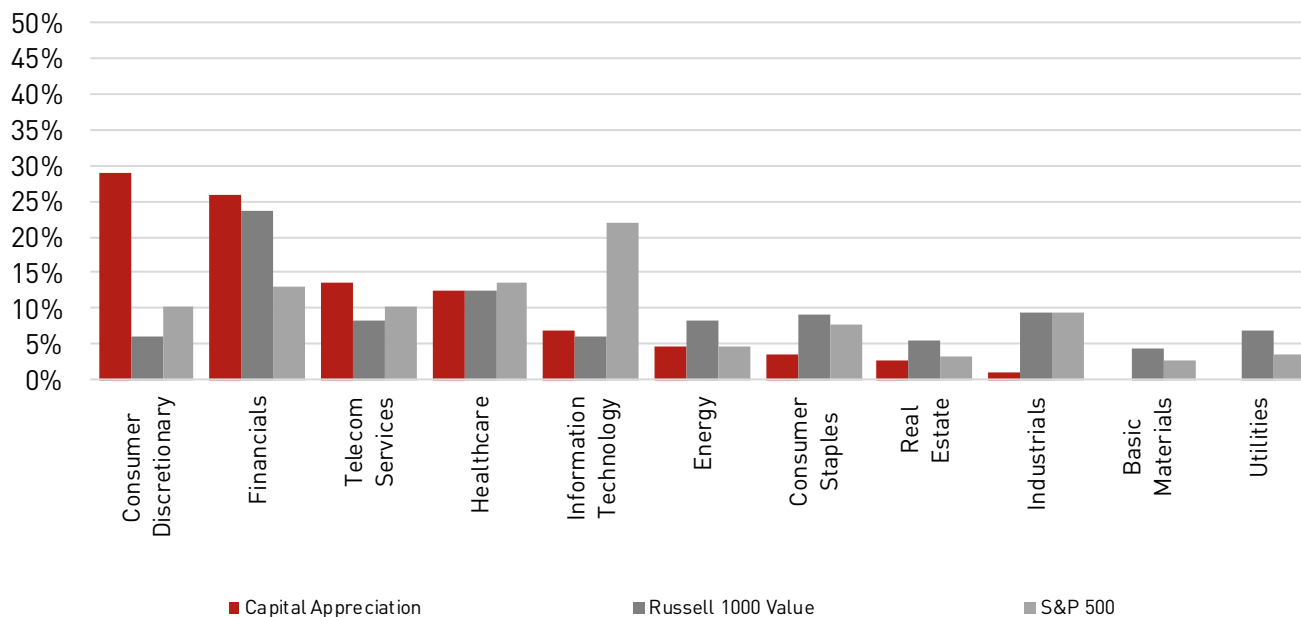
Past performance is no guarantee of future results. The securities identified above are the holdings of a representative account for the strategy and do not represent all of the securities purchased or recommended for our clients and it should not be assumed that investing in these securities was or will be profitable.



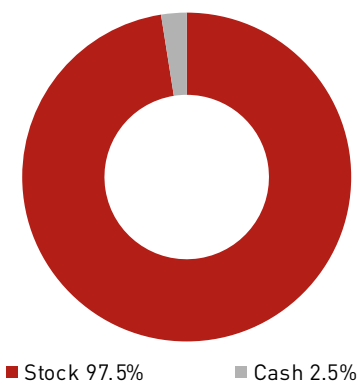
Sector Weighting and Asset Allocation

As of September 30, 2019

Sector Weightings



Asset Allocation

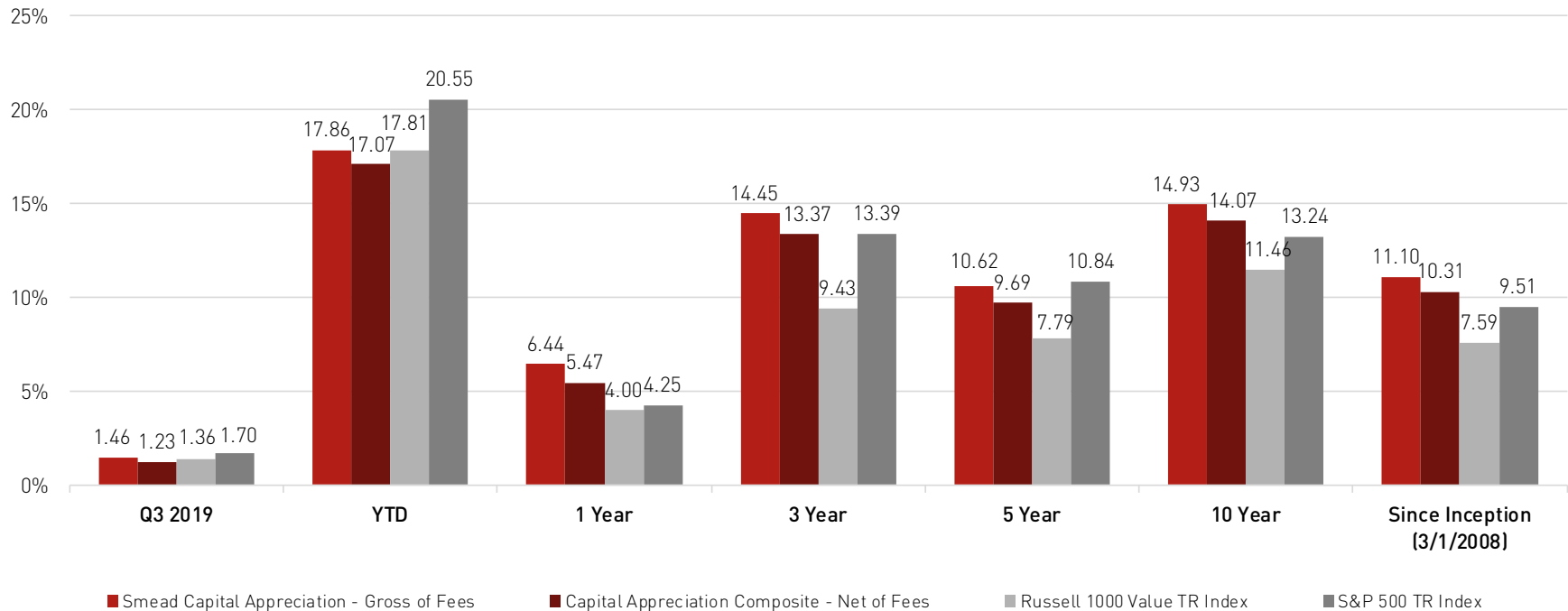


Past performance is no guarantee of future results. Source: Smead Capital Management. A representative portfolio from the Capital Appreciation Composite was used to generate information for the sector weightings and asset allocation. The above information is for illustrative purposes only and should not be construed as investment advice. Frank Russell Company is the source and owner of the Russell Index data contained or reflected in this material and all trademarks and copyrights related thereto. This is a presentation of Smead Capital Management. The presentation may contain confidential information and unauthorized use, disclosure, copying, dissemination or redistribution is strictly prohibited. Frank Russell Company is not responsible for the formatting or configuration of this material or for any inaccuracy in Smead Capital Management's presentation thereof.



Trailing Returns (%)

As of September 30, 2019

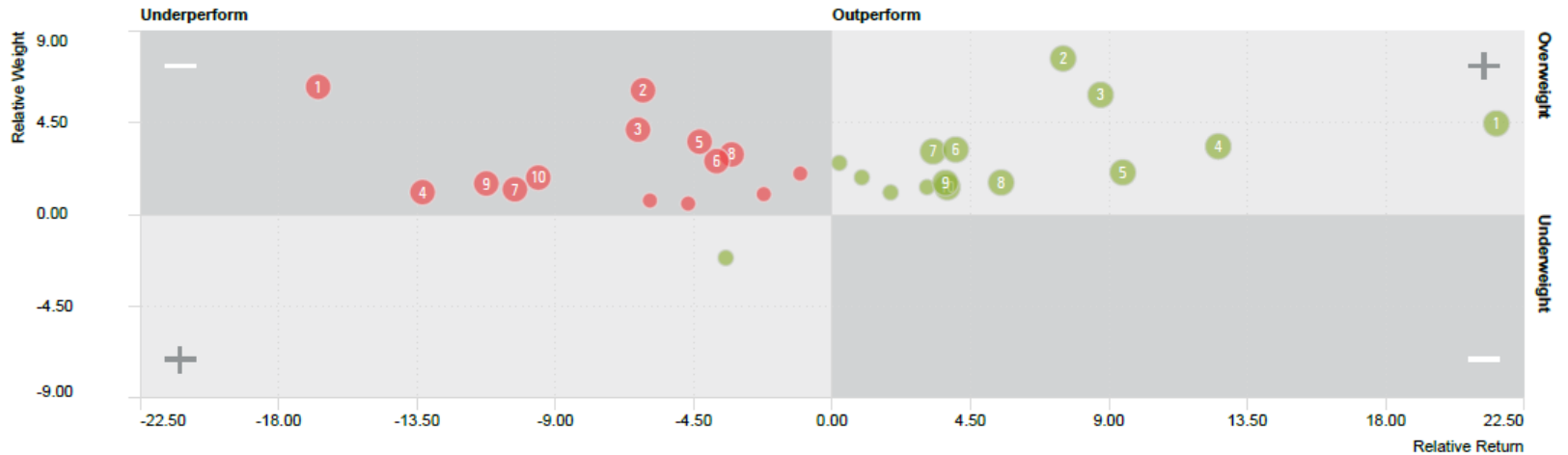


Past performance is no guarantee of future results. Source: Smead Capital Management. Capital Appreciation Composite Gross & Net of Fees performance numbers for all time periods are preliminary. The Capital Appreciation Composite includes all fully discretionary accounts invested in equities of U.S. companies and American Depository Receipts (ADRs) whose objective is long-term capital appreciation with a relatively concentrated portfolio which may typically own 25 to 30 different securities. The top 10 holdings may constitute greater than 50% of portfolio assets. These accounts are primarily concerned with appreciation, not high dividend yield. This composite was created in March 2008. A complete list of composite descriptions is available upon request. Valuations are computed and performance is reported in U.S. dollars. Past performance is not indicative of future results. As with any investment vehicle there is always the potential for gains as well as the possibility of losses. On December 31, 2008, 48% of the composite is composed of non-fee paying portfolios. As a result of the verification, certain previously reported composite information has been changed to reflect changes in composite membership. Gross-of-fees returns are presented before management and custodial fees but after all trading expenses. Composite and benchmark returns are presented net of non-reclaimable withholding taxes and reflect the reinvestment of dividends and other earnings. Net-of-fees returns are calculated by deducting the actual management fees paid each quarter. The standard advisory fee is 0.85% on the market value. Fees may be negotiated in lieu of the standard fee schedule. **Please see important disclosures at the back of this presentation.**



Attribution Analysis

Selection Effects (Recent Quarter) – 6/30/2019 to 9/30/2019



Best Selections				Worst Selections			
	GICS Sector	Weight +/-	Effect		GICS Sector	Weight +/-	Effect
1	Target Corp	4.47	0.88	1	Discovery Inc Class A	6.27	-1.11
2	NVR Inc	7.66	0.54	2	American Express Co	6.10	-0.36
3	Amgen Inc	5.88	0.53	3	Aflac Inc	4.17	-0.28
4	Lennar Corp	3.35	0.40	4	Pfizer Inc	1.10	-0.19
5	The Home Depot Inc	2.07	0.16	5	Walgreens Boots Allian...	3.58	-0.17
6	Merck & Co Inc	3.19	0.16	6	eBay Inc	2.62	-0.15
7	Accenture PLC Class A	3.10	0.10	7	PayPal Holdings Inc	1.24	-0.14
8	Wells Fargo & Co	1.57	0.09	8	Occidental Petroleum C...	2.95	-0.13
9	Comcast Corp Class A	1.56	0.05	9	Macerich Co	1.52	-0.12
10	JPMorgan Chase & Co	1.34	0.05	10	The Walt Disney Co	1.81	-0.10

Past performance is no guarantee of future results. The quarter end holdings of the Capital Appreciation Strategy's representative account were provided to Morningstar to generate the selection effects. The securities identified above do not represent all of the securities purchased or recommended for our clients and it should not be assumed that investing in these securities was or will be profitable. This information is for illustrative purposes only and should not be construed as investment advice.



Attribution vs. Russell 1000 Value (3 Year)

Attribution Analysis – 10/1/2016 to 9/30/2019

	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark	Allocation	Selection	Active
	Weights	Weights	Rescaled	Rescaled	Return	Return	Contribution	Contribution	Effect	Effect	Return
			Weights	Weights							
Communication Services	12.96	5.68	13.34	5.68	8.26	8.05	1.40	0.64	-0.01	-0.09	-0.10
Consumer Discretionary	24.97	5.09	25.75	5.08	21.34	7.83	6.26	0.44	-0.34	4.42	4.07
Consumer Staples	5.51	7.97	5.68	7.97	-5.05	6.18	-0.58	0.60	0.23	-1.08	-0.85
Energy	0.43	10.80	0.44	10.80	-23.40	-2.52	-0.34	-0.26	1.45	-0.14	1.32
Financials	29.35	24.90	30.27	24.88	19.28	14.64	6.01	3.62	0.38	1.72	2.11
Health Care	16.35	13.63	16.85	13.64	7.24	9.07	1.54	1.34	-0.07	-0.46	-0.52
Industrials	1.05	8.72	1.09	8.72	2.71	6.06	0.02	0.62	0.32	-0.10	0.22
Information Technology	6.25	8.87	6.45	8.88	29.87	15.61	2.17	1.49	-0.27	1.17	0.90
Materials	0.00	3.37	0.00	3.37		7.41	0.00	0.19	0.15	0.00	0.15
Real Estate	0.13	4.83	0.13	4.83	-2.62	6.74	0.00	0.42	0.19	-0.06	0.13
Utilities	0.00	6.14	0.00	6.14		13.74	0.00	0.96	-0.36	0.00	-0.36
Cash	0.02	0.00	0.02	0.00	0.00		0.00	0.00	0.02	0.00	0.02
Attribution Total	97.02	100.00	100.00	100.00	14.99	9.37	14.99	9.37	1.68	5.39	7.07
Other	2.99	0.00									
Total	100.00	100.00					14.99	9.37			
Reported Total						9.44					
Residual (Reported - Attribution Total)						0.06					

Past performance is no guarantee of future results. The returns listed above are annualized and gross of fees. The quarter end holdings of the Capital Appreciation Strategy's representative account were provided to Morningstar to generate the information listed above. This information is for illustrative purposes only and should not be construed as investment advice. Residual is the Reported Total - Attribution Total. **Please see important disclosures at the back of this presentation.**



Attribution vs. Russell 1000 Value (5 Year)

Attribution Analysis – 10/1/2014 to 9/30/2019

	Portfolio		Benchmark		Portfolio Return	Benchmark Return	Portfolio Contribution	Benchmark Contribution	Allocation Effect	Selection Effect	Active Return
	Weights	Weights	Rescaled Weights	Rescaled Weights							
Communication Services	13.77	4.83	14.00	4.83	5.71	8.59	0.82	0.55	0.42	-1.22	-0.80
Consumer Discretionary	25.46	5.00	25.92	5.00	15.20	6.42	4.72	0.39	-0.22	3.26	3.04
Consumer Staples	4.46	7.57	4.56	7.58	3.82	6.82	-0.14	0.61	0.10	-0.49	-0.38
Energy	0.26	11.43	0.26	11.44	-23.40	-5.49	-0.22	-0.68	2.13	-0.09	2.04
Financials	29.18	24.83	29.73	24.78	11.76	9.71	4.09	2.63	0.30	0.87	1.17
Health Care	17.16	13.59	17.46	13.61	7.38	10.39	1.62	1.57	0.10	-0.79	-0.69
Industrials	0.68	9.36	0.70	9.36	3.19	7.11	0.02	0.76	0.01	-0.06	-0.06
Information Technology	5.89	9.25	6.00	9.24	24.77	12.80	1.69	1.33	-0.17	0.82	0.65
Materials	0.00	3.13	0.00	3.14		5.29	0.00	0.15	0.16	0.00	0.16
Real Estate	0.08	4.76	0.08	4.77	-2.62	8.93	0.00	0.49	-0.05	-0.04	-0.08
Utilities	0.00	6.25	0.00	6.25		12.90	0.00	0.92	-0.47	0.00	-0.47
Cash	1.28	0.00	1.28	0.00	0.14		0.00	0.00	-0.12	0.00	-0.12
Attribution Total	98.21	100.00	100.00	100.00	10.89	7.72	10.89	7.72	2.26	2.26	4.52
Other	1.79	0.00									
Total	100.00	100.00					10.89	7.72			
Reported Total						7.79					
Residual (Reported - Attribution Total)						0.07					

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Attribution vs. S&P 500 (3 Year)

Attribution Analysis – 10/1/2016 to 9/30/2019

			Portfolio Benchmark									
	Portfolio Weights	Benchmark Weights	Rescaled Weights	Rescaled Weights	Portfolio Return	Benchmark Return	Portfolio Contribution	Benchmark Contribution	Allocation Effect	Selection Effect	Active Return	
Communication Services	12.96	9.98	13.34	10.01	8.26	12.04	1.40	1.35	0.06	-0.60	-0.53	
Consumer Discretionary	24.97	9.83	25.75	9.85	21.34	16.52	6.26	1.81	0.74	1.63	2.37	
Consumer Staples	5.51	7.79	5.68	7.81	-5.05	8.23	-0.58	0.79	0.37	-1.29	-0.93	
Energy	0.43	5.95	0.44	5.95	-23.40	-2.32	-0.34	-0.16	1.08	-0.16	0.93	
Financials	29.35	14.00	30.27	14.00	19.28	15.44	6.01	2.23	0.45	1.50	1.95	
Health Care	16.35	14.45	16.85	14.47	7.24	9.29	1.54	1.54	-0.18	-0.52	-0.70	
Industrials	1.05	9.87	1.09	9.88	2.71	11.34	0.02	1.25	0.27	-0.19	0.08	
Information Technology	6.25	19.27	6.45	19.31	29.87	24.51	2.17	4.90	-1.80	0.44	-1.36	
Materials	0.00	2.73	0.00	2.72		8.63	0.00	0.25	0.16	0.00	0.16	
Real Estate	0.13	2.89	0.13	2.90	-2.62	10.12	0.00	0.39	0.16	-0.05	0.11	
Utilities	0.00	3.11	0.00	3.12		13.81	0.00	0.54	-0.03	0.00	-0.03	
Cash	0.02	0.00	0.02	0.00	0.00		0.00	0.00	0.03	0.00	0.03	
Attribution Total	97.02	99.87	100.00	100.00	14.99	13.41	14.99	13.41	1.29	0.76	2.05	
Other	2.99	0.02										
Excluded	0.00	0.12										
Total	100.00	100.00					14.99	13.41				
Reported Total						13.40						
Residual (Reported - Attribution Total)						-0.01						

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Attribution vs. S&P 500 (5 Year)

Attribution Analysis – 10/1/2014 to 9/30/2019

	Portfolio		Benchmark		Portfolio Return	Benchmark Return	Portfolio Contribution	Benchmark Contribution	Allocation Effect	Selection Effect	Active Return
	Weights	Rescaled Weights	Weights	Rescaled Weights							
Communication Services	13.77	9.45	14.00	9.48	5.71	12.02	0.82	1.34	0.35	-1.81	-1.46
Consumer Discretionary	25.46	9.93	25.92	9.94	15.20	15.40	4.72	1.75	1.32	-0.12	1.20
Consumer Staples	4.46	8.41	4.56	8.41	3.82	9.64	-0.14	0.96	0.07	-0.71	-0.64
Energy	0.26	6.58	0.26	6.58	-23.40	-4.95	-0.22	-0.44	1.62	-0.11	1.52
Financials	29.18	13.81	29.73	13.79	11.76	9.83	4.09	1.63	-0.11	0.88	0.76
Health Care	17.16	14.94	17.46	14.95	7.38	8.79	1.62	1.53	-0.05	-0.40	-0.45
Industrials	0.68	9.99	0.70	10.00	3.19	9.55	0.02	1.13	0.19	-0.12	0.07
Information Technology	5.89	18.06	6.00	18.08	24.77	18.46	1.69	3.89	-1.39	0.44	-0.95
Materials	0.00	2.81	0.00	2.80		5.31	0.00	0.17	0.24	0.00	0.24
Real Estate	0.08	2.81	0.08	2.82	-2.62	11.55	0.00	0.41	0.01	-0.03	-0.02
Utilities	0.00	3.13	0.00	3.13		13.05	0.00	0.52	-0.11	0.00	-0.11
Cash	1.28	0.00	1.28	0.00	0.14		0.00	0.00	-0.21	0.00	-0.21
Attribution Total	98.21	99.92	100.00	100.00	10.89	10.84	10.89	10.84	2.05	-1.98	0.07
Other	1.79	0.01									
Excluded	0.00	0.07									
Total	100.00	100.00					10.89	10.84			
Reported Total						10.84					
Residual (Reported - Attribution Total)						0.00					

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Capital Appreciation Composite Presentation

Year	Total Return Gross of Fees	Total Return Net of Fees	Russell 1000 Value Index	Internal Dispersion	3 Year Standard Deviation Composite	3 Year Standard Deviation Benchmark	# of Portfolios End of Period	Total Composite Assets End of Period (Millions)	Total Firm Assets End of Period (Millions)
2008*	-32.17%	-32.36%	-31.34%	n/a	n/a	n/a	32	11	148
2009	30.30%	29.54%	19.70%	1.00%	n/a	n/a	23	37	167
2010	13.00%	12.37%	15.51%	0.42%	n/a	n/a	39	87	171
2011	5.74%	5.16%	0.39%	0.32%	18.64%	20.69%	91	119	170
2012	29.16%	28.20%	17.51%	0.62%	15.24%	15.51%	107	221	272
2013	39.18%	38.10%	32.53%	0.56%	12.96%	12.70%	95	700	762
2014	15.72%	14.93%	13.45%	0.20%	10.23%	9.20%	35	1,045	1,150
2015	2.58%	1.85%	-3.83%	0.16%	11.80%	10.68%	26	1,658	2,257
2016	4.52%	3.70%	17.34%	0.20%	11.63%	10.77%	25	1,467	2,014
2017	26.36%	25.10%	13.66%	0.17%	11.63%	10.20%	29	1,669	2,265
2018	-3.62%	-4.53%	-8.27%	0.18%	11.71%	10.83%	33	1,512	1,964

*For the period March 1, 2008 (inception) to December 31, 2008.

Firm: Smead Capital Management ("SCM") is an independently owned investment advisor that is not affiliated with any parent organization. Policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.

Basis of Presentation: SCM claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. SCM has been independently verified for the periods July 1, 2007 to December 31, 2018. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Capital Appreciation Composite has been examined for the periods March 1, 2008 to December 31, 2018. The verification and examination reports are available upon request.

Composite Criteria: The Capital Appreciation Composite includes all fully discretionary accounts invested in equities of U.S. companies and American Depository Receipts (ADRs) whose objective is long-term capital appreciation with a relatively concentrated portfolio, which may typically own 25 to 30 different securities. The top 10 holdings may constitute greater than 50% of portfolio assets. These accounts are primarily concerned with appreciation, not high dividend yield. Accounts managed to the strategy will invest in companies with market capitalization within the range of the Russell 1000® Value Index.

Composite Creation: This composite was created in March 2008. A complete list of composite descriptions is available upon request. Valuations are computed and performance is reported in U.S. dollars. Past performance is not indicative of future results. As with any investment vehicle there is always the potential for gains as well as the possibility of losses. On December 31, 2008, 48% of the composite is composed of non-fee paying portfolios.

Comparison with Market Index: The benchmark is the Russell 1000 Value Index. The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth values. The Russell 1000 Value Index is constructed to provide a comprehensive and unbiased barometer for the large-cap value segment. The returns for the index do not include any transaction costs, management fees or other costs. Benchmark returns are not covered by the report of independent verifiers.

Fees Calculation: Gross-of-fees returns are presented before management and custodial fees but after all trading expenses. Composite and benchmark returns are presented net of non-reclaimable withholding taxes and reflect the reinvestment of dividends and other earnings. Net-of-fees returns are calculated by deducting the actual management fees paid each quarter. The standard advisory fee is 0.85% on the market value. Fees may be negotiated in lieu of the standard fee schedule.

Internal Dispersion: Internal dispersion is calculated using the asset-weighted standard deviation of annual gross returns of those portfolios that were included in the composite for the entire year. For years where less than six portfolios were included in the composite for the full year, the measure is not statistically representative and is not presented.

Standard Deviation: The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. It is not required to be presented for annual periods prior to 2011 or when a full three years of performance is not yet available.

