



## Large-Cap Value Total Return

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### PORTFOLIO OBJECTIVE

The Large Cap Value Total Return ("TR") Strategy seeks long term capital appreciation and dividend income using PCM's fundamental value approach to security selection. The TR strategy is invested primarily in equities with market capitalizations above \$5 billion.

### INVESTMENT PHILOSOPHY

We believe that every security has a fundamentally determined long-term value that can differ materially from its current market price. We contend that prices and valuations of securities tend to converge over time, perhaps due to the activities of value investors in the equity market. We strive to acquire shares that are temporarily undervalued with an eye to sell them when their market prices converge with fair long term valuations over time.

### PORTFOLIO CHARACTERISTICS

Number of Holdings 30-40  
Company Weighting 2%-4%  
Sector Weighting 0%-25%  
Typical Holding Period 18-24 mos.

### STRATEGY STATISTICS

Inception Date: 1/1/1995  
Minimum Investment: \$100,000  
Benchmark: S&P500/Russ1000 Value

### PORTFOLIO MANAGERS

Bryn Harman, CFA  
Ken Roberts  
Spencer Shelman, CFA

### INVESTMENT PROCESS

PCM's TR investment process uses a bottom up approach to security selection with a secondary top down approach to sector allocation. While we consider macro-economic analysis in our sector decisions, bottom up security selection often results in portfolio sector weightings that differ materially from the strategy's benchmark.

We begin the bottom-up process by screening the domestic universe of common equities within the strategy's market capitalization range. While screening criteria are tailored to each industry group, our preliminary analysis generally focuses on earnings power, price multiples and balance sheet metrics. We analyze all candidate companies relative to their industry groups, market sectors, and the large cap equity universe as a whole.

We then analyze the candidate company by performing fundamental analysis. We analyze each candidate's ten year financial history paying close attention to trends in revenue, margins, earnings per share, cash flow per share, book value per share, tangible book value per share and capital structure. We also pay close attention to the sensitivity of the candidate's business to macroeconomic and industry specific factors over time.

Once company analysis is complete, we assign a target price range for the stock using one or more appropriate valuation methods. We generally arrive at target prices using forecasted earnings or cash flows and a target multiplier that incorporates our assessment of the company's earnings growth potential and risk profile. If we believe that there is significant upside potential to a stock's target price range, we then consider it for inclusion in client portfolios.

Once a security has been selected for inclusion in TR portfolios we update our target prices at least quarterly. We generally sell securities when they reach our target price. We may also sell a security if a negative event changes the fundamentals of the company or if the original thesis for buying the stock has changed or no longer applies.

## PORTFOLIO MANAGEMENT TEAM

At PCM the most important thing we do is investment research. All members of our investment team are research analysts, regardless of title. We run our TR Strategy using a collaborative team approach.

### **Bryn Harman, CFA**

Chief Executive Officer & Chief Investment Officer

Mr. Harman oversees all investment processes at PCM and is the portfolio manager for our Small/Mid Value strategy. Mr. Harman's financial career began in the mid-1990s in the western Canadian corporate finance industry. Since then he has been a corporate finance consultant, stock exchange Listings Officer, equity analyst, Director of Research, public company Chief Financial Officer, public company director, portfolio manager and Chief Investment Officer. As Director of Research for a \$2 billion investment adviser, Mr. Harman led a team of small cap equity analysts for several years. Mr. Harman has focused on the analysis of businesses, especially in the smaller cap ranges, for almost his entire 20+ year career. Mr. Harman is a Chartered Financial Analyst and holds a Bachelor of Commerce degree from the University of Saskatchewan. Mr. Harman is a member of the CFA Institute.

### **Ken Roberts**

Chief Investment Strategist

Mr. Roberts founded PCM in 1994 and has worked tirelessly for us ever since. Ken started his career in the brokerage industry in 1966. In 1981 Mr. Roberts started the Shearson Fundamental Value Fund, a mutual fund, and ran it until 1990. Ken also formed and managed his own investment advisory group with Smith Barney Shearson immediately prior to founding PCM. He is currently serving on the Board of Trustees of Whitworth University and is a member of the National Board of Advisors for the Washington State University College of Business. Ken is also a member of the CFA Institute and was past President of the CFA Society of Spokane. Mr. Roberts earned his B.A. in Economics from Whitworth University and an M.B.A. degree in Finance from Harvard University.

### **Spencer Shelman, CFA**

Portfolio Manager

Mr. Shelman joined Palouse as a Portfolio Manager in mid-2015. Spencer's background includes more than nine years of buy-side analytical and portfolio management experience. Virtually all of his experience has involved bottom-up fundamental research for individual and institutional equity portfolios. Spencer is a Chartered Financial Analyst and graduated cum laude from Washington State University in 2006, where he was named the Outstanding Student in Finance his senior year. He was a 4-year member of the WSU football team that went to the Rose Bowl and the Holiday bowl during his time on the team. Spencer is currently serving as Vice President of the CFA Society of Spokane and is a member of the CFA Institute.

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