



# Eagle Capital Management

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*Confidential report prepared upon client request, not for further distribution*



## **FIRM BACKGROUND**

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- **Founded in 1988<sup>1</sup> by Ravenel and Beth Curry**
- **Single strategy—Eagle Equity portfolio; long-only**
- **\$29.5 Billion in Assets Under Management<sup>2</sup>**
- **Separate account structure for all accounts**
- **Over 80% Institutional**
- **100% Employee-owned**
- **Eight member investment team**
- **Collaborative team of 35 seasoned professionals**

<sup>1</sup>In 1995, the organizational structure of the firm was changed to a Limited Liability Company (LLC).

<sup>2</sup>Assets Under Management are as of September 30, 2018.



## *Investment Philosophy:*

- Buy undervalued companies with unrecognized growth potential  
Seek stocks that are inexpensive relative to both their core earnings power and their long-term prospects
- Minimize risk – “Risk is Greatest when Agreement is Greatest”  
Avoid high expectation stocks where there is a higher risk of a permanent loss of capital

## *Differentiating Features:*

- Long-term investment horizon allows us to find opportunities in which many investors can't or won't invest
- Judgment applied to original research
- Culture of intensity combined with emotional calm – “Rigor plus Patience”
- Strong relationships with company management derived from diligence and long-term perspective
- Team approach to research – different perspectives, insights and expertise factor into portfolio decisions
- Focused portfolio of our 25 – 35 best ideas; typically add five new positions per year
- Compensation structure that is aligned with our clients' interests



# PORTFOLIO DISCIPLINES / RISK CONTROLS

BUY DISCIPLINE	HOLD DISCIPLINE	SELL DISCIPLINE
<p><b>Compelling investment thesis</b></p> <ul style="list-style-type: none"><li>• Superior risk/return profile vs. other opportunities</li></ul> <p><b>Value floor</b></p> <ul style="list-style-type: none"><li>• Strong franchise and low valuation limits downsides</li><li>• Favorable returns even if call options do not materialize</li></ul> <p><b>Long-term upside</b></p> <ul style="list-style-type: none"><li>• Secular change</li><li>• Free call options</li></ul>	<p><b>Investment thesis still valid</b></p> <ul style="list-style-type: none"><li>• Business continues to be compelling</li><li>• Intrinsic value is compounding faster than stock price</li></ul> <p><b>Ongoing research</b></p> <ul style="list-style-type: none"><li>• Regular company checks</li><li>• Discussions with industry experts, competitors, customers and suppliers</li><li>• Updated valuation models</li></ul>	<p><b>Investment thesis questioned</b></p> <ul style="list-style-type: none"><li>• New threats emerge</li><li>• Fundamentals deteriorate</li></ul> <p><b>Valuation</b></p> <ul style="list-style-type: none"><li>• Stock is fully valued</li><li>• A new idea offers superior risk/return profile</li></ul>
<b>FOCUSED PORTFOLIO</b>		
<p><b>Maximum Position Size: 10% of portfolio</b> <b>Maximum Sector Weighting: Generally 35% of portfolio</b> <b>Typically 25-35 Stocks</b> <b>Typically &lt; 25% Annual Turnover</b></p>		

These are general guidelines. There may be temporary periods when one or more of these guidelines are exceeded due to market conditions, client restrictions, portfolio balancing or other issues.



# PORTFOLIO CHARACTERISTICS

## Representative Portfolio as of June 30, 2018

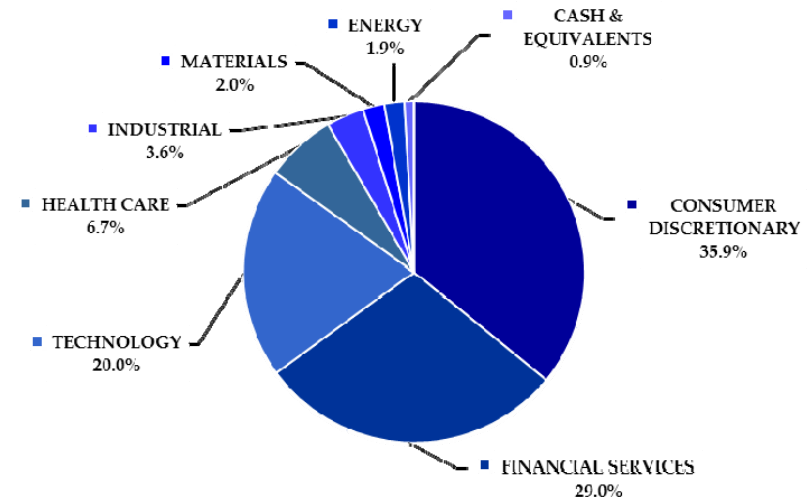
Portfolio Characteristics	Portfolio	S&P 500
Number of Holdings	31	505
Avg Wtd Market Cap (\$B)	274	237
Median Market Cap (\$B)	83	21
Avg Wtd Beta	1.0	1.0
Avg Wtd P/E Trailing	17.2	23.2
Avg Wtd P/E Forward	15.2	17.3
Avg Wtd Price/Book	2.6	3.2
Avg Wtd Price/Cash Flow Trailing	10.9	15.0

\*Securities with negative ratios, or, in the case of Berkshire Hathaway, extreme positive outliers, have been excluded so as not to distort the portfolio total. Portfolio P/E Trailing calculation excludes GCILiberty Inc, Liberty Global PLC, Liberty Latin America Ltd, and Twenty-First Century Fox Inc; Portfolio P/E Forward calculation excludes Liberty Global PLC and Twenty-First Century Fox Inc; P/B calculation excludes Berkshire Hathaway; and P/CF calculation excludes Berkshire Hathaway, Goldman Sachs Group Inc, and JPMorgan Chase & Co.

LARGEST HOLDINGS		
Sector	Security	Pct.
1 Technology	Microsoft Corp	7.8
2 Technology	Alphabet Inc	7.5
3 Financial Services	Berkshire Hathaway Inc	6.4
4 Consumer Discretionary	Amazon.Com Inc	6.0
5 Financial Services	Citigroup Inc	4.9
6 Consumer Discretionary	Charter Communications	4.9
7 Technology	Oracle Corp	4.7
8 Consumer Discretionary	Twenty-First Century Fox Inc	4.4
9 Health Care	Unitedhealth Group Inc	4.3
10 Consumer Discretionary	Comcast Corp	4.2
Total		55.1

Charter Communications represents combined holdings, as applicable, of Charter Communications Inc, GCILiberty Inc, and Liberty Broadband shares. GCILiberty Inc and Liberty Broadband hold a substantial interest in Charter Communications Inc.

**CURRENT SECTOR ALLOCATIONS**  
(Sectors are the outcome of individual stock selection.)



Please note that the classifications used for attribution purposes are GICS classifications. The holdings identified above do not represent all of the securities purchased, sold, or held during the included period.



# Revised FOOTNOTES-EAGLE EQUITY COMPOSITE

- Eagle Capital Management, LLC (the "Adviser") is an investment adviser registered with the Securities and Exchange Commission. Eagle Capital Management, LLC has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®). Prior to 1/1/93, the returns are equal weighted and after 1/1/93 the returns are asset-weighted.
- Eagle Capital Management was founded in August 1988 as a corporation. In March 1995, Eagle Capital Management, LLC was formed. Client accounts were transferred at the time of the change and their performance is included in this composite. The Eagle Equity Composite was thus created in August 1988. The Eagle Equity Composite is made up of all fee paying tax-free discretionary institutional accounts over \$1 million.
- All fee-paying, discretionary portfolios are included in at least one composite. Composite information is not representative of any individual client account. New portfolios are excluded from composites until deemed fully invested. Portfolios no longer under management are included in historical composites for the periods they were under management; they are excluded for all periods after the last full month they were in place. No leveraged and non-fee paying accounts are included in the Eagle Equity Composite. A list of composite descriptions and policies for valuing portfolios, calculating performance and preparing compliant presentations is available upon request. The minimum asset size for a portfolio to be included in the Eagle Equity Composite is \$1,000,000. If withdrawal or performance causes a portfolio included in the Eagle Equity Composite to diminish to a level deemed difficult to implement the intended investment strategy, the portfolio is removed. When taxes are considered, the performance may vary.
- Do not assume that all transactions will be profitable or that future performance is in any way guaranteed by past results. Performance calculations are on a time-weighted and asset-weighted total return basis and reflect reinvestment of dividends and other earnings. Trade-date accounting valuation is used and income is accrued. Returns from client to client will vary slightly depending on portfolio size, diversification and transaction costs. The equity portion of balanced accounts was included in the Eagle Equity Composite until the first quarter of 1994. In the process of active portfolio management, cash may be held in portfolios pending investment. Product descriptions in this brochure should not be construed to mean that cash is immediately invested.
- The Firm's standard annual asset based management fee schedule is 1% of the account's total assets on the first \$5,000,000 and 0.75% thereafter. Gross performance results do not reflect the deduction of Eagle's investment advisory fee, which will affect a client's total return. The performance presented does not represent the return of any one individual investor. The current presentation may differ from previous presentation of historical data due to differences in assumptions, material market conditions and estimates used to calculate the performance. An individual client account's net return may differ significantly due to differences in fees, brokerage or other commissions, and/or any other expenses paid and the account's date of inception. Additional information related to the fees charged by Eagle can be found in its Form ADV Part 2 or in the respective Investment Management Agreement.
- The currency used to express performance is the U.S. dollar.
- The Eagle Equity strategy is not managed to a benchmark. The benchmarks most commonly chosen by our clients based on our strategy are the S&P 500 and the Russell 1000 Value indices. These are broad market indices containing companies that are representative of our investable universe. Neither the S&P 500 nor the Russell 1000 Value indices are managed by Eagle Capital Management, LLC. The S&P 500 Index consists of 500 stocks and is designed to form a representative sample of the United States stock market. This index is often used as a benchmark for U.S. equity portfolios and includes dividends and distributions, but does not reflect fees, brokerage commissions, or other expenses of investing. The Russell 1000 Value Index is an unmanaged index that measures the performance of those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth rates. It includes the reinvestment of dividends and income, but does not reflect fees, brokerage commissions, or other expenses of investing.

## 8. Eagle Equity Composite Detail

Year	Eagle Annual Return		S&P 500	Russell 1000 Value	# of Portfolios	Total Composite Assets (\$ millions)	Composite Dispersion %*	Total Firm Assets (\$ millions)	3-Year Annualized Standard Deviation		
	Gross	Net							Composite	S&P 500	Russell 1000 Value
1989	32.5%	31.8%	31.7%	25.2%	2	3.0	NA	13.5	NA	NA	NA
1990	1.0%	0.2%	-3.1%	-8.1%	2	2.8	NA	16.1	NA	NA	NA
1991	40.7%	39.7%	30.5%	24.6%	2	3.7	NA	54.1	NA	NA	NA
1992	17.1%	16.2%	7.6%	13.8%	3	18.2	NA	52.7	NA	NA	NA
1993	20.4%	19.5%	10.1%	18.1%	7	50.6	3.7	102.6	NA	NA	NA
1994	-1.4%	-2.2%	1.3%	-2.0%	14	143.4	2.5	245.1	NA	NA	NA
1995	34.6%	33.6%	37.6%	38.4%	42	426.0	3.5	492.9	NA	NA	NA
1996	11.3%	10.4%	23.0%	21.6%	48	424.6	2.3	493.3	NA	NA	NA
1997	30.7%	29.9%	33.4%	35.2%	40	284.0	2.5	360.3	NA	NA	NA
1998	4.8%	4.1%	28.6%	15.6%	36	264.1	2.7	343.5	NA	NA	NA
1999	44.4%	43.6%	21.0%	7.4%	27	237.0	3.3	337.0	19.4	16.5	16.0
2000	33.1%	32.5%	-9.1%	7.0%	26	291.8	3.2	440.6	20.8	17.4	17.3
2001	-3.5%	-3.9%	-11.9%	-5.6%	27	358.4	0.8	598.8	17.8	16.7	14.7
2002	-6.5%	-7.0%	-22.1%	-15.5%	29	336.5	1.2	614.8	18.3	18.5	17.0
2003	33.8%	33.0%	28.7%	30.0%	58	797.4	1.1	1,652.3	16.2	18.1	16.0
2004	19.7%	19.2%	10.9%	16.5%	137	1,723.7	1.9	3,061.0	13.6	14.9	14.8
2005	8.4%	7.6%	4.9%	7.1%	202	3,049.6	1.4	5,461.5	9.5	9.0	9.5
2006	12.6%	11.8%	15.8%	22.2%	232	3,692.6	1.3	6,717.0	7.7	6.8	6.7
2007	10.7%	9.9%	5.5%	-0.2%	251	4,041.1	1.1	7,066.5	7.8	7.7	8.1
2008	-35.1%	-35.6%	-37.0%	-36.8%	250	2,643.2	1.5	4,533.8	16.0	15.1	15.4
2009	34.7%	33.7%	26.5%	19.7%	261	3,743.7	2.1	5,890.8	19.8	19.6	21.1
2010	20.8%	20.0%	15.1%	15.5%	242	3,820.0	1.0	7,382.4	21.5	21.9	23.2
2011	5.8%	5.1%	2.1%	0.4%	283	5,033.1	0.6	10,601.6	17.0	18.7	20.7
2012	17.9%	17.0%	16.0%	17.5%	345	7,875.0	0.5	15,098.7	13.4	15.1	15.5
2013	36.7%	35.7%	32.4%	32.5%	432	10,874.6	0.9	23,871.4	10.8	11.9	12.7
2014	13.1%	12.3%	13.7%	13.5%	433	11,013.6	0.4	27,412.6	8.5	9.0	9.2
2015	2.2%	1.4%	1.4%	-3.8%	426	10,989.8	0.6	26,319.7	11.4	10.5	10.7
2016	11.0%	10.1%	12.0%	17.3%	400	10,917.4	0.5	25,053.7	11.8	10.6	10.8
2017	24.0%	23.1%	21.8%	13.7%	396	11,835.1	0.5	27,924.0	11.0	9.9	10.2

\* Dispersion includes only portfolios that were present for the entire period. Dispersion prior to 1993 not statistically meaningful.

Internal composite 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.

The three-year annualized standard deviation measures the variability of the composite and benchmark monthly returns over the previous 36-month period.

Eagle Capital Management claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Eagle Capital Management has been independently verified for the periods January 1, 1993 to December 31, 2017. 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 Eagle Equity Composite has been examined for the periods January 1, 1993 to December 31, 2017. The verification and performance examination reports are available upon request.

A more detailed description of the assumptions utilized in any of the simulations, models, and/or analyses contained in this report is available upon request. Eagle does not represent that the information contained herein is accurate or complete, and it should not be relied upon as such; Eagle does not undertake any obligation to update the information contained herein. Recipients should not rely on this material in making any investment decision. This document does not constitute advice or a recommendation or offer to sell or a solicitation of any offer to buy any security.