

# Large Cap Core

August 31, 2018

## Objective

Large Cap Core is a model portfolio of large-cap stocks that seeks long-term capital appreciation.

## Portfolio Characteristics

	Portfolio	Global Benchmark <sup>1</sup>	U.S.-Centric Benchmark <sup>2</sup>
Number of Holdings	38	1,495	1,698
Wtd. Average Market Cap (\$Bn)	\$264.3	\$192.1	\$233.3
Price-to-Earnings	20.8x	15.6x	17.5x
Price-to-Book	3.8x	2.3x	3.0x
Historical 3-Year Sales Growth	8.1%	6.4%	6.3%
Return on Assets	7.5%	7.5%	7.8%

## Sector Weights

	Portfolio	Global Benchmark <sup>1</sup>	U.S.-Centric Benchmark <sup>2</sup>
Consumer Discretionary	13.1%	11.7%	12.6%
Consumer Staples	7.1%	8.6%	7.1%
Energy	4.6%	7.0%	6.1%
Financials	14.5%	20.2%	17.5%
Healthcare	14.6%	12.4%	14.0%
Industrials	11.1%	9.1%	9.6%
Materials	4.1%	4.1%	2.9%
Technology	26.5%	21.3%	25.1%
Telecom	--	3.1%	2.2%
Utilities	2.6%	2.5%	2.8%
Cash	1.7%	--	--

## Strategy

The portfolio team seeks to invest in large-capitalization companies with sustainable growth rates, high earnings quality, attractive valuations, and improving fundamentals. Fundamental analysis focuses on identifying stocks where there is meaningful upside that is not appreciated by the market. While the strategy's mandate is global, the focus is currently on U.S. stocks. The portfolio typically consists of 35 to 45 stocks.

## Highlights

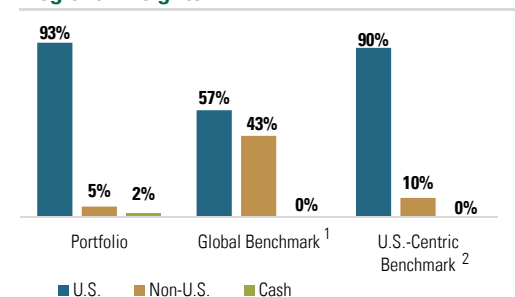
- The Large Cap Core portfolio retains an overweight position in the technology sector via a variety of compelling ideas across a wide array of subsectors.
- The portfolio is also overweight industrials and healthcare.
- Large Cap Core is underweight financials, telecom, and energy.

## Risk Statistics

	Portfolio	Global Benchmark <sup>1</sup>	Portfolio	U.S.-Centric Benchmark <sup>2</sup>
Standard Deviation	9.3%	9.8%	9.3%	9.4%
Tracking Error	3.9%	0.0%	3.4%	0.0%
Beta	0.87	1.00	0.92	1.00

Above risk characteristics are based on a 3-year time frame.

## Regional Weights



<sup>1</sup> MSCI All Country World Large Cap Index (Net) comprises large-capitalization stocks in 23 developed and 23 emerging market countries. With close to 1,200 constituents, the index covers approximately 70% of the free-float-adjusted market capitalization in each country.

<sup>2</sup> The U.S.-Centric Benchmark comprises 90% S&P 500 Index and 10% MSCI All Country World Large Cap Index ex USA (Net). The S&P 500 Index is an unmanaged index of 500 large-cap stocks that is frequently used as a general measure of stock market performance. It includes 500 large-cap stocks, which together represent about 75% of the total U.S. equities market. To be eligible for addition to the S&P 500, companies must have a market capitalization of at least U.S. \$4 billion. The investment team measures its regional allocations versus the global benchmark, and its sector allocations and stock selection against the U.S.-Centric Benchmark.

Market capitalization is the market value of a company's outstanding shares. Price-to-earnings ratio is the share price divided by the earnings per share, which is based on consensus earnings estimates for the next fiscal year. Price-to-book ratio is the price per share divided by the book value per share. Return on assets is a company's net income divided by its total assets. The historical three-year sales growth is the compound annual growth rate in revenue over the prior three years. Standard Deviation: A measure of dispersion of a set of data from its mean. Tracking Error: A measure of the divergence between a portfolio and its benchmark. Beta: Represents the systematic risk of a portfolio and measures its sensitivity to a benchmark.

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Large Cap Core is a model portfolio and is not an exact representation of any actual client portfolio. This material is provided for your general information. It does not take into account the particular investment objectives, financial situation, or needs of individual clients.

Data and holdings are as of August 31, 2018. Source: FactSet; S&P; MSCI; Bessemer Trust Company, N.A., a member of the Bessemer Trust group of companies.

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## Top 25 Holdings

Security	Weight	Sector	U.S. or Non-U.S.	Thesis
Microsoft Corporation	5.8%	Technology	U.S.	Global consumer and commercial software provider well positioned to benefit from cloud migration trends
Amazon.com	5.7%	Consumer Discretionary	U.S.	Global e-commerce company with underappreciated ability to sustain high levels of growth
Apple	4.4%	Technology	U.S.	Premium computer and handset manufacturer with an updated product cycle
Visa	3.8%	Technology	U.S.	Global payments technology company with a defensible competitive position
Alphabet	3.4%	Technology	U.S.	Well-positioned global internet search provider with underappreciated growth opportunities
ConocoPhillips	3.2%	Energy	U.S.	Oil and gas producer that has restructured by spinning off its refinery business
Fortive	3.2%	Industrials	U.S.	Diversified industrial with reinvestment and growth opportunities in niche markets
Fidelity National	3.2%	Technology	U.S.	Leading financial technologies company with expanding scale and profit opportunities following its SunGard acquisition
Zoetis	3.1%	Healthcare	U.S.	Leading animal health company well positioned for durable growth in the medication and treatment of livestock and pets
Danaher Corporation	3.1%	Healthcare	U.S.	Increasingly well-positioned to benefit from structural growth in the life sciences and medical diagnostics industries
Thermo Fisher Scientific	3.0%	Healthcare	U.S.	Life sciences firm positioned for global growth, margin expansion, and acquisition synergies
KeyCorp	2.9%	Financials	U.S.	U.S. regional bank that should benefit from capital deployment and improving cost controls
Discover Financial Services	2.9%	Financials	U.S.	Credit card company that should benefit from improved consumer borrowing
Booking Holdings	2.9%	Consumer Discretionary	U.S.	World's largest online travel agency that is taking share in a growing but fragmented market
DowDuPont	2.9%	Materials	U.S.	Diversified specialty and agricultural chemicals industry leader with enhanced opportunities from its pending DuPont merger
Baxter International	2.7%	Healthcare	U.S.	Global provider of IV and renal care solutions undergoing improvements to drive cash flow and returns on capital
Cintas	2.7%	Industrials	U.S.	Uniform laundry and rental service in leading position with growth opportunities and strategic advantages
Church & Dwight	2.7%	Consumer Staples	U.S.	Consumer product company that uses M&A and mega brands strategies to take share
Raytheon	2.6%	Industrials	U.S.	U.S. defense contractor best positioned for international growth with substantial cash-generation capabilities
Safran	2.6%	Industrials	Non-U.S.	Aerospace supplier with market-leading aircraft engine business and opportunities from recent merger
American Water Works	2.6%	Utilities	U.S.	Largest U.S. publicly-traded water utility with opportunities for rate base and earnings growth
Citigroup	2.5%	Financials	U.S.	Multinational financial institution that has exited loss-making businesses
Nike	2.5%	Consumer Discretionary	U.S.	Very strong franchise with multi-year revenue growth and margin expansion ahead
Morgan Stanley	2.4%	Financials	U.S.	Investment bank and wealth manager that should benefit from an equity cycle
Chubb Limited	2.4%	Financials	U.S.	Multiline insurance company with excess capital to deploy

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