

# Manager Announcement

December 2018

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## Schafer Cullen Capital Management's High Dividend Value Equity Strategy Brings a Disciplined Value Approach to SEI Canada's U.S. Large Company Equity Fund

The Schafer Cullen Capital Management (Schafer Cullen) High Dividend Value Equity strategy has been added to SEI Canada's U.S. Large Company Equity Fund (the Fund).

### Investment Philosophy and Process

Schafer Cullen considers itself a disciplined value investor. The investment team focuses on stocks that are inexpensive on a price-to-earnings basis, with an additional focus on high absolute dividend yield.

The investment process involves multiple stages of quantitative screening and fundamental research in an attempt to ensure optimal allocation. We believe that the process is consistent and repeatable. The screening begins with the largest 2,000 publicly-traded stocks with market capitalizations of US\$5 billion or greater. The investment team looks for stocks that have a catalyst that the team believes should result in above-average earnings/dividend growth over the next few years. While primarily focused on a bottom-up perspective, the team does not neglect top-down analysis, and attempts to mitigate risk by maintaining a quality bias. The end portfolio contains between 30 and 40 companies.

### Role in the Fund

We expect the strategy to provide exposure to both the risk-premium and stability alpha sources, as it emphasises valuation, dividend yield and dividend growth. Over a full market cycle, we expect much of the portfolio's alpha to be generated during down markets.

### About Schafer Cullen

Founded in 1983 and headquartered in New York, Schafer Cullen is an independent investment adviser firm. As of September 2018, the firm had US\$21.7 billion in assets under management.

### Why We Like Them

- **Risk premium potential advantage:** Schafer Cullen is both disciplined and value-oriented, incorporating factors such as dividend requirements into its screening.
- **Disciplined valuation:** Schafer Cullen's investment team understands the importance of valuation when seeking to capture and harness alpha.
- **Stability-oriented:** The investment team's focus on stability may help mitigate underperformance in unfavourable market conditions.
- **High-quality investment team:** The investment team has largely been built from homegrown talent that has been groomed to be stewards of the firm, resulting in loyalty and dedication as evidenced by the firm's high rate of employee retention.

## Glossary of Financial Terms

**Alpha Sources:** Alpha source is a term used by SEI as part of our internal classification system to categorize and evaluate investment managers in order to build diversified fund portfolios. An alpha source is the investment approach taken by an active investment manager in an effort to generate excess returns. Another way to define an alpha source is that it is the inefficiency that an active investment manager seeks to exploit in order to add value.

**Alpha:** Alpha refers to returns in excess of a Fund's benchmark.

**Bottom-up:** Bottom-up refers to managers that focus on individual stock selection instead of the overall economic environment.

**Dividend Yield:** Dividend yield refers to an estimate of the dividend-only return of a stock investment.

**Fundamental:** Fundamental analysis is based on analyst research and judgment.

**Market Capitalization:** Market capitalization refers to the total value of a company or stock exchange or the total value of a company's outstanding shares.

**Price-to-earnings Ratio:** Price to earnings ratio is the ratio of a company's share price to its earnings over the past 12 months, which can be used to help determine whether a stock is undervalued or overvalued.

**Quantitative:** Quantitative analysis is based on computer-driven models.

**Risk-premium:** Risk-premium refers to the additional potential return available to investors in assets that are perceived to be mispriced due to liquidity risk, operational risk or value premium.

**Stability:** Stability in a portfolio attempts to manage the risk of loss while still seeking to generate some positive returns.

**Top-down:** Top down refers to managers that focus on the overall economic environment instead of individual stock selection.

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