

# WASHINGTON CROSSING ADVISORS

## VICTORY Portfolio All Cap Value

[www.washingtoncrossingadvisors.com](http://www.washingtoncrossingadvisors.com)

### PORTFOLIO PROFILE SHEET

#### Kevin R. Caron, CFA

Senior Portfolio Manager  
(973) 549-4051  
kevin.caron@stifel.com

#### Chad A. Morganlander

Senior Portfolio Manager  
(973) 549-4052  
chad.morganlander@stifel.com

#### Matthew J. Battipaglia

Portfolio Manager  
(973) 549-4047  
battipaglia@stifel.com

#### Suzanne E. Ashley

Analyst  
(973) 549-4168  
ashleys@stifel.com

#### About Washington Crossing Advisors

Washington Crossing Advisors (WCA) is a wholly owned subsidiary and affiliated SEC Registered Investment Adviser of Stifel Financial Corp. WCA strategies are offered through the Stifel Score Program (Research-Driven Portfolios). The senior management team has worked together for over 20 years as market strategists and portfolio managers.

#### About Stifel

Founded in 1890, Stifel is one of the leading financial services firms in the U.S., providing full-service wealth management and investment banking. Stifel is a leading underwriter and advisor for companies and a top provider of trade execution and securities distribution with nationally recognized research and a suite of asset management strategies.

The **WCA VICTORY PORTFOLIO** seeks capital appreciation through a value-driven, flexible-mandate. Candidate companies may vary in size, sector, and style. When fully invested, the portfolio seeks to invest in 20-30 companies that are:

### GROWING

Portfolio candidates should have a demonstrated ability to grow shareholder value over time. The compounding effect of profitable growth is a powerful driver to returns and why this is a primary focus of our analysis.

### CONSISTENTLY PROFITABLE

Not all growth is good growth. Growth can be achieved from unprofitable investments, but detracts from shareholder wealth over time. Therefore, we seek businesses that are demonstrating the profitable use of capital in generating cash flow and returns to investors.

### WELL-CAPITALIZED

Companies should have relatively low amounts of debt. As a general rule, we believe that companies with less debt on the balance sheet have greater financial flexibility. This flexibility becomes even more valuable during periods of economic distress.

### ATTRACTIVELY VALUED

Candidate companies should trade at a discount to our estimate of intrinsic value under a set of conservative assumptions. In so doing, we hope to establish a "margin of safety" that helps us to avoid unnecessary risk without sacrificing return. In situations where valuations do not reflect underlying risk, the portfolio may hold cash.

### PORTFOLIO STATISTICS

	Portfolio	S&P 500
Market Capitalization (\$Bil)	\$154.0	\$217.0
Return on Assets	5.5%	3.1%
Leverage	3.5	5.5
Enterprise Value to Sales	3.7	4.7
Dividend Yield	2.3%	2.1%
Dividend Growth (5-year)	11.6%	8.0%
Expected Turnover	20.0%	–

Source: Bloomberg

### SECTOR EXPOSURE

Consumer Discretionary	5%
Consumer Staples	25%
Financials	0%
Healthcare	14%
Industrials	4%
Materials	0%
Technology	17%
Utilities	10%
Cash	24%

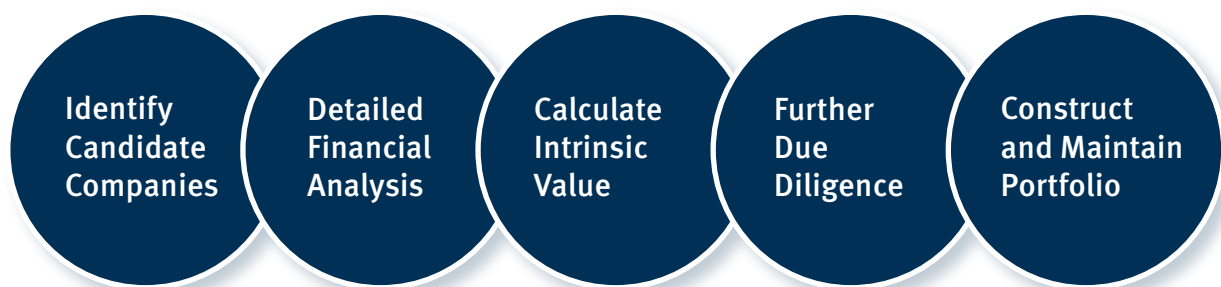
Score  
Research-Driven Portfolios  
STIFEL

As of June 30, 2018

## INVESTMENT PROCESS

From a universe of over 1,500 companies, we **identify** those that appear to be consistently profitable, growing, and well-capitalized firms. Candidate companies are subjected to a **detailed financial analysis** and quantitative valuation process in an effort to establish a reasonable estimate of **intrinsic value**. We consider qualitative aspects, including industry dynamics, competitive forces, and management quality, as part of a **further due diligence** process. **Portfolios are constructed** of 20-30 securities when fully invested with a typical position size near 4%. In situations where we are unable to find investments that meet our criteria, we may seek opportunities elsewhere or hold cash as appropriate. We will sell a security if the price moves beyond our assessment of value, long-run fundamental prospects decline, or if the balance sheet becomes excessively risky. We will continue to hold a security if the company's earnings power and our assessment of value rises ahead of the stock price.

Our discipline is simple, rigorous, and systematic. We believe the wisdom of this approach is a key element to our long-run success.



### TOP TEN PORTFOLIO HOLDINGS

AETNA	AET
AMERICAN WATER WORKS CO. INC.	AWK
CISCO SYSTEMS INC.	CSCO
HORMEL FOODS CORP	HRL
MCCORMICK & COMPANY, INC.	MKC
MICROSOFT CORP.	MSFT
NEXTERA ENERGY, INC.	NEE
PEPSICO INC.	PEP
TJX COMPANIES, INC.	TJX
WAL-MART STORES INC.	WMT

*As of June 30, 2018*

The Top 10 holdings are determined by percentage of portfolio allocation and are subject to change at any time, without notice. The holdings presented do not represent all of the securities held by the strategy as of the date presented. A complete list of holdings as of the date noted above will be provided upon request to your Financial Advisor. The above is presented to illustrate the application of the strategy only and not intended as personalized recommendations of any particular security. The securities identified and described above do not represent all of the securities purchased, sold, or recommended for client accounts. You should not assume that an investment in any of the securities identified was or will be profitable.

## ANNUALIZED RETURNS — PERIODS ENDING JUNE 30, 2018

	Q218	1 Year	3 Year	5 Year	7 Year	10 Year	Since Inception
VICTORY Portfolio (Gross of Fees)	2.04%	13.78%	10.99%	10.54%	11.15%	8.64%	6.71%
VICTORY Portfolio (Net of Fees)	1.69%	12.24%	9.43%	8.97%	9.65%	7.53%	5.66%
S&P 500 Index TR	3.43%	14.37%	11.93%	13.42%	13.23%	10.17%	7.71%

## CALENDAR YEAR RETURNS

	2011	2012	2013	2014	2015	2016	2017
VICTORY Portfolio (Gross of Fees)	17.65%	13.20%	22.27%	7.78%	0.66%	7.48%	22.69%
VICTORY Portfolio (Net of Fees)	17.08%	11.63%	20.52%	6.23%	-0.77%	5.91%	21.00%
S&P 500 Index TR	2.11%	16.00%	32.39%	13.69%	1.38%	11.96%	21.83%

## SINCE INCEPTION RISK STATISTICS — PERIODS ENDING JUNE 30, 2018

	Standard Deviation	Sharpe Ratio	Batting Average	Up Capture	Down Capture	Beta	R-Squared
VICTORY Portfolio	8.86%	0.72	43.75%	62.50%	51.94%	0.46	59.57%
S&P 500 Index TR	14.87%	0.54	100.00%	100.00%	100.00%	1.00	100.00%

*Risk statistics calculated using gross of fees performance.*

## DISCLOSURES

Past performance does not guarantee future performance or investment results. Actual performance for a client may differ due to such factors as timing, economic and market conditions, cash flows, and client constraints. Performance information has been provided by Morningstar Direct. Portfolio returns are based on the performance of the Washington Crossing Advisors model portfolio. All returns are from the period beginning August 1, 2002, which is the inception date for the model. The separately managed portfolio program, which is driven by the model, was begun on March 2, 2004. Performance results through December 31, 2016 have been reviewed by Ashland Partners, and monthly return data is available upon request. Model results are shown on a gross and net of fee basis and do not take into consideration dividends or income. Gross of fees means that the figures do not reflect any deductions for investment management fees, trading costs, taxes, or any other costs associated with a managed account. Net of fees means that the figures reflect deductions for investment management fees and trading costs, but do not reflect taxes. Indices are unmanaged, and it is not possible to invest directly in an index. As depicted in the benchmark index performance herein, market returns were generally consistent with strategy returns, although some disparities exist from time to time. Significant disruptions in market or economic conditions may impact the results portrayed.

The Washington Crossing Advisors Stifel VICTORY Portfolio requires a \$35,000 minimum investment. Strategies in the Stifel Score Program are proprietary products developed by Stifel. More information on the Score Program is included in the Stifel Consulting Services Disclosure Brochure and Part II of the Manager's Form ADV, which may be obtained from your Financial Advisor and which further outlines the fees, services, exclusions, and disclosures associated with this program. The information contained herein is believed to be reliable and representative of the portfolios available through Stifel; however, the accuracy of this information cannot be guaranteed. Investors should consider all terms and conditions before deciding whether the Score Program is appropriate for their needs.

## DESCRIPTION OF TERMS

### **Batting Average**

A measure of a manager's ability to beat the market consistently, the Batting Average is calculated by dividing the number of quarters in which the manager beat or matched an index by the total number of quarters in the period. For example, a manager who meets or outperforms the market every quarter in a given period would have a batting average of 100. A manager who beats the market half of the time would have a batting average of 50.

### **Beta**

Beta measures the risk level of the manager. Beta measures the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole. In contrast, alpha measures the nonsystematic return of the portfolio, and standard deviation measures the volatility of a portfolio's returns compared to the average return of the portfolio. A beta equal to one indicates a risk level equivalent to the market. Higher betas are associated with higher risk levels, while lower betas are associated with lower risk levels. Beta is calculated using regression analysis, and can be summarized by the tendency of a security's returns to respond to swings in the market. A beta of 1 indicates that the security's price will move with the market. A beta of less than 1 means that the security will be less volatile than the market. A beta of greater than 1 indicates that the security's price will be more volatile than the market. For example, if a stock's beta is 1.2, it's theoretically 20% more volatile than the market. A beta of greater than 1 offers the possibility of a higher rate of return, but also poses more risk.

### **Down Market Capture Ratio**

Down-Market Capture Ratio is a measure of managers' performance in down markets relative to the market itself. A down market is one in which the market's quarterly return is less than zero. The lower the manager's down-market capture ratio, the better the manager protected capital during a market decline. A value of 90 suggests that a manager's losses were only 90% of the market loss when the market was down. A negative down-market capture ratio indicates that a manager's returns rose while the market declined. For example, if the market fell 8% while the manager's returns rose 2%, the down-market capture ratio would be -25%.

### **PEG Ratio**

PEG Ratio reflects a stock's price/earnings ratio divided by annual earnings per share growth.

### **R-Squared**

R-Squared is a statistic that measures the reliability of alpha and beta in explaining the manager's return as a linear function of the market. If you are searching for a manager with a particular style, for example a growth manager, you would expect that manager to have an R-Squared that is high relative to a growth index if the manager has a diversified portfolio. If the manager's return is explained perfectly, the R-Squared would equal 100, while an R-Squared of 0 would indicate that no relationship exists between the manager and the linear function. Higher R-Squared values indicate more reliable alpha and beta statistics and are useful in assessing a manager's investment style.

### **S&P 500 Index**

The Standard & Poor's 500 Index is a capitalization-weighted index that is generally considered representative of the U.S. large capitalization market.

### **Sharpe Ratio**

Sharpe Ratio is one of two alternative, yet similar, methods of measuring excess return per unit of risk. (The other method is the Treynor Ratio.) In the case of the Sharpe Ratio, risk is measured using the standard deviation of the returns in the portfolio. The Sharpe Ratio relates the difference between the portfolio return and the risk-free rate to the standard deviation of that difference for a given time period.

### **Standard Deviation**

Standard Deviation is a gauge of risk which measures the spread of the difference of returns from their average. The more a portfolio's returns vary from its average, the higher the standard deviation. It is important to note that higher than average returns affect the standard deviation just as lower than average returns. Thus, it is not a measure of downside risk. Since it measures total variation of return, standard deviation is a measure of total risk, unlike beta, which measures market risk.

### **Up Market Capture Ratio**

Up-Market Capture Ratio is a measure of managers' performance in up markets relative to the market itself. An up market is one in which the market's quarterly return is greater than or equal to zero. The higher the manager's up-market capture ratio, the better the manager capitalized on a rising market. For example, a value of 110 suggests that the manager captured 110% of the up market (performed ten percent better than the market) when the market was up. A negative up-market capture ratio indicates that a manager's returns fell while the market rose. For example, if the market gained 8% while a manager's returns fell 2%, the up-market capture ratio would be -25%.