BostonPartners

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Basic Principles | An Investment Approach Grounded in Value

Transcript

Joshua White

CFA Portfolio Manager

"Our goal at Boston Partners is to provide our clients wiwth a rate of return that exceeds the benchmark over a full market cycle. I'm Josh White, portfolio manager at Boston Partners. We believe that a value oriented investment process can not only drive excess returns, but also reduce risk in a portfolio."

Basic Principles | An Investment Approach Grounded in Value

"At Boston Partners, the concept of value is deeply embedded in our process and also our philosophy. When we think about value, we're looking for companies that are trading at a discount to their intrinsic value. It's not just companies that have the lowest price to book multiple or the lowest price to earnings multiple. It's really what the underlying business is worth. There are a myriad of factors that go into the decision making around what a company is worth, and so we try to incorporate as much of that as possible. We analyze companies from the bottom up using deep, fundamental research, and our process is very focused on value and the valuation of those businesses. Our analysts will do a lot of work analyzing the financial statements and filings of companies, with a strong emphasis on the cash flow statement and the free cash flow generation of the businesses that we're looking at. Talking to the management team, looking at the decisions that that management team has made in the past, and any signals that we can get about how they're going to behave in the future. Value doesn't exist in a vacuum. You need to understand the fundamentals of the underlying business that you're investing in."

Deep Fundamental Research

Our approach at Boston Partners

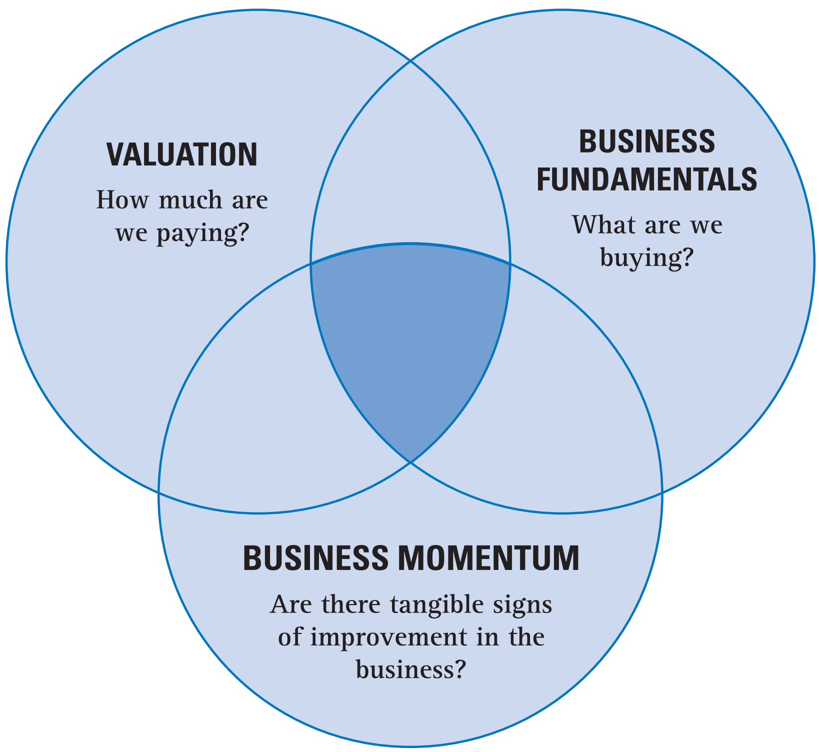
- Analysis of financial statements and filings
- Free cash flow
- Conversations with management
- Looking at History of management decisions

Joshua White

"We build our portfolios with the focus on three characteristics. The first is valuation. How much are you paying for that business? The second is the fundamentals. Is this a good business or is it a bad business? And then the third is momentum. So is the business getting better or is it getting worse? And so what you'll see at every portfolio at Boston Partners is a portfolio that has better fundamental characteristics, better momentum characteristics and better valuation characteristics than the market and the benchmark."

Three Circle Stock Selection Process

In our experience, portfolios with all three characteristics tend to outperform overtime



Joshua White

"A good example of how we think about value in the marketplace would be a purchase we made in 2020. The company is called AbbVie. They have a large drug called HUMIRA that was facing a patent cliff and so the stock was trading at very cheap valuation metrics on free cash flow and price to earnings. The market was very focused on the HUMIRA patent cliff. What we saw were two new drugs in the pipeline that were going to replace most of the lost revenue, as well as a well-timed acquisition that helped to diversify the business. So when we looked out 2 to 3 years, we saw a company that could be trading at a much higher multiple than it was at the time of purchase."

"If you look only at the past 15 years, you'll see that growth has done well versus value. And this is really an anomaly if you look at the data going all the way back to the 1930s. If you look at the long term performance of value versus growth, you'll see that over a very long period of time, value has done better than growth. I think when you think about the environments in which value performs well, it's typically during periods of rising interest rates. And we've had interest rates declining since about 1982 and 1983, and that culminated during the pandemic with rates getting down around zero. As you look forward, we believe the environment looks much improved for value investing."

"Since we opened our doors in 1995. Boston Partners has had a consistent and repeatable investment approach grounded in value. And so if we're able to buy stocks in our portfolio consistently at a discount to their intrinsic value, we think that will lead to outperformance over time versus the broader market. In addition, it really helps you to protect against your downside risk. If you're not overpaying for a stock and there are low expectations embedded in that security, your downside risk has been minimized. We believe this disciplined investment approach has and will deliver outperformance for our clients over time."

Value Leadership Appears Overdue

Long-term trends in large-cap growth/value relative performance

Data as of March 31, 2022
Source: Ned Davis Research, Inc. (NDR); FTSE Russell.
Monthly data December 31, 1932 to March 31, 2022 (Log Scale).
Shaded areas indicate Growth outperformance based on reversals of 20% or more in Growth/Value ratio. The Large Cap Growth and Value indices reflect data provided by Kenneth French prior to December 31, 1978 and Russell data since. Past performance is not an indication of future results.

Joshua White

CFA Portfolio Manager

Mr. White is a portfolio manager for the Boston Partners Large Cap Value strategy. His experience at the firm included managing a portion of the Boston Partners Long/Short Research strategy while covering multiple economic sectors including basic industries, consumer durables, and capital goods. Mr. White was also a portfolio manager on Boston Partners Global Equity and International Equity strategies and before that, he was a global generalist providing fundamental research on global equities. Mr. White holds a B.A. degree in mathematics from Middlebury College. He holds the Chartered Financial Analyst® designation and has sixteen years of industry experience.

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Price to Earnings Multiple: The price-to-earnings ratio (P/E ratio) is the ratio for valuing a company that measures its current share price relative to its earnings per share (EPS). The price-to-earnings ratio is also sometimes known as the price multiple or the earnings multiple.

Price-to-Book Multiple is a multiple derived from the Price-to-Book ratio calculated for a business entity. The price-to-book ratio, which is computed by dividing the market price per share of a business entity by the book value per share, is a measure through which valuers and analysts compare the price-to-book ratio measures of a business' market value to its book value, which is the net assets recorded in the statement of financial position. Through multiples generated through these computations, investors can assess if an investment is viable. When the price-to-book multiple is above 1, it signals the business entity has a positive outlook and investors are willing to pay a premium. On the other hand, when the ratio is less than 1, it indicates the company is undervalued and the shares are selling at less than the business is worth.

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