November 2021

Questions of Value — Interest Rates & Financial Services Stocks

This is the first in a series of memos in which we will address common questions from our clients about the Partners Strategy and Value investing. We welcome your feedback! Please contact us if you have suggestions for future topics. You can also follow us on LinkedIn where we are regularly posting useful content.

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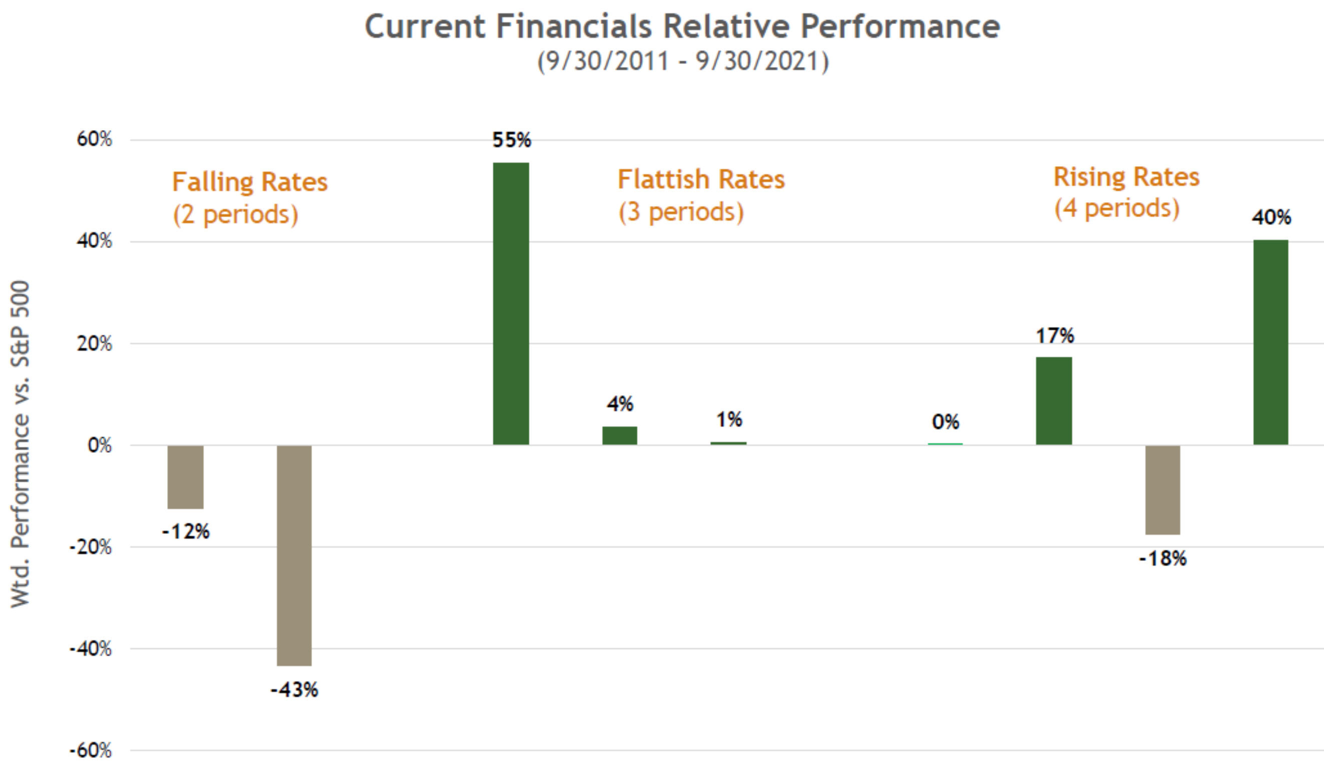
Contributor:
Stephen A. Burlingame, CFA, Partner

Isn't a large weighting in the Financial Services sector just a macro prediction that interest rates will rise?

This is a question we frequently get from our clients given our portfolios' approximate 25-30% weighting in the Financial Services sector. To be clear, our large weighting in the sector isn't driven by an implicit forecast for higher interest rates. Rather, our Financial Services investments reflect a combination of low valuations and business specific self-help opportunities capable of meaningfully improving each company's earnings power. For instance, the management team for one of our holdings is executing a credible plan to improve their return on tangible equity (ROTE) to 15% from a historical range of 9-12%. Another one of our Financial Services companies is implementing technology and process improvements that should meaningfully improve their efficiency ratio, which is currently 1,000+ bps worse than peers. Neither of these self-help plans are predicated on rising interest rates. Over the next few years, we expect our Financial Services holdings to generate what we view as an attractive fundamental return comprised of high-single digit EPS growth and a 2% dividend yield. In the current market environment, we find this sort of fundamental return profile quite compelling considering it can be purchased at less than 10x forward earnings.

We make our investments for company specific reasons and build our portfolios using a bottoms-up research process. While we don't profess any great skill when it comes to top-down macro-economic forecasts, it would be naïve not to contemplate macroeconomic factors when evaluating each of our investments' risk vs. reward profiles. We look for company specific opportunities where macroeconomic variables are asymmetrically skewed in our favor.

We believe an examination of the historical performance of our current Financial Services investments can help address the question of future interest rate risk. We analyzed the performance of our current investments over the last ten years and grouped the results based on whether interest rates were falling, flattish, or rising. We then compared the weighted average performance of these investments to the S&P 500. As you can see in the chart on the following page, history would suggest that if interest rates are flat or rising our Financial Services investments are more likely to be a tailwind rather than a headwind to our relative performance.



We have a diverse set of holdings within the Financial Services sector that spans four insurance companies, two commercial banks, and one auto lender. These companies have already spent years adapting their business models to a low interest rate environment, and we believe they have less interest rate sensitivity than is commonly believed. Our best guess is that interest rates are likely to be flat-to-rising in the coming years, which suggests interest rate trends are unlikely to be a headwind to the relative performance of our current financial holdings. Importantly, if rates don't rise, we believe our holdings will do just fine.

Admittedly, if interest rates were to consistently decline, then history would suggest our current Financial Services holdings would struggle. A prolonged decline in interest rates in 2022-23 is a risk everyone needs to see clearly when evaluating the prospects of our current investments in the sector. We remain comfortable with this risk relative to the discounted valuations of our holdings at less than 10x forward earnings and the attractive fundamental return profiles for these companies.

In Conclusion, we believe the multi-year risk-adjusted return potential for our Financial Services holdings is compelling so long as interest rates don't meaningfully decline.

Let's Discuss — We'd Love To Hear From You

Please contact Patty Shields (pshields@poplarforestllc.com or **(626) 304-6045**) or your Poplar Forest relationship manager with feedback and suggestions for future Insights. Follow us on LinkedIn where we commonly post useful and informative material.

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Disclosures

Past performance does not guarantee future results. Mutual fund investing involves risk. Principal loss is possible. Please refer to the following page for supporting data.

The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The statutory prospectus and summary prospectus contain this and other important information and can be obtained by calling 1-877-522-8860 or by visiting www.poplarforestfunds.com. Read it carefully before investing.

Opinions expressed are subject to change at any time, are not guaranteed and should not be considered investment advice. Basis Point (bps) is a value equaling one one-hundredth of a percent (1/100 of 1%). Dividend Yield represents the trailing 12-month dividend yield aggregating all income distributions per share over the past year, divided by the period ending fund or stock share price. It does not reflect capital gains distributions. Earnings Growth is the annual rate of growth of earnings typically measured as Earnings Per Share Growth. Earnings growth is not a measure of the Fund's future performance. Earnings Per Share (EPS) is the net income of a company divided by the total number of shares it has outstanding. As is the case with ROE ("Return on Equity"), ROTE (return on tangible equity) is calculated by dividing the company's net income by average shareholders' equity but, in contrast, ROTE excludes intangible elements such as goodwill, debt that can be converted into common stock, and preferred stock. The S&P 500 Index is a market-value weighted index consisting of 500 stocks chosen for market size, liquidity, and industry group representation. One cannot invest directly in an index. Compound Annual Growth Rate (CAGR): The year-over-year growth rate of an investment over a specified period of time. The compound annual growth rate is calculated by taking the nth root of the total percentage growth rate, where n is the number of years in the period being considered.

Poplar Forest Capital, LLC (the "Adviser") is the Investment Adviser to the Fund. Poplar Forest Funds are distributed by Quasar Distributors, LLC.

Appendix — Supporting Charts and Data

US Treasury Bond Yields & Trends (9/30/2011-9/30/2021)

Interest Rate Movements Data Source: Intrinsic Research ; CAGR: Compound Annual Growth Rate

	9/30/2011 5/30/2013	5/30/2013 12/31/2013	12/31/2013 6/30/2016	6/30/2016 12/31/2016	12/31/2016 12/31/2017	12/31/2017 10/31/2018	10/31/2018 7/31/2020	7/31/2020 3/31/2021	3/31/2021 9/30/2021
Interest Rate Trends for 10 Year Treasury Yields	Flattish	Rising	Falling	Rising	Flattish	Rising	Falling	Rising	Flattish
Current Financials Weighted Average Performance vs. S&P500 Perf	55%	0%	-12%	17%	4%	-17%	-43%	40%	0%

Current Financials Sensitivity to Interest Rate Trends:	**Weighted Average Performance vs. S&P500:**
Current Financials Performance Last 10 Years - Flattish Rates	Outperformed in 3 out of 3 periods.
Current Financials Performance Last 10 Years - Rising Rates	Outperformed in 2, market performed in 1, and underperformed in 1* out of 4 periods.
Current Financials Performance Last 10 Years - Falling Rates	Underperformed in 2 out of 2 periods.

**GDP growth decelerated in 2H'18 as the trade war with China escalated.*

Poplar Forest Partners Fund Financial Services Holdings (9/30/2021):					**Performance**				
Ally Financial Inc. (4.6% weight)	NA	NA	NA	11%	53%	-13%	-21%	125%	13%
Wells Fargo & Company (4.9% weight)	71%	10%	4%	16%	10%	-12%	-54%	61%	19%
The Allstate Corporation (3.9% weight)	106%	12%	28%	6%	41%	-9%	-1%	22%	11%
Equitable Holdings, Inc. (4.2% weight)	NA	NA	NA	NA	NA	NA	1%	59%	-9%
American International Group, Inc. (4.4% weight)	111%	10%	4%	23%	-9%	-31%	-22%	44%	19%
Citigroup Inc. (3.7% weight)	108%	-2%	-19%	40%	25%	-12%	-24%	45%	-4%
Lincoln National Corporation (2.2% weight)	133%	42%	-25%	71%	16%	-22%	-38%	67%	10%
Weighted Average	*102%*	*12%*	*1%*	*24%*	*23%*	*-16%*	*-23%*	*62%*	*9%*
Weighted Average vs. S&P500 Return	***55%***	***0%***	***-12%***	***17%***	***4%***	***-17%***	***-43%***	***40%***	***0%***
Market Indices									
S&P 500	46%	12%	14%	7%	19%	1%	21%	21%	8%

Past performance is not indicative of future results. Holdings are subject to change at any time and are not a recommendation to buy or sell any security. Index performance is not indicative of fund performance. To obtain fund performance, call 1-877-522-8860 or visit https://poplarforestfunds.com/poplar-forest-partners-fund/