



BARROW STREET

ADVISORS

Quality Stocks: The Time is Now

February 2017

Quality* stocks are marked by such features as high returns on equity (ROE), wide operating margins, and low financial leverage

Quality stocks have outperformed major indices handily

- On average and over time
- Though Quality can come in and out of vogue

The current environment heavily favors Quality going forward based on:

- Equity valuations
- Macroeconomics
- Political landscape

Barrow offers multiple vehicles to play this opportunity

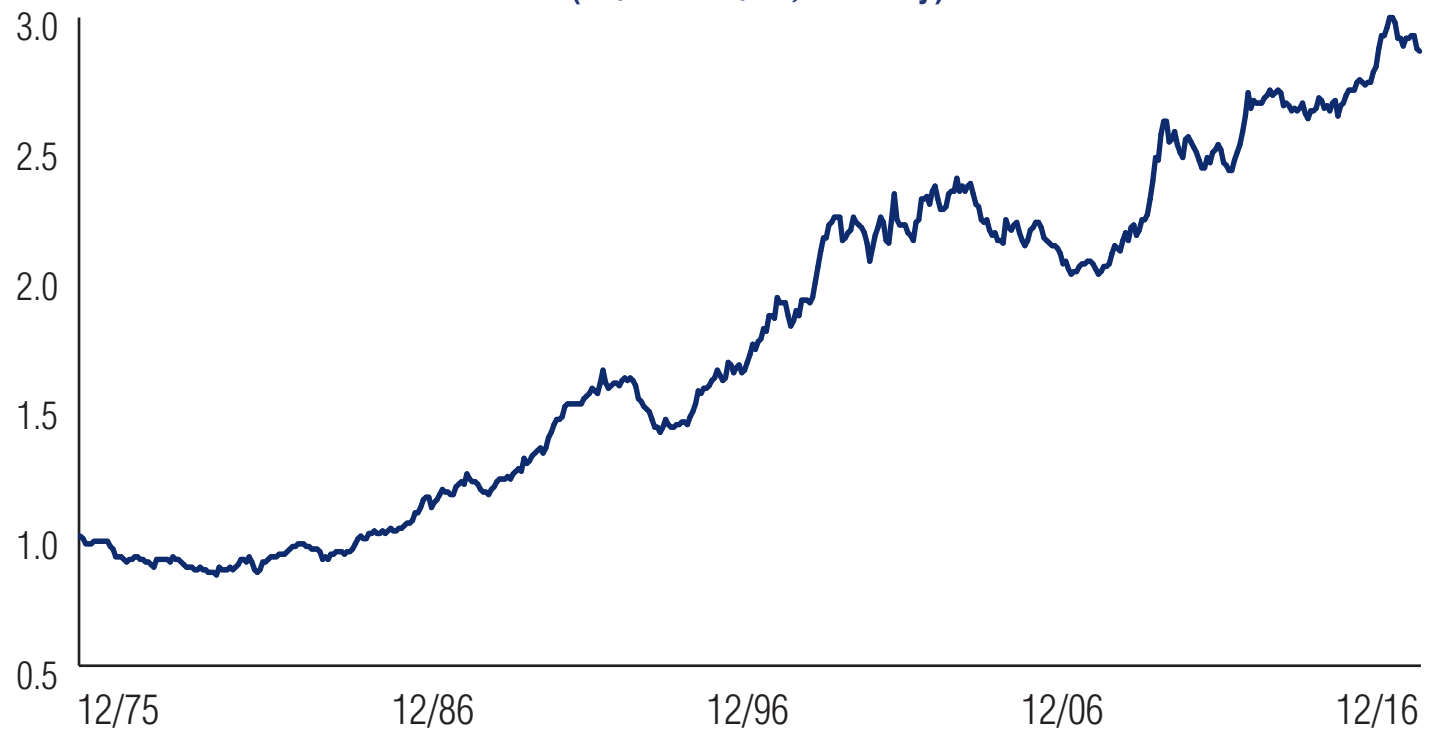
- Two Quality-focused mutual funds
- Quality-focused SMA program

*Quality in this presentation is represented by the MSCI U.S. Quality Index and MSCI World Quality Index. The Indices aim to capture the performance of quality growth stocks by identifying stocks with high quality scores based on three main fundamental variables: high return on equity (ROE), stable year-over-year earnings growth and low financial leverage.

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Quality Outperforms Over the Long Haul...

**MSCI U.S. Quality Index NAV/ Wilshire 5000 Index NAV
Relative Wealth Chart
(12/75 – 12/16, Monthly)**



— MSCI U.S. Quality Index NAV/Wilshire 5000 Index NAV

**Line Trending Up = Outperformance
Line Trending Down = Underperformance**

...But Has Its Ups and Downs

MSCI U.S. Quality Index NAV/ Wilshire 5000 Index Returns 1-Year Rolling Returns (12/12 – 1/13/17, Daily)



Current Valuations are High...

Historic S&P Cyclically Adjusted P/E (CAPE) Ratio (12/75 – 12/16, Monthly)

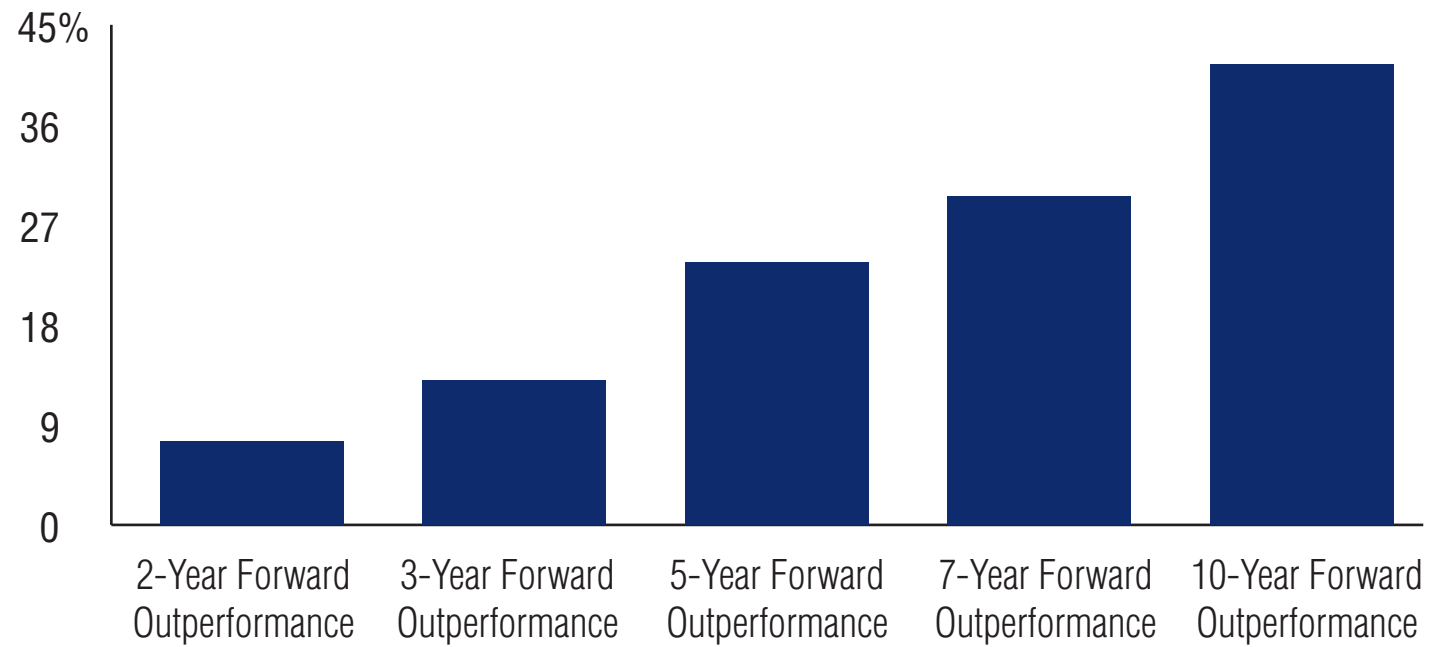


Source: Bloomberg LP.

Robert J. Shiller. Stock Market Data Used in "Irrational Exuberance" Princeton University Press, 2000, 2005, 2015, updated.

Note: Cyclically Adjusted P/E Ratio ("CAPE") is calculated by taking the current index price over the trailing 10-year monthly average of earnings to smooth out business cycles.

Forward Quality Avg. Outperformance When CAPE Ratio Above the Avg. MSCI U.S. Quality Index vs. Wilshire 5000 Index (12/75 – 12/16, Monthly)



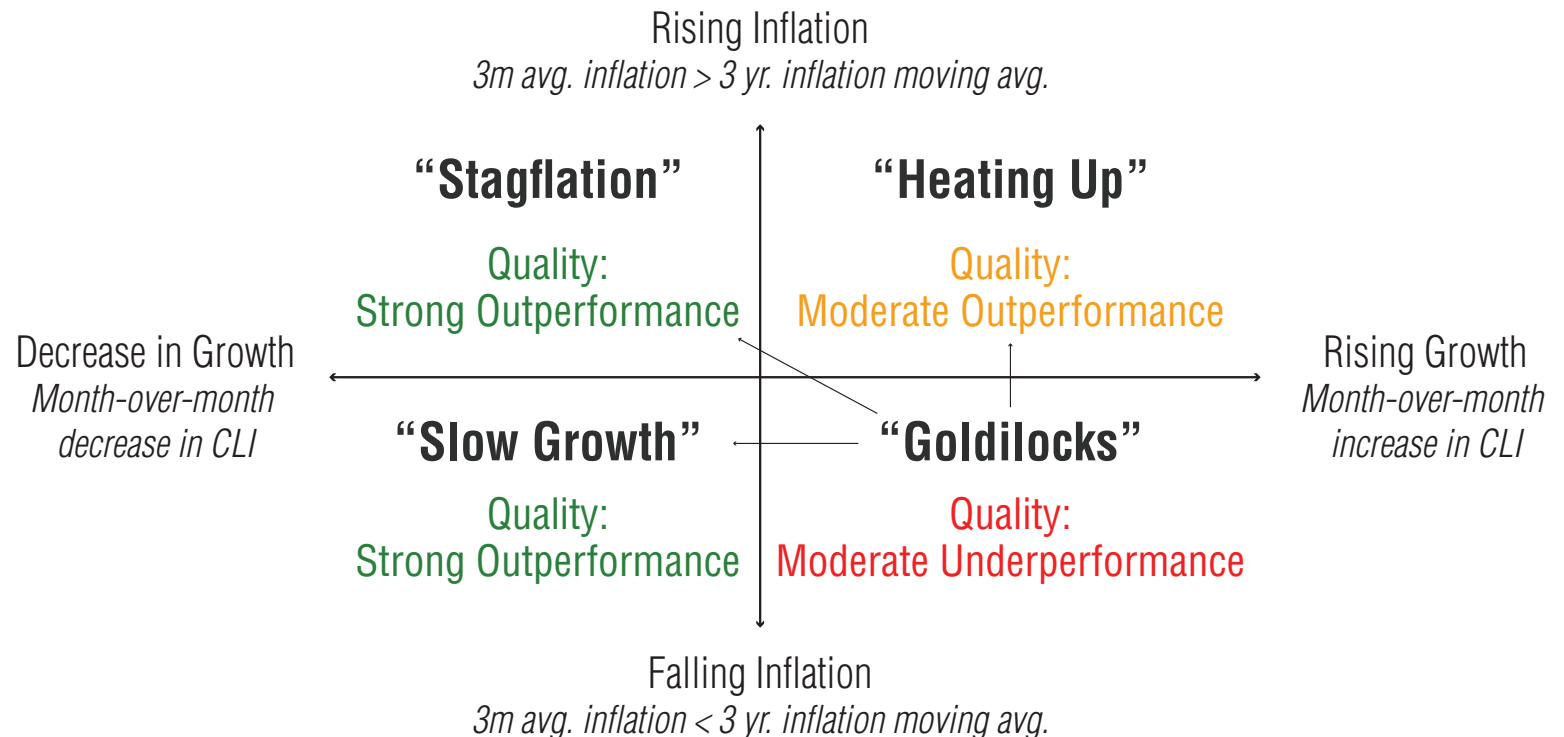
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We Are Likely Leaving “Goldilocks”—Great News for Quality Stocks

Summary of Quality in Economic Cycles MSCI World Quality Index vs. MSCI World Index (12/75 – 12/13)



Source: Gupta Abhishek, Altaf Kassam, Raghu Surtanarayanan, Katalin Varga. 2014. “Index Performance in Changing Economic Environments.” MSCI Research Insight

Note: MSCI ran a bivariate analysis of performance of factor indexes in economic regimes classified by rising/falling OECD-Total Composite Leading Indicator and All items CPI-MSCI World Index. The OECD composite leading indicator (“CLI”) is designed to provide early signals of turning points in business cycles showing fluctuation of the economic activity around its long term potential level.

Summary of Quality in Economic Cycles MSCI World Quality Index vs. MSCI World Index (12/75 – 12/13)

Stage	Economic Conditions	Quality Factor Performance
Goldilocks	Falling Inflation/Rising Growth	Moderate Underperformance
Heating Up	Rising Inflation/Rising Growth	Moderate Outperformance
Slow Growth	Falling Inflation/Slowing Growth	Strong Outperformance
Stagflation	Rising Inflation/Slowing Growth	Strong Outperformance

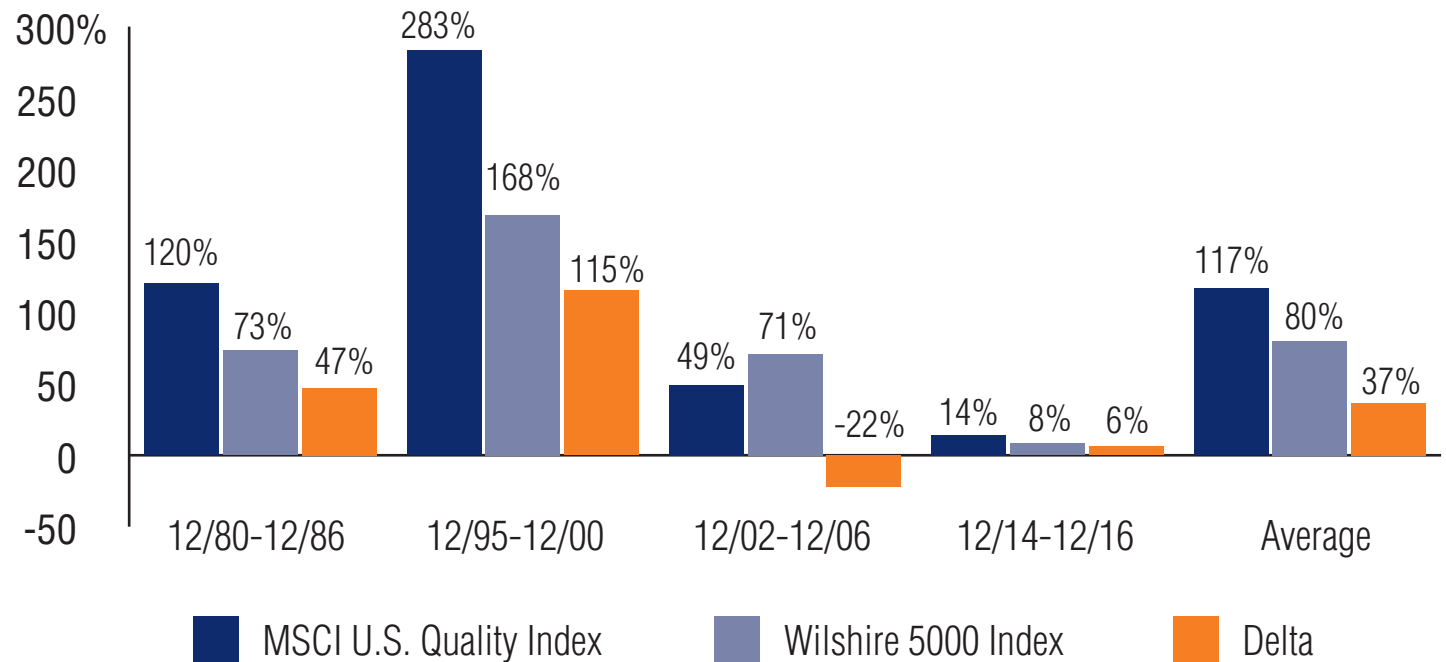
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Quality Stocks Love a Republican U.S. Senate

Cumulative Returns While Republicans Hold the Senate
MSCI U.S. Quality Index vs. Wilshire 5000 Index
(12/75 – 12/16, Monthly)





Barrow Street Advisors believes we are an expert in Quality-meets-Value investing, specializing in picking Quality stocks in all of its strategies

We offer a range of Quality-focused strategies across market caps:

- Barrow Long/Short Opportunity Fund (Ticker: BFS LX): All-Cap Mutual Fund
- Barrow Value Opportunity Fund (Ticker: BALIX): All-Cap Mutual Fund
- Barrow Mid-Cap Select Strategy : Mid-Cap Separately Managed Account

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**For further details or information please contact
Barrow Street Advisors:**

info@barrowstreetadvisors.com

(203) 391-6100

barrowstreetadvisors.com

About Barrow Street:

Founded in 1997, Barrow Street Capital LLC is an investment management firm that manages value-oriented private and public equity strategies. Headquartered in Stamford, Connecticut, the firm serves pension funds, sovereign funds, endowments, foundations, family offices and high net worth individuals. Barrow Street's Principals each have over 20 years of industry experience.

Since inception, Barrow Street has invested approximately \$550 million of equity in private equity and public equity strategies. Barrow Street Advisors LLC is an affiliate of Barrow Street Capital LLC and is the investment advisor for the Barrow mutual funds.

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