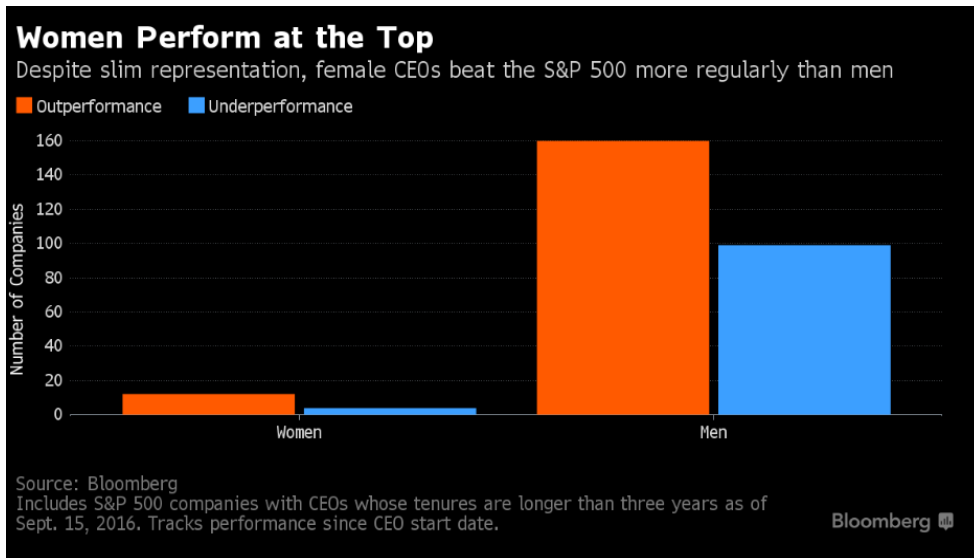


Bloomberg Study of Female CEO Stock Performance (3-Year+ Tenure through 09.15.2016)



Source: Bloomberg

Women in Finance

This week one of our holdings, Yum China, reported impressive quarterly results. The leading western quick service restaurant chain in China with flagship KFC and Pizza Hut brands grew earnings 11%. It was particularly satisfying because the CEO delivered on the plan put forth when we met with management in November at the Merrill Lynch investor conference. What made this conference different was that of the management teams we met with in China were split roughly 40/60 female executives to male executives. At a typical conference in the U.S. that ratio is closer to 10/90. When we asked the Yum China CEO why she was promoted to the role after her position as one of the top consultants at McKinsey Consulting, she believed, “women are promoted on results.”

Ms. Wat bet on herself when she took the job, buying \$1 million worth of stock in the open market (a quality we find attractive in our Insight strategy) and her purchase is now well “in the money.” She, like other female CEOs, are benefitting from delivering results. According to Forbes Billionaire List, women are accumulating wealth 7% faster than men (2010-2015) with the number of self-made female billionaires outpacing the increase

in number of billionaires overall. UBS Global Wealth Management recently conducted a study of wealthy women entitled “Our Own Worth” on women and finance. They found that women overwhelmingly handle day to day finances with 80% paying bills and 85% regularly managing expenses, but 82% of women told UBS they thought men know more about investing. In fact, 60% of women between 20 and 34 defer investment and financial planning to their spouses.

How do female CEOs perform? Unfortunately, there is limited data on the subject but the best research we have seen is the Bloomberg study that shows female CEOs outperforming at a higher rate than men. Whether those results are skewed due to industry concentration it is unclear. At Sterling, we’ve found that investing in companies with female CEOs can be a beneficial way of producing returns to meet client return objectives. We believe the female CEOs we are currently invested in have universal leadership traits that motivate their organizations to produce results:

- Offer a Vision of the Future
- Provide Hints Along the Journey
- Highlight Results as Guidepost are Reached



Yum China CEO Joey Wat at Merrill Lynch Conference



Source: Sterling Capital

Yum China – In our November meeting, Joey Wat provided a vision for transforming her KFC and Pizza Hut restaurants to a platform for mobile ordering and delivery. This quarter provided a hint on her progress as high margin mobile sales exceeded 18% of total sales, close to doubling over last year while highlighting double digit earnings growth this quarter. Yum China is held in the Global Leaders strategy.

General Motors – GM is led by Mary Barra who has provided a vision for modernizing the company through leadership in electric vehicles and transportation as a service through GM's autonomous driving division "Cruise." How did she provide insight into Cruise's future value? She secured a \$2.8 billion investment from Honda into Cruise at a \$48 billion valuation for a division that is currently unprofitable due to significant growth investments. Has she delivered? Free cash flow under her stewardship broke above \$6 billion for the first time since GM's founding 110 years ago. We're attracted to GM's growing cash flows to increase dividends in this Equity Income holding.

Nasdaq – Adena Friedman became the first female CEO to lead a global exchange company in 2017. While many know Nasdaq was a stock exchange, you may not know that she has recrafted the business to where more than half the revenues are derived from higher margin subscription services, such as data management and analytics. This stock is also held in the Equity Income strategy.

We are putting our money where our mouth is by investing in CEOs who we believe have vision, provide hints along the journey, and highlight results for our clients.

As always, thank you for your interest and trust managing your investments.

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*The **Chartered Financial Analyst® (CFA)** charter is a graduate-level investment credential awarded by CFA Institute — the largest global association of investment professionals. To earn the CFA charter, candidates must: 1) pass three sequential, six-hour examinations; 2) have at least four years of qualified professional investment experience; 3) join CFA Institute as members; and 4) commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.*

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