



McClain Value Management

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Opportunity Strategy March 2020

Firm and Strategy Overview

Founded in 2001, McClain Value Management (MVM) is an independent investment advisory firm specializing in concentrated contrarian value investing. We manage four concentrated equity strategies with a shared underlying investment philosophy - Select Value, Small Cap Value, Opportunity and Tactical Value. The Opportunity Strategy began in January 2016 and is an all cap "best ideas" portfolio consisting of up to 15 positions which we believe have downside protection and 50-100%+ upside. We believe exceptional returns can be achieved by 1) minimizing your losses; 2) setting yourself apart from the pack; and 3) investing in out-of-favor, lesser-known names. Understanding risk of loss is critical to each investment. We maintain a strict sales discipline to avoid out-sized losses. We apply a bottom up approach to investing with a key focus on getting to know management and how they allocate capital. Our investments enjoy quality assets and are either undergoing change (new CEO, spin-offs, asset sales, transformative acquisitions) or offer attractive free cash flow. We focus on how a company could evolve over a few years, how much cash it should generate and how management will allocate that capital; we monitor the company's progress towards these longer-term goals while trying to "tune out" short-term noise. Performance is measured over a market cycle. Experience has shown us that we cannot consistently outperform the market over the short-term; however, our approach seeks to provide significant alpha over a market cycle.

Investment Professionals

Joseph W. Donaldson, Managing Partner, PM

Joseph joined MVM in 2008 after having spent more than 20 years in investment management and public accounting (former CPA). Joseph has conducted research for several notable value-oriented firms including Epoch Investment Partners where he was a Managing Director and co-manager of the firm's small cap strategy, Steinberg Asset Management, and First Manhattan Company. Joseph received his BBA in Accounting from the University of Georgia and MBA from Columbia University. He is a board member and co-head of the finance committee at the Norwalk Community College Foundation.

Phillip C. McClain, Managing Partner, Analyst

Phil founded MVM in 2001 after many years in institutional investment management as well as prior experience in investment banking and public accounting (former CPA). Phil has conducted research for some of the country's most successful firms including Sasco Capital where he was a Managing Director, Iridian Asset Management and Fostmann-Leff Associates. Phil received his BS with honors from Lehigh University and MBA with distinction from Cornell's Johnson Graduate School of Management. He is a member of the Stamford CFA Society.

Monthly Gross Performance

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JULY	AUG	SEP	OCT	NOV	DEC	YTD	R2V	R3V
2020	-5.1%	-9.8%	-24.1%										-35.0%	-35.7%	-27.3%
2019	8.9%	5.9%	-1.9%	3.5%	-3.6%	6.3%	4.9%	2.9%	-0.4%	-4.1%	2.6%	4.3%	32.3%	22.4%	26.3%
2018	2.6%	-2.8%	0.2%	9.5%	-0.8%	0.0%	5.8%	-5.4%	-0.2%	-4.3%	4.6%	-7.3%	0.7%	-12.9%	-8.6%
2017	4.1%	2.3%	0.9%	5.2%	-2.1%	4.5%	4.3%	0.1%	3.6%	2.6%	1.9%	-3.9%	25.6%	7.8%	13.2%
2016		1.0%	12.5%	-2.3%	-7.3%	-4.8%	7.4%	1.0%	-1.7%	-10.2%	22.3%	7.1%	23.1%		25.0%

Net Performance

	YTD	1-YEAR	3-YEAR*	ANNUALIZED SINCE INCEPTION*
Opportunity GROSS	-35.0%	-24.0%	0.4%	7.3%
Opportunity NET	-35.2%	-25.2%	-0.7%	6.1%
Russell 2000 Value	-35.7%	-29.6%	-9.5%	1.1%
Russell 3000 Value	-27.3%	-18.0%	-2.7%	4.2%

*Annualized returns, 1/31/16 inception date

Product Information

Asset Class	All Cap
Firm AUM	\$58 mil
Structure	Separate Accounts
Minimum Investment	\$1 million
Management Fee	35 basis points
Incentive Fee	20% (claw-back)
Lock-Up	None

Portfolio Characteristics

Long Positions	9 positions
Month-end Cash Position	7%
Largest Historical Cash Position	33%
Median Mkt Cap	\$765 million
Largest Position	UTI (16.9%)

Performance reflects time-weighted geometrically linked returns which are shown both Gross (before management fees) and Net (after maximum standard management fee of 1% per annum, applied quarterly). Valuations are computed and performance is reported in U.S. dollars. Performance figures include and are presented net of all custodial and trading fees as well as withholding taxes. If your account was open the entire period, returns should approximate the related composite. The Opportunity Strategy strives to outperform the Russell 3000 Value, which measures the performance of the broad value segment of the U.S. equity value universe. Inclusion of index information is not intended to suggest that its performance is equivalent or similar to that of the historical investments whose returns are presented or that investment with our firm is an absolute alternative to investments in the index (if such investment were possible). Investors should be aware that the referenced benchmark may have a different composition, volatility, risk, investment philosophy, holding times, and/or other investment related factors that may affect ultimate performance results. Therefore, an investor's individual results may vary significantly from the benchmark's performance