How to Evaluate an Investment Strategy

It can be difficult to decide on a strategy and investment team in a sea of performance statistics. There is no perfect statistic or number for selecting a specific strategy; however, we believe some measures can be useful. This essay will walk through the common metrics used when discussing portfolio performance and provide some context for these numbers.

Deciding on an investment team is much like buying a vehicle. There are flashy statistics like horsepower and 0-60 times, but for most people, a Corvette is not a good choice for an every-day driver. Ideally, a vehicle is reliable, affordable, fuel-efficient, and safe. Driving, like investing, has risk. Good vehicles are designed for the worst-case scenario, like mechanical failures or accidents, while good managers plan for recessions and market panics.

What Matters

When assessing investment options, the first thing many investors look at is historical returns: if a strategy has outperformed its benchmark, it is viewed as a good strategy. If it underperforms its benchmark, investors start to question the strategy. However, returns do not tell the whole story. Risk plays a significant role in the performance results of a portfolio. Strategies that take on a lot of risk can look great in boom times, but become exposed when the bull market recedes.

The difficulty for investors is measuring risk. Admittedly, this is a complicated task, especially in a portfolio of 40-plus companies, each with exposure to a variety of geographies, markets, industries, cyclicalities, and other risk factors. It is partially because of this difficulty that the industry and academia have come up with a useful shorthand measurement for risk: volatility.

While volatility is not the perfect measure for risk and is only one (very small) factor among many that Managed Asset Portfolios' ("MAP") investment team weighs when analyzing companies, it helps evaluate past performance. Theoretically, a riskier strategy will be more volatile. This does not always hold true, and volatility can vary over time periods. However, it is the best shorthand measurement available.

Returning to the car analogy, it is useful to think of return as the flashy statistics of a vehicle (i.e., horsepower and top speed), while risk is more like a reliability rating, safety rating, or fuel efficiency metric. Every purchaser of a vehicle has a different combination of need and preference, just like every investor will have a different risk tolerance profile.

While MAP's marketed strategies have historically had return numbers to be proud of, we are more interested in our risk-adjusted numbers. Assessing risk is an essential part of our process, and we want to know how well we have vetted risks before investing.

Long-Term Thinking

Essential when considering these statistics is the period over which they are measured. Some strategies will appear great in bull markets but struggle in bear markets, while others will succeed in bear markets and lag in bull markets. The best way to evaluate a strategy is its performance over a complete market cycle. Additionally, investment team continuity is essential. Managers who maintain their core portfolio team set themselves up for success. Outperformance over the long run and investment teams that have kept leadership in place are solid foundations for assessing a strategy.

Given this foundation, let's dive into some useful metrics.

The Metrics

No metric is perfect or comprehensive, but some are better than others. Here are some standard metrics used for evaluating a strategy's historical performance. Keep in mind: it is not easy to evaluate performance based on these numbers in a vacuum, so it is useful to compare these statistics within peer groups.

Sharpe Ratio

Sharpe Ratio is the original risk-adjusted performance measure as well as the most popular. Developed by William Sharpe in the 1960s, the Sharpe Ratio can be found in most historical performance discussions. The Sharpe Ratio is calculated by subtracting the risk-free rate (US Treasury bonds are often used as a proxy) from a portfolio's return. This number is then divided by the standard deviation of historical returns. Higher Sharpe Ratios indicate better historical risk-adjusted-performance.

Historically, as an investment manager, MAP has performed exceptionally well through the Sharpe Ratio lens: since inception, MAP's Global Equity Composite[1] is in the 100th percentile among peers with a Sharpe Ratio of 0.65. The Global Equity Composite has also ranked in the 100th percentile among peers in the turbulence of the last three years, registering a Sharpe Ratio of 0.46.

Sharpe Ratio	1 Yr	% of Peer Group Beaten	3 Yr	% of Peer Group Beaten	5 Yr	% of Peer Group Beaten	10 Yr	% of Peer Group Beaten	15 Yr	% of Peer Group Beaten	SI	% of Peer Group Beaten
MAP Global Equity Composite	0.33	75	0.46	100	0.79	98	0.78	90	0.63	100	0.65	100
MSCI ACWI Value GR USD	0.00	17	0.08	21	0.44	38	0.43	29	0.27	31	0.29	38
MSCI ACWI GR USD	0.63	99	0.49	100	0.77	97	0.64	71	0.40	88	0.38	63

Source: Morningstar World Large Stock Value Rankings; Numbers as of 12/31/2020; Data calculated gross of fees

While this measure is the most common among risk-adjusted statistics, it has a crucial flaw: it penalizes strategies with upside volatility. Upside volatility should not count against performance, and in fact, could mean that the strategy is doing its job: providing attractive returns. No one has ever been upset by an unexpectedly large gain.

Because of this flaw, MAP prefers other measures for evaluating historical performance, such as the Sortino Ratio.

Sortino Ratio

The Sortino Ratio is very similar to the Sharpe ratio, except that it eliminates the critical flaw mentioned above. Rather than accounting for both upside and downside volatility, the Sortino

[1] Please see the MAP Global Equity fact sheet for the period ending 12/31/2020 for additional detailed information.

Ratio only counts downside deviation when calculating volatility. A higher Sortino Ratio indicates better performance.

Again, MAP's Global Equity Composite 3-Year Sortino Ratio of 0.69 ranks it in the 100th percentile among its peers, while since inception, the strategy's 1.00 ratio places it in the 100th percentile.

Sortino Ratio	1 Yr	% of Peer Group Beaten	3 Yr	% of Peer Group Beaten	5 Yr	% of Peer Group Beaten	10 Yr	% of Peer Group Beaten	15 Yr	% of Peer Group Beaten	SI	% of Peer Group Beaten
MAP Global Equity Composite	0.48	75	0.69	100	1.23	99	1.22	90	0.93	100	1.00	100
MSCI ACWI Value GR USD	0.00	17	0.12	20	0.63	38	0.63	23	0.37	28	0.41	38
MSCI ACWI GR USD	1.00	99	0.74	100	1.18	97	0.99	76	0.57	84	0.54	63

Source: Morningstar World Large Stock Value Rankings; Numbers as of 12/31/2020; Data calculated gross of fees

We believe this is a much-improved lens with which to view historical performance. A strategy's performance should be punished for volatility on the downside but rewarded for large excess returns.

Treynor Ratio

The Treynor Ratio is another useful metric to judge a portfolio's historical performance. Much like the Sharpe and Sortino ratios, the Treynor ratio's numerator is the portfolio's return less the risk-free rate. Also, as with the previous two mentioned ratios, the higher the ratio, the better the portfolio has performed on a volatility-adjusted basis.

However, the denominator is the beta of the portfolio. Beta measures how much the returns of an asset swing compared to a broader market index (in the case of MAP's Global Equity Composite, we use the MSCI ACWI, gross). This is often called systematic risk, as it measures the exposure to broad market risk, which cannot be wholly avoided when investing in stocks.

The index will always have a beta of 1, and portfolios with a beta of 1 will generally track the market more closely. A lower beta means that a portfolio is less volatile or less correlated than the comparative broader market index. In comparison, a higher beta implies that the portfolio is more volatile than the market or more correlated to the market.

Once again, MAP's Global Equity Composite has performed well according to the Treynor Ratio. On a three-year basis, the composite has registered a Treynor Ratio of 8.89, good enough to place it in the 100th percentile, while since inception, the composite has a Treynor Ratio of 11.86, also placing it in the 100th percentile.

Treynor Ratio	1 Yr	% of Peer Group Beaten	3 Yr	% of Peer Group Beaten	5 Yr	% of Peer Group Beaten	10 Yr	% of Peer Group Beaten	15 Yr	% of Peer Group Beaten	SI	% of Peer Group Beaten
MAP Global Equity Composite	8.56	75	8.89	100	12.57	98	11.55	89	10.97	100	11.86	100
MSCI ACWI Value GR USD	0.03	17	1.55	20	6.83	35	6.16	24	4.39	28	4.62	38
MSCI ACWI GR USD	16.37	99	8.99	100	11.55	94	9.05	66	6.52	78	6.00	63

Source: Morningstar World Large Stock Value Rankings; Numbers as of 12/31/2020; Data calculated gross of fees

This ratio can be useful when deciding whether to add a new strategy to your portfolio. Portfolios with low betas often face muted effects in broad market downturns, allowing the portfolio to recover more quickly.

The Verdict

Investors should account for risk when assessing investment strategies. While high returns often get the most attention, high historical volatility can indicate that a portfolio has achieved those high returns by taking excess risk.

Think of choosing a strategy like you would select your next vehicle. Horsepower and appearance are nice to have. However, safety and reliability are also an essential part of the process. Many of the flashy and news-grabbing investment strategies have a lot of horsepower and have performed well during bull markets. However, they may not have the long-term track record and emphasis on managing risk.

While no measure of historical performance is perfect, and the phrase "past performance is not an indication of future results" exists for a reason, risk-adjusted metrics are more useful in judging a strategy than pure return. Of the above-highlighted metrics, we believe the Sortino Ratio is most fair for comparing strategies. It accounts for downside volatility while not punishing a portfolio for upside volatility.

Additionally, the long-term performance of a strategy is more reliable than short-term performance. Economies and markets move in cycles, and different strategies will benefit from different portions of the cycle. Portfolios and teams that have been around for entire market cycles and have performed well can be more reliable than strategies that have been around for a short duration and benefited from their portion of the cycle.

Assessing potential risk is an essential part of MAP's investment process, and historically our team has succeeded in reducing downside volatility. We continue to aim to capture the upside while muting the downside. No one strategy is perfect, and each will sustain periods of underperformance. However, MAP is in it for the long haul. We hope that you are too.

Managed Asset Portfolios Investment Team

Michael Dzialo, Karen Culver, Peter Swan, John Dalton, and Zachary Fellows

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MANAGED ASSET PORTFOLIOS

GIPS® Standards

DATA AS OF DECEMBER 31, 2020

MAP GLOBAL EQUITY COMPOSITE

Investment Objective

Strategy Goal
Long-term growth of capital by investing in a diversified global equity portfolio that is unconstrained by geography or market capitalization while being benchmark agnostic. Covered calls may be employed to enhance income stream.

Style – Value

Market Capitalization Allocation – Large, Mid and Small

Stated Benchmark – MSCI All Country World Index

Secondary Benchmark – MSCI All Country World Value Index

Investable Universe – Approximately 15,000 securities

Typical # of Equity Positions Held – 35 to 50

Portfolio Construction Process – Bottom-up based on fundamentals

FIRM

Managed Asset Portfolios (MAP) is a boutique, independent SEC-registered investment advisory firm founded in 2000 as a Single-Family Investment Office. We opened our doors to outside investors in 2001. Today, the firm manages over $900 million for individuals and institutions.

INVESTMENT PHILOSOPHY

MAP manages money guided by a strict value discipline and a focus on a margin of safety. The firm builds focused portfolios through a bottom-up process by investing in temporarily out-of-favor securities that show an attractive valuation compared to the company's net assets and earnings power and when there is a catalyst to unlock the intrinsic value of the company.

PORTFOLIO MANAGEMENT TEAM

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- 32+ years of investment experience

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ANNUALIZED RETURNS AS OF DECEMBER 31, 2020

	Quarter	YTD	1 Year	3 Year	5 Year	7 Year	10 Year	SI 3/31/01
Gross Composite	12.80%	7.76%	7.76%	8.58%	11.05%	8.60%	9.72%	10.74%
Net[1] Composite	12.47%	6.43%	6.43%	7.23%	9.68%	7.26%	8.37%	9.55%
Gross Ex-Options[2]	13.50%	8.74%	8.74%	8.84%	11.14%	8.49%	9.33%	10.08%
Benchmark	14.79%	16.82%	16.82%	10.64%	12.86%	9.45%	9.71%	7.47%
Secondary Benchmark	16.80%	0.42%	0.42%	3.13%	8.18%	5.44%	6.85%	6.16%

ROLLING 36-MONTH RETURN ANALYSIS (MARCH 31, 2004 – DECEMBER 31, 2020)[3]

	MAP Global Equity Composite (Gross)	Benchmark (Gross)
Number of 36-Month Periods	202	202
Average 36-Month Annualized Return	10.69%	8.19%
Best 36-Month Annualized Return	30.24%	25.06%
Worst 36-Month Annualized Return	-4.99%	-14.52%
Standard Deviation of 36-Month Periods	7.03%	8.16%
Profitable Periods (%)	91.58%	84.65%
Average Profitable Period Return (Annualized)	11.84%	10.76%
Unprofitable Periods (%)	8.42%	15.35%
Average Unprofitable Period Return (Annualized)	-1.85%	-5.99%

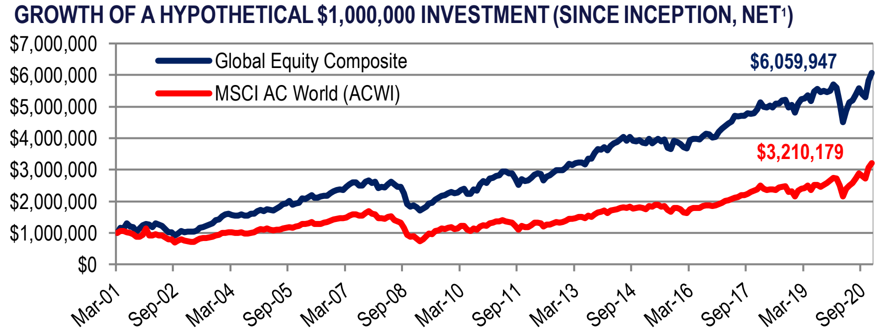
EQUITY STATISTICS[3,4]

Wtd. Market Cap (mil)	194,982
PE	39.10
Price to Sales	2.89
Price to Book	4.47
Dividend Yield	2.46%
Turnover (TTM)	41.20%

RISK STATISTICS[3,4]

Beta vs. Benchmark[5]	0.82
Sharpe Ratio[5]	0.60
Alpha[5]	4.60%
R2 vs. Benchmark[6]	0.73
Upside Capture Ratio[6]	105%
Downside Capture Ratio[6]	90%

GROWTH OF A HYPOTHETICAL $1,000,000 INVESTMENT (SINCE INCEPTION, NET[1])



[1]Results are presented net of actual fees until December 31, 2005; from January 1, 2006 through the present, net composite results are presented net of highest fee.

[2]Global Equity Ex-Options performance is reported gross of management fees. It is supplemental and complements the MAP Global Equity Composite Annual Disclosure Presentation. Quarter and YTD returns not annualized. MAP has been independently verified. Lifetime benchmark performance is not examined. [3]The information provided is supplemental and complements the MAP Global Equity Composite presentation. Risk Statistics are presented gross-of-fees. [4]Descriptive statistics derived from holdings based on the aggregate of individual client portfolios in the composite. Holdings of individual client portfolios in the composite may differ, sometimes significantly, from those shown. [5]Based on the annualized quarterly returns of the Global Equity Composite compared to the annualized quarterly total returns of the MSCI ACWI Index since inception. [6]Based on the cumulative performance for the MSCI AC World (ACWI) Index's 57 positive quarters and 22 negative quarters between April 1, 2001 and December 31, 2020.

All investments are subject to risk, including the loss of principal.

The continued impact of the novel coronavirus COVID-19 could extend for an undetermined amount of time resulting in a substantial economic downturn and negatively affect worldwide economic conditions. The full extent of COVID-19's impact remains uncertain and difficult to predict. Any such impact could adversely affect the future investment performance of the composite.

Past performance is no guarantee of future results.

MAP Global Equity Composite

DATA AS OF DECEMBER 31, 2020

SECTOR WEIGHTINGS*

Equity Sector	Composite[1,*]	MSCI ACWI
Communication Svcs.	9.7%	9.3%
Consumer Discr.	3.8%	13.0%
Consumer Staples	24.2%	7.4%
Energy	0.0%	3.0%
Financials	4.9%	13.5%
Health Care	13.7%	11.9%
Industrials	10.2%	9.7%
Information Tech.	18.5%	21.9%
Materials	9.3%	4.9%
Real Estate	0.0%	2.6%
Utilities	5.7%	3.0%

CAPITALIZATION COMPOSITION[1,*]

Greater than $10 billion	62.1%
$2 billion - $10 billion	28.0%
$500 million - $2 billion	8.1%
Less than $500 million	1.8%

ASSET ALLOCATION[1,*]

Cash	4.8%
Fixed Income	2.6%
U.S. Equities	49.5%
Non-U.S. Equities	43.1%

TOP TEN HOLDINGS[1,*]

Bunge LTD	4.72%
Micron Technology Inc	4.66%
Kratos Defense & Security	4.53%
Tetra Tech Inc	4.46%
Sprott Physical Gold & Silver Trust	4.18%
Novartis AG-ADR	3.85%
Microsoft	3.81%
eBay Inc	3.80%
Nestle – ADR	3.45%
Sanofi ADR	3.37%

*** The information provided is supplemental and complements the MAP Global Equity Composite presentation.**

[1]Descriptive statistics derived from holdings based on the aggregate of individual client portfolios in the Composite. Holdings of individual client portfolios in the Composite may differ, sometimes significantly, from those shown. This information does not constitute, and should not be construed as, investment advice or recommendations with respect to the securities listed.

Definitions: Yield to Maturity: annualized rate of return an investor will receive if a debt instrument, such as a bond, is held to maturity. **Maturity:** date at which a debt instrument is due and payable. **Duration:** the approximate percentage change in price for a 100-basis point change in yield. A duration of 5 means that bond's price will change by 5% for a 100-basis point change in yield. Duration is valid only for small changes in yield. **S&P Rating**: evaluation of a company's credit history and ability to repay its obligations performed by S&P. An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation. **Market Capitalization:** total value of all the issued and outstanding common stock of a corporation. **Dividend Yield:** the annual percentage of return earned by an equity investor from the payment of dividends on common or preferred stock. **Price to Earnings Ratio (PE)**: price of a stock divided by the trailing twelve months earnings per share. **Price to Sales Ratio:** price of a stock divided by the trailing twelve months sales per share. **Price to Book Ratio:** the ratio of market price of a company's shares (share price) over its book value of equity. **Turnover:** the volume of the composite's holdings that is sold and replaced with new securities annually, expressed as a percentage of the composite's total assets. **Beta:** measures the composite's covariance relative to its benchmark. **Sharpe Ratio:** the ratio of the return earned over the risk-free rate divided by the variability of the portfolio. It indicates the risk premium return earned per unit of total risk. **Alpha:** measures how much of the rate of return on the composite is attributable to the manager's ability to derive above average returns adjusted for risk. **R2:** measures the strength of the linear relationship between the composite and its benchmark. **Upside Capture Ratio:** measures the manager's overall performance to the benchmark's overall performance, considering only the quarters that are positive in the benchmark. An Upside Capture Ratio of more than 100% indicates a manager that is able to outperform the benchmark during up markets. **Downside Capture Ratio:** measures the manager's overall performance to the benchmark's overall performance, considering only quarters that are negative in the benchmark. A Downside Capture Ratio of less than 100% indicates a manager that is able to outperform the relative benchmark during down markets.

MAP GLOBAL EQUITY COMPOSITE GIPS REPORT

Year End	Total Firm Assets (millions)	Composite Assets[1]			Annual Performance Results					3-Year Annualized EX-POST Standard Deviation		
		USD (millions)	% of Non-Fee-Paying	Number of Accounts	Composite		MSCI ACWI	MSCI ACWI Value	Composite Dispersion	Composite	MSCI ACWI	MSCI ACWI Value
					Gross	Net						
2020	910	308	2%	311	7.76%	6.43%	16.82%	0.42%	2.26%	14.79%	18.12%	18.99%
2019	892	305	2%	344	19.97%	18.52%	27.30%	21.52%	2.06%	8.45%	11.21%	10.94%
2018	691	227	2%	313	-1.00%	-2.23%	-8.93%	-10.12%	1.03%	8.15%	10.48%	10.18%
2017	654	226	2%	299	18.42%	16.98%	24.62%	19.09%	1.47%	9.11%	10.36%	10.51%
2016	522	182	2%	254	11.42%	10.07%	8.48%	13.44%	1.43%	9.79%	11.07%	11.24%
2015	436	148	2%	231	0.11%	-1.13%	-1.84%	-5.58%	1.45%	10.00%	10.78%	11.09%
2014	413	144	2%	209	5.36%	4.06%	4.71%	3.56%	1.63%	9.23%	10.48%	10.73%
2013	351	108	2%	170	22.49%	21.01%	23.44%	23.26%	3.32%	11.20%	13.92%	13.98%
2012	281	72	15%	152	16.92%	15.49%	16.80%	16.42%	2.89%	12.81%	17.10%	17.02%
2011	239	55	8%	141	-0.93%	-2.15%	-6.86%	-6.71%	3.01%	13.10%	20.59%	22.00%

[1]For the periods prior to 2017 composite assets are calculated based on composite membership as of 12/31. Composite assets include accounts that enter the composite on 12/31.

MAP Global Equity Composite *seeks to generate long-term growth of capital by investing in a diversified equity portfolio. Investments may also include foreign-listed stocks, fixed income securities, preferred stocks, covered call options and other securities. Effective 6/30/2020, the primary benchmark is the MSCI ACWI Index and the secondary benchmark is the MSCI ACWI Value Index. Prior to 06/30/2020, the primary benchmark was the MSCI ACWI Index and there was no secondary benchmark. The addition of the secondary benchmark is because we view the MSCI ACWI Value Index as being complementary because the MAP Global Equity Composite's portfolio composition is formed through a process centered around value investing techniques. Furthermore, when running a regression analysis over the last 10 years, the Composite has a higher correlation and R2 to the MSCI ACWI Value Index than its growth counterpart, the MSCI ACWI Growth Index. The MSCI ACWI is a free float adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The index currently consists of 47 countries, comprising 23 developed and 24 emerging market indices. The MSCI ACWI Value Index captures large and mid cap securities exhibiting overall value style characteristics across 23 Developed Markets countries and 27 Emerging Markets (EM) countries. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield. Returns include the effect of foreign currency exchange rates. Material risks of the composite include market risk, issuer risk, style risk, foreign securities risk, exchange rate risk, regulatory risk, geopolitical risk, and concentration risk (to the extent the adviser emphasizes a particular industry or group of related industries). Investing in securities involves risk of loss of principal that they should be prepared to bear. Illiquid investments are not a material part of the composite. The use of derivatives is limited to covered call writing and is employed periodically to enhance income stream and reduce risk. While writing covered calls can reduce downside risk, the writer of a covered call foregoes the opportunity to benefit from an increase in the value of the underlying interest above the option price. Leverage and short positions are not utilized.*

Managed Asset Portfolios, LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Managed Asset Portfolios, LLC has been independently verified for the periods March 31, 2001 through June 30, 2020. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The MAP Global Equity Composite has had a performance examination for the periods March 31, 2001 through June 30, 2020. The verification and performance examination reports are available upon request.

Managed Asset Portfolios, LLC is a registered investment adviser. A list of composite descriptions, a list of broad distribution pooled funds and performance results are available upon request. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Composite performance is presented gross of foreign withholding taxes. Non-fee-paying accounts are included in this composite. Past performance is not indicative of future results.

The U.S. Dollar is the currency used to express performance. Returns are presented gross and net of management fees and include the reinvestment of all income. Beginning November 30, 2011, the composite contains wrap/bundled fee accounts. Wrap/bundled fee accounts represent the following percentages of composite assets: 2011: 1%, 2012: 1%, 2013: 3%, 2014: 3%, 2015: 5%; 2016: 9%; 2017: 12%; 2018: 14.53%, 2019: 14.54%, 2020: 17.19%. Wrap/bundled fee accounts pay a fee based on a percentage of assets under management. Wrap fees may include but are not limited to custody fees, trading and execution fees, and performance reporting fees. A significant number of accounts in the composite are custodied with brokers that do not charge trading expenses. Accounts custodied with other brokers may incur trading expenses which may reduce returns. Gross returns are shown as supplemental information and may not include transaction costs. Results are presented net of actual fees until December 31, 2005; from January 1, 2006 through the present, net composite results are presented net of highest fee. The annual composite dispersion presented is an asset-weighted standard deviation calculated using gross returns of accounts in the composite the entire year. The 3-Year Standard Deviation represents the annualized standard deviation of actual gross composite and benchmark returns, using the rolling 36-months ended each year-end. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.

The management fee is generally 1.25% for the first $5,000,000. The fee is negotiable for accounts over $5,000,000. Actual investment advisory fees incurred by clients may vary.

The MAP Global Equity Composite was created and incepted on March 31, 2001.