



altii interview

with Mark E. Stoeckle, Adams Funds, UBAM – ADAMS US SMALL CAP EQUITY

“Our approach has delivered consistent results for many, many years!”

Frankfurt am Main, 30. September 2016

altii: Mark right now you are visiting clients in Europe. Since two weeks you are on travel and today you came to Frankfurt am Main, Germany. Thank you for stopping by for an interview. Please tell us about Adams Funds, your core strategies and the reasons for being here.

Mark E. Stoeckle: Thanks for taking the time to speak to me Christian. Adams Funds is composed of three strategies. We run two closed-end funds, a US large cap fund and an Energy and Materials fund, and sub-advise a US small cap fund for UBP. The two closed-end funds, Adams Diversified Equity Fund (ADX) and Adams Natural Resources Fund (PEO), have traded on the New York Stock Exchange since 1929. So we have a very long history of helping our investors reach their investment goals. The US small cap product that we sub-advise for UBP is a very exciting opportunity. Shortly after I joined Adams, I was contacted by a former investor in the small cap fund I ran at BNP Paribas. He was looking for a US small cap product that was run the same way that we ran the BNP product. He was so interested in our philosophy, process and performance that he offered to provide seed funding for the fund. The only catch was he needed to invest in a UCITS fund so we needed to find a company to sponsor the fund. I quickly called an old colleague at UBP looking for some advice and he stated that, because he was very familiar with me and the product, UBP would be interested in being the fund sponsor. So, on 14 October 2015 we launched the fund with \$50 million in seed funding. Our relationship with UBP has been great. We are looking forward to growing the fund throughout Europe and Asia.

altii: Who is in the team with you?

Mark: The UBAM Adams small cap fund has the benefit of having a very experienced portfolio management team. Working with me as portfolio managers are Jim Haynie and Mike Rega. The three of us ran this same product for nine years at BNP Paribas. In addition to the portfolio managers, we have seven very good analysts working with us. We established a very enviable track record at BNP and have every expectation that will continue with the UBP fund.

altii: What qualifies your investment approach?

Mark: Our core beliefs center on discipline, systematic analysis, sector and industry group neutrality as well as careful attention to risk management. We begin our process by using the Russell 2000 as our investment universe. For risk purposes we eliminate any stock trading below \$100 million market cap as well as stocks that are illiquid. We then run our quantitative model on the 1200 stocks that make it through the market cap and liquidity screens. The model is a great tool to reduce the universe to a group of stocks that have fundamental characteristics we admire. That leaves us with about 500 stocks from which we perform our fundamental research. Our fundamental research focuses on a company's ability to generate sustainable earnings at a fair valuation. Our attention to valuation has, over time, allowed us to put together a portfolio that has similar earnings growth of the Russell 2000 but at a significant valuation discount. Once we've found stocks that are well ranked by our quantitative model and have earnings and valuation that are attractive we then evaluate how much risk we want to take in each sector. For this portion of the process we as-

sign a risk score to each stock in a sector. We rank them from least risky to most risky then break them into industry groups. This allows us to know exactly where sector risk resides. We then determine where we want to take risk within the sector. The most important part of this portion of the process is we consciously know where we are taking risk within the sector. This is a unique aspect to our process.

altii: *Why should the German Institutional Investor invest into your strategy?*

Mark: This product was built to deliver US small cap performance and characteristics by investing in high quality, small cap stocks. Our approach is one that has delivered consistent results for many, many years. We believe there is a strong argument to be made to have a permanent allocation to small cap within a German investors' US allocation. Over time, small cap stocks outperform large cap stocks. For this reason we believe that the consistency and un-correlated nature of small caps is powerful and should be very carefully considered.

altii: *How will you keep the contact to the investors later on?*

Mark: I am meeting with you and the investors on my second roadshow this year. We expect to continue to make trips to see our investors in person. We are committed to give access for our investors as well as to provide transparency. Our partner UBP has a great salesforce as well as Investment Specialists. We have a monthly call with UBP to discuss the portfolio so that the sales people and Investment Specialists are well informed for our investors. In addition, we are looking into video conferences and conference calls to keep our investors up-to-date on the fund. The video conferences, conference calls and bi-annual roadshows will allow us to stay close to our investors.

altii: *Thank you for the interview.*

About Adams Funds

Adams Funds is composed of two of the country's oldest closed-end equity funds, Adams Diversified Equity Fund (ADX) and Adams Natural Resources Fund (PEO), as well as a US Small Cap sub-advised fund. As closed-end funds, shares of ADX and PEO common stock are listed on the New York Stock Exchange and have traded there since 1929.

For over 85 years, both ADX and PEO have been internally managed and have generated capital growth and income through portfolio performance, dividends, and distributions. All three funds are managed by an experienced team employing a disciplined approach to identify investment opportunities and carefully manage risk.

ADX and PEO have paid dividends for over 80 years and are committed to an annual distribution rate of at least 6%.

adamsfunds.com

About Union Bancaire Privée (UBP)

UBP is one of Switzerland's leading private banks, and is amongst the best-capitalised, with a Tier 1 ratio of 22.3% as at 30 June 2016. The Bank specialises in wealth management for both private and institutional clients. It is based in Geneva and employs some 1,680 people across twenty-four locations worldwide; as at 30 June 2016, it held CHF 113.5 billion in assets under management. Its asset management business focuses on strategic investment themes across different asset classes including European Equities, Convertibles, Global Fixed Income, Emerging Debt and Equities as well as alternative investments.

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