

# Westwood LargeCap Value

Quarterly Commentary vs. Russell 1000 Value

## Market Overview

- Equity markets finished the year strong, posting a string of new all-time highs for most major equity indices, buoyed by rising optimism on economic and trade developments.
- GDP growth remained steady at 2%, supported by strong trends in consumer spending, low unemployment and low inflation. Trends outside the U.S. began to show some potential early signs of stabilization and improvement as well.
- The Federal Reserve again supported markets with a third 25 basis point rate cut. Comments from Chairman Powell suggest this level is likely to persist in 2020 as long as the outlook remains consistent.
- An initial phase one trade deal was struck between the U.S. and China, with signing expected in January 2020. The U.S. will roll back tariffs in place and halt new ones, while the Chinese agreed to buy additional agricultural and other products.
- Interest rates recovered much of their decline from the prior quarter. The 10-year treasury yield ended the year at 1.92 % as optimism returned regarding future growth.
- Information Technology and Health Care were the best performing sectors in the Russell 1000 Value while Real Estate and Utilities were the worst.

## Key Strategy Highlights

Improving economic prospects sent economically sensitive and lower-quality areas of the market higher, weighing on relative performance. Even with high levels of uncertainty, the market rallied strong to close out the year on its highs.

## Strategy Performance Drivers

Strength in Health Care boosted relative performance, as managed care names including UnitedHealth rallied as odds of Medicare-for-All fell. Energy aided relative performance as rising crude prices lifted several oil producers.

Industrials and Consumer Staples detracted from relative performance. Continued struggles to bring the 737 Max back to the market weighed on Boeing. Colgate fell as pressures on their gross margins outweighed better organic sales performance.

Five Largest Portfolio Contributors	Contribution (bps)	Five Largest Portfolio Detractors	Contribution (bps)
Bank of America Corp.	+73	Boeing Co.	-30
JPMorgan Chase & Co.	+67	Public Storage	-27
CVS Health Corp.	+67	Northrop Grumman Corp.	-16
UnitedHealth Group Inc.	+66	American International Group Inc.	-15
Microsoft Corp.	+43	Colgate-Palmolive Co.	-12

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