REPRINTED FROM JANUARY 22, 2018

THE WALL STREET TRANSCRIPT

Connecting Market Leaders with Investors

Focusing on Fundamentals to Maximize Returns and Balance Risk

ERIC M. TEAL is Chief Investment Officer and Managing Partner of Queens Oak Advisors. He has overall responsibility for the firm's investment strategy and results. Previously, Mr. Teal was the Chief Investment Officer of a regional bank and led the organization's Capital Management Group for over 10 years. Mr. Teal received a B.A. degree in economics and international studies from Rhodes College and an MBA from the University of Memphis. He also studied at the London School of Economics. Mr. Teal has been recognized as one of the top value managers according to Morningstar and PSN Informa over the past 10-plus years.

SECTOR — GENERAL INVESTING

TWST: Could you please identify yourself?

Mr. Teal: I'm Eric Teal, the Chief Investment Officer of Queens Oak, responsible for our investment strategies and results at the firm. We work with individual and institutional clients in areas where we perceive a definable investment advantage. We take a value-driven approach to investing and apply a bottom-up approach to uncovering investment opportunities for our clients.

TWST: Could you give a little more detail about the investment philosophy of the firm?

Mr. Teal: We utilize a concentrated but disciplined portfolio construction process that really seeks to maximize returns for clients while balancing risk across economic and market factors. We are primarily focused on domestic value stocks within large- and small-cap markets. It all fits within a broader asset allocation program that we tailor for clients. We tend to focus on high-conviction longer-term investments with perceived intrinsic value that will build wealth for our clients over time.

TWST: And did you want to highlight a stock that you find interesting right now?

Mr. Teal: The areas of the market that we think will benefit the most from tax reform are the energy and the financial industries. So within the financial sector, we favor asset management firms that are capability-driven like **Invesco** (NYSE:IVZ). The firm is an attractively valued investment manager, given their strong performance and distribution in both retail and institutional channels. Asset management firms like **Invesco** have about 40% operating margins.

Highlights

Eric M. Teal discusses Queens Oak Advisors. Mr. Teal is a value-driven investor who uses a bottom-up approach to uncover investment opportunities. He focuses on large- and small-cap domestic value stocks. His portfolios are concentrated but disciplined and aim to maximize returns while balancing risk. Mr. Teal prefers high-conviction longer-term investments that will build wealth for his clients over time. In the current market, Mr. Teal is finding opportunities in the energy and financial sectors, as he believes they stand to benefit the most from tax reform.

Companies discussed: Invesco Ltd. (NYSE:IVZ) and Apache Corporation (NYSE:APA).

Their stock has an attractive dividend yield and valuation characteristics. **Invesco** has exposure in active management, passive management, including the high-growing ETF business as well as alternative investment capabilities. We believe a way to invest in a bull market is through the asset management business, and **Invesco** is a leader in this area, selling at a reasonable multiple.

TWST: When looking to the next year, what might investors see happen at Invesco that would be different from 2017?

Mr. Teal: I think **Invesco** as well as lots of asset managers have benefited from rising capital markets, but **Invesco** has seen strong positive net inflows. I believe that firms that are leveraged to the capital markets need to make conservative growth assumptions, particularly given the strong performance of the stock market, both domestic and international, this past year. **Invesco** does have a favorable balance of alternatives and fixed income capabilities that should offset any sort of decline that might adversely impact equity markets. So we like the margins as well as the global product diversification and active management performance that **Invesco** brings to the marketplace.

TWST: And did you want to mention another company?

Mr. Teal: Well, another traditional value sector that has not been a favorite for investors recently is the energy sector. Like the financial sector, the energy industry will tend to significantly benefit from tax reform. Over the past few years, excess capacity has been taken out of the industry, high yield spreads have narrowed, and oil has had a short rally over the last several months. The stocks have underperformed the market as well as the commodity itself.

So we see good value emerging within the exploration and production sector, like **Apache Corporation** (NYSE:APA). The company has significantly reduced cost structure, has an attractive valuation and a yield, as well as strong management. The geographic exposure is increasingly in the Permian Basin, and they've had excellent results of late. And so we would find **Apache** attractive within the E&P sector over the coming years given their portfolio, scale and capital efficiency.

1-Year Daily Chart of Invesco Ltd.

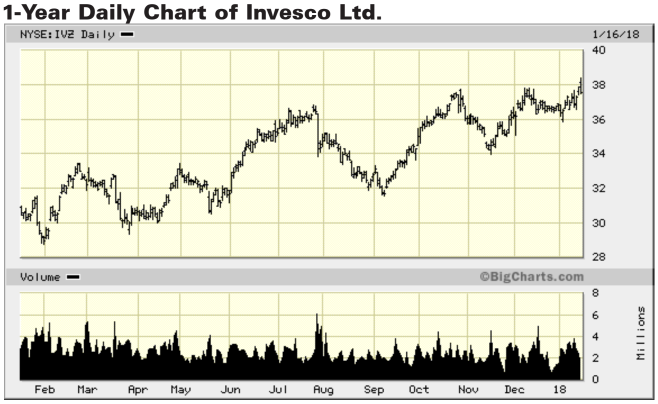

Chart provided by www.BigCharts.com

companies rather than those with significant international income. Companies will be able to fully write off capital equipment purchases, which should spark new investments in the energy sector. Reduced financial regulation, consolidation and share repurchases will significantly be beneficial to companies within the banking sector as well. The lower effective tax rate on dividends will also reward dividend-paying companies. Moreover, a more normalized monetary policy that promotes intelligent risk-taking rather than cash hoarding or excessive risk-taking should be positive for financials and banks longer term.

TWST: And the combination of the tax package and also the lessening of regulations, do those help not just the big companies but also the small and medium-sized companies?

Mr. Teal: Yes, the large companies that are paying high tax rates will receive the greatest absolute benefit, but smaller companies and midsize companies stand to benefit as well since smaller companies have a higher effective tax rate than larger companies. Additionally, the tax cuts will benefit those companies that are domestic-focused, and since the plan allows for companies to deduct interest cost up to 30% of EBITDA for four years, small and midsize companies should stand to benefit.

TWST: And as you and your colleagues talk to some of your clients and customers, are they following the tax reform package carefully, and are they talking to you about what sectors and what companies might benefit from it?

Mr. Teal: Yes, because the stimulus amounts to slightly over 1% of GDP and is the biggest tax package since Reagan's 1981 tax cut. Clients are focused on the sectors that disproportionately benefit, since it's not evenly distributed across economic industries. There are winners and losers with any tax package. And in fact, we believe that financials and energy are the greatest beneficiaries; however, we are paying close attention to the technology sector that benefits less from these changes and is at risk with high intangible income and intellectual property held overseas.

"There are winners and losers with any tax package. And in fact, we believe that financials and energy are the greatest beneficiaries; however, we are paying close attention to the technology sector that benefits less from these changes and is at risk with high intangible income and intellectual property held overseas."

So clients are talking to us in-depth about how we see the long-term economic impact across the various sectors and whom we believe stands to benefit from the fiscal changes. Although it's not a driving factor that we look at in terms of making investment decisions, it certainly helps to have a strong tailwind for earnings growth going forward.

TWST: And is the company, like some other energy companies, helped by the Trump Administration and its different approach to energy independence than the Obama Administration had?

Mr. Teal: Yes, the polices I believe will be more constructive for drillers and E&P companies that have been under tighter regulation and a less favorable environment under the Obama Administration and witnessed spending declines for nearly 10 consecutive years. The full expensing of capex should boost the manufacturing sector, who are the primary consumers of fossil fuels. Thus, I think we'll see energy, as well as financials, demonstrate market leadership in the coming quarters.

TWST: And maybe you can explain a little about how each of those two sectors may benefit from the tax reform package as it is proposed now?

Mr. Teal: Benefits will accrue more to companies with domestic income, as the corporate rate is cut to 21%, which is near the OECD average. So we're focused on more domestically oriented

TWST: And you mentioned that technology benefits less. Why is that?

Mr. Teal: The benefits to technology companies are a bit mixed compared to other industries. Although IT companies might benefit from the repatriation of unremitted foreign earnings, they will need to pay a tax on intangible foreign income. Also, we've been paying close attention to the Trump Administration's approach to social media and the prospect of becoming more of a regulatory target.

TWST: And changing gears a bit, I understand that you work on institutional strategies, and when you talk with institutional clients, what are some of their concerns as they look at 2018?

Mr. Teal: The impact of higher interest rates, both on their fixed income portfolios but as well the effect that higher rates could have on equity valuations, is important. Institutional investors tend to have a long-term horizon, and so they are less concerned with volatility; however, there are increasing concerns about market valuations and capital markets return assumptions that flow into their actuarial assumptions for pension plans and projections.

TWST: And it would be important for them to make sure that they have a diverse portfolio if there were some changes in equities in the coming year?

Mr. Teal: Yes, the diversification requirements are so important for investors who should be mindful not to pursue return-chasing behavior patterns and instead focus on those asset classes and securities that have return potential and currently might be neglected or mispriced. We think value-driven investing and the domestic equity asset classes that we specialize in look attractive because the market has been led by growth and technology over the past several years.

TWST: And has it been a challenge in the past year with investors often seeing certain equities, and the market as a whole, skyrocketing — and also with bitcoin and some of these digital currencies — that they might want their investments to be more focused on those kinds of things that are getting the headlines, but you might have to caution them to make sure that they have some diversity?

Mr. Teal: Yes, from cryptocurrencies to the ever-popular FAANG stocks, this has driven the headlines, which as a value investor is outside of our wheelhouse. And so we encourage investors to focus on more fundamental measures like cash flow valuations, dividend yield, earnings quality, and capital deployment and leverage. These are the characteristics that have been ingredients of our approach over time. In fact, I've been managing our large-cap value strategy since 2004, and we've seen periods of economic expansion and contraction, and a financial and a real estate crisis, and several booms and busts within the oil markets. Hence, we think that focusing on the fundamentals is very important, particularly given where we are at this later stage in the economic recovery as the stimulus shifts from monetary to fiscal.

TWST: Thank you. (ES)

ERIC M. TEAL
Chief Investment Officer & Managing Partner
Queens Oak Advisors
6101 Carnegie Blvd.
Suite 360
Charlotte, NC 28209
(704) 547-3100
(866) 791-4321 — TOLL FREE
www.queens-oak.com
email: info@queens-oak.com