



**FAYEZ SAROFIM & CO.**  
**LOOKING TO THE LONG TERM**

# FAYEZ SAROFIM & CO. (SAROFIM) KEEPS THEIR EYES ON THE HORIZON

They are not concerned with short-term market movements; indeed, they believe that a narrow, near-term focus can be seriously detrimental to sustainable investment returns. Instead, the firm takes the long view. They consider themselves business owners, not traders of stocks.

By taking this long view, they align themselves with their clients, who typically take a multi-generational approach to their investments. Many of Sarofim's clients have been with the firm for decades. These relationships are built on trust and experience — and on a common conviction that investing is an inherently long-term business.

**1958**

Year founded

**22**

Number of investment professionals<sup>1</sup>

**\$40.8B**

Assets under management<sup>1</sup>

**18 YEARS**

Average investment tenure at firm<sup>1</sup>

## Purpose and Philosophy

The firm seeks to achieve a rate of return for their clients that exceeds those of mainstream market indices over a full market cycle while trying to take less risk than investing in those indices would entail. They aim to achieve this result by applying their consistent long-term philosophy.<sup>2</sup>

The core tenet of this philosophy is that enduring growth is predicated on industry dominance. Dominant businesses are usually to be found in large companies, with the potential to produce above-average earnings growth and market leadership over sustained time periods. Sarofim believes that stock price appreciation is based on earnings growth over the long term.

Sarofim considers themselves business owners, not traders of stocks.

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## Investment Approach

Sarofim believes that strong risk-adjusted returns are best achieved through lower volatility and greater downside protection. Patience is paramount here. They do not try to chase eye-catching short-term returns by following market fads — which often prove unsustainable. Instead, the firm focuses on companies that they believe are resilient, well-positioned, and enduring, whose earnings may deliver solid growth year after year.

They are helped by the fact that much of the market is inherently short-term in its approach — which creates opportunities for active long-term investors like Sarofim. Companies capable of delivering steady and predictable growth are, in their view, often underappreciated and undervalued. Short-term uncertainties, irrational exuberance, and a herd mentality often prevent the broader investment community from identifying the most enduring opportunities in the market.

For those reasons, the firm focuses their research efforts on companies that they believe have dominant global positions in structurally attractive industries. They look for clear competitive advantages and revenue and earnings growth that have the potential for both above-average and sustainable returns. For them to consider an investment, companies must demonstrate solid balance sheets and resilient cash flows. And they must have strong management teams that have a record of using those cash flows productively.

## Steadfast Conviction

The firm offers three core strategies for BNY: their US Large Capitalization Equity Strategy, Global Equity Strategy, and Concentrated Growth ETF Strategy. These consist of Sarofim's highest-conviction ideas from the domestic and global equity markets, respectively, and they both fully reflect the company's underlying investment philosophy.

By keeping all their attention and research efforts focused on a single investment philosophy, the firm ensures that their ideas are not diluted. Instead, they keep a tight focus, with the differences between the two strategies reflecting only the differences in the opportunity sets.

Because they place such a premium on conviction, every investment decision they make is a weighty one. So they ensure that they subject any potential holding to rigorous scrutiny.

When Sarofim does decide to invest in a company, they are acting on the highest conviction that their research can generate. It's this degree of conviction that allows them to look consistently to the long term and seek to ignore short-lived periods of "noise" and volatility.

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## Investment Process

### Fundamental Analysis



#### Begin with a broad sector view

- Develop an in-depth understanding of the forces shaping that sector and driving the profits to be made in it.
- Examine the major trends in the industry over the past decade and assess the opportunities for growth in the future.
- Identify the key competitors within the industry and what share of the potential growth they are likely to take.
- Look at margins, bargaining power, capital requirements, and competitive advantages.

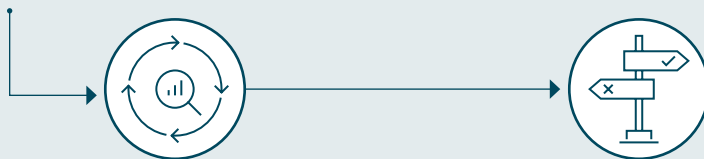
#### Identify potential companies

- Ensure that the considered company is in a structurally attractive industry and that it has the potential to increase its profits at a steady and attractive rate.
- Confirm that the company is in a dominant position within its industry and is capable of capturing the lion's share of potential profits.
- Consider the strength of a company's brand, the expertise of its management, and the various aspects of its financial strength.

#### Consider valuations

- Question if the company's shares are trading at an attractive level.
- Taking a multi-dimensional view, the firm considers absolute and relative price/earnings ratios, historical ranges, discounted cash flow analyses, and industry specific valuation measures, among other factors.

### Macroeconomic Outlook



#### Ongoing research

- Subject the considered company to ongoing research to validate — or overturn — the firm's thesis. This part of the process makes up the majority of Sarofim's research work. In a typical year, they meet with over 150 companies so that their professionals can scrutinize management teams firsthand.

#### Synthesize analysis results

- The firm's investment committee synthesizes the results of the preceding steps and then decides whether the stock should enter the portfolio. This is a painstaking process, but it helps to ensure that their conviction in every portfolio holding is as high as it possibly could be — and that every investment case has been tested to the fullest.

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Sarofim's process is designed to identify opportunities for sustainable growth.

## Portfolio Characteristics

Global Equity Strategy

US Large Capitalization Equity Strategy

The net result of the firm's process is a portfolio with an average of 40–60 holdings.

This is distilled from a closely monitored group of around 250 companies...

...which in turn is derived from the broader investment universe.

Investment universe

**+/-250**  
potential investments

**40-60**  
holdings

Overall, each portfolio has...

...individual holdings with a market capitalization of

**MORE THAN  
\$5 BILLION**

...a median market capitalization well

**IN EXCESS OF  
\$100 BILLION**

...a low portfolio turnover per annum, typically

**LESS THAN  
20%**

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## Sarofim's Culture

The company has a team of 22 investment professionals with an average of 26 years' experience in financial markets<sup>1</sup>. Sarofim values this experience highly and believes that it should be focused and not widely spread. Accordingly, their analysts typically cover only around 20 stocks each — so they know their particular areas of the market inside and out.

The firm is able to achieve this focus because all their research efforts are concentrated on a single investment philosophy which centers on large-cap industry leaders. This concentration gives the firm a depth of research that, in their view, few investment managers can match. Throughout the firm's 68-year history, they have always valued and supported their staff. Sarofim's investment professionals benefit

from a highly competitive deferred compensation scheme, and the bulk of their net worth is invested in portfolios managed in line with their strategies — ensuring that staff interests are aligned with those of their clients. The company's strong and supportive culture has resulted in very low rates of staff turnover — indeed, most members of the investment team have been with the company for almost two decades.



## Sarofim's Place in Your Portfolio

The firm's strategies are designed to be core holdings, the mainstays of equity allocations. They believe that their long-term focus and patient approach make their strategies ideally suited to this role.

## Strategy Summary

	Global Equity Strategy	US Large Capitalization Equity Strategy	Concentrated Growth ETF Strategy
Objective	Seeks to outperform the MSCI World Index over market cycles with less risk.	Seeks to outperform the S&P 500 Index over market cycles with less risk.	Seeks long-term capital appreciation.
Benchmark	MSCI World Index	S&P 500 Index	S&P 500 Index
Strategy	Focuses on “blue chip” multinational companies with total market values of more than \$5 billion. These are large, established, globally managed companies that manufacture and distribute their products and services throughout the world.	Focuses on “blue-chip” companies with total market capitalizations of more than \$5 billion at the time of purchase, including multinational companies.	Focuses on companies which are dominant in structurally attractive industries, and that have sustainable earnings growth and attractive valuations.
Portfolio Management	Active, team approach	Active, team approach	Active, team approach
Number of Stocks	40-60	40-60	25-35
Key Exposures	Quality growth, dividend growth, mega-cap growth, emerging markets growth	Quality growth, dividend growth, mega-cap growth, emerging markets growth	Quality growth, dividend growth, megacap growth, emerging markets growth
Investment Products	Separate accounts, mutual funds, unified management account	Separate accounts, mutual funds, unified management account	ETF

There can be no assurance that these investment objectives can or will be met.

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# THE FIRM'S PROCESS IN PRACTICE

Global Equity Strategy

US Large Capitalization Equity Strategy

## Case Study 1: Industrials Company



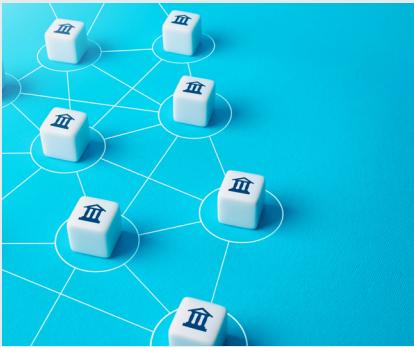
As one of the world's largest aerospace and defense companies, this company reflects Sarofim's strategy of investing in businesses with durable competitive advantages and industry leadership. The company provides a full range of products and services for air, land, and naval forces, including advanced electronic systems, cybersecurity solutions, combat vehicles, and weaponry.

The company has a broad international footprint with operations and personnel in over 40 countries. Sarofim believes the company's wide-ranging portfolio of defense platforms and technologies are well-placed to benefit from sustained defense spending and long-term industry trends. The company's investment in developing new technology also reflects the kind of dominant, future-focused business Sarofim believes can deliver attractive earnings growth over time.

The case study described has been provided for illustrative purposes only and was based solely for the purpose of describing the investment processes and analyses used by the Firm to evaluate such investments. It was selected using objective, non-performance based criteria. There can be no assurance that the investments described will become available to Fund investors. It should not be assumed that any investments described would be profitable if implemented. Nothing contained herein should be construed as a recommendation to buy or sell any security.

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## Case Study 2: Financials Company



This company is one of the world's largest payment technology companies, operating payment networks that facilitate the processing of credit and debit card transactions. The company's network acts as an intermediary between the merchant and the issuing bank, providing fraud prevention for both the issuing bank and consumer, while ensuring payment for the merchant. The company's infrastructure enables the secure, efficient movement of funds across geographies and payment types.

With its extensive network reach, deep integration into the global financial ecosystem, and market-leading position, the company exemplifies the type of dominant global company that Sarofim seeks to invest in. Globally, the firm processes more than \$14 trillion in payments

across 319 billion credit and debit transactions, with approximately 49% of its payment volume in the U.S. and around 51% overseas. Importantly, Sarofim believes the company should continue to benefit from the long-term, secular shift from cash to credit cards and digital wallets, without assuming any retailer- or category-specific risks.

Sarofim's decade-long investment in this company demonstrates its long-term approach to investing. The company's continued innovation in digital payments and expansion into new markets underscore its potential for sustained growth and aligns with Sarofim's focus on investing in quality businesses.

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No matter what the future brings, we'll be ready.

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## Endnotes

1. As of December 31, 2025

## Important information

FDIC is Federal Deposit Insurance Corp.

### RISKS

**All investments involve risk including loss of principal. Certain investments involve greater or unique risks that should be considered along with the objectives, fees, and expenses before investing.**

**Equities** are subject to market, market sector, market liquidity, issuer, and investment style risks, to varying degrees. Investing in **foreign denominated and/or domiciled securities** involves special risks, including changes in currency exchange rates, political, economic, and social instability, limited company information, differing auditing and legal standards, and less market liquidity. These risks generally are greater with emerging market countries.

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The **MSCI World Index** is a free float-adjusted market capitalization-weighted index that is designed to measure the equity market performance of developed markets. Reflects reinvestment of net dividends and, where applicable, capital gain distributions.

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