

Interview with the Director of Equity Research

Interviewer: Can you tell me a bit about the research team at Crawford?

Aaron Foresman, CFA: We have a hard-working, insightful, and collaborative team that is a real pleasure to work with. Although our daily efforts are not always visible, we diligently work behind the scenes to follow over 150 companies held across six unique equity strategies. Last year, we also conducted 44 extensive due diligence reviews on new companies for consideration of inclusion in our portfolios.

One of the things that really boosts our productivity is the extensive industry experience and sector expertise that all of our team members have. The team averages 25 years of industry experience and has been wholly intact for the past 8 years, so we enjoy an envious level of continuity. Collectively, our team benefits from experience at some of the largest investment firms in the U.S., advanced certifications (CFA & CPA), and advanced degrees from some of the country's finest academic institutions.

With all of that being said, I think what I enjoy most about this team is that each member has chosen to bring their considerable talents to work at Crawford. I think that speaks to the collaborative, familial, and rewarding culture of the firm. Not to mention, there is a high degree of philosophical alignment around the importance of both quality and value. Each of us believes greatly in what investing at the intersection of these factors can do for an investment program.

I understand the team is currently organized as sector specialists with portfolio responsibility. What are the benefits of this structure?

Yes, the construct of our team is differentiated, but we believe it fosters continuity and really works. We employ a "matrix" structure where members of the team have responsibility as the lead analyst on a sector(s) (e.g. Health Care) and also bear daily portfolio management responsibility for each of our strategies (e.g. Dividend Growth). This structure allows all of our strategies to benefit from each of the team member's years of expertise in their sector across the market capitalization spectrum. It also results in a high level of collaboration and interdependence as all members have both the privilege and responsibility to lead and serve. To sum it up, at Crawford, we view research as a career path. We believe this allows our professionals a significant runway for personal and professional growth. For a lot of the reasons I just mentioned, it is not hard to recruit analysts to work at Crawford, and we feel really good about where our team is today.

Why do you think there is such a high level of philosophical consistency among team members?

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The firm has a strong culture based on client service and integrity with an equally strong investment philosophy based on income and quality. While the team possesses a myriad of individual professional experiences, we are all aligned in our focus on meeting each of our portfolio's specific objectives. In turn, all of the portfolios focus on some level of income (dividends), quality, and downside protection.

How about process consistency? How is that enforced?

It all starts with being philosophically aligned, which I mentioned briefly earlier, and also setting high standards for the diligence with which we conduct our work. Our process is collaborative by nature, incorporating team scrutiny of quarterly reviews of owned equities and team due diligence on new ideas. In other words, since our team members are both authors and users of our work, the natural result is a high level of process consistency.

Additionally, we take the time to meet offsite a couple of times per year to discuss what is working, where we can improve, and how we can get better and learn from our mistakes. Not only does this build communication and teamwork, but we believe getting input and collectively arriving at areas of focus for the team helps us build buy-in and accountability.

How do you ensure sound decision-making?

We believe that sound investment results start with process consistency, are aligned with our investors' objectives, and are earned over time. Process consistency is really all about integrity, which means underwriting every single investment opportunity to the best of our ability. Essentially, we manage uncertain outcomes with imperfect information in an environment where the only constant is change. We focus on being "right for the right reasons." At the individual security level, that means having a sound and supported investment thesis, conducting thorough due diligence, and maintaining vigilance in following our investments.

Philosophically, we find that focusing on dividends, quality, and valuation serves to narrow the range of outcomes while also creating alignment with our investors' objectives. Our philosophy and process come together really nicely to the benefit of our investors.

Then, at the team level, we strive to consistently improve the process and have committed to bringing our joint experience to bear on the due diligence process. Over the past year, we have been focusing specifically on driving consistency and productivity through increased accountability and communication.

Crawford's strategies are "objectives-based," so how do you honor these while earning the highest possible returns?

This boils down to our matrix operating structure that we touched on earlier. As analysts, we are focused on

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surfacing the best and highest-quality ideas that we expect to drive returns at the security level. As portfolio managers, we bear the responsibility of ensuring that our strategies honor their objectives for downside protection, income, and quality while capturing insights provided by our analysts. This is why culture and collaboration are central to our process.

Could you talk about the risk management framework you are working on implementing?

Historically, as a byproduct of our process and focus on quality, most of our risk mitigation has happened in the security selection process at the individual security level and by implementing portfolio-level parameters for portfolio construction, including sector exposure and position sizes. This is borne out by our track record of relatively low comparative volatility and downside protection.

More recently, however, we have been incorporating the use of a more systematic framework to manage risk across our strategies. The endeavor has gone well so far and has given us another tool to examine risk at the portfolio level. It allows us to examine our exposure across traditional market factors (e.g. value, size, quality) and economic factors (e.g. interest rates, market returns, credit spreads). While the investment process remains bottom-up, meaning we are aware of the risks that we are purposefully bearing, the incorporation of these tools helps mitigate the assumption of risks that may be “hidden” or not as clear at the aggregate portfolio level.

What do you have planned for the future and how do you see things evolving going forward?

We continue to focus on productivity, so we plan to take another step forward next year. However, the real focus in 2025 will shift from efficiency to strengthening our team culture, including collaboration and accountability. I read something yesterday that resonated with me. “Humility is the opposite of arrogance. It includes a simple admission that something’s not right and some weaknesses need to be addressed. It is essential to getting better.” I think this encapsulates what we are striving to achieve: better results through collective humility.

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