

Donald Smith & Co., Inc.

Domestic Equity: Russell 3000 Benchmark

For the month of: September 2020

Manager Performance Calculations	* Annualized returns				
	Last <u>Month</u>	Last <u>3 Months</u>	Last <u>1 Year</u>	Last <u>3 Years*</u>	Last <u>5 Years*</u>
Donald Smith & Co.	-4.51%	8.07%	-12.36%	-3.68%	5.52%
Russell 3000	-3.64%	9.21%	15.00%	11.64%	13.69%

Portfolio Attributes

<u>Characteristics</u>	<u>DSCO</u>	<u>RU 3000</u>	----- <u>Sector Analysis</u> -----		
			<u>Over-weight</u>	<u>DSCO</u>	<u>RU 3000</u>
Mkt Value (\$m)	408.92	N/A	Industrials	33.30%	0.56%
Wtd Cap (\$b)	9.37	383.93	Financials	22.93%	1.11%
P/E	17.73	25.97	Materials	20.65%	0.21%
Beta	1.25	N/A			
Yield (%)	1.08	1.67			
Earnings Growth			<u>Under-weight</u>	<u>DSCO</u>	<u>RU 3000</u>
			Info Technology	1.68%	37.44%
			Health Care	0.00%	19.59%
			Cons. Discret.	11.61%	23.10%

Performance Attribution & Strategy Comments

The account's decline of 4.5% lagged the three indices (Russell 3000 Value -2.6%; Russell 3000 -3.6%; S&P 500 -3.8%). After five consecutive positive months since the onset of the pandemic in March, the markets retreated as did the portfolio. The biggest contributor was Atlas Air (+8.0%) which continues to benefit from the pandemic with higher cargo rates as a result of the pandemic wiping out nearly half of the world's airfreight capacity. All three homebuilders (M/I Homes +8.2%; Beazer Homes +7.8%; Taylor Morrison +4.5%) rose. Commentary from the builders continues to be strong as net absorption levels continue to reflect strong pricing power week after week. Offsetting this were the airline / aircraft leasing names (Air France -23.1%; AerCap -14.8%; Jetblue -1.7%) most likely weighed down by pandemic-related worries as there were conflicting messages about vaccine availability and renewed threat of lockdowns in certain parts of the country. Other detractors included the banks (Citigroup -15.7%; Goldman Sachs -1.9%) as well as the insurer group (American National -10.0%; Unum -8.9%; AIG -5.5%). The financial sector overall has underperformed throughout most of the year with the Fed keeping rates low amid a generally uncertain economic outlook due to the pandemic. Gold miners also continued to decline (Equinox Gold -10.9%; IAMGOLD -10.7%; Gold Fields -5.7%; Kinross Gold -0.7%) as gold dipped down 4.2% to below \$1900 / oz. Other detractors included Tutor Perini (-11.3%) and the shippers (Diamond S -16.1%; International Seaways -13.9%). We added to AerCap, IAMGOLD, International Seaways, and Verso, while reducing Atlas Air, Air France, and PG&E. There were no new purchases. Airlines / aircraft leasing, precious metals, insurance, and building / real estate continue to be the largest industry weightings. The portfolio trades at 56% of tangible book value and 5.3x 2-4 year normalized EPS.

Manager Style Summary

Donald Smith & Co manages an all-cap portfolio, employing a bottom-up, deep value investment strategy. They invest in stocks with low P/B ratios and which are undervalued given their long-term earnings potential. Consequently, the portfolio will consist of securities with higher dividend yield and lower P/B and P/E ratios relative to the market. This is a concentrated portfolio, consisting of approximately 15-35 issues, and as a result, may experience more volatility than the market.

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Portfolio Guideline Compliance **September 2020**

Portfolio Guideline:	DSCO	RU 3000	Calc	Min	Max	Compliance
B2. Security Market Cap (in \$m) > \$100 m @ purchase						ok
B3. Security Positions <= 15% @ purchase						ok
B4. Number of issues	32			15	35	ok
B5. Portfolio Characteristics						
P/B	0.56	3.63	15%	30%	100%	check
P/E (1 Year Forward)	17.73	25.97	68%	50%	100%	ok
Dividend Yield	1.08	1.67	65%	50%	150%	ok
F2. Commissions not to exceed \$0.05/share; explanation required for commissions >\$0.07/share						ok
F3. Annual Turnover	21%			20%	40%	ok
The portfolio is in compliance with all other aspects of the Portfolio Guidelines						<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

Manager Explanations for Deviations from Portfolio Guidelines

B5. P/B: Our primary approach is to buy low P/B stocks selling at discounts to tangible book value.

Organizational/Personnel Changes

N/A

Account Turnover

Gained:	Number of Accounts:	0	Total Market Value (\$m):	\$	-
Lost:	Number of Accounts:	0	Total Market Value (\$m):	\$	-
	Reason(s):	N/A			