

**TUKMAN CAPITAL MANAGEMENT, INC.**  
**DOMESTIC EQUITY: S&P 500 BENCHMARK**

FOR THE MONTH OF:            **SEPTEMBER**            **2016**

**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>
Tukman	-1.90%	0.66%	9.23%	7.66%	14.18%
S&P 500	0.02%	3.85%	15.43%	11.16%	16.37%

**PORTFOLIO ATTRIBUTES**

<u>Characteristics</u>	<u>Tukman</u>	<u>S&amp;P 500</u>	<u>Sector Analysis</u>		
			<u>Over-weight</u>	<u>Tukman</u>	<u>S&amp;P 500</u>
Mkt Value (\$m)	480.80	N/A	Financials	20.40%	12.80%
Wtd Cap (\$b)	138.05	142.14	Consumer Stapl	15.60%	9.90%
P/E	16.30	17.10	Industrials	13.70%	9.70%
Beta	0.80	1.00			
Yield (%)	2.20	2.10			
Earnings Growth	9.20	10.30	<u>Under-weight</u>	<u>Tukman</u>	<u>S&amp;P 500</u>
			Technology	8.60%	21.20%
			Utilities	0.00%	3.30%
			Real Estate	0.00%	3.10%

**PERFORMANCE ATTRIBUTION & STRATEGY COMMENTS**

U.S. equity markets turned in a lackluster performance for the month, despite the FOMC's vote to leave interest rates unchanged in September. The S&P 500 Index was flat while the DJIA posted a slight loss for the month. The Tukman Grossman portfolio underperformed the S&P 500 Index for the month of September and the third quarter. Energy, Technology and Utilities were the only three sectors to post gains for the month. The bottom performing sectors were Financials, Consumer Staples and Real Estate, a new sector added to the Index in September.

Our top performing stocks for the month were Emerson Electric, Procter & Gamble and PepsiCo. Emerson Electric's shares recovered from its decline in August after the company was downgraded and announced weak earnings. The company was awarded a large contract from Shell Australia in September. Procter & Gamble's share price hit an all-time high in September after the company posted strong earnings in August. PepsiCo's share price rose as the company reported strong results for its third quarter earnings and raised its full year guidance.

The bottom performing stocks for the quarter were Wells Fargo, Lowe's Companies and Goldman Sachs. The share prices of Wells Fargo and Goldman Sachs were hurt by continued weakness in the global banking arena as analysts raised concerns about the health of Deutsche Bank's balance sheet. Wells Fargo's share price declined following the announcement of a legal settlement regarding the company's sales practices. Shares of Lowe's Companies fell in September on a report that existing home sales declined for the second consecutive month in August. Goldman Sachs announced a larger push into the on-line consumer banking market.

We sold shares of Procter & Gamble as the stock price rose to an all-time high and purchased additional shares of Lowe's at favorable valuations.

**MANAGER STYLE SUMMARY**

*Tukman's investment strategy is "Concentrated Quality GARP" (Growth At a Reasonable Price), whereby the portfolio is a concentrated mix of about 10-20 large capitalization stocks of quality companies who are leaders in their sectors, have demonstrated consistent earnings growth, have clear prospects for future earnings growth, and trade at values at or slightly below the average S&P 500 company. This style is similar to that of Warren Buffet. Due to the portfolio concentration, it tends to be more volatile than other widely diversified portfolios. Consequently, they can lag significantly behind their benchmark for a period of time, then rapidly make up the difference and/or outperform relative to their benchmark.*

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**PORTFOLIO GUIDELINE COMPLIANCE**

SEPTEMBER

2016

Portfolio Guideline:	S&P 500	Tukman	Calc	Min	Max	Compliance
B2. Security Market Cap (in \$m)						ok
B3. Wtd Avg Cap > \$10 billion						ok
B4. Number of issues		18		10	20	ok
B5. Security Positions <= 15% @ purchase						ok
B6a. P/E (projected)	17.10	16.30	1.0	0.8	1.3	ok
B6b. Beta	1.00	0.80	1.3	0.8	1.3	ok
B6c. Yield	2.10	2.20	95%	50%	150%	ok
B6d. Expected Earnings Growth	10.30	9.20	1.1	0.7	1.3	ok
E2. Commissions not to exceed \$0.05/share						ok
E3. Annual Turnover		12%		5%	45%	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**

B4. Number of Issues:

3

**ORGANIZATIONAL/PERSONNEL CHANGES**

None

**ACCOUNT TURNOVER**

Gained: Number of Accounts: 0

Total Market Value (\$m):

Lost: Number of Accounts: 1

Total Market Value (\$m): \$ 51.0

Reason(s): Client reducing US equity allocation.