WHAT WE DO

Since 1995 Cardinal Capital Management has focused on small and mid-cap value equity investing with the goal of producing high-quality investment results for investors. The experienced team of value investors uses a free cash flow driven investment strategy and team-oriented culture to deliver strong results. Cardinal is wholly owned by current and former senior investment professionals.

OUR PHILOSOPHY

The conceptual premise supporting Cardinal's investment approach is that a company's ability to generate excess cash flow and redeploy that cash to enhance shareholder value determines its long-term value. From a market and opportunity perspective, Cardinal believes that if there is no change, earnings are a good proxy for cash flow, and if there is good analyst coverage, the equity market is relatively efficient. However, when there is change, earnings are a poor proxy for cash flow, and if there is little analyst coverage, equity prices may not reflect underlying values.

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OUR APPROACH

Cardinal employs a disciplined, bottom-up investment process. The investment team does not screen for investment candidates based upon valuation but instead generates ideas by targeting market niches where they have a structural advantage. Cardinal focuses its fundamental research efforts on businesses the team considers to be sufficiently predictable that their discounted cash flow models provide useful information. In addition, Cardinal invests with a long-term time horizon and focuses on absolute, not relative, risk of owning a company.

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Investment Risk Management

Each step of Cardinal's investment process, from idea generation to portfolio management, is designed to balance expected return against the risk of losing money. The key principles are that risk mitigation does not mean return mitigation, Cardinal embeds risk mitigation in the investment process, and that risk management is a group process.

From a process perspective, Cardinal's rigorous due diligence, idea vetting and group decision making process limit risk by controlling the quality of work and providing continuous and significant oversight. Just as Cardinal requires the economic alignment of interest of portfolio company management teams with shareholders, portfolio managers are also accountable for every position, and the firm bases compensation on client performance. Cardinal's focus on companies which generate substantial free cash flow also mitigates risk as managements are incented and able to repurchase their stock when equity markets are weak, and stock prices are low. In addition, Cardinal's high hurdle rate, focus on predictable businesses, and conservative forecasting, reduce the risk of and impact of forecasting errors. Continuous research ensures that the team is alert to changes in company fundamentals that could impact shareholder value.

Consistent with Cardinal's investment discipline, the focus of the investment team is on the stocks of companies where business performance is generally less dependent on the growth rate of the U.S. economy. By attempting to limit macroeconomic risks and taking them only when the portfolio managers feel that they are adequately compensated, Cardinal believes that overall portfolio risk is reduced because tools under management's control are generally more dependable.