

CAPITAL ALLOCATION BASE RATES

If you're going to be a rebel allocator, it doesn't hurt to know what businesses have historically done as your starting point. Always remember you can deviate when logical reasoning says you should; the crowd isn't necessarily right.

Trust your judgment.

Sources and Uses of Cash for Large Cap US Companies
1990-2018**

Sources of Cash

Operating Cash Flow	59%
Debt Issuance	23%
Equity Issuance	5%
Other	5%
Working Capital Changes	4%
Investment Sales	3%
Sale of Property, Plant, and Equipment	1%

Uses of Cash

Capital Expenditures	25%
Debt Paydown	20%
Buybacks	12%
Research and Development	9%
Acquisitions	8%
Dividends	8%
Working Capital Changes	7%
Investments	6%
Other	5%

** Data used with permission from O'Shaughnessey Asset Management