



Position Close Update: The Travelers Companies (TRV)

The Travelers Companies (TRV: \$143/share) – Closing Long Position – up 158% vs. S&P +131%

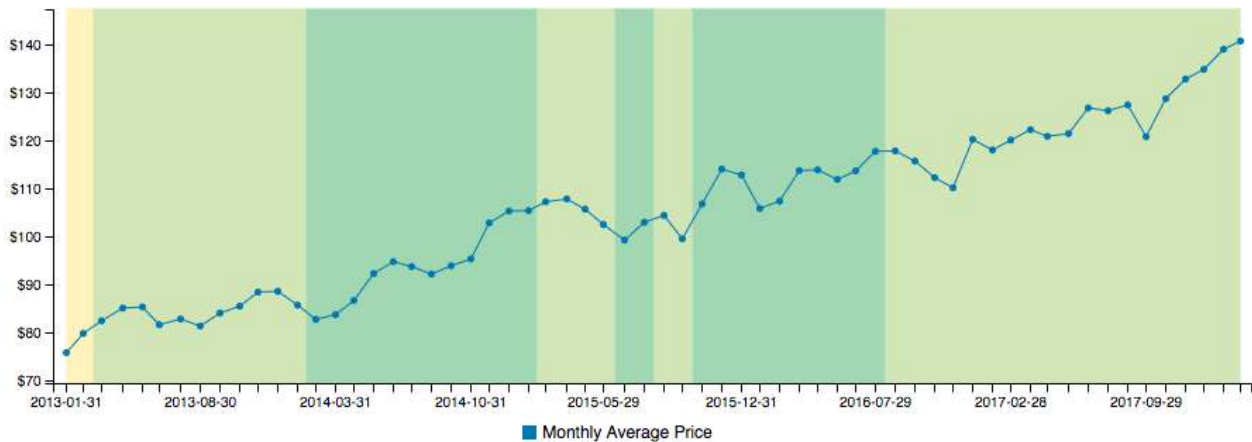
The Travelers Companies was originally selected as a [Long Idea on 11/22/10](#) and reiterated on [11/18/14](#). At the time of both reports, the stock received a Very Attractive rating. Our investment thesis highlighted consistent after-tax profit (NOPAT) growth, strong [free cash flow](#) generation, and a low [PEBV](#) ratio that highlighted overly pessimistic expectations baked into the stock price.

During the 7-year holding period, TRV outperformed, rising 158% compared to a 131% gain for the S&P 500. TRV was downgraded to Neutral on 2/16/18 after our [Robo-Analyst](#) parsed the most recent 10-K. While TRV's valuation remains attractive, the company's ROIC fell from 10% in 2016 to 7% in 2017. This decline is the continuation of a downward decline in ROIC, which was as high as 13% in 2013. There is a [strong correlation between improving ROIC and increasing shareholder value](#) and due to this continued decline in ROIC, we are closing this position.

We hope investors were able to participate in the 158% rise in stock price since we first featured TRV.

Figure 1: TRV Stock Price and Risk/Reward Rating History

▼ **Normalized Rating History - Monthly Average***



Sources: New Constructs, LLC and company filings

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Disclosure: David Trainer, Kyle Guske II, and Sam McBride receive no compensation to write about any specific stock, style, or theme.

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