

Objective	<p>Construct an actively managed, core portfolio by buying companies that are attractively valued and exhibit the likelihood to meet or exceed earnings expectations while selling short those companies that become significantly overvalued or exhibit the likelihood of missing analysts' expectations</p> <p>Long-term capital appreciation</p> <p>Outperform S&P 500 Index by providing upside potential while minimizing downside risk</p>
Initial Universe	<p>U.S.-listed equities with market capitalization greater than \$200 million</p> <p>Reduced using liquidity and quality screens</p>
Fundamental Research	<p>Fundamental research carried out systematically using quantitative investment methodology</p> <p>Proprietary Total Composite (TC) Model ranks stocks based on valuation, earnings and momentum factors</p> <p>Seeks to identify companies that are:</p> <p>Long: unsustainably cheap with the potential to deliver future earnings improvements in excess of current analysts' expectations</p> <p>Short: overvalued with a poor earnings outlook</p>
Portfolio Construction	<p>Long:</p> <p>Buy candidate when ranked in the top 30% of the TC Model</p> <p>Sell candidate when TC Model rank declines below median</p> <p>Short:</p> <p>Short candidate when ranked in the bottom 30% of the TC Model</p> <p>Cover short candidate when TC Model rank improves above median</p> <p>Optimize to manage risk characteristics and control sector exposures</p>
Target Portfolio	<p>Maximum of 150 total positions</p> <p>Broadly diversified; sector weighting goal is +/- 6% of weights in S&P 500 Index</p> <p>Target for maximum position size relative to S&P 500 Index: Long +2.5%; Short -2.5%</p> <p>Fully invested with minimal cash</p>