

EARNINGS DRIVEN STRATEGY

Earnings Driven Universe

- Approximately 600 stocks consisting of the S&P 500 companies and the 50 largest Mid-Cap stocks and ADRs.

Fundamental Screening Process

- Composite rank
 - Screening factors constructed and weighted by sector
 - Earnings screens
 - Valuation screens

Analysis

- Earnings, estimates and valuations used in process are confirmed
- Reviewed for other risk factors - earnings quality, excess leverage, existing or potential legal liabilities

Stock Selection and Portfolio Construction

- "Bottom up" process
- Disciplined implementation of buy & sell rules
- Weekly review for buys and sells

Risk Management Tools

- Broadly diversified sector exposure
 - $\pm 3\%$ to S&P 500 sectors
- Avoid excess industry concentration
- Stock specific risk
 - Typical security position 2-3%
 - 45-50 holdings