Smith Group
ASSET MANAGEMENT

FIRM & INVESTMENT PROCESS PROFILE

MARCH 2021

Our core principle is that unexpected earnings growth is a persistent source of excess investment returns.

ORGANIZATION

- Founded in 1995
- Dallas-based
- $2.3 billion in managed assets
- 100% Employee-owned
- A firm wide commitment to culture and diversity
- 11 investment professionals averaging 12 years tenure and 21 years investment industry experience

KEYS TO SUCCESS

- Over 25 years focused on the theory and practice of capturing unexpected earnings growth
- A portfolio construction process integrating the best of both disciplines:
  - Quantitative research to identify opportunities and risks swiftly
  - Fundamental analysis to verify sources of unexpected growth
- Delivering realized growth that is better than expected

INVESTMENT PROCESS & TEAM

We apply a systematic, model-based approach...

We start with a quantitative framework that helps us examine potential investments swiftly and systematically in a way that purely fundamental managers cannot emulate; then our fundamental work helps us understand the business underpinnings for sustained earnings growth. By starting with a quantitative framework, we often are able to find unexpected growth in counterintuitive places, and we also are able to recognize — without emotional bias — when it is time to sell.

Stephen S. Smith, CFA
- Founder and CEO
- 25 years with firm

John D. Brim, CFA
- Chief Investment Officer
- 22 years with firm

Julian Burgess
- Research Associate
- 2 years with firm

Robert Fletes, CFA
- Portfolio Trader
- 5 years with firm

Tyler Fulton
- Portfolio Trader
- 2 years with firm

Stephanie C. Jones, CPA
- Director Non-U.S. Equities
- 10 years with firm

William C. Ketterer, CFA
- Portfolio Manager
- 14 years with firm

Eivind Olsen, CFA
- Portfolio Manager
- 12 years with firm

Lu Peh
- Data Specialist
- 2 years with firm

Richard C. Villars, CFA
- Equity Strategist
- 12 years with firm

Christopher M. Zogg, CFA
- Director Research,
  Director U.S. Equities
- 23 years with firm

HISTORY OF PHILOSOPHY & PROCESS

Smith Group applies an engineering approach to investment management. By leveraging technology and fundamental research, we identify companies with undiscovered growth potential, creating risk-controlled portfolios designed to produce attractive return patterns. Using both quantitative and qualitative analysis, we invest in high quality companies poised to accelerate earnings growth and exceed investor expectations.

The specialized investment philosophy employed by Smith Asset Management Group dates back to the late 1970s. Beginning in 1978, Stephen S. Smith, CFA participated in a study in conjunction with several researchers from the Finance Department of the University of North Carolina. The study focused on determining the market's efficiency in pricing of companies that report an earnings surprise. The conclusion was that the market was inefficient in its pricing of earnings surprises and excess return could be gained by investing in stocks that report an earnings surprise. Mr. Smith originally began employing this investment process by buying companies on the day a positive earnings surprise was reported. This process was used until the mid 1980s, at which time it became evident to Mr. Smith that he needed to be more timely in his stock selections and to actually buy companies prior to their reporting an earnings surprise.

Mr. Smith spent several years developing his earnings surprise prediction methodology and started to implement his methodology with great success in 1987.

INVESTMENT PROCESS DETAIL

Smith Group's edge comes from our engineering approach to portfolio management, which we employ through an investment process that has been developed, tested, and proven over the last 30 years. Our investment team implements a disciplined, repeatable investment process that does not rely on the talents of one or two individuals. This process has resulted in a solid performance record for our clients that historically have exceeded its benchmark when the stock market is up, and provided meaningful protection in down markets.

The investment process begins with quantitative screening designed to (1) eliminate companies with unattractive risk characteristics and (2) identify companies with improving earnings quality and growth outlook that will be considered for inclusion in a portfolio. Fundamental analysis consists of validating the output of the proprietary ranking models as well as traditional equity analysis and is performed by members of the portfolio management team. At the portfolio construction stage of the process, risk is addressed through diversification, position weighting and risk model analysis. Portfolios are managed in alignment to certain fundamental characteristics and factors consistent with the historical implementation of the process. The sell discipline is rigorously applied with a primary objective of exiting companies with an increased probability of reporting a negative earnings surprise in the near future. When a company is sold from the portfolio, the process from screening to portfolio construction is repeated.

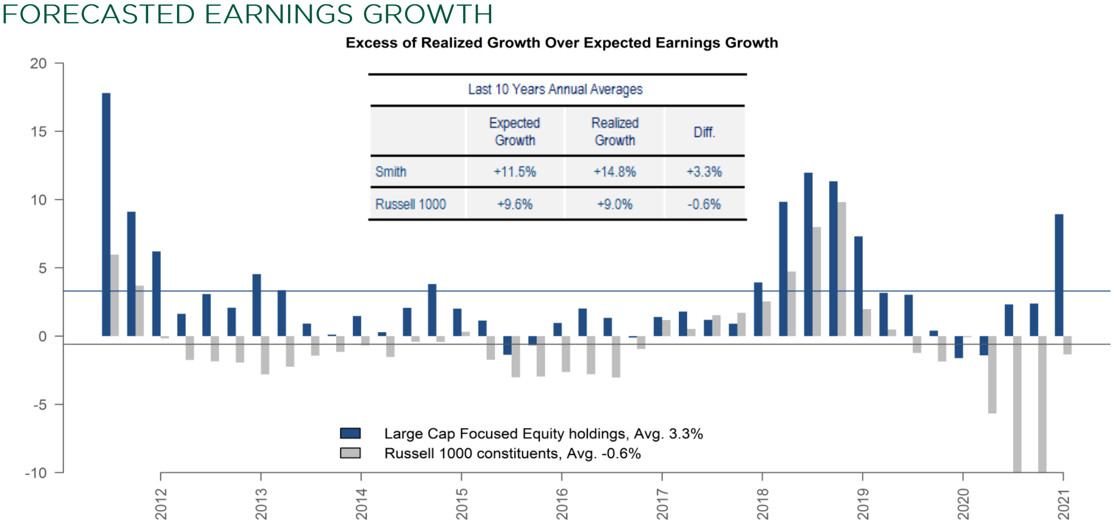
Quantitative Screening—Proprietary ranking models based on fundamentals such as valuation, volatility and quality are applied to screen out unattractive companies that our research shows have a high probability of underperformance. Companies with high earnings quality and rapidly improving business fundamentals are identified at the final stage of the screening process, creating a candidate list for further analysis by the portfolio management team.

Fundamental Analysis—Fundamental analysis is performed by the portfolio management team on a company-by-company basis. Potential buy candidates are selected and ranked by the most attractive single candidate and then by the best fit within the portfolio from a risk/return perspective. The portfolio management team performs extensive analysis of the fundamental ranking model components to validate each company’s valuation, earnings quality and growth outlook profile. This analysis is performed to gain an understanding of the quality of management, competitive environment, earnings growth drivers such as product cycles and pricing power as well as the relative growth and valuation on a historical basis.

Portfolio Construction—Portfolios are constructed and monitored to maintain an appropriate level of diversification by region, country, sector and industry. Fundamental characteristics such as valuation, quality, and growth potential are managed in relation to portfolio risk, benchmark relative exposures, and historical alignment. Risk management tools are used for pre-trade risk analysis and relative risk exposure monitoring.

Sell Discipline—The same fundamental models that form the basis for the firm’s purchase decisions are used to guide the firm’s sell decisions. The sell discipline is rigorously applied with a primary objective of exiting companies with a decreased likelihood of producing earnings growth in excess of expectations. Our sell discipline dictates that a holding must be reviewed if the fundamental models signal the following negative developments: Deterioration in Growth Outlook; Deterioration in Earnings Quality; Valuation becomes overextended. In addition, a holding is reviewed if it announces a significant corporate action such as a large acquisition or spin-off or its own acquisition by another entity.

REALIZED VS. FORECASTED EARNINGS GROWTH



Note: The bars show the difference between the realized earnings growth rate and the Refinitiv/Thomson Reuters consensus forecasted growth rate at the beginning of each rolling twelve month period. Refinitiv All Rights Reserved.

Past performance is not indicative of future results. As with any investment vehicle, there is always a potential for profit as well as the possibility of loss. Actual results may differ from composite returns, depending on account size, investment guidelines and/or restrictions, inception date and other factors. Nothing contained in this presentation should be construed as a recommendation to buy or sell a security or economic sector.

Performance and Firm Disclosures

The material is based upon information we consider reliable, but we do not represent that it is accurate or complete and it should not be relied upon as such. Opinions included in this material are as of Mar. 31, 2021 and are subject to change without prior notice. **Firm**: Founded in 1995, Smith Asset Management Group, L.P. ("Smith Group") is a registered investment advisor that specializes in equity investment management services. The firm manages assets for a diverse list of clients, which includes foundations, endowments, corporate pensions, public funds, multi-employer plans and high-net worth individuals. Effective Jan. 1, 2006, the firm was redefined to exclude wrap SMA business. Smith Group claims compliance with the Global Investment Performance Standards (GIPS®). Smith Group has received a firm-wide verification for the period Jan. 1, 1996 - Dec. 31, 2019. GIPS® Advertising Guidelines were used to draft these disclosures. To receive a complete list and description of Smith Group's composites and/or a presentation that adheres to the GIPS standards, contact John Brim, CFA at (214) 880-4608, or write to Smith Group, 100 Crescent Court, Suite 1150, Dallas, TX 75201, or john@smithasset.com. **Smith Group Large Cap Focused Equity Strategy** (fka Large Cap Core/Growth) – It is comprised of accounts whose primary objective is growth of principal by investing primarily in stock of large capitalization U.S. companies. Inclusion in this composite requires that accounts are not missing in excess of 5% of the firm's recommended portfolio. A portfolio manager will review for appropriateness of inclusion in the composite any account maintaining a cash position greater than 10%. The most common benchmarks utilized for these accounts are the S&P500 Index and the Russell 1000 Growth Index. The start date for the composite is Jan. 1, 1996. The creation date for this composite is Jan. 1, 2004. At this time, the composite containing accounts that directed trading was closed, and those accounts were added to the composite containing accounts in which Smith Group has discretionary trading authority, creating a composite of all accounts invested in this particular strategy. Accounts are added to the composite at the beginning of the first calendar quarter after full investment of the account. Accounts are removed from the composite at the month end prior to change in account status. Smith Group performance is the total return including cash and cash equivalents, gross of fees, of an asset-weighted composite of all discretionary portfolios. Performance is expressed in U.S. dollars. **Indices:** The S&P 500 and Russell 1000 indices are unmanaged indices of the shares of large U.S. corporations. All index performance includes capital appreciation and reinvested dividends and is presented gross of fees. **Earnings Surprise:** According to many academic studies, earnings surprise has had a positive relationship to relative performance in most time periods and for most companies. However, this does not mean that this relationship exists for all time periods and for all companies. In the recent past, periods coinciding with an inverse relationship between earnings surprise and relative performance have typically been periods in which corporate earnings are not the focus of investors' attention. Additionally, companies which have had a chronic negative relationship between earnings surprise and relative performance are typically those companies whose earnings are not product-driven, such as commodity companies. There is no assurance that the historic positive relationship between earnings surprise and relative performance will exist in the future. Nor is there any assurance that the historic ability of Smith Group to forecast a high rate of positive earnings surprise companies will exist in the future. **Holdings, Economic Sectors and Characteristics:** Any portfolio characteristics or holdings that are shown are intended to present the portfolio as it existed on the date of the report. You should not assume that these same characteristics or holdings will exist in the future. **Representative Client List:** Representative clients, if shown, have been selected on the basis of the following objective criteria: (1) clients who are selected have provided either written or verbal approval for use of their name by Smith Group, and (2) their inclusion allows Smith Group to give a fairly balanced representation of all client types. Inclusion on the list does not reflect an endorsement of our firm nor the advisory services provided, and performance was not a factor in the selection criteria.