

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

### ORGANIZATION

- Smith Group was originally founded in 1995; now part of Cantor Fitzgerald starting July 2021
- \$2.1 billion in managed assets; Dallas-based
- A firm wide commitment to culture and diversity
- 9 member investment team averaging 22 years of experience and 14 years of tenure with the firm

### 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 Smith, CFA

- Founder and CEO
- 26 years with firm

#### John Brim, CFA

- Chief Investment Officer
- 24 years with firm

#### Julian Burgess

- Research Analyst
- 3 years with firm

#### Tyler Fulton

- Portfolio Trader
- 4 years with firm

#### Stephanie Jones, CPA

- Director Non-U.S. Equities
- 12 years with firm

#### William Ketterer, CFA

- Portfolio Manager
- 15 years with firm

#### Eivind Olsen, CFA

- Portfolio Manager
- 13 years with firm

#### Lu Peh

- Data Specialist
- 3 years with firm

#### Christopher Zogg, CFA

- Director Research, Director U.S. Equities
- 24 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.

**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. Please see firm and performance disclosures.**

For additional information on **Smith Group** and our investment strategies and capabilities, please visit [www.smithasset.com](http://www.smithasset.com). The website contains information you may find useful regarding Smith Group including research articles, our economic and financial market outlook and detailed information on our team and investment capabilities.

## 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 25 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/return 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.

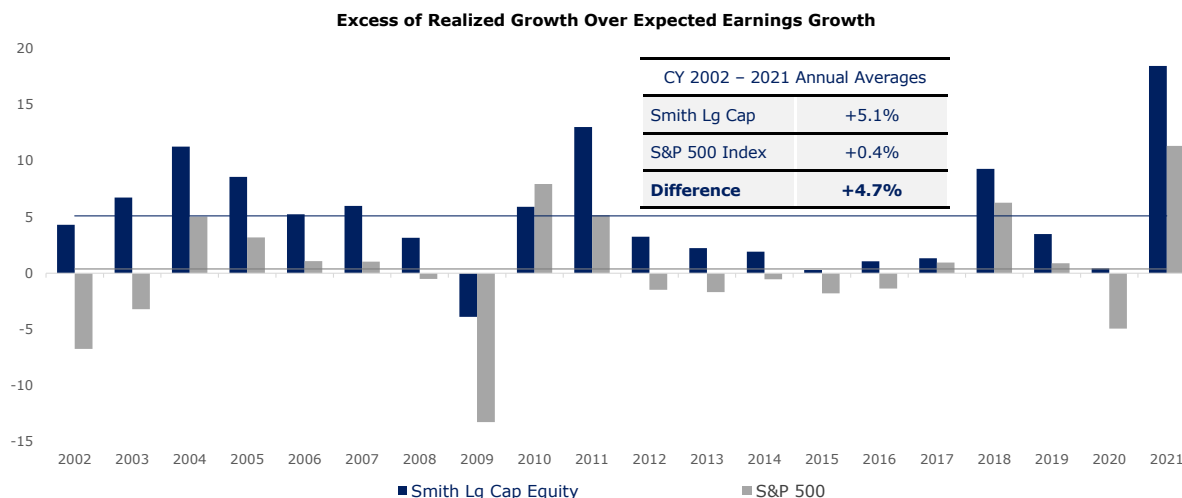
**Quantitative Screening**—Proprietary ranking models based on fundamentals such as valuation, earnings growth potential and quality are applied to screen out unattractive companies that our research shows have a high probability of underperformance. Companies with high earnings quality and rapidly improving 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 extended. 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.

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