

Objective	<p>Construct an actively managed, core portfolio consisting of long and short positions</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>Long: U.S.-listed equities with market capitalization greater than \$200 million</p> <p>Short: U.S.-listed equities with market capitalization greater than \$1 billion</p> <p>Screened for minimum data requirements</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 trading momentum</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: Buy candidate when ranked in the top 30% of the TC Model</p> <p>Target position size declines as rankings decline</p> <p>Sell candidate when TC Model rank declines into the bottom 40%</p> <p>Short: Short candidate when ranked in the bottom 30% of the TC Model</p> <p>Target position size declines as rankings improve</p> <p>Cover short candidate when TC Model rank improves into the top 60%</p> <p>Optimize to manage risk characteristics and control sector exposures using Barra Aegis</p>
Target Portfolio	<p>Maximum of 130 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 -1.5%</p> <p>Fully invested with minimal cash</p> <p>Leverage target of 1.6x</p>