

Objective	<p>Construct an actively managed, core portfolio of undervalued companies that exhibit the likelihood to meet or exceed earnings expectations</p> <p>Long-term capital appreciation</p> <p>Outperform the Russell 2500 Index by providing upside potential and minimizing downside risk</p>
Initial Universe	<p>Russell 2500 Index constituents</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 Model ranks stocks based on valuation, earnings, and trading momentum</p> <p>Seeks to identify companies that are unsustainably cheap, meaning undervalued with the potential to deliver future earnings improvements in excess of current analysts' expectations</p>
Selection Universe	<p>Stocks ranked in the top 20% of Total Composite Model</p> <p>After more screening, a focused list merits further individual, qualitative analysis focused on management strength, industry positioning of products and services, and risk profile</p> <p>New positions added only in response to the sale of a current position</p>
Sell Discipline	<p>Objective and disciplined</p> <p>Based on declining earnings expectations or significantly overvalued stock price</p>
Target Portfolio	<p>50 securities, broadly diversified among major economic sectors</p> <p>Initial positions typically weighted at 2%; specific issue exposure typically less than 3.5%</p> <p>Sector weighting goal is +/- 5% of weights in Russell 2500 Index</p> <p>Fully invested with minimal cash</p>