Tactical U.S. Stock Strategy

Strategy

The discretionary Tactical US Stock Strategy seeks to outperform the S&P 500 by creating a portfolio of stocks derived from quantitative screenings based on fundamental investing principles, Earnings Estimate Revisions, Price relative to Earnings Growth, and Momentum. Stocks are selected from the S&P 500, filtered through the screens, and then ranked by Market Capitalization. The Strategy is measured by both alpha and total return.

- The strategy combines growth and value style investing, as well as, a quantitative stock selection approach. The resulting portfolio consists of a diversified cross-section of large and mid-cap US equities from a variety of industry groups.
- All positions are invested with a technical trading overlay, in an attempt to achieve the best entry and exit points. The portfolio is made up of 40-70 individual stocks, and holds a tactical cash position ranging from 1% to 35%.
- The strategy may be appropriate for investors who seek capital appreciation and want individual stocks as part of their investment portfolio, as determined by their Financial Advisor.

Fundamental Value Investing

The Fundamental Value Investing Screen filters stocks based on the qualities for value investments.

- Market capitalization typically greater than $20 billion.
- Positive operating income for recent consecutive and longer term time periods.
- Return on equity for the last several fiscal years satisfies a minimum threshold.
- Current debt to equity, operating margin, and net profit margin are all better than the respective industry.

PEG Ratio and Momentum Screen

The PEG Ratio and Momentum Screen searches for stocks on an upward trajectory with potential of continuing.

- The value of the current price-earnings ratio versus the estimated growth rate in earnings per share (PEG Ratio) is favorable.
- Earnings per share from continuing operations and quarterly earnings growth for recent consecutive and longer term time periods are positive.

Earnings Estimate Revisions Screen

The Earnings Estimate Revisions Screen primarily analyzes four qualities of company earnings and future expectations.

- Agreement - The extent to which all brokerage analysts are revising their earnings estimates in the same direction. The greater the percentage of analysts that are revising their estimates higher, the better the score will be for this component.
- Magnitude - The size of a recent change in the current consensus estimate for the fiscal year and the next fiscal year. A 5%increase in the earnings estimate revision is better than a 2% increase in the earnings estimate revision and will thus get a better score for this component.
- Upside - The difference between the most accurate earnings estimate as calculated by Zacks Research and the consensus estimate. A bigger difference between the most accurate estimate and the consensus estimate is better.
- Surprise - The Zacks Rank factors in the last few quarters' earnings per share (EPS) surprises. Companies with a positive earnings surprise are ranked more favorably in the strategy.

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S&P 500 Total Return: The S&P 500 has been widely regarded as the best single gauge of the large cap U.S. equities market since the index was first published in 1957. The index includes 500 leading companies in leading industries of the U.S. economy, capturing 75% coverage of U.S. equities. This index includes dividend reinvestment.

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