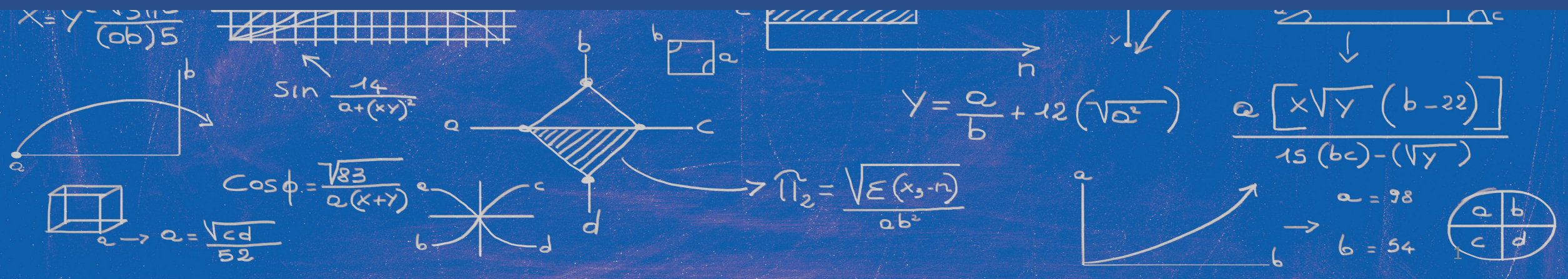


Investing In a Box?

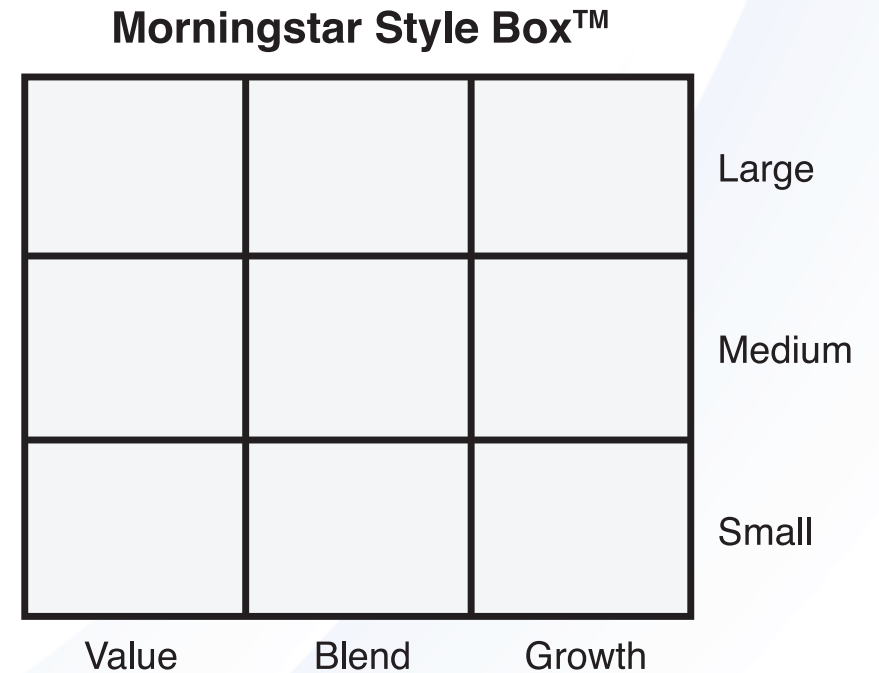
November 2016



An investor's allocation to size and style is the #1 determinant of performance

- How do you choose between Large and Small?
- How do you choose between Growth and Value?
- Can the gaps between size and style be bridged passively?

We believe they can



In retrospect we can agree the market has had 3 key inflection points since 2000

Inflection point #1: March 2000

Dot-com bubble bursts



Inflection point #2: October 2007

Market tops on signs of mortgage market bubble



Inflection point #3: March 2009

Market bottoms after biggest bear market in a generation



Your allocation to size and style at each inflection point has determined most of your performance

Differences in cumulative return based on size and style allocations. Examples between best & worst size/style indexes:

Inflection Points:	Since 2000 Top	Since 2007 Top	Since 2009 Bottom
Style Spread	74%	14%	25%
Size Spread	143%	19%	78%
“Perfect Hindsight” Spread*	233%	56%	110%

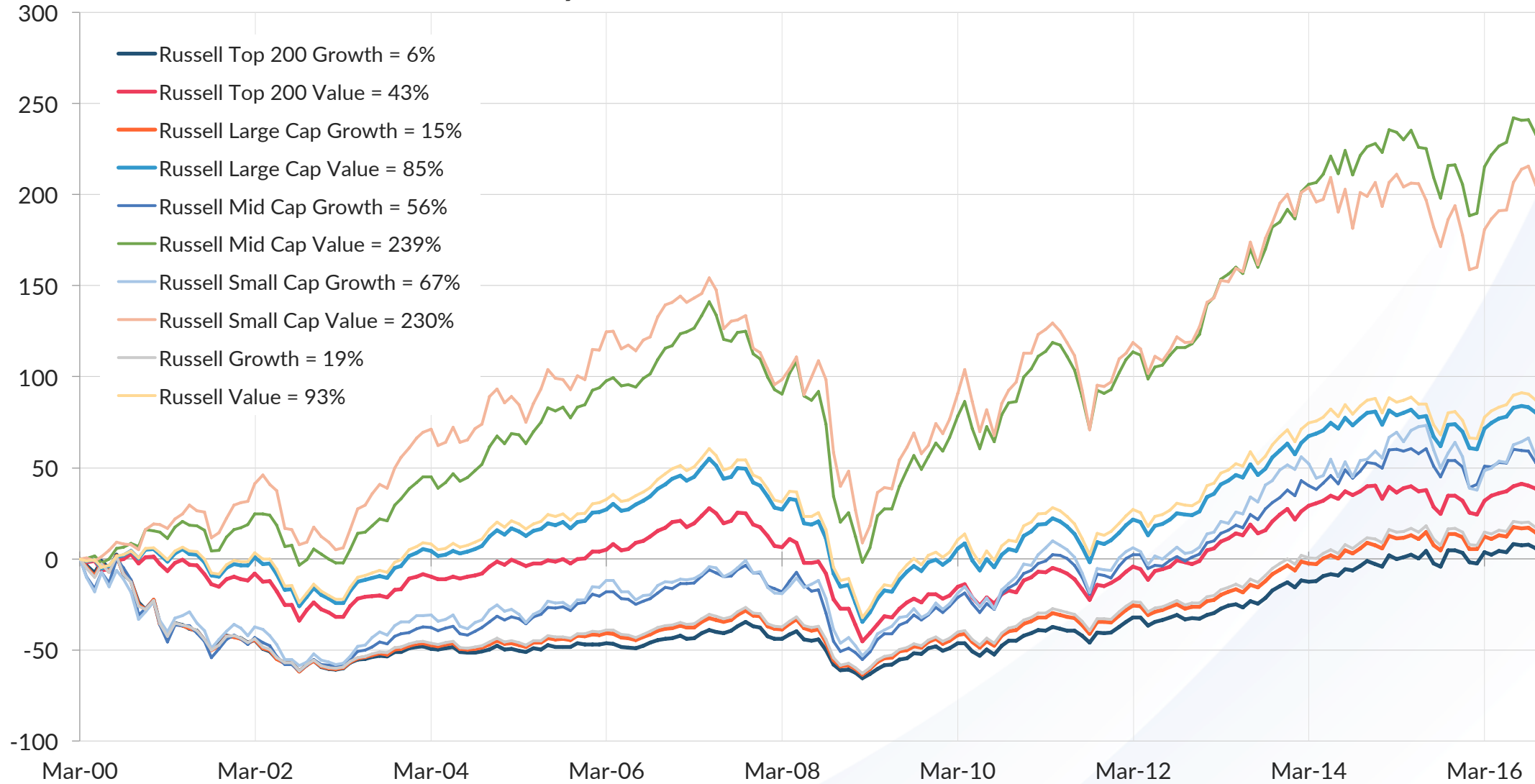
*Perfect hindsight spread refers to the difference in cumulative performance between the top and bottom performing Russell Size & Style Indexes between March 2000 and November 2016.

Size & Style Returns Since 2000

Rank	Pure Style	Return
1	Value	93%
2	Growth	19%
Rank	Pure Size	Return
1	Mid Cap	166%
2	Small Cap	138%
3	Large Cap	50%
4	Mega Cap	23%

Inflection point #1: March 2000

Size & Style, March 2000 – November 2016



Source: Bloomberg

Inflection point #1: March 2000

Size winner from 2000 to date: **Mid Cap**

Style winner from 2000 to date: **Value**

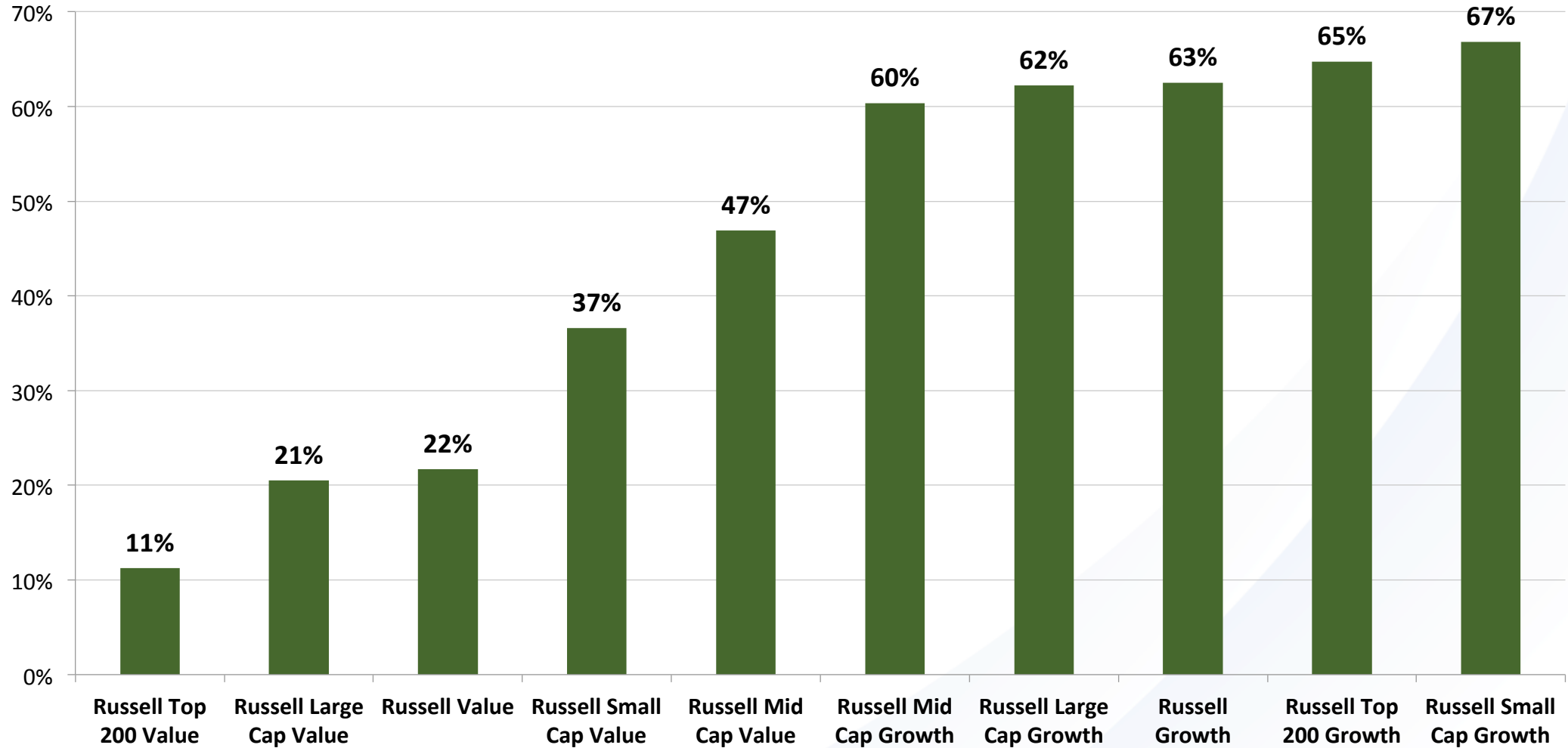
Rank	Pure Style	Return
1	Value	93%
2	Growth	19%
Rank	Pure Size	Return
1	Mid Cap	166%
2	Small Cap	138%
3	Large Cap	50%
4	Mega Cap	23%

Ranking Since 2000		
Rank	Size & Style	Return
1	Mid Cap Value	239%
2	Small Cap Value	230%
3	Large Cap Value	85%
4	Small Cap Growth	67%
5	Mid Cap Growth	56%
6	Top 200 Value	43%
7	Large Cap Growth	15%
8	Top 200 Growth	6%

Sources: Bloomberg, MarketGrader Research

Inflection point #2: October 2007

Size & Style Performance, October 2007 - November 2016



Source: Bloomberg

Inflection point #2: October 2007

Size winner from 2007 top to date: **Mid Cap**

Style winner from 2007 top to date: **Growth**

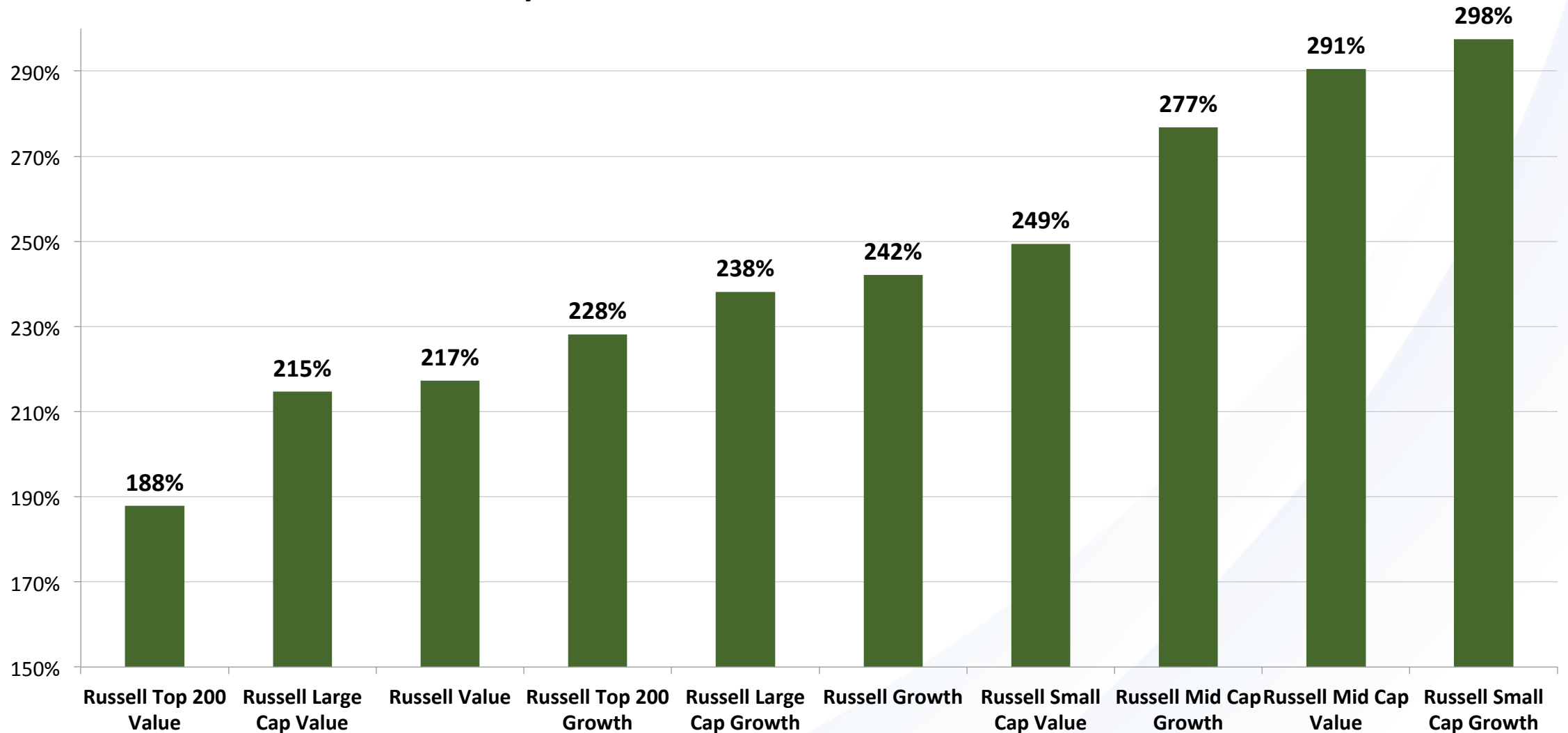
Rank	Pure Style	Return
1	Growth	63%
2	Value	22%
Rank	Pure Size	Return
1	Mid Cap	55%
2	Small Cap	52%
3	Large Cap	41%
4	Mega Cap	36%

Ranking Since 2007		
Rank	Size & Style	Return
1	Small Cap Growth	67%
2	Top 200 Growth	65%
3	Large Cap Growth	62%
4	Mid Cap Growth	60%
5	Mid Cap Value	47%
6	Small Cap Value	37%
7	Large Cap Value	21%
8	Top 200 Value	11%

Sources: Bloomberg, MarketGrader Research

Inflection point #3: March 2009

Size & Style Performance, March 2009 - November 2016



Source: Bloomberg

Inflection point #3: March 2009

Size winner from 2007 top to date: **Mid Cap**

Style winner from 2007 top to date: **Growth**

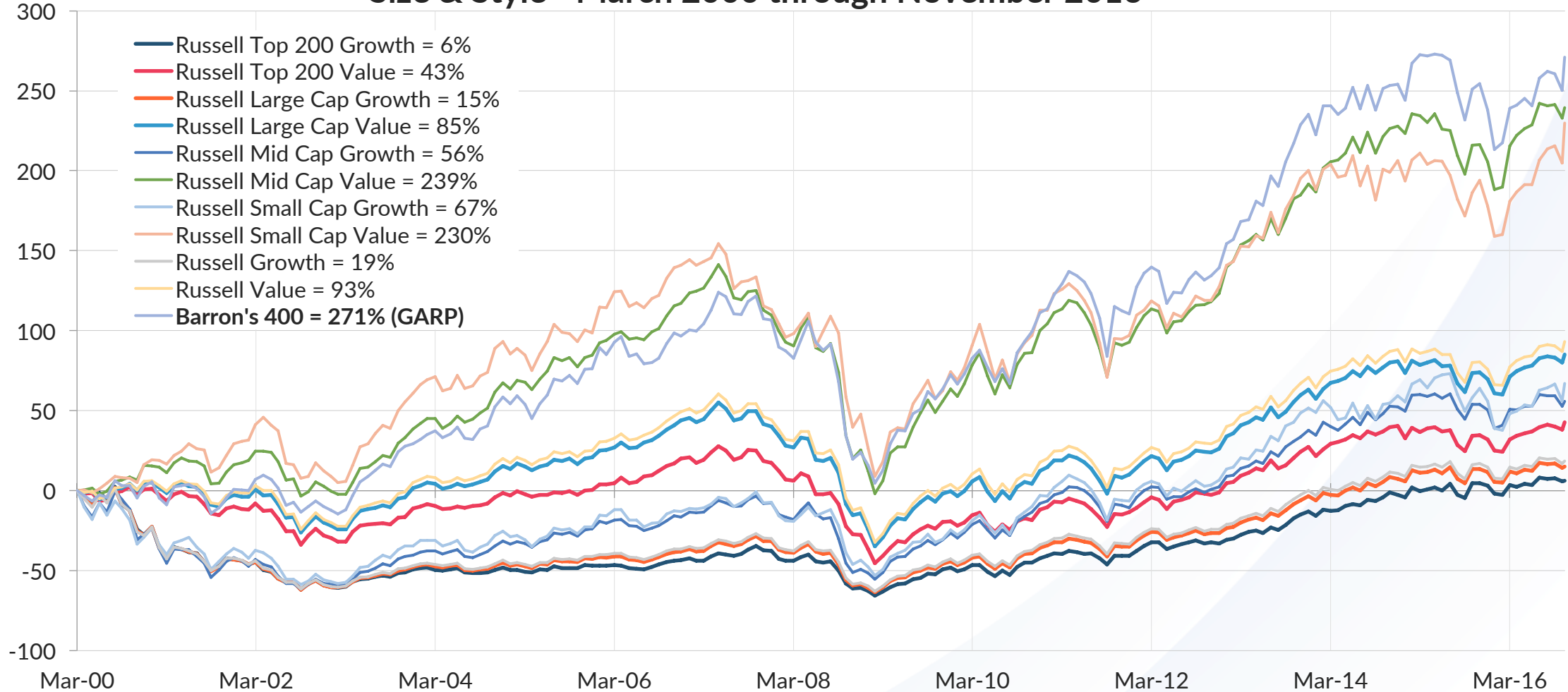
Rank	Pure Style	Return
1	Growth	242%
2	Value	217%
Rank	Pure Size	Return
1	Mid Cap	284%
2	Small Cap	274%
3	Large Cap	226%
4	Mega Cap	206%

	Ranking Since 2009	
	Size & Style	Return
1	Small Cap Growth	298%
2	Mid Cap Value	291%
3	Mid Cap Growth	277%
4	Small Cap Value	249%
5	Large Cap Growth	238%
6	Top 200 Growth	228%
7	Large Cap Value	215%
8	Top 200 Value	188%

Sources: Bloomberg, MarketGrader Research

What if you bridge Growth & Value?

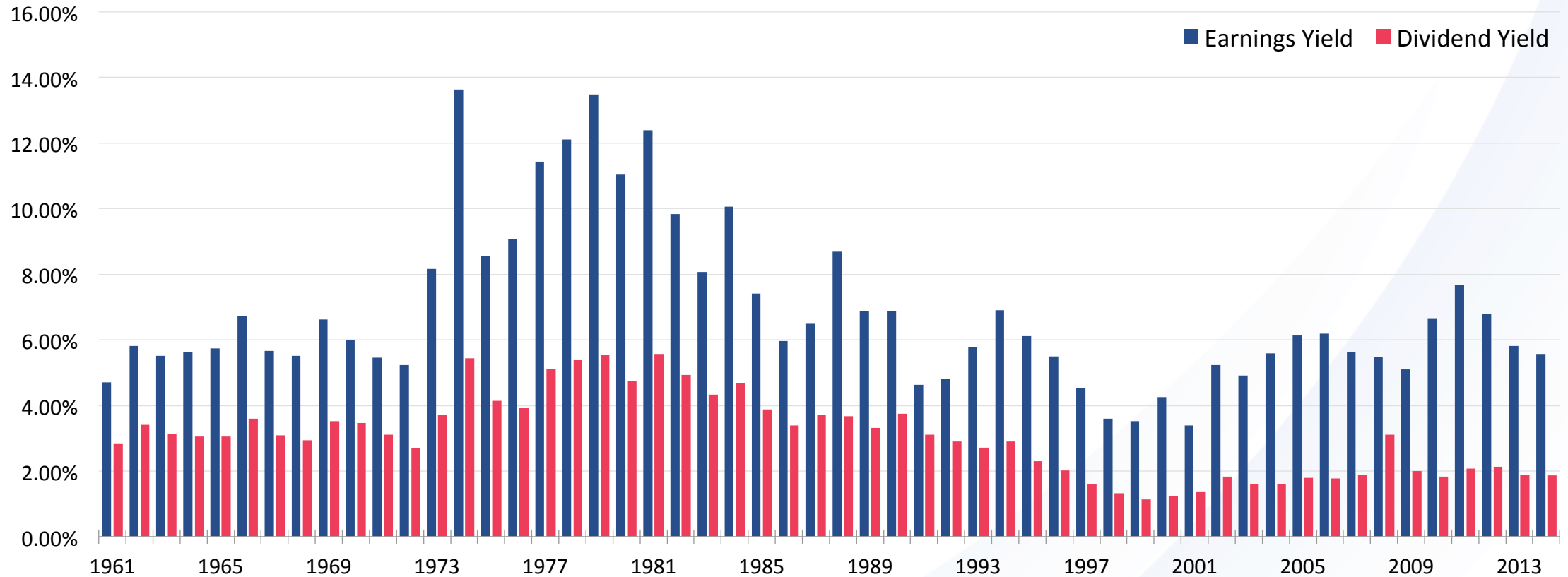
Size & Style - March 2000 through November 2016



Source: Bloomberg

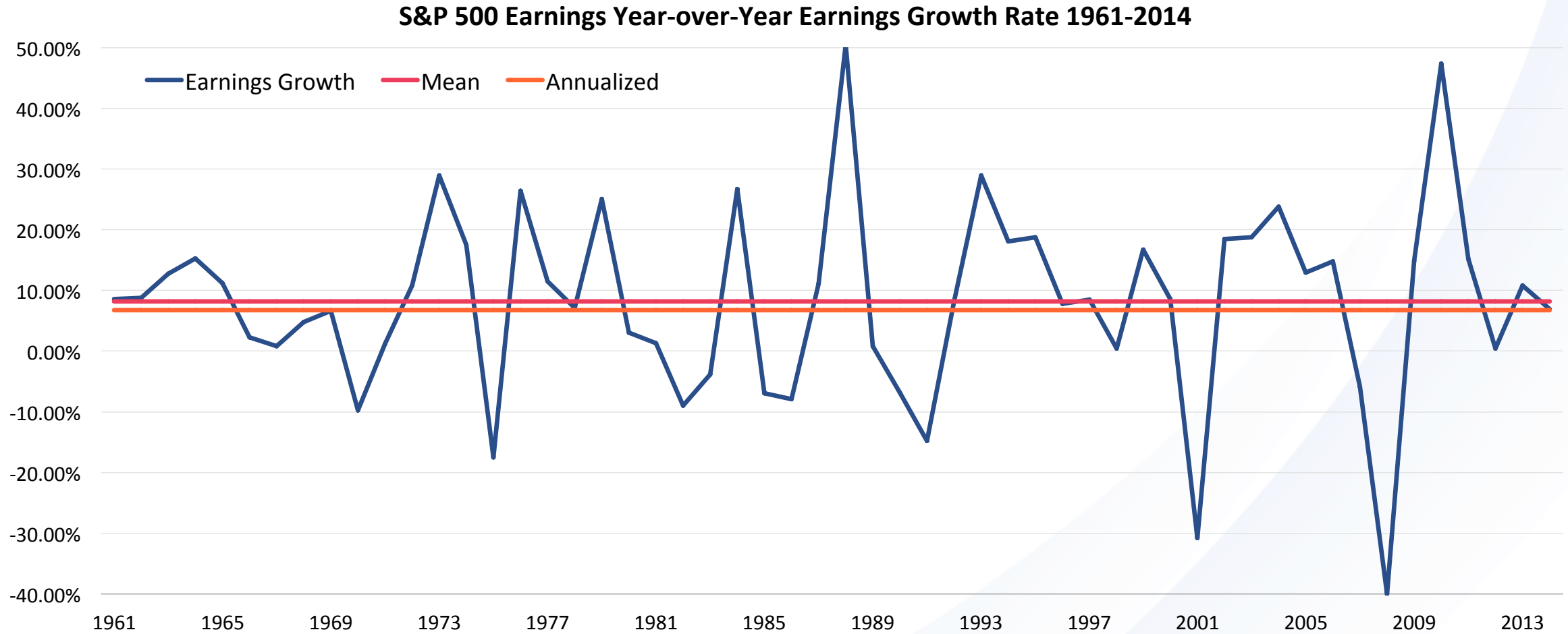
What is the source of higher GARP returns? Start by looking at main source of stock returns: earnings yield average since 1960: 6.8%

S&P 500 Earnings Yield & Dividend Yield 1961-2014



Source: Aswath Damodaran, NY Stern School of Business, 2015

Another way of looking at stocks' intrinsic value is through earnings growth. Annualized return since 1960: 6.74%



Source: Aswath Damodaran, NY Stern School of Business, 2015

GARP gives you to a segment of the market growing earnings at higher rate, owned at reasonable prices

MG 100 and S&P 500 Year-over-Year Earnings Growth 2004-2014



MG (GARP) 100 EPS Growth (Annualized): **9.0%**

MG (GARP) 100 EPS Growth (no survivorship bias): **10.0%**

S&P 500 EPS Growth (Annualized): **6.4%**

- MG 100 Earnings Growth
- MG 100 Annualized EPS Growth
- MG 100 Annualized EPS Growth + Acquisitions
- S&P 500 Earnings Growth
- S&P 500 Annualized EPS Growth

Source: MarketGrader Research

Appendix: GARP vs. Size and Style Indexes Since “Inflection” Points

Size & Style – Since 2000	Return
Mid Cap Value	239%
Small Cap Value	230%
Large Cap Value	85%
Small Cap Growth	67%
Mid Cap Growth	56%
Top 200 Value	43%
Large Cap Growth	15%
Top 200 Growth	6%
B400 (GARP)	271% (Rank: 1)

Pure Style	Return
Value	93%
Growth	19%
B400 (GARP)	271% (Rank: 1)

Pure Size	Return
Mid Cap	166%
Small Cap	138%
Large Cap	50%
Mega Cap	23%
B400 (GARP)	271% (Rank: 1)

Size & Style – Since 2007	Return
Small Cap Growth	67%
Top 200 Growth	65%
Large Cap Growth	62%
Mid Cap Growth	60%
Mid Cap Value	47%
Small Cap Value	37%
Large Cap Value	21%
Top 200 Value	11%
B400 (GARP)	63% (Rank: 3)

Pure Style	Return
Growth	63%
Value	22%
B400 (GARP)	63% (Rank: 1)

Pure Size	Return
Mid Cap	55%
Small Cap	52%
Large Cap	41%
Mega Cap	36%
B400 (GARP)	63% (Rank: 1)

Size & Style – Since 2009	Return
Small Cap Growth	298%
Mid Cap Value	291%
Mid Cap Growth	277%
Small Cap Value	249%
Large Cap Growth	238%
Top 200 Growth	228%
Large Cap Value	215%
Top 200 Value	188%
B400 (GARP)	291% (Rank: 2)

Pure Style	Return
Growth	242%
Value	217%
B400 (GARP)	291% (Rank: 1)

Pure Size	Return
Mid Cap	284%
Small Cap	274%
Large Cap	226%
Mega Cap	206%
B400 (GARP)	291% (Rank: 1)

Sources: Bloomberg, MarketGrader Research