SUMMIT GLOBAL INVESTMENTS

Equity Investing Approach

February 2024

Our Goal

Our process is **laser focused** on **enhancing the client experience.**

We achieve this by **preserving capital**, **reducing risk,** and **delivering high performing portfolios**.

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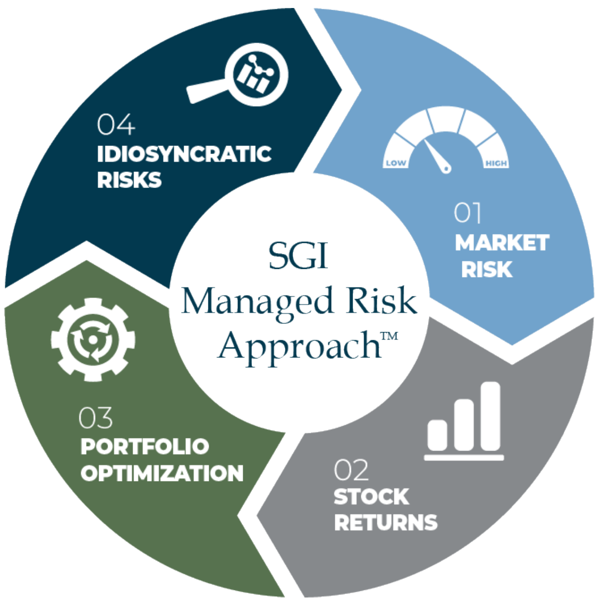
Investment Methodology

Continuous 4-Step Process



Market Cycle Objectives

- 20% less volatility than the benchmark
- Outperform
- Protect in market drawdowns
- Lower correlation helping diversify returns

01 MARKET RISK

Gain a deep knowledge of every company we own and how all our portfolio companies work together.

02 STOCK RETURNS

Understand the potential for gain from each company

03 PORTFOLIO OPTIMIZATION

Build the lowest risk portfolio with the best return potential.

04 IDIOSYNCRATIC RISKS

Look for downside risk throughout.

Identification

Our Best Practices

- Focused on forecasted standard deviation through multiple risk models
- Dynamically target volatility below current benchmark forecasted risk
- Risk targets adapt to different market realities with various levels of risk.

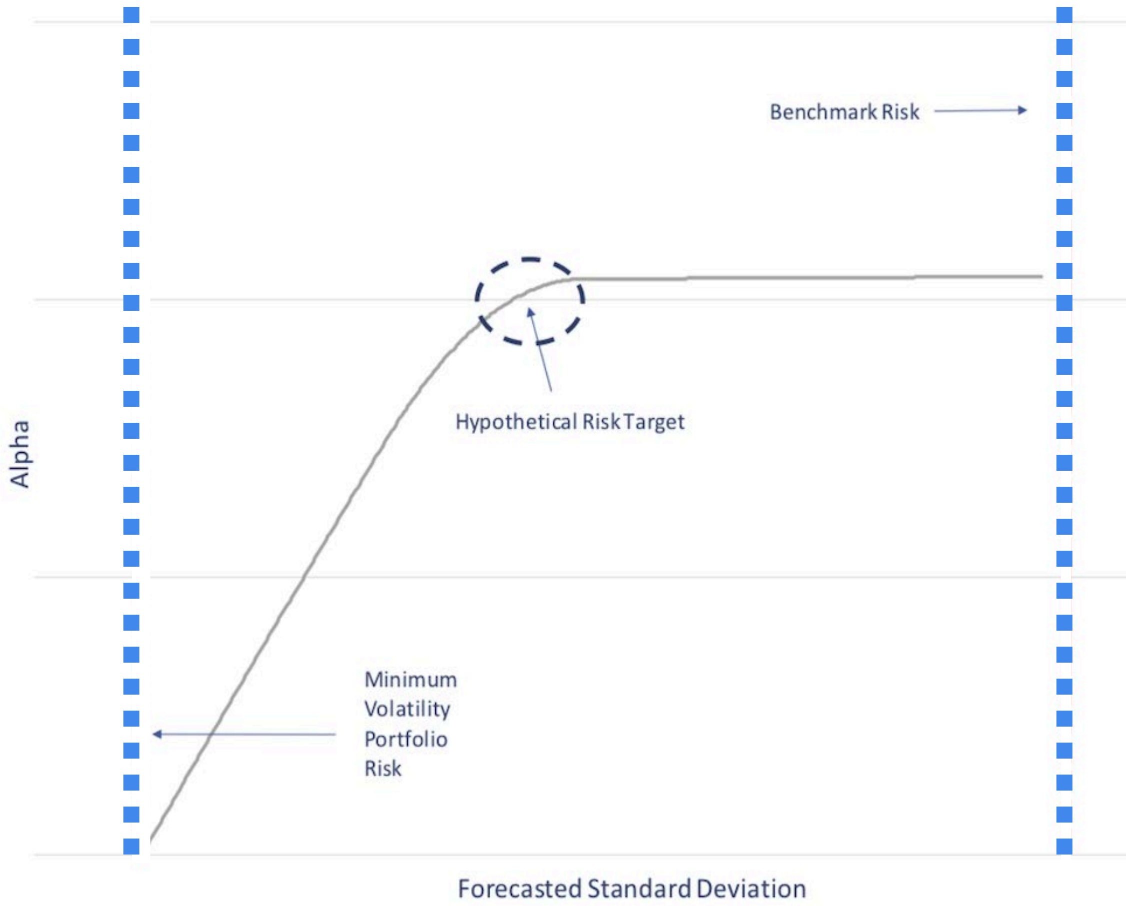
Volatility and the Volatility Spread Vary Across Time

Standard Deviation (Rolling 60m)

Data presented reflects past performance, which is no guarantee of future results. Performances are presented gross of fees. Investing involves risks including the possible loss of principal and fluctuation in value. Performance includes the reinvestment of dividends and other earnings.
Performance for rolling periods other than 60 months are different and are available upon request. The 60 months rolling period is calculated based on the standard deviation of the returns for the preceding period. The volatility of the indices may be materially different from the individual performance attained by a specific investor. In addition, SGI's holdings may differ significantly from the securities that comprise the indices. The indices have not been selected to represent an appropriate benchmark to compare an investor's performance, but rather are disclosed to allow for comparison of the investor's performance to that of certain well-known and widely recognized indices. You cannot invest directly in an index.

Management

- The risk target will always be between the minimum volatility portfolio and benchmark risk.
- Risk targets adapt to different market realities.
- Each market environment will provide various levels of risk benefit.



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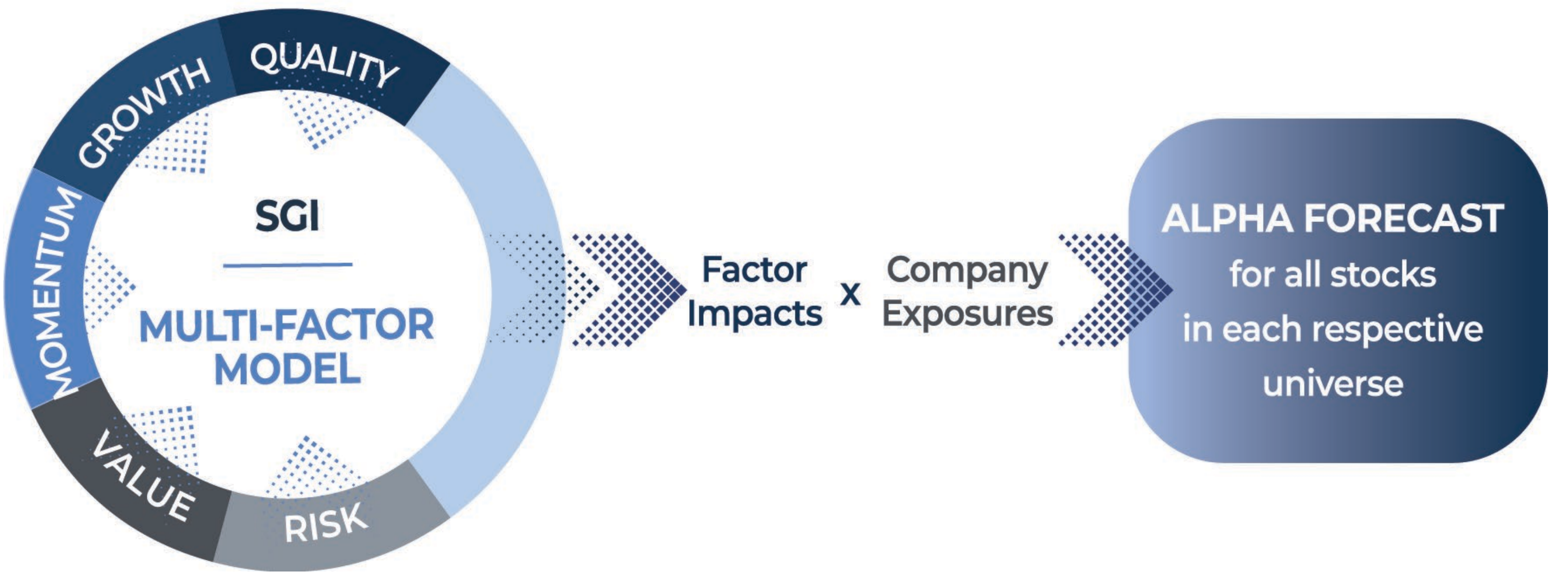
Quantitative Multi-Factor Alpha Model



Multiple factor sources: Internally developed, Barra, CS Holt, Zacks, Bloomberg, etc.

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Quantitative Multi-Factor Alpha Model

Alpha Factor Categories

- Quality
- Growth
- Momentum
- Value
- Risk

Customizing Factors Are More Robust

SGI uses advanced proprietary stock selection algorithms from a variety of sources that capture the premia associated with these factors in unique and differentiated ways in addition to the common factor methodologies.

Benefits

- Increased predictive ability
- Improved return drivers
- Deeper data specificity
- Better categorization

Example: Combining earnings revisions with earnings variability

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Quantitative Multi-Factor Alpha Model

Dynamic Factor Weightings

Dynamically weighting factors due to changing circumstances can help increase return while reducing risk.

Factor Weightings

Long Term	Overweight factors with the most significant long-term payoffs.
Momentum	Overweight factors with near-term outperformance.
Stability	Tilt toward factors with the most stable payoffs.
Macroeconomic	Tilt toward factors with the strongest payoffs in this part of the macroeconomic cycle.

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Portfolio Construction

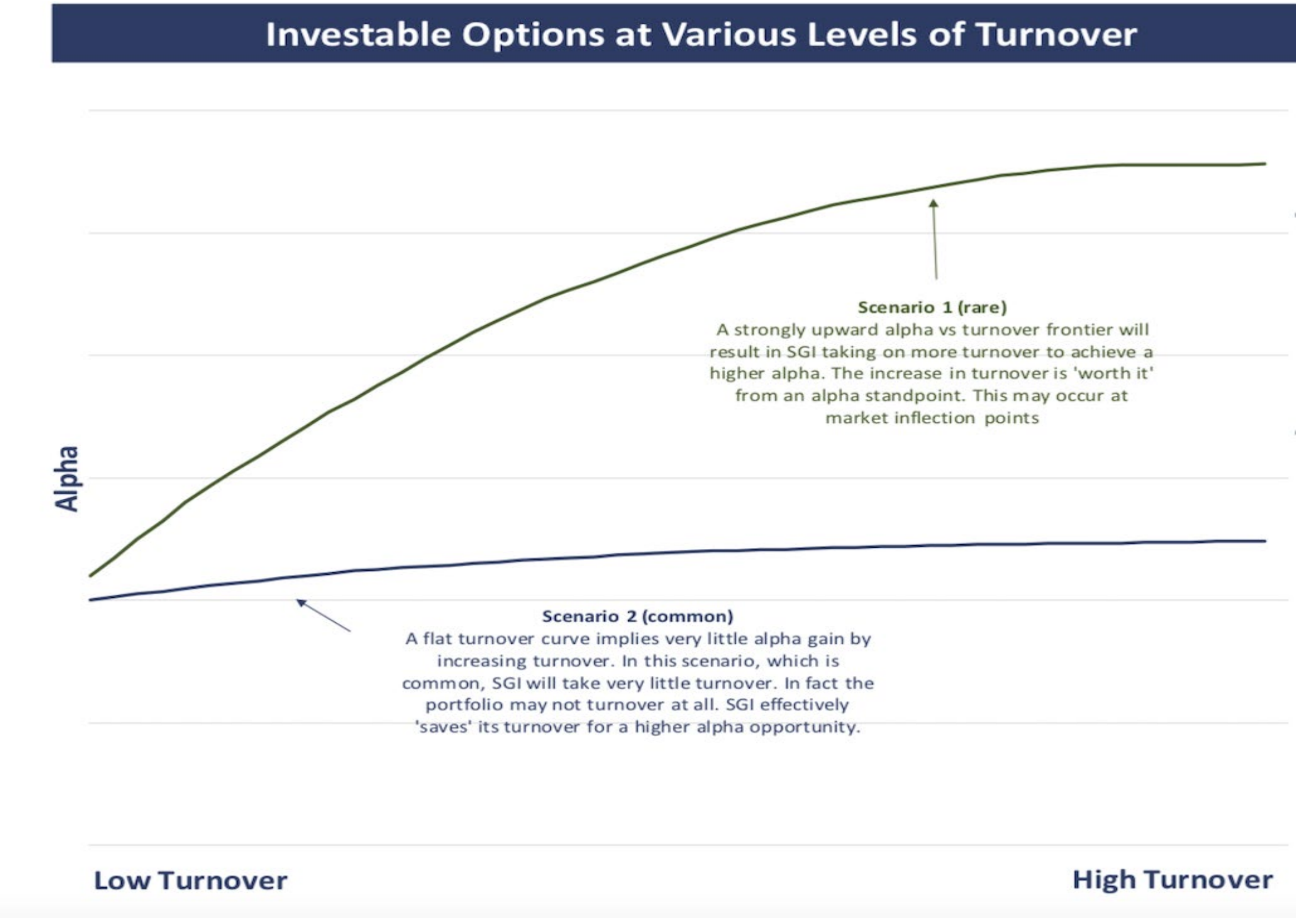
Constraint Process

- SGI can have customized client constraints.
- Constraints are constantly researched as an additional tool to help manage risk.
- Volatility is always set below the benchmark on a monthly basis.
- Avoid gambling, tobacco, alcohol and pornography industries.

Typical Portfolio

- Typical number of holdings 50-120.
- Sector weight +/- 15% of their respective benchmark.
- Fully invested.
- Fundamental- Exclude stocks on the restricted list.
- Typical position size 1.0-2.5%

Portfolio Construction



- Blending optimized portfolios
- SGI takes advantage of both the Barra and Bloomberg optimizers.
- Both optimizers are run independently
- Combining the outcomes produces a higher conviction portfolio while minimizing potential errors.

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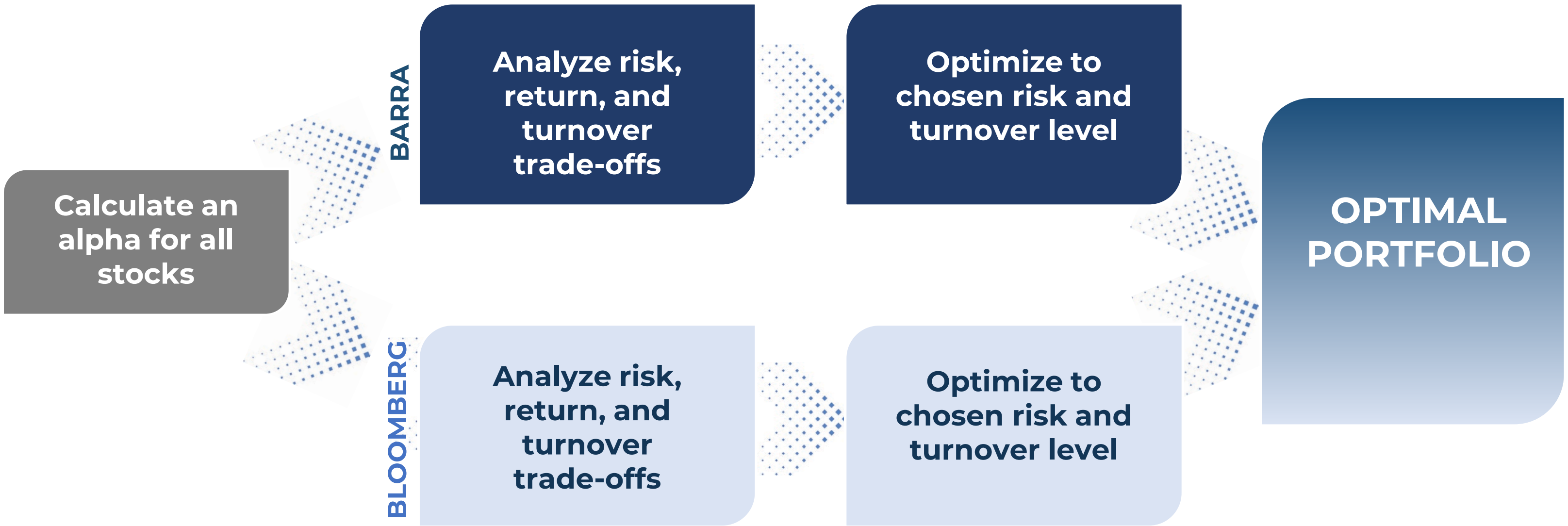

Fundamental Analysis

Fundamental Risk Review

- Identify potential downside idiosyncratic risks
- Not easily identifiable with quantitative models.
- Forward looking, holistic risk assessment.
- Timely evaluation of risk/reward tradeoff.

POTENTIAL RED FLAGS

- Unexpected management changes
- Aggressive accounting
- Litigation risks
- Regulatory risks
- Investigations
- Deteriorating business model
- Changing business model
- Disruptive innovations
- Poor earnings quality
- High short interest

We avoid companies with excessive downside risk!

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Management

Sell Discipline

- Company Specific: Deteriorating company fundamentals.
- Expected Return: Deterioration in company expected return.
- Portfolio Drift: Position size, cash or sector constraints.
- Portfolio Risk: Changing economic conditions or factor exposures.

Risk, Return or Company Monitoring

- Alpha Scores
- Volatility
- Factors
- Diversification
- Idiosyncratic Company Risk
- Fundamental Company Research
- Attribution Analysis
- Proxy Issues

Research Agenda

The SGI team is constantly looking to enhance each version of the process through our robust research agenda.

IMPLEMENTED RESEARCH EXAMPLES

RISK MANAGEMENT	▪ Moved from Barra USE# Model to the Barra USMED Model
QUANTITATIVE ALPHA MODEL	▪ Incorporated the macroeconomic factor rotation model
PORTFOLIO CONSTRUCTION	▪ Blending of the Barra and Bloomberg optimizers
FUNDAMENTAL ANALYSIS	▪ Enhanced fundamental risk ratings ▪ Quarterly earnings quality test

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