

# STRATEGY HIGHLIGHT

## Mid-Cap Core Equity Strategy



### OBJECTIVE OF THE STRATEGY:

The strategy seeks to provide long-term capital appreciation by investing in mid-cap stocks (companies with market capitalizations similar to those in the Russell Midcap Index) that have attractive valuations relative to their sectors and improving fundamental characteristics.

#### MID-CAP CORE EQUITY STRATEGY

Focus on opportunity

Well-defined investment thesis

Team-based decision making

### WHAT ARE THE PRINCIPLES THAT HAVE ENABLED THE STRATEGY TO BE SUCCESSFUL?

**Focus on opportunity** – team looks for stocks with attractive valuation and favorable risk-reward characteristics.

**Well-defined investment thesis** – team identifies companies with solid fundamental characteristics unrecognized or disbelieved by the market and that have catalysts for improvement over a 12- to 18-month time horizon.

**Team-based decision making** – team members construct a diversified portfolio through continual discussion and collaborative debate of the investment thesis on each stock. For each stock in the portfolio, new ideas, or sale candidates, team's fundamental research is focused on valuation and the investment thesis.

#### FILTER

Initial filters narrow the universe of stocks based on factors such as:

- Financial strength and size
- Valuation and yield
- Growth and reinvestment

#### PRIORITIZE

Stocks are ranked by our proprietary model that uses sector-specific factors including:

- Valuation vs. sector
- Effective capital usage
- Earnings strength and stability
- Earnings revisions

#### RESEARCH

Investment thesis is developed for top priorities based on:

1. Competitive positioning
2. Business model
3. Catalysts/risks
4. 12- to 18-month risk/return potential

#### BUILD AND MONITOR

Portfolio of 80-120 stocks that have a well-defined investment thesis and positive risk/return profile

### HOW IS THE INVESTMENT PROCESS IMPLEMENTED?

**Initial filters** – screening narrows the universe based on financial strength and size, valuation and yield, and growth and reinvestment.

**Prioritize** – the team models the remaining stocks using sector specific metrics and prioritizes them based on their rankings.

**Research the top-prioritized stocks** – the team focuses on the top 40% of companies in each sector, based on the internal rankings. From this list, team members generate new stock ideas, garner a sufficient level of interest from the team, and develop an in-depth investment thesis.

**Build and monitor** – through discussion and debate of each idea, the team builds a diversified portfolio of stocks that possess a well-defined investment thesis with a 12- to 18-month time horizon and an attractive risk/return relationship. Current holdings are continually monitored within this framework. As new ideas are generated, the team evaluates whether that stock has the potential to improve the risk/return profile of the portfolio. Holdings may be sold if the investment thesis is achieved or changes materially; or if a more attractive stock is identified.

Past performance is no guarantee of future results. There is no guarantee this strategy will work for you.

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### WHAT ARE THE INVESTMENT OPTIONS AVAILABLE?

The Mid-Cap Core Equity Strategy is available through individually managed accounts and subadvisory relationships. This strategy is also available for the Large Cap universe.

### INVESTMENT CONSIDERATIONS:

Equity securities (stocks) are more volatile and carry more risk than other forms of investments, including investments in high grade fixed income securities. The net asset value per share of this strategy will fluctuate as the value of the securities in the portfolio changes. Mid capitalization funds typically carry additional risks since smaller companies generally have a higher risk of failure.

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