



POLARIS

**The Proprietary Guidance System
for Equity Strategy Performance**

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Polaris – System Design Overview

System Design

The structure of Polaris is based on the belief that the principal determinants of stock price behavior are 1) valuation, 2) technical, and 3) catalytic properties. Within the confines of this 3-dimensional framework, Polaris utilizes a multifactor model to rank each stock relative to its sector peers.

Our model applies proprietary methodology to produce a Polaris Score that is a function of the 3-dimensional coordinates for each stock, all while insuring that the stock's relative ranking is not unduly influenced by an outlying individual factor. Additionally, each stock is qualitatively characterized based on the stock's coordinates within the 3-dimensional system.

The Polaris Score rankings, combined with the qualitative characterizations, provide essential information that is utilized for investment strategy guidance.

System Design – *3 Dimensional Structure*

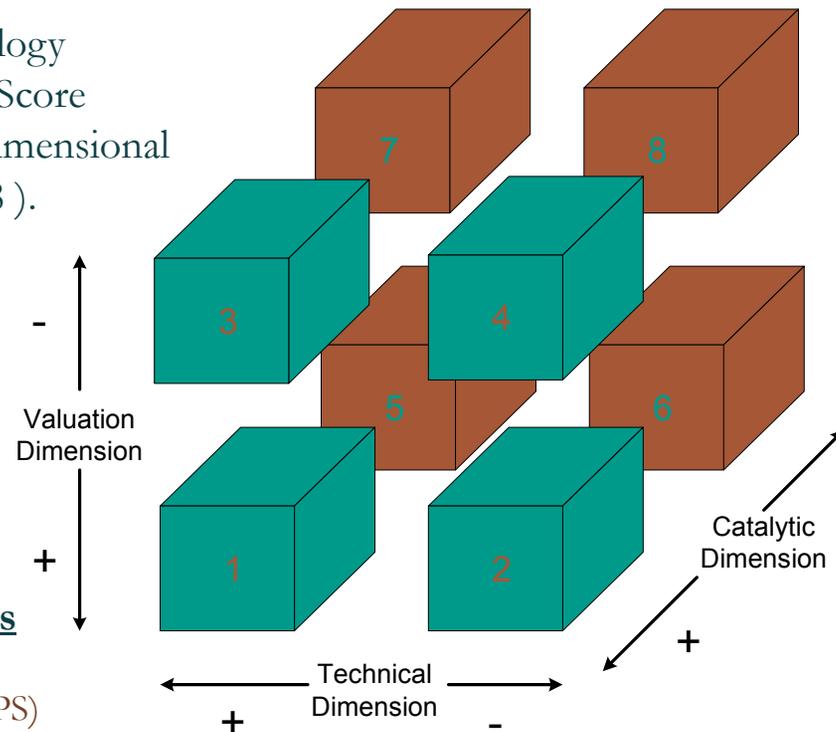
POLARIS

(Fundamentally-based Guidance for Stock Selection)

Proprietary methodology produces the Polaris Score determined by the Dimensional Coordinates (1 thru 8).

Valuation Properties

- Examples Include:
- Normalized EPS (NEPS)
 - DCF
 - Relative P/NEPS



Catalytic Properties

- Examples Include:
- Sentiment Indicators
 - EPS revisions
 - Relative EPS growth

Technical Properties

- Examples Include:
- Price Oscillator
 - Money Flow

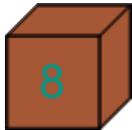
Long Candidates (1-4)

Short Candidates (5-8)

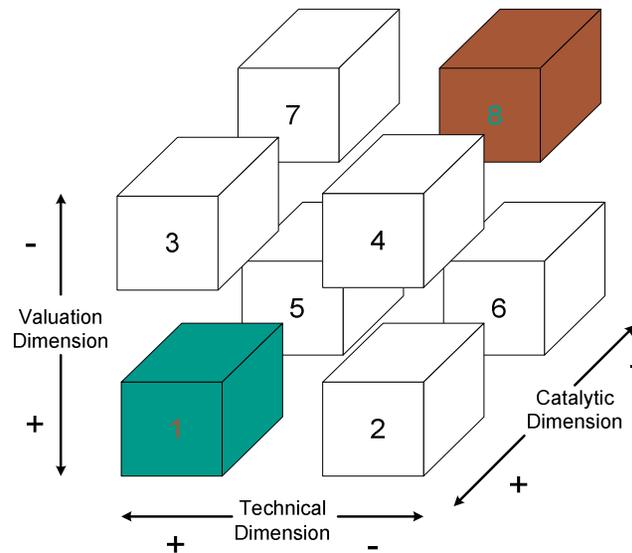
System Design – *Characterizations based on Dimensional Coordinates*



Cheap with Positive Catalytic and Positive Technical properties
= “**Ideal Long**” or “**Timely Value-Oriented Stock**”



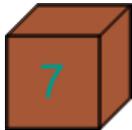
Expensive with Negative Catalytic and Negative Technical properties
= “**Ideal Short**”



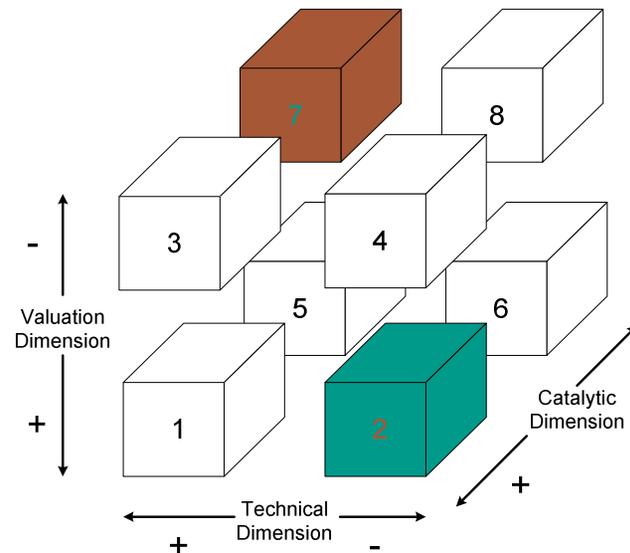
System Design – *Characterizations based on Dimensional Coordinates*



Cheap with Positive Catalytic properties, but has No Technical Support
= **“Value-Oriented Stock w/Timing Risk”**



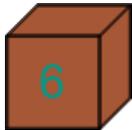
Expensive with Negative Catalytic properties, but has Technical Support
= **“Pure Momentum Stock”**



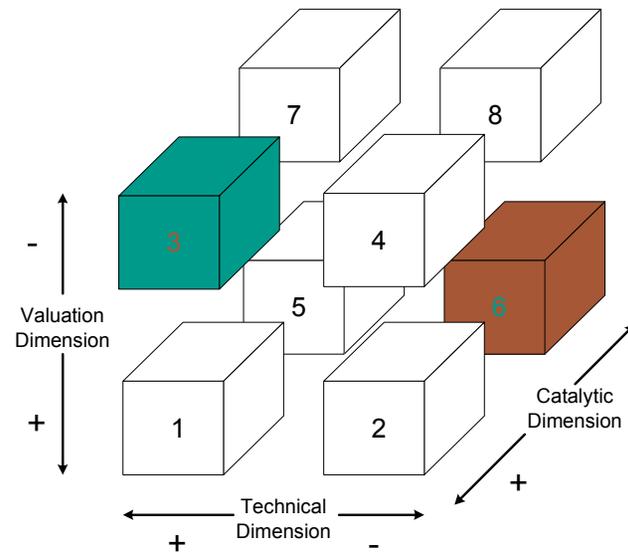
System Design – *Characterizations based on Dimensional Coordinates*



Expensive but has Positive Catalytic and Positive Technical properties
= **“Timely Growth-Oriented Stock”**



Cheap but has Negative Catalytic and Negative Technical properties
= **“Value Trap Stock”**



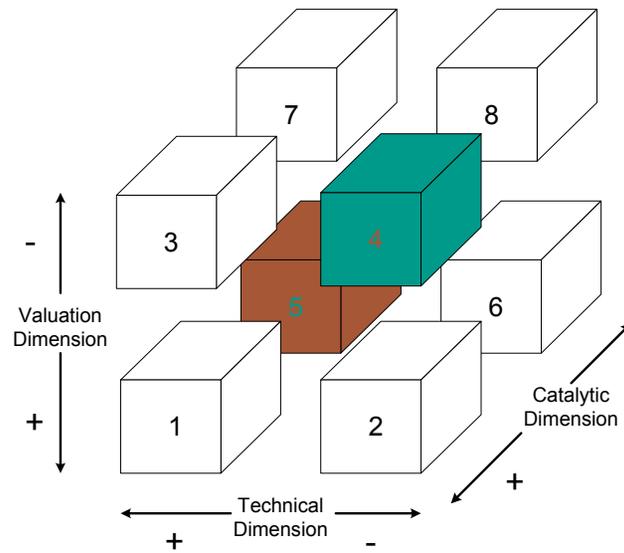
System Design – *Characterizations based on Dimensional Coordinates*



Expensive with Positive Catalytic properties but has No Technical Support
= **“Growth-Oriented Stock w/Timing Risk”**



Cheap with Negative Catalytic properties but has Technical Support
= **“Mean Reversion Stock”**



Our goal at Sturdivant & Co is to provide differentiated research that is truly client-centered. We accomplish this by offering ...

- Customized, performance-focused guidance for:
 - Identifying Research Priorities
 - Stock Selection

- Research Publications:
 - Weekly Research Focus (sector rankings with highlighted stocks)
 - Pairs Trading Matrix (long and short ideas for large & small cap)
 - Detailed Rankings (customized to client specifications)
 - On-the-Radar Names (customized to client specifications)
 - Watch List (customized to client specifications)

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Brian Hannon leads Sturdivant's research team and is responsible for expanding its footprint, as well as, strengthening relationships with industry partners. He brings more than 30 years of business leadership experience to the firm. Brian joined Sturdivant & Co. from Morgan Stanley Smith Barney, where he provided customized investment counsel for individual & institutional clients. Prior to MSSB, Brian founded Qubit Investments, an alternative investment advisory firm, where he developed a proprietary investment process and policy guidelines for a long/short equity strategy. Brian began his investment management career as an equity research analyst at DuPont Pension Fund and subsequently advanced to senior portfolio manager and analysts positions at ASB Capital Management and later, Delaware Investments. Brian is a chartered financial analyst and holds Bachelor of Science degrees in both Economics and Chemical Engineering from Carnegie-Mellon University.

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