Janney Capital Management Investment Process: Equity Management

At Janney Capital Management, we use a consistent and well-defined investment process to build equity portfolios. Our process includes both top-down, macroeconomic analysis and bottom-up investment selection through fundamental analysis. By focusing on disciplined portfolio construction, we seek to mitigate risk while offering positive investment performance over the long-term. When managing portfolios, we also incorporate our perspective on important and sustainable global investment themes.

**Portfolio Construction**

Properly allocating funds in a portfolio across capitalization levels, styles and sectors is essential from a risk/reward standpoint. We employ the following guidelines when building and managing portfolios:

- Broad diversification across major industry, capitalization and geographic sectors
- Limited sector and industry exposure to manage risk effectively
- Portfolios comprised of between 35-50 individual securities, as well as mutual funds and exchange-traded products where appropriate
- Building investment positions over time
- Lower turnover and limited trading to help maximize returns

**Security Selection: Idea Generation**

When selecting individual securities, our investment choices and ideas emerge from macroeconomic themes, in-house research, third party research, and quantitative screening. These investment choices are reviewed constantly and closely monitored and scrutinized prior to consideration for inclusion in a portfolio.

Whether investing equity, fixed income, or balanced portfolios for clients, Parker/Hunter follows a consistent investment process focusing on macroeconomic and sector analysis, fundamental, value-oriented security selection, and ongoing portfolio management. We would be pleased to speak with you about the investment of your portfolio. Please contact your Financial Advisor for more information.

**Fundamental Research**

We believe that over the long-term, stocks tend to revert to their mean valuations. Therefore, we prefer to invest in established companies offering proven growth and strong future prospects at historically low valuations. Specific characteristics we find attractive are:

- Stable businesses with strong balance sheets and barriers to entry
- Sustainable and rising free cash flow and dividend yields
- Valuations that are affordable by historic measures
- Attractive price/earnings or, more specifically, Enterprise Value/EBITDA ratios\(^1\)
- Valuations that are discounted compared to long-term growth rates, and
- Companies with debt reduction opportunities and/or share buyback programs

Our experienced professionals use a highly collaborative process when evaluating those investments that pass our fundamental equity research and assessment process, and the Investment Committee meets frequently to make final buy and sell decisions after that review.

**Equity Sale Decisions: Our Sell Discipline**

A disciplined process is applied to replacing those investments that have reached their potential. This includes macroeconomic analysis of sectors and industries, investment performance assessment relative to the industry and the market as a whole, review of valuation measures, and a "competitive" assessment of currently held investments against those available for purchase and replacement. Rebalancing, one of the most important tools of investment management, is an ongoing discipline applied to the portfolios we manage.

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\(^1\) Earnings before interest, taxes, depreciation and amortization (EBITDA).