Premier-MAP

Portfolio Management Philosophy

CALTON

Philosophy

- Protection of capital is more important than return on capital
- Value approach to investing provides an inherent "natural hedge" by investing in stocks when they are trading below their intrinsic value
- Combination of ETFs and individual stocks suppresses volatility while allowing opportunistic investing
- Invest in mid-large capitalization, highly liquid companies and sectors
- Purchase only those securities for which we have complete conviction, resulting in lower turnover in order to protect and build wealth
- In the short-term, market volatility presents long-term investors with the opportunity to take advantage of price inefficiencies

CALTON

Long Criteria

- Invest in “best of breed” dominant companies with profitable, sustainable business models:
    - Strong balance sheets
    - Trading near their lows
    - Exceptional management with proven track record
    - Minimal Goodwill
    - Quality earnings stream that is void of one time events (i.e. accounting gimmicks)
    - Asymmetric risk/reward profiles

CALTON

Quantitative Screens

- Quantitative screens are applied to a **broad universe**
- Focus on **appropriately capitalized securities**
- Apply valuation screens
- Outcome of quantitative screens: Manageable list of **"best ideas"** for rigorous **fundamental analysis**

SELECTION

Qualitative Analysis

- Qualitative analysis **focusing on quality**: company, management, industry & business model
- **Review annual reports & reporting process** of each company; review valuations, analysts reports
- Focus on market-dominant companies

Security Selected

- Model output from quantitative and qualitative analysis
- Stock purchase trigger: Is the transition to net **buying near?**
- Evaluate stock's trading range and valuation for a 10+ year period
- Long term price **expectations established**

CALTON

BUY DISCIPLINE

CANDIDATES IDENTIFIED

Securities are screened for possible portfolio inclusion. We look for hidden intrinsic value in every security we consider

PRICE MATTERS

Candidate must meet our pricing parameters

PATIENCE PAYS

We look for the transition from net selling to net buying before pulling the trigger

ANALYSIS DELIVERS

We use quantitative and qualitative analyses to determine value

CONTRARIAN VALUES

Our focus remains on buying undervalued stocks and sectors

CALTON

Rationale for Sale	
Goal Attained:	Stock has become fully valued
Better Opportunity Exists:	Opportunity to redeploy capital into a more attractive investment exists
Risk Management Criteria:	Stock has demonstrated too much appreciation in too short a time A re-evaluation of the fundamental data identifies an error/change
Risk/Reward Profile Changes:	A change has occurred that alters the current risk/reward profile

Sell Discipline

Analysis of potential tax impact, opportunity and trading expenses

CALTON

Risk Principle: Risk is in direct proportion to knowledge

BUY

Risk management is our top priority. We employ risk management practices prior to purchase; securities must be trading near their lows to be considered for portfolio inclusion. This initial screen is a key variable in our risk management process as it builds in a realistic bottom to the security prior to purchase.

Securities in our portfolios also share a asymmetric risk/reward profile including:

Minimal Debt:
Acceptable Debt/Assets; Balance Sheet Flexibility and/or No Need For Capital

Earnings Power:
No Permanent Impairment

Minimal Goodwill:
Avoid companies with excessive goodwill

Hidden Assets:
Market Dominance; Intrinsic Value

MONITOR

We monitor the portfolio and trigger sell alerts when price targets are hit; position sizes are held at 2-5% with a 10% position maximum.

Securities in the portfolio have a 10% stop alert both above and below their purchase price.

When positions break the 10% threshold, we review the security's historical trading ranges in context of the current portfolio as well as the overall market to evaluate the risk/reward trade profile.

SELL

If valuations are no longer compelling, both above and below the price target, a sell order is placed to eliminate exposure to the security.

When we determine the security no longer meets our strict valuation and risk/reward criteria, the position is sold. This process occurs in the context of risk management and the opportunity to redeploy capital into securities with more attractive asymmetric risk/reward profiles. We only purchase securities that meet our strict risk management criteria. Similarly, we sell securities when their value has been attained, growth has occurred too quickly, or the risk/reward profile is generating too much risk relative to the opportunity.