



PPI Portfolio Construction

Overview/Summary of Strategy

Asset Allocation

70-80%
US & Non-US Equities
(40-50 stocks)

10-15%
Commodity ETFs

5-10%
Fixed Income ETFs

Stock Screening

Constraints

- Minimum Free Float Share Percentage
- Minimum Market Value
- Minimum Volume over the Past 6 Month

5-Factor Model

- Valuation
- Momentum
- Growth
- Quality
- Sensitivity to CPI

- **One screen for each sector**, using **metrics that best define it**, historically
 - *[Financials, Energy, Industrials, and Materials]*
- Metrics are adjusted to country (and former universe constraints)
 - Median for each metric is calculated by country and subtracted from original metric
- The adjusted metrics are ranked in deciles
- **5 best US stocks** and **5 best non-US stocks** are chosen within each screen = **40-50 high conviction stocks**

Stock Selection Universe

All primary listings across 16 countries



Energy

Financials

Sectors that have historically demonstrated high sensitivity to inflation

Industrials

Materials

% of Free Float Shares > 25%

Current Market Value > \$5 bln

Avg. Volume in Past 6 Months > \$50 mln

Sector Screening

SECTOR ANALYSIS

Valuation

Momentum

Growth

Quality

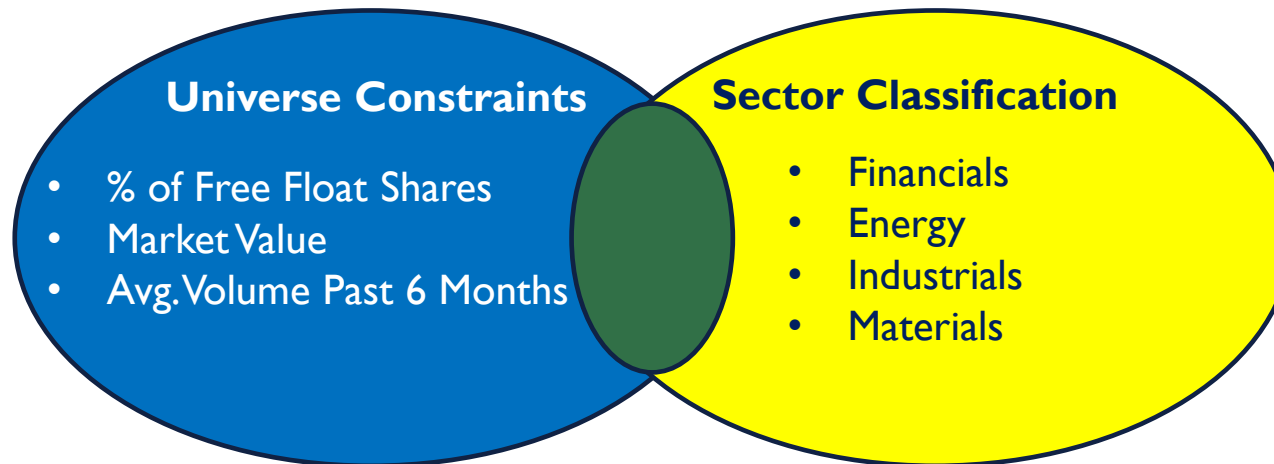
Inflation-Sensitivity

INFLATION-SENSITIVE SECTORS: Financials + Energy + Industrials + Materials

The metrics used for each sector depend on which ones historically best captured the factor for that sector

Adjusted Metrics

- Prior to ranking, each metric is adjusted on a universe constraint/sector/country basis
- As each sector has its own separate screen, each screen pulls companies that satisfy the following:

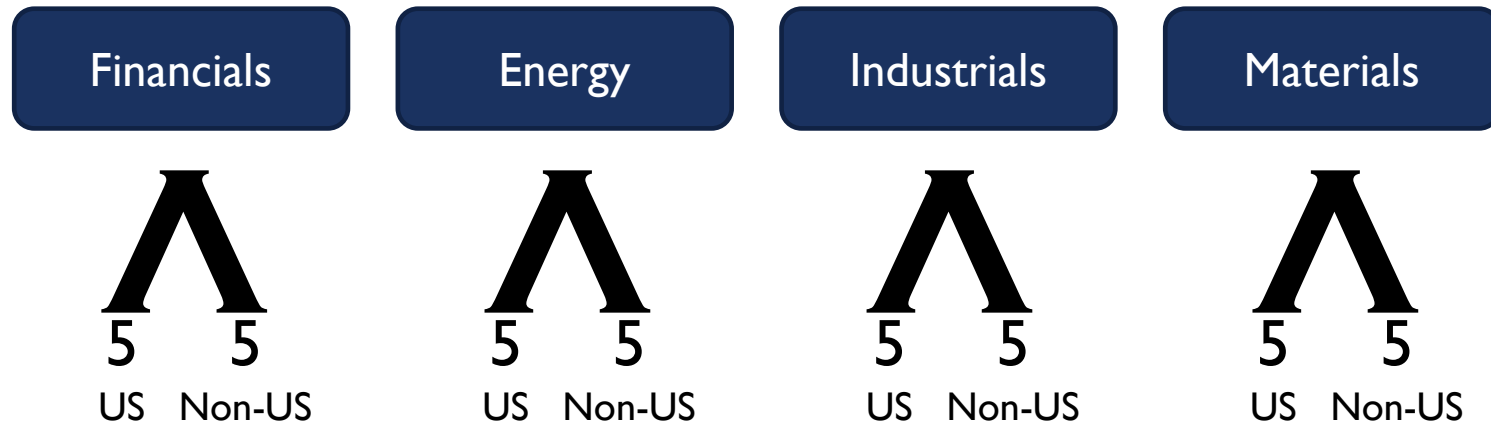


- Using all the companies that pass each screen, the adjustment is calculated on a country of domicile basis:
 - The median value for each metric is calculated for each country based on all companies within the screen
 - The median value according to the stock's country of domicile is then subtracted from the original metric
- The adjusted metric is used in the ranking process

Rank Logic

- Securities are ranked on a sector-by-sector basis, not the whole universe
- A weighting is assigned to each of the 5 factors
- If a factor has two underlying components, each will have a 50% sub-weight
 - Example: If Growth is made up of Growth Estimates and PEG Estimates, the sub-weighting of each will be 50%. The weighted average of the two will make up the Growth factor, which is used in the overall ranking process
- Ranks are calculated in deciles
- Ranks are applied so that the best values associated with each factor return a “1” and the worst values associated with each factor return a “10”
 - Example: Lowest values associated with Forward P/E and Price / Cash Flow (the Valuation factor) will be ranked 1 while highest values associated with ROIC and 1YR ROE (the Quality Factor) will be ranked 1.
- A weighted average of the ranks for all 5 factors will be the overall deciding rank

Security Selection



FOR EACH SECTOR, THE FIVE HIGHEST RANKING US AND NON-US SECURITIES ARE CHOSEN FOR THE FINAL LIST

Underlying Criteria/Metrics for Factors: Energy

Valuation

- **Price / Book Value**
(QTR -> SEMI ANN -> CAL)
- **Forward PE Estimate**
(NTM 4QS -> CAL TWA (CY2))

Momentum

- **AVG Vol Past 6M**
(MM, repeated for Rank)

Quality

- **Return on Avg. Invested Capital**
(QTR LTM -> SEMI ANN LTM -> CAL)

Growth

- **Estimate Revisions**
(NTM 4QS -> SEMI ANN -> CAL TWA (CY2))

Sensitivity to CPI

- **Slope of Change in Local CPI vs Excess Return of stock over local index,**
-12Mo change, 20 Year period, Monthly basis

Underlying Criteria/Metrics for Factors: Financials

Valuation

- **Forward PE Estimate**
(NTM 4QS -> CAL TWA (CY2))

Momentum

- **12M Return and 1M Reversal**

Quality

- **Return on Avg. Invested Capital**
(QTR LTM -> SEMI ANN LTM -> CAL)

Growth

- **EPS Momentum**
(QTR LTM -> SEMI ANN LTM -> CAL)
- **PEG Estimate**
(NTM TWA -> Manual (Current PE (QTR LTM -> SEMI ANN LTM -> CAL), Growth Est (NTM -> CY1)))

Sensitivity to CPI

- **Slope of Change in Local CPI vs Excess Return of stock over local index,**
-12Mo change, 20 Year period, Monthly basis

Underlying Criteria/Metrics for Factors: Industrials

Valuation

- **EV / EBITDA**
(QTR LTM -> SEMI ANN LTM -> ANN)
- **Price / Book Value**
(QTR -> SEMI ANN -> CAL)

Growth

- **Estimate Revisions**
(NTM 4QS -> SEMI ANN -> CAL TWA (CY2))
- **PEG Estimate**
(NTM TWA -> Manual (Current PE (QTR LTM -> SEMI ANN LTM -> CAL), Growth Est (NTM -> CY1)))

Sensitivity to CPI

- **Slope of Change in Local CPI vs Excess Return of stock over local index,**
-12Mo change, 20 Year period, Monthly basis

Quality

- **5 YR Return on Avg Total Equity**
(QTR LTM -> SEMI ANN LTM -> ANN)
- **Return on Avg Invest Capital**
(QTR LTM -> SEMI ANN LTM -> CAL)

Momentum

- **12M Return and 1M Reversal**

Underlying Criteria/Metrics for Factors: Materials

Valuation

- **EV / EBITDA**
(QTR LTM -> SEMI ANN LTM -> ANN)
- **Dividend Yield**
(QTR LTM -> SEMI ANN LTM -> ANN)

Growth

- **Growth Estimate**
(NTM 4Qs -> CAL TWA (CY1))
- **PEG Estimate**
(NTM TWA -> Manual (Current PE (QTR LTM -> SEMI ANN LTM -> CAL), Growth Est (NTM -> CY1)))

Sensitivity to CPI

- **Slope of Change in Local CPI vs Excess Return of stock over local index,**
-12Mo change, 20 Year period, Monthly basis

Quality

- **1 YR Return on Avg Total Equity**
(QTR LTM -> SEMI ANN LTM -> ANN)
- **5 YR Return on Avg Total Equity**
(QTR LTM -> SEMI ANN LTM -> ANN)

Momentum

- **12M Return and 1M Reversal**

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