CAPTRUST Equity Income Strategy

Overview and Strategy Highlights

CAPTRUST

# CAPTRUST EQUITY INCOME STRATEGY

We believe

- Active management using individual securities can create flexibility, performance and long-term value

- Long-term investors have significant advantages in achieving long-term objectives

- Objective, robust, data-reliant processes combined with thoughtful, intelligent fundamental research can lead to long-term success

QUANTITATIVE
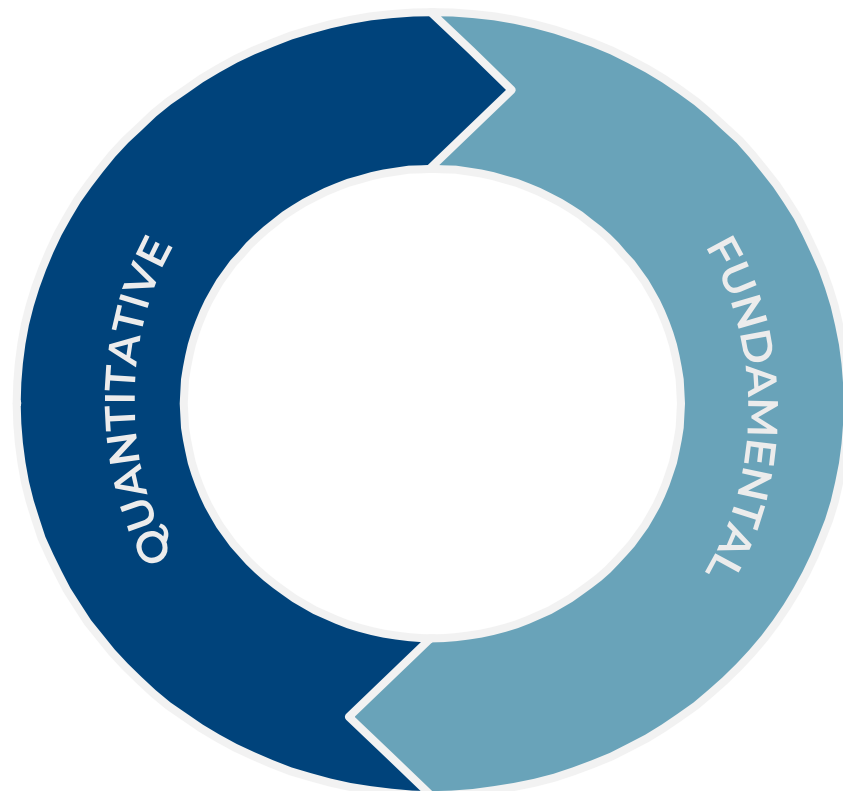
FUNDAMENTAL

CAPTRUST EQUITY INCOME STRATEGY

Our Investment Approach

Our approach blends quantitative and fundamental insights to drive investment decision-making that results in portfolios that are able to perform well in many types of different markets and environments.

Market Regime

Stock Ranking

Fundamental Analysis

Portfolio Construction and Risk Management
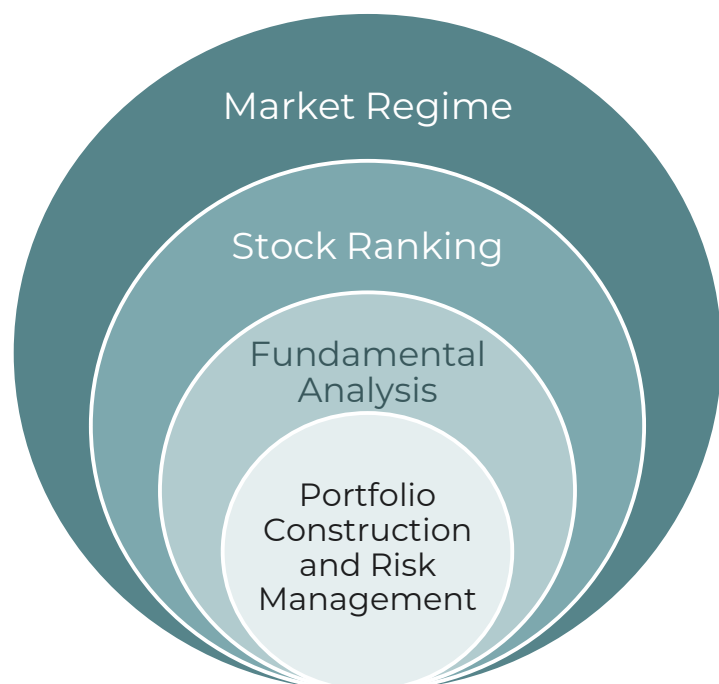
1	Determine market environment based on one of five states: value-driven, value-tilted, neutral, growth-tilted, or growth-driven
2	Rank each company by its relative valuation, earnings quality, capital deployment, and market reaction. Combine these into one core score
3	Research and evaluate highly ranked stocks
4	Buy/sell stocks based on both statistical scores and fundamental analysis. Monitor portfolio for risk on an ongoing basis

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Fundamental Analysis

Fundamental research, analysis, and discussion complement the selection models.

FUNDAMENTAL REVIEW		
	R - RANK	The underlying data and changing rank becomes the statistical bridge to the fundamental story of the company
	E - ENVIRONMENT	Focus on board and company-specific dynamics that are difficult to capture via statistical modeling • Sector and industry group themes (business cycle, competitive forces, consumer/supplier trends, etc.) • Company-specific dynamics (competitive strategy, life cycle, corporate governance, business risk, etc.)
	P - PRICE	Apply concepts from behavioral finance to identify entry and exit points based on price trends and reversion

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Portfolio Construction and Risk Management

Utilizing sophisticated risk modeling and hands-on portfolio construction, we strive to understand all multiple sources of portfolio risk and avoid unintended exposures.

Portfolio Construction

- Macro and strategic sector objectives
- Buy 1-3, hold 4-7, sell 8-10
- 30-50 individual holdings
- +/- 3-5% sector and industry weights
- 20-75% annual turnover

Risk Management

Quantify and manage:

- Aggregate risk parameters
- Individual stock exposures
- Active weights
- Correlations

Individual Stock Risk

Portfolio Construction

Benchmark-Level Risk

Portfolio Risk
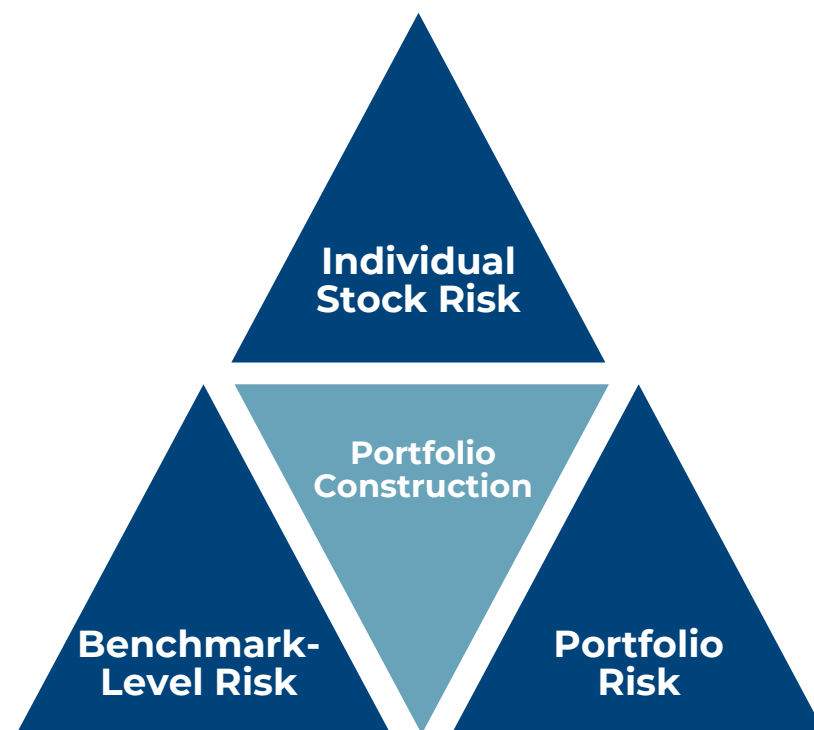
CAPTRUST EQUITY INCOME STRATEGY

Strategic Overview

This discretionary strategy uses a hybrid quantitative and fundamental approach that drives investment decision making. The strategy invests in a diversified collection of dividend-paying U.S. stocks. Individual stocks are selected and monitored using sophisticated quantitative tools combined with fundamental stock research. Collectively, this core investment approach targets risk-adjusted, relative performance of 1-3% above its benchmark, the S&P 500 Index, over a full market cycle.

Highlights and Oversight

Objective:	Overall strategy seeks to earn a dividend yield that is between 125% and 150% of the S&P 500 Index yield; no outside investment management fee.
Management:	Fully discretionary, managed and governed by the CAPTRUST Investment Committee.
Holdings:	Primarily large-cap, blue chip companies with established business and are often global leaders; the companies' strong business models have shown an ability to maintain and grow competitive advantages over the long run.
No. of Positions:	Allocates across 30-50 stocks that are consistent and high dividend payers to generate favorable risk-adjusted returns throughout various market environments; realized volatility has been traditionally lower than the broader market.
Diversification:	Sector and industry group weights will be broadly diversified and typically range from +/- 3-5% of the S&P 500 Index; turnover is expected to be 20%-75% annually.
Benchmark	S&P 500 Index

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