THE ARGUS ADVANTAGE

Our Business Model

Argus Research is an independent research firm, and our business is producing, distributing and marketing high-quality investment and economic research. Our recommendations (BUY, HOLD and SELL) reflect the judgment of an analyst about a company's prospects as an investment in terms of value, expected growth and risks. Argus Research does not bring companies public, advise companies on mergers and acquisitions, broker trades, make markets in stocks or manage money. Our independence allows us to make critical judgments about companies that we might not be so free to make were we competing for underwriting business. Because we're not a broker/dealer, we don't have "inventory" of a stock that we have to move with a possibly biased recommendation.

Our Investment Philosophy & Our Six-Point System

The Argus Investment Philosophy begins with a top-down macro view on the economy and interest rates. Our team of analysts, organized by industry, then analyzes each company utilizing our proprietary six-point system. We believe that this system, combined with our independence, gives us an edge as we develop our ideas, forecasts and ratings.

The system, a blend of top-down and bottom-up analysis, begins with **Industry Analysis**. We formulate a forecast for the economy and interest rates, then we collaborate with the industry analysts to determine which industries are expected to perform well over the next one-to-two years. Within the industry, an analyst will determine a specific company's competitive position and its prospects.

Growth Analysis is the second step in the process. Looking forward, we forecast growth in sales, earnings (operating and/or GAAP), dividends and cash flow for each company by studying growth in individual product lines, in margins, in the industry and in the economy. Looking backward, we smooth a company's historical growth rates in numerous metrics, including balance sheet items, and analyze them versus the company's peers and the market. In our analyses, we comment about the "quality" of a company's earnings.

Financial Strength Analysis is the third step. We determine a Financial Strength rating for each company in our Universe of Coverage. To assess financial strength, we conduct an elaborate ratio analysis, moving beyond the financial statements and into the footnotes of a company's publicly available documents to fully flesh out obligations and opportunities.

The fourth step is a qualitative **Management Assessment**. In short, our analysts need to know management in order to make a recommendation on a stock. To get to know management, they attend meetings, presentations and road shows with senior managers, travel to corporate facilities and participate in conference calls.

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Risk Analysis is the fifth step. We consider risk from both a qualitative and quantitative standpoint. On a qualitative basis, we review each company in the context of Harvard Professor Michael Porter's Five Forces model to determine potential threats. On a quantitative basis, we analyze proprietary data from our sister company, Vickers Stock Research, regarding institutional and insider ownership trends. We conduct a regression analysis to determine the correlation of a company's stock returns with the market's returns, and we determine the predictability of the relationship. We also measure the volatility of key financial statistics such as sales and earnings growth, and margins. Finally, we determine a fundamental floor for every stock in our universe through our Valuation Analysis.

Valuation Analysis is the final step. Over the years, we have developed a multi-pronged model to help with valuation. In a first step, we compare a company against its peers on metrics such as P/E and Price/Sales ratios, and dividend yields. Second, we analyze stock price activity in terms of annual sales, cash flow, dividends, book value, earnings, and earnings relative to the S&P 500. We determine normal ratio "ranges" for these various parameters, and then adjust the ranges going forward based on trends in a company's growth and profitability. We apply the adjusted ranges to our key sales, earnings and cash flow forecasts to arrive at a normal trading range. Once the range has been determined, we use two-stage and three-stage dividend discount modeling to arrive at a target price, which we estimate can be achieved over a 12-month period.

A company in the Argus Universe can be designated a SELL for not passing any of the steps. Most often, stocks rated SELL are either fully valued, face extraordinary risks, or are in an industry that is expected to underperform the broad market.
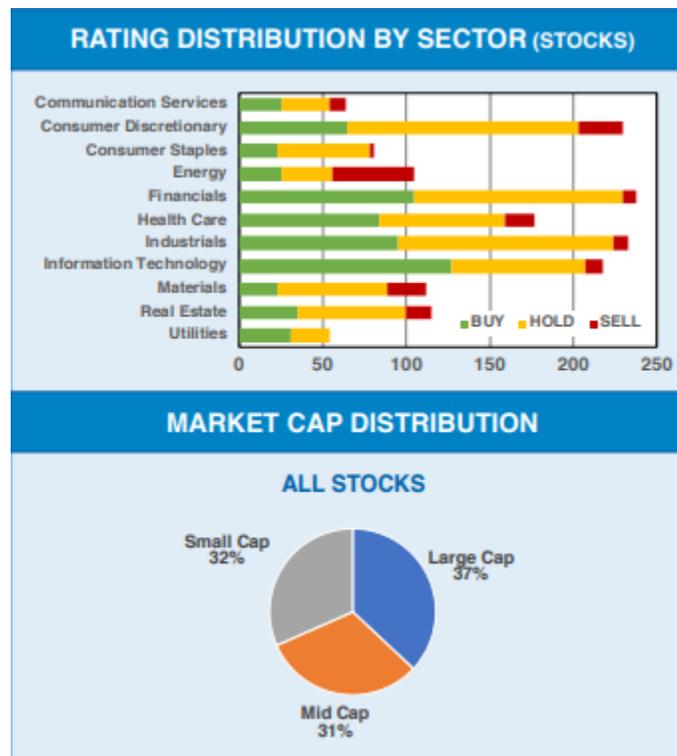
Our Services

- Reports & Ratings on 1500+ Companies
- Quantitative/A6 Research
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- Ratings on 400 ETFs

- ETF Model Portfolios & Managed Account Solutions
- Regulation A Offering Research
- Portfolio Strategies
- Analyst Access & Events
- Corporate Access
- Bespoke Services & Coverage

Our Universe of Coverage

The **Argus Fundamental Universe** includes over 480 stocks that are diversified across all asset classes and industry sectors. Our analysts apply our proprietary Six-Point System to each stock to determine the rating. This research framework includes analysis of each company's Growth Prospects, Financial Strength, Management, Industry, Risks/Safety and Valuation. Our analysts exercise their judgment to collect and process the data, draw conclusions, weight the factors and finalize the ratings. Changes of opinion, along with additions and deletions to the Argus Fundamental Universe, are published daily in our Market Digest/Update report series, and in our Weekly Staff Report.

Our **A6 Quantitative Universe** includes more than 1,100 companies that are diversified across all asset classes and industry sectors. Ratings for these companies are derived through a proprietary algorithm we have designed and tested so that the ratings are based on our fundamental Six-Point System. Our A6 Quantitative Ratings include sub-ratings for each of the six factors.

The methodology behind the **Argus ETF Universe** uses a robust holdings-based approach to rank ETF securities using value, risk and trade considerations. Several inputs to the methodology are proprietary to Argus Research, including qualitative analyst Buy/Hold/Sell rankings on the individual securities using the Argus six-point fundamental methodology, the Argus A6 quantitative rankings, scores on earnings momentum and financial strength, and an insider index generated by our sister company Vickers Stock Research. Other dynamic inputs are based on trading characteristics and price performance of the ETF. Argus Buy/Hold/Sell rankings on ETFs are updated weekly based on changes to these underlying inputs and price performance. Inputs are weighted based on individual security weightings of the ETF.

RATING DISTRIBUTION BY SECTOR (STOCKS)

MARKET CAP DISTRIBUTION

ALL STOCKS

Small Cap 32%
Large Cap 37%
Mid Cap 31%

Our Team

Our team of analysts is experienced and credentialed. They are led by President John Eade; Director of Research Jim Kelleher, CFA; Director of Financial Institutions Research Stephen Biggar; and Chief Compliance Officer/Senior Analyst Kevin Heal.

John Eade has an MBA in Finance from New York University's Stern School of Business and a Bachelor's degree in Journalism from Northwestern University's Medill School of Journalism. He is a member of the New York Society of Security Analysts and the CFA Institute.

Jim Kelleher has worked in the financial services industry for 25 years. He is a CFA charter-holder, and is a three-time winner in The Wall Street Journal's "Best on the Street" All-Star Analyst Survey. In July 2010, McGraw-Hill Professional published Jim's book, "Equity Valuation for Analysts & Investors."

Stephen Biggar has covered Financial Services stocks for more than 20 years. He is a member of the Argus Investment Policy Committee and Senior Portfolio Group. Previously, he was the Global Director of Equity Research for S&P Capital IQ.

Kevin Heal is Chief Compliance Officer for the Argus Research Group. He has over 30 years of Wall Street experience with both large investment banks and regional dealers. He also provides research coverage for select financial institutions under coverage at Argus.

Our Analyst Awards

As part of our performance measurement process, we look at the accuracy of the individual analysts. Our sources for this review in the past have included Starmine/Financial Times, Factset/The Wall Street Journal and Bloomberg. These organizations measure the accuracy of individual analyst stock recommendations and earnings estimates.

For our review this time, we are using data from Bloomberg, which measures the performance of stock recommendations according to its proprietary Bloomberg Absolute Return Rank (BARR) methodology, and from Refinitiv.

According to Bloomberg, analysts are measured by calculating the total return generated by their recommendation(s) for each individual security they cover. A score is assigned to the analyst based on the analyst's percentile rank compared with all analysts for the security. An average score for the analyst's portfolio is then calculated.

For Table 1, we have tabulated the number of times our analysts' BARR ratings placed in the Top 5 among their company-coverage peers for their individual stock recommendations over the 12-month period ending January 21, 2020. Table 1 lists the analysts that achieved this level of performance accuracy at least 12 times.

We have also calculated a "batting average" which demonstrates the percentage of the time an analyst placed in the Top 5 for the companies in their full coverage universe. Table 2 lists the analysts that achieved a "batting average" of at least .400, or 40%.

Table 1
BLOOMBERG PERFORMANCE RANKINGS
NUMBER OF TOP 5 FINISHES

Analyst	Sector	#
John Staszak, CFA	Consumer	40
Jim Kelleher, CFA	Technology	40
Jacob Kilstein, CFA	Financial	36
John Eade	Industrial	32
Joe Bonner, CFA	TMT	28
Steve Biggar	Financial	27
Chris Graja, CFA	Consumer	22
David Toung	Healthcare	21
Jasper Hellweg	Technology	19
Bill Selesky	Energy	17
Gary Hovis	Utilities	17
David Coleman	Materials	11

Table 2
BLOOMBERG BATTING AVERAGE
PERCENTAGE OF TOP 5 RANKINGS

Analyst	Sector	%
Joe Bonner, CFA	TMT	82
Jacob Kilstein, CFA	Financial	80
Jim Kelleher, CFA	Technology	80
Steve Biggar	Financial	79
David Toung	Healthcare	78
John Staszak, CFA	Consumer	71
Jasper Hellweg	Technology	70
Gary Hovis	Utilities	69
Chris Graja, CFA	Consumer	69
John Eade	Industrial	68
David Coleman	Materials	61
Bill Selesky	Energy	44
Kevin Heal	Financials	43

Bloomberg data as of January 21, 2020

Our Performance

It is not easy to define either "quality" or "performance" in investment research. For some clients, the focus is on stock picks. For others, timeliness is critical. Still others are interested in differentiated industry insights and perspectives. In one of our quality reviewe, we rely on data from Investars. Investars uses a "SmartIndex" methodology to quantify the performance of stock ratings provided by research firms. In the SmartIndex method, stocks with buy, neutral, and sell ratings in each firm are classified into three indices. At the initial day of the indices, stocks covered by each firm are classified into the above three indices according to their ratings. An initial value is assigned to each index. The value distributed to each stock is determined by either a market-cap or equal-weight method. The outcome is a date-value series representing the performance of a firm's positive, neutral, and negative rating indices.

Methodologies employed by firms such as Investars may show biases, depending on recent market performance, toward companies that focus their coverage on large-cap or small-cap stocks, or by sector. Further, in a bull market, firms that tend to have more stocks on the BUY list often outperform their peers, while in a bear market, firms that tend to have more stocks on the SELL list often outperform.

As of February 4, 2020, Investars displayed the following rankings for Argus. The full list of Investars short- and long-term rankings is on their website at http://www.investarsranks.com. *Past performance is not indicative of future results. The performance characteristics and results presented below are representative only. Argus Research Co. is a division of Argus Investors' Counsel Inc. ("AIC"), an SEC-registered investment adviser. The recommendations of Argus Research Co. are made independently, and are not subject to review or supervision by AIC.*

Three-Month Trailing:
- **Fundamental:** Argus ranked 1st out of 25 listed providers.
- **Quantitative:** Argus ranked 1st out of 15 listed providers.

Six-Month Trailing:
- **Fundamental:** Argus ranked 1st out of 25 listed providers.
- **Quantitative:** Argus ranked 1st out of 15 listed providers.

One-Year Trailing:
- **Fundamental:** Argus ranked 1st out of 25 listed providers.
- **Quantitative:** Argus ranked 1st out of 15 listed providers.

Two-Year Trailing:
- **Fundamental:** Argus ranked 1st out of 25 listed providers.
- **Quantitative:** Argus ranked 1st out of 15 listed providers.

Three-Year Trailing:
- **Fundamental:** Argus ranked 1st out of 25 listed providers.
- **Quantitative:** Argus ranked 1st out of 15 listed providers.

Four-Year Trailing:
- **Fundamental:** Argus ranked 1st out of 25 listed providers.
- **Quantitative:** Argus ranked 2nd out of 15 listed providers.

Five-Year Trailing:
- **Fundamental:** Argus ranked 1st out of 25 listed providers.
- **Quantitative:** Argus' quantitative product has been ranked by Investars for only four years.

Six-Year Trailing:
- **Fundamental:** Argus ranked 1st out of 25 listed providers.
- **Quantitative:** Argus' quantitative product has been ranked by Investars for only four years.

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