

# The Sittenfeld, Stuard & Thornberry Group

Robert W. Baird & Co.

BAIRD

## Investment Philosophy

Managing investment risk is at the core of our philosophy and translates to development of investment portfolios designed to provide a productive balance of safety and return. We believe that, over long periods of time, stocks provide better growth potential and inflation protection than other investments.

## Portfolio Management Process

We employ a traditional, conservative approach to equity investing. We believe equities are long-term investments and that belief translates into relatively modest portfolio turnover. Our core strategy focuses on mid and large capitalization stocks, using a fundamental approach for stock selection. Our universe begins with stocks of high-quality companies with favorable prospects for rising earnings and rising dividends. We believe that a record of rising dividends is a key indicator of a company's future prospects and many of our equity selections have higher than average dividend growth rates. Companies which are market leaders and are financially sound are generally favored; we believe these companies offer better performance in economic downturns than their smaller competitors.

The core rising dividend strategy is complemented with investments in funds that focus on small-cap, mid-cap, and both emerging and established international investments. Added to this diversification model are more specialized investments less correlated to traditional equity performance.

## Core Rising Dividend Strategy

### Research Process

#### § Screening

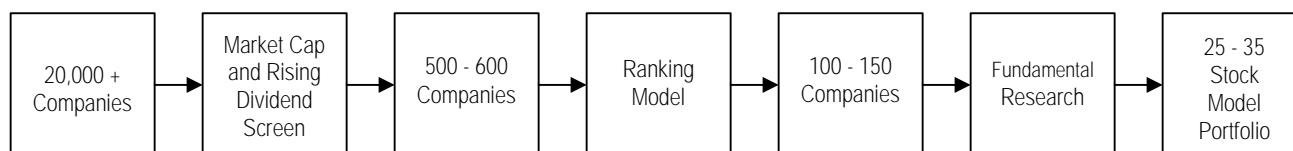
- We screen a broad universe of over 20,000 companies for the following criteria:
  - § Top 25% market capitalization of all domestic and ADR traded stocks
  - § Dividend increases in at least 4 of last 5 fiscal years

#### § Ranking

- The screened universe is narrowed to 500-600 companies, which are then ranked by sector using our proprietary model.

#### § Fundamental Research

- Top ranked stocks are then researched further reviewing:
  - § Financial analysis
  - § Qualitative business and industry assessment
  - § Sustainability of competitive advantages
  - § Balance sheet review
  - § Comparative valuation metrics
  - § Management Stability



## Portfolio Construction

- § A typical portfolio, depending on size and client volatility tolerance, will contain 25-35 securities.
- § We quantify sector weightings when making trading decisions.
  - We do not make large sector commitments. Unless there are compelling circumstances, we limit a portfolio to no more than 25% in one sector. Typically, we are within 5% of the sector weighting of the S&P 500 Index.

## Sell Discipline

Stocks are reviewed on an individual basis and may be sold or trimmed for the any of the following reasons:

- § Dividend is reduced or remains flat for 2 fiscal years
- § Stock drops by greater than 50 percentiles in model ranking
- § Valuation above historic levels or stock reaches price target without new data justifying raising price target