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July 10, 2014

# **VE Aggressive Growth Benchmark Portfolio Performance Report Summary**

ValuEngine has created and tracked a variety of investment portfolio strategies which reflect varying investment objectives. Known as “benchmark portfolio strategies,” these strategies provide an excellent starting point for using ValuEngine's cutting-edge research to select a basket of stocks.

This performance report covers the VE Aggressive Growth Benchmark Portfolio. All of our strategies feature stocks selected according to specific criteria designed to meet the overall strategy goals for return and risk. All selections are based on calculations made by ValuEngine's proprietary stock valuation and forecast models as well as additional fundamental data—market capitalization, e/p ratio, momentum, dividend schedules—when applicable, as well as other factors.

A research team of Ivy League academics and Wall St. investment professionals created ValuEngine's proprietary financial models and investment tools. This four-year effort required a team of 12 PhDs and a budget of more than \$4 million. Each ValuEngine model takes a view of the market from a different perspective and then the various outputs are combined in order to rate and rank each ticker in our universe of 5000 stocks--of which @ 500 are ADRs and foreign companies that trade on US exchanges. The two main models utilize complex mathematical modeling formulas as well as computer simulation techniques to compute what stock prices should be if the market were totally rational and efficient and what stock prices will be given the actual state of the market today.<sup>1</sup>

<sup>1</sup> For additional information on the academic research that serves as the basis for ValuEngine's equity research and investment tools, please see the following papers: [Stock Valuation in Dynamic Economies](#), Bakshi, Chen, 2001; [A Generalized Earnings-Based Stock Valuation Model](#), Dong, Hirshleifer, 2004; [Stock](#)

The research effort resulted in the publication of a variety of theoretical research in leading academic journals. The cutting-edge theoretical financial research behind ValuEngine is often cited by other academics working in the field of quantitative finance. Because ValuEngine is an independent research provider, conflicts of interest are avoided and the attempts of investor relations people and others to garner "optimistic" coverage are mitigated. These models are fast, efficient, systematic, and--above all--*objective*.

One must always remember that despite the proven robustness and performance of the ValuEngine models and the scientific rigor of our research and back testing program, there is no foolproof manner of predicting market performance. ValuEngine provides an avenue to better than average returns because it applies cutting-edge financial theory to a very large universe of stocks in a manner that human beings simply cannot replicate.

ValuEngine systems evaluate fundamental data 24 hours a day, 7 days a week. However, they do have limitations. No research provider can quantify an unannounced M&A deal, an SEC action, a crooked CFO, an Enron, an accident, storm, or any other act of god. They certainly cannot factor the fanaticism that so many users have vis-a-vis their Macs or their iPods. They are also dependent on the quality of the financial data on which they rely--"garbage in, garbage out!"

The best way to utilize ValuEngine research is to take the data and combine it with your own analysis and read of market conditions. ValuEngine's research and tools are not meant to be utilized as a "black box," they demand human oversight and decision making. Always take model recommendations into account, but make sure you consider the sorts of qualitative data that they cannot quantify.

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[Valuation and Investment Strategies](#), Chen, Dong, 2001; [Investing With a Stock Valuation Model](#), Chang, Chen and Dong, 1999.

## Strategy Description

The VE Aggressive Growth Benchmark Portfolio is based on our VE Aggressive Growth Strategy. The VE Aggressive Growth Strategy is designed to provide maximum returns. It selects stocks for portfolios based on calculations on stock valuation supplied by ValuEngine's proprietary stock valuation model as well as other fundamental financial data. Over time, this strategy does possess a high degree of volatility.

The VE Valuation Model calculates what a stock should trade at based on its fundamental economic data *if the market were completely rational and efficient*. Of course--despite the claims of many--the market is not rational nor is it necessarily efficient. If it were, there would never be a bubble or a panic-driven crash.

The Stock Valuation Model considers many time-sensitive variables--such as a stock's EPS growth, analyst estimates and consensus, and the interest rate environment. If any of the variables change, the model price changes immediately and the fair value is re-calculated. By operating in this manner, the model calculates fair value in near real time.

ValuEngine's Stock Valuation Model considers the variables below:

- Long-run EPS growth rate
- Duration of Business-growth-cycle
- Volatility of EPS growth rate
- Systematic or beta risk of the firm
- Correlation between the firm's EPS and the interest rate environment
- EPS growth volatility
- Dividend payout ratio
- Buffer earnings
- Interest rate (30 year yield) long-run level
- Duration of interest rate cycle
- Interest rate volatility

The model calculates a fair valuation for the stock and its current measure of mispricing in percentage terms.<sup>2</sup>

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<sup>2</sup> In some cases, you will also hear under or overvaluation referred to as "*mispricing*."

The VE Aggressive Growth Strategy is based on the proprietary VE Composite Score Ranking system. This ranking system is designed to assess the attractiveness of each of the more than 7000 stocks in our database. The VE Composite Score Ranking system combines the following three factors: stock valuation, price momentum, and earnings/price ratio. Each of these quantitative measurements are ranked on a scale of 1 to 100. The higher the ranking, the more positive the influence each measurement has on the overall attractiveness of the stock. The sum of the three rankings forms the VE Composite Score Ranking.

Stocks with the highest scores were selected as long picks for VE Aggressive Growth Benchmark Portfolio. If two or more stocks had the same VE Composite Score Ranking, the VE Valuation Ranking was used as a tiebreaker. No diversity criteria were applied and thus the strategy was free to create a portfolio without sector limits in a search for maximum total return. This strategy allows better overall gains but does result in an increase in volatility as the portfolios may be significantly over or underweight on a sector basis depending on valuation and other calculations at the time of portfolio selection. Rebalancing occurred once per month. An equal amount of capital was allocated to all stocks. Only stocks with a market price greater than \$5 and a market cap greater than @ \$500 million were considered.

## Report Parameters

AGGRESSIVE GROWTH BENCHMARK	
Report Date	July, 2014
Time Frame	March 2007-July,2014
Strategy	VE Aggressive
Market Cap	\$500 Million
Rebalancing	Monthly
Portfolio Size	20
Market Price	> \$5.00

## Return and Volatility Table

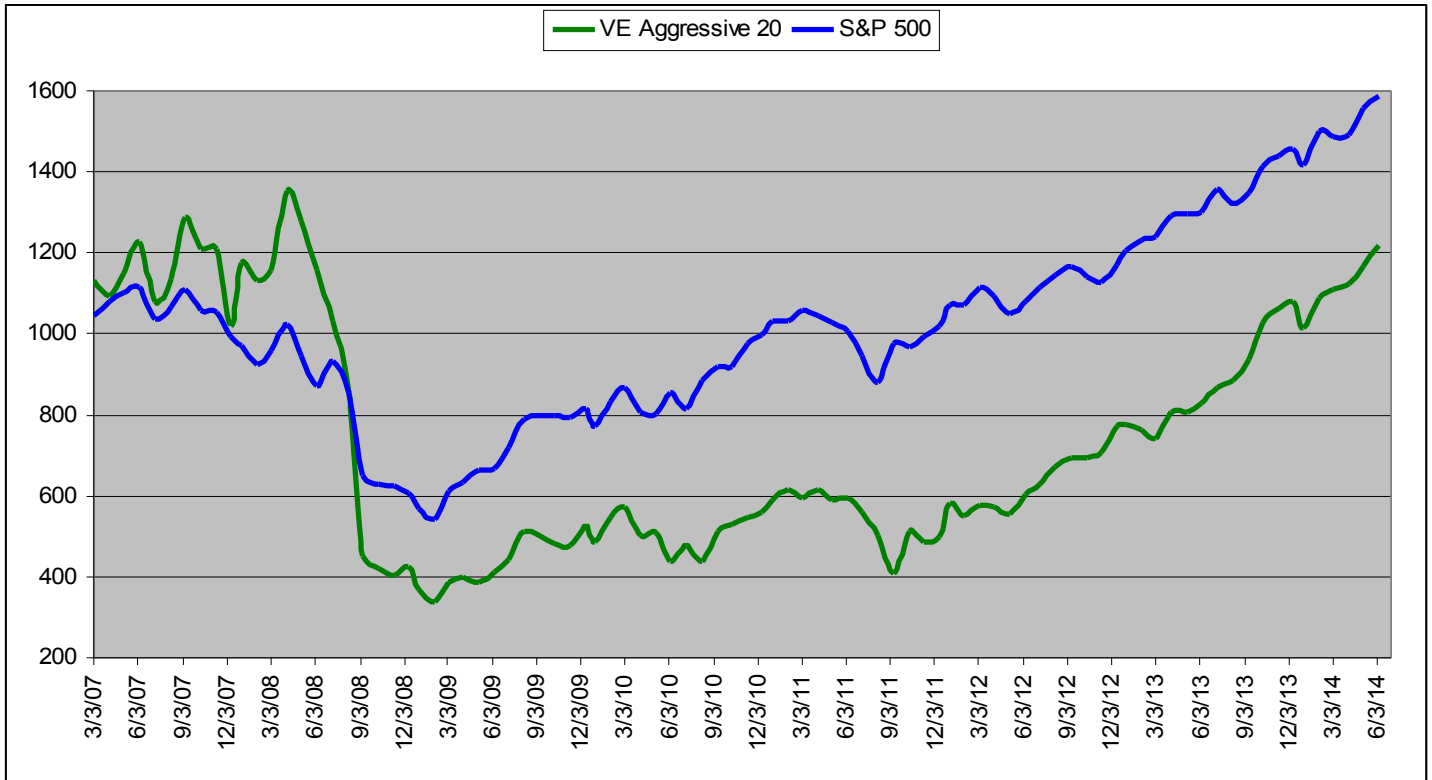
	VE Aggressive	S&P 500
Last 1-Yr Return	46.96%	21.67%
Last 3-Yr Return	104.64%	57.84%
Last 5-Yr Return	216.97%	138.92%
Avg Monthly Return	0.78%	0.67%
Avg Annual Return	9.78%	8.34%
Annual Volatility	34.51%	17.98%
Max Drawdown	-74.82%	-51.17%
Sharpe Ratio	0.28	0.46
Sortino Ratio	0.34	0.56
Correlation with S&P500	0.60	1.00

## Annual Return Table

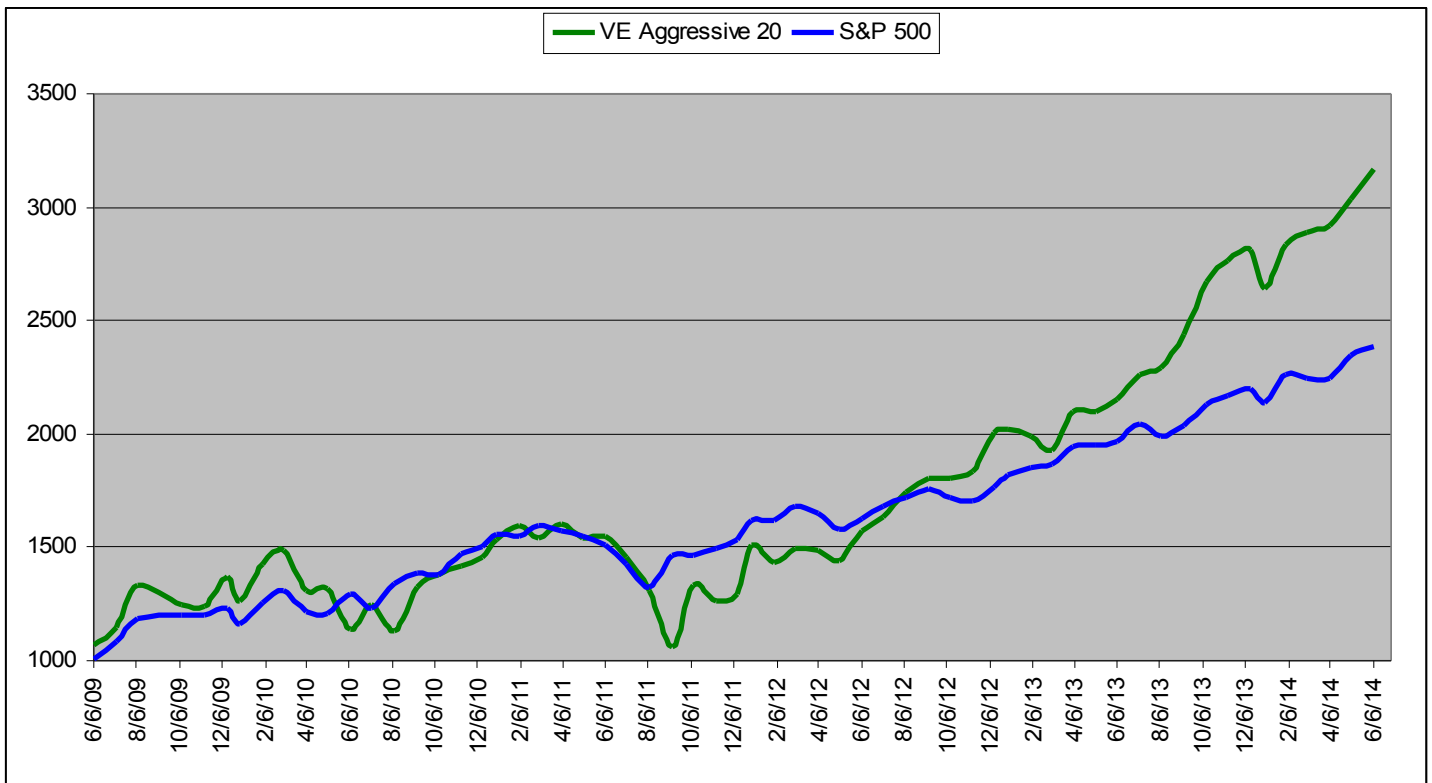
Year	VE Aggressive	S&P 500
2008	-58.21%	-38.90%
2009	23.53%	34.64%
2010	6.28%	22.50%
2011	-10.98%	2.07%
2012	54.76%	14.76%
2013	40.30%	24.57%
2014 YTD	12.79%	8.69%

# Wealth Accumulation Charts

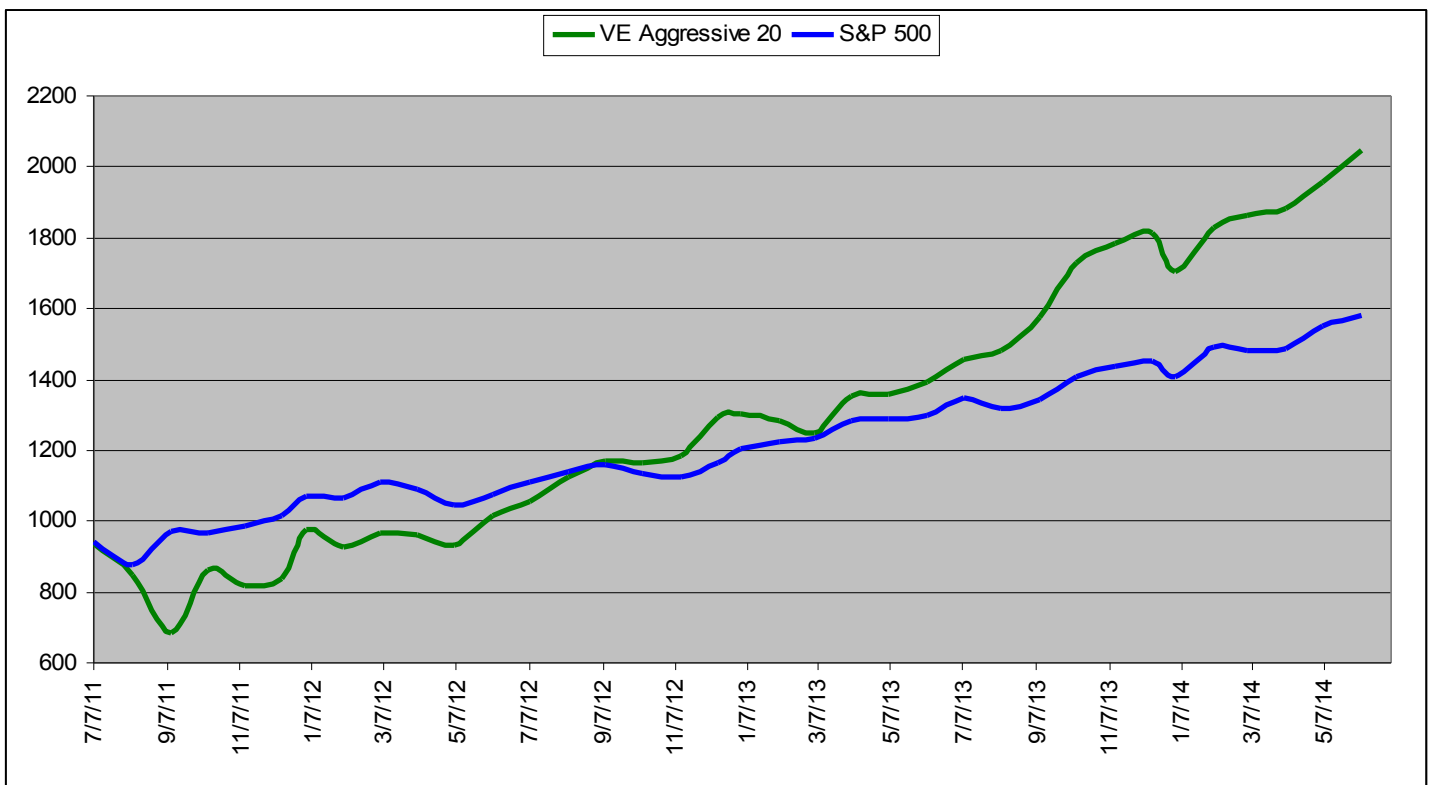
## March 2007-June 2014 Since Inception



### July 2009-June 2014 Last Five Years

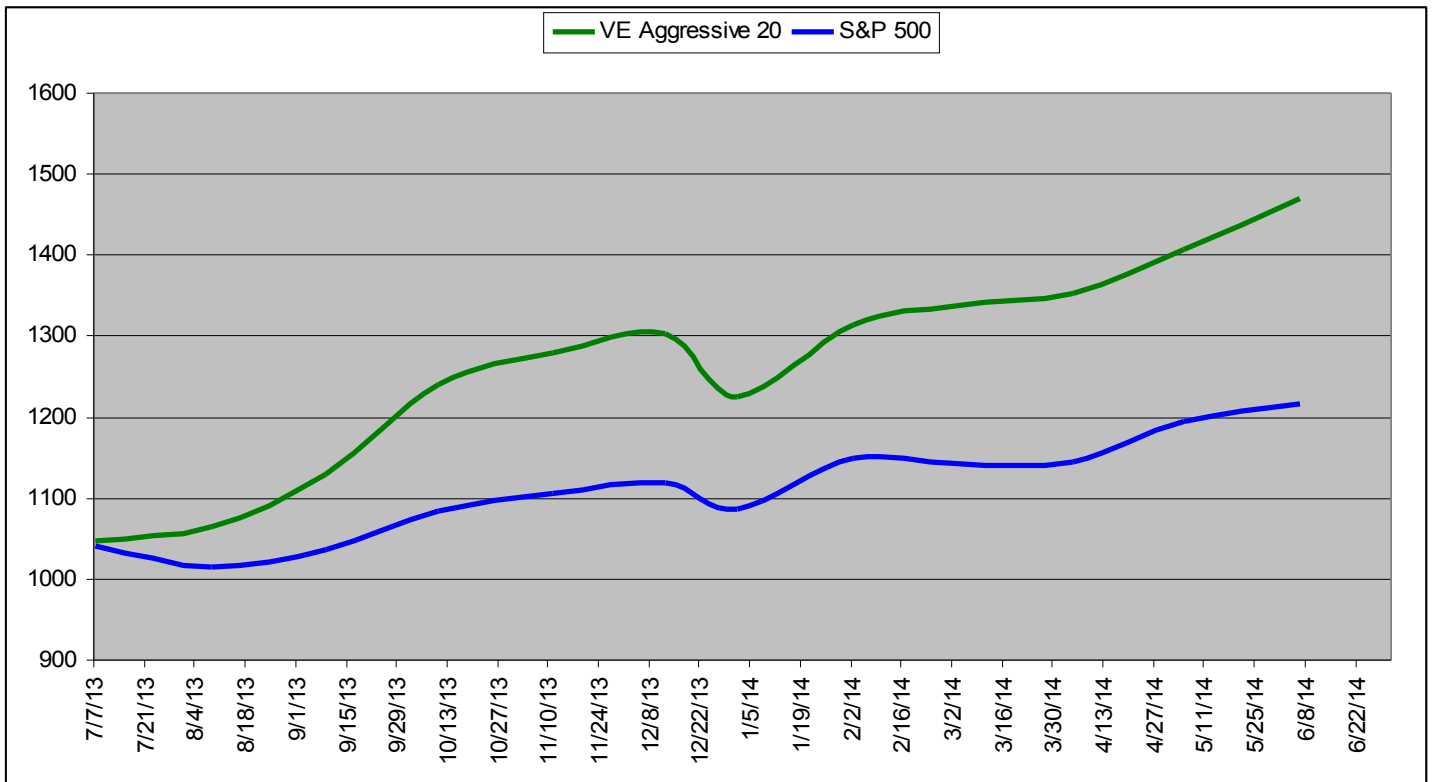


### July 2011-June 2014 Last Three Years





### July 2013-June 2014 Last Twelve Months



## Monthly Return Table

Month	VE Aggressive 20	S&P 500
Mar-07	13.25%	4.35%
Apr-07	-3.60%	3.33%
May-07	5.25%	2.11%
Jun-07	6.93%	1.07%
Jul-07	-12.21%	-6.68%
Aug-07	5.43%	2.65%
Sep-07	13.12%	4.34%
Oct-07	-5.90%	-5.04%
Nov-07	0.01%	-0.18%
Dec-07	-15.80%	-5.93%
Jan-08	15.26%	-2.24%
Feb-08	-3.63%	-4.58%
Mar-08	2.21%	3.59%
Apr-08	16.75%	6.68%
May-08	-5.29%	-7.42%
Jun-08	-9.40%	-7.82%
Jul-08	-10.99%	6.86%
Aug-08	-16.78%	-8.13%
Sep-08	-47.54%	-23.88%
Oct-08	-6.10%	-3.81%
Nov-08	-4.70%	-0.54%
Dec-08	5.65%	-2.86%
Jan-09	-13.40%	-6.56%
Feb-09	-7.75%	-4.04%
Mar-09	13.48%	12.62%
Apr-09	3.47%	3.62%
May-09	-3.73%	4.63%
Jun-09	6.82%	0.97%

Month	VE Aggressive 20	S&P 500
Jul-09	7.57%	7.66%
Aug-09	16.10%	9.21%
Oct-09	-6.25%	1.16%
Nov-09	-1.17%	-0.12%
Dec-09	10.66%	2.54%
Jan-10	-7.56%	-5.33%
Feb-10	12.49%	7.81%
Mar-10	4.34%	4.41%
Apr-10	-11.76%	-7.42%
May-10	0.80%	-0.50%
Jun-10	-13.98%	6.88%
Jul-10	9.75%	-4.74%
Aug-10	-9.00%	8.76%
Sep-10	16.99%	3.69%
Oct-10	4.01%	-0.23%
Nov-10	2.67%	6.53%
Dec-10	2.60%	2.26%
Jan-11	5.56%	3.20%
Feb-11	4.04%	-0.10%
Mar-11	-3.23%	2.85%
Apr-11	3.73%	-1.35%
May-11	-4.02%	-1.83%
Jun-11	0.69%	-2.15%
Jul-11	-6.10%	-5.68%
Aug-11	-9.89%	-7.18%
Sep-11	-19.13%	10.77%
Oct-11	25.82%	-0.51%
Nov-11	-5.19%	2.47%
Dec-11	2.37%	2.73%
Jan-12	16.67%	5.21%
Feb-12	-5.10%	-0.07%
Mar-12	4.61%	4.07%
Apr-12	-0.88%	-2.07%
May-12	-3.00%	-3.94%
Jun-12	9.18%	3.01%

Month	VE Aggressive 20	S&P 500
Jul-12	3.81%	2.92%
Aug-12	6.93%	2.72%
Sep-12	3.56%	2.01%
Oct-12	-0.31%	-2.23%
Nov-12	1.76%	-1.01%
Dec-12	9.16%	3.72%
Jan-13	0.76%	3.11%
Feb-13	-1.48%	1.94%
Mar-13	-2.88%	0.77%
Apr-13	8.69%	4.13%
May-13	0.10%	0.31%
Jun-13	2.66%	0.58%
Jul-13	4.80%	4.01%
Aug-13	1.54%	-2.49%
Sep-13	6.21%	2.13%
Oct-13	9.76%	4.73%
Nov-13	3.20%	1.95%
Dec-13	1.77%	1.20%
Jan-14	-5.98%	-2.92%
Feb-14	7.19%	5.84%
Mar-14	1.89%	-0.64%
Apr-14	1.17%	0.14%
May-14	3.91%	4.38%
Jun-14	4.47%	1.85%

## VALUENGINE'S METHODOLOGY

ValuEngine's research combines the most advanced academic concepts with real world Wall Street practice. The result is state-of-the-art fair market valuation and price forecasting technologies.

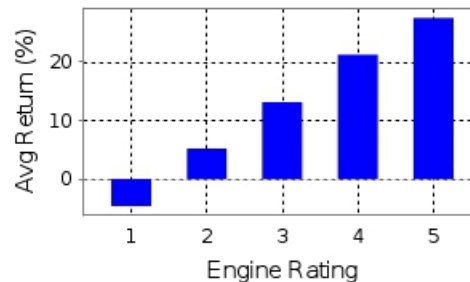
ValuEngine's stock valuation employs a sophisticated, three-factor approach. Fundamental variables, such as a company's trailing 12-month Earnings-Per-Share (EPS), the analyst consensus estimate of the company's future 12-month EPS, and the 30-year Treasury yield, are all used to create a more accurate reflection of a company's fair value. Together with eleven additional variables, ValuEngine paints a detailed picture of a company's fair value, represented by the model price.

ValuEngine's stock forecasts examine, among other things, short-term price reversals, intermediate-term momentum continuation, and long-term price reversals over six time horizons for every industry to ensure forecasts are established relative to a stock's proper peer groups. Advanced statistical/econometric techniques are used to run thousands of simulations estimating the probability of a double in stock price, as well as the probability of meeting and exceeding any given portfolio or stock investment target.

The stock's engine rating is an assessment of its overall attractiveness. It combines valuation, risk-return trade-off, momentum, market capitalization and forecasted future returns. Only two percent of the stock universe receives the highest 5-engine rating. The lowest rating is a single engine.

For more information on ValuEngine, its models and performance, go to [www.ValuEngine.com](http://www.ValuEngine.com)

Engine Rating and Average Annual Return  
(Jan 1990 - Jul 2008)



## DISCLOSURES

ValuEngine offers equity recommendations and related return estimates to investors and their advisors. It uses a three-class Buy-Hold-Sell rating system. This is a consolidated version of the firm's five class rating system: most favorable and favorable ratings are buys; neutral ratings are holds and the categories unfavorable and most unfavorable are sells.

STOCK RATINGS: The terms below are used to rate a stock's 12-month performance:

1. Buy: Expected to outperform the SP500 producing above average returns.
2. Hold: Expected to perform in line with the SP500 with average returns.
3. Sell: Expected to underperform the SP500 producing below-average returns.

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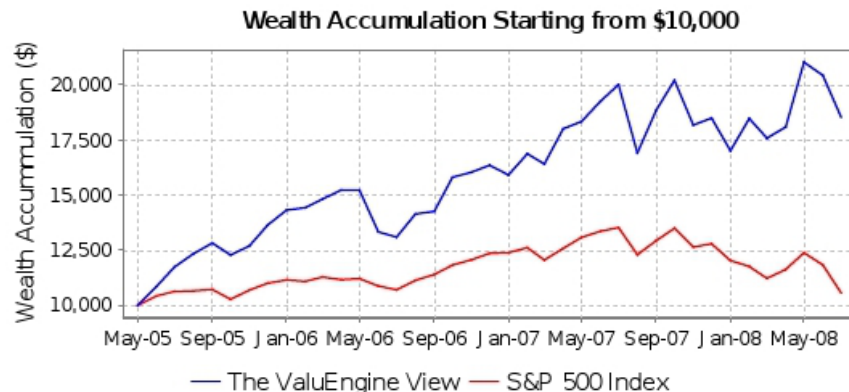
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