

SELECT Explanation

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When Exencial Wealth Advisors acquired Investors Asset Management, Inc. of Plano, Texas, we garnered the SELECT Investing methodology long practiced by IAM. This approach is applied to individual equity analysis.

Below, Rich Erwin, our Senior Analyst/Portfolio Manager provides a brief explanation of the SELECT methodology. Assisting Rich with SELECT equity research is David Yopez, an Exencial Security Analyst. David has excellent research skills and follows approximately one-half of the SELECT List names. He and Rich work with Chief Investment Officer Tim Courtney on stock selection strategy.

SELECT Investing is an approach that focuses on company qualities. As shareholders, we are owners of corporations. These organizations operate in very diverse ways. The SELECT methodology is designed to identify corporations with sustainable strategies and practices.

Some investors have a desire to know they're supporting companies that are operating as good corporate citizens and helping to advance the world. SELECT utilizes aspects of "socially responsible investing," which goes by the acronym ESG (environmental, social and governance). SELECT is also an acronym, standing for what we believe companies should be good at and the values they should hold:

- S – caring for **shareholders**
- E – respect for **employees**
- L – **leadership** that's visionary and strategically clear
- E – consideration for the **environment**
- C – focus on **customers**
- T – able to demonstrate this over **time**

Companies must also meet strict financial criteria in terms of: solid revenue and earnings growth; healthy debt/equity ratios; above-average returns on capital; attractive price valuation; and an ability to weather economic volatility.

The result is a group of 45 to 50 companies in nine Standard & Poor's sectors that we call the SELECT List. Approximately 80 percent are U.S. large-cap organizations, while the remainder are mid-cap, small-cap and foreign. The List varies with investment opportunities. It's not designed to fit a certain size criteria or match an index. It's flexible in its approach, but it never veers from its high-quality mandate.

Companies are added with a two to five year time horizon in mind, but some stocks have stayed on the list for in excess of 10 years. Turnover is typically 10 to 20 percent. We try to know companies well and monitor them closely.



SELECT Investing adds one more arrow to the quiver of solutions offered by Exencial to meet clients' financial planning and investing needs.

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