



Nancy Prial, CFA
Co-CEO
Senior Portfolio
Manager

PHILOSOPHY

Essex's investment philosophy is based on the belief that the small cap asset class is inefficient. We look for under-followed, under-owned, under-appreciated companies and industries in the early stages of acceleration. The investment approach is to execute a systematic, fundamental process to identify growth companies whose future growth prospects have yet to be priced into the stock. If and when we invest in one of these companies, we strive to invest shortly after the first or second quarter of acceleration.

Companies which pass the quantitative screen and survive the fundamental research process are allocated across portfolios. While this approach affords Essex a significant degree of independence from Wall Street's conventional wisdom, its success relies on Wall Street's eventual discovery of, and agreement with Essex's investment thesis.

INVESTMENT TEAM

Our team considers themselves generalists with broad areas of sector coverage. The approach is collaborative, analysts support the portfolio manager with rigorous company analysis and insight, however, the portfolio manager, bears ultimate responsibility for all investment decisions.

A distinguishing feature that sets our team apart is that they have a long tenure together with very specific qualitative criteria for companies they should be looking at more closely.

PORTFOLIO CONSTRUCTION

The process begins with a quantitative screen, looking for companies with improving business fundamentals, as close to their inflection points as can be determined.

Relying on fundamental research, our team develops price targets using internal and external estimates. The next step is critical as they determine if anticipated growth is reflected in the stock price. In its final analysis, we look for an upside of at least 25%.

Portfolio construction and risk is measured at the portfolio, sector and individual stock levels. In addition to the more traditional measures, our team pays attention to diversification across stages of growth and catalysts/inflection points as well as the underlying correlations between stocks, industries, and sectors in order to help manage volatility.

Our sell discipline is a residual of the investment process. We do not mandate selling a stock once it reaches a certain valuation, or if it comprises a certain percentage of the portfolio's value. Our team will let its "winners" run as long as the price supports the investment thesis' expectations for growth.

The portfolio manager will exhibit patience with a stock, so long as confidence in the investment thesis remains, there is a belief that the market will eventually come around, and the stock price is not plummeting. As a general rule, the team will sell a stock if they no longer believe the investment thesis is accurate, if the long-term fundamentals no longer support the price, or if other, more promising opportunities are presented.