



Sabrient leverages a process-driven methodology to build robust quantitative models and produce actionable equity research, investor tools, stock & ETF rankings, derived data sets, stock portfolios, and rules-based indexes to help investors seek to outperform market benchmarks.

Process Overview:

“Quantamental” GARP* Approach

* *Quantamental* = *Quantitative* screen + *Fundamental* review & selection
GARP = *Growth At Reasonable Price* (growth/value hybrid)



Scott Martindale
President & CEO
(former Chevron engineer)



David Brown
Founder & Chief Market Strategist
(former NASA engineer on Apollo 11 moon landing)

Including the quantitative models of forensic accounting firm:



Company Overview

➤ Sabrient Systems LLC:

- Independent equity research provider and SEC-registered RIA founded in 2000
- Quantitative fundamentals-based multifactor models created by:
 - ✓ team of engineers and analysts led by founder David Brown, a former **NASA** engineer on the Apollo 11 moon landing project, and CEO Scott Martindale, a former **Chevron** engineer
 - ✓ team of forensic accounting specialists from Gradient Analytics, a wholly owned Sabrient subsidiary
- Process-driven, bottom-up methodology leveraging a scientific hypothesis-testing approach to model development
- Unlike most RIAs, we don't manage investor money directly but instead receive licensing/consulting fees

➤ Products & Services:

- Quantitative equity research, models and data sets, rankings of stocks & ETFs, online investor tools, and insightful market commentaries
- Portfolio strategies for various investing styles, stock portfolios for UITs and SMAs, rules-based equity indexes for ETFs
- Best known for our **Baker's Dozen** franchise, a 13-stock portfolio first introduced in 2009 based on a proprietary Growth at a Reasonable Price (GARP) "quantamental" approach
- *Baker's Dozen, Forward Looking Value, Dividend, and Small Cap* are offered as **UITs through First Trust Portfolios**
- 8 core proprietary multi-factor models, including the **Earnings Quality Rank (EQR)**, an accounting-based risk signal designed by subsidiary Gradient Analytics and used internally for Sabrient portfolios. It is also licensed to hedge funds and to the **First Trust Long-Short ETF (FTLS)**.

What We Do: Eight Core Quant Models (Used alone or in combination)

GROWTH AT A REASONABLE PRICE (“GARP”)

Considers trailing and forward growth trends and valuations (based on consensus estimates of sell-side analyst community and their recent earnings revisions) versus industry peers. Serves as the basis for the *Baker’s Dozen* series, and for *SectorCast* rankings of equity ETFs for sector rotation.

EARNINGS QUALITY RANK (“EQR”)

A *pure accounting-based risk assessment factor* primarily focused on working capital and cash flow factors. Designed in conjunction with forensic accounting research firm Gradient Analytics, a wholly owned subsidiary of Sabrient. Employs 30 unique industry-specific sub-models as well as trend analysis in selected financial ratios.

GROWTH QUALITY RANK (“GQR”)

Measures the consistency and reliability of a company’s earnings growth, history of earnings surprises, and the likelihood of meeting consensus earnings estimates versus industry peers. This model primarily serves as an enhancement factor in combination with one or more of the other models.

DEFENSIVE EQUITY (“DEF”)

Compares how a given stock performs relative to the broader universe on days when the stock market is particularly weak to compute a “Bear Score,” then adds factors related to free cash flow and dividend yield as an alternative approach to a defensive, low-volatility model.

STRATEGIC VALUATION RANK (“SVR”)

Utilizes trailing and forward factors related to income statement, balance sheet, and statement of cash flows.

INSIDER SENTIMENT (“INS”)

Quantifies sentiment of both traditional company insiders (e.g., corporate officers, directors, major shareholders) and the sell-side analysts who cover the company. Considers the number of insiders buying stock on open market and the magnitude of increase in ownership, as well as the number of analysts raising EPS estimates and size of increase.

STRATEGIC GROWTH RANK (“SGR”)

Utilizes a combination of factors related to historical cash flow, revenue, operating income, and EPS growth in addition to expected growth (as derived from analyst estimates).

AGGREGATE PRICE MOMENTUM RANK (“AMR”)

Applies price trend factors to a wide array of time periods to develop a holistic assessment of price momentum. This model primarily serves as an enhancement factor in combination with one or more of the other models.

Our “Quantamental” Approach

1. **Quantitative screen** to narrow large eligible universe (50-100 names)

Forward P/E, forward EPS growth, recent dynamics of analyst consensus estimates, earnings quality (based on expertise of subsidiary Gradient Analytics), consistency & reliability of earnings growth

2. **Fundamental analysis** to identify top candidates (~25 names)

Still mainly numbers-driven, but not algorithmic

3. **Final Stock Selection** (13 names)

Manual process, adhering to sector concentration limits

We believe a GARP strategy is “all-weather.” So, what could go wrong? Two things:

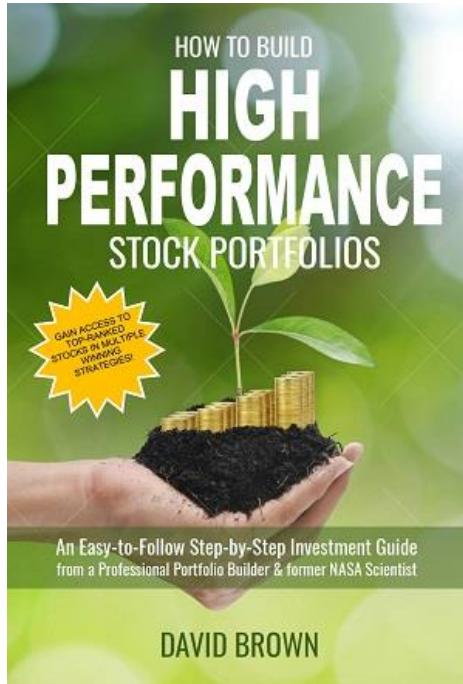
- 1) Consensus EPS estimates are reduced after portfolio launch or the company fails to achieve them.
- 2) Investor sentiment turns defensive, leading to narrow market breadth and avoidance of lesser-known firms.

Note: This applies to Baker’s Dozen selection, but we employ a similar approach for all portfolios (adjusted for appropriate universe or investment mandate).

Sabrient Portfolios: leveraging the “quantamental” approach

- **Baker’s Dozen** (issued quarterly, 13 stocks)
 - ⇒ *Alpha-seeking opportunity thru a concentrated, all-cap portfolio that balances value/cyclical growth with high-quality secular growers*
- **Forward Looking Value** (issued annually, 35 stocks)
 - ⇒ *Less-concentrated and more value-oriented version of the Baker’s Dozen*
- **Dividend** (issued quarterly, 45-50 stocks)
 - ⇒ *High-quality GARP + Income portfolio*
- **Small Cap Growth** (issued quarterly, 45-50 stocks)
 - ⇒ *Alpha-seeking alternative to the passive Russell 2000 for small cap exposure*

David Brown's new book on his Investing Strategies



Sabrient founder David Brown's new book, *How to Build High Performance Stock Portfolios*, is now available on Amazon.com. Here is the link to buy:

<https://www.amazon.com/dp/B0DGWCJGR1>

(or simply paste that final identifier code into the search on your Amazon mobile app)

David has written a number of other books through the years. In this one, he describes his path from NASA engineer on the Apollo 11 moon landing project to building quant models for stock rankings. But the book's main goal is to share David's approach to creating stock portfolios for **four key investing styles—Growth, Value, Dividend, and Small Cap Growth**—which serve as the underlying strategies for Sabrient's *Baker's Dozen*, *Forward Looking Value*, *Dividend*, and *Small Cap Growth* portfolios.

Our "Next-Gen" Sabrient Scorecards:

You also are invited to access the next generation of our "Sabrient Scorecard for Stocks," which provides a weekly Top 30 stocks list for each of those four key investing strategies (using their underlying quant models). You can also paste your own list of tickers on the Score Your Own Stocks tab to monitor their alpha-factor scores.

I invite you to take advantage of the [Free Download](#) offer for the stock scorecard.

As a bonus, we provide a weekly "Sabrient Scorecard for ETFs" with the Top 30 ETFs based on our SectorCast Outlook Score, plus access to the Full Universe of scores for roughly 1,400 equity ETFs.

Both scorecards are quite user friendly for anyone with a basic knowledge of Excel. You can easily sort a list by a given alpha factor, or weight factors to your preferences and then sort the list by Weighted Score.

Learn more about the book and new Sabrient Scorecards at: <http://DavidBrownInvestingBook.com>

Resources

1. Latest Baker's Dozen slide deck and holdings report

- Go to: bakersdozen.sabrient.com/bakers-dozen-marketing-materials

2. Sector Detector newsletter/blog post

- Go to sign-up box at: sabrient.com home page

3. Baker's Dozen holdings report – quarterly notification list

- Send email request to: support@Sabrient.com

4. David Brown's new book on investing + Scorecards for Stocks and ETFs (screening/ranking/monitoring/idea generation tools)

- Go to: DavidBrownInvestingBook.com => We'd love to hear your feedback!

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References to market indexes, benchmarks or other measures of relative market performance over a specified period of time are provided for information only. Reference to an index does not imply that the SABRIENT model portfolio will achieve returns, volatility or other results similar to the index. The composition of a benchmark index may not reflect the manner in which a SABRIENT model portfolio is constructed in relation to expected or achieved returns, investment holdings, portfolio guidelines, restrictions, sectors, correlations, concentrations, volatility or tracking error targets, all of which are subject to change over time.

Past performance is no guarantee of future results. Investment returns will fluctuate, and principal value may either rise or fall.

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