



Sabrient leverages a process-driven methodology to build robust quantitative models and produce actionable equity research, investor tools, stock & ETF rankings, 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 a 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)

Company Overview

➤ Sabrient Systems LLC

- Independent equity research provider and SEC-registered RIA, [founded in 2000](#)
- Team of engineers and analysts, led by former **NASA** engineer (Apollo 11 moon landing) David Brown and former **Chevron** engineer Scott Martindale
- [Quantitative fundamentals-based multifactor models](#)
- [Process-driven](#) methodology leveraging a scientific hypothesis-testing approach to model development
- [Numbers-driven](#); [bottom-up](#) rather than top-down
- 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 Growth portfolios are offered as UITs through First Trust Portfolios](#)
- 8 core proprietary multi-factor models (derived data sets), including the **Earnings Quality Rank (EQR)**, which is a pure accounting-based risk assessment signal used internally and licensed to the **First Trust Long-Short ETF (FTLS)**.

Eight Core Multi-factor 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. 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.

AGGREGATE PRICE MOMENTUM RANK (“AMR”)

Applies price trend factors to a wide array of time periods to develop a holistic assessment of price momentum.

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).

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.

Sabrient Portfolios: leveraging the “quantamental” approach

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

Our “Quantamental” Approach

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

Forward P/E, expected EPS growth, recent revisions to analyst estimates, free cash flow, debt ratio, margin growth, earnings quality, 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).

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 => Please email me your comments!

3. Quarterly Baker's Dozen mailing list

- Send email request to: support@Sabrient.com

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

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

Disclaimer

© Copyright 2024 by Sabrient Systems LLC. Unauthorized reproduction or redistribution of this document in full or in part is strictly prohibited by law and a violation of the Copyright Act.

This information is neither a solicitation to buy nor an offer to sell securities, and it is not intended as investment advice. Information contained herein reflects our judgment or interpretation at the time of publication and is subject to change without notice.

The information contained herein is based on sources believed to be reliable, but no warranty or representation of any kind, expressed or implied, is made as to its accuracy, completeness, or correctness. This document is for information purposes only and should not be used as the basis for any investment decision. SABRIENT disclaims liability for damages of any sort (including lost profits) arising out of the use of or inability to use this document.

Back-tested, hypothetical, or simulated performance results have inherent limitations as they are based on retroactive application of a rules-based model designed with the benefit of hindsight. All figures shown are based on gross returns, without considering the impacts of trading costs, slippage, fees, or taxes. Hypothetical backtest results are neither an indicator nor a guarantee of future returns. Actual results will vary from the analysis.

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.

The information contained herein reflects only the opinions of SABRIENT and includes forward-looking statements subject to a number of uncertainties that could cause actual results to differ materially from the statements made.