INTRODUCTION
AGENDA

• Recap Strategy and Implementation
• Attributions
  – Sector
  – Size
  – Security
• Equity Rebalances
• REITS
  – Valuations Vs. Outcomes
ASSET ALLOCATION

The team decided to invest in Equity, Fixed income and REITs after evaluating other asset classes.

- **Equity**: 80%
  - Quantitative Strategy
    - Profitability & Momentum
- **REITS**: 15%
  - Fundamental Analysis
- **Fixed Income**: 5%
  - Passive
EQUITY STRATEGY
A growth investment strategy focusing on profitability and momentum

- Profitability of stocks was measured for each of the past four quarters:
  \[ \text{Profitability} = \frac{\text{Revenue} - \text{COGS}}{\text{Assets}} \]

- Crude revenue and cost figures helped eliminate noise from stocks

- Momentum was calculated based on prior 6 months performance of stocks

- The intersection of the two defined the stock universe from which stocks were selected
EQUITY STRATEGY

Stocks were screened based on the following screening criteria

- Market cap restriction
  - Maximum of $40 Bn.
  - Minimum of $3 Bn.

- Profitability ranking was calculated by assigning higher weights to the profitability figure of the latest quarter

  Profitability ranking = $0.4x P_t + 0.2x(P_{t-1} + P_{t-2} + P_{t-3})$

- Momentum ranking was calculated by measuring return over a six month period

- A composite rank of profitability and momentum was assigned to each stock

  Composite Rank = $\left[ \frac{Profitability \ Rank + Momentum \ Rank}{2} \right]^2$

- The stocks were listed based on the composite rank

- The top 50 stocks were selected from the composite ranking index
Screening criteria
• Market Cap. $40B - $3B
• Excluded Financial companies
• Avg. daily volume = 100K

Ranking on Profitability & Momentum
• Stocks ranked individually
• Composite ranking calculated for all the stocks

Selected top 50
• Met minimum requirement of 40 stocks
• Market cap weighted portfolio
Screening criteria
• Market Cap. Restriction > $1 Bn.
• Avg. daily volume = 100K
• Price > $10

Fundamental Analysis
• 2 REITs selected per analyst
• One each from high P/E and low P/E ranking to ensure value and growth
• Diverse sectors selected for analysis

Cross validation
• Second round of screening was done to eliminate analysis bias

Selected 4 REITS
• Analysis indicated opportunities for short term returns
EQUITY PERFORMANCE

Performance (%)

-14 -12 -10 -8 -6 -4 -2 0 2 4

Nov-15 Dec-15 Jan-16 Feb-16 Mar-16 Apr-16

Equity Benchmark R3000

1.08% -2.63% -2.67%
EQUITY ATTRIBUTIONS

Return Summary
- Portfolio Return: -2.63
- Benchmark Return: 1.08
- Active Return: -3.71

Active Return Attribution Summary
- Active Return: -3.71
- Currency: 0.00
- Allocation: 0.67
- Selection: -4.38

Excess Return Summary Graph
- Avg Active Weight
- Total Attribution
- Consumer Discretionary: -2.04
- Consumer Staples: 
- Funds: 
- Cash: 
- Stocks: 
- Materials: 
- Telecommunication Servic.: 
- Utilities: 
- Health Care: 
- Energy: 
- Information Technology: 
- Industrials: 
- Financials: 

Show All: Currency, Allocation, Selection
REIT PERFORMANCE

Performance (%)

Nov-15  Dec-15  Jan-16  Feb-16  Mar-16  Apr-16

REIT
Van - REIT

-15 -10 -5 0 5 10 15

8.05% 4.84%
OVERALL PERFORMANCE

Performance (%)

SIMFUND  R3000

Nov-15  Dec-15  Jan-16  Feb-16  Mar-16  Apr-16

-14 -12 -10 -8 -6 -4 -2 0 2 4

0.66% 1.08%
PORTFOLIO ATTRIBUTIONS
EQUITY PORTFOLIO

GOALS

– Adhere to initial quantitative investment strategies and policies
– Avoid individual security selection
EQUITY PORTFOLIO

~50 Securities in portfolio throughout management period
Portfolio Turnover
- Average: 60.1%
- High (March): 78.3%
- Low (April): 41.2%

Commission Costs (Monthly)
- 15 – 20 bps
- Average: $158
- High (March): $223
- Low (April): $102
REBALANCING & IMPLEMENTATION

JANUARY 20, 2016
– R 3000 hits 52-Week Low

DECEMBER 21, 2015 – JANUARY 21, 2016

R 3000: ~8.2%
EQUITY: ~7.3%
REBALANCING & IMPLEMENTATION

DECISION
- Postpone rebalance for 2 to 4 weeks
  - Gain more information

REBALANCE - FEBRUARY 8, 2016

SELL
19 Securities
~$199K

BUY
16 Securities
~$196K

FEBRUARY 11, 2016
R 3000 Hits New 52-Week Low
REIT PORTFOLIO

GOALS

– Perform Fundamental analysis and security selection

– Reevaluate performance and strategy

– Different asset class experience

– Make lots of Money
COMPANY DESCRIPTION

• STORAGE REIT – Owns more than 828 facilities in 35 states, concentrated in west coast and metros

• Strong Revenue Streams 92% occupancy, Dividend yield of 2.65%

• Improving Operating Margin – Economies of scale

• Room For Consolidation EXR has a market share of ~4% with 85% of market being controlled by small local property owners

Purchase Price
$83.93

Target Price
$95.83

Total Return
6.09%
CUBE SMART (CUBE)

COMPANY DESCRIPTION

- **STORAGE REIT** – Owns more than 420 facilities in 22 states, Manages 174 facilities for third parties, focus in east coast
- **Strong Revenue Streams** 89% occupancy, Dividend yield of 2.5%
- **Improving Operating Margin** – Economies of scale
- **Room For Consolidation** CUBE has a market share of ~2% with 85% of market being controlled by small local property owners

Purchase Price $29.34
Target Price $33.95
Total Return 4.33%

![Graph](image-url)
ESSEX PROPERTY TRUST (ESS)

COMPANY DESCRIPTION

• Apartment REIT – Owns apartments and commercial buildings in west metropolitan areas including Los Angeles, San Francisco and Seattle.

• Population Density moving towards metropolitan areas

• Positive Demographic increases in youth wealth, strict lending, preference to rent over own for millennials

• Pricing Power unless supply reacts and high sector growth rates.

Purchase Price: $233.86
Target Price: $291.62
Total Return: -3.49%
SENIOR HOUSING TRUST (SNH)

COMPANY DESCRIPTION

• Senior Housing & medical facility REIT – 423 properties in 43 states
• Favorable Demographics and life expectancy lead to expected strong future demand
• Sustained High Payout Ratio – Several years over 10% payout
• Three Years consistent growth annually and quarterly

Purchase Price $14.39
Target Price $17.93
Total Return 24.06%
RMR -> SNH SHARE DISTRIBUTION

• SNH day-to-day operations managed by RMR Group
• To better “align incentives” RMR Group distributed 15 million shares of stock

RMR GROUP

• Operates and manages REITs
• 52% of ownership privately held (two partners)
• Not previously publicly traded
• RMR Group planned for high dividend yield
  – $0.25 per share, per quarter. = 4.6% Dividend yield
• Provides exposure to 3 other REITs
*48% of ownership passed on

*15m aggregate shares passed to the 4 REITs

*7.5m shares passed along to REIT shareholders. Other 7.5m will be held by REITs

SNH passed-on 2.636m RMR shares to SNH shareholders
Distributed at a rate of .0111 RMR shares per SNH share

We hold 2240 SNH shares, so we received 24 RMR shares
LESSONS LEARNED

• Timing Rebalances is challenging because Earnings are spread out

• Active management of quantitative portfolio

• Appropriate time to cash out? – Lock gains vs face volatility

• Don’t time the market – It is impossible (January Dilemma)
Thank You
## REIT PERFORMANCE

<table>
<thead>
<tr>
<th></th>
<th># of Shares</th>
<th>Purchase Price</th>
<th>Target Price</th>
<th>Sell Price</th>
<th>Closing Price</th>
<th>Dividend</th>
<th>Gain or Loss</th>
<th>Total Return</th>
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<tbody>
<tr>
<td>Senior Housing Trust (SNH)</td>
<td>2240</td>
<td>$14.39</td>
<td>$18.84</td>
<td>$17.21</td>
<td>$0.39</td>
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<td>$7,190.40</td>
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<tr>
<td>RMR</td>
<td>24</td>
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<td>$565.44</td>
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<td>Cube Smart (CUBE)</td>
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<td>$29.34</td>
<td>$33.95</td>
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<td>$30.19</td>
<td>$0.42</td>
<td>$1,229.36</td>
<td>4.33%</td>
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<tr>
<td>Extra Space Storage (EXR)</td>
<td>336</td>
<td>$83.93</td>
<td>$95.83</td>
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<td>$86.00</td>
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<td>Essex Property Trust (ESS)</td>
<td>139</td>
<td>$233.86</td>
<td>$291.62</td>
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<td>$224.51</td>
<td>$1.18</td>
<td>($1,135.63)</td>
<td>-3.49%</td>
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<td>Aggregate</td>
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<td>$9,566.53</td>
<td>7.88%</td>
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FIXED INCOME – BOND ETFS

Investment Charter: Weighted Average greater than AA, Maturity less than 10 years