

Investment Process

The Optimum Q process provides a disciplined, quantitative approach to investing in U.S. equities. Its objective in all strategies is the same: to exploit multiple market inefficiencies to outperform the appropriate benchmark with moderate relative risk. The process consists of three main elements: portfolio selection, trading, and model construction.

Portfolio selection is a bottom-up process that integrates stock selection, trading cost control, and risk control to trade portfolios daily. A model analyzes up to six stock selection variables to assess profit trends, company valuation, and earnings risk from fundamental and behavioral perspectives. These assessments combine with estimates of potential trading costs and, where applicable, tax costs to determine the optimal portfolio subject to diversification constraints.

The actual trade decisions are thus fully transparent, yet purely quantitative, the product of a robust, completely integrated process. This permits a thoroughly disciplined approach to trading in which all trades are reviewed to ensure that they are based on accurate and current information, but no subjective judgment need — nor should — be overlaid on the model's decisions.

Models are constructed using advanced, computer-intensive algorithms and proprietary software. The software uncovers non-linear relationships inherent in financial data and estimates all model parameters simultaneously in a dynamic real world multi-period portfolio selection context. Typically, updated models are released every one to two years.