



6 Meridian utilizes quantitatively driven, systematic strategies to help clients gain access to U.S. stocks, which is important in supporting the core investing tenets of preserving, protecting, and growing wealth over long periods of time.

Once the investment universe has been selected, which varies by strategy, the overarching process as part of the initial screening is similar at the onset of portfolio construction. The starting point for all the strategies below is first rooted in the custom-built screening process that seeks to avoid companies that score poorly across a range of fundamental financial metrics, including the consistency, profitability, growth, and capital discipline of a business. An additional layer is then applied to also remove the stocks in each respective investment universe that have experienced weak price trends or poor momentum in their recent share price.



Mega Cap

The investment universe is focused on the largest 10% of U.S. stocks by market capitalization. Once the initial process of removing stocks scoring poorly on fundamentals and momentum measures is complete, any remaining stocks are then ranked on a stand-alone basis across multiple equity factors: Beta, Momentum, Yield, Value, and Quality. The stocks that rank highest in each factor are combined to create the portfolio. The weighting of each stock is dependent on the number of factors it ranks highly; therefore, stocks that meet the criteria of multiple factors have larger weights.

The objective is to provide exposure to U.S. Large-Cap Equities and deliver capital appreciation with an emphasis on risk-adjusted returns. The portfolio will be concentrated with less than 60-stocks and thus present a high active share relative to the broader U.S. stock market.



Hedged Equity – Index Option

The stock selection process is that same as Mega Cap, but the distinguishing aspect comes from the usage of selling call options against a broad-based and liquid index (such as the S&P 500) to dampen the volatility of the portfolio. We have found that selling options in this manner has improved portfolio outcomes when compared to selling call options against each of the individual stocks on their own.

The objective is to provide exposure to U.S. Large-Cap Equities but place an emphasis on reducing the volatility of the outcome. Selling call options may not perform as well as unhedged equity strategies in an upward trending stock market but may provide downside protection in a broader stock market decline.



Low Beta

The investment universe covers all market capitalizations in the U.S. equity landscape by looking into each of the Large Cap, Mid Cap, and Small Cap indices. Upon the initial screening to remove stocks scoring poorly on fundamental and momentum measures, the remaining stocks in each respective market cap are ranked according to their beta against their universe index. Research has shown that stocks with low betas have generated returns higher than those predicted by academic theory – specifically Capital Asset Pricing Model (CAPM) – while high beta stocks delivered returns below CAPM's expected levels.

The objective is to provide exposure to broad U.S. Equities and deliver capital appreciation by selecting securities with relatively lower exposure to broad equity market risk (beta). The portfolio will own approximately 80 stocks for each market cap bucket, thus creating a portfolio of approximately 240 securities. All stocks are equally weighted.



Small Cap

The investment universe is focused on U.S. Small-Cap stocks only. The initial quantitative screen to avoid stocks scoring poorly on fundamental and momentum measures is done first. Thereafter, the remaining securities are ranked on a stand-alone basis across two factors: Beta and Value. The stocks that rank highest in each factor are combined to create the portfolio, and stocks that rank highly in both factors will have larger weights.

The objective is to provide exposure to U.S. Small-Cap Equities and deliver capital appreciation with an emphasis on risk-adjusted returns. The portfolio will be diversified across approximately 80-90 stocks and will present a high active share relative to the broader U.S. Small-Cap market.



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