CAPITAL ADVISORS

MANAGED EQUITY GROWTH

Objective:	Long-Term Growth	**Process:**	Fundamental/Intrinsic Value
Asset Class:	Domestic Equity	**Implementation:**	Individual Stocks
Holdings:	25-35	**Style Box:**	Large Growth
Inception:	June 1978	**Structure:**[2]	SMA / Mutual Fund

Description

Rigorous fundamental analysis is combined with quantitative disciplines to identify undervalued stocks that exhibit signs of near-term positive change. The portfolio typically holds 25-35 large-cap and mid-cap growth stocks. The strategy strives for lower volatility and drawdown relative to peer group benchmarks.

Process

A universe of approximately 1,000 large-cap and mid-cap stocks is screened weekly across two dimensions. One screen identifies signals of low valuation using discounted present value calculations and other valuation multiples. A second screen identifies signs of near-term positive change by tracking the direction of profit margins, cash conversion, relative price strength, insider trading, and analyst sentiment, among others. Stocks that rise to the top of both screens simultaneously are subjected to a more intensive investigation to confirm the apparent valuation opportunity and identify potential reasons for its existence.

Each stock in the portfolio is categorized according to its degree of uncertainty. The most conservative category – "Stable Earners" – includes companies with well-established business models and limited variability from quarter to quarter. "Accelerated Growers" are in the rapid growth phase of their corporate life cycle, when the opportunity for profit is high, but so is the uncertainty surrounding the pace and duration of the accelerated growth period. The most aggressive category is called an "Emerging Franchise." These companies pioneer new industries, or apply a completely novel business model to an existing industry.

We manage risk in this strategy by tilting the relative weightings among Stable Earners, Accelerated Growers and Emerging Franchises based on the overall market climate. When the valuation level of the stock market is high, implying a relatively less favorable range of outcomes going forward, this strategy might increase its exposure to Stable Earners and reduce exposure to Emerging Franchises and Accelerated Growers. Cash may be used as a risk management tool over shorter time periods when moving average indicators and credit spreads suggest an elevated risk climate in the asset markets.

Role in Portfolio

The Managed Equity Growth strategy serves as a core allocation to the domestic equity asset class to achieve long-term capital appreciation.

[2] The acronym SMA refers to "Separately Managed Account."

DISCLOSURES

Introduction
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The **S&P 500 Index** is a stock market index based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ. The index components and their weightings are determined by S&P Dow Jones Indices.

MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada.

MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets.

S&P North American Natural Resource Index is an equity index that represents U.S. traded securities across a broadly defined North American Natural Resource sector. S&P Indices uses GICS® to determine a company's classification. The index is modified-capitalization weighted, where a stock's weight is capped at a level determined on a sector basis.

FTSE NAREIT U.S. Real Estate Index**:** An equity index that represents traded securities in the U.S. market structured as real estate investment trusts (REITs).

Bank of America/Merrill Lynch Government/Corporate 1-5 Year Bond Index is an index consisting of Treasury or government agency securities and investment grade corporate debt securities with maturities of one to five years.

Barclays Capital Aggregate Bond Index is a broad index of domestic investment grade fixed income securities designed to reflect the domestic investment grade bond market. The index includes U.S. government bonds, agency securities, and corporate bonds across the entire spectrum of the maturity yield curve.

Capital Advisors changed the name for three of its investment strategies on August 7, 2015. C Tactical Dynamic Allocation was changed to Capital Advisors Tactical Dynamic Allocation. C Tactical Global Growth was changed to Capital Advisors Tactical Global Growth, and C Tactical Equity Income was changed to Capital Advisors Tactical Global Income. The investment process did not change for any of the strategies.

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