

# ARGUS INNOVATORS PORTFOLIO

## INVESTMENT OBJECTIVE

The Argus Innovators Portfolio seeks to outperform the S&P 500 Index over a period longer than 12 months by holding a diversified basket of stocks issued by companies with proven records of innovation. Innovation happens when information, imagination, and initiative are combined with resources and execution to create value-added products and services that boost shareholder value. The portfolio focuses on innovative companies that spend aggressively on Research & Development, generate a high percentage of sales from products launched within the past five years, apply for and receive numerous patents, and develop cutting-edge management practices and methodologies that are adopted across industry verticals.

## INVESTOR PROFILE

The Argus Innovators Portfolio may be appropriate for investors who seek long-term capital appreciation with current income and as a secondary goal. The portfolio is designed for highly risk-tolerant investors who are willing to accept volatility in the portfolio's value. The portfolio is not intended to be a complete investment program and there is no guarantee that it will achieve its investment objective.

## PORTFOLIO STRATEGY

Beginning with the S&P 1500 Index, Argus selects an initial group of high-innovation companies based on a range of industry sources and the best judgment of its analysts. It then screens this group for companies that have outperformed their respective industry averages in at least two of the following categories: Gross Margin, Operating Margin, R&D expense as a percent of sales, one-, three- or five-

year revenue growth, one-, three- or five-year net income growth, and one-, three- or five-year market-cap growth. From the remaining pool, Argus selects at least 25 stocks of consistently profitable innovative companies from different market sectors, with a goal of achieving representation in at least 9 of the 11 GICS sectors.

## PORTFOLIO CONSTRAINTS

The portfolio will consist of twenty-five (25) to thirty-five (35) equally weighted stock holdings. The holdings will be reviewed on an ongoing basis and rebalanced back to equal weight as necessary. To reduce turnover, existing holdings that most closely meet the selection criteria will be retained. No single stock is meant to represent more than 5% of the portfolio or less than 2% of the portfolio, though the high volatility of individual holdings may result in one or more holdings exceeding or falling short of these thresholds. Holdings entering the portfolio will be added with an aggregate weight equal to that of the stocks they replace. For example, if three stocks with an aggregate weight of 10% are removed during a review, the replacement stocks will account for 10% of the portfolio. The portfolio consists

of stocks selected from the Argus Research Fundamental and Quantitative Universes of Coverage and may include stocks rated either BUY or HOLD. Generally, the portfolio management team favors BUY-rated stocks. However, in order to achieve objectives such as industry diversification or low turnover, HOLD-rated stocks may be included. At the discretion of the portfolio manager, portfolio holdings downgraded to SELL by Argus Research may be removed from the portfolio immediately or during a subsequent portfolio review or rebalance. Holdings deleted as a result of corporate actions may not be replaced until a subsequent portfolio review or rebalance. Except to facilitate transactions, the portfolio does not target a hypothetical cash balance.

## INCEPTION DATE: OCTOBER 2016

## CONTACT INFORMATION

**CATHLEEN LESKO**  
Client Services Manager  
CLesko@argusinvest.com  
(203) 548-9883

**RICHARD CIUBA**  
Director of Business Development  
RCiuba@argusresearch.com  
(646) 747-5439

**PORTFOLIO RISKS**

*An investment in the Argus Innovators Portfolio is subject to a range of market, income, sector, and management risks.*

**Market Risk**

The price of portfolio securities may decline due to unexpected changes in equity markets. Moreover, certain stocks and sectors may shift rapidly in and out of favor depending on market and economic conditions. Because the Innovators Portfolio does not target a hypothetical cash balance, portfolio returns may be more volatile than those of similar portfolios that maintain cash positions as part of a defensive strategy.

**Income Risk**

The portfolio's ability to generate income depends on the earnings and dividend payments of component securities. If dividends are reduced or eliminated, portfolio income is likely to decline.

**Sector Risk**

The Innovators Portfolio may emphasize certain sectors of the market. As such, portfolio returns may deviate substantially from those of diversified portfolios.

**Management Risk**

The portfolio manager may not be successful in selecting securities that collectively perform similar to the benchmark. Inclusion of securities is limited to the Argus Research Fundamental and Quantitative Universes of coverage. Changes to the portfolio may be inflexibly limited by portfolio constraints.

Argus Research Co. (ARC) is an independent investment research provider whose parent company, Argus Investors' Counsel, Inc. (AIC), is registered with the U.S. Securities and Exchange Commission. Argus Investors' Counsel is a subsidiary of The Argus Research Group, Inc. Neither The Argus Research Group nor any affiliate is a member of the FINRA or the SIPC. Argus Research is not a registered broker dealer and does not have investment banking operations. The Argus trademark, service mark and logo are the intellectual property of The Argus Research Group, Inc. The information contained in this research report is produced and copyrighted by Argus Research Co., and any unauthorized use, duplication, redistribution or disclosure is prohibited by law and can result in prosecution. The content of this report may be derived from Argus research reports, notes, or analyses. The opinions and information contained herein have been obtained or derived from sources believed to be reliable, but Argus makes no representation as to their timeliness, accuracy or completeness or for their fitness for any particular purpose. This report is not an offer to sell or a solicitation of an offer to buy any security. The information and material presented in this report are for general information only and do not specifically address individual investment objectives, financial situations or the particular needs of any specific person who may receive this report. Investing in any security or investment strategies discussed may not be suitable for you and it is recommended that you consult an independent investment advisor. Nothing in this report constitutes individual investment, legal or tax advice. Argus may issue or may have issued other reports that are inconsistent with or may reach different conclusions than those represented in this report, and all opinions are reflective of judgments made on the original date of publication. Argus is under no obligation to ensure that other reports are brought to the attention of any recipient of this report. Argus shall accept no liability for any loss arising from the use of this report, nor shall Argus treat all recipients of this report as customers simply by virtue of their receipt of this material. Investments involve risk and an investor may incur either profits or losses. Past performance should not be taken as an indication or guarantee of future performance. Argus has provided independent research since 1934. Argus officers, employees, agents and/or affiliates may have positions in stocks discussed in this report. No Argus officers, employees, agents and/or affiliates may serve as officers or directors of covered companies, or may own more than one percent of a covered company's stock. Argus Investors' Counsel (AIC), a portfolio management business based in Stamford, Connecticut, is a customer of Argus Research Co. (ARC), based in New York. Argus Investors' Counsel pays Argus Research Co. for research used in the management of the AIC core equity strategy and model portfolio and UIT products, and has the same access to Argus Research Co. reports as other customers. However, clients and prospective clients should note that Argus Investors' Counsel and Argus Research Co., as units of The Argus Research Group, have certain employees in common, including those with both research and portfolio management responsibilities, and that Argus Research Co. employees participate in the management and marketing of the AIC core equity strategy and UIT and model portfolio products.