

## Approach and Methodology

Cirrus Research employs proprietary databases, analytical frameworks and rigorous modeling techniques in its research. Below is an overview of our classification methodology and the tools we use to deliver innovative and thoughtful investment insights to our clients.

- **Company Classification** *5,000 Active Companies, 123 Cirrus Industries, 14 Economic Sectors*

The Cirrus Universe comprises 15,000-plus US companies which are or have been publicly traded, with approximately 5,000 public today. We believe producing meaningful time series work requires including all of these companies in our sample, categorized appropriately by sector, industry and market capitalization. Each company is assigned to one of 14 business sectors and then to an industry according to its line(s) of business.

- **Nano → Large Benchmarks** *Defining Smaller Cap for Cirrus Composites*

The Cirrus Universe is broken down further by market capitalization of Large, Mid, Small, Micro or Nano. These categories, based on capitalization percentiles as of December 2006, are defined: Large >\$9.2 billion; Mid \$2.4-\$9.2 billion; Small \$570 million-\$2.4 billion; Micro \$92million-\$570 million; Nano \$10-\$92 million.

Benchmarks are recalibrated each year based on market capitalization at calendar yearend. Companies are categorized accordingly for the forthcoming year.

- **The Cirrus Toolkit** *Relative Value Going Back to the '70s*

**Sector/Industry:** Cirrus tools evaluate market returns, valuation metrics and forecast data by sector, industry and market capitalization through the 1970s.

**Factor Tools:** Cirrus analyzes factors and their performance according to fractile ranking. These tools are used to assess the relevancy of various valuation, momentum, risk, trading and fundamental factors and to detect shifts in market perception, risk appetite and performance across sectors and industries.

**Time Series:** Cirrus leverages the above tools and databases to analyze the movement of valuation, growth and other metrics as they relate to sector and industry across time. Our databases contain data as far back as the 1960s.

- **Proprietary Portfolio Design** *Backtested Benchmarks and Multifactor Models*

Cirrus examines the efficacy of various stock selection methods. Fundamental data run through valuation, momentum and timing tools produces results used for Cirrus Signature Blend Portfolios and Short Models.