

# Convergence Unbiased Enhanced Index



September 2017

## Simply a better way to capture the market's potential

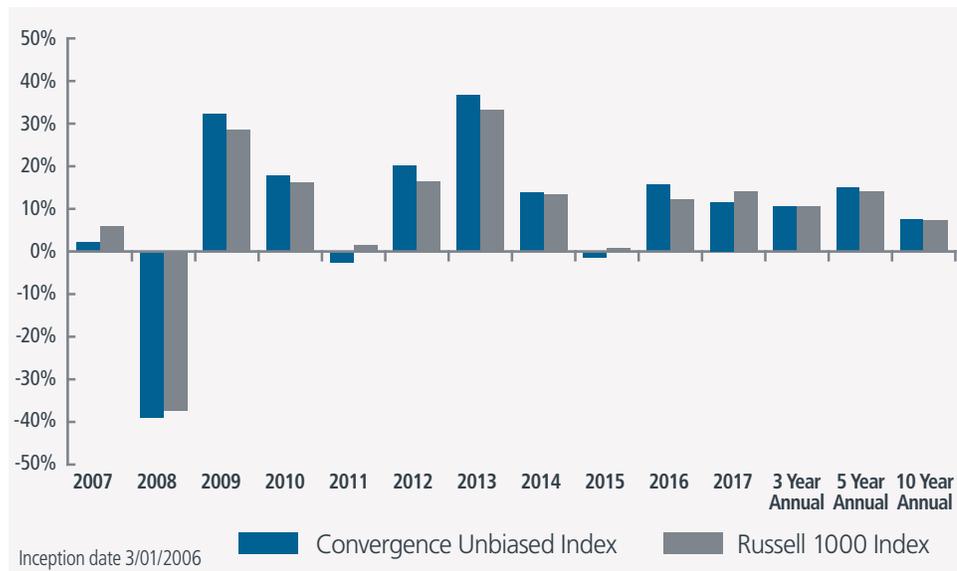
The Convergence Unbiased Enhanced Index (a fundamentally weighted index) uses a combined weighting of gross earnings, gross cash flow and gross sales to weight the U.S. stock universe. This methodology provides investors with a portfolio that is weighted towards tangible fundamentals as opposed to a simple cap weighting schema. Academic research and empirical analysis have shown that weighting stocks on fundamentals, as opposed to capitalization, may provide meaningful alpha over the course of the market cycle.

## About Convergence

Convergence Investment Partners is an active equity manager dedicated to managing outstanding U.S. equity strategies. Our team's experience spans decades of investing based on fundamental stock picking combined with advanced technology. This has allowed us to develop systematic stock selection strategies that we believe helps garner powerful results. Our firm's name, Convergence, communicates our philosophy of a fundamental stock picking process that incorporates the intersection of sound investment theory executed in a disciplined environment utilizing advanced technology.

## Performance (net of fees)

Mar 2006 - Sep 2017	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	3 Year Annual	5 Year Annual	10 Year Annual
Convergence Unbiased Index	2.04%	-39.12%	32.26%	17.85%	-2.66%	20.09%	36.73%	13.84%	-1.09%	15.54%	11.39%	10.55%	15.18%	7.59%
Russell 1000 Index	5.77%	-37.60%	28.43%	16.10%	1.50%	16.42%	33.11%	13.24%	0.92%	12.05%	14.17%	10.63%	14.27%	7.55%



## What is an Unbiased Index?

An Unbiased Index is constructed with the intention of eliminating the impacts of irrational market participants. We believe weighting an index's constituents by fundamental statistics, as opposed to price influence metrics (i.e. market capitalization) minimizes exposure to "bubbles." In the Convergence Unbiased Index, overvalued stocks, that are pushed up in price by irrational exuberance, are weighted differently within the index; their weights remain as determined by the companies' underlying fundamentals.

## Why use an Unbiased Index?

Seeks improved returns with comparable risks.

Forty years of back-tested Indices weighted by any of several fundamental factors including sales, earnings, cash flow, book value, or dividends in U.S. markets outperformed the S&P 500 by approximately 2% per annum with volatility similar to the S&P 500.\*

## Portfolio Statistics (9/30/2017)

Sector Weight %	Convergence Unbiased	Russell 1000
Consumer Discretionary	14.94	12.22
Consumer Staples	10.88	7.72
Energy	4.22	5.92
Financials	17.53	14.77
Healthcare	13.14	13.83
Industrials	10.61	10.50
Technology	18.63	22.79
Materials	3.09	3.34
Real Estate	1.26	3.71
Telecommunication	3.50	2.09
Utilities	1.90	3.10
Total	100.00	100.00

Strategy holdings and sector allocations are as of 9/30/2017, are subject to change and should not be considered a recommendation to buy or sell any security.

## Ten Largest Holdings (percent)

Apple Inc	3.01
Wal Mart Stores Inc	2.69
J P Morgan Chase & Co	2.01
Citigroup Inc	1.63
Berkshire Hathaway Inc	1.50
Microsoft Corp	1.48
At&T Inc	1.44
Verizon Communications	1.35
Wells Fargo & Co New	1.27
Alphabet Inc Cl-C	1.23

## Investment Characteristics

Characteristic	Convergence Unbiased	Russell 1000
Price/Earnings Ratio	20.40	24.70
Price to Book	2.31	2.85
Beta	1.05	1.01
Return on Assets	6.1%	6.6%
EPS Growth*	7.0%	6.9%
Capitalization (millions)	\$141,568	\$156,212
Number of Holdings	493	980
*5 year trailing		

Past performance is not indicative of future results.

\* Arnott, Robert. Hsu, Jason. Moore, Phil. "Fundamental Indexation." Financial Analyst Journal. Volume 61. Number 2. 2005.

## Appendix

## Convergence Unbiased Index Composite (as of 6/30/17)

	Gross of Fees Return	Net of Fees Return	Benchmark Return (Russell 1000)	Composite Dispersion (Full Period)	Number of Separate Accounts (End of Period)	Total Composite Assets (End of Period)	Total Firm Assets (End of Period)	3 Year Annualized Standard Deviation (Composite)	3 Year Annualized Standard Deviation (Russell 1000)
2006 (3/01/2006 - 12/31/2006)	12.19%	12.08%	12.06%	N/A*	1	\$3,302,126	\$39,742,010	N/A	N/A
2007	2.22%	2.04%	5.77%	0.07	11	\$43,286,927	\$106,671,978	N/A	N/A
2008	-38.98%	-39.12%	-37.60%	0.35	8	\$21,354,300	\$71,507,256	N/A	N/A
2009	32.56%	32.26%	28.43%	0.24	5	\$26,762,426	\$66,537,478	22.18	20.33
2010	18.04%	17.85%	16.10%	0.00	3	\$23,061,364	\$93,181,292	24.64	22.60
2011	-2.60%	-2.66%	1.50%	0.11	3	\$22,894,343	\$154,362,324	21.31	19.22
2012	20.17%	20.09%	16.42%	0.17	3	\$26,404,011	\$217,790,421	17.01	15.62
2013	36.80%	36.73%	33.11%	0.21	4	\$32,551,135	\$492,677,907	13.80	12.43
2014	13.86%	13.84%	13.24%	0.06	4	\$32,960,286	\$553,692,556	10.01	9.25
2015	-0.88%	-1.09%	0.92%	0.08	4	\$32,235,938	\$444,781,578	11.04	10.63
2016	15.80%	15.54%	12.05%	0.28	4	\$29,368,744	\$398,488,819	11.30	10.84
2017 (as of 6/30/2017)	6.75%	6.62%	9.27%	0.25	4	\$30,658,749	\$388,767,673	10.87	10.45

\*N/A is shown because there were five or fewer portfolios in the composite for the full year.

The information provided herein is for informational purposes only. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies discussed in this documentation and should understand that statements regarding future prospects may not be realized. Investors should note that income from such securities may fluctuate and that each security's price or value may rise or fall. Accordingly, investors may receive back less than originally invested.

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**GIPS COMPLIANCE DISCLOSURES****Compliance Statement**

Convergence Investment Partners claims compliance with the Global Investment Performance Standards (GIPS) and has prepared and presented this report in compliance with the GIPS standards.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

The firm maintains a complete list and description of composites, which is available upon request. Results are based on discretionary separate accounts under management, including those accounts no longer with the firm. The U.S. Dollar is the currency used to express

performance returns and assets. Performance results are presented both net and gross of management fees and include the reinvestment of income. From the inception of each composite until 01/01/11, Time Weighted Return was compounded on a monthly basis. Beginning 01/01/11 through present, Time Weighted Return was compounded on a daily basis.

**Definition of the Firm**

The firm is defined as Convergence Investment Partners, LLC ("Convergence Investment Partners"), a majority owned subsidiary of Montage Investments, LLC ("Montage"). Montage is a wholly owned subsidiary of Mariner Holdings, LLC. Convergence Investment Partners is an investment adviser registered with the Securities and Exchange Commission. Registration does not imply a certain skill level or training. Convergence Investment Partners is an active equity manager dedicated to managing outstanding U.S. equity strategies. Convergence uses its proprietary process to select and rank investments, construct portfolios, and help manage risk in each of its products. Convergence strategies are based on corporate fundamentals supported by compelling empirical results that are applied within each industry group. The name, Convergence, communicates the firm's philosophy of a fundamental stock picking process that incorporates the intersection of sound investment theory executed in a disciplined environment utilizing advanced technology. The total firm assets will be defined as all discretionary and non-discretionary assets under management within Convergence Investment Partners. This includes primary investment management accounts and sub-advisory investment management accounts, as well as both fee-paying and non-fee paying assets.

**The Convergence Unbiased Index Composite**

The creation date of the composite is March 1, 2006. The Convergence Unbiased Index Strategy uses a combined weighting of Gross Earnings, Gross Cash Flow, and Gross Sales to weight the U.S. stock universe seeking to improve returns with comparable risks.

The portfolio returns have been compared to the Russell 1000® Index. The Russell 1000® Index measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000® Index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership. You cannot invest directly in an index. Comparison of the Composite to these benchmarks is for illustrative purposes only and the volatility of the benchmarks may be materially different from the volatility of the Composite due to varying degrees of diversification and / or other factors.

Since Inception, Convergence Investment Partners has adopted the following Significant Cash Flow Policy for the composite. If a single or cumulative cash flow(s) are equal or greater than 20 percent of the total account value on the day the cash flow(s) is initiated. If these circumstances exist, the account will be removed from the composite and added back to the composite on the first day of the month following the date that the account is fully invested (defined as being within ten percent of the model portfolios cash target).

The three year annualized standard deviation is calculated using 36

monthly returns to end of period for the Unbiased Index Strategy. 36 months of returns were not available prior to 2009.

**Fees and Related**

The full fee schedule for all Convergence Investment Partners products is available upon request. It should be noted that the collection of fees produces a compounding effect on the total rate of return net of management fees. Convergence Investment Partners Unbiased Index Strategy charges 0.40% annually, and is assessed 0.10% on a quarterly basis. Convergence Investment Partners reserves the right to modify fee structures on an account by account basis at its discretion.

Gross of fee performance returns are presented before management fees but after all trading expenses. No other fees or expenses are deducted for gross of fee performance. Net of fee performance returns are presented after actual standard management fees and all trading expenses. No other fees are deducted aside from trading and management fees for the calculation of net of fee performance. Valuations are net of all applicable withholding taxes. Portfolios are valued in accordance with GIPS® Valuation Hierarchy Principles. More information regarding standard investment management fees is available upon request.

**Additional Notes and Disclosures**

The use of derivatives may be employed for purposes of currency hedging and or to equitize the cash position of the portfolios. Derivatives have not been used to date, and it is expected that any future use would be on a limited basis. Past performance is not indicative of future results. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Full Calendar year dispersion is calculated using net-of-fee returns with an Equal weighted Standard deviation methodology.

The minimum account size for composite inclusion is \$100,000.

The performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate thus an investor's separate account may be worth more or less than its original value.

Current performance may be lower or higher than return data quoted herein. To obtain a full GIPS® compliant presentation, contact the money management firm directly, at 262-240-0117 or visit [www.investcip.com](http://www.investcip.com).