



Wealth creation through good  
stock picking!

## **LARGE CAP VALUE STRATEGY (“LCV”)**

KCM employs a combination of quantitative, fundamental, and technical tools to evaluate the stocks that are employed in the strategy. On a quarterly basis, our process establishes the weights for each sector from our benchmark index (e.g. Russell 1000 value). Actual model sector weights are adjusted to reflect KCM’s benchmark sector valuations which may lead to over, under, or equal model weights versus the benchmark’s sector weights. The quantitative process then evaluates all stocks held in the benchmark index to define the best candidates for inclusion in our model. These finalist candidates are then subjected to further, rigorous fundamental analysis to bring the list down to the top 10 picks in rank order. Technical analysis is then applied to determine the final stocks to include in our model. Stocks selected are acquired on an equal weighted basis rather than cap weighted. Portfolios are targeted to hold 40 stocks and 2% cash as “frictional cash”. A price target is set for each stock at the time it is purchased.

On a daily basis all stocks held for a client’s portfolio are tracked to determine price peaks, deterioration in price, attainment of an initial price target and other “price-related” events which could trigger a re-evaluation of the stock. Such re-evaluations can lead to a hold, addition to a position, a trim of a position, or a sale of a full position.

KCM believes that its systematic, disciplined, and consistent process limits risk, maintains appropriate diversification, and ensures close correlation to a value style and our style peers.

Portfolios can be expected to follow the total return track of relevant style-based indices such as the Russell 1000 Value Index, have a high statistical correlation to the style benchmark, exhibit financial characteristics similar to the style benchmark, and a dividend yield approximating that of the style benchmark.

Turnover is relatively moderate and tax consequences are monitored for taxable accounts.

Our performance goal is to generate total returns, over rolling three year periods, superior to those of our style benchmarks. When our style is generally “in favor” we also expect to exceed the total return of general market indices such as the S&P 500 and Russell 1000 Indices.

Contact us for more information as well as the LCV performance history:

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