

## VERUS FUNDAMENTAL X-RAY MODEL

The Verus Fundamental X-Ray Model (FXM) is a quantitative factor that is designed to capture the information contained in key fundamental metrics. The model was developed using rigorous statistical methods to ensure a robust factor that generates excess returns on a standalone basis and in combination with variables included in existing models. The result is a unique factor with exceptional returns and relatively low correlation with many other factors, such as those derived from analyst revisions, price momentum, and accruals.

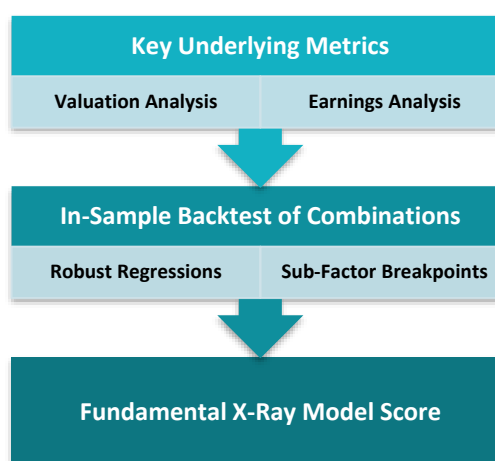
### Methodology

FXM was constructed using a multiple regression approach estimated in pooled time series, cross section that incorporates important dimensions of companies' fundamentals. When considered together, these dimensions or "sub-factors" provide a means of reliably ranking firms monotonically according to both their expected mean and median excess returns.

Valuation analysis considers time-tested ratios such as Price/Sales, Price/Earnings and P/E ratio relative to growth, to identify companies that are over- or under-valued relative to their normalized earnings power.

Earnings analysis encompasses quantitative assessments of earnings growth, momentum, and non-GAAP vs. GAAP differences, to identify high quality companies with solid growth profiles.

Combining the valuation and earnings variables results in identification of stocks which are selling at reasonable valuations relative to their respective normalized earnings power and growth.



### Universe of Coverage

FXM scores stocks on an 8 (best) to 1 (worst) scale for the top 4,500 U.S. companies by market capitalization listed on NYSE and NASDAQ. Scores are generated weekly, on Friday mornings.

### Out-of-Sample Performance<sup>1</sup>

For the periods July 1998 – June 1999 and July 1998 – September 2023:

Score	6 Month Raw	6 Month Excess	12 Month Raw	12 Month Excess
8	7.40%	1.04%	15.87%	1.64%
1	3.12%	-2.05%	8.79%	-2.87%
Annualized Spread	8.56%	6.18%	7.08%	4.51%

<sup>1</sup> Raw returns are computed using compounded, dividend-inclusive returns. Excess returns are calculated for each score by subtracting the equally weighted mean sector and size category from the raw return for the related security.