

# EMERALD

## INVESTMENT RESEARCH PROCESS

Emerald's in-house research team focuses on providing intense fundamental bottom-up research and analysis of small and mid-cap growth companies in a wide range of industries. In researching each individual company or security, our analysts utilize this proprietary 10-step process.



### 10-Step Process

**1. Review SEC filings, press releases and news stories.**

The process includes monitoring relevant media sources such as industry press, financial press and popular press.

**2. Meet with management.**

Conduct on-site meetings with management across the organization in areas such as executive management, marketing, product development, operations and finance. The Emerald Research Team conducts over 2,000 meetings per year.

**3. Interview customers.**

Interview customers to determine (1) the critical factors driving their buy decision, (2) what competitors or alternatives were considered, (3) level of satisfaction with the quality of the product or service, and (4) likelihood of generating repeat business.

**4. Interview competitors.**

Interview competitors to determine their strengths and weaknesses, as well the competitors' perception of the strengths and weaknesses of the company.

**5. Interview suppliers.**

Interview suppliers to determine their ability to supply the products/services required by the company. Also, assess the extent of potential supply chain bottlenecks.

**6. Interview distributors.**

Interview distributors to determine potential issues and opportunities in the company's distribution channel such as inventory levels, demand drivers and competitive pressures.

**7. Develop financial and valuation models.**

Develop a financial model to analyze financial performance and estimate future cash flows, earnings and financing needs. Use a valuation model to analyze relative and absolute valuation.

**8. Review third party research.**

Review published research from sell-side analysts and industry research firms to compare our data points and financial estimates. Also, use third party research to assess security-specific and industry-specific sentiment.

**9. Publish an internal research report.**

Publish an internal research report summarizing the company's business, competitive advantages, management strengths/weaknesses, growth drivers and risks, as well as stating investment conclusions and recommendations.

**10. Communicate, Communicate, Communicate.**

The entire research team meets formally twice per week and informally on an ongoing basis with the portfolio management team to discuss the fundamentals of all current and potential holdings. Internal discussions are held throughout the process.