

# Quick Reference Card (QRC)

## Utilize ENTER™ Quality Framework to Ensure Content Has Value

Philosophy	Put into Action
<p><b>Expectational:</b> Always be thinking about the future, all in an effort to convey how your expectations differ from consensus, and resist the temptation to focus on the past. Understanding historical trends is important (and much easier than forecasting the future), but only spend time in this area if it helps in forecasting a future stock price move. Think of all of the pointless quarterly write-ups that are the equivalent of reporting last week's weather (rather than predicting future trends).</p>	<ul style="list-style-type: none"> <li>• Ensure that you have a forward-looking view of the most important critical factors for each company.</li> <li>• Identify important dates or events that could be catalysts to cause the stock to perform significantly different from its peers or the broader market.</li> <li>• When responding to news flow, such as a company's earnings release, keep asking yourself, "How does this change my <i>forward view</i>?"</li> </ul>
<p><b>Novel:</b> Identify the piece of information you have that's not in the consensus view, or if responding to news flow, ask yourself, "How is the market misinterpreting the information?" If a company's quarterly results don't change your future view, how is spending time beyond digesting the information helping others? (It's probably not).</p>	<ul style="list-style-type: none"> <li>• Determine where your information fits into the FaVeS* framework for stock picking. If it doesn't cover one of those areas or a catalyst, it's probably not worth communicating.</li> <li>• Ask yourself, "Why would an owner of the stock be interested in learning my insight today?"</li> <li>• Avoid the common mistake of communicating information that's not unique (telling someone that a stock is at a 12x P/E multiple, when it should be at a 14x multiple is not novel).</li> </ul>
<p><b>Thorough:</b> Ensure the thoroughness of your research is commensurate with the potential impact on your stock(s) by obtaining insights to accurately forecast critical factors. Most analysts are employed by firms that ask clients to pay for their thorough research...which should go beyond just accepting management guidance.</p>	<ul style="list-style-type: none"> <li>• Have more than one source of information to confirm an out-of-consensus critical factor when it's imperative to your stock call.</li> <li>• Create a financial forecast that's detailed enough to test your hypothesis (e.g., if it's a call on product pricing by segment, there should be historical and forecasted segment pricing in the model).</li> <li>• Use management guidance sparingly (discuss management guidance to show how it <i>contrasts</i> with your view, not as your primary source of information).</li> </ul>
<p><b>Examinable:</b> The best way to raise the quality of any piece of professional work is to expose it to talented peers. It's not necessary to reveal proprietary sources, but effort should be made to provide enough depth to others (investment committee, trusted colleague, etc.) to see if they would draw the same conclusion.</p>	<ul style="list-style-type: none"> <li>• Collect all of the important data points for others to arrive at your conclusion, including upside and downside scenarios.</li> <li>• Clearly separate:             <ul style="list-style-type: none"> <li>○ Your opinion or forecast from...</li> <li>○ Views from others from...</li> <li>○ Undisputable facts</li> </ul> </li> <li>• Prepare your financial forecast and valuation framework so you can provide others enough detail to see the assumptions for your critical factors and price target(s).</li> </ul>
<p><b>Revealing:</b> Identify specific risks not in your base-case scenario, both positive and negative, by determining why the market believes the stock's current price is more correct than your price target. For an out-of-consensus stock call, assess your conviction level to allow others to gauge the risks to your thesis.</p>	<ul style="list-style-type: none"> <li>• Conduct upside and downside scenarios in addition to your base-case scenario.</li> <li>• Don't just identify only general macro risks, such as, "the economy might slow" or "inflation may accelerate," but include risks to the critical factors where you are out of consensus.</li> <li>• For your own use, write down why you have your current level of conviction, and what it would take to change it.</li> </ul>