

## **Portfolio Profile**

GEGC seeks above-average growth with value characteristics. The below chart is the latest profile of the 41 stocks in the portfolio.

<b>Average Market Cap.</b>	\$20615 MM
<b>P/E</b>	24.5X
<b>Growth</b>	17.6%
<b>Price/Book</b>	5.2X
<b>Price/Self Financing</b>	1.0X
<b>U.S. Exposure</b>	66%

The percentage of GEGC's portfolio allocated to countries not in the S&P Global Small Cap Index was 0.0%.

The chart below indicates the regional distribution.

<b>EUROPE</b>	15
<b>USA</b>	66
<b>ASIA</b>	5
<b>MIDDLE EAST</b>	5
<b>CANADA</b>	5

The below chart indicates the concentration among the largest country exposures.

<b>Largest Country Exposure (%)</b>	
<b>USA</b>	66
<b>UK</b>	7
<b>ISRAEL</b>	5
<b>CHINA</b>	3
<b>CANADA</b>	5
<b>ITALY</b>	7
<b>THAILAND</b>	2

The below chart shows the five largest holdings in GEGC's portfolio.

<b>Five Largest Holdings (%)</b>		
<b>COUNTRY</b>	<b>PORTFOLIO</b>	<b>DESCRIPTION</b>
<b>Italy</b>	7	Pharma
<b>US</b>	6	Finance
<b>US</b>	5	Retail
<b>US</b>	5	Technology
<b>US</b>	5	Homebuilder

The chart below shows the industry concentration of GEGC's portfolio.

<b>GEGC INDUSTRY MAJOR SECTOR EXPOSURE (%)</b>	
<b>CONSUMER/STABLE</b>	2
<b>TECHNOLOGY</b>	43
<b>BASIC INDUSTRY</b>	11
<b>HEALTHCARE</b>	7
<b>CONSUMER/CYCLICAL</b>	18
<b>FINANCE</b>	17

Below are some of GEGC's risk measures (standard deviation is based on annual data). GEGC's Information Ratio is 0.40 (annual geometric basis) and its Beta against the S&P/Global Small Cap Index is 0.96

	Ave. Return	Standard Deviation	Beta	Sharpe	Treynor	Jensen	M <sup>2</sup>
GEGC	.142	.231	1.12	.507	.105	.020	-.001
SP 500	.112	.170	1	.514	.087	0	0
R <sup>2</sup>	.71						

## **GEGC Investment Discipline**

GEGC employs a disciplined approach for more established small-cap growth companies and a system for investing in truly emerging growth stocks that have limited historical records but are on the verge of significant growth. GEGC's management has helped pioneer what is popularly being called today, Fusion Analysis, for over 40 years in managing equity portfolios. *Fusion Analysis*, the book, is authored by John and has also been translated into Mandarin. The portfolio manager, John Palicka CFA CMT also teaches Fusion Analysis as an academic course at leading learning institutions and asset management firms. This analysis filters and blends the four investment forces of fundamentals, technical, behavioral, and quant. These criteria are applied to publicly-traded companies which have relatively small market caps (usually under \$1 billion and much smaller in some countries). This provides a short list of candidate companies from which GEGC may choose for possible investment. Further details are provided below.

## ● **Financial Characteristics In Our Companies Include**

- Unique companies that are one of a kind or leaders. They are highly profitable with good margins and ROEs. Fusion has innovated Ecostat earnings which better capture true TAM earnings and subsequent valuations, than mainstream models.
- Strong balance sheets with LT Debt/Cap under 50% and they can tap the capital markets to finance growth.
- Attractively priced by constraining the expected P/E ratio relative to the overall market level (generally 125% at time of purchase) or to a projected growth rate (greater than the expected P/E/ ratio) in the case of emerging growth companies. In general, companies should show minimum growth rates of 15%.
- Capacity for self-financing based on good cash flows.

## ● **Our Strategy Includes:**

- Mostly bottoms-up philosophy as we attempt to select the most promising companies within each country.
- Little or no FX hedging. Little or no market-timing decisions, hence low cash levels.
- The portfolio is diversified among at least ten industry groups and at least 40 stocks for larger accounts requiring more diversification.
- At least 20% of the portfolio can have foreign stocks in at least three countries.
- Moderate or low portfolio turnover is anticipated on a seasoned portfolio as GEGC seeks long-term capital appreciation and minimizes transaction costs.

## ● **Methods of Operation**

- Use cyber-quant expert systems that develop and run data base screens to provide ideas.
- Work with investment boutiques that specialize in global small-cap ideas.
- Analyze foreign and domestic financial statements.
- Communicate with managements and attend analyst seminars and company meetings.

## ● **Fees And Administration**

- Fees are no longer based on an AUM model. They are negotiable but based on \$1,000/hour. There is an initial consultation with regular follow ups. These hours are estimated and provided to clients ahead of time. Clients are informed if certain services must be outsourced because they are not in the expertise of the manager.
- No load or exit fees.
- Advisory agreement to manage the portfolio which shall be housed in an international investment firm.
- Regular daily online statements priced in U.S. dollars.
- Regular quarterly statements with performance analysis.

- Trades mostly done in U.S. dollars.
- Custody held by client or in client's brokerage house/custodian.
- Proxy voting at discretion of client.
- GEGC does not pay soft dollars for brokerage services. Directing commissions to brokerage firms for customer referrals has always been prohibited, as well as "pay and play" agreements with consultants. GEGC does not spend much time and expense on marketing in order to keep its expenses low. Hence it can better pass along performance to clients.
- The minimum account size is \$10,000,000 (assuming assets are being accepted)