

Kames Fundamentals, Valuations, Technicals (FVT)

Stock picking for persistent returns

We build high active share, high conviction portfolios from the bottom up which are designed to do one thing: outperform the market and generate long-term returns for our investors.

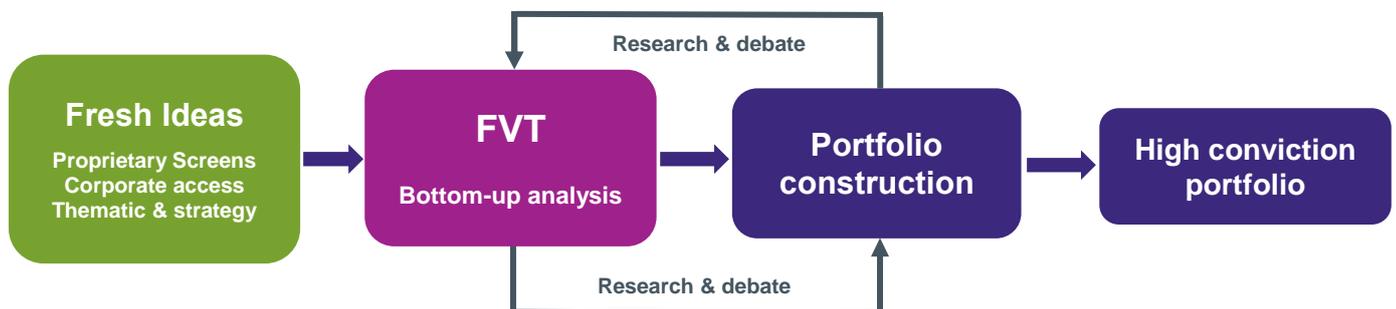
Although our strategies may have a variety of objectives such as income or growth, we use a common language and framework to analyse the most promising companies, Kames FVT.

We look where others don't and challenge market assumptions for change or persistency

To uncover the hidden value in equity markets:

- we focus our research effort towards less researched businesses
- we aim to identify companies where changes in fundamentals are underestimated by the market

The heart of our bottom-up research: Kames FVT



FVT encompasses the three aspects of our detailed bottom-up analysis: Fundamentals, Valuation and Technicals. While we dedicate the majority of our time to fundamental research, the exact proportion of each aspect of the analysis is fluid and varies on a case-by-case basis.

- **Fundamentals - will they change or persist for longer than the market expects?**

The key things we look for are indications of underestimated change or persistency. We search for evidence that fundamentals will improve or simply persist for longer than the market expects. This in turn will typically lead to a higher valuation, higher cash flows and a re-rating over time.

- **Valuation - what is priced into the shares and do we agree?**

Once we have a view on fundamentals, valuation helps us understand what the market is currently pricing and whether we agree or not. We consider both absolute and relative valuations in our assessment.

Ultimately we want to identify companies where the market is mispricing our fundamental assumptions.

- **Technicals - taking advantage of short-term noise and fine tuning entry and exit points**

While fundamentals drive long-term returns, we recognize that the psychology of the crowd influences share prices in the short term. Understanding of technical factors including an emphasis upon the earnings forecast progression helps us to identify information beyond fundamental data.

We use it to fine tune entry and exit points, improve the success rate of our investment decisions and question or confirm fundamental views. For instance, repeated negative earnings revision for a company we believe is on the path of accelerated growth will provide an opportunity to revisit our investment analysis and potentially change our view.

The common theme across the FVT process is underestimated change or persistency.

For Professional Clients only and not to be distributed to or relied upon by retail clients.

Past performance is not a guide to future performance. Outcomes, including the payment of income, are not guaranteed.

Opinions expressed represent our understanding of the current and historical positions of the market and are not an investment recommendation, research or advice. All content within is communicated to the recipient for marketing purposes only. Any securities and related trading strategies referenced may or may not be held/used in any strategy/portfolio. Any Opinions and/or example trades/securities are only present for the purposes of promoting Kames Capital's investment management capabilities. Sources used, both internal and external, are deemed reliable by Kames Capital at the time of writing

All data is sourced to Kames Capital unless otherwise stated. The document is accurate at the time of writing but is subject to change without notice.

Data attributed to a third party ("3rd Party Data") is proprietary to that third party and/or other suppliers (the "Data Owner") and is used by Kames Capital under licence. 3rd Party Data: (i) may not be copied or distributed; and (ii) is not warranted to be accurate, complete or timely. None of the Data Owner, Kames Capital or any other person connected to, or from whom Kames Capital sources, 3rd Party Data is liable for any losses or liabilities arising from use of 3rd Party Data.

Kames Capital plc is authorised and regulated by the Financial Conduct Authority.