

## Perpetual Curiosity Required

A Friess researcher's work is never done. Given that the next bit of information could change how a researcher feels about a company, he or she needs to be relentless at work, persistently inquisitive about the factors most likely to affect the company's outlook.

Moreover, the responsibility doesn't end when a researcher leaves the office at the end of the day. When monitoring an existing holding or searching for a new idea, the key insight might not come in the most likely setting or from the most likely source. Business-minded curiosity is part of the job description.

Information is everywhere. Whether it's a scheduled call with a senior executive or a casual conversation with the person who happens to occupy the next seat on the plane, Friess researchers recognize that the next piece of the mosaic that helps them see the bigger picture might come from an unexpected source.

With that in mind, our investment strategy extends researchers freedom to roam. It's virtually free from constraints that could divert our attention from the best companies that unrestricted bottom-up research can identify. We believe investment opportunities with promising potential can be found in every corner of the equity market, so we make sure our researchers are free to go where their research legwork takes them.

Some investors distinguish themselves as experts, specialists in technology, banking or some other specific field. Similarly, portfolio managers that offer investment vehicles defined by company size or industry affiliation often conduct research in a manner consistent with their stated focus.

We take the broadest possible view of the U.S. equity universe as our starting point. Reflecting this, Friess researchers are generalists, giving them the freedom to suggest the best ideas they uncover regardless of industry. The generalist approach we follow eliminates the risk of having, for example, a telecommunications analyst who might recommend buying a telecom company at a time when the company doesn't represent a good investment.

That's not to minimize the importance of sector-specific expertise. Each Friess researcher has specialized knowledge gained over years of researching companies and, through corporate culture and information-sharing technology we embrace, the entire team benefits from it. Friess researchers average about two decades in the business. Still, maintaining our generalist approach gives us the flexibility to move to the next pockets of earnings strength as the environment evolves.

Apart from the freedom to cross industry lines, we think it's just as important for researchers to enjoy the ability to work with companies of all sizes. Even though we manage funds and separate portfolios with specific guidelines, Friess researchers are not directed to conduct research in any predefined market-cap window.

We conduct all-cap research. That means our focus encompasses the entire market-cap spectrum, enabling us to build a comprehensive understanding of a company's complete "food chain." Rather than taking a narrow snapshot of large-cap stocks, for instance, our research covers a large-cap company's mid-cap supplier and its small-cap vendor. We believe this broader view positions us to uncover trends that foreshadow trouble or point to opportunity before they become obvious to managers strictly tied to a particular market-cap category.

Companies big and small contribute to our research work even when they don't ultimately end up as portfolio holdings. Although we might start a conversation with a particular target in mind, it's common for us to learn about new and unexpected avenues to explore by the interview's end.

Regardless of size, most public companies are guided by a plan, a strategy that unifies employees with a common purpose. To attract attention to their stocks, company managements share these plans with Wall Street, in most cases forecasting specific operational outcomes. Somewhere between the plan that management outlines and the attention it garners, expectations form.

A company's performance relative to expectations becomes a material influence on the direction of its share price. That's why investors expend so much energy on gaining insight into business trends. We believe investors who pigeonhole their analysts or limit the scope of their fundamental research omit valuable sources of intelligence.

### Friess Investment Strategy Highlights

- Rapidly growing companies
- Reasonable price-to-earnings ratios
- Focus on companies likely to exceed consensus earnings estimates
- Emphasis on under-researched, lesser-known companies rather than industry leaders
- Intensive and repeated contacts with company managements, customers, competitors and suppliers