

# Alpha Windward LLC

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## ***Investment Products / Strategy Review***

Fourth Quarter – December 31, 2011

Prepared By

Benjamin G. Dawson

Managing Director

[bgdawson@alphawindward.com](mailto:bgdawson@alphawindward.com)

[www.alphawindward.com](http://www.alphawindward.com)

200 Lowder Brook Drive – Suite 2400  
Westwood, MA 02090-1178

(781) 326-8880  
Fax: (781) 326-3446

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Private Client Management (PCM) – Investment Products/Strategy Review

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## ***Blue Chip Growth:***

- ◆ Equity Focus On Blue Chip, High-Quality, Growth-Oriented Companies At A Reasonable Price (GARP)
- ◆ Focus On Companies With Industry Leadership, Strong Management, Solid Financial Strength And Operating Cash Flow, Above-Average Sustainable Growth Rates (High ROE), And Strategic Competitive Advantages
- ◆ Seek To Maximize After-Tax Returns Through Low Portfolio Turnover And Loss Harvesting

## ***LargeCap Passive/Active:***

- ◆ Customized Benchmark LargeCap U.S. Stock Universe – AW 200 stock universe (the largest 200 U.S. common stocks)
- ◆ Passive Weightings To 24 Industry Groups Within Benchmark Universes
- ◆ Diversified Portfolio of Stocks With Above-Average Expected Returns And Reduced Risk
- ◆ Blend Of Value And Growth Characteristics With A Slant Towards Value

## ***Blue Chip Income:***

- ◆ The Blue Chip Income Universe Consists Of Large-Capitalization, High-Quality, Dividend-Paying Stocks
- ◆ The Universe Is Evaluated By MFRS Projected Alpha, Financial Strength, Dividend Yield, Return On Equity, Free Cash Flow, Forecasted Earnings And More
- ◆ Control Risk By Broad Equity Diversification – Passive Weightings To 24 Industry Groups
- ◆ Blend Of Value, Growth And Quality Characteristics
- ◆ Portfolio Consists Of Approximately 55 To 65 Stocks

## ***MidCap Passive/Active:***

- ◆ Customized Benchmark MidCap U.S. Stock Universe – AW MidCap stock universe (U.S. common stocks with a market capitalization ranking from 201 to 1,000)
- ◆ Passive Weightings To 24 Industry Groups Within Benchmark Universes
- ◆ Diversified Portfolio of Stocks With Above-Average Expected Returns And Reduced Risk
- ◆ Blend Of Value And Growth Characteristics With A Slant Towards Value

## ***AllCap Total Return:***

- ◆ Customized Benchmark AllCap Stock Universe (AW 2000 Stock Universe)
- ◆ Objective of Maximizing Total Return – Long-Term Outperformance of U.S. Markets
- ◆ Portfolio Consists Of Approximately 150 Top Stocks Ranked By Alpha
- ◆ Blend Of Value And Growth Characteristics With A Slant Towards Value
- ◆ Broad Diversification With Stocks Equally Weighted In Portfolio

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Portfolio Characteristics – Investment Products/Strategy Review – 12/31/2011



Characteristic	Alpha Windward's Investment Product / Strategy					Research Benchmark Universe					
	BCG	LC P/A	BCI	MC P/A	AllCap	AW 200	AW BCI	S&P 500	MidCap	MFRS	AW 2000
Median Market Capitalization (Billion)	\$33.8	\$23.2	\$30.7	\$3.6	\$2.0	\$26.6	\$28.8	\$10.9	\$3.6	\$1.7	\$1.7
Price To Earnings Ratio (P/E)	14.0	13.0	13.3	15.0	13.6	13.8	13.1	14.5	18.5	22.4	15.6
Price To Book Ratio (P/B)	2.2	1.7	2.1	1.4	1.3	2.2	2.2	2.1	2.0	1.7	2.0
Debt To Capitalization	29.2	27.9	30.9	28.5	28.7	31.7	32.3	32.1	35.6	26.9	32.3
Return On Equity	19.6%	16.9%	19.8%	11.2%	10.0%	20.3%	21.2%	19.8%	0.9%	10.7%	20.4%
Earnings Per Share 5 Year Growth	7.7%	8.6%	4.0%	5.5%	4.9%	9.5%	6.0%	9.6%	7.5%	6.6%	9.3%
Dividends Per Share 5 Year Growth	10.0%	11.1%	8.7%	2.8%	3.9%	7.0%	11.4%	7.5%	2.4%	0.9%	1.9%
Dividend Yield	2.3%	2.4%	2.7%	1.6%	1.8%	2.2%	2.5%	2.1%	1.5%	1.2%	1.9%
Beta	0.93	0.95	0.85	1.23	1.34	0.98	0.89	1.02	1.24	1.33	1.11
S&P Common Stock Ranking	A-	B+	A-	B+	B+	A-	A-	B+	B+	B+	B+
S&P Debt Quality Rating	A	A	A	BBB-	BBB-	A+	A+	A	BBB-	BBB-	A-

**Note:** Characteristics are adjusted weighted average, except median market capitalization. **BCG (Blue Chip Growth), LC P/A (LargeCap Passive/Active), BCI (Blue Chip Income), MC P/A (MidCap Passive/Active), AllCap (AllCap Total Return) – Average of portfolios within Alpha Windward's investment products/strategy.**

**Research Benchmarks:** AW 200 – Alpha Windward's 200 stock universe includes the largest 200 common stocks incorporated in the U.S. AW BCI – Alpha Windward's Blue Chip Income stock universe is a subset of the AW 200 stock universe consisting of high-quality dividend-paying common stocks. S&P 500 – S&P 500 stock universe includes all common stocks in the S&P 500 Index. MidCap – Alpha Windward's MidCap stock universe consists of common stocks incorporated in the U.S. with a market capitalization ranging from 201 to 1,000. MFRS – Multi Factor Ranking System 2000 stock universe (equal weighted average) roughly translates to the 2,000 largest share value traded common stocks incorporated in the U.S. AW 2000 – Alpha Windward's 2000 stock universe (capitalization weighted average) includes the largest 2,000 common stocks incorporated in the U.S.

# Alpha Windward LLC

Performance History (Gross) – Investment Products/Strategy Review – Equities Only



Periods Ending 12/31/2011  
(Refer To Performance Disclosure Notes)

Performance History (Gross) Alpha Windward Composite Market Index/Benchmark	Annualized										
	Trailing 3 Months	Year To Date	Trailing 1 Year	Trailing 2 Year	Trailing 3 Years	Trailing 5 Years	Trailing 7 Years	Trailing 10 Years	Trailing 15 Years	Inception Return	Inception Date
<b>Blue Chip Growth -- Equities</b>	11.8%	4.0%	4.0%	8.7%	14.0%	1.6%	4.0%	3.3%	N/A	1.7%	<b>6/30/1998</b>
<i>Russell Top 200 Growth Index<sup>1</sup></i>	10.4%	4.6%	4.6%	8.8%	16.7%	2.6%	3.5%	1.9%	N/M	0.7%	
<b>LargeCap Passive/Active -- Equities</b>	11.9%	1.2%	1.2%	7.0%	13.7%	1.0%	4.5%	5.3%	N/A	5.4%	<b>12/24/2001</b>
<i>Russell Top 200 Index<sup>1</sup></i>	11.7%	2.8%	2.8%	7.5%	12.8%	-0.6%	2.2%	2.1%	N/M	2.1%	
<b>Blue Chip Income -- Equities</b>	13.8%	5.4%	5.4%	7.9%	11.2%	1.5%	4.7%	N/A	N/A	5.8%	<b>9/8/2003</b>
<i>Russell Top 200 Index<sup>1</sup></i>	11.7%	2.8%	2.8%	7.5%	12.8%	-0.6%	2.2%	N/M	N/M	3.8%	
<b>MidCap Passive/Active -- Equities</b>	14.7%	5.3%	5.3%	15.1%	21.9%	2.3%	5.6%	N/A	N/A	8.4%	<b>9/30/2003</b>
<i>Russell MidCap Index<sup>1</sup></i>	12.3%	-1.6%	-1.6%	11.2%	20.2%	1.4%	4.9%	N/M	N/M	8.2%	
<b>AllCap Total Return -- Equities</b>	16.4%	3.2%	3.2%	12.8%	18.2%	3.3%	6.8%	9.8%	8.5%	12.3%	<b>10/31/1990</b>
<i>MFRS 2000 Stock Universe<sup>2</sup></i>	15.1%	-3.2%	-3.2%	12.5%	21.5%	2.1%	4.6%	6.0%	6.2%	9.6%	
<i>Russell 3000 Index<sup>1</sup></i>	12.1%	1.0%	1.0%	8.7%	14.9%	0.0%	3.0%	3.5%	5.7%	9.5%	
<i>S&amp;P 500 Index<sup>3</sup></i>	11.7%	2.1%	2.1%	8.3%	14.0%	-0.3%	2.6%	2.9%	5.4%	9.2%	

**Notes:**

<sup>1</sup>Unmanaged indices adjusted for dividends. Source: Frank Russell Co.

<sup>2</sup>Equal weighted average of the largest 2,000 stocks analyzed by Alpha Windward's Multi-Factor Ranking System (MFRS).

<sup>3</sup>Unmanaged index adjusted for dividends. Source: Interactive Data Corp.

# Alpha Windward LLC

## Performance Disclosure Notes – Investment Products/Strategy Review

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- ◆ Gross total return includes realized and unrealized gains plus income, and uses time-weighted rates of return. Gross performance is calculated after the deduction of trading expenses (e.g. broker commissions and SEC fees), and before investment management fees and other non-trading portfolio expenses. Actual returns would be reduced by such expenses. **Note that expenses are not deducted from market index returns.** This total return information also does not reflect the impact of any redemption fees. Alpha Windward's investment advisory fees and redemption fees are described in Part II of the Advisor's Form ADV. Past performance is no indication of future results.
- ◆ The performance data is computed on a total return basis – a dollar-weighted average of total returns – based on the asset, market value, income and capital change data.
- ◆ Investment advisory fees do have an effect on investment results. For example, assume a 10.0% total return on a gross basis. If an investment advisory fee of 1.0% of average assets under management per year were charged, the net total return would be reduced from 10.0% to 9.0%. Looked at another way, \$10,000.00 invested at 10.0% for ten years would grow to \$25,937.42; at 9.0%, it would grow to \$23,673.64.
- ◆ Alpha Windward Composites – Gross:
  - “Equities” reflects performance of actively managed equity securities only.