

AN INTRODUCTION TO ALPHA ARCHITECT

As Of Date:
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alpha architect

Affordable Active Management | Built to Beat Behavioral Bias | We Empower Investors Through Education

Alpha Architect Story: A Billionaire Cold-Called Wes



Team triathlon event with seed investor

Systematic Asset Management Firm

- Founded in 2010 as a quantitative consultant
- Launched asset management in 2012

Majority Employee-Owned

- Employees own 92% of the firm
- Firm strategic advisor owns 7%
- Former business partner owns 1%

Majority Minority & Veteran Owned

- Wesley (CEO): Choctaw (Roll No. 1202) & US Marine
- Patrick (CCO/COO): US Marine (disabled)

Quantitative Research Focused

- Multiple academic book and article publications
- All team members have Masters and/or a PhD

Fast Growing Firm with \$430mm+ in AUM

- SMA AUM: \$261mm
- ETF AUM: \$175mm



We Are Thought Leaders on Systematic Investing



Wesley R. Gray, Ph.D.

- PhD/MBA, University of Chicago
- BS Economics, Wharton
- Captain, Marine Corps

Wesley R. Gray, Ph.D. has been an active participant in financial markets throughout his career. He is the Founder, CEO and Co-CIO for Alpha Architect, an SEC-Registered Investment Advisor. Dr. Gray has published multiple academic articles and books, to include the co-authored books *Quantitative Value*, *DIY Financial Advisor*, and *Quantitative Momentum*.

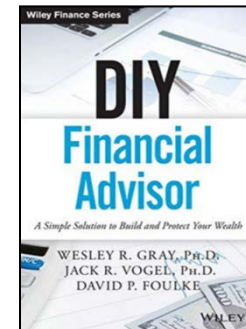
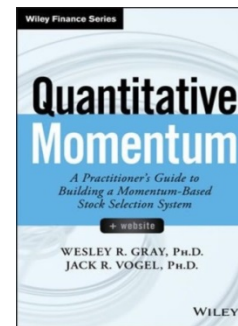
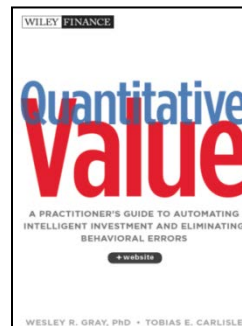


Jack R. Vogel, Ph.D.

- PhD, Drexel University
- MS Mathematics, Drexel Univ.
- BS Mathematics, U. of Scranton

Jack Vogel, Ph.D., conducts research in empirical asset pricing and behavioral finance, and has collaborated with Dr. Gray on multiple projects. He is the CFO and Co-CIO for Alpha Architect, an SEC-Registered Investment Advisor. Dr. Vogel has published multiple academic articles and co-authored the books *DIY Financial Advisor*, and *Quantitative Momentum*.

Three Wiley published books in five years



Published in leading, peer-reviewed journals

- "What Motivates Buy-Side Analysts to Share Recommendations Online?" Forthcoming, *Management Science*
- "Do Fund Managers Identify and Share Profitable Ideas?" Forthcoming, *Journal of Financial and Quantitative Analysis*
- "Enhancing the Investment Performance of Yield-Based Strategies," *Journal of Investing* (2014).
- "Analyzing Valuation Measures: A Performance Horse-Race over the Past 40 Years," *Journal of Portfolio Management* (2012).

Present in major publications + editor of academic website

- [Wall Street Journal](#) (multiple articles)
- [CFA Institute](#) (multiple articles)
- [Forbes](#) (multiple articles)
- [Alpha Architect](#) (editor)

Numerous working papers (more available upon request)

- "Why do Enterprise Multiples Predict Expected Stock Returns?"
- "On the Performance of Cyclically Adjusted Valuation Measures"
- "Using Maximum Drawdown to Capture Tail Risk"
- "Does Complexity Imply Value? AAI Value Strategies from 1963 to 2013"
- "Limited Attention and Asset Price Efficiency"
- [Our SSRN working paper website](#)



Firm Mission

We Empower **Investors** Through **Education**



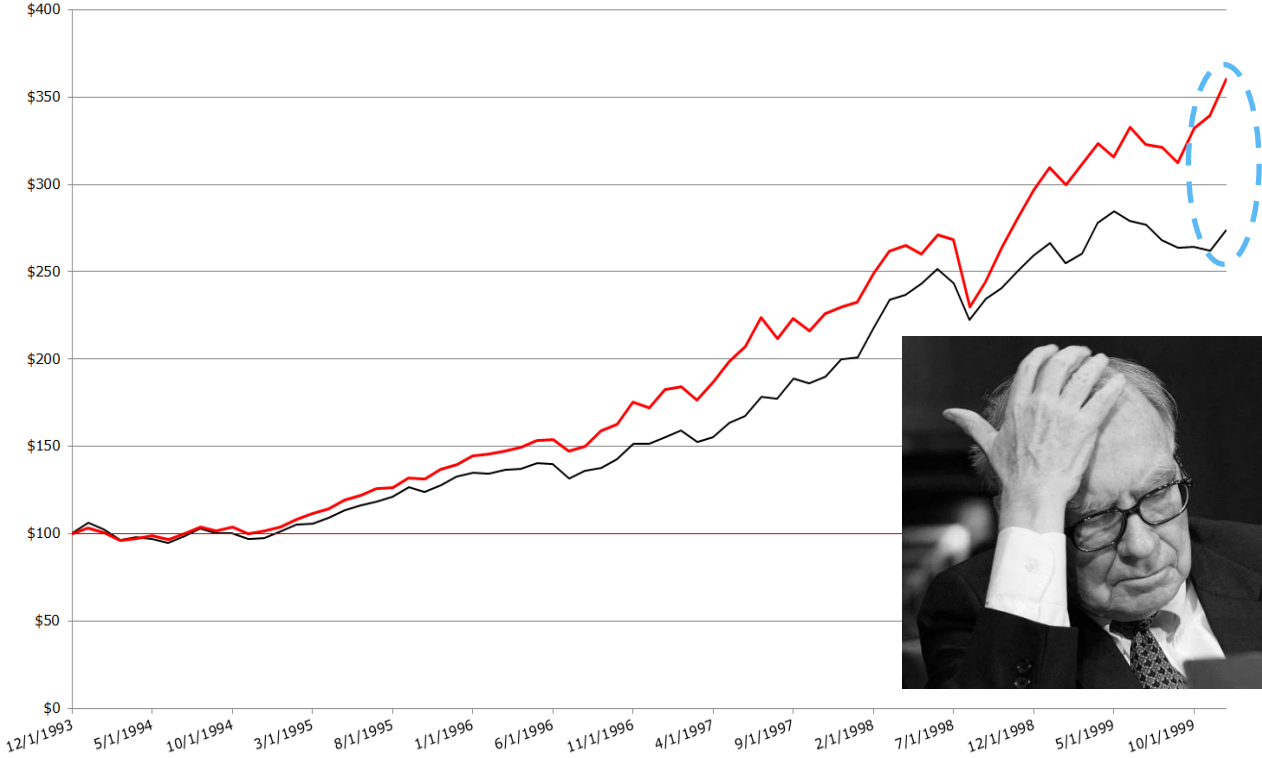
In order to

Develop Sustainable Investors



Why does **sustainable** investing matter?

Value Index vs. **S&P 500 Index** from 1994 to 1999



BARRON'S
"Warren Buffett may be losing his magic touch."
 Barron's (Dec., 1999)



Sustainable Investing Requires Perspective

Source: <http://online.barrons.com/news/articles/SB945992010127068546>; Calculation details available upon request.
 *The results are hypothetical results and are NOT an indicator of future results and do NOT represent returns that any investor actually attained. Please see disclosures for additional information. Additional information regarding the construction of these results is available upon request.

Our beliefs reinforce our mission

Our beliefs

Why important

Mission

1

***Transparent,
not Black-Box***



Transparency increases trust for the process =

***Sustainable investors
understand the plan***

2

***Evidence-Based,
not Story-Based***



Evidence increases chance of success =

***Sustainable investors
use data, not emotion***

3

***Systematic,
not Ad-Hoc***



Systematic eliminates human bias & costs =

***Sustainable investors
stay the course***

4

***Win-Win,
not Win-Lose***



Win-Win culture builds long-term partnerships =

***Sustainable investors
build a winning team***

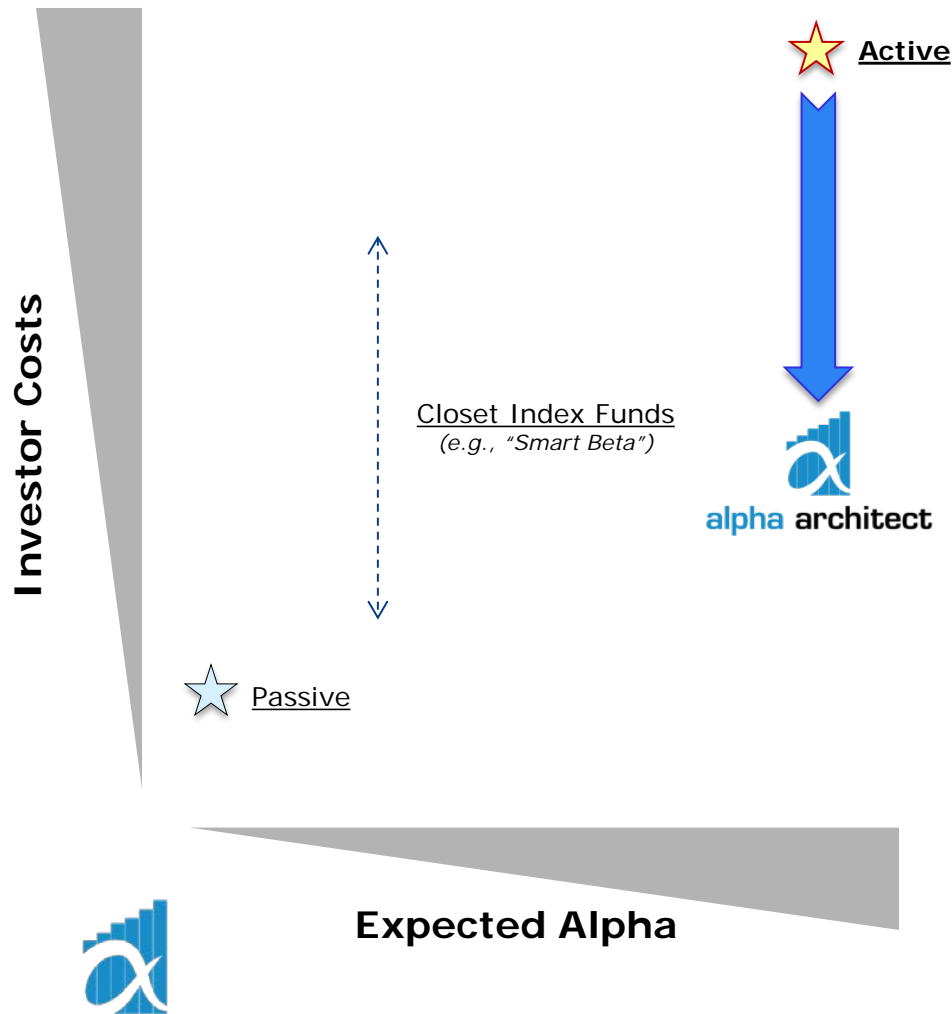


Sustainable Investors can Exploit Sustainable Alpha

We deliver **Affordable. Active. Alpha.**

Active management works...if it's affordable

Why our **value proposition** works



Affordable

- We avoid “middlemen” and **minimize distribution costs**
- We maintain low overhead and **leverage technology**
- We serve individual investors and **focus on tax efficiency**

Active Alpha

- We are evidence-based and **focus on in-house research**
- We target long-term alpha and **avoid short-term “benchmarking”**
- We are process-driven and **built to beat behavioral bias**

We provide three core product offerings

Active Equity

Strategy: Focused Value Factor; Focused Momentum Factor

➤ **Delivery:** ETFs; Managed Accounts

Alternatives

Strategy: Long/Short Equity and Managed Futures

➤ **Delivery:** ETF, Hedge Fund; IDF; Managed Accounts

Asset Allocation

Strategy: Robust Asset Allocation

➤ **Delivery:** Robo-Advisor; Managed Accounts



Built for tax-sensitive, independent, long-term investors






We serve unique, **E.D.U.C.A.T.E.D.** clients

- ✓ **Empirical**
 - Evidence-based decision makers
- ✓ **Disciplined**
 - Long-term investors that avoid short-term fads
- ✓ **Unassuming**
 - Billionaires that drive Honda Civics
- ✓ **Committed**
 - Long-term horizon and focus
- ✓ **Active**
 - Not satisfied with passive index performance
- ✓ **Thoughtful**
 - Logical thinkers that understand why and how strategies work
- ✓ **Economical**
 - Understand that price is what you pay and value is what you get
- ✓ **Do-It-Yourself**
 - An entrepreneurial spirit that avoids the status quo



Management Team

Long-term investment & operations team in place. Mean age of key personnel = 32 years

Name	Position	Recent Experience	Education
 Wes Gray	CEO/CIO	Alpha Architect (2010-Present) Drexel Finance Professor (2010-2014) US Marine Corps Captain (2004-2008)	Ph.D./M.B.A. Finance, University of Chicago Booth School of Business B.S. The Wharton School of the University of Pennsylvania, magna cum laude Series 65 and 3 licenses
 Jack Vogel	CFO/CIO	Alpha Architect (2011-Present) Mathematics Instructor (2008-2009)	Ph.D. Finance, LeBow College of Business, Drexel University M.S. Mathematics, Drexel University B.S. Mathematics, University of Scranton, summa cum laude Series 65 and 3 licenses
 Tao Wang	Portfolio Manager	Alpha Architect (2012-Present)	M.S., Finance, Drexel University B.A., B.L., Shanghai University of Finance & Economics Series 65 and 3 licenses
 Yang Xu	Portfolio Manager	Alpha Architect (2013-Present) Principal Data Analyst (2012-2014)	M.S., Finance, Drexel University B.S., University of International Business and Economics, China Series 65 and 3 licenses
 Patrick Cleary	COO/CCO	Alpha Architect (2014-Present) Algeco Scotsman (2014) The Boston Consulting Group (2010-2014) US Marine Corps Captain (2004-2008)	M.B.A Harvard University B.S. The Wharton School of the University of Pennsylvania, cum laude Series 65 license



Disclosures

Performance figures contained herein are hypothetical, unaudited and prepared by Alpha Architect, LLC; hypothetical results are intended for illustrative purposes only.

Past performance is not indicative of future results, which may vary.

There is a risk of substantial loss associated with trading commodities, futures, options and other financial instruments. Before trading, investors should carefully consider their financial position and risk tolerance to determine if the proposed trading style is appropriate. Investors should realize that when trading futures, commodities and/or granting/writing options one could lose the full balance of their account. It is also possible to lose more than the initial deposit when trading futures and/or granting/writing options. All funds committed to such a trading strategy should be purely risk capital.

Hypothetical performance results (e.g., quantitative backtests) have many inherent limitations, some of which, but not all, are described herein. No representation is being made that any fund or account will or is likely to achieve profits or losses similar to those shown herein. In fact, there are frequently sharp differences between hypothetical performance results and the actual results subsequently realized by any particular trading program. One of the limitations of hypothetical performance results is that they are generally prepared with the benefit of hindsight. In addition, hypothetical trading does not involve financial risk, and no hypothetical trading record can completely account for the impact of financial risk in actual trading. For example, the ability to withstand losses or adhere to a particular trading program in spite of trading losses are material points which can adversely affect actual trading results. The hypothetical performance results contained herein represent the application of the quantitative models as currently in effect on the date first written above and there can be no assurance that the models will remain the same in the future or that an application of the current models in the future will produce similar results because the relevant market and economic conditions that prevailed during the hypothetical performance period will not necessarily recur. There are numerous other factors related to the markets in general or to the implementation of any specific trading program which cannot be fully accounted for in the preparation of hypothetical performance results, all of which can adversely affect actual trading results. Hypothetical performance results are presented for illustrative purposes only.

Indexes are unmanaged, do not reflect management or trading fees, and one cannot invest directly in an index.

There is no guarantee, express or implied, that long-term return and/or volatility targets will be achieved. Realized returns and/or volatility may come in higher or lower than expected.





JOIN US!

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