

Investment Strategy & Risk Management Guide

Meridian Capital Management | 2024 Edition

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Classification: Client Advisory Document

Our Investment Philosophy

Core Investment Principles

Meridian Capital Management operates under a fundamental belief that long-term wealth creation stems from disciplined investment in high-quality companies across diverse geographic markets. Our dual-focus approach on US and Indian equity markets provides clients with exposure to both mature developed market stability and emerging market growth potential.

We believe that active management, combined with rigorous fundamental analysis, creates sustainable alpha generation opportunities. Our investment process emphasizes bottom-up security selection while maintaining awareness of top-down macroeconomic factors that influence market dynamics.

Quality businesses with strong competitive moats, experienced management teams, and sustainable business models form the foundation of our portfolio construction methodology. We prioritize companies demonstrating consistent free cash flow generation, prudent capital allocation, and shareholder-friendly governance practices.

Geographic Diversification Strategy

Our strategic allocation maintains approximately 50-55% exposure to US equity markets and 45-50% allocation to Indian equity markets. This balanced approach provides clients with diversified economic cycle exposure while capturing growth opportunities in both regions.

US market allocation focuses on large-capitalization companies with global operations, providing portfolio stability and consistent dividend income. Technology sector leadership, healthcare innovation, and financial services strength represent core themes within our US equity strategy.

Indian market exposure emphasizes companies benefiting from domestic consumption growth, infrastructure development, and digital transformation trends. Our India strategy combines established blue-chip companies with selective mid-capitalization growth opportunities.

Risk Management Framework

Risk Assessment Methodology

Meridian Capital Management employs a comprehensive risk management framework addressing market risk, credit risk, liquidity risk, and operational risk across all portfolio positions. Our risk assessment process begins with individual security analysis and extends to portfolio-level risk aggregation.

Market risk measurement utilizes multiple methodologies including Value-at-Risk calculations, stress testing scenarios, and correlation analysis between portfolio holdings. We maintain target portfolio beta between 1.0-1.2 relative to relevant benchmarks, balancing growth potential with volatility management.

Position sizing discipline ensures no individual holding exceeds 12.5% of total portfolio value, while sector concentrations remain within prescribed limits. Geographic diversification reduces single-country risk exposure while currency hedging strategies minimize foreign exchange volatility impact.

Risk Tolerance Profiles

Conservative Risk Profile

Conservative investors seeking capital preservation with modest growth potential benefit from our Income & Growth strategy. This approach emphasizes dividend-paying stocks, defensive sectors, and lower portfolio volatility through increased allocation to consumer staples and utilities.

Target portfolio beta ranges 0.8-1.0 with emphasis on companies demonstrating consistent earnings stability across market cycles. Maximum individual position size limited to 8% of portfolio value with enhanced diversification across 20-25 core holdings.

Expected annual returns range 6-9% with maximum drawdown tolerance of 8-12% during adverse market conditions. This strategy suits investors approaching retirement or requiring regular income distribution from investment portfolios.

Moderate Risk Profile

Moderate risk investors balance growth objectives with capital preservation needs through our Balanced Growth strategy. Portfolio construction combines growth-oriented technology and healthcare stocks with stable financial services and consumer companies.

Portfolio beta targets 1.0-1.15 with sector allocation flexibility based on market opportunities and valuation metrics. Individual position sizes range 4-10% of portfolio value across 15-20 carefully selected holdings.

Expected annual returns target 8-12% range with drawdown tolerance of 12-18% during market stress periods. This approach suits investors with 5-15 year investment horizons seeking wealth accumulation with measured risk exposure.

Aggressive Risk Profile

Aggressive growth investors seeking maximum capital appreciation benefit from our Growth Acceleration strategy emphasizing technology innovation, emerging market opportunities, and disruptive business models.

Portfolio beta ranges 1.15-1.35 with concentrated positions in highest conviction ideas. Individual holdings may represent 8-15% of portfolio value with total holdings concentrated among 10-15 core positions.

Expected annual returns target 12-18% range with acceptance of 20-30% maximum drawdown during volatile market periods. This strategy suits younger investors with long-term investment horizons and high risk tolerance.

Sector Allocation Strategy

Technology Sector Focus

Technology represents our highest conviction sector allocation across both US and Indian markets, typically comprising 25-35% of total portfolio weight. We focus on companies leading digital transformation trends, cloud computing adoption, and artificial intelligence development.

US technology holdings emphasize large-capitalization companies with established market positions and strong free cash flow generation. Microsoft, Apple, and Alphabet represent core holdings benefiting from secular growth trends and defensive business characteristics.

Indian technology exposure focuses on IT services companies serving global enterprise clients. Tata Consultancy Services and Infosys provide portfolio exposure to outsourcing trends and digital transformation demand from international corporations.

Financial Services Strategy

Banking and financial services allocation typically ranges 20-30% of portfolio weight, providing dividend income and economic cycle exposure. We emphasize institutions with strong credit profiles, efficient operations, and prudent risk management practices.

US financial holdings include money center banks like JPMorgan Chase benefiting from interest rate environments and credit card companies like Visa enjoying secular growth in electronic payments adoption.

Indian banking exposure includes both private sector banks with superior operational efficiency and select public sector institutions benefiting from government policy support and economic development initiatives.

Healthcare and Consumer Sectors

Healthcare allocation provides portfolio defensive characteristics while capturing innovation opportunities in pharmaceuticals, medical devices, and healthcare services. Johnson & Johnson and UnitedHealth Group represent core US healthcare holdings.

Consumer sector exposure combines discretionary spending beneficiaries like Amazon and Home Depot with consumer staples providing stability through Procter & Gamble and Hindustan Unilever. This balance captures economic growth upside while maintaining defensive positioning.

Performance Measurement

Benchmark Comparison

Portfolio performance measurement utilizes composite benchmarks reflecting our geographic and sector allocation strategy. US equity performance compares against S&P 500 index while Indian equity performance measures against Nifty 50 index.

Risk-adjusted performance metrics include Sharpe ratio calculation, information ratio measurement, and maximum drawdown analysis. We target consistent outperformance of 100-200 basis points annually while maintaining similar or lower volatility than benchmark indices.

Attribution analysis identifies sources of outperformance including security selection effects, sector allocation decisions, and geographic positioning impacts. This analysis informs ongoing portfolio optimization and strategy refinement processes.

Historical Performance Analysis

Since inception in January 2020, our flagship Global Equity strategy has delivered annualized returns of 16.8% compared to 14.2% for composite benchmarks. Maximum drawdown during March 2020 market stress measured 28.4% compared to 31.2% benchmark decline.

Technology sector allocation contributed average 320 basis points annually to outperformance while security selection added approximately 180 basis points per year. Geographic diversification provided risk reduction benefits during periods of regional market stress.

Calendar year performance demonstrates consistency with positive returns in 7 of past 8 years. Only 2022 generated negative returns of -8.4% during broad market correction, significantly outperforming benchmark decline of -16.7%.

ESG Integration

Environmental Considerations

Environmental factors increasingly influence investment decisions as climate risks affect long-term business sustainability. We evaluate portfolio companies' carbon footprints, renewable energy adoption, and environmental policy compliance.

Technology companies in our portfolio demonstrate leadership in energy efficiency and renewable energy usage. Microsoft and Google have committed to carbon neutrality while Indian IT companies increasingly utilize clean energy sources.

Traditional energy exposure remains limited with emphasis on companies demonstrating transition strategies toward cleaner energy sources. Reliance Industries' renewable energy investments align with our environmental sustainability criteria.

Social and Governance Factors

Social responsibility evaluation includes labor practices, community impact, and product safety considerations. We prioritize companies with strong employee satisfaction metrics and positive community development contributions.

Corporate governance assessment emphasizes board independence, executive compensation alignment, and shareholder rights protection. All portfolio companies maintain independent audit committees and transparent financial reporting practices.

Diversity and inclusion metrics influence investment decisions as companies with diverse leadership teams demonstrate superior long-term performance. We actively engage with portfolio companies to encourage governance best practices.

Client Communication

Reporting Standards

Clients receive comprehensive quarterly performance reports including portfolio holdings, performance attribution analysis, and market commentary. Monthly portfolio statements provide updated valuations and transaction summaries.

Annual strategy reviews include face-to-face meetings with portfolio managers discussing performance results, strategy adjustments, and market outlook. Clients receive advance notification of significant portfolio changes or strategy modifications.

Dedicated client service teams provide ongoing support and address questions regarding portfolio performance, strategy implementation, and market developments affecting investment positions.

Investment Committee Process

Our Investment Committee meets weekly to review portfolio positions, evaluate new investment opportunities, and assess risk management protocols. Committee members include senior portfolio managers, research analysts, and risk management professionals.

Investment decisions require unanimous committee approval for position sizes exceeding 8% of portfolio value. Sector allocation changes exceeding 5% of portfolio weight require formal committee documentation and client notification.

Research recommendations undergo rigorous peer review process before implementation. New position additions require comprehensive fundamental analysis, valuation assessment, and risk evaluation documentation.

Important Disclosures:

Past performance does not guarantee future results. All investments carry risk of loss including potential loss of principal amount invested. Market volatility may cause temporary or permanent portfolio value decline.

This document contains forward-looking statements based on current expectations and assumptions. Actual results may differ materially from projected outcomes due to market conditions, economic factors, and unforeseen circumstances.

Investment advisory services provided by Meridian Capital Management are subject to regulatory oversight. Please review our Form ADV and other regulatory disclosures for complete information regarding our services, fees, and potential conflicts of interest.

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