



KOPP INVESTMENT ADVISORS

QUALITY IS POWER



**KOPP INVESTMENT ADVISORS**

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## QUALITY IS POWER

*The hallmark of our investment strategy  
is a unique ability to identify companies  
that are truly Quality Advantaged.*

Kopp Investment Advisors believes that Quality will provide an investment advantage. It is critical to the success of a large corporation that a focus on quality permeate the entire organization. Kopp Investment Advisors grades the companies in the S&P 500 based on their successful use of Quality as they strive to gain a competitive edge. The Total Quality Management strategy invests in the companies receiving the highest grades in their respective industries.

*Kopp Investment Advisors  
believes quality will  
**outlast, outpace and outperform.***

## EQUITY INVESTMENT: TQM – THE TOTAL QUALITY MANAGEMENT ADVANTAGE

Kopp Investment Advisors believes that the successful implementation of quality-based management techniques creates a superior long-term investment opportunity. Companies that use these techniques—generally known as Total Quality Management, or TQM—may have the potential to generate significant positive fundamental surprises. A demonstrated commitment to TQM-based principles and practices, including Six Sigma and other quality-oriented strategies, may lead to improved profitability, better employee relations, higher productivity, greater customer satisfaction, increased market share and improved operating performance.

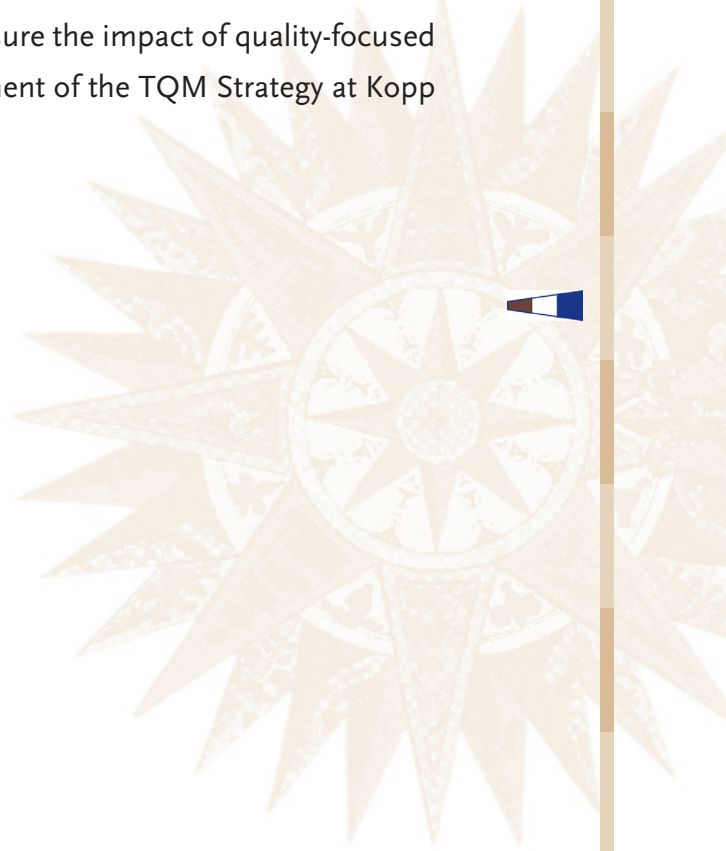
Kopp Investment Advisors uses a proprietary multifaceted scoring methodology to evaluate and rank companies based upon their effective application of TQM-based management techniques.



## TQM STRATEGY BACKGROUND

Kopp Investment Advisors' TQM Strategy started with the acquisition of Robinson Capital Management in 2004. John (Jack) Robinson was very involved in the Quality movement which has been increasingly recognized and embraced by corporate America.

Jack pioneered the concept of using Quality as an investment tool. His firm created the Q-100, a group of leading Quality companies, to measure the impact of quality-focused management. This research work led to the development of the TQM Strategy at Kopp Investment Advisors.



## INVESTMENT CRITERIA

The Total Quality Management strategy starts with the S&P 500 Index. The companies are fundamentally evaluated to determine the depth and effectiveness of their commitment to Quality using a proprietary three-pronged scoring methodology.

First, companies are scored using indicators to represent many of the criteria outlined in the Malcolm Baldrige National Quality Award which include the following categories:

- \* Leadership
- \* Strategic Planning
- \* Customer and Market Focus
- \* Measurement, Analysis & Knowledge Management
- \* Human Resource Focus
- \* Process Management
- \* Business Results

Second, each company is scored using a unique ranking of publicly available information indicating a company's success in implementing quality-based management techniques. Third, surveys of leading quality experts drive an additional set of scores. All of the information is brought together in a Composite Quality Score (CQS) for each company.



## INVESTMENT PROCESS

Investments are selected from those companies scoring well, creating a distinctive, quality-advantaged way of investing in large-cap stocks. The highest scoring 100 companies relative to their peers, chosen from a cross section of economic sectors represented in the S&P 500, are placed in the Q-100® universe. The Q-100® was launched in October 1998 and has been published in the American Society for Quality's Quality Progress Magazine.

The Kopp TQM strategy starts with the Q-100® universe. TQM personal accounts hold approximately 35–40 stocks, selected from the Q-100®, with high Composite Quality Scores relative to their peers. The companies are selected from a cross section of S&P 500 economic sectors.



## PORTFOLIO CONSTRUCTION

A personal portfolio is constructed from the “Buy List.”

- \* The “Buy List” is selected from a cross section of economic sectors based on a proprietary, multifaceted scoring system.
- \* At the initial purchase, each stock is given an approximate target weight of 2.5% - 3% of the portfolio’s total value.
- \* Portfolios generally contain 35 - 40 stocks.
- \* Portfolio construction is typically completed within 30 days.



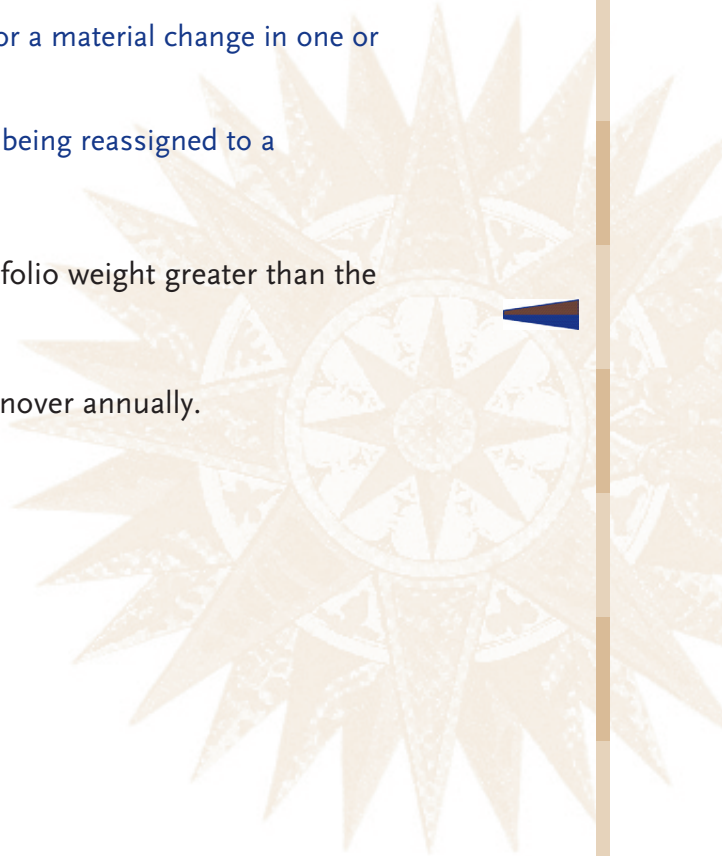
## STRUCTURED SELL DISCIPLINE

Stocks are monitored for variations from expectations. Any of the following criteria being met will trigger a company to be sold:

- \* Removal from the S&P 500
- \* No longer having the highest relative CQS within its economic sector or industry group following annual sector review
- \* A significant decline in CQS as a result of news or a material change in one or more of the scoring criteria
- \* No longer having the highest CQS as a result of being reassigned to a different economic sector or industry group

Companies whose performance has resulted in a portfolio weight greater than the target range are trimmed.

A portfolio will generally experience less than 50% turnover annually.






## INVESTMENT MANAGEMENT BIOGRAPHIES

The Portfolio Management Committee, under the leadership of Lee Kopp, oversees all investment processes employed by Kopp Investment Advisors.

Lee Kopp

Chairman

Senior Portfolio Manager



Lee Kopp's personal and professional successes have spanned more than five decades since his graduation from the University of Minnesota in 1956, where he received a Bachelor's Degree with Distinction in Business Administration. He went on to serve in the U.S. Navy until 1959, when he retired from active duty as a Lieutenant. He spent the next 30 years with Dain Bosworth Inc., where he was the manager of the Edina branch and Senior Vice President. In addition to numerous appearances in the *Wall Street Journal*, *BusinessWeek* and *Kiplinger's Personal Finance* magazine, Lee was chosen as the 1995 Upper Midwest Entrepreneur of the Year for Emerging Companies. Since 1995, the Kopp Investment Advisors' Corporate Giving Program has contributed 10% of its pre-tax corporate profits to charitable organizations.

## Dan Garofalo

Senior Research Analyst

Senior Portfolio Manager

Dan Garofalo joined Kopp Investment Advisors in 2013 and currently serves as Senior Portfolio Manager, Senior Research Analyst and is a member of the firm's Investment Committee. He focuses on a broad range of health care areas including medical devices, diagnostics, drug development and health care infotech and brings more than 10 years of health care industry and investment experience in managing client portfolios. Prior to joining Kopp Investment Advisors, Dan was an equity research analyst at Piper Jaffray and also worked for a major pharmaceutical company. Dan holds an M.B.A. from the Carlson School of Management at the University of Minnesota as well as a B.A. in Business from the University of St. Thomas in St. Paul, Minnesota.

## Adam Engebretson, CFA

Senior Research Analyst

Senior Portfolio Manager

Adam Engebretson joined Kopp Investment Advisors in 2015 and currently serves as Senior Portfolio Manager, Senior Research Analyst and is a member of the firm's Investment Committee. He focuses on the technology and consumer sectors. Prior to joining Kopp Investment Advisors, Adam was an equity research analyst at Piper Jaffray covering several industry groups. He began his investment career in 2005, starting at Raymond James Financial Services. Adam holds an M.B.A. from the Carlson School of Management at the University of Minnesota as well as a B.A. in Business from Bethel University in St. Paul, Minnesota. He is a Chartered Financial Analyst and a member of the CFA Society of Minnesota.



## CLIENT SERVICES

One of the critical elements of a successful partnership is communication. All clients of Kopp Investment Advisors receive timely and concise information. We monitor clients' portfolios in an effort to optimize portfolio performance. Clients are encouraged to schedule an annual meeting to review their account or to discuss changes in their objectives. In addition...

### A KOPP INVESTMENT ADVISORS CLIENT RECEIVES:

- \* Ongoing contact with a Kopp Investment Advisors Client Service Executive
- \* A confirmation of every transaction and a monthly account statement from the custodial brokerage firm
- \* A quarterly summary of the portfolio and its performance
- \* Periodic TQM portfolio updates to clients



## TYPES OF ACCOUNT

Kopp Investment Advisors has a diverse base of clients, many of whom share a desire for long-term capital appreciation with a focus on established companies. Clients of Kopp can be categorized as follows:

### PERSONAL ACCOUNT

- \* Joint/Individual Portfolios
- \* Individual Retirement Accounts (IRA)
- \* IRA Rollovers
- \* Keogh Accounts
- \* Trusts

### INSTITUTIONAL ACCOUNT

- \* Corporate Pension, Profit Sharing and 401 (k) Plans
- \* Public Employee Retirement Plans
- \* Endowments
- \* Foundations
- \* Taft-Hartley Plans

## PERSONAL ACCOUNT FEE SCHEDULE

- \* Annual fee is generally 1.0% of assets under management.
- \* Fee is billed quarterly in advance.
- \* Minimum account size is \$100,000.
- \* Client is responsible for all custodial fees and brokerage commissions.