



A CASE

for an actively-managed research-based approach
to investing in the commercial construction sector.

Executive Summary

Whereas Non-Residential Construction is one of the more cyclical sectors in which to invest, we believe that the current economic and technological climate provides a number of secular themes that can serve to mitigate the risks when investing in this sector. Non-residential construction no longer entails merely the construction of an office building or a power plant, it now takes into account energy efficiency, access to power, bandwidth, and physical and cyber-security as well. Ongoing investments are required in order to keep an ever growing and connected society reliable, efficient and secure. The future is one in which content is delivered on demand to multiple devices for business and consumer use. Consumers are connected in most aspects of both their personal and business lives and demand high service levels. Businesses will continue to struggle with the benefits, risks, advantages, and disadvantages of conducting business in this environment, while having to protect themselves from some very clever and unsavory characters. Our broad themes can be summarized in two words: Connectivity and Efficiency. We all want to use as little energy as possible and still be connected all the time, we want our devices charging quickly and to hold their charge for long periods of time, and for all of this to happen instantaneously. In order to move toward this ideal, our domestic infrastructure will require ongoing upgrades and investment in new technologies, regardless of where we are in the economic cycle. At Emerald, we believe that our actively-managed research-based approach, driven by our 10-step research process emphasizing meeting with company management, customers, competitors, suppliers, and distributors, enables us to best identify market inefficiencies and the volatility inherent in the Commercial Construction sector and to use those to our advantage, leading to consistent outperformance on behalf of our clients.

Scott B. Blumenthal, MBA
January 25, 2015

Important Disclosures

This report is furnished for the use of Emerald Asset Management, Inc., its affiliates and its clients and does not constitute the provision of investment, legal or tax advice to any person. It is not prepared with respect to the specific investment objectives, financial situation or particular needs of any specific person. The information contained in this report was obtained from sources deemed reliable. Such information is not guaranteed as to its accuracy, timeliness or completeness by Emerald. Any opinions contained in this report represent the judgment of the authors as of the publication date. The information contained in this report and the opinions expressed herein are subject to change without notice. Past performance is no guarantee of future results. Neither the information in this report nor any opinion expressed herein constitutes an offer nor recommendation to buy or sell, any security or financial instrument. Accounts managed by Emerald's affiliated advisory firms may take positions from time to time in securities discussed in its reports.