

Quality Dividend Fund

»» Portfolio managers Larry Baker and Michael Scherer discuss their process for seeking high-quality, dividend-paying companies for the Fund.

Q1: How does your outlook for the equity market affect how you manage the Fund?

The estimated 2017 earnings growth for stocks, as represented by the S&P 500, appears to be strong, although as fundamental, bottom-up investors, we are largely agnostic to market forecasts. Regardless of the environment, the Fund remains fully invested and focused on high-quality companies that we believe can deliver stable and growing dividends. In terms of dividend growth, 14 out of the Fund's 25 holdings have increased their dividends in Q1 2017.

Q2: Would you please describe the Fund's valuation in comparison to the broader S&P 500?

As of March 31, 2017, the portfolio had a price-to-earnings ratio of approximately 16 times compared to about 18 times for the S&P 500 Index. We believe that the Fund's lower valuation may be attractive particularly for investors who may be wary of renewed volatility in the equity market.

The market has experienced an extended period of low volatility resulting in higher-than-average stock valuations. One might expect increased volatility to occur, which we believe could benefit our stock selection process of finding large and established businesses that possess the following compelling characteristics:

- ▶ Strong balance sheets,
- ▶ Growing sales, earnings, and cash flow
- ▶ Strong dividend history
- ▶ A policy of increasing dividends

Q3: How have higher interest rates affected investors' appetite for dividend-paying stocks?

We do not see a significant softening of demand for dividend-paying stocks. However, in a rising rate environment, many investors look to the *growth* of the dividend rather than the *level* of the dividend.

For the Quality Dividend Fund, we favor companies that offer a higher than average current yield combined with solid dividend growth. We do not believe the benefit is in seeking the highest yielding securities, but rather the combination of more

TICKERS

CLASS A: **QDVAX**

CLASS C: **QDVCX**

CLASS I: **QDVIX**

MANAGEMENT TEAM



LARRY C. BAKER, CFA
Senior Portfolio Manager

Mr. Baker is Senior Portfolio Manager of the EquityCompass Quality Dividend Fund. He has over 30 years of industry experience.



MICHAEL S. SCHERER
Senior Portfolio Manager

Mr. Scherer is Senior Portfolio Manager of the EquityCompass Quality Dividend Fund. He has over 10 years of industry experience.

ABOUT EQUITYCOMPASS

EquityCompass Strategies is a Baltimore-based equity investment management team. We offer a broad range of portfolio strategies based on our systematic, research-driven investment process to institutional investors, financial advisors, and individual investors. As of March 31, 2017, approximately \$3.0 billion in assets are managed worldwide using investment strategies developed by us.

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moderate yield and positive dividend growth that offers the best potential for higher total return in this market.

Importantly, history suggests that interest rates may rise slowly, and therefore, we believe dividend-paying stocks will likely remain attractive for income-seeking investors.

Q4: What is the potential benefit of investing in the Quality Dividend Fund's concentrated strategy?

With a concentrated portfolio of approximately 25 holdings that represent our “best ideas,” we believe we can provide investors with greater potential for growth in income, capital appreciation and lower volatility. In addition, we seek to invest in high-quality, high-dividend-yielding stocks across a variety of industries and with equal weightings within the portfolio in order to ensure diversification.

IMPORTANT DISCLOSURES

Mutual fund investing involves risk, including possible loss of principal. Although the Fund will invest primarily in income-producing equities, the Fund cannot guarantee any particular level of distributions. Companies that have paid regular dividends to shareholders may decrease or eliminate dividend payments in the future. A fund pursuing a dividend-oriented investment strategy may at times underperform other funds that invest more broadly or that have different investment styles. The S&P 500 Index is a broad market index that tracks the performance of 500 stocks from major industries of the U.S. economy. This index is generally considered representative of the U.S. large capitalization market. You cannot invest directly in an index.

Investors should consider the investment objective, risks, charges, and expenses of the Quality Dividend Fund carefully before investing. A prospectus with this and other information about the Fund may be obtained by calling (888) 201-5799. Read the prospectus carefully before investing. The investment return and principal value of an investment will fluctuate, so an investor's shares, when redeemed, may be worth more or less than their original cost.

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Real estate investing is subject to special risks, including tenant default, declining occupancy rates, adverse changes in environmental and zoning regulations, and falling property values and rents due to deteriorating local or national economic conditions. REIT securities listed on a securities exchange may be subject to abrupt or erratic price movements because of interest rate changes and other factors. Non-listed REIT securities may lack sufficient liquidity to enable the Fund to sell them at an advantageous time or to minimize a loss. Distributions from REITs may include a return of capital. A REIT that does not qualify as a REIT under the Internal Revenue Code (“IRC”) will pay taxes on its earnings, which will reduce the dividends paid by the REIT to the Fund. Some REITs are highly leveraged, which may increase the risk of loss. PAST PERFORMANCE CANNOT AND SHOULD NOT BE VIEWED AS AN INDICATOR OF FUTURE PERFORMANCE.

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