

Data as of June 30, 2017

The Quality Dividend Strategy seeks to provide capital preservation and generate attractive current income and long-term capital appreciation by efficiently managing a focused and diversified portfolio of high-quality, higher-dividend-paying stocks.

### Commentary and Outlook

- There were no changes to the Quality Dividend strategy in June. There were also no dividend increases.
- By the end of June, 18 of our 25 stocks have raised dividends for 2017 with the increases averaging 8.2%. For the full year we believe that all 25 stocks will raise dividends similar to last year, and the average dividend growth will approximate 7.0%.
- At the end of June, the portfolio yielded 3.7%. The average payout ratio for 2017 is forecast at 61%, the portfolio beta was 0.7 and the average market capitalization was \$141 billion. The P/E ratio looking out 12 months was 17.3x.

### Top Ten Holdings by Yield

Symbol	Company Name	Yield	Price
OHI	Omega Healthcare Investors, Inc.	7.6%	\$33.02
T	AT&T, Inc.	5.2%	\$37.73
VZ	Verizon Communications, Inc.	5.2%	\$44.66
SO	Southern Co. (The)	4.8%	\$47.88
ENB	Enbridge, Inc.	4.5%	\$39.81
VLO	Valero Energy Corp.	4.2%	\$67.46
QCOM	QUALCOMM, Inc.	4.1%	\$55.22
DUK	Duke Energy Corp.	4.1%	\$83.59
IBM	International Business Machines Corp.	3.9%	\$153.83
PFE	Pfizer Inc.	3.8%	\$33.59

### Recent Changes

June 2017  
No changes

For illustrative purposes only and not intended as personalized recommendations.

The yield information included is as of the period indicated and should not be considered a recommendation to purchase, hold, or sell any particular security. There is no assurance that any of the yields noted will remain and may vary over time.

### Key Portfolio Statistics

Key Portfolio Statistics	Represents Weighted Avgs.
Number of Holdings	25
Market Cap (\$Billion)	\$140.8
Dividend Yield	3.7%
Price/Earnings (F12M)	17.3
Beta	0.7
Payout Ratio - 2017 est.	61%
Moody's Debt Rating	100% Inv. Grade
Dividend Growth - 2017 YTD	8.2%

### Sector Allocation

Consumer Staples	15.6%
Information Technology	12.3%
Health Care	12.2%
Materials	8.9%
Energy	7.9%
Real Estate	7.6%
Industrials	7.5%
Financials	7.5%
Utilities	7.4%
Telecommunication Services	7.0%
Consumer Discretionary	4.3%

The specific securities identified and described herein do not represent all of the securities purchased, sold, or recommended to advisory clients, and the reader should not assume that investments in the securities identified and discussed were or will be profitable. A complete list of all recommendations made by the firm is available upon request.

### Overview

- Seeks to construct a focused, equal-weighted portfolio of 25 high-quality, high-yielding stocks that provide the highest possible dividend yield within the constraints of quality, capital preservation, and diversification
- Seeks to provide income-seeking investors a superior alternative to investing in bonds

### Highlights

#### The strategy has three goals

- 1) Provide asset preservation
- 2) Generate attractive current income
- 3) Develop growth in current income

#### Investment process combines quantitative and qualitative approaches

Invests in stocks based on the following criteria:

- Quantitative model selects portfolio candidates based on quality, momentum, valuation, and timeliness criteria
- Portfolio manager provides insights that leverage fundamental research
- Diversified across industry sectors with a sector maximum of 20%

### Portfolio Management Team

#### Larry C. Baker, Senior Portfolio Manager: More than 30 years of investment experience

- Managing Director and Security Analyst – Legg Mason
- Vice President and Security Analyst – Dillon, Read & Co.
- First Vice President and Security Analyst – E. F. Hutton

#### Award-Winning Stock Picker

- Three-time member of *Institutional Investor's* All-American Research Team
- *Forbes*/StarMine All-Star Analyst
- *The Wall Street Journal* Best on the Street

#### Education

- B.S. – United States Military Academy
- Masters in Finance – Sloan School of Management, Massachusetts Institute of Technology



Larry C. Baker, CFA  
Senior Portfolio Manager



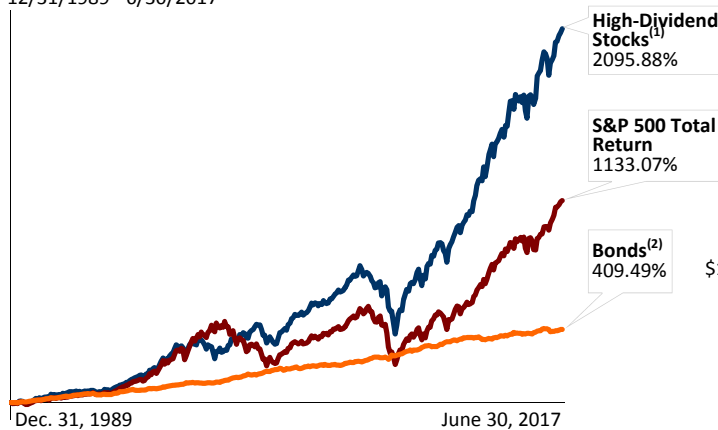
Michael S. Scherer  
Senior Portfolio Manager



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**Performance Advantage of High-Dividend Stocks**

12/31/1989 - 6/30/2017

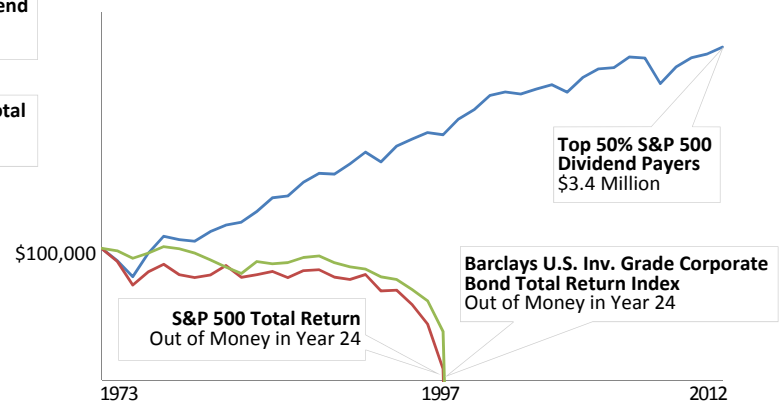


Source: Bloomberg | Includes Dividends | Monthly Data

- 1 S&P 500 Dividend Aristocrats Total Return
- 2 Barclays Capital Aggregate Bond Index

**Superior Performance of High-Yield Stocks in Decumulation**

12/31/72– 12/31/2012 | Annual withdrawals starting at 4.5% & increasing with inflation



Source: Ned Davis Research | Includes Dividends | Monthly Data | Net of 1% Fees

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**Subsidiary of Stifel Financial Corp.**

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- As a Stifel company, we are able to leverage the resources and global infrastructure of our parent and/or affiliates for risk management oversight, trading, record keeping, reporting, and risk control, while still maintaining the autonomy and service of a pure investment firm.

**A Rules-Based Approach to Investment Management**

We employ a structured and fully-transparent investment process that combines traditional fundamental analysis with sophisticated quantitative modeling.

**Extensive Experience**

- The EquityCompass investment team has been providing quantitative based strategies for equity portfolios on the Stifel platform since 2006
- We have been publishing investment research, analysis, and advice since 2001
- The investment team is led by Richard Cripps, CIO
  - Former Managing Director of Portfolio Strategy at Stifel and former Chief Market Strategist and Co-Chairman of the investment committee at Legg Mason Wood Walker, Inc.

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