

Data as of August 31, 2018

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 was one change to the portfolio in August.
 - **McDonald's (MCD)**, the lowest yielding position in the portfolio, was removed and replaced with **Chevron Corp. (CVX)**, one of the leading global oil companies. At the time of the trade, Chevron's yield was 130 basis points higher than McDonald's. While long-term dividend and earnings growth are similar for the two companies, the higher current yield weighs heavy in favor of Chevron.
- As a result of this portfolio change, 24 of the 26 holdings have raised dividends for 2018, with the growth averaging 8.9%. We expect to have each member of the portfolio increase its dividend for 2018, as they did last year.
- At the end of August, the portfolio yielded 4.2%. The average payout ratio for 2018 is forecast at 65%, the portfolio beta was 0.7, and the average market capitalization was \$118.5 billion. The P/E ratio looking out 12 months was 15.8x.

Top Ten Holdings by Yield

Symbol	Company Name	Yield	Price
OHI	Omega Healthcare Investors, Inc.	8.0%	\$33.05
T	AT&T, Inc.	6.3%	\$31.94
ENB	Enbridge, Inc.	6.0%	\$34.17
PM	Philip Morris International, Inc.	5.9%	\$77.89
BCE	BCE, Inc.	5.7%	\$40.77
SO	The Southern Co.	5.5%	\$43.78
OKE	ONEOK, Inc.	5.0%	\$65.91
WMB	The Williams Cos., Inc.	4.6%	\$29.59
DUK	Duke Energy Corp.	4.6%	\$81.24
VZ	Verizon Communications, Inc.	4.3%	\$54.37

Recent Changes

August 2018
 Removed — MCD
 Added — CVX

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

Represents Weighted Avgs.

Number of Holdings	26
Market Cap (\$Billion)	\$118.5
Dividend Yield	4.2%
Price/Earnings (F12M)	15.8x
Beta	0.7
Payout Ratio - 2018 est.	65.0%
Moody's Debt Rating	100% Inv. Grade
Div. Growth - 2018 YTD	8.9%

Sector Allocation

Energy	21.6%
Consumer Staples	13.8%
Information Technology	13.4%
Health Care	13.2%
Telecommunication Services	11.4%
Real Estate	8.3%
Financials	7.9%
Utilities	6.5%
Materials	3.9%
Consumer Discretionary	0.0%
Industrials	0.0%

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 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 35 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

EquityCompass Strategies

Quality Dividend Strategy

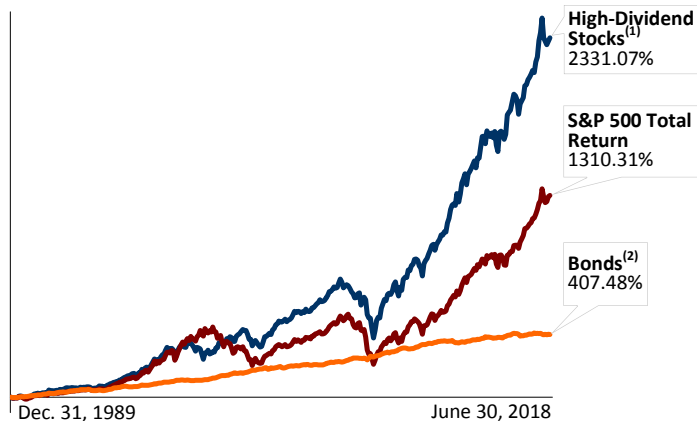
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Performance Advantage of High-Dividend Stocks

12/31/1989 - 6/30/2018

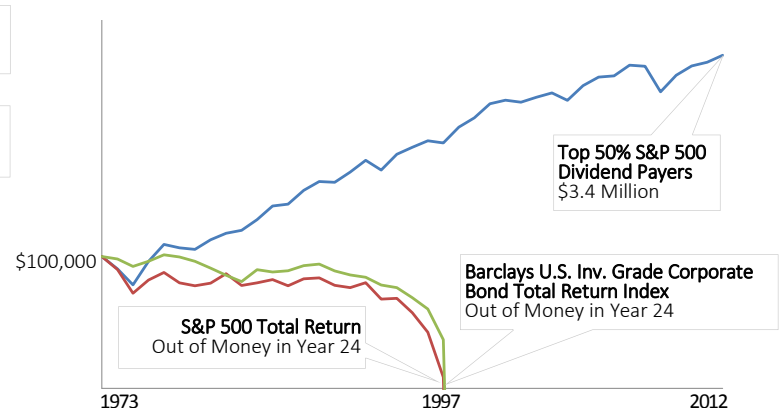


Source: Bloomberg | Includes Dividends | Monthly Data

- 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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