

Data as of May 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 were no changes to the strategy in May. Despite negative year-to-date performance, there has been improvement in the second quarter relative to our benchmark. The current portfolio yield remains solidly above 4% as a result of increases so far this year.
- There was one dividend increase during the month. **Bank of Montreal (BMO)** boosted its dividend in Canadian currency for the second time this year, but weakness versus the U.S. Dollar reduced the percentage increase for U.S. holders. Nineteen of our 26 holdings have boosted dividends for 2018 with the increases averaging 10.6%. We expect each member of the portfolio to increase its dividend for 2018, similar to last year.
- At the end of May, the portfolio yield was 4.4%—a result of the combination of first quarter underperformance and the benefit of strong dividend growth. The average payout ratio for 2018 is forecast at 62%, the portfolio beta was 0.70, and the average market capitalization was \$105 billion. The P/E ratio looking out 12 months was 15.3x.

Top Ten Holdings by Yield

Symbol	Company Name	Yield	Price
OHI	Omega Healthcare Investors, Inc.	8.5%	\$30.65
ENB	Enbridge, Inc.	6.7%	\$31.07
T	AT&T, Inc.	6.2%	\$32.32
PM	Philip Morris International, Inc.	5.4%	\$79.54
SO	Southern Co. (The)	5.3%	\$44.90
WMB	Williams Cos., Inc. (The)	5.1%	\$26.86
VZ	Verizon Communications, Inc.	5.0%	\$47.67
OKE	ONEOK, Inc.	4.7%	\$68.16
GIS	General Mills, Inc.	4.6%	\$42.29
DUK	Duke Energy Corp.	4.6%	\$77.16

Recent Changes

May 2018

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

Represents Weighted Averages

Number of Holdings	26
Market Cap (\$ Billion)	\$105.5
Dividend Yield	4.3%
Price/Earnings (F12M)	15.3x
Beta	0.7
Payout Ratio - 2018 Est.	62.0%
Moody's Debt Rating	96% Inv. Grade
Div. Growth - 2018 YTD	10.6%

Sector Allocation

Energy	18.7%
Consumer Staples	16.1%
Health Care	13.0%
Information Technology	13.0%
Real Estate	8.0%
Financials	8.0%
Telecomm. Services	7.6%
Utilities	6.8%
Consumer Discretionary	4.4%
Materials	4.3%
Industrials	--

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

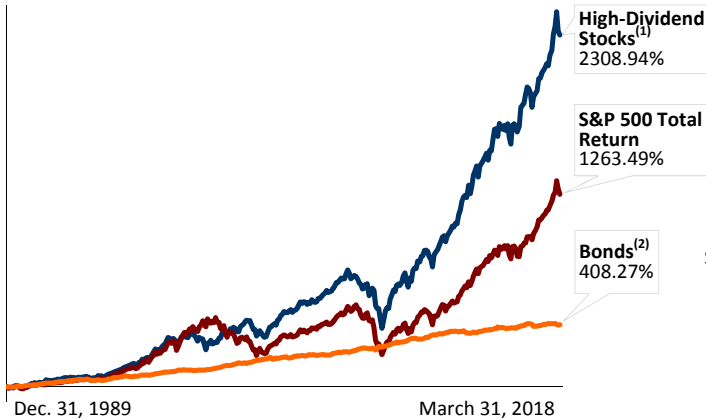
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Performance Advantage of High-Dividend Stocks

12/31/1989 - 3/31/2018

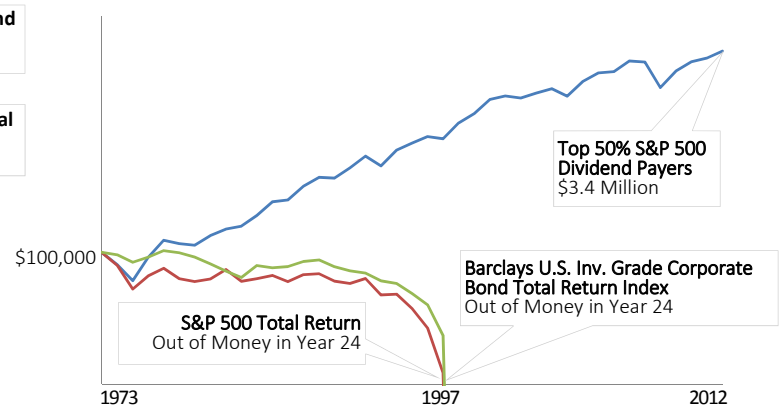


Source: Bloomberg | Includes Dividends | Monthly Data

- 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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