



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

Since assuming management of the Quality Dividend Strategy in March 2010, this is my 61st commentary. I would like to thank everyone who has trusted EquityCompass, me, and Mike Scherer to manage a portion of their assets.

- There was one change to the Strategy in February.
  - Duke Energy (DUK)** was removed and replaced with **Procter & Gamble (PG)**. Duke, along with other utilities, was an excellent performer last year and in the first month of 2015. As a result, its yield had dropped below the portfolio average. Meanwhile, Procter & Gamble had declined 5% since the beginning of the year, and we believed it offered more value in terms of earnings and dividend growth. Although its yield was lower, its growth rate should be twice that of Duke. Further, we expect a dividend increase in mid-April, which should narrow the dividend yield gap.
- Three holdings raised dividends during February, bringing the number of dividend increases to 13, with the increases averaging 6.6%. After two months, more than half of the companies in the strategy have raised dividends at least once.
- At the end of February, the portfolio yielded 4.1%. The average payout ratio was 65%, reflecting lower earnings forecast for 2015. The beta was 0.6, the average market capitalization was \$101.8 billion, and the P/E ratio looking out 12 months was 16.1x.

### Top Ten Holdings By Yield

Symbol	Company Name	Yield
RDSA	Royal Dutch Shell Plc	5.8%
GSK	GlaxoSmithKline Plc	5.5%
T	AT&T, Inc.	5.4%
OHI	Omega Healthcare Investors, Inc.	5.3%
IRM	Iron Mountain, Inc.	5.2%
DLR	Digital Realty Trust, Inc.	5.1%
PM	Philip Morris International, Inc.	4.8%
BCE	BCE, Inc.	4.8%
SO	The Southern Co.	4.6%
VZ	Verizon Communications, Inc.	4.4%

### Recent Changes

#### February 2015

Removed — **DUK**

Added — **PG**

For illustrative purposes only and not intended as personalized recommendations.

## Key Portfolio Statistics

Represents Weighted Avgs.

Number of Holdings	25
Market Cap (\$ Billion)	\$101.8
Dividend Yield	4.1%
Price/Earnings (F12M)	16.1X
Beta	0.6
Payout Ratio - 2015	65.0%
Moody's Debt Rating	96% Inv. Grade
Dividend Growth - 2014	8.1%

## Sector Allocation

Financials	20%
Consumer Staples	16%
Information Technology	12%
Telecommunication Services	12%
Utilities	8%
Consumer Discretionary	8%
Energy	8%
Health Care	8%
Industrials	4%
Materials	4%

## 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
- Satellite strategy that 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
- Average portfolio yield is above that of the S&P 500 and 10-year Treasuries
- 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

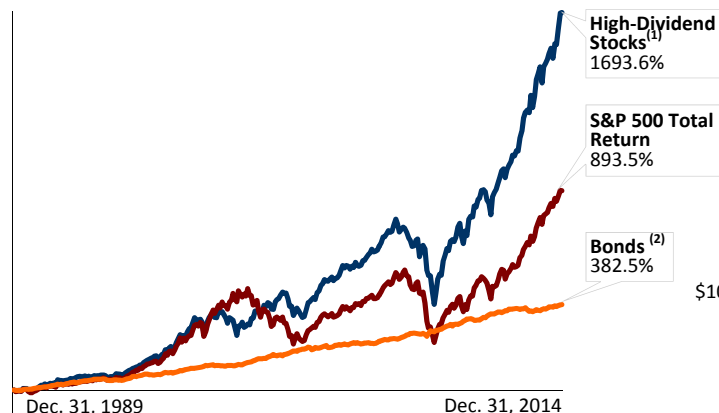


**Michael S. Scherer**  
Portfolio Manager



## Performance Advantage of High-Dividend Stocks

12/31/1989 - 12/31/2014

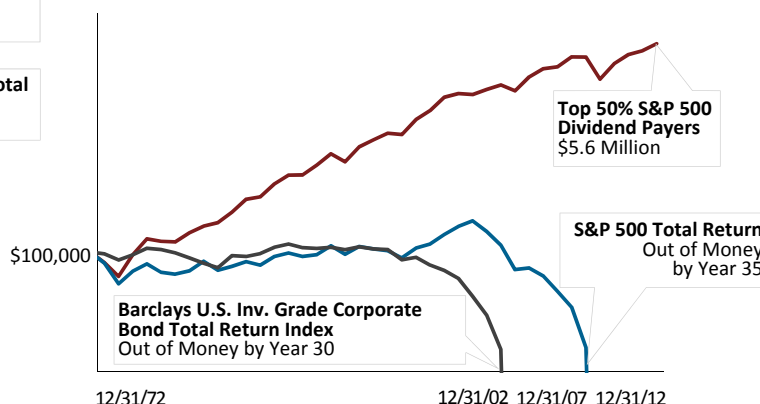


Source: Bloomberg | Includes Dividends | Monthly Data

- 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% &amp; increasing with inflation



Source: Ned Davis Research | Includes Dividends | Monthly Data

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## About EquityCompass

EquityCompass Strategies is a research and investment advisory unit of Choice Financial Partners, Inc., an SEC registered investment advisor offering a comprehensive range of investment portfolios and products to institutional and individual investors.

## Subsidiary of Stifel Financial Corp.

We are a wholly owned subsidiary and affiliated SEC registered investment advisor of Stifel Financial Corp. (NYSE: SF)

- 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 for more than 5 years
- We have been publishing investment research, analysis, and advice for more than 10 years
- 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.

## About Stifel

Founded in 1890, Stifel is one of the leading financial services firms in the U.S. providing full-service wealth management and investment banking services. Stifel is a leading underwriter and advisor for companies and a top provider of trade execution and securities distribution with nationally recognized research and a suite of asset management strategies.

## Firm Facts

as of Sept. 30, 2014

NYSE Ticker:	SF
Public Company Since:	1983
Equity Market-Cap.:	\$3.3 billion
Revenue:	\$2.0 billion
Assets Under Management:	Over \$165 billion
Worldwide Offices:	360
Number of Employees:	6,237

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