

# Quality Dividend Portfolio

## Fact Sheet

As of 6/30/2020



### Highlights

The strategy has three goals:



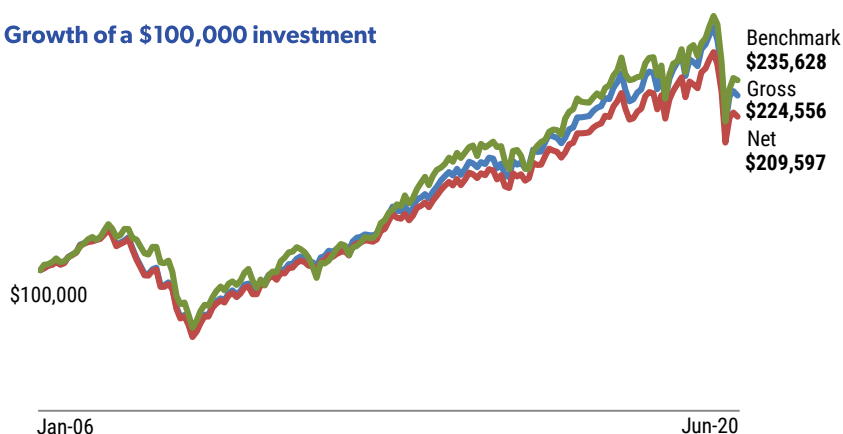
Invests in stocks based on the following criteria:

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

### Performance Overview

December 31, 2005—June 30, 2020

#### Growth of a \$100,000 investment



The growth of \$100,000 chart presented herein is for illustrative purposes only. The chart illustrates the growth of \$100,000 should it had been invested at the time of inception and includes reinvestment of dividends. It does not assume withdrawals or contributions. Any results shown above may not represent the actual experience of individual investors. Individual account performance may differ due to, e.g., account size, cash flows, investment restrictions, economic factors, and fees.

\* Portfolio weighted average

† Uncertainty regarding corporate earnings due to the impact of the COVID-19 pandemic may have a material impact on estimated dividend payout ratios.

#### Objective

Focused portfolio of high-quality, high-yielding stocks that seeks to provide the highest possible dividend yield within the constraints of quality, capital preservation, and diversification

#### Portfolio Characteristics

Inception	January 1, 2006
Number of Holdings	25
Benchmark	Russell 1000 Value TR
Avg. Dividend Yield	5.0%
Avg. Market Cap. (\$ Bln.)*	99.2
Price/Earnings (1-yr. forecast)	14.4x
Payout Ratio 1-yr. forecast†	94.3
S&P Debt Rating	100% Inv. Grade
Dividend Growth - 2020 YTD	4.6%
Annual Turnover - 2019	17.3%

#### Risk Statistics (10-Year, Monthly)

	Portfolio	Benchmark
Standard Deviation (%)	11.70	14.09
Sharpe Ratio	0.74	0.63
Beta	0.75	1.00
R-Squared	0.81	1.00
Alpha (%)	2.30	0.00
Batting Average (%)	49.17	100.00
Up-Market Capture (%)	77.35	100.00
Down-Market Capture (%)	71.69	100.00

All risk measures are based on a 10-year time period using monthly returns.

	Total Returns			Annualized Returns					Calendar-Year Returns										
	3-Mos	6-Mos	YTD	1-yr	3-yr	5-yr	10-yr	Incp.	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Gross %	9.77	-17.84	-17.84	-10.33	1.67	5.37	10.22	5.74	25.53	17.34	13.45	10.78	22.16	14.09	0.47	13.35	16.68	-5.23	23.22
Net %	9.68	-17.98	-17.98	-10.64	1.27	4.91	9.71	5.24	24.92	16.76	12.89	10.23	21.58	13.52	-0.02	12.78	16.10	-5.63	22.80
Russell 1000 Value %	14.29	-16.26	-16.26	-8.84	1.82	4.64	10.41	6.09	19.69	15.51	0.39	17.51	32.53	13.45	-3.83	17.34	13.66	-8.27	26.54
SP5LVHDT %	11.49	-23.07	-23.07	-17.60	-2.12	5.29	10.83	9.31	41.83	19.04	15.96	6.68	21.21	20.25	5.56	22.70	12.33	-5.87	20.76

The information provided herein is supplemental to the GIPS performance presentation. To obtain a compliant presentation or a list of our composite descriptions and/or policies for valuing portfolios, calculating performance, and preparing compliant presentations, please call (443) 224-1231 or send an e-mail to [info@equitycompass.com](mailto:info@equitycompass.com).

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### Holdings by Market Cap

	%
Large Cap - > \$10 bn (%)	95.74
Mid Cap - \$3.5 - \$10 bn (%)	4.26

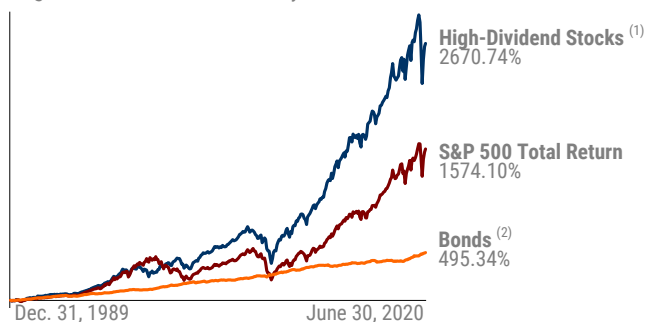
### Top Portfolio Holdings by Yield

	%
Enbridge, Inc.	7.85
Exxon Mobil Corp.	7.78
Prudential Financial, Inc.	7.22
AT&T, Inc.	6.88
Philip Morris International, Inc.	6.68
Valero Energy Corp.	6.66
International Paper Co.	5.82
Chevron Corp.	5.78
International Business Machines Corp.	5.40
The Southern Co.	4.94

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. 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.

### Performance Advantage of High-Dividend Stocks

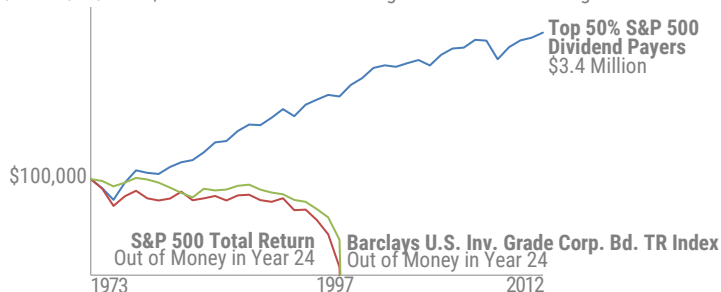
Source: Bloomberg | Includes Dividends | Monthly Data



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

### Superior Performance of High-Dividend Stocks in Decumulation

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



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

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### Sector Allocation

	%
Health Care	19.13
Energy	13.58
Information Technology	13.23
Financials	12.64
Industrials	11.72
Communication Services	9.40
Utilities	7.90
Real Estate	5.13
Consumer Staples	4.26
Materials	3.00

### Portfolio Management Team



**Thomas P. Mulroy**  
Senior Portfolio Manager



**Michael S. Scherer**  
Senior Portfolio Manager



**Larry Baker, CFA**  
Senior Portfolio Advisor

### About EquityCompass

EquityCompass is a Baltimore-based SEC registered investment adviser offering a broad range of portfolio strategies and custom plans for individuals, financial intermediaries, and institutional clients in the U.S. and Europe. Formally organized in 2008, EquityCompass provides portfolio strategies with respect to total assets over \$3.6 billion as of June 30, 2020.<sup>\$</sup>

The EquityCompass team of professionals represents deep industry experience in security analysis, capital markets, and portfolio management. We are committed to a consistent investment process that relies on enduring principles, sound empirical reasoning, and the recognition of a dynamic investment environment with a global reach.

**DESCRIPTION OF TERMS****Alpha**

The relationship between the performance of the strategy and its beta over a three-year period of time.

**Batting Average**

A measure of a manager's ability to beat the market consistently, the Batting Average is calculated by dividing the number of quarters in which the manager beat or matched an index by the total number of quarters in the period. For example, a manager who meets or outperforms the market every quarter in a given period would have a batting average of 100. A manager who beats the market half of the time would have a batting average of 50.

**Beta**

A measure of the volatility, or systematic risk, of a security or a portfolio relative to the market as a whole. A beta of one is considered as risky as the benchmark and is therefore likely to provide expected returns approximate to those of the benchmark during both up and down periods. A portfolio with a beta of two would move approximately twice as much as the benchmark.

**Down-Market Capture Ratio**

Down-Market Capture Ratio is a measure of managers' performance in down markets relative to the market itself. A down market is one in which the market's quarterly return is less than zero. The lower the manager's down-market capture ratio, the better the manager protected capital during a market decline. A value of 90 suggests that a manager's losses were only 90% of the market loss when the market was down. A negative down-market capture ratio indicates that a manager's returns rose while the market declined. For example, if the market fell 8% while the manager's returns rose 2%, the down-market capture ratio would be -25%.

**R-Squared**

R-Squared is a statistic that measures the reliability of alpha and beta in explaining the manager's return as a linear function of the market. If you are searching for a manager with a particular style, for example a growth manager, you would expect that manager to have an R-Squared that is high relative to a growth index if the manager has a diversified portfolio. If the manager's return is explained perfectly, the R-Squared would equal 100, while an R-Squared of 0 would indicate that no relationship exists between the manager and the linear function. Higher R-Squared values indicate more reliable alpha and beta statistics and are useful in assessing a manager's investment style.

**Sharpe Ratio**

Sharpe Ratio is one of two alternative, yet similar, methods of measuring excess return per unit of risk. (The other method is the Treynor Ratio.) In the case of the Sharpe Ratio, risk is measured using the standard deviation of the returns in the portfolio. The Sharpe Ratio relates the difference between the portfolio return and the risk-free rate to the standard deviation of that difference for a given time period.

**Standard Deviation**

Standard Deviation is a gauge of risk which measures the spread of the difference of returns from their average. The more a portfolio's returns vary from its average, the higher the standard deviation. It is important to note that higher-than-average returns affect the standard deviation just as lower-than-average returns. Thus, it is not a measure of downside risk. Since it measures total variation of return, standard deviation is a measure of total risk, unlike beta, which measures market risk.

**Up-Market Capture Ratio**

Up-Market Capture Ratio is a measure of managers' performance in up markets relative to the market itself. An up market is one in which the market's quarterly return is greater than or equal to zero. The higher the manager's up-market capture ratio, the better the manager capitalized on a rising market. For example, a value of 110 suggests that the manager captured 110% of the up market (performed 10% better than the market) when the market was up. A negative up-market capture ratio indicates that a manager's returns fell while the market rose. For example, if the market gained 8% while a manager's returns fell 2%, the up-market capture ratio would be -25%.

**DISCLOSURES**

This material is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such.

Securities discussed in this material were selected because they had dividend increases or decreases in the most recent period and not based on any measurement of performance of the underlying security. Affiliates of EquityCompass may, at times, release written or oral commentary, technical analysis, or trading strategies that differ from the opinions expressed within. Opinions expressed are subject to change without notice and do not take into account the particular investment objectives, financial situation, or needs of individual investors. Any projections, targets, or estimates in this report are forward looking statements and are based on EquityCompass research, analysis, and assumptions made by the Adviser. Changes in market conditions or a company's financial condition may impact a company's ability to continue to pay dividends. Companies may also choose to discontinue dividend payments. Due to their narrow focus, sector-based investments typically exhibit greater volatility and are generally associated with a high degree of risk. Rebalancing may have tax consequences, which should be discussed with your tax advisor. Actual performance for a client may differ due to such factors as timing, economic and market conditions, cash flows, and client constraints.

§ Total assets combines both Assets Under Management and Assets Under Advisement as of June 30, 2020. Assets Under Management represents the aggregate fair value of all discretionary and non-discretionary assets, including fee paying and non-fee paying portfolios. Assets Under Advisement represent advisory-only assets where the firm provides a model portfolio and does not have trading authority over the assets.

Representative Portfolio Performance: Returns reflect the performance of two representative portfolios that have been strung together for the life of the strategy. One portfolio was selected because it is the oldest account in the strategy with a continuous track record that also did not have large cash flows or mandate changes. The other portfolio was selected to capture returns from the strategy's inception up to the open date of the oldest continuous account referenced above. EquityCompass believes the representative performance is useful in terms of presenting the objectives and character of the strategy, however, returns are calculated separately for each portfolio, and therefore, performance may differ from one portfolio to another. There is no assurance that EquityCompass will make any investments with the same characteristics as the representative account presented. Portfolio 1 reflects returns from 1/1/06 – 3/31/06 and Portfolio 2 reflects returns starting 4/1/06. Gross-of-fees returns are not reduced by any fees, expenses, or transaction costs (i.e. Pure Gross). Net-of-fees returns are presented after the deduction of the manager fee of 0.50% until 6/30/18 and 0.35% starting 7/1/18. There will be additional wrap sponsor fees, including trading expenses and management fees, which will vary by wrap sponsor. These additional fees will lower overall net performance. Please consult the wrap sponsor ADV Part 2A for additional fee information.

The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower expected growth values. 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 and is generally considered representative of the U.S. large capitalization market. The S&P 500 Total Return Index tracks both the capital gains of the stocks in the S&P 500 Index over time, and assumes that any cash distributions, such as dividends, are reinvested back into the index. Looking at an index's total return displays a more accurate representation of the index's performance. By assuming dividends are reinvested, you effectively have accounted for stocks in an index that do not issue dividends and instead, reinvest their earnings within the underlying company. The S&P 500 Dividend Aristocrats Index measures the performance of large cap, blue chip companies within the S&P 500 that have followed a policy of increasing dividends every year for at least 25 consecutive years. The Barclays Capital Aggregate Bond Index is an index used as a benchmark to measure the relative performance of bond funds. The index includes government securities, mortgage-backed securities, asset-backed securities and corporate securities to represent the universe of bonds in the market. The maturities of the bonds in the index are more than one year. The Barclays Capital U.S. Investment Grade Corporate Bond Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. corporate investment-grade fixed income bond market. Indices are unmanaged, do not reflect fees and expenses, and are not available for direct investment.

**Past performance does not guarantee future performance or investment results.**

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