

## ORGANIZATION

- Founded in 1995
- Dallas-based
- \$3.4 billion in managed assets
- 100% Employee-owned
- A firm wide commitment to culture and diversity
- 11 investment professionals averaging 10 years tenure and 19 years investment industry experience

## KEYS TO SUCCESS

- Over 20 years focused on the theory and practice of capturing unexpected earnings
- A portfolio construction process integrating the best of both disciplines:
  - Quantitative research to identify opportunities and risks swiftly
  - Fundamental analysis to verify sources of unexpected growth
- Delivering realized growth that is better than expected

## Investment Process

The objective of the strategy is to provide a high level of current income with a sustainable trend of increasing dividends. The portfolio is designed to provide long-term inflation protection and a solid risk-adjusted return over the full market cycle.

### BUY DISCIPLINE:

Factors considered in analysis of potential buy candidates include:

- Current dividend yield of at least 2%
- Stable upward trending long term div. growth rate
- Attractive valuation
- Strong balance sheet and high earnings quality

### SELL DISCIPLINE:

A holding is sold if one or more of the following conditions applies:

- Adverse change in company dividend policy
- Deterioration of company or industry fundamentals
- Stock becomes overvalued
- Downgrade of debt rating

## Investment Performance (%)

|                                     | 2Q 2019     | YTD         | 1 YEAR      | 3 YEARS     | 5 YEARS     | SINCE INCEPT |
|-------------------------------------|-------------|-------------|-------------|-------------|-------------|--------------|
| <b>Dividend Growth Strategy</b>     | <b>5.8</b>  | <b>14.5</b> | <b>15.5</b> | <b>11.2</b> | <b>10.5</b> | <b>14.0</b>  |
| <i>Russell 1000 (Risk-Adjusted)</i> | 3.3         | 13.5        | 8.1         | 10.4        | 7.7         | 11.0         |
| <b>Excess Return</b>                | <b>+2.6</b> | <b>+1.0</b> | <b>+7.5</b> | <b>+0.8</b> | <b>+2.8</b> | <b>+3.0</b>  |
| <i>Russell 1000</i>                 | 4.3         | 18.8        | 10.0        | 14.2        | 10.5        | 15.5         |
| <b>Excess Return</b>                | <b>+1.5</b> | <b>-4.3</b> | <b>+5.5</b> | <b>-3.0</b> | <b>0.0</b>  | <b>-1.5</b>  |
| <i>Net of Fees</i>                  | 5.7         | 14.2        | 14.9        | 10.6        | 9.9         | 13.4         |

Inception Date: Oct. 1, 2011; Periods greater than 1 year have been annualized; Russell 1000 Risk-Adjusted Index is a custom index consisting of a 70% weighting to the Russell 1000 Index and a 30% weighting to the 90-day U.S. T-bill, re-balanced monthly. Peer rank v. eVestment Alliance US Dividend Focus Equity

## Strategy Facts

|                 |   |
|-----------------|---|
| Inception Date  | Oct. 1, 2011                                  |
| Total Assets    | \$12 million                                  |
| # of Holdings   | 20—30   |
| Allocation      | Equity: 97%<br>Cash: 3%                       |
| 5 Year Turnover | 10%   |
| Inv. Vehicles   | Sep. Account                                  |
| Benchmarks      | Russell 1000 (Risk-Adjusted) and Russell 1000 |

## Style Objective

|       | Value | Growth |
|-------|-------|--------|
| Large |       |        |
| Small |       |        |

## Risk/Return Statistics

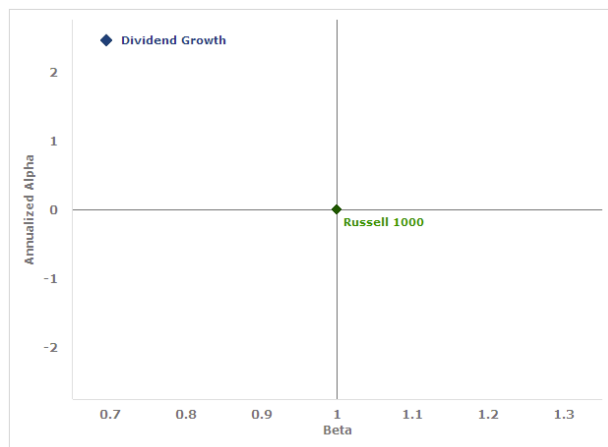
|                   | v. R1000 | Peer Rank |
|-------------------|----------|-----------|
| Alpha             | 3.94     | 1         |
| Beta              | 0.64     |           |
| Gain/Loss Ratio   | 2.0      | 1         |
| Up-Mkt. Capture   | 81       | 77        |
| Down-Mkt. Capture | 48       | 1         |

Timeframe: Oct. 1, 2011—Jun. 30, 2019, Gross of fees

Past performance is not indicative of future results. As with any investment vehicle, there is always a potential for profit as well as the possibility of loss. Actual results may differ from composite returns, depending on account size, investment guidelines and/or restrictions, inception date and other factors. Nothing contained in this presentation should be construed as a recommendation to buy or sell a security or economic sector. Please see firm and performance disclosures.

## Risk/Return

Risk/Return Scatter Chart  
For 5 Years Ended June 30, 2019  
Benchmark: Russell 1000



Source: eVestment

## Sector Allocation (%)

|                     | Smith | Russell 1000 |
|---------------------|-------|--------------|
| Comm. Svcs.         | 7.7   | 9.7          |
| Cons. Discretionary | 5.2   | 10.4         |
| Cons. Staples       | 16.9  | 6.7          |
| Energy              | 6.9   | 4.8          |
| Financials          | 17.9  | 13.2         |
| Health Care         | 13.0  | 13.9         |
| Industrials         | 5.2   | 9.6          |
| Info. Technology    | 19.6  | 21.9         |
| Utilities           | 7.8   | 3.2          |

## Strategy Characteristics

|                          | Smith   | Russell 1000 |
|--------------------------|---------|--------------|
| Dividend Yield           | 3.2%    | 1.9%         |
| P/E - 12M Fwd.           | 15.5x   | 17.9x        |
| Return on Equity         | 25.1%   | 19.8%        |
| S&P Sr. Debt Rating      | AA-     | A            |
| Beta (Holdings based)    | 0.80    | 1.00         |
| Wtd. Avg. Mkt. Cap (\$B) | \$219.1 | \$219.1      |
| Holdings                 | 23      | 1,000        |

## Portfolio Objectives

| Fundamental Characteristic | Individual Holdings   | Total Portfolio                          |
|----------------------------|---|--|
| Dividend Yield             | Greater than 2.0%   | 150% of S&P 500 Index                    |
| Dividend Growth Rate       | Stable upward trending over the long term                       | At least 200% of inflation rate          |
| Payout Ratio               | Generally increasing  | Generally increasing                     |
| Beta                       | Less than 1.5   | Significantly less than 1.0              |
| Financial Strength/Quality | Investment Grade Debt Rating. Attractive earnings quality       | High financial quality                   |
| Valuation                  | Attractively valued relative to sector peers and/or own history | Trades at discount to the overall market |

## Top Ten Holdings

|                 |                   |
|-----------------|-------------------|
| Microsoft       | Qualcomm          |
| Sysco           | Travelers         |
| Lockheed Martin | Pfizer            |
| McDonald's      | Johnson & Johnson |
| JP Morgan Chase | Cisco Systems     |

## Performance and Firm Disclosures

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