

## ORGANIZATION

- Founded in 1995
- Dallas-based
- \$2.2 billion in managed assets
- 100% Employee-owned
- A firm wide commitment to culture and diversity
- 11 investment professionals averaging 11 years tenure and 21 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 2020	YTD	1 YEAR	3 YEARS	5 YEARS	7 YEARS	SINCE INCEPT
<b>Dividend Growth</b>	<b>12.8</b>	<b>-10.5</b>	<b>-2.8</b>	<b>7.8</b>	<b>9.4</b>	<b>9.8</b>	<b>11.9</b>
<i>Annualized Alpha Peer Rank</i>	—	—	38	16	7	10	6
<i>Portfolio Beta vs. S&amp;P 500</i>	—	—	0.92	0.84	0.80	0.80	0.77
S&P 500 Index	20.5	-3.1	7.5	10.7	10.7	12.1	14.6
Russell 1000 Value	14.3	-16.3	-8.8	1.8	4.6	7.1	11.0
<i>Net of Fees</i>	<i>12.7</i>	<i>-10.8</i>	<i>-3.3</i>	<i>7.3</i>	<i>8.8</i>	<i>9.2</i>	<i>11.4</i>

Inception Date: Oct. 1, 2011; periods greater than 1 year have been annualized; Peer rank v. eVestment Alliance Dividend Focus Equity Universe

## Strategy Facts

Inception Date	Oct. 1, 2011
# of Holdings	20—30
Allocation	Equity: 95%, Cash: 5%
5 Year Turnover	9%
Inv. Vehicle	Sep. Account
Strategy Access	Investnet, TD Ameritrade, Schwab

## Style Objective

	Value	Growth
Large		
Small		

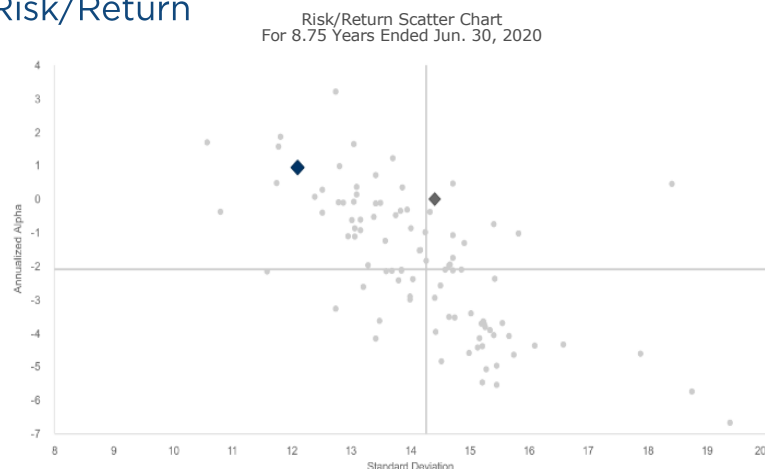
## Risk/Return Statistics

	v. S&P 500	Percentile Peer Rank
Alpha	0.8	6
Sharpe Ratio	1.00	14
Gain/Loss Ratio	1.2	7
Std. Deviation	11.2	8
Down-Mkt. Capture	77	5

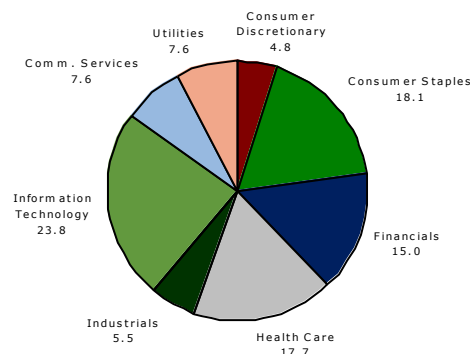
Timeframe: Oct. 1, 2011 - Jun. 30, 2020, Gross of fees;  
Peer rank v. eVestment Alliance US Dividend Focus Equity  
Peer ranks for timeframe Oct. 1, 2011 - Jun. 30, 2020

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



## Sector Allocation (%)



Source: eVestment; Peer Group: eVestment Dividend Focus Equity

## Strategy Characteristics

	Smith Div. Growth
Dividend Yield	3.4%
5 Yr. Dividend Growth Rate	9.5%
Price/Earnings - 12M Fwd.	16.5x
Price/Cash Flow	9.8x
S&P Sr. Debt Rating	AA-
Wtd. Avg. Mkt. Cap (\$B)	\$271.6
Holdings	23

## 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	Johnson & Johnson
Qualcomm	PepsiCo
Lockheed Martin	JPMorgan Chase
Abbvie	Procter & Gamble
McDonald's	Verizon Communications

## Performance and Firm Disclosures

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