



Objective:	Dividend Income	Process:	Fundamental/Intrinsic Value
Asset Class:	Global Equity	Implementation:	Individual Stocks
Holdings:	20-25	Style Box:	Multi-Cap Value
Inception:	Jan. 2011	Structure:	SMA ²

Description

This strategy seeks to maximize the annual income stream from a strategically diversified portfolio of equity securities. We apply deep fundamental analysis to the companies selected for this strategy in an effort to filter out stocks with potentially unsustainable dividend yields due to insufficient earnings coverage, or balance sheet weakness.

Process

We use a categorization discipline to support risk management in the strategy. The core of the portfolio consists of two complementary categories we call “Income & Growth” and “Aggressive Yield.” We believe companies in the **Income & Growth** category enjoy a sustainable competitive advantage that can support a growing dividend policy. The current dividend yield for these companies may be lower than other stocks in the strategy, but we expect these companies to grow the dividend consistently over time.

Stocks in the **Aggressive Yield** category help to maximize the current cash flow from the portfolio. These stocks are the primary source of differentiation for the strategy compared to passive index funds or ETFs. The research process for these companies seeks to identify special situations with unusually generous dividend yields, while avoiding stocks whose enticing dividends are to-good-to-be-true.

The third category is **Tactical Opportunities**, which serves a similar role as in the *Managed Equity Growth* strategy. These are higher yielding stocks that involve a more idiosyncratic, event-driven investment thesis that supports diversification and risk management for the portfolio as a whole.

Role in Portfolio

The Managed Equity Dividend strategy complements the equity and fixed income allocations of a diversified portfolio. For the equity portion of a portfolio this strategy provides a value tilt due to its emphasis on mature companies and industries. Dividend stocks can also be less sensitive to swings in market sentiment because a greater portion of the total return is derived from near-term cash payments. For the fixed income portion of a portfolio the strategy diversifies the sources of cash flow to include dividend income in addition to interest from bonds. The strategy might also serve as an inflation hedge due to an expectation that corporate dividends tend to grow over time.

² The acronym SMA refers to “Separately Managed Account.”

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Introduction

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