



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 too-good-to-be-true.

The third category is **Strategic Opportunities**. 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 seeks to maintain an average current dividend yield between 4% and 5%, with long-term growth in the aggregate dividend of at least 4% per annum. These two characteristics combine to produce a target rate of return for the strategy in the range of 8% to 9%. Normal stock market volatility can cause meaningful variability around this target rate of return over short-term holding periods. However, we believe results over longer-term measurement periods can cluster around the 8%-9% target if the strategy maintains its long-term objectives for dividend income and growth over time.

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

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Introduction

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