Washington Crossing Advisors

RISING DIVIDEND PORTFOLIO
Large Cap Value

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PORTFOLIO PROFILE SHEET

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About Washington Crossing Advisors
Washington Crossing Advisors (WCA) is a wholly owned subsidiary and affiliated SEC Registered Investment Adviser of Stifel Financial Corp. WCA strategies are primarily offered through the Stifel Opportunity Program.

The senior management team has worked together for over 25 years as market strategists and portfolio managers.

The WCA RISING DIVIDEND PORTFOLIO seeks to access blue-chip companies with rising dividends at attractive valuations. We focus our attention on the 1,000 largest, actively traded companies listed on exchanges in the U.S. From this point, we seek:

STEADILY RISING DIVIDENDS

Portfolio companies must have demonstrated at least five consecutive years of dividend increases. Failure to raise the dividend is grounds for removal from the portfolio.

CONSISTENCY

The watchword for the WCA Rising Dividend Portfolio strategy is consistency. Therefore, the selection process favors companies with strong balance sheets and consistent earnings that are capable of sustained growth of shareholder capital and income.

YIELD AND CAPITAL GROWTH

We believe that chasing yield without regard for capital growth is folly. Therefore, this portfolio seeks companies we believe are capable of growing both the dividend and shareholder capital over time.

DIVERSIFICATION

Because the portfolio does not focus solely on yield, the WCA Rising Dividend Portfolio is free to invest across many sectors and industries. We limit exposure to a single sector to 30%. While diversification does not eliminate the risk of investing, and losses are possible in diversified portfolios, the goal is to increase returns while reducing risk.

PORTFOLIO STATISTICS

	Portfolio	S&P500
Market Capitalization $B	$123.6	$201.3
Return on Assets	6.4%	3.4%
Leverage	3.6	4.4
Enterprise Value to Sales	3.4	4.2
Dividend Yield	2.5%	2.2%
Dividend Growth (5-Year)	7.1%	7.4%
Expected Turnover	10-20%	—

Source: Bloomberg.

SECTOR EXPOSURE

Consumer Discretionary	8%
Consumer Staples	29%
Financials	3%
Healthcare	19%
Industrials	20%
Materials	4%
Technology	13%
Utilities	3%
Cash	1%

As of December 31, 2018

Simply buying dividends is not a sufficient reason for owning a portfolio of dividend-paying stocks. However, a portfolio of profitable companies that are generating stable and increasing dividends is an attractive place to start when seeking quality investments that can potentially pay you a rising stream of current income over time.

DIVIDENDS AS A MARK OF QUALITY

Not all companies can build value and grow their dividend at the same time. Those that can, however, often possess a durable competitive advantage that allows them to sustain both objectives over time. They also must have cash on hand in order to pay a dividend, and have some level of confidence that cash will be available in the future if they expect to maintain, or increase, the dividend. Companies with unpredictable earnings or precarious balance sheets, may be less inclined to pay a dividend. Hence, we view consistency in dividends as a potential hallmark of financial health and fundamental quality.

BALANCING DIVIDENDS WITH GROWTH FOR TOTAL RETURN

Between 1926 and 2018, the S&P 500 has provided a total return to investors, including reinvested dividends, of approximately 10.1%. Not counting the historic role of dividends would have lowered the return to 5.9%. Of course, the performance of markets have much to do with other factors that influence the profitability and attractiveness of the overall stock market or specific companies from one period to the next. Often, it is more desirable for a company to grow its equity value through profitable reinvestment in higher returning projects, rather than paying dividends to shareholders. This strategy seeks to balance the desire for a rising stream of cash dividends today, with capital appreciation over time, through the growth of value in profitable businesses.

DIVIDENDS AND INFLATION

Inflation erodes the value of money over time. Therefore, dollars received earlier have greater value than dollars to be received far in the future. When companies pay dividends, they are returning a portion of profits to shareholders sooner rather than later. This means that current dividends are less affected by the corrosive effects of inflation. Many investors look to their overall financial portfolio as a source of income in retirement. Those investors have come to view dividend-paying companies as one way of generating a higher level of current income compared to some other equity strategies that focus more on future growth.

Investors who are moving from the accumulation phase of the investing cycle and who need to create an income stream to keep up with the cost of living during retirement may find a portfolio of high-quality, dividend-paying stocks a valuable component of their overall investment strategy.

TOP 10 PORTFOLIO HOLDINGS BY WEIGHT

Accenture PLC Class A	ACN
Automatic Data Processing Inc.	ADP
Church & Dwight Co. Inc.	CHD
Costco Wholesale Corp.	COST
Linde PLC	LIN
Merck & Co. Inc.	MRK
Microsoft Corp.	MSFT
Pfizer Inc.	PFE
Starbucks Corp.	SBUX
Unitedhealth Group	UNH

As of December 31, 2018

The Top 10 holdings are determined by percentage of portfolio allocation and are subject to change at any time, without notice. The holdings presented do not represent all of the securities held by the strategy as of the date presented. A complete list of holdings as of the date noted above will be provided upon request. The above is presented to illustrate the application of the strategy only and not intended as personalized recommendations of any particular security. The securities identified and described above do not represent all of the securities purchased, sold, or recommended for client accounts. You should not assume that an investment in any of the securities identified was or will be profitable.

ANNUALIZED RETURNS

PERIODS ENDING DECEMBER 31, 2018

	Q418	YTD	1 Year	3 Year	5 Year	Since Inception
Rising Dividend Portfolio (Gross of Fees)	-7.27%	1.00%	1.00%	11.47%	10.70%	11.89%
Rising Dividend Portfolio (Net of Fees)	-7.59%	-0.37%	-0.37%	9.89%	9.11%	10.21%
S&P 500 Index TR	-13.52%	-4.38%	-4.38%	9.26%	8.49%	10.58%

Inception: May 1, 2011.

CALENDAR YEAR RETURNS

	2013	2014	2015	2016	2017	2018
Rising Dividend Portfolio (Gross of Fees)	29.86%	17.13%	2.47%	13.24%	21.10%	1.00%
Rising Dividend Portfolio (Net of Fees)	27.91%	15.41%	0.97%	11.56%	19.38%	-0.37%
S&P 500 Index TR	32.39%	13.69%	1.38%	11.96%	21.83%	-4.38%

SINCE INCEPTION RISK STATISTICS

PERIODS ENDING DECEMBER 31, 2018

	Standard Deviation	Sharpe Ratio	Batting Average	Up Capture	Down Capture	Beta	R-Squared
Rising Dividend Portfolio	10.08%	1.12	45.65%	89.86%	70.42%	0.80	84.50%
S&P 500 Index TR	1.55%	0.89	100.00%	100.00%	100.00%	1.00	100.00%

Risk statistics calculated using gross of fees performance.

Past performance should not and cannot be viewed as an indicator of future performance. Indices are unmanaged, and it is not possible to invest directly in an index. All benchmark returns presented are provided to represent the investment environment existing during the time periods shown. Actual investment performance will vary due to fees and expenses. For comparison purposes, the benchmarks include the reinvestment of income. The benchmarks are unmanaged and unavailable for direct investment.

Please review the end of this document for important disclosures.

DESCRIPTION OF TERMS

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: Beta measures the risk level of the manager. Beta measures the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole. In contrast, alpha measures the nonsystematic return of the portfolio, and standard deviation measures the volatility of a portfolio's returns compared to the average return of the portfolio. A beta equal to one indicates a risk level equivalent to the market. Higher betas are associated with higher risk levels, while lower betas are associated with lower risk levels. Beta is calculated using regression analysis, and can be summarized by the tendency of a security's returns to respond to swings in the market. A beta of 1 indicates that the security's price will move with the market. A beta of less than 1 means that the security will be less volatile than the market. A beta of greater than 1 indicates that the security's price will be more volatile than the market. For example, if a stock's beta is 1.2, it's theoretically 20% more volatile than the market. A beta of greater than 1 offers the possibility of a higher rate of return, but also poses more risk.
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%.
PEG Ratio: PEG Ratio reflects a stock's price/earnings ratio divided by annual earnings per share growth.
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.
S&P 500 Index: The Standard & Poor's 500 Index is a capitalization-weighted index that is generally considered representative of the U.S. large capitalization market.
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 ten percent 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

Past performance does not guarantee future performance or investment results. Actual performance for a client may differ due to such factors as timing, economic and market conditions, cash flows, and client constraints. The performance statistics shown in this profile are calculated based on composite performance beginning May 1, 2011, and ending with the date shown on this profile. Performance is based upon the asset-weighted performance of all client accounts invested in this strategy (accounts having investment restrictions may be removed from the composite for performance calculation purposes) and is shown on a gross and net of fee basis. Gross of fees means that the figures do not reflect any deductions for investment management fees, trading costs, taxes, or any other costs associated with a managed account. Net of fees means that the figures reflect deductions for investment management fees and trading costs, but do not reflect taxes. Indices are unmanaged, and it is not possible to invest directly in an index. Significant disruptions in market or economic conditions may impact the results portrayed. Please refer to WCA's ADV Part 2 for additional disclosures regarding the firm and its practices.

Changes in market conditions or a company's financial condition may impact the company's ability to continue to pay dividends. Companies may also choose to discontinue dividend payments.

All investments involve risk, including loss of principal, and there is no guarantee that investment objectives will be met. It is important to review your investment objectives, risk tolerance and liquidity needs before choosing an investment style or manager. Equity investments are subject generally to market, market sector, market liquidity, issuer, and investment style risks, among other factors to varying degrees. Fixed Income investments are subject to market, market liquidity, issuer, investment style, interest rate, credit quality, and call risks, among other factors to varying degrees.

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