

Investment
PHILOSOPHY

FCI's Equity Income Strategy seeks to provide investors with a high level of current income, as well as the potential for income growth and capital appreciation over time. We strive to accomplish this by focusing on high quality large and mid-capitalization companies with above average current dividends that also display both the proven willingness and financial ability to increase dividends over time. We believe that a diversified portfolio of high quality, dividend-focused stocks has the potential to provide strong cash flows and attractive risk-adjusted returns over a full market cycle, thus meeting the needs of a broad range of investors.

Investment
OBJECTIVE

The objective of FCI's Equity Income Strategy is to outperform the Dow Jones Select Dividend TR Index, net of fees over an entire market cycle, with less risk. The strategy is intended to provide investors with an above-market dividend yield as well as a growing income stream from a diversified portfolio of 35 to 45 individual securities selected from all eleven economic sectors. The portfolio is managed with low turnover to take advantage of preferential tax rates applicable to capital gains and qualified dividends. The dividend yield target for the portfolio is at least 150% of the dividend yield of the S&P 500.

WHAT SETS THIS STRATEGY APART?

Tenured, focused portfolio managers and analysts

Emphasis on income and consistency of returns through diversification and position sizing

Tactical approach to economic sector management

Forward looking and opportunistic investment style

Investment
STRATEGY

FCI's Equity Income Strategy is a dynamic, valuation-intensive investment strategy that utilizes both top down macro-economic and industry specific research as well as bottom up, stock-specific quantitative and qualitative research. The investment process employs a quantitative screening process as the starting point for creating a universe of investment candidates. Stocks that successfully pass our initial screens can generally be characterized as having a minimum market capitalization of \$1.5 billion, a dividend yield of at least 1%, and a 3 year history of dividend growth. The resulting group of 350 to 400 securities is further ranked by a proprietary, multi-factor quantitative model that focuses on fundamental factors such as dividends, dividend growth, balance sheet strength, profitability, and valuation. The output of this screening and ranking process establishes the foundation for what we call our Working List. Working List stocks are candidates for inclusion in the portfolio and undergo rigorous quantitative and qualitative valuation analysis utilizing proprietary intrinsic and relative valuation models as well as subjective, in-depth analysis focusing on factors such as dividend policy, management quality and competitive advantages. Changes are made to the portfolio when a company's fundamentals deteriorate or when a stock exceeds our fair value target and we believe a better opportunity exists. Among the critical exit triggers is a stock rising to the point where its dividend yield is below that of the market or an unfavorable stock-specific change to a company's dividend policy.

Responsive to changes in the economic and market environment

Close working relationship with FCI's institutional fixed income portfolio managers and analysts to ensure equity strategies benefit from fixed income research and expertise



As of December 31, 2018

SECTOR WEIGHTINGS

Characteristic	Equity Income	R1000V
Communication Services	6.1%	7.3%
Consumer Discretionary	9.5%	5.2%
Consumer Staples	9.6%	7.8%
Energy	10.7%	9.3%
Financials	12.3%	22.5%
Health Care	19.1%	15.7%
Industrials	5.6%	7.4%
Information Technology	10.4%	9.3%
Materials	3.5%	4.1%
Real Estate	8.2%	4.9%
Utilities	5.0%	6.5%

STRATEGY CHARACTERISTICS

Characteristic	Equity Income	R1000V
Long Term Debt/Equity	47.5%	38.0%
Free Cash Flow Yield	6.4%	6.2%
EV/EBITDA	14.1	14.4
Forward Price/Earnings	12.7	12.6
Price/Book Value	2.4X	2.0X
Dividend Yield	4.2%	3.2%
3-Year Dividend Growth	10.8%	9.0%
Market Cap (wt. avg.)	\$157.5B	\$131.1B
Average no. of Holdings	45	710

STRATEGY ASSETS UNDER MANAGEMENT

FCI manages **\$389.2 million** in the Equity Income Strategy.

ABOUT FCI ADVISORS

FCI Advisors (FCI) strives to be recognized as a premier provider of investment management, risk management and advisory services. FCI was founded in 1966 and is a SEC Registered Investment Advisory (RIA) firm. The firm manages portfolios and provides investment solutions for a broad array of investors that include corporate, public and union pension plans, bank trust departments, insurance companies, mutual funds, endowments, foundations, charities and individuals nationwide. FCI is owned by MTC Holding Corporation. Our Midwestern fiduciary culture means that caring about clients' interests is at the heart of every decision we make. Our experienced professionals average over 20 years of experience.

PORTFOLIO MANAGERS

Benjamin Hill, CFA
Patrick Schumann, CFA
Lee Merry

TOP TEN HOLDINGS*

JP Morgan Chase & Co.
Novartis AG
Verizon Communications, Inc.
Pfizer, Inc.
Crown Castle
AbbVie, Inc.
PepsiCo, Inc.
Amgen, Inc.
Intel Corporation
Johnson & Johnson

*Investments listed in descending order based on market value.

For further information, please contact us at:
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