

Equity Income Strategy Methodology

This strategy strives to produce an average current yield of approximately 5.0%. It is comprised of common and preferred stocks, REITs, and fixed income securities. Due to the diversified nature and high current yield, this strategy is designed to be significantly less volatile than the overall equity market. Within this portfolio we have a strong emphasis on cash flow and dividend sustainability. We also leverage our time-tested, three-stage research process as highlighted below. This strategy typically includes 25 – 35 holdings.

Research Methodology and Process

Our overall research methodology is built upon a time-tested, three-stage process. This process is top-down driven and has a strong emphasis on identifying quality, based on peer-to-peer analysis in each industry and sector. Importantly, we leverage this research process across all of our equity portfolio strategies.

Fixed Income Exposure:

Fixed income investments may be used within the Equity Income Strategy as a strategic investment, as an instrument to fulfill liquidity or income needs in a portfolio, or to add a component of capital preservation. EWA will generally evaluate and select individual bonds based on bond ratings, yield, duration, and callability.

Focus and discipline to reduce volatility:

- ✓ Lower individual company volatility by holding approximately 60% of the portfolio with individual company betas less than 0.50.
- ✓ Lower overall portfolio volatility by maintaining an overall strategy yield of at least 5.0%. Over time, with a large percentage of total return coming from this relatively high current yield, volatility should be reduced relative to the overall equity market.