Raymond James Research Portfolios

Investment Strategy: Portfolio Strategy Equity Income

The Portfolio Strategy Equity Income portfolio combines a top-down sector approach with bottom-up stock selection in an attempt to provide a diversified, large-cap income-oriented, equity portfolio solution.

PHILOSOPHY

The Equity Portfolio & Technical Strategy (EPTS) group, led by Managing Director Michael Gibbs, has historically assisted advisors with the development of strategic investment and portfolio solutions using fundamental, quantitative, and technical analysis. The EPTS team now offers its Equity Income portfolio on the fee-based Raymond James Research Portfolios (RJRP) platform. The Portfolio Strategy portfolios seek to provide investors higher returns without strict adherence to style box allocation. Gibbs joined Raymond James in 2012 with the acquisition of Morgan Keegan.

COMPETITIVE EDGE

The Portfolio Strategy Equity Income portfolio's competitive advantage stems from the EPTS group's work as market and sector strategists, together with their use of Raymond James proprietary research and access to shared research platforms which keeps the team aware of fundamental trends within industries and individual equities.

THE TEAM

Michael Gibbs
Managing Director, Equity Portfolio & Technical Strategy group
- Joined Raymond James in 2012
- Member of Investment Strategy and Canadian Investment Strategy Committees
- In the industry since 1986

Joey Madere, CFA
Senior Portfolio Analyst, Equity Portfolio & Technical Strategy
- Joined Raymond James in 2012
- In the industry since 2010

Richard Sewell, CFA
Senior Portfolio Analyst, Equity Portfolio & Technical Strategy
- Joined Raymond James in 2012
- In the industry since 2010

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It is important to review the investment objectives, risk tolerance, tax objectives and liquidity needs before choosing an investment style or manager. All investments carry a certain degree of risk, including loss. There is no assurance that any strategy will be successful, and no one particular investment style or manager is suitable for all types of investors. Asset allocation and diversification does not ensure a profit or protect against a loss.

PROCESS

The Portfolio Strategy Equity Income Portfolio is designed to produce long-term appreciation by combining current and growing dividends with appreciating share prices.

The portfolio will seek broad diversification across most major economic sectors. A top-down investment approach to these broad sectors will be taken to determine the desired sector exposure of the portfolio. A bottom-up approach to stock selection will be applied thereafter.

The portfolio's top-down sector approach determines appropriate weightings for sector and subsector exposures within the portfolio.

The bottom-up stock analysis process maintains a bias toward large-cap companies with growing dividends. Fundamental research resources available to the EPTS group are utilized to aid in stock selection.

HEAD/TAILWINDS

The strategy attempts to outperform the S&P 500 index over a full market cycle, with a similar volatility profile. The strategy may experience weaker relative return potential when momentum is driving the market or when growth stocks are in favor over dividend-payers.

INTENDED FIT & STYLE

The Portfolio Strategy Equity Income portfolio can be suitable for a client with income needs from large-cap securities. Although large-cap, dividend-paying stocks are often less volatile than the broad equity market, the limited number of stock positions in the portfolio may result in volatility equal to or somewhat above the broader U.S. equity market.

CONSTRUCTION

The Portfolio Strategy Equity Income portfolio is a diversified portfolio of approximately 20 predominantly large capitalization companies, while including the ability to add mid-capitalization stocks if the management team sees a fit. The portfolio is expected to provide a dividend yield in excess of the dividend yield provided by the S&P 500.

SELL DISCIPLINE

The EPTS group abides by the following sell discipline for its Portfolio Strategy portfolios:

- **Analyst Rating Change:** Downgrades will be closely analyzed, but downgrades alone, especially downgrades due to loss of coverage because of analyst departure, do not necessarily trigger sells.
- **Sector Re-weighting:** Due to a limited number of positions, favorable positions may be sold to make room to change industry sector allocation.
- **Better Idea In Sector:** The goal is to own the most attractive stocks in each group.
- **Fundamental Weakness:** Weakness relative to analyst expectations or consensus estimates; turn around stories are given latitude in this category.
- **Significant Underperformance:** Underperformance relative to general market or industry group.

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PORTFOLIO HOLDINGS*

Ticker	Stock Name	Sector
AAPL	Apple Inc.	Information Technology
MSFT	Microsoft Corporation	Information Technology
WMT	Walmart Inc.	Consumer Staples
APD	Air Products and Chemicals, Inc.	Materials
MRK	Merck & Co., Inc.	Health Care
HD	Home Depot, Inc.	Consumer Discretionary
MSI	Motorola Solutions, Inc.	Information Technology
UNP	Union Pacific Corporation	Industrials
JPM	JPMorgan Chase & Co.	Financials
CSCO	Cisco Systems, Inc.	Information Technology
VZ	Verizon Communications Inc.	Communication Services
CME	CME Group Inc. Class A	Financials
CMCSA	Comcast Corporation Class A	Communication Services
ETN	Eaton Corp. Plc	Industrials
AMGN	Amgen Inc.	Health Care
MDT	Medtronic Plc	Health Care
CB	Chubb Limited	Financials
CVX	Chevron Corporation	Energy
BBY	Best Buy Co., Inc.	Consumer Discretionary
--	Cash	--

***Data as of: 6/16/2020**

Sector	Sector Weight	ETF Proxy (S&P 500 ETF)
Information Technology	28.2%	26.7%
Health Care	13.8%	14.4%
Financials	13.1%	10.6%
Industrials	9.9%	8.1%
Communication Services	9.3%	10.9%
Consumer Discretionary	8.3%	10.7%
Consumer Staples	6.0%	7.0%
Materials	5.9%	2.5%
Energy	5.5%	3.0%
Utilities	0.0%	3.1%
Real Estate	0.0%	2.9%
Weighted Average Sector Yield		2.82%

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Any charts and tables presented herein are for illustrative purposes only and should not be considered as the sole basis for an investment decision. All investments involve risk, including loss. Dividends are not guaranteed, and a company's future ability to pay dividends may be limited.

Average weighted yield is the sum of each stock weighting multiplied by the current dividend yield. Current yield, also known as dividend yield is the measure of the income generated by a security divided by the price of that security as of a given date. Current or dividend yield is calculated as dividends paid over a trailing 12 month period divided by the stock price as of the source date.

The average weighted yield and the current yield (or dividend yield) are not representative of a yield realized by any client and is not intended to project the income that a client should expect. Dividends are not guaranteed, and a company's future ability to pay dividends may be limited.

Top-down analysis: Looks first to the macroeconomic environment, attempting to identify sectors and industries that will benefit from broad economic trends before identifying specific companies as portfolio candidates and beginning fundamental research.

Bottom-up analysis: Focuses on the fundamentals of the individual companies being considered for the portfolio, with the macroeconomic perspective given secondary or no consideration.

It is important to review the investment objectives, risk tolerance, tax objectives and liquidity needs before choosing an investment style or manager. All investments carry a certain degree of risk, including loss. There is no assurance that any strategy will be successful, and no one particular investment style or manager is suitable for all types of investors. Indices are not available for direct investment. Any investor who attempts to mimic the performance of an index would incur fees and expenses which would reduce returns. Asset allocation and diversification does not ensure a profit or protect against a loss.

The Raymond James Research Portfolios (RJRP) account minimum is $100,000. The maximum total fee to the client is 2.6%. Please refer to Raymond James & Associates' Wrap Fee Program Brochure for the RJRP fee schedule.

Risks: RJRP may be more appropriate for affluent investors with $300,000 or more to invest. It is important to review the investment objectives, risk tolerance, tax objectives and liquidity needs before choosing an investment style or manager. All investments carry a certain degree of risk and no one particular investment style or manager is suitable for all types of investors, you may incur a profit or a loss. There is no assurance that any investment will be successful. Diversification does not ensure a profit or protect against a loss.

Manager composite inception date: RJRP Equity Income 1/1/2019; RJCS composite inception date: RJRP Equity Income 7/1/2019.

International investing involves special risks, including currency fluctuations, different financial accounting standards, and possible political and economic volatility. Investing in emerging markets can be riskier than investing in well- established foreign markets. Investing in small-cap stocks generally involves greater risks. These portfolios may be subject to international, small-cap and sector-focus exposures as well. Specific sector investing such as real estate can be subject to different and greater risks than more diversified investments. Declines in the value of real estate, economic conditions, property taxes, tax laws and interest rates all present potential risks to real estate investments. Changes in the value of a hedging instrument may not match those of the investment being hedged.

These portfolios may be subject to international, small-cap and sector-focus exposures as well. Accounts may have over weighted sector and issuer positions, and may result in greater volatility and risk. Companies in the technology industry are subject to fierce competition, and their products and services may be subject to rapid obsolescence. Alternative investments are generally considered speculative in nature and may involve a high degree of risk, particularly if concentrating investments in one or few alternative investments. These risks are potentially greater and substantially different than those associated with traditional equity or fixed income investments.

Gross performance shown must be accompanied by net of all fees performance. Gross performance figures are before any and all fees. Investment management fees, brokerage fees, and any other expenses that may be incurred will reduce actual returns. When fees are deducted quarterly, total portfolio performance will be reduced at a compounded rate. Net results are after all fees including management fees, brokerage fees, and transaction costs, but not domestic taxes. Performance includes reinvestment of all income, dividends and capital gains. When accounts open in RJRP, performance is based on a size-weighted (asset-weighted) composite of all fully discretionary, wrap-fee accounts. RJRP results are calculated using the Discounted Cash Flow Method, are time-weighted, and include cash in the total returns. Canceled accounts remain in the composite through their last full month. Composite performance generally begins when the strategy has three or more accounts open and invested for at least one full month. Performance assumes reinvestment of all dividends, capital gains and income. Dividends are not guaranteed and a company's future ability to pay dividends may be limited. Reported composite performance was not duplicated by every individual account in the composite, resulting in a different return for any particular investor. Performance data have not been audited and are subject to revision. Thus, the composite returns shown above may be revised and Raymond James will publish any revised performance data. Please refer to Raymond James & Associates' Wrap Fee Program Brochure for the RJRP fee schedules. Raymond James reserves the right to replace an existing holding in a strategy at any time.

The Best Fit Index is selected from published indices based on historical returns correlation and consistency with the discipline's investment process and/or holdings. Strategies that cross asset classes or strategies may be shown with a blended benchmark using a combination of indices felt to be representative of the elements of the discipline. *These indices are not available for direct investment. Any product which attempts to mimic the performance an index will incur expenses such as management fees and transaction costs that reduce returns*.

S&P 500: Representing approximately 80% of the investable U.S. equity market, the S&P 500 measures changes in stock market conditions based on the average performance of 500 widely held common stocks. It is a market-weighted index calculated on a total return basis with dividend reinvested. Russell 1000 Value: Measures the performance of those Russell 1000 companies (the 1,000 largest publicly traded U.S. companies, based on total market capitalization) with lower price-to-book ratios and lower forecasted growth values. Russell 1000: Based on a combination of their market cap and current index membership, this index is comprised of approximately 1,000 of the largest securities from the Russell 3000. Representing approximately 92% of the Russell 3000, the index is created to provide a full and unbiased indicator of the large cap segment. Russell 3000: Representing approximately 98% of the investable U.S. equity market, the Russell 3000 index measures the performance of the largest 3,000 U.S. companies.

For Portfolio Characteristics, Sector/Country Weights, and Quarterly Attribution data, an ETF proxy may be used in place of the Best Index. The proxy ETF used for the S&P 500 Index is SPDR S&P 500 ETF Trust (SPY).

Active Share: A measure of the percentage of holdings in an equity portfolio that differ from the benchmark index constituents.

Quantitative Analysis: Quantitative analysis is a business or financial analysis technique that seeks to understand behavior by using complex mathematical and statistical modeling, measurement and research. By assigning a numerical value to variables, quantitative analysts try to replicate reality mathematically. Quantitative analysis can be done for a number of reasons such as measurement, performance evaluation or valuation of a financial instrument. It can also be used to predict real world events such as changes in a share price.

Qualitative Analysis: Qualitative analysis is securities analysis that uses subjective judgment based on unquantifiable information, such as management expertise, industry cycles, strength of research and development, and labor relations. Qualitative analysis contrasts with quantitative analysis, which focuses on numbers that can be found on reports such as balance sheets. The two techniques, however, will often be used together in order to examine a company's operations and evaluate its potential as an investment opportunity

Price to book: The price-to-book ratio (P/B Ratio) is a ratio used to compare a stock's market value to its book value. It is calculated by dividing the current closing price of the stock by the latest quarter's book value per share. Also known as the "price-equity ratio".

Price to earnings ratio: The price-earnings ratio (P/E Ratio) is the ratio for valuing a company that measures its current share price relative to its per-share earnings.

Price to cash flow: The price-to-cash-flow ratio is the ratio of a stock's price to its cash flow per share. The price-to-cash-flow ratio is an indicator of a stock's valuation. Although there is no single figure to indicate an optimal price-to-cash- flow ratio, a ratio in the low single digits may indicate the stock is undervalued, while a higher ratio may suggest potential overvaluation. The ratio takes into consideration a stock's operating cash flow, which adds non-cash earnings such as depreciation and amortization to net income. It is especially useful for valuing stocks that have positive cash flow but are not profitable because of large non-cash charges.

Market capitalization: Market capitalization is the total dollar market value of all of a company's outstanding shares. Market capitalization is calculated by multiplying a company's shares outstanding by the current market price of one share. The investment community uses this figure to determine a company's size, as opposed to sales or total asset figures. Frequently referred to as "market cap".

Earnings per share ratio: Earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serves as an indicator of a company's profitability.

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