

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. Advisors have followed the strategy through the Guided Model Portfolios since Gibbs introduced them at Morgan Keegan in 2008. 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
- Spent six years as a senior semiconductor associate analyst
- In the industry since 2010

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/TAIWINDS

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

*Data as of: 3/31/2020

Sector	Sector Weight	ETF Proxy (S&P 500 ETF)
Information Technology	28.7%	25.6%
Health Care	15.7%	15.8%
Financials	13.2%	10.5%
Communication Services	9.8%	10.8%
Industrials	9.5%	7.5%
Consumer Staples	7.2%	7.7%
Materials	5.8%	2.4%
Consumer Discretionary	5.2%	10.4%
Energy	4.8%	2.8%
Real Estate	0.0%	3.0%
Utilities	0.0%	3.5%
Weighted Average Portfolio 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.

Benchmarks and Definitions:

Broad benchmarks are presented to illustrate the general price movement in one or more broad, widely accessible asset class. These benchmarks are not intended to represent the security selection process or holdings, but serve as a frame of comparison using established, well known indices.

Definitions: 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.

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.

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