

## Quality Dividend Focus Large Cap Plus

ACTIVE SEPARATELY MANAGED ACCOUNT

**STRATEGY:** US Large Cap Core**BENCHMARK:** Russell 1000®**ORGANIZATION:**

Northern Trust has been providing investment management services to investors since 1889. Our disciplined investment strategies seek to meet your wealth goals by combining extensive research, active risk management, and well-defined buy/sell criteria.

**OBJECTIVE:**

The Quality Dividend Focus Large Cap Plus Portfolio (QDF) is designed to provide consistent and systematic exposure to high-quality, dividend-paying securities while avoiding risks that we believe to be uncompensated. The strategy seeks to deliver a diversified portfolio designed to generate 150 to 200 basis points of outperformance per annum over a full market cycle. The strategy is suited for income-oriented investors who seek long-term capital appreciation and income growth.

**INVESTMENT APPROACH:**

Our methodology consists of three categories of fundamental factors (profitability, management, and cash factors) that we believe differentiate a security's level of quality. Portfolios are constructed to take active exposures by overweighting and underweighting securities based on their dividend yield and relative quality rankings. Risks that are not consistently rewarded such as market timing, sector and style tilting are minimized. The intent is to invest in companies that are priced attractively based on their expected dividend payment, and that exhibit strong business fundamentals, solid management and reliable cash flow. The portfolio is total return focused with a Beta similar to the market Beta and is expected to perform well in both upward trending and downward trending markets.

Diversification and portfolio construction is a critical differentiator of QDF compared to many dividend focused strategies. Other products tend to include a high exposure to lower quality stocks to increase portfolio yield, and to be concentrated in the number of holdings, incurring substantial industry and sector biases. We structure the QDF portfolio so that it reflects the characteristics of the benchmark; risk is only taken when we identify opportunities to add value. The QDF portfolio construction techniques help eliminate unintended exposures and create a portfolio well-suited to various market environments.

1) The portfolio holdings, characteristics and sector allocations are that of a model portfolio and is provided for illustrative purposes only, subject to change and can vary for actual accounts. This information is not a recommendation to buy or sell any security. There is no assurance that any security discussed was profitable or will prove to be profitable. Source: FactSet

**PORTFOLIO CHARACTERISTICS<sup>1</sup>**

	Portfolio	Benchmark
Number of Holdings	94	978
Representative Annual Turnover	20-30%	N/A
P/E Ratio	16.8x	20.3x
P/B Ratio	3.1x	3.3x
Annualized Dividend Yield	3.2%	1.9%
Wtd Avg Mkt Cap. (\$ millions)	\$188,229	\$202,011

**SECTOR WEIGHTINGS<sup>1</sup> (% Equities)**

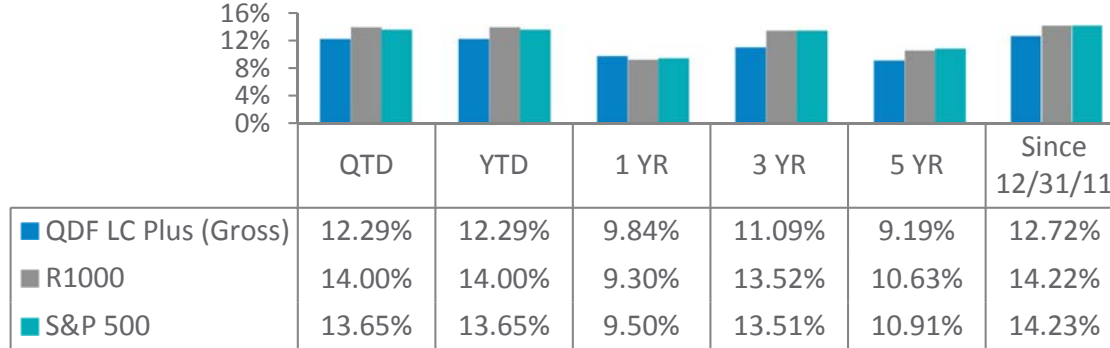
	Portfolio	Benchmark
Communication Services	6.5	9.5
Consumer Discretionary	10.6	10.2
Consumer Staples	5.3	6.8
Energy	8.0	5.2
Financials	13.9	12.9
Health Care	12.3	14.2
Industrials	7.1	9.8
Information Technology	25.6	21.5
Materials	1.2	2.9
Real Estate	6.4	3.8
Utilities	3.1	3.2
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Sectors may not equal 100% due to rounding.

**TOP TEN HOLDINGS<sup>1</sup> (% Portfolio)**

	Portfolio	Sector
Microsoft Corporation	4.1	Information Technology
JPMorgan Chase & Co.	3.9	Financials
Apple Inc.	3.9	Information Technology
Texas Instruments	3.2	Information Technology
Home Depot, Inc.	2.9	Consumer Discretionary
Pfizer Inc.	2.8	Health Care
Merck & Co., Inc.	2.7	Health Care
Boeing Company	2.7	Industrials
Exxon Mobil Corporation	2.5	Energy
Verizon Communications	2.4	Communication Services
<b>Total</b>	<b>31.0%</b>	

### INVESTMENT PERFORMANCE COMPARISON



Returns are annualized for periods greater than one year.

### RISK CHARACTERISTICS – 5 YEAR

(SUPPLEMENTAL)

	Portfolio	Benchmark
Alpha	-0.18%	0.00%
Beta	0.88	1.00
Information Ratio	-0.49	N/A
R-squared	93.44%	100.00%
Standard Deviation	10.26%	11.22%
Tracking Error	2.96%	0.00%

Source: Zephyr, calculated using gross of fees returns

### CALENDAR YEAR RETURNS AND ASSETS

	QUARTERLY RETURNS (GROSS)				YEAR TO DATE		AS OF YEAR-END (except for current period)					
	1Q	2Q	3Q	4Q	Composite (GROSS)	Russell 1000® Index	# of Accounts	Comp Assets (\$MIL)	% Firm Assets	Internal Dispersion	3YR	3YR
											Annualized Composite	Annualized Index
2019	12.29				12.29	14.00	201	679	0.10	N/A	10.23	10.72
2018	-2.06	3.94	7.10	-12.12	-4.20	-4.78	200	518	0.10	0.16	10.25	10.95
2017	4.33	1.13	4.23	6.56	17.19	21.69	213	792	0.10	0.16	9.12	9.97
2016	3.13	2.88	0.79	4.89	12.16	12.05	181	661	0.10	0.36	9.65	10.69
2015	1.86	-2.10	-4.13	5.24	0.62	0.92	145	469	0.10	0.18	9.84	10.48
2014	2.11	3.87	0.58	4.42	11.38	13.24	137	334	0.10	0.20	9.02	9.12
2013	11.61	3.76	4.20	9.34	31.93	33.11	113	212	0.10	0.26	N/A	12.26
2012	10.03	-1.75	5.84	-0.42	13.94	16.42	45	71	0.10	0.01	N/A	15.40

Northern Trust Asset Management comprises Northern Trust Investments, Inc. (NTI), Northern Trust Global Investments Limited (NTGIL), Northern Trust Global Investments Japan, K.K. (NTGIJ), the investment advisor division of The Northern Trust Company (TNTC) and its subsidiaries to offer investment products and services to personal and institutional markets. As of September 2017, the Northern Trust Global Securities Lending Program Division, a division of Northern Trust Asset Management, has been included in the GIPS® firm. For purpose of compliance with the Global Investment Performance Standards (GIPS®) the firm is defined as Northern Trust Asset Management Services, a subset of Northern Trust Asset Management, and includes those investment products managed by NTI, NTGIL, NTGIJ and TNTC that are distributed through global channels. As of 12/31/2018 Northern Trust Asset Management had assets under management totaling \$885.3 billion of which \$826.7 billion is part of the GIPS firm. The Quality Dividend Focus Large Cap Plus Composite consists of portfolios indexed to the Russell 1000® which is an unmanaged index which measures the performance of the 1,000 largest companies in the Russell 3000® Index, based on market capitalization. This benchmark replaced the prior benchmark the S&P 500® Index, effective 7/1/14 as it is the more appropriate benchmark for the QDF strategy. **Due to a composite constituent change effective 6/30/2017, the composite membership, assets under management, and performance were revised and updated from January 2012 to June 30, 2017. Prior to 10/1/2017, the composite name was referred to as Quality Dividend Focus Large Cap Core. The name change was implemented to better represent the strategy's methodology.** Financial leverage is not employed as a part of the overall investment strategy of this composite. Financial derivatives, in the form of futures contracts, and options may be utilized for the purposes of liquidity, market exposure, or investment opportunity. The internal dispersion of annual returns is measured by the standard deviation across asset-weighted portfolio returns represented in the composite for the full year. If fewer than 5 portfolios are in the composite for a full year, standard deviation is deemed not applicable. An investment cannot be made directly in an index. Index performance results do not account for investment management fees or transaction costs. Performance returns results reflect the reinvestment of dividends and other earnings, and are expressed in U.S. dollars. Actual performance results would be reduced by investment management and any applicable advisory fees. Performance returns are presented gross of management fees and have been calculated after the deduction of all transaction fees and commissions. The standard annual total fee schedule is as follows: 0.45% on total assets. To illustrate the effect of the compounding of fees assuming a \$5 million account which earned a 10% annual return and paid an annual fee of 0.45% the account would grow in value over five years to \$8.05 million before fees and \$7.89 million after deduction of fees. Past performance is no guarantee of future results. Northern Trust Asset Management Services has been verified by an independent verifier for the period from January 1, 1993 through December 31, 2017. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS® standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS® standards. A copy of the verification report is available upon request. Northern Trust Asset Management Services has prepared and presented this report in compliance with GIPS®. Prior to 1/1/93, all discretionary accounts may not have been included in a composite. A complete list and description of Northern Trust Asset Management Services' composites and additional information regarding policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. **For one-on-one presentations only.**